



Reserve Policy

And

Business Plan

2018 - 2020

Board of Fire Commissioners

Fire District #13

Cherry Hill, New Jersey

Cherry Hill Fire District #13

Mission Statement, Values and Vision

Cherry Hill Fire District #13 has been established to protect lives and property from fire, medical emergencies and natural disasters. The department promotes an “All Hazards” philosophy as outlined in its mission statement;

Mission Statement

The mission of the Cherry Hill Fire Department is to provide quality Emergency Services in a professional manner to all within the Township of Cherry Hill – specifically through timely and efficient delivery of such services that include fire prevention and suppression, the mitigation of medical emergencies, community risk reduction, the control of hazardous material incidents, rescue operations; confine space, trench, water, high angle and building collapse and the resolution of all types of disasters, be they natural or man-made. The department’s goal is to provide both emergency and public service to the community in a timely fashion and courteous manner 24 hours a day, seven (7) days a week. We are dedicated, caring professionals protecting the community.

Values

The department has established its value system for its personnel to follow around three (3) core military terms. This philosophy is instilled in the recruit firefighter and EMT on the first day of their training.

Honor – The inner force that drives one to exemplify the ultimate in ethical and moral behavior and to hold one’s colleagues to the same standard.

Courage – Mental, moral and physical strength that enables one to do what is right and necessary regardless of the dangers or outcomes.

Commitment – A spirit of unrelenting determination and dedication that drives one to achieve a standard of excellence in every endeavor.

Vision

The Cherry Hill Fire Department strives to follow best practices in its delivery of service to the Township of Cherry Hill and the County of Camden. With the achievement of International Accreditation and an Insurance Service Office (ISO) Class 1 designation in 2016, the organization will continue to demonstrate ongoing improvements in the services we deliver to our customers.

These improvements include but will not be limited to workforce development and training initiatives for our personnel, community risk education for the delivery of safety programs to the public and upgrades to our infrastructure i.e. emergency vehicles, equipment and buildings which support the delivery of emergency service to the Cherry Hill Community. All of these items identified will require a financial commitment to the yearly and multi-year budgeting process by the Board of Fire Commissioners as we continue to meet the benchmarks of the ISO and International Accreditation.

By following our mission statement and department values and with public support we will succeed in meeting this vision.

Definitions

Government Finance Officers Association – A professional organization that promotes excellence in state and local government financial management.

Fitch Group – Global leader in credit ratings and research.

Moody's Corporation – Provider of credit ratings, research and risk analysis.

Restricted – A fund that has externally enforceable limitations on the use of the fund balance such as creditors, grantors, or laws regulating the use of the funds.

Committed – A fund balance that is committed for a specific purpose.

Assigned – A fund balance that is used for a specific purpose, but is not restricted or committed.

Unassigned – A fund balance that is a residual amount in the general fund.

Reserves - Funding that is set aside for savings, projects and contingencies.

Overview of Funding

The Board of Fire Commissioner's has the ability to set property tax rates by establishing an annual operating budget for Fire/Rescue and Emergency Medical Services. Prior to 2011, a four (4) percent tax increase "cap" was in place for all government agencies within the State of New Jersey as required under state law. Since 2012, all government agencies have been working under a two (2) percent tax increase "cap" as required under state law.

The Fire District's fire tax is the primary revenue funding source (80%) followed by miscellaneous revenue (11%) and the use of reserves (9%). The Fire District subscribes to five (5) components of a strong municipal government as identified by Moody's Investor Services; Conservative Budgeting Techniques, Fund Balance Policy, Debt Planning, Succession Planning and Timely Disclosure of Annual Audit.

The Fire District's revenues and expenditures are relatively stable on an annual basis; however, the revenues are somewhat volatile on a month-to-month basis because of the way the District receives its tax revenue payments from the Township.

The fiscal budget year for the Fire District is January 1 to December 31.

The Fire District receives four (4) quarterly tax disbursements from the Tax Assessor from Cherry Hill Township. These payment are made on April 1st (21.25%), July 1st (22.50%), October 1st (25%) and December 31st (31.25%).

With the largest quarterly tax payment being deposited to the District on the last day of the fiscal budget year; it is reported as unassigned fund balance in the audit report of the year it was received. This payment then becomes the first quarter revenue for the following fiscal year.

Purpose of the Reserve Policy

The Reserve Policy's purpose is to document the Fire District's approach to establishing and maintaining adequate fund balances for the District's operation. Funding of these accounts is part of the annual budgeting process.

Reserve Policy

Fitch has identified the establishment and maintenance of operating reserves as a key element in its analysis of local government's credit quality. The current bond rating for the Fire District is Aa1. Maintaining adequate reserves has several benefits and is a factor in the District's bond rating.

The Fire District needs to ensure that there are available funds for cash flow for monthly expenditures, unanticipated revenue shortfalls, reducing or eliminating the need for cash flow borrowing, facility and apparatus capital projects and unfunded liabilities. This policy will assist and guide the District in meeting its obligation to the taxpayer to ensure there is short and long term fiscal planning for the organization. In 2016, the Fire District contracted with Public Financial Management to prepare a budgeting model tool for the Chief Financial Officer to utilize for forecasting out yearly budgets based on trending financial data of the Fire District. This will allow for the Fire District to make informed budget decisions related to the use of reserves, pay as you go and any required tax increases.

The Government Finance Officers Association (GFOA), Fitch and Moody's Standards recommends that governments determine appropriate levels of reserve fund balance. Credit rating agencies will monitor fund balances in a government's general fund to elevate a government's continued creditworthiness. Those interested in a government's economic condition will likely favor an increased level of fund balance. This is where the government agency has to strike a balance as to what is too little or too much in its reserve funds. The Fire District has determined that it would like to maintain between ten (10) and eighteen (18) percent of the District's annual operating budget in reserves.

The following definitions will be utilized as part of this policy for fund descriptions:

1. PFRS Pension Stabilization Reserve – Funds set aside for pension funding volatility at the State level.
2. PERS Pension Stabilization Reserve – Funds set aside for pension funding volatility at the State level.
3. Future Retiree Health Benefits Reserve – Funds set aside for future retiree health insurance premiums.
4. Facility Improvement Reserve – Funds set aside for capital building improvement/addition projects.

5. Vehicle Replacement Reserve – Funds set aside for apparatus and support vehicle replacement.
6. Equipment Replacement Reserve – Funds set aside for large dollar value Fire and EMS equipment replacement.
Note: Reserve Accounts 1 – 6 are shown as assigned fund balance
7. Unemployment Insurance Reserve (Restricted) – Funds set aside for costs associated with being self-insured for unemployment compensation.

The District prepares itself for various funding liabilities that could have a financial impact during any given budget year by placing funds in the designated reserve accounts. In addition the District budgets annually for compensated leave payments for retirement and separation of employment purposes.

Drawdown on Reserves

Reserves may only be used for the following situations:

1. Emergency situations
2. Unexpected expenses
3. Revenue shortfalls
4. Economic downturns
5. Designated purposes.

Replenishment of Reserves

Reserves will be funded using the following methods:

1. End of year budget surplus (Fund Balance)
2. Excess Revenue from budgeted Motor Maintenance and EMS Training Fees
3. One –Time revenues during the budget year
4. Sale of surplus equipment and apparatus
5. Quarterly transfer from operating stabilization accounts
6. Tax increase during economic up turns
7. A one percent (1%) dedicated appropriation (contingency) of the total budget in each year's operating budget when possible

The Chief Financial Officer (CFO) will include as part of the monthly treasurer’s report, a Reserve Fund report listing the cash balance in each of the designated reserve areas.

Purpose of the Business Plan

The Business Plans purpose is to outline and project the processes of planning and operating a multi-functional emergency service organization and to ensure that the department is adequately funded to fulfill the mission statement in protecting the residents and visitors of Cherry Hill Township.

Business Plan for Facilities and Fleet

Current Facilities

As of January 1, 2018 current bond debt will be for the facility upgrades that were completed in 2010. This debt was refinanced in 2015 and is calculated to expire in 2037. Below is the annual debt service payment for this bond:

- 2017 - \$1,113,997
- 2018 - \$757,550
- 2019 - \$758,650
- 2020 - \$749,350
- 2021 - \$752,650
- 2022 - \$753,150
- 2023 - \$752,650
- 2024 - \$756,025
- 2025 - \$758,150
- 2026 - \$759,025
- 2027 - \$763,525
- 2028 - \$761,650
- 2029 - \$769,200
- 2030 - \$771,500

2031 - \$773,200
2032 - \$778,822
2033 - \$778,353
2034 - \$781,750
2035 - \$783,919
2036 - \$792,300
2037 - \$793,650

Future Fleet

The Fire District currently has an established fleet replacement program that consists of the purchasing of heavy apparatus and light duty vehicles and the leasing of ambulances. The heavy apparatus has a fifteen year replacement cycle that consists of 10 years of front line service and 5 years as reserve service. This life cycle is adjusted for special apparatus and can be adjusted based on the condition of the apparatus at the 15 year threshold. The ambulances are on a 4 year lease replacement schedule that is built into the operating budget. The Fire District has been using pay as you go practices on heavy apparatus and light duty vehicles since 2013 and would like to continue that practice in the future as much as possible.

The following is a summary of the future heavy apparatus and ambulance replacement schedule:

2018 – Ladder 1314 (2002) – Est. \$850,000 +/-
2018 – Reserve Engine (1997) – Est. \$600,000 +/-
2018 – Rescue 13 (1998) – Est. \$800,000 +/-
2018 – Ambulance 9 and 10 – Lease Payment \$60K
2019 – Ambulance 11 and 12 – Lease Payment \$60K
2020 – Ambulance 13 and 14 – Lease Payment \$60K
2021 – Ambulance 15 – Lease Payment \$60K
2023 – Squirt 1341 and 1351 (2008) – Est. \$1,500,000 +/-

Remount/Refurbish Booms If Possible or Replace 1
Squirt, Sell 1 Squirt and Replace with an Engine

2023 – Ambulance 16 and 17 – Lease Payment \$75K

2024 – Ladder 1334 (2008) - \$950,000 +/-

2024 – Reserve Eng. /Squad (1997/2003) - \$800,000 +/-

2024 – Ambulance 18 and 19 – Lease Payment \$80K

The balance of light duty and support vehicles are identified in the master replacement schedule which is located in the department's Capital Facility and Fleet electronic file folder.

Future Facilities

Fire Stations

The Fire District was able to construct Fire Station 22 at 951 North Kings Highway as part of Phase I of its facility master plan in 2006. In 2010 the District completed Phase II of its facility master plan that included Central Command, Fire Station 3, Fire Station 4 and Fire Station 6. Phase III of the facility master plan that remains regarding fire station construction that needs to be completed would be a newly constructed fire station on the western side of Cherry Hill that will improve the deployment of Fire and EMS resources locally and Township wide.

In 2015, Fire District staff met with representatives from the Camden County Improvement Authority (CCIA) to discuss options of using the CCIA to fund and construct a new fire station.

The CCIA submitted a draft proposal for planning purposes using a 10,000 square foot building as a footprint. The estimated cost of the project was \$3,000,000. Using an interest rate of 4.5%, an annual P&I payment was \$184,175 over 30 years, or \$230,628 over 20 years.

In March 2017, Fire District Staff met again with representatives from the CCIA to revisit using them for the fire station construction. The CCIA will prepare an updated cost estimate for the project using \$5,000,000 as the cost of the building.

This project would require bond financing and the Fire District would like to proceed with this project in 2019, if possible.

Training Props

The Fire District was in the process of replacing the training props that were at the department's training academy which is located at 1100 Marlkress Road in 2015. The proposal was stalled at the New Jersey Local Finance Board level. The construction was priced at \$1,902,817 and is currently under appeal. The Fire District would like to revisit this project in the future.

Motor Maintenance

The Fire District operates a motor maintenance shop at 1501 Burnt Mill Road for fire department vehicle repair and maintenance. In 2015, the District established shared service agreements with surrounding local governments to provide Fire Apparatus and Ambulance repair and preventive maintenance services. The District would like to construct a support building for the motor maintenance shop. The estimated cost of this project in 2015 was \$800,000. The District would like to revisit this project in the future, if possible.

Firefighting and EMS Equipment

Firefighting and EMS equipment replacement and upgrades are accounted for in the annual operating budget; however, a large purchase such as the upgrade of new hydraulic rescue tools, self-contained breathing apparatus or patient stretchers can be appropriated in a budget year using reserve funds.

Appendix A

Fund Balance Usage (Budget Preparation)

2016

Assigned (Capital)	Assigned (Subsequent Budget)	Carryover	Total
\$818,571*	\$1,180,460	\$600,000	\$2,599,031

2017

Assigned (Capital)	Assigned (Subsequent Budget)	Carryover	Total
\$130,000	\$1,696,849	\$600,000	\$2,426,849

2018

Assigned (Capital)	Assigned (Subsequent Year)	Carryover	Total
\$700,000	\$1,774,803	\$600,000	3,074,803

- Not all of these funds were expended during that fiscal year and were reassigned to reserve funds.

First Quarter Expenditures/Prior Year Fund Balance

2016

Expenditures	Prior Year Assigned & Unassigned Fund Balance (Audit)	Difference
\$5,780,568	\$9,794,745	\$4,014,177

2017

Expenditures	Prior Year Assigned & Unassigned Fund Balance (Audit)	Difference
\$6,161,705	\$9,376,852	\$3,215,147

2018

Expenditures	Prior Year Assigned & Unassigned Fund Balance (Audit)	Difference
\$6,573,535	\$8,368,895	\$1,795,360

CHFD Reserve Target Range (GFOA, Moody's, and Fitch)

2015 Budget - \$27,430,817

2015 Utilized \$2,620,831

10% - \$2,743,081

12% - \$3,291,698

15% - \$4,114,622

18% - \$4,937,547

2016 Budget - \$27,638,067

2016 Utilized \$2,599,031

10% - \$2,763,806

12% - \$3,316,568

15% - \$4,145,710

18% - \$4,974,852

2017 Budget - \$27,690,903

2017 Utilized \$2,426,849

10% - \$2,769,090

12% - \$3,322,908

15% - \$4,153,635

18% - \$4,984,363

Appendix B

Various Outstanding Projects

Central Command – Perimeter Fencing and Gates

Station 22 – Security Cameras (2017), New Display Sign, Rear Sidewalk

Station 5 – HVAC Units over Office and Front Area, Paint Engine Room

Station 4 – Renovate Old Lavatories, Security Camera (2017), Station Facade

Station 2 – Paint Engine Room and Bay Doors, Security Cameras (2017), Dayroom Carpet

Station 6 – Complete perimeter Fencing and Gate

Station 3 – New Display Sign, Carpet/Tile Repairs

MM and FAB – Paint Exterior and Overhead Doors

Appendix C

References:

1. Public Financial Management – Reserve Policy Recommendations
2. Public Financial Management – Capital Programming
3. Public Financial Management – 2016 Executive Summary
4. 2011 BOFC Reserve Policy