



# ORANGE COUNTY FIRE AUTHORITY AGENDA

**Budget and Finance Committee Meeting**  
**Wednesday, March 13, 2012**  
**12:00 Noon**

**Orange County Fire Authority**  
**Regional Fire Operations and Training Center**  
1 Fire Authority Road  
Room AE117  
Irvine, California 92602

Al Murray, Chair  
Elizabeth Swift, Vice Chair  
Sam Allevato Trish Kelley Randal Bressette Jerry McCloskey Steven Weinberg  
Bruce Channing - Ex Officio

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

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

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



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

**CALL TO ORDER**

**PLEDGE OF ALLEGIANCE** by Director McCloskey

**ROLL CALL**

**PUBLIC COMMENTS**

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

**BOARD MEMBERS ORIENTATION PRESENTATION****MINUTES**

- 1. Minutes for the February 13, 2013, Budget and Finance Committee Meeting**  
Submitted by: Sherry Wentz, Clerk of the Authority

Recommended Action:  
Approve as submitted.

**CONSENT CALENDAR**

No items.

**DISCUSSION CALENDAR**

- 2. Monthly Investment Report**  
Submitted by: Patricia Jakubiak, Treasurer

Recommended Action:  
Review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of March 28, 2013, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the report.

- 3. FY 2012/13 Mid-year Budget Adjustments**  
Submitted by: Lori Zeller, Assistant Chief, Business Services Department

Recommended Action:  
Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of March 28, 2013, with the Budget and Finance Committee's recommendation that the Board of Directors take the following actions:

1. Authorize the proposed mid-year budget adjustments.
2. Approve the proposed Schedule of Fund Balance.

**4. Communication with Auditors for Fiscal Year 2012/13 Financial Audit**

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

Recommended Action:

Receive and file the report.

**5. Proposed Scope for a Third Audit Area in Year One of the Comprehensive Review of OCFA's Financial Internal Controls**

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

Recommended Actions:

1. Approve the Purchasing/Procurement Review as the third audit area to be included in the first year of the comprehensive internal control review.
2. Direct staff to include an adjustment for \$15,000 in the mid-year report.

**REPORTS**

No items.

**COMMITTEE MEMBER COMMENTS**

**ADJOURNMENT** – The next regular meeting of the Budget and Finance Committee is scheduled for Wednesday, April 10, 2013, at 12:00 noon.

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**AFFIDAVIT OF POSTING**

I hereby certify under penalty of perjury under the laws of the State of California, that the foregoing Agenda was posted in the lobby and front gate public display case of the Orange County Fire Authority, Regional Fire Operations and Training Center, 1 Fire Authority Road, Irvine, CA, not less than 72 hours prior to the meeting. Dated this 7<sup>th</sup> day of March 2013.

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

**UPCOMING MEETINGS:**

Board of Directors Special Meeting	Thursday, March 14, 2013, 6:30 p.m.
Claims Settlement Committee Meeting	Thursday, March 28, 2013, 5:30 p.m.
Executive Committee Meeting	Thursday, March 28, 2013, 6:00 p.m.
Board of Directors Meeting	Thursday, March 28, 2013, 6:30 p.m.
Budget and Finance Committee Meeting	Wednesday, April 10, 2013, 12:00 noon

# MINUTES

## ORANGE COUNTY FIRE AUTHORITY

**Budget and Finance Committee Meeting**  
**Wednesday, February 13, 2013**  
**12:00 Noon**

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

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### CALL TO ORDER

A regular meeting of the Orange County Fire Authority Budget and Finance Committee was called to order on February 13, 2013, at 12:02 p.m. by Chairman Al Murray.

### PLEDGE OF ALLEGIANCE

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

### ROLL CALL

**Present:** Randal Bressette, Laguna Hills  
Trish Kelley, Mission Viejo  
Jerry McCloskey, Laguna Niguel  
Al Murray, Tustin  
Elizabeth Swift, Buena Park  
Steven Weinberg, Dana Point

**Absent:** Sam Allevato, San Juan Capistrano

### Also present were:

Fire Chief Keith Richter  
Deputy Fire Chief Ron Blaul  
Assistant Chief Craig Kinoshita  
Assistant Chief Lori Zeller  
Lydia Slivkoff, Assistant Clerk

General Counsel David Kendig  
Assistant Chief Laura Blaul  
Assistant Chief Brian Stephens  
Clerk of the Authority Sherry Wentz

## **PUBLIC COMMENTS (F: 12.02B3)**

Chairman Murray opened the Public Comments portion of the meeting.

Stephen Wontrobski, Mission Viejo resident, commented on his concerns regarding the OCFA contract award process.

Chairman Murray closed the Public Comments portion of the meeting.

## **MINUTES**

### **1. Minutes for the January 9, 2013, Budget and Finance Committee Meeting (F: 12.02B2)**

On motion of Director Weinberg and second by Director Kelley, the Committee voted to approve the Minutes for the January 9, 2013, Budget and Finance Committee Meeting, as submitted. Directors Bressette and McCloskey abstained.

## **CONSENT CALENDAR**

No items.

## **DISCUSSION CALENDAR**

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

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

On motion of Vice Chair Swift and second by Director Weinberg, the Committee voted unanimously to direct staff to place the item on the agenda for the Executive Committee meeting of February 28, 2013, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the report.

### **3. Second Quarter Financial Newsletter – *October to December 2012* (F: 15.07)**

Assistant Chief Zeller indicated the Second Quarter Financial Newsletter – *October to December 2012* information was presented to the Board of Directors in the Mid-Year Financial Report at the January 24, 2013, meeting.

Stephen Wontrobski, Mission Viejo resident, provided public comments on his opposition to a statement on the financial newsletter regarding vehicle replacement cost containment measures.

On motion of Director Bressette and second by Director Weinberg, the Committee voted unanimously to direct staff to place this item on the agenda for the Executive Committee meeting of February 28, 2013, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the report.

**4. Establish a Standard Staff Report Format for the Recommended Award of Contracts Resulting from Request for Proposal Processes (F: 15.09B)**

Assistant Chief Lori Zeller provided an overview on the Standard Staff Report Format for the Recommended Award of Contracts Resulting from Request for Proposal Processes and introduced Purchasing & Materials Manager Debbie Casper who provided a report on the procurement process.

On motion of Director Bressette and second by Director McCloskey, the Committee voted unanimously to direct staff to place this item on the agenda for the Executive Committee meeting of February 28, 2013, with the Budget and Finance Committee's recommendation that the Executive Committee approve the submitted standard staff report format for the recommended award of contracts resulting from a Request for Proposal process.

**5. Proposed Scope for Year One of the Comprehensive Review of OCFA's Financial Internal Controls (F: 15.02A)**

Assistant Chief Lori Zeller introduced Finance Manager/Auditor Jim Ruane who provided a report on the proposed scope for year one of the comprehensive review of OCFA's Financial Internal Controls.

Stephen Wontrobski, Mission Viejo resident, provided public comments on his recommendations for additional audits.

On motion of Vice Chair Swift and second by Director Bressette, the Committee voted unanimously to approve the following two areas to be included in the first year of the comprehensive internal control review, and directed staff to report back to the Committee on the Audit firm's next randomly selected audit subject matter:

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

## **REPORTS**

No items.

## **COMMITTEE MEMBER COMMENTS (F: 12.02B4)**

Vice Chair Swift thanked Fire Station 61 for participating in a video for the Buena Park State of the City event, which may be viewed on the City's website.

Chairman Murray indicated he attended the OCFA's Best and Bravest ceremony and enjoyed the video at the event. He noted the City of Tustin would be posting the video on its website. Chairman Murray also thanked staff for allowing him to participate in the Division Chief interview process.

## **ADJOURNMENT**

Chairman Murray adjourned the meeting at 1:04 p.m. The next regular meeting of the Budget and Finance Committee is scheduled for Wednesday, March 13, 2013, at 12:00 noon.

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



**DISCUSSION CALENDAR - AGENDA ITEM NO. 2  
BUDGET AND FINANCE COMMITTEE MEETING  
March 13, 2013**

TO: Budget and Finance Committee, Orange County Fire Authority

FROM: Patricia Jakubiak, Treasurer

SUBJECT: **Monthly Investment Report**

Summary:

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

Recommended Action:

Review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of March 28, 2013, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the report.

Background:

Attached is the final monthly investment report for the month ended January 31, 2013. A preliminary investment report as of February 22, 2013, is also provided as the most complete report that was available at the time this agenda item was prepared.

Impact to Cities/County:

Not Applicable.

Fiscal Impact:

Not Applicable.

Staff Contact for Further Information:

Patricia Jakubiak, Treasurer

[Triciajakubiak@ocfa.org](mailto:Triciajakubiak@ocfa.org)

(714) 573-6301

Attachment:

Final Investment Report – January 2013 / Preliminary Report – February 2013

# *Orange County Fire Authority Monthly Investment Report*



*Final Report – January 2013*

*Preliminary Report – February 2013*



## ***Monthly Investment Report Table of Contents***

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***Orange County Fire Authority***

***Final Investment Report***

***January 31, 2013***



**BENCHMARK COMPARISON AS OF JANUARY 31, 2013**

<i>3 Month T-Bill:</i> 0.07%	<i>1 Year T-Bill:</i> 0.15%
<i>6 Month T-Bill:</i> 0.11%	<i>LAIF:</i> 0.30%
<i>OCFA Portfolio:</i> 0.25%	

**PORTFOLIO SIZE, YIELD, & DURATION**

	<u><i>Current Month</i></u>	<u><i>Prior Month</i></u>	<u><i>Prior Year</i></u>
<i>Book Value-</i>	\$133,223,691	\$163,639,022	\$123,702,259
<i>Yield to Maturity (365 day)</i>	0.28%	0.25%	0.51%
<i>Effective Rate of Return</i>	0.25%	0.25%	0.35%
<i>Days to Maturity</i>	306	266	543



**EXECUTIVE SUMMARY**

***Portfolio Activity & Earnings***

During the month of January 2013, the size of the portfolio decreased significantly by \$30.4 million to \$133.2 million. Major receipts for the month included various apportionments of property taxes, a one-time allocation of the Low and Moderate Income Housing Fund, and other contract and grant payments totaling \$18.1 million. Significant disbursements for the month included biweekly payrolls and a payment to OCERS in the amount of \$25.6 million for the prepayment of half of the retirement cost for the next fiscal year 2013/14. The portfolio's balance is expected to decrease further in the following month as there are no major receipts scheduled for February.

In January, the portfolio's yield to maturity (365-day equivalent) increased by 3 basis points to 0.28%. The effective rate of return stayed unchanged at 0.25% for the month but edged down slightly by 1 basis point to 0.31% for the fiscal year to date. The average maturity of the portfolio lengthened by 40 days to 306 days to maturity. With 58% of the fiscal year completed, interest earnings came in less than expected due to the persistently low interest rate environment. Thus, a budgetary decrease in interest earnings is being proposed for a mid-year budget adjustment.

***Economic News***

The U.S. economic growth pace continued to be moderate in January 2013. Employment conditions remained weak and slow. There were a total of 157,000 new jobs created in January, a slightly weaker number than expected. Unemployment conditions deteriorated slightly edging up a notch to 7.9% from 7.8% previously. Consumer confidence measures were mixed in January. Both retail sales and durable goods orders were in line with expectations, albeit at a weak pace. Manufacturing activity increased further in January pushing it more firmly into an expansion territory while the non-manufacturing activity decreased slightly for the month. Industrial production also declined in January, even though an increase had been expected. Gasoline prices stayed low in January keeping inflation down, which remained unchanged for the month. The housing sector continued to show improvement, but overall activity remained mixed and slow.



**ORANGE COUNTY FIRE AUTHORITY  
Portfolio Management  
Portfolio Summary  
January 31, 2013**

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

(See Note 1 on page 9)

(See Note 2 on page 9)

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM/C 360 Equiv.	YTM/C 365 Equiv.
Money Mkt Mutual Funds/Cash	8,939,034.48	8,939,034.48	8,939,034.48	6.62	1	1	0.001	0.001
Commercial Paper Disc. -Amortizing	7,000,000.00	6,996,360.00	6,999,047.22	5.19	79	70	0.070	0.071
Federal Agency Coupon Securities	30,000,000.00	30,003,960.00	30,014,512.27	22.24	1,393	1,301	0.677	0.687
Federal Agency Disc. -Amortizing	39,000,000.00	38,997,850.00	38,996,892.78	28.90	90	45	0.047	0.048
Local Agency Investment Funds	50,000,000.00	50,056,361.55	50,000,000.00	37.05	1	1	0.296	0.300
<b>Investments</b>	<b>134,939,034.48</b>	<b>134,993,566.03</b>	<b>134,949,486.75</b>	<b>100.00%</b>	<b>340</b>	<b>306</b>	<b>0.278</b>	<b>0.281</b>
<b>Cash and Accrued Interest</b>								
Passbook/Checking (not included in yield calculations)	(See Note 4 on page 9) -1,820,131.67	-1,820,131.67	-1,820,131.67		0	0	0.000	0.000
Accrued Interest at Purchase		10,250.00	10,250.00					
Subtotal		-1,809,881.67	-1,809,881.67					
<b>Total Cash and Investments</b>	<b>133,118,902.81</b>	<b>133,183,684.36</b>	<b>133,139,605.08</b>		<b>340</b>	<b>306</b>	<b>0.278</b>	<b>0.281</b>

Total Earnings	January 31 Month Ending	Fiscal Year To Date
Current Year	31,350.43	216,855.96
Average Daily Balance	145,403,571.32	117,885,700.75
Effective Rate of Return	0.25%	0.31%

"I certify that this investment report accurately reflects all pooled investments and is in compliance with the investment policy adopted by the Board of Directors to be effective on January 1, 2013. A copy of this policy is available from the Clerk of the Authority. Sufficient investment liquidity and anticipated revenues are available to meet budgeted expenditure requirements for the next thirty days and the next six months."

*Patricia Jakubak* 2/1/13  
Patricia Jakubak, Treasurer

**Cash and Investments with GASB 31 Adjustment:**

Book Value of Cash & Investments before GASB 31 (Above)	\$ 133,139,605.08
GASB 31 Adjustment to Books (See Note 3 on page 9)	\$ 84,085.98
<b>Total</b>	<b>\$ 133,223,691.06</b>

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**ORANGE COUNTY FIRE AUTHORITY**  
**Portfolio Management**  
**Portfolio Details - Investments**  
**January 31, 2013**

(See Note 1 on page 9) (See Note 2 on page 9)

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity	Maturity Date
<b>Money Mkt Mutual Funds/Cash</b>											
SYS528	528	High Mark 100% US Treasury MMF		(See Note 4 on page 9)	8,939,034.48	8,939,034.48	8,939,034.48	0.001	0.001	1	
<b>Subtotal and Average</b>			<b>13,769,318.47</b>		<b>8,939,034.48</b>	<b>8,939,034.48</b>	<b>8,939,034.48</b>		<b>0.001</b>	<b>1</b>	
<b>Commercial Paper Disc. -Amortizing</b>											
36959HRC3	802	GEN ELEC CAP CRP		01/23/2013	7,000,000.00	6,996,360.00	6,999,047.22	0.070	0.071	70	04/12/2013
<b>Subtotal and Average</b>			<b>6,225,437.15</b>		<b>7,000,000.00</b>	<b>6,996,360.00</b>	<b>6,999,047.22</b>		<b>0.071</b>	<b>70</b>	
<b>Federal Agency Coupon Securities</b>											
3133ECBT0	799	Federal Farm Credit Bank (Callable on 3/26/13)		12/26/2012	9,000,000.00	8,998,380.00	9,000,000.00	0.375	0.375	875	06/26/2015
3133804V6	787	Fed Home Loan Bank (Callable anytime)		08/09/2012	6,000,000.00	6,000,660.00	6,000,250.00	1.000	0.981	1,650	08/09/2017
313380B22	788	Fed Home Loan Bank (Callable anytime)		08/20/2012	6,000,000.00	6,000,240.00	6,000,197.92	0.450	0.440	930	08/20/2015
3133813R4	800	Fed Home Loan Bank (Callable on 5/9/13)		12/20/2012	9,000,000.00	9,004,680.00	9,014,064.35	1.000	0.966	1,742	11/09/2017
<b>Subtotal and Average</b>			<b>30,015,211.82</b>		<b>30,000,000.00</b>	<b>30,003,960.00</b>	<b>30,014,512.27</b>		<b>0.687</b>	<b>1,301</b>	
<b>Federal Agency Disc. -Amortizing</b>											
313589BH5	792	Fed Natl Mortg Assoc		11/29/2012	4,000,000.00	4,000,000.00	4,000,000.00	0.080	0.081	0	02/01/2013
313397F29	798	Freddie Mac		12/20/2012	9,000,000.00	8,998,290.00	8,997,480.00	0.090	0.091	112	05/24/2013
313385BX3	795	Fed Home Loan Bank		12/20/2012	8,000,000.00	7,999,920.00	7,999,937.78	0.020	0.020	14	02/15/2013
313385CM6	796	Fed Home Loan Bank		12/20/2012	9,000,000.00	8,999,820.00	8,999,790.00	0.030	0.030	28	03/01/2013
313385DB9	797	Fed Home Loan Bank		12/20/2012	9,000,000.00	8,999,820.00	8,999,685.00	0.030	0.030	42	03/15/2013
<b>Subtotal and Average</b>			<b>42,286,372.43</b>		<b>39,000,000.00</b>	<b>38,997,850.00</b>	<b>38,996,892.78</b>		<b>0.048</b>	<b>45</b>	
<b>Treasury Discounts -Amortizing</b>											
<b>Subtotal and Average</b>			<b>3,096,762.15</b>								
<b>Local Agency Investment Funds</b>											
SYS336	336	Local Agency Invstmt Fund			50,000,000.00	50,056,361.55	50,000,000.00	0.300	0.300	1	
<b>Subtotal and Average</b>			<b>50,010,469.30</b>		<b>50,000,000.00</b>	<b>50,056,361.55</b>	<b>50,000,000.00</b>		<b>0.300</b>	<b>1</b>	
<b>Total and Average</b>			<b>145,403,571.32</b>		<b>134,939,034.48</b>	<b>134,993,566.03</b>	<b>134,949,486.75</b>		<b>0.281</b>	<b>306</b>	



**ORANGE COUNTY FIRE AUTHORITY**  
**Portfolio Management**  
**Portfolio Details - Cash**  
**January 31, 2013**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity
<b>Money Mkt Mutual Funds/Cash</b>										
SYS10104	10104	American Benefit Plan Admin		07/01/2012	15,000.00	15,000.00	15,000.00		0.000	1
SYS10033	10033	Revolving Fund		07/01/2012	20,000.00	20,000.00	20,000.00		0.000	1
SYS4	4	Union Bank of California		07/01/2012	-2,105,131.67	-2,105,131.67	-2,105,131.67	(See Note 4 on page 9)	0.000	1
SYS361	361	YORK		07/01/2012	250,000.00	250,000.00	250,000.00		0.000	1
<b>Average Balance</b>			<b>0.00</b>	<b>Accrued Interest at Purchase</b>		<b>10,250.00</b>	<b>10,250.00</b>			<b>0</b>
				<b>Subtotal</b>		<b>-1,809,881.67</b>	<b>-1,809,881.67</b>			
<b>Total Cash and Investments</b>			<b>145,403,571.32</b>		<b>133,118,902.81</b>	<b>133,183,684.36</b>	<b>133,139,605.08</b>		<b>0.281</b>	<b>306</b>

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

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

					Maturity Par Value	Percent of Portfolio	Current Book Value	Current Market Value	
Aging Interval:	0 days	(02/01/2013 - 02/01/2013 )	7 Maturities	0 Payments	61,118,902.81	45.91%	61,118,902.81	61,175,264.36	
Aging Interval:	1 - 30 days	(02/02/2013 - 03/03/2013 )	2 Maturities	0 Payments	17,000,000.00	12.77%	16,999,727.78	16,999,740.00	
Aging Interval:	31 - 60 days	(03/04/2013 - 04/02/2013 )	1 Maturities	0 Payments	9,000,000.00	6.76%	8,999,685.00	8,999,820.00	
Aging Interval:	61 - 91 days	(04/03/2013 - 05/03/2013 )	1 Maturities	0 Payments	7,000,000.00	5.26%	6,999,047.22	6,996,360.00	
Aging Interval:	92 - 121 days	(05/04/2013 - 06/02/2013 )	1 Maturities	0 Payments	9,000,000.00	6.76%	8,997,480.00	8,998,290.00	
Aging Interval:	122 - 152 days	(06/03/2013 - 07/03/2013 )	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00	
Aging Interval:	153 - 183 days	(07/04/2013 - 08/03/2013 )	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00	
Aging Interval:	184 - 274 days	(08/04/2013 - 11/02/2013 )	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00	
Aging Interval:	275 - 365 days	(11/03/2013 - 02/01/2014 )	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00	
Aging Interval:	366 - 1095 days	(02/02/2014 - 02/01/2016 )	2 Maturities	0 Payments	15,000,000.00	11.27%	15,000,197.92	14,998,620.00	
Aging Interval:	1096 - 1825 days	(02/02/2016 - 01/31/2018 )	2 Maturities	0 Payments	15,000,000.00	11.27%	15,014,314.35	15,005,340.00	
Aging Interval:	1826 days and after	(02/01/2018 - )	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00	
			<b>Total for</b>	<b>16 Investments</b>	<b>0 Payments</b>		<b>100.00</b>	<b>133,129,355.08</b>	<b>133,173,434.36</b>



**NOTES TO PORTFOLIO MANAGEMENT REPORT**

- Note 1: Market value of the LAIF investment is calculated using a fair value factor provided by LAIF. The Union Bank Trust Department provides market values of the remaining investments.
- Note 2: Book value reflects the cost or amortized cost before the GASB 31 accounting adjustment.
- Note 3: GASB 31 requires governmental entities to report investments at fair value in the financial statements and to reflect the corresponding unrealized gains/ (losses) as a component of investment income. The GASB 31 adjustment is recorded only at fiscal year end. The adjustment for June 30, 2012 includes an increase of \$60,965 to the LAIF investment and an increase of \$23,121 to the remaining investments.
- Note 4: The Highmark money market mutual fund functions as the Authority's sweep account. Funds are transferred to and from the sweep account to/from OCFA's checking account in order to maintain a target balance of \$1,000,000 in checking. Since this transfer occurs at the beginning of each banking day, the checking account sometimes reflects a negative balance at the close of the banking day. The negative closing balance is not considered an overdraft since funds are available in the money market mutual fund. The purpose of the sweep arrangement is to provide sufficient liquidity to cover outstanding checks, yet allow that liquidity to be invested while payment of the outstanding checks is pending.



## ***Local Agency Investment Fund (LAIF)***

As of January 31, 2013, OCFA has \$50,000,000 invested in LAIF. The fair value of OCFA's LAIF investment is calculated using a participant fair value factor provided by LAIF on a quarterly basis. The fair value factor as of December 31, 2012 is 1.001127231. When applied to OCFA's LAIF investment, the fair value is \$50,056,362 or \$56,362 above cost. Although the fair value of the LAIF investment is higher than cost, OCFA can withdraw the actual amount invested at any time.

LAIF is included in the State Treasurer's Pooled Money Investment Account (PMIA) for investment purposes. The PMIA market valuation at January 31, 2013 is included on the following page.





***Orange County Fire Authority***  
***Preliminary Investment Report***  
***February 22, 2013***



**ORANGE COUNTY FIRE AUTHORITY**  
**Portfolio Management**  
**Portfolio Summary**  
**February 22, 2013**

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

(See Note 1 on page 18)

(See Note 2 on page 18)

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM/C 360 Equiv.	YTM/C 365 Equiv.
Money Mkt Mutual Funds/Cash	3,167,061.72	3,167,061.72	3,167,061.72	2.70	1	1	0.001	0.001
Commercial Paper Disc. -Amortizing	7,000,000.00	6,998,040.00	6,999,346.67	5.97	79	48	0.070	0.071
Federal Agency Coupon Securities	30,000,000.00	30,006,030.00	30,013,884.25	25.61	1,393	1,279	0.677	0.687
Federal Agency Disc. -Amortizing	27,000,000.00	26,997,660.00	26,997,780.00	23.04	104	39	0.050	0.051
Local Agency Investment Funds	50,000,000.00	50,056,361.55	50,000,000.00	42.67	1	1	0.296	0.300
	<b>117,167,061.72</b>	<b>117,225,153.27</b>	<b>117,178,072.64</b>	<b>100.00%</b>	<b>386</b>	<b>340</b>	<b>0.315</b>	<b>0.320</b>
<b>Investments</b>								
<b>Cash and Accrued Interest</b>								
Passbook/Checking (not included in yield calculations) (See Note 4 on page 18)	-509,822.74	-509,822.74	-509,822.74		0	0	0.000	0.000
Accrued Interest at Purchase		10,250.00	10,250.00					
Subtotal		-499,572.74	-499,572.74					
<b>Total Cash and Investments</b>	<b>116,657,238.98</b>	<b>116,725,580.53</b>	<b>116,678,499.90</b>		<b>386</b>	<b>340</b>	<b>0.315</b>	<b>0.320</b>

Total Earnings	February 22 Month Ending	Fiscal Year To Date
Current Year	22,481.45	239,337.41
Average Daily Balance	124,749,089.97	118,522,808.61
Effective Rate of Return	0.30%	0.31%

"I certify that this investment report accurately reflects all pooled investments and is in compliance with the investment policy adopted by the Board of Directors to be effective on January 1, 2013. A copy of this policy is available from the Clerk of the Authority. Sufficient investment liquidity and anticipated revenues are available to meet budgeted expenditure requirements for the next thirty days and the next six months."

*Patricia Jakubiak*      3/1/13  
 Patricia Jakubiak, Treasurer

**Cash and Investments with GASB 31 Adjustment:**

Book Value of Cash & Investments before GASB 31 (Above)	\$ 116,678,499.90
GASB 31 Adjustment to Books (See Note 3 on page 18)	\$ 84,085.98
<b>Total</b>	<b>\$ 116,762,585.88</b>

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**ORANGE COUNTY FIRE AUTHORITY**  
**Portfolio Management**  
**Portfolio Details - Investments**  
**February 22, 2013**

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

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity	Maturity Date
<b>Money Mkt Mutual Funds/Cash</b>											
SYSS28	528	High Mark 100% US Treasury MMF	(See Note 4 on page 18)		3,167,061.72	3,167,061.72	3,167,061.72	0.001	0.001	1	
<b>Subtotal and Average</b>			<b>5,647,518.31</b>		<b>3,167,061.72</b>	<b>3,167,061.72</b>	<b>3,167,061.72</b>		<b>0.001</b>	<b>1</b>	
<b>Commercial Paper Disc. -Amortizing</b>											
36959HRC3	802	GEN ELEC CAP CRP		01/23/2013	7,000,000.00	6,998,040.00	6,999,346.67	0.070	0.071	48	04/12/2013
<b>Subtotal and Average</b>			<b>6,999,203.75</b>		<b>7,000,000.00</b>	<b>6,998,040.00</b>	<b>6,999,346.67</b>		<b>0.071</b>	<b>48</b>	
<b>Federal Agency Coupon Securities</b>											
3133ECBT0	799	Federal Farm Credit Bank (Callable on 3/26/13)		12/26/2012	9,000,000.00	8,995,770.00	9,000,000.00	0.375	0.375	853	06/26/2015
3133804V6	787	Fed Home Loan Bank (Callable anytime)		08/09/2012	6,000,000.00	6,000,300.00	6,000,000.00	1.000	0.981	1,628	08/09/2017
313380B22	788	Fed Home Loan Bank (Callable anytime)		08/20/2012	6,000,000.00	6,000,060.00	6,000,000.00	0.450	0.440	908	08/20/2015
3133813R4	800	Fed Home Loan Bank (Callable on 5/9/13)		12/20/2012	9,000,000.00	9,009,900.00	9,013,884.25	1.000	0.966	1,720	11/09/2017
<b>Subtotal and Average</b>			<b>30,014,090.95</b>		<b>30,000,000.00</b>	<b>30,006,030.00</b>	<b>30,013,884.25</b>		<b>0.687</b>	<b>1,279</b>	
<b>Federal Agency Disc. -Amortizing</b>											
313397FZ9	798	Freddie Mac		12/20/2012	9,000,000.00	8,998,020.00	8,997,975.00	0.090	0.091	90	05/24/2013
313385CM6	796	Fed Home Loan Bank		12/20/2012	9,000,000.00	8,999,910.00	8,999,955.00	0.030	0.030	6	03/01/2013
313385DB9	797	Fed Home Loan Bank		12/20/2012	9,000,000.00	8,999,730.00	8,999,850.00	0.030	0.030	20	03/15/2013
<b>Subtotal and Average</b>			<b>32,088,276.96</b>		<b>27,000,000.00</b>	<b>26,997,660.00</b>	<b>26,997,780.00</b>		<b>0.051</b>	<b>39</b>	
<b>Local Agency Investment Funds</b>											
SYS336	336	Local Agency Invstmnt Fund			50,000,000.00	50,056,361.55	50,000,000.00	0.300	0.300	1	
<b>Subtotal and Average</b>			<b>50,000,000.00</b>		<b>50,000,000.00</b>	<b>50,056,361.55</b>	<b>50,000,000.00</b>		<b>0.300</b>	<b>1</b>	
<b>Total and Average</b>			<b>124,749,089.97</b>		<b>117,167,061.72</b>	<b>117,225,153.27</b>	<b>117,178,072.64</b>		<b>0.320</b>	<b>340</b>	

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**ORANGE COUNTY FIRE AUTHORITY**  
**Portfolio Management**  
**Portfolio Details - Cash**  
**February 22, 2013**

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity
<b>Money Mkt Mutual Funds/Cash</b>										
SYS10104	10104	American Benefit Plan Admin		07/01/2012	15,000.00	15,000.00	15,000.00		0.000	1
SYS10033	10033	Revolving Fund		07/01/2012	20,000.00	20,000.00	20,000.00		0.000	1
SYS4	4	Union Bank of California		07/01/2012	-794,822.74	-794,822.74	-794,822.74	(See Note 4 on page 18)	0.000	1
SYS361	361	YORK		07/01/2012	250,000.00	250,000.00	250,000.00		0.000	1
<b>Average Balance</b>			<b>0.00</b>	<b>Accrued Interest at Purchase</b>		<b>10,250.00</b>	<b>10,250.00</b>			<b>0</b>
					<b>Subtotal</b>	<b>-499,572.74</b>	<b>-499,572.74</b>			
<b>Total Cash and Investmentss</b>			<b>124,749,089.97</b>		<b>116,657,238.98</b>	<b>116,725,580.53</b>	<b>116,678,499.90</b>		<b>0.320</b>	<b>340</b>

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**ORANGE COUNTY FIRE AUTHORITY**  
**Aging Report**  
**By Maturity Date**  
**As of February 23, 2013**

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

				Maturity Par Value	Percent of Portfolio	Current Book Value	Current Market Value	
Aging Interval:	0 days	( 02/23/2013 - 02/23/2013 )	6 Maturities	0 Payments	52,657,238.98	45.14%	52,657,238.98	52,713,600.53
Aging Interval:	1 - 30 days	( 02/24/2013 - 03/25/2013 )	2 Maturities	0 Payments	18,000,000.00	15.43%	17,999,805.00	17,999,640.00
Aging Interval:	31 - 60 days	( 03/26/2013 - 04/24/2013 )	1 Maturities	0 Payments	7,000,000.00	6.00%	6,999,346.67	6,998,040.00
Aging Interval:	61 - 91 days	( 04/25/2013 - 05/25/2013 )	1 Maturities	0 Payments	9,000,000.00	7.71%	8,997,975.00	8,998,020.00
Aging Interval:	92 - 121 days	( 05/26/2013 - 06/24/2013 )	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	122 - 152 days	( 06/25/2013 - 07/25/2013 )	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	153 - 183 days	( 07/26/2013 - 08/25/2013 )	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	184 - 274 days	( 08/26/2013 - 11/24/2013 )	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	275 - 365 days	( 11/25/2013 - 02/23/2014 )	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval:	366 - 1095 days	( 02/24/2014 - 02/23/2016 )	2 Maturities	0 Payments	15,000,000.00	12.86%	15,000,000.00	14,995,830.00
Aging Interval:	1096 - 1825 days	( 02/24/2016 - 02/22/2018 )	2 Maturities	0 Payments	15,000,000.00	12.86%	15,013,884.25	15,010,200.00
Aging Interval:	1826 days and after	( 02/23/2018 - )	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
<b>Total for</b>			<b>14 Investments</b>	<b>0 Payments</b>		<b>100.00</b>	<b>116,668,249.90</b>	<b>116,715,330.53</b>

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**NOTES TO PORTFOLIO MANAGEMENT REPORT**

- Note 1: Market value of the LAIF investment is calculated using a fair value factor provided by LAIF. The Union Bank Trust Department provides market values of the remaining investments.
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- Note 3: GASB 31 requires governmental entities to report investments at fair value in the financial statements and to reflect the corresponding unrealized gains/ (losses) as a component of investment income. The GASB 31 adjustment is recorded only at fiscal year end. The adjustment for June 30, 2012 includes an increase of \$60,965 to the LAIF investment and an increase of \$23,121 to the remaining investments.
- Note 4: The Highmark money market mutual fund functions as the Authority's sweep account. Funds are transferred to and from the sweep account to/from OCFA's checking account in order to maintain a target balance of \$1,000,000 in checking. Since this transfer occurs at the beginning of each banking day, the checking account sometimes reflects a negative balance at the close of the banking day. The negative closing balance is not considered an overdraft since funds are available in the money market mutual fund. The purpose of the sweep arrangement is to provide sufficient liquidity to cover outstanding checks, yet allow that liquidity to be invested while payment of the outstanding checks is pending.

**DISCUSSION CALENDAR - AGENDA ITEM NO. 3**  
**BUDGET AND FINANCE COMMITTEE MEETING**  
**March 13, 2013**

TO: Budget and Finance Committee, Orange County Fire Authority

FROM: Lori Zeller, Assistant Chief  
Business Services Department

SUBJECT: **FY 2012/13 Mid-year Budget Adjustments**

Summary:

This item is submitted to request approval to adjust revenue, expenditures, and fund balance to reflect changes identified after adoption of the 2012/13 budget. Beginning fund balances have been revised based on the FY 2011/12 audited financial statements.

Recommended Action:

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of March 28, 2013, with the Budget and Finance Committee's recommendation that the Board of Directors take the following actions:

1. Authorize the proposed mid-year budget adjustments.
2. Approve the proposed Schedule of Fund Balance.

Background:

A comprehensive mid-year financial review was presented to the Budget and Finance Committee and the Board of Directors in January highlighting proposed mid-year changes that are needed to the FY 2012/13 budget based on events that have occurred since the budget was adopted last May. This staff report is being submitted to request approval of the technical budget adjustments following the mid-year review. The following is a summary of the significant changes being requested (See Attachment 1 for the total proposed adjustment for each Fund):

***FY 2012/13 General Fund Revenue and Expenditure Adjustments***

- **Overall:** Overall the proposed General Fund changes result in a total revenue increase of \$16.5 million and a total expenditure increase of \$5.8 million.
- **Property Tax Revenue:** Based on the County tax ledger, secured property tax revenue increased by 1.75% over last year's billing and, after adjusting for estimated refunds, the projected increase is \$1,700,000 over budget.
- **Assistance-by-Hire (ABH):** OCFA is reimbursed for expenses incurred when our personnel are deployed to assist with out-of-county emergencies. Current year ABH reimbursements are \$2.3 million greater than budget due to various out-of-county responses. In addition, increased overtime/backfill expenditures related to these emergency responses are estimated at \$2.0 million.

- **Review of Low-to-Moderate Income Housing and Non-Housing Funds:** Due to a review of redevelopment agency low-to-moderate income housing funds and non-housing funds by the State Department of Finance, OCFA will receive approximately \$10.6 million in one-time revenue.
- **Orange County Professional Firefighters Association Medical Benefit Trust Audit:** The annual audit of this fund has been completed with an amount due to OCFA of \$1.8 million. This is a \$1.3 million increase over the \$500,000 currently in the budget.
- **Workers' Compensation:** To assist in bringing the workers' compensation budget up to the 60% confidence level required by Board policy, and as shown in the latest actuarial report, \$2.5 million will be added to the workers' compensation budget in the General Fund.
- **City of Stanton Staffing Reconfiguration:** The staffing reconfiguration at Station 46 resulted in a revenue reduction of \$572,000 and a decrease in expenditures of \$1.1 million.
- **Extension of Handcrew Funding:** With the extension of funding for the handcrew through June 30, 2014, the impact on the 2012/13 budget is an \$833,000 increase in expenditures and an \$83,000 increase in revenue using a 10% rate of cost recovery.
- **John Wayne Airport Staffing Reconfiguration:** The staffing reconfiguration at Station 33 resulted in a revenue reduction of \$356,000 and a decrease in expenditures of \$245,000.
- **Fee Programs:** The estimated revenue impact related to the 2012 fee study is as follows: HMS/CalARP revenue reduction of \$1.2 million including an estimated \$350,000 in refunds for 2011/12; inspection services revenue reduction of \$199,000; and a \$297,000 revenue reduction for Planning & Development. An increase of \$248,000 is estimated for false alarm fees.
- **Community Redevelopment Agency (CRA) Pass-Throughs:** With the dissolution of the redevelopment programs, any funds available, after accounting for enforceable obligations, are passed on to the taxing entities of which OCFA is one. This residual funding was not included in the FY 2012/13 adopted budget and is currently estimated at \$1.3 million.
- **City of Santa Ana Reimbursements:** According to the Santa Ana service contract, the city is obligated to reimburse OCFA for salary and benefits related to the use of transferred sick and vacation balances, as well as costs related to certain workers' compensation cases, over and above the annual service charge. The current estimate is an increase in reimbursement revenue of \$809,000 and an increase of \$458,000 in backfill costs for personnel out on workers' compensation leave.
- **Capital vs. General Fund Change:** About \$695,000 in expenditures for Capital Improvement Program projects are being transferred to the General Fund, since they no longer meet the criteria for capital projects.

- **Other:** About \$720,000 in expenditures is being added for the following: increased utility costs (+\$350,000), replacement of ballistic protective vests (+\$230,000), uniform replacement (+\$100,000), and internal control/payroll audits (+\$40,000).
- **Beginning Fund Balance - \$4.3 million increase:** General Fund beginning fund balance will increase \$4.3 million based on the FY 2011/12 year-end audit. This increase resulted primarily from salary savings, due to vacancies, as well as services and supplies (S&S) savings.
- **Operating Transfers for Workers' Compensation:** Operating transfers out totaling \$15.2 million are being proposed to help bring the workers' compensation fund balance in the Self Insurance Fund to Board policy, which requires a 50% confidence level for existing/past claims. Of the \$15.2 million, \$5.2 million is from the available unencumbered fund balance identified in the FY 2011/12 audit, which was approved by the Board in January, and \$10 million is from the cash flow fund balance in the General Fund.
- **Operating Transfer for Fee Funded Capital Needs:** An operating transfer out of \$381,000 is being made to the Vehicle Replacement Fund and Communications & Information Systems Replacement Fund that are related to the fire prevention fee programs for this fiscal year and prior fiscal years.

***FY 2012/13 Adjustments to Capital Improvement/Other Funds***

- Facilities Maintenance & Improvements (Fund 122) – Cost containment in this fund continues by only completing projects deemed vital for operational readiness. A net revenue increase of \$130,000 is due primarily to adjustments for final facilities maintenance charges for cash contracts. A net expenditure reduction of \$445,000 is mainly, due to reduced costs, and a project deletion, related to construction of vehicle storage buildings. As a result of the FY 2011/12 annual audit, beginning fund balance will increase by \$87,000.
- Facilities Replacement (Fund 123) – Revenues show a net increase of \$64,000, due to a reduction in interest earnings and an adjustment to funding from CAL FIRE and increases in developer contributions and bankruptcy proceeds. An expenditure increase of \$69,000 includes final costs related to Fire Station 17 and estimated escrow costs for the second half of the hangar purchase for Fire Station 41. As a result of the FY 2011/12 annual audit, the beginning fund balance will increase by \$1.0 million.
- Communications & Information Systems Replacement (Fund 124) – An expenditure reduction of \$1.8 million is due primarily to GIS projects being transferred to the General Fund, since they no longer meet the criteria for capital projects, deletion of the county-wide GIS project, and the rebudget of the 911 telephone system replacement to FY 2013/14. The net \$726,000 revenue reduction is due primarily to the receipt of bankruptcy proceeds and the rebudget of reimbursement revenue for the 911 telephone system replacement project. As a result of the FY 2011/12 annual audit, beginning fund balance will increase by \$2.7 million.



- Vehicle Replacement (Fund 133) – There is a net revenue reduction of \$56,000 due to vehicle changes in Stanton and Westminster, receipt of bankruptcy proceeds and reduced interest revenue. The expenditure reduction of \$155,000 is due to the rebudgets of vehicles to 2013/14. As a result of the FY 2011/12 annual audit, beginning fund balance will increase by \$1.4 million.
- Structural Fire Fund Entitlement Fund (Fund 171) –As a result of the FY 2011/12 annual audit, beginning fund balance will increase by \$543,000.
- Self Insurance Fund (Fund 190) – There is a net revenue increase of \$2.4 million due to the increase in funding from the General Fund as noted above, decreased interest earnings, the extension of handcrew funding and changes to the contracts for Stanton and John Wayne Airport. An expenditure increase of \$967,000 is the result of the updated actuarial estimate for this fiscal year. As a result of the FY 2011/12 annual audit, beginning fund balance will increase by \$1.6 million.

***Schedule of Fund Balance***

The Schedule of Fund Balance (Attachment 3) updates the amounts and classifications of fund balance to include all mid-year adjustments.

Impact to Cities/County:

None.

Fiscal Impact:

Not Applicable

Staff Contacts for Further Information:

Stephan Hamilton, Budget Manager  
[stephanhamilton@ocfa.org](mailto:stephanhamilton@ocfa.org)  
(714) 573-6302

Tricia Jakubiak, Treasurer  
[triciajakubiak@ocfa.org](mailto:triciajakubiak@ocfa.org)  
(714) 573-6301

Attachments:

1. FY 2012/13 Mid- year Budget Adjustments
2. Combined Budget Summary
3. Schedule of Fund Balance

## **FY 2012/13 Mid-Year Budget Adjustments**

The following adjustments to the 2012/13 budget are requested:

### ***General Fund (Fund 121)***

Revenue - \$16,490,185 increase  
Beginning Fund Balance - \$4,257,209 increase  
Appropriations - \$5,786,695 increase  
Operating Transfer Out - \$15,626,016 increase

### ***Facilities Maintenance and Improvement Fund (Fund 122)***

Revenue - \$130,429 increase  
Beginning Fund Balance - \$87,057 increase  
Appropriations - \$445,000 decrease

### ***Facilities Replacement (Fund 123)***

Revenue - \$64,269 increase  
Beginning Fund Balance - \$1,020,939 increase  
Appropriations - \$68,863 increase

### ***Communications and Information Systems Replacement Fund (Fund 124)***

Revenue - \$726,441 decrease  
Operating Transfer In - \$343,435 increase  
Beginning Fund Balance - \$2,679,452 increase  
Appropriations - \$1,800,000 decrease

### ***Vehicle Replacement Fund (Fund 133)***

Revenue - \$55,877 decrease  
Operating Transfer In - \$37,787 increase  
Beginning Fund Balance - \$1,383,004 increase  
Appropriations - \$154,818 decrease

### ***Structural Fire Fund Entitlement Fund (Fund 171)***

Beginning Fund Balance - \$543,096 increase  
Appropriations - \$175 decrease

### ***Self-Insurance Fund (Fund 190)***

Revenue - \$2,448,269 increase  
Operating Transfer In - \$15,244,794 increase  
Beginning Fund Balance - \$1,551,698 increase  
Appropriations - \$967,101 increase

**ORANGE COUNTY FIRE AUTHORITY  
COMBINED BUDGET SUMMARY  
2012/13**

	121 General Fund	<u>CIP Funds</u>				<u>Other Funds</u>		Total
		122 Facilities Maint & Improvement	123 Facilities Replacement	124 Communications & Info Systems Repl	133 Vehicle Replacement	171 SFF Entitlement	190 Self Insurance	
<b>FUNDING SOURCES</b>								
<i>Property Taxes</i>	\$181,751,309							\$181,751,309
<i>Intergovernmental</i>								
State Reimbursements	6,050,975	-	-	-				6,050,975
Federal Reimbursements	4,585,238	-	-	-	960,000			5,545,238
Community Redevelopment Pass-thru	15,905,678							15,905,678
<i>Charges for Current Services</i>								
Contracts	82,751,043	278,656		-	1,332,748			84,362,447
HMS Revenue	243,466							243,466
Fees - Fire Prevention	5,099,552							5,099,552
Other Charges for Services	166,584							166,584
ALS Reimbursements, Supplies	4,570,574							4,570,574
<i>Use of Money and Property</i>								
Interest	188,658	9,257	38,641	65,103	91,529	4,197	128,552	525,937
<i>Other</i>								
Developer contributions	-	-	40,560	-	-			40,560
Miscellaneous	4,623,391	-	87,586	148,011	90,839			4,949,827
Charges for Workers' Comp							9,892,711	9,892,711
Other Funding Sources							-	-
Total Revenues & Other Financing Sources	305,936,468	287,913	166,787	213,114	2,475,116	4,197	10,021,263	319,104,858
Operating Transfer In	-	-	-	343,435	37,787	-	15,244,794	15,626,016
Beginning Fund Balance	48,574,096	3,250,953	16,125,692	22,033,190	31,995,189	1,372,789	34,146,268	157,498,177
<b>TOTAL AVAILABLE RESOURCES</b>	<b>\$354,510,564</b>	<b>\$3,538,866</b>	<b>\$16,292,479</b>	<b>\$22,589,739</b>	<b>\$34,508,092</b>	<b>\$1,376,986</b>	<b>\$59,412,325</b>	<b>\$492,229,051</b>
<b>EXPENDITURES</b>								
Salaries & Emp Benefits	\$266,198,050		-			-		\$266,198,050
Services & Supplies	24,499,308	1,221,449	63,863	3,529,819	86,958	1,307,048	9,569,235	40,277,680
Capital Outlay	80,000	25,000	2,206,900	9,994,646	6,946,768	-		19,253,314
Debt Service	-	-	-	-	2,531,723			2,531,723
Board Mandated Reduction	-							-
Total Expenditures	290,777,358	1,246,449	2,270,763	13,524,465	9,565,449	1,307,048	9,569,235	328,260,767
Appropriation for Contingencies	3,000,000							3,000,000
Operating Transfer Out	15,626,016	-	-	-	-	-	-	15,626,016
Ending Fund Balance	45,107,190	2,292,417	14,021,716	9,065,274	24,942,643	69,938	49,843,090	145,342,268
<b>TOTAL FUND COMMITMENTS &amp; FUND BALANCE</b>	<b>\$354,510,564</b>	<b>\$3,538,866</b>	<b>\$16,292,479</b>	<b>\$22,589,739</b>	<b>\$34,508,092</b>	<b>\$1,376,986</b>	<b>\$59,412,325</b>	<b>\$492,229,051</b>

**ORANGE COUNTY FIRE AUTHORITY**  
**Schedule of Fund Balance**  
**2012/13**

	<b>General Operating Fund 121</b>	<b>Facilities Maint &amp; Improv Fund 122</b>	<b>Facilities Replacement Fund 123</b>	<b>Comm &amp; Info Sys Repl Fund 124</b>	<b>Vehicle Replacement Fund 133</b>	<b>SFF Entitlement Fund 171</b>	<b>Self Insurance Fund 190</b>	<b>Total</b>
Projected Fund Balance 6/30/13	\$45,107,190	\$2,292,417	\$14,021,716	\$9,065,274	\$24,942,643	\$69,938	\$49,843,090	\$145,342,268
• Stn 56 Dev. Contribution			1,193,950					1,193,950
• Stn 18 CDF Contribution			533,232					533,232
• SFF - Irvine						59,503		59,503
• SFF - Laguna Niguel						17		17
• SFF - Villa Park						85		85
• SFF Fund GASB 31 Interest (b)						10,333		10,333
• Capital Improvement Programs		2,292,417	12,294,534	9,065,274	24,056,568			47,708,793
• Fire Prevention Fee Funded Capital Needs					886,075			886,075
• Workers Comp							49,843,090	49,843,090
• General Fund Operating (a)	25,528,726							25,528,726
• Cash Flow Needs	18,642,594							18,642,594
• Fire Prevention (HMD)	935,870							935,870
<b>Total</b>	<b>\$45,107,190</b>	<b>\$2,292,417</b>	<b>\$14,021,716</b>	<b>\$9,065,274</b>	<b>\$24,942,643</b>	<b>\$69,938</b>	<b>\$49,843,090</b>	<b>\$145,342,268</b>

(a) Reflects \$3 million reduction for Appropriation for Contingencies

(b) GASB 31 interest is a paper transaction only that is not available for use

**DISCUSSION CALENDAR - AGENDA ITEM NO. 4**  
**BUDGET AND FINANCE COMMITTEE MEETING**  
**March 13, 2013**

TO: Budget and Finance Committee, Orange County Fire Authority

FROM: Lori Zeller, Assistant Chief  
Business Services Department

SUBJECT: **Communication with Auditors for Fiscal Year 2012/13 Financial Audit**

Summary:

This agenda item is submitted to provide an update to the Budget and Finance Committee on the Fiscal Year 2012/13 financial audit, including:

- Two-way communication between the Committee and the independent financial auditors in accordance with Statements on Auditing Standards (SAS) No. 114; and
- Upcoming changes to financial statement reporting.

Recommended Action:

Receive and file the report.

Background:

The American Institute of Certified Public Accountants (AICPA) issues Statements of Auditing Standards (SAS), which address the guidelines auditors must follow while conducting audits of financial statements. Normally, the issuance of a new SAS is exclusively a concern of audit professionals and has little or no impact on the entity being audited. However, in 2006, the AICPA issued SAS No. 114, *The Auditor's Communication with Those Charged with Governance*, which impacts both auditors and their clients.

***Overview of SAS No. 114:***

SAS No. 114 requires auditors and "those with power of governance" to engage in two-way communication regarding audit matters. Specific duties of "those with power of governance" (i.e., Board of Directors) may be delegated to a sub-group, such as an audit committee. The OCFA's Budget and Finance Committee also serves as the Audit Committee. Two-way communication is needed in order to:

- Communicate the auditors' responsibilities (i.e., scope of the audit);
- Obtain information relevant to the audit;
- Provide timely observations arising from the audit that are relevant to the governing body's responsibilities in overseeing the financial reporting process; and
- Communicate any significant findings in writing.

Since SAS No. 114 became effective, a representative from the audit engagement team provides a presentation to the Committee at the beginning of the audit process in order to commence two-way communication in accordance with SAS No. 114. The auditors also present the annual financial statements to the Committee and Board of Directors at the completion of the audit.

***Upcoming Changes in Financial Statement Reporting:***

On June 25, 2012, the Governmental Accounting Standards Board (GASB) approved two new accounting and reporting standards for pension plans provided by state and local governments:

- Statement No. 67, *Financial Reporting for Pension Plans* (applies to state and local pension plans established as trust or similar arrangements)
- Statement No. 68, *Accounting and Financial Reporting for Pensions* (applies to governmental employers that sponsor or contribute to pension plans)

These new standards make significant changes to pension accounting and financial reporting, because they disconnect pension *accounting* from pension *funding*. One of the most significant changes will impact how pension liabilities are presented in the Financial Statements. Currently, the Financial Statements report a pension liability only for the cumulative difference between required and actual contributions made over time (typically zero). Under the new standards, a government's proportionate share of the entire pension plan's net pension liability will be reported in the Financial Statements. Other differences between the new pension accounting standards and plan funding practices will include the discount rate, asset valuation method, amortization period, and calculation of annual pension expense.

The OCFA will be required to implement GASB Statements No. 67 and 68 during Fiscal Year 2013/14 (for the part-time employee plan reported as a pension trust fund) and Fiscal Year 2014/15 (for the full-time employee plan with the Orange County Employees' Retirement System). Staff will continue to research the new standards and will return to the Committee with a full analysis of their impact to OCFA at a later date.

Impact to Cities/County:

Not Applicable.

Fiscal Impact:

Not Applicable.

Staff Contact for Further Information:

Jim Ruane, Finance Manager/Auditor

Business Services Department

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(714) 573-6304

Auditor Contact for Further Information:

Rich Kikuchi, Partner

Lance, Soll & Lunghard, LLP

[richard.kikuchi@lslcpas.com](mailto:richard.kikuchi@lslcpas.com)

(714) 672-0022

Attachments:

None

**DISCUSSION CALENDAR - AGENDA ITEM NO. 5**  
**BUDGET AND FINANCE COMMITTEE MEETING**  
**March 13, 2013**

TO: Budget and Finance Committee, Orange County Fire Authority

FROM: Lori Zeller, Assistant Chief  
Business Services Department

SUBJECT: **Proposed Scope for a Third Audit Area in Year One of the Comprehensive Review of OCFA's Financial Internal Controls**

Summary:

This agenda item is submitted for discussion and approval of a third audit area to be included in the first year of the comprehensive review of OCFA's financial internal controls, conducted as recommended by Lance, Soll & Lunghard, LLP.

Recommended Actions:

1. Approve the Purchasing/Procurement Review as the third audit area to be included in the first year of the comprehensive internal control review.
2. Direct staff to include an adjustment for \$15,000 in the mid-year report.

Background:

At the March 14, 2012, Budget and Finance Committee meeting, the Committee approved the selection of Lance, Soll & Lunghard, LLP (LSL) as the auditing firm to complete a comprehensive review of OCFA's financial internal controls over the next three years. At the February 13, 2013 Budget and Finance Committee meeting, the Committee approved the following two audit areas to be included in the first year of the comprehensive internal control review:

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

The Committee also requested LSL to select a third audit area that was not previously identified by OCFA staff, and return to the Committee with a recommendation in March. Upon further review of OCFA's current business practices, LSL recommends selecting Purchasing/Procurement as a third internal control review area.

***Audit Approach:***

The following is a summary of LSL’s planned audit approach for the Purchasing/Procurement area:

- Obtain an understanding – Interview personnel directly responsible for each of the processes and examine documentation to corroborate process and control. We will sample contracts during the 2012 calendar year based on a risk assessment performed on the population including relative dollar size, frequency, vendor, procurement method, use of federal funds, and type of purchase. We will verify compliance with existing policies.
- Business Risk Analysis – Develop a list of potential risks and rank risk based on likelihood of occurrence and degree of potential impact.
- Assess controls and processes to address business risks – Analyze to determine existing control structure and policies effectively and efficiently manage risks.
- Final evaluation of control structure – Based on our understanding, make certain recommendations to improve overall control environment and mitigate key risks to the process.

***Upcoming Audits and Agreed upon Procedures (AUP):***

In addition to the three internal control reviews, below is a list of all audits and agreed upon procedures that are scheduled for the upcoming months:

	<u>Project Name</u>	<u>Completed By</u>	<u>Type of Work</u>	<u>Anticipated Start Date</u>
(1)	US&R Program Administrative Review Exercise	FEMA	Audit	3/4/13 - 1 week
(2)	Revenue Recognition - Fire Prevention Fees	LSL	AUP	3/11/13 - 2 weeks
(3)	Ambulance Provider Contract Compliance Reviews	LSL	AUP	3/25/13 - 2 weeks
(4)	ALS/BLS Reimbursement Rates Review	LSL	AUP	4/1/13
(5)	Procurement / Disbursements Practices Relating to Cal Cards (credit cards), Travel-Related Activities and Fuel Usage	LSL	AUP	4/22/13 - 1 week
(6)	Interim Financial Audit	LSL	Audit	4/29/13 - 1 week
(7)	Purchasing/Procurement Review	LSL	AUP	5/6/13 - 1 week
(8)	Firefighter Medical Trust Compliance Review	LSL	AUP	7/8/13 - 1 week
(9)	Final Financial Audit	LSL	Audit	8/19/13 - 1 week

Impact to Cities/County:

Ongoing reviews of our internal control system will serve to strengthen security over OCFA’s resources, which is beneficial to OCFA’s member agencies and the citizens we serve.

Fiscal Impact:

The estimated cost for the Purchasing/Procurement Review is approximately \$15,000.



Lance, Soll & Lunghard, LLP. Contact for Further Information:

Bryan Gruber, CPA

[bryan.gruber@lslcpas.com](mailto:bryan.gruber@lslcpas.com)

(714) 672-0022

Staff Contact for Further Information:

Jim Ruane, Finance Manager/Auditor

Finance Division

[jimruane@ocfa.org](mailto:jimruane@ocfa.org)

(714) 573-6304

Attachment:

Proposed audit scope work from Lance, Soll, & Lunghard



CERTIFIED PUBLIC ACCOUNTANTS

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- David E. Hale, CPA, CFP
- Donald G. Slater, CPA
- Richard K. Kikuchi, CPA
- Susan F. Matz, CPA
- Shelly K. Jackley, CPA
- Bryan S. Gruber, CPA
- Deborah A. Harper, CPA

*Brandon W. Burrows, CPA, Retired*

February 25, 2013

Jim Ruane, Finance Manager / Auditor  
Orange County Fire Authority

### **Purchasing/Procurement Review**

We will perform agreed-upon procedures over certain purchasing/procurement processes with the purpose of reviewing compliance with existing policies and making assessments and identifying improvements on controls and recommending certain best practices. The following information summarizes the procedures we will perform:

We will examine key controls over the following processes:

- Initiating and Authorizing
- Documentation/Communication and Reporting
- Reconciliation and Review
- Compliance and Monitoring

Approach:

Obtain an understanding – Interview personnel directly responsible for each of the processes and examine documentation to corroborate process and control. We will sample contracts during the 2012 calendar year based on a risk assessment performed on the population including relative dollar size, frequency, vendor, procurement method, use of federal funds, and type of purchase. We will verify compliance with existing policies.

Business Risk Analysis – Develop a list of potential risks and rank risk based on likelihood of occurrence and degree of potential impact.

Assess controls and processes to address business risks – Analyze to determine existing control structure and policies effectively and efficiently manage risks.

Final evaluation of control structure – Based on our understanding, make certain recommendations to improve overall control environment and mitigate key risks to the process.

Deliverables:

We will provide a report, in the form of an agreed-upon procedure, describing the procedures we performed and the results including findings and recommendations. We will detail out the various risks we identify to the process that are present based on existing policies and assign rankings to each risk in order to provide guidance to the Authority on priorities that should be placed on given risks. Our recommendations will be in response to each risk or finding identified and we will also document staff's responses to our recommendations.

The review will be conducted in accordance with applying agreed-upon procedures standards as established by the AICPA and shall include such other procedures as we consider necessary in the circumstances. It should be understood that such procedures do not constitute an audit conducted in accordance with generally accepted auditing standards, and we will not express an opinion on any of the procedures which we performed. In addition, the procedures are not primarily designed to disclose defalcations or other irregularities. We make no representation as to the adequacy of the above procedures. Our report should be used by you solely to assist you in assessing certain areas of risk as described in the procedures above. The distribution of the report is limited to the Board of Directors and officials of the Orange County Fire Authority. Our proposed fee for this engagement will be billed to you at our contracted rates not to exceed \$15,000. However, during the process we may experience difficulties or need to expand the scope due to issues noted and therefore may request additional compensation. We will communicate these items to you in advance, provide an estimate of additional costs, and obtain your approval prior to proceeding.

Again, Lance, Soll & Lunghard, LLP looks forward to continue to provide quality services to the Orange County Fire Authority. Please sign below to acknowledge your acceptance of this agreement and return to my attention. Should you or any other representative of the Authority have additional questions regarding this agreement or possible revision to the scope, please do not hesitate to contact Bryan Gruber, Partner at (714) 672-0022.

Very truly yours,

*Lance, Soll & Lunghard, LLP*

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Signature

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Date