



San Mateo Consolidated Fire Department

Proposed 2022-24 Business Plan

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Budget Message



Transmittal of Proposed Budget

Fire Chief's Letter of Transmittal

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

The San Mateo Consolidated Fire Department (SMC Fire) experienced a year of significant challenges and opportunities. The year started with continued pandemic-related concerns that challenge our first responders through most of 2021. As we entered 2022, we found ourselves confronting the impacts of a new COVID variant and its unknowns. In addition, we were faced with another catastrophic wildfire season that had our crews battling wildfires from California to Oregon and even Montana. While the challenges were many, we were able to maintain adequate staffing levels, support mutual aid around the western United States as requested, and honor our mission locally by providing an exceptional level of service to those we are sworn to serve.

I began fiscal year 2021-22 as the Interim Fire Chief. On January 12, 2022, I was appointed by the SMC Fire Board as the third Fire Chief of our young organization. On the following day, January 13, 2022, SMC Fire marked the third year since commencement of operations on January 13, 2019. Though our leadership has changed, our mission has not, as the staff and every member of the SMC Fire family continues to provide the high level of fire, rescue, and emergency medical services our citizens have come to expect and deserve.

Over the last year, the department has dealt with the many impacts of the COVID-19 pandemic. Though we are focused on recovery and normalizing operations, the financial impacts of the pandemic have been significant enough to require offsets from our reserves. To help facilitate a recovery from the financial impacts, we continue to seek out grant opportunities where possible. For fiscal year 2021-22, we were awarded an Assistance to Firefighters Grant (AFG) of \$737,030 which was applied to the replacement costs of our Self-Contained Breathing Apparatus (SCBA) inventory. Grant applications for Fire Prevention and Safety (FPS), Staffing for Adequate Fire and Emergency Response (SAFER) and water rescue equipment from the California Water Service Company (CalWater) were all submitted but were unsuccessful in fiscal year 2021-22.

To improve organizational efficiencies, significant organizational changes will begin to take effect by the end of the fiscal year. The two most significant changes are the creation of an internal training division and the reorganization of our Command Staff structure. Both efforts are being implemented without significant budget impacts and will better meet the needs of SMC Fire. Additionally, we have commissioned a Standards of Cover and Community Risk Assessment that will provide detailed data and information that will be applied to upcoming strategic planning processes.

I am pleased to present for your review and consideration the 2022-24 Business Plan. Overall, the total proposed budget for fiscal year 2022-23 is \$47.4 million. This budget will provide funding for core services at levels consistent with what the three member agencies relied on when each agency had their own fire department. The table below summarizes the proposed operating expenditures for 2022-23 and 2023-24.

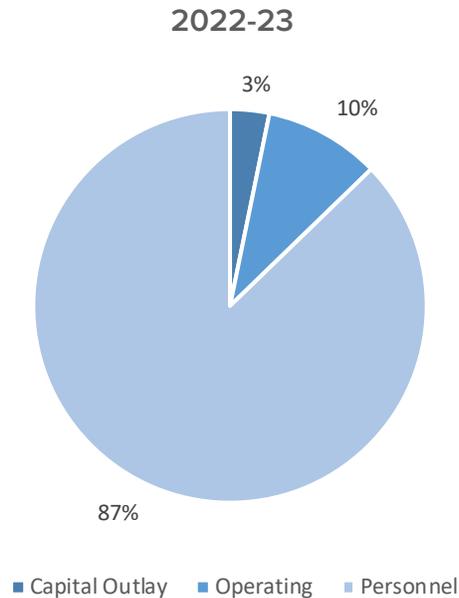
SMC FIRE OPERATIONS	2022-23 PROPOSED BUDGET		2023-24 PROJECTED BUDGET	
General Fund	\$	44.8	\$	46.3
Special Revenue Fund		2.6		2.7
Total	\$	47.4	\$	49.0

In millions

Transmittal of Proposed Budget

General Fund

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



Budget Development Priorities

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

Short- and Long-Term Factors

When developing the budget, the department has taken several short- and long-term factors into consideration. Such factors include inflation, COVID uncertainty, and unfunded pension liabilities.

Rising inflation has been an issue for many of us in the last couple of months. With the Federal government actively seeking to control inflation, we hope the impact will be a short-term factor. However, as we anticipated the inflation issue will mostly likely continue into next year, inflationary increases have been factored into the development of the budget.

Additionally, the COVID-19 pandemic will continue to have an impact on the department's operations. In 2021-22, the department experienced higher than normal overtime expenses. The increase was partly due to mutual-aid fire support which were later reimbursed by the State government. A good portion was also related to COVID-19 and having to backfill the shifts of employees who fell ill or had to quarantine after an exposure to the virus. Due to many uncertainties from COVID-19, it is difficult to determine whether the COVID concerns will be short- or long-term. It is anticipated that the pandemic will continue to have an impact on the department personnel in 2022-23.

Transmittal of Proposed Budget

With the rising cost of services in a period of significant inflation and uncertainties posted by COVID, coupled with the three member agencies still recovering from impacts from the pandemic over the prior two years, long-term sustainability is not achieved without careful planning and monitoring of the department's spending to ensure it stays within budget. Efforts to mitigate potential operational impacts include leaving vacant positions unfilled where doing so results in minimal operational impact, reorganization of the Command Staff structure, and an evaluation of overtime expenditures with recommendations for reduction.

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 for pension benefits for prior years' services, remained with the respective member agencies. For now, SMC Fire's pension contribution rates primarily consist of normal services costs (contributions to fund for pension benefits for the current year's service). However, it is important to note that this will not be the case in the near- and long-term.

An unfunded pension liability will increase when CalPERS investment returns do not meet the expected rate of return (discount rate) or when there are changes in CalPERS actuarial assumptions, such as changes in discount rate, salary growth and mortality, just to name a few. This year, a bigger unfunded liability will most likely be generated as a result of the recent market volatility. CalPERS investment returns as of the end of April 2022 was at approximately -3.5%. With a much lower-than-expected investment return that will most likely end fiscal year 2021-22, an additional unfunded pension liability will be created for SMC Fire, and that payment will be required beginning 2024-25. What that payment will look like and what the projections are in the long-term will be difficult to quantify until an actuarial report becomes available from CalPERS and a resulting study performed by a consulting actuary. To that end, the long-term General Fund plan does not reflect any payment on the unfunded liability, and only reflects the payment on the normal cost contributions, after accounting for the employees' share of the contributions. Other costs that are expected but not yet quantifiable include the claims costs that are below the insurance coverage levels for workers' compensation and general liability. As experience continues to build in SMC Fire, the long-term plan will continually be monitored and adjusted as information becomes available.

General Fund Long-Term Financial Plan

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

- Known salary increases according to the contractual agreements
- Assumed 3% - 3.5% salary increases annually beyond the terms of the contractual agreements
- Increases in CalPERS contribution rates predominantly absorbed by SMC Fire
- Assumed increases in medical and other benefits costs

Because funding for SMC Fire comes from the three cities, factors that affect each city's financial ability to provide services for its own community will also affect SMC Fire's ability to provide services for all three communities. Coming out of the pandemic, many financial pressures continue to weigh on budgets for the communities we serve. Sales taxes and hotel occupancy taxes which decreased drastically during the pandemic have started to rebound, but other economic pressures loom over the recovery. Supply chain issues, worker shortages in many industries, and high inflation all weigh heavily on future revenue projections, and will need to be considered by the three cities as well as the Fire Department as we fully realize the impacts caused by these pressures. This 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.

Transmittal of Proposed Budget

We are in a strong position where all three cities have a proven record of financial sustainability and prudent fiscal practices. Each city is committed to maintaining the high level of fire service to their communities. Even with the challenges ahead, we face them together in collaboration with one another. 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 three years of operations, all members of SMC Fire remain committed to our mission, values, and benefits our consolidated agency provides. We are confident that the structural changes implemented this year will help optimize our organization and leave us positioned to take on the challenges and opportunities that lay ahead.

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

Kent Thrasher
Fire Chief



Overview

San Mateo Consolidated Fire Department

Overview

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

SMC Fire has over 260 years of combined history providing emergency services to the cities of San Mateo, Belmont, and Foster City, and serves a population of over 166,000. The department is staffed by 158 personnel, utilizing 10 engine companies and two ladder trucks from nine fire stations. This consolidation allows SMC Fire to continue providing comprehensive emergency response services to all three cities in a more cost-effective way, while maintaining the high level of service each city relies on.

Mission Statement

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

Core Values

- Respect
- Compassion
- Integrity
- Dedication
- Innovation

Services and Structure

Administration

The Administration Division provides leadership and direction for SMC Fire consistent with the expectations of the community and the industry's long tradition of trust and reliability. The administrative function of this division includes personnel management, labor relations, Fire Action Consensus Team (FACT) 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.

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.
- Participating in the development of countywide operational deployment and training objectives through the San Mateo County Operations Chiefs Section and Training Chiefs Section.
- Responding to issues brought forward by SMC Fire's Safety Committee within 14 days, 100% of the time.
- Monitoring all SMC Fire 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.

San Mateo Consolidated Fire Department

- 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 and & Electric (PG&E), California Water Service, Red Cross, the Chambers of Commerce, and neighborhood/ homeowners 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 Sheriff's Office of Emergency Services. This program was incorporated into SMC Fire as part of the consolidation with the Belmont Fire Protection District, who provided these county-wide services since 1986.

Training Division

The Training Division delivers programs that develop multiple manipulative skills for response personnel, including probationary firefighters, and strives to enhance the leadership capability of SMC Fire. The division investigates all accidents and reviews all injuries to provide training to reduce risks of future accidents and injuries. 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:

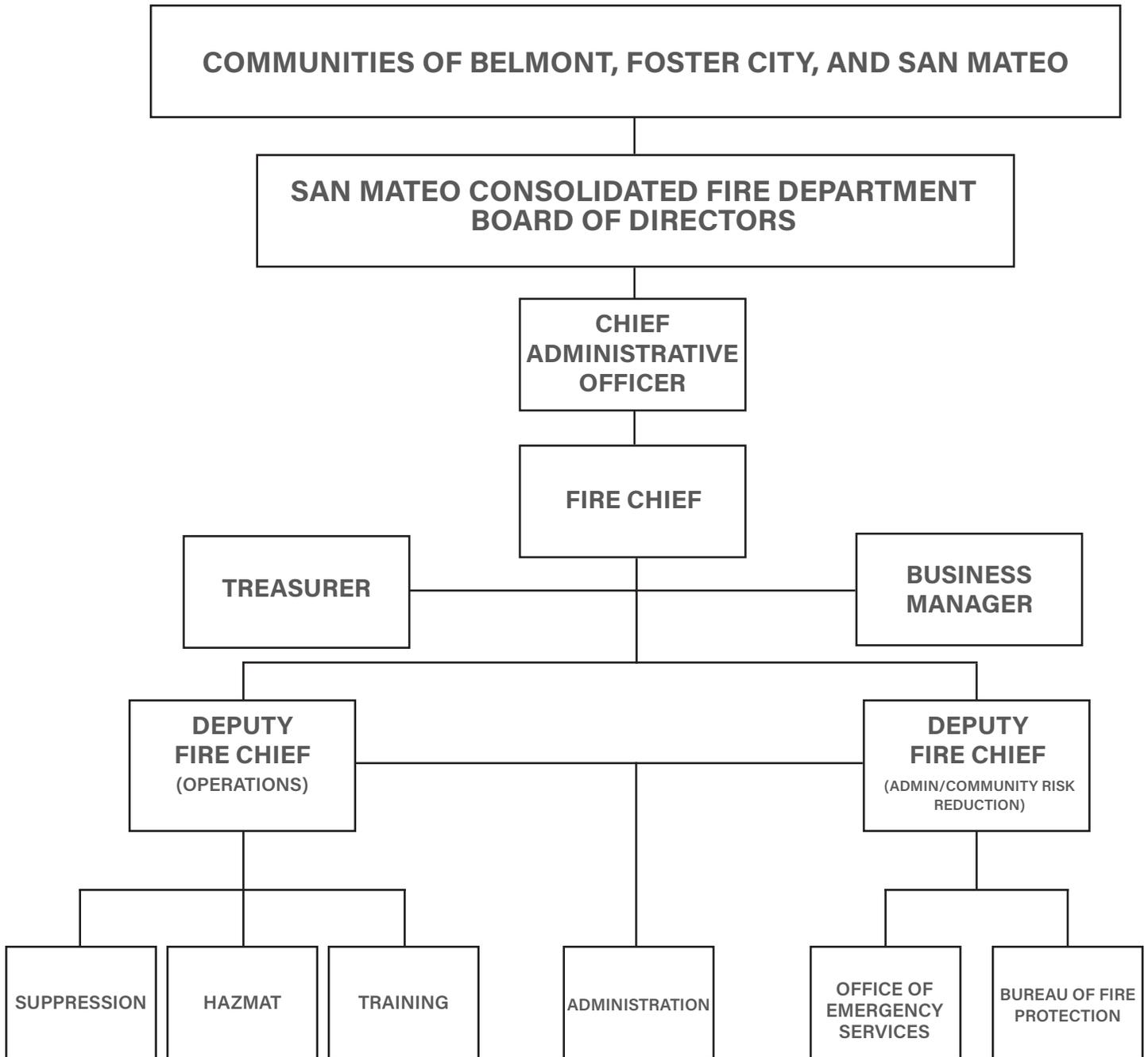
- Managing risk within the community guided by a community risk assessment.
- Reducing loss through education on specific risks, engineering of safety solutions, and enforcement of fire and building codes.
- Maintaining community partnerships, with a focus on incident prevention and risk mitigation.
- 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.

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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 man-made disasters; managing the Community Emergency Response Team (CERT) program; and ensuring readiness of each member agency's Emergency Operations Center (EOC) through coordination with each member agency's Information Technology Department to ensure redundancy and reliability of equipment and communications infrastructure. This division works before, during, and after a disaster or significant event in conjunction with the San Mateo County 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	Joe Goethals, City of San Mateo
Board Member	Warren Lieberman, City of Belmont
Board Member	Richa Awasthi, City of Foster City

Basis of Budgeting

Fund Accounting Budget System

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

Governmental Fund Types

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

General Fund

This fund accounts for all financial resources not required to be accounted for in other funds, and is the general operating fund of SMC Fire.

Special Revenue Fund

This fund accounts for SMC Fire's revenues from sources which, by law or administrative action, are designated to account for particular functions or activities other than capital projects or expendable trusts.

Proprietary Fund Types

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

Internal Service Fund

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

Budgetary Controls

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

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

Budget Preparation Timeline

Annual Budget Calendar

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

July Through September

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

October Through December

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

January Through March

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

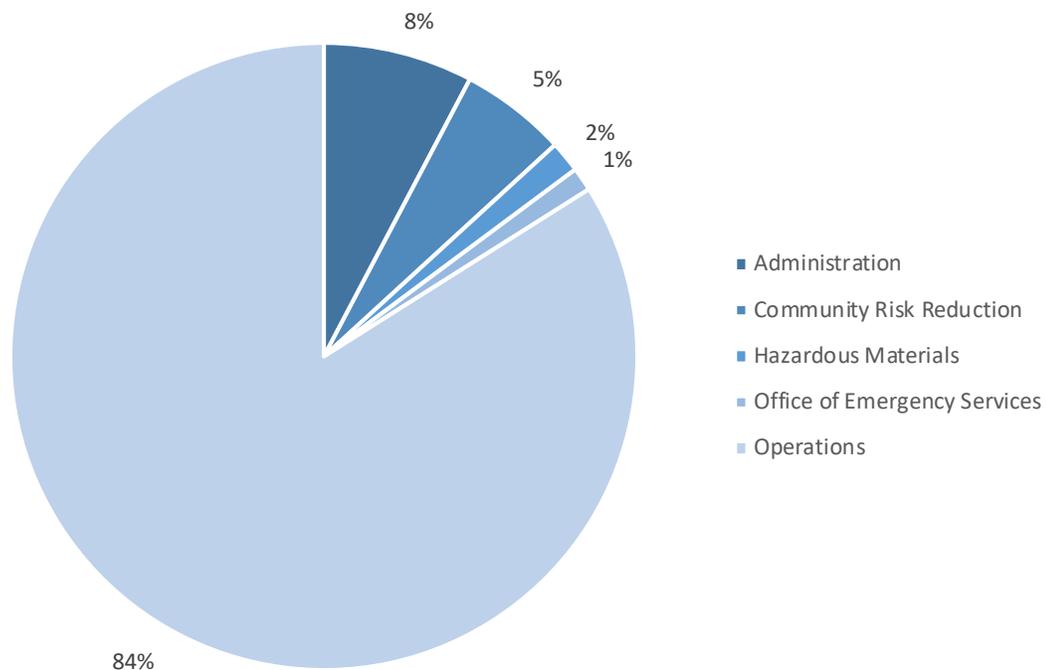
April Through June

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

Department Financials

FINANCIALS	2020-21 ACTUALS	2021-22 ADJUSTED BUDGET	2022-23 PROPOSED BUDGET	2023-24 PROJECTED BUDGET
Expenditures by Category				
Personnel	\$ 42,016,908	\$ 42,820,071	\$ 41,345,843	\$ 42,911,877
Operating	4,541,230	4,396,517	4,519,111	4,542,614
Capital Outlay	1,099,000	1,110,000	1,526,379	1,526,379
Total Expenditures	\$ 47,657,137	\$ 48,326,588	\$ 47,391,333	\$ 48,980,870
Expenditures by Program				
Administration	\$ 2,948,070	\$ 3,560,728	\$ 3,635,746	\$ 3,781,576
Community Risk Reduction	3,584,099	2,827,443	2,624,608	2,686,028
Hazardous Materials	558,012	709,767	755,255	792,518
Office of Emergency Services	337,781	579,430	580,128	597,939
Operations	40,229,175	40,649,220	39,795,596	41,122,809
Total Expenditures	\$ 47,657,137	\$ 48,326,588	\$ 47,391,333	\$ 48,980,870
Funding Sources				
General Fund	\$ 44,073,038	\$ 45,499,145	\$ 44,766,725	\$ 46,294,842
Special Revenue Fund	3,584,099	2,827,443	2,624,608	2,686,028
Total Funding Sources	\$ 47,657,137	\$ 48,326,588	\$ 47,391,333	\$ 48,980,870

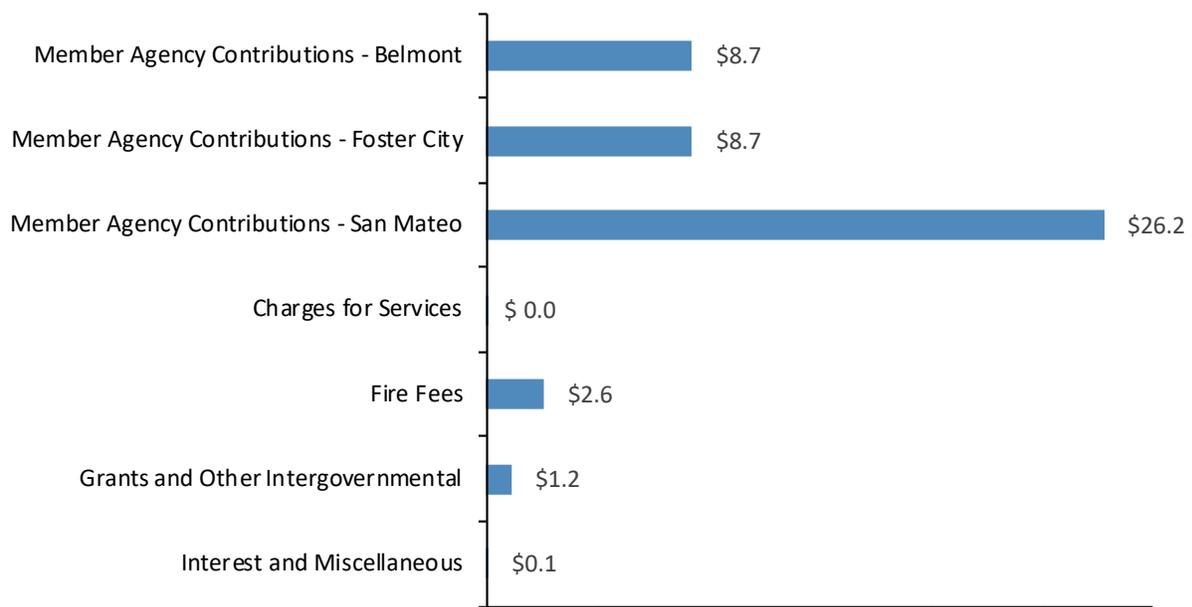
**EXPENDITURES BY PROGRAM
2022-23 (\$47.4 MILLION)**



Sources of Funding

CATEGORY	2020-21 ACTUALS	2021-22 ADJUSTED BUDGET	2022-23 PROPOSED BUDGET	2023-24 PROJECTED BUDGET
Member Agency Contributions - Belmont	\$ 7,939,627	\$ 8,405,749	\$ 8,722,543	\$ 9,018,961
Member Agency Contributions - Foster City	7,939,627	8,405,749	8,722,543	9,018,961
Member Agency Contributions - San Mateo	23,818,880	25,217,246	26,167,628	27,056,882
Charges for Services	120	11,000	-	-
Fire Fees	2,447,723	2,542,380	2,579,209	2,603,945
Grants and Other Intergovernmental	4,503,981	3,112,003	1,168,012	1,149,038
Interest and Miscellaneous	174,656	58,323	59,570	60,760
Total Sources of Funding	\$ 46,824,614	\$ 47,752,450	\$ 47,419,504	\$ 48,908,547

**SOURCES OF FUNDING
2022-23 (\$47.4 MILLION)**
in millions



Full Time Equivalent (FTE) Personnel

FULL TIME EQUIVALENT (FTE) PERSONNEL	2020-21 ACTUALS	2021-22 ADJUSTED BUDGET	2022-23 PROPOSED BUDGET	2023-24 PROJECTED BUDGET
Fire Chief	1.00	1.00	1.00	1.00
Administrative Assistant	3.00	3.00	4.00	4.00
Administrative Technician	1.00	1.00	1.00	1.00
Business Manager	1.00	1.00	1.00	1.00
Central Services Worker	-	-	1.00	1.00
Deputy Fire Chief	1.00	1.00	2.00	2.00
Deputy Fire Marshal	1.00	1.00	1.00	1.00
EMS Clinical Education Specialist	-	1.00	-	-
EMS Manager	-	-	1.00	1.00
Emergency Services Manager	1.00	1.00	1.00	1.00
Emergency Services Specialist	2.00	2.00	2.00	2.00
Facilities and Fleet Services Manager	1.00	1.00	1.00	1.00
Fire Battalion Chief	5.00	5.00	6.00	6.00
Fire Captain	39.00	40.00	41.00	41.00
Fire Division Chief	3.00	3.00	-	-
Fire Marshal *	-	-	1.00	1.00
Fire Prevention Inspector I/II *	6.00	6.00	6.00	6.00
Firefighter **	84.00	84.00	84.00	84.00
Fleet and Facilities Technician *	1.00	1.00	1.00	1.00
Management Analyst I/II	1.00	1.00	1.00	1.00
Office Assistant I/II	1.00	1.00	1.00	1.00
Systems Analyst II	-	1.00	1.00	1.00
Total Merit	152.00	155.00	158.00	158.00
Total Per Diem	3.01	3.01	2.31	2.31
Total Positions	155.01	158.01	160.31	160.31

This chart incorporates all proposed reorganization FTE changes.

*Position has been defunded in the Proposed 2022-24 Business Plan.

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



Fund Information



General Fund

General Fund

GENERAL FUND	2020-21 ACTUALS	2021-22 ESTIMATED ACTUALS	2022-23 PROPOSED BUDGET	2023-24 PROJECTED BUDGET	2024-25 FORECAST	2025-26 FORECAST	2026-27 FORECAST
Beginning Fund Balance	\$ 1,357	\$ 1,462	\$ 650	\$ 650	\$ 650	\$ 650	\$ 650
Revenues							
Member Agency Contributions - Belmont	\$ 7,940	\$ 8,406	\$ 8,723	\$ 9,019	\$ 9,295	\$ 9,581	\$ 9,899
Member Agency Contributions - Foster City	7,940	8,406	8,723	9,019	9,295	9,581	9,899
Member Agency Contributions - San Mateo	23,819	25,217	26,168	27,057	27,886	28,742	29,696
Grants and Other Intergovernmental	4,313	3,012	1,104	1,149	1,172	1,195	1,219
Interest and Miscellaneous	167	74	50	51	52	53	54
Total Revenues	\$ 44,178	\$ 45,115	\$ 44,767	\$ 46,295	\$ 47,700	\$ 49,152	\$ 50,768
Expenditures							
Salaries and Wages	\$ 28,592	\$ 30,462	\$ 27,917	\$ 29,014	\$ 29,885	\$ 30,781	\$ 31,705
Benefits	10,212	10,452	11,123	11,467	11,926	12,403	12,899
Operating	4,205	3,938	4,238	4,324	4,370	4,418	4,583
Capital Outlay	1,064	1,076	1,489	1,489	1,519	1,550	1,581
Total Expenditures	\$ 44,073	\$ 45,928	\$ 44,767	\$ 46,295	\$ 47,700	\$ 49,152	\$ 50,768
Ending Fund Balance	\$ 1,462	\$ 650	\$ 650	\$ 650	\$ 650	\$ 650	\$ 650

Fund numbers are represented in thousands.

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

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

To ensure service stability without putting a huge impact on the member agencies in the event of significant financial emergency, the General Fund will seek to establish a reserve that equals to at least three months of annual operating expenditure budget. Funds will be set aside when, in any year, actual expenditures come in lower than actual revenues. The fund balance is estimated to drop down to \$0.62 million by the end of fiscal year 2021-22, which is primarily due to the increase in the cost of salaries and wages due to overtime for deployment and covid related backfill. Actual expenditures and the level of fund balance will continue to be monitored in subsequent years to build on the reserve and to evaluate whether increased contributions from member agencies are necessary to reach the desired level of reserve in a more timely manner.



Special Revenue



Fire Protection and Life Safety

FIRE PROTECTION AND LIFE SAFETY	2020-21 ACTUALS	2021-22 ESTIMATED ACTUALS	2022-23 PROPOSED BUDGET	2023-24 PROJECTED BUDGET	2024-25 FORECAST	2025-26 FORECAST	2026-27 FORECAST
Beginning Fund Balance	\$ 1,163	\$ 226	\$ 329	\$ 357	\$ 285	\$ 265	\$ 312
Revenues							
Fire Fees	\$ 2,639	\$ 2,467	\$ 2,643	\$ 2,604	\$ 2,734	\$ 2,871	\$ 3,014
Interest and Miscellaneous	8	167	10	10	10	11	11
Total Revenues	\$ 2,647	\$ 2,634	\$ 2,653	\$ 2,614	\$ 2,744	\$ 2,882	\$ 3,026
Expenditures							
Personnel	\$ 2,612	\$ 1,539	\$ 1,824	\$ 1,927	\$ 1,966	\$ 2,005	\$ 2,045
Operating	336	315	281	219	223	228	232
Capital Outlay	35	34	37	37	38	38	39
Legacy Costs	601	643	482	503	538	563	588
Total Expenditures	\$ 3,584	\$ 2,531	\$ 2,625	\$ 2,686	\$ 2,764	\$ 2,834	\$ 2,904
Ending Fund Balance	\$ 226	\$ 329	\$ 357	\$ 285	\$ 265	\$ 312	\$ 433

Fund numbers are represented in thousands.

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

The program originated from member agency San Mateo. As a program in SMC Fire, expenditures in the Fire Protection and Life Safety Fund will include legacy costs, most notably the unfunded pension liability from fire prevention personnel that transferred from San Mateo. With a fund balance that has built over the years, fee increases were intentionally kept down in order to utilize existing fund balance. However, impacts from the coronavirus pandemic drastically drove revenues down in 2019-20 and 2020-21, and eroded the fund balance faster than expected. Estimated fund balance by the end of 2021-22 will not meet the policy-level reserves in this fund, which is three months of operating expenditures. A fee study was conducted in 2020-21 to align fees with the cost of service, and with an updated fee structure in place, the fund is forecasted to build reserves to get back within policy requirements going forward.

Internal Services



Vehicle and Equipment Replacement

VEHICLE AND EQUIPMENT REPLACEMENT	2020-21 ACTUALS	2021-22 ESTIMATED ACTUALS	2022-23 PROPOSED BUDGET	2023-24 PROJECTED BUDGET	2024-25 FORECAST	2025-26 FORECAST	2026-27 FORECAST
Beginning Cash Balance	\$ 5,480	\$ 3,743	\$ 129	\$ 935	\$ 2,276	\$ 3,543	\$ 3,850
Revenues							
Interest Earnings	\$ 2	\$ 12	\$ 20	\$ 20	\$ 20	\$ 20	\$ 20
Rental Charges - Vehicles	743	776	977	997	997	997	997
Rental Charges - Computers	27	27	29	29	29	29	29
Rental Charges - Radios	44	45	51	52	51	51	51
Rental Charges - Major Equipment	285	262	470	479	470	470	470
Total Revenues	\$ 1,101	\$ 1,122	\$ 1,546	\$ 1,577	\$ 1,566	\$ 1,566	\$ 1,566
Expenses							
Vehicle Replacement	\$ 2,449	\$ 2,705	\$ 232	\$ 126	\$ 61	\$ 193	\$ 100
Computer Replacement	2	80	60	5	4	25	55
Radio Replacement	55	-	50	-	-	294	-
Major Equipment Replacement	332	1,902	400	104	233	748	350
Other Capital Outlay	-	50	-	-	-	-	-
Total Expenses	\$ 2,838	\$ 4,736	\$ 741	\$ 236	\$ 299	\$ 1,260	\$ 505
Ending Cash Balance	\$ 3,743	\$ 129	\$ 935	\$ 2,276	\$ 3,543	\$ 3,850	\$ 4,912

Fund numbers are represented in thousands.

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

Collection into the fund is from SMC Fire operations, so it is important that the amount of available fund balance considers this. To that end, a long-term spending plan is an important tool for managing this type of fund. Understanding spending needs over the short- and long-term and factoring in fund balance allows SMC Fire to set a collection amount that ensures funding is available when vehicles and equipment need to be replaced, but does not maintain such a large fund balance that creates an unnecessary burden on the operations. Fiscal year 2021-22 will end the year with an estimated \$0.13 million in fund balance, which reflects a significant draw down on the fund. This is primarily due to the purchase of a new fire engine, new fire truck, new Enterprise Resource Planning (ERP) system, and Self-Contained Breathing Apparatuses (SCBAs). Due to the significant decrease in fund balance, collections in the five-year plan have been increased to ensure funding for replacements is available and fund balance is set at an appropriate level.

Benefits

BENEFITS	2020-21 ACTUALS	2021-22 ESTIMATED ACTUALS	2022-23 PROPOSED BUDGET	2023-24 PROJECTED BUDGET	2024-25 FORECAST	2025-26 FORECAST	2026-27 FORECAST
Beginning Fund Balance	\$ 1,258	\$ 2,039	\$ 2,665	\$ 3,204	\$ 3,676	\$ 4,147	\$ 4,616
Revenues							
Internal Service Charge - Pension	\$ 3,673	\$ 3,675	\$ 3,915	\$ 4,063	\$ 4,225	\$ 4,401	\$ 4,593
Internal Service Charge - Medicare	431	437	364	371	379	386	394
Internal Service Charge - Healthcare	3,050	3,098	3,339	3,411	3,561	3,718	3,883
Internal Service Charge - Severance Trust	459	459	514	530	540	551	562
Internal Service Charge - Other	933	923	991	1,022	1,055	1,088	1,123
Total Revenues	\$ 8,545	\$ 8,592	\$ 9,124	\$ 9,397	\$ 9,759	\$ 10,145	\$ 10,556
Expenses							
Pension	\$ 3,675	\$ 3,676	\$ 3,915	\$ 4,063	\$ 4,225	\$ 4,401	\$ 4,593
Medicare	431	437	364	371	379	386	394
Healthcare	2,657	2,742	2,968	3,111	3,261	3,418	3,583
Severance Trust	115	209	343	353	364	375	386
Other	885	902	995	1,027	1,061	1,095	1,131
Total Expenses	\$ 7,764	\$ 7,966	\$ 8,585	\$ 8,925	\$ 9,288	\$ 9,675	\$ 10,088
Ending Fund Balance	\$ 2,039	\$ 2,665	\$ 3,204	\$ 3,676	\$ 4,147	\$ 4,616	\$ 5,084

Fund numbers are represented in thousands.

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

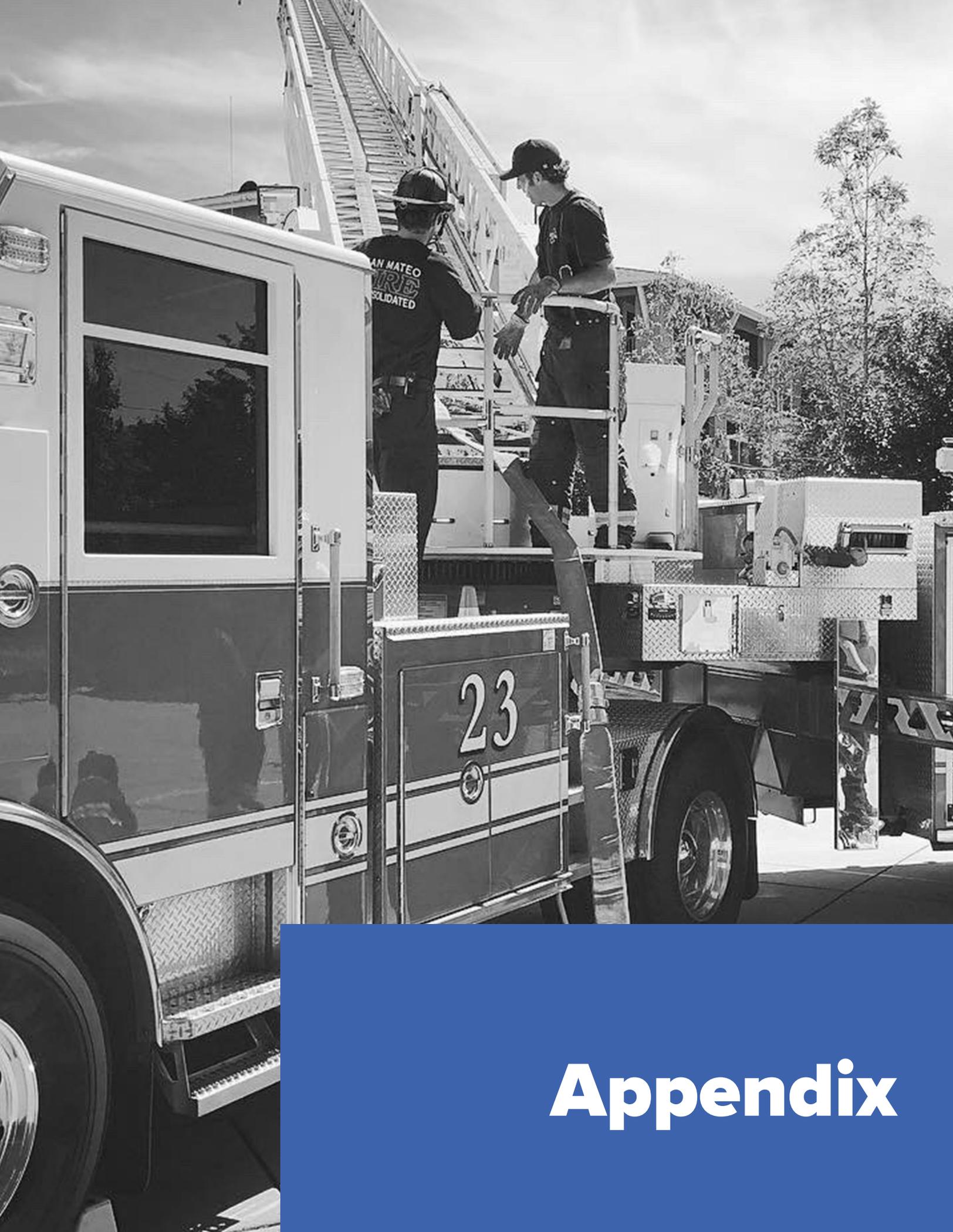
Workers' Compensation and General Liability

WORKERS' COMPENSATION AND GENERAL LIABILITY	2020-21 ACTUALS	2021-22 ESTIMATED ACTUALS	2022-23 PROPOSED BUDGET	2023-24 PROJECTED BUDGET	2024-25 FORECAST	2025-26 FORECAST	2026-27 FORECAST
Beginning Fund Balance	\$ 537	\$ 1,460	\$ 1,945	\$ 2,165	\$ 2,259	\$ 2,212	\$ 2,010
Revenues							
Internal Service Charges	\$ 2,557	\$ 2,635	\$ 2,721	\$ 2,811	\$ 2,904	\$ 3,001	\$ 3,101
Interest Earnings	-	5	5	5	5	5	5
Other Revenues	637	350	200	200	200	200	200
Total Revenues	\$ 3,194	\$ 2,990	\$ 2,926	\$ 3,016	\$ 3,109	\$ 3,206	\$ 3,306
Expenses							
Insurance Premiums	\$ 2,271	\$ 2,505	\$ 2,706	\$ 2,922	\$ 3,156	\$ 3,408	\$ 3,681
Total Expenses	\$ 2,271	\$ 2,505	\$ 2,706	\$ 2,922	\$ 3,156	\$ 3,408	\$ 3,681
Ending Fund Balance	\$ 1,460	\$ 1,945	\$ 2,165	\$ 2,259	\$ 2,212	\$ 2,010	\$ 1,635

Fund numbers are represented in thousands.

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

In the five-year plan, collections have been set to adequately cover the cost of the workers' compensation and general liability programs. As experience begins to build in this fund, annual collection amounts will be adjusted accordingly to ensure the costs of the programs are covered and with an appropriate fund balance to absorb major fluctuations in cost.



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 the budget, serves as a central reference point of the 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, all policies included in this document are currently adhered to. As noted in the fund projection section narratives, 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 Comprehensive 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-end, budgeted/appropriated expenditure authority lapses, with the exception of operating expenses that have been incurred but not paid (encumbered). The remaining dollars left in each fund are unassigned and constitute available funds of SMC Fire. Fund balance will be reported in the following classifications:

Financial Policies

Nonspendable Fund Balance

Amounts that are not in spendable form, such as inventory, prepaid amounts and long-term receivables, and those that legally or contractually must be kept intact, such as endowment corpus of revolving loan funds.

Restricted Fund Balance

Amounts that can be used only for specific purposes due to constitutional provisions, enabling legislation, or externally imposed constraints, such as restrictions imposed by creditors, grantors, or other governments.

Committed Fund Balance

Amounts that can only be used for specific purposes because of a formal action by the government's highest decision-making authority. These constraints are binding unless removed in the same manner in which they were originally committed.

Assigned Fund Balance

Amounts intended for specific purposes but not restricted or committed. The assigned fund balance can never be in excess of the total fund balance less the non-spendable, restricted, and committed components of fund balance. Ultimately, this is the residual fund balance for all funds other than General Fund.

Unassigned Fund Balance

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

General Fund

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

Special Revenue Fund

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

Pension and Retirement Funding

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

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 personnel. The annual charges shall reflect historical experience and shall be established to approximately equal the annual expenses as they relate to workers' compensation. The comprehensive liability component of the fund is supported by the operating funds. Separate reserves shall be maintained for current and long-term general liability and workers' compensation liability at a level which will adequately fund SMC Fire's potential loss exposure in each area. The practice is to establish reserves in both funds at least at the marginally acceptable level as determined by the actuarial report.

Investment

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

Operating Budget

Balanced Operating Budget

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

Budget Document

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

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

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

Budget Control and Accountability

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

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