

DISCUSSION CALENDAR - AGENDA ITEM NO. 6
BUDGET AND FINANCE COMMITTEE
March 10, 2010

TO: Budget and Finance Committee, Orange County Fire Authority

FROM: Lori Zeller, Assistant Chief
Business Services Department

SUBJECT: **Mid-Year Financial Report – Budget Reduction Ad Hoc Committee**

Summary:

This agenda item is submitted to report on the work performed by the Budget Reduction Ad Hoc Committee and to submit a package of proposed budget adjustment measures for consideration by the Budget and Finance Committee and Board of Directors.

Recommended Actions:

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of March 25, 2010, with the Budget and Finance Committee's recommendation that the Board of Directors take the following actions:

1. Determine that available unencumbered funds identified in the 2008/09 annual financial audit be allocated to OCFA's General Fund to balance the mid-year budget adjustments and to supplement cash reserves. Direct staff to include this allocation in the mid-year budget adjustment that will be submitted to the Board in May 2010.
2. Direct staff to implement the measures recommended by the Budget Reduction Ad Hoc Committee and include the corresponding changes in the FY 2009/10 mid-year budget adjustment that will be submitted to the Board in May 2010 and/or in the FY 2010/11 proposed budget.
3. Review and approve the Release Time Agreement in substantially the same form as submitted.

Background:

At their meeting of January 28, 2010, following review of the Mid-Year Financial Report, the Board of Directors created a Budget Reduction Ad Hoc Committee and directed the Committee to collaborate with staff and labor to undertake a review of the budget. The purpose of the budget review was to search for alternative areas which could be reduced in lieu of the measures that were proposed by staff. In addition, the Committee was directed to collaborate with member agencies (cities and the County) regarding the proposed budget reduction measures which could impact those members.

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In creating this Committee, the Board directed Committee members to complete their work and report back to the Budget and Finance Committee and Board of Directors within 60 days at their March meetings. The Committee members were to include Doug Davert, Board Chair (City of Tustin) and Neil Blais, Board Vice Chair (City of Rancho Santa Margarita). In addition, the Committee members invited key management and labor representatives to attend their meetings. Since the Board did not provide a specific dollar target for this Committee, the Chairman established a goal to identify \$2.0 million in ongoing annual expenditure reductions which could be implemented following Board approval. The target was based on the projected General Fund deficit for FY 2010/11 of roughly \$1.5 million, which was based on the most current information we had at the time we began the Ad Hoc meetings.

As we approached completion of the Ad Hoc meetings, we received an interim draft report from Rosenow Spevacek Group (RSG), the firm that projects future property tax growth for OCFA, which revealed that the decrease in property taxes for FY 2010/11 will likely be greater than previously anticipated, due to the significant decline in value of commercial properties. As a result, the projected budget deficit for FY 2010/11 may be closer to \$5 million.

Committee Progress

Following the Board's direction, the Committee met with invited participants over four separate meetings during February and conducted an in-depth review of all areas of the OCFA budget. During the course of the meetings, a matrix of potential budget reduction measures was assembled for further consideration by the Committee. In addition, consideration was given to a proposal by the Orange County Professional Firefighters' Association (OCPFA) in which OCPFA would provide \$1.5 million in one-time revenue to OCFA, and OCFA would implement a Limited-Term Handcrew and a 24/7 Helicopter Program.

The Committee and participants evaluated various combinations of reduction measures, and also evaluated potential uses of reserves for bridging budgetary gaps. As a result of the Committee's work, the attached package of proposed measures was developed and consensus was reached with labor and management in support of this package (Attachment 1). Implementation of this package will significantly reduce the projected General Fund deficit for FY 2010/11, and staff will continue to refine the budgetary projections leading up to the May Budget Review.

As a result of the later implementation of some measures mid-year, a portion of available fund balance will need to be used to balance the FY 2009/10 mid-year budget adjustments. Details for these recommended measures are outlined in Attachment 1.

Release Time Agreement

The current proposed package of budget reduction measures does not include expiration of the OCPFA President's Release Time Agreement; therefore, the Agreement is being submitted for Board consideration and approval (Attachment 2).

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Impact to Cities/County:

Not applicable.

Fiscal Impact:

See Attachment 1.

Staff Contact for Further Information:

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(714) 573-6020

Attachments:

1. Proposed Reduction Measures
2. Release Time Agreement

Orange County Fire Authority
FY 2009/10 Budget Reduction Ad Hoc Committee

	FY 2010/11 Savings/(Cost)	Five-Year Savings/(Cost)	Dependencies / Comments
Reduce Extra-Help Workforce (Jan 2010)	\$244,823	\$1,079,700	Already implemented by management.
Prepay 1/2 of Annual Retirement Costs for 3.875% Discount (each July)	\$851,829	\$4,888,306	Dependent upon approval of General Fund Cashflow reserve.
Reduce Workers' Compensation Budget (each July)	\$1,884,179	\$5,467,106	<p>The W/C Reserve currently contains funding in excess of the 80% confidence level set by Board Policy. As a result, the W/C budgetary line item in the General Fund is recommended for reduction, which will equate to a spend-down of the excess reserve, while also providing budgetary relief.</p> <p>The cause of the excess funding has not yet been determined, nor has the total amount been identified. However, data clearly shows that actual expenses are not nearly as high as annual actuarial projections.</p> <p>Staff will complete their analysis and return to the Budget & Finance Committee and Board of Directors in May with overall funding and policy recommendations. Savings associated with this line item may increase at that point in time.</p>
Defer Internal Control Audit requirement for one year (July 2010)	\$30,000	\$30,000	Recommendation is to exclude this line item from the FY 2010/11 budget, and to resume this audit requirement in FY 2011/12. This action requires review and approval by the B&FC, as the audit oversight committee.
Reduce Station 20 (Irvine) Staffing from one BLS Engine + one Medic Van to one PAU (April 2010)	\$997,000	\$5,360,015	<p>Recommendation has been discussed with the City Manager and Chief of Police who requested that we leave an Admin Captain assigned in their Division so that the City won't have the combined impact of reduced Station 20 staffing plus loss of an Admin Captain. This request has been accommodated in the proposed assignment of Admin Captains.</p> <p>Per the Secured Fire Protection Agreement, M20 staffing would trigger if the following occurs:</p> <ol style="list-style-type: none"> 1) M26 workload increases to 3,000 unit responses per year, or 2) The first unit compliance in the surrounding area is reduced to 75% or less. The surrounding area is defined as Stations 26, 55, 27, 20, 38, and 51's first due area combined.
Freeze 3 of 6 Division Administrative Captains (April 2010)	\$517,956	\$2,784,607	Recommendation is to freeze 3 Admin Captain positions assigned to Divisions 1, 4 and 5. The impact to our cities from this action will be capacity to attend/assist with city events or special projects; however, the remaining 3 Admin Captains can assist with coverage.
Implement a Limited-Term Handcrew (July 2010)	(\$1,224,754)	(\$1,224,754)	Recommendation is to fund a 22 member handcrew for 9 months (July-Nov & March-June) during FY 2010/11 and to reevaluate any further staffing for FY 2011/12 during next year's budget development process. Funding for this initiative is coming from the reduced W/C budget.
Total Net Savings	\$3,301,033	\$18,384,980	

RELEASE TIME AGREEMENT

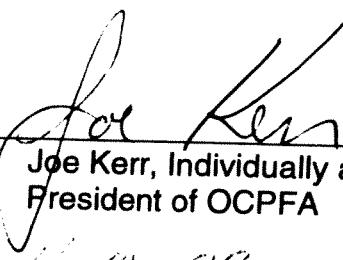
The Orange County Fire Authority ("OCFA"), the Orange County Professional Firefighters Association, Local 3631 ("OCPFA"), and Joe Kerr hereby agree as follows:

1. OCPFA President Joe Kerr will be released from working his regularly scheduled shifts until December 31, 2009. OCFA will provide up to 2038 hours of release time for the calendar year, to be matched by up to 874 hours drawn from the "Union Time Bank." OCPFA President Joe Kerr may not work for any shift or part thereof, for which release time has been granted.
2. This Agreement is intended to utilize OCPFA President Joe Kerr's knowledge and expertise to promote federal and state legislative initiatives, which have been identified and agreed to by both OCFA and OCPFA as being mutually beneficial. At any time, if either party believes that the usefulness or benefit of this Agreement is not being realized, either party may terminate the Agreement upon written notice without having to demonstrate or prove cause.
3. The purpose of this Agreement is to relieve OCPFA President Joe Kerr from performing any work for OCFA. For purposes of this Agreement, OCPFA President Joe Kerr will be treated as though he is on an authorized, paid leave of absence. It is understood and agreed that during the term of this Agreement, Mr. Kerr will devote his efforts to OCPFA, as opposed to OCFA, business. However, it is contemplated by the parties that there will be matters of interest to OCFA that will also advance the interests of OCPFA and that the support of OCPFA and/or its President will benefit OCFA.
4. OCPFA President Joe Kerr shall not accrue sick leave during the term of this Agreement; nor shall his sick leave balances be reduced on account of sick time off. OCPFA President Joe Kerr will continue to accrue vacation until 112 hours have been accrued from the effective date of this Agreement. At that time, the accrual of vacation time will stop, and the accrued 112 hours will be cashed out. If the Agreement terminates prior to the completion of accruing the full 112 hours, any time accrued during this period will be cashed out.
5. In addition to the matters set forth in Paragraph 9 below, OCFA staff and OCPFA members will meet periodically to identify mutually beneficial legislation and develop strategies to promote this legislative agenda to ensure that it remains mutually beneficial. OCFA may require that OCPFA President Joe Kerr identify and/or report specific activities or actions taken to promote mutually beneficial legislation. It is understood and agreed that OCPFA President Joe Kerr will perform activities pursuant to this Agreement, solely in his capacity as the OCPFA President. That is, the OCPFA President shall not represent, nor act as spokesman for, the OCFA.

6. OCPFA President Joe Kerr will report to the Assistant Chief of Support Services. As directed, OCPFA President Joe Kerr will submit periodic activity reports on matters identified as being of mutual interest. Said reports should include a record of meetings, correspondence, telephone conversations and other activities in support of such mutual objectives.
7. OCPFA President Joe Kerr will be required to maintain certifications and complete all mandatory training required of his rank and duties.
8. During the term of this Agreement, OCPFA President Joe Kerr will continue to be eligible for voluntary "overtime" assignments through the existing rotation procedure. However, he will be exempt from working "forced overtime." Premium overtime compensation will be paid as follows:
 - a) For those 24 calendar day work periods in which OCPFA President Joe Kerr actually works voluntary overtime pursuant to this section, the release time hours will be added to the hours actually worked for purposes of calculating premium overtime pay.
 - b) For those 24 calendar day work periods in which he does not actually work voluntary overtime, no premium overtime will be paid.
9. OCFA has identified the following legislative and government grant activities for which it seeks OCPFA support pursuant to this Agreement:
 - a) Assist OCFA and its allied interests in opposing legislation or budgetary actions by the State and its agents, which would reduce or restrict the use of current revenues, directed to or collected by or on behalf of local government entities. This will require OCPFA President Joe Kerr to write letters and meet with specific State elected or executive agency officials to persuade them to support this initiative.
 - b) Assist OCFA in obtaining funds from the FIRE Act grant program administered by FEMA. This will require OCPFA President Joe Kerr to write letters and meet with federal elected and executive agency officials to persuade them to support OCFA grant applications.
 - c) Assist OCFA in obtaining funds from the state and federal government and other sources to cover anti-terrorism personnel, training, equipment and other asset costs.
10. During the term of this Agreement, OCPFA President Joe Kerr shall not engage in activities that promote or oppose the election of any public official or the support or defeat of any ballot measure during the regularly scheduled shifts for which he is being released pursuant to this Agreement.

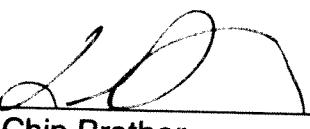
11. To the extent that any of the provisions of this Agreement are inconsistent, or conflict, with provisions of the parties MOU, the provisions of this Agreement shall supersede.
12. This Agreement shall become effective on January 1, 2009 and will expire on December 31, 2009. Any extension of this Agreement beyond December 31, 2009 must be approved by separate written agreement, by both the OCFA Fire Chief and OCPFA President Joe Kerr.

**ORANGE COUNTY PROFESSIONAL ORANGE COUNTY FIRE AUTHORITY
FIREFIGHTERS ASSOCIATION**



Joe Kerr, Individually and as
President of OCPFA

Date: 11-10-08



Chip Prather
Fire Chief

Date: 11/25/08