**ROSS VALLEY FIRE DEPARTMENT**
**STAFF REPORT**

For the meeting of: May 11, 2016

To: Board of Directors

From: Mark Mills, Fire Chief & Daria Carrillo, San Anselmo Finance Director

Subject: 2016-2017 Proposed Budget Discussion

## RECOMMENDATION:

That the Board provides direction to staff on the 2016 - 2017 Budget.

## BACKGROUND:

The Board should adopt the FY 2016-2017 Budget at the June 8, 2016 meeting. There are several items that have significantly increased in the overall budget which could result in, up to $675,000 (7.7%) in increases.

## DISCUSSION:

The main reason for this increase, is that expenditures have increased by nearly $675,000, or 7.7%. When compared to the 2015-2016 Adopted Budget, the inclusion of an entire year's worth of the employee raises that were implemented at mid-year 2016 are reflected. There is also a cascading effect on PERS and other employee benefits. The major expenditure increases are listed below:

- Scheduled step increases to the current salary schedule in the amount of $93,000 gross pay. This does not include payroll taxes or PERS retirement.
- PERS retirement increases of $132,200. This includes an increase in the PERS payment for unfunded liability in the amount of approximately $68,000. Also included are costs related to step increases, as well as an increase in the employer PERS contribution from 18.191% to 19.334% for classic safety members, from 11.923% to 12.821% for PEPRA safety members, from 10.958% to 11.634% for classic miscellaneous members and 6.237% to 6.555% for miscellaneous PEPRA members.
- $80,000 for San Anselmo accounting fees are charged proportionally to all agencies.
- Overtime costs have increased by $21,682.
- Worker's compensation insurance has increased by $23,000.
- A professional negotiator is included in the amount of $16,900.

AGENDA ITEM # 4
Date 5/11/16

- Debt service payments for the pension obligation bonds have increased by $19,638.

- Health insurance premiums are estimated to increase by 4%, or approximately $30,000.

- The dispatch services contract has increased by $14,338.

- Station maintenance in the amount of $60,000 is added. In the current year, $60,000 for station maintenance was added to the revised budget. The Board approved the $60,000 to be funded from undesignated reserves. $15,000 is allotted to each fire station. The intent is that each station have a yearly allowance of $15,000. The agencies responsible for each station will fund this amount. As the invoices for the work done in the current year have not all been received, the entire $60,000 is assumed to have been spent for purposes of budget development. When the invoices are received and recorded, this amount will be adjusted and each agency will be responsible for bringing the budget for their stations up to the $15,000 budgeted for their stations.

- The required contribution to fund the annual required contribution (ARC) to the CalPERS trust for other post-employment benefit (OPEB) programs has increased by $185,000. This is an estimate provided by Bickmore, the actuarial firm contracted to prepare the required actuarial valuation. The valuation will be available in June.

  The fire department's OPEB obligations are the CalPERS health premiums for retirees that are reimbursed by the fire department. In the 2015-2016, the ARC was calculated by Bickmore to be $485,086. This includes both the cost of the health insurance for retirees and the deposit to the CalPERS trust. In the 2016-2017 year, the ARC is estimated to be $670,000. While $170,000 of the ARC is for the implicit ARC, which was not included in the last valuation and is new this year. The implicit ARC is considered a "subsidy" of retiree health insurance by active employees since the retiree premiums are lower than they would have been if the retirees were insured separately. Fire department retirees and active employees are both insured by CalPERS health insurance. Rates are the same for retirees and active employees until the age of 65, at which age retirees are generally eligible for Medicare. Therefore the "implicit subsidy" arises when retirees are between the ages of 55 and 65.

  As mentioned above, this is only an estimate as the report is not yet ready. Also, the portion that is for prior OPEB obligation has not yet been separated out so has not been changed on the budget.

- A transfer to the apparatus replacement fund is not included in the scenario. The Apparatus Replacement schedule lists a $244,000 contribution for the 2016/17 budget to stay on track for cash purchases of replacement fire engines and staff vehicles.

Another consideration regarding the 2016-2017 budget is the fact that the debt service payment for pension obligation bonds will conclude in July 2017, resulting in a $603,000 decrease in the contribution rates for the Prior Authority members in the 2017/2018 budget cycle.

**SUMMARY/FISCAL IMPACT:**

The fiscal impact could result in up to $675,000 in additional member contributions for the 2016/17 budget.