

2025-26 Adopted Budget



San Mateo Consolidated Fire Department

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Budget Message



Letter of Transmittal

Fire Chief's Letter of Transmittal

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

The San Mateo Consolidated Fire Department (SMC Fire), like many organizations, is adapting to economic challenges while upholding our commitment to public service. Our Strategic Plan focuses on employee development, technology integration, and fiscal responsibility. In our sixth year, we're building on a strong foundation, driven by a culture of trust and collaboration, exemplified by our FACT (Fire Action Consensus Team) participatory management process, which fosters positive change across all divisions.

Operationally, we continued to adapt to the steady demand for services and inspections. Fire responses totaled 19,939 and our Community Risk Reduction Divisions inspections totaled 6,646. Our Training Division oversaw 39,747 hours of training for all employees. With steady demand for services, the importance of staying fully staffed has remained a focus. We continue to recruit great people, though industry wide it has been challenging over the past few years. We have welcomed eight new people to the SMC family, and we are excited about the energy they all bring to the organization.

To enhance operational efficiency, we have consolidated our Administrative Offices, bringing together Operations, Community Risk Reduction, Administration, Human Resources, and Information Technology under one roof. Furthermore, we secured a lease for our Fleet and Facilities Division, a key achievement from last year. This location will yield fiscal benefits through reduced maintenance costs and decreased apparatus out-of-service time, in addition to fulfilling our storage needs.

As the new Fire Chief of San Mateo Consolidated Fire Department, I inherit the strong foundation built over the past five years. We are now focused on implementing policies and processes that solidify our mission and vision. With a culture of trust and open communication, we are confident in our ability to meet future challenges and maintain public trust.

The exceptional dedication and leadership within our department reaffirm my confidence daily. With that, I present for your review and consideration the 2025-26 Budget, inclusive of the \$55.9 million 2025-26 budget for appropriation. This allocation ensures we continue to deliver core services that meet and exceed the standards established by our predecessor agencies. The proposed operating expenditures for 2025-26 are detailed below.

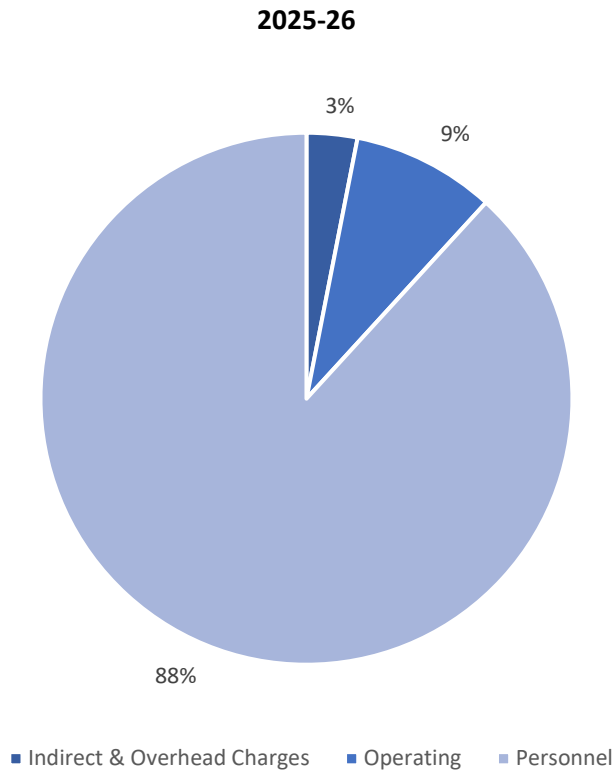
SMC FIRE		2025-26 PROPOSED BUDGET
General Fund	\$	52.3
Special Revenue Fund		3.6
Total	\$	55.9

In millions

Letter of Transmittal

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 the maintenance of existing service levels, builds in anticipated personnel and benefit cost increases, and works to factor in inflation and other uncertainties given current economic conditions. Personnel costs were adjusted based on the current composition of SMC Fire staff, the current contractual agreements in place, and anticipated future agreements. Pension costs were adjusted with updated rates from CalPERS and benefit costs, such as health insurance, were adjusted along with Worker's Compensation. Staff unfunded two vacant positions, 1 FTE in the General Fund and 1 FTE in the Fire Protection and Life Safety Fund, to keep expenses down in this current economic climate.

Letter of Transmittal

Short- and Long-Term Factors

When developing the budget, the department has taken several short- and long-term factors into consideration. Such factors include inflation, overtime pressures, unfunded pension liabilities, and increasing insurance rates. Rising inflation has been an issue for all agencies over the last few years. Although the Federal government has been actively seeking to control inflation during this time and working to get the inflation rate back to the targeted 2% level, the economic uncertainty created by recent political and economic actions have made the return to target less clear. Given these uncertainties, staff has built into the forecast that the inflation issue will continue into next year. As such, inflationary increases have been factored into the development of the budget. In 2023-24 and 2024-25, the department also experienced higher than normal overtime expenses. The increases were partly due to mutual-aid fire support which were later reimbursed by the State government.

As a new entity, SMC Fire does not carry significant unfunded pension liabilities in its contract with CalPERS. The unfunded pension liabilities, or payment with current dollars to fund pension benefits for prior years' services, remained with the respective member agencies. Since its inception in January 2019, SMC Fire's pension contribution rates have primarily consisted of normal services costs (contributions to fund pension benefits for the current years' service). However, this changed in fiscal year 2024-25 because CalPERS experienced significant investment loss, a negative return (-7.5%), in fiscal year 2021-22. Given the reduction in investment gains from the standard 6.8%, an additional unfunded pension liability was added to SMC Fire, and the department was required to start making unfunded actuarial liability (UAL) payments beginning 2024-25. Based on the latest CalPERS actuarial valuation reports, SMC Fire's UAL requirements are projected to be about \$255,000 for 2025-26. Although the pension UAL is significantly higher than in prior years, it is a relatively small percentage of the total operating expenses.

Starting with this budget, staff will also be monitoring the cost of Worker's Compensation and General Liability insurance. The current expenses appear to be growing faster than the current revenues being set aside in the Worker's Compensation Fund and staff wants to ensure that adequate funding is available for future claims and expenses. At the same time, the department's Internal Service Fund for Benefits has been accumulating funds over the last few years and looks to have more than sufficient funds to meet the longer term expenditure requirements. As such, the projected increases in pension UAL and Worker's Compensation and General Liability insurance will not cause budget issues in the short term. 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, to maintain current service levels. The major components of the long-term financial plan include:

- Known salary increases according to the contractual agreements
- Estimated salary increases for 2025-26 based on anticipated future contractual agreements
- Increases in CalPERS contribution rates predominantly absorbed by SMC Fire
- Assumed increases in medical and other benefits costs
- Designated funding for future purchases of Fire Engines and Trucks

Since 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. Many financial pressures continue to weigh on budgets for the communities served by SMC Fire. The property tax in-lieu of vehicle license fees (VLF) shortfall has become a major uncertainty for all three cities. In addition, the slowdown in the housing market, the continued expectation of high inflation, and the overall sense of economic uncertainty all weigh heavily on future revenue projections for the three cities and may impact the availability of funding for SMC Fire. Ongoing economic conditions may impact the member agency's ability to maintain existing service levels to their communities, which in turn may impact SMC Fire's ability to maintain service levels.

Letter of Transmittal

Overall, though, SMC Fire is in a strong position since 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. 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

After six years of operations, all members of SMC Fire remain committed to our mission, values, and benefits our consolidated agency provides. The development and delivery of the adopted 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 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 'Matt Turturici', written over a faint, illegible stamp or text.

Matt Turturici
Fire Chief



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Overview

San Mateo Consolidated Fire Department

Overview

The San Mateo Consolidated Fire Department (SMC Fire) commenced operations 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 163 personnel, utilizing 10 engine companies and two ladder trucks from nine fire stations. This consolidation allows SMC Fire to continue providing comprehensive emergency response, fire prevention and disaster preparedness services to all three cities in a more cost-effective way, while maintaining the high level of service each city relies on.

Mission Statement

Providing all risk fire and emergency services through professionalism, collaboration, and public trust.

Core Values

- Respect
- Accountability
- Dedication
- Integrity
- Compassion
- Altruism
- Leadership

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) support, 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 is also responsible for the administrative support needed to ensure effective and efficient emergency response operations. Lastly, the division encourages personnel to actively participate in civic activities within the jurisdictions which they serve.



San Mateo Consolidated Fire Department

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), 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 manage and mitigate all emergency incidents effectively and safely.
- Oversight of the Training Division ensuring that the training deployment and objectives are consistent countywide
- Responding to issues brought forward by SMC Fire’s Safety Committee within 14 days, 100% of the time.

- Monitoring all SMC Fire response times annually to ensure expedience 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 and Public Works departments from each member agency, and external agencies such as Pacific Gas & Electric (PG&E), California Water Service, Red Cross, the Chambers of Commerce, and neighborhood groups as needed.
- Maintaining 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/Specialists respond as a specialized team to incidents and operate in partnership with the County’s Environmental Health Division and the County’s Department of Emergency Management. 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



San Mateo Consolidated Fire Department

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. The Training Battalion Chief functions as the Department Safety Officer.

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

Key responsibilities of the Training Division include:

- Making safety and ethical behavior a top priority for all.
- Ensuring fire suppression personnel are physically and mentally prepared to safely carry out their responsibilities.
- Participating in the development of countywide deployment and training objectives through the San Mateo County Fire Chiefs Operations and Training Chiefs Sections.
- Providing a training program for all members of SMC Fire that meets local, state, and federally mandated training requirements to provide consistent, quality emergency and non-emergency services.
- Provide Paramedic and EMS oversight as required by countywide EMS JPA Agreement.
- Conducting self-assessments to evaluate our performance standards and operational readiness ensuring that SMC Fire members have the most current 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 maintain 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.

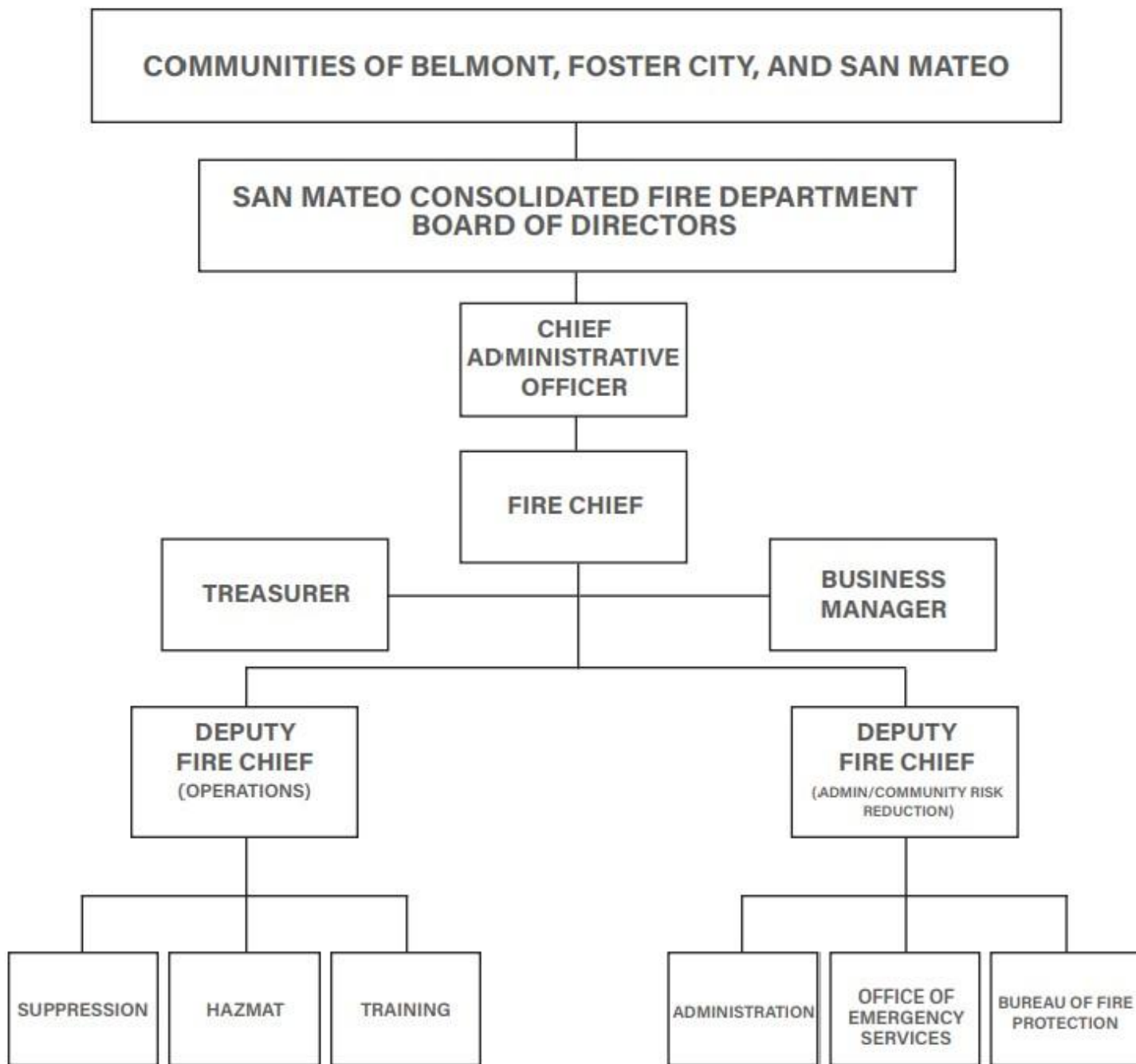
Key responsibilities of the CRR Division include:

- Managing risk within the community guided by a community risk assessment.
- Reducing loss through education on specific risks, engineering of safety solutions, and enforcement of fire and building codes.
- 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 developing and 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 manmade 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 Department of Emergency Management, the California Governor's Office of Emergency Services, the Department of Homeland Security, and other agencies to obtain additional resources and/or to mitigate significant incidents.

Organizational Chart



BOARD OF DIRECTORS

Board Chair	Julia Mates, City of Belmont
Vice Chair	Rob Newsom Jr., City of San Mateo
Board Member	Stacy Jimenez, 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 Funds

This fund type 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 Funds

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 Annual Financial Report (AFR), 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

- Operating budget requests are received and evaluated by the Chief Administrative Officer.

April Through June

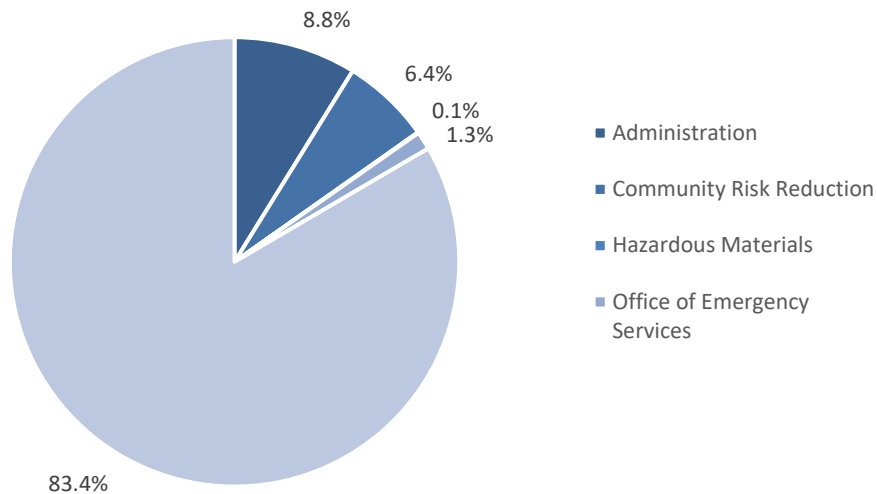
- Fire Board approves Master Fee Schedule during a public hearing.
- Long-term financial plans for applicable funds are finalized.
- The Fire Board holds a public hearing on the recommended budget.
- The Fire Board approves the recommended budget. Each of the member agencies then seeks approval from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



Department Financials

FINANCIALS	2023-24 ACTUALS	2024-25 ADJUSTED BUDGET	2025-26 PROPOSED BUDGET
Expenditures by Category			
Personnel	\$ 45,042,365	\$ 45,399,100	\$ 48,231,867
Operating	5,314,514	5,423,040	5,655,722
Indirect & Overhead Costs	1,793,279	1,775,989	1,665,457
Capital Outlay	238,457	-	-
Total Expenditures	\$ 52,388,616	\$ 52,598,129	\$ 55,900,046
Expenditures by Program			
Administration	\$ 3,757,982	\$ 4,146,543	\$ 4,901,877
Community Risk Reduction	3,308,878	3,655,382	3,564,296
Hazardous Materials	759,983	210,811	31,338
Office of Emergency Services	452,719	589,934	723,802
Operations	44,109,054	43,995,459	46,678,734
Total Expenditures	\$ 52,388,616	\$ 52,598,129	\$ 55,900,046
Funding Sources			
General Fund	\$ 49,079,738	\$ 48,942,747	\$ 52,264,552
Special Revenue Fund	3,308,878	3,655,382	3,635,494
Total Funding Sources	\$ 52,388,616	\$ 52,598,129	\$ 55,900,046

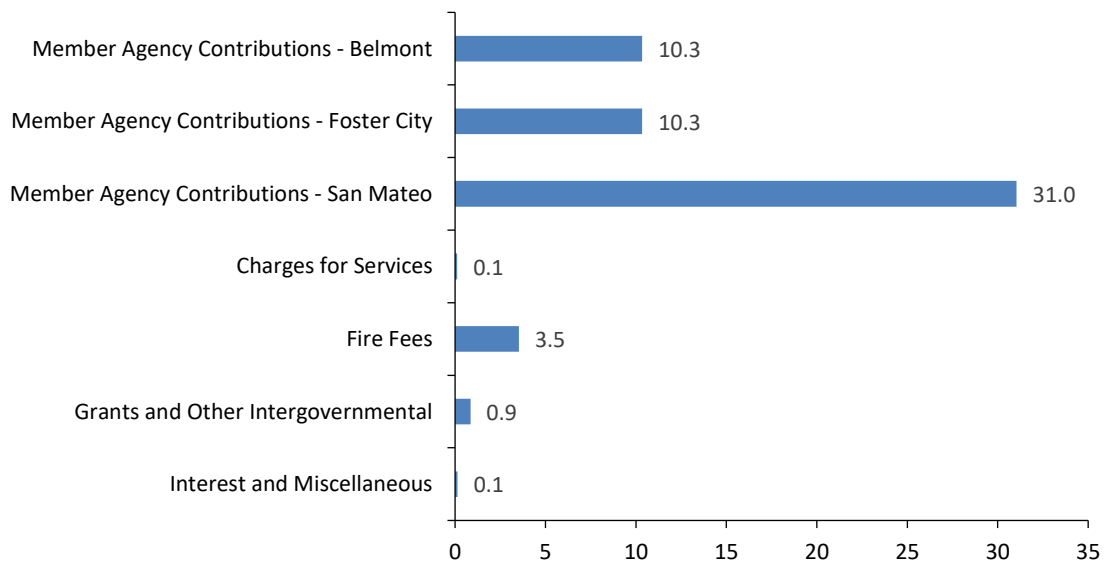
**EXPENDITURES BY PROGRAM
2025-26 (\$55.9 MILLION)**



Sources of Funding

CATEGORY		2023-24 ACTUALS		2024-25 ADJUSTED BUDGET		2025-26 PROPOSED BUDGET
Member Agency Contributions - Belmont	\$	9,169,909	\$	9,582,555	\$	10,349,159
Member Agency Contributions - Foster City		9,169,909		9,582,555		10,349,159
Member Agency Contributions - San Mateo		27,509,727		28,747,664		31,047,477
Charges for Services		46,394		353,324		115,154
Fire Fees		3,090,297		3,313,542		3,530,312
Grants and Other Intergovernmental		2,874,393		817,731		850,441
Interest and Miscellaneous		1,224,352		110,000		135,000
Total Sources of Funding	\$	53,084,980	\$	52,507,371	\$	56,376,703

SOURCES OF FUNDING
2025-26 (\$56.4 MILLION)
 in millions



Full Time Equivalent (FTE) Personnel

FULL TIME EQUIVALENT (FTE) PERSONNEL	2024-25 ADJUSTED BUDGET	2025-26 PROPOSED BUDGET
Fire Chief	1.00	1.00
Administrative Assistant	4.00	4.00
Administrative Technician	1.00	1.00
Business Manager	1.00	1.00
Deputy Fire Chief	2.00	2.00
Deputy Fire Marshal	1.00	1.00
EMS Manager	1.00	1.00
Emergency Services Manager	1.00	1.00
Emergency Services Specialist	2.00	2.00
Facilities and Fleet Services Manager	1.00	1.00
Fire Battalion Chief *	6.00	6.00
Fire Captain	41.00	41.00
Fire Marshal	1.00	1.00
Fire Prevention Inspector I/II *	6.00	6.00
Firefighter	90.00	90.00
Fleet Mechanic I/II	1.00	1.00
Management Analyst I/II	1.00	1.00
Office Assistant I/II	1.00	1.00
Systems Analyst II	1.00	1.00
Total Merit	163.00	163.00
Total Per Diem	1.85	1.34
Total Positions	164.85	164.34

*1.00 FTE of each position has been defunded in the Proposed 2025-26 Budget.



Fund Information

General Fund

General Fund	2023-24 Actuals	2024-25 Estimated Actuals	2025-26 Proposed Budget	2026-27 Forecast	2027-28 Forecast	2028-29 Forecast	2029-30 Forecast
Beginning Fund Balance	\$ 584	\$ 1,267	\$ 1,260	\$ 1,760	\$ 1,760	\$ 1,760	\$ 3,510
Revenues							
Member Agency Contributions - Belmont	\$ 9,170	\$ 9,583	\$ 10,349	\$ 10,875	\$ 11,216	\$ 11,609	\$ 12,015
Member Agency Contributions - Foster City	9,170	9,583	10,349	10,875	11,216	11,609	12,015
Member Agency Contributions - San Mateo	27,510	28,748	31,047	32,625	33,648	34,826	36,045
Charges for services	2,082	3,259	68	69	71	72	74
Grants and Other Intergovernmental	785	816	850	867	885	902	921
Interest and Miscellaneous	968	916	100	102	104	106	108
Total Revenues	\$ 49,685	\$ 52,903	\$ 52,764	\$ 55,413	\$ 57,140	\$ 59,124	\$ 61,177
Expenditures							
Salaries and Wages	\$ 31,547	\$ 34,403	\$ 32,747	\$ 33,783	\$ 34,834	\$ 36,043	\$ 37,430
Benefits	11,472	12,409	13,352	13,809	14,224	14,650	15,090
Operating	4,233	4,362	4,553	6,208	6,417	5,014	5,178
Indirect & Overhead Charges	1,750	1,720	1,612	1,612	1,666	1,666	1,666
Capital Outlay	78	17	-	-	-	-	-
Total Expenditures	\$ 49,080	\$ 52,910	\$ 52,265	\$ 55,413	\$ 57,140	\$ 57,374	\$ 59,364
Other Financing Sources	\$ 78	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ending Fund Balance	\$ 1,267	\$ 1,260	\$ 1,760	\$ 1,760	\$ 1,760	\$ 3,510	\$ 5,323
Committed	\$ 101	\$ 101	\$ 101	\$ 101	\$ 101	\$ 101	\$ 102
Unassigned Fund Balance	\$ 1,166	\$ 1,159	\$ 1,659	\$ 1,659	\$ 1,659	\$ 3,409	\$ 5,221

*Shown in thousands

The General Fund is the primary funding source of the 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. The member agency contributions had an overall 8% increase for fiscal year 2025-26 from the previous fiscal year.

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 over 85%. 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 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. The 2025-26 budget does not include appropriations for 1.0 FTE Battalion Chief. Staff will continue to monitor the fund to determine if this position can be funded in the near future.

Funds will be set aside when, in any year, actual expenditures come in lower than actual revenues. This helps the General Fund establish a reserve that is in line with the fund's reserve policy of 3% of operating budget expenditures and ensures service stability without putting a major impact on the member agencies in the event of significant financial emergency. Staff estimates that the fund balance will increase by \$0.5 million by the end of fiscal year 2025-26, bringing the fund balance to \$1.8 million and closer to the 3% reserve target.

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.

Fire Protection and Life Safety

Fire Protection and Life Safety	2023-24 Actuals	2024-25 Estimated Actuals	2025-26 Proposed Budget	2026-27 Forecast	2027-28 Forecast	2028-29 Forecast	2029-30 Forecast
Beginning Fund Balance	\$ 975	\$ 988	\$ 1,000	\$ 977	\$ 882	\$ 864	\$ 935
Revenues							
Fire Fees	\$ 3,122	\$ 3,393	\$ 3,612	\$ 3,829	\$ 4,059	\$ 4,303	\$ 4,561
Interest and Miscellaneous	200	14	-	-	-	-	-
Total Revenues	\$ 3,322	\$ 3,407	\$ 3,612	\$ 3,829	\$ 4,059	\$ 4,303	\$ 4,561
Expenditures							
Personnel	\$ 2,044	\$ 2,422	\$ 2,479	\$ 2,772	\$ 2,855	\$ 2,941	\$ 3,029
Operating	728	371	524	531	546	562	578
Indirect & Overhead Costs	44	56	53	53	55	55	55
Legacy Costs	493	546	579	568	621	675	689
Total Expenditures	\$ 3,309	\$ 3,395	\$ 3,635	\$ 3,924	\$ 4,077	\$ 4,232	\$ 4,351
Ending Fund Balance	\$ 988	\$ 1,000	\$ 977	\$ 882	\$ 864	\$ 935	\$ 1,144

*Shown 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. As a program in SMC Fire, expenditures in the Fire Protection and Life Safety Fund continue to include legacy costs, most notably the unfunded pension liability from fire prevention personnel that transferred from San Mateo. The estimated fund balance by the end of fiscal year 2025-26 will meet policy-level reserves in this fund, which is three months of operating expenditures. However, the projected 2026-27 budget will bring the fund balance down below the policy reserve level. A new fee study will be conducted during fiscal year 2025-26 to align fees with the cost of service in order to adequately recover costs for the Fire Protection and Life Safety Fund. The 2025-26 budget does not include appropriations for 1.0 FTE Fire Prevention Inspector. Staff will continue to monitor the fund to determine if this position can be funded in the near future.

Vehicle and Equipment Replacement

Vehicle and Equipment Replacement	2023-24 Actuals	2024-25 Estimated Actuals	2025-26 Proposed Budget	2026-27 Forecast	2027-28 Forecast	2028-29 Forecast	2029-30 Forecast
Beginning Cash Balance	\$ 1,585	\$ 2,896	\$ 3,876	\$ 4,753	\$ 5,202	\$ 5,986	\$ 2,031
Revenues							
Interest Earnings	\$ 65	\$ -	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20
Rental Charges	1,820	1,340	1,665	1,665	1,721	1,721	1,721
Total Revenues	\$ 1,885	\$ 1,340	\$ 1,685	\$ 1,685	\$ 1,741	\$ 1,741	\$ 1,741
Expenses							
Vehicle Replacement	\$ 526	\$ 44	\$ -	\$ 413	\$ 564	\$ 5,423	\$ 2,166
Computer Replacement	99	17	25	3	-	-	-
Radio Replacement	-	6	71	-	6	-	13
Major Equipment Replacement	220	272	714	820	386	274	251
Other Capital Outlay	(270)	20	-	-	-	-	-
Total Expenses	\$ 574	\$ 360	\$ 809	\$ 1,236	\$ 956	\$ 5,697	\$ 2,430
Ending Cash Balance	\$ 2,896	\$ 3,876	\$ 4,753	\$ 5,202	\$ 5,986	\$ 2,031	\$ 1,342

Shown 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. Fiscal year 2025-26 is anticipated to end with an estimated \$4.8 million in fund balance. In the five-year plan, staff have maintained consistent cost recovery rates while also monitoring replacement purchases for vehicle and equipment to ensure the fund balance is at an appropriate level for fiscal years 2028-29 and 2029-30 when multiple fire trucks and fire engines need to be replaced.

Benefits and Dental

Benefits and Dental	2023-24 Actuals	2024-25 Estimated Actuals	2025-26 Proposed Budget	2026-27 Forecast	2027-28 Forecast	2028-29 Forecast	2029-30 Forecast
Beginning Fund Balance	\$ 3,539	\$ 2,937	\$ 3,117	\$ 3,091	\$ 3,064	\$ 3,036	\$ 3,006
Revenues							
Internal Service Charge - Pension	\$ 4,748	\$ 4,453	\$ 4,993	\$ 5,182	\$ 5,388	\$ 5,610	\$ 5,838
Internal Service Charge - Medicare	456	468	432	488	502	515	529
Internal Service Charge - Healthcare	3,808	3,919	4,066	4,228	4,397	4,573	4,756
Internal Service Charge - Severance Trust	548	545	630	649	668	688	709
Internal Service Charge - Other	1,054	1,002	1,106	1,142	1,180	1,218	1,258
Total Revenues	\$ 10,613	\$ 10,388	\$ 11,226	\$ 11,690	\$ 12,135	\$ 12,605	\$ 13,090
Expenses							
Pension	\$ 4,748	\$ 4,454	\$ 4,993	\$ 5,182	\$ 5,388	\$ 5,610	\$ 5,838
Medicare	456	468	432	488	502	515	529
Healthcare	2,620	4,003	4,091	4,254	4,424	4,600	4,784
Severance Trust	78	297	630	649	668	688	709
Other	3,312	986	1,106	1,143	1,181	1,221	1,262
Total Expenses	\$ 11,215	\$ 10,208	\$ 11,252	\$ 11,717	\$ 12,163	\$ 12,634	\$ 13,122
Ending Fund Balance	\$ 2,937	\$ 3,117	\$ 3,091	\$ 3,064	\$ 3,036	\$ 3,006	\$ 2,975

Shown 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. For that reason, 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	2023-24 Actuals	2024-25 Estimated Actuals	2025-26 Proposed Budget	2026-27 Forecast	2027-28 Forecast	2028-29 Forecast	2029-30 Forecast
Beginning Fund Balance	\$ 2,281	\$ 1,499	\$ 1,680	\$ 1,188	\$ 646	\$ 49	\$ (514)
Revenues							
Internal Service Charges	\$ 1,781	\$ 2,999	\$ 3,402	\$ 3,742	\$ 4,116	\$ 4,527	\$ 4,980
Interest Earnings	55	5	5	5	5	5	5
Other Revenues	112	667	-	-	-	-	-
Total Revenues	\$ 1,948	\$ 3,671	\$ 3,407	\$ 3,747	\$ 4,121	\$ 4,532	\$ 4,985
Expenses							
Insurance Premiums	\$ 2,730	\$ 3,490	\$ 3,899	\$ 4,289	\$ 4,718	\$ 5,095	\$ 5,503
Total Expenses	\$ 2,730	\$ 3,490	\$ 3,899	\$ 4,289	\$ 4,718	\$ 5,095	\$ 5,503
Ending Fund Balance	\$ 1,499	\$ 1,680	\$ 1,188	\$ 646	\$ 49	\$ (514)	\$ (1,032)

Shown 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.

In the five-year plan, collections have been set to remain steady with a 10% increase year over year. Annual collection amounts are adjusted accordingly to ensure costs of the programs are covered and have an appropriate fund balance to absorb major fluctuations in costs. Unfortunately, the costs of the workers' compensation and general liability programs have increased more rapidly than anticipated which has caused this fund to not collect enough to fully fund costs each year, resulting in a draw down on fund balance. Based on the current five-year outlook, staff will need to increase collection amounts to keep up with the increase in costs and to build an appropriate fund balance since keeping collections at the current rate will result in the fund going negative by fiscal year 2028-29. Staff will continue to review the fund collection amounts each year and make changes accordingly.



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

With the exception of the Funding Balance and Reserve Policies, except as otherwise noted all policies included in this document are currently adhered to. As noted in the General Fund narrative, compliance will be achieved on a gradual basis, rather than immediate based on the actual results of each fiscal year to avoid placing an unnecessary and immediate financial impact on member agencies.

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 Annual Financial Report and presented to the Fire Board at a public meeting.

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, 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.

Financial Policies

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

General Fund reserves will be at least 3% of annual operating expenditures. This modest goal accounts for the member agencies' preference of retaining resources in their own respective ledgers while providing SMC Fire with the operational flexibility to avoid having to request additional contributions mid-year. 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.

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.



Financial Policies

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 operating funds based on personnel costs. 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.

RESOLUTION NO. RES-2025-006

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SAN MATEO
CONSOLIDATED FIRE DEPARTMENT APPROVING THE 2025-26 BUDGET**

WHEREAS, the San Mateo Consolidated Fire Department (SMC Fire) Board of Directors held a public hearing on the fiscal year 2025-26 budget; and,

WHEREAS, the budget required to operate and support SMC Fire is \$55,900,046 for the fiscal year beginning July 1, 2025 and ending June 30, 2026; and,

WHEREAS, unrecoverable costs in the approved budget are allocated between SMC Fire's three member agencies as prescribed in section 14.2 of the Joint Powers Authority (JPA) governing SMC Fire: 60% to City of San Mateo (\$31,047,477), 20% to Foster City (\$10,349,159), and 20% to the City of Belmont (also \$10,349,159).

NOW, THEREFORE, the Board of Directors of the San Mateo Consolidated Fire Department resolves as follows:

1. Approve SMC Fire's budget, which provides for \$52,264,552 in General Fund appropriations and \$3,635,494 in Fire Protection and Life Safety Fund appropriations for the fiscal year beginning July 1, 2025 and ending June 30, 2026, as set forth in the accompanying Staff Report.
2. Recommend approval of the budget to the governing bodies of the member agencies.
3. Authorize the Fire Chief, upon approval of the budget by the governing boards of the member agencies, to effectuate SMC Fire's budget as adopted.

PASSED AND ADOPTED as a resolution of the Board of Directors of the San Mateo Consolidated Fire Department at the regular meeting held on the 21st day of May, 2025, by the following vote:

AYES: **Mates, Newsom, Jimenez**

NOES:

ABSENT:

ABSTAIN:

ATTEST:



Board Secretary



Julia Mates (May 27, 2025 07:54 PDT)

Board President

APPROVED AS TO FORM:



William D. Ross, General Counsel