



**COUNTY FIRE
DISTRICT**

**BUDGET NARRATIVE
FY 2015 - 2016**

Introduction

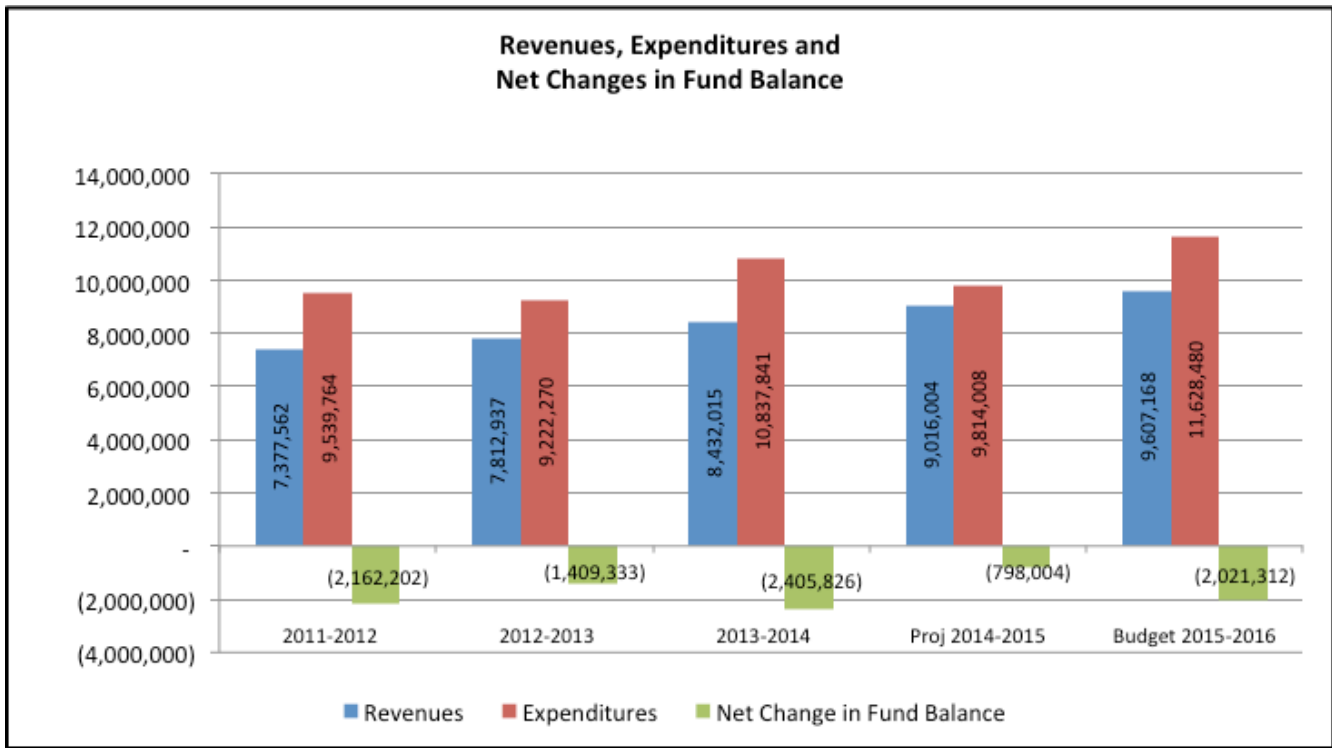
The mission of the Los Altos Hills County Fire District (LAHCFD) is to protect the lives, property and environment within the community it serves from fires, disasters and medical emergencies or incidents through education, prevention and emergency response services for the Town of Los Altos Hills and adjacent county areas.

The District does not employ its own personnel, so to achieve our mission LAHCFD have contracted specialized consultants and contractors, thus minimizing the financial risks and burden of maintaining “in-house” capability. For Emergency Response Services, the District has contracted with the Santa Clara County Fire Department (SCCFD), thereby enjoying all the benefits offered by a larger organization, including a full roster of professional staff, specialized equipment, and a high level of readiness for various types of emergencies. The district also manages a number of other programs aimed at fire prevention; such as upgrades to fire hydrants, water mains and tanks, District-funded brush chipping services for residents, monthly assistance with yard waste disposal, annual weed abatement inspections, and District-funded eucalyptus and dead tree mitigation and removal. Finally, the District provides regular classes in emergency preparedness for residents of the district, including “Personal Emergency Preparedness”, “Community Emergency Response Teams”, and “Cardio Pulmonary Resuscitation”.

Budget Overview

We offer the readers of the District’s budget this narrative overview and analysis of the planned financial and operating activities for the Los Altos Hills County Fire District for the year ending June 30, 2016.

- The District’s assets are expected to decrease from \$13 million to \$11.2 million, a 13.9 percent decline, as a result of continued investment in major water supply and hydrant projects, seismically upgrading the Page Mill Tank, and further efforts to reduce fuel loads through the chipping, yard waste, and tree programs. Cash at the end of the year will be slightly in excess of \$8.6 million, while fixed assets (including land, station improvements, fire hydrants, furniture and equipment) are expected to be slightly in excess of \$2.3 million.
- Until 2009, the District accumulated a strong balance of funds by careful under spending which has enabled it to undertake costly but essential fire prevention projects. Although expenditures have exceeded revenue in each of the last six years, and are expected to again this year, the District is in good financial condition.
- Revenue is anticipated to increase by 6.6 percent to \$9.6 million. The assessor’s office reports that home sales and prices are continuing to rise. Interest earnings have declined as cash balances have fallen and interest rates have remained at historical lows.
- Expenses are expected to increase 17.8 percent from the prior year primarily due the addition of the Page Mill Tank project and increased spending in the Fire Hydrant replacement projects. Expenses are expected to exceed revenue by slightly less than \$2 million.
- The second ten-year term of the contract with the SCCFD expires at the end of the calendar year 2016. SCCFD has indicated that it is interested in continuing to provide fire protection services to the District. Additional legal and outside consulting funds have been included in the budget for studies and negotiations for a new contract expected to be concluded in FY16. Cost sharing of Battalion 14 with other agencies will also be reviewed.



Revenue

Property Taxes

Santa Clara County collects taxes for the District, remits funds and charges an administrative handling fee for collecting the money (which is covered in the expense portion of this narrative). The County provides the District with a projection of expected revenue on taxes that is then adapted into the budget.

- Secured Property Taxes:
Secured taxes are calculated based upon the value of real property, land, and personal property, such as structures, located upon the real property. Secured property is taxed at a general rate of one percent of the assessed value. These taxes make up the majority of the District’s revenue each fiscal year.

FY16 Budget	8,737,000	7.2%		FY14 Actual	7,572,518	9.2%
FY15 Projected	8,152,000	7.7%		FY13 Actual	6,934,179	5.2%
FY15 Budget	7,929,000	4.7%		FY12 Actual	6,593,370	

- Unitary Property Taxes:
Unitary taxes cover such entities as railroads, electric, gas, and telephone companies. The State Board of Equalization assesses the value of these companies’ operations and establishes a countywide tax rate system.

FY16 Budget	35,700	0%		FY14 Actual	30,409	2.9%
FY15 Projected	35,700	17.4%		FY13 Actual	29,562	2.1%
FY15 Budget	28,700	-5.6%		FY12 Actual	28,957	

Property Taxes Continued

- Unsecured Property Taxes:

Unsecured taxes are assessed against movable personal property such as business equipment, boats and airplanes. The tax is considered unsecured because any tax not paid results in a lien filed against the owner of the property, not the property itself.

FY16 Budget	559,000	-1.0%		FY14 Actual	560,395	-3.7%
FY15 Projected	564,744	0.8%		FY13 Actual	582,125	19.4%
FY15 Budget	579,000	3.3%		FY12 Actual	487,491	

- Supplemental Senate Bill 813 Tax:

SB 813, also known as the Hughes-Hart Educational Reform Act of 1983, originally was designed to close a perceived loophole in Proposition 13 and generate much needed additional funding for schools. The new law established a “floating lien date” and prevented property owners from delaying the taxation of their properties at higher value assessments. After the first year, the revenue generated by SB 813 is distributed to all local governments that receive property tax revenues.

FY16 Budget	183,000	11.6%		FY14 Actual	163,690	66.3%
FY15 Projected	164,000	0.2%		FY13 Actual	98,448	-3.5%
FY15 Budget	108,000	-34.0%		FY12 Actual	101,994	

- The Homeowner Property Tax Relief:

HOPTR provides a \$7,000 exemption on the value of owner occupied homes. The tax revenue lost from this exemption is made up in part from other sources and the District receives a share of this funding.

FY16 Budget	47,968	-0.2%		FY14 Actual	47,968	-0.1%
FY15 Projected	48,060	0.2%		FY13 Actual	48,596	0.2%
FY15 Budget	48,000	0.0%		FY12 Actual	48,480	

Other Revenue

- Interest – Deposits and Investments:

Interest earnings from comingled funds are declining as market rates decline and pool fund maturities roll over. The District’s cash balance has also been declining. There will also be no loan interest income as all long-term notes receivable have been paid off.

FY16 Budget	40,000	-14.9%		FY14 Actual	51,723	-51.9%
FY15 Projected	47,000	-9.1%		FY13 Actual	107,510	7.3%
FY15 Budget	50,000	-3.3%		FY12 Actual	100,164	

- Property Rental

The District owns a property that is rented out, usually to contractors who are performing public work, for parking their heavy equipment and materials during operations. Over the last few years the District has rented out the space an average of 2-3 months per year at a maximum of \$1,500 per month.

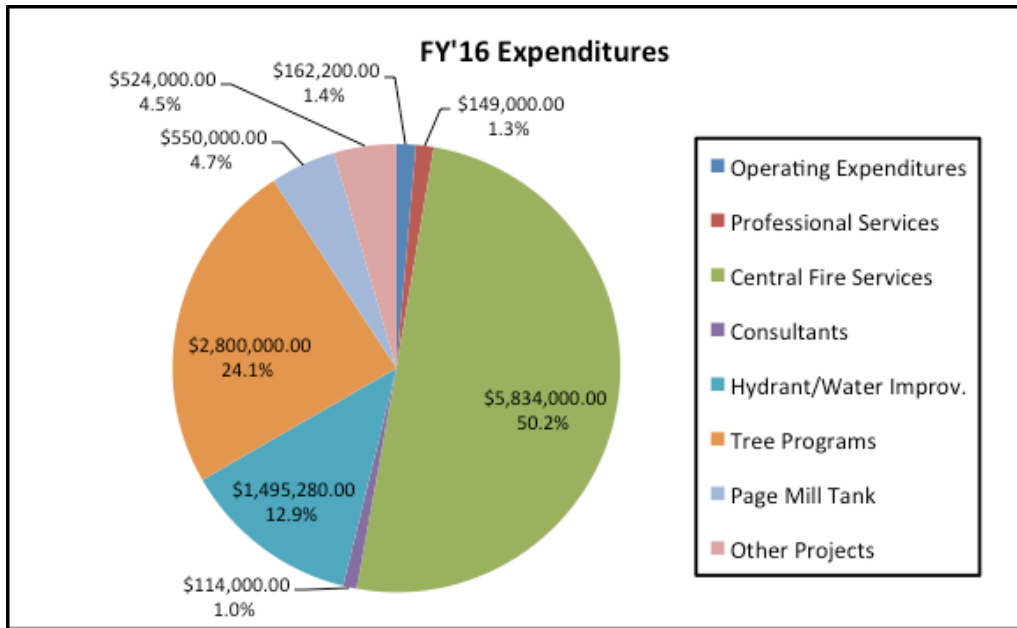
FY16 Budget	3,000	0%		FY14 Actual	4,250	51.8%
FY15 Projected	3,000	-29.4%		FY13 Actual	2,800	86.7%
FY15 Budget	4,000	-5.9%		FY12 Actual	1,500	

- Other/Miscellaneous Revenues

Other income including reimbursements and hydrant damage insurance settlements and is variable year-to-year.

FY16 Budget	1,500	0%		FY14 Actual	1,062	-89.1%
FY15 Projected	1,500	41.2%		FY13 Actual	9,717	-37.7%
FY15 Budget	5,000	370%		FY12 Actual	15,606	

Expenditures



Operating Expenditures

- Insurance:

The District has an insurance policy on the Fire Station that is paid annually in July.

Note: FY13 amount was recorded in the books during FY12, but has been split for this report.

FY16 Budget	4,000	-13.7%	FY14 Actual	3,562	-2.5%
FY15 Projected	3,517	0.1%	FY13 Actual	3,476	-4.8%
FY15 Budget	7,000	-96.5%	FY12 Actual	3,315	

- Commissions Fee:

The 7 Commissioners of the Board are currently paid \$100 per meeting with 10 planned meetings per year, but the District might consider increasing Commissioner’s fees to \$200 per meeting.

FY16 Budget	15,000	-105.5%	FY14 Actual	6,900	-19%
FY15 Projected	7,300	-5.8%	FY13 Actual	5,800	7.9%
FY15 Budget	7,000	-1.4%	FY12 Actual	6,300	

- Outside Hydrant Repair:

This account covers hydrant repair and maintenance costs for the District’s 600 hydrants in the Purissima Hills Water District service area. Hydrants in the Cal Water service area are the responsibility of Cal Water. The Fire Consultant has requested \$15,000 be kept in the budget to cover unforeseeable damage.

FY16 Budget	15,000	-50%	FY14 Actual	12,910	31.7%
FY15 Projected	10,000	22.5%	FY13 Actual	18,909	-37.2%
FY15 Budget	20,000	-54.9%	FY12 Actual	13,778	

- Office Expenses

This account includes amounts spent by the County Clerk on postage, copier expenses, shredding, Commissioner meeting accommodations, etc.

FY16 Budget	4,500	-12.5%	FY14 Actual	3,272	30.3%
FY15 Projected	4,000	-22.2%	FY13 Actual	4,697	-77.9%
FY15 Budget	10,000	-205.6%	FY12 Actual	2,640	

Operating Expenditures Continued

- Property Tax Administration Fee:

The Property Tax Administration Fee paid to the County is based on a variable percentage of actual property tax collection costs. The County provides an estimate of the fee when it provides the revenue estimate. This fee is collected in the 4th Quarter of the fiscal year.

FY16 Budget	111,200	-0.8%		FY14 Actual	100,850	-10.5%
FY15 Projected	110,265	-9.3%		FY13 Actual	91,237	6.7%
FY15 Budget	109,100	-8.2%		FY12 Actual	97,812	

- Publications and Legal Notices:

Notices of fire prevention hearings and emergency information are recorded in this account. Notices relating to specific Projects and Programs (listed below) are expensed to their corresponding accounts.

FY16 Budget	2,500	0%		FY14 Actual	895	42.8%
FY15 Projected	2,500	-179.3%		FY13 Actual	1,564	84%
FY15 Budget	8,000	-793.9%		FY12 Actual	9,799	

- Miscellaneous:

This account is used to record expenses that do not fall into a specific expense category, such as advertising expenses, board-room improvements and website maintenance.

FY16 Budget	10,000	0%		FY14 Actual	11,237	51.8%
FY15 Projected	10,000	11%		FY13 Actual	23,302	52.5%
FY15 Budget	100,000	-790%		FY12 Actual	49,064	

Professional & Specialized Services

- Annual Audit Charter:

The District's finances are audited annually by an outside auditor, and are subject to audit at any time by the Audit Division of the Board of Supervisors.

Note: Audit expenses are recorded on a cash basis, so payments may fall into multiple years.

FY16 Budget	20,000	-5.5%		FY14 Actual	12,350	-81.6%
FY15 Projected	18,950	-53.4%		FY13 Actual	6,800	55.1%
FY15 Budget	17,500	-41.7%		FY12 Actual	15,150	

- Accounting Services:

The District is provided a financial package including Balance Sheet, P&L and transaction details by an outside accounting firm on a monthly basis, with financial consulting provided as needed.

FY16 Budget	24,000	-1.3%		FY14 Actual	19,800	1.5%
FY15 Projected	23,700	-19.7%		FY13 Actual	20,100	-55.8%
FY15 Budget	20,000	-1.0%		FY12 Actual	12,900	

- Outside Legal Fees:

Legal Counsel fees are paid monthly and are variable depending on the scope of work required. Additional funds have been added in FY16 for negotiations of a new fire department services contract.

FY16 Budget	75,000	-74.4%		FY14 Actual	33,054	-45.3%
FY15 Projected	43,000	-30.1%		FY13 Actual	22,748	-23.5%
FY15 Budget	25,000	24.4%		FY12 Actual	18,419	

Professional & Specialized Services Continued

- Outside Consulting Services:

The District uses outside consultants for special projects. In FY15 The Center for Public Safety Excellence was contracted to assist with Strategic Planning review. In FY16 funds have been budgeted for assistance with the selection of a fire protection service provider.

FY16 Budget	30,000	-106.9%		FY14 Actual	-	0%
FY15 Projected	14,500	-100%		FY13 Actual	-	0%
FY15 Budget	25,000	-100%		FY12 Actual	-	

Contract Services

- Central Fire District:

The District contracts with the SCCFD for fire protection and emergency medical services. The contract provides for a service fee increase at the beginning of each calendar year, which is estimated to be 4.3% in 2016 based on a three part formula that averages the change in the San Francisco/Oakland area consumer price index, local secured parcel values, and firefighter’s annual cost of living increases in total compensation.

FY16 Budget	4,200,000	-5.3%		FY14 Actual	3,822,594	-3.6%
FY15 Projected	3,988,685	-4.3%		FY13 Actual	3,689,052	-2.6%
FY15 Budget	4,287,515	-12.2%		FY12 Actual	3,595,092	

- Battalion 14:

In previous years the Battalion 14 services were recorded in the Central Fire District account, but the District has decided to recognize it as a separate account to better track expenditures. Battalion 14 was added in FY10 and includes the cost of a Chief. Annual increases in compensation are calculated at the same rate as outlined above.

FY16 Budget	1,100,000	-6.3%		FY14 Actual	992,202	-3.6%
FY15 Projected	1,034,869	-4.3%		FY13 Actual	957,540	-2.6%
FY15 Budget	1,112,485	-12.2%		FY12 Actual	933,156	

- Emergency Services Coordinator:

In previous years the Emergency Service Coordinator’s salary was recorded in the Fire Prevention/Emergency Prep account. Since this is a contracted service provided by the SCCFD that increases annually at the same rate as the Central Fire District (see above), the District has decided to recognize this expenditure as a separate account.

FY16 Budget	85,000	-7.5%		FY14 Actual	75,864	-3.6%
FY15 Projected	79,044	-4.3%		FY13 Actual	73,320	-2.6%
FY15 Budget	85,000	-12.0%		FY12 Actual	71,454	

- Fire Prevention/Emergency Prep:

This account covers the non-labor costs associated with the CERT program and ESC supplies paid to SCCFD. Additional funds have been budgeted in FY16 to account for ARK relocation due to the construction of a new administration building at Foothill College.

FY16 Budget	45,000	-28.6%		FY14 Actual	27,154	37.1%
FY15 Projected	35,000	-28.9%		FY13 Actual	43,155	53.3%
FY15 Budget	115,000	-324%		FY12 Actual	92,414	

Contract Services Continued

- Extra Fire Season Staff:

The District provides for additional staffing (firefighters) during periods of high fire hazard days or as otherwise needed. FY16 has been budgeted to account for continued dry weather patterns that will lead to a longer fire season.

FY16 Budget	400,000	-23.1%		FY14 Actual	403,032	-25.3%
FY15 Projected	325,000	19.4%		FY13 Actual	321,681	-24.4%
FY15 Budget	350,000	13.2%		FY12 Actual	258,546	

- Self-Insurance Claim (Workman’s Comp):

The District is currently paying off four workman’s compensation claims, dating from 1993 when they were involved with Los Altos Fire. The City of Los Altos bills the District an agreed upon one-third of the actual payments quarterly.

FY16 Budget	4,000	0%		FY14 Actual	1,244	4.5%
FY15 Projected	4,000	-221.5%		FY13 Actual	2,260	90.1%
FY15 Budget	30,000	-2311%		FY12 Actual	22,883	

Contract Services (Consultants)

- Contract Employment Services (Clerk):

The District Clerk services include preparing the monthly packets, taking the minutes of the monthly meetings, and coordinating with District Financial Consultant in preparing the monthly invoices.

FY16 Budget	57,000	-1.4%		FY14 Actual	54,213	-4.6%
FY15 Projected	56,220	-3.7%		FY13 Actual	51,848	-1.7%
FY15 Budget	56,500	-4.2%		FY12 Actual	51,000	

- Contract Employment Services (Fire Consultant):

The Fire Consultant assists with all of the water main and hydrant projects in the District as well as overseeing the brush chipping, dead tree, eucalyptus and other programs as directed by the Board.

FY16 Budget	57,000	-1.4%		FY14 Actual	54,213	-4.6%
FY15 Projected	56,220	-3.7%		FY13 Actual	51,848	-1.7%
FY15 Budget	56,500	-4.2%		FY12 Actual	51,000	

Projects and Programs

- Chipping Program:

Twice a year, District-funded on site "chipping" services for District residents' excess fuel loads from their properties.

FY16 Budget	300,000	-15.4%		FY14 Actual	292,532	0.7%
FY15 Projected	260,000	11.1%		FY13 Actual	294,552	-1.0%
FY15 Budget	350,000	-19.6%		FY12 Actual	291,665	

- Yard and Waste Program:

This District-funded program allows residents to drop-off garden debris and other combustible plant materials once a month. The District reimburses the Town of Los Altos Hills for the cost of the program.

FY16 Budget	39,000	-5.4%		FY14 Actual	37,320	1.5%
FY15 Projected	37,000	0.9%		FY13 Actual	37,889	1.2%
FY15 Budget	40,000	-7.2%		FY12 Actual	38,359	

Projects and Programs Continued

- **Brush Goat Program:**

The District rents goats annually for fuel load reduction, usually provided at the end of the fiscal year in June. The annual charge for goat services is \$17,738, with extra budget allotted for public notice mailings.

FY16 Budget	20,000	-12.8%		FY14 Actual	17,738	10.5%
FY15 Projected	17,738	0%		FY13 Actual	19,828	-11.8%
FY15 Budget	20,000	-12.8%		FY12 Actual	17,738	

- **Buildings and Grounds:**

This account is budgeted to include monthly landscaping fees and any upgrades made to the District owned fire station at Foothill College.

FY16 Budget	10,000	-53.8%		FY14 Actual	6,509	81.3%
FY15 Projected	6,500	-0.1%		FY13 Actual	34,888	-379%
FY15 Budget	25,000	-284%		FY12 Actual	7,284	

- **Emergency Access Roads:**

The District has budgeted to be prepared to spend money on emergency road repairs and maintenance as needed.

FY16 Budget	5,000	-150%		FY14 Actual	1,948	67.7%
FY15 Projected	2,000	-2.7%		FY13 Actual	6,038	-122%
FY15 Budget	25,000	-1183%		FY12 Actual	459	

- **Dead Tree and Eucalyptus Programs:**

The District provides for the removal of dead or dying trees from Town properties and adjacent county areas. These programs were combined into one account for FY14, so percent changes are not calculable for FY14 and FY15. Since the program started in FY12, the District has removed approximately 3,925 dead trees and has pruned or removed 3,155 eucalyptus trees. For FY16, the District has budgeted to address the remainder of known trees, estimated to be approximately 840 dead trees and 300 eucalyptus trees.

Dead Tree Program

FY16 Budget	1,900,000	5.7%		FY14 Actual	1,653,738	N/A
FY15 Projected	2,014,000	N/A		FY13 Actual	849,233	15.5%
FY15 Budget	1,650,000	N/A		FY12 Actual	1,004,996	

Eucalyptus Program

FY16 Budget	900,000	-5.9%		FY14 Actual	-	N/A
FY15 Projected	850,000	N/A		FY13 Actual	1,718,712	-8.1%
FY15 Budget	850,000	N/A		FY12 Actual	1,590,580	

- **Hydrant/Water Main Improvements - Purissima:**

The District works in conjunction with the Purissima Hills Water District to procure design, engineering and construction services for Fire Hydrant/Water Mains Improvement Projects. The FY16 budget provides for the construction of Phase VII, and the engineering and start of construction of Phase VIII. This multi-year program is expected to be completed in FY17.

FY16 Budget	1,395,280	-114.7%		FY14 Actual	545,634	25.9%
FY15 Projected	650,000	-19.1%		FY13 Actual	736,361	-18.2%
FY15 Budget	750,000	-37.5%		FY12 Actual	623,237	

Projects and Programs Continued

- Hydrant/Water Main Improvements – Cal Water
The District works in conjunction with the California Water Service to improve fire service water flows where necessary in the Cal Water’s service area.

FY16 Budget	50,000	66.7%		FY14 Actual	309,969	-100%
FY15 Projected	150,000	-51.6%		FY13 Actual	-	100%
FY15 Budget	500,000	-61.3%		FY12 Actual	583,189	

- Page Mill Tank Seismic Retrofit
The District entered into a cost sharing agreement with Purissima Hills Water District to share the costs needed to seismically upgrade the Page Mill Tank. The project is expected to be completed by the end of FY16.

FY16 Budget	550,000	-100%		FY14 Actual	-	0%
FY15 Projected	-	0%		FY13 Actual	-	0%
FY15 Budget	-	0%		FY12 Actual	-	

- Weed Control Program:
The District allocated \$5000 to the Town of Los Altos Hills for fuel load reduction and mitigation of invasive weeds per request from the LAH Open Space Committee for stewardship program in FY13. No expenditures are expected for this account in FY16.

FY16 Budget	-	0%		FY14 Actual	5,000	-100%
FY15 Projected	-	100%		FY13 Actual	-	0%
FY15 Budget	5,000	0%		FY12 Actual	-	

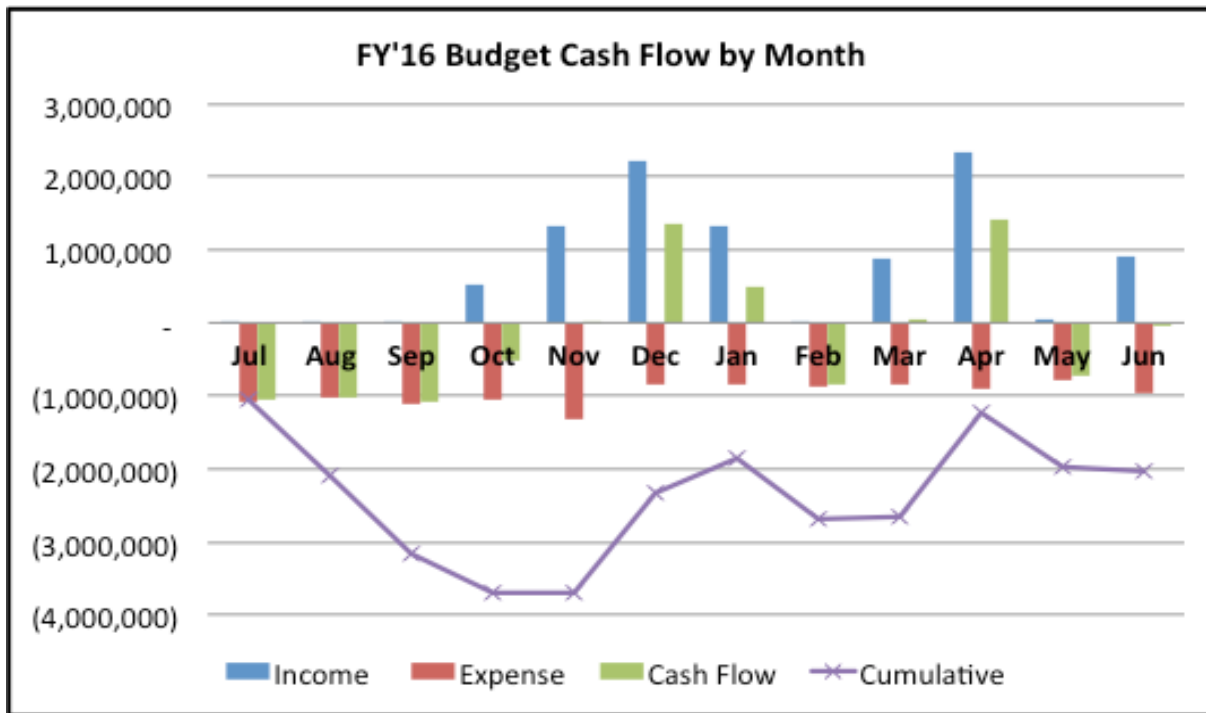
- Fuel Break Program Open Space
This program was set up in conjunction with the Mid-Peninsula Open Space District to control weed and brush growth along private property lines adjacent to the Open Space District. Though most of the potential fire hazards were cleared by FY11, the program is kept in place to accommodate future growth. No expenditures are expected for FY16.

FY16 Budget	-	0%		FY14 Actual	-	0%
FY15 Projected	-	0%		FY13 Actual	-	0%
FY15 Budget	25,000	-100%		FY12 Actual	-	

- Projects & Programs Contingency
This account was added by the District for FY16 to cover any unexpected Projects and Programs needs.

FY16 Budget	200,000	-100%		FY14 Actual	-	0%
FY15 Projected	-	0%		FY13 Actual	-	0%
FY15 Budget	-	0%		FY12 Actual	-	

Cash Flow by Month



	July	August	September	October	November	December
Revenues	12,200	12,810	14,310	513,580	1,319,900	2,224,525
Expenditures	-1,078,639	-1,029,519	-1,105,681	-1,036,734	-1,292,119	-839,939
Cash Flow	-1,066,418	-1,016,709	-1,091,371	-523,154	27,781	1,384,586
Cumulative	-1,066,418	-2,083,148	-3,174,519	-3,697,673	-3,669,892	-2,285,306
	January	February	March	April	May	June
Revenues	1,324,674	14,524	883,100	2,326,631	44,489	916,425
Expenditures	-823,360	-874,610	-850,126	-915,931	-790,347	-991,475
Cash Flow	501,314	-860,086	32,974	1,410,700	-745,858	-75,050
Cumulative	-1,783,992	-2,644,078	-2,611,104	-1,200,404	-1,946,262	-2,021,312

The District can expect negative cash flow in eight out of twelve months because of the following:

- 1) The bulk of the District’s revenues (99.5%) come from Property Taxes, as outlined in the “Revenues” section above. Property taxes are usually collected twice per year, hence the largest share of revenue is received by the District in December and April, with early or late payments being received in the months immediately preceding or following.
- 2) The District has chosen to take on significant projects, such as the continuing “Tree Programs” and the “Page Mill Seismic Retrofit”, which will cause year-end expenditures over revenue to amount to \$2,021,312.

Net Position

Investment in Capital Assets

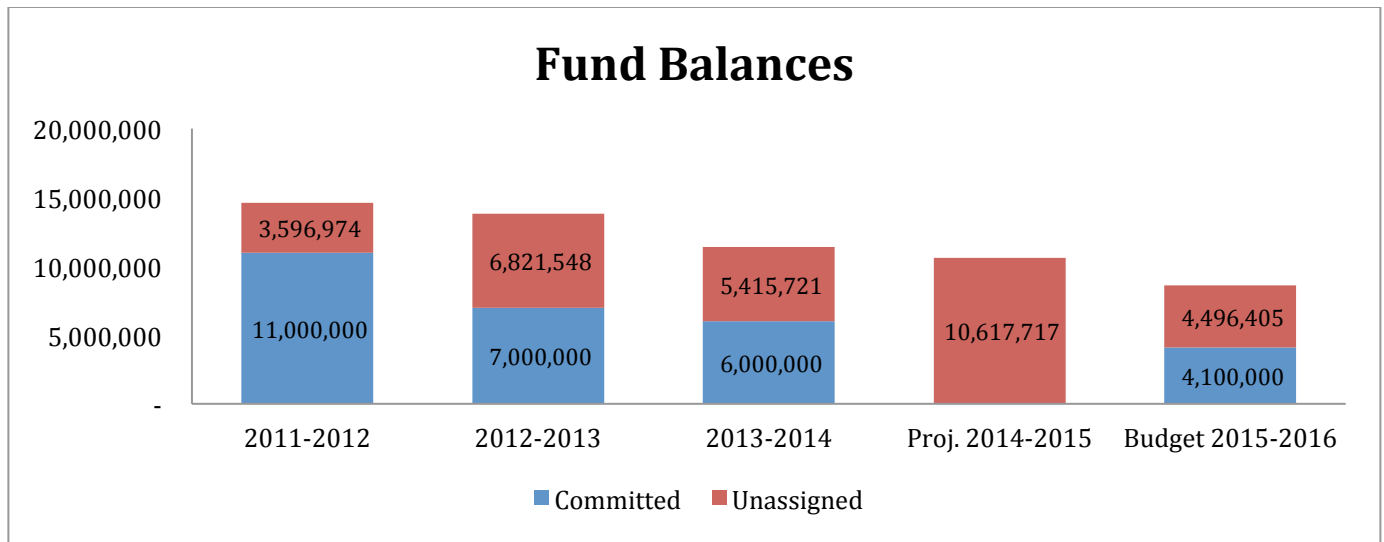
At the beginning of FY16, the District's net investment in capital assets is expected to be \$2,407,483 (net of accumulated depreciation). The investment in capital assets includes land, improvements, fire hydrants, furniture and equipment. No capital expenditures are anticipated in FY16, therefore (after an estimated \$76,000 in accumulated depreciation) the balance at the end of the fiscal year is estimated to be \$2,331,483.

Fund Balances

The term “fund balance” is the difference between assets and liabilities reported in a governmental fund, and is usually a positive number. Prior to Governmental Accounting Standards Board Statement Number 54 - Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54) fund balances had been classified into three separate components, Reserved, Designated, and Undesignated. GASB 54 eliminates those three classifications and replaces them with the following five classifications:

- *Non-spendable* – Fund balance classified as *non-spendable* includes amounts that are not in spendable form, such as inventories or legally or contractually required to be maintained intact, such as fund balance associated with inventories.
- *Restricted* - Fund balance should be reported as *restricted* when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
- *Committed* - Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority, the Board of Commissioners, should be classified as *committed*. These funds cannot be used for any other purpose unless the District removes or changes the specified use by taking the same type of action it employed to previously commit these amounts.
- *Assigned* - Amounts in the *assigned* fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed.
- *Unassigned* – The *unassigned* fund balance is the residual classification for the District’s general fund and includes all spendable amounts not contained in the other classifications.

For the FY16, has elected to classify fund balances as follows:



Committed for Operations - \$2,000,000

The amount of funds *Committed for Operations* will equal a minimum four months of operating expenses (to cover periods where minimal property tax revenue is forthcoming), including base amounts of contracted fire services, consulting and professional services, commissioner’s fees, ordinary repair/maintenance of hydrants and water mains, and all other expenditures the District incurs as a result of performing normal daily operations. Daily operations do not include fire prevention programs such as brush chipping, yard-waste and dead tree removal as these are included in Emergency Operation commitments.

Committed for Insurance - \$100,000

The District is setting aside \$100,000 to look into a new insurance policy. One possibility includes joining the Fire Agencies Insurance Risk Authority (FAIRA), a joint powers authority with other California special districts as members, which provides the following coverage:

	<u>Limits</u>	<u>Deductible</u>
General Liability – Per Occurrence	\$1,000,000	
Management Liability (Wrongful Act) - Aggregate	\$2,000,000	\$5,000
Auto Liability - Uninsured Motorists/Bodily Injury	\$1,000,000	\$1,000
Umbrella (Excess) Liability – Per Occurrence	\$4,000,000	

Committed for Emergency Operations - \$2,000,000

The amount of funds *Committed for Operations* will equal a minimum four months of extra fire protection and fire-prevention program expenses (to cover periods where minimal property tax revenue is forthcoming). This includes additional contracted fire-fighting services that should arise specifically due to economic uncertainties or unforeseen disasters or emergencies such as wildfires and earthquakes, staffing for extended fire seasons, and extra contracted services needed to ensure all fire-prevention programs with high priority components are completed in a timely manner.

Unassigned Fund Balance

The remaining amount of fund balance, approximately \$4.5 million at the beginning of FY16 will be classified as *unassigned*. After an estimated net change in fund balance of -\$2 million, *Unassigned Fund Balance* at the end of FY16 is estimated to be approximately \$2.5 million.