MONTECITO FIRE PROTECTION DISTRICT
AGENDA FOR THE REGULAR MEETING
OF THE BOARD OF DIRECTORS

Montecito Fire Protection District Headquarters
595 San Ysidro Road
Santa Barbara, California

April 28, 2014 at 2:00 p.m.

Agenda Items May Be Taken Out Of The Order Shown

1. Public comment: Any person may address the Board at this time on any non-agenda matter that is within the subject matter jurisdiction of the Montecito Fire Protection District. (30 minutes total time is allotted for this discussion.)

2. Presentation by Capital Public Finance Group on their Financial Analysis related to Budgeting and Long-Term Liabilities.

3. Review current status of Upper Hyde Road Community Facilities District:

    a. Report from Director Powell regarding meetings with Upper Hyde Road residents.

    b. Provide direction on how to proceed with Tea Fire Rebuilds and Upper Hyde Road Community Facilities District.

4. Report from the Finance Committee (copy of Agenda for Finance Committee Meeting attached).

    a. Consider recommendation to approve District's warrants and claims.

5. Report from the Community Outreach Committee (copy of Agenda for Finance Committee Meeting attached).

    a. Consider recommendation to utilize NIXLE when requested by other agencies to notify the community of service related interruptions at the Fire Chief's discretion.

    b. Consider recommendation regarding Directors use of District letterhead, limiting use to the Board Chair for District business or by a Committee Chair for specific Committee business.

6. Approval of Minutes of March 17, 2014 Special Meeting.

7. Approval of Minutes of March 20, 2014 Special Meeting.

8. Approval of Minutes of March 24, 2014 Regular Meeting.

9. Fire Chief's report.

10. Board of Director's report.

11. Suggestions from Directors for items other than regular agenda items to be included for the May 27, 2014 Regular Board meeting. (Note that this is on a TUESDAY due to Memorial Day Holiday.

Adjournment

This agenda is posted pursuant to the provisions of the Government Code commencing at Section 54950. The date of the posting is April 24, 2014.

MONTECITO FIRE PROTECTION DISTRICT

Chip H

Chip Hickman, Fire Chief

Note: In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the District office at 969-7762. Notification at least 48 hours prior to the meeting will enable the District to make reasonable arrangements.

Materials related to an item on this agenda submitted to the Board of Directors after distribution of the agenda packet are available for public inspection in the Montecito Fire Protection District's office located at 595 San Ysidro Road during normal business hours.

Agenda Item #2

Montecito Fire Protection District

Financial Analysis Related to Budgeting and Long-Term Liabilities

April 24, 2014

Prepared by:

Capitol Public Finance Group, LLC
2436 Professional Drive, Suite 300
Roseville, CA 95661
T (916) 641 2734
F (916) 921 2734
www.capitolpfg.com

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Capitol | PFG

PURPOSE OF THIS REPORT

Capitol PFG has been retained by the Montecito Fire Protection District (the "District") to provide an independent and objective analysis of the District's near term budget projections, capital plan and retirement benefits. Specifically, the following scope of work was requested:

- Assist the District with developing and evaluating a comprehensive plan for prefunding pension and other post-employment options.
  - Evaluate the District's unfunded liabilities for pension and other post-employment benefits, including a review of the assumptions used in the actuarial analysis.
  - Identify any probable changes to the total amount owed over the next three years.

- Evaluate the District's past three year's revenues, expenditures and budgets and provide key observations and recommendations.
  - Provide recommendations regarding best practices in creating annual budgets.

- Assist the District with validating budget assumptions including the sustainability of the budget and make recommendations regarding appropriate levels of unrestricted reserves, capital reserves, catastrophic event reserves and prefunded benefit plans along with other reserves/contingencies built into the budget.

- Analyze and provide recommendations regarding the use of the District's existing reserve funds.

- Provide an analysis of the best course of action for funding the construction of Station 3, evaluating the use of existing funds as compared to borrowing options.

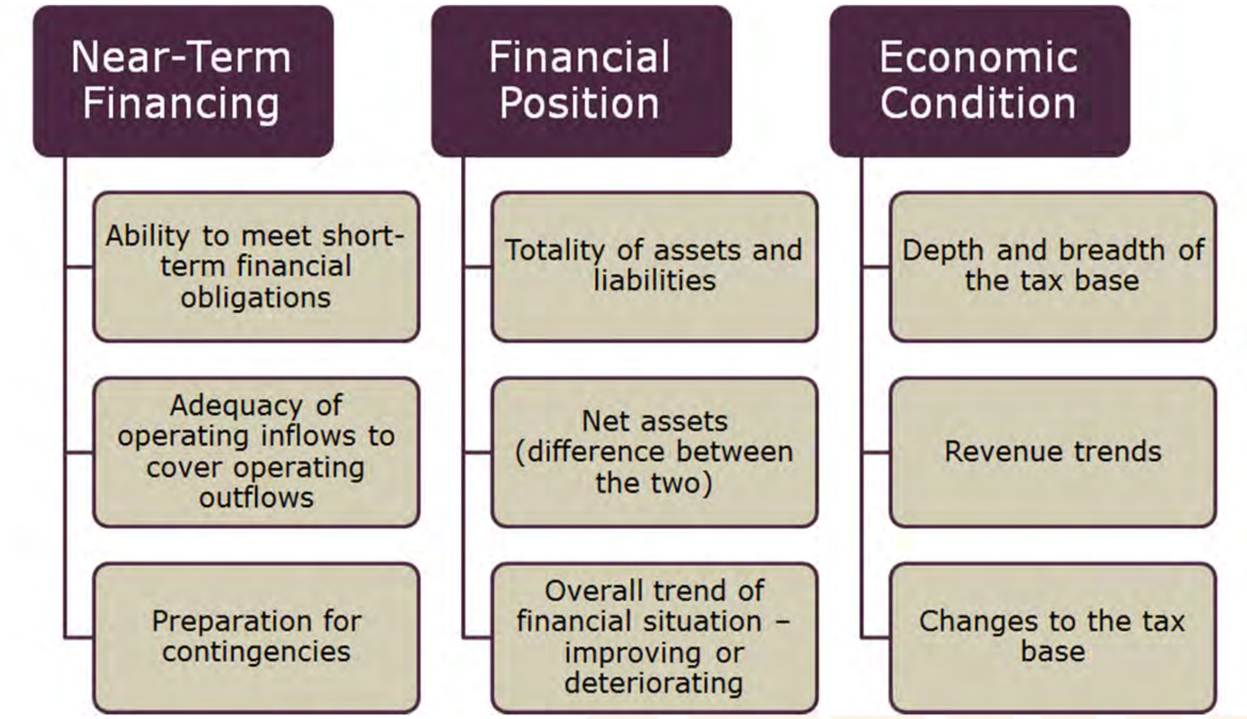
- Assist the District with development of financial policies to help guide the use of funds by the District.

The purpose of this report is to summarize our review, analysis and recommendations related to the above described scope of work.

EVALUATION OF THE DISTRICT'S FINANCIAL HEALTH

An assessment of the financial health of a public agency is based on a complete analysis of three main components, (1) Near-Term Financing, (2) Financial Position, and (3) Economic Condition, as shown in ***Figure 1***. This report will include analysis and detail related to each of these items to help provide the District with an independent assessment of its financial strength.

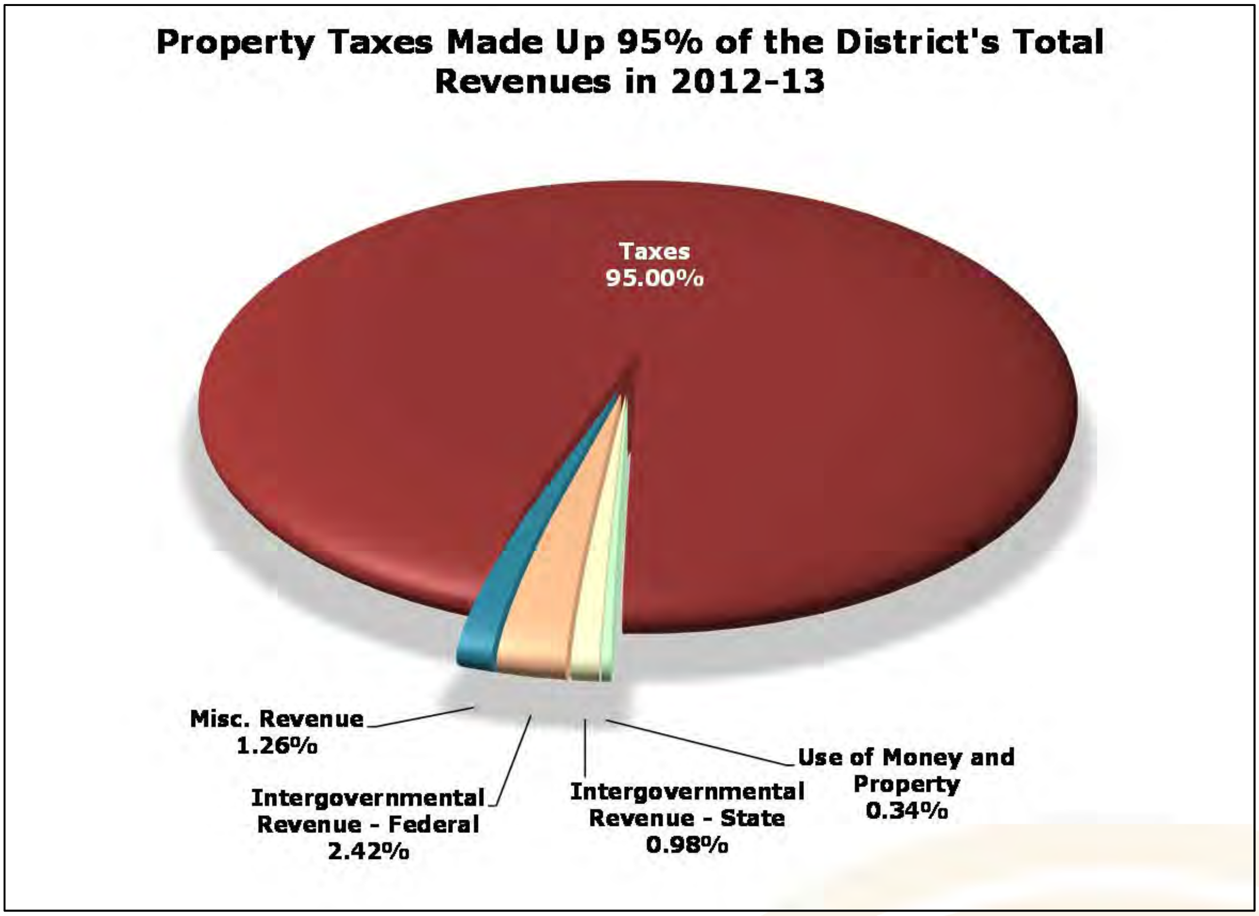
FIGURE 1



Revenues

The District's main source of funding is property taxes, making up 95% of its overall funding, as shown in ***Chart 1***. Since the other revenue sources are relatively limited, for the purposes of evaluating the District's financial health and making recommendations related to budget and funding long-term liabilities, the primary focus of the revenue analysis will be on property taxes.

CHART 1



Proposition 13, from 1978, is the basis for the current tax distribution system in California, which limits the property tax rate to 1% of assessed value, plus the rate necessary to fund local voter-approved bonds. Assessed value is not necessarily equivalent to the market value of property as it was originally set back in 1978 and is annually adjusted based on:

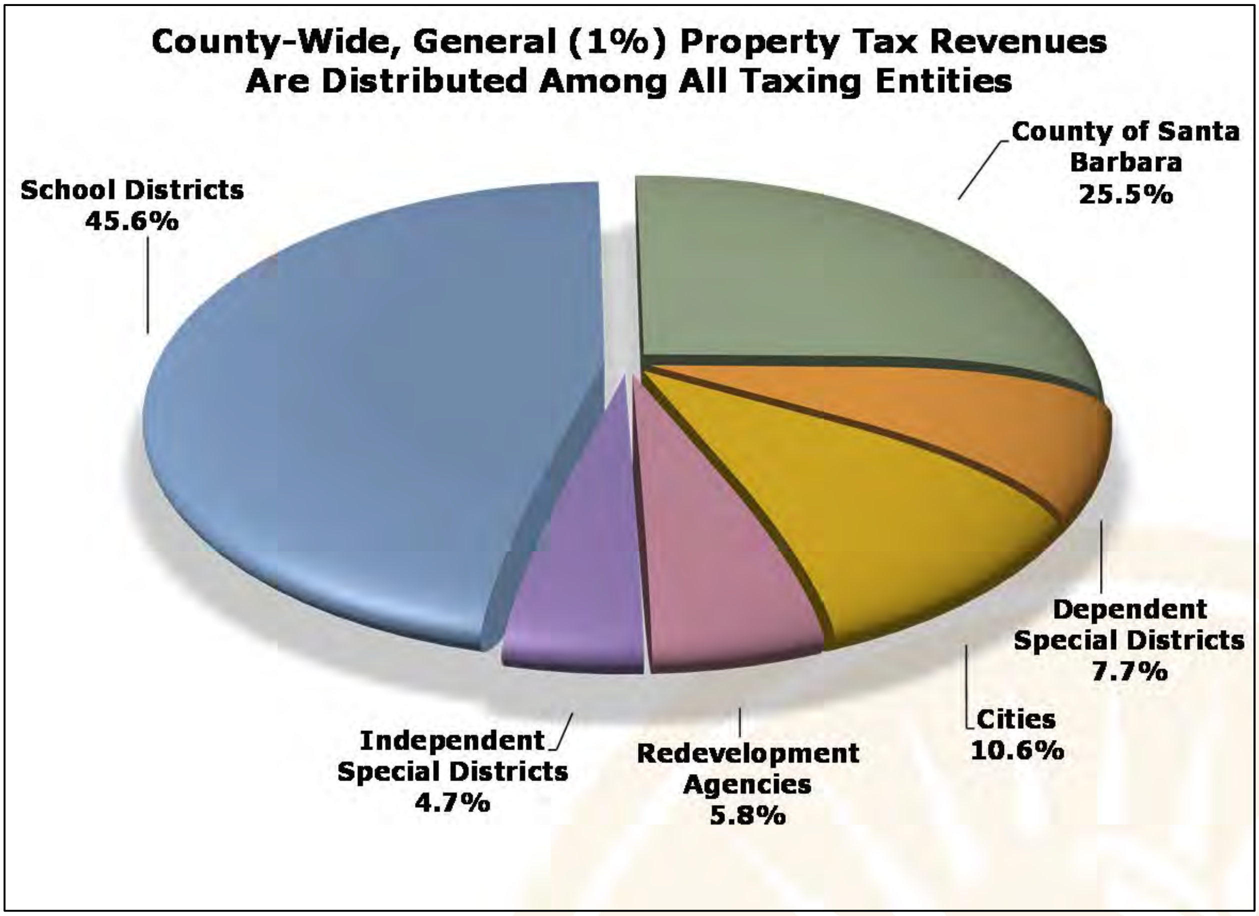
- The lesser of the change in the California Consumer Price Index or 2%
- The value of any new construction or improvements to the property
- The market value, if the property is sold

Assessed value of property is set as of January 1 of each year to generate tax revenue for the fiscal year that begins the ***following*** July 1. Thus, revenue collected in each fiscal year is generated from assessed value set the January 1 of the previous fiscal year resulting in a lag between changes in economic conditions and property tax receipts.

The property tax revenues generated from the general 1% of assessed value is then distributed to all taxing agencies within the property's boundaries based on Assembly Bill 8 (AB8) factors. On average, the District receives approximately 16% of the total general property tax revenue collected within its boundaries.

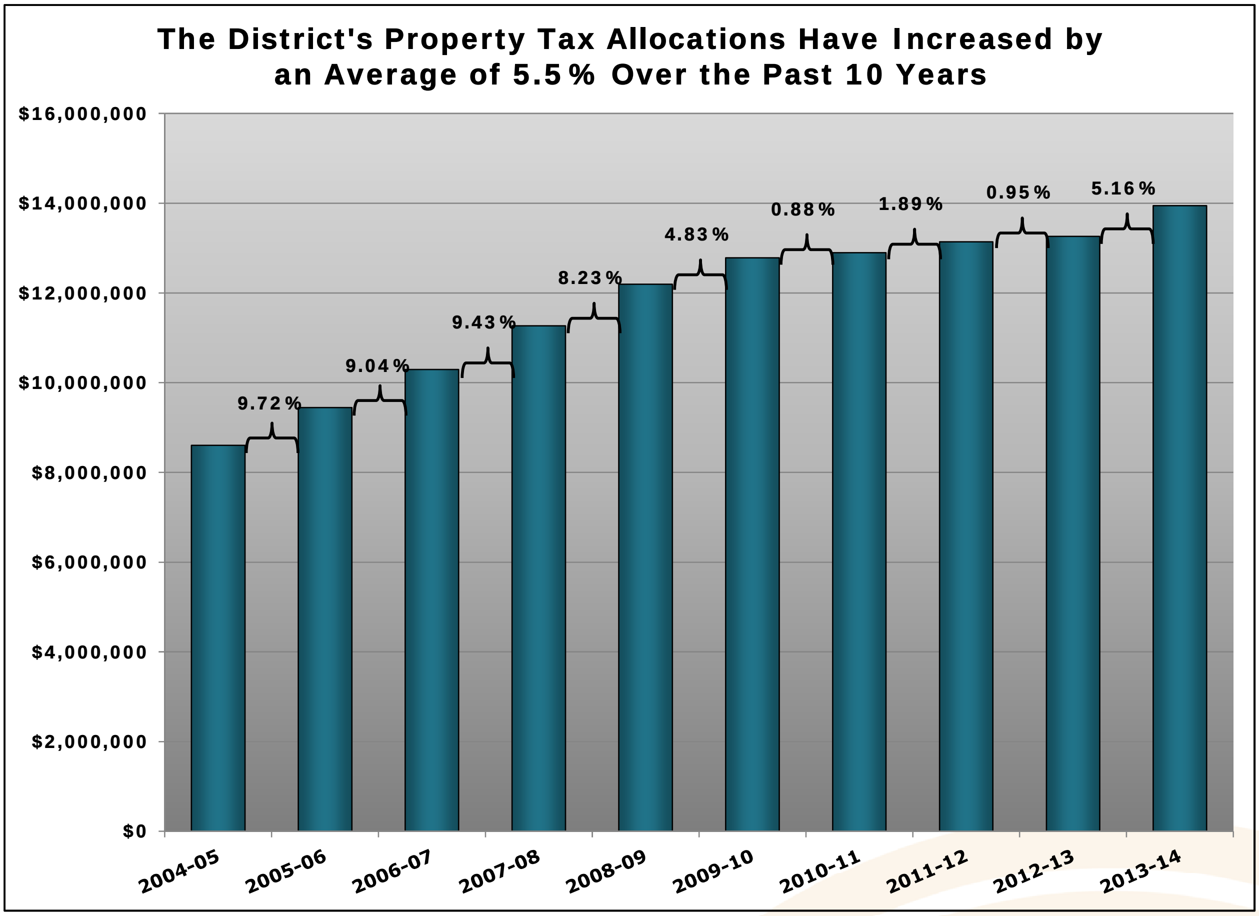
The District has 4,182 parcels within its boundaries, which make up a total assessed value of $8,665,570,500 for 2013-14. This assessed value generated $86.6 million of total tax revenue distributed to all overlapping taxing agencies, including the District, the County of Santa Barbara, Montecito Union School District, Cold Spring Union School District, Santa Barbara Unified School District, and Santa Barbara Community College District, among others. Of this, the District will receive approximately $13.9 million for 2013-14. The specific property tax distribution for each taxing agency is not readily available. However, throughout the County, on average, school districts receive approximately 46% and the County itself receives 26% of the property taxes generated, as shown in ***Chart 2***.

CHART 2



Over the past 10 years, the District's property tax allocations have increased by an average of 5.5%, as shown in ***Chart 3***, demonstrating a healthy tax base during a time when property values were declining in many areas of the State. The average annual percentage increase in property taxes is calculated based on the annual compounded rate of growth.

CHART 3



Property tax revenues are distributed periodically throughout the year, based on when the County receives tax revenues from property owners. Thus, the typical distribution is:

- 55% in December
- 40% in April
- 5% in June

Without a diverse revenue stream, the District needs to be cautious of its cash flow and must be aware of potential changes to the tax base that could greatly impact its main revenue stream.

The average assessed value per parcel in the District is $2,072,111. ***Table 1*** shows the top 10 taxpayers in the District and the 2013-14 assessed value of each property.

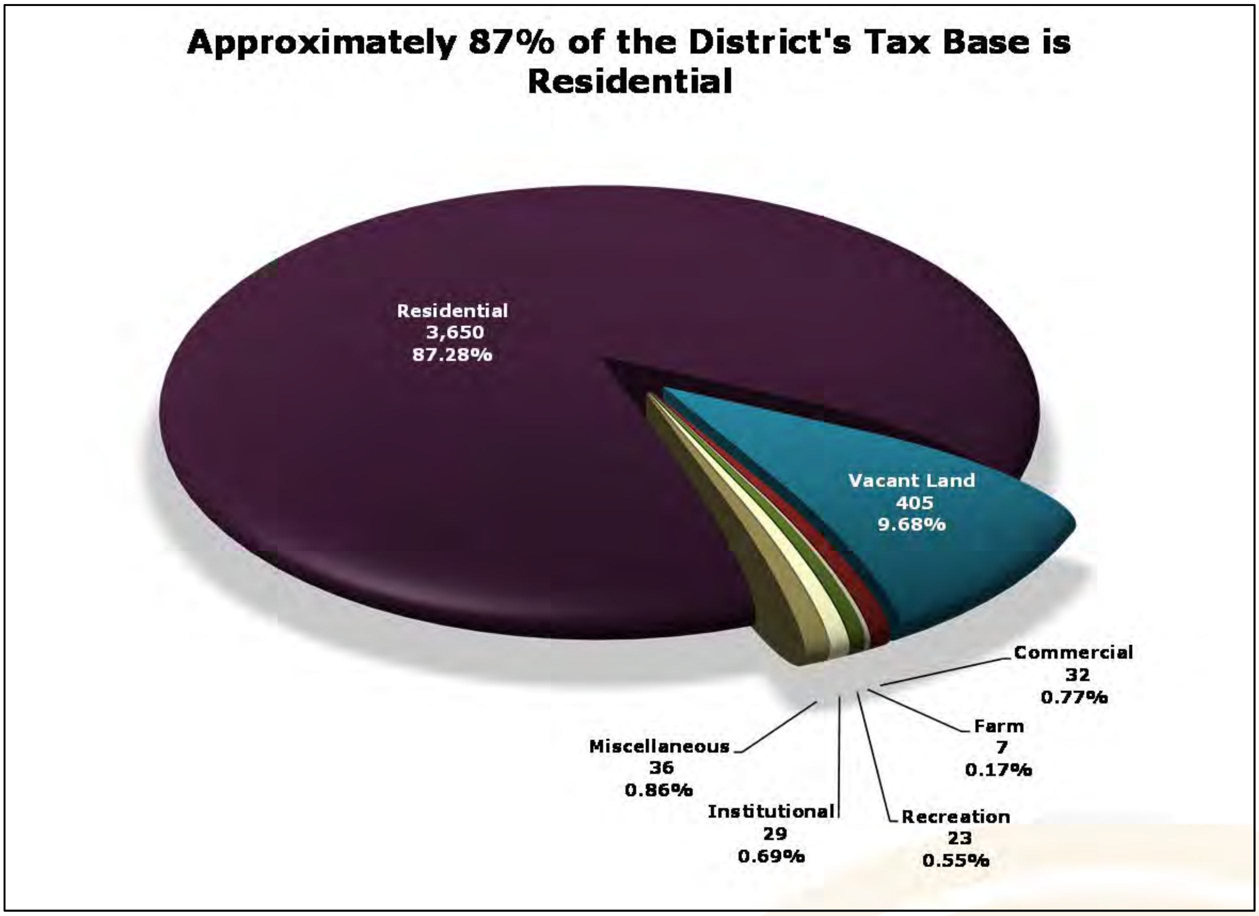
TABLE 1

Top 10 Taxpayers for 2013-14 in Montecito FPD			
Property	Type of Property	Assessed Value	% of Total Assessed Value
009-352-009	Hotel	$152,000,000	1.75%
009-283-021	Residential	$137,232,684	1.58%
007-230-001	Residential	$89,888,038	1.04%
009-640-001	Residential Retirement Community	$54,301,579	0.63%
013-080-007	College	$48,475,998	0.56%
009-021-069	Residential	$29,991,782	0.35%
011-060-040	Residential	$28,381,481	0.33%
007-050-026	Hotel	$27,025,141	0.31%
155-250-030	Residential	$25,667,602	0.30%
011-080-032	Residential	$24,783,253	0.29%

These top ten taxpayers make up 7.14% of the total assessed value in the District and generate just under $1 million of property tax revenue for the District. Significant changes to the value of these parcels will impact the District's property tax revenue stream. With the top 10 taxpayers making up a large portion of the District's tax base, it demonstrates a lack of diversity, which may call for a higher reserve level than other districts with a similar size tax base.

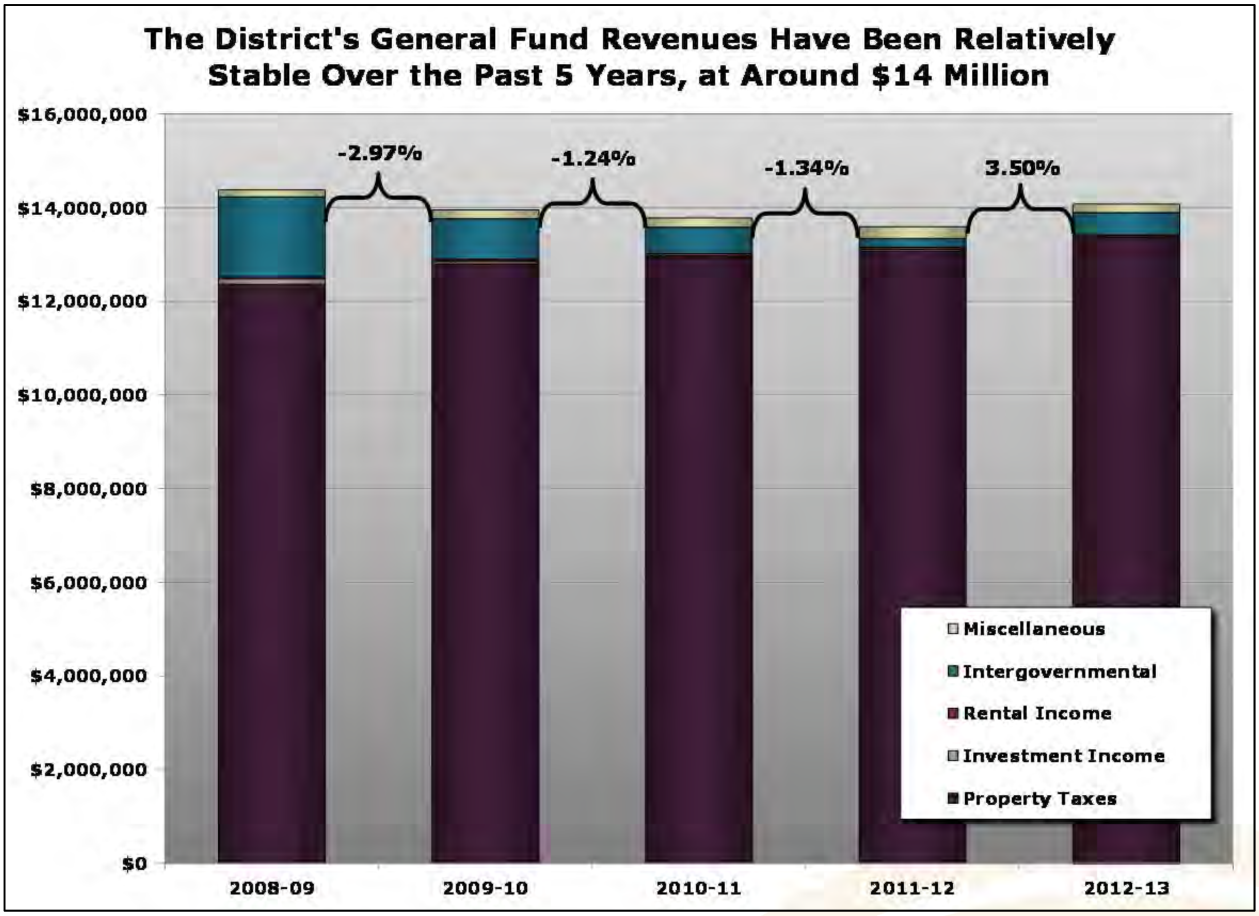
Of the 4,182 parcels in the District, 3,650 are residential, making up 87% of the total tax base, as shown in ***Chart 4***. This further emphasizes the point that the District's tax base lacks diversity, with a large portion of the tax base made up of residential properties.

CHART 4



The District's past revenue trends can also provide valuable information about the condition of the District's finances. Over the past five years, the District's overall revenues have remained relatively level at approximately $14 million, as shown in ***Chart 5***. Although the District saw some minor declines in revenue of less than 3% per year from 2009-10 through 2011-12, the District's overall revenue stream remained very stable and healthy.

CHART 5



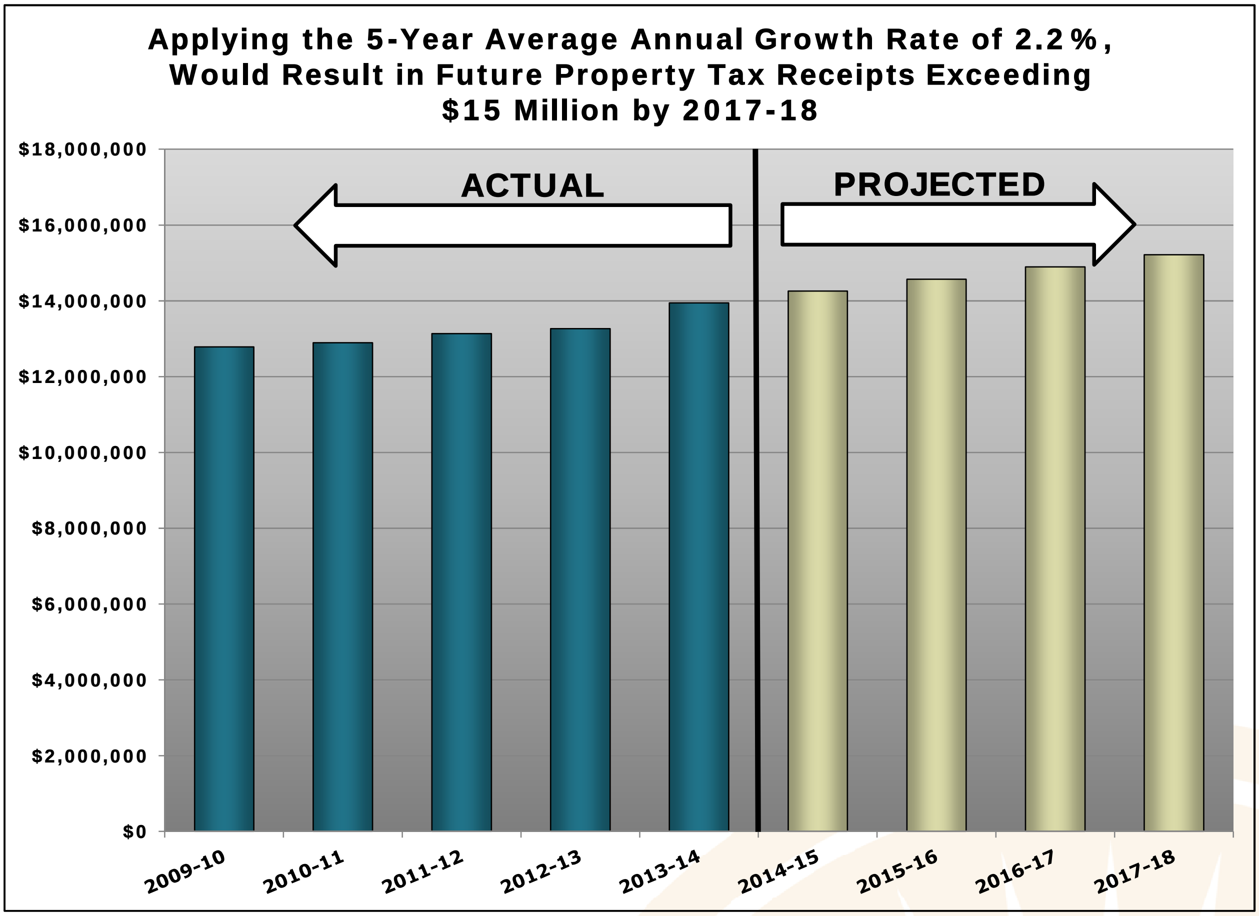
The largest percentage change in revenue from a particular category was from Intergovernmental Revenues, which includes State and Federal Emergency Assistance funds. It is expected that such funding varies as these funds are typically a reimbursement for emergency services performed by the District, which naturally would vary from one year to the next.

When forecasting future revenues, we suggest focusing primarily on property taxes. We can evaluate past trends and make adjustments for anticipated changes to the tax base. As previously shown in ***Chart 3***, property tax revenues have increased by an average of 5.5% per year, calculated based on the average annual compounded growth rate. But, the more recent real estate market trends do not necessarily reflect the rapidly growing pace demonstrated from the early 2000s through 2009. Therefore, the 10-year average annual growth rate is not appropriate for projecting future tax revenues.

The 5-year average annual growth rate of 2.2% may also not be reflective of the future trends as there were several years of limited growth. However, the 5-year average growth rate would result in a more conservative assumption that can be reasonably applied to a multi-year budget projection. Any property tax revenue growth rate should be evaluated annually as multi-year projections are completed.

Chart 6 shows the estimated property tax revenue the District will see based on an annual growth rate of 2.2%.

CHART 6



Other Revenue Sources

One notable revenue source that is typically collected by fire districts in California, but not present with the District, is development impact fees. These specifically are fees charged on new construction projects to mitigate their capital impacts on a fire district. Such fees are justified and charged through a "nexus study" under Government Code 66000 *et. seq.* and are imposed on all new construction projects or expansion projects in excess of 500 square feet.

New construction can cause a detrimental financial impact on fire districts as it can dilute the effectiveness of capital facilities and equipment on a community. As the community grows, additional burdens are placed on a fire district and as a result create a financial impact related to the capital needs of the agency. Development impact fees, or mitigation fees, are a mechanism for new development to pay its share of the capital costs.

Historically, the District has opted to not charge development impact fees in Montecito as such fees are imposed on expansion projects in excess of 500 square feet as well as new construction. We recommend that the District revisit this policy and confirm that this is in line with the current desires of the community.

If the District were interested in considering a mechanism for new development to mitigate its impacts without creating a fee that is imposed on expansion projects for existing residents, the District could consider the creation of a Community Facilities District (CFD). In addition to the common annual taxation methodology, a CFD can be structured to impose a one-time tax, similar to an impact fee, on new construction projects within its boundaries. The boundaries and tax formula are flexible and up to the District's discretion. Capitol PFG is able to provide more detailed information on CFD options if the District is interested in pursuing this type of endeavor.

Comments and Findings Related to Revenues

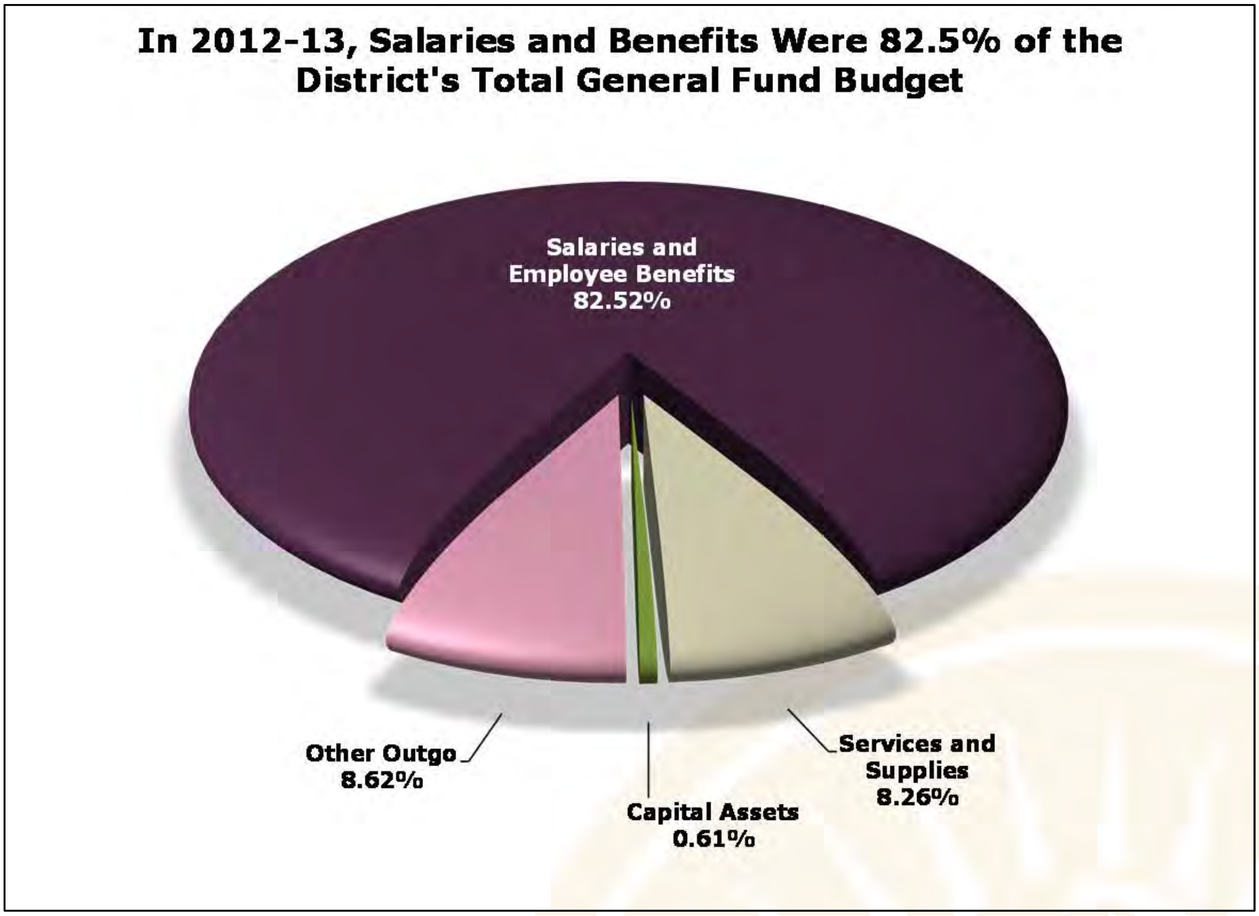
- The District has a wealthy and relatively stable tax base that is mostly comprised of residential property.
  - The lack of diversity in the tax base poses some concerns related to the long-term stability of revenues as the top ten taxpayers make up more than 7% of the total tax base.
  - However, the tax base demonstrated that during a time of substantial declines in the real estate market, property values in the District remained stable as the District never saw a decline in tax revenues.
  - The lack of diversity of the tax base should be considered when considering revenue reserves, but balanced by the demonstrated long-term stability.

- The District is not collecting development impact fees.
  - This policy should be re-evaluated to determine whether this is in line with the current desires of the community.
  - Consider alternative development mitigation measures, such as a CFD.

Expenditures

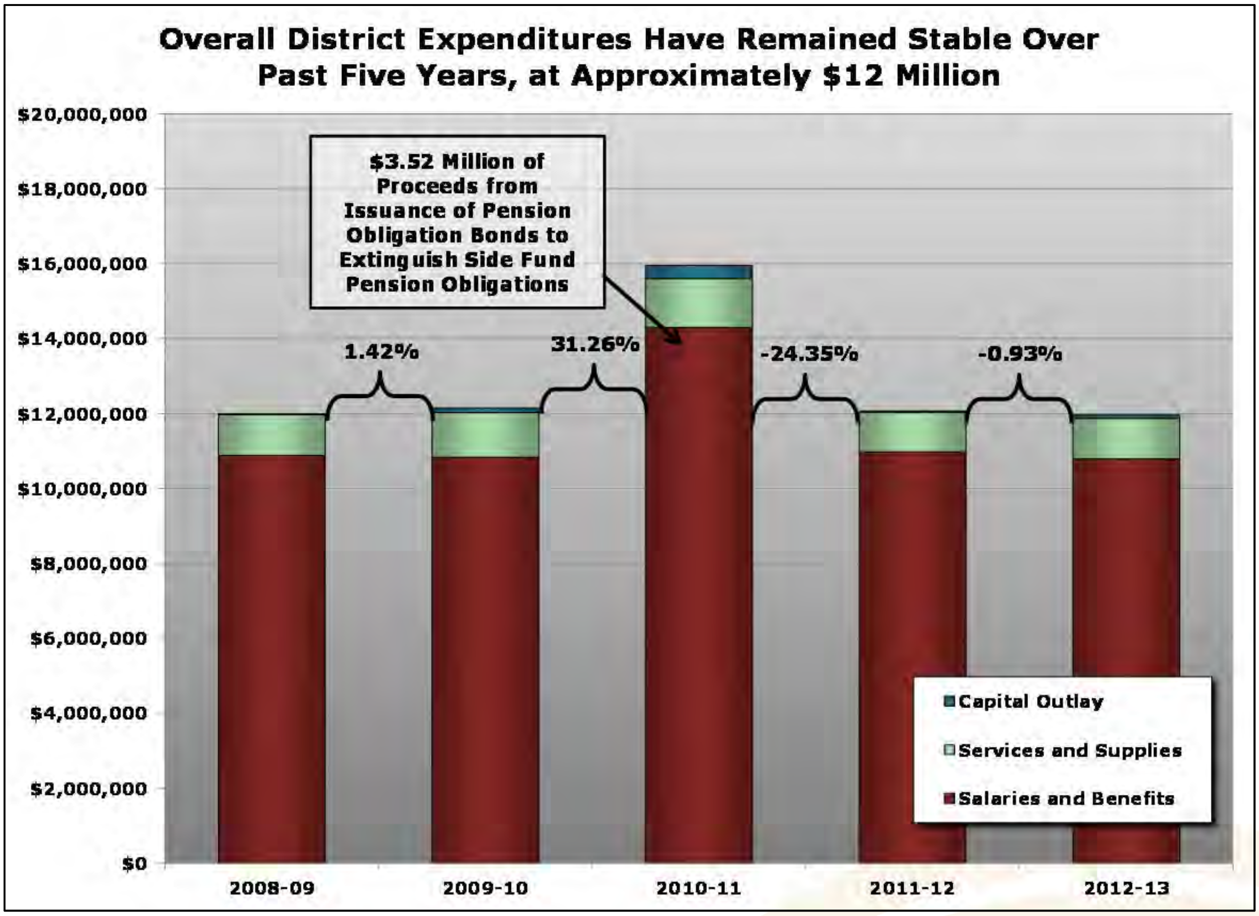
For most public agencies, 80%-85% of the General Fund budget is allocated towards salaries and benefits. As shown in ***Chart 7*** the District's 2012-13 actual salaries and benefits cost was approximately 82.5% of the total General Fund budget, which is in-line with other public agencies.

CHART 7



Annual expenditure trends have remained fairly stable over the past five years, as shown in ***Chart 8***, with the exception of 2010-11, when the District spent approximately $3.52 million from proceeds of a Pension Obligation Bond (POB) to extinguish side fund pension obligations. More detail related to the POB is described later in this report, which will explain how this POB lowered the District's annual side fund obligation by approximately $162,000. When removing this expenditure, the District's overall expenditures have remained stable.

CHART 8



This expenditure trend is in-line with the stable revenue trend over the past five years. Even though the cost of living and resulting operational costs have increased over this timeframe, it appears as though the District has made expenditure cuts to ensure that the amount of expenditures does not exceed the annual revenues received. This is further evaluated below.

Measuring and evaluating the expenditure levels of local government requires as much artistry as it does science. Essentially, no general framework can be used effectively without practical judgment and specific knowledge of a jurisdiction. Assessing financial components cannot be determined in a vacuum. Economic, political, legislative, and factors, combined with each jurisdiction's specific response to these external forces, determines the appropriate expenditures levels.

Expenditure levels for fire districts can vary drastically from one agency and jurisdiction to another. Several factors impact the expenditure levels for a fire district including:

- Community demographics
- Community demand for service
- Response time goals
- Response time challenges

- Terrain
- Accessibility of roads and properties
- Fire hazard risk
- Number of fire stations
- Ability to share resources with other agencies or departments (e.g., maintenance service, business function, etc.)

Essentially, District policy and community demands dictate the priorities for adequate staffing levels and necessary other operational expenditures. A district's financial condition is ultimately evaluated based on the ability of the agency to meet its expenditure obligations through its available revenue sources. The District has consistently demonstrated an ability to do this, as described in more detail later in this report.

Comments and Findings Related to Expenditures

- The proportion of expenditures for Salaries and Benefits is in-line with proportionate expenditures of most public agencies.

- The District's five year expenditures have remained relatively stable, with no unusual spikes in spending.

- Expenditure levels should reflect the service demands of the Montecito community.
  - Board policy should reflect these community service demands, which are then reflected in expenditure levels.
    - With careful consideration to ensure that expenditures are within revenue limitations.

<u>Comparison of Revenues to Expenditures</u>

There are three different revenue and expenditure comparisons to evaluate related to the District's finances:

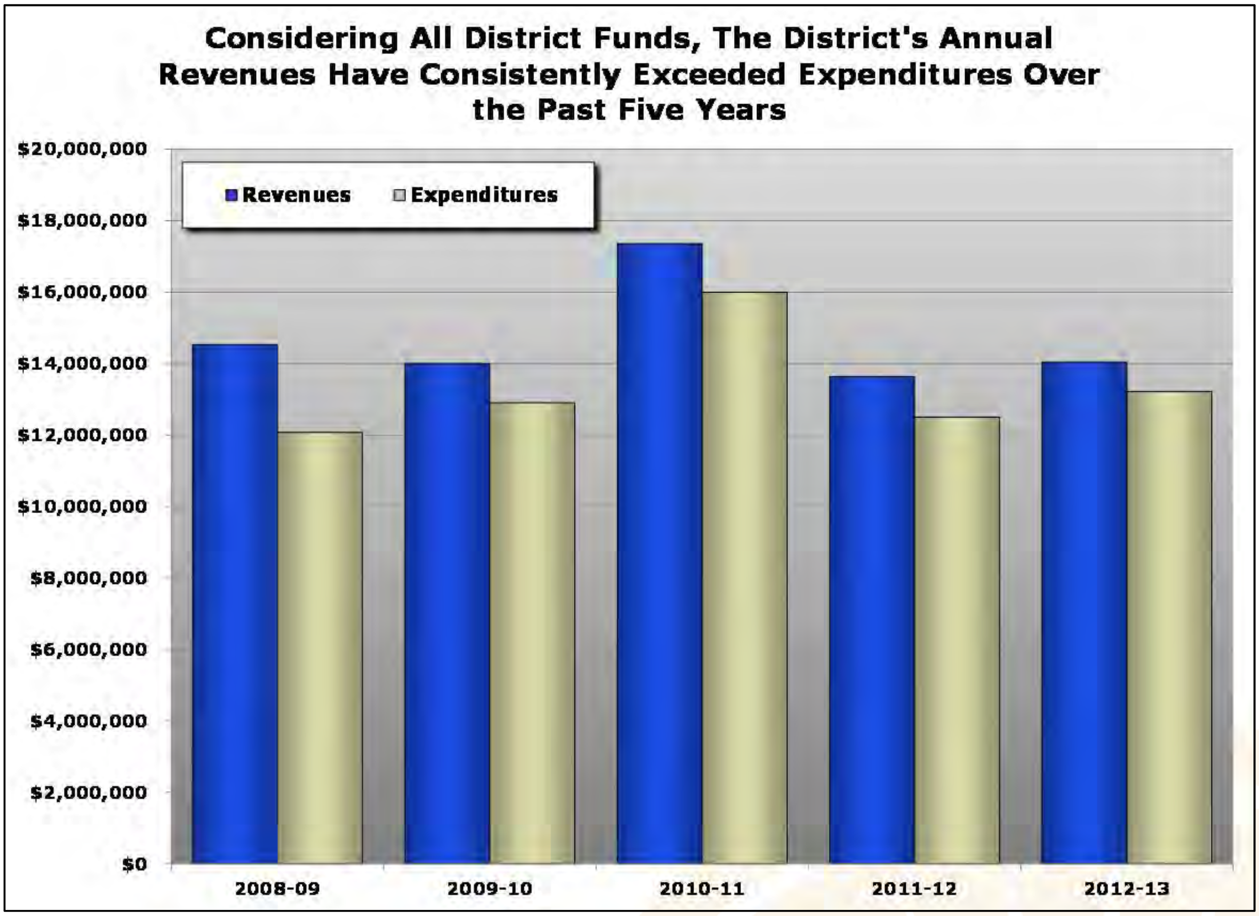
- Annual Revenues Over Expenditures
- Cash Flow
- Fund Balance

Annual Revenues Over Expenditures

Over time, in order to demonstrate a strong financial position, the District must show that annual expenditures are set at a level to be funded through annual revenues. No deficit spending was identified throughout the course of our analysis, but in the event that deficit spending occurs, it should be limited in nature and a plan for reducing future deficit spending should be put in place. With property tax revenues in particular, it is important to demonstrate that the use of the tax revenue is being used to fund the services the revenue is generated for in the period the revenue is generated. This ensures that current property owners are not paying for the services of the past.

The District's annual revenues have consistently exceeded expenditures over the past five years, as shown in ***Chart 9*** enabling the District to build up fund balances.

CHART 9

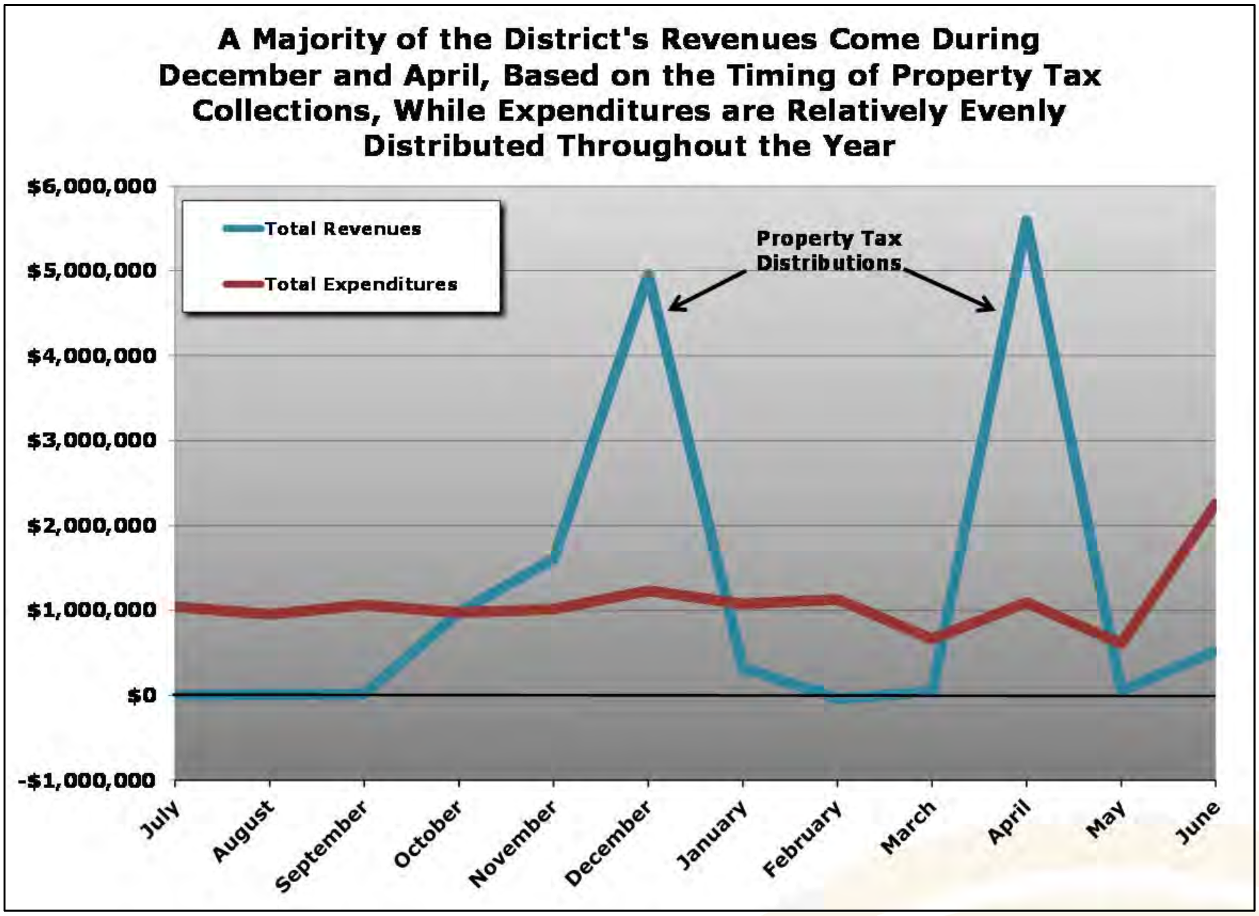


Cash Flow

In addition to considering the overall fiscal year sufficiency of revenues and expenditures, it is important to understand the annual cash flow. Since the District's primary revenue source is property taxes which come in predominantly three times per year – December, April and June – the District must ensure adequate cash flow to fund operational expenditures during the fiscal year before property taxes are received. As with most public agencies that are dependent primarily on property taxes, the District's cash is lowest in November, right before property taxes are received, as shown in ***Chart 10***. This provides complications for making November and perhaps early December payroll obligations.

The District has historically utilized internal borrowings to fund cash shortfalls. This is an appropriate use of available cash and typically the most cost-effective cash flow option.

CHART 10



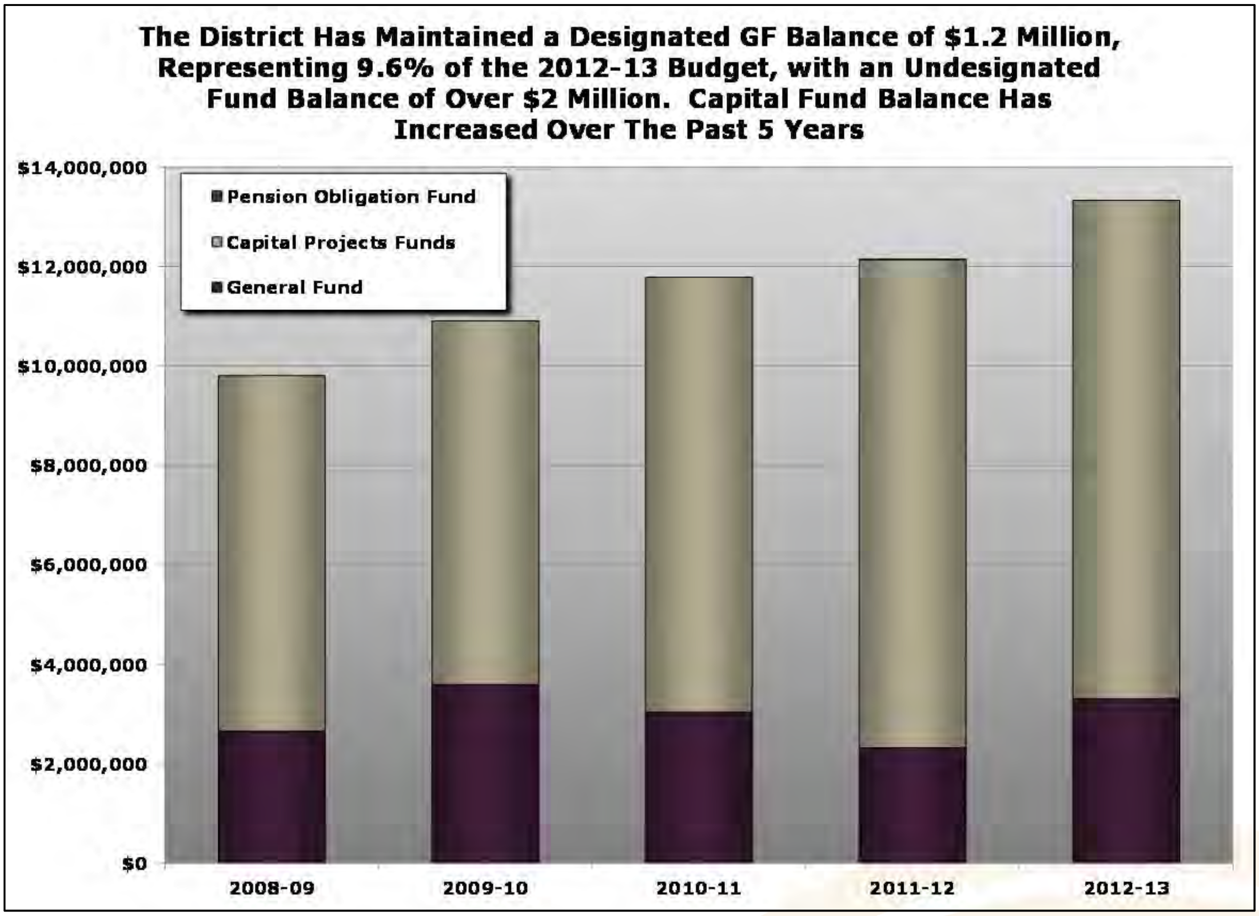
In order to avoid the need for an annual cash flow borrowing, the District can consider maintaining cash reserve funds in a sufficient amount to fund these periods of cash shortfall. This is discussed in more detail in the Reserves section of this report.

Fund Balance

Assessing the adequacy of the level of fund balance is an important component to evaluating an agency's financial health. Additionally, trends in the agency's fund balance provide insight as to whether the agency has an improving or deteriorating financial position.

The District has maintained a healthy fund balance over the past five years, as shown in ***Chart 11***, which has increased as revenues have consistently exceeded annual expenditures. The District maintains a designated General Fund balance of approximately $1.2 million, representing almost 10% of its annual budget. Additionally, the District has an undesignated General Fund balance of over $1 million with over $10 million in the Capital Projects Fund. This results in a total ending 2012-13 fund balance of approximately $12.5 million.

CHART 11



Fund balance levels will vary based on the type of public agency, as well as economic and budgetary risks. Moody's Investor Service (Moody's) provides a scorecard for U.S. local government agencies as a tool to evaluate the agency's credit profile. One component of the scorecard is fund balance as a percentage of revenues. Moody's indicates that a Very Strong ('Aaa' rated) credit will have a fund balance of at least 30% of revenues. ***Appendix B*** shows the full Moody's scorecard.

Net Assets

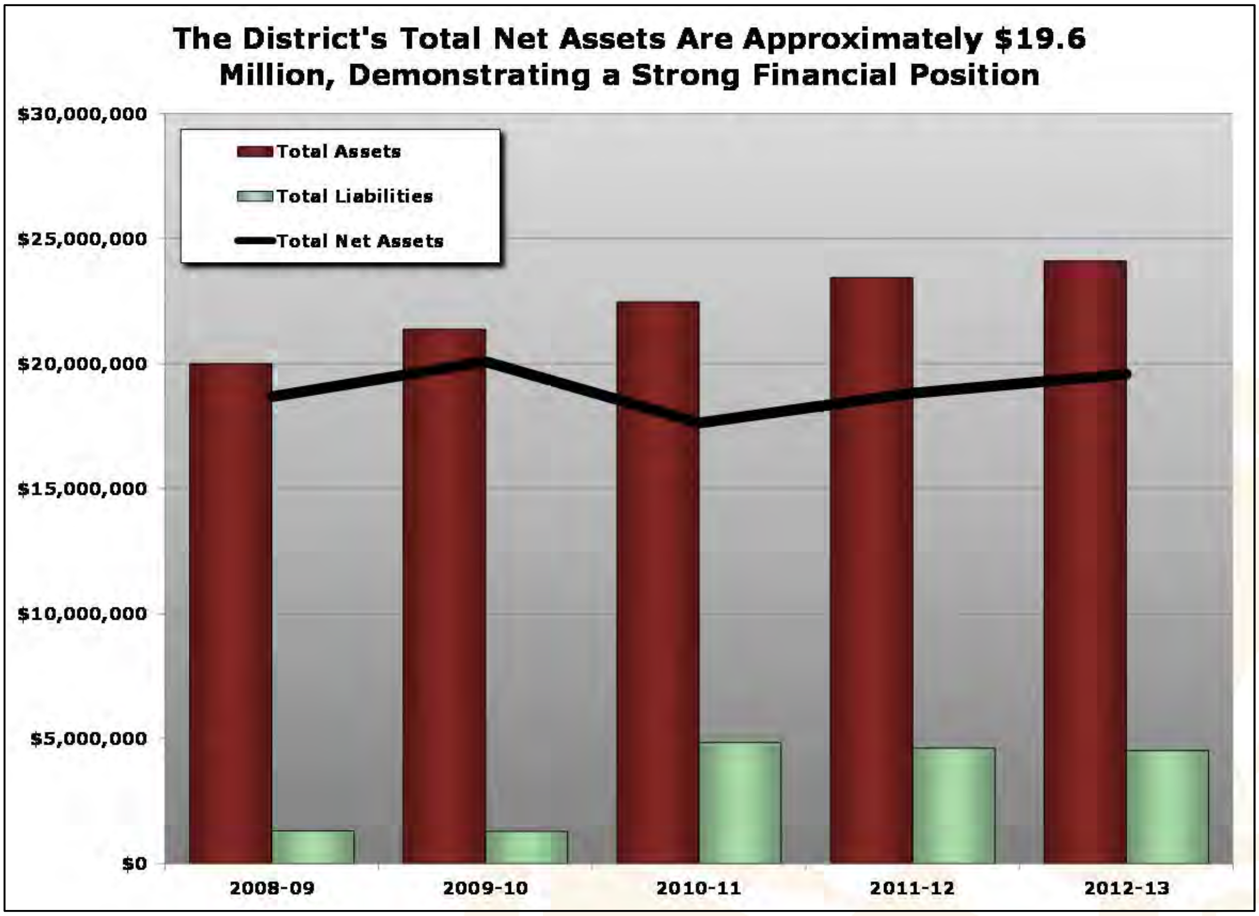
An evaluation of net assets identifies the District's assets, or resources used to provide service and operate the government, as compared to its liabilities, or its obligations to turn over resources to other organizations or individuals. The difference between the District's assets and its liabilities is called "net assets". Essentially, net assets are what the District would have left over after satisfying its liabilities. Net assets are an indicator of an agency's financial position or its financial standing at a given point in time, typically at the end of the fiscal year. Financial position can be tracked over time to assess whether an agency's financial health is improving or deteriorating.

The amount of assets is reported in a variety of ways, depending on the nature of the asset. Cash amounts are essentially the cash balance at the end of the fiscal year. Most investments are reported at their fair value as of the end of the fiscal year. Capital assets are generally reported at historical cost less accumulated depreciation.

Liabilities typically represent the balances remaining to be paid, although there may be some exceptions. For example, long-term debt may include amortized discounts or premiums. Also, deferred revenues are reported as liabilities. For example, the District may be required to provide a particular service and contribute resources of its own before it qualifies to use resources provided by the state or federal governments. These would be considered deferred revenues.

As shown in ***Chart 12***, the District has high net assets of approximately $19 million. This further demonstrates a strong financial position.

CHART 12



Comments and Findings Related to the Comparison of Revenues to Expenditures

- Historically, the District has avoided deficit spending with annual revenues exceeding annual expenditures.
  - This demonstrates a healthy financial position even during a difficult economic time.

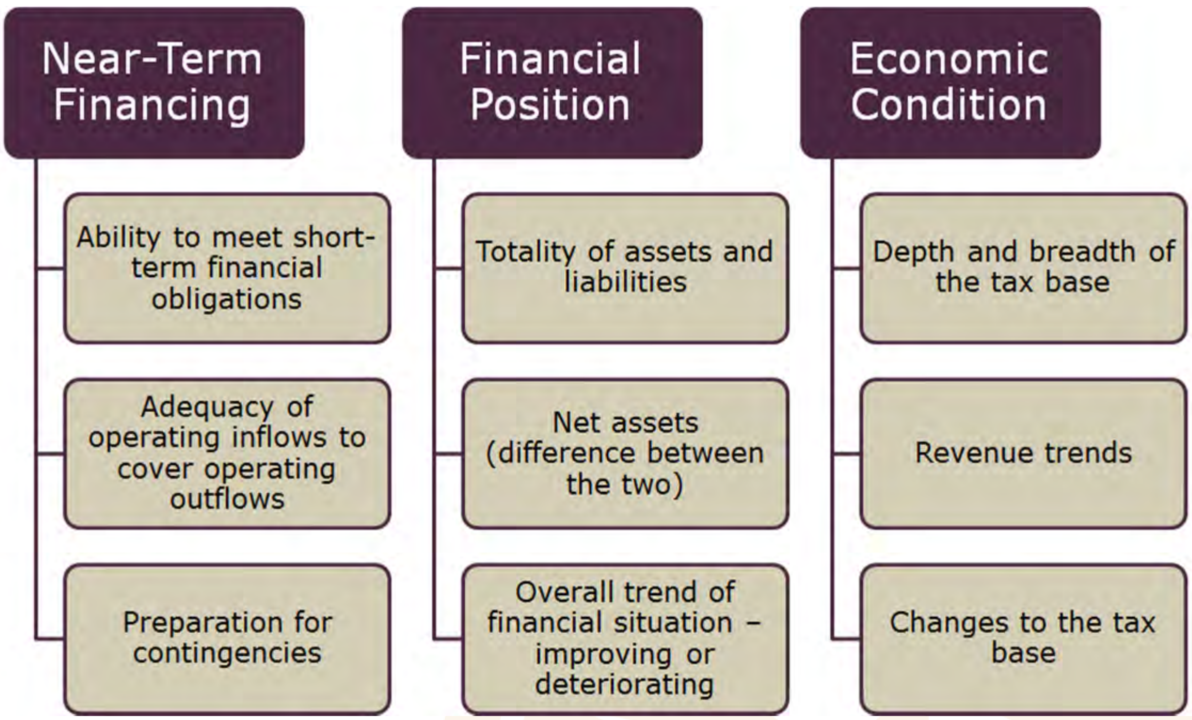
- With the high dependence on property tax revenues, the District will annually face cash shortfalls, typically in November and early December, before property tax revenues are received.
    - o The District can use reserves or other cash sources to meet these cash flow shortfalls instead of relying on cash flow borrowings.

- The District maintains healthy fund balances at a level that is considered “Very Strong” by Moody’s.

Summary of the Evaluation of Revenues, Expenditures and Overall Financial Condition

As previously demonstrated in ***Figure 1***, and re-stated in ***Figure 2***, there are three main components to the assessment of an agency’s financial position – near-term financing, financial position, and economic condition.

FIGURE 2



The District has demonstrated a strong ability to meet its short term financial obligations and cover operating outflows by consistently funding annual expenditures through annual revenues and avoiding deficit spending. A healthy fund balance demonstrates the District’s preparation for contingencies.

The District’s financial position is very strong with assets of over $23 million and liabilities of approximately $4.6 million. The District has net assets of approximately $19 million. Overall, the District’s has a stable to improving financial situation further demonstrating the strength of its financial position.

The economic condition of the District is healthy. Even though there is not a substantial breadth to the tax base with a large portion of the properties residential, it is a very wealthy tax base that has demonstrated an increasing assessed value. The overall tax base withstood a depressed economic environment without resulting in a decrease in property tax revenues to the District.

BUDGETING

Types of Budgets

A public agency may not spend public funds without the legal authorization to do so. Among other things, a budget appropriates public funds, thereby providing the legal authorization from the governing body to expend these funds. Budgeting typically involves:

- Establishing goals and priorities
- Allocating resources according to those goals and priorities
- Comparing actual expenses and revenues to those estimated in the current budget

It is the primary function of the District's governing board to set the financial goals and policies of the District. A budget should reflect these goals and provide the framework for financial implementation. It is important that the budget development process is inclusive and transparent. Techniques can be used by a district to ensure this transparency, including the creation and circulation of a budget development calendar that clearly sets forth the timing and expectations of all parties related to budget development.

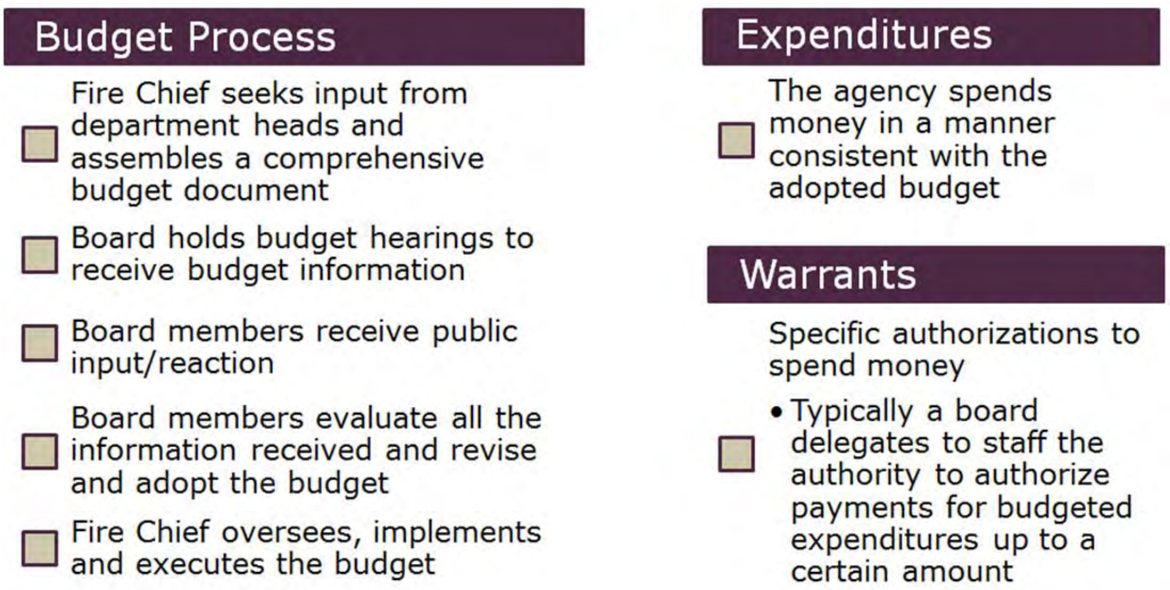
There are three types of budgets that can be used as a tool to set and allocate an agency's resources:

1) Annual Budget
2) Long-Term Budget
3) Capital Budget

Annual Budget

The **Annual Budget** authorizes and provides the basis for control of financial operations during the fiscal year. ***Figure 3*** provides a summary of the budget process typically used to develop and implement the Annual Budget. The budget process specifically recommended by the National Advisory Council on State and Local Budgeting practice as encouraged by the Government Finance Officers' Association is included as ***Appendix C***.

FIGURE 3



The Annual Budget should reflect the broad goals and level of service expected by the Montecito community, within the financial constraints of the District.

The Annual Budget is typically created based on the actual expenditures from the prior fiscal year, with adjustments made for known changes to revenues or expenditures as well as changes based on new policy direction from the Governing Board.

The District adequately prepares an Annual Budget based on the prior year's expenditures and includes its Finance Committee as part of the process. The best guide as to the adequacy of the District's Annual Budget is based on the comparison of the District's Budget to actual expenditures. This is described in more detail later in this report.

Long-Term Budget

In addition to the Annual Budget, a **Long-Term Budget**, also referred to as a Multi-Year Budget or financial forecast, may be prepared to present estimates of available financing and financing requirements for several fiscal periods. The purpose of a Long-Term Budget is to evaluate current and future fiscal conditions to guide policy and programmatic decisions. A Long-Term Budget is a fiscal management tool that presents estimated information based on past, current and projected financial conditions. This will help identify future revenue and expenditure trends that may have an immediate or long-term influence on policies, strategic goals or levels of service.

Long-Term Budgets are planning documents that are strongly recommended as a necessary tool for efficient financial management. A Long-Term Budget is typically less detailed than an Annual Budget, but will provide both revenue and expenditure trends and identify any key issues on the horizon. Such Long-Term Budgets can show expiring revenue sources and the resulting expenditures that should be eliminated as a result. They can also show future operational costs that need to be built into a budget to reflect the operations of a new station that is not planned in the current fiscal year. More simply, these Long-Term Budgets can ensure that ongoing revenues will be sufficient to meet anticipated future expenditures and prepare an agency in the event that future budgetary changes are needed. It is often easier to make operational cuts over several years instead of large-scale cuts in a single fiscal year.

Currently, the District funds 100% of the employees' share of the pension contribution, referred to as Employer Paid Member Contributions (EPMC), and employees are paying a cost share of 4.5% of the employer contributions. Assembly Bill 340 (Public Employees' Pension Reform Act of 2013) changed pension formulas for new employees hired after Jan. 1, 2013 which in turn, has reduced the rates the District pays for these employees. When the District's existing employment Memorandum of Understandings (MOUs) are renegotiated, the District will no longer be able to make the EPMC for employees hired after Jan. 1, 2013. Additional changes imposed by Assembly Bill 340 will require that all employees, by the year 2018, pay up to 50% of the total normal cost of their pension benefit, up to an 8% contribution rate for miscellaneous members, and a 12% contribution rate for local police officers, local firefighters, and county peace officers. Based on the CalPERS Actuarial Valuation reports for June 30, 2012, the estimated pension costs for FY 2014/15 are $1,458,293. Applying Assembly Bill 340's 2018 cost share requirements to today's dollars, the District's estimated future savings in pension expenditures would be $448,858. This future savings should be incorporated into a Long-Term Budget.

Additionally, in 2018, the District will have made the final debt payment on the POB, reducing expenditures by approximately $740,000 as compared to the current budget. Both of these items will result in a reduction in expenditures.

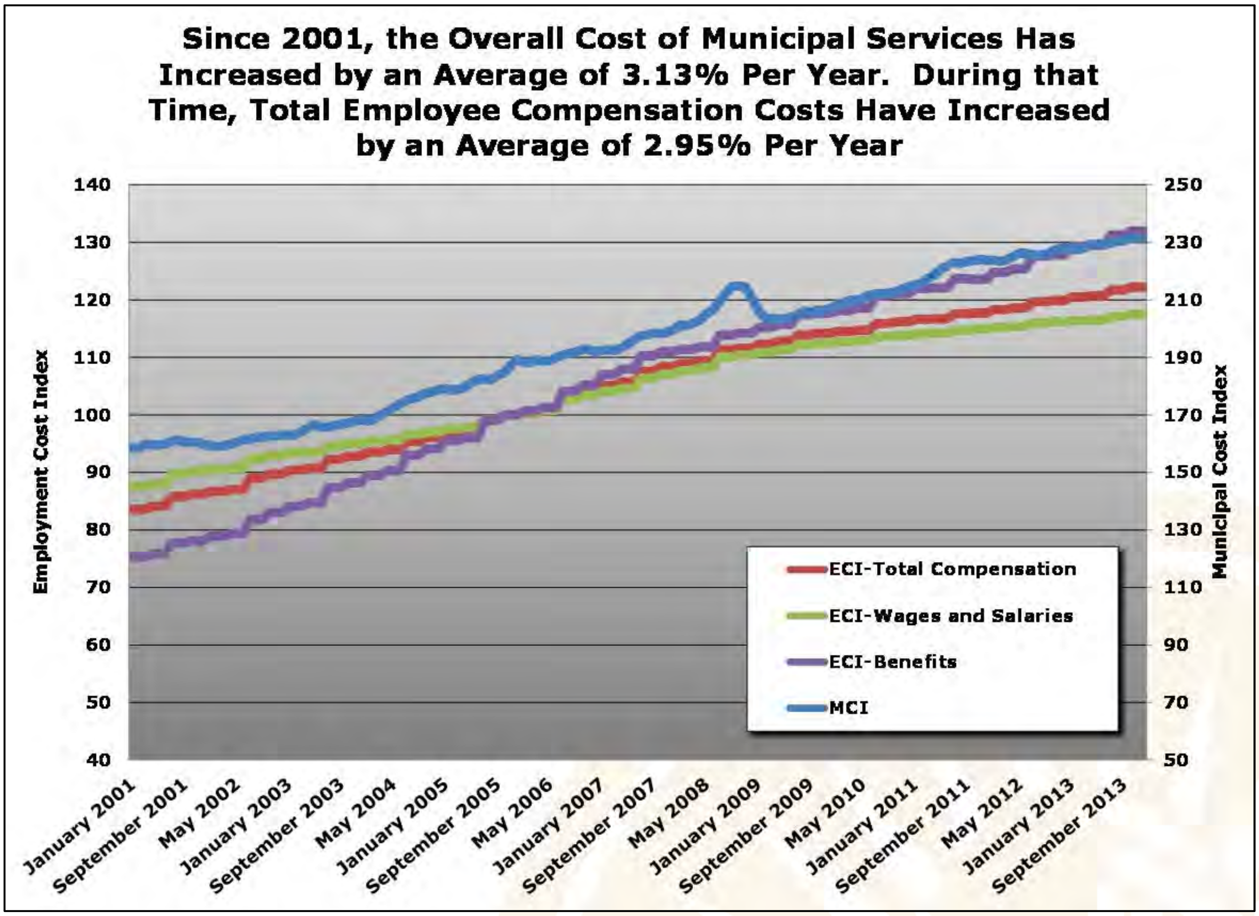
In a Long-Term Budget, the District can show the elimination of these expenditures and plan for a reallocation of the revenues that are currently being used to fund these expenditures.

When actual figures are not available, an inflationary index can be applied to actual revenues and expenditures to provide some indication of future levels. On the revenue side, since a vast majority of the District's revenue is based on property taxes, average assessed value growth rate assumptions can be used to estimate future tax revenues. The revenues section of this report identifies a 2.2% property tax growth rate as an appropriate rate for future projections, based on the District's 5-year average annual increase in property tax receipts.

On the expenditure side, the most widely applied inflation indices is the Consumer Price Index (CPI). However, we recommend that more specific indices be utilized in order to more accurately reflect inflation that the District may experience given the nature of its expenditures. The District can break down its expenditures into three categories – Employment Costs, Services and Supplies, Capital Costs – and apply a specifically appropriate index to each category.

Currently, the District has a contract in place that specifically identifies employment costs through 2016. However, when actual employment cost information is not available, for salaries and benefits costs, the Employment Cost Index (ECI) can be applied to current cost levels to estimate future employment costs. The ECI is published by the U.S. Bureau of Labor Statistics and includes an overall total compensation index as well as separate categories for Wages and Salaries and Benefits. For Services and Supplies expenditures, the Municipal Cost Index (MCI) can be used. The MCI is published by the American City and County magazine and estimates the rate of inflation for purchase specifically by American municipalities. ***Chart 13*** shows the ECI and MCI since 2001. For construction costs, there are several Construction Cost indices that can be utilized based on the specific type of construction to be taken on by the District.

CHART 13



Capital Budget

Capital Budgets may be prepared to present proposed capital outlays and the proposed means of funding them. For a fire district this should include:

- Station construction needs
- Apparatus, vehicle and equipment purchases
- Station refurbishment and modernization
- Apparatus, vehicle and equipment replacement

Capital needs can be large scale in nature and can be funded through several years of budgetary contributions. As current taxpayers are contributing to the depreciation of capital assets, it is reasonable that funds are set aside for future capital refurbishment and modernization needs. Additionally, as future taxpayers will be benefitting from capital improvements, it is reasonable that the cost of capital is spread over several budget years of taxes.

The future funding requirement related to apparatus, vehicle and equipment replacement is also an important component of a Capital Budget. The Capital Budget should include expenditures based on the funding levels identified in a district's Capital Plan. The District has informal capital plans and budgets for station construction needs and a documented apparatus, vehicle and equipment replacement and purchase plan. However, it is recommended that these tools are memorialized in a comprehensive Capital Plan and resulting Capital Budget. The creation of a Capital Plan is addressed later in this report.

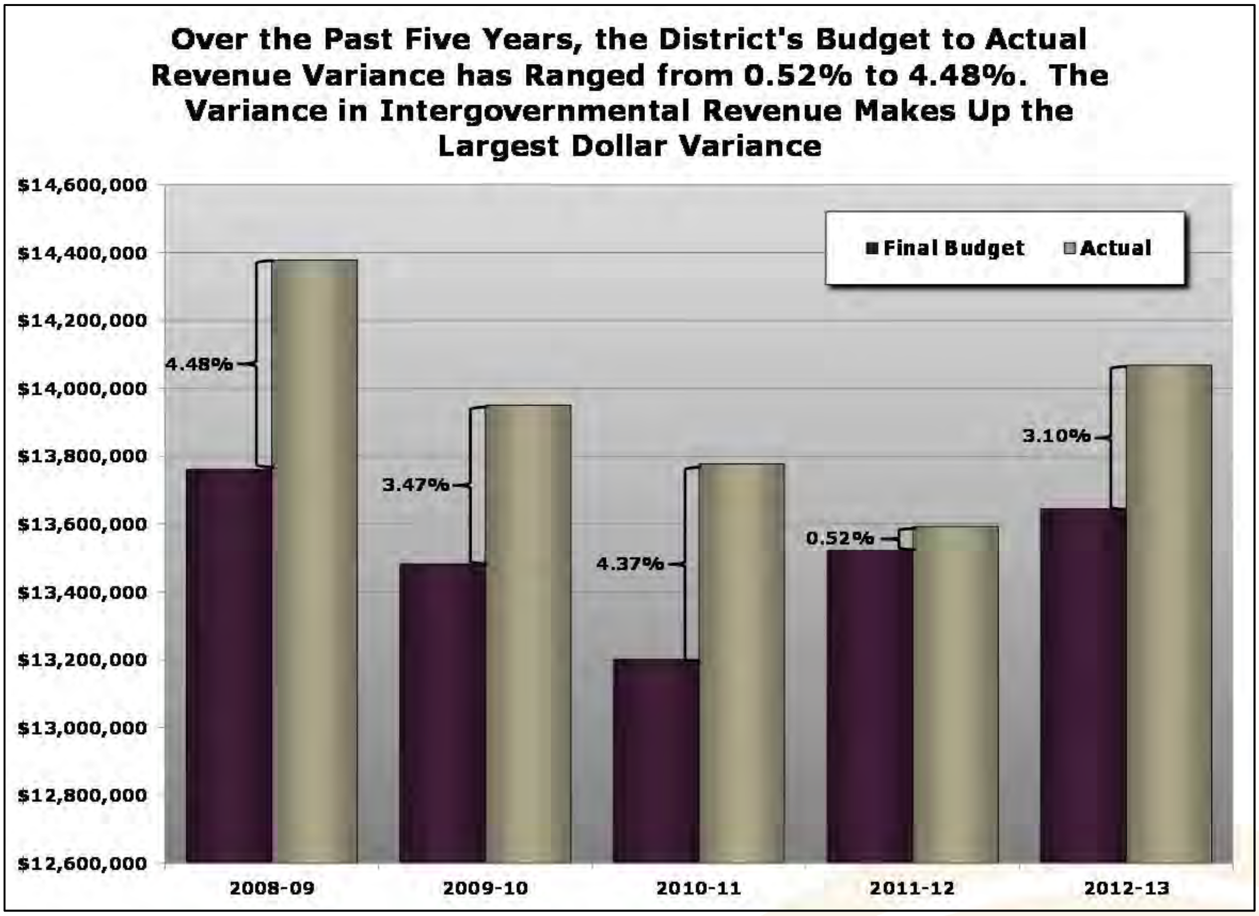
Each public agency should consider policies for funding capital needs to balance the current and future taxpayer obligations. The financial policies can be reflected in a Capital Budget.

Comparison of Budgets to Actual Revenues and Expenditures

A comparison of the District's budget to actual revenues and expenditures can provide insight related to the accuracy of the budget and areas where additional focus may be needed. Areas with consistently large variances should be re-evaluated as part of the annual budget development process to consider whether budget adjustments may be necessary to adequately reflect the District's actual financial practices. This could be an indication that the budget implementation, which equates to actual expenditures, is not in-line with the policy goals set forth during budget development. This could also mean that changes to District financial policy are being implemented outside the budget development process.

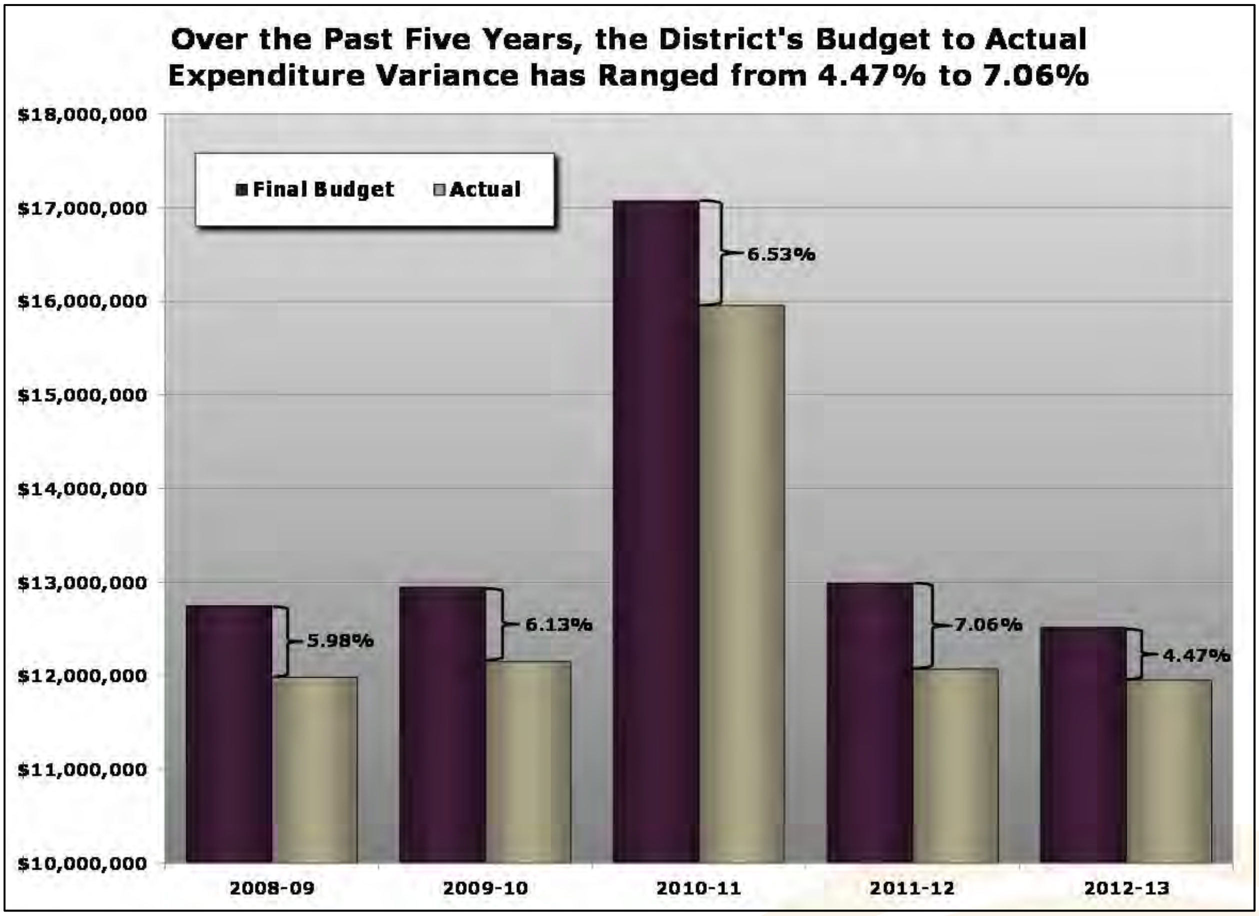
As shown in ***Chart 14***, the District's most substantial variance in budget as compared to actual revenues was 4.48%, in 2008-09. The largest dollar variance is in the Intergovernmental Revenues category. Given the nature of this revenue source, it is not uncommon for a large variance to occur. Therefore, there is no specific area of focus that we would recommend related to the revenue variances.

CHART 14



As shown in ***Chart 15***, the expenditure variances range from a low of 4.48% in 2012-13 to a high of 7.06% in 2011-12. There is a large dollar variance in both the Salaries and Benefits and Services and Supplies categories, but on a percentage basis, the variance for the Salaries and Benefits categories is reasonable. Prior to 2012-13 there were substantial variances in the Services and Supplies category, with a variance in excess of 20% in fiscal years 2010-11 and 2011-12. However, in 2012-13, the variance was 2%. We would recommend further review of the Services and Supplies budget to determine whether the recent trend showing a small variance is more in line with what to expect in future annual budgets.

CHART 15



Comments and Findings Related to Budgeting

- The District's annual budget development process can be more clearly stated to enhance communication and opportunities for input.
  - o District staff is in the process of creating a budget calendar. We would recommend utilizing and circulating this budget calendar so that all stakeholders are informed of expectations related to the budget development process. This will improve transparency in budget development.
  - o The District's Governing Board should provide general policy guidelines that are reflected in the budget itself.
    - ▪ Such policy guidelines should be communicated to staff early in the budget development process to ensure that they can be adequately incorporated into the budget with the ability to provide alternatives, if necessary.

- The District should consider the creation of a Long-Term Budget to evaluate overall revenue and expenditure trends to help foresee future financial challenges.
  - o This will enable issues to be addressed before they reach a level of concern.
  - o It will also enable the District to plan for a reallocation of revenues currently allocated to sun setting expenditures.

- The District should consider memorializing its existing capital plans into a formal Capital Budget that can provide the framework for the future funding of the District's capital needs.
    - This includes: a rehabilitation and modernization plan for funding future improvements to the existing fire stations; the existing apparatus, vehicle and equipment replacement plan; as well as the District's previously identified new construction needs to meet service demands and the apparatus, vehicles and equipment needed for any new stations.

- Monitoring the variance between budget categories and actual expenditures can identify areas that may need to be adjusted in future budget cycles.
    - Large variances should be explained.

RESERVES

It is essential that local governments maintain adequate levels of reserves to mitigate current and future risks, such as revenue shortfalls and unexpected expenditures. Reserve levels are a crucial consideration, too, in long-term financial planning. Credit rating agencies monitor levels of reserves in an agency's general fund to evaluate their continued creditworthiness. Those interested primarily in an agency's creditworthiness, financial or economic condition are likely to favor increased levels of reserves. Opposing pressures often come from unions, taxpayers and citizens' groups that may view high levels of reserves as excessive. It is the Governing Board's responsibility to balance these two interests and ensure the long-term financial solvency of the District.

It is recommended that the District establish a formal policy on the level of reserves that should be maintained. The policy should specify plans for increasing or decreasing the level of reserves if it is inconsistent with the policy. The Government Finance Officers Association (GFOA) recommends that at a minimum, government agencies, regardless of size, maintain unrestricted reserves in their general fund of no less than two months of regular general fund operating revenues or expenditures. For the District, because of the erratic trend in receipt of revenue, we recommend using two months of operating expenditures to determine the minimum level. For 2013-14, this would equal approximately $2.2 million. The District may want to consider an added level of security and set aside three months of operating expenditures, which would equate to $3.3 million.

Furthermore, an agency's particular situation may require a level of reserves in excess of the recommended minimum level. This is based on a variety of factors:

- The predictability of revenues and the volatility of expenditures
  - Higher levels of reserves may be needed if significant revenues sources are subject to unpredictable fluctuations or if operating expenditures are highly volatile
- Its exposure to significant one-time outlays
  - This would include: disasters, immediate capital needs, state budget cuts, etc.
- The availability of resources in funds other than the general fund
  - Deficits in other funds may require a higher level of reserved be maintained in the general fund as the availability of resources in the other funds may reduce the amount of funds available in the general fund
- Liquidity
  - A disparity between when financial resources actually become available to fund expenditures
- Commitments and assignments
  - Agencies may wish to maintain higher levels of reserves to compensate for any portion of reserves already committed or assigned for a specific purpose

Several of these factors are relevant to the District and could impact the recommended reserve levels.

Predictability of Revenues and Volatility of Expenditures

Based on the five year history of revenues and expenditures in the District, there is not a high degree of volatility in either revenues or expenditures. However, the District's minimum expenditure levels are relatively fixed in order to respond to the service needs of the Montecito community. The revenues, on the other hand, are dependent on the tax revenue generated from the tax base. As previously described, the District does not have a very diverse tax base, with approximately 87% of its parcels having a residential use and the top 10 taxpayers making up over 7% of the total tax base. Some consideration should be given to the residential real estate market and the lack of diversity in the tax base when considering reserve levels. However, we would not recommend a specific reserve fund beyond the economic uncertainties reserve related to the predictability or volatility or revenues and expenditures.

Exposure to Significant One-Time Outlays

A catastrophic event is a real possibility in Montecito, with the community's terrain and geography. There are two impacts the District could face from a large scale disaster, such as a fire: (1) significant loss in the tax base, (2) large scale fire suppression expenditures. The District currently has reserves of approximately $1.2 million designated for this purpose.

We recommend the District set aside funding equal to the amount of property tax generated from at least 10% of the tax base to address significant loss in the tax base. Based on 2013-14 assessed values, this would equal approximately $1.4 million. Additionally, we recommend the District set aside funding equal to approximately 5% of total General Fund expenditures to address large scale fire suppression expenditures. Based on the 2013-14 Budget, this would equal approximately $700,000. The combined amount recommended would total $2.1 million for a catastrophic event reserve, which would require an additional $900,000 to what the District currently has set aside.

Availability of Resources in Funds Other Than the General Fund

The District's main exposure to this risk is related to capital expenditures. Without a separate capital revenue stream, the General Fund is ultimately responsible for capital expenditures, whether new construction, acquisition, refurbishment or replacement. We recommend that the District adjusts its existing Capital Reserve. The amount set aside in this reserve should be based on the future capital needs of the District.

We further recommend that the District memorialize its identified capital needs into a formal Capital Plan to provide specific guidance related to the appropriate capital reserves needed. This Capital Plan should respond to the service demands of the community as it relates to new station construction and the resulting apparatus, vehicle and equipment needed to serve the new station. The Plan should also include an analysis of the future modernization and refurbishment needs of the existing stations and an apparatus, vehicle and equipment replacement plan that considers the condition of each item and identifies a replacement cost. The reserve levels can be established based on the funding needs and financing strategies identified in the Capital Plan. Various financing strategies may result in a need for additional capital reserves. For example, if the District were to take on a borrowing, we would recommend capital reserves specifically related to the borrowing of at least one debt service payment.

Liquidity

Due to the timing of property tax receipts as compared to average monthly expenditures, the District will have annual cash shortfalls. This can be mitigated by borrowing from reserves on hand. We do not recommend setting aside additional funds specifically for cash flow; however, other reserves should be made available for cash flow purposes to the extent they are not needed for their designated purpose.

Creation of a Reserve Policy

We recommend that the District create a formal reserve policy. Such a policy can help guide the District's overall reserves. Such a policy can address:

- Types of reserve funds necessary
- Mechanism for calculating the amount of reserves needed in each category
- Considerations for drawing on reserve funds
- Plans for building reserves over time
- Timeline for re-evaluating reserve levels

Estimated Reserve Levels (Based on the 2013-14 Budget)

- Economic Uncertainties Reserve - $2,200,000 - $3,300,000
- Catastrophic Event Reserve: Loss of Tax Base & Large Scale Fire Suppression Expenditures - $2,100,000
- Capital Reserve – TBD

Total Reserves = $4,300,000 to $5,400,000 + Capital Reserves

Comments and Findings Related to Reserves

- A formal District policy on Reserves can be created to clarify and set the appropriate reserve levels to meet District objectives.
    - Recommended reserve levels are set forth above based on the District's current financial status.

- The District should consider memorializing its identified capital needs into a formal Capital Plan and resulting Capital Budget to guide in the allocation of capital reserves and resources which address:
    - Station construction needs
    - Apparatus, vehicle and equipment purchases
    - Station refurbishment and modernization
    - Apparatus, vehicle and equipment replacement

OTHER POST-EMPLOYMENT AND PENSION BENEFITS

Other Post-Employment Benefits (OPEB)

The District provides retiree healthcare benefits for employees who retire with PERS pension benefits. The District pays for medical, dental, and vision premiums for the lifetime of the retiree and their eligible dependents. The District participates in the Public Agency Retirement System (PARS) Public Agencies Post-Retirement Health Care Plan Trust Program (PARS Trust), which is a single employer irrevocable trust established to fund other postemployment benefits.

GASB 45 Actuarial Valuation

The Governmental Accounting Standards Board Statement No. 45 (GASB 45) directs certain changes in accounting for OPEB in order to quantify a government agency's current liability for future benefit payments. GASB is directed at quantifying and disclosing OPEB obligations, and does not impose any requirement on public agencies to fund such obligations. Under GASB 45, the District is required to perform actuarial valuations once every three years.

On May 6, 2013, Demsey, Filliger and Associates completed the District's most recent actuarial valuation. The valuation calculates the present value of all future benefits expected to be paid by the District for its current and future retirees (known as the Present Value of Future Benefits or PVFB). As of July 1, 2013, the PVFB is valued at $12,795,732. If the District were to place this amount in a trust fund earning interest at the rate of 6.5% per year, and all other actuarial assumptions were exactly met, the fund would have exactly enough to pay all expected benefits. The valuation apportions the PVFB into past service and future service components. The Accrued Liability (AL) for past service is valued at $10,082,480. If a plan has been funded by the employer since its inception, the plan's assets will theoretically be equal to the AL. On the valuation date, the PARS trust was valued at $2,746,320, leaving the District with an UAL valued at $7,336,160 or 27% funded. The actuarial methods and assumptions are provided in the valuation.

The PVFB is used to calculate the Annual Required Contributions (ARC), which is the amount needed on an on-going basis to pay for benefits in the current year for active employees plus amortize the UAL. According to the valuation, for 2013-14, the valuation determined the ARC to be $913,893, consisting of a service cost of $352,109 representing the present value of future benefits accruing in the current year for current employees, and $561,784 representing the amortization of the UAL due to retirees. The ARC is adjusted based on the net OPEB Obligation, which results in an annual cost of $911,176. GASB 45 requires disclosure of the current expense of OPEB based on the ARC, but does not require funding of it.

In 2013-14, the annual pay-as-you go cost for retiree health benefits is $414,412. The pay-as-you-go amount is currently paid from the District's operating funds. The District budgeted an additional $786,540 from operating funds to prefund the PARS Trust. Together, the annual pay-as-you-go-expense and prefunding totaled approximately $1.2

million. Theoretically, when fully funded, on an on-going basis, the PARS Trust will be sufficient to cover retiree healthcare benefits for the District's current and retired employees.

Contributions to the PARS Trust are made at the discretion of the Board. Based on available funding, we estimate that over the next three years, the District can annually increase its contribution to prefund the PARS Trust by $800,000. Total annual contributions to the PARS Trust would be approximately $1.6 million, which excludes the pay-as-you-go cost of $414,412. Going forward, the cumulative total for annual contributions to the PARS Trust and pay-as-you go cost would be approximately $2 million.

The source of the additional $800,000 would be funded from existing cash on hand designated for Station 3, discussed in more detail later in this report. Although the additional $800,000 will not fully fund the PARS Trust over the next three years, it will accomplish several goals:

- Substantially increase the funded status of the PARS Trust.
- Accelerate the time period for when pay-as-you-go payments can be paid from the PARS Trust rather than out of the operating budget.
    - The District would still budget for the annual service cost.
- Allow for a conservative and measured approach in that annual contributions over a three year period allow the District to "dollar cost average" into the investment.
- Allow the District to take advantage of relatively high investment returns that are available through the PARS Trust.
- Provide financial flexibility by affording the District with the opportunity to continue to assess its capital needs and reassess its OPEB assumptions, level of catch-up payments for both OPEB and CalPERS, and funding status at the time of its next valuation.

Unlike a contractual payment such as a home mortgage, OPEB liabilities are not fixed obligations subject to a stated payment schedule. OPEB liabilities are based on actuarial valuations, which are subject to continual revision. For this reason, we recommend that the District adopt an approach that allows it to adapt to multi-year changes.

Assets in PARS Trust

As of February 28, 2014, the PARS Trust had a balance of approximately $2,970,365. The District has selected HighMark Plus (Active) as the PARS Trust investment. In February 2014, the District switched its investment objective from moderate to balanced. The balanced strategy provides growth of principal and income, with capital appreciation comprising a larger portion of total return than dividend and interest income. The investment contains a mix of approximately 57% equities, 39% fixed income, and 4% cash. Based on the District's February 2014 investment report, the HighMark investment has an annualized investment return of approximately 7.89% over the previous three years.

Although the PARS Trust is irrevocable, the District retains flexibility over the amount paid into the trust as well as disbursements that can be paid out of the PARS Trust. The PARS Trust is not required to be funded at a particular level. In order to maximize the financial benefits of the PARS Trust, the District can prepay the annual contribution, plus the pay-as-you-go amount for retirees receiving benefits, at the beginning of each fiscal year, and make disbursements from the PARS Trust. In the event that the District overfunds the PARS Trust, or wishes to see reimbursement for prior contributions, money paid into the PARS Trust can be withdrawn as long as the money is spent or reimbursed for retiree health care expenses. The District's PARS consultant can provide additional information on the flexibility of the District's plan.

Analysis of Discount / Investment Rate

DFA values pension and retiree health plans using a 6.5% investment rate in order to reduce the possibility that the 7.5% investment goal will not be reached. This rate is revisited every three years when the valuation is performed. It is reasonable to assume a lower rate of 6.5% on OPEB since the District has selected an investment vehicle that appears to have a more conservative investment objective.

As of January 31, 2014, the CalPERS investment portfolio contained a mix of 65% equities, 15% fixed income, 10% real estate, 4% cash and 6% other. The more aggressive nature of these investments has resulted in a return of approximately 7.91% over the most recent 10 years, and over 5.5% during the inception of the District's HighMark investment.

For comparison purposes, Moody's utilizes current market interest rates as the guide to discount the present value of future pension benefits. Specifically, Moody's utilizes the Citibank Pension Liability Index, which is a high-grade, long term, taxable bond index. The average 20 year rate over the past six months is approximately 5.00%. This rate reflects the historically low interest rates associated with fixed income. Moody's competitor, Fitch Ratings, uses a less aggressive investment assumption of 7.00% to estimate a districts funded ratio.

With regard to the more conservative assumption used by Moody's, their approach is geared to a slightly different purpose. The index used by Moody's is geared toward the private sector. It is utilized by Moody's to promote better comparability when evaluating the creditworthiness of state and local government borrowers. In concept, public agencies would not typically use the bond index approach given the perpetual nature of their existence. Moreover, the District's investment vehicle in the PARS Trust should have a higher investment rate than a bond index due to its exposure to equities in the asset mix.

If the District were to use more conservative discount/investment rates than the rates currently used, the UAL will increase as would the annual expense. Rather than using more conservative interest rates, we believe the District can achieve a comparable objective by voluntarily increasing payments to the PARS Trust. The investment returns in the PARS trust should be monitored and adjusted accordingly.

Further Consultation with PARS

We understand that when the PARS Trust is fully funded, retiree benefits will be paid from the Trust rather than the District's operating budget. The District should consult with PARS regarding the ability to make annual OPEB contributions into the PARS Trust, including the pay-as-you-go amount for retirees receiving benefits, at the beginning of each fiscal year, and make disbursements from the PARS Trust. This will allow District to reduce net costs by taking advantage of greater investment earnings in the PARS Trust. If incorporated retiree benefits would be paid from the PARS Trust.

Comments and Findings Related to OPEB

- In 2013-14, the District contributed approximately $786,000 from its operating budget to prefund the PARS Trust. Beginning in 2014-15, and over the following two years, we recommend that the District increase the annual contribution by approximately $800,000 to the PARS Trust for a total contribution of approximately $1.6 million per year over a 3 year period.
  - The source of the additional $800,000 per year is existing cash on hand that is currently designated for Station 3.
    - This "reallocation" affords the opportunity for a more efficient use of cash.
    - However, if the District does not pursue the recommendations set forth regarding Station 3, an adjustment to this contribution amount will need to be addressed.
  - Assuming a 6.5% investment rate, the market value of assets in the PARS Trust is estimated to grow to more than $9 million over a three year period, which will substantially reduce the District's UAL at an accelerated rate.

- Potential risks are increasing healthcare costs, which can add to the OPEB cost, and a lower asset value due to investment returns below the assumed 6.5% investment rate.

- The investment assumption of 6.5% should be reviewed on a periodic basis.

- The District currently earns approximately 0.369% on deposits held in the County Investment Pool. The District can increase interest income by holding funds not currently needed in the PARS Trust.
  - The PARS Trust offers flexibility in terms of withdrawing funds as long as those funds are used for retiree benefits. A strategy to further explore with PARS is making pay-as-you-go payments out of the PARS Trust.

<u>Pension Plan</u>

The District contributes to the California Public Employees Retirement System (CalPERS) for its employee pension plan. The employee contribution level for District Miscellaneous members is 8%, while District Safety member's contribution level is 9% of annual salary. The District's MOUs provide for the District to make these contributions for the employees on their behalf, and is required to contribute an actuarially determined employer contribution rate for both member groups. The District reports that with the implementation of Assembly Bill 340, which limits the employer contribution for the employee's share of the contribution for employees hired on or after January 1, 2013, the District will be paying 6.5% of the Miscellaneous member cost and will continue to pay 9% of the Safety cost until a new Memorandum of Understanding is established.

Employer Contribution Rates

Based on the CalPERS Miscellaneous Plan Actuarial Valuation Report for June 30, 2012 (2012 Valuation), the employer contribution rate for 2014-15 is 19.161% based on projected covered payroll of $986,304. In dollar terms, this equates to $182,274 if prepaid at the beginning of the fiscal year. The Miscellaneous Employee's current 4.5% cost share provides a savings of $44,384, reducing the Employer expenditure to $137,890.

Based on the CalPERS Safety Plan 2012 Valuation, the employer contribution rate for 2014-15 is 23.948% based on projected covered payroll of $5,524,492. In dollar terms, this equates to $1,276,019 if prepaid at the beginning of the fiscal year. The Safety Employee's current 4.5% cost share provides a savings of $248,602, reducing the Employer expenditure to $1,209,985.

In 2015-16, the contribution rates contained in the Miscellaneous and Safety Plan 2012 Valuations are projected to increase to 20.2% and 25.5%, respectively. The increase is due to several assumptions such as investment return of 7.5%, projected salary and merit increases, payroll growth, and actuarial methods for amortizing the unfunded liability and smoothing investment gains and losses on investments. The projected increase in contribution rates will cause the District's annual pension cost to increase. The actual employer contribution rate will be known when the 2013 valuation is published in October 2014.

Actuarial Unfunded Liability

As of February 2014, CalPERS estimated the funding status of the Public Employees' Retirement Fund (PERF), as of June 30, 2012, to have a funded ratio of 70.4% for Miscellaneous Plans, and 68.7% for Safety Plans. Although a fully funded plan is ideal, our research found that less than 1% of the 1,764 Public Agency Pooled Plans had a funding status of 100%. The circumstances surrounding how and why the plans are fully funded was not explored. The bulk of the plans have a funding status between 65%-80%.

According to the Miscellaneous and Safety Plan 2012 Valuations, the District's Miscellaneous Plan has a funded ratio of 74.5% based on a market value of assets basis, which equates to unfunded liability on a market value basis of approximately $1.5 million. The Safety Plan has a funded ratio of 75.8% based on a market value of assets basis, which equates to unfunded liability on a market value basis of approximately $13.7 million.

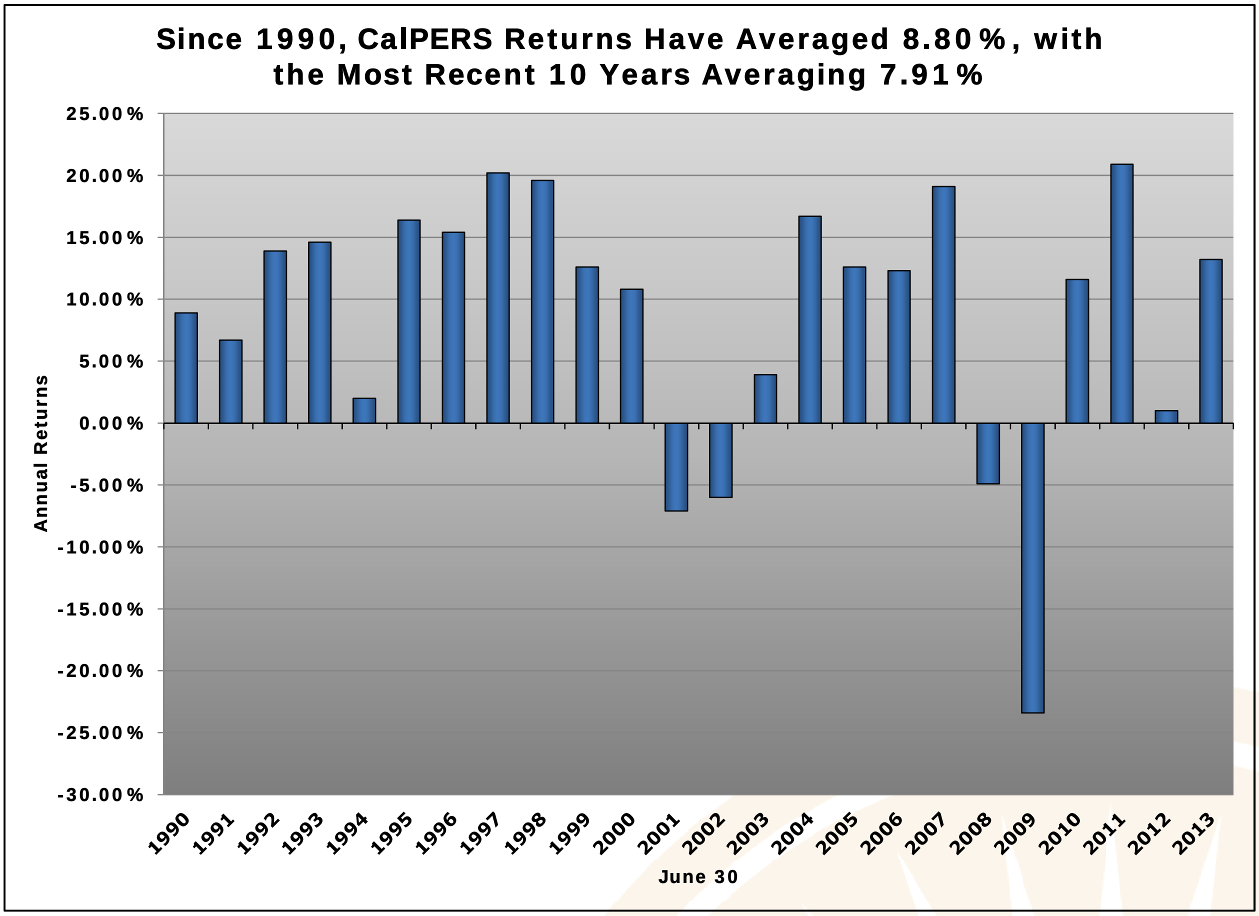
Although the funded ratio is below our target of 80%, the District's funded ratios are better than average. Due to the actuarial basis on the funded ratio, in the event the District wishes to periodically make additional payments to increase the funded status to over 80%, District staff should consult with CalPERS.

Discount Rate

The 2012 Valuation is based on a discount rate of 7.5%. CalPERS periodically adjusts the discount rate based on economic assumptions such as the allocation and performance of its investment portfolio. The discount rate of 7.75%, which was established in 2003, was reduced to 7.5% effective for the June 2011 Valuation.

Based on our review of historical returns, the discount rate of 7.5% appears reasonable considering the multi-generational nature of the plan, and historical returns measured on a 20 year, rolling average. A history of the CalPERS returns is shown in ***Chart 16***.

CHART 16



For purposes of understanding the impact of the volatility of the discount rate on the unfunded liability, it is helpful to review the unfunded liability with a more conservative discount rate. This is demonstrated by actuarial projections performed by the District's independent actuary, Demsey, Filliger and Associates (DFA). Based on a 6.5% discount rate, the unfunded accrued liability (UAL) for the Safety and Miscellaneous pension plans, as of June 30, 2013, was $20.8 million and $2.0 million, respectively. This equates to a funding ratio of 70% and 72%, respectively. In order to better understand market risk associated with the discount rate, we recommend that the District continue to have DFA provide an update of the pension UAL when the OPEB valuations are performed.

Other Adjustments to Pension Data

Moody's makes adjustments to pension data in order to improve the comparability of reported pension liabilities among State and local government bond issuers. After studying Moody's methodology, we believe that the District should not replace its reported liability information based on adjustments utilized by the credit rating agencies. Although such adjustments are helpful when evaluating comparative credit quality, they are not based on an actuarial methodology and don't reflect the flexible nature of pension liabilities.

Advance Funding of Side Fund

A Side Fund is a fund created by CalPERS to account for the difference between the funded status of the pool and the funded status of a District's plan. It is in addition to the District's unfunded liability. A positive Side Fund balance reduces the District's contribution, and a negative balance increases the employer contribution.

In order to refinance the District's Side Fund debt, the District issued a taxable 2011 Pension Obligation Bond (POB) in the amount of $3.5 million. In fiscal year 2014-15, annual payments are approximately $767,000. However, payments begin to decline to approximately $452,000 in fiscal 2017 and approximately $150,000 in fiscal 2018.

The interest rate on the POB is 4.52%; term 7 years; and savings of $162,000 based on a discount rate of 7.75%. The IRS treats interest on the POB as taxable, meaning that the interest rate is greater than it would be on a tax-exempt bond issued for a capital project. The POB is not subject to early prepayment. The outstanding balance is approximately $2,634,000.

Comments and Findings Related to the Pension Plan

- The District has a well-managed debt and pension profile.

- The Safety and Miscellaneous Plans are sufficiently funded, particularly when compared to other public agencies.
    - If the District has sufficient resources, we recommend that the District target a funding ratio of at least 80%.
        - There may be room to make additional catch-up payments to the extent that the District has available cash that is not needed for reserves and operations.
        - The District is not required to maintain a funding ratio of 100%.
    - Pension contributions are expected to increase in 2015-16 by approximately 1-1.5% of covered payroll.
    - By the year 2018, the District will see decreases in pension expenditures due to the effects of Assembly Bill 340.

- In fiscal year 2014-15, POB annual payments are approximately $767,000. However, payments begin to decline to approximately $452,000 in fiscal 2017 with the final payment of approximately $150,000 in fiscal 2018, when the POB is fully repaid in 2018 this will increase available revenues for future use.

CONSTRUCTION OF STATION 3

The District has two basic options for funding the land acquisition, design and construction of Station 3:

- Pay cash
- Borrow all or a portion of funds and repay over time

Cash can be used to the extent it is not needed for other purposes. Once fund balances have been applied to the appropriate reserve funds, the District can evaluate the amount remaining and the best use of such funds. This should be compared to the cost of borrowing funds to pay for the construction of the station.

Fire stations are typically financed through a lease type structure whereby the District retains ownership of the project being financed and leases it to a non-profit corporation. The non-profit corporation sells its right to receive lease payments to an investor. The sales price paid by the investor represents loan proceeds that are deposited with the District. The District uses the loan proceeds to acquire and construct the fire station.

Like mortgage interest rates, interest rates available to public agencies are based on market interest rates. Rates fluctuate on a daily basis and are fixed for the duration of the loan when the borrower and lender enter into a loan agreement. In the current interest rate environment, the District can borrow at low tax-exempt rates ranging from approximately 2.6%-3.7% for a seven to fifteen year borrowing. The actual rate depends on the timing, term and structure of the borrowing.

Loan origination costs vary based on a number of factors (legal, financial, banking title etc.) For illustration purposes, we assume that the origination costs on a $5,000,000 loan would be approximately $100,000. We would assume slightly higher interest rates, particularly for the shorter term loans due to a modest allowance for early prepayment as early as 5 years. For illustration purposes, a range of annual payments would be as follows:

- $818,000 for a 7 year loan @ 3.0%
- $605,000 for a 10 year loan @ 3.25%, and
- $450,000 for a 15 year loan @3.7%

Should the District wish to further pursue this type of option, project costs, and financing costs can be managed to bring about the best result for the District.

Loans for fire stations take approximately three months to complete. There is not a requirement for a down payment. It is possible for the District to pay cash for the property, and finance the construction. The District would need to fund interest during the construction or utilize its existing fire station as collateral for the loan. We anticipate that the District would retain the option of prepaying the loan after five years.

The decision to borrow funds for the new station can be weighed against the alternative uses for the District's available cash. As described in this report, if the District is earning

6.5% on funds in the OPEB Trust and can borrow for station costs at 3%-3.7%, then it makes sense to use cash to fund the OPEB Trust and borrow for the station as it is more financially favorable use of funds.

Further, when considering a borrowing, the District should consider the impact on its net assets. The District's overall liabilities would increase by a slightly higher amount than assets after taking interest costs into consideration, but with the substantial level of current net assets, the District would remain financially sound.

If deciding to borrow money, the District may want to consider increasing Capital Reserves equal to one debt service payment to further enhance the security and financial stability related to the financing strategy.

The District could consider cash funding a portion of the new station costs, such as the land acquisition portion, especially if the acquisition and construction will occur at separate times. We would not recommend two separate financings as that could result in unnecessary borrowing costs. But, the District could reimburse itself for land costs out of a future borrowing if cash could be better allocated toward alternatives. A simply "Reimbursement Resolution" would need to be adopted by the Board before the land acquisition is funded in order for this strategy to be implemented.

In the event that the District does not want to borrow money to fund the construction of Station 3, but still finds the construction necessary to meet the service demands of its constituents, then the station can be cash funded. However, this would mean that the District would not be able to make the additional OPEB contribution.

Comments and Findings Related to Station 3 Construction

- If Station 3 is needed to provide the desired level of service to the community, given the rate of return on the OPEB Trust, it is financially beneficial to utilize some the funds currently set aside for the new station and borrow to fund the construction of the new station.
    - This could include a cash payment for the acquisition of the land with a reimbursement of land costs from a future borrowing.

- However, if the District is not comfortable borrowing money, then the station can be cash funded.
    - This would eliminate the additional OPEB contribution.

RECOMMENDATIONS

Based on the analysis and findings summarized in this report, Capitol PFG has established the following recommendations for the District:

Revenues, Expenditures and Cash Flow

- Review the District's current policy related to the collection of development impact fees and determine whether it is in-line with the current desires of the community to not impose such fees.
    - If impact fees are not desirable but the District wishes to create a mechanism for new development to mitigate its impacts, the formation of a CFD could be considered.

- Continue to use available reserves to fund General Fund cash shortfalls instead of borrowing from other entities.

Budgeting

- Clearly communicate the Budget development process through the formal creation of a budget calendar that informs all stakeholders of the plan and expectations regarding Budget development.

- Develop clear policy guidelines that reflect the desires of the community to be incorporated into the Budget. District staff can then provide budgetary detail to respond to the policy level direction that is further reviewed and refined by the District's Finance Committee and Board. Once the Budget is adopted, it is staff's responsibility to implement the Budget directives. Accountability is achieved through interim and annual financial reports and statements. If policy changes mid-year, amendments to the Budget may be necessary. Budget variances should be analyzed and explained to ensure that the actual expenditures are in line with the Budget and ultimately policy direction.

- Consider the creation of a Long-Term Budget to enhance financial management practices. This Long-Term Budget should be high level in nature and utilize known revenues and expenditures as well as trend analysis, with augmentations for known changes in revenues and expenditures.

- Memorialize the District's identified capital needs in a formal Capital Budget in conjunction with the creation of a formal Capital Plan. The Capital Plan should include identification of needs, estimated costs and financing options for: new station construction; acquisition of apparatus, vehicles and equipment; refurbishment and modernization of existing stations; and replacement for apparatus, vehicles and equipment. The financial portion of the Capital Plan can then be incorporated into a Capital Budget. This overall plan can guide the District on the Capital Reserves that are necessary and the appropriate way to allocate large-scale capital costs over several budget years.

Reserves

- Develop a formal District policy on Reserves which identifies the type of reserve funds and the appropriate levels of such reserves as well as detail regarding when reserves can be utilized and when they should be re-evaluated. We recommend four specific types of reserve funds for the District:
  - Economic Uncertainties – equal to 2-3 months of operating expenditures
  - Catastrophic Events: Loss of Tax Base & Large Scale Fire Suppression Expenditures – equal to 10% of property tax revenues + 5% of total General Fund expenditures
  - Capital – Based on funding needed to implement Capital Plan plus one debt service payment if any debt outstanding

OPEB and Pension

- Build up the OPEB Trust.
  - Since the District's CalPERS funding ratio is near the recommended level, the primary focus should be on prefunding the PARS Trust.
  - By making annual payments of $1.6 million per year over the next three years. Approximately $800,000 to be derived from Station 3 funds.
  - We recommend that the contributions be made over time, through dollar cost averaging, rather than a single lump sum deposit. The District will have the opportunity to make adjustments to the levels of contributions when the next Actuarial Valuation is prepared in 2016.

- As appropriate, the District should maximize its investment income by holding funds not currently needed in the PARS Trust. This includes increasing contributions and advance funding pay-as-you-go payments. The PARS Trust offers the District some flexibility in terms of withdrawing funds on deposit as long as those funds are used for retiree benefits.

- Achieve a CalPERS funding ratio of over 80% based on a market value of assets and a 7.5% discount rate.

- The investment returns in CalPERS and the PARS Trust should be monitored on an annual basis, and the investment rate periodically adjusted based on CalPERS adjustments and earnings rates available to the PARS Trust. The optimal time for adjusting the investment rate is when the District prepares the Valuation Report, which is prepared every 3 years.

Fire Station No. 3

- We recommend that the District keep $2 million in its capital account for the acquisition of Fire Station 3 property. The District can then finance the construction of the Fire Station as this is a long term capital asset.
  - Interest rates are at historic lows and the District will financially benefit from borrowing money at a low, tax-exempt interest rate and building the cash

deposits in its PARS Trust. The District can also use tax-exempt financing to acquire the Fire Station 3 property or reimburse itself for the acquisition.

- If a borrowing is not a comfortable option for the District, but Fire Station 3 is needed in order to meet the service demands of the community, pay cash for the station and reduce the additional OPEB contribution previously described.

APPENDIX A: GLOSSARY

Actuarial Report: A valuation of pension or retiree health plan that is performed by a certified actuary based on certain demographic assumptions such as salary scale, retirement age, turnover, death, and disability assumptions as well as economic assumptions such as a discount rate and the smoothing of gains or losses.

Accrued Liability (AL): Present value of future benefits already earned for active and retired members. The accrued liability is offset by the market value of assets. Balances in pension and health plans are measured based on the percentage of the accrued liability funded i.e., ideally, 80% or more funded.

Actuarial Value of Assets: Used for the purpose of smoothing investment gains and losses so they are partially recognized in the year they are incurred, with the remainder recognized in subsequent years. This helps dampen large fluctuations in the employer contribution rate.

Actuarially Determined Contribution: Replaces "Annual Required Contribution" effective Fiscal Year 2014-15. Does not change the contribution, methods, or assumptions.

Ad Valorem Property Taxes: Taxes calculated upon the assessed value of the property.

Amortization: (1) The portion of the cost of a limit life or intangible asset charged as an expense during a particular period. (2) The reduction of debt by regular payments of principal and interest sufficient to retire the debt by its maturity.

Annual OPEB Cost (AOC): The ARC is adjusted for interest on the NOO

Annual Required Contributions (ARC): Consists of current year, normal cost plus 30 year amortization of the unfunded accrued liability (UAL). It is determined by multiplying the employer contribution rate by the payroll. If the contribution is fully prepaid in a lump sum, then the ARC is equal to a lower payment. *See Actuarially Determined Contribution.*

Apportionment: The distribution of property tax collections to individual taxing agencies.

Arbitrage: The profit made by issuing bonds bearing interest at tax-exempt rates, and investing the proceeds at materially higher taxable yields.

Assembly Bill 8 Factors: The percentage of each taxing jurisdiction's share of the 1% general property taxes within a particular tax rate area.

Assessed Value: The dollar value of property determined by the County Assessor or the State Board of Equalization (BOE) for the purposes of taxation.

Assets: The resources an agency can use to provide services and operate.

Credit Rating: Evaluations of the credit quality of notes and bonds usually made by independent rating services. Credit ratings are intended to measure the probability of timely repayment of principal and interest on municipal securities. Ratings are initially made before issuance and are periodically reviewed and may be amended to reflect changes in the issuer's credit position. The information required by the rating agencies varies with each issue, but generally includes information regarding the issuer's demographics, debt burden economic base, finances and management structure.

Debt Service: The total of interest, principal and mandatory sinking fund payments.

Deficit Spending: The amount by which spending exceeds revenue over a particular period of time.

Depreciation: Depreciation is a method of spreading the cost of constructing or acquiring a capital asset over the asset's useful life. Most commonly, this is done by dividing the difference between the original cost of a capital asset and its salvage value by the number of years of useful life of the asset.

Development Impact Fee (or Mitigation Fee): A monetary fee charged by a local government agency to an applicant in connection with the approval of a development project for the purpose of defraying all or a portion of the cost of public facilities related to the development project. The legal requirements for enactment are set forth in Government Code section 66000 *et. seq.*

Discount Rate: Is the actuarial expected investment rate of return. Effective Fiscal Year 2014-15, in situations where there is not a long term plan for funding benefits, the discount rate is equal to a high quality 20 year tax-exempt municipal bond index rate.

Fiscal Year: The period of July 1 through June 30.

GASB 67: Financial Reporting for Pension Plans. Effective Fiscal Year 2014-15. Amends GASB 25

GASB 68: Accounting for Pensions by Employers. Effective Fiscal Year 2014-15. Amends GASB 27.

Investment policy: asset allocation, the assumed long term investment rate of return (discount rate) and how it was determined.

Liabilities: An agency's obligations to turn over resources to other organizations or individuals.

Net OPEB Obligation (NOO): The cumulative difference between annual OPEB cost in relation to the ARC and the employer's contributions. The net OPEB obligation is reported as a liability (or asset) in the accrual-basis financial statements.

Moody's Investors Service (Moody's): One of three, leading credit rating agencies who have published adjustments to re-report pension plan data in an effort to increase transparency and consistency to the analysis of pension liabilities.

Net Pension Liability (NPL): Effective Fiscal Year 2014-15, replaces Net Pension Obligation. The NPL equals the actuarial liability minus fair or market value of assets. The NPL is added to balance sheet for all employers.

Nexus Study: A study that justifies the imposition of Development Impact Fees by demonstrating a connection between the fee and the needs created by development and the benefit incurred by development.

Normal or Service Cost Method: Annual cost of service accrual for upcoming fiscal year for active employees.

Pension Expense: Replaces Annual Pension Cost (APC) effective Fiscal Year 2014-15. Recognized during each fiscal year and reflects recognized changes in the NPL. It is not an annual contribution. It takes into consideration the normal or service cost plus interest on the NPL, less expected investment return on the market value of assets as well as liability and asset gain or losses and plan changes.

PARS: An irrevocable trust held by the Public Agency Retirement Services. Assets held in the trust reduce the Accrued Liability (AL) of the retiree health plan.

PEPRA: Public Employees' Pension Reform Act of 2013.

Rolling Amortization Period: An amortization period that remains the same each year rather than declining.

Secured Property: Real property, such as land or permanent structures.

Supplemental Taxes: Additional taxes stemming from a re-assessable event. Supplemental tax is generated when the new net assessed value exceeds the old net assessed value and the difference between the two values is multiplied by the tax rate then prorated from the event of the reassessment to the end of the fiscal year.

Tax Rate: The factor levied per $100 of net assessed valuation. Tax rates are TRA specific.

Tax Rate Area (TRA): A geographical area comprised of a unique combination of taxing agencies.

Taxing Agency: An entity, such as the county, cities, schools and special districts, that has statutory authority to levy ad valorem taxes or fixed charge assessments.

Unfunded Accrued Liability (UAL): An actuarially determined unfunded cost for past services rendered. It is the difference between the AL and the market value of assets.

Unsecured Property: Property that can be relocated and is not real estate, such as business equipment, fixtures, boats or airplanes.

APPENDIX B: MOODY'S INVESTOR SERVICE SCORECARD

Scorecard Factors and Weights

Local Governments

Broad Rating Factors	Factor Weighting	Rating Subfactors	Subfactor Weighting
Economy/Tax Base	30%	Tax Base Size (full value)	10%
		Full Value Per Capita	10%
		Wealth (median family income)	10%
Finances	30%	Fund Balance (% of revenues)	10%
		Fund Balance Trend (5-year change)	5%
		Cash Balance (% of revenues)	10%
		Cash Balance Trend (5-year change)	5%
Management	20%	Institutional Framework	10%
		Operating History	10%
Debt/Pensions	20%	Debt to Full Value	5%
		Debt to Revenue	5%
		Moody's-adjusted Net Pension Liability (3-year average) to Full Value	5%
		Moody's-adjusted Net Pension Liability (3-year average) to Revenue	5%

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	Very Strong	Strong	Moderate	Weak	Poor	Very Poor	
	Aaa	**Aa**	**A**	**Baa**	**Ba**	**B & Below**	**Weight**
Economy/Tax Base (30%)							
Tax Base Size: Full Value	> $12B	$12B ≥ n > $1.4B	$1.4B ≥ n > $240M	$240M ≥ n > $120M	$120M ≥ n > $60M	≤ $60M	10%
Full Value Per Capita	> $150,000	$150,000 ≥ n > $65,000	$65,000 ≥ n > $35,000	$35,000 ≥ n > $20,000	$20,000 ≥ n > $10,000	≤ $10,000	10%
Socioeconomic Indices: MFI	> 150% of US median	150% to 90% of US median	90% to 75% of US median	75% to 50% of US median	50% to 40% of US median	≤ 40% of US median	10%
Finances (30%)							
Fund Balance as % of Revenues	> 30% > 25% for School Districts	30% ≥ n > 15% 25% ≥ n > 10% for SD	15% ≥ n > 5% 10% ≥ n > 2.5% for SD	5% ≥ n > 0% 2.5% ≥ n > 0% for SD	0% ≥ n > -2.5% 0% ≥ n > -2.5% for SD	≤ -2.5% ≤ -2.5% for SD	10%
5-Year Dollar Change in Fund Balance as % of Revenues	> 25%	25% ≥ n > 10%	10% ≥ n > 0%	0% ≥ n > -10%	-10% ≥ n > -18%	≤ -18%	5%
Cash Balance as % of Revenues	> 25% > 10% for School Districts	25% ≥ n > 10% 10% ≥ n > 5% for SD	10% ≥ n > 5% 5% ≥ n > 2.5% for SD	5.% ≥ n > 0% 2.5% ≥ n > 0% for SD	0% ≥ n > -2.5% 0% ≥ n > -2.5% for SD	≤ -2.5% ≤ -2.5% for SD	10%
5-Year Dollar Change in Cash Balance as % of Revenues	> 25%	25% ≥ n > 10%	10% ≥ n > 0%	0% ≥ n > -10%	-10% ≥ n > -18%	≤ -18%	5%
Management (20%)							
Institutional Framework	Very strong legal ability to match resources with spending	Strong legal ability to match resources with spending	Moderate legal ability to match resources with spending	Limited legal ability to match resources with spending	Poor legal ability to match resources with spending	Very poor or no legal ability to match resources with spending	10%
Operating History: 5-Year Average of Operating Revenues / Operating Expenditures	> 1.05x	1.05x ≥ n > 1.02x	1.02x ≥ n > 0.98x	0.98x ≥ n > 0.95x	0.95x ≥ n > 0.92x	≤ 0.92x	10%

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APPENDIX C: NATIONAL ADVISORY COUNCIL ON STATE AND LOCAL BUDGETING PRACTICE'S BUDGET DEVELOPMENT PROCESS

ESTABLISH BROAD GOALS TO GUIDE GOVERNMENT DECISION MAKING
1. Assess community needs, priorities, challenges and opportunities
2. Identify opportunities and challenges for government services, capital assets, and management
3. Develop and disseminate broad goals

DEVELOP APPROACHES TO ACHIEVE GOALS
4. Develop financial policies
5. Develop programmatic, operating, and capital policies and plans
6. Develop programs and services that are consistent with policies and plans
7. Develop management strategies

DEVELOP A BUDGET CONSISTENT WITH APPROACHES TO ACHIEVE GOALS
8. Develop a process for preparing and adopting a budget
9. Develop and evaluate financial options
10. Make choices necessary to adopt a budget

ASSESS PERFORMANCE AND MAKE ADJUSTMENTS
11. Monitor, measure, and assess performance
12. Make adjustments as needed

Agenda Item #3

Montecito Fire Protection District
Mello Roos Fund 3654
March 31, 2014

UHR Mello-Roos - Fund 3654

Earnings and Transfers:		
Transfer from MTO Fund 3650	$	76,000.00
Contrib. from Mtn Comm. Assoc		20,000.00
Interest Earnings		475.38
Total Earnings & Transfers		96,475.38
Expenditures:		
Price, Postel & Parma		52,290.00
MNS Engineers		23,274.50
Schott & Co		5,000.00
Goodwin & Co.		6,225.00
Total Expenditures		86,789.50
Cash in Fund 3654 at 3/31/14	$	9,685.88

UHR Project:		
UHR Mello-Roos Expenditures	$	86,789.50
UHR DeSitter Easement Costs		122,308.00
Total Paid for UHR Project to Date	$	209,097.50
Expenditures by year:		
2009-10 Total Expenses		7,971.50
2010-11 Total Expenses		20,967.00
2011-12 Total Expenses		45,236.75
2012-13 Total Expenses		2,678.75
2013-14 Total Expenses		9,935.50
		86,789.50

Agenda Item #4

MONTECITO FIRE PROTECTION DISTRICT

AGENDA FOR THE FINANCE COMMITTEE MEETING

Montecito Fire Protection District Headquarters

595 San Ysidro Road

Santa Barbara, California

April 10, 2014 at 2:00 p.m.

Agenda Items May Be Taken Out Of The Order Shown

1. Public comment: Any person may address the Board at this time on any non-agenda matter that is within the subject matter jurisdiction of the Montecito Fire Protection District; 30 minutes total time is allotted for this discussion.
2. Review March 2014 financial statements.
3. Review Upper Hyde Road Mello-Roos Community Facilities District Expenses.
4. Review Draft Preliminary Budget for FY 2014/15.
5. Fire Chief's Report.
6. Requests for items to be included for the next Finance Committee Meeting.

Adjournment

This agenda is posted pursuant to the provisions of the Government Code commencing at Section 54950. The date of the posting is April 7, 2014.

MONTECITO FIRE PROTECTION DISTRICT

Chip Hickman, Fire Chief

Note: In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the District office at 969-7762. Notification at least 48 hours prior to the meeting will enable the District to make reasonable arrangements. Materials related to an item on this agenda submitted to the Board of Directors after distribution of the agenda packet are available for public inspection in the Montecito Fire Protection District's office located at 595 San Ysidro Road during normal business hours.

ATTACHMENT

#A

MONTECITO FIRE PROTECTION DISTRICT
CASH IN TREASURY - ALL FUNDS
March 31, 2014

	Fund 3650 General	Fund 3651 Pension Obl.	Fund 3652 Capital Outlay	Fund 3653 Land & Bldg	Fund 3654 Mello-Roos	All Funds
Cash Balance at 3/1/14	6,163,278.49	346.92	1,996,800.00	4,854,536.65	10,423.38	13,025,385.44
Income:						
Revenues	14,440.55	-	-	-	-	14,440.55
Interest	-	-	-	-	-	-
Rental Property Distribution	10,941.90	-	-	-	-	10,941.90
Other:						
BOS Res. 94-526 Westmont Annex	4,225.05	-	-	-	-	4,225.05
USFS reimb - Hough Complex	38,121.20	-	-	-	-	38,121.20
EMS Mgmt LLC - 1st response pmt	23,278.10	-	-	-	-	23,278.10
Cal Card Rebate	114.68	-	-	-	-	114.68
Sale of Dept. Patches	9.60	-	-	-	-	9.60
	91,131.08	-	-	-	-	91,131.08
Expenses:						
Claims Processed	(174,754.50)	-	-	-	(737.50)	(175,492.00)
Payroll	(820,881.25)	-	-	-	-	(820,881.25)
Other:						
Reimbursed expenses*	5,692.10	-	-	-	-	5,692.10
	(989,943.65)	-	-	-	(737.50)	(990,681.15)
Cash Balance at 3/31/14	5,264,465.92	346.92	1,996,800.00	4,854,536.65	9,685.88	12,125,835.37

* Summary of reimbursed expenses:

State Compensation Ins Fund - Temporary disability payment, Bumanglag 1/3-1/16, $1,850.54
State Compensation Ins Fund - Temporary disability payment, Bumanglag 1/17-1/30, $1,850.54
State Compensation Ins Fund - Temporary disability payment, Bumanglag 1/31-2/13, $1,850.54
Fechter & Co. CPA - Reimburse for shipping charges, $61.56
Verizon - Reimburse for closed account, $39.52
R. Galbraith - Reimburse for shop supply purchased, $39.40

MONTECITO FIRE PROTECTION DISTRICT
WARRANTS AND CLAIMS DETAIL
March 2014

Payee	Description	Amount
Fund 3650 - General		
Accountemps	Temporary accounting support	8,864.42
Across The Street Productions	S. Chapman Training: Blue Card Command	385.00
ADP Inc	ADP fees and W2s	921.44
Aflac	Employee paid insurance	1,472.62
Allstar Fire Equipment Inc	Structure helmet	219.72
Animated Data Inc	StatsFD computer license and software	1,720.00
APCO AFC Inc	Interservice fees: Frequency 460.600	310.00
Boone Printing & Graphics	Fire inspection reports	390.26
Bound Tree Medical	Medical supplies	681.07
Branch Out Tree Care LLC	Chipping Project: Lower Romero	6,000.00
Branch Out Tree Care LLC	Chipping Project: Upper Romero	8,000.00
Broumand, Alex	Training Reimb: Prevention 1/Command 1C	638.00
Burton's Fire Inc	Power supply for Medic 91/Parts for E91	1,171.01
Carlos H. Amaro	Pre-plans: Montecito Shores	1,225.00
Carquest Auto Parts	Vehicle parts for Squad 91 and R91	62.02
Chapman, Scott	Training Reimb: COMT	1,516.12
Compressed Air of CA	MAKO air compressor service	227.67
Cox Communications	CAD connectivity & Internet	2,664.42
Dewitt Pinto Petroleum	Diesel Fuel	1,215.58
Dr. Angel Iscovich	Medical director fees, 6 months	3,000.00
Dr. Norm Katz	Pre-employment psychological screening	400.00
Fechter & Company	FY13 financial audit fees	7,160.00
Galbraith, Robert	R. Galbraith Reimb: PALS Renewal	147.00
Hayward Lumber Company SB	Straw wattle for sand	21.38
Hickman, Kurt	Mileage reimb: Paramedic Skills Lab	89.60
Hydrex Pest Control	Pest control quarterly maint, Sta. 2	150.00
Informa Corp	Computer support, Feb.	1,890.00
Interstate Billing Service Inc	Vehicle parts for E91 & E392	88.25
JDL Mapping	Mapping services	1,527.50
Jerry's Oven Repair	Oven repair, Sta. 1	761.84
Johanna Mangual Ledesma	Interview transcription services	1,850.50
Johnson Equipment Co	P920 vehicle part	69.74
Johnson Equipment Co	Vehicle part for Squad 91	195.89
Lauritson, Richard	Reimb: Fire Mgmt per diem and mileage	801.79
Liebert Cassidy Whitmore	Labor attorney fees, Jan.	1,110.00
Marborg Industries	Refuse disposal	493.16
McCracken, Ryland	Training Reimb: ACLS/PALS Renewal	289.00
Mission Uniform Service Inc	Shop towels cleaning service	338.33
Montecito Village Hardware	Shower head and hardware, Sta. 2	45.20
Montecito Water District	Water service	404.37
Municipal Emergency Services	6 Air bottles (budgeted)	5,485.33
Nestle Pure Life Direct	Bottled water	104.56
Paradise Chevrolet	Vehicle part for U93	133.04

Payee	Description	Amount
Perry Lincoln Mercury	Squad 91 repair	3,115.51
Peyton Scapes	Landscape maint. plus additional work	745.00
Price Postel & Parma	Legal services, Jan.	10,472.50
Price Postel & Parma	Legal services, Feb.	4,513.50
Rayne Water Conditioning	Soft water service, 6 months	746.95
Safety Kleen Corp	Qtrly solven tank maint, Sta. 2	263.50
Sansum Clinic	Employee medical exams	8,669.00
Santa Barbara Locksmiths Inc	Security system installation, Sta. 1	4,051.04
Santa Barbara News Press	Ordinance publication	183.04
Satcom Global Inc	Satellite phone charges	149.28
SB County Air Pollution Control	APCD Emission fees for generators	806.34
SB County Auditor-Controller	Additional user tax payment	16.75
SB County Environmental Health	Hazardous materials permits	578.00
SB County Special Districts Assoc	Special Districts Association Dues	300.00
Skei, Evan	E. Skei Reimb: Command 2E	459.62
Smardan Hatcher Company	Plumbing fixtures, Sta. 1	104.36
Smardan Hatcher Company	Balance forward	1.03
Southern California Edison	Electricity service, Sta. 1 & 2	1,812.63
Sprinkle Tire Inc	R91 tires and installation	1,031.33
Sprint	E92 Sim card for MDC, Feb.	37.99
St. Oegger, Dana	Training Reimb: Tech. Search Specialist	814.08
Staples Credit Plan	Office supplies: paper, notepads, folders	315.37
State Compensation Insurance Fund	Worker's comp insurance	56,349.75
The Gas Company	Gas service	179.06
The Village Service Station	Gasoline charges	1,281.75
Trace Analytics LLC	Mako compressed air testing	75.00
Unisource	Household supplies	945.14
United Drain	Shower repair, Sta. 2	253.49
US Bank Corporate Card	Household supplies	177.84
US Bank Corporate Card	Towing and installation of 2 tires - Squad 91	203.63
US Bank Corporate Card	Repairs to dishwasher Sta. 1/Light bulbs	92.37
US Bank Corporate Card	Office exp: printer cartridges, subscriptions	433.53
US Bank Corporate Card	Blades for cutoff saw/other small tools	567.92
US Bank Corporate Card	Code book upgrades (budgeted)	467.44
US Bank Corporate Card	Gas charges	658.19
US Bank Corporate Card	Firehouse World Convention - 4 Employees	1,936.95
US Bank Corporate Card	T. Edwards: IC Certification (Boise, ID)	939.19
US Bank Corporate Card	G. Ventura: CSDA Conference	899.00
US Bank Corporate Card	R. Lauritson: Management 2B (Lake Tahoe)	850.00
Ventura, Geri	Training Reimb: CSDA Conference	1,008.01
Verizon California	Telephone Service	2,400.11
Verizon Wireless	Wireless Service	1,608.48
		174,754.50

Fund 3654 - UHR Mello-Roos

Price Postel & Parma	UHR Mello Roos Legal services, Jan.	737.50

MONTECITO FIRE PROTECTION DISTRICT
PAYROLL EXPENDITURES
March 2014

Regular Salaries	$ 472,960.70		
Directors Fees	2,720.00		
Auxiliary	450.50		
FLSA Safety	5,879.15		
FLSA Dispatch	2,721.60		
Regular Overtime	48,115.35		
Chief Officers - Extra Duty	17,898.00		
Dispatch Cadre Earnings	1,917.20		
Hartford 457 Contribution	8,600.00		
4850 Time - S. Bumanglag	8,859.29		
		Gross Wages	$ 570,121.79
District Contributions to Insurance	101,950.46		
District Contributions to Medicare & FICA	7,265.95		
District Contributions to SUI	84.26		
PERS, Employee Contribution paid by District	46,772.61		
PERS, Employer Contribution paid by Employee (4.5%)	(23,709.43)		
PERS, District Contribution	119,868.23		
Due to AFLAC	(1,472.62)		
		Total Benefits	250,759.46
		Grand Total	$ 820,881.25

MONTECITO FIRE PROTECTION DISTRICT
OVERTIME COMPENSATION
MARCH 2014

Name	Date Worked	Comp Time Hrs	OT Hrs	Total Amount	Sick Relief	Reimb.- Fire Assignment	Emergency Callback	Class Cover	Paramedic Con. Ed	Flex Day	Extra Staffing	Shift Vacancy	BC Coverage	Dispatch Coverage	Other	Description
K. Mann	02/18/14		4.00	272.70								272.70				
T. Poulos	02/19/14		24.00	1,459.80							1,459.80					
J. Villarreal	02/21/14		24.00	1,755.73	1,755.73											
J. Villarreal	02/22/14		1.00	73.15								73.15				
D. Andreas	02/25/14	8.00	16.00	1,227.12								1,227.12				
E. Fuentes	02/26/14		7.50	511.31			511.31									
B. Hauser	02/27/14	24.00	-	-												
G. Blake	02/27/14	10.00	-	-												
T. Ederer	02/27/14	16.00	8.00	571.20								571.20				
R. McCracken	03/01/14	6.00	18.00	1,096.74										1,096.74		
A. Broumand	03/02/14		24.00	1,402.56								1,402.56				
S. Pfister	03/02/14		24.00	942.00									942.00			
D. Andreas	03/05/14		4.00	409.04											409.04	HazMat Meeting
L. Bass	03/05/14		4.00	241.92											241.92	HazMat Meeting
A. Broumand	03/06/14		2.00	116.88					116.88							
B. Koepke	03/06/14		5.50	431.56	431.56											
E. Skei	03/06/14		4.00	285.60								285.60				
G. Ventura	03/06/14		1.00	97.08											97.08	Finance Committee packet
G. Ventura	03/07/14		0.50	48.54											48.54	Administrative task
D. Andreas	03/08/14		12.00	818.08								818.08				
E. Klemowicz	03/09/14		1.00	55.35				55.35								
A. Broumand	03/10/14		9.00	525.96					525.96							
G. Blake	03/10/14		9.50	564.30				564.30								
J. Zeitsoff	03/10/14		24.00	1,229.40	358.58							870.83				
R. Gailbraith	03/10/14		9.00	512.19					512.19							
R. McCracken	03/10/14		9.00	548.37					548.37							
R. Walkup	03/10/14		24.00	1,328.40								1,328.40				
S. Davis	03/10/14		9.00	512.19					512.19							
D. Andreas	03/11/14		1.50	115.04				115.04								
E. Fuentes	03/11/14		8.00	545.40											545.40	OES Meeting
E. Klemowicz	03/11/14		2.00	110.70	110.70											
E. Skei	03/11/14		10.50	749.70				749.70								
K. Hickman	03/11/14		6.50	399.65					399.65							
G. McLeod	03/12/14		24.00	1,884.00									1,884.00			
J. Zeitsoff	03/12/14		15.50	793.98				793.98								
A. Broumand	03/13/14		9.00	525.96				525.96								
E. Skei	03/13/14		7.50	535.50				535.50								
G. Ventura	03/13/14	4.00	-	-												Board packet prep, website, press release
P. Purguy	03/13/14		24.00	1,250.64										1,250.64		
T. Ederer	03/13/14		8.50	606.90				606.90								
T. Poulos	03/13/14		8.00	486.60				486.60								
A. Broumand	03/14/14		2.00	116.88								116.88				
D. Andreas	03/14/14		9.00	690.26											690.26	HazMat FRO Instructor
E. Klemowicz	03/14/14		24.00	1,328.40								1,328.40				
L. Bass	03/14/14		7.00	434.18											434.18	HazMat FRO Instructor
R. Lauritson	03/14/14	4.00	20.00	2,304.90								2,304.90				
D. Holthe	03/15/14		24.00	1,636.20								1,636.20				
K. Mann	03/15/14		24.00	1,636.20								1,636.20				
S. Davis	03/15/14		24.00	1,365.84								1,365.84				
D. Andreas	03/16/14	8.00	16.00	1,227.12								1,227.12				
A. Broumand	03/17/14		24.00	1,402.56	1,402.56											
D. St. Oegger	03/17/14		3.00	190.71			190.71									
G. Ventura	03/17/14		2.00	194.16											194.16	Board meeting and trail rescue
J. Badaracco	03/17/14		1.50	117.54											117.54	Diablo repeater trip
J. Zeitsoff	03/17/14		3.00	153.68			153.68									
K. Mann	03/17/14		24.00	1,636.20								1,636.20				
R. Lauritson	03/17/14		3.50	403.36			403.36									
T. Edwards	03/17/14		24.00	1,884.00									1,884.00			
E. Klemowicz	03/18/14		24.00	1,328.40								1,328.40				
T. Edwards	03/18/14		24.00	1,884.00									1,884.00			
J. Zeitsoff	03/19/14		24.00	1,229.40								1,229.40				
T. Edwards	03/19/14		24.00	1,884.00									1,884.00			

Name	Date Worked	Comp Time Hrs	OT Hrs	Total Amount	Sick Relief	Reimb.- Fire Assignment	Emergency Callback	Class Cover	Paramedic Con. Ed	Flex Day	Extra Staffing	Shift Vacancy	BC Coverage	Dispatch Coverage	Other	Description
K. Hickman	03/20/14		2.00	122.97					122.97							
D. Andreas	03/21/14		8.50	651.91											651.91	HazMat FRO Instructor
G. Blake	03/21/14		8.50	504.90					504.90							
L. Bass	03/21/14		6.50	403.16											403.16	HazMat FRO Instructor
T. Edwards	03/21/14		24.00	1,884.00									1,884.00			
R. Lauritson	03/22/14	4.00	12.50	1,440.56											1,440.56	Vice President detail
T. Ederer	03/22/14		8.50	606.90								606.90				
A. Gregson	03/23/14		24.00	1,884.00									1,884.00			
T. Ederer	03/23/14	8.00	16.00	1,142.40								1,142.40				
K. Hickman	03/24/14	8.00	16.00	983.76											983.76	Final Squad 91 inspection
L. Bass	03/24/14		8.00	496.20				496.20								
B. Hauser	03/25/14		12.00	644.76								644.76				
G. Blake	03/25/14		3.00	178.20					178.20							
G. McLeod	03/25/14		24.00	1,884.00									1,884.00			
K. Powell	03/25/14		24.00	1,328.40								1,328.40				
G. McLeod	03/26/14		24.00	1,884.00									1,884.00			
G. McLeod	03/27/14		24.00	1,884.00									1,884.00			
			Grand Total	**66,013.35**	**4,059.13**	**-**	**1,259.06**	**4,929.53**	**3,421.31**	**-**	**1,459.80**	**24,381.64**	**17,898.00**	**2,347.38**	**6,257.51**	
			% of Total	**100.00%**	**6.15%**	**0.00%**	**1.91%**	**7.47%**	**5.18%**	**0.00%**	**2.21%**	**36.93%**	**27.11%**	**3.56%**	**9.48%**	

MONTECITO FIRE PROTECTION DISTRICT
SUMMARY OF OVERTIME EXPENSE BY CATEGORY
FY 2012-13

Month Paid	Sick	Fire Assign & Callback	Pre-build Inspection	Class Cover	Paramedic	Flex Day	Extra Staffing	Shift Vacancy	BC Coverage	Dispatch Coverage	Other	Total OT	Monthly % of Total	Cum. % of Total
JULY	2,934.00	4,381.03	-	429.30	790.68	8,621.64	1,865.16	37,546.02	-	6,284.02	2,941.07	65,792.92	6.1%	6.1%
AUGUST	12,344.15	76,026.26	5,674.27	3,078.82	700.61	14,043.84	1,070.37	50,526.54	1,884.00	6,776.12	2,235.79	174,360.77	16.1%	22.2%
SEPTEMBER	9,619.56	58,014.16	-	5,935.32	773.57	8,749.08	-	58,064.58	16,956.00	3,791.52	5,147.72	167,051.51	15.4%	37.6%
OCTOBER	16,776.96	4,850.59	-	6,517.80	113.82	9,017.88	5,338.47	51,423.70	1,884.00	5,265.05	5,884.17	107,072.44	9.9%	47.5%
NOVEMBER	13,379.80	5,876.93	-	-	628.82	8,289.60	1,218.24	54,593.07	5,652.00	5,481.84	598.47	95,718.77	8.8%	56.4%
DECEMBER	12,630.64	374.96	-	4,403.61	113.82	2,168.82	-	16,157.43	-	5,182.84	4,840.67	45,872.79	4.2%	60.6%
JANUARY	21,726.48	10,232.81	983.28	-	229.54	8,201.91	-	29,201.05	1,884.00	5,432.76	2,571.43	80,463.26	7.4%	68.0%
FEBRUARY	21,023.89	238.61	-	486.60	617.03	-	-	17,724.02	7,536.00	2,478.78	5,317.86	55,422.79	5.1%	73.1%
MARCH	7,806.12	1,154.21	-	1,148.59	605.89	1,462.32	-	4,574.75	5,652.00	-	1,274.42	23,678.30	2.2%	75.3%
APRIL	10,465.20	7,514.47	-	3,085.42	534.34	4,226.40	2,707.52	13,714.44	12,246.00	4,035.24	3,832.02	62,361.05	5.8%	81.1%
MAY	6,058.56	34,924.36	-	179.29	1,766.81	6,840.15	340.88	17,939.55	4,710.00	9,816.22	3,600.35	86,176.17	8.0%	89.1%
JUNE	2,804.36	68,659.48	-	-	1,092.31	2,700.72	11,628.81	20,789.40	5,652.00	3,296.52	1,856.90	118,480.50	10.9%	100.0%
TOTAL	**137,569.72**	**272,247.87**	**6,657.55**	**25,264.75**	**7,967.24**	**74,322.36**	**24,169.45**	**372,254.55**	**64,056.00**	**57,840.91**	**40,100.87**	**1,082,451.27**	**100.0%**	
	12.7%	**25.2%**	**0.6%**	**2.3%**	**0.7%**	**6.9%**	**2.2%**	**34.4%**	**5.9%**	**5.3%**	**3.7%**			

Fire Assignment Reimbursements Received:

Date	Source	Amount
1/25-3/4/13	State of CA	11,322.87
9/28/12-1/25/13	USFS	223,953.02

MONTECITO FIRE PROTECTION DISTRICT
SUMMARY OF OVERTIME EXPENSE BY CATEGORY
FY 2013-14

Month Paid	Sick	Reimb.-Fire Assigment	Emergency Callback	Class Cover	Paramedic	Flex Day	Extra Staffing	Shift Vacancy	BC Coverage	Dispatch Coverage	Other	Total OT	Monthly % of Budget	Cum. % of Budget
JULY	17,047.80	21,550.17	1,005.12	1,475.64	516.83	6,730.92	13,279.82	15,550.45	9,420.00	3,630.96	3,726.19	93,933.90	11.1%	11.1%
AUGUST	15,315.23	60,900.04	-	1,322.28	110.79	10,935.72	-	20,107.22	-	861.96	824.53	110,377.77	13.0%	24.0%
SEPTEMBER	12,665.18	94,071.40	2,211.15	2,691.72	429.27	2,722.32	1,726.31	12,127.25	1,884.00	1,763.10	4,918.40	137,210.10	16.1%	40.2%
OCTOBER	21,165.09	-	1,961.08	1,306.28	470.86	4,835.64	-	18,184.57	9,420.00	1,993.32	7,271.41	66,608.25	7.8%	48.0%
NOVEMBER	3,594.15	-	6,945.40	1,586.97	350.09	1,425.60	-	5,882.79	4,710.00	2,540.88	5,462.78	32,498.66	3.8%	51.8%
DECEMBER	6,826.38	9,239.53	1,316.32	-	-	1,687.95	-	24,260.50	12,879.42	7,330.14	399.42	63,939.66	7.5%	59.4%
JANUARY	9,070.66	-	-	531.59	-	2,919.60	16,384.59	21,701.93	7,536.00	7,897.86	1,171.76	67,213.98	7.9%	67.3%
FEBRUARY	4,363.35	-	1,675.73	254.28	235.40	-	9,011.52	10,115.66	4,710.00	4,724.91	933.33	36,024.18	4.2%	71.5%
MARCH	4,059.13	-	1,259.06	4,929.53	3,421.31	-	1,459.80	24,381.64	17,898.00	2,347.38	6,257.51	66,013.35	7.8%	79.3%
TOTAL	**94,106.96**	**185,761.14**	**16,373.85**	**14,098.29**	**5,534.55**	**31,257.75**	**41,862.04**	**152,312.00**	**68,457.42**	**33,090.51**	**30,965.33**	**673,819.84**	**79.3%**	
	14.0%	**27.6%**	**2.4%**	**2.1%**	**0.8%**	**4.6%**	**6.2%**	**22.6%**	**10.2%**	**4.9%**	**4.6%**	**100.0%**		

Budget $ 850,000

Fire Assignment Reimbursements Received:

Date	Source	Amount
9/17-1/7/14	State of CA	329,577.99
9/18-3/26/14	USFS	197,958.40

MONTECITO FIRE PROTECTION DISTRICT
FIRE ASSIGNMENTS - BILLING
FY 2013-2014

Fire Name, #	Invoice #	Period Covered	Date Billed/ Inv. Rec'd	Agency	Total Due	Date Rec'd	Amt. Rec'd.
West Fork Complex, CO-SJF-0285	2013-04	7/2-7/11/13	08/07/13	USFS	$ 18,460.49	11/14/13	**$ 18,460.49**
Chariot Fire, CA-MVU-014084		7/8-7/11/13	09/03/13	Cal-EMA	29,226.50	12/04/13	**29,226.50**
Falls Fire, CA-CNF-002512		8/6-8/8/13	09/09/13	Cal-EMA	23,401.17	12/03/13	**23,401.17**
Silver Fire, CA-RRU-079781		8/8-8/10/13	09/03/13	Cal-EMA	29,398.41	12/04/13	**29,398.41**
American Fire, CA-TNF-1562	2013-06	8/12-8/19/13	09/12/13	USFS	12,499.70		**-**
American Fire, CA-TNF-1562		8/15-8/18/13	03/10/14	Cal-EMA	7,082.56		**-**
Shirley Fire, CA-SQF-3228		8/19-8/20/13	10/03/13	Cal-EMA	14,621.27	12/06/13	**14,621.25**
Shirley Complex, CA-SQF-3229		8/20-8/23/13	09/09/13	Cal-EMA	35,955.94	12/09/13	**35,955.95**
Hough Complex, CA-PNF-1324	2013-07	8/19-8/28/13	10/03/13	USFS	38,121.20	03/26/14	**38,121.20**
Rim Fire, CA-STF-2857		8/23-9/3/13		Cal-EMA	156,698.60	01/07/14	**156,698.60**
Pfeiffer Fire, CA-LPF-3810	2013-08	12/16-12/22/13	01/28/13	USFS	23,511.23		**-**
					$ 388,977.07		**$ 345,883.57**

PRICE, POSTEL & PARMA LLP

COUNSELLORS AT LAW
POST OFFICE BOX 99
SANTA BARBARA, CA 93102-0099

(805) 962-0011

TAX ID # 95-1782877

MONTECITO FIRE PROTECTION DISTRICT
595 SAN YSIDRO ROAD
SANTA BARBARA, CA 93108

February 11, 2014
File #: 12611
Invoice #: 115092
Billing Attorney: MSM

ACCOUNT SUMMARY BALANCE

RE: GENERAL MATTERS Our File Number: 12611-00000	1,003.00
RE: ORDINANCES Our File Number: 12611-00022	3,953.00
RE: BOARD MTGS Our File Number: 12611-00061	2,301.00
RE: MELLO ROOS - UPPER HYDE ROAD Our File Number: 12611-00077	737.50 - Fund 3654
RE: 2014 PROPOSITION 4 OVERRIDE Our File Number: 12611-00083	3,215.50
Current Total Charges	11,210.00 -737.50 10,472.50 - Fund 3650

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SUMMARY OF CURRENT CHARGES

Current Fees	11,210.00	
Total Current Fees & Costs	11,210.00	
Total Current Due		**$11,210.00**

SUMMARY OF PAST DUE BALANCES

Total Past Due	**$0.00**
TOTAL CURRENT AND PAST DUE	**$11,210.00**

BALANCE IS DUE UPON RECEIPT.

THE FIRM'S HOURLY RATES ARE REVIEWED ANNUALLY AND
MAY CHANGE EFFECTIVE JANUARY 1ST UNLESS OTHERWISE AGREED.

PRICE, POSTEL & PARMA LLP
COUNSELLORS AT LAW
POST OFFICE BOX 99
SANTA BARBARA, CA 93102-0099
(805) 962-0011
TAX ID # 95-1782877

MONTECITO FIRE PROTECTION DISTRICT
595 SAN YSIDRO ROAD
SANTA BARBARA, CA 93108

March 13, 2014
File #: 12611
Invoice #: 115401
Billing Attorney: MSM

ACCOUNT SUMMARY BALANCE

RE: GENERAL MATTERS Our File Number: 12611-00000	2,094.50
RE: ORDINANCES Our File Number: 12611-00022	1,003.00
RE: BOARD MTGS Our File Number: 12611-00061	1,298.00
RE: 2014 PROPOSITION 4 OVERRIDE Our File Number: 12611-00083	118.00
Current Total Charges	4,513.50

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SUMMARY OF CURRENT CHARGES

Current Fees	4,513.50	
Total Current Fees & Costs	4,513.50	
Total Current Due		**$4,513.50**

Cochrane Property Management, Inc.

Period: 01 Mar 2014-31 Mar 2014

P.O. Box 4370
Santa Barbara, CA 93140

Owner Statement

Montecito Fire Protection District (MFPD)
c/o Cochrane Property Management, Inc.
PO Box 4370
Santa Barbara, CA 93140

Properties
186 - Cochrane Prop. Mgmt. FBO MFPD -
1255-1259 E. Valley Road
Santa Barbara, CA 93108

Date	Payee / Payer	Type	Reference	Description	Income	Expense	Balance
				Beginning Cash Balance as of 03/01/2014			5,000.00
03/02/2014	Larry Todd Edwards	ACH receipt	C3PI-0QUK	1255 - Rent Income	1,636.00		6,636.00
03/03/2014	Thomas V. Homer	Receipt	1264	1257 - Rent Income - March 2014	1,210.00		7,846.00
03/03/2014	David Ward	Receipt	0098646500	1259 - Rent Income - March 2014	1,226.00		9,072.00
03/17/2014	Montecito Water District	Payment	ACH	Water/Sewer - monthly water 01-1256-03: 1/27/14 - 2/27/14 - March 2014 - Montecito Water monthly bill		125.41	8,946.59
03/17/2014	Cochrane Property Management, Inc.	Check	18679	Administrative Fee - Monthly service fee - min $5 - March 2014 - Monthly service fee - min $5		5.00	8,941.59
03/17/2014	Cochrane Property Management, Inc.	Check	18679	Property Mgmt Fees - Property Mgmt Fees for 03/2014		244.32	8,697.27
03/17/2014	Hydrex, Inc. (Santa Barbara)	Check	18680	Pest Control - 2/10/14 mo pest control		92.00	8,605.27
03/17/2014	MarBorg Industries	Check	18681	Trash/Recycling - 1-65210 4: 2/28/14 mo trash/recycling - March 2014		177.68	8,427.59
03/17/2014	Peyton/Scapes	Check	18682	Gardening/Landscaping - 2/28/14 mo gardening - March 2014		55.00	8,372.59
03/17/2014	Peyton/Scapes	Check	18682	Gardening/Landscaping - 2/28/14 mo gardening - March 2014		55.00	8,317.59
03/17/2014	Peyton/Scapes	Check	18682	Gardening/Landscaping - 2/28/14 mo gardening - March 2014		55.00	8,262.59
03/17/2014	Rayne Water Conditioning	Check	18683	1257 - Water/Sewer - Monthly water softening: 2/12/14 - March 2014		95.33	8,167.26
03/17/2014	Rayne Water Conditioning	Check	18683	1255 - Water/Sewer - Monthly water softening: 2/12/14 - March 2014		152.10	8,015.16
03/17/2014	Rayne Water Conditioning	Check	18683	1259 - Water/Sewer - Monthly water softening: 2/12/14 - March 2014		95.33	7,919.83
				Ending Cash Balance			7,919.83
Total					**4,072.00**	**1,152.17**	

Cash Flow

Cochrane Property Management, Inc.

Properties: 186 - Cochrane Prop. Mgmt. FBO MFPD - 1255-1259 E. Valley Road Santa Barbara, CA 93108

Owned By: Montecito Fire Protection District (MFPD)

Date Range: 03/01/2014 to 03/31/2014

Account Name	Selected Period	% of Selected Period	Fiscal Year To Date	% of Fiscal Year To Date
Operating Income & Expense				
Income				
Income				
Rent Income	4,072.00	100.00	12,216.00	100.00
Total Income	**4,072.00**	**100.00**	**12,216.00**	**100.00**
Total Operating Income	**4,072.00**	**100.00**	**12,216.00**	**100.00**
Expense				
Office Expenses				
Administrative Fee	5.00	0.12	15.00	0.12
Total Office Expenses	**5.00**	**0.12**	**15.00**	**0.12**
Repair & Maintenance				
Gardening/ Landscaping	165.00	4.05	1,095.00	8.96
Pest Control	92.00	2.26	184.00	1.51
Total Repair & Maintenance	**257.00**	**6.31**	**1,279.00**	**10.47**
Property Mgmt Fees	244.32	6.00	732.96	6.00
Utilities				
Water/Sewer	468.17	11.50	1,311.56	10.74
Trash/Recycling	177.68	4.36	355.36	2.91
Total Utilities	**645.85**	**15.86**	**1,666.92**	**13.65**
Total Operating Expense	**1,152.17**	**28.29**	**3,693.88**	**30.24**
NOI - Net Operating Income	**2,919.83**	**71.71**	**8,522.12**	**69.76**
Total Income	4,072.00	100.00	12,216.00	100.00
Total Expense	1,152.17	28.29	3,693.88	30.24
Net Income	**2,919.83**	**71.71**	**8,522.12**	**69.76**
Other Items				
Owner Distribution	0.00		-10,941.90	
Net Other Items	**0.00**		**-10,941.90**	
Cash Flow	**2,919.83**		**-2,419.78**	
Beginning Cash	**5,000.00**		**10,339.61**	
Beginning Cash + Cash Flow	**7,919.83**		**7,919.83**	
Actual Ending Cash	**7,919.83**		**7,919.83**	

Balance Sheet

Properties: 186 - Cochrane Prop. Mgmt. FBO MFPD - 1255-1259 E. Valley Road Santa Barbara, CA 93108

As of: 03/31/2014

Account Name	Balance
ASSETS	
Cash	
Cash in Bank	7,919.83
Total Cash	**7,919.83**
TOTAL ASSETS	**7,919.83**
LIABILITIES & CAPITAL	
Liabilities	
Security Deposit/Liability	
Security Deposits On Hand	3,040.00
Total Security Deposit/Liability	**3,040.00**
Total Liabilities	**3,040.00**
Capital	
Owner Distribution	-72,315.82
Calculated Retained Earnings	8,522.12
Calculated Prior Years Retained Earnings	68,673.53
Total Capital	**4,879.83**
TOTAL LIABILITIES & CAPITAL	**7,919.83**

Agenda Item #5

MONTECITO FIRE PROTECTION DISTRICT

AGENDA FOR THE COMMUNITY OUTREACH COMMITTEE MEETING

Montecito Fire Protection District Headquarters

595 San Ysidro Road

Santa Barbara, California

April 1, 2014, at 3:00 p.m.

Agenda Items May Be Taken Out Of The Order Shown

1. Public comment: Any person may address the Board at this time on any non-agenda matter that is within the subject matter jurisdiction of the Montecito Fire Protection District; 30 minutes total time is allotted for this discussion.

2. Review development of District website.

3. Review annual Hazard Abatement informational mail out.

4. Discuss Director Sinser's request to Supervisor Carbajal for a Resolution of Recognition from the Santa Barbara County Board of Supervisors.

5. Discuss NIXLE notification messages.

6. Directors use of District Letterhead.

7. Fire Chief's Report.

8. Requests for items to be included for the next Community Outreach Committee Meeting.

Adjournment

This agenda is posted pursuant to the provisions of the Government Code commencing at Section 54950. The date of the posting is March 27, 2014.

MONTECITO FIRE PROTECTION DISTRICT

Chip Hickman, Fire Chief

Note: In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the District office at 969-7762. Notification at least 48 hours prior to the meeting will enable the District to make reasonable arrangements.

Materials related to an item on this agenda submitted to the Board of Directors after distribution of the agenda packet are available for public inspection in the Montecito Fire Protection District's office located at 595 San Ysidro Road during normal business hours.

Agenda Item #6

MINUTES FOR THE SPECIAL MEETING OF THE BOARD OF DIRECTORS MONTECITO FIRE PROTECTION DISTRICT

Held at Fire District Headquarters, 595 San Ysidro Road, March 17, 2014 at 4:02 p.m.

The meeting was called to order by Director Venable at 4:03 p.m.

Present: Director Venable, Director Keller, Director Powell, Director Sinser and Director Jensen. Chief Hickman and District Counsel M. Manion were also present.

1. Public comment: Any person may address the Board at this time on any agenda matter or non-agenda matter that is within the subject matter jurisdiction of the Montecito Fire Protection District; 30 minutes total time is allotted for this discussion.

Sally Jordan spoke about her concern that the State Farm position of not writing new policies.

Gerry Spence spoke in support of building a third station.

Carolee Krieger spoke in support of building a third station.

Imagine Spence spoke in support of building a third station.

Lynette Casoni spoke in support of building a third station.

Patsy Blake spoke in support of building a third station.

Sylvia Easton spoke in support of building a third station.

Kay Peterson, who stated that she was also speaking for her daughter and grandchildren who live on Bella Vista spoke in support of building a third station.

Public Comment closed. 4:21 pm.

2. Public Scoping Meeting for the Environmental Impact Report (EIR) for the Station 3 Site Acquisition and Construction Project.

Dan Gira of Amec reviewed the scoping of the new Environmental Impact Report for the Station 3 Site Acquisition and Construction Project. (Presentation available)

Public comment included:

A review of the litigation and previous issues with the first EIR; suggestion that EIR address the environmental effects of a large fire if no third station is built; that the new EIR include a fuller description of activities and uses, information on potential hazardous materials kept on site, affects related to current drought conditions, and that they consider revisiting another location such as Birnam Wood.

The Board took no action.

The meeting was adjourned at 5:08.

Agenda Item #7

MINUTES FOR THE SPECIAL MEETING OF THE BOARD OF DIRECTORS MONTECITO FIRE PROTECTION DISTRICT

Held at Fire District Headquarters, 595 San Ysidro Road, March 20, 2014 at 3:00 p.m.

The meeting was called to order by Director Venable at 3:05 p.m.

Present: Director Venable, Director Keller, Director Powell, Director Sinser and Director Jensen. Chief Hickman was also present.

1. Public comment: Any person may address the Board at this time on any agenda matter or non-agenda matter that is within the subject matter jurisdiction of the Montecito Fire Protection District; 30 minutes total time is allotted for this discussion.

There was no public comment.

2. Director's Local Government Finance Workshop

Cathy Dominico and Jeff Small of Capital Public Finance Group, LLC provided a presentation to the Board covering the following information (Presentation available):

- Overview of Public Sector Financial Information
- Role of the Governing Board in Financial Management
- Summary of Key Financial Data for Montecito Fire Protection District

The Board took no action.

3. Fire Chief's Report.

The Fire Chief had nothing to report.

The meeting was adjourned at 5:03 p.m.

Agenda Item #8

MINUTES FOR THE REGULAR MEETING OF THE BOARD OF DIRECTORS
MONTECITO FIRE PROTECTION DISTRICT

Held at Fire District Headquarters, 595 San Ysidro Road, March 24, 2014 at 2:00 p.m.

The meeting was called to order by Director Venable at 2:08 p.m.

Present: Director Venable, Director Keller, Director Sinser and Director Jensen. Director Powell was absent. Chief Hickman and District Counsel M. Manion were also present.

1. Public comment: Any person may address the Board at this time on any non-agenda matter that is within the subject matter jurisdiction of the Montecito Fire Protection District. (30 minutes total time is allotted for this discussion.)

There was no public comment.

2. **Second Reading of Ordinance No. 2014-01 adopting the Fire Protection Plan for the Montecito Fire Protection District and repealing Ordinance No. 2010-02.**

Chief Hickman reported that there is no evidence that adopting the updated version of the Montecito Fire Protection Plan will have a significant effect on the environment.

On a motion made by Director Keller, seconded by Director Sinser, Ordinance 2014-1 was adopted by the following roll call vote, as read by title only:

Ayes:	G. Sinser, J. Venable, S. Keller, R.J. Jensen
Noes:	None
Abstain:	None
Absent:	J.A. Powell

On a motion made by Director Keller, seconded by Director Sinser, the Board directed the Fire Chief to file a Notice of Exemption pursuant to the California Environmental Quality Act with the Santa Barbara County Clerk as there is no evidence that adoption of the Montecito Fire Protection Plan may have a significant effect on the environment. Directors Sinser, Venable, Keller, and Jensen voting in favor. Director Powell was absent.

3. Report from the Finance Committee (copy of Agenda for Finance Committee Meeting attached).

Director Venable reported on the agenda items reviewed by the Finance Committee and that the committee recommends that the Board approve the District's warrants and claims as submitted.

Director Sinser suggested that the Board should get the same financial reports that are provided to the Finance Committee. Ms. Ventura advised that all Board members are emailed the Finance Committee packets and provided the same information that is provided to the Finance Committee.

After an explanation of expenses charged to the Mello Roos project, the Board unanimously approved the March warrants and claims on a motion made by Director Sinser, seconded by Director Venable. Director Keller and Director Venable asked that Board Packets include a report on expenses incurred for the Mello Roos / Upper Hyde Road project. Directors Sinser, Venable, Keller, and Jensen voting in favor. Director Powell was absent.

4. Approval of Minutes of February 18, 2014 Regular Meeting

On a motion made by Director Sinser, seconded by Jensen, the Board approved the Minutes of February 18, 2014 Regular Meeting by the following vote: Directors Sinser, Venable, and Jensen voting in favor. Director Keller abstained. Director Powell was absent.

5. Approval of Minutes of February 25, 2014 Special Meeting.

On a motion made by Director Sinser, seconded by Director Venable, the Board approved the Minutes of February 25, 2014 Special Meeting. by the following vote: Directors Sinser, Venable, and Jensen voting in favor. Director Keller abstained. Director Powell was absent.

6. Fire Chief's report.

Chief Hickman reviewed the Montecito Water District's request to use NIXLE; calls relating to recent storm activity; predicted rain event; USFS burn/fire permitting on local trails; mutual aid response to structure fire on Circle Drive; gas leak on Park Lane; water break on East Valley Road; trail rescue below Tangerine Falls on Cold Springs Trail; Proposition 4 override election ballots will be mailed between June 9- June 28 with the election deadline being July 8; progress on neighborhood clean-up programs; installation of security system; A. Gil appointment to full time position; new Firefighter/Paramedic B. Bennewate starting a 6 week academy on April 1; request for Directors to pick their packets and Board meeting materials up during regular business hours of 8:00 a.m.-5:00 p.m., no later than 8:00 p.m; Capital PFG financial analysis presentation at next regular meeting; and the process of preparing for predicted weather events.

The Board took no action.

7. Board of Director's report.

Director Sinser advised that he attended the most recent Water District meeting and reported that they have a problem with the acquisition of water. He urged other directors to attend some of the other District's meetings.

The Board took no action.

8. Suggestions from Directors for items other than regular agenda items to be included for the April 28, 2014 Regular Board meeting.

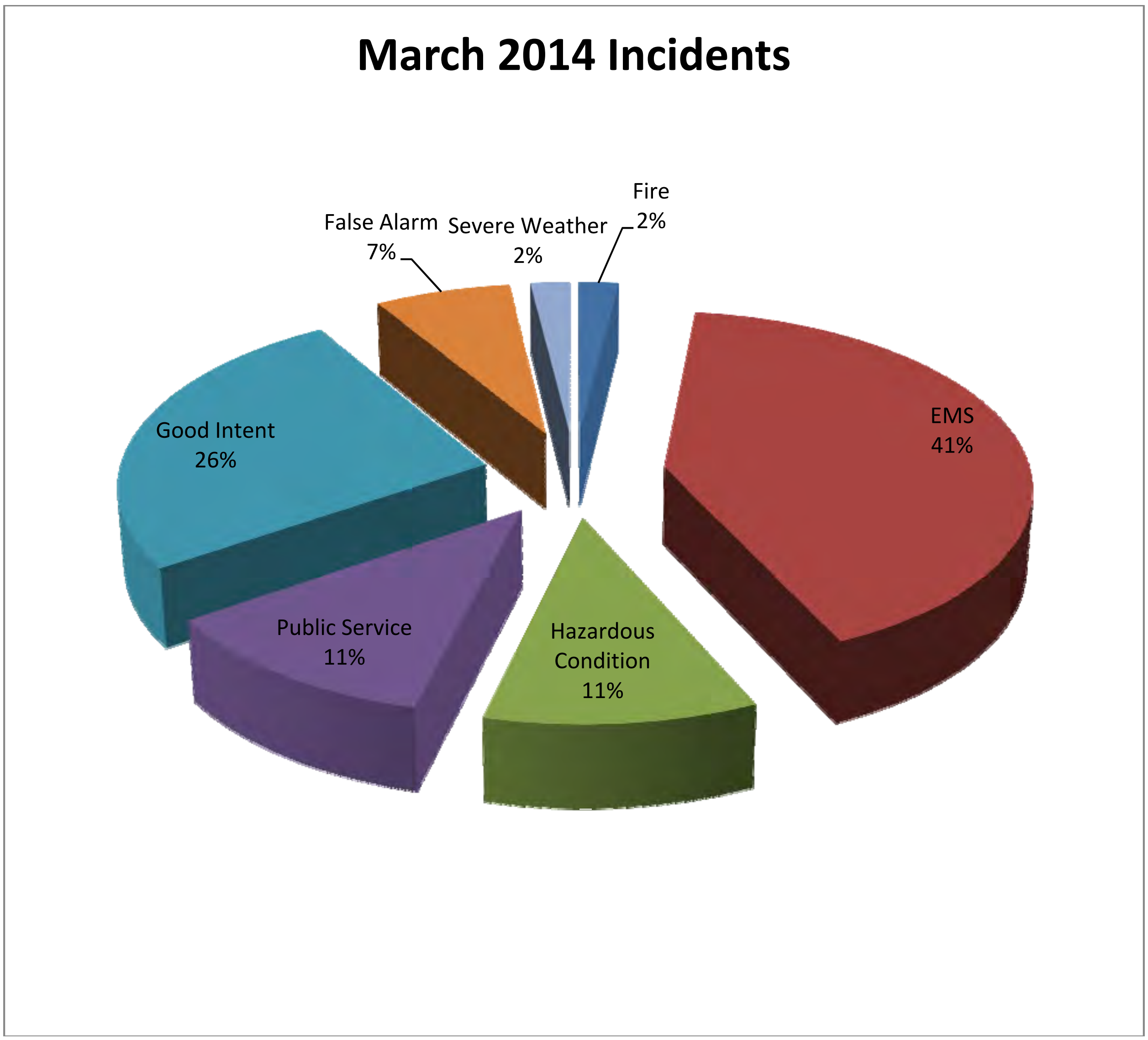
Community Outreach Committee to review the use of NIXLE for other agency/organization notifications.

The meeting was adjourned at 3:02 p.m.

Agenda Item #9

MARCH 2014
CALLS BY INCIDENT TYPE
TOAL INCIDENTS: 104

FIRE: 2	EMS: 43
HAZ. CONDITION: 11	PUBLIC SERVICE: 12
GOOD INTENT: 27	FALSE ALARM: 7
SEVERE WEATHER: 2	



Dear Montecito Fire Department,

I want to take a moment to thank you, especially the three firemen who spent their afternoon at the Mt. Carmel School carnival last Saturday. You are all always so willing to help us out and your presence is enjoyed by all. Thank you for your continuous support! Sincerely,

Karen Regan, Principal

THANK YOU ALL SO MUCH FOR ALL THE TIME, EFFORT AND HARD WORK THAT WENT INTO CLEAN-UP DAY ON APRIL 7 — CAN'T BEGIN TO TELL YOU HOW MUCH YOU ARE ALL APPRECIATED!!

THE HERZIGER FAMILY
@ 2440 SYCAMORE CANYON.
THANK YOU!