Orange County Fire Authority

AGENDA STAFF REPORT

Budget and Finance Committee Meeting | **Agenda Item No. 4B**
May 13, 2015 | **Discussion Calendar**

Approval of 2015 Tax and Revenue Anticipation Notes

Contact(s) for Further Information

Lori Zeller, Assistant Chief — lorizeller@ocfa.org — 714.573.6020
Business Services Department

Tricia Jakubiak, Treasurer — triciajakubiak@ocfa.org — 714.573.6301

Summary

This agenda item is submitted to the Budget and Finance Committee for authorization to issue 2015/2016 Tax and Revenue Anticipation Notes (TRANs), for approval of the related TRANs documents and approval of temporary intrafund borrowing to cover a temporary cash flow shortfall in the General Fund.

Prior Board/Committee Action

Not Applicable.

Recommended Action(s)

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of May 28, 2015, with the Budget and Finance Committee's recommendation that the Board of Directors take the following actions:

1. Adopt the proposed Resolution authorizing the issuance of the 2015-2016 Tax and Revenue Anticipation Notes.
2. Approve and authorize the temporary transfer of up to $11,000,000 from Fund 123 (Fire Stations and Facilities) to Fund 121 (General Fund) to cover a projected temporary cash flow shortfall for FY 2015/16.
3. Approve and authorize the repayment of $11,000,000 borrowed funds from Fund 121 to Fund 123 along with interest when General Fund revenues become available in FY 2015/16.

Impact to Cities/County

Not Applicable.

Fiscal Impact

FY 2015/16 Revenues: Based on preliminary cash flows and a TRAN size of $36,675,000, gross earnings from the 2015 TRANs are estimated at $511,587 inclusive of TRANs premium ($291,933) and reflecting reinvestment earnings at an average yield of .75%.

FY 2015/16 Expenses: The total cost of the TRANs (including the costs of issuance of $100,000 and interest expense) is estimated to be $466,750.

Net Effect: Based on the above estimates, the net effect of the 2015 TRANs is an increase in revenues of $44,837 for FY 2015/16. Issuance of the TRANs will assure that the Authority has sufficient cash resources for the General Fund.

Background

See Attachment 1 for extended background.

Attachment(s)

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

2015-2016 Tax and Revenue Anticipation Notes (TRANs)
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 2)

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 cash flow 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 thirteen prior TRANs in the years 1997 through 2008 and in 2014. TRANs sizings have ranged from $8,715,000 in FY 98/99 to $44,000,000 in FY 14/15. TRANs were not issued from 2009-2013, due to the Authority's ability to use intrafund borrowing for cash flow needs during those years. Cash flow projections for the upcoming year indicate that intrafund borrowing will be insufficient to cover all cash flow needs, as further described below.

Sizing of the 2015 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 in the first half of November totaling $40.07 million. General Fund cash balances are projected to replenish when property tax allocations are received later in 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 ($40.07 million) less available funds outside the General Fund ($11 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 $36,675,000 million. (Attachment 3)

While reviewing OCFA's non-General Fund reserves, tax counsel determined that $11 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 – Fire Stations and Facilities. The $36.67 million TRANs size is not expected to cover the maximum cumulative cash deficit ($40.07 million) without needing to borrow any funds from Fund 123. Therefore, it is prudent to establish authorization to borrow temporarily from Fund 123.

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 2015/16 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 cash flow 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.

Net Investment Earnings or Net Costs

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

As discussed above, TRANs are exempt from arbitrage profit rebate as long as the deficit target is achieved. Depending on market conditions, the issuer could earn positive arbitrage by borrowing at a tax-exempt rate and reinvesting the proceeds in the taxable market. At current market rates, it is estimated that the TRANs will be offered at a 1% coupon rate resulting in TRANs total cost of $466,750 which includes $366,750 in interest expense and $100,000 in cost of issuance. The TRANs yield rate (TRANs true interest cost before cost of issuance) is estimated to be at 0.20% resulting in a TRANs premium of $291,933. Additionally, reinvestment income from the TRANs is estimated at $219,654 or at a yield of 0.75%. Based on these preliminary figures, the FY 2015/16 TRAN will have net earnings of $44,837 (total revenue of $511,587 less total expense of $466,750).

Financing Schedule

Subject to Board approval of the TRANs on May 28, 2015, the TRANs are scheduled to price during the week of Monday, June 8, depending on market conditions. The Authority will actually receive the TRANs proceeds on the closing date which is currently scheduled for July 1, 2015.

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.

Attachment 3

Orange County Fire Authority
General Fund Cash Flow (Fund 121)
Fiscal Year 2015-16 (Without TRANs)

	Projected July	Projected August	Projected September	Projected October	Projected November	Projected December	Projected January	Projected February	Projected March	Projected April	Projected May	Projected June	Total
Balance From Prior Month	21,538,620	(6,859,746)	(21,191,994)	(20,767,871)	(23,964,856)	(29,213,505)	43,108,480	4,904,362	(6,839,836)	(313,050)	51,069,725	37,033,254	21,538,620
Receipts:													
Property Taxes	3,566,117	876,889	5,715,455	599,636	10,207,565	94,474,159	7,294,742	1,315,092	12,286,220	70,693,545	5,117,264	2,298,859	214,445,545
Intergovernmental	618,519	908,368	1,371,087	151,983	1,064,661	1,519,984	4,011,157	206,218	2,280,852	161,442	48,529	2,599,378	14,942,177
Charges for Current Services	4,763,081	4,451,924	13,946,181	7,109,167	4,358,362	16,383,614	1,295,545	7,339,500	13,813,213	6,407,485	5,222,064	16,879,166	101,969,304
Bankruptcy Loss Recovery	0	0	0	0	0	0	0	0	0	0	0	0	0
Use of Money and Property	4,661	(8,907)	(12,894)	(14,204)	(16,341)	4,412	22,536	(579)	(2,276)	15,592	27,970	28,172	48,142
Other	458,339	66,811	201,541	142,703	31,603	94,012	256,669	343,344	(52,484)	(199,267)	(71,614)	(212,924)	1,058,733
TRANs Principal	0												0
Operating Transfers In	0	0	0	0	0	0	0	0	0	0	0	0	0
Interfund Borrowing	0	0	0	10,000,000	0	0	0	0	0	0	0	0	10,000,000
Total Receipts	9,410,717	6,295,085	21,221,370	17,989,286	15,645,850	112,476,181	12,880,650	9,203,575	28,325,525	77,078,798	10,344,214	21,592,651	342,463,901
Expenditures:													
Salary & Employee Benefits	29,694,471	19,796,314	19,796,314	19,796,314	19,796,314	29,694,471	19,796,314	19,796,314	19,796,314	19,796,314	19,796,314	19,796,314	257,352,080
OCERS Prepayment (Routine)	0	0	0	0	0	0	30,000,000	0	0	0	0	0	30,000,000
Services & Supplies	3,184,669	831,019	1,000,933	1,389,957	1,098,185	447,225	1,288,454	1,151,459	2,002,426	4,103,677	2,788,340	7,444,386	26,730,730
JEAPs	0	0	0	0	0	0	0	0	0	0	0	0	0
OCERS Prepayment (Special)	2,802,122	0	0	0	0	0	0	0	0	0	0	0	2,802,122
Equipment	0	0	0	0	0	0	0	0	0	1,796,032	1,796,032	1,796,032	5,388,095
Debt Service: TRAN Principal										0	0		0
Debt Service: TRAN Interest											0		0
Interfund Borrowing Repayment (incl. interest)	0	0	0	0	0	10,012,500	0	0	0	0	0	0	10,012,500
Operating Transfers Out	2,127,821	0	0	0	0	0	0	0	0	0	0	0	2,127,821
Total Disbursements	37,809,083	20,627,333	20,797,246	21,186,271	20,894,499	40,154,196	51,084,768	20,947,773	21,798,739	25,696,023	24,380,685	29,036,732	334,413,348
Excess / (Deficiency)	(28,398,366)	(14,332,248)	424,123	(3,196,985)	(5,248,649)	72,321,985	(38,204,118)	(11,744,198)	6,526,786	51,382,775	(14,036,471)	(7,444,081)	8,050,553
Month End Balance Forward	(6,859,746)	(21,191,994)	(20,767,871)	(23,964,856)	(29,213,505)	43,108,480	4,904,362	(6,839,836)	(313,050)	51,069,725	37,033,254	29,589,173	29,589,173

Orange County Fire Authority
General Fund Cash Flow (Fund 121)
Fiscal Year 2015-16

	Projected July	Projected August	Projected September	Projected October	Projected November	Projected December	Projected January	Projected February	Projected March	Projected April	Projected May	Projected June	Total
Balance From Prior Month	21,538,620	30,118,928	15,810,160	16,257,012	13,083,521	7,857,617	80,203,115	42,022,507	30,300,293	36,850,580	69,912,963	37,178,145	21,538,620
Receipts:													
Property Taxes	3,566,117	876,889	5,715,455	599,636	10,207,565	94,474,159	7,294,742	1,315,092	12,286,220	70,693,545	5,117,264	2,298,859	214,445,545
Intergovernmental	618,519	908,368	1,371,087	151,983	1,064,661	1,519,984	4,011,157	206,218	2,280,852	161,442	48,529	2,599,378	14,942,177
Charges for Current Services	4,763,081	4,451,924	13,946,181	7,109,167	4,358,362	16,383,614	1,295,545	7,339,500	13,813,213	6,407,485	5,222,064	16,879,166	101,969,304
Bankruptcy Loss Recovery	0	0	0	0	0	0	0	0	0	0	0	0	0
Use of Money and Property (1)	308,335	14,573	9,835	9,290	6,404	27,925	46,046	21,405	21,225	32,700	33,873	28,118	559,729
Other	458,339	66,811	201,541	142,703	31,603	94,012	256,669	343,344	(52,484)	(199,267)	(71,614)	(212,924)	1,058,733
TRANs Principal (2)	36,675,000												36,675,000
Operating Transfers In	0	0	0	0	0	0	0	0	0	0	0	0	0
Interfund Borrowing	0	0	0	10,000,000	0	0	0	0	0	0	0	0	10,000,000
Total Receipts	46,389,391	6,318,565	21,244,099	18,012,780	15,668,595	112,499,694	12,904,160	9,225,559	28,349,026	77,095,906	10,350,117	21,592,597	379,650,488
Expenditures:													
Salary & Employee Benefits	29,694,471	19,796,314	19,796,314	19,796,314	19,796,314	29,694,471	19,796,314	19,796,314	19,796,314	19,796,314	19,796,314	19,796,314	257,352,080
OCERS Prepayment (Routine)	0	0	0	0	0	0	30,000,000	0	0	0	0	0	30,000,000
Services & Supplies	3,184,669	831,019	1,000,933	1,389,957	1,098,185	447,225	1,288,454	1,151,459	2,002,426	4,103,677	2,788,340	7,444,386	26,730,730
JEAPs	0	0	0	0	0	0	0	0	0	0	0	0	0
OCERS Prepayment (Special)	2,802,122	0	0	0	0	0	0	0	0	0	0	0	2,802,122
Equipment	0	0	0	0	0	0	0	0	0	1,796,032	1,796,032	1,796,032	5,388,095
Debt Service: TRAN Principal (2)										18,337,500	18,337,500		36,675,000
Debt Service: TRAN Interest (2)											366,750		366,750
Interfund Borrowing Repayment (incl. interest)	0	0	0	0	0	10,012,500	0	0	0	0	0	0	10,012,500
Operating Transfers Out	2,127,821	0	0	0	0	0	0	0	0	0	0	0	2,127,821
Total Disbursements	37,809,083	20,627,333	20,797,246	21,186,271	20,894,499	40,154,196	51,084,768	20,947,773	21,798,739	44,033,523	43,084,935	29,036,732	371,455,098
Excess / (Deficiency)	8,580,308	(14,308,768)	446,852	(3,173,491)	(5,225,904)	72,345,498	(38,180,608)	(11,722,214)	6,550,287	33,062,383	(32,734,818)	(7,444,135)	8,195,390
Month End Balance Forward	30,118,928	15,810,160	16,257,012	13,083,521	7,857,617	80,203,115	42,022,507	30,300,293	36,850,580	69,912,963	37,178,145	29,734,010	29,734,010

(1) Use of Money and property is based on a 0.75% earnings rate on the Authority's ending cash balances. July amount includes TRAN original issue premium.
(2) TRAN assumes coupon rate of 1.00% and yield of 0.20%.

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 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. 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 90% 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 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 2014, over 60 agencies in California issued TRANs in a combined amount of $7.7 billion to finance cash flow deficits, including $2.8 billion by the State of California. For Fiscal Year 2015-16, the total amount of notes issued is expected to decline since the State is not expected to issue notes this year.

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 and used very infrequently), (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 are typically the lowest-cost method of financing cash flow 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.

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 and 2014/15), 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 though 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 gain of the TRANs $44,837 is the most cost-effective option, and saves $105,362 compared to the cost of intrafund borrowing. Additionally, the latter could be disruptive to operations outside the General Fund this year, as available amounts are deployed to fund capital projects. Note as well that the net cost of a bank line of credit is also higher than that of the TRANs.

Assumptions	**TRANs**	**Intrafund Borrowing**	**Bank Line of Credit**
TRAN Proceeds Borrowed	$36,675,000	$0	$0
Average Monthly Cash Borrowed (non-TRANs)	N/A	$10,760,000	$10,760,000
Term of the Borrowing	1 year	9 months	9 months
Estimated Yield on TRANs	0.20%	N/A	N/A
Estimated Interest Rate on Line of Credit	N/A	N/A	0.68%
Costs of Issuance	$100,000	$0	$55,000
TRAN Premium Generated	($291,933)	NA	NA

Interest Cost	$366,750	$60,525	$54,876
Earnings Rate on OCFA Investment Portfolio	0.75%	0.75%	NA
Earnings on Borrowed Funds	($219,654)	$0	$0
Net Cost/(Gain) of the Borrowed Funds	**($44,837)**	**$60,525**	**$109,876**
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 FY 1997-98 to FY 2008/09 and FY 2014/15.

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, 2016. 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, 2015 through June 30, 2016. When we get to June 30, 2016, 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 most 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 most 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. 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 OCFA Treasurer Tricia Jakubiak at (714) 573-6301.
~~~~~~

RESOLUTION NO. 2015-XX

A RESOLUTION OF THE ORANGE COUNTY FIRE AUTHORITY BOARD OF DRIECTORS AUTHORIZING THE ISSUANCE AND SALE OF NOT TO EXCEED $40,000,000 ORANGE COUNTY FIRE AUTHORITY 2015-2016 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 2015-2016 Tax and Revenue Anticipation Notes (the "Notes") in a principal amount not to exceed $40,000,000; 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, 2015 and June 30, 2016 for repayment of the Notes and interest thereon when and as they shall become due and payable will exceed $40,000,000;

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, 2015 through June 30, 2016.

“**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 2015-2016 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 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 "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 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 $40,000,000. 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 2015-2016 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 $40,000,000. 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 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 from such Unrestricted Revenues 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, 2016 and ending April 30, 2016, 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, 2016 and ending May 31, 2016, 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 28th day of May 2015.

____
ELWYN A. MURRAY, CHAIR
OCFA 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
2015-2016 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 2015-2016 TAX AND REVENUE ANTICIPATION NOTE FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER OF THIS 2015-2016 TAX AND REVENUE ANTICIPATION NOTE, CEDE & CO., HAS AN INTEREST HEREIN.

R-__	CUSIP No. ________________
Registered Owner: Cede & Co.	Interest Rate:_____%
Principal Amount: $______________	Maturity Date: ________, 2016

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 2015-2016 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 on May 28, 2015 (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 2015-16 that are lawfully available for payment of the Notes and the interest thereon (the "Unrestricted Revenues"). Pursuant to the terms of the Resolution, the Authority pledges Unrestricted Revenues lawfully available for the payment of principal of and interest on the Notes as security for the Notes, and the Treasurer is directed to deposit from such Unrestricted Revenues into the Repayment Account (as defined in the Resolution) Unrestricted Revenues received by the Authority during the First Designation Period and the Second Designation Period (collectively, the "Designated Revenues"), plus an amount, if any, equal to the rebate amount calculated pursuant to the Resolution to be due to the United States Treasury. 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 _______________ 2015.

[SEAL]

ORANGE COUNTY FIRE AUTHORITY

By: ________________________________
Patricia Jakubiak, Treasurer

Countersigned:

By: ____________________________________
Sherry A.F. Wentz, CMC
Clerk of the Authority

CERTIFICATE OF AUTHENTICATION

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

DATE: ______, 2015

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 May 28, 2015, 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: ___________________________

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

[SEAL]

NOTICE OF INTENTION TO SELL NOTES

[$Principal Amount][*]
ORANGE COUNTY FIRE AUTHORITY
2015-2016 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][*]

[$Principal Amount][*] principal amount of notes of the Authority designated "Orange County Fire Authority 2015-2016 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). Bids shall be submitted only as electronic bids through the Ipreo LLC's PARITY® System ("Parity") as the approved electronic bidding system. **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).**

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 are currently available. An electronic copy of the Preliminary Official Statement can be obtained upon request to Fieldman, Rolapp & Associates, 19900 MacArthur Boulevard, Suite 1100, Irvine, California 92612, Financial Advisor to the Authority (telephone (949) 660-7300, fax (949) 474-8773; email: dwiles@fieldman.com.

The Authority reserves the right, prior to the date of the sale, to modify or amend the Official 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 Parity and/or Thompson Financial 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.

Dated: ______________________, 2015

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

[*] Preliminary, subject to change.

OFFICIAL NOTICE OF SALE

Formatted: Font: 11 pt

[$Principal Amount]*
ORANGE COUNTY FIRE AUTHORITY
2015-2016 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 [$Principal Amount]* principal amount of Orange County Fire Authority 2015-2016 Tax and Revenue Anticipation Notes (the "Notes").

Bids shall only be submitted electronically through the Ipreo LLC's BiDCOMP™/PARITY® System ("Parity") in the manner described below.

Within 26 hours of the time for acceptance of bids, 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 or Thompson Financial (the "News Services"). Failure of any bidder to receive such 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) 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 adopted on May 28, 2015 (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, capital expenditures, investment and reinvestment, and the discharge of any obligation or indebtedness of the Authority.

---

* Preliminary, subject to change.

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 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 (949) 660-7315. 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, 2015.

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 four percent (4.00%) 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, 2016, 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 2015-16 that are lawfully available for payment of the Notes and the interest thereon (the "Unrestricted Revenues"), as provided in Section 53856 of the Act.

Pursuant to the Act and the Resolution, the Authority has pledged 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 from such Unrestricted Revenues 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, 2016 and ending April 30, 2016, 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, 2016 and ending May 31, 2016, 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 (defined herein) 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 become due and payable and amounts, if any, necessary to pay the 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 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.

No other provider of internet bidding services and no other means of delivery (e.g. hand-delivery, 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) 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 (949) 660-7300 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 and shall specify (i) the interest rate to be borne by the Notes, (ii) the amount of bid 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. Each interest rate must be a multiple of 1/20th of one percent or 1/8th of one percent. 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 purchase price. 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, results in an amount equal to the purchase price 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, 2015 (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.

Good Faith Deposit

There shall be delivered a good faith deposit (the "Deposit") in the form of a federal funds wire transfer (to the Authority's account at a bank having an office located in the State of California and having a demand account relationship with the Authority and payable in immediately available funds) in the amount of $150,000 to secure the Authority from any loss resulting from the failure of the winning Bidder to comply with the terms of its bid. Each Bidder shall acknowledge as a condition precedent to the submission of its bid that the winning Bidder is required to submit its Deposit to the Authority in the form of a federal funds wire transfer as instructed by the Authority or the Financial Advisor not later than 3:30 P.M. (Pacific Time) on the next business day following the Authority's acceptance of the bid of the winning Bidder. In the event the winning Bidder fails to honor its accepted bid, the Deposit will be retained by the Authority.

If the winning Bidder completes its purchase of the Notes on the terms stated in its proposal, its Deposit will be applied to the purchase of the Notes on the date of delivery of the Notes. No interest will be paid upon the Deposit made by any Bidder.

In the event of the Authority's inability to deliver the Notes at the Closing, the Authority shall forthwith return the amount of the Deposit to the winning Bidder immediately and such return shall constitute a full release and discharge of all claims by the winning Bidder against the Authority arising out of the transactions contemplated by this Official Notice of Sale.

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 e-mail to Daniel L. Wiles (dwiles@fieldman.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, 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. See "Certain Legal Matters" in the Preliminary Official Statement.

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. The Authority has not failed to comply in all material respects in the last five years with each of its previous undertakings with regard to the Rule to provide annual reports and notices of events. See the section entitled "Continuing Disclosure" in the Preliminary Official Statement.

Official Statement

Within seven (7) 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 twenty-five (25) printed 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: [NOS Date]

ORANGE COUNTY FIRE AUTHORITY

By: ___________________________________
Patricia Jakubiak
Treasurer

PRELIMINARY OFFICIAL STATEMENT DATED ___________, 2015

Formatted: Font: 9.5 pt, Bold, Font color: Red

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.

[$Principal Amount]*
ORANGE COUNTY FIRE AUTHORITY
2015-2016 Tax and Revenue Anticipation Notes

Interest Rate: ___%　　Reoffering Yield: ___%　　CUSIP No: 68424P___

Dated Date: July 1, 2015　　Maturity Date: June 30, 2016

The Orange County Fire Authority (the "Authority") is issuing its [$Principal Amount]* principal amount of 2015-2016 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, 2016. 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 2015-16 that are lawfully available for payment of the Notes and the interest thereon (collectively, the "Unrestricted Revenues"). Pursuant to the terms of the Resolution of the Board of Directors of the Authority adopted on May 28, 2015 (the "Resolution"), the Authority pledges Unrestricted Revenues lawfully available for the payment of principal of and interest on the Notes as security for the Notes, and the Treasurer is directed to deposit from such Unrestricted Revenues into the Repayment Account (defined herein) (i) Unrestricted Revenues received by the Authority during certain periods in Fiscal Year 2015-16 ("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. 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, 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 does not authorize the issuance of additional tax and revenue anticipation notes subsequent to the issuance of the 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.

BIDS SHALL ONLY BE SUBMITTED ELECTRONICALLY VIA IPREO LLC'S BIDCOMP™/PARITY® SYSTEM NO LATER THAN 9:00 A.M., PACIFIC TIME, ON [PRICING DATE] AS SET FORTH IN THE OFFICIAL NOTICE OF SALE FOR THE NOTES. SEE APPENDIX E TO THIS PRELIMINARY OFFICIAL

* Preliminary, subject to change.

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. Fieldman, Rolapp & Associates, Irvine, 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, 2015.

Date of the Official Statement: [Pricing Date1]

ORANGE COUNTY FIRE AUTHORITY SERVICE AREA

[INSERT MAP]

ORANGE COUNTY FIRE AUTHORITY

BOARD OF DIRECTORS

Director	Member Agency	Director	Member Agency
Al Murray, Chair	Tustin	Ed Sachs	Mission Viejo
Gene Hernandez, Vice Chair	Yorba Linda	Craig Green	Placentia
Phillip Tsunoda	Aliso Viejo	Carol Gamble	Rancho Santa Margarita
Elizabeth Swift	Buena Park	Bob Baker	San Clemente
Rob Johnson	Cypress	John Perry	San Juan Capistrano
Joseph Muller	Dana Point	Angelica Amezcua	Santa Ana
Jeffrey Lalloway	Irvine	David Sloan	Seal Beach
Gerard Goedhart	La Palma	David John Shawver	Stanton
Don Sedgwick	Laguna Hills	Rick Barnett	Villa Park
Jerry McCloskey	Laguna Niguel	Tri Ta	Westminster
Noel Hatch	Laguna Woods	Lisa Bartlett	County of Orange
Dwight Robinson	Lake Forest	Todd Spitzer	County of Orange
Warren Kusumoto	Los Alamitos		

AUTHORITY OFFICIALS

Jeff Bowman, Fire Chief
Lori Zeller, Assistant Chief, Business Services Department
Michael Shroeder, Assistant Chief, Support Services Department
Lori Smith, Assistant Chief, Community Risk Reduction Department
Dave Thomas, Assistant Chief, Operations Department
Brian Young, Assistant Chief, Organizational Planning
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

Fieldman, Rolapp & Associates
Irvine, 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 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 selection or uses of the CUSIP data or for the accuracy or correctness of such data.

TABLE OF CONTENTS

TABLE OF CONTENTS

[THIS PAGE INTENTIONALLY LEFT BLANK]

OFFICIAL STATEMENT

[$Principal Amount]*
ORANGE COUNTY FIRE AUTHORITY
2015-2016 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 2015-2016 Tax and Revenue Anticipation Notes by the Orange County Fire Authority (the "Authority") in a principal amount of [$Principal Amount]* (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 28, 2015 (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, 2016. 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 Comprehensive Annual Financial Report of the Authority for the Fiscal Year ended June 30, 2014" 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 Authority, will be encumbered for a special purpose unless an equivalent amount of the proceeds from the

* Preliminary, subject to change.

Notes is set aside for and used for said special purpose) received or accrued by the Authority during Fiscal Year 2015-16 that are lawfully available for payment of the Notes and the interest thereon (collectively, the "Unrestricted Revenues"). Pursuant to the terms of the Act and the Resolution, the Authority has pledged Unrestricted Revenues lawfully available for the payment of principal of and interest on the Notes as security for the Notes, and the Treasurer is directed to deposit from such Unrestricted Revenues into the Repayment Account Designated Revenues (as hereinafter defined). 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, the Authority has pledged to deposit 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, 2016 (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.

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 from the office of the Treasurer at 1 Fire Authority Road, Irvine, California 92602, Attention: Treasurer.

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 from the Authority.

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 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 2015-16. Pursuant to the terms of the Act and the Resolution, the Authority has pledged Unrestricted Revenues lawfully available for the payment of principal of and interest on the Notes as security for the Notes, and the Treasurer is directed to deposit from such Unrestricted Revenues into the Repayment Account Unrestricted Revenues received by the Authority during certain periods in the Fiscal Year 2015-16 (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 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, 2016 and ending April 30, 2016, 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, 2016 and ending May 31, 2016, 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 2015-16 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 $___ million which represents approximately ___% 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 $___ 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 2015-16[(1)]
($ in thousands)

Source of Revenues	Amount
Beginning Balance	$ 21,538,620
Revenues	
Property Taxes	$214,445,545
Intergovernmental	14,942,177
Charges for Current Services	101,969,304
Use of Money and Property	559,729
Other	1,058,733
TRANs Principal	36,675,000
Total	$391,189,108

(1) Based upon estimates contained in the Authority's adopted budget for Fiscal Year 2015-16.

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 2015-16" in the section "The Notes - Cash Flows Projections for Fiscal Years 2013-14, 2014-15 and 2015-16" 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. The Authority issued its $44,000,000 aggregate principal amount 2014-15 Tax and Revenue Anticipation Notes on July 1, 2014 which will are due and payable on June 30, 2015. As of the date hereof, the Authority has deposited all amounts necessary to pay the 2014-15 Tax and Revenue Notes on the maturity date therefor. 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 28, 2015, the Board of Directors authorized the Authority to use Intrafund Borrowing during Fiscal Year 2015-16 if necessary. The Authority's Intrafund Borrowing capacity is estimated to be approximately $___ million as of June 30, 2016. 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 2012-13 through 2015-16.

Table 2
ORANGE COUNTY FIRE AUTHORITY
Intrafund Borrowing Capacity
Fiscal Years ended June 30, 2012 through June 30, 2016

Fund	**Name and Purpose of Fund**	**Actual Fiscal Year 2011-12**	**Actual Fiscal Year 2012-13**	**Actual Fiscal Year 2013-14**	**Estimated Fiscal Year 2014-15**	**Projected Fiscal Year 2015-16**
Capital Projects Fund 122	Facilities Maintenance and Improvement Fund	$ 3,474,556	$ 2,761,858	$ 2,798,203	--	--
Capital Projects Fund 124	Communications/Information Systems Replacement Fund	22,180,446	19,165,539	18,944,605	$14,498,643	$10,265,267
Capital Projects Fund 133	Vehicle Replacement Fund	34,057,794	30,622,213	29,395,203	18,688,160	11,903,623
Fund 171	Structural Fire Fund Entitlement Fund	1,396,867	1,296,620	1,173,911	786,944	798,943
Fund 190	Worker's Compensation Self Insurance Fund	34,242,717	53,649,000	60,921,529	68,019,507	73,933,892
Capital Projects Fund 123	Fire Capital Projects Fund	16,080,659	16,624,752	15,358,517	11,646,338	11,012,278
	Total	$111,433,039	$124,119,982	$128,591,968	$113,639,592	$ 107,914,003

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 2011-12 through Fiscal Year 2015-16. 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[(1)]
Fiscal Years 2010-11 through 2015-16

Accounting Month	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15[(2)]	Fiscal Year 2015-16[(3)]
July	$ 53,316,461	$ 63,080,411	$ 62,284,081	$43,750,690	$30,118,928
August	40,187,922	43,026,561	39,684,544	20,975,834	15,810,160
September	30,824,485	39,554,071	33,169,364	19,496,444	16,257,012
October	16,709,543	27,215,384	18,537,102	5,448,214	13,083,521
November	13,141,827	36,846,123	14,860,504	4,875,444	7,857,617
December	85,568,035	98,129,458	95,050,306	89,044,753	80,203,115
January	51,294,050	63,194,420	47,466,905	39,513,083	42,022,507
February	38,258,308	47,863,957	32,524,870	30,473,166	30,300,293
March	33,673,957	43,843,432	36,223,096	33,212,544	36,850,580
April	85,472,447	82,670,550	83,430,240	60,954,684	69,912,963
May	36,997,021	34,907,452	31,403,499	27,122,834	37,178,145
June	32,637,673	32,548,172	31,645,069	21,538,620	29,734,010
Intrafund Borrowing Capacity at June 30:	$111,433,039	$124,119,982	$128,591,968	$113,639,592	$107,914,003

(1) Period-end balances for Fiscal Years 2011-12 through 2014-15 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 2014 through March 2015 and estimated balances from April 2015 through June 2015.
(3) Projected.

Source: Orange County Fire Authority.

Cash Flows for Fiscal Years 2013-14, 2014-15 and 2015-16

The Authority has prepared the General Fund actual cash flows for Fiscal Year 2013-14 set forth in the following Table 4, the actual and projected General Fund cash flows for Fiscal Year 2014-15 set forth in the following Table 5, the variances between Fiscal Year 2014-15 and Fiscal Year 2013-14 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 2015-16 in the following Table 8, the variances between Fiscal Year 2015-16 and Fiscal Year 2014-15 in the following Table 9 and explanations of such aggregate variances in the following Table 10. The Fiscal Year 2015-16 projected cash flows are based upon the Authority's Fiscal Year 2015-16 Adopted Budget. See Appendix A – "Financial, Economic and Demographic Information Regarding the Authority - Financial and Economic Information - Budgetary Process - Proposed 2015-2016 Authority Budget" attached hereto.

Table 4
ORANGE COUNTY FIRE AUTHORITY
Actual General Fund Cash Flow Fiscal Year 2013-14

	Actual July 2013	Actual August 2013	Actual September 2013	Actual October 2013	Actual November 2013	Actual December 2013	Actual January 2014	Actual February 2014	Actual March 2014	Actual April 2014	Actual May 2014	Actual June 2014	Actual 2013-14 Total
Balance From Prior Month	$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	$83,430,240	$31,403,499	$32,548,172
Receipts:													
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	$62,104,466	$4,495,530	$2,019,554	$188,943,387
Intergovernmental	185,206	1,362,312	600,627	674,460	296,347	685,944	5,696,450	1,251,812	401,536	401,059	120,558	6,457,438	18,133,749
Charges for Current Services	5,962,851	4,294,356	15,345,212	5,323,783	2,155,982	18,847,953	1,694,623	4,085,111	18,661,010	4,852,826	3,955,026	12,783,744	97,962,476
Bankruptcy Loss Recovery	0	0	0	79,745	0	0	0	0	0	0	0	0	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	18,706	14,478	99,931	223,889
Other	660,740	81,034	345,795	76,686	92,327	42,436	366,057	157,329	126,436	252,162	90,624	269,444	2,561,070
TRAN Principal	0	0	0	0	0	0	0	0	0	0	0	0	0
Operating Transfers In	0	0	0	0	0	0	0	0	0	0	0	0	0
Interfund Borrowing	41,000,000	0	0	0	0	0	0	0	0	0	(41,000,000)	0	0
Total Receipts	$51,483,541	$6,433,036	$20,794,911	$6,764,232	$16,529,243	$99,394,988	$14,647,061	$6,057,938	$28,863,822	$67,629,218	$(32,323,785)	$21,630,111	$307,904,316
Expenditures:													
Salary & Employee Benefits (S&EB)	$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	$18,196,674	$18,081,583	$17,351,494	$240,573,608
OCERS Prepayent (S&EB)	0	0	0	0	0	0	29,214,818	0	0	0	0	0	29,214,818
OCERS Accl. UAAL Paydown (S&EB)	0	0	0	0	0	0	0	0	3,000,000	0	0	0	3,000,000
Services & Supplies	625,760	2,518,242	2,622,587	2,617,982	3,512,828	1,930,116	2,257,163	1,919,715	1,772,323	2,225,400	1,512,100	4,037,047	27,551,263
Irvine JEAPs (S&S)	0	0	0	0	0	0	2,988,081	0	0	0	0	0	2,988,081
Irvine JEAPs (Budgeted/in Restricted Acct.) (S&S)	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
Interfund Borrowing Interest Expense (S&S)	0	0	0	0	0	0	0	0	0	0	109,274	0	109,274
Debt Service: TRAN Interest	0	0	0	0	0	0	0	0	0	0	0	0	0
Operating Transfers Out	0	0	4,497,847	0	0	0	0	0	872,528	0	0	0	5,370,375
Total Disbursements	21,747,632	29,032,573	27,310,091	21,396,493	20,205,842	19,205,185	62,230,462	20,999,973	25,165,596	20,422,074	19,702,957	21,388,540	308,807,419
Excess / (Deficiency)	29,735,909	(22,599,537)	(6,515,180)	(14,632,261)	(3,676,599)	80,189,802	(47,583,401)	(14,942,035)	3,698,226	47,207,144	(52,026,742)	241,571	(903,103)
Month End Balance Forward	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	83,430,240	31,403,499	31,645,069	31,645,069

Source: Orange County Fire Authority.

Table 5
ORANGE COUNTY FIRE AUTHORITY
Actual General Fund Cash Flow Fiscal Year 2014-15 from July 1, 2014 through March 31, 2015 and Projected General Fund Cash Flow Fiscal Year 2014-15 from April 1, 2015 through June 30, 2015

	Actual July 2014	Actual August 2014	Actual September 2014	Actual October 2014	Actual November 2014	Actual December 2014	Actual January 2015	Actual February 2015	Actual March 2015	Projected April 2015	Projected May 2015	Projected June 2015	Fiscal Year 2014-15 Total
Balance From Prior Month	$31,645,069	$43,750,690	$20,975,834	$19,496,444	$5,448,214	$4,875,444	$89,044,753	$39,513,083	$30,473,166	$33,212,544	$60,954,684	$27,122,834	$31,645,069
Receipts:													
Property Taxes	$3,406,179	$837,562	$5,459,121	$572,743	$9,749,764	$90,237,064	$6,967,579	$1,256,111	$11,735,192	$67,522,992	$4,887,759	$2,195,757	$204,827,822
Intergovernmental	876,809	1,287,697	1,943,646	215,451	1,509,258	2,154,722	5,686,197	292,333	3,233,325	228,860	68,795	3,684,866	21,181,958
Charges for Current Services	4,626,614	4,324,372	13,546,609	6,905,483	4,233,491	15,914,208	1,258,427	7,129,216	13,417,451	6,223,904	5,072,447	16,395,561	99,047,783
Bankruptcy Loss Recovery	0	0		155,630	0	0	0						155,630
Use of Money and Property[1]	288,155	6,383	2,093	5,729	2,037	1,574	14,117	11,525	1,547	8,028	6,214	42,890	390,293
Other	480,748	70,077	211,395	149,679	33,148	98,608	269,218	360,131	(55,050)	(209,009)	(75,115)	(223,334)	1,110,495
TRANs Principal	44,000,000	0	0	0	0	0	0	0	0	0	0	0	44,000,000
Operating Transfers In	0	0	0	0	0	0	0	2,710,702	0	0	0	0	2,710,702
Intrafund Borrowing	0	0	0	0	5,000,000	0	0	0	0	0	0	0	5,000,000
Total Receipts	$53,678,505	$6,526,091	$21,162,864	$8,004,715	$20,527,697	$108,406,175	$14,195,537	$11,760,019	$28,332,465	$73,774,776	$9,960,099	$22,095,740	$378,424,683
Expenditures:													
Salary & Employee Benefits	$19,221,098	$28,393,657	$21,549,456	$20,535,418	$19,901,491	$18,746,937	$29,780,615	$19,542,796	$20,990,566	$19,132,324	$19,132,324	$19,132,324	$256,059,007
OCERS Prepayment (Routine)	0	0	0	0	0	0	29,539,884	0	0	0	0	0	29,539,884
Services & Supplies	3,476,956	907,290	1,092,798	1,517,526	1,198,976	488,271	1,406,708	1,257,140	2,186,207	4,480,310	3,044,252	8,127,628	29,184,061
JEAPs		0	0	0	0	0	0	0	0	0	0	0	0
OCERS Prepayment (Special)	18,290,238	0	0	0	0	0	3,000,000	0	0	0	0	0	21,290,238
Equipment	0	0	0	0	0	0	0	0	0	420,002	420,002	420,002	1,260,007
Debt Service: TRAN Principal	0	0	0	0	0	0	0	0	0	22,000,000	22,000,000		44,000,000
Debt Service: TRAN Interest	0	0	0	0	0	0	0	0	0	0	329,083	0	329,083
Interfund Borrowing Repayment (incl. interest)	0	0	0	0	0	5,001,658	0	0	0	0	0	0	5,001,658
Operating Transfers Out	584,592								2,416,314		(1,133,712)		1,867,194
Total Disbursements	$41,572,884	$29,300,947	$22,642,254	$22,052,944	$21,100,467	$24,236,866	$63,727,207	$20,799,935	$25,593,087	$46,032,636	$43,791,949	$27,679,954	$388,531,132
Excess / (Deficiency)	$12,105,621	$(22,774,856)	$(1,479,390)	$(14,048,230)	$(572,770)	$84,169,309	$(49,531,670)	$(9,039,917)	$2,739,378	$27,742,139	$(33,831,850)	$(5,584,214)	$(10,106,449)
Month End Balance Forward	$43,750,690	$20,975,834	$19,496,444	$5,448,214	$4,875,444	$89,044,753	$39,513,083	$30,473,166	$33,212,544	$60,954,684	$27,122,834	$21,538,620	$21,538,620

Source: Orange County Fire Authority
.

Table 6
ORANGE COUNTY FIRE AUTHORITY
Changes from Fiscal Year 2014-15 Cash Flow from Fiscal Year 2013-14 Cash Flow

	Actual July 2014	Actual August 2014	Actual September 2014	Actual October 2014	Actual November 2014	Actual December 2014	Actual January 2015	Actual February 2015	Actual March 2015	Projected April 2015	Projected May 2015	Projected June 2015	Fiscal Year 2013-14 Total
Balance From Prior Month	$(903,103)	$(18,533,391)	$(18,708,710)	$(13,672,920)	$(13,088,889)	$(9,985,060)	$(6,005,553)	$(7,953,822)	$(2,051,704)	$(3,010,552)	$(22,475,557)	$(4,280,665)	$(903,103)
Receipts:													
Property Taxes	$(261,482)	$145,710	$967,799	$(29,281)	$(4,229,119)	$10,432,476	$98,783	$702,785	$2,069,806	$5,418,527	$392,229	$176,203	$15,884,435
Intergovernmental	691,603	(74,615)	1,343,019	(459,009)	1,212,911	1,468,777	(10,254)	(959,479)	2,831,789	(172,199)	(51,763)	(2,772,573)	3,048,209
Charges for Current Services	(1,336,237)	30,016	(1,798,602)	1,581,700	2,077,508	(2,933,745)	(436,196)	3,044,106	(5,243,559)	1,371,079	1,117,421	3,611,817	1,085,307
Bankruptcy Loss Recovery	0	0	0	75,884	0	0	0	0	0	0	0	0	75,884
Use of Money and Property[1]	281,072	2,901	(9,863)	(1,805)	(3,667)	(12,492)	(7,018)	1,165	(7,906)	(10,677)	(8,264)	(57,041)	166,404
Other	(179,992)	(10,957)	(134,400)	72,993	(59,180)	56,172	(96,839)	202,802	(181,486)	(461,171)	(165,739)	(492,778)	(1,450,575)
TRANs Principal	44,000,000	0	0	0	0	0	0	0	0	0	0	0	44,000,000
Operating Transfers In	0	0	0	0	0	0	0	2,710,702	0	0	0	0	2,710,702
Intrafund Borrowing	(41,000,000)	0	0	0	5,000,000	0	0	0	0	0	41,000,000	0	5,000,000
Total Receipts	$2,194,964	$93,056	$367,953	$1,240,483	$3,998,454	$9,011,188	$(451,524)	$5,702,081	$(531,357)	$6,145,558	$42,283,884	$465,629	$70,520,367
Expenditures:													
Salary & Employee Benefits	$(1,900,773)	$1,879,327	$1,359,799	$1,756,907	$3,208,477	$1,471,867	$2,010,215	$462,538	$1,469,821	$935,650	$1,050,741	$1,780,830	$15,485,399
OCERS Prepayment (Routine)	0	0	0	0	0	0	325,066	0	0	0	0	0	325,066
Services & Supplies	2,851,195	(1,610,953)	(1,529,790)	(1,100,456)	(2,313,852)	(1,441,844)	(850,455)	(662,576)	413,884	2,254,910	1,532,152	4,090,581	1,632,798
Irvine JEAPs	0	0	0	0	0	0	(2,988,081)	0	0	0	0	0	(2,988,081)
OCERS Prepayment (Special)	18,290,238	0	0	0	0	0	3,000,000	0	(3,000,000)	0	0	0	18,290,238
Equipment	0	0	0	0	0	0	0	0	0	420,002	420,002	420,002	1,260,007
Debt Service: TRAN Principal	0	0	0	0	0	0	0	0	0	22,000,000	22,000,000	0	44,000,000
Debt Service: TRAN Interest	0	0	0	0	0	0	0	0	0	0	329,083	0	329,083
Interfund Borrowing Repayment (incl. interest)	0	0	0	0	0	5,001,658	0	0	0	0	(109,274)	0	4,892,384
Operating Transfers Out (estimated)	584,592	0	(4,497,847)	0	0	0	0	0	1,543,786	0	(1,133,712)	0	(3,503,181)
Total Disbursements	$19,825,252	$268,374	$(4,667,837)	$656,451	$894,625	$5,031,681	$1,496,744	$(200,038)	$427,492	$25,610,563	$24,088,992	$6,291,414	$79,723,713
Excess / (Deficiency)	$(17,630,288)	$(175,319)	$5,035,790	$584,032	$3,103,829	$3,979,507	$(1,948,269)	$5,902,118	$(958,848)	$(19,465,005)	$18,194,892	$(5,825,785)	$(9,203,346)
Month End Balance Forward	$(18,533,391)	$(18,708,710)	$(13,672,920)	$(13,088,889)	$(9,985,060)	$(6,005,553)	$(7,953,822)	$(2,051,704)	$(3,010,552)	$(22,475,557)	$(4,280,665)	$(10,106,450)	$(10,106,450)

Source: Orange County Fire Authority

.

Table 7
ORANGE COUNTY FIRE AUTHORITY
Explanation of Changes from Fiscal Year 2014-15 Cash Flow from Fiscal Year 2013-14 Cash Flow

	Variance Projected	Variance Explanation
BEGINNING BALANCE	$(903,103)	
RECEIPTS		
Property Taxes	$15,884,435	
Intergovernmental	3,048,209	
Charges for Current Services	1,085,307	
Bankruptcy Loss Recovery	75,884	
Use of Money and Property[(1)]	166,404	
Other	(1,450,575)	
TRANs Principal	44,000,000	
Operating Transfers In	2,710,702	
Interfund Borrowing	5,000,000	
TOTAL RECEIPTS	$70,520,367	
EXPENDITURES		
Salary & Employee Benefits	$15,485,399	
OCERS Prepayment (Routine)	325,066	
Services & Supplies	1,632,798	
JEAP to the City of Irvine	(2,988,081)	
OCERS Prepayment (Special)	18,290,238	
Equipment	1,260,007	
Debt Service: TRAN Principal	44,000,000	
Debt Service: TRAN Interest	329,083	
Interfund Borrowing Repayment (incl. interest)	4,892,384	
Operating Transfers Out (estimated)	(3,503,181)	
TOTAL DISBURSEMENTS	$79,723,713	
EXCESS / (DEFICIENCY)	$(9,203,346)	
ENDING BALANCE	(10,106,450)	

Source: Orange County Fire Authority

(1) December actual interest includes retroactive adjustment for July through December 2014.

Table 8
ORANGE COUNTY FIRE AUTHORITY
Projected General Fund Cash Flow and Repayment Fund Cash Flow Fiscal Year 2015-16

	Projected July 2015	Projected August 2015	Projected September 2015	Projected October 2015	Projected November 2015	Projected December 2015	Projected January 2016	Projected February 2016	Projected March 2016	Projected April 2016	Projected May 2016	Projected June 2016	Fiscal Year 2015-16 Total
Balance From Prior Month	$21,538,620	$30,118,928	$15,810,160	$16,257,012	$13,083,521	$7,857,617	$80,203,115	$42,022,507	$30,300,293	$36,850,580	$69,912,963	$37,178,145	$21,538,620
Receipts:													
Property Taxes	$3,566,117	$876,889	$5,715,455	$599,636	$10,207,565	$94,474,159	$7,294,742	$1,315,092	$12,286,220	$70,693,545	$5,117,264	$2,298,859	$214,445,545
Intergovernmental	618,519	908,368	1,371,087	151,983	1,064,661	1,519,984	4,011,157	206,218	2,280,852	161,442	48,529	2,599,378	14,942,177
Charges for Current Services	4,763,081	4,451,924	13,946,181	7,109,167	4,358,362	16,383,614	1,295,545	7,339,500	13,813,213	6,407,485	5,222,064	16,879,166	101,969,304
Bankruptcy Loss Recovery	0	0	0	0	0	0	0	0	0	0	0	0	0
Use of Money and Property[1]	308,335	14,573	9,835	9,290	6,404	27,925	46,046	21,405	21,225	32,700	33,873	28,118	559,729
Other	458,339	66,811	201,541	142,703	31,603	94,012	256,669	343,344	(52,484)	(199,267)	(71,614)	(212,924)	1,058,733
TRANs Principal[2]	36,675,000	0	0	0	0	0	0	0	0	0	0	0	36,675,000
Operating Transfers In	0	0	0	0	0	0	0	0	0	0	0	0	0
Intrafund Borrowing	0	0	0	10,000,000	0	0	0	0	0	0	0	0	10,000,000
Total Receipts	$46,389,391	$6,318,565	$21,244,099	$18,012,780	$15,668,595	$112,499,694	$12,904,160	$9,225,559	$28,349,026	$77,095,906	$10,350,117	$21,592,597	$379,650,488
Expenditures:													
Salary & Employee Benefits	$29,694,471	$19,796,314	$19,796,314	$19,796,314	$19,796,314	$29,694,471	$19,796,314	$19,796,314	$19,796,314	$19,796,314	$19,796,314	$19,796,314	$257,352,080
OCERS Prepayment (Routine)	0	0	0	0	0	0	30,000,000	0	0	0	0	0	30,000,000
Services & Supplies	3,184,669	831,019	1,000,933	1,389,957	1,098,185	447,225	1,288,454	1,151,459	2,002,426	4,103,677	2,788,340	7,444,386	26,730,730
JEAPs	0	0	0	0	0	0	0	0	0	0	0	0	0
OCERS Prepayment (Special)	2,802,122	0	0	0	0	0	0	0	0	0	0	0	2,802,122
Equipment	0	0	0	0	0	0	0	0	0	1,796,032	1,796,032	1,796,032	5,388,095
Debt Service: TRAN Principal[2]	0	0	0	0	0	0	0	0	0	18,337,500	18,337,500	0	36,675,000
Debt Service: TRAN Interest [2]	0	0	0	0	0	0	0	0	0	0	366,750	0	366,750
Intrafund Interfund Borrowing Repayment (incl. interest)	0	0	0	0	0	10,012,500	0	0	0	0	0	0	10,012,500
Operating Transfers Out	2,127,821	0	0	0	0	0	0	0	0	0	0	0	2,127,821
Total Disbursements	$37,809,083	$20,627,333	$20,797,246	$21,186,271	$20,894,499	$40,154,196	$51,084,768	$20,947,773	$21,798,739	$44,033,523	$43,084,935	$29,036,732	$371,455,098
Excess / (Deficiency)	$8,580,308	$(14,308,768)	$446,852	$(3,173,491)	$(5,225,904)	$72,345,498	$(38,180,608)	$(11,722,214)	$6,550,287	$33,062,383	$(32,734,818)	$(7,444,135)	$8,195,390
Month End Balance Forward	$30,118,928	$15,810,160	$16,257,012	$13,083,521	$7,857,617	$80,203,115	$42,022,507	$30,300,293	$36,850,580	$69,912,963	$37,178,145	$29,734,010	$29,734,010

Source:Orange County Fire Authority.

(1) Use of Money and property is based on a 0.75% earnings rate on the Authority's ending cash balances. July 2015 amount includes TRAN original issue premium.

(2) TRAN assumes coupon rate of 1.00% and yield of 0.20%.

Table 9
ORANGE COUNTY FIRE AUTHORITY
Changes from Fiscal Year 2015-16 Cash Flow from Fiscal Year 2014-15 Cash Flow

	Projected July 2015	Projected August 2015	Projected September 2015	Projected October 2015	Projected November 2015	Projected December 2015	Projected January 2016	Projected February 2016	Projected March 2016	Projected April 2016	Projected May 2016	Projected June 2016	Fiscal Year 2015-16 Total
Balance From Prior Month													
Receipts:													
Property Taxes	$159,938	$39,328	$256,334	$26,893	$457,802	$4,237,096	$327,164	$58,981	$551,028	$3,170,553	$229,505	$103,102	$9,617,723
Intergovernmental	(258,290)	(379,330)	(572,559)	(63,468)	(444,597)	(634,738)	(1,675,040)	(86,116)	(952,473)	(67,417)	(20,266)	(1,085,488)	(6,239,781)
Charges for Current Services	136,467	127,552	399,572	203,685	124,871	469,407	37,119	210,284	395,762	183,581	149,617	483,605	2,921,521
Bankruptcy Loss Recovery	0	0	0	(155,630)	0	0	0	0	0	0	0	0	(155,630)
Use of Money and Property[1]	20,180	8,190	7,742	3,561	4,367	26,351	31,929	9,880	19,678	24,672	27,659	(14,772)	169,436
Other	(22,408)	(3,266)	(9,853)	(6,977)	(1,545)	(4,596)	(12,549)	(16,786)	2,566	9,742	3,501	10,410	(51,762)
TRANs Principal[1]	(7,325,000)	0	0	0	0	0	0	0	0	0	0	0	(7,325,000)
Operating Transfers In	0	0	0	0	0	0	0	(2,710,702)	0	0	0	0	(2,710,702)
Intrafund Borrowing	0	0	0	10,000,000	(5,000,000)	0	0	0	0	0	0	0	5,000,000
Total Receipts	$(7,289,114)	$(207,526)	$81,235	$10,008,065	$(4,859,102)	$4,093,519	$(1,291,377)	$(2,534,460)	$16,561	$3,321,130	$390,017	$(503,143)	$1,225,805
Expenditures:													
Salary & Employee Benefits	$10,473,372	$(8,597,344)	$(1,753,142)	$(739,104)	$(105,177)	$10,947,534	$(9,984,301)	$253,518	$(1,194,253)	$663,990	$663,990	$663,990	$1,293,073
OCERS Prepayment (Routine)	0	0	0	0	0	0	460,116	0	0	0	0	0	460,116
Services & Supplies	(292,287)	(76,270)	(91,865)	(127,569)	(100,791)	(41,046)	(118,254)	(105,680)	(183,781)	(376,633)	(255,912)	(683,241)	(2,453,331)
JEAPs	0	0	0	0	0	0	0	0	0	0	0	0	0
OCERS Prepayment (Special)	(15,488,116)	0	0	0	0	0	(3,000,000)	0	0	0	0	0	(18,488,116)
Equipment	0	0	0	0	0	0	0	0	0	1,376,029	1,376,029	1,376,029	4,128,088
Debt Service: TRANs Principal	0	0	0	0	0	0	0	0	0	(3,662,500)	(3,662,500)	0	(7,325,000)
Debt Service: TRAN Interest	0	0	0	0	0	0	0	0	0	0	37,667	0	37,667
Interfund Borrowing Repayment (incl. interest)	0	0	0	0	0	5,010,842	0	0	0	0	0	0	5,010,842
Operating Transfers Out (estimated)	1,543,229	0	0	0	0	0	0	0	(2,416,314)	0	1,133,712	0	260,627
Total Disbursements	$(3,763,802)	$(8,673,614)	$(1,845,007)	$(866,674)	$(205,968)	$15,917,330	$(12,642,438)	$147,838	$(3,794,348)	$(1,999,114)	$(707,014)	$1,356,778	$(17,076,034)
Excess / (Deficiency)	$(3,525,312)	$8,466,088	$1,926,242	$10,874,739	$(4,653,134)	$(11,823,811)	$11,351,062	$(2,682,297)	$3,810,909	$5,320,244	$1,097,031	$(1,859,921)	$18,301,839
Month End Balance Forward	$(13,631,762)	$(5,165,674)	$(3,239,431)	$7,635,307	$2,982,173	$(8,841,638)	$2,509,424	$(172,873)	$3,638,036	$8,958,280	$10,055,311	$8,195,390	$8,195,390

Source: Orange County Fire Authority

.

Table 10
ORANGE COUNTY FIRE AUTHORITY
Explanation of Changes to Fiscal Year 2015-16 Cash Flow from Fiscal Year 2014-15 Cash Flow

	Variance Projected	Variance Explanation
BEGINNING BALANCE		
RECEIPTS		
Property Taxes	$9,617,723	
Intergovernmental	(6,239,781)	
Charges for Current Services	2,921,521	
Bankruptcy Loss Recovery	(155,630)	
Use of Money and Property	169,436	
Other	(51,762)	
TRANs Principal[1]	(7,325,000)	
Operating Transfers In	(2,710,702)	
Interfund Borrowing	5,000,000	
TOTAL RECEIPTS	$1,225,805	
EXPENDITURES		
Salary & Employee Benefits	$1,293,073	
OCERS Prepayment (Routine)	460,116	
Services & Supplies	(2,453,331)	
JEAPs	0	
OCERS Prepayment (Special)	(18,488,116)	
Equipment	4,128,088	
Debt Service: TRANs Principal[1]	(7,325,000)	
Debt Service: TRAN Interest [1]	37,667	
Interfund Borrowing Repayment (incl. interest)	5,010,842	
Operating Transfers Out	260,627	
TOTAL DISBURSEMENTS	(17,076,034)	
EXCESS / (DEFICIENCY)	$18,301,839	
ENDING BALANCE	$8,195,390	

Source: Orange County Fire Authority

[1] To be finalized with TRAN size.

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 – "Financial, Economic and Demographic Information regarding the Orange County Fire Authority - Authority Financial Information – OCFA Portfolio" 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 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 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.

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 XIIIB, 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 XIIIB, 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. The Authority does not presently anticipate that any impact Proposition 62 may have on taxes levied by the Authority will adversely affect the ability of the Authority to pay the principal of and interest on the Notes as and when due.

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 XIIIC] 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.

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 2016 Budget proposed 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 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 Fieldman, Rolapp & Associates, 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 ________, 2015. The Notes were awarded to _____________ (the "Underwriter"), at a purchase price of $_______. 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 Listed Events (as defined in the Continuing Disclosure Certificate), 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). 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. See Appendix D – "Form of Disclosure Certificate" attached hereto.

The Authority will file updated cash flows for Fiscal Year 2015-16 with the MSRB through its EMMA system after each of the quarters ending September 30, 2015, December 31, 2015, March 31, 2016 and June 30, 2016.

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, 2014

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 2015-2016 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 28, 2015 (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 2015-16 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, 2015 by the Orange County Fire Authority (the "Authority") in connection with the issuance of the Authority's $___________ principal amount of Orange County Fire Authority 2015-2016 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.

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 A

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

[THIS PAGE INTENTIONALLY LEFT BLANK]

TABLE OF CONTENTS

[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 [July 2015]. 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 2013-14, the Authority's personnel responded to 113,025 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. In February 2015, Assembly Bill 1217 ("AB 1217") was introduced in the State Assembly. If approved by the State Legislature and signed by the Governor, AB 1217 will amend the Government Code to reduce the Board of Directors to 13 members from 25 members. In the event AB 1217 is implemented, beginning January 1, 2018, the Board of Directors would consist of three members of the Orange County Board of Supervisors and two members from each of the five districts of the Orange County Board of Supervisors who would be chosen by a selection committee of the Authority. The Authority cannot predict whether AB 1217 will be approved and implemented or whether any legislative proposals will be introduced with respect to the Board of Directors.

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, five Assistant 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") and is scheduled to adopt the Authority's budget for Fiscal Year 2015-16 on May 28, 2015 (the "Fiscal Year 2015-16 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's Budget and Finance Committee, the Budget and Finance Committee of the Board, comprised of seven members of the Board, 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 Fiscal Year 2014-15 State Budget (defined herein), the Fiscal Year 2015-16 Proposed State Budget (defined herein) and the May Revision to the Fiscal Year 2015-16 Proposed State Budget Act (defined herein). No assessment can be made by the Authority regarding any budgetary problems that may affect the State in Fiscal Years 2014-15 or 2015-16, including any measures that may be taken by the State to balance its budget. There can be no assurances that the State Budget Act for Fiscal Year 2015-16 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 Fiscal Year 2015-16 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. In general, 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, contracts and purchase orders which exceed certain values require approval of the Executive Committee of the Board. 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 Year 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 Managers' 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. [To be discussed]

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 2014-15 General Fund Adopted Budget”) on May 22, 2014. The Fiscal Year 2014-15 General Fund Adopted Budget projected Fiscal Year 2014-15 total available resources of approximately $355.7 million, inclusive of a beginning balance of $47.1 million, total expenditures and other uses of $324.6 million and a year-end ending balance of $27.4 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 did not include salary adjustments or cost of living adjustments based on the Trigger Formula calculation.

The Fiscal Year 2014-15 General Fund Adopted Budget projected that General Fund revenues in Fiscal Year 2014-15 will be approximately $2.5 million greater than the projected revenues for Fiscal Year 2013-14, which is an increase of 0.82%. The projected increase to General Fund revenues is attributable to, among other things, a $5.3 million increase in property tax revenues and a $4.3 million increase to cash contract charges. Projected decreases in revenues included, among other things, $2.8 million from State reimbursements, $3.2 million from federal reimbursements, $750,000 from community redevelopment agency transfers, $564,000 from community risk reduction fees and $572,000 from miscellaneous revenues. The Authority projected a decrease in intergovernmental revenues of approximately $6.7 million in Fiscal Year 2014-15 from Fiscal Year 2013-14, which amount included the aforementioned projected reductions to local, State and federal reimbursements related to assistance for hire.

The Fiscal Year 2014-15 General Fund Adopted Budget projected that General Fund expenditures in Fiscal Year 2014-15 will be approximately $18.6 million greater than the projected expenditures for Fiscal Year 2013-14, an increase of 6.08%. 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 $18.3 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 $18.3 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 expected 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 Fund 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 $306.0 million in Fiscal Year 2013-14 to approximately $346.6 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 $306.0 million in Fiscal Year 2013-14 to approximately $343.1 million in Fiscal Year 2018-19. The Five Year Forecast projects that the General Fund will end Fiscal Years 2013-14, 2014-15, 2015-16, and 2016-17 with a surplus, but the General Fund will end Fiscal Year 2017-18 with a deficit of approximately $62,000. 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.

Fiscal Year 2014-15 Mid-Year Budget Update. The Board of Directors received an update on the Fiscal Year 2014-15 Adjusted Budget on January 22, 2015 (the "2014-15 Mid-Year Budget Update"). The Board of Directors approved technical adjustments to the Fiscal Year 2014-15 Adjusted Budget in March 2015. The 2014-15 Mid-Year Budget Update stated that projected General Fund revenues for Fiscal Year 2014-15 are expected to increase by approximately $13.3 million due to, among other things, increased property taxes in the amount of $8.5 million, assistance by hire fee in the amount of $4.7 million, community redevelopment agency pass-through payments in the amount of $717,000 and other miscellaneous revenues in the amount of $324,000. The 2014-15 Mid-Year Budget Update estimates that General Fund expenditures are expected to increase by approximately $12.7 million due to, among other things, Jurisdictional Equity Adjustment Payments (defined herein) in the amount of $5 million to the City of Irvine, overtime expenditures in the amount of $3.2 million, expenditures related to the memorandum of understanding with the firefighter bargaining unit in the amount of $1.4 million and other miscellaneous expenditures. The Board of Directors reviewed service demands and directed Authority staff to evaluate staffing levels and frozen positions.

Fiscal Year 2015-16 Proposed Authority Budget. The Authority's proposed budget for Fiscal Year 2015-16 (the "Fiscal Year 2015-16 Proposed Authority Budget") projects Fiscal Year 2015-16 total available resources of approximately $369.4 million, inclusive of a beginning balance of $36.4 million, total expenditures and other uses of $369.2 million, inclusive of a year-end ending balance of $33.9 million. The Fiscal Year 2015-16 General Fund Proposed Budget, among other things, recommends that the Authority fill several vacant positions at the beginning of the fiscal year in contrast to previous fiscal years.

The Fiscal Year 2015-16 Proposed Authority Budget projects that General Fund revenues in Fiscal Year 2015-16 will be approximately $14.8 million greater than the projected revenues for Fiscal Year 2014-15, which is an increase of 4.65%. The projected increase to General Fund revenues is attributable to, among other things, a $9.6 million increase of property tax revenues, a $463,000 increase from State reimbursements, a $1.8 million from pass-throughs relating to the dissolved community redevelopment agency, and a $2.9 million increase from cash contract charge revenues.

The Fiscal Year 2015-16 Proposed Authority Budget projects that General Fund expenditures in Fiscal Year 2015-16 will be approximately $5.8 million greater than the projected expenditures for Fiscal Year 2014-15, an increase of 1.88%. The projected increase to General Fund expenditures is primarily attributable to, among other things, a $4.5 million increase to salaries and additional positions, $268,000 relating to increased retirement rates and contributions, $1.3 million relating to benefits, workers' compensation and medical, dental and vision insurance. The projected increase to salaries reflects an increase based on the memorandum of understanding for the Orange County Professional Firefighters Association and the estimated impact of the memorandum of understanding for the Orange County Employees Association. The project does not incorporate estimated increases based on the "Trigger Formula". See " – Trigger Formula" herein. In addition, the Authority expects that there will be a reduction in expenditures in the amount of $23.8 million relating to extraordinary and grant expenditures from Fiscal Year 2014-15. The Authority expected to satisfy the Contingency Reserve Set-Aside Requirement of $3 million pursuant to 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 2014-15, the proposed Fiscal Year 2015-16 General Fund Adopted Budget and projections for Fiscal Year 2016-17 through 2019-20. See " – Five Year Forecast" herein. The Five Year Forecast projects that General Fund revenues will increase during the Five-Year Forecast period beginning with revenues of approximately $345.00 million in Fiscal Year 2014-15 to approximately $386.10 million in Fiscal Year 2019-20. The Authority also projects that General Fund expenditures will increase during the Five Year Forecast period beginning with expenditures of $343.08 million in Fiscal Year 2014-15 to approximately $361.451 million in Fiscal Year 2019-20. The Five Year Forecast projects that the General Fund will end Fiscal Years 2014-15 through 2019-20 with a surplus. 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 A-1 sets forth the Authority's adopted and adjusted budgets for its General Fund for Fiscal Years 2011-12 through 2014-15 and the Fiscal Year 2015-16 Proposed Authority Budget.

TABLE A-1
ORANGE COUNTY FIRE AUTHORITY
GENERAL FUND ANNUAL BUDGETS[1]
Fiscal Years Ended June 30, 2012 through 2016

	Adopted 2011-12 Budget	Adopted 2012-13 Budget[1]	Adjusted 2013-14 Budget	Adopted 2014-15 Budget	Proposed 2015-16 Budget
FUNDING SOURCES:					
Property Taxes	$ 178,620,900	$ 180,025,636	$ 190,156,251	$ 195,471,965	$214,445,545
Intergovernmental	8,555,396	8,453,724	17,872,333	11,137,559	14,942,177
Charges for Current Services	59,160,564	94,314,465	96,288,619	100,016,486	101,969,304
Use of Money & Property	329,425	217,023	128,487	886,749	658,828
Other	1,519,243	2,569,243	1,572,631	1,000,700	1,058,733
TOTAL REVENUE AND OTHER FINANCING SOURCES	$ 248,185,528	$ 285,580,091	$ 306,018,321	$ 308,513,459	$333,074,587
BEGINNING FUND BALANCE	$ 47,336,136	$ 44,316,887	$ 52,525,839	$ 47,141,481	$ 36,361,470
TOTAL AVAILABLE RESOURCES	$ 295,521,664	$329,896,978	$ 358,544,160	$ 355,654,940	$369,436,057
EXPENDITURES					
Salaries and Employee Benefits[2]	$ 228,151,732	$ 260,416,467	$ 273,532,282	$ 298,156,224	$287,352,080
Services and Supplies	19,555,593	21,700,120	32,164,422	25,585,580	34,578,778
Capital Outlay	--	--	335,600	--	154,095
Debt Service	--	--	--	895,000	318,050
Subtotal Expenditures	$ 247,707,325	$ 282,116,587	$ 306,032,304	$ 324,636,804	$ 322,403,003
UAAL Paydown	$ --	$	$	$	$ 2,802,122
TOTAL EXPENDITURE AND OTHER USES	$ 247,707,325	$ 282,116,587	$ 306,032,304	$ 324,636,804	$ 325,205,125
APPROPRIATION FOR CONTINGENCIES[3]	$ 3,000,000	$ 3,000,000	$ 3,000,000	$ 3,000,000	$ 3,000,000
OPERATING TRANSFER OUT	$ --	$ --	$ 5,370,375	$ 584,592	$ 7,361,821
ENDING FUND BALANCE	$ 44,814,339	$ 44,780,391	$ 44,141,481	$ 27,433,544	$ 33,869,111
TOTAL FUND COMMITMENTS & FUND BALANCE	$ 295,521,664	$ 329,896,978	$ 358,544,160	$ 355,654,940	$369,436,057

Source: Orange County Fire Authority.

(1) The City of Santa Ana joined the Authority as a Cash Contract Member in April 2012. Accordingly, the revenues and expenditures of the Authority increased commencing in Fiscal Year 2012-13.

(2) Projected expenditures for salaries and benefits include a payment to reduce the Authority's UAAL in the amount of $18,290,238 in accordance with the MOU with the Orange County Professional Firefighters Association.

(3) Any proposed expenditure of the appropriation for contingencies requires approval by the Board of Directors prior to such expenditure.

Financial Statements

The following Table A-2 sets forth the Authority's Statement of General Fund Revenues, Expenditures and Changes in Fund Balances for Fiscal Years 2010-11 through 2013-14.

TABLE A-2
ORANGE COUNTY FIRE AUTHORITY
STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES[(1)]
AND CHANGES IN FUND BALANCES
Fiscal Years Ended June 30, 2011 through 2014

	June 30, 2011	June 30, 2012	June 30, 2013	June 30, 2014
REVENUES				
Taxes	$ 177,181,086	$ 177,728,290	$ 181,720,253	$ 190,873,689
Intergovernmental	10,756,345	12,856,953	28,004,583	19,094,591
Charges for Services[(1)]	55,651,846	64,332,052	94,292,648	96,104,840
Use of Money and Property	426,990	344,630	25,305	540,980
Miscellaneous	893,511	2,326,680	4,785,472	1,352,043
TOTAL REVENUES	$ 244,909,778	$ 257,588,605	$ 308,828,261	$ 307,966,143
EXPENDITURES				
Current – Public Safety:				
Salaries and Benefits[(1)]	$ 211,799,421	$ 228,452,010	$ 255,301,913	$ 257,134,030
Services and Supplies[(1)]	24,387,661	27,761,638	29,849,819	37,415,703
Capital Outlay	274,901	418,655	250,572	455,496
Debt Service:				
Principal Retirement	--	--	--	--
Interest and Fiscal Charges	210,594	136,019	115,937	109,274
TOTAL EXPENDITURES	$ 236,672,577	$ 256,768,322	$ 285,518,241	$ 295,114,503
EXCESS (DEFICIT) OF REVENUES OVER/(UNDER) EXPENDITURES	$ 8,237,201	$ 820,283	$ 23,310,020	$ 12,851,640
OTHER FINANCING SOURCES (USES)				
Transfers In	$ (4,137,811)	--	--	--
Transfers Out	434,914	--	$ (381,222)	$ (5,370,375)
Sale of Capital and Other Assets	--	$ 146,317	58,051	77,077
Insurance Recoveries	8,405	89,095	53,539	360,803
TOTAL OTHER FINANCING SOURCES (USES)	$ (3,694,492)	$ 235,412	$ (269,642)	$ (4,932,495)
NET CHANGE IN FUND BALANCES	$ 4,542,709	$ 1,055,695	$ 23,040,378	$ 7,919,145
FUND BALANCE				
BEGINNING OF YEAR	$ 80,697,406[(2)]	$ 85,240,115	$ 84,544,766[(3)]	$ 107,585,144
END OF YEAR	$ 85,240,115	$ 86,295,810	$ 107,585,144	$ 115,504,289

(1) The City of Santa Ana joined the Authority as a Cash Contract Member in April 2012. Accordingly, the revenues and expenditures of the Authority increased commencing in Fiscal Year 2012-13.

(2) The Authority restated its beginning fund balance due to the implementation of GASB Statement No. 54 – "Fund Balance Reporting and Governmental Fund Type Definitions".

(3) 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 – "Items Previously Reported as Assets and Liabilities". The restatement also included an adjustment of $1.75 million due to the Authority's hazardous materials program. See "Financial and Economic Information – Major Revenues - Hazardous Material Inspection Program Revenue" herein.

Source: Comprehensive Annual Financial Reports of the Authority for the Fiscal Years ended June 30, 2011 through June 30, 2014.

The following Table A-3 sets forth the Authority's General Fund Balance Sheets for Fiscal Years 2010-11 through 2013-14.

TABLE A-3
ORANGE COUNTY FIRE AUTHORITY
GENERAL FUND BALANCE SHEETS
Fiscal Years Ended June 30, 2011 through 2014

	June 30, 2011	June 30, 2012	June 30, 2013	June 30, 2014
ASSETS				
Cash and Investments	$63,031,566	$ 68,277,255	$ 87,493,792	$ 31,645,070
Receivables:				
Accounts, net	1,914,898	1,803,896	2,944,138	2,117,990
Accrued Interest	74,898	76,707	32,796	54,196
Prepaid Costs	23,186,680	22,756,709	26,727,849	30,565,638
Due from Other Governments	7,279,150	8,529,530	9,674,957	9,946,907
TOTAL ASSETS	$ 95,487,192	$101,444,097	$126,873,532	$ 74,329,801
LIABILITIES				
Accounts Payable	$ 1,727,631	$ 2,590,413	$ 2,471,418	$ 4,911,061
Accrued Liabilities	8,507,382	10,915,134	12,853,555	11,540,122
Unearned Revenue	--	--	2,905,626	3,012,482
Deferred Revenues	12,064	1,642,740	--	--
Due to Other Governments	--	--	23,368	67,854
TOTAL LIABILITIES	$ 10,247,077	$ 15,148,287	$ 18,253,967	$ 19,531,519
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	$ --	$ --	$ 1,034,421	$ 1,000,139
TOTAL DEFERRED INFLOWS OF RESOURCES	$ --	$ --	$ 1,034,421	$ 1,000,139
FUND BALANCES:				
Reserved:				
Reserved for Encumbrances	--	--	--	--
Reserved for Prepaid Costs	--	--	--	--
Unreserved				
Designated for Workers' Compensation	--	--	--	--
Designated for Operating Contingency	--	--	--	--
Designated for Future Cash Flow Needs	--	--	--	--
Designated for Training and Education	--	--	--	--
Undesignated	--	--	--	--
Nonspendable – Prepaid Costs	$ 23,186,680	$ 22,756,709	$ 26,727,849	$ 30,560,638
Restricted for:				
Executive Management	79,125	60,391	7,865	--
Operations Department	29,655	113,056	127,193	32,015
Fire Prevention Department	3,200	24,628	2,618	--
Business Services Department	--	1,501,712	--	--
Community Risk Reduction Department	--	--	--	267
Committed to – SFF Cities Enhancements	797,935	1,372,789	1,268,160	784,617

(continued)

Assigned To:				
Capital Improvement Program	--	--	--	--
Workers' Compensation	35,134,351	34,146,268	53,230,384	60,921,529
Executive Management	34,031	45,140	24,832	90,529
Operations Department	83,553	134,227	62,583	75,416
Fire Prevention Department	68,180	49,224	55,138	--
Business Services Department	139,647	232,335	161,126	58,254
Support Services Department	91,227	94,138	134,545	90,364
Facilities Projects	--	14,065	--	--
Communications and IT Projects	--	--	--	--
Fire Apparatus and Other Vehicles	--	--	--	--
Fire Station Construction	--	--	--	--
Unassigned	25,592,531	25,751,128	25,782,851	22,890,660
TOTAL FUND BALANCES	$ 85,240,115	$ 86,295,810	$107,782,851	$115,504,289
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 95,487,192	$101,444,097	$126,873,532	$74,329,801

Sources: Comprehensive Annual Financial Reports of the Authority for the Fiscal Years ended June 30, 2011 through June 30, 2014.

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"). 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 is budgeted to be approximately 54.96% and 64.4% of revenue to the General Fund for Fiscal Years 2014-15 and 2015-16, respectively. Such revenues are specifically allocated to fire suppression, protection, prevention, and related services. The following Table A-4 sets forth the Authority's General Fund revenues for the Fiscal Year ended June 30, 2014.

TABLE A-4
ORANGE COUNTY FIRE AUTHORITY
ALLOCATION OF COUNTY GENERAL FUND REVENUES[(1)]
Fiscal Year Ended June 30, 2014

Taxes	61.98%
Intergovernmental	6.20
Charges for Services	31.21
Use of Money and Property	0.18
Miscellaneous	0.44
Total	100.00%

Source: Comprehensive Annual Financial Report of the Authority for the Fiscal Year ended June 30, 2014.

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, 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 A-5 sets forth the amount of the Structural Fire Fund Revenues for each of the Structural Fire Fund Jurisdictions for Fiscal Years 2013-14 and 2014-15. The aggregate amount of the Structural Fire Fund Revenues for Fiscal Year 2013-14 was $186,395,536. The estimated amount of the Structural Fire Fund Revenues for Fiscal Year 2014-15 is $200,309,490.

TABLE A-5
ORANGE COUNTY FIRE AUTHORITY
STRUCTURAL FIRE FUND REVENUES[1]
Fiscal Years ended June 30, 2014 and June 30, 2015

Structural Fire Fund Jurisdiction	Fiscal Year 2013-14	Fiscal Year 2014-15
Aliso Viejo	$ 9,078,539	$ 9,724,276
Cypress	4,302,153	4,454,860
Dana Point	10,324,890	11,082,066
Irvine	62,818,290	68,300,059
La Palma	1,365,622	1,428,958
Laguna Hills	5,819,188	6,147,936
Laguna Niguel	12,988,031	13,896,437
Laguna Woods	2,614,707	2,834,724
Lake Forest	11,764,437	12,472,117
Los Alamitos	1,619,355	1,716,485
Mission Viejo	14,051,316	15,017,493
Rancho Santa Margarita	8,305,384	8,888,108
San Juan Capistrano	6,089,775	6,557,877
Villa Park	1,493,780	1,555,844
Yorba Linda	9,091,605	9,789,479
County Unincorporated	24,668,464	26,442,771
Total Structural Fire Fund Revenue	$ 186,395,536	$ 200,309,490

(1) 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. Beginning in Fiscal Year 2013-14, the Authority agreed to provide to the City of Irvine its full Jurisdictional Equity Adjustment Payments subject to the Authority's General Fund budget. The Authority has agreed to provide to the other Structural Fire Fund Jurisdictions an escalating portion of their respective Jurisdictional Equity Adjustment Payment in Fiscal Years 2013-14 through Fiscal Year 2016-17 and to provide the full Jurisdictional Equity Adjustment Payment beginning in Fiscal Year 2017-18, subject to the Authority's General Fund budget. Pursuant to the Second Amendment to the Joint Powers Agreement, the Authority is to use unrestricted revenues such as the Cash Contract Payments to make the Jurisdictional Equity Adjustment Payments. 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 2014-15 Mid-Year Budget Update" herein.

In December 2013, the Authority and the City of Irvine filed a motion with the Orange County Superior Court 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 revenues proposed to make the Jurisdictional Equity Adjustment Payments. In August 2014, the Superior Court ruled that the Second Amendment to the Joint Powers Agreement was invalid.

The Authority and the City of Irvine have submitted appeals to the ruling of the Superior Court. In February 2015, both parties filed briefs in the Court of Appeal. The Authority cannot predict the outcome of the appeal 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 on appeal. 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. The Fiscal Year 2014-15 Mid-Year Budget Update estimates that in Fiscal Year 2014-15 Jurisdictional Equity Adjustment Payments in the aggregate amount of $6,989,875 are payable to Structural Fire Fund Jurisdictions, including $6,513,240 to the City of Irvine.

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. The Board of Directors approved a base service charge increase of 4.5% in its Fiscal Year 2014-15 Final Adopted Budget. However, the Authority estimates that the base service charge increase for Fiscal Year 2014-15 is 4.54%. The proposed Fiscal Year 2015-16 base service charge increased by 2.35%. The Fiscal Year 2014-15 Budget Update states that annual increases for Cash Contract Members for Fiscal Year 2016-17 will be approximately 2.5%.

The following Table A-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 2014-15 and Fiscal Year 2015-16. The aggregate amount of the Cash Contract Payments for Fiscal Year 2013-14 was $83.3 million, which amount was approximately 27.1% of total General Fund revenues. The estimated aggregate amount of the Cash Contract Payments for Fiscal Year 2014-15 is $87.6 million, which amount is approximately 27.4% of the projected total General Fund revenues. In Fiscal-Year 2015-16 the aggregate amount of Cash Contract Payments is approximately $90.5 million which is approximately 27.2% of the projected total General Fund revenues.

TABLE A-6
ORANGE COUNTY FIRE AUTHORITY
CASH CONTRACT PAYMENTS(1)
Fiscal Years ended June 30, 2014 and June 30, 2015

Cash Contract Member	Fiscal Year 2014-15	Fiscal Year 2015-16
Buena Park	$ 9,307,967	$ 9,651,490
John Wayne Airport	4,301,824	4,425,479
Placentia	5,449,278	5,659,590
San Clemente(1)	7,831,474	8,103,028
Santa Ana(2)	36,196,560	37,214,682
Seal Beach	4,498,827	4,627,456
Stanton	3,654,206	3,800,518
Tustin	6,462,533	6,778,478
Westminster	9,861,998	10,222,871
Total	$87,564,667	$90,528,591

(1) In addition to the base charge, such amount includes a charge in the amount of $527,298 in Fiscal Year 2014-15 and $553,173 in Fiscal Year 2015-16 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.

(2) In addition to the base charge, such amount includes a charge in the amount of $35,000 in Fiscal Year 2014-15 and $200,000 in Fiscal Year 2015-16 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 approximately $1.3 million during Fiscal

Year 2013-14 transferred approximately $400,000 to the Orange County Environmental Health Agency in June 2014. 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 2014-15" and " – State Budget for Fiscal Year 2015-16" herein.

Expenditures

The Authority's major expenditures are employee salaries and benefits. See Appendix B – "Comprehensive Annual Financial Report of the Authority for the Fiscal Year ended June 30, 2014" 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, 2014, the Authority had on deposit approximately $29.5 million in the vehicle replacement fund, $15.4 million in the communication and information systems fund, $16.7 million in its facilities replacement fund, and $2.7 million in the facilities maintenance and improvement fund. See Appendix B – "Comprehensive Annual Financial Report of the Authority for the Fiscal Year ended June 30, 2014" attached to this Official Statement.

Significant capital improvement projects under construction in Fiscal Year 2014-15 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 July 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 $4.8 million in Fiscal Year 2014-15. 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 $2.2 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 $174,028 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 2014-15 Adopted Budget projects that the Authority will receive approximately $195.5 million in property taxes during Fiscal Year 2014-15. The aggregate assessed valuation of taxable properties within the Authority for Fiscal Year 2014-15 of $258.2 billion reflects an increase of approximately $16.7 billion from Fiscal Year 2013-14 which is an increase of 6.9%. Based on data reflecting current market conditions, the Authority estimates that assessed valuation of property will increase at a rate of 5.11% for Fiscal Year 2015-16.

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 $4.3 million in Fiscal Year 2013-14. The Fiscal Year 2014-15 Adopted Budget projects that the Authority will receive supplemental property tax revenues of approximately $3.0 million in Fiscal Year 2014-15.

The following Table A-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 2009-10 through 2013-14.

TABLE A-7
ORANGE COUNTY FIRE AUTHORITY
SUMMARY OF TAX LEVIES AND COLLECTIONS[(1)]
Fiscal Years 2009-10 through 2013-14

Fiscal Year	Secured Tax Charge	Total Tax Collection through June 30	Outstanding Delinquent Taxes	Ratio of Delinquency to Tax Levy
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
2013-14				

Source: California Municipal Statistics.

(1) Unaudited.

2442140.13 039441 OS

The following Table A-8 sets forth the Authority's assessed valuation for Fiscal Years 2010-11 through 2014-15.

TABLE A-8
ORANGE COUNTY FIRE AUTHORITY
ASSESSED VALUATION
Fiscal Years 2010-11 through 2014-15

Fiscal Year	Secured	Utility	Unsecured	Total Assessed Value
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
2014-15				

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 A-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, 2015.

TABLE A-9
ORANGE COUNTY FIRE AUTHORITY
TWENTY LARGEST PROPERTY TAXPAYERS BY TOTAL TAXES ASSESSED
Fiscal Year 2014-15

Taxpayer	Type of Business	Amount of Tax	% of Total[1]
		$__________	__%

Source: California Municipal Statistics.

[1] Percentage based on the Fiscal Year 2014-15 secured assessed valuation: $_________.

Employees and Labor Relations

Employment.. The following Table A-10 sets forth information regarding the Authority's employment for Fiscal Years 2010-11 through 2014-15. Of the total authorized positions, the Authority has 1,056 authorized positions for front-line emergency response and 260 reserve (volunteer) firefighters as of May 1, 2015.

TABLE A-10
ORANGE COUNTY FIRE AUTHORITY
EMPLOYMENT
Fiscal Years 2010-11 through 2014-15

Fiscal Year	Firefighter Unit	Fire Management Unit	General Unit	Supervisory Management Unit	Supported Employment Unit	Personnel and Salary Resolution	Unfunded Positions	Total Authorized
2010-11	863	41	196	28	4	49	95	1,181
2011-12	1,010	45	203	28	4	49	94	1,339
2012-13	1,011	45	205	28	4	50	105	1,343
2013-14	1,011	45	205	27	4	50	106	1,342
2014-15	1,011	45	207	27	4	50	103	1,344

Source: Orange County Fire Authority.

(1) Figures represent number of authorized positions as of the adoption of the Authority's budget for each fiscal year.

The Authority's Fiscal Year 2014-15 Adopted Budget did not fund 103 authorized positions, which included 18 firefighters, 24 fire apparatus engineers, 27 fire captains, 1 heavy fire equipment operator, 1 fire pilot, 2 battalion chiefs, and 27 non-safety positions. The Authority does not expect to reduce the level of service that it provides due to the use of overtime for funded firefighter positions. The Authority's Fiscal Year 2015-16 Proposed Budget proposes that the Authority unfreeze certain vacant positions. However, the Authority's Fiscal Year 2015-16 Proposed Budget proposes that the Authority continue not to fund 90 vacant positions. See "Financial and Economic Information – Fiscal Year 2015-16 Proposed Authority Budget" herein. 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 96% of the Authority's employees are represented by employee organizations covering four bargaining units. Approximately 79% of Authority employees are support and operations personnel who are prohibited under State law from engaging in work stoppage actions that endanger public safety. The following Table A-11 sets forth the expiration dates for the respective MOUs of each of the Authority's employee organizations with the Authority. Negotiations to establish the initial MOU with the Orange County Fire Authority Managers' Association bargaining unit, which was formed in 2015, are currently in progress. In addition, negotiations with respect to a successor MOU with the Orange County Professional Firefighters Association are currently in progress The Authority has approximately 260 reserve (volunteer) firefighters who do not work under the terms of an MOU.

TABLE A-11
ORANGE COUNTY FIRE AUTHORITY
BARGAINING UNITS

Bargaining Unit	Employees	MOU Expiration Date
Orange County Chief Officers Association	45	December 11, 2015
Orange County Employees Association	234	December 15, 2017
Orange County Professional Firefighters Association	1,011	October 31, 2015
Orange County Fire Authority Managers' Association	37	-

Source: Orange County Fire Authority.

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. 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, 2011 through December 31, 2013, adopted by the Board of Retirement on July 21, 2014 (the "2014 Analysis of Actuarial Experience"), the System's Actuarial Valuation and Review as of December 31, 2013, adopted by the Board of Retirement on June 16, 2014 (the "2013 Actuarial Valuation"), 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, 2014 Actuarial Valuation, adopted by the Board of Retirement on July 21, 2014 (the "2014 Review of Assumptions"), the System's Comprehensive Annual Financial Report for the Fiscal Year ended December 31, 2013, dated as of July 11, 2014 (the "2013 Association CAFR") and the Authority's 2014 Liability Study dated as of October 2014, 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 2014 Analysis of Actuarial Experience, the 2012 Actuarial Valuation, 2013 Actuarial Valuation and the 2014 Review of Assumptions. The results of the 2013 Actuarial Valuation and the 2012 Actuarial Valuation were prepared using the actuarial assumptions and methods developed in the System's Actuarial Experience Study Analysis of Actuarial Experience during the Period January 1, 2008 through December 31, 2010 and the System's Review of Economic Actuarial Assumptions for the December 31, 2012 Actuarial Valuation.

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, 2013, the date of the most recent actuarial valuation on behalf of the System, was approximately $1,604,496,000. The following Table A-12 sets forth the System's total membership as of December 31, 2013.

TABLE A-12
ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM
Total System Membership as of December 31, 2013

	Authority	Other Member Agencies	Total
Active Members	1,185	20,183	21,368
Retired Participants	456	10,772	11,228
Beneficiaries	72	1,871	1,943
Disabled	132	1,202	1,334
Terminated Participants	127	4,486	4,613
Total	1,972	38,514	40,486

Sources: Orange County Employees Retirement System – 2013 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, 2013. 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 February 28, 2015, the County Investment Pool had a weighted average maturity of 409 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, 1AFF-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 A-13 sets forth the four retirement plans for Safety Members as of May 1, 2015.

TABLE A-13
ORANGE COUNTY FIRE AUTHORITY
RETIREMENT PLANS FOR SAFETY MEMBERS

			Employee Hire Date		
Plan	**Tier**	**Benefit Formula**	**Fire Fighter Unit**	**Fire Management Unit**	**Executive Management in Fire Suppression Positions**
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	II	3.0% at 55	July 1, 2012 - December 31, 2012	July 1, 2012 — December 31, 2012	July 1, 2011 — December 31, 2012
			OR	OR	OR
			On or after January 1, 2013 (with reciprocity)	On or after January 1, 2013 (with reciprocity)	On or after January 1, 2013 (with reciprocity)
V	II	2.7% at 57	On or after January 1, 2013 (without reciprocity)	On or after January 1, 2013 (without reciprocity)	On or after January 1, 2013 (without reciprocity)

Source: Orange County Fire Authority Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2014.

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 A-14 sets forth the reimbursement rates for Safety Members of the Firefighter Unit, Fire Management Unit and Executive Management in fire suppression positions.

TABLE A-14
ORANGE COUNTY FIRE AUTHORITY
REIMBURSEMENT RATES FOR SAFETY MEMBERS

Firefighter Unit (Hired Prior to January 1, 2011)		**Fire Management Unit (Hired Prior to January 1, 2011)**		**Executive Management in Fire Suppression Positions (Hired Prior to July 1, 2011)**	
Effective	Reimbursement Rate	Effective	Reimbursement Rate	Effective	Reimbursement Rate
October 2010	2.50%	January 2011	2.75%	January 2011	2.75%
October 2011	5.00	January 2012	5.50	January 2012	5.50
October 2012	7.00(1)	January 2013	8.25	January 2013	9.00
October 2013	9.00(2)	February 2014	9.00		
November 2014	11.00				

(1) 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.

(2) 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: Comprehensive Annual Financial Report of the Authority for the Fiscal Year ended June 30, 2014.

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 A-15 sets forth the four retirement plans for General Members.

TABLE A-15
ORANGE COUNTY FIRE AUTHORITY
RETIREMENT PLANS FOR GENERAL MEMBERS

Plan	Tier	Benefit Formula	Employee Hire Date: General and Supervisory Management	Employee Hire Date: Administrative Management and Executive Management in Non-Fire Suppression Positions
I	I	2.7% at 55	Prior to July 1, 2011	Prior to December 1, 2012
J	II	2.7% at 55	Prior to July 1, 2011	Prior to December 1, 2012
N	II	2.0% at 55	On or After July 1, 2011 (with reciprocity)	December 1, 2012 — December 31, 2012 - OR - On or After January 1, 2013 (with reciprocity)
U	II	2.0% at 62	On or After January 1, 2013 (without reciprocity)	On or After January 1, 2013 (without reciprocity)

Source: Comprehensive Annual Financial Report of the Authority for the Fiscal Year ended June 30, 2014.

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. 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.

In October 2014, the Board of Directors approved an amendment to the memoranda of understanding with its Safety Member employees. Accordingly, effective November 14, 2014, the employee retirement contributions of Safety Member employees hired prior to January 1, 2013 increased to 11% from 9%. In addition, Safety Member employees hired on or January 1, 2013 will continue to be subject to the PEPRA requirements of 50% of normal cost for employee retirement contributions which vary based on age of entry. See "Defined Benefit Retirement Program – California Public Employees' Pension Reform Act of 2013" herein.

In January 2015, the Board of Directors approved an amendment to the memoranda of understanding with its General Member employees. Accordingly, the retirement contributions of General Members hired prior to January 1, 2013 will be increased by 2% effective March 2015, 2.5% effective March 2016 and 3%

effective March 2017. Accordingly, the employee retirement contribution rate for General Members will increase from 9% to 16.5%. Subsequent to March 2017, General Member employees will pay any subsequent increases in the 50% of normal cost for employee retirement contributions. In addition, General Member employees hired on or January 1, 2013 will continue to be subject to the PEPRA requirements of 50% of normal cost for employee retirement contributions which vary based on age of entry. See "Defined Benefit Retirement Program – California Public Employees' Pension Reform Act of 2013" herein.

The following Table A-16 sets forth the effective dates of the various increases to the reimbursement rate for General Members.

TABLE A-16
ORANGE COUNTY FIRE AUTHORITY
SCHEDULE OF REIMBURSEMENT RATE INCREASES - GENERAL MEMBERS

General and Supervisory Management (Hired Prior to July 1, 2011)		Administrative Management (Hired Prior to December 1, 2012)		Executive Management in Non-Fire Suppression Positions (Hired Prior to December 1.2012)	
Effective	**Reimbursement Rate**	**Effective**	**Reimbursement Rate**	**Effective**	**Reimbursement Rate**
January 2011	7.25%	January 2013	8.25%	January 2013	9.00%
July 2011	8.50	February 2014	9.00(1)		
February 2012	9.00	February 2015	9.00(1)		
March 2015	11.00	December 2015	9.00(2)		

(1) Percentage assumes a salary adjustment is implemented.
(2) If not already at 9.00%.

Source: Comprehensive Annual Financial Report of the Authority for the Fiscal Year ended June 30, 2014.

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 A-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 Fiscal Years 2013-14 and 2014-15, the Authority made additional contributions of $5.5 million and $21.3 million, respectively, to reduce its UAAL. 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 prepayment amount was $18.3 million. As of December 31, 2013, the Authority's UAAL was estimated to be approximately $379.7 million for Safety Members and approximately $70.1 million for General Members.

The following Table A-17 sets forth the Authority's payroll, annual required contribution and actual contributions related thereto for Fiscal Years 2011-12 through 2013-14 and Authority's actual contributions as a percentage of total governmental funds expenditures for such fiscal years. The Authority's actual contributions were at least equal to 100% of the required contributions for Fiscal Years 2011-12 through 2013-14.

TABLE A-17
ORANGE COUNTY FIRE AUTHORITY
CONTRIBUTION STATUS
Fiscal Years 2011-12 through 2013-14

	Authority Payroll		Authority Required Contributions		Authority Actual Contributions		Actual Authority Contribution as Percentage of Total Governmental Funds Expenditures[(1)]
Fiscal Year	**Total**	**Covered by the System**	**Amount**	**Percent of Covered Payroll**	**Amount**	**Percent of Required Contributions**	
2011-12	$152,675,870	$111,444,130	$55,756,764	50.1%	55,756,764	100.0%	21.2%
2012-13	171,749,319	128,121,447	61,206,670	47.8	61,206,670	100.0	20.7
2013-14	171,194,140	125,869,628	57,795,043	46.0	63,030,796	109.1	20.5

Sources: Comprehensive Annual Financial Report of the Authority for the Fiscal Year ended June 30, 2014 and the Authority for Total Governmental Funds Expenditures for Fiscal Years 2011-12 through 2013-14.

The following Table A-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, 2009 through December 31, 2014.

TABLE A-18
ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM
ANNUAL REQUIRED EMPLOYER CONTRIBUTIONS
AND PERCENTAGE CONTRIBUTED[(1)]
December 31, 2009 through December 31, 2014
($ in thousands)

Year Ended December 31	Annual Required Contributions[(1)]	Actual Contributions[(2)]	Percentage Contributed
2009	$337,496	$338,387[(3)]	100.3%
2010	372,437	372,437	100.0
2011	387,585	387,585	100.0
2012	406,521	406,521	100.0
2013	426,020	427,095[(3)]	100.3

Source: Orange County Employees Retirement System – 2013 Actuarial Valuation.

(1) ARC reflects the aggregate ARC amount of all employers participating in the System. See Table A-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 $891,000 in additional contributions made by the Authority towards the reduction of their UAAL
(4) Includes $1,075,000 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") which became effective December 31, 2013, amortizes the outstanding balance of the UAAL as of December 31, 2012 over a 20 year a declining period. Any increases or decreases in the UAAL that arise in future years due to actuarial gains or losses are amortized over separate 20-year periods. Any increases or decreases in UAAL due to plan amendments are amortized over separate 15-year periods and any changes in the UAAL due to early retirement incentive programs will be amortized over a separate period of up to 5 years. As of December 31, 2013, the AAL was approximately $1.579 billion and the UAAL (calculated using the valuation value of System Assets) was approximately $5.37 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, December 31, 2013 and December 31, 2014. In its 2014 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) was 69.8% as of December 31, 2014, which reflects an increase from the funded ratio of 66.0% as of December 31, 2013 and the funded ratio of 62.5% as of December 31, 2012.

The 2014 Actuarial Valuation reflects a UAAL of $4.96 billion as December 31, 2014, $5.37 billion as of December 31, 2013, and $5.68 billion as of December 31, 2012. As of December 31, 2012, approximately $400.9 million of the System's UAAL was attributable to the Authority's Safety Plan and $72.8 million of the System's UAAL was attributable to the Authority's General Plan. Accordingly, as of December 31, 2012, the Authority's portion of the UAAL was approximately 8.0%. 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 is 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 2013 Actuarial Valuation reflects a net unrecognized gain from investments in the System's investment portfolio of approximately $262,167,000 as of December 31, 2013. 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 as of December 31, 2013 were recognized immediately in the valuation value of assets, the funded percentage would increase from 66.0% to 67.7% of assets, the aggregate employer rate would decrease from 39.05% to approximately 37.8% of payroll. In addition, the System's Actuarial Consultant stated in its 2013 Actuarial Valuation that the aggregate employer rate has increased to 39.05% of payroll as of December 31, 2013 from 39.21% of payroll as of December 31, 2012. The employer rate of 39.21% of payroll rate was calculated after applying the two-year phase-in of the impact of the change in the economic assumptions on the employer's rates in the 2012 Actuarial Valuation. The contribution rate without the phase-in was 41.51% of payroll. The 2013 Actuarial Valuation states that the decrease in the aggregate employer rate relates to, among other things, combining and re-amortizing the outstanding balance of the December 31, 2012 UAAL over a single 20-year period, favorable investment return (after smoothing) and lower than expected individual salary increases. A portion of the actuarial losses were partially offset by salary increases that were less than expected and other experience losses. The 2013 Actuarial Valuation states that, if the deferred gains were recognized immediately in the actuarial value of assets, the aggregate employer contribution rate would increase. The System's investment policy and annualized rates of return are summarized in " – Investment Policy" herein.

The Authority's Fiscal Year 2014-15 Adopted Budget includes retirement costs reflecting employer contribution rates for Fiscal Year 2014-15 of 49.66% for Safety Members and 36.35% for General Members. The System's Actuarial Consultant recommends employer contribution rates of 49.53% for Safety Members and 36.92% for General Members for Fiscal Year 2015-16.

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 2013 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 and projected across-the-board salary increases of 4.75% to 13.75% for General Members; (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 A-19 sets forth certain economic actuarial assumptions for calendar years ended December 31, 2010 through December 31, 2013 and the actuarial assumptions adopted by the Board of Retirement for the Actuarial Valuation dated as of December 31, 2014

TABLE A-19
ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM
ACTUARIAL ASSUMPTIONS
Fiscal Years ended December 31, 2010 through 2014

Actuarial Assumption	2010	2011	2012	2013	2014
Interest	7.75%	7.75%	7.25%	7.25%	7.25%
Inflation	3.50	3.50	3.25	3.25	3.00
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. In November 2013, the Board of Retirement approved a new Actuarial Funding Policy. 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 PEPRA 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", " – Financial Policies and Practices – Fiscal Year 2014-15 Authority Budget" and " – Fiscal Year 14-15 Mid-Year Budget Update" 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 A-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. The 2014 Actuarial Valuation states that, as of December 31, 2014, the actuarial value of plan assets for the System ("System Assets") was approximately $11,450,001,000, the valuation value of System Assets (*i.e.*, the actuarial value excluding any non-valuation reserves) was approximately $11,449,911,000 and the net market value of System Assets was approximately $11,428,223,000. The rate of return based on the actuarial value of System Assets was 7.34%. the rate of return based on the valuation value of the System Assets was 7.34%, and the rate of return based on the market value of System Assets was 4.52% for the Fiscal Year ended December 31, 2014.

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 A-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 A-20
ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF FUNDING PROGRESS
December 31, 2007 through December 31, 2014
($ in thousands)

Actuarial Valuation Date (December 31)	(1) Valuation Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded (Overfunded) AAL (2) – (1)	(4) Funded Ratio (Valuation Value) (1)/(2)	Funded Ratio (Market Value)	(5) Covered Payroll	(6) Unfunded (Overfunded) AAL Percentage of Covered Payroll (3)/(5)
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
2013	10,417,125	15,785,042	5,367,917	65.99	67.65	1,604,496	334.55
2014	11,449,911	16,413,124	4,963,213	69.76	69.63	N/A	N/A

Sources: Orange County Employees Retirement System – 2012 Actuarial Valuation for year ended December 31, 2007 and 2013 Actuarial Valuation for years ended December 31, 2008 through December 31, 2014.

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 A-21 sets forth the value of the System's assets as of the years ended December 31, 2005 through December 31, 2014 based on the valuation value, actuarial value and market value.

TABLE A-21
ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM
ASSET VALUE COMPARISON
December 31, 2005 through December 31, 2014
($ in thousands)

Valuation Date (December 31)	Valuation Value of Assets[(1)]	Actuarial Value of Assets[(1)]	Market Value of Assets[(1)]
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
2013	10,417,125	10,417,340	10,679,507
2014	11,449,911	11,450,001	$11,428,223

(1) 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.

Sources: Orange County Employees Retirement System – Actuarial Valuations for calendar years ended December 31, 2005 through December 31, 2014.

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 A-22 sets for the amounts on deposit in each of the System's reserves as of December 31, 2010 through December 31, 2013.

TABLE A-22
ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM
SYSTEM RESERVES
December 31, 2010 through December 31, 2013
($ in thousands)

	December 31			
	2010	**2011**	**2012**	**2013**
Pension Reserve	$4,895,681	$5,219,243	$5,859,498	$6,770,671
Employee Contribution Reserve	1,803,940	1,968,927	2,109,609	2,295,362
Employer Contribution Reserve	178,676	648,425	1,569,821	1,243,438
Annuity Reserve	567,384	650,853	769,197	872,927
Health Care Plan Reserve	93,792	107,593	120,725	189,943
County Investment Account Reserve	108,531	97,768	103,260	109,254
Unclaimed Fund Reserve	778	130	123	123
Employee Paid Annuity Reserve	109	62	16	--
Contra Account	--	--	(781,260)	(470,457)
Supplemental Targeted Adjustment for Retirees Cost of Living Adjustment Reserve	--	--	--	--
Retired Member Benefit Reserve	6	--	--	--
Market Stabilization Reserve	915,019	--	--	--
Net Position - Total Fund	$8,563,916	$8,693,001	$9,750,989	$11,011,261

Sources: Comprehensive Annual Financial Reports of the Orange County Employees Retirement System as of December31, 2010, December 31, 2011, December 31, 2012 and December 31, 2013

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 A-23 sets forth the target asset allocations for the System's investment portfolio and the actual asset allocations as of March 31, 2015.

TABLE A-23
ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM
INVESTMENT ASSET ALLOCATION

Association's Portfolio	Target Allocations	Actual Allocations
Domestic Equity Securities	12 – 18%	16.26%
Global Equity Securities	3 – 7	4.94
International Equity Securities	6 -12	10.33
Emerging Markets Equity	4 – 8	6.74
Private Equity	4 – 8	4.40
Domestic Fixed Income	7 – 13	11.84
Diversified Credit	5 – 13	7.54
Real Return	7 – 13	8.23
Global Fixed Income	0 – 4	0.38
Emerging Market Debt	1 – 5	2.74
Absolute Return	12 – 16	13.97
Real Estate	8 – 12	8.27
Cash and Cash Equivalents	0	4.36

Source: Orange County Employees Retirement System – Investment Portfolio Report for March 31, 2015.

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 A-24 sets forth the annualized rate of return on investments in the portfolio for calendar years ended December 31, 2005 through December 31, 2014 based upon the valuation value, actuarial value and market value of the investments.

TABLE A-24
ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM
INVESTMENT RESULTS
December 31, 2005 through December 31, 2014

Year Ended December 31	Annualized Rates of Return (Valuation Value)	Annualized Rates of Return (Actuarial Value)	Annualized Rates of Return (Market Value)
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
2013	9.11	9.11	10.73
2014	7.34	7.34	4.52

Sources: Orange County Employees Retirement System – 2014 Actuarial Valuation for calendar years ended December 31, 2004 through December 31, 2014.

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, 2014 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 2013-14, there were 569 eligible retirees who received monthly benefits of approximately $3.5 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 A-25 sets forth the UAAL of the Authority's OPEB Plan as of June 30, 2013 using a 5.5% discount rate.

TABLE A-25
ORANGE COUNTY FIRE AUTHORITY
UNFUNDED ACTUARIAL ACCRUED LIABILITY OF OPEB PLAN
Fiscal Year ended June 30, 2013

Actuarial Accrued Liability	$156,623,184
Actuarial Value of Assets	(28,910,090)
Unfunded Actuarial Accrued Liability	$127,713,094

Source: Comprehensive Annual Financial Report of the Authority for the Fiscal Year ended June 30, 2014.

The following Table A-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 A-26
ORANGE COUNTY FIRE AUTHORITY
OPEB PLAN SCHEDULE OF FUNDING PROGRESS
Fiscal Years ended June 30, 2006, June 30, 2008, June 30, 2010, and June 30, 2012

Actuarial Valuation Date (July 1)	Actuarial Valuation of Assets (A)	AAL Entry Age Normal (B)	UAAL (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage% of Covered Payroll (B-A)/C
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: Comprehensive Annual Financial Report of the Authority for the Fiscal Year ended June 30, 2014.

The Authority's Annual OPEB Cost for Fiscal Year 2013-14 was $14,461,381. The following Table A-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, 2010 through June 30, 2014.

TABLE A-27
ORANGE COUNTY FIRE AUTHORITY
ANNUAL OPEB COST
Fiscal Years ended June 30, 2010 through June 30, 2014

Fiscal Year Ended (June 30)	Annual OPEB Cost	Contributions	Percentage of Annual OPEB Cost Contributed	Net Increase to Net OPEB Obligation	Cumulative Net OPEB Obligation	Contribution as a Percentage of Total Governmental Expenditures
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
2014	14,461,381	4,693,202	32.5	9,768,179	48,085,317	1.59

Sources: Comprehensive Annual Financial Report of the Authority for the Fiscal Year ended June 30, 2013 with respect to the Fiscal Years ended June 30, 2010 and June 30, 2011 and Comprehensive Annual Financial Report of the Authority for the Fiscal Year ended June 30, 2014 with respect to the Fiscal Years ended June 30, 2012 through June 30, 2014.

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 A-28 sets forth the components of the Authority's actual contributions for Fiscal Years ended June 30, 2012 through June 30, 2014.

TABLE A-28
ORANGE COUNTY FIRE AUTHORITY
CONTRIBUTIONS TO OPEB PLAN
Fiscal Years ended June 30, 2012 through June 30, 2014

	Fiscal Year ended June 30, 2012	Fiscal Year ended June 30, 2013	Fiscal Year ended June 30, 2014
Amounts irrevocable transferred to Trust held by the System	$3,670,501	$3,526,937	$3,482,518
Implicit Insurance Premiums Paid on Behalf of Retirees	882,372	1,227,387	1,205,520
Amounts Paid Directly to Retirees	4,681	4,780	5,164
Total Actual Contributions	$4,557,554	$4,759,104	$4,693,202

Source: Comprehensive Annual Financial Report of the Authority for the Fiscal Year Ended June 30, 2014.

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 $1,496,155 for the year ended June 30, 2014.

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, 2014, accrued claims and judgments for workers' compensation were $56,789,859. 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%. In connection with the adoption of the Fiscal Year 2015-16 Authority Budget, the Authority will implement a funding policy which is expected to require a confidence level of 50%.

The following Table A-29 sets forth the Risk Management Fund's claims liability amount for self-insurance in Fiscal Years 2009-10 through 2013-14.

TABLE A-29
ORANGE COUNTY FIRE AUTHORITY
RISK MANAGEMENT FUND CLAIMS LIABILITY – SELF INSURANCE
Fiscal Years 2009-10 through 2013-14
($ in thousands)

	Fiscal Year 2009-10	Fiscal Year 2010-11	Fiscal Year 2011-12	Fiscal Year 2012-13	Fiscal Year 2013-14
Unpaid claims, Beginning of Fiscal Year	$17,649,074	$27,224,600	$29,753,616	$35,798,565	$49,064,929
Prior Period Adjustment	14,007,264	--	--	--	--
Incurred Claims	630,421	8,011,264	12,288,305	19,277,576	13,172,346
Claim Payments	(5,062,159)	(5,482,248)	(6,243,356)	(6,011,212)	(5,447,416)
Unpaid Claims, End of Fiscal Year	$27,224,600	$29,753,616	$35,798,565	$49,064,929	$56,789,859
Current Portion	$ 4,353,481	$ 5,991,519	$ 7,511,799	$ 8,238,869	$ 6,305,074
Long-Term Portion	22,871,119	23,762,097	28,286,766	40,064,929	50,484,785
Unpaid Claims, End of Fiscal Year	$27,224,600	$29,753,616	$35,798,565	$48,826,060	$56,789,859

Source: Comprehensive Annual Financial Report of the Authority for the Fiscal Years ended June 30, 2010 through June 30, 2014.

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; 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. See "The Notes - Intrafund Borrowing and Cash Flow" and " – Cash Flow Projections" in the forepart of this Official Statement.

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. There is currently outstanding $44,000,000 aggregate principal amount of the Authority's 2014-15 tax and revenue anticipation notes (the "2014-15 TRAN") which mature on June 30, 2015. The Authority has set aside and deposited in the repayment account established for the 2014-15 TRAN an amount sufficient to fully and timely pay principal of and interest on the 2014-15 TRAN on the maturity date therefor.

Lease Obligations. As of June 30, 2014, 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 A-30 sets forth the minimum lease payments in Fiscal Years 2014-15 through 2018-19 required to be paid by the Authority under Aircraft Lease as of June 30, 2014.

TABLE A-30
ORANGE COUNTY FIRE AUTHORITY
CAPITAL LEASE PAYMENTS – AIRCRAFT LEASE
As of June 30, 2014

Fiscal Year	Principal	Interest	Total
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	1,253,718	12,144	1,265,862
Total	$10,723,689	$669,065	$11,392,754

Source: Comprehensive Annual Financial Report of the Authority for the Fiscal Year Ended June 30, 2014.

Direct and Overlapping Debt

Set forth in the following Table A-31 on the following page is a direct and overlapping bonded indebtedness report as of May 1, 2015 (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 A-31
ORANGE COUNTY FIRE AUTHORITY
ESTIMATED DIRECT AND OVERLAPPING BONDED DEBT
As of May 1, 2015

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:

Governmental Funds	Fiduciary Funds
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, 2015, OCFA Portfolio market-to-book value analysis indicated an unrealized gain of 0.002% 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 79% as of March 31, 2015. The Authority calculates and apportions interest monthly. The weighted average maturity of the OCFA Portfolio for the month ended March 31, 2015 was about 141 days.

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, 2015, approximately 40% of the OCFA Portfolio's portfolio was comprised of securities with a maturity of less than one month, 39% was invested in securities with maturities ranging from one to three months, 0.5% was invested in securities with maturities ranging from three months to one year, and20.5% was invested in securities with maturities over one year.

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 A-32 reflects various information with respect to the OCFA Portfolio as of the close of business on March 31, 2015. 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 – "Comprehensive Annual Financial Report of the Authority for the Fiscal Year ended June 30, 2014" attached to this Official Statement.

TABLE A-32
ORANGE COUNTY FIRE AUTHORITY
Pooled Investment Fund of the Authority
As of March 31, 2015

	Net Market Value ($ in thousands)	Percentage of Portfolio
INVESTMENTS		
Money Market Mutual Funds/Cash	$ 6,443,168.48	3.94%
Federal Agency Coupon Securities	34,879,365.45	21.37
Federal Agency Disc. – Amortizing	71,992,800.00	44.08
Local Agency Investment Funds	50,019,186.40	30.61
TOTAL INVESTMENTS	$163,334,520.33	100.00%
CASH		
Passbook/Checking	$ 523,086.09	
TOTAL CASH	$ 523,086.09	
TOTAL CASH AND INVESTMENTS	$163,857,606.42	

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, 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. 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 and the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System, 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 2014-15

On June 20, 2014, the Governor approved the State Budget Act for Fiscal Year 2014-15 (the "Fiscal Year 2014-15 State Budget Act"), which projects Fiscal Year 2013-14 general fund revenues and transfers of $102.2 billion, total expenditures of $100.7 billion and a year-end surplus of $3.90 billion (inclusive of the $2.4 billion fund balance in the General Fund from fiscal year 2012-13), of which $955 million would be reserved for the liquidation of encumbrances and $2.95 billion would be deposited in a reserve for economic uncertainties. The Fiscal Year 2014-15 State Budget Act projects Fiscal Year 2014-15 General Fund revenues and transfers of $105.5 billion, total expenditures of $108.0 billion and a year-end surplus of $1.40 billion (inclusive of the projected $3.90 million State General Fund balance as of June 30, 2014 which would be available for Fiscal Year 2014-15), of which $955 million would be reserved for the liquidation of encumbrances and $449 million would be deposited in a reserve for economic uncertainties. The Fiscal Year 2014-15 State Budget Act projects that the State's multi-year budget will be balanced for the foreseeable future, but cautions that the unprecedented level of debts, deferrals, and budgetary obligations accumulated over the prior decade contribute to the State's fiscal challenges.

The Fiscal Year 2014-15 State Budget includes the constitutional amendment placed by the State Legislature on the November 2014 ballot proposing to change the formula by which the Rainy Day Fund is funded and to establish certain accounts therein. The Governor expects that the amendment, if approved by voters, will help the State minimize the volatility of future budgetary surplus and deficit cycles.

Features of the Fiscal Year 2014-15 State Budget Act which could impact the Authority include, but are not limited to, the following:

1. In connection with the State's water shortage, the Fiscal Year 2014-15 State Budget Act notes that the State Legislature enacted emergency legislation in February 2014 to assist communities impact by the drought and improve management of water supplies. In addition, the Governor issued an emergency proclamation which directed CAL FIRE, an agency with whom the Authority provides mutual aid pursuant to the Master Mutual Aid Agreement by and among all fire agencies, to hire additional seasonal firefighters to suppress wildfires and take other needed actions to address elevated fire risk as a result of drought conditions. In addition, CAL FIRE provides funds to the Authority for certain fire protection services including, among other things, wages of suppression crews, lookouts, maintenance of fire-fighting facilities, fire prevention assistants, and dispatch.

2. The Fiscal Year 2014-15 State Budget Act includes an increase of $53.8 million from the State General Fund and $12.2 million of other funds to the Department of Forestry and Fire Protection in comparison to the Governor's proposed budget. Pursuant to the Fiscal Year 2014-15 State Budget Act such amounts will be allocated to firefighter surge capacity, retention of seasonal firefighters beyond the budgeted fire season, additional defensible space inspectors and air attack capabilities to suppress wildfires. The State will allocate approximately $10 million of these additional resources to support local grants for fire prevention projects and public education efforts.

Fiscal Year 2015-16 Proposed State Budget

On January 9, 2015, the Governor released the 2015-16 Proposed State Budget (the "Fiscal Year 2015-16 Proposed State Budget"), which projects Fiscal Year 2014-15 State General Fund revenues and transfers of $108.0 billion, total expenditures of $111.7 billion and a year-end surplus of $1.4 billion (inclusive of the $5.1 billion fund balance in the State's General Fund from Fiscal Year 2013-14), of which $971 million would be reserved for the liquidation of encumbrances and $452 million would be deposited in a reserve for economic uncertainties. In addition, the Fiscal Year 2015-16 Proposed State Budget projects a deposit to the Budget Stabilization Account in the amount of $1.6 billion during Fiscal Year 2014-15. The Fiscal Year 2015-16 Proposed State Budget projects Fiscal Year 2015-16 State General Fund revenues and transfers of $114.8 billion, total expenditures of $113.3 billion and a year-end surplus of $1.5 billion (inclusive of the projected $1.4 billion State General Fund balance as of June 30, 2015 which would be available for Fiscal Year 2015-16), of which $971 million would be reserved for the liquidation of encumbrances and $534 million would be deposited in a reserve for economic uncertainties. In addition, the Fiscal Year 2015-16 Proposed State Budget projects a deposit to the Budget Stabilization Account in the amount of $2.8 billion during Fiscal Year 2015-16. The Fiscal Year 2015-16 Proposed State Budget projects that the State's multi-year budget will be balanced for the foreseeable future, but cautions that the State continues to significant existing liability including deferred maintenance on roads and other infrastructure and the unfunded liability for future retiree health care benefits for state employees and various pension benefits which need to be addressed.

Features of the Fiscal Year 2015-16 Proposed State Budget which could impact the Authority include, but are not limited to, the following:

1. The Fiscal Year 2015-16 Proposed State Budget proposes to allocate approximately $42 million to the Department of Forestry and Fire Protection from revenues received through the State's cap and trade auctions with respect to climate change.

2. The Fiscal Year 2015-16 Proposed State Budget proposes an increase of approximately $59.4 million from the State's General Fund and $2.4 million from other funds to be allocated to CAL FIRE. If approved, such funds would be used to continue firefighter surge capacity, retain seasonal firefighters beyond the budgeted fire season, provide additional defensible space inspectors and enhance air attack capabilities to suppress wildfires during the 2015 fire season.

LAO Analysis of the Fiscal Year 2015-16 Proposed State Budget

On January 13, 2015, the LAO released a report entitled "The 2015-16 Budget: Overview of the Governor's Budget" (the "2015 LAO Budget Overview"), which provides an analysis by the LAO of the Fiscal Year 2015-16 Proposed State Budget. The 2015-16 LAO Budget Overview is available on the LAO website at www.lao.ca.gov. Information on the website is not incorporated herein by reference. The 2015-16 LAO Budget Overview states that the Governor's budgeting philosophy is largely prudent and projects that the presence of few significant new program commitments outside of Proposition 98 may help the State avoid returning to the boom and bust budgeting used in prior years. Although a recession does not appear imminent, the LAO cautions that an economic downturn could cause budgetary deficits. Further, the LAO cautions that the array of complex budget formulas adopted into State law may complicate budget planning and could exacerbate the State's vulnerabilities in the event an economic downturn occurs.

Based on the LAO's estimates, the State's revenues for Fiscal Year 2014-15 may exceed the Governor's projections. However, the LAO cautions that revenue collections may be peaking. Accordingly, the State may be susceptible to weaker revenue growth in Fiscal Year 2015-16 compared to Fiscal Year 2014-15, and the State's budgets may have to address difficulties with respect to spending levels. The 2015 LAO Overview notes that the State has an opportunity to address its debts including, among other things, the State's non-retirement liabilities, deferred payments to schools, special fund loans, and prior-year Proposition 98 settle-up obligations. Further, the LAO recommends that the State's unfunded retirement liabilities and the development of a system to fund retiree health benefits should remain a high priority for the State Legislature. The 2015 LAO Budget Overview projects that the Governor's proposals to address the State's retiree health liabilities, if implemented, may provide the State with budgeting flexibility in future years.

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, 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. 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 and through the website of the MSRB's EMMA System, 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 A-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 3,113,991 as of January 1, 2014, which is an approximate 0.9% increase from January 1, 2013.

TABLE A-33
ORANGE COUNTY FIRE AUTHORITY
POPULATION OF ORANGE COUNTY AND MEMBER CITIES AND UNINCORPORATED AREAS OF ORANGE COUNTY
(As of January 1)

Area	2010	2011	2012	2013	2014
Aliso Viejo	47,411	48,303	49,025	49,533	49,951
Buena Park	80,477	80,858	81,515	82,035	82,344
Cypress	47,750	47,901	48,305	48,602	48,886
Dana Point	33,403	33,424	33,690	33,902	34,037
Irvine	212,177	218,353	223,870	231,363	242,651
Laguna Hills	30,396	30,333	30,564	30,737	30,857
Laguna Niguel	63,005	63,221	63,734	64,138	64,460
Laguna Woods	16,242	16,303	16,427	16,519	16,581
Lake Forest	77,200	77,481	78,089	78,723	79,139
La Palma	15,561	15,594	15,711	15,836	15,896
Los Alamitos	11,454	11,473	11,565	11,639	11,729
Mission Viejo	93,394	93,472	94,262	94,799	95,334
Placentia	50,515	50,658	51,119	51,900	52,094
Rancho Santa Margarita	47,853	47,941	48,311	48,606	48,834
San Clemente	63,562	63,735	64,252	64,615	64,874
San Juan Capistrano	34,594	34,732	35,046	35,361	35,900
Santa Ana	325,036	325,422	327,988	330,407	331,953
Seal Beach	23,864	24,212	24,371	24,514	24,591
Stanton	38,166	38,313	38,524	38,808	38,963
Tustin	75,400	75,772	76,618	78,071	78,360
Villa Park	5,817	5,823	5,871	5,907	5,935
Westminster	89,694	89,926	90,738	91,272	91,652
Yorba Linda	64,118	64,847	65,821	66,512	67,069
Subtotal	1,547,089	1,558,097	1,575,416	1,593,799	1,612,090
Unincorporated County	120,840	121,475	119,779	120,533	121,473
County Total[1]	3,008,855	3,028,846	3,057,879	3,085,269	3,113,991

Source: California Department of Finance.

(1) County total includes members and non-members of the Authority.

Major Industries

The following Table A-34 sets forth the employment by industry in the County.

TABLE A-34
ORANGE COUNTY
EMPLOYMENT BY INDUSTRY
2013 Annual Averages

Industry	2013 Annual Average Employment	2013 Percentage of County Employment[(1)]	2013 Percentage of County Total Labor Force[(1)]
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.

(1) Percentages based on data as of April 2015.

Major Employers

The following Table A-35 sets forth the major employers headquartered or located in the County and their estimated full-time equivalent ("FTE") employment levels.

TABLE A-35
ORANGE COUNTY
MAJOR EMPLOYERS
Fiscal Year 2013-14

Employer	Product or Service	Estimated FTE Employment
Walt Disney Co.	Entertainment	25,000
University of California, Irvine	Education	22,253
County of Orange	Government	18,035
St. Joseph Health System	Healthcare	12,062
Boeing Co.	Aerospace	6,890
Kaiser Permanente	Healthcare	6,040
Bank of America Corporation	Financial Services	6,000
Walmart	Retail	6,000
Memorial Care Health System	Healthcare	5,635
Target Corporation	Retail	5,400

Source: Orange County Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2014.

Labor Force

The following Table A-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 A-36
ORANGE COUNTY
INDUSTRY EMPLOYMENT, EMPLOYMENT AND UNEMPLOYMENT
ANNUAL AVERAGES
2009 through 2013
(in thousands)

Industry Employment	2009	2010	2011	2012	2013
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	156.6	152.3	149.3	147.9	148.3
Total Wage and Salary Employment[(1)(2)(3)]	1,386.5	1,369.7	1,384.4	1,420.9	1,457.2
Civilian Labor Force[(4)]	1,589.8	1,580.1	1,603.7	1,613.6	1,610.9
Civilian Employment	1,449.0	1,428.9	1,464.4	1,491.6	1,510.6
Unemployment	140.8	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 4.6% for February 2015.
(3) Based on place of work.
(4) Based on place of residence.

Personal Income

The following Table A-37 sets forth the per capita personal income for the County, the State and the United States of America from 2009 through 2013.

TABLE A-37
PER CAPITA PERSONAL INCOME[1]
Calendar Years 2009 through 2013

Year	Orange County	State of California	United States of America
2009	$48,865	$41,587	$39,379
2010	48,826	42,282	40,144
2011	50,839	44,749	42,332
2012	54,008	47,505	44,200
2013	54,519	48,434	44,765

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

(1) 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 A-38 sets forth taxable sales in the County for calendar years 2010 through 2013.

TABLE A-38
ORANGE COUNTY
TAXABLE SALES
Calendar Years 2010 through 2013
(in thousands)

Type of Business	2010 Annual	2011 Annual	2012 Annual	2013 Annual
Retail and Food Services				
Motor Vehicle and Parts Dealers	$ 5,244,266	$ 5,777,582	$ 6,551,466	$ 7,147,519
Furniture and Home Furnishings Stores	869,868	909,455	965,018	1,050,308
Electronics and Appliance Stores	2,058,383	2,319,992	2,536,415	2,488,963
Building Materials, Garden Equipment and Supplies	2,112,467	2,267,363	2,351,574	2,581,968
Food and Beverage Stores	1,911,192	1,990,893	2,056,803	2,111,209
Health and Personal Care Stores	824,719	894,003	948,220	983,067
Gasoline Stations	3,801,651	4,826,228	5,063,762	4,706,666
Clothing and Clothing Accessories Stores	2,923,680	3,164,857	3,510,757	3,764,088
Sporting Goods, Hobby, Book & Music Stores	1,075,996	1,101,159	1,133,702	1,176,097
General Merchandise Stores	4,527,201	4,771,143	5,026,911	5,169,057
Miscellaneous Store Retailers	1,611,739	1,656,162	1,738,855	1,766,848
Non-store Retailers	481,563	459,841	635,707	893,254
Food Services and Drinking Places	5,109,383	5,449,117	5,853,267	6,186,883
Total Retail and Food Services	$32,552,107	$35,587,795	$38,372,456	$40,025,929
All Other Outlets	$15,115,073	$16,143,344	$16,858,156	$17,565,288
Total All Outlets[1]	$47,667,179	$51,731,139	$55,230,612	$57,591,217

Source: California State Board of Equalization, Taxable Sales in California.
(1) Total may not equal sum of component parts due to rounding.

Construction Activity

The following Table A-39 sets forth a summary of building permit valuations for the County for calendar years 2011 through 2013 and calendar year 2014 through March 2014.

TABLE A-39
ORANGE COUNTY
BUILDING PERMIT VALUATIONS[1]
2010 through 2014
($ in thousands)

	2010	2011	2012	2013	2014[2]
Valuations:					
Residential	$1,025,808	$1,237,236	$1,545,903	$2,596,544	$568,109
Nonresidential	1,151,790	1,300,756	1,271,037	1,578,467	378,773
Total	$2,177,598	$2,537,992	$2,816,940	$4,175,011	$946,882
New Dwelling Units:					
Single Family	1,553	1,909	2,438	3,889	938
Multiple Family	1,538	2,897	3,725	6,564	1,491
Total	3,091	4,806	6,163	10,453	2,429

Sources: Construction Industry Research Board (2010), California Homebuilding Foundation (2011-2014).

(1) Amounts not adjusted for inflation. Amounts not seasonally adjusted.
(2) Building permit valuations from January 1, 2014 through March 31, 2014.

2442140.13 039441 OS

[THIS PAGE INTENTIONALLY LEFT BLANK]