



2010 Budget Management's Discussion and Analysis

The Northeast Teller County Fire Protection District is proud to present the 2010 Budget. We are an organization committed to our citizens and this document represents our commitment to our fiduciary responsibility. This budget holds the financial key to our success in fulfilling our mission.

Our Mission

"Northeast Teller County Fire Protection District is committed to excellence in the fire service. We provide outstanding customer service to the residents and visitors of the Woodland Park area with a team of highly trained and committed professionals, serving with honor, integrity and compassion."

Our Vision of Success

Northeast Teller County Fire Protection District will strive to become a leader in emergency service delivery in the Pike's Peak region. We are highly trained professional fire service providers, furnishing exceptional customer service to our community. We understand the meaning of added value and exceed the expectations of our customers. We are committed to our organization's values and avoid complacency and apathy. Each day is an opportunity to learn new skills, and every call for service an opportunity to touch the lives of our neighbors.

We are highly visible to the public and readily accessible for service. Our involvement with the community occurs in our schools, special events, service organizations and with other forms of government in Teller County. We strive to be a role model for other organizations and gladly participate in planning, prevention, response, and recovery actions.

We achieve our vision through the coordinated efforts of our staff, keeping in mind that our human resources are our most valuable assets. Success is only limited by our ability to develop career, volunteer and support staff. It is through the collective efforts of these three groups that we are able to provide full-service fire protection to our constituency.

Our Values and Guiding Principles

Every organization has its own combination of values which govern the decisions of the group. There are many values common to the American Fire Service and below are listed those that we honor most at Northeast Teller County Fire Protection District.

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Character

We are committed and accountable to each other because our lives depend on it. We value the public's trust and are committed to honest and ethical behavior. We hold ourselves accountable and have a personal commitment to the organization and our community.

Service Excellence

We do all we can to insure the best possible service to our customers. We are active participants in the community where we live and work.

Teamwork

We seek out and value the input and opinions of members at all levels of the organization. Teamwork is the building block which drives the department's labor/management process. We work with others as a team, cooperating locally, regionally, and nationally to improve service to the public and maintain a safe and effective work environment. We believe that members have a responsibility to mentor others.

Communication

We are committed to providing effective and responsive means of communication throughout the organization and community.

Innovation

We recognize the value of change, in meeting the ever-evolving needs of our customers. We are committed to seeking out effective methods and progressive thinking.

Embrace Diversity

We are dedicated to reflecting and respecting diversity throughout our organization.

Northeast Teller County Fire Protection District 2010 Budget

This balance of this document describes the Northeast Teller County Fire Protection District (NETCFPD) 2010 budget, budgeting strategies, checks and balances for fiscal responsibility and some technical aspects of the budget.



Budgeting Strategy

The District has specific budgeting strategies to ensure financial responsibility and soundness. The District's budgeting directly correlates with its short and long term planning.

Short term planning needs are identified through the daily management of the organization. Throughout the year the management team meets to discuss the needs of each division, identifying internal and external service related issues that need attention. These issues are then marked for review in the next year's budget. If necessary, a plan is put in place to accommodate those needs in the current year by redirecting expenses.

In an effort to ensure the District's long term financial health and to continue to expand the organization to meet our customers' needs, the District is developing a long-term capital requirements plan and will integrate these needs into the 5-year fiscal forecast for the District. The forecast will incorporate changes in overhead and operating costs due to inflation, growth, increased service standards and economic factors.

In 2009 NETCFPD completed a financial reorganization that resulted in greater detail in the budgeting process and in daily fiscal management. The new financial structure features detailed tracking of expenditures by department – general overhead, fire operations, wildland operations, capital leases and capital expenditures. This reporting provides the leadership with greater detail about spending and will enable forecasting to be more accurate. As a result of this reorganization of the financial structure, comparing 2008 financial data to 2009 will appear to show significant changes in spending. Actual differences are where and how the numbers are being reported. In an effort to reduce confusion, the 2008 financial structure has been translated into the new structure and is reported in the Budget Summary pages of this document.

Along with the new fiscal structure a financial review was completed to identify inefficiencies in the District's fiscal operations. During this work it was discovered that the District has incurred penalties and interest as a result of deficiencies in written financial procedures within the finance function. Immediately upon discovering the problem, the District implemented new processes to prevent its recurrence.



Fiscal Responsibility

The District is very grateful for the continued support of the community in the way of tax dollars, to provide superior Fire, Rescue, Emergency Medical Services, Hazardous Materials Response and other services to the Northeast Teller County and Woodland Park Area. The District has several processes in place to ensure the property tax dollars received are spent wisely. Following are some examples of checks and balances the District uses to ensure fiscal responsibility:

Monthly Close Process: Each month the financials are closed following a specific process. In the process, a detailed general ledger report is provided to the chief for review to ensure expenditures are captured in the correct department and expense lines. The financial statements are reviewed for overall accuracy and adherence to pronouncements of the federal Governmental Accounting and Standards Board (GASB) and generally accepted accounting principles (GAAP) of the United States. This process identifies training opportunities for staff, catches mistakes and thereby quickly preventing unnecessary expenditures.

Monthly Executive Summary Reports: Each month after the monthly close process is complete a detailed executive summary report is produced for the Board of Directors. The report provides a high-level view of the District's fiscal activity. Included in the report are the District's current cash positions, changes in cash positions, budget performance and footnotes on any area over budget, department profit and loss summaries and capital expenditure summaries by project.

Review of Recurring Costs: Periodically, recurring costs are reevaluated to ensure that the District is getting the best possible rate. Some of the areas reviewed during 2009 were IT support costs, medical benefits, operating insurance costs, cellular phone services and financing costs.

Market Studies on Compensation: In 2008 the District completed a market study for each position within the District to ensure that salaries were appropriate and competitive. Periodically the District will repeat this step to ensure that new and existing positions have salaries and benefits that are competitive with the local market.

Performance-Based Raises and Cost of Living Raises (COLA): The District provides COLA raises to paid staff in combination with performance-based raises. The performance-based raises require a higher level of service and commitment from the staff while the COLA keeps salaries in line with market rates for each position. Although the District has provided both types of raises previously, all salaries will be

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frozen for 2010 due to current economic conditions and future indicators.

Technical Aspects of the Budget

While the NETCFPD uses governmental fund accounting practices to keep the finances in line with auditing needs, it also structured the financials in a manner that allows for financial reporting that is easy to read.

Funds

Currently the district has two (2) funds. Each fund has its own budget.

General Fund: Main operating expenses for the District including fire equipment, personal protection equipment, communication tools, administrative staff and station maintenance expenses. The general fund is made up of four (4) departments (general overhead, fire operations, wildland operations and capital leases/purchases).

Volunteer Pension Fund: All income and expenses related to the Volunteer Pension account.

NETCFPD has a career pension fund, however, this fund is a pooled fund at the Colorado Fire and Police Pension Association (FPPA), and as a result is not required to have a separate annual budget. Since it is a pooled fund, NETCFPD does not receive annual reporting on the District's individual investment performance, but the pooled investment performance only.

General Fund Departments

The General Fund budget is comprised of four (4) operating departments and a Strategic Capital Budget (Class 300/400). The four operating department classes are:

- 100 - General Overhead
- 200 - Fire Operations
- 210 – Wildland Fire Operations Outside NETCFPD
- 300/400 – Capital Lease/Capital Purchase

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The Strategic Capital budget is used to help ensure the District does not use its reserve funds to meet general operating needs. This strategic capital budget allows management to make certain that the general operating expenditures of the District can be met with the expected annual revenue of the District.

Strategic capital expenditures are defined as capital costs in excess of \$5,000 that are purchased once every 5 years or less frequently. For example, the district may purchase personal protection equipment every year that costs more than \$5,000 in total, but since it is purchased annually, this cost needs to be included in the annual operating costs. However, the purchase of an extrication tool may occur once every 7 - 10 years and would be considered a strategic capital expense.

Another advantage of tracking the strategic capital expenditures in a separate budget is that it clearly identifies when these expenditures cause the district to show an operating loss. This provides the leadership the opportunity to determine the best way to cover the operating loss due to strategic capital costs in advance of the cash being needed. Solutions may include not making a specific capital purchase, using reserve funds, securing grant funding or lease purchase financing, etc.

The General fund operating budgets provide details on how expenditures are allocated. Below is a summary of each operating budget:

General Overhead: This budget is used to track expenditures that are not directly related to providing fire/rescue services. These include, but are not limited to, administrative staff salaries and benefits, county treasurer fees, website expenditures, office supplies, postage, station repairs and maintenance, utilities, telephone expenses, office equipment, computer costs, insurance costs and professional services.

Fire Operations: This budget is used for all expenditures that directly relate to providing fire/rescue services with the exception of Wildland expenses. These costs include, but are not limited to, personal protection equipment, uniforms, fire equipment, rescue equipment, apparatus maintenance, fuel, communication equipment, fire safety costs, salaries and benefits for line personnel, training expense and emergency medical services supplies.

Wildland Fire Operations Outside NETCFPD: Although this department is directly related to the fire services, NETCFPD sends crews to work on wildland fires outside of the district's boundary. These deployments

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earn revenue as well as incur additional costs. Since providing wildland services outside of the district boundaries are not required, the District feels it is prudent to track the revenue and expenditures directly related to these services to ensure it is a fiscally sound practice. Historically, the wildland services have provided an operating surplus for the district.

Expense Groups

Each department has its own budget summary that rolls into the total General Fund Budget. The expenses within the budgets are divided into three major expense groups:

- Overhead
- Operations
- Capital

Below is a summary of the major expense groups and types of expenditures that are allocated to these groups.

Overhead Expenditures: Some of the expenditures included in this section are station maintenance costs, payroll and benefits, insurance costs, office equipment and computer maintenance costs, office supplies, pension expenses and professional service costs.

Operational Expenditures: Some of the expenditures included in this section are personal protection equipment, fire equipment, apparatus maintenance, communication costs, academy costs, firefighter training, and fire safety costs.

Capital Expenses: This expense group includes all types of capital expenditures – operating and strategic. The operating budgets include capital expenditures that occur annually or more frequently than every 5 years or cost less than \$5,000. The strategic capital, as noted above consists of more expense capital costs that have a life of longer than 5 years.

Budget Documents

The Budget consists of several various reports. The reports found in this document are as follows:

- Budget Summary by department
- Budget Summary Profit & Loss
- Revenue Detail
- Expense Detail

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- 100 – General Overhead Budget (profit & loss format)
- 200 – Fire Operations Budget
- 210 – Wildland Fires Outside NETCFPD Budget
- 300 – Capital Leases Budget
- 400 – Capital Purchases Budget

The Revenue and Expense detail reports show the line-by-line information of how the total budget number was determined and which department that expense or revenue is allocated to.

2010 Budget Overview

As presented, the operating budget is balanced. Total anticipated revenues to the General fund are budgeted to be \$1.74 million. The operating budget for 2010 outlined in this document equals \$1.68 million.

In 2007 the District began efforts to increase the amount of unrestricted, undesignated reserve funds for unexpected expenditures. These are monies in excess of reserved funds such as the statutorily required TABOR 3% emergency fund.

At the end of 2007, the unrestricted amount available was \$36,398, at the end of 2008 the unrestricted amount available was \$154,100 and this amount is expected to increase by approximately \$146,624 in 2009 bringing the unrestricted reserve up to \$300,724. As presented, the 2010 budget shows a \$54,253 operating surplus that will continue to build the operating reserves to an estimated \$352,777 by year end 2010.

As a result of the economic downturn of 2009, many special districts across Colorado are anticipating a decline in property tax revenue between 2010 and 2014. For NETCFPD, the assessed valuations increased by 5% from December 2007 to August 2009. However, the district is anticipating a 0.22% increase in overall revenue from 2009 to 2010. As a result the District's operating budget will remain flat from 2009 through 2010, and current services and staffing will be maintained to the best of the District's ability. The District is committed to being fiscally wise, while aggressively seeking out new ways to be efficient. This practice will become even more critical over the next four (4) years as inflation begins to rise and general operating costs increase, while the District's revenue decreases or remains flat.

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The budget includes the follow highlights:

General Overhead: There are no significant changes to this budget relative to 2009. Insurance expenses are anticipated to increase 6.87% from 2009 to 2010 and Payroll and Benefits expense is anticipated to decrease 20.32% from 2009 to 2010. The major reason for this decrease is a change in District financial practices which will avoid penalties and interest for payroll taxes. In addition to changes in salaries and benefits expense, the professional services fees are anticipated to decrease by 68%, since projects started in the last several years have been completed. Overall the General Overhead budget has been increased by less than 1% from 2009 to 2010. In other words the District's Operating Budget will remain flat.

Fire Operations:

The largest change in this division is employee benefits. In 2009, during the financial analysis, it was discovered that the pay structure for the line personnel was resulting in large amounts of accrued compensatory time and vacation time. This accrual was not only a financial risk to the district, but presented a potential staffing risk. As a result, the District reviewed the pay practices of the District, the Fair Labor Standards Act section 207(k) regulations and revised the pay structure so all line personnel salaries would include payment for scheduled overtime, rather than accruing compensatory time for scheduled overtime. As a result of the change, the salary expense has increased by \$53,000. This includes scheduled overtime for the line staff and additional training hours for all staff. The benefit of this change is that accrued vacation and compensatory time will remain at reasonable levels, eliminating the risk of staffing problems and a large outlay of cash when a staff member leaves the district. In total, salaries and benefits will increase 26% from 2009 to 2010 due to the change in pay practices. The vacation and compensatory time buyout of employees will be completed at the end of 2011, when all employee balances will be at or below the maximum allowable accrual by new District policies.

General fire operations expenses are expected to increase by 15.7% and fire operation capital expenses are expected to decrease 100% from 2009 to 2010. Overall the Fire Operations Budget will increase 16.7% from 2009 to 2010.

Wildland Fire operations Outside NETCFPD: Forecasting wildland expenses and revenues directly relates to the number of wildland fires in a given year. Since this is next to impossible to forecast, the revenue budget has remained flat and the expense budget has

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increased by approximately 150%, to enable the District to purchase more wildland equipment in preparation for a wildland incident. This 150% increase totals \$2,710.

Capital Outlay: For 2010, the District does not have any Strategic Capital budgeted.

NETCFPD is developing a comprehensive 5-year revenue and expense forecast to determine what impact decreased assessed valuations and inflation will have on maintaining the current level of service.

Budgeting and financial tools are reviewed and modified to keep up with the new demands of the district.

Sincerely and Respectfully Submitted,

Tyler Lambert
Acting Chief
Northeast Teller County Fire Protection District