

**CENTRAL FIRE DISTRICT
COMMITTEE OF DIRECTORS
AGENDA
FINANCE COMMITTEE MEETING
(Directors Ronco, Scanlon)
Thursday, February 3rd, 2022 - 9:00 AM
* REMOTE MEETING ***

Notice of Teleconferenced Meeting

Due to the current COVID-19 pandemic, members of the public will need to participate in this meeting remotely.

Zoom meeting link:

<https://zoom.us/j/99068959484?pwd=VWhNSEk5RWNFcXBOdHITMmt5eEZqQT09>

Meeting ID: 990 6895 9484, Passcode: 069941.

You may also dial in by telephone at 1-669-900-6833 and enter the meeting ID and passcode at the prompt. If you have any issues with connection, contact our Administration Office at 831-479-6842 for assistance.

To submit a comment in writing, please email PublicComments@centralfiresc.org and write "Public Comment" in the subject line. Include the item number and/or title of the item in the body of the email and your comments. If you would like the comment to be read out loud at the meeting (not to exceed three minutes or 4,000 characters), please write "Read Out Loud at Meeting" at the top of the email. All comments received by 5:00 pm the prior day will be emailed to the Board members and included as an "Add to Packet" on the District's website before the meeting. Those comments received after 5:00 pm will be added to the record of the meeting and shared with Board members after the meeting. Written comments may also be sent by U.S. Mail to:

Administrative Asst. Sarah Melton
Central Fire District of Santa Cruz County
930 17th Avenue
Santa Cruz, CA 95062

1.0 CALL TO ORDER; ROLL CALL

2.0 CONSENT AGENDA

Matters listed under the Consent Agenda will be acted upon by one motion affirming the action recommended. There will be no separate discussion on items unless members of the Committee or staff request removal of item for separate action.

Public Comment on Consent Agenda: This is the time for members of the public to address the Committee on items that are on the Consent Agenda. Oral presentations should ordinarily not exceed 3 minutes per person.

2.1 Approve Minutes of Central Fire District Finance Committee Meeting on September 2, 2021

Motion to Approve Consent Agenda

3.0 ORAL COMMUNICATIONS

This is the time for the public to speak on items within the Committee's responsibility, but which are not on this agenda. There can be no substantive discussion by the Committee of items not publicly noticed on the agenda. The Committee may refer such non-agendized matters to staff or may consider deferring such items to future meetings after public notice is provided.

The public should speak to the Committee on items appearing on the agenda when the Chair calls for public discussion of the item.

3.1 Public Oral Communications

3.2 Staff Oral Communications

3.3 Committee Oral Communications

4.0 NEW BUSINESS

All items listed in New Business are intended to provide an opportunity for public discussion of each item listed. The following procedure pertains to each New Business Item: 1) Board/Staff Member Explanation; 2) Committee Questions; 3) Public Comment; 4) Committee Deliberation; 5) Decision.

4.1 Fiscal Year 2021-22 Mid-Year Budget – Finance Director Nancy Dannhauser
Discussion/Action

5.0 ADJOURNMENT

Note: The Committee Chair requests that if you have any questions or wish clarification or additional information about any item on the agenda or contained in the attached materials, to please call the Fire Chief at (831) 479-6842 before the meeting. Information regarding items on the agenda may be reviewed at our business office located at 930 17th Avenue, Santa Cruz, California 95062, or you may view the agenda on our website at www.centrafire.org.

**CENTRAL FIRE DISTRICT
COMMITTEE OF DIRECTORS
MINUTES
FINANCE COMMITTEE MEETING**
(Directors Ronco, Darbro)
Thursday, September 2nd, 2021 at 9:00 A.M.
Administration Office – 930 17th Avenue, Santa Cruz

Notice of Teleconferenced Meeting

Pursuant to Governor Newsom’s Executive Order N-25-20 regarding COVID-19, members of the Central Fire District Board of Directors and staff are strongly encouraged to participate in this meeting by teleconference. **To reduce the spread of COVID-19, members of the public are encouraged to listen to the meeting from their homes via teleconference by calling 1 (646) 749-3335 and entering Access Code 128-409-589, or connecting to the meeting online via their computer, smart phone or tablet at the following link:**
<https://global.gotomeeting.com/join/128409589>

Any Directors, staff or public not able to attend by teleconference and choosing to attend the meeting in person will be required to maintain appropriate social distancing, wear masks, use provided hand sanitizer and remain a minimum of 6’ apart. Those experiencing any flu-like symptoms, fever, or recent positive COVID-19 test results may not attend the meeting in person.

To submit public comments during the meeting, email PublicComments@centralfire.org and write “Public Comment” in the subject line. Include the item number and/or title of the item in the body of the email and your comments. Submitted comments will be read out loud at the meeting (not to exceed three minutes or 4,000 characters).

1.0 CALL TO ORDER: ROLL CALL

Chair Darbro called the meeting to order at 9:11 a.m. In attendance were Assistant Chief Nee, Administrative Assistant Melton and Finance Director Dannhauser. Director Ronco was absent.

There was no public comment.

2.0 CONSENT AGENDA

Matters listed under the Consent Agenda will be acted upon by one motion affirming the action recommended. There will be no separate discussion on items unless members of the Committee or staff request removal of item for separate action.

Public Comment on Consent Agenda: This is the time for members of the public to address the Committee on items that are on the Consent Agenda. Oral presentations should ordinarily not exceed 3 minutes per person.

2.1 Approve Minutes of Central Fire District Finance Committee Meeting on June 3, 2021

Motion to Approve Consent Agenda

Director Darbro made a motion to approve the Consent Agenda.

The motion passed with 1-Aye; Director Ronco was absent.

3.0 ORAL COMMUNICATIONS

This is the time for the public to speak on items within the Committee's responsibility, but which are not on this agenda. There can be no substantive discussion by the Committee of items not publicly noticed on the agenda. The Committee may refer such non-agendized matters to staff or may consider deferring such items to future meetings after public notice is provided.

The public should speak to the Committee on items appearing on the agenda when the Chair calls for public discussion of the item.

3.1 Public Oral Communications

There was none.

3.2 Staff Oral Communications

There was none.

3.3 Committee Oral Communications

There was none.

4.0 NEW BUSINESS

All items listed in New Business are intended to provide an opportunity for public discussion of each item listed. The following procedure pertains to each New Business Item: 1) Board/Staff Member Explanation; 2) Committee Questions; 3) Public Comment; 4) Committee Deliberation; 5) Decision.

4.1 (A, B & C) Review of Aptos/La Selva Fire and Central Fire FY 2019-20 Audited Financial Statements – Finance Director Nancy Dannhauser Discussion/Action

Finance Director Dannhauser gave an overview of the summary of the audited financial statements for Aptos and Central for Fiscal Year 2019/2020; advised that the audit is done with two different methods: Government Fund which shows the District's current assets and liabilities and notes the District's ability to pay its bills, and Government-Wide, which includes noncurrent assets and long term liabilities, such as pensions and OPEB liabilities; advised that as of June 30, 2020, that Aptos' Government Balance \$10.3 million; advised that the District's Government-Wide position was a negative \$4.5 million; advised that District's net position decreased by \$2.7 million due to the District's increase in OPEB liability as a result of the District offering additional benefits, as well as an increase in the pension liability and compensated absences; mentioned that this alignment with Central's benefits was a one-

time thing; advised that as of June 30, 2020, that Central's Government Balance was \$15.4 million, and reported a Government-Wide position of a negative \$14.6 million; and, advised that the District's net position decreased by a negative \$642,167, due to an unfavorable change in accounting for pension liability, OPEB, and compensated absences – basically the difference between cash basis versus accrual basis accounting.

Discussion ensued.

Finance Director Dannhauser advised that that there will actually be three audits for 2020/2021, which will provide a better idea of where the new District is financially; advised that she believes that the financial results will be better; and, advised that staff recommends accepting the Audited Financials and move the item along to the full Board for review and approval.

Director Darbro made a motion to Approve the Aptos/La Selva Fire and Central Fire FY 2019/2020 Audited Financial Statements and move the item to the full Board for review and approval.

The motion passed with 1-Aye; Director Ronco was absent.

4.2 (A & B) Review of Fiscal Year 2021-22 Final Budget – Finance Director Nancy Dannhauser
Discussion/Action

Finance Director Dannhauser gave an overview of the Fiscal Year results for 2020/2021 on a Budget to Actual comparison; advised that Aptos was budgeted at a surplus of \$33,889, but the actual results came in at a surplus of \$1.6 million due to less anticipated spending with projects being carried over and re-budgeted for this fiscal year; advised that Central's budget reflected a deficit of \$414,705, but the actual results came in at a surplus of \$3.5 million, due to a significant amount of unanticipated revenue relating to Redevelopment Agency ("RDA") residual income – which was due to a recent court decision, *City of Chula Vista v. Sandoval* - there was a change in the calculation for the distribution of residual income left in the RDA property tax trust fund after all obligations are paid each year; advised that on a consolidated basis, the Districts spent \$5.5 million less than budgeted, with a total carryover or surplus of \$5.1 million; advised that the changes from the Preliminary Budget versus the Final Budget were based on actual results from the prior year and actual expenditures through August 2, 2021; advised that the Revenues are projected at \$39.2 million, Expenditures at \$38.7 million, and that will result in a total Budget surplus of \$576,096 for Fiscal Year 2021/2022; advised that the projected Ending Fund Balance is \$26.2 million; advised that Operation's revenue increased \$2.7 million, which was offset by \$356,750 in expenditures due to an increase of \$300,429 in salary and benefits; advised that Fleet Services' revenues increased by \$92,767, due to actual revenue trends which decreased the District's projected subsidy from 33% to 26%; advised that Capital Outlay had a decrease of \$308,750, due to moving expenditures for the Type 3 Engine to the next fiscal year; advised that overall, the Preliminary Budget was projected at a deficit of

\$2.1 million, due to capital purchases, but with the additional property tax revenue, the Final Budget is projected at a surplus of \$576,096; advised that in the District's five year forecast, the projected ratio is projected to be 83.32% in Fiscal Year End 2022; advised that the incremental decrease is projected to be 81.47% in Fiscal Year End 2027, due to the increase in revenue projected at 4% for the next two years and then a decrease to 2% in year 5 – which does not include any future COLA's, but does forecast an increase in pensions, healthcare and workers compensation costs; and, advised that the recommendation is to approve the Fiscal Year 2021/2022 Final Budget and move the item to the full Board for review and approval.

Discussion ensued regarding the calculation of salaries and benefits as a percentage of recurring revenue.

There was no public comment.

Chief Walbridge complimented and thanked everyone in the Finance Department for all of their hard work and organization.

Director Darbro made am motion to Approve the Final Budget for Fiscal Year 2021/2022 and move the item to the full Board for review and approval.

The motion passed with 1-Ayes; Director Ronco was absent.

5.0 ADJOURNMENT

The meeting was adjourned at 9:29 a.m.

This will certify that the foregoing is a true copy of discussions during the Central Fire District Santa Cruz County Finance Committee Meeting held on September 2, 2021, as prepared by me.

Donna J. Steward
Recording Secretary

Dated: _____

ATTEST:

Committee Chair

Note: The Committee Chair requests that if you have any questions or wish clarification or additional information about any item on the agenda or contained in the attached materials, to please call the Fire Chief at (831) 479-6842 before the meeting. Information regarding items on the agenda may be reviewed at our business office located at 930 17th Avenue, Santa Cruz, California 95062, or you may view the agenda on our website at www.centralfiresc.org.



CENTRAL FIRE DISTRICT

of Santa Cruz County

STAFF REPORT

Date: February 3, 2022

To: Central Fire Finance Committee

From: Finance Director Nancy Dannhauser

Subject: I. Approval of FY 2021-22 Mid-Year Budget
II. Review of 5 Year Forecast as of FY 2021-22

I. APPROVAL OF FISCAL YEAR 2021-22 MID-YEAR BUDGET

Proposal: Presented for your approval is the Fiscal Year 2021-22 Mid-Year Budget.

Below are highlights of the proposed Mid-Year Budget:

Revenues for FY 2021-22 is projected at \$41 million

Expenditures for FY 2021-22 is projected at \$39.9 million

Results in a total budget surplus of \$1.1 million for FY 2021-22.

Projected ending fund balance is \$32.8 million.

FISCAL YEAR 2021-22 BUDGET SUMMARY	OPERATIONS	FLEET SERVICES	CAPITAL OUTLAY	TOTAL
REVENUE				
Property taxes	\$ 36,719,311	\$ -	\$ -	\$ 36,719,311
Inter-Gov Revenues	\$ 2,452,805	\$ -	\$ -	\$ 2,452,805
Other Revenue	\$ 589,000	\$ 1,140,767	\$ 50,000	\$ 1,779,767
Total Revenues	\$ 39,761,116	\$ 1,140,767	\$ 50,000	\$ 40,951,883
EXPENDITURES				
Salaries and employee benefits	\$ 31,346,706	\$ 788,059	\$ -	\$ 32,134,765
Services and supplies	\$ 4,968,161	\$ 809,156	\$ -	\$ 5,777,317
Fixed Assets	\$ 279,605	\$ -	\$ 2,118,438	\$ 2,398,043
Operating Transfers - OUT / (IN)	\$ 2,100,000	\$ (456,448)	\$ (2,100,000)	\$ (456,448)
Total Expenditures	\$ 38,694,472	\$ 1,140,767	\$ 18,438	\$ 39,853,677
TOTAL SURPLUS / (DEFICIT)	\$ 1,066,644	\$ -	\$ 31,562	\$ 1,098,206
BEGINNING FUND BALANCE				
July 1, 2021	\$ 26,017,144	\$ 304,684	\$ 5,415,686	\$ 31,737,514
PROJECTED ENDING FUND BALANCE				
June 30, 2022	\$ 27,083,789	\$ 304,684	\$ 5,447,248	\$ 32,835,720

Background: The changes reflected in the Mid-Year Budget is due to unanticipated revenue and expenditures throughout the year not included in the Final Budget.

Below is a summary of the budget changes. Total revenue increased \$1.7 million from the Final Budget. The increase was mainly due to \$1.9 million in strike team reimbursements. This increase in revenue was offset by \$2 million in expenditures due to an increase of \$829,473 in salary/benefits and strike team overtime. The increase of \$353,417 is related to services and supplies that need to be expensed this fiscal year. And last, is an increase of \$800,000 to operating transfers due to a revised capital replacement schedule that addresses the replacement of two stations over the next 10 years.

	Final Budget FY 2021-22	Mid Year Budget FY 2021-22	<i>Final vs Mid Year Budget</i>	
			<i>Increase / (Decrease)</i>	<i>Percentage Change</i>
			<i>\$</i>	<i>%</i>
OPERATIONS				
REVENUES				
Property taxes	\$ 36,954,311	\$ 36,719,311	\$ (235,000)	-0.64%
Inter-Gov Revenues	\$ 472,805	\$ 2,452,805	\$ 1,980,000	418.78%
Other Revenue	\$ 629,000	\$ 589,000	\$ (40,000)	-6.36%
Total Revenues	\$ 38,056,116	\$ 39,761,116	\$ 1,705,000	4.48%
EXPENDITURES				
Salaries and employee benefits	\$ 30,517,233	\$ 31,346,706	\$ 829,473	2.72%
Services and supplies	\$ 4,894,350	\$ 5,247,766	\$ 353,417	7.22%
Operating Transfers	\$ 1,300,000	\$ 2,100,000	\$ 800,000	61.54%
Total Expenditures	\$ 36,711,582	\$ 38,694,472	\$ 1,982,890	5.40%
TOTAL SURPLUS / (DEFICIT)	\$ 1,344,534	\$ 1,066,644	\$ (277,890)	-20.67%
FLEET SERVICES				
REVENUES				
	\$ 1,140,767	\$ 1,140,767	\$ -	0.00%
EXPENDITURES				
Salaries and employee benefits	\$ 749,622	\$ 788,059	\$ 38,437	5.13%
Services and supplies	\$ 799,806	\$ 809,156	\$ 9,350	1.17%
Subsidized by District	\$ (408,661)	\$ (456,448)	\$ (47,787)	11.69%
Total Expenditures	\$ 1,140,767	\$ 1,140,767	\$ -	0.00%
TOTAL SURPLUS / (DEFICIT)	\$ -	\$ -	\$ -	0.00%
<i>Subsidized by District</i>	26%	29%		
CAPITAL OUTLAY				
REVENUES				
Interest	\$ 50,000	\$ 50,000	\$ -	0.00%
Other Revenue	\$ -	\$ -	\$ -	0.00%
Sales of Fixed Assets	\$ -	\$ -	\$ -	0.00%
Operating Transfers	\$ 1,300,000	\$ 2,100,000	\$ 800,000	61.54%
Total Revenues	\$ 1,350,000	\$ 2,150,000	\$ 800,000	59.26%
EXPENDITURES				
Capital Improvement	\$ 150,000	\$ 150,000	\$ -	0.00%
Capital Equipment	\$ -	\$ -	\$ -	0.00%
Vehicle replacement	\$ 1,968,438	\$ 1,968,438	\$ -	0.00%
Total Expenditures	\$ 2,118,438	\$ 2,118,438	\$ -	0.00%
TOTAL SURPLUS / (DEFICIT)	\$ (768,438)	\$ 31,562	\$ 800,000	-104.11%
TOTAL DISTRICT FUNDS				
TOTAL SURPLUS / (DEFICIT)	\$ 576,096	\$ 1,098,206	\$ 522,110	90.63%

Cost Impacts: Overall, the Final budget was projected at a surplus of \$576,096, however due to the inclusion of strike team reimbursements, the FY 2021-22 Mid-Year Budget is projected at a surplus of \$1.1 million or a positive change of \$522,110.

II. REVIEW OF 5 YEAR FORECAST AS OF FY 2021-22

Proposal: Review calculation of salary & benefits as a percentage of recurring revenue.

Background: The District’s goal is to reflect a balance of recurring revenues allocated to salaries and benefits while maintaining services and supplies. A benchmark ratio is typically 85% dedicated to personnel cost with 15% to services and supplies.

Cost Impacts: Based on the 5-year Forecast, the District’s projected ratio is 86.26% in FYE 2022. The incremental decrease to 84.07% in FYE 2027 is primarily due to the increase in revenue projected at 4% for the next two years, then gradual decrease to 2% in year 5. This does not include any future COLAs, but does forecast an increase in pension, healthcare, and worker’s compensation cost.



FY 2021-22 Forecast as of February 10, 2022

	YEAR	1	2	3	4	5
	Mid Year Budget	Projection	Projection	Projection	Projection	Projection
	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
REVENUES						
Recurring Revenue						
Projected Increases	\$37,252,116	\$38,742,201	\$40,291,889	\$41,500,646	\$42,745,665	\$43,600,578
Percentage %	4.00%	4.00%	4.00%	3.00%	3.00%	2.00%
EXPENDITURES						
Salary and Employee Benefits						
Projected Regular Salary with .75% for step increases	\$13,956,195	\$14,133,641	\$14,239,643	\$14,346,441	\$14,454,039	\$14,562,444
Holiday, Taxes, Extra Help, EOY Accrued Pay Out etc.	\$ 2,219,706	\$ 2,236,354	\$ 2,253,126	\$ 2,270,025	\$ 2,287,050	\$ 2,304,203
Projected Overtime	\$ 3,074,384	\$ 3,097,442	\$ 3,120,673	\$ 3,144,078	\$ 3,167,659	\$ 3,191,416
OPEB Contribution	\$ 622,406	\$ 672,343	\$ 703,014	\$ 634,507	\$ 564,625	\$ 582,159
PERS - Valuation Report as of 6/30/19	\$ 6,744,014	\$ 7,227,237	\$ 7,251,221	\$ 7,492,348	\$ 7,627,618	\$ 7,774,032
Health Benefit 5% Annual Increase (Historical Trend)	\$ 3,887,324	\$ 4,081,691	\$ 4,285,775	\$ 4,500,064	\$ 4,725,067	\$ 4,961,320
Workers Comp projected 15% Annual Increase	\$ 1,630,735	\$ 1,875,345	\$ 2,156,647	\$ 2,480,144	\$ 2,852,166	\$ 3,279,991
TOTAL SALARY AND EMPLOYEE BENEFITS	\$32,134,765	\$33,324,053	\$34,010,101	\$34,867,607	\$35,678,223	\$36,655,566
DIFFERENCE VERSUS REVENUES						
85% of Revenue	\$31,664,299	\$32,930,871	\$34,248,106	\$35,275,549	\$36,333,815	\$37,060,492
Difference (Negative Number = Spending Above Goal)	\$ (470,466)	\$ (393,182)	\$ 238,005	\$ 407,942	\$ 655,592	\$ 404,926
FINANCE GOAL 85/15 Percentage	86.26	86.01	84.41	84.02	83.47	84.07

Recommendation: The Finance Committee recommends that the Board of Directors approve the proposals as set forth in this Staff Report.

Attachments:

1. Mid-Year Budget Adjustments for Central Fire (Detail)

CENTRAL FIRE
Fiscal Year 2021-22
Mid-Year Budget Adjustments

Item 4.1

OPERATIONS	Adjustment	
REVENUES	Incr / (Decr)	Description
Property taxes	\$ (235,000)	Reduced Residual Distribution to exclude sale of property that occurred last fiscal year
Inter-Gov Revenues	\$ 1,980,000	Strike team reimbursements
Other Revenue	\$ (40,000)	Decreased interest income based on YTD trend
Total Revenues	\$ 1,705,000	
EXPENDITURES	Incr / (Decr)	Description
Salaries and employee benefits	\$ 685,000	Strike team overtime
	\$ 144,473	Salary Increases from recently approved MOUs
<i>Total Salary and benefits</i>	\$ 829,473	
Services and supplies	\$ 20,000	Public Outreach Postage - Planning
	\$ 10,000	Public Outreach Postcards/Envelopes - Planning
	\$ 5,000	Public Outreach Advertising - Planning
	\$ 2,082	Challenge coins
	\$ 5,000	Photo project
	\$ 14,000	Hydrant installation
	\$ 1,400	Cable - BC Quarters/Training
	\$ 60,000	Shop Floor & Mezzanine Plans - 410 Kennedy
	\$ 71,000	S-1/Admin ADA Compliance, Admin Facility Security
	\$ 95,000	Fuel Pump Inventory Control System
	\$ 36,147	Increase in Fleet Subsidy (diff of \$11,640 from below, change to total not captured in final)
	\$ 30,077	N95 Mask order
	\$ 9,000	Wetsuits (30)
	\$ 1,351	Deadlift - St. 6
	\$ 909	Reimbursement of SCCFAIG and 20/21 expenses
	\$ 2,047	Rubber Flooring - St. 6
	\$ 25,000	Cordico Wellness App
	\$ 4,000	CRR Printer
	\$ 2,639	Adobe - Creative Cloud, Acrobat Pro
	\$ 1,265	Website Subscription - Sprout Social
	\$ (42,500)	Removal of GETACs
<i>Total Services and Supplies</i>	\$ 353,417	
<i>Total Operating Transfers</i>	\$ 800,000	Increased from \$1.3 million to \$2.1 to account for (2) future station replacements
	\$ 800,000	
Total Expenditures	\$ 1,982,890	
FLEET SERVICES	Adjustment	
EXPENDITURES	Incr / (Decr)	Description
Salaries and employee benefits	\$ 38,437	Salary Increases from recently approved MOUs
<i>Total Salary and benefits</i>	\$ 38,437	
Services and supplies	\$ 10,500	PS Trax Apparatus Check
	\$ (1,150)	Expense reduction
Subsidized by District	\$ (47,787)	Other budget adjustments not billable to an agency
<i>Total Services and Supplies</i>	\$ (38,437)	
Total Expenditures	\$ 0	
CAPITAL OUTLAY	Adjustment	
REVENUES	Incr / (Decr)	Description
Capital Equipment	\$ 800,000	Increased from \$1.3 million to \$2.1 to account for (2) future station replacements
Total Revenues	\$ 800,000	