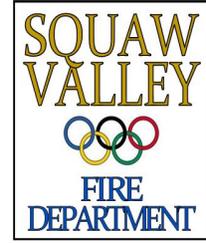




SQUAW VALLEY PUBLIC SERVICE DISTRICT



AMBULANCE SERVICE – COST / BENEFIT ANALYSIS

DATE: April 28, 2020

TO: District Board Members

FROM: Allen Riley, Fire Chief
Danielle Grindle, Finance & Administration Manager
Mike Geary, General Manager

SUBJECT: Ambulance Service Cost / Benefit Analysis

BACKGROUND: The provision of ambulance transport service by Squaw Valley Fire Department has been the subject of periodic interest on the part of the community and the Board of Squaw Valley Public Service District. The advantages and costs of the provision of transport service are numerous – while transport of patients to the hospital by Squaw Valley Fire Department would undoubtedly benefit patients, maintain our staff's skills, and create some additional revenue.

Whether the benefit to the community would outweigh the increased cost, what level of staffing would provide adequate capability to respond to another call, whether the revenues of ambulance transport service would offset the increased cost – all are valid questions that should be considered prior to making a decision to implement such service.

Those questions – and others – will be addressed in this study and will provide a structure for a decision-making process that will provide the SVPSD Board of Directors with the ability to make a considered, informed decision.

DISCUSSION: Staffing:

Staffing necessary to provide ambulance service requires an adjustment in the minimum number of employees allowed to work on each of the Department's three shifts; from 3-persons to 4-persons. Please see the preceding Board Report on this agenda (Item #F-2A) for a detailed discussion of Staffing Levels in the Squaw Valley Fire Department and how the proposed increase in staffing levels to 5/4 staffing in the busy season and 4/4 staffing in the shoulder season provides staffing sufficient to provide ambulance services.

The Fire Department currently has a minimum of two Advanced Life Support (ALS) trained staff members, or Paramedics, per shift. If the Fire Dept. provides ambulance service, our staff can initiate patient care and – in situations where continuity of care is either mandated by the regional Emergency Medical services (EMS) Authority protocols or where it would just provide a better outcome for the patient – continue that care to the hospital. When one Paramedic is engaged in transporting a patient to the hospital in an ambulance, we still have one Paramedic available for subsequent calls, even when the transport takes several hours.

Ambulance Operations:

The Fire Department would operate a single ambulance and continue to maintain our current ALS capability on our first out-engine by keeping required ALS equipment on that engine and staffing it with a paramedic.

The second (back-up) ambulance is to provide mechanical redundancy, not to run simultaneous calls. Staff intends to contract with North Tahoe Fire or Truckee Fire to rent one of their back-up ambulances in the event ours goes out of service for maintenance or repair. This will cut the initial startup costs in half and can be considered feasible until year seven in 2027 (see Capital Replacement Plan, attached). Our neighboring agencies would provide us with mutual aid while our ambulance is committed to another call.

Potential Impacts:

1. Impacts on Local Market, Current Providers, and EOA's

There is a definite and significant impact on the local market if Squaw Valley Fire Department goes in to the ambulance transport business. The number of ambulance transports each year – regardless of how many entities provide them – is essentially fixed, so adding a new provider is simply cutting the pie into smaller pieces, not making the pie larger. This subject has long since been discussed with the chiefs of the other ambulance operators, specifically North Tahoe and Truckee Fire Protection Districts. Both Chief Schwartz and Chief Seline understand that our entry into the market comes as a result of community interest in improving the level of service, not as a result of a perception of deficiencies in the service that they have provided. The ambulance transport service is changing regionally and they understand that both Northstar and Squaw Valley are likely to start providing service to the communities we serve.

The State of California Emergency Services Authority has the authority to issue an *Exclusive Operating Area* (EOA) to an eligible provider of ambulance transport service. This has been the subject of considerable discussion and consternation for the Truckee Fire Protection District's Board of Directors. In a nutshell, the

Truckee Fire Department has an EOA for the Donner Summit area, but not for other parts of its district. North Tahoe Fire has an EOA for its district, including Alpine Meadows. Squaw Valley would not be eligible for an EOA for our District, but it is not that important or valuable to have one, because it is too small an area to be a profitable prospect for another provider. Basically, the Fire Department can afford to provide ambulance service because we're already here. Another provider would not be able to build and staff a base of operations, provide the rolling stock and other assets and still have a profitable operation.

2. Impacts from Increased Demand Due to Development

Although the need for ambulance transport and the impacts from new development are not necessarily linked, the impact of new development on call volume is well established. By extension, when calls for emergency medical services increase, so will calls in which the patient's future health and well-being will depend on being transported to a location where they can receive definitive care. In other words, in a certain percentage of EMS situations, the patient will have a more successful outcome due to rapid transport – when all EMS situations increase in number, so will those situations. We know from historical data that the overall number of calls and EMS calls will increase as a result of development, so it is reasonable to expect that the development creating that demand pay for a portion of the incremental cost.

3. Trigger Points, Benchmarking, and Timing

Although we can demonstrate a nexus between new development and call volume, establishing a benchmark or trigger point at which the Department should institute ambulance service is much less linear. From a purely logistic perspective, it would make sense to start the program at a time of year when we have some calls, but not too many, so that procedures can be worked out with the Grass Valley Emergency Command Center, internally and with Tahoe Forest Hospital (TFH). Starting towards the end of a ski season or in the fall would make more sense than diving into the ambulance business in the middle of the summer, when the dispatch center is very busy or during the ski season.

4. Training

Impacts in terms of incremental training are minimal. There is no change to the level, scope or type of EMS training that would be provided to the staff: the EMS skills and interventions that would be provided in a transport setting are identical to those provided currently. Full-time staff members need not take special training to be licensed to drive an ambulance – California law recognizes their training to drive fire apparatus as more than adequate to operate an ambulance. Seasonal employees would need to be trained in ambulance

operation and would be required to apply for a special driver's license in order to operate an ambulance.

5. Staffing Required to Provide Patient Transport

There's no question that staffing is the most challenging, dynamic and costly aspect of providing ambulance transport to the community. As previously stated, Squaw Valley Fire Department currently has a staffing level of "four per shift, minimum staffing of three". This is clearly inadequate for a patient transport operation because it could potentially strip the district of all of the on-duty staff in the course of providing one transport.

Operating an ambulance requires a minimum of two people – one to drive and one to provide patient care. A patient is NEVER transported without someone continuously monitoring their status and, for critically unstable patients, two patient attendants is a common practice. What this means for our operation is that to provide ambulance service, we need to have minimum staffing of four people to be able to maintain the level of service currently being provided.

There are a number of ways of fulfilling the staffing needs created by an ambulance transport program:

- Seasonal employees during the busy season (June 15th - Oct. 15th and Dec. 15th - April 30th).
- Part-time coverage during day shifts on weekdays and 24-hour coverage on weekends.
- Additional full-time staff.
- A combination of the above.

Each option presents a significantly different cost and it is possible that the Department could start the program under one model and transition to another as time progresses.

Additional full-time staff would be the most reliable, but most expensive method. Part-time staffing targeting days and weekends (the busiest periods at the ski area and predictably busiest times for ambulance operations) would be significantly less costly, but would be more taxing from a scheduling and administrative perspective. Seasonal employees have been used to good effect by other districts.

Potential Benefits:

1. Increased patient contact opportunities and duration of care for SVFD Paramedics:
 - Improved EMS skill retention.
 - Opportunities to provide additional ALS skills beyond current time limitations.

- Increased contact frequency with minor injuries/illness will better prepare staff for patients with major injuries/illness.
 - Opportunity to provide service to the community funding it.
2. Create seamless patient care from time of patient contact until delivery at hospital:
 - Patient will not be asked same questions again and again.
 - Opportunity to develop trust and communication with patient and family.
 3. Greater opportunity to develop a relationship with the TFH Emergency Department staff:
 - Staff will know SVFD staff when they call in for orders/advice.
 - Improved patient care from feedback and Continuous Quality Improvement (CQI) interactions.
 - Many TFH Emergency Department physicians reside in Squaw Valley.
 4. Provide another ambulance to the region
 - Be available to help our neighbors as they also help us.
 - Improved level of service to our community during periods of severe weather and/or road closures.
 5. Improve our relationship with Squaw Valley Resort (SVR) Medical Clinic and Ski Patrol:
 - Diminishes the "just the Fire Dept." attitude that is sometimes encountered.
 6. Job enrichment and satisfaction of providing better service to the community

Potential Drawbacks:

- A. Diminished staffing in District for short periods:
 - Only while ambulance is committed to transport.
 - Simultaneous calls are an infrequent (and generally predictable) occurrence.
- B. Increase in work for duty staff:
 - Paper work, daily/weekly vehicle checks, routine maintenance.
- C. Cost and complexity for District
 - Additional vehicles on the asset replacement program.
 - Additional insurance cost.
 - Increased staffing with attendant costs of supervision and operations.
 - Documentation burden with applications, licenses, EOA issues, etc.

- ALTERNATIVES:**
1. Direct staff to include in the Annual Budget for FY 2020-21 estimates of revenues and expenses to provide ambulance services and to continue preparations to implement ambulance service including continued research and analysis, acquisition of capital and equipment, creation of business partnerships required for support, and planning for operational adjustments in the Fire Department.
 2. Direct staff to perform additional research and supplement this report with specific information or data and place the topic on a future agenda for discussion.
 3. Direct staff to suspend any further work related to providing ambulance service.

FISCAL/RESOURCE IMPACTS: The financial feasibility of providing ambulance service was analyzed carefully.

The guiding financial indicator to assess feasibility is the comparison of annual projections of the balance in the Fire Department's Fixed Asset Replacement Fund (FARF) *with* ambulance service versus *without* it; both scenarios are attached.

Without ambulance service, the Fire FARF balances in FYs 2022, '23, '24, and '25 are projected to be less than the minimum amount of operating reserves targeted in the District's Financial Reserves Policy, attached. In FY 2025, the balance is projected to be *negative* \$560,187.

If the Fire Department *does* provide ambulance service, it is estimated that the Fire FARF balances in FYs 2024 and '25 are projected to be less than the minimum amount targeted in the Policy but by much less than if the Dept. does *not* provide ambulance service; and the balance projections remain in positive territory.

As a relevant reminder, staff notified the Board in June 2019 that specified minimum balances in the Fire FARF would not be met in FYs 2019, 2023, and 2024, attached. The same analysis will be repeated and provided to the Board in June 2020.

Staff has researched and compiled estimates for one-time start-up costs, ongoing annual expenses, and a 100-year Capital Replacement Plan, or CRP. Please find a detailed document for each attached.

Projected Revenue:

On average, 170 patients are transported by ambulance from our service area every year. This includes both emergency and non-emergency calls. The average amount billed per transport is \$2,950. Other fire departments providing ambulance service in our area collect 60% to 70% of the amount billed to patients receiving emergency medical transport service.

Projected annual gross revenue billed to patients is estimated to be \$500,000.

- 60% collection rate (minus 15% billing fee) = \$255,000/year net revenue
- 70% collection rate (minus 15% billing fee) = \$297,500/year net revenue

RECOMMENDATION: Direct staff to include in the Annual Budget for FY 2020-21 estimates of revenues and expenses to provide ambulance services and to continue preparations to implement ambulance service including continued research and analysis, acquisition of capital and equipment, creation of business partnerships required for support, and planning for operational adjustments in the Fire Department.

- ATTACHMENTS:**
- Fire FARF Balance Projections With Ambulance Service (1 page)
 - Fire FARF Balance Projections Without Ambulance Service (1 page)
 - Start-Up Costs (One-Time)(1 page)
 - Annual Operating Expenses (1 page)
 - Capital Replacement Plan (2 pages)
 - Financial Reserves Policy (2 pages)
 - Memo to Board dated June 25, 2019 (1 page)

DATE PREPARED: April 26, 2020

Fire FARF Balance Projections With Ambulance Service

Squaw Valley PSD
 Fire Department Budget
 Revenue Requirement

	Actual	Expected	Projected				
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Squaw Valley PSD							
Fire Department Budget							
Revenue Requirement Summary							
Rate Revenues	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Non-Operating Revenues	3,601,548	3,876,892	3,917,184	4,025,840	4,143,256	4,176,938	4,208,229
Total Revenues	\$3,601,548	\$3,876,892	\$3,917,184	\$4,025,840	\$4,143,256	\$4,176,938	\$4,208,229
Expenses							
Total Fire Department Expenses	\$3,185,852	\$3,129,324	\$3,319,545	\$3,322,343	\$3,402,218	\$3,483,264	\$3,567,552
Total Administration Expenses	172,765	229,003	241,884	225,355	230,214	235,217	240,644
Total O&M Expenses	\$3,358,617	\$3,358,326	\$3,561,429	\$3,547,698	\$3,632,432	\$3,718,481	\$3,808,196
Net Annual Debt Service	\$33,582	\$256,695	\$265,627	\$212,000	\$200,000	\$195,000	\$190,000
Contributions to Capital (CRP)	\$142,177	\$150,000	\$90,000	\$250,000	\$300,000	\$250,000	\$250,000
Transfer To / (From) Reserves	\$67,172	\$111,871	\$129	\$16,143	\$10,824	\$13,456	(\$39,967)
Total Revenue Requirement	\$3,601,548	\$3,876,892	\$3,917,184	\$4,025,840	\$4,143,256	\$4,176,938	\$4,208,229
Balance/(Deficiency) of Funds	\$0						
Total Operating Reserve Funds	\$569,182	\$734,983	\$772,166	\$667,022	\$639,132	\$603,288	\$297,076
Total Target Ending Fund Balance (60 days of O&M)	\$552,101	\$552,054	\$585,440	\$583,183	\$597,112	\$611,257	\$626,005

Fire FARF Balance Projections Without Ambulance Service

Squaw Valley PSD
 Fire Department Budget - No Ambulance
 Revenue Requirement

	Actual	Expected	Projected				
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Squaw Valley PSD							
Fire Department Budget - No Ambulance							
Revenue Requirement Summary							
Rate Revenues	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Non-Operating Revenues	3,601,548	3,884,290	3,914,867	3,931,206	3,951,906	3,979,635	4,004,816
Total Revenues	\$3,601,548	\$3,884,290	\$3,914,867	\$3,931,206	\$3,951,906	\$3,979,635	\$4,004,816
Expenses							
Total Fire Department Expenses	\$3,185,852	\$3,209,274	\$3,341,574	\$3,330,427	\$3,410,617	\$3,491,989	\$3,576,614
Total Administration Expenses	172,765	219,899	233,832	226,669	231,390	236,248	241,523
Total O&M Expenses	\$3,358,617	\$3,429,173	\$3,575,406	\$3,557,096	\$3,642,007	\$3,728,236	\$3,818,137
Net Annual Debt Service	\$33,582	\$256,695	\$265,627	\$212,000	\$200,000	\$195,000	\$190,000
Contributions to Capital (CRP)	\$142,177	\$150,000	\$50,000	\$150,000	\$100,000	\$50,000	\$0
Transfer To / (From) Reserves	\$67,172	\$48,421	\$23,834	\$12,110	\$9,899	\$6,399	(\$3,321)
Total Revenue Requirement	\$3,601,548	\$3,884,290	\$3,914,867	\$3,931,206	\$3,951,906	\$3,979,635	\$4,004,816
Balance/(Deficiency) of Funds	\$0						
Total Operating Reserve Funds	\$569,182	\$624,783	\$645,664	\$435,767	\$205,963	(\$38,104)	(\$560,187)
Total Target Ending Fund Balance (60 days of O&M)	\$552,101	\$563,700	\$587,738	\$584,728	\$598,686	\$612,861	\$627,639

Ambulance Service - Start-Up Costs (One Time)

Item	Cost	Notes
Ambulance (Primary)	\$ 15,000	Surplus ambulance available from Truckee Fire Dept. Model year 2012; 12,000 GVW. Ambulance: \$10,550; Refurbishment: \$4,500. New ambulances cost \$170,000 to \$250,000.
Gurney	\$ 10,000	Stryker powered gurney (refurbished). Refurbished gurneys cost \$1,600 to \$16,000.
Pharmaceuticals	\$ 500	Minimum required inventory for a transport ambulance requires an addition to existing inventory. This cost assumes that all ALS equipment currently in use on Rescue 21 is used to outfit new ambulance.
Equipment	\$ 2,500	Additional equipment: (2) Back Boards, (2) C-spine Bags, (1) Breakaway Flats, (3) Large Oxygen Bottles.
Personnel Training	\$ 350	CA ambulance driver's license required for seasonal employees. DMV written test is required. Initial fee is \$67 per person and \$12 per person to renew. Full-time employees are exempt.
Contingency	\$ 3,000	Lettering, radios, miscellaneous items.
<hr/>		
TOTAL:	\$ 31,350	

Ambulance Service - Annual Operating Expenses

Item	Cost	Notes
Insurance	\$ 3,175	Coverage added to existing policy. No change to the general liability policy unless there are staffing or budget impacts.
Oxygen	\$ 500	Refill of onboard oxygen tanks.
EMS Supplies	\$ 1,500	Pharmaceuticals, IV supplies, gloves, and bandages. Increase in number of patient contacts to result in increased use of supplies. Costs are in addition to current EMS supply costs; to be billed to patient.
Maintenance	\$ 8,300	Annual inspection and maintenance of ambulance. Annual certification of gurney to detect safety issues prior to failure.
Operating	\$ 3,800	Fuel, routine maintenance.
TOTAL: \$ 17,275		

Ambulance Service – Capital Replacement Plan

Introduction

Like all other assets in the District, assets needed to provide ambulance service will be included in a 100-year Capital Replacement Plan (CRP) that includes a schedule for rehabilitation and replacement of those assets. District CRPs also include unit costs for rehabilitation processes and replacements, an annual inflationary escalator, and annual contributions to the Fixed Asset Replacement Fund (FARF) in amounts sufficient to comply with the District’s Financial Reserves Policy. This type of financial planning and analyses is necessary to avoid shortfalls in funding, debt financing, and the need for a property tax assessment.

The 100-year CRP specific to ambulance service has been incorporated into the Fire Department’s 100-year CRP resulting in an increase in annual contributions to the Fire FARF.

Although ambulances will not be subjected to high annual mileage, they will inevitably require a new chassis and refurbishment of the ambulance module (box). Refurbishment can be as simple as replacing the floor and upholstery or as complex as repainting and rewiring the ambulance module. The time frame for re-power and refurbishment may be extended or may need to be shortened as dictated by condition assessment.

Asset Acquisition

Year #1 – 2021

Purchase a surplus Ambulance A from Truckee Fire Department for \$15,000 as well as other assets detailed on the attached “*Start-Up Costs (One Time)*”. As described in the Board Report, staff’s plan to provide a back-up ambulance in the first seven years of the program is to contract with either North Tahoe Fire or Truckee Fire to rent one of their back-up ambulances in the event ours goes out of service for maintenance, repair, etc.

Asset Replacement Schedule and Unit Costs for Rehabilitation and Replacement

Year #7 – 2027

Purchase a demo ambulance for approximately \$160,000. Ambulance B becomes “primary”; Ambulance A becomes “back-up”.

Year #14 – 2035

Scope of repair or replacement of Ambulance A is based on its condition. A new chassis and installation of the existing ambulance module (or box) is expected to cost \$100,000. The box may need some refurbishment estimated to cost as much as \$20,000. If the condition of both the chassis and box requires replacement, then either a demo is purchased for \$160,000 or a new ambulance for \$200,000. Ambulance A becomes primary; Ambulance B becomes back-up.

Year #21 – 2042

Scope of repair or replacement of Ambulance B is based on its condition. The same approach described above for Year #14 to rehabilitate or replace the chassis, ambulance module, or

purchase a replacement ambulance is followed and repeated on a 7-year cycle. Ambulance B becomes primary; Ambulance A becomes back-up.

Year #28 – 2049

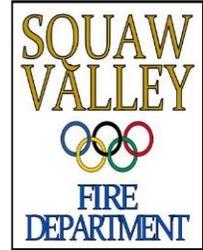
Repeat every seven (7) years. With this schedule, the Department will always have a "new" ambulance as primary and a "seasoned" ambulance as back-up.

Annual Contributions to the Fire FARF

While projections indicate a range of \$36,500 to \$40,200 in contributions to the Fire FARF is necessary to fund capital rehabilitations and replacements for ambulance service, the current budget is conservatively modelling annual contributions of \$50,000 for these purposes.



SQUAW VALLEY PUBLIC SERVICE DISTRICT



Squaw Valley Public Service District

POLICY TITLE: Financial Reserves Policy

PURPOSE:

Squaw Valley Public Service District (District) shall maintain reserve funds in the Sewer, Water, Fire and Garbage Fixed Asset Replacement Funds, or FARFs. This policy establishes the level of reserves necessary for maintaining the District's credit worthiness and for adequately providing for:

- Funding infrastructure replacement.
- Economic uncertainties and other financial hardships.
- Loss of significant revenue sources such as property tax receipts or connection fees.
- Local disasters or catastrophic events.
- Future debt or capital obligations.
- Cash flow requirements.
- Unfunded mandates including costly regulatory requirements.

POLICY:

Operating Reserves

The minimum amount of operating reserves will equal two months of operating expenses.

Capital Replacement Reserves

Capital replacement reserves will be accumulated to fund infrastructure replacement projects and will be an integral part of the District's 100-year rolling capital replacement plan. A key objective for accumulating financial reserves is to minimize external borrowing, interest expense, and sharp rate hikes. The amount of funding to the FARFs will be determined annually during the budget cycle and will be based on Capital Replacement Projects planned in the next 100 years. The District strives to be fully funded as projects are completed and to maintain a minimum amount of capital replacement reserves equal to a five-year rolling average of capital replacement spending.

Rate Stabilization Reserves

The Sewer, Water, and Garbage FARFs will each maintain a minimum reserve equal to one year's sewer, water, and garbage debt obligations, respectively. If there is a year where revenues will be less than budget, at a minimum the District needs to cover its debt obligation.

PROCEDURE FOR USING RESERVE FUNDS:

Operating Reserves

Operating reserves can be used at any time to meet cash flow requirements of District operations. Authority to use the funds will be consistent with the District's Purchasing Policy.

Capital Replacement Reserves

The Board of Directors will authorize use of capital replacement reserves during the budget process. Capital replacement reserves are also available for unplanned (unbudgeted) capital replacements. Authorization for the use of capital replacement reserves for unplanned capital replacements will be consistent with the District's Purchasing Policy.

Rate Stabilization Reserves

The General Manager and Finance and Administration Manager are authorized to use rate stabilization funds to supplement operating revenue when:

- Total revenue in the Sewer, Water or Garbage FARFs is projected to be five percent or more below the annual budgeted revenue for each of the three services, respectively.

PROCEDURE FOR MONITORING RESERVE LEVELS:

The Finance and Administration Manager shall perform reserve analyses to be submitted to the Board of Directors upon the occurrence of the following events:

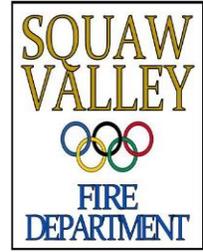
- Board of Directors' deliberation of the annual budget;
- Board of Directors' deliberation of a service charge rate increase;
- When a major change in conditions threatens the reserve levels established within this policy.

If the analyses indicate projected or actual reserve levels falling 10% below the levels outlined in this policy, at least one of the following actions shall be included with the analyses:

- An explanation of why the reserve levels are not at the targeted level, and/ or
- An identified course of action to bring reserve levels within the minimum levels prescribed.



SQUAW VALLEY PUBLIC SERVICE DISTRICT



Financial Reserves Policy – Annual Reserve Analysis

To: Board of Directors
From: Danielle Grindle, Finance & Administration Manager and Mike Geary, General Manager
Date: June 25, 2019
RE: Fire Fixed Asset Replacement Fund

Pursuant to the District's Financial Reserves Policy, a reserve analysis is performed at least annually as part of the District's budget preparations. The analysis was performed for the Water, Sewer, Fire, and Garbage Fixed Asset Replacement Funds' (FARFs') projected balances on June 30, 2019 as well as their projected balances for the next five years.

The analysis indicates current and projected reserve levels in the Fire Department's FARF will fall 10% below its targeted balances for "Operating" Reserves. The Policy stipulates that the minimum FARF balance for Operating Reserves is equal to two months of operating expenses. For the three (3) years noted below, the prescribed minimum balance targets and projected balances are as follows:

- June 30, 2019: minimum balance target = \$517,000 and projected balance = \$368,000
- June 30, 2023: minimum balance target = \$582,000 and projected balance = \$523,000
- June 30, 2024: minimum balance target = \$597,000 and projected balance = \$195,000

The Financial Reserves Policy provides that at least one of the following actions shall occur:

- An explanation of why the reserve levels are not at the targeted level, and/ or
- An identified course of action to bring reserve levels within the minimum levels prescribed.

The reserve level is 10% below this threshold because of the District's prioritization to pay down the Fire Department's CalPERS Unfunded Accrued Liability (UAL), for which the balance due by the District to CalPERS increases with interest by 7% annually. It is the District's goal to minimize the amount of interest paid on the UAL and plans to have the UAL paid down to a 90% funded level in the next six (6) years.

After the UAL balance is paid down, the District intends to contribute approximately \$250,000 per year to the Fire Department FARF, which will be sufficient to increase our reserve level above the minimum prescribed by the Financial Reserves Policy.

The analysis indicates that the Water, Sewer, and Garbage FARFs' projected balances on June 30, 2019, as well as their projected balances for the next five years, will meet the prescribed minimum levels for Operating, Capital, and Rate Stabilization Reserves. It also concludes that the Fire FARF will meet the minimum levels for Capital Reserves during the same period. Rate Stabilization Reserves are not applicable to the Fire FARF.