



**COUNTY FIRE
DISTRICT**

**BUDGET NARRATIVE
Fiscal Year 2019 - 2020**

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.

To achieve our mission, LAHCFD contracts 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 LAHCFD 2015-2020 Strategic Plan and Goals provide the framework for how the District develops its initiatives and forms its programs to enhance, strengthen and support contracted fire protection and emergency medical services. To this end, the District develops and manages a variety of residential programs aimed at fire prevention, preparedness and education. Some of these programs are: 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, District-funded eucalyptus and dead tree mitigation and removal and a specialized summer seasonal patrol and engine along with a year-round 24/7 additional Battalion Chief Services. 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”. A part-time General Manager manages the District’s projects, programs and daily operations with the assistance of specialized outside consultants.

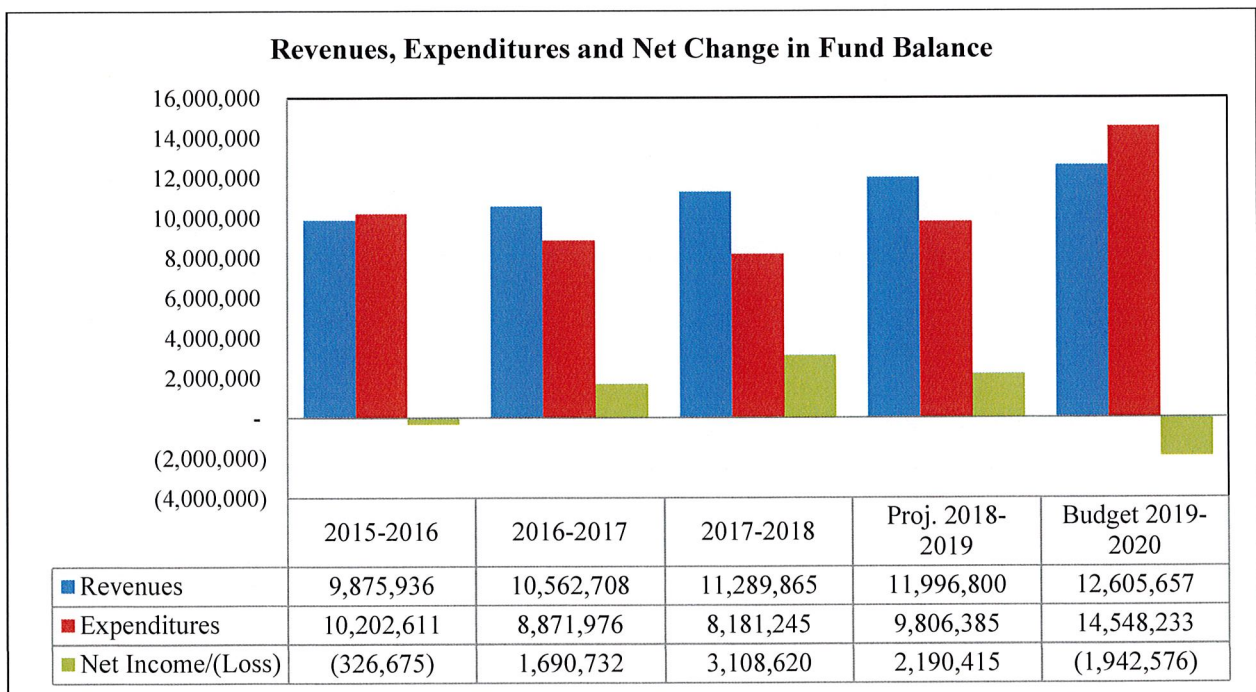
Budget Overview

We offer the readers of the District’s budget this narrative overview and analysis of the planned financial and operating activities for the year ending June 30, 2020.

- For each of the past three years the District has shown a positive change in net position, allowing it to accumulate a strong balance of funds with which to continue costly but essential fire protection projects. Although expenditures are expected to exceed revenues in FY20, the District remains in good financial condition.
- Revenue is anticipated to increase by 5.1 percent to \$12.6 million. The primary source of revenue for the District is property taxes, which represents almost 98 percent of total revenues. The County assessor’s office reports that home sales and prices continue to rise within the District.
- Expenditures are expected to increase 48.4 percent over FY19 projected expenditures to a little more than \$14.5 million. This increase is primarily due to projects that were budgeted but not initiated in FY19 (fire flow improvements and unused contingency allocation.) Three million dollars is budgeted for the “Fire Service Water Flow Improvement Project”, which is expected to complete the design construction phase near the end of FY19 and gain momentum throughout FY20. The “Tree Removal Program” is budgeted at \$2,750,000, an increase of approximately \$735,000, due to a backlog of trees that were not removed during FY19 increasing requests for service. Fire Department contract service expense is expected to increase \$594,000 due to the rate formula in the Fire and Emergency Services Agreement.
- Assets are expected to decrease from approximately \$20.6 million to \$18.6 million, a 9.8 percent decline, as a result of continued investment in water main projects and efforts to reduce fuel loads through brush chipping, yard waste, and tree removal programs. Cash at the end of the year will be slightly below \$16.5 million, accounts receivables \$70,000, and fixed assets (including land, station improvements, fire hydrants, furniture and equipment) are expected to be slightly more than \$2 million.

Budget Overview Continued

- The District is adding new Projects and Programs and allocations for consultants and an Emergency Services Coordinator to improve operations, fire prevention and community awareness. As a result, expenditures are expected to exceed revenue by approximately \$1.9 million. The increase of expenditures over revenues is a methodology to provide greater services and invest in the safety and welfare of fire prevention and emergency response services to the community.
- Revenue accounts are grouped into two main account categories: “Property Taxes” and “Other Revenues.” Expenditure accounts are grouped into six main account categories: “Operating Expenses”, “Salaries & Payroll Taxes”, “Professional and Specialized Services”, “Contract Services”, “Contract Services (Consultants)”, and “Projects and Programs.” The narrative provides a brief description of each sub-account within these categories, as well as a table to show the percent of favorable/(unfavorable) variance from the prior year, with FY20 variance compared to the FY19 mid-year projected amount.
- In the past the District allocated \$500,000 to a “Projects and Programs Contingency” account to cover additional or unexpected expenses within their account category. This limited the District to either utilizing these extra funds only within the “Projects and Programs” sub-accounts or submitting to a lengthy process by the County of Santa Clara to move the contingency funds to another account category. As such, for FY20 several new contingency accounts have been added to distribute budgeted contingency expense into multiple account categories: “Miscellaneous/Operations Contingency”, “Professional and Specialized Services Contingency”, “Contract Services (Consultants) Other” and “Contract Services Contingency.” The addition of these contingency accounts has been offset by a corresponding reduction in the “Projects and Programs Contingency” budget. The operational advantage of redistribution is to provide more flexibility for developing programs, retaining consultants with specialized expertise, responding to findings resulting from the Management Audit Report and addressing changing needs, developments and initiatives in fire protection and operational practices.
- The bar chart below shows a multi-year total of revenues, expenditures and net income for comparison purposes:



LAHCFD FY20 Budget Narrative

Revenues

FY20 Budget	12,605,657	5.1%		FY18 Actual	11,289,865	6.9%
FY19 Projected	11,996,800	6.3%		FY17 Actual	10,562,708	7.0%
FY19 Budget	11,629,668	3.0%		FY16 Actual	9,875,936	

Property Taxes

Santa Clara County collects taxes for the District, remit 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 tax revenue that is adapted into the budget. For the past five years these initial projections have been slightly conservative, with actual/projected revenues averaging 2.8 percent over estimates.

- 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.

FY20 Budget	11,300,557	6.0%		FY18 Actual	9,967,174	5.9%
FY19 Projected	10,663,100	7.0%		FY17 Actual	9,414,395	7.0%
FY19 Budget	10,361,485	4.0%		FY16 Actual	8,798,597	

- 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.

FY20 Budget	53,900	0.0%		FY18 Actual	45,674	12.8%
FY19 Projected	53,900	18.0%		FY17 Actual	40,507	-8.7%
FY19 Budget	44,900	-1.7%		FY16 Actual	44,355	

- 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.

FY20 Budget	655,000	0.0%		FY18 Actual	623,329	3.8%
FY19 Projected	655,000	1.3%		FY17 Actual	623,329	2.8%
FY19 Budget	698,000	7.9%		FY16 Actual	606,621	

- 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. Whenever there is a reappraisal due to a change in ownership or to the completion of new construction, a Supplemental Assessment is issued.

FY20 Budget	219,200	-20.0%		FY18 Actual	342,032	7.2%
FY19 Projected	274,000	-19.9%		FY17 Actual	319,203	10.5%
FY19 Budget	287,283	-16.0%		FY16 Actual	288,777	

LAHCFD FY20 Budget Narrative

Property Taxes Continued

- 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.

FY20 Budget	43,000	0.0%		FY18 Actual	45,222	-2.9%
FY19 Projected	43,000	-4.9%		FY17 Actual	46,557	-3.1%
FY19 Budget	45,000	-0.5%		FY16 Actual	48,062	

- Excess Educational Revenue Augmentation Fund:

The County ERAF account has more revenue than necessary to offset all aid to K–12 and community college districts under Proposition 98. In response, the CA State Legislature enacted a law requiring some of these surplus funds to be used for special education programs, with the remaining funds returned to cities, counties, and special districts in proportion to the amount of property taxes they previously contributed to ERAF.

FY20 Budget	29,000	0.0%		FY18 Actual	17,615	92.6%
FY19 Projected	29,000	64.6%		FY17 Actual	9,147	-33.5%
FY19 Budget	15,000	-14.8%		FY16 Actual	13,757	

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. Interest income is expected to increase slightly due to extra cash at the beginning of the fiscal year and increasing interest rates.

FY20 Budget	300,000	9.1%		FY18 Actual	223,285	124.7%
FY19 Projected	275,000	23.2%		FY17 Actual	99,370	38.5%
FY19 Budget	175,000	-21.6%		FY16 Actual	71,771	

- 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. The District has budgeted for three months of property rental in FY20.

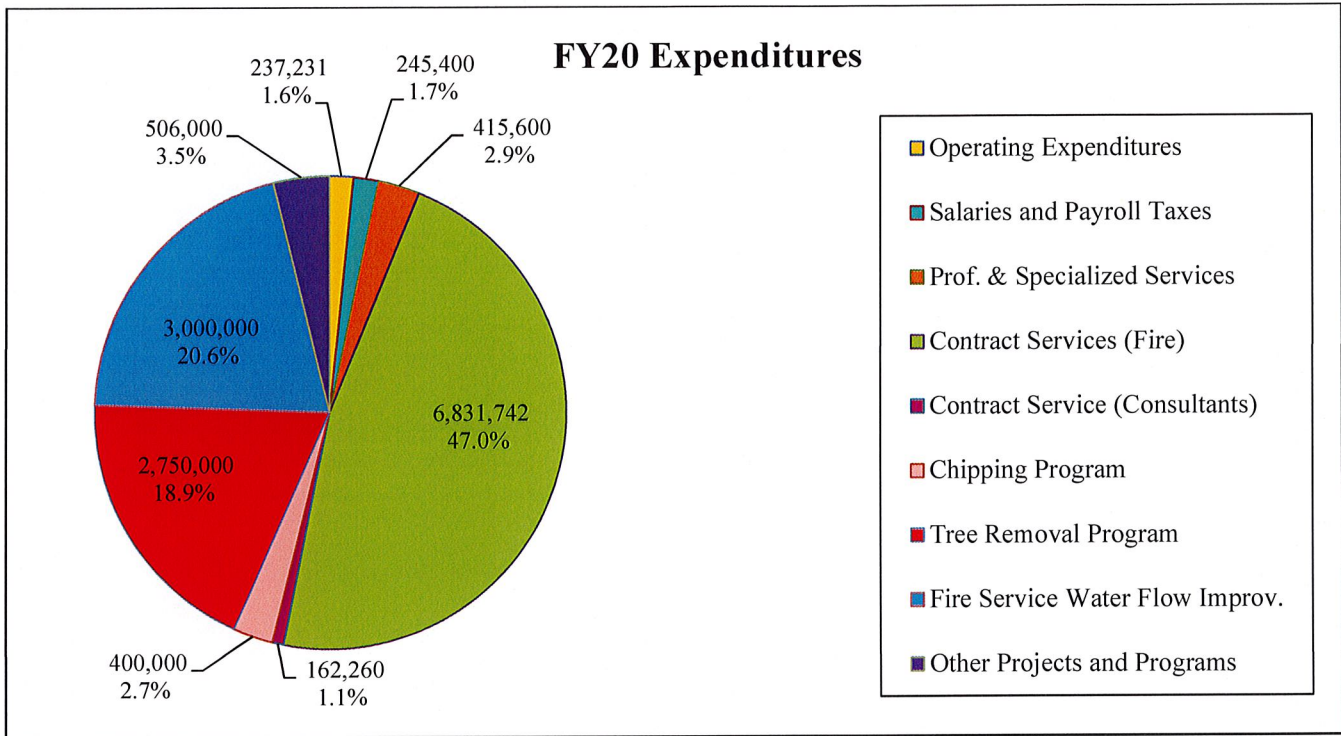
FY20 Budget	4,500	28.6%		FY18 Actual	3,000	-72.7%
FY19 Projected	3,500	16.7%		FY16 Actual	11,000	100%
FY19 Budget	4,500	50.0%		FY16 Actual	5,500	

- Other/Miscellaneous Revenues:

This account covers other income such as postal reimbursements and RFP bid package-processing fees.

FY20 Budget	500	66.7%		FY18 Actual	160	-70.0%
FY19 Projected	300	87.5%		FY17 Actual	534	100%
FY19 Budget	500	212.5%		FY16 Actual	0	

Expenditures



FY20 Budget	14,548,233	-48.4%	FY18 Actual	8,181,245	7.8%
FY19 Projected	9,806,385	-19.9%	FY17 Actual	8,871,976	13.0%
FY19 Budget	11,142,998	-36.2%	FY16 Actual	10,202,611	

Operating Expenditures

- Insurance:

In FY16, the District entered into an insurance policy with the Fire Agencies Insurance Risk Authority (FAIRA), which provides a comprehensive asset and liability coverage. Beginning in FY19 the District also added Workers Compensation Insurance to cover its employee.

FY20 Budget	5,000	-39.1%	FY18 Actual	2,160	53.6%
FY19 Projected	3,594	-66.4%	FY17 Actual	4,635	8.8%
FY19 Budget	5,000	-131.5%	FY16 Actual	5,099	

- Commissioners Fee:

The seven Commissioners of the Board are currently paid \$100 per meeting. Prior to FY17, the Commissioners were only paid for the ten monthly Board Meetings per year; Commissioners are now compensated for sub-committee attendance as well, not to exceed five meetings per month per Commissioner.

FY20 Budget	16,000	-33.3%	FY18 Actual	15,200	-27.7%
FY19 Projected	12,000	21.1%	FY17 Actual	11,900	-101.7%
FY19 Budget	15,000	1.3%	FY16 Actual	5,900	

LAHCFD FY20 Budget Narrative

Operating Expenditures Continued

- Office Expenses:

This account includes amounts spent on postage, copier expenses, shredding, Commissioner meeting accommodations, business cards and letterhead, etc. The FY19 was slightly higher to cover office costs for the newly hired General Manager.

FY20 Budget	5,000	33.3%		FY18 Actual	4,705	35.8%
FY19 Projected	7,500	-59.4%		FY17 Actual	7,334	-59.1%
FY19 Budget	10,000	-112.5%		FY16 Actual	4,610	

- 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 as part of their revenue projections, which typically is a little less than 1% of tax revenue.

FY20 Budget	106,000	-5.0%		FY18 Actual	96,238	-1.1%
FY19 Projected	101,000	-4.9%		FY17 Actual	95,154	7.1%
FY19 Budget	104,907	-9.0%		FY16 Actual	102,453	

- Publications and Legal Notices:

Notices of fire prevention hearings, emergency information, informational brochures, and the “Los Altos Hills Our Town” mailings to the unincorporated areas of the Town are recorded in this account.

Note: notices relating to specific “Projects and Programs” are expensed to their corresponding accounts.

FY20 Budget	10,000	-25.0%		FY18 Actual	3,317	38.4%
FY19 Projected	8,000	-141.2%		FY17 Actual	5,385	34.5%
FY19 Budget	8,000	-141.2%		FY16 Actual	8,218	

- Miscellaneous/Operations Contingency:

This account is modified from prior years to cover both expenses that do not fall into a specific expense category (such as advertising, dues and subscriptions, or boardroom expenses) and unforeseen operating expenses (such as additional publications or increased insurance coverage for projects, programs, staff, etc.)

Note: In FY16 and before this account included other costs now expensed under “Outside Consultant Services” and “Office Expenses”.

FY20 Budget	95,000	-4650.0%		FY18 Actual	1,575	6.4%
FY19 Projected	2,000	-27.0%		FY17 Actual	1,683	83.6%
FY19 Budget	2,000	-27.0%		FY16 Actual	10,239	

Salaries and Payroll Taxes

- General Manager:

On October 1, 2018, the District hired a part-time General Manager to oversee and manage operations, projects, programs, and community outreach activities. The General Manager’s annual compensation rate for the first-year was \$95,000, with employer’s share of payroll taxes at 6.2% for Social Security (FICA), 1.45% for Medicare, 2.7% of the first \$7,000 for Federal Unemployment, and 3.5% of the first \$7,000 for California Unemployment/Employment Training Tax. The FY19 Projected figure below represents a partial year salary for the General Manager (October 2018-July 2019.) FY20 General Manager salary has been budgeted at the same annual compensation rate as FY19 except for slight increase in FICA.

LAHCFD FY20 Budget Narrative

Salaries and Payroll Taxes Continued

- General Analyst:

For FY20, the District is also looking to add a General Analyst position. If “Contract Services (Consultant)” staff reduce hours and responsibilities or leave the District, the position could be available as a plan of succession or to fill the contract services duties until a new contractor is retained. In addition, the position will cross-train with current consultant staff and provide additional assistance. It is anticipated that the findings and recommendations of the pending Management Audit Report will require implementation of new operational policies and procedures and/or changes to programs. This position will provide the necessary administrative capacity, technical skills, and staffing to enable compliance with the findings. The current and anticipated demands of achieving the 2015-2020 Strategic Plans and Goals and adding fire prevention programs such as a Community Wildfire Protection Program (CWPP) and early warning technologies, public notifications and communication will be slow in evolving with the current staff configuration. Allocation is \$95,000, to provide for a range of compensation up to a full-time position.

Permanent Employees – Spec. Districts			Medicare Tax – Employers Share		
FY20 Budget	227,100	-218.7%	FY20 Budget	3,300	-218.8%
FY19 Projected	71,250		FY19 Projected	1,035	
FY19 Budget	132,100		FY19 Budget	1,900	
FICA – Special Districts			Unemployment – Special Districts		
FY20 Budget	14,100	-219.0%	FY20 Budget	900	-80.0%
FY19 Projected	4,420		FY19 Projected	500	
FY19 Budget	8,000		FY19 Budget	500	

Professional & Specialized Services

- Annual Audit Charter:

The District's finances are audited annually by an outside CPA firm, and are subject to audit at any time by the Audit Division of the Santa Clara County Board of Supervisors. The District is in the process of extending the contract with its existing auditor Vavrinek, Trine, Day & Co.

FY20 Budget	21,000	-4.5%	FY18 Actual	19,429	4.9%
FY19 Projected	20,105	-3.5%	FY17 Actual	20,440	0.0%
FY19 Budget	22,000	-13.2%	FY16 Actual	20,440	

- Accounting Services:

Vargas Company provides the District with financial consulting services including monthly reports, budget planning, and audit preparation. Accounting services are contracted at a set annual rate and are paid monthly. The Financial Consultant’s contract has increased when the District requires additional services (such as voucher preparation and payroll processing.)

FY20 Budget	39,600	0.0%	FY18 Actual	36,000	-0.0%
FY19 Projected	39,600	-10.0%	FY17 Actual	36,000	-20.0%
FY19 Budget	42,000	-16.7%	FY16 Actual	30,000	

- Outside Legal Fees:

The District is represented in all legal matters, including legal analysis and advice and the drafting of legal documents, by the law offices of Jorgenson, Siegel, McClure & Flegel. Legal fees have steadily risen due to increased projects and programs and changes within the District. FY19 and FY20 allocation are higher due to additional legal consultation related to a County-initiated Management Audit of the District.

FY20 Budget	200,000	2.4%	FY18 Actual	98,121	-16.9%
FY19 Projected	205,000	-108.9%	FY17 Actual	83,921	-55.1%
FY19 Budget	115,000	-17.2%	FY16 Actual	54,108	

LAHCFD FY20 Budget Narrative

Professional & Specialized Services Continued

- Outside Professional Services:

The District uses outside consultants to assist with operations, including website maintenance and content development, IT system updates to include records retention and retrieval, and assistance with strategic planning. For FY20 extra has been budgeted into this account so that the District can acquire consultants to work with the General Manager in development and implementation of updated policies, procedures, and guidelines, evaluation of the current and development of a subsequent Strategic Plan. Outside Professional Services are expected to continue to rise as the District takes on additional projects and programs and strengthens its community outreach.

FY20 Budget	95,000	-375.0%		FY18 Actual	3,958	9.4%
FY19 Projected	20,000	-405.3%		FY17 Actual	4,369	-110.8%
FY19 Budget	10,000	-152.7%		FY16 Actual	2,072	

- Professional and Specialized Services Contingency:

As of the writing of this narrative (February 2019) the District has not yet received the findings and report from the County’s Management Audit. For FY20 the District has budgeted \$60,000 to cover additional professional services necessary to quickly address and find solutions to comply with audit findings.

Contract Services

- Central Fire District:

Beginning January 1, 2017, the District entered into a contract with the SCCFD for fire protection and emergency medical services through December 31, 2026. The annual percentage increase is based on a weighted average allocation of three indices as follows: 50% the change in the San Francisco/Oakland area consumer price index, 25% assessed local secured parcel values, and 25% firefighter’s annual cost of living increases in total compensation. The annual percent increase shall not be less than 2% or greater than 5% of the prior year’s base rate.

FY20 Budget	4,917,528	-4.8%		FY18 Actual	4,498,565	-3.8%
FY19 Projected	4,690,124	-4.3%		FY17 Actual	4,332,641	-4.1%
FY19 Budget	4,679,400	-4.0%		FY16 Actual	4,162,212	

- 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. As part of the new contract, LAHCFD will receive a 1/15th credit of the adjusted base amount for battalion chief services.

FY20 Budget	1,187,712	-4.8%		FY18 Actual	1,086,517	-0.2%
FY19 Projected	1,132,783	-4.3%		FY17 Actual	1,084,780	-0.4%
FY19 Budget	1,132,000	-4.2%		FY16 Actual	1,080,358	

- Emergency Services Coordinator (ESC):

The Emergency Service Coordinator’s position has been a contracted service from the SCCFD based on 20 hours of service per week. This position was vacant for parts of FY17 and FY18, and most of FY19. The District will select and manage the ESC and plans to fill this position by the end of FY19. Annual compensation is based on FY16 Actuals increased to current salary levels.

FY20 Budget	95,000	-500.0%		FY18 Actual	55,996	29.1%
FY19 Projected	15,833	71.7%		FY17 Actual	78,985	4.2%
FY19 Budget	78,100	-39.5%		FY16 Actual	82,488	

LAHCFD FY20 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. Since the ESC position has been through transitions and vacancies for the past three years, expenses (outside of labor as covered above) were minimal. FY20 is expected to have increased supply expenses with the addition of the new ESC.

FY20 Budget	25,000	-150.0%		FY18 Actual	9,840	-178.7%
FY19 Projected	10,000	-1.6%		FY17 Actual	3,531	82.4%
FY19 Budget	25,000	-154.1%		FY16 Actual	20,055	

- Extra Fire Season Staff:

The District contracts for three additional firefighters nine hours a day during high fire hazard periods as designated by Cal Fire. During the past few years fire season has increased from roughly 165 days per year and is estimated to be roughly 210 days in FY20 due to continued dry winter weather patterns.

FY20 Budget	409,302	-5.0%		FY18 Actual	338,967	-40.1%
FY19 Projected	389,812	-15.0%		FY17 Actual	242,006	21.4%
FY19 Budget	320,100	5.6%		FY16 Actual	307,755	

- Type 3 Fire Engine Rental:

Under the new contract with SCCFD the District will need to rent the Type 3 Engine due to excessive wear caused by the District's service. Cal Fire OES has determined a rate of \$80 per hour, nine hours a day for 210 days in FY20. Due to dry weather conditions in the winter months of 2019, the FY20 budget has been increased in anticipation of a longer fire season.

FY20 Budget	151,200	-16.7%		FY19 Budget	126,000	-4.9%
FY19 Projected	126,600	-7.9%		FY18 Actual	120,092	

- Self-Insurance Claim (Worker's Compensation):

The District is currently paying off its share of a few workers' 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.

FY20 Budget	1,000	-100.0%		FY18 Actual	471	4.5%
FY19 Projected	500	-6.2%		FY17 Actual	493	65.9%
FY19 Budget	1,500	-218.5%		FY16 Actual	1,444	

- Contract Services Contingency.

For FY20, the District has budgeted \$45,000 to cover additional contract services that may be necessary to assist the District develop fuel reduction programs to mitigate wildland fire exposure, develop and adopt a CWPP, assess firefighter requirements for pipeline fire flow and pipeline resiliency and assist in other areas requiring specialized fire service expertise.

Contract Services (Consultants)

- Contract Employment Services (Clerk):

This position serves as the primary and confidential administrative liaison for the LAHCFD Commission and its legal counsel and for the Fire Chief and other executive management personnel in Santa Clara County. Responsibilities include preparing the monthly packets, taking minutes of the monthly meetings, responding to public inquiries, collecting invoices for payment and coordinating auditor visits.

FY20 Budget	64,260	0.0%		FY18 Actual	61,900	-4.0%
FY19 Projected	64,260	-3.8%		FY17 Actual	59,539	-4.7%
FY19 Budget	64,260	-3.8%		FY16 Actual	56,853	

LAHCFD FY20 Budget Narrative

Contract Services (Consultants) Continued

- 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. Due to completion of the Fire Hydrant Replacement Project, the Fire Consultant determined he would be working fewer hours resulting in lower compensation for FY19 and continuing at the same hours in FY20.

FY20 Budget	48,000	0.0%		FY18 Actual	56,220	0%
FY19 Projected	48,000	14.6%		FY17 Actual	56,220	0%
FY19 Budget	48,000	14.6%		FY16 Actual	56,220	

- Contract Services (Consultants) Other:

In case "Contract Services (Consultant)" staff reduce hours and responsibilities or leave employment, the District wants to ensure that their responsibilities and duties will continue without interruption. Although the \$50,000 budgeted to this account is part of the contingency redistribution described in the Budget Overview, this account has not been labeled as a "contingency" since the funds would be used as compensation for new contracted consultants.

Projects and Programs

- Chipping Program:

A District-funded, on-site "chipping" service (provided twice-yearly in each of the District's six Areas) to reduce excess fuel loads from residential properties. The program's popularity is expected to continue increasing due to dryer weather conditions.

FY20 Budget	400,000	-11.1%		FY18 Actual	316,904	-9.2%
FY19 Projected	360,000	-13.6%		FY17 Actual	290,277	-8.8%
FY19 Budget	360,000	-13.6%		FY16 Actual	266,782	

- 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. The Town's contract with Greenwaste Recovery ends in FY19, and the Town reports the new contract could increase 33% or more. Note: the cost for FY18 was lower due to a one-time discount provided by the Town.

FY20 Budget	54,000	-35.0%		FY18 Actual	33,097	11.3%
FY19 Projected	40,000	-20.9%		FY17 Actual	37,332	-2.0%
FY19 Budget	40,000	-20.9%		FY16 Actual	36,604	

- 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 has been \$17,738. The Fire Consultant has asked the FY20 budget to increase to \$20,000 in case the vendor increases pricing.

- Buildings and Grounds:

Includes monthly landscaping fees and any upgrades made to the District owned fire station at Foothill College. The budget has been set slightly higher for FY20 to cover the cost of installing a new keyless lock panel outside the conference room door.

FY20 Budget	10,000	-81.8%		FY18 Actual	5,410	-12.7%
FY19 Projected	5,500	-1.7%		FY17 Actual	4,802	-7.6%
FY19 Budget	7,000	-29.4%		FY16 Actual	4,464	

LAHCFD FY20 Budget Narrative

Projects and Programs Continued

- Hydrant Repair and Maintenance:

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. This account has been moved from “Operating Expenses” to “Projects and Programs” since (like “Buildings and Grounds”) this account helps maintain the District’s Capital Assets. In FY16 a leaking hydrant lateral caused severe road damage, and in FY18 car accidents caused damage to multiple hydrants. Due to the possibility of additional unforeseeable accidents, the Fire Consultant recommends a FY20 budget of \$40,000.

FY20 Budget	40,000	0.0%		FY18 Actual	39,086	-1048.5%
FY19 Projected	40,000	-2.3%		FY17 Actual	3,403	95.2%
FY19 Budget	40,000	-2.3%		FY16 Actual	70,208	

- Emergency Access Roads:

The District budgets funds for emergency road repairs and maintenance. Fire Consultant recommended \$2,000 to cover extra road repairs due to increased wet and stormy weather conditions.

FY20 Budget	2,000	-100.0%		FY18 Actual	217	-100.0%
FY19 Projected	1,000	-360.8%		FY17 Actual	0	100.0%
FY19 Budget	5,000	-2204.1%		FY16 Actual	304	

- Tree Removal Program:

The District provides for the removal of dead or dying trees within the District. Previously there were two accounts: one for “Dead Tree” removal, and one for “Eucalyptus” pruning and removal. A new contract process began in FY17 in which contractors bid to remove all trees in a specific area, rather than billing on a tree-by-tree basis as was done in the past. Since the new process does not track costs by tree type, the two accounts have been combined into a single account called “Tree Removal Program.” The figures for FY16 in the table below have been calculated by combining the old “Dead Tree” and “Eucalyptus” accounts.

The competitive bidding process which began in FY17 provided for some program savings, however, the District re-evaluated the amount of time spent on arborist evaluations, requests for proposals, and the review and selection of bids. In FY19 the District entered into a new contract in which contractors bid on a list of identified dead or dying trees and provided a cost matrix based on size, species and location of each tree. The process did not provide extra budgeting for the additional trees added to the list throughout the year, leading to a backlog of trees to remove at the end of FY19. The District has made it one its priorities to reassess and streamline the tree removal program. As a result, extra funding has been budgeted in FY20 to cover removal of the backlog of trees, re-evaluation of the RFP process and utilization of fire-science practices to determine hazard areas of dead and dying trees. Program costs are expected to increase.

FY20 Budget	2,750,000	-36.5%		FY18 Actual	1,084,844	0.2%
FY19 Projected	2,015,000	-85.7%		FY17 Actual	1,087,389	58.7%
FY19 Budget	2,000,000	-84.4%		FY16 Actual	2,633,356	

- Fire Service Water Flow Improvements:

In FY18 the District began an evaluation of water system infrastructures within the Purissima Hills Water District (PHWD) and the California Water Service areas, with the ultimate goal of improving water flow within the community in order to meet fire-flow standards and to improve pipeline resiliency in event of earthquake, fire or disaster. The program is expected to span three to four years and be partially funded by one of the water service providers. The PHWD design construction phase is anticipated to begin by the end of FY19.

FY20 Budget	3,000,000	-757.1%		FY19 Budget	1,200,000	-2172.4%
FY19 Projected	350,000	-562.8%		FY18 Actual	52,808	

LAHCFD FY20 Budget Narrative

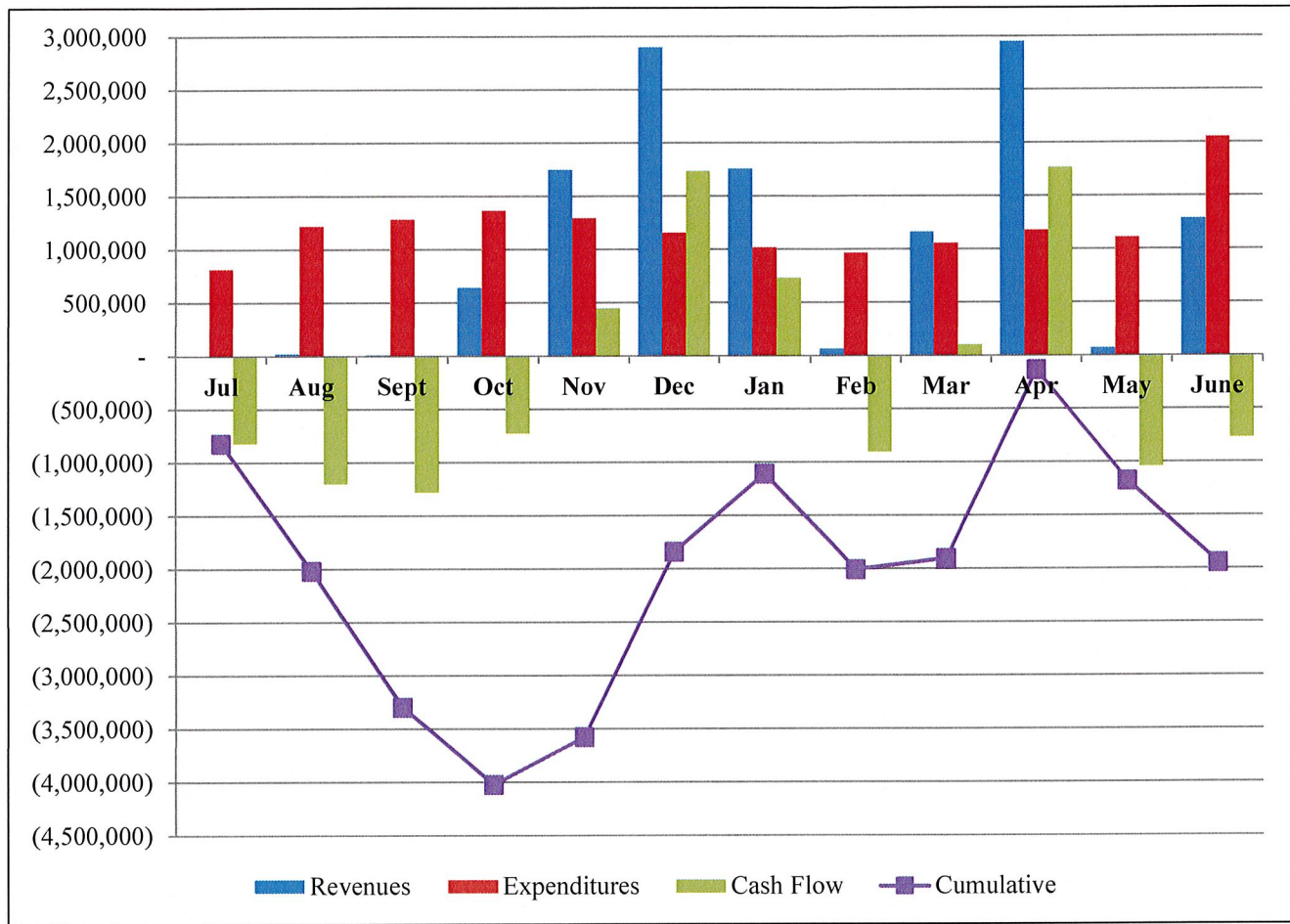
Projects and Programs Continued

- **Fuel Reduction and Open Space Program:**
In FY11 the District worked with the Mid-Peninsula Open Space District to control weed and brush growth along private property lines adjacent to the Open Space District. For FY20, the District has budgeted \$75,000 to work with the Fire Department and neighboring agencies to explore opportunities that establish fuel reduction programs in targeted areas and support efforts for a CWPP.
- **Neighborhood Grant Program:**
The Neighborhood Grant Program encourages LAHCFD residents to apply for a Community & Emergency Preparedness Grant for projects that support building connections with neighbors or improving neighborhood emergency preparedness. The District will fund as many grants and projects from as many neighborhoods as possible within the \$5,000 grant budget and expand the program to address the demand upon approval of the Board of Commissions. The Grant Program will be a key responsibility for the ESC.
- **Projects & Programs Oversight:**
For FY20 \$50,000 has been budgeted to cover outside contract services relating to oversight and coordination of various projects and programs requiring specialized expertise. This account will cover expenses directly relating to the various Projects and Programs, such as RFP production, tree arborist evaluations, researching further methods of fire prevention/detection technologies, and public engagement. The District will also undertake IT development, such as online request for Residential Service Programs and evaluation and accountability systems for the tree and brush chipping programs. In addition, this section will provide services responsive to program operational requirements resulting from the County Management Audit Report.
- **Projects & Programs Contingency:**
The District budgeted \$250,000 to cover additional needs or unexpected Projects and Programs expenses, such as change orders, additional services or emergency needs for the Projects and Programs listed above. This budgeted amount is a decrease from the FY19 \$500,000 Projects and Programs Contingency allocation, with \$250,000 redistributed to the “Miscellaneous/Operations Contingency”, “Professional and Specialized Services Contingency”, “Contract Services (Consultants) Other” and “Contract Services Contingency” accounts described above.

In Summary:

The FY2019/20 budget provides the financial resources for the Fire District to fulfill its mission of life, property, and environmental protection from fire, disaster and medical emergency through education, prevention and emergency response for the residents and community of the Los Altos Hills County Fire District. The District will continue to be guided by and implement its 2015-2020 Strategic Plan and Goals. With a robust set of accomplishments and benefits provided to residents by actions of the Board of Commissioners, the LAHCFD will continue to communicate with and serve the public as a vital local government Fire Protection District.

Cash Flow by Month



	July	August	September	October	November	December
Revenues	0	22,000	8,768	641,926	1,746,145	2,897,928
Expenditures	-818,927	-1,220,807	-1,286,807	-1,368,807	-1,298,058	-1,160,808
Cash Flow	-818,927	-1,198,807	-1,278,039	-726,881	448,087	1,737,120
Cumulative	-818,927	-2,017,734	-3,295,773	-4,022,654	-3,574,567	-1,837,447
	January	February	March	April	May	June
Revenues	1,755,471	65,344	1,162,591	2,948,956	71,672	1,284,856
Expenditures	-1,021,576	-966,876	-1,059,126	-1,179,501	-1,112,376	-2,054,564
Cash Flow	733,895	-901,532	103,465	1,769,455	-1,040,704	-769,708
Cumulative	-1,103,552	-2,005,084	-1,901,619	-132,164	-1,172,868	-1,942,576

The District can expect negative cash flow in the first four months of the fiscal year because the largest portion of the District’s revenue comes from Property Taxes, of which the majority is collected twice per year in December and April (with early or late payments received in the months immediately preceding or following.)

Net Position

Investment in Capital Assets

At the beginning of FY20, the District's net investment in capital assets (net of accumulated depreciation) is expected to be \$2,105,189. The investment in capital assets includes land, improvements, fire hydrants, furniture and equipment. After an estimated \$74,224 in accumulated depreciation, the investment in capital assets balance at the end of the fiscal year is estimated to be \$2,030,965. Expenditures for hydrants and water mains are not capitalized since they are either owned by the water districts or not required by GAAP.

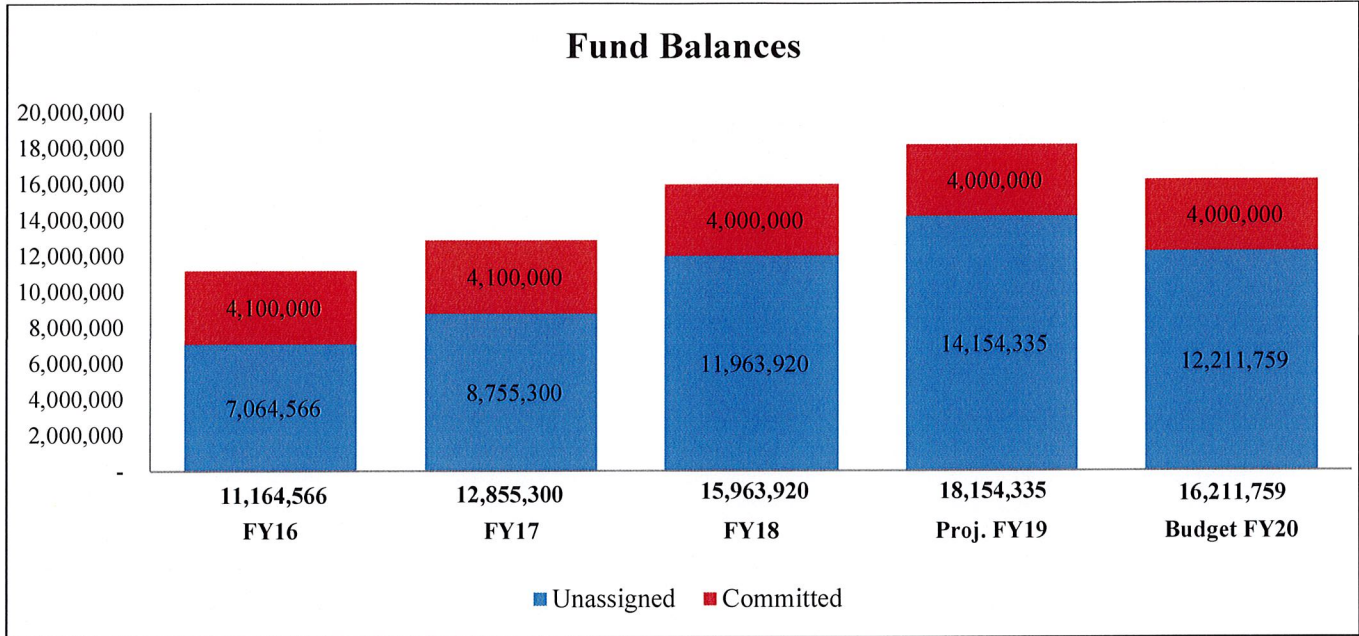
Fund Balances

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 FY20 Budget Narrative

Fund Balances Continued



For the FY20, 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 Emergency 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 (slightly less than \$14.2 million at the beginning of FY20) will be classified as *unassigned*. After an estimated net change in fund balance of -\$1.9 million, *Unassigned Fund Balance* at the end of FY20 is estimated to be slightly more than \$12.2 million.