



## SOUTH LANE COUNTY FIRE & RESCUE

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### **Memo**

To: Budget Committee  
From: John Wooten, Fire Chief  
Subject: FY2019-20 Budget Message  
Date: May 16, 2019

The proposed budget for FY2019-20 is presented for your review, discussion, and approval.

### **Overview**

The budget proposed is the suggested avenue to structure our expenditures in such a way as to provide the most efficient use of the revenue available. The District is undertaking several key projects in FY2019-20 to improve service and safety for SLCFR personnel and the community.

The proposed budget is balanced as required by state law. The proposed budget is consistent with adopted Board policies and practices. The proposed budget is consistent with spending priority guidelines adopted by the Board of Directors.

After a review of past budgets and audits, and considering statutory limitations and available funding, this budget is structured to balance the needs of the District residents and all affected entities. The spending priorities considering immediate needs, functions, and operations with the best return on investment.

The Fire District enters its 17th year of operation, following its creation in July 2003. As a result of the merger, the Fire District has a permanent tax rate of \$1.0335 per thousand dollars of assessed value. The District continues to receive operations funding from a Local Option Levy of \$0.47 per thousand dollars of assessed value, renewed by voters in November 2017. The renewed Operations and Staffing Levy has been a crucial element of maintaining our Fire/EMS services staffing and maintaining the ISO rating of 2/4/10W. Without the Levy, the District would likely be unable to maintain its ambulance service to the citizens going forward.

In November 2015, the voters passed a General Obligation Bond for Apparatus and Equipment of \$0.30 per thousand dollars of assessed value, reflected in the FY2019-20 fiscal year's revenues and in the 2015 GO Bond Debt Service Fund (page 15) of the proposed budget.

The history of property tax collections by Lane County averages 94.8%. The projected tax collection rate for FY2019-20 is not expected to change. With the economy and housing market continuing to improve and gain value, the Lane County Assessor estimates a growth of 3.75% to 4.25% for the FY2019-20 cycle. A study of growth from FY2013-14 to FY2016-17 shows an average growth in the District's total valuation of 3.75% for the period studied. As we continued to budget conservatively on expected revenue and higher on expenses, the District's financial health is good entering the

FY2019-20 cycle. Estimated property tax revenue for FY2019-20 has been budgeted at less than the FY2018-19 Table 4a.

The District operates five (5) advanced life support transporting units, and bills patients for this service. This revenue is subject to collectability and Medicare/Medicaid reimbursement schedules which fluctuate as a result of State and Federal regulations and legislation. The District billed an average of \$525,569 a month in EMS charges for the first nine (9) months of FY2018-19. The District will realize an up to 3% increase in reimbursements from Medicare/Medicaid per approved claim in FY2019-20. The District's current reimbursement rate for EMS billing is within the average for similar size and geographically located services. A management analysis of EMS revenue for the previous two (2) fiscal years was conducted. The management analysis revealed the District has netted in excess of 1.6 million dollars per year leading to a revenue estimate increase of \$100,000 over FY2018-19.

The State Plan Amendment (SPA) for the Ground Emergency Medical Transport (GEMT) program for Medicaid was approved in FY2018-19. We have been notified GEMT reimbursements from July 1, 2107 forward will begin in FY2019-20. A soft revenue estimate of \$200,000 has been added for GEMT expectations.

For the proposed FY2019-20 Budget, the major revenue resources come from three primary sources:

- Property Taxes
  - Permanent rate
  - Operations and Staffing Levy
  - 2015 General Obligation Bond
- Ambulance Transport fees
  - GEMT (funds in FY2019-20)
- FireMed

The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate budgetary and accounting entity. Within the annual budget, the District's funds are grouped as follows:

1. *General Fund*
2. *Building Reserve Fund*
3. *Equipment Reserve Fund*
4. *2015 Bond Debt Service Fund*

A detailed explanation of these resources and expenditures is included in the attached summary sheets and detailed line item sheets.

The FY2019-20 Budget does not require a TRAN, or Tax Revenue Anticipation Note, to fund District operations between July 1 and November 30th. The District will be able to fund services from July 1, 2019 through November 30, 2019, with its existing financial resources, as it has the previous five (5) fiscal years.

The Operations and Staffing Levy (Levy) remains a short-term partial solution to cover operational expenses. A probable long-term solution is still required, with one idea being to dissolve the District and reform at a manageable permanent tax rate.

The District will continue to levy property tax revenue for the 2015 General Obligation Bond which funded the new fleet and ends in 2021. The property tax revenue for the 2015 GO Bond will be

received into the General Fund and subsequently transferred to the 2015 GO Bond Debt Service Fund on page 15 of the proposed budget.

### **The Budget Committee**

The task of the Budget Committee exists by State statute to ensure the District is allocating and spending tax payer funds in an appropriate manner, and to see programs and required/essential services are adequately funded. The Committee is made up of the five elected Directors of the Fire District and an equal number of appointed non-Board members, selected from eligible District residents by the District Board of Directors.

The purpose of the Budget Committee is to:

1. Conduct public meetings to hear the budget message and review the budget proposed by the Fire District's Budget Officer.
2. Listen to comments and questions from interested citizens.
3. Revise the proposed budget to reflect changes the committee sees proper.
4. Approve the budget.
5. Approve the property taxes/property tax rate.

### **Budgetary Accounting Basis**

The budgetary and accounting policies in the proposed budget conform to generally accepted accounting principles (GAAP) as established by the Government Accounting Standards Board (GASB). The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate budgetary and accounting entity. Within the annual budget the District's funds are grouped as follows:

#### **General Fund:**

Used to record financial transactions relating to all activities of the District for which specific types of funds are not required. The General Fund is where the majority of the District's operation takes place.

#### **Building Reserve Fund:**

The Building Reserve Fund is a special fund to accumulate funds for capital expenditures relating to buildings and grounds.

#### **Equipment Reserve Fund:**

The Equipment Reserve Fund is a special fund to accumulate funds specifically for capital expenditures related to apparatus and equipment.

#### **2015 GO Bond Debt Service Fund:**

The 2015 GO Bond Debt Service Fund is a special fund for the 2015 Apparatus and Equipment Bond passed by voters in November 2015. The annual revenue from the \$0.30/\$1000 of assessed value, principle, and interest payments will be part of this fund.

### **Budget Management:**

The Board of Directors' resolution authorizing appropriations for each fund at the end of the budget process, establishes the level by which expenditures cannot be exceeded during the fiscal year. Total Personnel Services, Material and Services, Capital Outlay, Debt Service, Fund Transfers and Contingency have the levels of control for each fund established by resolution. Appropriations lapse at the end of each fiscal year. Budgetary control is maintained at appropriation levels, through monitoring of the expenses for each of the following categories:

**Personnel Services-** includes the wages and fringe benefits for all District personnel.

**Materials and Supplies-** include supplies, maintenance and repair, and utilities for the normal operation of the fire district.

**Contractual Services-** includes professional services such as legal counsel, audits, dispatch services, and physician advisor.

**Capital Outlay-** includes the cost of equipment replacement, facilities repair and replacement, and furniture and fixtures.

**Other Expenditures-** includes special appropriations not included in the above categories such as fund transfers, contingency funds and debt service.

### **Personnel Services:**

The District is in a contractual agreement with IAFF Local-851 through June 30, 2020. By virtue of this agreement, the members of IAFF Local-851 will receive a 2.5% COLA for FY2019-20. The represented positions for IAFF Local-851 are the District's fulltime firefighters, engineers, and captains.

The District's Non-Represented positions including the office administration and Division Chiefs are being budgeted for the following;

- Office Administration: 2.5% COLA (At Market Comps)
- Division Chiefs: 2.5% COLA (At Market Comps)

The Fire Chief's contractual employment agreement with the Board enters its second year. Consistent with the District's other positions, a 2.5% COLA has been budgeted (requires Board approval). The Fire Chief is at market comparability.

July 1, 2019 is the beginning of a new biennium for PERS rates. The Districts PERS rates are increasing by an estimated \$65,034 for FY2019-20. The next projected PERS rate increase will be July 1, 2021. The District will have two (2) Tier 1 and (2) Tier 2 employees. The remaining positions are all now OPSRP.

Overtime costs will continue to exist given the current system for call back of off duty employees remains necessary, and largely unpredictable for answering EMS and fire responses. Overtime cost reductions are constantly sought. The overtime portion of the proposed FY2019-20 budget will not be increased from the FY2018-19 budgeted amounts. The District typically expends less on overtime costs than budgeted following reimbursement adjustments for conflagrations. The amounts within the Overtime category have been reallocated between lines to reflect an increased emphasis on training. NIOSH reports for firefighter fatalities and major injuries routinely list communications and training as the top contributing factors.

Health care premiums will increase by 5.48% (\$17,316) for FY2019-20 following two (2) fiscal years relatively flat rates.

## **Materials and Services:**

The proposed total expenditures for Materials and Services in FY2019-20 will remain nearly the same as FY2018-19 but will have some individual line adjustments accounting for budgeted vs actual expenses during FY2018-19.

The District's Insurance (page 4) is budgeted for a 5% cost increase for FY2019-20 over what the District budgeted in FY2018-19. The District's insurance carrier (SDIS) estimated insurance *Property and Casualty* premium increases of 3%-5%.

Postage & Shipping (page 5): While there is no cost increase anticipated for these lines, postage has been revised down by \$3,000 while shipping has been increased by \$3000.

Medical Equipment Maintenance (page 5): The line for cot maintenance has been increased by \$3500 to account for vendor maintenance agreement costs.

Vehicle Maintenance & Repair (page 5): The line for Ambulance has been reduced by \$5000 given actual maintenance costs over the previous three (3) fiscal years. The line for Staff Vehicles has been reduced by \$3000 given actual maintenance costs over the previous three (3) fiscal years.

Computer Programs and Supplies (page 6): The District entered into a managed IT services agreement with our current provider resulting in line item adjustments.

Office Supplies- General Operations (page 6): The District Business Printing line has been reduced to reflect trends over the previous three (3) fiscal years.

Books, Maps, & Periodicals (page 6): This line has been reduced to reflect trends over the last three (3) fiscal years.

Safety Clothing (page 7): The lines within this category have been reduced by \$6,500 and the funds shifted to Uniforms.

Uniforms (page 7): The Duty Clothing line has been increased by \$7,000 to allow for the purchase of new coats for District personnel. The current coats have exceeded their service life.

Training & Education (page 8): The EMT Recertification line within this category has been defunded for FY2019-20. Funding for this line is needed on a biannual basis and will be restored in the FY2020-21 budget. Other lines within the category have been adjusted based on usage in FY2017-18 and FY2018-19 YTD.

Travel & Subsistence (page 8): The budget lines within this category have been adjusted up or down to reflect historical expenditures.

Employee Examinations & Testing (page 8): Some budgeted lines within this category have been adjusted to reflect expected needs for the fiscal year.

Infectious Disease Prevention (page 8): The budgeted lines within this category have been adjusted based on trends from the previous three (3) fiscal years.

Volunteer Services & Support (page 8): The budget line for Volunteer Recruitment has been reduced by \$1,500 following an analysis of previous recruitment drives and factoring the District uses its web site and social media platforms to assist with these efforts.

Fire & Life Safety (page 9): The budget lines within this category have been adjusted to reflect anticipated program requirements and trends over the previous three (3) fiscal years.

Election, Advertising, Consultants (page 9): The budgeted lines within this category have been funded based on previous trends and anticipated needs. The biggest change was moving \$15,000 from line 21 to line 26.

Accounting & Audit (page 10): The funding in this line has been increased to \$20,000 in anticipation of costs associated with a new auditor.

Dispatch Services (page 10): This line has been increased in anticipation of yet unknown contract costs for Central Lane 911 in FY2019-20. The costing formula for this line is currently being reconsidered by the Lane County Fire Defense Board which may result in lower than budgeted costs for the District.

The Materials and Services section of the budget is proposed at \$1,339,798 for FY2019-20 as opposed to \$1,355,327 for FY2018-19. The District typically spends less than budgeted for Materials and Services. Using FY2017-18 as an example, the District only expended 83.8% of the budgeted amount.

### **Capital Outlay:**

The proposed capital outlay expenditures reflect needed improvements to our operations capabilities for fire and EMS. The following are planned projects for FY2019-20.

- \$5,000 to purchase fitness equipment (Fit for Duty Program)
- \$3,000 to purchase an in-vehicle repeater (DC Tahoe)
- \$34,000 to purchase 1  $\frac{3}{4}$  and 2  $\frac{1}{2}$  fire hose (Replacement)
- \$2,500 to purchase 5" hydrant adapters (ISO Improvements)
- \$1,500 to purchase portable radios (Safety)
- \$7,000 to purchase a forceable entry prop (Training)

Total Capital Outlay (page 11) expenditures for FY2019-20 are budgeted for \$3,000 more than FY2018-19.

### **Contingency:**

Oregon Budget Law allows an operating contingency to be spent in case of unforeseen situations. This proposal utilizes a contingency for the General Fund of \$200,000 to meet any unanticipated requirements during the fiscal year. The District did not need to encumber its Contingency in FY2018-19 as of May 16, 2019. The District did encumber the Contingency in FY2015-16 for the emergency purchase of an ambulance.

### **Unappropriated Ending Fund Balance**

The Unappropriated Ending Fund Balance (page 12, line 36) are funds (cash reserves) held in reserve by the District for use to balance the budget and buy time during recessions or unforeseen financial downturns. As Budget Officer and Fire Chief, my goal has been to get the cash reserves for the District to 1 million dollars. We are very happy to have achieved our goal in this proposed budget.

### **Building Reserve Fund:**

The Building Reserve Fund will receive a transfer of \$100,000 from the General Fund. The scheduled projects with this fund are;

1. Design/Architectural Services: \$75,000 (Creswell Station design project)
2. Building Improvements: \$100,000 (Resurface training yard at Station 201)

### **Equipment Reserve Fund:**

The Equipment Reserve Fund will be utilized in FY2019-20 for fleet and equipment upgrades and replacements, with two major purchases. The District will be replacing a medic unit (\$240,000) and a Type 6 brush engine (\$140,000). The EMS Equipment line contains \$27,000 for the purchase of another Zoll X-Series monitor.

The District's Self-Contained Breathing Apparatus (SCBA) will reach the end of their service life in a few years. A dedicated replacement line has been established within the *Equipment Reserve Fund* which will increase to over \$224,000 for FY2019-20. The estimated cost to replace the District's SCBAs and two compressors will be in excess of \$525,000.

### **2015 GO Bond Debt Service Fund**

This budget fund was established in the FY2016-17 budget and will continue for FY2019-20. This fund services the \$2,605,000 bonded debt to Zions Bank for the new fleet. The bond debt service is estimated to reach maturity on June 15, 2021. As Bond revenue is brought into the General Fund during FY2019-20, it will be transferred to this Fund.

The District is budgeted by the Terms of Agreement with Zion's Bank to repay \$557,797 toward the bonded debt service in FY2017-18.

- Principal payment: \$550,000
- Interest payment: \$7,797

### **Transfers:**

The following transfers are scheduled from the General Fund in the FY2019-20 budget.

- To the Building Reserve Fund \$100,000
- To the Equipment Reserve Fund \$240,000
- To the 2015 GO Bond Debt Service Fund \$568,473 (estimate)

### **Summary:**

This proposed budget has been prepared balancing the needs of the District and the needs of the community we serve. The proposed budget for FY2019-20 is weighted against the limited funding available for providing a safe and reliable service model throughout the District. Given the average call volume of 12 calls per day, demand for service, and projected staffing requirements, it is essential to maintain current service levels during FY2019-20.

The Unappropriated Ending Fund Balance (cash reserve) remains necessary given the anticipated need, going forward, to save for future PERS increase, recessions, and economic downturns. The fund is estimated to be slightly over 1 million dollars.

I would like to thank the Budget Committee, the Board of Directors, and the staff here at South Lane County Fire and Rescue for their assistance and effort in development of this budget.

Your careful review, support and consideration of this budget is appreciated.

### **Recommendations**

It is requested that the Budget Committee review and approve the proposed budget with modifications and revisions as stated. Further it is requested the Budget Committee approve and/or support the following recommendations made by the Budget Officer for this proposed budget.

1. Approve the proposed FY2019-20 budget resources and appropriations as presented to the Budget Committee.
2. Approve levying taxes in the amount of \$1.5035 (\$1.0335 Permanent and \$0.47 Local Option Levy) per thousand of assessed property valuation for operating purposes.
3. Approve levying taxes in the amount of \$0.30 per thousand dollars of assessed property value for the 2015 General Obligation Bond.