



**Belmont-San Carlos Fire Department
FY 2019 & FY 2020 Budget**

Belmont-San Carlos Fire Department
Fiscal Years 2019 & 2020 Budgets
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Belmont-San Carlos Fire Department Budget Fiscal Years 2019 and 2020 Budget Summary

The proposed fiscal years 2019 and 2020 Budget reflects the Department's obligations in a post-operations era since the September 30, 2011 dissolution. The Budget funds the following wind-down activities of the Department:

- Below is a summary of the outstanding pension obligations based on CalPERS June 30, 2016 actuarial valuation:

Plan	Unfunded Accrued Liability
Safety	\$31,313,986
Miscellaneous	\$868,908

In furtherance of retiring these obligations, the Budget includes payments to CalPERS of \$3,627,706 in FY 2019 and \$2,195,856 in FY 2020, reflecting the pay-off of a side fund.

- The outstanding postretirement health benefit obligation, based on GovInvest's Actuary Study as of January 22, 2018, net of fiduciary position is \$1,785,830. The Budget includes Other Post-Employment Benefits (OPEB) plan costs for retirees and surviving spouse who have earned lifetime medical coverage of \$274,840 in FY 2019 and \$273,697 in FY 2020.
- The estimated liability for unpaid loss and allocated loss adjustment expenses ranges from \$235,000 (70% confidence level) to \$401,000 (90% confidence level) for outstanding workers compensation claims from past employees. The Fire Department estimates claims payments of \$13,240 in FY 2019 and \$14,167 in FY 2020.
- Administrative and professional services required to carry-out the above activities of \$87,946 in FY 2019 and \$90,496 in FY 2020 are reflected.

As a result of the above activity and the need to increase the reserve requirement discussed below, contributions paid by the member agencies increase modestly in FY 2019, followed by a decrease in FY 2020 as follows: Belmont Fire Protection District (\$1,850,741 in FY 2019 and \$1,177,369 in FY 2020 - 47.1%) and the City of San Carlos (\$2,074,837 in FY 2019 and \$1,318,434 in FY 2020 - 52.9%).

The Budget assumes maintaining a prudent fiscal reserve at \$150,000 through FY 2020.

Belmont-San Carlos Fire Department
FY 2019 & FY 2020 Budget
Fund Recap
Fiscal Years 2018 through 2020

Fund Number Description		Audited Fund Balance 7/1/2017		FY 2018 Estimated		Estimated Fund Balance 6/30/2018		FY 2019 Proposed		Proposed Fund Balance 6/30/2019		FY 2020 Proposed		Proposed Fund Balance 6/30/2020	
		Reserved or Designated	Available	Revenues	Expenditures	Reserved or Designated	Available	Revenues	Expenditures	Reserved or Designated	Available	Revenues	Expenditures	Reserved or Designated	Available
GENERAL FUND															
105 General Fund			\$ 196,727	\$ 3,746,713	\$ 3,645,593	\$ 150,000	\$ 147,847	\$ 3,944,503	\$ 4,017,350	\$ 150,000	\$ 75,000	\$ 2,513,817	\$ 2,588,817	\$ 150,000	\$ (0)

Belmont-San Carlos Fire Department

FY 2019 & FY 2020 Budget

Revenues and Other Sources & Expenditures and Other Uses By Fund and Function

Account/Division			FY2017	FY2018	FY2019	FY2020
Fund	Number	Description	Actual	Estimated	Proposed	Proposed
Revenues & Other Sources						
105	6628	BELMONT FIRE DISTRICT SERVICES	1,618,634	1,768,193	1,860,795	1,186,587
105	6629	CITY OF SAN CARLOS SERVICES	1,814,363	1,982,231	2,086,130	1,328,788
		Service Charges	3,432,997	3,750,424	3,946,925	2,515,375
105	7111	Interest Earnings-Investments	(4,563)	(3,908)	(2,618)	(1,754)
105	7112	Other Interest Earnings	163	197	197	197
		Use of Money/Property	(4,400)	(3,711)	(2,421)	(1,557)
105	7252	Refunds and Rebates	-	-	-	-
105	7253	Miscellaneous	-	-	-	-
		Miscellaneous	-	-	-	-
		General Fund	3,428,597	3,746,713	3,944,503	2,513,817
TOTAL REVENUES AND OTHER SOURCES			3,428,597	3,746,713	3,944,503	2,513,817
Expenditures & Other Uses						
105		Dissolution Costs	3,298,060	3,645,593	4,017,350	2,588,817
		Public Safety	3,298,060	3,645,593	4,017,350	2,588,817
		General Fund	3,298,060	3,645,593	4,017,350	2,588,817
TOTAL EXPENDITURES AND OTHER USES			3,298,060	3,645,593	4,017,350	2,588,817

Division: 4222 Dissolution Costs

Dissolution Costs

Fund: 105 General Fund

Fire Department

Account	Account Description	Actual FY 2017	Estimated FY 2018	Proposed FY 2019	Proposed FY 2020
Personnel					
8120	PERS Legacy Costs	\$ 2,984,093	\$ 3,260,213	\$ 3,627,706	\$ 2,195,886
8235	State Unemployment Insurance		-	-	-
Personnel Total		\$ 2,984,093	\$ 3,260,213	\$ 3,627,706	\$ 2,195,886
Supplies & Services					
8351	Other Professional/Technical	\$ 17,725	\$ 25,369	\$ 26,105	\$ 26,862
8519	OPEB ADC/PayGo Contribution	236,319	274,811	274,840	273,697
8598	Claims-Workers' Compensation	6,441	25,102	26,859	28,739
Supplies & Services Total		\$ 260,485	\$ 325,282	\$ 327,803	\$ 329,297
Administrative & Other					
8310	Administrative Support Service	\$ 53,482	\$ 60,098	\$ 61,841	\$ 63,634
Administrative & Other Total		\$ 53,482	\$ 60,098	\$ 61,841	\$ 63,634
Total Expenditures		\$ 3,298,060	\$ 3,645,593	\$ 4,017,350	\$ 2,588,817

Account	Account Description	Amount	Notes
8120	PERS Legacy Costs	\$ 3,627,706	FY 19 - Amounts provided by CalPERS. Miscellaneous - \$56,686, Safety - \$3,544,132 and IRC Section 415(b) Replacement Benefit Plan - \$26,888. 47.1%-Belmont/52.9%-San Carlos split.
		\$ 2,195,886	FY 20 - Amounts provided by CalPERS. Miscellaneous - \$70,078, Safety - \$2,098,382 and IRC Section 415(b) Replacement Benefit Plan - \$27,426. 47.1%-Belmont/52.9%-San Carlos split.
8351	Other Professional/Technical	\$ 26,105	Legal, accounting, actuary and workers compensation claim administration services. CPI increase. 47.1%/52.9% split.
		\$ 26,862	Legal, accounting, actuary and workers compensation claim administration services. CPI increase. 47.1%/52.9% split.
8519	OPEB ARC Contribution	\$ 274,840	Per GovInvest/Precision Actuarial Services study, January 22, 2018. Using greater of Pay Go or ADC. 47.1%/52.9% split.
		\$ 273,697	Per GovInvest/Precision Actuarial Services study, January 22, 2018. Using greater of Pay Go or ADC. 47.1%/52.9% split.
8598	Claims-Workers' Compensation	\$ 26,859	Legacy claims cost based on current trends assuming 7% inflation. 47.1%/52.9% split.
		\$ 28,739	Legacy claims cost based on current trends assuming 7% inflation. 47.1%/52.9% split.
8310	Administrative Support Services	\$ 61,841	Multi-year agreement with City of Belmont, including financial, treasury, debt, and risk management, subject to CPI increase. 50/50 split amongst agencies.
		\$ 63,634	Multi-year agreement with City of Belmont, including financial, treasury, debt, and risk management, subject to CPI increase. 50/50 split amongst agencies.

APPENDIX

What is the Basis for the Belmont-San Carlos Fire Department Budget?

The Belmont-San Carlos Fire Department prepares its budget using the modified accrual basis of accounting whereby revenues are recognized when they become measurable and available. Likewise, expenditures are recognized when an event or transaction is expected to draw upon current spendable resources.

What are the Budgetary Policies of the Belmont-San Carlos Fire Department?

The Belmont-San Carlos Fire Department operates under a set of budget policies which guide the development of the budget. These policies are presented below.

- Where possible, General Fund revenues, operating expenditures and transfers should balance on a "current" basis.
- Supplemental appropriations during the fiscal year require an appropriations adjustment resolution to be passed by the Fire Board.
- In cases where there is an increase in the size of the budget due to an appropriation increase, the resolution requires an offsetting change in fund balance, unless the added cost is accompanied by an unanticipated increase in revenue to the General Fund. If such an offset occurs then there is no change to the fund balance, but the increase in revenue and the source of that revenue is to be shown in the appropriations adjustment resolution.
- Where the increased appropriation is to be funded from a restricted source and no offsetting revenue is identified, the resolution must show a decrease in fund balance from the balance that was expected when the budget was adopted.

What are Funds?

Perhaps the biggest perplexities encountered by someone examining the budget or financial statements of a government agency for the first time is the existence of numerous "funds." Whereas even the largest commercial enterprise generally will report only a single amount for each item in its financial statements (e.g., "cash," "sales"), governments, both large and small, will typically report a number of separate columns or "funds."

Each of these funds is considered to function as a separate fiscal and accounting entity. Funds are normally used by governments to segregate resources related to specific activities (e.g., general operations, capital projects). For most governments, the principal operating fund is known as the "General Fund."

What Different Kinds of Funds do Governments Use?

Governments may use any number of individual funds in their budgeting and financial reporting (although they are encouraged to use the least number of funds practical in their specific circumstances). Regardless of the number of individual funds used, generally accepted accounting principles (GAAP) require all of these individual funds to be aggregated into no more than seven specified "fund types" on the combined balance sheet.

Four of these fund types are known as the "governmental funds." They are the General Fund, the special revenue funds, the debt service funds, and the capital project funds. These funds are typically used to account for most of a government's operations and capital expenditures. Two other funds types are known as the "proprietary funds" because they function in a manner similar to private enterprise. These funds are the enterprise (or service) funds and the internal service funds. The last of the seven fund types that may be found on a government's combined balance sheet or in a budget document is the trust and agency fund. The Belmont-San Carlos Fire Department only uses a General Fund.

General Fund

The General Fund is used to account for the financial resources and expenditures associated with most Department operations where revenue is not required to be recorded in a separate fund. As the name implies, revenues collected in this fund are not restricted as to which division or purpose they may be expended.

The sources of revenue for the General Fund are primarily from service charges and the use of money and property held by the Department.

Is "Unassigned Fund Balance" a Good Measure of Economic Health?

"Unassigned" or "available" fund balance is not designated to reflect economic health but simply to provide a measure of the financial resources available for future spending or appropriation. While an absence of spendable resources may well be an indication of actual or potential economic problems, the presence of such resources is no guarantee of sound economic health. For example, just as an individual can increase his or her checkbook balance by taking out a loan, so too can a governmental fund increase its spendable resources (i.e., "unassigned fund balance") by issuing long-term debt.

In neither case would the economic position of the individual or government be improved because the debt must be repaid. Accordingly, a significant level of "unassigned fund balance" should not be taken alone as evidence of sound economic health. Rather, users of government financial statements should also take care to evaluate future claims on governmental fund assets when assessing the economic health of a governmental fund. In particular, users should be careful to consider a governmental fund's obligation to finance long-term debt (reported separately in the general long-term debt account group), as well as the potential future drain on governmental fund resources posed by deficits in other funds (e.g., enterprise funds).

How High a Level of "Unassigned" or "Available" Fund Balance Should be Maintained in the General Fund?

There is little argument that a deficit "unassigned" or "available" fund balance is normally to be avoided. Indeed, such deficits are illegal in a number of jurisdictions. The "right amount" of unassigned fund balance, however, is a question open to debate, particularly in the General Fund. Bond raters and others often use "rules of thumb" to measure the adequacy of unreserved fund balance in the General Fund. For example, 5 percent of annual operating expenditures is a commonly used amount. Others argue that unassigned fund balance should equal no less than one month's operating expenditures (i.e., 8.3%). Care must be taken, however, to avoid applying such rules of thumb mechanically. A variety of factors must be taken into account when evaluating the adequacy of fund balance in the General Fund.

One important consideration is the reliability of a governmental agency's revenue sources. Whereas some governmental revenues are traditionally quite stable, others often can vary significantly depending on conditions in the economy (e.g., interest income). Governments depending upon less reliable revenue sources may need to maintain significantly higher levels of unreserved fund balance than those relying upon more stable sources of revenue.

Another important factor is the timing of cash inflows and outflows. Governments whose cash flows are less predictable or uneven because of the timing of revenue collections may need relatively higher levels of unreserved fund balance to maintain liquidity than those with highly predictable continuous cash inflows and outflows.

A third important consideration involves resources available in other funds. Some governments, for example, establish separate "budget stabilization funds" to meet unexpected contingencies. When such additional resources are available in other funds, a lesser amount of unreserved fund balance may be appropriate in the General Fund.

In short, the specific financial history, prospects and circumstances of each individual government must be carefully weighed when evaluating the adequacy of "unassigned fund balance."

In Belmont-San Carlos Fire Department's case, the revenue stream is stable, predictable and known. Accordingly, the Board has not set an established policy on the balance of unassigned fund balance of the General Fund.

Why Does the Department Prepare a Budget?

Any government entity prepares a budget for more than one reason. The first is that it has a legal obligation to do so. But of equal importance, for Belmont-San Carlos Fire Department, is that the budget sets forth the basic spending policy of the Fire Board.

Each year the Board adopts a budget for the upcoming fiscal year. The approved budget for the upcoming year is reviewed and revised as necessary and a budget for the year following is presented, deliberated on and approved as a part of the budget plan. The Department's fiscal year begins on July 1st. The budget, therefore, will remain in effect through June 30th. There are two major sections of the budget. The revenue side describes the sources and amounts of revenue the Department expects to receive over the fiscal year period. The expenditure or appropriations side describes how much money will be spent from either current revenues or from existing fund.

A final important purpose to remember about the budget document is that it is a plan. The projected revenues and the expenditures are estimates. Many incidents can happen throughout a year to change either revenue expectations or expenditure needs. The Department tries to budget as accurately as possible. Should things change, however, there is a process in place to amend the budget document. Supplemental appropriations resolutions are presented to the Board during the budget cycle to add appropriations.. Sometimes these changes will be accompanied by an offsetting additional source of revenue, neutralizing the possible impact on the expected ending fund balance of the relevant fund. Other times these changes will require fund balances be used, reducing the amount of the fund balance from what was projected at the beginning of the year.

How Does the Department Prepare its Budget?

The Belmont-San Carlos Fire Department prepares a budget through a traditional budget process. The Controller prepares a rough draft of the budget with input from the City Managers of Belmont and San Carlos. Once this phase has been completed, a final draft budget document is prepared, reviewed, considered and adopted by the Fire Board at a public hearing. Finally, the Belmont Fire Protection District and City of San Carlos will ratify the budget adopted by the Board.

Major Revenue Sources

Belmont Fire Protection District/City of San Carlos Service Charges - This revenue source is derived from charging each agency for the obligations of the Department.

Glossary of Terms

Administrative & other - A budget category that accounts for all administrative support charges, principal and interest payments, and transfers between funds required to support the fund.

Appropriation - Money budgeted for a given division. Appropriations are the means by which legal authority is given to expend public monies. The appropriation is the maximum level of expenditure authorized.

Budget - A plan of financial and division operation which lists appropriations and the means of financing them for a given time period. Belmont-San Carlos Fire Department adopts a one-year plan.

Encumbrance - Financial commitments related to unperformed services or contracts for goods for which part of an appropriation has been reserved.

Expenditure - Appropriated funds which have been spent.

Fiscal year - A twelve-month period used for budgeting, accounting or revenue reporting purposes. California agencies operate on a July 1 to June 30 fiscal basis.

Fund - An independent fiscal and accounting term used to record all financial transactions related to the specific purpose for which the fund was created.

Revenue - Amounts received for intergovernmental sources, service charges, interest and use of property and other income.

Supplies & services - A budget category that accounts for all supplies, goods and services required to support the division.

RESOLUTION NO. 2019-04

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE BELMONT FIRE PROTECTION DISTRICT RATIFYING A MID-YEAR BUDGET ADJUSTMENT TO THE BELMONT-SAN CARLOS FIRE DEPARTMENT FY 2020 BUDGET DUE TO CALPERS PENSION COST INCREASES

WHEREAS, pursuant to Section 4.2 of Article IV of Belmont-San Carlos Fire Department's Joint Powers Agreement, the Fire Commission must obtain the prior consent of the Belmont Fire Protection District and the City of San Carlos on the proposed budget before it is formally adopted; and,

WHEREAS, the Belmont-San Carlos Fire Department ("the Department") currently has a \$31 million unfunded liability (UAL) with CalPERS for the closed Safety and Miscellaneous Retirement Plans, which has grown by approximately 19% over the last three years; and,

WHEREAS, CalPERS recently reduced the discount rate from 7.50% to 7.00% and implemented a maximum, 15-year UAL repayment amortization for both of the Department's plans, which impacts the Department's FY 2021 Budget; and,

WHEREAS, the Department wishes to take advantage of the CalPERS discount, a savings of approximately \$105,000, and, in order to do so, must make a payment to CalPERS in July 2019; and,

WHEREAS, on May 16, 2019, the Department's Fire Commission found that it is necessary to augment the Budget from \$2,195,886 to \$2,917,250 for those expenditures, and allocate the \$721,364 increase, \$381,602 to San Carlos and \$339,762 to Belmont, and adopting Resolution No. 2019-01 approving those actions; and,

NOW, THEREFORE, the Board of Directors of the Belmont Fire Protection District resolves as follows:

SECTION 1. This is a Major Decision which requires ratification by the member agencies before becoming finalized.

SECTION 2. The Belmont Fire Protection District ratifies the Mid-Year Adjustment to the Belmont-San Carlos Fire Department's FY 2020 Budget from \$2,195,886 to \$2,917,250 due to CalPERS pension cost increases and increases the contribution to \$1,526,349 in FY 2020.

* * *

ADOPTED May 28, 2019, by the Board of Directors of the Belmont Fire Protection District by the following vote:

Ayes: Mates, Lieberman, Stone, Kim, Hurt

ATTEST:




Board Secretary



Board President

APPROVED AS TO FORM:



Board Attorney

RESOLUTION NO. 2019-01

**A RESOLUTION OF THE BELMONT-SAN CARLOS FIRE DEPARTMENT
RECOMMENDING A MID-YEAR ADJUSTMENT TO THE FISCAL YEAR 2020
BUDGET DUE TO CALPERS PENSION COST INCREASES AND ADOPTION OF
THIS ADJUSTMENT UPON RATIFICATION BY THE MEMBER AGENCIES**

WHEREAS, the Belmont-San Carlos Fire Department (“the Department”) currently has a \$31 million unfunded liability (UAL) with CalPERS for the closed Safety and Miscellaneous Retirement Plans, which has grown by approximately 19% over the last three years; and,

WHEREAS, CalPERS recently reduced the discount rate from 7.50% to 7.00% and implemented a maximum, 15-year UAL repayment amortization for both of the Department’s plans, which impacts the Department’s FY 2021 Budget; and,

WHEREAS, the Department wishes to take advantage of the CalPERS discount, a savings of approximately \$105,000, and, in order to do so, must make a payment to CalPERS in July 2019; and,

WHEREAS, Fire Board of the Belmont-San Carlos Fire Department (“the Board”) requires additional funding for this expenditure; and,

WHEREAS, the Board finds that it is necessary to augment the Budget from \$2,195,886 to \$2,917,250 for this expenditure; and,

WHEREAS, the allocation of the \$721,364 would require \$381,602 from San Carlos and \$339,762 from Belmont; and,

WHEREAS, the Fire Board recommends to the Member Agencies this increase in the Member Agencies’ contributions for the FY2020 budget; and,

WHEREAS, the above explanations are provided in support of the budget adjustment.

NOW, THEREFORE, the Fire Board of the Belmont-San Carlos Fire Department resolves as follows:

SECTION 1. The Fire Board of the Belmont-San Carlos Fire Department hereby recommends to the Member Agencies, the Belmont Fire Protection District and the City of San Carlos, that they approve this Mid-Year Budget adjustment and upon their approval, this Mid-Year Budget Adjustment shall be deemed adopted by the Fire Commission.

SECTION 2. This is a Major Decision which requires ratification by the Member Agencies before becoming finalized.

* * *

ADOPTED May 16, 2019, by the Fire Board of the Belmont-San Carlos Fire Department
by the following vote:

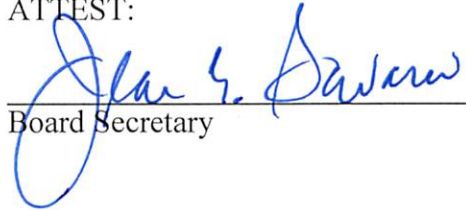
Ayes: Commissioners Lieberman, Collins, McDowell

Noes: None

Absent: Commissioner Stone

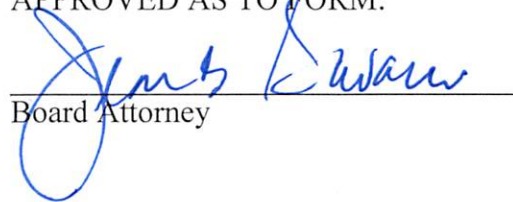
Abstain: None

ATTEST:


Board Secretary


Board Chair

APPROVED AS TO FORM:


Board Attorney