



Menlo Park Fire Protection District

Number	2024-001	Title	Budget Policy
To	Board of Directors	Originator	Allain Mallari
Effective Date	February 18, 2025	Suspense Date	
Approved By	Board of Directors	Date	February 18, 2025

I. PURPOSE:

The Menlo Park Fire Protection District’s (“District”) budget policy (“Policy”) aims to establish a plan, methodology, and process for developing operating and capital budgets that support the needs, goals, and priorities of the District. The Policy also:

- Aids in financial planning by outlining expected revenues and expenditures
- Promotes financial transparency to the Board and the public
- Contributes to strategic planning and decision-making
- Ensures effective fiscal management and oversight
- Fosters financial stability through cost control and appropriate allocation of resources.

Nothing in this budget policy shall constitute an obligation upon the District, nor an implied contract. The District’s Board of Directors (“Board”) may revoke or amend this policy whenever it determines the changes to be in the District's best interest.

II. BACKGROUND

The District’s budget establishes a guideline for the anticipated revenues and operating expenditures to ensure inflows of resources will be adequate to support the delivery of services based on established priorities. The budget provides a logical structure to organize various program costs, projects, and other expenses, as well as a sound system of control for the District’s revenues and expenditures.

The District’s finances are accounted for within three major fund categories: General Fund (GF), Capital Improvement Projects (CIP) Fund, and Special Revenue (SRF) Fund.

The purpose of each major fund is described below:

- General Fund – The General Fund is the general operating fund of the District. It

is used to account for all financial resources of the District except those required to be accounted for in another fund.

- Capital Improvement Projects Fund - The Capital Improvement Projects Fund is used for the acquisition of property, renovation, or complete rebuild of the District's fire stations and other facilities.
- Special Revenue Fund – The Special Revenue Fund is used to account separately for funds received and disbursed for federal emergencies. This fund includes federal grant activities from the Federal Emergency Management Agency's (FEMA) Cooperative Agreements for the District's California Task Force 3 (CATF3) Urban Search and Rescue (US&R).

III. BASIS FOR BUDGETING

The basis for budgeting revenues and expenditures is the same as the basis for accounting. Budgeted and actual revenues and expenditures are accounted for on a modified accrual basis.

Under the modified accrual basis, revenues are recognized in the accounting period in which they become susceptible to accrual; that is when they become measurable and available to finance expenditures of the current period. "Measurable" means that the amount of the transaction can be determined, and "available" means collectible within the current period or soon thereafter to be used to pay liabilities of the current period. Accrued revenues include property taxes received within 60 days after fiscal year-end and earnings on investments paid after year-end. Expenditures are recorded when the liability is incurred, if measurable, except for unmatured interest on long-term debt, if applicable, which is recognized when due.

IV. BUDGET PHILOSOPHY AND PRACTICES

- The District adopts a balanced budget on an annual basis. A balanced budget is defined as one in which anticipated operating revenues and other financing resources are equal to or greater than operating expenditures. Utilizing reserves to balance the budget is permitted when appropriate and in accordance with the fund balance policy.
- The District supports an approach where all expenses must be justified for each new period. Each program is evaluated for its needs, and associated costs must be validated, regardless of whether the budget is higher or lower than the previous year.
- The annual budget is developed based on realistic projections and best available estimates.
- The District will prepare a five-year financial projection as part of the annual budget planning process.
- Any budget amendments resulting in an increase or decrease in the overall

adopted budget must be submitted to the Board for approval. Internal budget transfers are permitted without Board approval, provided they meet the criteria outlined in Section VI of this policy.

- Changes to the Full-Time Equivalent positions (FTE) such as addition, deletion, and reclassification require prior approval from the Board.
- The annual budget process includes funding decisions on capital improvement projects.
- Unused grant allocations are carried over into the current year's budget.
- Outstanding encumbrances from the previous fiscal year are carried over to the current year's budget.

V. BUDGET TIMELINE

The Board approves the upcoming fiscal year's budget by resolution no later than June 30th of the preceding fiscal year. Although the initial budget is adopted annually, the budget development process continues throughout the year. District staff conducts regular reviews and makes adjustments to accommodate changing circumstances, including unforeseen revenues and expenditures. The District generally follows the budget development cycle outlined below.

July through September

- Reconciliation of fiscal records.

October through December

- Incorporation of encumbrances, capital project carryovers, and remaining grant balances into the budget.
- Budget planning and preparation meetings.
- Distribution of the budget proposal guide to all divisions.
- Analysis of revenue estimates.

January through March

- Entry of budget proposals into the financial system.
- Budget workshops with the program managers.
- Review sessions with the executive team regarding the budget.
- Drafting of revenue and expenditure budgets.
- Midyear fiscal review.

April through June

- Finalization of revenue and expenditure projections.
- Presentation of the preliminary and final budget to the Board.
- Public hearings regarding the budget.
- Adoption of the budget.

VI. BUDGET MANAGEMENT AND AUTHORITY

The management oversight responsibility of the District's budget is delegated by the Board to the Fire Chief.

The Fire Chief is responsible for maintaining a structurally balanced budget that is aligned with the District's priorities. In addition, the Fire Chief is tasked with creating a system for budget preparation, implementation, and oversight to ensure District goals are being met.

The Finance Manager oversees the development of the budget and financial forecast on behalf of the Fire Chief. Furthermore, the Finance Manager establishes fiscal processes, provides budget status updates, and creates internal reports comparing budgeted versus actual figures to support monitoring and compliance.

Division Heads and Program Managers are essential in helping to develop annual budgets and monitoring their individual budgets to ensure alignment with the District's priorities, ensuring that total spending for their programs does not exceed the appropriated amounts.

The Fire Chief is authorized to approve internal budget transfers, provided they meet the following criteria:

- The transfer should not lead to an increase or decrease in the overall adopted budget.
- The aggregate amount of the budget transfers should not exceed 5% of the adopted total expenditure budget. No individual transfer within personnel or non-personnel cost categories should exceed \$250,000.
- Budget transfers must occur within personnel and non-personnel cost categories. Transfers between these two categories are not permitted. Personnel costs encompass salaries, stipends, overtime, retirement, and benefits, while non-personnel costs include materials and supplies, contract services, and fixed assets.
- The transfer is an intra-program or inter-program transfer between cost categories or an inter-fund transfer between the General Fund and the CIP fund for fixed asset purchases.
- The budget transfer has undergone the necessary review and approval process.

Internal Budget Transfer Procedures

- A budget transfer request form must be completed. The form includes details about the fund, program, account code, amount, justification, and necessary approvals. Refer to Appendix A for the form.

- The Division Head must initiate the request before the anticipated spending.
- The request must be reviewed and approved by the Fire Chief.
- Once approved, the form should be submitted to the Finance Manager for final review. The Finance Manager will record the changes according to the appropriate accounting practices.
- The Finance Manager will notify the Division Head once the transfer is complete.

VII. BOARD TRANSPARENCY

Monthly

The Finance Manager will prepare the Treasurer's Report each month for presentation to the Board. The report will cover monthly and year-to-date revenues, expenses, operating transfers, and reserve usage. It will also include a summary of internal budget transfers for the month and cumulative year-to-date totals. Additionally, the Finance Manager will provide a monthly budget report that outlines cumulative actual expenditures, which will be distributed to the relevant staff responsible for budget management.

Semi-Annual and Annual

The Board will receive mid-year and annual fiscal reports for review. Budget amendments will be considered based on these reviews.