

Menlo Park Fire Protection District

General Fund Revenue Section



Adopted by the Board of Directors on 6-26-2012 Resolution
#1539-2012

General Fund Revenues

The Fire District's revenue comes from a variety of sources, some of which are restricted to certain uses by law. Certain revenues, such as those collected by the Fire Prevention Division, are for a specific service. Other revenues come from state and federal agencies, and the District has virtually no control over how much is received. In addition, a number of the District's revenue sources are subject to the Gann Limit, a Proposition based restriction on the amount of revenue the State and other governmental entities can collect. District sources subject to the Gann Limit include property taxes, interest income, and revenue from the Homeowner Property Tax Relief (HOPTR) provision. The following is a brief overview of the District's various General Fund revenue sources, by significant category, as defined by the Office of the California State Controller.

Taxes

(Subject to Gann Appropriation Limit)

Secured Property Taxes: Secured taxes are calculated based upon the value of real property, land, and personal property, such as structures, located upon the real property. Secured property is taxed at a general rate of one percent of the assessed value. Additional, voter approved charges may apply depending upon the location of the property. These taxes make up the majority of the District's revenue each fiscal year.

Unsecured Property Taxes: Unsecured taxes are assessed against movable personal property such as business equipment, boats and airplanes. The tax is considered unsecured because any tax not paid results in a lien filed against the owner of the property, not the property itself.

Supplemental SB 813 Tax Revenue: SB 813, also known as the Hughes-Hart Educational Reform Act of 1983, originally was designed to close a perceived loophole in Proposition 13 and generate much needed additional funding for schools. The new law established a "floating lien date" and prevented property owners from delaying the taxation of their properties at higher value assessments. After the first year, the revenue generated by SB 813 is distributed to all local governments that receive property tax revenues.

Unitary Property Taxes: Unitary taxes cover such entities as railroads, electric, gas, telephone and automobile companies. The State Board of Equalization assesses the value of these companies' operations and establishes a countywide tax rate system.

ERAF Shift: One of the most significant fiscal shifts in property tax revenue from the District by legislative action is the ERAF shift. The State passed into law two tax shifts, ERAF I (FY 1992-93) and ERAF II (FY 1993-94) which shift local AB8 property tax revenues from counties, cities, special districts, and redevelopment agencies to K-12 schools and community colleges.

ERAF Rebate: In October of 2003, the San Mateo County Controller announced that there would be a refund to local tax receiving agencies from excess funds in the ERAF trust fund. These refunds are primarily a result of the local tax base increasing at a rate faster than the increase in the funding limits of the Schools and Community Colleges. Based on the advice from San Mateo County, the revenue projections do not include the ERAF Rebate as a source of on-going revenue to the District.

Licenses and Permits

(Not Subject to Gann Appropriation Limit)

Licenses and Permits: A number of permits are required under the District's Fire Prevention Code and were adopted under the State Fire Protection District Act of 1987 and the California Fire Code. The District charges fees to cover a portion of the costs of issuing permits, providing fire prevention services and enforcing the Fire Code. The District charges annual and per project cost recovery fees to authorize the storage of certain hazardous and flammable materials. There is also a permit fee to review plans for new buildings and improvements. Fees are charged to review the installation of automatic fire sprinkler systems and fire alarms, and to operate certain types of businesses, such as apartment buildings, motels, dry cleaning plants and automobile wrecking yards.

Current Service Charges

(Not Subject to Gann Appropriation Limit)

Weed Abatement Assessments: On an annual basis, the Fire Protection Division inventories all parcels within the District's boundaries that have weeds (combustible vegetation) visible from the street. The property owners are given until June 1, to abate the fire hazard, by cutting down, plowing, or any other safe means of removing the fire hazard. After such time the District hires a contractor to abate the fire hazard, the cost for the contractor and an administration fees is submitted to the San Mateo County Tax Assessor's Office for inclusion on the tax rolls. The District receives this assessment directly from San Mateo County. The Fire District has adopted a 100 percent cost recovery program starting with fiscal year 2012-13.

Use of Money & Property

Rents and Concessions: The District generates additional revenue by providing a number of rental services. A cellular telephone company pays a fee to place transmission towers on District property and an ambulance service company rents space in the District's garages. (Not Subject to Gann Appropriation Limit)

Interest Income: Most of the District's cash balances are held with the State of California Local Agency Investment Fund (LAIF). The District earns income from these holdings, which varies depending upon market interest rates. The investment funds are conservative in nature and are designed to generate a consistently positive return while maintaining the preservation of capital. (Subject to Gann Appropriation Limit)

Inter-Governmental

Governmental Agencies: The District also receives revenue from other governmental agencies, such as the State Office of Emergency Services (OES) for forestry and wild fire services. (Not Subject to Gann Appropriation Limit)

Annually, the District receives revenue from the Redevelopment Agency of the City of Menlo Park, the City of Palo Alto, and the Redevelopment Agency of the City of East Palo Alto. However, by ABX1 26 the RDA's were dissolved as of February 1, 2012. Upon dissolution of an RDA, all assets and liabilities of the RDA revert to the "Successor Agency," usually sponsored by the city which originally formed the RDA. An Oversight Board must be created for every RDA to oversee the actions of the Successor Agencies. The State Department

of Finance has the power to overturn any action by any Oversight Board. Each Oversight Board of a Successor Agency will have seven members: two appointed by the County Board of Supervisors, one by the Mayor, one by the largest Special District taxing entity in the former RDA, one by the County school Superintendent, one by the local Community College Chancellor, and one former RDA employee appointed by the Mayor/Board of Supervisors. As the largest Special District in both the Menlo Park and East Palo Alto RDA communities, the Menlo Park Fire Protection District is authorized to appoint one member to each of the RDA Successor Agencies' Oversight Boards.

For comparison purposes and until the stabilization of the Oversight Board process and the distribution process from the County the District continues to budget these fund in the Intergovernmental section of the document as RDA revenues. At such time when the distribution has been stabilized, the District will revise the approach to the disclosure of these funds. (Subject to Gann Appropriation Limit)

These revenues may also include general or categorical support called subventions, as well as grants for specific projects, and reimbursements. The funds related to the Cooperative Agreements for Task Force Three are not included in the General Fund. (Not Subject to Gann Appropriation Limit)

The Homeowner Property Tax Relief: HOPTR provides a \$7,000 exemption on the value of owner occupied homes. The tax revenue lost from this exemption is made up in part from other sources and the District receives a share of this funding. The amount received by the District is less than one percent of all property tax revenue received. (Subject to Gann Appropriation Limit)

Other Revenue

(Not Subject to Gann Appropriation Limit)

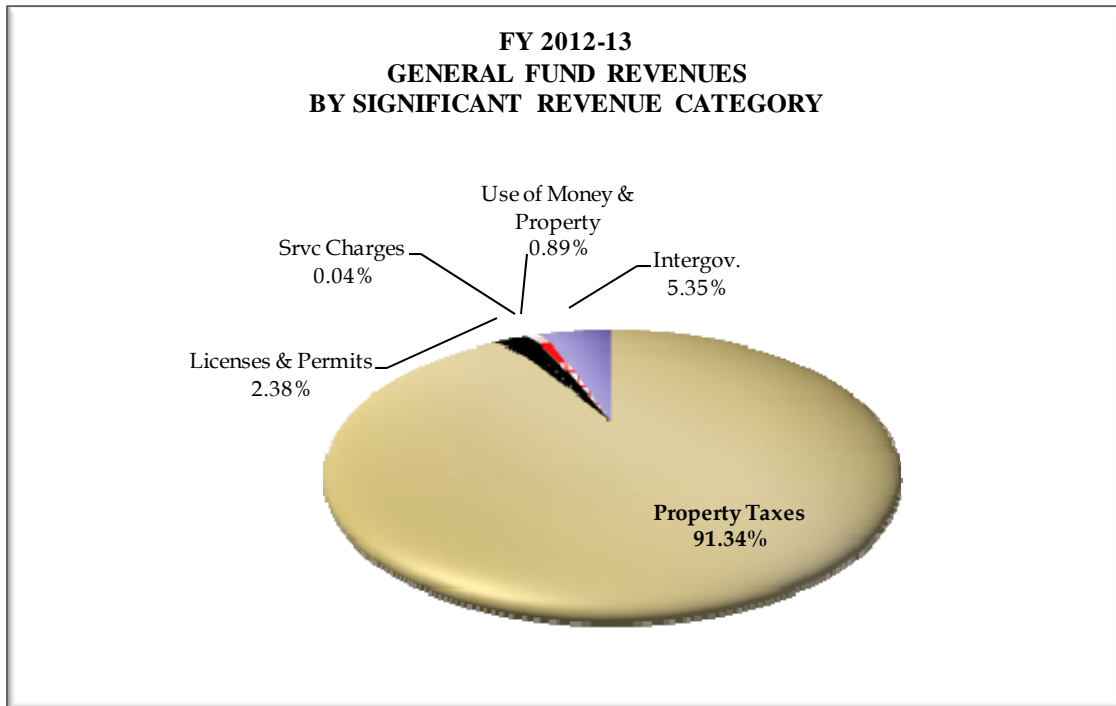
Gifts and Donations: Members of the community and organizations, at times, give the District gifts or donate material or products useful to the District. Most of the recent personal donations were spent on the care of the task force search teams' search and rescue dogs. Currently all donations are directed to Philanthropic Ventures Foundation which is one of the charitable organizations that have supported Task Force 3 since April of 2008. This foundation has developed a designated fund within their 501(c) (3) structure to receive and process donations on behalf of the Task Force, and to provide donors with acknowledgement letters for their contribution of \$250 or more as allowed by various tax codes. The Philanthropic Ventures Foundation charges an administrative fee of two percent of contributions and thereafter two percent per annum for this service, staff report March 18, 2008.

Summary Presentation of Revenue Sources

The District receives revenue from several sources, primarily from secured property taxes. Fees for services provided and all other non-tax related sources comprise less than 10 percent of total revenue. For the coming fiscal year, the District's revenues are estimated to decrease, primarily due to re-categorizing of the ERAF Rebate revenue from an ongoing revenue to a one-time source upon receipt. The table below summarizes the actual, adopted, estimated, proposed and planned revenue by significant categories.

Summary of General Fund Revenue by Category					
Category	2010-11 Actual	2011-12 Adopted	2011-12 Yr End Est.	2012-13 Adopted	2013-14 Planned
Taxes:					
<i>Ongoing Property Taxes</i>	26,466,400	26,007,200	26,702,400	26,973,700	27,243,500
<i>One-Time Tax Revenue ERAF</i>	2,058,700	1,873,800	1,951,700	-	-
Licenses & Permits	719,200	654,100	704,000	711,000	718,100
Current Service Charges	9,000	8,200	8,200	11,200	11,200
Use of Money & Property	328,200	284,300	247,100	266,100	266,100
Intergovernmental	1,689,500	1,643,300	1,632,800	1,597,100	1,599,000
Other Revenue	71,300	-	36,100	-	-
Other Financing Sources	26,100	-	-	-	-
Grand Total	31,368,400	30,470,900	31,282,300	29,559,100	29,837,900
<i>FY 2012-13 vs FY 2011-12A</i>					
Yrly Decrease \$				(911,800)	
Yrly Decrease %				-2.99%	
<i>FY 2012-13 vs FY 2011-12EST</i>					
Yrly Decrease \$				(1,723,200)	
Yrly Decrease %				-5.51%	

The following chart shows the District's dependency on property taxes.

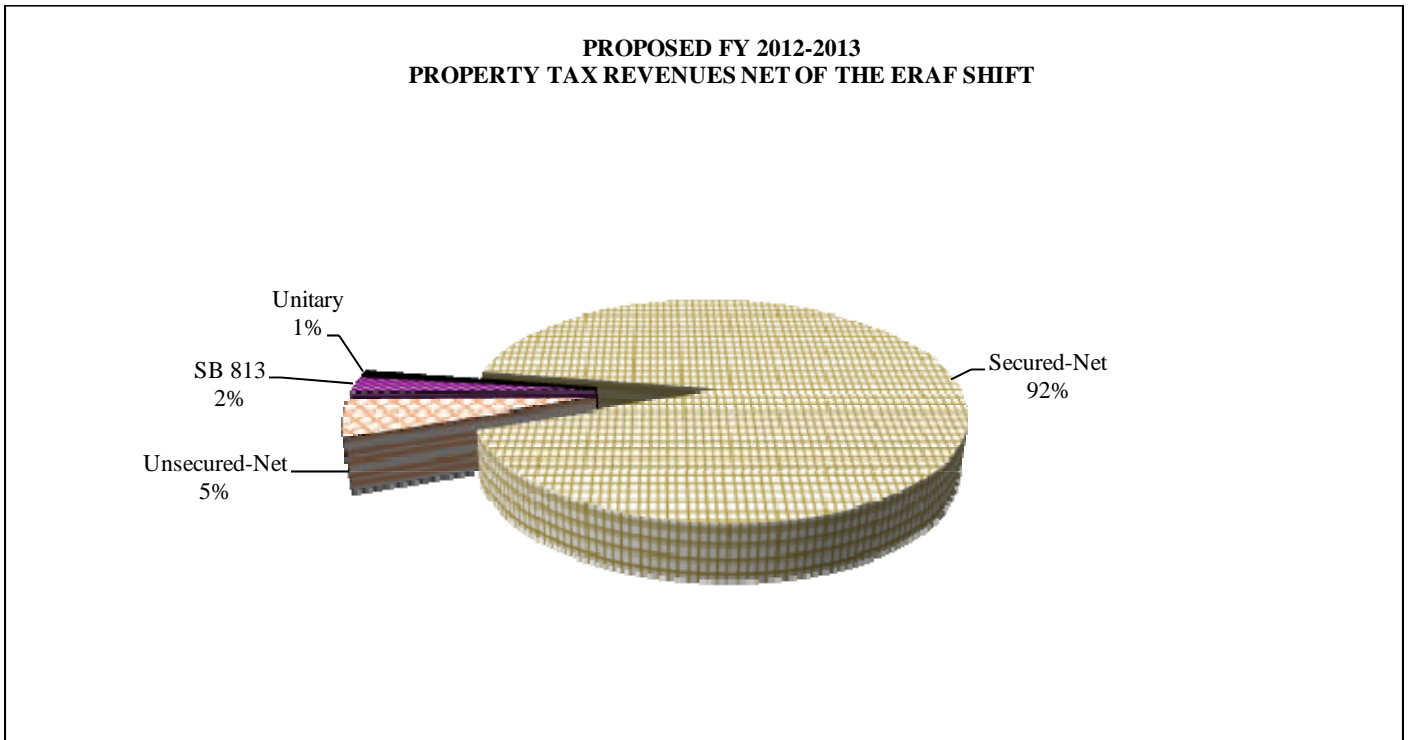


Tax Revenues by Significant Category

The following table and chart provide an overview of the components of property tax revenues received by the District. Within the pie chart, the ERAF shift is net to each of the applicable revenue sources. The San Mateo County Controller discussed the ERAF Rebate at the November 18, 2011 SAMFOG meeting and concluded that the ERAF Rebate should not be a component of ongoing revenues. Therefore, for FY 2012-13, the ERAF Rebate was not included in the ongoing operating revenues.

General Fund Revenue in the Category of Taxes

<u>Category & Description</u>	<u>2010-11 Actual</u>	<u>2011-12 Adopted</u>	<u>2011-12 Yr End Est.</u>	<u>2012-13 Adopted</u>	<u>% of Taxes</u>	<u>2013-14 Planned</u>
Taxes:						
Net Property Tax Secured (NPTS)	24,601,420	24,230,390	24,791,080	25,047,340	93%	25,297,760
Net Property Tax Unsecured (NPTU)	(1,899,932)	1,244,328	1,405,476	1,415,848	5%	1,430,052
Property Tax SB 813 (813)	334,900	394,600	334,900	338,200	1%	341,600
Property Tax - Prior Year	67,000	-	-	-		-
Unitary Tax (UT)	171,300	172,300	206,900	208,500	1%	210,600
ERAF Rebate (ER)	2,058,700	1,873,800	1,951,700	-	0%	-
Total Taxes	28,525,100	27,881,000	28,654,100	26,973,700		27,243,500
<i>FY 2012-13 vs FY 2011-12A</i>						
Yrly Decrease \$				(907,300)		
Yrly Decrease %				-3.25%		
<i>FY 2012-13 vs FY 2011-12EST</i>						
Yrly Decrease \$				(1,680,400)		
Yrly Decrease %				-5.86%		



General Fund Revenue by Category by Type

The following table provides an overview of the District's General Fund Revenues. Included in the table is a Gann Appropriation indicator:

- Y = subject to the Appropriations Limit
- E = exempt from the Appropriations Limit

A summary has been provided of revenue that is and is not subject to the Gann limit.

		<u>General Fund Revenue - by Category by Type</u>				
<u>Category & Description</u>		<u>2010-11 Actual</u>	<u>2011-12 Adopted</u>	<u>2011-12 Yr End Est.</u>	<u>2012-13 Adopted</u>	<u>2013-14 Planned</u>
Total Taxes	Y	28,525,100	27,881,000	28,654,100	26,973,700	27,243,500
<u>Licenses & Permits :</u>						
Fire Prevention Division	E	719,200	654,100	704,000	711,000	718,100
	E					
Total License & Permits		719,200	654,100	704,000	711,000	718,100
<u>Current Service Charges:</u>						
Weed Abatement	E	9,000	8,200	8,200	11,200	11,200
Total Service Charges		9,000	8,200	8,200	11,200	11,200
<u>Use of Money & Property:</u>						
Interest Earnings	Y	161,300	113,900	113,900	118,200	118,200
Rent-444 Elcamon/IEC/H	E	74,200	75,900	43,500	57,900	57,900
Rent-North Vector	E	6,500	8,900	-	-	-
Cell Sites	E	86,200	85,600	89,700	90,000	90,000
Total Use of Money		328,200	284,300	247,100	266,100	266,100
<u>Intergovernmental:</u>						
HPTR	Y	221,700	211,100	228,800	230,400	232,700
HOPTR ERAF Shift	Y	(35,400)	(34,500)	(35,900)	(36,200)	(36,600)
RDA - East Palo Alto	Y	570,200	599,400	570,200	570,200	570,200
RDA - Menlo Park	Y	647,500	677,200	647,500	647,500	647,500
Grants-Federal/State	E	53,700	-	-		
JPA	E	187,200	190,100	185,200	185,200	185,200
FEMA-Co-Op Agreement	E	44,600	-	37,000	-	-
Total Intergovernmental		1,689,500	1,643,300	1,632,800	1,597,100	1,599,000
<u>Other Revenues:</u>						
Misc. Revenue	E	66,500		36,100		
Donations	E	4,800				
Total Other Revenue		71,300	-	36,100	-	-
<u>Other Financing Sources:</u>						
Capital Asset/Rent	E	26,100				
Total Other Fin. Sources		26,100		-	-	-
Grand Total		31,368,400	30,470,900	31,282,300	29,559,100	29,837,900
Subject to Gann	Y	30,090,400	29,448,100	30,178,600	28,503,800	28,775,500
Exempt from Gann	E	1,278,000	1,022,800	1,103,700	1,055,300	1,062,400
Grand Total		31,368,400	30,470,900	31,282,300	29,559,100	29,837,900

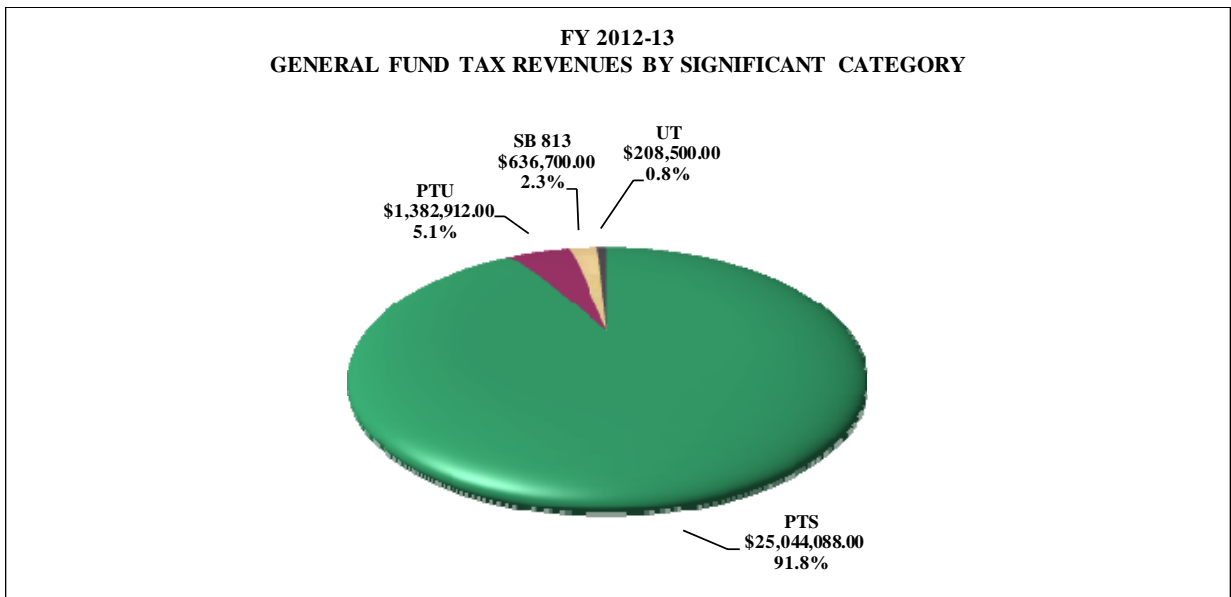
General Fund Revenue Detail Disclosure Worksheets

Beginning with the FY 2007-08 budget document, staff has implemented the addition of revenue analysis worksheets and data sheets. In each case there is a brief description of the revenue source, a multiyear analysis, disclosure of the methodology used for the current year budget, and an estimate for the next fiscal year.

Detailed worksheets follow for the General Fund revenue categories listed below:

- Gann Appropriation Limit
- Secured Property Tax Revenue
- Unsecured Property Tax Revenue
- Senate Bill 813 Supplemental Tax Revenue
- Education Revenue Augmentation Fund (ERAF) Shift
- Education Revenue Augmentation Fund (ERAF) Rebate
- Licenses & Permits
- Interest Income

The significant revenue categories, 93 percent of the operating budget are presented with a detailed analytical worksheet, as highlighted in the following table.



Gann Appropriation Limit

Description: In November of 1979, the voters of the State of California approved Proposition 4, the Gann Initiative. The Proposition created Article XIII B of the State Constitution, placing limits on the amount of revenue which can be spent by all entities of government. Proposition 4 became effective in FY 1980-81, and the formula for calculating the limit was based on the 1978-79 “base year” revenue. In June of 1990 the voters approved adjustments to the formula and initiated the requirement for an annual review. Not all revenues are restricted by the limit, only those which are referred to as “proceeds of taxes”. Additionally, proceeds of taxes are allowed to be spent on several types of appropriations which do not count against the limit, they are:

- Taxes used for voter approved debt
- Costs of complying with court and federal mandates
- Qualified capital outlays

Analysis: In November of 2011, the voters set the Appropriations Limit for the District at \$40,000,000. This limit is in place for four years:

- FY 2011-12
- FY 2012-13
- FY 2013-14
- FY 2014-15

If the limit is not reset by the voters prior to July 1, 2015, the District's allowed annual expense will default to the calculated limit. However, as noted, exemptions to the limit may impact the District’s actual spending levels. For example, expenses related to “Qualified capital outlays” are relatively significant and are not counted against the limit. Such expenses include:

- Annual debt service & other related financing costs
- Certificates of participation
- Lease-purchases
- Periodic contributions into a capital reserve fund
- Purchase or rehabilitation which enhances the value of or extends the life of existing property

The criteria for contributions into a capital reserve fund are that the capital expenditure be greater than \$100,000 and have a useful life of at least ten years. At this time the District has two qualifying capital reserve funds:

1. Reserve for the replacement of apparatus.
2. Reserve for the replacement/rebuild of seven stations.

The following table summarizes the General Fund revenue that is subject to the Gann Limit and delineates the exclusions to the Gann Limit for allowable contributions to Capital Reserve Funds, comparing the District’s adjusted appropriations to the voter approved limit of \$40,000,000.

	2010-11	2011-12	2011-12	2012-13	2013-14
Gann Analysis	Actual	Adopted	Yr End Est.	Adopted	Planned
GF Revenue Subject to Limit	30,090,400	29,448,100	30,178,600	28,503,800	28,775,500
<i>Voter Approved Limit</i>	25,000,000	40,000,000	40,000,000	40,000,000	40,000,000
Under Limit		10,551,900	9,821,400	11,496,200	11,224,500
Over Limit	5,090,400				
<i>Calculated Limit @ June 30th</i>	20,722,807	21,394,226	21,394,226	22,378,360	23,407,765
Over Limit	9,367,593	8,053,874	8,784,374	6,125,440	5,367,735
% Over Limit	45%	38%	41%	27%	23%

The detailed calculation of the FY 2012-13 Appropriation Limit is provided in the Appendix, *Resolution No. 1534-2012*.

Secured Property Tax Revenue

Description: Property tax is an ad valorem (value-based) tax imposed on real property and tangible personal property. California Constitution Article XIII A (Prop 13) limits the property tax to a maximum one percent of assessed value, not including voter-approved rates to fund debt. The assessed value of the property is capped at 1975-76 base year plus inflation or two percent per year, whichever is less. Property that declines in value may be reassessed at the lower market value. Property is reassessed to current full value upon change in ownership. Secured Property Taxes are assessed on real property, both land and improvements. These taxes make up the majority or 84 percent of the District's total tax revenue each fiscal year. Property Tax is distributed by the San Mateo County Controller to the District as follows:

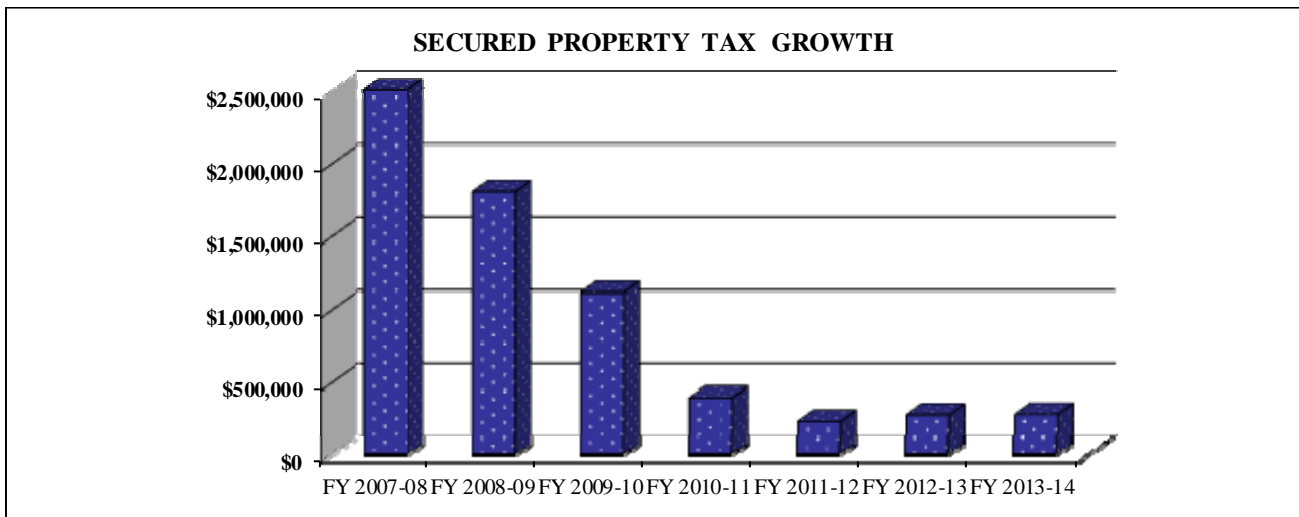
Month	%	Month	%
Nov.	5%	Dec.	45%
March	5%	April	45%

The county charges the District an administrative fee for providing this service. San Mateo County calculated the administrative fee based upon the recovery of cost

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
	Actual	Actual	Actual	Actual	Actual	Yr End Estimate	Adopted	Planned
% of Growth as Recommended by Finance Committee							1.00%	1.00%
Secured	19,673,800	24,471,100	26,273,700	27,391,700	27,790,300	28,024,600	28,304,800	28,587,800
Total Growth		4,797,300	1,802,600	1,118,000	398,600	234,300	280,200	283,000
Growth Trend as %		24%	7%	4%	1%	1%	1%	1%
Admin Fee	179,000	163,000	191,800	208,400	219,300	201,400	203,800	205,800
% of Tax	0.91%	0.67%	0.73%	0.76%	0.79%	0.72%	0.72%	0.72%

associated with administering the allocation of tax revenue to the District. Fiscal year 2012-13 is estimated with an one percent fee increase over the fiscal year 2011-12.

Analysis: According to the data provided by the County from FY 2006-07 to FY 2011-12, the average annual growth in secured property tax was 7.7 percent. In March of 2008 the District Finance Committee recommended, and the Board supported, designating a 5.5 percent growth rate for on-going operations, with the remaining balance allocated to a reserve for property tax fluctuation. For FY 2009-10 a 3 percent growth rate was applied, for FY 2010-11 a zero growth rate was applied, and for FY 2011-12 a -2.78 percent growth rate was applied. In February 2012, the Finance Committee set the secured property tax revenue at a one percent growth rate for FY 2012-13 and 2013-14. The growth rate is applied to the "Year-End Estimate." Starting with fiscal year 2012-13, the budget estimates are based upon the District's audited financials rather than the annual San Mateo County levy letters.



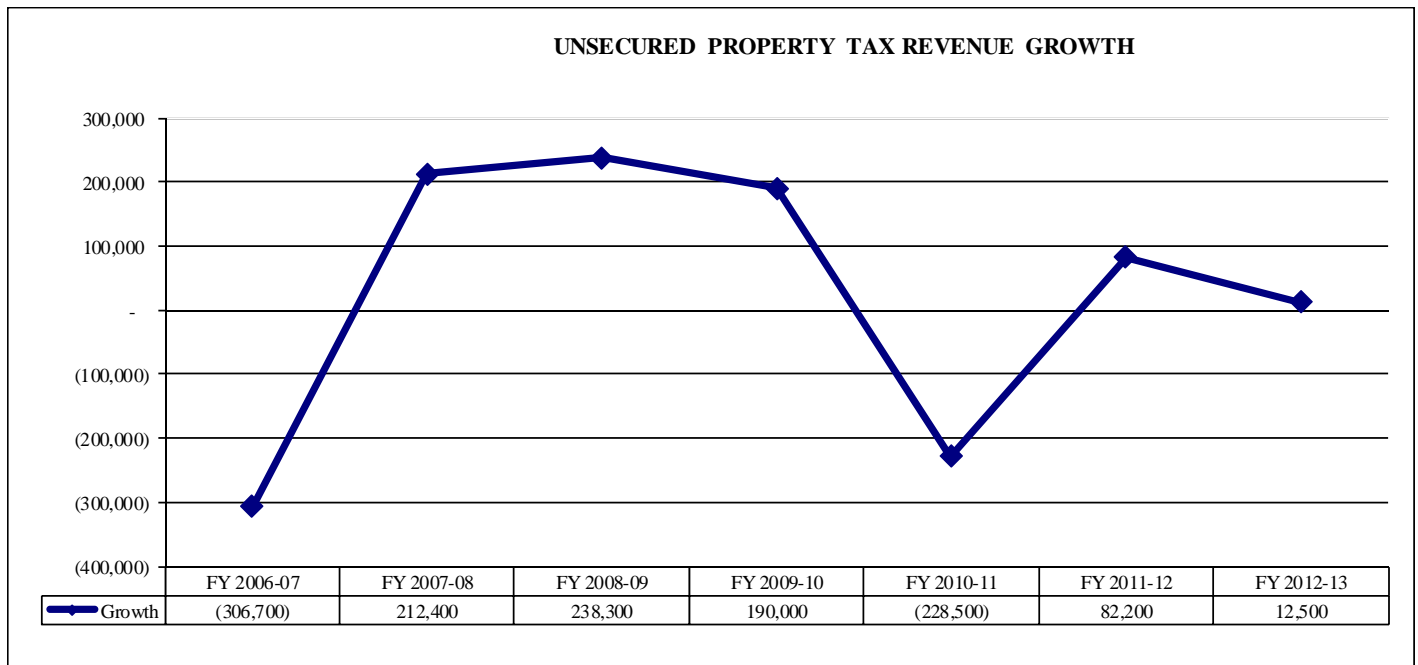
Unsecured Property Tax Revenue

Description: Unsecured property taxes are assessed on business or personal property such as boats, aircraft, and servers. Unsecured property tax revenue, unlike secured tax revenue, is not subject to the Teeter Plan, which requires the County to disburse funds based upon the amount billed, not on the amount collected. Therefore, if the County is unable to collect the full amount billed, the District still receives its portion of the total billed.

collected, the average unsecured property tax received from FY 2006-07 through FY 2011-12 was \$1,566,900. In FY 2007-08 there was a significant increase of 18 percent and due to the current economic climate the analysis looks to the years prior to FY 2008-09 to provide comparable data. For FY 2012-13 the same rate used for secured property taxes is applied to unsecured property taxes. The growth rate is calculated based on the “Year End Estimate.” Following is a chart of the actual unsecured property tax revenue collected.

Analysis: According to data collected from FY 2006-07 to FY 2011-12, the average annual growth in unsecured property tax was 3.7 percent. For FY 2011-12, a one percent growth rate in property tax has been applied. According to the actual unsecured property tax revenue

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
	Actual	Actual	Actual	Actual	Actual	Yr End Estimate	Adopted	Planned
Unsecured	1,198,500	1,410,900	1,649,200	1,839,200	1,610,700	1,692,900	1,705,400	1,722,500
Growth	(306,700)	212,400	238,300	190,000	(228,500)	82,200	12,500	17,100
% Change	-20%	18%	17%	12%	-12%	5%	1%	1%



Senate Bill 813 Tax Revenue

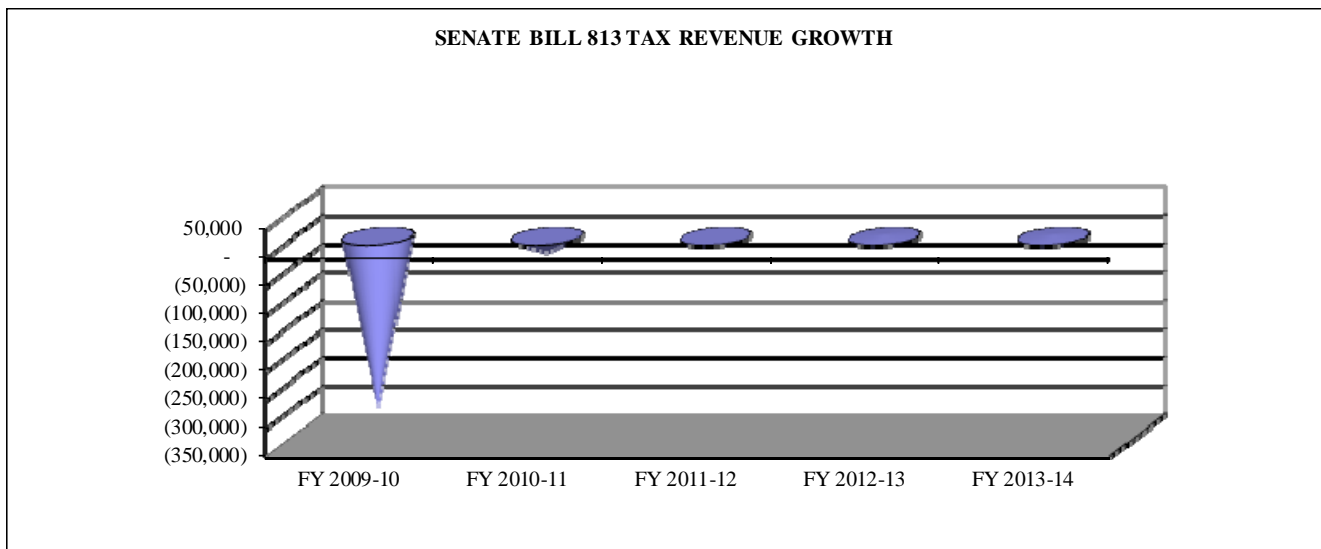
Description: Supplemental Senate Bill (SB) 813, also known as the Hughes-Hart Educational Reform Act of 1983, originally was designed to close a perceived loophole in Proposition 13 and generate much needed additional funding for schools. The new law established a “floating lien date” and prevented property owners from delaying the taxation of their properties at higher value assessments. After the first year, the revenue generated by SB 813 is distributed to all local governments that receive property tax revenues.

State law requires the Assessor to reappraise property upon change in ownership or completion of new construction. The supplemental assessment reflects the difference between the new value and the old value. The Auditor-Controller calculates the supplemental property tax, and prorates it, based upon the number of months remaining in the fiscal year in which the event occurred. The fiscal year runs from July 1 through June 30.

A change in ownership or new construction completion which occurs between January 1 and May 31 results in two supplemental assessments and two supplemental tax bills. The first supplemental bill is for the remainder of the fiscal year in which the event occurred. The second supplemental bill is for the subsequent fiscal year.

Analysis: District staff began tracking SB813 revenues in FY 2007-08. FY 2008-09 SB 813 tax revenue decreased by 22 percent, the total decline for FY 2009-10 was 45 percent and for FY 2010-11 it was 8 percent. For fiscal year 2011-12, the estimated revenue is not expected to decline and it may stabilize at the prior year level. For FY 2012-13 the growth rate is estimated at one percent. The following table shows the budget calculations for the next two fiscal years.

	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
	Actual	Actual	Actual	Estimated	Adopted	Planned
SB 813	663,700	362,100	334,900	334,900	338,200	341,600
Growth		(301,600)	(27,200)	-	3,300	3,400
% Change		-45%	-8%	0%	1%	1%



Education Revenue Augmentation Fund (ERAF) Shift

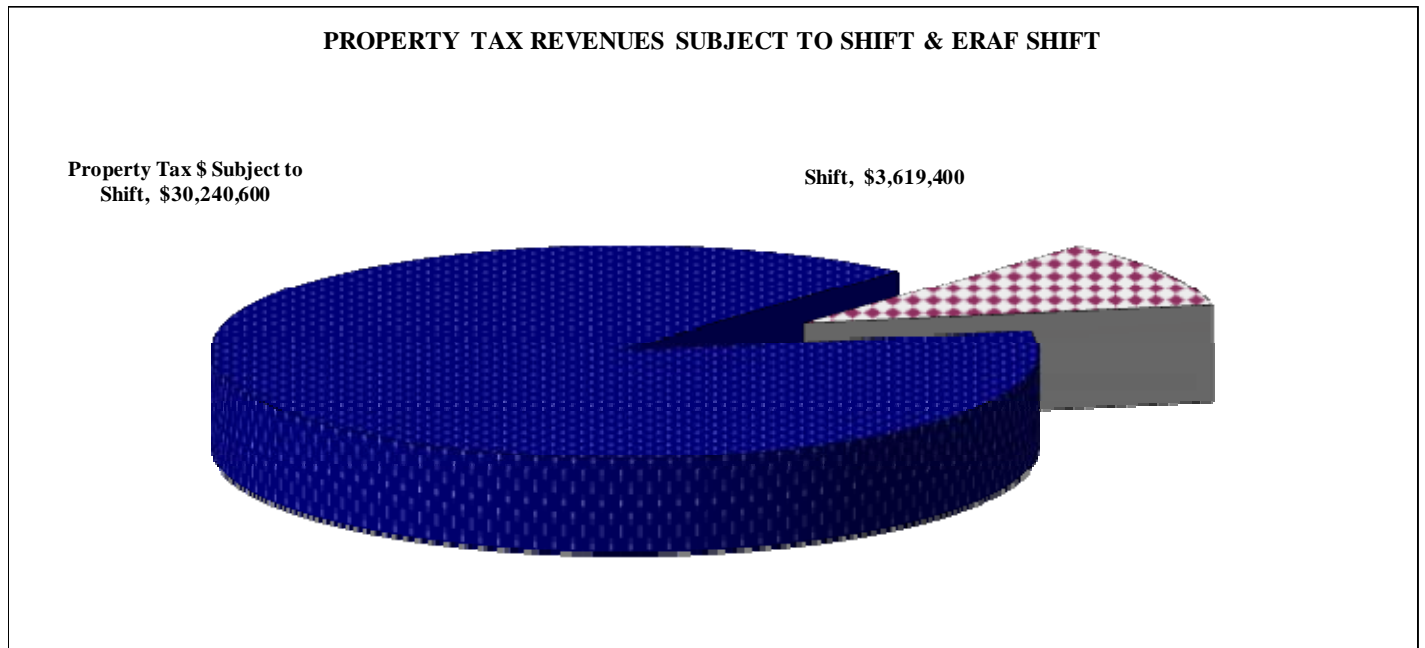
Description: One of the most significant fiscal shifts in property tax revenue from the District by legislative action is the ERAF shift. The State passed into law two tax shifts, ERAF I (FY 1992-93) and ERAF II (FY 1993-94) which shift local AB8 property tax revenues from counties, cities, special districts, and redevelopment agencies to K-12 schools and community colleges. The base ERAF I and II tax shifts were specified by the State using population and other factors, and are adjusted yearly per the incremental growth rate in assessed property values. ERAF III is an additional tax shift implemented by the State for FY 2004-05 and FY 2005-06. The District was not subject to this last shift; however the continuing

trend towards the allocation of more tax revenue to schools and other state specified entities is a precedent setting event.

Analysis: Using the data provided by San Mateo County, the District's ERAF shift can be calculated at approximately 12 percent of each of the applicable property tax revenues: Secured, Unsecured and Home Owners Property Tax Exemption (HOPTR). The 12 percent rate has been used for the budget estimates.

The following table provides a summary of the property tax revenues and the amount of the gross ERAF shift, for the category of taxes and inter-governmental.

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
	Actual	Actual	Actual	Actual	Actual	Yr End Estimate	Adopted	Planned
Secured	19,673,800	24,471,100	26,273,700	27,391,700	27,790,300	28,024,600	28,304,800	28,587,800
Unsecured	1,198,500	1,410,900	1,649,200	1,839,200	1,610,700	1,692,900	1,705,400	1,722,500
HOPTR	180,600	211,900	212,500	217,700	221,700	228,800	230,400	232,700
Sub-Total	21,052,900	26,093,900	28,135,400	29,448,600	29,622,700	29,946,300	30,240,600	30,543,000
Shift	(2,866,800)	(3,136,900)	(3,383,400)	(3,524,200)	(3,543,200)	(3,592,800)	(3,619,400)	(3,655,600)
%	14%	12%	12%	12%	12%	12%	12%	12%



Education Revenue Augmentation Funds (ERAF) Rebate

Description: In October of 2003, the San Mateo County Controller announced that there would be a refund to local tax receiving agencies from excess funds in the ERAF trust fund. These refunds are primarily a result of the local tax base increasing at a rate faster than the increase in the funding limits of the Schools and Community Colleges. Appropriations to ERAF are based on amounts set by the State in FY 1992-93 and FY 1993-94, adjusted each year by increases in assessed values of properties in respective taxing jurisdictions. Under the current law, excess ERAF cannot be used for purposes other than to refund back to taxing jurisdictions that contributed to ERAF. Historically the State has revised data affecting the calculation of the excess ERAF for up to three years. Past adjustments have resulted in a 5 percent to 10 percent change in reported expenditures. To ensure funding for these potential adjustments, the Controller reserves 10 percent of each year's excess until the three year period has passed.

Analysis: In January of each fiscal year, the District receives notification from the County of San Mateo Controller's Office regarding the amount of ERAF refund to be distributed to each tax receiving agency in that month. The refund is primarily made up of three components:

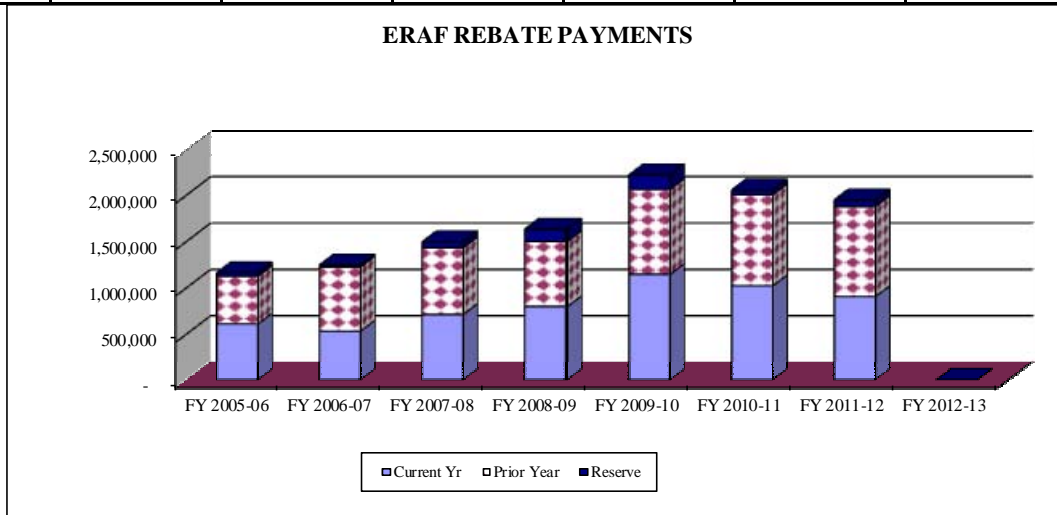
1. 50 percent of the projected excess for the current fiscal year.
2. 50 percent of the remaining balance due for the prior fiscal year, net of reserves.
3. 100 percent of the residual reserve balance in the 10 percent contingency fund.

San Mateo County calculates ERAF refunds based on the taxing jurisdictions participating in ERAF Shifts that are refunded. San Mateo County transfers ERAF funds monthly to the school districts and the excess will be refunded to the local taxing jurisdictions that contributed to ERAF shift funds. If the actual revenue exceeds the budgeted amount, it will be allocated to the Economic Uncertainty Reserve Fund. If the actual revenue collected is less than the budgeted amount, then a draw down from the Economic Uncertainty Reserve Fund will balance out the deficit.

The Finance Committee at its meeting of February 7, 2012, reviewed the recommendation provided by the San Mateo County Controller at the November 18, 2011 SAMFOG meeting and concluded that the ERAF rebate should not be a component of ongoing revenues. As noted in the Staff report dated May 15, 2012, the ERAF rebate funds for FY 2011-12, and FY 2012-13 will be allocated to fund the long term OPEB obligation.

The following table provides a history of the composition of the ERAF funds received by the District and the budget estimates:

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	2012-13
	Actual	Actual	Actual	Actual	Actual	Estimated	Adopted
Growth % Current Y	-13%	34%	12%	43%	-11%	-11%	
Current Year @ 50%	535,500	715,300	801,500	1,149,400	1,025,100	909,600	-
Prior Year @ 50% Net	692,200	719,900	701,400	915,200	981,600	969,200	-
Residual Reserve Balance	20,700	63,300	131,800	156,300	51,400	72,900	-
Sub-total	1,248,400	1,498,500	1,634,700	2,220,900	2,058,100	1,951,700	-
% Change	7.13%	20.03%	9.09%	35.86%	-7.33%	-5.17%	



Licenses & Permits

Description: The District charges fees to cover the costs of issuing permits, providing fire prevention services and enforcing the District's Fire Code. A number of permits, adopted under the State Fire Protection District Act of 1987 and the California Fire Code, are required by the District. Service and enforcement charges include annual and per project cost recovery fees to authorize the storage or use of certain hazardous and flammable materials, plan reviews for new buildings and improvements, and reviews of automatic fire sprinkler system and fire alarm system installations. Additionally, fees are charged to owners who operate certain types of businesses, such as apartment buildings, motels, dry cleaning plants and automobile wrecking yards. The District's Fire Prevention Code provides more detailed information about fire safety guidelines and service and permit fees.

Analysis: The budget for FY 2011-12 was based on two premises.

- Actual receipts peaked in FY 2007-08 and since then there has been a steady decline. Clearly the

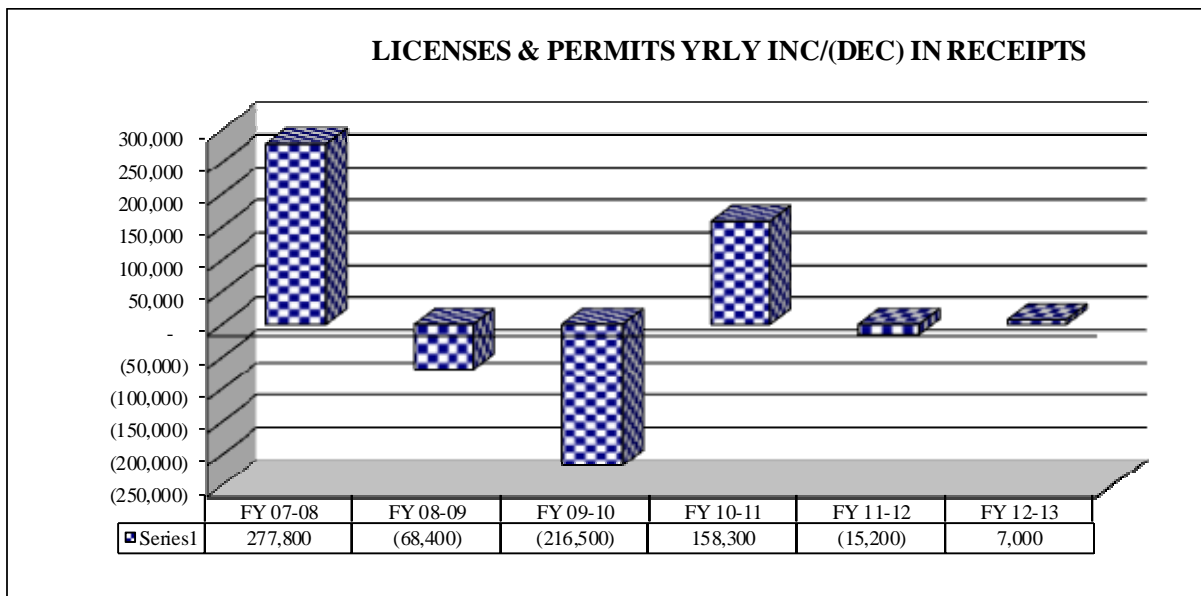
decline in the economy has had a direct impact on licenses and permits.

- FY 2010-11 3rd and 4th quarters actual revenues received were used to estimate the revenue that will be received in the last two quarters of FY 2011-12. It is anticipated that the District will collect the same amount of revenue as in previous year, resulting in a year end estimate of \$704,000. As shown in the table below the growth is set at one percent for FY 2012-13 and FY 2013-14 was also applied to this revenue:

	FY 10-11 Actual	FY 11-12 Estimated
Quarter 1	18%	191,000
Quarter 2	34%	192,300
Quarter 3	26%	174,300
Quarter 4	22%	146,400
Total Revenue	100%	704,000

	FY 08-09 Actual	FY 09-10 Actual	FY 10-11 Actual	FY 11-12 Estimated	FY 12-13 Adopted	FY 13-14 Planned
Quarter 1	211,400	93,500	132,800	191,000	192,900	194,800
Quarter 2	231,500	192,800	246,700	192,300	194,200	196,100
Quarter 3	188,900	142,800	184,400	174,300	176,000	177,800
Quarter 4	145,700	131,800	155,300	146,400	147,900	149,400
Total Revenue	777,500	560,900	719,200	704,000	711,000	718,100

The following chart shows the total increase or decrease in licenses, permits and fee revenues from the prior fiscal year. The dramatic fall in growth in beginning with FY 2008-09 reflects the significant change in regional economic condition.



Interest Income

Description: At the Board meeting held March 20, 2007, the Board of Directors appointed the Director of Administrative Services to the position of District Treasurer by Resolution #1146. Additionally, the Board of Directors authorized staff to open an account with the State of California Local Agency Investment Fund (LAIF). This voluntary program created by statute; began in 1977 as an investment alternative for California's local governments and special districts. Interest earnings are recorded by LAIF on a quarterly basis.

Analysis: As of July 1, 2007 all interest earnings are recorded in the General Fund. The following table provides LAIF rates of return from the first quarter FY 2005-06 to December 2011.

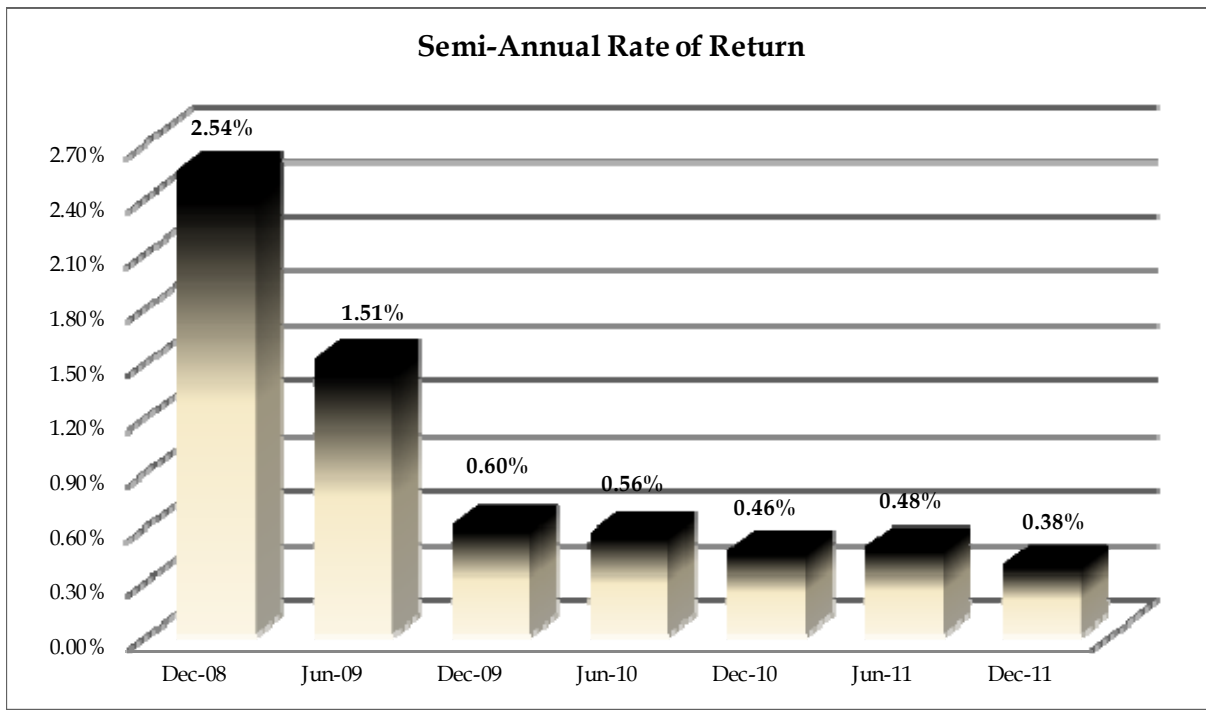
An estimated LAIF interest rate of 0.5 percent is used to construct the budget for FY 2012-13 to FY 2013-14. This rate was chosen to reflect the continuing historically low short term market interest rates.

The projected year-end (June 30th) balances for the FY 2011-12 adopted budgets were used to estimate the interest earnings. The year-end (June 30th) cash balance that is used for estimating interest earnings is comprised of:

- Committed Fund Balance for Economic Uncertainty @ \$3.0M
- Committed Fund Balance for FEMA Reserve @ \$3.0M
- Committed Fund Balance for Cash-Flow Management @ 50% of \$13.6M or \$6.8M
- Committed Fund Balance for Property Tax Fluctuation @ \$2.4M
- Fund Balances for other Internal Service Funds @ \$8.4M

Note, the Stations Internal Service fund is not included because the funds are transferred to the Station #2 CIP fund in anticipation of construction in FY 2011-12 and FY 2012-13.

Applying LAIF's December apportionment rate of 0.5 percent to the June 30th cash balance of \$23,642,000 gives an estimated interest income of \$118,200. This amount is included in the budget.



Summary Chart of General Fund Revenue by Category

COMPARISON OF GENERAL FUND REVENUES BY CATEGORY

