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**BUDGET NARRATIVE**  
**Fiscal Year 2020 - 2021**

## **Introduction**

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

As part of 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, fire suppression and emergency medical response services and a high level of readiness for various types of emergencies. In addition to SCCFD contract services, the District engages in a variety of high impact initiatives and programs designed for disaster prevention and protection of residents and the community. These initiatives reflect the goals in the District's Strategic Plan.

The District is concluding its 2015-2020 Strategic Plan and has commenced development of the 2020-2025 Strategic Plan to set forth a continuous improvement plan for a justifiable and sustainable future. The Strategic Plan provides the framework for how the District develops its initiatives and forms its programs to supplement, enhance, strengthen and support fire protection and prevention services in addition to the fire protection and emergency medical services contracted from SCCFD.

In 2019, the District Board of Commissioners adopted a LAHCFD CWPP (Community Wildfire Protection Plan Annex 4 and Addendum to further identify protection, prevention and educational strategies to address the growing threats of wildfire destruction.

To achieve the goals of the Strategic Plan and the tenets of the LAHCFD CWPP, the District utilizes recent fire science principles and guidelines to create, develop, implement, manage and evaluate a variety of residential and community programs aimed at fire prevention, preparedness and public education. Some of these programs are: upgrades, repairs and replacement of fire hydrants and upgrades to hydrant fire flow capacity, residential and community hazardous fuel reduction and mitigation through District funded brush chipping and debris removal services, monthly program for yard waste disposal, annual weed abatement, home ignition zone inspections (HIZ) to assist and provide resources to residents to encourage sustainable property hygiene and creation of defensive space around the perimeter of home and structures, and a specialized summer seasonal high-fire firefighter patrol and engine along with a year-round 24/7 additional Battalion Chief services assigned to the El Monte Fire Station. To educate the public for self-reliance and resiliency in event of emergencies or disaster, the District provides regular classes and workshops in emergency preparedness including "Personal Emergency Preparedness (PEP)", "Community Emergency Response Teams (CERT)", "Cardio Pulmonary Resuscitation (CPR) and First Aid", and a series of CERT Refresher programs and workshops. A part-time General Manager manages the District's initiatives, projects, programs and daily operations with the assistance of a part-time Emergency Services Manager, a part-time District Clerk, and specialized outside consultants.

The District's structure is founded on Three Pillars of the District. 1) 2020-2025 Strategic Plan, 2) LAHCFD CWPP, 3) District Budget authority funded by property taxes and special tax ratified by voters in 1981. The District stands on these Three Pillars along with its Mission and Vision statements to guide its initiatives, programs, operations, management and actions on behalf of the LAHCFD community and public.

## **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, 2021.

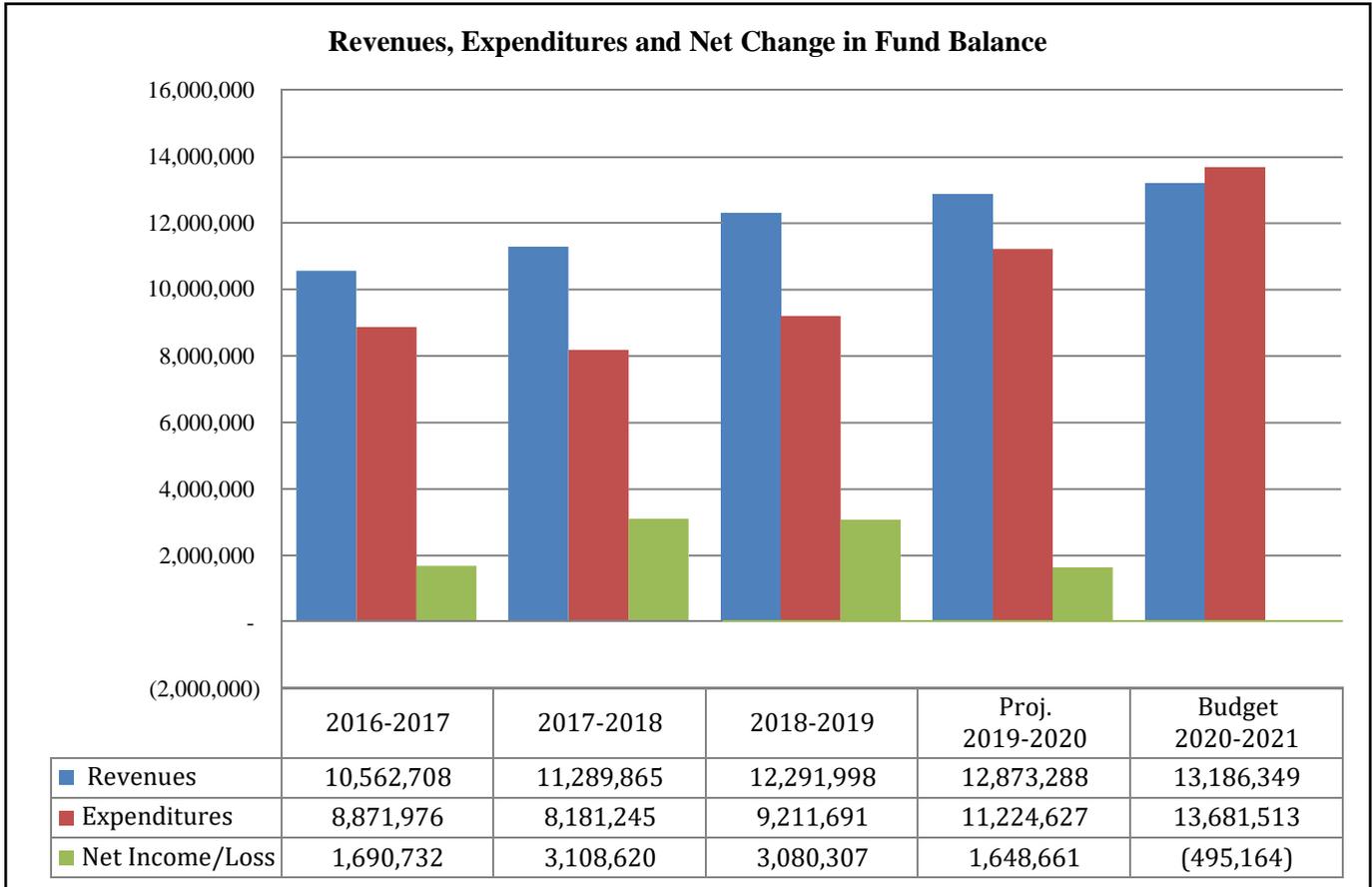
- For each of the past four years the District has shown a positive change in net position, allowing it to accumulate a strong balance of funds with which to continue costly but essential fire protection projects. Although expenditures are expected to exceed revenues in FY21, the District remains in good financial condition.

## LAHCFD FY21 Budget Narrative

- Revenue is anticipated to increase by 2.4 percent to a little less than \$13.2 million. The primary source of revenue for the District is property taxes, which represents almost 96.5 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 21.9 percent over FY20 projected amounts to a little less than \$13.7 million. This increase is primarily due to increased Fire Department contract services, fire flow improvements that were budgeted but not yet initiated pending formulation of a new Strategic Plan,, expansion and alignment of hazardous fuel reduction programs, hiring of additional 1.5 FTE (Full-Time Equivalents) part-time staff to bring total District staff to 3.0 FTE, and contingencies of \$500,000 which were not resourced in FY20.
- Santa Clara County Fire Department expenses are expected to increase almost \$700,000 due to the rate formula in the Fire and Emergency Services Agreement, and the purchase of fire engine apparatus enhancements to navigate the hills of Los Altos Hills. The "Fire Service Water Flow Improvement Project" will be examined during FY2020/21 and spending is expected to increase \$500,000. During FY20, the District entered into a contract with the Santa Clara County FireSafe Council (SCCFSC), which has allowed for expansion and increased oversight of the "Brush Chipping", "Hazardous Fuel Reduction and Shaded Fuel Breaks" and "Home Ignition Zone (HIZ)" programs. These programs comprise an Integrated Hazardous Fuel Reduction Program that offers residents and the community assistance with hazardous fuel mitigation. This program is core to the LAHCFD CWPP as a best practice and is based on fire science principles and conducted with resources and personnel from SCCFSC. An educational and workshop component for outreach to residents and programs for resilience neighborhoods is also part of this program. Increase in these essential hazardous fuel reduction programs is expected to be \$325,000. Salaries and Payroll Taxes are expected to increase approximately \$350,000 as the District anticipates during 2020-2021 adding 1.5 FTE new part-time employee positions for a total staffing of 3.0 FTE for the District.
- Assets are expected to decrease from approximately \$22.9 million to \$22.5 million, a 1.9 percent decline. Cash at the end of the year will be slightly above \$20.3 million, accounts receivables \$150,000, and fixed assets (including land, station improvements, fire hydrants, furniture and equipment) are expected to be slightly less than \$2 million.
- The District continues to expand its Projects and Programs for hazardous fuel reduction and mitigation based on LAHCFD CWPP workplan and in accordance with fire science principles. Development and evaluation of these programs require new personnel and consultants to work with staff to improve operational efficiencies, fire prevention and community awareness. As a result, FY21 expenditures are expected to exceed revenue by approximately \$495,000. 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 FY21 percentage variance compared to the FY20 mid-year projected amount.
- For FY21, the District has elected to re-classify \$10 million from its Unassigned Fund Balance into three new Committed Fund Balances, which will be adopted by formal resolution from the District Commissioners at the June 2020 Board Meeting. A description of the District's Committed Funds is located on pages 16 and 17.

LAHCFD FY21 Budget Narrative

- The bar chart below shows a multi-year total of revenues, expenditures and net income for comparison purposes:



LAHCFD FY21 Budget Narrative

**Revenues**

FY21 Budget	13,186,349	2.4%	FY19 Actual	12,291,998	8.9%
FY20 Projected	12,873,288	4.7%	FY18 Actual	11,289,865	6.9%
FY20 Budget	12,605,657	2.6%	FY17 Actual	10,562,708	

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 four years these initial projections have been slightly conservative, with actual/projected revenues averaging 3.3 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.

FY21 Budget	11,653,067	3.0%	FY19 Actual	10,661,980	7.0%
FY20 Projected	11,313,887	6.1%	FY18 Actual	9,967,174	5.9%
FY20 Budget	11,300,557	6.0%	FY17 Actual	9,414,395	

- 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.

FY21 Budget	50,900	0.0%	FY19 Actual	54,508	19.3%
FY20 Projected	50,900	-6.6%	FY18 Actual	45,674	12.8%
FY20 Budget	53,900	-1.1%	FY17 Actual	40,507	

- 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.

FY21 Budget	695,000	-2.1%	FY19 Actual	747,280	15.5%
FY20 Projected	710,000	-5.0%	FY18 Actual	646,840	3.8%
FY20 Budget	655,000	-12.3%	FY17 Actual	623,329	

- 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.

FY21 Budget	239,057	-15.0%	FY19 Actual	401,777	17.5%
FY20 Projected	281,244	-30.0%	FY18 Actual	342,032	7.2%
FY20 Budget	219,200	-45.4%	FY17 Actual	319,203	

LAHCFD FY21 Budget Narrative

- 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.

FY21 Budget	42,825	-1.0%		FY19 Actual	43,694	-0.9%
FY20 Projected	43,257	-1.0%		FY18 Actual	44,085	-2.5%
FY20 Budget	43,000	-1.6%		FY17 Actual	45,222	

- 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.

FY21 Budget	49,000	0.0%		FY19 Actual	33,620	90.9%
FY20 Projected	49,000	45.7%		FY18 Actual	17,615	92.6%
FY20 Budget	29,000	-13.7%		FY17 Actual	9,147	

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.

FY21 Budget	450,000	7.1%		FY19 Actual	342,031	53.2%
FY20 Projected	420,000	22.8%		FY18 Actual	223,285	124.7%
FY20 Budget	300,000	-12.3%		FY17 Actual	99,370	

- 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 four months of property rental in FY21.

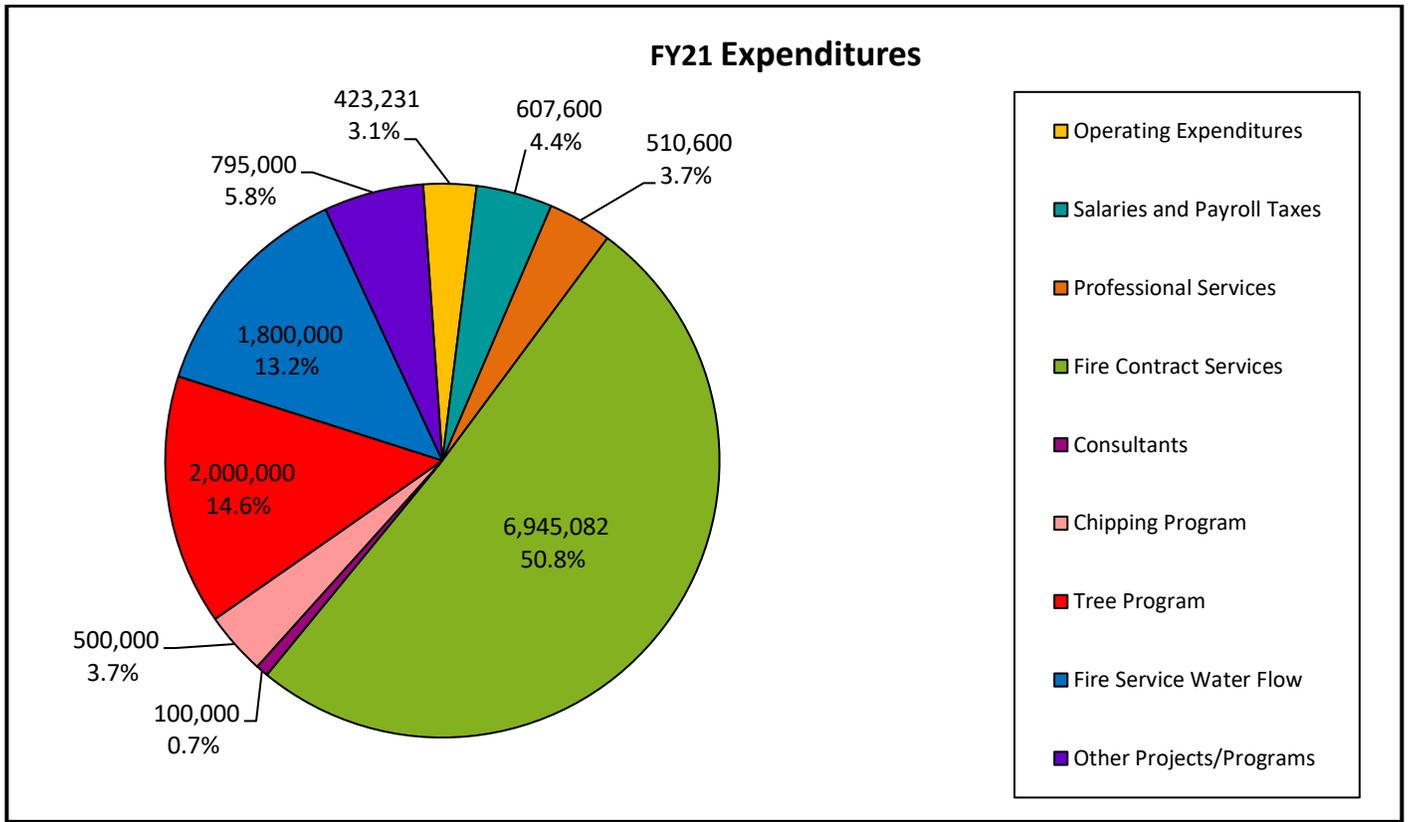
FY21 Budget	6,000	33.3%		FY19 Actual	7,000	133.3%
FY20 Projected	4,500	-35.7%		FY18 Actual	3,000	-72.7%
FY20 Budget	4,500	-35.7%		FY17 Actual	11,000	

- Other/Miscellaneous Revenues:

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

FY21 Budget	500	0.0%		FY19 Actual	108	-32.5%
FY20 Projected	500	363.0%		FY18 Actual	160	-70.0%
FY20 Budget	500	363.0%		FY17 Actual	534	

**Expenditures**



FY21 Budget	13,681,513	-21.9%	FY19 Actual	9,211,691	-12.6%
FY20 Projected	11,224,627	-21.9%	FY18 Actual	8,181,245	7.8%
FY20 Budget	14,559,588	-58.1%	FY17 Actual	8,871,976	

**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. In FY19 the District obtained Workers Compensation for its first employee, with additional coverage added in FY20. Workers Compensation Insurance has been separated into its own account for FY21 and reclassified into the “Salaries and Payroll Taxes” account category.

FY21 Budget	5,000	56.5%	FY19 Actual	3,594	-66.4%
FY20 Projected	11,500	-220.0%	FY18 Actual	2,160	53.6%
FY20 Budget	5,000	-39.1%	FY17 Actual	4,635	

- Commissioners Fee:

The seven Commissioners of the Board are currently paid \$100 per meeting, which includes the monthly Board Meetings and sub-committee attendance, not to exceed five meetings per month per Commissioner.

FY21 Budget	16,000	0.0%	FY19 Actual	10,400	31.6%
FY20 Projected	16,000	-53.8%	FY18 Actual	15,200	-27.7%
FY20 Budget	16,000	-53.8%	FY17 Actual	11,900	

LAHCFD FY21 Budget Narrative

- Maintenance – Structures & Grounds:

This account was previously titled “Buildings and Grounds” and was categorized under “Projects and Programs”. Since this account includes the monthly landscaping fees and upgrades made to the District-owned fire station at Foothill College, it has been reclassified into an “Operating Expenditure” for FY21. For the purpose of analysis, past expenditures from the “Building and Grounds” account are shown in the table below for FY17-FY20.

FY21 Budget	8,000	0.0%		FY19 Actual	5,405	0.1%
FY20 Projected	8,000	-48.0%		FY18 Actual	5,410	-12.7%
FY20 Budget	10,000	-85.0%		FY17 Actual	4,802	

- Office Expenses:

This account includes amounts spent on postage, copier expenses, shredding, Commissioner meeting accommodations, business cards and letterhead, etc. The FY19 expenditures higher to cover office costs for the newly hired General Manager. FY21 is expected to increase due to the hiring of additional employees.

FY21 Budget	10,000	-100.0%		FY19 Actual	10,362	-120.2%
FY20 Projected	5,000	51.7%		FY18 Actual	4,705	35.8%
FY20 Budget	5,000	51.7%		FY17 Actual	7,334	

- Professional Services – Internal:

This account has been budgeted at \$200,231 to cover the annual fee of \$231 paid to the Clerk of the County for processing of the “Property Tax Administration Fee”, and a one-time “Intra-County Cost Recovery Allocation” to the County of Santa Clara for cost related to the management audit study of LAHCFD.

- Property Tax Administration Fee:

The Property Tax Administration Fee is paid to the County in the 4<sup>th</sup> 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.

FY21 Budget	114,000	-4.6%		FY19 Actual	103,738	-7.8%
FY20 Projected	109,000	-5.1%		FY18 Actual	96,238	-1.1%
FY20 Budget	106,000	-2.2%		FY17 Actual	95,154	

- 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.

FY21 Budget	10,000	-25.0%		FY19 Actual	8,847	-166.7%
FY20 Projected	8,000	9.6%		FY18 Actual	3,317	38.4%
FY20 Budget	10,000	-13.0%		FY17 Actual	5,385	

- Self-Insurance Claim (Workers Comp Los Altos):

This account was previously titled “Self-Insurance Claim (Workers Compensation)” and was categorized under “Contract Services”. Since expenditures in this account are not related to the District’s contract with SCCFD, it has been reclassified as an “Operating Expense”. The purpose of this account is payment for the District’s share of workers’ compensation claims, dating from 1993 when firefighter personnel were shared with Los Altos Fire. The City of Los Altos bills the District an agreed upon one-third of the actual payments quarterly. For the purpose of analysis, past expenditures from the “Self-Insurance Claim (Workers Compensation)” account are shown in the table below for FY17-FY20.

FY21 Budget	5,000	-400.0%		FY19 Actual	5,666	-1103.0%
FY20 Projected	1,000	82.4%		FY18 Actual	471	4.5%
FY20 Budget	1,000	82.4%		FY17 Actual	493	

LAHCFD FY21 Budget Narrative

- 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.). In FY20, this account was modified to include a larger contingency for all the “Operating Expenditure” accounts.

FY21 Budget	55,000	-450.0%	FY19 Actual	482	69.4%
FY20 Projected	10,000	-1974.7%	FY18 Actual	1,575	6.4%
FY20 Budget	95,000	-19609.5%	FY17 Actual	1,683	

Salaries and Payroll Taxes

- General Manager:

On October 1, 2018, the District hired a part-time .50 FTE (full-time equivalent) General Manager to oversee and manage operations, projects, programs, and community outreach activities. The General Manager’s annual compensation rate is currently \$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 Actual figure below represents a partial year salary for the General Manager (October 2018-July 2019.) FY21 annual compensation has been budgeted \$132,000, the same annual compensation rate as FY19 except for increase in FICA, and to provide for contingency.

- Emergency Services Manager (ESM):

The Emergency Services Manager (ESM) leads, oversees, and coordinates most of the District’s Projects and Programs including Brush Chipping, Hazardous Fuel Reduction, Goats for vegetation mitigation, Hydrant Placement, Repair and Maintenance, Home Ignition Zone (HIZ), Hazardous Fuel Reduction and Shaded Fuel Breaks, and Emergency Access Roads. The ESM also assists with emergency service activities, including Community Emergency Response Training (CERT) and the Neighborhood Grant Program, outreach presentations to neighborhoods and the community. This position used to be a contracted service through the SCCFD, but was reclassified as a part-time .50 FTE employee position beginning in September 2019 with an annual compensation of \$85,000. FY21 has been budgeted at \$110,000.

- District Clerk:

By utilizing the General Analyst budgeted position in 2019/20, the District Clerk was reclassified in October 2019 from “Contract Services (Consultant)” to a part-time .50 FTE employee position with an annual compensation of \$55,000. Hence the General Analyst position and services were not available. The District Clerk 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. FY21 annual compensation has been budgeted at \$65,000.

- General Analyst:

For FY21, the District is looking to reinstate the General Analyst or similar position unable to be hired as allocated in FY2019/20. 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. The General Analyst will provide the necessary administrative capacity and skills to enable compliance with the findings. The General Analyst will also work with the General Manager in development and implementation of updated policies, procedures, and guidelines, evaluation of the current 2015-2020 Strategic Plan, and development of the 2020-2025 Strategic Plan. Annual compensation for this part-time .50 FTE position has been allocated at \$65,000.

LAHCFD FY21 Budget Narrative

- Technical Analyst:

In January to June 2019 and again in October 2019 through present, the District retained a part-time Independent Contractor for Consulting Services for Technical Services. In FY21, this position will be reclassified as a part-time employment position. The Technical Analyst position will be instrumental in creating, developing and overseeing the District’s website, maintaining social media platforms, creating digital solutions including management of on-line services for the Brush Chipping Program and other upcoming hazardous fuel reduction programs. This position will also coordinate with the ESM to lead and assist in emergency service activities and the District’s Projects and Programs. Annual compensation for this part-time .50 FTE position has been allocated at \$65,000.

- Operations Manager:

For FY21, the District is looking to add an Operations Manager position for administrative oversight and for assistance in managing operations, projects, programs, and community outreach activities. Allocation is \$110,000 to provide for a range of compensation based on skills, abilities and education and hours of employment.

Permanent Employees – Spec. Districts						
FY21 Budget	547,000	-143.1%		FY20 Budget	322,100	-352.1%
FY20 Projected	225,000	-215.8%		FY19 Actual	71,250	

Medicare Tax – Employers Share						
FY21 Budget	8,000	-142.4%		FY20 Budget	4,700	-355.0%
FY20 Projected	3,300	-219.5%		FY19 Actual	1,033	

FICA – Special Districts						
FY21 Budget	34,000	-142.9%		FY20 Budget	20,000	-352.7%
FY20 Projected	14,000	-216.9%		FY19 Actual	4,418	

Unemployment – Special Districts						
FY21 Budget	2,600	-81.2%		FY20 Budget	1,350	-135.2%
FY20 Projected	1,435	-150.0%		FY19 Actual	574	

- Workers Comp – Special Districts

This account tracks Workers Compensation expenditures for the District’s current employees (not to be confused with “Self-Insurance Claim (Workers Comp Los Altos)” described previously.) In FY19, the District hired its first employee and entered into a Workers Comp insurance policy with State Compensation Insurance Fund. In FY20, additional coverage was added for the District’s two additional .50 FTE part-time employees and volunteer CERT supervisors. Prior to FY21 Workers Comp expenditures were included under “Insurance”, but have been reclassified into their own account to better track employment spending. FY21 spending is expected to increase to \$16,000 due to the hiring of additional employees and volunteers.

LAHCFD FY21 Budget Narrative

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. In March 2019, the District extended its contract with existing auditor Vavrinek, Trine, Day & Co. (VTD). In July 2019, VTD merged with Eide Bailly LLP, and the District passed a resolution to consent to the assignment of the agreement by VTD to Eide Bailly in September 2019.

FY21 Budget	21,000	0.0%		FY19 Actual	20,105	-3.5%
FY20 Projected	21,000	-4.5%		FY18 Actual	19,429	4.9%
FY20 Budget	21,000	-4.5%		FY17 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.)

FY21 Budget	39,600	0.0%		FY19 Actual	39,600	-10.0%
FY20 Projected	39,600	0.0%		FY18 Actual	36,000	0.0%
FY20 Budget	39,600	0.0%		FY17 Actual	36,000	

- Outside Legal Fees:

The District is represented in most legal matters, including legal analysis and advice and the drafting of legal documents, by the law offices of Jorgenson, Siegel, McClure & Flegel. The District has also hired outside legal counsel to assist with matters pertaining to Human Resources, employee hiring, and personnel policies. Legal fees have steadily risen due to increased projects and programs and employment development within the District, with FY19 and FY20 higher due to additional legal consultation related to a County-initiated Management Audit of the District.

FY21 Budget	300,000	0.0%		FY19 Actual	232,314	-136.8%
FY20 Projected	300,000	-29.1%		FY18 Actual	98,121	-16.9%
FY20 Budget	200,000	13.9%		FY17 Actual	83,921	

- Outside Professional Services:

The District uses outside consultants to assist with operations, including website maintenance and content development, and IT system updates to include records retention and retrieval. Outside Professional Services are expected to be higher in FY21 due to planning and development of the District's 2020-2025 Strategic Plan.

FY21 Budget	50,000	-150.0%		FY19 Actual	17,003	-329.6%
FY20 Projected	20,000	-17.6%		FY18 Actual	3,958	9.4%
FY20 Budget	95,000	-458.7%		FY17 Actual	4,369	

- Professional and Specialized Services Contingency:

As of the writing of this narrative (February 2020) the District has not yet received the findings and report from the County's Management Audit. For FY21 the District has budgeted \$100,000 to cover additional professional services necessary to quickly address and find solutions to comply with audit findings, recommendations, and public hearings required by the County.

LAHCFD FY21 Budget Narrative

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.

FY21 Budget	5,135,862	-4.7%	FY19 Actual	4,690,124	-4.3%
FY20 Projected	4,903,134	-4.5%	FY18 Actual	4,498,565	-3.8%
FY20 Budget	4,917,528	-4.8%	FY17 Actual	4,332,641	

- 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.

FY21 Budget	1,244,220	-4.7%	FY19 Actual	1,140,867	-4.3%
FY20 Projected	1,187,832	-4.1%	FY18 Actual	1,086,517	-0.2%
FY20 Budget	1,191,317	-4.4%	FY17 Actual	1,084,780	

- SCCFD Supplies, Maintenance & Reimbursements:

Prior to FY21, this account covered the non-labor costs associated with the CERT program, emergency supplies, and other reimbursements to SCCFD. Since the ESM position is a District employee no longer contracted with SCCFD, costs associated with CERT and emergency supplies have been separated into a new account under “Projects and Programs”. This account will now cover all reimbursements made to SCCFD, including monthly station communications costs and fire station upkeep and maintenance.

FY21 Budget	15,000	40.0%	FY19 Actual	2,378	75.8%
FY20 Projected	25,000	-951.3%	FY18 Actual	9,840	-178.7%
FY20 Budget	25,000	-951.3%	FY17 Actual	3,531	

- Extra Fire Season Staff:

Prior to FY20, the District contracted with SCCFD for three additional firefighters nine hours a day during high fire hazard periods as designated by Cal Fire. In FY20, the District changed its policy to for Extra Fire Season Staffing to only patrol on “high risk” fire days, which is why spending is anticipated to decrease in FY20 and FY21.

FY21 Budget	100,000	0.0%	FY19 Actual	300,389	11.4%
FY20 Projected	100,000	66.7%	FY18 Actual	338,967	-40.1%
FY20 Budget	409,302	-36.3%	FY17 Actual	242,006	

- Type 3 Fire Engine Rental:

Under the new contract with SCCFD the District will need to rent the Type 3 Engine during Extra Fire Season Staff patrolling due to excessive engine wear caused by the District’s rugged terrain. Cal Fire OES has determined a rate of \$80 per hour.

FY21 Budget	30,000	0.0%	FY19 Actual	90,134	24.9%
FY20 Projected	30,000	66.7%	FY18 Actual	120,092	
FY20 Budget	151,200	-67.8%			

LAHCFD FY21 Budget Narrative

- SCCFD Apparatus Enhancements:**  
 The SCCFD plans to replace Rescue Engine 74 as part of their FY21 budget. In Septemeber 2019, Chief Tony Bowden requested the LAHCFD Commission consider reimbursement for apparatus enhancements such as taller ladders, low-angle rescue equipment, vehicle rescue equipment including the jaws of life, and other specialized rescue equipment necessary to navigate the terrain of Los Altos Hills and to better serve the community. The SCCFD estimates the cost of these enhancements to be \$375,000.
- Contract Services Contingency:**  
 For FY21, 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)

- Independent Contractor – Consultants:**  
 The District had two independent consultant positions which were retired during FY20: District Clerk and Fire Consultant (compensation for both positions is combined into the chart below). This account will now cover any individuals (not businesses) who provide independent contract consulting services to the District as needed, such as administrative, operational or technical assistance. (Note: \$30,000 contingency expected to be used for FY20 is included in the “projected” figure of this table.)

FY21 Budget	75,000	-47.5%	FY19 Actual	112,260	5.0%
FY20 Projected	50,857	54.7%	FY18 Actual	118,120	-2.0%
FY20 Budget	112,260	0.0%	FY17 Actual	115,759	

- Contract Services (Consultants) Contingency:**  
 For FY21, the District has budgeted \$25,000 to cover additional independent contractor consultant services that may be necessary due to the Strategic Plan and findings from the County’s Management Audit report.

Projects and Programs

- Brush 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 has continued to increase due to dryer weather conditions, and extra has been budgeted in FY21 to cover emergency “on-call” requests.

FY21 Budget	500,000	-25.0%	FY19 Actual	311,229	1.8%
FY20 Projected	400,000	-28.5%	FY18 Actual	316,904	-9.2%
FY20 Budget	400,000	-28.5%	FY17 Actual	290,277	

- 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 was renewed in FY20. Note: one FY18 payment was made during FY19.

FY21 Budget	45,000	0.0%	FY19 Actual	45,447	-37.3%
FY20 Projected	45,000	1.0%	FY18 Actual	33,097	11.3%
FY20 Budget	54,000	-18.8%	FY17 Actual	37,332	

- 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 General Manager has asked the FY21 budget to increase to \$25,000 in case the vendor increases pricing.

LAHCFD FY21 Budget Narrative

- Emergency/CERT/ARK Supplies:

This account was previously combined under the “Contract Service” category with reimbursements paid to SCCFD. Prior to the District hiring an “Emergency Services Manager. (ESM)” in FY20, any purchases related to CERT, PEP, emergency supplies and equipment, and other emergency service expenses were reimbursed to SCCFD through their contracted “Emergency Services Coordinator” position. With the addition of the ESM as an employee of the District, it was felt that these purchases would be better classified as their own expenditure account under “Projects and Programs.” The recommended budget for FY21 is \$25,000.

- Hydrant Repair and Maintenance:

This account covers hydrant repair, replacement and maintenance costs for the District’s 600 hydrants in the Purissima Hills Water District service area. In FY16 a leaking hydrant lateral caused severe road damage, and in FY18 car accidents caused damage to multiple hydrant. Due to the possibility of additional unforeseeable accidents in which the responsible party cannot be located for insurance reimbursement, the Emergency Services Manager recommends a FY21 budget of \$40,000.

FY21 Budget	40,000	0.0%		FY19 Actual	24,863	36.4%
FY20 Projected	40,000	-60.9%		FY18 Actual	39,086	-1048.5%
FY20 Budget	40,000	-60.9%		FY17 Actual	3,403	

- Emergency Access Roads:

The District budgets funds for emergency road repairs and maintenance. The Emergency Services Manager recommends an FY21 allocation of \$20,000 to cover planned enhancements and extra road repairs due to increased wet and stormy weather conditions.

FY21 Budget	20,000	-900.0%		FY19 Actual	0	100.0%
FY20 Projected	2,000	-100.0%		FY18 Actual	217	-100.0%
FY20 Budget	2,000	-100.0%		FY17 Actual	0	

- Hazardous Fuel Reduction and Shaded Fuel Breaks:

Beginning in FY09, the District provided for the removal of dead or dying trees within the District at no cost to residents as part of its “Tree Removal Program”. In FY20, the District entered into a contract with the Santa Clara County FireSafe Council to consult on increasing community awareness and education, and readiness and resiliency in the event of a wildfire by assisting in programs to protect lives, property and the environment. One of the FireSafe Council’s existing preparedness plans is “Hazardous Fuel Reduction”, which is the act of creating defensible space to improve a home’s chance of surviving a wildfire by reducing or maintaining the amount of grass, trees, shrubs, and other flammable landscape around the structure. As part of its contract with the District, the FireSafe Council will provide home ignition zone inspections (see “Home Ignition Zone (HIZ) Program” below) which will provide recommendations for trees which should have priority removal in order to create defensible space. Since the new guidelines for resident tree removal will directly align with FireSafe Council’s existing preparedness plan, the District has chosen to change the name of this program for FY21.

Another service FireSafe Council will provide assistance with is creating “Shaded Fuel Breaks” along roadways by modifying vegetation to create defensible locations that can help reduce a wildfire’s progress and create defensive areas for firefighters to attack and suppress the fire. The District began Phase 1 of the Shaded Fuel Break program along Page Mill Road during FY20, and expects to complete Phase 2 (with possible other locations) during FY21.

FY21 Budget	2,000,000	0.0%		FY19 Actual	1,936,060	-78.5%
FY20 Projected	2,000,000	-3.3%		FY18 Actual	1,084,844	0.2%
FY20 Budget	2,750,000	-42.0%		FY17 Actual	1,087,389	

LAHCFD FY21 Budget Narrative

- Fire Service Water Flow Improvements:

In FY18 the District began an evaluation of water system infrastructures within the Purissima Hills Water District 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 improve pipeline resiliency in event of earthquake, fire or disaster. A number of potential projects were identified by independent consultant engineers during FY18, and the design construction phase of the first project is anticipated to begin by the end of FY20. The multiple projects within this program are expected to span three to four years and be partially funded by one of the water service providers.

FY21 Budget	2,000,000	-33.3%		FY19 Actual	0	100.0%
FY20 Projected	1,500,000	-100.0%		FY18 Actual	52,808	-100.0%
FY20 Budget	3,000,000	-100.0%				

- Home Ignition Zone (HIZ) Program:

In FY20, the District entered into a contract with the Santa Clara County FireSafe Council to assist with fire safety projects. One of the services FireSafe Council offers is home ignition zone inspections (HIZ) for individual homeowners. Through this program, a trained representative from the FireSafe Council will go to a resident’s home and walk the property, reviewing defensible space and making recommendations for protecting the home from hazardous ignition and fuels. The Emergency Services Manager suggests a FY21 budget of \$200,000 as the program continues to expand.

FY21 Budget	200,000	-166.7%		FY20 Budget	75,000	
FY20 Projected	75,000					

- 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 \$15,000 budget and expand the program to address the demand upon approval of the Board of Commissioners.

- Projects & Programs Oversight:

For FY21 \$150,000 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, researching further methods of fire prevention/detection technologies, supervision, and public engagement. The District is also undertaking IT development which will allow for online evaluation and accountability systems for the brush chipping, HIZ and hazardous fuel reduction programs.

- Projects & Programs Contingency:

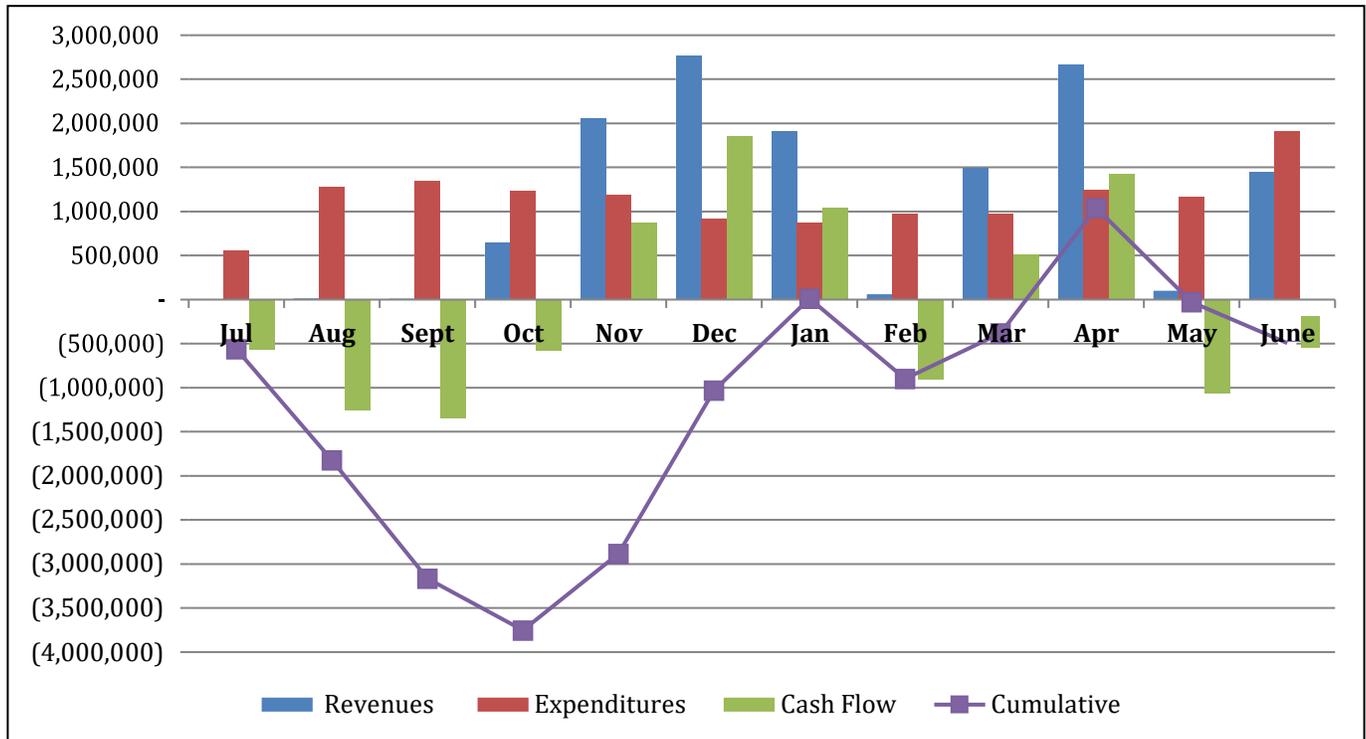
The District budgeted \$275,000 to cover additional needs or unexpected Projects and Programs expenses, such as change orders, additional services or emergency needs for the Projects and Programs listed above.

LAHCFD FY21 Budget Narrative

**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 new 2020-2025 Strategic Plan and Goals once they are developed and to produce the programs and workplans in the LAHCFD CWPP. 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
<b>Revenues</b>	0	14,343	11,162	650,462	2,060,474	2,766,432
<b>Expenditures</b>	-562,645	-1,275,857	-1,355,082	-1,236,207	-1,190,557	-914,157
<b>Cash Flow</b>	-562,645	-1,261,514	-1,343,920	-585,745	869,917	1,852,275
<b>Cumulative</b>	-562,645	-1,824,159	-3,168,079	-3,753,824	-2,883,907	-1,031,632
	January	February	March	April	May	June
<b>Revenues</b>	1,915,801	61,834	1,493,664	2,664,211	100,848	1,447,118
<b>Expenditures</b>	-873,490	-970,665	-979,491	-1,240,166	-1,169,191	-1,914,005
<b>Cash Flow</b>	1,042,311	-908,831	514,173	1,424,045	-1,068,343	-466,887
<b>Cumulative</b>	10,679	-898,152	-383,979	1,040,066	-28,277	-495,164

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.)

## LAHCFD FY21 Budget Narrative

### **Net Position**

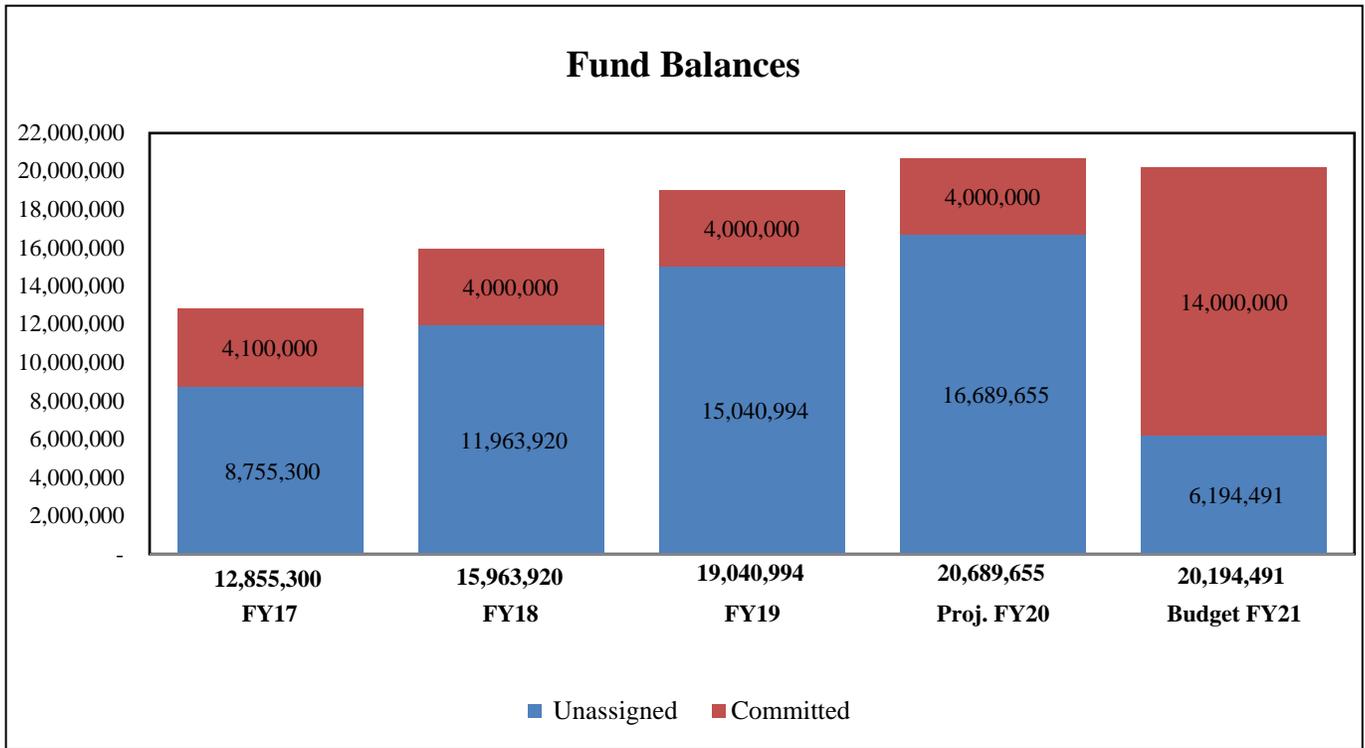
#### Investment in Capital Assets

At the beginning of FY21, the District's net investment in capital assets (net of accumulated depreciation) is expected to be \$2,033,305. The investment in capital assets includes land, improvements, fire hydrants, furniture and equipment. In FY21, the District plans to purchase a truck for the Emergency Services Manager for the transport of CERT supply trailers and emergency supplies, inspections of projects and oversight of District programs. In emergencies, the vehicle will be utilized to transport crews, supplies and assist in recovery operations. The estimated addition to assets will be \$45,000. After an estimated \$82,278 in accumulated depreciation, the investment in capital assets balance at the end of the fiscal year is estimated to be \$1,996,027. Expenditures for "Fire Service Water Flow Improvements" and "Hydrant Repairs and Maintenance" are not capitalized since the water mains are owned by the water districts, and hydrant maintenance is 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.



For the FY21, 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 laterals, 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.

Committed to Buildings and Improvements - \$6,000,000

The District owns the Fire Station located at 12355 El Monte Road in Los Altos Hills, the original construction and subsequent improvements cost a little more than \$2.5 million more than 20 years ago. Although not anticipated to be used during FY21, \$6,000,000 has been set aside for roofing, walls, irrigation systems, and other systems which are close to reaching their useful life, as well and expansion and improvements necessary for the District’s administrative needs and ultimately for replacement of the building once the lifetime has elapsed.

## LAHCFD FY21 Budget Narrative

### Committed to Wildfire Protection and Technology - \$1,000,000

The District is committing \$1 million toward technological advancements in firefighting, including Wildfire Detection Cameras, audible early warning systems and advancements to emergency communications.

### Committed to Hydrants and Infrastructures - \$3,000,000

The District owns the fire hydrants and lateral pipes in the Purissima Hills Water District, a utility serving two-thirds of Los Altos Hills with 80 miles of pipe, 10 million gallons of storage and five pump stations. The water system has been upgraded since its formation in 1955, however, in certain areas, system improvements will enhance fire flows and provide pipeline resiliency in event of earthquake or disaster. The Fire District is committing funds to hydrant systems and infrastructure upgrade. The 2020-2025 Strategic Plan will examine how to develop these programs and set goals for the process.

### Unassigned Fund Balance

The remaining amount of fund balance (slightly less than \$16.7 million at the end of FY20) will be classified as *unassigned*. After reclassification of \$10 million into *Committed Funds*, and an estimated net change in fund balance of approximately \$495,000, *Unassigned Fund Balance* at the end of FY21 is estimated to be slightly less than \$6.2 million.