Fire Districts Should Develop a Financial Policy Identifying a Sustainable Percentage of Recurring Revenue That are Allocated to Employee Salaries and Benefits

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Certification Statement

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Signed: ________________________________

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Abstract

The development of financial policies which ensure financial solvency are essential to any fire district. The problem identified was that the Aptos/La Selva Fire Protection District was vulnerable to economic variations due to their failure to develop financial policies and associated metrics consistent with a well-integrated strategic plan.

The purpose of this research was to support the development of a sound financial policy and identify key elements to the establishment and successful implementation of a financial policy that outlined the appropriate ratio of employee salaries and benefits to recurring revenues.

Literature review, in conjunction with descriptive research, identified the core elements of a financial policy. It also identified if other fire service providers had developed financial policies, and if financial policies considered a ratio of employee salaries and benefits to recurring revenues. The descriptive research also provided some context to the extent that fire service providers were remiss in long-term financial policy development and to what extent failure to develop financial policies had created a financial problem.

The results indicated that lack of long-term financial planning and policy development is a widespread problem facing the fire service. The recommendations are to develop a financial plan and policies to achieve financial goals in conjunction with strategic planning. The financial goals should identify a ratio of employee compensation to recurring revenue, which seeks to attract and retain employees while meeting the goal of fiscal solvency and mission effectiveness.

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Introduction

"Financial management is the art of directing the acquisition and judicious use of money to accomplish an end, and providing stewardship over financial resources entrusted to you" (Barr, Eversole, Bennett, Brunacini, and Coleman, 2003).

Traditionally, most fire service providers develop annual budgets based on projected revenues. While this method may have been reliable in the past, today's wavering economic climate necessitates a more critical evaluation of external factors, which can result in fluctuating state revenues. Mitigating circumstances such as slow population growth, reduced federal funding, and the reluctance of citizens to pass tax increases can have an impact on a department's ability to project a working budget consistent with past precedent (Ho and Chan, 2002). Not only must the annual budget provide for normal daily operation on the public's behalf, but it must also be able to encompass the acquisition and retention of qualified employees, development of contemporary training and safety programs, as well as the acquisition, maintenance and replacement of capital assets. The expectation of the public is that service levels be maintained 'as they always have been'. The reality is that operational costs have risen while department budgets have steadily declined. In some cases, revenues have been reduced sufficiently enough that the ability to adequately serve the community is compromised to the point that departments are forced to outsource services or merge services with neighboring departments.

One of the best examples of fluctuating economic cycles on municipalities is the recession experienced in the United States in 2008. It was a time that exposed many state and local governments to the reality that anticipated projected revenues can vary drastically from actual received revenues. "More than in past economic downturns, state and local governments were a prominent casualty of the recent recession. States in particular saw their revenues plunge. Although state taxes have been rebounding, local property taxes have dipped, consistent with a two- to three-year lag between home prices and property tax rolls. These reductions coincide with state cutbacks in local aid, further squeezing local budgets" (Gordon, 2012).

As Gordon (2012) points out, there have been several business cycles in the last decade that have severely affected public service agencies ability to meet their service demand to the public and contractual obligations to their employees. Celock and Sledge (2012), echo Gordon's assertion "…fire departments are going short-handed. The precipitous drop in state and local revenues caused by the great recession, combined with budget cuts pushed by austerity-minded politicians, has led to static or slowly dropping staffing levels across the country."

No one would argue that the great recession of 2008 is a legitimate component that led many public service providers to experience a level of unimaginable, unforeseen financial crisis; it is wrong, however, to assume that it was the sole component. Today's society places such an emphasis on the 'here and now' that, it is no wonder; organizations find themselves ill equipped to recover from unforeseen conditions for the long haul. Management often translates decreasing budgets as a reason to focus attentions on current issues at hand and ignore the importance of long-term strategic financial planning. The fire service is not a profession, which in the event of unforeseen financial crisis, can become complacent with respect to employee training or asset serviceability; therefore, it is absolute that concerns such as collective bargaining agreements, reserve funding and capital expenditures be made within the confines of a long long-term financial plan. By placing the long-term financial plan back into focus in conjunction with the short-term budgetary process, the organization can be managed from a place of mindful adjustment and reallocation rather over-reactive, disorganized chaos

This applied research project will focus on the development of financial policies as one part of the long-term financial planning process. By developing a systematic, pragmatic, and comprehensive approach to the long-term planning process, it is hoped that public service providers will be more prepared to weather future economic fluctuations due to recessions, decreased federal assistance, or any other significant impact to revenues.

Barr et al. (2003, p. 50) discuss the need for a budget policy framework stating; “If the budget is to reflect a long-term view, fire managers and elected officials should consider long term issues in developing a budget”. Barr et al. (2003, p. 51) also recommend that a budget policy framework should consider:

- Policies for wages, wage increases and benefits
- The relationship between recurring revenues and expenses. Of course, budgeted expenditures for recurring costs (such as salaries) should be less than the budgeted recurring revenues. The jurisdiction may also want to consider establishing a cushion in the event that revenues do not meet expectations.

The Aptos/La Selva Fire Protection District (ALSFPD) places a high value on planning. Each year a plan is developed and reviewed for as many risk categories as can be identified; earthquakes, adverse weather conditions, utility emergencies, etc. Strategic planning, succession planning, and capital improvement allocations are also critically evaluated. In addition, plans for the future growth of the organization are discussed and tentatively outlined. Unfortunately, ALSFPD has not placed the same critical eye on developing a long–term financial plan in the event of such things as drastic revenue reductions or simultaneous unforeseen large-scale expenditures. The district has operated under the same misconception that most other state organizations operate…the assumption that state and local revenues received in the prior year are an adequate indication and expectation of revenues for the coming year.

Currently, salaries and employee benefits comprise approximately 92 percent of recurring revenues within the ALSFPD. A mere 8 percent of the entire yearly budget remains for all other operational needs. While the organization is currently functioning within its means, there are many times where finances must be juggled to accommodate unforeseen or impromptu circumstances and previously allocated non-essential items are reallocated, postponed, or eliminated altogether. A severe economic downturn, such as the great recession of 2008, could reduce recurring revenues to a level, which would create structural problems in meeting service demands. What could be more critical in a financial plan than the issue of collective bargaining contracts that encompass employee wages and benefits, which virtually paralyze the annual operational budget?

The problem identified for this research project is that the ALSFPD does not have a financial policy identifying a sustainable ratio of employee salaries and benefits to recurring revenue.

The purpose of this research project is to support the need for a financial policy and identify the elements critical to the establishment and successful implementation of a financial policy that outline the appropriate ratio of employee salaries and benefits to recurring revenues.

The descriptive research method was used to answer the following questions:

- Have any California fire service providers developed a financial policy or policies that identify a ratio of employee salaries and benefits to recurring revenues?
- What is the ratio of employee salaries and benefits to recurring revenues across California fire service providers?

- What method does private enterprise use to develop a business metric of employee salaries and benefits to recurring revenue?

A thorough review of these findings will be discussed with the ALSFPD Board of Directors. The primary goal is to identify a sustainable financial policy that allows the district to weather economic downturns, add critical services, save for capital improvements, and train and support personnel while not adversely influencing the ability to attract and retain employees through competitive wages and benefits.

Background and Significance

The Aptos/La Selva Fire Protection District (ALSFPD) is located in Santa Cruz County, California. It was formed in 1986 when the Aptos Fire Protection District and the La Selva Beach Volunteer Fire Protection District were consolidated. Currently, the ALSFPD service area encompasses 27 square miles and, according to the 2010 census, the combined population of the ALSFPD service area is approximately 25,000 (County of Santa Cruz, 2015).

The District administers to 39 employees, which operate from three fire stations. The ALSFPD is a “special district” under California law, which, by definition, means that it operates as a form of local government created by a local community to meet a specific need (fire protection). A board of directors consisting of five elected officials provides oversight of the ALSFPD.

Depending on the service provided, California special districts have two main funding mechanisms; Enterprise or non-enterprise (Manatt & Mizany, 2002). Enterprise-funded districts operate more like a business, charging customers for their services. Non-enterprise districts provide services that do not lend themselves to fees because they provide benefit to the community as whole, not just certain residents. The ALSFPD is a non-enterprise special district with a single function of providing fire protection. The district is funded primarily through property taxes, which are fixed according to a series of laws and Santa Cruz County Ordinances. The district receives .026 percent (Appendix C) of the 1 percent assessed value of the properties located within its service area. Additional revenues are accrued through contracted services to local, federal, and state fire agencies, but are not a guaranteed source of annual revenue. Revenues granted to the ALSFPD for fiscal year 2014/2015 amounted to $9,592,109 and total appropriations amounted to $10,409,332 (Appendix D). Salaries and employee benefits for the district totaled $8,873,708, representing 92.51 percent of total revenues.

Across California, many city managers, police chiefs, and fire chiefs are struggling to find a sustainable means to provide public safety services with decreasing budgets. According to Sforza (2014), the cost of keeping the California coastal city of Newport Beach safe skyrocketed an incredible 101 percent over the course of a decade. The nearby town of Laguna Woods leapt 81 percent during the same time frame and, according to figures from the state controller's office, neighboring cities experienced similar increases: Mission Viejo (76 percent), Laguna Beach (71 percent) and Surf City (87 percent). Each of these cities far exceeded the average growth in public safety spending (about 43 percent) among all California cities between 2003 and 2013.

The ALSFPD has experienced increases consistent with the cities mentioned above. Between 2005 and 2015, the ALSFPD recognized a 51 percent increase in the costs associated with providing public safety to its citizens. Some of these increases can be attributed to items such as rising health care costs, worker compensation costs and costs for goods and services; however, the single a largest factor in the rising costs to deliver public safety is the cost for employee salaries and benefits. Specifically, the salaries and benefits to employees of the ALSFPD increased $3,175,770 from 2005-2015 while corresponding revenues increased only $2,950,308 during this same period. This trend indicates that salaries and benefits outpaced recurring revenues by approximately 8 percent over the specified ten-year period. In addition, the ALSFPD ratio of salaries and employee benefits as percentage of recurring revenues in 2005 was 88 percent as compared to 94 percent for fiscal year 2014/2015 (T. New, personal communication, January 6, 2015).

The percentage of salaries and employee benefits to recurring revenues has a direct impact on the ability of the ALSFPD to meet strategic plan elements, fund the capital improvement plan and provide services; but, it severely impacts the ability for the district to provide for reserve funding, a critical element of a successful long-term financial plan.

One of the most significant consequences regarding the issue of the rising costs pertains to the need to attract and retain high caliber employees through competitive wage and benefit packages. According to Eddington (2010), almost all of the respondents to a survey of firefighter attrition and retention in the Circleville, Ohio Fire Department recorded that the top motivation for leaving was higher pay and benefits. Dallas Fire-Rescue, in Dallas Texas, which employs approximately 1,900 firefighters with a median age of 40, saw retirements and resignations spike in fiscal year 2011 and remain high every year since. Dallas Hispanic Firefighters Association President Cristian Hinojosa said “the city has long attracted firefighters on the basis of a lucrative retirement that makes up for lower pay. But with changes to the pension system, which the police and fire departments share, meant to ensure that it doesn’t run out of money too soon”, Hinojosa added “it makes perfect sense that we are losing folks to higher-paying departments” (Hallman, 2010).

This research paper will evaluate the need for the ALSFPD to develop a financial policy, which defines a range of salary and employee benefits to recurring revenue, as a comprehensive part of the long-term financial planning, employee recruitment and retention, and budgeting process.

The United States Fire Administration strategic goal of “Promote Response, Local Planning, and Preparedness for All Hazards” and “Advance the Professional Development of Fire Service Personnel and of Other People Engaged in Fire Prevention and Control Activities” are two, of the five, strategic plan goals for 2014-2018 that will benefit from this applied research project (United States Fire Administration, 2015).

This applied research project is compatible with the Executive Fire Officer Program's (EFOP) objective of providing key senior officers with an understanding of how to pursue transforming fire and emergency service organizations from a reactive mind-set to a proactive approach by emphasizing leadership development, community risk reduction and emergency incident prevention. This project is relevant to the EFOP, first year *Executive Development Course*, in that it utilizes research to offer a practical and realistic approach to long-term financial sustainability as an integral part of the organization's dynamic culture.

Literature Review

The literature review for this applied research project centered on the financial policies for both public and private service providers. These policies were used as a basis to determine if an optimum ratio of revenue to total employee compensation could be formulated in an effort to attract and retain employees while simultaneously optimizing both the short-term budgetary requirements and long-term policy goals.

The literature review included fire service management books, online periodicals, government data sources, San Jose State University JSTOR academic research database, the United States Fire Administration Learning Resource Center and fire district internal documents.

To provide the reader with a logical progression of the research reviewed, the literature review has been sub-divided into the following subheadings: *financial policy* *development/financial analysis*, and *employee compensation* with a focus that strives to attract and retain employees while providing the necessary resources to deliver services.

Financial Policy Development/Financial Analysis

The primary goal of this research is to seek an understanding of financial policy design, inclusive of financial policy core elements. The research reviewed public sector (not-for-profit) governmental agencies and included private sector (for profit) business models to ascertain if business financial policies and/or financial theories could be applicable to the fire service.

The Fire Chief's Handbook (Barr et al., 2003) was developed in an effort to provide recommendations, advice, and guidance to new and tenured fire chiefs in carrying out their fundamental duties of delivering public safety services. Core to these fundamental duties is the fiduciary responsibility of financial management. Barr et al. (2003, page 42) write, "Financial management is the art of directing the acquisition and judicious use of money to accomplish an end, and providing stewardship over financial resources entrusted to you." The chapters devoted to this subject, however, primarily focused on the short-term process of budget development and provided little, to no, direction regarding long-term sustainability. Barr and Eversole (2003, page 50) support the need to take a long-term view at financial sustainability and the need for a budget policy framework stating; "If the budget is to reflect a long-term view, fire managers and elected officials should consider long term issues in developing a budget".

According to the National Performance Management Advisory Commission, a section of the Government Finance Officers Association, "At no time in modern history have state, local, and provincial governments been under greater pressure to provide results that matter to the public, often within severe resource constraints. At the same time, government officials and managers are challenged to overcome the public's lack of trust in government at all levels (A Performance Management Framework for State and Local Government, 2010)."

Providing stewardship over the financial resources entrusted to a public agency involves a process much more complicated than simply complying with generally accepted accounting principles, or meeting the numerous governmental accounting standards board standards to produce financial statements. Financial stewardship entails developing a focused, realistic, directional plan, which encompasses both the short and long-term financial goals of the organization. It is achieved through a process of analyzing financial condition, budgeting, and financial policy in conjunction with the strategic plan for the organization. "Financial condition may be defined as the ability of a local government or school district to balance recurring expenditure needs with recurring revenue sources, while providing services on a continual basis" (DiNapoli, page 2).

Traditionally, the annual budgeting process takes a short-term view of financial planning. The need to take into consideration the long-term financial stability of an organization is often overlooked. The National Performance Management Advisory Commission report, recommends the need for comprehensive financial planning stating:

> "…the performance management cycle of; planning, budgeting, management and evaluation… constitute a cycle, each process typically operates on a different timeline. Planning may be long term or medium term (two, three, five, or more years). Budgeting is usually short term, either one or two years. Operational management is day to day. So even though each process informs the next, the reality is that the decision timeframe for the next process is shorter than the last, and evaluation informs each of the other processes (A Performance Management Framework, 2010)."

Unlike the Federal government, state law does not allow local governments to operate on a deficit budget. Each year local governments must conservatively project revenues, develop an annual budget, and expend revenue resulting in a balanced budget. Capital improvement expenditures, service growth and improvements as well as employee contractual obligations are long-term issues, which span multiple budgetary cycles. Under ‘normal’ operating cycles, these items are easily managed within the budget cycle; however, as these items extend to multi-budgetary periods, they become vulnerable to unfavorable outside conditions such as economic cycle fluctuations, city or county bankruptcies, or natural disasters. Kavanagh (2009) supports the need to evaluate the financial condition, with a focus on financial stability. Kavanagh states, “the term ‘financial stability’ has come to signify practices such as directing one-time revenues away from recurring expenditures and taking into account the long-term maintenance and operating costs of capital projects (Kavanagh, 2009, Chapter 1).”

Research into the understanding of how businesses develop financial theories and policies have indicated that the fire service does, in fact, operate on a level of relevancy sufficient to adopt similar strategies. The primary focus of the ‘for-profit’ business model is the optimization of key indicators such as gross profit, price-to-earnings ratios, and debt-to-equity ratios. While the public service provider model is not concerned with the same financial matrixes due to their ‘not-for-profit’ status, there is some indication that important benchmark ratios can be adapted to develop measurable correlations. Government is not focused on gross profits or price-to-earnings ratios; their emphasis is more directed toward carrying out a defined charter mission of service to the community (Arveson, 1999). In other words, while the business sector is concerned with competitiveness within a specific business sector, public service organizations are concerned strictly with mission effectiveness. Regardless of the concern, however, it is essential that the leadership of both sectors operate in a directive, responsible and accountable demeanor commensurate to the viability of the organization.

Kaplan and Norton (1992) introduced the concept of a “Balanced Score Card” in an effort to align business activities to the vision and strategy of the organization, improve internal and external communications, and monitor organization performance against strategic goals. The Balanced Score Card is based on the concept that businesses should use comprehensive performance measurement for **all** aspects of the business. Kaplan (2010) hypothesized that businesses should evolve from focusing solely on financial measurements such as return-on-investment and earnings-per-share to a model, which also incorporates non-financial metrics. The Balanced Score Card maintains critical financial ratios, but also places a significant importance on key measurable areas of the organization such as customer perspective, internal business perspective, and innovation learning perspective. By acknowledging the importance of all measurable aspects of the business, the organization is able to gain a more “balanced” perspective of business performance which his more in line with the strategic plan.

The Balanced Score Card model is an ideal planning and measurement tool for the fire service. Most organizations have grasped the concept and use the same, or similar, benchmark tools to optimize their departments and a great deal of progress has been made toward the development of non-financial measurements. For example, most fire service providers now operate under a strategic plan, which includes focused response standards, professional accreditation, and professional credentialing. Unfortunately, the same cannot be stated regarding the financial measures portion of the Balanced Score Card model. While financial ratios are not an obvious critical measurement for the fire service when anticipated revenues are in alignment with actual revenues; they become the single most important measurement during times when anticipated revenues become adversely unbalanced according to plan. By incorporating long-term policy measurements as an integral part of an organization's overall financial and strategic plan, the organization will be predisposed to operate from a proactive, rather than reactive, point of view during times of crisis. While Ho and Chan (2002) concluded that most municipal governments did, in fact, place a great deal of emphasis on financial performance they also point out that "performance measurement and performance management are **not** the same thing... Without a focus in pursuit of the organization's mission, the overall performance of the organization may be less than optimal." Within the fire service, a great deal of effort is often directed at evaluating performance ratios for such things as response times. While there is no doubt that this is a critical indicator relevant to the strategic mission of the department, it is equally critical to measure whether the department can even afford to respond in the first place. Without an established plan for long-term financial planning and without the associated measurable financial metrics in place to account for times of economic hardship, the department may be operating at a level, which, unknowingly, may risk its solvency.

Supporting the need to plan for financial hardship, Maher and Nollenberger (2009) suggest that, "Jurisdictions [sic] develop a better understanding of its financial condition, identify hidden or emerging problems, present a picture of strengths and weaknesses, introduce long-term considerations, and provide a starting point for cities to consider financial policies that pertain to their particulate city government." Maher and Nollenberger (2009) leveraged Brown's (1993) fundamental work on financial condition, which outlined a ten-point test of key financial indicators expressed as ratios based per capita. Those ten key indicators focused on; revenues, expenditures, operations, fund balances, working capital, debt and an evaluation of post-employment assets and liabilities.

Suarez, Lesneski and Denison (2011, Chapter 13), also recommend the analysis of financial condition when developing a financial plan. They recommend using the financial indicators; liquidity expressed as sufficient cash to meet liabilities in the current year, profitability expressed as sufficient revenues to meet expenses and reinvest in the mission, leverage expressed as a ratio of assets to debts and an operational ratio that measures efficiency and effectiveness toward meeting the mission. Maher and Nollenberger (2009, Chapter 5), support similar financial ratios; however, express them as cash solvency, budget solvency, long-run solvency and service-level solvency.

An example of the importance of financial indicators is Brown's recommendation to evaluate the ratio of property tax revenue as a percentage of total revenues. This single indicator brings awareness to the vulnerability an organization may have when tax revenues decline due to economic fluctuations. Additionally, an organization with a high ratio of property tax revenue to total revenues, coupled with a contractually binding high ratio of employee compensation, could equate to service-level insolvency should an economic downturn occur.

The great recession of 2008 provided an impetus for change. Many government agencies sought guidance in developing long-term financial plans as a result of the difficulty which they experienced when faced with diminished federal and state funding. As a result, the Government Finance Officers Association introduced recommended budget practices, which define the four main principles for the government budgeting process. These include: broad decision-making goals, approaches to achieve goals, budgeting based on the approach to achieve goals, and performance evaluation (Recommended Budget Practices, 1998). Contained within these recommended budgeting practices is the need to develop financial policies that provide approaches to achieving financial goals. In addition, it is very clear on the perspective that "budgeting should have a long-range perspective, and not be simply an exercise in balancing revenues and expenditures one year at a time" (Recommended Budget Practices, 1998). Gudgeirsson (2007) advocates the development of financial policies stating, "Fiscal policies are the foundation of a financial plan allowing an organization to achieve financial and strategic goals."

Employee Compensation

A sound plan for financial policy development would be remiss if it did not include employee compensation as a financial metric. Public service is delivered through employees and their total compensation is the single largest budgetary expenditure; therefore, it becomes clear that a sound financial policy would include the ratio of employee salaries and benefits to recurring revenues.

Businesses generally focus on salaries as a percentage of operating expenses or as a percentage of gross revenue. Todrin (2015) recommends that private business payroll, as a percentage of gross revenues should fall within 15 to 30 percent; although, businesses that provide services rather than goods can operate as high as 50 percent of revenue. The business ratios for employee compensation are considerably different and can even exceed 80 percent of recurring revenue. The Federal Bureau of Labor Statistics (2015, p.4) cautioned against comparing private and public sector compensation, citing differences in work structure, work activities and the proportions of professional versus industrial labor activities. Keisling (2014) also supports the need to be cautious comparing public and private sector compensation equating it to "comparing the Green Bay Packers to the San Antonio Spurs", although he does suggest that "there's a genuine need for more and better efforts within the public sector to carefully define and then track, year by year, overall total employer costs for compensation [sic] across jurisdictions."

Fire Service employee compensation is a complex issue that cannot be evaluated solely on the basis of 'cheaper is better'. The inability to attract and retain experienced, competent employees can result in lawsuits and financial repercussions that far outweigh higher salaries and benefits. Eddington's (2010) research found that the inability to retain firefighters not only results in significant increased costs associated with training and equipping employees, but it can also have an impact on service levels. Fire service providers need to be cognizant of the indirect costs associated with employee attrition. Keeping employee salaries and benefits below a prescribed ratio may appear to be meeting financial goals, however, the overall budget impact may be counterintuitive. Costs associated with employee turnover, including acquisition and training, should be included in calculating the total cost of employee compensation (Worth, 2014). San Diego Fire-Rescue has experienced firsthand the effects of firefighter attrition. Ojeda (2015) reports that "San Diego Fire-Rescue, Fire Chief Barnes is concerned about the loss of experience which has left the department with a majority of new firefighters and the high cost, approximately $35,000 per firefighter, that multiple training academies cost the department each year."

Procedures

The purpose of this research is to understand financial policy development and identify the elements of a financial policy that encompass long-term planning (greater than one year). Since salaries and employee benefits account for the single largest portion of expenditures in the public service sector, this research sought to define an optimal sustainable ratio of salaries and employee benefits to recurring revenues. In addition, this research seeks to assess if there are business metrics within the private sector, which can be used to develop financial policies and relevant long-term financial policy ratios that can be applied to the fire service.

The descriptive research method was used to identify if contemporary fire service providers had established the following: a) a financial policy and b) a ratio of salaries and employee benefits to recurring revenue. If so, input was elicited to determine if there were additional elements, other than employee compensation, that should be included in developing a sound financial policy. This information was gathered using two questionnaires. The first questionnaire was focused on California fire districts, which were funded solely by property tax revenue and utilized strictly full-time firefighters. The second questionnaire was sent nationally to fire service providers who utilized strictly full-time firefighters and was indiscriminant as to whether the fire service provider was a special district. In Addition, it was hypothesized that salaries and employee benefits equated to a substantial portion of the budget and should be considered in the financial policy.

In addition, a literature review on financial policy development for municipalities and private sector business was completed using the United States Fire Administration, National Fire Academy Learning Resource Center, the San Jose State University JSTOR database, Questia research and paper writing database and the numerous online articles and websites.

Limitations and Assumptions

The limitations encountered during this research were mainly the result of a lack of information regarding public sector financial policy development. As the research developed, it was difficult to stay focused on the narrow scope of financial policy development that addressed long-term planning, inclusive of employee compensation and benefits. The depth and breadth of information on long-term financial planning, the impact of recessions and the current public focus on public unions, public employee compensation, and pensions were detractors.

Information on private sector financial policy development was much more readily available; however, research revealed that the focus was often more directed toward financial performance indicators such as liquidity, solvency, profitability, and efficiency.

An assumption was also made that, while the Aptos/La Selva Fire Protection District lacked a financial policy, other fire service providers had a developed long-term plan that encompassed a financial policy.

Definition of Terms

Financial Policy: A policy that guides the agency in its fiduciary responsibility of providing services, and includes short and long-term planning for financial stability.

Salaries and Employee Benefits: Total employer costs for employee compensation. This includes wages, salaries, and employee benefits (healthcare, pension, leaves, etc.)

Recurring Revenue: The predictable annual revenue that can be expected to continue year after year.

Results

The results of the descriptive research questionnaire sent to California fire districts sought to seek out whether other fire districts had developed financial policies. If so, the questionnaire inquired as to whether those policies addressed employee compensation in terms of a ratio relevant to recurring revenues. The surveys used “question logic” to qualify respondents and validate data. The surveys were focused to test the following hypothesis: If full-time fire service providers are fundamentally funded the same, does the large expenditure for salaries and employee benefits necessitate a long-term financial policy that should consider collective bargaining contracts and economic contractions? The questionnaire also sought to identify other metrics, which could be relevant in the financial policy such as the ability to recruit and retain employees, strategic plan goals, debt service, as well as program and service levels.

Of the 42 initial questionnaires sent out, 15 California fire districts responded; representing just 35 percent of the total sample population. Due to such a small sample size, a second questionnaire (Appendix B) was sent to the International Association of Fire Chief members to petition input from fire service organizations across the nation.

Of the California fire districts responding to the survey (Appendix A), 80 percent qualified to complete the questionnaire and 20 percent were disqualified due to either not being funded through property taxes or not having full-time employees. Interestingly, 85 percent of the responding fire districts had developed a financial plan; however, 73 percent of those districts did not include a ratio of salaries and employee benefits to recurring revenue. Ten percent of the fire districts did not have a financial plan but had developed a ratio of salaries and employee benefits to recurring revenues outside of a formal financial policy. The fire districts that had developed a ratio of salaries and employee benefits to recurring revenue were evenly split between three ratios; less than 80:20, 80:20, and 85:15.

Fire districts were queried whether their recurring revenues had grown and, if so, were asked if employee compensation had grown correspondingly. Many of the fire districts indicated that they had experienced revenue growth and also experienced an increase in salaries and benefits. When asked if revenues and salaries had grown equally, 77 percent indicated that both revenues and salaries had grown commensurate. Districts that experienced revenue decline but did not experience a decline in employee salaries most likely were unable to adjust salaries due to previously established binding contracts. California fire districts responded that the important factors to be included in financial policy development should be the following: reserve contingency funding, the ability to attract and retain employee, the ability to fund and sustain funding of service levels, the ability to meet strategic plan goals and capital improvement funding.

The questionnaire sent to International Association of Fire Chief (IAFC) members (Appendix B) returned 394 surveys, with 195 complete (49 percent), 79 partially complete (20 percent) and 120 surveys disqualified (30 percent). This questionnaire resulted in a similar, but slightly different, result; possibly due to a larger sampling. Financial policies were developed by 53 percent of the respondents; however, only 22 percent included a ratio of employee salaries and benefits to recurring revenue in their financial policy. Only 3 percent of the respondents indicated that they had developed a ratio of employee salaries and benefits to recurring revenues outside of a financial policy. Those organizations that had developed a financial policy and included a ratio of employee salaries and benefits to recurring revenues ranged from a low of less than 80:20 to over 95:5, with 65 percent focused on keeping the ratio below 85:15. While 63 percent of all respondents were successful at keeping the ratio at or below 85:15, 36 percent of the respondents exceeded 85:15. Similar to the survey of fire districts, the survey of IAFC members reported that a majority had experienced growth in both revenues and salaries equally; however, 28 percent reported that they experienced financial issues within their department as a result of revenues not growing commensurate with salaries. Of those organizations that reported a decrease in revenues, 93 percent responded that salaries did not decrease commensurate with declining revenue. A plausible explanation for stationary salaries during times of declining revenues is the contractual nature of collective bargaining agreements. For departments experiencing this trend, it was interesting to note that 43 percent had salary and benefits to revenue ratios that exceeded 85:15. This could explain why these departments, consistently, reported financial issues during periods of revenue growth as well as decline.

Discussion

The literature review for this project supported the hypothesis that long-term financial planning and policy development, is a key component of strategic planning if the fire service is to weather future economic cycles. Kreklow and Bliss (2007) support the hypothesis stating, "This fiscal challenges of the current economic conditions present government finance officers with an important opportunity to develop a strategic and sustainable approach to long-term financial planning." Additionally, the report by Government Finance Officer Association (A Performance Management Framework, 2010) added to the perspective linking the need for political will, citizen input and staff expectations writing; "A strategic plan and the objectives and strategies that emerge must be grounded in fiscal reality. Otherwise, it can create citizen, political, and staff expectations that may not be realistic or attainable. It is, therefore, important that a long-range financial plan be developed concurrently and in association with the strategic plan."

It is crucial that fire service providers develop financial policies that incorporate long-term planning as a key component of the overall strategic plan. In today's unsettled economic environment, fire service providers cannot afford to disregard the need for such a protocol. It would be ignorant and irresponsible to ignore the likelihood that, in any given year, an unforeseen financial crisis could occur and force the organization into drastic reorganization or insolvency. Dalton's (2010) extensive research on the subject of long-term planning with respect to the fire service provides prudent recommendations; however, most of his research only touched on the need to address the expenditure side of a long-term financial plan. Issues such as contractual obligations can significantly influence the sustainability of the financial plan and should be recognized as a key component since the ability to control expenditures when revenues fluctuate is key to sustainability.

While this research was limited due to the availability of information on financial policy development, the information supporting the need to develop a long-term financial plan is well documented. Kavanagh & Gudgeirsson (2010) provide some recommendations when discussing the need for a long-term financial policy stating, "This means that recurring (ongoing) revenues exceed recurring expenditures both now and in the future. A policy statement that requires governments to not only balance the current year budget but also address potential budgetary deficits in future years will go a long way to assuring sustainability and resilience."
The recommended measurement of financial condition, which ultimately should be considered when developing a financial policy, should include; cash solvency, budget solvency, long run solvency and service level solvency according to Maher and Nollenberger (2009).

Surveys sent to IAFC members (Appendix B) revealed that most fire service providers are confronted with a revenue to expenditure issue as well as complications due to a lack of long-term financial planning. A defined financial policy did not exist for 46 percent of the respondents and 53 percent of those organizations that did have a financial policy did not include employee compensation as a key component. In addition, 36 percent of fire service providers maintain a ratio of salaries and employee benefits that exceeds 85 percent of recurring revenue. In evaluating the survey data, it would appear that no specific ratio of salaries and benefits to recurring revenues can be identified as the perfect financial metric. It may be prudent, however, to determine a range based on the ability to attract and retain employees that strives to keep salaries and employee benefits within the ratios of 80:20 and 85:15. Survey data also revealed the need to develop a comprehensive financial policy that addresses at a minimum; strategic plan elements, reserve funding, capital improvement, and the ability to sustain funding through economic cycles (Appendix B).

Dalton's (2010) research recommended a comprehensive long-term financial plan that included expenditure forecasting. The results from this research indicate that 22 percent of the respondents are currently experiencing a financial issue during revenue growth, while 8 percent experienced a financial issue during revenue decline. This data supports the need to tie the long-term financial plan to expenditures such as salaries and employee benefits, even during revenue growth cycles.

Recommendations

The results of this research support the need for the Aptos/La Selva Fire Protection District to develop a comprehensive financial policy as an integral part of its strategic plan. As part of the policy, a realistic financial metric of employee compensation as a percentage of recurring revenues should be determined and incorporated into the long-term financial plan.

Based on this research the Aptos/ La Selva Fire Protection District should adopt the following recommendations:

- Adopt the Government Finance Officers Association recommended budgeting practices
- Develop a long-term financial plan in conjunction with the strategic planning process

- Develop a financial policy as an output of the long-term financial planning, to guide the budgeting process in achieving long-term financial goals
- Identify a ratio of employee salaries and benefits to recurring revenues with the goal of attracting and retaining employee while meeting mission and vision of the district.

Development of a strategic plan that incorporates a financial policy that serves as a roadmap to obtaining financial goals is imperative to both overall mission effectiveness and long-term organizational solvency.

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Appendix A

Fire District Survey- 15 January 2016

Survey: Financial Policy

1. Is your Fire District a California Special District funded primarily by property taxes?

Value	Percent	Count
Yes	100.0%	12
No	0.0%	0
Total		12

Statistics

Total Responses	12

2. Is your Fire District a California Special District funded primarily by property taxes?

Value	Percent	Count
Yes	100.0%	9
No	0.0%	0
Total		9

Statistics

Total Responses	9

3. If yes, are your employees full-time paid firefighters?

Value	Percent	Count
Yes	100.0%	12
No	0.0%	0
Total		12

Statistics

Total Responses	12

4. Does your organization have a financial policy?

Value	Percent	Count
Yes	83.3%	10
No	16.7%	2
Total		12

Statistics

Total Responses	12

5. If yes, does the financial policy identify a ratio of salaries and employee benefits to recurring revenues?

Value	Percent	Count
Yes	30.0%	3
No	70.0%	7
Total		10

Statistics

Total Responses	10

6. If no, do you have a policy that identifies a ratio of salaries and employee benefits to recurring revenues?

Value	Percent	Count
Yes	11.1%	1
No	88.9%	8
Total		9

Statistics

Total Responses	9

7. If your organization does not have a policy identifying a ratio of salaries and employee benefits to recurring revenue, do you foresee your organization developing a policy in the near future, i.e. 1-2 years?

Value	Percent	Count
Yes	0.0%	0
No	100.0%	8
Total		8

Statistics

Total Responses	8

8. If your organization has identified, by policy, a ratio of salaries and employee benefits (S&EB) to recurring revenue (RR) is it, example for answer (S&EB)/(RR)

Value	Percent	Count
Less than 80/20	33.3%	1
80/20	33.3%	1
Between 80/20 and 85/15	0.0%	0
85/15	33.3%	1
Between 85/15 and 90/10	0.0%	0
90/10	0.0%	0
Between 90/10 and 95/5	0.0%	0
95/5	0.0%	0
Over 95/5	0.0%	0
Total		3

Statistics

Total Responses	3
Sum	165.0
Average	82.5
StdDev	2.5
Max	85.0

9. What is your organizations current ratio of salaries and employee benefits to recurring revenues?

Value	Percent	Count
Less than 80/20	33.3%	4
80/20	8.3%	1
Between 80/20 and 85/15	16.7%	2
85/15	8.3%	1
Between 85/15 and 90/10	25.0%	3
90/10	0.0%	0
Between 90/10 and 95/5	8.3%	1
95/5	0.0%	0
Over 95/5	0.0%	0
Total		12

Statistics

Total Responses	12
Sum	165.0
Average	82.5
StdDev	2.5
Max	85.0

10. Has your organizations recurring revenue growth increased?

Value	Percent	Count
Yes	75.0%	9
No	25.0%	3
Total		12

Statistics

Total Responses	12

11. Has your organizations salaries and employee benefits increased?

Value	Percent	Count
Yes	88.9%	8
No	11.1%	1
Total		9

Statistics

Total Responses	9

12. Has your organizations recurring revenue growth increased commensurate with the increase in salaries and employee benefits?

Value	Percent	Count
Yes	75.0%	6
No	25.0%	2
Total		8

Statistics

Total Responses	8

13. If your organization's recurring revenue growth has not increased commensurate with employee salaries and benefits, has this created a financial issue for your organization?

Value	Percent	Count
Yes	0.0%	0
No	100.0%	2
Total		2

Statistics

Total Responses	2

14. Has your organizations recurring revenue growth decreased?

Value	Percent	Count
Yes	66.7%	2
No	33.3%	1
Total		3

Statistics

Total Responses	3

15. Has your organizations salaries and employee benefits decreased commensurate with recurring revenue?

Value	Percent	Count
Yes	0.0%	0
No	100.0%	1
Total		1

Statistics

Total Responses	1

16. If your organizations employee salaries and benefits have not decrease commensurate with decreasing recurring revenues, has this created a financial issue for your organization?

Value	Percent	Count
Yes	0.0%	0
No	100.0%	1
Total		1

Statistics

Total Responses	1

17. If your organization has a financial issue due to the disparity between the cost of salaries and employee benefits and recurring revenues, do you think an established financial policy would have prevented this issue?

Value	Percent		Count
Yes	0.0%		0
No	0.0%		0
		Total	0
Statistics			
Total Responses	0		

18. In developing a financial policy that identifies a sustainable ratio of employee salaries and benefits to recurring revenues, what factors should be considered? (Check all that apply)

Value	Percent	Count
Ability to attract and retain employees	91.7%	11
Debt Service level	66.7%	8
Funding level of capital improvement plan	83.3%	10
Reserve Contingency Funding	100.0%	12
Funding of value added community service	50.0%	6
Strategic Plan goals	83.3%	10
Comparability to similarly situated fire service	41.7%	5
Ability to fund and sustain funding	91.7%	11
Total		12

Statistics

Total Responses	12

Appendix B

IAFC Financial Policy Survey - 15 January 2016

Survey: Financial Policy Fire Chiefs

1. Is your organization funded primarily by property taxes?

Value	Percent	Count
Yes	100.0%	193
No	0.0%	0
Total		193

2. If yes, are your employees full-time paid firefighters?

Value	Percent	Count
Yes	100.0%	192
No	0.0%	0
Total		192

3. Does your organization have a financial policy?

Value	Percent	Count
Yes	53.2%	101
No	46.8%	89
Total		190

4. If yes, does the financial policy identify a ratio of salaries and employee benefits to recurring revenues?

Value	Percent	Count
Yes	20.4%	20
No	79.6%	78
Total		98

5. If no, do you have any policy that identifies a ratio of salaries and employee benefits to recurring revenues?

Value	Percent	Count
Yes	3.1%	5
No	97.0%	159
Total		164

6. If your organization does not have a policy identifying a ratio of salaries and employee benefits to recurring revenue, do you foresee your organization developing a policy in the near future, i.e. 1-2 years?

Value	Percent	Count
Yes	13.9%	22
No	86.1%	136
Total		158

7. If your organization has identified, by policy, a ratio of salaries and employee benefits (S&EB) to recurring revenue (RR) is it, example for answer (S&EB)/(RR)

Value	Percent	Count
Less than 80/20	30.0%	6
80/20	10.0%	2
Between 80/20 and 85/15	35.0%	7
85/15	0.0%	0
Between 85/15 and 90/10	5.0%	1
90/10	5.0%	1
Between 90/10 and 95/5	10.0%	2
95/5	0.0%	0
Over 95/5	5.0%	1
Total		20

Statistics

Sum	250.0
Average	83.3
StdDev	4.7
Max	90.0

8. What is your organizations current ratio of salaries and employee benefits to recurring revenues?

Value	**Percent**	**Count**
Less than 80/20	22.0%	40
80/20	10.4%	19
Between 80/20 and 85/15	24.7%	45
85/15	6.0%	11
Between 85/15 and 90/10	13.2%	24
90/10	5.0%	9
Between 90/10 and 95/5	12.1%	22
95/5	2.2%	4
Over 95/5	4.4%	8
Total		182

Statistics

Sum	3,645.0
Average	84.8
StdDev	5.1
Max	95.0

9. Has your organizations recurring revenue growth increased?

Value	Percent	Count
Yes	69.0%	131
No	31.1%	59
Total		190

10. Has your organizations salaries and employee benefits increased?

Value	Percent	Count
Yes	92.3%	119
No	7.8%	10
Total		129

11. Has your organizations recurring revenue growth increased commensurate with the increase in salaries and employee benefits?

Value	Percent	Count
Yes	52.5%	62
No	47.5%	56
Total		118

12. If your organization’s recurring revenue growth has not increased commensurate with employee salaries and benefits, has this created a financial issue for your organization?

Value	Percent	Count
Yes	76.8%	43
No	23.2%	13
Total		56

13. Has your organizations recurring revenue growth decreased?

Value	Percent	Count
Yes	49.1%	28
No	50.9%	29
Total		57

14. Has your organizations salaries and employee benefits decreased commensurate with recurring revenue?

Value	Percent	Count
Yes	6.9%	2
No	93.1%	27
Total		29

15. If your organizations employee salaries and benefits have not decrease commensurate with decreasing recurring revenues, has this created a financial issue for your organization?

Value	Percent	Count

Yes	59.3%	16
No	40.7%	11
Total		27

16. If your organization has a financial issue due to the disparity between the cost of salaries and employee benefits and recurring revenues, do you think an established financial policy would have prevented this issue?

Value	Percent	Count
Yes	40.7%	24
No	59.3%	35
Total		59

17. In developing a financial policy that identifies a sustainable ratio of employee salaries and benefits to recurring revenues, what factors should be considered? (Check all that apply)

Value	Percent	Count
Ability to attract and retain employees	75.8%	144
Debt Service level	56.8%	108
Funding level of capital improvement plan	71.6%	136
Reserve Contingency Funding	62.6%	119
Funding of value added community service	50.0%	95
Strategic Plan goals	78.4%	149
Comparability to similarly situated fire service	43.7%	83
Ability to fund and sustain funding	83.2%	158
Total		190

Appendix C

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SANTA CRUZ

Page 2 of 6

TAX APPORTIONMENT WORKSHEET AFTER ERAF

Tax Year: 2015

BGSD	622445	WHITEHOUSE CYN RD CSA #18	4,832	184	0	0	0	(1,577)	3,439	0.0000088622
	625105	BOULDER CR CO SV AREA NO. 7	30,157	3,564	0	0	0	(12,937)	20,785	0.0000535607
	625125	DAVENPORT CO SAN DIST	27,027	1,558	0	0	0	0	28,586	0.0000736633
	625143	PLACE DE MER CO SERV AREA #2	80,372	6,769	0	0	0	(5,681)	81,461	0.0002099190
	625200	SAND DOLLAR BCH CO SERV AREA 5	205,674	11,603	0	0	0	(28,794)	188,483	0.0004857062
		Totals:	**6,363,934**	**398,591**	**(1,309,944)**	**851,543**	**2,078,808**	**(1,271,160)**	**7,111,772**	
Autonomous	**Fund Code**	**Fund Description**	**Base Revenue**	**Tax Increment with base adjustment**	**Redevelopment Agency Amount**	**Pass Through Amount**	**SB 756 Police Protect**	**Educational Amount**	**Total Tax Revenue Amount**	**Apportionment Factor**
	131627	SANTA CRUZ PARKING #1	191,853	18,398	(182,403)	9,116	0	(8,086)	28,878	0.0000744157
	680410	APTOS LA SELVA FPD	10,484,060	645,632	0	0	0	(995,990)	10,133,703	0.0261138376
	680500	AROMAS FIRE PROT DIST TR GENL	36,351	1,156	0	0	0	0	37,507	0.0000966537
	680600	BEN LOMOND FIRE PROT DIST	736,177	68,104	0	0	0	(67,831)	736,450	0.0018977790
	680810	BOULDER CREEK FIRE PROT DIST	804,891	81,646	0	0	0	(74,756)	811,781	0.0020919028
	680900	BLDR CREEK REC & PARK DIST	190,092	19,311	0	0	0	(30,646)	178,757	0.0004606438
	681110	BRANCIFORTE FIRE PROT DIST	649,134	36,489	0	0	0	(57,740)	627,883	0.0016180097
	681310	CENTRAL FPD OF SANTA CRUZ COUNTY	14,452,516	876,129	(8,677,530)	8,566,382	0	(894,004)	14,323,493	0.0369106330
	681410	CENTRAL WATER DIST GEN	98,238	4,889	0	0	0	0	103,127	0.0002657498
	681800	FELTON FIRE PROT DIST	639,817	56,141	0	0	0	(36,430)	659,527	0.0016995554
	682000	LA SELVA REC & PARK DIST	120,647	7,208	0	0	0	(11,481)	116,374	0.0002998865
	682310	LOMPICO CO WATER DIST TR GENL	94,731	9,545	0	0	0	(38,087)	66,189	0.0001705650
	683000	OPAL CLIFFS REC & PARK DIST	14,106	1,406	(11,517)	537	0	(1,615)	2,917	0.0000075176
	683100	PAJARO VALLEY FIRE PROTECTION DIST G	1,535,479	79,360	0	0	0	(142,017)	1,472,822	0.0037953578

Appendix D

BEFORE THE BOARD OF DIRECTORS
OF THE
APTOS/LA SELVA FIRE PROTECTION DISTRICT

RESOLUTION NO. 11-14

On the motion of Director Weatherford
Duly seconded by Director Hurley

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE
APTOS/LA SELVA FIRE PROTECTION DISTRICT
ADOPTING THE FINAL BUDGET FOR FISCAL YEAR 2014-15

WHEREAS, the District has complied with Sections 29080 and 29081 of the Government Code,

NOW, THEREFORE, BE IT RESOLVED AND ORDERED by the Board of Directors of the Aptos/La Selva Fire Protection District that in accordance with Section 29089 of the Government Code, the Final Budget for FY2014-15 is hereby adopted as follows:

INDEX NO.	ACCT NO.	ACCOUNT	FY 14/15 BUDGET
		REVENUES	
680410	0100	PROPERTY TAX - SEC GEN	$8,838,382
680410	0110	PROPERTY TAX - UNSEC GEN	$177,431
680410	0130	PROP TAX - PRIOR UN GEN	$4,033
680410	0150	SUPP PROP TAX - SEC GEN	$75,000
680410	0196	FIRE PROTECTION TAX	$131,170
680410	0430	INTEREST	$3,980
680410	0830	ST HO PROP TAX RELIEF	$70,000
680410	1150	CONTR FROM OTH GOVT AGENCY	$15,000
680410	1617	EMS REVENUE (EMSIA)	$213,413
680410	2047	OTHER CHARGES	$15,000
680410	2072	WEED ABATEMENT	$8,700
680410	2384	OTHER REVENUE	$40,000
		TOTAL REVENUES	$9,592,109
		SALARIES/BENEFITS	
680410	3100	REGULAR SALARIES	$4,360,887

Resolution 11-14
"Final Budget FY 2014-15"

680410	3105	OVERTIME (OT)	$632,186
680410	3190	SICK LEAVE PAYOFF	$324,309
680410	3125	CALL BACK OVERTIME (BOT)	$15,000
680410	3135	HOLIDAY	$323,597
680410	3140	DIFFERENTIAL PAY	$10,000
		TOTAL SALARIES	$5,665,979
680410	3150	SOCIAL SECURITY	$85,346
680410	3155	RETIREMENT	$1,947,275
680410	3160	EMPLOYEE INSURANCE	$896,730
680410	3170	WORKERS COMPENSATION	$278,378
		TOTAL BENEFITS	$3,207,729
		TOTAL SALARIES/BENEFITS	**$8,873,708**
		SERVICES & SUPPLIES	
680410	3210	CLOTHING/PERSONNEL SUP.	$146,800
680410	3235	S. C. DISPATCH FEES	$76,500
680410	3241	TELE/ELECTRONIC NETWORK	$20,640
680410	3250	FOOD	$2,050
680410	3252	INVENTORIABLE ITEMS	$34,760
680410	3275	HOUSEHOLD EXPENSE	$19,180
680410	3305	LIABILITY/PROPERTY INS.	$32,000
680410	3350	MAINT. MOBILE EQUIP.	$85,000
680410	3355	MAINT. OFFICE EQUIP	$250
680410	3360	MAINT. OPS EQUIP	$39,800
680410	3362	MAINT. RADIO	$4,500
680410	3405	MAINT. STRUCTURES/GRNDS	$23,100
680410	3430	MEDICAL/LAB SUPPLIES	$16,000
680410	3450	MEMBERSHIPS	$6,140
680410	3489	COMPUTER SOFTWARE	$10,000
680410	3491	POSTAGE	$2,500
680410	3493	OFFICE EXPENSE	$13,425
680410	3505	AUDITING/ACCTG FEES	$130,500
680410	3585	DIRECTORS' COMPENSATION	$10,570
680410	3630	LEGAL SERVICES	$5,000
680410	3638	MEDICAL SERVICES	$25,000
680410	3665	PROF. SERVICES	$77,000
680410	3790	PUBLIC/LEGAL NOTICES	$2,100

Resolution 11-14
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680410	3800	EQUIP LEASE/RENT	$55,976
680410	3825	SMALL TOOLS/INSTR.	$5,250
680410	3900	EDUCATION/TRAINING	$67,447
680410	4105	SPECIAL DISTRICT EXPENSE	$96,988
680410	4110	SUBSCRIPTIONS/BOOKS	$10,591
680410	4154	ED/TRAINING TRAVEL	$41,600
680410	4160	GAS, OIL, FUEL	$40,320
680410	4168	OTHER TRAVEL	$1,600
680410	4310	UTILITIES	$22,800
680410	5280	CONTR TO OTH GOVT AGENCIES	$13,096
		TOTAL SERVICES & SUPPLIES	**$1,138,483**
		FIXED ASSETS	
680410	8404	EQUIPMENT	$297,141
		TOTAL FIXED ASSETS	$297,141
680410	9695	CONTINGENCIES	$100,000
		TOTAL APPROPRIATIONS	**$10,409,332**

PASSED AND ADOPTED by the Board of Directors of the Aptos/La Selva Fire Protection District, County of Santa Cruz, State of California, this 11th day of September 2014, by the following vote:

AYES: 5
NOES: ∅
ABSENT: ∅
ABSTAIN: ∅

President of the Board of Directors

ATTEST:

Secretary to the Board