



ORCAS ISLAND FIRE & RESCUE

Financial Sustainability Plan

OIFR Commission Meeting | May 15, 2023
Annie Sieger, Project Manager



Emergency Services Consulting International

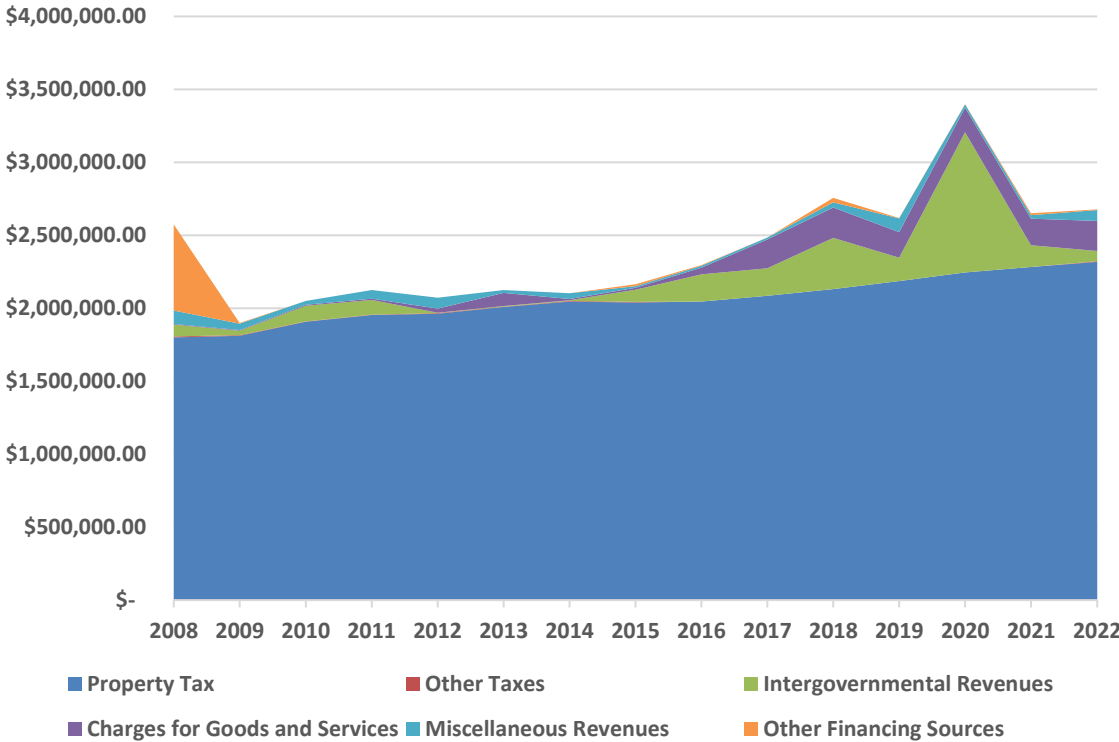
Background and Context

- Municipal governments, including Fire Districts like OIFR are financially constrained by limited revenue sources and a number of tax-limiting measures
 - Passage of Initiative 747 in 2001 established the “101% levy limit” which limits growth of property tax revenues by 1% annually (plus proceeds from any new construction)
 - Even over the last ten years, with historically low inflation, 1% is generally less than the necessary growth of government expenditures, creating a fiscal imbalance
- OIFR has, historically, relied on voted-levy lid lifts to address this fiscal imbalance
- OIFR’s most recent levy lid lift expires in 2024
 - As a temporary levy lid lift, it will also reduce OIFR’s property tax revenues, further exacerbating its fiscal imbalance



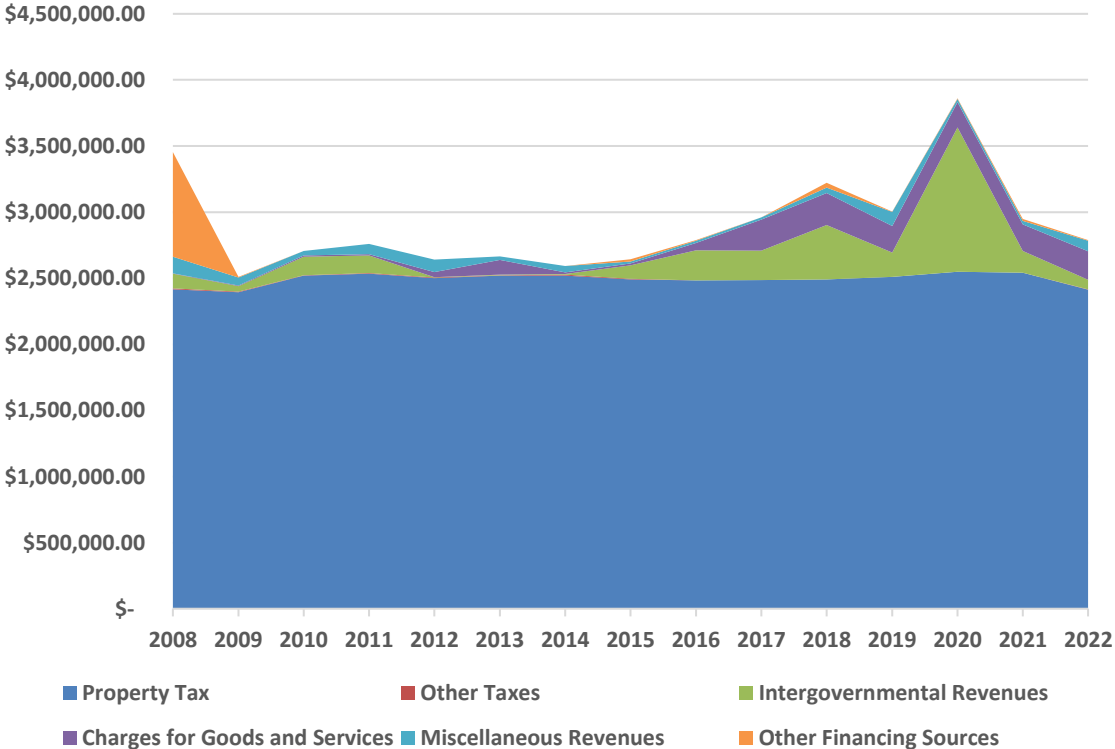
Historical Revenues

Historical Revenues, 2008 to 2022 (YOE\$)



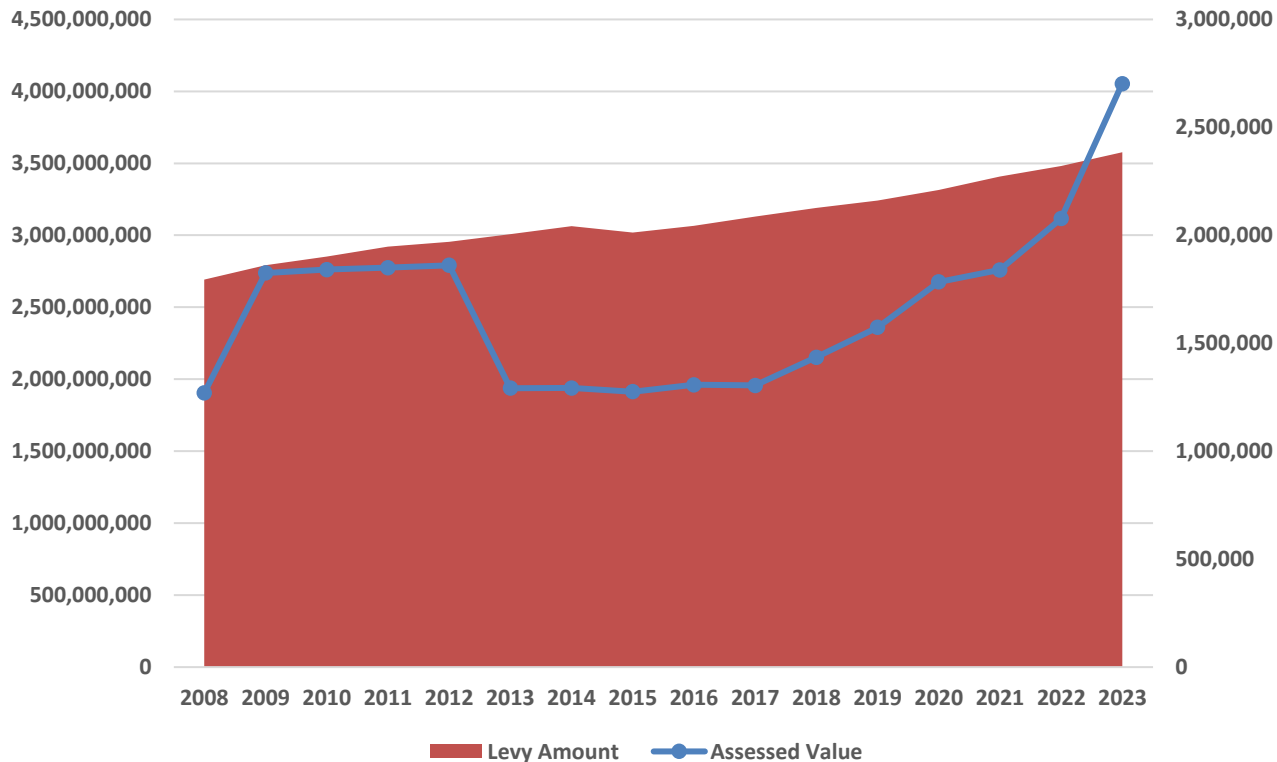
Historical Revenues

Historical Revenues, 2008 to 2022 (2023\$)



Historical Property Tax Revenues

Assessed Value and Levy Amount, 2008 to 2023 (YOE\$)



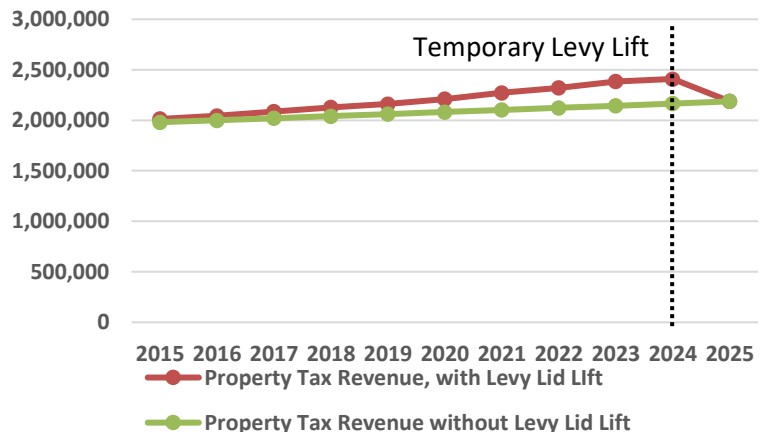
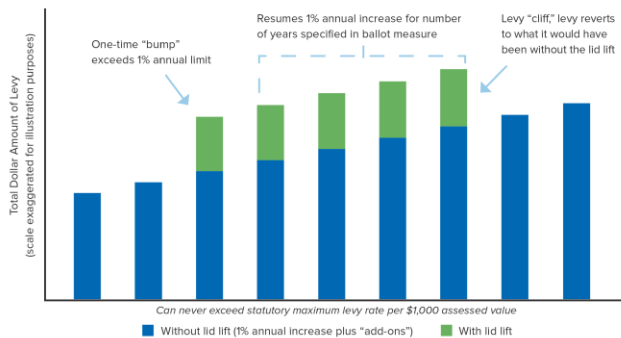
- Includes “single-year levy lid lift (to \$1.05, 10 years)” passed in April 2014.



OIFR's Current Levy Lid Lift

- In April 2014, OIFR asked voters to enact a “single-year levy lid lift (to \$1.05, 10 years)”
 - Passed with 62.22% of the vote
 - Only increased revenues very slightly over the ten-year period
- The ballot measure did not state that it is a permanent lift, which means it is subject to the levy lid lift cliff
- If a new levy lid lift is not enacted in 2024, OIFR's levy will revert to what it would have been without the lid lift

SINGLE-YEAR TEMPORARY LEVY LID LIFT

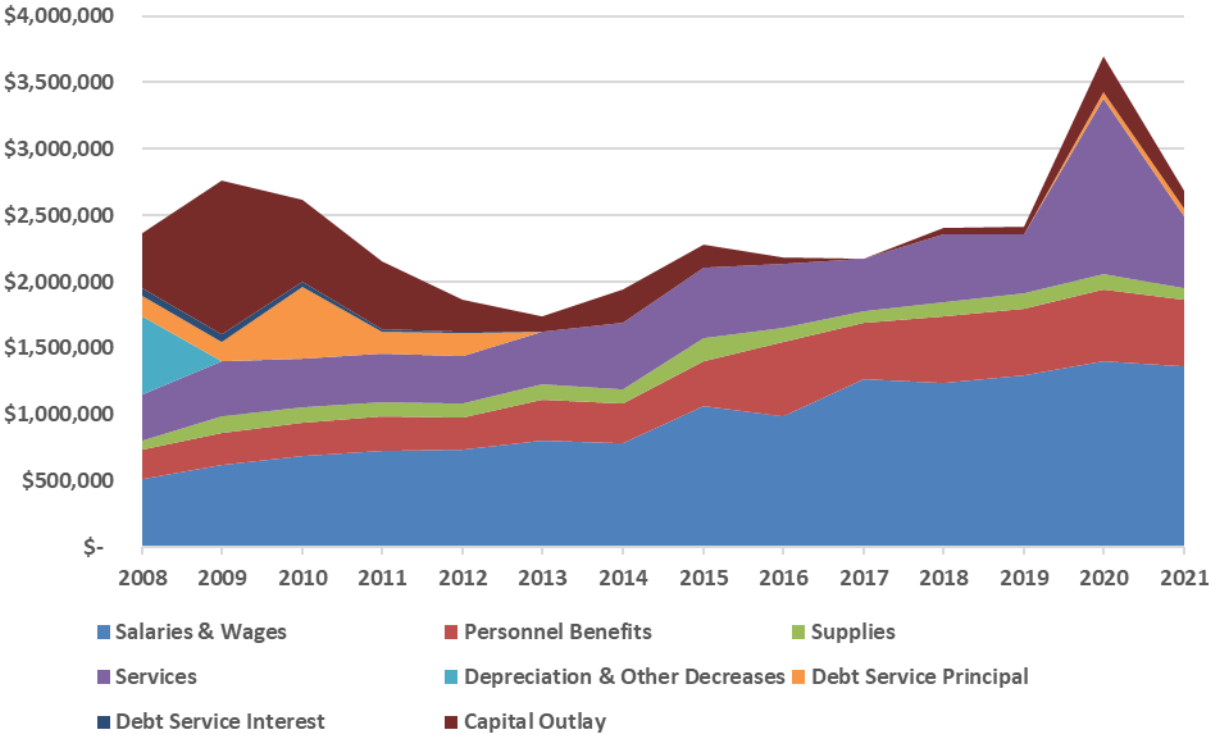


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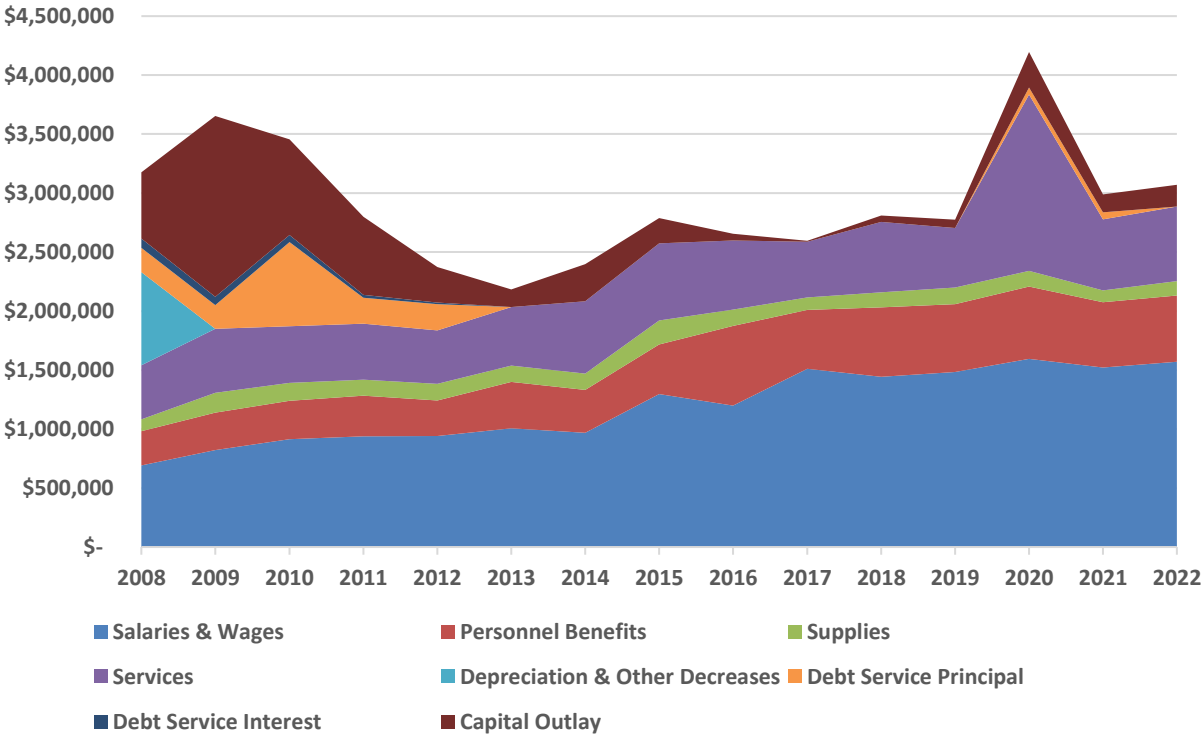
Historical Expenditures

Historical Expenditures, 2008 to 2022 (YOE\$)



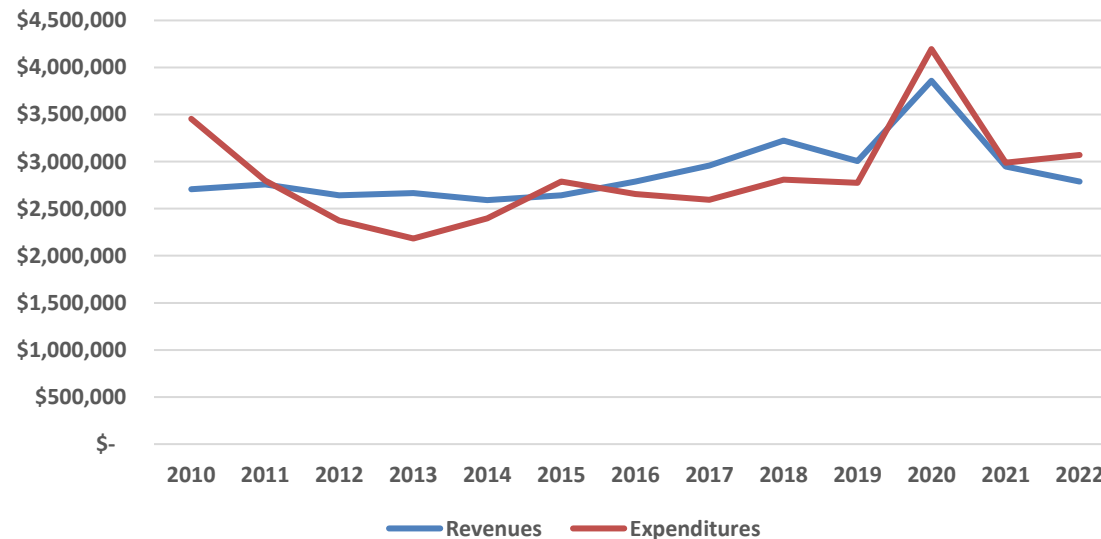
Historical Expenditures

Historical Expenditures, 2008 to 2022 (2023\$)



Historical Revenue Sufficiency

Historical Revenues vs. Expenditures, Total and Per Capita, 2010 to 2022 (2023\$)



- OIFR has faced historical fiscal imbalance that will worsen if and when it falls of the “levy lid lift cliff.”



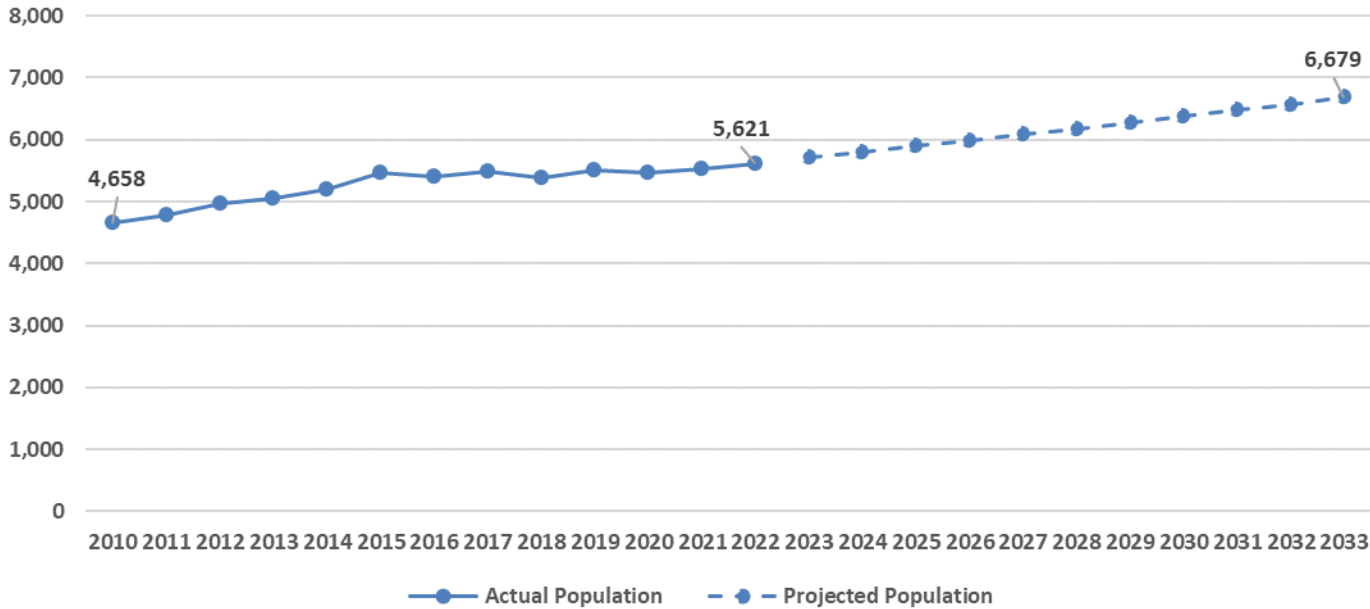
Revenue Sufficiency Analysis Methodology

- Developed population estimates for a ten-year period (2024 to 2033)
- Estimated and projected baseline revenues based on “levy lid lift cliff” and considering historical trends for other revenues.
- Estimated and projected baseline operating costs based on the 2023 budget and considering historical trends related to expenditure growth. Cost-of-service projections also considered:
 - Fixed, mixed, and variable costs
 - Economies and diseconomies of scale
 - 10-year Master Funding Plan
- Estimated near-term capital expenditures based on 10-year Master Funding Plan.
- Estimated long-term capital expenditures based on apparatus lifecycle costs.
- Indexed the analysis to inflation based on the historic Implicit Price Deflator (IPD) as used by the Washington State Department of Revenue.



Historical and Projected Population

Historical Population, 2010 to 2022 and Projected Population,



- Projected population growth based on historical compound annual growth rate of 1.58% in the historical period.



10-year Master Funding Plan

10-year Master Funding Plan Investments, 2024 to 2033 (2023\$)

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Recruitment-Retention	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,500	\$ 8,500
Training, Including Division Chief of Training	\$ 217,500	\$ 207,500	\$ 214,500	\$ 208,500	\$ 216,000	\$ 210,000	\$ 217,000	\$ 210,500	\$ 218,000	\$ 211,300
Equipment	\$ 57,750	\$ 72,450	\$ 59,450	\$ 64,950	\$ 59,500	\$ 65,000	\$ 78,750	\$ 100,750	\$ 114,500	\$ 117,750
Apparatus	\$ 270,000	\$ 829,909	\$ 530,000	\$ 680,000	\$ 555,000	\$ 755,000	\$ 755,000	\$ 150,000	\$ -	\$ -
Facilities	\$ 106,750	\$ 99,750	\$ 70,250	\$ 81,250	\$ 53,750	\$ 6,000	\$ 13,000	\$ 5,000	\$ 5,000	\$ 2,000
Volunteer Health Insurance	\$ 234,000	\$ 243,400	\$ 253,100	\$ 263,200	\$ 273,700	\$ 284,600	\$ 296,000	\$ 307,800	\$ 320,100	\$ 332,900
TOTAL	\$ 893,500	\$ 1,460,509	\$ 1,134,800	\$ 1,305,400	\$ 1,165,950	\$ 1,328,600	\$ 1,367,750	\$ 782,050	\$ 666,100	\$ 672,450

- 10-year Master Funding Plan has been updated to include \$250,000 per year for a Chief of Training FTE, health insurance/benefits for volunteers, and additional general equipment purchases.
- Reflects only near-term capital investment needs, does not consider long-term investment needs.



Long-term Capital Need Considerations

Expected Apparatus Inventory and Age, 2023

Apparatus	Vehicle Make/Model	Purchase		Replacement
		Year	Lifespan	
2019 ALS Ambulance	Ford F550	2019	15	2034
2007 ALS Ambulance	Ford F450	2007	15	2022
2001 BLS Ambulance	Ford E450	2001	15	2016
1997 BLS Ambulance	Ford E450	1997	15	2012
1997 Fire Engine	Spartan H&W	1997	20	2017
1997 Fire Engine	International	1997	20	2017
2005 Fire Engine	Seagrave	2005	20	2025
2005 Fire Engine	Seagrave	2005	20	2025
2008 WASP Engine	Ford 550/Darley	2008	20	2028
2008 WASP Engine	Ford 550/Darley	2008	20	2028
2008 WASP Engine	Ford 550/Darley	2008	20	2028
2008 WASP Engine	Ford 550/Darley	2008	20	2028
2003 Wildland Brush Truck	Ford F550	2003	15	2018
2008 RESCUE Truck	Ford F550	2008	15	2023
2007 Water Tender	FiroVac	2007	15	2022
2007 Water Tender	FiroVac	2007	15	2022
2012 Response/Command	Tahoe	2012	15	2027
2015 Response/Command	Tahoe	2015	15	2030
2015 Response/Command	Tahoe	2015	15	2030



Long-term Capital Need Considerations

Facility Inventory and Age, 2023

Station	Address	Year Built	Facility Age
21 Eastsound	45 Lavender Lane, Eastsound, Washington	2001	22
22 Westsound	78 Deer Harbor Road	1988	35
23 Roario	53 Firehouse Lane	1972	51
24 Deer Harbor/Spring Point	59 Channel Road	2012	11
25 Olga/Obstruction Pass	267 Obstruction Pass Road	1994	29
26 Orcas	1163 Killebrew Lake Road	1982	41
27 Doe Bay	3634 Pt. Lawrence Road	1969	54

- The investments in the 10-year master funding plan include ongoing maintenance and capital investment in OIFR's facilities.
- The 10-year master funding plan does not include additional reserves or a sinking fund for facilities improvements or replacements after the 10-year plan horizon.



10-year Master Funding Plan

10-year Master Funding Plan Investments, including Long-term Apparatus Needs, 2024 to 2033 (2023\$)

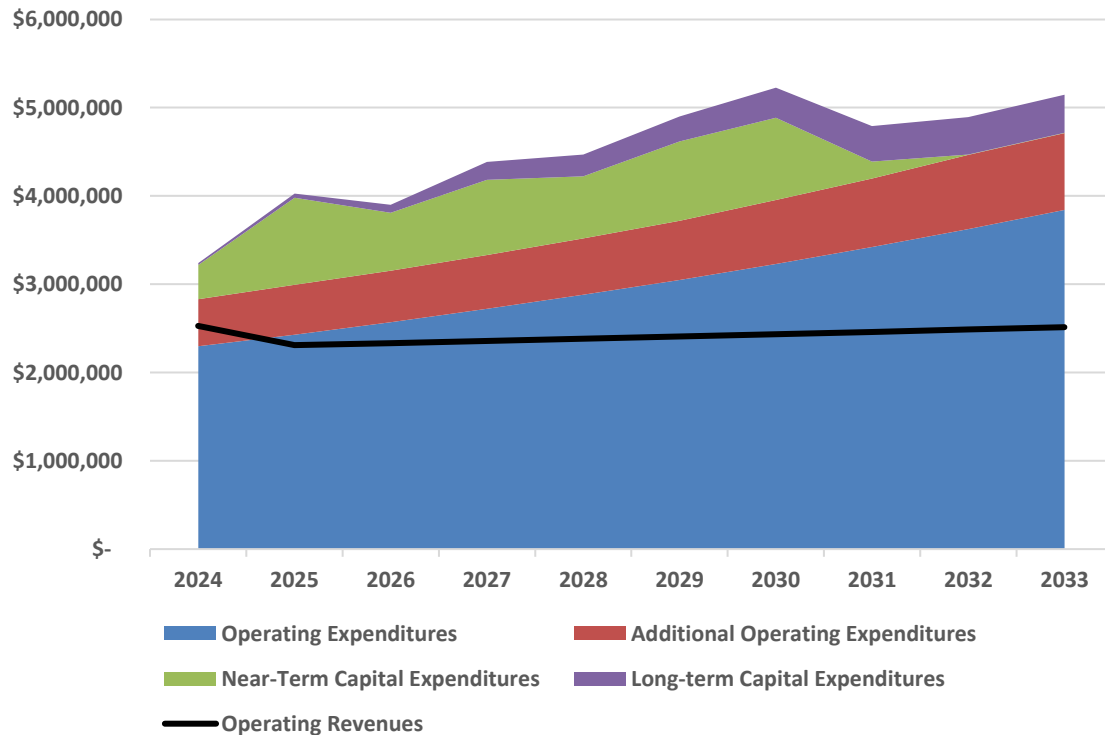
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Recruitment-Retention	\$ 7,500	\$ 7,500	\$ 7,500	\$ 7,500	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,500	\$ 8,500
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- Added long-term capital investment needs for apparatus through development of reserve/sinking fund for apparatus replacement based on lifecycle costs.
- Does not consider long-term investment or reserve/sinking fund needs for facilities, but assumes those needs are likely out of the 20-year horizon.



Overall Future Revenue Sufficiency Considering Near- and Long-term Capital Expenditures

10-year Projected Revenues vs. Operating and Near- and Long-term Expenditures, 2024 to 2033 (YOE\$)



Revenue Sufficiency Findings

- Current revenues are insufficient to fund even regular operating expenditures
- Beyond regular operating expenditures, additional operating expenditures and near-term capital expenditures are needed to support OIFR's ongoing activities
 - Additional recruitment and retention expenditures, as well as health insurance for volunteers are essential to maintaining a volunteer force; replacing the volunteer force with paid, professional staff would be even more costly
 - Replacing apparatus at the end of its lifecycle is essential to maintaining insurance rating
- Not increasing revenues to support these expenditures would lead to OIFR having to provide a much lower level of service than what Orcas Island residents expect and desire



Revenue Sufficiency Analysis Limitations

- 15-year historical period was exceptional and may have limitations in supporting projections for the future.
- 10-year period may vary significantly from the historical period due to inflation, labor economics issues, and the potential for economic correction.
- The 10-year Master Funding Plan considers near-term operations and maintenance needs, as well as capital replacement for apparatus that will meet the end of its lifespan over the 10-year period.



Strategies for Achieving Fiscal Balance

- Divest responsibility for delivering services
- Increase efficiency of service delivery (reduce cost of delivering the same level-of-service)
- Reduce level-of-service (and, thus, cost of delivering service)
- Increase revenues
 - Maximize intergovernmental revenues and grants
 - Increase cost-recovery
 - Increase existing tax collections
 - Implement new funding tools
 - Implement financing tools



Options for Increasing Revenues

- Almost all of the options for increasing OIFR's revenues involve a voted imitative/ballot measure.
- The majority of options generate increased and/or new revenue, however some options only or also move money through time through the use of debt.
- Of the options that generate increased and/or new revenues, almost all of them generate that revenue in the form of property taxes.

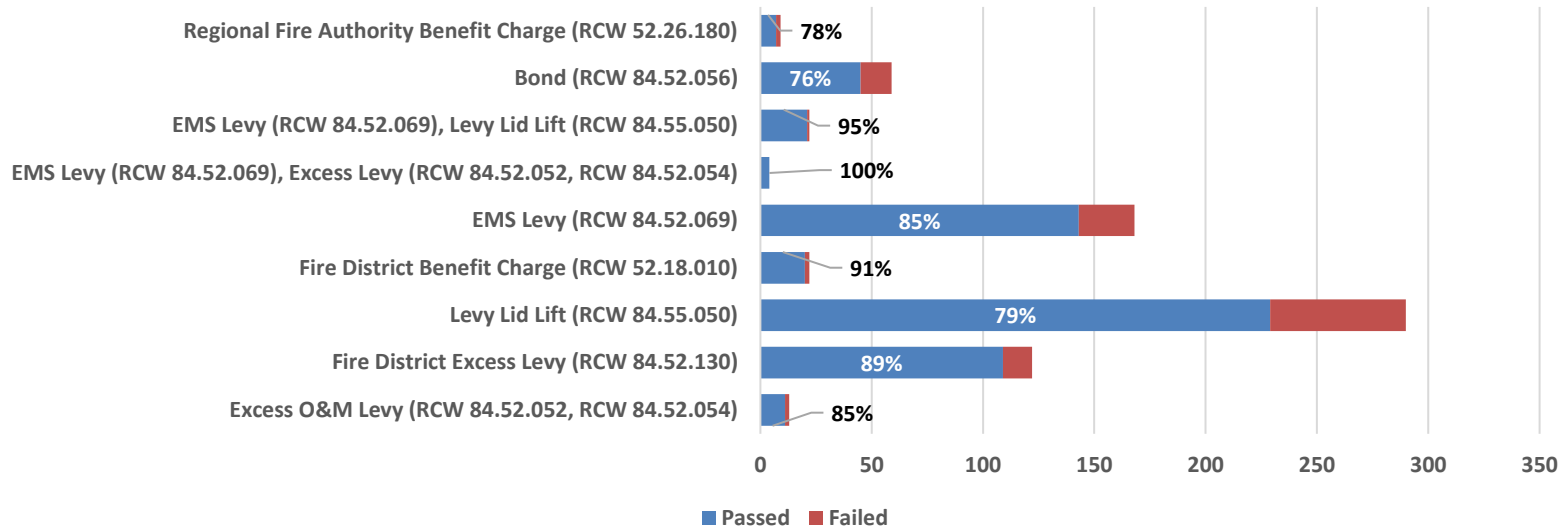
Options for Increasing Revenues

- **Increasing Tax Collections:**
 - Excess O&M Levy (RCW 84.52.052, RCW 84.52.054)
 - Fire District Excess Levy (RCW 84.52.130)
 - Levy Lid Lift (RCW 84.55.050)
- **Funding Tools:**
 - Fire District Benefit Charge (RCW 52.18.010)
 - EMS Levy (RCW 84.52.069)
 - EMS Levy (RCW 84.52.069), Excess Levy (RCW 84.52.052, RCW 84.52.054)
 - EMS Levy (RCW 84.52.069), Levy Lid Lift (RCW 84.55.050)
- **Financing Tools:**
 - LTGO Bonds (RCW 84.52.056)
 - UTGO Bonds (RCW 84.52.056)



Ballot Measure Passage by Funding/Financing Tool

Ballot Measure Passage Rate, Nov. 2011 to Nov. 2022



- Some factors that may influence passage rate for these ballot measures include:
 - Tax burden/impact
 - Need for a super-majority (60% and validation) for passage
 - Election (February or April Special Election, August Primary Election, or November General Election)



Key Options to Achieve Funding Sustainability

- Options for achieving funding sustainability consider what OIFR needs/wants to pay for as part of its 10-year funding sustainability plan and how to pay for those needs/wants:
 - **No Action Alternative (illustrative purposes, only):** Do not implement any new funding and/or financing tools and reduce level of service/defer capital maintenance and apparatus replacement as revenues are unable to keep pace with expenditures.
 - **Option 1:** Implement voted levy(ies) to address operating and both near- and long-term capital needs. Continue to cash flow apparatus and equipment purchases needed within the 10-year Master Funding Plan horizon and create a reserve/sinking fund for future apparatus and equipment purchases that amortizes the cost of those investments over their lifecycles.
 - **Option 2:** Implement a voted levy to address operating and long-term capital needs, by creating a reserve sinking fund for future apparatus and equipment purchases that amortizes the cost of those investments over their lifecycles. Implement a voted bond to address near-term capital needs.
 - **Option 3:** Implement a voted levy to address operating and near-term capital needs. In this option, long-term capital needs would be addressed as part of the following levy/bond, outside of the 10-year Master Funding Plan.



Preferred Option to Achieve Funding Sustainability

	No Action Alternative (illustrative only)	Option 1	Option 2	Option 3
Regular Operating Expenditures	Insufficient Revenues (will require reduction in level of service and future action)	Levy Lid Lift	Levy Lid Lift*	Levy Lid Lift
Additional Operating Expenditures				
Near-term Apparatus Replacement (10-year)			UTGO/LTGO Bond	
Long-term Apparatus Replacement (Beyond 10-years)			Levy Lid Lift*	



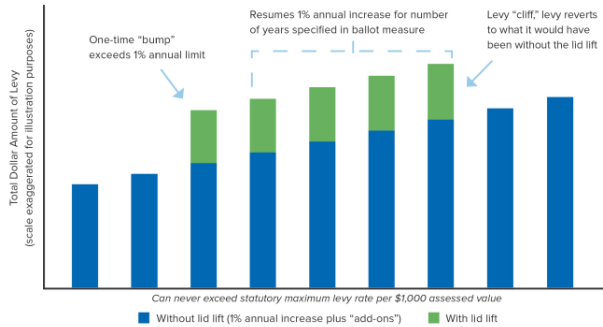
Establishing the Levy Type and Rate

- Before setting its levy rate, OIFR must establish its levy type.
- Washington state allows for several variations of Levy Lid Lifts, based on:
 - Whether the levy lid lift is single-year or multiyear
 - Whether the levy lid lift will be temporary or permanent
 - If temporary, the duration of the temporary levy lid lift



Comparison of Levy Types

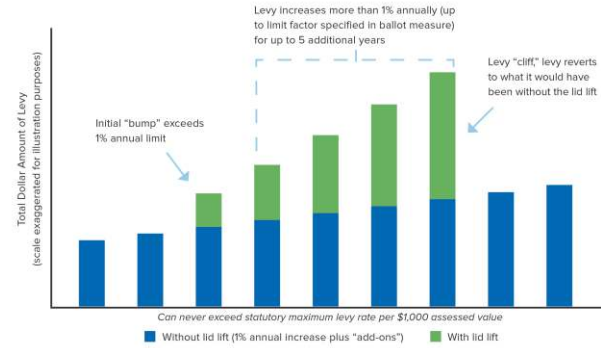
SINGLE-YEAR TEMPORARY LEVY LID LIFT



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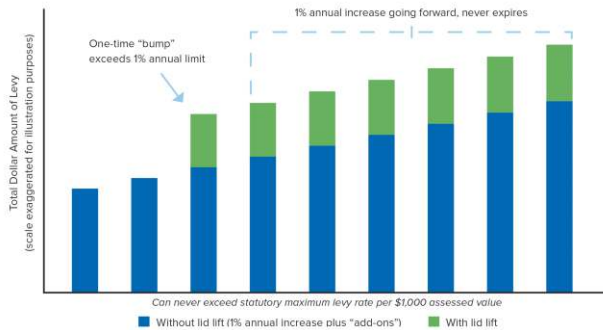
MULTI-YEAR TEMPORARY LEVY LID LIFT



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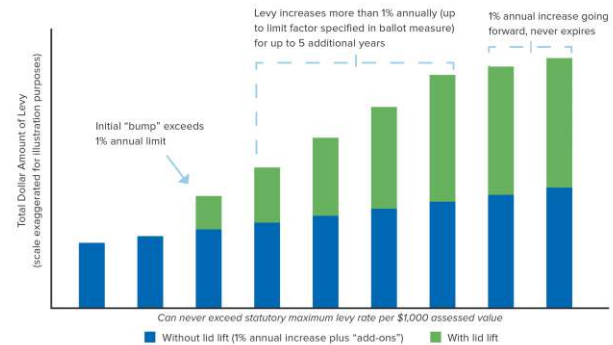
SINGLE-YEAR PERMANENT LEVY LID LIFT



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MULTI-YEAR PERMANENT LEVY LID LIFT

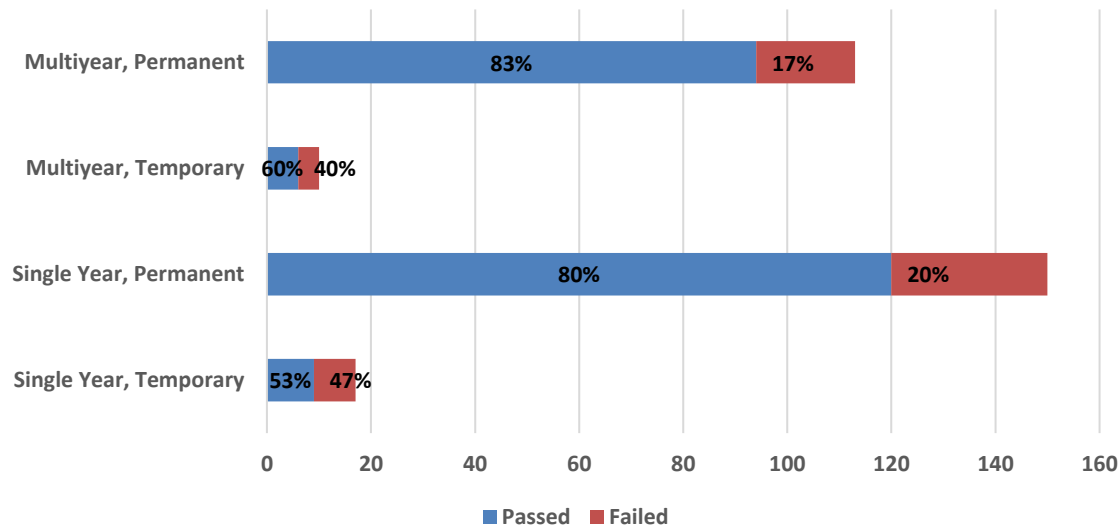


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Ballot Measure Passage by Levy Lid Lift Type

Levy Lid Lift Passage Rate, Nov. 2011 to Nov. 2022



- Permanent levy lid lifts appear to be favorable because they permanently increase levy revenues
- A higher percentage of permanent than temporary levy lid lifts pass, however, this is correlation not causation



Comparing Levy Lid Lift Options Ballot Requirements

Single Year Permanent Levy Lid Lift Ballot Must State:

- Maximum tax rate for first year
- That it is permanent and/or that the dollar amount of the levy will be used for the purpose of computing limitations for subsequent levies

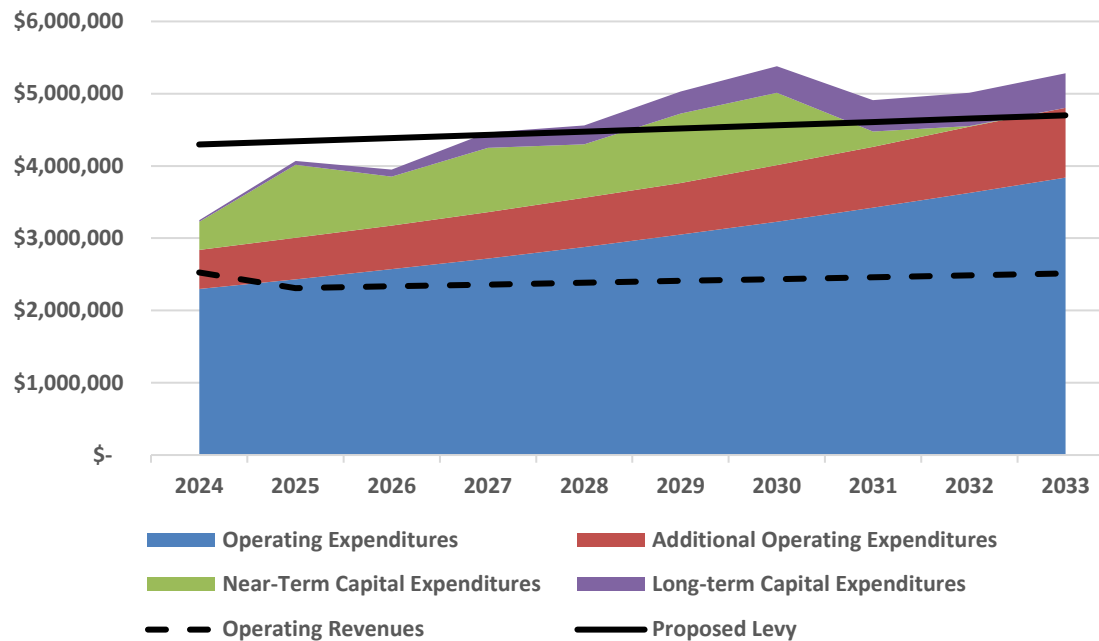
Multiyear Permanent Levy Lid Lift Ballot Must State:

- The limited purposes for which it will be used (although it can be used for any purpose)
- Maximum tax rate for first year and maximum “limit factor” for future years
- That it is permanent and/or that the dollar amount of the levy will be used for the purpose of computing limitations for subsequent levies



Proposed Levy Lid Lift Type and Rate

Proposed Levy Lid Lift, 2024 to 2033 (YOE\$)



- A single year, permanent levy lid lift with a tax rate of \$1.06 per \$1,000 of assessed value (based on OIFRs 2023 assessed value of \$4,052,840,468) would be sufficient to address OIFR's additional revenue needs through 2033.
- Additional planning would be needed to rebalance spending across the 10-year planning horizon, and an additional contingency of approximately \$400,000 would be collected in the period, based on these planning-level estimates.



Questions?