



CONFIRE

STAFF REPORT

DATE: April 30, 2024

**FROM: Nathan Cooke
Interim Director**

TO: Board of Directors

SUBJECT: Fund Balance Allocation

Recommendation

It is recommended that the Board of Directors (BOD) authorize the Finance/Admin Director to allocate the fund balance (\$3,906,214) in 5008, in the following manner in alignment with current Board policy:

1. Retain \$1,425,877 in General Fund (5008) to meet the Board policy of carrying a 5-10% reserve in its operating fund.
2. Allocate \$137,784 to General Operating Reserves (5010) to meet the Board policy of carrying a minimum 25% reserve in its operating reserve fund.
3. Allocate \$150,000 (5008) for payment of Image Trend start-up cost. This was expenditure was approved by the Administrative Committee on March 26, 2024.
4. Allocate the remaining, \$2,192,553 to the General Operating Reserves (5010) for the following purposes:
 - a. Set aside \$2,000,000 of that amount as start-up funding for the ground ambulance contract program and authorize the Finance/Administration Director to utilize that amount as internal loan to the Emergency Medical Services Fund (5020). The loan would be paid back into Fund 5010 in full without interest, as revenues are developed by the ambulance program.
 - b. Retain the remainder \$192,553 in the Operating Reserves (5010), as additional resources to buffer that fund as per Board policy.

Background Information

CONFIRE staff recommends an operating budget each year to the Administrative Committee and BOD designed to meet the operational needs of the organization based on its best analysis and assessment of cost projections each year. Those projections

materialize less than budgeted at times, largely as a result of salary and benefit savings due to the staffing challenges faced by the organization. The budget is designed to operate at full authorized staffing, with the goal each year to attain that level, yet in recent years that goal has not been achieved for a variety of reasons.

As part of the regular budget and planning cycle, CONFIRE staff brings the annual audit from the previous fiscal year to the Admin Committee and the BOD around the mid-year point of the subsequent fiscal year. During this process, if a fund balance was realized staff makes recommendations to the BOD for allocating those funds per the Board Fund Balance Policy which was adopted in 2018. Due to major transitions at CONFIRE over the past two years and the uncertainty surrounding the Ambulance Contract, the fund balance allocation process has been delayed. It was not completed for FY22 and is presented here for FY23, slightly later than usual due to the ongoing changes.

As a result, the CONFIRE Operating Fund (5008) is carrying a fund balance greater than usual. Combining FY22 and FY23, the current fund balance in CONFIRE's General Fund (5008) is \$3,906,214. Subtracting the Board policy goal of retaining a 10% buffer in the Operating Fund, this leaves a fund balance of \$2,480,337 to be allocated into other CONFIRE reserve funds in alignment with Board Policy, and to be earmarked for future expenditures.

The forementioned recommendations, provide a clear picture of how those funds would be best allocated and utilized going into FY25. It is important to note, that the guidance provided by the Board's Fund Balance Policy has enabled CONFIRE to maintain its service levels through several challenging seasons. This recommendation enables CONFIRE to meet all funding goals set by the Board.

The fund balance that is available beyond those goals in the past has allowed CONFIRE to build its reserves toward crucial Capital Improvement Projects, such as the new Valley Communications Center and to build equity in its Term Benefit Fund (5011) which is designed to manage employee pension and benefit costs in a long-term manner, thus reducing the risk of spikes and fluctuations in that area of the budget.

For FY25, the recommendation to allocate a significant portion of the fund balance into the Operating Reserves and authorizing up to \$2,000,000 of that amount to be utilized as a loan to offset initial start-up costs for the ground ambulance program, offers the following benefits. It makes crucial capital available to the program in its early stages to fund operations without interest before adequate revenue is developed to make the program self-sustaining. It also forestalls the need to request funds from a loan that has been authorized from the City of Ontario.

If approved, CONFIRE staff will work with the CONFIRE EMS Sub-Committee to draft an agreement detailing the transfer of these funds from the Operating Reserves (5010) into

the EMS Fund (5020). The agreement will include provisions to repay that amount with no interest, within a five-year timeframe. It will also include an early pay-off option.

Financial Impact

This recommendation has no immediate impact on the FY25 Proposed Budget. The following transfers will occur:

- \$1,425,877 will remain in 5008 (meeting the Board policy of carrying a 5-10% reserve in its operating fund)
- Move \$137,784 out of 5008 and into 5010- General Operating Reserves (meeting the Board policy of carrying a minimum 25% reserve in its operating reserve fund)
- Earmark \$150,000 out of 5008 to be paid to Image Trend
- Move \$2,192,553 out of 5008 and into 5010- General Operating Reserves
 - Earmark \$2,000,000 of that amount for a loan to the EMS Fund-5020