



**COUNTY FIRE
DISTRICT**

**BUDGET NARRATIVE
Fiscal Year 2018 - 2019**

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.

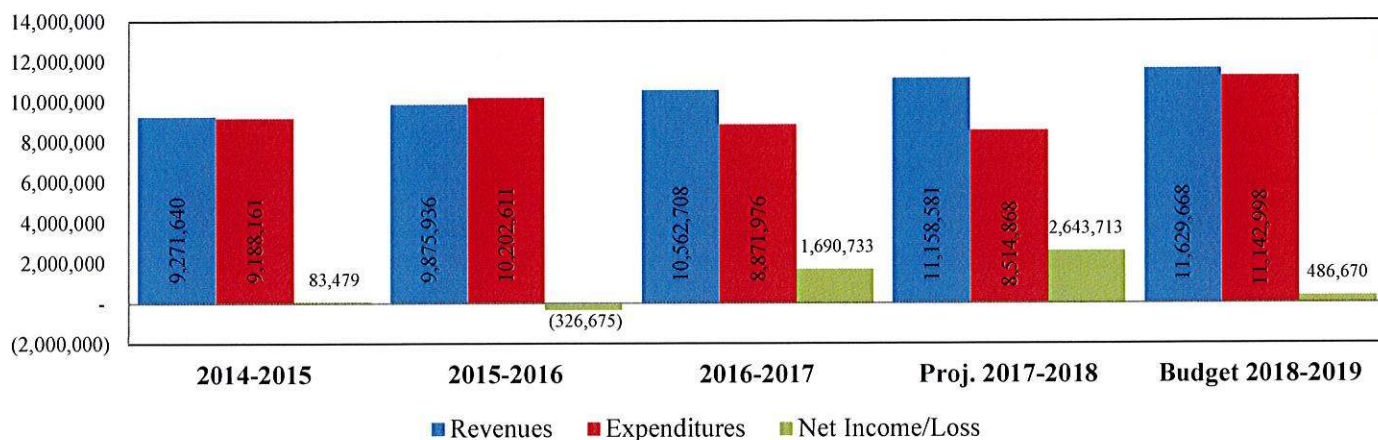
To achieve our mission, LAHCFD contracts with specialized personnel and consultants, thus minimizing the financial risks and burden of maintaining “in-house” capability. The District is also looking to hire a part-time General Manager to oversee operations. For Emergency Response Services, LAHCFD has 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: 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 year ending June 30, 2019.

- Assets are expected to increase from approximately \$18 million to \$18.4 million, a 2.6 percent increase. Cash at the end of the year will be slightly below of \$16.3 million, receivables \$40,000, prepaid expenses \$10,000, and fixed assets (including land, station improvements, fire hydrants, furniture and equipment) are expected to be slightly more than \$2.1 million.
- Revenue is anticipated to increase by 4.2 percent to \$11.6 million. The County assessor’s office reports that home sales and prices continue to rise in the District.
- Expenditures are expected to increase by 30.9 percent to \$11.1 million. This is primarily due to the District not having as many large expenditures for “Projects and Programs” in FY18 (approximately 28 percent decreased spending from FY17.) The \$2.2 million increase in spending for the “Fire Service Water Flow Improvement Project”, “Tree Removal Program” and “Contingency” represents the majority of the increase. Since the District is considering hiring a General Manager, the budgeted salary and payroll taxes add an additional \$142,500. The balance of the increase is due to customary inflationary factors. The District’s strong fund balance has enabled it to continue undertaking these expensive yet essential fire prevention projects.
- Expenses for the “Fire Service Water Flow Improvement Project” are expected to increase to \$1.2 million, or 380 percent over FY18 due to commencement of the construction phase of the project.
- Expenses for the “Tree Removal Program” are expected to increase to \$2 million, or 66.7 percent over FY18, due to a new phase of the program that looks to accelerate the removal process. See page 9 for more details.

Revenues, Expenditures and Net Change in Fund Balance

Revenues

FY19 Budget	11,629,668	4.2%		FY17 Actual	10,562,708	7.0%
FY18 Projected	11,158,581	5.6%		FY16 Actual	9,875,936	6.5%
FY18 Budget	10,905,760	3.2%		FY15 Actual	9,271,640	

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 tax revenue that is adapted into the budget.

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

FY19 Budget	10,361,485	4.0%		FY17 Actual	9,414,395	7.0%
FY18 Projected	9,962,645	5.8%		FY16 Actual	8,798,597	7.5%
FY18 Budget	9,792,000	4.0%		FY15 Actual	8,182,311	

- 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.

FY19 Budget	44,900	0.0%		FY17 Actual	40,507	-8.7%
FY18 Projected	44,900	10.8%		FY16 Actual	44,355	24.2%
FY18 Budget	43,960	8.5%		FY15 Actual	35,718	

- 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.

FY19 Budget	698,000	1.9%		FY17 Actual	623,329	2.8%
FY18 Projected	685,000	9.9%		FY16 Actual	606,621	-8.7%
FY18 Budget	630,000	1.1%		FY15 Actual	664,757	

LAHCFD FY19 Budget Narrative

Property Taxes Continued

- 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.

FY19 Budget	287,283	0.0%		FY17 Actual	319,203	10.5%
FY18 Projected	287,283	-10.0%		FY16 Actual	288,777	0.2%
FY18 Budget	298,800	-6.4%		FY15 Actual	288,108	

- 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.

FY19 Budget	43,000	0.0%		FY17 Actual	45,222	-2.9%
FY18 Projected	43,000	-4.9%		FY16 Actual	46,557	-3.1%
FY18 Budget	45,000	-0.5%		FY15 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. LAHCFD received their first return of Excess ERAF in FY16 (but the County did not list it as a separate revenue account until FY17.)

FY19 Budget	15,000	-13.1%		FY17 Actual	9,147	-33.5%
FY18 Projected	17,253	88.6%		FY16 Actual	13,757	
FY18 Budget	7,000	-23.5%				

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 significantly due to extra cash and higher interest rates.

FY19 Budget	175,000	52.2%		FY17 Actual	99,370	29.0%
FY18 Projected	115,000	15.7%		FY16 Actual	77,007	49.5%
FY18 Budget	85,000	-14.5%		FY15 Actual	51,498	

- Property Rental

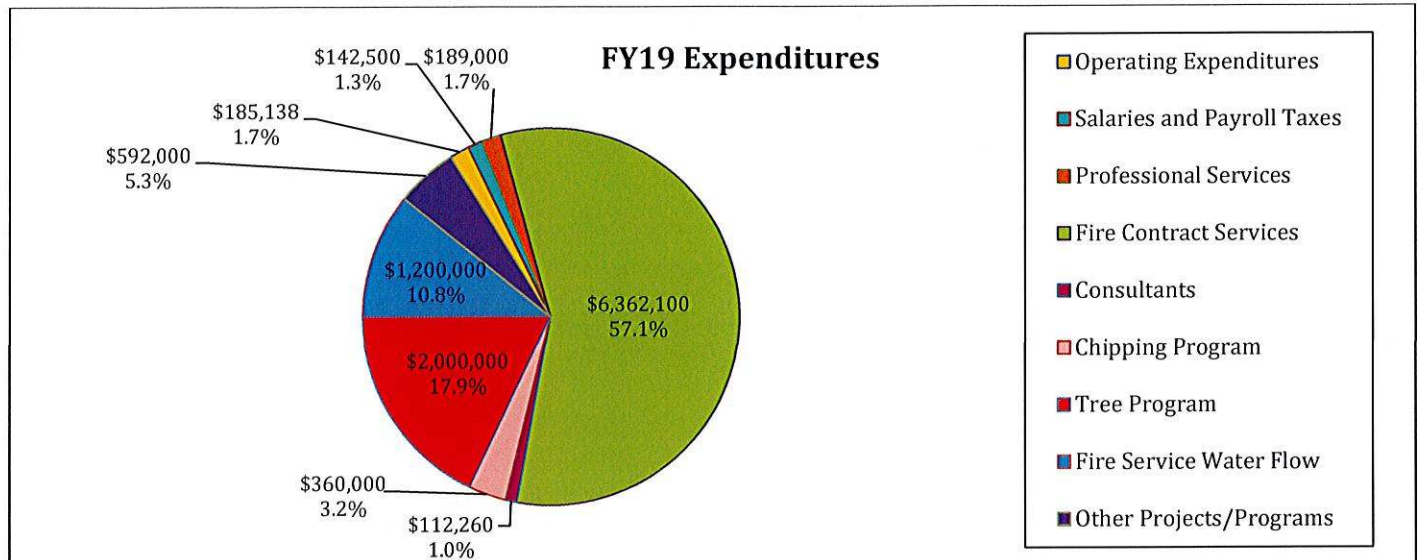
The District owns a property that is rented out, usually to contractors who are performing public work, for parking their heavy equipment and materials during operations. The District has budgeted for three months of property rental in FY19.

FY19 Budget	4,500	50.0%		FY17 Actual	11,000	100%
FY18 Projected	3,000	-72.7%		FY16 Actual	5,500	1000%
FY18 Budget	3,000	-72.7%		FY15 Actual	500	

- Other/Miscellaneous Revenues

Other income such as reimbursements and hydrant damage insurance settlements.

FY19 Budget	500	0.0%		FY17 Actual	534	100%
FY18 Projected	500	-6.4%		FY16 Actual	0	-100%
FY18 Budget	1,000	87.2%		FY15 Actual	686	

Expenditures

FY19 Budget	11,142,998	-30.9%	FY17 Actual	8,871,976	13.0%
FY18 Projected	8,514,868	4.0%	FY16 Actual	10,202,611	-11.0%
FY18 Budget	10,002,527	-12.7%	FY15 Actual	9,188,161	

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. FY19 has been budgeted slightly higher in case of additional insurance coverage for the new General Manager.

FY19 Budget	5,000	-131.5%	FY17 Actual	4,653	8.8%
FY18 Projected	2,160	53.6%	FY16 Actual	5,099	-45.0%
FY18 Budget	5,000	-7.5%	FY15 Actual	3,517	

- Commissions 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.

FY19 Budget	15,000	-7.1%	FY17 Actual	11,900	-101.7%
FY18 Projected	14,000	-17.6%	FY16 Actual	5,900	37.2%
FY18 Budget	16,800	-41.2%	FY15 Actual	9,400	

- 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. In FY16 a leaking hydrant lateral caused severe road damage that accounted for the unusually large expenditure. The Fire Consultant recommends a FY19 budget of \$40,000 to cover necessary repairs or unforeseeable accidents.

FY19 Budget	40,000	-33.3%	FY17 Actual	3,403	95.2%
FY18 Projected	30,000	-781.5%	FY16 Actual	70,208	-2598.2%
FY18 Budget	15,000	-340.8%	FY15 Actual	2,602	

LAHCFD FY19 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 is slightly higher to cover additional General Manager office costs.

FY19 Budget	10,000	-100.0%		FY17 Actual	7,334	-59.1%
FY18 Projected	5,000	31.8%		FY16 Actual	4,610	-58.3%
FY18 Budget	5,000	31.8%		FY15 Actual	2,913	

- 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 represents 1% of tax revenue.

FY19 Budget	104,907	-5.0%		FY17 Actual	95,154	7.1%
FY18 Projected	99,912	-5.0%		FY16 Actual	102,453	-13.3%
FY18 Budget	108,100	-13.6%		FY15 Actual	90,418	

- Publications and Legal Notices:

Notices of fire prevention hearings, emergency information 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.

FY19 Budget	8,000	-33.3%		FY17 Actual	5,385	34.5%
FY18 Projected	6,000	-11.4%		FY16 Actual	8,218	-193.1%
FY18 Budget	6,000	-11.4%		FY15 Actual	2,804	

- 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 other costs now expensed under “Outside Consultant Services” and “Office Expenses”.

FY19 Budget	2,000	-66.7%		FY17 Actual	1,683	83.6%
FY18 Projected	1,200	28.7%		FY16 Actual	10,239	24.5%
FY18 Budget	2,000	-18.8%		FY15 Actual	13,568	

Salaries and Payroll Taxes

The District is looking to hire a part-time General Manager to over-see operations and to manage projects, programs, and community outreach activities, with employment looking to commence in the last quarter of FY18. The position would start at 20 hours per week, with annual compensation of \$95,000 to be broken into 24 semi-monthly payments. The employer’s share of payroll taxes would be 6.2% for Social Security, 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. Public entity employees are not subject to California disability tax. Extra has been budgeted to cover increased work hours if needed.

Account	FY19 Budget
Permanent Employees – Special Districts	132,100
Medicare Tax – Employer’s Share	1,900
FICA – Special Districts	8,000
Unemployment – Special Districts	500

LAHCFD FY19 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. The District's contract with its existing auditor Vavrinek, Trine, Day & Co. goes through FY19.

FY19 Budget	22,000	-4.3%		FY17 Actual	20,440	0.0%
FY18 Projected	21,100	-3.2%		FY16 Actual	20,440	-7.9%
FY18 Budget	21,100	-3.2%		FY15 Actual	18,950	

- Accounting Services:

Vargas Company provides the District with financial consulting services including monthly reports, budget planning, and audit preparation, with additional services provided as needed. Accounting services are contracted at a set annual rate and are paid monthly. With the addition of the General Manager position in FY19, the financial consultant will take on extra duties including payroll and payroll tax preparation.

FY19 Budget	42,000	-16.7%		FY17 Actual	36,000	-20.0%
FY18 Projected	36,000	0.0%		FY16 Actual	30,000	-24.2%
FY18 Budget	36,000	0.0%		FY15 Actual	24,150	

- 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 are expected to continue to rise due to increased Projects and Programs within the District.

FY19 Budget	115,000	-15.0%		FY17 Actual	83,921	-55.1%
FY18 Projected	100,000	-19.2%		FY16 Actual	54,108	11.4%
FY18 Budget	60,000	28.5%		FY15 Actual	61,043	

- Outside Consulting Services:

The District uses outside consultants for special projects, including assistance with record retention and website maintenance. A higher amount has been budgeted for FY19 to cover additional costs that may be incurred due to the expiration of the current website consultant contract in FY18.

Note: Expenses were higher in FY15 due to the Strategic Plan consulting.

FY19 Budget	10,000	-400.0%		FY17 Actual	4,369	-110.8%
FY18 Projected	2,000	54.2%		FY16 Actual	2,072	88.1%
FY18 Budget	4,500	-3.0%		FY15 Actual	17,387	

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.

FY19 Budget	4,679,400	-4.0%		FY17 Actual	4,332,641	-4.1%
FY18 Projected	4,498,565	-3.8%		FY16 Actual	4,162,212	-4.4%
FY18 Budget	4,507,775	-4.0%		FY15 Actual	3,988,329	

LAHCFD FY19 Budget Narrative

Contract Services Continued

- 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.

FY19 Budget	1,132,000	-4.0%		FY17 Actual	1,084,780	-0.4%
FY18 Projected	1,086,510	-0.2%		FY16 Actual	1,080,358	-4.4%
FY18 Budget	1,087,530	-0.3%		FY15 Actual	1,035,224	

- Emergency Services Coordinator:

The Emergency Service Coordinator's salary is a contracted service provided by the SCCFD based on 20 hours of service per week. Cost increases annually at the same rate as the Central Fire District (see above.) The annual base amount for ESC Coordinator was lowered as part of the new contract.

FY19 Budget	78,100	-4.0%		FY17 Actual	78,985	4.2%
FY18 Projected	75,132	4.9%		FY16 Actual	82,488	-4.4%
FY18 Budget	75,191	4.8%		FY15 Actual	79,042	

- Fire Prevention/Emergency Prep:

This account covers the non-labor costs associated with the CERT program and ESC supplies paid to SCCFD. During the last part of FY16 and a majority of FY17 the District did not have a designated ESC, so expenses (outside of labor as covered above) were minimal. FY18 is expected to have increased supply expenses as well as \$23,000 designated to cover relocation costs of the ARK incident command center on the Foothill College campus.

FY19 Budget	25,000	0.0%		FY17 Actual	3,531	82.4%
FY18 Projected	25,000	-608.0%		FY16 Actual	20,055	44.1%
FY18 Budget	40,000	-1032.7%		FY15 Actual	35,909	

- 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, roughly 160 days per year. FY19 has been budgeted slightly higher due to dry winter weather patterns that are expected to result in a longer fire season.

FY19 Budget	320,100	-5.0%		FY17 Actual	242,006	21.4%
FY18 Projected	315,000	-30.2%		FY16 Actual	307,755	-3.5%
FY18 Budget	325,000	-34.3%		FY15 Actual	297,209	

- 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 160 days in FY18. Due to dry weather conditions in the winter months of 2018, the FY19 budget has been increased in anticipation of a longer fire season.

FY19 Budget	126,000	-9.4%		FY18 Budget	115,200	-100.0%
FY18 Projected	115,200	-100.0%		FY17 Actual	0	

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

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.

FY19 Budget	1,500	-50.0%		FY17 Actual	493	65.9%
FY18 Projected	1,000	-102.8%		FY16 Actual	1,444	72.8%
FY18 Budget	3,000	-508.4%		FY15 Actual	5,319	

LAHCFD FY19 Budget Narrative

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.

FY19 Budget	64,260	-3.8%		FY17 Actual	59,539	-4.7%
FY18 Projected	61,900	-4.0%		FY16 Actual	56,853	-1.1%
FY18 Budget	61,900	-4.0%		FY15 Actual	56,220	

- 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, and because the new General Manager will be assisting with some of the Projects and Programs, the Fire Consultant has determined he will be working fewer hours resulting in lower compensation for FY19.

FY19 Budget	48,000	14.6%		FY17 Actual	56,220	0%
FY18 Projected	56,220	0%		FY16 Actual	56,220	0%
FY18 Budget	59,200	-5.3%		FY15 Actual	56,220	

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.

FY19 Budget	360,000	-7.5%		FY17 Actual	290,277	-8.8%
FY18 Projected	335,000	-15.4%		FY16 Actual	266,782	-6.2%
FY18 Budget	300,000	-3.3%		FY15 Actual	251,191	

- 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.

FY19 Budget	40,000	-17.6%		FY17 Actual	37,332	-2.0%
FY18 Projected	34,000	8.9%		FY16 Actual	36,604	-33.3%
FY18 Budget	39,000	-4.5%		FY15 Actual	27,450	

- 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 FY19 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 FY19 due to the increased landscape maintenance required for removing the invasive *Dittrichia graveolens* (stinkwort) weed.

FY19 Budget	7,000	-40.0%		FY17 Actual	4,802	-7.6%
FY18 Projected	5,000	-4.1%		FY16 Actual	4,464	7.1%
FY18 Budget	6,000	-24.9%		FY15 Actual	4,804	

LAHCFD FY19 Budget Narrative

Projects and Programs Continued

- Emergency Access Roads:

The District budgets funds for emergency road repairs and maintenance. Fire Consultant recommended \$5,000 to cover extra road repairs due to increased wet and stormy weather conditions.

FY19 Budget	5,000	-100.0%		FY17 Actual	0	100.0%
FY18 Projected	0	0.0%		FY16 Actual	304	33.7%
FY18 Budget	5,000	-100.0%		FY15 Actual	459	

- 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 FY15 and 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 significant program savings, however, the District was not satisfied in the amount of time spent on arborist evaluations, requests for proposals, and the review and selection of bids. In FY19 the District is looking to fine-tune operations by having contractors bid on a bundle of identified dead or dying trees throughout the entire District (rather than area-by-area), thereby expediting the bidding process and increasing the number of trees which will be removed. For this reason the FY19 budget has been increased significantly over FY18 projected spending.

FY19 Budget	2,000,000	-66.7%		FY17 Actual	1,087,389	58.7%
FY18 Projected	1,200,000	-10.4%		FY16 Actual	2,633,356	-4.6%
FY18 Budget	1,000,000	8.0%		FY15 Actual	2,516,711	

- Hydrant/Water Main Improvements - Purissima:

In FY18 the District, in conjunction with the Purissima Hills Water District, completed a multi-year project that replaced and/or improved fire hydrants within the Purissima Hills Water District. A small amount has been budgeted for FY19 for water main and hydrant costs not related to those covered in the “Outside Hydrant Repair” account.

FY19 Budget	10,000	80.8%		FY17 Actual	1,301,769	-142.0%
FY18 Projected	121,000	90.7%		FY16 Actual	537,996	-4.5%
FY18 Budget	470,000	63.9%		FY15 Actual	515,064	

- Hydrant/Water Main Improvements – Cal Water

This account covers costs (not covered in the “Outside Hydrant Repair” account) to maintain water mains and fire hydrants within the California Water Service’s area.

FY19 Budget	10,000	-100.0%		FY17 Actual	0	0%
FY18 Projected	0	0%		FY16 Actual	0	100.0%
FY18 Budget	10,000	-100.0%		FY15 Actual	54,289	

LAHCFD FY19 Budget Narrative

Projects and Programs Continued

- 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. The program is expected to span three years and be partially funded by the two water service providers. The FY19 budget covers 1/3 the total estimated project cost (with cost-sharing) as calculated by LAHCFD's contracted engineering and planning firm EKI Environment & Water.

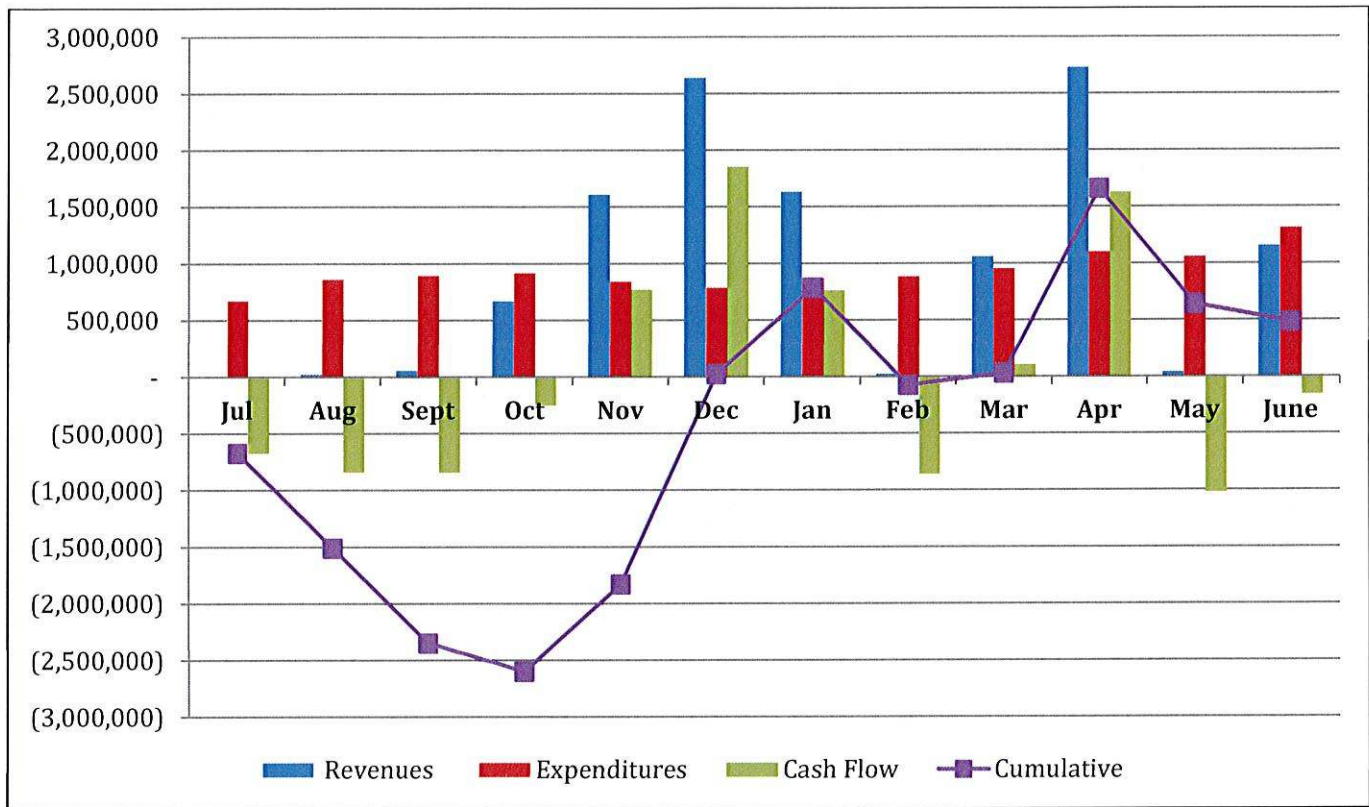
FY19 Budget	1,200,000	-380.0%		FY18 Budget	1,500,000	-100.0%
FY18 Projected	250,000	-100.0%		FY17 Actual		

- Projects & Programs Contingency

The District has budgeted \$500,000 to cover additional or unexpected Projects and Programs expenses, such as change orders or emergency needs.

- Fuel Break Program Open Space

This program was set up in conjunction with the Mid-Peninsula Open Space District to control weed and brush growth along private property lines adjacent to the Open Space District. Though most of the potential fire hazards were cleared by FY11, the program is kept in place to accommodate future growth. No expenditures are expected for this account in FY19.

Cash Flow by Month

	July	August	September	October	November	December
Revenues	0	23,132	55,245	667,495	1,609,470	2,637,860
Expenditures	-671,526	-861,081	-894,881	-917,056	-839,906	-784,156
Cash Flow	-671,526	-837,949	-839,636	-249,561	769,564	1,853,704
Cumulative	-671,526	-1,509,475	-2,349,111	-2,598,672	-1,829,108	24,596
	January	February	March	April	May	June
Revenues	1,631,181	22,982	1,059,127	2,728,745	39,061	1,155,370
Expenditures	-869,836	-881,836	-952,588	-1,100,638	-1,057,838	-1,311,656
Cash Flow	761,345	-858,854	106,539	1,628,107	-1,018,777	-156,286
Cumulative	785,941	-72,913	33,626	1,661,733	642,956	486,670

The District can expect negative cash flow in the first five months of the fiscal year because the largest portion of the District's revenue (98.9%) comes from Property Taxes which are usually collected twice per year, with the first portion received in December and the second in April (with early or late payments received in the months immediately preceding or following.)

Net Position

Investment in Capital Assets

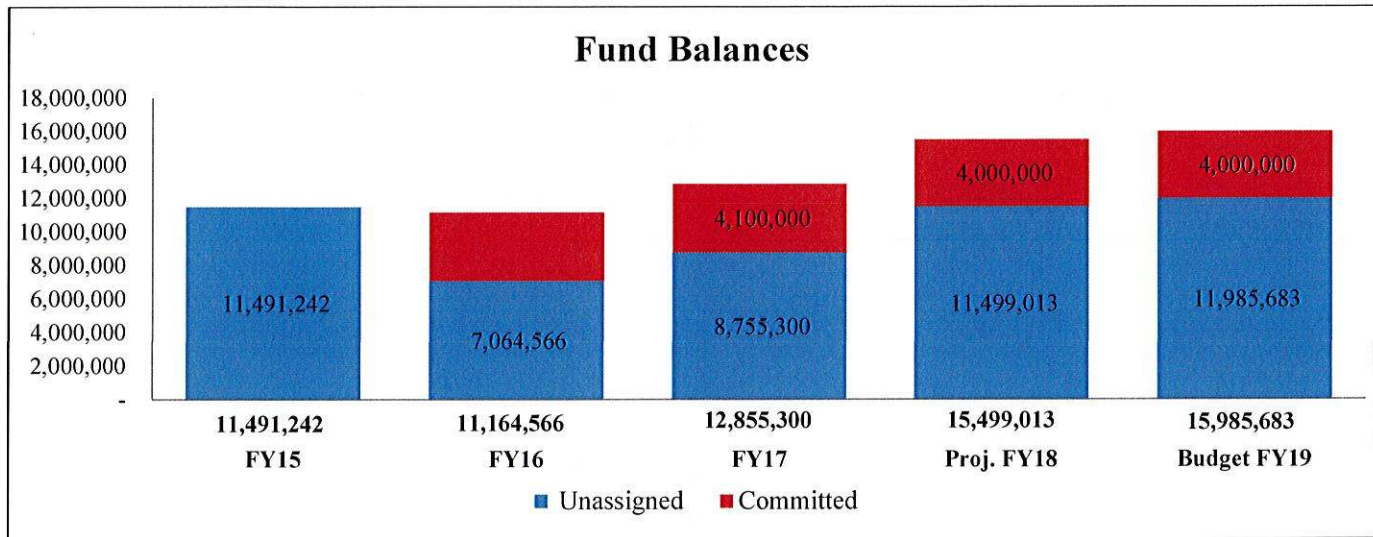
At the beginning of FY19, the District's net investment in capital assets (net of accumulated depreciation) is expected to be \$2,179,413. The investment in capital assets includes land, improvements, fire hydrants, furniture and equipment. The District has budgeted an addition of \$10,000 in FY19 to cover any assets (such as computers, electronics or furniture) that may be purchased for the new General Manager position. After an estimated \$75,391 in accumulated depreciation, the investment in capital assets balance at the end of the fiscal year is estimated to be \$2,114,022. 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.

Fund Balances – Continued



For the FY19, 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 (approximately \$11.5 million at the beginning of FY19) will be classified as *unassigned*. After an estimated net change in fund balance of \$486,670, *Unassigned Fund Balance* at the end of FY19 is estimated to be slightly less than \$12 million.