



ORANGE COUNTY FIRE AUTHORITY AGENDA

Budget and Finance Committee Meeting

Wednesday, May 14, 2014

12:00 Noon

Orange County Fire Authority Regional Fire Operations and Training Center

1 Fire Authority Road

Room AE117

Irvine, California 92602

Elizabeth Swift, Chair

Randal Bressette, Vice Chair

Sam Allevato Trish Kelley Jerry McCloskey Al Murray Steven Weinberg

Bruce Channing - Ex Officio

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

This Agenda contains a brief general description of each item to be considered. Except as otherwise provided by law, no action or discussion shall be taken on any item not appearing on the following Agenda. Supporting documents, including staff reports, are available for review at the Orange County Fire Authority Regional Fire Operations and Training Center, 1 Fire Authority Road, Irvine, CA 92602 or you may contact Sherry A.F. Wentz, Clerk of the Authority, at (714) 573-6040 Monday through Friday from 8:00 a.m. to 5:00 p.m.

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



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

CALL TO ORDER

PLEDGE OF ALLEGIANCE by Director Kelley

ROLL CALL

PUBLIC COMMENTS

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

MINUTES**1. Minutes for the April 9, 2014, Budget and Finance Committee Meeting**

Submitted by: Sherry Wentz, Clerk of the Authority

Recommended Action:

Approve as submitted.

CONSENT CALENDAR**2. Monthly Investment Reports**

Submitted by: Patricia Jakubiak, Treasurer

Recommended Action:

Review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of May 22, 2014, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the reports.

3. Monthly Status Update – Orange County Employees' Retirement System

Submitted by: Patricia Jakubiak, Treasurer

Recommended Action:

Receive and file the report.

4. Third Quarter Financial Newsletter – July 2013 to March 2014

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

Recommended Action:

Review the proposed agenda item and direct staff to place this item on the agenda for the Executive Committee meeting of May 22, 2014, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the report.

DISCUSSION CALENDAR**5. Approval of 2014 Tax and Revenue Anticipation Notes (TRANS)**

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

Recommended Action:

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of May 22, 2014, with the Budget and Finance Committee's recommendation that the Board of Directors take the following actions:

1. Adopt the submitted resolution authorizing the issuance of the 2014-2015 Tax and Revenue Anticipation Notes.
2. Authorize the temporary transfer of up to \$9 million from Fund 123 (Facilities Replacement) to Fund 121 (General Fund) to cover a projected cash flow shortfall for FY 2014/15.
3. Authorize the repayment of \$9 million borrowed funds from Fund 121 to Fund 123 along with interest, when General Fund revenues become available in FY 2014/15.

6. Rosenow Spevacek Group, Inc. (RSG) Final Property Tax Revenue Projections

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

Recommended Action:

Receive and file the report.

7. Review of the 2014/15 Proposed Budget

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

Recommended Action:

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of May 22, 2014, with the Budget and Finance Committee's recommendation that the Board of Directors take the following actions:

1. Conduct a public hearing.
2. Adopt the submitted 2014/15 Proposed Budget.
3. Adopt the proposed Resolution adopting and approving the appropriations budget.
4. Approve and authorize a FY 2013/14 budget adjustment to increase General Fund revenues by \$1,329,186 and appropriations by \$551,777.

8. Contract Extension for Banking and Custodial Services
Submitted by: Lori Zeller, Assistant Chief, Business Services Department

Recommended Action:

Review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of May 22, 2014, with the Budget and Finance Committee’s recommendation that the Executive Committee take the following actions:

1. Authorize the Purchasing Manager to extend the banking and custodial services contracts with UB for a three-year term commencing on January 1, 2015, at a fixed pricing level as detailed in the submitted Union Bank Contract Extension Proposal for banking and custodial services.
2. Authorize the Purchasing Manager to extend the contract for two additional one-year terms upon the expiration of the three-year term, subject to negotiations between the OCFA and the bank, provided that fee increases do not exceed the increase in the Consumer Price Index for the Greater Orange County Metro Area.

REPORTS

No items.

COMMITTEE MEMBER COMMENTS

ADJOURNMENT – The next regular meeting of the Budget and Finance Committee is scheduled for Wednesday, June 11, 2014, at 12:00 noon.

AFFIDAVIT OF POSTING

I hereby certify under penalty of perjury under the laws of the State of California, that the foregoing Agenda was posted in the lobby and front gate public display case of the Orange County Fire Authority, Regional Fire Operations and Training Center, 1 Fire Authority Road, Irvine, CA, not less than 72 hours prior to the meeting. Dated this 8th day of May 2014.

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

UPCOMING MEETINGS:

Claims Settlement Committee Meeting	Thursday, May 22, 2014, 5:00 p.m.
Executive Committee Meeting	Thursday, May 22, 2014, 5:30 p.m.
Board of Directors Meeting	Thursday, May 22, 2014, 6:30 p.m.
Budget and Finance Committee Meeting	Wednesday, June 11, 2014, 12:00 noon

MINUTES ORANGE COUNTY FIRE AUTHORITY

Budget and Finance Committee Meeting
Wednesday, April 9, 2014
12:00 Noon

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

CALL TO ORDER

A regular meeting of the Orange County Fire Authority Budget and Finance Committee was called to order on April 9, 2014, at 12:00 p.m. by Chair Swift.

PLEDGE OF ALLEGIANCE

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

ROLL CALL

Present: Sam Allevato, San Juan Capistrano
Randal Bressette, Laguna Hills
Jerry McCloskey, Laguna Niguel
Al Murray, Tustin
Elizabeth Swift, Buena Park
Steven Weinberg, Dana Point

Absent: Trish Kelley, Mission Viejo

Also present were:

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

PUBLIC COMMENTS (F: 12.02B3)

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

MINUTES

1. Minutes for the March 12, 2014, Budget and Finance Committee Meeting (F: 12.02B2)

On motion of Director McCloskey and second by Director Weinberg, the Committee voted to approve the minutes of the March 12, 2014, Budget and Finance Committee Meeting, as submitted. Director Allevato noted an abstention. Director Murray was absent.

CONSENT CALENDAR

No items.

DISCUSSION CALENDAR

2. Monthly Investment Report (F: 11.10D2)

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

On motion of Vice Chair Bressette and second by Director McCloskey, the Committee voted unanimously to direct staff to place the item on the agenda for the Executive Committee meeting of April 24, 2014, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the report. Director Murray was absent.

3. Status Update – Orange County Employees' Retirement System (F: 17.06B)

Treasurer Tricia Jakubiak provided an update on the Orange County Employees' Retirement System.

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

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

4. Annual Complaint Investigation Hotline Report – Calendar Year 2013 (F: 18.10H)

Interim Human Resources Director Janet Wells provided an overview on the Annual Complaint Investigation Hotline Report for calendar year 2013.

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

Minutes

OCFA Budget and Finance Committee Meeting

April 9, 2014 Page - 2

5. Third Quarter Workers' Compensation Program Update – December 2013 through February 2014 (F: 18.10A2c)

Interim Human Resources Director Janet Wells introduced Risk Management Analyst Rhonda Haynes who provided an overview on the Workers' Compensation Program update, and indicated the third party agreements have been executed and all claims will be transferred to the new service providers.

By concurrence, the Committee requested staff to expand future reports to assist in the identification of noteworthy trends, such as acute care and multiple claims by individuals.

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

REPORTS (F: 12.02B6)

Assistant Chief Lori Zeller introduced the new Human Resources Director, Jeremy Hammond, and thanked Interim Human Resources Director Janet Wells for her service with OCFA.

COMMITTEE MEMBER COMMENTS (F: 12.02B4)

Director Allevato commented on the recent ground breaking ceremony for Fire Station 56 in the unincorporated area outside San Juan Capistrano, which will provide much needed service to the Ortega Highway area.

ADJOURNMENT – Chair Swift adjourned the meeting at 12:30 p.m. The next regular meeting of the Budget and Finance Committee is scheduled for Wednesday, May 14, 2014, at 12:00 noon.

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

CONSENT CALENDAR - AGENDA ITEM NO. 2
BUDGET AND FINANCE COMMITTEE MEETING
May 14, 2014

TO: Budget and Finance Committee, Orange County Fire Authority

FROM: Patricia Jakubiak, Treasurer

SUBJECT: **Monthly Investment Reports**

Summary:

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

Recommended Action:

Review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of May 22, 2014, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the reports.

Background:

Attached is the final monthly investment report for the month ended March 31, 2014. A preliminary investment report as of April 25, 2014, is also provided as the most complete report that was available at the time this agenda item was prepared.

Impact to Cities/County:

Not Applicable.

Fiscal Impact:

Not Applicable.

Staff Contact for Further Information:

Patricia Jakubiak, Treasurer

Triciajakubiak@ocfa.org

(714) 573-6301

Attachments:

Final Investment Report – March 2014 / Preliminary Report – April 2014

Orange County Fire Authority Monthly Investment Report



Final Report – March 2014

Preliminary Report – April 2014



Monthly Investment Report Table of Contents

<i>Final Investment Report – March 31, 2014.....</i>	<i>1</i>
<i>Executive Summary.....</i>	<i>2</i>
<i>Benchmark Comparison.....</i>	<i>3</i>
<i>Portfolio Size, Yield, & Duration.....</i>	<i>3</i>
<i>Portfolio Summary.....</i>	<i>4</i>
<i>Portfolio Details.....</i>	<i>5</i>
<i>Aging Report.....</i>	<i>8</i>
<i>Notes to Portfolio Management Report.....</i>	<i>9</i>
<i>Local Agency Investment Fund.....</i>	<i>10</i>
<i>Preliminary Investment Report – April 25, 2014.....</i>	<i>12</i>
<i>Portfolio Summary.....</i>	<i>13</i>
<i>Portfolio Details.....</i>	<i>14</i>
<i>Aging Report.....</i>	<i>17</i>
<i>Notes to Portfolio Management Report.....</i>	<i>18</i>



Orange County Fire Authority

Final Investment Report

March 31, 2014



EXECUTIVE SUMMARY

Portfolio Activity & Earnings

During the month of March 2014, the size of the portfolio increased slightly to \$122.6 million from \$121.2 million. Significant receipts for the month included the fifth apportionment of secured property taxes for \$9.6 million and the third quarterly cash contract payments totaling \$14.1 million. Significant disbursements for the month included primarily biweekly payrolls. The portfolio's balance is expected to increase significantly in the following month as the next major property tax receipt is scheduled in April.

In March, the portfolio's yield to maturity (365-day equivalent) decreased by 3 basis points to 0.28% while the effective rate of return decreased by 2 basis points to 0.30% for the month and remained unchanged at 0.32% for the fiscal year to date. The average maturity of the portfolio shortened by 68 days to 164 days to maturity.

Economic News

In March 2014, the U.S. economic activity was mixed. Employment conditions were slightly weaker than expected. There was a total of 192,000 new jobs created for the month; a higher number had been forecasted for the March jobs report. Unemployment conditions stayed unchanged at an elevated rate of 6.7%; a modest drop in the unemployment rate had been expected. On the other hand, both manufacturing and non-manufacturing activities increased for the month. Retail sales rose better than expected, despite mixed consumer confidence in March. Durable goods orders came in stronger than expected. Industrial production continued to rise in March and both the NFIB (National Federation of Independent Business) small business optimism index and the LEI (Leading Economic Index) also rose. However, housing activity was slow. Inflation increased more than expected, although still tame. The national GDP (Gross Domestic Product) for the first quarter of 2014 grew modestly by an annual rate of 0.1%, a much slower pace than expected. On April 30, 2014, at the second day of the scheduled meeting of the Federal Open Market Committee, the Committee voted unanimously to keep the federal funds rate unchanged at a target range of 0 – 0.25%. The Committee also decided to reduce its asset purchase program further to \$45 billion from \$55 billion per month beginning in May 2014.



BENCHMARK COMPARISON AS OF MARCH 31, 2014

<i>3 Month T-Bill:</i> 0.05%	<i>1 Year T-Bill:</i> 0.13%
<i>6 Month T-Bill:</i> 0.08%	<i>LAIF:</i> 0.24%
<i>OCFA Portfolio:</i> 0.30%	

PORTFOLIO SIZE, YIELD, & DURATION

	<u><i>Current Month</i></u>	<u><i>Prior Month</i></u>	<u><i>Prior Year</i></u>
<i>Book Value-</i>	\$122,642,674	\$121,167,391	\$112,134,051
<i>Yield to Maturity (365 day)</i>	0.28%	0.31%	0.34%
<i>Effective Rate of Return</i>	0.30%	0.32%	0.34%
<i>Days to Maturity</i>	164	232	318



ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Summary
March 31, 2014

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

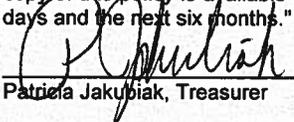
(See Note 1 on page 9)

(See Note 2 on page 9)

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM/C 360 Equiv.	YTM/C 365 Equiv.
Money Mkt Mutual Funds/Cash	7,307,391.77	7,307,391.77	7,307,391.77	6.01	1	1	0.001	0.001
Commercial Paper Disc. -Amortizing	8,000,000.00	7,997,680.00	7,998,386.67	6.58	92	66	0.110	0.112
Federal Agency Coupon Securities	29,333,333.33	29,102,109.60	29,338,932.29	24.12	1,455	612	0.679	0.688
Federal Agency Disc. -Amortizing	27,000,000.00	26,998,650.00	26,998,477.50	22.19	93	52	0.051	0.051
Local Agency Investment Funds	50,000,000.00	50,015,855.90	50,000,000.00	41.10	1	1	0.233	0.236
Investments	121,640,725.10	121,421,687.27	121,643,188.23	100.00%	378	164	0.278	0.282
Cash								
Passbook/Checking (not included in yield calculations)	1,480,184.95	1,480,184.95	1,480,184.95		1	1	0.000	0.000
Total Cash and Investments	123,120,910.05	122,901,872.22	123,123,373.18		378	164	0.278	0.282

Total Earnings	March 31 Month Ending	Fiscal Year To Date
Current Year	32,197.83	316,388.11
Average Daily Balance	127,323,023.18	131,655,398.68
Effective Rate of Return	0.30%	0.32%

"I certify that this investment report accurately reflects all pooled investments and is in compliance with the investment policy adopted by the Board of Directors to be effective on January 1, 2014. A copy of this policy is available from the Clerk of the Authority. Sufficient investment liquidity and anticipated revenues are available to meet budgeted expenditure requirements for the next thirty days and the next six months."


 Patricia Jakubiak, Treasurer

4/4/14

Cash and Investments with GASB 31 Adjustment:

Book Value of Cash & Investments before GASB 31 (Above)	\$ 123,123,373.18
GASB 31 Adjustment to Books (See Note 3 on page 9)	\$ (480,699.41)
Total	\$ 122,642,673.77

Page 4

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Investments
March 31, 2014

(See Note 1 on page 9)

(See Note 2 on page 9)

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity	Maturity Date
Money Mkt Mutual Funds/Cash											
SYS528	528	High Mark 100% US Treasury MMF			7,307,391.77	7,307,391.77	7,307,391.77	0.001	0.001	1	
Subtotal and Average			10,772,365.03		7,307,391.77	7,307,391.77	7,307,391.77		0.001	1	
Commercial Paper Disc. -Amortizing											
36959JF65	818	GEN ELEC CAP CRP		03/06/2014	8,000,000.00	7,997,680.00	7,998,386.67	0.110	0.112	66	08/06/2014
Subtotal and Average			6,708,068.03		8,000,000.00	7,997,680.00	7,998,386.67		0.112	66	
Federal Agency Coupon Securities											
3133ECM76	809	Federal Farm Credit Bank (Callable anytime)		04/25/2013	9,000,000.00	8,979,750.00	8,995,665.46	0.400	0.424	752	04/22/2016
3133804V6	787	Fed Home Loan Bank (Callable anytime)		08/09/2012	6,000,000.00	5,952,180.00	6,000,000.00	1.000	0.981	1,226	08/09/2017
3133813R4	800	Fed Home Loan Bank (Callable 4-9-14)		12/20/2012	9,000,000.00	8,848,260.00	9,010,626.04	1.000	0.883	8	11/09/2017
313382DC4	803	Fed Home Loan Bank (Callable anytime)		03/15/2013	5,333,333.33	5,321,919.60	5,332,640.79	0.470	0.477	706	03/07/2016
Subtotal and Average			34,295,394.55		29,333,333.33	29,102,109.60	29,338,932.29		0.688	612	
Federal Agency Disc. -Amortizing											
313385VK9	817	Fed Home Loan Bank		12/19/2013	9,000,000.00	8,999,910.00	8,999,825.00	0.070	0.072	10	04/11/2014
313385XD3	819	Fed Home Loan Bank		03/13/2014	9,000,000.00	8,999,640.00	8,999,350.00	0.050	0.051	52	05/23/2014
313385YW0	820	Fed Home Loan Bank		03/31/2014	9,000,000.00	8,999,100.00	8,999,302.50	0.030	0.031	93	07/03/2014
Subtotal and Average			26,418,163.31		27,000,000.00	26,998,650.00	26,998,477.50		0.051	52	
Local Agency Investment Funds											
SYS336	336	Local Agency Invstmt Fund			50,000,000.00	50,015,855.90	50,000,000.00	0.236	0.236	1	
Subtotal and Average			49,129,032.26		50,000,000.00	50,015,855.90	50,000,000.00		0.236	1	
Total and Average			127,323,023.18		121,640,725.10	121,421,687.27	121,643,188.23		0.282	164	

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Cash
March 31, 2014

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity
Money Mkt Mutual Funds/Cash										
SYS10104	10104	American Benefit Plan Admin		07/01/2013	15,000.00	15,000.00	15,000.00		0.000	1
SYS10033	10033	Revolving Fund		07/01/2013	20,000.00	20,000.00	20,000.00		0.000	1
SYS4	4	Union Bank of California		07/01/2013	1,195,184.95	1,195,184.95	1,195,184.95		0.000	1
SYS361	361	YORK		07/01/2013	250,000.00	250,000.00	250,000.00		0.000	1
		Average Balance	0.00							1
Total Cash and Investments			127,323,023.18		123,120,910.05	122,901,872.22	123,123,373.18		0.282	164

(This Page Intentionally Left Blank)



ORANGE COUNTY FIRE AUTHORITY
Aging Report
By Maturity Date
As of April 1, 2014

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

Page 8

				Maturity Par Value	Percent of Portfolio	Current Book Value	Current Market Value	
Aging Interval:	0 days	(04/01/2014 - 04/01/2014)	6 Maturities	0 Payments	58,787,576.72	47.75%	58,787,576.72	58,803,432.62
Aging Interval:	1 - 30 days	(04/02/2014 - 05/01/2014)	1 Maturities	0 Payments	9,000,000.00	7.31%	8,999,825.00	8,999,910.00
Aging Interval:	31 - 60 days	(05/02/2014 - 05/31/2014)	1 Maturities	0 Payments	9,000,000.00	7.31%	8,999,350.00	8,999,640.00
Aging Interval:	61 - 91 days	(06/01/2014 - 07/01/2014)	1 Maturities	0 Payments	8,000,000.00	6.50%	7,998,386.67	7,997,680.00
Aging Interval:	92 - 121 days	(07/02/2014 - 07/31/2014)	1 Maturities	0 Payments	9,000,000.00	7.31%	8,999,302.50	8,999,100.00
Aging Interval:	122 - 152 days	(08/01/2014 - 08/31/2014)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	153 - 183 days	(09/01/2014 - 10/01/2014)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	184 - 274 days	(10/02/2014 - 12/31/2014)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	275 - 365 days	(01/01/2015 - 04/01/2015)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	366 - 1095 days	(04/02/2015 - 03/31/2017)	2 Maturities	0 Payments	14,333,333.33	11.64%	14,328,306.25	14,301,669.60
Aging Interval:	1096 - 1825 days	(04/01/2017 - 03/31/2019)	2 Maturities	0 Payments	15,000,000.00	12.19%	15,010,626.04	14,800,440.00
Aging Interval:	1826 days and after	(04/01/2019 -)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Total for			14 Investments	0 Payments		100.00	123,123,373.18	122,901,872.22



NOTES TO PORTFOLIO MANAGEMENT REPORT

- Note 1: Market value of the LAIF investment is calculated using a fair value factor provided by LAIF. The Union Bank Trust Department provides market values of the remaining investments.
- Note 2: Book value reflects the cost or amortized cost before the GASB 31 accounting adjustment.
- Note 3: GASB 31 requires governmental entities to report investments at fair value in the financial statements and to reflect the corresponding unrealized gains/ (losses) as a component of investment income. The GASB 31 adjustment is recorded only at fiscal year end. The adjustment for June 30, 2013 includes an increase of \$13,660 to the LAIF investment and a decrease of \$(494,359) to the remaining investments.
- Note 4: The Highmark money market mutual fund functions as the Authority's sweep account. Funds are transferred to and from the sweep account to/from OCFA's checking account in order to maintain a target balance of \$1,000,000 in checking. Since this transfer occurs at the beginning of each banking day, the checking account sometimes reflects a negative balance at the close of the banking day. The negative closing balance is not considered an overdraft since funds are available in the money market mutual fund. The purpose of the sweep arrangement is to provide sufficient liquidity to cover outstanding checks, yet allow that liquidity to be invested while payment of the outstanding checks is pending.



Local Agency Investment Fund (LAIF)

As of March 31, 2014, OCFA has \$50,000,000 invested in LAIF. The fair value of OCFA's LAIF investment is calculated using a participant fair value factor provided by LAIF on a quarterly basis. The fair value factor as of March 31, 2014 is 1.000317118. When applied to OCFA's LAIF investment, the fair value is \$50,015,856 or \$15,856 above cost. Although the fair value of the LAIF investment is higher than cost, OCFA can withdraw the actual amount invested at any time.

LAIF is included in the State Treasurer's Pooled Money Investment Account (PMIA) for investment purposes. The PMIA market valuation at March 31, 2014 is included on the following page.

**State of California
Pooled Money Investment Account
Market Valuation
3/31/2014**

Description	Carrying Cost Plus Accrued Interest Purch.	Amortized Cost	Fair Value	Accrued Interest
United States Treasury:				
Bills	\$ 13,485,141,238.10	\$ 13,493,502,144.37	\$ 13,495,650,000.00	NA
Notes	\$ 17,363,685,393.04	\$ 17,363,409,796.92	\$ 17,377,558,000.00	\$ 14,372,271.50
Federal Agency:				
SBA	\$ 551,389,934.60	\$ 551,389,934.60	\$ 547,459,655.45	\$ 518,610.96
MBS-REMICs	\$ 131,169,641.99	\$ 131,169,641.99	\$ 140,815,213.91	\$ 625,830.22
Debentures	\$ 1,392,831,307.69	\$ 1,392,809,168.82	\$ 1,392,270,210.00	\$ 1,927,606.06
Debentures FR	\$ -	\$ -	\$ -	\$ -
Discount Notes	\$ 1,199,075,083.36	\$ 1,199,675,666.66	\$ 1,199,896,000.00	NA
GNMA	\$ -	\$ -	\$ -	\$ -
Supranational Debentures	\$ 149,906,515.88	\$ 149,906,515.88	\$ 149,775,500.00	\$ 156,597.50
CDs and YCDs FR	\$ -	\$ -	\$ -	\$ -
Bank Notes	\$ 500,000,000.00	\$ 500,000,000.00	\$ 499,920,655.01	\$ 115,083.32
CDs and YCDs	\$ 8,850,016,516.72	\$ 8,850,001,475.05	\$ 8,847,441,069.69	\$ 4,020,993.06
Commercial Paper	\$ 4,198,403,930.58	\$ 4,199,185,444.41	\$ 4,198,506,736.10	NA
Corporate:				
Bonds FR	\$ -	\$ -	\$ -	\$ -
Bonds	\$ -	\$ -	\$ -	\$ -
Repurchase Agreements	\$ -	\$ -	\$ -	\$ -
Reverse Repurchase	\$ -	\$ -	\$ -	\$ -
Time Deposits	\$ 4,612,640,000.00	\$ 4,612,640,000.00	\$ 4,612,640,000.00	NA
AB 55 & GF Loans	\$ 5,084,511,416.02	\$ 5,084,511,416.02	\$ 5,084,511,416.02	NA
TOTAL	\$ 57,518,770,977.98	\$ 57,528,201,204.72	\$ 57,546,444,456.18	\$ 21,736,992.62

Fair Value Including Accrued Interest

\$ 57,568,181,448.80

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

The value of each participating dollar equals the fair value divided by the amortized cost (1.000317118). As an example: if an agency has an account balance of \$20,000,000.00, then the agency would report its participation in the LAIF valued at \$20,006,342.37 or \$20,000,000.00 x 1.000317118.



Orange County Fire Authority
Preliminary Investment Report
April 25, 2014



ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Summary
April 25, 2014

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

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

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM/C 360 Equiv.	YTM/C 365 Equiv.
Money Mkt Mutual Funds/Cash	13,734,425.09	13,734,425.09	13,734,425.09	8.05	1	1	0.001	0.001
Commercial Paper Disc. -Amortizing	15,000,000.00	14,994,160.00	14,997,486.94	8.79	102	74	0.091	0.093
Federal Agency Coupon Securities	36,833,333.33	36,672,321.66	36,858,522.46	21.61	1,439	807	0.670	0.679
Federal Agency Disc. -Amortizing	55,000,000.00	54,995,490.00	54,996,351.66	32.24	87	74	0.035	0.036
Local Agency Investment Funds	50,000,000.00	50,015,855.90	50,000,000.00	29.31	1	1	0.233	0.236
Investments	170,567,758.42	170,412,252.65	170,586,786.15	100.00%	348	205	0.233	0.236
Cash and Accrued Interest								
Passbook/Checking (not included in yield calculations)	375,174.99	375,174.99	375,174.99		1	1	0.000	0.000
Accrued Interest at Purchase		26,802.08	26,802.08					
Subtotal		401,977.07	401,977.07					
Total Cash and Investments	170,942,933.41	170,814,229.72	170,988,763.22		348	205	0.233	0.236

Total Earnings	April 25 Month Ending	Fiscal Year To Date
Current Year	24,435.01	340,823.12
Average Daily Balance	123,607,507.19	130,982,498.05
Effective Rate of Return	0.29%	0.32%

"I certify that this investment report accurately reflects all pooled investments and is in compliance with the investment policy adopted by the Board of Directors to be effective on January 1, 2014. A copy of this policy is available from the Clerk of the Authority. Sufficient investment liquidity and anticipated revenues are available to meet budgeted expenditure requirements for the next thirty days and the next six months.

Patricia Jakubiak, Treasurer

Cash and Investments with GASB 31 Adjustment:

Book Value of Cash & Investments before GASB 31 (Above)	\$ 170,988,763.22
GASB 31 Adjustment to Books (See Note 3 on page 18)	\$ (480,699.41)
Total	\$ 170,508,063.81

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Investments
April 25, 2014

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

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity	Maturity Date
Money Mkt Mutual Funds/Cash											
SYS528	528	High Mark 100% US Treasury MMF			13,734,425.09	13,734,425.09	13,734,425.09	0.001	0.001	1	
Subtotal and Average			10,247,899.02		13,734,425.09	13,734,425.09	13,734,425.09		0.001	1	
Commercial Paper Disc. -Amortizing											
36959JF65	818	GEN ELEC CAP CRP		03/06/2014	8,000,000.00	7,998,640.00	7,998,997.78	0.110	0.112	41	06/06/2014
36959JHF3	825	GEN ELEC CAP CRP		04/24/2014	7,000,000.00	6,995,520.00	6,998,489.16	0.070	0.071	111	08/15/2014
Subtotal and Average			8,558,583.03		15,000,000.00	14,994,160.00	14,997,486.94		0.093	74	
Federal Agency Coupon Securities											
3133ECM76	809	Federal Farm Credit Bank(Callable anytime)		04/25/2013	9,000,000.00	8,978,490.00	8,995,811.70	0.400	0.424	727	04/22/2016
3134G4TC2	821	Fed Home Loan Mtg Corp (Callable 7-30-14)		04/23/2014	7,500,000.00	7,514,625.00	7,519,623.71	1.550	0.545	95	01/30/2018
3133804V6	787	Fed Home Loan Bank (Callable anytime)		08/09/2012	6,000,000.00	5,987,680.00	6,000,000.00	1.000	0.981	1,201	08/09/2017
3133813R4	800	Fed Home Loan Bank (Callable 5-9-14)		12/20/2012	9,000,000.00	8,878,320.00	9,010,421.38	1.000	0.986	1,293	11/09/2017
313382DC4	803	Fed Home Loan Bank (Callable anytime)		03/15/2013	5,333,333.33	5,333,226.66	5,332,665.67	0.470	0.477	681	03/07/2016
Subtotal and Average			30,241,294.74		36,833,333.33	36,672,321.66	36,858,522.46		0.679	807	
Federal Agency Disc. -Amortizing											
313397F55	827	Freddie Mac		04/24/2014	5,000,000.00	4,998,050.00	4,999,420.83	0.030	0.031	139	09/12/2014
313385XD3	819	Fed Home Loan Bank		03/13/2014	9,000,000.00	8,998,820.00	8,999,662.50	0.050	0.051	27	05/23/2014
313385YW0	820	Fed Home Loan Bank		03/31/2014	9,000,000.00	8,999,370.00	8,999,490.00	0.030	0.031	68	07/03/2014
313385YG5	822	Fed Home Loan Bank		04/24/2014	9,000,000.00	8,999,640.00	8,999,392.50	0.045	0.046	54	06/19/2014
313385YU4	823	Fed Home Loan Bank		04/24/2014	8,000,000.00	7,998,440.00	7,998,633.33	0.025	0.026	66	07/01/2014
313385ZM1	824	Fed Home Loan Bank		04/24/2014	9,000,000.00	8,999,190.00	8,999,377.50	0.030	0.031	83	07/18/2014
313385D78	826	Fed Home Loan Bank		04/24/2014	6,000,000.00	5,998,980.00	5,999,375.00	0.030	0.031	125	08/29/2014
Subtotal and Average			24,558,666.69		65,000,000.00	64,995,490.00	64,996,351.66		0.036	74	
Local Agency Investment Funds											
SYS336	336	Local Agency Invstmt Fund			50,000,000.00	50,015,855.90	50,000,000.00	0.236	0.236	1	
Subtotal and Average			50,001,074.81		50,000,000.00	50,015,855.90	50,000,000.00		0.236	1	
Total and Average			123,607,507.19		170,667,758.42	170,412,252.65	170,586,786.16		0.236	206	

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Cash
April 25, 2014

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity
Money Mkt Mutual Funds/Cash										
SYS10104	10104	American Benefit Plan Admin		07/01/2013	15,000.00	15,000.00	15,000.00		0.000	1
SYS10033	10033	Revolving Fund		07/01/2013	20,000.00	20,000.00	20,000.00		0.000	1
SYS4	4	Union Bank of California		07/01/2013	90,174.99	90,174.99	90,174.99		0.000	1
SYS361	361	YORK		07/01/2013	250,000.00	250,000.00	250,000.00		0.000	1
		Average Balance	0.00	Accrued Interest at Purchase		26,802.08	26,802.08			1
				Subtotal		401,977.07	401,977.07			
		Total Cash and Investments	123,607,507.19		170,942,933.41	170,814,229.72	170,988,763.22		0.236	205

(This Page Intentionally Left Blank)



ORANGE COUNTY FIRE AUTHORITY
Aging Report
By Maturity Date
As of April 26, 2014

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

Page 17

				Maturity Par Value	Percent of Portfolio	Current Book Value	Current Market Value	
Aging Interval:	0 days	(04/26/2014 - 04/26/2014)	6 Maturities	0 Payments	64,109,600.08	37.50%	64,109,600.08	64,125,455.98
Aging Interval:	1 - 30 days	(04/27/2014 - 05/26/2014)	1 Maturities	0 Payments	9,000,000.00	5.26%	8,999,662.50	8,999,820.00
Aging Interval:	31 - 60 days	(05/27/2014 - 06/25/2014)	2 Maturities	0 Payments	17,000,000.00	9.94%	16,998,390.28	16,998,280.00
Aging Interval:	61 - 91 days	(06/26/2014 - 07/26/2014)	3 Maturities	0 Payments	26,000,000.00	15.21%	25,998,500.83	25,998,000.00
Aging Interval:	92 - 121 days	(07/27/2014 - 08/25/2014)	1 Maturities	0 Payments	7,000,000.00	4.09%	6,998,489.16	6,995,520.00
Aging Interval:	122 - 152 days	(08/26/2014 - 09/25/2014)	2 Maturities	0 Payments	11,000,000.00	6.43%	10,998,795.83	10,998,030.00
Aging Interval:	153 - 183 days	(09/26/2014 - 10/26/2014)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	184 - 274 days	(10/27/2014 - 01/25/2015)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	275 - 365 days	(01/26/2015 - 04/26/2015)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	366 - 1095 days	(04/27/2015 - 04/25/2017)	2 Maturities	0 Payments	14,333,333.33	8.38%	14,328,477.37	14,311,716.66
Aging Interval:	1096 - 1825 days	(04/26/2017 - 04/25/2019)	3 Maturities	0 Payments	22,500,000.00	13.18%	22,530,045.09	22,360,605.00
Aging Interval:	1826 days and after	(04/26/2019 -)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Total for			20 Investments	0 Payments		100.00	170,961,961.14	170,787,427.64



NOTES TO PORTFOLIO MANAGEMENT REPORT

- Note 1: Market value of the LAIF investment is calculated using a fair value factor provided by LAIF. The Union Bank Trust Department provides market values of the remaining investments.
- Note 2: Book value reflects the cost or amortized cost before the GASB 31 accounting adjustment.
- Note 3: GASB 31 requires governmental entities to report investments at fair value in the financial statements and to reflect the corresponding unrealized gains/ (losses) as a component of investment income. The GASB 31 adjustment is recorded only at fiscal year end. The adjustment for June 30, 2013 includes an increase of \$13,660 to the LAIF investment and a decrease of \$(494,359) to the remaining investments.
- Note 4: The Highmark money market mutual fund functions as the Authority's sweep account. Funds are transferred to and from the sweep account to/from OCFA's checking account in order to maintain a target balance of \$1,000,000 in checking. Since this transfer occurs at the beginning of each banking day, the checking account sometimes reflects a negative balance at the close of the banking day. The negative closing balance is not considered an overdraft since funds are available in the money market mutual fund. The purpose of the sweep arrangement is to provide sufficient liquidity to cover outstanding checks, yet allow that liquidity to be invested while payment of the outstanding checks is pending.

**CONSENT CALENDAR – AGENDA ITEM NO. 3
BUDGET AND FINANCE COMMITTEE MEETING
May 14, 2014**

TO: Budget and Finance Committee, Orange County Fire Authority

FROM: Lori Zeller, Assistant Chief
Business Services Department

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

Summary:

This agenda item is submitted to provide a status update regarding steps taken during April 2014, to improve the Orange County Employees' Retirement System's (OCERS) financial policies, procedures, and practices.

Recommended Action:

Receive and file the report.

Background:

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

Actions Taken/Financial Policies & Practices – April 2014

OCERS BOARD OF RETIREMENT April 21, 2014:

STRESS TEST THE PLAN

In October 2013, followed by a summary report in January 2014, OCERS' Fiduciary Counsel, Mr. Harvey Leiderman of Reed Smith, considered the topic of municipal bankruptcies with the Board, and what impact those could have on OCERS. Among other comments, Mr. Leiderman suggested the Board begin implementing a stress test procedure, whereby OCERS staff would determine possible default risk on the part of OCERS' 15 plan sponsors, and create a risk mitigation strategy to deal with any exposures that might be identified. OCERS' CEO, Steve Delaney, made a presentation to the Board informing them of what could be involved in an outreach audit program, what types of credit exposure questions still need to be answered, and what kinds of mitigation strategies the system may want to consider in the future (Attachment 1). Page 12 of the presentation highlights OCFA as a "concern" based on comments by two County Supervisors. OCERS' staff plans to continue meeting on this topic and will return to the Board at a later date for approval prior to beginning any such program.

CASH OUT ASSUMPTIONS

When members take “cash out” of their annual leave, sick leave or compensatory time, there is an impact on retirement benefits, as the value of that cash out is added to the member’s final average salary and has an impact of increasing the value of the member’s final retirement benefit.

Under current OCERS practice, the Cost-of Living Adjustment (COLA) portion of that increase benefit is paid for equally by the employer and the employee in their contribution rates. However, the basic rate portion of the benefit is paid for entirely by the employer. At the September meeting, the OCERS’ Board indicated its general support of including the cost of any cash out assumption in the basic member rate calculation rather than continuing to add it as a factor to employer contribution rates. However, the Board did not take action at their September meeting, so this item returned for further Board consideration on January 21.

OCERS’ actuary, The Segal Company, provided various matrices indicating the cost impact of this change on member contributions which was an increase ranging from .05% to .34%, depending upon the rate group a member was participating in. A number of the OCERS’ Board members expressed concern at that January meeting that this move to impose the cost on members had an inherent inequity that could not be adjusted for – in many cases line staff can only cash out 40 hours in a year, while managers are able to cash out a larger amount of hours: 80, 90 hours or more. However, both members would pay the same increase in member contributions. Those Board members raising the concern felt this was an unfair subsidization of the cost by line staff. There was no immediate answer to this concern, and the only suggestion was to have a discussion on the inequity when plan sponsors are negotiating individual MOUs.

The Board met again in February to consider this item further, and eventually focused on a fourth option as a possible compromise. It would move the normal cost portion of the cash out assumption from the employer to the employee up to the cost of the most common (aka “the mode”) cash out amount, with the remainder continuing to be an employer cost.

On April 21, Segal reviewed all four options with the Board (Attachment 2). OCERS’ Fiduciary Counsel stated that Options 1 and 4 were not acceptable from a legal standpoint because terminal pay needed to be included in member contribution rates. The Board ultimately approved Option 2 which was Segal’s recommendation whereby the employer and employee share in funding the basic normal cost associated with additional cash outs at retirement.

DIRECT LENDING

Per direction from the OCFA Board, on March 28, 2014, a letter was sent to OCERS expressing concerns that the OCFA Board of Directors had with OCERS’ Direct Lending Program (Attachment 3). On April 25, 2014, OCERS provided the attached response to OCFA’s letter (Attachment 4).

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

Impact to Cities/County:

Not Applicable.

Fiscal Impact:

Not Applicable.

Staff Contacts for Further Information:

Lori Zeller, Assistant Chief/Business Services Department

LoriZeller@ocfa.org

(714) 573-6020

Tricia Jakubiak, Treasurer

TriciaJakubiak@ocfa.org

(714) 573-6301

Attachments:

1. Stress Test the Plan – Assessing Risk, Presentation by OCERS’ CEO, April 21, 2014
2. Presentation by the Segal Group: Fourth Meeting on Development of Member Contribution Rates, April 21, 2014
3. OCFA letter to OCERS on Direct Lending, March 28, 2014
4. OCERS response to OCFA’s letter on Direct Lending, April 25, 2014

STRESS TEST THE PLAN

Assessing Risk



Presentation by Steve Delaney, CEO

APRIL 21, 2014

- Reed Smith report to Board regarding municipal bankruptcies – October 2013 and January 2014.
- Some suggestions follow...

ReedSmith

The business of relationships.™

TIME FOR A NEW PERSPECTIVE

- The UAAL reflects a statutory commitment to the Fund by the plan sponsors.
- Your plan sponsors are “borrowing” from the plan.
- Are they creditworthy?
- Time to look into the lender’s toolbox.

ReedSmith

The business of relationships.™

H. Leiderman - 2013

ASK YOURSELF: WHAT HAPPENS IF OUR PLAN SPONSOR DEFAULTS?

Take two prudent steps to help protect the Fund:

- Risk assessment.
- Risk mitigation.

ReedSmith

The business of relationships.™

H. Leiderman - 2013

RISK ASSESSMENT: STRESS TEST THE PLAN

- Run “what if” scenarios on each plan sponsor.
- How would it affect your cash flow?
- How would it affect your asset allocation?
- How would it affect other plan sponsors?
- How would it affect your retiree payroll?

ReedSmith

The business of relationships.™

H. Leiderman - 2013

RISK MITIGATION: PROTECT THE FUND'S INTERESTS

Audit your plan sponsor:

- Deconstruct the financial statements.
- Review rating agency submissions.
- Examine “restricted” and “unrestricted” funds.
- Search for “unencumbered” assets.

ReedSmith

The business of relationships.™

H. Leiderman - 2013

ADDITIONAL SUGGESTIONS

- OCERS Staff on-site.
- Perform 5-year projection to understand the stresses the employer may face during that projection period. Force the data through a 2008-09 recession experience and see what happens.
- Find OCERS worst return period prior to 2008-09 ('72-'74? / '99?) and determine what would happen to the plan sponsor using current projections under those scenarios.
- Over time, OCERS will want to retain and go back to check how closely the projections tracked experience.

RISK ASSESSMENT

...



STRESS TESTING MEANS UNDERSTANDING RISKS

- A structured approach is being recommended, focusing on identifying potential risks faced by the OCERS fund and assessing the financial and operational factors in place to manage and mitigate those risks.
 - Significant problems will be identified in forward-looking and timely fashion.
 - Will provide OCERS with value-added feedback resulting in more effective management of significant risks.

RISK ASSESSMENT PROGRAM

- Not all risks can be measured in a quantitative fashion. The overall risk assessment will always be a combination of quantitative and qualitative factors.
- Techniques for Quantitative Risk Assessment:
 - **Comparison of valuation assumptions** – compare assumptions with peers to identify if inappropriate.
 - **Analysis of surplus** – compare actual experience to assumptions to see if ones using are accurate / appropriate.
 - **Roll-forward calculations** – financial position projected under certain scenarios to assess exposure to adverse circumstances.
 - **Duration analysis** – project cash flows of assets and liabilities of fund and compare interest rate sensitivity and timing mismatches.
 - **Sensitivity testing** – test sensitivity of valuation results to different assumptions by recalculating results using different assumptions.
 - **Deterministic stress testing** – calculate the financial position of an OCERS plan sponsor at current or future date to 1 or more adverse scenarios.
 - **Stochastic stress testing** – adverse scenarios computer generated not predefined and distribution of results examined (i.e. likelihood that scenarios adverse enough to create financial difficulty will occur).
 - **Value at risk (VaR) calculations** – type of stochastic stress test measuring adverse market movement with a specified probability.

PRACTICAL TASKS TO BE PERFORMED

- Audit financials of plan sponsors, or at minimum, have plan sponsors provide audited statements to address quantitative risk assessment.
- Determine revenue sources – soundness of plan sponsor.
- Does The Agency have a plan to pay off its liabilities?
- What is employer's credit rating? (Fitch, Moody)
- What materials were submitted to obtain that rating?
- What is the story the plan sponsor is telling to its creditors?
- Assessment of asset / liability match.

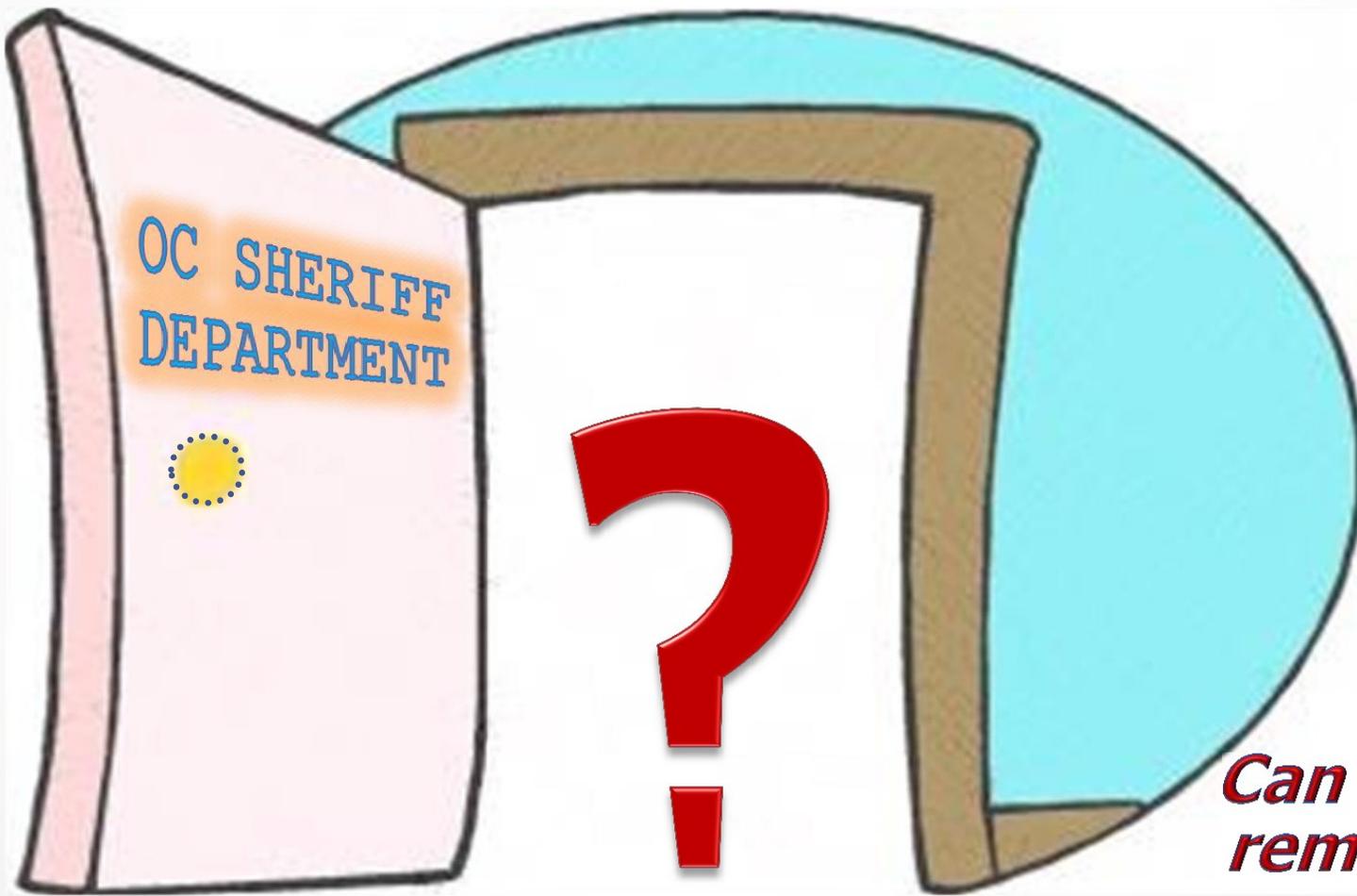
CONCERNS

“Two Orange County Supervisors on Tuesday called for a comprehensive discussion about how the countywide fire agency is funded.

I think we need to understand what the potential future of the [Orange County] Fire Authority is, and what it would mean to Orange County if Irvine leaves the Fire Authority and the agency is dismantled as Spitzer said he fears.”

Voice of OC
March 25, 2014

WHO IS CONTRACTED TO PAY OCERS?



Can this be remedied?

THE DOMINO EFFECT



RISK MITIGATION

...



THEN WHAT?

**So you've done
your risk
assessment...
Then what?**



WHAT STATUTORY TOOLS EXIST?

- § **Gov. Code sec. 31584** -The board of supervisors shall make the appropriations, and if it fails or neglects to make the appropriations, the county auditor shall transfer from any money available in any fund in the county treasury the sums specified by this chapter and this transfer shall have the same force and effect as it would have had if the required appropriation had been made by the board of supervisors.
- § **Gov. Code sec. 31585** -When any district becomes a part of the retirement system, the same appropriations and transfers of funds shall be made as those required of the county in this article, and such charges are legal charges against the funds of the district.

SOME IDEAS

- Create a legal framework so plan sponsor is required to report financial changes to OCERS.
- Can OCERS demand a plan sponsor's unfunded liability as debt payable now?
- Can a plan sponsor be required to post a bond or promissory note for their unfunded liabilities?

- Joint Power Authority (JPA)
 - A possible risk.
 - Need to understand relationship of JPA's with OCFA and The County of Orange Sheriff's Department.
 - Can an entity walk away from its UAAL?
 - Supervisor Nelson suggests SACRS legislation to address any exposure.

WHAT OTHERS ARE DOING

- Alameda does stress testing “purse” but are starting discussions with County “to analyze future employer contributions visa-a-vis their budget.
- Kern has not undertaken such an endeavor.
- Los Angeles has not performed plan sponsor financial health “stress testing” beyond keeping an eye on their debt rating.
- Marin has not done anything along the lines suggested by OCERS counsel. We have a similar JPA issue going on between one city in our system and surrounding cities that are with CalPERS. So far, their agreements have made it clear that each entity will retain their responsibility for the pension liabilities.
- Tulare has had joint meetings with County for several years now to analyze future employer contribution impact on budget.

WHAT STANISLAUS CERA IS DOING

So unfortunately we don't really have a formalized process in place. I meet with county folks from the CEO's office and HR. We do that once or twice a year. After our meetings, we update any info into a spreadsheet that attempts to project short term cash in flows from the County. With that info, we attempt to hold as little cash as possible at all times (try to stay fully invested, the board is not yet comfortable with the tools of a cash overlay). Regarding future new retirees, we take any significant information and massage the actuaries benefit projections (we do break down the actuarial projections and adjust for seasonality effects).

The only formal policy lies in our strategic plan where it states that StanCERA will meet with County officials to discuss these issues. The Board decided at our last strategic planning offsite that this strategy was an important one as it relates to the strategic objective of efficiently managing pension risk. That's about as formal as it gets.

With regard to the risk metric reporting, this is brand new and I intend to present it to the Board, probably on a semi-annual basis, along with other risk measures so they can get a feel for any "trouble spots" that may be looming on the horizon. We are also developing programming where we can take those projected benefit payments, and using yield curve data (treasury, muni, corporate and sovereign), find the most optimal places on the yield curve that provide the most value in terms of contribution volatility, funded ratio and employer contribution rates if one were to immunize one year of benefit payments or even a series. This gives us, and the Board, an idea of how the level of interest rates affect the cost of risk reduction.

WHAT CALPERS IS DOING

- Stress testing of system has some overtones of stress testing plan sponsors.
- Three factors are considered;
 - System funded status.
 - Absolute level of employer contributions and the probability it will go up.
 - How likely CalPERS policies will cause a rise in employer contributions.
- CALPERS Board can only influence employer contributions and investments. As risk rises, Board encouraged to dial down risk in investments. Hope is discussion will lead to action by employers who control member contribution and benefits.

NEXT STEPS

- Direct staff to return with an outline of initial risk assessment program [mitigation will follow].
 - Should represent those aspects of the real world that are relevant to the OCERS Board.
 - Include explanations of how inputs are derived and what outputs are intended to represent.
 - Include explanation of significant limitations.
- Request Audit Committee to adjust OCERS' Internal Audit Plan for 2014 to allow for initial outreach.
- Direct staff to engage SACRS Legislative Committee to address JPA concerns.

QUESTIONS?

**OCERS
Board of Retirement**

Fourth Meeting on Development of Member Contribution Rates

April 21, 2014

Paul Angelo, FSA

The Segal Company

San Francisco

Development of Member Contributions

➤ Part A

- Discussion at Board Meeting on Jan. 21, 2014 (and at Board Offsite in Sept. 2013)
- Repeated as slides 3 through 9 in this presentation

➤ Part B

- Discussion at Board Meetings on February 18, 2014 and March 17, 2014
- Policy options available for calculating member contribution rates to reflect additional cashout at retirement
- Repeated as slides 10 through 15 in this presentation

➤ Part C

- Additional policy option following discussion at Board Meeting on March 17, 2014
- Slides 17 through 20 in this presentation

Part A - Development of Member Contributions

- Additional Cashout (or Annual Payoff) Assumptions
 - Previously discussed at January 21, 2014 Board meeting and at September 2013 Retirement Board Offsite
 - Used in calculating employer rates (basic and COLA)
 - Not used in calculating basic member rates
 - Used in calculating COLA member rates

- See Segal's discussion letter, January 6, 2014
 - Includes member contribution rates by rate group for all entry ages

Member Contributions: Additional Cashout Assumption

- Cash outs of accumulated annual leave, sick leave or compensatory time off
 - Used in benefit calculation as a result of OCERS' (and other 1937 CERL systems) settlement in Ventura Decision
 - Same for other 1937 CERL systems
 - Include in “compensation earnable” if earned and cashed out during final average salary measuring period
 - Only applicable to legacy (or non-CalPEPRA plans)
 - Specifically excluded by CalPEPRA for new members entering OCERS on/after January 1, 2013

Member Contributions: Additional Cashout Assumption

- After Ventura, new assumption for additional cashout at retirement added to actuarial valuation
 - For cashout greater than received during career
 - Increased actuarial accrued liability and (total) normal cost
 - Increased employer contribution rates

- No change in the CERL to address basic and COLA member contribution rates calculation for new Ventura pay elements
 - Some systems (including OCERS) continued to use same procedure to calculate member contribution rates

Member Contributions: Additional Cashout Assumption

- Assumptions used in developing basic member rates
 - Based on PARTIAL actuarial assumptions used in valuation
 - Salary increases, mortality, interest (discount rate)
 - » No disability or survivor benefits
 - Amount to fund percent of final pay at single retirement age
 - » Percent and age set in 1937 CERL

- Assumptions used in developing COLA member rates
 - Based on ALL actuarial assumptions used in valuation
 - Service retirement, disability retirement, survivor benefits, deferred retirement, withdrawal
 - Cost of COLA benefit is shared equally by member and the employer
 - » As required by 1937 CERL

Member Contributions: Additional Cashout Assumption

- After Ventura Decision, additional cashout assumption added to valuation
 - Increased COLA contribution rates for both employer and members – consistent with 1937 CERL
- Open question: should the new cashout assumption be included in basic member rate calculation?
 - Many systems (including OCERS) did not; rationale:
 - Some of the plan's actuarial assumptions have always been excluded in developing basic member rates
 - Concern with overcharging categories of members with generally smaller levels of annual cashout
 - Over time some systems added cashout assumption to basic member rate calculation
 - OCERS, CCCERA and VCERA continue to exclude cashout assumption from basic member rate calculation
- Note that member (and employer) contributions should be collected on both annual and additional cashouts.

Member Contributions: Additional Cashout Assumption Under Option 2

➤ Impact of including annual cashout in basic member rates

	Average Member Rate Before Adjustment to Basic Rate For Add'l Cashout	Average Member Rate After Adjustment to Basic Rate For Add'l Cashout	Increase in Average Member Rate
Rate Group #1 – Plans A, B and U (non-OCTA, non-OCSD)	8.93%	9.08%	0.15%
Rate Group #2 – Plans I, J, O, P, S, T and U	12.64%	12.83%	0.19%
Rate Group #3 – Plans B, G, H and U (Law Library, OCSD)	12.65%	12.83%	0.18%
Rate Group #5 – Plans A, B and U (OCTA)	9.72%	9.87%	0.15%
Rate Group #9 – Plans M, N and U (TCA)	10.83%	10.95%	0.12%
Rate Group #10 – Plans I, J, M, N and U (OCFA)	12.66%	12.85%	0.19%
Rate Group #11 – Plans M and N, future service, and U (Cemetery)	9.41%	9.46%	0.05%
Rate Group #6 – Plans E, F and V (Probation)	14.77%	14.98%	0.21%
Rate Group #7 – Plans E, F, Q, R and V (Law Enforcement)	15.63%	15.97%	0.34%
Rate Group #8 – Plans E, F, Q, R and V (Fire Authority)	14.44%	14.57%	0.13%

Review & Discussion

Part B - Policy Options to Calculate Member Contributions

- Policy options available for calculating member contribution rates to reflect additional cashout at retirement
 - Option 1: continue with status quo (for members, include cashout assumption only in COLA rates)
 - Option 2: for members, include cashout assumption in basic and COLA rates with cashout assumption applied on a pooled basis
 - No adjustment to reflect different maximum cashouts under different MOUs
 - Approach used by other CERL systems
 - Option 3: For members, include cashout assumption in basic and COLA rates with cashout assumption applied on a non-pooled basis
 - With adjustments to reflect different maximum cashouts under different MOUs
 - NOTE: Option 2 and Option 3 have same impact on employer rates

Member Contributions - Option 1

- Option 1: continue with status quo
 - For members, include cashout assumption only in COLA rates

- This means:
 - Employers: Continue to fund 100% of basic normal cost associated with additional cashouts at retirement
 - Employers and employee: Continue to share funding (50% each) of COLA normal cost associated with additional cashouts at retirement

- Cashout assumptions currently used in (1) employer basic rates and (2) employer and employee COLA rates:
 - Calculated using average cashout by recent retirees in each of the main four assumption categories: General, Safety-Probation, Safety-Law and Safety-Fire

Member Contributions - Option 2

- Option 2: include cashout assumption in basic and COLA member rates with cashout assumption applied on a pooled basis
 - No adjustment to reflect different maximum cashouts under different MOUs

- This means:
 - Employer and Employee: Share in funding basic normal cost associated with additional cashouts at retirement
 - Employee share: Cashout plus PARTIAL valuation assumptions (see slide 6)
 - Employer share: Remaining amount not funded by employee
 - Employer and Employee: Continue to share funding (50% each) of COLA normal cost associated with additional cashouts at retirement

- Cashout assumptions used in employer and employee basic and COLA rates:
 - Calculated using average cashout by recent retirees in each of the main four assumption categories: General, Safety-Probation, Safety-Law and Safety-Fire
 - No adjustment to reflect different maximum cashouts under different MOUs
 - Consistent with approach used to select other actuarial assumptions and to set member contribution rates for a cost sharing plan like OCERS

Member Contributions - Option 3

- Option 3: include cashout assumption in basic and COLA member rates with cashout assumption applied on a non-pooled basis
 - With adjustment to reflect different maximum cashouts under different MOUs

- This means:
 - Employer and Employee: Share in funding basic normal cost associated with additional cashouts at retirement
 - Employee share: Cashout plus PARTIAL valuation assumptions (see slide 6)
 - Employer share: Remaining amount not funded by employee
 - Employer and Employee: Continue to share funding (50% each) of COLA normal cost associated with additional cashouts at retirement

- Cashout assumptions used in employee basic and COLA contribution rates:
 - Calculated to reflect specific cashout using provisions in different MOUs
 - OCERS members are currently covered under 70-80 MOUs
 - Simplified example on how this may work in practice followed by discussion on actuarial and administrative considerations associated with implementation

Member Contributions - Option 3

➤ Simplified example:

- Average cashout assumption is 4% for all General Tier 1 members
- Assuming 2080 hours worked each year, average cashout is about 80 hours (from annual leave, sick leave or compensatory time off)
- If impact of 80-hour cashout on employee basic rate is 0.15% of payroll, then
 - If MOU allows cashout of 120 hours (1 ½ times 80 hours):
add 0.23% of payroll to member basic rates in that MOU
 - If MOU allows cashout of 40 hours (½ times 80 hours):
add 0.08% of payroll to member rates basic in that MOU
- Similar adjustments for member COLA rates

➤ Practical complications under Option 3

- In actuarial report, member rates would be determined using average cashouts (like under Option 2), for use in determining net employer rates
- Actual member rates would start with rates based on no cashouts, then adjusted as in above example
- Inconsistency between actual member rates and member rates in actuarial report

Member Contributions - Option 3

- Further actuarial and administrative considerations associated with calculating member rates to reflect different maximum cashouts under different MOUs
 - Employee COLA rates have historically been set using a pooled approach, including cashout assumptions
 - So Option 3 would change current method used to set employee COLA rates
 - Other actuarial assumptions have been set following the model used for a cost sharing plan
 - What happens when an employee becomes covered under a different MOU?
 - Significant increase in the number of sets of employee rates that have to be calculated and input into the payroll system
 - Inconsistencies between terminal pay assumption and maximum cashouts
 - Terminal pay assumption may include elements other than additional cashouts
 - Availability of data to adjust the cashout assumptions for each of the 70-80 MOUs

Review & Discussion

Part C - Policy Options to Calculate Member Contributions

➤ Policy options available for calculating member contribution rates to reflect additional cashout at retirement

Options 1-3 discussed at meetings in February and March 2014 (see Part B)

- Option 1: continue with status quo (for members, include cashout assumption only in COLA rates)
- Option 2: for members, include cashout assumption in basic and COLA rates with cashout assumption applied on a pooled basis
 - No adjustment to reflect different maximum cashouts under different MOUs
 - Approach used by other CERL systems
- Option 3: for members, include cashout assumption in basic and COLA rates with cashout assumption applied on a non-pooled basis
 - With adjustments to reflect different maximum cashouts under different MOUs
- *NOTE: Option 2 and Option 3 have same impact on employer rates*
- Option 4 (*new*): modified cashout assumption for basic member rates
 - Include cashout assumption in basic rate on a pooled basis but adjusted to reflect only the most commonly available vacation cashout under the MOUs
 - Continue to include full cashout assumption in COLA rates on a pooled basis
 - Impact in employer rates is in between Option 1 and Option 2/3

Member Contributions - Option 4

- Include cashout assumption in basic rate but adjusted to reflect only the most commonly available vacation cashout under the MOUs
 - This means that Employers and Employees share in funding basic normal cost associated with additional cashouts at retirement, but not equally
 - Employee share: Cashout assumption adjusted by the ratio of the most common (aka the “mode”) to the average number of days of vacation cashouts under different MOUs
 - Employer share: Remaining amount not funded by employee

- Include cashout assumption in COLA rates with cashout assumption applied on a pooled basis
 - This means that Employees continue to share funding (50% each) of COLA normal cost associated with additional cashouts at retirement
 - Same as current procedure

Member Contributions - Option 4 - Example

- Employee basic rates include a modified cashout assumption
 - Full cashout assumption adjusted by the ratio of the most common (aka “mode”) maximum days of vacation cashout to the average number of days of maximum vacation cashouts under the various MOUs
 - Example: Rate Group 2
 - Range for maximum vacation cashouts under different MOUs: 40-240 hours
 - Most common maximum vacation cashouts: 40 hours (~ 70% of members)
 - Average maximum vacation cashouts: 51 hours
 - Adjustment = $40 / 51 = 0.78$
 - Adjustment for Tier 1: $0.78 * 4.00\%$ (current full assumption) = 3.12%
 - Adjustment for Tier 2: $0.78 * 2.70\%$ (current full assumption) = 2.11%
 - Note that the full cashout assumption includes cash outs of accumulated annual leave, sick leave or compensatory time off (in addition to vacation)
 - Above adjustment only accounts for difference in maximum vacation cashouts

Member Contributions: Additional Cashout Assumption Under Option 4

➤ Impact of including annual cashout in basic member rates

	Average Member Rate Before Adjustment to Basic Rate For Add'l Cashout	Average Member Rate After Adjustment to Basic Rate For Add'l Cashout	Increase in Average Member Rate
Rate Group #1 – Plans A, B and U (non-OCTA, non-OCSD)	8.93%	9.08%	0.15%
Rate Group #2 – Plans I, J, O, P, S, T and U	12.64%	12.79%	0.15%
Rate Group #3 – Plans B, G, H and U (Law Library, OCSD)	12.65%	Not Calculated Insufficient Data to Determine Most Common Maximum Days of Vacation Cashouts	
Rate Group #5 – Plans A, B and U (OCTA)	9.72%	9.82%	0.10%
Rate Group #9 – Plans M, N and U (TCA)	10.83%	10.95%	0.12%
Rate Group #10 – Plans I, J, M, N and U (OCFA)	12.66%	12.85%	0.19%
Rate Group #11 – Plans M and N, future service, and U (Cemetery)	9.41%	9.46%	0.05%
Rate Group #6 – Plans E, F and V (Probation)	14.77%	14.96%	0.19%
Rate Group #7 – Plans E, F, Q, R and V (Law Enforcement)	15.63%	15.95%	0.32%
Rate Group #8 – Plans E, F, Q, R and V (Fire Authority)	14.44%	14.57%	0.13%

Discussion



ORANGE COUNTY FIRE AUTHORITY

P.O. Box 57115, Irvine, CA 92619-7115 • 1 Fire Authority Road, Irvine, CA 92602

Keith Richter, Fire Chief

(714) 573-6000

www.ocfa.org

March 28, 2014

Board of Retirement
Orange County Employees Retirement System
2223 Wellington Avenue
Santa Ana, CA 92701

Re: OCERS Direct Lending Program

Dear Board Members:

The OCFA Board of Directors is responsible for monitoring the Authority's operations and performance, which includes providing oversight for OCFA's financial operations. As we have seen our long term liabilities escalate, the Board made paying down OCFA's pension liability with OCERS a top priority. In the past, OCFA has made additional payments to OCERS when funds were available. This last year, we took it a step further and formalized a plan to begin making extra payments to pay down OCFA's Unfunded Actuarial Accrued Liability (UAAL) on a regular basis and have it paid off sooner.

Over the past several years, we have continued to see our retirement rates increase significantly each year, which has had a material impact on our budget as well as our future financial position. Understandably, some increases are due to changes in actuarial assumptions and some from investment performance. In 2008, OCERS had a 20.7% investment loss, which had a dramatic impact on our budget for the past five years.

On March 27, 2014, the Orange County Fire Authority's (OCFA) Board of Directors discussed OCERS' Direct Lending Program and the related Orange County Register article dated January 23, 2014 (Attachment 1). The Board directed me to send a letter to OCERS on their behalf conveying our concerns.

OCERS, by its own admission, has been an inherently conservative retirement system. The stock market had exceptional returns in 2013, and just recently, OCERS pointed out that although their 2013 return was 11.14% return compared to CalPERS 16.2% return, it is because OCERS has a portfolio comprised of 40% equities while CalPERS has 60% in equities.

Based on OCERS' past approach to investing, it seemed noteworthy to see OCERS taking a more aggressive approach to investing with the Direct Lending Program in order to achieve higher returns. The amount being committed is \$450 million or 4% of the portfolio which is not insignificant. Direct Lending is not being widely used by other retirement systems, in spite of the fact that every retirement system is struggling with low bond returns and perhaps looking for investments that could earn higher returns.

After reading the article in the Orange County Register, OCFA staff contacted OCERS' CEO, Steve Delaney, to request a response to the article from OCERS' Chief Investment Officer (CIO), Girard Miller. Mr. Miller provided additional information on the subject which was very much appreciated and is also included in Attachment 1.

At the request of one of our Board members, this item was placed on the agenda for OCFA's Budget and Finance Committee meeting on March 12, 2014. After the Committee discussed the issue, they still had lingering concerns and requested that the agenda item be forwarded to both the Executive Committee and the full Board. To summarize, below is a list of the concerns:

1. Loans will be made to US, European, and Asian companies that could not secure loans from a bank. Was there something in the bank's credit analysis that raised a red flag?
2. The companies receiving the loans are private and not listed on any exchange, meaning there is no publicly available information on their financial condition nor will there likely be any advance warning of issues that could impact their ability to repay the loan.
3. The loans are variable rate and although OCERS would benefit from higher rates, the borrower would not, and it could impact their ability to repay the loan. Are there any precautions in place such as a cap on how high the rate could go?
4. Some loans are senior and/or secured, but there still is no guarantee that OCERS will get paid if a company goes bankrupt or how long it will take to collect any bankruptcy proceeds. Even if an asset is pledged to secure the loan, how reasonable is it to assume that OCERS could take possession of the asset and sell it to pay off the loan?
5. There was no discussion in the materials provided by OCERS of how the risk of this investment strategy impacts OCERS' total portfolio risk or what OCERS is doing to mitigate the risk.
6. The staff report states that there is growing conviction at the staff and consultant level that OCERS' commitment to Direct Lending might be expanded over time. Without a proven track record, such a statement seems premature.
7. The materials provided by OCERS disclosed that the CIO has an investment interest in one of the investment managers the Board selected to run this program. While the footnote states the amount is immaterial according to OCERS' Policy, to maintain independence and objectivity and avoid the appearance of any bias, perhaps the dollar amount of the investment should not be a factor in determining whether or not a conflict exists.

OCFA's Assistant Chief of Business Services, Lori Zeller, did let the CEO and CIO know about this agenda item and extended an invitation to them to attend OCFA's Executive Committee and Board meetings on March 27 to provide any further input they may have to address the Budget and Finance Committee's concerns.

OCFA respectfully requests that OCERS specifically include the performance of the Direct Lending program in its monthly investment report to assist us in our monitoring efforts. Retirement costs comprise 23% of OCFA's budget, and the OCFA's Board of Directors has taken a number of steps to lessen this burden on our long term financial outlook. We have made a concerted effort to fully meet all of our financial obligations and absorb the retirement cost increases without sacrificing the level of service we provide to Orange County residents. We have experienced firsthand how even the slightest change to actuarial assumptions or interest rates can dramatically impact our financial condition. Sometimes it takes years to recover from these events. Therefore, we feel it is our responsibility to let OCERS know that we are concerned about this investment strategy for the

reasons listed above. If OCERS' CIO has additional information that addresses our concerns, we welcome his input. Thank you for your consideration. If you have any questions, please contact me at (714) 573-6010 or Lori Zeller, Assistant Chief, at (714) 573-6020.

Sincerely,



Keith Richter
Fire Chief

Attachment:

OCFA Board of Directors Item 4 – OCERS Direct Lending Program, March 27, 2014

cc: OCFA Board of Directors
Lori Zeller, OCFA Assistant Chief/Business Services
Tricia Jakubiak, OCFA Treasurer
Steve Delaney, OCERS CEO
Girard Miller, OCERS CIO

This letter for purposes of the staff report does not have its attachment, which is 49 pages. If you'd like to review the letter's attachment, it is available for your review in the Office of the Clerk or is available to review on the OCFA's website at http://www.ocfa.org/_uploads/pdf/sr_bd140327-04.pdf.



Serving the Active and Retired Members of:

April 25, 2014

CITY OF SAN JUAN
CAPISTRANO

Keith Richter, Fire Chief

COUNTY OF ORANGE

1 Fire Authority Road

ORANGE COUNTY
CEMETERY DISTRICT

Irvine, CA 92602

ORANGE COUNTY
CHILDREN & FAMILIES
COMMISSION

Dear Mr. Richter:

ORANGE COUNTY
DEPARTMENT OF
EDUCATION (CLOSED TO
NEW MEMBERS)

Thank you for your letter dated March 28 regarding OCERS' direct lending program. The Board of Retirement always appreciates feedback on our activities at OCERS, and respects the input of plan sponsors. That said, the Board wants to go on record to reply to your letter and to respond to several concerns that were raised, erroneously in our view.

ORANGE COUNTY
EMPLOYEES
RETIREMENT SYSTEM

First we want to affirm that the OCERS staff will regularly report investment returns from Direct Lending on a portfolio-segment basis once all positions have seen actual capital calls, but not always monthly as that information would be either incomplete or largely irrelevant in our decision-making. As you may already know, Direct Lending is a sub-sector in our Diversified Credit allocation, and therefore would not normally qualify for monthly reporting given space limitations on our reports – just as we don't break out categories of real estate, or growth vs value managers, etc. Especially in the first year of operation, the lags and data distortions from cash-flow as reported by the custodian make anything that OCERS would publish of little value for decision-making. Rather, the OCERS staff will be monitoring individual managers on a manager-by-manager basis to see how they are doing with their initial implementation of each fund. By mid-2015 if not sooner, however, it will be perfectly reasonable to expect the kind of portfolio-segment information you have requested, and OCERS will be sure to provide it in some form if not in our normal asset-class reviews. The Investment Committee will also be reviewing various reports on relevant fees and performance in this portfolio segment later this year, and the staff will be happy to share that information as it becomes public.

ORANGE COUNTY FIRE
AUTHORITY

ORANGE COUNTY IN-HOME
SUPPORTIVE SERVICES
PUBLIC AUTHORITY

ORANGE COUNTY LOCAL
AGENCY FORMATION
COMMISSION

ORANGE COUNTY PUBLIC
LAW LIBRARY

ORANGE COUNTY
SANITATION DISTRICT

ORANGE COUNTY
TRANSPORTATION
AUTHORITY

SUPERIOR COURT OF
CALIFORNIA, COUNTY
OF ORANGE

TRANSPORTATION
CORRIDOR AGENCIES

UCI MEDICAL CENTER AND
CAMPUS (CLOSED TO
NEW MEMBERS)

Second, the OCERS Board wants to encourage your board members, your finance committee members and/or your staff to attend any sessions of our Investment Manager Monitoring Subcommittee that would include direct lending managers, in order that you can understand the actual nature of these loans, how they are underwritten and managed, and the role they play in our portfolio. Those subcommittee meetings are public, with OCERS' usual advance notice. On May 1, one of the direct lending managers will be making a presentation, followed by a second presentation by another manager on May 29. The public is welcome to make comments or ask questions at these meetings.

Third, the OCERS Investment Committee has reaffirmed our asset allocation plan as recommended by our independent consultants at NEPC (originally New England Pension Consultants), and this is now undergoing risk review by our independent risk advisors at BlackRock Solutions, one of the global leaders in portfolio risk analytics. OCERS was one of the

Serving the Active and Retired Members of:

CITY OF SAN JUAN
CAPISTRANO

COUNTY OF ORANGE

ORANGE COUNTY
CEMETERY DISTRICT

ORANGE COUNTY
CHILDREN & FAMILIES
COMMISSION

ORANGE COUNTY
DEPARTMENT OF
EDUCATION (CLOSED TO
NEW MEMBERS)

ORANGE COUNTY
EMPLOYEES
RETIREMENT SYSTEM

ORANGE COUNTY FIRE
AUTHORITY

ORANGE COUNTY IN-HOME
SUPPORTIVE SERVICES
PUBLIC AUTHORITY

ORANGE COUNTY LOCAL
AGENCY FORMATION
COMMISSION

ORANGE COUNTY PUBLIC
LAW LIBRARY

ORANGE COUNTY
SANITATION DISTRICT

ORANGE COUNTY
TRANSPORTATION
AUTHORITY

SUPERIOR COURT OF
CALIFORNIA, COUNTY
OF ORANGE

TRANSPORTATION
CORRIDOR AGENCIES

UCI MEDICAL CENTER AND
CAMPUS (CLOSED TO
NEW MEMBERS)

first public pension plans of its size to engage an independent risk advisor to our board to perform these analyses, and we have just been recognized by an authoritative professional association for our national leadership in this technical area. You are welcome to hear first-hand the independent risk report on the overall portfolio risk profile at the Investment Committee's April 30 meeting.

With regard to some of your more-detailed questions, the following additional information is presented in response, in an effort to provide better clarity and perspective:

1. *Loans will be made to US, European, and Asian companies that could not secure loans from a bank. Was there something in the bank's credit analysis that raised a red flag?*

There appears to be a misconception that these loans are made to companies that flunked a credit test. In many cases, commercial banks in the US and Europe are now constrained in their ability to make certain loans as part of the new regulatory environment. Thus, the market sees a vacuum in available capital. In many cases the issue is not credit quality, but credit availability or the price of credit. That is where the private lending industry has seen and continues to see an opportunity for expansion.

2. *The companies receiving the loans are private and not listed on any exchange.*

There are many asset classes in which OCERS invests where public information is not available. While we all appreciate transparency, some markets offer a return premium for illiquidity and less transparency. Our staff professionals do not commonly see underlying financials for all the companies in which OCERS's discretionary investment managers invest capital for either debt or equity holdings. These are normal practices. Not all asset classes must be completely transparent at the underlying level to be investable by institutional investors. If that were the case, OCERS would not be able to invest in private equity and rental real estate which are broadly held by public pension plans nationwide. It should be noted that historical default rates of portfolios managed by the selected OCERS investment advisers are lower than the default rates of publicly traded companies in the high-yield marketplace.

The OCERS investment staff thought it might be helpful to include a presentation (attached) showing the kinds of borrowers that are lent money by one of our European lenders. Each manager deploys a different strategy and we have diversified our positions both geographically and across the capital and capitalization spectrum so this is just one slice of the overall program, but it does provide some perspective that seemed missing in the original question.

3. *The loans are variable rate and although OCERS would benefit from higher rates, the borrower would not, and it could impact their ability to repay the loan.*

In some cases there may be caps on the interest rates of underlying loans, but the practical answer is that the typical loan terms (time duration) are not so long that rate caps would be

Serving the Active and Retired Members of:

- CITY OF SAN JUAN
CAPISTRANO
- COUNTY OF ORANGE
- ORANGE COUNTY
CEMETERY DISTRICT
- ORANGE COUNTY
CHILDREN & FAMILIES
COMMISSION
- ORANGE COUNTY
DEPARTMENT OF
EDUCATION (CLOSED TO
NEW MEMBERS)
- ORANGE COUNTY
EMPLOYEES
RETIREMENT SYSTEM
- ORANGE COUNTY FIRE
AUTHORITY
- ORANGE COUNTY IN-HOME
SUPPORTIVE SERVICES
PUBLIC AUTHORITY
- ORANGE COUNTY LOCAL
AGENCY FORMATION
COMMISSION
- ORANGE COUNTY PUBLIC
LAW LIBRARY
- ORANGE COUNTY
SANITATION DISTRICT
- ORANGE COUNTY
TRANSPORTATION
AUTHORITY
- SUPERIOR COURT OF
CALIFORNIA, COUNTY
OF ORANGE
- TRANSPORTATION
CORRIDOR AGENCIES
- UCI MEDICAL CENTER AND
CAMPUS (CLOSED TO
NEW MEMBERS)

particularly effective. There is some element of theoretical risk that some borrowers would find themselves pressed by higher interest costs in a runaway inflation scenario, but in that event, the risk to OCERS of payment default is far less of a concern than the damage that would be done to the traditional stock and bond components of our portfolio. Said another way, that will be the least of our problems if this rate-spike scenario actually became manifest, as the interest-rate protection we gain from the asset class would be far, far more valuable to OCERS than the credit risk that skyrocketing rates would imply under the scenario you describe.

4. *Some loans are senior and/or secured, but there still is no guarantee that OCERS will get paid if a company goes bankrupt or how long it will take to collect any bankruptcy proceeds.*

First, to clarify the facts implied in this question: OCERS invests in funds, not directly, and therefore would not ourselves be the entity to take possession of collateral or business operations. Our credit managers have extensive experience with exactly this kind of workout situation, which would be performed at the level of the diversified fund representing multiple investors. That workout experience is one of the specific skills for which they have been recommended by our investment consultants at NEPC. The practical answer in most cases is that defaulted loans are typically worked out through extensions and other modifications of deal terms, and asset foreclosure is a remote step seldom used by the firms we have retained. It should be re-emphasized that the funds OCERS has selected are broadly diversified against the kind of individual borrower default implied in this question, to assure that default losses of any magnitude at an individual firm level would be immaterial to the overall performance of the OCERS investment portfolio, and should not measurably impact employer contribution rates.

5. *There was no discussion in the materials provided by OCERS of how the risk of this investment strategy impacts OCERS' total portfolio risk or what OCERS is doing to mitigate the risk.*

OCERS' independent risk advisor BlackRock does include an evaluation of the direct lending and diversified credit assets in its overall portfolio analytics. Our macro portfolio risks from traditional equity ownership dwarf any risk from these loans, making them a diversifier which is typically beneficial to the overall portfolio.

6. *The staff report states that there is growing conviction at the staff and consultant level that OCERS' commitment to Direct Lending might be expanded over time.*

OCERS is not expanding positions in direct lending at this time. Our consultants at NEPC have reaffirmed their conviction in the strategy as recently as the March 26, 2014 asset allocation review.

Serving the Active and Retired Members of:

CITY OF SAN JUAN
CAPISTRANO

COUNTY OF ORANGE

ORANGE COUNTY
CEMETERY DISTRICT

ORANGE COUNTY
CHILDREN & FAMILIES
COMMISSION

ORANGE COUNTY
DEPARTMENT OF
EDUCATION (CLOSED TO
NEW MEMBERS)

ORANGE COUNTY
EMPLOYEES
RETIREMENT SYSTEM

ORANGE COUNTY FIRE
AUTHORITY

ORANGE COUNTY IN-HOME
SUPPORTIVE SERVICES
PUBLIC AUTHORITY

ORANGE COUNTY LOCAL
AGENCY FORMATION
COMMISSION

ORANGE COUNTY PUBLIC
LAW LIBRARY

ORANGE COUNTY
SANITATION DISTRICT

ORANGE COUNTY
TRANSPORTATION
AUTHORITY

SUPERIOR COURT OF
CALIFORNIA, COUNTY
OF ORANGE

TRANSPORTATION
CORRIDOR AGENCIES

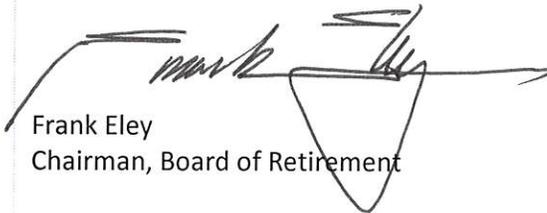
UCI MEDICAL CENTER AND
CAMPUS (CLOSED TO
NEW MEMBERS)

7. The materials provided by OCERS disclosed that the CIO has an investment interest in one of the investment managers the BOARD selected to run this program.

The CIO's disclosed interest in this case was not an investment manager, but rather an affiliated retail investment fund product, in this case a business development company (a retail mutual-fund-type product that invests in similar but not identical business loans). He made a voluntary disclosure that exceeded the disclosure standards of California law, the OCERS reporting policies, and the CFA (Chartered Financial Analysts) Institute's Code of Ethics. OCERS' ethics policy is one of the most stringent in the nation, and in fact our fund was the first U.S. public pension plan to adopt the CFA code for pension plans. OCERS' standards for personal trading and reporting are even more rigorous than the CFA Institute's professional best practices.

Please be assured that the entire board and the investment committee take their fiduciary responsibilities very seriously, with a strong eye toward preservation of capital as well as growth of capital, the costs to all stakeholders, and preservation of retirees' purchasing power. Our Board appreciates your ongoing interest, and looks forward to continuing our long-term partnership in the best interests of your employees and retirees who are our plan participants and beneficiaries.

Sincerely on behalf of the Board of Retirement,



Frank Eley
Chairman, Board of Retirement



Chuck Packard
Vice Chairman, Board of Retirement
Chairman, Investment Committee

CONSENT CALENDAR - AGENDA ITEM NO. 4
BUDGET AND FINANCE COMMITTEE MEETING
May 14, 2014

TO: Budget and Finance Committee, Orange County Fire Authority

FROM: Lori Zeller, Assistant Chief
Business Services Department

SUBJECT: **Third Quarter Financial Newsletter – July 2013 to March 2014**

Summary:

This agenda item is submitted to provide information regarding revenues and expenditures in the General Fund and the Capital Improvement Program Funds through the end of the third quarter of FY 2013/14.

Recommended Action:

Review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of May 22, 2014, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the report.

Background:

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

Impact to Cities/County:

Not Applicable.

Fiscal Impact:

Not Applicable.

Staff Contacts for Further Information:

Deborah Gunderson, Budget Manager

DeborahGunderson@ocfa.org

(714) 573-6302

Tricia Jakubiak, Treasurer

triciajakubiak@ocfa.org

(714) 573-6301

Attachment:

Third Quarter Financial Newsletter – July 2013 to March 2014



Orange County Fire Authority

Third Quarter Financial Newsletter – July 2013 to March 2014

OVERVIEW

This report covers activities through the third quarter of fiscal year 2013/14. Budget figures include all budget adjustments authorized by the Board through March 31, 2014.

GENERAL FUND

With 75% of the year completed, General Fund revenues are 67.3% of budget and expenditures are 70.8% as shown below:

General Fund	Budget	YTD Actual	Percent
Revenues	304,689,135	205,046,481	67.3%
Expenditures	305,480,527	216,326,995	70.8%

Top Five Revenues. Our top five revenue sources represent 96% of our total revenue this fiscal year. Overall, the key revenues are performing as anticipated for this point in the fiscal year based on payment schedules and historical trends. Highlights are noted as follows:

Top Five Revenues	Budget	YTD Actual	% Rec'd
Property Tax	189,412,501	116,759,300	61.6%
Cash Contracts	83,643,150	67,528,289	80.7%
CRA Pass-through	7,242,493	4,415,636	61.0%
CRR Fees	7,903,810	5,545,209	70.2%
Ambulance Reimb.	4,570,574	2,303,973	50.4%
Total	292,772,528	196,552,406	67.1%

- **Property tax.** Activity through the third quarter includes distributions of secured property tax, supplemental tax, and homeowner's property tax relief. Year-to-date secured property tax receipts total approximately \$108 million, or 60% of the budget, which is typical for this revenue category at the end of the third quarter.
- **Cash contracts.** The slight overage in Cash Contract revenue is due to payments made monthly in advance by Santa Ana, per contract.
- **Local - Community Redevelopment Agency (CRA) Pass-Through.** This category of revenue is typically received in two disbursements in the fiscal year. In recent years the first disbursement represented 54% of the total, with the remaining approximately 46% being received in May.

- **Community Risk Reduction Fees.** The Board approved a Mid-Year Budget Adjustment in March, increasing the revenue budget for both Inspection Services and Planning and Development. These revenues fluctuate due to workload and timing of billings; however this category is trending to meet budget by the end of the year.
- **Ambulance Reimbursement.** The percentage received for this revenue category will be lower than budget until year-end due to the timing of required payments by ambulance providers. This revenue category is expected to meet budget by the close of the fiscal year.

Expenditures. Expenditures are within budget for this fiscal year as summarized by department.

Expenditures By Department	Budget	YTD Actual	% Expended
Executive Mgt.	5,459,120	4,229,271	77.5%
HR Division	5,314,900	3,983,078	74.9%
Operations	232,999,143	168,754,395	72.4%
Comm. Risk Reduc.	15,626,992	10,237,362	65.5%
Business Services	21,691,707	12,162,804	56.1%
Support Services	24,388,665	16,960,085	69.5%
Total	305,480,527	216,326,995	70.8%

Key variances by department include:

- **Executive Management.** Slight overage as a result of employee severance pay and professional & specialized services expenditures.
- **Business Services:** Expenditures appear low due to the pending County's property tax administration fee of \$1.7 million, which is paid in the fourth quarter of the fiscal year.

Expenditures by type are outlined below:

Expenditures by Type	Budget	YTD Actual	% Expended
S&EB	273,379,657	197,595,424	72.3%
S&S	31,723,017	18,308,499	57.7%
Equipment	377,853	423,072	112.0%
Total	305,480,527	216,326,995	70.8%

Key variance by type:

- **Equipment.** The equipment category is overspent due to grant funded equipment purchases; the funds were budgeted in S&S: This will be corrected with a budget transfer.

CIP FUNDS

The following summarizes revenues and expenditures for the Capital Improvement Program funds. Any variances are noted as follows:

Facilities Maintenance & Improvement

Fund 122	Budget	YTD Actual	Percent
Revenue	1,190,626	198,395	16.7%
Expenditures	2,287,614	899,687	39.3%

- The revenue and expenditure budgets include \$890,000 for the Community Development Block Grant. The funds are for improvement projects to 9 of the 10 fire stations in Santa Ana. As a reimbursement grant, the revenues will not be received until after the expenditures have been made. These projects are in the beginning stages as of the end of the third quarter.

Facilities Replacement

Fund 123	Budget	YTD Actual	Percent
Revenue	5,380,110	1,295,047	24.1%
Expenditures	12,956,900	7,202,513	55.6%

- Revenues include \$4.1 million in developer reimbursements for the design and construction of FS 56 (Ortega Valley). A purchase order for construction of the FS 56 site was issued in the amount of \$5 million and work on this project began in February, 2014.

Communications & Info. Systems Replacement

Fund 124	Budget	YTD Actual	Percent
Revenue	1,112,982	162,741	14.6%
Expenditures	12,708,617	3,134,332	24.7%

- Budgeted revenue and expenditures include \$920,000 for the replacement of the 911 telephone system.
- Expenditures reflect the purchase of 20 tablets for the Field Data Collection Devices project and the issuance of an encumbrance for the purchase of 75 desktop computers.

Vehicle Replacement

Fund 133	Budget	YTD Actual	Percent
Revenue	2,197,593	1,213,401	55.2%
Expenditures	11,822,621	4,719,802	39.9%

- Actual revenue includes the quarterly Cash Contract payments for vehicle depreciation.
- Activity this quarter includes the issuance of an encumbrance for the purchase of five Type-1 engines in the amount of \$2.6M and the quarterly lease-purchase payment for the helicopters.

SUMMARY

For more information. This summary is based on detailed information from our financial system. If you would like more information or have any questions about the report, please contact Deborah Gunderson, Budget Manager at 714-573-6302, or Tricia Jakubiak, Treasurer at 714-573-6301.

DISCUSSION CALENDAR - AGENDA ITEM NO. 5
BUDGET AND FINANCE COMMITTEE MEETING
May 14, 2014

TO: Budget and Finance Committee, Orange County Fire Authority

FROM: Lori Zeller, Assistant Chief
Business Services Department

SUBJECT: **Approval of 2014 Tax and Revenue Anticipation Notes (TRANS)**

Summary:

This agenda item is submitted to the Budget and Finance Committee for authorization to issue 2014-2015 Tax and Revenue Anticipation Notes (TRANS), for approval of the related TRANS documents and approval of temporary intrafund borrowing to cover a projected cashflow shortfall in the General Fund.

Recommended Action:

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of May 22, 2014, with the Budget and Finance Committee's recommendation that the Board of Directors take the following actions:

1. Adopt the submitted resolution authorizing the issuance of the 2014-2015 Tax and Revenue Anticipation Notes.
2. Authorize the temporary transfer of up to \$9 million from Fund 123 (Facilities Replacement) to Fund 121 (General Fund) to cover a projected cash flow shortfall for FY 2014/15.
3. Authorize the repayment of \$9 million borrowed funds from Fund 121 to Fund 123 along with interest, when General Fund revenues become available in FY 2014/15.

Background:

The Authority's Amended Joint Powers Agreement allows issuance of short-term tax and revenue anticipation notes with a one-year term (or shorter) upon a majority vote of the Board of Directors. The TRAN issuance is also in compliance with the Authority's Short Term Debt Policy adopted by the Board of Directors on March 22, 2007. (Attachment 1)

The purpose of TRANS is to provide cash liquidity in anticipation of property tax revenue and cash contract revenues to be received later in the year. The TRANS cover temporary cashflow deficits in the General Fund that result from timing differences between the receipt of revenues and disbursements.

The Authority receives about 64% of its revenue from property tax collections. California's property tax collections are concentrated in December and April, per State Board of Equalization procedures. In addition, the Authority receives 27% of its revenue from cash contracts, with those funds received at the end of each quarter except for Santa Ana which pays monthly. Thus,

the Authority's two major revenue streams have an uneven pattern throughout the fiscal year. However, the Authority's operations require ongoing monthly expenditures such as payroll, employee benefits and purchase of supplies, with these expenditures having a fairly level pattern throughout the fiscal year.

Summary of Prior TRAN Issuances

The Authority has successfully issued twelve prior TRANs in the years 1997 through 2008. TRANs sizings have ranged from \$8,715,000 in FY 98/99 to \$28,000,000 in FY 08/09. TRANs were not issued from 2009-2013, due to the Authority's ability to use intrafund borrowing for cashflow needs during those years. Cashflow projections for the upcoming year indicate that intrafund borrowing will be insufficient to cover all cashflow needs, as further described below.

Sizing of the 2014 TRANs

OCFA is projecting a temporary cash flow shortfall in the General Fund. The shortfall is expected to occur at various intervals during the fiscal year, with the maximum amount of shortfall projected to occur mid-November totaling \$44.4 million. General Fund cash balances are projected to replenish when property tax allocations are received at the end of November, and in December.

In order to finance the cash shortfalls with TRANs, OCFA must comply with Federal tax laws. These laws provide guidelines to ensure that the interest earned by investors on TRANs is exempt from gross income for purposes of federal income taxation. Following these rules, the "sizing" of a TRANs issuance equals the maximum cumulative cash deficit (\$44.4 million) less available fund outside the General Fund (\$9 million, as discussed in the next paragraph), plus **the lesser of** (a) 5% of the cumulative prior years' expenditures and (b) the average monthly beginning or ending cash balances for the prior fiscal year. Based on preliminary cash flow projections using this sizing methodology, OCFA's TRANs issuance would be \$45 million. (Attachment 2)

While reviewing OCFA's non-General Fund reserves, tax counsel determined that \$9 million of non-General Fund reserves are considered legally available to fund a portion of the maximum cumulative cash flow deficit. The reserve fund that Tax Counsel determined to be available for this purpose is one of the Capital Improvement Program reserves: Fund 123 - Facilities Replacement. While the \$45 million TRANs size is currently expected to cover the maximum cumulative cash deficit (\$44.4 million) without needing to borrow any funds from Fund 123, it is prudent to establish authorization to borrow temporarily from Fund 123 in the event unforeseen events cause the maximum cumulative cash flow deficit to be greater than \$45 million.

When sufficient funds are subsequently received in the General Fund, any temporary borrowings or cash transfers are repaid to the fund from which they were borrowed, plus interest. Interest will be repaid in Fiscal Year 2014/15 based on the rate the funds would have earned in OCFA's Investment Portfolio. This temporary borrowing process between OCFA funds represents an efficient internal funding mechanism at no additional cost.

Failure to meet the deficit as projected would require the Authority to rebate positive investment earnings over the note yield to the federal government. OCFA has never had to rebate any such earnings.

All-in Net Interest Cost

Note: Net investment earnings will change as a result of any changes in market yields between the time this report was prepared and the date of formal TRANs pricing in June.

Depending on market conditions, OCFA may achieve interest earnings by borrowing TRANs at a tax-exempt yield and reinvesting the proceeds in the taxable market. At current market yields, it is estimated that the all-in TRANs yield will be about 0.40%, representing net interest cost of \$179,040 (including the costs of issuance of \$90,000). Assuming the TRANs proceeds will earn a yield of 0.18% in the OCFA portfolio (which is the one year Federal Agency note yield); approximately \$81,831 of interest earnings on the TRANs will be received. Thus, the **all-in** net interest cost on the TRANs is about \$97,218 as shown in the table below:

TRANs Net Interest	\$179,050
Less: Interest Earnings on the TRANs	(81,832)
All-in Net Interest Cost	\$97,218

Financing Schedule

Subject to Board approval of the TRANs on May 22, 2014, the TRANs are scheduled to price on or about June 11 depending on market conditions. The Authority will actually receive the TRANs proceeds on the closing date which is currently scheduled for July 1, 2014.

Impact to Cities/County:

Not Applicable.

Fiscal Impact:

FY 2014/15 Revenues: Based on preliminary cash flows, gross earnings from the 2014 TRANs are estimated at \$81,832 reflecting reinvestment earnings at an average yield of 0.18%.

FY 2014/15 Expenses: The net interest cost of the TRANs (including the costs of issuance of \$90,000) is estimated to be \$179,040.

Net Effect: Based on the above estimates, the net effect of the 2014 TRANs is an increase in expenses of \$97,218 for FY 2014/15. Issuance of the TRANs will assure that the Authority has sufficient cash resources for the General Fund.

Staff Contacts for Further Information:

Patricia Jakubiak, Treasurer
triciajakubiak@ocfa.org
(714) 573-6301

Jane Wong, Assistant Treasurer
jane Wong@ocfa.org
(714) 573- 6305

Attachments:

1. OCFA's Short Term Debt Policy
2. Cash Flow Worksheet
3. TRAns FAQ
4. TRAns Documents:
 - a. Proposed Resolution
 - b. Notice of Intention to Sell
 - c. Notice of Sale
 - d. Preliminary Official Statement and Appendix A

SHORT TERM DEBT POLICY

1. PURPOSE

The purpose of the Short Term Debt Policy of the Orange County Fire Authority (the Authority) is to enhance the Board's ability to manage the Authority's cash flow in a fiscally conservative and prudent manner and to establish guidelines for the issuance and management of its debt. Property taxes represent over 70% of the Authority's General Fund revenues and are received primarily twice a year in December and April. However, the timing of expenditures is often beyond the Authority's control and must be paid prior to receipt of property taxes. As a result, the Authority experiences negative cash balances from July through mid-December pending receipt of these revenues. This creates a need for the Authority to have an interim financing mechanism in order to operate without an interruption in service. To ensure the Authority's continued access to the capital markets, the Board has established a "Short Term Debt Policy" to provide guidelines for the Authority's financing activity.

- 1.1. Make use of capital reserves when reserves are funded in excess of planned capital expenditures and as recommended by Tax Counsel.
- 1.2. Utilize short term borrowing for temporary funding of operational cash flow deficits when economically beneficial to the Authority.
- 1.3. Short term debt may include issuance of Tax and Revenue Anticipation Notes (TRANs) with a maturity of one year or less.
- 1.4. Effectively manage resources to maintain the highest possible credit ratings and to demonstrate fiscal responsibility to the communities that we serve.
- 1.5. Strive to achieve the lowest cost of borrowing.
- 1.6. Preserve future financial flexibility.

2. ADOPTION AND REVIEW

- 2.1. This policy shall be reviewed periodically for recommended revisions in order to maintain the policy in a manner that reflects the ongoing financial goals of the Authority. Staff shall revise the policy upon approval by the Board of Directors.

- 2.2. Each year, the Budget and Finance Committee shall conduct a review of any proposed TRAN financing for consistency with the Short Term Debt Policy.
- 2.3. All short term debt shall be approved by the Board of Directors.

3. POLICY

- 3.1. The Treasurer may ascertain the need to fund internal working capital cash flow. Before issuing TRANs, cash flow projections shall be prepared by the Treasury and Financial Planning staff and be reviewed by the Budget and Finance Committee. The Committee shall provide a recommendation to the Board of Directors which may then take action, as appropriate.
- 3.2. TRANs and other forms of short term debt financing will only be issued to meet cash flow needs and will not be issued for investment purposes solely to capitalize on the favorable difference between the interest cost of issuing TRANs and the sometimes higher reinvestment rate.
- 3.3. TRANs will not be issued for a period longer than 12 months.
- 3.4. The Authority is committed to full and timely repayment of its debt obligations.
- 3.5. Tax counsel will analyze the size of the borrowing which will be calculated based on the Authority's maximum projected deficit for the fiscal year. Bond counsel will issue an opinion as to the legality and tax-exempt status of all obligations.
- 3.6. Any cash flow deficit above the size of the TRAN will be financed with interfund borrowing to be repaid in the same fiscal year with interest.
- 3.7. The Authority may seek the advice of an independent financial advisor on the structuring of the obligations to be issued, the timing of the sale, the various options and how the choices will affect the marketability of the obligations, and other services as required.
- 3.8. Both negotiated and competitive methods of sale shall be considered for any debt offerings.
- 3.9. The Authority will obtain a credit rating on any debt offering from at least one of the three national firms and will maintain good communications with the bond rating agencies.

- 3.10. The Authority is committed to providing continuing disclosure of financial and pertinent credit information relevant to the Authority's outstanding debt and will abide by the provisions of Securities and Exchange Commission (SEC) Rule 15c2-12 concerning primary and secondary market disclosure.

- 3.11. The investment of TRAN proceeds that are placed in the OCFA Portfolio will be governed by the Authority's Investment Policy and in compliance with the TRANs' legal documents.

Orange County Fire Authority
Projected General Fund Cash Flows (Fund 121)
Fiscal Year 2014-15 (without TRANS)

	<i>Projected July</i>	<i>Projected August</i>	<i>Projected September</i>	<i>Projected October</i>	<i>Projected November</i>	<i>Projected December</i>	<i>Projected January</i>	<i>Projected February</i>	<i>Projected March</i>	<i>Projected April</i>	<i>Projected May</i>	<i>Projected June</i>	Total
Balance From Prior Month	\$29,930,441	(\$1,281,702)	(\$22,346,325)	(\$25,176,757)	(\$37,284,434)	(\$37,862,987)	\$40,460,644	(\$7,179,045)	(\$20,614,705)	(\$17,448,626)	\$31,828,473	\$18,289,571	\$29,930,441
Receipts:													
Property Taxes	3,784,993	713,984	4,635,003	621,283	14,426,079	82,357,603	7,088,535	571,027	9,974,590	63,657,558	2,379,675	5,261,635	195,471,965
Intergovernmental	341,942	1,013,552	1,608,942	583,546	731,119	1,967,889	240,253	2,642,432	385,338	366,115	1,016,717	239,713	11,137,559
Charges for Current Services	5,009,722	7,394,399	11,966,283	7,319,052	4,765,529	14,649,268	5,260,009	4,080,766	14,051,837	6,025,524	4,862,329	14,166,341	99,551,060
Bankruptcy Loss Recovery	0	0	0	0	0	0	0	0	0	0	0	0	0
Use of Money and Property	10,128	10,810	3,238	5,256	3,438	10,013	17,723	8,553	7,352	6,874	14,908	30,194	128,487
Other	58,894	31,928	192,259	21,340	370,223	51,759	18,792	78,115	26,902	6,157	55,626	88,706	1,000,700
TRANS Principal	0	0	0	0	0	0	0	0	0	0	0	0	0
Temporary Interfund Borrowing	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Receipts	\$9,205,678	\$9,164,674	\$18,405,725	\$8,550,478	\$20,296,389	\$99,036,532	\$12,625,311	\$7,380,893	\$24,446,018	\$70,062,229	\$8,329,255	\$19,786,589	\$307,289,771
Expenditures:													
Salary & Employee Benefits	19,216,803	28,825,204	19,216,803	19,216,803	19,216,803	19,216,803	28,825,204	19,216,803	19,216,803	19,216,803	19,216,803	19,216,803	\$249,818,438
OCERS Prepayment (Routine)							30,000,000						30,000,000
Services & Supplies	3,031,355	1,404,093	2,019,353	1,441,352	1,658,138	1,496,098	1,439,795	1,599,750	2,063,137	1,568,327	2,651,354	2,949,485	23,322,239
JEAPs	0	0	0	0	0	0	0	0	0	0	0	0	0
OCERS Prepayment (Special)	17,568,007	0	0	0	0	0	0	0	0	0	0	0	17,568,007
Equipment	0	0	0	0	0	0	0	0	0	0	0	0	0
Debt Service: TRAN Principal	0	0	0	0	0	0	0	0	0	0	0	0	0
Debt Service: TRAN Interest	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest Paid on Interfund Borrowing	0	0	0	0	0	0	0	0	0	0	0	0	0
Operating Transfers Out (est)	601,656	0	0	0	0	0	0	0	0	0	0	0	601,656
Total Disbursements	\$40,417,821	\$30,229,298	\$21,236,156	\$20,658,155	\$20,874,941	\$20,712,901	\$60,265,000	\$20,816,553	\$21,279,940	\$20,785,130	\$21,868,157	\$22,166,288	\$321,310,340
Excess / (Deficiency)	(31,212,143)	(21,064,623)	(2,830,432)	(12,107,678)	(578,553)	78,323,631	(47,639,689)	(13,435,660)	3,166,079	49,277,099	(13,538,902)	(2,379,698)	(14,020,569)
Month End Balance Forward	(\$1,281,702)	(\$22,346,325)	(\$25,176,757)	(\$37,284,434)	(\$37,862,987)	\$40,460,644	(\$7,179,045)	(\$20,614,705)	(\$17,448,626)	\$31,828,473	\$18,289,571	\$15,909,872	\$15,909,872

Orange County Fire Authority
Projected General Fund Cash Flows (Fund 121) - Fiscal Year 2014-15 (With TRANs)

	<i>Projected July</i>	<i>Projected August</i>	<i>Projected September</i>	<i>Projected October</i>	<i>Projected November</i>	<i>Projected December</i>	<i>Projected January</i>	<i>Projected February</i>	<i>Projected March</i>	<i>Projected April</i>	<i>Projected May</i>	<i>Projected June</i>	Total
Balance From Prior Month	29,930,441	44,434,248	23,369,625	20,539,193	8,431,516	7,852,963	86,176,594	38,536,905	25,101,245	28,267,324	55,044,423	18,110,521	29,930,441
Receipts:													
Property Taxes	3,784,993	713,984	4,635,003	621,283	14,426,079	82,357,603	7,088,535	571,027	9,974,590	63,657,558	2,379,675	5,261,635	195,471,965
Intergovernmental	341,942	1,013,552	1,608,942	583,546	731,119	1,967,889	240,253	2,642,432	385,338	366,115	1,016,717	239,713	11,137,559
Charges for Current Services	5,009,722	7,394,399	11,966,283	7,319,052	4,765,529	14,649,268	5,260,009	4,080,766	14,051,837	6,025,524	4,862,329	14,166,341	99,551,060
Bankruptcy Loss Recovery	0	0	0	0	0	0	0	0	0	0	0	0	0
Use of Money and Property	726,078	10,810	3,238	5,256	3,438	10,013	17,723	8,553	7,352	6,874	14,908	112,025	926,269
Other	58,894	31,928	192,259	21,340	370,223	51,759	18,792	78,115	26,902	6,157	55,626	88,706	1,000,700
TRANs Principal	45,000,000	0	0	0	0	0	0	0	0	0	0	0	45,000,000
Temporary Interfund Borrowing	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Receipts	54,921,628	9,164,674	18,405,725	8,550,478	20,296,389	99,036,532	12,625,311	7,380,893	24,446,018	70,062,229	8,329,255	19,868,421	353,087,553
Expenditures:													
Salary & Employee Benefits	19,216,803	28,825,204	19,216,803	19,216,803	19,216,803	19,216,803	28,825,204	19,216,803	19,216,803	19,216,803	19,216,803	19,216,803	249,818,438
OCERS Prepayment (Routine)	0	0	0	0	0	0	30,000,000	0	0	0	0	0	30,000,000
Services & Supplies	3,031,355	1,404,093	2,019,353	1,441,352	1,658,138	1,496,098	1,439,795	1,599,750	2,063,137	1,568,327	2,651,354	2,949,485	23,322,239
JEAPs	0	0	0	0	0	0	0	0	0	0	0	0	0
OCERS Prepayment (Special)	17,568,007	0	0	0	0	0	0	0	0	0	0	0	17,568,007
Equipment	0	0	0	0	0	0	0	0	0	0	0	0	0
Debt Service: TRAN Principal	0	0	0	0	0	0	0	0	0	22,500,000	22,500,000	0	45,000,000
Debt Service: TRAN Interest	0	0	0	0	0	0	0	0	0	0	895,000	0	895,000
Interfund Borrowing Repayment (inc	0	0	0	0	0	0	0	0	0	0	0	0	0
Operating Transfers Out (est)	601,656	0	0	0	0	0	0	0	0	0	0	0	601,656
Total Disbursements	40,417,821	30,229,298	21,236,156	20,658,155	20,874,941	20,712,901	60,265,000	20,816,553	21,279,940	43,285,130	45,263,157	22,166,288	367,205,340
Excess / (Deficiency)	14,503,807	(21,064,623)	(2,830,432)	(12,107,678)	(578,553)	78,323,631	(47,639,689)	(13,435,660)	3,166,079	26,777,099	(36,933,902)	(2,297,867)	(14,117,787)
Month End Balance Forward	44,434,248	23,369,625	20,539,193	8,431,516	7,852,963	86,176,594	38,536,905	25,101,245	28,267,324	55,044,423	18,110,521	15,812,654	15,812,654
Debt Service Coverage Calculations:													
Note Debt Service Coverage	-	-	-	-	-	-	-	-	-	3.45	1.77	-	1.34
Intrafund Borrowing Capacity	95,756,472	95,756,472	95,756,472	95,756,472	95,756,472	95,756,472	95,756,472	95,756,472	95,756,472	95,756,472	95,756,472	95,756,472	95,756,472
Month End Balance Including Intrafund Borrowing Capacity	140,190,720	119,126,097	116,295,665	104,187,988	103,609,435	181,933,066	134,293,377	120,857,717	124,023,796	150,800,895	113,866,993	111,569,126	111,569,126
Note Debt Service Coverage (Including Intrafund Borrowing Capacity)	-	-	-	-	-	-	-	-	-	7.70	5.87	-	3.43

Tamalpais Advisors, Inc.

Tax and Revenue Anticipation Notes (“TRANS”) Frequently Asked Questions

1. Why does the Authority have cash flow deficits?

Answer. The Authority receives about 64% of its revenue from property tax collections. California’s property tax collections are concentrated in December and April, per State Board of Equalization procedures. In addition, the Authority receives 27% of its revenue from cash contracts, with those funds received at the end of each quarter. Thus, the Authority’s two major revenue streams have an uneven pattern throughout the fiscal year. However, the Authority’s operations require ongoing monthly expenditures such as payroll, employee benefits and purchase of supplies, with these expenditures having a fairly level pattern throughout the fiscal year. Thus, the Authority’s cash flow shows monthly deficits that grow until the large December property tax revenue and December cash contract revenue are received. The Authority’s cash flow also weakens after December until the large April tax collections are available. The Authority has no control over the process used to collect property taxes and cannot legally change the monthly expenditure schedules for payroll and benefits that comprise about 94% of expenditures.

2. Do other California public agencies have cash flow deficits?

Answer. Yes, a wide variety of California public agencies have cash flow deficits in the July to December timeframe. School districts, counties, cities and special districts rely on property tax revenues just as the Authority does. The higher an agency’s dependence on property taxes, the more severe will be the cash flow deficits. The Authority is among the agencies with the highest proportion of its revenues coming from property taxes, so our cash deficits occur earlier and tend to be deeper than those of other agencies.

In FY 2013-14, over 300 agencies in California issued TRANS in a combined amount of \$12.9 billion to finance cash flow deficits. For Fiscal Year 2014-15, the volume of notes is expected to decline by about 20%, reflecting the fact the State has significantly reduced school district cash deferrals. In prior years, the State used that technique to manage severe cash pressures on its own General Fund during the recession.

3. How have agencies financed cash flow deficits in the past?

Answer. Cash flow deficits have been financed in one of three ways: (1) from bank lines of credit (which are not always available), (2) intrafund borrowing (which can disrupt the operations of the Authority’s non-General Funds lending the money) and (3) tax and revenue anticipation notes (TRANS). TRANS is typically the lowest-cost method of financing the deficits.

4. How did TRANS come about?

Answer. Many years ago, the U.S. Treasury Department, the IRS and bond counsel experts established the TRANS program for local agencies as a means to provide a cost-effective way to finance cash flow deficits. This was the result of banks – in California – leaving the business of providing short-term lines of credit for agencies such as cities, counties and school districts,

thereby creating a need for a financing vehicle that did not rely on bank lending. It was determined that a new type of security (TRANs) could be sold to investors to provide short-term funding. Importantly, so long as TRAN issuers obey all of the IRS rules regarding TRANs, they are allowed to borrow at tax-exempt rates and to earn interest on the borrowed funds as a way to offset all or a portion of the cost of borrowing. This is meant to hold the agency harmless for having to fund cash deficits that an external force (such as Board of Equalization procedures) created.

While allowing agencies to issue tax-exempt TRANs means less tax revenue to the U.S. Treasury than if the interest were taxable, the concept is that taxpayers benefit from the fact the services provided by public agencies are not disrupted because of imposed periodic cash flow deficits. The IRS and U.S. Treasury acknowledge that California’s property tax system results in tax receipts that are received primarily in December and April each year, and not in regular monthly installments. This makes it difficult for public agencies to run smooth operations, especially agencies such as the Authority that receives about 64% of its revenues from property taxes. The IRS and U.S. Treasury do not consider TRANs to be a “taxpayer ripoff”. As mentioned above, these agencies helped to create TRANs in the first place.

5. Why should the Authority issue TRANs instead of securing a bank line of credit or using intrafund borrowing?

Answer. Each year, the Treasury section evaluates the relative costs of the three types of borrowing along with other considerations to determine which borrowing method is preferred. In some years (1997/98 through 2008/09), the Authority issued TRANs where in other years (prior to 1997/98 and from 2009/10 through 2013/14), the Authority used intrafund borrowing. Generally, intrafund borrowing was selected when the Authority had very significant amounts of cash held outside the General Fund that could be borrowed temporarily and timely repaid, with no disruption of the operations of the funding source (capital project funds and other funds). The Authority has never borrowed through a line of credit, as that approach is always more costly than the other two methods and, importantly, is not always available from commercial banks.

Below is a table showing the economics of the three alternatives based upon current market conditions. You’ll see that the net cost of the TRANs (\$97,218) is about \$71,000 higher than the cost of intrafund borrowing (\$25,398), but the latter approach could be disruptive to operations outside the General Fund this year, as available amounts are deployed to fund capital projects and improve the confidence level in the workers compensation fund. Note as well that the net cost of a bank line of credit is significantly higher than that of a TRANs.

	Assumptions	TRANs	Intrafund Borrowing	Bank Line of Credit
1	Maximum Cash Deficit and Working Capital Reserve	\$45,000,000	\$0	\$0
2	Average Monthly Cash Borrowed (non-TRANs)	N/A	\$21,194,275	\$21,194,275
3	Term of the Borrowing	360 days	243 days	243 days

4	Tax-exempt Interest Rate	2.00%	N/A	N/A
5	Tax-exempt Yield	0.20%	N/A	N/A
6	Taxable Interest Rate on Line of Credit	N/A	N/A	0.65%
7	Costs of Issuance	\$90,000	\$0	\$35,000
8	Original Issue Premium, net of Costs of Issuance	715,950	N/A	N/A
9	All-in Yield	0.40%	N/A	0.71%
10	Interest Cost	\$895,000	N/A	\$100,182
11	Earnings Rate on OCFA Investment Portfolio	0.18%	0.18%	0.18%
12	Earnings on Borrowed Funds	\$81,832	(\$25,398)	\$0
13	Net Cost of the Borrowed Funds (10 minus 8 (or plus 7) minus 12)	\$97,218	\$25,398	\$135,182
14	Disruptive to Non-GF Operations?	No	Yes	No

6. Why do we need the TRAN? Is it essential?

Answer. The TRANs itself is not “essential”. What is “essential” is the Authority’s cash flow deficits have to be financed so that payroll and operating expenditures are not disrupted. It turns out that TRANs is the most prudent option this year.

7. What is the implication of not doing the TRAN?

Answer. If the Authority did not issue TRANs, the cash flow deficits in the General Fund would have to be financed either (a) from a bank loan, which is more expensive than TRANs, or (b) from borrowing from non-General funds, which means we lose the interest earnings on those funds during the time we need to use them in the General Fund and we risk disrupting the operations of the fund lending the money. The latter concern is significant this year. Thus, the TRAN is desirable because it is an “external” way to finance the deficits rather than using the more disruptive method of intrafund borrowing from non-General fund sources.

8. How long have we been doing TRANs?

Answer. The Authority has issued TRANs annually from Fiscal Year 1997-98 to FY 2008/09.

9. Don’t the cash flow deficits mean that we are running into trouble because we are overspending? Why don’t we live within our means?

Answer. It is important to distinguish between the Authority’s budget and the Authority’s cash flow patterns. The budget is a snapshot of the entire fiscal year as it ends on June 30, 2015. When viewed this way, it is not only balanced but also shows an operating surplus. Cash flow patterns, on the other hand, reflect the underlying ups and downs of every component of the budget as we move through time from July 1, 2014 through June 30, 2015. When we get to June 30, 2015, the overall cash result is the same as what the budget shows. It’s just the path to that result is not smooth.

The Authority is not overspending. To the contrary, the Authority's historical operating results show consistent operating surpluses for the year as a whole. The Authority is living within its means. The issue is that California's property taxes are distributed primarily in December and April rather than on a monthly basis, and we receive cash contract revenues at the end of each quarter. There is a timing mismatch between revenues and expenditures during the year, even though they are matched at the end of the year. Thus, the Authority cannot avoid cash flow deficits and must manage them on the most prudent basis. This is also true of counties, cities, school districts and the State itself, many of whom experience cash deficits.

It is unlikely that California's property tax system will change from its present pattern to one with monthly property tax distributions. For that to happen, every property owner would have to pay their property taxes monthly. The Authority expects the current property tax pattern to remain in place, meaning we will need to manage the deficits each year. The IRS and U.S. Treasury have provided for public agencies to issue TRANs for this purpose.

10. Why are we operating this organization on a negative cash flow basis? Why don't we work to have positive cash flows throughout the year and avoid issuing TRANs?

Answer. The Authority is not running its operations on a negative cash flow basis on purpose. To the contrary, the Authority's historical operating results show consistent operating surpluses for the year as a whole. The issue is that California's property taxes are distributed primarily in December and April rather than on a monthly basis, and we receive cash contract revenues at the end of each quarter. Thus, the Authority cannot avoid cash flow deficits and must manage them on the most cost-effective basis.

It is unlikely that California's property tax system will change from its present features to monthly property tax distributions. For that to happen, every property owner would have to pay their property taxes monthly. This would be the only way that the Authority could have positive cash flow every month.

We note the Authority's 2001 Revenue Bonds were rated AA by Standard & Poor's Corporation. This is only two notches below a pure triple-A rating. Very few agencies have ratings as high as ours when we had outstanding bonds. If there were some fundamental credit problem with the Authority, we would not have had such high ratings. In fact, in the past, OCFA has received the highest rating on its TRANs as well (SP-1+) reflecting our balanced budgets and prudent use of the TRANs vehicle.

~~~~~

Any questions regarding the Authority's cash flow management should be referred to Tricia Jakubiak, Treasurer, and (714) 573-6301.

**RESOLUTION NO. 2014-XX**

**A RESOLUTION OF THE ORANGE COUNTY FIRE AUTHORITY BOARD OF DIRECTORS AUTHORIZING THE ISSUANCE AND SALE OF NOT TO EXCEED \$50,000,000 ORANGE COUNTY FIRE AUTHORITY 2014-2015 TAX AND REVENUE ANTICIPATION NOTES; AUTHORIZING THE SALE OF THE NOTES AS DESCRIBED HEREIN; APPROVING THE EXECUTION AND DELIVERY OF A CONTINUING DISCLOSURE CERTIFICATE; AUTHORIZING THE PREPARATION AND DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT, AN OFFICIAL STATEMENT, OFFICIAL NOTICE OF SALE, AND PURCHASE AGREEMENT; AND AUTHORIZING TAKING OF NECESSARY ACTIONS AND EXECUTION OF NECESSARY DOCUMENTS**

*WHEREAS*, funds are needed by the Orange County Fire Authority, California (the “Authority”) for the purposes authorized by Section 53852 of the California Government Code; and

*WHEREAS*, the Authority may borrow for said purposes, such indebtedness to be represented by a note or notes issued pursuant to Article 7.6 of Chapter 4, Part 1, Division 2, Title 5 of the California Government Code, being Government Code Sections 53850 through 53858, inclusive, as amended and supplemented to the date of this Resolution (the “Act”); and

*WHEREAS*, such indebtedness is to be evidenced by the Orange County Fire Authority 2014-2015 Tax and Revenue Anticipation Notes (the “Notes”) in a principal amount not to exceed \$50,000,000; and

*WHEREAS*, the Authority reasonably estimates that the amount of the uncollected taxes, income, revenue, cash receipts and other moneys of the Authority that will be lawfully available to the Authority between July 1, 2014, and June 30, 2015, for repayment of the Notes and interest thereon when and as they shall become due and payable will exceed \$50,000,000.

*NOW, THEREFORE, BE IT RESOLVED* by the Board of Directors of the Orange County Fire Authority as follows:

**ARTICLE I**

**DEFINITIONS AND STATUTORY AUTHORITY**

Section 101. Definitions. The following terms shall for all purposes of this Resolution have the following meanings:

“**Act**” shall mean Article 7.6 of Chapter 4, Part 1, Division 2, Title 5 of the California Government Code, being California Government Code Sections 53850 through 53858, inclusive, as amended and supplemented to the date of this Resolution.

“**Assistant Chief**” shall mean the Assistant Chief of Business Services of the Authority.

“**Auditor**” shall mean the Auditor of the Authority.

“**Authority**” shall mean the Orange County Fire Authority.

“**Authorized Newspaper**” shall mean a newspaper or newspapers, customarily published at least once a day for at least five (5) days (other than legal holidays) in each calendar week, published in the English language and of general circulation in Orange County, California.

“**Authorized Representatives**” shall mean the Assistant Chief, the Auditor and the Treasurer.

“**Board**” shall mean the Board of Directors of the Authority.

“**Bond Counsel**” shall mean Hawkins Delafield & Wood LLP.

“**Business Day**” shall mean any day other than (a) a Saturday or Sunday, (b) a day on which the Authority or the Paying Agent is required by law to close, or (c) a day on which banks located in New York, New York or Los Angeles, California are required by law to close.

“**Code**” shall mean the Internal Revenue Code of 1986, as amended, including the applicable final treasury regulations promulgated thereunder.

“**Designated Revenues**” shall mean the revenues referenced in Section 401 hereof.

“**DTC**” shall mean The Depository Trust Company and its successors and assigns.

“**Fiscal Year**” shall mean the fiscal year of the Authority from July 1, 2014 through June 30, 2015.

“**General Fund**” shall mean the General Fund of the Authority.

“**Issue Date**” shall mean the date on which the Notes are executed and delivered.

“**Maturity Date**” shall mean the maturity date of the Notes as determined by the Treasurer, provided that such date shall not be later than thirteen (13) months following the Issue Date.

“**Nominee**” shall mean the nominee of DTC, as determined from time to time pursuant hereto.

“**Note Purchase Agreement**” shall mean an agreement by and between the Authority and the underwriter of the Notes, together with any amendments thereto duly executed by the Authority and the underwriter of the Notes.

“**Note Register**” shall mean the books referred to in Section 305 hereof.

“**Notes**” shall mean, collectively, the Authority’s 2014-2015 Tax and Revenue Anticipation Notes issued under and pursuant to this Resolution.

“**Notice of Sale**” shall mean the Official Notice of Sale with respect to the Notes.

**“Official Statement”** shall mean the “final official statement,” as defined in paragraph (f)(3) of Rule 15c2-12, relating to the Notes as described in Section 204 hereof.

**“Other Designated Revenues”** shall mean the revenues referenced in Section 401 hereof.

**“Outstanding”** when used with reference to the Notes, shall mean, as of any date, the Notes theretofore issued under this Resolution except:

- (i) Notes canceled at or prior to such date;
- (ii) Notes in lieu of or in substitution for which other Notes shall have been delivered pursuant to Article III hereof; and
- (iii) Notes paid or deemed to have been paid as provided in Section 801 hereof.

**“Owner”** shall mean the registered owner of any Note as shown in the Note Register.

**“Participants”** shall mean those (i) direct participants of DTC which includes securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations and (ii) indirect participants, of DTC which includes banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with DTC participants, for which DTC may hold Notes as securities depository.

**“Paying Agent”** shall mean the Treasurer or any other Paying Agent appointed pursuant to this Resolution.

**“Permitted Investments”** shall mean any of the following:

- (1) United States Treasury notes, bonds, bills or certificates of indebtedness, or those for which the full faith and credit of the United States are pledged for the payment of principal and interest (“United States Treasury Obligations”);
- (2) Obligations of instrumentalities or agencies of the United States of America limited to the following: (a) the Federal Home Loan Bank Board (FHLB); (b) the Federal Home Loan Mortgage Corporation (FHLMC); (c) the Federal National Mortgage Association (FNMA); (d) Federal Farm Credit Bank (FFCB); (e) Government National Mortgage Association (GNMA); (f) Student Loan Marketing Association (SLMA); Federal Agricultural Mortgage Association and (g) guaranteed portions of Small Business Administration (SBA) notes;
- (3) Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as banker’s acceptances. Purchases of banker’s acceptances may not exceed a maturity of 180 days. The financial institution must have a minimum short-term rating of “A-1” by S&P, and a long-term rating of no less than “A”;
- (4) Commercial paper of “prime” quality of the highest ranking or of the highest letter and numerical rating as provided for by S&P (“A-1”). Eligible paper is further limited to issuing corporations that are organized and operating within the United States and having total assets in excess of five hundred million dollars (\$500,000,000). Purchases of eligible commercial paper may not exceed a maturity of 270 days;

(5) Negotiable certificates of deposits issued by a nationally or state-chartered bank or a state or federal association (as defined by Section 5102 of the California Financial Code) or by a state-licensed branch of a foreign bank in each case which has, or which is a subsidiary of a parent company which has, the highest letter and numerical rating from S&P (“A-1”);

(6) Investments in repurchase agreements of any securities listed in (1) through (4) above. Investments in repurchase agreements may be made with financial institutions having a rating of “Aa” or “AA” or better from S&P and when the term of the agreement does not exceed 30 days and are fully secured at or greater than 102% of the market value plus accrued interest by obligations of the United States Government, its agencies and instrumentalities, in accordance with number (2) above;

(7) Deposits in the State of California Treasurer’s Local Agency Investment Fund;  
and

(8) The Orange County Fire Authority Investment Portfolio.

“**Preliminary Official Statement**” shall mean the “Preliminary Official Statement” as defined in paragraph (f)(6) of Rule 15c2-12, relating to the Notes as described in Section 204 hereof.

“**Repayment Account**” shall mean the Repayment Account established in Section 402 hereof.

“**Resolution**” shall mean this Resolution “Resolution Authorizing The Issuance And Sale of Not To Exceed \$50,000,000 Orange County Fire Authority 2014-2015 Tax and Revenue Anticipation Notes; Authorizing the Sale of the Notes as Described Herein; Approving the Execution and Delivery of a Disclosure Certificate; Authorizing The Preparation And Distribution of a Preliminary Official Statement, an Official Statement, Notice of Sale, And Purchase Agreement; and Authorizing Taking of Necessary Actions and Execution of Necessary Documents” as from time to time amended or supplemented by Supplemental Resolutions in accordance with the terms of this Resolution.

“**Rule 15c2-12**” shall mean Rule 15c2-12(b)(5) of the Securities and Exchange Commission, promulgated under the Securities Exchange Act of 1934, as amended.

“**S&P**” shall mean Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, and its successors and assigns, except that if such corporation shall no longer perform the functions of a securities rating organization for any reason, the term “S&P” shall be deemed to refer to any other nationally recognized securities rating organization selected by the Authority.

“**Supplemental Resolution**” shall mean any resolution of the Board supplementing or amending this Resolution, adopted by the Board in accordance with Article VII hereof.

“**Tax Certificate**” shall mean the Tax Certificate provided to the Authority by Bond Counsel on the date of issuance and delivery of the Notes.

“**Total Debt**” shall have the meaning given such term in Section 501 hereof.

“**Treasurer**” shall mean the Treasurer of the Authority.

“**Underwriter**” shall mean the purchaser of the Notes selected in accordance with this Resolution.

“**Unrestricted Revenues**” shall mean all taxes, income, revenues, cash receipts and other moneys of the Authority, including moneys deposited in inactive or term deposits (but excepting certain moneys which, when received by the Authority, will be encumbered for a special purpose unless an equivalent amount of the proceeds from said Notes is set aside for and used for said special purpose) received or accrued by the Authority during the Fiscal Year that are lawfully available for payment of the Notes and the interest thereon.

Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Except when the context otherwise requires, words importing the singular number shall exclude the plural number and vice versa, and words importing persons shall include firms, associations and corporations.

Section 102. Authority for Resolution. This Resolution is adopted pursuant to the provisions of the Act.

Section 103. Resolution to Constitute Contract. In consideration of the purchase and acceptance of any and all of the Notes authorized to be issued hereunder by those who shall hold the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the Authority and the Owners from time to time of the Notes; and the pledge made in this Resolution and the covenants and agreements herein set forth to be performed by or on behalf of the Authority shall be for the equal benefit, protection and security of the Owners of any and all of the Notes.

## ARTICLE II

### AUTHORIZATION AND ISSUANCE OF THE NOTES

Section 201. Authorization; Form and Date of Notes.

(a) An issue of Notes entitled to the benefit, protection and security of this Resolution is hereby authorized in the principal amount not to exceed \$50,000,000. Such Notes shall be issued in anticipation of the receipt by the Authority of Unrestricted Revenues. Such Notes shall be designated as, shall be distinguished from all other notes and securities by the title “Orange County Fire Authority 2014-2015 Tax and Revenue Anticipation Notes”.

(b) The Notes shall be dated the Issue Date and shall mature on the Maturity Date. Interest on the Notes shall be determined, with respect to Notes sold pursuant to a public sale, at the time of the award of the Notes, and with respect to Notes sold pursuant to a negotiated sale, as provided in the Note Purchase Agreement.

(c) The Notes shall be issued in fully registered form in the denominations of \$5,000 and any integral multiple of \$5,000 in excess thereof and shall be numbered consecutively from 1 upward. The form of the Notes shall be substantially in the form set forth in Exhibit A hereto. There shall be included in each of the Notes a certification and recital to the effect that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to the issuance of such Notes, exist, have happened and have been performed in due time, form and manner, as required by applicable law.

(d) The Notes shall not be subject to redemption prior to maturity.

Section 202. Sale of the Notes. The Chair of the Board and the Authorized Representatives are, and each of them acting alone is, hereby authorized and directed to determine the

principal amount of the Notes to be issued pursuant to the terms of this Resolution; provided, however, that the actual principal amount of the Notes shall not exceed \$50,000,000. The interest rate on the Notes shall not exceed five percent (5.00%) per annum.

Pursuant to a determination by the Assistant Chief, based upon the advice of the financial advisor and the results of other comparable sales of short-term obligations, all the Notes shall be (i) offered for public sale in accordance with the Notice of Sale attached hereto, as Exhibit B-1 and by reference incorporated herein, which Notice of Sale is hereby approved, or (ii) sold by negotiated basis to an Underwriter in accordance with the Note Purchase Agreement attached hereto as Exhibit B-2 and by reference incorporated herein, which Note Purchase Agreement is hereby approved. The Authority's financial advisor is hereby authorized and directed to distribute copies of such Notice of Sale and Note Purchase Agreement to persons whom the Authority's financial advisor determines in its sole discretion might be interested in the purchase of the Notes. The Authorized Representatives are, and each of them acting alone is, hereby authorized and directed, for and in the name and on behalf of the Authority, to sell the Notes in accordance with the conditions and terms of such Notice of Sale or Note Purchase Agreement, as provided in this Resolution.

The publication of a copy of the Notice of Intention to Sell once at least five (5) days prior to the date of sale of the Notes in *The Bond Buyer* in the event the Notes are offered for public sale, in substantially the form attached hereto, as Exhibit C and by reference incorporated herein, is hereby approved and ratified by the Board.

The Chair of the Board and the Authorized Representatives shall be, and each of them acting alone, is hereby authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions and execute any and all certificates, agreements and other documents which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Notes in accordance with this Resolution, and all actions heretofore taken by such officers with respect to the sale and issuance of the Notes are hereby approved, confirmed and ratified.

Section 203. Approval of Disclosure Certificate. The Chair of the Board and the Authorized Representatives and such other officers of the Authority as may be authorized by the Board shall be, and each of them acting alone hereby is, authorized and directed to execute a Disclosure Certificate on behalf of the Authority, substantially in the form attached hereto as Exhibit E, with such changes therein as may be necessary or as the officer executing the same on behalf of the Authority approves, in such officer's discretion, as being in the best interests of the Authority, such approval to be evidenced conclusively by such officer's execution thereof.

Section 204. Authorization of Official Statement. The Authority's financial advisor hereby is authorized to distribute the Preliminary Official Statement related to the Notes, substantially in the form attached hereto as Exhibit D, to persons who may be interested in the purchase of the Notes. Such Preliminary Official Statement shall be deemed final as of its date except for the omission of certain information as provided in and pursuant to Rule 15c2-12. The Chair of the Board and the Authorized Representatives and such other officers of the Authority as may be authorized by the Board shall be, and each acting alone is, hereby authorized, for and in the name and on behalf of the Authority, to execute (i) a certificate deeming such Preliminary Official Statement final for purposes of Rule 15c2-12, and (ii) a final Official Statement for the Notes authorized hereby, in substantially the form of said Preliminary Official Statement, with such insertions and changes therein as such person may require or approve, in such person's discretion, as being in the best interests of the Authority, such approval to be conclusively evidenced by the execution and delivery thereof.

## ARTICLE III

### GENERAL TERMS AND PROVISIONS OF NOTES

Section 301. Medium of Payment. The Notes shall be payable with respect to interest and principal in immediately and lawfully available funds in lawful money of the United States of America.

Section 302. Execution of Notes. The Authorized Representatives, jointly and severally, are hereby authorized to execute the Notes by use of manual or facsimile signature, and the Clerk of the Board is hereby authorized to countersign, by manual or facsimile signature, the Notes. In case any one or more of the officers who shall have signed any of the Notes shall cease to hold such office before the Notes so signed shall have been issued, such Notes may, nevertheless, be issued, as herein provided, as if the persons who signed such Notes had not ceased to hold such offices. Any of the Notes may be signed on behalf of the Authority by such persons as at the time of the execution of such Notes shall be duly authorized to hold or shall hold the proper office in the Authority, although at the date borne by the Notes such persons may not have been so authorized or have held such office.

Only such of the Notes as shall bear thereon a certificate of authentication substantially in the form set forth in Exhibit A hereto shall be valid or obligatory for any purpose or entitled to the benefits of this Resolution, and such certificate of the Paying Agent shall be conclusive evidence that the Notes so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this Resolution. In the case of Notes executed by facsimile signature of both an Authorized Representative and the Clerk of the Board, the Notes shall not be valid unless and until the Paying Agent or her designee shall have manually authenticated such Notes.

Section 303. Transfer of Notes. The registration of any Note may be transferred upon the Note Register upon surrender of such Note to the Paying Agent. Such Note shall be endorsed or accompanied by delivery of a written instrument of transfer, duly executed by the Owner or the Owner's duly authorized attorney, and payment of such reasonable transfer fees as the Paying Agent may establish. Upon such registration of transfer, a new Note or Notes, for the same outstanding principal amount, maturity and interest rate and in authorized denominations, will be issued to the transferee in exchange therefor.

The Authority and the Paying Agent may treat the person in whose name any Outstanding Note shall be registered upon the Note Register as the absolute Owner of such Note, whether such Notes shall be overdue or not, for the purpose of receiving payment thereof and for all other purposes, and all such payments so made to any such Owner or upon such Owner's order shall be valid and effective to satisfy and discharge the liability upon such Notes to the extent of the sum or sums so paid, and neither the Authority nor any Paying Agent shall be affected by any notice to the contrary.

Section 304. Notes Mutilated, Destroyed, Stolen or Lost. If any Note shall become mutilated, the Paying Agent shall thereupon deliver a new Note of like tenor bearing a different number in exchange and substitution for the Note so mutilated, but only upon surrender to the Paying Agent of the Note so mutilated. Every mutilated Note so surrendered to the Paying Agent shall be canceled and destroyed by the Paying Agent who immediately thereafter shall deliver a certificate of destruction to the Authority. If any Note shall be lost, destroyed or stolen, evidence of the ownership thereof and of such loss, destruction or theft may be submitted to the Paying Agent and, if such evidence shall be satisfactory to the Paying Agent an indemnity satisfactory to the Paying Agent shall be given, the Paying Agent thereupon shall deliver a new Note of like tenor bearing a different number in lieu of and in substitution for the Note so lost, destroyed or stolen (or if any such Note shall have matured or shall be about to

mature, instead of issuing a substitute Note, the Paying Agent may pay the same without surrender thereof). The Paying Agent may require payment of a sum not exceeding the actual cost of preparing each new Note issued under this Section 304 and of the related expenses. Any Note issued under the provisions of this Section 304 in lieu of any Note alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Authority whether or not the Note alleged to be lost, destroyed or stolen shall be at any time enforceable by anyone, and shall be entitled to the benefits of this Resolution with all other Notes secured by this Resolution.

Section 305. Note Registration. The Paying Agent shall keep or cause to be kept at its principal office sufficient books for the registration and registration of transfer of the Notes.

Section 306. Book-Entry System; Limited Obligation. The Notes initially shall be issued in the form of a single fully registered Note (which may be typewritten) in the name of Cede & Co., as Nominee of DTC. Except as provided in Section 303 hereof, all the Outstanding Notes shall be registered in the Note Register in the name of the Nominee.

With respect to the Notes registered in the Note Register in the name of the Nominee, neither the Authority nor the Paying Agent shall have any responsibility or obligation to any Participant or to any person on behalf of which such a Participant holds an interest in the Notes. Without limiting the immediately preceding sentence, neither the Authority nor the Paying Agent shall have any responsibility or obligation with respect to (i) the accuracy or completeness of the records of DTC, the Nominee or any Participant with respect to any ownership interest in the Notes, (ii) the delivery to any Participant or any other person, other than a Note Owner, of any notice with respect to the Notes, or (iii) the payment to any Participant or any other person, other than a Note Owner, of any amount with respect to the principal of or interest on the Notes. The Authority and the Paying Agent may treat and consider the person in whose name each Note is registered in the Note Register as the absolute Owner of such Note for the purpose of payment of principal and interest with respect to such Note, for the purpose of giving notices of any matters with respect to such Note, for the purpose of transfers with respect to such Note, and all other purposes whatsoever.

The Paying Agent shall pay all principal of and interest with respect to the Notes only to or upon order of the respective Note Owners, as shown in the Note Register, or their respective attorneys duly authorized in writing and all such payments shall be valid and effective to fully satisfy and discharge the obligations hereunder with respect to payment of principal of and interest on the Notes to the extent of the sum or sums so paid. No person other than a Note Owner, as shown in the Note Register, shall receive a Note evidencing the obligation of the Authority to make payments of principal and interest pursuant to this Resolution. Upon delivery by DTC to the Authority of a written notice to the effect that DTC has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein, the word "Nominee" in this Resolution shall refer to such new nominee of DTC.

Section 307. Representation Letter. In order to qualify the Notes for DTC book-entry system, the Treasurer and such other officers of the Authority as may be authorized by the Board shall be, and each of them acting alone is, hereby authorized to execute from time to time, a letter to DTC from the Authority representing such matters as shall be necessary to so qualify the Notes (the "Representation Letter"). The execution and delivery of the Representation Letter shall not in any way limit the provisions of Section 306 hereof or in any way impose upon the Authority any obligation whatsoever with respect to persons having an interest in the Notes, other than any Note Owner, as shown in the Note Register. In addition to the execution and delivery of the Representation Letter, the Authority shall take any other actions, not inconsistent with this Resolution, to qualify the Notes for DTC's book-entry system.

Section 308. Transfers Outside DTC Book-Entry System. In the event (i) DTC determines not to continue to act as securities depository for the Notes or (ii) the Authority determines that continuation of the book-entry system would adversely affect the interest of the beneficial owners of the Notes, the Authority shall discontinue the book-entry system with DTC. In such a case, the Notes no longer shall be restricted to being registered in the Note Register in the name of the Nominee but shall be registered in whatever name or names DTC or its Nominee shall designate, in accordance with the provisions of Section 303 hereof. If the Authority does replace DTC with another qualified securities depository, the word “DTC” in this Resolution shall refer to such newly qualified securities depository.

Section 309. Payments and Notices to Nominee. Notwithstanding any other provision of this Resolution to the contrary, so long as any Note is registered in the name of the Nominee, all payments with respect to principal of and interest on such Note and all notices with respect to such Note shall be made and given, respectively, as provided in the Representation Letter or as the Authority may be otherwise reasonably instructed in writing by DTC.

#### ARTICLE IV

##### REPAYMENT ACCOUNT AND APPLICATION THEREOF

Section 401. Payment and Security for Notes. As provided in the Act, the Notes and the interest thereon shall be general obligations of the Authority. Pursuant to the Act, the Authority hereby pledges from the Unrestricted Revenues lawfully available for the payment of principal of and interest on the Notes as security for the Notes, and the Treasurer is hereby directed to deposit into the Repayment Account (defined below): (i) an amount equal to fifty percent (50%) of the aggregate principal amount of the Notes from the first Unrestricted Revenues received by the Authority during the accounting period commencing on April 1, 2015 and ending April 30, 2015, inclusive (the “First Designation Period”), and (ii) an amount equal to fifty percent (50%) of the principal amount of Notes from the first Unrestricted Revenues received by the Authority during the accounting period commencing on May 1, 2015 and ending May 31, 2015, inclusive (the “Second Designation Period”), together with an amount sufficient to (net of anticipated earnings on moneys in the Repayment Account) satisfy and make up any deficiency in the Repayment Account with respect to the First Designation Period and pay the interest accrued and to accrue on the Notes to the maturity thereof, plus an amount, if any, equal to the rebate amount calculated pursuant to Section 502 hereof to be due to the United States Treasury. The aforesaid amounts required to be deposited in the Repayment Account pursuant to this Section 401 and the dates on which such amounts are required to be deposited, may be modified as designated in writing by the Treasurer prior to the public sale of the Notes pursuant to the Notice of Sale or prior to the negotiated sale of the Notes pursuant to the Note Purchase Agreement. The amounts designated by the Authority for deposit into the Repayment Account from the Unrestricted Revenues received during each indicated accounting period are hereinafter called the “Designated Revenues.” As provided in the Act, the Notes and the interest thereon shall be a lien and charge against and shall be payable from the first moneys to be received by the Authority from the Designated Revenues.

In the event that there have been insufficient Unrestricted Revenues received by the Authority by the third business day prior to the end of any such Designation Period to permit the deposit into the Repayment Account of the full amount of the Designated Revenues required to be deposited with respect to such Designation Period, then the amount of any deficiency in the Repayment Account shall be satisfied and made up from any other moneys of the Authority lawfully available for the payment of the principal of the Notes and the interest thereon (all as provided in Sections 53856 and 53857 of the Government Code) (the “Other Designated Moneys”) on such date or thereafter on a daily basis, when and as such Designated Revenues and Other Designated Moneys are received by the Authority.

Section 402. Repayment Account. There is hereby established by the Authority, a Repayment Account to be held in trust by the Paying Agent and all Designated Revenues shall be deposited into the Repayment Account as required by Section 401 hereof (or at such other times as may be designated by the Treasurer in accordance with Section 401 hereof). Moneys in the Repayment Account shall be invested in Permitted Investments that provide sufficient liquidity so that moneys will be available no later than the Maturity Date. Moneys in the Repayment Account shall be used to pay the Notes and the interest thereon when and as they shall become due and payable, and amounts necessary to pay any rebate requirement as provided in Section 502, and may not be used for any other purposes; provided, however, that any proceeds of any such investments not needed for such purposes may, upon the request of the Treasurer, if the Treasurer is not the Paying Agent, be transferred promptly by the Paying Agent to the General Fund. Any balance in the Repayment Account on the final Maturity Date in excess of the amounts needed to pay the principal of and interest on the Notes shall be transferred to the General Fund.

Section 403. Disposition of Proceeds of Notes. The Authority shall, immediately upon receiving the proceeds of the sale of the Notes, place in the General Fund maintained in the Authority's Treasury all amounts received from such sale. Such amounts held in the General Fund shall be invested as permitted by Section 53601 or Section 53635 of the Government Code provided that no such investments shall consist of reverse repurchase agreements. Such amounts may be commingled with other funds of the Authority.

Amounts in the General Fund attributable to the sale of the Notes shall be withdrawn and expended by the Authority for any purpose for which the Authority is authorized to expend funds from the General Fund.

## ARTICLE V

### CERTAIN COVENANTS

#### Section 501. General Covenants.

(a) The Authority shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Authority under the provisions of the Act and this Resolution.

(b) Upon the date of issuance of the Notes, all conditions, acts and things required by law and this Resolution to exist, to have happened and to have been performed precedent to and in the issuance of such Notes, shall exist, shall have happened and shall have been performed and the issue of such Notes, together with all other indebtedness of the Authority, shall be within every debt and other limit prescribed by the Constitution and laws of the State of California.

(c) The Authority covenants that during the Fiscal Year it will not borrow any amount under the authority of the Act such that such borrowed amount plus (i) the interest on such borrowed amount, (ii) the amount of all notes and other evidences of indebtedness of the Authority issued under the authority of the Act then outstanding, and (iii) the interest on such notes and other evidences of indebtedness issued under the authority of the Act then outstanding (collectively, the "Total Debt"), shall exceed an amount equal to eighty-five percent (85%) of the amount estimated at the time of such borrowing of the then uncollected taxes, income, revenue, cash receipts and other moneys received or accrued by the Authority during the Fiscal Year that lawfully will be available for payment of the Total Debt.

Section 502. Tax Covenants. The Authority hereby covenants that it will not knowingly take any action, omit to take any action or permit the taking or omission of any action (including, without limitation, making or permitting any use of Note proceeds) if taking or omitting to take such action would cause the Notes to be arbitrage bonds, private activity bonds or federally-guaranteed obligations within the meaning of the Code, or would otherwise cause interest on the Notes to be included in the gross income of the registered owner and/or the Beneficial Owners thereof for federal income tax purposes.

## ARTICLE VI

### PAYING AGENT

Section 601. Paying Agent; Appointment and Acceptance of Duties. The Treasurer is hereby appointed Paying Agent for the Notes; provided, however, that the Treasurer and such other officers of the Authority as may be authorized by the Board shall be, and each of them acting alone is, hereby authorized to appoint another Paying Agent to undertake the Treasurer's duties hereunder as Paying Agent in the event the Treasurer is not able to accept, or after determining it to be in the best interest of the Authority, does not accept its appointment hereunder and enter into a Paying Agent Agreement. In such event, all references to Paying Agent herein shall refer to such newly appointed Paying Agent. Should the Paying Agent be other than the Treasurer, the Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by this Resolution by executing and delivering to the Authority a written acceptance thereof under which the Paying Agent will agree, particularly, to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the Authority at all reasonable times.

Section 602. Liability of Paying Agent. The Paying Agent shall not be required to make any representation as to the validity or sufficiency of this Resolution or of any of the Notes issued hereunder or as to the security afforded by this Resolution, and the Paying Agent shall incur no liability in respect thereof. Notwithstanding the foregoing, no provision of this Resolution shall be construed as to relieve any Paying Agent from liability for its own actions, its own failure to act or its own misconduct or that of its officers or employees.

Section 603. Evidence on Which Paying Agent May Act. The Paying Agent, upon receipt of any notice, resolution, request, consent, order, certificate, report, opinion, bond, or other paper or document furnished to it pursuant to any provision of this Resolution, shall examine such instrument to determine whether it conforms to the requirements of this Resolution and shall be protected in acting upon any such instrument believed by it to be genuine and to have been signed or presented by the proper party or parties. The Paying Agent may consult with counsel, who may or may not be counsel to the Authority, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it under this Resolution in good faith and in accordance herewith.

Section 604. Compensation. Should the Paying Agent be other than the Treasurer, the Authority shall pay the Paying Agent from time to time reasonable compensation for all services rendered under this Resolution, and also all reasonable expenses, charges, attorneys' fees and other disbursements, including those of its attorneys, agents, and employees, incurred in and about the performance of their powers and duties under this Resolution.

Section 605. Ownership of Notes Permitted. The Paying Agent, should the Paying Agent be other than the Treasurer, may become an Owner of any Notes.

Section 606. Resignation or Removal of Paying Agent and Appointment of Successor.

(a) The Treasurer may at any time resign and be discharged of the duties and obligations of the Paying Agent created by this Resolution. Should the Paying Agent be other than the Treasurer, the Paying Agent may at any time resign and be discharged of the duties and obligations created by this Resolution by giving at least sixty (60) days' written notice to the Authority. Should the Paying Agent be other than the Treasurer, the Paying Agent may be removed at any time by an instrument filed with such Paying Agent and signed by the Authority. Any such resignation or removal shall become effective only upon the appointment of a successor Paying Agent. Such successor Paying Agent shall be appointed by the Authority and shall be a bank, trust company or other financial institution organized under the laws of any state of the United States, or a national banking association, having capital stock and surplus aggregating at least \$150,000,000, willing and able to accept the office on reasonable and customary terms, and authorized by law to perform all the duties imposed upon it by this Resolution.

(b) In the event of the resignation or removal of the Paying Agent, it shall pay over, assign and deliver any moneys held by it as Paying Agent to its successors and shall hold all moneys in trust pursuant to the provisions of this Resolution.

(c) If no successor Paying Agent shall have been appointed and have accepted such appointment within thirty (30) days of the Paying Agent giving notice of resignation or, in the event that the Authority is not the Paying Agent, the Authority giving notice of removal as aforesaid, the Paying Agent resigning or being removed or any Owner of the Notes (on behalf of such Owner and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Paying Agent, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Paying Agent.

(d) Any successor Paying Agent appointed under this Resolution, shall signify its acceptance of such appointment by executing and delivering to the Authority and to its predecessor Paying Agent a written acceptance thereof, and thereupon such successor Paying Agent, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Paying Agent pursuant to the provisions of this Resolution, with like effect as if originally named Paying Agent herein; but nevertheless at the request of the Authority or the request of the successor Paying Agent, such predecessor Paying Agent shall execute and deliver any and all instruments of conveyance of further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Paying Agent all the right, title and interest of such predecessor Paying Agent in and to any property held by it under this Resolution, and shall pay over, transfer, assign and deliver to successor Paying Agent any money or other property subject to the trust and conditions herein set forth. Upon acceptance by a successor Paying Agent as provided in this subsection, the Authority shall give written notice to all Owners of the succession of such Paying Agent hereunder and the principal office of such Paying Agent.

ARTICLE VII

SUPPLEMENTAL RESOLUTIONS

Section 701. Supplemental Resolutions Effective Without Consent of Owners.

(a) Supplemental Resolutions of the Authority may be adopted by this Board for any purpose set forth therein prior to the Issue Date.

(b) For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution of the Authority may be adopted by this Board that, without the requirement of consent of Owners, shall be fully effective in accordance with its terms:

(i) To add to the covenants and agreements of the Authority in this Resolution, other covenants and agreements to be observed by the Authority that are not contrary to or inconsistent with this Resolution as theretofore in effect;

(ii) To add to the limitations and restrictions in this Resolution, other limitations and restrictions to be observed by the Authority that are not contrary to or inconsistent with this Resolution as theretofore in effect;

(iii) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, this Resolution, of any moneys, securities or funds, or to establish any additional funds or accounts to be held under this Resolution;

(iv) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in this Resolution; or

(v) To amend or supplement this Resolution in any other respect, provided such Supplemental Resolution does not adversely affect the interests of the Owners.

Section 702. Supplemental Resolutions Effective With Consent of Owners. Any modification or amendment of this Resolution and of the rights and obligations of the Authority and of the Owners of the Notes, in any particular, may be made by a Supplemental Resolution adopted by this Board, with the written consent of the Owners of at least a majority in aggregate principal amount of the Notes Outstanding at the time such consent is given. No such modification or amendment shall permit a change in the terms of, or maturity of the principal of, any Outstanding Notes or the payment of interest thereon or a reduction in the principal amount thereof or in the rate of interest thereon or a change in the date or amounts of the pledge set forth in Section 401 hereof without the consent of the Owner of such Notes, or shall reduce the percentage of the Notes the consent of the Owners of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Paying Agent without its written assent thereto.

Section 703. Exclusion of Notes. The Notes owned or held by or for the account of the Authority shall not be deemed Outstanding for the purpose of consent or any calculation of Outstanding Notes provided for in this Article VII, and the Authority shall not be entitled with respect to such Notes to give any consent provided for in this Article VII.

## ARTICLE VIII

### MISCELLANEOUS

Section 801. Moneys Held in Trust for One Year. Anything in this Resolution to the contrary notwithstanding, any moneys held in trust for the payment and discharge of any of the Notes and interest thereon that remain unclaimed for a period of one (1) year after the date when such Notes have become due and payable, if such moneys were so held at such date, or for one (1) year after the date of deposit of such moneys if deposited after the date when such Notes became due and payable, shall be repaid to the General Fund of the Authority, as its absolute property and free from trust of this Resolution, and the Owners shall thereafter look only to the Authority for the payment of such Notes and interest thereon, and such Notes no longer shall be deemed Outstanding; provided, however, that before any such

payment is made to the Authority, the Authority shall cause to be published at least twice, at an interval of not less than seven (7) days between publications, in an Authorized Newspaper, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than thirty (30) days after the date of the first publication of such notice, the balance of such moneys then unclaimed shall be returned to the Authority.

Section 802. General Authorization. The Assistant Chief, the Auditor, the Treasurer, the Chair of the Board and the Clerk to the Board and the other officers of the Authority are, and each of them acting alone is, hereby authorized to execute in connection with the Notes any and all other documents not specifically authorized hereunder and to do and perform any and all acts and things, from time to time, consistent with this Resolution and necessary or appropriate to carry the same into effect and to carry out its purposes.

Section 803. Use of Deputies. Any agreement or document (including the Notes) which pursuant to the terms of this Resolution is to be executed and delivered by a named official of the Authority may be executed and delivered by any deputy or other person designated by such Authority official to act on his or her behalf and in his or her place and stead.

Section 804. Effective Date. This Resolution shall take effect immediately.

*PASSED, APPROVED, AND ADOPTED* this 22nd day of May 2014.

---

STEVEN WEINBERG, CHAIR  
Board of Directors

ATTEST

---

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

EXHIBIT A

FORM OF NOTE

UNITED STATES OF AMERICA  
STATE OF CALIFORNIA  
ORANGE COUNTY FIRE AUTHORITY  
2014-2015 TAX AND REVENUE ANTICIPATION NOTE

UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AS DEFINED IN THE RESOLUTION REFERENCED HEREIN) TO THE PAYING AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE OF THIS 2014-2015 TAX AND REVENUE ANTICIPATION NOTE FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER OF THIS 2014-2015 TAX AND REVENUE ANTICIPATION NOTE, CEDE & CO., HAS AN INTEREST HEREIN.

R-\_\_  
Registered Owner: Cede & Co.  
Principal Amount: \$\_\_\_\_\_

CUSIP No. \_\_\_\_\_  
Interest Rate: \_\_\_\_\_%  
Maturity Date: \_\_\_\_\_, 2015

The Orange County Fire Authority, a political subdivision of the State of California (the "Authority"), acknowledges itself indebted to, and for value received hereby promises to pay to, the registered owner identified above, or registered assigns, on the Maturity Date stated above, upon presentation and surrender of this Note (as defined in the Resolution referenced herein) the principal amount identified above in immediately and lawfully available funds of the United States of America and to pay interest as due at maturity on such principal sum in like coin or currency from the date of this Note (defined herein), at the Interest Rate per annum stated above computed on the basis of a 360-day year of twelve 30-day months. Payment of principal of and interest on this Note to such registered owner shall be made by wire, check or draft mailed thereto, at the address as it appears on the registration books kept by the Treasurer of the Authority, as Paying Agent (the "Paying Agent") or the Paying Agent's successors or assigns.

This Note is one of a duly authorized issue of notes of the Authority designated as the "Orange County Fire Authority 2014-2015 Tax and Revenue Anticipation Notes" (the "Notes"), in the principal amount set forth above, issued under and in full compliance with the Constitution and statutes of the State of California, particularly Article 7.6 of Chapter 4, Part 1, Division 2, Title 5 of the California Government Code, being Government Code Sections 53850 through 53858, inclusive, as amended and supplemented to the date of this Note (the "Act"), and under and pursuant to the resolution of the Board of Directors of the Authority adopted [Resolution Date] (as such resolution may be amended in accordance with its terms, the "Resolution"). This Note and the payment and security of this Note are subject to the terms and conditions of the Resolution, copies of which are on file at the office of the Clerk to the Board of Directors of the Authority, and reference to the Resolution and any and all supplements thereto and modifications and amendments thereof and to the Act is made for a complete statement of such terms and conditions. All capitalized terms used herein without definition shall have the meanings set forth in the Resolution.

This Note is being issued under the Act and is a general obligation of the Authority, but is payable as to principal and interest only out of taxes, income, revenues, cash receipts and other moneys of the Authority, including moneys deposited in inactive or term deposits (but excepting certain moneys which, when received by the Authority, will be encumbered for a special purpose unless an equivalent amount of the proceeds from said Notes is set aside for and used for said special purpose) received or accrued by the Authority during Fiscal Year 2014-15 that are lawfully available for payment of the Notes and the interest thereon (the "Unrestricted Revenues"). Pursuant to the terms of the Resolution, certain Unrestricted Revenues to be received by the Authority have been pledged to the payment of the Notes and the interest thereon (including this Note and the interest hereon) (the "Designated Revenues"). The Notes and the interest thereon create a first lien and charge on the Designated Revenues.

This Note shall not be redeemable by the Authority prior to the Maturity Date stated above.

Registration of this Note is transferable by the registered owner of this Note, in person at the aforesaid offices of the Paying Agent, but only in the manner, subject to the limitations, and upon payment of the charges, provided in the Resolution upon surrender and cancellation of this Note. Upon such registration of transfer, a new Note or Notes, of like tenor will be issued to the transferee in exchange of this Note. The Authority and the Paying Agent may treat the registered owner of this Note as the absolute owner of this Note, whether this Note shall be overdue or not, for the purpose of receiving payment of this Note and for all purposes, and all such payments so made to any such registered owner or upon such registered owner's order shall be valid and effective to satisfy and discharge the liability upon this Note to the extent of the sum or sums so paid, and neither the Authority nor the Paying Agent shall be affected by any notice to the contrary.

To the extent and in the manner permitted by the terms of the Resolution, the provisions of the Resolution, or any resolution amendatory thereof or supplemental thereto, may be modified or amended by the Authority; provided, however, that no such modification or amendment shall permit a change in the terms of maturity of the principal of any outstanding Note or any installment of interest thereon or a reduction in the principal amount thereof or in the rate of interest thereon or a change in the date or amount of the pledge set forth in the Resolution without the consent of the owner of such Note, or shall reduce the percentage of the Notes the consent of the owners of which is required to effect any such modification or amendment.

It is hereby certified and recited that all acts, conditions and things required by law and the Resolution to exist, to have happened and to have been performed precedent to the issuance of this Note, do exist, have happened and have been performed, in due time, form and manner, as required by law, and that the issue of the Notes of which this is one, together with all other indebtedness of the Authority, is within every debt and other limit prescribed by the Constitution and the laws of the State of California.

IN WITNESS WHEREOF, THE ORANGE COUNTY FIRE AUTHORITY has caused this Note to be signed in its name and on its behalf by the manual or facsimile signature of the Treasurer of the Authority and attested to by the Clerk to the Board of Directors of the Authority as of the \_\_ day of July, 2014.

[SEAL]

ORANGE COUNTY FIRE AUTHORITY

By: \_\_\_\_\_  
Treasurer

Countersigned:

By: \_\_\_\_\_  
Clerk of the Board of Directors

CERTIFICATE OF AUTHENTICATION

This is one of the Notes described in the within-mentioned Resolution of the Orange County Fire Authority.

DATE: \_\_\_\_\_, 2014

By: \_\_\_\_\_  
Paying Agent

FORM OF ASSIGNMENT

FOR VALUE RECEIVED, the undersigned registered owner hereby sells, assigns and transfers unto:

Name of Transferee:

Address for Payment of Interest:

Tax Identification No.:

The within-mentioned Note and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney, to transfer the same on the books of the Paying Agent with full power of substitution.

Date:

\_\_\_\_\_  
Registered Owner

NOTICE: The signature to this Assignment must correspond with the name as written on the face of the within Note in every particular, without alteration or enlargement or any change whatsoever.

Signature guaranteed

\_\_\_\_\_  
Bank, Trust Company or Firm

\_\_\_\_\_  
Authorized Representative

EXHIBIT B-1

[See attached Form of Notice of Sale]

EXHIBIT B-2

[See attached Form of Note Purchase Agreement]

EXHIBIT C

[See attached Form of Notice of Intention to Sell]

EXHIBIT D

[See attached Form of Preliminary Official Statement]

EXHIBIT E

[See attached Form of Disclosure Certificate]

CLERK'S CERTIFICATE

The undersigned Clerk of the Board of Directors of the Orange County Fire Authority, hereby certifies as follows:

The foregoing is a full, true and correct copy of a resolution duly adopted at a regular meeting of the Board of Directors of said Authority duly and regularly and legally held at the regular meeting place thereof on [Resolution Date], of which meeting all of the members of the Board of Directors of said Authority had due notice and at which a majority thereof were present.

At said meeting said resolution was adopted by the following vote:

Ayes:

Noes:

Absent:

The foregoing is a full, true and correct copy of the original resolution adopted at said meeting.

I further certify that an agenda of said meeting was posted at least 72 hours prior to the date of the meeting in a place in the City of Irvine, California, freely accessible to members of the public and that a short description of said resolution appeared on said agenda.

Said resolution has not been amended, modified or rescinded since the date of its adoption, and the same is now in full force and effect.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Clerk of the Board of Directors  
Orange County Fire Authority

[SEAL]

**NOTICE OF INTENTION TO SELL NOTES****\$45,000,000\*****ORANGE COUNTY FIRE AUTHORITY  
2014-2015 TAX AND REVENUE ANTICIPATION NOTES**

NOTICE IS HEREBY GIVEN that the Orange County Fire Authority (the “Authority”), intends to offer for public sale on

**[Pricing Date]**

\$45,000,000\* principal amount of notes of the Authority designated “Orange County Fire Authority 2014-2015 Tax and Revenue Anticipation Notes” subject to the terms and conditions of the Official Notice of Sale (including the Form of Bidder’s Certificate attached as Exhibit A thereto). Electronic bids shall be submitted only through the Ipreo LLC’s BiDCOMPTM/PARITY® System (“Parity”) as the approved electronic bidding system. Hand-delivered sealed bids shall be submitted only at the offices of Tamalpais Advisors, Inc., 3030 Bridgeway, Suite 340, Sausalito, California 94965. **Bids must be submitted no later than 9:00 a.m. Pacific Time (or on such other date and time as may be determined by the Authority as provided below).**

It is expected that copies of the Preliminary Official Statement and the Official Notice of Sale (including the Form of Bidder’s Certificate attached thereto) relating to the sale of the Notes will be furnished on or about [POS Date]. When available, an electronic copy of the Preliminary Official Statement can be obtained at \_\_\_\_\_ or upon request to Tamalpais Advisors, Inc., 3030 Bridgeway, Suite 340, Sausalito, California 94965, Financial Advisor to the Authority (telephone (415) 331-4473, fax (415) 331-4479); email: [jbuckley@tamadvisors.com](mailto:jbuckley@tamadvisors.com).

Any of the sale date, time of sale or terms of the Notes may be changed by the Authority by notice thereof through Parity and/or Thompson Financial (the “News Services”) no later than 1:00 p.m., Pacific Time, on the business day prior to the then-scheduled date for receipt of bids or, if no legal bid or bids are received, at such time specified on such other date set forth in said News Service notice.

Dated: \_\_\_\_\_, 2014

\_\_\_\_\_  
/s/ Lori Zeller  
Assistant Chief, Business Services,  
Orange County Fire Authority

---

\* Preliminary, subject to change.

**OFFICIAL NOTICE OF SALE****\$45,000,000\*****ORANGE COUNTY FIRE AUTHORITY  
2014-2015 TAX AND REVENUE ANTICIPATION NOTES**

NOTICE IS HEREBY GIVEN that bids will be received by the Treasurer (the “Treasurer”) of the Orange County Fire Authority (the “Authority”) no later than 9:00 a.m. Pacific Time (unless extended in accordance herewith as described under “Submission of Bids”), on [Pricing Date] as described below, for the purchase of all, but not less than all, of \$45,000,000\* principal amount of Orange County Fire Authority 2014-2015 Tax and Revenue Anticipation Notes (the “Notes”).

In the case of electronic bids, bids may only be submitted electronically through the Ipreo LLC’s BiDCOMPTM/PARITY® System (“Parity”) in the manner described below. Hand-delivered bids must be delivered to Tamalpais Advisors, Inc., 3030 Bridgeway, Suite 340, Sausalito, CA 94965. No other method of submitting bids will be accepted.

Within 26 hours, the Treasurer will consider the bids received and, if acceptable bids are received, award the sale of the Notes on the basis of the lowest true interest cost of the bids, as described herein. In the event that no bid is awarded by the designated time, the Authority will reschedule the sale to another date or time by providing notification through Parity and/or Thompson Financial (the “News Services”). As an accommodation to bidders, telephonic or fax notice of the modifications will be given to any bidder requesting such notice by request directed to Tamalpais Advisors, Inc., the Authority’s financial advisor (the “Financial Advisor”), Attention: Jean Buckley, telephone (415) 331-4473; fax (415) 331-4479. Failure of any bidder to receive such electronic, telephonic or facsimile notice shall not affect the legality of the sale.

The Authority reserves the right, prior to the date of the sale, to modify or amend this Official Notice of Sale (this “Notice of Sale”) in any respect, including changing the principal amount of Notes offered for sale, the time or date of the sale and any other terms. Any such modifications will be announced through the News Services not later than 24 hours prior to the date and time on which bids may be submitted. The Authority may, with prior notice, withdraw the Notes for sale.

This Notice of Sale will be submitted to Ipreo LLC for posting at its website address ([www.i-dealprospectus.com](http://www.i-dealprospectus.com)) and in the Parity bid delivery system. In the event the summary of the terms of sale of the Notes posted by Ipreo LLC conflicts with this Notice of Sale in any respect, the terms of this Notice of Sale shall control, unless a notice of an amendment is given as described herein.

**TERMS OF THE NOTES****Authority and Purpose**

The Notes will be issued pursuant to the provisions of Article 7.6 (commencing with section 53850) of Chapter 4 of Part 1 of Division 2 of Title 5 of the California Government Code (the “Act”) and the provision of a resolution of the Board of Directors of the Authority, dated May 22, 2014 (the “Resolution”).

The Notes are being issued for the purpose of providing operating cash for any purpose for which the Authority is authorized to use and expend moneys, including, but not limited to current expenses,

---

\* Preliminary, subject to change.

capital expenditures, investment and reinvestment, and the discharge of any obligation or indebtedness of the Authority.

### **Preliminary Official Statement**

The terms of issuance, principal and interest repayment, redemption, security, tax exemption and all other information regarding the Notes and the Authority are described in the Preliminary Official Statement for the Notes, dated [POS Date] (the "Preliminary Official Statement"). Such Preliminary Official Statement, together with any supplements thereto, is in form "deemed final" by the Authority for purposes of SEC Rule 15c2-12(b)(1), but is subject to revision, amendment and completion in a final official statement (the "Official Statement"). The Authority will make available the Preliminary Official Statement, an electronic copy of which, along with related documents, will be furnished upon request made by telephone to the Financial Advisor, at (415) 331-4473. Each bidder must have obtained and reviewed the Preliminary Official Statement prior to bidding for the Notes. Bidders must read the entire Preliminary Official Statement to obtain information essential to the making of an informed decision to bid. This Notice of Sale contains certain information for quick reference only, is not a summary of the issue and governs only the terms of the sale of, bidding for and closing procedures with respect to the Notes.

### **Date of the Notes**

The Notes will be dated the dated of issuance thereof, which is expected to be July 1, 2014.

### **Interest Rate and Calculation of Interest**

The interest rate to be borne by the Notes will be specified by the bidder in its bid and shall not exceed three percent (3.00%) per annum. Interest will be calculated on the basis of a 360-day year of twelve 30-day months.

### **No Redemption**

The Notes are **not** subject to redemption prior to maturity.

### **Payment and Maturity Date**

The principal of and interest on the Notes are payable on June 30, 2015, the maturity date therefor (the "Maturity Date"). Principal of and interest on the Notes are payable in lawful money of the United States of America upon the surrender thereof at the offices of the Paying Agent, initially the Treasurer of the Authority, in Irvine, California.

### **Registration**

The Notes will be issued only in fully registered book-entry form, registered in the name of "Cede & Co.," as nominee of The Depository Trust Company. See "Book-Entry Only System" in the Preliminary Official Statement.

### **Security**

The Notes shall be general obligations of the Authority payable only out of taxes, income, revenues, cash receipts and other moneys of the Authority, including moneys deposited in inactive or term deposits (but excepting certain moneys which, when received by the Authority, will be encumbered for a special purpose unless an equivalent amount of the proceeds from said Notes is set aside for and

used for said special purpose) received or accrued by the Authority during Fiscal Year 2014-15 that are lawfully available for payment of the Notes and the interest thereon (the “Unrestricted Revenues”), as provided in Section 53856 of the Act.

As provided in the Act, the Notes and the interest thereon shall be general obligations of the Authority. Pursuant to the Act, the Authority hereby pledges from the Unrestricted Revenues lawfully available for the payment of principal of and interest on the Notes as security for the Notes, and the Treasurer is hereby directed to deposit into the Repayment Account: (i) an amount equal to fifty percent (50%) of the aggregate principal amount of the Notes from the first Unrestricted Revenues received by the Authority during the accounting period commencing on April 1, 2015 and ending April 30, 2015, inclusive (the “First Designation Period”), and (ii) an amount equal to fifty percent (50%) of the principal amount of Notes from the first Unrestricted Revenues received by the Authority during the accounting period commencing on May 1, 2015 and ending May 31, 2015, inclusive (the “Second Designation Period”), together with an amount sufficient to (net of anticipated earnings on moneys in the Repayment Account) satisfy and make up any deficiency in the Repayment Account with respect to the First Designation Period and pay the interest accrued and to accrue on the Notes to the maturity thereof, plus an amount, if any, equal to the rebate amount calculated pursuant to the Resolution to be due to the United States Treasury. The aforesaid amounts required to be deposited in the Repayment Account pursuant to the Resolution and the dates on which such amounts are required to be deposited, may be modified as designated in writing by the Treasurer prior to the public sale of the Notes pursuant to the Notice of Sale. The amounts designated by the Authority for deposit into the Repayment Account from the Unrestricted Revenues received during each indicated accounting period are hereinafter called the “Designated Revenues.”

As provided in the Act, the Notes and the interest thereon shall be a lien and charge against and shall be payable from the first moneys to be received by the Authority from the Designated Revenues.

In the event that there have been insufficient Unrestricted Revenues received by the Authority by the third business day prior to the end of any such Designation Period to permit the deposit into the Repayment Account of the full amount of the Designated Revenues required to be deposited with respect to such Designation Period, then the amount of any deficiency in the Repayment Account shall be satisfied and made up from any other moneys of the Authority lawfully available for the payment of the principal of the Notes and the interest thereon (all as provided in Sections 53856 and 53857 of the Government Code) on such date or thereafter on a daily basis, when and as such Designated Revenues and Other Designated Moneys are received by the Authority. See “The Notes - Security and Sources of Payment for the Notes” in the Preliminary Official Statement.

### **Repayment Account**

A Repayment Account is established under the Resolution to be held in trust by the Paying Agent into which all Designated Revenues will be deposited. Moneys in the Repayment Account will be invested in Permitted Investments that provide sufficient liquidity so that moneys will be available no later than the Maturity Date. Moneys in the Repayment Account will be used to pay the Notes and the interest thereon when and as they will become due and payable, and amounts necessary to pay any rebate requirement as provided in the Resolution, and may not be used for any other purposes; provided, however, that any proceeds of any such investments may, upon the request of the Treasurer, if the Treasurer is not the Paying Agent, be transferred promptly by the Paying Agent to the General Fund. Any balance in the Repayment Account on the Maturity Date in excess of the amounts needed to pay the principal of and interest on the Notes will be transferred to the General Fund.

## **Paying Agent**

The Treasurer has been appointed the paying agent for the payment of principal and interest and for the registration of the Notes and to hold the funds and accounts established pursuant to the Resolution.

## **TERMS OF THE SALE**

### **Submission of Bids**

Each bid for the Notes must be: (1) for not less than all of the Notes; (2) unconditional; and (3) submitted (i) on the Official Bid Form attached as Exhibit A hereto (the “Official Bid Form”) no later than 9:00 a.m. Pacific Time on the date of sale or (ii) electronically via Parity no later than 9:00 a.m. Pacific Time on the date of sale. For purposes of submitting all bids, the time as maintained on Parity shall constitute the official time.

Each bid, other than bids submitted electronically, must be enclosed in a separate sealed envelope addressed to the Authority, endorsed “Proposal for 2014-2015 Tax and Revenue Anticipation Notes” and timely delivered to the Authority c/o Jean Buckley at the address on the cover of this Notice of Sale.

No other provider of internet bidding services and no other means of delivery (i.e. telephone, e-mail or facsimile delivery) will be accepted. The sale of the Notes will end at 9:00 a.m., Pacific Time, on [Pricing Date]. For purposes of submitting all bids, the time as maintained on Parity shall constitute the official time.

In submitting an electronic bid for the Notes through Parity, each bidder agrees to the following terms and conditions: (1) if any provision in this Notice of Sale with respect to the Notes conflicts with information or terms provided or required by Parity, this Notice of Sale, including any amendments or modifications issued through the News Services, will control; (2) each bidder will be solely responsible for making necessary arrangements to access Parity for purposes of submitting its bid in a timely manner and in compliance with the requirements of this Notice of Sale; (3) the Authority will not have any duty or obligation to provide or assure access to Parity to any bidder, nor will the Authority be responsible for proper operation of, or have any liability for, any delays, interruptions or damages caused by the use of Parity or any incomplete, inaccurate or untimely bid submitted by any bidder through Parity; (4) the Authority is permitting use of Parity as a communication mechanism, and not as an agent of the Authority, to facilitate the submission of electronic bids for the Notes; Parity is acting as an independent contractor, and is not acting for or on behalf of the Authority; (5) the Authority is not responsible for ensuring or verifying bidder compliance with any procedures established by Parity; (6) information that is transmitted electronically through Parity will form a contract, and the bidder will be bound by the terms of such contract; and (7) information provided by Parity to bidders will form no part of any bid or of any contract between the successful bidder (the “Underwriter”) and the Authority unless that information is included in this Notice of Sale. All costs and expenses incurred by prospective bidders in connection with their submission of bids through Parity are the sole responsibility of the bidders, and the Authority is not responsible for any of such costs or expenses. See “Information Regarding Bids” herein.

This Notice of Sale will be submitted to Ipreo LLC for posting at its website address ([www.i-dealprospectus.com](http://www.i-dealprospectus.com)) and in the Parity bid delivery system. In the event the summary of the terms of sale of the Notes posted by Ipreo LLC conflicts with this Notice of Sale in any respect, the terms of this Notice of Sale shall control, unless a notice of an amendment is given as described herein.

For purposes of the Internet bidding process, the time as displayed on Parity's website (www.i-dealprospectus.com) and in the Parity bid delivery system shall constitute the official time. All bids shall be deemed to incorporate the provisions of this Notice of Sale.

For further information about Parity, potential bidders may contact the Financial Advisor at (415) 331-4473 or Parity at (212) 849 5021.

NEITHER THE AUTHORITY, THE FINANCIAL ADVISOR, NOR BOND COUNSEL SHALL BE RESPONSIBLE FOR, AND THE BIDDER EXPRESSLY ASSUMES THE RISK FOR ANY INCOMPLETE, INACCURATE OR UNTIMELY BID SUBMITTED VIA PARITY BY SUCH BIDDER, INCLUDING, WITHOUT LIMITATION, BY REASON OF GARBLED TRANSMISSION, MECHANICAL FAILURE, ENGAGED TELEPHONE OR TELECOMMUNICATIONS LINES, OR ANY OTHER CAUSE ARISING FROM DELIVERY VIA PARITY.

THE USE OF PARITY SHALL BE AT THE BIDDER'S RISK AND EXPENSE, AND NEITHER THE AUTHORITY, THE BOARD OF DIRECTORS OF THE AUTHORITY, THE FINANCIAL ADVISOR (AS DEFINED HEREIN), NOR BOND COUNSEL (AS DEFINED HEREIN), SHALL HAVE ANY LIABILITY WHATSOEVER WITH RESPECT THERETO.

### **Information Regarding Bids**

Bidders are required to submit unconditional bids specifying the rate of interest and premium, if any, at which the bidder will purchase all of the Notes. Each interest rate must be a multiple of 1/20th of one percent or 1/8th of one percent. Bidders shall specify (i) the interest rate to be borne by the Notes, (ii) the amount of premium, if any, that they will pay, in addition to the principal amount, to purchase the Notes, and (iii) the total purchase price, which price shall not be less than the principal amount of the Notes for which they have bid. No bid to purchase the Notes at a price less than 100% of the principal amount thereof will be accepted. All bids must be made in accordance with the requirements prescribed herein. Each bid submitted through Parity shall be deemed an irrevocable offer to purchase all of the Notes on the terms provided in this Notice of Sale, and shall be binding upon the bidder.

### **Estimate of True Interest Cost**

Each bidder is requested, but not required, to state in its Official Bid Form the true interest cost of its bid to the Authority, which shall be considered as informative only and neither conclusive nor binding on either the bidder or the Authority.

### **Award and Delivery**

Unless all bids are rejected, the Treasurer will award the Notes to the qualified bidder offering the lowest true interest cost ("TIC") to the Authority for the principal amount of Notes to be awarded considering the interest rate specified, and the premium, if any. The TIC will be the nominal annual discount rate which, when compounded semi-annually and used to discount the debt service on the Notes to the maturity date, calculated using the interest rate specified in the bid, results in an amount equal to the principal amount of the Notes and the premium, if any, specified in the bid. The Treasurer will not award any bid with a TIC in excess of 5.00% for the Notes. If two or more bids have the same TIC, the first bid submitted, as determined by reference to the time displayed on Parity, shall be deemed to be the leading bid. Delivery of the Notes will be made to the Underwriter through DTC on or about July 1, 2014 (the "Closing"), upon payment in immediately available funds to the Treasurer.

## **Verification**

All bids are subject to verification and approval by the Authority. The Authority shall have the right to deem each final bid reported on Parity immediately after the deadline for receipt of bids to be accurate and binding on the bidder. Information or calculations provided by Parity other than the information required to be provided by the bidder in accordance with this Notice of Sale is for informational purposes only and shall not be binding on any of the bidder, the Authority.

## **Right of Rejection; Cancellation**

The Treasurer reserves the right in her discretion to reject any and all bids received and to waive any irregularity or informality in the bids, except that the time for receiving bids shall be of the essence. The successful bidder shall have the right, at of its option, to cancel the contract of purchase if the Authority shall fail to tender the Notes for delivery within 60 days from the date of sale thereof.

## **Prompt Award**

The Treasurer, or the designee of such officer, will take action awarding Notes or rejecting all bids not later than 26 hours after the expiration of the time herein prescribed for the receipt of bids, unless such time of award is waived by the Underwriter.

## **Confirmation of Bids**

The successful bidder for the Notes must deliver a certificate confirming the terms of its bid to the Authority within one hour after the bidding deadline. The certificate shall be sent by facsimile transmission to Tamalpais Advisors, Inc., Attention: Jean Buckley, telephone (415) 331-4473; fax (415) 331-4479 or by e-mail to [jbuckley@tamadvisors.com](mailto:jbuckley@tamadvisors.com).

## **OTHER TERMS AND CLOSING PROCEDURES**

### **CUSIP, CDIAC and Other Expenses of the Successful Bidder**

A CUSIP number will be applied for by the Underwriter and will be printed on the executed Notes, but the Authority will assume no obligation for the assignment or printing of such number on said Notes or for the correctness of such number, and neither the failure to print such number on said Notes nor any error with respect thereto shall constitute cause for a failure or refusal by the Underwriter thereof to accept delivery of and make payment for said Notes. The cost for the assignment of a CUSIP number to the Notes will be the responsibility of the Underwriter.

In addition, the Underwriter will be required, pursuant to State law, to pay all fees due to the California Debt and Investment Advisory Commission ("CDIAC"). CDIAC will separately invoice the Underwriter for Notes. The Underwriter will also be responsible for payment of other fees incurred in connection with the issuance of the Notes, including fees of DTC, the Municipal Securities Rulemaking Board, Securities Industry and Financial Markets Association and similar underwriting fees and charges, if any.

### **Legal Opinions**

The Notes are sold with the understanding that the Purchaser will be furnished with the approving opinion of Hawkins Delafield & Wood LLP ("Bond Counsel"), the form of which is included in the Preliminary Official Statement and will be included in the final Official Statement. Said attorneys have been retained by the Authority as Bond Counsel, respectively, and in such capacity Bond Counsel is to

render its opinion to the Authority upon the legality of the Notes under California law and on the exclusion from gross income of the interest on the Notes for purposes of federal and State of California income taxes. The fees and expenses of Bond Counsel will be paid from the proceeds of the Notes.

### **Tax Status**

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with tax covenants described herein, (i) interest on the Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”) and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In addition, in the opinion of Bond Counsel to the Authority, under existing statutes, interest on the Notes is exempt from personal income taxes imposed by the State of California. See “Tax Matters” in the Preliminary Official Statement.

### **Reoffering Price**

The Underwriter shall, within one (1) hour after being notified of the award of the Notes, advise the Financial Advisor by electronic transmission or writing by facsimile transmission of the initial public offering price of the Notes. The Underwriter shall also be required, prior to delivery of the Notes, to furnish to the Authority a certificate (the “Reoffering Price Certificate”), acceptable to Bond Counsel which states, among other things, that: (A) (1) on the date of award, such bidder made a bona fide public offering of the Notes at an initial offering price corresponding to the price or yield indicated in the information furnished in connection with the successful bid, and (2) as of such date, the first price at which an amount equal to at least ten percent (10%) of the Notes was sold to the public was a price not higher or a yield not lower than indicated in the information furnished with the successful bid (the “first price rule”). For the purposes of the Reoffering Price Certificate, the “public” does not include bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers. In making such representations, the Underwriter must reflect the effect on the offering prices of any “derivative products” (e.g., a tender option) used by the Underwriter in connection with the initial sale of the Notes.

### **Continuing Disclosure**

In order to assist bidders in complying with Securities and Exchange Commission Rule 15c2-12(b)(5), the Authority will undertake, pursuant to a Disclosure Certificate, to provide notices of the occurrence of Listed Events (as defined in the Disclosure Certificate). A form of the Disclosure Certificate is included in the Preliminary Official Statement and will also be included in the final Official Statement.

### **Official Statement**

Within seven business days after the date of award of the Notes, and in any event no later than one business day prior to Closing, up to 25 copies of the final Official Statement will be supplied to the Underwriter at the expense of the Authority.

### **Closing Certificates**

At Closing, the Authority will deliver certificates signed by an Authorized Representative to the effect that:

(1) such Authorized Representative is authorized to execute the Notice of Sale, the Official Statement and the Disclosure Certificate;

(2) the representations, warranties and agreements of the Authority herein are true, complete and correct as of the date made and as of the Closing;

(3) the Authority has performed all its obligations required under or specified in the Resolution to be performed at or prior to the Closing;

(4) to the best of such official's knowledge, no litigation is pending (with service of process having been accomplished) or threatened (either in State of California or federal courts) against the Authority: (a) seeking to restrain or enjoin the execution, sale or delivery of any of the Notes, (b) in any way contesting or affecting the authority for the execution, sale or delivery of the Notes, the Disclosure Certificate or the Notice of Sale, or (c) in any way contesting the existence or powers of the Authority (but in lieu of or in conjunction with such certification the Underwriter may, in its sole discretion, accept from Bond Counsel their opinion to the effect that the issues raised in any such pending or threatened litigation are without substance and that the contentions of all plaintiffs therein are without merit);.

(5) the Official Statement and the Notes have been duly executed and delivered;

(6) the execution and delivery of the Notes and the approval of the Official Statement and compliance with the provisions on the Authority's part contained herein and therein will not result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the Authority under the terms of any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as set forth in the Resolution;

(7) such official has reviewed the Official Statement and on such basis certifies that it does not contain any untrue statement of a material fact and does not omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and

(8) the Notes being delivered on the date of the Closing to the Underwriter substantially conform to the descriptions thereof contained in the Resolution;

Dated: \_\_\_\_\_, 2014

**ORANGE COUNTY FIRE AUTHORITY**

By: \_\_\_\_\_  
Patricia Jakubiak  
Treasurer

**PRELIMINARY OFFICIAL STATEMENT DATED [POS DATE]**

NEW ISSUE - BOOK-ENTRY ONLY

**Rating: S&P: “\_\_\_”  
See “Rating” herein.**

*In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with tax covenants described herein, (i) interest on the Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”) and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In addition, in the opinion of Bond Counsel to the Authority, under existing statutes, interest on the Notes is exempt from personal income taxes imposed by the State of California. See “Tax Matters” herein.*

**\$45,000,000\***

**ORANGE COUNTY FIRE AUTHORITY**

**2014-2015 Tax and Revenue Anticipation Notes**

**Interest Rate: \_\_\_%      Reoffering Yield: \_\_\_%      CUSIP No: 68424 \_\_\_**

**Dated Date: July 1, 2014**

**Maturity Date: June 30, 2015**

The Orange County Fire Authority (the “Authority”) is issuing its \$45,000,000\* principal amount of 2014-2015 Tax and Revenue Anticipation Notes (the “Notes”) for the purpose of financing seasonal cash flow requirements for its general fund expenditures during the fiscal year ending June 30, 2015. In accordance with California law, the Notes are general obligations of the Authority, but are payable only out of the taxes, income, revenue, cash receipts, or other moneys of the Authority (including moneys deposited in inactive or term deposits (but excepting certain moneys which, when received by the Authority, will be encumbered for a special purpose unless an equivalent amount of the proceeds from the Notes is set aside for and used for said special purpose)) received or accrued by the Authority during Fiscal Year 2014-15 that are lawfully available for payment of the Notes and the interest thereon (collectively, the “Unrestricted Revenues”). The Notes and interest thereon are secured by a pledge of (i) Unrestricted Revenues received by the Authority during certain periods in Fiscal Year 2014-15 (“Designated Revenues”) and, in the event such amounts are insufficient to permit the deposit into the Repayment Account of the full amount of the Designated Revenues to be deposited therein in any such period, (ii) Unrestricted Revenues available that have not been deposited previously into the Repayment Account, as more particularly described herein. As provided in Article 7.6, Chapter 4, Part 1, Division 2, Title 5, Sections 53850 *et seq.* of the California Government Code (the “Act”) and the Resolution of the Board of Directors of the Authority adopted on May 22, 2014 (the “Resolution”), the Notes and the interest thereon will be a first lien and charge against, and will be payable from the first moneys received by the Authority from the Designated Revenues. The Resolution only authorizes the issuance of the Notes and does not authorize the issuance of additional tax and revenue anticipation notes. The Authority expects that the amounts required to be deposited in the Repayment Account from Designated Revenues will be sufficient to repay the Notes and accrued interest thereon. The Repayment Account is to be held in trust by the Authority’s Treasurer, as paying agent (the “Paying Agent”). See “The Notes – Security and Sources of Payment for the Notes” herein.

The Notes will be delivered in fully registered form without coupons. The Notes will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”). DTC will act as securities depository of the Notes. Individual purchases of the Notes will be made in book-entry form only, in denominations of \$5,000 and integral multiples of \$5,000 in excess thereof. Purchasers of the Notes (the “Beneficial Owners”) will not receive certificates representing their interests in the Notes. The principal of and interest on the Notes will be paid on the Maturity Date by the Paying Agent to DTC, which will in turn remit such principal and interest to its participants for subsequent distribution to the Beneficial Owners. See “Book-Entry Only System” herein.

The Notes are not subject to redemption prior to maturity. See “The Notes – General” herein.

**THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.**

**ELECTRONIC BIDS TO BE RECEIVED VIA IPREO LLC’S BIDCOMPTM/PARITY® SYSTEM AND HAND-DELIVERED BUDS TO BE RECEIVED VIA DELIVERY TO THE FINANCIAL ADVISOR NO LATER THAN 9:00 A.M., PACIFIC TIME, ON [JUNE 11, 2014] AS SET FORTH IN THE OFFICIAL NOTICE OF SALE FOR THE NOTES. SEE APPENDIX E TO THIS PRELIMINARY OFFICIAL STATEMENT FOR THE OFFICIAL NOTICE OF SALE, WHICH MAY BE CHANGED AS SET FORTH IN THE OFFICIAL NOTICE OF SALE.**

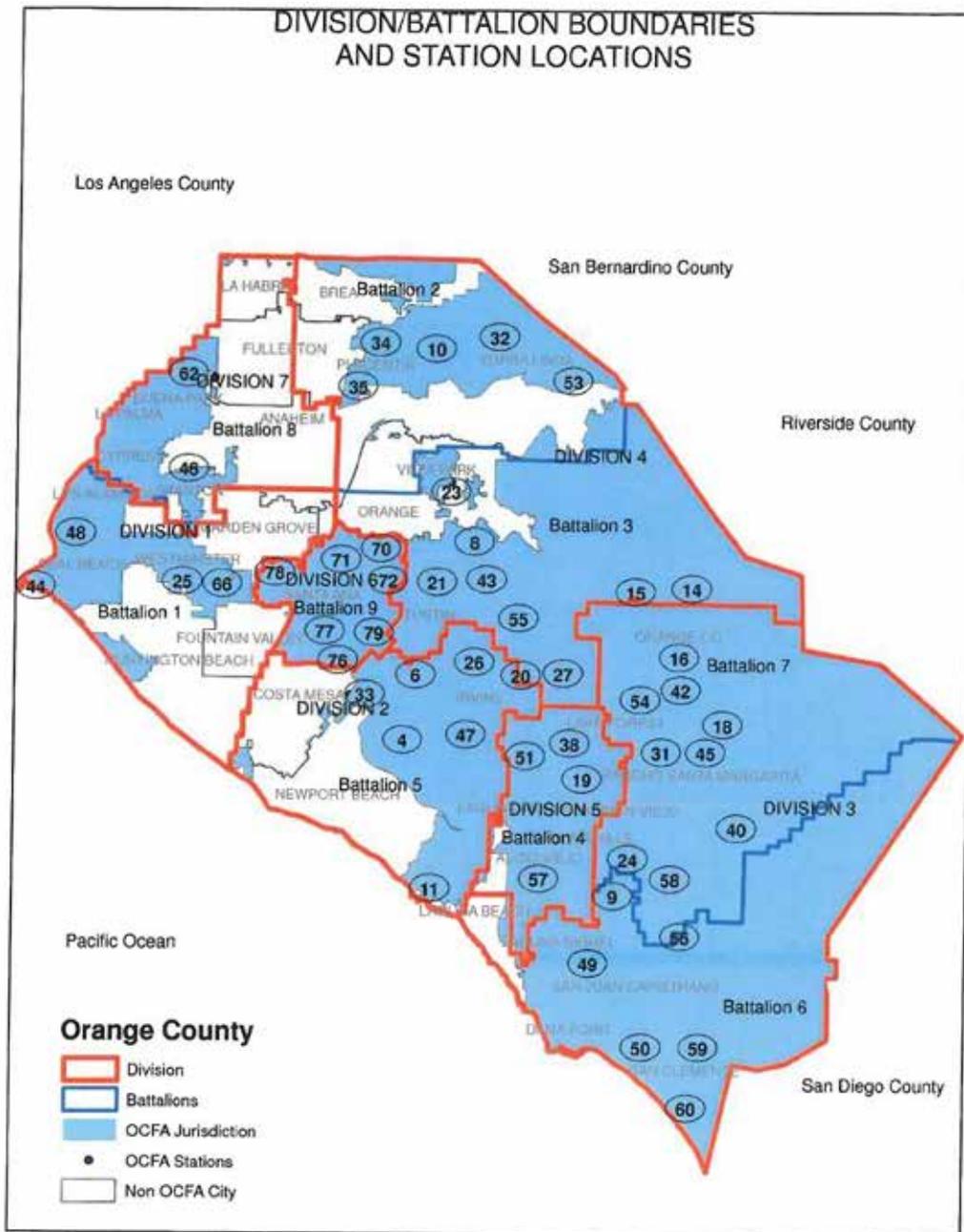
*The Notes are offered when, as and if executed and delivered, and received by the Underwriter, subject to the approval as to their legality by Hawkins Delafield & Wood LLP, Los Angeles, California, Bond Counsel to the Authority, and certain other conditions. Certain legal matters will be passed upon for the Authority by its counsel, Woodruff, Spradlin, & Smart, Costa Mesa, California, and its Disclosure Counsel, Hawkins Delafield & Wood LLP, Los Angeles, California. Tamalpais Advisors, Inc., Sausalito, California is serving as Financial Advisor to the Authority in connection with the issuance of the Notes. It is anticipated that the Notes in definitive form will be available for delivery through the facilities of DTC on or about July 1, 2014.*

Date of the Official Statement: June \_\_, 2014

\* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

# ORANGE COUNTY FIRE AUTHORITY SERVICE AREA



**ORANGE COUNTY FIRE AUTHORITY**

**BOARD OF DIRECTORS**

| <b>Director</b>        | <b>Member Agency</b> | <b>Director</b>    | <b>Member Agency</b>   |
|------------------------|----------------------|--------------------|------------------------|
| Steven Weinberg, Chair | Dana Point           | Chad Wanke         | Placentia              |
| Al Murray, Vice Chair  | Tustin               | Carol Gamble       | Rancho Santa Margarita |
| Phillip Tsunoda        | Aliso Viejo          | Bob Baker          | San Clemente           |
| Elizabeth Swift        | Buena Park           | Sam Allevato       | San Juan Capistrano    |
| Rob Johnson            | Cypress              | Roman Reyna        | Santa Ana              |
| Jeffrey Lalloway       | Irvine               | David Sloan        | Seal Beach             |
| Randal Bressette       | Laguna Hills         | David John Shawver | Stanton                |
| Jerry McCloskey        | Laguna Niguel        | Rick Barnett       | Villa Park             |
| Noel Hatch             | Laguna Woods         | Tri Ta             | Westminster            |
| Kathryn McCullough     | Lake Forest          | Gene Hernandez     | Yorba Linda            |
| Gerard Goedhart        | La Palma             | Pat Bates          | County of Orange       |
| Warren Kusumoto        | Los Alamitos         | Todd Spitzer       | County of Orange       |
| Trish Kelley           | Mission Viejo        |                    |                        |

---

**AUTHORITY OFFICIALS**

Keith Richter, Fire Chief  
Craig Kinoshita, Deputy Fire Chief - Deputy Fire Chief  
Lori Zeller, Assistant Fire Chief, Business Services Department  
Brian Stephens, Assistant Fire Chief, Support Services Department  
Dave Thomas, Assistant Fire Chief, Operations Department  
Patricia Jakubiak, Treasurer  
Jane Wong, Assistant Treasurer  
Jim Ruane, Finance Manager/Auditor  
David Kendig, General Counsel

---

**PAYING AGENT**

Treasurer of the Orange County Fire Authority  
Irvine, California

---

**BOND COUNSEL AND DISCLOSURE COUNSEL**

Hawkins Delafield & Wood LLP  
Los Angeles, California

---

**GENERAL COUNSEL**

Woodruff, Spradlin, & Smart  
Costa Mesa, California

---

**FINANCIAL ADVISOR**

Tamalpais Advisors, Inc.  
Sausalito, California

No dealer, broker, salesperson or other person has been authorized by the Authority or the Underwriter to give any information or to make any representations in connection with the offer or sale of the Notes other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Notes by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers or owners of the Notes. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The information set forth herein has been obtained from the Authority and sources which the Authority believes to be reliable. The information and expression of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or any other parties described herein since the date hereof. All summaries of the Resolution or other documents are made subject to the provisions of such documents and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the Authority for further information in connection therewith.

In connection with the offering of the Notes, the Underwriter may over allot or effect transactions which stabilize or maintain the market price of such notes at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Notes to certain dealers and dealer banks and banks acting as agents at prices lower than the public offering price stated on the cover page hereof and said public offering price may be changed from time to time by the Underwriter.

The Authority maintains a website at <http://www.ocfa.org>. However, the information presented there is not part of this Official Statement, is not incorporated by reference herein and should not be relied upon in making an investment decision with respect to the Notes.

CUSIP is a registered trademark of The American Bankers Association. CUSIP data in this Official Statement is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC on behalf of The American Bankers Association. CUSIP data herein is set forth for convenience of reference only. The Authority assumes no responsibility for the accuracy of such data.

TABLE OF CONTENTS

|                                                                                                                | <u>Page</u> |
|----------------------------------------------------------------------------------------------------------------|-------------|
| INTRODUCTION .....                                                                                             | 1           |
| General .....                                                                                                  | 1           |
| The Authority .....                                                                                            | 1           |
| Security and Sources of Payment for the Notes .....                                                            | 1           |
| General Description of the Notes .....                                                                         | 2           |
| Tax Matters.....                                                                                               | 2           |
| Continuing Disclosure .....                                                                                    | 2           |
| Miscellaneous .....                                                                                            | 3           |
| THE NOTES.....                                                                                                 | 3           |
| General .....                                                                                                  | 3           |
| Security and Sources of Payment for the Notes .....                                                            | 4           |
| Available Sources of Payment.....                                                                              | 4           |
| Intrafund Borrowing.....                                                                                       | 5           |
| Source: Orange County Fire Authority. ....                                                                     | 6           |
| Cash Flows for Fiscal Years 2012-13, 2013-14 and 2014-15 .....                                                 | 7           |
| Use and Investment of Note Proceeds.....                                                                       | 15          |
| Repayment Account .....                                                                                        | 15          |
| BOOK-ENTRY ONLY SYSTEM.....                                                                                    | 18          |
| CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND<br>APPROPRIATIONS .....                        | 20          |
| Article XIII A .....                                                                                           | 20          |
| Article XIII B .....                                                                                           | 21          |
| Proposition 62.....                                                                                            | 22          |
| Proposition 218.....                                                                                           | 23          |
| Proposition 1A.....                                                                                            | 25          |
| Proposition 22.....                                                                                            | 26          |
| Proposition 26.....                                                                                            | 26          |
| Future Initiatives.....                                                                                        | 27          |
| ENFORCEABILITY OF REMEDIES .....                                                                               | 27          |
| TAX MATTERS.....                                                                                               | 28          |
| Opinion of Bond Counsel.....                                                                                   | 28          |
| Certain Ongoing Federal Tax Requirements and Covenants .....                                                   | 29          |
| Certain Collateral Federal Tax Consequences.....                                                               | 29          |
| Note Premium.....                                                                                              | 29          |
| Information Reporting and Backup Withholding.....                                                              | 30          |
| Miscellaneous .....                                                                                            | 30          |
| CERTAIN LEGAL MATTERS.....                                                                                     | 30          |
| FINANCIAL ADVISOR .....                                                                                        | 31          |
| LITIGATION.....                                                                                                | 31          |
| RATING .....                                                                                                   | 31          |
| UNDERWRITING .....                                                                                             | 31          |
| CONTINUING DISCLOSURE.....                                                                                     | 32          |
| MISCELLANEOUS .....                                                                                            | 32          |
| APPENDIX A: FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION<br>REGARDING THE ORANGE COUNTY FIRE AUTHORITY..... | A-1         |
| APPENDIX B: AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY FOR THE<br>FISCAL YEAR ENDED JUNE 30, 2013 .....     | B-1         |
| APPENDIX C: FORM OF BOND COUNSEL OPINION .....                                                                 | C-1         |
| APPENDIX D: FORM OF DISCLOSURE CERTIFICATE .....                                                               | D-1         |
| APPENDIX E: OFFICIAL NOTICE OF SALE .....                                                                      | E-1         |

[THIS PAGE INTENTIONALLY LEFT BLANK]

## OFFICIAL STATEMENT

**\$45,000,000\***

### ORANGE COUNTY FIRE AUTHORITY 2014-2015 TAX AND REVENUE ANTICIPATION NOTES

#### INTRODUCTION

*This introduction contains only a brief summary of certain of the terms of the Notes being offered, and a brief description of this Official Statement. All statements contained in this introduction are qualified in their entirety by reference to the entire Official Statement. References to, and summaries of, provisions of the Constitution and laws of the State of California and any documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions. This Official Statement speaks only as of its date, and the information contained herein is subject to change.*

#### **General**

This Official Statement, including the cover and the Appendices attached hereto (the “Official Statement”), provides certain information concerning the sale and delivery of the 2014-2015 Tax and Revenue Anticipation Notes by the Orange County Fire Authority (the “Authority”) in a principal amount of \$45,000,000\* (the “Notes”). The Notes are issued under the authority of Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the California Government Code (the “Act”) and a Resolution adopted by the Board of Directors of the Authority (the “Board of Directors”) on May 22, 2014 (the “Resolution”). The Resolution only authorizes the issuance of the Notes and does not authorize the issuance of additional tax and revenue anticipation notes. The Notes are being issued for the purpose of financing seasonal cash flow requirements of the Authority for its General Fund (the “General Fund”) expenditures during the fiscal year ending June 30, 2015. For additional information regarding General Fund expenditures, see “The Notes – Cash Flow Projections” herein and Appendix A – “Financial, Economic and Demographic Information Regarding the Authority - Financial and Economic Information” and Appendix B - “Excerpts from the Audited Financial Statements of the Authority for the Fiscal Year ended June 30, 2013” attached hereto.

#### **The Authority**

The Authority was formed on March 1, 1995 to provide fire protection and related services to 18 member cities and the unincorporated area of County of Orange, California (the “County”). Subsequent to its formation, five additional cities have become members of the Authority. See Appendix A - “Financial, Economic and Demographic Information Regarding the Orange County Fire Authority” attached hereto. A map of the boundaries of the Authority is set forth on the inside front cover page of this Official Statement.

#### **Security and Sources of Payment for the Notes**

In accordance with California law, the Notes are general obligations of the Authority, but are payable only out of taxes, income, revenue, cash receipts, or other moneys of the Authority (including moneys deposited in inactive or term deposits (but excepting certain moneys which, when received by the

---

\* Preliminary, subject to change.

Authority, will be encumbered for a special purpose unless an equivalent amount of the proceeds from the Notes is set aside for and used for said special purpose) received or accrued by the Authority during Fiscal Year 2014-15 that are lawfully available for payment of the Notes and the interest thereon (collectively, the “Unrestricted Revenues”). The Notes and interest thereon are secured by a pledge of (i) Designated Revenues (as hereinafter defined) and, in the event such amounts are insufficient to permit the deposit into the Repayment Account (as hereinafter defined) of the full amount of the Designated Revenues to be deposited therein in any such period, (ii) Unrestricted Revenues available that have not been deposited previously into the Repayment Account, as more particularly described herein. As provided in the Act, the Notes and the interest thereon will be a first lien and charge against, and will be payable from the first moneys received by the Authority from the Designated Revenues. The Repayment Account is to be held in trust by the Authority’s Treasurer, as Paying Agent for the Notes (the “Paying Agent”). The Authority expects that the aggregate amounts required to be deposited in the Repayment Account from Designated Revenues will be sufficient to repay the Notes and accrued interest thereon when due. See “The Notes – Security and Sources of Payment for the Notes” herein.

### **General Description of the Notes**

The Notes will be delivered in fully registered form without coupons. The Notes will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”) will act as securities depository of the Notes. Individual purchases of the Notes will be made in book-entry form only, in denominations of \$5,000 and integral multiples of \$5,000 in excess thereof. Purchasers of the Notes (the “Beneficial Owners”) will not receive certificates representing their interests in the Notes. The principal of and interest on the Notes will be paid on June 30, 2015 (the “Maturity Date”) by the Paying Agent to DTC, which will in turn remit such principal and interest to its participants for subsequent distribution to the Beneficial Owners. See “Book-Entry Only System” and “The Notes – General” herein.

The Notes are not subject to redemption prior to maturity.

### **Tax Matters**

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with tax covenants described herein, (i) interest on the Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”) and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In addition, in the opinion of Bond Counsel to the Authority, under existing statutes, interest on the Notes is exempt from personal income taxes imposed by the State of California. See “Tax Matters” herein.

### **Continuing Disclosure**

The Authority has covenanted in the Resolution to file notices of certain events (each, a “Listed Event”) with the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access (“EMMA”) system or as otherwise directed by the MSRB or the Securities and Exchange Commission (the “SEC”). See “Continuing Disclosure” herein for a description of the specific nature of the notices of Listed Events. These covenants have been made in order to assist the Underwriter (as hereinafter defined) in complying with Rule 15c2-12(b)(5) (the “Rule”) of the SEC. The Authority has not failed in the last five years to comply in all material respects with any previous undertakings with

regard to the Rule to provide annual reports or notices of certain events set forth in its continuing disclosure undertakings.

## **Miscellaneous**

The Notes will be offered when, as and if executed and delivered, and received by the Underwriter, subject to the approval as to their legality by Bond Counsel and certain other conditions. It is anticipated that the Notes in definitive form will be available for delivery to DTC on or about July 1, 2015.

The descriptions herein of the Resolution are qualified in their entirety by reference to such document, and the descriptions herein of the Notes are qualified in their entirety by the form thereof and the information with respect thereto included in the aforementioned documents. Copies of the Resolution are on file and available for inspection at the Authority from the office of the Treasurer at 1 Fire Authority Road, Irvine, California 92602, Attention: Treasurer and from the office of the Clerk of the Board of Directors at 1 Fire Authority Road, Irvine, California 92602, Attention: Clerk of the Board of Directors.

The information and expressions of opinion herein speak only as of their date and are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder nor any future use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority since the date hereof.

The presentation of information, including tables of receipt of revenues, is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the Authority. No representation is made that past experience, as it might be shown by such financial and other information, will necessarily continue or be repeated in the future.

The Authority regularly prepares a variety of reports, including audits, budgets and related documents. Any owner of a Note may obtain a copy of any such report, as available, from the Authority. Additional information regarding this Official Statement may be obtained by contacting: Orange County Fire Authority Treasurer's Office, 1 Fire Authority Road, Irvine, California 92602, Attention: Treasurer.

## **THE NOTES**

### **General**

The Notes will be dated, will mature, and will bear interest at the rate per annum as shown on the cover page hereof computed on the basis of a 360-day year consisting of twelve 30-day months. Principal and interest on the Notes will be payable on June 30, 2015, the maturity date of the Notes (the "Maturity Date"). The Notes will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository of the Notes. Individual purchases of the Notes will be made in book-entry form only, in denominations of \$5,000 and in integral multiples of \$5,000 in excess thereof. Beneficial Owners (as defined below) of the Notes will not receive physical certificates representing the Notes purchased. The principal of and interest on the Notes will be paid on the Maturity Date by the Paying Agent to DTC, which will in turn remit such principal and interest to its participants for subsequent distribution to the Beneficial Owners. See "Book-Entry Only System" herein.

The Notes are not subject to redemption prior to maturity.

## **Security and Sources of Payment for the Notes**

In accordance with California law, the Notes are general obligations of the Authority, but are payable only out of Unrestricted Revenues received or accrued by the Authority during Fiscal Year 2014-15 that are lawfully available for payment of the Notes and the interest thereon. The Notes and interest thereon are secured by a pledge of (i) Unrestricted Revenues received by the Authority during certain periods in the Fiscal Year 2014-15 (collectively, the “Designated Revenues”) and, in the event such amounts are insufficient to permit the deposit into the Repayment Account of the full amount of the Designated Revenues to be deposited therein in any such period and (ii) Unrestricted Revenues available that have not been deposited previously into the Repayment Account, as more particularly described herein. The Authority expects that the amounts required to be deposited in the Repayment Account from Designated Revenues will be sufficient to repay the Notes and accrued interest thereon. The Repayment Account is to be held in trust by the Paying Agent.

Designated Revenues are as follows: (i) an amount equal to fifty percent (50%) of the principal amount of the Notes from the first Unrestricted Revenues received by the Authority during the accounting period commencing on April 1, 2015 and ending April 30, 2015, inclusive (the “First Designation Period”), and (ii) an amount equal to fifty percent (50%) of the principal amount of Notes from the first Unrestricted Revenues received by the Authority during the accounting period commencing on May 1, 2015 and ending May 31, 2015, inclusive (the “Second Designation Period”), together with an amount sufficient to (net of anticipated earnings on moneys in the Repayment Account) satisfy and make up any deficiency in the Repayment Account with respect to the First Designation Period and pay the interest accrued and to accrue on the Notes to the maturity thereof, plus an amount, if any, equal to the rebate amount calculated pursuant to the Resolution to be due to the United States Treasury. As provided in the Act, the Notes and the interest thereon shall be a first lien and charge against and shall be payable from the first moneys to be received by the Authority from the Designated Revenues.

In the event that there have been insufficient Unrestricted Revenues received by the Authority by the third business day prior to the end of any such Designation Period to permit the deposit into the Repayment Account of the full amount of the Designated Revenues required to be deposited with respect to such Designation Period, then the amount of any deficiency in the Repayment Account shall be satisfied and made up from any other moneys of the Authority lawfully available for the payment of the principal of the Notes and the interest thereon (all as provided in Sections 53856 and 53857 of the Government Code) (the “Other Designated Moneys”) on such date or thereafter on a daily basis, when and as such Designated Revenues and Other Designated Moneys are received by the Authority

## **Available Sources of Payment**

The Notes, in accordance with California law, are general obligations of the Authority, but are payable only out of the taxes, income, revenue, cash receipts and other moneys received for the General Fund of the Authority attributable to Fiscal Year 2014-15 and legally available for payment thereof. Under the Act, no obligations, including the Notes, may be issued thereunder if the principal thereof and interest thereon exceeds 85% of the estimated amount of the then-uncollected taxes, income, revenue, cash receipts and other moneys which will be available for payment of such principal and interest. The estimated principal amount of Notes and interest thereon equals \$45.9 million which represents approximately 12% of the estimated sources available for payment of the Notes.

The Authority estimates that the total General Fund balance and Unrestricted Revenues available for payment of the Notes will be in excess of \$393.0 million as indicated in the following Table 1. Except for Designated Revenues, these moneys will be expended during the remaining course of the fiscal year,

and no assurance can be given that any moneys, other than the Designated Revenues, will be available to pay the Notes and the interest thereon.

**Table 1**  
**ORANGE COUNTY FIRE AUTHORITY**  
**Estimated General Fund Balance and Revenues Available for Payment of the Notes**  
**Fiscal Year 2014-15<sup>(1)</sup>**  
**(\$ in thousands)**

| Source of Revenues           | Amount               |
|------------------------------|----------------------|
| Beginning Balance            | \$ 29,930,441        |
| Revenues                     |                      |
| Property Taxes               | \$195,471,965        |
| Intergovernmental            | 11,137,559           |
| Charges for Current Services | 99,551,060           |
| Use of Money and Property    | 926,269              |
| Other                        | 1,000,700            |
| Proceeds of the Notes        | <u>45,000,000</u>    |
| Total                        | <u>\$383,017,994</u> |

<sup>(1)</sup> Based upon estimates contained in the Authority’s adopted budget for Fiscal Year 2014-15.

Source: Orange County Fire Authority.

For detailed information regarding estimated debt service coverage on the Notes at each respective Pledge Date, see the table titled “Projected General Fund and Repayment Fund Cash Flow Fiscal Year 2014-15” in the section “The Notes - Cash Flows Projections for Fiscal Years 2012-13, 2013-14 and 2014-15” herein.

### **Intrafund Borrowing**

The Authority does not invest its funds in the Orange County Treasury Pool. Therefore, it cannot temporarily borrow funds from the County. However, the Authority may fund General Fund cash flow deficits from its capital funds and other special funds and repay those funds from available amounts in its General Fund when such funds are received during the fiscal year. This temporary borrowing is referred to as “Intrafund Borrowing”. During the period from Fiscal Year 1997-98 through Fiscal Year 2008-09, the Authority issued tax and revenue anticipation notes to fund cash flow deficits. Prior to Fiscal Year 2007-08 and during Fiscal Years 2009-10 through and including 2013-14, the Authority used Intrafund Borrowing to fund cash flow deficits. Pursuant to the Authority’s Short-Term Debt Policy, any Intrafund Borrowing must be repaid within the same fiscal year with interest. The Authority has never used Intrafund Borrowing to make deposits to secure or pay any tax and revenue anticipation notes. The Authority has always made timely repayment of any Intrafund Borrowing.

The Authority regularly requests the Board of Directors to provide authorization for such Intrafund Borrowing. On May-22, 2014, the Board of Directors authorized the Authority to use Intrafund Borrowing during Fiscal Year 2014-15 if necessary. The Authority’s Intrafund Borrowing capacity is estimated to be approximately \$95.7 million as of June 30, 2015. The Authority does not expect to need to use Intrafund Borrowing to fund the Designated Revenues or pay the principal of or interest on the Notes on the Maturity Date. The following Table 2 sets forth the Authority’s borrowable cash resources as of June 30 for Fiscal Years 2010-11 through 2014-15.

**Table 2**  
**ORANGE COUNTY FIRE AUTHORITY**  
**Intrafund Borrowing Capacity**  
**Fiscal Years ended June 30, 2011 through June 30, 2015**

| <b><u>Fund</u></b>        | <b><u>Name and Purpose of Fund</u></b>              | <b>Actual<br/>Fiscal Year<br/><u>2010-11</u></b> | <b>Actual<br/>Fiscal Year<br/><u>2011-12</u></b> | <b>Actual<br/>Fiscal Year<br/><u>2012-13</u></b> | <b>Estimated<br/>Fiscal Year<br/><u>2013-14</u></b> | <b>Projected<br/>Fiscal Year<br/><u>2014-15</u></b> |
|---------------------------|-----------------------------------------------------|--------------------------------------------------|--------------------------------------------------|--------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------|
| Capital Fund 122          | Facilities Maintenance and Improvement Fund         | \$ 4,156,617                                     | \$ 3,474,556                                     | \$ 2,761,858                                     | \$ 2,743,616                                        | \$ 1,753,270                                        |
| Capital Fund 124          | Communications/Information Systems Replacement Fund | 23,679,433                                       | 22,180,446                                       | 19,165,539                                       | 10,019,018                                          | 7,980,003                                           |
| Capital Fund 133          | Vehicle Replacement Fund                            | 35,540,888                                       | 34,057,794                                       | 30,622,213                                       | 22,839,701                                          | 17,039,492                                          |
| Fund 171                  | Structural Fire Fund Entitlement Fund               | 806,890                                          | 1,396,867                                        | 1,296,620                                        | 600,351                                             | 604,302                                             |
| Fund 190                  | Worker's Compensation Self Insurance Fund           | 35,366,708                                       | 34,242,717                                       | 53,649,000                                       | 56,141,565                                          | 59,273,893                                          |
| Capital Projects Fund 123 | Fire Capital Projects Fund                          | <u>16,297,447</u>                                | <u>16,080,659</u>                                | <u>16,624,752</u>                                | <u>9,047,962</u>                                    | <u>9,105,512</u>                                    |
|                           | <b>Total</b>                                        | <b><u>\$115,847,983</u></b>                      | <b><u>\$111,433,039</u></b>                      | <b><u>\$124,119,982</u></b>                      | <b><u>\$101,392,213</u></b>                         | <b><u>\$95,756,472</u></b>                          |

<sup>(1)</sup> Fund is not eligible for temporary borrowing during Fiscal Years 2013-14 or 2014-15.

Source: Orange County Fire Authority.

## Historical General Fund Cash Balances and Intrafund Borrowing Capacity

The following Table 3 sets forth the month-end cash balances in the General Fund for Fiscal Years 2010-11 through Fiscal Year 2014-15. The Authority's estimated and projected fiscal year-end Intrafund Borrowing Capacity is also presented in the following Table 2 herein. See " – Intrafund Borrowing and Cash Flow" herein for amounts available from the largest funds comprising Intrafund Borrowing Capacity.

**Table 3**  
**ORANGE COUNTY FIRE AUTHORITY**  
**General Fund Month-End Cash Balances and Intrafund Borrowing Capacity<sup>1)</sup>**  
**Fiscal Years 2010-11 through 2014-15**

| Accounting Month                            | Fiscal Year<br><u>2010-11</u> | Fiscal Year<br><u>2011-12</u> | Fiscal Year<br><u>2012-13</u> | Fiscal Year<br><u>2013-14<sup>(2)</sup></u> | Fiscal Year<br><u>2014-15<sup>(3)</sup></u> |
|---------------------------------------------|-------------------------------|-------------------------------|-------------------------------|---------------------------------------------|---------------------------------------------|
| July                                        | \$ 50,103,680                 | \$ 53,316,461                 | \$ 63,080,411                 | \$ 62,284,081                               | \$ 54,613,348                               |
| August                                      | 37,284,652                    | 40,187,922                    | 43,026,561                    | 39,684,544                                  | 33,548,725                                  |
| September                                   | 32,504,825                    | 30,824,485                    | 39,554,071                    | 33,169,364                                  | 30,718,293                                  |
| October                                     | 19,877,599                    | 16,709,543                    | 27,215,384                    | 18,537,102                                  | 18,610,616                                  |
| November                                    | 18,280,728                    | 13,141,827                    | 36,846,123                    | 14,860,504                                  | 18,032,063                                  |
| December                                    | 87,123,741                    | 85,568,035                    | 98,129,458                    | 95,050,306                                  | 66,355,694                                  |
| January                                     | 57,521,801                    | 51,294,050                    | 63,194,420                    | 47,466,905                                  | 48,716,005                                  |
| February                                    | 44,906,534                    | 38,258,308                    | 47,863,957                    | 32,524,870                                  | 35,280,345                                  |
| March                                       | 47,146,021                    | 33,673,957                    | 43,843,432                    | 36,223,096                                  | 38,446,424                                  |
| April                                       | 95,091,268                    | 85,472,447                    | 82,670,550                    | 86,334,109                                  | 60,223,523                                  |
| May                                         | 33,536,170                    | 36,997,021                    | 34,907,452                    | 36,442,816                                  | 18,090,732                                  |
| June                                        | 26,857,969                    | 32,637,673                    | 32,548,172                    | 29,930,441                                  | 15,811,086                                  |
| Intrafund Borrowing<br>Capacity at June 30: | \$115,847,983                 | \$111,433,039                 | \$124,119,982                 | \$101,392,213                               | \$95,756,472                                |

(1) Period-end balances for Fiscal Years 2010-11 through 2013-14 are net of any Intrafund Borrowing undertaken to finance cash flow deficits. The projected period-end balances for Fiscal Year 2014-15 are net of scheduled deposits to the Repayment Account for the Notes. See " – Intrafund Borrowing and Cash Flow" and Table 2 herein for information on Intrafund Borrowing and borrowable balances as of June 30 of each Fiscal Year.

(2) Reflects actual balances from July 2013 through March 2014 and estimated balances from April 2014 through June 2014.

(3) Projected.

Source: Orange County Fire Authority.

## Cash Flows for Fiscal Years 2012-13, 2013-14 and 2014-15

The Authority has prepared the General Fund actual cash flows for Fiscal Year 2012-13 set forth in the following Table 4, the actual and projected General Fund cash flows for Fiscal Year 2013-14 set forth in the following Table 5, the variances between Fiscal Year 2013-14 and Fiscal Year 2012-13 set forth in the following Table 6 and explanations of such aggregate variances set forth in the following Table 7.

In addition, the Authority has prepared the projected General Fund cash flows for Fiscal Year 2014-15 in the following Table 8, the variances between Fiscal Year 2014-15 and Fiscal Year 2013-14 in the following Table 9 and explanations of such aggregate variances in the following Table 10. The Fiscal Year 2014-15 projected cash flows are based upon the Authority's Fiscal Year 2014-15 Adopted Budget. See Appendix A – "Financial, Economic and Demographic Information Regarding the Authority - Financial and Economic Information - Budgetary Process - Proposed 2014-2015 Authority Budget" attached hereto.

**Table 4**  
**ORANGE COUNTY FIRE AUTHORITY**  
**Actual General Fund Cash Flow Fiscal Year 2012-13**

|                                  | Actual<br>July<br><u>2012</u> | Actual<br>August<br><u>2012</u> | Actual<br>September<br><u>2012</u> | Actual<br>October<br><u>2012</u> | Actual<br>November<br><u>2012</u> | Actual<br>December<br><u>2012</u> | Actual<br>January<br><u>2013</u> | Actual<br>February<br><u>2013</u> | Actual<br>March<br><u>2013</u> | Actual<br>April<br><u>2013</u> | Actual<br>May<br><u>2013</u> | Actual<br>June<br><u>2013</u> | Actual<br>2012-13<br><u>Total</u> |
|----------------------------------|-------------------------------|---------------------------------|------------------------------------|----------------------------------|-----------------------------------|-----------------------------------|----------------------------------|-----------------------------------|--------------------------------|--------------------------------|------------------------------|-------------------------------|-----------------------------------|
| <b>Balance From Prior Month</b>  | \$32,637,671                  | \$63,080,411                    | \$43,026,561                       | \$39,554,071                     | \$27,215,384                      | \$36,846,123                      | \$98,129,458                     | \$63,194,420                      | \$47,863,957                   | \$43,843,432                   | \$82,670,550                 | \$34,907,452                  | \$32,637,671                      |
| <b>Receipts:</b>                 |                               |                                 |                                    |                                  |                                   |                                   |                                  |                                   |                                |                                |                              |                               |                                   |
| Property Taxes                   | \$4,613,472                   | \$25,994                        | \$4,361,011                        | \$89,747                         | \$24,142,117                      | \$64,653,919                      | \$7,068,500                      | \$394,555                         | \$9,367,182                    | \$61,223,376                   | \$3,245,652                  | \$1,680,867                   | \$180,866,394                     |
| Intergovernmental                | 155,967                       | 1,328,242                       | 128,459                            | 391,830                          | 537,230                           | 979,038                           | 6,333,205                        | 194,687                           | 281,840                        | 2,402,396                      | 8,577,487                    | 844,603                       | 22,154,985                        |
| Charges for Current Services     | 5,033,904                     | 7,430,093                       | 12,024,044                         | 7,354,382                        | 4,788,532                         | 14,719,981                        | 5,285,399                        | 4,100,464                         | 14,119,666                     | 6,054,610                      | 4,885,800                    | 14,234,723                    | 100,031,597                       |
| Bankruptcy Loss Recovery         | 0                             | 0                               | 0                                  | 91,032                           |                                   |                                   |                                  |                                   |                                |                                |                              |                               | 91,032                            |
| Use of Money and Property        | 17,166                        | 12,844                          | 14,123                             | 9,224                            | 5,117                             | 12,319                            | 28,680                           | 12,861                            | 13,191                         | 16,134                         | 14,402                       | (87,673)                      | 68,389                            |
| Other                            | 1,748,484                     | 47,743                          | 115,941                            | 87,490                           | 143,765                           | 58,323                            | 104,012                          | 144,564                           | 55,606                         | 550,884                        | 151,409                      | 139,811                       | 3,348,033                         |
| TRANS Principal                  | 0                             | 0                               | 0                                  | 0                                | 0                                 | 0                                 | 0                                | 0                                 | 0                              | 0                              | 0                            | 0                             | 0                                 |
| Temporary Intrafund Borrowing    | <u>43,500,000</u>             | <u>0</u>                        | <u>0</u>                           | <u>0</u>                         | <u>0</u>                          | <u>0</u>                          | <u>0</u>                         | <u>0</u>                          | <u>0</u>                       | <u>0</u>                       | <u>(43,500,000)</u>          | <u>0</u>                      | <u>0</u>                          |
| <b>Total Receipts</b>            | <u>\$55,068,994</u>           | <u>\$8,844,916</u>              | <u>\$16,643,579</u>                | <u>\$8,023,704</u>               | <u>\$29,616,761</u>               | <u>\$80,423,580</u>               | <u>\$18,819,796</u>              | <u>\$4,847,132</u>                | <u>\$23,837,485</u>            | <u>\$70,247,401</u>            | <u>\$(26,625,249)</u>        | <u>\$16,812,331</u>           | <u>\$306,560,430</u>              |
| <b>Expenditures:</b>             |                               |                                 |                                    |                                  |                                   |                                   |                                  |                                   |                                |                                |                              |                               |                                   |
| Salary & Employee Benefits       | \$20,805,583                  | \$24,801,428                    | \$18,762,355                       | \$18,602,494                     | \$17,996,800                      | \$17,432,316                      | \$20,901,932                     | \$18,544,127                      | \$26,111,133                   | \$19,363,376                   | \$18,629,901                 | \$17,865,098                  | \$239,816,542                     |
| OCERS Prepayment (Routine)       | 0                             | 0                               | 0                                  | 0                                | 0                                 | 0                                 | 25,564,031                       | 0                                 | 0                              | 0                              | 0                            | 0                             | 25,564,031                        |
| Services & Supplies              | 3,820,672                     | 4,097,337                       | 1,353,714                          | 1,759,898                        | 1,989,221                         | 1,707,929                         | 2,048,871                        | 1,633,469                         | 1,746,876                      | 1,670,891                      | 2,392,011                    | 1,306,513                     | 25,527,403                        |
| JEAPs to City of Irvine          | 0                             | 0                               | 0                                  | 0                                | 0                                 | 0                                 | 0                                | 0                                 | 0                              | 0                              | 0                            | 0                             | 0                                 |
| OCERS Prepayment (Special)       | 0                             | 0                               | 0                                  | 0                                | 0                                 | 0                                 | 0                                | 0                                 | 0                              | 0                              | 0                            | 0                             | 0                                 |
| Equipment                        | 0                             | 0                               | 0                                  | 0                                | 0                                 | 0                                 | 0                                | 0                                 | 0                              | 0                              | 0                            | 0                             | 0                                 |
| Debt Service: TRAN Principal     | 0                             | 0                               | 0                                  | 0                                | 0                                 | 0                                 | 0                                | 0                                 | 0                              | 0                              | 0                            | 0                             | 0                                 |
| Debt Service: TRAN Interest      | 0                             | 0                               | 0                                  | 0                                | 0                                 | 0                                 | 0                                | 0                                 | 0                              | 0                              | 0                            | 0                             | 0                                 |
| Interest Paid on                 |                               |                                 |                                    |                                  |                                   |                                   |                                  |                                   |                                |                                |                              |                               |                                   |
| Intrafund Borrowing              | 0                             | 0                               | 0                                  | 0                                | 0                                 | 0                                 | 0                                | 0                                 | 0                              | 0                              | 115,937                      | 0                             | 115,937                           |
| Operating Transfers Out          | 0                             | 0                               | 0                                  | 0                                | 0                                 | 0                                 | 5,240,000                        | 0                                 | 0                              | 10,386,016                     | 0                            | 0                             | 15,626,016                        |
| <b>Total Disbursements</b>       | <u>\$24,626,255</u>           | <u>\$28,898,765</u>             | <u>\$20,116,069</u>                | <u>\$20,362,391</u>              | <u>\$19,986,021</u>               | <u>\$19,140,245</u>               | <u>\$53,754,833</u>              | <u>\$20,177,596</u>               | <u>\$27,858,010</u>            | <u>\$31,420,283</u>            | <u>\$21,137,849</u>          | <u>\$19,171,611</u>           | <u>\$306,649,929</u>              |
| <b>Excess / (Deficiency)</b>     | \$30,442,739                  | \$(20,053,850)                  | \$(3,472,490)                      | \$(12,338,687)                   | \$9,630,740                       | \$61,283,334                      | \$(34,935,037)                   | \$(15,330,463)                    | \$(4,020,525)                  | \$38,827,118                   | \$(47,763,098)               | \$(2,359,280)                 | \$(89,499)                        |
| <b>Month End Balance Forward</b> | \$63,080,411                  | \$43,026,561                    | \$39,554,071                       | \$27,215,384                     | \$36,846,123                      | \$98,129,458                      | \$63,194,420                     | \$47,863,957                      | \$43,843,432                   | \$82,670,550                   | \$34,907,452                 | \$32,548,172                  | \$32,548,172                      |

Source: Orange County Fire Authority.

**Table 5**  
**ORANGE COUNTY FIRE AUTHORITY**  
**Actual General Fund Cash Flow Fiscal Year 2013-14 from July 1, 2013 through March 31, 2014 and**  
**Projected General Fund Cash Flow Fiscal Year 2013-14 from April 1, 2014 through June 30, 2014**

|                                               | <u>Actual<br/>July<br/>2013</u> | <u>Actual<br/>August<br/>2013</u> | <u>Actual<br/>September<br/>2013</u> | <u>Actual<br/>October<br/>2013</u> | <u>Actual<br/>November<br/>2013</u> | <u>Actual<br/>December<br/>2013</u> | <u>Actual<br/>January<br/>2014</u> | <u>Actual<br/>February<br/>2014</u> | <u>Actual<br/>March<br/>2014</u> | <u>Projected<br/>April<br/>2014</u> | <u>Projected<br/>May<br/>2014</u> | <u>Projected<br/>June<br/>2014</u> | <u>Total</u>         |
|-----------------------------------------------|---------------------------------|-----------------------------------|--------------------------------------|------------------------------------|-------------------------------------|-------------------------------------|------------------------------------|-------------------------------------|----------------------------------|-------------------------------------|-----------------------------------|------------------------------------|----------------------|
| <b>Balance From Prior Month</b>               | \$32,548,172                    | \$62,284,081                      | \$39,684,544                         | \$33,169,364                       | \$18,537,102                        | \$14,860,504                        | \$95,050,306                       | \$47,466,905                        | \$32,524,870                     | \$36,223,096                        | \$86,334,109                      | \$36,442,816                       | \$32,548,172         |
| <b>Receipts:</b>                              |                                 |                                   |                                      |                                    |                                     |                                     |                                    |                                     |                                  |                                     |                                   |                                    |                      |
| Property Taxes                                | \$3,667,661                     | \$691,851                         | \$4,491,322                          | \$602,024                          | \$13,978,883                        | \$79,804,588                        | \$6,868,796                        | \$553,326                           | \$9,665,386                      | \$61,684,228                        | \$2,305,907                       | \$5,098,529                        | \$189,412,501        |
| Intergovernmental                             | 185,206                         | 1,362,312                         | 600,627                              | 674,460                            | 296,347                             | 685,944                             | 5,696,450                          | 1,251,812                           | 401,536                          | 1,406,250                           | 3,905,213                         | 920,740                            | 17,386,897           |
| Charges for Current Services                  | 6,052,687                       | 4,344,846                         | 15,647,807                           | 5,374,273                          | 2,155,982                           | 19,196,840                          | 1,694,623                          | 4,136,793                           | 18,661,010                       | 6,861,656                           | 4,869,545                         | 7,292,556                          | 96,288,619           |
| Bankruptcy Loss Recovery                      |                                 |                                   |                                      | 79,745                             |                                     |                                     |                                    |                                     |                                  |                                     |                                   |                                    | 79,745               |
| Use of Money and Property                     | 7,083                           | 3,482                             | 11,956                               | 7,534                              | 5,704                               | 14,067                              | 21,135                             | 10,360                              | 9,453                            | 4,988                               | 10,817                            | 21,908                             | 128,487              |
| Other                                         | 660,740                         | 81,034                            | 345,795                              | 76,686                             | 92,327                              | 42,436                              | 366,057                            | 157,329                             | 126,436                          |                                     |                                   |                                    | 1,948,841            |
| TRANS Principal                               | 0                               | 0                                 | 0                                    | 0                                  | 0                                   | 0                                   | 0                                  | 0                                   | 0                                | 0                                   | 0                                 | 0                                  | 0                    |
| Temporary Intrafund<br>Borrowing              | <u>41,000,000</u>               | <u>0</u>                          | <u>0</u>                             | <u>0</u>                           | <u>0</u>                            | <u>0</u>                            | <u>0</u>                           | <u>0</u>                            | <u>0</u>                         | <u>0</u>                            | <u>(41,000,000)</u>               | <u>0</u>                           | <u>0</u>             |
| <b>Total Receipts</b>                         | <u>\$51,573,377</u>             | <u>\$6,483,525</u>                | <u>\$21,097,506</u>                  | <u>\$6,814,722</u>                 | <u>\$16,529,243</u>                 | <u>\$99,743,875</u>                 | <u>\$14,647,061</u>                | <u>\$6,109,621</u>                  | <u>\$28,863,822</u>              | <u>\$69,957,121</u>                 | <u>\$(29,908,517)</u>             | <u>\$13,333,733</u>                | <u>\$305,245,090</u> |
| <b>Expenditures:</b>                          |                                 |                                   |                                      |                                    |                                     |                                     |                                    |                                     |                                  |                                     |                                   |                                    |                      |
| Salary & Employee Benefits                    | \$21,121,872                    | \$26,514,331                      | \$20,189,657                         | \$18,778,511                       | \$16,693,014                        | \$17,275,070                        | \$27,770,400                       | \$19,080,258                        | \$19,520,745                     | \$18,107,869                        | \$18,107,869                      | \$18,107,869                       | \$241,267,464        |
| OCERS Prepayment<br>(Routine)                 | 0                               | 0                                 | 0                                    | 0                                  | 0                                   | 0                                   | 29,214,818                         | 0                                   | 0                                | 0                                   | 0                                 | 0                                  | 29,214,818           |
| Services & Supplies                           | 715,596                         | 2,568,732                         | 2,925,182                            | 2,668,472                          | 3,512,827                           | 2,279,004                           | 2,257,163                          | 1,971,398                           | 1,772,323                        | 1,626,373                           | 1,626,373                         | 1,626,373                          | 25,549,816           |
| Irvine JEAPs<br>OCERS Prepayment<br>(Special) | 0                               | 0                                 | 0                                    | 0                                  | 0                                   | 0                                   | 2,988,081                          | 0                                   | 0                                | 0                                   | 0                                 | 0                                  | 2,988,081            |
| Equipment                                     | 0                               | 0                                 | 0                                    | 0                                  | 0                                   | 0                                   | 0                                  | 0                                   | 3,000,000                        | 0                                   | 0                                 | 0                                  | 3,000,000            |
| Debt Service: TRAN<br>Principal               | 0                               | 0                                 | 0                                    | 0                                  | 0                                   | 0                                   | 0                                  | 0                                   | 0                                | 111,867                             | 111,867                           | 111,867                            | 335,600              |
| Debt Service: TRAN Interest                   | 0                               | 0                                 | 0                                    | 0                                  | 0                                   | 0                                   | 0                                  | 0                                   | 0                                | 0                                   | 0                                 | 0                                  | 0                    |
| Interest Paid on Intrafund<br>Borrowing       | 0                               | 0                                 | 0                                    | 0                                  | 0                                   | 0                                   | 0                                  | 0                                   | 0                                | 0                                   | 136,667                           | 0                                  | 136,667              |
| Operating Transfers Out<br>(estimate)         | 0                               | 0                                 | 4,497,847                            | 0                                  | 0                                   | 0                                   | 0                                  | 0                                   | 872,528                          | 0                                   | 0                                 | 0                                  | 5,370,375            |
| <b>Total Disbursements</b>                    | \$21,837,468                    | \$29,083,063                      | \$27,612,686                         | \$21,446,983                       | \$20,205,841                        | \$19,554,073                        | \$62,230,462                       | \$21,051,656                        | \$25,165,596                     | \$19,846,108                        | \$19,982,775                      | \$19,846,108                       | \$307,862,821        |
| <b>Excess / (Deficiency)</b>                  | \$29,735,909                    | \$(22,599,537)                    | \$(6,515,180)                        | \$(14,632,262)                     | \$(3,676,598)                       | \$80,189,802                        | \$(47,583,401)                     | \$(14,942,035)                      | \$3,698,226                      | \$50,111,013                        | \$(49,891,293)                    | \$(6,512,375)                      | \$(2,617,731)        |
| <b>Month End Balance Forward</b>              | \$62,284,081                    | \$39,684,544                      | \$33,169,364                         | \$18,537,102                       | \$14,860,504                        | \$95,050,306                        | \$47,466,905                       | \$32,524,870                        | \$36,223,096                     | \$86,334,109                        | \$36,442,816                      | \$29,930,441                       | \$29,930,441         |

Source: Orange County Fire Authority

**Table 6**  
**ORANGE COUNTY FIRE AUTHORITY**  
**Changes from Fiscal Year 2013-14 Cash Flow from Fiscal Year 2012-13 Cash Flow**

|                                      | Actual<br>July<br>2013 | Actual<br>Aug.<br>2013 | Actual<br>Sept.<br>2013 | Actual<br>Oct.<br>2013 | Actual<br>Nov.<br>2013 | Actual<br>Dec.<br>2013 | Actual<br>Jan.<br>2014 | Actual<br>Feb.<br>2014 | Actual<br>March<br>2014 | Projected<br>April<br>2014 | Projected<br>May<br>2014 | Projected<br>June<br>2014 | Projected<br>2013-14<br>Total |
|--------------------------------------|------------------------|------------------------|-------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|-------------------------|----------------------------|--------------------------|---------------------------|-------------------------------|
| <b>Balance From Prior Month</b>      | \$(89,499)             | \$(796,329)            | \$(3,342,017)           | \$(6,384,707)          | \$(8,678,281)          | \$(21,985,619)         | \$(3,079,151)          | \$(15,727,515)         | \$(15,339,087)          | \$(7,620,336)              | \$3,663,559              | \$1,535,364               | \$(89,499)                    |
| <b>Receipts:</b>                     |                        |                        |                         |                        |                        |                        |                        |                        |                         |                            |                          |                           |                               |
| Property Taxes                       | \$(945,811)            | \$665,857              | \$130,311               | \$512,277              | \$(10,163,234)         | \$15,150,669           | \$(199,704)            | \$158,771              | \$298,204               | \$460,851                  | \$(939,745)              | \$3,417,662               | \$8,546,107                   |
| Intergovernmental                    | 29,238                 | 34,070                 | 472,168                 | 282,630                | (240,883)              | (293,093)              | (636,755)              | 1,057,125              | 119,696                 | (996,146)                  | (4,672,274)              | 76,137                    | (4,768,088)                   |
| Charges for Current Services         | 1,018,783              | (3,085,247)            | 3,623,762               | (1,980,109)            | (2,632,550)            | 4,476,860              | (3,590,776)            | 36,329                 | 4,541,344               | 807,046                    | (16,254)                 | (6,942,166)               | (3,742,978)                   |
| Bankruptcy Loss Recovery             | 0                      | 0                      | 0                       | (11,286)               | 0                      | 0                      | 0                      | 0                      | 0                       | 0                          | 0                        | 0                         | (11,286)                      |
| Use of Money and Property            | (10,083)               | (9,362)                | (2,167)                 | (1,691)                | 587                    | 1,747                  | (7,545)                | (2,501)                | (3,737)                 | (11,147)                   | (3,585)                  | 109,581                   | 60,098                        |
| Other                                | (1,087,745)            | 33,291                 | 229,854                 | (10,803)               | (51,437)               | (15,887)               | 262,045                | 12,765                 | 70,830                  | (550,884)                  | (151,409)                | (139,811)                 | (1,399,192)                   |
| TRANS Principal                      | 0                      | 0                      | 0                       | 0                      | 0                      | 0                      | 0                      | 0                      | 0                       | 0                          | 0                        | 0                         | 0                             |
| Temporary Intrafund Borrowing        | (2,500,000)            | 0                      | 0                       | 0                      | 0                      | 0                      | 0                      | 0                      | 0                       | 0                          | 2,500,000                | 0                         | 0                             |
| <b>TOTAL RECEIPTS</b>                | <b>\$(3,495,617)</b>   | <b>\$(2,361,390)</b>   | <b>\$4,453,927</b>      | <b>\$(1,208,982)</b>   | <b>\$(13,087,518)</b>  | <b>\$19,320,295</b>    | <b>\$(4,172,735)</b>   | <b>\$1,262,489</b>     | <b>\$5,026,337</b>      | <b>\$(290,280)</b>         | <b>\$(3,283,269)</b>     | <b>\$(3,478,597)</b>      | <b>\$(1,315,340)</b>          |
| <b>Expenditures:</b>                 |                        |                        |                         |                        |                        |                        |                        |                        |                         |                            |                          |                           |                               |
| Salary & Employee Benefits           | \$316,289              | \$1,712,903            | \$1,427,302             | \$176,017              | \$(1,303,786)          | \$(157,246)            | \$6,868,469            | \$536,131              | \$(6,590,388)           | \$(1,255,507)              | \$(522,032)              | \$242,771                 | \$1,450,922                   |
| OCERS Prepayment (Routine)           | 0                      | 0                      | 0                       | 0                      | 0                      | 0                      | 3,650,787              | 0                      | 0                       | 0                          | 0                        | 0                         | 3,650,787                     |
| Services & Supplies                  | (3,105,076)            | (1,528,605)            | 1,571,468               | 908,575                | 1,523,606              | 571,074                | 208,292                | 337,929                | 25,446                  | (44,518)                   | (765,638)                | 319,860                   | 22,414                        |
| Irvine JEAPs                         | 0                      | 0                      | 0                       | 0                      | 0                      | 0                      | 2,988,081              | 0                      | 0                       | 0                          | 0                        | 0                         | 2,988,081                     |
| OCERS Prepayment (Special)           | 0                      | 0                      | 0                       | 0                      | 0                      | 0                      | 0                      | 0                      | 3,000,000               | 0                          | 0                        | 0                         | 3,000,000                     |
| Equipment                            | 0                      | 0                      | 0                       | 0                      | 0                      | 0                      | 0                      | 0                      | 0                       | 111,867                    | 111,867                  | 111,867                   | 335,600                       |
| Debt Service: TRAN Principal         | 0                      | 0                      | 0                       | 0                      | 0                      | 0                      | 0                      | 0                      | 0                       | 0                          | 0                        | 0                         | 0                             |
| Debt Service: TRAN Interest          | 0                      | 0                      | 0                       | 0                      | 0                      | 0                      | 0                      | 0                      | 0                       | 0                          | 0                        | 0                         | 0                             |
| Interest Paid on Intrafund Borrowing | 0                      | 0                      | 0                       | 0                      | 0                      | 0                      | 0                      | 0                      | 0                       | 0                          | 20,730                   | 0                         | 20,730                        |
| Operating Transfers Out (estimate)   | 0                      | 0                      | 4,497,847               | 0                      | 0                      | 0                      | (5,240,000)            | 0                      | 872,528                 | (10,386,016)               | 0                        | 0                         | (10,255,641)                  |
| <b>TOTAL DISBURSEMENTS</b>           | <b>\$(2,788,787)</b>   | <b>\$184,297</b>       | <b>\$7,496,617</b>      | <b>\$1,084,592</b>     | <b>\$219,820</b>       | <b>\$413,828</b>       | <b>\$8,475,629</b>     | <b>\$874,061</b>       | <b>\$(2,692,414)</b>    | <b>\$(11,574,174)</b>      | <b>\$(1,155,074)</b>     | <b>\$674,498</b>          | <b>\$1,212,892</b>            |
| <b>Excess / (Deficiency)</b>         | <b>\$(706,830)</b>     | <b>\$(2,545,688)</b>   | <b>\$(3,042,690)</b>    | <b>\$(2,293,574)</b>   | <b>\$(13,307,337)</b>  | <b>\$18,906,467</b>    | <b>\$(12,648,364)</b>  | <b>\$388,428</b>       | <b>\$7,718,751</b>      | <b>\$11,283,895</b>        | <b>\$(2,128,195)</b>     | <b>\$(4,153,095)</b>      | <b>\$(2,528,232)</b>          |
| <b>Month End Balance Forward</b>     | <b>\$(796,329)</b>     | <b>\$(3,342,017)</b>   | <b>\$(6,384,707)</b>    | <b>\$(8,678,281)</b>   | <b>\$(21,985,619)</b>  | <b>\$(3,079,151)</b>   | <b>\$(15,727,515)</b>  | <b>\$(15,339,087)</b>  | <b>\$(7,620,336)</b>    | <b>\$3,663,559</b>         | <b>\$1,535,364</b>       | <b>\$(2,617,731)</b>      | <b>\$(2,617,731)</b>          |

Source: Orange County Fire Authority

**Table 7**  
**ORANGE COUNTY FIRE AUTHORITY**  
**Explanation of Changes from Fiscal Year 2013-14 Cash Flow from Fiscal Year 2012-13 Cash Flow**

|                                      | <u>Variance<br/>Projected</u> | <u>Variance Explanation</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|--------------------------------------|-------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>BEGINNING BALANCE</b>             | \$(89,499)                    | Minor variance.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>RECEIPTS</b>                      |                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Property Taxes                       | \$8,546,107                   | Current Secured Property taxes are projected to increase by 2.99% from the Fiscal Year 2012-13 initial tax charge due to growth in the assessed valuation of property in the Authority's territory less an estimated refund factor of 1%. Supplemental taxes have increased significantly.                                                                                                                                                                                                                                  |
| Intergovernmental                    | (4,768,088)                   | One-time payments of \$10.7 million in Fiscal Year 2012-13 for the Low to Moderate Income Housing Fund and non-housing fund receipts were offset by higher State and federal reimbursements.                                                                                                                                                                                                                                                                                                                                |
| Charges for Current Services         | (3,742,978)                   | Cash received in Fiscal Year 2012-13 includes a pre-payment of \$2.9 million from the City of Santa Ana in July 2014                                                                                                                                                                                                                                                                                                                                                                                                        |
| Bankruptcy Loss Recovery             | (11,286)                      | Minor variance.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Use of Money and Property            | 60,098                        | Minor variance.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Other                                | (1,399,192)                   | Other revenue includes a one-time payment of \$1.5 million from Orange County Professional Firefighters Assoc. ("OCPFA") medical trust in Fiscal Year 2012-13. No payment is expected from OCPFA in Fiscal Year 2013-14 .                                                                                                                                                                                                                                                                                                   |
| TRANs Principal                      | --                            | No tax and revenue anticipation notes were issued in either fiscal year.                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Temporary Intrafund Borrowing        | --                            | Any temporary borrowing was repaid within the respective fiscal year.                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>TOTAL RECEIPTS</b>                | <u>\$(1,315,340)</u>          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>EXPENDITURES</b>                  |                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Salary & Employee Benefits           | \$1,450,922                   | Reflects increase in Fiscal Year 2013-14 for retirement, insurance and workers' compensation offset by a reduction in overtime. The workers' compensation rates are based on the 50% confidence level provided by the actuarial study.                                                                                                                                                                                                                                                                                      |
| OCERS Prepayment (Routine)           | 3,650,787                     | The Authority has prepaid its annual pension contribution to the Orange County Employees Retirement System (the "System") because the Authority receives a discount when it make such a prepayment each fiscal year commencing in Fiscal Year 2010-11.                                                                                                                                                                                                                                                                      |
| Services & Supplies                  | 22,414                        | Minor variance.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| JEAP to the City of Irvine           | 2,988,081                     | With the ratification of the Second Amendment to the Joint Powers Agreement that governs the Authority, Jurisdictional Equity Adjustment Payments ("JEAP") are required for qualifying Structural Fire Fund members. The Second Amendment to the Joint Powers Agreement specifically provides that the City of Irvine be paid 100% of its JEAP in Fiscal Year 2013-14. Of the total JEAP due to the City of Irvine, \$2.9 million was approved by the Board of Directors at its January 23, 2014 meeting and has been paid. |
| OCERS Prepayment (Special)           | 3,000,000                     | The Fiscal Year 2013-14 Mid-Year Financial Report states that \$3.0 million of \$6.0 million of the unencumbered funds identified in the audited financial statements for Fiscal Year 2012-13 was allocated to the System to prepay a portion of the pension UAAL.                                                                                                                                                                                                                                                          |
| Equipment                            | 335,600                       | Minor variance.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Debt Service: TRAN Principal         | --                            | No tax and revenue anticipation notes were issued in either fiscal year.                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Debt Service: TRAN Interest          | --                            | No tax and revenue anticipation notes were issued in either fiscal year.                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Interest Paid on Intrafund Borrowing | 20,730                        | Minor variance.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Operating Transfers Out (estimated)  | (10,255,641)                  | Operating transfers out were larger in Fiscal Year 2012-13 due to, among other things, a transfer of \$15.2 million to the Self Insurance Fund to bring the worker's compensation fund balance in compliance with policy of the Board of Directors which requires a 50% confidence level for existing and past claims.                                                                                                                                                                                                      |
| <b>TOTAL DISBURSEMENTS</b>           | <u>\$1,212,892</u>            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>EXCESS / (DEFICIENCY)</b>         | <u>\$(2,528,232)</u>          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>ENDING BALANCE</b>                | <u>\$(2,617,731)</u>          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |

**Table 8**  
**ORANGE COUNTY FIRE AUTHORITY**  
**Projected General Fund Cash Flow and Repayment Fund Cash Flow Fiscal Year 2014-15**

|                                                                                | Projected<br>July<br>2014 | Projected<br>August<br>2014 | Projected<br>September<br>2014 | Projected<br>October<br>2014 | Projected<br>November<br>2014 | Projected<br>December<br>2014 | Projected<br>January<br>2015 | Projected<br>February<br>2015 | Projected<br>March<br>2015 | Projected<br>April<br>2015 | Projected<br>May<br>2015 | Projected<br>June<br>2015 | Fiscal Year<br>2014-15<br>Total |
|--------------------------------------------------------------------------------|---------------------------|-----------------------------|--------------------------------|------------------------------|-------------------------------|-------------------------------|------------------------------|-------------------------------|----------------------------|----------------------------|--------------------------|---------------------------|---------------------------------|
| <b>Balance From Prior Month</b>                                                | \$29,930,441              | \$44,434,248                | \$23,369,625                   | \$20,539,193                 | \$8,431,516                   | \$7,852,963                   | \$86,176,594                 | \$38,536,905                  | \$25,101,245               | \$28,267,324               | \$55,044,423             | \$18,110,521              | \$29,930,441                    |
| <b>Receipts:</b>                                                               |                           |                             |                                |                              |                               |                               |                              |                               |                            |                            |                          |                           |                                 |
| Property Taxes                                                                 | \$3,784,993               | \$713,984                   | \$4,635,003                    | \$621,283                    | \$14,426,079                  | \$82,357,603                  | \$7,088,535                  | \$571,027                     | \$9,974,590                | \$63,657,558               | \$2,379,675              | \$5,261,635               | \$195,471,965                   |
| Intergovernmental                                                              | 341,942                   | 1,013,552                   | 1,608,942                      | 583,546                      | 731,119                       | 1,967,889                     | 240,253                      | 2,642,432                     | 385,338                    | 366,115                    | 1,016,717                | 239,713                   | 11,137,559                      |
| Charges for Current Services                                                   | 5,009,722                 | 7,394,399                   | 11,966,283                     | 7,319,052                    | 4,765,529                     | 14,649,268                    | 5,260,009                    | 4,080,766                     | 14,051,837                 | 6,025,524                  | 4,862,329                | 14,166,341                | 99,551,060                      |
| Bankruptcy Loss Recovery                                                       | 0                         | 0                           | 0                              | 0                            | 0                             | 0                             | 0                            | 0                             | 0                          | 0                          | 0                        | 0                         | 0                               |
| Use of Money and Property                                                      | 726,078                   | 10,810                      | 3,238                          | 5,256                        | 3,438                         | 10,013                        | 17,723                       | 8,553                         | 7,352                      | 6,874                      | 14,908                   | 112,025                   | 926,269                         |
| Other                                                                          | 58,894                    | 31,928                      | 192,259                        | 21,340                       | 370,223                       | 51,759                        | 18,792                       | 78,115                        | 26,902                     | 6,157                      | 55,626                   | 88,706                    | 1,000,700                       |
| TRANs Principal                                                                | 45,000,000                | 0                           | 0                              | 0                            | 0                             | 0                             | 0                            | 0                             | 0                          | 0                          | 0                        | 0                         | 45,000,000                      |
| Temporary Interfund Borrowing                                                  | 0                         | 0                           | 0                              | 0                            | 0                             | 0                             | 0                            | 0                             | 0                          | 0                          | 0                        | 0                         | 0                               |
| <b>Total Receipts</b>                                                          | <b>\$54,921,628</b>       | <b>\$9,164,674</b>          | <b>\$18,405,725</b>            | <b>\$8,550,478</b>           | <b>\$20,296,389</b>           | <b>\$99,036,532</b>           | <b>\$12,625,311</b>          | <b>\$7,380,893</b>            | <b>\$24,446,018</b>        | <b>\$70,062,229</b>        | <b>\$8,329,255</b>       | <b>\$19,868,421</b>       | <b>\$353,087,553</b>            |
| <b>Expenditures</b>                                                            |                           |                             |                                |                              |                               |                               |                              |                               |                            |                            |                          |                           |                                 |
| Salary & Employee Benefits                                                     | \$19,216,803              | \$28,825,204                | \$19,216,803                   | \$19,216,803                 | \$19,216,803                  | \$19,216,803                  | \$28,825,204                 | \$19,216,803                  | \$19,216,803               | \$19,216,803               | \$19,216,803             | \$19,216,803              | \$249,818,438                   |
| OCERS Prepayment (Routine)                                                     | 0                         | 0                           | 0                              | 0                            | 0                             | 0                             | 30,000,000                   | 0                             | 0                          | 0                          | 0                        | 0                         | 30,000,000                      |
| Services & Supplies                                                            | 3,031,355                 | 1,404,093                   | 2,019,353                      | 1,441,352                    | 1,658,138                     | 1,496,098                     | 1,439,795                    | 1,599,750                     | 2,063,137                  | 1,568,327                  | 2,651,354                | 2,949,485                 | 23,322,239                      |
| JEAPs                                                                          | 0                         | 0                           | 0                              | 0                            | 0                             | 0                             | 0                            | 0                             | 0                          | 0                          | 0                        | 0                         | 0                               |
| OCERS Prepayment (Special)                                                     | 17,568,007                | 0                           | 0                              | 0                            | 0                             | 0                             | 0                            | 0                             | 0                          | 0                          | 0                        | 0                         | 17,568,007                      |
| Equipment                                                                      | 0                         | 0                           | 0                              | 0                            | 0                             | 0                             | 0                            | 0                             | 0                          | 0                          | 0                        | 0                         | 0                               |
| Debt Service: TRAN Principal                                                   | 0                         | 0                           | 0                              | 0                            | 0                             | 0                             | 0                            | 0                             | 0                          | 22,500,000                 | 22,500,000               | 0                         | 45,000,000                      |
| Debt Service: TRAN Interest                                                    | 0                         | 0                           | 0                              | 0                            | 0                             | 0                             | 0                            | 0                             | 0                          | 0                          | 895,000                  | 0                         | 895,000                         |
| Intrafund Borrowing Repayment<br>(including interest)                          | 0                         | 0                           | 0                              | 0                            | 0                             | 0                             | 0                            | 0                             | 0                          | 0                          | 0                        | 0                         | 0                               |
| Operating Transfers Out (estimated)                                            | 601,656                   | 0                           | 0                              | 0                            | 0                             | 0                             | 0                            | 0                             | 0                          | 0                          | 0                        | 0                         | 601,656                         |
| <b>Total Disbursements</b>                                                     | <b>\$40,417,821</b>       | <b>\$30,229,298</b>         | <b>\$21,236,156</b>            | <b>\$20,658,155</b>          | <b>\$20,874,941</b>           | <b>\$20,712,901</b>           | <b>\$60,265,000</b>          | <b>\$20,816,553</b>           | <b>\$21,279,940</b>        | <b>\$43,285,130</b>        | <b>\$45,263,157</b>      | <b>\$22,166,288</b>       | <b>\$367,205,340</b>            |
| <b>Excess / (Deficiency)</b>                                                   | <b>\$14,503,807</b>       | <b>\$(21,064,623)</b>       | <b>\$(2,830,432)</b>           | <b>\$(12,107,678)</b>        | <b>\$(578,553)</b>            | <b>\$78,323,631</b>           | <b>\$(47,639,689)</b>        | <b>\$(13,435,660)</b>         | <b>\$3,166,079</b>         | <b>\$26,777,099</b>        | <b>\$(36,933,902)</b>    | <b>\$(2,297,867)</b>      | <b>\$(14,117,787)</b>           |
| <b>Month End Balance Forward</b>                                               | <b>\$44,434,248</b>       | <b>\$23,369,625</b>         | <b>\$20,539,193</b>            | <b>\$8,431,516</b>           | <b>\$7,852,963</b>            | <b>\$86,176,594</b>           | <b>\$38,536,905</b>          | <b>\$25,101,245</b>           | <b>\$28,267,324</b>        | <b>\$55,044,423</b>        | <b>\$18,110,521</b>      | <b>\$15,812,654</b>       | <b>\$15,812,654</b>             |
| <b>Debt Service Coverage Calculations:</b>                                     |                           |                             |                                |                              |                               |                               |                              |                               |                            |                            |                          |                           |                                 |
| <b>Note Debt Service Coverage</b>                                              | --                        | --                          | --                             | --                           | --                            | --                            | --                           | --                            | --                         | 3.45x                      | 1.77x                    | --                        | 1.34x                           |
| <b>Intrafund Borrowing Capacity</b>                                            | \$95,756,472              | \$95,756,472                | \$95,756,472                   | \$95,756,472                 | \$95,756,472                  | \$95,756,472                  | \$95,756,472                 | \$95,756,472                  | \$95,756,472               | \$95,756,472               | \$95,756,472             | \$95,756,472              | \$95,756,472                    |
| <b>Month End Balance</b>                                                       | \$140,190,720             | \$119,126,097               | \$116,295,665                  | \$104,187,988                | \$103,609,435                 | \$181,933,066                 | \$134,293,377                | \$120,857,717                 | \$124,023,796              | \$150,800,895              | \$113,866,993            | \$111,569,126             | \$111,569,126                   |
| <b>Note Debt Service Coverage<br/>(Including Intrafund Borrowing Capacity)</b> | --                        | --                          | --                             | --                           | --                            | --                            | --                           | --                            | --                         | 7.70x                      | 5.87x                    | --                        | 3.43x                           |

<sup>(1)</sup> Including Intrafund Borrowing Capacity.

Source: Orange County Fire Authority.

**Table 9**  
**ORANGE COUNTY FIRE AUTHORITY**  
**Changes from Fiscal Year 2014-15 Cash Flow from Fiscal Year 2013-14 Cash Flow**

|                                      | Projected<br>July<br>2014 | Projected<br>Aug.<br>2014 | Projected<br>Sept.<br>2014 | Projected<br>Oct.<br>2014 | Projected<br>Nov.<br>2014 | Projected<br>Dec.<br>2014 | Projected<br>Jan.<br>2015 | Projected<br>Feb.<br>2015 | Projected<br>March<br>2015 | Projected<br>April<br>2015 | Projected<br>May<br>2015 | Projected<br>June<br>2015 | Projected<br>2014-15<br>Total |
|--------------------------------------|---------------------------|---------------------------|----------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|----------------------------|----------------------------|--------------------------|---------------------------|-------------------------------|
| <b>Balance From Prior Month</b>      | \$ (2,617,731)            | \$ (17,849,833)           | \$ (16,314,919)            | \$ (12,630,171)           | \$ (10,105,587)           | \$ (7,007,541)            | \$ (8,873,712)            | \$ (8,930,000)            | \$ (7,423,625)             | \$ (7,955,772)             | \$ (31,289,686)          | \$ (18,332,295)           | \$ (2,617,731)                |
| <b>Receipts:</b>                     |                           |                           |                            |                           |                           |                           |                           |                           |                            |                            |                          |                           |                               |
| Property Taxes                       | \$117,332                 | \$22,133                  | \$143,681                  | \$19,259                  | \$447,196                 | \$2,553,015               | \$219,739                 | \$17,701                  | \$309,204                  | \$1,973,330                | \$73,768                 | \$163,106                 | \$6,059,464                   |
| Intergovernmental                    | 156,737                   | (348,760)                 | 1,008,315                  | (90,914)                  | 434,772                   | 1,281,944                 | (5,456,198)               | 1,390,619                 | (16,198)                   | (1,040,134)                | (2,888,496)              | (681,026)                 | (6,249,338)                   |
| Charges for Current Services         | (1,042,965)               | 3,049,554                 | (3,681,524)                | 1,944,780                 | 2,609,546                 | (4,547,572)               | 3,565,386                 | (56,027)                  | (4,609,173)                | (836,132)                  | (7,216)                  | 6,873,785                 | 3,262,441                     |
| Bankruptcy Loss Recovery             | 0                         | 0                         | 0                          | (79,745)                  | 0                         | 0                         | 0                         | 0                         | 0                          | 0                          | 0                        | 0                         | (79,745)                      |
| Use of Money and Property            | 718,994                   | 7,328                     | (8,718)                    | (2,277)                   | (2,266)                   | (4,053)                   | (3,412)                   | (1,807)                   | (2,101)                    | 1,886                      | 4,091                    | 90,117                    | 797,782                       |
| Other                                | (601,846)                 | (49,106)                  | (153,536)                  | (55,346)                  | 277,896                   | 9,323                     | (347,265)                 | (79,214)                  | (99,534)                   | 6,157                      | 55,626                   | 88,706                    | (948,141)                     |
| TRANS Principal                      | 45,000,000                | 0                         | 0                          | 0                         | 0                         | 0                         | 0                         | 0                         | 0                          | 0                          | 0                        | 0                         | 45,000,000                    |
| Temporary Intrafund Borrowing        | (41,000,000)              | 0                         | 0                          | 0                         | 0                         | 0                         | 0                         | 0                         | 0                          | 0                          | 41,000,000               | 0                         | 0                             |
| <b>Total Receipts</b>                | <u>\$3,348,251</u>        | <u>\$2,681,149</u>        | <u>\$(2,691,781)</u>       | <u>\$1,735,756</u>        | <u>\$3,767,145</u>        | <u>\$(707,343)</u>        | <u>\$(2,021,750)</u>      | <u>\$1,271,272</u>        | <u>\$(4,417,803)</u>       | <u>\$105,107</u>           | <u>\$38,237,772</u>      | <u>\$6,534,688</u>        | <u>\$47,842,463</u>           |
| <b>Expenditures</b>                  |                           |                           |                            |                           |                           |                           |                           |                           |                            |                            |                          |                           |                               |
| Salary & Employee Benefits           | \$(1,905,069)             | \$2,310,874               | \$(972,854)                | \$438,292                 | \$2,523,789               | \$1,941,733               | \$1,054,804               | \$136,545                 | \$(303,942)                | \$1,108,934                | \$1,108,934              | \$1,108,934               | \$8,550,974                   |
| OCERS Prepayment (Routine)           | 0                         | 0                         | 0                          | 0                         | 0                         | 0                         | 785,182                   | 0                         | 0                          | 0                          | 0                        | 0                         | 785,182                       |
| Services & Supplies                  | 2,315,759                 | (1,164,639)               | (905,829)                  | (1,227,120)               | (1,854,689)               | (782,906)                 | (817,368)                 | (371,648)                 | 290,814                    | (58,046)                   | 1,024,981                | 1,323,112                 | (2,227,577)                   |
| JEAPs                                | 0                         | 0                         | 0                          | 0                         | 0                         | 0                         | (2,988,081)               | 0                         | 0                          | 0                          | 0                        | 0                         | (2,988,081)                   |
| OCERS Prepayment (Special)           | 17,568,007                | 0                         | 0                          | 0                         | 0                         | 0                         | 0                         | 0                         | (3,000,000)                | 0                          | 0                        | 0                         | 14,568,007                    |
| Equipment                            | 0                         | 0                         | 0                          | 0                         | 0                         | 0                         | 0                         | 0                         | 0                          | (111,867)                  | (111,867)                | (111,867)                 | (335,600)                     |
| TRANS Principal                      | 0                         | 0                         | 0                          | 0                         | 0                         | 0                         | 0                         | 0                         | 0                          | 22,500,000                 | 22,500,000               | 0                         | 45,000,000                    |
| Debt Service: TRAN Interest          | 0                         | 0                         | 0                          | 0                         | 0                         | 0                         | 0                         | 0                         | 0                          | 0                          | 895,000                  | 0                         | 895,000                       |
| Interest Paid on Intrafund Borrowing | 0                         | 0                         | 0                          | 0                         | 0                         | 0                         | 0                         | 0                         | 0                          | 0                          | (136,667)                | 0                         | (136,667)                     |
| Operating Transfers Out (estimated)  | 601,656                   | 0                         | (4,497,847)                | 0                         | 0                         | 0                         | 0                         | 0                         | (872,528)                  | 0                          | 0                        | 0                         | (4,768,719)                   |
| <b>TOTAL DISBURSEMENTS</b>           | <u>\$18,580,353</u>       | <u>\$1,146,235</u>        | <u>\$(6,376,530)</u>       | <u>\$(788,828)</u>        | <u>\$669,100</u>          | <u>\$1,158,827</u>        | <u>\$(1,965,463)</u>      | <u>\$(235,103)</u>        | <u>\$(3,885,656)</u>       | <u>\$23,439,021</u>        | <u>\$25,280,382</u>      | <u>\$2,320,179</u>        | <u>\$59,342,519</u>           |
| <b>Excess / (Deficiency)</b>         | <u>\$(15,232,102)</u>     | <u>\$1,534,914</u>        | <u>\$3,684,748</u>         | <u>\$2,524,584</u>        | <u>\$3,098,045</u>        | <u>\$(1,866,171)</u>      | <u>\$(56,288)</u>         | <u>\$1,506,375</u>        | <u>\$(532,148)</u>         | <u>\$(23,333,914)</u>      | <u>\$12,957,391</u>      | <u>\$4,214,508</u>        | <u>\$(11,500,056)</u>         |
| <b>Month End Balance Forward</b>     | <u>\$(17,849,833)</u>     | <u>\$(16,314,919)</u>     | <u>\$(12,630,171)</u>      | <u>\$(10,105,587)</u>     | <u>\$(7,007,541)</u>      | <u>\$(8,873,712)</u>      | <u>\$(8,930,000)</u>      | <u>\$(7,423,625)</u>      | <u>\$(7,955,772)</u>       | <u>\$(31,289,686)</u>      | <u>\$(18,332,295)</u>    | <u>\$(14,117,787)</u>     | <u>\$(14,117,787)</u>         |

Source: Orange County Fire Authority

**Table 10**  
**ORANGE COUNTY FIRE AUTHORITY**  
**Explanation of Changes to Fiscal Year 2014-15 Cash Flow from Fiscal Year 2013-14 Cash Flow**

|                                      | <u>Variance<br/>Projected</u> | <u>Variance Explanation</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|--------------------------------------|-------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>BEGINNING BALANCE</b>             | <b>\$(2,617,731)</b>          | Reduction in Beginning Balance due to, among other things, a \$3.0 million Jurisdictional Equity Adjustment Payment to the City of Irvine.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>RECEIPTS</b>                      |                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Property Taxes                       | \$6,059,464                   | Current Secured Property taxes of the members of the Authority are expected to increase by approximately 5.0% due to projected growth in assessed valuation of property within the Authority's boundaries based on estimates from an independent consultant to the Authority, less an estimated 1% refund factor. Current Unsecured and Supplemental Taxes are based on Fiscal Year 2013-14 projections.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Intergovernmental                    | (6,249,338)                   | Budgeted receipts for assistance-by-hire were in the nominal amount of \$(310,000) in Fiscal Year 2014-15 due to, among other things, uncertainty with respect to the needs of other governmental agencies. Budgeted receipts for assistance-by-hire for Fiscal Year 2013-14 reflect actual receipts to date of \$3.2 million. An urban search and rescue grant reimbursement of \$1.5 million is included in Fiscal Year 2013-14. Revenue from the urban search and rescue grant reimbursement will be budgeted in Fiscal Year 2014-15 when a new grant is accepted. Miscellaneous Federal Revenue includes grant reimbursements of approximately \$1.1 million which was not projected to be received in Fiscal Year 2014-15.                                                                                                                                                                                                                                                                                                                                                                               |
| Charges for Current Services         | 3,262,441                     | Charges to Cash Contract Members are estimated to increase by 3.8%. [The City of San Clemente added a seasonal ambulance beginning May 1, 2014.]                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Bankruptcy Loss Recovery             | (79,745)                      | Minor variance.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Use of Money and Property            | 797,782                       | Minor variance.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Other                                | (948,141)                     | \$362,000 in insurance settlements were received in Fiscal Year 2013-14. The Authority does not project receipt of any insurance settlement revenue in Fiscal Year 2014-15. [The Santa Ana College reimbursements are expected to be \$100,000 higher in Fiscal Year 2014-15.]                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| TRANS Principal                      | 45,000,000                    | Reflects the issuance of the Notes in Fiscal Year 2014-15. No tax and revenue anticipation notes were issued in Fiscal Year 2013-14.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Temporary Intrafund Borrowing        | --                            | Temporary borrowing was repaid within the respective fiscal years.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>TOTAL RECEIPTS</b>                | <b><u>\$47,842,463</u></b>    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>EXPENDITURES</b>                  |                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| Salary & Employee Benefits           | \$ 8,550,974                  | Retirement rates in Fiscal Year 2014-15 reflect the impact of, among other things, the System's reduction in the assumed rate of return on assets from 7.75% to 7.25%. The System is phasing in this change over two fiscal years commencing in Fiscal Year 2014-15. Such will change is expected to result in increased retirement rates. See Appendix A "Financial, Economic and Demographic Information regarding the Orange County Fire Authority – Financial and Economic Information – Defined Benefit Retirement Program - Actuarial Assumptions" attached hereto. The increase in salary and employee benefits includes increased staffing for the new Fire Station No. 56 which is expected to begin operations in January 2015. See Appendix A "– Financial Policies and Practices - Fiscal Year 2014-15 Authority Budget" attached hereto. The budget for workers' compensation in Fiscal Year 2013-14 and 2014-15 reflected confidence levels of 50% and 60%, respectively. Both estimates are based on the actuarial study completed in July 2013. See Appendix A "– Insurance" attached hereto. |
| OCERS Prepayment (Routine)           | 785,182                       | Reflects the estimated increase in the Authority's annual prepayment of its contribution to the System.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Services & Supplies                  | (2,227,577)                   | The Fiscal Year 2013-14 Budget includes one-time grant expenditures of \$1.4 million which will be included in the budget for Fiscal Year 2014-15 when the grant is accepted. In addition, the cash flow for Fiscal Year 2013-14 reflects a \$935,000 Hazardous Materials Disclosure refund to the Orange County Health Care Agency.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| JEAPs                                | (2,988,081)                   | No Jurisdictional Equity Adjustment Payments are expected to be made in Fiscal Year 2014-15.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| OCERS Prepayment (Special)           | 14,568,007                    | Pursuant to the Memoranda of Understanding with the Authority's bargaining units and personnel groups, a prepayment to the System of the Authority's pension UAAL is budgeted in Fiscal Year 2014-15 in an amount greater than the required amount.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Equipment                            | (335,600)                     | Minor variance.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| TRANS Principal                      | 45,000,000                    | Reflects the issuance of the Notes in Fiscal Year 2014-15. No tax and revenue anticipation notes were issued in Fiscal Year 2013-14.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Debt Service: TRAN Interest          | 895,000                       | Reflects the issuance of the Notes in Fiscal Year 2014-15. No tax and revenue anticipation notes were issued in Fiscal Year 2013-14.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Interest Paid on Intrafund Borrowing | (136,667)                     | Intrafund borrowing is not expected in Fiscal Year 2014-15 due to, among other things, the issuance of the Notes described herein.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Operating Transfers Out (estimated)  | (4,768,719)                   | The General Fund surplus in excess of the amount for the General Fund 10% contingency reserve is transferred to the Capital Improvement Fund. The reduction in Operating Transfers Out reflects a smaller General Fund surplus in Fiscal Year 2014-15.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>TOTAL DISBURSEMENTS</b>           | <b><u>\$59,342,519</u></b>    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>EXCESS / (DEFICIENCY)</b>         | <b><u>\$(11,500,056)</u></b>  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>ENDING BALANCE</b>                | <b><u>\$(14,117,787)</u></b>  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |

Source: Orange County Fire Authority

## **Use and Investment of Note Proceeds**

The Authority will, immediately upon receiving the proceeds of the sale of the Notes, deposit in the General Fund all amounts received from such sale. Such amounts held in the General Fund will be invested as permitted by Section 53601 or Section 53635 of the Government Code provided that no such investments shall consist of reverse repurchase agreements. Such amounts are expected to be deposited in the Authority's Investment Pool and commingled with other funds of the Authority. See Appendix A – "Authority Financial Information – Authority Investment Pool" herein. Amounts in the General Fund attributable to the sale of the Notes shall be withdrawn and expended by the Authority for any purpose for which the Authority is authorized to expend funds from the General Fund.

## **Repayment Account**

In accordance with the provisions of the Resolution, a Repayment Account (the "Repayment Account") is to be established by the Authority to be held in trust by the Paying Agent and all Designated Revenues (as that term is defined in the Resolution) are to be deposited into the Repayment Account as required by the terms of the Resolution. Moneys in the Repayment Account are to be invested in Permitted Investments (as hereinafter defined) that provide sufficient liquidity so that moneys will be available no later than the Maturity Date. Moneys in the Repayment Account are to be used to pay the Notes and the interest thereon when and as they become due and payable, and amounts necessary to pay any rebate requirement as provided in the Resolution, and may not be used for any other purposes, provided, however, that any proceeds of any such investments not needed for such purposes may, upon the request of the Treasurer, be transferred by the Paying Agent to the Authority's General Fund. Any balance in the Repayment Account on the Maturity Date in excess of the amounts needed to pay the principal of and interest on the Notes shall be transferred to the Authority's General Fund. See "Summary of Certain Provisions of the Resolution – Permitted Investments" herein.

## **SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION**

The following is a summary of certain provisions of the Resolution. This summary is not to be considered a full statement of the terms of the Resolution and accordingly is qualified by reference thereto and is subject to the full text thereof. Except as otherwise defined herein, capitalized terms used in this Official Statement without definition have the respective meanings set forth in the Resolution.

### **Resolution to Constitute Contract**

The Resolution is deemed to be and constitutes a contract between the Authority and the Owners from time to time of the Notes; and the pledge made in the Resolution and the covenants and agreements set forth therein to be performed by or on behalf of the Authority will be for the equal benefit, protection and security of the Owners of any and all of the Notes.

### **Covenants of the Authority**

The Authority will do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Authority under the provisions of the Act and the Resolution.

Upon the date of issuance of the Notes, all conditions, acts and things required by law and the Resolution to exist, to have happened and to have been performed precedent to and in the issuance of such Notes, will exist, will have happened and will have been performed and the issue of such Notes,

together with all other indebtedness of the Authority, will be within every debt and other limit prescribed by the Constitution and laws of the State of California.

The Authority covenants that during the Fiscal Year it will not borrow any amount under the authority of the Act such that such borrowed amount plus (i) the interest on such borrowed amount, (ii) the amount of all notes and other evidences of indebtedness of the Authority issued under the authority of the Act then outstanding, and (iii) the interest on such notes and other evidences of indebtedness issued under the authority of the Act then outstanding (collectively, the "Total Debt"), will exceed an amount equal to eighty-five percent (85%) of the amount estimated at the time of such borrowing of the then uncollected taxes, income, revenue, cash receipts and other moneys received or accrued by the Authority during the Fiscal Year that lawfully will be available for payment of the Total Debt.

The Authority hereby covenants that it will not knowingly take any action, omit to take any action or permit the taking or omission of any action (including, without limitation, making or permitting any use of Note proceeds) if taking or omitting to take such action would cause the Notes to be arbitrage bonds, private activity bonds or federally-guaranteed obligations within the meaning of the Code, or would otherwise cause interest on the Notes to be included in the gross income of the registered owner and/or the Beneficial Owners thereof for federal income tax purposes. See "Tax Matters" herein.

### **Paying Agent and Note Registrar**

The Treasurer is appointed as the Paying Agent for the Notes pursuant to the Resolution; provided, however, that the Treasurer and such other officers of the Authority as may be authorized by the Board will be, and each of them acting alone is, authorized to appoint another Paying Agent to undertake the Treasurer's duties under the Resolution as Paying Agent in the event the Treasurer is not able to accept, or after determining it to be in the best interest of the Authority, does not accept its appointment under the Resolution and enter into a Paying Agent Agreement. Should the Paying Agent be other than the Treasurer, the Paying Agent will signify its acceptance of the duties and obligations imposed upon it by the Resolution by executing and delivering to the Authority a written acceptance thereof under which the Paying Agent will agree, particularly, to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the Authority at all reasonable times.

### **Exchange and Transfer of the Notes**

The registered owners of the Notes which are evidenced by registered certificates may transfer such Notes upon the books maintained by the Note Registrar, in accordance with the Resolution.

The Authority and any Paying Agent may deem and treat the registered owner of any Note as the absolute owner of such Note, regardless of whether such Note is overdue, for the purpose of receiving payment thereof and for all other purposes, and all such payments so made to any such registered owner upon his or her order will satisfy and discharge the liability upon such Note to the extent of the sum or sums so paid, and neither the Authority nor any Paying Agent will be affected by any notice to the contrary. Cede & Co., as nominee of DTC, or such other nominee of DTC or any successor securities depository or the nominee thereof, will be the registered owner of the Notes as long as the beneficial ownership of the Notes is held in book-entry form in the records of such securities depository. See "Book-Entry Only System." herein

The registration of any Note may be transferred upon the Note Register upon surrender of such Note to the Paying Agent. Such Note will be endorsed or accompanied by delivery of a written instrument of transfer, duly executed by the Owner or the Owner's duly authorized attorney, and payment

of such reasonable transfer fees as the Paying Agent may establish. Upon such registration of transfer, a new Note or Notes, for the same outstanding principal amount, maturity and interest rate and in authorized denominations, will be issued to the transferee in exchange therefor.

The Authority and the Paying Agent may treat the person in whose name any Outstanding Note shall be registered upon the Note Register as the absolute Owner of such Note, whether such Notes shall be overdue or not, for the purpose of receiving payment thereof and for all other purposes, and all such payments so made to any such Owner or upon such Owner's order shall be valid and effective to satisfy and discharge the liability upon such Notes to the extent of the sum or sums so paid, and neither the Authority nor any Paying Agent shall be affected by any notice to the contrary.

### **Permitted Investments**

Moneys in the Repayment Account will be deposited with the Paying Agent and shall be invested by the Paying Agent in Permitted Investments. "Permitted Investments" consist of any of the following securities, provided that in no event shall any Qualified Investment mature or otherwise be repayable such that moneys will be available later than the Maturity Date:

(1) United States Treasury notes, bonds, bills or certificates of indebtedness, or those for which the full faith and credit of the United States are pledged for the payment of principal and interest ("United States Treasury Obligations");

(2) Obligations of instrumentalities or agencies of the United States of America limited to the following: (a) the Federal Home Loan Bank Board (FHLB); (b) the Federal Home Loan Mortgage Corporation (FHLMC); (c) the Federal National Mortgage Association (FNMA); (d) Federal Farm Credit Bank (FFCB); (e) Government National Mortgage Association (GNMA); (f) Student Loan Marketing Association (SLMA); Federal Agricultural Mortgage Association and (g) guaranteed portions of Small Business Administration (SBA) notes;

(3) Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers acceptances. Purchases of bankers acceptances may not exceed a maturity of 180 days. The financial institution must have a minimum short-term rating of "A-1" by S&P and a long-term rating of no less than "A";

(4) Commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating as provided for by S&P ("A-1"). Eligible paper is further limited to issuing corporations that are organized and operating within the United States and having total assets in excess of five hundred million dollars (\$500,000,000). Purchases of eligible commercial paper may not exceed a maturity of 270 days;

(5) Negotiable certificates of deposits issued by a nationally or state-chartered bank or a state or federal association (as defined by Section 5102 of the California Financial Code) or by a state-licensed branch of a foreign bank in each case which has, or which is a subsidiary of a parent company which has, the highest letter and numerical rating from S&P ("A-1");

(6) Investments in repurchase agreements of any securities listed in (1) through (4) above. Investments in repurchase agreements may be made with financial institutions having a rating of "AA" or better from S&P, and when the term of the agreement does not exceed 30 days and are fully secured at or greater than 102% of the market value plus accrued interest by obligations of the United States Government, its agencies and instrumentalities, in accordance with number (2) above;

- (7) Deposits in the State of California Treasurer's Local Agency Investment Fund; and
- (8) the Orange County Fire Authority Investment Portfolio.

### **BOOK-ENTRY ONLY SYSTEM**

*The following information concerning The Depository Trust Company and its book-entry system has been obtained from sources the Authority believes to be reliable; however, the Authority takes no responsibility as to the accuracy or completeness thereof. There can be no assurance that DTC will abide by its procedures or that such procedures will not be changed from time to time.*

The Depository Trust Company ("DTC"), will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued in the aggregate principal amount of the Notes, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be

requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of and interest on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the Authority subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal of and interest on the Notes to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the Authority or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, security certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC and the requirements of the Authority Resolution with respect to certificated Notes will apply.

**THE AUTHORITY, THE PAYING AGENT AND THE UNDERWRITER CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE SECURITIES (I) PAYMENTS OF PRINCIPAL OF AND INTEREST EVIDENCED BY THE SECURITIES (II) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE SECURITIES**

OR (III) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE SECURITIES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

NEITHER THE AUTHORITY, THE PAYING AGENT NOR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OR COMPLETENESS OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST ON SECURITIES; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS UNDER THE TERMS OF THE RESOLUTION; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER OF THE SECURITIES.

## **CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS**

### **Article XIII A**

On June 6, 1978, California voters approved Proposition 13, adding Article XIII A to the California Constitution. Article XIII A, among other things, affects the valuation of real property for the purpose of taxation in that it defines the full cash property value to mean “the county assessor’s valuation of real property as shown on the 1975-76 tax bill under ‘full cash value,’ or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment.” The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or a reduction in the consumer price index or comparable local data for the area under taxing jurisdiction, or reduced in the event of declining property value caused by substantial damage, destruction or other factors including a general economic downturn. Any reduction in assessed value is temporary and may be adjusted for any given year by the Assessor. The assessed value increases to its pre-reduction level (escalated to the annual inflation rate of no more than two percent) following the year(s) for which the reduction is applied. Article XIII A further limits the amount of any *ad valorem* tax on real property to 1% of the full cash value except that additional taxes may be levied to pay (i) debt service on indebtedness approved by the voters prior to July 1, 1978, (ii) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the votes cast by the voters voting on the proposition; and (iii) bonded indebtedness incurred by a school district, community college district or county office of education (which is separate from the County) for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the votes cast by the voters of the school district, community college district or the county, as appropriate, voting on the proposition but only if certain accountability measures are included in the proposition.

On June 3, 1986, California voters approved Proposition 46, which added an additional exemption to the 1% tax limitation imposed by Article XIII A. Under this amendment to Article XIII A, local governments and school districts may increase the property tax rate above 1% for the period necessary to retire new general obligation bonds, if two-thirds of those voting on such a proposition in a local election approve the issuance of such bonds and the money raised through the sale of the bonds is used exclusively to purchase or improve real property.

Legislation enacted by the California Legislature to implement Article XIII A provides that all taxable property is shown at full assessed value as described above. In conformity with this procedure, all taxable property value included in this Official Statement (except as noted) is shown at 100% of assessed value and all general tax rates reflect the \$1 per \$100 of taxable value. Tax rates for voter approved bonded indebtedness are also applied to 100% of assessed value.

Future changes to assessed valuation that are allowed under Article XIII A (new construction, change of ownership, 2% annual value growth) will be allocated on the basis of “situs” among the jurisdictions that serve the tax rate area within which the change occurs. Local agencies and school districts will share the change of “base” revenue from the tax rate area. Each year’s allocation of the change to assessed valuation becomes part of each agency’s allocation the following year. The Authority is unable to predict the nature or magnitude of future revenue sources which may be provided by the State to replace lost property tax revenues. Article XIII A effectively prohibits the levying of any other *ad valorem* property tax above the 1% limit except for taxes to support indebtedness approved by the voters as described above.

### **Article XIII B**

On November 6, 1979, California voters approved Proposition 4, which added Article XIII B to the California Constitution. Article XIII B has been amended by Proposition 99 which was approved by voters in November 1988, Proposition 98 which was approved by voters in November 1998, Proposition 111 which was approved by voters in June 1990, Proposition 10 which was approved by voters in November 1998 and Proposition 1A which was approved by voters in November 2004.

Article XIII B of the California Constitution limits the annual appropriations of the State and any city, county, school district, special district, authority or other political subdivision of the State (e.g. local governments) to the level of appropriations for the prior fiscal year, as adjusted annually for changes in the cost of living, population and services rendered by the governmental entity. The Authority is not required to independently calculate an appropriation limit under Article XIII B. The Authority is included in the County’s calculation of the County’s appropriations limit and provided information regarding its yearly appropriations to the County.

The “base year” for establishing such appropriation limit is the 1986-87 fiscal year. Increases in appropriations by a governmental entity are also permitted (i) if financial responsibility for providing services is transferred to a governmental entity, or (ii) for emergencies so long as the appropriations limits for the three years following the emergency are reduced accordingly to prevent any aggregate increase above the Constitutional limit. Decreases are required where responsibility for providing services is transferred from the government entity.

Appropriations subject to limitation of the State pursuant to Article XIII B, include generally any authorization to expend during the fiscal year the Proceeds of Taxes (defined herein) levied by or for the State, exclusive of certain State subventions for the use and operation of local government, and further exclusive of refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds. Appropriations subject to limitation of an entity of local government, pursuant to Article XIII B, include generally any authorization to expend during a fiscal year the proceeds of taxes levied by or for that entity and the proceeds of certain State subventions to that entity excluding refunds of taxes. Appropriations subject to limitation pursuant to Article XIII B do not include debt service on indebtedness existing or legally authorized as of January 1, 1979, on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting on the related proposition in an election for such purpose, appropriations required to comply with mandates of courts or the federal government, appropriations for qualified outlay projects, appropriations by the State of revenues derived

from any increase in gasoline taxes and motor vehicle weight fees above specified levels, appropriations derived from certain sales and use taxes and certain weight fees imposed on commercial vehicles, and appropriations of revenue from the Cigarette and Tobacco Products Surtax Fund and California Children and Families First Trust Fund. Further, revenues from the federal government are not included in appropriations subject to limitation.

“Proceeds of Taxes” include, but are not restricted to, all tax revenues and the proceeds to an entity of local government from (1) regulatory licenses, user charges, and user fees to the extent that those proceeds exceed the costs reasonably borne by that entity in providing the regulation, product, or service and (2) the investment of tax revenues. The Government Code states that Proceeds of Taxes for any local government include subventions received from the State, other than subventions received from the State in accordance with the Government Code whenever the State Legislature or any State agency mandates a new program or higher level of service on any local government.

Article XIII B includes a requirement pursuant to which fifty percent (50%) of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount which may be appropriated by the State in compliance with Article XIII B during that fiscal year and the fiscal year immediately following it shall be transferred and allocated, from a fund established for that purpose, pursuant to Article XVI of the State Constitution. In addition, fifty percent (50%) of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount which may be appropriated by the State in compliance with Article XIII B during that fiscal year and the fiscal year immediately following it shall be returned by revising tax rates or fee schedules within the next two subsequent fiscal years. Further, Article XIII B includes a requirement that all revenues received by an entity of government, other than the State, in a fiscal year and in the fiscal year immediately following it that exceed the amount which may be appropriated by that entity in compliance with Article XIII B during that fiscal year and the fiscal year immediately following it shall be returned by revising tax rates or fee schedules within the next two subsequent fiscal years.

As amended in June 1990, the appropriations limit in each year for an entity of local government is based on the limit for the prior year, adjusted annually for changes in the costs of living and changes in population, and adjusted, where applicable, for transfer of financial responsibility of providing services to or from another unit of government. The change in the cost of living is, at the option of such entity of local government, either (i) the percentage change in California per capita personal income from the preceding fiscal year, or (ii) the percentage change in the local assessment roll from the preceding fiscal year for the jurisdiction due to the addition of local nonresidential new construction. Pursuant to the Revenue and Taxation Code, the State’s Department of Finance annually transmits to each city and each county an estimate of the percentage change in the population of the city or the county.

Article XIII B permits any government entity to change the appropriations limit by vote of the electorate in conformity with statutory and Constitutional voting requirements, but any such voter-approved change can only be effective for a maximum of four years.

An amendment to Article XIII B will be submitted to voters in the State at an election to be held in June 2014. Such amendment, if approved, would remove the requirement that the State provide a subvention of funds to reimburse local governments for certain costs related to the California Public Records Act and the Ralph M. Brown Act.

## **Proposition 62**

Proposition 62 was adopted by the California voters at the November 4, 1986, general election which (a) requires that any new or higher taxes for general governmental purposes imposed by local

governmental entities such as the Authority be approved by a two-thirds vote of the governmental entity's legislative body and by a majority vote of the voters of the governmental entity voting in an election on the tax, (b) requires that any special tax (defined as taxes imposed for specific purposes) imposed by a local government entity be approved by a two-thirds vote of the voters of the governmental entity voting in an election on the tax, (c) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (d) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIII A of the California Constitution, (e) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities, and (f) required that any tax imposed by a local governmental entity on or after August 1, 1985, be ratified by a majority vote of the voters voting in an election on the tax within two years of the adoption of the initiative or be terminated by November 15, 1988.

On September 28, 1995, the California Supreme Court, in the case of *Santa Clara County Local Transportation Authority v. Guardino* (“*Guardino*”), upheld the constitutionality of Proposition 62. In *Guardino*, the court held that a county-wide sales tax of one-half of one percent was a special tax that, under Section 53722 of the Government Code, was invalid without the required two-thirds voter approval. The decision did not address the question of whether or not it should be applied retroactively. [Since the adoption of Proposition 62, the Authority has enacted increases in taxes in compliance therewith.]

Following the California Supreme Court's decision upholding Proposition 62, several actions were filed challenging taxes imposed by public agencies since the adoption of Proposition 62. On June 4, 2001, the California Supreme Court released its decision in one of these cases, *Howard Jarvis Taxpayers Association v. City of La Habra, et al.* (“*La Habra*”). In *La Habra*, the court held that public agency's continued imposition and collection of a tax is an ongoing violation, upon which the statute of limitations period begins anew with each collection. The court also held that, unless another statute or constitutional rule provided differently, the statute of limitations for challenges to taxes that are subject to Proposition 62 is three years. Accordingly, a challenge to a tax that is subject to Proposition 62 may only be made for those taxes collected within three years of the date the action is brought.

## **Proposition 218**

On November 5, 1996, the California voters approved Proposition 218, a constitutional initiative entitled the “Right to Vote on Taxes Act” (“Proposition 218”). Proposition 218 added Articles XIII C and XIII D to the California Constitution and contains a number of interrelated provisions limiting the ability of local governments, including the Authority, to impose and collect both existing and future taxes, assessments, fees and charges. Proposition 218 substantially restricts the Authority's ability to raise future revenues and subjects certain existing sources of revenue to reduction or repeal, and increases the Authority's costs to hold elections, calculate fees and assessments, notify the public and defend its fees and assessments in court. Further, as described below, Proposition 218 provides for broad initiative powers to reduce or repeal local taxes, assessments, fees and charges. However, other than any impact resulting from the exercise of this initiative power, the Authority does not presently believe that the potential impact on the financial condition of the Authority as a result of the provisions of Proposition 218 will adversely affect the Authority's ability to pay principal of and interest on the Notes as and when due and perform its other obligations.

Article XIII C requires that all new, extended, or increased local taxes be submitted to the electorate before they become effective. Taxes for general governmental purposes of the Authority require a majority vote of the electorate and taxes for specific purposes, even if deposited in the Authority's General Fund, require a two-thirds vote of the electorate. These voter approval requirements of Proposition 218 reduce the flexibility of the Authority to raise revenues through General Fund taxes,

and no assurance can be given that the Authority will be able to impose, extend or increase such taxes in the future to meet increased expenditure requirements.

Article XIII C also expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed. This extension of the initiative power is not limited by the terms of Proposition 218 to local taxes, assessments, fees or charges imposed after November 6, 1996 and absent other legal authority could result in retroactive reduction in any existing taxes, assessments or fees and charges. The Authority believes that it does not impose any taxes, assessments or fees and charges that could be reduced or repealed in connection with the broad initiative powers of tax reduction or repeal extended by Proposition 218.

The repeal of local taxes, assessments, fees or charges could be challenged as a violation of the prohibition against impairing contracts under the contract clause of the United States Constitution. Subsequent to the amendment of Article XIII C, the State Legislature approved SB 919 (the "Proposition 218 Omnibus Implementation Act"), which directed that the initiative power provided for in Proposition 218 "shall not be construed to mean that any owner or beneficial owner of a municipal security, purchased before or after that date (such date being November 5, 1996) assumes the risk of, or in any way consents to, any action by initiative measure that constitutes an impairment of contractual rights" protected by the United States Constitution. However, no assurance can be given that the voters of the Authority will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges that are or will be deposited into the Authority's General Fund. Further, "fees" and "charges" are not defined in Article XIII C or Proposition 218 Omnibus Implementation Act, and it is unclear whether these terms are intended to have the same meanings for purposes of Article XIII C as they do in Article XIII D, as described below. Accordingly, the scope of the initiative power under Article XIII C could include all sources of General Fund moneys not received from or imposed by the federal or State government or derived from investment income.

The initiative power granted under Article XIII C, by its terms, applies to all local taxes, assessments, fees and charges and is not limited to local taxes, assessments, fees and charges that are property related. The Authority is unable to predict whether the courts will interpret the initiative provision to be limited to property related fees and charges. No assurance can be given that the voters of the Authority will not, in the future, approve an initiative which reduces or repeals local taxes, assessments, fees or charges which are deposited into the Authority's General Fund. The Authority believes that in the event that the initiative power were exercised so that all local taxes, assessments, fees and charges which may be subject to the provisions of Proposition 218 are reduced or substantially reduced, the financial condition of the Authority, including its General Fund, would be materially adversely affected. As a result, there can be no assurances that the Authority would be able to pay the principal of and interest on the Notes as and when due or any of its other obligations payable from the Authority's General Fund.

Article XIII D added several requirements that generally made it more difficult for local agencies, such as the Authority, to levy and maintain "assessments" for municipal services and programs. "Assessment" is defined in Proposition 218 and the Proposition 218 Omnibus Implementation Act (as enacted in Government Code Section 53750) to mean any levy or charge upon real property for a special benefit conferred upon the real property. This includes maintenance assessments imposed in certain service areas and in special districts in the Authority. If the Authority is unable to collect assessment revenues relating to those specific programs as a consequence of Proposition 218, the Authority's current practice curtail such services rather than use amounts in the General Fund to finance such programs. Accordingly, the Authority anticipates that any impact Article XIII D may have on existing or future taxes, fees, and assessments will not adversely affect the ability of the Authority to pay the principal of

and interest on the Notes as and when due. However, no assurance can be given that the Authority may or will be able to reduce or eliminate such services to avoid new costs for the Authority's General Fund in the event the assessments that presently finance them are reduced or repealed.

Article XIII D also adds several provisions affecting "fees" and "charges" which are defined as "any levy other than an *ad valorem* tax, a special tax, or an assessment, imposed by an agency [subdivision (a) of Section 2 of Article XIII D defines an agency as any local government as defined in subdivision (b) of Section 1 of Article XIIC] upon a parcel or upon a person as an incident of property ownership, including a user fee or charge for a property related service." All new fees and charges and, after June 30, 1997, all existing property related fees and charges that are extended, imposed or increased must conform to requirements prohibiting, among other things, fees and charges which (i) generate revenues exceeding the funds required to provide the property related service, (ii) are used for any purpose other than those for which the fees and charges are imposed, (iii) are for a service not actually used by, or immediately available to, the owner of the property in question, or (iv) are used for general governmental services, including police, fire, ambulance or library services, where the service is available to the public at large in substantially the same manner as it is to property owners. Further, before any property related fee or charge may be imposed or increased, written notice must be given to the record owner of each parcel of land affected by such fee or charge. The Authority must then hold a hearing upon the proposed imposition or increase of such property-related fee or charge, and if written protests against the proposal are presented by a majority of the owners of the identified parcels, the Authority may not impose or increase the fee or charge. In *Morgan et al., v. Imperial Irrigation District and Imperial County Farm Bureau*, the appellate court held that Proposition 218 does not require the agency to conduct a separate protest election for each different rate class comprised of owners of identified parcels. Instead, the agency need only conduct a single a protest election for a collection of rate increases involving all its customers. Moreover, except for fees or charges for sewer, water and refuse collection services, no property related fee or charge may be imposed or increased without majority approval by the property owners subject to the fee or charge or, at the option of the Authority, two-thirds voter approval by the electorate residing in the affected area. The annual amount of revenues that are received by the Authority and deposited into its General Fund which may be considered to be property related fees and charges under Article XIII D of Proposition 218 is not substantial. Accordingly, the Authority does not presently anticipate that any impact Article XIII D may have on future fees and charges will adversely affect the ability of the Authority to pay the principal of and interest on the Notes as and when due. However, no assurance can be given that the Authority may or will be able to reduce or eliminate such services to avoid new costs for the Authority's General Fund in the event the fees and charges that presently finance them are reduced or repealed.

Additional implementing legislation respecting Proposition 218 may be introduced in the State legislature from time to time that would amend and supplement and add provisions to California statutory law. No assurance may be given as to the terms of such legislation or its potential impact on the Authority.

### **Proposition 1A**

Proposition 1A ("Proposition 1A"), proposed by the Legislature as a Senate Constitutional Amendment in connection with the 2004-05 Budget Act and approved by California voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate or change the allocation of local sales tax revenues, subject to certain exceptions. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature.

Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses of the State Legislature and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also provides that if the State reduces the VLF rate below 0.65 percent of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State, beginning July 1, 2005, to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates. The State's ability to initiate future exchanges and shifts of funds will be limited by Proposition 22. See “ – Proposition 22” below.

### **Proposition 22**

Proposition 22 (“Proposition 22”), which was approved by California voters in November 2010, prohibits the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services and prohibits fuel tax revenues from being loaned for cash-flow or budget balancing purposes to the State General Fund or any other State fund. Due to the prohibition with respect to State's ability to take, reallocate, and borrow money raised by local governments for local purposes, Proposition 22 supersedes certain provisions of Proposition 1A of 2004. See “ - Proposition 1A” herein. In addition, Proposition 22 generally eliminates the State's authority to temporarily shift property taxes from cities, counties, and special districts to schools, temporarily increase school and community college district's share of property tax revenues, prohibits the State from borrowing or redirecting redevelopment property tax revenues or requiring increased pass-through payments thereof, and prohibits the State from reallocating vehicle license fee revenues to pay for State-imposed mandates. In addition, Proposition 22 requires a two-thirds vote of each house of the State Legislature and a public hearing process to be conducted in order to change the amount of fuel excise tax revenues shared with cities and counties. The Legislative Analyst's Office states that Proposition 22 will prohibit the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies.

Proposition 22 prohibits the State from borrowing sales taxes or excise taxes on motor vehicle fuels or changing the allocations of those taxes among local government except pursuant to specified procedures involving public notices and hearings. In addition, Proposition 22 requires that the State apply the formula setting forth the allocation of State fuel tax revenues to local agencies that was in effect on June 30, 2009. The Legislative Analyst's Office anticipates that Proposition 22 will require the State to adopt alternative actions to address its fiscal and policy objectives, particularly with respect to short-term cash flow need. The Authority does not believe that the adoption of Proposition 22 will have a significant impact on its revenues and expenditures during Fiscal Year 2014-15.

### **Proposition 26**

Proposition 26 (“Proposition 26”), which was approved by California voters on November 2, 2010, revises the California Constitution to expand the definition of “taxes.” Proposition 26 re-categorizes many State and local fees as taxes and specifies a requirement of two-thirds voter approval for taxes levied by local governments.

Proposition 26 requires the State obtain the approval of two-thirds of both houses of the State Legislature for any proposed change in State statutes, which would result in any taxpayer paying a higher tax. Proposition 26 eliminates the previous practice whereby a tax increase coupled with a tax reduction

that resulted in an overall neutral fiscal effect was subject only to a majority vote in the State Legislature. Furthermore, pursuant to Proposition 26, any increase in a fee above the amount needed to provide the specific service or benefit is deemed to be a tax and the approval thereof will require such two-thirds vote of approval to be effective.

Proposition 26 amends Article XIII C of the State Constitution to state that a “tax” means a levy, charge or exaction of any kind imposed by a local government, except (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property or the purchase rental or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government as a result of a violation of law; (6) a charge imposed as a condition of property development; or (7) assessments and property related fees imposed in accordance with the provisions of Proposition 218. See “ - Proposition 218” herein.

Proposition 26 applies to any levy, charge or exaction imposed, increased, or extended by local government on or after November 3, 2010, unless exempted, as stated above. Accordingly, fees adopted prior to that date are not subject to the measure unless and only to the extent that they are increased or extended or if it is determined that an exemption applies. As of the date hereof, none of the Authority’s fees or charges has been challenged in a court of law in connection with the requirements of Proposition 26.

If the local government specifies how the funds from a proposed local tax are to be used, the approval will be subject to a two-thirds voter requirement. If the local government does not specify how the funds from a proposed local tax are to be used, the approval will be subject to a fifty percent voter requirement. Proposed local government fees that are not subject to Proposition 26 generally are subject to the approval of a majority of the governing body. In general, proposed property charges will be subject to a majority vote of approval by the governing body although certain proposed property charges will also require approval by a majority of the affected property owners.

### **Future Initiatives**

Article XIII A, Article XIII B, Article XIII C, Article XIII D, Proposition 111, Proposition 1A, Proposition 62, Proposition 22, and Proposition 26 were each adopted as measures that qualified for the ballot pursuant to the State’s initiative process. From time to time, other initiative measures could be adopted, further affecting revenues of the Authority or the ability of the Authority to expend revenues. The nature and impact of these measures cannot be predicted by the Authority.

### **ENFORCEABILITY OF REMEDIES**

The rights of the owners of the Notes are subject to the limitations on legal remedies against counties in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest. Additionally, enforceability of the rights and remedies of the owners of the Notes, and the obligations incurred by the Authority, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors’ rights generally, now or hereafter in effect, equity principles which

may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against counties in the State. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Notes to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

On January 24, 1996, the United States Bankruptcy Court for the Central District of California held in the case of *County of Orange v. Merrill Lynch* that a State statute providing for a priority of distribution of property held in trust conflicted with, and was preempted by, federal bankruptcy law. In that case, the court addressed the priority of the disposition of moneys held in a county investment pool upon bankruptcy of the county, but was not required to directly address the State statute that provides for the lien in favor of holders of tax and revenue anticipation notes. The Authority holds taxes and other revenues that are pledged and will be set aside to repay the Notes and following payment of these funds to the Paying Agent such funds will be invested in the Authority Investment Pool or other Permitted Investments. In the event of a petition for the adjustment of debts of the Authority under Chapter 9 of the Bankruptcy Code, a court might hold that the Owners of the Notes do not have a valid and prior lien on the Designated Revenues where such amounts are deposited in the Authority Investment Pool and may not provide the Owners of the Notes with a priority interest in such amounts. Such amounts may not be available for payment of principal of and interest on the Notes unless the Owners of the Notes could “trace” the funds from the Repayment Account that have been deposited in the Authority Investment Pool. There can be no assurance that the Owners could successfully so “trace” the Designated Revenues.

## **TAX MATTERS**

### **Opinion of Bond Counsel**

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”) and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Authority in connection with the Notes, and Bond Counsel has assumed compliance by the Authority with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the Authority, under existing statutes, interest on the Notes is exempt from personal income taxes imposed by the State of California.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Notes. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action thereafter taken or not taken, or any facts or circumstances that may thereafter come to its attention, or changes in law or in interpretations thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion on the effect of any action thereafter taken or not taken in reliance upon an

opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Notes, or under state and local tax law.

### **Certain Ongoing Federal Tax Requirements and Covenants**

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Notes in order that interest on such Notes be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Notes, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Notes to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Authority has covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

### **Certain Collateral Federal Tax Consequences**

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Notes. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Note. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Notes.

Prospective owners of the Notes should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the Notes may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

### **Note Premium**

In general, if an owner acquires a Note for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Note after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Note (a “Premium Note”). In general, under Section 171 of the Code, an owner of a Premium Note must amortize the bond premium over the remaining term of the Premium Note, based on the owner’s yield over the remaining term of the Premium Note determined based on constant yield principles. An owner of a Premium Note must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Note, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Note may realize a taxable gain upon disposition of the Premium Note even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Notes should consult their own tax advisors regarding the treatment of bond premium for Federal income tax purposes, including various special rules relating

thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Notes.

### **Information Reporting and Backup Withholding**

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Notes. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification", or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding", which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Note through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Notes from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

### **Miscellaneous**

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Notes under Federal or state law or otherwise prevent beneficial owners of the Notes from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Notes. For example, the Fiscal Year 2015 Budget proposed on March 4, 2014, by the Obama Administration recommends a 28% limitation on "all itemized deductions, as well as other tax benefits" including "tax-exempt interest." The net effect of such a proposal, if enacted into law, would be that an owner of a tax-exempt bond with a marginal tax rate in excess of 28% would pay some amount of Federal income tax with respect to the interest on such tax-exempt bond. Similarly, on February 26, 2014, Dave Camp, Chairman of the United States House Ways and Means Committee, released a discussion draft of a proposed bill which would significantly overhaul the Code, including the repeal of many deductions; changes to the marginal tax rates; elimination of tax-exempt treatment of interest for certain bonds issued after 2014; and a provision similar to the 28% limitation on tax-benefit items described above (at 25%) which, as to certain high income taxpayers, effectively would impose a 10% surcharge on their "modified adjusted gross income," defined to include tax-exempt interest received or accrued on all bonds, regardless of issue date.

Prospective purchasers of the Notes should consult their own tax advisors regarding the foregoing matters.

### **CERTAIN LEGAL MATTERS**

Legal matters incident to the authorization, sale, execution and delivery by the Authority of the Notes are subject to the approval of Hawkins Delafield & Wood LLP, Bond Counsel to the Authority. A complete copy of the proposed form of opinion of Bond Counsel is contained in Appendix D hereto. Certain legal matters will be passed upon for the Authority by its counsel, Woodruff, Spradlin, & Smart,

Costa Mesa, California, and its Disclosure Counsel, Hawkins Delafield & Wood LLP, Los Angeles, California.

### **FINANCIAL ADVISOR**

The Authority has retained Tamalpais Advisors, Inc., as Financial Advisor (the “Financial Advisor”) in connection with the issuance of the Notes and certain other financial matters. The Financial Advisor is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other negotiable instruments.

The Financial Advisor has not audited, authenticated or otherwise verified the information set forth in this Official Statement, or any other related information available to the Authority, with respect to the accuracy and completeness of disclosure of such information, and no guaranty, warranty or other representation is made by the Financial Advisor respecting the accuracy and completeness of this Official Statement or any other matter related to this Official Statement.

### **LITIGATION**

No litigation is pending or threatened concerning the validity of the Notes, and an opinion of the Authority Counsel (based upon its best knowledge after reasonable investigation) to that effect will be furnished to the purchaser at the time of the original delivery of the Notes. The Authority is not aware of any litigation pending or threatened questioning the political existence of the Authority or contesting the Authority’s ability to levy and collect ad valorem taxes or contesting the Authority’s ability to issue and pay the Notes.

There are a number of lawsuits and claims pending against the Authority. The Authority does not believe that any of these proceedings could have a material adverse impact upon the financial condition of the Authority.

### **RATING**

The Notes have been assigned a rating of “\_\_” by Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”). An explanation of the significance of such rating may be obtained from S&P. The rating reflects the views of S&P and the Authority makes no representation as to the appropriateness of the rating. Further, there is no assurance that such rating will continue for any given period of time or that it will not be revised or withdrawn entirely if in the sole judgment of S&P circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the trading value and the market price of the Notes.

### **UNDERWRITING**

The Notes were sold at competitive bid on \_\_\_\_\_, 2014. The Notes were awarded to \_\_\_\_\_ (the “Underwriter”), at a purchase price of \$\_\_\_\_\_. The Underwriter’s compensation with respect to the Notes is \$\_\_\_\_\_. The Official Notice of Sale provides that all Notes would be purchased if any were purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Official Notice of Sale, the approval of certain legal matters by Bond Counsel and certain other conditions. The Underwriter will represent to the Authority that the Notes have been re-offered to the public at the price or yield as stated on the cover page hereof.

## **CONTINUING DISCLOSURE**

The Authority has agreed in the Resolution and will covenant in a Continuing Disclosure Certificate to be executed in connection with the delivery of the Notes that, upon the occurrence of any of the following “Listed Events,” it will report the occurrence of such event to either the MSRB through its EMMA system or to another repository designated by the MSRB or the SEC within 10 Business Days (as defined in the Continuing Disclosure Certificate). Listed Events include any of the following events so long as the Notes are outstanding: (i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material; (iii) modifications to rights of Holders, if material; (iv) bond calls, if material and tender offers; (v) defeasances; (vi) rating changes; (vii) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (Internal Revenue Service Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes; (viii) unscheduled draws on the debt service reserves reflecting financial difficulties; (ix) unscheduled draws on the credit enhancements reflecting financial difficulties; (x) release, substitution or sale of property securing repayment of the Notes, if material; (xi) bankruptcy, insolvency, receivership or similar event of the Authority (such event is considered to occur when any of the following occur: the appointment of a receiver, Paying Agent or similar officer for the Authority in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Authority, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority; (xii) substitution of credit or liquidity providers, or their failure to perform; (xiii) the consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (xiv) appointment of a successor or additional Paying Agent or the change of name of a Paying Agent, if material. There are currently no debt service reserves, credit enhancements or liquidity providers with respect to the payment of principal of and interest on the Notes, and the Notes are not subject to redemption prior to maturity in accordance with their terms. The Authority’s obligations under the Resolution with respect to continuing disclosure shall terminate upon payment in full of all of the Notes without any requirement to provide notice to any owner or holder of the Notes. If such termination occurs prior to the final maturity of the Notes, the Authority shall give notice of such termination in the same manner as for a Listed Event.

These covenants have been made in order to assist the Underwriter in complying with Rule 15c2-12(b)(5) of the SEC. The Authority has not failed in the last five years to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of events.

## **MISCELLANEOUS**

Included herein are brief summaries of certain documents and reports, which summaries do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof. This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or holders of any of the Notes. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as an opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale

made hereunder shall, under any circumstances, create any implication that there has been no change in affairs in the Authority since the date hereof.

The execution and delivery of this Official Statement have been duly authorized by the Authority.

ORANGE COUNTY FIRE AUTHORITY

By: \_\_\_\_\_  
Patricia Jakubiak  
Treasurer

[THIS PAGE INTENTIONALLY LEFT BLANK]

**APPENDIX A**

**FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION  
REGARDING THE AUTHORITY**

**APPENDIX B**

**EXCERPTS FROM THE AUDITED FINANCIAL STATEMENTS  
OF THE AUTHORITY FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

## APPENDIX C

### FORM OF BOND COUNSEL OPINION

*Upon delivery of the Notes, Hawkins Delafield & Wood LLP, Bond Counsel to the Authority, proposes to issue an approving opinion in substantially the following form:*

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

Ladies and Gentlemen:

We have acted as Bond Counsel to the Orange County Fire Authority (the “Authority”) in connection with the issuance of its \$\_\_\_\_\_ aggregate principal amount of 2014-2015 Tax and Revenue Anticipation Notes (the “Notes”) issued pursuant to and by authority of a resolution of the Board of Directors of the Authority duly passed and adopted on May 22, 2014 (the “Resolution”), and under and by the authority of Article 7.6 Chapter 4, Part 1, Division 2, Title 5 of the California Government Code (the “Act”).

In such connection, we have examined the Resolution, certain estimates, expectations and assumptions made by or on behalf of the Authority, originals, or copies identified to our satisfaction as being true copies, of such records and proceedings of the Authority and such other documents, including a certificate of the Authority relating to certain federal income tax matters (the “Tax Certificate”), and other matters deemed necessary to render the opinions set forth herein.

Based on the foregoing, we are of the opinion that:

- (1) The Notes constitute the valid and binding obligations of the Authority.
- (2) As provided in the Act, the Notes and the interest thereon are general obligations of the Authority. Pursuant to the Act and the Resolution, the Authority has pledged the taxes, income, revenue, cash receipts and other moneys of the Authority (including moneys deposited in inactive or term deposits (but excepting certain moneys which, when received by the Authority, will be encumbered for a special purpose unless an equivalent amount of the proceeds from the Notes is set aside for and used for said special purpose)) received or accrued by the Authority for the General Fund of the Authority during the Fiscal Year 2014-15 that are lawfully available for payment of the Notes and the interest thereon (the “Unrestricted Revenues”) as security for the Notes.
- (3) Under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described below, (i) interest on the Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Code and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations.

In rendering the opinions in this paragraph (3), we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectations, and certifications of

fact, contained in the Tax Certificate delivered on the date hereof by the Authority, and (ii) compliance by the Authority with procedures and covenants set forth in the Tax Certificate as to such matters.

- (4) Interest on the Notes is exempt from State of California personal income tax.

The Code establishes certain requirements which must be met subsequent to the issuance of the Notes in order that interest on the Notes be and remain excluded from gross income for federal income tax purposes under Section 103 of the Code. On the date of issuance of the Notes, the Authority will execute a Tax Certificate containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the Authority covenants that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that interest on the Notes will, for federal income tax purposes, be excluded from gross income. Noncompliance with such requirements may cause interest on the Notes to be included in gross income of the owners thereof for federal income tax purposes retroactive to their date of issue, irrespective of the date on which such noncompliance is ascertained.

The foregoing opinions are qualified to the extent that the enforceability of the Notes and the Resolution may be limited by bankruptcy, moratorium, insolvency or other laws affecting creditor's rights or remedies and is subject to general principles of equity (regardless of whether such enforceability is considered in equity or at law), to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities in the State of California.

Except as stated in paragraphs (3) and (4) above, we express no opinion regarding any other Federal, state or local tax consequences with respect to the Notes or the ownership or disposition thereof. We render our opinion under existing statutes and court decisions as of the issue date, and we assume no obligation to update, revise or supplement this opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances, or any change in law or in interpretations thereof, or otherwise, that may hereafter arise or occur, or for any other reason. Furthermore, we express no opinion herein as the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Notes, or under state and local tax law.

Very truly yours,

## APPENDIX D

### FORM OF DISCLOSURE CERTIFICATE

This Disclosure Certificate (the “Certificate”) is dated and made as of July 1, 2014 by the Orange County Fire Authority (the “Authority”) in connection with the issuance of the Authority’s \$\_\_\_\_\_ principal amount of Orange County Fire Authority 2014-2015 Tax and Revenue Anticipation Notes (the “Notes”). Capitalized terms used in this Certificate which are not otherwise defined in the Resolution approving the issuance of the Notes adopted by the Authority (the “Resolution”) shall have the respective meanings specified above or in Article IV hereof. Pursuant to Section 203 of the Resolution, the Authority agrees as follows:

#### ARTICLE I THE CERTIFICATE

Section 1.1. Purpose. This Certificate shall constitute a written undertaking for the benefit of the holders of the Notes, and is being executed and delivered to assist the Underwriter in complying with subsection (b)(5) of the Rule.

Section 1.2. Listed Event Notices. (a) If a Listed Event occurs, the Authority shall provide or cause to be provided, in a timely manner not in excess of ten (10) Business Days after the occurrence of such Listed Event, notice of such Listed Event to the MSRB.

Section 1.3. Additional Disclosure Obligations. The Authority acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933, as amended, and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, as amended, may apply to the Authority, and that under some circumstances compliance with this Certificate, without additional disclosures or other action as may be additionally required under such other state or federal securities laws, may not fully discharge all duties and obligations of the Authority under such laws.

Section 1.4. Additional Information. Nothing in this Certificate shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Listed Event Notice, in addition to that which is required by this Certificate. If the Authority chooses to include any information in any Listed Event Notice in addition to that which is specifically required by this Certificate, the Authority shall have no obligation under this Certificate to update such information or include it in any future Listed Event Notice.

Section 1.5. No Previous Non-Compliance. The Authority represents that in the previous five years it has not failed to comply in all material respects with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.

#### ARTICLE II OPERATING RULES

Section 2.1. Listed Event Notices. Each Listed Event Notice shall be so captioned and shall prominently state the title, date and CUSIP numbers of the Notes.

Section 2.2. Transmission of Information and Notices. Unless otherwise required by law and, in the Authority’s sole determination, subject to technical and economic feasibility, the Authority shall employ such methods of information and notice transmission as shall be requested or recommended by the herein-designated recipients of the Authority’s information and notices.

Section 2.3. Filing with Certain Dissemination Agents. The Authority may from time to time designate an agent to act on its behalf in providing or filing notices, documents and information as required of the Authority under this Certificate, and revoke or modify any such designation.

Section 2.4. Transmission of Information. (a) Unless otherwise required by the MSRB or the SEC, all notices, documents and information provided to the MSRB shall be provided to the MSRB's EMMA system, the current internet address of which is emma.msrb.org.

(b) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

### **ARTICLE III TERMINATION, AMENDMENT AND ENFORCEMENT**

Section 3.1. Effective Date; Termination (a) This Certificate and the provisions hereof shall be effective upon the execution and delivery of the Notes.

(b) The Authority's obligations under this Certificate shall terminate upon payment in full of all of the Notes. The Authority shall have no obligation to file a Listed Event Notice upon payment in full of all of the Notes.

(c) This Certificate, or any provision hereof, shall be null and void in the event that the Authority (1) receives an opinion of Hawkins Delafield & Wood LLP or other nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Authority, to the effect that those portions of the Rule which require this Certificate, or any of the provisions hereof, do not or no longer apply to the Notes, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to the MSRB through its EMMA system within ten (10) Business Days from the execution thereof.

Section 3.2. Amendment. (a) This Certificate may be amended by the Authority without the consent of the holders of the Notes (except to the extent required under clause 3.2(a)(4)(ii) below), if all of the following conditions are satisfied:

(1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Authority or the type of business conducted thereby;

(2) this Certificate as so amended would have complied with the requirements of the Rule as of the date of this Certificate, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(3) the Authority shall have received an opinion of Hawkins Delafield & Wood LLP or other nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Authority, to the same effect as set forth in clause 3.2(a)(2) above;

(4) either (i) the Authority shall have received an opinion of Hawkins Delafield & Wood LLP or other nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Authority, to the effect that the amendment does not materially impair the interests of the holders of the Notes or (ii) the holders of the Notes consent to the amendment to this Certificate pursuant to the same procedures as are required for amendments to

the Resolution with consent of holders of the Notes pursuant to the terms of the Resolution as in effect on the date of this Certificate; and

(5) the Authority shall have delivered copies of such opinion and amendment to the MSRB through its EMMA system within ten (10) Business Days from the execution thereof.

(b) In addition to subsection 3.2(a) above, this Certificate may be amended and any provision of this Certificate may be waived, by written certificate of the Authority, without the consent of the holders of the Notes, if all of the following conditions are satisfied:

(1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Certificate which is applicable to this Certificate;

(2) the Authority shall have received an opinion of Hawkins Delafield & Wood LLP or other nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Authority, to the effect that performance by the Authority under this Certificate as so amended or giving effect to such waiver, as the case may be, will not result in a violation of the Rule; and

(3) the Authority shall have delivered copies of such opinion and amendment to the MSRB through its EMMA system.

Section 3.3. Benefit; Third-Party Beneficiaries; Enforcement. (a) The provisions of this Certificate shall constitute a contract with and inure solely to the benefit of the holders of the Notes, except that beneficial owners of Notes shall be third-party beneficiaries of this Certificate.

(b) Except as expressly provided in this subsection (b), the provisions of this Certificate shall create no rights in any person or entity. The obligations of the Authority to comply with the provisions of this Certificate shall be enforceable, in the case of enforcement of obligations to provide notices, by any holder of Notes. Such holders' rights to enforce the provisions of this Certificate shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the Authority's obligations under this Certificate. In consideration of the third-party beneficiary status of beneficial owners of Notes pursuant to subsection (a) of this Section, beneficial owners shall be deemed to be holders of Notes for purposes of this subsection (b).

(c) Any failure by the Authority to perform in accordance with this Certificate shall not constitute a default under the Notes.

(d) This Certificate shall be construed and interpreted in accordance with the laws of the State; provided, however, that to the extent this Certificate addresses matters of federal securities laws, including the Rule, this Certificate shall be construed in accordance with such federal securities laws and official interpretations thereof. If any party initiates any legal or equitable action to enforce the terms of this Certificate, to declare the rights of any party under this Certificate or which relates to this Certificate in any manner, each such party agrees that the place of making and for performance of this Certificate shall be Irvine, California, State of California, and the proper venue for any such action is the Superior Court of the State of California, in and for the Orange County Fire Authority.

## **ARTICLE IV DEFINITIONS**

Section 4.1. Definitions. The following terms used in this Certificate shall have the following respective meanings:

(a) “Business Day” means any day other than (a) a Saturday or Sunday, or (b) a day on which the Authority is required by law to close.

(b) “EMMA” means the MSRB’s Electronic Municipal Market Access system or any other repository so designated by the MSRB or the SEC.

(c) “Listed Event” means any of the following events with respect to the Notes:

- i. principal and interest payment delinquencies;
- ii. non-payment related defaults, if material;
- iii. modifications to rights of holders, if material;
- iv. Bond calls, if material and tender offers;
- v. defeasances;
- vi. rating changes;
- vii. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (Internal Revenue Service Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes;
- viii. unscheduled draws on the debt service reserves reflecting financial difficulties;
- ix. unscheduled draws on the credit enhancements reflecting financial difficulties;
- x. release, substitution or sale of property securing repayment of the Notes, if material;
- xi. bankruptcy, insolvency, receivership or similar event of the Authority (such event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Authority in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Authority, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority);
- xii. substitution of credit or liquidity providers, or their failure to perform;

xiii. the consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

xiv. appointment of a successor or additional trustee or the change of name of a trustee, if material.

(d) "Listed Event Notice" means written or electronic notice of a Listed Event.

(e) "MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended.

(f) "Official Statement" means the "final official statement," as defined in paragraph (f)(3) of the Rule, relating to the Notes.

(g) "Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as in effect on the date of this Certificate, including any official interpretations thereof.

(h) "SEC" means the Securities and Exchange Commission of the United States of America.

(i) "State" means the State of California.

IN WITNESS WHEREOF, the undersigned has duly authorized, executed and delivered this Certificate as of the date first written above.

ORANGE COUNTY FIRE AUTHORITY

By: \_\_\_\_\_  
Treasurer

**APPENDIX E**  
**OFFICIAL NOTICE OF SALE**

**APPENDIX A**

**FINANCIAL, ECONOMIC AND DEMOGRAPHIC INFORMATION  
REGARDING THE ORANGE COUNTY FIRE AUTHORITY**

[THIS PAGE INTENTIONALLY LEFT BLANK]

## TABLE OF CONTENTS

|                                                                         | <u>Page</u> |
|-------------------------------------------------------------------------|-------------|
| GENERAL INFORMATION.....                                                | 1           |
| History and Overview .....                                              | 1           |
| Governance and Senior Management .....                                  | 1           |
| FINANCIAL AND ECONOMIC INFORMATION .....                                | 2           |
| Budgetary Process.....                                                  | 2           |
| Financial Policies and Practices.....                                   | 3           |
| Financial Statements .....                                              | 8           |
| Major Revenues .....                                                    | 10          |
| Intergovernmental Revenues .....                                        | 14          |
| Expenditures .....                                                      | 14          |
| Capital Projects.....                                                   | 14          |
| <i>Ad Valorem</i> Property Taxes.....                                   | 15          |
| Teeter Plan .....                                                       | 17          |
| Employees and Labor Relations .....                                     | 19          |
| Defined Benefit Retirement Program .....                                | 20          |
| Insurance.....                                                          | 37          |
| Indebtedness.....                                                       | 38          |
| Direct and Overlapping Debt.....                                        | 39          |
| General Fund Financial Statements .....                                 | 41          |
| OCFA Portfolio.....                                                     | 41          |
| STATE OF CALIFORNIA BUDGET AND SUPPLEMENTAL FINANCIAL INFORMATION ..... | 43          |
| State Budget for Fiscal Year 2013-14.....                               | 43          |
| State Budget for Fiscal Year 2014-15.....                               | 44          |
| Additional Information; Future State Budgets.....                       | 45          |
| DEMOGRAPHIC INFORMATION .....                                           | 46          |
| Major Industries .....                                                  | 47          |
| Major Employers .....                                                   | 48          |
| Labor Force.....                                                        | 49          |
| Personal Income.....                                                    | 50          |
| Commercial Activity.....                                                | 50          |
| Construction Activity.....                                              | 51          |

[THIS PAGE INTENTIONALLY LEFT BLANK]

## GENERAL INFORMATION

### History and Overview

Prior to 1980, fire protection services in the unincorporated portions of the County of Orange (the “County”) and in certain cities within the County were provided by the California Department of Forestry (“CAL FIRE”). In 1980, the County formed the Orange County Fire Department which assumed responsibility for providing fire and emergency response protection within the County. The Orange County Fire Authority (the “Authority”) was formed on March 1, 1995 to provide fire protection and related services to the member jurisdictions including the unincorporated area within the County. The Authority also provides mutual aid to areas outside of the County for large or unusual emergencies pursuant to the Master Mutual Aid Agreement by and among all fire agencies in the State of California (the “State”). The Authority serves as the mutual aid area coordinator for the County.

The Authority is a political subdivision of the State and exists separate and apart from the County and the Cities. The Authority operates pursuant to the Amended Orange County Fire Authority Joint Powers Agreement dated September 23, 1999, by and among the jurisdictions within the County named therein and the County, as amended by the First Amendment to Amended Joint Powers Authority Agreement effective July 1, 2010 and the Second Amendment to Amended Joint Powers Authority Agreement which was approved by the Board of Directors of the Authority (the “Board of Directors”) on September 26, 2013 (collectively, the “Joint Powers Agreement”) each by and among the jurisdictions within the County named therein and the County. The Second Amendment to the Amended Joint Powers Authority Agreement is presently the subject of a validation action. See “Financial and Economic Information – Major Revenues - Structural Fire Fund Revenues” herein. The members of the Authority are the Cities of Aliso Viejo, Buena Park, Cypress, Dana Point, Irvine, Laguna Hills, Laguna Niguel, Laguna Woods, Lake Forest, La Palma, 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 and the County. The member jurisdictions are characterized as either Structural Fire Fund Jurisdictions or Cash Contract Members. Structural Fire Fund Jurisdictions allocate a portion of their *ad valorem* property taxes to the Authority and Cash Contract Members pay fees to the Authority. See “Financial and Economic Information – Major Revenues - Structural Fire Fund Revenues” and “ – Cash Contract Members” herein.

The Authority operates a full service emergency response agency. The Authority’s chief officers manage the Authority’s role as Area Coordinator in both the Statewide mutual aid plan and the federally supported Urban Search and Rescue California Task Force 5. The Authority operates nine battalions within seven divisions and manages 71 fire stations, including a fire station at the John Wayne Airport in the City of Santa Ana. The Authority expects to open an additional fire station in the Ortega Valley portion of the unincorporated County area in January 2015. See “Financial and Economic Information – Capital Projects” herein. Aircraft rescue fire-fighting services are provided under contract with John Wayne Airport. The Authority also provides a full range of fire and accident prevention programs including both regulation enforcement and education. The Authority serves a population of approximately 1.7 million residents within a land area of approximately 571 square miles including more than 172 acres of federal and State responsibility areas. In Fiscal Year 2012-13, the Authority’s personnel responded to 111,889 incidents.

### Governance and Senior Management

The Authority is governed by a 25 member Board of Directors. The Board of Directors is comprised of one voting member from each member City and two voting members from the County. Each Director is a current, elected member of the governing board of his or her representative City or the County. The Board of Directors appoints the fire chief (the “Fire Chief”), establishes policies for the Authority and adopts the annual budget. The Fire Chief is the Authority’s chief executive officer and is responsible for implementing policies of the Board of Directors, managing the Authority’s fire protection and life safety services and

overseeing administration of the Authority. In addition to the Fire Chief, one Deputy Fire Chief, four Assistant Fire Chiefs, and one Deputy Fire Marshal oversee and manage operations for the Authority.

## FINANCIAL AND ECONOMIC INFORMATION

### Budgetary Process

**General.** The Joint Powers Agreement requires that the Board of Directors adopt a budget for its General Fund (the “General Fund”) at or prior to the last meeting of the Board of Directors for each fiscal year for the ensuing fiscal year. In May of each of year, a budget workshop is scheduled for the entire Board of Directors to review and discuss the Proposed Budget. The budget sets forth final expenditures, revenues, and fund balances available so that appropriations during that fiscal year will not exceed revenues and other funds. The Board of Directors may only adopt the recommended budget for a fiscal year with the approval of at least a majority of the members of the Board of Directors in attendance. The Board of Directors approved the Authority’s budget for Fiscal Year 2014-15 on May 22, 2014 (the “Fiscal Year 2014-15 Adopted Budget”).

The Budget and Finance Committee advises staff and makes recommendations to the Board of Directors on matters related to financial and budget policies, development of budget for the General Fund and capital expenditures, assignment or commitment of fund balances, budget balancing measures, evaluation and development of plans to meet long-term financing needs, investment oversight and purchasing policies. Proposed budgets are reviewed by executive management (“Executive Management”) the Capital Improvement Program ad hoc Committee composed of four members of the Board of Directors, the City Manager Advisor Committee, the Budget and Finance Committee, and the Board of Directors.

Revenues for the General Fund are derived from such sources as *ad valorem* property taxes, cash contract charges, fire prevention fees, contracts with CAL FIRE, federal disaster relief reimbursements, ambulance reimbursements and other sources. Structural Fire Fund Revenues (defined herein) and Cash Contract Payments (defined herein) constitute the two principal components of General Fund revenues. See “Financial and Economic Information – Major Revenues – Structural Fire Fund Revenues” and “ – Cash Contract Payments” herein. General Fund expenditures and encumbrances are classified by the functions of salaries and employee benefits, services and supplies, capital outlay, debt service, and appropriations for contingencies. Increases in the aggregate appropriations based on actual or anticipated increases in available financing can be made after the annual budget has been adopted upon approval by the Board of Directors.

The Authority receives a portion of its revenues from the State through payments made or appropriated by the State to the Authority for various programs and services. See “State of California Budget and Supplemental Financial Information” herein for a description of the proposed State budget for Fiscal Year 2014-15, the May revision to the proposed State budget for Fiscal Year 2014-15 and the 2013-14 State Budget Act (defined herein). No assessment can be made by the Authority as to the significance of budgetary problems that may affect the State in Fiscal Year Fiscal Year 2014-15, including any measures that may be taken by the State to balance its budget. There can be no assurances that the 2014-15 State Budget Act or any future budget or budget amendment will not place additional burdens on local governments, including the Authority, or will not significantly reduce revenues to such local governments, and the Authority cannot predict the ultimate impact of the 2014-15 State Budget Act or any future budget or budget amendment, if any, on the Authority’s financial situation.

To ensure that expenditures do not exceed authorized levels or available financing sources, periodic reviews are conducted covering actual and projected receipts and expenditures. In the event of any shortfall in projected revenue, immediate steps are taken to mitigate the shortfall through the identification of alternative funding sources or reducing appropriations. Similarly, if expenditures are projected to exceed appropriations, steps are taken to reduce expenditures in other accounts within the affected department or to

transfer available resources to offset the added expenditure requirement. Further, all expenditures which have been authorized by the Board of Directors within the Authority's budget may be made without the need for further approvals. However, expenditures in excess of those budgeted may not be made without the approval of a majority of the Board of the Directors.

## **Financial Policies and Practices**

***Fiscal Health Plan and Financial Stability Budget Policy.*** In May 2002, the Board of Directors approved the Fiscal Health Contingency Plan and the Financial Stability Budget Policy. In November 2013, the Board of Directors adopted several amendments to the Fiscal Health Contingency Plan (as amended, the "Fiscal Health Plan") and the Financial Stability Budget Policy (the "Budget Policy").

The Fiscal Health Plan establishes the fiscal policies and the comprehensive system for monitoring the Authority's fiscal performance and directs the Authority to take certain actions upon the occurrence of adverse fiscal circumstances. Pursuant to the Fiscal Health Plan and the Budget Policy, the Authority must maintain an operating fund contingency in an amount at least equal to 10% of operating expenditures (the "Contingency Reserve Set Aside Requirement"). The Authority has satisfied the Contingency Reserve Set Aside Requirement each year since 2002 when the Fiscal Health Plan was adopted, including Fiscal Years 2013-14 and 2014-15.

In addition, the Fiscal Health Plan establishes several fiscal policies for the Authority including, among others, maintaining a balanced budget, funding ongoing operating expenditures with ongoing revenues, investing conservatively with monthly oversight by the Budget and Finance Committee, limiting the use of debt financing, implementing user fee cost recovery and performing fee studies every two years, and pursuing productivity improvements. The Authority must timely report fiscal conditions and apply short-term and long-term strategies to address fiscal concerns as appropriate. Short-term strategies may include suspending hiring of new personnel instead of filling vacant positions, deferring capital improvement projects, and using the contingency fund balance only when necessary with approval by the Board of Directors. Long-term strategies may include, among others, proposing benefit assessments or other voter-approved measures to increase revenues, reducing expenditures and related service levels, identifying and prioritizing capital improvement projects, and seeking legislative solutions. The Fiscal Health Plan also directs the Fire Chief with advice from Executive Management, the City Manager Technical Advisory Committee and the Budget and Finance Committee to prepare a Fiscal Health Action Plan for consideration by the Board of Directors.

The Authority developed the Budget Policy in order to maintain long-term financial stability, establish contingency fund levels and fund balance targets for the General Fund and Capital Improvement Fund (the "Capital Improvement Fund") on an annual basis. In addition, the Budget Policy is used to establish Capital Improvement Fund balances to ensure that such amounts are in accord with the needs and timing of capital projects identified in the five-year capital improvement plan.

Pursuant to the Budget Policy, the Authority updates the Five-Year Forecast on an annual basis in conjunction with its annual budget. See "Budgetary Process – Five Year Forecast" herein. The Budget Policy directs the Authority to adopt a balanced General Fund operating budget each year and to strive to achieve a balanced operating budget for all years included in the Five-Year Forecast. In addition, the Budget Policy directs the Authority to analyze the feasibility of paying its annual retirement contributions to the Orange County Employees Retirement System (the "System") early each year in order to pay a discounted amount. See "Financial and Economic Information - Defined Benefit Retirement Program - The System's Historical Funding Progress" herein.

Pursuant to the Budget Policy, the Authority is to transfer all available funds in excess of the Contingency Reserve Set-Aside Requirement to the Capital Improvement Funds. The Capital Improvements

Funds comprise funds for facilities maintenance and improvements, capital projects, communications and information system replacement and vehicle replacement. The Authority requires that each of these Capital Improvement Funds maintain a reserve which it regularly monitors. Funds are allocated to the Capital Improvement Funds to finance capital projects and to fund the respective reserves. The projects are identified in the five-year Capital Improvement Plan. The Authority's goal is to achieve a fully funded five-year capital improvement program.

**Five-Year Forecast.** The Authority prepares a five-year forecast (the "Five-Year Forecast") as a long-range planning tool that is updated annually, in conjunction with the mid-year budget review and the subsequent fiscal year's proposed budget. The Five-Year Forecast projects revenues and expenditures for the current year and following four years. The Five-Year Forecast is based on, among other things, the one-year operating budget, the five-year capital improvement plan and assumptions regarding future revenue and expenditure growth. The Five-Year Forecast combines all of the Authority's budgetary funds into one financial summary and includes projected new fire station requirements and the impact on the operating budget of related staffing needs. The Five-Year Forecast may include multiple scenarios to provide the Authority with budgetary flexibility. The Authority updates the Five-Year Forecast whenever a significant financial event occurs or is anticipated to occur during the fiscal year.

**Trigger Formula.** In 2010, the Authority and each of the labor groups which represent employees of the Authority amended their respective memoranda of understanding (each, an "MOU") to change the method by which base salary increases are authorized (the "Trigger Formula") and to change the amount of employee contributions required to be paid for retirement costs. Pursuant to the Trigger Formula, the timing and amounts for future pay increases are subject to the financial position of the Authority. The Trigger Formula determines the amount available for increases to base salaries after funding all General Fund expenditures, the incremental increase to the contingency fund balance and the designation of 5% of General Fund expenditures for transfer to the Authority's Capital Improvement Funds.

The Trigger Formula is employed during the Authority's mid-year budget review of each fiscal year to determine whether any salary increases may be made in the following fiscal year. The Authority may not increase employees' salaries unless the updated General Fund surplus is greater than 5% of General Fund expenditures. The Authority may use any surplus identified in the updated General Fund budget in excess of 5% of General Fund expenditures to increase salaries of employees of the Authority who are members of the bargaining units and employees who are not represented by the bargaining units but have agreed to similar terms with respect to base salary increases. There have been no base salary increases since the Trigger Formula has been in effect.

**Fiscal Year General Fund 2013-14 Budget.** The Fiscal Year 2013-14 General Fund Adopted Budget projects Fiscal Year 2013-14 total available resources of approximately \$357.2 million, inclusive of a beginning balance of \$52.5 million, total expenditures and other uses of \$305.5 million and a year-end ending balance of \$43.4 million. The Fiscal Year 2013-14 Adopted Budget did not include any salary or cost of living adjustments for employees based on the Trigger Formula calculation.

In order to reduce the unfunded actuarial accrued liability (the "UAAL") with respect to the Authority's portion of the System, the Fiscal Year 2013-14 Adopted Budget maintains the employer rate for Safety members from Fiscal Year 2012-13 rather than the scheduled decrease of 2.3%. See "Financial and Economic Information – Defined Benefit Retirement Program - The System's Historical Funding Progress" herein. In addition, the Fiscal Year 2013-14 Adopted Budget continues a hiring freeze for positions that do not provide front line service to the public. See "Financial and Economic Information – Employees and Labor Relations" herein. In connection with the Fiscal Year 2013-14 Adopted Budget, the Authority's Executive Management and Capital Improvement program Ad Hoc Committee reviewed the five-year capital improvement plan in order to prioritize and review the necessity of proposed projects. See "Financial and Economic Information – Capital Improvement Program" herein.

***Fiscal Year 2013-14 Mid-Year Budget Update.*** The Board of Directors received an update on the Fiscal Year 2013-14 Adopted Budget on January 23, 2014 (the “2013-14 Mid-Year Budget Update”). The Board of Directors approved technical adjustments to the Fiscal Year 2013-14 Adopted Budget in March 2014. The 2013-14 Mid-Year Budget Update stated that projected General Fund revenues for Fiscal Year 2013-14 were approximately \$8.0 million greater than the budgeted amount. The Board of Directors reviewed service demands and directed Authority staff to evaluate staffing levels and frozen positions.

In general, the Second Amendment to the Amended Joint Powers Agreement requires the Authority to pay to qualifying Structural Fire Fund members equity payments when the amount of revenues provided by a Structural Fire Fund Jurisdiction exceeds the costs of service provided to such members. The 2013-14 Mid-Year Budget Update projects that expenditures will increase by approximately \$5.976 million due to, among other things, the Jurisdictional Equity Adjustment Payment (defined herein) to the City of Irvine.

The Fiscal Year 2013-14 Adopted Budget included an initial payment of \$2.5 million to the System (defined herein) to accelerate the reduction of the Authority’s pension UAAL. In connection with the 2013-14 Mid-Year Budget Review, the Board approved the allocation of \$3.0 million to the System to further reduce the Authority’s pension UAAL.

In addition, in connection with the 2013-14 Mid-Year Budget Update the Board of Directors reviewed the Trigger Formula to determine whether employee base salary adjustments are required in Fiscal Year 2014-15. The General Fund is expected to have a projected surplus of approximately \$5.9 million as of June 30, 2014, which is less than 5% of General Fund expenditures. See “ – Financial Policies and Practices - Trigger Formula” herein. Accordingly, no funds are available for base salary adjustments during Fiscal Year 2014-15 pursuant to the Trigger Formula.

***Fiscal Year 2014-15 Authority Budget.*** The Board of Directors of the Authority approved the Authority’s Fiscal Year 2014-15 General Fund Adopted Budget (the “Fiscal Year 2014-14 General Fund Adopted Budget”) on May 22, 2014. The Fiscal Year 2014-14 General Fund Adopted Budget projects Fiscal Year 2014-15 total available resources of approximately \$353.77 million, inclusive of a beginning balance of \$46.36 million, total expenditures and other uses of \$326.45 million and a year-end ending balance of \$27.33 million. The Fiscal Year 2014-15 General Fund Adopted Budget, among other things, continues the Authority’s policy to leave vacant positions unfilled and directs each department to maintain services and supplies at their respective Fiscal Year 2013-14 levels. The Fiscal Year 2014-15 General Fund Adopted Budget does not include salary adjustments or cost of living adjustments based on the Trigger Formula calculation. However, the Authority expects to apply the Trigger Formula during its Fiscal Year 2014-15 budget review to determine whether base salary adjustments or cost of living adjustments are authorized for Fiscal Year 2015-16.

The Fiscal Year 2014-15 General Fund Adopted Budget projects that General Fund revenues in Fiscal Year 2014-15 will be approximately \$2.7 million greater than the projected revenues for Fiscal Year 2013-14, which is an increase of 0.89%. The projected increase to General Fund revenues is attributable to, among other things, a \$6.1 million increase in property tax revenues and a \$3.8 million increase to cash contract charges. Projected decreases in revenues include, among other things, \$2.4 million from State reimbursements, \$3.2 million from federal reimbursements, \$600,000 from community redevelopment agency transfers, \$564,000 from community risk reduction fees and \$472,000 from miscellaneous revenues. The Authority projects a decrease in intergovernmental revenues of approximately \$6.2 million in Fiscal Year 2014-15 from Fiscal Year 2013-14, which amount includes the aforementioned projected reductions to local, State and federal reimbursements related to assistance for hire.

The Fiscal Year 2014-15 General Fund Adopted Budget projects that General Fund expenditures in Fiscal Year 2014-15 will be approximately \$17.4 million greater than the projected revenues for Fiscal Year 2013-14, an increase of 5.68%. The projected increase to General Fund expenditures is primarily attributable

to, among other things, additional personnel for a new fire station and a one-time \$17.6 million prepayment of the pension UAAL pursuant to the MOUs and is not attributable to salary increases. See “Financial and Economic Information – Defined Benefit Retirement Program - The System’s Historical Funding Progress” herein. The \$17.6 million prepayment of the pension UAAL and other budgeted expenditures are expected to reduce the Authority’s ending balance in Fiscal Year 2014-15 in comparison to Fiscal Year 2013-14. See “ – Fiscal Year 2013-14 Mid-Year Budget Update” herein. However, the Authority expects to satisfy the Contingency Reserve Set-Aside Requirement set forth in the Fiscal Health Plan and the Budget Policy. See “ – Fiscal Health Plan and Financial Stability Budget Policy” herein.

In accordance with the Budget Policy, the Board of Directors approved the Five Year Forecast which reflected projections for Fiscal Year 2013-14, the proposed Fiscal Year 2014-15 General Adopted Budget and projections for Fiscal Year 2015-16 through 2018-19. See “ – Five Year Forecast” herein. The Five Year Forecast projects that General Fund revenues will increase each year during such period beginning with revenues of approximately \$305.6 million in Fiscal Year 2013-14 to approximately \$346.3 million in Fiscal Year 2018-19. The Authority also projects that General Fund expenditures will increase each year during such period beginning with expenditures of \$305.5 million in Fiscal Year 2013-14 to approximately \$343.0 million in Fiscal Year 2018-19. The Five Year Forecast projects that the General Fund will end Fiscal Years 2013-14, 2014-15 and 2015-16 with a surplus, but the General Fund will end Fiscal Year 2016-17, 2017-18 and 2018-19 will deficits of approximately \$1.9 million, \$4.0 million and \$1.3 million, respectively. In accordance with the Fiscal Health Plan and the Budget Policy, the Authority will continue to review budget proposals and revenues and expenditures to address these projected deficits.

The following Table 1 sets forth the Authority's adopted budgets for its General Fund for Fiscal Years 2010-11 through 2012-13, the budget projection for the General Fund for Fiscal Year 2013-14 and the draft proposed budget for its General Fund for Fiscal Year 2014-15 14.

**TABLE 1**  
**ORANGE COUNTY FIRE AUTHORITY**  
**GENERAL FUND ANNUAL BUDGETS<sup>(1)</sup>**  
**Fiscal Years Ended June 30, 2011 through 2014**

|                                                          | <b>Adopted<br/>2010-11<br/>Budget</b> | <b>Adopted<br/>2011-12<br/>Budget</b> | <b>Adopted<br/>2012-13<br/>Budget<sup>(1)</sup></b> | <b>Adopted<br/>2013-14<br/>Budget<br/>Projection<sup>(2)</sup></b> | <b>Draft<br/>Proposed<br/>2014-15<br/>Budget</b> |
|----------------------------------------------------------|---------------------------------------|---------------------------------------|-----------------------------------------------------|--------------------------------------------------------------------|--------------------------------------------------|
| <b>FUNDING SOURCES:</b>                                  |                                       |                                       |                                                     |                                                                    |                                                  |
| Property Taxes                                           | \$ 175,678,682                        | \$ 178,620,900                        | \$ 180,025,636                                      | \$ 189,412,501                                                     | \$ 195,471,965                                   |
| Intergovernmental                                        | 9,174,557                             | 8,555,396                             | 8,453,724                                           | 17,386,897                                                         | 11,137,559                                       |
| Charges for Current Services <sup>(3)</sup>              | 56,456,162                            | 59,160,564                            | 94,314,465                                          | 96,288,619                                                         | 99,551,060                                       |
| Use of Money & Property                                  | 736,028                               | 329,425                               | 217,023                                             | 128,487                                                            | 248,487                                          |
| Other                                                    | <u>467,000</u>                        | <u>1,519,243</u>                      | <u>2,569,243</u>                                    | <u>1,472,631</u>                                                   | <u>1,000,700</u>                                 |
| <b>TOTAL REVENUE AND OTHER<br/>FINANCING SOURCES</b>     | <b><u>\$ 242,512,429</u></b>          | <b><u>\$ 248,185,528</u></b>          | <b><u>\$ 285,580,091</u></b>                        | <b><u>\$ 304,689,135</u></b>                                       | <b><u>\$ 307,409,771</u></b>                     |
| <b>BEGINNING FUND BALANCE</b>                            | <b><u>\$ 34,543,735</u></b>           | <b><u>\$ 47,336,136</u></b>           | <b><u>\$ 44,316,887</u></b>                         | <b><u>\$ 52,525,839</u></b>                                        | <b><u>\$ 46,364,072</u></b>                      |
| <b>TOTAL AVAILABLE RESOURCES</b>                         | <b><u>\$ 277,056,167</u></b>          | <b><u>\$ 295,521,664</u></b>          | <b><u>\$ 329,896,978</u></b>                        | <b><u>\$ 357,214,974</u></b>                                       | <b><u>\$ 353,773,843</u></b>                     |
| <b>EXPENDITURES</b>                                      |                                       |                                       |                                                     |                                                                    |                                                  |
| Salaries and Employee Benefits <sup>(4)</sup>            | \$ 221,201,034                        | \$ 228,151,732                        | \$ 260,416,467                                      | \$ 273,482,282                                                     | \$ 297,386,445                                   |
| Services and Supplies                                    | 20,447,372                            | 19,555,593                            | 21,700,120                                          | 31,662,645                                                         | 25,339,677                                       |
| Capital Outlay                                           | --                                    | --                                    | --                                                  | 335,600                                                            | --                                               |
| Debt Service                                             | <u>--</u>                             | <u>--</u>                             | <u>--</u>                                           | <u>--</u>                                                          | <u>120,000</u>                                   |
| <b>TOTAL EXPENDITURE AND<br/>OTHER USES</b>              | <b><u>\$ 236,648,406</u></b>          | <b><u>\$ 247,707,325</u></b>          | <b><u>\$ 282,116,587</u></b>                        | <b><u>\$ 305,480,527</u></b>                                       | <b><u>\$ 322,846,122</u></b>                     |
| <b>APPROPRIATION FOR<br/>CONTINGENCIES<sup>(5)</sup></b> | <b>\$ 3,000,000</b>                   | <b>\$ 3,000,000</b>                   | <b>\$ 3,000,000</b>                                 | <b>\$ 3,000,000</b>                                                | <b>\$ 3,000,000</b>                              |
| <b>OPERATING TRANSFER OUT</b>                            | <b>\$ --</b>                          | <b>\$ --</b>                          | <b>\$ --</b>                                        | <b>\$ 5,370,375</b>                                                | <b>\$ 601,656</b>                                |
| <b>ENDING FUND BALANCE</b>                               | <b><u>\$ 37,407,761</u></b>           | <b><u>\$ 44,814,339</u></b>           | <b><u>\$ 44,780,391</u></b>                         | <b><u>\$ 43,364,072</u></b>                                        | <b><u>\$ 27,326,065</u></b>                      |
| <b>TOTAL FUND COMMITMENTS &amp;<br/>FUND BALANCE</b>     | <b><u>\$ 277,056,167</u></b>          | <b><u>\$ 295,521,664</u></b>          | <b><u>\$ 329,896,978</u></b>                        | <b><u>\$ 357,214,974</u></b>                                       | <b><u>\$ 353,773,843</u></b>                     |

Source: Orange County Fire Authority.

- (1) The City of Santa Ana joined the Authority as a Cash Contract Member in Fiscal Year 2012-13. Accordingly, the revenues and expenditures of the Authority increased in Fiscal Year 2012-13 and Fiscal Year 2013-14.
- (2) The 2014-15 Proposed Budget includes, among other things, mid-year adjustments to the Fiscal Year 2013-14 Adopted Budget that the Board of Directors approved on March 27, 2014.
- (3) Projected expenditures for salaries and benefits include a payment to reduce the Authority's UAAL in the amount of \$17,568,007 in accordance with the MOU with the Orange County Professional Firefighters Association.
- (4) Any proposed expenditure of the appropriation for contingencies requires approval by the Board of Directors prior to such expenditure.

## Financial Statements

The following Table 2 sets forth the Authority's Statement of General Fund Revenues, Expenditures and Changes in Fund Balances for Fiscal Years 2009-10 through 2012-13.

**TABLE 2**  
**ORANGE COUNTY FIRE AUTHORITY**  
**STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES<sup>(1)</sup>**  
**AND CHANGES IN FUND BALANCES**  
**Fiscal Years Ended June 30, 2010 through 2013**

|                                                               | <u>June 30, 2010</u>         | <u>June 30, 2011</u>         | <u>June 30, 2012</u>         | <u>June 30, 2013</u>               |
|---------------------------------------------------------------|------------------------------|------------------------------|------------------------------|------------------------------------|
| <b>REVENUES</b>                                               |                              |                              |                              |                                    |
| Taxes                                                         | \$ 179,001,919               | \$ 177,181,086               | \$ 177,728,290               | \$ 181,720,253                     |
| Intergovernmental                                             | 13,158,851                   | 10,756,345                   | 12,856,953                   | 28,004,583                         |
| Charges for Services <sup>(1)</sup>                           | 54,355,816                   | 55,651,846                   | 64,332,052                   | 94,292,648                         |
| Use of Money and Property                                     | 673,700                      | 426,990                      | 344,630                      | 25,305                             |
| Miscellaneous                                                 | <u>747,516</u>               | <u>893,511</u>               | <u>2,326,680</u>             | <u>4,785,472</u>                   |
| <b>TOTAL REVENUES</b>                                         | <b><u>\$ 247,937,802</u></b> | <b><u>\$ 244,909,778</u></b> | <b><u>\$ 257,588,605</u></b> | <b><u>\$ 308,828,261</u></b>       |
| <b>EXPENDITURES</b>                                           |                              |                              |                              |                                    |
| Current – Public Safety:                                      |                              |                              |                              |                                    |
| Salaries and Benefits <sup>(1)</sup>                          | \$ 206,817,839               | \$ 211,799,421               | \$ 228,452,010               | \$ 255,301,913                     |
| Services and Supplies <sup>(1)</sup>                          | 23,990,089                   | 24,387,661                   | 27,761,638                   | 29,849,819                         |
| Capital Outlay                                                | 444,809                      | 274,901                      | 418,655                      | 250,572                            |
| Debt Service:                                                 |                              |                              |                              |                                    |
| Principal Retirement                                          | --                           | --                           | --                           | --                                 |
| Interest and Fiscal Charges                                   | <u>335,863</u>               | <u>210,594</u>               | <u>136,019</u>               | <u>115,937</u>                     |
| <b>TOTAL EXPENDITURES</b>                                     | <b><u>\$ 231,588,600</u></b> | <b><u>\$ 236,672,577</u></b> | <b><u>\$ 256,768,322</u></b> | <b><u>\$ 285,518,241</u></b>       |
| <b>EXCESS (DEFICIT) OF REVENUES OVER/(UNDER) EXPENDITURES</b> | <b>\$ 16,349,202</b>         | <b>\$ 8,237,201</b>          | <b>\$ 820,283</b>            | <b>\$ 23,310,020</b>               |
| <b>OTHER FINANCING SOURCES (USES)</b>                         |                              |                              |                              |                                    |
| Transfers In                                                  | \$ --                        | \$ (4,137,811)               | \$ --                        | \$ --                              |
| Transfers Out                                                 | (10,228,399)                 | 434,914                      | --                           | (381,222)                          |
| Issuance of Capital Lease                                     | --                           | --                           | --                           | --                                 |
| Refinanced Debt                                               | --                           | --                           | --                           | --                                 |
| Sale of Capital and Other Assets                              | 162,533                      | --                           | 146,317                      | 58,051                             |
| Insurance Recoveries                                          | <u>71,445</u>                | <u>8,405</u>                 | <u>89,095</u>                | <u>53,539</u>                      |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>                   | <b><u>\$ (9,994,421)</u></b> | <b><u>\$ (3,694,492)</u></b> | <b><u>\$ 235,412</u></b>     | <b><u>\$ (269,642)</u></b>         |
| <b>NET CHANGE IN FUND BALANCES</b>                            | <b><u>\$ 6,354,781</u></b>   | <b><u>\$ 4,542,709</u></b>   | <b><u>\$ 1,055,695</u></b>   | <b><u>\$ 23,040,378</u></b>        |
| <b>FUND BALANCE</b>                                           |                              |                              |                              |                                    |
| <b>BEGINNING OF YEAR</b>                                      | <b>\$ 69,343,698</b>         | <b>\$ 80,697,406</b>         | <b>\$ 85,240,115</b>         | <b>\$ 84,544,766<sup>(2)</sup></b> |
| <b>END OF YEAR</b>                                            | <b>\$ 75,698,479</b>         | <b>\$ 85,240,115</b>         | <b>\$ 86,295,810</b>         | <b>\$ 107,585,144</b>              |

<sup>(1)</sup> The City of Santa Ana joined the Authority as a Cash Contract Member in Fiscal Year 2012-13. Accordingly, the revenues and expenditures of the Authority increased in Fiscal Year 2012-13 and Fiscal Year 2013-14.

<sup>(2)</sup> The Authority restated its beginning net position of governmental activities by \$256,951, in order to eliminate deferred issuance costs from the Statement of Net Position, in conjunction with the implementation of GASB Statement No. 65. Additional information regarding this new accounting standard is included in Note 3 to the Authority's audited financial statements for Fiscal Year 2012-13.

Source: Orange County Fire Authority Comprehensive Annual Financial Reports for Fiscal Years ended June 30, 2010 through June 30, 2013.

The following Table 3 sets forth the Authority's General Fund Balance Sheets for Fiscal Years 2009-10 through 2012-13.

**TABLE 3**  
**ORANGE COUNTY FIRE AUTHORITY**  
**GENERAL FUND BALANCE SHEETS**  
**Fiscal Years Ended June 30, 2010 through 2013**

|                                            | <u>June 30, 2010</u>       | <u>June 30, 2011</u>        | <u>June 30, 2012</u>        | <u>June 30, 2013</u>        |
|--------------------------------------------|----------------------------|-----------------------------|-----------------------------|-----------------------------|
| <b>ASSETS</b>                              |                            |                             |                             |                             |
| Cash and Investments                       | \$72,298,512               | \$63,031,566                | \$ 68,277,255               | \$ 87,493,792               |
| Receivables:                               |                            |                             |                             |                             |
| Accounts, net                              | 2,152,024                  | 1,914,898                   | 1,803,896                   | 2,944,138                   |
| Accrued Interest                           | 158,912                    | 74,898                      | 76,707                      | 32,796                      |
| Prepaid Costs                              | 117,473                    | 23,186,680                  | 22,756,709                  | 26,727,849                  |
| Due from Other Governments                 | <u>10,356,147</u>          | <u>7,279,150</u>            | <u>8,529,530</u>            | <u>9,674,957</u>            |
| <b>TOTAL ASSETS</b>                        | <b><u>\$85,083,068</u></b> | <b><u>\$ 95,487,192</u></b> | <b><u>\$101,444,097</u></b> | <b><u>\$126,873,532</u></b> |
| <b>LIABILITIES</b>                         |                            |                             |                             |                             |
| Accounts Payable                           | \$ 2,193,288               | \$ 1,727,631                | \$ 2,590,413                | \$ 2,471,418                |
| Accrued Liabilities                        | 7,142,185                  | 8,507,382                   | 10,915,134                  | 12,853,555                  |
| Unearned Revenue                           | --                         | --                          | --                          | 2,905,626                   |
| Deferred Revenues                          | 42,341                     | 12,064                      | 1,642,740                   |                             |
| Due to Other Governments                   | <u>6,775</u>               | <u>--</u>                   | <u>--</u>                   | <u>23,368</u>               |
| <b>TOTAL LIABILITIES</b>                   | <b><u>\$ 9,384,589</u></b> | <b><u>\$10,247,077</u></b>  | <b><u>\$15,148,287</u></b>  | <b><u>\$18,253,967</u></b>  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>       |                            |                             |                             |                             |
| Unavailable Revenue <sup>(1)</sup>         | \$ --                      | \$ --                       | \$ --                       | \$ 1,034,421                |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b> | <b><u>\$ --</u></b>        | <b><u>\$ --</u></b>         | <b><u>\$ --</u></b>         | <b><u>\$ 1,034,421</u></b>  |
| <b>FUND BALANCES<sup>(2)</sup>:</b>        |                            |                             |                             |                             |
| Reserved:                                  |                            |                             |                             |                             |
| Reserved for Encumbrances                  | \$ 397,246                 | --                          | --                          | --                          |
| Reserved for Debt Service                  | --                         | --                          | --                          | --                          |
| Reserved for Prepaid Costs                 | 117,473                    | --                          | --                          | --                          |
| Unreserved                                 |                            |                             |                             |                             |
| Unreserved, reported in nonmajor:          |                            |                             |                             |                             |
| Special Revenue Funds                      | --                         | --                          | --                          | --                          |
| Debt Service Fund                          | --                         | --                          | --                          | --                          |
| Designated for Capital Improvement Program | --                         | --                          | --                          | --                          |
| Designated for Workers' Compensation       | 36,899,954                 | --                          | --                          | --                          |
| Designated for Operating Contingency       | 19,981,874                 | --                          | --                          | --                          |
| Designated for Future Cash Flow Needs      | 10,928,956                 | --                          | --                          | --                          |
| Designated for Training and Education      | 1,109,276                  | --                          | --                          | --                          |
| Undesignated                               | 6,263,700                  | --                          | --                          | --                          |
| Nonspendable – Prepaid Costs               |                            | \$ 23,186,680               | \$ 22,756,709               | \$ 26,727,849               |
| Restricted for:                            |                            |                             |                             |                             |
| Capital Improvement Program                | --                         | --                          | --                          | --                          |
| Executive Management                       | --                         | 79,125                      | 60,391                      | 7,865                       |
| Operations Department                      | --                         | 29,655                      | 113,056                     | 127,193                     |
| Fire Prevention Department                 | --                         | 3,200                       | 24,628                      | 2,618                       |
| Business Services Department               | --                         | --                          | 1,501,712                   | --                          |
| Committed to – SFF Cities Enhancements     | --                         | 797,935                     |                             | 1,268,160                   |

(continued)

Assigned To:

|                                    |    |                     |                      |                      |                      |
|------------------------------------|----|---------------------|----------------------|----------------------|----------------------|
| Capital Improvement Program        | -- | --                  | --                   | --                   |                      |
| Workers' Compensation              | -- | 35,134,351          | 34,146,268           | 53,230,384           |                      |
| Executive Management               | -- | 34,031              | 45,140               | 24,832               |                      |
| Operations Department              | -- | 83,553              | 134,227              | 62,583               |                      |
| Fire Prevention Department         | -- | 68,180              | 49,224               | 55,138               |                      |
| Business Services Department       | -- | 139,647             | 232,335              | 161,126              |                      |
| Support Services Department        | -- | 91,227              | 94,138               | 134,545              |                      |
| Facilities Projects                | -- | --                  | 14,065               | --                   |                      |
| Communications and IT Projects     | -- | --                  | --                   | --                   |                      |
| Fire Apparatus and Other Vehicles  | -- | --                  | --                   | --                   |                      |
| Fire Station Construction          | -- | --                  | --                   | --                   |                      |
| Unassigned                         | -- | <u>25,592,531</u>   | <u>25,751,128</u>    | <u>25,782,851</u>    |                      |
| <b>TOTAL FUND BALANCES</b>         |    | <u>\$75,698,479</u> | <u>\$ 85,240,115</u> | <u>\$86,295,810</u>  | <u>\$107,782,851</u> |
| <b>TOTAL LIABILITIES, DEFERRED</b> |    |                     |                      |                      |                      |
| <b>INFLOWS OF RESOURCES</b>        |    |                     |                      |                      |                      |
| <b>AND FUND BALANCES</b>           |    | <u>\$85,083,068</u> | <u>\$ 95,487,192</u> | <u>\$101,444,097</u> | <u>\$126,873,532</u> |

Source: Orange County Fire Authority Comprehensive Annual Financial Reports for Fiscal Years ended June 30, 2010 through June 30, 2013.

The Authority's fund balances for the Fiscal Years beginning 2010-11 follow Governmental Accounting Standards Board Statement No. 54 – "Fund Balance Reporting and Governmental Fund Type Definitions" ("GASB 54") which was developed in order for governments to classify amounts consistently regardless of the fund type or column in which they are presented. Pursuant to GASB 54, the fund balances will be designated as one of the following five categories: (i) nonspendable fund balance which includes amounts that are not in a spendable form or are required to be maintained intact, (ii) restricted fund balance which includes amounts constrained to specific purposes by their providers, through constitutional provisions, or by enabling legislation; (iii) committed fund balance which includes amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint; (iv) assigned fund balance which includes amounts a government intends to use for a specific purpose whereby the intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority; and (v) unassigned fund balance which includes amounts that are available for any purpose; these amounts are reported only in the general fund.

### Major Revenues

**General.** The Authority derives its revenues from a variety of sources including *ad valorem* property taxes, charges for services provided by the Authority, intergovernmental sources, licenses, use of Authority money and property, and other miscellaneous sources. Property tax revenue represents approximately 58.84% of revenue to the General Fund for Fiscal Year 2012-13. Such revenues are specifically allocated to fire suppression, protection, prevention, and related services. The following Table 4 sets forth the Authority's General Fund revenues for the Fiscal Year ended June 30, 2013.

**TABLE 4**  
**ORANGE COUNTY FIRE AUTHORITY**  
**ALLOCATION OF COUNTY GENERAL FUND REVENUES<sup>(1)</sup>**  
**Fiscal Year Ended June 30, 2013**

|                           |                |
|---------------------------|----------------|
| Taxes                     | 58.84%         |
| Intergovernmental         | 9.07           |
| Charges for Services      | 30.53          |
| Use of Money and Property | 0.01           |
| Miscellaneous             | <u>1.55</u>    |
| Total                     | <u>100.00%</u> |

Source: Orange County Fire Authority Comprehensive Annual Financial Reports for the Fiscal Year ended June 30, 2013.

**Structural Fire Fund Revenues.** The Authority receives Structural Fire Fund Revenues (the “Structural Fire Fund Revenues”) primarily from *ad valorem* property taxes levied on property located in the unincorporated area of the County and in the cities of Aliso Viejo, Cypress, Dana Point, Irvine, Laguna Hills, Laguna Niguel, Laguna Woods, Lake Forest, La Palma, Los Alamitos, Mission Viejo, Rancho Santa Margarita, San Juan Capistrano, Tustin, Villa Park, and Yorba Linda (collectively, the “Structural Fire Fund Jurisdictions”). Pursuant to the Joint Powers Agreement, the County is required to pay all of the Structural Fire Fund Revenues that it receives to the Authority in accordance with the County’s normal tax apportionment procedures pursuant to the California Revenue & Taxation Code and the County’s tax apportionment schedule.

The Structural Fire Fund Revenues represent a portion of the basic 1% *ad valorem* property levied on property located in the unincorporated area of the County and the Structural Fire Fund Jurisdictions. The amount of Structural Fire Fund Revenues available to the Authority in the future will depend upon a number of factors, including the manner in which *ad valorem* taxes are distributed to the various jurisdictions on whose behalf they are levied and the rates of taxes and the assessed valuation of the property within the unincorporated territory of the County and the Structural Fire Fund Jurisdictions. See “*Ad valorem* Property Taxes” herein.

The following Table 5 sets forth the amount of the Structural Fire Fund Revenues for each of the Structural Fire Fund Jurisdictions for Fiscal Year 2013-14. The aggregate amount of the Structural Fire Fund Revenues for Fiscal Year 2013-14 was \$186,395,536.

**TABLE 5**  
**ORANGE COUNTY FIRE AUTHORITY**  
**STRUCTURAL FIRE FUND REVENUES<sup>(1)</sup>**  
**Fiscal Year Ended June 30, 2014**

| <u>Structural Fire Fund Jurisdiction</u> | <u>Structural Fire Fund Revenue</u> |
|------------------------------------------|-------------------------------------|
| Aliso Viejo                              | \$ 9,078,539                        |
| Cypress                                  | 4,302,153                           |
| Dana Point                               | 10,324,890                          |
| Irvine                                   | 62,818,290                          |
| La Palma                                 | 1,365,622                           |
| Laguna Hills                             | 5,819,188                           |
| Laguna Niguel                            | 12,988,031                          |
| Laguna Woods                             | 2,614,707                           |
| Lake Forest                              | 11,764,437                          |
| Los Alamitos                             | 1,619,355                           |
| Mission Viejo                            | 14,051,316                          |
| Rancho Santa Margarita                   | 8,305,384                           |
| San Juan Capistrano                      | 6,089,775                           |
| Villa Park                               | 1,493,780                           |
| Yorba Linda                              | 9,091,605                           |
| County Unincorporated                    | <u>24,668,464</u>                   |
| Total Structural Fire Fund Revenue       | <u>\$186,395,536</u>                |

<sup>(1)</sup> Revenues based on information from the Auditor’s AT68AD-73 Report.

Source: Orange County Fire Authority.

Certain Structural Fire Fund Jurisdictions claimed that the revenue which the Authority received from Structural Fire Fund Jurisdictions did not bear a reasonable relationship to the cost of service provided to that member. These Structural Fire Fund Jurisdictions requested adjustments to their Structural Fire Fund Revenues to address the claimed disparity. Pursuant to the Second Amendment to the Amended Joint Powers Agreement, Structural Fire Fund Jurisdictions that contribute more than the average share of the 1% *ad valorem* property tax to the Authority will be eligible for Jurisdictional Equity Adjustment Payments. The City of Irvine is scheduled to receive its full Jurisdictional Equity Adjustment Payments beginning in Fiscal Year 2013-14, subject to the Authority’s General Fund budget. Other Structural Fire Fund Jurisdictions will receive an escalating portion of their respective Jurisdictional Equity Adjustment Payment in Fiscal Years 2013-14 through Fiscal Year 2016-17 and receive the full Jurisdictional Equity Adjustment Payment beginning in Fiscal Year 2017-18, subject to the Authority’s General Fund budget. The Authority expects to make Jurisdictional Equity Adjustment Payments with unrestricted revenues. Pursuant to the Second Amendment to the Amendment Joint Powers Agreement, the Authority may not require Structural Fire Fund Jurisdictions and Cash Contract Members who are not eligible for Jurisdictional Equity Adjustment Payments to pay additional contributions to the Authority. See “Financial and Economic Information – Budgetary Process – Fiscal Year 2013-14 Mid-Year Budget Update” herein.

The Authority and the City of Irvine are seeking a judicial determination that the Second Amendment to the Joint Powers Agreement is valid and enforceable (the “Validation Action”). In February 2014, the County filed an answer opposing the Validation Action and challenging the validity of the Second Amendment to the Joint Powers Agreement and the Jurisdictional Equity Adjustment Payments. The Authority cannot predict the outcome of the validation proceedings nor has it determined what action it will take if the Second Amendment to the Joint Powers Agreement and the Jurisdictional Equity Adjustment Payments to be made in accordance therewith are not validated. The Authority heretofore funded 50% of the City of Irvine’s Jurisdictional Equity Adjustment Payment for Fiscal Year 2013-14 as shown in the forepart

of this Official Statement, but the Authority has reserved the remaining 50% of the Jurisdictional Equity Adjustment Payment pending the outcome of litigation.

**Cash Contract Payments.** The Cities of Buena Park, Placentia, San Clemente, Santa Ana, Seal Beach, Stanton, Tustin and Westminster and the John Wayne Airport (collectively, the “Cash Contract Members”) have each entered into a contract with the Authority pursuant to which each of them is obligated to make payments to the Authority. The City of Santa Ana makes monthly payments to the Authority. The other Cash Contract Members make quarterly payments to the Authority. The amounts so payable are determined by the Authority each year as part of its annual budget process. Revenues from cash contracts are currently increasing due to cost increases. Pursuant to the Second Amendment to the Amended Joint Powers Authority Agreement, no annual cost adjustment may exceed 4.5% in a given fiscal year. Revenues from Cash Contract Payments increased by approximately [3.8%] in Fiscal Year 2013-14. The Authority expects revenues from Cash Contract Payments to increase by approximately 3.39% in Fiscal Year 2014-15.

The following Table 6 sets forth the amount of the Cash Contract Payment for each of the Cash Contract Members and for John Wayne Airport (which are paid by the County) for Fiscal Year 2012-13. The aggregate amount of the Cash Contract Payments for Fiscal Year 2012-13 was \$83.0 million, which amount was approximately 26.9% of total General Fund revenues.

**TABLE 6  
ORANGE COUNTY FIRE AUTHORITY  
CASH CONTRACT PAYMENTS<sup>(1)</sup>  
Fiscal Year Ended June 30, 2013**

| <u>Cash Contract Member</u> | <u>Cash Contract Payment</u> |
|-----------------------------|------------------------------|
| Buena Park                  | \$ 8,531,785                 |
| John Wayne Airport          | 4,579,662                    |
| Placentia                   | 4,976,100                    |
| San Clemente <sup>(1)</sup> | 7,241,336                    |
| Santa Ana <sup>(2)</sup>    | 35,186,723                   |
| Seal Beach                  | 4,108,179                    |
| Stanton                     | 3,431,389                    |
| Tustin                      | 5,901,371                    |
| Westminster                 | <u>9,045,937</u>             |
| Total                       | <u>\$ 83,002,482</u>         |

<sup>(1)</sup> In addition to the base charge, such amount includes a charge in the amount of \$497,500 to the City of San Clemente relating to emergency transportation technicians in the City of San Clemente. The additional amount charged to the City of San Clemente is subject to change based on activity.

<sup>(2)</sup> In addition to the base charge, such amount includes a charge in the amount of \$770,000 to the City of Santa Ana relating to workers’ compensation claims and vacation leave that originated in the City of Santa Ana that current employees of the Authority had with the City of Santa Ana prior to their transition to the Authority. The additional amount charged to the City of Santa Ana is subject to change based on activity.

Source: Orange County Fire Authority.

**Hazardous Material Inspection Program Revenues.** The Authority receives a small portion of its revenues from hazardous material inspections conducted by Authority personnel on businesses within the Authority’s service area. The Authority determined that certain businesses in the County received bills for hazardous material inspections that the Authority could not verify with existing documentation. Accordingly, the Authority provided refunds to such businesses in the amount of \$1.23 million during Fiscal Year 2013-14, which is approximately 70% of the estimated \$1.7 million of refunds due. Commencing July 1, 2013, the Orange County Environmental Health Agency began management of the hazardous materials disclosure, business emergency plan, and the State’s accidental release prevention programs which were

previously managed by the Authority. In addition, the Orange County Environmental Health Agency is responsible for billing qualifying businesses for the inspections. The Orange County District Attorney's office is conducting an investigation of the inspection practices by the Authority and other related matters. The Authority cannot predict the outcome of this investigation.

***Limitations on the Ability of the Authority to Increase Revenues.*** The Authority cannot unilaterally increase Structural Fire Fund Revenues or Cash Contract Payments, which amounts are the two principal sources of General Fund revenues. Structural Fire Fund Revenues are *ad valorem* property taxes and, as such, are subject to a variety of constitutional and statutory restrictions and limitations. See "Constitutional and Statutory Limitations on Taxes, Revenues and Appropriations" in the forepart of this Official Statement. The Cash Contract Payments are limited by the provisions of the Joint Powers Agreement and the various contracts between the Authority and the respective Cash Contract Members. Each of those contracts contains a limitation on the amount of the annual increase in the applicable Cash Contract Payment. See " – Cash Contract Payments" herein.

### **Intergovernmental Revenues**

Intergovernmental Revenues is the Authority's third largest revenue source. A large amount of this revenue source comes from the State in the form of payments for services provided by the Authority, including, among other things, the contract by and between the Authority and CAL FIRE to protect the State responsibility area. See "State of California Budget and Supplemental Financial Information – State Budget for Fiscal Year 2013-14" and " – State Budget for Fiscal Year 2014-15" herein.

### **Expenditures**

The Authority's major expenditures are employee salaries and benefits. See Appendix C – "Audited Financial Statements of the Authority for the Fiscal Year ended June 30, 2013" attached to this Official Statement.

### **Capital Projects**

The Authority finances capital improvements from a variety of sources including, among other things, State and federal funds and proceeds of debt issuances. In addition, the Authority maintains reserves in each of its Capital Improvement Funds. See "Financial and Economic Information - Fiscal Health Plan and Financial Stability Budget Policy - Financial Policies and Practices" herein. As of June 30, 2013, the Authority had on deposit approximately \$30.9 million in the vehicle replacement fund, \$19.1 million in the communication and information systems fund, \$16.7 million in its facilities replacement fund, and \$2.6 million in the facilities maintenance and improvement fund. See Appendix C – "Audited Financial Statements of the Authority for the Fiscal Year ended June 30, 2013" attached to this Official Statement.

Significant capital improvement projects under construction in Fiscal Year 2013-14 include the construction of Fire Station 56 ("Fire Station 56") located in the Ortega Valley portion of the unincorporated County area. This project is expected to be completed in January 2015. Upon completion, Fire Station 56 will be an approximately 10,000 square foot station with three apparatus bays. The Authority expects the station to house up to two fire companies. The Authority expects planning, design and construction costs for Fire Station 56 to cost approximately \$5,250,000 in Fiscal Year 2013-14. In addition, the Authority estimates that Fire Station 56 will increase the operating budget for staffing, equipment, normal operations and maintenance costs in the amount of \$2.3 million for each fiscal year beginning in Fiscal Year 2015-16.

In addition, the Authority is replacing its existing 911 Computer Aided Dispatch System (the "CAD System"), which project includes upgrades to and the integration of several elements of the Authority's public safety system. The replacement of the existing CAD System includes the implementation of a map-

based CAD System. Upon completion of the replacement project, the Authority will be able to improve its response recommendations through an automatic vehicle location program. In addition, the Authority is replacing its records management system, which includes the Orange County Fire Incident Reporting system and the Integrated Fire Protection system. In connection with the new CAD System, the Authority will install new control systems at Regional Fire Operations & Training Center and each of the Authority's fire stations. The Authority expects the costs related to the replacement of the CAD System and the related improvements to the public safety system to be approximately \$140,000 in Fiscal Year 2014-15 and that there will be an annual increase for these costs in the operating budget of approximately \$480,000 for each fiscal year beginning in Fiscal Year 2015-16.

### ***Ad Valorem Property Taxes***

*Ad valorem* property taxes are levied for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. However, upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases in real property assessed valuation (known as a "floating lien date"). For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State assessed property secured by a lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the "unsecured roll."

One type of *ad valorem* property tax is the 1 percent *ad valorem* property tax levied by the County on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of "situs" growth in assessed value (new construction, change of ownership, inflation) prorated among the jurisdictions which serve the tax rate areas within which the growth occurs. Another type of *ad valorem* property tax is the *ad valorem* property levied by the County solely to pay debt service on voter-approved general obligation bonds. In addition, the County levies and collects additional approved property taxes and assessments on behalf of any taxing agency within the County.

Property taxes on the secured roll are due in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a ten percent penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared tax defaulted on or about June 30. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus costs and redemption penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax defaulted property is subject to sale by the Office of the County Treasurer.

Property taxes on the unsecured roll are due as of the January 1 lien date and become delinquent, if unpaid, on August 31. A ten percent penalty plus a \$23.00 charge attaches to delinquent taxes on property on the unsecured roll and an additional penalty of one and one-half percent per month begins to accrue on November 1. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for recordation in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the taxpayer.

The Fiscal Year 2013-14 Adopted Budget projects that the Authority will receive approximately \$189.4 million in property taxes during Fiscal Year 2013-14. The aggregate assessed valuation of taxable properties within the Authority for Fiscal Year 2013-14 of \$220.0 billion, reflects an increase of

approximately \$6.9 billion from Fiscal Year 2012-13 which is an increase of 3.23%. Based on data reflecting current market conditions, the Authority estimates that assessed valuation of property will increase at a rate of 3.379% for Fiscal Year 2014-15.

Supplemental property taxes are assessed when there is a change in the assessed valuation of property after the property tax bill for that year has been issued. As a result, when property values are increasing and sales activity is high, there will be an increase in supplemental property tax revenues. The Authority received supplemental property tax revenues of approximately \$2.3 million in Fiscal Year 2012-13. The Fiscal Year 2013-14 Adopted Budget projects that the Authority will receive supplemental property tax revenues of approximately \$3.0 million in Fiscal Year 2013-14.

The following Table 7 sets forth certain information regarding Authority property tax levies and collections, including taxes levied and collected on behalf of all taxing agencies in the Authority from Fiscal Years 2008-09 through 2012-13.

**TABLE 7**  
**ORANGE COUNTY FIRE AUTHORITY**  
**SUMMARY OF TAX LEVIES AND COLLECTIONS<sup>(1)</sup>**  
**Fiscal Years 2008-09 through 2012-13**

| <u>Fiscal Year</u> | <u>Secured Tax Charge</u> | <u>Total Tax Collection through June 30</u> | <u>Outstanding Delinquent Taxes</u> | <u>Ratio of Delinquency to Tax Levy</u> |
|--------------------|---------------------------|---------------------------------------------|-------------------------------------|-----------------------------------------|
| 2008-09            | \$176,648,030.78          | \$170,098,281.07                            | \$6,549,749.71                      | 3.71%                                   |
| 2009-10            | 171,591,359.63            | 167,562,214.59                              | 4,029,145.04                        | 2.35                                    |
| 2010-11            | 170,663,662.29            | 167,847,829.98                              | 2,815,832.31                        | 1.65                                    |
| 2011-12            | 171,737,008.52            | 169,203,205.59                              | 2,533,802.93                        | 1.48                                    |
| 2012-13            | 176,266,049.66            | 174,246,519.71                              | 2,019,529.95                        | 1.15                                    |

Source: California Municipal Statistics.

<sup>(1)</sup> Unaudited.

The following Table 8 sets forth the Authority’s assessed valuation for Fiscal Years 2009-10 through 2013-14.

**TABLE 8  
ORANGE COUNTY FIRE AUTHORITY  
ASSESSED VALUATION  
Fiscal Years 2009-10 through 2013-14**

| <u>Fiscal Year</u> | <u>Secured</u>    | <u>Utility</u> | <u>Unsecured</u> | <u>Total Assessed Value</u> |
|--------------------|-------------------|----------------|------------------|-----------------------------|
| 2009-10            | \$200,558,541,831 | \$35,633,565   | \$9,222,412,882  | \$209,816,588,278           |
| 2010-11            | 199,547,897,497   | 22,101,833     | 9,016,181,274    | 208,586,180,604             |
| 2011-12            | 201,342,069,541   | 20,293,875     | 8,700,459,874    | 210,062,823,290             |
| 2012-13            | 204,509,322,121   | 9,502,913      | 8,627,214,041    | 213,146,039,075             |
| 2013-14            | 211,564,453,879   | 9,424,005      | 8,456,108,413    | 220,029,986,297             |

Source: California Municipal Statistics.

### Teeter Plan

In 1949, the California Legislature enacted an alternative method for the distribution of secured property taxes to local agencies. This method, known as the Teeter Plan, is now set forth in Section 4701 et. seq. of the California Revenue and Taxation Code (the “Revenue and Taxation Code”). Upon adoption and implementation of this method by a county board of supervisors, local agencies for which such county acts as “bank” and certain other public agencies located in the county receive annually the full amount of their share of *ad valorem* property taxes on the secured roll, including delinquent *ad valorem* property taxes which have yet to be collected. While the county bears the risk of loss on delinquent *ad valorem* property taxes which go unpaid, it also benefits from the penalties associated with these delinquent *ad valorem* property taxes when they are paid. In turn, the Teeter Plan provides participating local agencies with stable cash flow and the elimination of collection risk.

The Board of Supervisors adopted the Teeter Plan with Resolution No. 93-745 on June 29, 1993. Generally, the Teeter Plan provides for a tax distribution procedure by which secured roll taxes and assessments are distributed to taxing agencies within the County, including the Authority, included in the Teeter Plan based on the tax levy, rather than based on actual tax collections, in advance of the date on which the County receives such tax collections. The County then receives all future delinquent tax payments, penalties and interest, and a complex tax redemption distribution system for all participating taxing agencies is avoided.

The County’s Teeter Plan will remain in effect unless the Board of Supervisors orders its discontinuance or unless prior to the commencement of a fiscal year a petition for discontinuance is received and joined in by resolutions of the governing bodies of not less than two thirds of the participating districts in the County’s Teeter Plan. The County may discontinue the Teeter Plan with respect to any levying agency in the County if the Board of Supervisors, by action taken not later than July 15 of a fiscal year, elects to discontinue the procedure with respect to such levying agency and the rate of secured tax delinquencies for such agency in any year exceeds 3 percent of the total of all taxes and assessments levied on the secured roll by that agency.

**Largest Taxpayers.** The following Table 9 is a list of the twenty largest property taxpayers in the Authority’s boundaries by total taxes assessed for Fiscal Year ending June 30, 2014.

**TABLE 9  
ORANGE COUNTY FIRE AUTHORITY  
TWENTY LARGEST PROPERTY TAXPAYERS BY TOTAL TAXES ASSESSED  
Fiscal Year 2013-14**

| <u>Taxpayer</u>                             | <u>Type of Business</u> | <u>Amount of Tax</u>    | <u>% of Total<sup>(1)</sup></u> |
|---------------------------------------------|-------------------------|-------------------------|---------------------------------|
| 1. The Irvine Company                       | Various Land Holdings   | \$ 6,022,711,038        | 2.85%                           |
| 2. Irvine Apartment Communities             | Apartments              | 812,957,969             | 0.38                            |
| 3. United Laguna Hills Mutual               | Retirement Community    | 710,172,617             | 0.34                            |
| 4. Heritage Fields El Toro LLC              | Mixed Use               | 607,068,686             | 0.29                            |
| 5. Linn Western Operating, Inc.             | Oil & Gas               | 448,706,418             | 0.21                            |
| 6. B Braun Medical Inc.                     | Industrial              | 361,167,927             | 0.17                            |
| 7. Allergan Pharmaceuticals                 | Industrial              | 300,899,487             | 0.14                            |
| 8. OC/SD Holdings LLC                       | Apartments              | 300,083,630             | 0.14                            |
| 9. Knott’s Berry Farm                       | Theme Park              | 295,405,062             | 0.14                            |
| 10. IAC Apartment Development               | Apartments              | 282,261,315             | 0.13                            |
| 11. John Hancock Life Insurance Company USA | Commercial              | 280,438,817             | 0.12                            |
| 12. Warland Investment Co.                  | Industrial              | 253,623,915             | 0.12                            |
| 13. SHC Laguna Niguel 1 LLC                 | Commercial              | 219,220,288             | 0.10                            |
| 14. Walton CWCA                             | Industrial              | 206,119,891             | 0.10                            |
| 15. WH MBR LLC                              | Commercial              | 197,926,889             | 0.09                            |
| 16. DMB San Juan Investment North LLC       | Residential             | 190,679,756             | 0.09                            |
| 17. Lakeshore Properties LLC                | Commercial              | 188,071,289             | 0.09                            |
| 18. Park Spectrum Apartments LP             | Apartments              | 180,377,381             | 0.09                            |
| 19. Regency Laguna LP                       | Commercial              | 174,132,324             | 0.08                            |
| 20. Oxy Long Beach Inc.                     | Oil & Gas               | <u>165,219,856</u>      | <u>0.08</u>                     |
|                                             |                         | <u>\$12,197,244,555</u> | <u>5.77%</u>                    |

Source: California Municipal Statistics.

<sup>(1)</sup> 2013-14 Local Secured Assessed Valuation: \$211,564,453,879.

## Employees and Labor Relations

**Employment.** The following Table 10 sets forth information regarding the Authority’s employment for Fiscal Years 2009-10 through 2013-14. Of the total authorized positions, the Authority has 1,011 authorized positions for front-line emergency response and 260 reserve (volunteer) firefighters as of May 1, 2014.

**TABLE 10**  
**ORANGE COUNTY FIRE AUTHORITY**  
**EMPLOYMENT**  
**Fiscal Years 2009-10 through 2013-14**

| <u>Fiscal Year</u> | <u>Firefighter Unit</u> | <u>Fire Management Unit</u> | <u>General Unit</u> | <u>Supervisory Management Unit</u> | <u>Supported Employment Unit</u> | <u>Personnel and Salary Resolution</u> | <u>Unfunded Positions</u> | <u>Total Authorized</u> |
|--------------------|-------------------------|-----------------------------|---------------------|------------------------------------|----------------------------------|----------------------------------------|---------------------------|-------------------------|
| 2009-10            | 863                     | 41                          | 197                 | 28                                 | 4                                | 49                                     | 86                        | 1,182                   |
| 2010-11            | 863                     | 41                          | 196                 | 28                                 | 4                                | 49                                     | 95                        | 1,181                   |
| 2011-12            | 1010                    | 45                          | 203                 | 28                                 | 4                                | 49                                     | 94                        | 1,339                   |
| 2012-13            | 1011                    | 45                          | 205                 | 28                                 | 4                                | 50                                     | 105                       | 1,343                   |
| 2013-14            | 1011                    | 45                          | 205                 | 27                                 | 4                                | 50                                     | 106                       | 1,342                   |

Source: Orange County Fire Authority.

<sup>(1)</sup> Figures represent number of authorized positions as of the adoption of the Authority’s budget for each fiscal year.

The Authority’s Fiscal Year 2013-14 Adopted Budget does not fund 106 authorized positions, which consist of 18 firefighters, 24 fire apparatus engineers, 27 fire captains, 1 heavy fire equipment operator, three battalion chiefs, and 22 non-safety positions. However, the Authority does not expect to reduce the level of service that it provides due to the use of overtime for funded firefighter positions. Any positions that become vacant during a fiscal year will be reviewed by Executive Management to determine whether there is a need to reassign, eliminate or fill the position.

**Labor Relations.** Approximately 92% of the Authority’s employees are represented by employee organizations covering three bargaining units. Pursuant to State law 76% of Authority employees which consists of support and operations personnel are prohibited from engaging in work stoppage actions that endanger public safety. The following Table 11 sets forth the expiration dates for the respective MOUs of each of the Authority’s employee organizations with the Authority. Negotiations with respect to a successor MOU with the Orange County Professional Firefighters Association are currently in progress. The Authority has approximately 190 reserve (volunteer) firefighters who do not work under the terms of an MOU.

**TABLE 11**  
**ORANGE COUNTY FIRE AUTHORITY**  
**BARGAINING UNITS**

| <u>Bargaining Unit</u>                              | <u>Employees</u> | <u>MOU Expiration Date</u> |
|-----------------------------------------------------|------------------|----------------------------|
| Orange County Chief Officers Association            | 42               | December 11, 2015          |
| Orange County Employees Association                 | 198              | December 18, 2014          |
| Orange County Professional Firefighters Association | 904              | June 30, 2014              |

Source: Orange County Fire Authority.

**Performance Review of Authority’s Fire Chief.** The Board of Directors and the Executive Committee conduct an annual performance review of the Fire Chief in August. The Board of Directors and

the Executive Committee have not concluded the performance review of the Fire Chief which began in August 2013. See “General Information – Governance and Senior Management” herein.

### **Defined Benefit Retirement Program**

**General.** The following information concerning the Orange County Employees Retirement System (the “System”) has been excerpted from publicly available sources, which the Authority believes to be accurate, or otherwise obtained from the System. The System’s assets will not secure or be available to pay principal of or interest on the Notes or on any obligations of the Authority or any other member agency. Further, the assets of the Authority’s pension plan are not available for such payments. The System issues publicly available reports, including its financial statements, required supplementary information and actuarial valuations for the herein described defined benefit retirement program. The reports are available on the System’s website: [www.ocers.org/](http://www.ocers.org/). Information on such site is not incorporated herein by reference.

The System was established in 1944 under provisions of the County Employees Retirement Law of 1937 (the “Retirement Law”) to provide for defined benefit pension benefits, including retirement, disability, death and survivor benefits, for substantially all full-time employees of the County and other member agencies. As used in this section, “ – Defined Benefit Retirement Program,” the term “employees” refers to the portion of employees of the Authority and other member agencies who are members of the System.

In addition to the Authority, the participating member agencies are the City of San Juan Capistrano, County of Orange, Orange County Cemetery District, Orange County Children and Families, Commission, Orange County Department of Education, Orange County Employees Retirement System, Orange County In-Home Supportive Services, Public Authority, Orange County Local Agency Formation Commission, Orange County Public Law Library, Orange County Sanitation District, Orange County Superior Court, Orange County Transportation Authority, Transportation Corridor Agencies, and the University of California, Irvine Medical Center and Campus (collectively, the “Member Agencies”). The System is considered an independent district from the County and is a legally separate entity with a separate governing board (the “Board of Retirement”). The System is governed by a ten member Board of Retirement. The Board of Retirement consist of four members appointed by the County Board of Supervisors, five members elected by the members of the System, including an alternate, two by the General members, one by the Safety members, and one by the retired members. The County of Orange Treasurer-Tax-Collector serves an *ex-officio* member of the Board of Retirement. Pursuant to the State Constitution, the members of the Board of Retirement are to discharge their duties with respect to the System solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the System. The Board of Retirement’s duty to its participants and their beneficiaries shall take precedence over any other duty, including any duty to the Authority.

Information regarding the System was obtained from the System’s Actuarial Experience Study Analysis of Actuarial Experience during the Period January 1, 2008 through December 31, 2010, adopted by the Board of Retirement on October 26, 2011 (the “2010 Analysis of Actuarial Experience”), the System’s Actuarial Valuation and Review as of December 31, 2012, adopted by the Board of Retirement on May 31, 2013 (the “2012 Actuarial Valuation”), the System’s Review of Economic Actuarial Assumptions for the December 31, 2012 Actuarial Valuation, adopted by the Board of Retirement on October 5, 2012 (the “2012 Review of Assumptions”) and the System’s Comprehensive Annual Financial Report for the Fiscal Year ended December 31, 2012, dated as of June 4, 2013 (the “2012 Association CAFR”), which reports are the most recent analysis of plan experience, actuarial valuation and comprehensive annual financial report, respectively, available to the County as of the date of this Official Statement. Such reports have not been updated since their respective dates. The System’s current actuary, The Segal Company (the “Association’s Actuarial Consultant”) prepared the 2010 Analysis of Actuarial Experience, the 2012 Actuarial Valuation and the 2012 Review of Assumptions. The results of the 2012 Actuarial Valuation were prepared using the

actuarial assumptions and methods developed in the 2010 Analysis of Actuarial Experience and the 2012 Review of Assumptions. The System’s Actuarial Consultant is currently preparing the actuarial report for the year ended December 31, 2013.

The information contained in this section “- Defined Benefit Retirement Program,” relies on information produced by the pension plans described herein, independent accountants, and the System’s Actuarial Consultant. The actuarial assessments contain “forward looking” information that reflects the judgment of the System and the pension plans and their independent accountants and actuaries. The actuarial assessments are based upon a variety of assumptions, one or more of which may prove to be inaccurate or be changed in the future, and will change with the future experience of the pension plans.

**System Membership.** The projected total compensation for employees covered by the System for the year ended December 31, 2012, the date of the most recent actuarial valuation on behalf of the System, was approximately \$1,609,600,860, of which \$103,095,647 was attributable to the Authority. The following Table 12 sets forth the System’s total membership as of December 31, 2012.

**TABLE 12**  
**ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM**  
**Total System Membership as of December 31, 2012<sup>(1)</sup>**

|                                        | <u>Authority</u> | <u>Other Member Agencies</u> | <u>Total</u>  |
|----------------------------------------|------------------|------------------------------|---------------|
| Active Members                         | 804              | 20,452                       | 21,256        |
| Retired Participants and Beneficiaries | 471              | 13,746                       | 13,947        |
| Terminated Participants                | <u>9</u>         | <u>4,406</u>                 | <u>4,415</u>  |
| Total                                  | <u>1,284</u>     | <u>38,334</u>                | <u>39,618</u> |

Source: Orange County Employees Retirement System – 2012 Actuarial Valuation.

***Significant Accounting Policies.***

**Basis of Accounting.** The System’s financial statements are prepared using the accrual basis and in accordance with accounting principles generally accepted in the United States. Member and employer contributions are recognized in the period in which contributions are due, and benefits and refunds are recognized when due and payable in accordance with plan terms. Unearned contributions represent pre-paid employer contributions that will be recognized as an addition to plan net position in future periods. Investment income is recognized as revenue when earned. The net appreciation or depreciation in the fair value of investments is recorded as an increase or decrease to investment income based upon investment valuations, which includes both realized and unrealized gains and losses on investments.

**Deposits and Investments.** State Street Bank and Trust maintains custody of the majority of the System’s investments held as of December 31, 2012. Investments are authorized by State statute and the System’s investment policy and consist of domestic and international fixed income, domestic, international, global (includes both domestic and international investments) and emerging market equities, private equity, real return strategies, absolute return strategies, opportunistic strategies and real estate. Investments are reported at fair value and the overall valuation process and information sources by major asset classification are as follows: cash and short term investments, equities, debt securities, real estate and alternative investments.

Cash and short-term investments represent funds held in operating accounts with State Street, Wells Fargo Bank and include deposits held in a pooled account with the County Treasurer at fair value. Deposits held in the Orange County Investment Pool (the “County Investment Pool”) are invested in the Orange County Money Market Fund and the Extended Fund. The County Investment Pool is an external investment

pool and is not registered with the Securities and Exchange Commission. At December 31, 2012 the OCIP had a weighted average maturity of 250 days. The Orange County Money Market Fund is rated “AAAm” by S&P. The Extended Fund is not rated. The deposits in the OCIP are reported at amortized cost which approximates fair value. The County’s comprehensive annual report for the Fiscal Year ended June 30, 2013 contains additional information with respect to the County Investment Pool. However, such information is not incorporated herein by reference thereto .

The majority of the System’s domestic, international and global securities, including those traded in emerging markets, are actively traded on major security exchanges, or over-the-counter. Fair value for exchange traded securities is determined as of the close of the trading date in the primary market or agreed upon exchange. The last known price is used for listed securities that did not trade on a particular date. Fair value is obtained from third party pricing sources for securities traded over-the-counter.

Actively traded debt instruments such as those securities issued by the United States Treasury, federal agencies and corporate issuers are reported at fair value as of the close of the trading date. Fair values of irregularly traded debt securities are obtained from pricing vendors who employ modeling techniques in determining security values. Inputs typically employed by pricing vendors include cash flows, maturity and credit rating.

The System holds real estate assets directly and in commingled real estate funds. Real estate investments which are owned directly by the System are appraised annually by independent third party appraisers in accordance with the Uniform Standards of Professional Appraisal Practice. Properties which are held in commingled pools are subject to regular internal appraisals by investment management firms or general partners with independent third party appraisals accomplished at regular intervals. The primary determinants of fair value include market and property type specific information.

The System engages real estate management firms to assist in the day to day operations of the real estate portfolio. In addition, the System’s Investment Committee has approved maximum leverage limits with respect to the real estate portfolio.

The System invests in a variety of alternative strategies including private equity, real return, absolute return and opportunistic strategies. The fair value of the System’s alternative investments depend upon the nature of the investment and the underlying business. Typically, alternative investments are illiquid and subject to redemption restrictions. Fair value is determined on a quarterly or semi-annual basis with valuations conducted by general partners, management and valuation specialists. The System’s real return strategy includes dedicated allocations to inflation linked debt, commodities and timber resources.

Capital Assets. Capital assets consist of furniture, equipment, intangible assets, including computer software, and building and improvements. Capital assets are defined by the System as assets with an initial, individual cost of more than \$25,000 and an estimated useful life in excess of one year. Such assets are recorded at cost. Depreciation of capital assets is calculated using the straight-line method over the estimated useful lives of five to fifteen years for furniture, equipment and building improvements, three years for computer software, and sixty years for buildings.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of net position. Actual results could differ from those estimates.

### ***Authority’s Retirement Plans***

Safety Member Category. Employees under the Safety Member category (“Safety Members”) include employees in the Firefighter Unit (represented by the Orange County Professional Firefighters

Association, IAFF-Local 3631), the Fire Management Unit (represented by the Orange County Fire Authority Chief Officers Association); and unrepresented members of Executive Management occupying fire suppression positions. The following Table 13 sets forth the four retirement plans for Safety Members as of May 1, 2014.

**TABLE 13  
ORANGE COUNTY FIRE AUTHORITY  
RETIREMENT PLANS FOR SAFETY MEMBERS**

| <u>Plan</u> | <u>Tier</u> | <u>Benefit Formula</u> | <u>Employee Hire Date</u>                                                            |                                                                                      |                                                                                      |
|-------------|-------------|------------------------|--------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|
|             |             |                        | <u>Fire Fighter Unit</u>                                                             | <u>Fire Management Unit</u>                                                          | <u>Executive Management in Fire Suppression Positions</u>                            |
| E           | I           | 3.0% at 50             | Prior to July 1, 2012                                                                | Prior to July 1, 2012                                                                | Prior to July 1, 2011                                                                |
| F           | II          | 3.0% at 50             | Prior to July 1, 2012                                                                | Prior to July 1, 2012                                                                | Prior to July 1, 2011                                                                |
| R           | H           | 3.0% at 55             | July 1, 2012 - Dec. 31, 2012<br>OR<br>On or after Jan. 1, 2013<br>(with reciprocity) | July 1, 2012 — Dec. 31, 2012<br>OR<br>On or after Jan. 1, 2013<br>(with reciprocity) | July 1, 2011 — Dec. 31, 2012<br>OR<br>On or after Jan. 1, 2013<br>(with reciprocity) |
| V           | II          | 2.7% at 57             | On or after Jan. 1, 2013<br>(without reciprocity)                                    | On or after Jan. 1, 2013<br>(without reciprocity)                                    | On or after Jan. 1, 2013<br>(without reciprocity)                                    |

Source: Orange County Fire Authority Comprehensive Annual Financial Reports for Fiscal Years ended June 30, 2010 through June 30, 2013.

Pursuant to the respective MOUs and Personnel and Salary Resolution with respect to each personnel group and unrepresented employees, as applicable, the Authority assumes the contribution cost for both the employer and Safety Member employees. However, Safety Member employees reimburse the Authority for a portion of their retirement costs. The retirement reimbursement is deducted from each Safety Member employee’s compensation earnable and continues throughout the employee’s employment with the Authority. Each Safety Member employee’s reimbursement rate reflects such employee’s date of hire and the bargaining group of which such employee is a member. Employees in the Firefighter and Fire Management Units hired on or after January 1, 2011 reimburse the Authority at a rate of 9% of compensable earnings beginning at the commencement of their employment. Upon expiration of their respective MOUs, all employees may reimburse 50% of normal retirement costs regardless of their date of hire. The MOU with the Firefighter Unit expires on June 30, 2014 and the MOU with the Fire Management Unit expires on December 11, 2015, for the Fire Management Unit. See “Financial Information – Employment and Labor Relations” herein.

Employees in Executive Management that occupy fire suppression positions who were hired on or after January 1, 2013, with no reciprocal retirement benefits, contribute 50% of normal retirement costs beginning at the commencement of their employment. The Authority is implementing a reimbursement rate of 9% for employees that the Authority hired prior to January 1, 2011 in the Firefighter Unit and Fire Management Unit or prior to July 1, 2011 for employees in Executive Management. The following Table 14 sets forth the reimbursement rates for Safety Members of the Firefighter Unit, Fire Management Unit and Executive Management in fire suppression positions.

**TABLE 14**  
**ORANGE COUNTY FIRE AUTHORITY**  
**REIMBURSEMENT RATES FOR SAFETY MEMBERS**

| <b>Firefighter Unit<br/>(Hired Prior to Jan. 1, 2011)</b> |                               | <b>Fire Management Unit<br/>(Hired Prior to Jan. 1, 2011)</b> |                               | <b>Executive Management in<br/>Fire Suppression Positions<br/>(Hired Prior to July 1, 2011)</b> |                               |
|-----------------------------------------------------------|-------------------------------|---------------------------------------------------------------|-------------------------------|-------------------------------------------------------------------------------------------------|-------------------------------|
| <u>Effective</u>                                          | <u>Reimbursement<br/>Rate</u> | <u>Effective</u>                                              | <u>Reimbursement<br/>Rate</u> | <u>Effective</u>                                                                                | <u>Reimbursement<br/>Rate</u> |
| October 2010                                              | 2.50%                         | Jan. 2011                                                     | 2.75%                         | Jan. 2011                                                                                       | 2.75%                         |
| October 2011                                              | 5.00                          | Jan. 2012                                                     | 5.50                          | Jan. 2012                                                                                       | 5.50                          |
| October 2012                                              | 7.00 <sup>(1)</sup>           | Jan. 2013                                                     | 8.25                          | Jan. 2013                                                                                       | 9.00                          |
| October 2013                                              | 9.00 <sup>(2)</sup>           | February 2014                                                 | 9.00                          |                                                                                                 |                               |

<sup>(1)</sup> Consists of a 5.0% employee payroll deduction and a 2.0% Healthcare Converted Retirement Contribution credit for savings obtained as a result of modifications to the OCPFA Health Plan Agreement.

<sup>(2)</sup> Consists of a 7.0% employee payroll deduction and a 2.0% Healthcare Converted Retirement Contribution credit for savings obtained as a result of modifications to the OCPFA Health Plan Agreement.

Source: Orange County Fire Authority Comprehensive Annual Financial Reports for Fiscal Years ended June 30, 2010 through June 30, 2013.

General Member Category. Employees under the General Member category (“General Members”) include employees in the Authority’s General and Supervisory Management Unit that are represented by the Orange County Employees Association, unrepresented employees identified as Administrative Management, and unrepresented members of Executive Management occupying non-fire suppression positions. The following Table 15 sets forth the four retirement plans for General Members.

**TABLE 15**  
**ORANGE COUNTY FIRE AUTHORITY**  
**RETIREMENT PLANS FOR GENERAL MEMBERS**  
**As of May 1, 2014**

| <u>Plan</u> | <u>Tier</u> | <u>Benefit Formula</u> | <u>Employee Hire Date</u>                      |                                                                                                     |
|-------------|-------------|------------------------|------------------------------------------------|-----------------------------------------------------------------------------------------------------|
|             |             |                        | <u>General and Supervisory<br/>Management</u>  | <u>Administrative Management<br/>and Executive Management in<br/>Non-Fire Suppression Positions</u> |
| I           | I           | 2.7% at 55             | Prior to July 1, 2011                          | Prior to Dec. 1, 2012                                                                               |
| J           | II          | 2.7% at 55             | Prior to July 1, 2011                          | Prior to Dec. 1, 2012                                                                               |
| N           | II          | 2.0% at 55             | On or After July 1, 2011 (with reciprocity)    | Dec. 1, 2012 — Dec. 31, 2012<br>- OR -<br>On or After Jan. 1, 2013 (with reciprocity)               |
| U           | II          | 2.0% at 62             | On or After Jan. 1, 2013 (without reciprocity) | On or After Jan. 1, 2013 (without reciprocity)                                                      |

Source: Orange County Fire Authority Comprehensive Annual Financial Reports for Fiscal Years ended June 30, 2010 through June 30, 2013.

Pursuant to the respective MOUs and Personnel and Salary Resolution with respect to each personnel group and unrepresented employees, as applicable, the Authority assumes the contribution cost for both the employer and General Member employees. However, General Member employees reimburse the Authority for a portion of their retirement costs. The retirement reimbursement is deducted from each

General Member employee’s compensation earnable and continues throughout the employee’s employment with the Authority.

General Members have reimbursed the Authority at a rate of 6% of compensation earnable to the Authority since July 2004. Currently, employee reimbursement rates vary depending on the date on which such employee was hired the bargaining group in which such employee is a member. Employees in the General and Supervisory Management Unit that were hired on or after July 1, 2011, reimburse the Authority at a rate of 9% of compensation earnable. Upon expiration of the current MOU by and between the Authority and the General and Supervisory Management Unit on December 18, 2014, all employees may reimburse 50% of normal retirement costs regardless of their respective date of hire.

Administrative Management and non-fire suppression Executive Management employees hired December 1, 2012 through December 31, 2012 and Administrative Management and non-fire suppression Executive Management employees hired on or after January 1, 2013 with reciprocal retirement benefits contribute 9% upon commencement of employment. Those hired on or after January 1, 2013, with no reciprocal retirement benefits, contribute 50% of normal retirement costs upon commencement of employment.

The Authority is in the process of increasing the reimbursement rate from 6% to 9% for employees hired prior to July 1, 2011 (General and Supervisory Management Unit) and December 1, 2012 (Administrative Management and non-fire suppression Executive Management). The following Table 16 sets forth the effective dates of the various increases to the reimbursement rate for General Members.

**TABLE 16  
ORANGE COUNTY FIRE AUTHORITY  
SCHEDULE OF REIMBURSEMENT RATE INCREASES - GENERAL MEMBERS**

| <b>General and Supervisory Management<br/>(Hired Prior to July 1, 2011)</b> |                           | <b>Administrative Management<br/>(Hired Prior to Dec. 1, 2012)</b> |                           | <b>Executive Management in Non-Fire Suppression Positions<br/>(Hired Prior to Dec. 1, 2012)</b> |                           |
|-----------------------------------------------------------------------------|---------------------------|--------------------------------------------------------------------|---------------------------|-------------------------------------------------------------------------------------------------|---------------------------|
| <b>Effective</b>                                                            | <b>Reimbursement Rate</b> | <b>Effective</b>                                                   | <b>Reimbursement Rate</b> | <b>Effective</b>                                                                                | <b>Reimbursement Rate</b> |
| January 2011                                                                | 7.25%                     | Jan. 2013                                                          | 8.25%                     | Jan. 2013                                                                                       | 9.00%                     |
| July 2011                                                                   | 8.50%                     | February 2014                                                      | 9.00% <sup>(1)</sup>      |                                                                                                 |                           |
| February 2012                                                               | 9.00%                     | February 2015                                                      | 9.00% <sup>(1)</sup>      |                                                                                                 |                           |
|                                                                             |                           | Dec. 2015                                                          | 9.00% <sup>(2)</sup>      |                                                                                                 |                           |

<sup>(1)</sup> Percentage assumes a salary adjustment is implemented.

<sup>(2)</sup> [If not already at 9.00%].

Source: Orange County Fire Authority Comprehensive Annual Financial Reports for Fiscal Years ended June 30, 2010 through June 30, 2013.

**California Public Employees’ Pension Reform Act of 2013.** In September 2012, the Governor approved Assembly Bill 340, the California Public Employees’ Pension Reform Act of 2013 (“PEPRA”). As of January 1, 2013, PEPRA applies to all State and local public retirement systems and their participating employers, including the System and the Authority, respectively, except the University of California and those charter cities and counties whose retirement systems are not governed by State statute.

Among other things, PEPRA establishes new retirement formulas for new members of the System on or after January 1, 2013 (“PEPRA Members”) and prohibits public employers from offering defined benefit formulas to PEPRA Members that exceed the benefits authorized under PEPRA. See “ – Retirement Plans” herein. In addition, PEPRA amends existing laws to redefine final compensation for purposes of pension

benefits for PEPRA Members. PEPRA increases the retirement age for PEPRA General Members and limits the annual pension benefit payouts for all PEPRA members. PEPRA generally mandates equal sharing of normal costs between the Authority and PEPRA Members employed thereby and that PEPRA Members pay at least 50% of normal costs and that employers not pay any of the required employee contribution for PEPRA Members.

***Authority and System Retirement Contributions.*** The System’s Actuarial Consultant determines the Unfunded Actuarial Accrued Liability (the “UAAL”) for the entire System. The actuarial accrued liability is a standard disclosure measure of the present value of pension benefits to a certain date (i.e., the “as of date” of the valuation), based on actuarial assumptions. See “ – Actuarial Assumptions” herein. The actuarial accrued liability is a measure of the value of the projected benefits and is intended to help the System’s Actuarial Consultant determine the annual required contributions from employers and employees, and to help the System, the Authority, other member agencies, employees and others assess the System’s funding status, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons with other public employee retirement systems.

The Retirement Law requires the System to apply the Authority’s contributions to its obligations under the System first, to satisfy the Authority’s current fiscal year liabilities, as determined by the System’s Actuarial Consultant, because of members’ service during such fiscal year, which is commonly known as the “normal cost” and service disability pensions, second, to pay for Authority contributions for death benefits, and third, to satisfy the UAAL.

The Member Agencies currently fund, at a minimum, the annual required contributions recommended by the System’s Actuarial Consultant (the “ARC”). See Table 20 – “Orange County Employees Retirement System Schedule of Funding Progress” herein for the System’s schedule of funding progress, which schedule sets forth the measure of System Assets against the System’s liabilities resulting in part from the contributions made by the Authority and other member agencies to the System.

During calendar years 2008 and 2009, the Authority made additional contributions in the amounts of \$692,000 and \$891,000, respectively, toward its ARC in order to reduce its UAAL. In addition, in September 2011, the Authority and the Orange County Professional Firefighters Association amended their existing MOU so that as of June 30, 2014 any funds that remain in the Authority’s cash flow reserve within the General Fund will be used to reduce the Authority’s UAAL. This amount is estimated be \$17.6 million.

The following Table 17 sets forth the Authority's annual required contribution for Safety Members and General Members and actual contributions related thereto for Fiscal Years 2008-09 through 2012-13 and Authority's actual contributions as a percentage of total governmental funds expenditures for such fiscal years. The Authority's actual contributions were equal to 100% of the required contributions for Fiscal Years 2008-09 through 2012-13.

**TABLE 17**  
**ORANGE COUNTY FIRE AUTHORITY**  
**CONTRIBUTION STATUS**  
**Fiscal Years 2008-09 through 2012-13**

| <u>Fiscal Year</u> | <u>Safety</u> | <u>General</u> | <u>Total</u> | <u>Actual Contribution</u> | <u>Percent Contributed</u> | <u>Actual Authority Contribution as Percentage of Total Governmental Funds Expenditures<sup>(1)</sup></u> |
|--------------------|---------------|----------------|--------------|----------------------------|----------------------------|-----------------------------------------------------------------------------------------------------------|
| 2008-09            | \$33,384,056  | \$3,799,026    | \$37,183,082 | \$37,183,082               | 100.0%                     | 13.62%                                                                                                    |
| 2009-10            | 38,687,061    | 3,644,446      | 42,331,507   | 42,331,507                 | 100.0                      | 16.29                                                                                                     |
| 2010-11            | 41,676,672    | 3,877,060      | 45,553,732   | 45,553,732                 | 100.0                      | 18.03                                                                                                     |
| 2011-12            | 46,268,131    | 3,808,623      | 50,076,754   | 50,076,754                 | 100.0                      | 19.03                                                                                                     |
| 2012-13            | 49,648,079    | 4,201,170      | 53,849,249   | 53,849,249                 | 100.0                      | 18.19                                                                                                     |

Source: Orange County Fire Authority Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2013 and the Authority.

The following Table 18 sets forth the aggregate ARC of all of the Member Agencies participating in the System and the percentage contributed for calendar years ended December 31, 2008 through December 31, 2012.

**TABLE 18**  
**ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM**  
**ANNUAL REQUIRED EMPLOYER CONTRIBUTIONS**  
**AND PERCENTAGE CONTRIBUTED<sup>(1)</sup>**  
**December 31, 2007 through December 31, 2012**  
**(\$ in thousands)**

| <u>Year Ended December 31</u> | <u>Annual Required Contributions<sup>(1)</sup></u> | <u>Actual Contributions<sup>(2)</sup></u> | <u>Percentage Contributed</u> |
|-------------------------------|----------------------------------------------------|-------------------------------------------|-------------------------------|
| 2008                          | \$359,673                                          | \$360,365 <sup>(3)</sup>                  | 100.2%                        |
| 2009                          | 337,496                                            | 338,387 <sup>(4)</sup>                    | 100.3                         |
| 2010                          | 372,437                                            | 372,437                                   | 100.0                         |
| 2011                          | 387,585                                            | 387,585                                   | 100.0                         |
| 2012                          | 406,521                                            | 406,521                                   | 100.0                         |

Source: Orange County Employees Retirement System – 2012 Actuarial Valuation.

- (1) ARC reflects the aggregate ARC amount of all employers participating in the System. See Table 15 – Orange County Fire Contribution Status” herein for the Authority’s ARC.
- (2) Excludes transfers from County Investment Account (funded by pension obligation bond proceeds held by the System).
- (3) Includes \$692,000 in additional contributions made by the Authority towards the reduction of their UAAL.
- (4) Includes \$891,000 in additional contributions made by the Authority towards the reduction of their UAAL.

The amounts set forth above are determined by the System's Actuarial Consultant using the "entry age normal cost" method. This method currently produces an employer contribution rate consisting of amounts for (a) normal cost and (b) amortization of all existing UAAL over a 22-year closed (declining amortization) of the December 31, 2004 balance. The Board of Retirement's current actuarial funding policy (the "Actuarial Funding Policy") amortizes the outstanding balance of the UAAL from the December 31, 2004 balance over a declining period, of which 22 years remained as of the 2012 Actuarial Valuation. Any increases or decreases in the UAAL that arise in future years due to actuarial gains or losses are amortized over separate 15-year periods. Any increases or decreases in UAAL due to changes in actuarial assumptions are amortized over separate 30-year periods. As of December 31, 2012, the AAL was approximately \$15.14 billion and the UAAL (calculated using the valuation value of System Assets) was approximately \$5.68 billion. See " – Proposed Changes to the Systems' Actuarial Assumptions and Projected Impact upon the Authority" herein.

***Authority's and System's Unfunded Actuarial Accrued Liability and Unrecognized Gains/Losses as of December 31, 2012.*** In its 2012 Actuarial Valuation, the System's Actuarial Consultant determined that the employers' funded ratio (i.e., the ratio of valuation value of assets of the System over the actuarial accrued liability) increased to 67.03% as of December 31, 2012 from 62.52% as of December 31, 2011. The UAAL increased to \$5.68 billion as of December 31, 2012 from \$4.46 billion as of December 31, 2011. The net unrecognized loss from investments in the System's investment portfolio as of December 31, 2011 was \$598,987,000. The total unrecognized investment gains as of December 31, 2012 were \$97,451,000 which amount will be recognized by the System on a smoothed, five-year basis and the actuarial value of assets will be further adjusted, if necessary, in accordance with current policies of the Board of Retirement. The unrecognized gain will be recognized along with any future gains and losses if the System does not earn the assumed net rate of investment return of 7.25% per year (net of expenses) on a market value basis and all other actuarial assumptions as set forth in the 2010 Analysis of Plan Experience are met.

The failure to achieve the assumed rate of return or changes to any actuarial assumptions could result in investment losses on the actuarial value of assets and contribution requirements may be increased. The Actuarial Consultant states that, if the deferred gains were recognized immediately in the valuation value of assets, the funded percentage would increase from 62.5% to 63.2% of assets, the aggregate employer rate would decrease from 41.64% to about 41.1% of payroll. In addition, the System's Actuarial Consultant stated in its 2012 Actuarial Valuation that the aggregate employer rate has increased to 41.64% of payroll as of December 31, 2012 from 34.71% of payroll as of December 31, 2011. The 2012 Actuarial Valuation states that the increase in the aggregate employer rate relates to, among other things, an unfavorable rate of return on investments after smoothing, less than expected growth in total payroll, changes in economic assumptions and other experience losses. A portion of the actuarial losses were partially offset by salary increases that were less than expected. The 2012 Actuarial Valuation states that, if the deferred losses were recognized immediately in the actuarial value of assets, the aggregate employer contribution rate would increase. Further, if the deferred gains were recognized immediately in the valuation value the aggregate employer rate would decrease from 41.64% to about 41.10% of payroll. The System's investment policy and annualized rates of return are summarized in " – Investment Policy" herein.

The Authority's Fiscal Year 2013-14 Adopted Budget includes retirement costs reflecting employer contribution rates for Fiscal Year 2013-14 of 45.46% for Safety Members and 27.99% for General Members. Employer contribution rates for Fiscal Year 2014-15 are projected to be 45.46% for Safety Members and 32.61% for General Members.

***Actuarial Assumptions.*** The System's Actuarial Consultant considers various factors in determining the assumptions to be used in calculating funding ratios. Demographic assumptions are based on a study of the actual history of retirement, rates of termination/separation of employment, years of life expectancy after retirement, disability and other factors. This experience study is done once every three years. The most recent experience study was the 2009 Analysis of Plan Experience completed for the June 30, 2010 actuarial study.

In addition, the System’s Actuarial Consultant considers certain economic factors assumptions in determining the assumptions to be used in calculating funding ratios. The actuarial assumptions have a significant impact on the determination of the ratio of assets of the System that are set aside to pay plan benefits by the System. Significant actuarial assumptions of the System’s Actuarial Consultant for the 2012 Actuarial Valuation include: (a) a rate of return on the investment of present and future assets of 7.25% (net of investment and administrative expenses) per year; (b) an inflation assumption of 3.25%; (c) real across-the-board salary increase of 0.50%; (d) projected across-the-board salary increases of 4.75% to 17.75% for Safety members based on service; (e) projected cost of living adjustments of 3.00%; and (f) employee contribution crediting rate of 5.00%, compounded, semi-annually. In addition, assumptions for post-retirement mortality, termination rates, retirement rates, marriage, age, and disability are determined based on actuarial tables.

The following Table 19 sets forth certain economic actuarial assumptions for calendar years ended December 31, 2008 through December 31, 2012.

**TABLE 19**  
**ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM**  
**ACTUARIAL ASSUMPTIONS**  
**Fiscal Years ended December 31, 2008 through 2012**

| <u>Actuarial Assumption</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|
| Interest                    | 7.75%       | 7.75%       | 7.75%       | 7.75%       | 7.25%       |
| Inflation                   | 3.50        | 3.50        | 3.50        | 3.50        | 3.25        |
| Cost of Living Adjustment   | 3.00        | 3.00        | 3.00        | 3.00        | 3.00        |

Source: Orange County Employees Retirement System.

***Recent Changes to the Systems’ Actuarial Assumptions and Projected Impact upon the Authority.*** Previously, the System’s UAAL was combined and amortized as a level percentage of payroll over a declining period of 30 years commencing December 31, 2004. The revised Actuarial Funding Policy amortized actuarial gains and losses over 15 years, amortized changes in assumptions or methods over 30 years, amortized plan amendments over 15 years, early retirement incentive program over 15 years, and the actuarial surplus over 15 years.

In February 2013, the Actuarial Consultant submitted three alternatives to the existing Actuarial Funding Policy to the Board of Retirement with respect to UAAL established after December 31, 2012. The Actuarial Consultant did not recommend that the Board of Retirement consider any changes to the Actuarial Funding Policy with respect to UAAL established prior to December 31, 2012 unless the Board of Retirement wished to accelerate the System’s progress toward a funded ratio of 100%.

The first alternative would, if adopted, amortize actuarial gains and losses over 15 years, changes in assumptions or methods over 20 years, plan amendments over 15 years or less, early retirement incentive program over 5 years or less, and any actuarial surplus over 30 years. The second alternative would, if adopted, amortize actuarial gains and losses over 20 years, changes in assumptions or methods over 20 years, plan amendments over 15 years or less, early retirement incentive program over 5 years or less, and any actuarial surplus over 30 years. The third alternative would, if adopted, amortize actuarial gains and losses over 15 years, changes in assumptions or methods over 25 years, plan amendments over 15 years or less, early retirement incentive program over 5 years or less, and the actuarial surplus over 30 years. In November 2013, the Board of Retirement approved a new Actuarial Funding Policy which implements the second alternative. Accordingly, the System will reamortize all of the current UAAL, including the UAAL from the December 31, 2012 change in assumptions, over a new closed and declining 20 year period. In addition, the System will amortize future UAAL over periods of 20 years for actuarial gains and losses, 20 years for

assumption or method changes, 15 years for amendments to the Plan, 5 years for early-retirement incentive programs, and 30 years for actuarial surpluses.

The Actuarial Consultant stated that the System could continue to use declining amortization periods or adopt a shorter period with immediate cost impact. In addition, the Actuarial Consultant noted that the Board of Retirement should consider various policy objectives including whether future contributions plus current assets are sufficient to fund all benefits for current members, allocating cost to years of service, implementing changes to management and control of future employer contribution volatility and supporting public policy goals of accountability and transparency. The Authority projects that any changes to the amortization of future UAAL will increase the Authority's retirement costs and will impact annual increases to charges pass on to Cash Contract Members and the John Wayne Airport. The Authority cannot predict what further actions the Board of Retirement will take with respect to the Actuarial Funding Policy nor has it determined what action it will take if further changes to the Actuarial Funding Policy are approved.

***The System's Historical Funding Progress.*** In September 2013, the Authority's Board of Directors adopted a resolution pursuant to which the Authority expects to provide funds to reduce its UAAL earlier than the scheduled amortization thereof. The Board of Directors has directed staff to include additional payment towards the UAAL in the annual budget. The funds for such additional payments will come from, among other sources, savings that result from the PEPPA provisions and other reductions in retirement contribution rates. Upon the completion of the audited financial statements for each fiscal year, the Authority determines the available amount of its fund balances which can be transferred to the System for payment towards the pension UAAL. See "Financial and Economic Information - Fiscal Health Plan and Financial Stability Budget Policy - Financial Policies and Practices - Fiscal Health Plan and Financial Stability Budget Policy" and " - Financial Policies and Practices - Fiscal Year 2014-15 Authority Budget" herein. In addition, the Board of Directors has directed that an additional \$1 million be included in the Authority's annual budgets for Fiscal Years 2016-17 through and including Fiscal Year 2021-22 for retirement contributions to the System as a source for additional payments toward the UAAL. The Board of Directors has also directed staff to provide updates to the Board as part of each annual budget presentation that include the proposed additional amount to be paid on the UAAL.

The following Table 20 sets forth the schedule of funding progress for the System as of the ten most recent actuarial valuation dates. See " - Retirement Contributions" above. Funding progress is measured by a comparison of System Assets which have been set aside by the System to pay plan benefits with plan liabilities. As of December 31, 2012, the actuarial value of the plan assets for the System ("System Assets") was approximately \$9,469,423,000 the valuation value of System Assets (*i.e.*, the actuarial value excluding any non-valuation reserves) was approximately \$9,469,208,000 and the net market value of System Assets was approximately \$9,566,874,000. The rate of return based on the actuarial value of System Assets was 3.49%, the rate of return based on the valuation value of the System Assets was 3.49%, and the rate of return based on the market value of System Assets was 11.92% for Fiscal Year ended December 31, 2012. See Table 24 - "Orange County Employees Retirement System - Investment Results" herein. The actuarial value of the System Assets and the AAL reflect amounts received by the System from the County in connection with the prior issuance of the County's pension obligation bonds. The County has applied a portion of the proceeds of each issuance of pension obligation bonds to offset a portion of the annual actuarially-determined contribution rate for the County. See Table 18 - "Annual Required Employer Contributions and Percentage Contributed" herein, which sets forth the aggregate ARC to be contributed by the Authority and other member agencies, as determined by the System's Actuarial Consultant, and the percentage actually contributed.

**TABLE 20**  
**ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM**  
**SCHEDULE OF FUNDING PROGRESS**  
**December 31, 2007 through December 31, 2012**  
**(\$ in thousands)**

| <b>Actuarial<br/>Valuation Date<br/>(December 31)</b> | <b>(1)<br/>Valuation<br/>Value of<br/>Assets</b> | <b>(2)<br/>Actuarial<br/>Accrued<br/>Liability<br/>(AAL)</b> | <b>(3)<br/>Unfunded<br/>(Overfunded)<br/>AAL<br/>(2) – (1)</b> | <b>(4)<br/>Funded<br/>Ratio<br/>(1)/(2)</b> | <b>Funded<br/>Ratio<br/>(Market<br/>Value)</b> | <b>(5)<br/>Covered<br/>Payroll</b> | <b>(6)<br/>Unfunded<br/>(Overfunded)<br/>AAL Percentage<br/>of Covered Payroll<br/>(3)/(5)</b> |
|-------------------------------------------------------|--------------------------------------------------|--------------------------------------------------------------|----------------------------------------------------------------|---------------------------------------------|------------------------------------------------|------------------------------------|------------------------------------------------------------------------------------------------|
| 2007                                                  | \$7,288,900                                      | \$9,838,686                                                  | \$2,549,786                                                    | 74.08%                                      | 78.43%                                         | \$1,457,159                        | 174.98%                                                                                        |
| 2008                                                  | 7,748,380                                        | 10,860,715                                                   | 3,112,335                                                      | 71.34                                       | 57.51                                          | 1,569,764                          | 198.27                                                                                         |
| 2009                                                  | 8,154,687                                        | 11,858,578                                                   | 3,703,891                                                      | 68.77                                       | 62.94                                          | 1,618,491                          | 228.85                                                                                         |
| 2010                                                  | 8,672,592                                        | 12,425,873                                                   | 3,753,281                                                      | 69.79                                       | 67.25                                          | 1,579,239                          | 237.66                                                                                         |
| 2011                                                  | 9,064,355                                        | 13,522,978                                                   | 4,458,623                                                      | 67.03                                       | 62.60                                          | 1,619,474                          | 275.31                                                                                         |
| 2012                                                  | 9,469,208                                        | 15,144,888                                                   | 5,675,680                                                      | 62.52                                       | 63.17                                          | 1,609,600                          | 352.55                                                                                         |

Source: Orange County Employees Retirement System.

The actuarial value of assets is based on a five-year smoothed market method. This method spreads the difference between the market investment return achieved by the investment portfolio of the System and the assumed investment return over a five-year period. The following Table 21 sets forth the value of the System's assets as of the ten most recent actuarial valuation dates based on the valuation value, actuarial value and market value.

**TABLE 21**  
**ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM**  
**ASSET VALUE COMPARISON**  
**December 31, 2003 through December 31, 2012**  
**(\$ in thousands)**

| <b>Valuation Date<br/>(December 31)</b> | <b>Valuation<br/>Value of Assets<sup>(1)</sup></b> | <b>Actuarial<br/>Value of Assets<sup>(1)</sup></b> | <b>Market<br/>Value of Assets<sup>(1)</sup></b> |
|-----------------------------------------|----------------------------------------------------|----------------------------------------------------|-------------------------------------------------|
| 2003                                    | \$4,790,099                                        | \$4,811,317                                        | \$4,959,626                                     |
| 2004                                    | 5,245,821                                          | 5,256,380                                          | 5,556,995                                       |
| 2005                                    | 5,786,617                                          | 5,798,536                                          | 5,923,112                                       |
| 2006                                    | 6,466,085                                          | 6,474,074                                          | 6,817,726                                       |
| 2007                                    | 7,288,900                                          | 7,292,205                                          | 7,719,690                                       |
| 2008                                    | 7,748,380                                          | 7,750,751                                          | 6,248,558                                       |
| 2009                                    | 8,154,687                                          | 8,155,654                                          | 7,464,761                                       |
| 2010                                    | 8,672,592                                          | 8,673,473                                          | 8,357,835                                       |
| 2011                                    | 9,064,355                                          | 9,064,580                                          | 8,465,368                                       |
| 2012                                    | 9,469,208                                          | 9,469,423                                          | 9,566,659                                       |

<sup>(1)</sup> The market value of assets excludes funds in the County Investment Account (funded by pension obligation bond proceeds held by the System) and funds in the in the prepaid employer contribution account.

Source: Orange County Employees Retirement System.

*The System's Reserves.* The System's reserves are established from contributions and the accumulation of investment income, after satisfying investment and administrative expenses. Currently, the System maintains a Pension Reserve comprised of funding set aside for retirement payments derived from employer contributions, an Employee Contribution Reserve representing the balance of member contributions, an Employer Contribution Reserve representing the balance of employer contributions for future active member retirement benefits and an Annuity Reserve comprised of funding set aside for retirement payments derived from contributions made by members.

In addition, the System maintains Health Care Plan Reserves for assets held to pay medical benefits for eligible retirees of the 401(h) health care plans, a County Investment Account Reserve which holds the remaining proceeds from the County's 1994 Pension Obligation Bond issuance, an Unclaimed Fund Reserve representing contributions from terminated non-vested members who left employment prior to December 31, 2002 and whose funds remain on deposit with the System, an Employee Paid Annuity Reserve representing additional employee contributions made by members pursuant to Government Code section 31627 for the purpose of providing additional benefits and a Contra Account representing the amount of interest credited to the reserve accounts that has not been paid for out of current or excess earnings. A balance in this account is the result of applying the full interest crediting policy of the Board of Retirement and will be replenished in subsequent periods as sufficient earnings allow. The following Table 22 sets for the amounts on deposit in each of the System's reserves as of December 31, 2010, December 31, 2011 and December 31, 2012.

**TABLE 22**  
**ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM**  
**SYSTEM RESERVES**  
**December 31, 2010 through December 31, 2012**  
**(\$ in thousands)**

|                                               | <u>December 31, 2010</u>  | <u>December 31, 2011</u>  | <u>December 31, 2012</u>  |
|-----------------------------------------------|---------------------------|---------------------------|---------------------------|
| Pension Reserve                               | \$4,895,681               | \$5,219,243               | \$5,859,498               |
| Employee Contribution Reserve                 | 1,803,940                 | 1,968,927                 | 2,109,609                 |
| Employer Contribution Reserve                 | 178,676                   | 648,425                   | 1,569,821                 |
| Annuity Reserve                               | 567,384                   | 650,853                   | 769,197                   |
| Health Care Plan Reserve                      | 93,792                    | 107,593                   | 120,725                   |
| County Investment Account Reserve             | 108,531                   | 97,768                    | 103,260                   |
| Unclaimed Fund Reserve                        | 778                       | 130                       | 123                       |
| Employee Paid Annuity Reserve                 | 109                       | 62                        | 16                        |
| Contra Account                                | --                        | --                        | (781,260)                 |
| Supplemental Targeted Adjustment for Retirees |                           |                           |                           |
| Cost of Living Adjustment Reserve             | --                        | --                        | --                        |
| Retired Member Benefit Reserve                | 6                         | --                        | --                        |
| Market Stabilization Reserve                  | <u>915,019</u>            | <u>--</u>                 | <u>--</u>                 |
| <b>Net Position - Total Fund</b>              | <b><u>\$8,563,916</u></b> | <b><u>\$8,693,001</u></b> | <b><u>\$9,750,989</u></b> |

Source: Orange County Employees Retirement System Comprehensive Annual Financial Reports as of December 31, 2011, December 31, 2011 and December 31, 2012.

*The System's Investment Policy.* The Board of Retirement has exclusive control of the investment of the System's assets. Pursuant to the State Constitution, the members of the Board of Retirement are required to diversify the investments of the System so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly not prudent to do so. Except as otherwise expressly restricted by the State Constitution and by law, the Board of Retirement may, in its discretion, invest, or delegate the authority to invest the assets of the fund through the purchase, holding, or sale of any form or

type of investment financial instrument, or financial transaction when prudent in the informed opinion of the Board of Retirement. The System has established a series of procedures and guidelines (the “System Investment Policy”) was most recently amended in June 2012 to guide the System’s investment program. The Board of Retirement has directed the investment consultant to report on the investment returns and market conditions on a quarterly basis and make recommendations on investment policy revisions for the Board of Retirement’s consideration as necessary.

The following Table 23 sets forth the target asset allocations for the System’s investment portfolio and the actual asset allocations as of March 31, 2014.

**TABLE 23**  
**ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM**  
**INVESTMENT ASSET ALLOCATION**

| <b><u>Association’s<br/>Portfolio</u></b> | <b><u>Target<br/>Allocations</u></b> | <b><u>Actual<br/>Allocations</u></b> |
|-------------------------------------------|--------------------------------------|--------------------------------------|
| Domestic Equity Securities                | 12 – 18%                             | 16.4%                                |
| Global Equity Securities                  | 2 – 6                                | 5.0                                  |
| International Equity Securities           | 8 -14                                | 12.5                                 |
| Emerging Markets Equity                   | 4 – 8                                | 4.7                                  |
| Private Equity                            | 3 – 7                                | 3.7                                  |
| Domestic Bonds                            | 10 – 16                              | 13.2                                 |
| Diversified Credit                        | 2 – 10                               | 6.4                                  |
| Real Return                               | 7 – 13                               | 8.5                                  |
| Foreign Bonds                             | 1 – 5                                | 2.6                                  |
| Emerging Market Debt                      | 1 – 5                                | 2.5                                  |
| Absolute Return                           | 11 – 15                              | 13.5                                 |
| Real Estate                               | 8 – 12                               | 8.7                                  |
| Cash and Cash Equivalents                 | 0                                    | 2.3                                  |

Source: Orange County Employees Retirement System – Investment Portfolio Report for March 2014.

The System’s assets are exclusively managed by external professional investment management firms. The Board of Retirement monitors the performance of the managers with the assistance of an external investment consultant. The following Table 24 sets forth the annualized rate of return on investments in the portfolio for calendar years ended December 31, 2004 through December 31, 2012 based upon the valuation value, actuarial value and market value of the investments.

**TABLE 24**  
**ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM**  
**INVESTMENT RESULTS**  
**December 31, 2004 through December 31, 2012**

| <b>Year Ended<br/>December 31</b> | <b>Annualized<br/>Rates of Return<br/>(Valuation Value)</b> | <b>Annualized<br/>Rates of Return<br/>(Actuarial Value)</b> | <b>Annualized<br/>Rates of Return<br/>(Market Value)</b> |
|-----------------------------------|-------------------------------------------------------------|-------------------------------------------------------------|----------------------------------------------------------|
| 2004                              | 8.55%                                                       | 8.35%                                                       | 11.26%                                                   |
| 2005                              | 8.50                                                        | 8.72                                                        | 8.11                                                     |
| 2006                              | 9.68                                                        | 9.71                                                        | 13.17                                                    |
| 2007                              | 10.45                                                       | 10.49                                                       | 11.18                                                    |
| 2008                              | 4.25                                                        | 4.23                                                        | (20.76)                                                  |
| 2009                              | 3.62                                                        | 3.60                                                        | 17.32                                                    |
| 2010                              | 5.02                                                        | 5.02                                                        | 10.47                                                    |
| 2011                              | 3.29                                                        | 3.28                                                        | 0.04                                                     |
| 2012                              | 3.49                                                        | 3.49                                                        | 11.92                                                    |

Source: Orange County Employees Retirement System – 2012 Actuarial Valuation.

**The Authority’s Other Postemployment Benefits.** The Authority’s postemployment defined benefit plan (“OPEB Plan”) is a single-employer plan for full-time employees hired prior to January 1, 2007. Information regarding the Authority’s other postemployment benefits was obtained from the Authority’s Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2013 and the Authority’s Actuarial Valuation with a measurement date as of July 1, 2012 (the “2012 OPEB Actuarial Valuation”). The next biennial Actuarial Valuation will be for the measurement date as of July 1, 2014.

The OPEB Plan provides a monthly grant toward the cost of retirees’ health insurance coverage. The Authority’s OPEB Plan assets are held in a trust account established pursuant to Section 401(h) of the Internal Revenue Code of 1986, as amended, and held separate from the assets of the System except for investment purposes. The Authority current funding policy is to partially prefund for retiree medical benefits through a required employee contribution of 4% of their pay through payroll deductions to the trust accounts. During Fiscal Year 2012-13, there were 528 eligible retirees who received monthly benefits of approximately \$3.0 million in the aggregate.

The 2012 OPEB Valuation used the entry age normal actuarial cost method. The primary actuarial assumptions included in the 2012 OPEB Valuation included a 5.5% rate of return on investments, inflation at a rate of 3.5%, a rate of increase of 5.0% for retiree medical grants, termination rates determined based on actuarial tables from the System, pre-retirement and post-retirement mortality determined based on actuarial tables from the System, 100% of eligible active employees assumed to elect medical coverage at retirement, 65% of future male retirees and 25% of female employees are assumed to be married at retirement or pre-retirement death and male spouses assumed to be 4 years older than female spouses. The UAAL is amortized over 30 years as a level dollar on a closed basis, of which 24 years remained as of 2012 OPEB Actuarial Valuation. The actuarial assessments of set forth in the 2012 OPEB Actuarial Valuation are based upon a

variety of assumptions, one or more of which may prove to be inaccurate or be changed from the date of the valuation or in the future, and will change with the future experience of the OPEB Plan.

The following Table 25 sets forth the UAAL of the Authority’s OPEB Plan as of June 30, 2013 using a 5.5% discount rate.

**TABLE 25**  
**ORANGE COUNTY FIRE AUTHORITY**  
**UNFUNDED ACTUARIAL ACCRUED LIABILITY OF OPEB PLAN**  
**Fiscal Year ended June 30, 2013**  
**(\$ in thousands)**

|                                      |                      |
|--------------------------------------|----------------------|
| Actuarial Accrued Liability          | \$156,623,184        |
| Actuarial Value of Assets            | <u>(28,910,090)</u>  |
| Unfunded Actuarial Accrued Liability | <u>\$127,713,094</u> |

Source: Orange County Fire Authority Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2013.

The following Table 26 sets forth the schedule of funding progress of the Authority’s OPEB Plan as of the most recent actuarial valuation measurement dates of July 1, 2006, July 1, 2008, July 1, 2010, and July 1, 2012.

**TABLE 26**  
**ORANGE COUNTY FIRE AUTHORITY**  
**OPEB PLAN SCHEDULE OF FUNDING PROGRESS**  
**Fiscal Years ended June 30, 2007 through June 30, 2013**  
**(\$ in thousands)**

| <b>Actuarial<br/>Valuation<br/>Date<br/>(July 1)</b> | <b>Actuarial<br/>Valuation of<br/>Assets<br/>(A)</b> | <b>AAL<br/>Entry Age<br/>Normal<br/>(B)</b> | <b>UAAL<br/>(B-A)</b> | <b>Funded Ratio<br/>(A/B)</b> | <b>Covered<br/>Payroll<br/>(C)</b> | <b>UAAL as a<br/>Percentage%<br/>of Covered<br/>Payroll<br/>(B-A)/C</b> |
|------------------------------------------------------|------------------------------------------------------|---------------------------------------------|-----------------------|-------------------------------|------------------------------------|-------------------------------------------------------------------------|
| 2006                                                 | \$ 7,435,632                                         | \$ 60,807,597                               | \$ 53,371,965         | 12.23%                        | \$95,608,358                       | 55.82%                                                                  |
| 2008                                                 | 21,525,051                                           | 94,124,900                                  | 72,599,849            | 22.87                         | 80,624,028                         | 90.05                                                                   |
| 2010                                                 | 21,549,574                                           | 147,709,326                                 | 126,159,752           | 14.59                         | 81,391,495                         | 155.00                                                                  |
| 2012                                                 | 28,910,090                                           | 156,623,184                                 | 127,713,094           | 18.46                         | 75,432,000                         | 169.31                                                                  |

Source: Orange County Fire Authority Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2013.

The Authority's Annual OPEB Cost for Fiscal Year 2012-13 was \$13,689,125. The following Table 27 sets forth the Authority's annual OPEB Cost, the net OPEB obligation subsequent to such contributions and the Authority's OPEB contribution as a percentage of total governmental expenditures for the Fiscal Years ended June 30, 2009 through June 30, 2013.

**TABLE 27**  
**ORANGE COUNTY FIRE AUTHORITY**  
**ANNUAL OPEB COST**  
**Fiscal Years ended June 30, 2009 through June 30, 2013**  
**(\$ in thousands)**

| <b>Fiscal Year Ended (June 30)</b> | <b>Annual OPEB Cost</b> | <b>Contributions</b> | <b>Percentage of Annual OPEB Cost Contributed</b> | <b>Net Increase to Net OPEB Obligation</b> | <b>Cumulative Net OPEB Obligation</b> | <b>Contribution as a Percentage of Total Governmental Expenditures</b> |
|------------------------------------|-------------------------|----------------------|---------------------------------------------------|--------------------------------------------|---------------------------------------|------------------------------------------------------------------------|
| 2009                               | \$ 8,844,871            | \$4,284,213          | 48.4%                                             | \$4,560,658                                | \$ 7,567,064                          | 1.57%                                                                  |
| 2010                               | 8,794,983               | 4,475,727            | 50.9                                              | 4,319,256                                  | 11,886,320                            | 1.72                                                                   |
| 2011                               | 13,303,800              | 4,387,025            | 33.0                                              | 8,916,775                                  | 20,803,095                            | 1.74                                                                   |
| 2012                               | 13,141,576              | 4,557,554            | 34.7                                              | 8,584,022                                  | 29,387,117                            | 1.73                                                                   |
| 2013                               | 13,689,125              | 4,759,104            | 34.8                                              | 8,930,021                                  | 38,317,138                            | 1.61                                                                   |

Sources: Orange County Fire Authority Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2011 with respect to the Fiscal Year ended June 30, 2009, Orange County Fire Authority Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2012 with respect to the Fiscal Year ended June 30, 2010 and Orange County Fire Authority Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2013 with respect to the Fiscal Years ended June 30, 2011 through June 30, 2013 and the Authority.

The Authority's Annual OPEB Cost includes an implicit subsidy for Safety members under the age of 65. Accordingly, actual contributions include implicit insurance premiums paid on behalf of these retirees. The following Table 28 sets forth the components of the Authority's actual contributions for Fiscal Years ended June 30, 2011 through June 30, 2013.

**TABLE 28**  
**ORANGE COUNTY FIRE AUTHORITY**  
**CONTRIBUTIONS TO OPEB PLAN**  
**Fiscal Years ended June 30, 2011 through June 30, 2013**  
**(\$ in thousands)**

|                                                             | <b>Fiscal Year ended June 30, 2011</b> | <b>Fiscal Year ended June 30, 2012</b> | <b>Fiscal Year ended June 30, 2013</b> |
|-------------------------------------------------------------|----------------------------------------|----------------------------------------|----------------------------------------|
| Amounts irrevocable transferred to Trust held by the System | \$3,605,946                            | \$3,670,501                            | \$3,526,937                            |
| Implicit Insurance Premiums Paid on Behalf of Retirees      | 776,859                                | 882,372                                | 1,227,387                              |
| Amounts Paid Directly to Retirees                           | 4,220                                  | 4,681                                  | 4,780                                  |
| <b>Total Actual Contributions</b>                           | <b>\$4,387,025</b>                     | <b>\$4,557,554</b>                     | <b>\$4,759,104</b>                     |

Source: Orange County Fire Authority Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2013.

*The Authority's Retiree Defined Contribution Healthcare Expense Reimbursement Plan.* In September 2006, the Authority created the Orange County Fire Authority Retiree Defined Contribution Healthcare Expense Reimbursement Plan, an employer sponsored defined contribution benefit plan. The Reimbursement Plan provides for the reimbursement of medical dental and other health care expenses of

retirees. The Board of Directors establishes and amends all Reimbursement Plan provisions in conjunction with its negotiated labor contracts and is subject to all applicable requirements of the Myers-Milias-Brown Act and other applicable law. Plan assets are held in trust in a VantageCare Retirement Health Savings Plan that is administered by the International City Management Association Retirement Corporation.

All active, full-time employees who became employed by the Authority on and after January 1, 2007, are required to contribute 4% of their gross pay through payroll deductions to the Authority defined contribution plan. All contributions, investment income, realized and unrealized gains and losses are credited to individual recordkeeping accounts maintained in the name of each Plan participant. Account assets are invested as directed by the participant from among investment funds selected by the Authority. Participants are eligible to receive Plan benefits upon reaching retirement age, including those who terminate with the Authority for other reasons. Required and actual Authority contributions totaled \$1,356,966 for the year ended June 30, 2013.

### **Insurance**

The Authority carries commercial insurance coverage for general liability, property and auto, pollution liability, aviation, public official and auto verifier bonds. In addition, the Authority carries excess coverage for the self-insured workers' compensation. Coverage limits include \$1,000,000 for each occurrence or wrongful act under its general liability coverage up to an aggregate amount of \$2,000,000, management liability up to \$1,000,000 for each wrongful act, auto liability (combined single limit) up to \$1 million and umbrella liability of \$10 million for each occurrence. Coverage limits for property insurance include the scheduled replacement cost for building and contents, \$500,000 for each claim for crimes of employee dishonesty, forgery or alteration or the performance of duty and \$100,000 for the crime of computer fraud. In addition, the Authority carries aircraft hull and liability coverage up to \$50 million, public official bonds up to \$1 million each, auto verifier bonds up to \$5,000 each. There have been no significant changes in insurance coverage as compared to last year, and settlements have not exceeded coverage in each of the past three fiscal years.

The Authority's self-insurance program covers worker's compensation claims up to \$50 million subject to a self-insured retention of \$2 million per incident. Workers' compensation claims in excess of the self-insured level are insured by the California State Association of Counties Excess Insurance Authority ("CSAC-EIA") at statutory limits. Workers' compensation claims are administered by a third-party administrator. As of June 30, 2013, accrued claims and judgments for workers' compensation were \$49,064,929. The amount required to be on deposit in the Authority's self-insured workers' compensation fund is established based on information from an independent actuary which reviews total estimated liabilities to determine the fund's confidence level. The confidence level is, generally, a measure of the probability that the workers' compensation fund will have enough money to cover claims that have been incurred. The Authority's funding policy with respect to workers' compensation requires a confidence level of 60%.

The following Table 29 sets forth the Risk Management Fund’s claims liability amount for self-insurance in Fiscal Years 2008-09 through 2012-13.

**TABLE 29**  
**ORANGE COUNTY FIRE AUTHORITY**  
**RISK MANAGEMENT FUND CLAIMS LIABILITY – SELF INSURANCE**  
**Fiscal Years 2008-09 through 2012-13**  
**(\$ in thousands)**

|                                         | <u>Fiscal Year<br/>2008-09</u> | <u>Fiscal Year<br/>2009-10</u> | <u>Fiscal Year<br/>2010-11</u> | <u>Fiscal Year<br/>2011-12</u> | <u>Fiscal Year<br/>2012-13</u> |
|-----------------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Unpaid claims, Beginning of Fiscal Year | \$14,846,767                   | \$17,649,074                   | \$27,224,600                   | \$29,753,616                   | \$35,798,565                   |
| Prior Period Adjustment                 | 11,783,201                     | 14,007,264                     | --                             | --                             | --                             |
| Incurred Claims                         | 8,789,203                      | 630,421                        | 8,011,264                      | 12,288,305                     | 19,277,576                     |
| Claim Payments                          | <u>(3,462,833)</u>             | <u>(5,062,159)</u>             | <u>(5,482,248)</u>             | <u>(6,243,356)</u>             | <u>(6,011,212)</u>             |
| Unpaid Claims, End of Fiscal Year       | <u>\$31,956,338</u>            | <u>\$27,224,600</u>            | <u>\$29,753,616</u>            | <u>\$35,798,565</u>            | <u>\$49,064,929</u>            |
| Current Portion                         | \$ 4,116,438                   | \$ 4,353,481                   | \$ 5,991,519                   | \$ 7,511,799                   | \$ 8,238,869                   |
| Long-Term Portion                       | <u>27,539,000</u>              | <u>22,871,119</u>              | <u>23,762,097</u>              | <u>28,286,766</u>              | <u>40,064,929</u>              |
| Unpaid Claims, End of Fiscal Year       | <u>\$31,656,338</u>            | <u>\$27,224,600</u>            | <u>\$29,753,616</u>            | <u>\$35,798,565</u>            | <u>\$48,826,060</u>            |

Source: Orange County Fire Authority Comprehensive Annual Financial Reports for Fiscal Years ended June 30, 2009 through June 30, 2013.

**Indebtedness**

**Long-Term Indebtedness.** The Authority’s 2001 Revenue Bonds (Regional Fire Operations and Training Center) (the “2001 Revenue Bonds”) were the only long term bonded indebtedness that has been issued to date by the Authority and the 2001 Revenue Bonds are no longer outstanding. As of the date hereof, the Authority does not presently expect to issue any long-term bonded indebtedness. The Authority never failed to pay any long term indebtedness when due.

**Short-Term Indebtedness.** The Authority’s General Fund expenditures occur in level amounts throughout the fiscal year although revenues are received at various times and amounts throughout the fiscal year, primarily because secured property tax revenues are received around property tax payment dates in December and April and cash contract receipts are received at the end of each quarter. As a result, the General Fund cash balance is negative for a portion of each fiscal year. The Authority adopted a short-term debt policy (the “Short-Term Debt Policy”) in March 2007. Pursuant to the Short-Term Debt Policy, the Authority may use tax and revenue anticipation notes which mature no later than one year after its issuance, use short-term borrowing for temporary funding of operational cash flow deficits, and temporarily use of capital reserves that are funded in excess of planned capital expenditures.

During Fiscal Years 1997-98 through 2008-09, the Authority annually issued tax and revenue anticipation notes, all of which were timely paid when due, and used the proceeds thereof to reduce or eliminate cash flow deficits in its General Fund during each such fiscal year. The Authority has undertaken intrafund borrowing to address cash flow deficits in fiscal years when it has not issued tax and revenue anticipation notes. See “The Notes - Intrafund Borrowing and Cash Flow” and “ – Cash Flow Projections” in the forepart of this Official Statement. The Authority never failed to pay any short term indebtedness when due.

**Lease Obligations.** As of June 30, 2013, the Authority was the lessee under certain capital leases in effect with respect to real property and equipment used by the Authority, including a Master Aircraft Lease Agreement by and between the Authority and SunTrust Equipment Financing & Leasing Group dated December 2008, as amended in November 2011 (the “Aircraft Lease”). The Authority has never failed to pay

any lease obligations when due. The following Table 30 sets forth the minimum lease payments in Fiscal Years 2013-14 through 2018-19 required to be paid by the Authority under Aircraft Lease as of June 30, 2013.

**TABLE 30**  
**ORANGE COUNTY FIRE AUTHORITY**  
**CAPITAL LEASE PAYMENTS – AIRCRAFT LEASE**  
**As of June 30, 2013**

| <u>Fiscal Year</u> | <u>Principal</u>    | <u>Interest</u>  | <u>Total</u>        |
|--------------------|---------------------|------------------|---------------------|
| 2013-14            | \$ 2,219,152        | \$ 312,571       | \$ 2,531,723        |
| 2014-15            | 2,276,963           | 254,760          | 2,531,723           |
| 2015-16            | 2,336,279           | 195,444          | 2,531,723           |
| 2016-17            | 2,397,140           | 134,583          | 2,531,723           |
| 2017-18            | 2,459,589           | 72,134           | 2,531,723           |
| 2018-19            | <u>1,253,718</u>    | <u>12,144</u>    | <u>1,265,862</u>    |
| Total              | <u>\$12,942,841</u> | <u>\$981,636</u> | <u>\$13,924,477</u> |

Source: Orange County Fire Authority Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2013.

**Direct and Overlapping Debt**

Set forth in the following Table 31 on the following page is a direct and overlapping bonded indebtedness report as of May 1, 2014 (the “Debt Report”) which was compiled by California Municipal Statistics, Inc. The Debt Report is included for general information purposes only. The Authority has not reviewed the Debt Report for completeness or accuracy and makes no representations in connection therewith. The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the Authority. Such long-term obligations generally are not payable from revenues of the Authority nor are they necessarily obligations secured by land within the Authority. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

**TABLE 31**  
**ORANGE COUNTY FIRE AUTHORITY**  
**ESTIMATED DIRECT AND OVERLAPPING BONDED DEBT**  
**As of May 1, 2014**

2013-14 Assessed Valuation: \$220,029,986,297

| <u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>                                                          | <u>% Applicable</u> | <u>Debt 5/1/14</u>                 |
|------------------------------------------------------------------------------------------------------|---------------------|------------------------------------|
| The Metropolitan Water District of Southern California                                               | 10.065%             | \$ 13,313,479                      |
| Coast Community College District                                                                     | 10.873              | 68,762,341                         |
| North Orange County Joint Community College District                                                 | 39.616              | 79,722,843                         |
| Rancho Santiago Community College District                                                           | 17.370              | 49,579,226                         |
| Capistrano Unified School District School Facilities Improvement District No. 1                      | 99.989              | 35,106,068                         |
| Los Alamitos Unified School District School Facilities Improvement District No. 1                    | 99.854              | 99,832,777                         |
| Placentia-Yorba Linda Unified School District                                                        | 73.173              | 188,106,837                        |
| Saddleback Valley Unified School District                                                            | 100.000             | 126,840,000                        |
| Santa Ana Unified School District                                                                    | 27.941              | 80,906,396                         |
| Tustin Unified School District School Facilities Improvement District Nos. 2002-1, 2008-1 and 2012-1 | Various             | 141,565,812                        |
| Anaheim Union High School District                                                                   | 31.235              | 31,336,187                         |
| Other School Districts                                                                               | Various             | 227,540,677                        |
| City of San Juan Capistrano                                                                          | 100.000             | 29,965,000                         |
| Irvine Ranch Water District Improvement Districts                                                    | Various             | 472,188,701                        |
| Moulton-Niguel Water District Improvement Districts                                                  | 100.000             | 21,315,000                         |
| Santa Margarita Water District Improvement Districts                                                 | 100.000             | 142,120,000                        |
| South Coast Water District                                                                           | 62.531              | 1,200,595                          |
| County Community Facilities Districts                                                                | 100.000             | 326,014,621                        |
| School Community Facilities Districts                                                                | 100.000             | 921,317,818                        |
| City and Special District Community Facilities Districts                                             | 100.000             | 357,215,000                        |
| 1915 Act Special Assessment Tax Bonds                                                                | 100.000             | <u>850,527,000</u>                 |
| <b>TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT</b>                                                     |                     | <b><u>\$4,264,476,378</u></b>      |
| <br><u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>                                                 |                     |                                    |
| <b>Orange County Fire Authority</b>                                                                  | <b>100.000</b>      | <b>--<sup>(1)</sup></b>            |
| Orange County General Fund Obligations                                                               | 49.732%             | \$ 84,624,469                      |
| Orange County Pension Obligations                                                                    | 49.732              | 40,061,756                         |
| Orange County Board of Education Certificates of Participation                                       | 49.732              | 7,842,736                          |
| Municipal Water District of Orange County Water Facilities Corporation                               | 59.544              | 4,629,546                          |
| Unified School District Certificates of Participation                                                | Various             | 182,202,375                        |
| Union High School Districts Certificates of Participation                                            | Various             | 23,834,112                         |
| Elementary School District General Fund Obligations                                                  | Various             | 22,900,237                         |
| City General Fund Obligations                                                                        | 100.000             | 99,224,640                         |
| Moulton-Niguel Water District Certificates of Participation                                          | 100.000             | 81,795,000                         |
| Other Special District General Fund Obligations                                                      | Various             | <u>290,000</u>                     |
| <b>TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>                                          |                     | <b><u>\$547,404,871</u></b>        |
| Less: Municipal Water District of Orange County Water Facilities Certificates of Participation       |                     | <u>4,629,546</u>                   |
| <b>TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT</b>                                            |                     | <b><u>\$542,775,325</u></b>        |
| <br><u>OVERLAPPING TAX INCREMENT DEBT (Successor Agencies):</u>                                      | <br>0.002-100.000%  | <br>\$491,409,969                  |
| <br>GROSS COMBINED TOTAL DEBT                                                                        |                     | <br>\$5,303,291,218 <sup>(1)</sup> |
| NET COMBINED TOTAL DEBT                                                                              |                     | \$5,298,661,672                    |

<sup>(1)</sup> Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2013-14 Assessed Valuation:

|                                                 |              |
|-------------------------------------------------|--------------|
| Total Overlapping Tax and Assessment Debt ..... | 1.94%        |
| <b>Total Direct Debt .....</b>                  | <b>0.00%</b> |
| Gross Combined Total Debt .....                 | 2.41%        |
| Net Combined Total Debt .....                   | 2.41%        |

Ratios to Redevelopment Incremental Valuation (\$18,274,180,689):

|                                      |       |
|--------------------------------------|-------|
| Total Overlapping Tax Increment Debt | 2.69% |
|--------------------------------------|-------|

Source: California Municipal Statistics, Inc.

## General Fund Financial Statements

Except as noted below, the Authority’s accounting policies and audited financial statements conform to generally accepted accounting principles and standards for public financial reporting established by the Governmental Accounting Standards Board (“GASB”).

The Authority’s basis of accounting for its governmental type funds is the modified accrual basis with revenues being recorded when available and measurable and expenditures being recorded when services or goods are received and with all unpaid liabilities being accrued at year end. The accrual basis of accounting is utilized in the Fiduciary Funds. All of the financial statements contained in this Official Statement, other than the General Fund Cash Flow Schedules, have been prepared as described above.

Funds are accounted for by the Authority are categorized as follows:

| <u>Governmental Funds</u> | <u>Fiduciary Funds</u> |
|---------------------------|------------------------|
| General Fund              | Trust Funds            |
| Capital Projects Funds    |                        |

## OCFA Portfolio

The Board of Directors, acting under Section 53607 of the California Government Code (the “California Government Code”), has delegated to the Treasurer responsibility to invest all surplus moneys of the Authority. Subject to the review of the Board of Directors, the delegation is made for a period of one-year. Amounts held in the treasury are invested in the Authority’s investment portfolio (the “OCFA Portfolio”). The Treasurer invests funds in the OCFA Portfolio in accordance with the Authority’s Investment Policy (the “Investment Policy”) and California Government Code Section 53600 et. seq., Section 53620 et. seq. and Section 5922(d). From time to time bills are proposed in the State Legislature that would modify the currently authorized investments and place restrictions on the ability of local agencies to invest in various securities. Therefore, there can be no assurances that the current investments in the OCFA Portfolio will not vary from the investments described herein or as may be authorized in the future by the California Government Code.

The Treasurer only invests in securities legally allowed by California Government Code and authorized by the Investment Policy. The objectives of the Investment Policy, listed in priority order, are safety, liquidity, and return on investment. The Investment Policy provides that at least 50% of the portfolio is limited to a maturity of 1 year or less and no single investment may have a maturity exceeding 5 years. The Treasurer provides the Board of Directors with a monthly and an annual investment report. The Authority believes that the OCFA Portfolio is prudently invested and that investments therein are scheduled to mature at the times and in the amounts that are necessary to meet the Authority’s expenditures and other scheduled withdrawals.

The Investment Policy allows for purchase of a variety of securities with limitations as to exposure, maturity and rating, varying with each security type. The composition of the OCFA Portfolio will change over time as old investments mature and as new investments are made. Since July 1, 1997, the Authority, in accordance with GASB Statement No. 31, has reported market value for the investments in the OCFA Portfolio annually on its financial statements. Although the market value of certain of the securities in the OCFA Portfolio are less than the Authority’s net book value for those securities, the Authority does not anticipate that it will realize any losses with respect to such investments since the Authority intends to hold such investments until their maturity. However, unexpected withdrawals from the OCFA Portfolio could force the sale of some investments prior to maturity and lead to realization of losses with respect to those investments. Such unexpected withdrawals have not occurred and thus are considered unlikely by the

Authority, based on historical withdrawal patterns relating to the OCFA Portfolio. The OCFA Portfolio represents monies entrusted to the Treasurer by the Authority for all of its funds.

As of March 31, 2014, OCFA Portfolio market-to-book value analysis indicated an unrealized loss of 0.2% because of fluctuations in interest rates. The Authority determines the market value of the OCFA Portfolio monthly but does not mark-to-market. Liquidity in the OCFA Portfolio, consisting of cash, investments in mutual funds and investments in cash equivalents, is approximately 69% as of March 31, 2014. The Authority calculates and apportions interest monthly. The weighted average maturity of the OCFA Portfolio for the month ended March 31, 2014 was about 5.5 months.

The Investment Policy expressly prohibits derivatives, except for indirect investment through the State's Local Agency Fund, reverse repurchase agreements (indirect investment through a pool is allowable up to a maximum of ten percent (10%) of the pool's portfolio), financial futures or financial options and common stocks or corporate bonds.

As of March 31, 2014, approximately 55% of the OCFA Portfolio's portfolio was comprised of securities with a maturity of less than one month, 14% was invested in securities with maturities ranging from one to three months, 7% was invested in securities with maturities ranging from three to six months, and 24% was invested in securities with maturities over one year.

**The Financial Advisor has made no independent investigation of the investments in the OCFA Portfolio and has not assessed the current Investment Policy. The value of the various investments in the OCFA Portfolio will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Therefore, there can be no assurance that the values of the various investments in the OCFA Portfolio will not vary from the values described herein.**

The following Table 33 reflects various information with respect to the OCFA Portfolio as of the close of business on March 31, 2014. As described above, a wide range of investments are authorized under California Government Code, but they are further limited by the current Investment Policy. For additional information concerning Authority investments, see Appendix B – “Audited Financial Statements of the Authority for the Fiscal Year ended June 30, 2013” attached to this Official Statement.

**TABLE 32**  
**ORANGE COUNTY FIRE AUTHORITY**  
**Pooled Investment Fund of the Authority**  
**As of March 31, 2014**

|                                        | <b>Net Market Value<br/>(<u>\$ in thousands</u>)</b> | <b>Percentage of<br/>Portfolio</b> |
|----------------------------------------|------------------------------------------------------|------------------------------------|
| <b>INVESTMENTS</b>                     |                                                      |                                    |
| Money Market Mutual Funds/Cash         | \$ 7,307,391.77                                      | 6.01%                              |
| Commercial Paper Disc. – Amortizing    | 7,997,680.00                                         | 6.58                               |
| Federal Agency Coupon Securities       | 29,102,109.60                                        | 24.12                              |
| Federal Agency Disc. – Amortizing      | 26,998,650.00                                        | 22.19                              |
| Local Agency Investment Funds          | <u>50,015,855.90</u>                                 | <u>41.10</u>                       |
| <b>TOTAL INVESTMENTS<sup>(1)</sup></b> | <b><u>\$121,421,687.27</u></b>                       | <b><u>100.00%</u></b>              |
| <b>CASH</b>                            |                                                      |                                    |
| Passbook/Checking                      | \$ <u>1,480,184.95</u>                               |                                    |
| <b>TOTAL CASH</b>                      | <b><u>\$ 1,480,184.95</u></b>                        |                                    |
| <b>TOTAL CASH AND INVESTMENTS</b>      | <b><u>\$122,901,872.22</u></b>                       |                                    |

Source: Orange County Fire Authority Treasurer.

**STATE OF CALIFORNIA BUDGET AND SUPPLEMENTAL FINANCIAL INFORMATION**

*The following information concerning the State’s budgets has been obtained from publicly available information which the Authority believes to be reliable; however, the Authority takes no responsibility as to the accuracy or completeness thereof and has not independently verified such information. Information about the State Budget is regularly available at various State-maintained websites. Text of the State budget may be found at the Department of Finance website, [www.dof.ca.gov](http://www.dof.ca.gov), under the heading “California Budget.” An impartial analysis of the State’s budget is posted by the Legislative Analyst’s Office (the “LAO”) at [www.lao.ca.gov](http://www.lao.ca.gov). In addition, certain State official statements, many of which contain a summary of the current and past State budgets, may be found at the website of the State Treasurer, [www.treasurer.ca.gov](http://www.treasurer.ca.gov) and the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System, [emma.msrb.org](http://emma.msrb.org). The information referred to on the website of the State Treasurer is prepared by the State and not by the Authority, and the Authority takes no responsibility for the continued accuracy of the internet address of the State Treasurer or for the accuracy, if any, or timeliness of information posted there, and such information is not incorporated herein by these references.*

**State Budget for Fiscal Year 2013-14**

On June 28, 2013, the Governor approved the State Budget Act for Fiscal Year 2013-14 (the “Fiscal Year 2013-14 State Budget Act”), which projects Fiscal Year 2012-13 general fund revenues and transfers of \$98.20 billion, total expenditures of \$95.67 billion and a year-end surplus of \$872 million (net of the \$1.66 billion deficit from fiscal year 2011-12), of which \$618 million would be reserved for the liquidation of encumbrances and \$254 million would be deposited in a reserve for economic uncertainties. The Fiscal Year 2013-14 State Budget Act projects Fiscal Year 2013-14 general fund revenues and transfers of \$97.10 billion, total expenditures of \$96.28 billion and a year-end surplus of \$1.69 billion (inclusive of the projected \$872 million State General Fund balance as of June 30, 2013 which would be available for Fiscal Year 2013-14), of which \$618 million would be reserved for the liquidation of encumbrances and \$1.07 billion would be deposited in a reserve for economic uncertainties. The Fiscal Year 2013-14 State Budget Act states that the State’s budget is projected to remain balanced for the foreseeable futures, but cautions that substantial risks, uncertainties and liabilities remain. The Fiscal Year 2013-14 State Budget Act

dedicates several billion dollars to the repayment of previous budgetary borrowing and projects that outstanding budgetary borrowing will be reduced to approximately \$4.7 billion as of June 30, 2017 from \$26.9 billion as of June 30, 2013.

### **State Budget for Fiscal Year 2014-15**

***Fiscal Year 2014-15 Proposed State Budget.*** On January 9, 2014, Governor Brown released the 2014-15 Proposed Budget (the “Fiscal Year 2014-15 Proposed State Budget”), which projects Fiscal Year 2013-14 general fund revenues and transfers of \$100.15 billion, total expenditures of \$98.46 billion and a year-end surplus of \$4.21 billion, of which \$955 million would be reserved for liquidation of encumbrances and \$3.26 billion would be deposited in a reserve for economic uncertainties. The Fiscal Year 2014-15 Proposed State Budget projects Fiscal Year 2014-15 general fund revenues and transfers of \$104.5 billion, total expenditures of \$106.79 billion and a year-end surplus of \$1.92 billion, of which \$955 million would be reserved for liquidation of encumbrances and \$967 million would be deposited in a reserve for economic uncertainties.

The Fiscal Year 2014-15 Proposed State Budget also proposes a deposit of \$1.59 billion into the State’s Budget Stabilization Account (the “Rainy Day Fund”) which was established pursuant to Proposition 58 (2004). Proposition 58 (2004) requires the State to direct 3% of annual revenues into the Rainy Day Fund although the State has suspended the transfer during Fiscal Years 2008-09 through 2012-13. The Fiscal Year 2014-15 Proposed State Budget proposes to amend the State Constitution in order to change the formula by which the Rainy Day Fund is funded. The proposed amendment will be placed on ballot for the November 2014 Statewide election. If approved, the State will deposit funds into the Rainy Day Fund when capital gains revenues rise to more than 6.5% of General Fund tax revenues. In addition, the State will establish a reserve for Proposition 98 funds which the State would use to save funds to be allocated in years in which there were declines in General Fund revenues. If approved, the amendment would increase the maximum size of the Rainy Day Fund to 10% of revenues from the 5% of revenues established by Proposition 58 (2004). If approved, the amendment would allow supplemental payments to reduce the State’s existing debts, deferrals, budgetary obligations and other long-term liabilities in lieu of a year’s deposit and would limit that maximum amount that could be withdrawn from the Rainy Day fund in the first year of a recession to 50% of the Rainy Day Fund’s balance.

***LAO Analysis of the Fiscal Year 2014-15 Proposed State Budget.*** On January 13, 2014, the Legislative Analyst’s Office (“LAO”) released a report entitled “The 2014-15 Budget: Overview of the Governor’s Budget” (the “2014 LAO Budget Overview”), which provides an analysis by the LAO of the Fiscal Year 2014-15 Proposed State Budget. The 2014 LAO Budget Overview is available on the LAO website at [www.lao.ca.gov](http://www.lao.ca.gov). Information on the website is not incorporated herein by reference. The 2014 LAO Budget Overview states that the State has made substantial progress in recent years in addressing its prior, persistent budgetary problems. This progress has been facilitated by a recovering economy, increases in the stock market and increased revenues from temporary taxes pursuant to Proposition 30. In addition, the LAO states that by making relatively few ongoing new spending commitments outside of Proposition 98, the Governor is attempting to minimize, as much as possible, future budget pressures that could result from making such new commitments today. The LAO states that the Governor’s emphasis on debt repayment is prudent, and that overall, the Fiscal Year 2014-15 Proposed State Budget, if approved, would place California on a stronger fiscal footing. The LAO agrees with the Governor’s proposals to set aside money while revenues are robust, but cautions that any formula-based proposal merits careful legislative consideration. The LAO also suggests setting aside State funds beginning in Fiscal Year 2013-14 in anticipation of a future long-term plan to fund CalSTRS’ large unfunded liabilities.

***May Revision to the Fiscal Year 2014-15 Proposed State Budget.*** [To Come]

## **Additional Information; Future State Budgets**

Information about the State budget and State spending for subdivisions of the State, such as the Authority, which receive a portion of their revenues through the State, is regularly available at various State-maintained websites. Text of the State budget may be found at the website of the Department of Finance, [www.dof.ca.gov](http://www.dof.ca.gov), under the heading “California Budget”. Various analyses of the State budget may be found at the website of the LAO at [www.lao.ca.gov](http://www.lao.ca.gov). In addition, certain State official statements, many of which contain a summary of the current and past State budgets and the impact of those State budgets on counties in the State, may be found via the website of the State Treasurer, [www.treasurer.ca.gov](http://www.treasurer.ca.gov) and through the website of the MSRB’s EMMA System, [emma.msrb.org](http://emma.msrb.org). The information presented in these websites is not incorporated by reference in this Official Statement.

The Authority receives a portion of its funding from the State. Changes in the revenues received by the State can affect the amount of funding, if any, to be received from the State by the Authority and other public agencies in the State. The Authority cannot predict what actions will be taken in the current year or future years by voters in the State, the State Legislature, and the Governor to address future State budget deficits or surpluses. Future State budgets will be affected by national and State economic conditions and other factors over which the Authority has no control. To the extent that the State budget process results in reduced revenues to the Authority, the Authority will be required to make adjustments to its budgets.

## DEMOGRAPHIC INFORMATION

*The Authority is located in Orange County, California. The following is demographic information for Orange County and the member Cities and unincorporated areas of the Authority and is provided for general informational purposes only. The Notes are not obligations of the County or any member City.*

### Population

The following Table 33 sets forth the estimates of the population of the County and the Member Cities as of January 1 for calendar years 2009 through 2013. The County's population was approximately 3,081,804 as of January 1, 2013, which is an approximate 0.8% increase from January 1, 2012.

**Table 33**  
**ORANGE COUNTY FIRE AUTHORITY**  
**POPULATION OF ORANGE COUNTY AND MEMBER CITIES AND**  
**UNINCORPORATED AREAS OF ORANGE COUNTY**  
**(As of January 1)**

| <u>Area</u>            | <u>2009</u>      | <u>2010</u>      | <u>2011</u>      | <u>2012</u>      | <u>2013</u>      |
|------------------------|------------------|------------------|------------------|------------------|------------------|
| Aliso Viejo            | 46,751           | 47,411           | 48,303           | 49,025           | 49,477           |
| Buena Park             | 79,923           | 80,477           | 80,858           | 81,515           | 81,953           |
| Cypress                | 47,542           | 47,750           | 47,901           | 48,305           | 48,547           |
| Dana Point             | 33,485           | 33,403           | 33,424           | 33,690           | 33,863           |
| Irvine                 | 207,380          | 212,177          | 218,353          | 223,870          | 231,117          |
| Laguna Hills           | 30,494           | 30,396           | 30,333           | 30,564           | 30,703           |
| Laguna Niguel          | 62,878           | 63,005           | 63,221           | 63,734           | 64,065           |
| Laguna Woods           | 16,190           | 16,242           | 16,303           | 16,427           | 16,500           |
| Lake Forest            | 76,817           | 77,200           | 77,481           | 78,089           | 78,501           |
| La Palma               | 15,506           | 15,561           | 15,594           | 15,711           | 15,818           |
| Los Alamitos           | 11,458           | 11,454           | 11,473           | 11,565           | 11,626           |
| Mission Viejo          | 93,458           | 93,394           | 93,472           | 94,262           | 94,824           |
| Placentia              | 50,219           | 50,515           | 50,658           | 51,119           | 51,776           |
| Rancho Santa Margarita | 47,723           | 47,853           | 47,941           | 48,311           | 48,550           |
| San Clemente           | 63,510           | 63,562           | 63,735           | 64,252           | 64,542           |
| San Juan Capistrano    | 34,428           | 34,594           | 34,732           | 35,046           | 35,321           |
| Santa Ana              | 325,564          | 325,036          | 325,422          | 327,988          | 329,915          |
| Seal Beach             | 23,933           | 23,864           | 24,212           | 24,371           | 24,487           |
| Stanton                | 37,933           | 38,166           | 38,313           | 38,524           | 38,764           |
| Tustin                 | 74,340           | 75,400           | 75,772           | 76,618           | 77,983           |
| Villa Park             | 5,824            | 5,817            | 5,823            | 5,871            | 5,900            |
| Westminster            | 88,967           | 89,694           | 89,926           | 90,738           | 91,169           |
| Yorba Linda            | 63,633           | 64,118           | 64,847           | 65,821           | 66,437           |
| Subtotal               | <u>2,871,238</u> | <u>2,888,015</u> | <u>2,907,371</u> | <u>2,938,100</u> | <u>2,961,408</u> |
| Unincorporated County  | <u>119,567</u>   | <u>120,840</u>   | <u>121,475</u>   | <u>119,779</u>   | <u>120,396</u>   |
| County Total           | <u>2,990,805</u> | <u>3,008,855</u> | <u>3,028,846</u> | <u>3,057,879</u> | <u>3,081,804</u> |

Sources: California Department of Finance.

## Major Industries

The following Table 34 sets forth the employment by industry in the County.

**TABLE 34  
ORANGE COUNTY  
EMPLOYMENT BY INDUSTRY  
2013 Annual Averages**

| <u>Industry</u>                            | <u>2013<br/>Annual<br/>Average<br/>Employment</u> | <u>2013<br/>Percentage<br/>of County<br/>Employment<sup>(1)</sup></u> | <u>2013<br/>Percentage<br/>of County Total<br/>Labor Force<sup>(1)</sup></u> |
|--------------------------------------------|---------------------------------------------------|-----------------------------------------------------------------------|------------------------------------------------------------------------------|
| Professional and Business Services         | 264,500                                           | 16.4%                                                                 | 17.5%                                                                        |
| Leisure and Hospitality                    | 187,800                                           | 11.7                                                                  | 12.4%                                                                        |
| Manufacturing                              | 157,900                                           | 9.8                                                                   | 10.5%                                                                        |
| Health Care Services                       | 156,400                                           | 9.7                                                                   | 10.4%                                                                        |
| Government                                 | 148,300                                           | 9.2                                                                   | 9.8%                                                                         |
| Retail Trade                               | 145,700                                           | 9.0                                                                   | 9.6%                                                                         |
| Finance, Insurance & Real Estate           | 112,500                                           | 7.0                                                                   | 7.4%                                                                         |
| Wholesale Trade                            | 79,200                                            | 4.9                                                                   | 5.2%                                                                         |
| Construction, Natural Resources and Mining | 77,800                                            | 4.8                                                                   | 5.2%                                                                         |
| Transportation, Warehousing and Utilities  | 27,900                                            | 1.7                                                                   | 1.8%                                                                         |
| Agriculture                                | 3,000                                             | 0.2                                                                   | 0.2%                                                                         |

Source: State of California Employment Development Department, 2013 Benchmark.

<sup>(1)</sup> Percentages based on data as of April 2014.

## Major Employers

The following Table 35 sets forth the major employers headquartered or located in the County and their estimated full-time equivalent (“FTE”) employment levels.

**Table 35**  
**ORANGE COUNTY**  
**MAJOR EMPLOYERS**  
**Fiscal Year 2012-13**

| <u>Employer</u>                  | <u>Product or Service</u> | <u>Estimated FTE Employment</u> |
|----------------------------------|---------------------------|---------------------------------|
| Walt Disney Co.                  | Entertainment             | 25,000                          |
| University of California, Irvine | Education                 | 21,800                          |
| County of Orange                 | Government                | 17,257                          |
| St. Joseph Health System         | Healthcare                | 11,679                          |
| Boeing Co.                       | Aerospace                 | 6,873                           |
| Kaiser Permanente                | Healthcare                | 6,300                           |
| Bank of America Corporation      | Financial Services        | 6,000                           |
| Memorial Care Health System      | Healthcare                | 5,545                           |
| Target Corporation               | Retail                    | 5,400                           |
| Cedar Fair LP                    | Entertainment             | 5,200                           |

---

Source: Orange County Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2013.

## Labor Force

The following Table 36 sets forth employment by industry group and labor force figures for the County and employment and the unemployment rate in the County from 2009 through 2013.

**TABLE 36**  
**ORANGE COUNTY**  
**INDUSTRY EMPLOYMENT, EMPLOYMENT AND UNEMPLOYMENT**  
**ANNUAL AVERAGES**  
**2009 through 2013**  
**(in thousands)**

| <u>Industry Employment</u>                            | <u>2009</u>    | <u>2010</u>    | <u>2011</u>    | <u>2012</u>    | <u>2013</u>    |
|-------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Natural Resources and Mining                          | 0.5            | 0.5            | 0.5            | 0.5            | 0.5            |
| Total Farm                                            | 3.8            | 3.7            | 3.2            | 2.8            | 3.0            |
| Construction                                          | 74.2           | 68.0           | 69.2           | 71.4           | 77.3           |
| Manufacturing                                         | 154.8          | 150.4          | 154.2          | 158.2          | 157.9          |
| Wholesale Trade                                       | 79.4           | 77.6           | 77.0           | 76.9           | 79.2           |
| Retail Trade                                          | 143.0          | 141.3          | 142.5          | 143.9          | 145.7          |
| Transportation, Warehousing and Utilities             | 27.8           | 26.7           | 27.5           | 28.0           | 27.9           |
| Information                                           | 27.3           | 24.8           | 23.8           | 24.3           | 25.4           |
| Finance and Insurance                                 | 70.6           | 69.4           | 71.1           | 73.7           | 76.6           |
| Real Estate and Rental and Leasing                    | 34.5           | 34.1           | 33.6           | 34.5           | 35.9           |
| Professional and Business Services                    | 240.9          | 244.7          | 247.3          | 259.9          | 264.5          |
| Educational and Health Services                       | 161.3          | 165.5          | 168.0          | 173.8          | 181.9          |
| Leisure and Hospitality                               | 169.1          | 168.6          | 174.0          | 180.6          | 187.8          |
| Other Services                                        | 42.6           | 42.2           | 43.2           | 44.6           | 45.5           |
| Government                                            | <u>156.6</u>   | <u>152.3</u>   | <u>149.3</u>   | <u>147.9</u>   | <u>148.3</u>   |
| Total Wage and Salary Employment <sup>(1)(2)(3)</sup> | <u>1,386.5</u> | <u>1,369.7</u> | <u>1,384.4</u> | <u>1,420.9</u> | <u>1,457.2</u> |
| Civilian Labor Force <sup>(4)</sup>                   | 1,587.9        | 1,580.1        | 1,603.7        | 1,613.6        | 1,610.9        |
| Civilian Employment                                   | 1,446.9        | 1,428.9        | 1,464.4        | 1,491.6        | 1,510.6        |
| Unemployment                                          | 141.0          | 151.2          | 139.3          | 122.0          | 100.4          |
| Unemployment Rate                                     | 8.9            | 9.6            | 8.7            | 7.6            | 6.2            |

Source: State of California Employment Development Department. 2013 Benchmark.

(1) Totals may not equal sum of component parts due to rounding. All information updated per 2013 Benchmark.

(2) The State Employment Development Department has reported a seasonally adjusted unemployment rate within the County of 5.8% for February 2014.

(3) Based on place of work.

(4) Based on place of residence.

## Personal Income

The following Table 37 sets forth the per capita personal income for the County, the State and the United States of America from 2009 through 2013.

**TABLE 37**  
**PER CAPITA PERSONAL INCOME<sup>(1)</sup>**  
**Calendar Years 2009 through 2013**

| <u>Year</u> | <u>Orange County</u> | <u>State of California</u> | <u>United States of America</u> |
|-------------|----------------------|----------------------------|---------------------------------|
| 2009        | \$48,841             | \$41,569                   | \$39,357                        |
| 2010        | 48,769               | 42,297                     | 40,163                          |
| 2011        | 50,642               | 44,666                     | 42,298                          |
| 2012        | 52,342               | 46,477                     | 43,735                          |
| 2013        | N/A                  | 47,401                     | 44,543                          |

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

<sup>(1)</sup> Per capital personal income was computed using Census Bureau midyear population estimates. Estimates reflect County and State population estimates available as of November 2013.

## Commercial Activity

The following Table 38 sets forth taxable sales in the County for calendar years 2009 through 2012.

**TABLE 38**  
**ORANGE COUNTY**  
**TAXABLE SALES**  
**Calendar Years 2009 through 2012**  
**(in thousands)**

| <u>Type of Business</u>                           | <u>2009</u><br><u>Annual</u> | <u>2010</u><br><u>Annual</u> | <u>2011</u><br><u>Annual</u> | <u>2012</u><br><u>Annual</u> |
|---------------------------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Retail and Food Services                          |                              |                              |                              |                              |
| Motor Vehicle and Parts Dealers                   | \$ 4,902,480                 | \$ 5,244,266                 | \$ 5,777,582                 | \$ 6,551,466                 |
| Furniture and Home Furnishings Stores             | 850,889                      | 869,868                      | 909,455                      | 965,018                      |
| Electronics and Appliance Stores                  | 1,978,869                    | 2,058,383                    | 2,319,992                    | 2,536,415                    |
| Building Materials, Garden Equipment and Supplies | 2,039,686                    | 2,112,467                    | 2,267,363                    | 2,351,574                    |
| Food and Beverage Stores                          | 1,894,642                    | 1,911,192                    | 1,990,893                    | 2,056,803                    |
| Health and Personal Care Stores                   | 784,067                      | 824,719                      | 894,003                      | 948,220                      |
| Gasoline Stations                                 | 3,383,678                    | 3,801,651                    | 4,826,228                    | 5,063,762                    |
| Clothing and Clothing Accessories Stores          | 2,742,626                    | 2,923,680                    | 3,164,857                    | 3,510,757                    |
| Sporting Goods, Hobby, Book & Music Stores        | 1,074,579                    | 1,075,996                    | 1,101,159                    | 1,133,702                    |
| General Merchandise Stores                        | 4,376,154                    | 4,527,201                    | 4,771,143                    | 5,026,911                    |
| Miscellaneous Store Retailers                     | 1,625,880                    | 1,611,739                    | 1,656,162                    | 1,738,855                    |
| Non-store Retailers                               | 484,692                      | 481,563                      | 459,841                      | 635,707                      |
| Food Services and Drinking Places                 | <u>5,024,379</u>             | <u>5,109,383</u>             | <u>5,449,117</u>             | <u>5,853,267</u>             |
| Total Retail and Food Services                    | <u>\$31,162,619</u>          | <u>\$32,552,107</u>          | <u>\$35,587,795</u>          | <u>\$38,372,456</u>          |
| All Other Outlets                                 | <u>\$14,550,164</u>          | <u>\$15,115,073</u>          | <u>\$16,143,344</u>          | <u>\$16,858,156</u>          |
| Total All Outlets <sup>(1)</sup>                  | <u>\$45,712,784</u>          | <u>\$47,667,179</u>          | <u>\$51,731,139</u>          | <u>\$55,230,612</u>          |

Source: California State Board of Equalization, Taxable Sales in California.

<sup>(1)</sup> Total may not equal sum of component parts due to rounding.

## Construction Activity

The following Table 39 sets forth a summary of building permit valuations for the County for calendar years 2008 through 2012.

**TABLE 39**  
**ORANGE COUNTY**  
**BUILDING PERMIT VALUATIONS<sup>(1)</sup>**  
**2008 through 2012**  
**(\$ in thousands)**

|                     | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|---------------------|-------------|-------------|-------------|-------------|-------------|
| Valuations:         |             |             |             |             |             |
| Residential         |             |             |             |             |             |
| Nonresidential      |             |             |             |             |             |
| Total               |             |             |             |             |             |
| <br>                |             |             |             |             |             |
| New Dwelling Units: |             |             |             |             |             |
| Single Family       |             |             |             |             |             |
| Multiple Family     |             |             |             |             |             |
| Total               |             |             |             |             |             |

---

Sources: Construction Industry Research Board (2007-2010), California Homebuilding Foundation (2011-2012).

<sup>(1)</sup> Amounts not adjusted for inflation. Amounts not seasonally adjusted.

[THIS PAGE INTENTIONALLY LEFT BLANK]

**DISCUSSION CALENDAR - AGENDA ITEM NO. 6**  
**BUDGET AND FINANCE COMMITTEE MEETING**  
**May 14, 2014**

TO: Budget and Finance Committee, Orange County Fire Authority

FROM: Lori Zeller, Assistant Chief  
Business Services

SUBJECT: **Rosenow Spevacek Group, Inc. (RSG) Final Property Tax Revenue Projections**

Summary:

This item is submitted to provide RSG's final report on five-year property tax revenue projections.

Recommended Action:

Receive and file the report.

Background:

The Orange County Fire Authority has contracted with the firm of RSG for eighteen years to project the anticipated "Structural Fire Fund (SFF)" property tax revenues from our fifteen (15) structural fire fund cities and the County unincorporated areas. These projections are used for long-term financial planning and budgeting.

Historically, RSG's method of projecting SFF property tax revenue has been rather straightforward – increase the value of existing structures by the Constitutional maximum of 2%, adjust these values to account for increases in value due to resales, and add in the value of new development. In years past, this method has generally yielded conservative estimates of property tax receipts, with actual revenue growth usually exceeding the projection (Attachment 1).

However, during the recent recession, new techniques were required. RSG had to predict what appreciation (or depreciation) rate might be set by the State Board of Equalization (BoE), how the County Assessor might reassess existing structures, and whether resales might actually decrease assessed values. With so many unknown factors and no comparable historical benchmark to follow, RSG developed several models to forecast our revenue. Initially they overstated the revenue change (FY 08/09 and 09/10), but then returned to their usual pattern of conservative projections (FY 10/11 and 11/12).

On December 31, 2013, the BoE set the statewide appreciation rate at 0.454%, applicable to FY 14/15 revenue. In addition, for all the SFF jurisdictions, the resale of existing properties and new construction has resulted in positive gains in valuation. Together, the statewide appreciation rate and their analysis of economic data lead RSG to set the FY 14/15 growth factor at 1.00% to which the new construction and resale values were added, generating the FY 14/15 forecasted secured property tax growth of 3.379%. For the outer years, RSG anticipates secured property tax revenues to grow by 3.75% in FY 15/16, 3.45% in FY 16/17, 3.65% in FY 17/18, and 3.63% in FY 18/19.

The bulk of unsecured value is comprised of business property. These assets are more susceptible to variations in valuation, can be moved from one jurisdiction to another, and are not included in the Teeter Plan. Therefore, although unsecured revenues declined by 0.60% in FY 13/14 overall (with some jurisdictions showing an increase and others showing a decrease), RSG projects unsecured property tax revenue to remain unchanged during the forecast years.

Impact to Cities/County:

Since property taxes account for approximately 64% of OCFA's General Fund revenue, these projections impact the level of financial resources available to provide operational resources to OCFA's member cities and the county.

Fiscal Impact:

The fiscal impact of these projections is described in a separate agenda item, titled "Review of the 2014/15 Draft Proposed Budget."

Staff Contacts for Further Information:

Stuart Lam, Budget Analyst  
Treasury & Financial Planning  
[StuartLam@ocfa.org](mailto:StuartLam@ocfa.org)  
(714) 573-6311

Deborah Gunderson, Budget Manager  
Treasury & Financial Planning  
[DeborahGunderson@ocfa.org](mailto:DeborahGunderson@ocfa.org)  
(714) 573-6302

Attachments:

1. Historical Trends in RSG Secured Property Tax Revenue Growth Projections vs. Actual Secured Property Tax Growth
2. Five-Year Revenue Projections for OCFA Fire Fund Jurisdictions

**Historical Trends in Budgeted Secured Property Tax Revenue Based on RSG Projections  
vs. Actual Secured Property Tax Receipts  
(Dollars in millions)**

|             | <b>FY 04/05</b> | <b>FY 05/06</b> | <b>FY 06/07</b> | <b>FY 07/08</b> | <b>FY 08/09</b> | <b>FY 09/10</b> | <b>FY 10/11</b> | <b>FY 11/12</b> | <b>FY 12/13</b> | <b>FY 13/14</b> |
|-------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| 2004 Report | \$121.4         | \$130.5         | \$137.1         | \$142.0         | \$146.2         |                 |                 |                 |                 |                 |
| 2005 Report |                 | \$132.6         | \$139.2         | \$145.0         | \$151.4         | \$157.1         |                 |                 |                 |                 |
| 2006 Report |                 |                 | \$149.3         | \$157.7         | \$172.3         | \$187.5         | \$201.0         |                 |                 |                 |
| 2007 Report |                 |                 |                 | \$162.3         | \$174.3         | \$189.2         | \$205.2         | \$216.8         |                 |                 |
| 2008 Report |                 |                 |                 |                 | \$175.4         | \$181.3         | \$188.1         | \$195.6         | \$204.6         |                 |
| 2009 Report |                 |                 |                 |                 |                 | \$172.5         | \$174.8         | \$176.7         | \$181.7         | \$187.8         |
| 2010 Report |                 |                 |                 |                 |                 |                 | \$165.7         | \$164.4         | \$165.1         | \$167.4         |
| 2011 Report |                 |                 |                 |                 |                 |                 |                 | \$168.4         | \$170.2         | \$174.8         |
| 2012 Report |                 |                 |                 |                 |                 |                 |                 |                 | \$171.0         | \$173.2         |
| 2013 Report |                 |                 |                 |                 |                 |                 |                 |                 |                 | \$177.7         |
| Actual      | \$123.2         | \$137.1         | \$151.9         | \$168.1         | \$173.5         | \$169.7         | \$168.2         | \$169.8         | \$172.9         | \$179.4 *       |
| Difference  | \$1.8           | \$4.5           | \$2.6           | \$5.8           | (\$1.9)         | (\$2.8)         | \$2.5           | \$1.4           | \$1.9           | \$1.7           |

\* - Estimated based on actual receipts received through March 31, 2014.



**ORANGE COUNTY FIRE AUTHORITY  
STRUCTURAL FIRE FUND**

**2013-14 FIVE YEAR PROPERTY TAX REVENUE  
PROJECTIONS**

April 11, 2014

**ORANGE COUNTY FIRE AUTHORITY  
2013-14 PROPERTY TAX REVENUE PROJECTIONS**

|                                                               |            |
|---------------------------------------------------------------|------------|
| <b>ORANGE COUNTY FIRE AUTHORITY STRUCTURAL FIRE FUND</b>      | <b>1</b>   |
| <b>2013-14 FIVE YEAR PROPERTY TAX REVENUE PROJECTIONS</b>     | <b>1</b>   |
| <b>INTRODUCTION &amp; REVENUE SUMMARY</b>                     | <b>1</b>   |
| <b>APPROACH &amp; METHODOLOGY</b>                             | <b>5</b>   |
| <b>APPROACH</b>                                               | <b>5</b>   |
| <b>METHODOLOGY</b>                                            | <b>5</b>   |
| REVENUE SOURCES NOT CONTEMPLATED IN PROJECTIONS               | 6          |
| <b>2013-14 ASSESSED VALUATIONS AND TAX RATES</b>              | <b>7</b>   |
| <b>NEW VALUATION FROM CONSTRUCTION AND SALES TRANSACTIONS</b> | <b>8</b>   |
| SUMMARY OF NEW CONSTRUCTION                                   | 8          |
| ASSUMPTIONS FOR NEW VALUES FROM CONSTRUCTION                  | 9          |
| RESALES                                                       | 11         |
| NON-RECORDED TRANSACTIONS                                     | 11         |
| <b>PROPOSITION 8 REASSESSMENTS &amp; ASSESSMENT APPEALS</b>   | <b>12</b>  |
| <b>ASSESSOR-INITIATED REASSESSMENTS</b>                       | <b>12</b>  |
| <b>PROPERTY OWNER ASSESSMENT APPEALS</b>                      | <b>12</b>  |
| SECURED ASSESSMENT APPEALS                                    | 14         |
| UNSECURED ASSESSMENT APPEALS                                  | 14         |
| <b>ANNUAL GROWTH RATES</b>                                    | <b>16</b>  |
| <b>ECONOMIC FORECASTS/INDICATORS</b>                          | <b>16</b>  |
| UCLA FORECAST                                                 | 16         |
| CHAPMAN FORECAST                                              | 16         |
| CALIFORNIA STATE UNIVERSITY, FULLERTON 2014 ECONOMIC FORECAST | 17         |
| WELLS FARGO FORECAST                                          | 17         |
| <b>SECURED GROWTH RATES</b>                                   | <b>18</b>  |
| FISCAL YEAR 2014-15                                           | 18         |
| FISCAL YEARS 2015-16 AND 2016-17                              | 18         |
| FISCAL YEARS 2017-18 AND 2018-19                              | 19         |
| UNSECURED GROWTH RATES                                        | 19         |
| <b>DELINQUENCIES, REFUNDS AND NET CHANGE FACTORS</b>          | <b>19</b>  |
| <b>CONCLUSION</b>                                             | <b>20</b>  |
| DISCLAIMER                                                    | 20         |
| <b>APPENDIX A</b>                                             | <b>A-1</b> |

ORANGE COUNTY FIRE AUTHORITY  
2013-14 PROPERTY TAX REVENUE PROJECTIONS

|                   |            |
|-------------------|------------|
| <b>APPENDIX B</b> | <b>B-1</b> |
| <b>APPENDIX C</b> | <b>C-1</b> |
| <b>APPENDIX D</b> | <b>D-1</b> |
| <b>APPENDIX E</b> | <b>E-1</b> |

---

## **INTRODUCTION & REVENUE SUMMARY**

---

The Orange County Fire Authority (“OCFA”) has retained the services of Rosenow Spevacek Group (“RSG”) to prepare five-year property tax revenue projections (“Report” or “Projections”) for the OCFA’s Structural Fire Fund. The Projections are designed to assist OCFA in its long-term planning and budgeting process by providing a forecast of OCFA’s potential ad valorem property tax revenues for fiscal years 2013-14 through 2018-19. Ad valorem property tax revenues are projected based upon OCFA’s fiscal year 2013-14 share of the 1% general tax levy applied to the forecasted change in assessed valuations. Key factors analyzed in this Report which affect future assessed valuations include:

- Real property sales for 2013 and through March 2014
- New building improvements
- Proposition 8 reassessments
- Applied growth rates

This analysis excludes revenues from redevelopment project area except those revenues derived from base year values.

The Structural Fire Fund member jurisdictions (“Jurisdictions”), from which OCFA receives a portion of the ad valorem property taxes, include 15 Orange County cities and the County’s unincorporated territory. The Jurisdictions are:

- |                 |                                |
|-----------------|--------------------------------|
| ▪ Aliso Viejo   | ▪ La Palma                     |
| ▪ Cypress       | ▪ Los Alamitos                 |
| ▪ Dana Point    | ▪ Mission Viejo                |
| ▪ Irvine        | ▪ Rancho Santa Margarita       |
| ▪ Laguna Hills  | ▪ San Juan Capistrano          |
| ▪ Laguna Niguel | ▪ Villa Park                   |
| ▪ Laguna Woods  | ▪ Yorba Linda                  |
| ▪ Lake Forest   | ▪ Orange County Unincorporated |

**Figure A**  
**OCFA Proportional Revenue by Jurisdiction**  
**FY 2013-14**

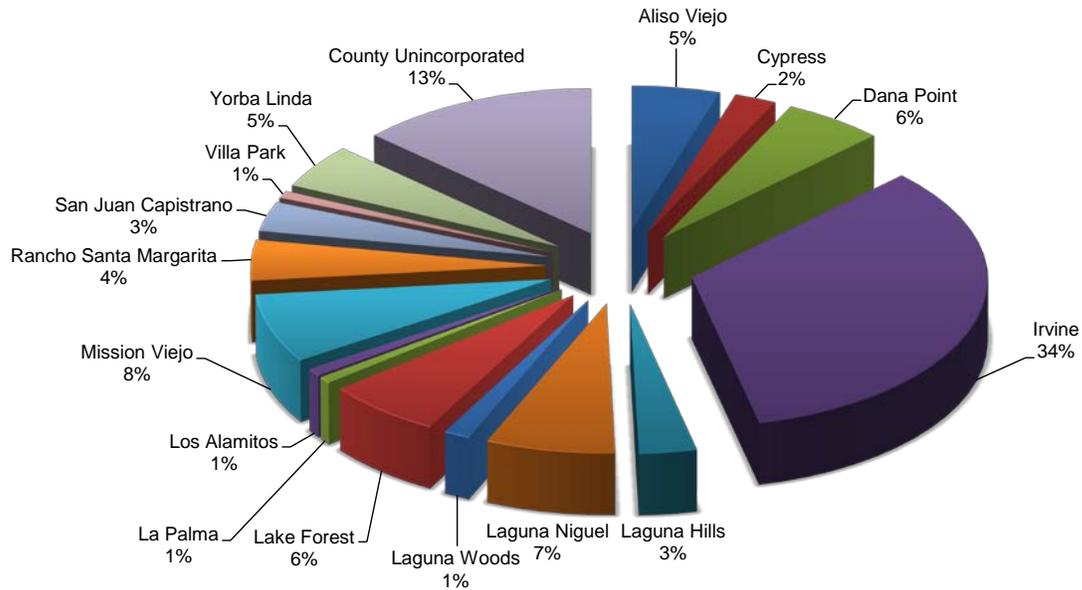


Figure A illustrates the expected proportional share of property tax revenue allocated to the OCFA from each of the Jurisdictions for fiscal year 2013-14. Approximately 47% of the ad valorem property tax revenues allocated to OCFA are generated from the City of Irvine and the County unincorporated territory.

**ORANGE COUNTY FIRE AUTHORITY  
2013-14 PROPERTY TAX REVENUE PROJECTIONS**

Table A below summarizes RSG's ad valorem property tax revenue projections prepared for OCFA beginning with fiscal year 2013-14 and ending with fiscal year 2018-19.

**PROJECTED REVENUES - FY 2013-14 THROUGH FY 2018-19**

**TABLE A**

| JURISDICTION                                | CURRENT YEAR         | YEAR 1               | YEAR 2               | YEAR 3               | YEAR 4               | YEAR 5               |
|---------------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|                                             | 2013-14              | 2014-15              | 2015-16              | 2016-17              | 2017-18              | 2018-19              |
| City of Aliso Viejo                         | \$ 9,078,539         | \$ 9,413,348         | \$ 9,684,179         | \$ 9,920,974         | \$ 10,205,519        | \$ 10,524,974        |
| City of Cypress                             | 4,302,153            | 4,409,415            | 4,540,206            | 4,643,917            | 4,775,913            | 4,928,040            |
| City of Dana Point                          | 10,324,890           | 10,717,228           | 11,074,563           | 11,363,492           | 11,691,785           | 12,063,673           |
| City of Irvine                              | 62,818,290           | 65,037,289           | 67,670,105           | 70,538,514           | 72,945,804           | 75,763,748           |
| City of Laguna Hills                        | 5,819,188            | 5,964,832            | 6,140,593            | 6,284,200            | 6,484,017            | 6,689,975            |
| City of Laguna Niguel                       | 12,988,031           | 13,377,273           | 13,840,814           | 14,258,396           | 14,724,943           | 15,198,844           |
| City of Laguna Woods                        | 2,614,707            | 2,675,202            | 2,705,146            | 2,765,769            | 2,840,883            | 2,932,095            |
| City of Lake Forest                         | 11,764,437           | 12,033,656           | 12,638,357           | 13,215,991           | 13,846,959           | 14,455,684           |
| City of La Palma                            | 1,365,622            | 1,397,993            | 1,437,889            | 1,468,476            | 1,506,289            | 1,552,207            |
| City of Los Alamitos                        | 1,619,355            | 1,683,218            | 1,730,039            | 1,766,234            | 1,811,468            | 1,866,396            |
| City of Mission Viejo                       | 14,051,316           | 14,434,372           | 14,881,998           | 15,280,550           | 15,719,758           | 16,213,549           |
| City of Rancho Santa Margarita              | 8,305,384            | 8,539,495            | 8,799,397            | 8,992,043            | 9,232,798            | 9,525,150            |
| City of San Juan Capistrano                 | 6,089,775            | 6,330,112            | 6,652,257            | 6,883,565            | 7,067,804            | 7,291,528            |
| City of Villa Park                          | 1,493,780            | 1,537,078            | 1,585,409            | 1,620,881            | 1,665,211            | 1,719,041            |
| City of Yorba Linda                         | 9,091,605            | 9,454,145            | 9,790,830            | 10,057,763           | 10,396,386           | 10,764,061           |
| County Unincorporated                       | 24,663,873           | 25,431,163           | 26,204,314           | 26,930,428           | 28,318,158           | 29,204,560           |
| <b>TOTAL PROJECTED PROPERTY TAX REVENUE</b> | <b>\$186,390,946</b> | <b>\$192,435,818</b> | <b>\$199,376,096</b> | <b>\$205,991,192</b> | <b>\$213,233,694</b> | <b>\$220,693,526</b> |
| % Change in Total Property Tax Revenue      | 3.425%               | 3.232%               | 3.590%               | 3.276%               | 3.498%               | 3.486%               |
| % Change in Secured Property Tax Revenue    | 3.640%               | 3.379%               | 3.753%               | 3.448%               | 3.649%               | 3.626%               |
| % Change in Unsecured Property Tax Revenue  | -0.209%              | 0.000%               | 0.000%               | 0.000%               | 0.000%               | 0.000%               |

**ORANGE COUNTY FIRE AUTHORITY  
2013-14 PROPERTY TAX REVENUE PROJECTIONS**

This Report provides a narrative description and discussion of the approach, methodology, assumptions, and research findings used to prepare the Projections.

The revenue projections contained in this Report detail annual property tax revenues that may be generated by each of the Jurisdictions between fiscal year 2013-14 and fiscal year 2018-19. The following figures and tables are included to support the Report's findings:

| <b>Figure/Table</b> | <b>Title</b>                                                   | <b>Page</b> |
|---------------------|----------------------------------------------------------------|-------------|
| Figure A            | OCFA Proportional Revenue by Jurisdiction                      | 2           |
| Table A             | Projected Revenues- FY 2013-14 through 2018-19                 | 3           |
| Figure B            | Historical Changes in Assessed Valuation                       | 7           |
| Table B             | FY 2013-14 Tax Rates by Jurisdiction                           | 8           |
| Table C             | Projected Valuation from New Construction                      | 10          |
| Table D             | Sales Activity Summary                                         | 11          |
| Table E             | Summary of Non-Recorded Title Transactions                     | 13          |
| Table F             | Secured Assessment Appeals                                     | 15          |
| Table G             | Proportion of Secured Assessed Value Appealed by Land Use Type | 15          |
| Table H             | Orange County Delinquency, Refund, and Net Change Factor       | 20          |

| <b>Appendix</b>                     | <b>Title</b>                                      | <b>Page</b> |
|-------------------------------------|---------------------------------------------------|-------------|
| Appendix A:<br><i>Table 1</i>       | Property Tax Revenue Projections                  | A-1         |
| Appendix B:<br><i>Table 2</i>       | New Value Summary                                 | B-1         |
| Appendix C:                         | 14 Month Median Home Price Charts by Jurisdiction | C-1         |
| Appendix D:<br><i>Tables 3A- 3E</i> | Secured Roll – Assessment Appeals                 | D-1         |
| Appendix E:<br><i>Table 1</i>       | Unsecured Roll – Assessment Appeals               | E-1         |

NOTE: Throughout this report, tables and figures that are titled the “Orange County Fire Authority” are referring to the Jurisdictions of the Structural Fire Fund. Other tables and figures labeled “Orange County” provide information for the entire County area.

## APPROACH & METHODOLOGY

---

### Approach

RSG's approach to developing the Projections generally involved:

- Utilizing actual fiscal year 2013-14 assessed valuations and tax rates as the basis for projecting future revenues;
- Adding new taxable valuation from real property construction and resales to actual fiscal year 2013-14 assessed valuations; and
- Developing and applying annual secured and unsecured assessed valuation growth/deflation rates as an estimate of future changes in assessed valuation resulting from property resales, market fluctuations, and the annual inflationary factor (capped at 2% per California Proposition 13).

RSG believes that the growth rates contained in this Report provide realistic projections of OCFA's fiscal year 2013-14 through 2018-19 property tax revenues. However, in order to minimize the likelihood of overstating future property tax revenues, RSG integrated conservative assumptions and methodologies where appropriate.

### Methodology

The following data was researched and analyzed in the preparation of this Report:

- Historical and current assessed valuations and tax revenue data for each Jurisdiction in order to establish historical trends. Secured, unsecured and public utility values were gathered using Orange County Auditor-Controller ("County Auditor") reports for fiscal year 2013-14.
- Redevelopment project area "base year" assessed valuations were identified and included in the Projections, but intentionally excluded from application of the inflationary growth factors. All incremental assessed valuations from redevelopment project areas ("CRA Increment") were identified and excluded from the Projections (i.e., the Projections do not account for redevelopment agency pass-through payments to OCFA).
- Historical property tax delinquency rates were collected from the County Auditor and tabulated for informational purposes. The OCFA is a Teeter agency; therefore, no adjustments for delinquencies have been made to the Projections.
- Real property sales activity for each of the Jurisdictions, (excluding property transactions in redevelopment project areas) that occurred between January 1, 2013 and March 25, 2014 was collected and analyzed for the estimated increase/decrease in assessed valuation resulting from the difference between secured assessed value and the new sales price. The data was obtained via Metroscan, a product of First American Title Company.
- Data on outstanding and finalized building permits with a minimum construction value of \$50,000 for taxable projects and property improvements not within redevelopment project areas was collected. Improvement valuations were added to the base valuations in fiscal years 2014-15 through 2016-17.
- Based on discussions and information received from city staffs, developers, and real estate professionals, construction projects commenced and/or completed after January 1, 2013, and corresponding estimated assessed values, were identified. In addition, information on approved construction (entitled) projects not yet commenced, as well as potential new residential and nonresidential development projects still pending review, was collected (excluding projects within redevelopment project areas), including projected assessed values. Due to the discretionary nature of projects in-review, construction completion dates and projected assessed values were conservatively estimated.

**ORANGE COUNTY FIRE AUTHORITY  
2013-14 PROPERTY TAX REVENUE PROJECTIONS**

- Secured and unsecured owner-initiated open and closed assessment appeals information from the County of Orange Clerk of the Board (“Clerk of the Board”) was collected and analyzed. This information was not applied to secured or unsecured assessed valuation in the revenue projections, but was utilized as additional anecdotal information to confirm growth rate assumptions.
- The historical five-year property owner initiated assessment appeal requests were reviewed. This information, while not applied to secured assessed valuation in the revenue projections, was also utilized as additional anecdotal information to confirm growth rates.
- Trended growth rates were developed to estimate annual changes in assessed valuation resulting from changes in the California Consumer Price Index (“CCPI”), resales activity, and Proposition 8 Assessor-initiated reassessments and property owner assessment appeals. A number of economic indicators and market factors that influence the annual percentage change in assessed values were researched prior to developing growth rates. Factors include:
  - 2014 Economic Forecasts from:
    - University of California, Los Angeles (“UCLA Forecast”)
    - Chapman University (“Chapman Forecast”)
    - California State University, Fullerton (“CUSF Forecast”)
    - Los Angeles County Economic Development Corporation, Kyser Center for Economic Research (“LAEDC Forecast”)
    - Wells Fargo Securities Economics Group (“Wells Fargo Forecast”)
  - *Emerging Trends in Real Estate 2014* by the Urban Land Institute (“ULI Forecast”);
  - Standard and Poor’s Case-Shiller Index (“Case Shiller Index”);
  - Actual change in median home prices within SFF communities between January 2013 and February 2014 vs. median home prices for Orange County as whole during this same time period;
  - Unemployment rates;
  - The latest figures for the CCPI;
  - Non-recorded sales;
  - Assessment appeals; and
  - CB Richard Ellis’ MarketView Retail, Office and Industrial Reports, Fourth Quarter 2013 (“CB Reports”).

***Revenue Sources Not Contemplated In Projections***

The Projections do not include potential revenues from the following sources:

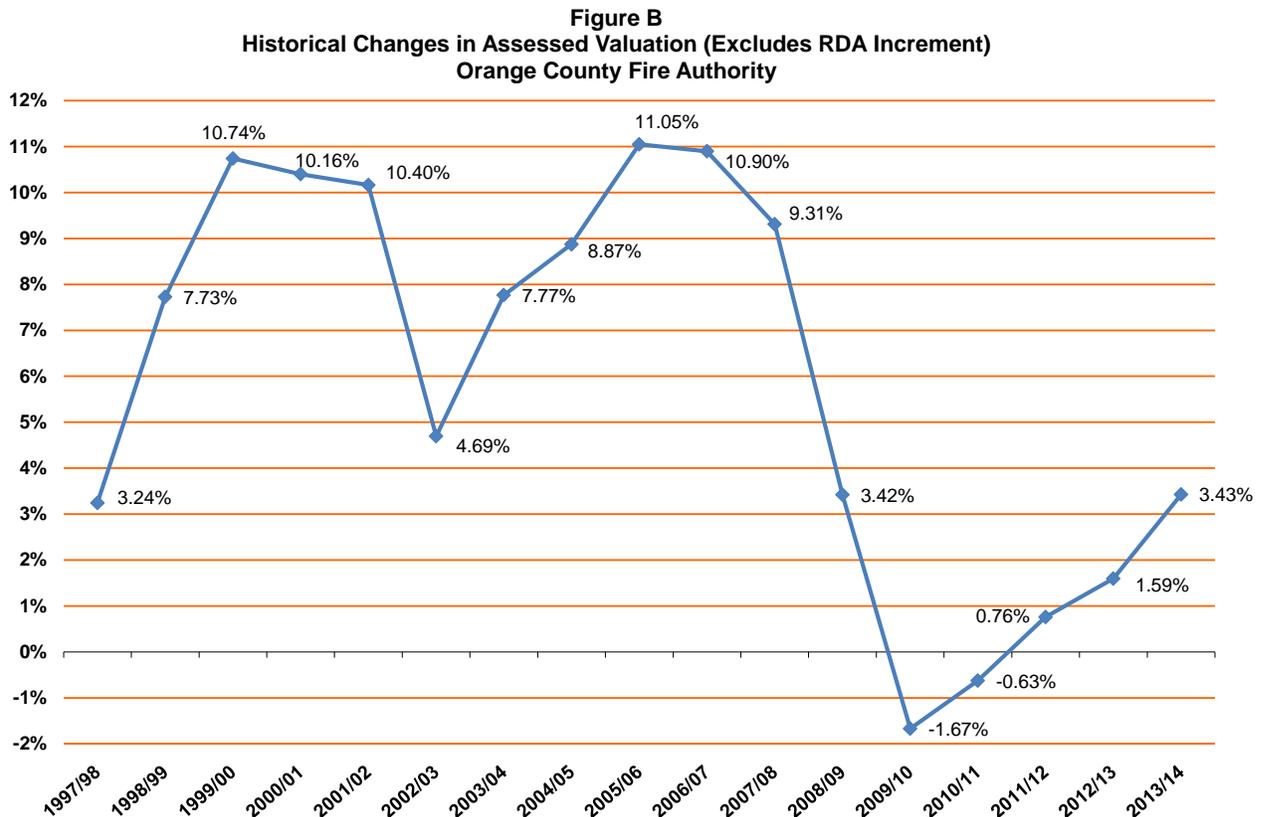
- Redevelopment agency pass-through payments to OCFA as a result of either negotiated tax sharing agreements or from assessment roll increases above base year values.
- Orange County delinquency collection fees and appeal refunds (OCFA is a Teeter agency).
- Supplemental property tax revenue which is generated by the increase in assessed valuation when new construction or property sales occur after the January 1<sup>st</sup> lien date. In this situation, the property owner is issued a supplemental tax bill on a pro-rata basis for the period between the property sale or construction completion date and the end of the tax year.

## 2013-14 ASSESSED VALUATIONS AND TAX RATES

The Projections begin with actual 2013-14 assessed valuations provided by the Orange County Auditor-Controller. Fiscal year 2013-14 is the most current year for which assessed valuations are available and serve as the basis for projecting fiscal year 2014-15 assessed valuations. The Projections subsequently build upon the prior year's projected assessed valuations. For those Jurisdictions with redevelopment project areas, the assessed valuations utilized in the Projections are net of incremental assessed valuation, or assessed valuation in excess of the base year assessed valuation as a result of property value growth.

- Total assessed valuation of the Jurisdictions (net of CRA Increment) for fiscal year 2013-14 is \$162.8 billion, representing a 3.4%% increase in total assessed valuation over fiscal year 2012-13.
- Secured assessed valuation increased by 3.6% between fiscal year 2012-13 and 2013-14. Secured assessed value is by far the most important property value component for OCFA with a total 2013-14 value of \$156.5 billion of the \$162.8 billion total roll value used in calculating OCFA's ad valorem property tax revenues (net of the CRA Increment)
- Unsecured assessed valuation decreased by 0.20 % between fiscal year 2012-13 and 2013-14. The 2013-14 unsecured assessed value totals just \$6.3 billion (also net of CRA Increment).

Figure B provides a historical view of the change in assessed valuation for the Jurisdictions beginning with fiscal year 1997-98. The assessed valuations for the Jurisdictions have continued to increase since 2009-10 with an overall growth of 3.4% over the last fiscal year.



Source: Orange County Auditor Controller

In addition to actual 2013-14 assessed valuations, the Projections also utilize fiscal year 2013-14 tax rates. The Projections assume a 1% general levy tax rate. The amount of property tax revenue to be allocated to OCFA is determined based upon OCFA's fiscal year 2013-14 share of the 1% general tax levy. Annual

**ORANGE COUNTY FIRE AUTHORITY  
2013-14 PROPERTY TAX REVENUE PROJECTIONS**

changes in OCFA's share of the 1% general levy do occur but are unpredictable; nonetheless, changes, if any, are typically nominal and have little impact on OCFA's property tax revenues.

Table B below provides a summary of the 2013-14 OCFA tax rates utilized throughout the duration of the Projections. **OCFA's fiscal year 2013-14 weighted tax rate is 11.45%.**

**FY 2013-14 TAX RATES BY JURISDICTION** **TABLE B**

| Jurisdiction           | Total Assessed Value     | 1% of Total AV         | Revenue              | Tax Rate      |
|------------------------|--------------------------|------------------------|----------------------|---------------|
| Aliso Viejo            | \$ 7,877,812,008         | \$ 78,778,120          | \$ 9,078,539         | 11.52%        |
| Cypress                | 4,948,414,104            | 49,484,141             | 4,302,153            | 8.69%         |
| Dana Point             | 9,126,749,851            | 91,267,499             | 10,324,890           | 11.31%        |
| Irvine                 | 50,394,727,341           | 503,947,273            | 62,818,290           | 12.47%        |
| Laguna Hills           | 5,624,273,357            | 56,242,734             | 5,819,188            | 10.35%        |
| Laguna Niguel          | 12,402,919,104           | 124,029,191            | 12,988,031           | 10.47%        |
| Laguna Woods           | 2,237,287,579            | 22,372,876             | 2,614,707            | 11.69%        |
| Lake Forest            | 10,592,797,566           | 105,927,976            | 11,764,437           | 11.11%        |
| La Palma               | 1,428,765,131            | 14,287,651             | 1,365,622            | 9.56%         |
| Los Alamitos           | 1,674,933,495            | 16,749,335             | 1,619,355            | 9.67%         |
| Mission Viejo          | 12,886,080,986           | 128,860,810            | 14,051,316           | 10.90%        |
| Rancho Santa Margarita | 6,759,143,929            | 67,591,439             | 8,305,384            | 12.29%        |
| San Juan Capistrano    | 5,248,466,807            | 52,484,668             | 6,089,775            | 11.60%        |
| Villa Park             | 1,466,599,155            | 14,665,992             | 1,493,780            | 10.19%        |
| Yorba Linda            | 9,735,360,196            | 97,353,602             | 9,091,605            | 9.34%         |
| County Unincorporated  | 20,404,012,724           | 204,040,127            | 24,663,873           | 12.09%        |
| <b>Total</b>           | <b>\$162,808,343,333</b> | <b>\$1,628,083,433</b> | <b>\$186,390,946</b> | <b>11.45%</b> |

*Sources: Orange County Assessor and Auditor-Controller*

## **NEW VALUATION FROM CONSTRUCTION AND SALES TRANSACTIONS**

A major component of RSG's methodology for projecting property tax revenues to be allocated to OCFA is the change in valuation that is added to and subtracted from the 2013-14 assessed valuation base as a result of new construction and real property sale transactions.

### **Summary of New Construction**

As described in the Approach and Methodology section of this Report, RSG completed written and phone interviews with planning and building staff from each Jurisdiction to ascertain information regarding construction projects completed, or to be commenced, after January 1, 2013.

RSG researched and collected information regarding real property construction that was completed during calendar year 2013. Valuation from such construction will result in an increase in assessed valuation on the 2014-15 tax roll. Additionally, information was collected regarding construction that is anticipated to be completed between January 1, 2014 and December 31, 2017.

New assessed valuation included in the Projections for construction completed during 2013 is based upon building permit data collected from each of the Jurisdictions. Building improvements projected to be complete after calendar year 2013 but before 2018 are generally based upon outstanding building permits, entitled projects without pulled building permits, and projects undergoing city/planning commission review as reported by the Jurisdictions.

### **Assumptions for New Values from Construction**

A major portion of RSG's work involved close coordination with city planning and building staffs to research and collect data that is substantially consistent from city to city. For purposes of this Report, RSG used the following assumptions to research, identify, and project future assessed valuations resulting from new building improvements.

- Only building permits for property improvements outside of redevelopment project areas and with a minimum estimated construction value of \$50,000 were included in the Projections. All Jurisdictions except San Juan Capistrano and Villa Park provided building permit information. In these jurisdictions, RSG relied on building permit issuance summaries from the Construction Research Industry Board to estimate completed permits. This methodology has been utilized for over 10 years for those communities that do not provide building permit data.
- Unless otherwise specified by city staff, outstanding building permits (issued but not finalized) were assumed to be finalized 12 months from the date of issuance. If building permits were issued during calendar year 2013 but not finalized as of January 2014, RSG assumed such building permits would be finalized during calendar year 2014, yielding new valuation beginning in fiscal year 2015-16.
- Estimated project valuations provided by city staff for entitled and in-review projects were utilized when available and deemed appropriate. In all other circumstances, Marshall Valuation Service's current per-square-foot development cost estimates<sup>1</sup> were used for estimating project valuations. These values were estimated by factoring in geographic location and assuming average building quality and materials.
- Whenever appropriate, conservative approaches and estimates were used to project valuations from building permit activity and planned development projects. Unless RSG was specifically aware of new ground-up construction that would require first-time tenant improvements, building permits for tenant improvements, regardless of whether the construction value exceeded \$50,000, were excluded. In the absence of new commercial or industrial construction, tenant improvements may result from tenant turnover and may not generate a substantial net increase in assessed value after removing existing improvements.

### ***New Valuation from Construction***

Construction activity in the Jurisdictions increased in 2013 as compared to 2012. Residential building activity was greater than non-residential building activity with completed residential building permits accounting for approximately \$327.4 million in new valuation while completed commercial, industrial, and office building permits accounted for \$58.4 million in new valuation.<sup>2</sup>

Table C on the following page provides a summary projection of new valuation from construction activity for the Jurisdictions.

---

<sup>1</sup> Published by Marshall & Swift/Boeckh, LLC.

<sup>2</sup> Completed permit valuations include improvement in excess of \$50,000 and therefore do not solely represent new construction starts. Completed permit valuations are an estimate only. Not all jurisdictions reported finalized permits in which case RSG relied on building permit issuance summaries from the Construction Research Industry Board to estimate completed permits.

**PROJECTED VALUATION FROM NEW CONSTRUCTION**

**TABLE C**

| Fiscal Year | Projected New Valuation |                   |                    |                 |
|-------------|-------------------------|-------------------|--------------------|-----------------|
|             | Building Permits        | Approved Projects | In-Review Projects | Total           |
| FY 2014-15  | \$814,083,422           | \$0               | \$0                | \$814,083,422   |
| FY 2015-16  | \$138,570,599           | \$997,931,021     | \$14,314,660       | \$1,150,816,280 |
| FY 2016-17  | \$847,452,003           | \$1,081,633,377   | \$36,380,136       | \$1,965,465,516 |
| FY 2017-18  | \$0                     | \$920,105,674     | \$643,832,444      | \$1,563,938,118 |
| FY 2018-19  | \$0                     | \$669,068,979     | \$29,739,395       | \$698,808,375   |

Projected new valuation identified under “Approved Projects” for fiscal years 2015-16 through 2017-18 in Table C primarily consists of anticipated building activity in the City of Irvine<sup>3</sup>. New valuation from approved (entitled) projects for the City of Irvine was obtained from the City’s development projections contained in *Future Projection Status by Zoning Code*, dated September 12, 2013, which represents the most current information available as of the date of this Report. City of Irvine staff indicated on April 9, 2014, that this report would be updated later in April.

Orange County as a whole experienced a significant increase in residential building permits in 2013, and commercial real estate vacancy rates and lease rates have stabilized somewhat. According to the LAEDC Forecast:

“New home building gained significant traction last year with a 63% increase in total housing permits, divided between 4,000 single family and 4,800 multifamily permits. Stronger economic growth and demographic pressures will push new home construction higher this year and into 2015.

Local commercial real estate has also improved. Office and industrial vacancy rates have inched down and lease rates have stabilized. Non-residential building permits were up by over 15% in 2013 compared with 2012. Leasing fundamentals should continue to strengthen this year, paving the way for strong gains in new non-residential construction in 2014 and 2015.”

The Wells Fargo Forecast asserts that residential construction in California has been slow to recover with the largest growth occurring in multi-family and apartment development. While single family home construction activity has improved, the number of permits issued is at an average pace that historically occurred prior to the housing boom due mostly to a lack of developable land and an overall sluggish economy. The Wells Fargo Forecast also indicates that commercial construction is “beginning” to bounce back but that vacancy rates remain high, indicating that commercial development will be somewhat limited going forward.

The information detailed above points to a very slow recovery for Orange County in the next few years.

**Summary of Sales Transactions**

The difference between a property’s sales price and the currently enrolled assessed value of the property is assumed to be the net change (positive or negative) to such property’s assessed valuation that would appear on the subsequent year’s assessment roll. In a growing economy, sales transactions usually result in an increase in taxable value as new sales prices are expected to exceed existing assessed values. Although some isolated resale transactions did result in losses of assessed valuation (i.e., Laguna Woods where two properties with millions of dollars of assessed valuation sold for less than \$100,000 each, which appears to be an anomaly), the Jurisdictions are showing an overall positive net increase in value from resale activity in calendar year 2013 and through late-March 2014.

---

<sup>3</sup> “Building permits” and “In-Review Projects” are based upon other City of Irvine sources and are believed to be based on the most current and up-to-date information.

**ORANGE COUNTY FIRE AUTHORITY  
2013-14 PROPERTY TAX REVENUE PROJECTIONS**

**Resales**

RSG collected and analyzed information for real property resale activity that occurred between January 1, 2013 and March 25, 2014. It is important to note that the change in assessed valuation resulting from sales occurring inside redevelopment project areas were excluded from the Projections.

As indicated in Table D, sales transactions from January through March 25, 2014, are expected to have an overall positive impact on fiscal year 2014-15 and 2015-16 assessed valuations. **The value added from resales during 2013 is estimated at \$2.9 billion in the Jurisdictions. The value added from 1<sup>st</sup> quarter 2014 resales is estimated to add \$480 million in the Jurisdictions.** It is important to note that the availability of data for just the first three months of 2014 provides an incomplete picture of the overall impact sales activity will have on 2015-16 assessed valuations.

**SALES ACTIVITY SUMMARY**

**TABLE D**

| Jurisdiction           | Valuation added/(subtracted)     | Valuation added/(subtracted)     |
|------------------------|----------------------------------|----------------------------------|
|                        | Fiscal Year 2014-15 <sup>1</sup> | Fiscal Year 2015-16 <sup>2</sup> |
| Aliso Viejo            | \$ 165,107,659                   | \$ 19,257,324                    |
| Cypress                | 68,746,529                       | 18,046,250                       |
| Dana Point             | 250,167,738                      | 34,468,988                       |
| Irvine                 | 852,819,162                      | 145,917,333                      |
| Laguna Hills           | 77,384,993                       | 11,070,191                       |
| Laguna Niguel          | 233,228,675                      | 50,678,497                       |
| Laguna Woods           | 28,149,657                       | (36,917,376)                     |
| Lake Forest            | 144,402,870                      | 26,197,007                       |
| La Palma               | 19,907,068                       | 3,998,099                        |
| Los Alamitos           | 21,593,800                       | 3,848,815                        |
| Mission Viejo          | 219,189,788                      | 48,596,088                       |
| Rancho Santa Margarita | 102,868,564                      | 25,711,394                       |
| San Jan Capistrano     | 104,887,297                      | 29,639,283                       |
| Villa Park             | 20,713,175                       | 6,190,746                        |
| Yorba Linda            | 206,612,972                      | 56,341,115                       |
| Unincorporated Area    | 383,702,648                      | 37,127,035                       |
| <b>Total</b>           | <b>\$ 2,899,482,595</b>          | <b>\$ 480,170,789</b>            |

<sup>1</sup> Based on resales activity from January 1, 2013 to December 31, 2013

<sup>2</sup> Based on resales activity from January 1, 2014 to March 25, 2014

*Source: Metroscan- a product of CoreLogic*

**Non-Recorded Transactions**

Non-recorded transactions represent a major uncertainty for OCFA's Projections. A total of 1,346 properties with recordings from January 1, 2013 through March 25, 2014, and with assessed valuations that were equal to or greater than \$1 million, had non-disclosed title recordings within the Jurisdictions . **The combined assessed valuation of the 1,346 properties with undisclosed property recordings in calendar year 2013 and January 1 through March 25, 2014, total approximately \$3.2 billion.**

Although sales activity has resulted in overall growth in assessed valuation in the Jurisdictions, as summarized in Table D, it is conceivable that a number of major commercial and residential properties may have sold for less than their enrolled assessed valuation which could result in a loss of millions of dollars of taxable value. Because of their undisclosed nature, such losses would be unknown and not reflected in the Projections.

Table E on the following page summarizes these non-disclosed title recordings by Jurisdiction and provides information regarding assessed valuation and ownership for the largest non-disclosed title recording in each Jurisdiction.

## **PROPOSITION 8 REASSESSMENTS & ASSESSMENT APPEALS**

---

In 1978, California voters passed Proposition 8, a constitutional amendment to Proposition 13, which allows a temporary reduction in assessed value when a property suffers a “decline-in-value.” Proposition 8 requires the Assessor to enroll the lower of either:

- Proposition 13 taxable values (market value of the property when it was acquired plus a CCPI adjustment of up to 2% per year, plus the value of any new construction); or
- Market value as of the annual January 1<sup>st</sup> lien date.

The Assessor may initiate the review and downward reassessment of any property for which market value has dropped below the Proposition 13 taxable value. Property owners who believe the market value of their property has dropped below the Proposition 13 taxable value may also request that their property to be reviewed by submitting a formal assessment appeal to the County of Orange Clerk of the Board.

### **Assessor-Initiated Reassessments**

During the Assessor's February 6, 2014 Orange County Property Valuation Update presentation, there was no indication that there will be value reductions for Fiscal Year 2014-15. **The Orange County real estate market continues to improve as indicated by the 23.3% increase in median home price between January 2013 and February 2014 (County as a whole). It is important to note median home price growth in the Jurisdictions was substantially less at an 18.7% increase over the same time period. This information indicates that the residential real estate market in the Jurisdictions is recovering at a slower pace than the County as a whole.**

RSG reviewed the trends of median home sales within the County and the Jurisdictions utilizing data obtained from Dataquick and the *OC Register*. The number of home sales and prices between January 2013 and February 2014 were plotted on a chart to depict statistical trend lines of the change in values, as shown in Appendix C. The slopes of the trend lines were calculated and converted to percentages to determine the change over a 14-month period for each Jurisdiction.

### **Property Owner Assessment Appeals**

RSG collected and analyzed all secured and unsecured property owner-initiated assessment appeals available through the County Clerk of the Board. The County Clerk of the Board maintains a database of information regarding all secured and unsecured assessment appeals applications submitted, including the application status and amounts of assessed value reduction granted by the Appeals Board, if any. OCFA revenues are impacted by refunds for granted assessment appeals reductions (see Table F for five-year historical assessed value reduction amounts). Two types of assessed value appeals may be submitted:

- Proposition 13 appeal is a property owner-initiated assessment appeal that is a market-driven appeal, because it is believed that current market conditions cause the property to be worth less than its Proposition 13 taxable value; or
- Proposition 8 assessment appeal is a request to reduce the base assessed value of a property. If a Proposition 8 assessment appeal is granted, the value of the property returns to its prior (higher) value on the next year's assessment roll (unless appealed and granted again).

**ORANGE COUNTY FIRE AUTHORITY  
2013-14 PROPERTY TAX REVENUE PROJECTIONS**

**SUMMARY OF NON-RECORDED TITLE TRANSACTIONS**

**TABLE E**

| <b>Jurisdiction</b>    | <b># of Non-Recorded Title Transactions</b> | <b>Total 2013-14 Assessed Valuation of Non-Recorded Title Transactions</b> | <b>Average 2013-14 Assessed Valuation per Transaction</b> | <b>Largest Assessed Valuation of Non-Recorded Transactions</b> | <b>Land Use of Largest Assessed Valuation</b> | <b>Property Owner of Largest Assessed Valuation</b> |
|------------------------|---------------------------------------------|----------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------------------|-----------------------------------------------|-----------------------------------------------------|
| Aliso Viejo            | 20                                          | \$ 51,840,535                                                              | \$ 2,592,027                                              | \$ 16,225,792                                                  | Multi-Family Residential                      | 22702 Pacific Park Drive LP                         |
| Cypress                | 14                                          | 42,554,102                                                                 | 3,039,579                                                 | 8,843,400                                                      | Commercial                                    | RLJ Hyatt House Cypress                             |
| Dana Point             | 138                                         | 259,349,055                                                                | 1,879,341                                                 | 7,257,065                                                      | Single Family Residential                     | Archie Dunham                                       |
| Irvine                 | 360                                         | 1,159,445,952                                                              | 3,220,683                                                 | 149,815,244                                                    | Multi-Family Residential                      | The Irvine Company                                  |
| La Palma               | 5                                           | 12,503,013                                                                 | 2,500,603                                                 | 5,149,528                                                      | Industrial                                    | Elizabeth Stiles                                    |
| Laguna Hills           | 61                                          | 105,153,626                                                                | 1,723,830                                                 | 7,740,576                                                      | Commercial                                    | Moulton Dunbar                                      |
| Laguna Niguel          | 118                                         | 192,679,168                                                                | 1,632,874                                                 | 7,232,768                                                      | Single Family Residential                     | Eastview Realty                                     |
| Laguna Woods           | 16                                          | 244,364,334                                                                | 15,272,771                                                | 27,972,374                                                     | Multi-Family Residential                      | Thomas Twellman                                     |
| Lake Forest            | 17                                          | 54,063,289                                                                 | 3,180,193                                                 | 10,125,940                                                     | Commercial                                    | BRE Select Hotel Properties                         |
| Los Alamitos           | 12                                          | 15,251,183                                                                 | 1,270,932                                                 | 1,805,374                                                      | Commercial                                    | 10956 Los Alamitos Katella LLC                      |
| Mission Viejo          | 18                                          | 73,164,330                                                                 | 4,064,685                                                 | 26,520,000                                                     | Commercial                                    | Reef Plaza Del Lago Inc                             |
| Rancho Santa Margarita | 6                                           | 23,831,282                                                                 | 3,971,880                                                 | 10,199,317                                                     | Commercial                                    | Albertsons, LLC                                     |
| San Juan Capistrano    | 106                                         | 226,629,511                                                                | 2,138,014                                                 | 23,172,817                                                     | Commercial                                    | Pueblo Serra Lone Star LLC                          |
| Villa Park             | 42                                          | 59,420,938                                                                 | 1,414,784                                                 | 3,612,264                                                      | Single Family Residential                     | White Living Trust                                  |
| Yorba Linda            | 140                                         | 230,160,841                                                                | 1,644,006                                                 | 28,736,018                                                     | Single Family Residential                     | Yorba House Trust                                   |
| County Unincorporated  | 273                                         | 477,943,348                                                                | 1,750,708                                                 | 28,090,800                                                     | Single Family Residential                     | Louis & Michu Welch                                 |
| <b>Total</b>           | <b>1,346</b>                                | <b>\$ 3,228,354,507</b>                                                    |                                                           |                                                                |                                               |                                                     |

Source: Metroscan- a product of First American Title Company

The information analyzed in Tables 3-A through 3-E of Appendix D and summarized in Table F reflects data received from the County Clerk of the Board as of March 10, 2014 (excluding assessment appeals for property located within a redevelopment project area and appeals where the assessed value of the appeal is greater than the property's current assessed valuation). Five years of historical assessment appeals information for each Jurisdiction is detailed in this Report.

### ***Secured Assessment Appeals***

Over the last five years, requested secured assessment appeal reduction requests had remained consistently high. However, appeals data between July 1, 2013 and March 10, 2014 appears to indicate a decline in granted secured appeal value as the total AV under appeal so far has dropped by 36% from \$14.8 to \$9.5 billion. Total requested secured assessed value reduction in the previous 4 years has occurred at an approximate average of 38% annually. Table F provides a historical summary of denied, stipulated, and pending secured assessment appeals.

Despite overall reduction requests of approximately 38% of the taxable secured assessed valuation, the Appeals Board reduced secured assessed valuations by just 11%, 10%, 8%, 5%, and 0.3% in fiscal years 2009-10, 2010-11, 2011-12, 2012-13, and 2013-14, respectively. As of March 10, 2014, the Appeals Board had reviewed and stipulated approximately \$26.9 million of the total \$3.8 billion requested secured assessed value reduction requests for fiscal year 2013-14. The Appeals Board granted less than ½ of 1% of the total secured assessed valuation for those properties under appeal.

The number of secured assessment appeals also remains fairly consistent amongst land uses over the five-year period as summarized in Table G. Multiple family and single family residential continue to minimally increase while appeals for commercial and industrial properties are gradually declining. The percentage of single-family residential appeals is at the lowest point in five years at 10%.

### ***Unsecured Assessment Appeals***

The total amount of unsecured assessed valuation reductions for the Jurisdictions (excluding redevelopment project areas and appeals where the requested value is higher than the current roll value) as a result of granted assessment appeals is \$18.2 million, \$16.8 million, \$16.7 million, \$14.8 million and \$9.5 million in fiscal years 2009-10 through 2013-14, respectively.

As of March 10, 2014, there had been \$44,300 in granted unsecured assessment appeals in the Jurisdictions for fiscal year 2013-14. There is the potential for an additional reduction of \$402.3 million, \$147.7 million, \$504.7 million, \$697.5 million and \$683.7 million in reductions if all outstanding assessment appeals request were granted for fiscal years 2009-10, 2010-11, 2011-12, 2012-13 and 2013-14, respectively.

Table 4 in Appendix E provides detailed information regarding both completed and outstanding unsecured assessment appeals between fiscal years 2009-10 and 2013-14 for the Jurisdictions.

**SECURED ASSESSMENT APPEALS <sup>1</sup>**

**TABLE F**

| <b>Fiscal Year</b> | <b>Total AV Under Appeal</b> | <b>Total Applicants Opinion of Value for Parcels Under Appeal</b> | <b>Total Requested Reduction Amount for Parcels Under Appeal <sup>2</sup></b> | <b>Requested Reductions as a % of AV</b> | <b>Amount of Board Approved AV Reduction</b> | <b>% of Reduction of AV Under Appeal</b> | <b>Outstanding Requested Reduction Amounts</b> |
|--------------------|------------------------------|-------------------------------------------------------------------|-------------------------------------------------------------------------------|------------------------------------------|----------------------------------------------|------------------------------------------|------------------------------------------------|
| 2009-10            | \$ 18,157,855,307            | \$ 11,120,292,809                                                 | \$ 7,037,562,498                                                              | 38.8%                                    | \$ 1,974,701,064                             | 10.9%                                    | \$ 368,488,867                                 |
| 2010-11            | 16,803,244,163               | 10,427,553,044                                                    | 6,375,691,119                                                                 | 37.9%                                    | 1,684,935,622                                | 10.0%                                    | 151,572,209                                    |
| 2011-12            | 16,655,525,916               | 10,659,419,513                                                    | 5,996,106,403                                                                 | 36.0%                                    | 1,369,359,689                                | 8.2%                                     | 188,231,607                                    |
| 2012-13            | 14,770,604,216               | 9,311,797,272                                                     | 5,458,806,944                                                                 | 37.0%                                    | 803,333,782                                  | 5.4%                                     | 684,355,924                                    |
| 2013-14            | 9,462,808,208                | 5,693,251,721                                                     | 3,769,556,487                                                                 | 39.8%                                    | 26,899,725                                   | 0.3%                                     | 3,141,138,274                                  |
| <b>Total</b>       | <b>\$ 75,850,037,810</b>     | <b>\$ 47,212,314,359</b>                                          | <b>\$ 28,637,723,451</b>                                                      | <b>37.8%</b>                             | <b>\$ 5,859,229,882</b>                      | <b>7.7%</b>                              | <b>\$ 4,533,786,881</b>                        |

<sup>1</sup> Excludes assessment appeals where the Applicant's opinion of the assessed value is higher than the roll value and instances where the appeals database reports that the assessed value of the parcel appealed is zero or negative.

<sup>2</sup> Includes finalized and outstanding appeals.

Source: County Clerk of the Board, March 10, 2014

**PROPORTION OF SECURED ASSESSED VALUE APPEALED BY LAND USE TYPE<sup>1</sup>**

**TABLE G**

| <b>Fiscal Year</b> | <b>Land Use</b>   |                   |                                                |                                  |                          | <b>Total</b> |
|--------------------|-------------------|-------------------|------------------------------------------------|----------------------------------|--------------------------|--------------|
|                    | <b>Commercial</b> | <b>Industrial</b> | <b>Multiple Family Residential<sup>2</sup></b> | <b>Single Family Residential</b> | <b>Other<sup>3</sup></b> |              |
| 2009-10            | 50.9%             | 12.6%             | 8.6%                                           | 16.3%                            | 11.6%                    | 100.0%       |
| 2010-11            | 52.0%             | 14.9%             | 8.7%                                           | 15.0%                            | 9.5%                     | 100.0%       |
| 2011-12            | 49.5%             | 14.5%             | 11.2%                                          | 15.0%                            | 9.9%                     | 100.0%       |
| 2012-13            | 48.2%             | 16.4%             | 11.0%                                          | 15.9%                            | 8.5%                     | 100.0%       |
| 2013-14            | 56.3%             | 16.9%             | 8.6%                                           | 10.2%                            | 7.9%                     | 100.0%       |

<sup>1</sup> Excludes assessment appeals where the Applicant's opinion of the assessed value is higher than the roll value and instances where the appeals database reports that the assessed value of the parcel appealed is zero or negative.

<sup>2</sup> Includes condominiums, residential co-ops, mobile homes, and timeshares.

<sup>3</sup> Includes rural and other properties not assigned a land use on the Tax Roll.

Source: County Clerk of the Board, March 10, 2014, MetrosScan

## **ANNUAL GROWTH RATES**

---

As stated previously, the actual growth in total assessed valuation between 2012-13 and 2013-14 was 3.4%. Current data and economic forecasts indicate a slight softening of the slow economic recovery, with home price appreciation starting to decline in calendar year 2014. Actual assessed value growth rates over the past one to two years in particular are now signaling a very different recovery than that experienced in the late 1990's/2000's. Given the information presented below, it appears impractical to assume growth rates during the next five years that significantly surpass even that 3.4 % growth rate experienced in 2013-14.

Based on the economic forecasts and market factors described below, RSG has conservatively developed growth rates that are applied to the Secured and Unsecured Roll values in the five-year projections.

### **Economic Forecasts/Indicators**

Various published 2014 economic forecasts for California, the southern California region and Orange County generally indicate that the recovery from the recession is continuing at a slow and steady pace. On the positive side, Orange County unemployment rate is down to 5.8% in February 2014 (from 6.2% in 2013), the median home sales price for Orange County as a whole increased by 23% over the past year and information from the Assessor indicates that further value reductions are unlikely.

Overall, there is cautious optimism that growth will continue at a slow and steady pace, rather than the accelerated growth experienced during the economic recovery in the late 1990's/early 2000's. However, many economic forecasts and other data that examine economic growth up to 2016 (particularly the UCLA and CUSF Forecasts) are generally in agreement that recovery will continue at a gradual pace with 2014 growth occurring at a slow rate, a continued increase in growth in 2015 and a slight dip in growth in 2016. The major data points from all four forecasts are presented below.

#### ***UCLA Forecast***

As updated in February 2014, this forecast calls for the following trends in California:

- o Total employment growth (payroll, farm and self-employed) of 1.8% in 2014, 2.2% in 2015 and 2.1% in 2016.
- o Non-farm payroll employment is expected to grow at 2.2%, 2.3% and 2.0% for the three forecast years.
- o Real personal income growth is forecast to be 3.1% in 2014, followed by 3.8% and 3.7% in 2015 and 2016.
- o Unemployment rates (in California as a whole) for the three forecast years are expected to be 7.8%, 6.9% and 6.0%, respectively, with the rate going as low as 5.7% by fourth quarter 2016.

These projections point to a slight dip in the recovery in 2016.

#### ***Chapman Forecast***

As published in November 2013 and subsequently updated, this forecast projects the following for Orange County in 2014:

- o 5.6% increase in median home prices.
- o 2.5% increase in employment.
- o 6% increase in consumer spending (with an update last month that consumer confidence dipped in the 1<sup>st</sup> quarter of 2014).
- o Continued growth in construction activity.
- o More inventory of homes (limiting home price appreciation).

- Despite continued payroll job growth, the decline in the investors' pool, lower housing affordability, and increasing supply of new and resale housing units, a slowdown in home price appreciation is projected in California and Orange County.

### **California State University, Fullerton 2014 Economic Forecast**

As published in October 2013 with updated information provided in the *Orange County Business Journal* in spring 2014, this forecast predicts the following for Orange County:

- Slow and steady growth in 2014 and 2015.
- Decreased unemployment/increased employment.
- 5-7% increase in 2014 median home prices but "cooling" in housing appreciation.
- Uncertainty regarding interest rates/interest rates expected to increase by end of 2014.
- Quarterly index of business expectations for 1<sup>st</sup> and 2<sup>nd</sup> quarter of 2014 are flat (i.e., no significant growth expected in 2014).

### **Wells Fargo Forecast**

This forecast indicates the following for California and Orange County:

- California's economy continues to gradually gain momentum.
- Recovery has been slower than in the past
- Home prices rebounding but prices have risen much faster than incomes (difficult for first-time homebuyers).
- Pace of home price appreciation moderate in the future; home sales and price appreciation slowed during the latter part of 2013.
- Commercial construction is beginning to bounce back as well, but vacancy rates remain well above their historical norms.
- Orange County faces a slow road to recovery.

As indicated by nearly all of the economic forecasts described above, home price appreciation is expected to stall in 2014. Other data and economic indicators that act as industry standards for predicted home price changes and growth rates in the commercial/industrial/retail markets have also been examined and analyzed as part of this Report, including:

- **Orange County Register Article, "Real estate forecast: Rebound softening," published February 12, 2014,** indicates a five-year consistent drop in median home prices with a 6% increase in 2015-16, 3.5% in 2016-17 and less than 2 percent in 2017-18.
- **Case-Shiller Index** - an industry standard for measuring home price changes that is utilized by many county assessors across the state and by the Office of Federal Housing Enterprise Oversight.
  - Historical growth rates in median home prices in the Los Angeles/Orange County metropolitan area have averaged approximately 4% annually over the past three decades.
- **CCPI** - The California State Board of Equalization letter to County Assessors instructs a 1.00454%% CCPI inflationary adjustment to be utilized for preparation of the fiscal year 2014-15 assessment roll.
- **ULI Forecast** -ranked Orange County as #10 in their ranking of "Markets to Watch" as the results from a *survey of members* predicts that the area will experience "good" levels of growth in 2014. However, this report also indicates that the previous significant activity of investor sales with residential property makes predicting accurate growth challenging as it is unknown how long investors will hold these properties.

- **CB Reports** state the following:
  - Retail markets experienced negative absorption, decreased lease rates, but also decreased vacancy rates indicating a slight recovery in this market.
  - Office market experience negative absorption, increased vacancy rates but increased lease rates, indicating the start of growth in 2014.
  - Industrial markets in Orange County experienced negative net absorption, decreased vacancy rates and flat lease rates for the second year in a row.

It is also important to note that growth in median home prices in the Jurisdictions over the last 14 months has been approximately 5% less than that experienced in the County as a whole, indicating that property value increases will likely be less than those in the County overall. Therefore, adjustments in growth rates are needed to account for this measurable difference.

All of the data provided by the data sources outlined above appear to indicate that the economic recovery will continue in 2014, but will prove to be a slow process. The following discussion outlines the assumptions and methodology used by RSG to arrive at annual growth rates utilized in the Projections.

## **Secured Growth Rates**

### ***Fiscal Year 2014-15***

Growth rates utilized for projecting fiscal year 2014-15 assessed valuations exclude consideration of any increase (or decrease) in assessed valuations caused by resales or new construction, as the Projections are already adjusted for actual activity occurring in the 2013 real estate market. Additionally, growth rates applied for 2014-15 Projections do not account for losses in valuation resulting from Proposition 8 reassessments or assessment appeals.

The California State Board of Equalization letter to County Assessors instructs a 1.00454%% CCPI inflationary adjustment to be utilized for preparation of the fiscal year 2014-15 assessment roll. Valuation adjustment for both outstanding assessment appeals that may be granted and for valuation increases for properties with previous assessment appeals would also be expected to occur as part of the equalization of the 2014-15 assessment roll. In order to account for the CCPI and conservatively estimate any valuation adjustments, the Projections incorporated a conservative 1.0% secured growth factor in 2014-15 for all Jurisdictions in addition to increases in secured assessed value resulting from new development and resales (CRA Increment was excluded from any application of growth rates). **In total, the increase in property taxes for secured value in 2014-15 is estimated at 3.2%.**

### ***Fiscal Years 2015-16 and 2016-17***

Increased assessed valuation associated with new development projects have been included in projections for 2015-16 and 2016-17. Additionally, resale activity between January 1 and March 25, 2014 has been added to the assessed valuation for 2015-16.

Given the economic forecast data presented previously in this Report, it is anticipated that overall growth rates will increase slightly in fiscal year 2015-16, but decline somewhat in 2016-17, due primarily to decreased home price appreciation and slow economic growth, despite decreased unemployment during the same time period. Generally, there is a lack of macroeconomic data to support a significantly higher growth rate in 2015-16 and 2016-17 than that experienced in 2013-14 and 2014-15 given the economic forecast information for this time period. Therefore, estimated growth rates of 2.75% and 2.25% have been applied for 2015-16 and 2016-17, respectively. These growth rates are in addition to increases in secured assessed value resulting from new development and resales. **In total, the increase in property taxes for secured value in 2015-16 and 2016-17 is estimated at 3.6% and 3.3%, respectively.**

### ***Fiscal Years 2017-18 and 2018-19***

As referenced above, decreased home price appreciation and a lack of economic indicators pointing to any growth other than slow and sustained growth in all markets result in insufficient data to support assumptions other than conservative and smaller growth rates in the later portion of the five-year projections. The projected dip in growth in 2016-17 is an indicator that the recovery is likely to experience periods of stalled growth. Therefore, in order to account for this anticipated trend, growth rates of 2.75% and 3.25% were utilized for fiscal years 2017-18 and 2018-19, respectively. These growth rates are in addition to increases in secured assessed value resulting from new development. In total, the increase in property taxes for secured value in 2015-16 and 2016-17 is estimated at approximately 3.5% for both years.

### ***Unsecured Growth Rates***

The unsecured assessment roll is more susceptible than the secured assessment roll to large variations in valuation from year-to-year making reliable predictions impossible. The reason for its volatility is that a large portion of the unsecured roll is comprised of business property, leased equipment, marine vessels, and aircraft, which unlike real property, is not fixed to the land and can be moved between jurisdictional boundaries resulting in possible spikes or drops in value with no reliable metric for predicting. Furthermore, business personal property assessed on the unsecured assessment roll deflates in value annually based on property specific depreciation schedules. Therefore, it is RSG's business practice to not project changes in the unsecured assessed valuation and to hold the unsecured assessed valuation constant. Consistent with this practice, a 0% growth rate was assumed for the entire time duration covered by the Projections.

In 2013-14, the unsecured assessed valuation for properties from which OCFA receives a portion of ad valorem property tax revenues decreased by 0.60% as a whole; however, the change in unsecured assessed valuations for the Jurisdictions ranged from a 29% *increase* in Villa Park to a 19% *decrease* in the County Unincorporated territory. This type of unpredictable volatility diminishes the ability to project changes in unsecured assessed valuations in any reliable sense.

According to CB Reports, office, retail and industrial markets in Orange County experienced negative net absorption in all areas, with mixed results in vacancy and lease rates. Industrial lease rates have remained flat in both 2012 and 2013. Given that the unsecured assessment roll is largely comprised of personal business property, the 2013-14 unsecured assessment roll is likely to be somewhat negatively impacted by decreased absorption and vacancy rates in 2014. However, the methodology previously described to estimate the overall change in net assessed valuation in light of a prolonged rate of recovery should indirectly take into account future changes in unsecured assessed valuation.

## **DELINQUENCIES, REFUNDS AND NET CHANGE FACTORS**

The County Auditor divides taxing entities into two classes associated with the collection of property taxes, Teeter and Non-Teeter Agencies. The OCFA is a Teeter Agency; therefore, the County Auditor does not reduce secured property tax revenues for associated delinquencies that are due to the OCFA. On the other hand, OCFA revenues are impacted by refund and net change factors. The refund factor is the percentage of property tax revenue collected which is ultimately returned to property owners as a result of successful assessment appeal requests. The net change factor is the percentage change (due to estimation errors) in property tax revenue as forecasted by the County Auditor at the beginning of the fiscal year compared to the actual revenue at the end of the fiscal year. The County Auditor does not calculate these factors by individual city, therefore, only countywide factors are provided.

Despite a request for this information, current fiscal year 2013-14 countywide property tax delinquency rate were not provided by the County Auditor's office. Therefore, the actual 2012-13 rates and factors have been provided in Table H on the following page. Table H also presents historical data on delinquencies, refunds and changes.

The 2012-13 delinquency factor was -1.47% and has declined significantly over the last five years. The refund factor has increased from -0.32% in 2008-09 to -1.44 and net change factors affecting Teeter Agencies, such as OCFA, increased slightly over this time period. RSG has not reduced OCFA revenues to

**ORANGE COUNTY FIRE AUTHORITY  
2013-14 PROPERTY TAX REVENUE PROJECTIONS**

reflect the refund and net change factor; however, this information has been provided to assist OCFA in assessing the potential impact of refunds and errors regarding forecasted revenues by the County Auditor.

**TABLE H: ORANGE COUNTY DELINQUENCY, REFUND, AND NET CHANGE FACTORS<sup>1</sup>**

| Fiscal Year | A                  | B             | C                 | B + C                   | A + B + C                   |
|-------------|--------------------|---------------|-------------------|-------------------------|-----------------------------|
|             | Delinquency Factor | Refund Factor | Net Change Factor | Total - Teeter Agencies | Total - Non Teeter Agencies |
| 2008-09     | -5.12%             | -0.32%        | -0.20%            | -0.51%                  | -5.63%                      |
| 2009-10     | -5.00%             | -0.61%        | -0.12%            | -0.73%                  | -5.73%                      |
| 2010-11     | -2.23%             | -0.95%        | -0.37%            | -1.32%                  | -3.55%                      |
| 2011-12     | -1.60%             | -1.20%        | -0.35%            | -1.55%                  | -3.15%                      |
| 2012-13     | -1.47%             | -1.44%        | -0.25%            | -1.69%                  | -3.16%                      |

<sup>1</sup> Calculation of the delinquency factor, refund factor and net change factor is provided by the Orange County Auditor Controller and is based on prior year actual factors. Includes combined secured and unsecured delinquency/roll change/refund factors.

Source: County of Orange Auditor-Controller

## CONCLUSION

The following economic indicators showed clear signs of a recovery in Orange County in 2013:

- ✓ Median home prices increased by approximately 23%
- ✓ Unemployment dropped to 5.7% from 6.2% in 2013
- ✓ Building permits (and value) and new construction projects increased
- ✓ Decreased vacancy rates for retail and industrial and increased lease rates for office markets
- ✓ Foreclosure rates were less than 0.50% in March 2014
- ✓ Economic forecasts from respected universities and organizations project slow growth overall in 2014 and suggest that recovery will continue

However, other the following indicators provide substantial reason to remain cautious and signal that the current recovery will likely not mirror the last economic recovery experienced in the late 1990's/early 2000's:

- Assessment appeals have only declined slightly
- CCPI was less than 2%
- Median home prices within the Jurisdictions grew by 18.7% compared to the 23.3% realized County-wide
- Significant decreased home price appreciation in forecasted for the next 3-5 years
- Negative absorption in retail, office and industrial and increased vacancy rates for office
- Increased vacancy rates in office Economic forecasts indicate that the recovery will be slow and protracted, rather than accelerated with a dip in growth in 2016

RSG recommends that OCFA prepare for a 3.2% growth rate in addition to the new development and resale value (from calendar year 2013) for fiscal year 2014-15. Due to a very slow paced recovery, growth rates in fiscal years 2015-16 though 2018-19 are conservatively projected at 3.3% to 3.6%.

## DISCLAIMER

In preparation of this Report and the Projections, RSG has attempted to consider all factors that could affect OCFA's ad valorem property tax revenues from the Jurisdictions. The goal of this Report is to provide OCFA

**ORANGE COUNTY FIRE AUTHORITY  
2013-14 PROPERTY TAX REVENUE PROJECTIONS**

with a forecast of revenue that can serve as a tool by OCFA for financial planning and budget development. The revenue projections provided in this Report are not intended to be used for public financings. While precautions have been taken to assure the accuracy of the data, we cannot ensure that projected valuations will be realized.

## APPENDIX A

---

[Intentionally left blank]

**ORANGE COUNTY FIRE AUTHORITY  
2013-14 PROPERTY TAX REVENUE PROJECTIONS**

**TABLE 1  
ORANGE COUNTY FIRE AUTHORITY  
Property Tax Revenue Projections  
Fiscal Years 2013-14 through 2018-19**

| 1)<br>CITY OF ALISO VIEJO                                | CURRENT YEAR<br>2013-14   | Year 1<br>Growth<br>Factor | YEAR 1<br>2014-15         | Year 2<br>Growth<br>Factor | YEAR 2<br>2015-16         | Year 3<br>Growth<br>Factor | YEAR 3<br>2016-17         | Year 4<br>Growth<br>Factor | YEAR 4<br>2017-18         | Year 5<br>Growth<br>Factor | YEAR 5<br>2018-19         |
|----------------------------------------------------------|---------------------------|----------------------------|---------------------------|----------------------------|---------------------------|----------------------------|---------------------------|----------------------------|---------------------------|----------------------------|---------------------------|
| Secured                                                  | 7,495,362,158             |                            |                           |                            |                           |                            |                           |                            |                           |                            |                           |
| Secured-HOX value                                        | <u>56,071,400</u>         |                            |                           |                            |                           |                            |                           |                            |                           |                            |                           |
| Secured total                                            | 7,551,433,558             | 1.00%                      | 7,626,947,894             | 2.75%                      | 8,057,614,669             | 2.25%                      | 8,258,703,863             | 2.75%                      | 8,510,215,834             | 3.25%                      | 8,806,563,046             |
| <i>Projected Secured New Value</i>                       |                           |                            | <u>215,012,855</u>        |                            | <u>19,357,324</u>         |                            | <u>23,744,637</u>         |                            | <u>19,143,049</u>         |                            | <u>0</u>                  |
| <b>TOTAL SECURED SUBJECT TO GROWTH</b>                   | <b>7,551,433,558</b>      |                            | <b>7,841,960,749</b>      |                            | <b>8,076,971,993</b>      |                            | <b>8,282,448,500</b>      |                            | <b>8,529,358,882</b>      |                            | <b>8,806,563,046</b>      |
| <b>% of Sec. Growth</b>                                  | <b>3.20%</b>              |                            | <b>3.85%</b>              |                            | <b>3.00%</b>              |                            | <b>2.54%</b>              |                            | <b>2.98%</b>              |                            | <b>3.25%</b>              |
| Unsecured                                                | 326,497,450               |                            |                           |                            |                           |                            |                           |                            |                           |                            |                           |
| Unsecured-HOX value                                      | <u>(119,000)</u>          |                            |                           |                            |                           |                            |                           |                            |                           |                            |                           |
| <b>Unsecured Total Subject to Growth</b>                 | <b><u>326,378,450</u></b> | 0.00%                      | <b><u>326,378,450</u></b> |
| <b>Total Assessed Value</b>                              | <b>7,877,812,008</b>      |                            | <b>8,168,339,199</b>      |                            | <b>8,403,350,443</b>      |                            | <b>8,608,826,950</b>      |                            | <b>8,855,737,332</b>      |                            | <b>9,132,941,496</b>      |
| 1% General Levy                                          | 78,778,120                |                            | 81,683,392                |                            | 84,033,504                |                            | 86,088,269                |                            | 88,557,373                |                            | 91,329,415                |
| OCFA Tax Rate 13-14                                      | 11.52419%                 |                            | 11.52419%                 |                            | 11.52419%                 |                            | 11.52419%                 |                            | 11.52419%                 |                            | 11.52419%                 |
| Total Projected Property Tax Revenue (includes HOX rev.) | \$9,078,539               |                            | \$9,413,348               |                            | \$9,684,179               |                            | \$9,920,974               |                            | \$10,205,519              |                            | \$10,524,974              |
| 2)<br>CITY OF CYPRESS                                    | CURRENT YEAR<br>2013-14   | Year 1<br>Growth<br>Factor | YEAR 1<br>2014-15         | Year 2<br>Growth<br>Factor | YEAR 2<br>2015-16         | Year 3<br>Growth<br>Factor | YEAR 3<br>2016-17         | Year 4<br>Growth<br>Factor | YEAR 4<br>2017-18         | Year 5<br>Growth<br>Factor | YEAR 5<br>2018-19         |
| Secured (Net of CRA Increment)                           | 4,628,252,258             |                            |                           |                            |                           |                            |                           |                            |                           |                            |                           |
| Secured-HOX value                                        | <u>60,208,426</u>         |                            |                           |                            |                           |                            |                           |                            |                           |                            |                           |
| less CRA secured base                                    | <u>(223,085,518)</u>      |                            |                           |                            |                           |                            |                           |                            |                           |                            |                           |
| Secured total                                            | 4,465,375,166             | 1.00%                      | 4,510,028,918             | 2.75%                      | 4,714,939,888             | 2.25%                      | 4,845,819,944             | 2.75%                      | 4,992,086,093             | 3.25%                      | 5,173,136,911             |
| <i>Projected Secured New Value</i>                       |                           |                            | <u>78,720,365</u>         |                            | <u>24,248,321</u>         |                            | <u>12,658,005</u>         |                            | <u>18,216,000</u>         |                            | <u>12,144,000</u>         |
| <b>TOTAL SECURED SUBJECT TO GROWTH</b>                   | <b>4,465,375,166</b>      |                            | <b>4,588,749,283</b>      |                            | <b>4,739,188,209</b>      |                            | <b>4,858,477,949</b>      |                            | <b>5,010,302,093</b>      |                            | <b>5,185,280,911</b>      |
| <b>% of Sec. Growth</b>                                  | <b>3.14%</b>              |                            | <b>2.76%</b>              |                            | <b>3.28%</b>              |                            | <b>2.52%</b>              |                            | <b>3.12%</b>              |                            | <b>3.49%</b>              |
| Unsecured (Net of CRA Increment)                         | 259,995,420               |                            |                           |                            |                           |                            |                           |                            |                           |                            |                           |
| Unsecured-HOX value                                      | <u>(42,000)</u>           |                            |                           |                            |                           |                            |                           |                            |                           |                            |                           |
| less CRA unsecured base                                  | <u>(13,780,011)</u>       |                            |                           |                            |                           |                            |                           |                            |                           |                            |                           |
| <b>Unsecured Total Subject to Growth</b>                 | <b><u>246,173,409</u></b> | 0.00%                      | <b><u>246,173,409</u></b> |
| CRA Base Yr. Value (constant)                            | 236,865,529               |                            | 236,865,529               |                            | 236,865,529               |                            | 236,865,529               |                            | 236,865,529               |                            | 236,865,529               |
| <b>Total Assessed Value</b>                              | <b>4,948,414,104</b>      |                            | <b>5,071,788,221</b>      |                            | <b>5,222,227,147</b>      |                            | <b>5,341,516,887</b>      |                            | <b>5,493,341,031</b>      |                            | <b>5,668,319,849</b>      |
| 1% General Levy                                          | 49,484,141                |                            | 50,717,882                |                            | 52,222,271                |                            | 53,415,169                |                            | 54,933,410                |                            | 56,683,198                |
| OCFA Tax Rate 13-14                                      | 8.69400%                  |                            | 8.69400%                  |                            | 8.69400%                  |                            | 8.69400%                  |                            | 8.69400%                  |                            | 8.69400%                  |
| Total Projected Property Tax Revenue (includes HOX rev.) | \$4,302,153               |                            | \$4,409,415               |                            | \$4,540,206               |                            | \$4,643,917               |                            | \$4,775,913               |                            | \$4,928,040               |

**ORANGE COUNTY FIRE AUTHORITY  
2013-14 PROPERTY TAX REVENUE PROJECTIONS**

**TABLE 1  
ORANGE COUNTY FIRE AUTHORITY  
Property Tax Revenue Projections  
Fiscal Years 2013-14 through 2018-19**

| 3)<br>CITY OF DANA POINT                                 | CURRENT YEAR<br>2013-14 | Year 1<br>Growth<br>Factor | YEAR 1<br>2014-15     | Year 2<br>Growth<br>Factor | YEAR 2<br>2015-16     | Year 3<br>Growth<br>Factor | YEAR 3<br>2016-17     | Year 4<br>Growth<br>Factor | YEAR 4<br>2017-18     | Year 5<br>Growth<br>Factor | YEAR 5<br>2018-19     |
|----------------------------------------------------------|-------------------------|----------------------------|-----------------------|----------------------------|-----------------------|----------------------------|-----------------------|----------------------------|-----------------------|----------------------------|-----------------------|
| Secured                                                  | 8,861,706,883           |                            |                       |                            |                       |                            |                       |                            |                       |                            |                       |
| Secured-HOX value                                        | <u>44,868,130</u>       |                            |                       |                            |                       |                            |                       |                            |                       |                            |                       |
| Secured total                                            | 8,906,575,013           | 1.00%                      | 8,995,640,763         | 2.75%                      | 9,507,852,501         | 2.25%                      | 9,784,561,059         | 2.75%                      | 10,094,831,845        | 3.25%                      | 10,443,583,212        |
| <i>Projected Secured New Value</i>                       |                         |                            | <u>257,743,666</u>    |                            | <u>61,400,368</u>     |                            | <u>40,092,805</u>     |                            | <u>20,018,723</u>     |                            | <u>0</u>              |
| <b>TOTAL SECURED SUBJECT TO GROWTH</b>                   | <b>8,906,575,013</b>    |                            | <b>9,253,384,429</b>  |                            | <b>9,569,252,869</b>  |                            | <b>9,824,653,864</b>  |                            | <b>10,114,850,568</b> |                            | <b>10,443,583,212</b> |
| <i>% of Sec. Growth</i>                                  | 3.23%                   |                            | 3.89%                 |                            | 3.41%                 |                            | 2.67%                 |                            | 2.95%                 |                            | 3.25%                 |
| Unsecured                                                | 220,110,422             |                            |                       |                            |                       |                            |                       |                            |                       |                            |                       |
| Unsecured-HOX value                                      | <u>64,416</u>           |                            |                       |                            |                       |                            |                       |                            |                       |                            |                       |
| <i>Unsecured Total Subject to Growth</i>                 | <u>220,174,838</u>      | 0.00%                      | <u>220,174,838</u>    | 0.00%                      | <u>220,174,838</u>    | 0.00%                      | <u>220,174,838</u>    | 0.00%                      | <u>220,174,838</u>    | 0.00%                      | <u>220,174,838</u>    |
| <b>Total Assessed Value</b>                              | <b>9,126,749,851</b>    |                            | <b>9,473,559,267</b>  |                            | <b>9,789,427,707</b>  |                            | <b>10,044,828,702</b> |                            | <b>10,335,025,406</b> |                            | <b>10,663,758,050</b> |
| 1% General Levy                                          | 91,267,499              |                            | 94,735,593            |                            | 97,894,277            |                            | 100,448,287           |                            | 103,350,254           |                            | 106,637,580           |
| OCFA Tax Rate 13-14                                      | 11.31278%               |                            | 11.31278%             |                            | 11.31278%             |                            | 11.31278%             |                            | 11.31278%             |                            | 11.31278%             |
| Total Projected Property Tax Revenue (includes HOX rev.) | \$10,324,890            |                            | \$10,717,228          |                            | \$11,074,563          |                            | \$11,363,492          |                            | \$11,691,785          |                            | \$12,063,673          |
| 4)<br>CITY OF IRVINE                                     | CURRENT YEAR<br>2013-14 | Year 1<br>Growth<br>Factor | YEAR 1<br>2014-15     | Year 2<br>Growth<br>Factor | YEAR 2<br>2015-16     | Year 3<br>Growth<br>Factor | YEAR 3<br>2016-17     | Year 4<br>Growth<br>Factor | YEAR 4<br>2017-18     | Year 5<br>Growth<br>Factor | YEAR 5<br>2018-19     |
| Secured (Net of CRA Increment)                           | 46,564,569,427          |                            |                       |                            |                       |                            |                       |                            |                       |                            |                       |
| Secured-HOX value                                        | <u>217,550,647</u>      |                            |                       |                            |                       |                            |                       |                            |                       |                            |                       |
| less CRA secured base                                    | (171,921)               |                            |                       |                            |                       |                            |                       |                            |                       |                            |                       |
| Secured total                                            | 46,781,948,153          | 1.00%                      | 47,249,767,635        | 2.75%                      | 49,897,553,607        | 2.25%                      | 51,814,390,167        | 2.75%                      | 54,432,166,656        | 3.25%                      | 56,691,008,282        |
| <i>Projected Secured New Value</i>                       |                         |                            | <u>1,312,328,333</u>  |                            | <u>776,666,605</u>    |                            | <u>1,160,954,511</u>  |                            | <u>474,378,896</u>    |                            | <u>476,176,561</u>    |
| <b>TOTAL SECURED SUBJECT TO GROWTH</b>                   | <b>46,781,948,153</b>   |                            | <b>48,562,095,968</b> |                            | <b>50,674,220,212</b> |                            | <b>52,975,344,677</b> |                            | <b>54,906,545,552</b> |                            | <b>57,167,184,843</b> |
| <i>% of Sec. Growth</i>                                  | 5.29%                   |                            | 3.81%                 |                            | 4.35%                 |                            | 4.54%                 |                            | 3.65%                 |                            | 4.12%                 |
| Unsecured (Net of CRA Increment)                         | 3,612,894,267           |                            |                       |                            |                       |                            |                       |                            |                       |                            |                       |
| Unsecured-HOX value                                      | <u>(287,000)</u>        |                            |                       |                            |                       |                            |                       |                            |                       |                            |                       |
| less CRA unsecured base                                  | (3,803,150)             |                            |                       |                            |                       |                            |                       |                            |                       |                            |                       |
| <i>Unsecured Total Subject to Growth</i>                 | <u>3,608,804,117</u>    | 0.00%                      | <u>3,608,804,117</u>  | 0.00%                      | <u>3,608,804,117</u>  | 0.00%                      | <u>3,608,804,117</u>  | 0.00%                      | <u>3,608,804,117</u>  | 0.00%                      | <u>3,608,804,117</u>  |
| CRA Base Yr. Value (constant)                            | 3,975,071               |                            | 3,975,071             |                            | 3,975,071             |                            | 3,975,071             |                            | 3,975,071             |                            | 3,975,071             |
| <b>Total Assessed Value</b>                              | <b>50,394,727,341</b>   |                            | <b>52,174,875,156</b> |                            | <b>54,286,999,400</b> |                            | <b>56,588,123,865</b> |                            | <b>58,519,324,740</b> |                            | <b>60,779,964,031</b> |
| 1% General Levy                                          | 503,947,273             |                            | 521,748,752           |                            | 542,869,994           |                            | 565,881,239           |                            | 585,193,247           |                            | 607,799,640           |
| OCFA Tax Rate 13-14                                      | 12.46525%               |                            | 12.46525%             |                            | 12.46525%             |                            | 12.46525%             |                            | 12.46525%             |                            | 12.46525%             |
| Total Projected Property Tax Revenue (includes HOX rev.) | \$62,818,290            |                            | \$65,037,289          |                            | \$67,670,105          |                            | \$70,538,514          |                            | \$72,945,804          |                            | \$75,763,748          |

**ORANGE COUNTY FIRE AUTHORITY  
2013-14 PROPERTY TAX REVENUE PROJECTIONS**

**TABLE 1  
ORANGE COUNTY FIRE AUTHORITY  
Property Tax Revenue Projections  
Fiscal Years 2013-14 through 2018-19**

| 5)                                                       | CURRENT YEAR          | Year 1<br>Growth<br>Factor          | YEAR 1                | Year 2<br>Growth<br>Factor          | YEAR 2                | Year 3<br>Growth<br>Factor          | YEAR 3                | Year 4<br>Growth<br>Factor          | YEAR 4                | Year 5<br>Growth<br>Factor          | YEAR 5                |
|----------------------------------------------------------|-----------------------|-------------------------------------|-----------------------|-------------------------------------|-----------------------|-------------------------------------|-----------------------|-------------------------------------|-----------------------|-------------------------------------|-----------------------|
|                                                          | 2013-14               |                                     | 2014-15               |                                     | 2015-16               |                                     | 2016-17               |                                     | 2017-18               |                                     | 2018-19               |
| <b>CITY OF LAGUNA HILLS</b>                              |                       |                                     |                       |                                     |                       |                                     |                       |                                     |                       |                                     |                       |
| Secured (Net of CRA Increment)                           | 5,450,386,033         |                                     |                       |                                     |                       |                                     |                       |                                     |                       |                                     |                       |
| Secured-HOX value                                        | <u>40,934,276</u>     |                                     |                       |                                     |                       |                                     |                       |                                     |                       |                                     |                       |
| less CRA secured base                                    | (8,969,078)           |                                     |                       |                                     |                       |                                     |                       |                                     |                       |                                     |                       |
| Secured total                                            | 5,482,351,231         | 1.00%                               | 5,537,174,743         | 2.75%                               | 5,777,752,692         | 2.25%                               | 5,923,333,095         | 2.75%                               | 6,094,912,179         | 3.25%                               | 6,323,971,825         |
| Projected Secured New Value                              |                       |                                     | <u>85,942,231</u>     |                                     | <u>15,238,110</u>     |                                     | <u>8,454,914</u>      |                                     | <u>30,000,000</u>     |                                     | <u>0</u>              |
| <b>TOTAL SECURED SUBJECT TO GROWTH</b>                   | <b>5,482,351,231</b>  |                                     | <b>5,623,116,975</b>  |                                     | <b>5,792,990,802</b>  |                                     | <b>5,931,788,009</b>  |                                     | <b>6,124,912,179</b>  |                                     | <b>6,323,971,825</b>  |
| % of Sec. Growth                                         | 2.51%                 |                                     | 2.57%                 |                                     | 3.02%                 |                                     | 2.40%                 |                                     | 3.26%                 |                                     | 3.25%                 |
| Unsecured (Net of CRA Increment)                         | 133,044,048           |                                     |                       |                                     |                       |                                     |                       |                                     |                       |                                     |                       |
| Unsecured-HOX value                                      | <u>(91,000)</u>       |                                     |                       |                                     |                       |                                     |                       |                                     |                       |                                     |                       |
| less CRA unsecured base                                  | (1,579,216)           |                                     |                       |                                     |                       |                                     |                       |                                     |                       |                                     |                       |
| Unsecured Total Subject to Growth                        | <u>131,373,832</u>    | 0.00%                               | <u>131,373,832</u>    |
| CRA Base Yr. Value (constant)                            | <u>10,548,294</u>     |                                     | <u>10,548,294</u>     |
| Total Assessed Value                                     | 5,624,273,357         |                                     | 5,765,039,101         |                                     | 5,934,912,928         |                                     | 6,073,710,135         |                                     | 6,266,834,305         |                                     | 6,465,893,951         |
| 1% General Levy                                          | 56,242,734            |                                     | 57,650,391            |                                     | 59,349,129            |                                     | 60,737,101            |                                     | 62,668,343            |                                     | 64,658,940            |
| OCFA Tax Rate 13-14                                      | 10.34656%             |                                     | 10.34656%             |                                     | 10.34656%             |                                     | 10.34656%             |                                     | 10.34656%             |                                     | 10.34656%             |
| Total Projected Property Tax Revenue (includes HOX rev.) | \$5,819,188           |                                     | \$5,964,832           |                                     | \$6,140,593           |                                     | \$6,284,200           |                                     | \$6,484,017           |                                     | \$6,689,975           |
| <b>6)</b>                                                | <b>CURRENT YEAR</b>   | <b>Year 1<br/>Growth<br/>Factor</b> | <b>YEAR 1</b>         | <b>Year 2<br/>Growth<br/>Factor</b> | <b>YEAR 2</b>         | <b>Year 3<br/>Growth<br/>Factor</b> | <b>YEAR 3</b>         | <b>Year 4<br/>Growth<br/>Factor</b> | <b>YEAR 4</b>         | <b>Year 5<br/>Growth<br/>Factor</b> | <b>YEAR 5</b>         |
|                                                          | 2013-14               |                                     | 2014-15               |                                     | 2015-16               |                                     | 2016-17               |                                     | 2017-18               |                                     | 2018-19               |
| <b>CITY OF LAGUNA NIGUEL</b>                             |                       |                                     |                       |                                     |                       |                                     |                       |                                     |                       |                                     |                       |
| Secured                                                  | 12,171,829,893        |                                     |                       |                                     |                       |                                     |                       |                                     |                       |                                     |                       |
| Secured-HOX value                                        | <u>94,165,400</u>     |                                     |                       |                                     |                       |                                     |                       |                                     |                       |                                     |                       |
| Secured total                                            | 12,265,995,293        | 1.00%                               | 12,388,655,246        | 2.75%                               | 12,985,238,621        | 2.25%                               | 13,374,668,832        | 2.75%                               | 13,849,806,592        | 3.25%                               | 14,377,210,744        |
| Projected Secured New Value                              |                       |                                     | <u>249,046,575</u>    |                                     | <u>95,122,095</u>     |                                     | <u>104,461,671</u>    |                                     | <u>74,852,724</u>     |                                     | <u>0</u>              |
| <b>TOTAL SECURED SUBJECT TO GROWTH</b>                   | <b>12,265,995,293</b> |                                     | <b>12,637,701,821</b> |                                     | <b>13,080,360,716</b> |                                     | <b>13,479,130,503</b> |                                     | <b>13,924,659,316</b> |                                     | <b>14,377,210,744</b> |
| % of Sec. Growth                                         | 2.33%                 |                                     | 3.03%                 |                                     | 3.50%                 |                                     | 3.05%                 |                                     | 3.31%                 |                                     | 3.25%                 |
| Unsecured                                                | 136,958,811           |                                     |                       |                                     |                       |                                     |                       |                                     |                       |                                     |                       |
| Unsecured-HOX value                                      | <u>(35,000)</u>       |                                     |                       |                                     |                       |                                     |                       |                                     |                       |                                     |                       |
| Unsecured Total Subject to Growth                        | <u>136,923,811</u>    | 0.00%                               | <u>136,923,811</u>    |
| Total Assessed Value                                     | 12,402,919,104        |                                     | 12,774,625,632        |                                     | 13,217,284,527        |                                     | 13,616,054,314        |                                     | 14,061,583,127        |                                     | 14,514,134,555        |
| 1% General Levy                                          | 124,029,191           |                                     | 127,746,256           |                                     | 132,172,845           |                                     | 136,160,543           |                                     | 140,615,831           |                                     | 145,141,346           |
| OCFA Tax Rate 13-14                                      | 10.47175%             |                                     | 10.47175%             |                                     | 10.47175%             |                                     | 10.47175%             |                                     | 10.47175%             |                                     | 10.47175%             |
| Total Projected Property Tax Revenue (includes HOX rev.) | \$12,988,031          |                                     | \$13,377,273          |                                     | \$13,840,814          |                                     | \$14,258,396          |                                     | \$14,724,943          |                                     | \$15,198,844          |

**ORANGE COUNTY FIRE AUTHORITY  
2013-14 PROPERTY TAX REVENUE PROJECTIONS**

**TABLE 1  
ORANGE COUNTY FIRE AUTHORITY  
Property Tax Revenue Projections  
Fiscal Years 2013-14 through 2018-19**

| 7)                                                       | CURRENT YEAR         | Year 1<br>Growth<br>Factor          | YEAR 1               | Year 2<br>Growth<br>Factor          | YEAR 2                | Year 3<br>Growth<br>Factor          | YEAR 3                | Year 4<br>Growth<br>Factor          | YEAR 4                | Year 5<br>Growth<br>Factor          | YEAR 5                |
|----------------------------------------------------------|----------------------|-------------------------------------|----------------------|-------------------------------------|-----------------------|-------------------------------------|-----------------------|-------------------------------------|-----------------------|-------------------------------------|-----------------------|
| CITY OF LAGUNA WOODS                                     | 2013-14              |                                     | 2014-15              |                                     | 2015-16               |                                     | 2016-17               |                                     | 2017-18               |                                     | 2018-19               |
| Secured                                                  | 2,156,312,129        |                                     |                      |                                     |                       |                                     |                       |                                     |                       |                                     |                       |
| Secured-HOX value                                        | <u>51,588,673</u>    |                                     |                      |                                     |                       |                                     |                       |                                     |                       |                                     |                       |
| Secured total                                            | 2,207,900,802        | 1.00%                               | 2,229,979,810        | 2.75%                               | 2,321,804,135         | 2.25%                               | 2,336,703,666         | 2.75%                               | 2,401,428,988         | 3.25%                               | 2,479,475,431         |
| Projected Secured New Value                              |                      |                                     | <u>29,683,582</u>    |                                     | <u>-36,519,376</u>    |                                     | <u>453,500</u>        |                                     | <u>0</u>              |                                     | <u>0</u>              |
| <b>TOTAL SECURED SUBJECT TO GROWTH</b>                   | <b>2,207,900,802</b> |                                     | <b>2,259,663,392</b> |                                     | <b>2,285,284,759</b>  |                                     | <b>2,337,157,166</b>  |                                     | <b>2,401,428,988</b>  |                                     | <b>2,479,475,431</b>  |
| % of Sec. Growth                                         | 2.19%                |                                     | 2.34%                |                                     | 1.13%                 |                                     | 2.27%                 |                                     | 2.75%                 |                                     | 3.25%                 |
| Unsecured                                                | 29,435,777           |                                     |                      |                                     |                       |                                     |                       |                                     |                       |                                     |                       |
| Unsecured-HOX value                                      | <u>(49,000)</u>      |                                     |                      |                                     |                       |                                     |                       |                                     |                       |                                     |                       |
| Unsecured Total Subject to Growth                        | <u>29,386,777</u>    | 0.00%                               | <u>29,386,777</u>    | 0.00%                               | <u>29,386,777</u>     | 0.00%                               | <u>29,386,777</u>     | 0.00%                               | <u>29,386,777</u>     | 0.00%                               | <u>29,386,777</u>     |
| Total Assessed Value                                     | 2,237,287,579        |                                     | 2,289,050,169        |                                     | 2,314,671,536         |                                     | 2,366,543,943         |                                     | 2,430,815,765         |                                     | 2,508,862,208         |
| 1% General Levy                                          | 22,372,876           |                                     | 22,890,502           |                                     | 23,146,715            |                                     | 23,665,439            |                                     | 24,308,158            |                                     | 25,088,622            |
| OCFA Tax Rate 13-14                                      | 11.68695%            |                                     | 11.68695%            |                                     | 11.68695%             |                                     | 11.68695%             |                                     | 11.68695%             |                                     | 11.68695%             |
| Total Projected Property Tax Revenue (includes HOX rev.) | \$2,614,707          |                                     | \$2,675,202          |                                     | \$2,705,146           |                                     | \$2,765,769           |                                     | \$2,840,883           |                                     | \$2,932,095           |
| <b>8)</b>                                                | <b>CURRENT YEAR</b>  | <b>Year 1<br/>Growth<br/>Factor</b> | <b>YEAR 1</b>        | <b>Year 2<br/>Growth<br/>Factor</b> | <b>YEAR 2</b>         | <b>Year 3<br/>Growth<br/>Factor</b> | <b>YEAR 3</b>         | <b>Year 4<br/>Growth<br/>Factor</b> | <b>YEAR 4</b>         | <b>Year 5<br/>Growth<br/>Factor</b> | <b>YEAR 5</b>         |
| <b>CITY OF LAKE FOREST</b>                               | <b>2013-14</b>       |                                     | <b>2014-15</b>       |                                     | <b>2015-16</b>        |                                     | <b>2016-17</b>        |                                     | <b>2017-18</b>        |                                     | <b>2018-19</b>        |
| Secured (Net of CRA Increment)                           | 9,904,477,453        |                                     |                      |                                     |                       |                                     |                       |                                     |                       |                                     |                       |
| Secured-HOX value                                        | <u>98,003,213</u>    |                                     |                      |                                     |                       |                                     |                       |                                     |                       |                                     |                       |
| less CRA secured base                                    | <u>(350,123,833)</u> |                                     |                      |                                     |                       |                                     |                       |                                     |                       |                                     |                       |
| Secured total                                            | 9,652,356,833        | 1.00%                               | 9,748,880,401        | 2.75%                               | 10,166,869,261        | 2.25%                               | 10,674,123,852        | 2.75%                               | 11,260,730,072        | 3.25%                               | 11,902,119,477        |
| Projected Secured New Value                              |                      |                                     | <u>145,882,870</u>   |                                     | <u>272,371,670</u>    |                                     | <u>285,224,150</u>    |                                     | <u>266,746,419</u>    |                                     | <u>173,458,419</u>    |
| <b>TOTAL SECURED SUBJECT TO GROWTH</b>                   | <b>9,652,356,833</b> |                                     | <b>9,894,763,271</b> |                                     | <b>10,439,240,931</b> |                                     | <b>10,959,348,002</b> |                                     | <b>11,527,476,491</b> |                                     | <b>12,075,577,895</b> |
| % of Sec. Growth                                         | 2.97%                |                                     | 2.51%                |                                     | 5.50%                 |                                     | 4.98%                 |                                     | 5.18%                 |                                     | 4.75%                 |
| Unsecured (Net of CRA Increment)                         | 590,407,900          |                                     |                      |                                     |                       |                                     |                       |                                     |                       |                                     |                       |
| Unsecured-HOX value                                      | <u>(91,000)</u>      |                                     |                      |                                     |                       |                                     |                       |                                     |                       |                                     |                       |
| less CRA unsecured base                                  | <u>(21,924,943)</u>  |                                     |                      |                                     |                       |                                     |                       |                                     |                       |                                     |                       |
| Unsecured Total Subject to Growth                        | <u>568,391,957</u>   | 0.00%                               | <u>568,391,957</u>   | 0.00%                               | <u>568,391,957</u>    | 0.00%                               | <u>568,391,957</u>    | 0.00%                               | <u>568,391,957</u>    | 0.00%                               | <u>568,391,957</u>    |
| CRA base yr value                                        | <u>372,048,776</u>   |                                     | <u>372,048,776</u>   |                                     | <u>372,048,776</u>    |                                     | <u>372,048,776</u>    |                                     | <u>372,048,776</u>    |                                     | <u>372,048,776</u>    |
| Total Assessed Value                                     | 10,592,797,566       |                                     | 10,835,204,004       |                                     | 11,379,681,664        |                                     | 11,899,788,735        |                                     | 12,467,917,224        |                                     | 13,016,018,628        |
| 1% General Levy                                          | 105,927,976          |                                     | 108,352,040          |                                     | 113,796,817           |                                     | 118,997,887           |                                     | 124,679,172           |                                     | 130,160,186           |
| OCFA Tax Rate 13-14                                      | 11.10607%            |                                     | 11.10607%            |                                     | 11.10607%             |                                     | 11.10607%             |                                     | 11.10607%             |                                     | 11.10607%             |
| Total Projected Property Tax Revenue (includes HOX rev.) | \$11,764,437         |                                     | \$12,033,656         |                                     | \$12,638,357          |                                     | \$13,215,991          |                                     | \$13,846,959          |                                     | \$14,455,684          |

**ORANGE COUNTY FIRE AUTHORITY  
2013-14 PROPERTY TAX REVENUE PROJECTIONS**

**TABLE 1  
ORANGE COUNTY FIRE AUTHORITY  
Property Tax Revenue Projections  
Fiscal Years 2013-14 through 2018-19**

| 9)                                                       | CURRENT YEAR         | Year 1<br>Growth<br>Factor          | YEAR 1               | Year 2<br>Growth<br>Factor          | YEAR 2               | Year 3<br>Growth<br>Factor          | YEAR 3               | Year 4<br>Growth<br>Factor          | YEAR 4               | Year 5<br>Growth<br>Factor          | YEAR 5               |
|----------------------------------------------------------|----------------------|-------------------------------------|----------------------|-------------------------------------|----------------------|-------------------------------------|----------------------|-------------------------------------|----------------------|-------------------------------------|----------------------|
|                                                          | 2013-14              |                                     | 2014-15              |                                     | 2015-16              |                                     | 2016-17              |                                     | 2017-18              |                                     | 2018-19              |
| <b>CITY OF LA PALMA</b>                                  |                      |                                     |                      |                                     |                      |                                     |                      |                                     |                      |                                     |                      |
| Secured (Net of CRA Increment)                           | 1,390,448,942        |                                     |                      |                                     |                      |                                     |                      |                                     |                      |                                     |                      |
| Secured-HOX value                                        | <u>20,297,200</u>    |                                     |                      |                                     |                      |                                     |                      |                                     |                      |                                     |                      |
| less CRA secured base                                    | (79,728,191)         |                                     |                      |                                     |                      |                                     |                      |                                     |                      |                                     |                      |
| Secured total                                            | 1,331,017,951        | 1.00%                               | 1,344,328,131        | 2.75%                               | 1,402,419,519        | 2.25%                               | 1,438,275,375        | 2.75%                               | 1,478,189,284        | 3.25%                               | 1,526,230,436        |
| Projected Secured New Value                              |                      |                                     | <u>20,557,046</u>    |                                     | <u>4,206,765</u>     |                                     | <u>351,665</u>       |                                     | <u>0</u>             |                                     | <u>0</u>             |
| <b>TOTAL SECURED SUBJECT TO GROWTH</b>                   | <b>1,331,017,951</b> |                                     | <b>1,364,885,177</b> |                                     | <b>1,406,626,284</b> |                                     | <b>1,438,627,040</b> |                                     | <b>1,478,189,284</b> |                                     | <b>1,526,230,436</b> |
| % of Sec. Growth                                         | 2.40%                |                                     | 2.54%                |                                     | 3.06%                |                                     | 2.28%                |                                     | 2.75%                |                                     | 3.25%                |
| Unsecured (Net of CRA Increment)                         | 18,025,989           |                                     |                      |                                     |                      |                                     |                      |                                     |                      |                                     |                      |
| Unsecured-HOX value                                      | <u>(7,000)</u>       |                                     |                      |                                     |                      |                                     |                      |                                     |                      |                                     |                      |
| less CRA unsecured base                                  | (12,864,602)         |                                     |                      |                                     |                      |                                     |                      |                                     |                      |                                     |                      |
| Unsecured Total Subject to Growth                        | <u>5,154,387</u>     | 0.00%                               | <u>5,154,387</u>     |
| CRA base yr value                                        | <u>92,592,793</u>    |                                     | <u>92,592,793</u>    |
| Total Assessed Value                                     | 1,428,765,131        |                                     | 1,462,632,357        |                                     | 1,504,373,464        |                                     | 1,536,374,220        |                                     | 1,575,936,464        |                                     | 1,623,977,616        |
| 1% General Levy                                          | 14,287,651           |                                     | 14,626,324           |                                     | 15,043,735           |                                     | 15,363,742           |                                     | 15,759,365           |                                     | 16,239,776           |
| OCFA Tax Rate 13-14                                      | 9.55806%             |                                     | 9.55806%             |                                     | 9.55806%             |                                     | 9.55806%             |                                     | 9.55806%             |                                     | 9.55806%             |
| Total Projected Property Tax Revenue (includes HOX rev.) | \$1,365,622          |                                     | \$1,397,993          |                                     | \$1,437,889          |                                     | \$1,468,476          |                                     | \$1,506,289          |                                     | \$1,552,207          |
| <b>10)</b>                                               | <b>CURRENT YEAR</b>  | <b>Year 1<br/>Growth<br/>Factor</b> | <b>YEAR 1</b>        | <b>Year 2<br/>Growth<br/>Factor</b> | <b>YEAR 2</b>        | <b>Year 3<br/>Growth<br/>Factor</b> | <b>YEAR 3</b>        | <b>Year 4<br/>Growth<br/>Factor</b> | <b>YEAR 4</b>        | <b>Year 5<br/>Growth<br/>Factor</b> | <b>YEAR 5</b>        |
|                                                          | 2013-14              |                                     | 2014-15              |                                     | 2015-16              |                                     | 2016-17              |                                     | 2017-18              |                                     | 2018-19              |
| <b>CITY OF LOS ALAMITOS</b>                              |                      |                                     |                      |                                     |                      |                                     |                      |                                     |                      |                                     |                      |
| Secured                                                  | 1,538,668,904        |                                     |                      |                                     |                      |                                     |                      |                                     |                      |                                     |                      |
| Secured-HOX value                                        | <u>10,724,975</u>    |                                     |                      |                                     |                      |                                     |                      |                                     |                      |                                     |                      |
| Secured total                                            | 1,549,393,879        | 1.00%                               | 1,564,887,818        | 2.75%                               | 1,659,873,700        | 2.25%                               | 1,701,314,447        | 2.75%                               | 1,748,100,594        | 3.25%                               | 1,804,913,863        |
| Projected Secured New Value                              |                      |                                     | <u>50,561,038</u>    |                                     | <u>4,003,510</u>     |                                     | <u>0</u>             |                                     | <u>0</u>             |                                     | <u>0</u>             |
| <b>TOTAL SECURED SUBJECT TO GROWTH</b>                   | <b>1,549,393,879</b> |                                     | <b>1,615,448,856</b> |                                     | <b>1,663,877,209</b> |                                     | <b>1,701,314,447</b> |                                     | <b>1,748,100,594</b> |                                     | <b>1,804,913,863</b> |
| % of Sec. Growth                                         | 2.99%                |                                     | 4.26%                |                                     | 3.00%                |                                     | 2.25%                |                                     | 2.75%                |                                     | 3.25%                |
| Unsecured                                                | 125,539,616          |                                     |                      |                                     |                      |                                     |                      |                                     |                      |                                     |                      |
| Unsecured-HOX value                                      | <u>0</u>             |                                     |                      |                                     |                      |                                     |                      |                                     |                      |                                     |                      |
| Unsecured Total Subject to Growth                        | <u>125,539,616</u>   | 0.00%                               | <u>125,539,616</u>   |
| Total Assessed Value                                     | 1,674,933,495        |                                     | 1,740,988,472        |                                     | 1,789,416,825        |                                     | 1,826,854,063        |                                     | 1,873,640,210        |                                     | 1,930,453,479        |
| 1% General Levy                                          | 16,749,335           |                                     | 17,409,885           |                                     | 17,894,168           |                                     | 18,268,541           |                                     | 18,736,402           |                                     | 19,304,535           |
| OCFA Tax Rate 13-14                                      | 9.66817%             |                                     | 9.66817%             |                                     | 9.66817%             |                                     | 9.66817%             |                                     | 9.66817%             |                                     | 9.66817%             |
| Total Projected Property Tax Revenue (includes HOX rev.) | \$1,619,355          |                                     | \$1,683,218          |                                     | \$1,730,039          |                                     | \$1,766,234          |                                     | \$1,811,468          |                                     | \$1,866,396          |

**ORANGE COUNTY FIRE AUTHORITY  
2013-14 PROPERTY TAX REVENUE PROJECTIONS**

**TABLE 1  
ORANGE COUNTY FIRE AUTHORITY  
Property Tax Revenue Projections  
Fiscal Years 2013-14 through 2018-19**

| 11)                                                      | CURRENT YEAR          | Year 1<br>Growth<br>Factor | YEAR 1                | Year 2<br>Growth<br>Factor | YEAR 2                | Year 3<br>Growth<br>Factor | YEAR 3                | Year 4<br>Growth<br>Factor | YEAR 4                | Year 5<br>Growth<br>Factor | YEAR 5                |
|----------------------------------------------------------|-----------------------|----------------------------|-----------------------|----------------------------|-----------------------|----------------------------|-----------------------|----------------------------|-----------------------|----------------------------|-----------------------|
| CITY OF MISSION VIEJO                                    | 2013-14               |                            | 2014-15               |                            | 2015-16               |                            | 2016-17               |                            | 2017-18               |                            | 2018-19               |
| Secured (Net of CRA Increment)                           | 12,539,825,011        |                            |                       |                            |                       |                            |                       |                            |                       |                            |                       |
| Secured-HOX value                                        | <u>142,304,400</u>    |                            |                       |                            |                       |                            |                       |                            |                       |                            |                       |
| less CRA secured base                                    | (278,617,033)         |                            |                       |                            |                       |                            |                       |                            |                       |                            |                       |
| Secured total                                            | 12,403,512,378        | 1.00%                      | 12,527,547,502        | 2.75%                      | 13,105,560,039        | 2.25%                      | 13,461,527,738        | 2.75%                      | 13,902,906,205        | 3.25%                      | 14,386,437,222        |
| Projected Secured New Value                              |                       |                            | <u>227,255,456</u>    |                            | <u>59,748,262</u>     |                            | <u>69,281,221</u>     |                            | <u>30,689,167</u>     |                            | <u>0</u>              |
| <b>TOTAL SECURED SUBJECT TO GROWTH</b>                   | <b>12,403,512,378</b> |                            | <b>12,754,802,958</b> |                            | <b>13,165,308,301</b> |                            | <b>13,530,808,959</b> |                            | <b>13,933,595,372</b> |                            | <b>14,386,437,222</b> |
| % of Sec. Growth                                         | 2.51%                 |                            | 2.83%                 |                            | 3.22%                 |                            | 2.78%                 |                            | 2.98%                 |                            | 3.25%                 |
| Unsecured (Net of CRA Increment)                         | 203,993,575           |                            |                       |                            |                       |                            |                       |                            |                       |                            |                       |
| Unsecured-HOX value                                      | <u>(42,000)</u>       |                            |                       |                            |                       |                            |                       |                            |                       |                            |                       |
| less CRA unsecured base                                  | (63,479,745)          |                            |                       |                            |                       |                            |                       |                            |                       |                            |                       |
| Unsecured Total Subject to Growth                        | <u>140,471,830</u>    | 0.00%                      | <u>140,471,830</u>    |
| CRA base yr value                                        | <u>342,096,778</u>    |                            | <u>342,096,778</u>    |
| Total Assessed Value                                     | 12,886,080,986        |                            | 13,237,371,566        |                            | 13,647,876,909        |                            | 14,013,377,567        |                            | 14,416,163,980        |                            | 14,869,005,830        |
| 1% General Levy                                          | 128,860,810           |                            | 132,373,716           |                            | 136,478,769           |                            | 140,133,776           |                            | 144,161,640           |                            | 148,690,058           |
| OCFA Tax Rate 13-14                                      | 10.90426%             |                            | 10.90426%             |                            | 10.90426%             |                            | 10.90426%             |                            | 10.90426%             |                            | 10.90426%             |
| Total Projected Property Tax Revenue (includes HOX rev.) | \$14,051,316          |                            | \$14,434,372          |                            | \$14,881,998          |                            | \$15,280,550          |                            | \$15,719,758          |                            | \$16,213,549          |
| 12)                                                      | CURRENT YEAR          | Year 1<br>Growth<br>Factor | YEAR 1                | Year 2<br>Growth<br>Factor | YEAR 2                | Year 3<br>Growth<br>Factor | YEAR 3                | Year 4<br>Growth<br>Factor | YEAR 4                | Year 5<br>Growth<br>Factor | YEAR 5                |
| CITY OF RANCHO SANTA MARGARITA                           | 2013-14               |                            | 2014-15               |                            | 2015-16               |                            | 2016-17               |                            | 2017-18               |                            | 2018-19               |
| Secured                                                  | 6,503,185,767         |                            |                       |                            |                       |                            |                       |                            |                       |                            |                       |
| Secured-HOX value                                        | <u>62,804,000</u>     |                            |                       |                            |                       |                            |                       |                            |                       |                            |                       |
| Secured total                                            | 6,565,989,767         | 1.00%                      | 6,631,649,665         | 2.75%                      | 6,942,319,430         | 2.25%                      | 7,124,811,518         | 2.75%                      | 7,320,743,835         | 3.25%                      | 7,558,668,009         |
| Projected Secured New Value                              |                       |                            | <u>124,865,596</u>    |                            | <u>25,711,394</u>     |                            | <u>0</u>              |                            | <u>0</u>              |                            | <u>0</u>              |
| <b>TOTAL SECURED SUBJECT TO GROWTH</b>                   | <b>6,565,989,767</b>  |                            | <b>6,756,515,261</b>  |                            | <b>6,968,030,824</b>  |                            | <b>7,124,811,518</b>  |                            | <b>7,320,743,835</b>  |                            | <b>7,558,668,009</b>  |
| % of Sec. Growth Above                                   | 1.94%                 |                            | 2.90%                 |                            | 3.13%                 |                            | 2.25%                 |                            | 2.75%                 |                            | 3.25%                 |
| Unsecured                                                | 193,203,162           |                            |                       |                            |                       |                            |                       |                            |                       |                            |                       |
| Unsecured-HOX value                                      | <u>(49,000)</u>       |                            |                       |                            |                       |                            |                       |                            |                       |                            |                       |
| Unsecured Total Subject to Growth                        | <u>193,154,162</u>    | 0.00%                      | <u>193,154,162</u>    |
| Total Assessed Value                                     | 6,759,143,929         |                            | 6,949,669,423         |                            | 7,161,184,986         |                            | 7,317,965,680         |                            | 7,513,897,997         |                            | 7,751,822,171         |
| 1% General Levy                                          | 67,591,439            |                            | 69,496,694            |                            | 71,611,850            |                            | 73,179,657            |                            | 75,138,980            |                            | 77,518,222            |
| OCFA Tax Rate 13-14                                      | 12.28763%             |                            | 12.28763%             |                            | 12.28763%             |                            | 12.28763%             |                            | 12.28763%             |                            | 12.28763%             |
| Total Projected Property Tax Revenue (includes HOX rev.) | \$8,305,384           |                            | \$8,539,495           |                            | \$8,799,397           |                            | \$8,992,043           |                            | \$9,232,798           |                            | \$9,525,150           |

**ORANGE COUNTY FIRE AUTHORITY  
2013-14 PROPERTY TAX REVENUE PROJECTIONS**

**TABLE 1  
ORANGE COUNTY FIRE AUTHORITY  
Property Tax Revenue Projections  
Fiscal Years 2013-14 through 2018-19**

| 13)<br>CITY OF SAN JUAN CAPISTRANO                       | CURRENT YEAR<br>2013-14 | Year 1<br>Growth<br>Factor | YEAR 1<br>2014-15    | Year 2<br>Growth<br>Factor | YEAR 2<br>2015-16    | Year 3<br>Growth<br>Factor | YEAR 3<br>2016-17    | Year 4<br>Growth<br>Factor | YEAR 4<br>2017-18    | Year 5<br>Growth<br>Factor | YEAR 5<br>2018-19    |
|----------------------------------------------------------|-------------------------|----------------------------|----------------------|----------------------------|----------------------|----------------------------|----------------------|----------------------------|----------------------|----------------------------|----------------------|
| Secured (Net of CRA Increment)                           | 5,137,984,111           |                            |                      |                            |                      |                            |                      |                            |                      |                            |                      |
| Secured-HOX value                                        | <u>43,206,303</u>       |                            |                      |                            |                      |                            |                      |                            |                      |                            |                      |
| less CRA secured base                                    | (91,274,067)            |                            |                      |                            |                      |                            |                      |                            |                      |                            |                      |
| Secured total                                            | 5,089,916,347           | 1.00%                      | 5,140,815,510        | 2.75%                      | 5,442,719,969        | 2.25%                      | 5,700,121,643        | 2.75%                      | 5,932,829,544        | 3.25%                      | 6,125,646,504        |
| Projected Secured New Value                              |                         |                            | <u>156,235,554</u>   |                            | <u>131,971,124</u>   |                            | <u>73,921,709</u>    |                            | <u>0</u>             |                            | <u>0</u>             |
| <b>TOTAL SECURED SUBJECT TO GROWTH</b>                   | <b>5,089,916,347</b>    |                            | <b>5,297,051,064</b> |                            | <b>5,574,691,093</b> |                            | <b>5,774,043,352</b> |                            | <b>5,932,829,544</b> |                            | <b>6,125,646,504</b> |
| % of Sec. Growth                                         | 3.55%                   |                            | 4.07%                |                            | 5.24%                |                            | 3.58%                |                            | 2.75%                |                            | 3.25%                |
| Unsecured (Net of CRA Increment)                         | 67,325,393              |                            |                      |                            |                      |                            |                      |                            |                      |                            |                      |
| Unsecured-HOX value                                      | <u>(49,000)</u>         |                            |                      |                            |                      |                            |                      |                            |                      |                            |                      |
| less CRA unsecured base                                  | (15,627,291)            |                            |                      |                            |                      |                            |                      |                            |                      |                            |                      |
| Unsecured Total Subject to Growth                        | <u>51,649,102</u>       | 0.00%                      | <u>51,649,102</u>    | 0.00%                      | <u>51,649,102</u>    | 0.00%                      | <u>51,649,102</u>    | 0.00%                      | <u>51,649,102</u>    | 0.00%                      | <u>51,649,102</u>    |
| CRA base yr value                                        | <u>106,901,358</u>      |                            | <u>106,901,358</u>   |                            | <u>106,901,358</u>   |                            | <u>106,901,358</u>   |                            | <u>106,901,358</u>   |                            | <u>106,901,358</u>   |
| Total Assessed Value                                     | 5,248,466,807           |                            | 5,455,601,524        |                            | 5,733,241,553        |                            | 5,932,593,812        |                            | 6,091,380,004        |                            | 6,284,196,964        |
| 1% General Levy                                          | 52,484,668              |                            | 54,556,015           |                            | 57,332,416           |                            | 59,325,938           |                            | 60,913,800           |                            | 62,841,970           |
| OCFA Tax Rate 13-14                                      | 11.60296%               |                            | 11.60296%            |                            | 11.60296%            |                            | 11.60296%            |                            | 11.60296%            |                            | 11.60296%            |
| Total Projected Property Tax Revenue (includes HOX rev.) | \$6,089,775             |                            | \$6,330,112          |                            | \$6,652,257          |                            | \$6,883,565          |                            | \$7,067,804          |                            | \$7,291,528          |
| 14)<br>CITY OF VILLA PARK                                | CURRENT YEAR<br>2013-14 | Year 1<br>Growth<br>Factor | YEAR 1<br>2014-15    | Year 2<br>Growth<br>Factor | YEAR 2<br>2015-16    | Year 3<br>Growth<br>Factor | YEAR 3<br>2016-17    | Year 4<br>Growth<br>Factor | YEAR 4<br>2017-18    | Year 5<br>Growth<br>Factor | YEAR 5<br>2018-19    |
| Secured                                                  | 1,447,221,522           |                            |                      |                            |                      |                            |                      |                            |                      |                            |                      |
| Secured-HOX value                                        | <u>10,658,200</u>       |                            |                      |                            |                      |                            |                      |                            |                      |                            |                      |
| Secured total                                            | 1,457,879,722           | 1.00%                      | 1,472,458,519        | 2.75%                      | 1,541,649,948        | 2.25%                      | 1,582,667,110        | 2.75%                      | 1,626,190,456        | 3.25%                      | 1,679,041,645        |
| Projected Secured New Value                              |                         |                            | <u>27,930,725</u>    |                            | <u>6,190,746</u>     |                            | <u>0</u>             |                            | <u>0</u>             |                            | <u>0</u>             |
| <b>TOTAL SECURED SUBJECT TO GROWTH</b>                   | <b>1,457,879,722</b>    |                            | <b>1,500,389,244</b> |                            | <b>1,547,840,694</b> |                            | <b>1,582,667,110</b> |                            | <b>1,626,190,456</b> |                            | <b>1,679,041,645</b> |
| % of Sec. Growth                                         | 4.74%                   |                            | 2.92%                |                            | 3.16%                |                            | 2.25%                |                            | 2.75%                |                            | 3.25%                |
| Unsecured                                                | 8,726,433               |                            |                      |                            |                      |                            |                      |                            |                      |                            |                      |
| Unsecured-HOX value                                      | <u>(7,000)</u>          |                            |                      |                            |                      |                            |                      |                            |                      |                            |                      |
| Unsecured Total Subject to Growth                        | <u>8,719,433</u>        | 0.00%                      | <u>8,719,433</u>     | 0.00%                      | <u>8,719,433</u>     | 0.00%                      | <u>8,719,433</u>     | 0.00%                      | <u>8,719,433</u>     | 0.00%                      | <u>8,719,433</u>     |
| Total Assessed Value                                     | 1,466,599,155           |                            | 1,509,108,677        |                            | 1,556,560,127        |                            | 1,591,386,543        |                            | 1,634,909,889        |                            | 1,687,761,078        |
| 1% General Levy                                          | 14,665,992              |                            | 15,091,087           |                            | 15,565,601           |                            | 15,913,865           |                            | 16,349,099           |                            | 16,877,611           |
| OCFA Tax Rate 13-14                                      | 10.18534%               |                            | 10.18534%            |                            | 10.18534%            |                            | 10.18534%            |                            | 10.18534%            |                            | 10.18534%            |
| Total Projected Property Tax Revenue (includes HOX rev.) | \$1,493,780             |                            | \$1,537,078          |                            | \$1,585,409          |                            | \$1,620,881          |                            | \$1,665,211          |                            | \$1,719,041          |

**ORANGE COUNTY FIRE AUTHORITY  
2013-14 PROPERTY TAX REVENUE PROJECTIONS**

**TABLE 1  
ORANGE COUNTY FIRE AUTHORITY  
Property Tax Revenue Projections  
Fiscal Years 2013-14 through 2018-19**

| 15)<br>CITY OF YORBA LINDA                               | CURRENT YEAR<br>2013-14         | Year 1<br>Growth<br>Factor          | YEAR 1<br>2014-15         | Year 2<br>Growth<br>Factor          | YEAR 2<br>2015-16         | Year 3<br>Growth<br>Factor          | YEAR 3<br>2016-17         | Year 4<br>Growth<br>Factor          | YEAR 4<br>2017-18         | Year 5<br>Growth<br>Factor          | YEAR 5<br>2018-19         |
|----------------------------------------------------------|---------------------------------|-------------------------------------|---------------------------|-------------------------------------|---------------------------|-------------------------------------|---------------------------|-------------------------------------|---------------------------|-------------------------------------|---------------------------|
| Secured (Net of CRA Increment)                           | 9,572,332,301                   |                                     |                           |                                     |                           |                                     |                           |                                     |                           |                                     |                           |
| Secured-HOX value                                        | <u>100,114,710</u>              |                                     |                           |                                     |                           |                                     |                           |                                     |                           |                                     |                           |
| less CRA secured base                                    | (94,833,101)                    |                                     |                           |                                     |                           |                                     |                           |                                     |                           |                                     |                           |
| Secured total                                            | 9,577,613,910                   | 1.00%                               | 9,673,390,049             | 2.75%                               | 10,239,885,207            | 2.25%                               | 10,558,692,266            | 2.75%                               | 10,904,018,023            | 3.25%                               | 11,331,463,717            |
| Projected Secured New Value                              |                                 |                                     | <u>292,434,970</u>        |                                     | <u>86,464,198</u>         |                                     | <u>53,490,724</u>         |                                     | <u>70,765,238</u>         |                                     | <u>37,029,395</u>         |
| <b>TOTAL SECURED SUBJECT TO GROWTH</b>                   | <b>9,577,613,910</b>            |                                     | <b>9,965,825,019</b>      |                                     | <b>10,326,349,405</b>     |                                     | <b>10,612,182,990</b>     |                                     | <b>10,974,783,261</b>     |                                     | <b>11,368,493,112</b>     |
| % of Sec. Growth                                         | 3.50%                           |                                     | 4.05%                     |                                     | 3.62%                     |                                     | 2.77%                     |                                     | 3.42%                     |                                     | 3.59%                     |
| Unsecured (Net of CRA Increment)                         | 62,962,185                      |                                     |                           |                                     |                           |                                     |                           |                                     |                           |                                     |                           |
| Unsecured-HOX value                                      | <u>(49,000)</u>                 |                                     |                           |                                     |                           |                                     |                           |                                     |                           |                                     |                           |
| less CRA unsecured base                                  | (12,460,697)                    |                                     |                           |                                     |                           |                                     |                           |                                     |                           |                                     |                           |
| Unsecured Total Subject to Growth                        | <u>50,452,488</u>               | 0.00%                               | <u>50,452,488</u>         | 0.00%                               | <u>50,452,488</u>         | 0.00%                               | <u>50,452,488</u>         | 0.00%                               | <u>50,452,488</u>         | 0.00%                               | <u>50,452,488</u>         |
| CRA base yr value                                        | <u>107,293,798</u>              |                                     | <u>107,293,798</u>        |                                     | <u>107,293,798</u>        |                                     | <u>107,293,798</u>        |                                     | <u>107,293,798</u>        |                                     | <u>107,293,798</u>        |
| Total Assessed Value                                     | 9,735,360,196                   |                                     | 10,123,571,305            |                                     | 10,484,095,691            |                                     | 10,769,929,276            |                                     | 11,132,529,547            |                                     | 11,526,239,398            |
| 1% General Levy                                          | 97,353,602                      |                                     | 101,235,713               |                                     | 104,840,957               |                                     | 107,699,293               |                                     | 111,325,295               |                                     | 115,262,394               |
| OCFA Tax Rate 13-14                                      | 9.33875%                        |                                     | 9.33875%                  |                                     | 9.33875%                  |                                     | 9.33875%                  |                                     | 9.33875%                  |                                     | 9.33875%                  |
| Total Projected Property Tax Revenue (includes HOX rev.) | \$9,091,605                     |                                     | \$9,454,145               |                                     | \$9,790,830               |                                     | \$10,057,763              |                                     | \$10,396,386              |                                     | \$10,764,061              |
| <b>16)<br/>COUNTY UNINCORPORATED</b>                     | <b>CURRENT YEAR<br/>2013-14</b> | <b>Year 1<br/>Growth<br/>Factor</b> | <b>YEAR 1<br/>2014-15</b> | <b>Year 2<br/>Growth<br/>Factor</b> | <b>YEAR 2<br/>2015-16</b> | <b>Year 3<br/>Growth<br/>Factor</b> | <b>YEAR 3<br/>2016-17</b> | <b>Year 4<br/>Growth<br/>Factor</b> | <b>YEAR 4<br/>2017-18</b> | <b>Year 5<br/>Growth<br/>Factor</b> | <b>YEAR 5<br/>2018-19</b> |
| Secured (Net of CRA Increment)                           | 19,890,913,627                  |                                     |                           |                                     |                           |                                     |                           |                                     |                           |                                     |                           |
| Secured-HOX value                                        | <u>155,644,776</u>              |                                     |                           |                                     |                           |                                     |                           |                                     |                           |                                     |                           |
| less CRA secured base                                    | (506,443,942)                   |                                     |                           |                                     |                           |                                     |                           |                                     |                           |                                     |                           |
| Secured total                                            | 19,540,114,461                  | 1.00%                               | 19,735,515,606            | 2.75%                               | 20,729,689,980            | 2.25%                               | 21,282,822,091            | 2.75%                               | 22,004,116,043            | 3.25%                               | 23,296,549,374            |
| Projected Secured New Value                              |                                 |                                     | <u>439,365,154</u>        |                                     | <u>84,805,952</u>         |                                     | <u>132,376,005</u>        |                                     | <u>559,127,902</u>        |                                     | <u>0</u>                  |
| <b>TOTAL SECURED SUBJECT TO GROWTH</b>                   | <b>19,540,114,461</b>           |                                     | <b>20,174,880,759</b>     |                                     | <b>20,814,495,933</b>     |                                     | <b>21,415,198,096</b>     |                                     | <b>22,563,243,945</b>     |                                     | <b>23,296,549,374</b>     |
| % of Sec. Growth                                         | 3.15%                           |                                     | 3.25%                     |                                     | 3.17%                     |                                     | 2.89%                     |                                     | 5.36%                     |                                     | 3.25%                     |
| Unsecured (Net of CRA Increment)                         | 357,559,321                     |                                     |                           |                                     |                           |                                     |                           |                                     |                           |                                     |                           |
| Unsecured-HOX value                                      | <u>(105,000)</u>                |                                     |                           |                                     |                           |                                     |                           |                                     |                           |                                     |                           |
| less CRA unsecured base                                  | (128,855,184)                   |                                     |                           |                                     |                           |                                     |                           |                                     |                           |                                     |                           |
| Unsecured Total Subject to Growth                        | <u>228,599,137</u>              | 0.00%                               | <u>228,599,137</u>        | 0.00%                               | <u>228,599,137</u>        | 0.00%                               | <u>228,599,137</u>        | 0.00%                               | <u>228,599,137</u>        | 0.00%                               | <u>228,599,137</u>        |
| CRA base yr value                                        | <u>635,299,126</u>              |                                     | <u>635,299,126</u>        |                                     | <u>635,299,126</u>        |                                     | <u>635,299,126</u>        |                                     | <u>635,299,126</u>        |                                     | <u>635,299,126</u>        |
| Total Assessed Value                                     | 20,404,012,724                  |                                     | 21,038,779,022            |                                     | 21,678,394,196            |                                     | 22,279,096,359            |                                     | 23,427,142,208            |                                     | 24,160,447,637            |
| 1% General Levy                                          | 204,040,127                     |                                     | 210,387,790               |                                     | 216,783,942               |                                     | 222,790,964               |                                     | 234,271,422               |                                     | 241,604,476               |
| OCFA Tax Rate 13-14                                      | 12.08776%                       |                                     | 12.08776%                 |                                     | 12.08776%                 |                                     | 12.08776%                 |                                     | 12.08776%                 |                                     | 12.08776%                 |
| Total Projected Property Tax Revenue (includes HOX rev.) | \$24,663,873                    |                                     | \$25,431,163              |                                     | \$26,204,314              |                                     | \$26,930,428              |                                     | \$28,318,158              |                                     | \$29,204,560              |

**TABLE 1  
ORANGE COUNTY FIRE AUTHORITY  
Property Tax Revenue Projections  
Fiscal Years 2013-14 through 2018-19**

| 17)                                                      | CURRENT YEAR           | Year 1<br>Growth<br>Factor | YEAR 1                 | Year 2<br>Growth<br>Factor | YEAR 2                 | Year 3<br>Growth<br>Factor | YEAR 3                 | Year 4<br>Growth<br>Factor | YEAR 4                 | Year 5<br>Growth<br>Factor | YEAR 5                 |
|----------------------------------------------------------|------------------------|----------------------------|------------------------|----------------------------|------------------------|----------------------------|------------------------|----------------------------|------------------------|----------------------------|------------------------|
| TOTAL OCFA                                               | 2013-14                |                            | 2014-15                |                            | 2015-16                |                            | 2016-17                |                            | 2017-18                |                            | 2018-19                |
| Secured (Net of CRA Increment)                           | 155,253,476,419        |                            |                        |                            |                        |                            |                        |                            |                        |                            |                        |
| Secured-HOX value                                        | 1,209,144,729          |                            |                        |                            |                        |                            |                        |                            |                        |                            |                        |
| less CRA secured base                                    | (1,633,246,684)        |                            |                        |                            |                        |                            |                        |                            |                        |                            |                        |
| Secured total (net of CRA value)                         | 154,829,374,464        | 1.00%                      | 156,377,668,209        | 2.75%                      | 164,493,743,166        | 2.25%                      | 169,862,536,666        | 2.75%                      | 176,553,272,241        | 3.25%                      | 183,906,019,696        |
| Projected Secured New Value                              | <u>0</u>               |                            | <u>3,713,566,017</u>   |                            | <u>1,630,987,069</u>   |                            | 1,965,465,516          |                            | 1,563,938,118          |                            | 698,808,375            |
| <b>TOTAL SECURED SUBJECT TO GROWTH</b>                   | <b>154,829,374,464</b> |                            | <b>160,091,234,225</b> |                            | <b>166,124,730,236</b> |                            | <b>171,828,002,181</b> |                            | <b>178,117,210,359</b> |                            | <b>184,604,828,071</b> |
| % of Sec. Growth                                         | 3.62%                  |                            | 3.40%                  |                            | 3.77%                  |                            | 3.43%                  |                            | 3.66%                  |                            | 3.64%                  |
| Unsecured (Net of CRA Increment)                         | 6,346,679,769          |                            |                        |                            |                        |                            |                        |                            |                        |                            |                        |
| Unsecured-HOX value                                      | (957,584)              |                            |                        |                            |                        |                            |                        |                            |                        |                            |                        |
| less CRA unsecured base                                  | (274,374,839)          |                            |                        |                            |                        |                            |                        |                            |                        |                            |                        |
| Unsecured Total Subject to Growth (net of CRA)           | <u>6,071,347,346</u>   | 0.00%                      | <u>6,071,347,346</u>   |
| CRA base yr value                                        | <u>1,907,621,523</u>   |                            | <u>1,907,621,523</u>   |
| Total Assessed Value                                     | 162,808,343,333        |                            | 168,070,203,094        |                            | 174,103,699,105        |                            | 179,806,971,050        |                            | 186,096,179,228        |                            | 192,583,796,940        |
| 1% General Levy                                          | 1,628,083,433          |                            | 1,680,702,031          |                            | 1,741,036,991          |                            | 1,798,069,711          |                            | 1,860,961,792          |                            | 1,925,837,969          |
| OCFA Tax Rate 13-14                                      | 11.44849%              |                            | 11.44849%              |                            | 11.44849%              |                            | 11.44849%              |                            | 11.44849%              |                            | 11.44849%              |
| Total Projected Property Tax Revenue (includes HOX rev.) | \$186,390,946          |                            | \$192,435,818          |                            | \$199,376,096          |                            | \$205,991,192          |                            | \$213,233,694          |                            | \$220,693,526          |
| Percentage Change in Total Assessed Value                | 3.4251%                |                            | 3.2319%                |                            | 3.5899%                |                            | 3.2758%                |                            | 3.4978%                |                            | 3.4862%                |
| Percentage Change in Secured Property Tax Revenue        | 3.6400%                |                            | 3.3791%                |                            | 3.7528%                |                            | 3.4476%                |                            | 3.6488%                |                            | 3.6260%                |
| Percentage Change in Unsecured Property Tax Revenue      | -0.2087%               |                            | 0.0000%                |                            | 0.0000%                |                            | 0.0000%                |                            | 0.0000%                |                            | 0.0000%                |

NOTE:  
Assessed values are net of increases in assessed valuation from redevelopment project areas. Base year values of each redevelopment project area have been subtracted out for the purposes of the application of the annual growth factors. Base year values are added back into the total assessed value to ensure that taxes attributed to the redevelopment project areas base year values are included in RSG's estimates.

## APPENDIX B

---

[Intentionally Left Blank]

**TABLE 2  
ORANGE COUNTY FIRE AUTHORITY  
New Value Summary  
Projected Assessed Valuation Increase**

| JURISDICTION         | Year Value Added | New Sales Value(1) | New Building Permit Value | Projected New Development-Approved Projects | Projected New Development- In-Review Projects (2) | TOTAL         |
|----------------------|------------------|--------------------|---------------------------|---------------------------------------------|---------------------------------------------------|---------------|
| <b>ALISO VIEJO</b>   | YR 2014-15       | 165,107,659        | 49,905,196                |                                             |                                                   | 215,012,855   |
|                      | YR 2015-16       | 19,257,324         | 100,000                   | -                                           | -                                                 | 19,357,324    |
|                      | YR 2016-17       |                    | 4,601,588                 | 19,143,049                                  | -                                                 | 23,744,637    |
|                      | YR 2017-18       |                    |                           | 19,143,049                                  | -                                                 | 19,143,049    |
|                      | YR 2018-19       |                    |                           | -                                           | -                                                 | -             |
| <b>CYPRESS (3)</b>   | YR 2014-15       | 68,746,529         | 9,973,836                 |                                             |                                                   | 78,720,365    |
|                      | YR 2015-16       | 18,046,250         | 4,291,547                 | -                                           | 1,910,524                                         | 24,248,321    |
|                      | YR 2016-17       |                    | 3,862,005                 | -                                           | 8,796,000                                         | 12,658,005    |
|                      | YR 2017-18       |                    |                           | -                                           | 18,216,000                                        | 18,216,000    |
|                      | YR 2018-19       |                    |                           | -                                           | 12,144,000                                        | 12,144,000    |
| <b>DANA POINT</b>    | YR 2014-15       | 250,167,738        | 7,575,928                 |                                             |                                                   | 257,743,666   |
|                      | YR 2015-16       | 34,468,988         | 14,527,245                | -                                           | 12,404,136                                        | 61,400,368    |
|                      | YR 2016-17       |                    | 14,345,248                | 7,547,422                                   | 18,200,136                                        | 40,092,805    |
|                      | YR 2017-18       |                    |                           | 5,106,000                                   | 14,912,723                                        | 20,018,723    |
|                      | YR 2018-19       |                    |                           | -                                           | -                                                 | -             |
| <b>IRVINE (3)</b>    | YR 2014-15       | 852,819,162        | 459,509,171               |                                             |                                                   | 1,312,328,333 |
|                      | YR 2015-16       | 145,917,333        | 763,423                   | 629,985,849                                 | -                                                 | 776,666,605   |
|                      | YR 2016-17       |                    | 529,134,553               | 631,819,958                                 | -                                                 | 1,160,954,511 |
|                      | YR 2017-18       |                    |                           | 474,378,896                                 | -                                                 | 474,378,896   |
|                      | YR 2018-19       |                    |                           | 476,176,561                                 | -                                                 | 476,176,561   |
| <b>LAGUNA HILLS</b>  | YR 2014-15       | 77,384,993         | 8,557,238                 |                                             |                                                   | 85,942,231    |
|                      | YR 2015-16       | 11,070,191         | 4,167,919                 | -                                           | -                                                 | 15,238,110    |
|                      | YR 2016-17       |                    | 8,454,914                 | -                                           | -                                                 | 8,454,914     |
|                      | YR 2017-18       |                    |                           | 20,000,000                                  | 10,000,000                                        | 30,000,000    |
|                      | YR 2018-19       |                    |                           | -                                           | -                                                 | -             |
| <b>LAGUNA NIGUEL</b> | YR 2014-15       | 233,228,675        | 15,817,900                |                                             |                                                   | 249,046,575   |
|                      | YR 2015-16       | 50,678,497         | 44,443,598                | -                                           | -                                                 | 95,122,095    |
|                      | YR 2016-17       |                    | 104,461,671               | -                                           | -                                                 | 104,461,671   |
|                      | YR 2017-18       |                    |                           | 45,414,427                                  | 29,438,297                                        | 74,852,724    |
|                      | YR 2018-19       |                    |                           | -                                           | -                                                 | -             |

**TABLE 2  
ORANGE COUNTY FIRE AUTHORITY  
New Value Summary  
Projected Assessed Valuation Increase**

| <b>JURISDICTION</b>           | <b>Year Value Added</b> | <b>New Sales Value(1)</b> | <b>New Building Permit Value</b> | <b>Projected New Development-Approved Projects</b> | <b>Projected New Development- In-Review Projects (2)</b> | <b>TOTAL</b> |
|-------------------------------|-------------------------|---------------------------|----------------------------------|----------------------------------------------------|----------------------------------------------------------|--------------|
| <b>LAGUNA WOODS</b>           | YR 2014-15              | 28,149,657                | 1,533,925                        |                                                    |                                                          | 29,683,582   |
|                               | YR 2015-16              | (36,917,376)              | 398,000                          | -                                                  | -                                                        | (36,519,376) |
|                               | YR 2016-17              |                           | 453,500                          | -                                                  | -                                                        | 453,500      |
|                               | YR 2017-18              |                           |                                  | -                                                  | -                                                        | -            |
|                               | YR 2018-19              |                           |                                  | -                                                  | -                                                        | -            |
| <b>LAKE FOREST (3)</b>        | YR 2014-15              | 144,402,870               | 1,480,000                        |                                                    |                                                          | 145,882,870  |
|                               | YR 2015-16              | 26,197,007                | 5,243,000                        | 240,931,663                                        | -                                                        | 272,371,670  |
|                               | YR 2016-17              |                           | 16,936,000                       | 268,288,150                                        | -                                                        | 285,224,150  |
|                               | YR 2017-18              |                           |                                  | 266,746,419                                        | -                                                        | 266,746,419  |
|                               | YR 2018-19              |                           |                                  | 173,458,419                                        | -                                                        | 173,458,419  |
| <b>LA PALMA (3)</b>           | YR 2014-15              | 19,907,068                | 649,978                          |                                                    |                                                          | 20,557,046   |
|                               | YR 2015-16              | 3,998,099                 | 208,666                          | -                                                  | -                                                        | 4,206,765    |
|                               | YR 2016-17              |                           | 351,665                          | -                                                  | -                                                        | 351,665      |
|                               | YR 2017-18              |                           |                                  | -                                                  | -                                                        | -            |
|                               | YR 2018-19              |                           |                                  | -                                                  | -                                                        | -            |
| <b>LOS ALAMITOS</b>           | YR 2014-15              | 21,593,800                | 28,967,238                       |                                                    |                                                          | 50,561,038   |
|                               | YR 2015-16              | 3,848,815                 | -                                | 154,695                                            | -                                                        | 4,003,510    |
|                               | YR 2016-17              |                           | -                                | -                                                  | -                                                        | -            |
|                               | YR 2017-18              |                           |                                  | -                                                  | -                                                        | -            |
|                               | YR 2018-19              |                           |                                  | -                                                  | -                                                        | -            |
| <b>MISSION VIEJO (3)</b>      | YR 2014-15              | 219,189,788               | 8,065,668                        |                                                    |                                                          | 227,255,456  |
|                               | YR 2015-16              | 48,596,088                | 2,596,174                        | 8,556,000                                          | -                                                        | 59,748,262   |
|                               | YR 2016-17              |                           | 52,323,199                       | 16,958,022                                         | -                                                        | 69,281,221   |
|                               | YR 2017-18              |                           |                                  | 30,689,167                                         | -                                                        | 30,689,167   |
|                               | YR 2018-19              |                           |                                  | -                                                  | -                                                        | -            |
| <b>RANCHO SANTA MARGARITA</b> | YR 2014-15              | 102,868,564               | 21,997,032                       |                                                    |                                                          | 124,865,596  |
|                               | YR 2015-16              | 25,711,394                | -                                | -                                                  | -                                                        | 25,711,394   |
|                               | YR 2016-17              |                           | -                                | -                                                  | -                                                        | -            |
|                               | YR 2017-18              |                           |                                  | -                                                  | -                                                        | -            |
|                               | YR 2018-19              |                           |                                  | -                                                  | -                                                        | -            |

**TABLE 2  
ORANGE COUNTY FIRE AUTHORITY  
New Value Summary  
Projected Assessed Valuation Increase**

| JURISDICTION                     | Year Value Added | New Sales Value(1) | New Building Permit Value | Projected New Development-Approved Projects | Projected New Development- In-Review Projects (2) | TOTAL       |
|----------------------------------|------------------|--------------------|---------------------------|---------------------------------------------|---------------------------------------------------|-------------|
| <b>SAN JUAN CAPISTRANO (3)</b>   | YR 2014-15       | 104,887,297        | 51,348,257                |                                             |                                                   | 156,235,554 |
|                                  | YR 2015-16       | 29,639,283         | -                         | 102,331,841                                 | -                                                 | 131,971,124 |
|                                  | YR 2016-17       |                    | -                         | 73,921,709                                  | -                                                 | 73,921,709  |
|                                  | YR 2017-18       |                    |                           | -                                           | -                                                 | -           |
|                                  | YR 2018-19       |                    |                           | -                                           | -                                                 | -           |
| <b>VILLA PARK</b>                | YR 2014-15       | 20,713,175         | 7,217,550                 |                                             |                                                   | 27,930,725  |
|                                  | YR 2015-16       | 6,190,746          | -                         | -                                           | -                                                 | 6,190,746   |
|                                  | YR 2016-17       |                    | -                         | -                                           | -                                                 | -           |
|                                  | YR 2017-18       |                    |                           | -                                           | -                                                 | -           |
|                                  | YR 2018-19       |                    |                           | -                                           | -                                                 | -           |
| <b>YORBA LINDA (3)</b>           | YR 2014-15       | 206,612,972        | 85,821,998                |                                             |                                                   | 292,434,970 |
|                                  | YR 2015-16       | 56,341,115         | 14,152,111                | 15,970,972                                  | -                                                 | 86,464,198  |
|                                  | YR 2016-17       |                    | 38,034,724                | 15,456,000                                  | -                                                 | 53,490,724  |
|                                  | YR 2017-18       |                    |                           | 23,851,717                                  | 46,913,522                                        | 70,765,238  |
|                                  | YR 2018-19       |                    |                           | 19,434,000                                  | 17,595,395                                        | 37,029,395  |
| <b>COUNTY UNINCORPORATED (3)</b> | YR 2014-15       | 383,702,648        | 55,662,506                |                                             |                                                   | 439,365,154 |
|                                  | YR 2015-16       | 37,127,035         | 47,678,917                | -                                           | -                                                 | 84,805,952  |
|                                  | YR 2016-17       |                    | 74,492,937                | 48,499,068                                  | 9,384,000                                         | 132,376,005 |
|                                  | YR 2017-18       |                    |                           | 34,776,000                                  | 524,351,902                                       | 559,127,902 |
|                                  | YR 2018-19       |                    |                           | -                                           | -                                                 | -           |

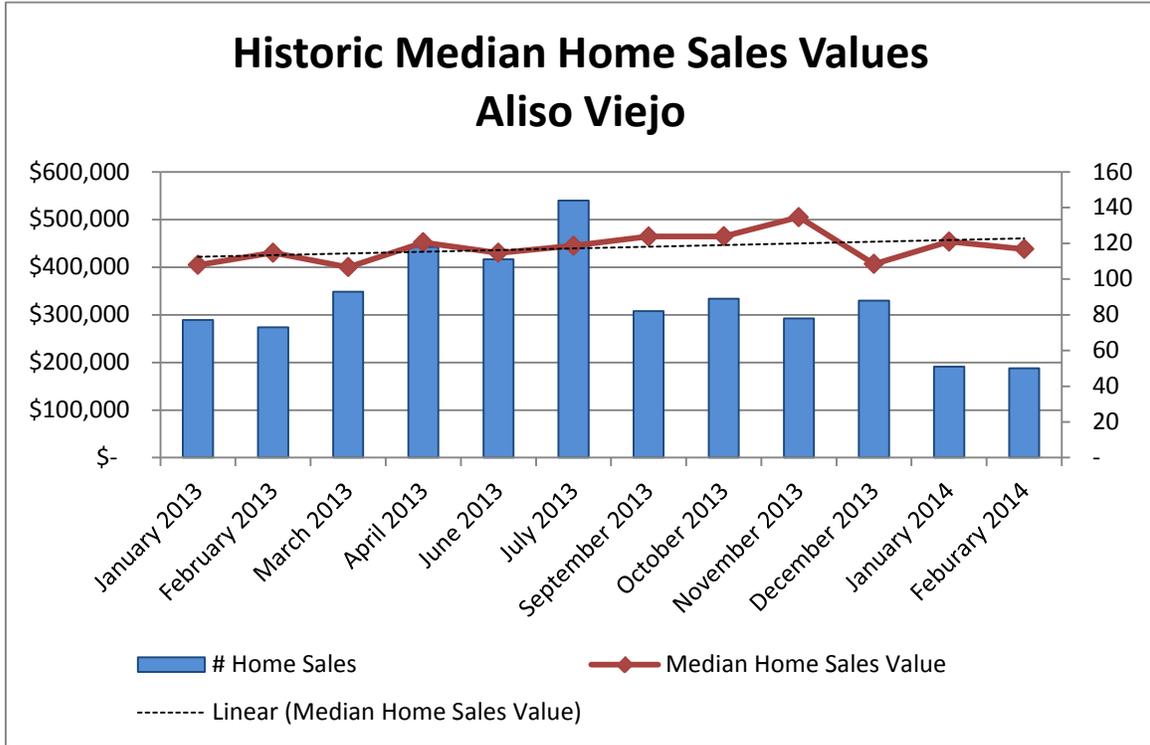
Notes:

- (1) Property sales are for the period January 1, 2013 through December 31, 2013.
- (2) Projected New Development-In-Review Projects, as identified by each jurisdiction's staff, are tentative and pending entitlements and development agreements.
- (3) Property sales from redevelopment project areas have been excluded from the Projections. Building permit values and new development values have been adjusted to compensate for redevelopment project areas.

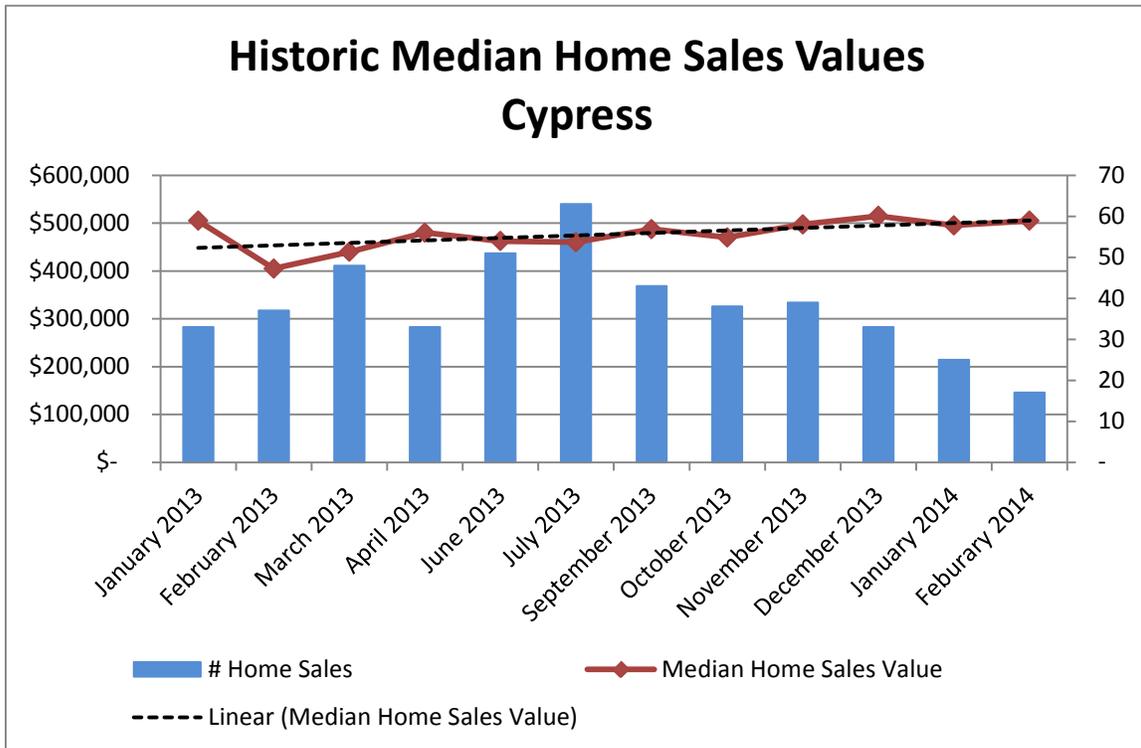
## APPENDIX C

---

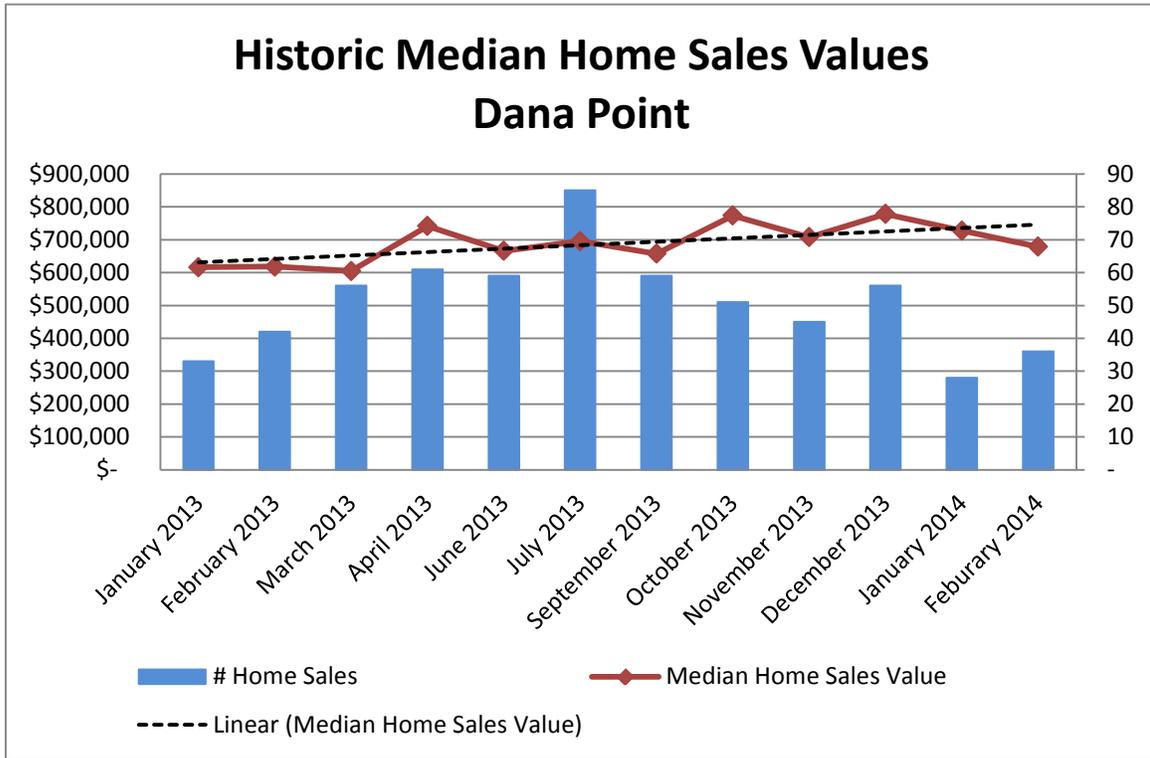
[Intentionally Left Blank]



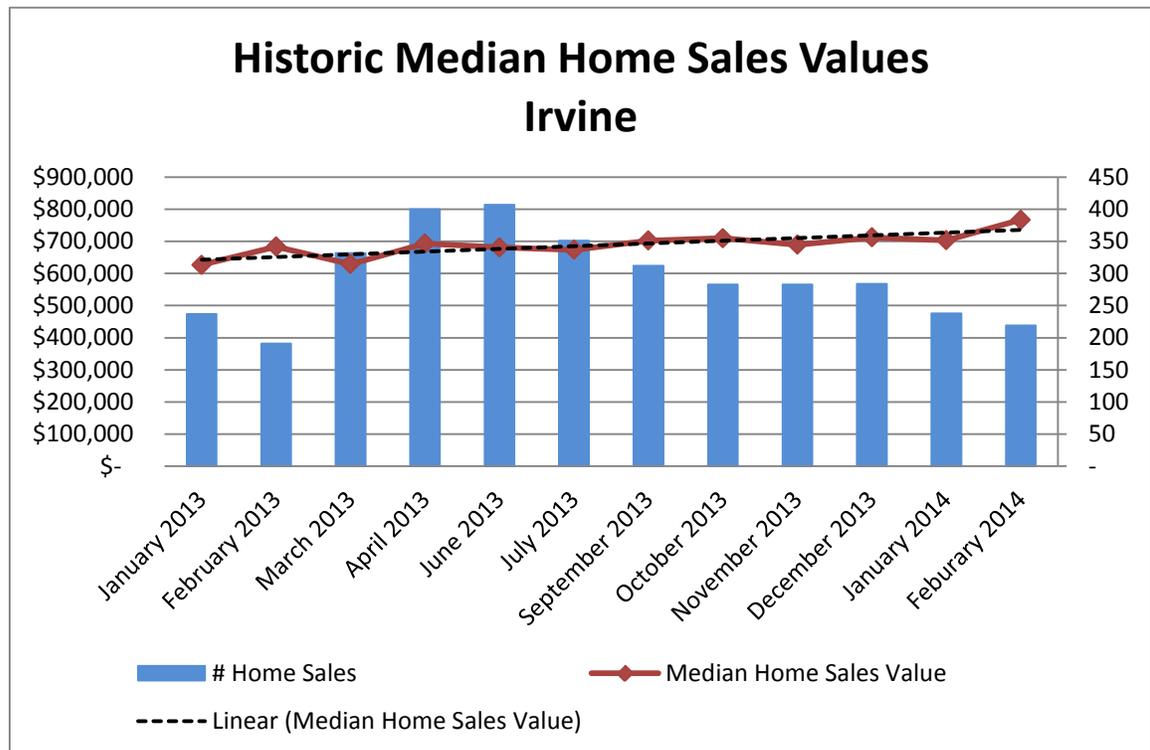
Aliso Viejo % Change in Home Sales Values (January 2013 – February 2014): 8.3%



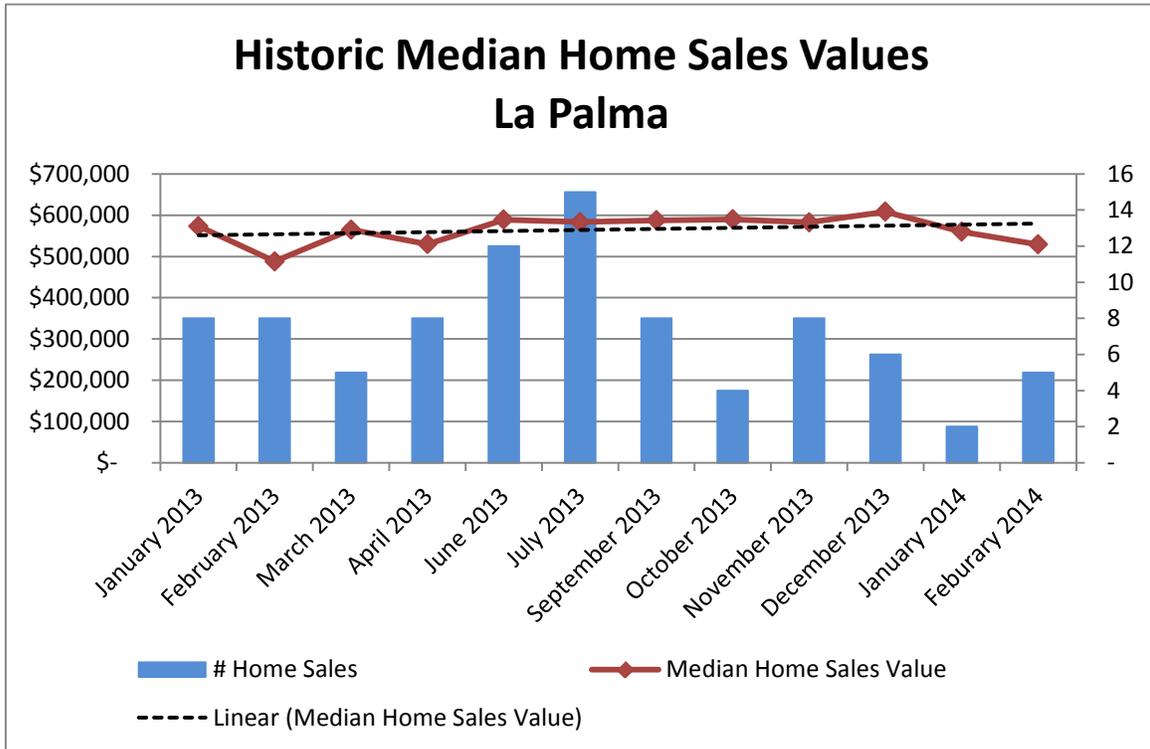
Cypress % Change in Home Sales Values (January 2013 – February 2014): 0.0%



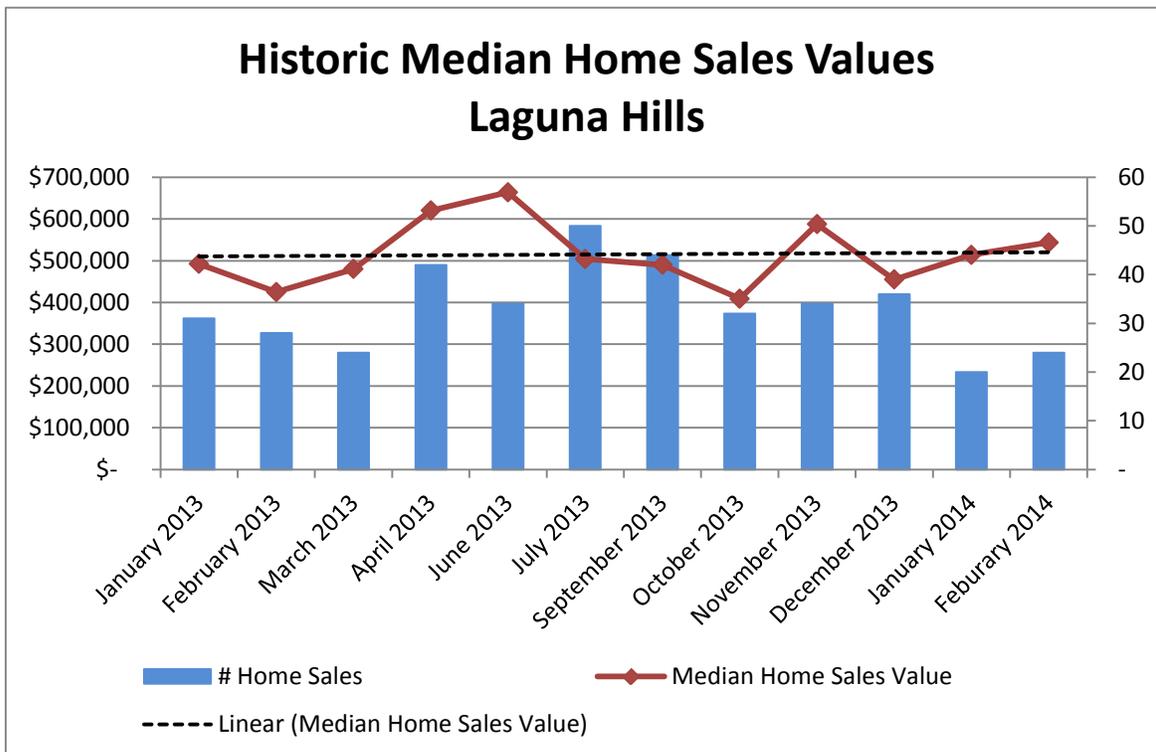
Dana Point % Change in Home Sales Values (January 2013 – February 2014): 10.1%



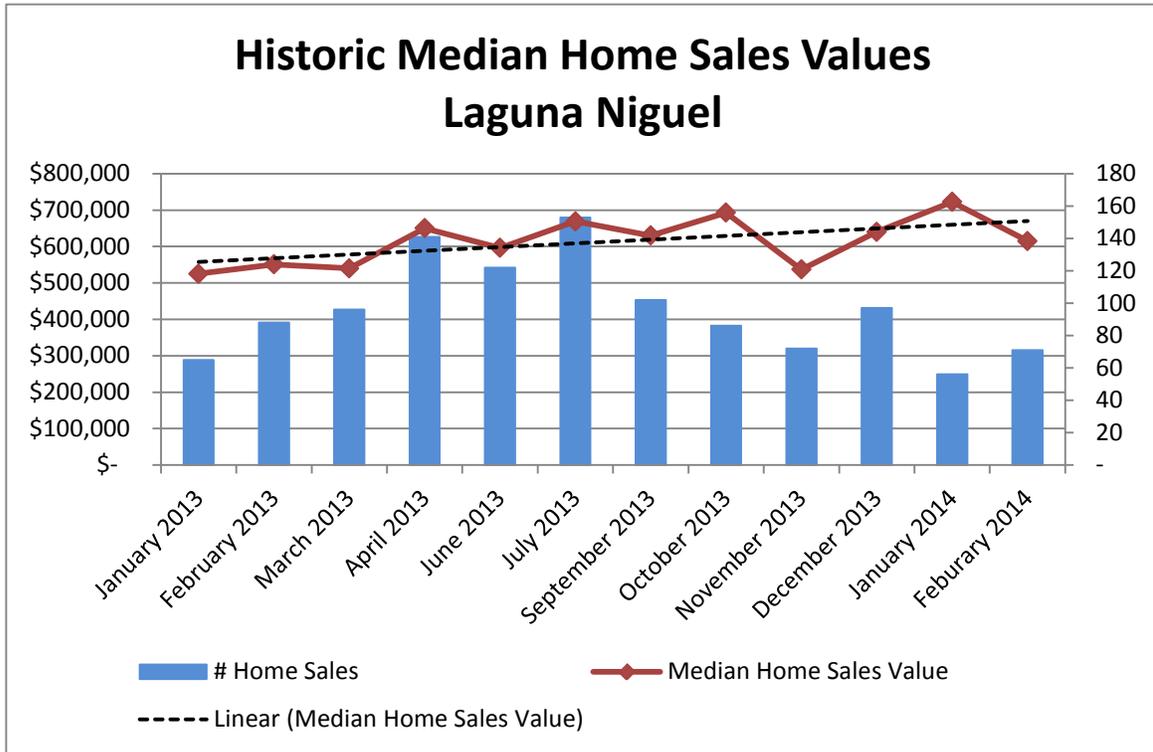
Irvine % Change in Home Sales Values (January 2013 – February 2014): 22.4%



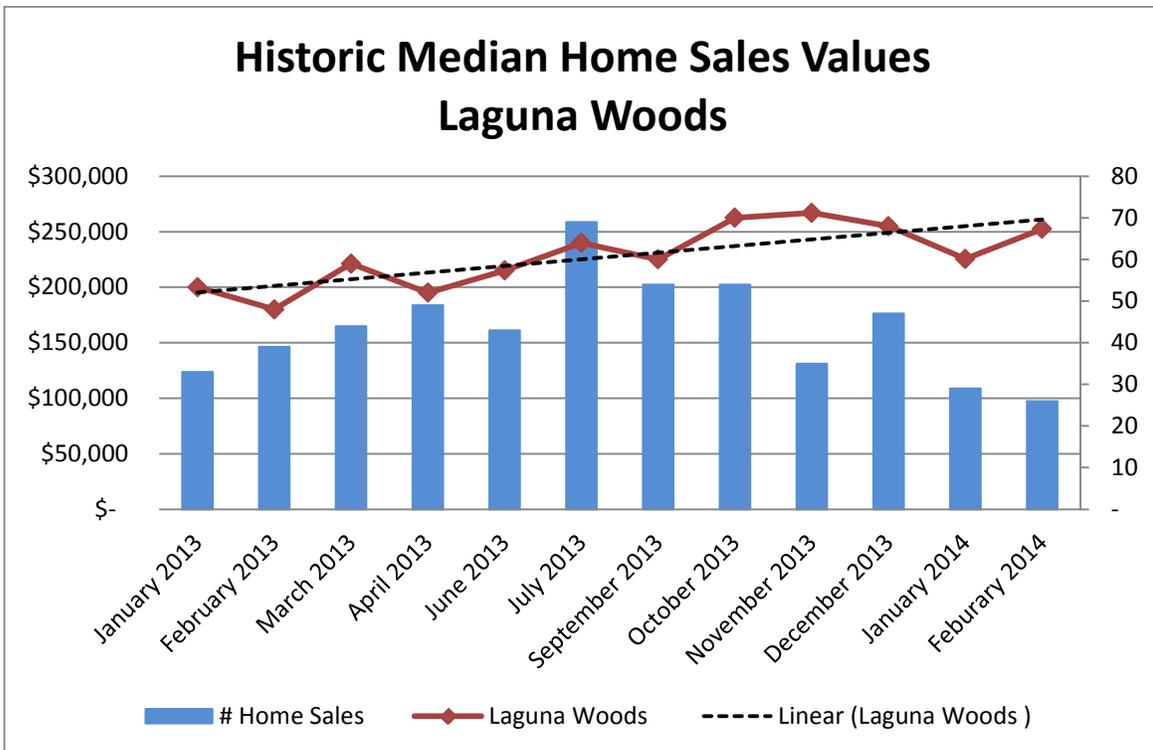
La Palma % Change in Home Sales Values (January 2013 – February 2014): -7.8%



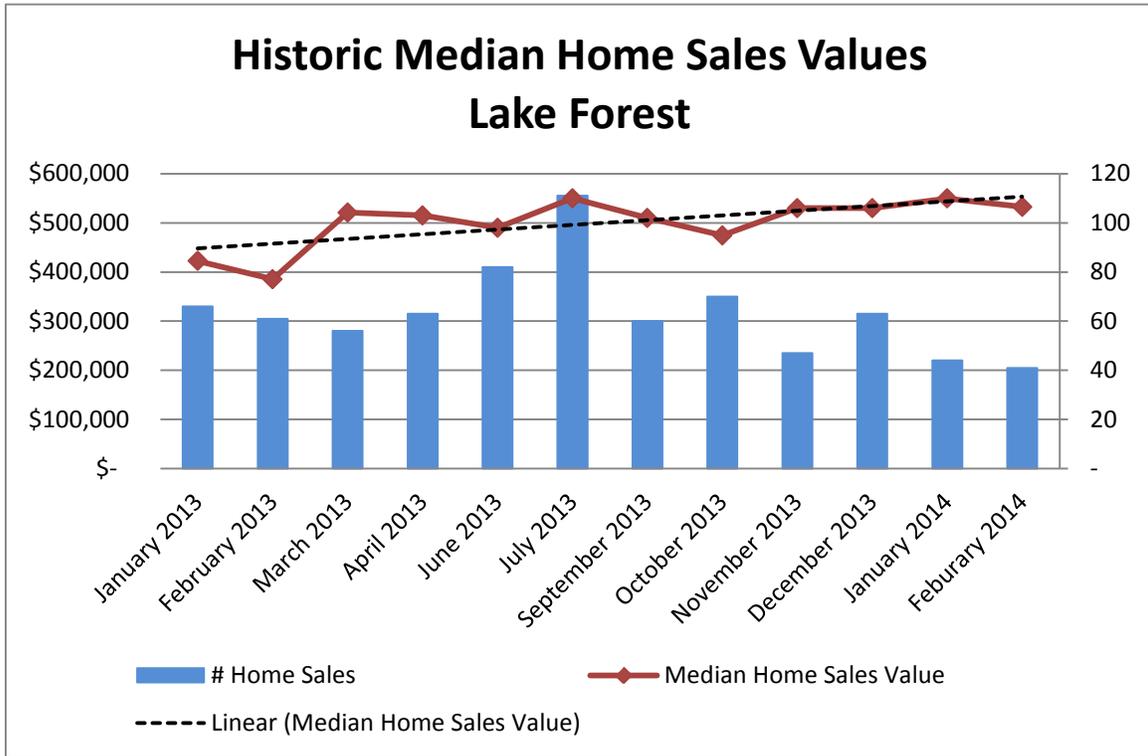
Laguna Hills % Change in Home Sales Values (January 2013 – February 2014): 10.4%



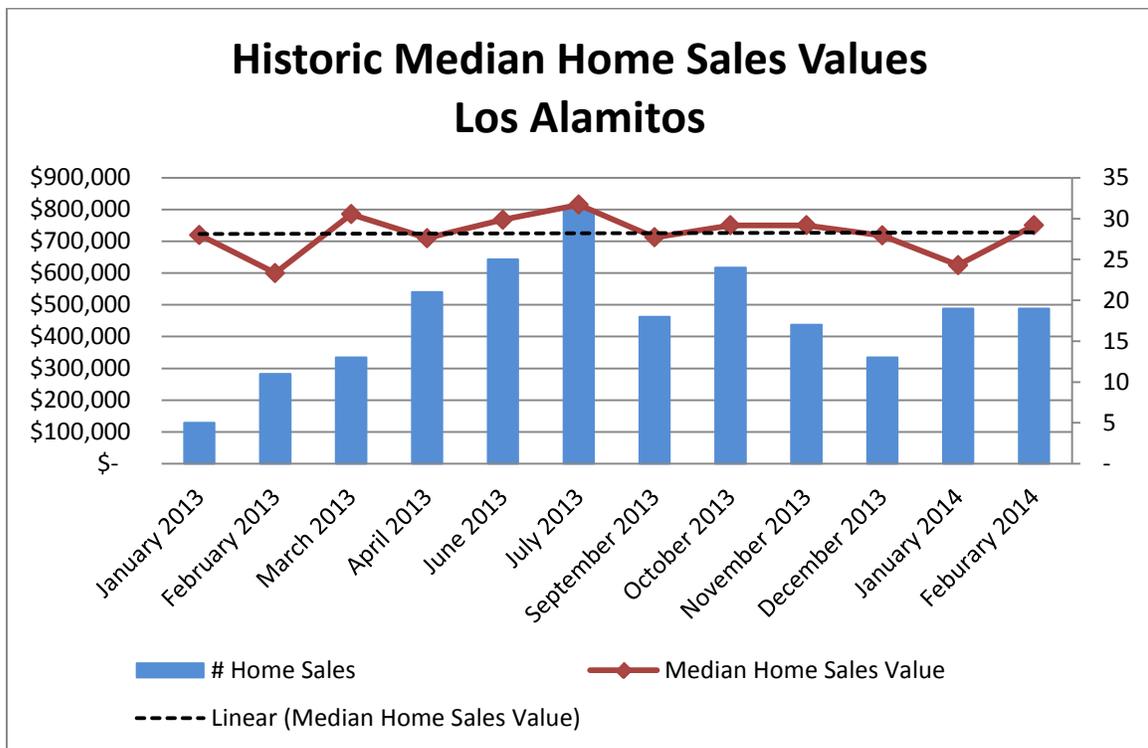
Laguna Niguel % Change in Home Sales Values (January 2013 – February 2014): 17.1%



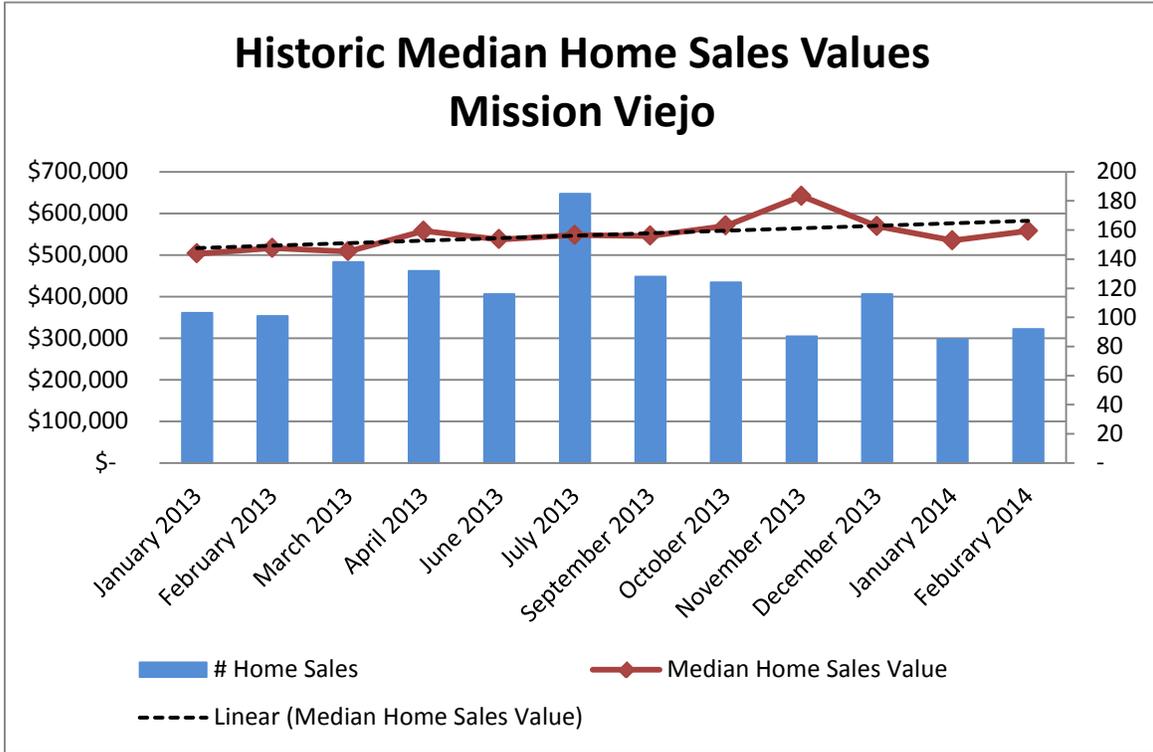
Laguna Woods % Change in Home Sales Values (January 2013 – February 2014): 26.3%



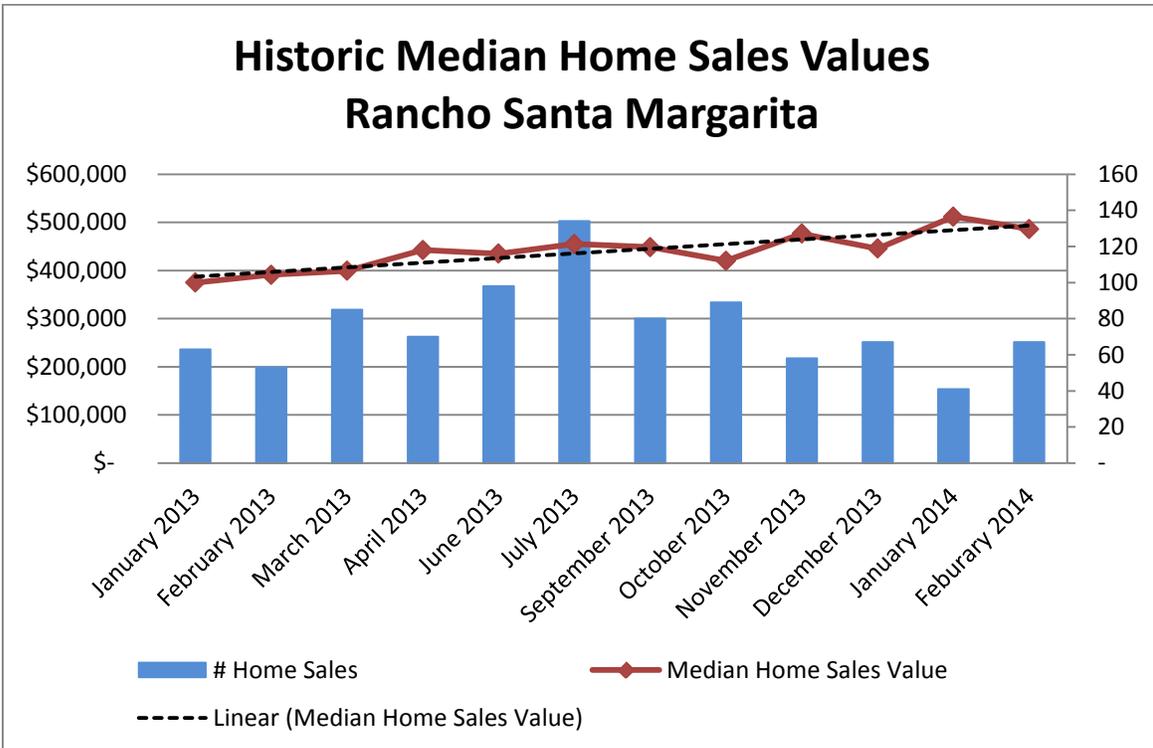
Lake Forest % Change in Home Sales Values (January 2013 – February 2014): 26.0%



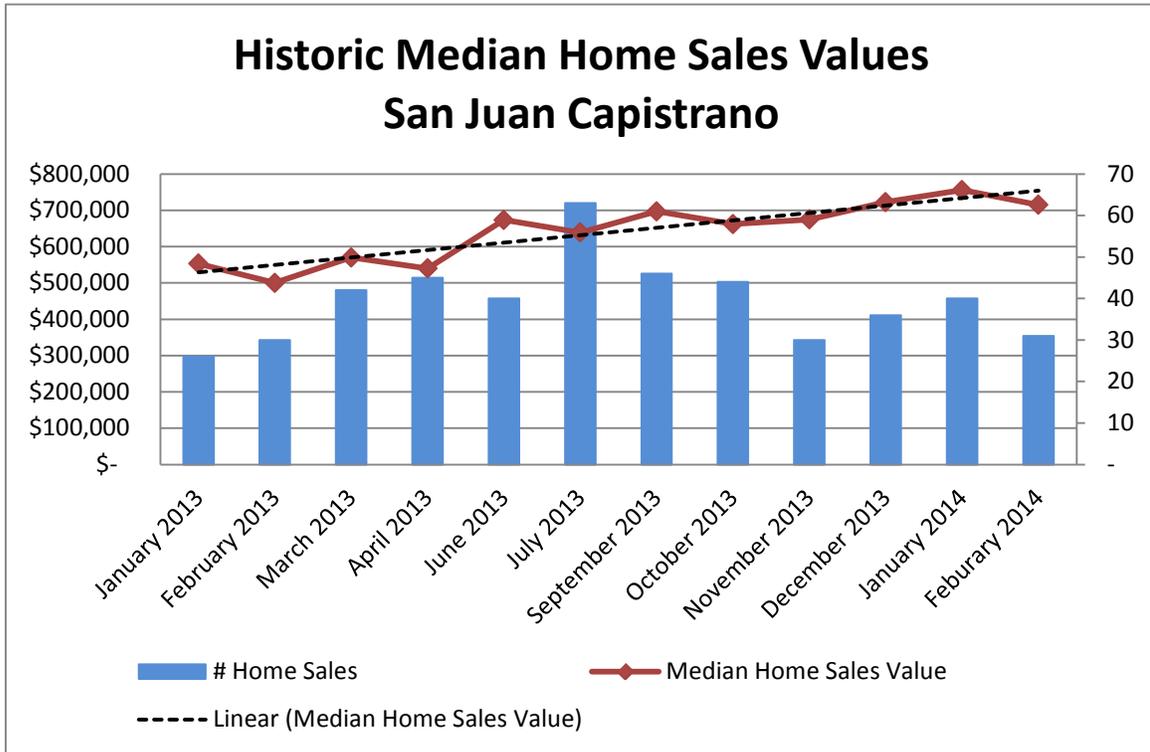
Los Alamitos % Change in Home Sales Values (January 2013 – February 2014): 4.2%



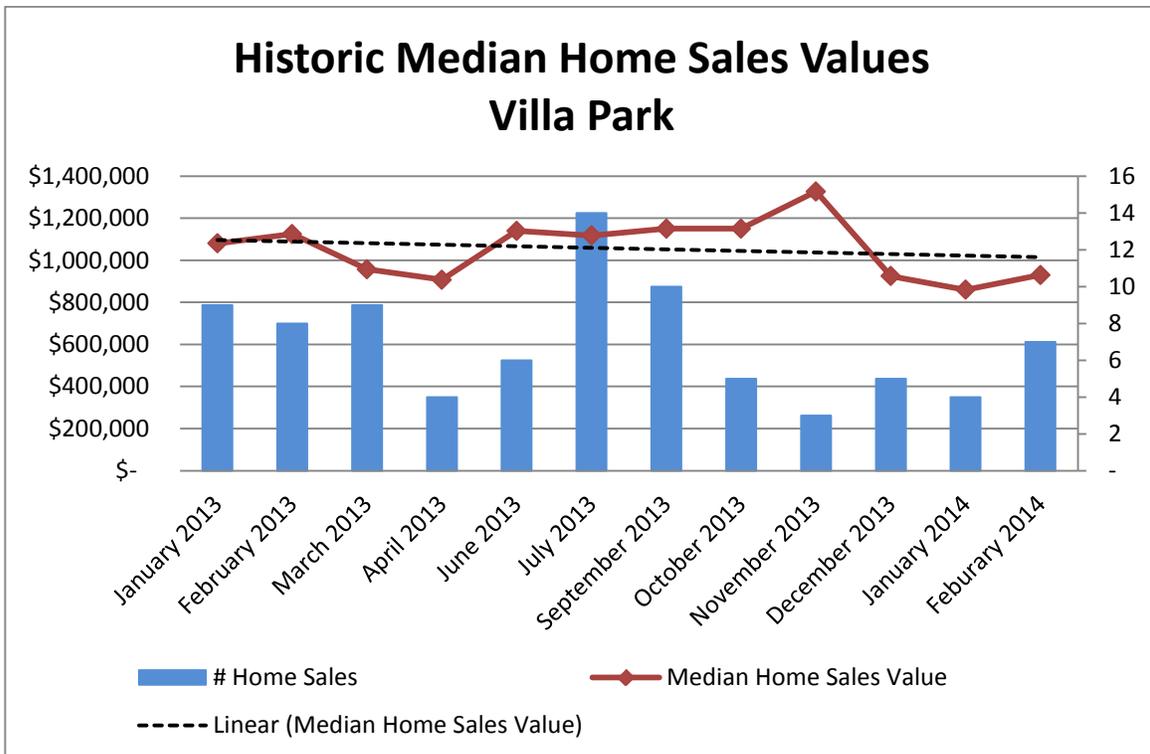
Mission Viejo % Change in Home Sales Values (January 2013 – February 2014): 10.9%



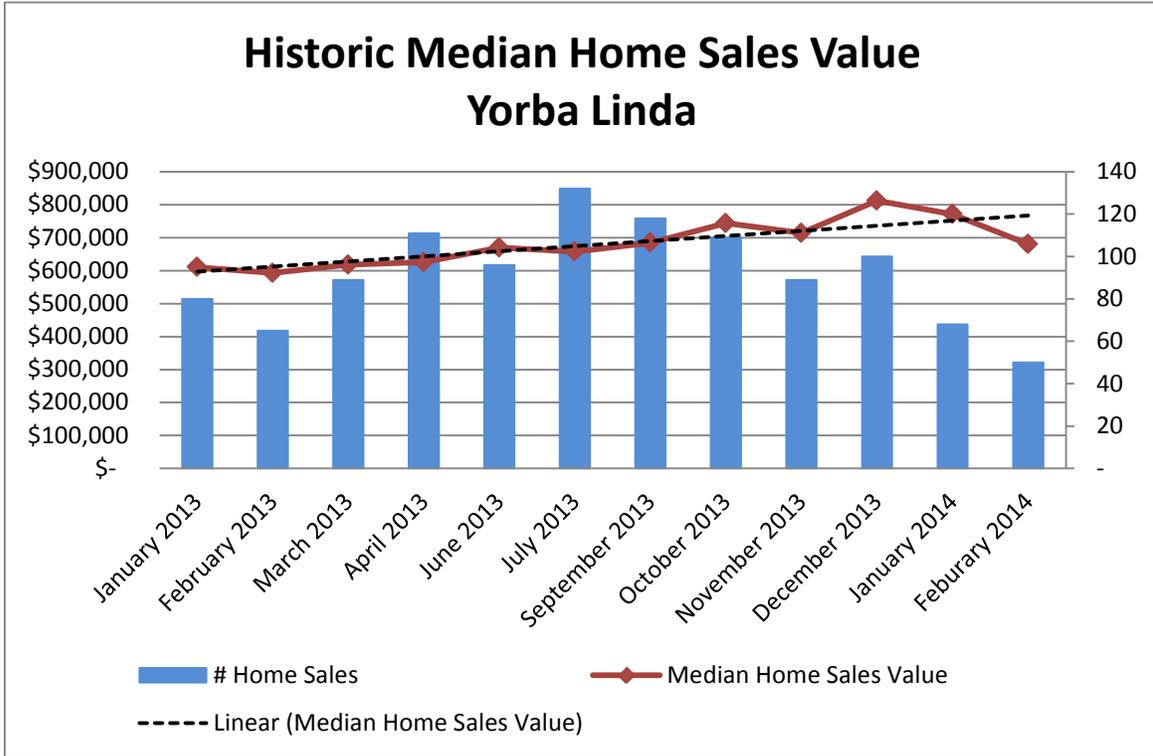
Rancho Santa Margarita % Change in Home Sales Values (January 2013 – February 2014): 29.6%



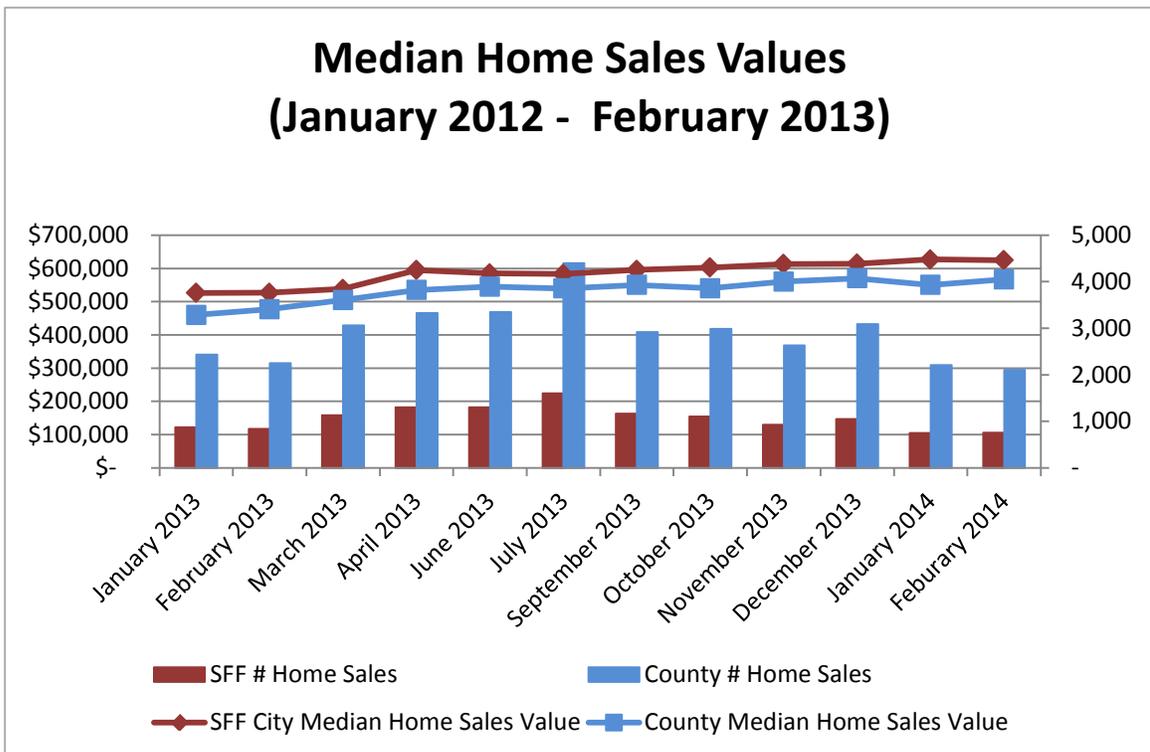
San Juan Capistrano % Change in Home Sales Values (January 2013 – February 2014): 29.3%



Villa Park % Change in Home Sales Values (January 2013 – February 2014): -13.9%



Yorba Linda % Change in Home Sales Values (January 2013 – February 2014): 11.5%



SFF Cities % Change in Home Sales Values (January 2013 – February 2014): 18.7%  
Orange County % Change in Home Sales Values (January 2013 – February 2014): 23.3%

**APPENDIX D**

---

**[Intentionally Left Blank]**

**ORANGE COUNTY FIRE AUTHORITY  
2013-14 PROPERTY TAX REVENUE PROJECTIONS**

**FY 2013-14 SECURED ROLL - ASSESSMENT APPEALS<sup>1</sup>**

**Table 3-A**

| City                   | Total City-Wide Assessed Value (less CRA Project Area) | Appeals Finaled                                  |                                                                          |                                                    |                                              |                                   |                                                       |                                         | Appeals Outstanding                     |                                             |                                                    | Total                                      |
|------------------------|--------------------------------------------------------|--------------------------------------------------|--------------------------------------------------------------------------|----------------------------------------------------|----------------------------------------------|-----------------------------------|-------------------------------------------------------|-----------------------------------------|-----------------------------------------|---------------------------------------------|----------------------------------------------------|--------------------------------------------|
|                        |                                                        | Total Assessed Value Under Appeal (Finaled Only) | Total Applicant's Opinion of Value for Parcels Under Appeal <sup>2</sup> | Applicant's Opinion Value as a % of Assessed Value | Board Approved Value of Parcels Under Appeal | Amount of Secured Value Reduction | Board Approved Value as a % of Parcels Assessed Value | % of Reduction of Total City Wide Value | Total Assessed Value of Pending Appeals | Pending Appeals-Applicants Opinion of Value | Applicant's Opinion Value as a % of Assessed Value | Total Assessed Value Appealed <sup>3</sup> |
| Aliso Viejo            | \$ 7,551,433,558                                       | \$ 66,704,665                                    | \$ 21,082,388                                                            | 31.61%                                             | \$ 66,513,505                                | \$ 191,160                        | 99.71%                                                | 0.00%                                   | \$ 552,927,315                          | \$ 308,823,676                              | 55.85%                                             | \$ 619,631,980                             |
| Cypress                | 4,465,375,166                                          | 41,744,129                                       | 22,425,556                                                               | 53.72%                                             | 41,628,429                                   | 115,700                           | 99.72%                                                | 0.00%                                   | 285,862,500                             | 176,868,729                                 | 61.87%                                             | 327,606,629                                |
| Dana Point             | 8,906,575,013                                          | 92,051,878                                       | 53,344,411                                                               | 57.95%                                             | 88,920,239                                   | 3,131,639                         | 96.60%                                                | 0.04%                                   | 406,461,654                             | 128,345,920                                 | 31.58%                                             | 498,513,532                                |
| Irvine                 | 46,781,948,153                                         | 608,113,106                                      | 370,878,328                                                              | 60.99%                                             | 593,568,968                                  | 14,544,138                        | 97.61%                                                | 0.03%                                   | 3,185,975,526                           | 2,060,016,609                               | 64.66%                                             | 3,794,088,632                              |
| La Palma               | 1,331,017,951                                          | 5,559,339                                        | 3,937,000                                                                | 70.82%                                             | 5,327,376                                    | 231,963                           | 95.83%                                                | 0.02%                                   | 97,244,930                              | 50,963,000                                  | 52.41%                                             | 102,804,269                                |
| Laguna Hills           | 5,482,351,231                                          | 31,295,151                                       | 20,604,095                                                               | 65.84%                                             | 30,981,761                                   | 313,390                           | 99.00%                                                | 0.01%                                   | 266,748,422                             | 170,537,555                                 | 63.93%                                             | 298,043,573                                |
| Laguna Niguel          | 12,265,995,293                                         | 60,997,889                                       | 43,078,484                                                               | 70.62%                                             | 59,891,950                                   | 1,105,939                         | 98.19%                                                | 0.01%                                   | 312,888,224                             | 205,549,238                                 | 65.69%                                             | 373,886,113                                |
| Laguna Woods           | 2,207,900,802                                          | 48,588,017                                       | 39,823,000                                                               | 81.96%                                             | 48,401,923                                   | 186,094                           | 99.62%                                                | 0.01%                                   | 46,566,228                              | 26,899,154                                  | 57.77%                                             | 95,154,245                                 |
| Lake Forest            | 9,652,356,833                                          | 121,623,693                                      | 72,866,776                                                               | 59.91%                                             | 121,394,693                                  | 229,000                           | 99.81%                                                | 0.00%                                   | 1,007,070,727                           | 608,633,128                                 | 60.44%                                             | 1,128,694,420                              |
| Los Alamitos           | 1,549,393,879                                          | 15,808,332                                       | 8,158,295                                                                | 51.61%                                             | 15,494,014                                   | 314,318                           | 98.01%                                                | 0.02%                                   | 116,528,378                             | 75,143,249                                  | 64.48%                                             | 132,336,710                                |
| Mission Viejo          | 12,403,512,378                                         | 76,420,197                                       | 38,697,998                                                               | 50.64%                                             | 76,258,685                                   | 161,512                           | 99.79%                                                | 0.00%                                   | 516,244,142                             | 309,810,060                                 | 60.01%                                             | 592,664,339                                |
| Rancho Santa Margarita | 6,565,989,767                                          | 33,964,373                                       | 15,253,212                                                               | 44.91%                                             | 33,781,943                                   | 182,430                           | 99.46%                                                | 0.00%                                   | 152,979,035                             | 98,920,421                                  | 64.66%                                             | 186,943,408                                |
| San Juan Capistrano    | 5,089,916,347                                          | 175,593,645                                      | 99,833,199                                                               | 56.85%                                             | 174,727,012                                  | 866,633                           | 99.51%                                                | 0.02%                                   | 230,331,660                             | 119,305,823                                 | 51.80%                                             | 405,925,305                                |
| Villa Park             | 1,457,879,722                                          | 11,315,218                                       | 8,588,000                                                                | 75.90%                                             | 10,831,034                                   | 484,184                           | 95.72%                                                | 0.03%                                   | 17,169,361                              | 12,573,000                                  | 73.23%                                             | 28,484,579                                 |
| Yorba Linda            | 9,577,613,910                                          | 33,060,206                                       | 21,946,701                                                               | 66.38%                                             | 32,817,166                                   | 243,040                           | 99.26%                                                | 0.00%                                   | 319,168,569                             | 191,193,001                                 | 59.90%                                             | 352,228,775                                |
| County Unincorporated  | 19,540,114,461                                         | 135,537,130                                      | 89,441,312                                                               | 65.99%                                             | 130,938,545                                  | 4,598,585                         | 96.61%                                                | 0.02%                                   | 390,264,569                             | 219,710,403                                 | 56.30%                                             | 525,801,699                                |
| <b>TOTAL</b>           | <b>\$ 154,829,374,464</b>                              | <b>\$ 1,558,376,968</b>                          | <b>\$ 929,958,755</b>                                                    | <b>59.67%</b>                                      | <b>\$ 1,531,477,243</b>                      | <b>\$ 26,899,725</b>              | <b>98.27%</b>                                         | <b>0.02%</b>                            | <b>\$ 7,904,431,240</b>                 | <b>\$ 4,763,292,966</b>                     | <b>60.26%</b>                                      | <b>\$ 9,462,808,208</b>                    |

<sup>1</sup> Assessment Appeals are net of appeals for properties within CRA project areas.

<sup>2</sup> Total Applicants Opinion of Value includes only finaled appeals and is net of the following appeals:

- a) Applicant's opinion of the assessed value is higher than the roll value
- b) The appeals database reports that the parcel being appealed has either an assessed value of \$0 or negative assessed value.

<sup>3</sup> Assessment Appeals analyzed for FY 2013-14 include only those that have been submitted by March 10, 2014.

Source: County of Orange Clerk of the Board of Supervisors

**ORANGE COUNTY FIRE AUTHORITY  
2013-14 PROPERTY TAX REVENUE PROJECTIONS**

**FY 2012-13 SECURED ROLL - ASSESSMENT APPEALS<sup>1</sup>**

**Table 3-B**

| City                   | Total City-Wide Assessed Value (less CRA Project Area) | Appeals Finaled                                  |                                                                          |                                                    |                                              |                                   |                                                       |                                         | Appeals Outstanding                     |                                             |                                                    | Total Assessed Value Appealed |
|------------------------|--------------------------------------------------------|--------------------------------------------------|--------------------------------------------------------------------------|----------------------------------------------------|----------------------------------------------|-----------------------------------|-------------------------------------------------------|-----------------------------------------|-----------------------------------------|---------------------------------------------|----------------------------------------------------|-------------------------------|
|                        |                                                        | Total Assessed Value Under Appeal (Finaled Only) | Total Applicant's Opinion of Value for Parcels Under Appeal <sup>2</sup> | Applicant's Opinion Value as a % of Assessed Value | Board Approved Value of Parcels Under Appeal | Amount of Secured Value Reduction | Board Approved Value as a % of Parcels Assessed Value | % of Reduction of Total City Wide Value | Total Assessed Value of Pending Appeals | Pending Appeals-Applicants Opinion of Value | Applicant's Opinion Value as a % of Assessed Value |                               |
| Aliso Viejo            | \$ 7,317,055,637                                       | \$ 554,272,568                                   | \$ 354,380,225                                                           | 63.94%                                             | \$ 522,467,205                               | \$ 31,805,363                     | 94.26%                                                | 0.43%                                   | \$ 123,480,004                          | \$ 42,935,000                               | 34.77%                                             | \$ 677,752,572                |
| Cypress                | 4,329,530,173                                          | 465,709,965                                      | 283,419,176                                                              | 60.86%                                             | 433,777,585                                  | 31,932,380                        | 93.14%                                                | 0.74%                                   | 36,729,074                              | 20,820,000                                  | 56.69%                                             | 502,439,039                   |
| Dana Point             | 8,628,047,847                                          | 482,851,127                                      | 309,181,302                                                              | 64.03%                                             | 461,295,492                                  | 21,555,635                        | 95.54%                                                | 0.25%                                   | 184,038,607                             | 56,857,456                                  | 30.89%                                             | 666,889,734                   |
| Irvine                 | 44,431,257,780                                         | 6,276,560,789                                    | 4,150,044,581                                                            | 66.12%                                             | 5,859,591,270                                | 416,969,519                       | 93.36%                                                | 0.94%                                   | 472,054,565                             | 286,627,663                                 | 60.72%                                             | 6,748,615,354                 |
| La Palma               | 1,299,785,593                                          | 154,691,977                                      | 87,483,879                                                               | 56.55%                                             | 144,413,539                                  | 10,278,438                        | 93.36%                                                | 0.79%                                   | -                                       | -                                           | 0.00%                                              | 154,691,977                   |
| Laguna Hills           | 5,347,864,661                                          | 447,697,878                                      | 284,847,804                                                              | 63.63%                                             | 420,887,595                                  | 26,810,283                        | 94.01%                                                | 0.50%                                   | 75,587,369                              | 39,730,853                                  | 52.56%                                             | 523,285,247                   |
| Laguna Niguel          | 11,986,407,333                                         | 626,505,268                                      | 452,426,665                                                              | 72.21%                                             | 597,417,981                                  | 29,087,287                        | 95.36%                                                | 0.24%                                   | 42,785,380                              | 29,259,968                                  | 68.39%                                             | 669,290,648                   |
| Laguna Woods           | 2,160,531,125                                          | 226,465,150                                      | 41,307,272                                                               | 18.24%                                             | 223,290,689                                  | 3,174,461                         | 98.60%                                                | 0.15%                                   | -                                       | -                                           | 0.00%                                              | 226,465,150                   |
| Lake Forest            | 9,373,564,204                                          | 1,148,300,018                                    | 690,440,261                                                              | 60.13%                                             | 1,086,348,709                                | 61,951,309                        | 94.60%                                                | 0.66%                                   | 267,533,504                             | 189,931,819                                 | 70.99%                                             | 1,415,833,522                 |
| Los Alamitos           | 1,504,358,412                                          | 150,042,453                                      | 106,887,131                                                              | 71.24%                                             | 138,177,645                                  | 11,864,808                        | 92.09%                                                | 0.79%                                   | 32,265,839                              | 20,040,392                                  | 62.11%                                             | 182,308,292                   |
| Mission Viejo          | 12,099,771,409                                         | 597,148,182                                      | 372,845,168                                                              | 62.44%                                             | 547,501,482                                  | 49,646,700                        | 91.69%                                                | 0.41%                                   | 200,401,431                             | 130,397,924                                 | 65.07%                                             | 797,549,613                   |
| Rancho Santa Margarita | 6,441,046,014                                          | 251,349,697                                      | 165,614,556                                                              | 65.89%                                             | 241,000,242                                  | 10,349,455                        | 95.88%                                                | 0.16%                                   | 41,956,355                              | 30,100,000                                  | 71.74%                                             | 293,306,052                   |
| San Juan Capistrano    | 4,915,573,222                                          | 400,679,425                                      | 258,601,166                                                              | 64.54%                                             | 387,677,756                                  | 13,001,669                        | 96.76%                                                | 0.26%                                   | 69,443,628                              | 39,667,000                                  | 57.12%                                             | 470,123,053                   |
| Villa Park             | 1,391,916,916                                          | 41,294,475                                       | 29,359,186                                                               | 71.10%                                             | 38,392,067                                   | 2,902,408                         | 92.97%                                                | 0.21%                                   | 717,335                                 | 675,000                                     | 94.10%                                             | 42,011,810                    |
| Yorba Linda            | 9,253,639,045                                          | 419,530,368                                      | 272,700,465                                                              | 65.00%                                             | 376,149,073                                  | 43,381,295                        | 89.66%                                                | 0.47%                                   | 14,070,876                              | 9,622,578                                   | 68.39%                                             | 433,601,244                   |
| County Unincorporated  | 18,942,616,287                                         | 929,546,934                                      | 538,656,417                                                              | 57.95%                                             | 890,683,361                                  | 38,863,573                        | 95.82%                                                | 0.21%                                   | 36,893,975                              | 16,936,365                                  | 45.91%                                             | 966,440,909                   |
| <b>TOTAL</b>           | <b>\$ 149,422,965,658</b>                              | <b>\$ 13,172,646,274</b>                         | <b>\$ 8,398,195,254</b>                                                  | <b>63.75%</b>                                      | <b>\$ 12,369,071,691</b>                     | <b>\$ 803,574,583</b>             | <b>93.90%</b>                                         | <b>0.54%</b>                            | <b>\$ 1,597,957,942</b>                 | <b>\$ 913,602,018</b>                       | <b>57.17%</b>                                      | <b>\$ 14,770,604,216</b>      |

<sup>1</sup> Assessment Appeals are net of appeals for properties within CRA project areas.

<sup>2</sup> Total Applicants Opinion of Value includes only finaled appeals, and are net of the following appeals:

- a) Applicant's opinion of the assessed value is higher than the roll value
- b) The appeals database reports that the parcel being appealed has either an assessed value of \$0 or negative assessed value.

Source: County of Orange Clerk of the Board of Supervisors

**ORANGE COUNTY FIRE AUTHORITY  
2013-14 PROPERTY TAX REVENUE PROJECTIONS**

**FY 2011-12 SECURED ROLL - ASSESSMENT APPEALS<sup>1</sup>**

**Table 3-C**

| City                   | Total City-Wide Assessed Value (less CRA Project Area) | Appeals Finaled                                  |                                                                          |                                                    |                                              |                                   |                                                       |                                         | Appeals Outstanding                     |                                             |                                                    | Total                         |
|------------------------|--------------------------------------------------------|--------------------------------------------------|--------------------------------------------------------------------------|----------------------------------------------------|----------------------------------------------|-----------------------------------|-------------------------------------------------------|-----------------------------------------|-----------------------------------------|---------------------------------------------|----------------------------------------------------|-------------------------------|
|                        |                                                        | Total Assessed Value Under Appeal (Finaled Only) | Total Applicant's Opinion of Value for Parcels Under Appeal <sup>2</sup> | Applicant's Opinion Value as a % of Assessed Value | Board Approved Value of Parcels Under Appeal | Amount of Secured Value Reduction | Board Approved Value as a % of Parcels Assessed Value | % of Reduction of Total City-Wide Value | Total Assessed Value of Pending Appeals | Pending Appeals-Applicants Opinion of Value | Applicant's Opinion Value as a % of Assessed Value | Total Assessed Value Appealed |
| Aliso Viejo            | \$ 7,205,383,638                                       | \$ 818,169,719                                   | \$ 544,551,983                                                           | 66.56%                                             | \$ 753,291,658                               | \$ 64,878,061                     | 92.07%                                                | 0.90%                                   | \$ 28,042,077                           | \$ 12,200,000                               | 43.51%                                             | \$ 846,211,796                |
| Cypress                | 4,271,173,364                                          | 594,895,144                                      | 377,424,480                                                              | 63.44%                                             | 551,308,188                                  | 43,586,956                        | 92.67%                                                | 1.02%                                   | -                                       | -                                           | 0.00%                                              | 594,895,144                   |
| Dana Point             | 8,454,211,714                                          | 677,230,161                                      | 408,765,093                                                              | 60.36%                                             | 645,635,574                                  | 31,594,587                        | 95.33%                                                | 0.37%                                   | 167,813,805                             | 50,880,000                                  | 30.32%                                             | 845,043,966                   |
| Irvine                 | 43,071,643,390                                         | 7,527,325,767                                    | 4,793,575,380                                                            | 63.68%                                             | 6,767,698,862                                | 759,626,905                       | 89.91%                                                | 1.76%                                   | 52,426,299                              | 32,724,829                                  | 62.42%                                             | 7,579,752,066                 |
| La Palma               | 1,281,532,417                                          | 166,383,254                                      | 105,719,980                                                              | 63.54%                                             | 154,277,512                                  | 12,105,742                        | 92.72%                                                | 0.94%                                   | -                                       | -                                           | 0.00%                                              | 166,383,254                   |
| Laguna Hills           | 5,283,464,050                                          | 531,250,691                                      | 376,190,874                                                              | 70.81%                                             | 503,897,140                                  | 27,353,551                        | 94.85%                                                | 0.52%                                   | 5,859,834                               | 1,920,000                                   | 32.77%                                             | 537,110,525                   |
| Laguna Niguel          | 11,861,236,926                                         | 657,328,674                                      | 477,799,273                                                              | 72.69%                                             | 635,206,998                                  | 22,121,676                        | 96.63%                                                | 0.19%                                   | 620,457                                 | 327,081                                     | 52.72%                                             | 657,949,131                   |
| Laguna Woods           | 2,152,983,070                                          | 169,389,477                                      | 61,999,005                                                               | 36.60%                                             | 164,885,440                                  | 4,504,037                         | 97.34%                                                | 0.21%                                   | -                                       | -                                           | 0.00%                                              | 169,389,477                   |
| Lake Forest            | 9,243,019,268                                          | 1,339,745,635                                    | 833,540,274                                                              | 62.22%                                             | 1,186,290,052                                | 153,455,583                       | 88.55%                                                | 1.66%                                   | 3,505,070                               | 1,600,000                                   | 45.65%                                             | 1,343,250,705                 |
| Los Alamitos           | 1,466,432,221                                          | 103,265,901                                      | 70,033,544                                                               | 67.82%                                             | 92,464,464                                   | 10,801,437                        | 89.54%                                                | 0.74%                                   | -                                       | -                                           | 0.00%                                              | 103,265,901                   |
| Mission Viejo          | 11,965,585,946                                         | 1,163,079,754                                    | 811,928,570                                                              | 69.81%                                             | 1,090,601,543                                | 72,478,211                        | 93.77%                                                | 0.61%                                   | -                                       | -                                           | 0.00%                                              | 1,163,079,754                 |
| Rancho Santa Margarita | 6,417,215,785                                          | 316,608,424                                      | 234,822,232                                                              | 74.17%                                             | 305,531,257                                  | 11,077,167                        | 96.50%                                                | 0.17%                                   | -                                       | -                                           | 0.00%                                              | 316,608,424                   |
| San Juan Capistrano    | 4,869,169,353                                          | 393,718,566                                      | 256,327,911                                                              | 65.10%                                             | 373,385,718                                  | 20,332,848                        | 94.84%                                                | 0.42%                                   | 14,490,874                              | 9,000,000                                   | 62.11%                                             | 408,209,440                   |
| Villa Park             | 1,367,351,861                                          | 59,578,180                                       | 41,552,834                                                               | 69.75%                                             | 56,985,854                                   | 2,592,326                         | 95.65%                                                | 0.19%                                   | -                                       | -                                           | 0.00%                                              | 59,578,180                    |
| Yorba Linda            | 9,043,351,364                                          | 605,567,527                                      | 404,517,159                                                              | 66.80%                                             | 538,089,893                                  | 67,477,634                        | 88.86%                                                | 0.75%                                   | 11,250,000                              | 8,999,000                                   | 79.99%                                             | 616,817,527                   |
| County Unincorporated  | 19,121,517,573                                         | 1,216,846,022                                    | 733,759,508                                                              | 60.30%                                             | 1,151,125,009                                | 65,721,013                        | 94.60%                                                | 0.34%                                   | 31,134,604                              | 9,260,503                                   | 29.74%                                             | 1,247,980,626                 |
| <b>TOTAL</b>           | <b>\$ 147,075,271,940</b>                              | <b>\$ 16,340,382,896</b>                         | <b>\$ 10,532,508,100</b>                                                 | <b>64.46%</b>                                      | <b>\$ 14,970,675,162</b>                     | <b>\$ 1,369,707,734</b>           | <b>91.62%</b>                                         | <b>0.93%</b>                            | <b>\$ 315,143,020</b>                   | <b>\$ 126,911,413</b>                       | <b>40.27%</b>                                      | <b>\$ 16,655,525,916</b>      |

<sup>1</sup> Assessment Appeals are net of appeals for properties within CRA project areas.

<sup>2</sup> Total Applicants Opinion of Value includes only finaled appeals and is net of the following appeals:

- a) Applicant's opinion of the assessed value is higher than the roll value
- b) The appeals database reports that the parcel being appealed has either an assessed value of \$0 or negative assessed value.

Source: County of Orange Clerk of the Board of Supervisors

**ORANGE COUNTY FIRE AUTHORITY  
2013-14 PROPERTY TAX REVENUE PROJECTIONS**

**FY 2010-11 SECURED ROLL - ASSESSMENT APPEALS<sup>1</sup>**

**Table 3-D**

| City                   | Total City-Wide Assessed Value (less CRA Project Area) | Appeals Finaled                                  |                                                                          |                                                    |                                              |                                   |                                                       |                                         | Appeals Outstanding                     |                                             |                                                    | Total                         |
|------------------------|--------------------------------------------------------|--------------------------------------------------|--------------------------------------------------------------------------|----------------------------------------------------|----------------------------------------------|-----------------------------------|-------------------------------------------------------|-----------------------------------------|-----------------------------------------|---------------------------------------------|----------------------------------------------------|-------------------------------|
|                        |                                                        | Total Assessed Value Under Appeal (Finaled Only) | Total Applicant's Opinion of Value for Parcels Under Appeal <sup>2</sup> | Applicant's Opinion Value as a % of Assessed Value | Board Approved Value of Parcels Under Appeal | Amount of Secured Value Reduction | Board Approved Value as a % of Parcels Assessed Value | % of Reduction of Total City-Wide Value | Total Assessed Value of Pending Appeals | Pending Appeals-Applicants Opinion of Value | Applicant's Opinion Value as a % of Assessed Value | Total Assessed Value Appealed |
| Aliso Viejo            | \$ 7,139,872,362                                       | \$ 889,716,980                                   | \$ 561,247,324                                                           | 63.08%                                             | \$ 842,663,942                               | \$ 47,053,038                     | 94.71%                                                | 0.66%                                   | \$ -                                    | \$ -                                        | 0.00%                                              | \$ 889,716,980                |
| Cypress                | 4,215,497,616                                          | 543,039,661                                      | 338,595,081                                                              | 62.35%                                             | 497,366,668                                  | 45,672,993                        | 91.59%                                                | 1.08%                                   | -                                       | -                                           | 0.00%                                              | 543,039,661                   |
| Dana Point             | 8,416,547,236                                          | 924,868,023                                      | 504,149,398                                                              | 54.51%                                             | 865,735,359                                  | 59,132,664                        | 93.61%                                                | 0.70%                                   | 191,672,172                             | 52,260,000                                  | 27.27%                                             | 1,116,540,195                 |
| Irvine                 | 42,398,998,964                                         | 7,388,114,844                                    | 4,557,469,829                                                            | 61.69%                                             | 6,431,866,298                                | 956,248,546                       | 87.06%                                                | 2.26%                                   | 23,398,158                              | 18,828,122                                  | 80.47%                                             | 7,411,513,002                 |
| La Palma               | 1,265,578,735                                          | 173,549,933                                      | 112,295,633                                                              | 64.71%                                             | 154,931,033                                  | 18,618,900                        | 89.27%                                                | 1.47%                                   | -                                       | -                                           | 0.00%                                              | 173,549,933                   |
| Laguna Hills           | 5,276,850,036                                          | 534,672,544                                      | 370,436,900                                                              | 69.28%                                             | 493,947,895                                  | 40,724,649                        | 92.38%                                                | 0.77%                                   | -                                       | -                                           | 0.00%                                              | 534,672,544                   |
| Laguna Niguel          | 11,756,766,573                                         | 656,454,549                                      | 450,280,894                                                              | 68.59%                                             | 624,033,220                                  | 32,421,329                        | 95.06%                                                | 0.28%                                   | -                                       | -                                           | 0.00%                                              | 656,454,549                   |
| Laguna Woods           | 2,181,771,620                                          | 153,429,359                                      | 106,361,224                                                              | 69.32%                                             | 141,663,963                                  | 11,765,396                        | 92.33%                                                | 0.54%                                   | 199,113                                 | 120,000                                     | 60.27%                                             | 153,628,472                   |
| Lake Forest            | 9,212,026,410                                          | 1,315,750,176                                    | 819,465,248                                                              | 62.28%                                             | 1,152,688,433                                | 163,061,743                       | 87.61%                                                | 1.77%                                   | 40,000                                  | 9,000                                       | 22.50%                                             | 1,315,790,176                 |
| Los Alamitos           | 1,460,773,886                                          | 166,722,117                                      | 115,238,512                                                              | 69.12%                                             | 153,198,433                                  | 13,523,684                        | 91.89%                                                | 0.93%                                   | -                                       | -                                           | 0.00%                                              | 166,722,117                   |
| Mission Viejo          | 11,904,338,925                                         | 1,328,829,617                                    | 855,559,823                                                              | 64.38%                                             | 1,238,942,065                                | 89,887,552                        | 93.24%                                                | 0.76%                                   | -                                       | -                                           | 0.00%                                              | 1,328,829,617                 |
| Rancho Santa Margarita | 6,393,048,882                                          | 395,801,677                                      | 274,534,685                                                              | 69.36%                                             | 376,023,887                                  | 19,777,790                        | 95.00%                                                | 0.31%                                   | -                                       | -                                           | 0.00%                                              | 395,801,677                   |
| San Juan Capistrano    | 4,883,027,820                                          | 495,681,130                                      | 336,194,488                                                              | 67.82%                                             | 439,705,937                                  | 55,975,193                        | 88.71%                                                | 1.15%                                   | 16,657,008                              | 10,475,000                                  | 62.89%                                             | 512,338,138                   |
| Villa Park             | 1,347,436,425                                          | 30,879,800                                       | 23,578,750                                                               | 76.36%                                             | 29,427,923                                   | 1,451,877                         | 95.30%                                                | 0.11%                                   | -                                       | -                                           | 0.00%                                              | 30,879,800                    |
| Yorba Linda            | 8,707,340,156                                          | 484,031,722                                      | 303,865,347                                                              | 62.78%                                             | 415,443,965                                  | 68,587,757                        | 85.83%                                                | 0.79%                                   | 963,000                                 | 280,000                                     | 29.08%                                             | 484,994,722                   |
| County Unincorporated  | 19,141,139,988                                         | 1,087,355,800                                    | 615,505,886                                                              | 56.61%                                             | 1,026,323,289                                | 61,032,511                        | 94.39%                                                | 0.32%                                   | 1,416,780                               | 801,900                                     | 56.60%                                             | 1,088,772,580                 |
| <b>TOTAL</b>           | <b>\$ 145,701,015,634</b>                              | <b>\$ 16,568,897,932</b>                         | <b>\$ 10,344,779,022</b>                                                 | <b>62.43%</b>                                      | <b>\$ 14,883,962,310</b>                     | <b>\$ 1,684,935,622</b>           | <b>89.83%</b>                                         | <b>1.16%</b>                            | <b>\$ 234,346,231</b>                   | <b>\$ 82,774,022</b>                        | <b>35.32%</b>                                      | <b>\$ 16,803,244,163</b>      |

<sup>1</sup> Assessment Appeals are net of appeals for properties within CRA project areas.

<sup>2</sup> Total Applicants Opinion of Value includes only finaled appeals and is net of the following appeals:

- a) Applicant's opinion of the assessed value is higher than the roll value
- b) The appeals database reports that the parcel being appealed has either an assessed value of \$0 or negative assessed value.

Source: County of Orange Clerk of the Board of Supervisors

**ORANGE COUNTY FIRE AUTHORITY  
2013-14 PROPERTY TAX REVENUE PROJECTIONS**

**FY 2009-10 SECURED ROLL - ASSESSMENT APPEALS<sup>1</sup>**

**Table 3-E**

| City                   | Total City-Wide Assessed Value (less CRA Project Area) | Appeals Finaled                                  |                                                                          |                                                    |                                              |                                   |                                                       |                                         | Appeals Outstanding                     |                                             |                                                    | Total                         |
|------------------------|--------------------------------------------------------|--------------------------------------------------|--------------------------------------------------------------------------|----------------------------------------------------|----------------------------------------------|-----------------------------------|-------------------------------------------------------|-----------------------------------------|-----------------------------------------|---------------------------------------------|----------------------------------------------------|-------------------------------|
|                        |                                                        | Total Assessed Value Under Appeal (Finaled Only) | Total Applicant's Opinion of Value for Parcels Under Appeal <sup>2</sup> | Applicant's Opinion Value as a % of Assessed Value | Board Approved Value of Parcels Under Appeal | Amount of Secured Value Reduction | Board Approved Value as a % of Parcels Assessed Value | % of Reduction of Total City-Wide Value | Total Assessed Value of Pending Appeals | Pending Appeals-Applicants Opinion of Value | Applicant's Opinion Value as a % of Assessed Value | Total Assessed Value Appealed |
| Aliso Viejo            | \$ 7,264,801,921                                       | \$ 1,095,559,233                                 | \$ 669,238,713                                                           | 61.09%                                             | \$ 986,760,872                               | \$ 108,798,361                    | 90.07%                                                | 1.50%                                   | \$ -                                    | \$ -                                        | 0.00%                                              | \$ 1,095,559,233              |
| Cypress                | 4,215,651,205                                          | 557,411,037                                      | 352,741,832                                                              | 63.28%                                             | 465,262,252                                  | 92,148,785                        | 83.47%                                                | 2.19%                                   | -                                       | -                                           | 0.00%                                              | 557,411,037                   |
| Dana Point             | 8,467,650,543                                          | 850,020,885                                      | 504,130,179                                                              | 59.31%                                             | 779,766,155                                  | 70,254,730                        | 91.73%                                                | 0.83%                                   | 380,270,868                             | 44,870,000                                  | 11.80%                                             | 1,230,291,753                 |
| Irvine                 | 43,058,387,477                                         | 7,927,577,101                                    | 5,058,854,724                                                            | 63.81%                                             | 6,902,857,455                                | 1,024,719,646                     | 87.07%                                                | 2.38%                                   | 22,258,800                              | 18,050,820                                  | 81.10%                                             | 7,949,835,901                 |
| La Palma               | 1,239,946,450                                          | 223,521,587                                      | 138,137,446                                                              | 61.80%                                             | 221,437,083                                  | 2,084,504                         | 99.07%                                                | 0.17%                                   | -                                       | -                                           | 0.00%                                              | 223,521,587                   |
| Laguna Hills           | 5,390,540,106                                          | 622,534,284                                      | 430,865,683                                                              | 69.21%                                             | 544,606,536                                  | 77,927,748                        | 87.48%                                                | 1.45%                                   | -                                       | -                                           | 0.00%                                              | 622,534,284                   |
| Laguna Niguel          | 11,733,378,210                                         | 634,904,494                                      | 433,648,568                                                              | 68.30%                                             | 587,179,782                                  | 47,724,712                        | 92.48%                                                | 0.41%                                   | 5,650,999                               | 560,001                                     | 9.91%                                              | 640,555,493                   |
| Laguna Woods           | 2,221,283,663                                          | 136,351,216                                      | 76,244,060                                                               | 55.92%                                             | 132,058,291                                  | 4,292,925                         | 96.85%                                                | 0.19%                                   | 17,002,248                              | 100,000                                     | 0.59%                                              | 153,353,464                   |
| Lake Forest            | 9,390,640,933                                          | 1,734,900,955                                    | 878,737,004                                                              | 50.65%                                             | 1,557,633,917                                | 177,267,038                       | 89.78%                                                | 1.89%                                   | 1,195,374                               | 966,299                                     | 80.84%                                             | 1,736,096,329                 |
| Los Alamitos           | 1,441,046,366                                          | 160,488,471                                      | 110,000,588                                                              | 68.54%                                             | 146,488,679                                  | 13,999,792                        | 91.28%                                                | 0.97%                                   | -                                       | -                                           | 0.00%                                              | 160,488,471                   |
| Mission Viejo          | 11,813,432,327                                         | 895,438,318                                      | 616,709,183                                                              | 68.87%                                             | 831,254,790                                  | 64,183,528                        | 92.83%                                                | 0.54%                                   | -                                       | -                                           | 0.00%                                              | 895,438,318                   |
| Rancho Santa Margarita | 6,386,080,904                                          | 351,159,040                                      | 256,224,689                                                              | 72.97%                                             | 325,288,899                                  | 25,870,141                        | 92.63%                                                | 0.41%                                   | -                                       | -                                           | 0.00%                                              | 351,159,040                   |
| San Juan Capistrano    | 4,893,208,485                                          | 520,075,218                                      | 348,011,318                                                              | 66.92%                                             | 476,096,415                                  | 43,978,803                        | 91.54%                                                | 0.90%                                   | -                                       | -                                           | 0.00%                                              | 520,075,218                   |
| Villa Park             | 1,352,780,571                                          | 64,603,142                                       | 45,629,525                                                               | 70.63%                                             | 60,715,718                                   | 3,887,424                         | 93.98%                                                | 0.29%                                   | -                                       | -                                           | 0.00%                                              | 64,603,142                    |
| Yorba Linda            | 8,616,776,020                                          | 630,382,777                                      | 433,181,753                                                              | 68.72%                                             | 564,971,248                                  | 65,411,529                        | 89.62%                                                | 0.76%                                   | 616,000                                 | 500,000                                     | 81.17%                                             | 630,998,777                   |
| County Unincorporated  | 19,037,400,521                                         | 1,312,849,863                                    | 696,348,725                                                              | 53.04%                                             | 1,160,311,015                                | 152,538,848                       | 88.38%                                                | 0.80%                                   | 13,083,397                              | 6,541,699                                   | 50.00%                                             | 1,325,933,260                 |
| <b>TOTAL</b>           | <b>\$ 146,523,005,702</b>                              | <b>\$ 17,717,777,621</b>                         | <b>\$ 11,048,703,990</b>                                                 | <b>62.36%</b>                                      | <b>\$ 15,742,689,107</b>                     | <b>\$ 1,975,088,514</b>           | <b>88.85%</b>                                         | <b>1.35%</b>                            | <b>\$ 440,077,686</b>                   | <b>\$ 71,588,819</b>                        | <b>16.27%</b>                                      | <b>\$ 18,157,855,307</b>      |

<sup>1</sup> Assessment Appeals are net of appeals for properties within CRA project areas.

<sup>2</sup> Total Applicants Opinion of Value includes only finaled appeals and is net of the following appeals:

- a) Applicant's opinion of the assessed value is higher than the roll value
- b) The appeals database reports that the parcel being appealed has either an assessed value of \$0 or negative assessed value.

Source: County of Orange Clerk of the Board of Supervisors

**APPENDIX E**

---

**[Intentionally Left Blank]**

**ORANGE COUNTY FIRE AUTHORITY  
2013-14 PROPERTY TAX REVENUE PROJECTIONS**

**FY 2009-10 through FY 2013-14 UNSECURED ROLL - ASSESSMENT APPEALS<sup>1</sup>**

**Table 4**

| Year           | Jurisdiction           | Appeals Finaled                                         |                                                  |                                                                          |                                                    |                                              |                                     |                                                       |                                         | Appeals Outstanding                     |                                             |                                                    | Total                                             |
|----------------|------------------------|---------------------------------------------------------|--------------------------------------------------|--------------------------------------------------------------------------|----------------------------------------------------|----------------------------------------------|-------------------------------------|-------------------------------------------------------|-----------------------------------------|-----------------------------------------|---------------------------------------------|----------------------------------------------------|---------------------------------------------------|
|                |                        | Total City-Wide Assessed Value (less CRA Project Areas) | Total Assessed Value Under Appeal (Finaled Only) | Total Applicant's Opinion of Value for Parcels Under Appeal <sup>2</sup> | Applicant's Opinion Value as a % of Assessed Value | Board Approved Value of Parcels Under Appeal | Amount of Unsecured Value Reduction | Board Approved Value as a % of Parcels Assessed Value | % of Reduction of Total City-Wide Value | Total Assessed Value of Pending Appeals | Pending Appeals-Applicants Opinion of Value | Applicant's Opinion Value as a % of Assessed Value | Total Assessed Value for all Appeals <sup>3</sup> |
| <b>2009-10</b> | <b>Total</b>           | <b>\$ 6,303,955,525</b>                                 | <b>\$ 1,610,146,494</b>                          | <b>\$ 784,885,236</b>                                                    | <b>48.7%</b>                                       | <b>\$ 1,520,694,055</b>                      | <b>\$ 89,452,439</b>                | <b>94.4%</b>                                          | <b>1.4%</b>                             | <b>\$ 820,846,799</b>                   | <b>\$ 418,331,475</b>                       | <b>51.0%</b>                                       | <b>\$ 2,430,993,293</b>                           |
|                | Aliso Viejo            | 288,375,442                                             | 42,662,129                                       | 18,519,867                                                               | 43.4%                                              | 41,623,538                                   | 1,038,591                           | 97.6%                                                 | 0.4%                                    | 6,759,557                               | 2,992,534                                   | 44.3%                                              | 49,421,686                                        |
|                | Cypress                | 238,547,828                                             | 21,132,833                                       | 7,838,790                                                                | 37.1%                                              | 20,235,914                                   | 896,919                             | 95.8%                                                 | 0.4%                                    | 9,533,461                               | 3,345,646                                   | 35.1%                                              | 30,666,294                                        |
|                | Dana Point             | 295,751,411                                             | 48,373,695                                       | 24,474,933                                                               | 50.6%                                              | 44,801,322                                   | 3,572,373                           | 92.6%                                                 | 1.2%                                    | 2,920,369                               | 819,891                                     | 28.1%                                              | 51,294,064                                        |
|                | Irvine                 | 3,551,314,606                                           | 618,666,353                                      | 300,937,678                                                              | 48.6%                                              | 580,293,299                                  | 38,373,054                          | 93.8%                                                 | 1.1%                                    | 372,179,779                             | 258,527,136                                 | 69.5%                                              | 990,846,132                                       |
|                | La Palma               | 7,086,196                                               | 24,303,676                                       | 12,297,801                                                               | 50.6%                                              | 23,787,414                                   | 516,262                             | 97.9%                                                 | 7.3%                                    | 97,175                                  | 43,553                                      | 44.8%                                              | 24,400,851                                        |
|                | Laguna Hills           | 172,135,177                                             | 24,683,523                                       | 8,989,552                                                                | 36.4%                                              | 22,383,571                                   | 2,299,952                           | 90.7%                                                 | 1.3%                                    | 2,439,253                               | 1,545,176                                   | 63.3%                                              | 27,122,776                                        |
|                | Laguna Niguel          | 149,677,518                                             | 30,742,273                                       | 14,037,210                                                               | 45.7%                                              | 30,180,942                                   | 561,331                             | 98.2%                                                 | 0.4%                                    | 3,738,671                               | 1,640,298                                   | 43.9%                                              | 34,480,944                                        |
|                | Laguna Woods           | 52,432,893                                              | 3,037,634                                        | 1,504,174                                                                | 49.5%                                              | 2,767,717                                    | 269,917                             | 91.1%                                                 | 0.5%                                    | 2,027,457                               | 1,308,457                                   | 64.5%                                              | 5,065,091                                         |
|                | Lake Forest            | 622,999,583                                             | 140,482,640                                      | 65,886,546                                                               | 46.9%                                              | 133,186,489                                  | 7,296,151                           | 94.8%                                                 | 1.2%                                    | 115,265,228                             | 18,846,509                                  | 16.4%                                              | 255,747,868                                       |
|                | Los Alamitos           | 148,262,148                                             | 74,627,556                                       | 40,175,114                                                               | 53.8%                                              | 66,658,555                                   | 7,969,001                           | 0.0%                                                  | 5.4%                                    | 56,445,886                              | 25,005,358                                  | 44.3%                                              | 131,073,442                                       |
|                | Mission Viejo          | 199,803,216                                             | 84,616,329                                       | 36,776,480                                                               | 43.5%                                              | 75,953,792                                   | 8,662,537                           | 89.8%                                                 | 4.3%                                    | 7,431,143                               | 5,581,011                                   | 75.1%                                              | 92,047,472                                        |
|                | Rancho Santa Margarita | 231,821,987                                             | 84,892,492                                       | 44,701,448                                                               | 52.7%                                              | 80,392,553                                   | 4,499,939                           | 94.7%                                                 | 1.9%                                    | 6,413,007                               | 3,271,526                                   | 51.0%                                              | 91,305,499                                        |
|                | San Juan Capistrano    | 61,016,717                                              | 22,546,293                                       | 11,124,825                                                               | 49.3%                                              | 20,966,000                                   | 1,580,293                           | 93.0%                                                 | 2.6%                                    | 9,639,730                               | 765,475                                     | 7.9%                                               | 32,186,023                                        |
|                | Villa Park             | 6,953,624                                               | 1,310,832                                        | 205,893                                                                  | 15.7%                                              | 1,298,399                                    | 12,433                              | 99.1%                                                 | 0.2%                                    | 26,069                                  | 11,684                                      | 44.8%                                              | 1,336,901                                         |
|                | Yorba Linda            | 69,708,245                                              | 41,730,686                                       | 18,360,936                                                               | 44.0%                                              | 41,598,566                                   | 132,120                             | 99.7%                                                 | 0.2%                                    | 4,062,928                               | 2,084,278                                   | 51.3%                                              | 45,793,614                                        |
|                | County Unincorporated  | 208,068,934                                             | 346,337,550                                      | 179,053,989                                                              | 51.7%                                              | 334,565,984                                  | 11,771,566                          | 96.6%                                                 | 5.7%                                    | 221,867,086                             | 92,542,943                                  | 41.7%                                              | 568,204,636                                       |
| <b>2010-11</b> | <b>Total</b>           | <b>\$ 6,167,536,230</b>                                 | <b>\$ 1,015,020,050</b>                          | <b>\$ 536,018,599</b>                                                    | <b>52.8%</b>                                       | <b>\$ 951,204,244</b>                        | <b>\$ 63,815,806</b>                | <b>93.7%</b>                                          | <b>1.0%</b>                             | <b>\$ 402,320,502</b>                   | <b>\$ 254,637,906</b>                       | <b>63.3%</b>                                       | <b>\$ 1,417,340,552</b>                           |
|                | Aliso Viejo            | 319,689,223                                             | 27,303,148                                       | 14,976,621                                                               | 54.9%                                              | 26,936,052                                   | 367,096                             | 98.7%                                                 | 0.1%                                    | 8,243,991                               | 3,020,280                                   | 36.6%                                              | 35,547,139                                        |
|                | Cypress                | 228,665,077                                             | 23,532,761                                       | 7,332,339                                                                | 31.2%                                              | 22,286,387                                   | 1,246,374                           | 94.7%                                                 | 0.5%                                    | 9,994,589                               | 3,450,739                                   | 34.5%                                              | 33,527,350                                        |
|                | Dana Point             | 271,200,800                                             | 29,151,281                                       | 16,720,900                                                               | 57.4%                                              | 26,271,667                                   | 2,879,614                           | 90.1%                                                 | 1.1%                                    | 2,708,489                               | 549,657                                     | 20.3%                                              | 31,859,770                                        |
|                | Irvine                 | 3,517,147,550                                           | 529,928,053                                      | 327,359,367                                                              | 61.8%                                              | 491,188,635                                  | 38,739,418                          | 92.7%                                                 | 1.1%                                    | 194,415,856                             | 157,758,374                                 | 81.1%                                              | 724,343,909                                       |
|                | La Palma               | 5,951,488                                               | 9,482,601                                        | 4,122,585                                                                | 43.5%                                              | 9,464,597                                    | 18,004                              | 99.8%                                                 | 0.3%                                    | 103,936                                 | 55,466                                      | 53.4%                                              | 9,586,537                                         |
|                | Laguna Hills           | 157,926,415                                             | 6,024,219                                        | 5,047,107                                                                | 83.8%                                              | 5,569,455                                    | 454,764                             | 92.5%                                                 | 0.3%                                    | 8,565,758                               | 4,441,361                                   | 51.9%                                              | 14,589,977                                        |
|                | Laguna Niguel          | 136,184,332                                             | 4,046,963                                        | 3,141,745                                                                | 77.6%                                              | 4,036,724                                    | 10,239                              | 99.7%                                                 | 0.0%                                    | 3,478,923                               | 1,723,808                                   | 49.6%                                              | 7,525,886                                         |
|                | Laguna Woods           | 32,591,191                                              | 180,764                                          | 68,598                                                                   | 37.9%                                              | 91,700                                       | 89,064                              | 50.7%                                                 | 0.3%                                    | 2,147,996                               | 1,516,480                                   | 70.6%                                              | 2,328,760                                         |
|                | Lake Forest            | 627,499,144                                             | 113,482,391                                      | 55,805,390                                                               | 49.2%                                              | 104,895,455                                  | 8,586,936                           | 92.4%                                                 | 1.4%                                    | 54,014,302                              | 19,294,714                                  | 35.7%                                              | 167,496,693                                       |
|                | Los Alamitos           | 155,345,877                                             | 11,667,500                                       | 4,048,548                                                                | 34.7%                                              | 10,820,778                                   | 846,722                             | 92.7%                                                 | 0.5%                                    | 50,611,209                              | 23,880,056                                  | 47.2%                                              | 62,278,709                                        |
|                | Mission Viejo          | 189,611,925                                             | 27,956,633                                       | 13,679,362                                                               | 48.9%                                              | 24,045,504                                   | 3,911,129                           | 86.0%                                                 | 2.1%                                    | 8,387,224                               | 5,476,258                                   | 65.3%                                              | 36,343,857                                        |
|                | Rancho Santa Margarita | 212,348,410                                             | 30,895,902                                       | 22,278,671                                                               | 72.1%                                              | 30,217,805                                   | 678,097                             | 97.8%                                                 | 0.3%                                    | 5,255,447                               | 2,380,507                                   | 45.3%                                              | 36,151,349                                        |
|                | San Juan Capistrano    | 51,513,753                                              | 13,041,257                                       | 9,810,272                                                                | 75.2%                                              | 11,711,010                                   | 1,330,247                           | 89.8%                                                 | 2.6%                                    | 3,514,853                               | 1,382,432                                   | 39.3%                                              | 16,556,110                                        |
|                | Villa Park             | 5,972,743                                               | 1,136,731                                        | 165,814                                                                  | 14.6%                                              | 1,136,731                                    | -                                   | 100.0%                                                | 0.0%                                    | 30,417                                  | 16,233                                      | 53.4%                                              | 1,167,148                                         |
|                | Yorba Linda            | 60,279,317                                              | 16,517,476                                       | 6,653,747                                                                | 40.3%                                              | 16,364,381                                   | 153,095                             | 99.1%                                                 | 0.3%                                    | 4,818,693                               | 2,467,644                                   | 51.2%                                              | 21,336,169                                        |
|                | County Unincorporated  | 195,608,985                                             | 170,672,370                                      | 44,807,533                                                               | 26.3%                                              | 166,167,363                                  | 4,505,007                           | 97.4%                                                 | 2.3%                                    | 46,028,819                              | 27,223,897                                  | 59.1%                                              | 216,701,189                                       |

**ORANGE COUNTY FIRE AUTHORITY  
2013-14 PROPERTY TAX REVENUE PROJECTIONS**

**FY 2009-10 through FY 2013-14 UNSECURED ROLL - ASSESSMENT APPEALS<sup>1</sup>**

**Table 4**

| Year           | Jurisdiction           | Appeals Finaled                                         |                                                  |                                                                          |                                                    |                                              |                                     |                                                       |                                         | Appeals Outstanding                     |                                             |                                                    | Total                                             |
|----------------|------------------------|---------------------------------------------------------|--------------------------------------------------|--------------------------------------------------------------------------|----------------------------------------------------|----------------------------------------------|-------------------------------------|-------------------------------------------------------|-----------------------------------------|-----------------------------------------|---------------------------------------------|----------------------------------------------------|---------------------------------------------------|
|                |                        | Total City-Wide Assessed Value (less CRA Project Areas) | Total Assessed Value Under Appeal (Finaled Only) | Total Applicant's Opinion of Value for Parcels Under Appeal <sup>2</sup> | Applicant's Opinion Value as a % of Assessed Value | Board Approved Value of Parcels Under Appeal | Amount of Unsecured Value Reduction | Board Approved Value as a % of Parcels Assessed Value | % of Reduction of Total City-Wide Value | Total Assessed Value of Pending Appeals | Pending Appeals-Applicants Opinion of Value | Applicant's Opinion Value as a % of Assessed Value | Total Assessed Value for all Appeals <sup>3</sup> |
| <b>2011-12</b> | <b>Total</b>           | <b>\$ 5,962,173,264</b>                                 | <b>\$ 1,204,364,680</b>                          | <b>\$ 605,203,635</b>                                                    | <b>50.3%</b>                                       | <b>\$ 1,147,821,100</b>                      | <b>\$ 56,543,580</b>                | <b>95.3%</b>                                          | <b>0.9%</b>                             | <b>\$ 1,040,474,862</b>                 | <b>\$ 535,757,808</b>                       | <b>51.5%</b>                                       | <b>\$ 2,244,839,542</b>                           |
|                | Aliso Viejo            | 306,024,706                                             | 91,868,613                                       | 14,564,900                                                               | 15.9%                                              | 87,952,160                                   | 3,916,453                           | 95.7%                                                 | 1.3%                                    | 22,856,313                              | 10,442,944                                  | 45.7%                                              | 114,724,926                                       |
|                | Cypress                | 209,679,616                                             | 2,386,041                                        | 1,302,108                                                                | 54.6%                                              | 2,213,657                                    | 172,384                             | 92.8%                                                 | 0.1%                                    | 10,580,450                              | 2,061,173                                   | 19.5%                                              | 12,966,491                                        |
|                | Dana Point             | 281,140,460                                             | 7,768,367                                        | 5,279,598                                                                | 68.0%                                              | 6,277,564                                    | 1,490,803                           | 80.8%                                                 | 0.5%                                    | 17,787,584                              | 5,695,943                                   | 32.0%                                              | 25,555,951                                        |
|                | Irvine                 | 3,423,425,637                                           | 718,713,321                                      | 353,351,145                                                              | 49.2%                                              | 716,947,720                                  | 1,765,601                           | 99.8%                                                 | 0.1%                                    | 525,463,601                             | 339,218,867                                 | 64.6%                                              | 1,244,176,922                                     |
|                | La Palma               | 6,337,374                                               | 5,555,315                                        | 2,776,688                                                                | 50.0%                                              | 5,555,315                                    | -                                   | 100.0%                                                | 0.0%                                    | 1,507,516                               | 182,863                                     | 12.1%                                              | 7,062,831                                         |
|                | Laguna Hills           | 152,727,811                                             | 8,367,775                                        | 5,702,312                                                                | 68.1%                                              | 7,549,444                                    | 818,331                             | 90.2%                                                 | 0.5%                                    | 23,828,621                              | 10,379,349                                  | 43.6%                                              | 32,196,396                                        |
|                | Laguna Niguel          | 130,702,009                                             | 7,712,732                                        | 4,577,023                                                                | 59.3%                                              | 7,477,907                                    | 234,825                             | 97.0%                                                 | 0.2%                                    | 30,989,787                              | 13,194,886                                  | 42.6%                                              | 38,702,519                                        |
|                | Laguna Woods           | 34,006,650                                              | 1,400,078                                        | 815,272                                                                  | 58.2%                                              | 1,395,572                                    | 4,506                               | 99.7%                                                 | 0.0%                                    | 4,115,263                               | 2,258,204                                   | 54.9%                                              | 5,515,341                                         |
|                | Lake Forest            | 554,490,212                                             | 32,623,367                                       | 19,107,176                                                               | 58.6%                                              | 32,145,574                                   | 477,793                             | 98.5%                                                 | 0.1%                                    | 27,267,530                              | 11,020,010                                  | 40.4%                                              | 59,890,897                                        |
|                | Los Alamitos           | 136,823,263                                             | 11,012,494                                       | 4,741,682                                                                | 43.1%                                              | 10,892,416                                   | 120,078                             | 98.9%                                                 | 0.1%                                    | 48,527,405                              | 22,665,524                                  | 46.7%                                              | 59,539,899                                        |
|                | Mission Viejo          | 189,010,531                                             | 24,004,654                                       | 6,228,164                                                                | 25.9%                                              | 9,954,192                                    | 14,050,462                          | 41.5%                                                 | 7.4%                                    | 44,575,092                              | 18,252,994                                  | 40.9%                                              | 68,579,746                                        |
|                | Rancho Santa Margarita | 206,603,665                                             | 40,756,448                                       | 26,804,762                                                               | 65.8%                                              | 29,165,064                                   | 11,591,384                          | 71.6%                                                 | 5.6%                                    | 26,975,031                              | 12,331,712                                  | 45.7%                                              | 67,731,479                                        |
|                | San Juan Capistrano    | 48,992,741                                              | 1,506,167                                        | 905,680                                                                  | 60.1%                                              | 1,431,669                                    | 74,498                              | 95.1%                                                 | 0.2%                                    | 23,862,366                              | 12,429,690                                  | 52.1%                                              | 25,368,533                                        |
|                | Villa Park             | 5,335,622                                               | 5,354                                            | 2,600                                                                    | 48.6%                                              | 5,354                                        | -                                   | 100.0%                                                | 0.0%                                    | 1,282,031                               | 135,655                                     | 10.6%                                              | 1,287,385                                         |
|                | Yorba Linda            | 50,991,779                                              | 29,024,968                                       | 14,976,774                                                               | 51.6%                                              | 28,951,721                                   | 73,247                              | 99.7%                                                 | 0.1%                                    | 13,485,217                              | 3,105,413                                   | 23.0%                                              | 42,510,185                                        |
|                | County Unincorporated  | 225,881,188                                             | 221,658,986                                      | 144,067,751                                                              | 65.0%                                              | 199,905,771                                  | 21,753,215                          | 90.2%                                                 | 9.6%                                    | 217,371,055                             | 72,382,581                                  | 33.3%                                              | 439,030,041                                       |
| <b>2012-13</b> | <b>Total</b>           | <b>\$ 6,086,155,554</b>                                 | <b>\$ 642,873,291</b>                            | <b>\$ 367,610,646</b>                                                    | <b>0.0%</b>                                        | <b>\$ 634,623,499</b>                        | <b>\$ 8,249,792</b>                 | <b>0.0%</b>                                           | <b>0.1%</b>                             | <b>\$ 1,256,980,067</b>                 | <b>\$ 559,472,876</b>                       | <b>44.5%</b>                                       | <b>\$ 1,899,853,358</b>                           |
|                | Aliso Viejo            | 288,468,664                                             | 1,440,907                                        | 1,231,408                                                                | 85.5%                                              | 1,440,907                                    | -                                   | 100.0%                                                | 0.0%                                    | 34,928,358                              | 12,390,435                                  | 35.5%                                              | 36,369,265                                        |
|                | Cypress                | 247,860,538                                             | 5,490,607                                        | 2,271,920                                                                | 41.4%                                              | 4,178,092                                    | 1,312,515                           | 76.1%                                                 | 0.5%                                    | 42,321,348                              | 6,739,838                                   | 15.9%                                              | 47,811,955                                        |
|                | Dana Point             | 216,316,109                                             | 3,564,975                                        | 2,688,962                                                                | 75.4%                                              | 3,240,993                                    | 323,982                             | 90.9%                                                 | 0.1%                                    | 31,384,708                              | 8,306,506                                   | 26.5%                                              | 34,949,683                                        |
|                | Irvine                 | 3,609,142,290                                           | 367,317,619                                      | 208,419,854                                                              | 56.7%                                              | 366,616,974                                  | 700,645                             | 99.8%                                                 | 0.0%                                    | 478,145,638                             | 223,916,823                                 | 46.8%                                              | 845,463,257                                       |
|                | La Palma               | 5,364,069                                               | 452,687                                          | 422,457                                                                  | 93.3%                                              | 452,687                                      | -                                   | 100.0%                                                | 0.0%                                    | 1,451,441                               | 177,973                                     | 12.3%                                              | 1,904,128                                         |
|                | Laguna Hills           | 139,175,669                                             | 5,117,451                                        | 4,131,555                                                                | 80.7%                                              | 4,648,346                                    | 469,105                             | 90.8%                                                 | 0.3%                                    | 31,828,548                              | 10,758,176                                  | 33.8%                                              | 36,945,999                                        |
|                | Laguna Niguel          | 130,193,996                                             | 4,653,769                                        | 2,407,258                                                                | 51.7%                                              | 4,516,111                                    | 137,658                             | 97.0%                                                 | 0.1%                                    | 49,015,405                              | 13,457,355                                  | 27.5%                                              | 53,669,174                                        |
|                | Laguna Woods           | 33,093,242                                              | 1,291,411                                        | 756,475                                                                  | 58.6%                                              | 1,291,411                                    | -                                   | 100.0%                                                | 0.0%                                    | 4,246,875                               | 960,132                                     | 22.6%                                              | 5,538,286                                         |
|                | Lake Forest            | 586,897,571                                             | 90,935,863                                       | 45,981,498                                                               | 50.6%                                              | 90,896,763                                   | 39,100                              | 100.0%                                                | 0.0%                                    | 62,026,437                              | 25,830,884                                  | 41.6%                                              | 152,962,300                                       |
|                | Los Alamitos           | 133,834,340                                             | 12,673,248                                       | 6,592,519                                                                | 52.0%                                              | 12,673,248                                   | -                                   | 100.0%                                                | 0.0%                                    | 13,061,202                              | 4,494,604                                   | 34.4%                                              | 25,734,450                                        |
|                | Mission Viejo          | 157,384,871                                             | 5,873,361                                        | 3,510,709                                                                | 59.8%                                              | 5,258,935                                    | 614,426                             | 89.5%                                                 | 0.4%                                    | 73,798,882                              | 20,223,539                                  | 27.4%                                              | 79,672,243                                        |
|                | Rancho Santa Margarita | 238,145,074                                             | 1,621,077                                        | 696,657                                                                  | 43.0%                                              | 1,621,077                                    | -                                   | 100.0%                                                | 0.0%                                    | 51,802,173                              | 16,697,640                                  | 32.2%                                              | 53,423,250                                        |
|                | San Juan Capistrano    | 45,210,278                                              | 5,294,981                                        | 2,451,171                                                                | 46.3%                                              | 4,445,781                                    | 849,200                             | 84.0%                                                 | 1.9%                                    | 33,490,141                              | 9,831,372                                   | 29.4%                                              | 38,785,122                                        |
|                | Villa Park             | 6,749,499                                               | 101,249                                          | 94,488                                                                   | 93.3%                                              | 101,249                                      | -                                   | 100.0%                                                | 0.0%                                    | 1,126,236                               | 123,991                                     | 11.0%                                              | 1,227,485                                         |
|                | Yorba Linda            | 48,193,125                                              | 3,326,204                                        | 1,813,310                                                                | 54.5%                                              | 3,326,204                                    | -                                   | 100.0%                                                | 0.0%                                    | 36,432,796                              | 14,307,625                                  | 39.3%                                              | 39,759,000                                        |
|                | County Unincorporated  | 200,126,219                                             | 133,717,882                                      | 84,140,405                                                               | 62.9%                                              | 129,914,721                                  | 3,803,161                           | 97.2%                                                 | 1.9%                                    | 311,919,879                             | 191,255,983                                 | 61.3%                                              | 445,637,761                                       |

**ORANGE COUNTY FIRE AUTHORITY  
2013-14 PROPERTY TAX REVENUE PROJECTIONS**

**FY 2009-10 through FY 2013-14 UNSECURED ROLL - ASSESSMENT APPEALS<sup>1</sup>**

**Table 4**

| Year           | Jurisdiction           | Total City-Wide Assessed Value (less CRA Project Areas) | Appeals Finaled                                  |                                                                          |                                                    |                                              |                                     |                                                       |                                         | Appeals Outstanding                     |                                             |                                                    | Total                                             |
|----------------|------------------------|---------------------------------------------------------|--------------------------------------------------|--------------------------------------------------------------------------|----------------------------------------------------|----------------------------------------------|-------------------------------------|-------------------------------------------------------|-----------------------------------------|-----------------------------------------|---------------------------------------------|----------------------------------------------------|---------------------------------------------------|
|                |                        |                                                         | Total Assessed Value Under Appeal (Finaled Only) | Total Applicant's Opinion of Value for Parcels Under Appeal <sup>2</sup> | Applicant's Opinion Value as a % of Assessed Value | Board Approved Value of Parcels Under Appeal | Amount of Unsecured Value Reduction | Board Approved Value as a % of Parcels Assessed Value | % of Reduction of Total City-Wide Value | Total Assessed Value of Pending Appeals | Pending Appeals-Applicants Opinion of Value | Applicant's Opinion Value as a % of Assessed Value | Total Assessed Value for all Appeals <sup>3</sup> |
| <b>2013-14</b> | <b>Total</b>           | <b>\$ 6,071,347,346</b>                                 | <b>\$ 202,505,577</b>                            | <b>\$ 113,850,233</b>                                                    | <b>56.2%</b>                                       | <b>\$ 202,461,277</b>                        | <b>\$ 44,300</b>                    | <b>100.0%</b>                                         | <b>0.0%</b>                             | <b>\$ 1,179,433,555</b>                 | <b>\$ 495,743,434</b>                       | <b>42.0%</b>                                       | <b>\$ 1,381,939,132</b>                           |
|                | Aliso Viejo            | 326,378,450                                             | -                                                | -                                                                        | 0.0%                                               | -                                            | -                                   | 100.0%                                                | 0.0%                                    | 36,464,163                              | 16,174,524                                  | 44.4%                                              | 36,464,163                                        |
|                | Cypress                | 246,173,409                                             | 501,848                                          | -                                                                        | 0.0%                                               | 501,848                                      | -                                   | 100.0%                                                | 0.0%                                    | 8,847,726                               | 3,488,861                                   | 39.4%                                              | 9,349,574                                         |
|                | Dana Point             | 220,174,838                                             | 756,547                                          | 500,000                                                                  | 66.1%                                              | 712,247                                      | 44,300                              | 94.1%                                                 | 0.0%                                    | 13,634,473                              | 4,684,243                                   | 34.4%                                              | 14,391,020                                        |
|                | Irvine                 | 3,608,804,117                                           | 71,398,357                                       | 35,672,230                                                               | 50.0%                                              | 71,398,357                                   | -                                   | 100.0%                                                | 0.0%                                    | 417,946,285                             | 183,086,159                                 | 43.8%                                              | 489,344,642                                       |
|                | La Palma               | 5,154,387                                               | -                                                | -                                                                        | 0.0%                                               | -                                            | -                                   | 100.0%                                                | 0.0%                                    | 652,986                                 | 291,622                                     | 44.7%                                              | 652,986                                           |
|                | Laguna Hills           | 131,373,832                                             | 2,130,134                                        | 311,664                                                                  | 14.6%                                              | 2,130,134                                    | -                                   | 100.0%                                                | 0.0%                                    | 12,508,073                              | 5,149,281                                   | 41.2%                                              | 14,638,207                                        |
|                | Laguna Niguel          | 136,923,811                                             | 7,452,991                                        | 3,650,000                                                                | 49.0%                                              | 7,452,991                                    | -                                   | 100.0%                                                | 0.0%                                    | 23,856,632                              | 8,393,089                                   | 35.2%                                              | 31,309,623                                        |
|                | Laguna Woods           | 29,386,777                                              | -                                                | -                                                                        | 0.0%                                               | -                                            | -                                   | 100.0%                                                | 0.0%                                    | 1,905,030                               | 960,011                                     | 50.4%                                              | 1,905,030                                         |
|                | Lake Forest            | 568,391,957                                             | 8,080                                            | -                                                                        | 0.0%                                               | 8,080                                        | -                                   | 100.0%                                                | 0.0%                                    | 160,299,457                             | 75,569,425                                  | 47.1%                                              | 160,307,537                                       |
|                | Los Alamitos           | 125,539,616                                             | -                                                | -                                                                        | 0.0%                                               | -                                            | -                                   | 100.0%                                                | 0.0%                                    | 37,091,581                              | 18,676,313                                  | 50.4%                                              | 37,091,581                                        |
|                | Mission Viejo          | 140,471,830                                             | 1,354,270                                        | -                                                                        | 0.0%                                               | 1,354,270                                    | -                                   | 100.0%                                                | 0.0%                                    | 40,165,286                              | 14,298,088                                  | 35.6%                                              | 41,519,556                                        |
|                | Rancho Santa Margarita | 193,154,162                                             | -                                                | -                                                                        | 0.0%                                               | -                                            | -                                   | 100.0%                                                | 0.0%                                    | 25,672,798                              | 9,809,593                                   | 38.2%                                              | 25,672,798                                        |
|                | San Juan Capistrano    | 51,649,102                                              | 792,560                                          | 396,280                                                                  | 50.0%                                              | 792,560                                      | -                                   | 100.0%                                                | 0.0%                                    | 19,886,850                              | 7,695,182                                   | 38.7%                                              | 20,679,410                                        |
|                | Villa Park             | 8,719,433                                               | -                                                | -                                                                        | 0.0%                                               | -                                            | -                                   | 100.0%                                                | 0.0%                                    | 87,059                                  | 5,224                                       | 6.0%                                               | 87,059                                            |
|                | Yorba Linda            | 50,452,488                                              | 20,059                                           | 20,059                                                                   | 100.0%                                             | 20,059                                       | -                                   | 100.0%                                                | 0.0%                                    | 28,475,732                              | 13,239,391                                  | 46.5%                                              | 28,495,791                                        |
|                | County Unincorporated  | 228,599,137                                             | 118,090,731                                      | 73,300,000                                                               | 62.1%                                              | 118,090,731                                  | -                                   | 100.0%                                                | 0.0%                                    | 351,939,424                             | 134,222,428                                 | 38.1%                                              | 470,030,155                                       |

<sup>1</sup> Assessment Appeals are net of appeals for properties within CRA project areas.  
<sup>2</sup> Total Applicants Opinion of Value includes only finaled appeals and is net of the following appeals:  
a) Applicant's opinion of the assessed value is higher than the roll value  
b) The appeals database reports that the parcel being appealed has either an assessed value of \$0 or negative assessed value.  
<sup>3</sup> Assessment Appeals analyzed for FY 2013-14 include only those that have been submitted by March 10, 2014.

Source: County of Orange Clerk of the Board of Supervisors

**DISCUSSION CALENDAR - AGENDA ITEM NO. 7**  
**BUDGET AND FINANCE COMMITTEE MEETING**  
**May 14, 2014**

TO: Budget and Finance Committee, Orange County Fire Authority

FROM: Lori Zeller, Assistant Chief  
Business Services Department

SUBJECT: **Review of the 2014/15 Proposed Budget**

Summary:

This item presents the 2014/15 Proposed General Fund and Capital Improvement Program (CIP) Budget for review by the Budget and Finance Committee.

Committee Actions:

***City Managers' Budget and Finance Committee***

The City Managers' Budget and Finance Committee (B&FC) reviewed the 2014/15 Proposed Budget with staff on April 22, 2014. The Committee requested staff to submit some specific additional information (provided on page 18 of the budget book), and they provided the following formal recommendations for submission to the OCFA Budget and Finance Committee:

The City Managers' B&FC recommended that the OCFA B&FC and Board of Directors adopt the 2014/15 Budget, as submitted.

Recommended Action:

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of May 22, 2014, with the Budget and Finance Committee's recommendation that the Board of Directors take the following actions:

1. Conduct a public hearing.
2. Adopt the submitted 2014/15 Proposed Budget.
3. Adopt the proposed Resolution adopting and approving the appropriations budget.
4. Approve and authorize a FY 2013/14 budget adjustment to increase General Fund revenues by \$1,329,186 and appropriations by \$551,777.

Background:

We are pleased to present the proposed FY 2014/15 budget for your consideration. As required by the Fiscal Health Plan and Financial Stability Budget Policy, this proposed General Fund budget is balanced for the first two years of the five-year forecast and meets our policy reserve requirements. An operating transfer from the General Fund to the CIP funds is included in the proposed budget; however, projected cash flow is insufficient to meet all forecasted CIP expenditures over the five-year forecast period. The CIP funds instead rely on accumulated fund balances to support the estimated expenditures. As in year's past, CIP projects were deferred whenever in staff's judgment the postponement would not adversely affect services or maintenance of OCFA assets.

A budget presentation to the Board of Directors will be provided on May 22, 2014.

***Proposed 2013/14 Budget Adjustment***

Since the mid-year budget adjustment was approved by the Board in March, additional changes to the General Fund budget have become necessary. The proposed changes are as follows:

- Increase to revenues in the amount of \$1,329,186. This adjustment is comprised of the following:
  - \$743,750 increase to Supplemental Property tax
  - \$370,668 increase to State reimbursements for assistance by hire
  - \$114,768 increase for CRA pass-throughs
  - \$100,000 increase for receipt of a donation from Maruchan
  
- Increase to expenditures of \$551,777. This adjustment is comprised of the following:
  - \$100,000 for a contract with Communications Lab for public relations and communications, which was approved by the Executive Committee on March 27, 2014. Funds not expended at the conclusion of the fiscal year will be rebudgeted in FY 2014/15.
  - \$96,649 appropriation, using Maruchan donations to fund emergency management and communications technology related expenses.
  - \$355,128 to fund an increase to the Property Tax Administration Fee assessed by the Orange County Auditor/Controller.

Impact to Cities/County:

The proposed budget results in a 4.5% increase in cash contract cities' base service charges. Total increases vary from city-to-city, based on annual catch-up payments for all cities (for dollar impacts by city, see page 22 of the Revenue Section in the attached Budget Book).

Fiscal Impact:

See proposed Budget.

Staff Contacts for Further Information:

Lori Zeller, Assistant Chief/Business Services Department

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

(714) 573-6020

Deborah Gunderson, Budget Manager

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

(714) 573-6302

Tricia Jakubiak, Treasurer

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

(714) 573-6301

Attachments:

1. Proposed Resolution
2. 2014/15 Proposed Budget

**RESOLUTION NO. 2014-XX**

**A RESOLUTION OF ORANGE COUNTY FIRE AUTHORITY BOARD  
OF DIRECTORS ADOPTING AND APPROVING THE  
APPROPRIATIONS BUDGET FOR THE ORANGE COUNTY FIRE  
AUTHORITY FOR FISCAL YEAR 2014/15**

*THE ORANGE COUNTY FIRE AUTHORITY BOARD OF DIRECTORS DOES HEREBY  
RESOLVE AS FOLLOWS:*

The appropriations budget for the Orange County Fire Authority for Fiscal Year 2014/15 is approved and adopted by the Board of Directors as follows:

GENERAL FUNDOperating Appropriations

|                                |                  |
|--------------------------------|------------------|
| Salaries and Employee Benefits | \$298,156,224    |
| Services and Supplies          | \$25,585,580     |
| Capital Outlay                 | \$0              |
| Debt Service                   | <u>\$895,000</u> |
| Total Operating Appropriations | \$324,636,804    |

Operating Transfers-Out

|                                |                  |
|--------------------------------|------------------|
| CIP Funds                      | <u>\$584,592</u> |
| Total Operating Transfers –Out | \$584,592        |

OTHER FUNDS

|                                                             |                     |
|-------------------------------------------------------------|---------------------|
| Fund 122 – Facilities Maintenance & Improvement             | \$1,274,498         |
| Fund 123 – Facilities Replacement                           | \$0                 |
| Fund 124 – Communications & Information Systems Replacement | \$2,712,089         |
| Fund 133 – Vehicle Replacement                              | \$7,308,817         |
| Fund 171 – Structural Fire Entitlement Fund                 | \$0                 |
| Fund 190 – Self-Insurance                                   | <u>\$10,872,378</u> |
| Total Other Funds                                           | \$22,167,782        |

|                             |                             |
|-----------------------------|-----------------------------|
| <b>TOTAL APPROPRIATIONS</b> | <b><u>\$346,804,586</u></b> |
|-----------------------------|-----------------------------|

Reserves

|                                    |              |
|------------------------------------|--------------|
| 10% Operating Contingency Reserve: | \$30,433,546 |
|------------------------------------|--------------|

*PASSED, APPROVED, AND ADOPTED* this 22<sup>nd</sup> day of May 2014.

ATTEST:

---

STEVEN WEINBERG, CHAIR  
Board of Directors

---

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



# ORANGE COUNTY FIRE AUTHORITY

---

## 2014/15

### DRAFT PROPOSED BUDGET

Budget & Finance Committee



**Business Services Department**  
**Treasury & Financial Planning**  
**May 14, 2014**

# TABLE OF CONTENTS

## 2014/15

# DRAFT PROPOSED BUDGET

|          |                                                                    |    |
|----------|--------------------------------------------------------------------|----|
| <b>1</b> | <b>Budget Summary</b>                                              |    |
|          | ▪ Overview .....                                                   | 1  |
|          | ▪ Highlights.....                                                  | 3  |
|          | ▪ Pending Issues.....                                              | 5  |
|          | ▪ Combined Budget Summary .....                                    | 6  |
|          | ▪ General Fund Summary .....                                       | 8  |
|          | ▪ Five-year Financial Forecast .....                               | 9  |
|          | ▪ Forecast Assumptions .....                                       | 10 |
|          | ▪ S&EB Assumptions.....                                            | 14 |
|          | ▪ City Managers' Recommendations.....                              | 18 |
| <b>2</b> | <b>Revenue</b>                                                     |    |
|          | ▪ Assumptions.....                                                 | 19 |
|          | ▪ Revenue Schedules.....                                           | 21 |
| <b>3</b> | <b>Capital Improvement Program Funds</b>                           |    |
|          | <b>Overview</b>                                                    |    |
|          | ▪ Introduction .....                                               | 25 |
|          | ▪ CIP Highlights.....                                              | 26 |
|          | ▪ Five-Year Plan Summary .....                                     | 27 |
|          | ▪ Five-Year Plan Project Listing.....                              | 28 |
|          | ▪ Projects Deferred.....                                           | 32 |
|          | <b>Fund 122-Facilities Replacement</b>                             |    |
|          | ▪ Fund Description .....                                           | 33 |
|          | ▪ List of Stations .....                                           | 34 |
|          | ▪ Project Justifications .....                                     | 35 |
|          | <b>Fund 124-Communications and Information Systems Replacement</b> |    |
|          | ▪ Fund Description .....                                           | 39 |
|          | ▪ Project Justifications .....                                     | 40 |
|          | <b>Fund 133-Vehicle Replacements</b>                               |    |
|          | ▪ Fund Description.....                                            | 63 |
|          | ▪ List of Vehicles to be Replaced.....                             | 64 |
|          | ▪ Vehicles to be Deferred.....                                     | 68 |
|          | ▪ Project Justifications .....                                     | 70 |

May 14, 2014



# *Budget Summary*

---

# Budget Overview

We are pleased to present the proposed FY 2014/15 budget for your consideration. As required by the Fiscal Health Plan and Financial Stability Budget Policy, this proposed General Fund budget is balanced for the first two years of the five-year forecast and meets our policy reserve requirements. An operating transfer from the General Fund to the CIP funds is included in the proposed budget; however, projected cash flow is insufficient to meet all forecasted CIP expenditures over the five-year period. As done in past years, OCFA will consider using lease-purchase financing to assist with funding for capital needs in order to spread the cost of the capital assets over the useful life. In addition, CIP projects were deferred wherever feasible.

Property taxes are OCFA's largest source of revenue and represent 64% of our General Fund revenue budget. The five-year forecast included in this budget document shows the most current property tax revenue growth figures from the Rosenow Spevacek Group (RSG, OCFA's property tax consultant) for all five years of the forecast. RSG's forecast reflects their conservative approach to forecasting. RSG indicates there is "substantial reason to remain cautious...the current recovery will likely not mirror the last economic recovery experienced in the late 1990's/early 2000's".

Our budget development process continues to include aggressive cost containment measures taken as part of our commitment to long-term financial stability while continuing to provide outstanding service to our member agencies and customers. These include:

- **Hiring Freeze** – A hiring freeze remains in place for positions that do not provide front line service to the public. Each position that becomes vacant is reviewed by Executive Management to determine our ability to absorb the vacancy, or whether it will be necessary to fill the position. This budget includes 101 frozen positions.
- **Services and Supplies** – All sections were directed to hold their services and supplies (S&S) budget at the FY 2013/14 level. Requested increases were reviewed and approved on a case-by-case basis, taking into consideration the criticality of the request and other legal, risk, or technical ramifications which may arise if the request was not approved.
- **Salaries** – The proposed budget holds salaries flat for all employee groups, with no cost of living adjustments provided in FY 2014/15, pending any changes which may be introduced as labor negotiations are concluded. All current labor contracts include a "trigger formula" that requires specific parameters of fiscal health to be achieved before cost of living adjustments can be provided. Although the FY 2014/15 budget is balanced and is providing funding for policy reserve requirements, the flow of funding for capital needs has not yet reached the fiscal health threshold required for the trigger formula.
- **Workers' Compensation** – Management and labor are near completion in developing an Alternative Dispute Resolution Program (ADR). Once implemented, the ADR Program will (1) streamline the time it takes for industrially injured workers to receive appropriate medical evaluations and treatment, (2) provide an opportunity for early involvement of a nurse case manager to assist the injured workers to navigate more quickly through the workers' compensation process, and (3) make available a mediation process to reduce court appearances

and to resolve certain disputed matters in an expedited fashion. These improvements are anticipated to result in reduced workers' compensation costs over the long-term.

- ***Prioritization of Five-Year Capital Improvement Plan*** – The five-year CIP was updated and reviewed by Executive Management, and the City Managers' Budget and Finance Committee. The Executive Management team scrutinized all projects to ensure they contribute to the OCFA's mission of providing a safe, hazard-free work environment and quality service to our members and citizens. Some projects were found to be essential, yet the timing was viewed as relatively flexible, therefore they were deferred until additional funding becomes available. A list of these projects has been provided on page 32.

**ORANGE COUNTY FIRE AUTHORITY**  
**2014/15 General Fund Proposed Budget Highlights**  
**May 2014**

***Revenue***

***\$2.5 million or a 0.82% increase***

---

**Property Taxes** **\$5.3M increase**

- Based on growth in current secured property of 3.379% for 2014/15 per RSG's final report
- The refund factor is estimated at 1% based on historical trends

**State Reimbursements** **\$2.8M decrease**

- Proposed FY 2014/15 budget excludes extraordinary assistance-by-hire reimbursements for incident activity

**Federal Reimbursements** **\$3.2M decrease**

- Proposed FY 2014/15 budget excludes extraordinary assistance-by-hire reimbursements for incident activity and one-time grant funding

**Community Redevelopment Agency (CRA) Pass-Thru** **\$750K decrease**

- Based on RSG's 2014 projection

**Cash Contract Charges** **\$4.3M increase**

- Based on estimated 4.5% increase to cash contract cities service charge, plus the annual catch-up payments, for an average increase of 5.13%
- The City of San Clemente's Ambulance line items reflect the implementation and adjustment of Seasonal Ambulance Services

**Community Risk Reduction Fees** **\$564K decrease**

- Based on 2013/14 projection from year-to-date receipts

**Use of Money and Property** **\$759K increase**

- Increase attributable to TRAN interest earnings in 2014/15; no TRAN was issued in 2013/14

**Miscellaneous Revenue** **\$572K decrease**

- 2013/14 includes \$341K in insurance reimbursements; \$241K for the repair of Engine 61 in Buena Park, and an estimated \$100K for fire damage at Fire Station 62 in Buena Park, none of which are anticipated in FY 2014/15

***Expenditures***  
***\$18.6M or a 6% increase overall***

---

**Salaries** **\$903K decrease**

- FY 2014/15 proposed budget excludes extraordinary backfill/overtime and one-time grant funding
- Cost of living increases are not included
- Merit increases are factored in
- New Station 56 (Ortega Valley) staffing is included
- New Director of Communications position has been added
- Implementation of Community Risk Reduction department reorganization

**Retirement** **\$22.1M increase**

- Includes a \$18.3 million UAAL buy-down, as per the FF MOU
- 2014/15 rates are OCERS' final adopted rates, which includes the impact of OCERS' 0.50% decrease in the assumed rate of return from 7.75% to 7.25%. This change is being phased-in over two fiscal years, starting in FY 2014/15
- Retirement rates based on the Public Employees' Pension Reform Act (PEPRA) are used for vacant positions

**Benefits** **\$2.2M increase**

- Workers' Comp is budgeted based on the 60% confidence level provided by the actuarial study completed in July 2013
- CalPERS group medical insurance rates for non-firefighter unit staff estimated to decrease by 16% as more than half of the OCEA employees enrolled in lower cost insurance plans
- Firefighter group medical insurance based on rates of \$1,598 per month effective 1/1/14 and \$1,742 per month effective 1/1/15
- Management dental and vision insurance reflects an increase of 5%

**Services and Supplies/Equipment** **\$6.6M decrease**

- Proposed FY 2014/15 budget excludes one-time grant funding and full JEAP payment to Irvine which was included in the Projected FY 2013/14 budget.

**ORANGE COUNTY FIRE AUTHORITY**  
**2014/15 Pending Issues**  
**May 2014**

**Standards of Cover**

- The draft Fiscal Year 2014/15 budget does not include any possible changes as a result of proposed Standards of Cover changes.

**CAL FIRE Contract**

- Gray Book for Fiscal Year 2014/15 has not yet been received; 2013/14 numbers are utilized

**Grants**

- No estimate has been included for the new grant nor unspent funds of current grants

**TRAN**

- We are anticipating the need to issue a Tax and Revenue Anticipation Note (TRAN) in late Fiscal Year 2013/14, or early Fiscal Year 2014/15.
- TRAN cost of issuance, and interest revenues and expenses are included in the proposed budget

**Cashflow Reserve Use**

- The Firefighter MOU contains a side letter agreement that specifies that remaining funds in the General Fund-Cash Flow Reserve as of June 30, 2014, shall be used to pay down the UAAL with OCERS. A \$18.3M buy-down has been included in the proposed budget.

**ORANGE COUNTY FIRE AUTHORITY  
COMBINED BUDGET SUMMARY  
2014/15**

|                                                      | 121<br>General<br>Fund | 122<br>Facilities<br>Maintenance &<br>Improvement | 123<br>Facilities<br>Replacement |
|------------------------------------------------------|------------------------|---------------------------------------------------|----------------------------------|
| <b>FUNDING SOURCES</b>                               |                        |                                                   |                                  |
| Property Taxes                                       | \$195,471,965          |                                                   |                                  |
| Intergovernmental                                    | 11,137,559             |                                                   |                                  |
| Charges for Current Services                         | 100,016,486            | 298,296                                           |                                  |
| Use of Money & Property                              | 886,749                | 5,552                                             | 22,618                           |
| Other                                                | 1,000,700              |                                                   |                                  |
| Total Revenue & Other<br>Financing Sources           | 308,513,459            | 303,848                                           | 22,618                           |
| Operating Transfer In                                | -                      | -                                                 | -                                |
| Beginning Fund Balance                               | 47,141,481             | 2,559,171                                         | 9,106,741                        |
| <b>TOTAL AVAILABLE RESOURCES</b>                     | <b>\$355,654,940</b>   | <b>\$2,863,019</b>                                | <b>\$9,129,359</b>               |
| <b>EXPENDITURES</b>                                  |                        |                                                   |                                  |
| Salaries & Employee Benefits                         | \$298,156,224          |                                                   |                                  |
| Services & Supplies                                  | 25,585,580             | 1,274,498                                         |                                  |
| Capital Outlay                                       |                        |                                                   |                                  |
| Debt Service                                         | 895,000                |                                                   |                                  |
| Total Expenditures & Other Uses                      | 324,636,804            | 1,274,498                                         | -                                |
| Appropriation for Contingencies                      | 3,000,000              | -                                                 | -                                |
| Operating Transfer Out                               | 584,592                | -                                                 | -                                |
| Ending Fund Balance                                  | 27,433,544             | 1,588,521                                         | 9,129,359                        |
| <b>TOTAL FUND COMMITMENTS &amp;<br/>FUND BALANCE</b> | <b>\$355,654,940</b>   | <b>\$2,863,019</b>                                | <b>\$9,129,359</b>               |

| <b>124<br/>Comm &amp;<br/>Info Systems<br/>Replacement</b> | <b>133<br/>Vehicle<br/>Replacement</b> | <b>171<br/>SFF<br/>Entitlement</b> | <b>190<br/>Self-<br/>Insurance</b> | <b>Total</b>         |
|------------------------------------------------------------|----------------------------------------|------------------------------------|------------------------------------|----------------------|
|                                                            |                                        |                                    |                                    | \$195,471,965        |
|                                                            |                                        |                                    |                                    | 11,137,559           |
|                                                            | 1,381,161                              |                                    |                                    | 101,695,943          |
| 23,109                                                     | 49,958                                 | 1,496                              | 143,401                            | 1,132,883            |
|                                                            |                                        |                                    | 13,811,667                         | 14,812,367           |
| 23,109                                                     | 1,431,119                              | 1,496                              | 13,955,068                         | 324,250,717          |
| 584,592                                                    | -                                      | -                                  | -                                  | 584,592              |
| 8,159,075                                                  | 21,033,985                             | 571,891                            | 55,722,949                         | 144,295,293          |
| <b>\$8,766,776</b>                                         | <b>\$22,465,104</b>                    | <b>\$573,387</b>                   | <b>\$69,678,017</b>                | <b>\$469,130,602</b> |
|                                                            |                                        |                                    |                                    | \$298,156,224        |
| 2,712,089                                                  | 83,896                                 |                                    | 10,872,378                         | 40,528,441           |
|                                                            | 4,693,198                              |                                    |                                    | 4,693,198            |
|                                                            | 2,531,723                              |                                    |                                    | 3,426,723            |
| 2,712,089                                                  | 7,308,817                              | -                                  | 10,872,378                         | 346,804,586          |
| -                                                          | -                                      | -                                  | -                                  | 3,000,000            |
| -                                                          | -                                      | -                                  | -                                  | 584,592              |
| 6,054,687                                                  | 15,156,287                             | 573,387                            | 58,805,639                         | 118,741,424          |
| <b>\$8,766,776</b>                                         | <b>\$22,465,104</b>                    | <b>\$573,387</b>                   | <b>\$69,678,017</b>                | <b>\$469,130,602</b> |

**ORANGE COUNTY FIRE AUTHORITY**  
**FUND 121 - GENERAL FUND**  
**REVENUE AND EXPENDITURE SUMMARY**  
**2014/15 BUDGET**

|                                                      | <b>2013/14<br/>Adopted<br/>Budget</b> | <b>2013/14<br/>Budget<br/>Projection (1)</b> | <b>2014/15<br/>Draft Proposed<br/>Budget (2)</b> | <b>\$ Change<br/>fr 2013/14<br/>Projection</b> | <b>% Change<br/>fr 2013/14<br/>Projection</b> |
|------------------------------------------------------|---------------------------------------|----------------------------------------------|--------------------------------------------------|------------------------------------------------|-----------------------------------------------|
| <b>FUNDING SOURCES</b>                               |                                       |                                              |                                                  |                                                |                                               |
| Property Taxes                                       | \$186,998,721                         | \$190,156,251                                | \$195,471,965                                    | \$5,315,714                                    | 2.80%                                         |
| Intergovernmental                                    | 11,443,286                            | 17,872,333                                   | 11,137,559                                       | (6,734,774)                                    | -37.68%                                       |
| Charges for Current Services                         | 94,325,831                            | 96,288,619                                   | 100,016,486                                      | 3,727,867                                      | 3.87%                                         |
| Use of Money & Property                              | 221,379                               | 128,487                                      | 886,749                                          | 758,262                                        | 590.15%                                       |
| Other                                                | 832,000                               | 1,572,631                                    | 1,000,700                                        | (571,931)                                      | -36.37%                                       |
| Total Revenues & Other<br>Financing Sources          | 293,821,217                           | 306,018,321                                  | 308,513,459                                      | 2,495,138                                      | 0.82%                                         |
| Operating Transfer In                                | -                                     | -                                            | -                                                | -                                              | -                                             |
| Beginning Fund Balance                               | 48,092,190                            | 52,525,839                                   | 47,141,481                                       | (5,384,358)                                    | -10.25%                                       |
| <b>TOTAL AVAILABLE<br/>RESOURCES</b>                 | <b>\$341,913,407</b>                  | <b>\$358,544,160</b>                         | <b>\$355,654,940</b>                             | <b>(\$2,889,220)</b>                           | <b>-0.81%</b>                                 |
| <b>EXPENDITURES</b>                                  |                                       |                                              |                                                  |                                                |                                               |
| Salaries & Employee Benefits                         | \$266,528,679                         | \$273,532,282                                | \$298,156,224                                    | \$24,623,942                                   | 9.00%                                         |
| Services & Supplies                                  | 22,431,181                            | 32,164,422                                   | 25,585,580                                       | (6,578,842)                                    | -20.45%                                       |
| Capital Outlay                                       | -                                     | 335,600                                      | -                                                | (335,600)                                      | -100.00%                                      |
| Debt Service: TRAN Interest Expense                  | -                                     | -                                            | 895,000                                          | 895,000                                        | NA                                            |
| Total Expenditures & Other Uses                      | 288,959,860                           | 306,032,304                                  | 324,636,804                                      | 18,604,500                                     | 6.08%                                         |
| Operating Transfer Out                               | 4,497,847                             | 5,370,375                                    | 584,592                                          | (4,785,783)                                    | -89.11%                                       |
| Appropriation for Contingencies (3)                  | 3,000,000                             | 3,000,000                                    | 3,000,000                                        | -                                              | 0.00%                                         |
| Ending Fund Balance                                  | 45,455,700                            | 44,141,481                                   | 27,433,544                                       | (16,707,937)                                   | -37.85%                                       |
| <b>TOTAL FUND COMMITMENTS<br/>&amp; FUND BALANCE</b> | <b>\$341,913,407</b>                  | <b>\$358,544,160</b>                         | <b>\$355,654,940</b>                             | <b>(\$2,889,220)</b>                           | <b>-0.81%</b>                                 |

(1) 2013/14 Budget Projection includes additional mid-year adjustments to be considered by the Board on May 22, 2014.

(2) Salaries and Benefits include the UAAL paydown of \$18,290,238 as per FF MOU

(3) Requires Board approval to spend

## FIVE-YEAR FORECAST REVISED FOR APPROVED SBRs., BOARD APPROVED ADJUSTMENTS, MID-YEAR ADJUSTMENTS AND DRAFT 14/15 BUDGET

|                                                                     | PROJECTED<br>2013/14 | PROPOSED<br>2014/15 | PROJECTED<br>2015/16 | PROJECTED<br>2016/17 | PROJECTED<br>2017/18 | PROJECTED<br>2018/19 |
|---------------------------------------------------------------------|----------------------|---------------------|----------------------|----------------------|----------------------|----------------------|
| <b>A. BEGINNING FUND BALANCE</b>                                    | <b>172,407,421</b>   | <b>144,295,298</b>  | <b>121,741,428</b>   | <b>119,872,338</b>   | <b>113,068,587</b>   | <b>107,430,580</b>   |
| <b>GENERAL FUND REVENUES</b>                                        |                      |                     |                      |                      |                      |                      |
| Property Taxes                                                      | 190,156,251          | 195,471,965         | 202,308,413          | 208,824,995          | 215,959,249          | 223,307,224          |
| State Reimbursements                                                | 4,429,534            | 4,429,534           | 4,429,534            | 4,429,534            | 4,429,534            | 4,429,534            |
| Federal Reimbursements                                              | 100,000              | 100,000             | 100,000              | 100,000              | 100,000              | 100,000              |
| One-Time Grant/ABH/RDA                                              | 6,078,532            | -                   | -                    | -                    | -                    | -                    |
| Community Redevelopment Agency Pass-thru                            | 7,264,266            | 6,608,025           | 6,769,574            | 7,063,054            | 7,225,940            | 7,393,311            |
| Cash Contracts                                                      | 83,643,150           | 87,934,667          | 90,839,860           | 93,379,755           | 95,244,132           | 97,814,107           |
| Community Risk Reduction Fees                                       | 7,903,810            | 7,340,160           | 7,340,160            | 7,340,160            | 7,340,160            | 7,340,160            |
| ALS Supplies & Transport Reimbursement                              | 4,570,574            | 4,570,574           | 4,570,574            | 4,570,574            | 4,570,574            | 4,570,574            |
| Interest Earnings                                                   | 128,487              | 886,749             | 223,776              | 332,395              | 444,171              | 454,222              |
| Other Revenue                                                       | 1,743,716            | 1,171,785           | 1,171,785            | 1,171,785            | 1,171,785            | 1,171,785            |
| Transfers from Comm. Risk Reduction Surplus Rev. Fund               | 935,870              | -                   | -                    | -                    | -                    | -                    |
| Transfers from General Fund Cashflow Fund (OCERS Pre-Pay)           | -                    | 18,290,238          | -                    | -                    | -                    | -                    |
| <b>TOTAL REVENUES</b>                                               | <b>306,954,190</b>   | <b>326,803,697</b>  | <b>317,753,676</b>   | <b>327,212,252</b>   | <b>336,485,545</b>   | <b>346,580,917</b>   |
| <b>GENERAL FUND EXPENDITURES</b>                                    |                      |                     |                      |                      |                      |                      |
| New Positions for New Stations                                      | -                    | -                   | 1,106,765            | 1,131,977            | 6,355,733            | 10,195,580           |
| Employee Salaries [a]                                               | 167,199,754          | 171,035,923         | 171,035,923          | 171,035,923          | 171,035,923          | 171,035,923          |
| Retirement - Regular Annual Payments                                | 59,973,920           | 69,456,192          | 72,813,701           | 72,425,173           | 72,186,053           | 70,967,577           |
| Retirement - Paydown of UAAL (Rate Savings)                         | 2,500,000            | -                   | -                    | -                    | 116,269              | 3,503,815            |
| Retirement - Paydown of UAAL (Unencumbered Funds)                   | 3,000,000            | 18,290,238          | -                    | -                    | -                    | -                    |
| Retirement - Paydown of UAAL (\$1M per Year)                        | -                    | -                   | -                    | 1,000,000            | 2,000,000            | 3,000,000            |
| Workers' Comp Transfer out to Self-Ins. Fund                        | 12,825,908           | 13,811,667          | 14,056,139           | 14,343,854           | 14,774,169           | 15,217,395           |
| Other Insurance                                                     | 22,034,649           | 23,255,962          | 25,388,783           | 27,671,422           | 30,209,528           | 32,980,832           |
| Medicare                                                            | 2,202,881            | 2,306,242           | 2,480,021            | 2,480,021            | 2,480,021            | 2,480,021            |
| One-Time Grant/ABH Expenditures                                     | 3,745,167            | -                   | -                    | -                    | -                    | -                    |
| Salaries & Employee Benefits                                        | 273,482,279          | 298,156,224         | 286,881,331          | 290,088,370          | 299,157,697          | 309,381,142          |
| Equity Payments                                                     | 5,976,162            | 2,011,103           | 4,173,160            | 8,133,320            | 8,949,160            | 9,273,656            |
| Equity Payments - Accrued Pmt to Irvine from 14/15 & 15/16          | -                    | -                   | -                    | 4,633,572            | 3,204,980            | -                    |
| Services & Supplies/Equipment                                       | 25,211,215           | 23,574,477          | 24,087,779           | 24,147,549           | 24,195,749           | 24,170,359           |
| New Station/Enhancements S&S Impacts                                | -                    | -                   | 45,977               | 45,977               | 260,534              | 413,789              |
| One-Time Grant Expenditures                                         | 1,362,645            | -                   | -                    | -                    | -                    | -                    |
| Capital Outlay                                                      | -                    | -                   | -                    | -                    | -                    | -                    |
| Debt Service: Interest on TRAN                                      | -                    | 895,000             | -                    | -                    | -                    | -                    |
| <b>TOTAL EXPENDITURES</b>                                           | <b>306,032,301</b>   | <b>324,636,804</b>  | <b>315,188,247</b>   | <b>327,048,788</b>   | <b>335,768,119</b>   | <b>343,238,946</b>   |
| <b>NET GENERAL FUND REVENUE</b>                                     | <b>921,890</b>       | <b>2,166,893</b>    | <b>2,565,429</b>     | <b>163,464</b>       | <b>717,426</b>       | <b>3,341,971</b>     |
| <b>B. Incremental Increase in GF 10% Contingency</b>                | <b>68,395</b>        | <b>1,582,301</b>    | <b>667,962</b>       | <b>226,681</b>       | <b>884,798</b>       | <b>763,748</b>       |
| <b>GENERAL FUND SURPLUS / (DEFICIT)</b>                             | <b>853,495</b>       | <b>584,592</b>      | <b>1,897,466</b>     | <b>(63,217)</b>      | <b>(167,372)</b>     | <b>2,578,222</b>     |
| <b>C. Operating Transfers to/(from) GF Cashflow (OCERS Pre-Pay)</b> | <b>853,495</b>       | <b>-</b>            | <b>-</b>             | <b>-</b>             | <b>-</b>             | <b>-</b>             |
| <b>D. Operating Transfers (from) Operating Contingency</b>          | <b>-</b>             | <b>-</b>            | <b>-</b>             | <b>(63,217)</b>      | <b>(167,372)</b>     | <b>-</b>             |
| <b>Transfers to CIP Funds</b>                                       |                      |                     |                      |                      |                      |                      |
| Transfers to CIP from General Fund Surplus                          | -                    | 584,592             | 1,897,466            | -                    | -                    | 2,578,222            |
| Transfers to CIP from Cash Flow Fund/Unencumb. Funds from 12/13     | 4,497,847            | -                   | -                    | -                    | -                    | -                    |
| Transfers to CIP from Cash Flow Fund (Comm. Risk Reduction Fees)    | 251,180              | -                   | -                    | -                    | -                    | -                    |
| Transfers to CIP from Cash Flow Fund (Vehicle Repl. - ALS Fees)     | 621,348              | -                   | -                    | -                    | -                    | -                    |
| Total Operating Transfers to CIP                                    | 5,370,375            | 584,592             | 1,897,466            | -                    | -                    | 2,578,222            |
| <b>Capital Improvement Program/Other Fund Revenues</b>              |                      |                     |                      |                      |                      |                      |
| Interest Earnings                                                   | 412,205              | 246,134             | 963,903              | 1,385,175            | 1,723,605            | 1,644,780            |
| State/Federal Reimbursement                                         | 1,810,000            | -                   | -                    | -                    | -                    | -                    |
| Cash Contracts                                                      | 1,600,343            | 1,679,457           | 1,692,596            | 1,735,275            | 1,779,233            | 1,824,510            |
| Developer Contributions                                             | 5,896,156            | -                   | 1,465,353            | -                    | 2,360,970            | 0                    |
| Workers' Comp Transfer in from GF                                   | 12,825,908           | 13,811,667          | 14,056,139           | 14,343,854           | 14,774,169           | 15,217,395           |
| Miscellaneous                                                       | 336,577              | -                   | -                    | -                    | -                    | -                    |
| Lease Purchase Proceeds                                             | -                    | -                   | -                    | 9,838,662            | 11,536,042           | 3,799,053            |
| Operating Transfers In                                              | -                    | 584,592             | 1,897,466            | -                    | -                    | 2,578,222            |
| Total CIP, W/C, Other Revenues                                      | 22,881,189           | 16,321,850          | 20,075,457           | 27,302,966           | 32,174,020           | 25,063,959           |
| <b>Capital Improvement Program/Other Fund Expenses</b>              |                      |                     |                      |                      |                      |                      |
| Fund 122 - Facilities Maintenance & Improvements                    | 2,287,614            | 1,274,498           | 1,302,122            | 1,330,505            | 1,359,669            | 1,389,634            |
| Fund 123 - Facilities Replacement                                   | 12,956,900           | -                   | -                    | -                    | -                    | -                    |
| Fund 124 - Communications & Info Systems Replace                    | 12,708,617           | 2,712,089           | 2,856,449            | 7,986,730            | 13,913,195           | 5,319,500            |
| Fund 133 - Vehicle Replacement                                      | 11,822,619           | 7,308,817           | 7,112,716            | 11,957,241           | 7,996,290            | 3,776,467            |
| Sub-Total CIP Expenses                                              | 39,775,750           | 11,295,404          | 11,271,287           | 21,274,476           | 23,269,154           | 10,485,601           |
| Fund 171 - SFF Entitlement                                          | 699,758              | -                   | -                    | -                    | -                    | -                    |
| Fund 190 - WC Self-Ins. (Cashflow Payments per Actuary)             | 10,503,824           | 10,872,378          | 11,341,223           | 11,830,286           | 12,340,438           | 12,872,590           |
| Lease Purchase Payments                                             | -                    | -                   | -                    | 1,165,419            | 2,919,861            | 3,827,006            |
| Total CIP, W/C, Other Expenses                                      | 50,979,332           | 22,167,782          | 22,612,510           | 34,270,181           | 38,529,453           | 27,185,197           |
| <b>E. CIP SURPLUS/(DEFICIT)</b>                                     | <b>(28,098,143)</b>  | <b>(5,845,932)</b>  | <b>(2,537,053)</b>   | <b>(6,967,215)</b>   | <b>(6,355,434)</b>   | <b>(2,121,238)</b>   |
| <b>ENDING FUND BALANCE (A+B+C+D+E) [b]</b>                          | <b>144,295,298</b>   | <b>121,741,428</b>  | <b>119,872,338</b>   | <b>113,068,587</b>   | <b>107,430,580</b>   | <b>106,073,090</b>   |
| <b>Fund Balances</b>                                                |                      |                     |                      |                      |                      |                      |
| Operating Contingency (10% of Expenditures)                         | 28,851,246           | 30,433,546          | 31,101,509           | 31,264,973           | 31,982,399           | 32,746,147           |
| General Fund Cashflow (OCERS Pre-Pay)                               | 18,290,238           | -                   | -                    | -                    | -                    | -                    |
| Community Risk Reduction - General fund                             | -                    | -                   | -                    | -                    | -                    | -                    |
| Donations & Developer Contributions                                 | 4,923                | 4,923               | 4,923                | 4,923                | 4,923                | 4,923                |
| Fund 171 - Structural Fire Fund Entitlement                         | 571,865              | 573,932             | 582,029              | 593,664              | 608,143              | 621,959              |
| Capital Improvement Program                                         | 39,968,284           | 31,079,367          | 25,421,306           | 15,356,948           | 5,841,629            | 682,640              |
| Community Risk Reduction Fee-Funded Capital Needs                   | 886,075              | 886,075             | 886,075              | 886,075              | 886,075              | 886,075              |
| Fund 190 - WC Self-Insurance                                        | 55,722,667           | 58,763,585          | 61,876,497           | 64,962,003           | 68,107,411           | 71,131,345           |
| Total Fund Balances                                                 | 144,295,298          | 121,741,428         | 119,872,338          | 113,068,587          | 107,430,580          | 106,073,090          |

[a] Salary projections assume no cost of living increases through 2018/19 based on current trigger formula. Actual amounts will depend on future labor negotiations.

[b] Calculation removes fund balance transfers shown under General Fund Revenues as these are already included in Beginning Fund Balance.

# Forecast Assumptions – FY 2014/15 Budget

## Basic Assumptions:

The Adopted 2013/14 budget and the Five-Year Capital Improvement Plan, approved by the Board of Directors on May 23, 2013, form the basis for this financial forecast with the following adjustments:

- Updated total beginning fund balance from the 2012/13 audited financial statements
- All approved and pending budget adjustments that have occurred since the adoption of the budget

## General Fund Revenues:

- **Secured Property Taxes** – RSG’s Final 2014 Report provides the growth factors assumed for the forecast. The following are projections of current secured property tax growth:

|         |       |
|---------|-------|
| 2014/15 | 3.38% |
| 2015/16 | 3.75% |
| 2016/17 | 3.45% |
| 2017/18 | 3.65% |
| 2018/19 | 3.63% |

- **Public Utility, Unsecured, Homeowners Property Tax Relief, and Supplemental Delinquent Taxes** – All of these categories of property taxes are projected to remain constant during the forecast period.
- **State Reimbursements** – State reimbursements are expected to remain constant, pending more details from CAL FIRE.
- **Federal Reimbursements** – This revenue is projected to remain constant.
- **One-Time Grant/ABH/RDA Proceeds** – These are one-time only revenues that vary significantly from year to year and therefore are not forecasted beyond the current year. The 2013/14 budget was increased by \$5.7 million for increases in grants and assistance by hire.
- **Community Redevelopment Agency Pass-thru Revenue** – RSG completed an RDA Excess Revenue Analysis of pass-thru and residual revenues from the dissolution of the redevelopment agencies dated 4/2/2014. The forecast figures come from this report.
- **Cash Contracts** – The forecast calculations are based on the Joint Powers Agreement and subsequent amendments and year-over-year changes are estimated between 2.0% and 4.5% per year, with a 4.5% cap. In addition, this revenue category includes projected John Wayne Airport contract proceeds with an annual 4% increase cap, which is projected to continue through the forecast period.
- **Community Risk Reduction Fees** – Projected 2013/14 revenue was revised upward at mid-year by \$0.6 million for inspection services fees and \$1.8 million for planning &

development fees due to increased construction activity. The increase in planning & development fees is projected to be ongoing beginning in 2014/15.

- **ALS Supplies & Transport Reimbursements** – This revenue is estimated to remain flat.
- **Interest Earnings** – Assumes an annual return of 0.25% for 2014/15, 1.00% for 2015/16, 1.50% for 2016/17 and 2.00% for 2017/18 and 2018/19. Interest earnings in 2014/15 include earnings from the reinvestment of TRAN proceeds.
- **Other Revenue** – This revenue source includes various items such as reimbursements for training and cost recovery for the firefighter handcrew.

**General Fund Expenditures**

- **Salaries & Employee Benefits** – S&EB is composed of the following factors:
  - ✓ **New Positions for New Stations** – Fire Station #56 in the Ortega Valley is anticipated to be operational on 1/1/15 and a new Rancho Mission Viejo station is expected to open on 7/1/17. 50% of the annual cost to staff Station #56 is already included in the 2014/15 budget. The forecast also assumes that four positions for a Station 20 Truck will be unfrozen 7/1/17.
  - ✓ **Employee Salaries** – Salaries reflect the extended MOUs. The forecast does not contain estimated increases based on the “trigger” formula. In addition, salary increases are not projected for the years that follow expiration of the current MOUs.
  - ✓ **Retirement** – Retirement costs reflecting the projected employer retirement rates are based on several sources (shown below) and adjusted for changes in employee contributions.

| <u>Fiscal</u> |               |                | <u>Source</u>                                       |
|---------------|---------------|----------------|-----------------------------------------------------|
| <u>Year</u>   | <u>Safety</u> | <u>General</u> |                                                     |
| 2014/15       | 49.83%        | 36.70%         | Phased-In Rates from OCERS Letter dated 10/2/2013   |
| 2015/16       | 51.90%        | 38.10%         | Scenario #2 (7.25%) in Segal Report Dated 8/30/2013 |
| 2016/17       | 51.60%        | 37.90%         | Scenario #2 (7.25%) in Segal Report Dated 8/30/2013 |
| 2017/18       | 51.40%        | 37.80%         | Scenario #2 (7.25%) in Segal Report Dated 8/30/2013 |

The 2013/14 budget includes a mid-year adjustment of \$5.5 million for accelerated paydown of the OCFA’s Unfunded Actuarial Accrued Liability (UAAL) with OCERS. The \$5.5 million paydown is comprised of \$2.5 million in retirement rate savings due to prior forecast projections with higher retirement rates and an additional \$3.0 million lump sum payment from unencumbered fund balance carried over from 2012/13.

The forecast assumes an \$18.3 million paydown of the UAAL in 2014/15. Any available fund balance in the General Fund Cash Flow Fund at the end of 2013/14 is transmitted to OCERS to paydown OCFA’s unfunded pension liability pursuant to a side letter agreement to the MOU between OCFA and the Orange County Professional Firefighters Association.

In accordance with a September 2013 board action, outer years of the forecast include projected UAAL paydowns based on retirement rate savings and an additional \$1 million per year for five years beginning in 2016/17.

- ✓ **Workers' Compensation** – 2014/15 continues the “stair-step” up to the 60% confidence level for ongoing Workers' Compensation costs as set by the Board of Directors. The 60% confidence level will be maintained going forward.
- ✓ **Other Insurance** – Medical insurance rates for firefighters are assumed to grow annually by 9%. For staff members, it is projected to grow by 10% annually. This category also includes \$40,000 for unemployment insurance in 2013/14 and \$30,000 in 14/15.
- ✓ **Medicare** – Annual amounts are calculated at 1.45% of projected salaries.
- **One-Time Grant/ABH Expenditures** –Reflects the corresponding expenditures for the one-time grant/ABH proceeds mentioned above.
- **Services and Supplies (S&S)** – S&S is held flat unless a new fire station is built, specific increases have been identified by section managers, or one-time grant proceeds have been received.

**Net General Fund Revenue**

This figure equals the General fund Revenue minus the General Fund Expenditures.

**Incremental Increase in General Fund 10% Contingency:**

This is the amount needed to add to the General Fund 10% Contingency each year to maintain this category of fund balance at the required policy level of 10% of General Fund expenditures (less one-time expenditures).

**Equity Payments**

Equity Payments for 2013/14 are calculated based on procedures set forth in the Second Amendment to the Joint Powers Agreement which references various reports produced by the County Auditor Controller's office. Equity payments in outer years are projected based on property tax growth forecasts in RSG's Final 2014 Report. Pursuant to the Second Amendment to the Joint Power Agreement, if there are insufficient funds to make Irvine Equity Payments in 2014/15 and/or 2015/16, a portion of the Irvine Equity Payment may be deferred for two years.

**General Fund Surplus/(Deficit):**

This figure is equal to the Net General Fund Revenue less the incremental increase in the General Fund 10% Contingency. In years when there is a surplus, the amount is transferred to the General Fund Cash Flow (OCERS Pre-Pay) or to the CIP funds. In years when there is a deficit, the deficit amount must be drawn from the Cash Flow, then the 10% Contingency, and once those are exhausted, from fund balance for CIP.

**Capital Improvement Program/Other Funds Revenue:**

- **Interest Earnings** – Assumes an annual return of 0.25% for 2014/15, 1.00% for 2015/16, 1.50% for 2016/17 and 2.00% for 2017/18 and 2018/19.
- **State/Federal Reimbursement** – The forecast assumes receipt of a \$920,000 ECC 911 telephone system upgrade project reimbursement in 2013/14 and \$890,000 in CDBG grant funds for improvements to Santa Ana Fire Stations #71 through #79.

- **Cash Contracts** – The forecast calculations are based on the Joint Powers Agreement and subsequent amendments.
- **Developer Contributions** – In 2013/14, Fire Station #56 (Ortega Valley) construction and apparatus will be funded by developer contributions. The forecast also assumes developer contributions will be used to fund a truck for Station 20 in 2016/17 and various vehicles for Rancho Mission Viejo Station #67 in 2017/18.
- **Workers' Compensation Transfer** – These amounts equal the General Fund Workers' Compensation budget.
- **Operating Transfer In** – This figure equals the Operating Transfer Out from the General Fund.

**Capital Improvement Program/Other Funds Expenditures:**

Expenditures for each CIP fund are based on the CIP Budget.

- **Structural Fire Fund Entitlement (Fund 171)** – Remaining funds will be expended through the forecast period.
- **Self-Insurance Fund (Fund 190)** – 2013/14 through 2015/16 are based on projected payments in the Rivelle Consulting Services July 2013 Study less \$100,000 in savings in 2015/16 and \$150,000 in savings in 2016/17 and thereafter due to implementation of Alternative Dispute Resolution. 2016/17 and 2017/18 assume the same average year-over-year increase included in the Rivelle study.

**Fund Balances:**

- **Operating Contingency** – Reflects policy of 10% of the General Fund expenditures each year (less one-time expenditures and equity payments). General Fund deficits (if applicable) are deducted from this category of fund balance once the Cash Flow fund balance is exhausted.
- **Cash Flow** – The fund balance for the previous year, reduced by any General Fund deficits (if applicable). Any available fund balance at the end of 2013/14 is transmitted to OCERs to paydown OCFA's unfunded pension liability pursuant to a side letter agreement to the MOU between OCFA and the Orange County Professional Firefighters Association.

***Assigned Fund Balances***

- **Self-Insurance Fund (Fund 190)** – Funding is set aside for Workers' Compensation claims. The amount is based on the prior year Workers' Compensation fund balance adjusted annually by the difference between the Workers' Compensation Transfer and the Fund 190 expenditures.
- **Capital Improvement Program** – This fund balance includes funding for future capital replacements and is reduced annually by the cost of capital assets and increased in years when there are Operating Transfers into the CIP.

**ORANGE COUNTY FIRE AUTHORITY**  
**Salaries & Employee Benefits Assumptions**  
**May 2014**

*Salaries*

---

**Vacant Positions**

- Vacant positions which have not been frozen are budgeted as follows:
  - ✓ Firefighter - step 1
  - ✓ Fire Apparatus Engineer – step 10
  - ✓ Captain - step 10
  - ✓ Staff positions - step 5 for entry level positions, and step 10 for positions with promotional opportunities within the same occupational class series
  - ✓ Director of Communications position is budgeted at mid-range
  - ✓ The Assistant Chief – Fire Marshal position is budgeted at top step
  
- The following 101 positions are not funded in the proposed 2014/15 budget:
  - ✓ 2 Sr. Fire Prevention Specialists (P&D/Inspection)
  - ✓ 2 Fire Prevention Specialists (P&D/S&ES)
  - ✓ 4 Fire Prevention Analysts (P&D)
  - ✓ 1 Assistant Fire Marshal (P&D)
  - ✓ 3 Office Services Specialists (P&D/S&ES)
  - ✓ 2 Senior Accountants (Finance/Treasury and Financial Planning)
  - ✓ 1 Accountant (Finance)
  - ✓ 1 Fire Equipment Technician (Service Center)
  - ✓ 1 Information Technology Supervisor (IT)
  - ✓ 1 Management Analyst (Property Management)
  - ✓ 5 Administrative Assistants (Fire Prevention/Property Management/Operations)
  - ✓ 1 Benefits Services Manager
  - ✓ 1 Senior Human Resources Analyst (Human Resources)
  - ✓ 1 Human Resources Analyst (Human Resources)
  - ✓ 1 Organizational Training and Development Program Manager (Human Resources)
  - ✓ 1 Finance Manager – Part-time Limited-term (Executive Management)
  - ✓ 2 Battalion Chiefs -Staff positions
  - ✓ 1 Heavy Fire Equipment Operator
  - ✓ 1 Fire Pilot
  - ✓ 18 Firefighters (includes T20, M20, Wildland engines)\*
  - ✓ 24 Fire Apparatus Engineers (includes T20)\*
  - ✓ 27 Fire Captains (includes T20, Admin. Captains)\*
    - 21 of the frozen Firefighter Unit positions (see \* above) were authorized but never filled
    - 30 of the frozen Firefighter Unit positions (see \* above) are backfilled

### **New Station Staffing**

- New station FS56 (Ortega Valley) is anticipated to be operational effective 1/1/2015. Staffing is for a PAU Engine which includes a Firefighter, a Fire Apparatus Engineer, and a Fire Captain.

### **MOU Merit Increases**

- Firefighter Unit and OCEA: 2 ½ steps or 6.875% up to step 12
- Administrative Management and Executive Management: 5.5% in August 2014, not to exceed top step

### **MOU Changes**

- Orange County Employees Association (OCEA)
  - ✓ No cost-of-living adjustments included
  - ✓ New employees on or after 1/1/2013 under 2.5% @ 67 retirement plan with 9% employee contribution
- Fire Management
  - ✓ No cost-of-living adjustments included
  - ✓ New employees on or after 1/1/2013 under 2.7% @ 57 retirement plan with 8.25% employee contribution
- Firefighter Unit
  - ✓ No cost-of-living adjustments included
  - ✓ New employees on or after 1/1/2013 under 2.7% @ 57 retirement plan with 9% employee contribution
- Administrative Management
  - ✓ No cost-of-living adjustments included
  - ✓ New employees on or after 1/1/2013 under 2.5% @ 67 retirement plan with an average employee contribution of 9.75%
- Executive Management
  - ✓ No cost-of-living adjustments included

### **Backfill/Holiday/FLSA Adjustment**

- Backfill is estimated at \$34,880,000 for 2014/15
- Includes funding for 15 Fire Captain and 15 Fire Apparatus Engineer frozen positions
- Also includes funding for the following constant-staffed positions:
  - ✓ 4<sup>th</sup> Firefighter position on one engine (E34) (pre-OCFA)
  - ✓ 4<sup>th</sup> Firefighter position on two trucks (T4<sup>2</sup> and T64) (October 2007)
  - ✓ Helicopter Crew Chief (Fire Captain) (July 2009)
- Estimate is allocated to divisions/sections based on historical ratios
- Holiday pay and FLSA (10 hours) adjustment are budgeted by employee

### Reserve Firefighters

- Based on 2014/15 projected usage

### Other Pay

- The following Other Pays were calculated by employee:  
Supplemental Assignment Pay, Education Incentive Pay, Emergency Medical Technician (EMT) Bonus, Fire Safety Specialist Specialty Assignment Pay, and Duty Officer Compensation
- The following Other Pays were based on historical costs:  
Aircraft Rescue Fire Fighting Pay (ARFF), Hazardous Materials Pay, Paramedic Bonus Pay, Urban Search and Rescue (USAR) Pay, On-Call Pay, Emergency Medical Dispatch Pay, ECC Move-Up Supervisor Pay, FAE/PM Incentive Pay, and Bilingual Pay

### Vacation/Sick Payoff

- Based on projected trends
- Vacation/Sick Payoff is estimated at \$3,500,000 for 2014/15
- Allocated to divisions/sections based on historical ratios

### Salary Savings

- Estimated at \$1,999,800 for 2014/15, based on historical trends

## *Benefits*

---

### Retirement

|                         | <u>Hire Dates</u>    | <u>2014/15</u> | <u>Plan</u> |
|-------------------------|----------------------|----------------|-------------|
| General (OCEA)          | prior to 7/1/2011    | 40.45%         | 2.7% @ 55   |
| General (OCEA)          | on or after 7/1/2011 | 38.09%         | 2% @ 55     |
| General (OCEA)          | on or after 1/1/2013 | 31.56%         | 2.5% @ 67   |
| FF Unit                 | prior to 1/1/2011    | 58.97%         | 3% @ 50     |
| FF Unit                 | on or after 1/1/2011 | 55.15%         | 3% @ 50     |
| FF Unit                 | on or after 7/1/2012 | 50.57%         | 3% @ 55     |
| FF Unit                 | on or after 1/1/2013 | 48.30%         | 2.7% @ 57   |
| Management (safety)     | prior to 1/1/2011    | 57.64%         | 3% @ 50     |
| Management (safety)     | on or after 1/1/2011 | 55.45%         | 3% @ 50     |
| Management (non-safety) | prior to 1/1/2013    | 41.19%         | 2.7% @ 55   |
| Management (non-safety) | on or after 1/1/2013 | 31.81%         | 2.7% @ 67   |
| Supported Employment    | prior to 1/1/2013    | 43.56%         | 2.7% @ 55   |

- The above retirement rates are net of employee contributions
- Retirement costs are net of savings related to the prepayment to OCERS of \$2,118,074
- Retirement costs includes a \$18.3M UAAL pay down per FF MOU

### **Group Medical**

- Firefighter Unit – based on FF Health Plan Agreement rates of \$1,598 per month effective 1/1/2014 and \$1,742 per month effective 1/1/2015, the aggregate average monthly amount per actively employed enrollee member of the Firefighter Bargaining Unit is \$1,682
- OCEA – estimate 16% decrease effective January 2014 as more than 50% of the employees enrolled in insurance plans with substantial decreases in premium rates.

### **Health & Welfare**

- OCEA - \$52.20 per month per position – no change from prior year
- Firefighter Unit – based on the FF Health Plan Agreement, the Health and Welfare will no longer be separately calculated but included as part of the Firefighter Unit Group Medical rate

### **Management Insurance**

- Includes Management Optional Benefits – no change
- There have been no changes to Life, AD&D and Disability Insurance rates
- Dental and Vision rates are estimated to increase by 5% for 2014/15

### **Workers' Compensation**

- 2014/15 of \$13,811,667 is the projected expenditures at the 60% confidence level based on the actuarial report dated 7/5/2013
- Third Party Administrator (TPA) and excess insurance costs included in Services and Supplies

### **Unemployment Insurance**

- Budgeted at \$30,000 for 2014/15 based on projected experience factor

### **Medicare**

- 1.45% of salary for employees hired after April 1, 1986
- Calculated effective rates are applied to Backfill/Overtime, Other Pays, Vacation/Sick Payoffs, and Salary Savings

# City Managers' Budget and Finance Committee Recommendations

*The City Managers' Budget and Finance Committee (B&FC) met on April 22, 2014 to review the Draft Proposed 2014/15 Budget, including the CIP Budget. They made the following formal recommendations and requests for additional information:*

## **Formal Recommendation**

1. The City Managers' B&FC recommends that the OCFA B&FC and Board of Directors adopt the 2014/15 Budget, as submitted.

## **Additional Information Requested**

1. For cash flow purposes, determine the impact of the Affordable Care Act (ACA).

The following information was received from CalPers to address the question of the impact of the Affordable Care Act:

### **Will the Cadillac tax impact CalPERS health plans?**

The ACA, beginning in 2018, will impose a 40 percent excise tax on the value of annual health insurance benefits exceeding \$10,200 for individual coverage and \$27,500 for family coverage, indexed to inflation. The thresholds increase for individuals in high-risk professions and for employers with a disproportionately older population. We expect the IRS will provide additional guidance regarding the thresholds and the adjustments to the threshold in future regulations.

Although a couple of CalPERS plans may be vulnerable to the Cadillac tax in the future, depending on the medical inflation index, CalPERS is proactively taking steps to ensure we offer members the highest quality plans for the lowest cost. CalPERS recently negotiated our lowest average premium increase since 1998. In the last few years CalPERS has implemented the Health Benefits Purchasing Review project to review our health plan procurement strategy and to include projects, such as the Dependent Eligibility Verification project, to help maintain our health care costs.



# *Revenue*

---

**ORANGE COUNTY FIRE AUTHORITY**  
**2014/15 Revenue Assumptions**  
**May 2014**

*Property Taxes*

**Current Secured**

- Based on growth in current secured property of 3.379% for 2014/15 per RSG's final report
- Based on 2013/14 tax ledger and estimated 1.00% refund factor
- Public utility taxes are based on the 2013/14 tax ledger

**Current Unsecured**

- Based on 0% growth factor as provided by RSG
- Based on 2013/14 tax ledger and estimated 8.20% refund factor

**Supplemental**

- Based on the an average of the 2013/14 revenue projection and 2012/13 actuals

**Homeowner Property Tax Relief**

- Based on 2013/14 revenue and a reduction of 1.5% for 2014/15, which reflects historical trends

*Intergovernmental*

**State Responsibility Area (SRA) – Wildlands CAL FIRE Contract**

- Based on the 2013/14 contract amount per the Gray Book (CAL FIRE's notice of allocation to the contract counties)

**Assistance by Hire – State**

- Estimates based on historical trends, excluding extraordinary activity

**Assistance by Hire – Federal**

- Estimates based on historical trends, excluding extraordinary activity

**Community Redevelopment Agency (CRA) Pass-thru**

- The 2014/15 Budget is based on projections from RSG dated April 2, 2014

## *Charges for Current Services*

### **Cash Contract Cities**

- Based on estimated budget increases of 4.5% in 2014/15
- Based on the 20-year JPA agreement which includes the shortfall amortization
- San Clemente's ambulance service costs reflect the addition of a seasonal ambulance effective May 1, 2014

### **John Wayne Airport Contract**

- Based on the 2014/15 final charge

### **Community Risk Reduction Fees**

- Planning and Development fees are based on the 2013/14 projection
- Inspection Services revenue in 2013/14 includes prior year fees as well

### **Advance Life Support (ALS) Transport and Supplies Reimbursements**

- Based on 2013/14 budget

## *Use of Money and Property*

### **Interest**

- Based on assumed average annual interest rate of 0.25%
- 2014/15 assumes earnings from the reinvestment of Tax and Revenue Anticipation Note (TRAN) proceeds at 0.18%

## *Other Revenue*

### **Miscellaneous Revenue**

- 2013/14 includes \$341K in insurance reimbursements: \$241K for the repair of Engine 61 in Buena Park and an estimated \$100K for fire damage at Fire Station 62 in Buena Park

**ORANGE COUNTY FIRE AUTHORITY**  
**FUND 121 - GENERAL FUND**  
**REVENUE SUMMARY**  
**2014/15**

| <b>DESCRIPTION</b>        | <b>2013/14<br/>Budget<br/>Projection</b> | <b>2014/15<br/>Draft Proposed<br/>Budget</b> | <b>\$ Change<br/>fr 2013/14<br/>Budget Projection</b> | <b>% Change<br/>fr 2013/14<br/>Budget Projection</b> |
|---------------------------|------------------------------------------|----------------------------------------------|-------------------------------------------------------|------------------------------------------------------|
| PROPERTY TAXES            | \$190,156,251                            | \$195,471,965                                | \$5,315,714                                           | 2.80%                                                |
| INTERGOVERNMENTAL         | 17,872,333                               | 11,137,559                                   | (6,734,774)                                           | -37.68%                                              |
| CHARGES FOR CURRENT SVCS  | 96,288,619                               | 100,016,486                                  | 3,727,867                                             | 3.87%                                                |
| USE OF MONEY AND PROPERTY | 128,487                                  | 886,749                                      | 758,262                                               | 590.15%                                              |
| OTHER                     | 1,572,631                                | 1,000,700                                    | (571,931)                                             | -36.37%                                              |
| <b>TOTAL REVENUE</b>      | <b>\$306,018,321</b>                     | <b>\$308,513,459</b>                         | <b>\$2,495,138</b>                                    | <b>0.82%</b>                                         |

**ORANGE COUNTY FIRE AUTHORITY**  
**FUND 121 - GENERAL FUND**  
**REVENUE DETAIL**  
**2014/15**

| <b>DESCRIPTION</b>                | <b>2013/14<br/>Budget<br/>Projection</b> | <b>2014/15<br/>Draft Proposed<br/>Budget</b> | <b>\$ Change<br/>fr 2013/14<br/>Budget Projection</b> | <b>% Change<br/>fr 2013/14<br/>Budget Projection</b> |
|-----------------------------------|------------------------------------------|----------------------------------------------|-------------------------------------------------------|------------------------------------------------------|
| <b>TAXES</b>                      |                                          |                                              |                                                       |                                                      |
| Property Taxes, Current Secured   | \$177,981,650                            | \$184,136,204                                | \$6,154,554                                           | 3.46%                                                |
| Property Taxes, Current Unsecured | 6,725,590                                | 6,651,000                                    | (74,590)                                              | -1.11%                                               |
| Property Taxes, Prior Unsecured   | 112,894                                  | 112,894                                      | -                                                     | 0.00%                                                |
| Property Taxes, Supplemental      | 3,743,750                                | 3,000,000                                    | (743,750)                                             | -19.87%                                              |
| Delinquent Supplemental           | 201,867                                  | 201,867                                      | -                                                     | 0.00%                                                |
| Home-owner Property Tax           | 1,390,500                                | 1,370,000                                    | (20,500)                                              | -1.47%                                               |
| <b>TOTAL PROPERTY TAXES</b>       | <b>190,156,251</b>                       | <b>195,471,965</b>                           | <b>5,315,714</b>                                      | <b>2.80%</b>                                         |
| <b>INTERGOVERNMENTAL</b>          |                                          |                                              |                                                       |                                                      |
| <b>State</b>                      |                                          |                                              |                                                       |                                                      |
| State-Civil Defense SONGS/NPP     | 9,113                                    | -                                            | (9,113)                                               | -100.00%                                             |
| SRA Wildlands (CAL FIRE Contract) | 4,219,534                                | 4,219,534                                    | -                                                     | 0.00%                                                |
| Assistance by Hire (State)        | 2,924,209                                | 200,000                                      | (2,724,209)                                           | -93.16%                                              |
| Helicopters' Billing - CAL FIRE   | 47,068                                   | 10,000                                       | (37,068)                                              | -78.75%                                              |
| Misc. State Revenue               | 26,142                                   | -                                            | (26,142)                                              | -100.00%                                             |
| <b>SUB-TOTAL</b>                  | <b>7,226,066</b>                         | <b>4,429,534</b>                             | <b>(2,796,532)</b>                                    | <b>-38.70%</b>                                       |
| <b>Federal</b>                    |                                          |                                              |                                                       |                                                      |
| Disaster Relief-Federal           | 33,412                                   | -                                            | (33,412)                                              | -100.00%                                             |
| USAR Reimbursements               | 1,546,174                                | -                                            | (1,546,174)                                           | -100.00%                                             |
| Assistance by Hire (Federal)      | 595,110                                  | 100,000                                      | (495,110)                                             | -83.20%                                              |
| Misc Federal Revenue              | 1,114,310                                | -                                            | (1,114,310)                                           | -100.00%                                             |
| <b>SUB-TOTAL</b>                  | <b>3,289,006</b>                         | <b>100,000</b>                               | <b>(3,189,006)</b>                                    | <b>-96.96%</b>                                       |
| <b>CRA Pass-Through</b>           |                                          |                                              |                                                       |                                                      |
| Cypress-CRA Pass thru             | 591,899                                  | 631,253                                      | 39,354                                                | 6.65%                                                |
| Irvine - CRA Pass thru            | 633,766                                  | 151,856                                      | (481,910)                                             | -76.04%                                              |
| La Palma - CRA Pass thru          | 262,948                                  | 262,367                                      | (581)                                                 | -0.22%                                               |
| Lake Forest - CRA Pass thru       | 373,755                                  | 242,072                                      | (131,683)                                             | -35.23%                                              |
| Mission Viejo Pass thru           | 889,407                                  | 508,428                                      | (380,979)                                             | -42.84%                                              |
| San Juan Caps - CRA Pass thru     | 751,837                                  | 990,120                                      | 238,283                                               | 31.69%                                               |
| County of Orange Pass-Through     | 1,521,239                                | 1,655,955                                    | 134,716                                               | 8.86%                                                |
| Yorba Linda - CRA Pass thru       | 2,124,647                                | 2,165,974                                    | 41,327                                                | 1.95%                                                |
| Misc. One-Time RDA revenue        | 207,763                                  | -                                            | (207,763)                                             | -100.00%                                             |
| <b>SUB-TOTAL</b>                  | <b>7,357,261</b>                         | <b>6,608,025</b>                             | <b>(749,236)</b>                                      | <b>-10.18%</b>                                       |
| <b>TOTAL INTERGOVERNMENTAL</b>    | <b>17,872,333</b>                        | <b>11,137,559</b>                            | <b>(6,734,774)</b>                                    | <b>-37.68%</b>                                       |

**ORANGE COUNTY FIRE AUTHORITY**  
**FUND 121 - GENERAL FUND**  
**REVENUE DETAIL**  
**2014/15**

| <b>DESCRIPTION</b>                         | <b>2013/14<br/>Budget<br/>Projection</b> | <b>2014/15<br/>Draft Proposed<br/>Budget</b> | <b>\$ Change<br/>fr 2013/14<br/>Budget Projection</b> | <b>% Change<br/>fr 2013/14<br/>Budget Projection</b> |
|--------------------------------------------|------------------------------------------|----------------------------------------------|-------------------------------------------------------|------------------------------------------------------|
| <b><i>CHARGES FOR CURRENT SERVICES</i></b> |                                          |                                              |                                                       |                                                      |
| <b>Cash Contracts</b>                      |                                          |                                              |                                                       |                                                      |
| San Clemente-Ambulance S&EB                | 533,806                                  | 498,938                                      | (34,868)                                              | -6.53%                                               |
| San Clemente-Ambulance S&S                 | 26,469                                   | 28,360                                       | 1,891                                                 | 7.14%                                                |
| Tustin                                     | 6,080,404                                | 6,462,533                                    | 382,129                                               | 6.28%                                                |
| Placentia                                  | 5,127,063                                | 5,449,278                                    | 322,215                                               | 6.28%                                                |
| Santa Ana                                  | 34,617,975                               | 36,161,560                                   | 1,543,585                                             | 4.46%                                                |
| Santa Ana S&EB Reimbursement               | 405,000                                  | 405,000                                      | -                                                     | 0.00%                                                |
| Seal Beach                                 | 4,232,812                                | 4,498,827                                    | 266,015                                               | 6.28%                                                |
| Stanton                                    | 3,438,886                                | 3,654,206                                    | 215,320                                               | 6.26%                                                |
| JWA Contract                               | 4,194,160                                | 4,301,824                                    | 107,664                                               | 2.57%                                                |
| Buena Park                                 | 8,774,652                                | 9,307,967                                    | 533,315                                               | 6.08%                                                |
| San Clemente                               | 6,911,619                                | 7,304,176                                    | 392,557                                               | 5.68%                                                |
| Westminster                                | 9,300,304                                | 9,861,998                                    | 561,694                                               | 6.04%                                                |
| <b>SUB-TOTAL</b>                           | <b>83,643,150</b>                        | <b>87,934,667</b>                            | <b>4,291,517</b>                                      | <b>5.13%</b>                                         |
| <b>Community Risk Reduction Fees</b>       |                                          |                                              |                                                       |                                                      |
| AR Late Payment Penalty                    | 13,450                                   | 8,400                                        | (5,050)                                               | -37.55%                                              |
| Inspection Services Revenue                | 2,622,300                                | 2,063,700                                    | (558,600)                                             | -21.30%                                              |
| P&D Fees                                   | 5,118,060                                | 5,118,060                                    | -                                                     | 0.00%                                                |
| False Alarm                                | 150,000                                  | 150,000                                      | -                                                     | 0.00%                                                |
| <b>SUB-TOTAL</b>                           | <b>7,903,810</b>                         | <b>7,340,160</b>                             | <b>(563,650)</b>                                      | <b>-7.13%</b>                                        |
| <b>Other Charges for Services</b>          |                                          |                                              |                                                       |                                                      |
| Hazmt Respns Subscription Prog             | 4,501                                    | 4,501                                        | -                                                     | 0.00%                                                |
| Charge for Hand Crew Services              | 166,584                                  | 166,584                                      | -                                                     | 0.00%                                                |
| <b>SUB-TOTAL</b>                           | <b>171,085</b>                           | <b>171,085</b>                               | <b>-</b>                                              | <b>0.00%</b>                                         |
| <b>Ambulance Reimbursements</b>            |                                          |                                              |                                                       |                                                      |
| Ambulance Supplies Reimbursement           | 1,030,920                                | 1,030,920                                    | -                                                     | 0.00%                                                |
| ALS Transport Reimbursement                | 3,539,654                                | 3,539,654                                    | -                                                     | 0.00%                                                |
| <b>SUB-TOTAL</b>                           | <b>4,570,574</b>                         | <b>4,570,574</b>                             | <b>-</b>                                              | <b>0.00%</b>                                         |
| <b>TOTAL CHGS FOR CURRENT SVCS</b>         | <b>96,288,619</b>                        | <b>100,016,486</b>                           | <b>3,727,867</b>                                      | <b>3.87%</b>                                         |
| <b>USE OF MONEY AND PROPERTY</b>           |                                          |                                              |                                                       |                                                      |
| <b>Interest</b>                            |                                          |                                              |                                                       |                                                      |
| Interest                                   | 128,487                                  | 886,749                                      | 758,262                                               | 590.15%                                              |
| <b>TOTAL USE OF MONEY/PROPERTY</b>         | <b>128,487</b>                           | <b>886,749</b>                               | <b>758,262</b>                                        | <b>590.15%</b>                                       |

**ORANGE COUNTY FIRE AUTHORITY**  
**FUND 121 - GENERAL FUND**  
**REVENUE DETAIL**  
**2014/15**

| <b>DESCRIPTION</b>                 | <b>2013/14<br/>Budget<br/>Projection</b> | <b>2014/15<br/>Draft Proposed<br/>Budget</b> | <b>\$ Change<br/>fr 2013/14<br/>Budget Projection</b> | <b>% Change<br/>fr 2013/14<br/>Budget Projection</b> |
|------------------------------------|------------------------------------------|----------------------------------------------|-------------------------------------------------------|------------------------------------------------------|
| <b>REVENUE - OTHER</b>             |                                          |                                              |                                                       |                                                      |
| <b>Miscellaneous Revenue</b>       |                                          |                                              |                                                       |                                                      |
| Other Revenue                      | 5,000                                    | 5,000                                        | -                                                     | 0.00%                                                |
| Miscellaneous Revenue              | 156,600                                  | 55,000                                       | (101,600)                                             | -64.88%                                              |
| Restitution                        | 1,000                                    | 1,000                                        | -                                                     | 0.00%                                                |
| RFOTC Cell Tower Lease Agreement   | 40,000                                   | 50,000                                       | 10,000                                                | 25.00%                                               |
| Fullerton Airport Hangar Lease     | 123,658                                  | 60,200                                       | (63,458)                                              | -51.32%                                              |
| Witness Fees                       | 4,500                                    | 4,500                                        | -                                                     | 0.00%                                                |
| Donations                          | 100,000                                  | -                                            | (100,000)                                             | -100.00%                                             |
| Joint Apprenticeship Comm (CFFJAC) | 150,000                                  | 150,000                                      | -                                                     | 0.00%                                                |
| Santa Ana College Agreement        | 500,000                                  | 600,000                                      | 100,000                                               | 20.00%                                               |
| Bankruptcy Loss Recovery           | 79,745                                   | 25,000                                       | (54,745)                                              | -68.65%                                              |
| Insurance Settlements              | 362,128                                  | -                                            | (362,128)                                             | -100.00%                                             |
| Sales of Surplus                   | 50,000                                   | 50,000                                       | -                                                     | 0.00%                                                |
| <b>TOTAL OTHER REVENUE</b>         | <b>1,572,631</b>                         | <b>1,000,700</b>                             | <b>(571,931)</b>                                      | <b>-36.37%</b>                                       |
| <b>TOTAL</b>                       | <b>\$306,018,321</b>                     | <b>\$308,513,459</b>                         | <b>\$2,495,138</b>                                    | <b>0.82%</b>                                         |

*Capital Improvement  
Program Funds*

---



# Capital Improvement Plan Overview

## Introduction

The Orange County Fire Authority's Capital Improvement Program (CIP) has been reviewed and updated through 2019 to coincide with the 2014/15 budget. The proposed 2014/15 CIP budget is \$11.30 million.

The proposed CIP budget for 2014/15 reflects a net increase of \$1.82 million compared to the prior five-year CIP budget to include increases of \$398K for the Communications Installations/Vehicle Replacement project and \$113K for Audio Video Digital Media Upgrades, \$261K to accelerate the 800 MHz Countywide Coordinated Communications System Replacement project, \$1.12M to add three Engines-Type 1 and \$136K for a Compact Track Loader and a reduction to the Computer-Aided Dispatch (CAD) System project of \$225K.

## CIP Funds

The OCFA's five-year CIP is organized into four funds. No station construction is anticipated in 2014/15; therefore the fund description is not included since there are no projects in Fund 123 – Facilities Replacement. A description of the other three funds is located in each section. Major funding sources for the CIP include operating transfers from the General Fund, interest, developer contributions, contracts with member cities and the use of fund balances. Lease Purchase Financing Agreements also provide cash flow funding for the CIP.

# CIP Highlights

---

## Fund 122 – Facilities Maintenance & Improvement

### 2014/15 Budget Request - \$1.27M

- Includes \$1.0M for scheduled maintenance, repairs and replacements, and alterations and improvements to various stations
  - Includes \$270K for alterations and improvements to cash contract fire stations
- 

## Fund 123 – Facilities Replacement

### 2014/15 Budget Request - None

- No new station construction is anticipated in 2014/15
- 

## Fund 124 – Communications & Information Systems Replacement

### 2014/15 Budget Request - \$2.71M

- Includes projects related to communications and workplace support such as the replacement of communications equipment on vehicles (\$595K) and the purchase of various communications equipment (\$427K)
  - Includes various projects related to communications and information technology infrastructure such as the first year of a five-year, \$17.0M project for 800 MHz Countywide Coordinated Communications System Replacement (\$261K), CAD System (\$261K) and Microsoft Software Enterprise Agreement (\$260K)
- 

## Fund 133 – Vehicle Replacement

### 2014/15 Budget Request - \$7.31M

- Includes the purchase of five Type I engines (\$2.8M), five paramedic squads (\$558K), five full-size 4-doors (\$261K) and one compact track loader (\$136K)
  - Includes the purchase of fifteen support vehicles (\$580K)
  - Includes debt payments towards the lease-purchase financing agreement for the helicopters (\$2.53M)
  - Includes the purchase of helicopter components (\$155K)
-

**ORANGE COUNTY FIRE AUTHORITY**  
**CAPITAL IMPROVEMENT PROGRAM**  
**FIVE-YEAR PLAN SUMMARY 2014/15 - 2018/19**

| <b>Fund</b>                                                                  | <b>2014/15</b>      | <b>2015/16</b>      | <b>2016/17</b>      | <b>2017/18</b>      | <b>2018/19</b>      | <b>5-Year<br/>TOTAL</b> |
|------------------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------------|
| <i>Fund 122</i><br><b>Facilities Maintenance<br/>&amp; Improvement</b>       | \$1,274,498         | \$1,302,122         | \$1,330,505         | \$1,359,669         | \$1,389,634         | \$6,656,428             |
| <i>Fund 123</i><br><b>Facilities Replacement</b>                             | -                   | -                   | -                   | -                   | -                   | -                       |
| <i>Fund 124</i><br><b>Communications &amp; Info.<br/>Systems Replacement</b> | 2,712,089           | 2,856,449           | 7,986,730           | 13,913,195          | 5,319,500           | 32,787,963              |
| <i>Fund 133</i><br><b>Vehicle Replacement</b>                                | 7,308,817           | 7,112,716           | 11,957,241          | 7,996,290           | 3,776,467           | 38,151,531              |
| <b>GRAND TOTAL</b>                                                           | <b>\$11,295,404</b> | <b>\$11,271,287</b> | <b>\$21,274,476</b> | <b>\$23,269,154</b> | <b>\$10,485,601</b> | <b>\$77,595,922</b>     |
| Less: Non-discretionary lease<br>installment payments                        | 2,531,723           | 2,531,723           | 2,531,723           | 2,531,723           | 1,265,862           | 11,392,754              |
| <b>TOTAL CIP PROJECTS</b>                                                    | <b>\$8,763,681</b>  | <b>\$8,739,564</b>  | <b>\$18,742,753</b> | <b>\$20,737,431</b> | <b>\$9,219,739</b>  | <b>\$66,203,168</b>     |

**ORANGE COUNTY FIRE AUTHORITY  
CAPITAL IMPROVEMENT PROGRAM  
FIVE-YEAR PLAN PROJECT LISTING**

| Item No. | Project Priority | Project | 2013/14 Internal Use Only* |
|----------|------------------|---------|----------------------------|
|----------|------------------|---------|----------------------------|

**FACILITIES MAINTENANCE & IMPROVEMENT - FUND 122**

|                         |    |                                                            |                    |
|-------------------------|----|------------------------------------------------------------|--------------------|
| 1                       | A  | Repair and Replacement                                     | \$281,787          |
| 2                       | A  | Scheduled Maintenance, Renovation and Replacement          | 497,824            |
| 3                       | B  | Alterations and Improvements - OCF A Fire Stations         | 298,003            |
| 4                       | B  | Alterations and Improvements - Cash Contract Fire Stations | 270,000            |
| 5                       | CY | Community Development Block Grant (CDBG) - Santa Ana       | 890,000            |
| 6                       | CY | Tustin FS 37 FF&E (Reimbursable by City)                   | 50,000             |
| <i>Total - Fund 122</i> |    |                                                            | <b>\$2,287,614</b> |

**FACILITIES REPLACEMENT - FUND 123**

|                         |    |                                                             |                     |
|-------------------------|----|-------------------------------------------------------------|---------------------|
| 1                       | A  | Station 20 (Irvine)                                         | -                   |
| 2                       | A  | Station 67 (Rancho Mission Viejo)                           | -                   |
| 3                       | CY | Station 56 (Ortega Valley) - New Station (Developer-funded) | \$5,250,000         |
| 4                       | CY | Station 41 (Fullerton Airport) - Hangar Purchase - Phase II | 2,206,900           |
| 5                       | CY | US&R Warehouse                                              | 5,500,000           |
| <i>Total - Fund 123</i> |    |                                                             | <b>\$12,956,900</b> |

Project Priority: A=Essential; B=Important; C=Could Defer CY=Current Fiscal Year project  
\* Includes proposed mid-year budget adjustments

| Item No. | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 5-Year TOTAL |
|----------|---------|---------|---------|---------|---------|--------------|
|----------|---------|---------|---------|---------|---------|--------------|

|   |                    |                    |                    |                    |                    |                    |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| 1 | \$289,536          | \$297,498          | \$305,679          | \$314,085          | \$322,722          | \$1,529,520        |
| 2 | 511,514            | 525,581            | 540,034            | 554,885            | 570,144            | 2,702,158          |
| 3 | 203,448            | 209,043            | 214,792            | 220,699            | 226,768            | 1,074,750          |
| 4 | 270,000            | 270,000            | 270,000            | 270,000            | 270,000            | 1,350,000          |
| 5 |                    |                    |                    |                    |                    | -                  |
| 6 |                    |                    |                    |                    |                    | -                  |
|   | <b>\$1,274,498</b> | <b>\$1,302,122</b> | <b>\$1,330,505</b> | <b>\$1,359,669</b> | <b>\$1,389,634</b> | <b>\$6,656,428</b> |

|   |   |   |                 |                 |   |   |
|---|---|---|-----------------|-----------------|---|---|
| 1 |   |   | Developer Build |                 |   | - |
| 2 |   |   |                 | Developer Build |   | - |
| 3 |   |   |                 |                 |   | - |
| 4 |   |   |                 |                 |   | - |
| 5 |   |   |                 |                 |   | - |
|   | - | - | -               | -               | - | - |

**ORANGE COUNTY FIRE AUTHORITY  
CAPITAL IMPROVEMENT PROGRAM  
FIVE-YEAR PLAN PROJECT LISTING**

| Item No. | Project Priority | Project | 2013/14 Internal Use Only* |
|----------|------------------|---------|----------------------------|
|----------|------------------|---------|----------------------------|

**COMMUNICATIONS & INFO. SYSTEMS REPLACEMENT - FUND 124**

|    |    |                                                                         |                     |
|----|----|-------------------------------------------------------------------------|---------------------|
| 1  | A  | 800 MHz Radios                                                          | \$89,200            |
| 2  | A  | Audiovisual & Small Equipment Replacement                               | 52,000              |
| 3  | A  | Communications Installation/Vehicle Replacement                         | 270,165             |
| 4  | A  | Fire Station Telephone/Alarm/Sound System Upgrades                      | 90,000              |
| 5  | A  | Mobile Data Computer (MDC) System                                       | 156,000             |
| 6  | A  | VHF Radios                                                              | 40,100              |
| 7  | A  | Business Systems Server Replacement                                     | 191,000             |
| 8  | A  | Centralized Data Storage, Backup, and Recovery                          | 60,000              |
| 9  | A  | Network Upgrade, Server Consolidation, Security                         | 50,000              |
| 10 | A  | CAD System Planning/Design & Replacement                                | 899,084             |
| 11 | A  | Incident Reporting Application Replacement                              | 2,615,801           |
| 12 | A  | Community Risk Reduction Automation-IFP Replacement - FP Fee-funded     | 2,915,351           |
| 13 | A  | Microsoft Software Enterprise Agreement                                 | 230,000             |
| 14 | A  | HR Management/Payroll/Financial Systems Replacement                     | -                   |
| 15 | A  | Intranet/Internet/Calendar Development                                  | 50,000              |
| 16 | A  | 800 MHz (CCCS) Countywide Coordinated Communications System Replacement | -                   |
| 17 | B  | Audio Video Equipment Upgrades                                          | 50,000              |
| 18 | B  | Digital Ortho Photography                                               | 70,000              |
| 19 | B  | Personal Computer (PC)/Laptop/Printer Replacements                      | 230,800             |
| 20 | B  | Geographic Information Systems Equipment Replacement                    | 25,000              |
| 21 | B  | Base Station Radio Replacement                                          | -                   |
| 22 | B  | Fleet Services Fuel Management Tracking System                          | -                   |
| 23 | CY | 911 Telephone System Replacement (cost recovered by 911 funds)          | 920,000             |
| 24 | CY | Field Data Collection Devices                                           | 83,200              |
| 25 | CY | Internet/Sharepoint & Organizational Calendar                           | 498,000             |
| 26 | CY | Fire Station Alerting System                                            | 1,166,916           |
| 27 | CY | Wireless Network to Apparatus from Stations                             | 266,000             |
| 28 | CY | MDC and Mobile Data Network Infrastructure Upgrade                      | 1,690,000           |
|    |    | <b>Total - Fund 124</b>                                                 | <b>\$12,708,617</b> |

**VEHICLE REPLACEMENT - FUND 133**

|   |     |                                                                           |                     |
|---|-----|---------------------------------------------------------------------------|---------------------|
| 1 | A   | Lease Purchase Financing: Principal & Interest                            | \$2,531,723         |
| 2 | A/B | Emergency Vehicles                                                        | 7,983,668           |
| 3 | A   | Developer Funded Vehicles                                                 | 643,106             |
| 4 | B   | Support Vehicles                                                          | 358,986             |
| 5 | B   | Extended Warranty/Maintenance Contracts for Cardiac Defibrillator/Monitor | 86,958              |
| 6 | B   | Defibrillator Replacements                                                |                     |
| 7 | B   | Helicopter Components                                                     | 218,180             |
|   |     | <b>Total - Fund 133</b>                                                   | <b>\$11,822,621</b> |

|  |  |                                    |                     |
|--|--|------------------------------------|---------------------|
|  |  | <b>GRAND TOTAL - ALL CIP FUNDS</b> | <b>\$39,775,752</b> |
|--|--|------------------------------------|---------------------|

Project Priority: A=Essential; B=Important; C=Could Defer CY=Current Fiscal Year project  
\* Includes proposed mid-year budget adjustments

| Item No. | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 5-Year TOTAL |
|----------|---------|---------|---------|---------|---------|--------------|
|----------|---------|---------|---------|---------|---------|--------------|

|    |                    |                    |                    |                     |                    |                     |
|----|--------------------|--------------------|--------------------|---------------------|--------------------|---------------------|
| 1  | \$105,775          | \$76,450           | \$68,650           | \$54,750            | \$85,000           | \$390,625           |
| 2  | 52,000             | 52,000             | 52,000             | 52,000              | 52,000             | 260,000             |
| 3  | 594,700            | 146,000            | 110,000            | 283,000             | 297,400            | 1,431,100           |
| 4  | 90,000             | 90,000             | 90,000             | 90,000              | 90,000             | 450,000             |
| 5  | 126,000            | 75,000             | 75,000             | 460,000             | 460,000            | 1,196,000           |
| 6  | 53,600             | 39,600             | 26,400             | 22,000              | 19,500             | 161,100             |
| 7  | 75,000             | 60,000             | 60,000             | 75,000              | 60,000             | 330,000             |
| 8  | 65,000             | 65,000             | 65,000             | 60,000              | 20,000             | 275,000             |
| 9  | 226,000            | 250,000            | 50,000             | 200,000             | 50,000             | 776,000             |
| 10 | 140,000            |                    |                    |                     |                    | 140,000             |
| 11 | 150,000            | 150,000            |                    |                     |                    | 300,000             |
| 12 | 150,000            | 150,000            |                    |                     |                    | 300,000             |
| 13 | 260,000            | 260,000            | 285,000            | 285,000             | 285,000            | 1,375,000           |
| 14 |                    |                    |                    | 5,000,000           | 500,000            | 5,500,000           |
| 15 | 50,000             | 50,000             | 50,000             | 50,000              | 50,000             | 250,000             |
| 16 | 261,014            | 429,005            | 6,534,080          | 6,855,845           | 2,925,000          | 17,004,944          |
| 17 | 113,000            | 77,000             |                    |                     |                    | 190,000             |
| 18 |                    |                    | 70,000             |                     |                    | 70,000              |
| 19 | 200,000            | 225,000            | 425,600            | 425,600             | 425,600            | 1,701,800           |
| 20 |                    |                    | 25,000             |                     |                    | 25,000              |
| 21 |                    | 60,000             |                    |                     |                    | 60,000              |
| 22 |                    | 601,394            |                    |                     |                    | 601,394             |
| 23 |                    |                    |                    |                     |                    | -                   |
| 24 |                    |                    |                    |                     |                    | -                   |
| 25 |                    |                    |                    |                     |                    | -                   |
| 26 |                    |                    |                    |                     |                    | -                   |
| 27 |                    |                    |                    |                     |                    | -                   |
| 28 |                    |                    |                    |                     |                    | -                   |
|    | <b>\$2,712,089</b> | <b>\$2,856,449</b> | <b>\$7,986,730</b> | <b>\$13,913,195</b> | <b>\$5,319,500</b> | <b>\$32,787,963</b> |

|   |                    |                    |                     |                    |                    |                     |
|---|--------------------|--------------------|---------------------|--------------------|--------------------|---------------------|
| 1 | \$2,531,723        | \$2,531,723        | \$2,531,723         | \$2,531,723        | \$1,265,862        | \$11,392,754        |
| 2 | 3,958,415          | 4,247,470          | 3,908,120           | 2,861,763          | 2,360,605          | 17,336,373          |
| 3 |                    |                    | 1,509,314           | 2,406,250          |                    | 3,915,564           |
| 4 | 579,783            | 152,372            | 66,084              | 66,554             |                    | 864,793             |
| 5 | 83,896             | 57,151             |                     |                    |                    | 141,047             |
| 6 |                    |                    | 3,835,000           |                    |                    | 3,835,000           |
| 7 | 155,000            | 124,000            | 107,000             | 130,000            | 150,000            | 666,000             |
|   | <b>\$7,308,817</b> | <b>\$7,112,716</b> | <b>\$11,957,241</b> | <b>\$7,996,290</b> | <b>\$3,776,467</b> | <b>\$38,151,531</b> |

|  |                     |                     |                     |                     |                     |                     |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|  | <b>\$11,295,404</b> | <b>\$11,271,287</b> | <b>\$21,274,476</b> | <b>\$23,269,154</b> | <b>\$10,485,601</b> | <b>\$77,595,922</b> |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|

ORANGE COUNTY FIRE AUTHORITY  
**CAPITAL IMPROVEMENT PROGRAM**  
*PROJECTS DEFERRED UNTIL FUNDING IS AVAILABLE*

| Project | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 5-Year TOTAL |
|---------|---------|---------|---------|---------|---------|--------------|
|---------|---------|---------|---------|---------|---------|--------------|

**FACILITIES REPLACEMENT - FUND 123**

|                                  |   |   |             |              |             |              |
|----------------------------------|---|---|-------------|--------------|-------------|--------------|
| FS18 (Trabuco Canyon) - Replc FS |   |   | \$6,000,000 |              |             | \$6,000,000  |
| FS9 (Mission Viejo) - Replc FS   |   |   |             | 6,000,000    |             | 6,000,000    |
| FS10 (Yorba Linda) - Replc FS    |   |   |             | 6,000,000    |             | 6,000,000    |
| FS25 (Midway City) - Replc FS    |   |   |             |              | 6,000,000   | 6,000,000    |
| <b>Total - Fund 123</b>          | - | - | \$6,000,000 | \$12,000,000 | \$6,000,000 | \$24,000,000 |

**COMMUNICATIONS & INFO. SYSTEMS REPLACEMENT - FUND 124**

|                                              |   |             |           |   |   |             |
|----------------------------------------------|---|-------------|-----------|---|---|-------------|
| Enterprise Reporting & Business Intelligence |   | \$125,000   | \$125,000 |   |   | \$250,000   |
| Document Management Project                  |   | 150,000     |           |   |   | 150,000     |
| Field Data Collection Devices                |   | 627,500     |           |   |   | 627,500     |
| Virtual Operations Center (VOC)              |   | 500,000     |           |   |   | 500,000     |
| <b>Total - Fund 124</b>                      | - | \$1,402,500 | \$125,000 | - | - | \$1,527,500 |

**VEHICLE REPLACEMENT - FUND 133**

|                         |   |             |             |              |             |              |
|-------------------------|---|-------------|-------------|--------------|-------------|--------------|
| Emergency Vehicles      |   | \$1,686,805 | \$43,734    | \$976,169    | \$749,916   | \$3,456,624  |
| Support Vehicles        |   | 707,116     |             | 88,805       |             | 795,921      |
| <b>Total - Fund 133</b> | - | \$2,393,921 | \$43,734    | \$1,064,974  | \$749,916   | \$4,252,545  |
| <b>GRAND TOTAL</b>      | - | \$3,796,421 | \$6,168,734 | \$13,064,974 | \$6,749,916 | \$29,780,045 |

# Fund 122 Facilities Maintenance & Improvement



This fund is a special revenue fund used to account for financial activity associated with significant maintenance and improvement of facilities. This fund's primary sources of revenue are operating transfers from the Fire General Fund and \$15,000 per station contribution from the cash contract member cities.

**List of Fire Stations**

| <b>Station #</b> | <b>Station Name</b>                | <b>Address</b>                           | <b>Location</b>                   |
|------------------|------------------------------------|------------------------------------------|-----------------------------------|
| #2               | Los Alamitos                       | 3642 Green Ave.                          | Los Alamitos, 90720               |
| #4               | University                         | 2 California Ave.                        | Irvine, 92612                     |
| #5               | Laguna Niguel                      | 23600 Pacific Island Dr.                 | Laguna Niguel, 92677              |
| #6               | Irvine                             | 3180 Barranca Pkwy.                      | Irvine, 92606                     |
| #7               | San Juan Capistrano                | 31865 Del Obispo                         | San Juan Capistrano, 92675        |
| #8               | Skyline                            | 10631 Skyline Dr.                        | Santa Ana, 92705 (Unincorp.)      |
| #9               | So. Mission Viejo                  | 9 Shops Blvd.                            | Mission Viejo, 92691              |
| #10              | Yorba Linda                        | 18422 E. Lemon Dr.                       | Yorba Linda, 92886                |
| #11              | Emerald Bay                        | 259 Emerald Bay                          | Laguna Beach, 92651 (Unincorp.)   |
| #13 *            | La Palma                           | 7822 Walker St.                          | La Palma, 90623                   |
| #14              | Silverado                          | 29402 Silverado Canyon Rd. (P.O. Box 12) | Silverado, 92676 (Unincorp.)      |
| #15 **           | Silverado (USFS)                   | 27172 Silverado Canyon Rd.               | Silverado, 92676 (Unincorp.)      |
| #16              | Modjeska                           | 28891 Modjeska Canyon Rd.                | Silverado, 92676 (Unincorp.)      |
| #17              | Tri-Cities                         | 4991 Cerritos Ave.                       | Cypress, 90630                    |
| #18 ***          | Trabuco                            | 30942 Trabuco Canyon Rd.                 | Trabuco Canyon, 92678 (Unincorp.) |
| #19              | Lake Forest                        | 23022 El Toro Rd.                        | Lake Forest, 92630                |
| #20              | Irvine                             | 6933 Trabuco Rd.                         | Irvine, 92618                     |
| #21              | Tustin                             | 1241 Irvine Blvd.                        | Tustin, 92780                     |
| #22              | Laguna Hills                       | 24001 Paseo de Valencia                  | Laguna Hills, 92637               |
| #23              | Villa Park                         | 5020 Santiago Canyon Rd.                 | Orange, 92869                     |
| #24              | Mission Viejo                      | 25862 Marguerite Pkwy.                   | Mission Viejo, 92692              |
| #25              | Midway City                        | 8171 Bolsa Ave.                          | Midway City, 92655 (Unincorp.)    |
| #26              | Valencia                           | 4691 Walnut Ave.                         | Irvine, 92604                     |
| #27              | Portola Springs                    | 12400 Portola Springs Rd.                | Irvine, 92618                     |
| #28              | Irvine Industrial                  | 17862 Gillette Ave.                      | Irvine, 92614                     |
| #29              | Doheny                             | 26111 Victoria Blvd.                     | Dana Point, 92624                 |
| #30              | Niguel                             | 23831 Stonehill Dr.                      | Dana Point, 92629                 |
| #31              | No. Mission Viejo                  | 22426 Olympiad Rd.                       | Mission Viejo, 92692              |
| #32              | East Yorba Linda                   | 20990 Yorba Linda Blvd.                  | Yorba Linda, 92887                |
| #33 ***          | Airport Crash (John Wayne Airport) | 374 Paularino                            | Costa Mesa, 92626                 |
| #34 *            | Placentia (Valencia)               | 1530 N. Valencia                         | Placentia, 92870                  |
| #35 *            | Placentia (Bradford)               | 110 S. Bradford                          | Placentia, 92870                  |
| #36              | Woodbridge                         | 301 E. Yale Loop                         | Irvine, 92604                     |
| #37 *            | Tustin                             | 14901 Red Hill Ave.                      | Tustin, 92780                     |
| #38              | Irvine                             | 26 Parker                                | Irvine, 92618                     |
| #39              | No. Laguna Niguel                  | 24241 Avila Rd.                          | Laguna Niguel, 92677              |
| #40              | Coto de Caza                       | 25082 Vista del Verde                    | Coto de Caza, 92679 (Unincorp.)   |
| #41 **           | Fullerton Airport                  | 3900 Artesia Ave.                        | Fullerton, 92833                  |
| #42              | Portola Hills                      | 19150 Ridgeline Rd.                      | Lake Forest, 92679                |
| #43 *            | Tustin Ranch                       | 11490 Pioneer Way                        | Tustin, 92782                     |
| #44 *            | Seal Beach                         | 718 Central Ave.                         | Seal Beach, 90740                 |
| #45              | Santa Margarita                    | 30131 Aventura                           | Rancho Santa Margarita, 92688     |
| #46 *            | Stanton                            | 7871 Pacific St.                         | Stanton, 90680                    |
| #47              | Shady Canyon                       | 47 Fossil                                | Irvine, 92603                     |
| #48 *            | Seal Beach                         | 3131 N. Gate Road                        | Seal Beach, 90740                 |
| #49              | Bear Brand                         | 31461 St. of the Golden Lantern          | Laguna Niguel, 92677              |
| #50 *            | San Clemente                       | 670 Camino de los Mares                  | San Clemente, 92673               |
| #51              | Irvine Spectrum                    | 18 Cushing                               | Irvine, 92618                     |
| #53              | Yorba Linda                        | 25415 La Palma Ave.                      | Yorba Linda, 92887                |
| #54              | Foothill Ranch                     | 19811 Pauling Ave.                       | Lake Forest, 92610                |
| #55              | Irvine                             | 4955 Portola Parkway                     | Irvine, 92620                     |
| #57              | Aliso Viejo                        | 57 Journey                               | Aliso Viejo, 92656                |
| #58              | Ladera Ranch                       | 58 Station Way                           | Ladera Ranch, 92694               |
| #59 *            | San Clemente                       | 48 Avenida La Pata                       | San Clemente, 92673               |
| #60 *            | San Clemente                       | 121 Avenida Victoria                     | San Clemente, 92672               |
| #61 *            | Buena Park                         | 8081 Western Ave.                        | Buena Park, 90620                 |
| #62 *            | Buena Park                         | 7780 Artesia Blvd.                       | Buena Park, 90621                 |
| #63 *            | Buena Park                         | 9120 Holder St.                          | Buena Park, 90620                 |
| #64 *            | Westminster                        | 7351 Westminster Blvd.                   | Westminster, 92683                |
| #65 *            | Westminster                        | 6061 Hefley St.                          | Westminster, 92683                |
| #66 *            | Westminster                        | 15061 Moran St.                          | Westminster, 92683                |
| #70*             | Santa Ana                          | 2301 N. Old Grand St.                    | Santa Ana, 92701                  |
| #71*             | Santa Ana                          | 1029 W. 17th St.                         | Santa Ana, 92706                  |
| #72*             | Santa Ana                          | 1688 E. 4th St.                          | Santa Ana, 92701                  |
| #73*             | Santa Ana                          | 419 Franklin St.                         | Santa Ana, 92703                  |
| #74*             | Santa Ana                          | 1427 S. Broadway St.                     | Santa Ana, 92707                  |
| #75*             | Santa Ana                          | 120 W. Walnut St.                        | Santa Ana, 92701                  |
| #76*             | Santa Ana                          | 950 W. MacArthur Ave.                    | Santa Ana, 92707                  |
| #77*             | Santa Ana                          | 2317 S. Greenville St.                   | Santa Ana, 92707                  |
| #78*             | Santa Ana                          | 501 N. Newhope St.                       | Santa Ana, 92703                  |
| #79*             | Santa Ana                          | 1320 E. Warner Ave.                      | Santa Ana, 92705                  |

\* City-Owned Stations

\*\* Other Leased Stations

\*\*\* County-Owned

## REPAIR AND REPLACEMENT

**Project Priority:** A

**Project Type:** Facilities Maintenance/Improvements

**Project Management:** Property Management

**Project Description:** Repair and replacement includes programmed repair/replacement of facilities systems/components and unanticipated, immediate repairs needed to maintain safe, operational fire stations and facilities. The budget amounts include annual increases of 2.75% on the base 2014/15 budget.

Normal requirements include:

- Plumbing
- Apparatus doors
- Station furnishing and appliances
- HVAC/machinery
- Roof replacement and repair
- Structural inspection and repair
- Electrical systems repair
- Concrete and asphalt repair/replacement
- Building exteriors
- Grounds and landscape repair and maintenance
- Fire/life safety systems

**Project Status:** Programmed repair and replacement is ongoing

| Description                                                         | 2014/15   | 2015/16   | 2016/17   | 2017/18   | 2018/19   | 5-Yr. Total |
|---------------------------------------------------------------------|-----------|-----------|-----------|-----------|-----------|-------------|
| <i>Project Cost</i><br>Maintenance –<br>Buildings &<br>Improvements | \$289,536 | \$297,498 | \$305,679 | \$314,085 | \$322,722 | \$1,529,520 |
| <b>Total</b>                                                        | \$289,536 | \$297,498 | \$305,679 | \$314,085 | \$322,722 | \$1,529,520 |

**Impact on Operating Budget:** Planned repair and replacement of systems minimizes facility systems failures and related costs.

## SCHEDULED MAINTENANCE, RENOVATION AND REPLACEMENT

**Project Priority:** A

**Project Type:** Facilities Maintenance/Improvements

**Project Management:** Property Management

**Project Description:** Scheduled maintenance provides scheduled, periodic inspection, service, and planned replacement of facilities systems including:

- HVAC/machinery
- Roof systems
- Plumbing systems
- Structural
- Fire/life safety systems
- Grounds and surfaces
- Apparatus doors
- Diesel exhaust extraction

Major system replacements/renovations include:

- Roof replacement
- Concrete and asphalt resurfacing
- Replacement of apparatus bay doors
- Interior/exterior painting
- Replace flooring
- Plumbing re-pipe
- Major electrical components/controls
- Interior renovation/upgrade

The budget amounts include annual increases of 2.75% on the base 2014/15 budget.

**Project Status:** Ongoing

| Description                            | 2014/15   | 2015/16   | 2016/17   | 2017/18   | 2018/19   | 5-Yr. Total |
|----------------------------------------|-----------|-----------|-----------|-----------|-----------|-------------|
| <i>Project Cost</i>                    |           |           |           |           |           |             |
| Maintenance – Buildings & Improvements | \$511,514 | \$525,581 | \$540,034 | \$554,885 | \$570,144 | \$2,702,158 |
| <b>Total</b>                           | \$511,514 | \$525,581 | \$540,034 | \$554,885 | \$570,144 | \$2,702,158 |

**Impact on Operating Budget:** Scheduled maintenance, renovation and replacement extends the service life of major systems, reduces failure and the cost of emergency repair and replacement.

## ALTERATIONS AND IMPROVEMENTS - OCFA FIRE STATIONS

**Project Priority:** B

**Project Type:** Facilities Maintenance/Improvements

**Project Management:** Property Management

**Project Description:** Maintenance may include service and repairs that were not anticipated or included in scheduled maintenance and repair with costs exceeding \$1,000. Alterations and improvements are permanent upgrades to structures, grounds and building systems, necessary to maintain the readiness and serviceability of the fire stations. The budget amounts include annual increases of 2.75% on the base 2014/15 budget. Projects normally include:

- Structure replacement
- Surface replacement/addition
- Structure addition
- Machinery replacement
- Furniture replacement
- Space renovation/remodel
- Unique projects
- Crew bathroom upgrade/gender separation

**Project Status:** To maximize cost containment efforts, maintenance, alterations and improvements will be limited to projects determined vital for readiness.

| Description                            | 2014/15   | 2015/16   | 2016/17   | 2017/18   | 2018/19   | 5-Yr. Total |
|----------------------------------------|-----------|-----------|-----------|-----------|-----------|-------------|
| <i>Project Cost</i>                    |           |           |           |           |           |             |
| Maintenance – Buildings & Improvements | \$203,448 | \$209,043 | \$214,792 | \$220,699 | \$226,768 | \$1,074,750 |
| <b>Total</b>                           | \$203,448 | \$209,043 | \$214,792 | \$220,699 | \$226,768 | \$1,074,750 |

**Impact on Operating Budget:** Alterations and improvements upgrade facilities to current standards; reduce failures, repairs and operating costs.

## ALTERATIONS AND IMPROVEMENTS-CASH CONTRACT FIRE STATIONS

**Project Priority:** B

**Project Type:** Facilities Maintenance/Improvements

**Project Management:** Property Management

**Project Description:** Maintenance and repair requirements over \$1,000 are included in this budget. Alterations and improvements are permanent upgrades to structures, grounds and building systems necessary to maintain the readiness and serviceability of the fire stations. Under the OCFA's Amended Joint Powers Authority Agreement, cash contracts contribute up to \$15,000 per station for alterations and improvements to their stations.

**Project Status:** To maximize cost containment efforts, maintenance, alterations and improvements are limited to projects determined vital for readiness.

| Description                            | 2014/15   | 2015/16   | 2016/17   | 2017/18   | 2018/19   | 5-Yr. Total |
|----------------------------------------|-----------|-----------|-----------|-----------|-----------|-------------|
| <i>Project Cost</i>                    |           |           |           |           |           |             |
| Maintenance – Buildings & Improvements | \$270,000 | \$270,000 | \$270,000 | \$270,000 | \$270,000 | \$1,350,000 |
| <b>Total</b>                           | \$270,000 | \$270,000 | \$270,000 | \$270,000 | \$270,000 | \$1,350,000 |

**Impact on Operating Budget:** Maintenance, alterations and improvements reduce failure, repairs, and operating costs and insure facilities meet OCFA standards.

# Fund 124

## Communications & Information Systems Replacement



This fund is a special revenue fund used for the replacement of specialized fire communications equipment and information systems. Its primary funding sources are the operating transfers from the Fire General Fund and the use of reserves.

## **800 MHZ RADIOS**

**Project Priority:** A

**Project Type:** Equipment Replacement

**Project Management:** IT – Communications & Workplace Support

**Project Description:** Mobile Radio replacement is required approximately every nine to eleven years due to wear and exposure factors. Generally new radios are installed in new apparatus, and the life of mobile radios corresponds to the life of the apparatus. Therefore, radios purchases coincide with the vehicle replacement plan. Additionally, as older portable radios experience wear, their replacements are added into the long term budget.

**Project Status:** Ongoing

| <b>Description</b>         | <b>2014/15</b>   | <b>2015/16</b>  | <b>2016/17</b>  | <b>2017/18</b>  | <b>2018/19</b>  | <b>5-Yr. Total</b> |
|----------------------------|------------------|-----------------|-----------------|-----------------|-----------------|--------------------|
| <i>Project Cost</i>        |                  |                 |                 |                 |                 |                    |
| Special department expense | \$105,775        | \$76,450        | \$68,650        | \$54,750        | \$85,000        | \$390,625          |
| <b>Total</b>               | <b>\$105,775</b> | <b>\$76,450</b> | <b>\$68,650</b> | <b>\$54,750</b> | <b>\$85,000</b> | <b>\$390,625</b>   |

**Impact on Operating Budget:** Ongoing replacement of radios will help control maintenance costs in the operating budget.

## **AUDIOVISUAL AND SMALL EQUIPMENT REPLACEMENT**

**Project Priority:** A

**Project Type:** Equipment Replacement

**Project Management:** IT – Communications & Workplace Support

**Project Description:** The OCFA utilizes about 1,375 pagers, 90 FAX machines, 250 personal communication devices, vehicle intercom headsets, portable radio lapel microphones, and several other related small equipment items. Replacement is required approximately every three to five years because of wear and exposure factors. The components in pagers break down over time and lose critical sensitivity capability needed for optimal performance. The OCFA reserve firefighter personnel use pagers as their primary alerting system for emergency incidents. Their responsibilities require that the pager be reliable 24 hours a day. The budget allows for the annual purchase of replacement equipment at a cost of about \$200 each.

**Project Status:** Ongoing

| Description         | 2014/15         | 2015/16         | 2016/17         | 2017/18         | 2018/19         | 5-Yr. Total      |
|---------------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
| <i>Project Cost</i> |                 |                 |                 |                 |                 |                  |
| Office Expense      | \$52,000        | \$52,000        | \$52,000        | \$52,000        | \$52,000        | \$260,000        |
| <b>Total</b>        | <b>\$52,000</b> | <b>\$52,000</b> | <b>\$52,000</b> | <b>\$52,000</b> | <b>\$52,000</b> | <b>\$260,000</b> |

**Impact on Operating Budget:** The timely replacement of 900 MHz pagers, fax machines, and other small equipment may result in fewer maintenance expenditures in the operating budget.

## **COMMUNICATIONS INSTALLATION/VEHICLE REPLACEMENT**

**Project Priority:** A

**Project Type:** Equipment Replacement

**Project Management:** IT – Communications & Workplace Support

**Project Description:** This project provides funding for the installation of communication equipment including radios, mobile data computers, vehicle radio modems, cellular telephones, radio battery chargers, communications electrical systems and automatic vehicle location (AVL) devices in OCFA vehicles. The schedule and budget for this project parallels the Automotive Vehicle Replacement Plan, and mobile equipment replacement projects. Due to the number of vehicles scheduled for replacement annually, installation contractors are required to perform this work with direction and oversight by OCFA staff. New complex communications equipment including complex power management systems requires greater technical expertise for a high quality and functional installation.

In addition to new vehicle installations, upgrade of equipment in existing vehicles is required. In 2014/2015, mobile data computer replacements will be required for thirteen vehicles in Battalion 9. In 2017/18, a three-year replacement cycle for mobile data computers begins. Labor to cover these installation expenses is included. Unplanned complex installations for grant-funded command trailers purchased in 2013/2014 will occur in 2014/15; additional funding to cover those installations is included below.

**Project Status:** Ongoing

| Description           | 2014/15          | 2015/16          | 2016/17          | 2017/18          | 2018/19          | 5-Yr. Total        |
|-----------------------|------------------|------------------|------------------|------------------|------------------|--------------------|
| <i>Project Cost</i>   |                  |                  |                  |                  |                  |                    |
| Professional Services | \$594,700        | \$146,000        | \$110,000        | \$283,000        | \$297,400        | \$1,431,100        |
| <b>Total</b>          | <b>\$594,700</b> | <b>\$146,000</b> | <b>\$110,000</b> | <b>\$283,000</b> | <b>\$297,400</b> | <b>\$1,431,100</b> |

**Impact on Operating Budget:** None

## **FIRE STATION TELEPHONE/ALARM/SOUND SYSTEM UPGRADES**

**Project Priority:** A

**Project Type:** Equipment Replacement

**Project Management:** IT – Communications & IT Infrastructure

**Project Description:** Acquisition and installation of new fire station alarm/sound systems and telephone systems are necessary as the equipment becomes old, outdated, and parts are no longer available. In addition, replacement equipment is more "user-friendly" and more efficient to maintain.

The cost of the systems range from \$10,000 to \$30,000 per station. Cost varies depending upon the station size. The life of these systems is between twelve and fifteen years.

**Project Status:** Ongoing

| <b>Description</b>  | <b>2014/15</b>  | <b>2015/16</b>  | <b>2016/17</b>  | <b>2017/18</b>  | <b>2018/19</b>  | <b>5-Yr. Total</b> |
|---------------------|-----------------|-----------------|-----------------|-----------------|-----------------|--------------------|
| <i>Project Cost</i> |                 |                 |                 |                 |                 |                    |
| Equipment           | \$90,000        | \$90,000        | \$90,000        | \$90,000        | \$90,000        | \$450,000          |
| <b>Total</b>        | <b>\$90,000</b> | <b>\$90,000</b> | <b>\$90,000</b> | <b>\$90,000</b> | <b>\$90,000</b> | <b>\$450,000</b>   |

**Impact on Operating Budget:** The replacement of old equipment may help control maintenance costs included in the operating budget.

## **MOBILE DATA COMPUTER (MDC) SYSTEM**

**Project Priority:** A

**Project Type:** Equipment Replacement

**Project Management:** IT – Communications & Workplace Support

**Project Description:** The MDCs are used for the delivery of emergency messages, including initial dispatch of fire and paramedic services. The service life for the various MDC components is as follows: the central processing unit (CPU), four to six years; screen and keyboard, three to five years; broadband modem, five to seven years. The total system cost including installation is \$8,500. The cost to replace the CPU, screen, keyboard and related software is about \$6,000.

This budget item reflects the cost to replace MDCs in Battalion 9 (Santa Ana) which will reach end-of-life in 2014 and 2015, to support the addition of MDCs to be used for rotational stock during installation in new apparatus, and for service and maintenance as the current MDCs age and repair and trade out of devices is required. It also allows for the first year of a three-year phased replacement of other existing MDCs as they reach end-of-life starting in 2017/18.

**Project Status:** Ongoing

| <b>Description</b>         | <b>2014/15</b>   | <b>2015/16</b>  | <b>2016/17</b>  | <b>2017/18</b>   | <b>2018/19</b>   | <b>5-Yr. Total</b> |
|----------------------------|------------------|-----------------|-----------------|------------------|------------------|--------------------|
| <i>Project Cost</i>        |                  |                 |                 |                  |                  |                    |
| Special department expense | \$126,000        | \$75,000        | \$75,000        | \$460,000        | \$460,000        | \$1,196,000        |
| <b>Total</b>               | <b>\$126,000</b> | <b>\$75,000</b> | <b>\$75,000</b> | <b>\$460,000</b> | <b>\$460,000</b> | <b>\$1,196,000</b> |

**Impact on Operating Budget:** Replacement of the MDCs may help control maintenance costs included in the operating budget.

## VHF RADIOS

**Project Priority:** A

**Project Type:** Equipment Replacement

**Project Management:** IT –  
Communications & Workplace Support



**Project Description:** This project is for the purchase and replacement of VHF mobile and portable radios. These radios are used for state and mutual aid communications with agencies not on the County 800 MHz radio system. Approximately 800 mobile and portable radios are installed fleet wide. Use of VHF radios ensures communication and enhances the safety of firefighters on

automatic and mutual aid responses with the California Department of Forestry and Fire Protection (CAL FIRE) and the United States Forest Service (USFS) in state and federal responsibility areas as well as contracts with agencies outside Orange County. These radios have a useful life of nine years. Budgeted replacement costs are based on the useful life of the existing radio inventory.

**Project Status:** Ongoing

| Description                | 2014/15         | 2015/16         | 2016/17         | 2017/18         | 2018/19         | 5-Yr. Total      |
|----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
| <i>Project Cost</i>        |                 |                 |                 |                 |                 |                  |
| Special department expense | \$53,600        | \$39,600        | \$26,400        | \$22,000        | \$19,500        | \$161,100        |
| <b>Total</b>               | <b>\$53,600</b> | <b>\$39,600</b> | <b>\$26,400</b> | <b>\$22,000</b> | <b>\$19,500</b> | <b>\$161,100</b> |

**Impact on Operating Budget:** The replacement of radios helps control maintenance costs included in the operating budget.

## **BUSINESS SYSTEMS SERVER REPLACEMENT**

**Project Priority:** A

**Project Type:** Equipment Replacement

**Project Management:** IT – IT/Communication Infrastructure

**Project Description:** This item is an annual, ongoing project to upgrade and/or replace old and outdated business systems computer servers. The OCFA currently has 120 servers that support all of the business systems including: Exchange (E-mail), Orange County Fire Incident Reporting System (OCFIRS), Training Records System (TRS), Integrated Fire Prevention (IFP), Automatic Vehicle Location (AVL), Intranet, etc. The servers also support organizational technology infrastructure such as storage area networks (SAN), security systems, and other essential facility systems. The useful life of servers can range from three to five years.

**Project Status:** Ongoing

| <b>Description</b>  | <b>2014/15</b>  | <b>2015/16</b>  | <b>2016/17</b>  | <b>2017/18</b>  | <b>2018/19</b>  | <b>5-Yr. Total</b> |
|---------------------|-----------------|-----------------|-----------------|-----------------|-----------------|--------------------|
| <i>Project Cost</i> |                 |                 |                 |                 |                 |                    |
| Equipment           | \$75,000        | \$60,000        | \$60,000        | \$75,000        | \$60,000        | \$330,000          |
| <b>Total</b>        | <b>\$75,000</b> | <b>\$60,000</b> | <b>\$60,000</b> | <b>\$75,000</b> | <b>\$60,000</b> | <b>\$330,000</b>   |

**Impact on Operating Budget:** The replacement of servers may help control maintenance costs in the operating budget and improve application performance.

## **CENTRALIZED DATA STORAGE, BACKUP AND RECOVERY**

**Project Priority:** A

**Project Type:** New Technology

**Project Management:** IT – IT/Communication Infrastructure

**Project Description:** Expand the existing storage area network (SAN) to accommodate the planned move towards server-based centralized storage and backup of critical department information. Information that is currently created and stored on PCs will be stored on servers attached to the SAN centrally where the data is more easily shared and will be backed up to disk and tape, making recovery more reliable. Estimated storage needs of GIS and other image-based data sets are included in this expansion. The upgrade includes multiple backup devices that can back up large volumes of data across multiple servers.

This project will also implement auto archiving of the email database to near line storage through group-based business rules, e-discovery support, and compliance support. Project costs also include associated contracted professional services.

**Project Status:** Ongoing

| <b>Description</b>         | <b>2014/15</b>  | <b>2015/16</b>  | <b>2016/17</b>  | <b>2017/18</b>  | <b>2018/19</b>  | <b>5-Yr. Total</b> |
|----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|--------------------|
| <b><i>Project Cost</i></b> |                 |                 |                 |                 |                 |                    |
| Equipment                  | \$65,000        | \$65,000        | \$65,000        | \$60,000        | \$20,000        | \$275,000          |
| <b>Total</b>               | <b>\$65,000</b> | <b>\$65,000</b> | <b>\$65,000</b> | <b>\$60,000</b> | <b>\$20,000</b> | <b>\$275,000</b>   |

**Impact on Operating Budget:** \$30,000 is included annually in the operating budget for hardware/software maintenance costs.

## NETWORK UPGRADE, SERVER CONSOLIDATION, SECURITY

**Project Priority:** A

**Project Type:** Equipment Replacement/New Technology

**Project Management:** IT – IT/Communications Infrastructure

**Project Description:** Several core network components installed in 2004 are now at “end of life” for support and maintenance. These components will be replaced with technology that increases bandwidth, or network capacity necessary due to the expansion of applications including GIS, Records Management systems, centralized storage of departmental data, data collaboration across applications, and online training utilizing streaming media. We will replace core components in the Data Center and individual IDF’s (Intermediate Distribution Facility – more commonly known as data/phone connection closets).

Implementation of wireless network functionality in key locations on the RFOTC campus such as classrooms and select conference rooms as well as information kiosks for the public are additional components of the RFOTC Network Upgrade. An extension of this project is the implementation of wireless networking technology for Command Post support during major incidents.

Implementation of this software tool will support management, and will audit system access and security.

Continue to implement virtualization to support server consolidation. Phased approach includes test environment, migration to pilot, and then to production. Supports long range goal of virtual environment utilization as a component for Disaster Recovery. Project costs also include associated contracted professional services.

**Project Status:** Ongoing

| Description           | 2014/15          | 2015/16          | 2016/17         | 2017/18          | 2018/19         | 5-Yr. Total      |
|-----------------------|------------------|------------------|-----------------|------------------|-----------------|------------------|
| <i>Project Cost</i>   |                  |                  |                 |                  |                 |                  |
| Professional Services | \$226,000        | \$250,000        | \$50,000        | \$200,000        | \$50,000        | \$776,000        |
| <b>Total</b>          | <b>\$226,000</b> | <b>\$250,000</b> | <b>\$50,000</b> | <b>\$200,000</b> | <b>\$50,000</b> | <b>\$776,000</b> |

**Impact on Operating Budget:** Increase of up to \$20,000 in 2015/16 growing to \$40,000 annually in 2017/18 for hardware/software maintenance costs.

## CAD SYSTEM PLANNING/DESIGN AND REPLACEMENT

**Project Priority:** A

**Project Type:** Application Replacement

**Project Management:** IT – Systems Development & Support

**Project Description:** This project is to fund the initial purchase and supplemental or ‘surge’ professional services necessary to replace the existing out-of-date 911 Computer Aided Dispatch (CAD) System. Primary purchase of the CAD system is part of the overall Public Safety Systems Replacement. The contract for the new CAD system was signed in September 2012, and installation and configuration will take approximately 18 months. The go-live is expected in June 2014. After go-live, there will be a twelve-month post go-live period where the system will be frequently adjusted as Dispatcher and Operations staff gain experience on the system. ‘Surge’ expense is expected to be approximately 20% of system purchase price and is spread across the 18-month installation and the 12-month post go-live period.

Replacement of the system allows the OCFA to implement a map-based CAD system, as well as provide the capability for other functionality such as response recommendations based on Automatic Vehicle Location (AVL). The Orange County Fire Incident Reporting (OCFIRS) and Integrated Fire Prevention (IFP) systems are also being replaced and are collectively referred to as the Records Management System (RMS). The RMS systems will be closely integrated with the new CAD system. OCFA is also upgrading the Fire Station Alerting Systems, which requires new control systems be installed at the RFOTC and all of the Fire stations which is necessary to integrate with the new CAD system. These four projects are referred to as the Public Safety System.

**Project Status:** Contract awarded to TriTech Software Systems in September 2012. Implementation began in November 2012. Go-live milestone projected for 18 months after start of implementation (June 2014). Total project completion will occur when new CAD is integrated with new RMS systems (Incident Reporting, IFP Replacement). The project was initiated in 2008/09.

| Description           | 2014/15          | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 5-Yr. Total      |
|-----------------------|------------------|---------|---------|---------|---------|------------------|
| <b>Project Cost</b>   |                  |         |         |         |         |                  |
| Professional Services | \$140,000        |         |         |         |         | \$140,000        |
| <b>Total</b>          | <b>\$140,000</b> | -       | -       | -       | -       | <b>\$140,000</b> |

**Impact on Operating Budget:** Application Maintenance/License Costs will have an annual impact on the operating budget starting in 2015/16 of approximately \$480,000. These anticipated costs are included in our Five-Year Financial Forecast.

## INCIDENT REPORTING APPLICATION REPLACEMENT

**Project Priority:** A

**Project Type:** Application Replacement

**Project Management:** IT – Systems Development & Support

**Project Description:** This project is to fund the initial purchase and supplemental or ‘surge’ professional services necessary to replace the Incident Reporting Application (OCFIRS). This project combined with replacing the Integrated Fire Prevention (IFP) application comprises the Records Management System (RMS) component of the overall Public Safety Systems (PSS) replacement project. CAD replacement is the other major component of the PSS replacement project. Implementation is expected to take two to three years and includes integration with the new CAD system. ‘Surge’ expense is expected to be approximately 20% of system purchase price spread across the implementation period.

The IT Strategic Plan study conducted by Gartner Inc. evaluated all of the OCFA’s applications based on their technical stability and how well they were meeting the OCFA’s business needs. The OCFIRS Incident Reporting application was rated poorly in both areas and was recommended for replacement. Gartner Inc. also recommended that the OCFA consider going to bid for an application that would be integrated with either CAD, IFP, or both to improve overall data management within the organization. This budgetary amount is a preliminary estimate and may need revision as requirements are developed.

**Project Status:** RFP review, onsite demos, and vendor finalist selection are completed and negotiations started with FDM Software in December 2012. The contract award is anticipated in the third quarter of 2013/14. The five-year project was initiated in 2008/09.

| Description           | 2014/15          | 2015/16          | 2016/17 | 2017/18 | 2018/19 | 5-Yr. Total      |
|-----------------------|------------------|------------------|---------|---------|---------|------------------|
| <b>Project Cost</b>   |                  |                  |         |         |         |                  |
| Professional Services | \$150,000        | \$150,000        |         |         |         | \$300,000        |
| <b>Total</b>          | <b>\$150,000</b> | <b>\$150,000</b> |         | -       | -       | <b>\$300,000</b> |

**Impact on Operating Budget:** Application Maintenance/License Costs will have an annual impact on the operating budget starting in 2016/17 of approximately \$225,000. These anticipated costs are included in our Five-Year Financial Forecast.

## **COMMUNITY RISK REDUCTION AUTOMATION – IFP REPLACEMENT**

**Project Priority:** A

**Project Type:** Application Replacement

**Project Management:** IT – Systems Development & Support

**Project Description:** This project is to fund the initial purchase and supplemental or ‘surge’ professional services necessary to replace the Integrated Fire Prevention (IFP) application. This project combined with replacing the Incident Reporting Application (OCFIRS) comprises the Records Management System (RMS) component of the overall Public Safety Systems (PSS) replacement project. CAD replacement is the other major component of the PSS replacement project. Implementation is expected to take two to three years and includes integration with the new CAD system. ‘Surge’ expense is expected to be approximately 20% of system purchase price spread across the implementation period.

The Integrated Fire Prevention (IFP) application has been scheduled for replacement following a detailed needs assessment and business plan analysis that was conducted in 2005/06. The current application was also evaluated based on the quality of its technology and how well the application was meeting business needs; the application scored poorly in both areas. It was recommended that the OCFA proceed with replacement of the application; however, concurrent replacement with the Orange County Fire Incident Reporting System (OCFIRS) and the Computer Aided Dispatch (CAD) System was recommended in order to take advantage of opportunities to move to a shared data platform. Preliminary analysis indicates the replacement cost for this application will be between \$2.0 million and \$3.0 million.

Fire Prevention fees include funding for this project.

**Project Status:** RFP review, onsite demos, and vendor finalist selection are completed and negotiations were started with FDM Software in December 2012. The contract award is anticipated in the third quarter of 2013/14. The five-year project was initiated in 2008/09.

| <b>Description</b>    | <b>2014/15</b>   | <b>2015/16</b>   | <b>2016/17</b> | <b>2017/18</b> | <b>2018/19</b> | <b>5-Yr. Total</b> |
|-----------------------|------------------|------------------|----------------|----------------|----------------|--------------------|
| <i>Project Cost</i>   |                  |                  |                |                |                |                    |
| Professional Services | \$150,000        | \$150,000        |                |                |                | \$300,000          |
| <b>Total</b>          | <b>\$150,000</b> | <b>\$150,000</b> |                | -              | -              | <b>\$300,000</b>   |

**Impact on Operating Budget:** Application Maintenance/License Costs will have an annual impact on the operating budget starting in 2016/17 of approximately \$225,000. These anticipated costs are included in our Five-Year Financial Forecast.

## **MICROSOFT SOFTWARE ENTERPRISE AGREEMENT**

**Project Priority:** A

**Project Type:** Software Upgrade

**Project Management:** IT – Communications & Workplace Support

**Project Description:** OCFA uses Microsoft software throughout the organization, both at the desktop and to support systems and infrastructure. Software products at the desktop include: Windows, Office Applications (Word, Excel, Access, Outlook, PowerPoint), Visio, and Project. Infrastructure includes operating system software on most OCFA servers and enterprise products such as Outlook and Exchange, and an assortment of infrastructure management and security systems. Enterprise systems such as SharePoint and all Structured Query Language (SQL) Server Databases used by core applications are also Microsoft products. All of these applications are fully covered for upgrades as they become available and for maintenance and support through a Microsoft Enterprise Agreement.

**Project Status:** Ongoing

| <b>Description</b>         | <b>2014/15</b>   | <b>2015/16</b>   | <b>2016/17</b>   | <b>2017/18</b>   | <b>2018/19</b>   | <b>5-Yr. Total</b> |
|----------------------------|------------------|------------------|------------------|------------------|------------------|--------------------|
| <b><i>Project Cost</i></b> |                  |                  |                  |                  |                  |                    |
| Office Equipment           | \$260,000        | \$260,000        | \$285,000        | \$285,000        | \$285,000        | \$1,375,000        |
| <b>Total</b>               | <b>\$260,000</b> | <b>\$260,000</b> | <b>\$285,000</b> | <b>\$285,000</b> | <b>\$285,000</b> | <b>\$1,375,000</b> |

**Impact on Operating Budget:** None

## HR MANAGEMENT/PAYROLL/FINANCIAL SYSTEMS REPLACEMENT

**Project Priority:** A

**Project Type:** Application Replacement

**Project Management:** IT – Systems Development & Support

**Project Description:** The OCFA is seeking replacement of the Human Resources Management (HRMS) / Payroll and Finance system with integrated, local government software applications and services including implementation services, ongoing training, and technical support. The current HRMS / Payroll Finance system was installed over fifteen years ago. It is central to the widely integrated business, financial, human resources, and safety systems utilized at OCFA. It uses separate program modules for human resources, purchasing, accounts payable, general accounting, and accounts receivable. It is also used to manage and process the nearly \$300,000,000 annual payroll with numerous different pay and earning codes for all employees, and reserve firefighters.

The OCFA desires a “Turn-Key” solution utilizing Commercial Off The Shelf (COTS) technology as much as possible including Microsoft SQL database and hardware/software virtualization. OCFA has standardized its core business and safety systems on these technologies. A replacement system that is compatible with OCFA’s technology environment will allow in-house support staff to partner with the vendor on many of the support tasks eliminating current reliance on associated costs for third-party database consultants.

Core function requirements of the new system must include: General Ledger; Accounts Payable; Accounts Receivable / Cash Receipts; Budget Preparation and Management; Purchasing; Fixed Assets; Inventory; Payroll; Position Control; Human Resources; Project Management / Accounting.

The budgetary amount is a preliminary estimate and may need revision as requirements are developed. Implementation is expected to take two years starting in 2017/18. ‘Surge’ expense is expected to be approximately 20-25% of the system purchase price spread across the implementation period.

**Project Status:** RFP needs to be completed and released to bid. The contract award is anticipated in the first quarter of 2017/18 after the Public Safety Systems project is completed. The project is anticipated to take two years to complete.

| Description  | 2014/15 | 2015/16 | 2016/17 | 2017/18            | 2018/19          | 5-Yr. Total        |
|--------------|---------|---------|---------|--------------------|------------------|--------------------|
| Project Cost | -       | -       | -       | \$5,000,000        | \$500,000        | \$5,500,000        |
| <b>Total</b> | -       | -       | -       | <b>\$5,000,000</b> | <b>\$500,000</b> | <b>\$5,500,000</b> |

**Impact on Operating Budget:** Application Maintenance/License Costs will have an annual impact on the operating budget of approximately \$600,000 beginning in 2019/20.

## INTRANET/INTERNET/CALENDARING DEVELOPMENT

**Project Priority:** A

**Project Type:** New Application/Replacement

**Project Management:** IT – Systems Development & Support

**Project Description:** This is a multi-year, ongoing project to continually enhance and improve both our public-facing Internet site as well as OCFA Intranet (“insideocfa”) applications. The Intranet upgrade will incorporate additional functionality including improved mobile accessibility, improved maintenance tools, better aggregation to line of business applications, dashboard and reporting, eDiscovery, document management, collaboration and superior search capabilities. SharePoint provides the infrastructure for the Intranet that enables a single point of access to multiple functions including document storage and management, project collaboration and management, business intelligence (reporting) as well as the integration of the Outlook/Exchange E-mail systems into a single collaboration point for the OCFA staff.

The Internet upgrade will include improved design, usability and accessibility to the public as well as integration and data exchange with in-house applications to provide public access to real-time information. The internet upgrade will also include tools to offload many of the day-to-day maintenance tasks to individuals outside of our IT section.

**Project Status:** Multi-year project, plus ongoing enhancements

| <b>Description</b>         | <b>2014/15</b>  | <b>2015/16</b>  | <b>2016/17</b>  | <b>2017/18</b>  | <b>2018/19</b>  | <b>5-Yr. Total</b> |
|----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|--------------------|
| <i><b>Project Cost</b></i> |                 |                 |                 |                 |                 |                    |
| Professional Services      | \$50,000        | \$50,000        | \$50,000        | \$50,000        | \$50,000        | \$250,000          |
| <b>Total</b>               | <b>\$50,000</b> | <b>\$50,000</b> | <b>\$50,000</b> | <b>\$50,000</b> | <b>\$50,000</b> | <b>\$250,000</b>   |

**Impact on Operating Budget:** No impact.

**800 MHZ COUNTYWIDE-COORDINATED COMMUNICATIONS (CCCS)  
SYSTEM REPLACEMENT**

**Project Priority:** A

**Project Type:** Equipment Replacement

**Project Management:** IT – Communications & Infrastructure/ECC

**Project Description:** The current 800 MHz Countywide-Coordinated Communications System (CCCS) was implemented from 1999 to 2001 with an expected operational life expectancy through 2015. The system is administered by the Orange County Sheriffs’ Department/Communications staff. OCSD/Communications staff was directed in 2009 to develop the next generation system proposal, and has developed a four-phase upgrade/replacement plan for the CCCS. The upgrade includes implementation of a P25 system architecture, which is the FEMA and Department of Homeland Security recommended technology for public safety communications interoperability.

Phase – 1 \$2,797,153 – funded by the Public Safety Interoperable Communications (PSIC) grant, was completed by OCSD/Communications staff in 2011 and included updating and replacing obsolete backbone and core equipment that extends the life of the CCCS to 2018.

Phases – 2, 3, 4 includes replacing dispatch consoles, core equipment, control equipment, mobile and portable radios, and reprogramming costs for existing P25 compatible 800MHz radios. Costs will be shared proportionately among all participating agencies in the CCCS. The replacement project is scheduled to begin in 2014/15 with backbone costs and equipment purchases each year thru 2018/19.

Total cost for OCFA is estimated at \$17,004,944. This includes all partnership costs (\$7,528,294) and OCFA equipment (purchase new radios, upgrading existing compatible radios, and new dispatcher console costs - \$9,476,650).

**Project Status:** Phase - 1 complete; Phases 2 - 4 in planning stages

| <b>Description</b>         | <b>2014/15</b>   | <b>2015/16</b>   | <b>2016/17</b>     | <b>2017/18</b>     | <b>2018/19</b>     | <b>5-Yr. Total</b>  |
|----------------------------|------------------|------------------|--------------------|--------------------|--------------------|---------------------|
| <i>Project Cost</i>        |                  |                  |                    |                    |                    |                     |
| Special Department Expense | \$261,014        | \$429,005        | \$6,534,080        | \$6,855,845        | \$2,925,000        | \$17,004,944        |
| <b>Total</b>               | <b>\$261,014</b> | <b>\$429,005</b> | <b>\$6,534,080</b> | <b>\$6,855,845</b> | <b>\$2,925,000</b> | <b>\$17,004,944</b> |

**Impact on Operating Budget:** Annual subscriber costs for new CCCS not yet determined. OCSD/Communications currently determines annual subscriber fees based on total number of active radios times an annual subscription fee per radio.

## AUDIO VIDEO EQUIPMENT UPGRADES

**Project Priority:** B

**Project Type:** Equipment Replacement

**Project Management:** IT – Communications and Workplace Support

**Project Description:** This item is to upgrade and replace the Audio Video equipment used in the RFOTC Board Room, Classrooms (3), and Training rooms (2).

The current Audio Video equipment including sound mixing boards, microphones, projectors, computers, controllers, and cabling has been in constant use since 2004. These rooms are used heavily and the multi-media equipment supporting training and presentations is outdated, no longer supported, failing and needs to be replaced.

The project will be completed in two phases over a two-year period. The first phase will be 2014/15 and repair the RFOTC Board Room and Classroom number 1. The second phase will be 2015/16 and repair Classrooms 2 and 3, and the two multi-media training rooms in the training grounds.

**Project Status:** Project completion scheduled for 2015/16

| Description         | 2014/15          | 2015/16         | 2016/17 | 2017/18 | 2018/19 | 5-Yr. Total      |
|---------------------|------------------|-----------------|---------|---------|---------|------------------|
| <i>Project Cost</i> |                  |                 |         |         |         |                  |
| Equipment           | \$113,000        | \$77,000        | -       | -       | -       | \$190,000        |
| <b>Total</b>        | <b>\$113,000</b> | <b>\$77,000</b> | -       | -       | -       | <b>\$190,000</b> |

**Impact on Operating Budget:** Ongoing annual maintenance costs are included in the General Fund.



## **DIGITAL ORTHO PHOTOGRAPHY**

**Project Priority:** B

**Project Type:** New Application/Data

**Project Management:** IT - GIS

**Project Description:** Digital Ortho Photography (DOP) provides an accurate record of all physical data that exists in the County and area of service at a given point in time. DOP is important to the OCFA as a management tool for the effective and efficient operation of a number of business needs and for spatial data capture and verification. Some of the OCFA business needs supported by DOP are: Special Area Maps and preplans to guide first responders into difficult areas such as apartment complexes and shopping centers, to provide dispatchers a visual record to facilitate response assignments, to establish a default map viewing context for the Automatic Vehicle Location System (AVL), to facilitate vehicle routing to target locations, to assist in reconstructing and investigating crimes, to more effectively manage urban and wildland interfaces, to quality control addresses for run maps, and to verify pre-existing or non-conforming conditions for inspections.

**Project Status:** Purchased in 2013/14, and every third year afterwards

| <b>Description</b>  | <b>2014/15</b> | <b>2015/16</b> | <b>2016/17</b>  | <b>2017/18</b> | <b>2018/19</b> | <b>5-Yr. Total</b> |
|---------------------|----------------|----------------|-----------------|----------------|----------------|--------------------|
| <i>Project Cost</i> |                |                |                 |                |                |                    |
| Equipment           |                |                | \$70,000        |                |                | \$70,000           |
| <b>Total</b>        | -              | -              | <b>\$70,000</b> | -              | -              | <b>\$70,000</b>    |

**Impact on Operating Budget:** No Impact.

## PERSONAL COMPUTER (PC)/LAPTOP/PRINTER REPLACEMENTS

**Project Priority:** B

**Project Type:** Equipment Replacement

**Project Management:** IT – Communications & Workplace Support

**Project Description:** An evaluation and analysis of the OCFA’s Personal Computer (PC) inventory by Gartner Inc. during the Information Technology Strategic Plan study a few years ago recommended that desktop computers be replaced on a four-year rotation plan. Due to current fiscal constraints, computers that do not support emergency response have been moved to a five-year replacement schedule. The PC replacement budget is based on \$1,500 per unit, which includes adequate funding to replace associated printers and peripherals at the same time. It also includes replacement of department-authorized, mission-critical laptop computers on an as-needed basis. Starting in 2012/13, portable computer tablets were added to the fleet for regional on-scene patient care record entry. Most of the initial devices were grant-funded; however, starting in 2016/17, funding has been added for ongoing replacement at a rate of 59 tablets each year (33.3% of the total). Semi-rugged tablets cost about \$3,400 per unit, and have a three-to-four year life expectancy. In 2018/19, replacement of computers and printers for stations added with the City of Santa Ana begin to impact the budget as they reach their life expectancy and require replacement.

**Project Status:** Ongoing

| Description                      | 2014/15          | 2015/16          | 2016/17          | 2017/18          | 2018/19          | 5-Yr. Total        |
|----------------------------------|------------------|------------------|------------------|------------------|------------------|--------------------|
| <i>Project Cost</i><br>Equipment | \$200,000        | \$225,000        | \$425,600        | \$425,600        | \$425,600        | \$1,701,800        |
|                                  | <b>\$200,000</b> | <b>\$225,000</b> | <b>\$425,600</b> | <b>\$425,600</b> | <b>\$425,600</b> | <b>\$1,701,800</b> |

**Impact on Operating Budget:** Deferral of PC and tablet replacements beyond four years will increase repair and maintenance costs. The one-time three-year warranty cost of \$600 per tablet is included in the General Fund.

## **GEOGRAPHIC INFORMATION SYSTEMS EQUIPMENT REPLACEMENT**

**Project Priority:** B

**Project Type:** Equipment Replacement

**Project Management:** IT – GIS

**Project Description:** Geographic Information Systems (GIS) and mapping activities use large plotters, printers and non-standard output devices. These devices are used to print large wall maps used at fire stations, in the Emergency Command Center (ECC) and during emergency incident planning. These devices require replacement about every three to four years.

**Project Status:** Purchase to occur in 2016/17

| <b>Description</b>               | <b>2014/15</b> | <b>2015/16</b> | <b>2016/17</b>  | <b>2017/18</b> | <b>2018/19</b> | <b>5-Yr. Total</b> |
|----------------------------------|----------------|----------------|-----------------|----------------|----------------|--------------------|
| <i>Project Cost</i><br>Equipment |                |                | \$25,000        |                |                | \$25,000           |
| <b>Total</b>                     | -              | -              | <b>\$25,000</b> | -              | -              | <b>\$25,000</b>    |

**Impact on Operating Budget:** No impact.

## **BASE STATION RADIO REPLACEMENT**

**Project Priority:** B

**Project Type:** Equipment Replacement

**Project Management:** IT – IT/Communication Infrastructure

**Project Description:** OCFA owns fifty base station radios that are used by the dispatchers to communicate with field personnel and other operational agencies during day-to-day and emergency operations. These base station radios have a nine to twelve-year life. The current cost for these radios is \$5,000 each. Twelve radios purchased in 2004 will need to be replaced starting 2015/16.

**Project Status:** Replacement to occur every nine to twelve years

| Description         | 2014/15 | 2015/16         | 2016/17 | 2017/18 | 2018/19 | 5-Yr. Total     |
|---------------------|---------|-----------------|---------|---------|---------|-----------------|
| <i>Project Cost</i> |         |                 |         |         |         |                 |
| Equipment           |         | \$60,000        |         |         |         | \$60,000        |
| <b>Total</b>        | -       | <b>\$60,000</b> |         | -       | -       | <b>\$60,000</b> |

**Impact on Operating Budget:** None

## **FLEET SERVICES FUEL MANAGEMENT TRACKING SYSTEM**

**Project Priority:** B

**Project Type:** Application Replacement

**Project Management:** IT – Systems Development & Support

**Project Description:** This item is to add Fuel Module functionality to the Fleet Management system.

The current Fleet Management system has the capability to track fuel usage of all OCFA vehicles and all OCFA fuel dispensing locations. It requires adding an additional software module to the Fleet system as well as additional hardware to the fuel ‘islands’ and tracking devices on each OCFA vehicle. Professional services for installation and testing are included in the budget.

The implementation of this module to the Fleet application for the Fleet Services Section will improve accountability for consumable assets, pump control, card lockout, less shrinkage of inventory, and overall fuel consumption savings.

**Project Status:** Project completion scheduled for 2015/16

| <b>Description</b>  | <b>2014/15</b> | <b>2015/16</b> | <b>2016/17</b> | <b>2017/18</b> | <b>2018/19</b> | <b>5-Yr. Total</b> |
|---------------------|----------------|----------------|----------------|----------------|----------------|--------------------|
| <i>Project Cost</i> |                |                |                |                |                |                    |
| Equipment           | -              | \$601,394      | -              | -              | -              | \$601,394          |
| <b>Total</b>        | -              | \$601,394      | -              | -              | -              | \$601,394          |

**Impact on Operating Budget:** Application Maintenance/License Costs are expected to be 20% - 25% of the new software costs, or \$60,000 annually which is included in our Five-Year Financial Forecast beginning in 2016/17.



# Fund 133

## Vehicle Replacement



This fund is a special revenue fund used for the planned replacement of fire apparatus and vehicles. Funding sources for this fund include operating transfers from the Fire General Fund, contributions from cash contract member cities, and proceeds from lease purchase agreements.

**ORANGE COUNTY FIRE AUTHORITY**  
**FUND 133 - VEHICLE REPLACEMENT**  
**LIST OF VEHICLES TO BE REPLACED**

| Existing<br>Vehicle<br>Number  | Current<br>Vehicle Type | Section<br>Assigned to: | 2014/15 | 2015/16 | 2016/17 | 2017/18   | 2018/19 |
|--------------------------------|-------------------------|-------------------------|---------|---------|---------|-----------|---------|
| <b>EMERGENCY VEHICLES</b>      |                         |                         |         |         |         |           |         |
| <b>Ambulance</b>               |                         |                         |         |         |         |           |         |
| TBD                            | Ambulance               | Operations              |         |         |         | \$152,970 |         |
| <b>Battalion Chief Command</b> |                         |                         |         |         |         |           |         |
| 2255                           | BC Command Vehicle      | Operations              |         |         | 92,882  |           |         |
| 2256                           | BC Command Vehicle      | Operations              |         |         | 92,882  |           |         |
| 2257                           | BC Command Vehicle      | Operations              |         |         | 92,882  |           |         |
| <b>Brush Chipper</b>           |                         |                         |         |         |         |           |         |
| 3465                           | Brush Chipper           |                         |         | 36,000  |         |           |         |
| <b>Compact Track Loader</b>    |                         |                         |         |         |         |           |         |
| 7139                           | Compact Track Loader    | Operations              | 136,000 |         |         |           |         |
| <b>Crew Cab Dozer Tender</b>   |                         |                         |         |         |         |           |         |
| 3036                           | Crew Cab Dozer Tender   | Operations              |         |         |         |           | 81,886  |
| 3037                           | Crew Cab Dozer Tender   | Operations              |         |         |         |           | 81,886  |
| <b>Engine - Type 1</b>         |                         |                         |         |         |         |           |         |
| 5207                           | Engine - Type 1         | Operations              | 559,399 |         |         |           |         |
| 5156                           | Engine - Type 1         | Operations              | 559,399 |         |         |           |         |
| 5157                           | Engine - Type 1         | Operations              | 559,399 |         |         |           |         |
| 5244                           | Engine - Type 1         | Operations              | 559,399 |         |         |           |         |
| 5245                           | Engine - Type 1         | Operations              | 559,399 |         |         |           |         |
| 5203                           | Engine - Type 1         | Operations              |         | 576,181 |         |           |         |
| 5212                           | Engine - Type 1         | Operations              |         | 576,181 |         |           |         |
| 5128                           | Engine - Type 1         | Operations              |         | 576,181 |         |           |         |
| 5133                           | Engine - Type 1         | Operations              |         | 576,181 |         |           |         |
| 5205                           | Engine - Type 1         | Operations              |         |         | 593,466 |           |         |
| 5206                           | Engine - Type 1         | Operations              |         |         | 593,466 |           |         |
| 5208                           | Engine - Type 1         | Operations              |         |         | 593,466 |           |         |
| 5213                           | Engine - Type 1         | Operations              |         |         | 593,466 |           |         |
| 5249                           | Engine - Type 1         | Operations              |         |         | 593,466 |           |         |
| 5209                           | Engine - Type 1         | Operations              |         |         |         | 611,270   |         |
| 5210                           | Engine - Type 1         | Operations              |         |         |         | 611,270   |         |
| 5214                           | Engine - Type 1         | Operations              |         |         |         | 611,270   |         |
| 5247                           | Engine - Type 1         | Operations              |         |         |         | 611,270   |         |
| 5211                           | Engine - Type 1         | Operations              |         |         |         |           | 629,608 |
| 5247                           | Engine - Type 1         | Operations              |         |         |         |           | 629,608 |
| 5217                           | Engine - Type 1         | Operations              |         |         |         |           | 629,608 |
| <b>Full-Size 4-Door</b>        |                         |                         |         |         |         |           |         |
| 2365                           | Full-Size 4-Door        | Corp. Comm.             | 52,167  |         |         |           |         |
| 2366                           | Full-Size 4-Door        | Operations              | 52,167  |         |         |           |         |
| 2367                           | Full-Size 4-Door        | Operations              | 52,167  |         |         |           |         |
| 2368                           | Full-Size 4-Door        | Operations              | 52,167  |         |         |           |         |
| 2369                           | Full-Size 4-Door        | Operations              | 52,167  |         |         |           |         |
| 2374                           | Full-Size 4-Door        | Operations              |         |         |         | 57,004    |         |

**ORANGE COUNTY FIRE AUTHORITY**  
**FUND 133 - VEHICLE REPLACEMENT**  
**LIST OF VEHICLES TO BE REPLACED**

| Existing<br>Vehicle<br>Number   | Current<br>Vehicle Type | Section<br>Assigned to: | 2014/15            | 2015/16            | 2016/17            | 2017/18            | 2018/19            |
|---------------------------------|-------------------------|-------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>Leased Vehicles</b>          |                         |                         |                    |                    |                    |                    |                    |
| 2348                            | Full-Size - Leased      | Exec. Mgmt              |                    | 11,440             | 11,440             | 11,440             | 12,470             |
| 2349                            | Full-Size - Leased      | Exec. Mgmt              |                    | 11,440             | 11,440             | 11,440             | 12,470             |
| 2370                            | Full-Size - Leased      | Exec. Mgmt              |                    | 11,440             | 11,440             | 11,440             | 12,470             |
| 2371                            | Full-Size - Leased      | Exec. Mgmt              |                    |                    | 11,783             | 11,783             | 11,783             |
| 2372                            | Full-Size - Leased      | Exec. Mgmt              |                    |                    | 11,783             | 11,783             | 11,783             |
| 2373                            | Full-Size - Leased      | Exec. Mgmt              |                    |                    | 11,783             | 11,783             | 11,783             |
| <b>Mid-Size 4x4 4-Door</b>      |                         |                         |                    |                    |                    |                    |                    |
| 2159                            | Mid-Size 4x4 4-Door     | Operations              | 41,224             |                    |                    |                    |                    |
| 2162                            | Mid-Size 4x4 4-Door     | Operations              | 41,224             |                    |                    |                    |                    |
| 2164                            | Mid-Size 4x4 4-Door     | Operations              | 41,224             |                    |                    |                    |                    |
| 2165                            | Mid-Size 4x4 4-Door     | Operations              | 41,224             |                    |                    |                    |                    |
| 2166                            | Mid-Size 4x4 4-Door     | Operations              | 41,224             |                    |                    |                    |                    |
| 2167                            | Mid-Size 4x4 4-Door     | Operations              |                    | 42,460             |                    |                    |                    |
| 2168                            | Mid-Size 4x4 4-Door     | Operations              |                    | 42,460             |                    |                    |                    |
| 2169                            | Mid-Size 4x4 4-Door     | Operations              |                    | 42,460             |                    |                    |                    |
| 2170                            | Mid-Size 4x4 4-Door     | Operations              |                    | 42,460             |                    |                    |                    |
| <b>Paramedic Squad</b>          |                         |                         |                    |                    |                    |                    |                    |
| 3801                            | Paramedic Squad         | Operations              | 111,693            |                    |                    |                    |                    |
| 3804                            | Paramedic Squad         | Operations              | 111,693            |                    |                    |                    |                    |
| 4027                            | Paramedic Squad         | Operations              | 111,693            |                    |                    |                    |                    |
| 4028                            | Paramedic Squad         | Operations              | 111,693            |                    |                    |                    |                    |
| 4029                            | Paramedic Squad         | Operations              | 111,693            |                    |                    |                    |                    |
| 4105                            | Paramedic Squad         | Operations              |                    | 115,044            |                    |                    |                    |
| 4106                            | Paramedic Squad         | Operations              |                    | 115,044            |                    |                    |                    |
| 4107                            | Paramedic Squad         | Operations              |                    | 115,044            |                    |                    |                    |
| 4108                            | Paramedic Squad         | Operations              |                    | 115,044            |                    |                    |                    |
| 4109                            | Paramedic Squad         | Operations              |                    | 115,044            |                    |                    |                    |
| 4110                            | Paramedic Squad         | Operations              |                    |                    | 118,495            |                    |                    |
| 4111                            | Paramedic Squad         | Operations              |                    |                    | 118,495            |                    |                    |
| 4112                            | Paramedic Squad         | Operations              |                    |                    | 118,495            |                    |                    |
| 4113                            | Paramedic Squad         | Operations              |                    |                    | 118,495            |                    |                    |
| 4114                            | Paramedic Squad         | Operations              |                    |                    | 118,495            |                    |                    |
| <b>Pick-Up Utility 3/4 Ton</b>  |                         |                         |                    |                    |                    |                    |                    |
| 3201                            | Pick-Up Utility 3/4 Ton | Operations              |                    |                    |                    | 45,680             |                    |
| 3202                            | Pick-Up Utility 3/4 Ton | Operations              |                    |                    |                    | 45,680             |                    |
| 3207                            | Pick-Up Utility 3/4 Ton | Operations              |                    |                    |                    | 45,680             |                    |
| 3336                            | Pick-Up Utility 3/4 Ton | Operations              |                    |                    |                    |                    | 47,050             |
| 3337                            | Pick-Up Utility 3/4 Ton | Operations              |                    |                    |                    |                    | 47,050             |
| 3338                            | Pick-Up Utility 3/4 Ton | Operations              |                    |                    |                    |                    | 47,050             |
| 3340                            | Pick-Up Utility 3/4 Ton | Operations              |                    |                    |                    |                    | 47,050             |
| 3341                            | Pick-Up Utility 3/4 Ton | Operations              |                    |                    |                    |                    | 47,050             |
| <b>Truck - 75' Quint</b>        |                         |                         |                    |                    |                    |                    |                    |
| 5132                            | Truck - 75' Quint       | Operations              |                    | 1,127,366          |                    |                    |                    |
| <b>Total Emergency Vehicles</b> |                         |                         | <b>\$3,958,415</b> | <b>\$4,247,470</b> | <b>\$3,908,120</b> | <b>\$2,861,763</b> | <b>\$2,360,605</b> |

**ORANGE COUNTY FIRE AUTHORITY**  
**FUND 133 - VEHICLE REPLACEMENT**  
**LIST OF VEHICLES TO BE REPLACED**

| Existing<br>Vehicle<br>Number          | Current<br>Vehicle Type | Section<br>Assigned to: | 2014/15 | 2015/16 | 2016/17            | 2017/18            | 2018/19 |
|----------------------------------------|-------------------------|-------------------------|---------|---------|--------------------|--------------------|---------|
| <b>DEVELOPER FUNDED VEHICLES</b>       |                         |                         |         |         |                    |                    |         |
| <b>Engine - Type1</b>                  |                         |                         |         |         |                    |                    |         |
| Station 67                             | Engine - Type 1         | Operations              |         |         |                    | 729,608            |         |
| <b>Paramedic Squad</b>                 |                         |                         |         |         |                    |                    |         |
| Station 67                             | Paramedic Squad         | Operations              |         |         |                    | 122,049            |         |
| <b>TDA 100' Quint</b>                  |                         |                         |         |         |                    |                    |         |
| Station 20                             | TDA 100' Quint          | Operations              |         |         | 1,509,314          |                    |         |
| Station 67                             | TDA 100' Quint          | Operations              |         |         |                    | 1,554,593          |         |
| <b>Total Developer Funded Vehicles</b> |                         |                         |         |         | <b>\$1,509,314</b> | <b>\$2,406,250</b> |         |

**SUPPORT VEHICLES**

**Full-Size Cargo Van**

|      |                     |                |        |  |  |  |  |
|------|---------------------|----------------|--------|--|--|--|--|
| 4335 | Full-Size Cargo Van | Audio Visual   | 41,641 |  |  |  |  |
| 4337 | Full-Size Cargo Van | Comm/Workplace | 41,641 |  |  |  |  |
| 4338 | Full-Size Cargo Van | Comm/Workplace | 41,641 |  |  |  |  |
| 4339 | Full-Size Cargo Van | Comm/Workplace | 41,641 |  |  |  |  |

**Mid-Size 4-Door**

|      |                 |                 |        |  |  |  |  |
|------|-----------------|-----------------|--------|--|--|--|--|
| 2160 | Mid-Size 4-Door | Fire Prevention | 35,404 |  |  |  |  |
| 2161 | Mid-Size 4-Door | EMS             | 35,404 |  |  |  |  |

**Mid-Size Pickup - 1/2 Ton**

|      |                           |                 |        |        |  |        |  |
|------|---------------------------|-----------------|--------|--------|--|--------|--|
| 3109 | Mid-Size Pickup - 1/2 Ton | Fire Prevention | 31,146 |        |  |        |  |
| 3150 | Mid-Size Pickup - 1/2 Ton | Fire Prevention | 31,146 |        |  |        |  |
| 3225 | Mid-Size Pickup - 1/2 Ton | Fire Prevention | 31,146 |        |  |        |  |
| 3227 | Mid-Size Pickup - 1/2 Ton | Fire Prevention | 31,146 |        |  |        |  |
| 2340 | Mid-Size Pickup - 1/2 Ton | Community Educ. | 31,146 |        |  |        |  |
| 2341 | Mid-Size Pickup - 1/2 Ton | Community Educ. | 31,146 |        |  |        |  |
| 2175 | Mid-Size Pickup - 1/2 Ton | Fire Prevention |        | 32,080 |  |        |  |
| 2176 | Mid-Size Pickup - 1/2 Ton | Fire Prevention |        | 32,080 |  |        |  |
| 2171 | Mid-Size Pickup - 1/2 Ton | Fire Prevention |        |        |  | 33,042 |  |
| 2173 | Mid-Size Pickup - 1/2 Ton | Fire Prevention |        |        |  | 33,042 |  |

**Minivan Passenger**

|      |                   |             |  |        |  |  |  |
|------|-------------------|-------------|--|--------|--|--|--|
| 4100 | Minivan Passenger | Corp. Comm. |  | 27,863 |  |  |  |
|------|-------------------|-------------|--|--------|--|--|--|

**Pickup General - 1/2 Ton**

|      |                          |                |        |  |  |  |  |
|------|--------------------------|----------------|--------|--|--|--|--|
| 2208 | Pickup General - 1/2 Ton | Fleet Services | 41,527 |  |  |  |  |
|------|--------------------------|----------------|--------|--|--|--|--|

**ORANGE COUNTY FIRE AUTHORITY**  
**FUND 133 - VEHICLE REPLACEMENT**  
**LIST OF VEHICLES TO BE REPLACED**

| Existing<br>Vehicle<br>Number | Current<br>Vehicle Type | Section<br>Assigned to: | 2014/15            | 2015/16            | 2016/17            | 2017/18            | 2018/19            |
|-------------------------------|-------------------------|-------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>Service Truck - Light</b>  |                         |                         |                    |                    |                    |                    |                    |
| 3007                          | Service Truck - Light   | Comm/Workplace          |                    | 60,349             |                    |                    |                    |
| <b>Service Truck - Heavy</b>  |                         |                         |                    |                    |                    |                    |                    |
| 5389                          | Service Truck - Heavy   | Fleet Services          |                    |                    |                    | 66,554             |                    |
| <b>Step Van</b>               |                         |                         |                    |                    |                    |                    |                    |
| 4303                          | Step Van                | Materiel Mgmt.          | 57,004             |                    |                    |                    |                    |
| 4304                          | Step Van                | Materiel Mgmt.          | 57,004             |                    |                    |                    |                    |
| <b>Total Support Vehicles</b> |                         |                         | <b>\$579,783</b>   | <b>\$152,372</b>   | <b>\$66,084</b>    | <b>\$66,554</b>    | <b>-</b>           |
| <b>TOTAL VEHICLES</b>         |                         |                         | <b>\$4,538,198</b> | <b>\$4,399,842</b> | <b>\$5,483,518</b> | <b>\$5,334,567</b> | <b>\$2,360,605</b> |

**ORANGE COUNTY FIRE AUTHORITY  
FUND 133 - VEHICLE REPLACEMENT**

*LIST OF VEHICLES TO BE DEFERRED UNTIL FUNDING IS AVAILABLE*

| Vehicle Number                       | Current Vehicle Type           | Section Assigned to: | 2014/15 | 2015/16     | 2016/17  | 2017/18   | 2018/19   |
|--------------------------------------|--------------------------------|----------------------|---------|-------------|----------|-----------|-----------|
| <b>EMERGENCY VEHICLES</b>            |                                |                      |         |             |          |           |           |
| <b>Air Utility</b>                   |                                |                      |         |             |          |           |           |
| 5415                                 | Air Utility                    | Operations           |         |             |          |           | \$483,084 |
| <b>Mid-Size 4x4 4-Door</b>           |                                |                      |         |             |          |           |           |
| 2157                                 | Mid-Size 4X4 4-Door            | Operations           |         | 42,460      |          |           |           |
| 2158                                 | Mid-Size 4X4 4-Door            | Operations           |         | 42,460      |          |           |           |
| 2163                                 | Mid-Size 4X4 4-Door            | Operations           |         |             | 43,734   |           |           |
| <b>Crew Cab- Swift Water Vehicle</b> |                                |                      |         |             |          |           |           |
| 3008                                 | Crew Cab - Swift Water Vehicle | Operations           |         | 72,200      |          |           |           |
| 3041                                 | Crew Cab - Swift Water Vehicle | Operations           |         | 72,200      |          |           |           |
| 3043                                 | Crew Cab - Swift Water Vehicle | Operations           |         | 72,200      |          |           |           |
| 3044                                 | Crew Cab - Swift Water Vehicle | Operations           |         | 72,200      |          |           |           |
| <b>Crew Carrying Vehicle</b>         |                                |                      |         |             |          |           |           |
| 5402                                 | Crew Carrying Vehicle          | Operations           |         |             |          |           | 266,832   |
| <b>Dozer Transport Tractor</b>       |                                |                      |         |             |          |           |           |
| 5063                                 | Transport Tractor              | Operations           |         |             |          | 201,188   |           |
| 5064                                 | Transport Tractor              | Operations           |         |             |          | 201,188   |           |
| <b>Dozer Transport Trailer</b>       |                                |                      |         |             |          |           |           |
| 6146                                 | Trailer-Dozer Transport        | Operations           |         |             |          | 59,985    |           |
| <b>Dump Truck</b>                    |                                |                      |         |             |          |           |           |
| 5387                                 | Dump Truck                     | Operations           |         |             |          | 134,283   |           |
| <b>Grader</b>                        |                                |                      |         |             |          |           |           |
| 7208                                 | Grader                         | Operations           |         |             |          | 249,718   |           |
| <b>Pickup Utility - 3/4 Ton</b>      |                                |                      |         |             |          |           |           |
| 3204                                 | Pickup Utility - 3/4 Ton       | Operations           |         |             |          | 43,269    |           |
| 3205                                 | Pickup Utility - 3/4 Ton       | Operations           |         |             |          | 43,269    |           |
| 3206                                 | Pickup Utility - 3/4 Ton       | Operations           |         |             |          | 43,269    |           |
| <b>Type 3 Engine</b>                 |                                |                      |         |             |          |           |           |
| New                                  | Type 3 Engine                  | Operations           |         | 437,695     |          |           |           |
| New                                  | Type 3 Engine                  | Operations           |         | 437,695     |          |           |           |
| New                                  | Type 3 Engine                  | Operations           |         | 437,695     |          |           |           |
| <b>Total Emergency Vehicles</b>      |                                |                      | -       | \$1,686,805 | \$43,734 | \$976,169 | \$749,916 |

**ORANGE COUNTY FIRE AUTHORITY  
FUND 133 - VEHICLE REPLACEMENT**

***LIST OF VEHICLES TO BE DEFERRED UNTIL FUNDING IS AVAILABLE***

| Vehicle Number                   | Current Vehicle Type | Section Assigned to: | 2014/15 | 2015/16            | 2016/17         | 2017/18            | 2018/19          |
|----------------------------------|----------------------|----------------------|---------|--------------------|-----------------|--------------------|------------------|
| <b>SUPPORT VEHICLES</b>          |                      |                      |         |                    |                 |                    |                  |
| <b>Fuel Tender</b>               |                      |                      |         |                    |                 |                    |                  |
| 5313                             | Fuel Tender          | Fleet Services       |         | 214,632            |                 |                    |                  |
| <b>Stakeside</b>                 |                      |                      |         |                    |                 |                    |                  |
| 5388                             | Stakeside            | Materiel Mgmt        |         |                    |                 | 88,805             |                  |
| <b>Mid Size 4x4 4-Door</b>       |                      |                      |         |                    |                 |                    |                  |
| 2267                             | Mid Size 4x4 4-Door  | Materiel Mgmt        |         | 37,722             |                 |                    |                  |
| 3101                             | Mid Size 4x4 4-Door  | Fire Prevention      |         | 37,722             |                 |                    |                  |
| <b>Mid Size Pickup - 1/2 Ton</b> |                      |                      |         |                    |                 |                    |                  |
| 2261                             | Mid Pickup-1/2 Ton   | Fire Prevention      |         | 32,080             |                 |                    |                  |
| 2262                             | Mid Pickup-1/2 Ton   | Fire Prevention      |         | 32,080             |                 |                    |                  |
| 2263                             | Mid Pickup-1/2 Ton   | Fire Prevention      |         | 32,080             |                 |                    |                  |
| 2301                             | Mid Pickup-1/2 Ton   | Fire Prevention      |         | 32,080             |                 |                    |                  |
| 2302                             | Mid Pickup-1/2 Ton   | Fire Prevention      |         | 32,080             |                 |                    |                  |
| 2303                             | Mid Pickup-1/2 Ton   | Fire Prevention      |         | 32,080             |                 |                    |                  |
| 2304                             | Mid Pickup-1/2 Ton   | Fire Prevention      |         | 32,080             |                 |                    |                  |
| 2317                             | Mid Pickup-1/2 Ton   | Fire Prevention      |         | 32,080             |                 |                    |                  |
| 2318                             | Mid Pickup-1/2 Ton   | Property Mgmt        |         | 32,080             |                 |                    |                  |
| 2319                             | Mid Pickup-1/2 Ton   | Property Mgmt        |         | 32,080             |                 |                    |                  |
| 3009                             | Mid Pickup-1/2 Ton   | Fire Prevention      |         | 32,080             |                 |                    |                  |
| 3110                             | Mid Pickup-1/2 Ton   | Fire Prevention      |         | 32,080             |                 |                    |                  |
| 3230                             | Mid Pickup-1/2 Ton   | Fire Prevention      |         | 32,080             |                 |                    |                  |
| <b>Total Support Vehicles</b>    |                      |                      | -       | <b>\$707,116</b>   | -               | <b>\$88,805</b>    | -                |
| <b>TOTAL DEFERRED VEHICLES</b>   |                      |                      | -       | <b>\$2,393,921</b> | <b>\$43,734</b> | <b>\$1,064,974</b> | <b>\$749,916</b> |

## AMBULANCE

**Project Priority:** A

**Project Type:** Vehicle Replacement

**Project Management:** Fleet Services Manager

**Project Description:** The ambulances are used to transport injured or sick persons to the closest receiving hospital. This project is for the replacement of one ambulance in 2017/18.



Vehicle replacement evaluation is based on the following criteria:

- Actual miles of the vehicles
- Actual years of operation compared to expected years
- Evaluation of mechanical condition by the Fleet Services Manager
- Evaluation of the maintenance costs by the Fleet Services Manager

The age and mileage targets for ambulances are four years and/or 120,000 miles. The projections for the replacement of these vehicles are based on age. However, mileage will be reviewed before a purchase is made, and the purchase may be deferred if warranted.

**Project Status:** Purchase to occur in 2017/18

| Description          | 2014/15 | 2015/16 | 2016/17 | 2017/18   | 2018/19 | 5-Yr. Total |
|----------------------|---------|---------|---------|-----------|---------|-------------|
| <i>Project Cost</i>  |         |         |         |           |         |             |
| Vehicles (Emergency) |         |         |         | \$152,970 |         | \$152,970   |
| <b>Total</b>         | -       | -       | -       | \$152,970 | -       | \$152,970   |

**Impact on Operating Budget:** The replacement of older vehicles with high mileage reduces downtime and maintenance costs in the operating budget.

## BATTALION CHIEF (BC) COMMAND VEHICLES

**Project Priority:** A

**Project Type:** Vehicle Replacement

**Project Management:** Fleet Services Manager

**Project Description:** Each of the nine battalions is assigned a command vehicle. Approximately forty percent of the vehicle cost is for equipment which includes cell phones, Mobile Data Computers (MDCs), and a slide-out working station to manage any large incident. This project is for the replacement of three command vehicles in 2016/17.



Vehicle replacement evaluation is based on the following criteria:

- Actual miles of the vehicles
- Actual years of operation compared to expected years
- Evaluation of mechanical condition by the Fleet Services Manager
- Evaluation of the maintenance costs by the Fleet Services Manager

The age and mileage targets for BC command vehicles are five years and/or 120,000 miles. The projections for the replacement of these vehicles are based on age. However, mileage will be reviewed before a purchase is made, and the purchase may be deferred if warranted.

**Project Status:** Purchases to occur in 2016/17

| Description          | 2014/15 | 2015/16 | 2016/17   | 2017/18 | 2018/19 | 5-Yr. Total |
|----------------------|---------|---------|-----------|---------|---------|-------------|
| <i>Project Cost</i>  |         |         |           |         |         |             |
| Vehicles (Emergency) |         |         | \$278,646 |         |         | \$278,646   |
| <b>Total</b>         | -       | -       | \$278,646 | -       | -       | \$278,646   |

**Impact on Operating Budget:** The replacement of older vehicles with high mileage reduces downtime and maintenance costs in the operating budget.

## **BRUSH CHIPPER**

**Project Priority:** B

**Project Type:** Vehicle Replacement

**Project Management:** Fleet Services Manager

**Project Description:** The brush chipper is used for weed abatement, landscaping, tree care, and wood waste processing. This apparatus is operated by Crews and Equipment or Hand Crews for brush and tree removal. This project is for the replacement of one brush chipper in 2015/16.



Replacement evaluation is based on the following criteria:

- Actual hours of operation of the brush chipper
- Actual years of operation compared to expected years
- Evaluation of mechanical condition by the Fleet Services Manager
- Evaluation of the maintenance costs by the Fleet Services Manager

The age and hour targets for brush chipper are 20 years and/or 5,000 hours. The projections for the replacement of this vehicle are based on age. However, hours will be reviewed before a purchase is made, and the purchase may be deferred if warranted.

**Project Status:** Purchase to occur in 2015/16

| Description          | 2014/15 | 2015/16  | 2016/17 | 2017/18 | 2018/19 | 5-Yr. Total |
|----------------------|---------|----------|---------|---------|---------|-------------|
| <i>Project Cost</i>  |         |          |         |         |         |             |
| Vehicles (Emergency) |         | \$36,000 |         |         |         | \$36,000    |
| <b>Total</b>         | -       | \$36,000 | -       | -       | -       | \$36,000    |

**Impact on Operating Budget:** The replacement of older vehicles with high hours recorded reduces downtime and maintenance costs in the operating budget

## COMPACT TRACK LOADER

**Project Priority:** B

**Project Type:** Vehicle Replacement

**Project Management:** Fleet Services Manager

**Project Description:** The compact track loader is a small maneuverable piece of equipment that will allow the Pre-Fire Management Section to more effectively meet their mission throughout the county. Examples include fuels maintenance, fire roads, and a variety of miscellaneous projects throughout the organization. This project is for the purchase of one compact track loader and attachments, including a grappling bucket, mulcher, brush cutter, and stump grinder to replace an older and larger track loader and dozer in the current fleet. The goal is to reduce the size of the current heavy equipment fleet and better focus on the changing pre-fire environment. With the variety of attachments, the heavy equipment operators will be able to address projects currently requiring the hand crew, allowing their re-assignment to more suitable projects thereby increasing productivity. The purchase is scheduled for 2014/15.



dozer in the current fleet. The goal is to reduce the size of the current heavy equipment fleet and better focus on the changing pre-fire environment. With the variety of attachments, the heavy equipment operators will be able to address projects currently requiring the hand crew, allowing their re-assignment to more suitable projects thereby increasing productivity. The purchase is scheduled for 2014/15.

Vehicle replacement evaluation is based on the following criteria:

- Actual miles of the vehicles
- Actual years of operation compared to expected years
- Evaluation of mechanical condition by the Fleet Services Manager
- Evaluation of the maintenance costs by the Fleet Services Manager

The projection for the replacement of this vehicle is based on age. The age target for compact track loaders is 20 years. However, the service and repair costs will be reviewed before a purchase is made, and the purchase may be deferred if warranted.

**Project Status:** Purchase to occur in 2014/15

| Description          | 2014/15   | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 5-Yr. Total |
|----------------------|-----------|---------|---------|---------|---------|-------------|
| <i>Project Cost</i>  |           |         |         |         |         |             |
| Vehicles (Emergency) | \$136,000 |         |         |         |         | \$136,000   |
| <b>Total</b>         | \$136,000 | -       | -       | -       | -       | \$136,000   |

**Impact on Operating Budget:** The replacement of older vehicles with high mileage reduces maintenance costs in the operating budget.

## CREW CAB DOZER TENDER

**Project Priority:** B

**Project Type:** Vehicle Replacement

**Project Management:** Fleet Services Manager

**Project Description:** Crew cab dozer tenders have a multitude of uses for the Crews and Equipment. The primary use is to support, fuel, oil, and carry repair materials needed for the department's bull dozers, graders and other miscellaneous off- road equipment. These units are also sent out of the county to support the section on large campaign fires. Approximately thirty percent of the cost of this vehicle is for equipment. This project is for the replacement of two dozer tenders in 2018/19.



Vehicle replacement evaluation is based on the following criteria:

- Actual miles of the vehicles
- Actual years of operation compared to expected years
- Evaluation of mechanical condition by the Fleet Services Manager
- Evaluation of the maintenance costs by the Fleet Services Manager

The age and mileage targets for service trucks are 10 years and/or 120,000 miles. The projection for the replacement of this vehicle is based on age. However, mileage will be reviewed before a purchase is made, and the purchase may be deferred if warranted.

**Project Status:** Purchase to occur in 2018/19

| Description         | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19   | 5-Yr. Total |
|---------------------|---------|---------|---------|---------|-----------|-------------|
| <i>Project Cost</i> |         |         |         |         |           |             |
| Vehicles (Support)  |         |         |         |         | \$163,772 | \$163,772   |
| <b>Total</b>        | -       | -       | -       | -       | \$163,772 | \$163,772   |

**Impact on Operating Budget:** The replacement of older vehicles with high mileage reduces downtime and maintenance costs in the operating budget.

## ENGINE – TYPE 1

**Project Priority:** A

**Project Type:** Vehicle Replacement

**Project Management:** Fleet Services Manager

**Project Description:** The Type 1 engine carries hose, water, and a pump used primarily for structure fires. Most fire stations contain one or more of these units. This project is for the replacement of twenty-one Type 1 engines as follows: five in 2014/15, four in 2015/16, five in 2016/17, four in 2017/18 and three in 2018/19.



Vehicle replacement evaluation is based on the following criteria:

- Actual miles of the vehicles
- Actual years of operation compared to expected years
- Evaluation of mechanical condition by the Fleet Services Manager
- Evaluation of the maintenance costs by the Fleet Services Manager

The age and mileage targets for Type 1 engines are 15 years and/or 120,000 miles. The projections for the replacement of these vehicles are based on age. However, mileage will be reviewed before a purchase is made, and the purchase may be deferred if warranted.

**Project Status:** Purchases to occur annually

| Description          | 2014/15     | 2015/16     | 2016/17     | 2017/18     | 2018/19     | 5-Yr. Total  |
|----------------------|-------------|-------------|-------------|-------------|-------------|--------------|
| <i>Project Cost</i>  |             |             |             |             |             |              |
| Vehicles (Emergency) | \$2,796,995 | \$2,304,724 | \$2,967,330 | \$2,445,080 | \$1,888,824 | \$12,402,953 |
| <b>Total</b>         | \$2,796,995 | \$2,304,724 | \$2,967,330 | \$2,445,080 | \$1,888,824 | \$12,402,593 |

**Impact on Operating Budget:** The replacement of older vehicles with high mileage reduces downtime and maintenance costs in the operating budget.

## FULL-SIZE 4-DOOR VEHICLES

**Project Priority:** A

**Project Type:** Vehicle Replacement

**Project Management:** Fleet Services Manager

**Project Description:** The full-size 4-door vehicle is used by all staff Battalion Chiefs and Division Chiefs. These vehicles are frequently used in Battalion Command situations similar to BC Command Vehicles. This project is for the replacement of six full-size 4-door vehicles with six new full-size 4-door vehicles as follows: five vehicles scheduled in 2014/15 and one in 2017/18.



Vehicle replacement evaluation is based on the following criteria:

- Actual miles of the vehicles
- Actual years of operation compared to expected years
- Evaluation of mechanical condition by the Fleet Services Manager
- Evaluation of the maintenance costs by the Fleet Services Manager

The age and mileage targets for full-size 4-door vehicles are seven years and/or 120,000 miles. The projections for the replacement of these vehicles are based on age. However, mileage will be reviewed before a purchase is made, and the purchase may be deferred if warranted.

**Project Status:** Purchases to occur in 2014/15 and 2017/18

| Description          | 2014/15   | 2015/16 | 2016/17 | 2017/18  | 2018/19 | 5- Yr. Total |
|----------------------|-----------|---------|---------|----------|---------|--------------|
| <i>Project Cost</i>  |           |         |         |          |         |              |
| Vehicles (Emergency) | \$260,835 |         |         | \$57,004 |         | \$317,839    |
| <b>Total</b>         | \$260,835 | -       | -       | \$57,004 | -       | \$317,839    |

**Impact on Operating Budget:** The replacement of older vehicles with high mileage reduces maintenance costs in the operating budget.

## LEASED VEHICLES

**Project Priority:** A

**Project Type:** Vehicle Replacement

**Project Management:** Fleet Services Manager

**Project Description:** The monthly lease payments for six vehicles are based on the following agreements:

- 36 month leases to replace six vehicles, of which four were donated.

**Project Status:** New leases to begin in 2015/16 for three vehicles and 2016/17 for three additional vehicles; deferred from 2012/13. New lease agreement is projected to start again in 2018/19.

| Description          | 2014/15 | 2015/16  | 2016/17  | 2017/18  | 2018/19  | 5-Yr. Total |
|----------------------|---------|----------|----------|----------|----------|-------------|
| <i>Project Cost</i>  |         |          |          |          |          |             |
| Vehicles (Emergency) |         | \$34,320 | \$69,669 | \$69,669 | \$72,759 | \$246,417   |
| <b>Total</b>         | -       | \$34,320 | \$69,669 | \$69,669 | \$72,759 | \$246,417   |

**Impact on Operating Budget:** Because the vehicles are new, many of the repairs would be covered under warranty and therefore may help control maintenance costs in the operating budget.

## MID-SIZE 4X4 4-DOOR VEHICLES

**Project Priority:** A

**Project Type:** Vehicle Replacement

**Project Management:** Fleet Services Manager

**Project Description:** The mid-size 4x4 4-door vehicles are used by staff in the Operations Department who needs the versatility of a 4x4 to complete their specific assignments (e.g. safety officers). This project is for the replacement of nine mid-size 4x4 4-door vehicles with five in 2014/15, and four in 2015/16.



Vehicle replacement evaluation is based on the following criteria:

- Actual miles of the vehicles
- Actual years of operation compared to expected years
- Evaluation of mechanical condition by the Fleet Services Manager
- Evaluation of the maintenance costs by the Fleet Services Manager

The age and mileage targets for mid-size 4x4 4-door vehicles are seven years and/or 120,000 miles. The projections for the replacement of these vehicles are based on age. However, mileage will be reviewed before a purchase is made, and the purchase may be deferred if warranted.

**Project Status:** Purchases to occur 2014/15 and 2015/16

| Description          | 2014/15   | 2015/16   | 2016/17 | 2017/18 | 2018/19 | 5-Yr. Total |
|----------------------|-----------|-----------|---------|---------|---------|-------------|
| <i>Project Cost</i>  |           |           |         |         |         |             |
| Vehicles (Emergency) | \$206,120 | \$169,840 |         |         |         | \$375,960   |
| <b>Total</b>         | \$206,120 | \$169,840 | -       | -       | -       | \$375,960   |

**Impact on Operating Budget:** The replacement of older vehicles with high mileage reduces maintenance costs in the operating budget.

## PARAMEDIC SQUAD

**Project Priority:** A

**Project Type:** Vehicle Replacement

**Project Management:** Fleet Services Manager

**Project Description:** The paramedic van platform will be changing from a van to a pickup truck with a utility body. This platform change will increase storage capability while reducing vehicle cost. This unit carries a full complement of paramedic equipment. This project is for the replacement of fifteen paramedic vans with five new paramedic squads in 2014/15, five new paramedic squads in 2015/16 and five new paramedic squads 2016/17.

Vehicle replacement evaluation is based on the following criteria:

- Actual miles of the vehicles
- Actual years of operation compared to expected years
- Evaluation of mechanical condition by the Fleet Services Manager
- Evaluation of the maintenance costs by the Fleet Services Manager

The age and mileage targets for paramedic squads are five years and/or 120,000 miles. The projections for the replacement of these vehicles are based on age. However, mileage will be reviewed before a purchase is made, and the purchase may be deferred if warranted.

**Project Status:** Purchases to occur in 2014/15, 2015/16 and 2016/17

| Description          | 2014/15   | 2015/16   | 2016/17   | 2017/18 | 2018/19 | 5-Yr. Total |
|----------------------|-----------|-----------|-----------|---------|---------|-------------|
| <i>Project Cost</i>  |           |           |           |         |         |             |
| Vehicles (Emergency) | \$558,465 | \$575,220 | \$592,475 |         |         | \$1,726,160 |
| <b>Total</b>         | \$558,465 | \$575,220 | \$592,475 | -       | -       | \$1,726,160 |

**Impact on Operating Budget:** The replacement of older vehicles with high mileage reduces downtime and maintenance costs in the operating budget.

## PICKUP UTILITY – ¾ TON VEHICLES

**Project Priority:** B

**Project Type:** Vehicle Replacement

**Project Management:** Fleet Services Manager

**Project Description:** The pickup utility – ¾ ton units are located at each one of the nine battalions in the department. These vehicles are used for a variety of miscellaneous transportation needs. The units are also used as BC Command vehicles on occasion. This project is for the replacement of eight pickup utility – ¾ ton vehicles with three new pickup utility – ¾ ton vehicles in 2017/18 and five in 2018/19.



Vehicle replacement evaluation is based on the following criteria:

- Actual miles of the vehicles
- Actual years of operation compared to expected years
- Evaluation of mechanical condition by the Fleet Services Manager
- Evaluation of the maintenance costs by the Fleet Services Manager

The age and mileage targets for pickup utility – ¾ ton vehicles are eight years and/or 120,000 miles. The projections for the replacement of these vehicles are based on age. However, mileage will be reviewed before a purchase is made, and the purchase may be deferred if warranted.

**Project Status:** Purchases to occur in 2017/18 and 2018/19

| Description          | 2014/15 | 2015/16 | 2016/17 | 2017/18   | 2018/19   | 5-Yr. Total |
|----------------------|---------|---------|---------|-----------|-----------|-------------|
| <i>Project Cost</i>  |         |         |         |           |           |             |
| Vehicles (Emergency) |         |         |         | \$137,040 | \$235,250 | \$372,290   |
| <b>Total</b>         | -       | -       | -       | \$137,040 | \$235,250 | \$372,290   |

**Impact on Operating Budget:** The replacement of older vehicles with high mileage reduces downtime and maintenance costs in the operating budget.

## TRUCK – 75’ QUINT

**Project Priority:** A

**Project Type:** Vehicle Replacement

**Project Management:** Fleet Services Manager

**Project Description:** The 75’ quint apparatus is more maneuverable than the 90’ quint and is utilized in tighter communities. The 75’ quint is used to provide search and rescue, roof ventilation, elevated water streams, salvage, overhaul operations, and carry all the applicable tools needed for these tasks. This apparatus also has a 75’ aerial platform, 300-gallon water tank, and a fire pump similar to a fire engine. This project is for the replacement of one 75’ quint in 2015/16.



Vehicle replacement evaluation is based on the following criteria:

- Actual miles of the vehicles
- Actual years of operation compared to expected years
- Evaluation of mechanical condition by the Fleet Services Manager
- Evaluation of the maintenance costs by the Fleet Services Manager

The age and mileage targets for trucks - 75’ quints are 17 years and/or 120,000 miles. The projections for the replacement of these vehicles are based on age. However, mileage will be reviewed before a purchase is made, and the purchase may be deferred if warranted.

**Project Status:** Purchase deferred from 2012/13 to 2015/16

| Description          | 2014/15 | 2015/16     | 2016/17 | 2017/18 | 2018/19 | 5-Yr. Total |
|----------------------|---------|-------------|---------|---------|---------|-------------|
| <i>Project Cost</i>  |         |             |         |         |         |             |
| Vehicles (Emergency) |         | \$1,127,366 |         |         |         | \$1,127,336 |
| <b>Total</b>         | -       | \$1,127,366 | -       | -       | -       | \$1,127,336 |

**Impact on Operating Budget:** The replacement of older vehicles with high mileage reduces downtime and maintenance costs in the operating budget.

## ENGINE-TYPE 1/ DEVELOPER FUNDED

**Project Priority:** A

**Project Type:** New Vehicle

**Project Management:** Fleet Services Manager

**Project Description:** The Type 1 engine carries hose, water, and a pump used primarily for structure fires. Most fire stations contain one or more of these units. This apparatus is the same as our replacement Type I engines; however, this apparatus is funded by a local developer including hose and other equipment. This project is for the purchase of one Type 1 engine in FY 2017/18 for station 67 (Rancho Mission Viejo).



**Project Status:** Purchase to occur in 2017/18

| Description          | 2014/15 | 2015/16 | 2016/17 | 2017/18   | 2018/19 | Project Total |
|----------------------|---------|---------|---------|-----------|---------|---------------|
| <i>Project Cost</i>  |         |         |         |           |         |               |
| Vehicles (Emergency) |         |         |         | \$729,608 |         | \$729,608     |
| <b>Total</b>         | -       | -       | -       | \$729,608 | -       | \$729,608     |

**Impact on Operating Budget:** The addition of a Type 1 engine to the vehicle fleet is considered a significant, non-recurring expenditure, which will increase annual service and maintenance costs in the operating budget by approximately \$3,500 per year during the five-year warranty period. After the warranty period, the annual service and maintenance costs are expected to increase to approximately \$7,000 per year. These costs are included in the Five-Year Financial Forecast.

## **PARAMEDIC SQUAD - DEVELOPER FUNDED**

**Project Priority:** A

**Project Type:** New Vehicle

**Project Management:** Fleet Services Manager

**Project Description:** The paramedic van platform will be changing from a van to a pickup truck with a utility body. This platform change will increase storage capability while reducing vehicle cost. This unit carries a full complement of paramedic equipment. This project is for the addition of one paramedic squad that will be funded by a local developer including all the advanced life support equipment (ALS) needed for the unit to go into service. Purchase of this one paramedic squad will be made in 2017/18 for fire station 67 (Rancho Mission Viejo).

Vehicle replacement evaluation is based on the following criteria:

- Actual miles of the vehicles
- Actual years of operation compared to expected years
- Evaluation of mechanical condition by the Fleet Services Manager
- Evaluation of the maintenance costs by the Fleet Services Manager

The age and mileage targets for paramedic squads are five years and/or 120,000 miles. The projections for the replacement of these vehicles are based on age. However, mileage will be reviewed before a purchase is made, and the purchase may be deferred if warranted.

**Project Status:** Purchase to occur in 2017/18

| Description          | 2014/15 | 2015/16 | 2016/17 | 2017/18   | 2018/19 | 5-Yr. Total |
|----------------------|---------|---------|---------|-----------|---------|-------------|
| <i>Project Cost</i>  |         |         |         |           |         |             |
| Vehicles (Emergency) |         |         |         | \$122,049 |         | \$122,049   |
| <b>Total</b>         | -       | -       | -       | \$122,049 | -       | \$122,049   |

**Impact on Operating Budget:** The addition of a paramedic squad is considered a significant, non-recurring expenditure, which will increase annual service and maintenance costs in the operating budget by approximately \$1,500 per year during the three-year warranty period. After the warranty period, the annual service and maintenance costs are expected to increase to approximately \$2,500 per year. These costs are included in the Five-Year Financial Forecast.

## TRACTOR-DRAWN AERIAL (TDA) QUINT-100' / DEVELOPER FUNDED

**Project Priority:** A

**Project Type:** New Vehicle

**Project Management:** Fleet Services Manager

**Project Description:** The TDA apparatus is used to provide search and rescue, roof ventilation, elevated water streams, salvage, overhaul operations and carry all the applicable tools needed for these tasks. This apparatus also has a 100' aerial ladder, 300-gallon water tank, and a fire pump similar to a fire engine. This apparatus, including hose and other equipment is funded by local developers. This project is for the addition of two new 100' tractor drawn aerial quints with one in 2016/17 for FS20 (Irvine) and one in 2017/18 for FS67 (Rancho Mission Viejo).



Vehicle replacement evaluation is based on the following criteria:

- Actual miles of the vehicles
- Actual years of operation compared to expected years
- Evaluation of mechanical condition by the Fleet Services Manager
- Evaluation of the maintenance costs by the Fleet Services Manager

The age and mileage targets for trucks – TDA 100' quints are 17 years and/or 120,000 miles. The projections for the replacement of these vehicles are based on age. However, mileage will be reviewed before a purchase is made, and the purchase may be deferred if warranted.

**Project Status:** Purchases to occur in 2016/17 and 2017/18

| Description          | 2014/15 | 2015/16 | 2016/17     | 2017/18     | 2018/19 | 5-Yr. Total |
|----------------------|---------|---------|-------------|-------------|---------|-------------|
| <i>Project Cost</i>  |         |         |             |             |         |             |
| Vehicles (Emergency) |         |         | \$1,509,314 | \$1,554,593 |         | \$3,063,907 |
| <b>Total</b>         | -       | -       | \$1,509,314 | \$1,554,593 | -       | \$3,063,907 |

**Impact on Operating Budget:** The addition of a TDA Quint to the vehicle fleet is considered a significant, non-recurring expenditure, which will increase annual service and maintenance costs in the operating budget by approximately \$3,500 per year during the five-year warranty period. After the warranty period, the costs are expected to increase to approximately \$7,000 per year. These costs are included in the Five-Year Financial Forecast.

## FULL-SIZE CARGO VANS

**Project Priority:** B

**Project Type:** Vehicle Replacement

**Project Management:** Fleet Services Manager

**Project Description:** These vehicles are used in a number of OCFA's sections such as Information Systems. Depending on the vehicle's application, it can be used for transportation and storage of components specific to each section's needs (i.e., computer components, miscellaneous tools to facilitate repairs or haul specific equipment). This project is for the replacement of four full-size cargo vans in 2014/15.



Vehicle replacement evaluation is based on the following criteria:

- Actual miles of the vehicles
- Actual years of operation compared to expected years
- Evaluation of mechanical condition by the Fleet Services Manager
- Evaluation of the maintenance costs by the Fleet Services Manager

The age and mileage targets for full-size cargo vans are seven years and/or 120,000 miles. The projections for the replacement of these vehicles are based on age. However, mileage will be reviewed before a purchase is made, and the purchase may be deferred if warranted.

**Project Status:** Purchases to occur in 2014/15

| Description         | 2014/15   | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 5-Yr. Total |
|---------------------|-----------|---------|---------|---------|---------|-------------|
| <i>Project Cost</i> |           |         |         |         |         |             |
| Vehicles (Support)  | \$166,564 |         |         |         |         | \$166,564   |
| <b>Total</b>        | \$166,564 | -       | -       | -       | -       | \$166,564   |

**Impact on Operating Budget:** The replacement of older vehicles with high mileage reduces maintenance costs in the operating budget.

## MID-SIZE 4-DOOR VEHICLES

**Project Priority:** B

**Project Type:** Vehicle Replacement

**Project Management:** Fleet Services Manager

**Project Description:** The mid-size 4-door vehicles are used by management and supervisory staff in a variety of support staff positions that need the versatility of a 4-door vehicle to complete their specific assignments and support the operations of their specific sections. This project is for the replacement of two mid-size 4-door vehicles in 2014/15.



Vehicle replacement evaluation is based on the following criteria:

- Actual miles of the vehicles
- Actual years of operation compared to expected years
- Evaluation of mechanical condition by the Fleet Services Manager
- Evaluation of the maintenance costs by the Fleet Services Manager

The age and mileage targets for mid-size 4-door vehicles are seven years and/or 120,000 miles. The projections for the replacement of these vehicles are based on age. However, mileage will be reviewed before a purchase is made, and the purchase may be deferred if warranted.

**Project Status:** Purchases to occur in 2014/15

| Description         | 2014/15  | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 5-Yr. Total |
|---------------------|----------|---------|---------|---------|---------|-------------|
| <i>Project Cost</i> |          |         |         |         |         |             |
| Vehicles (Support)  | \$70,808 |         |         |         |         | \$70,808    |
| <b>Total</b>        | \$70,808 | -       | -       | -       | -       | \$70,808    |

**Impact on Operating Budget:** The replacement of older vehicles with high mileage reduces maintenance costs in the operating budget.

## MID-SIZE PICKUP-1/2 TON VEHICLES

**Project Priority:** B

**Project Type:** Vehicle Replacement

**Project Management:** Fleet Services Manager

**Project Description:** These vehicles are primarily used by the Fire Prevention Department to conduct off-site inspections. This project is for the replacement of ten mid-size pickup-1/2 ton vehicles with six new mid-size pickup-1/2 vehicles in 2014/15, two in 2015/16, and two in 2016/17.



Vehicle replacement evaluation is based on the following criteria:

- Actual miles of the vehicles
- Actual years of operation compared to expected years
- Evaluation of mechanical condition by the Fleet Services Manager
- Evaluation of the maintenance costs by the Fleet Services Manager

The age and mileage targets for mid-size pickup-1/2 ton vehicles are seven years and/or 120,000 miles. The projections for the replacement of these vehicles are based on age. However, mileage will be reviewed before a purchase is made, and the purchase may be deferred if warranted.

**Project Status:** Purchases to occur in 2014/15, 2015/16, and 2016/17

| Description         | 2014/15   | 2015/16  | 2016/17  | 2017/18 | 2018/19 | 5-Yr. Total |
|---------------------|-----------|----------|----------|---------|---------|-------------|
| <i>Project Cost</i> |           |          |          |         |         |             |
| Vehicles (Support)  | \$186,876 | \$64,160 | \$66,084 |         |         | \$317,120   |
| <b>Total</b>        | \$186,876 | \$64,160 | \$66,084 | -       | -       | \$317,120   |

**Impact on Operating Budget:** The replacement of older vehicles with high mileage reduces downtime and maintenance costs in the operating budget.

## MINIVAN - PASSENGER

**Project Priority:** B

**Project Type:** Vehicle Replacement

**Project Management:** Fleet Services Manager

**Project Description:** Minivan-passenger vehicles are used in sections such as Community Relations and Education Services. These units are utilized by staff to carry educational materials, and also to transport people to and from functions. Project costs include the replacement of one minivan-passenger vehicle in 2015/16.



Vehicle replacement evaluation is based on the following criteria:

- Actual miles of the vehicles
- Actual years of operation compared to expected years
- Evaluation of mechanical condition by the Fleet Services Manager
- Evaluation of the maintenance costs by the Fleet Services Manager

The age and mileage targets for minivan-passenger vehicles are seven years and/or 120,000 miles. The projection for the replacement of this vehicle is based on age. However, mileage will be reviewed before a purchase is made, and the purchase may be deferred if warranted.

**Project Status:** Purchase to occur in 2015/16

| Description         | 2014/15 | 2015/16  | 2016/17 | 2017/18 | 2018/19 | 5-Yr. Total |
|---------------------|---------|----------|---------|---------|---------|-------------|
| <i>Project Cost</i> |         |          |         |         |         |             |
| Vehicles (Support)  |         | \$27,863 |         |         |         | \$27,863    |
| <b>Total</b>        | -       | \$27,863 | -       | -       | -       | \$27,863    |

**Impact on Operating Budget:** The replacement of older vehicles with high mileage reduces maintenance costs in the operating budget.

## PICKUP GENERAL – 1/2 TON VEHICLES

**Project Priority:** B

**Project Type:** Vehicle Replacement

**Project Management:** Fleet Services Manager

**Project Description:** These units are utilized by sections that need adequate cargo space. This project is for the replacement of one pickup general – 1/2 ton vehicle in 2014/15.

Vehicle replacement evaluation is based on the following criteria:

- Actual miles of the vehicles
- Actual years of operation compared to expected years
- Evaluation of mechanical condition by the Fleet Services Manager
- Evaluation of the maintenance costs by the Fleet Services Manager



The age and mileage targets for pickup general – 1/2 ton vehicles are seven years and/or 120,000 miles. The projections for the replacement of these vehicles are based on age. However, mileage will be reviewed before a purchase is made, and the purchase may be deferred if warranted.

**Project Status:** Purchase to occur in 2014/15; deferred from 2011/12

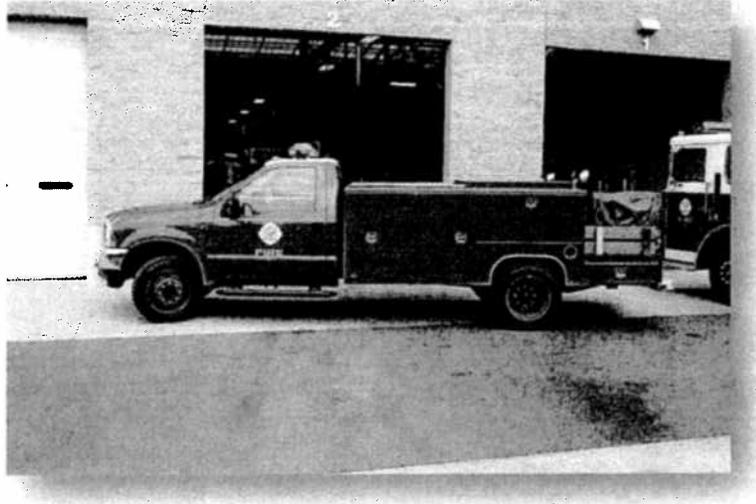
| Description         | 2014/15  | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 5-Yr. Total |
|---------------------|----------|---------|---------|---------|---------|-------------|
| <i>Project Cost</i> |          |         |         |         |         |             |
| Vehicles (Support)  | \$41,527 |         |         |         |         | \$41,527    |
| <b>Total</b>        | \$41,527 | -       | -       | -       | -       | \$41,527    |

**Impact on Operating Budget:** The replacement of older vehicles with high mileage reduces downtime and maintenance costs in the operating budget.

**SERVICE TRUCK - LIGHT VEHICLE**

**Project Priority:** B  
**Project Type:** Vehicle Replacement  
**Project Management:** Fleet Services Manager

**Project Description:** Service trucks – light vehicles are used for field service throughout the department for both heavy and light apparatus in the fleet for fleet services and communication services. These units are also sent out of county if technicians are requested on large campaign fires. This project is for the replacement of one service truck - light vehicle in 2015/16.



Vehicle replacement evaluation is based on the following criteria:

- Actual miles of the vehicles
- Actual years of operation compared to expected years
- Evaluation of mechanical condition by the Fleet Services Manager
- Evaluation of the maintenance costs by the Fleet Services Manager

The age and mileage targets for service truck - light vehicles are 10 years and/or 120,000 miles. The projection for the replacement of this vehicle is based on age. However, mileage will be reviewed before a purchase is made, and the purchase may be deferred if warranted.

**Project Status:** Purchase to occur in 2015/16

| Description         | 2014/15 | 2015/16  | 2016/17 | 2017/18 | 2018/19 | 5-Yr. Total |
|---------------------|---------|----------|---------|---------|---------|-------------|
| <i>Project Cost</i> |         |          |         |         |         |             |
| Vehicles (Support)  |         | \$60,349 |         |         |         | \$60,349    |
| <b>Total</b>        | -       | \$60,349 | -       | -       | -       | \$60,349    |

**Impact on Operating Budget:** The replacement of older vehicles with high mileage reduces downtime and maintenance costs in the operating budget.

## SERVICE TRUCK – HEAVY VEHICLE

**Project Priority:** B

**Project Type:** Vehicle Replacement

**Project Management:** Fleet Services Manager

**Project Description:** The service truck – heavy vehicles carries large quantities of oil and a welder, providing the ability to service vehicles at fire stations or on large fires. This project is for the replacement of one service truck – heavy vehicle in 2017/18.



Vehicle replacement evaluation is based on the following criteria:

- Actual miles of the vehicles
- Actual years of operation compared to expected years
- Evaluation of mechanical condition by the Fleet Services Manager
- Evaluation of the maintenance costs by the Fleet Services Manager

The age and mileage targets for service truck – heavy vehicles are 18 years and/or 120,000 miles. The projection for the replacement of this vehicle is based on age. However, mileage will be reviewed before a purchase is made, and the purchase may be deferred if warranted.

**Project Status:** Purchase to occur in 2017/18

| Description         | 2014/15 | 2015/16 | 2016/17 | 2017/18  | 2018/19 | 5-Yr. Total |
|---------------------|---------|---------|---------|----------|---------|-------------|
| <b>Project Cost</b> |         |         |         |          |         |             |
| Vehicles (Support)  |         |         |         | \$66,554 |         | \$66,554    |
| <b>Total</b>        | -       | -       | -       | \$66,554 | -       | \$66,554    |

**Impact on Operating Budget:** The replacement of older vehicles with high mileage reduces downtime and maintenance costs in the operating budget.

## STEP VAN

**Project Priority:** B

**Project Type:** Vehicle Replacement

**Project Management:** Fleet Services Manager

**Project Description:** These vehicles are used by the Materiel Management section for the interdepartmental mail delivery and pick-up. Project costs include the replacement of two step vans in 2014/15.



Vehicle replacement evaluation is based on the following criteria:

- Actual miles of the vehicles
- Actual years of operation compared to expected years
- Evaluation of mechanical condition by the Fleet Services Manager
- Evaluation of the maintenance costs by the Fleet Services Manager

The age and mileage targets for step vans are seven years and/or 120,000 miles. The projections for the replacement of these vehicles are based on age. However, mileage will be reviewed before a purchase is made, and the purchase may be deferred if warranted.

**Project Status:** Purchases to occur in 2014/15

| Description         | 2014/15   | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 5-Yr. Total |
|---------------------|-----------|---------|---------|---------|---------|-------------|
| <i>Project Cost</i> |           |         |         |         |         |             |
| Vehicles (Support)  | \$114,008 | -       |         |         |         | \$114,008   |
| <b>Total</b>        | \$114,008 | -       | -       | -       | -       | \$114,008   |

**Impact on Operating Budget:** The replacement of older vehicles with high mileage reduces downtime and maintenance costs in the operating budget.

## **DEFIBRILLATOR REPLACEMENTS**

**Project Priority:** B

**Project Type:** Defibrillator Replacement

**Project Management:** Emergency Medical Services

**Project Description:** This significant, non-routine project is the planned replacement of approximately 100 defibrillators every sixth year. Defibrillators are automated devices that deliver a strong electric shock to patients with abnormal heart rhythm in order to restore a normal heart rhythm. The scheduled replacement of defibrillators will be necessary to maintain compliance with projected changes in Treatment Guideline regulations, as well as provide improved technology.

**Project Status:** Replacements to begin in 2016/17

| Description               | 2014/15 | 2015/16 | 2016/17     | 2017/18 | 2018/19 | 5-Yr. Total |
|---------------------------|---------|---------|-------------|---------|---------|-------------|
| <i>Project Cost</i>       |         |         |             |         |         |             |
| Defibrillator Replacement |         |         | \$3,835,000 |         |         | \$3,835,000 |
| <b>Total</b>              | -       | -       | \$3,835,000 | -       | -       | \$3,835,000 |

**Impact on Operating Budget:** There is no impact to the operating budget, which already includes \$20K for repairs that are not covered by the warranty.

## HELICOPTER COMPONENTS

**Project Priority:** B

**Project Type:** Helicopter Component Replacement

**Project Management:** Air Operations

**Project Description:** This project will serve two purposes. First, it will purchase an aircraft enhancement in the form of Flight Directors. The Flight Director Control System will improve helicopter handling and augment stability during rescue and firefighting operations. It also reduces pilot workload in poor visibility conditions.



Included in this funding is the second part of this project which is to develop an inventory of vital helicopter replacement components such as critical instruments required for flight operations, cross and skid tubes and tail rotor blades.

The role of the OCFA helicopters is to provide rescue and firefighting capability within the boundaries of Orange County. Helicopters are essential tools in remote rescue situations, wildland response, and flood emergencies.

**Project Status:** Ongoing

| Description           | 2014/15   | 2015/16   | 2016/17   | 2017/18   | 2018/19   | 5-Yr. Total |
|-----------------------|-----------|-----------|-----------|-----------|-----------|-------------|
| <i>Project Cost</i>   |           |           |           |           |           |             |
| Helicopter Components | \$155,000 | \$124,000 | \$107,000 | \$130,000 | \$150,000 | \$666,000   |
| <b>Total</b>          | \$155,000 | \$124,000 | \$107,000 | \$130,000 | \$150,000 | \$666,000   |

**Impact on Operating Budget:** The purchase of the enhancements will lower maintenance costs through reduced airframe fatigue, which will also reduce fuel consumption. The scheduled replacement and immediate availability of helicopter components will ensure immediate aircraft readiness and control of the maintenance costs in the operating budget.

**DISCUSSION CALENDAR - AGENDA ITEM NO. 8**  
**BUDGET AND FINANCE COMMITTEE MEETING**  
**May 14, 2014**

TO: Budget and Finance Committee, Orange County Fire Authority

FROM: Lori Zeller, Assistant Chief  
Business Services Department

SUBJECT: **Contract Extension for Banking and Custodial Services**

Summary:

This agenda item is submitted for authorization to extend the banking and custodial services contract with Union Bank (UB), formerly also known as Union Bank of California.

Recommended Action:

Review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of May 22, 2014, with the Budget and Finance Committee's recommendation that the Executive Committee take the following actions:

1. Authorize the Purchasing Manager to extend the banking and custodial services contracts with UB for a three-year term commencing on January 1, 2015, at a fixed pricing level as detailed in the submitted Union Bank Contract Extension Proposal for banking and custodial services.
2. Authorize the Purchasing Manager to extend the contract for two additional one-year terms upon the expiration of the three-year term, subject to negotiations between the OCFA and the bank, provided that fee increases do not exceed the increase in the Consumer Price Index for the Greater Orange County Metro Area.

Background:

On October 23, 1997, the Executive Committee approved banking services with UB, based on a competitive bid process. The initial term of the agreement was two years through December 31, 1999, with three optional one-year extensions. UB had the right to propose fee increases upon each renewal; however, OCFA had exercised all three extensions and UB had not increased our fees. As the initial agreement with UB neared its expiration date, on November 21, 2002, based on a competitive bid, the Executive Committee approved renewing the banking services with UB for a new five year term effective January 1, 2003, through December 31, 2007, with an one-year extension option. OCFA also exercised the one-year extension option for calendar year 2008; UB, again, did not raise our fees for the extension as it also had the right to do per the existing agreement. As the second agreement with UB approached its expiration date, on October 23, 2008, based on a competitive bid, the Executive Committee approved renewing the banking services with UB for a new four-year term with two additional one-year options. OCFA has exercised the two one-year options. UB, once again, did not raise our fees for the additional one-year terms as it had the right to do under the current agreement. UB has kept our fees fixed throughout the terms of all three agreements.

***Request for Extension***

On December 31, 2014, our current banking services agreements with UB will expire. At a recent meeting with the UB Relationship Manager, it was brought up to staff that UB would be willing to offer OCFA a fixed price extension for the contract in an effort to streamline this process because of our mutually beneficial and long-term relationship with the bank. Due to workload capacity constraints, staff was directed to request a contract extension proposal from the bank hoping to achieve competitive pricing for our banking services, since issuing an RFP (Request for Proposal) for banking services may not necessarily result in lower cost pricing level for our banking services overall. Upon receiving the contract extension proposal from the bank, staff reviewed the proposal and found that the proposed fees stay the same for most of the banking services as six years ago, except for a few areas with nominal increases. The proposed increases, as explained by the bank representative, are necessary due to its significantly increased costs in those areas; however, the overall proposed pricing structure for OCFA is still about 50% less than the bank's standard pricing for these services combined (Attachment 1).

***OCFA Member Cities Survey***

Staff also sent out a survey to all OCFA member cities requesting information about their respective policies and/or practices regarding banking services contract and renewal terms. We received eleven responses, about half of the OCFA members (Attachment 2). The policies and/or practices vary among the responding members ranging from mandatory RFP process every 5 years and mandatory rotation of banking institution every 10 years to open-ended term or no formal agreement. The majority of member cities have stayed with their current banking institution for 14 years or longer either through competitive bid processes and/or direct reviews and negotiations to secure both competitive pricing and excellent services.

***Conclusion***

UB has provided excellent service to the Authority over the past 16 years. In 2013, UB was ranked "#1" for Best Reputation in a national customer survey by American Banker Magazine. Its customer service associates and relationship managers are consistently courteous and efficient in responding to our requests. UB has also been a good banking partner in ensuring all OCFA's banking needs are met whether in routine banking activity or when special/urgent banking needs arise. In addition, UB has continuously increased its use of technology and kept up with the latest banking technology available in the industry. On the custody side, UB has been able to smoothly settle all of OCFA's investment transactions.

Based on the excellent quality of services provided by UB, its offer of competitive fixed pricing for the next three years, and consistent with the banking practices used among the OCFA members, staff is recommending authorization to execute a banking contract extension with UB.

**Impact to Cities/County:**

Not Applicable.

Fiscal Impact:

OCFA maintains compensating balances on deposit with the bank, which generate an interest earning credit to offset the cost of the fees. Extension of the contract with UB will increase the fees charged against our interest earning credit by approximately \$1,900 per year, depending upon monthly volume.

Staff Contacts for Further Information

Jane Wong, Assistant Treasurer

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

(714) 573-6305

Patricia Jakubiak, Treasurer

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

(714) 573-6301

Attachments:

1. Union Bank Contract Extension Proposal
2. Survey of OCFA Member Cities

**UNION BANK**  
**Contract Extension**  
**ORANGE COUNTY FIRE AUTHORITY**  
**Effective January 1, 2015**

**Unit Price Increases**

**Current Union Bank Pricing**  
**Since October 2008**  
**Volumes from Jan. 2014 analysis**

| BILLABLE<br>DESCRIPTION                                                                              | VOLUME<br>(A) | Proposed<br>Price \$<br>(D) | Extended<br>Proposed<br>Price \$<br>(E)=(A)*(D) | Unit<br>Price \$<br>(E) | Extended<br>Price \$<br>(A)*(E) | Variance<br>Extended<br>UB - COMP |
|------------------------------------------------------------------------------------------------------|---------------|-----------------------------|-------------------------------------------------|-------------------------|---------------------------------|-----------------------------------|
| <b>ACCOUNT ANALYSIS</b>                                                                              |               |                             |                                                 |                         |                                 |                                   |
| ACCT MAINTENANCE - WEB                                                                               | 5             | 5.00                        | 25.00                                           | 5.00                    | 25.00                           | 0.00                              |
| <b>SUBTOTAL</b>                                                                                      |               |                             | <b>25.00</b>                                    |                         | <b>25.00</b>                    | <b>0.00</b>                       |
| <b>ACCOUNT RECONCILIATION</b>                                                                        |               |                             |                                                 |                         |                                 |                                   |
| FULL RECON MONTHLY MAINT                                                                             | 3             | 50.00                       | 150.00                                          | 50.00                   | 150.00                          | 0.00                              |
| TRANSMISSION ISSUE INPUT-BASE                                                                        | 18            | 2.00                        | 36.00                                           | 2.00                    | 36.00                           | 0.00                              |
| TRANSMISSION ISSUE INPUT-ITEM                                                                        | 1,812         | 0.02                        | 36.24                                           | 0.02                    | 36.24                           | 0.00                              |
| RECORD MAINTENANCE - PER ISSUE                                                                       | 2             | 1.00                        | 2.00                                            | 1.00                    | 2.00                            | 0.00                              |
| CHECK PAID TRUNCATED                                                                                 | 1,589         | 0.07                        | 111.23                                          | 0.07                    | 111.23                          | 0.00                              |
| DAILY PAID REPORT                                                                                    | 3             | 0.00                        | 0.00                                            | 0.00                    | 0.00                            | 0.00                              |
| EXCEPTION ITEMS RETURNED                                                                             | 1             | 0.00                        | 0.00                                            | 0.00                    | 0.00                            | 0.00                              |
| OUTSTANDING ONLY REPORT                                                                              | 1             | 5.00                        | 5.00                                            | 5.00                    | 5.00                            | 0.00                              |
| OUTSTANDING CHECK REGISTR-ITEM                                                                       | 221           | 0.00                        | 0.00                                            | 0.00                    | 0.00                            | 0.00                              |
| STALE DATE FEATURE - BASE                                                                            | 3             | 5.00                        | 15.00                                           | 5.00                    | 15.00                           | 0.00                              |
| STALE DATE LISTING - ITEM                                                                            | 606           | 0.02                        | 12.12                                           | 0.02                    | 12.12                           | 0.00                              |
| IMAGE CD - ROM                                                                                       | 1             | 10.00                       | 10.00                                           | 10.00                   | 10.00                           | 0.00                              |
| CHECK CAPTURE                                                                                        | 1,589         | 0.02                        | 31.78                                           | 0.02                    | 31.78                           | 0.00                              |
| WEB POS PAY-ACCOUNT BASE                                                                             | 3             | 0.00                        | 0.00                                            | 0.00                    | 0.00                            | 0.00                              |
| WEB POS PAY-EXCEPTIONS                                                                               | 35            | 0.00                        | 0.00                                            | 0.00                    | 0.00                            | 0.00                              |
| WEB POS PAY-IMAGES                                                                                   | 32            | 0.00                        | 0.00                                            | 0.00                    | 0.00                            | 0.00                              |
| PAYEE NAME VALIDATION                                                                                | 1,592         | 0.035                       | 55.72                                           | 0.035                   | 55.72                           | 0.00                              |
| <b>SUBTOTAL</b>                                                                                      |               |                             | <b>465.09</b>                                   |                         | <b>465.09</b>                   | <b>0.00</b>                       |
| <b>BUSINESS CHECKING</b>                                                                             |               |                             |                                                 |                         |                                 |                                   |
| ELECTRONIC CREDIT                                                                                    | 36            | 0.10                        | 3.60                                            | 0.10                    | 3.60                            | 0.00                              |
| PAID CHECK CHARGE                                                                                    | 22            | 0.13                        | 2.86                                            | 0.13                    | 2.86                            | 0.00                              |
| ELECTRONIC DEBIT                                                                                     | 7             | 0.10                        | 0.70                                            | 0.10                    | 0.70                            | 0.00                              |
| BANK STATEMENT WEB                                                                                   | 5             | 1.00                        | 5.00                                            | 1.00                    | 5.00                            | 0.00                              |
| DEPOSIT ADMIN FEE (000's)                                                                            | 1,620.0       | 0.0894                      | 144.83                                          | 0.0894                  | 144.83                          | 0.00                              |
| <b>SUBTOTAL</b>                                                                                      |               |                             | <b>156.99</b>                                   |                         | <b>156.99</b>                   | <b>0.00</b>                       |
| <b>CHECK PROCESSING</b>                                                                              |               |                             |                                                 |                         |                                 |                                   |
| UNENCODED COURIER DEPOSIT                                                                            | 23            | 2.00                        | 46.00                                           | 0.90                    | 20.70                           | 25.30                             |
| UB CHECKS SERV. CTR DEPOSIT                                                                          | 48            | 0.05                        | 2.40                                            | 0.01                    | 0.48                            | 1.92                              |
| LOCAL CLR. HSE./SER. CTR                                                                             | 225           | 0.08                        | 18.00                                           | 0.03                    | 6.75                            | 11.25                             |
| LOCAL FED DIST 12-SERV CTR DEP                                                                       | 224           | 0.08                        | 17.92                                           | 0.03                    | 6.72                            | 11.20                             |
| ENCODING FEE - SERV. CTR. DEP.                                                                       | 657           | 0.033                       | 21.36                                           | 0.02                    | 13.14                           | 8.22                              |
| OTHER FED - SERV CTR DEPOSIT                                                                         | 160           | 0.10                        | 16.00                                           | 0.05                    | 8.00                            | 8.00                              |
| <b>SUBTOTAL</b>                                                                                      |               |                             | <b>121.68</b>                                   |                         | <b>55.79</b>                    | <b>65.89</b>                      |
| <b>REMOTE DEPOSIT CHECK IMAGE DEPOSITS (Proposed Enhancement to replace Service Center Deposits)</b> |               |                             |                                                 |                         |                                 |                                   |
| REMOTE DEPOSIT MONTHLY MAINT                                                                         | *             | 75.00                       | 0.00                                            | 0.00                    | 0.00                            | 0.00                              |
| REMOTE DEPOSIT ON US                                                                                 | *             | 0.08                        | 0.00                                            | 0.00                    | 0.00                            | 0.00                              |
| REMOTE DEPOSIT PER TRANSIT                                                                           | *             | 0.08                        | 0.00                                            | 0.00                    | 0.00                            | 0.00                              |
| REMOTE DEPOSIT PER DEPOSIT                                                                           | *             | 0.50                        | 0.00                                            | 0.00                    | 0.00                            | 0.00                              |
| <b>SUBTOTAL</b>                                                                                      |               |                             | <b>0.00</b>                                     |                         | <b>0.00</b>                     | <b>0.00</b>                       |
| <b>CORPORATE TRUST - TRUSTEE FEES (NOT INCLUDED IN FIXED UNIT PRICING AGREEMENT)</b>                 |               |                             |                                                 |                         |                                 |                                   |
| CORPORATE TRUST - TRUSTEE FEES                                                                       | 1             | 291.67                      | 291.67                                          | 291.67                  | 291.67                          | 0.00                              |
| <b>SUBTOTAL</b>                                                                                      |               |                             | <b>291.67</b>                                   |                         | <b>291.67</b>                   | <b>0.00</b>                       |
| <b>CLEARPAY</b>                                                                                      |               |                             |                                                 |                         |                                 |                                   |
| DIRECT SEND MONTHLY BASE FEE                                                                         | 1             | 25.00                       | 25.00                                           | 25.00                   | 25.00                           | 0.00                              |
| DIRECT SEND CREDIT TRANSACTION                                                                       | 3,225         | 0.03                        | 96.75                                           | 0.03                    | 96.75                           | 0.00                              |
| DIRECT SEND RETURNS FAX                                                                              | 1             | 3.00                        | 3.00                                            | 3.00                    | 3.00                            | 0.00                              |
| INPUT - DATA TRANSMISSION                                                                            | 3             | 5.00                        | 15.00                                           | 5.00                    | 15.00                           | 0.00                              |
| <b>SUBTOTAL</b>                                                                                      |               |                             | <b>139.75</b>                                   |                         | <b>139.75</b>                   | <b>0.00</b>                       |
| <b>COMMERCIAL CUSTOMER SERVICE (COST EQUALS PRICE FOR MODEL)</b>                                     |               |                             |                                                 |                         |                                 |                                   |
| COPY PREV. STMT ASSOC. MAIL                                                                          | 1             | 35.00                       | 35.00                                           | 35.00                   | 35.00                           | 0.00                              |
| LAIF REDEMPTION                                                                                      | 2             | 0.00                        | 0.00                                            | 0.00                    | 0.00                            | 0.00                              |
| <b>SUBTOTAL</b>                                                                                      |               |                             | <b>35.00</b>                                    |                         | <b>35.00</b>                    | <b>0.00</b>                       |

**UNION BANK**  
**Contract Extension**  
**ORANGE COUNTY FIRE AUTHORITY**  
**Effective January 1, 2015**

**Unit Price Increases**

|                                                                                                   |
|---------------------------------------------------------------------------------------------------|
| <b>Current Union Bank Pricing</b><br><b>Since October 2008</b><br>Volumes from Jan. 2014 analysis |
|---------------------------------------------------------------------------------------------------|

| BILLABLE<br>DESCRIPTION                                                              | VOLUME<br>(A) | Proposed<br>Price \$<br>(D) | Extended<br>Proposed<br>Price \$<br>(E)=(A)*(D) | Unit<br>Price \$<br>(E) | Extended<br>Price \$<br>(A)*(E) | Variance<br>Extended<br>UB - COMP |
|--------------------------------------------------------------------------------------|---------------|-----------------------------|-------------------------------------------------|-------------------------|---------------------------------|-----------------------------------|
| <b>CUSTOMER SERVICE ACTIVITIES</b>                                                   |               |                             |                                                 |                         |                                 |                                   |
| PRINTER CHARGES                                                                      | 1             | 138.96                      | 138.96                                          | 138.96                  | 138.96                          | 0.00                              |
| DDA AUTO-RENEWED STOP PMT                                                            | 3             | 0.00                        | 0.00                                            | 0.00                    | 0.00                            | 0.00                              |
| NON-CUSTOMER CASH PAID ON-US                                                         | 4             | 0.00                        | 0.00                                            | 0.00                    | 0.00                            | 0.00                              |
| <b>SUBTOTAL</b>                                                                      |               |                             | <b>138.96</b>                                   |                         | <b>138.96</b>                   | <b>0.00</b>                       |
| <b>ELECTRONIC TAX DEPOSIT</b>                                                        |               |                             |                                                 |                         |                                 |                                   |
| WEB INSTATAX MONTHLY MAINT                                                           | 1             | 0.00                        | 0.00                                            | 0.00                    | 0.00                            | 0.00                              |
| WEB INSTATAX PAYMENT                                                                 | 8             | 1.50                        | 12.00                                           | 0.00                    | 0.00                            | 12.00                             |
| <b>SUBTOTAL</b>                                                                      |               |                             | <b>12.00</b>                                    |                         | <b>0.00</b>                     | <b>12.00</b>                      |
| <b>CHECK IMAGE</b>                                                                   |               |                             |                                                 |                         |                                 |                                   |
| IOD MONTHLY MAINTENANCE FEE                                                          | 1             | 5.00                        | 5.00                                            | 5.00                    | 5.00                            | 0.00                              |
| IOD PER ITEM FEE                                                                     | 2             | 0.00                        | 0.00                                            | 0.00                    | 0.00                            | 0.00                              |
| <b>SUBTOTAL</b>                                                                      |               |                             | <b>5.00</b>                                     |                         | <b>5.00</b>                     | <b>0.00</b>                       |
| <b>INFORMATION REPORTING</b>                                                         |               |                             |                                                 |                         |                                 |                                   |
| WEB PRIOR DAY REPORT ACCOUNT                                                         | 1             | 20.00                       | 20.00                                           | 20.00                   | 20.00                           | 0.00                              |
| WEB PD BAL/SUM UPDATED                                                               | 539           | 0.05                        | 26.95                                           | 0.05                    | 26.95                           | 0.00                              |
| WEB PD TRANSACTIONS UPDATED                                                          | 188           | 0.05                        | 9.40                                            | 0.05                    | 9.40                            | 0.00                              |
| WEB CD BAL/SUM UPDATED                                                               | 116           | 0.05                        | 5.80                                            | 0.05                    | 5.80                            | 0.00                              |
| WEB CD TRANSACTIONS UPDATED                                                          | 143           | 0.05                        | 7.15                                            | 0.05                    | 7.15                            | 0.00                              |
| WEB CURRENT DAY REPT ACCOUNT                                                         | 1             | 20.00                       | 20.00                                           | 20.00                   | 20.00                           | 0.00                              |
| <b>SUBTOTAL</b>                                                                      |               |                             | <b>89.30</b>                                    |                         | <b>89.30</b>                    | <b>0.00</b>                       |
| <b>DEPOSITED ITEMS RETURNED</b>                                                      |               |                             |                                                 |                         |                                 |                                   |
| DEPOSITD ITEMS RETURNED-CHRGBK                                                       | 1             | 3.00                        | 3.00                                            | 3.00                    | 3.00                            | 0.00                              |
| <b>SUBTOTAL</b>                                                                      |               |                             | <b>3.00</b>                                     |                         | <b>3.00</b>                     | <b>0.00</b>                       |
| <b>SWEEP ACCOUNT (Recommend discontinuing Sweep until investment rates increase)</b> |               |                             |                                                 |                         |                                 |                                   |
| INVESTMENT SWEEP CHARGE                                                              | 1             | 75.00                       | 75.00                                           | 50.00                   | 50.00                           | 25.00                             |
| <b>SUBTOTAL</b>                                                                      |               |                             | <b>75</b>                                       |                         | <b>50.00</b>                    | <b>25.00</b>                      |
| <b>TEAM STOP PAYMENTS</b>                                                            |               |                             |                                                 |                         |                                 |                                   |
| WEB NUMBER STOP ACCOUNTS                                                             | 5             | 0.00                        | 0.00                                            | 0.00                    | 0.00                            | 0.00                              |
| <b>SUBTOTAL</b>                                                                      |               |                             | <b>0.00</b>                                     |                         | <b>0.00</b>                     | <b>0.00</b>                       |
| <b>WIRE TRANSFERS (Recommend Wires on Web Service)</b>                               |               |                             |                                                 |                         |                                 |                                   |
| INCOMING DOMESTIC REPETITIVE                                                         | 1             | 5.00                        | 5.00                                            | 5.00                    | 5.00                            | 0.00                              |
| OUTGOING DOMESTIC WIRE NREP/DA                                                       | 2             | 30.00                       | 60.00                                           | 6.00                    | 12.00                           | 48.00                             |
| WIRE TRANSFER MONTHLY FEE/WEB                                                        |               | 25.00                       |                                                 |                         |                                 |                                   |
| OUTGOING DOMESTIC WIRE/WEB                                                           |               | 7.50                        |                                                 |                         |                                 |                                   |
| <b>SUBTOTAL</b>                                                                      |               |                             | <b>65.00</b>                                    |                         | <b>17.00</b>                    | <b>48.00</b>                      |
| <b>ZERO BALANCE ACCOUNTS</b>                                                         |               |                             |                                                 |                         |                                 |                                   |
| CONCENTRATION ACCOUNT                                                                | 1             | 10.00                       | 10.00                                           | 0.00                    | 0.00                            | 10.00                             |
| SUB LEVEL 1                                                                          | 1             | 5.00                        | 5.00                                            | 5.00                    | 5.00                            | 0.00                              |
| <b>SUBTOTAL</b>                                                                      |               |                             | <b>15.00</b>                                    |                         | <b>5.00</b>                     | <b>10.00</b>                      |
| <b>TOTAL</b>                                                                         |               |                             | <b>1,638.44</b>                                 |                         | <b>1,477.55</b>                 | <b>160.89</b>                     |

- UNION BANK**
- > Proposed Terms for Five Year Contract Extension
  - > Effective January 1, 2015: fixed unit pricing guarantee 3 years.
  - > ECR=91 Day Tbill less 0.00%
  - > Analysis Settlement: Monthly by Account Charge

**ORANGE COUNTY FIRE AUTHORITY**  
 Acceptance of Offer to Extend Contract

  
 Randy Ungersma, VP

Date

Notes: 1) Potential price increases in years 4 and 5 of extension will be negotiated between bank and OCFA. 2) Union Bank does not have immediate plans to assess charges for collateralizing Public Funds. The cost of collateral is expected to increase due to changes in FDIC insurance coverage rules and Basel III accounting standards, and other foreseen and unforeseen regulatory developments. We reserve the right to assess charges for increased collateral costs related to changes in the regulatory environment. Additionally, Union Bank reserves the right to assess or increase fees and charges related to the increased costs of providing any of its products or services to OCFA when incurred by Union Bank as a result of changes in the legal or regulatory environment.

**Orange County Fire Authority  
Banking Services Contract/Renewal Term  
Survey of OCFA Member Cities  
April 2014**

| <i>Agency</i> | <i>1) What is the term of your banking services contract? How long have you been with the current provider?</i>                                                                                                                                                                                        | <i>2) How often do you issue an RFP for your banking services contract?</i>                                                                                                       | <i>3) Have you successfully engaged in negotiation with an existing provider to extend an existing banking services contract? If yes, how long is the contract extension term?</i> |
|---------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Aliso Viejo   | Open-ended term; have had 2 providers in the past 12 years of cityhood                                                                                                                                                                                                                                 | Review price points and structure of services every 5 years. If unable to negotiate current market rates, then the RFP process is initiated. Last RFP was issued in January 2009. | N/A                                                                                                                                                                                |
| Buena Park    | Annual; at least 7+ years                                                                                                                                                                                                                                                                              | We have not issued an RFP in recent years                                                                                                                                         | Yes, the term of the extension was 4 years.                                                                                                                                        |
| Irvine        | Banking contract term is 5 years with the option to extend the contract for 5 additional 1-year terms; have been with the same provider for over 15 years.                                                                                                                                             | The City is issuing an RFP this year 2014; last RFP was issued in 2005.                                                                                                           | The only extension engaged is to add on the additional 1-year terms.                                                                                                               |
| Laguna Hills  | 5 years; since August 2010                                                                                                                                                                                                                                                                             | "Our current Financial Policies dictate every 10 years."                                                                                                                          |                                                                                                                                                                                    |
| Lake Forest   | 3-year term with two one-year options; 21 years with the same provider                                                                                                                                                                                                                                 | About every 5 years                                                                                                                                                               | Yes, 3 years with two 1-year options                                                                                                                                               |
| Mission Viejo | Follow existing Council Policy "to the letter"; just concluded a 10-year with a previous bank and switched to a new bank in September.                                                                                                                                                                 | See City Council Policy                                                                                                                                                           | See City Council Policy                                                                                                                                                            |
| RSM           | The City selected its banking provider in 2000 when the City was incorporated and has been with the same provider since as this relationship has been satisfactory and ongoing; recent review was last year, at it was determined that "rates and fees were appropriate for our organization's needs." |                                                                                                                                                                                   |                                                                                                                                                                                    |

**Orange County Fire Authority  
Banking Services Contract/Renewal Term  
Survey of OCFA Member Cities  
April 2014**

| <i>Agency</i> | <i>1) What is the term of your banking services contract? How long have you been with the current provider?</i>              | <i>2) How often do you issue an RFP for your banking services contract?</i>                                                         | <i>3) Have you successfully engaged in negotiation with an existing provider to extend an existing banking services contract? If yes, how long is the contract extension term?</i> |
|---------------|------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Santa Ana     | 3-year term with a 2-year extension; City is currently exercising the 2-year extension.                                      | Due to the extension, the City will be going out for an RFP at the 5-year point; otherwise, it would have been at the 3-year point. | "During the negotiations of the original RFP, we were successful in cost savings in addition to implementing programs that reduced staff involvement."                             |
| Stanton       | No term; has been with the same bank for at least 28 years, even though it has been purchased twice since then.              | The City is planning on issuing an RFP this calendar year.                                                                          | No; but this is a valid pursuit.                                                                                                                                                   |
| Villa Park    | 5 years; 15+ years                                                                                                           | Every 5-10 years                                                                                                                    | No                                                                                                                                                                                 |
| Yorba Linda   | No formal banking agreement; thus not certain how long has been with current provider, "probably since incorporation (1967)" | N/A                                                                                                                                 | N/A                                                                                                                                                                                |