



Menlo Park Fire Protection District

170 Middlefield Road • Menlo Park, CA 94025 • Tel: 650-688-8400 • Fax: 650-323-9129

Website: www.menlofire.org • Email: mpfd@menlofire.org

FINANCE COMMITTEE MEETING

June 4, 2019 at 4:00 PM
170 Middlefield Road, Menlo Park
1st Floor Conference Room

*Director Jones ~ Director Bernstein
Resident Representative Sean Ballard*

MINUTES

ROLL CALL

PRESENT: Director Jones and Director Bernstein

ABSENT: Resident Representative Sean Ballard

STAFF PRESENT: Fire Chief Harold Schapelhouman, Senior Accountant Long Lam, and Clerk of the Board Michelle Kneier

CALL TO ORDER

Director Jones called the meeting to order at 4:17 p.m.

PUBLIC COMMENT #1

There were none.

REGULAR AGENDA

1. Review and Accept the Minutes of the May 7, 2019, Finance Committee Meeting

Director Bernstein reviewed and approved the minutes of the May 7, 2019, meeting as amended.

2. Review and Accept the Treasurer's Report for the Month Ended April 30, 2019 (Unaudited)

Motion: Upon motion by Director Bernstein, seconded by Director Jones, the Committee accepted the report as presented. (Vote: 2-0-0)

3. Consider and Discuss the Annual Adoption of the District's Investment Policy

Motion: Upon motion by Director Bernstein, seconded by Director Jones, the Committee accepted the report as presented. (Vote: 2-0-0)

4. Discuss and Provide a Recommendation to the Board of Directors to Adopt by Resolution the Annual Appropriations Limit of \$135,424,806 for Fiscal Year 2019-20

Motion: Upon motion by Director Bernstein, seconded by Director Jones, the Committee recommends this item be forwarded to the Board for consideration. (Vote: 2-0-0)

5. Consider and Recommend to the Board of Directors Adoption of the FY 2019-20 Proposed Budget and Full Time Equivalent (FTE) Staffing Level

Motion: Upon motion by Director Bernstein, seconded by Director Jones, the Committee accepts the report and recommends this item be forwarded to the Board for consideration with suggested amendments. (Vote: 2-0-0)

6. Consider and Discuss Reporting of Detailed Information Regarding Stipends

The Committee suggested an information item be added to the June Board meeting agenda which would include a report with detailed stipend and overtime information.

PUBLIC COMMENT #2

There were none.

ADJOURNMENT

Motion: Upon motion by Director Bernstein, seconded by Director Jones, the Committee adjourned at 5:48 p.m. (Vote: 2-0-0)



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FINANCE COMMITTEE MEETING

May 7, 2019 at 5:00 PM
170 Middlefield Road, Menlo Park
1st Floor Conference Room

*Director Kiraly ~ Director Bernstein
Resident Representative Sean Ballard*

MINUTES

ROLL CALL

PRESENT: Director Kiraly, Director Bernstein, and Resident Representative Sean Ballard

ABSENT: None

STAFF PRESENT: Fire Chief Harold Schapelhouman, Administrative Services Manager Kathleen Jackson, Senior Accountant Long Lam, and Clerk of the Board Michelle Kneier

CALL TO ORDER

Director Kiraly called the meeting to order at 5:05 p.m.

PUBLIC COMMENT #1

There were none.

REGULAR AGENDA

1. Review and Accept the Minutes of the March 4, 2019, Finance Committee Meeting

Motion: Upon motion by Director Bernstein, seconded by Director Kiraly, the Committee approved the minutes of the March 4, 2019 meeting. (Vote: 2-0-0)

2. Review and Accept the Treasurer's Report for the Month Ended March 31, 2019 (Unaudited)

Motion: Upon motion by Director Bernstein, seconded by Director Kiraly, and concurrence from Mr. Ballard, the Committee accepted the report as presented. (Vote: 2-0-0)

3. Discuss and Provide a Recommendation to the Board of Directors to Approve by Resolution the FY2019-20 Budget in the Amount of \$1,037,783 for the Urban Search and Rescue (US&R) California Task Force 3 (CA-TF3) Division

Motion: Upon motion by Director Bernstein, seconded by Director Kiraly, and concurrence from Mr. Ballard, the Committee recommends this item be forwarded to the Board for consideration. (Vote: 2-0-0)

4. Consider and Discuss the FY 2019-20 Proposed Budget and the Full Time Equivalent (FTE) Staffing Level

Upon consensus, the Committee accepted the report as presented.

5. Discuss and Provide a Recommendation to the Board of Directors to Adopt a Resolution to Transfer \$3.55 Million to the PERS Stabilization Reserve and Pay \$4.69 Million Toward the District's Classic Safety CalPERS Unfunded Actuarial Liability

Motion: Upon motion by Director Bernstein, seconded by Director Kiraly, and concurrence from Mr. Ballard, the Committee recommends this item be forwarded to the Board for consideration. (Vote: 2-0-0)

Mr. Ballard left the meeting at approximately 6:30 p.m.

6. Discuss and Provide a Recommendation to the Board of Directors to Adopt a Resolution for the Transfer of Development Contribution Funds to the General Fund to Pay for the Purchase of Truck Two (T2) for Station 2

Motion: Upon motion by Director Bernstein, seconded by Director Kiraly, the Committee accepted the report and recommended the transfer be to the capital improvement fund rather than the general fund, and be forwarded to the Board for consideration. (Vote: 2-0-0)

7. Discuss Board Requested Financials Related to Overtime

The Committee recommended interested parties be directed to OpenGov on the District's website to view detailed information related to overtime.

PUBLIC COMMENT #2

There were none.

ADJOURNMENT

Motion: Upon motion by Director Bernstein, seconded by Director Kiraly, the Committee adjourned at 6:53 p.m. (Vote: 2-0-0)

MENLO PARK FIRE PROTECTION DISTRICT

STAFF REPORT

TO: Finance Committee
FROM: Administrative Services

MEETING DATE: June 4, 2019
PREPARED BY: Long Lam
APPROVED BY: Kathleen Jackson

**ITEM: REVIEW AND ACCEPT THE TREASURER'S REPORT FOR THE MONTH
ENDED APRIL 30, 2019 (UNAUDITED)**

RECOMMENDATION

It is recommended that the Finance Committee accept the report as presented.

EXECUTIVE SUMMARY

There were no unusual transactions to report for the month of April 2019. The District's significant cash inflows and outflows for the month of April were:

Significant Cash Inflows:

The notable revenues received for the month of April were for Property Tax Secured in the amount of \$14,733,218, Property Tax Unsecured in the amount of \$156,140, Property Tax SB813 in the amount of \$153,197, and Unitary Tax in the amount of \$103,904.

Significant Cash Outflows:

The significant disbursements in the month of April were for two payrolls and CalPERS related expenditures totaling \$2,791,486.

DISCUSSION

The District's cash balances are distributed among several operating and restricted funds. These funds include the General fund, the Debt Service funds, the Capital Project funds, the FEMA Co-Op funds, and the Other Post-Employment Benefits (OPEB) Trust fund. Note that the Debt Service Funds contain both operating and restricted cash balances.

As of April 30, 2019, the District had a total pooled operating cash balance of \$66,384,074. These funds less the petty cash fund, are deposited at two different fiscal agents. In addition, the District has \$7,314,706 in restricted cash. The bank reconciliations have been completed through April 30, 2019.

The following table provides an overview of the cash accounts:

Agent	Designation	Unaudited Amount	% of Investment/Deposit	% of Total Cash	Yes/No Interest Rate Risk*
Operating Cash:					
LAIF	Investment Account	\$ 31,876,620	48.02%	43.25%	No
Bank of America	General Banking	31,434,134	47.35%	42.65%	No
Bank of America	Compensation and Benefits	1,265,906	1.91%	1.72%	No
Bank of America	Merchant Deposits	1,800,749	2.71%	2.44%	No
Cash with Depository	Philanthropic Venture Foundation	1,015	0.00%	0.00%	No
Petty Cash Funds	Deployment and General Use	5,650	0.01%	0.01%	No
Total Operating Cash Balance***		\$ 66,384,074	100.00%	90.07%	
Agent	Designation	Unaudited Amount	% of Investment/Deposit	% of Total Cash	Interest Rate Risk*
Restricted Cash:					
Bank of New York **	Lease Financing Reserve Fund	\$ 1,110,917	15.19%	1.51%	No
Innovative Claims Solution	Workers' Comp. Trust Fund	13,773	0.19%	0.02%	No
US Bank	Restricted CIP Fund	385,769	5.27%	0.52%	No
PARS/U.S. Bank	OPEB Trust Fund	5,804,247	79.35%	7.88%	Yes
Total Restricted Cash Balance		\$ 7,314,706	100.00%	9.93%	
Grand Total Cash Balance		\$ 73,698,780			

* Based on GASB Statement No. 40, Deposit and Investment Risk Disclosures, governments should disclose information as to how sensitive their investments are to changes in interest rates which can adversely affect the fair value.

** Bank of New York is the District's Bond trustee. However, the bond reserves are deposited in five CD's, at Exchange Bank, GE Capital, Goldman Sachs, Barclays Bank, and Webster Bank. The funds are FDIC insured up to \$250,000 per financial institution.

***The District is in compliance with its investment policy and has adequate cash flow to meet the District's needs for the next six months.

Fund Balances: The following table presents the ending fund balances for the General Fund, the Capital Improvement Projects Funds, and the Debt Service Funds as of April 30, 2019. The total fund balance of \$67,794,357 is the difference between assets and liabilities.

Fund Balance Classifications	General Fund	Capital Improvement Projects	Debt Service	Total
Nonspendable:				
Prepaid Apparatus	\$ -	\$ -	\$ -	\$ -
Total Nonspendable Fund Balances	-	-	-	-
Restricted for:				
Debt Service	-	-	1,110,917	1,110,917
Total Restricted Fund Balances	-	-	1,110,917	1,110,917
Committed to:				
Budgetary Deficit	18,128,125	-	-	18,128,125
FEMA Deployments	3,000,000	-	-	3,000,000
Apparatus	1,824,231	-	-	1,824,231
Equipment Replacement	2,224,381	-	-	2,224,381
Debt Service	-	-	1,816,875	1,816,875
Development Contribution	-	1,025,690	-	1,025,690
Special Operations Warehouse	-	1,294,130	-	1,294,130
Admin/Fire Prevention	-	327,525	-	327,525
Station 1	-	8,392,373	-	8,392,373
Station 2	-	288,794	-	288,794
Station 3	-	525,000	-	525,000
Station 4	-	3,100,955	-	3,100,955
Station 5	-	37,800	-	37,800
Station 6	-	198,709	-	198,709
Station 77	-	488,459	-	488,459
Total Committed Fund Balances	25,176,737	15,679,435	1,816,875	42,673,047
Assigned to:				
Encumbrances (Purchase Orders)	-	-	-	-
PERS-Future PERS Payments	1,145,503	-	-	1,145,503
General Services	1,411,252	-	-	1,411,252
Workers' Compensation	5,335,000	-	-	5,335,000
Compensated Absences	3,174,383	-	-	3,174,383
Total Assigned Fund Balances	11,066,138	-	-	11,066,138
Unassigned to:				
General Fund	12,944,255	-	-	12,944,255
Total Unassigned Fund Balances	12,944,255	-	-	12,944,255
Total Fund Balances (Unaudited)	\$ 49,187,130	\$ 15,679,435	\$ 2,927,792	\$ 67,794,357

Outstanding Debt: On December 1, 2009, the Board of Directors adopted Resolution No. 1347-2009, approving the December 8, 2009 issuance of \$3,055,000 Menlo Park Fire Protection District Certificates of Participation Series 2009A, and \$8,935,000 Certificates of Participation Series 2009B (Build America Bonds) with interest rates between 2.0% - 7.3%. Lease payments (Debt Service payments) are due on August 1st, and February 1st, each fiscal year, which began August 1, 2010, with maturity date of 2039. Series 2009A final maturities, with 5% coupons, due August 1st, 2019, 2020, 2021 and 2022, totaling \$1,270,000 are callable on August 1, 2019 at a price of 100 (par value).

The following table presents the outstanding debt balance of the District as of April 30, 2019. The total debt balance of \$19,152,398 consists of the remaining interest and principle balances.

Debt Service Payment Schedule Summary				
Payment Date	Coupon	Interest	Principal	Balance
8/1/2019-8/1/2039	4.0%-7.288%	\$ 8,947,398	\$ 10,205,000	\$ 19,152,398

MENLO PARK FIRE PROTECTION DISTRICT

STAFF REPORT

TO: Finance Committee
FROM: Administrative Services

MEETING DATE: June 4, 2019
PREPARED BY: Kathleen Jackson

ITEM: CONSIDER AND DISCUSS THE ANNUAL ADOPTION OF THE DISTRICT'S INVESTMENT POLICY

RECOMMENDATION

It is recommended that the Finance Committee accept the report as presented.

BACKGROUND

On February 16, 2009, the Board of Directors adopted a new Investment Policy for the District. The policy was originally developed in consultation with an investment advisor, Piper Jaffray. The Investment Policy provides a sound framework to ensure safety of principal, adequate liquidity, a return on investment that is in-line with the District's risk tolerance. The policy provides guidelines for prudent investments to support safeguarding District funds. In 2011, Per Resolution No. 1459-2011, the Board of Directors authorized revisions to the investment policy to emphasize the importance of the preservation of capital and protection of District funds.

DISCUSSION

The Investment Policy serves as the foundation of the District's investment goals and priorities. The existence of an approved investment policy demonstrates that the governing body is performing its fiduciary responsibilities, thereby, inspiring trust and confidence among the public that it serves. It should also be noted that rating agencies pay close attention to an agency's investment policy in determining its credit rating.

California Government Code recommends an annual review and adoption of an investment policy. Currently, all investment funds are held in the Local Agency Investment Fund (LAIF). In 2016, staff did a thorough review and update of the District's Investment Policy. No changes are recommended for the 2019 Investment Policy.

ATTACHMENTS

A. 2019 Investment Policy

**MENLO PARK FIRE PROTECTION DISTRICT
2019-20 INVESTMENT POLICY**



MENLO PARK FIRE PROTECTION DISTRICT INVESTMENT POLICY

1.0 POLICY

The purpose of this Investment Policy (“Policy”) is to establish overall guidelines for the management and investment of the Menlo Park Fire Protection District’s (“District”) public funds.

It is the policy of the District to invest public funds in a manner that will meet the District objectives, in order of priority, safety of invested funds, maintenance of sufficient liquidity to meet cash flow needs; and attainment of a rate of return consistent with the first two objectives, while conforming to the provisions of California Government Code Sections 53600 et seq.¹, and this Policy. As a public entity, the District places particular importance on the preservation of capital and protection of District funds above other investment objectives.

2.0 SCOPE

This Policy applies to all financial assets of the District. These funds are accounted for in the District’s Comprehensive Annual Financial Report and include:

- General Fund
- Debt Service Funds
- Capital Improvement Project Funds

2.1 The District’s Deferred Compensation Plan Funds are excluded because they belong to the individual plan participants who direct their own investments. Additionally, the District’s Retirement Funds are excluded because they are managed by the California Public Employees’ Retirement System (CalPERS).

2.2 Proceeds of debt issuances shall be invested in accordance with the investment objectives of the Policy and in accordance with the permitted investment provisions of their specific bond indentures.

3.0 PRUDENCE

Investments shall be made with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the District, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the District.

4.0 OBJECTIVES

The primary objectives in order of priority, of the District's investment activities shall be:

4.1 **Safety**

Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective is to seek to preserve principal by mitigating credit risk and market or interest rate risk summarized as follows:

4.1.1 **Credit Risk:**

Defined as the risk of loss due to the failure of the security issuer or backer. Credit risk may be mitigated by:

- a. Limiting investments to high quality securities;
- b. Pre-qualifying the financial institutions with which the District will do business;
- c. Diversifying the investment portfolio so that potential losses on individual securities will be minimized.

4.1.2 **Market or interest rate risk:**

Defined as the risk that the market value of securities will fall due to an increase in general interest rates. Market or interest rate risk may be mitigated by:

- a. Generally structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
- b. Investing operating funds primarily in shorter-term securities and medium term securities with maturity dates not to exceed 5 years.

4.2 **Liquidity:**

The investment portfolio shall be structured in a manner which will provide that securities mature at the same time as cash is needed to meet anticipated demands (static liquidity). Additionally, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity).

4.3 **Return on Investments (Yield):**

The District's investments shall be designed with the objective of attaining a rate of return throughout the budgetary and economic cycles, taking into consideration the investment risk constraints and liquidity needs. Return on investment is of least importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low risk securities in anticipation of earning a reasonable return relative to the risk being assumed.

Securities shall not be sold before maturity with the following exceptions:

- A declining credit security could be sold early to minimize loss of principal

- A security swap would improve the quality, yield or target duration in the portfolio.
- Liquidity needs of the portfolio require that the security be sold.
- A capital gain would be realized that better positions the overall portfolio in achieving investment policy goals.

5.0 DELEGATION OF AUTHORITY

The District Treasurer, Resolution # 1146 on March 20, 2007, is appointed by the District Board. Pursuant to the Government Code, the District Board delegates the authority to invest or to reinvest funds, or to sell or exchange securities so purchased, to the District Treasurer. The District Treasurer is charged with the responsibility for carrying out the policies of the District Board and shall assume full responsibility for investment transactions until the delegation of authority is revoked.

The daily cash management, investment transactions and account reconciliations are the primary responsibilities of the District Treasurer. These activities are also carried out by other members of the Finance Department under the direction of the District Treasurer. The District Treasurer shall establish procedures for the operation consistent with this investment policy.

The District Treasurer and authorized individuals acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

6.0 ETHICS AND CONFLICT OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activities that could conflict with proper execution of the investment program or which could impair their ability to make impartial decisions. Officers and employees involved in the investment process shall abide by the Conflict of Interest Code, (California Government Code Section 1090 et seq.) and the California Political Reform Act.

7.0 AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

7.1 Standards for Financial Institutions eligible to transact investment business with the District include (collectively, "Financial Institutions"):

- a. Primary government dealers as designated by the Federal Reserve Bank of New York, or
- b. National or state chartered banks, or
- c. Regional broker/dealers, or
- d. Direct issuers of securities eligible for purchase by the District
- e. All must be licensed by the State of California
- f. All must be members of Financial Industry Regulatory Authority (FINRA).

- 7.2 The District Treasurer will maintain a list of Financial Institutions authorized to provide investment services and list of approved security broker dealers after a careful review of their qualifications and creditworthiness.
- 7.2.1 All Financial Institutions and broker/dealers who desire to do business with the District shall provide the necessary information (e.g. audited financial statements, proof of state registration, proof of FINRA certification, etc.) from which the District can determine their creditworthiness, the existence of any pending legal action against the firm or the individual brokers who work directly with the District, as well as an understanding of the security markets they serve.
- 7.2.2 The Treasurer will conduct an annual review of the financial condition and registrations of approved Financial Institutions and security broker/dealers. Audited financial statements, collected as part of the annual review will be on file (either paper or electronic) for each Financial Institution and broker/dealer with which the District invests. District finance staff will periodically review the approved list of Financial Institutions and security broker/dealers to determine the need to add or delete from the approved list.

8.0 AUTHORIZED INVESTMENTS

All investments shall conform to Sections 53600et seq. of the California Government Code and as described within the Policy ("Permitted Investments"). Within the investments permitted by the Code, the District seeks to further restrict eligible investments to the investments listed below. Percentage limitations, where indicated, apply at the time of the purchase. Rating requirements, where indicated, apply at the time of purchase. In the event a security held by the District is subject to a rating change that brings it below the minimum specified rating requirement, the District Treasurer shall notify the District Board of the change. The course of action to be followed will then be decided on a case-by-case basis, considering such factors as the reason for the rate drop, prognosis for recovery or further rate drops, and the market price of the security.

Investment maturities shall be based on review of cash flow forecasts. Maturities will be scheduled so as to permit the District to meet all projected obligations. No investment shall be made in any security, other than a security underlying a repurchase or reverse repurchase agreement, that at the time of the investment has a term remaining to maturity in excess of five years, unless the District Board of Directors has granted express authority to make that investment no less than three months prior to the investment.

Permitted Investments and applicable limitations shall include:

- 8.1 **United States Treasury Obligations, including Bonds, Notes and Bills**
United States obligations, backed by full faith and credit of the United States government.
- There is no maximum portfolio limit.
 - Purchase in Treasury securities shall not exceed five years to maturity.
- 8.2 **United States Government Agency Issues**
Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.
- The purchase of United States Federal Government Agency securities will be limited to issues of the Federal Agricultural Mortgage Corporation (Farmer Mac), the Federal Farm Credit Banks (FFCB), the Federal Home Loan Banks (FHLB), Federal Home Loan Mortgage Corporation (FHLMC), and the Federal National Mortgage Association (FNMA). This limitations shall not apply to money market mutual funds.
 - Purchase in eligible Agency securities shall not exceed five years to maturity.
- 8.3 **Bonds issued by the District**
Bonds issued by the District, including bonds payable solely out of the revenue from a revenue-producing property owned, controlled, or operated by the District.
- 8.4 **Banker's Acceptances (BAs)**
Banker's acceptances issued by domestic or foreign banks, which are eligible for purchase by the Federal Reserve System.
- Must be rated "P1, A1, or F1" or better by two of three nationally recognized rating services, Moody's, S&P, or Fitch, respectively. No rating may be lower than any of the rating listed above.
 - Foreign BAs must be dollar-denominated.
 - No more than 5% of the portfolio shall be invested in any single institution. No more than 20% of the portfolio shall be invested in BAs.
 - Purchases of Banker's Acceptances may not exceed 180 days maturity.
- 8.5 **State of California Local Agency Investment Fund ("LAIF")**
- The District may invest in LAIF.
 - A maximum of \$50 million may be invested in this category.
- 8.6 **California Asset Management Trust (CAMP)**
- The District may invest in the shares in the California Asset Management Trust, so long as the portfolio is rated among the top two rating categories by one of the nationally recognized rating agencies.
 - A maximum of \$50 million may be invested in this category, net of bond proceeds.
- 8.7 **Certificates of Deposit**

- a. FDIC insured or fully collateralized time certificates of deposit in financial institutions located in California. Eligible investments are restricted to those issuing institutions that have been in business at least five years.
- b. The maximum term for deposits shall be five years.
- c. Investments in certificates of deposit are further limited to 20% of the portfolio; excluding holdings by Debt Trustees.
- d. All time deposits must be collateralized in accordance with California Government Code section 53652. The District, at its discretion, may waive the collateralization requirements for any portion of the deposit that is covered by federal insurance.

8.8 **Negotiable Certificates of Deposit (NCDs)**

- a. Negotiable certificates of deposit issued by a nationally or state chartered bank or a state or federal savings and loan association or by a state; licensed branch of a foreign bank; provided that the senior debt obligations of the issuing institution are rated “AA” or better by Moody’s or Standard & Poor’s.
- b. Investments in negotiable certificates of deposit are limited to 30% of the portfolio.
- c. The maximum term for deposits shall be five years.

8.9 **Municipal Obligations**

Bonds, notes, warrants, or other evidences of indebtedness of the State of California or of any local agency within the State of California, including bonds, RANS, and BANS.

- a. No more than 10% of the total portfolio.
- b. Rated A3, A-, A- or better by two of the three nationally recognized credit rating organizations.
- c. The maximum term for deposits shall be five years.

8.10 **Repurchase Agreements**

- a. Repurchase agreements are to be used solely as short-term investments not to exceed 30 days.
- b. The District may enter into repurchase agreements with primary government securities dealers rated “A” or better by two nationally recognized rating services. Counterparties should have (i) a short-term credit rating of at least “A-1/P-1”; (ii) minimum assets and capital of \$25 billion in assets and \$350 million in capital; (iii) five years of acceptable audited financial results; and (iv) a strong reputation among market participants.
- c. A maximum of 20% of the portfolio may be invested in this category.
- d. No more than 10% of the portfolio shall be invested in a repo with any single institution.
- e. The following collateral restrictions will be observed:

Only U.S. Treasury securities or Federal Agency securities will be acceptable collateral. All securities underlying repurchase agreements must be delivered to the District’s custodian bank versus payment or be handled under a properly executed tri-party repurchase agreement. The total market value of all collateral for each repurchase agreement must equal or exceed 102 percent of the total dollar value of the money invested by the District for the term of the investment. For any repurchase agreement with a term of more than one day, the value of the underlying

securities must be reviewed on an on-going basis according to market conditions. Market value must be calculated each time there is a substitution of collateral.

The District or its' Trustee shall have perfected first security interest under the Uniform Commercial Code in all securities subject to repurchase agreements. The District shall have properly executed a Professional Services Agreement with each counter party with which it enters into repurchase agreements.

8.11 **Commercial Paper**

Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided by a nationally recognized statistical-rating organization (NRSRO).

a. Is organized and operating within the United States as a general corporation. Have total assets in excess of \$500 million. Has debt other than commercial paper, if any, that is rated "A" or higher by a nationally recognized statistical-rating organization (NRSRO)

(And)

b. Investments in commercial paper are limited to a maximum of 25% of the portfolio.

c. Purchases shall not exceed 10 percent of the outstanding paper of the issuing corporation.

d. The maximum investment maturity is restricted to 270 days.

8.12 **Mutual Funds**

Shares of beneficial interest issued by diversified management companies that are mutual funds registered with the Securities and Exchange Commission (SEC) under the Investment Company Act of 1940 (15 U.S.C., Sec. 80a-1, et seq.). An investment objective of the fund must be the maintenance of a price per share of \$1.00. The purchase price of shares of beneficial interest purchased pursuant to this subdivision shall not include any commission that the companies may charge. Investments in Mutual Funds are limited to 20% of the portfolio.

The District may invest in Mutual Funds that have met either of the following criteria:

a. Attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized rating services.

(Or)

b. Retained an investment advisor registered or exempt from registration with the SEC with not less than five years' experience in managing mutual funds with assets under management in excess of five hundred million dollars (\$500,000,000).

8.13 **Local Agency Bonds.**

Bonds, including Certificates of Participation, notes or evidences of indebtedness issued by any state, municipality or local agency, whether payable from any fund of such entity or from special revenues pledged for such payment. The maximum term for deposits shall be five years.

INVESTMENT TYPE	MAXIMUM MATURITY	MAXIMUM % OF PORT/ MAXIMUM PER ISSUER	MINIMUM QUALITY REQUIREMENTS
US Treasury Bills, Notes, Bonds	5 years	N/A	N/A
U.S. Government Agency Issues (Farmer Mac, FFCB, FHLB, FHLMC, FNMA)	5 years	N/A	N/A
Banker's Acceptances	180 days	20% of portfolio/5% per issuer	A-1/P-1/F-1
Local Agency Investment Fund (LAIF)	N/A	\$50 Million	N/A
California Asset Management Trust (CAMP)	N/A	\$50 Million	Portfolio rated in the top two rating categories by S&P, Moody's, or Fitch
Certificates of Deposit (CD's)	5 years	20% of portfolio	A. FDIC insured or fully collateralized B. located in California, and C. in business at least 5 years
Negotiable Certificates of Deposit (NCDs)	5 years	30% of portfolio	A. Issued by a Nationally or State chartered bank or a State or Fed S&L, or licensed branch of a foreign bank. B. Senior debt rated "AA" or better by Moody's or S&P
Repurchase Agreements	30 days	20% portfolio/10% per institution	See Investment Policy 8.9
Commercial Paper	270 days	25% portfolio/10% of outstanding paper of issuer	"Prime" quality/highest ranking by NRSRO. Org and operating in US. Total assets excess of \$500million, if other debt must be rated "A" or higher.
Mutual Funds	N/A	20% portfolio	A. Highest Ranking or B. Retained an invest advisor registered or exempt from registration with SEC, not less than 5 years' experience in managing mutual funds, with assets in excess of \$500 million

Local Agency Bonds- Bonds, COPs, indebtedness issued by any state, municipality, or local agency.	5 years	N/A	N/A
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9.0 ELIGIBLE INVESTMENTS FOR BOND PROCEEDS

Bond proceeds shall be invested in securities permitted by the applicable bond documents. If the bond documents are silent as to the permitted investments, bond proceeds will be invested in securities permitted by this Policy.

The bond proceeds will be invested on instruments that meet the investment policy criteria and the permitted investment section of the bond indenture. The investments will be made in accordance with a defined disbursement schedule.

The reserve fund investments are governed by the bond indenture language and the offering circular. Investments should be made in accordance with the permitted investment criteria set forth in the offering statement.

10.0 INELIGIBLE INVESTMENTS

As provided in California Government Code section 53601.6, the District shall not invest any funds in inverse floaters, range notes, mortgage derived interest-only strips or in any security that could result in zero interest accrual if held to maturity.

The purchase of any security not listed above, but permitted by the California Government Code is prohibited unless the District Board approves the investment either specifically or as a part of an investment program approved by the District Board.

11.0 LOCAL INVESTMENT POOL POLICIES AND REPORTS

To the extent there are investments in the State (LAIF) or California Asset Management Program (CAMP) investment pools, the District Treasurer shall review and maintain current copies of the adopted investment policies of the State and CAMP. The policies shall be reviewed for concurrence with the investment policy of the District.

12.0 SAFEKEEPING AND CUSTODY

All security transactions entered into by the Menlo Park Fire Protection District, CA shall be conducted on a delivery-versus (DVP) payment basis. A third party custodian designated by the District Treasurer and evidenced by safekeeping receipts will hold securities.

The only exceptions to the foregoing are Local Agency Investment Pool, Certificates of Deposit, and Money Market funds since the purchased securities are not deliverable. In all cases, purchased securities shall be held in the District's name.

13.0 INTERNAL CONTROL

The District Treasurer shall establish an annual process of independent review by an external auditor. This review will provide internal control by assuring compliance with policies and procedures.

14.0 PERFORMANCE STANDARDS

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs.

The District will measure the portfolio's performance against a market benchmark that is commensurate with the District's investment risk constraints and the cash flow characteristics of the portfolio.

15.0 REPORTING

The District Treasurer shall provide a monthly Treasurer's report to the District Board of Directors, which provides a clear picture of the status of the current investment portfolio, including transactions. This report will be formally submitted to the District Board of Directors each quarter at a public meeting.

Schedules in the quarterly Treasurer's Report will include the following:

- § A list of individual securities held at the end of the reporting period by authorized investment category
- § Average life and final maturity of all investments
- § Earnings rate on an annualized basis
- § Market value, par value and amortized book value
- § Percentage of the portfolio by investment category

The quarterly report shall state compliance of the portfolio to the investment policy, or manner in which the portfolio is not in compliance. The quarterly report shall also include a statement denoting the ability of the District to meet its expenditure requirements for the next six months or provide an explanation as to why sufficient money shall, or may, not be available.

16.0 POLICY REVIEW

The investment policy shall be adopted by resolution of the District Board on an annual basis. The investment policy shall be reviewed annually to ensure its consistency with the overall objections of preservation of principal, liquidity and yield, and its relevance to current law and financial and economic trends. Any amendments to the policy shall be forwarded to the District Board for approval.

GLOSSARY OF TYPES OF INVESTMENTS AVAILABLE TO LOCAL GOVERNMENTS

STATE INVESTMENT POOL (LAIF)

The Local Agency Investment Fund (LAIF) is a voluntary program created by statute; began in 1977 as an investment alternative for California's local governments and special districts. The enabling legislation for the LAIF is Section 16429.1 et seq. of the California Government Code.

This program offers local agencies the opportunity to participate in a major portfolio, which invests hundreds of millions of dollars, using the investment expertise of the Treasurer's Office investment staff at no additional cost to the taxpayer. This in-house management team is comprised of civil servants who have each worked for the State Treasurer's Office for an average of 20 years.

The LAIF is part of the Pooled Money Investment Account (PMIA). The PMIA began in 1953 and oversight is provided by the Pooled Money Investment Board (PMIB) and an in-house Investment Committee. The PMIB members are the State Treasurer, Director of Finance, and State Controller.

The Local Investment Advisory Board (LIAB) provides oversight for LAIF. The Board consists of five members as designated by statute. The Chairman is the State Treasurer or his designated representative. Two members qualified by training and experience in the field of investment or finance, and the State Treasurer appoints two members who are treasurers, finance or fiscal officers or business managers employed by any county, District or local district or municipal corporation of this state. The term of each appointment is two years or at the pleasure of the appointing authority.

All securities are purchased under the authority of Government Code Section 16430 and 16480.4. The State Treasurer's Office takes delivery of all securities purchased on a delivery versus payment basis using a third party custodian. All investments are purchased at market and a market valuation is conducted monthly.

Additionally, the PMIA has Policies, Goals and Objectives for the portfolio to make certain that our goals of Safety, Liquidity and Yield are not jeopardized and that prudent management prevails. These policies are formulated by investment staff and reviewed by both the PMIB and the LIAB on an annual basis.

The State Treasurer's Office is audited by the Bureau of State Audits on an annual basis and the resulting opinion is posted to the STO website following its publication. The Bureau of State Audits also has a continuing audit process throughout the year. All investments and LAIF claims are audited on a daily basis by the State Controller's Office as well as an in-house audit process involving three separate divisions.

Under Federal Law, the State of California cannot declare bankruptcy, thereby allowing the Government Code Section 16429.3 to stand. This Section states that “moneys placed with the Treasurer for deposit in the LAIF by cities, counties, special districts, nonprofit corporations, or qualified quasi-governmental agencies shall not be subject to either of the following: (a) transfer or loan pursuant to Sections 16310, 16312, or 16313, or (b) impoundment or seizure by any state official or state agency.”

During the 2002 legislative session, California Government Code Section 16429.4 was added to the LAIF’s enabling legislation. The Section states that “the right of a District, county, District and county, special district, nonprofit corporation, or qualified quasi-governmental agency to withdraw its deposited moneys from the LAIF, upon demand, may not be altered, impaired, or denied in any way, by any state official or state agency based upon the state’s failure to adopt a State Budget by July 1 of each new fiscal year.”

The LAIF has grown from 293 participants and \$468 million in 1977 to 2,529 accounts and \$ 20.3 billion in 2014.

There is a limitation of \$50 million per legal entity within an agency as of July 2014. There is also a maximum of fifteen transactions, deposits or withdrawals per month.

CALIFORNIA ASSET MANAGEMENT PROGRAM (CAMP)

CAMP provides California public agencies, together with any bond trustee acting on behalf of such public agency, assistance with the investment of and accounting for bond proceeds and surplus funds. For bond proceeds, the objective of CAMP is to invest and account of such proceeds in compliance with arbitrage management and rebate requirements of the Internal Revenue Service. The program includes the California Asset Management Trust, a California common law trust organized in 1989. The Trust currently offers a professionally managed money market investment portfolio, the Cash Reserve Portfolio, to provide public agencies with a convenient method of pooling funds for temporary investment pending their expenditure. The Trust also provides record keeping, custodial and arbitrage rebate calculation services for bond proceeds. As part of the program, public agencies may also establish individual, professionally managed investment accounts.

The Pool seeks to attain as high a level of current income as is consistent with the preservation of principal. The Pool purchases only investments of the type in which public agencies are permitted by statute to invest surplus funds and proceeds of their own bonds.

CERTIFICATES OF DEPOSITS (CD)

Certificates of Deposits, sometimes known as "Jumbo Accounts" or "Fixed CD's" are savings accounts with Banks or Savings and Loans. These accounts are for a specific amount, have a set interest rate, and set maturity date. There is a substantial interest penalty if the CD is withdrawn prior to the maturity date.

The State law requires Public Fund CD's to be collateralized by the financial institution at 110% with US Government notes/bonds or at 150% with quality First Trust Deeds. This

collateral can be waived if Federal Insurance (FDIC for banks or FSLIC for savings and loans) is available. These federal agencies will insure each account up to the maximum insured limit.

The District generally waives the collateralization requirements for the FDIC or FSLIC insurance. The waiver of collateral is a wide spread practice and will generally generate higher interest rates and provide the greatest security for the funds from the Federal Insurance Agencies. For deposits in excess of the maximum insured limit, the collateralization requirements are not waived.

NEGOTIABLE CERTIFICATE OF DEPOSIT (NCD)

This investment is similar to the Fixed CD's above. However, the NCD can be sold through a broker on a "secondary market" prior to the maturity date. Normally, NCD's are issued in \$500,000 and \$1,000,000 amounts. The State Code limits NCD's to not more than 30% of the local agency's portfolio and to a five-year maximum term. The security is the credit worthiness of the issuer. These deposits are uninsured and uncollateralized promissory notes.

BANKER'S ACCEPTANCES (BA)

A Banker's Acceptance is a time draft of invested funds, which has been drawn on and accepted for repayment by a bank. This financial instrument is generally used for short term (30 and 180 days) financing of export, import, or storage of goods. By accepting the draft (investment of District funds), the bank is liable for the payment at maturity. This bank liability makes the Banker's Acceptance a marketable investment. The State Code limits BA's to not more than 180 days to maturity and 40% of the local agency's portfolio. In addition, not more than 30% of the local agency's portfolio may be placed in any one bank.

US TREASURY BILLS

Commonly referred to as T-Bills, these are short-term marketable securities sold as obligations of the US Government. They are offered in three month, six month, nine month and one-year maturities. T-Bills do not accrue interest but are sold at a discount and pay the face value at maturity.

US TREASURY NOTES

These are marketable, interest-bearing securities sold as obligations of the US Government with original maturities of one to ten years. Interest is paid semi-annually.

US TREASURY BONDS

These are the same as US Treasury Notes except they have original maturities of ten years or longer.

FEDERAL AGENCY ISSUES

Many Federal Government Agencies are authorized to issue short term and long term obligations that are used to finance various programs such as home loans, business loans, farm loans, etc. These Agencies were created by the Federal Government in the 1930's and have since become independent quasi-public agencies. The security for their issues is the guarantee of the Agency to pay. The Federal Government has only an implied liability to the extent that the Agency has an open credit line to borrow from the U.S. Treasury. It is widely accepted that Federal Agency issues are as secure as U.S. Government notes.

There is an active secondary market available to sell these issues prior to maturity. The issues are fairly liquid depending on the prevailing market interest rates at the time of sale.

Some of the more common agency notes are issued by the Federal National Mortgage Association (Fannie Mae), Federal Home Loan Banks, Federal Home Loan Mortgage Corporation (Freddie Mac), and the Federal Farm Credit Banks.

MUNICIPAL OBLIGATIONS

Bonds, notes, warrants, or other evidences of indebtedness of the State of California or of any local agency within the State of California, including bonds owned, controlled, or operated by the state or local agency, or by a department, board, agency, or authority of the state or local agency. A maximum of 10 percent may be invested in municipal obligations. The maturity on these investments not exceed five years without the prior approval of the board.

In addition, the issuer agency must meet the minimum state investment guidelines and have a minimum credit rating of "A" or equivalent by two of the three major rating agencies (Moody's, Standard & Poor's, and Fitch).

REPURCHASE AGREEMENTS AND REVERSE REPURCHASE AGREEMENTS (REPOS)

A Repurchase Agreement is a short-term investment agreement to loan District funds for a fixed period in return for a fixed interest rate and secured collateral, such as U.S. Treasuries or Agency Notes. This type of investment is usually done for overnight or very short term (7 days) investment of funds left in the general operating checking account. A Reverse Repurchase agreement is a short-term investment, which is used to take advantage of market interest rate changes and increase the size of the portfolio. State law was amended in 1996 to limit the use of both repurchase and reverse repurchase agreements. The District Board must approve each reverse repurchase agreement.

COMMERCIAL PAPER (CP)

Commercial Paper consists of unsecured promissory notes of industrial corporations, utilities and bank holding companies. The notes are in bearer form in amounts starting at \$100,000. State law limits the District to investments in United States corporations

having assets in excess of five hundred million dollars with an "A" or higher rating. Special Districts may not invest more than 25% of the portfolio in commercial paper and the CP's may not exceed a term of 270 days.

MUTUAL FUNDS

An investment company that pools money and can invest in a variety of securities, including fixed-income securities and money market instruments. Special Districts may invest in Mutual Funds or Money Market funds that receive the highest ranking or the highest letter and numerical rating by two of the three largest nationally recognized rating services. The Mutual Funds must abide by the same investment restrictions and regulations that apply to public agencies in California. Money Market Funds must follow regulations specified by the Security and Exchange Commission under the Investment Company Act of 1940. The District must verify that the Mutual Fund is in compliance with state laws for public agencies prior to purchasing shares.

MENLO PARK FIRE PROTECTION DISTRICT

STAFF REPORT

TO: Finance Committee
FROM: Administrative Services

MEETING DATE: June 4, 2019
PREPARED BY: Long Lam
APPROVED BY: Kathleen Jackson

ITEM: DISCUSS AND PROVIDE A RECOMMENDATION TO THE BOARD OF DIRECTORS TO ADOPT BY RESOLUTION THE ANNUAL APPROPRIATIONS LIMIT OF \$135,424,806 FOR FISCAL YEAR 2019-20

RECOMMENDATION

It is recommended that the Finance Committee:

1. Accept the report as presented; and
2. Recommend to the Board of Directors to adopt by resolution the annual Appropriations Limit of \$135,424,806 for Fiscal Year 2019-20.

BACKGROUND

In November 1979, the voters of California followed up the tax limitations of Proposition 13 with an amendment to the state Constitution to limit the growth of government spending. Commonly known as the “GANN Initiative” after anti-tax advocate Paul Gann, Proposition 4 created Article XIII B of the State Constitution that set restrictions on the amount of government revenue which may be appropriated in any fiscal year. The Appropriation Limit is based on actual appropriations during the base year (1986-87 or the first full year of operation), and increase each year using specified growth factors. The Appropriations Limit applies only to those revenues defined as “proceed of taxes”. Types of revenue subject to the Appropriations Limit included tax revenues, interest earnings on invested tax revenues, and proceeds from regulatory and service licenses, fees and charges that exceed costs to cover administration and services provided.

In 1990, voters amended Proposition 4 with the approval of Proposition 111. One of the most significant changes under Proposition 111 was to extend the Appropriations Limit restriction to a two-year period. If a local government receives excess funds in any one year, it may carry those excess funds into the subsequent year for use. The effect was to create a two year average, allowing the State and local entities more flexibility in managing appropriations and expenditures. Any excess funds remaining after the second year must be returned to taxpayers by reducing tax rate or fees. As an alternative, voters within a jurisdiction were allowed to authorize an increase in the limit; however, any increase approved could only be in effect for a maximum of four years.

In addition, Proposition 111 covered a gap in previous legislation that left the State and local governments open to spending limits that could prevent adequate funding of multi-year capital

outlays and sufficient response to emergencies such as natural disasters. Subsequently, costs associated with recovery from natural disasters and for qualified capital outlays were exempt from the Article VIII B limits.

The net effect of the amended proposition was to soften the appropriations limit, adding new exemptions, allowing for a two-year average against the limit and increasing the funding available to schools. The State and each affected local governmental entity, must plan and budget against the GANN limit as it remains a binding constraint on governmental appropriations.

Each year the District is required to calculate the Annual Appropriations Limit for budgeted expenditures and have the District's Board of Directors approve by resolution. Under Section 10.5 of Article XIIB, for fiscal years beginning on or after July, 1990, the appropriations limit is required to be calculated based on the limit for the FY 1986-87.

The District first identified that something was "wrong" in 2007/08 when comparing the limit to other local and regional Fire Districts whose limits were double the property tax that they received. In 2013 the District began to request previous year's data from the County in an attempt to historically locate what it thought was an error in years past. After several years of accumulating previous year's data, all of the pieces fell together in 2015 when the County provided the final historical documents from 1998/99 and with the assistance of Municipal Services Group (Muni-services) helped the District understand the Tax Rate Area (TRA) process that was being used and what potentially elements could have been calculated in-correctly as far back as 1986/87.

In years prior to FY 2015-16, the District's calculated Appropriations Limit fell well below actual revenues received subject to the Appropriations Limit. The District had gone to the voters to increase the appropriations limit allowing the District to continue to provide the excellent service its residents deserve. In November 2015, the District went to the voters who passed Measure "Y" to increase the appropriations limit to \$50 million for the next 4 years through FY 2019-20.

In FY 2015-16, the District's staff hired the Pun Group, LLP, and provided them with all of the information given to the District by the County of San Mateo, which allowed them to correctly recalculate the appropriation limit for the years ended June 30, 1987 to 2016. The recalculated Appropriations Limit for FY 2015-16 came out to be \$112,575,766 and the District adopted the recalculated Appropriations Limit for FY 2015-16 by Resolution No. 1802-2015. In doing so, the District will treat the voter-approved limit as a floor, with the calculations based on statute and the "Agreed upon Procedures" performed by the Pun Group, LLP, as the ceiling. In FY 2016-17, the District began using the recalculated Appropriations Limit amounts adopted by the Board in FY 2015-16 as the base for calculation going forward and increase each year by the specific growth factors.

DISCUSSION

Under Section 10.5 of Article XIIB, for fiscal years beginning on or after July, 1990, the Appropriations Limit is required to be calculated based on the limit for the FY 1986-87, adjusted for the inflation and population factors. This calculation is brought forward and used for the next year's appropriation limit calculation, and so on, for each subsequent year.

The calculation in FY 2019-20 use the District's county population change and the change in California per capita personal income as growth factors in computing the appropriations limit. A California governmental agency may use as its population factor either the annual percentage change of the jurisdiction's own population or the annual percentage change in population of the county where the jurisdiction is located. The factor adopted by the District for its population factor was the annual percentage change in population of the District's county in FY 2019-2020.

For the current fiscal year, 2018-19, the District adopted Resolution No. 1971-2018 on June 19, 2018 for a calculated Appropriations Limit of \$130,040,130. Staff used the FY 2018-19 Appropriations Limit as the base for calculation of FY 2019-20 Appropriations Limit and applied the calculation factors to come up with \$135,424,806 as the Appropriations Limit for the FY 2019-20.

The table below presents the basis for calculation of the Annual Appropriations Limit for FY 2019-20:

GANN Appropriations Limit For the Fiscal Year 2019-20		
	Amounts	Source
A. Appropriations Limit FY 2018-19	\$ 130,040,130	Prior Year
B. Calculation Factors:		
1) Population increase %	1.0028	State Department of Finance
2) Inflation increase %	1.0385	State Department of Finance
3) Total adjustment %	1.0414	(B1 * B2)
C. Annual Adjustment Increase	5,384,676	[A * (B3 - 1)]
D. Other Adjustments	-	None
E. Total Adjustments	5,384,676	(C + D)
F. Appropriations Limit FY 2019-20	\$ 135,424,806	(A + E)

FISCAL IMPACT

There is no direct financial impact associated with the FY 2019-20 Appropriations Limit.

MENLO PARK FIRE PROTECTION DISTRICT

STAFF REPORT

TO: Finance Committee
FROM: Administrative Services

MEETING DATE: June 4, 2019
PREPARED BY: Long Lam
APPROVED BY: Kathleen Jackson

**ITEM: CONSIDER AND RECOMMEND TO THE BOARD OF DIRECTORS
ADOPTION OF THE FY 2019-20 PROPOSED BUDGET AND FULL TIME
EQUIVALENT (FTE) STAFFING LEVEL**

RECOMMENDATION

It is recommended that the Finance Committee:

1. Accept the report as presented; and
2. Consider and recommend to the Board of Directors adoption of the FY 2019-20 Proposed Budget and Full Time Equivalent (FTE) Staffing Level.

BACKGROUND

At the May 14, 2019 meeting, the Board of Directors reviewed the FY 2019-20 Proposed Budget. The budget establishes a guideline for the anticipated revenues and operating expenditures to ensure that inflows of resources will be adequate to support the delivery of services based on established priorities. It provides a logical structure to organize various program costs, projects and other expenses, as well as a sound system for control of the District's revenues and expenditures. State law requires that the District adopt a budget prior to the beginning of each fiscal year. The budget is prepared in accordance with Generally Accepted Accounting Principles (GAAP) and conforms to Governmental Accounting Standard Board (GASB) guidelines.

DISCUSSION

The District uses fund accounting to ensure and demonstrate compliance with GASB. The District's finances are accounted for within four major fund categories or types: the General Fund, the Capital Improvement Projects (CIP) Fund, the Debt Service Fund, and the Urban Search and Rescue (US&R) Federal Emergency Management Agency (FEMA) Special Revenue Fund.

The purpose of each major fund is described below:

- **General Fund** – The General Fund is the general operating fund of the District. It is used to account for all financial resources of the District except those required to be accounted for in another fund.

- **Capital Improvement Projects Fund (CIP)** - The CIP Fund is used for acquisition of property, renovation or complete rebuild of the District's seven Fire Stations, Administration and Fire Prevention Offices, Annex Building, Special Operations Warehouse, and properties on 28 Almendral Ave., 2110 Valparaiso and 1457 Chilco. Included in the CIP funds is a separate fund, "**Development Contributions.**" This fund was created and is used specifically to account for monies received for the impact on District services associated with new developments. This fund is committed to being spent on impact mitigation, which may include fire station rebuild/improvements, additional apparatus and/or equipment, or other non-personnel requirements due to developments within the District boundaries.
- **Debt Service Fund** – The Debt Service Fund is used to account for accumulation of resources and payments made for the principal and interest on the District's long-term debt.
- **US&R (FEMA) Special Revenue Fund** –US&R (FEMA) Special Revenue Fund is used to account separately for Federal Emergency Management Agency (FEMA) grant funds received and disbursed for the Urban Search and Rescue, California Task Force 3 (CA-TF3).

This staff report will focus on FY 2019-20 proposed budgets for the General Fund, the Capital Improvement Projects Fund, and the Debt Service Fund. The US&R Special Revenue Fund's FY 2019-20 Proposed Budget will not be discussed in this report as it is presented in a separate report to the Board by the US&R Management team.

The Board approved a conservative estimated growth rate of four percent (4%) for secured property tax revenue in FY 2019-20. Total property tax represents approximately eighty-seven (87%) percent of the District's overall revenues.

EXECUTIVE SUMMARY

The table below provides a summary of the FY 2019-20 proposed budget for all fund groups. The District is projecting a beginning fund balance of \$59.5 million and estimated ending fund balance of \$58.2 million for FY 2019-20. The net fiscal impact is an estimated decrease in the year-end fund balance of approximately \$1.2 million.

Menlo Park Fire Protection District						
Fiscal Year 2019-20 Proposed Budget Summary						
	Estimated Fund Balance as of 7/1/2019	Estimated Unaudited Revenues	Estimated Unaudited Expenditures	Apparatus Reserve and Equipment Reserve Transfer In / (Out)	Operating Transfer In / (Out)	Estimated Unaudited Fund Balance @ 6/30/20
General Fund	\$ -	\$60,265,046	\$(57,564,946)	\$ 1,750,000	\$(4,450,100)	\$ -
GF Fund Balance*	36,263,596	-	-	(1,750,000)	-	34,513,596
Debt Service	3,027,278	227,000	(1,001,210)	-	950,100	3,203,168
Capital Improvement Projects	20,172,122	-	(3,157,800)	-	3,500,000	20,514,322
Total	\$ 59,462,996	\$60,492,046	\$(61,723,956)	\$ -	\$ -	\$ 58,231,086

***Note:** The GF Fund Balance is projected to decrease by \$1.75 million in reserve. This is due to FY 2019-20 usage of \$1.0 million from the Apparatus Reserve and \$1.0 million from the Equipment Replacement reserve. The General Fund Reserve, transfer is offset by the transfer of

\$0.25 million into Apparatus Reserve to offset depreciation experienced on the new Apparatus, and to begin rebuilding the reserves for apparatus replacement as the, now, new engines, etc. need replacement.

FY 2019-20 GENERAL FUND FISCAL ACTIVITY

The General Fund is the District's primary fund and is used to budget and report the results of day-to-day operations and transfers to other funds, as needed. The following table presents the General Fund's budget summary with a multi-year comparison. It provides a summary of the FY 2017-18 audited actual, FY 2018-19 amended budget, FY 2018-19 estimated actual and the FY 2019-20 proposed budget.

General Fund Budget Summary Fiscal Year 2019-20 Proposed Budget					
	2017-18 Actual Amount	2018-19 Amended Budget	2018-19 Estimated Actual	2019-20 Proposed Budget	Proposed vs. Est. Actual Increase/(Decrease)
Revenues					
Property Taxes	\$ 46,754,299	\$ 48,447,403	\$ 51,948,977	\$ 52,565,931	\$ 616,954
Other Operating Revenues	6,944,321	5,962,733	7,730,031	7,699,115	(30,917)
Total Revenues	\$ 53,698,620	\$ 54,410,136	\$ 59,679,008	\$ 60,265,046	\$ 586,037
Expenditures					
Wages and Benefits	\$ 30,773,425	\$ 35,790,553	\$ 33,272,015	\$ 41,708,908	\$ 8,436,893
Other Operating Expenditures	8,772,764	14,494,961	12,415,361	12,356,038	(59,323)
Extra-Ordinary Expenditures					
CalPERS (UAL)*	4,423,826	3,550,245	3,500,000	3,500,000	-
Total Expenditures	\$ 43,970,015	\$ 53,835,759	\$ 49,187,376	\$ 57,564,946	\$ 8,377,570
Operating Transfers					
Transfer In : use / (reserve)	\$ (1,149,895)	\$ 4,816,723	\$ 28,610	\$ 1,750,000	\$ 1,721,390
Transfer Out	(8,550,100)	(5,391,100)	(10,520,243)	(4,450,100)	6,070,143
General Fund Total Surplus/ (Deficit)	\$ 28,610	\$ -	\$ -	\$ -	\$ -

*Note: The CalPERS Unfunded Actuarial Liability (UAL) payment has been presented under "Extra-Ordinary Expenditures" for simplicity and clarity.

The table above shows General Fund estimated revenues of \$60.3 million which includes the property tax revenue estimate of \$52.6 million and other operating revenue estimate of \$7.7 million. In addition, the General Fund operating reserve transfer for FY 2019-20 totals \$1.75 million, which is comprised of \$1.0 million from Apparatus Reserves and \$1.0 from Equipment Replacement Reserves and \$0.25 million "Transfer In" to Apparatus Reserve. The table shows General Fund proposed expenditures of \$57.6 million, which includes estimated expenditures on wages and benefits of \$41.7 million, other operating expenditure estimates of \$12.4 million, and CalPERS UAL expenditure estimates of \$3.5 million. In addition, the total operating transfer out of \$4.5 million, which comprised of \$950 thousand to the Debt Service Fund and \$3.5 million to CIP Fund. The result is a balanced budget for FY 2019-20.

GENERAL FUND REVENUES

The FY 2019-20 estimated property tax revenue represents approximately eighty-seven percent (87%) of the District's overall revenues and the other operating revenues represent the remaining thirteen percent (13%).

Property Taxes – Per Fire Board direction, staff conservatively budgeted the General Fund’s property tax revenues to be approximately \$52.6 million. The increase is roughly \$0.6 million in combined property tax-related revenues over the FY 2018-19 estimated actual.

The FY 2019-20 Proposed Property Tax revenue budget is summarized below:

General Fund Property Tax Revenues Budget Summary Fiscal Year 2019-20 Proposed Budget					
Property Tax Revenues	2017-18 Actual Amount	2018-19 Amended Budget	2018-19 Estimated Actual	2019-20 Proposed Budget	Proposed vs. Est. Actual Increase/(Decrease)
Property Tax Secured	\$ 45,031,743	\$ 46,771,453	\$ 48,848,496	\$ 50,802,436	\$ 1,953,940
Property Tax Unsecured	2,056,988	2,272,713	2,633,473	2,791,481	158,008
Property Tax SB813	1,378,504	1,445,961	1,445,961	1,532,719	86,758
Unitary Tax	280,681	293,733	296,868	314,680	17,812
ERAF Rebate	3,618,237	3,500,000	4,854,007	3,500,000	(1,354,007)
Less ERAF Shift	(5,611,854)	(5,836,457)	(6,129,828)	(6,375,385)	(245,557)
Total Property Tax Revenues	\$ 46,754,299	\$ 48,447,403	\$ 51,948,977	\$ 52,565,931	\$ 616,954

Description of property tax purpose:

- **Secured Property Tax** - Secured taxes are calculated based upon the value of real property, land, and personal property, such as structures, located on real property. Secured property is taxed at a general rate of one percent of the assessed value. These taxes make up the majority, or approximately eighty-five percent (85%) of the District’s total property tax revenues each fiscal year. The District receives an incremental portion of these taxes throughout the fiscal year. The revenue growth rate was set by the Finance Committee and approved by the Board at four percent (4%) for FY 2019-20.
- **Unsecured Property Tax** – 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. Staff conservatively projected the revenue growth rate at six percent (6%) for FY 2019-20.
- **Supplemental Senate Bill 813** – 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 the higher assessed value. After the first year, the revenue generated by SB 813 is distributed to all local governments that receive property tax revenues. Staff conservatively projected the revenue growth rate at six percent (6%) for FY 2019-20.
- **Unitary Tax** - Unitary taxes cover such entities as railroads, electric, gas, telephone, and automobile companies. The State Board of Equalization assesses the value of these companies’ operations and establishes a countywide tax rate system. Staff conservatively projected the revenue growth rate at six percent (6%) for FY 2019-20.

- **ERAF Rebate** - In October of 2003, the San Mateo County Controller announced that there would be a refund to local tax receiving agencies from excess funds in the ERAF trust. These refunds are primarily a result of the local tax base increasing at a rate faster than the increase in the funding limits of the schools and community colleges. In FY 2018-19, the District received \$4.8 million in ERAF rebate from San Mateo County. Based on the historical trend of receiving the ERAF rebate, the District factored the projected revenue of \$3.5 million into the FY 2019-20 proposed budget. These funds are budgeted specifically as a transfer to the Capital Improvement Project Fund to help pay for rebuilding Fire Stations.
- **ERAF Shift** - One of the most significant fiscal shifts in property tax revenue from the District by legislative action is the ERAF shift. The State passed into law two tax shifts, ERAF I (FY 1992-93) and ERAF II (FY 1993-94), which shifted local AB8 property tax revenues from counties, cities, special districts, and redevelopment agencies to K-12 schools and community colleges. The ERAF shift is projected to be \$6.4 million that the San Mateo County Treasurer-Tax Collector withholds from the District's property tax revenues (Shift), in FY 2019-20. The FY 2019-20 ERAF Shift projection is based on approximately twelve percent (12%) of property tax revenues including Secured, Unsecured and Homeowner Property Tax Relief.

Other Operating Revenues – The other operating revenue is budgeted at \$7.7 million, which represents approximately 13 percent of the District's overall FY 2019-20 proposed revenue budget.

The FY 2019-20 proposed other operating revenues budget is summarized below:

General Fund Other Operating Revenues Budget Summary					
Fiscal Year 2019-20 Proposed Budget					
Other Operating Revenues	2017-18 Actual Amount	2018-19 Amended Budget	2018-19 Estimated Actual	2019-20 Proposed Budget	Proposed vs. Est. Actual Increase/(Decrease)
Licenses and Permits	\$ 1,021,287	\$ 1,198,869	\$ 1,176,006	\$ 1,223,046	\$ 47,040
Current Service Charges	682,533	684,939	684,452	851,530	167,079
Use of Money and Property	622,861	628,423	929,017	997,135	68,118
Intergovernmental	4,463,211	3,322,895	4,702,143	4,379,453	(322,690)
Other Revenues	154,429	127,607	238,413	247,950	9,537
Total Other Operating Revenues	\$ 6,944,321	\$ 5,962,733	\$ 7,730,031	\$ 7,699,115	\$ (30,917)

- **Licenses and Permits** – Licenses and permits revenues are projected at \$1.2 million, which is an increase of approximately \$47 thousand over the FY 2018-19 estimated actual. License and permit fees are collected for services provided by the District's Fire Prevention Bureau for fire code construction plan reviews, fire code inspections, various permits, weed abatement and various licensing fees. In FY 2019-20, staff is projecting that revenue will stabilize and increase slightly over the FY 2018-19 estimated actual due to new developments within the District's jurisdiction.
- **Current Service Charges** – Revenue from current service charges is projected at \$851 thousand, an increase of approximately \$167 thousand over the FY 2018-19 estimated

actual. The District entered into contract agreements with a few parties, including SLAC and Facebook, to provide fire services out of the normal scope of the District's public services provided. These fixed fees are collected on a monthly and/or annual basis as stated in formal contract agreements between the parties and the District. The two main revenue sources to current service charges are from contract agreements with SLAC National Accelerator Laboratory (\$420 thousand annually) and Facebook (\$407 thousand annually).

The District entered into a contract agreement with SLAC in FY 2014-15, to provide emergency response services. In FY 2016-17, Facebook's new developments in Menlo Park increased the scope and quantity of work for the Fire District due to inspection and plan check activities for various projects; thus, Facebook agreed to fund 100% of the fully burdened cost of a Safety Fire Inspector and 50% of the fully burdened cost of a Plan Checker for an initial term of two years. In FY 2018-19, Facebook agreed to provide funding in the amount of \$150 thousand for a position of Public Service Emergency Assistant at the Fire District which would provide services to Facebook and the community under the control and direction of the Fire District for a duration of 3 years.

- ***Use of Money and Property*** – Use of money and property revenues are projected to be \$1.0 million. The projected increase is \$68 thousand more than the FY 2018-19 estimated actual. Use of money and property revenue is generated from interest earnings and rent from District leased properties and cell site rent. The increase is mainly due to the increase in interest earnings and full year of rent for the Special Operations Warehouse and house on Valparaiso Ave. The rental income from Metro Mobile/PCS, cell site rental on Station One, is the last remaining cell site agreement, which will be ending FY 2020/21.
- ***Intergovernmental*** – Intergovernmental revenue is projected at \$4.4 million, a decrease of \$323 thousand over the FY 2018-19 estimated actual. The District's proposed budget for intergovernmental revenues consists of Homeowner's Property Tax Relief (HOPTR) \$235K, Redevelopment Agency pass-through \$3.9 million, and Joint Power Authority (JPA) paramedic services, \$248K. These three sources of revenues are projected to increase by a combined total of 4 percent over the FY 2018-19 estimated actual.
- ***Other Revenue*** – Other revenue is projected to be \$248 thousand, an increase of 4 percent over the FY 2018-19 estimated actual. This revenue consists of annual emergency preparedness services provided to San Mateo County and other miscellaneous revenue. Staff conservatively projected a moderate increase from the FY 2018-19 estimated actual based on historical data.

GENERAL FUND EXPENDITURES

The FY 2019-20 General Fund proposed expenditures budget is projected to increase by approximately \$7.9 million over the FY 2018-19 estimated actual.

Wages and Compensation: FY 2019-20 estimated wages and compensation expenditures are projected to increase by approximately \$8.4 million over the FY 2018-19 estimated actual. Wages and benefits expenditures represent approximately seventy-three percent (73%) of total projected

expenditures for the FY 2019-20 expenditures budget. FY 2018-19 estimated actual is projected at sixty-eight percent (68%).

The proposed FY 2019-20 wages and benefits expenditures budget is summarized below:

Wages and Compensation Expenditures Budget Summary Fiscal Year 2019-20 Proposed Budget					
Wages and Compensation	2017-18 Actual Amount	2018-19 Amended Budget	2018-19 Estimated Actual	2019-20 Proposed Budget	Proposed vs. Est. Actual Increase/(Decrease)
Salaries	\$ 17,563,235	\$ 19,555,767	\$ 18,500,566	\$ 22,001,660	\$ 3,501,094
Stipends	1,661,301	1,823,419	1,788,932	2,137,729	348,797
Time @ 1.5 (Overtime)	4,525,504	4,879,681	4,163,740	5,331,960	1,168,220
Retirement	3,642,752	5,698,327	5,229,729	7,420,825	2,191,096
Benefits	3,380,633	3,833,359	3,589,048	4,816,734	1,227,686
Extra-Ordinary Expenditures					-
CalPERS UAL Payment	4,423,826	3,550,245	3,500,000	3,500,000	-
Total Wages and Compensation Expenditures	\$ 35,197,251	\$ 39,340,798	\$ 36,772,015	\$ 45,208,908	\$ 8,436,893

- **Compensation** – Compensation expenditure represents normal salaries, stipends, and benefits for all District’s personnel. Total compensation is projected at \$29.0 million, an increase of \$5.1 million over the FY 2018-19 estimated actual. The three new Battalion Chief positions are included in the FY 2019-20 Proposed Budget column.
- **Overtime (Backfill)** – Overtime expenditure is projected at \$5.3 million, an increase of \$1.2 million from the FY 2018-19 estimated actual. Overtime expenditures includes project/program work and backfill of firefighters from factors like family leaves, workers compensation injuries, emergency deployments for wildfire, etc. The District’s policy is to keep a daily minimum level of staffing positions for the frontline apparatus which is a mandatory function of staffing. The District’s daily minimum staffed positions is 32 personnel including one Battalion Chief. The increase in overtime is mainly due to the additional Paid Time Off (PTO) spot included in the IAFF MOU and the new state mandated class requirement for heavy rescue.
- **Retirement** – Expenditures related to retirement are projected at \$7.4 million, an increase of \$2.2 million over the FY 2018-19 estimated actual. The IAFF Local 2400 MOU includes a 3% cost sharing of the employer’s rate to be paid by the employee. The CalPERS employer’s contribution rate for the Safety Classic and Safety PEPRA groups are budgeted at their actual normal cost rate of 23.654% and 13.786%, respectively, for FY 2019-20. CalPERS employer’s contribution rate for the Miscellaneous Classic and PEPRA groups are budgeted at the actual normal cost rate of 13.182% and 6.985%, respectively, for FY 2019-20. See CalPERS UAL below for additional budgeted funds to be transferred to the District’s PERS Reserve Fund and paid towards the District’s Unfunded Actuarial Liability (UAL).

In FY 2011-12, CalPERS changed its structure from all participant Agencies in one pool (Safety or Miscellaneous) to each Agency having its own liability with the option to pay down, or off, their liability. The Fire District had already paid its share of the Safety Group

Side Fund of \$12.5 million over FY 2009-10 and FY 2010-11. Effective July 1, 2015, CalPERS had changed the employer contribution structure. The annual contribution has been separated into the normal cost and the required annual pay down of the unfunded liability portion. The Fire District has continued to make payments to fund its liability: FY 2014-15 \$12 million, FY 2016-17 \$6.2 million, FY 2017-18 \$3.4 million and another payment anticipated by June 30, 2018 of \$4.69. In FY 2019-20, the unfunded liability portion amounts to \$2.6 million for all four CalPERS groups (Safety and Miscellaneous Classic, and Safety and Miscellaneous PEPRAs) to be paid prior to the first payroll of July 2019, which was factored into the FY 2019-20 proposed retirement budget.

- **CalPERS (UAL)** - The annual budgeted CalPERS UAL contribution amount is the difference between the employer's contribution rate for the Safety Classic groups at 41% and Safety PEPRAs at 16%, and the actual normal cost rate of 23.654% and 13.786%, respectively, for FY 2019-20. The Miscellaneous Classic and PEPRAs groups' budgeted CalPERS employer's contribution rate is set at 16%, rather than the actual normal cost rate of 13.182% and 6.985%, respectively, for FY 2019-20. The difference between budgeted and actual CalPERS retirement contribution will be set aside in the District's assigned reserve for Future PERS Payment to be used to pay down the Unfunded Actuarial Liability (UAL). As discussed above the District continues to set aside funds in reserve to help mitigate the impact to the District's future rate increases and payoff of the District's UAL. Paydowns to date made by the District to fund CalPERS Unfunded Actuarial Liability total \$34,101,696 with an additional amount of \$4.69 million anticipated before the end of FY 2018-19.

Other Operating Expenditures: The other operating expenditures is projected to decrease by \$6.1 million over the FY 2018-19 estimated actual.

The FY 2019-20 proposed other operating expenditures budget is summarized below:

Other Operating Expenditures Budget Summary Fiscal Year 2019-20 Proposed Budget						
Other Operating	2017-18 Actual Amount	2018-19 Amended Budget	2018-19 Estimated Actual	2019-20 Proposed Budget	Proposed vs. Est. Actual Increase/(Decrease)	
Materials and Supplies	\$ 2,535,520	\$ 3,670,368	\$ 3,027,878	\$ 3,250,325	\$ 222,447	
Contract Services	3,988,550	5,123,428	4,333,999	5,245,113	911,114	
Fixed Assets	2,248,694	5,701,165	5,053,484	3,860,600	(1,192,884)	
Operating Transfer Out	8,550,100	5,391,100	10,520,243	4,450,100	(6,070,143)	
Total Other Operating Expenditures	\$ 17,322,864	\$ 19,886,061	\$ 22,935,605	\$ 16,806,138	\$ (6,129,467)	

- **Services and Supplies** – Services and supplies expenditures are projected at \$8.5 million, an increase of \$1.1 million over the FY 2018-19 estimated actual. Services and supplies expenditures consist of contract services with outside parties, materials for operational uses, supplies for stations/administration uses, and utilities for all District properties.
- **Equipment / Fixed Assets** – Equipment/fixed assets expenditure is classified as purchases in excess of \$5,000. Equipment/fixed assets is projected at \$3.9 million, a decrease of \$1.2

million from the FY 2018-19 estimated actual. As part of the District's overall apparatus replacement plan, there is a need for the purchase of new fire engines, new training props, and LRAD system to replace existing ones and/or to accommodate existing needs. Other fixed assets expenditures includes Unmanned Aerial System, Information Technology and radios equipment.

Operating Transfers: The FY 2019-20 operating transfer out from the General Fund totaled \$4.5 million.

The FY 2019-20 Operating Transfers proposed budget is summarized below:

Operating Transfers Budget Summary Fiscal Year 2018-19 Proposed Budget						
Operating Transfers	2017-18 Actual Amount	2018-19 Amended Budget	2018-19 Estimated Actual	2019-20 Proposed Budget	Proposed vs. Est. Actual Increase/(Decrease)	
Transfer In:						
Transfer in - Reserve to GF Operating Uses	\$ 1,918,876	\$ 4,816,723	\$ 528,610	\$ 2,000,000		1,471,390
Transfer in - GF to Fund Balance Reserve	3,068,771	-	500,000	(250,000)	\$	(750,000)
Total Operating Transfer In	\$ 4,987,647	\$ 4,816,723	\$ 1,028,610	\$ 1,750,000	\$	721,390
Transfer Out:						
Transfer out - GF to Debt Service	\$ (950,100)	\$ (950,100)	\$ (950,100)	\$ (950,100)	\$	-
Transfer out - GF to CIP	(7,600,000)	(4,441,000)	(9,570,143)	(3,500,000)		6,070,143
Total Operating Transfer Out	\$ (8,550,100)	\$ (5,391,100)	\$ (10,520,243)	\$ (4,450,100)	\$	6,070,143

Transfer in – GF to Fund Balance Reserve: The FY 2019-20 General Fund reserve operating transfer in for operational uses total \$2 million (\$1.0 million from Apparatus and \$1.0 million from Equipment reserves) offset with General Fund transfer out to Apparatus Reserve of \$250 thousand to offset depreciation experienced on the new Apparatus, and to begin rebuilding the reserves for apparatus replacement as the, now, new engines, etc. need replacement after approximately 10 years of service or 100 thousand miles. The net difference is \$1.75 million General reserve transfer in for operational uses.

Transfer out – GF to Debt Service and CIP Fund: The FY 2019-20 operating transfer out to the Capital Improvement Projects Fund and Debt Service Fund are: \$3.5 million to the CIP Fund and \$950K to the Debt Service Fund.

CAPITAL IMPROVEMENT PROJECTS (CIP) FUND

There are currently ten Capital Improvement Project (CIP) funds the District uses for tracking capital improvement projects. These cover seven Fire Stations, the Administration Office, the Annex Building, the Special Operations Warehouse, and properties on Almedral Ave., Valparaiso Ave., and Chilco St. The CIP Funds include the District's Development Contribution Fund (impact fees) which house impact fees from developers for new construction within the District's jurisdiction to mitigate the fiscal impact of development.

The FY 2019-20 CIP Fund proposed budget is summarized below:

Capital Improvement Projects Fund Budget Summary						
Fiscal Year 2019-20 Proposed Budget						
	2017-18	2018-19	2018-19	2019-20	Proposed vs. Est. Actual	
	Actual Amount	Amended Budget	Estimated Actual	Proposed Budget	Increase/(Decrease)	
Fund Balance at Beginning of Year	\$ 25,185,625	\$ 12,946,025	\$ 12,946,025	\$ 20,172,122	\$ 7,226,097	
Revenues						
Other Financing Sources	\$ 1,067	\$ -	\$ 546,000	\$ -	\$ (546,000)	
Total Revenues	\$ 1,067	\$ -	\$ 546,000	\$ -	\$ (546,000)	
Expenditures						
Land & Building	\$ 14,861,284	\$ 941,000	\$ 945,158	\$ -	\$ (945,158)	
Construction	4,840,906	1,504,257	1,250,433	2,667,800	1,417,367	
Other Improvements	138,477	1,208,000	443,930	490,000	46,070	
Total Expenditures	\$ 19,840,667	\$ 3,653,257	\$ 2,639,521	\$ 3,157,800	\$ 518,279	
Transfers						
Transfer In - General Fund	\$ 7,600,000	\$ 4,441,000	\$ 9,511,143	\$ 3,500,000	\$ (6,011,143)	
Transfers In/Out - Between CIP	-	541,889	(191,525)	-	191,525	
Total Transfers	\$ 7,600,000	\$ 4,982,889	\$ 9,319,618	\$ 3,500,000	\$ (5,819,618)	
CIP Fund Balance at End of Year	\$ 12,946,025	\$ 14,275,657	\$ 20,172,122	\$ 20,514,322	\$ 342,200	

The FY 2019-20 CIP proposed expenditures budget is projected to be \$3.2 million, which includes \$2.7 million for construction expenditures, including Station 1 and Station 4 architect and design projects, and \$490 thousand in other improvements (Station 2: driveway ramps, Station 3: miscellaneous projects to property on Almendral Ave, and Special Operations Warehouse: structural improvement projects). Operating transfer in from the General Fund is projected to be \$3.5 million.

DEBT SERVICE FUND

In December 2009, authorized by Resolution #1347-2009, the District issued Certificates of Participation Series A and B bonds bearing interest rates between two and seven percent. The Series B bonds were issued as “Build America Bonds” pursuant to the American Recovery Reinvestment Act of 2009. The Series B bonds are not tax-exempt and 35 percent of the interest payable is refundable from the United States Treasury. The annual General Fund transfer of \$950,100 is based on the average annual debt service payment, less two payments which are part of the reserve balance requirement.

FY 2019-20 Debt Service Fund proposed budget is summarized below:

Debt Service Fund Budget Summary Fiscal Year 2019-20 Proposed Budget						
	2017-18 Actual Amount	2018-19 Amended Budget	2018-19 Estimated Actual	2019-20 Proposed Budget	Proposed vs. Est. Actual Increase/(Decrease)	
Fund Balance at Beginning of Year	\$ 2,687,252	\$ 2,853,371	\$ 2,853,371	\$ 3,027,278	\$ 173,907	
Revenues						
Intergovernmental (IRS Interest Exp. Refunds)	\$ 211,127	\$ 212,000	\$ 211,522	\$ 212,000	\$ 478	
Interest - COPS Series A & B	7,627	10,000	12,770	15,000	2,230	
Total Revenues	\$ 218,754	\$ 222,000	\$ 224,292	\$ 227,000	\$ 2,708	
Expenditures						
Fees	\$ 2,950	\$ 3,000	\$ 3,100	\$ 3,200	\$ 100	
Debt Service:						
Principal Payments - COPS Series A & B	270,000	280,000	280,000	295,000	15,000	
Interest - COPS Series A & B	729,785	717,385	717,385	703,010	(14,375)	
Total Expenditures	\$ 1,002,735	\$ 1,000,385	\$ 1,000,485	\$ 1,001,210	\$ 725	
Transfers						
Transfer in COPS Series A	\$ 328,400	\$ 328,400	\$ 328,400	\$ 328,400	\$ -	
Transfer in COPS Series B	621,700	621,700	621,700	621,700	-	
Total Transfers	\$ 950,100	\$ 950,100	\$ 950,100	\$ 950,100	\$ -	
DSF Fund Balance at End of Year	\$ 2,853,371	\$ 3,025,086	\$ 3,027,278	\$ 3,203,168	\$ 175,890	

The FY 2019-20 proposed revenue budget is projected to be \$227K (\$212K from IRS rebate and \$15K from interest earned by the investment of the reserve funds held by the Fiscal Agent). In addition, there is an annual transfer in of \$950K to be used specially to offset the Debt Service payment for FY 2019-20. The proposed expenditures budget is projected at \$1 million which is mainly due to principal (\$295K) and interest (\$703K) payments.

ATTACHMENT

A. Full-Time Employees Listing



Menlo Park Fire Protection District

Fiscal Year 2019-20 FTE Listing

Positions	Group	2018-19	2019-20	Change
		Positions	Proposed FTE	
Fire Chief	Unrep	1.00	1.00	-
Deputy Chief	Unrep	1.00	1.00	-
Division Chief	Unrep	3.90	3.90	-
Battalion Chief	Unrep	3.00	6.00	3.00
Fire Marshal	Unrep	1.00	1.00	-
Administrative Services Manager	Unrep	1.00	1.00	-
Emergency Medical Services Manager	Unrep	1.00	1.00	-
Disaster Response Manager	Unrep	1.00	1.00	-
Human Resources Manager	Unrep	1.00	1.00	-
Information Technology Manager	Unrep	1.00	1.00	-
Clerk of the Board	Unrep	1.00	1.00	-
Senior Accountant	Unrep	1.00	1.00	-
Senior Human Resources Analyst	Unrep	1.00	1.00	-
Senior Information Technology Analyst	Unrep	1.00	1.00	-
Senior Management Analyst	Unrep	2.00	2.00	-
Senior Payroll Analyst	Unrep	1.00	1.00	-
Accounting Technician	Unrep	2.00	2.00	-
Information Technology Specialist	Unrep	1.00	1.00	-
Public Service Assistant III	Unrep	1.00	1.00	-
Fire Prevention Coordinator	AFSCME	1.00	1.00	-
Risk Reduction Officer	AFSCME	2.00	2.00	-
Emergency Services Specialist	AFSCME	1.00	1.00	-
Fleet Supervisor	AFSCME	1.00	1.00	-
Mechanic	AFSCME	1.00	1.00	-
Plan Examiner	AFSCME	1.00	1.00	-
Administrative Assistant - Suppression Training	AFSCME	1.00	1.00	-
Administrative Specialist - Fire Prevention	AFSCME	1.00	1.00	-
Captain	IAFF	27.00	27.00	-
Captain - Training	IAFF	1.00	1.00	-
Engineer	IAFF	58.00	58.00	-
Firefighter	IAFF	17.00	17.00	-
Deputy Fire Marshall	IAFF	1.00	1.00	-
Fire Inspector I/II	IAFF	4.00	4.00	-
Total FTE		142.90	145.90	3.00
Grant Funded FTE				
Division Chief	Unrep	0.10	0.10	-
Sr. Management Analyst	AFSCME	1.00	1.00	-
Administrative Services Analyst	AFSCME	1.00	1.00	-
Logistics Specialist	AFSCME	1.00	1.00	-
Total Grant Funded FTE		3.10	3.10	-