MORAGA-ORINDA FIRE DISTRICT DRAFT LONG RANGE FINANCIAL FORECAST

		BUDG 12/13	PROJ 13/14	PROJ 14/15	PROJ 15/16	PROJ 16/17	PROJ 17/18	PROJ 18/19	PROJ 19/20	PROJ 20/21	PROJ 21/22	PROJ 22/23	PROJ 23/24	PROJ 24/25	PROJ 25/26	PROJ 26/27	PROJ 27/28	ASSM	ASSM	ASSM
1	**GENERAL FUND BALANCE, BEGINNING OF YEAR**	3,466,270	2,776,826	1,751,004	866,624	298,832	(394,287)	(808,722)	(929,039)	(742,526)	(202,280)	604,133	2,110,255	2,503,504	1,578,926	694,895	4,391,560	12/13-	15/16-	26/27-
2	**CAPITAL FUND, BEGINNING OF YEAR**	3,077,204	1,604,765	1,624,898	1,981,433	2,727,697	2,981,120	3,654,662	4,124,955	4,417,682	5,421,824	6,445,011	6,676,135	7,746,874	8,820,662	9,897,494	2,902,157	14/15	16/17	27/28
3	**COMBINED FUND BALANCE, BEGINIING OF YEAR**	**6,543,474**	**2,776,826**	**3,375,902**	**2,848,057**	**3,026,529**	**2,586,833**	**2,845,940**	**3,195,916**	**3,675,155**	**5,219,544**	**7,049,145**	**8,786,389**	**10,250,378**	**10,399,588**	**10,592,390**	**7,293,717**	NA	NA	NA
3a	**PERCENT OF OPERATING RESERVES**	35.43%	14.42%	17.16%	14.25%	14.52%	12.13%	13.04%	14.30%	16.08%	22.23%	29.73%	34.07%	36.47%	35.73%	41.36%	38.18%	NA	NA	NA
4	**ANNUALGENERAL FUND (SURPLUS/DEFICIT)**	(689,444)	(1,025,823)	(884,379)	(567,792)	(693,119)	(414,435)	(120,317)	186,513	540,246	806,413	1,506,121	393,249	(924,578)	(884,031)	3,696,665	11,328,053	NA	NA	NA
5	**GENERAL FUND REVENUES**																			
5a	PROPERTY TAX	16,411,317	16,739,543	17,283,578	17,888,504	18,604,044	19,348,206	20,122,134	20,927,019	21,764,100	22,634,664	23,540,051	24,481,653	25,460,919	26,479,355	27,538,530	28,640,071	2.75%*	4.0%	4.0%
5b	USE OF MONEY & PROPERTY	750	750	750	750	750	750	750	750	750	750	750	750	750	750	750	750	0.0%	0.0%	0.0%
5c	INTERGOVERNMENTAL REVENUE	356,026	359,586	363,182	366,814	370,482	374,187	377,929	381,708	385,525	389,380	393,274	397,207	401,179	405,191	409,243	413,335	1.0%	1.0%	1.0%
5d	CHARGES FOR SERVICES	74,387	100,000	101,000	102,010	103,030	104,060	105,101	106,152	107,214	108,286	109,369	110,462	111,567	112,683	113,809	114,947	1.0%*	1.0%	1.0%
5e	AMBULANCE FEES	911,750	1,000,000	1,015,000	1,030,225	1,045,678	1,061,364	1,077,284	1,093,443	1,109,845	1,126,493	1,143,390	1,160,541	1,177,949	1,195,618	1,213,552	1,231,756	1.5%	1.5%	1.5%
5f	OTHER REVENUE	27,000	27,270	27,543	27,818	28,096	28,377	28,661	28,948	29,237	29,530	29,825	30,123	30,424	30,729	31,036	31,346	1.0%	1.0%	1.0%
6	**TOTAL GENERAL FUND REVENUES**	17,781,230	18,227,150	18,791,053	19,416,121	20,152,081	20,916,944	21,711,859	22,538,020	23,396,671	24,289,102	25,216,658	26,180,736	27,182,788	28,224,325	29,306,920	30,432,205	NA	NA	NA
7	**CAPITAL FUND REVENUES**	1,070,438	1,073,970	1,077,514	1,081,070	1,084,638	1,088,217	1,091,808	1,095,411	1,099,026	1,102,653	1,106,291	1,109,942	1,113,605	1,117,280	1,120,967	1,124,666	0.03%	0.03%	0.03%
8	**TOTAL REVENUES**	18,851,668	19,301,120	19,868,568	20,497,191	21,236,718	22,005,161	22,803,667	23,633,431	24,495,697	25,391,755	26,322,950	27,290,678	28,296,393	29,341,605	30,427,887	31,556,871	NA	NA	NA
9	**GENERAL FUND EXPENDITURES**																			
9a	PERMANENT SALARIES	7,650,756	7,727,264	7,804,536	7,921,604	8,040,428	8,201,237	8,365,262	8,532,567	8,703,218	8,877,283	9,054,828	9,235,925	9,420,643	9,609,056	9,801,237	9,997,262	1.0%	1.6%*	2.0%
9b	TEMPORARY SALARIES	184,440	186,284	188,147	190,969	193,834	197,711	201,665	205,698	209,812	214,008	218,289	222,654	227,107	231,650	236,283	241,008	1.0%	1.5%	2.0%
9c	OVERTIME	1,263,000	1,275,630	1,288,386	1,307,712	1,327,328	1,353,874	1,380,952	1,408,571	1,436,742	1,465,477	1,494,787	1,524,682	1,555,176	1,586,280	1,618,005	1,650,365	1.0%	1.5%	2.0%
9d	PAYROLL TAXES	142,631	144,057	145,498	147,680	149,896	152,894	155,951	159,070	162,252	165,497	168,807	172,183	175,627	179,139	182,722	186,376	1.0%	1.5%	2.0%
9e	OTHER BENEFITS & SALARY EXPENSE	130,349	131,652	132,969	134,964	136,988	139,728	142,522	145,373	148,280	151,246	154,271	157,356	160,503	163,713	166,988	170,327	1.0%	1.5%	2.0%
9f	WORKERS COMPENSATION	715,796	722,954	730,183	741,136	752,253	767,298	782,644	798,297	814,263	830,548	847,159	864,103	881,385	899,012	916,993	935,332	1.0%	1.5%	2.0%
9g	MEDICAL & DENTAL	1,592,487	1,600,449	1,608,452	1,616,494	1,624,576	1,632,699	1,640,863	1,649,067	1,657,312	1,665,599	1,673,927	1,682,297	1,690,708	1,699,162	1,707,657	1,716,196	0.5%	0.5%	0.5%
9h	PROGRAM EXPENSES	1,743,851	1,770,009	1,796,559	1,823,507	1,850,860	1,878,623	1,906,802	1,935,404	1,964,435	1,993,902	2,023,810	2,054,167	2,084,980	2,116,255	2,147,998	2,180,218	1.5%	1.5%	1.5%
9i	AMBULANCE ADMIN FEES	57,440	63,000	63,945	64,904	65,878	66,866	67,869	68,887	69,920	70,969	72,034	73,114	74,211	75,324	76,454	77,601	2.0%	2.0%	2.0%
9j	CCCERA EMPLOYER PAYMENT	1,491,897	1,506,816	1,521,885	1,544,713	1,567,884	1,599,241	1,631,226	1,663,851	1,697,128	1,731,070	1,765,691	1,801,005	1,837,025	1,873,766	1,911,241	1,949,466	NA	NA	NA
9k	CCCERA UAAL FUNDING	1,125,890	1,637,358	1,781,670	1,751,762	1,745,992	1,776,331	1,806,042	1,835,114	1,863,534	2,000,000	4,000,000	5,000,000	7,000,000	6,000,000	6,844,677	0	NA	NA	NA
9l	PENSION OBLIGATION BOND PAYMENT	2,372,136	2,487,498	2,613,202	2,738,467	3,014,283	3,157,877	3,307,377	3,466,608	3,624,527	3,790,090	1,687,934	0	0	0	0	0	NA	NA	NA
9m	OPEB UAAL FUNDING (INTO TRUST)	0	0	0	0	375,000	407,000	443,000	483,000	505,000	527,000	549,000	3,000,000	3,000,000	4,675,000	0	0	NA	NA	NA
10	**TOTAL GENERAL FUND EXPENDITURES**	18,470,674	19,252,972	19,675,433	19,983,913	20,845,200	21,331,379	21,832,176	22,351,508	22,856,424	23,482,689	23,710,537	25,787,487	28,107,366	29,108,356	25,610,255	19,104,153	NA	NA	NA
11	**CAPITAL EXPENDITURES**	2,542,877	1,053,837	720,980	334,806	831,215	414,675	621,515	802,684	94,884	79,465	875,168	39,203	39,817	40,448	8,116,304	41,758	NA	NA	NA
12	**TOTAL EXPENDITURES**	21,013,551	20,306,810	20,396,412	20,318,719	21,676,414	21,746,054	22,453,691	23,154,192	22,951,308	23,562,154	24,585,705	25,826,689	28,147,183	29,148,804	33,726,559	19,145,910	NA	NA	NA
13	**ACTUAL AND ACTUARIAL DEBT**																			
14	CCCERA UAAL BALANCE, BEGINNING OF YEAR	24,023,329	24,671,991	24,819,817	24,823,603	24,859,908	24,905,245	24,921,405	24,906,803	24,859,744	24,778,417	24,543,744	22,135,884	18,463,915	12,352,368	6,844,677	0	NA	NA	NA
15	PENSION OBLIGATION BOND BALANCE	24,705,000	23,475,000	22,050,000	20,420,000	18,565,000	16,465,000	14,105,000	11,465,000	8,520,000	5,255,000	1,645,000	0	0	0	0	0	NA	NA	NA
16	OPEB UAAL BALANCE, BEGINNING OF YEAR	11,739,000	11,892,000	12,023,000	12,137,000	12,249,000	11,978,000	11,652,000	11,266,000	10,815,000	10,293,000	9,695,000	9,014,000	6,920,000	4,675,000	0	0	NA	NA	NA
17	**TOTAL ACTUAL AND ACTUARIAL DEBT**	60,467,329	60,038,991	58,892,817	57,380,603	55,673,908	53,348,245	50,678,405	47,637,803	44,194,744	40,326,417	35,883,744	31,149,884	25,383,915	17,027,368	6,844,677	0	NA	NA	NA
18	**GENERAL FUND BALANCE, END OF YEAR**	2,776,826	1,751,004	866,624	298,832	(394,287)	(808,722)	(929,039)	(742,526)	(202,280)	604,133	2,110,255	2,503,504	1,578,926	694,895	4,391,560	15,719,613	NA	NA	NA
19	**CAPITAL FUND BALANCE, END OF YEAR**	1,604,765	1,624,898	1,981,433	2,727,697	2,981,120	3,654,662	4,124,955	4,417,682	5,421,824	6,445,011	6,676,135	7,746,874	8,820,662	9,897,494	2,902,157	3,985,066	NA	NA	NA
20	**COMBINED FUND BALANCE, END OF YEAR**	4,381,591	3,375,902	2,848,057	3,026,529	2,586,833	2,845,940	3,195,916	3,675,155	5,219,544	7,049,145	8,786,389	10,250,378	10,399,588	10,592,390	7,293,717	19,704,678	NA	NA	NA

*=Avg.

MORAGA-ORINDA FIRE DISTRICT
CAPITAL REPLACEMENT SCHEDULE

	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S
1	**DESCRIPTION**		**BUDG 12/13**	**PROJ 13/14**	**PROJ 14/15**	**PROJ 15/16**	**PROJ 16/17**	**PROJ 17/18**	**PROJ 18/19**	**PROJ 19/20**	**PROJ 20/21**	**PROJ 21/22**	**PROJ 22/23**	**PROJ 23/24**	**PROJ 24/25**	**PROJ 25/26**	**PROJ 26/27**	**PROJ 27/28**
2																		
3		**2012 Costs**																
4	**FACILITY EXPENDITURES**																	
5	STATION 41 RENOVATION	1,300,000	300,000	408,000	624,240													
6	STATION 43 RECONSTRUCTION	2,659,057	2,059,057	612,000														
7	STATION 45 RECONSTRUCTION	6,000,000															8,075,210	
8	ADMINISTRATION OFFICE	300,000				300,000												
9	CAPITAL MAINTENANCE		18,600	12,000	12,360	12,731	13,113	13,506	13,911	14,329	14,758	15,201	15,657	16,127	16,611	17,109	17,622	18,151
10	**TOTAL FACILITIES EXPENDITURES**		**2,377,657**	**1,032,000**	**636,600**	**312,731**	**13,113**	**13,506**	**13,911**	**14,329**	**14,758**	**15,201**	**15,657**	**16,127**	**16,611**	**17,109**	**8,092,832**	**18,151**
11																		
12	**APPARATUS/VEHICLE EXPENDITURES**	**2012 Costs**																
13	ENGINE TYPE 1 (SPARTAN 3D-Relace with Quint)	750,000					795,906											
14	ENGINE TYPE 1-SPARTAN, HI TEC	530,000								596,866								
15	ENGINE TYPE 1-SPARTAN, HI-TEC	530,000							585,163									
16	UTILITY FORD F250	60,000			62,424													
17	AMBULANCE FORD/ROAD RESCUE	150,000																
18	AMBULANCE FORD/ROAD RESCUE	150,000																
19	ENGINE TYPE 3 WESTATES	350,000											418,282					
20	ENGINE TYPE 3 WESTATES	350,000											418,282					
21	FORD RANGER	17,000										20,723						
22	FORD RANGER	17,000										20,723						
23	COMMAND-FORD EXPEDITION (4513)	50,000						54,122										
24	AMBULANCE BRAUN	150,000						162,365										
25	AMBULANCE BRAUN	150,000						162,365										
26	COMMAND CHEVY SUBURBAN (4512)	50,000								56,308								
27	COMMAND CHEVY SUBURBAN (4514)	50,000								56,308								
28	COMMAND-CHEVY SUBURBAN (4514)	50,000								56,308								
29	ENGINE TYPE 1 PIERCE ARROW	530,000																
30	WATER TENDERFORD/WELCH	300,000																
31	TYPE 3 ENGINE PIERCE	350,000																
32	COMMAND-CHEVY TAHOE (4500)	50,000									57,434							
33	HEAVY RESCUE BOAT/OUTBOARD ENGINE	30,000																
34	TRAILER RESCUE -ALL RISK	15,000																
35	COMMAND FORD EXPLORER(FIRE MARSHAL)	32,000	32,000															
36	ENGINE TYPE 1-PIERCE ARROW	530,000																
37	**TOTAL APPARATUS EXPENDITURES/VEHICLE**		**32,000**		**62,424**	**0**	**795,906**	**378,851**	**585,163**	**765,790**	**57,434**	**41,446**	**836,565**	**0**	**0**	**0**	**0**	**0**
38																		
39	**FIREFIGHTING CAPITAL EQUIPMENT**																	
40																		
41	**IT CAPITAL (FIXED ASSETS) EXPENDITURES**		49,500	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
42																		
43	**OTHER CAPITAL PROJECTS FUND EXPENDITURES**		11,720	11,837	11,956	12,075	12,196	12,318	12,441	12,565	12,691	12,818	12,946	13,076	13,206	13,338	13,472	13,607
44																		
45	**GRANT MATCH**		72,000	0														
46																		
47	**TOTAL CAPITAL**		**$ 2,542,877**	**$ 1,053,837**	**$ 720,980**	**$ 334,806**	**$ 831,215**	**$ 414,675**	**$ 621,515**	**$ 802,684**	**$ 94,884**	**$ 79,465**	**$ 875,168**	**$ 39,203**	**$ 39,817**	**$ 40,448**	**$ 8,116,304**	**$ 41,758**

LIST OF EACH OF THE ELEMENTS AND ASSOCIATED ASSUMPTIONS AND JUSTIFICATIONS USED TO DEVELOP THE DRAFT LONG RANGE FINANCIAL FORECAST (PLAN):

1. **GENERAL FUND BALANCE, BEGINNING OF YEAR-** This element provides a year to year balance of the General Fund. The previous year's expenditures are subtracted from the previous year's revenues and that number is subtracted from the previous year's General Fund Balance.

2. **CAPITAL FUND BALANCE, BEGINNING OF YEAR-** This element provides a year to year balance of the Capital Fund. The previous year's expenditures are subtracted from the previous year's revenues and that number is subtracted from the previous year's Capital Project's Fund Balance. The Capital Fund Expenditures are identified in Attachment A of this plan.

3. **COMBINED FUND BALANCE, BEGINNING OF YEAR-** In this plan the General Fund balance and the Capital Fund balance are combined to identify a year to year total fund balance. This is required to easily identify that ten percent of General Fund dollars will be maintained per the plan's goal and to comply with standard governmental accounting recommendations. The combined fund also allows the "General Fund" to transfer funds from the "Capital Fund" in years 2017/18-20/21 when the District begins to fund the OPEB (see line 9m) trust fund.

    a. **PERCENT RESERVE OF GENERAL FUND REVENUE-** Per the Standard Government Accounting recommendations, one of the goals of the Plan was to maintain a reserve of ten percent of General Fund revenues. This is accomplished by dividing the Combined Fund balance by the General Fund Revenues to determine the percentage of reserves. The plan does not drop below 11.79 percent in reserve funds of the General Fund revenues.

4. **ANNUAL GENERAL FUND (SURPLUS/DEFICIT)-**This is an annual view of the General Fund Expenditures subtracted from the General Fund Revenues.

5. **GENERAL FUND REVENUES-** General fund revenues are received from the following sources:

    a. **Property Taxes-**This is one of the most important elements of the plan. Property taxes are the primary revenue source for the District. Since the District's inception, the average annual increase in property taxes has been 6%. During the last two years property tax revenues have been flat or slightly down. The plan assumes an increase of 2% in fiscal year (FY) 2013 /14, 3.25% in FY 2014/15, 3.5% in FY 2015/16 and 4% increases through the remainder of the plan. These assumptions are based on the following:
        - Historical trends (6% average)
        - Information from local realtors that the number of homes on the market has decreased dramatically and multiple offers are being received for new listings. When homes are sold, their value is reassessed and property taxes are based on the new assessments.
        - Assessed property values of homes in Moraga and Orinda have increased by an average of 1% during the past twelve months and overall home prices have increased in excess of 10%.
        - The total number of new homes in the District that are in the planning or building phase is conservatively 300. The average selling price for these new homes is approximately $1 million which will create $300 million in new assessed property values. A one percent property tax on those properties equals $3 million. The District receives approximately 20% of the one percent of assessed value. This equates to approximately $600,000 in annual revenues from new construction that should be realized over the next fifteen years.

b. **Use of Property and Money-** The District participates in the County's Teeter Plan and does not have the ability to invest reserve funds until the final installment of property taxes are paid in April. The small amount the District does invest is limited to restricted risk investment strategies (following the District's Investment Policy). The plan assumes there will be no increase is this small revenue stream.

c. **Intergovernmental Revenue**- The District receives funds from a special Emergency Medical Services Tax (Measure H). This plan conservatively anticipates an increase of 1% annually through the duration of the plan.

d. **Charges for Services**- California State Laws allow the District to recoup the cost of issuing permits, conducting inspection and reviewing construction plans. The District is in the process of conducting an audit to determine if our pricing levels are consistent with our costs. Initial reviews indicate that a 10% increase for these services will be requested though a District Ordinance. The amount of new construction expected during the duration of this plan will also increase the available revenue in this category. The plan assumed an initial increase of 10% for fee restructuring and a 15% increase in plan reviews and construction. After the first year the plan assumes a conservative 1% annual revenue increase for this category.

e. **Ambulance Fees-** The District operates two full time ambulances and one cross-staffed ambulance. The ambulances generate close to $1 million annually for ambulance services. Contra Costa County regulates the amount the District may charge for ambulance services. In July 2013 the District anticipates an increase of 5% for ambulance services. The plan conservatively assumes an additional 1.5% annual increases based on future fee increases and additional transports due to community growth and aging.

f. **Other Revenue-** The District receives some additional revenue from the sale of excess property and by providing emergency management services to the City of Lafayette. The plan assumes a conservative increase of 1% annually throughout the duration of the plan.

6. **TOTAL GENERAL FUND REVENUES**- A running total of the annual sum of the revenues identified in 5a-5f.

7. **CAPITAL PROJECTS FUND REVENUES-** Revenues for the Capital Projects fund are the funds the District receives through a special tax (Fire Flow Tax) approved by the District residents to maintain and enhance service levels. The District has historically used the funds for capital projects and capital equipment. This Plan proposes that a portion of these funds be used to augment the general fund during FY 2016/17 and FY 2019/20 to allow for the creation of an OPEB Trust Fund to begin to address the $11,739,000 unfunded liability. The fire flow tax is a fixed amount for each residence and does not increase when the home is sold or improvements are made. The plan increases the total Capital Projects fund by .035% annually based on potential new construction.

8. **TOTAL REVENUES-** This is a running total of the combined annual General Fund and Capital Projects Fund Revenues.

9. **GENERAL FUND EXPENDITURES-** These elements are all "non-capital" District expenditures funded through general revenue funding (5a-5f).

   a. **Permanent Salaries-** These are the salaries (excluding benefits and overtime) of all full-time employees. One of the Plan's primary objectives is to hold salaries below the economic growth rate and utilize the remaining revenue to address unfunded liabilities.

That must be balanced against the District's ability to maintain a quality workforce. The District has trained and developed some of the best firefighter/paramedics in the country and maintaining the workforce is a key element of maintaining service levels. The plan currently has the economic growth rate and permanent salaries at a 50/50 split. The plan assumes permanent salaries to increase 1% the first two years, 1.5% the second two years and 2% the remaining years. The plan's future salary assumptions are only assumptions used as part of the overall strategy to meet the goals of the plan. The District is required to negotiate "in good faith" with the labor groups and these assumptions are only used for long term planning purposes and will not replace the collective bargaining process.

b. **Temporary Salaries-** The District utilizes "part time" temporary employees to reduce overall pension and benefit costs. The Plan's assumed growth rate is equal to the assumed growth rate for permanent salaries identified in 9a.

c. **Overtime-** The District operates under a "minimum staffing" model that requires a minimum number of firefighters on duty on a 24/7 basis. The overtime rate (1.5 times base salary) is very close to the fully benefited rate of a full time employee (due to high pension costs) therefore overtime costs increase when there are staff openings and decrease when all positions are filled. The cost to the District is approximately the same to fill positions with overtime or with straight time. A movement up or down in the overtime budget will have the inverse effect on the permanent salary budget. With pension reform, the expectation is that pension costs for new hires will decrease enough to make it more efficient to be fully staffed rather than continuing to pay current employees overtime. Because overtime is tied directly to salaries the assumption for overtime growth is the same as the assumption for permanent salary growth.

d. **Payroll Taxes-** Payroll taxes are tied directly to permanent salaries and therefore the assumed growth rate is equivalent to permanent salaries (9a).

e. **Other Benefit and Salary Expense-** These expenses include District deferred compensation payments, payroll and flex benefits processing fees.

f. **Workers Compensation-**Workers compensation has several drivers that determine costs. Salaries, age of employees, wellness programs and on-the-job injury rates (lost and restricted workdays and medical cost of injuries). The Plan assumes workers compensation rates will track with permanent salaries. More or fewer injuries could drive the cost up or down.

g. **Medical and Dental-**These costs include medical and dental benefits for fulltime and retired employees. One of the goals of this plan is to hold the District's medical and dental costs at their current levels to reduce the OPEB UAAL (see items 9-L and 15). Changing the way the District administers and provides these benefits can reduce the UAAL by almost $15 million. The Plan assumes a medical and dental annual cost growth rate of.5 percent throughout the duration of the plan. The District is of course required to negotiate "in good faith" with the labor groups regarding the District's future obligations toward health premiums; however, these assumptions are being used for long term planning purposes.

h. **Program Expenses-** These costs include everything required to operate a Fire District other than personnel and associated personnel costs. Personal protective clothing, fuel and maintenance for the apparatus, training classes and training aids, maintenance and utilities for fire stations, insurance, tools and equipment are all examples of the cost that are included under this category. The plan assumes an annual increase of 1.5%. The

District will have to be very efficient, creative and conservative to contain costs to 1.5% annually.

i. **Ambulance Fees**-The District utilizes a contractor to collect ambulance fees from insurance companies and non-residence who utilize the District's ambulance services. The contractor charges a percent of the fee and therefore the plan assumes the fees will track with the assumptions used for ambulance revenues (5e).

j. **CCCERA Employer Payments-** When the District was formed; all employees came from predecessor Fire Districts (Moraga Fire District/Orinda Fire District) and were members of the Contra Costa County Employee Retirement Association (CCCERA). CCCERA is a defined benefit program that has a fixed benefit formula that determines pension benefits at retirement. The defined plan is funded by employer and employee contributions and the remainder is funded through return on investments. The employee rates are fixed for individual employees, but the employer rates fluctuate based on various factors, including the pension system's ability to meet investment return goals. The District pays 19% percent of the cost of permanent salaries into the base retirement system. The Plan assumes the 19% will track directly with permanent salaries.

   The District was in the process of negotiating a second tier pension formula that would reduce future pension costs. In August 2012, the Legislature adopted and Governor signed "pension reform" legislation that created a second tiered pension system for all new "members" hired on or after January 1, 2013 and reduced the terminal pay benefits for current employees. While this legislation will reduce future pension costs, and may reduce the District's current pension UAAL, the actuarial analysis has not been completed to determine the savings.

k. **Pension UAAL Funding-** When CCCERA investment goals are not met, an Unfunded Actuarial Accrued Liability (UAAL) is created. Pension UAAL's are different than traditional debt due to their ability to adjust based on investment return performance and potential changes in the benefits offered to new and current employees. In 2008 CCCERA lost over 20 percent of the funds needed for future pension obligations which created a significant pension (over $20 million) UAAL for the District. This loss was further compounded by CCCERA's decision to "de pool" agencies which created an additional $4 million UAAL. Because CCCERA assumes a 7.75% return on their investments to meet its obligations, the District is assessed a 7.75% annual rate on the pension UAAL. This Plan assumes the District will pay the interest on the UAAL through year 2021/22 and then begin to pay towards the principal in years 2022/23 though year 2026/27 when the debt will be retired. This is based on the assumption that CCCERA will average an aggregate return on investments of 7.75% through the remainder of the plan. Historically, CCCERA has exceeded that goal in any 20 year period since its existence. If CCCERA exceed that 7.75 percent goal, the UAAL will decrease and if they fall short of their goal the UAAL will increase. If the UAAL increases the plan will have to be adjusted to accommodate the larger UAAL. Line 14 provide a running annual balance of the District's annual pension UAAL.

l. **Pension Obligation Bonds-**In 2006, the District issued pension obligation bonds to pay down the District's CCCERA Pension UAAL. This action was taken to reduce the amount of interest that the District paid on the UAAL by issuing bonds that were offered at a lower interest rate. This line item identifies the payments per the bond payment schedule.

m. **Retiree Healthcare UAALs**-When the District was formed, the employees and the retirees who came from and who had retired from the predecessor Fire Districts had retiree healthcare benefits. The retiree healthcare benefits were tied to the same healthcare benefits of current employees. The District has provided those employees and subsequent employees the same health benefits when they retired as current employees. Many Fire Departments and Fire Districts throughout the country offered these benefits to public safety employees for the following reasons:

- Health benefits costs were relatively low and a small percentage of overall employee compensation
- Firefighters retired in their early 60's and their life expectancies were less than the average citizen limiting the time agencies were required to pay the benefit.
- Agencies could "pay as they go" and were not required to fund retiree health care trusts
- They had obtained the benefits through the collective bargaining process

Over the last decade, healthcare costs have increased exponentially. Firefighters are living longer (improved health and safety requirements), and retiring earlier (3%@50 pension formula) which has driven the cost of retiree health benefits up dramatically. Due to this dramatic increase, in 2004 the Government Accounting Standards Board (GASB) issued GASB Statement 45. GASB 45 required public agencies to conduct Other Post-Employment Benefits (OPEB) actuarial analysis to determine the cost of funding the post retirement (healthcare) benefit. The last District OPEB actuarial was completed in 2010 and it was determined that the District's OPEB UAAL under the existing labor contract was over $26 million. The GASB guidelines require the District to report a liability on its Government-Wide (accrual based) financial statements which is the cumulative sum of differences between the District's annual OPEB cost and the amount actually contributed to the plan. This liability is titled the net OPEB obligation. Until the District begins funding a trust or paying down its UAAL the liability will continue to grow.

Working with an actuary, the District discovered that that by capping the District's obligation toward health premiums and establishing a trust fund in year 2016/17 (paying the annual required contribution) the District could reduce the UAAL from $26 million to under $12 million. For purposes of this draft plan the new actuarial amount ($11,789,000) was utilized, and the District would eliminate the UAAL in year 2025/26 if the District funds the benefit as indicated. As stated elsewhere in this Plan, the District is required to and will negotiate "in good faith" with the labor groups; however, these assumptions are being used for long term planning purposes as set forth in this Plan.

10. **TOTAL GENERAL FUND EXPENDITURES**-A running total of the annual sum of the expenditures is identified in 9a-9m.

11. **CAPITAL FUND EXPENDITURES-** A running total of the annual sum of the capital expenditures as identified in the "Total Capital" line item in the Capital Replacement Schedule (Attachment A). [CONVERT TO A SENTENCE]

12. **TOTAL EXPENDITURES-**This is a running total of the sum of general and capital fund expenditures as identified in line items 10 and 11.

13. **ACTUAL AND ACTUARIAL DEBT-T**his is a heading for the actuarial and actual debt categories that exist in the District. Actual debt is debt that is a fixed amount based on the amount borrowed and the interest rate charged. The principle will not change unless the debt is paid down (pension obligation bonds). Pension and OPEB UAAL's are different than traditional debt due to their ability to adjust based on investment return performance and potential changes in the benefits offered to new and current employees.

14. **CCCERA UAAL BALANCE, BEGINNING OF YEAR-** This is a running annual total of the District's CCCERA pension UAAL; 7.75% annual interest is added and the annual CCCERA UAAL payment (line 9K) is subtracted each year to provide an annual total. This number will also be modified annually base on CCCERA's investment performance. If the Plan assumptions are realized and the UAAL is funded as indicated, the CCCERA UAAL will be eliminated in year 2027/28.

15. **PENSION OBLIGATIONI BOND DEBT BALANCE -**This is a running annual total of the District's Pension Obligation Bond Debt. If the debt payments are paid per the Plan and the Bond payment schedule the debt will be fully paid in year 2022/23.

16. **OPEB UAAL BALANCE, BEGINNING OF YEAR-**This is a running annual total of the District's OPEB UAAL as developed by the District's actuary. This is based on freezing the benefit (potentially offering the benefit in other forms of compensation) and establishing a trust fund in year 2016/17 (pay the annual required contribution) UAAL from $26 million to under $12 million. If the actuarial assumptions are realized and the UAAL is funded as indicated, the OPEB UAAL will be eliminated in year 2026/27.

17. **TOTAL ACTUAL AND ACTUARIAL DISTRICT DEBT-** This is a running total of line items 14-16.

18. **GENERAL FUND BALANCE, END OF YEAR-** This element provides an end of year balance of the General Fund. The current year's expenditures are subtracted from the current year's revenues and that number is subtracted from the current year's General Fund Balance.

19. **CAPITAL FUND BALANCE, END OF YEAR-** This element provides a year to year balance of the Capital Project's Fund. The current year's expenditures are subtracted from the current year's revenues and that number is subtracted from the current year's Capital Fund Balance. The Capital Fund Expenditures are identified in Attachment A of this report.

20. **COMBINED FUND BALANCE, END OF YEAR-** In this plan the General Fund balance and the Capital Fund balance are combined to identify an end of year total fund balance.

CAPITAL INFRASTRUCTURE AND EQUIPMENT REPLACEMENT SCHEDULE:

The following equipment replacement, capital maintenance and facility project funding are included in this schedule:

- Replacement of all fire engines on a 20 year replacement cycle (included an annual 2% annual increase in replacement costs)
- Replacement of all ambulances and command vehicles on a 10 year replacement cycle (included an annual 2% annual increase in replacement costs)
- Upgrading Engine 44 to a Ladder Truck (Quint) to provide a ladder truck in Orinda per the Standard of Cover goal.
- Replace Fire Station 43 per the Facilities Ad-Hoc Committee Report
- Renovate Fire Station 41 per the Facilities Ad-Hoc Committee Report
- Expand the current administration facility to allow staff to be co-located and to address ADA deficiencies.
- Included annual funding for non-vehicle equipment replacement
- Included annual funding for capital IT upgrades and replacement
- Included annual funding for capital facility maintenance projects