



AGENDA REPORT

SAN CLEMENTE CITY COUNCIL MEETING
Meeting Date: February 19, 2019

Agenda Item 6F

Approvals:

City Manager gmm

Dept. Head ES

Attorney _____

Finance Jed G. IV

Department: Finance Administration Services
Prepared By: Michael Johnston, Management Analyst

Subject: *AMENDMENT TO OCFA JOINT POWERS AUTHORITY AGREEMENT*

Fiscal Impact: None.

Summary: This item is submitted to request approval of the Orange County Fire Authority's Fourth Amendment to the Amended Joint Powers Authority (JPA) Agreement to formalize the OCFA's commitment to its "snowball" accelerated pension liability paydown plan.

Background: The Orange County Fire Authority (OCFA) was formed in 1995 to provide regional fire protection and related services to the County of Orange and 18 member cities. Subsequent to formation, 6 additional cities have become members of the OCFA. The original JPA Agreement was amended on September 23, 1999, and renewed in 2010 by the First Amendment, which provided for a term that runs through 2030. In 2013, OCFA's members approved a Second Amendment to the Amended JPA, in attempt to address these same "Overpayment" concerns by the City of Irvine; however, the Second Amendment was subsequently invalidated by court judgment. In 2015, a Third Amendment was approved by OCFA's members which eliminated alternate Directors to the OCFA Board.

OCFA is now seeking approval of a Fourth Amendment to formalize the OCFA's commitment to its "snowball" accelerated pension liability paydown plan (Attachment). In order to become effective, the Fourth Amendment must be approved by at least two-thirds (e.g., 16 of 24) of the member agencies' governing bodies.

Discussion: *OCFA's "Snowball" Accelerated Pension Paydown Plan*

At its meeting of September 26, 2013, the OCFA Board of Directors adopted an accelerated pension liability paydown plan, otherwise known as the "snowball" plan. The snowball plan calls for the OCFA to accelerate payment of its unfunded pension liability more quickly than the timeframe required for payment by the Orange County Employees Retirement System (OCERS), thereby saving future interest costs and improving the funding status of the OCFA's pension plan.

Since the plan was adopted, the OCFA's unfunded pension liability has steadily declined from \$473.8 million to \$400.6 million, and the funding status has consistently improved from 65% to 79%. Per OCERS' actuary, OCFA is on track to achieve an 85% funding level by December 2020, and has achieved interest savings to date totaling \$18.3 million.

City of Irvine's June 13 Proposal and June 27 Notice of Withdrawal

On June 13, 2018, the City of Irvine provided a proposal to the OCFA requesting, among other proposal elements, that OCFA commit to a pension pay down strategy. On June 21 and June 25, the OCFA responded to the City's proposal reiterating its commitment to OCFA's "snowball" accelerated pension liability paydown plan, in addition to other commitments made by OCFA regarding proposed service enhancements. On June 27, 2018, the City provided OCFA with a Notice of Withdrawal seeking the initiation of good faith negotiations.

OCFA desires to retain Irvine as a member agency, and OCFA staff will continue to negotiate in good faith, as requested by Irvine. At the same time, OCFA desires to continue progress on the commitments made in its June 21 and June 25 responses to the City. The OCFA is hopeful that, with these continued actions honoring its commitments, the City will elect to rescind its Notice of Withdrawal.

Recommended

Action: STAFF RECOMMENDS THAT THE CITY COUNCIL Approve, and authorize the City Manager to execute, Amendment No. 4 to the Amended Orange County Fire Authority JPA Agreement.

Attachments: 1. Fourth Amendment to Amend Orange County Fire Authority Joint Powers Authority Agreement

Notification: None

**FOURTH AMENDMENT TO AMENDED JOINT POWERS AUTHORITY AGREEMENT
ORANGE COUNTY FIRE AUTHORITY**

This Fourth Amendment ("Fourth Amendment") to the Amended Joint Powers Authority Agreement is made and entered into by and between the following public entities (collectively referred to as "members"): Aliso Viejo, Buena Park, Cypress, Dana Point, Irvine, La Palma, Laguna Hills, Laguna Niguel, Laguna Woods, Lake Forest, Los Alamitos, Mission Viejo, Placentia, Rancho Santa Margarita, San Clemente, San Juan Capistrano, Santa Ana, Seal Beach, Stanton, Tustin, Villa Park, Westminster, and Yorba Linda (collectively referred to as "Cities" and individually as "City") and the County of Orange (referred to as the "County"), each of whom is a member of the Joint Powers Authority, Orange County Fire Authority ("the Authority"). This Fourth Amendment requires the approval of two thirds of the members to go into effect, and it shall be effective when approved by a sixteenth member.

RECITALS

WHEREAS, the Authority presently provides fire protection, prevention and suppression services and related and incidental services (collectively, "Fire Services") to Cities as well as to the unincorporated area of the County and State Responsibility Areas ("SRA"); and

WHEREAS, the County and several of the Cities entered into a Joint Powers Authority Agreement to form the Authority as of February 3, 1995, pursuant to the provisions of Article 1, Chapter 5, Division 7, Title I (commencing with Section 6500) of the Government Code of the State of California ("Joint Powers Statutes"); and

WHEREAS, pursuant to the Joint Powers Statutes the members are authorized to jointly provide for the methods of the provision of Fire Services, including the method of financing the provision of Fire Services; and

WHEREAS, on September 23, 1999, the members entered into an amended Joint Powers Authority Agreement ("1999 Amended Agreement") which superseded all prior agreements between the members and is incorporated herein by reference; and

WHEREAS, pursuant to the 1999 Amended Agreement the members provided for the provision of Fire Services and the joint financing of Fire Services; and

WHEREAS, on July 1, 2010, the members entered into the First Amendment to the Amended Joint Powers Agreement ("First Amendment") which amended several provisions of the 1999 Amended Agreement; and

WHEREAS, on April 20, 2012, the City of Santa Ana joined the Authority and became a party to the 1999 Amended Agreement and the First Amendment; and

WHEREAS, on November 18, 2013, the required number of member agencies approved the Second Amendment to the Amended Joint Powers Agreement ("Second Amendment") which amended several provisions of the 1999 Amended Agreement. However, a final court judgment subsequently invalidated the Second Amendment, so the Second Amendment became, and remains, inoperative; and

WHEREAS, on July 14, 2015, the required number of member agencies approved the Third Amendment to the Amended Joint Powers Agreement ("Third Amendment") to eliminate alternative Board Directors;

WHEREAS, the Amended Joint Powers Agreement, as amended by the First Amendment and Third Amendment, is referred to herein as the "Amended Joint Powers Agreement And Its Operative Amendments";

WHEREAS, the members wish to adopt this Fourth Amendment to the Amended Joint Powers Agreement And Its Operative Amendments to formalize the OCFA's commitment to its "snowball" accelerated pension liability paydown plan on the terms and conditions set forth herein.

NOW THEREFORE, the members agree to amend the Amended Joint Powers Agreement And Its Operative Amendments as follows:

AGREEMENT

1. *Article IV of the Amended Joint Powers Authority Agreement And Its Operative Amendments is amended to add Section 7, to read as follows:*

7. Payments to Reduce Unfunded Pension Liability.

A. Except as provided in subsection C, the OCFA Board shall appropriate funds in its budget annually consistent with, or greater than, the budgetary payments called for in the "snowball" accelerated pension liability paydown plan approved by the OCFA Board of Directors on September 26, 2013, and amended on November 19, 2015, November 17, 2016, and March 23, 2017.

B. Payments will be greater than those appropriated in the OCFA's budget annually when triggered by a Net General Fund Surplus (per the Financial Stability Budget Policy). Payments from the "Net General Fund Surplus" are hereby deemed as derived from revenues received by overfunded structural fire fund cities as determined by the equity calculation required under Article IV, Section 4 – Equity.

C. Appropriations and payments required by subsection A and B may be reduced to the extent the Board determines, by vote approved by two-thirds of the Board, is necessary to address a fiscal hardship.

1) For purposes of this section, "fiscal hardship" shall refer to a substantial reduction in OCFA anticipated revenue and/or a significant increase in anticipated expenses that are beyond the reasonable control of the OCFA Board.

2. *This Fourth Amendment amends the 1999 Amended Agreement And Its Operative Amendments, and except as specifically amended herein, the 1999 Amended Agreement And its Operative Amendments shall remain in full force and effect.*

[SIGNATURES ON FOLLOWING PAGES]

CITY OF SAN CLEMENTE

Dated: _____

By: _____

Mayor

ATTEST:

City Clerk

NOTICE TO CITY TO BE GIVEN TO:

City Manager
City of San Clemente
100 Avenida Presidio
San Clemente, CA 92672

Phone: (949) 361-8322

Fax: (949) 361-8283

APPROVED AS TO FORM:

By: _____

City Attorney

Dated: _____