



# **San Mateo Consolidated Fire Department**

## **Proposed 2020-22 Business Plan**



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# BUDGET MESSAGE



# Transmittal of Proposed Budget

## FIRE CHIEF'S LETTER OF TRANSMITTAL

### Honorable Board of Directors of the San Mateo Consolidated Fire Department:

As of the writing of this letter, the San Mateo Consolidated Fire Department (SMC Fire), the communities which we serve, the nation, and the world are experiencing unprecedented times with the impacts associated with the novel coronavirus pandemic known as COVID-19. Although we continue to implement organizational changes to ensure the protection of our personnel so as to continue to provide quality services to our communities, it is yet to be determined the full impact this pandemic will have on our organization. I am confident, however, that our team will overcome this and other challenges and obstacles put before us.

Since the commencement of operations on January 13, 2019, the San Mateo Consolidated Fire Department has continued to provide the high level of shared fire, rescue, and emergency medical services to all three communities while also achieving a cost-efficient service delivery model to all three of its member agencies: the cities of Belmont, Foster City, and San Mateo.

Over the last eighteen months, the department has embarked on a strategic planning process for the organization. This started in February and March of last year with personnel representing the Fire Action Consensus Team (FACT) - labor, command staff, and administration, participating in a facilitated process, the goal of which was to develop a mission statement and core values of the new organization. Once established, personnel developed a strategic plan outline, which included the development of four strategic elements within the organization with associated initiatives, projects, and outcomes for each.

Earlier this year, the organization had two facilitated day-long retreats, one with the executive team and command staff and the other with all officer level personnel within the department. The goals of these retreats were to 1) kick off the new year strongly in our strategic plan and mission/values, 2) begin the process of collaboratively building a new team culture that is aligned with a joint vision of success, and 3) provide the opportunity to seek input and full participation from key personnel within the organization in the strategic planning process. The next step is to solicit feedback and direction from both the Fire Board of Directors as well as the public for formal adoption by the end of this fiscal year.

I am pleased to present for your review and consideration the 2020-22 Business Plan. Overall, the total proposed budget for fiscal year 2020-21 is \$44.6 million. This budget continues to provide funding for core services at levels consistent with what the three member agencies relied on when each agency had their own fire department. The table below summarizes the proposed spending plans for operating expenditures for 2020-21 and 2021-22.

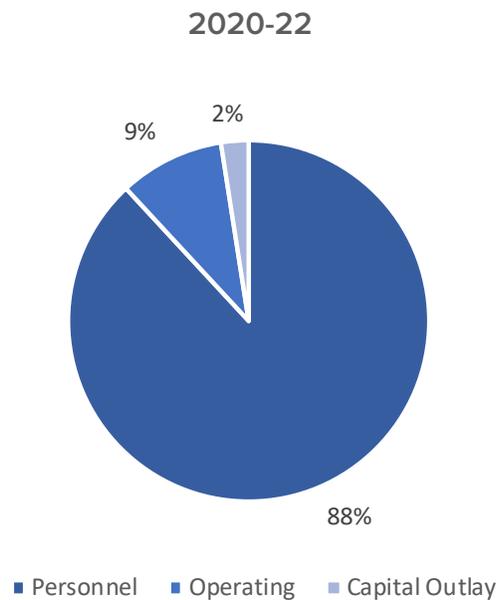
SMC FIRE OPERATIONS	2020-21 PROPOSED BUDGET	2021-22 PROJECTED BUDGET
General Fund	\$ 40.7	\$ 42.0
Special Revenue Fund	3.9	4.0
<b>Total</b>	<b>\$ 44.6</b>	<b>\$ 46.0</b>

In millions.

# Transmittal of Proposed Budget

## General Fund

The General Fund is the primary funding source for the vast majority of SMC Fire's operations, which include field operations, training, hazardous materials response program, emergency preparedness and planning, and program administration. Of the total proposed budget, the General Fund represents over 90%. The total spending plan for the General Fund is outlined in the chart below, and shows fire personnel constituting the majority of the operating budget in SMC Fire.



## Budget Development Priorities

The operating budget reflects maintenance of existing service levels, with adjustments predominantly focused on updating costs to reflect current conditions. This consisted of adjusting personnel costs to factor in the current composition of SMC Fire staff and the contractual agreements that are in place. Adjustments were also made to pension costs with updated contribution rates from CalPERS, and to other benefit costs such as health insurance.

## Short- and Long-Term Factors

Unlike last year's budget, where we depended more heavily on historical trends in expenditure patterns from each of the member agencies, this year we have been able to obtain more data from our own experience as an entity to use in building this budget and corresponding long-term plan. As we continue our operations, our expenditure and revenue assumptions will continue to be refined and adjusted in the long-term plan.

As a new entity, SMC Fire does not carry any unfunded pension liability in its contract with CalPERS. The unfunded pension liability, or payment with current dollars to fund for pension benefits for prior years' services, remained with the respective member agencies. For now, SMC Fire's contribution rates continue to only consist of paying current dollars to fund for pension benefits for current year's service. However, it is important to note that this will not be the case in the near- and long-term. An unfunded liability was created when CalPERS investment returns as of June 30, 2019 reported at 6.7%, which fell short of the 7.0% discount rate, or expected rate of return. Payment on this unfunded liability will be required beginning 2021-22 and amortized over 20 years. This year, a bigger unfunded liability will most likely be generated as a result of the market volatility from the coronavirus pandemic. CalPERS investment returns as of the end of March was at approximately -4%. With a much lower-than-expected investment return that will most likely end fiscal year 2019-20, an additional unfunded liability will be created for SMC Fire, and that payment will be required beginning 2022-23. What that payment will look like and what the

# Transmittal of Proposed Budget

projections are in the long-term will be difficult to quantify until an actuarial report becomes available from CalPERS and a resulting study performed by a consulting actuary. To that end, the long-term General Fund plan does not reflect any payment on the unfunded liability, and only reflects the payment on the normal cost contributions, after accounting for the employees' share of the contributions. Other costs that are expected but not yet quantifiable include the claims costs that are below the insurance coverage levels for workers' compensation and general liability. As experience continues to build in SMC Fire, the long-term plan will continually be monitored and adjusted as information becomes available.

## General Fund Long-Term Financial Plan

Funding for SMC Fire comes from contributions by its member agencies, as prescribed in the governance of the JPA: 20% Belmont, 20% Foster City, and 60% San Mateo. In order to provide each agency with a framework of its contributions in the short- and long-term, a five-year financial plan is created to consider costs that are known, as well as costs that are assumed, that maintain current service levels. The major components of the long-term financial plan include:

- Known salary increases according to the contractual agreements
- Assumed 3% salary increases annually beyond the terms of the contractual agreements
- Increases in CalPERS contribution rates predominantly absorbed by SMC Fire
- Assumed increases in medical and other benefits costs

Because funding for SMC Fire comes from the three cities, factors that affect each city's financial ability to provide services for its own community will also affect SMC Fire's ability to provide services for all three communities. More so than ever, this is being put to the test as we face not only the human toll of the coronavirus pandemic, but also the resulting economic and financial impacts. Each member agency is facing a drastic decrease in sales tax and hotel tax revenues due to the shelter-in-place order. The impacts to our member agencies are immediate, and we do not yet know how long the impacts will last, or the extent to which other major revenue sources will be affected, such as property tax and property transfer tax. Investment losses from CalPERS will create a substantial unfunded pension liability cost. These impacts put each member agency in a difficult position to maintain their existing level of service to their communities, and in turn, the existing level of fire service provided through our entity. However, we are in a strong position where all three cities have a proven record of financial sustainability and prudent fiscal practices. Each city is committed to maintaining the high level of fire service to their communities. Even with the challenges ahead, we face them together in collaboration with one another. With that in mind, our Fire Board, which consists of a Council member from each of the member agencies, has increased the frequency of their meetings from quarterly to as needed during this pandemic. SMC Fire is in a fortunate position to receive strong support from all three cities who work together to ensure stability of services. Our organization stands ready to adjust to this new reality together with our member agencies to ensure long-term sustainability, while also maintaining the high level of fire service our communities expect and deserve.

## Concluding Remarks

As I noted in the beginning of my message, the 2020-21 budget and corresponding long-term plan reflect this commitment and service to the communities. With over 260 years of combined history in providing fire service, the three cities have faced and overcome many challenges. Building on the legacy that each city has in its prudent financial practices, SMC Fire remains adaptable amidst rapidly changing conditions to ensure sustainability in the long-run. Our spirit of resiliency is stronger than ever, and together as SMC Fire, I am confident that we will become more caring, more committed, and more dedicated to serving our communities.

The development and delivery of the proposed budget to the Board is the culmination of months of work from staff throughout SMC Fire as well as its three member agencies, and it is a true team effort. I would like to thank the Board of Directors, as well as City Council members from the cities of Belmont, Foster City, and San Mateo, for their vision and their support of the

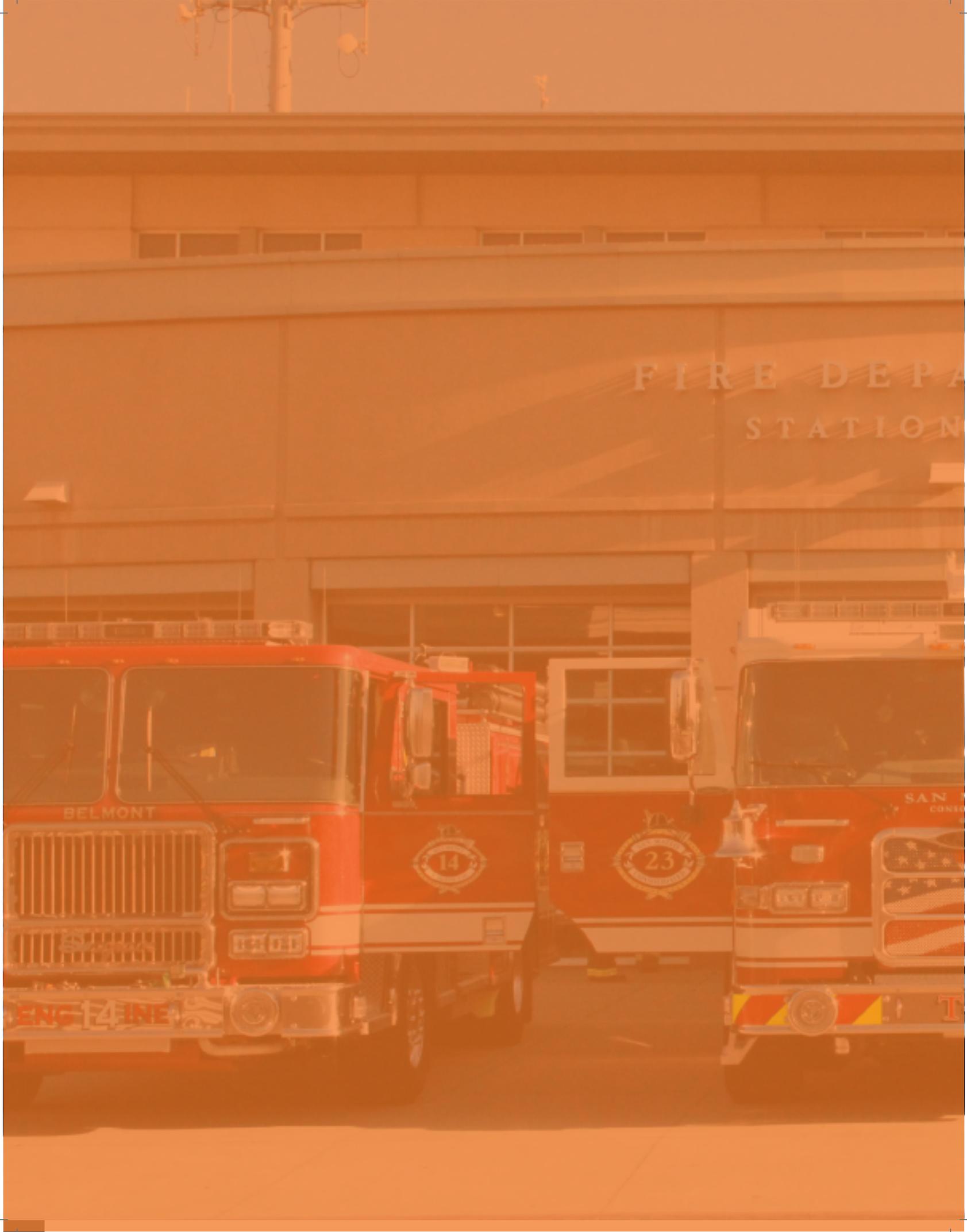
# Transmittal of Proposed Budget

San Mateo Consolidated Fire Department. I would like to thank the SMC Fire staff members for their efforts in supporting the budget development process. I would also like to thank the Finance Directors from each member agency, along with their respective staff members, for their partnership to build a thoughtful budget. And finally, I'd like to thank the members of the City of San Mateo Finance Department, who drove the process to develop the budget and prepare this budget document.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ray Iverson", with a long horizontal flourish extending to the right.

Ray Iverson  
Fire Chief



FIRE DEPARTMENT  
STATION

BELMONT

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SAN FRANCISCO

ENGINE 14

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ARTMENT  
N NO. 28

# OVERVIEW



# San Mateo Consolidated Fire Department

## OVERVIEW

The San Mateo Consolidated Fire Department (SMC Fire) commenced operations as a new fire agency on January 13, 2019. The department was formed following the establishment of a Joint Powers Authority (JPA) on November 22, 2017, and represents the merger of the San Mateo, Foster City, and Belmont Fire Departments.

SMC Fire has over 260 years of combined history providing emergency services to the cities of San Mateo, Belmont, and Foster City, and serves a population of over 166,000. The department is staffed by 154 personnel, utilizing 10 engine companies and two ladder trucks from nine fire stations. This consolidation allows SMC Fire to continue providing comprehensive emergency response services to all three cities in a more cost-effective way, while maintaining the high level of service each city relies on.

## MISSION STATEMENT

Enhancing the quality of life for our community through professionalism, collaboration, and public trust.

## CORE VALUES

- Respect
- Compassion
- Integrity
- Dedication
- Innovation

## SERVICES AND STRUCTURE

### Administration

The Administration Division provides leadership and direction for SMC Fire consistent with the expectations of the community and the industry's long tradition of trust and reliability. The administrative function of this division includes personnel management, labor relations, Fire Action Consensus Team (FACT) oversight, budget development, payroll, purchasing, clerical support, as well as facilities and equipment management. In addition to internal responsibilities, this division fosters intergovernmental relationships and constantly seeks opportunities for providing services more efficiently through partnerships and collaboration. The division also is responsible for ensuring effective and efficient emergency response operations, including basic and advanced life support emergency medical services (EMS). Lastly, the division encourages personnel to actively participate in civic activities within the jurisdictions which they serve.

### Field Operations

Personnel assigned to the Operations Division respond to emergency and non-emergency incidents, provide incident scene management, and mitigate incidents. Safety and ethical behavior are top priorities for the division, which focuses on providing exceptional customer service throughout all interactions with the community. Responses are "all risk" in nature, including fires, explosions, emergency medical incidents, hazardous materials releases, natural and man-made disasters, weapons of mass destruction (WMD),



# San Mateo Consolidated Fire Department

extrication of trapped victims, water rescue, and service calls of all types and manner. This division responds to all types of non-emergency calls for service to assist citizens, including water removal from properties, providing lift assistance to the elderly, and investigating unknown types of odors.

Key responsibilities of the Operations Division include:

- Ensuring that fire suppression personnel are physically and mentally prepared to safely carry out their responsibilities.
- Utilizing Incident Command System (ICS) to effectively and safely manage and mitigate all emergency incidents.
- Participating in the development of countywide operational deployment and training objectives through the San Mateo County Operations Chiefs Section and Training Chiefs Section.
- Responding to issues brought forward by SMC Fire's Safety Committee within 14 days, 100% of the time.
- Monitoring all SMC Fire fire apparatus "out of chute" times annually for appropriate response times when dispatched by San Mateo County Public Safety Communications.
- Ensuring each fire apparatus is fully equipped and mechanically operational for reliable response.
- Coordinating and integrating with other local agencies, such as Police, Public Works, and external agencies such as Pacific Gas and & Electric (PG&E), California Water Service, Red Cross, Chamber of Commerce, and neighborhood/ homeowners groups as needed.
- Maintaining computer technology with Computer-Aided Dispatch and pre-plans in all front-line fire apparatus.

## Hazardous Materials Response Program

The Hazardous Materials Response Program operates under a fee-for-service contract with the County of San Mateo to provide hazardous materials emergency response to all jurisdictions within San Mateo County. Fire personnel trained as Hazmat Technicians respond as a specialized team to incidents and operate in partnership with the County's Environmental Health Division and the Sheriff's Office of Emergency Services. This program was incorporated into SMC Fire as part of the consolidation with the Belmont Fire Protection District, who provided these county-wide services since 1986.

## Training Division

The Training Division delivers programs that develop multiple manipulative skills for response personnel, including probationary firefighters, and strives to enhance the leadership capability of SMC Fire. The division investigates all accidents and reviews all injuries to provide training to reduce risks of future accidents and injuries. Additionally, Emergency Medical Services (EMS) and fire suppression/rescue training is provided through an agreement with Central County Fire Department (Burlingame, Millbrae, and Hillsborough) and San Bruno Fire Department.

The Emergency Medical Services (EMS) section provides basic and advanced life support (ALS) emergency medical training to our emergency medical technicians (EMTs) and paramedics. The EMS section delivers the State-mandated continuing education (CE) requirements for our EMTs and paramedics. This EMS section works closely with Field Operations for training, certification, and licensing to operate effectively, and at all times, following best practices and leading-edge training standards.



# San Mateo Consolidated Fire Department

Key responsibilities of the Training Division include:

- Making safety and ethical behavior a top priority for all.
- Ensuring that fire suppression personnel are physically and mentally prepared to safely carry out their responsibilities.
- Participating in development of countywide operational deployment and training objectives through the San Mateo County Operations Chiefs Section and Training Chiefs Section.
- Providing a training program for all members of SMC Fire that meets local, state, and federally mandated training requirements, including probationary training to provide consistent, quality customer service.
- Continuous self-assessment to evaluate our performance standards and readiness to ensure that SMC Fire members have the most current and up to date training to meet the challenges of an ever-changing world.



## Community Risk Reduction Division

The goal of the Community Risk Reduction (CRR) Division is to provide a resilient and sustainable community by reducing the risk of injury and loss of life and property from the effects of fire and other emergencies or events.

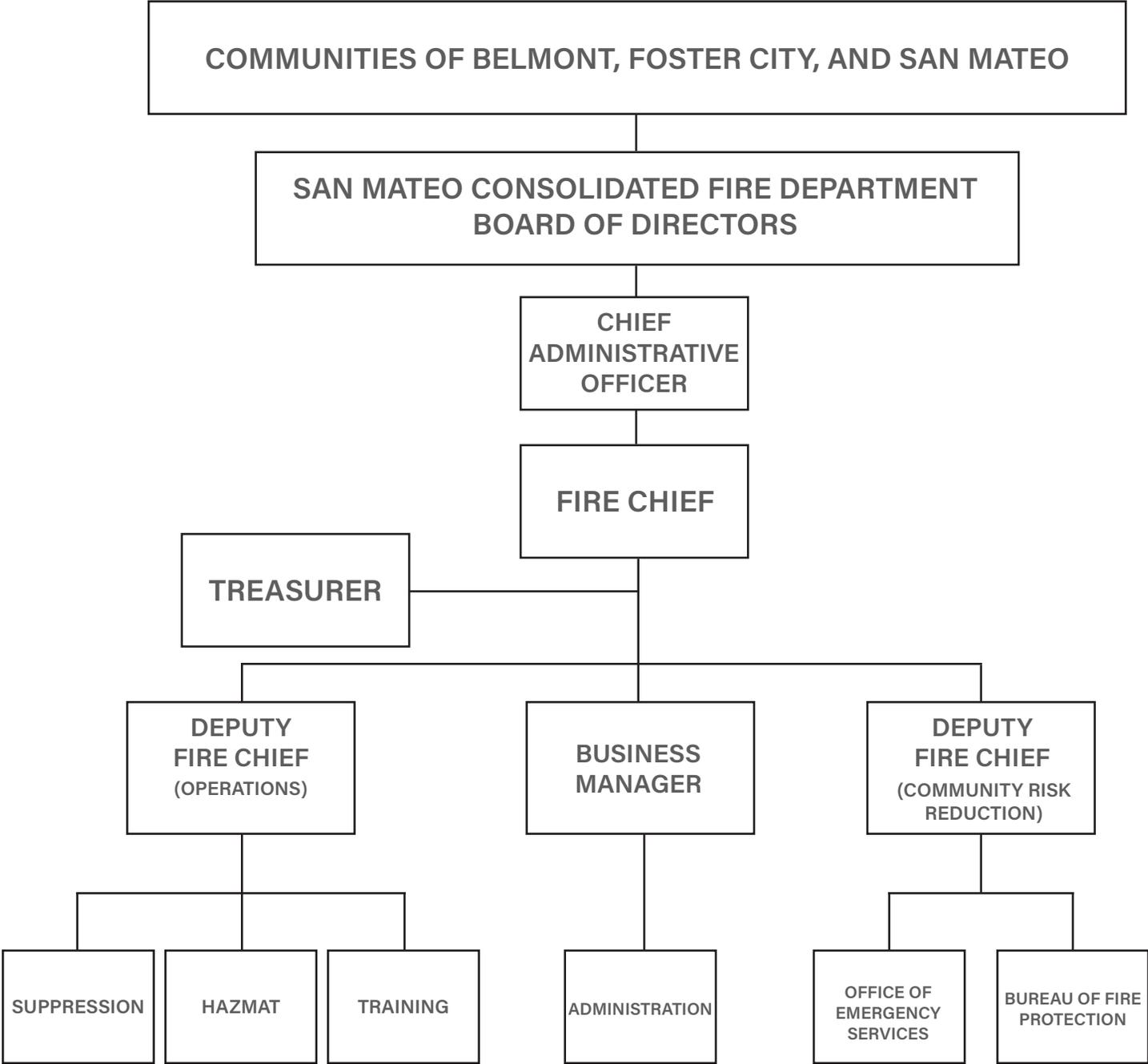
Key responsibilities of the CRR Division include:

- Providing ongoing comprehensive risk analysis and assessments of the community.
- Managing all risk to the community through education, engineering, and enforcement.
- Maintaining community partnerships, with a focus on incident prevention and risk mitigation.
- Coordinating and cooperating with the Building, Planning, and Code Enforcement Divisions within the cities which SMC Fire serves.
- Reducing the risk of catastrophic wildfires through a robust vegetation management education and enforcement program.

## Office of Emergency Services

Through the CRR Division, the mission of the Office of Emergency Services is to maintain, sustain, and improve a comprehensive, multi-city, risk-based emergency management program. This is achieved by maintaining emergency plans including the Emergency Operations Plan (EOP), Continuity of Operations/ Continuity of Government (COOP/COG) Plan, and Incident Action (IAP) Plans; providing training and education to employees, businesses, and residents within the areas which we serve to be better prepared for response to all natural and man-made disasters; managing the Community Emergency Response Team (CERT) program; and ensuring readiness of each member agency's Emergency Operations Center (EOC) through coordination with each member agency's Information Technology Department to ensure redundancy and reliability of equipment and communications infrastructure. This division works before, during, and after a disaster or significant event in conjunction with the San Mateo County Office of Emergency Services, the California Governor's Office of Emergency Services, the Department of Homeland Security, and other agencies to obtain additional resources and/or to mitigate a significant incident.

# Organizational Chart



## BOARD OF DIRECTORS

Board Chair	Joe Goethals, City of San Mateo
Board Member	Warren Lieberman, City of Belmont
Board Member	Catherine Mahanpour, City of Foster City

# Basis of Budgeting

## FUND ACCOUNTING BUDGET SYSTEM

The budget of the San Mateo Consolidated Fire Department (SMC Fire) is organized on the basis of the fund accounting system, in which each fund is considered a separate budgeting entity. Government resources are allocated to and expenses accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. All operating funds' budgets lapse at the end of the adoption cycle. SMC Fire also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts in the operating budget lapse one year after the end of the fiscal year. There is no formal provision in the budget for depreciation and compensated absences (i.e. accrued vacation and sick leave time), but they are budgeted as internal services fund charges. The following fund types are used by SMC Fire:



## Governmental Fund Types

All governmental fund budgets are accounted for using a current financial resources measurement focus and a modified accrual basis.

- **General Fund**  
This fund accounts for all financial resources not required to be accounted for in other funds, and is the general operating fund of SMC Fire.
- **Special Revenue Fund**  
This fund accounts for SMC Fire's revenues from sources which, by law or administrative action, are designated to account for particular functions or activities other than capital projects or expendable trusts.

## Proprietary Fund Types

All proprietary fund budgets are accounted for on a flow of economic resources measurement focus and a full accrual basis.

- **Internal Service Fund**  
These funds are an accounting device used to accumulate and allocate costs internally among SMC Fire's various functions.

## BUDGETARY CONTROLS

SMC Fire has a two-year budget cycle. The two-year budget process requires that SMC Fire submits two one-year expenditure plans and revenue estimates to the Fire Board for approval. Only the first of the two years' budget will be adopted. In each alternate year, staff makes recommendations to the Fire Board for amending the second-year plan. The Fire Chief is responsible for containing expenditures within their budgeted appropriations as approved by the Fire Board. Subsequent to the adoption of the budget, all additional changes to the budget require Fire Board approval.

Activities of the General Fund, Special Revenue Funds, and Proprietary Funds are included in the annual budget. The level of budgetary control is within each fund.

# Budget Preparation Timeline

## ANNUAL BUDGET CALENDAR

The process to develop and produce the budget is continuous throughout the fiscal year, which runs from July 1 to June 30. The major activities and milestones are as follows:

### July Through September

- Encumbrances are incorporated into the budget and long-term financial plans of each applicable fund.
- Preliminary financial results from the previous fiscal year are reported to the Fire Board.
- Initial scoping meetings are held between division heads and the Fire Chief to discuss any significant changes to the operating budget that will be proposed for the upcoming cycle.

### October Through December

- Schedule for the development of the following fiscal year's budget is established and distributed to divisions.
- Final financial results from the previous fiscal year, in the form of the Comprehensive Annual Financial Report (CAFR), are presented to the Fire Board.
- Development of internal service charges and cost allocations begins.
- Budget direction and guidance are provided to divisions.

### January Through March

- Fire Board holds its annual goal setting session to identify budget priorities.
- Operating budget requests are received and evaluated by the Chief Administrative Officer.

### April Through June

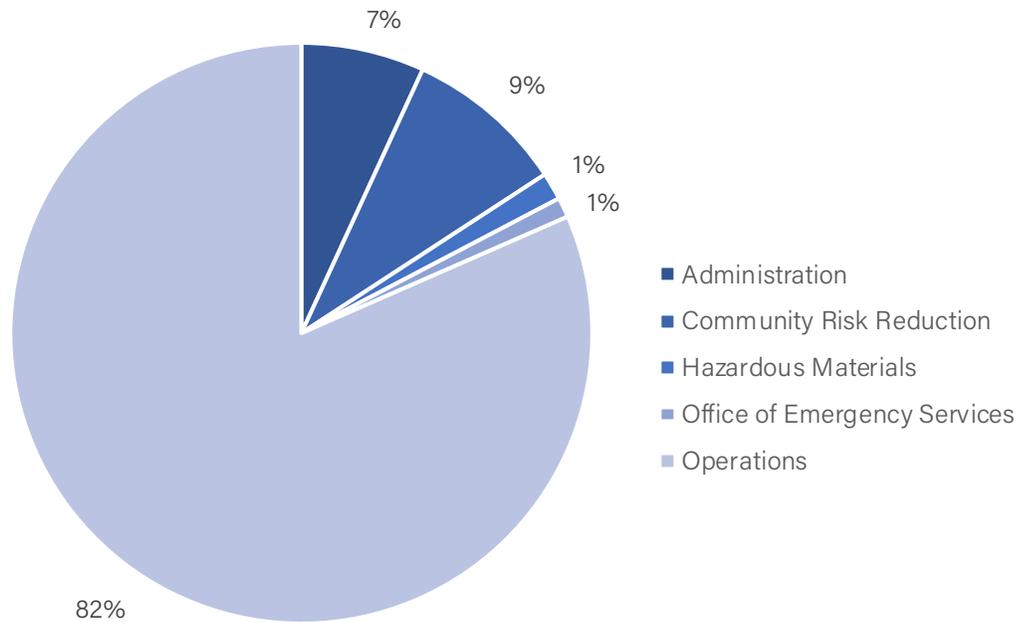
- Fire Board approves Master Fee Schedule during a public hearing.
- Long-term financial plans for applicable funds are finalized.
- The Fire Board holds a public hearing on the recommended budget.
- The Fire Board approves the recommended budget. Each of the member agencies then seeks approval from their respective City Councils on the recommended budget and their respective contributions. Once approved, the recommended budget becomes final and adopted.



# Department Financials

FINANCIALS	2018-19 ACTUALS	2019-20 ADJUSTED BUDGET	2020-21 PROPOSED BUDGET	2021-22 PROJECTED BUDGET
<b>Expenditures by Category</b>				
Personnel	\$ 16,930,105	\$ 36,674,443	\$ 39,300,676	\$ 40,618,876
Operating	1,379,757	4,445,696	4,205,299	4,268,024
Capital Outlay	-	1,100,000	1,099,000	1,132,440
<b>Total Expenditures</b>	<b>\$ 18,309,862</b>	<b>\$ 42,220,139</b>	<b>\$ 44,604,975</b>	<b>\$ 46,019,340</b>
<b>Expenditures by Program</b>				
Administration	\$ 1,074,137	\$ 2,892,396	\$ 3,037,384	\$ 3,142,233
Community Risk Reduction	1,622,278	3,767,200	3,857,987	4,031,187
Hazardous Materials	61,354	643,780	675,969	709,767
Office of Emergency Services	143,058	467,110	494,612	509,480
Operations	15,409,036	34,449,653	36,539,023	37,626,673
<b>Total Expenditures</b>	<b>\$ 18,309,862</b>	<b>\$ 42,220,139</b>	<b>\$ 44,604,975</b>	<b>\$ 46,019,340</b>
<b>Funding Sources</b>				
General Fund	\$ 16,697,743	\$ 38,452,939	\$ 40,746,988	\$ 41,988,153
Special Revenue Fund	1,612,120	3,767,200	3,857,987	4,031,187
<b>Total Funding Sources</b>	<b>\$ 18,309,862</b>	<b>\$ 42,220,139</b>	<b>\$ 44,604,975</b>	<b>\$ 46,019,340</b>

**EXPENDITURES BY PROGRAM  
2020-21 (\$44.6 MILLION)**

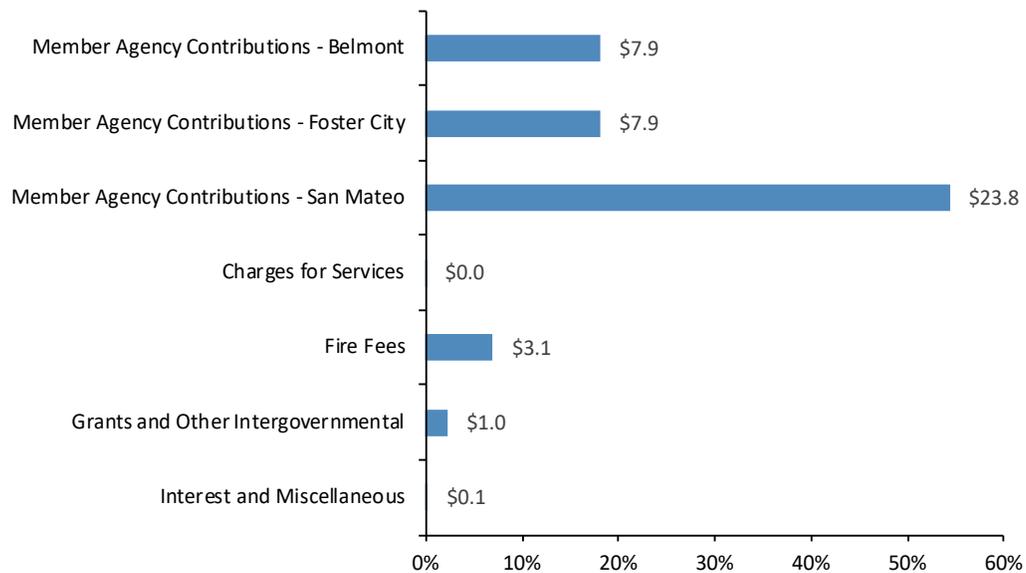


# Sources of Funding

CATEGORY	2018-19 ACTUALS	2019-20 ADJUSTED BUDGET	2020-21 PROPOSED BUDGET	2021-22 PROJECTED BUDGET
Member Agency Contributions - Belmont	\$ 3,300,610	\$ 7,487,307	\$ 7,939,627	\$ 8,179,281
Member Agency Contributions - Foster City	3,300,610	7,487,307	7,939,627	8,179,281
Member Agency Contributions - San Mateo	12,824,001	22,461,923	23,818,880	24,537,845
Charges for Services	5,770	356,737	11,000	11,000
Fire Fees	1,388,559	3,093,449	3,058,224	3,058,224
Grants and Other Intergovernmental	439,389	1,016,402	987,854	1,030,746
Interest and Miscellaneous	697,666	8,160	79,160	79,160
<b>Total Sources of Funding</b>	<b>\$ 21,956,606</b>	<b>\$ 41,911,285</b>	<b>\$ 43,834,372</b>	<b>\$ 45,075,537</b>

## SOURCES OF FUNDING 2020-21 (\$43.8 MILLION)

in millions



# Full Time Equivalent (FTE) Personnel

FULL TIME EQUIVALENT (FTE) PERSONNEL	2018-19 ACTUALS	2019-20 ADJUSTED BUDGET	2020-21 PROPOSED BUDGET	2021-22 PROJECTED BUDGET
Fire Chief	1.00	1.00	1.00	1.00
Administrative Assistant	4.00	4.00	4.00	4.00
Administrative Technician	1.00	1.00	1.00	1.00
Business Manager	1.00	1.00	1.00	1.00
Deputy Fire Chief	2.00	2.00	2.00	2.00
Deputy Fire Marshal	1.00	1.00	1.00	1.00
EMS Clinical Education Specialist	1.00	1.00	1.00	1.00
Emergency Preparedness Coordinator	1.00	-	-	-
Emergency Services Manager	-	1.00	1.00	1.00
Emergency Services Specialist	-	2.00	2.00	2.00
Facilities and Fleet Services Manager	1.00	1.00	1.00	1.00
Fire Battalion Chief	7.00	7.00	7.00	7.00
Fire Captain	36.00	39.00	39.00	39.00
Fire Marshal	1.00	1.00	1.00	1.00
Fire Prevention Inspector I/II	6.00	6.00	6.00	6.00
Firefighter	87.00	84.00	84.00	84.00
Management Analyst I/II	1.00	1.00	1.00	1.00
Management Coordinator	1.00	-	-	-
Office Assistant I/II	2.00	1.00	1.00	1.00
<b>Total Merit</b>	<b>154.00</b>	<b>154.00</b>	<b>154.00</b>	<b>154.00</b>
<b>Total Per Diem</b>	<b>3.86</b>	<b>3.10</b>	<b>3.01</b>	<b>3.01</b>
<b>Total Positions</b>	<b>157.86</b>	<b>157.10</b>	<b>157.01</b>	<b>157.01</b>

An additional four unbudgeted Firefighters are approved as over-hire positions to address training lead time of new firefighters going through the Fire Academy.



SAN MATEO  
CONSOLIDATED

Pierce

T-23





**FUND  
INFORMATION**

HEADQUARTERS SAN MATEO FIRE DEPARTMENT

# GENERAL FUND



# General Fund

GENERAL FUND	2018-19 ACTUALS	2019-20 ESTIMATED ACTUALS	2020-21 PROPOSED BUDGET	2021-22 PROJECTED BUDGET	2022-23 FORECAST	2023-24 FORECAST	2024-25 FORECAST
<b>Beginning Fund Balance</b>	\$ -	\$ 863	\$ 1,395	\$ 1,395	\$ 1,395	\$ 1,395	\$ 1,395
<b>Revenues</b>							
Member Agency Contributions - Belmont	\$ 3,301	\$ 7,487	\$ 7,940	\$ 8,179	\$ 8,429	\$ 8,681	\$ 8,959
Member Agency Contributions - Foster City	3,301	7,487	7,940	8,179	8,429	8,681	8,959
Member Agency Contributions - San Mateo	9,902	22,462	23,819	24,538	25,286	26,042	26,877
Charges for Services	1	5	11	11	11	11	12
Grants and Other Intergovernmental	439	1,341	988	1,031	1,067	1,088	1,110
Interest and Miscellaneous	618	532	50	50	51	52	53
<b>Total Revenues</b>	<b>\$ 17,561</b>	<b>\$ 39,315</b>	<b>\$ 40,747</b>	<b>\$ 41,988</b>	<b>\$ 43,273</b>	<b>\$ 44,555</b>	<b>\$ 45,970</b>
<b>Expenditures</b>							
Salaries and Wages	\$ 11,543	\$ 24,670	\$ 25,687	\$ 26,529	\$ 27,320	\$ 28,135	\$ 28,974
Benefits	3,963	9,518	10,172	10,477	10,912	11,323	11,732
Operating	1,192	3,293	3,825	3,886	3,922	3,959	4,108
Capital Outlay	-	1,072	1,064	1,096	1,118	1,138	1,156
<b>Total Expenditures</b>	<b>\$ 16,698</b>	<b>\$ 38,553</b>	<b>\$ 40,747</b>	<b>\$ 41,988</b>	<b>\$ 43,273</b>	<b>\$ 44,555</b>	<b>\$ 45,970</b>
<b>Transfer Out</b>	<b>-</b>	<b>230</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Ending Fund Balance</b>	<b>\$ 863</b>	<b>\$ 1,395</b>	<b>\$ 1,395</b>	<b>\$ 1,395</b>	<b>\$ 1,395</b>	<b>\$ 1,395</b>	<b>\$ 1,395</b>

Fund numbers are represented in thousands.

The General Fund is the primary funding source of SMC Fire's operations, which includes field operations, training, hazardous materials response program, emergency preparedness and planning, and program administration. Funding comes primarily from contributions by its member agencies: 20% Belmont, 20% Foster City, and 60% San Mateo; as well as intergovernmental partnerships for services that SMC Fire provides.

This five-year forecast maintains core services at the current level. Operations in SMC Fire are mostly provided by fire personnel, and of the total General Fund expenditures, personnel costs represent nearly 90%. In this forecast, increases for salaries and salary-related costs, such as overtime, are initially based on existing contractual agreements or assumptions about the outcome of ongoing and future negotiations. Beyond those contractual assumptions, salary increases are set based on modest increases. CalPERS pension expenditures, another significant component of personnel costs, are projected in this forecast based on contribution rates that were assumed by CalPERS. These rates are then adjusted to factor in the employees' share of SMC Fire's contribution to CalPERS.

To ensure service stability without putting a huge impact on the member agencies in the event of significant financial emergency, the General Fund will seek to establish a reserve that equals to at least three months of annual operating expenditure budget. Funds will be set aside when, in any year, actual expenditures come in lower than actual revenues. In 2018-19, the amount that was set aside to start a reserve is approximately \$0.9 million. The reserve is estimated to build to \$1.4 million by 2019-20, which represents about 3% of operating expenditures by the end of the planning period in this forecast. Actual expenditures and the level of fund balance will continue to be monitored in subsequent years to build on the reserve and to evaluate whether increased contributions from member agencies are necessary to reach the desired level of reserve in a more timely manner.



# SPECIAL REVENUE

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# Fire Protection and Life Safety

FIRE PROTECTION AND LIFE SAFETY	2018-19 ACTUALS	2019-20 ESTIMATED ACTUALS	2020-21 PROPOSED BUDGET	2021-22 PROJECTED BUDGET	2022-23 FORECAST	2023-24 FORECAST	2024-25 FORECAST
<b>Beginning Fund Balance</b>	\$ -	\$ 2,784	\$ 1,256	\$ 547	\$ 294	\$ 647	\$ 948
<b>Revenues</b>							
Member Agency Contributions	\$ 2,922	\$ (34)	\$ -	\$ -	\$ -	\$ -	\$ -
Fire Fees	1,394	2,280	3,119	3,743	4,492	4,582	4,673
Interest and Miscellaneous	80	37	29	35	40	41	42
<b>Total Revenues</b>	<b>\$ 4,396</b>	<b>\$ 2,283</b>	<b>\$ 3,149</b>	<b>\$ 3,778</b>	<b>\$ 4,532</b>	<b>\$ 4,623</b>	<b>\$ 4,715</b>
<b>Expenditures</b>							
Personnel	\$ 1,191	\$ 2,883	\$ 2,841	\$ 2,964	\$ 3,053	\$ 3,145	\$ 3,239
Operating	188	333	380	382	390	397	405
Capital Outlay	-	28	35	37	37	38	39
Legacy Costs	234	567	601	648	699	742	782
<b>Total Expenditures</b>	<b>\$ 1,612</b>	<b>\$ 3,811</b>	<b>\$ 3,858</b>	<b>\$ 4,031</b>	<b>\$ 4,179</b>	<b>\$ 4,322</b>	<b>\$ 4,465</b>
<b>Ending Fund Balance</b>	<b>\$ 2,784</b>	<b>\$ 1,256</b>	<b>\$ 547</b>	<b>\$ 294</b>	<b>\$ 647</b>	<b>\$ 948</b>	<b>\$ 1,198</b>

Fund numbers are represented in thousands.

The primary mission of the Bureau of Fire Protection and Life Safety is to provide a reasonable level of safety by reducing the probability of injury and loss of life from the effects of fire and other emergencies or events. To accomplish this mission, the bureau enforces all applicable state and local fire codes and standards, as well as conducts fire investigations. The Fire Protection and Life Safety Fund is a cost recovery program that generates revenues through service fees to pay for this comprehensive fire and life safety service within the communities of SMC Fire: Belmont, Foster City, and San Mateo.

The program originated from member agency San Mateo, and the member contribution reflected in 2018-19 is the fund balance that had been accumulated in the program while in San Mateo. As a program in SMC Fire, expenditures in the Fire Protection and Life Safety Fund will include legacy costs, most notably the unfunded pension liability and workers' compensation liability costs, from fire prevention personnel that had transferred from San Mateo. With a fund balance that has built over the years, fee increases were intentionally kept down in order to utilize existing fund balance. However, impacts from the coronavirus pandemic have drastically drove revenues down in 2019-20, and eroded the fund balance faster than expected. Estimated fund balance by the end of 2020-21 will not meet the policy-level reserves in this fund, which is three months of operating expenditures. A fee study is expected to be underway in 2020-21 to align fees with the cost of service, and with an updated fee structure in place, the fund is forecasted to get back within policy reserves requirement by 2024-25 and remain on a sustainable path going forward.



# INTERNAL SERVICES

# Vehicle and Equipment Replacement

VEHICLE AND EQUIPMENT REPLACEMENT	2018-19 ACTUALS	2019-20 ESTIMATED ACTUALS	2020-21 PROPOSED BUDGET	2021-22 PROJECTED BUDGET	2022-23 FORECAST	2023-24 FORECAST	2024-25 FORECAST
<b>Beginning Fund Balance</b>	\$ -	\$ 2,559	\$ 5,474	\$ 2,066	\$ 1,295	\$ 1,667	\$ 2,711
<b>Revenues</b>							
Interest Earnings	\$ 23	\$ 20	\$ 23	\$ 12	\$ 12	\$ 15	\$ 20
Member Agencies Contributions	2,645	2,132	-	-	-	-	-
Rental Charges - Vehicles	-	745	743	765	781	794	807
Rental Charges - Computers	-	30	27	28	28	29	29
Rental Charges - Radios	-	45	44	46	47	48	48
Rental Charges - Major Equipment	-	280	285	294	300	305	310
<b>Total Revenues</b>	\$ 2,668	\$ 3,253	\$ 1,122	\$ 1,144	\$ 1,167	\$ 1,191	\$ 1,214
<b>Expenses</b>							
Vehicle Replacement	\$ 14	\$ 88	\$ 3,438	\$ 1,245	\$ 636	\$ 126	\$ 61
Computer Replacement	-	-	105	29	-	1	-
Radio Replacement	-	-	117	-	-	-	-
Major Equipment Replacement	137	250	871	640	160	20	141
Other Capital Outlay	(43)	-	-	-	-	-	-
<b>Total Expenses</b>	\$ 109	\$ 338	\$ 4,530	\$ 1,915	\$ 795	\$ 147	\$ 203
<b>Ending Fund Balance</b>	\$ 2,559	\$ 5,474	\$ 2,066	\$ 1,295	\$ 1,667	\$ 2,711	\$ 3,723

Fund numbers are represented in thousands.

The Vehicle and Equipment Replacement Fund accounts for charges to SMC Fire operations to fund the replacement of vehicles and equipment. This includes vehicles, computers, radios, and other major equipment. Funds for future replacement are collected while vehicles and equipment are in service so that when it is time for replacement, adequate funds are available. As such, a fund balance will accumulate over time, to ensure that those funds are available when replacement is needed.

Collection into the fund is from SMC Fire operations, so it is important that the amount of available fund balance considers this. To that end, a long-term spending plan is an important tool for managing this type of fund. Understanding spending needs over the short- and long-term and factoring in fund balance allows SMC Fire to set a collection amount that ensures funding is available when vehicles and equipment need to be replaced, but does not maintain such a large fund balance that creates an unnecessary burden on the operations. Based on the replacement costs and the estimated years of service for each replacement item, the member agencies have agreed to transfer each agency's respective collected funds over a three-year period. The first two transfers were necessary to fund existing needs, and were reflected as member agencies' contributions in 2018-19 and 2019-20. After a review of the fund by each member agency during 2019-20, the final transfer was determined not necessary. This five-year plan captures the long-term spending plans for each of the replacement categories, and sets future collections to ensure funding for replacements is available and fund balance is set at an appropriate level.

# Benefits

BENEFITS	2018-19 ACTUALS	2019-20 ESTIMATED ACTUALS	2020-21 PROPOSED BUDGET	2021-22 PROJECTED BUDGET	2022-23 FORECAST	2023-24 FORECAST	2024-25 FORECAST
<b>Beginning Fund Balance</b>	\$ -	\$ 468	\$ 1,175	\$ 1,643	\$ 1,994	\$ 2,385	\$ 2,742
<b>Revenues</b>							
Internal Service Charge - Pension	\$ 1,436	\$ 3,416	\$ 3,668	\$ 3,797	\$ 4,059	\$ 4,180	\$ 4,304
Internal Service Charge - Medicare	169	380	342	356	366	377	389
Internal Service Charge - Healthcare	1,081	3,030	3,234	3,315	3,575	3,775	3,987
Internal Service Charge - Severance Trust	197	447	483	503	518	534	550
Internal Service Charge - Other	400	948	971	987	1,027	1,069	1,113
<b>Total Revenues</b>	\$ 3,283	\$ 8,222	\$ 8,697	\$ 8,958	\$ 9,546	\$ 9,936	\$ 10,343
<b>Expenses</b>							
Pension	\$ 1,436	\$ 3,416	\$ 3,668	\$ 3,797	\$ 4,059	\$ 4,180	\$ 4,304
Medicare	169	380	342	356	366	377	389
Healthcare	852	2,640	2,911	3,089	3,284	3,491	3,710
Severance Trust	6	190	322	336	369	406	447
Other	353	887	986	1,030	1,076	1,125	1,176
<b>Total Expenses</b>	\$ 2,816	\$ 7,515	\$ 8,229	\$ 8,608	\$ 9,155	\$ 9,579	\$ 10,025
<b>Ending Fund Balance</b>	\$ 468	\$ 1,175	\$ 1,643	\$ 1,994	\$ 2,385	\$ 2,742	\$ 3,060

Fund numbers are represented in thousands.

The Benefits Fund accounts for the collection of funds from SMC Fire operations to cover the cost of employee benefits. The expenses covered by this fund include pension, Medicare, SMC Fire's payment for medical, dental, and vision premiums for active employees, funding for the severance trust (to pay for the cashout of unused vacation to employees who retire or otherwise leave SMC Fire), as well as a few other benefit costs such as life insurance and long-term disability insurance. In some cases, the cost of providing these benefits is known and collections can be set accordingly. For example, the normal cost of pensions is set as a percentage of pay, so collections can be set based on that percentage of pay. In other cases, such as the funding of the severance trust, the cost is an estimate that will fluctuate annually based on different factors. Thus, to accommodate the fluctuation of expenses like those related to the severance trust, the fund should maintain some level of fund balance. To that end, collections for the various components of this fund have been set to collect costs to fund the programs adequately while maintaining a level of fund balance that allows for year-over-year fluctuations without requiring a transfer from the General Fund.

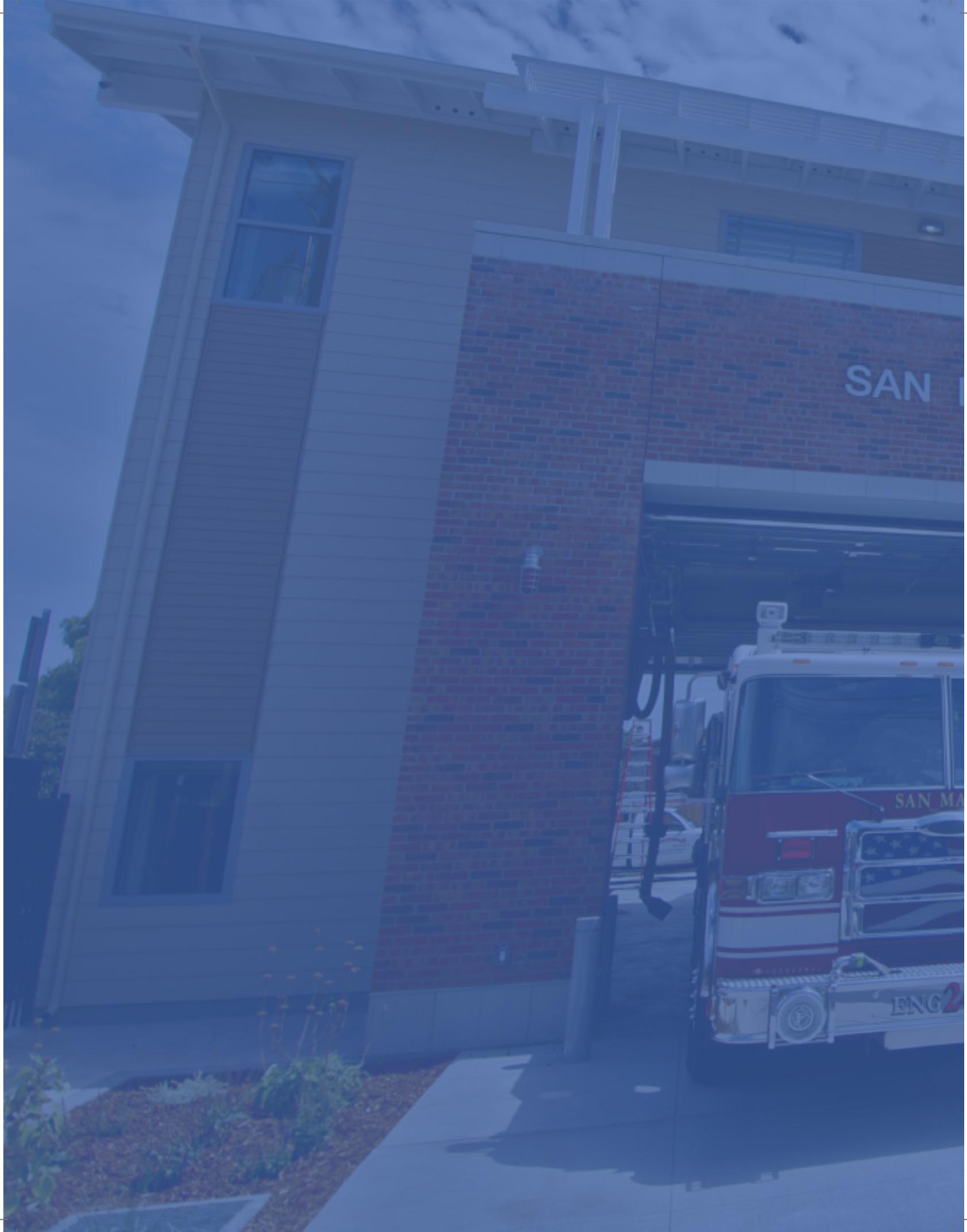
# Workers' Compensation and General Liability

WORKERS' COMPENSATION AND GENERAL LIABILITY	2018-19 ACTUALS	2019-20 ESTIMATED ACTUALS	2020-21 PROPOSED BUDGET	2021-22 PROJECTED BUDGET	2022-23 FORECAST	2023-24 FORECAST	2024-25 FORECAST
<b>Beginning Fund Balance</b>	\$ -	\$ 534	\$ 290	\$ 862	\$ 970	\$ 1,082	\$ 1,196
<b>Revenues</b>							
Member Agencies Contributions	\$ 810	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Internal Service Charges	1,001	2,244	2,335	2,446	2,519	2,595	2,672
Interest Earnings	6	-	5	5	5	5	5
Other Revenues	45	216	500	-	-	-	-
<b>Total Revenues</b>	\$ 1,861	\$ 2,459	\$ 2,840	\$ 2,451	\$ 2,524	\$ 2,600	\$ 2,678
<b>Expenses</b>							
Insurance Premiums	\$ 1,327	\$ 2,703	\$ 2,268	\$ 2,343	\$ 2,413	\$ 2,485	\$ 2,560
<b>Total Expenses</b>	\$ 1,327	\$ 2,703	\$ 2,268	\$ 2,343	\$ 2,413	\$ 2,485	\$ 2,560
<b>Ending Fund Balance</b>	\$ 534	\$ 290	\$ 862	\$ 970	\$ 1,082	\$ 1,196	\$ 1,314

Fund numbers are represented in thousands.

The Workers' Compensation and General Liability Fund accounts for workers' compensation and comprehensive liability activities. Expenses in this fund primarily consist of insurance premiums. Funding for general liability comes from a contribution by the operating funds, and funding for workers' compensation comes from collections through personnel charges. Each employee is charged a percentage of pay, and the amount of the charge depends on the type of employee. Positions that historically have higher workers' compensation experience, such as fire safety employees, are charged a higher rate than positions with historically lower experience, such as administrative employees.

Initial contributions were made into this fund in 2018-19 from member agencies to SMC Fire to acquire primary workers' compensation insurance upon commencement of operations. An overpayment on workers' compensation insurance premiums was made in 2019-20 based on estimated payroll that was reported too high to the insurance carrier. As a result, a refund is expected from the insurance carrier once the actual payroll for 2019-20 is submitted and audited, and is shown under other revenues in 2020-21. For 2020-21, collections have been set to adequately cover the cost of the workers' compensation and general liability programs. As experience begins to build in this fund, annual collection amounts will be adjusted accordingly to ensure the costs of the programs are covered and with an appropriate fund balance to absorb major fluctuations in cost.



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**APPENDIX**

# Financial Policies

## STATEMENT OF PURPOSE

The financial integrity of the San Mateo Consolidated Fire Department (SMC Fire) is of utmost importance. To discuss, write, and adopt a set of financial policies is a key element to maintaining this integrity. The set of policies within this document, adopted each year with our budget, serves as a central reference point of our policies, which are critical to the continued financial health of SMC Fire.

Written, adopted financial policies have many benefits, such as assisting board members and staff in the financial management of SMC Fire, saving time and energy when discussing financial matters, engendering public confidence, and providing continuity over time as board members and staff members change. While these policies will be amended periodically, they provide the basic foundation and framework for many of the issues and decisions facing SMC Fire. They promote sound financial management and assist in SMC Fire's stability, efficiency, and effectiveness.



The following policies are divided into seven (7) general categories for ease of reference. These categories include:

1. General Policies
2. Accounting, Auditing, and Financial Reporting Policies
3. Funding Balance and Reserve Policies
4. Pension and Retirement Funding Policies
5. Internal Service Fund Policies
6. Investment Policies
7. Operating Budget Policies

Except as otherwise noted, all policies included in this document are currently adhered to.

Additionally, included at the end of this section are specific policy benchmarks along with their status.

## GENERAL

SMC Fire will:

- Manage its financial assets in a sound and prudent manner.
- Maintain and further develop programs to ensure its long-term ability to fund core services and pay all costs necessary to provide the level and quality of service required by the communities it serves.
- Establish and maintain investment policies that are in accordance with State laws.

## ACCOUNTING, AUDITING, AND FINANCIAL REPORTING

### Accounting Standards

SMC Fire's accounting of financial systems shall be maintained in accordance with Generally Accepted Accounting Principles (GAAP), standards of the Governmental Accounting Standards Board (GASB), and the Government Finance Officers Association (GFOA).

### Annual Audit

An independent public accounting firm will perform an annual audit, and its opinions will be included in the Comprehensive Annual Financial Report and presented to the Fire Board at a public meeting.

# Financial Policies

## Financial Information

It is the policy of SMC Fire to provide all financial information in a thorough, timely fashion, and in a format that is easy for the Fire Board, citizens, and staff to understand and utilize.

## FUNDING BALANCE AND RESERVES

SMC Fire utilizes a variety of accounting funds for recording revenues and expenditures of the agency. At the end of each fiscal year-end, budgeted/appropriated expenditure authority lapses, with the exception of operating expenses that have been incurred but not paid (encumbered). The remaining dollars left in each fund are unassigned and constitute available funds of SMC Fire. Fund balance will be reported in the following classifications:

- **Nonspendable Fund Balance**  
Amounts that are not in spendable form, such as inventory, prepaid amounts and long-term receivables, and those that legally or contractually must be kept intact, such as endowment corpus of revolving loan funds.
- **Restricted Fund Balance**  
Amounts that can be used only for specific purposes due to constitutional provisions, enabling legislation, or externally imposed constraints, such as restrictions imposed by creditors, grantors, or other governments.
- **Committed Fund Balance**  
Amounts that can only be used for specific purposes because of a formal action by the government's highest decision-making authority. These constraints are binding unless removed in the same manner in which they were originally committed.
- **Assigned Fund Balance**  
Amounts intended for specific purposes but not restricted or committed. The assigned fund balance can never be in excess of the total fund balance less the non-spendable, restricted, and committed components of fund balance. Ultimately, this is the residual fund balance for all funds other than General Fund.

- **Unassigned Fund Balance**

The residual classification for the General Fund, the only governmental fund that can report a positive unassigned fund balance. Other funds might have a negative unassigned fund balance due to overspending restricted, committed, or assigned amounts.

## General Fund

The General Fund reserve will be maintained in an amount equal to at least three months of the annual General Fund operating expenditure budget. These reserves are designed to be used in the event of significant financial emergency, such as natural catastrophic events (e.g. an earthquake) or economic cycles. The Fire Board may, at its discretion, reserve additional funds above the minimum. Such additional reserves may be set aside for specific purposes, such as capital projects, for known significant future cost items, or as general operational reserves.

## Special Revenue Fund

The Fire Protection and Life Safety Fund will maintain reserves equal to three months of operating expenditures.

## PENSION AND RETIREMENT FUNDING

SMC Fire contracts with the California Public Employees' Retirement System (CalPERS) for pension benefits. SMC Fire will make minimum annual payments for the employer share equal to the required Annual Required Contribution (ARC) established by actuarial valuation but, in any given year, no less than the normal cost.



# Financial Policies

## INTERNAL SERVICE FUND

### Vehicle and Equipment Replacement Fund

Through the use of the Vehicle and Equipment Replacement Fund, SMC Fire will annually budget sufficient funds to provide for the orderly replacement of its fleet, vehicles, computers, radios, equipment, technology infrastructure, and other major capital outlay. The fund is supported by charges to user divisions, which are adjusted annually based on the divisions' proportionate share of estimated expenses. Sufficient reserves will be maintained in the Replacement Fund to provide for the scheduled replacement of fleet, vehicles, computers, radios, equipment, technology infrastructure, and other major capital outlay at the end of their useful lives.

### Risk Management Fund

SMC Fire maintains a Workers' Compensation and Comprehensive Liability Insurance Fund for the purpose of workers' compensation, property, and liability expenses. This fund pays insurance premiums, and administrative and operating expenses. SMC Fire will complete an actuarial valuation of this fund every other year. The workers' compensation component of the fund is supported by charges to personnel. The annual charges shall reflect historical experience and shall be established to approximately equal the annual expenses as they relate to workers' compensation. The comprehensive liability component of the fund is supported by the operating funds. Separate reserves shall be maintained for current and long-term general liability and workers' compensation liability at a level which will adequately fund SMC Fire's potential loss exposure in each area. The practice is to establish reserves in both funds at least at the marginally acceptable level as determined by the actuarial report.

## INVESTMENT

The Fire Board shall annually review, update, or modify as appropriate, SMC Fire's investment policy. The policy shall be adopted by resolution of the Fire Board based upon staff's recommendations. Funds will be managed in a prudent and diligent manner with emphasis on safety, liquidity, and yield, in that order.

## OPERATING BUDGET

### Balanced Operating Budget

It is SMC Fire's policy to adopt a balanced budget where operating revenues are equal to, or exceed, operating expenditures. Any year-end operating surpluses will revert to unappropriated balances for use in maintaining reserve levels set by policy and/or "one-time only" General Fund expenditures.

### Budget Document

The two-year business plan shall serve as the official financial plan for SMC Fire. It will serve as the policy document of the Fire Board for implementing Board goals and objectives. The budget shall provide staff the resources necessary to accomplish Board-determined service levels.

SMC Fire has two-year business plan development procedures. The two-year business plan process requires two one-year expenditure plans and revenue estimates to be provided to the Fire Board for approval. Only the first of the two-year budget will be adopted. The second year represents a projected plan which will be subject to amendment in the following year.

The Treasurer shall annually prepare and the Fire Chief shall present a proposed operating budget to the Fire Board no later than thirty days prior to the fiscal year end, and the Fire Board will adopt said budget no later than June 30 of each year. SMC Fire's annual budget will be presented with a logical breakdown of programs and proposed expenditures. The budget document will also summarize expenditures at the personnel, operating, and capital levels.

### Budget Control and Accountability

The Fire Chief is responsible for containing expenditures within the budgeted appropriations as approved by the Fire Board. Subsequent to the adoption of the budget, all additional changes to the budget require Fire Board approval.

Activities of the General Fund, Special Revenue Fund, and Proprietary Funds are included in the annual budget. The level of budgetary control is within each fund.