





East County Fire and Rescue Standard Operating Guidelines

Title Budget	SOG # 1.3.1
Policy Adoption 	Date 6/4/2024
Standard Operating Guideline Adoption 	Date 6/4/2024

Purpose

"Budgeting is an essential element of financial planning, control and evaluation process of governments" (Washington State Auditor, 2013a). The district's annual budget serves two purposes:

- Provide our community and the board of fire commissioners with a clear picture of the services provided by East County Fire and Rescue, the cost of those services, and the policy decisions underlying the district's financial decisions.
- Provide the district's management with a financial and operating plan that complies with regulatory requirements for fire districts in the State of Washington and exemplifies best practices in budgeting and financial reporting.

East County Fire and Rescue's budget authorizes and provides control of the district's financial operations during the calendar year. The appropriations may not be exceeded unless amended by the board of fire commissioners. Expenditures are monitored through the accounting system and reported to the board on a regular basis. This standard operations guideline defines budgeting and reporting responsibilities, organization of the budget, the process used to develop the operating and capital budgets, financial reporting requirements, and the procedure used to amend the budget if necessary.

Scope

This standard operating guideline applies to the development, management, and adjustment of the district's budget, inclusive of all revenue and expense funds.

Policy

It is the policy of East County Fire and Rescue (ECFR) to:

- Establish funding priorities to reflect our mission to improve community safety by reducing risk through education, prevention, and response.
- Be a good steward of public funds and ensure that budgeting and financial management follow applicable laws and regulations and achieve results that are in the best interest of the district and its taxpayers.

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- Conduct the budgeting and financial reporting process in a manner that is transparent and easy for taxpayers to understand.
- Ensure that the district’s budgeting process has a direct and strong connection with the strategic plan adopted by the board of fire commissioners.
- Avoid budget decisions or procedures that provide for current operational cost at the expense of future needs.
- Use the Washington State Auditor’s Office (SAO) Budgeting and Reporting System (BARS) codes in budget development and fiscal reporting.
- Maintain a balanced budget, defined as funds total resources, comprised of beginning fund balance, revenues, and other funds are equal to the total of expenditures, other fund use, and the funds ending balance.
- Clearly set forth transfers between funds (e.g., general fund and capital projects fund) in the district’s annual budget or adjustments.
- Require approval of the board of fire commissioners for transfers between funds and for budget amendments increasing or decreasing budgeted line items.
- Post the proposed and adopted district budgets and any mid-year budget amendments on the district’s website in a timely manner to provide public access.

Procedure

The following procedures shall be used for budget development, fiscal reporting, and financial management.

Responsibilities

Board of Fire Commissioners: As specified in RCW 52.14.010, the affairs of the district are managed by the board of fire commissioners. The board provides policy direction through development and adoption of the district’s community risk assessment, strategic plan, standard of coverage and community risk reduction plan, fire and emergency services self-assessment model, long-term financial plan, capital projects plan, and capital and operating budgets. In addition, the board reviews expenditures and approves financial transactions on a monthly basis.

Fire Chief: As the district’s chief executive officer, the fire chief has overall responsibility for development of the proposed district budget and management of fiscal resources within the limits of funds appropriated by the board of fire commissioners.

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Administrative Specialist: The administrative specialist is responsible for the district’s financial management and accounting system used in budget development and fiscal reporting and for maintaining financial records in compliance with state laws, regulations, and fiscal best practices. The administrative specialist is responsible for development of fiscal reports as requested by the fire chief or board of fire commissioners and the district’s annual report to the State Auditor’s Office.

Community Budget Review Working Group: The working group is selected by the fire chief to serve in an advisory capacity, providing input to the chief and administrative specialist on the budget and budget document from a community perspective to ensure transparency and clarity. The working group is engaged throughout the budget process including review and discussion of budget assumptions, draft budget documents, participation in the budget hearing, and review of the final budget document.

Organization of District Budget

The Washington State Auditor prescribes budgeting, accounting and reporting (BARS) requirements for all local governments (RCW 43.09.200). The *Budgeting, Accounting, and Reporting System (BARS) Cash Basis for Cities, Counties and Special Purpose Districts* (SAO, 2023) includes a uniform chart of accounts, accounting and budgeting policies, guidance for preparing financial statements and instructions for preparing supplemental schedules required as part of the annual report to the state auditor (RCW 43.09.230).

The Washington State BARS is designed to allow formal integration of budgeting and accounting for all fund types in a governmental accounting system. The district prepares a comprehensive budget document of all anticipated resources and outlays on an annual basis, including those funds for which appropriated budgets are not required (e.g., leave accrual fund).

A fund is an accounting entity with its own self-balancing set of accounts recording cash and/or other sources of revenues against expenditures for specific activities. Managerial/internal funds are used for internal budgeting and are rolled up into the General Fund for purposes of BARS reporting. The district’s finances are allocated to the following funds:

- **General Fund:** The principal operating fund, which is supported by taxes, fees, and other revenues that may be used for any lawful purpose. The fund of the district that accounts for all current expenditures (e.g., personal services, materials and services) not specifically accounted for in other funds.

Included within the general fund, **contingency** is a budgetary reserve set aside for emergencies or unforeseen expenditures not otherwise budgeted. ECFR endeavors to maintain a contingency reserve at 5% of budgeted maintenance and operations expense. For budgetary reporting within the context of the BARS, this managerial fund is rolled up into the general fund.

- **Leave Accrual Fund:** This fund is used to account for assets held by the district for buyback of accrued, but unused vacation upon employees’ separation from the district. For budgetary reporting within the context of BARS, this managerial fund is rolled up into the general fund.

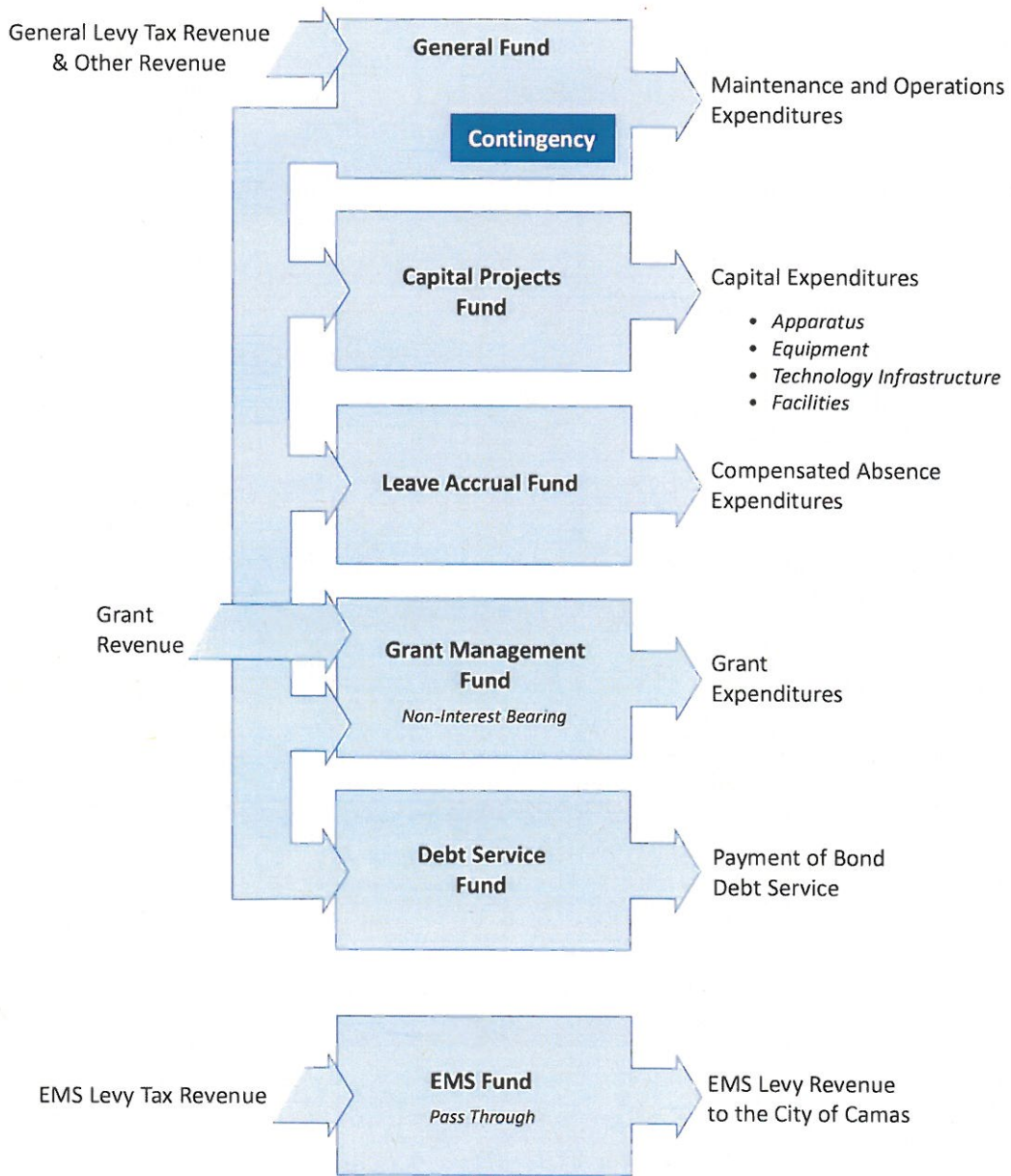
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- **Capital Projects Fund:** A fund established to accumulate assets for future capital purchases and for current capital expenditures. Capital expenditures are for items having a cost greater than \$5000 and a service life of greater than one year (e.g., major equipment, fire apparatus, and fire stations).
- **Grants Management Fund:** A fund established with a contribution of assets from the state or federal government that are to be used for a specified purpose, activity, or facility. Assets in this fund are maintained in a non-interest-bearing account in compliance with federal grant requirements. For budgetary reporting within the context of BARS, this managerial fund is rolled up into the general fund.
- **Debt Service Fund:** A fund established to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. This fund currently has a zero balance as the district has no debt.
- **Emergency Medical Services (EMS) Fund:** The EMS fund is supported by the district's EMS levy which funds, in part, delivery of emergency medical services to the district's residents. The district receives advanced life support (ALS) ambulance service from the Camas Washougal Fire Department through an interlocal agreement. This agreement currently specifies that EMS levy revenue passes through the EMS fund and transferred to the City of Camas for the district's share of ambulance service expenses.

Figure 1 illustrates the relationship between revenue, funds, and expenditures.

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Figure 1. Overview of Fund Relationships



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The district’s maintenance and operations budget is organized in accordance with the Washington State Budgeting and Reporting System (BARS) as prescribed by the Washington State Auditor’s Office (SAO) and as such includes the following functional divisions¹:

- **Administration:** Functions and activities related to the leadership and management necessary to ensure effective and efficient delivery of services to the community. Within the budget, this division also includes activities of a general nature associated with multiple service functions (e.g., postage, information technology services, telecommunications).
- **Operations:** Functions and activities related to fire suppression, medical, and rescue services.
- **Fire Prevention and Public Education:** Functions or activities related to reducing risk of harm and preventing loss of life because of fire, accident, illness, and other types of emergencies.
- **Training:** Functions and activities related to training and professional development.
- **Facilities:** Functions and activities related to rental, repair, operation, and maintenance of land, buildings and equipment related to fixed facilities (e.g., heating, ventilating, and air conditioning systems (HVAC), water systems, electrical backup generators).
- **Apparatus and Equipment Repair and Maintenance:** Functions and activities related to maintenance and repair of vehicles and portable equipment.

Budget Development

ECFR uses a bottom up budget process that engages project and program managers in developing budgets for each functional area of district operations. These budgets are consolidated, reviewed, and refined to produce the proposed district budget. This bottom up process has both advantages and disadvantages (Florin, 2011).

¹ Given the district’s small size, these functions are budgetary and not completely organizational (e.g., some members work within the operations function but have responsibility for other functions such as training, fire prevention, facilities, or repair and maintenance).

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Table 1. Advantages and Disadvantages of Bottom Up Budgeting

Advantages/Reinforcing Strategy	Disadvantages/Mitigating Strategies
<p>Participative Process: Bottom up budget development is a participative process in which the members involved develop a greater sense of ownership and commitment to the budget as a financial plan.</p> <p>Reinforcing Strategy: The district’s budget is used as an ongoing tool by all members with program or project management responsibility. Integration of the budget into program and project management as well as real time access to financial data increases commitment to the budget as the district’s working financial plan.</p>	<p>Time Required: Development of the district budget from the bottom up takes a significant commitment of staff time for developing program, project, and division budget proposals, executive review, and refinement of the proposed district budget.</p> <p>Mitigation Strategy: The district’s budget calendar is designed to provide adequate staff time for budget development and integrates the budget development process into ongoing staff work.</p> <p>Lack of Expertise: This approach requires individuals who may have limited experience and expertise to develop detailed budget projections.</p> <p>Mitigation Strategy: Professional development includes training and ongoing coaching in budget development and use of the budget as an ongoing financial management tools.</p>
<p>Accuracy: A bottom up budget has potential to be more accurate as those involved are closest to the work that will be performed.</p> <p>Reinforcing Strategy: Integration of the budget into program and project management along with accurate accounting by expense category provides ongoing improvement in budget accuracy.</p>	<p>Over Estimation: Competition for scarce resources may lead to overestimation of budget needs.</p> <p>Mitigation Strategy: Budget review at the function and district level along with the use of a modified zero based budgeting process, controls for overestimation of budget needs.</p>
<p>Improved Communication and Coordination: Budget development from the bottom up improves communication and coordination between project and program, and function managers and fire chief.</p> <p>Reinforcing Strategy: Regular fiscal reporting and ongoing conversation between the fire chief and members responsible as function, program, and project managers maintains a focus on the budget as a working document.</p>	<p>Lack of Context: In many organizations, rank and file members and first or second line supervisors do not have knowledge of strategic level organizational goals that impact on budget development.</p> <p>Mitigation Strategy: The district’s mission, values, and vision are integrated with ongoing operations. Within the budget process, project, program, and function budgets must be tied closely to specific strategic goals and initiatives.</p>

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In addition to building its budget from the bottom up, ECFR uses modified zero based budgeting. In this process, it is not assumed that the current year’s spending for a particular program or function is justified. Expenditures are examined to identify the following:

- Is this expenditure or level of expenditure in the best interest of the community that we serve?
- Are the goals and objectives of the program or function identified in the district’s strategic plan?
- Are there other less costly and more effective ways of achieving the desired outcomes?
- Would overall achievement of the district’s strategic goals be improved if funding was shifted from the program under review to another area of district operations?

Budget Calendar

The district’s budget process begins in April with review of the district’s strategic goals, capital projects plan, and other major policies in April with development of project, program, and function budgets and concludes in November with adoption of the budget by the board of fire commissioners and submittal to the Clark County Auditor.

Table 2. Budget Calendar

Month	Activity
April	Board of Commissioners major policy review: <ul style="list-style-type: none"> • Strategic goals. • Capital projects plan. • Other major policies. Staff develops multi-year fiscal projections.
June	Community budget review working group review of budget assumptions.
July	Development of function budgets.
August	Review & revision of function budgets. Draft comprehensive district budget.
September	Staff review & revision of the proposed district budget. Community budget review working group review of proposed district budget.
October	Submittal of the proposed district budget to the board of fire commissioners. Public budget hearing. Budget accepted or revisions specified by the board of fire commissioners.

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Table 2. Budget Calendar

Month	Activity
November	The fire chief and district staff revise the proposed budget as necessary. Tax increase resolution, levy certification resolution, and resolution for adoption of the district's comprehensive budget by the board of fire commissioners. Adopted budget submitted to the Clark County Auditor.
December	Board of fire commissioners, fire chief, and community budget review working group review and discussion of the budget process and recommendations for improvement. The adopted budget is entered into the finance and accounting system. The adopted budget is submitted to the GFOA Distinguished Budget Award Program for review.

Development of Function Budgets

Just as the function budgets are the foundation for development of the overall district budget, program budgets provide the basis for development of division budgets.

Staff Budget Input Workbook: In June, each function and program manager is provided with a staff budget input workbook in Excel (.xlsx) format that is used to enter proposed funding details to support line item level requests as illustrated in Table 3. This workbook contains a worksheet for each line item. The yellow shaded areas of worksheets are provided for data input while the unshaded areas contain headings and calculated fields that are locked.

Table 3. Staff Budget Input Worksheet

522 30 30 000		Fire Prevention & Public Education Supplies		
Item	Quantity	Unit Price	Sub Total	Justification
10-Year Battery Smoke Alarms	100	\$20	\$2,000	
Hard Wired (Plug In) Smoke Alarms	20	\$30	\$600	
Carbon Monoxide Alarms	20	\$35	\$700	
Smoke & CO Alarm Batteries	1	\$500	\$500	
			\$0	
			\$0	
			\$0	
			\$0	
			\$0	
			\$0	
Line Total			\$3,800	

Function and program managers must be able to speak to the reason for each specific request, why this expenditure is in the best interest of the community, how the expenditure supports achievement of the district's strategic goals and initiatives, and what alternatives were considered in determining that this

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expenditure was the most cost effective approach. Within the operating budget any expenditure that reflects a significant change (increase/decrease in expense or addition or elimination of a service or program) must be accompanied by a narrative explanation or justification.

Data entered into the line item worksheets are linked to the associated function (administration, operations, prevention and education, training, facilities, and repair and maintenance) budget worksheets that identify the actual expenditures for the prior year, amended budget for the current year, and proposed budget for each line item along with summary data.

220 Prevention Wages & Benefits		Actual 2022	Amended 2023	Proposed 2024
522 30 14 001	Fire Prevention & Public Education Overtime	\$0	\$0	\$1,003
220 Prevention & Public Education Supplies & Services				
522 30 30 000	Fire Prevention & Public Education Supplies	\$882	\$725	\$3,800
522 30 30 001	Fire Prevention & Public Education Equipment	\$0	\$0	\$100
522 30 31 000	Pre-Incident Planning Supplies	\$0	\$0	\$0
522 30 31 001	Pre-Incident Planning Equipment	\$0	\$0	\$0
522 30 35 000	Address Signs	\$0	\$0	\$500
522 30 40 000	Newsletter Printing & Postage	\$1,912	\$4,000	\$6,000
522 30 42 000	Public Education Advertising	\$0	\$300	\$0
Sub Total		\$4,289	\$9,025	\$11,403

Total Prevention Budget	\$4,289	\$9,025	\$11,403
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Function Business Plan: Function managers must review the district’s adopted strategic goals and related initiatives and submit a business plan along with their function budget detail worksheet. This plan must include the following:

- Function title (e.g., administration, operations, fire prevention and education, training, repair and maintenance, or facilities).
- Purpose of the function (explanation of why the function exists).
- Programs within the function’s area of responsibility.
- Strategic goals supported by function activities.
- Strategic initiatives that will be implemented or in progress during the budget year.

Program managers develop program business plans that specify program purchase, strategic goals, and initiatives. In addition, function and program managers correlate activities and expenditures to the Commission on Fire Accreditation International (CFAI) accreditation criteria (CPSE, 2020).

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Capital Projects Plan and Budget

The East County Fire and Rescue’s capital projects plan is a component of the district’s integrated comprehensive plan. Direction for the capital planning process is provided in *Standard Operating Guideline (SOG) 1.4.6 Integrated Comprehensive Plan Volume 6-Capital Projects Plan*.

Annual Capital Projects Budget: The district develops an annual budget for the capital projects fund. This budget is integrated with the budgets for all other funds in the annual comprehensive budget. This budget includes:

- Capital projects fund cash flow and 10-year overview of scheduled projects.
- Individual capital project request and estimates of cost for projects that will be completed in the budget year.

Budget Amendment

There are two types of budget amendment. The first is simply a transfer between line items within a given fund (e.g., reduction in one or more lines and an increase in one or more other lines) while maintaining the same overall appropriation (net zero budget adjustment). The second type of adjustment is a transfer between funds and change in the appropriated amount within those funds (e.g., transfer from contingency or transfer between the capital projects fund and general fund).

Line item expenditures that exceed the adopted amount may be approved by the fire chief provided that the budget remains balanced at the function and fund levels. In the event that line item expenditures would result in a deficit (within the line) of greater than \$2000, the board of fire commissioners must be notified at their next regular meeting.

Budget amendment will generally be performed (if needed) in April and October. However, under exigent circumstances, the fire chief may request that the board of fire commissioners adjust the budget at any time.

The district’s administrative specialist will enter proposed budget changes in the Springbrook accounting system as they are identified. This entry will include the adopted amount of the line item, the proposed (adjusted) amount of the line item, the difference, percentage difference, and justification of the proposed changes. The fire chief will submit a narrative report outlining the need for the budget adjustment (increases/decreases in individual lines and/or transfer between funds) with line item level detail along with the Springbrook proposed budget changes report to the board of fire commissioners in advance of the meeting at which the budget adjustment will be considered.

Public Budget Communication

In addition to the comprehensive budget, the district will prepare a budget in brief document that provides a high level (fund and function) overview of the district’s budget to provide district residents and taxpayers with user friendly, easy to access information on the district’s fiscal condition and budget.

To provide a high level of transparency to the district’s budget process, the proposed budget and budget in brief will be posted to the district’s website concurrently with transmittal to the board of fire

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commissioners. The district’s adopted budget and budget in brief will be posted to the district’s website immediately following adoption and any subsequent adjustments will be posted in a timely manner after adoption by the board of fire commissioners.

In addition to on-line posting, a summary of the district’s budget will be included in the first district newsletter following budget adoption. This newsletter is distributed to all United States mail customers within the district.

The district’s monthly budget position and check register will be posted to the district’s website on a monthly basis in advance of the second monthly regular meeting of the board of fire commissioners. In addition, any budget adjustments and related supporting documentation will be posted to the district’s website following the meeting of the board of fire commissioners at which these budget changes are made.

Distinguished Budget Presentation Award Program

East County Fire and Rescue participates in the Government Finance Officers Association (GFOA) *Distinguished Budget Presentation Award Program* (GFOA, 2024) on an annual basis. This program provides external validation that the district has prepared budget documents of the very highest quality that reflect both the guidelines established by the National Advisory Council on State and Local Budgeting and the GFOA’s best practices on budgeting.

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