



**COUNTY FIRE
DISTRICT**

**BUDGET NARRATIVE
FY 2016 - 2017**

LAHCFD FY17 Budget Narrative

Introduction

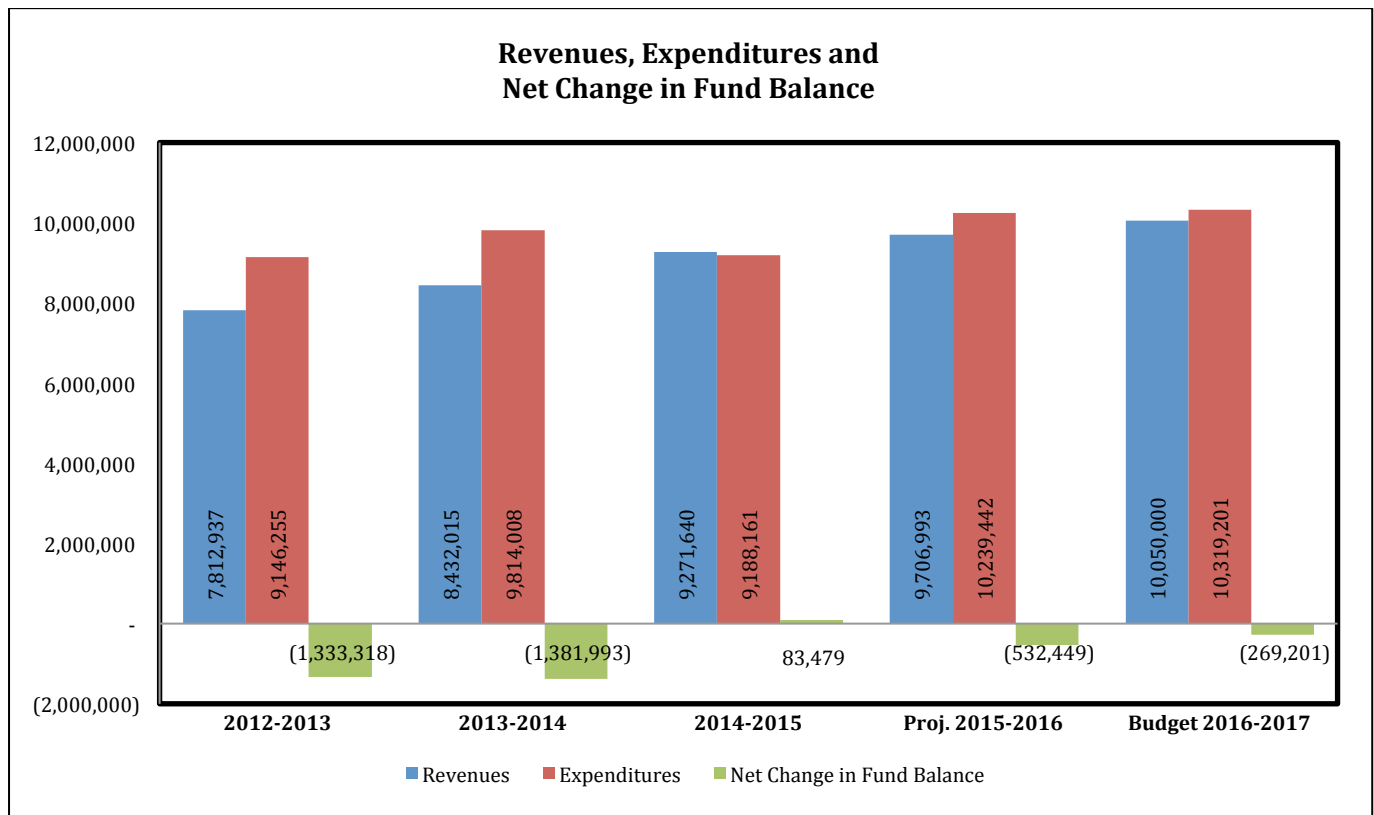
The mission of the Los Altos Hills County Fire District (LAHCFD) is to protect the lives, property and environment within the community it serves from fires, disasters and medical emergencies or incidents through education, prevention and emergency response services for the Town of Los Altos Hills and 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, 2017.

- The District’s assets are expected to decrease from \$13.6 million to \$13.1 million, a 3.7 percent decline, as a result of continued investment in major water supply and hydrant projects, 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 \$10.8 million, while fixed assets (including land, station improvements, fire hydrants, furniture and equipment) are expected to be slightly less than \$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 during the past 7 years. Although expenditures are expected to exceed revenues by \$269,201 in FY17, the District is in good financial condition.
- Revenue is anticipated to increase by 3.5 percent to \$10.1 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 slightly by 0.8 percent from the prior year primarily due to increased spending in the Fire Hydrant replacement projects, which will be completed during FY17.
- 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, but as of the date of this narrative (March 2016) a new agreement has not been reached. The budget has accounted for the annual average increase of 4.5 percent should SCCFD services be retained, however it has also opted to commit part of the fund balance to cover any additional charges should a new fire service vendor be selected (see page 12.)



Revenues

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.

Note: The tables under each account show income for each year, followed by percentage favorable variance (positive number) or unfavorable variance (negative number) from the prior year.

- 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.

| | | | | | | |
|----------------|-----------|------|--|-------------|-----------|------|
| FY17 Budget | 9,095,000 | 4.0% | | FY15 Actual | 8,182,311 | 8.1% |
| FY16 Projected | 8,744,701 | 6.9% | | FY14 Actual | 7,572,518 | 9.2% |
| FY16 Budget | 8,737,000 | 6.8% | | FY13 Actual | 6,934,179 | |

- 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.

| | | | | | | |
|----------------|--------|-------|--|-------------|--------|-------|
| FY17 Budget | 43,900 | 0% | | FY15 Actual | 35,718 | 17.5% |
| FY16 Projected | 43,900 | 22.9% | | FY14 Actual | 30,409 | 2.9% |
| FY16 Budget | 35,700 | -0.1% | | FY13 Actual | 29,562 | |

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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.

| | | | | | | |
|----------------|---------|--------|--|-------------|---------|-------|
| FY17 Budget | 643,000 | -0.1% | | FY15 Actual | 664,757 | 18.6% |
| FY16 Projected | 643,342 | -3.2% | | FY14 Actual | 560,395 | -3.7% |
| FY16 Budget | 559,000 | -15.9% | | FY13 Actual | 582,125 | |

- 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.

| | | | | | | |
|----------------|---------|--------|--|-------------|---------|-------|
| FY17 Budget | 173,000 | 0% | | FY15 Actual | 288,108 | 76.0% |
| FY16 Projected | 173,000 | -40.0% | | FY14 Actual | 163,690 | 66.3% |
| FY16 Budget | 183,000 | -36.5% | | FY13 Actual | 98,448 | |

- 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.

| | | | | | | |
|----------------|--------|-------|--|-------------|--------|-------|
| FY17 Budget | 46,000 | 0% | | FY15 Actual | 48,062 | 0.2% |
| FY16 Projected | 46,000 | -4.3% | | FY14 Actual | 47,968 | -0.1% |
| FY16 Budget | 47,968 | -0.2% | | FY13 Actual | 48,596 | |

Other Revenues

- Interest – Deposits and Investments:

The District’s cash balances are commingled with and held by the County of Santa Clara. The District earns income from these holdings, which varies depending upon market interest rates.

(Note: FY13 includes interest from long-term notes receivable, which has since been paid off.)

| | | | | | | |
|----------------|--------|--------|--|-------------|---------|--------|
| FY17 Budget | 50,000 | 0.4% | | FY15 Actual | 51,498 | -0.4% |
| FY16 Projected | 49,800 | -3.3% | | FY14 Actual | 51,723 | -51.9% |
| FY16 Budget | 40,000 | -22.3% | | FY13 Actual | 107,510 | |

- 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.

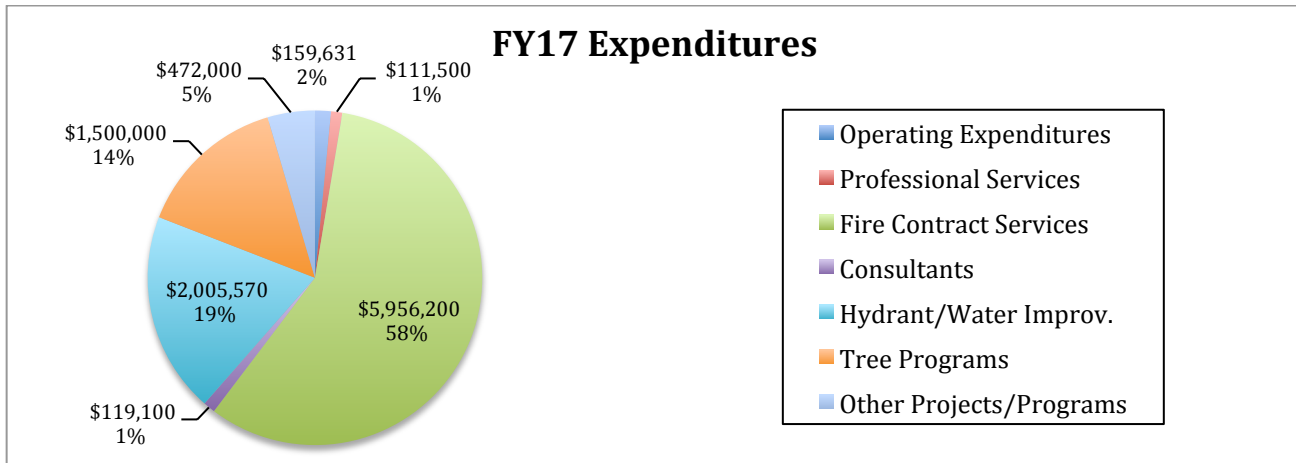
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|----------------|-------|--------|--|-------------|-------|--------|
| FY17 Budget | 3,000 | -45.5% | | FY15 Actual | 500 | -88.2% |
| FY16 Projected | 5,500 | 1000% | | FY14 Actual | 4,250 | 51.8% |
| FY16 Budget | 3,000 | 500% | | FY13 Actual | 2,800 | |

- Other/Miscellaneous Revenues

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

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|----------------|-------|--------|--|-------------|-------|--------|
| FY17 Budget | 1,100 | 46.7% | | FY15 Actual | 686 | -35.4% |
| FY16 Projected | 750 | 9.3% | | FY14 Actual | 1,062 | -89.1% |
| FY16 Budget | 1,500 | 118.7% | | FY13 Actual | 9,717 | |

Expenditures



Operating Expenditures

Note: The tables under each account show expense for each year, followed by percentage favorable variance (positive number) or unfavorable variance (negative number) from the prior year.

- Insurance:

In FY16, the District entered into an insurance policy with the Fire Agencies Insurance Risk Authority (FAIRA), which provides a greater scope of coverage than the previous policy, hence the 45% unfavorable variance from FY15.

| | | | | | |
|----------------|-------|--------|-------------|-------|-------|
| FY17 Budget | 5,100 | 0% | FY15 Actual | 3,517 | 1.3% |
| FY16 Projected | 5,100 | -45.0% | FY14 Actual | 3,562 | -2.5% |
| FY16 Budget | 4,000 | -13.7% | FY13 Actual | 3,476 | |

- Commissions Fee:

The 7 Commissioners of the Board are currently paid \$100 per meeting with 10 planned Board meetings per year. Due to increased sub-committee meetings, the District may want to consider increasing the compensation to \$100 for any type of meeting, not to exceed 3 meetings per month per Commissioner. A motion would need to be passed to implement this change.

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|----------------|--------|---------|-------------|-------|--------|
| FY17 Budget | 16,800 | -158.5% | FY15 Actual | 9,400 | -36.2% |
| FY16 Projected | 6,500 | 30.9% | FY14 Actual | 6,900 | -19.0% |
| FY16 Budget | 15,000 | -59.6% | FY13 Actual | 5,800 | |

- 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.

| | | | | | |
|----------------|--------|---------|-------------|--------|-------|
| FY17 Budget | 15,000 | 0% | FY15 Actual | 2,602 | 79.8% |
| FY16 Projected | 15,000 | -476.5% | FY14 Actual | 12,910 | 31.7% |
| FY16 Budget | 15,000 | -476.5% | FY13 Actual | 18,909 | |

- Office Expenses

This account includes amounts spent by the District Clerk on postage, copier expenses, shredding, Commissioner meeting accommodations, etc. For FY17 the budget has been increased to include business card and letterhead expenses (which in the past were expensed in the “Miscellaneous” account.)

| | | | | | |
|----------------|-------|---------|-------------|-------|-------|
| FY17 Budget | 8,000 | -128.6% | FY15 Actual | 2,913 | 11.0% |
| FY16 Projected | 3,500 | -20.2% | FY14 Actual | 3,272 | 30.3% |
| FY16 Budget | 4,500 | -54.5% | FY13 Actual | 4,697 | |

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Operating Expenditures Continued

- Professional Services – Internal
This is an annual fee of \$231 paid to the Clerk of the County for processing of the “Property Tax Administration Fee”.
- Property Tax Administration Fee:
The Property Tax Administration Fee is paid to the County in the 4th Quarter of the fiscal year, and 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.

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|----------------|---------|--------|--|-------------|---------|--------|
| FY17 Budget | 106,000 | -4.6% | | FY15 Actual | 90,418 | 10.1% |
| FY16 Projected | 101,300 | -12.0% | | FY14 Actual | 100,619 | -10.6% |
| FY16 Budget | 110,969 | -22.7% | | FY13 Actual | 91,006 | |

- Publications and Legal Notices:
Notices of fire prevention hearings and emergency information are recorded in this account. During FY16, the District started covering the costs of the “Los Altos Hills Our Town” mailings to the unincorporated areas of the town, which added an annual increase of around \$4,000.
Note: notices relating to specific Projects and Programs (listed below) are expensed to their corresponding accounts.

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|----------------|-------|---------|--|-------------|-------|---------|
| FY17 Budget | 6,500 | 7.1% | | FY15 Actual | 2,804 | -213.3% |
| FY16 Projected | 7,000 | -149.6% | | FY14 Actual | 895 | 42.8% |
| FY16 Budget | 2,500 | 10.8% | | FY13 Actual | 1,564 | |

- Miscellaneous:
This account is used to record expenses that do not fall into a specific expense category, such as advertising expenses, and boardroom improvements. Historically, this account included website maintenance costs (which for FY17 onward will be recognized as “Outside Consultant Services”), and business cards and letterhead (which for FY17 onward will be recognized as “Office Expenses”).

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|----------------|--------|-------|--|-------------|--------|---------|
| FY17 Budget | 2,000 | 60.0% | | FY15 Actual | 13,568 | -117.5% |
| FY16 Projected | 5,000 | 63.1% | | FY14 Actual | 6,237 | 73.2% |
| FY16 Budget | 10,000 | 26.3% | | FY13 Actual | 23,302 | |

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.

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|----------------|--------|-------|--|-------------|--------|--------|
| FY17 Budget | 21,000 | -2.7% | | FY15 Actual | 18,950 | -53.4% |
| FY16 Projected | 20,440 | -7.9% | | FY14 Actual | 12,350 | -81.6% |
| FY16 Budget | 20,000 | -5.5% | | FY13 Actual | 6,800 | |

- 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 services provided as needed. Beginning in FY16, the financial consultant took on additional responsibilities including disbursement voucher preparation, vendor maintenance, extra budget documents, etc.

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|----------------|--------|--------|--|-------------|--------|--------|
| FY17 Budget | 36,000 | -20.0% | | FY15 Actual | 24,150 | -22.0% |
| FY16 Projected | 30,000 | -24.2% | | FY14 Actual | 19,800 | 1.5% |
| FY16 Budget | 24,000 | 0.6% | | FY13 Actual | 20,100 | |

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Professional & Specialized Services Continued

- 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.

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|----------------|--------|--------|--|-------------|--------|--------|
| FY17 Budget | 50,000 | -74.4% | | FY15 Actual | 61,043 | -45.3% |
| FY16 Projected | 55,000 | -30.1% | | FY14 Actual | 33,054 | -23.5% |
| FY16 Budget | 75,000 | 24.4% | | FY13 Actual | 22,748 | |

- 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. For FY17 and onward, this account will include the annual website maintenance costs.

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|----------------|--------|---------|--|-------------|--------|---|
| FY17 Budget | 4,500 | -117.2% | | FY15 Actual | 17,387 | - |
| FY16 Projected | 2,072 | 88.1% | | FY14 Actual | - | - |
| FY16 Budget | 30,000 | -72.5% | | FY13 Actual | - | |

Contract Services

- Central Fire District:

The District has a contract with the SCCFD for fire protection and emergency medical services through December 31, 2016. Should the District agree to a new contract with SCCFD, it is estimated FY17 expenses should increase 4.5%. The percentage increase is 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.

In case a new fire service provider should be selected instead, the District has also opted to commit part of the unassigned fund balance to cover potential additional charges (see page 12.)

| | | | | | | |
|----------------|-----------|-------|--|-------------|-----------|-------|
| FY17 Budget | 4,347,500 | -4.5% | | FY15 Actual | 3,988,329 | -4.3% |
| FY16 Projected | 4,162,215 | -4.4% | | FY14 Actual | 3,822,594 | -3.6% |
| FY16 Budget | 4,200,000 | -5.3% | | FY13 Actual | 3,689,052 | |

- Battalion 14:

Battalion 14 services are part of the SCCFD contract and are recorded in a separate account to better track expenditures. Battalion 14 was added in FY10 and includes the cost of a Battalion Chief 24/7. Annual increases in compensation are calculated at the same rate as outlined above. In case a new fire service provider should be selected instead, the District has also opted to commit part of the unassigned fund balance to cover potential additional charges (see page 12.)

| | | | | | | |
|----------------|-----------|-------|--|-------------|-----------|-------|
| FY17 Budget | 1,128,500 | -4.5% | | FY15 Actual | 1,035,224 | -4.3% |
| FY16 Projected | 1,080,356 | -4.4% | | FY14 Actual | 992,202 | -3.6% |
| FY16 Budget | 1,100,000 | -6.3% | | FY13 Actual | 957,540 | |

- Emergency Services Coordinator:

The Emergency Service Coordinator's salary is a contracted service provided by the SCCFD that increases annually at the same rate as the Central Fire District (see above), but is recorded in a separate account to better track expenditures. The current ESC will retire at the end of March 2016 and the District is currently assisting SCCFD in finding a new Coordinator for the program.

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|----------------|--------|-------|--|-------------|--------|-------|
| FY17 Budget | 86,200 | -4.5% | | FY15 Actual | 79,042 | -4.2% |
| FY16 Projected | 82,490 | -4.4% | | FY14 Actual | 75,864 | -3.6% |
| FY16 Budget | 85,000 | -7.5% | | FY13 Actual | 73,320 | |

LAHCFD FY17 Budget Narrative

Contract Services Continued

- Fire Prevention/Emergency Prep:

This account covers the non-labor costs associated with the CERT program and ESC supplies paid to SCCFD.

| | | | | | |
|----------------|--------|--------|-------------|--------|-------|
| FY17 Budget | 40,000 | 0% | FY15 Actual | 35,909 | 37.1% |
| FY16 Projected | 40,000 | -11.4% | FY14 Actual | 27,154 | 53.3% |
| FY16 Budget | 45,000 | -25.3% | FY13 Actual | 43,155 | |

- Extra Fire Season Staff:

The District provides for additional staffing (firefighters) during periods of high fire hazard days or as otherwise needed. FY17 has been budgeted consistent to FY16 due to continued dry weather patterns that are expected to result in a longer fire season.

| | | | | | |
|----------------|---------|--------|-------------|---------|--------|
| FY17 Budget | 350,000 | 0% | FY15 Actual | 297,209 | 26.3% |
| FY16 Projected | 350,000 | -17.8% | FY14 Actual | 403,032 | -25.3% |
| FY16 Budget | 400,000 | -34.6% | FY13 Actual | 321,681 | |

- 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.

| | | | | | |
|----------------|-------|--------|-------------|-------|---------|
| FY17 Budget | 4,000 | -60.0% | FY15 Actual | 5,319 | -327.6% |
| FY16 Projected | 2,500 | 53.0% | FY14 Actual | 1,244 | 4.5% |
| FY16 Budget | 4,000 | 24.8% | FY13 Actual | 2,260 | |

Contract Services (Consultants)

- Contract Employment Services (Clerk):

The District Clerk services include preparing the monthly packets, taking the minutes of the monthly meetings, and responding to public inquires.

| | | | | | |
|----------------|--------|-------|-------------|--------|-------|
| FY17 Budget | 59,550 | -4.5% | FY15 Actual | 56,220 | -3.7% |
| FY16 Projected | 57,000 | -1.4% | FY14 Actual | 54,213 | -4.6% |
| FY16 Budget | 57,000 | -1.4% | FY13 Actual | 51,848 | |

- 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 | 59,550 | -4.5% | FY14 Actual | 56,220 | -3.7% |
| FY15 Projected | 57,000 | -1.4% | FY13 Actual | 54,213 | -4.6% |
| FY15 Budget | 57,000 | -1.4% | FY12 Actual | 51,848 | |

Projects and Programs

- Chipping Program:

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

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|----------------|---------|--------|-------------|---------|-------|
| FY17 Budget | 300,000 | -9.1% | FY15 Actual | 251,191 | 14.1% |
| FY16 Projected | 275,000 | -9.5% | FY14 Actual | 292,532 | 0.7% |
| FY16 Budget | 300,000 | -19.4% | FY13 Actual | 294,552 | |

LAHCFD FY17 Budget Narrative

Projects and Programs Continued

- 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. Note: The FY15 number is lower because the Town did not calculate the amount for the 4th Quarter of the fiscal year in time.

| | | | | | | |
|----------------|--------|--------|--|-------------|--------|-------|
| FY17 Budget | 39,000 | -5.4% | | FY15 Actual | 27,450 | 26.4% |
| FY16 Projected | 37,000 | -34.8% | | FY14 Actual | 37,320 | 1.5% |
| FY16 Budget | 39,000 | -42.1% | | FY13 Actual | 37,889 | |

- 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 occasionally allotted for public notice mailings.

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|----------------|--------|--------|--|-------------|--------|-------|
| FY17 Budget | 18,000 | -1.5% | | FY15 Actual | 17,738 | 0% |
| FY16 Projected | 17,738 | 0% | | FY14 Actual | 17,738 | 10.5% |
| FY16 Budget | 20,000 | -12.8% | | FY13 Actual | 19,828 | |

- 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. FY17 amount is budgeted to include new carpeting.

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|----------------|--------|---------|--|-------------|--------|-------|
| FY17 Budget | 12,000 | -140.0% | | FY15 Actual | 4,804 | 26.2% |
| FY16 Projected | 5,000 | -4.1% | | FY14 Actual | 6,509 | 81.3% |
| FY16 Budget | 10,000 | -108.2% | | FY13 Actual | 34,888 | |

- Emergency Access Roads:

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

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|----------------|-------|---------|--|-------------|-------|-------|
| FY17 Budget | 3,000 | -50.0% | | FY15 Actual | 459 | 76.4% |
| FY16 Projected | 2,000 | -335.7% | | FY14 Actual | 1,948 | 67.7% |
| FY16 Budget | 5,000 | -989.3% | | FY13 Actual | 6,038 | |

- 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 4,600 dead trees and has pruned or removed approximately 3,200 eucalyptus trees. Since the first four years of the Tree Programs have seen the bulk of dead or dying trees pruned or removed, expenditures for FY17 are expected to decrease significantly.

Dead Tree Program

| | | | | | | |
|----------------|-----------|-------|--|-------------|-----------|-----|
| FY17 Budget | 1,200,000 | 35.1% | | FY15 Actual | 1,787,087 | N/A |
| FY16 Projected | 1,850,000 | -3.5% | | FY14 Actual | 1,653,738 | N/A |
| FY16 Budget | 1,900,000 | -6.3% | | FY13 Actual | 849,233 | |

Eucalyptus Program

| | | | | | | |
|----------------|---------|--------|--|-------------|-----------|-----|
| FY17 Budget | 300,000 | 62.5% | | FY15 Actual | 729,624 | N/A |
| FY16 Projected | 800,000 | -9.6% | | FY14 Actual | - | N/A |
| FY16 Budget | 900,000 | -23.4% | | FY13 Actual | 1,718,712 | |

LAHCFD FY17 Budget Narrative

Projects and Programs Continued

- 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 FY17 budget provides for engineering and construction of Phase VIII. This multi-year program will be completed this year.

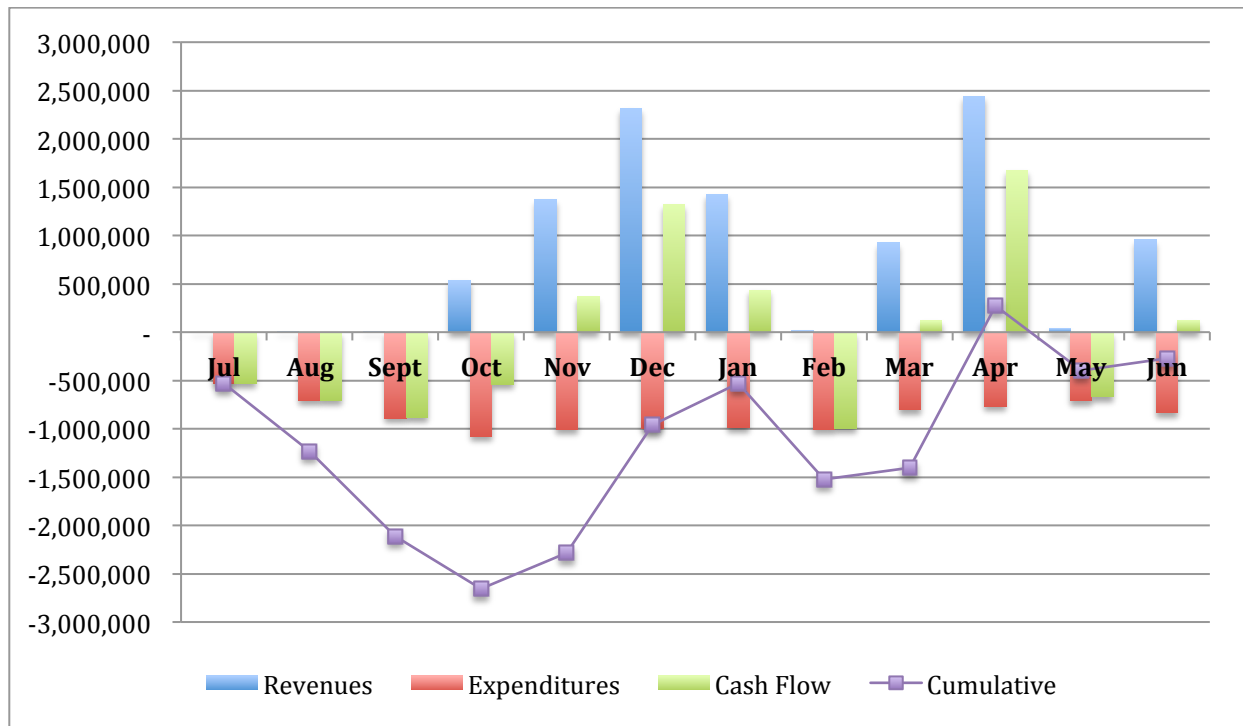
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|----------------|-----------|---------|--|-------------|---------|-------|
| FY17 Budget | 1,955,570 | -220.6% | | FY15 Actual | 515,064 | 5.6% |
| FY16 Projected | 610,000 | -18.4% | | FY14 Actual | 545,634 | 25.9% |
| FY16 Budget | 1,395,280 | -170.9% | | FY13 Actual | 736,361 | |

- 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.

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|----------------|--------|------|--|-------------|---------|-------|
| FY17 Budget | 50,000 | 0% | | FY15 Actual | 54,289 | 82.5% |
| FY16 Projected | 50,000 | 7.9% | | FY14 Actual | 309,969 | - |
| FY16 Budget | 50,000 | 7.9% | | FY13 Actual | - | |

- Page Mill Tank Seismic Retrofit
In FY15 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 will be completed in FY16 at a projected cost to the District of \$550,000.
- Weed Control Program:
The District paid \$5,000 to the Town of Los Altos Hills for fuel load reduction and mitigation of invasive weeds per a request from the LAH Open Space Committee for stewardship program in FY14. No expenditures are expected for this account in FY17.
- 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.
- Projects & Programs Contingency
The District has budgeted \$100,000 is to cover any unexpected Projects and Programs expenses, such as large change orders or emergency needs.

Cash Flow by Month



| | July | August | September | October | November | December |
|---------------------|-----------|------------|------------|------------|------------|-----------|
| Revenues | - | 6,401 | 7,785 | 538,250 | 1,376,130 | 2,318,970 |
| Expenditures | -530,379 | -709,459 | -890,064 | -1,078,478 | -1,007,749 | -994,429 |
| Cash Flow | -530,379 | -703,058 | -882,279 | -540,228 | 368,381 | 1,324,541 |
| Cumulative | -530,379 | -1,233,437 | -2,115,716 | -2,655,944 | -2,287,563 | -963,022 |
| | January | February | March | April | May | June |
| Revenues | 1,426,250 | 13,494 | 923,340 | 2,439,470 | 42,490 | 957,420 |
| Expenditures | -990,321 | -1,007,821 | -804,368 | -766,187 | -712,368 | -832,378 |
| Cash Flow | 435,929 | -994,327 | 118,972 | 1,673,283 | -669,878 | 125,042 |
| Cumulative | -527,093 | -1,521,420 | -1,402,448 | 270,835 | -399,043 | -274,001 |

The District can expect negative cash flow in six 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 “Fire Hydrant/Water Mains Improvement Projects”, which will cause expenditures to exceed revenue by \$274,001.

LAHCFD FY17 Budget Narrative

Net Position

Investment in Capital Assets

At the beginning of FY17, the District's net investment in capital assets (net of accumulated depreciation) is expected to be \$2,329,342. The investment in capital assets includes land, improvements, fire hydrants, furniture and equipment. No capital additions are anticipated in FY17; therefore (after an estimated \$75,999 in accumulated depreciation) the balance at the end of the fiscal year is estimated to be \$2,253,343.

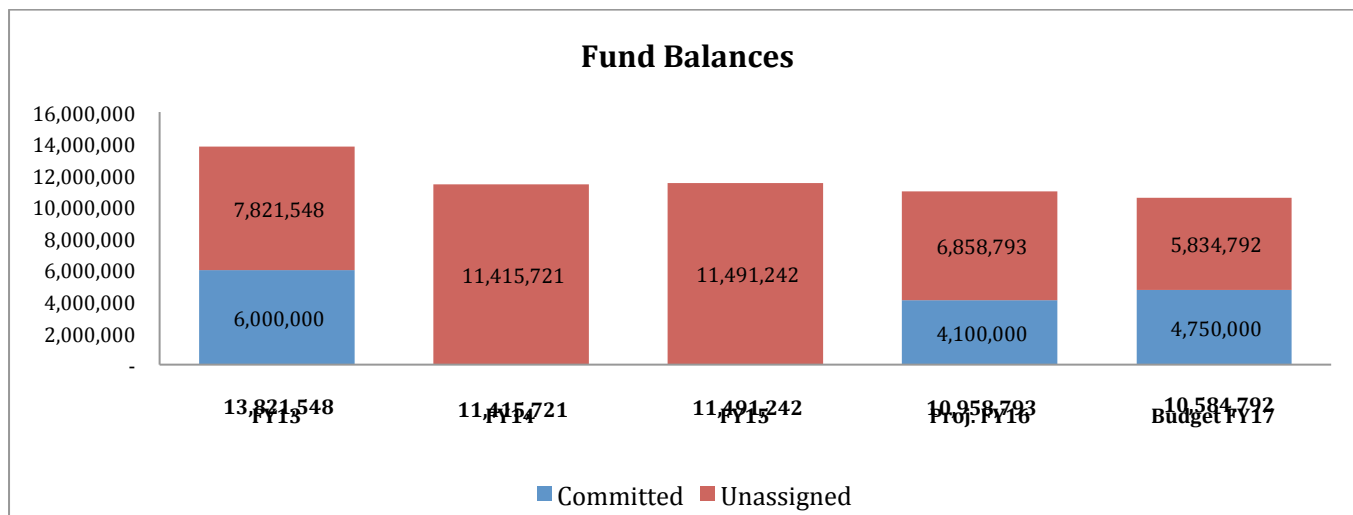
Fund Balances

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.

LAHCFD FY17 Budget Narrative

Fund Balances - Continued



For the FY17, the District 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 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.

Committed for Firefighting Water Flow Improvements - \$500,000

The District is evaluating reports of insufficient firefighting water pressure or volumes in parts of the Town and unincorporated area. The District has decided to commit unassigned funds for *Fire Fighting Water Flow Improvements* that will cover costs for any necessary testing, maintenance or repairs that may be required to improve water flow.

Committed for Fire Contract Services - \$250,000

The District’s firefighting services are currently provided by the SCCFD, in a contract set to expire in December 2016. As of March 2016, the District is still in negotiations for a new fire service contract. The budget has been calculated to include a 4.5% annual increase, however, the District has decided to commit an extra \$250,000 (roughly 5% of the annual cost of fire services) to provide for unanticipated additional costs.

Unassigned Fund Balance

The remaining amount of fund balance (approximately \$6.8 million at the beginning of FY17) will be classified as *unassigned*. After a \$650,000 reclassified into Committed Funds, and an estimated net change in fund balance of -\$274,001, *Unassigned Fund Balance* at the end of FY17 is estimated to be approximately \$5.8 million.