



ORANGE COUNTY FIRE AUTHORITY AGENDA

Budget and Finance Committee Meeting

Wednesday, June 11, 2014

12:00 Noon

Orange County Fire Authority Regional Fire Operations and Training Center

1 Fire Authority Road

Room AE117

Irvine, California 92602

Elizabeth Swift, Chair

Randal Bressette, Vice Chair

Sam Allevato Trish Kelley Jerry McCloskey Al Murray Steven Weinberg

Bruce Channing - Ex Officio

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

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

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



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

CALL TO ORDER

PLEDGE OF ALLEGIANCE by Director Bressette

ROLL CALL

PUBLIC COMMENTS

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

MINUTES

- 1. Minutes for the May 14, 2014, Budget and Finance Committee Meeting**
Submitted by: Sherry Wentz, Clerk of the Authority

Recommended Action:
Approve as submitted.

CONSENT CALENDAR

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

Recommended Action:
Review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of June 26, 2014, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the reports.

- 3. Monthly Status Update – Orange County Employees' Retirement System**
Submitted by: Lori Zeller, Assistant Chief, Business Services Department

Recommended Action:
Receive and file the report.

DISCUSSION CALENDAR

- 4. Request from City of Santa Ana for Release of Escrow**
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 June 26, 2014, with the Budget and Finance Committee's recommendation that the Board of Directors take the following actions:

Option 1:

1. Find that the City of Santa Ana's financial condition has improved such that the need for Security has changed and that the Security should be eliminated.
2. Authorize the release of \$2.9 million held in escrow as Security for the City of Santa Ana's financial obligations under the Fire Services and Emergency Medical Services Agreement.

Option 2:

1. Receive and file the report and direct staff to maintain the existing Security provisions pursuant to the Fire Services and Emergency Medical Services Agreement with the City of Santa Ana, subject to further consideration at a later date.

5. Communication with Auditors for Fiscal Year 2013/14 Financial Audit

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

Recommended Action:

Receive and file the report.

6. Updated Cost Reimbursement Rates

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 June 26, 2014, with the Budget and Finance Committee's recommendation that the Board of Directors approve and adopt the proposed Cost Reimbursement Rate schedules effective July 1, 2014.

7. Approval of the Updated OCFA Advanced Life Support (ALS) Paramedic and Basic Life Support (BLS) Medical Supplies Reimbursement Rates

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 June 26, 2014, with the Budget and Finance Committee's recommendation that the Board of Directors take the following actions:

1. Conduct a Public Hearing.
2. Upon approval of the proposed increase to the maximum BLS emergency 9-1-1 transportation billing rate by the Orange County Board of Supervisors, authorize staff to increase OCFA's Advanced Life Support (ALS) and Basic Life Support (BLS) Medical Supply reimbursement rates by the same percentage increase effective on or after July 1, 2014.

REPORTS

No items.

COMMITTEE MEMBER COMMENTS

ADJOURNMENT – The next regular meeting of the Budget and Finance Committee is scheduled for Wednesday, July 9, 2014, at 12:00 noon.

AFFIDAVIT OF POSTING

I hereby certify under penalty of perjury under the laws of the State of California, that the foregoing Agenda was posted in the lobby and front gate public display case of the Orange County Fire Authority, Regional Fire Operations and Training Center, 1 Fire Authority Road, Irvine, CA, not less than 72 hours prior to the meeting. Dated this 5th day of June 2014.

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

UPCOMING MEETINGS:

Claims Settlement Committee Meeting	Thursday, June 26, 2014, 5:00 p.m.
Executive Committee Meeting	Thursday, June 26, 2014, 4:30 p.m.
Board of Directors Meeting	Thursday, June 26, 2014, 6:30 p.m.
Budget and Finance Committee Meeting	Wednesday, July 9, 2014, 12:00 noon

MINUTES

ORANGE COUNTY FIRE AUTHORITY

Budget and Finance Committee Meeting
Wednesday, May 14, 2014
12:00 Noon

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

CALL TO ORDER

A regular meeting of the Orange County Fire Authority Budget and Finance Committee was called to order on May 14, 2014, at 12:05 p.m. by Chair Swift.

PLEDGE OF ALLEGIANCE

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

ROLL CALL

Present: Sam Allevato, San Juan Capistrano
Trish Kelley, Mission Viejo
Al Murray, Tustin
Elizabeth Swift, Buena Park
Steven Weinberg, Dana Point

Absent: Randal Bressette, Laguna Hills
Jerry McCloskey, Laguna Niguel

Also present were:

Fire Chief Keith Richter
General Counsel David Kendig
Assistant Chief Brian Stephens
Assistant Chief Lori Zeller
Assistant Clerk Lydia Slivkoff

Ex Officio Bruce Channing
Deputy Chief Craig Kinoshita
Assistant Chief Dave Thomas
Clerk of the Authority Sherry Wentz

PUBLIC COMMENTS (F: 12.02B3)

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

MINUTES

1. **Minutes for the April 9, 2014, Budget and Finance Committee Meeting** (F: 12.02B2)

On motion of Director Murray and second by Director Allevato, the Committee voted to approve the minutes of the April 9, 2014, Budget and Finance Committee Meeting, as submitted. Director Kelley noted an abstention.

CONSENT CALENDAR

2. **Monthly Investment Reports** (F: 11.10D2)

On motion of Director Murray and second by Director Allevato, the Committee voted unanimously to direct staff to place the item on the agenda for the Executive Committee meeting of May 22, 2014, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the reports.

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

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

4. **Third Quarter Financial Newsletter – July 2013 to March 2014** (F: 15.07)

On motion of Director Murray and second by Director Allevato, the Committee voted unanimously to direct staff to place this item on the agenda for the Executive Committee meeting of May 22, 2014, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the report.

DISCUSSION CALENDAR

5. **Approval of 2014 Tax and Revenue Anticipation Notes (TRANS)** (F: 15.10E)

Assistant Chief Lori Zeller introduced Treasurer Tricia Jakubiak who provided a detailed PowerPoint presentation on the 2014 Tax and Revenue Anticipation Notes.

OCFA City Manager Budget and Finance Committee Chair Bruce Channing indicated the City Manager Budget and Finance Committee supported the TRAN, and complimented staff noting the presentation was the most thorough he's seen for a borrowing of this nature.

On motion of Director Allevato and second by Director Murray, the Committee voted unanimously to direct staff to place the item on the agenda for the Board of Directors meeting of May 22, 2014, with the Budget and Finance Committee's recommendation that the Board of Directors take the following actions:

Minutes

OCFA Budget and Finance Committee Meeting

May 14, 2014 Page - 2

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

6. Rosenow Spevacek Group, Inc. (RSG) Final Property Tax Revenue Projections (F: 15.10)

Assistant Chief Lori Zeller introduced Senior Accountant Stuart Lam who provided a PowerPoint presentation on the Rosenow Spevacek Group, Inc. (RSG) Final Property Tax Revenue Projections.

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

7. Review of the 2014/15 Proposed Budget (F: 15.04)

Assistant Chief Lori Zeller introduced Accounting Manager Deborah Gunderson who provided a detailed PowerPoint presentation on the 2014/15 Proposed Budget.

Property Manager Steve Chambers, Information Technology Manager Joel Brodowski, and Fleet Services Manager Rick Oborny provided an overview of the various funds in the proposed Capital Improvement Plan, providing additional context to why the project is important, how the cost was estimated, and steps taken by the Managers to defer projects when feasible.

On motion of Director Weinberg and second by Director Allevato, the Committee voted unanimously to direct staff to place the item on the agenda for the Board of Directors meeting of May 22, 2014, with the Budget and Finance Committee's recommendation that the Board of Directors take the following actions:

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

8. Contract Extension for Banking and Custodial Services (F: 17.10F2)

Assistant Chief Lori Zeller introduced Assistant Treasurer Jane Wong who provided an overview of the contract extension for banking and custodial services.

On motion of Director Weinberg and second by Director Kelley, the Committee voted unanimously to direct staff to place the item on the agenda for the Executive Committee meeting of May 22, 2014, with the Budget and Finance Committee's recommendation that the Executive Committee take the following actions:

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

REPORTS (F: 12.02B6)

Fire Chief Richter indicated 10 Fire Engines and 2 helicopters were out of county on the wildland fire in San Diego.

COMMITTEE MEMBER COMMENTS (F: 12.02B4)

Chair Swift read a letter from Farrell's CEO commending OCFA staff who responded to an incident at Farrell's Ice Cream Parlor where a vehicle crashed into the restaurant. She thanked Battalion Chief Dave Anderson, responding firefighters, and OCFA Chaplains for their assistance.

ADJOURNMENT – Chair Swift adjourned the meeting at 1:50 p.m. The next regular meeting of the Budget and Finance Committee is scheduled for Wednesday, June 11, 2014, at 12:00 noon.

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

CONSENT CALENDAR - AGENDA ITEM NO. 2
BUDGET AND FINANCE COMMITTEE MEETING
June 11, 2014

TO: Budget and Finance Committee, Orange County Fire Authority

FROM: Patricia Jakubiak, Treasurer

SUBJECT: **Monthly Investment Reports**

Summary:

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

Recommended Action:

Review the proposed agenda item and direct staff to place the item on the agenda for the Executive Committee meeting of June 26, 2014, with the Budget and Finance Committee's recommendation that the Executive Committee receive and file the reports.

Background:

Attached is the final monthly investment report for the month ended April 30, 2014. A preliminary investment report as of May 23, 2014, is also provided as the most complete report that was available at the time this agenda item was prepared.

Impact to Cities/County:

Not Applicable.

Fiscal Impact:

Not Applicable.

Staff Contact for Further Information:

Patricia Jakubiak, Treasurer

Triciajakubiak@ocfa.org

(714) 573-6301

Attachment:

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

Orange County Fire Authority Monthly Investment Report



Final Report – April 2014

Preliminary Report – May 2014



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Orange County Fire Authority

Final Investment Report

April 30, 2014



EXECUTIVE SUMMARY

Portfolio Activity & Earnings

During the month of April 2014, the size of the portfolio increased significantly from \$122.6 million to \$170.0 million. Significant receipts for the month included the sixth apportionment of secured property taxes in the amount of \$61.6 million and various contract and grant payments totaling \$4.4 million. Significant disbursements for the month included primarily biweekly payrolls. The portfolio's balance is expected to decrease in the following month as there are no major receipts scheduled for May.

In April, the portfolio's yield to maturity (365-day equivalent) decreased by 5 basis points to 0.23% while the effective rate of return decreased by 2 basis points to 0.28% for the month and remained unchanged at 0.32% for the fiscal year to date. The average maturity of the portfolio lengthened by 36 days to 200 days to maturity.

Economic News

In April 2014, U.S. economic activity continued to improve, although activity stayed persistently mixed overall. On the upside, employment conditions improved noticeably in April. There were a total of 288,000 new jobs created for the month, a much stronger number than expected. The unemployment rate also improved, declining to 6.3% from 6.7% previously; however, the decline in the unemployment rate was largely due to a significant drop in the labor force. Both manufacturing and non-manufacturing sectors continued to expand in April. Durable goods orders increased slightly, but beat a slight expected decrease. Retail sales also increased, but disappointingly less than expected for the month, while consumer confidence measures remained mixed in April. On the other hand, industrial production unexpectedly dropped in April. Inflation picked up by 0.3% for the month, but remained controlled at 2.0% for the twelve-month period ending April 2014. Housing activity stayed slow overall. In addition, the revised GDP (Gross Domestic Product) for the first quarter of 2014 was surprisingly much weaker than expected, showing a contraction in U.S. economic activity at a negative 1.0% annual rate, which indicates a continuing trend of a slow and fragile economic recovery.



BENCHMARK COMPARISON AS OF APRIL 30, 2014

3 Month T-Bill:	0.03%	1 Year T-Bill:	0.11%
6 Month T-Bill:	0.05%	LAIF:	0.23%
		OCFA Portfolio:	0.28%

PORTFOLIO SIZE, YIELD, & DURATION

	<u>Current Month</u>	<u>Prior Month</u>	<u>Prior Year</u>
Book Value-	\$170,041,794	\$122,642,674	\$161,624,303
Yield to Maturity (365 day)	0.23%	0.28%	0.28%
Effective Rate of Return	0.28%	0.30%	0.36%
Days to Maturity	200	164	307



ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Summary
April 30, 2014

Orange County Fire Authority
 1 Fire Authority Road
 Irvine, 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	14,963,425.09	14,963,425.09	14,963,425.09	8.71	1	1	0.001	0.001
Commercial Paper Disc. -Amortizing	15,000,000.00	14,994,380.00	14,997,677.22	8.73	102	69	0.091	0.093
Federal Agency Coupon Securities	36,833,333.33	36,701,051.66	36,857,471.93	21.45	1,439	802	0.670	0.678
Federal Agency Disc. -Amortizing	55,000,000.00	54,995,730.00	54,996,619.03	32.01	87	69	0.035	0.036
Local Agency Investment Funds	50,000,000.00	50,015,855.90	50,000,000.00	29.10	1	1	0.230	0.233
Investments	171,796,758.42	171,670,442.65	171,815,193.27	100.00%	346	200	0.230	0.233

Cash and Accrued Interest

Passbook/Checking (not included in yield calculations)	(See Note 4 on page 9)	-1,319,502.43	-1,319,502.43	0	0	0	0.000	0.000
Accrued Interest at Purchase		26,802.08	26,802.08					
Subtotal		-1,292,700.35	-1,292,700.35					
Total Cash and Investments		170,477,255.99	170,377,742.30		346	200	0.230	0.233

	April 30 Month Ending	Fiscal Year To Date
Total Earnings		
Current Year	29,914.48	346,302.59
Average Daily Balance	131,516,586.56	131,641,700.11
Effective Rate of Return	0.28%	0.32%

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

Patricia Jakubiak 5/2/14

Patricia Jakubiak, Treasurer

Cash and Investments with GASB 31 Adjustment:

Book Value of Cash & Investments before GASB 31 (Above)	\$ 170,522,492.92
GASB 31 Adjustment to Books (See Note 3 on page 9)	\$ (480,699.41)
Total	\$ 170,041,793.51

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Investments
April 30, 2014

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity	Maturity Date
(See Note 1 on page 9) (See Note 2 on page 9)											
(See Note 4 on page 9)											
Money Mkt Mutual Funds/Cash											
SY528	528	High Mark 100% US Treasury MMF	10,908,245.52		14,963,425.09	14,963,425.09	14,963,425.09	0.001	0.001	1	
		Subtotal and Average	10,908,245.52		14,963,425.09	14,963,425.09	14,963,425.09	0.001	0.001	1	
Commercial Paper Disc. - Amortizing											
36959JF65	818	GEN ELEC CAP CRP		03/08/2014	8,000,000.00	7,998,720.00	7,999,120.00	0.110	0.112	36	06/08/2014
36959JHF3	825	GEN ELEC CAP CRP		04/24/2014	7,000,000.00	6,995,660.00	6,998,557.22	0.070	0.071	108	08/15/2014
		Subtotal and Average	9,631,752.71		15,000,000.00	14,994,380.00	14,997,677.22	0.093	0.093	69	
Federal Agency Coupon Securities											
3133ECM76	809	Federal Farm Credit Bank (Callable anytime)		04/25/2013	9,000,000.00	8,985,870.00	8,985,840.95	0.400	0.424	722	04/22/2016
3134G4TC2	821	Fed Home Loan Mfg Corp (Callable 7-30-14)		04/23/2014	7,500,000.00	7,518,675.00	7,518,579.90	1.550	0.545	90	01/30/2018
3133804V6	787	Fed Home Loan Bank (Callable anytime)		08/09/2012	6,000,000.00	5,974,380.00	6,000,000.00	1.000	0.981	1,196	08/09/2017
3133813R4	800	Fed Home Loan Bank (Callable 5-9-14)		12/20/2012	9,000,000.00	8,888,580.00	9,010,380.44	1.000	0.966	1,288	11/09/2017
313382DC4	803	Fed Home Loan Bank (Callable anytime)		03/15/2013	5,333,333.33	5,333,546.66	5,332,670.64	0.470	0.477	676	03/07/2016
		Subtotal and Average	31,344,060.98		36,833,333.33	36,701,051.66	36,857,471.93	0.679	0.679	802	
Federal Agency Disc. - Amortizing											
313397F55	827	Freddie Mac		04/24/2014	5,000,000.00	4,999,050.00	4,999,441.67	0.030	0.031	134	08/12/2014
313385XD3	819	Fed Home Loan Bank		03/13/2014	9,000,000.00	8,999,820.00	8,999,725.00	0.050	0.051	22	05/23/2014
313385YV0	820	Fed Home Loan Bank		03/31/2014	9,000,000.00	8,999,370.00	8,999,527.50	0.030	0.031	63	07/03/2014
313385YGS	822	Fed Home Loan Bank		04/24/2014	8,000,000.00	8,989,640.00	8,989,448.75	0.045	0.046	49	06/19/2014
313385YU4	823	Fed Home Loan Bank		04/24/2014	8,000,000.00	7,999,440.00	7,999,661.11	0.025	0.026	61	07/01/2014
313385ZM1	824	Fed Home Loan Bank		04/24/2014	9,000,000.00	8,999,190.00	8,999,415.00	0.030	0.031	78	07/18/2014
313385D76	826	Fed Home Loan Bank		04/24/2014	6,000,000.00	5,999,220.00	5,999,400.00	0.030	0.031	120	08/29/2014
		Subtotal and Average	29,631,631.68		55,000,000.00	54,995,730.00	54,996,619.03	0.036	0.036	69	
Local Agency Investment Funds											
SY536	336	Local Agency Investmt Fund			50,000,000.00	50,015,855.90	50,000,000.00	0.233	0.233	1	
		Subtotal and Average	60,000,895.67		50,000,000.00	50,015,855.90	50,000,000.00	0.233	0.233	1	
		Total and Average	131,516,586.56		171,796,758.42	171,870,442.65	171,816,193.27	0.233	0.233	200	

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Cash
April 30, 2014

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity
Money Mkt Mutual Funds/Cash										
SYS10104	10104	American Benefit Plan Admin		07/01/2013	15,000.00	15,000.00	15,000.00		0.000	1
SYS10033	10033	Revolving Fund		07/01/2013	20,000.00	20,000.00	20,000.00		0.000	1
SYS4	4	Union Bank of California		07/01/2013	-1,604,502.43	-1,604,502.43	-1,604,502.43		(See Note 4 on page 9)	1
SYS361	361	YORK		07/01/2013	250,000.00	250,000.00	250,000.00		0.000	1
Average Balance			0.00	Accrued Interest at Purchase	26,802.08	26,802.08	26,802.08			0
				Subtotal	-1,292,700.35	-1,292,700.35	-1,292,700.35			
Total Cash and Investments			131,516,586.56		170,477,255.99	170,377,742.30	170,522,492.92		0.233	200

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

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

Aging Interval:		Maturity Par Value	Percent of Portfolio	Current Book Value	Current Market Value
0 days	(05/01/2014 - 05/01/2014)	63,643,922.66	37.33%	63,643,922.66	63,659,778.56
1 - 30 days	(05/02/2014 - 05/31/2014)	9,000,000.00	5.28%	8,999,725.00	8,999,820.00
31 - 60 days	(06/01/2014 - 06/30/2014)	17,000,000.00	9.97%	16,998,568.75	16,998,360.00
61 - 91 days	(07/01/2014 - 07/31/2014)	26,000,000.00	15.25%	25,998,603.61	25,998,000.00
92 - 121 days	(08/01/2014 - 08/30/2014)	13,000,000.00	7.62%	12,997,957.22	12,994,880.00
122 - 152 days	(08/31/2014 - 09/30/2014)	5,000,000.00	2.93%	4,999,441.67	4,999,050.00
153 - 183 days	(10/01/2014 - 10/31/2014)	0.00	0.00%	0.00	0.00
184 - 274 days	(11/01/2014 - 01/30/2015)	0.00	0.00%	0.00	0.00
275 - 365 days	(01/31/2015 - 05/01/2015)	0.00	0.00%	0.00	0.00
366 - 1095 days	(05/02/2015 - 04/30/2017)	14,333,333.33	8.40%	14,328,511.59	14,319,416.66
1096 - 1825 days	(05/01/2017 - 04/30/2019)	22,500,000.00	13.21%	22,528,960.34	22,381,635.00
1826 days and after	(05/01/2019 -)	0.00	0.00%	0.00	0.00
Total for			100.00	170,495,690.84	170,350,940.22



NOTES TO PORTFOLIO MANAGEMENT REPORT

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



Local Agency Investment Fund (LAIF)

As of April 30, 2014, OCFA has \$50,000,000 invested in LAIF. The fair value of OCFA's LAIF investment is calculated using a participant fair value factor provided by LAIF on a quarterly basis. The fair value factor as of March 31, 2014 is 1.000317118. When applied to OCFA's LAIF investment, the fair value is \$50,015,856 or \$15,856 above cost. Although the fair value of the LAIF investment is higher than cost, OCFA can withdraw the actual amount invested at any time.

LAIF is included in the State Treasurer's Pooled Money Investment Account (PMIA) for investment purposes. The PMIA market valuation at April 30, 2014 is included on the following page.



Orange County Fire Authority
Preliminary Investment Report
May 23, 2014



ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Summary
May 23, 2014

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

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

Investments	Par Value	Market Value	Book Value	% of Portfolio	Term	Days to Maturity	YTM/C 360 Equiv.	YTM/C 365 Equiv.
Money Mkt Mutual Funds/Cash	11,494,464.27	11,494,464.27	11,494,464.27	7.21	1	1	0.001	0.001
Commercial Paper Disc. -Amortizing	15,000,000.00	14,997,020.00	14,998,552.49	9.41	102	46	0.091	0.093
Federal Agency Coupon Securities	36,833,333.33	36,805,520.00	36,852,639.52	23.13	1,439	779	0.670	0.679
Federal Agency Disc. -Amortizing	46,000,000.00	45,997,750.00	45,997,836.39	28.87	90	55	0.033	0.033
Local Agency Investment Funds	50,000,000.00	50,015,855.90	50,000,000.00	31.38	1	1	0.230	0.233
Investments	159,327,797.60	159,310,610.17	159,343,492.67	100.00%	369	201	0.245	0.249
Cash and Accrued Interest								
Passbook/Checking (not included in yield calculations)	921,528.69	921,528.69	921,528.69		1	1	0.000	0.000
Accrued Interest at Purchase		26,802.08	26,802.08					
Subtotal		948,330.77	948,330.77					
Total Cash and Investments	160,249,326.29	160,258,940.94	160,291,823.44		369	201	0.245	0.249

Total Earnings	May 23 Month Ending	Fiscal Year To Date
Current Year	25,518.97	371,821.56
Average Daily Balance	166,946,811.32	134,124,934.23
Effective Rate of Return	0.24%	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, 2014. A copy of this policy is available from the Clerk of the Authority. Sufficient investment liquidity and anticipated revenues are available to meet budgeted expenditure requirements for the next thirty days and the next six months."

Patricia Jakubiak
 Patricia Jakubiak, Treasurer 5/30/14

Cash and Investments with GASB 31 Adjustment:

Book Value of Cash & Investments before GASB 31 (Above)	\$ 160,291,823.44
GASB 31 Adjustment to Books (See Note 3 on page 18)	\$ (480,699.41)
Total	\$ 159,811,124.03

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Investments
May 23, 2014

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

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTMIC 365	Days to Maturity	
Money Mkt Mutual Funds/Cash											
SYS528	528	High Mark 100% US Treasury MMF			11,494,464.27	11,494,464.27	11,494,464.27	0.001	0.001	1	
		Subtotal and Average	10,487,770.96		11,494,464.27	11,494,464.27		0.001	0.001	1	
Commercial Paper Disc. - Amortizing											
36959JF65	818	GEN ELEC CAP CRP		03/06/2014	8,000,000.00	7,999,682.22	7,999,682.22	0.110	0.112	13 06/06/2014	
36959JHF3	825	GEN ELEC CAP CRP		04/24/2014	7,000,000.00	6,998,870.27	6,998,870.27	0.070	0.071	83 08/15/2014	
		Subtotal and Average	14,998,133.88		15,000,000.00	14,998,552.49		0.093	0.093	48	
Federal Agency Coupon Securities											
3133ECM76	809	Federal Farm Credit Bank (Callable anytime)		04/25/2013	9,000,000.00	8,995,610.00	8,995,975.49	0.400	0.424	699 04/22/2016	
3134G4TC2	821	Fed Home Loan Mgt Corp (Callable 7-30-14)		04/23/2014	7,500,000.00	7,512,000.00	7,513,776.35	1.550	0.545	67 01/30/2018	
3133804V6	787	Fed Home Loan Bank (Callable anytime)		08/09/2012	6,000,000.00	5,997,180.00	6,000,000.00	1.000	0.981	1,173 08/09/2017	
3133813R4	800	Fed Home Loan Bank (Callable 6-9-14)		12/20/2012	9,000,000.00	8,973,450.00	9,010,192.15	1.000	0.968	1,265 11/09/2017	
313382DC4	803	Fed Home Loan Bank (Callable anytime)		03/15/2013	5,333,333.33	5,329,280.00	5,332,693.53	0.470	0.477	653 03/07/2016	
		Subtotal and Average	36,854,950.67		36,833,333.33	36,806,620.00	36,852,639.52		0.679	779	
Federal Agency Disc. - Amortizing											
313397F55	827	Freddie Mac		04/24/2014	5,000,000.00	4,999,200.00	4,999,537.50	0.030	0.031	111 08/12/2014	
313385YW0	820	Fed Home Loan Bank		03/31/2014	9,000,000.00	8,998,730.00	8,998,700.00	0.030	0.031	40 07/03/2014	
313385YG5	822	Fed Home Loan Bank		04/24/2014	9,000,000.00	8,999,820.00	8,998,707.50	0.045	0.046	26 08/19/2014	
313385YU4	823	Fed Home Loan Bank		04/24/2014	8,000,000.00	7,999,840.00	7,999,788.89	0.025	0.026	38 07/01/2014	
313385ZM1	824	Fed Home Loan Bank		04/24/2014	9,000,000.00	8,998,640.00	8,999,587.50	0.030	0.031	55 07/19/2014	
313385D78	826	Fed Home Loan Bank		04/24/2014	6,000,000.00	5,999,520.00	5,999,515.00	0.030	0.031	97 08/29/2014	
		Subtotal and Average	54,605,955.80		46,000,000.00	45,997,750.00	45,997,836.39		0.033	55	
Local Agency Investment Funds											
SYS336	336	Local Agency Investmt Fund			50,000,000.00	50,015,855.90	50,000,000.00	0.233	0.233	1	
		Subtotal and Average	50,000,000.00		50,000,000.00	50,015,855.90	50,000,000.00		0.233	1	
		Total and Average	165,946,811.32		159,327,797.60	159,310,610.17	159,343,492.67		0.249	201	

ORANGE COUNTY FIRE AUTHORITY
Portfolio Management
Portfolio Details - Cash
May 23, 2014

CUSIP	Investment #	Issuer	Average Balance	Purchase Date	Par Value	Market Value	Book Value	Stated Rate	YTM/C 365	Days to Maturity
Money Mkt Mutual Funds/Cash										
SYS10104	10104	American Benefit Plan Admin		07/01/2013	15,000.00	15,000.00	15,000.00		0.000	1
SYS10033	10033	Revolving Fund		07/01/2013	20,000.00	20,000.00	20,000.00		0.000	1
SYS4	4	Union Bank of California		07/01/2013	636,528.69	636,528.69	636,528.69		0.000	1
SYS361	361	YORK		07/01/2013	250,000.00	250,000.00	250,000.00		0.000	1
Average Balance			0.00	Accrued Interest at Purchase	26,802.08	26,802.08	26,802.08			1
				Subtotal	948,330.77	948,330.77	948,330.77			
Total Cash and Investments			166,946,811.32		160,249,326.29	160,258,940.94	160,291,823.44		0.249	201

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ORANGE COUNTY FIRE AUTHORITY
Aging Report
By Maturity Date
As of May 24, 2014

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

				Maturity Par Value	Percent of Portfolio	Current Book Value	Current Market Value
Aging Interval: 0 days	(05/24/2014 - 05/24/2014)	6 Maturities	0 Payments	62,415,992.96	38.95%	62,415,992.96	62,431,848.86
Aging Interval: 1 - 30 days	(05/25/2014 - 06/23/2014)	2 Maturities	0 Payments	17,000,000.00	10.61%	16,999,389.72	16,999,500.00
Aging Interval: 31 - 60 days	(06/24/2014 - 07/23/2014)	3 Maturities	0 Payments	26,000,000.00	16.22%	25,999,076.39	25,999,210.00
Aging Interval: 61 - 91 days	(07/24/2014 - 08/23/2014)	1 Maturities	0 Payments	7,000,000.00	4.37%	6,998,870.27	6,997,340.00
Aging Interval: 92 - 121 days	(08/24/2014 - 09/22/2014)	2 Maturities	0 Payments	11,000,000.00	6.86%	10,999,052.50	10,998,720.00
Aging Interval: 122 - 152 days	(09/23/2014 - 10/23/2014)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval: 153 - 183 days	(10/24/2014 - 11/23/2014)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval: 184 - 274 days	(11/24/2014 - 02/22/2015)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval: 275 - 365 days	(02/23/2015 - 05/24/2015)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Aging Interval: 366 - 1095 days	(05/25/2015 - 05/23/2017)	2 Maturities	0 Payments	14,333,333.33	8.94%	14,328,669.02	14,322,890.00
Aging Interval: 1096 - 1825 days	(05/24/2017 - 05/23/2019)	3 Maturities	0 Payments	22,500,000.00	14.05%	22,523,970.50	22,482,630.00
Aging Interval: 1826 days and after	(05/24/2019 -)	0 Maturities	0 Payments	0.00	0.00%	0.00	0.00
Total for				19 Investments	0 Payments	160,265,021.36	160,232,138.86



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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**CONSENT CALENDAR – AGENDA ITEM NO. 3
BUDGET AND FINANCE COMMITTEE MEETING
June 11, 2014**

TO: Budget and Finance Committee, Orange County Fire Authority

FROM: Lori Zeller, Assistant Chief
Business Services Department

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

Summary:

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

Recommended Action:

Receive and file the report.

Background:

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

Actions Taken/Financial Policies & Practices – May 2014

OCERS BOARD OF RETIREMENT May 19, 2014:

STRESS TESTING OF THE PLAN

In October 2013 Mr. Leiderman spoke to the Board about the importance of plan risk assessment and the need to stress test the plan to ensure the fund is properly positioned to withstand those rare events that can test a plan's resilience. Following several additional discussions on this topic with the Board, OCERS staff presented a request for Board approval to send the OCERS Internal Audit team out into the field to undertake a fairly basic task – report back to the Board on the organizational make up of our stakeholders. The idea is to answer the basic question, who are our customers, before we can determine what impact outside events involving OCERS or its stakeholders could have upon the plan as a whole.

DECEMBER 31, 2013 ACTUARIAL VALUATION (Preliminary)

Mr. Paul Angelo of Segal presented the Preliminary Actuarial Valuation Report as of December 31, 2013 (Attachment 1). This was a "receive and file" item only, and it will return to the Board in June for possible adoption at that time, allowing stakeholders the time to review the proposed valuation outcomes and offer comment or concern prior to finalization. This valuation when adopted will establish contribution rates to be first effective on July 1, 2015. Although not

shown in the attached draft report, Segal has informed OCFA that results demonstrated by the 2013 Study included a reduction of OCFA's unfunded pension liability by \$23.8 million from \$473.7 million to \$449.9 million.

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

Impact to Cities/County:

Not Applicable.

Staff Contacts for Further Information:

Lori Zeller, Assistant Chief/Business Services Department

LoriZeller@ocfa.org

(714) 573-6020

Tricia Jakubiak, Treasurer

TriciaJakubiak@ocfa.org

(714) 573-6301

Attachment

Presentation by the Segal Group: OCERS Preliminary December 31, 2013 Valuation



Orange County Employees Retirement System

December 31, 2013 Actuarial Valuation

PREPARED BY:

Paul Angelo and **Andy Yeung**
Segal Consulting

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The Parent of Segal Consulting
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Agenda

- Changes Since Last Valuation
- Plans of Benefit Offered at OCERS
- Contribution Rates for Employers and Employees
- Calculation of Net Market, Actuarial and Valuation Value of Assets
- Unfunded Actuarial Accrued Liability and Funded Ratio
- Summary of Active and Retired Membership

Changes Since Last Valuation

- Based on the Board's Review of Actuarial Funding Policy, all current remaining bases from December 31, 2012 valuation have been combined and re-amortized over a single 20-year period
- Future bases (from actuarial gains and losses and assumption and method changes) are amortized over separate 20-year periods
- Employee rates for CalPEPRA members are no longer rounded to the nearest $\frac{1}{4}\%$
- Second (and final) year of 2-year phase-in of the contribution rate impact from the change in economic assumptions is reflected in the 2013 valuation
- New OCTA employees hired on or after January 1, 2013 are enrolled in Plan B (1.67% @ 57.5) instead of Plan U (CalPEPRA plan)

- Note: Inclusion of additional cashout assumptions in developing basic member contribution rates will be reflected in the 2014 valuation

Plans of Benefit Offered at OCERS

- General Plans
 - Plan A (§31676.12) – 2% @ 57
 - Plan B (§31676.1) – 1.67% @ 57.5
 - Plans G and H (§31676.18) – 2.5% @ 55
 - Plans I and J (§31676.19) – 2.7% @ 55
 - Plans M and N (§31676.16) – 2% @ 55
 - Plans O and P (§31676.01) – 1.62% @ 65
 - Plan S (§31676.12) – 2% @ 57
 - Plan T (§31676.01) – 1.62% @ 65 CalPEPRA
 - Plan U (§7522.20(a)) – 2.5% @ 67 CalPEPRA
- Safety Plans
 - Plans E and F (§31664.1) – 3% @ 50
 - Plans Q and R (§31664.2) – 3% @ 55
 - Plan V (§7522.25(d)) – 2.7% @ 57 CalPEPRA

Employer Contributions

The sum of:

- Normal Cost
- Level percentage of payroll amortization of:
 - Balance of December 31, 2012 UAAL combined and re-amortized over 20 years
 - New UAAL established after December 31, 2012 amortized over separate 20-year periods
- Adjustment to reflect 18-month delay between date of valuation and date of rate implementation
- Expressed as percent of pay

Employer Contribution Rates – Fiscal Years Beginning July 1, 2014 and July 1, 2015 (% of payroll)

	FY 15-16	FY 14-15 ⁽¹⁾	Difference
Rate Group #1			
General Plans A, B and U (non-OCTA, non-OCSD)	21.08%	20.91%	0.17%
Rate Group #2			
General Plans I, J, O, P, S, T and U	37.02%	37.12%	-0.10%
Rate Group #3			
General Plans B, G, H and U (Law Library, OCSD)	34.46%	36.32%	-1.86%
Rate Group #5			
General Plans A and B (OCTA)	27.03%	26.62%	0.41%
Rate Group #9			
General Plans M, N and U (TCA)	26.22%	25.52%	0.70%
Rate Group #10			
General Plans I, J, M, N and U (OCFA)	37.07%	36.35%	0.72%
Rate Group #11			
General Plans M and N, future service, and U (Cemetery)	22.20%	22.99%	-0.79%
Rate Group #6			
Safety Plans E, F and V (Probation)	40.70%	40.50%	0.20%
Rate Group #7			
Safety Plans E, F, Q, R and V (Law Enforcement)	56.35%	57.11%	-0.76%
Rate Group #8			
Safety Plans E, F, Q, R and V (Fire Authority)	<u>49.84%</u>	<u>49.66%</u>	<u>0.18%</u>
Aggregate Total	39.05%	39.21%	-0.16%

⁽¹⁾ The FY 14-15 composite rates for some Rate Groups have changed slightly due to payroll shifting between plans within the Rate Groups.

Contribution Rates - Fiscal Years Beginning July 1, 2014 and July 1, 2015

Rate Group #1	Employer Rates	
	FY 15 – 16	FY 14 – 15
<i>Plans A and B</i>		
Normal Cost	9.82%	9.68%
UAAL	<u>11.34%</u>	<u>12.91%</u>
Total	21.16%	22.59%
Total with 2-year phase-in	N/A	21.04%
<i>Plan U</i>		
Normal Cost	9.39%	8.68%
UAAL	<u>11.34%</u>	<u>12.91%</u>
Total	20.73%	21.59%
Total with 2-year phase-in	N/A	20.33%
<i>Rate Group 1 combined</i>		
Normal Cost	9.74%	9.49%
UAAL	<u>11.34%</u>	<u>12.91%</u>
Total	21.08%	22.40%
Total with 2-year phase-in	N/A	20.91%

Contribution Rates - Fiscal Years Beginning July 1, 2014 and July 1, 2015

Rate Group #1 (Continued)	Sample Employee Rates	
	FY 15 – 16	FY 14 – 15
<i>Plans A and B</i>		
<u>TIER 1</u>		
Entry Age: 30	6.41%	6.42%
Entry Age: 35	6.88%	6.90%
Entry Age: 40	7.41%	7.43%
<u>TIER 2</u>		
Entry Age: 30	8.66%	8.67%
Entry Age: 35	9.31%	9.32%
Entry Age: 40	10.02%	10.04%
<i>Plan U</i>		
Entry Age: 30	8.60%	8.25%
Entry Age: 35	9.24%	9.00%
Entry Age: 40	9.92%	9.50%

Contribution Rates - Fiscal Years Beginning July 1, 2014 and July 1, 2015

Rate Group #2	Employer Rates	
	FY 15 – 16	FY 14 – 15
<i>Plans I and J</i>		
Normal Cost	13.66%	13.69%
UAAL	<u>23.72%</u>	<u>25.85%</u>
Total	37.38%	39.54%
Total with 2-year phase-in	N/A	37.45%
<i>Plans O and P</i>		
Normal Cost	5.61%	5.56%
UAAL	<u>23.72%</u>	<u>25.85%</u>
Total	29.33%	31.41%
Total with 2-year phase-in	N/A	29.84%
<i>Plan S</i>		
Normal Cost	12.46%	12.10%
UAAL	<u>23.72%</u>	<u>25.85%</u>
Total	36.18%	37.95%
Total with 2-year phase-in	N/A	35.96%

Contribution Rates - Fiscal Years Beginning July 1, 2014 and July 1, 2015

Rate Group #2 (continued)	Employer Rates	
	FY 15 – 16	FY 14 – 15
<i>Plan T</i>		
Normal Cost	6.70%	6.78%
UAAL	<u>23.72%</u>	<u>25.85%</u>
Total	30.42%	32.63%
Total with 2-year phase-in	N/A	31.10%
<i>Plan U</i>		
Normal Cost	8.56%	7.44%
UAAL	<u>23.72%</u>	<u>25.85%</u>
Total	32.28%	33.29%
Total with 2-year phase-in	N/A	32.05%
<i>Rate Group 2 combined</i>		
Normal Cost	13.30%	13.33%
UAAL	<u>23.72%</u>	<u>25.85%</u>
Total	37.02%	39.18%
Total with 2-year phase-in	N/A	37.12%

Contribution Rates - Fiscal Years Beginning July 1, 2014 and July 1, 2015

Rate Group #2 (Continued)	Sample Employee Rate	
	FY 15 – 16	FY 14 – 15
<i>Plans I and J</i>		
<u>TIER 1</u>		
Entry Age: 30	12.72%	12.72%
Entry Age: 35	13.69%	13.70%
Entry Age: 40	14.76%	14.77%
<u>TIER 2</u>		
Entry Age: 30	12.15%	12.16%
Entry Age: 35	13.08%	13.09%
Entry Age: 40	14.07%	14.08%
<i>Plan P</i>		
<u>TIER 2</u>		
Entry Age: 30	7.99%	8.00%
Entry Age: 35	8.59%	8.59%
Entry Age: 40	9.25%	9.25%
<i>Plan S</i>		
<u>TIER 2</u>		
Entry Age: 30	10.61%	10.58%
Entry Age: 35	11.40%	11.36%
Entry Age: 40	12.27%	12.24%

Contribution Rates - Fiscal Years Beginning July 1, 2014 and July 1, 2015

Rate Group #2 (Continued)	Sample Employee Rate	
	FY 15 – 16	FY 14 – 15
<i>Plan T</i>		
Entry Age: 30	6.17%	6.25%
Entry Age: 35	6.63%	6.75%
Entry Age: 40	7.14%	7.25%
<i>Plan U</i>		
Entry Age: 30	7.81%	6.75%
Entry Age: 35	8.38%	7.50%
Entry Age: 40	9.00%	8.25%

Contribution Rates - Fiscal Years Beginning July 1, 2014 and July 1, 2015

Rate Group #3	Employer Rate	
	FY 15 – 16	FY 14 – 15
<i>Plans G and H</i>		
Normal Cost	12.89%	12.88%
UAAL	<u>21.87%</u>	<u>25.60%</u>
Total	34.76%	38.48%
Total with 2-year phase-in	N/A	36.57%
<i>Plan B</i>		
Normal Cost	10.53%	11.02%
UAAL	<u>21.87%</u>	<u>25.60%</u>
Total	32.40%	36.62%
Total with 2-year phase-in	N/A	34.87%
<i>Plan U</i>		
Normal Cost	9.66%	9.38%
UAAL	<u>21.87%</u>	<u>25.60%</u>
Total	31.53%	34.98%
Total with 2-year phase-in	N/A	33.52%
<i>Rate Group 3 combined</i>		
Normal Cost	12.59%	12.61%
UAAL	<u>21.87%</u>	<u>25.60%</u>
Total	34.46%	38.21%
Total with 2-year phase-in	N/A	36.32%

Contribution Rates - Fiscal Years Beginning July 1, 2014 and July 1, 2015

Rate Group #3 (Continued)	Sample Employee Rate	
	FY 15 – 16	FY 14 – 15
<i>Plans G and H</i>		
<u>TIER 1</u>		
Entry Age: 30	12.54%	12.54%
Entry Age: 35	13.50%	13.50%
Entry Age: 40	14.56%	14.56%
<u>TIER 2</u>		
Entry Age: 30	11.98%	11.98%
Entry Age: 35	12.90%	12.90%
Entry Age: 40	13.87%	13.87%
<i>Plan B</i>		
<u>TIER 2</u>		
Entry Age: 30	8.78%	8.82%
Entry Age: 35	9.43%	9.48%
Entry Age: 40	10.16%	10.21%
<i>Plan U</i>		
Entry Age: 30	8.55%	8.25%
Entry Age: 35	9.18%	8.75%
Entry Age: 40	9.86%	9.50%

Contribution Rates - Fiscal Years Beginning July 1, 2014 and July 1, 2015

Rate Group #5	Employer Rates	
	FY 15 – 16	FY 14 – 15
<i>Plans A and B</i>		
Normal Cost	11.81%	11.83%
UAAL	<u>15.22%</u>	<u>16.48%</u>
Total	27.03%	28.31%
Total with 2-year phase-in	N/A	26.62%

Contribution Rates - Fiscal Years Beginning July 1, 2014 and July 1, 2015

Rate Group #5 (Continued)	Sample Employee Rates	
	FY 15 – 16	FY 14 – 15
<i>Plans A and B</i>		
<u>TIER 1</u>		
Entry Age: 30	6.64%	6.64%
Entry Age: 35	7.13%	7.13%
Entry Age: 40	7.68%	7.68%
<u>TIER 2</u>		
Entry Age: 30	8.88%	8.88%
Entry Age: 35	9.54%	9.54%
Entry Age: 40	10.28%	10.28%

Contribution Rates - Fiscal Years Beginning July 1, 2014 and July 1, 2015

Rate Group #9	Employer Rates	
	FY 15 – 16	FY 14 – 15
<i>Plans M and N</i>		
Normal Cost	14.13%	14.20%
UAAL	<u>12.28%</u>	<u>12.97%</u>
Total	26.41%	27.17%
Total with 2-year phase-in	N/A	25.71%
<i>Plan U</i>		
Normal Cost	11.40%	10.97%
UAAL	<u>12.28%</u>	<u>12.97%</u>
Total	23.68%	23.94%
Total with 2-year phase-in	N/A	22.87%
<i>Rate Group 9 combined</i>		
Normal Cost	13.94%	13.98%
UAAL	<u>12.28%</u>	<u>12.97%</u>
Total	26.22%	26.95%
Total with 2-year phase-in	N/A	25.52%

Contribution Rates - Fiscal Years Beginning July 1, 2014 and July 1, 2015

Rate Group #9 (Continued)	Sample Employee Rates	
	FY 15 – 16	FY 14 – 15
<i>Plans M and N</i>		
<u>TIER 2</u>		
Entry Age: 30	9.19%	9.20%
Entry Age: 35	9.88%	9.89%
Entry Age: 40	10.64%	10.64%
<i>Plan U</i>		
Entry Age: 30	8.62%	8.75%
Entry Age: 35	9.25%	9.50%
Entry Age: 40	9.94%	10.00%

Contribution Rates - Fiscal Years Beginning July 1, 2014 and July 1, 2015

Rate Group #10	Employer Rate	
	FY 15 – 16	FY 14 – 15
<i>Plans I and J</i>		
Normal Cost	14.06%	13.92%
UAAL	<u>23.34%</u>	<u>24.76%</u>
Total	37.40%	38.68%
Total with 2-year phase-in	N/A	36.70%
<i>Plans M and N</i>		
Normal Cost	14.15%	14.01%
UAAL	<u>23.34%</u>	<u>24.76%</u>
Total	37.49%	38.77%
Total with 2-year phase-in	N/A	36.99%
<i>Plan U</i>		
Normal Cost	9.71%	8.50%
UAAL	<u>23.34%</u>	<u>24.76%</u>
Total	33.05%	33.26%
Total with 2-year phase-in	N/A	31.81%
<i>Rate Group 10 combined</i>		
Normal Cost	13.73%	13.51%
UAAL	<u>23.34%</u>	<u>24.76%</u>
Total	37.07%	38.27%
Total with 2-year phase-in	N/A	36.35%

Contribution Rates - Fiscal Years Beginning July 1, 2014 and July 1, 2015

Rate Group #10 (Continued)	Sample Employee Rate	
	FY 15 – 16	FY 14 – 15
<i>Plans I and J</i>		
<u>TIER 1</u>		
Entry Age: 30	12.77%	12.76%
Entry Age: 35	13.75%	13.74%
Entry Age: 40	14.82%	14.81%
<u>TIER 2</u>		
Entry Age: 30	12.20%	12.19%
Entry Age: 35	13.13%	13.13%
Entry Age: 40	14.12%	14.11%
<i>Plan N</i>		
<u>TIER 2</u>		
Entry Age: 30	9.26%	9.26%
Entry Age: 35	9.95%	9.95%
Entry Age: 40	10.72%	10.72%
<i>Plan U</i>		
Entry Age: 30	8.25%	7.75%
Entry Age: 35	8.86%	8.50%
Entry Age: 40	9.51%	9.00%

Contribution Rates - Fiscal Years Beginning July 1, 2014 and July 1, 2015

Rate Group #11	Employer Rates	
	FY 15 – 16	FY 14 – 15
<i>Plans M and N</i>		
Normal Cost	12.33%	12.34%
UAAL	<u>9.87%</u>	<u>12.28%</u>
Total	22.20%	24.62%
Total with 2-year phase-in	N/A	22.99%
<i>Plan U</i>		
Normal Cost	8.66%	8.66%
UAAL	<u>9.87%</u>	<u>12.28%</u>
Total	18.53%	20.94%
Total with 2-year phase-in	N/A	19.63%
<i>Rate Group 11 combined</i>		
Normal Cost	12.33%	12.34%
UAAL	<u>9.87%</u>	<u>12.28%</u>
Total	22.20%	24.62%
Total with 2-year phase-in	N/A	22.99%

Contribution Rates - Fiscal Years Beginning July 1, 2014 and July 1, 2015

Rate Group #11 (Continued)	Sample Employee Rates	
	FY 15 – 16	FY 14 – 15
<i>Plans M and N</i>		
<u>TIER 2</u>		
Entry Age: 30	9.19%	9.20%
Entry Age: 35	9.88%	9.89%
Entry Age: 40	10.64%	10.64%
<i>Plan U</i>		
Entry Age: 30	8.49%	8.50%
Entry Age: 35	9.12%	9.00%
Entry Age: 40	9.79%	9.75%

Contribution Rates - Fiscal Years Beginning July 1, 2014 and July 1, 2015

Rate Group #6	Employer Rates	
	FY 15 – 16	FY 14 – 15
<i>Plans E and F</i>		
Normal Cost	21.00%	21.26%
UAAL	<u>19.72%</u>	<u>21.91%</u>
Total	40.72%	43.17%
Total with 2-year phase-in	N/A	40.52%
<i>Plan V</i>		
Normal Cost	13.95%	13.91%
UAAL	<u>19.72%</u>	<u>21.91%</u>
Total	33.67%	35.82%
Total with 2-year phase-in	N/A	33.40%
<i>Rate Group 6 combined</i>		
Normal Cost	20.98%	21.24%
UAAL	<u>19.72%</u>	<u>21.91%</u>
Total	40.70%	43.15%
Total with 2-year phase-in	N/A	40.50%

Contribution Rates - Fiscal Years Beginning July 1, 2014 and July 1, 2015

Rate Group #6 (Continued)	Sample Employee Rates	
	FY 15 – 16	FY 14 – 15
<i>Plans E and F</i>		
<u>TIER 1</u>		
Entry Age: 30	11.32%	11.29%
Entry Age: 35	12.27%	12.25%
Entry Age: 40	13.34%	13.31%
<u>TIER 2</u>		
Entry Age: 30	15.84%	15.82%
Entry Age: 35	17.10%	17.08%
Entry Age: 40	18.44%	18.42%
<i>Plan V</i>		
Entry Age: 30	14.47%	14.25%
Entry Age: 35	15.65%	15.50%
Entry Age: 40	16.98%	16.75%

Contribution Rates - Fiscal Years Beginning July 1, 2014 and July 1, 2015

Rate Group #7	Employer Rate	
	FY 15 – 16	FY 14 – 15
<i>Plans E and F</i>		
Normal Cost	24.23%	24.24%
UAAL	<u>32.47%</u>	<u>36.71%</u>
Total	56.70%	60.95%
Total with 2-year phase-in	N/A	57.27%
<i>Plans Q and R</i>		
Normal Cost	22.58%	24.20%
UAAL	<u>32.47%</u>	<u>36.71%</u>
Total	55.05%	60.91%
Total with 2-year phase-in	N/A	57.37%
<i>Plan V</i>		
Normal Cost	19.17%	17.05%
UAAL	<u>32.47%</u>	<u>36.71%</u>
Total	51.64%	53.76%
Total with 2-year phase-in	N/A	50.61%
<i>Rate Group 7 combined</i>		
Normal Cost	23.88%	24.05%
UAAL	<u>32.47%</u>	<u>36.71%</u>
Total	56.35%	60.76%
Total with 2-year phase-in	N/A	57.11%

Contribution Rates - Fiscal Years Beginning July 1, 2014 and July 1, 2015

Rate Group #7 (Continued)	Sample Employee Rate	
	FY 15 – 16	FY 14 – 15
<i>Plans E and F</i>		
<u>TIER 1</u>		
Entry Age: 30	12.33%	12.30%
Entry Age: 35	13.38%	13.34%
Entry Age: 40	14.54%	14.49%
<u>TIER 2</u>		
Entry Age: 30	16.81%	16.78%
Entry Age: 35	18.16%	18.12%
Entry Age: 40	19.58%	19.53%
<i>Plan R</i>		
<u>TIER 2</u>		
Entry Age: 30	15.85%	15.90%
Entry Age: 35	17.12%	17.17%
Entry Age: 40	18.46%	18.52%
<i>Plan V</i>		
Entry Age: 30	17.69%	17.00%
Entry Age: 35	19.13%	18.25%
Entry Age: 40	20.74%	20.00%

Contribution Rates - Fiscal Years Beginning July 1, 2014 and July 1, 2015

Rate Group #8	Employer Rate	
	FY 15 – 16	FY 14 – 15
<i>Plans E and F</i>		
Normal Cost	25.86%	26.16%
UAAL	<u>24.14%</u>	<u>26.84%</u>
Total	50.00%	53.00%
Total with 2-year phase-in	N/A	49.83%
<i>Plans Q and R</i>		
Normal Cost	21.70%	21.12%
UAAL	<u>24.14%</u>	<u>26.84%</u>
Total	45.84%	47.96%
Total with 2-year phase-in	N/A	44.85%
<i>Plan V</i>		
Normal Cost	16.85%	16.41%
UAAL	<u>24.14%</u>	<u>26.84%</u>
Total	40.99%	43.25%
Total with 2-year phase-in	N/A	40.96%
<i>Rate Group 8 combined</i>		
Normal Cost	25.70%	25.98%
UAAL	<u>24.14%</u>	<u>26.84%</u>
Total	49.84%	52.82%
Total with 2-year phase-in	N/A	49.66%

Contribution Rates - Fiscal Years Beginning July 1, 2014 and July 1, 2015

Rate Group #8 (Continued)	Sample Employee Rate	
	FY 15 – 16	FY 14 – 15
<i>Plans E and F</i>		
<u>TIER 1</u>		
Entry Age: 30	12.04%	12.10%
Entry Age: 35	13.06%	13.13%
Entry Age: 40	14.19%	14.26%
<u>TIER 2</u>		
Entry Age: 30	16.53%	16.59%
Entry Age: 35	17.85%	17.91%
Entry Age: 40	19.25%	19.32%
<i>Plan R</i>		
<u>TIER 2</u>		
Entry Age: 30	15.78%	15.66%
Entry Age: 35	17.04%	16.91%
Entry Age: 40	18.38%	18.24%
<i>Plan V</i>		
Entry Age: 30	16.26%	16.00%
Entry Age: 35	17.58%	17.25%
Entry Age: 40	19.07%	18.75%

Reconciliation of Aggregate Employer Contributions (\$000)

	Contribution Rate	Estimated Amount ⁽¹⁾
Aggregate Recommended Contribution Rate with Phase-in as of December 31, 2012	39.21%	\$629,086
Effect of Phase-in	<u>2.30%</u>	<u>\$36,941</u>
Aggregate Recommended Contribution Rate without Phase-in as of December 31, 2012	41.51%	\$666,027
Effect of combining and re-amortizing outstanding balance of 12/31/2012 UAAL ⁽²⁾	-1.42%	-\$22,784
Effect of investment gain (after smoothing)	-0.77%	-\$12,355
Effect of difference in actual versus expected salary increases	-1.28%	-\$20,538
Effect of growth in total payroll less than expected	0.99%	\$15,885
Effect of other experience (gain)/loss	<u>0.02%</u> ⁽³⁾	<u>\$268</u>
Subtotal	-2.46%	-\$39,524
Aggregate Recommended Contribution Rate as of December 31, 2013	39.05%	\$626,503

⁽¹⁾ Based on December 31, 2013 projected compensation of \$1,604,496,000.

⁽²⁾ This reduction in the current year's UAAL contribution rate may be viewed as the net impact of: (a) combining the December 31, 2012 layered amortization schedule into a 20-year single layer and (b) re-amortizing the balance of that schedule as of December 31, 2013 over a new 20-year schedule. The impact of (a) and (b) is 0.34% and 1.08% of payroll, respectively.

⁽³⁾ Includes an adjustment of 0.13% to reflect 18-month delay between date of valuation and date of rate implementation for all actuarial experience.

Reconciliation of Employer Contributions for General Members

	RG #1	RG #2	RG #3	RG #5	RG #9	RG #10	RG #11
Recommended Contribution Rate with Phase-in as of December 31, 2012	20.91%	37.12%	36.32%	26.62%	25.52%	36.35%	22.99%
Effect of Phase-in	<u>1.49%</u>	<u>2.06%</u>	<u>1.89%</u>	<u>1.69%</u>	<u>1.43%</u>	<u>1.92%</u>	<u>1.63%</u>
Recommended Contribution Rate without Phase-in as of December 31, 2012	22.40%	39.18%	38.21%	28.31%	26.95%	38.27%	24.62%
Effect of combining and re-amortizing outstanding balance of 12/31/2012 UAAL	0.01%	-1.54%	-2.92%	-0.33%	0.99%	-1.73%	-0.80%
Effect of investment gain	-0.56%	-0.71%	-0.65%	-0.63%	-0.40%	-0.59%	-0.54%
Effect of actual individual salary increases less than expected	-0.82%	-1.27%	-1.88%	-0.57%	-0.73%	-1.90%	-1.61%
Effect of growth in total payroll (more)/less than expected	-0.17%	1.31%	1.58%	0.47%	-0.39%	1.68%	0.34%
Effect of other experience (gain)/loss ⁽¹⁾	<u>0.22%</u>	<u>0.05%</u>	<u>0.12%</u>	<u>-0.22%</u>	<u>-0.20%</u>	<u>1.34%</u> ⁽²⁾	<u>0.19%</u>
Subtotal	-1.32%	-2.16%	-3.75%	-1.28%	-0.73%	-1.20%	-2.42%
Recommended Contribution Rate as of December 31, 2013	21.08%	37.02%	34.46%	27.03%	26.22%	37.07%	22.20%

(1) Includes an adjustment to reflect 18-month delay between date of valuation and date of rate implementation for all actuarial experience.

(2) Effect of other experience (gain)/loss includes: Rate Group #10 Retirement loss 0.39%
 Contribution loss 0.19%
 Loss from changes in demographics 0.20%
 Gain from additional UAAL Contributions (0.05%)

Reconciliation of Employer Contributions for Safety Members

	RG #6	RG #7	RG #8
Recommended Contribution Rate with Phase-in as of December 31, 2012	40.50%	57.11%	49.66%
Effect of Phase-in	<u>2.65%</u>	<u>3.65%</u>	<u>3.16%</u>
Recommended Contribution Rate without Phase-in as of December 31, 2012	43.15%	60.76%	52.82%
Effect of combining and re-amortizing outstanding balance of 12/31/2012 UAAL	-1.41%	-1.14%	-2.01%
Effect of investment gain	-0.73%	-1.17%	-0.95%
Effect of actual individual salary increases less than expected	-1.56%	-1.46%	-1.38%
Effect of growth in total payroll (more)/less than expected	1.25%	-0.29%	1.19%
Effect of other experience (gain)/loss ⁽¹⁾	<u>-0.00%</u>	<u>-0.35%</u>	<u>0.17%</u> ⁽²⁾
Subtotal	-2.45%	-4.41%	-2.98%
Recommended Contribution Rate as of December 31, 2013	40.70%	56.35%	49.84%

⁽¹⁾ Includes an adjustment to reflect 18-month delay between date of valuation and date of rate implementation for all actuarial experience.

⁽²⁾ Effect of other experience (gain)/loss includes: Rate Group #8 Gain from additional UAAL Contributions (0.06%)

Reconciliation of Aggregate Employee Contributions (\$000)

	Contribution Rate	Estimated Amount⁽¹⁾
Aggregate Recommended Contribution Rate as of December 31, 2012	12.75%	\$204,586
Effect of changes in demographics	0.02%	\$315
Aggregate Recommended Contribution Rate as of December 31, 2013	12.77%	\$204,901

⁽¹⁾ Based on December 31, 2013 projected compensation of \$1,604,496,000.

Calculation of Net Market, Actuarial and Valuation Value of Assets

- Net market value of Pension Fund is determined by reducing total market value by:
 - Collateral held for securities lent
 - Securities purchased
 - County investment account
 - Prepaid employer contributions
 - Excludes amount held in Health Care Fund
- Actuarial value is a “smoothed” value intended to dampen market volatility
 - Based on spreading any difference between actual market return and expected market return (7.25% starting in 2013) over 5 years
 - Actual return for 2013 on market value was 10.73%. Difference between 10.73% and 7.25%, recognized over 5 years starting with 2013 valuation.
 - As of December 31, 2013, there were \$262 million in net deferred investment gains. This is about 2% of the net market value as of that date.
 - Prior year: \$97 million in deferred investment gains or about 1% of net market value
- Valuation value is actuarial value reduced by non-valuation reserves:
 - Unclaimed member deposit
 - Medicare medical insurance reserve

Market, Actuarial and Valuation Value of Assets (\$000)

Valuation Date	Net Market Value of Assets ⁽¹⁾⁽²⁾	Actuarial Value of Assets ⁽²⁾	Valuation Value of Assets
December 31, 2005	\$5,923,112	\$5,798,536	\$5,786,617
December 31, 2006	\$6,817,726	\$6,474,074	\$6,466,085
December 31, 2007	\$7,719,690	\$7,292,205	\$7,288,900
December 31, 2008	\$6,248,558	\$7,750,751	\$7,748,380
December 31, 2009	\$7,464,761	\$8,155,654	\$8,154,687
December 31, 2010	\$8,357,835	\$8,673,473	\$8,672,592
December 31, 2011	\$8,465,593	\$9,064,580	\$9,064,355
December 31, 2012	\$9,566,874	\$9,469,423	\$9,469,208
December 31, 2013	\$10,679,507	\$10,417,340	\$10,417,125

(1) Net of amounts in County investment account and prepaid employer contributions.

(2) Includes amounts in unclaimed member reserve and Medicare medical insurance reserve.

History of Return on Assets

	Market	Valuation	Expected
December 31, 2004	11.26%	8.55% ⁽¹⁾	7.75%
December 31, 2005	8.11%	8.50%	7.75%
December 31, 2006	13.17%	9.68%	7.75%
December 31, 2007	11.18%	10.45%	7.75%
December 31, 2008	-20.76%	4.25%	7.75%
December 31, 2009	17.32%	3.62%	7.75%
December 31, 2010	10.47%	5.02%	7.75%
December 31, 2011	0.04%	3.29%	7.75%
December 31, 2012	11.92%	3.49%	7.75%
December 31, 2013	10.73%	9.11%	7.25%
Annualized Average	6.78%	6.56%	

⁽¹⁾ Includes change in asset smoothing method.

Unfunded Actuarial Accrued Liability (\$000) and Funded Ratio

	December 31, 2013	December 31, 2012
Actuarial Accrued Liability	\$15,785,042	\$15,144,888
Valuation Value of Assets ⁽¹⁾	10,417,125	9,469,208
Unfunded Actuarial Accrued Liability	5,367,917	5,675,680
Percent Funded on Valuation Value	65.99%	62.52%
Market Value of Assets ⁽¹⁾	\$10,679,292	\$9,566,659
Percent Funded on Market Value	67.65%	63.17%

⁽¹⁾ Excludes County investment account, prepaid employer contributions, unclaimed member reserve and Medicare medical insurance reserve.

Unfunded Actuarial Accrued Liability (\$000) and Funded Ratio

Valuation Date	UAAL	Valuation Value Funded Ratio	Market Value Funded Ratio
December 31, 2004	\$2,158,151	70.9%	72.8%
December 31, 2005	\$2,303,010	71.5%	73.1%
December 31, 2006	\$2,298,960	73.8%	77.7%
December 31, 2007	\$2,549,786	74.1%	78.4%
December 31, 2008	\$3,112,335	71.3%	57.5%
December 31, 2009	\$3,703,891	68.8%	62.9%
December 31, 2010	\$3,753,281	69.8%	67.3%
December 31, 2011	\$4,458,623	67.0%	62.6%
December 31, 2012	\$5,675,680	62.5%	63.2%
December 31, 2013	\$5,367,917	66.0%	67.7%

Changes in UAAL since December 31, 2012 Valuation

● December 31, 2012 valuation	
■ Total UAAL	\$5,676 million
● Adjustments during calendar year 2013	
■ Interest minus payments to UAAL	\$193 million
■ Investment gain	-\$177 million
■ Difference in actual versus expected salary increases	-\$294 million
■ Other (gains)/losses ⁽¹⁾	-\$30 million
● December 31, 2013 valuation	
■ Total UAAL	\$5,368 million

⁽¹⁾ This does not include delay in implementing contribution rate and 2-year phase-in.

Questions and Discussion

Summary of Active Membership

Rate Group #1 General – non-OCTA, non-OCSD	Year Ended December 31		Change from Prior Year
	2013	2012	
Number	1,408	1,265	11.3%
Average age	44.0	44.2	N/A
Average service	10.3	11.2	N/A
Projected total compensation	\$66,672,983	\$63,378,492	5.2%
Projected average compensation	\$47,353	\$50,102	-5.5%

Summary of Active Membership

Rate Group #2 General Plans I, J, O, P, S, T and U	Year Ended December 31		Change from Prior Year
	2013	2012	
Number	13,671	13,802	-0.9%
Average age	46.1	45.9	N/A
Average service	13.2	12.9	N/A
Projected total compensation	\$967,015,507	\$981,046,774	-1.4%
Projected average compensation	\$70,735	\$71,080	-0.5%

Summary of Active Membership

Rate Group #3 General – Law Library, OCSD	Year Ended December 31		Change from Prior Year
	2013	2012	
Number	604	612	-1.3%
Average age	48.5	48.2	N/A
Average service	13.6	13.2	N/A
Projected total compensation	\$63,125,635	\$64,724,834	-2.5%
Projected average compensation	\$104,513	\$105,760	-1.2%

Summary of Active Membership

Rate Group #5 General – OCTA	Year Ended December 31		Change from Prior Year
	2013	2012	
Number	1,519	1,509	0.7%
Average age	49.7	49.9	N/A
Average service	13.1	13.4	N/A
Projected total compensation	\$101,443,921	\$100,681,092	0.8%
Projected average compensation	\$66,783	\$66,720	0.1%

Summary of Active Membership

Rate Group #9 General – TCA	Year Ended December 31		Change from Prior Year
	2013	2012	
Number	77	74	4.1%
Average age	49.8	48.9	N/A
Average service	9.6	9.0	N/A
Projected total compensation	\$6,492,514	\$6,062,757	7.1%
Projected average compensation	\$84,318	\$81,929	2.9%

Summary of Active Membership

Rate Group #10 General – OCFA	Year Ended December 31		Change from Prior Year
	2013	2012	
Number	247	246	0.4%
Average age	46.5	46.3	N/A
Average service ⁽¹⁾	12.5	12.8	N/A
Projected total compensation	\$21,160,575	\$21,831,986	-3.1%
Projected average compensation	\$85,670	\$88,748	-3.5%

(1) For some former Santa Ana employees, service used in calculating the average above is only used for vesting purposes. Benefit service starts to accrue only effective April 2012.

Summary of Active Membership

Rate Group #11 General – Cemetery District	Year Ended December 31		Change from Prior Year
	2013	2012	
Number	21	21	0.0%
Average age	47.2	46.2	N/A
Average service	15.2	14.3	N/A
Projected total compensation	\$1,241,960	\$1,232,371	0.8%
Projected average compensation	\$59,141	\$58,684	0.8%

Summary of Active Membership

Rate Group #6 Safety – Probation Officers	Year Ended December 31		Change from Prior Year
	2013	2012	
Number	871	892	-2.4%
Average age	42.1	41.4	N/A
Average service	14.3	13.6	N/A
Projected total compensation	\$63,851,828	\$65,185,716	-2.0%
Projected average compensation	\$73,309	\$73,078	0.3%

Summary of Active Membership

Rate Group #7 Safety – Law Enforcement	Year Ended December 31		Change from Prior Year
	2013	2012	
Number	2,012	1,888	6.6%
Average age	41.0	41.7	N/A
Average service	13.9	14.6	N/A
Projected total compensation	\$202,561,948	\$193,630,690	4.6%
Projected average compensation	\$100,677	\$102,559	-1.8%

Summary of Active Membership

Rate Group #8 Safety – Fire Authority	Year Ended December 31		Change from Prior Year
	2013	2012	
Number	938	947	-1.0%
Average age	44.0	44.2	N/A
Average service ⁽¹⁾	14.4	14.6	N/A
Projected total compensation	\$110,929,365	\$111,826,147	-0.8%
Projected average compensation	\$118,262	\$118,085	0.1%

(1) For some former Santa Ana employees, service used in calculating the average above is only used for vesting purposes. Benefit service starts to accrue only effective April 2012.

Summary of Retired Members and Beneficiaries

Rate Group #1 General – non-OCTA, non-OCSD	Year Ended December 31		Change from Prior Year
	2013	2012	
Retired members			
Number in pay status	583	569	2.5%
Average monthly benefit ⁽¹⁾	\$2,513	\$2,444	2.8%
Disabled members			
Number in pay status	33	34	-2.9%
Average monthly benefit ⁽¹⁾	\$2,263	\$2,247	0.7%
Beneficiaries			
Number in pay status	75	74	1.4%
Average monthly benefit ⁽¹⁾	\$1,217	\$1,182	3.0%

⁽¹⁾ Excludes monthly benefits payable from the STAR COLA.

Summary of Retired Members and Beneficiaries

Rate Group #2 General Plans I, J, O, P, S, T and U	Year Ended December 31		Change from Prior Year
	2013	2012	
Retired members			
Number in pay status	7,864	7,587	3.7%
Average monthly benefit ⁽¹⁾	\$3,261	\$3,165	3.0%
Disabled members			
Number in pay status	564	563	0.2%
Average monthly benefit ⁽¹⁾	\$2,318	\$2,268	2.2%
Beneficiaries			
Number in pay status	1,305	1,284	1.6%
Average monthly benefit ⁽¹⁾	\$1,605	\$1,530	4.9%

⁽¹⁾ Excludes monthly benefits payable from the STAR COLA.

Summary of Retired Members and Beneficiaries

Rate Group #3 General – Law Library, OCSD	Year Ended December 31		Change from Prior Year
	2013	2012	
Retired members			
Number in pay status	296	277	6.9%
Average monthly benefit ⁽¹⁾	\$4,663	\$4,501	3.6%
Disabled members			
Number in pay status	12	14	-14.3%
Average monthly benefit ⁽¹⁾	\$3,035	\$2,857	6.2%
Beneficiaries			
Number in pay status	50	49	2.0%
Average monthly benefit ⁽¹⁾	\$1,846	\$1,793	3.0%

⁽¹⁾ Excludes monthly benefits payable from the STAR COLA.

Summary of Retired Members and Beneficiaries

Rate Group #5 General – OCTA	Year Ended December 31		Change from Prior Year
	2013	2012	
Retired members			
Number in pay status	705	654	7.8%
Average monthly benefit ⁽¹⁾	\$2,237	\$2,180	2.6%
Disabled members			
Number in pay status	247	240	2.9%
Average monthly benefit ⁽¹⁾	\$2,162	\$2,126	1.7%
Beneficiaries			
Number in pay status	148	139	6.5%
Average monthly benefit ⁽¹⁾	\$1,235	\$1,216	1.6%

⁽¹⁾ Excludes monthly benefits payable from the STAR COLA.

Summary of Retired Members and Beneficiaries

Rate Group #9 General – TCA	Year Ended December 31		Change from Prior Year
	2013	2012	
Retired members			
Number in pay status	26	27	-3.7%
Average monthly benefit ⁽¹⁾	\$3,002	\$2,854	5.2%
Disabled members			
Number in pay status	0	0	N/A
Average monthly benefit ⁽¹⁾	N/A	N/A	N/A
Beneficiaries			
Number in pay status	2	1	100.0%
Average monthly benefit ⁽¹⁾	\$314	\$94	234.0%

⁽¹⁾ Excludes monthly benefits payable from the STAR COLA.

Summary of Retired Members and Beneficiaries

Rate Group #10 General – OCFA	Year Ended December 31		Change from Prior Year
	2013	2012	
Retired members			
Number in pay status	110	95	15.8%
Average monthly benefit ⁽¹⁾	\$4,022	\$3,774	6.6%
Disabled members			
Number in pay status	8	9	-11.1%
Average monthly benefit ⁽¹⁾	\$2,512	\$2,518	-0.2%
Beneficiaries			
Number in pay status	7	7	0.0%
Average monthly benefit ⁽¹⁾	\$1,314	\$1,319	-0.4%

⁽¹⁾ Excludes monthly benefits payable from the STAR COLA.

Summary of Retired Members and Beneficiaries

Rate Group #11 General – Cemetery District	Year Ended December 31		Change from Prior Year
	2013	2012	
Retired members			
Number in pay status	5	5	0.0%
Average monthly benefit ⁽¹⁾	\$2,517	\$2,467	2.0%
Disabled members			
Number in pay status	0	0	N/A
Average monthly benefit ⁽¹⁾	N/A	N/A	N/A
Beneficiaries			
Number in pay status	3	3	0.0%
Average monthly benefit ⁽¹⁾	\$1,625	\$1,593	2.0%

⁽¹⁾ Excludes monthly benefits payable from the STAR COLA.

Summary of Retired Members and Beneficiaries

Rate Group #6 Safety – Probation Officers	Year Ended December 31		Change from Prior Year
	2013	2012	
Retired members			
Number in pay status	226	219	3.2%
Average monthly benefit ⁽¹⁾	\$5,436	\$5,411	0.5%
Disabled members			
Number in pay status	19	19	0.0%
Average monthly benefit ⁽¹⁾	\$2,655	\$2,592	2.4%
Beneficiaries			
Number in pay status	20	19	5.3%
Average monthly benefit ⁽¹⁾	\$2,424	\$2,497	-2.9%

⁽¹⁾ Excludes monthly benefits payable from the STAR COLA.

Summary of Retired Members and Beneficiaries

Rate Group #7 Safety – Law Enforcement	Year Ended December 31		Change from Prior Year
	2013	2012	
Retired members			
Number in pay status	1,067	997	7.0%
Average monthly benefit ⁽¹⁾	\$6,449	\$6,317	2.1%
Disabled members			
Number in pay status	327	325	0.6%
Average monthly benefit ⁽¹⁾	\$4,413	\$4,292	2.8%
Beneficiaries			
Number in pay status	268	256	4.7%
Average monthly benefit ⁽¹⁾	\$2,609	\$2,564	1.8%

⁽¹⁾ Excludes monthly benefits payable from the STAR COLA.

Summary of Retired Members and Beneficiaries

Rate Group #8 Safety – Fire Authority	Year Ended December 31		Change from Prior Year
	2013	2012	
Retired members			
Number in pay status	346	309	12.0%
Average monthly benefit ⁽¹⁾	\$7,226	\$6,785	6.5%
Disabled members			
Number in pay status	124	115	7.8%
Average monthly benefit ⁽¹⁾	\$5,939	\$5,520	7.6%
Beneficiaries			
Number in pay status	65	57	14.0%
Average monthly benefit ⁽¹⁾	\$2,848	\$2,716	4.9%

⁽¹⁾ Excludes monthly benefits payable from the STAR COLA.

DISCUSSION CALENDAR – AGENDA ITEM NO. 4
BUDGET AND FINANCE COMMITTEE MEETING
June 11, 2014

TO: Budget and Finance Committee, Orange County Fire Authority

FROM: Lori Zeller, Assistant Chief
Business Services Department

SUBJECT: **Request from City of Santa Ana for Release of Escrow**

Summary:

This agenda item is submitted to transmit a request from the City of Santa Ana for the OCFA Board of Directors to consider elimination of the City's escrow security requirement, pursuant to the Fire Services and Emergency Medical Services Agreement with the City.

Recommended Action:

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of June 26, 2014, with the Budget and Finance Committee's recommendation that the Board of Directors take the following actions:

Option 1:

1. Find that the City of Santa Ana's financial condition has improved such that the need for Security has changed and that the Security should be eliminated.
2. Authorize the release of \$2.9 million held in escrow as Security for the City of Santa Ana's financial obligations under the Fire Services and Emergency Medical Services Agreement.

Option 2:

1. Receive and file the report and direct staff to maintain the existing Security provisions pursuant to the Fire Services and Emergency Medical Services Agreement with the City of Santa Ana, subject to further consideration at a later date.

Background:

On April 20, 2012, the OCFA began providing services to the City of Santa Ana pursuant to a Fire Services and Emergency Medical Services Agreement (Attachment 1). Given the City's financial condition at the time, the OCFA required the City to obtain a bond or establish an escrow account naming OCFA as beneficiary, in the amount of one full monthly payment for services rendered by OCFA under the Agreement (i.e., "the Security"). The Security was established as an escrow account, and has been consistently maintained since the inception of the Agreement. The escrow balance as of April 30, 2014, was \$2,915,576.27, equivalent to one monthly payment.

Section VII.4. of the Agreement provides the following option in regards to the Security:

"On or after July 1, 2014, CITY may present information to the OCFA Board of Directors that the City's financial condition has improved such that the need for the Security has changed and that the requirement for the Security should be reduced, eliminated, or modified as a result. The OCFA Board of Directors may, in its sole discretion, reduce, eliminate or otherwise modify the requirement of this Section VII.4."

The City of Santa Ana has provided the attached report entitled “City of Santa Ana Financial Update to the Orange County Fire Authority June 2014” for consideration by the OCFA Board of Directors (Attachment 2). OCFA financial staff reviewed the City’s report, as well as other financial documents obtained from the City, including workers’ compensation actuarial reports, financial forecasts, mid-year financial reports, PERS actuarial valuation information, and the City’s Comprehensive Annual Financial Report. Based on OCFA staff’s review, several questions were submitted to the City for follow-up and response. The City has been very responsive in addressing OCFA’s questions, and participating in conference calls with us to assist our understanding. OCFA’s questions, with the City of Santa Ana’s responses, are provided as Attachment 3.

OCFA Analysis

OCFA financial staff will be present at the June Budget and Finance Committee meeting, and available to answer questions for the Committee about its review of City financial documents. In summary, based on our analysis, we agree that the City of Santa Ana’s financial condition has improved, since 2012. In addition, the City has made all required payments to OCFA in a timely manner and in compliance with the Fire Services Agreement, since the inception of the contract. Furthermore, Santa Ana is OCFA’s only cash contract member required to pay for services monthly in advance, whereas all other cash contract members are required to pay for services quarterly in arrears. This advance payment serves as an additional layer of security for OCFA.

The escrow account, which provides the value of payment for an additional month of OCFA services, was intended to protect OCFA in the event the City of Santa Ana failed to pay an invoice for services. The concept was such that if the City’s finances became so stressed that they failed to pay a monthly invoice, the OCFA Board would have the 30 days afforded by the escrow payment to determine the next steps it might take in addressing failure to pay. As previously mentioned, the City of Santa Ana has made every payment to OCFA on time or early.

The question of whether or not the City’s financial condition has improved such that the Security should be reduced or eliminated is a more difficult question to answer. Addressing the City’s request should not only entail an analysis of the City’s finances, but also consider the likelihood, even in a situation of stressed finances, of the City to fail to pay for fire services, a critical public safety service. We know when the City first joined OCFA, their finances were indeed stressed, and yet they did make all payments on time. These factors can provide acceptable support for elimination of escrow. Staff from the City of Santa Ana will be attending the June Budget and Finance Committee meeting to provide a presentation and answer questions for the Committee.

Impact to Cities/County:

Elimination of the escrow requirement for the City of Santa Ana would enable the City to move the \$2.9 million in funds to further augment City reserves, pursuant to its strategic and financial goals.

Fiscal Impact:

None.

Staff Contacts for Further Information:

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Attachments:

1. Fire Services and Emergency Medical Services Agreement with City of Santa Ana
2. City of Santa Ana Financial Update to the Orange County Fire Authority – June 2014
3. OCFA Analysis of Financial Update – Q&A with City of Santa Ana

SANTA ANA

FIRE SERVICES AND EMERGENCY MEDICAL SERVICES AGREEMENT

THIS AGREEMENT is made and entered into this 5th day of March 2012, by and between the ORANGE COUNTY FIRE AUTHORITY, a Joint Powers Authority ("OCFA"), and the CITY OF SANTA ANA, a municipal corporation and charter city in the County of Orange ("CITY".)

RECITALS

A. CITY is located wholly within the County of Orange.

B. CITY is legally obligated to provide fire protection services within its boundaries.

C. OCFA is the successor entity to the County of Orange Fire Department and CITY has chosen to be a member of and contract with the OCFA for the provision of fire protection services within CITY's boundaries.

NOW, THEREFORE. In consideration of the mutual promises contained herein, the Parties agree as follows:

I. **DEFINITIONS:** As used in this Agreement:

1. "CITY" means the City of SANTA ANA.

2. "AUTHORITY" or "OCFA" means the Orange County Fire Authority.

3. "Division Chief" means the Division Chief supervising Division 6, or any successor Division.

4. "CITY Council" means the City Council of the CITY of SANTA ANA.

5. "CITY Manager" means the City Manager of the CITY of SANTA ANA.

6. "JPA Board" means the Board of Directors of the Orange County Fire Authority.

7. "JPA Agreement" means the Amended Orange County Fire Authority Joint Powers Agreement dated September 23, 1999 as amended by the First Amendment to the Amended Joint Powers Agreement dated July 1, 2010, and any subsequent amendments hereafter approved as authorized therein.

8. "Fire Chief" means the chief executive officer of the Orange County Fire Authority.

9. "Fiscal Year" means the annual period commencing on July 1st and ending June 30th.

10. "MOU" means the Memoranda of Understanding between the OCFA and (a) International Association of Firefighters Local 3631 (the Orange County Professional Firefighters Association); (b) the OCFA Chief Officers Association; and (c) the Orange County Employees Association, as they exist on the effective date of this Agreement and as they may, from time to time, be amended or suspended.

11. "Division" means an area that identifies a specific geographical boundary that can include multiple fire suppression battalions and/or cities.

12. "Fire Battalion Chief" means an individual who supervises a battalion or an Orange County Fire Authority section, (e.g., Training Section).

13. "Battalion" means an area that identifies a specific geographical boundary that includes multiple stations and/or cities.

II. MEMBERSHIP: CITY shall be a member of OCFA and shall be subject to all the provisions, conditions, benefits, obligations and liabilities set forth in the JPA Agreement, as that Agreement may be further amended from time to time, unless otherwise provided herein. CITY shall have one representative on the JPA Board.

III. GENERAL SCOPE:

1. OCFA shall provide to CITY fire suppression, fire prevention, fire investigation, emergency medical, rescue and related services, hazardous materials response, hazardous materials disclosure, and community safety and education Services (collectively "fire services"). Services provided exclude weed abatement services.

2. The effective date in which OCFA will begin providing services to CITY is planned for April 20, 2012; however, in the event additional time is needed to obtain final approval of the transition, the effective date may be modified by mutual agreement of CITY and OCFA. The intent is that the effective date be scheduled approximately 60 days after final approval of the transition.

3. The level of service provided shall be the same as the general level of similar services provided by OCFA elsewhere within its boundaries. Specific service criteria are set forth in Attachment "A" to this Agreement, and incorporated herein as if fully set forth within the body of this Agreement. Any changes to such levels and method of service shall be determined by the Board of Directors and administered by the Fire Chief, who shall have direct control and supervision over the services provided pursuant to this Agreement, and who is hereby designated as the CITY Fire Chief and Fire Marshal.

4. Fire suppression and emergency medical response stations located within or assigned to the CITY are set forth below and shall be the same as existed on the effective date of this Agreement. Prior to making any changes to assigned fire suppression and emergency medical response stations, the Fire Chief shall meet and confer with the CITY Manager. Any changes in fire suppression and emergency medical response service station assignments shall be set forth in a written Memorandum of Understanding ("MOU") between the Fire Chief and the CITY Manager. In the event of failure to reach agreement with the Fire Chief, the CITY shall have the right to appeal to OCFA's Board of Directors.

5. Subsection (3) above shall not restrict the OCFA Board of Directors from approving OCFA related service enhancements from the Structural Fire Fund Entitlement Fund.

6. Upon request, CITY shall adopt an ambulance ordinance, and take those steps and amend those agreements necessary to convert the status of SANTA ANA from a "Provider Agency" of the Orange County-City Hazardous Materials Emergency Response Authority (OCCHMERA) to an "Orange County Fire Authority Member Agency" of the OCCHMERA.

7. The Division Chief assigned to the CITY, or his or her designee, shall attend CITY Council meetings, commission meetings and CITY staff meetings when requested by the CITY Manager and shall provide the CITY with any and all reports or documents pertaining to the CITY upon reasonable request by the CITY Manager.

8. Fire suppression and emergency medical response services shall be provided from the CITY locations stated below, which shall be redesignated as indicated:

<u>Location</u>	<u>Old Designation</u>	<u>New Designation</u>
1029 W. 17th St.	Station #1	Station #71
1688 E. 4th St.	Station #2	Station #72
419 S. Franklin St.	Station #3	Station #73
1427 S. Broadway St.	Station #4	Station #74
120 W. Walnut St.	Station #5	Station #75
950 W. MacArthur Ave.	Station #6	Station #76
2317 S. Greenville St.	Station #7	Station #77

501 N. Newhope St.
1320 E. Warner Ave.
2310 N. Old Grand St.

Station #8
Station #9
Station #10

Station #78
Station #79
Station #70

IV. ADMINISTRATION:

1. In providing fire services, OCFA hereby is authorized to and may enforce applicable CITY codes and ordinances, collect and retain any and all Fire Prevention or Miscellaneous User fees (excluding paramedic user fees) as determined by OCFA, and file any claims or actions on behalf of CITY to recover and retain amounts for emergency and hazardous materials responses.

2. The OCFA Fire Chief hereby is designated as Fire Chief of CITY.

3. Personnel and equipment routinely assigned to provide services under this Agreement shall be assigned to Battalion 9. The Battalion Chief of Battalion 9 will exercise day-to-day operational responsibility within the CITY.

4. On activation of the CITY's Emergency Operations Center (EOC), the individuals designated by the CITY Manager and the Division Chief shall be detailed to assist in EOC operations and release of local resources may occur only after their evaluation of local conditions.

V. LEASE OF APPARATUS: AUTHORITY hereby agrees to lease from CITY, and CITY hereby agrees to lease to OCFA, the following apparatus (the "specified apparatus"):

2005 CHEVROLET SUBURBAN	3GNGC26G65G201367	(#29500)
2005 CHEVROLET SUBURBAN	3GNGC26G95G201366	(#29501)
2005 ALF PUMPER	4Z3AAACG16RW36760	(#29502)
2005 EMERGENCY HAZ MAT	4P1CCL01H85A005559	(#29518)
2007 FT/LINER PUMPER	1AFAAACG47RY24686	(#29523)
2010 SPARTAN GLADIATOR	4S7AT2P90AC072519	(#29539)
2010 SPARTAN GLADIATOR	4S7AT2P97AC072520	(#29540)
1988 LTI LADDER TRUCK	1D91D51J3J1008938	(#57567)
1994 SPARTAN TRUCK	4S7ET9M08SC015521	(#58415)
1997 BME CUMS FIRE PUMP	4S7CT249XVC024890	(#58695)
1997 BME CUMS FIRE PUMP	4S7CT249XVC024891	(#58696)
2001 ALF/RESCUE SQUART	4Z3FAACG22RJ46943	(#59318)
2002 FT/LINER ALF/PUMP	4Z3AAACG92RK16576	(#59365)
2004 ALF 100' AERIAL	4Z3AAACK34RN46401	(#59520)
2004 ALF PUMPER	4Z3AAACGX5RU97758	(#59533)
2004 ALF AIR/LIGHT	1FVACYDC65HU29297	(#59534)
2007 CHEVROLET EX-PICK-UP	1GCCS19E878189701	(#59712)
2007 CHEVROLET EX-PICK-UP	1GCCS19EX78189831	(#59713)
2008 CHEVROLET COLORADO	1GCCS19E988170544	(#59799)
2008 CHEVROLET COLORADO	1GCCS19E488170919	(#59800)
2008 CHEVROLET COLORADO	1GCCS19EX881169936	(#59802)
2008 CHEVROLET TRAILBLAZER	1GNDS13S382215152	(#59820)
2005 FORD F650 MASS DECON UNIT	3FRNW65Z77V448965	(#29524)

1. The specified apparatus shall be delivered to the OCFA equipped as currently equipped by the CITY. OCFA will ensure that frontline emergency apparatus assigned within the CITY (including trucks, engines, and paramedic vans) will reflect the City of Santa Ana's seal, in addition to the OCFA's logo, along with wording to indicate that the apparatus is serving the City of Santa Ana.

2. For the specified apparatus, OCFA will lease from the CITY at no cost, the term of such lease shall commence concurrently with this Agreement, and the term of such lease shall terminate upon retirement of the apparatus from OCFA.

3. The specified apparatus shall be incorporated into the OCFA's established vehicle rotation and replacement programs (excluding the Mass Decon Unit), preventive maintenance programs, and will be enrolled in OCFA's vehicle insurance program.

4. Each fiscal year, commencing with fiscal year 2011/12, CITY shall pay to OCFA the CITY's share of the OCFA's vehicle replacement program. For fiscal year 2011/12, the annualized amount is \$475,056. The prorated monthly amount of \$39,588 is included in the costs of service set out in section VII below and is subject to annual increases.

5. For purposes of the vehicle replacement program, the following useful life assumptions apply:

Useful Life:

- Suburban - 5 years or 120,000 miles
- Engine - 15 years or 120,000 miles
- Truck -17 years or 120,000 miles
- Paramedic Van - 4 years or 120,000 miles

6. Upon the effective date of any termination, the value of the funds paid by the CITY as its share of the vehicle replacement program shall be returned to the CITY in an amount no greater than the funds paid by the CITY, less actual costs incurred by the OCFA for the repair, maintenance, or replacement of the specified apparatus. The value, if positive, will be returned to the City in the form of returned apparatus, a refund of payments, or a combination of both.

VI. LEASE OF FIRE STATIONS:

1. CITY shall lease to OCFA and OCFA shall lease from CITY the fire stations listed in Section III pursuant to the leases set out on Attachment C. This lease will have the same term as this Agreement and the rent will be one dollar (\$1) per year per station. Upon the effective date of any termination, OCFA's lease-interest in the CITY's fire stations will terminate and the fire station facilities will be returned to CITY.

2. CITY will also provide OCFA with a \$15,000 revolving maintenance expense account per fire station for appliance repair/replacement and other minor station repairs and improvements pursuant to the JPA Agreement. This amount is included in the costs of service set out in section VII below.

VII. COST FOR SERVICE: Except as otherwise provided in this Agreement, all provisions in the JPA Agreement regarding the calculation and payment of Service Charges shall apply. To the extent of any conflict between the JPA Agreement and this Agreement, the terms set forth in this Agreement shall control with regard to the CITY.

1. CITY shall pay to OCFA the sum of \$6,693,634 for Fire and Emergency Medical Services under this Agreement from April 20, 2012 until June 30, 2012. Payment shall be made as follows:

a.	by April 20, 2012-	\$1,100,422
b.	by May 1, 2012 -	\$2,796,606
c.	by June 1, 2012-	\$2,796,606

2. In a letter dated November 7, 2011 from the CITY Manager to the OCFA Fire Chief, the CITY requested a proposal from OCFA for the possible provision of Fire Protection and Emergency Medical Services. The amount paid by the CITY for the proposal (\$75,000) has been applied to reduce the April 20, 2012 payment above from \$1,175,422 to \$1,100,422.

3. Except as otherwise expressly provided in this Agreement, all sums due to AUTHORITY from CITY shall be paid at the beginning of each calendar month, in advance.

4. On or before September 30, 2012, CITY shall either (a) obtain a bond, in form and substance acceptable to OCFA in its sole and absolute discretion, from a bonding company or insurer acceptable to OCFA in its sole and absolute discretion, in the amount of one full monthly payment for services rendered

by OCFA under this Agreement (the "Bond"), or (b) establish an escrow account, naming OCFA as beneficiary and on terms and conditions acceptable to OCFA in its sole and absolute discretion, with an escrow agent acceptable to OCFA in its sole and absolute discretion and funded with cash in the amount of one full monthly payment for services rendered by OCFA under this Agreement (the "Escrow" and, collectively with the Bond, the "Security"). On or before July 1, 2013, and thereafter on or before July 1 of each succeeding year, CITY shall make payments sufficient to adjust the amount of the Security to equal the amount of one monthly payment for the final charges as established pursuant to Paragraph 5 of this Section VII, below.

The Security shall serve as security for CITY's obligations under this Agreement. In the event that CITY defaults in any of such obligations, without in any way limiting any of OCFA's other rights and remedies, OCFA shall be entitled to collect upon the Bond or draw upon the Escrow, as applicable, in partial compensation for such default and in accordance with the terms of the documentation governing such Security. In the event that OCFA collects upon the Bond or draws upon the Escrow, CITY shall have a period of thirty (30) days to establish new Security in the amount and as set forth in the preceding Paragraph. If CITY fails to do so, OCFA shall have the right to terminate this Agreement upon written notice to CITY.

On or after July 1, 2014, CITY may present information to the OCFA Board of Directors that the City's financial condition has improved such that the need for the Security has changed and that the requirement for the Security should be reduced, eliminated or modified as a result. The OCFA Board of Directors may, in its sole discretion, reduce, eliminate or otherwise modify the requirement of this Section VII. 4."

5. For each subsequent fiscal year covered by this Agreement, commencing with FY 2012/13, the Fire Chief shall notify the CITY Manager, in writing, of the estimated charges for providing the agreed services to CITY during the following fiscal year on or before March 1 of each year. Final charges for providing services to CITY during the following fiscal year will be provided, in writing, on or before May 1 of each year. CITY will pay such final charges, in monthly installments, at the beginning of each month, in advance.

6. The estimated costs and charges shall be determined pursuant to the JPA Agreement, including but not limited to Article IV, § 3B and Article VI of the JPA Agreement.

VIII. START-UP COSTS:

1. The parties agree that a sum, estimated not-to-exceed \$1,580,439 is owing to OCFA by CITY for start-up costs, as specified in this Agreement. Those start-up costs are as follows:

Communications/IT	\$843,727
Facilities	27,000
Personnel	220,764
Service Center	395,963
Fleet Services	<u>92,985</u>
TOTAL	\$1,580,439

2. OCFA agrees to amortize these one-time start-up costs over the first five years of this Agreement. OCFA will invoice CITY for the annual prorated amount of \$316,088 with the first monthly invoice for each fiscal year for five years, commencing with FY 2012/13. The OCFA will track all costs relating to the start-up as the work is performed and those funds in excess to the amount listed above will be adjusted and, if already collected from CITY, reimbursed to the CITY upon conclusion of the transition. In the event of termination of this Agreement for any reason, and upon the effective date of the termination, the CITY shall immediately pay the full balance then remaining for the start-up costs adjusted as set forth herein.

IX. PERSONNEL:

1. OCFA will offer employment effective 8:00 a.m., April 20, 2012 to the personnel employed by the CITY's fire department on the effective date of this Agreement, under the terms and conditions specified in Attachment "B" to this Agreement. Such offers are contingent upon those personnel who meet the minimum physical and medical standards for their designated positions in the OCFA, as determined by a physical examination conducted prior to the effective date of the Agreement. After 8:00 a.m., April 20, 2012, CITY shall not be liable for the payment of any wages or other compensation to any officer, employee, or agent of OCFA performing any services under this Agreement. CITY shall not be liable to any officer, employee, or agent of OCFA for any sickness or injury incurred by such person in the course of performing services under this Agreement. OCFA shall be solely responsible for all personnel actions relating to OCFA employees utilized in the performance of this Agreement. Those personnel who fail to meet the standards in the period prescribed solely because of injury or illness will be offered employment on the first occasion on which they meet the standards, but in no event shall they be offered employment after April 20, 2013.

2. Transitioning employees participate in a defined contribution plan or "Retiree Health Savings Plan" and are eligible for reimbursement benefits upon retirement as defined by the plan.

X. WORKER'S COMPENSATION:

To avoid the hazards, delays and risks of litigation, and to provide prompt and appropriate benefits to injured workers', the parties desire to establish a mechanism to determine their proportionate share of liability for all types of workers' compensation benefits which may become due to former employees of the Santa Ana fire department.

1. For any continuous trauma claim brought under the California Workers' Compensation law against OCFA by former employees of the CITY Fire Department, the Parties shall share liability in proportion to the period of time the former employee was employed by each agency. CITY agrees to indemnify and hold harmless OCFA for all workers' compensation and/or administrative costs incurred as a result of any such claim, of any nature or type whatsoever, to the extent of the proportion the period of time the former employee was employed by CITY bears to the total period of time the former employee was employed by both CITY and OCFA.

2. For any claim originally brought under the workers' compensation laws of California against CITY for which residual or ongoing benefits may be due, CITY shall indemnify and hold harmless OCFA for the cost of all such benefits, including any/all administrative costs, without reference to apportionment, and shall reimburse OCFA for the same to the extent paid by OCFA. Such indemnity, hold harmless, and reimbursement obligation shall specifically include, but is not limited to, costs of medical treatment, new and further disability, Labor Code section 4850 benefits, and any other benefits under the laws governing the California Workers' Compensation System.

3. For any specific injury claimed by former CITY Fire Department employees under the California Workers' Compensation laws, alleged to have occurred after the date of transfer of employment to OCFA, the OCFA shall bear the full cost of any workers' compensation benefit due, which is attributed solely and exclusively to such specific injury.

4. For any claim brought by former CITY fire Department employees arising under any presumption of injury arising out of the California Labor Code, regardless of the date such claim is filed, CITY shall indemnify and hold harmless OCFA for all workers' compensation benefits and/or administrative costs incurred, which may become due, based upon the proportionate respective percentage of employment as described in Section X.1. above.

5. The Parties expressly agree that the above indemnification and hold harmless obligations are contractual in nature and not based on any determination by the WCAB.

6. ARBITRATION: IN THE EVENT OF DISPUTES ARISING UNDER THIS SECTION X OF THE AGREEMENT, THE OCFA AND CITY AGREE SUCH DISPUTES SHALL BE DETERMINED EITHER BY

AGREEMENT OF THE PARTY, OR IF EITHER PARTY DETERMINES THE DISPUTE CANNOT BE RESOLVED BY AGREEMENT, THEN BY BINDING ARBITRATION BEFORE AN INDIVIDUAL ARBITRATOR WITH EXPERTISE IN WORKER'S COMPENSATION ISSUES. SUCH ARBITRATOR SHALL BE SELECTED EITHER BY MUTUAL AGREEMENT OF THE PARTIES, OR FAILING THAT, BY THE JUDICIAL ARBITRATION AND MEDIATION SERVICE (JAMS). THE COST OF THE ARBITRATION SHALL BE SHARED EQUALLY BY THE PARTIES.

XI. INDEMNIFICATION:

1. OCFA shall defend, indemnify and hold harmless the CITY and its officers, employees, agents and representatives with respect to any loss, damage, injury, claim, demand, litigation or liability and all expenses and costs relating thereto (including attorneys fees) arising out of or in any way related to acts or omissions of OCFA, its officers, employees or agents in the performance of services pursuant to this Agreement.

2. CITY shall defend, indemnify and hold harmless OCFA and its officers, employees, agents and representatives with respect to any loss, damage, injury, claim, demand, litigation or liability and all expenses and costs relating thereto (including attorneys fees) arising out of or in any way related to acts or omissions of CITY, its officers, employees or agents. This Section 11.2 shall apply whether or not the incident or occurrence occurred prior to or after the effective date.

3. The provisions of this Section XI shall survive termination or expiration of this Agreement.

4. For purposes of this Section XI, the Fire Chief shall be deemed to be an officer, employee, agent and representative of OCFA, and not of CITY.

XII. TERM AND TERMINATION:

1. This Agreement shall commence on the date first written above, provided the Agreement has been approved as required under the JPA Agreement and by the CITY Council. Delivery of services shall commence on April 20, 2012, or when this Agreement is approved, whichever is later. CITY may terminate this Agreement by giving written notice of withdrawal to the Clerk of the Authority prior to July 1 of the second to last year of every ten-year interval of the twenty-year term of the JPA Agreement (e.g. for the first ten-year interval, notice must be given by July 1, 2018 to withdrawal by June 30, 2020). OCFA may terminate this Agreement upon written notice to CITY in the event of non-payment or other default of the terms required herein or in the JPA Agreement.

2. Upon termination or expiration of this Agreement or other cessation of CITY's membership in OCFA, CITY agrees to pay OCFA the amount of the unfunded pension liability that had accrued during the term of this Agreement for the number of OCFA employees serving the CITY. In the event of any dispute regarding the amount of the unfunded pension liability at that time, the parties agree that the amount shall be determined by an independent actuary selected either by mutual agreement of the parties, or failing that, by the actuary used by the Orange County Employees Retirement System (OCERS). The parties shall share any costs charged by the actuary for calculating such amount. The Parties shall agree to a payment schedule for such amount. If the parties are unable to agree upon a payment schedule, the amount shall be amortized so the CITY will pay down the full amount of the unfunded liability over a fifteen (15) year period assuming a rate of return assumed by OCERS as its return on its investments as of the date of termination. Payments pursuant to this Section shall be made by the CITY to OCFA. The provisions of this Section XII shall survive termination or expiration of this Agreement.

XIII. ANNEXATIONS: In the event of any CITY annexation of territory within the Structural Fire Fund, the level of Structural Fire Fund and redevelopment revenues existing at the time of the annexation shall continue to pass through to OCFA as compensation for the services provided pursuant to the JPA Agreement, unless otherwise agreed to by the parties hereto. As used herein, "level of Structural Fire Fund and redevelopment" shall mean the amount of such revenues existing at the time of annexation, adjusted by any diminution or growth in value occurring thereafter. It is the intent of the parties that CITY annexations not have an adverse financial effect on OCFA. Annexations that do not result in additional

OCFA service demand and, therefore require no additional OCFA resources, will not result in additional charges to CITY as a result of said annexation.

XIV. EFFECTIVE DATE AND TERM: The effective date of the Agreement shall be 8:00 a.m., April 20, 2012 and unless terminated in accordance with the provisions herein and in the JPA Agreement, this Agreement shall remain in force for the same duration as the JPA Agreement, and as the JPA Agreement may be amended from time to time.

XV. INDEPENDENT CONTRACTOR: CITY shall not be liable for the direct payment of any wages or other compensation of any officer, employee, or agent of OCFA performing any services under this Agreement. CITY shall not be liable to any officer, employee, or agent of OCFA for any sickness or injury incurred by such person in the course of performing services under this Agreement, except to the extent set forth in Section XI. OCFA shall be solely responsible for all personnel actions relating to OCFA employees utilized in the performance of this Agreement. The employees of OCFA shall not be deemed employees of CITY as a result of this Agreement, except as necessary pursuant to Penal Code Section 1463 *et seq.* for cities to obtain their statutory share of fire revenues.

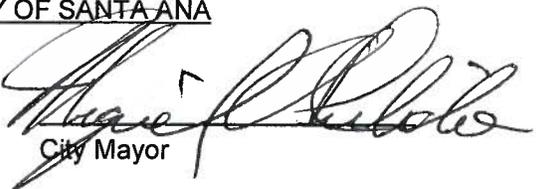
XVI. MISCELLANEOUS PROVISIONS:

1. This agreement supersedes any prior agreements between OCFA and CITY. The CITY Manager and Fire Chief may enter into an MOU for operational issues.

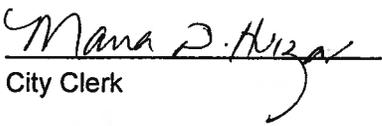
2. This Agreement may be amended only in writing, in whole or in part, and signed by both parties. No waiver of any term or condition herein shall be a continuing waiver thereof.

3. This Agreement shall be interpreted in a manner complementary to the JPA Agreement, including the provisions which govern city member participation. In the event of an irreconcilable conflict between this Agreement and the JPA Agreement, this Agreement shall prevail.

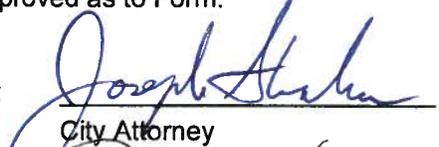
CITY OF SANTA ANA

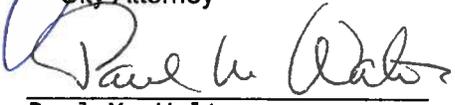
By: 
City Mayor

Attest:

By: 
City Clerk

Approved as to Form:

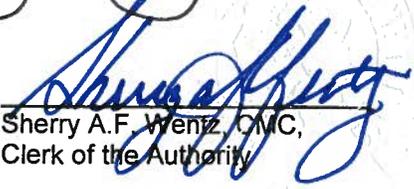
By: 
City Attorney

By: 
Paul M. Walters,
Interim City Manager

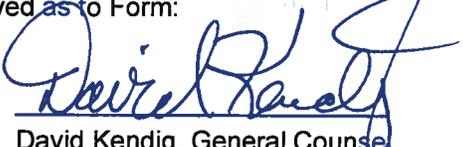
ORANGE COUNTY FIRE AUTHORITY

By: 
Mark Tettemer, Chair

Attest:

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

Approved as to Form:

By: 
David Kendig, General Counsel



CITY OF SANTA ANA

FINANCIAL UPDATE TO THE

ORANGE COUNTY FIRE AUTHORITY

JUNE 2014

Introduction

On February 21, 2012, the City of Santa Ana's Mayor and City Council unanimously voted to partner with the Orange County Fire Authority (OCFA) for the delivery of fire and emergency medical services. The approval of this agreement was preceded by approximately six months of negotiations with the OCFA and Santa Ana Fire Services bargaining units during the City's most difficult financial times in recent history. Given the City's fiscal position at that time, the OCFA required a bond or escrow account equal to one month's payment as assurance in the case of default. The current value of the escrow account is \$2.9M and held by Grandpoint Bank, a financial institution agreed upon by both agencies.

The agreement with OCFA includes a provision which allows the City to reduce, eliminate or modify the bond or escrow account if the City demonstrates an improved financial position. Based on the City's improved financial outlook, the City is requesting that the bond/escrow account requirement be removed and the escrow account funds be returned to the City.

The following is an overview of the City of Santa Ana's financial position.

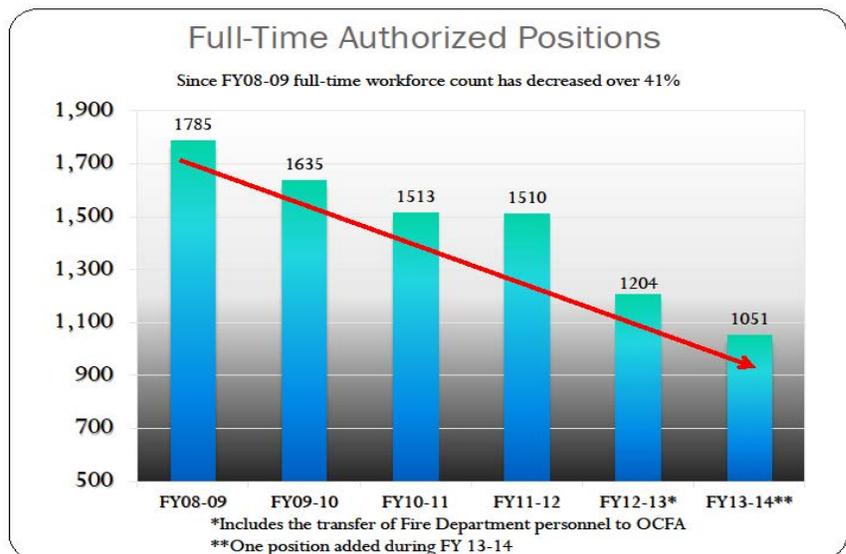
Historical Overview

During fiscal years 2008-09 through 2012-13, the City of Santa Ana, like many other cities across the State and Nation, experienced one of the most significant economic declines. Over a 5-year span, the City experienced declining revenues and managed budget deficits ranging from \$13M to \$46M. Over the same time span, the City was very successful in implementing structural changes to its finances such as securing concessions from labor groups, reduced staffing levels, implemented innovation and efficiency measures, outsourcing, and managed expenditures.

The City's largest costs are labor and benefits. At its highest point, labor and benefit costs represented 74% of the overall general fund budget. In a collaborative effort with the City's bargaining units, the City was able to stabilize its labor and benefit costs through a number of labor contract renegotiations (during a period when contracts were closed). Through these negotiations, the City secured concessions which included structural changes such as increased employee contributions towards pension and medical costs, significantly reducing Other Post Employee Benefit (OPEB) liabilities, changes in work schedule calculation of overtime, and deferrals such as furloughs and postponement of salary increases.

In addition, the City managed its labor costs through the reduction of over 41% of its workforce (or the equivalent of 734 full-time positions). Furthermore, the City managed vacancies and offered a retirement incentive program to further reduce its full-time staffing levels.

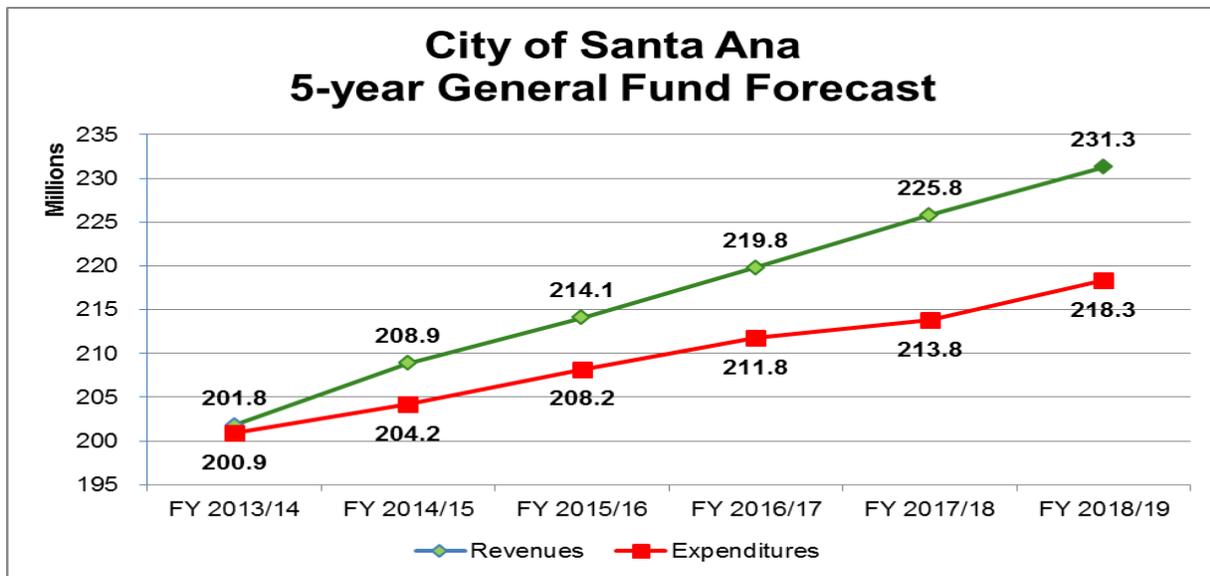
The outsourcing of the Santa Ana



Fire Department to OCFA has played a significant role in lowering the City’s overall general fund costs and future liabilities. It is estimated that outsourcing to OCFA resulted in savings of approximately \$10M per fiscal year. To date the City has saved over \$18M through this effort. As a result of labor concessions, managing workforce count and the outsourcing of the Fire Department, the City has reduced its labor and benefit cost to 55% of the general fund budget.

5-Year General Fund Forecast

On February 4, 2014 the City Council unanimously approved the revised 5-year General Fund forecast. The forecast reflects a significantly improved financial picture with balanced budgets, moderate revenues growth, a stable expenditure line, and increasing reserve levels. In addition, the forecast sets the baseline for future needs such as new or enhanced program/services for the community, operational needs, capital improvements and most importantly funding for the 5-year strategic plan.



Note: Fiscal year 2013-14 revenues exclude approximately \$3.1M in revenues designated for reserves per the adopted 2-year budget.

As illustrated above, General Fund revenue is projected to exceed expenditures over the next five years due to higher revenues associated with an improved economy and managing expenditures through long-term structural changes. The net result will enhance the City’s cash position and allow the City to continue generating reserves. In an effort to further enhance the City’s fiscal position, the City has established a 1% annual innovation and efficiency strategy to implement opportunities to increase City revenues and reduce operational costs. The strategy will incentivize the organization to further improve its fiscal position while continuing to deliver quality services to the community. For additional information regarding the 5-year forecast presentation made to the City Council, please visit the City’s website at http://www.ci.santa-ana.ca.us/finance/budget/documents/2014_mid-year_review_eng.pdf.

Following are the forecast assumptions:

General Fund revenue estimates and growth factors are based on information obtained from MuniServices LLC (third party sales tax consultant), County of Orange (Property Tax and assessed

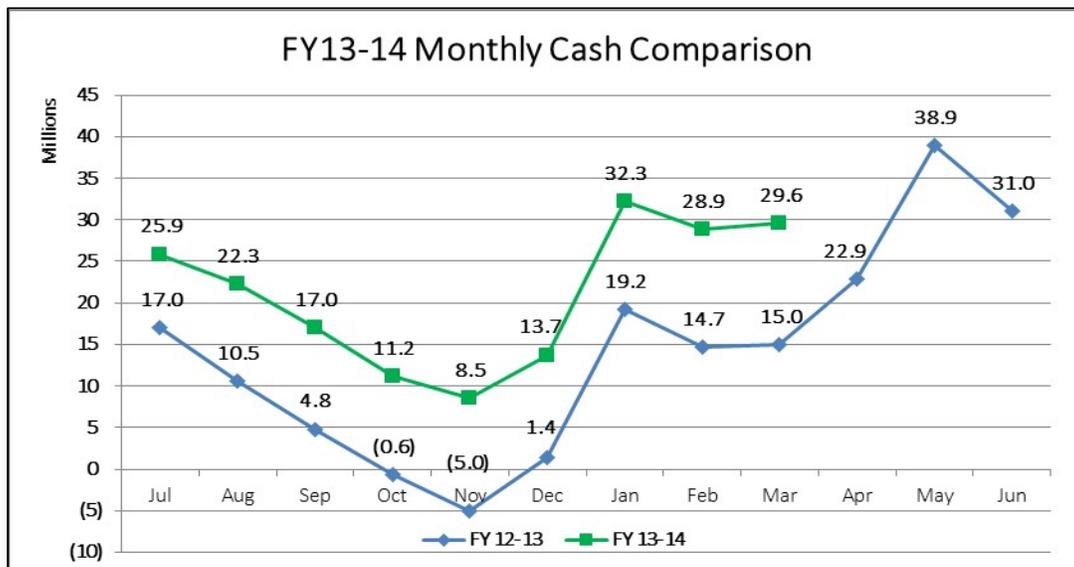
valuation) and revenue forecasting trend analysis prepared by staff. Expenditure estimates and growth factors are based on the adopted 2-year (FY2013-15) budget and adjustments based on negotiated MOU changes, CalPERS rates, Consumer Price Index (CPI) and departmental expenditure trends. The following are additional assumptions:

- Moderate 3% annual revenue growth which includes a higher revenue tax base of \$153.5M in 14/15.
- Utility User Tax (UUT) revenues stabilize (previous 2013-14 value of \$24.1M, revised to \$24.6M)
- No service level or salary schedule changes forecasted
- California Public Employee Retirement System (CalPERS) actuarial forecast reflects current pension formulas w/ increases absorbed (5-year estimated cost: \$98M which is \$6.8M less than originally anticipated).
- Revised lower health care costs as recommended by Personnel
- Water transfer to remain at current 2013-14 approved levels
- 2% increase for inflation in commodities in 2015/16 thru 2018/19
- 1% ongoing innovation and efficiency savings (\$1.4M annually)
- Includes funding to implement the 5-year Strategic Plan (\$2M annually 2014/15 - 2018/19)

For more detailed assumptions on labor and benefits, please refer to exhibit 1 (pages 2-3).

General Fund Cash Position

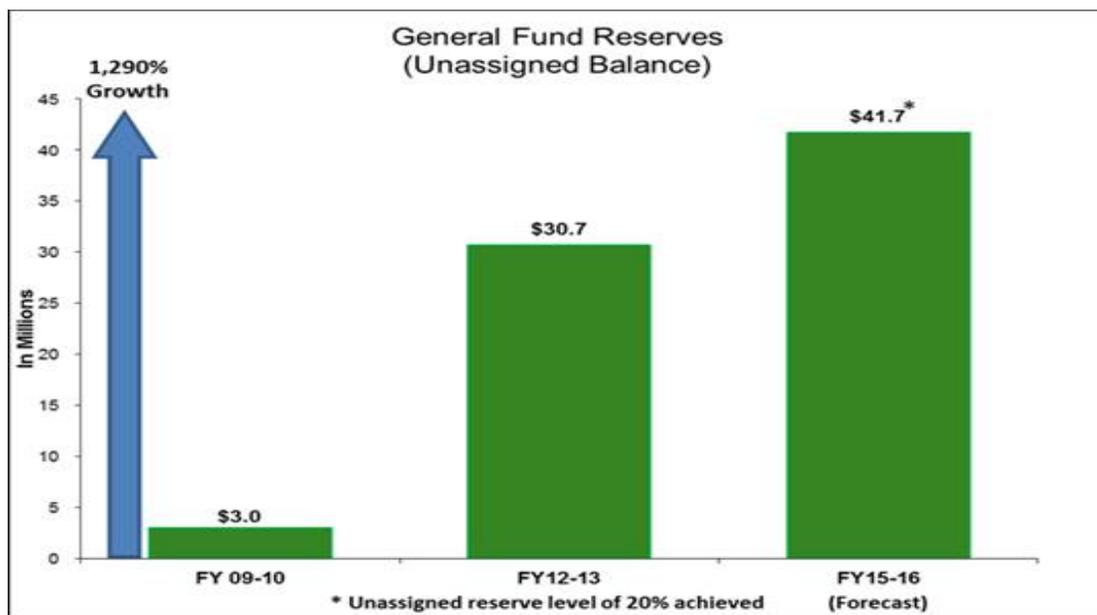
As a result of the increased revenues, outsourcing efforts and cost cutting measures, the City’s General Fund cash position has improved significantly. As of March 31, 2014, the City’s General Fund cash position is up 97% when compared to March 2013 (\$29.6M and \$15M respectively). Based on the City’s improved fiscal outlook, the City’s General Fund cash position will continue to improve.



In June 2012, the Mayor and City Council adopted a conservative budget and reserve policy. The budget and reserve policy provides the guidelines by which future budgets will be developed and also includes a plan to build reserves levels.

From a budget perspective, the policy defines a balanced budget to be recurring revenues to equal recurring expenditures, provides direction on the use of one-time monies (i.e. for capital/equipment, reserves, or term specific projects only), and states that revenues will be projected on a conservative basis. In addition, the policy also provided guidelines for the development of a two-tiered reserve. The first tier reserve is the unassigned reserve of 15% with a maximum goal of 20% of operations (set for cash flow purposes only). The second tier is the economic uncertainty reserve of 1% to 10% (set for major variations in tax receipts). The policy requires a supermajority (or 2/3) approval from the City Council and a plan to replenish in order to utilize such reserves.

To date, the City has reached a goal of 15% unassigned reserves and the City is currently forecasting to meet or exceed the 20% unassigned reserve maximum goal of \$41.7M during fiscal year 2015-16.



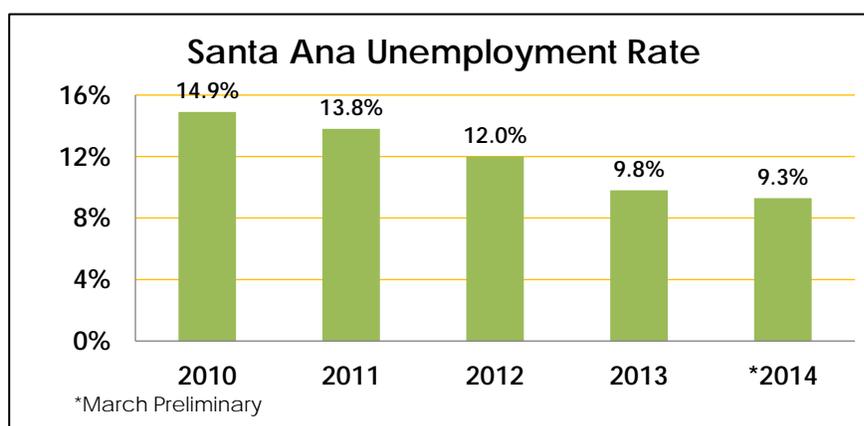
3rd Quarter Update for Fiscal Year 2013-14

On April 14, 2014, the 3rd Quarter update for fiscal year 2013-14 was presented to the Finance, Economic Development and Technology City Council Committee. The third quarter financials continue to demonstrate positive economic trends for the City. Most notably, General Fund (GF) revenues ended the quarter with 3.9% (or \$4.9M) higher than anticipated. On a year-over-year basis, 3rd quarter 2014 GF revenues increased by 3.2% when compared to the same quarter in 2013 (\$130M and \$126.2M respectively). GF Major Tax revenues, which equate to approximately 70 percent of the City's revenue sources continue an overall positive trend.

GF expenditures continue to improve as the City begins implementation of a strategic plan and a culture of innovation and efficiency. GF expenditures amounted to \$143.2M for the end of the 3rd quarter and are approximately \$5.1M lower than anticipated.

General Fund	3rd Quarter Projected	3rd Quarter Actuals	Change
Total GF Revenues <small>(represents approx. 64% of annual revenue)</small>	\$125.3M	\$130.2M	\$4.9M or 3.9% ↑
Total GF Expenditures <small>(represents approx. 72% of annual exp.)</small>	\$148.3M	\$143.2M	\$5.1M or 3.4% ↓

Both revenue and expenditures have improved and reflect a national and state trend of economic growth and improved employment levels. Based on the most recent Employment Development Department (EDD) data, Santa Ana's unemployment levels continue to drop. Santa Ana's unemployment rate is now 9.3% (from a high of 14.9%).



Description of General Fund Tax Revenue Sources

The City's 6 Major Tax Revenue sources make up approximately 70% of the General Fund revenue. Following is a brief description of each of the 6 major tax revenue sources and their associated values:

Property tax is levied on the total value of real property found within the boundaries of the City. The base tax rate is 1% plus assessments from cities, special districts, schools, and water agencies to name a few. The City of Santa Ana's allocation of the base tax rate of 1% is within the range of \$0.18 to \$0.20 cents on the dollar.

Property Tax Revenues (in millions)

2009	% Δ	2010	% Δ	2011	% Δ	2012	% Δ	2013	% Δ	2014*	% Δ
\$30.5	-4.6%	\$27.3	-10.6%	\$26.8	-1.6%	\$27.1	1.1%	\$28.2	4.1%	\$29.4	4.2%

*Projected

The Property Tax In-Lieu of VLF is a swap of city and county vehicle license fee (motor vehicle in-lieu tax or VLF) revenues for additional property tax allocated to cities and counties. Each city's (and county's)

property tax in-lieu of VLF amount increases annually in proportion to the growth in assessed valuation within the jurisdiction.

Property Tax In-Lieu of VLF (in millions)

2009	% Δ	2010	% Δ	2011	% Δ	2012	% Δ	2013	% Δ	2014*	% Δ
\$27.8	5.2%	\$25.8	-7.3%	\$25.0	-3.1%	\$25.1	0.6%	\$25.6	1.9%	\$26.7	4.2%

*Projected

Sales tax is imposed on all retailers for the privilege of selling tangible personal property in the state of California and is measured by the retailer’s gross receipts. Santa Ana’s current tax rate is 8% and is entitled to 1% of the total amount generated within its jurisdiction.

Sales Tax (in millions)

2009	% Δ	2010	% Δ	2011	% Δ	2012	% Δ	2013	% Δ	2014*	% Δ
\$38.0	-14.6%	\$33.0	-13.3%	\$35.8	8.7%	\$37.0	3.4%	\$39.1	5.7%	\$42.1	7.5%

*Projected

Utility User Tax (UUT) is imposed on the consumption of utility services, including: electricity, gas, water and telecommunications. Currently, the tax rate levied in Santa Ana is 6%.

UUT (in millions)

2009	% Δ	2010	% Δ	2011	% Δ	2012	% Δ	2013	% Δ	2014*	% Δ
\$27.7	-1.5%	\$26.1	-5.8%	\$25.3	-3.0%	\$24.4	-3.8%	\$24.4	0.2%	\$24.6	1.0%

*Projected

Business License: The City of Santa Ana requires all persons transacting and carrying on business within the City to obtain a business license prior to commencing business in the City. There are various business license rates that can be imposed by the City of Santa Ana based on rate category and business type. These categories include gross receipts, flat rate, and variable rate.

Business License (in millions)

2009	% Δ	2010	% Δ	2011	% Δ	2012	% Δ	2013	% Δ	2014*	% Δ
\$10.0	-4.0%	\$9.9	-0.8%	\$10.4	4.4%	\$10.3	-0.6%	\$10.7	3.4%	\$11.0	3.1%

*Projected

Hotel Visitors Tax is a tax paid by guests who lodge at hotels or similar establishments within the jurisdiction of the city. Currently, the hotel visitor’s tax rate is 11%.

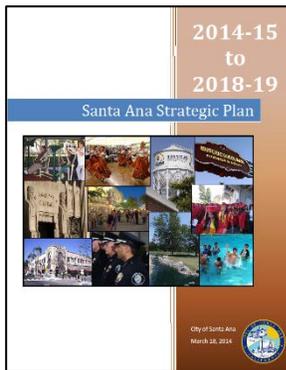
Hotel Visitors Tax (in millions)

2009	% Δ	2010	% Δ	2011	% Δ	2012	% Δ	2013	% Δ	2014*	% Δ
\$6.1	-20.3%	\$5.7	-8.1%	\$6.0	5.7%	\$7.0	17.6%	\$7.5	6.6%	\$7.9	4.8%

*Projected

5-Year Strategic Plan

On March 18, 2014, the Mayor and City Council unanimously voted to adopt the five-year Strategic Plan following an 11-month strategic planning process and extensive community engagement efforts. The



City's outreach efforts included a total of nine events with more than 2,100 participants and recorded over 1,300 comments from various community stakeholders such as residents, businesses, non-profit organizations, students, faith-based community, property owners, educators, employees, and others.

The City's strategic planning process and community engagement efforts resulted in a Strategic Plan that includes a total of 7 goals, 33 objectives and 147 strategies. Included within the Strategic Plan are guiding principles, goals, objectives and strategies which will further ensure the City's financial stability. As an example, one of the primary objectives within the Strategic

Plan is "maintain a structurally balanced budget with appropriate reserve levels". Implementation of the Strategic Plan is scheduled to commence July 1, 2014.

The 5-year Strategic Plan is available in its entirety on the City's website at <http://www.ci.santa-ana.ca.us/strategic-planning/>.

Risk Management Funds

The City of Santa Ana's insurance programs for Liability and Property, and Workers' Compensation are self-insured and administered by the City's Risk Management Division. The City's Risk Management Division funds the first \$1M in liability for each occurrence, and up to \$500,000 for workers' compensation per an occurrence.

Santa Ana is a member of the Big Independent Cities Excess Pool (BICEP) program which covers occurrences between \$1M - \$25M. In 1993, the City became a charter member of the Public Entity Property Insurance Program (PEPIP). Current limits are \$750M per an occurrence for "all risks" and \$82.5M for flood coverage.

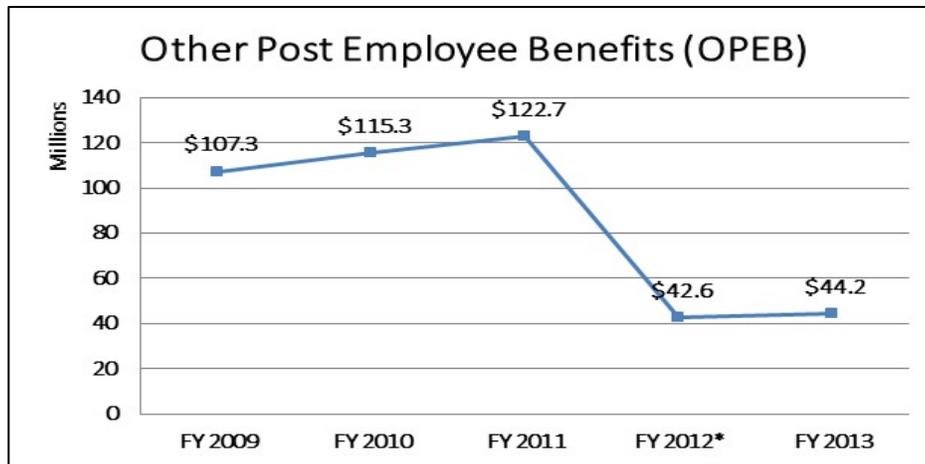
In the June 30, 2013 CAFR, total unrestricted net position for Risk Management funds is \$22.9M (\$21.2M Liability & Property, and \$1.7M Workers' Compensation). This amount far exceeds funding levels as recommended in the June 2013 actuarial study conducted by AON (a third party consultant).

Pensions and OPEB

Pensions: Current CalPERS Employer Contribution rates for Miscellaneous and Safety employees are 25.688% and 41.710% respectively. This represents \$10.7M or 5.3% of the total general fund operating costs. To offset these rising pension costs, the City successfully negotiated increased employee contribution rates ranging from 8% to 10.5% of employee salaries. The City's current unfunded liability for all funds (as stated in the 6/30/13 CAFR) is \$242.9M and reflects an 8.3% increase from the prior year.

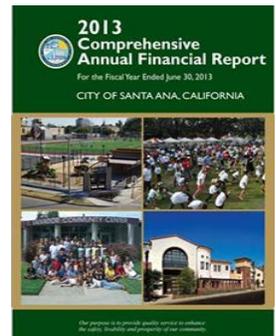
Additionally, the current employee population between legacy and new Public Employees' Pension Reform Act (PEPRA) employees is approximately 97% and 3% respectively. In future years, the City will recognize the benefit of lower pension costs as the number of new PEPRA employee increases.

OPEB: In April 2012, the City outsourced its Fire Department to OCFA and negotiated the elimination of the associated retiree health subsidy. In addition, the City conducted an actuarial review of the Police Officer Association (POA) through a third party consultant. The review concluded that the City was participating in a defined contribution retiree health subsidy plan and as such eliminated the City's unfunded liabilities related to the POA. These two actions reduced the City's OPEB unfunded liabilities by over 65% or the equivalent of over \$80M from 2011 to 2012.



Comprehensive Annual Financial Report (CAFR) and Audits

The City of Santa Ana received its 35th consecutive GFOA certificate of achievement award for excellence in financial reporting with the submittal of the June 30, 2013 Comprehensive Annual Financial Report (CAFR). Following the completion of the CAFR, a review was presented on April 14, 2014 to the Finance, Economic Development and Technology Committee which serve as the City's Audit Committee. The review included an overview of management letter recommendations and management responses presented by Macias, Gini & O'Connell LLP (MGO). All audit recommendations provided by MGO have either been implemented or in the process of being implemented. The management letter recommendations and management responses are included in exhibit 2.



Attachments:

- Exhibit 1 – 5-year General Fund Forecast Detail Sheets
- Exhibit 2 – Management Letter and Management Responses

EXPENDITURE ASSUMPTIONS:						
live	Projected FY 13/14	Projected FY 14/15	Forecast FY 15/16	Forecast FY 16/17	Forecast FY 17/18	Forecast FY 18/19
MOU Salary Increases						
CASA	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EM Appoint	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EM NS	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EM Sworn	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
PMA NS	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
PMA Sworn	1.00%	0.00%	0.00%	0.00%	0.00%	0.00%
POA NS	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
POA Sworn	1.00%	0.00%	0.00%	0.00%	0.00%	0.00%
SAMA	3.50%	0.00%	0.00%	0.00%	0.00%	0.00%
SEIU	1.00%	0.00%	0.00%	0.00%	0.00%	0.00%
PERS Rates						
Total PERS Employer Rate						
Public Safety PERS rate	29.406%	41.710%	46.000%	50.300%	54.700%	59.000%
Miscellaneous PERS rate	22.824%	25.690%	27.700%	29.700%	31.700%	33.700%
Less Employee Contribution:						
CASA	-8.000%	-8.000%	-8.000%	-8.000%	-8.000%	-8.000%
EM Appoint	-8.000%	-8.000%	-8.000%	-8.000%	-8.000%	-8.000%
EM NS	-8.000%	-8.000%	-8.000%	-8.000%	-8.000%	-8.000%
EM Sworn	-8.000%	-8.000%	-8.000%	-8.000%	-8.000%	-8.000%
PMA NS	-8.000%	-8.000%	-8.000%	-8.000%	-8.000%	-8.000%
PMA Sworn	-9.000%	-9.000%	-9.000%	-9.000%	-9.000%	-9.000%
POA NS	-10.500%	-10.500%	-10.500%	-10.500%	-10.500%	-10.500%
POA Sworn	-9.000%	-9.000%	-9.000%	-9.000%	-9.000%	-9.000%
SAMA	-8.000%	-8.000%	-8.000%	-8.000%	-8.000%	-8.000%
SEIU	-9.000%	-9.000%	-9.000%	-9.000%	-9.000%	-9.000%
Other Personnel Costs						
61110 Part-Time Retirement	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%
61120 Medicare Insurance	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%
61130 Employees Insurance	0.00%	2.00%	2.00%	2.00%	2.00%	2.00%
61170 Retiree Medical Insurance	calculated below					
61180 Workers Compensation Insu	0.00%	0.00%	2.00%	2.00%	2.00%	2.00%
62302 Other Personnel Services	0.00%	0.00%	2.00%	2.00%	2.00%	2.00%
61000 Cashouts	0.00%	0.00%	3.25%	3.25%	3.25%	3.25%
Supplies, Services & Capital						
Contractual	0.00%	0.00%	2.00%	2.00%	2.00%	2.00%
Commodities	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Fixed Charges	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Capital	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Debt Payment	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

EXPENDITURE ASSUMPTIONS:						
live	Projected FY 13/14	Projected FY 14/15	Forecast FY 15/16	Forecast FY 16/17	Forecast FY 17/18	Forecast FY 18/19

ADDITIONAL EXPENDITURE ASSUMPTIONS:						
	FY 13/14	FY 14/15	FY 15/16	Forecast FY 16/17	Forecast FY 17/18	FY 18/19
Retiree Medical						
CASA	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%
EM Appoint	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%
EM NS	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%
EM Sworn	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%
PMA NS	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%
PMA Sworn	1.25%	1.25%	1.25%	1.25%	1.25%	1.25%
POA NS	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%
POA Sworn	0.75%	0.75%	0.75%	0.75%	0.75%	0.75%
SAMA	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%
SEIU	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Employer Paid Member Contribution (EPMC)						
Public Safety	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%
Miscellaneous	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%

Departmental Summary (Thousands \$) Excludes Non-Dept, CDA and Transfers Out	Projected FY 13/14	Projected FY 14/15	Forecast FY 15/16	Forecast FY 16/17	Forecast FY 17/18	Forecast FY 18/19
61000 Salaries & Wages Regular	69,594,183	69,693,998	69,333,340	69,342,657	68,602,276	69,362,209
61010 Salaries & Wages-Retirement	781,907	781,907	781,907	781,907	781,907	781,907
61020 Salaries & Wages-Temporary	5,030,672	5,030,672	5,030,672	5,030,672	5,030,672	5,030,672
61040 Salaries-Overtime	2,508,550	2,508,550	2,508,550	2,508,550	2,508,550	2,508,550
61100 Retirement Plan	10,746,823	15,569,845	17,573,493	19,577,132	21,612,553	23,616,192
61110 Part-Time Retirement	188,651	188,651	188,651	188,651	188,651	188,651
61120 Medicare Insurance	1,077,782	1,079,229	1,076,386	1,078,022	1,068,836	1,081,455
61130 Employees Insurance	9,948,974	10,147,953	10,350,911	10,557,930	10,769,089	10,984,471
61170 Retiree Medical Insurance	629,777	629,777	629,845	629,915	629,987	630,061
61180 Workers Compensation Insurance	4,277,400	4,277,400	4,362,948	4,450,207	4,539,211	4,629,995
61098 Filling of Vacancies	1,680,531	1,686,205	1,647,573	1,653,177	1,649,574	1,664,727
61199 FT Attrition Savings	(2,251,798)	(2,354,376)	(2,394,183)	(2,442,545)	(2,476,332)	(2,540,491)
61000 Cash Outs - Safety	3,085,000	3,085,000	3,185,263	3,288,784	3,395,669	3,506,028
<i>Additional Assumptions:</i>						
<i>End of Furloughs</i>	1,358,572	1,358,572	1,358,572	1,358,572	1,358,572	1,358,572
<i>Cash Outs - Misc.</i>	381,033	381,033	381,033	381,033	381,033	381,033
<i>Obama Cops - Grant Ended</i>	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	1,300,001
<i>Adjustments</i>	120,000	-	-	-	-	-
<i>Add'l 800MHZ Cost</i>	78,000	78,000	78,000	78,000	78,000	78,000
Total Personnel	110,536,057	115,442,416	117,392,961	119,762,664	121,418,248	124,562,033
Contractual	61,966,419	62,762,625	64,005,574	65,273,137	65,623,117	66,935,579
Commodities	3,807,094	3,807,359	3,807,359	3,807,359	3,807,359	3,807,359
Fixed Charges	7,069,419	7,069,419	7,069,419	7,069,419	7,069,419	7,069,419
Capital	444,868	444,868	1,169,868	1,169,868	1,169,868	1,169,869
Debt Payment	148,046	86,336	86,336	86,336	86,336	86,336
Total	183,971,903	189,613,023	193,531,517	197,168,783	199,174,347	203,630,595
Percent Increase	2.26%	3.07%	2.07%	1.88%	1.02%	2.24%

Non-Departmental & CDA GF (Thousands of Dollars)	Projected FY 13/14	Projected FY 14/15	Forecast FY 15/16	Forecast FY 16/17	Forecast FY 17/18	Forecast FY 18/19
Contractual	3,370	295	295	295	295	295
Commodities	23	23	23	23	23	23
Debt	680	680	681	681	681	681
Community Activities - CDA	550	550	550	550	550	550
Strategic Plan implementation		2,000	2,000	2,000	2,000	2,000
1% Inovation and Efficiencies		(1,400)	(1,400)	(1,400)	(1,400)	(1,400)
Total - Non-Departmental	\$ 4,623	\$ 2,148	\$ 2,149	\$ 2,149	\$ 2,149	\$ 2,149

Transfers Out (Thousands of Dollars)	Projected FY 13/14	Projected FY 14/15	Forecast FY 15/16	Forecast FY 16/17	Forecast FY 17/18	Forecast FY 18/19
Transfers to Project Funds:						
Transfer to Civic Center Authority F74	600	600	600	600	600	600
Police Building Debt Service	9,065	9,220	9,220	9,220	9,220	9,220
IS Strategic Plan - Cross Charge	2,662	2,662	2,662	2,662	2,662	2,662
Total Transfers Out	\$ 12,327	\$ 12,482	\$ 12,482	\$ 12,482	\$ 12,482	\$ 12,482

Taxes (Thousands of Dollars)	Projected FY 13/14	Projected FY 14/15	Forecast FY 15/16	Forecast FY 16/17	Forecast FY 17/18	Forecast FY 18/19
Business Tax	\$ 11,000	\$ 11,300	\$ 11,470	\$ 11,642	\$ 11,817	\$ 11,994
Documentary Stamp Tax	660	680	708	737	767	798
Half-cent Sales Tax (Safety Prop 172)	1,963	2,030	2,106	2,201	2,298	2,373
Homeowner Property Tax Subvention	230	230	230	230	230	230
Hotel Visitors Tax	7,850	8,200	8,405	8,615	8,830	9,051
Property Tax	29,450	30,334	31,547	32,809	34,121	35,486
Property Tax In Lieu VLF	26,684	27,485	28,584	29,727	30,916	32,153
Santa Ana Property Tax Residual (CDA)	5,000	5,150	5,356	5,570	5,793	6,025
Sales Tax	42,079	43,519	45,138	47,178	49,259	50,860
Utility Users Tax	24,649	24,649	24,649	24,649	24,649	24,649
Total Taxes	\$ 149,565	\$ 153,577	\$ 158,193	\$ 163,358	\$ 168,680	\$ 173,619
	6.10%	2.68%	3.01%	3.26%	3.26%	2.93%

Projected FY 13/14	Projected FY 14/15	Forecast FY 15/16	Forecast FY 16/17	Forecast FY 17/18	Forecast FY 18/19
2.33%	2.73%	1.50%	1.50%	1.50%	1.50%
2.05%	3.05%	4.05%	4.05%	4.05%	4.05%
9.03%	3.42%	3.72%	4.52%	4.41%	3.25%
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
4.88%	4.46%	2.50%	2.50%	2.50%	2.50%
2.00%	3.00%	4.00%	4.00%	4.00%	4.00%
2.00%	3.00%	4.00%	4.00%	4.00%	4.00%
0.00%	3.00%	4.00%	4.00%	4.00%	4.00%
9.03%	3.42%	3.72%	4.52%	4.41%	3.25%
0.96%	0.00%	0.00%	0.00%	0.00%	0.00%
6.10%	2.68%	3.01%	3.26%	3.26%	2.93%

Intergovernmental (Thousands of Dollars)	Projected FY 13/14	Projected FY 14/15	Forecast FY 15/16	Forecast FY 16/17	Forecast FY 17/18	Forecast FY 18/19
Overhead Charge - Water	7,467	7,467	7,467	7,467	7,467	7,467
P.O.S.T. Reimbursements	97	98	99	100	101	102
Property Tax - Pass-through AB1290	630	649	675	703	732	762
Rancho Santiago Reimbursement-PRCS	24	24	24	24	24	24
S.T.C. Reimbursement	52	53	54	55	56	57
SB90 State Mandates Reimbursement	205	211	211	211	211	211
Total Intergovernmental	\$ 8,475	\$ 8,502	\$ 8,530	\$ 8,560	\$ 8,591	\$ 8,623
	-26.96%	0.32%	0.33%	0.35%	0.36%	0.37%

Projected FY 13/14	Projected FY 14/15	Forecast FY 15/16	Forecast FY 16/17	Forecast FY 17/18	Forecast FY 18/19
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%
3.08%	3.08%	4.08%	4.08%	4.08%	4.08%
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%
-40.00%	0.00%	0.00%	0.00%	0.00%	0.00%
-26.96%	0.32%	0.33%	0.35%	0.36%	0.37%

Use of Money & Property (Thousands of Dollars)	Projected FY 13/14	Projected FY 14/15	Forecast FY 15/16	Forecast FY 16/17	Forecast FY 17/18	Forecast FY 18/19
Earnings on Investments	\$ 205	\$ 210	\$ 218	\$ 226	\$ 234	\$ 242
Police Department Jail Facility Rental	13,800	14,000	14,140	14,281	14,424	14,568
PRCSA - Godinez High School	24	24	24	24	24	24
Recreation Facility Rental	42	42	42	42	42	42
Rental of Property	130	130	136	143	150	157
Rental of Stadium	216	218	220	222	224	226
Total Taxes	\$ 14,417	\$ 14,624	\$ 14,780	\$ 14,938	\$ 15,098	\$ 15,259
	0.43%	1.44%	1.07%	1.07%	1.07%	1.07%

Projected FY 13/14	Projected FY 14/15	Forecast FY 15/16	Forecast FY 16/17	Forecast FY 17/18	Forecast FY 18/19
2.63%	2.63%	3.63%	3.63%	3.63%	3.63%
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%
3.91%	3.91%	4.91%	4.91%	4.91%	4.91%
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%
0.43%	1.44%	1.07%	1.07%	1.07%	1.07%

Miscellaneous (Thousands of Dollars)	Projected FY 13/14	Projected FY 14/15	Forecast FY 15/16	Forecast FY 16/17	Forecast FY 17/18	Forecast FY 18/19
Attorney Reimbursement	\$ 979	\$ 979	\$ 989	\$ 999	\$ 1,009	\$ 1,019
Expense Reimbursement	37	37	37	37	37	37
Extension Request Fee	1	2	3	3	3	3
Fire Expense Reimbursement	20	20	20	20	20	20
Graffiti Enforcement Reimbursement	230	-	-	-	-	-
Indirect Cost Recovery	2,072	2,093	2,114	2,135	2,156	2,178
Jail Kitchen Rental	66	67	68	69	70	71
Miscellaneous Recoveries	127	131	137	143	149	156
Monitoring/PILOT fees	61	61	64	67	70	73
Other Library Recoveries	5	5	5	5	5	5
Park Maint. Expense Reimbursement	61	62	63	64	65	66
Plan Check Reimbursement	162	166	171	177	183	189
Police Miscellaneous Reimbursements	20	20	20	20	20	20
Property & Evidence Recovery	50	50	51	52	53	54
Recreation Expense Reimbursement	3	3	3	3	3	3
Refuse Contract Program Surcharge	4,972	4,972	4,972	4,972	4,972	4,972
Refuse Program Savings Recovery	1,352	1,352	1,352	1,352	1,352	1,352
Sale of Maps and Documents	5	5	5	5	5	5
Storage of Weapon Fee	6	6	6	6	6	6
OTHER MISC. REVENUES	8	8	8	8	8	8
Total Miscellaneous	\$ 10,237	\$ 10,039	\$ 10,088	\$ 10,137	\$ 10,186	\$ 10,237
	-7.74%	-1.93%	0.49%	0.49%	0.48%	0.50%

Projected FY 13/14	Projected FY 14/15	Forecast FY 15/16	Forecast FY 16/17	Forecast FY 17/18	Forecast FY 18/19
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%
3.48%	3.48%	4.48%	4.48%	4.48%	4.48%
3.50%	3.50%	4.50%	4.50%	4.50%	4.50%
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%
2.28%	2.28%	3.28%	3.28%	3.28%	3.28%
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%
-7.74%	-1.93%	0.49%	0.49%	0.48%	0.50%

Franchise Fees (Thousands of Dollars)	Projected FY 13/14	Projected FY 14/15	Forecast FY 15/16	Forecast FY 16/17	Forecast FY 17/18	Forecast FY 18/19
CATV Franchise Fees	\$ 1,254	\$ 1,241	\$ 1,229	\$ 1,217	\$ 1,205	\$ 1,193
Electrical Utility	1,193	1,217	1,241	1,266	1,291	1,317
Gas Utility	414	418	422	426	430	434
Total Franchise Fees	\$ 2,861	\$ 2,876	\$ 2,892	\$ 2,909	\$ 2,926	\$ 2,944

Projected FY 13/14	Projected FY 14/15	Forecast FY 15/16	Forecast FY 16/17	Forecast FY 17/18	Forecast FY 18/19
0.00%	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%
2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
0.95%	0.52%	0.56%	0.59%	0.58%	0.62%

Licenses & Permits (Thousands of Dollars)	Projected FY 13/14	Projected FY 14/15	Forecast FY 15/16	Forecast FY 16/17	Forecast FY 17/18	Forecast FY 18/19
Alarm Permit Fees	116	117	118	119	120	121
Building Permits	1,061	1,072	1,104	1,137	1,171	1,206
Bus Shelter Fees	205	207	209	211	213	215
Dog Licenses	659	679	706	734	763	794
Dog Licenses - CCI	103	106	110	114	118	122
Electrical Permits	330	337	348	359	370	382
Filming Permit	5	5	5	5	5	5
General Plan Update Surcharge	111	113	117	121	125	129
Grading Permits	23	24	26	28	30	32
Heating Permits	165	169	181	194	208	223
Newsbox Permit Fees	27	27	27	27	27	27
Occupancy Permits	404	408	412	416	420	424
Outdoor Dining Permits	3	3	3	3	3	3
Plumbing Permits	150	154	159	164	170	176
Street Closure Permit	5	5	5	5	5	5
Street Vendor Permit	22	22	22	22	22	22
Tobacco Permits	175	177	179	181	183	185
Total Licenses & Permits	\$ 3,564	\$ 3,625	\$ 3,731	\$ 3,840	\$ 3,953	\$ 4,071
	-14.24%	1.71%	2.92%	2.92%	2.94%	2.99%

Projected FY 13/14	Projected FY 14/15	Forecast FY 15/16	Forecast FY 16/17	Forecast FY 17/18	Forecast FY 18/19
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%
2.03%	2.03%	3.03%	3.03%	3.03%	3.03%
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%
3.00%	3.00%	4.00%	4.00%	4.00%	4.00%
2.54%	2.54%	3.54%	3.54%	3.54%	3.54%
2.18%	2.18%	3.18%	3.18%	3.18%	3.18%
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%
2.15%	2.15%	3.15%	3.15%	3.15%	3.15%
7.25%	7.25%	8.25%	8.25%	8.25%	8.25%
6.33%	6.33%	7.33%	7.33%	7.33%	7.33%
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%
2.44%	2.44%	3.44%	3.44%	3.44%	3.44%
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%
-14.24%	1.71%	2.92%	2.92%	2.94%	2.99%

Fines (Thousands of Dollars)	Projected FY 13/14	Projected FY 14/15	Forecast FY 15/16	Forecast FY 16/17	Forecast FY 17/18	Forecast FY 18/19
Administrative Citations/Comm Pres	\$ 242	\$ 252	\$ 265	\$ 279	\$ 294	\$ 309
Bad Check Recoveries	21	21	21	21	21	21
Court Fines - Non-Traffic	110	110	111	112	113	114
Court Fines - Traffic	560	560	566	572	578	584
Lost /Damaged Library Materials	8	8	8	8	8	8
Parking Fines	4,200	4,242	4,284	4,327	4,370	4,414
Redlight Camera Program	1,850	1,850	1,850	1,850	1,850	1,850
Tobacco Fine	1	1	1	1	1	1
Total Fines	\$ 6,992	\$ 7,044	\$ 7,106	\$ 7,170	\$ 7,235	\$ 7,301
	4.69%	0.74%	0.88%	0.90%	0.91%	0.91%

Projected FY 13/14	Projected FY 14/15	Forecast FY 15/16	Forecast FY 16/17	Forecast FY 17/18	Forecast FY 18/19
4.27%	4.27%	5.27%	5.27%	5.27%	5.27%
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
4.69%	0.74%	0.88%	0.90%	0.91%	0.91%

Sacramento

Walnut Creek

Oakland

LA/Century City

San Diego

Seattle

The Honorable City Council
 of the City of Santa Ana, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Santa Ana, California (City) as of and for the year ended June 30, 2013, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 4, 2013. Our report included an emphasis of a matter regarding the Successor Agency to the Santa Ana Redevelopment Agency's process of resolving the disagreements with the conclusions rendered by the State Department of Finance (DOF) on the amounts due to taxing entities. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. We noted certain matters involving the internal control over financial reporting and its operation that we considered to be a material weakness under auditing standards generally accepted in the United States of America. The material weakness is reported to the City Council in a separate letter dated December 4, 2013. We also noted other items relating to their internal controls which are discussed below:

SECTION I – CURRENT YEAR FINDINGS

TREASURER'S REPORT

Comment

The City of Santa Ana Investment Policy (Policy) and the California Government Code (CGC), Sections 53646(b)(i) and 53646(2) indicate:

- a. The treasurer or chief fiscal officer may render a quarterly report to the chief executive officer, the internal auditor, and the legislative body of the local agency. The quarterly report shall be so submitted within 30 days following the end of the quarter covered by the report.
- b. The quarterly report shall state compliance of the portfolio to the statement of investment policy, or manner in which the portfolio is not in compliance.

During our review of the Treasurer's Report for the quarters ended March 31, 2013 and as of June 30, 2013, we noted that:

- a. The City's Treasurer's Reports noted above were submitted to the City Council 10-15 days later than the 30 day period required by the CGC and City investment policy.
- b. The City's Treasurer's Reports noted above did not state the compliance of the portfolio to the statement of investment policy.

Recommendation:

We recommend the City enhance their internal controls to ensure the timely submission of their Treasurer's Report to the City Council. Also, we recommend that management incorporate all essential elements of the investment policy as required.

Views of Responsible Officials and Planned Corrective Action:

In accordance with the City's and State government code, staff prepares a quarterly report of investments. Staff formally prepares the item for Council consideration as a Request for Council Action at the second meeting of the required month. Since preparation of the report is not completed until the middle of the month, a second council meeting falling early on may not lend itself for submission of the quarterly report. These reports are then submitted at the first meeting of the following month. However, in order to adhere to the required thirty days, reports will be provided via email to City management and the City Council within the 30 day requirement. Staff will continue to submit the item for Council consideration at the next available Council meeting. Furthermore, language reflecting the submittal of reports via e-mail to City management and City Council will be incorporated into the Investment Policy.

SECTION II – STATUS OF PRIOR YEAR FINDINGS

INFORMATION TECHNOLOGY OPERATIONS AND PLANNING

Comment

General computer controls over the access to programs and data require procedures to be in place to identify and react to risks arising from internal and external sources and unforeseeable events. The City has not performed a formal comprehensive and independent IT risk assessment to help identify the risks to the delivery of IT services and the accuracy and integrity of the City's financial and personnel data. Also, the City has not developed a comprehensive IT strategic plan to align the long-term goals and objectives of the IT function with the City as a whole. Further, the IT Services Division has not developed a Disaster Recovery and Business Continuity Plan that formally documents how its financial information and systems would be recovered in the event of a disaster or how the City's business functions would continue to operate should the electronic data systems be unavailable for an extended period of time.

Recommendation

Given the observations noted above, we recommend that the IT Services Division, work with other department managers, set up a strategic committee to develop an IT strategic plan, comprehensive business continuity plan and an independent IT risk assessment. The IT strategic plan should identify and prioritize IT initiatives that are aligned with the goals and objectives of the City as a whole and periodically updated for continued relevance to strategic initiatives. Incorporated into the business continuity plan should be procedures for the recovery of the electronic systems and data in the event of a disaster or an event that precludes or limits the use of the main data center. Once completed, the recovery plan should be tested periodically and updated based upon the findings of the testing. The risk assessment should focus on identifying all of the possible risks to the City's IT department, the delivery of IT services and the accuracy and integrity of the City's financial and personnel data. The risk assessment should quantify the likelihood of an event, the impact of the event and the mitigating controls that would address the possible risk. The risk assessment should also include network penetration testing to ascertain the vulnerabilities of the City's computer network from hacking attempts.

In lieu of such strategic IT committee being established, we recommend the IT Services Division develop alternative strategies to address the observations noted for consideration by City Management.

Status of corrective action:

Comprehensive risk assessment and strategic plan – In process.

During fiscal year 2014, the City formed a Finance, Economic Development and Technology Committee (Committee), comprised of members of City Council. The Committee will provide governance over IT initiatives and policies and procedures. The Committee will facilitate the development and review of the Strategic Plan, organizational and risk assessments on IT. The IT Services Division had previously submitted their “Plan for Information Technology Vision for the City of Santa Ana (Plan)” to the previous City Manager but no review or action was taken as a result of his retirement.

Financial Systems IT Disaster Recovery Plan

The IT Services Division has developed a Financial Systems IT Disaster Recovery Plan (DR plan) for its core financial and payroll systems. Included in the DR plan is a section for testing the plan. Both the Lawson and payroll system DR plans have been tested. Lawson recovery testing is conducted on a bi-monthly basis.

PROPER PASSWORD CONFIGURATION CONTROLS

Comment

IT general controls should ensure that only authorized individuals have access to the City’s IT network, applications and data. One of the primary means of controlling user access is through the use of passwords. The City is not enforcing proper password configuration controls. We noted that the City’s password requirements do not adhere to industry best practices. For example, there is no password length, complexity, or expiration period for the Lawson application.

Recommendation

We recommend that the IT Services Division, working with the primary accounting system functional user departments, enforce passwords for network as well as application access that are at least as stringent as industry best practices. Not having proper password standards increases the risk that the City’s network and applications can be accessed by unauthorized individuals.

Status of corrective action:

In process. The IT Services Division has developed a Password Policy and a list of Frequently Asked Questions reviewed and approved for implementation. Policy implementation will be effective April 1, 2014.

EMPLOYEE DATA PROVIDED TO ACTUARY

Comment

Providing accurate employee information related to date of hire, date of birth, etc. to the actuary will ensure that a reliable estimate is made of the City's pension and retirement liabilities. During our test-work of the underlying data for the City's OPEB and CalPERS liabilities, we noted that the date of hire obtained from the actuary report did not match to the date of hire as recorded by the City on the employees' Kardex file. This kind of error could result in misleading calculations for the City's pension and retirement liabilities.

Recommendation

We recommend that a responsible official at the City reviews and verifies the employees' information before submitting it to the outside actuary for valuing the retirement/pension liabilities.

Status of corrective action:

Implemented. Benefits Supervisor now reviews and verifies the employees' information before submitting it to the outside actuary.

TREASURER'S REPORT PREPARATION

Comment

During our review of the Treasurer's Report for the month ended June 30, 2012, we noted that the balance reflected in the investment report for a passbook/checking account was under reported by \$296,436 when compared to the balance as reported in the confirmation received directly from the bank. The Treasurer's Report section which includes passbook/checking accounts is manually prepared. The error was an oversight on behalf of the preparer and the report was not reviewed by a supervisor within the department.

Recommendation

We recommend that a secondary review of information within the department compare the manually prepared section of the Treasurer's Report to a complete listing of passbook/checking account bank balances, as obtained from the bank statements prior to sending the completed report to Finance for final review and approval.

Status of corrective action:

Implemented. The under reporting was the result of transitioning of a Jail commissary account to a new bank account. The old account was left open to clear open checks and was not included in the report. The Accounting Division now performs a secondary review of the Treasurer's Report to ensure proper reconciliation.

This report is intended solely for the information and use of the City Council and management of the City of Santa Ana and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

We would like to express our appreciation for the courtesy and assistance extended to us during our audit by all of your staff.

We would be pleased to discuss with you at your convenience the matters contained in this letter or any other matters which you would like to discuss.

Macias Fini & O'Connell LLP

Newport Beach, California
December 4, 2013

**Orange County Fire Authority
Analysis of Financial Update & Forecast from City of Santa Ana
June 2014**

(Note: Q&A responses from the City of Santa Ana are included in the document following this Analysis.)

The City provided the Draft City of Santa Ana Financial Update to The Orange County Fire Authority dated June 2014 (“City Financial Update”). The purpose of the City Financial Update is to provide an overview of the City’s financial position to support the removal of OCFA’s escrow account requirement. The City Financial Update is based on a five-year financial forecast attached as Exhibit 1. The OCFA has conducted an initial review of the City Financial Update and five-year forecast and has the following questions/comments:

1. Santa Ana Projecting Revenues to Grow Faster Than Expenditures

See the Table 1 below for a comparison of Santa Ana’s revenue and expenditure forecast to forecasts in nearby jurisdictions. Garden Grove and Fountain Valley are both projecting expenditure growth to outpace revenue growth for the next 4 to 5 years. On average, Irvine is projecting higher revenue than expenditure growth over the next five years due to significant development activity driving property tax, transient occupancy tax, and sales tax growth. Garden Grove, Fountain Valley, and Irvine are all forecasting average expenditure growth that exceeds 2.8% per year compared to 1.67% for Santa Ana.

What factors will contribute to Santa Ana’s revenue growth and what strategies will the City implement to control costs through the forecast period?

Table 1 - General Fund Revenue & Expenditure Forecast Comparison						
Jurisdiction	FY 14/15	FY 15/16	FY 16/17	FY 17/18	FY 18/19	Average
<u>Santa Ana</u>						
Revenue	3.53%	2.49%	2.69%	2.70%	2.46%	2.77%
Expenditures	1.65%	1.92%	1.75%	0.95%	2.08%	1.67%
<u>Garden Grove</u>						
Revenue	0.05%	1.35%	1.82%	1.21%	NA	1.11%
Expenditures	4.14%	3.00%	3.00%	3.00%	NA	3.28%
<u>Fountain Valley</u>						
Revenue	2.60%	2.03%	2.05%	1.82%	1.83%	2.07%
Expenditures	2.00%	3.00%	3.00%	3.00%	3.00%	2.80%
<u>Irvine</u>						
Revenue	8.59%	4.30%	3.86%	3.64%	3.64%	4.81%
Expenditures	0.50%	4.15%	2.74%	4.51%	2.69%	2.92%

2. 4% Annual Property Tax Revenue Growth Assumptions

Property tax is one of the City’s key revenue sources. The five-year financial forecast assumes 4.0% annual growth from 15/16 through 18/19. OCFA’s property tax consultant, RSG, Inc., is currently projecting growth in existing secured property tax of 2.75% in 15/16,

2.25% in 16/17, 2.75% in 17/18, and 3.25% in 18/19 within the structural fire fund cities. This does not include increases from new construction. Based on RSG's review of various economic indicators and reports, they are forecasting slow and steady property tax growth due to a declining investor pool, decreasing home affordability, slow growth in household income, and increasing supply of new homes.

Please provide support for the City's 4.0% annual property tax growth projections. Is the City anticipating significant development activity that will support a 4% annual growth rate?

3. 4% Annual Property Tax In Lieu of VLF Growth Assumptions

Like property tax revenue, annual growth in the City's Property Tax In Lieu of VLF revenue increases in proportion to the City's growth in assessed value. The projection of 4% annually beginning in 15/16 may be high based on the reasons mentioned in Comment #1 above.

4. Support for Reduced Costs Due to Innovation & Efficiencies

The five-year financial forecast shows a "1% Innovation & Efficiencies" line item under non-departmental expenses which reduces costs by an ongoing \$1.4 million beginning in 14/15. Please provide details on how the \$1.4 million reduction in costs will be achieved. Typical practice in preparing five-year forecasts is to conservatively estimate expenditures and in some cases, budget in a contingency for unforeseen costs.

5. 6% Utility User Tax Rate

The City Financial Update references a 6% utility user tax rate. What percent is assumed for the outer years of the forecast? The Mayor and City Council members unanimously voted to place a measure on the November 4, 2014 municipal election ballot that will reduce the City's utility user tax from 6.0% to 5.5% with a majority approval. What is the term, if any, of the City's utility user tax? Also, utility user tax revenue has been declining in recent years. What factors are anticipated to stabilize utility user tax revenue in the coming years?

6. Sales Tax Growth Assumptions Ranging from 3.3% to 4.5%

Please provide support for sales tax growth assumptions ranging from 3.3% in 18/19 to 4.5% in 16/17.

7. 2.5% in Hotel Visitor's Tax

The five-year forecast assumes 2.5% annual growth from 15/16 through 18/19 in hotel visitor's tax revenue. What is anticipated to drive this growth (i.e. increasing occupancy rates, increasing room rates, new hotel construction)?

8. \$7.5M in Annual Water Overhead Charge Revenue

The City's September 2013 five-year forecast assumed a reduction in water transfer revenue of \$1.2 million in 14/15 and \$2.4 million from 15/16 through 18/19. These anticipated reductions were eliminated in the latest five-year forecast. What was the previous rationale for reducing this revenue in the prior forecast? Various parties have raised issues related to this revenue source in the past claiming that Proposition 218 prohibits using revenue from city-levied utility fees for general fund costs unless those costs can be justified as part of the cost of providing the utility. Have the questions related to this revenue source been resolved?

9. Declining Salaries & Wages in 15/16 and 17/18

Salaries & Wages - Regular, which represents approximately 32% of the City's total expenditure budget for 14/15, is projected to decline by 0.5% in 15/16, remain flat in 16/17, and decline by 1.1% in 17/18. Please provide an explanation for these assumptions. The City's September 2013 forecast assumed 2% salary increases from 15/16 through 17/18 and 3.25% in 18/19, but these increases were eliminated in the latest forecast. What are the expectations of the City Council and the City's workforce with regards to salary increases through 18/19?

10. Slow Growth in Employee Insurance

Santa Ana's employee insurance expenditures are projected to grow by 2.0% per year from 14/15 through 18/19. Over the last 10 years, insurance costs have risen significantly and OCFA conservatively projects 9%-10% growth in insurance costs in its five-year forecast provided to OCFA's Board of Directors. Please provide support for 2% growth in insurance expenditures. Is this based on historical growth in insurance costs that the City has experienced and if so, over what period?

11. 15/16 Drop in City Manager's Office and Personnel Services Agency Expenditures

In 15/16, departmental expenditures are projected to decline by 21.3% for the City Manager's Office and 7.3% for the Personnel Services Agency. Please provide an explanation for anticipated reductions in these departments.

12. 2% Growth in Workers Compensation Insurance Costs

How does the 2% annual growth projected from 15/16 through 18/19 compare to historical annual increases in workers compensation costs? Does the City budget for annual worker's compensation costs using the pay-as-you-go method, or is the budget connected to the ultimate annual loss amount, as projected by the actuary? If ultimate loss amounts are used, please provide what confidence level is used?

In addition, the Aon actuarial report that was provided to OCFA is as of June 2012. Please provide the report from June 2013. Finally, the Financial Update report mentions the net position for the Risk Management Funds per the CAFR. Please advise which page in the CAFR we can find this?

13. Projected Retirement Costs

The City's 5 year forecast mentions an "actuarial forecast". Can you please provide a copy of the forecast used for projecting retirement costs? If the City has retirement rate projections from PERS, please provide those projections.

14. Letter from MGO

The letter that was provided as Exhibit 2 from MGO mentions a material weakness that's discussed in a separate letter dated December 4, 2013 – can we get a copy of that letter?

Responses to OCFA Questions
5-28-14
(Santa Ana responses are in blue font)

1) What factors will contribute to Santa Ana's revenue growth and what strategies will the City implement to control costs through the forecast period?

Revenue Growth:

- Revenues have not yet reached pre-recession levels and actuals continue to exceed projections
- MuniServices Forecast LLC Sales Tax consultant continues to provide positive news regarding the economy and growth in the City's Sales Tax revenues
- Legislative Analyst Office forecasts moderate economic growth in 2013 and accelerated economic growth in 2014
- UCLA Anderson forecast predicts a 3% economic growth in 2014
- Santa Ana's unemployment levels continue to drop. Peak of 14.9% in 2010 and now 9.3%
- Automall auto sales tax are up 74.7% from 2011 and expected to grow
- City's Downtown businesses are thriving
- Westfield is making improvements to the Main Place Mall
- The City's assessed valuation continues to grow
- Major upcoming developments in the next couple of years includes over 1,300 new residential units and nearly 550,000 square feet of new retail/office space
- Dissolution of Redevelopment is generating over \$5.5M annually in new property tax revenues coming directly into the GF
- The City is experiencing improved permit and plan check activity:
 - Development projects are up 33%
 - Permit valuation is up 16%
- Modernizing the Utility Users Tax
- City recently adopted a 5-year strategic plan. Implementation will begin 7/1/2014. Strategies include:
 - Economic Development strategy – Business Attraction & Retention efforts
 - New City Marketing campaign & business advisory committee
 - Job creation strategies
 - Updating of the General Plan
- The City is aggressively looking to recapture costs through full-cost recovery fees and generating new revenues (i.e. misc. fee schedule, automating parking meters, etc. which are not included in the forecast)
- City recently increased the Jail per diem rate (\$1.4M annually not included in the forecast)

Control Costs:

- City recently adopted a 5-year strategic plan. Implementation will begin 7/1/2014. Strategies include:
 - Refunding of existing debt to lower payments:

- Refunding of Certificates of Participation (COP's) going to Council 6/3/14 with an estimated annual savings of over \$200k annually (not included in the forecast)
 - City is implementing a culture of innovation and efficiency savings of 1% per year:
 - Adoption and implementation of an IT strategic plan
 - Implementing a mobility initiative to increase productivity
 - Seeking automation opportunities
 - Using online and web based applications services
 - Moving towards document management & self-serve payroll
- Continuation of structural labor concessions (i.e. increased employee pension contributions, capping medical costs, reducing OPEB, etc.)
- City will continue to manage vacancies
- Creating part-time positions to reduce full-time labor and benefit costs
- Implementing consignment programs in its internal service fund departments to reduce costs to the General Fund
- Continue to look for and implement outsourcing opportunities
- Aggressively pursuing grant and alternative funding opportunities
- Facilities energy retrofits to reduce utility costs
- Implementing green technologies (i.e. charging stations, CNG, Propane, etc.) with the use of grant funding to reduce gas consumption.

2) Please provide support for the City's 4.0% annual property tax growth projections. Is the City anticipating significant development activity that will support a 4% annual growth rate?

The 4% growth is based on several factors:

- The Orange County Property Valuation update presented in February 2014 provided a growth factor of 3 to 5% (County Assessor).
- City's Assessed Valuation increase over the prior year is 3.4%.
- The City is experiencing an increase in permits and plan check activities:
 - Development projects are up 33%
 - Permit valuation is up 16%
- Major upcoming developments in the next couple of years includes over 1,300 new residential units and nearly 550,000 square feet of new retail/office space

Additionally, the outer year forecast growth rates were developed in coordination with Management Partners LLC.

3) 4% Annual Property Tax In Lieu of VLF Growth Assumptions

Same response as #2

4) Support for Reduced Costs Due to Innovation & Efficiencies. Please provide details on how the \$1.4 million reduction in costs will be achieved.

The 1% goal (the equivalent of \$1.4M) is a strategy of the 5-year strategic plan. City Departments will be incentivized to reach their targets and will have the flexibility to either

reduce on-going expenditures or generate on-going revenues. Department Heads will present updates during Executive Management Team meetings and also during City Council Committee meetings. Departments will identify and implement opportunities which include:

- Use of technology for automation and improved productivity
- Use of online services
- Consolidation of services
- Outsourcing
- Refinancing of existing debt to lower payments
- Continue to manage vacancies
- Implement energy retrofits
- Seek full cost recovery

5) 6% Utility User Tax Rate

The City Financial Update references a 6% utility user tax rate. What percent is assumed for the outer years of the forecast? *Forecast assumes that revenues generated in the outer years will remain constant (see explanation below).* The Mayor and City Council members unanimously voted to place a measure on the November 4, 2014 municipal election ballot that will reduce the City's utility user tax from 6.0% to 5.5% with a majority approval. What is the term, if any, of the City's utility user tax? *The UUT does not have a sunset clause.* Also, utility user tax revenue has been declining in recent years. What factors are anticipated to stabilize utility user tax revenue in the coming years? *The UUT revenues have declined in past years as a result of lower natural gas prices and changes in telecom technology. In the current year, we have seen a rebound of UUT revenues. In an effort to stabilize future revenues, the City will be placing a ballot measure to implement three changes: 1) to reduce the UUT rate from 6% to 5.5%, 2) eliminate the maximum cap on UUT of \$11K, 3) and expand/modernize the telecom language. The result of these three changes will stabilize the revenues in the short term and potentially increase revenues in the outer years. The City is forecasting 0% growth in an effort to remain conservative in its projections.*

6) Please provide support for sales tax growth assumptions ranging from 3.3% in 18/19 to 4.5% in 16/17.

The growth assumptions are sales tax reports provided by MuniServices (third party consultant). Consultant forecasts are considered confidential.

According to MuniServices LLC, the City has a well-balanced (diversified) sales tax base. Below are the respective % by category based on the most recent report:

- Transportation 25.7%
- General Retail 24.4%
- Business to Business 19.8%
- Food Products 16.6%
- Construction 12.2%
- Miscellaneous 1.3%

7) 2.5% in Hotel Visitor's Tax. The five-year forecast assumes 2.5% annual growth from 15/16 through 18/19 in hotel visitor's tax revenue. What is anticipated to drive this growth (i.e. increasing occupancy rates, increasing room rates, new hotel construction)? *The City is anticipating continued growth in both occupancy rates and room rental rates associated with an*

improved economy (lower unemployment and higher consumer confidence) and also as we attract more visitors to Santa Ana's arts/cultural/entertainment movement in the downtown area. In addition, HVT will continue to increase due to Santa Ana's hotels close proximity to major attractions such as Disneyland, convention centers, airport, sports complexes, and other entertainment venues.

- 8) \$7.5M in Annual Water Overhead Charge Revenue** The City's September 2013 five-year forecast assumed a reduction in water transfer revenue of \$1.2 million in 14/15 and \$2.4 million from 15/16 through 18/19. These anticipated reductions were eliminated in the latest five-year forecast. What was the previous rationale for reducing this revenue in the prior forecast? At the time of the September 2013 forecast, the City was in the process of updating its 2012 water transfer study with HF&H Consultants LLC. The Interim City Manager at the time, made a conservative effort to lower the value pending the revised study recommendations. Various parties have raised issues related to this revenue source in the past claiming that Proposition 218 prohibits using revenue from city-levied utility fees for general fund costs unless those costs can be justified as part of the cost of providing the utility. Have the questions related to this revenue source been resolved? The cost recovery study conducted by HF&H continues to provide the basis for the transfer.
- 9) Declining Salaries & Wages in 15/16 and 17/18** Salaries & Wages - Regular, which represents approximately 32% of the City's total expenditure budget for 14/15, is projected to decline by 0.5% in 15/16, remain flat in 16/17, and decline by 1.1% in 17/18. Please provide an explanation for these assumptions. The City's goal is to maintain labor and benefit costs relatively flat. As far as the drop in 15/16, it is associated with responses in question 11 (one-time/temp costs). The drop in 17/18 is associated with a Police Officers Association (POA) negotiated concession which will reduce career development pay by \$750K. The City's September 2013 forecast assumed 2% salary increases from 15/16 through 17/18 and 3.25% in 18/19, but these increases were eliminated in the latest forecast. What are the expectations of the City Council and the City's workforce with regards to salary increases through 18/19? The expectation set by the City Manager is that the City will continue to maintain our labor and benefit costs relatively flat as we build upon our reserves until we reach our reserve goal of 20% and fund the implementation of the 5-year strategic plan.
- 10) Slow Growth in Employee Insurance** Santa Ana's employee insurance expenditures are projected to grow by 2.0% per year from 14/15 through 18/19. Over the last 10 years, insurance costs have risen significantly and OCFA conservatively projects 9%-10% growth in insurance costs in its five-year forecast provided to OCFA's Board of Directors. Please provide support for 2% growth in insurance expenditures. Is this based on historical growth in insurance costs that the City has experienced and if so, over what period? The City has stabilized its insurance costs by negotiating the capping of the City's medical contributions for its employees. Employees will pay for any health insurance costs above the negotiated caps. The 2% referenced in the forecast is a conservative estimate for any unforeseen costs.
- 11) 15/16 Drop in City Manager's Office and Personnel Services Agency Expenditures** In 15/16, departmental expenditures are projected to decline by 21.3% for the City Manager's Office and 7.3% for the Personnel Services Agency. Please provide an explanation for anticipated reductions in these departments. City Manager's figures for FY13/14 and 14/15 include one-

time funding for the development of a 5-year strategic plan and an economic development plan. As such, we anticipate that the one-time funding will be exhausted by 14/15. [The Personnel Service Agency](#) figures for FY13/14 and 14/15 included additional funding (on a temporary basis) to absorb former SA Fire administrative staffing as a result of outsourcing to OCFA. Since then, administrative staffing has been successfully reallocated to a non-general fund departments and Personnel Services funding will be reduced.

12) 2% Growth in Workers Compensation Insurance Costs. How does the 2% annual growth projected from 15/16 through 18/19 compare to historical annual increases in workers compensation costs? According to the CAFR, Workers Compensation historical operating costs have [decreased](#) an average of 0.73% over the past 5 years (2009 to 2013). As such, the 2% growth factor, although higher than the historical average, will be used to pay for unforeseen expenses or to build reserves. In the future, workers compensation may continue to decrease as Risk Management implements an incentive program to reduce future costs and liabilities. Does the City budget for annual worker's compensation costs using the pay-as-you-go method, or is the budget connected to the ultimate annual loss amount, as projected by the actuary? [The City uses annual loss amount, as projected by the actuary report.](#) If ultimate loss amounts are used, please provide what confidence level is used? 80%.

In addition, the Aon actuarial report that was provided to OCFA is as of June 2012. Please provide the report from June 2013. [See attached copy.](#) Finally, the Financial Update report mentions the net position for the Risk Management Funds per the CAFR. Please advise which page in the CAFR we can find this? [Please see page 160 of the 6/30/13 CAFR.](#)

13) Projected Retirement Costs. The City's 5 year forecast mentions an "actuarial forecast". Can you please provide a copy of the forecast used for projecting retirement costs? If the City has retirement rate projections from PERS, please provide those projections. [Attached are the projected rates per CalPERS.](#)

14) Letter from MGO. The letter that was provided as Exhibit 2 from MGO mentions a material weakness that's discussed in a separate letter dated December 4, 2013 – can we get a copy of that letter? The letter in question is for the single audit for Federal and California grants. The finding was related to the deactivation of user accounts not being timely for separated employees. HR and Payroll have begun the process of providing separation reports to IT for the timely removal of separated employees. The finding is located on page 143 of the Single Audit and located on our website at http://www.ci.santa-ana.ca.us/finance/single-audit/documents/2013_single_audit.pdf#page=140

DISCUSSION CALENDAR - AGENDA ITEM NO. 5
BUDGET AND FINANCE COMMITTEE MEETING
June 11, 2014

TO: Budget and Finance Committee, Orange County Fire Authority

FROM: Lori Zeller, Assistant Chief
Business Services Department

SUBJECT: **Communication with Auditors for Fiscal Year 2013/14 Financial Audit**

Summary:

This agenda item is submitted to provide an update to the Budget and Finance Committee on the Fiscal Year 2013/14 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) this is also included as an attachment to the staff report;
- 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).

Impact to Cities/County:

Not Applicable.

Fiscal Impact:

Not Applicable.

Staff Contact for Further Information:

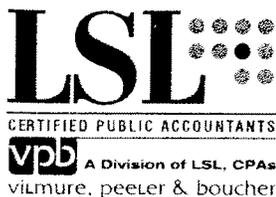
Jim Ruane, Finance Manager/Auditor
Business Services Department
jimruane@ocfa.org
(714) 573-6304

Auditor Contact for Further Information:

Rich Kikuchi, Partner
Lance, Soll & Lunghard, LLP
richard.kikuchi@lslcpas.com
(714) 672-0022

Attachment:

LSL letter outlining its responsibility under Generally Accepted Auditing Standards, Government Auditing Standards, and Office of Management and Budget Circular A-133



- 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
- Gary A. Cates, CPA
- Michael D. Mangold, CPA
- David S. Myers, CPA

June 2, 2014

To the Orange County Fire Authority Budget and Finance /Audit Committee
Irvine, California

We are engaged to audit the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Orange County Fire Authority (Authority) for the year ended June 30, 2014. Professional standards require that we provide you with the following information related to our audit. We would also appreciate the opportunity to meet with you to discuss this information further since a two-way dialogue can provide valuable information for the audit process.

Our Responsibilities under U.S. Generally Accepted Auditing Standards, Government Auditing Standards, and OMB Circular A-133

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. In planning and performing our audit, we will consider the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We will also consider internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we will perform tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with those provisions is not an objective of our audit. Also in accordance with OMB Circular A-133, we will examine, on a test basis, evidence about the Authority's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the Authority's compliance with those requirements. While our audit will provide a reasonable basis for our opinion, it will not provide a legal determination on the Authority's compliance with those requirements.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.



To the Orange County Fire Authority Budget and Finance/Audit Committee
Irvine, California

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the management's discussion and analysis, budgetary comparison schedules for the general fund and major special revenue funds, information on defined benefits plan and other post-employment benefit plan, which supplements the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI will not be audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we will not express an opinion or provide any assurance on the RSI.

We have been engaged to report on combining and individual non-major fund statements and budgetary comparison schedules, which accompany the financial statements but are not RSI. Our responsibility for this supplementary information, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

We have not been engaged to report on the introductory and statistical sections, which accompany the financial statements but are not RSI. Our responsibility with respect to this other information in documents containing the audited financial statements and auditor's report does not extend beyond the financial information identified in the report. We have no responsibility for determining whether this other information is properly stated. This other information will not be audited and we will not express an opinion or provide any assurance on it.

Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. We will generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards.

We expect to begin our audit on approximately June 2014 and issue our report on a date previously agreed to with management.

This information is intended solely for the use of the governing board and management and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Lance, Soll & Lughard, LLP

DISCUSSION CALENDAR - AGENDA ITEM NO. 6
BUDGET AND FINANCE COMMITTEE MEETING
June 11, 2014

TO: Budget and Finance Committee, Orange County Fire Authority

FROM: Lori Zeller, Assistant Chief
Business Services Department

SUBJECT: **Updated Cost Reimbursement Rates**

Summary:

This agenda item is submitted to review and approve the proposed update to the Cost Reimbursement rates.

Recommended Action:

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of June 26, 2014, with the Budget and Finance Committee's recommendation that the Board of Directors approve and adopt the proposed Cost Reimbursement Rate schedules effective July 1, 2014.

Background:

In 2010, a steering committee made up of executives from the United States Forest Service (USFS), CAL FIRE, Cal EMA, FIRESCOPE, and the Association of Contract Counties met with the goal of ensuring that California continues to maintain its effective and efficient emergency response system. The primary concern was establishing a consistent cost reimbursement methodology for calculating average hourly and indirect cost rates (Administrative Rate) that are both fair to the requesting agency, as well as the sending agency, and are defensible, consistent, and transparent to outside auditors and the public.

In 2011, CAL FIRE as the lead fire agency, along with various other state and federal agencies, completed the task of developing a fair, consistent, and equitable reimbursement rate methodology, regardless of the state or federal resource-ordering agency. All the agencies came to consensus that the ordering-agency should not be responsible for paying the fixed benefit cost of the sending agency and agreed to a rate calculation methodology consisting of *marginal costs only*. Cal EMA, as the state agency responsible for Fire and Emergency assistance to local, state and federal agencies, incorporated the new methodology into the California Fire Assistance Agreement (CFAA).

In 2013, Cal EMA proposed that *non-suppression* personnel, ordered through CFAA only, will require two separate rates. The first rate will be based on the average hourly rate for the job classification including benefits. This rate will be used to reimburse OCFA for the normal regularly scheduled hours an individual is assigned to an incident. The second rate will be calculated based on the average hourly *overtime* rate for the job classification including related benefits. The rate will be used to calculate the reimbursement amount for overtime hours worked at an incident.

The CFAA outlines the methodologies and formulas participating agencies (including OCFA) are to use when developing reimbursement rates. This agreement is now part of the California Fire and Rescue Mutual Aid System Operating Plan. Based on the agreed-upon calculation using the FY 2012/13 actual expenditures, OCFA's proposed Indirect Cost Rate for FY 2014/15 is 13.22%. The current rate is 15.06%. This change is attributable to the additional cost of providing frontline services to the City of Santa Ana without adding more support staff starting in April 2012, effectively reducing OCFA's overhead cost.

Cal EMA has advised staff that the specialty pays (i.e. paramedic and hazmat pays) are to be incorporated into the average hourly rate calculation for Fire Captain, Fire Apparatus Engineer, and Firefighter instead of having three separate rates for each job classification. As an example, OCFA currently has a rate for Firefighter, Firefighter/Paramedic, and Firefighter/Hazmat, all with different reimbursement rates. Cal EMA has requested that OCFA only develop one rate per classification. This change only impacts the Cal EMA rates as shown on Attachment 1B. Attachment 1A will continue to include the paramedic and hazmat rates for each rank for use in non-CFAA billings.

The average percentage decrease in the proposed Personnel Cost Reimbursement Rates is 1.05%. A majority of the rate decrease is a result of the indirect cost rate going down 1.84% (from 15.06% to 13.22%). The equipment reimbursement rates remain unchanged from last year except for the helicopters. The Bell Super Huey (acquired as federal excess property and placed in service in 1996) rate decreased approximately 7% and the Bell 412 (acquired in 2008) increased 46%. The rates were updated to reflect an average based on five year history. Previous rates had used projected flight hours estimated to occur in the upcoming fiscal year. Utilizing an average is more reflective of actual historical usage. Two new classifications, the Handcrew Supervisor filled by a staff Fire Apparatus Engineer and Heavy Fire Equipment Operator (mutually beneficial rate) were added to the rate schedule in order for OCFA to recover costs for those positions.

Mutually Beneficial Hourly Rates (Handcrew and Dozer Operator)

These rates, with a methodology originally approved in 2010, are used to recover base salary costs of the handcrew and dozer operators when projects are deemed beneficial to both the requesting entity and OCFA.

Upon approval of the proposed rates, included as Attachment 1A, 1B and 2, OCFA Finance/Cost Recovery Section will use them for the following activity or program:

Activity or Program

- CAL FIRE, Cal EMA (Formerly OES), Cleveland National Forest (CNF) Fire/Incident response- Generally referred to as Assistance by Hire (ABH) rates
- Fire/Incident Restitution (including Hazmat)
- Special Event Stand-By
- Civil Witness
- Other Miscellaneous Billing

Impact to Cities/County:

Not Applicable.

Fiscal Impact:

The fiscal impact of the new rates will be based on the number of incidents that occur throughout the year and will be incorporated into the mid-year budget update.

Staff Contacts for Further Information:

Jim Ruane, Finance Manager/Auditor
Business Services Department
jimruane@ocfa.org
(714) 573-6304

Stephan Hamilton, Cost Accounting Manager
Business Services Department
stephanhamilton@ocfa.org
(714) 573-6316

Attachments:

1. Proposed Cost Reimbursement Rates – Personnel
 - a. Proposed Cost Reimbursement Rates – All Agencies except Cal EMA
 - b. Proposed Cost Reimbursement Rates – Cal EMA
2. Proposed Cost Reimbursement Rates – Equipment

**ORANGE COUNTY FIRE AUTHORITY
COST REIMBURSEMENT RATES FOR ALL BILLING AGENCIES (EXCEPT CAL EMA)**

**PERSONNEL
EFFECTIVE JULY 1, 2014**

CLASSIFICATION	2013/14 (1) ADOPTED RATE	2014/15 (1) PROPOSED RATE	\$ CHANGE	% CHANGE
SUPPRESSION PERSONNEL				
FIRE DIVISION CHIEF	\$151.35	\$151.01	(\$0.34)	-0.22%
FIRE BATTALION CHIEF	\$92.88	\$90.57	(\$2.31)	-2.49%
FIRE CAPTAIN	\$69.48	\$68.46	(\$1.02)	-1.47%
FIRE APPARATUS ENGINEER	\$60.16	\$59.93	(\$0.23)	-0.37%
FIREFIGHTER	\$53.08	\$52.16	(\$0.92)	-1.73%
FC/PARAMEDIC (2)	\$77.57	\$76.48	(\$1.09)	-1.41%
FAE/PARAMEDIC (2)	\$68.25	\$67.95	(\$0.30)	-0.44%
FF/PARAMEDIC (2)	\$61.17	\$60.18	(\$0.99)	-1.62%
FC/HAZMAT (3)	\$73.52	\$72.47	(\$1.05)	-1.43%
FAE/HAZMAT (3)	\$64.20	\$63.94	(\$0.26)	-0.40%
FF/HAZMAT (3)	\$57.13	\$56.17	(\$0.96)	-1.70%
FF/HAZMAT PARAMEDIC (3)	\$62.52	\$61.52	(\$1.00)	-1.60%
HAND CREW (FIREFIGHTER)	\$32.11	\$31.14	(\$0.97)	-3.01%
HAND CREW SUPERVISOR (STAFF FIRE CAPTAIN)	\$99.11	\$97.19	(\$1.92)	-1.93%
HAND CREW SUPERVISOR (STAFF FIRE APP. ENGINEER)	NEW	\$83.93	N/A	N/A
HAND CREW SUPERVISOR (STAFF FIREFIGHTER)	\$70.89	\$71.45	\$0.56	0.79%
HEAVY FIRE EQUIPMENT OPERATOR	\$99.11	\$98.27	(\$0.84)	-0.85%
FIRE PILOT	\$99.11	\$87.54	(\$11.57)	-11.67%
LEAD FIRE PILOT	\$97.91	\$97.08	(\$0.83)	-0.85%
NON-SUPPRESSION PERSONNEL				
ACCT. SUPPORT SPEC./SR. ACCT. SUPPORT SPEC.	\$53.77	\$53.63	(\$0.14)	-0.26%
ACCOUNTANT	\$70.89	\$71.44	\$0.55	0.78%
ASST. FIRE APPARATUS TECHNICIAN	\$54.65	\$54.32	(\$0.33)	-0.60%
ASSISTANT FIRE MARSHAL	\$91.63	\$90.51	(\$1.12)	-1.22%
ASSISTANT IT MANAGER	\$126.09	\$83.03	(\$43.06)	-34.15%
COMMUNICATIONS INSTALLER	\$49.98	\$49.68	(\$0.30)	-0.60%
COMMUNICATIONS TECHNICIAN	\$59.41	\$58.68	(\$0.73)	-1.23%
EMERGENCY TRANSPORTATION TECH.	\$23.16	\$22.70	(\$0.46)	-1.99%
FIRE APPARATUS TECHNICIAN	\$63.43	\$63.05	(\$0.38)	-0.59%
FIRE COMM RELATIONS/ED SUPV	\$74.09	\$73.18	(\$0.91)	-1.22%
FIRE COMMUNICATIONS DISPATCHER	\$62.77	\$62.01	(\$0.76)	-1.22%
FIRE COMMUNICATIONS SUPERVISOR	\$69.98	\$69.12	(\$0.86)	-1.22%
FIRE COMMUNITY RELATIONS/EDUC. SPEC.	\$64.43	\$63.64	(\$0.79)	-1.22%
FIRE EQUIPMENT TECHNICIAN	\$40.35	\$41.75	\$1.40	3.47%
FIRE HELICOPTER TECHNICIAN	\$74.00	\$73.56	(\$0.44)	-0.60%
FLEET SERVICES COORDINATOR	\$73.76	\$72.86	(\$0.90)	-1.22%
FLEET SERVICES SUPERVISOR	\$77.47	\$77.01	(\$0.46)	-0.60%
GENERAL LABORER	\$31.61	\$31.63	\$0.02	0.07%
GIS SPECIALIST	\$63.57	\$64.32	\$0.75	1.19%
INFORMATION TECHNOLOGY ANALYST	\$88.90	\$86.09	(\$2.81)	-3.16%
MEDICAL DIRECTOR	\$127.96	\$84.27	(\$43.69)	-34.15%
RESERVE FIREFIGHTER	\$2.04	\$2.01	(\$0.03)	-1.70%
SERVICE CENTER LEAD	\$67.99	\$67.16	(\$0.83)	-1.21%
SERVICE CENTER SUPERVISOR	\$82.14	\$81.65	(\$0.49)	-0.60%
SR. ACCOUNTANT	\$98.45	\$63.91	(\$34.54)	-35.08%
SR. COMMUNICATIONS TECHNICIAN	\$67.76	\$66.93	(\$0.83)	-1.22%
SR. FIRE APPARATUS TECHNICIAN	\$68.47	\$67.18	(\$1.29)	-1.88%
SR. FIRE COMMUNICATIONS SUPV.	\$77.95	\$77.00	(\$0.95)	-1.23%
SR. FIRE EQUIPMENT TECHNICIAN	\$52.22	\$54.07	\$1.85	3.54%
SR. FIRE HELICOPTER TECHNICIAN	\$82.61	\$82.11	(\$0.50)	-0.60%
SR. INFO TECHNOLOGY ANALYST	\$102.96	\$103.52	\$0.56	0.55%
SUPERVISING PURCHASING AGENT	\$86.79	\$85.73	(\$1.06)	-1.22%
WILDLAND FIRE DEFENSE PLANNER	\$79.82	\$78.85	(\$0.97)	-1.22%

Average -1.05% (4)

MUTUALLY BENEFICIAL RATES:				
HAND CREW (FIREFIGHTER)	\$17.37	\$16.55	(\$0.82)	-4.72%
HAND CREW SUPERVISOR (STAFF FIRE CAPTAIN)	\$51.49	\$51.65	\$0.16	0.31%
HAND CREW SUPERVISOR (STAFF FIRE APP. ENGINEER)	NEW	\$44.60	N/A	N/A
HAND CREW SUPERVISOR (STAFF FIREFIGHTER)	\$38.96	\$37.97	(\$0.99)	-2.54%
HEAVY FIRE EQUIPMENT OPERATOR	NEW	\$52.22	N/A	N/A

Notes:

- 1 Includes OCFA Proposed Indirect Cost Rate of 13.22%. (15.06% for FY 2013/14 and 13.22% for FY 2014/15)
- 2 Paramedic Rate is average hourly rate for that classification plus 15% of top step firefighter rate - \$4.26
- 3 HazMat Rate is average hourly rate for that classification plus \$2.13. Hazmat Paramedic rate is average hourly rate plus \$4.97.
- 4 Average excludes adjustment to management positions to reflect overtime as straight time rather than 1.5 x hourly rate.

ORANGE COUNTY FIRE AUTHORITY
COST REIMBURSEMENT RATES FOR CAL EMA BILLINGS ONLY
PERSONNEL
EFFECTIVE JULY 1, 2014

CLASSIFICATION	2013/14 ADOPTED RATE					2014/15 PROPOSED RATE (1)	\$ CHANGE	% CHANGE
SUPPRESSION POSITIONS								
FIRE DIVISION CHIEF	\$151.35					\$151.01	(\$0.34)	-0.22%
FIRE BATTALION CHIEF	\$92.88					\$90.57	(\$2.31)	-2.49%
FIRE CAPTAIN (2)	\$69.48					\$71.07	\$1.59	2.30%
FIRE APPARATUS ENGINEER (2)	\$60.16					\$60.93	\$0.77	1.28%
FIREFIGHTER (2)	\$53.08					\$56.34	\$3.26	6.14%
FC/PARAMEDIC (2)	\$77.57					\$0.00	(\$77.57)	N/A
FAE/PARAMEDIC (2)	\$68.25					\$0.00	(\$68.25)	N/A
FF/PARAMEDIC (2)	\$61.17					\$0.00	(\$61.17)	N/A
FC/HAZMAT (2)	\$73.52					\$0.00	(\$73.52)	N/A
FAE/HAZMAT (2)	\$64.20					\$0.00	(\$64.20)	N/A
FF/HAZMAT (2)	\$57.13					\$0.00	(\$57.13)	N/A
FF/HAZMAT PARAMEDIC (2)	\$62.52					\$0.00	(\$62.52)	N/A
HAND CREW (FIREFIGHTER)	\$32.11					\$31.14	(\$0.97)	-3.01%
HAND CREW SUPERVISOR (STAFF FIRE CAPTAIN)	\$99.11					\$97.19	(\$1.92)	-1.93%
HAND CREW SUPERVISOR (STAFF FIRE APP. ENGINEER)	N/A					\$83.93	N/A	N/A
HAND CREW SUPERVISOR (STAFF FIREFIGHTER)	\$70.89					\$71.45	\$0.56	0.79%
HEAVY FIRE EQUIPMENT OPERATOR	\$99.11					\$98.27	(\$0.84)	-0.85%
FIRE PILOT	\$99.11					\$87.54	(\$11.57)	-11.67%
LEAD FIRE PILOT	\$97.91					\$97.08	(\$0.83)	-0.85%
NON-SUPPRESSION POSITIONS								
CLASSIFICATION	2013/14 ADOPTED REGULAR RATE	2013/14 ADOPTED OVERTIME RATE	2014/15 PROPOSED REGULAR RATE (1)	\$ CHANGE	% CHANGE	2014/15 PROPOSED OT RATE (1)	\$ CHANGE	% CHANGE
ACCT. SUPPORT SPEC./SR. ACCT. SUPPORT SPEC.	\$55.35	\$53.77	\$55.77	\$0.42	0.75%	\$53.63	(\$0.14)	-0.26%
ACCOUNTANT	\$70.71	\$70.89	\$72.32	\$1.61	2.27%	\$71.44	\$0.55	0.78%
ASST. FIRE APPARATUS TECHNICIAN	\$56.70	\$54.65	\$56.91	\$0.21	0.37%	\$54.32	(\$0.33)	-0.60%
ASSISTANT FIRE MARSHAL	\$97.22	\$91.63	\$90.03	(\$7.19)	-7.40%	\$90.51	(\$1.12)	-1.22%
ASSISTANT IT MANAGER	\$128.27	\$126.09	\$130.12	\$1.85	1.44%	\$83.03	(\$43.06)	-34.15%
COMMUNICATIONS INSTALLER	\$52.51	\$49.98	\$52.60	\$0.09	0.18%	\$49.68	(\$0.30)	-0.60%
COMMUNICATIONS TECHNICIAN	\$60.41	\$59.41	\$60.46	\$0.05	0.08%	\$58.68	(\$0.73)	-1.23%
EMERGENCY TRANSPORTATION TECH.	\$27.91	\$23.16	\$27.04	(\$0.87)	-3.13%	\$22.70	(\$0.46)	-1.99%
FIRE APPARATUS TECHNICIAN	\$64.57	\$63.43	\$65.03	\$0.46	0.71%	\$63.05	(\$0.38)	-0.59%
FIRE COMM RELATIONS/ED SUPV	\$73.58	\$74.09	\$73.94	\$0.36	0.48%	\$73.18	(\$0.91)	-1.22%
FIRE COMMUNICATIONS DISPATCHER	\$63.43	\$62.77	\$63.54	\$0.11	0.18%	\$62.01	(\$0.76)	-1.22%
FIRE COMMUNICATIONS SUPV.	\$69.89	\$69.98	\$70.15	\$0.26	0.38%	\$69.12	(\$0.86)	-1.22%
FIRE COMMUNITY RELATIONS/EDUC. SPEC.	\$64.91	\$64.43	\$65.07	\$0.16	0.25%	\$63.64	(\$0.79)	-1.22%
FIRE EQUIPMENT TECHNICIAN	\$43.88	\$40.35	\$45.23	\$1.35	3.08%	\$41.75	\$1.40	3.47%
FIRE HELICOPTER TECHNICIAN	\$74.05	\$74.00	\$74.78	\$0.73	0.99%	\$73.56	(\$0.44)	-0.60%
FLEET SERVICES COORDINATOR	\$73.29	\$73.76	\$73.63	\$0.34	0.46%	\$72.86	(\$0.90)	-1.22%
FLEET SERVICES SUPERVISOR	\$77.16	\$77.47	\$77.99	\$0.83	1.07%	\$77.01	(\$0.46)	-0.60%
GENERAL LABORER	\$36.03	\$31.61	\$35.83	(\$0.20)	-0.54%	\$31.63	\$0.02	0.07%
GIS SPECIALIST	\$64.15	\$63.57	\$65.70	\$1.55	2.41%	\$64.32	\$0.75	1.19%
INFORMATION TECHNOLOGY ANALYST	\$86.87	\$88.90	\$85.91	(\$0.96)	-1.10%	\$86.09	(\$2.81)	-3.16%
MEDICAL DIRECTOR	\$129.95	\$127.96	\$131.84	\$1.89	1.46%	\$84.27	(\$43.69)	-34.15%
RESERVE FIREFIGHTER	\$2.75	\$2.04	\$2.80	\$0.05	1.69%	\$2.01	(\$0.03)	-1.70%
SERVICE CENTER LEAD	\$68.11	\$67.99	\$68.33	\$0.22	0.33%	\$67.16	(\$0.83)	-1.21%
SERVICE CENTER SUPERVISOR	\$81.36	\$82.14	\$82.30	\$0.94	1.15%	\$81.65	(\$0.49)	-0.60%
SR. ACCOUNTANT	\$103.38	\$98.45	\$103.50	\$0.12	0.12%	\$63.91	(\$34.54)	-35.08%
SR. COMMUNICATIONS TECHNICIAN	\$67.90	\$67.76	\$68.12	\$0.22	0.32%	\$66.93	(\$0.83)	-1.22%
SR. FIRE APPARATUS TECHNICIAN	\$69.09	\$68.47	\$68.86	(\$0.23)	-0.33%	\$67.18	(\$1.29)	-1.88%
SR. FIRE COMMUNICATIONS SUPV.	\$77.04	\$77.95	\$77.47	\$0.43	0.56%	\$77.00	(\$0.95)	-1.23%
SR. FIRE EQUIPMENT TECHNICIAN	\$54.51	\$52.22	\$56.68	\$2.17	3.98%	\$54.07	\$1.85	3.54%
SR. FIRE HELICOPTER TECHNICIAN	\$81.77	\$82.61	\$82.73	\$0.96	1.18%	\$82.11	(\$0.50)	-0.60%
SR. INFO TECHNOLOGY ANALYST	\$99.47	\$102.96	\$102.12	\$2.65	2.66%	\$103.52	\$0.56	0.55%
SUPERVISING PURCHASING AGENT	\$84.96	\$86.79	\$85.58	\$0.62	0.73%	\$85.73	(\$1.06)	-1.22%
WILDLAND FIRE DEFENSE PLANNER	\$78.72	\$79.82	\$79.20	\$0.48	0.61%	\$78.85	(\$0.97)	-1.22%

Notes:

- Includes OCFA Proposed Indirect Cost Rate of 13.22%, (15.06% for FY 2013/14 and 13.22% for FY 2014/15)
- Paramedic (\$4.26/hr), HazMat (\$2.13/hr) and HazMat Paramedic (\$4.97/hr) specialty pays are now included in the FC, FAE and FF average rates per Cal EMA approved methodology.
- Adjustment to management positions to reflect overtime as straight time rather than 1.5 x hourly rate.

**ORANGE COUNTY FIRE AUTHORITY
COST REIMBURSEMENT HOURLY RATES
EQUIPMENT
EFFECTIVE JULY 1, 2014**

DESCRIPTION	2013/14 RATE	2014/15 RATE	\$ CHANGE	% CHANGE	SOURCE
TYPE 1 ENGINE	\$85.00	\$85.00	\$0.00	0.00%	FEMA
TYPE 2 ENGINE	\$70.00	\$70.00	\$0.00	0.00%	FEMA
TYPE 3 ENGINE	\$70.00	\$70.00	\$0.00	0.00%	FEMA
TRUCK/QUINT	\$85.00	\$85.00	\$0.00	0.00%	FEMA
PATROL UNIT (Type 6/ Swift Water Rescue)	\$70.00	\$70.00	\$0.00	0.00%	FEMA
AIRPORT CRASH UNIT	\$85.00	\$85.00	\$0.00	0.00%	FEMA
CREW CARRYING VEHICLE	\$20.00	\$20.00	\$0.00	0.00%	FEMA
DOZER TRANSPORT	\$65.25	\$65.25	\$0.00	0.00%	FEMA
DOZER	\$65.00	\$65.00	\$0.00	0.00%	FEMA
DOZER TRAILER	\$12.50	\$12.50	\$0.00	0.00%	FEMA
DOZER TENDER	\$20.00	\$20.00	\$0.00	0.00%	FEMA
GRADER	\$58.00	\$58.00	\$0.00	0.00%	FEMA
LOADER	\$40.00	\$40.00	\$0.00	0.00%	FEMA
DUMP TRUCK	\$65.00	\$65.00	\$0.00	0.00%	FEMA
MEDIC UNIT	\$4.54	\$4.54	\$0.00	0.00%	Cal EMA
MECHANIC SERVICE TRUCK	\$3.58	\$3.58	\$0.00	0.00%	Cal EMA
WATER TENDER	\$31.00	\$31.00	\$0.00	0.00%	FEMA
FUEL TENDER	\$31.00	\$31.00	\$0.00	0.00%	FEMA
AIR/LIGHT UTILITY	\$24.00	\$24.00	\$0.00	0.00%	FEMA
FIRE COMMAND UNIT	\$20.00	\$20.00	\$0.00	0.00%	FEMA
SPORT UTILITY VEHICLE	\$4.00	\$4.00	\$0.00	0.00%	Cal EMA
PICKUP	\$3.58	\$3.58	\$0.00	0.00%	Cal EMA
SEDAN	\$1.96	\$1.96	\$0.00	0.00%	Cal EMA
VAN	\$4.54	\$4.54	\$0.00	0.00%	Cal EMA
HAZMAT (Unit 4)	\$85.00	\$85.00	\$0.00	0.00%	FEMA
HAZMAT (Unit 79)	\$85.00	\$85.00	\$0.00	0.00%	FEMA
HAZMAT (Unit 204)	\$20.00	\$20.00	\$0.00	0.00%	FEMA
HELICOPTER - BELL SUPER HUEY (1)	\$1,582.62	\$1,473.29	(\$109.33)	-6.91%	OCFA
HELICOPTER - BELL 412 (1)	\$3,472.24	\$5,090.51	\$1,618.27	46.61%	OCFA

Notes:

1. Helicopter rates are based on 20 years useful life without the pilot and crew chief (Captain). The new rate reflects average usage for the past five years.

DISCUSSION CALENDAR - AGENDA ITEM NO. 7
BUDGET AND FINANCE COMMITTEE MEETING
June 11, 2014

TO: Budget and Finance Committee, Orange County Fire Authority

FROM: Lori Zeller, Assistant Chief
Business Services Department

SUBJECT: **Approval of the Updated OCFA Advanced Life Support (ALS) Paramedic and Basic Life Support (BLS) Medical Supplies Reimbursement Rates**

Summary:

This agenda item is submitted to review and approve the proposed Advanced Life Support (ALS) and Basic Life Support (BLS) Medical Supply reimbursement rates to be effective upon approval by the County Board of Supervisors of the BLS Rate.

Recommended Action:

Review the proposed agenda item and direct staff to place the item on the agenda for the Board of Directors meeting of June 26, 2014, with the Budget and Finance Committee's recommendation that the Board of Directors take the following actions:

1. Conduct a Public Hearing.
2. Upon approval of the proposed increase to the maximum BLS emergency 9-1-1 transportation billing rate by the Orange County Board of Supervisors, authorize staff to increase OCFA's Advanced Life Support (ALS) and Basic Life Support (BLS) Medical Supply reimbursement rates by the same percentage increase effective on or after July 1, 2014.

Background:

The County of Orange currently establishes the maximum county-wide billing rates for Advanced Life Support (ALS) and Basic Life Support (BLS) services. These rates are the maximum amounts that ambulance providers can charge patients for 9-1-1 emergency transportation services.

The 9-1-1 Emergency Ambulance Contracts include the rates at which the OCFA will be reimbursed for paramedic services and expendable medical supplies. Under the terms of the 9-1-1 Emergency Ambulance Contracts, those rates may be updated annually and are limited by the following parameters:

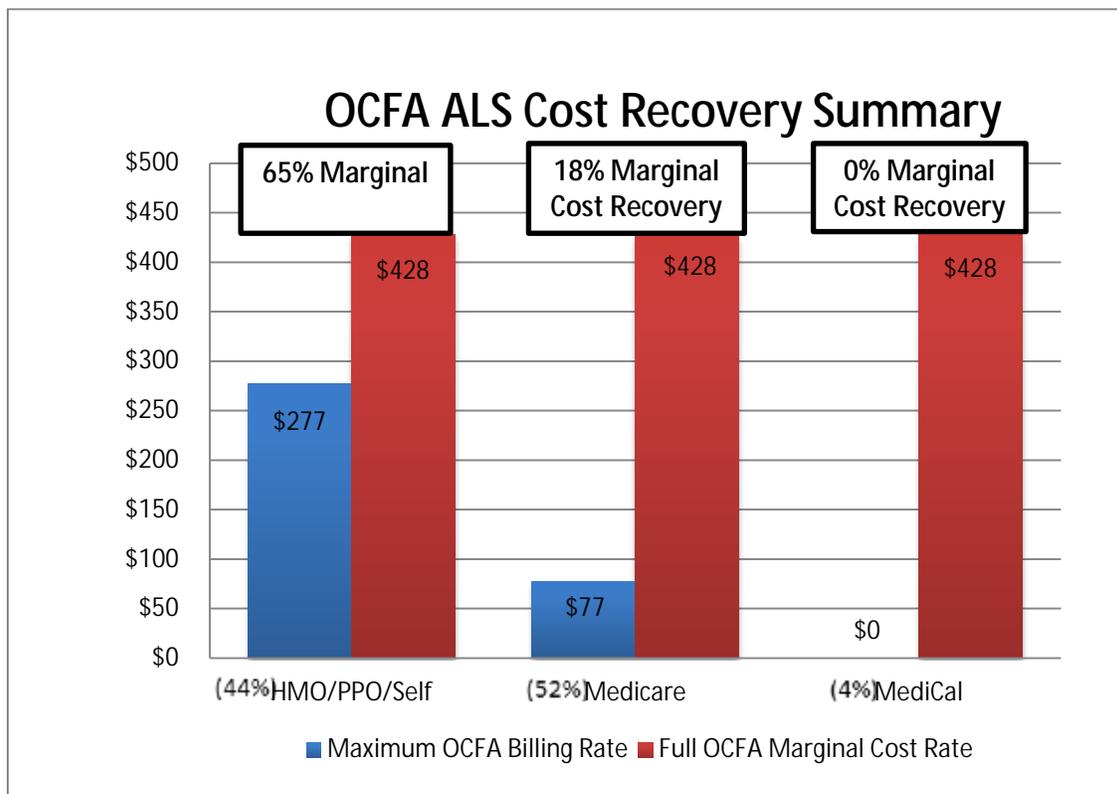
- The reimbursement rates cannot exceed the OCFA's actual cost of providing the services.
- Increases to the reimbursement rates are limited by the annual percentage increase in the BLS maximum emergency 9-1-1 transportation billing rate as updated annually by the County Board of Supervisors.

FY 2014/15 Reimbursement Rates Calculation

The County’s 2014/15 proposed increase to the BLS and ALS maximum emergency 9-1-1 transportation billing rate is 1.10%, which reflects the adjustments utilizing the Orange County Board of Supervisors (BOS) approved BLS/ALS rate setting policy. The County BOS may approve an adjustment that is different than the proposed rate. This item is tentatively scheduled for consideration at the July 2014 Board of Supervisors meeting. In the event that the County BOS approve the rates, the staff recommendation is to allow the OCFA rates to become effective the first day of the following month, rather than wait for the next OCFA Board of Directors meeting.

Below is a chart showing the current and proposed OCFA reimbursement rates, which can be approved by the OCFA Board of Directors, with the effective date pending subsequent approval by the County Board of Supervisors:

	ALS Paramedic Services	BLS Expendable Medical Supplies
Current OCFA Maximum Reimbursement Rates	\$274.38	\$30.65
Proposed Maximum Reimbursement Rates for 2014/15 (per County’s calculated 1.10% increase)	\$277.40	\$30.99
Proposed 1.10% Change in Dollars	\$3.02	\$0.34
OCFA Full Marginal Cost Recovery Rate for 2014/15	\$428.16	\$33.33



Review of Proposed Reimbursement Rates:

Staff has taken the following actions to validate the proposed OCFA ALS paramedic and BLS medical supplies reimbursement rates:

- ***Review by an Independent Certified Public Accounting firm*** – The proposed reimbursement rates were developed by OCFA staff based on the FY 2014/15 proposed budget for salaries and employee benefits, services and supplies, and equipment and vehicle replacement costs. Those rate calculations were reviewed by Lance Soll & Lunghard (LSL), an independent firm of certified public accountants. LSL determined that the proposed rates are a reasonable representation of the OCFA's marginal costs to provide the services. Although the OCFA's actual costs exceed the amounts to be reimbursed under the proposed rates, LSL determined that those rates have been appropriately limited by the maximum 1.10% increase to the BLS billing rate proposed by the County Healthcare Agency. A copy of LSL's report is included as Attachment 1.
- ***Survey of ALS Rates California Counties*** – A 2013 survey of California County ALS Rates compared OCFA's rate to 30 counties within the State. Orange County's maximum ALS billing rate is the seventh lowest of 30 counties in California with a population in excess of 200,000. OCFA's proposed ALS incremental billing rate is consistent with the average of the four surrounding counties. Included as Attachment 2.

Impact to Cities/County:

Not Applicable.

Fiscal Impact:

While there is a proposed increase of 1.1%, it is recommended that ALS/BLS revenue for 2014/15 stay the same as the current 2013/14 projections.

Staff Contacts for Further Information:

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Bill Lockhart, Battalion Chief - Emergency Medical Services

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(714) 573-6071

Attachments:

1. Lance Soll & Lunghard – Independent Accountants' Report on Applying Agreed-Upon Procedures (Evaluation of Advanced Life Support & Medical Supply reimbursement rates)
2. 2013 Survey of California County ALS Rates



• David E. Hale, CPA, CFP • Bryan S. Gruber, CPA
• Donald G. Slater, CPA • Deborah A. Harper, CPA
• Richard K. Kikuchi, CPA • Gary A. Cates, CPA
• Susan F. Matz, CPA • Michael D. Mangold, CPA
• Shelly K. Jackley, CPA • David S. Myers, CPA

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Jim Ruane, Finance Manager/Auditor
Orange County Fire Authority
Irvine, California

The County of Orange ("County") establishes the maximum county-wide billing rates for Advanced Life Support ("ALS") and Basic Life Support ("BLS") services. Since 2004, the reimbursement rates have been updated annually at public hearings by the Orange County Board of Supervisors, in conjunction with the adoption of the County's maximum ALS and BLS billing rates. These rates are the maximum amounts that ambulance providers can charge patients for 911 emergency transportation services. The ambulance providers reimburse a portion of the ALS and BLS charges to the Orange County Fire Authority ("OCFA"). Each year, the OCFA calculates the ALS and BLS billing rates to be used for the forthcoming fiscal year. OCFA's paramedic and medical supplies reimbursement rates are approved by the OCFA Board of Directors at a public hearing.

We have performed the procedures enumerated below, which were agreed to by the management of the OCFA, solely to assist the OCFA in evaluating the ALS and BLS Cost Calculations (Calculations) for providing ALS and BLS services to ambulance companies. The calculations are to be used during the fiscal year ending June 30, 2015. The OCFA's management is responsible for the Calculations. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the *American Institute of Certified Public Accountants*. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and the results of those procedures are as follows:

1. The County's Emergency Medical Services ("EMS") Division determined that the OCFA's reimbursement rates are specific to the OCFA and should not be combined with the countywide maximum billing rate. The County determined that any updates to the OCFA's paramedic and medical supplies reimbursement rates should be approved by the OCFA's Board of Directors, while the County will continue to determine the maximum emergency 911 ambulance transportation billing rates each year. The OCFA contracts with ambulance providers to establish the rates at which the OCFA will be reimbursed for paramedic services and medical supplies. Under the terms of the existing 911 Emergency Ambulance Contracts, those rates may be updated annually and are limited by the following:
 - Reimbursement rates cannot exceed the OCFA's actual cost of providing the services.
 - Reimbursement rates are limited by the annual percentage increase in the BLS maximum emergency 911 transportation billing rate as updated by the Orange County Board of Supervisors.



Jim Ruane, Finance Manager/Auditor
Orange County Fire Authority
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We obtained the ALS and BLS Cost Calculations to be used for the year ending June 30, 2015. We compared our understanding of the requirements of the Calculations to the formats used by the OCFA to calculate the billing rates.

Findings: We noted no exceptions as a result of our procedures.

2. The ALS Cost Calculation (Exhibit 1) included three sections: non-vehicle costs, vehicle costs and rate comparison. We obtained a copy of the proposed budget for the year ending June 30, 2015, to support certain costs in the non-vehicle section.

Non-vehicle costs reported in the ALS Cost Calculation included amounts for salaries and employee benefits (90.2%), services and supplies (1.6%), and equipment replacement costs (8.2%). For salaries and benefits, we compared those amounts reported on the Calculation to the OCFA's proposed budget for the fiscal year ending June 30, 2015. For services and supplies, we compared the amount reported on the Calculation for EMS Section - Direct to the budget. We noted that amounts reported for equipment replacement costs were for costs associated for cardiac defibrillators/monitors and OCMEDS tablets to collect patient information.

For the non-vehicle costs section, we recalculated the \$385.58 reported under the column "Cost per ALS Assessment Transport".

Findings: We noted no exceptions as a result of our procedures.

3. The vehicle costs section of the ALS Cost Calculation included amounts for maintenance and fuel costs and replacement costs.

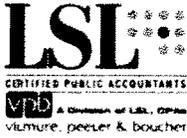
The maintenance and fuel costs for the thirteen (13) paramedic vans ("vans") was calculated by taking the mileage driven for the year to arrive at the total mileage. The costs were then determined by taking the total mileage and multiplying it by the IRS 2013 mileage rate of \$0.565 to arrive at the maintenance and fuel costs for these vans. We compared the annual mileage reported to a paramedic van mileage log maintained by the OCFA. We ascertained the mathematical accuracy of the \$96,568 reported as maintenance and fuel costs.

The replacement cost was determined by taking the replacement cost of the fifteen (15) vans and dividing it by the estimated useful life of four years for each vehicle. We agreed the reported replacement costs to list of vehicles to be replaced. We ascertained the mathematical accuracy of the \$431,540 reported as replacement costs.

Findings: We noted no exceptions as a result of our procedures.

4. Reimbursement rates cannot exceed the OCFA's actual cost of providing the services. We compared the anticipated cost of OCFA providing these services of \$428.16 to the proposed OCFA ALS reimbursement rate of \$277.40.

Findings: We noted no exceptions as a result of our procedures.



Jim Ruane, Finance Manager/Auditor
Orange County Fire Authority
Page 3

5. The County establishes the maximum county-wide billing rates that ambulance providers can charge patients for 911 emergency transportation services. We compared the proposed County maximum ALS billing rate of \$391.56 to the proposed OCFA ALS reimbursement rate of \$277.40.

Findings: We noted no exceptions as a result of our procedures. The calculated reimbursement rate for ALS did not appear to exceed the OCFA's actual cost of providing the service.

6. The BLS Cost Calculation (Exhibit 2) included an amount for projected 2014/15 BLS costs and a projection for the number of transports. It also included a comparison of the projected cost per transport to the maximum BLS billing rate allowed by the County.

For 2014/15 BLS costs reported on the BLS Cost Calculation, we compared that amount to the OCFA's proposed budget for the fiscal year ending June 30, 2015. For the number of transports reported on the BLS Cost Calculation, we compared that number to an "Estimated Transports by Pay Category" worksheet prepared by the OCFA.

Findings: We noted no exceptions as a result of our procedures.

7. BLS reimbursement rates are limited by the annual percentage increase in the BLS maximum emergency 911 transportation billing rate as updated by the Orange County Board of Supervisors. That proposed maximum percentage increase of BLS Base Rate is 1.1% per year and the overall increase is 1.1% by the County.

We verified the mathematical accuracy of the cost per transport of \$33.33. We verified that the calculation of the maximum reimbursement rate of \$30.99 was mathematically correct. We verified that the cost per transport met or exceeded the maximum reimbursement rate calculated by the OCFA.

Findings: We noted no exceptions as a result of our procedures. The calculated reimbursement rate for BLS did not appear to exceed the OCFA's actual cost of providing the service.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to the OCFA.

This report is intended solely for the use of the OCFA's management and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purpose.

Lance, Soll & Loughard, LLP

Brea, California
April 15, 2014

Orange County Fire Authority
 ALS and BLS Cost Calculation
 For Fiscal Year 2014-15

Exhibit 1

Prepared by the OCFA

	<u>FY 2014-15 Proposed Budget</u>	<u>Cost per ALS Assessment/ Transport</u>
Salaries and Employee Benefits:		
EMS Section - Direct	\$ 1,072,848	
Paramedic Pay	7,514,500	
Support Staff	<u>62,048</u>	
Subtotal	8,649,396	
Services and Supplies:		
EMS Section - Direct	154,247	
Auditing Costs - Ambulance Providers	-	
Legal/Quality Assurance/Admin Costs	<u>-</u>	
Subtotal	154,247	
Equipment Replacement Costs (OCMEDS Tablets)	237,333 *	
Equipment Replacement Costs (Defibrillators)	<u>547,857</u> *	
* annual replacement costs		
Subtotal - Non-Vehicle Costs	9,588,833	\$ 385.58 (1)
Vehicle Costs:		
Annual Mileage for 13 Paramedic Vans	170,916	
Average # of Miles per Vehicle	13,147	
Number of Operating Paramedic Vans	13	
Mileage Rate as Allowed by IRS (2013)	0.565	
Maintenance and Fuel Costs	96,568	
(Mileage for 13 Paramedic Vans x IRS Rate)		
Replacement - paramedic vans		
Per 5-Year CIP Budget	1,726,160	
Estimated Life per Vehicle	4 years	
Replacement Cost	<u>431,540</u>	
Subtotal - Vehicle Costs	528,108	<u>42.58 (2)</u>
TOTAL COSTS	<u>\$ 10,116,941</u>	
OCFA ALS MARGINAL COSTS PER ASSESSMENT, TRANSPORT		<u>\$ 428.16</u>
PROPOSED OCFA ALS REIMBURSEMENT RATE		\$ 277.40 (3)
Ambulance provider administrative and contractual write-off collection costs		<u>114.16</u>
PROPOSED MAXIMUM ALS BILLING RATE		<u>\$ 391.56 (4)</u>

- (1) Represents non-vehicle costs, net of \$928,499 (D-1) of Medicare recovery, prorated for the non-vehicle costs, divided by 22,586 (E-1 p.1) applicable ALS transports (billable non-Medicare transports, mutual aid transports and transports for Buena Park, San Clemente, Santa Ana, and Westminster)
- (2) Represents vehicle costs, net of \$48,468 (D-1) of Medicare recovery, prorated for the vehicle costs, divided by 11,265 (E-1 p.1) applicable ALS transports (billable non-Medicare transports and mutual aid transports). Transports in Buena Park, San Clemente, Santa Ana, and Westminster are excluded from this calculation because paramedic van services are not provided in these cities.
- (3) The proposed updated marginal ALS paramedic reimbursement rate is limited to the percentage increase in the BLS Base Rate set by the Orange County Board of Supervisors and cannot exceed the cost of providing the services. The BLS Base Rate increase for FY 2014-15 has been proposed as 1.1%. (F-2)
- (4) Proposed ALS Rate based on BLS increase of 1.1%

2014-15

2014 Medicare ALS1 Reimbursement Rate	\$ 76.96
Estimated # of Medicare Transports	12,065

Estimated Medicare Recovery Revenues	928,499
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Transports:

ALS Transports - Billable, non-Medicare and mutual aid transports, and transports for Buena Park, San Clemente, and Westminster	22,586
ALS Transports - Billable, non-Medicare transports, and mutual aid transports	11,265

**Orange County Fire Authority
Finance/Cost Accounting
Paramedic Program marginal cost
Medical Supplies Rates**

Exhibit 2

Prepared by the OCFA

		<u>13/14 rate</u>	<u>% increase</u>	<u>2013/14 BLS Base Rate</u>	<u>2014/15 BLS Base Rate</u>	<u>% increase</u>	<u>Max Reimb</u>
FY 2014/15 costs	\$ 1,775,729						
transports	<u>53,271</u>						
Per transport	<u>\$ 33.33</u>	\$ 30.65	8.76%	\$ 731.41	\$ 739.46	1.10%	\$30.99
Recoverable costs	\$ 1,108,840						
Unrecoverable costs:							
Mutual Aid	45,600						
Buena Park	110,079						
San Clemente	74,201						
Santa Ana	314,753						
Westminster	<u>122,257</u>						
Total	<u>1,775,729</u>						
Potential revenue	<u>1,108,840</u>						
Estimated subsidy	<u>\$ 666,889</u>						

Actual % of increase based on
County's Proposed Rate 7.73%
\$33.02

NOTE: The proposed updated marginal ALS paramedic reimbursement rate is limited to the percentage increase in the BLS Base Rate set by the Orange County Board of Supervisors and cannot exceed the cost of providing the services.

2013 ALS Rate Comparison by County Emergency Rate
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Emergency ALS Rate

2013

Butte	\$2,399.00
Monterey	\$2,205.69
Santa Barbara	\$2,009.58
San Mateo	\$1,905.69
San Luis Obispo	\$1,840.64
Stanislaus	\$1,742.49
Santa Cruz	\$1,738.76
Alameda	\$1,650.26
San Francisco	\$1,602.22
Merced	\$1,600.00
Placer	\$1,599.14
Ventura	\$1,588.00
Los Angeles	\$1,540.00
Shasta	\$1,529.45
Yolo	\$1,489.48
Contra Costa*	\$1,424.88
San Joaquin	\$1,388.49
El Dorado	\$1,299.14
Marin	\$1,290.88
San Bernardino	\$1,221.34
Sonoma	\$1,165.61
Riverside	\$1,151.48
Santa Clara	\$1,149.35
Orange	\$1,131.07
Sacramento	\$1,095.08
Tulare	\$1,091.33
Kern	\$1,051.48
Solano	\$1,050.00
City of San Diego	\$1,275.00
Fresno	\$913.88

2013 ALS & ALS Increment Rate Comparison with Nearby Counties
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	ALS Billing	ALS Increment Rate
Orange County	\$1,131.06	(OCFA) \$391.61
City of San Diego	\$1,275.00	\$304.00
Los Angeles	\$1,540.00	\$402.00
Riverside	\$1,151.48	\$347.31
San Bernardino	\$1,221.34	\$518.98

Average	\$1,296.96	\$393.07
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OCFA compared to 4 surrounding counties	(\$165.90) -12.8%	(\$1.46) -0.4%
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*Counties with a population in excess of 200,000