

**SAN RAMON VALLEY FIRE PROTECTION DISTRICT  
FINANCE COMMITTEE MEETING**

**November 13, 2023 – 1:00 p.m.**

**Meeting Location:**     ***SRVFPD Administrative Offices – Boardroom  
2401 Crow Canyon Road, Suite A, San Ramon, CA 94583***

**\*\*For ADA Accessibility, please see attached map for further instructions.\*\***

**Website:** <https://www.firedepartment.org/>

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**Committee:** Vice President Kerr (Chair), Director Stamey

**AGENDA**

**1.    CALL TO ORDER**

**2.    PUBLIC COMMENT**

Pursuant to the Ralph M. Brown Act (Government Code §54950 *et. seq.*), members of the public may comment on Agenda items and non-Agenda items related to any subject pertaining to District business during the Public Comment period. The time allotted for each speaker is determined by the Personnel Committee Chair and may be limited to three (3) minutes.

**3.    NEW BUSINESS**

- 3.1    Approve the Minutes from August 3, 2023 Finance Committee Meeting.
- 3.2    Review and discuss proposed changes to the District’s Fund Balance Reserve Policy.
  - a. Attachment 1 – Current Fund Balance Reserve Policy
  - b. Attachment 2 – Proposed Fund Balance Reserve Policy
  - c. Attachment 3 – Workers’ Compensation 2023 Actuarial Study Executive Summary

**4.    ADJOURNMENT**

Prepared by:

*Stephanie Brendlen*

Stephanie Brendlen, District Counsel/District Clerk

*Agenda posted on November 6, 2023 at the District’s Administration Building, Fire Stations 30, 31, 32, 33, 34, 35, 36, 38, 39 and the San Ramon Valley Fire Protection Districts website at [www.firedepartment.org](http://www.firedepartment.org).*

*All public meetings under the Brown Act must comply with Section 202 of the Americans with Disabilities Act (“ADA”) and its implementing rules and regulations. If you have a disability and require a reasonable accommodation to fully participate in a public meeting, please contact the District Clerk at (925) 838-6661 as soon as possible but at least 72 hours in advance of the scheduled meeting time. In compliance with Government Code Section 54957.5, non-exempt writings that are distributed to a majority or all of the Board in advance of a meeting may be viewed on the District website at [www.firedepartment.org](http://www.firedepartment.org), at the District’s Administrative Offices located at 2401 Crow Canyon Road, Suite A, San Ramon, California, or at the scheduled meeting.*



# ADA ACCESSIBILITY MAP For SRVFPD Board Meeting



CROW CANYON RD

PARK PL

CREEKSIDE DR

NO THRU ACCESS

AVAILABLE PARKING

1500 BOLLINGER CANYON RD

2001 CROW CANYON RD

B.O.C

CREEKSIDE DR

2401 CROW CANYON RD

1600 BOLLINGER CANYON RD

BOLLINGER CANYON RD

CREEKSIDE DR



**SAN RAMON VALLEY FIRE PROTECTION DISTRICT  
FINANCE COMMITTEE MEETING AGENDA**

**August 3, 2023 MINUTES**

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**Location:**           **San Ramon Valley Fire Protection District  
Administrative Offices – Boardroom  
1500 Bollinger Canyon Road, San Ramon, CA 94583**

**Committee Members Present:**       Vice President Kerr (Chair), Director Stamey

**1.    CALL TO ORDER**

Chair Kerr called the meeting to order at 10:00 a.m.

**2.    PUBLIC COMMENT**

There was no public comment.

**3.    NEW BUSINESS**

3.1     Approve the Minutes from May 23, 2023 Finance Committee Meeting.

Director Stamey made a motion to approve the Minutes from the May 23, 2023 Finance Subcommittee Meeting; seconded by Chair Kerr. Motion carried unanimously.

The Committee agreed to move Agenda Item No. 3.6 to the next item on the Agenda.

3.6     Update on performance of investment consultant Chandler Asset Management, Inc.

Chandler Asset Management Consultant Karl Meng presented the update on the District’s investment performance as of June 30, 2023, including performance review with total rate of return, portfolio characteristics, account summary, top issuers, sector allocation, and maturity distribution. The Committee will make a recommendation to the Board at the August Regular Board meeting as to the next Chandler presentation to the full Board.

3.2     Evaluate feasibility and impacts of increasing the reserve.

Chief Meyer, Administrative Consultant Ken Campo and CFO Davina Hatfield provided information to the Committee regarding the feasibility and impacts of amending the District’s Fund Balance Reserve to establish a target range for the District’s Budget Stabilization Fund (“contingency reserve”). Staff discussed a “floor” equal to 20% of annual operating expenditures with a “goal” of 30%. The Committee was in agreement with the floor of 20% and requested Staff bring back options for the goal amount based on District specific attributes such as the District’s current monthly cash burn rate and the amount of cash on hand needed to cover operating expenses for four to six months. The Committee asked Staff to report back in time for the Committee to meet and consider recommendations to the full Board at the October Board meeting.

3.3 Review the current status of the CIP reserve in light of future station and apparatus needs.

Chief Meyer and CFO Hatfield presented the Capital Improvement Program (CIP) projection over the next ten (10) years which analyzes the District’s major fleet, facility and capital needs. Staff discussed the need to include the cost of replacing/remodeling Stations 39 and 31 in the CIP, along with funding options. The Board provided direction to Staff to develop a comprehensive CIP Policy in conjunction with the revised Fund Balance Reserve Policy for recommendation to the full Board.

3.4 Review reserve policy.

See discussion under 3.2 above. The Committee further expressed their desire to memorialize any changes to reserves in a revised/updated Fund Balance Reserve Policy which outlines practical strategies for achieving the goals.

3.5 Consider policy development relevant to potential environmental impacts confronting the District and how to keep them to a minimum. Discuss green policy/initiatives.

Chief Meyer presented this Agenda item. Staff asked for direction on a green policy/initiative and discussed the transition to EV’s for staff and command vehicles and potential for rooftop solar on stations and the new admin building. Director Stamey cautioned to have a clear understanding of initiatives and costs before moving forward and to be smart about how we spend District/taxpayer money. The Committee provided direction to Staff for evaluate best practices moving forward and continuing looking for grants or other forms of subsidies.

3.7 Review SOC challenges.

Chief Meyer presented this Agenda item and does not anticipate substantial financial impacts from the SOC at this time, except to accommodate community growth and the increased call volume.

3.8 Evaluate workers’ compensation policy as self-insured entity.

Chief Meyer and Administrative Consultant Campo discussed the executive summary and funding projection from the District’s June 30, 2023, Actuarial Review of the Self-Insured Workers’ Compensation Program. Chief Meyer expressed the District’s continued desire to compassionately take care of its injured employees, yet also needing to address the significant challenges expected ahead due to changes in the workers’ compensation and retirement systems; and further discussed strategies to address these challenges. The Committee indicated they would like a better understanding of the overall cost associated with the strategies before providing further direction or making a recommendation to the full Board.

The Board took a brief lunch recess at 11:57 a.m. until 12:15 p.m.

Chief Meyer announced the California Special Districts Association (“CSDA”) Annual Capitol Legislative Tour which will take place September 25-27, 2023 and involve a two-day Bay Area tour of special districts for key State Capitol staffers. The District will be one of the special district hosting the tour. CSDA is working on the details.

**4. ADJOURNMENT**

The Committee meeting was adjourned at 12:42 p.m.

Prepared by: \_\_\_\_\_  
Stephanie Brendlen  
District Counsel/District Clerk

Approved by: \_\_\_\_\_  
Jay Kerr  
Director/Finance Committee Chair  
Agenda No. 3.1

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## Fund Balance Reserve

### 215.1 PURPOSE AND SCOPE

The purpose of this policy is to provide for the reporting of fund balance classifications, establish prudent reserve requirements, and establish a hierarchy of fund balance expenditures.

#### 215.1.1 DEFINITIONS

Definitions related to this policy include:

**Fund balance** – The difference between assets and liabilities.

**Dry Period Funding** – 50% of the operating revenues (excluding grant and one-time revenues) in the General Fund at fiscal year-end.

**Budget Stabilization Fund** – 20% of General Fund operating expenditures (excluding capital contributions) and debt service expenditures; plus a contingency for future payments related to open claims under the District's self-insured workers' compensation program.

### 215.2 POLICY

Responsible financial practices necessitate the adoption of specific procedures for reporting fund balance classifications, minimum reserve requirements, and hierarchy of fund balance expenditures in conformance with Governmental Accounting Standards Board guidelines.

The District will report fund balance in accordance with Governmental Accounting Standards Board Statement No. 54. The following five components will be used:

- (a) Non-Spendable Fund Balance – Fund Balance amounts set aside for items that do not represent available, spendable resources such as prepaid expenses or inventory amounts.
- (b) Restricted Fund Balance - Fund Balance amounts that have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation that requires the funds to be used only for a specific purpose.
- (c) Committed Fund Balance - Fund Balance amounts that have constraints imposed by formal action of the Board. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or reverse the limitation.
- (d) Assigned Fund Balance - Fund Balance amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed.
- (e) Unassigned Fund Balance - represents residual amounts that have not been restricted, committed, or assigned.

### 215.3 FUND BALANCES

The District will maintain:

- (a) In the General Fund at fiscal year-end a Dry Period Funding balance equivalent to at least 50% of General Fund operating revenues, excluding grants and other one-

# San Ramon Valley Fire Protection District

## Policy Manual

### *Fund Balance Reserve*

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time revenues, for the current fiscal year. Such amount establishes the minimum Fund Balance for the General Fund.

- (b) A Budget Stabilization Fund separate from the General Fund with a minimum Fund Balance equivalent to 20% of General Fund operating expenditures (excluding capital contributions) and debt service expenditures, plus an amount related to open claims under the District's self-insured workers' compensation program (with such amount currently set at \$4,000,000).

The District will report the following amounts as Committed Fund Balance at fiscal year- end:

- (a) Dry Period Funding – Fund Balance committed to covering operational costs during the "dry period" between the receipt of property taxes in April and the receipt of property taxes in December when expenditures typically far outpace revenues. The amount will be equal to 50% of General Fund operating revenues (excluding grants and other one-time revenues, for the current fiscal year) and will be maintained in the General Fund.
- (b) Workers' Compensation Claims - Fund Balance committed to pay for future costs associated with the District's self-insured workers' compensation program. The amount will be maintained in the Budget Stabilization Fund with funding based upon the estimated liability for unpaid losses as determined by an independent actuarial review of the District's Self-Insured Workers' Compensation Program. The goal of this policy is to establish a minimum funding level equal to the "expected" liability for open workers' compensation claims as determined in the actuarial review; and because actuarial estimates of claims costs are subject to some uncertainty, it is deemed appropriate to include an amount in addition to the "expected" loss amount be set aside as a margin for contingencies. The District will continue to set funds aside, over time as overall funding permits, until such time as the funding goal is met.
- (c) Budget Stabilization - Fund Balance committed to provide a source of funds to mitigate the effects to the General Fund during a prolonged economic downturn or fund an unanticipated major expenditure and can only be used pursuant to action taken by the Board of Directors. The amount will be equal to 20% of General Fund operating expenditures (excluding capital contributions) and debt service expenditures for the current fiscal year and will be maintained in the Budget Stabilization Fund.

The Fire Chief or Chief Financial Officer is designated to determine and define the amounts of those components of fund balance that are classified as "Assigned Fund Balance". The District will report the following amounts as Assigned Fund Balance:

- (a) Budgetary Deficit - Fund balance committed to pay for the subsequent year's budget deficit, if any. The amount is equal to the projected excess of budgeted expenditures over budgeted revenues by fund.
- (b) Other Assigned Fund Balance categories as determined by the Fire Chief or Chief Financial Officer.

The District considers restricted amounts to have been spent prior to unrestricted amounts when an expenditure is incurred for purposes for which both are available. Committed, assigned and

# San Ramon Valley Fire Protection District

Policy Manual

## *Fund Balance Reserve*

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unassigned amounts, in this order, are considered to be spent when an expenditure is incurred for purposes for which either is available.

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## Fund Balance Reserve

### 215.1 PURPOSE AND SCOPE

The purpose of this policy is to provide for the reporting of fund balance classifications, establish prudent reserve requirements, and establish a hierarchy of fund balance expenditures.

District reserves play a key role in mitigating risks associated with volatility and uncertainty in public finances. Reserves are used as a form of insurance for those risks where it is difficult or impractical to cover with commercial insurance like revenue instability, catastrophic events, and cash flow instability. Reserves are also used as savings account for accumulating funds to pay for future costs that would not be affordable within a single year's revenue like major apparatus purchases or construction projects.

#### 215.1.1 DEFINITIONS

Definitions related to this policy include:

**Fund balance** – The difference between assets and liabilities.

**Dry-Period Funding** – Reserve funds to ensure there is sufficient cash available to cover operating expenditures between major property tax payment receipts in December and April. Without a dry-period funding reserve the District would need to borrow funds to meet operational cash requirements.

**Budget Stabilization Fund** – Reserve funds to mitigate the impacts of an economic recession, a significant decline in operating revenues (i.e., property taxes or ambulance fees) or unexpected major expense, local disasters, unfunded mandates, or extraordinary workers' compensation self-insurance claim(s).

**Capital Projects Fund** – Reserve funds for the purchase of apparatus, equipment, and the construction, rehabilitation, and improvements to District facilities and properties made pursuant to a long-range Capital Improvement Program (CIP). The CIP is a multi-year program and plan that identifies capital projects necessary for the implementation of the District's various long-range plans including the Standards of Cover, growth plans, facility condition assessment, and apparatus and equipment replacement schedule and includes financing options.

**Unfunded Liabilities** – For purposes of this policy, the term unfunded liabilities is used to describe the Other Post Employment Benefits (OPEB) Unfunded Actuarial Accrued Liability (UAAL) associated with retiree medical benefits and the UAAL associated with CCCERA retirement benefits; with the UAAL being defined as the difference between the value of trust assets and the value of benefits earned as of the most recent actuarial valuation date. (Also see OPEB Funding Policy 219.)



## 215.2 RESERVE BALANCE POLICY

The District will maintain the following reserves:

- (a) Dry Period Funding - On July 1 of each year:
  - i. General Fund unassigned operating reserves (i.e., fund balance) in an amount equivalent to at least 50% of the General Fund operating revenues (excluding grant and other one-time revenues) for the upcoming budget year.

These funds are intended to be used during periods when operating cash outflows exceed inflows, typically January-March and May-November; and then get replenished with the receipt of property tax payments in December and April.

- (b) Budget Stabilization Fund - On July 1 of each year, committed reserves (i.e., fund balance) comprised of the following separate and distinct reserve amounts:
  - i. Contingency Reserve funds between 20% and 35% of General Fund operating expenditures (excluding capital contributions) and debt service expenditures for the upcoming budget. This lower limit of 20% represents 2.4 months of operating expenditures and is generally considered to be in the low-range of acceptable reserve levels by credit rating agencies, while the upper limit of 35% represents 4.2 months of operating expenditures and is generally considered to be in the mid-range of acceptable reserve levels by credit rating agencies.
  - ii. Workers' Compensation Reserve funds between the "expected" net claims liability and value at the 85% confidence level as determined in the most recent actuarial review of the District's self-insured workers' compensation program. Annually, the District will undertake an actuarial review workers' compensation program to ascertain its risk exposure for future outstanding claim costs, determine the net present value of claim liabilities, and provide a range of reserve options based on various confidence levels: the 85% confidence level refers to an estimate for which there is an 85% chance that the amount will be sufficient to pay all projected claim costs. These reserves also provide mitigation against a catastrophic claim event in lieu of commercial excess insurance.

Budget Stabilization Funds can only be used pursuant to action taken by the Board of Directors.

- (c) Capital Project Fund restricted CIP reserves as determined pursuant to the Capital Improvement Plan.
  - i. It is the policy of the District to prepare a CIP that outlines capital needs of the District that:
    - Are responsive to the changing needs of the District.
    - Demonstrate excellence in quality and value.
    - Enable District staff to carry out their duties in an efficient and customer-focused manner.
    - Provide a healthy, safe, secure, productive, and equitable environment for our employees to promote efficient service delivery.

## ATTACHMENT 2 – PROPOSED FUND BALANCE RESERVE POLICY

- ii. The CIP incorporates and is consistent with District master plans, Board of Director's goals, and other long-range plans of the District. Capital projects may be funded from transfers from the General Fund, grant funding, debt financing, sale of surplus property or developer agreements.
- iii. Since capital projects may span multiple fiscal years, the CIP details anticipated annual capital expenditures for a 5-10 year period. This allows the District's Board of Directors to regularly revisit the plan and project progress, and better anticipate future needs.
- iv. In developing the CIP, staff shall look for opportunities to minimize potential negative environmental impacts, including but not limited to:
  - Environmentally Preferable Purchasing (EPP): the procurement of goods and services that have a reduced impact on human health and the environment as compared to other goods and services serving the same purpose (Public Contract Code §12400-12404).
  - Use of zero-emission vehicles (ZEVs).
  - Use of green building initiatives to improve building operation efficiency, reduce greenhouse gas emissions, and seek opportunities to conserve natural resources.
  - Explore opportunities for the installation of solar photovoltaic systems at District facilities, using power purchase agreements or District capital funds as appropriate for the size and setting of each site.

The District will seek available grant funding for these “green” initiatives; however, the cost of any such projects undertaken with taxpayer funds shall to be weighed against the long-run financial benefit.

### 215.2.1 FUNDING PRIORITIES

The long-term financial viability of the District is predicated on establishing and maintaining financial reserves as set forth in Fund Balance Reserve Policy 215 eliminating any significant unfunded liabilities.

Establishing funding priorities and strategies will aid in guiding fiscal planning, deliberations, and decisions toward achieving the goal of maintaining long-term financial stability. With limited resources, the District must prioritize the funding of reserves and the paydown of unfunded liabilities. Following are Districts funding priorities:

- i. Dry-period funding reserves to avoid having to borrow money to cover operating expenditures.
- ii. Contingency (“rainy day”) reserves to avoid disruption in service delivery.
- iii. Paydown of unfunded liabilities beginning with OPEB, followed by CCCERA.
  - These benefits will be considered “funded” when the actuarial value of assets set aside for the payment of such benefits are between 90% and 110% of the actuarial liability associated with the benefits.
- iv. Capital project reserves to ensure funding is available when needed pursuant

to the CIP.

- v. Achieving the desired level of workers' compensation reserve funds.

Strategies to achieve the target reserve levels and paydown of unfunded liabilities will be identified and implemented as part of the Board's annual budget development process after the amount of available resources is established.

### 215.3 FUND BALANCE REPORTING POLICY

Responsible financial practices necessitate the adoption of specific procedures for reporting fund balance classifications, minimum reserve requirements, and hierarchy of fund balance expenditures in conformance with Governmental Accounting Standards Board guidelines.

The District will report fund balances in accordance with Governmental Accounting Standards Board Statement No. 54. The following five components will be used:

- (a) Non-Spendable Fund Balance – Fund Balance amounts set aside for items that do not represent available, spendable resources such as prepaid expenses or inventory amounts.
- (b) Restricted Fund Balance - Fund Balance amounts that have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation that requires the funds to be used only for a specific purpose.
- (c) Committed Fund Balance - Fund Balance amounts that have constraints imposed by formal action of the Board. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or reverse the limitation.
- (d) Assigned Fund Balance - Fund Balance amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed.
- (e) Unassigned Fund Balance - represents residual amounts that have not been restricted, committed, or assigned.

The District will report as "Non-spendable Fund Balance" that amount of fund balance attributable to inventory items and prepaid expenses at fiscal year-end.

The District will report the following amounts as "Committed Fund Balance" at fiscal year-end:

- (a) Within the Budget Stabilization Fund – the amount of fund balance designated as the Contingency Reserve.
- (b) Within the Budget Stabilization Fund – the amount of fund balance designated as the Workers' Compensation Reserve.

The Fire Chief or Chief Financial Officer is designated to determine and define the amounts of those components of fund balance that are classified as "Assigned Fund Balance". The District will report the following amounts as Assigned Fund Balance:

- (a) Budgetary Deficit - Fund balance committed to pay for the subsequent year's budget deficit, if any. The amount is equal to the projected excess of budgeted expenditures over budgeted revenues by fund.



## ATTACHMENT 2 – PROPOSED FUND BALANCE RESERVE POLICY

- (b) Other Assigned Fund Balance categories as determined by the Fire Chief or Chief Financial Officer; typically for the District these would be amounts associated with outstanding purchases orders and encumbrances as of fiscal year end.

All remaining fund balance not included under the categories cited above will be designated as “Unassigned Fund Balance,” which would include the dry-period operating reserve amount.

The District considers restricted amounts to have been spent prior to unrestricted amounts when an expenditure is incurred for purposes for which both are available; and committed, assigned and unassigned amounts, in this order, when an expenditure is incurred for purposes for which each is available.

## EXECUTIVE SUMMARY

## Net Claim Liabilities

The following table presents our conclusions regarding the District's net claim liabilities.

Loss & LAE Claim Liabilities  
As of 6/30/2023, Net of Reinsurance

Dollars (\$000s)	←	Confidence Level				→
		Expected <sup>1</sup>	70%	75%	80%	
Loss & ALAE	\$11,675	\$12,948	\$13,473	\$14,080	\$14,827	\$15,796
Claims Admin. (ULAE)	379	420	437	457	481	513
<b>Total Loss &amp; LAE</b>	<b>\$12,054</b>	<b>\$13,368</b>	<b>\$13,910</b>	<b>\$14,537</b>	<b>\$15,308</b>	<b>\$16,309</b>
NPV Adjustment <sup>2</sup>	(2,411)	(2,674)	(2,782)	(2,908)	(3,061)	(3,262)
<b>Discounted Loss &amp; LAE</b>	<b>\$9,643</b>	<b>\$10,694</b>	<b>\$11,128</b>	<b>\$11,629</b>	<b>\$12,247</b>	<b>\$13,047</b>
Assets	4,625	4,625	4,625	4,625	4,625	4,625
Surplus/(Deficit)	(5,018)	(6,069)	(6,503)	(7,004)	(7,622)	(8,422)
Short Term <sup>3</sup>	\$2,073	\$2,299	\$2,392	\$2,500	\$2,633	\$2,805
Long Term <sup>3</sup>	7,570	8,395	8,736	9,129	9,614	10,242

<sup>1</sup> Expected values represent the "best actuarial" or "central" estimate.

<sup>2</sup> Net present value is based on an annual discount rate of 4.5%.

<sup>3</sup> Short term liabilities are projected to be paid within 12 months of the accounting date. Long term liabilities are projected to be paid after 12 months.