

Follow up on RFA Financing Presentation

Olympia Tumwater RFA Planning Committee

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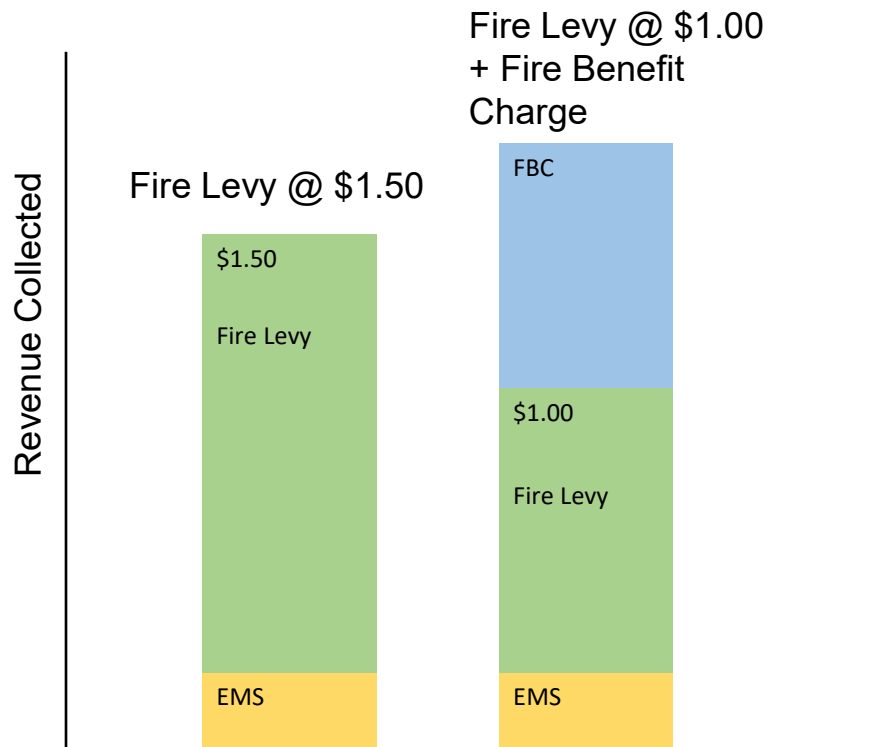
Consultants

Agenda

- FBC work update
- History with FBC and other agencies
- The financial plan—what information it will provide

RFA Major Revenue Sources:

Fire Levy
Fire Benefit Charge
EMS Levy allocation



Graph shows 2 approaches to RFA funding

- If EMS allocation and Fire Levy of \$1.50/\$1,000 AV are not sufficient, a Fire Benefit Charge can increase revenue collections.
- In exchange for a FBC, the maximum fire levy drops one-third to \$1.00/\$1,000 AV
- FBC collections in any year cannot exceed 60% of operating budget
- Unlike property taxes, FBC is not subject to the 1% collections cap: revenue stabilization tool
- If an FBC is requested when the RFA is formed, the vote threshold to establish the RFA and authorize the FBC (one ballot) is 60% approval.

What is a Fire Benefit Charge (FBC)?

- ▶ **A Fire Benefit Charge is not a tax, it is a fee based on the fire-response needs of a structure, rather than the value of the structure.** For example:
 - ▶ Under a fire benefit charge, a single-family residential property will pay less than a large commercial structure or multi-family apartment.
 - ▶ Two identical single-family homes will pay the same benefit charge—even if they have very different property tax values.
 - ▶ Vacant property is not subject to a benefit charge.
- ▶ **Exemptions:** Essentially, if a property owner is exempt from property tax, they will also be exempt from an FBC.
- ▶ **Voter Approval:** Fire benefit charges must be approved by voters before first imposed and must be approved again by voters after the initial 6-year term.
- ▶ **Amount Collected, Formula confirmed annually:** The benefit charge formula and collection amount is set annually by the board of commissioners. There is an appeals process.
- ▶ FBC make sense where there is an **urban development pattern** – substantial number of commercial buildings, multi-family apartments

Impact of using a FBC

- Additional revenue collection is possible above the \$1.50 property tax equivalent
- Revenue can be stabilized from year to year, under an inflationary or deflationary environment
- Larger structures that require more fire resources will pay more than smaller structures: shift away from residential single-family properties to larger commercial and multifamily structures.
 - How much of a shift is determined by the Board when it sets the formula for the FBC

How does the FBC work?

$$\text{Square Footage} \times \text{Fire Flow} \times \text{Cost per Gallon} \times \text{Structure Category Weight Factor} \times \text{Discount or Additional Risk Charge} = \text{FBC}$$

1. Identify categories of structures you will use in your FBC formula. Typical set below	2. Identify square footage and type of each structure in your jurisdiction and place it in the appropriate category	3. Determine the weighting for each category (Board sets the weights)	4. Identify any discounts applicable to the property – Sprinklers? Identify any risk surcharges	5. Do the math!						
Sample list: <table><tr><td>Mobile Home</td></tr><tr><td>Single Family Residential</td></tr><tr><td>Multi family</td></tr><tr><td>Small commercial</td></tr><tr><td>Medium commercial</td></tr><tr><td>Large commercial</td></tr></table>	Mobile Home	Single Family Residential	Multi family	Small commercial	Medium commercial	Large commercial	County assessor records provide this information	Weights increase with the size and complexity of structure use. It's not always a straight line—some small commercial establishments may have an FBC very much like a single family residence. The weighting reflects the additional resources that are needed to put out a fire at these different types of structures	County assessor records provide this information	Determine the bill for each structure.
Mobile Home										
Single Family Residential										
Multi family										
Small commercial										
Medium commercial										
Large commercial										

With an FBC...

- Your budget decisions change:
 - What's your total projected spending?
 - How much will the fire levy generate (\$1.00 max)?
 - What other revenues are available?
 - What's the gap? – this is the amount of total FBC collections
- The FBC formula basically “solves” for the gap funding and allocates the cost to each parcel based on the formula to ensure the full gap amount is collected.
 - Amount collected can change every year
 - Allocation must be based on statutory requirements, confirmed by RFA Commissioners
 - Not subject to 1% collections cap

Total Budget

FBC amount
to collect

Other
Revenues

Fire Levy

Who else has an FBC?

Many fire departments and several RFAs. Here's a partial list in Puget Sound:

- Central Pierce Fire & Rescue
 - Graham Fire & Rescue
 - Puget Sound Regional Fire Authority (Covington, Kent, Maple Valley & SeaTac)
 - Valley Regional Fire Authority (Algona, Auburn, Pacific)
 - North Highline Fire District (south of Seattle city limits)
 - Northshore Fire Department (Kenmore and Lake Forest Park)
 - Snoqualmie Pass Fire & Rescue
 - Renton Regional Fire Authority
 - Shoreline Fire Department
 - King County Fire District 36 (Woodinville)
 - King County Fire District 10 (Carnation, May Valley, Tiger Mountain, Preston)
 - South Snohomish County Fire & Rescue (Lynnwood)
-
- **Fire Departments were created before FBC authority was in place.**
 - History of RFA's is presented below.

RFA's and FBCs

RFA / Yr. Established	Did RFA creation vote include a BC?	RFA established on first vote?	Was a FBC added later?	Was separate FBC vote successful first time out?	Has the FBC been renewed by voters?
West Benton Fire & Rescue (Benton County) 2015	No	Yes	No	N/A	N/A
South Beach Regional Fire Authority (Grays Harbor/Pacific County) 2017	No	Yes	No	N/A	N/A
North Mason Regional Fire Authority 2014	No	Yes	No	N/A	N/A
Puget Sound Regional Fire Authority (formerly Kent RFA) 2010	Yes	Yes	N/A	N/A	Yes
Southeast Thurston Fire Authority 2010	No	No	No	N/A	N/A
West Thurston Regional Fire Authority 2009	No	Yes	No	N/A	N/A
South Whatcom Fire Authority 2009	No	Yes	No	N/A	N/A
Riverside Fire Authority (Lewis County) 2008	No	Yes	No	N/A	N/A
Renton Regional Fire Authority 2016	Yes	Yes	--	--	Yes
Valley Regional Fire Authority (King/Pierce) 2007	Yes	Yes	--	--	Yes
North County Regional Fire Authority (Snohomish) 2007	No	No	No	--	--
South County Regional Fire Authority (Snohomish) 2017	No	Yes	Yes	Yes	N/A
Marysville Regional Fire Authority 2019	No	Yes	No	N/A	N/A

Results for 13 RFAs :

- **4 of 13 RFA's have a benefit charge in place.**
- **3 of the 13 RFA's included a benefit charge initially. All 3 were successful on their first try at the ballot.**
- **2 of the 13 RFA's were not successful on their first try at the ballot. Neither of those included a benefit charge on that initial balloting.**
- **1 of 13 RFA's added a benefit charge after initially being created by the voters (South Snohomish County RFA). The vote on this benefit charge was successful the first time out.**

Shifting gears: a preview of some key components of the RFA Financial Plan

EXPENSES

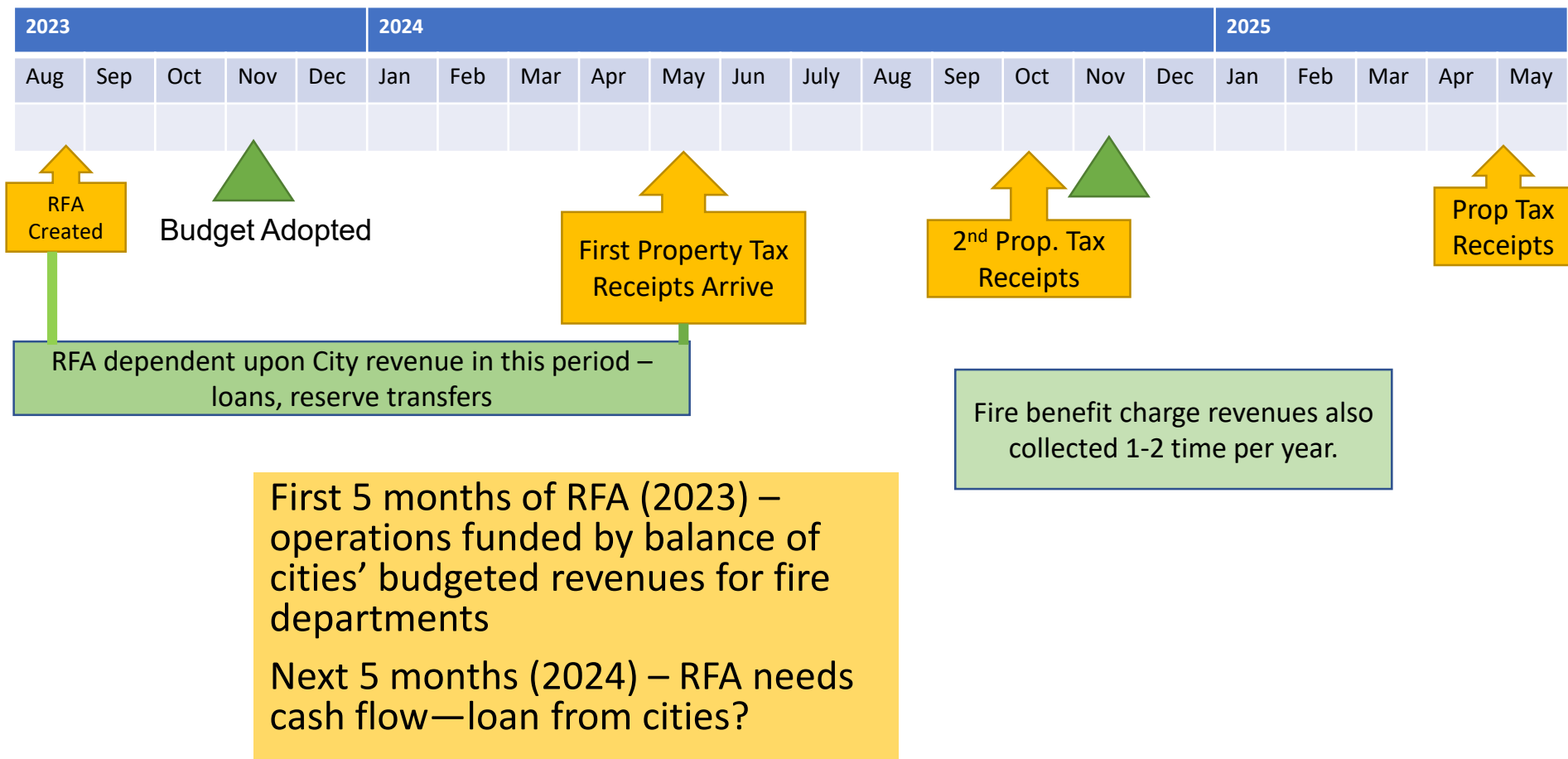
- Operating Costs
 - Labor
 - Fleet
 - Facilities
 - Etc.
- Cash Flow needs/options
- Reserve funds
- Administrative Structure & Costs
- One-time start-up costs
- Inflation assumptions

REVENUES

- Projected assessed values
- Revenue generated from property tax
- Revenue from fees, EMS levy
- Revenue needed from an FBC

Data will be projected out at least 7 years.

Major revenues received 2X year: cash flow is critical



When cash flow is critical, ending fund balance and reserves are critical.

- The strategic financial plan for the RFA will include recommendations to fund at least 6 different reserves.
- Existing reserves for fire department are typically transferred to the RFA.
- Reserves can be used to support cash flow needs.
- **Additional funds will be needed for initial cash flow. These can be in the form of a loan.**

Emergency Reserve
Apparatus Reserve
Equipment Reserve
Facilities Reserve
Debt Service Reserve
Retirement Reserve

Initial Data Review

- Combining the current departments cost results in a shared tax reliant cost of \$1.33/\$1,000 AV in 2022 across the combined area.

Olympia Fire Budget	\$18,812,866
LESS: Fire Revenue	\$5,957,576
Tax-Dependent Fire Budget	\$12,855,290
Tax-Dependent Fire Budget	
Levy Equivalent	\$1.43

Tumwater Fire Budget	\$8,178,028
LESS: Fire Revenue	\$2,871,103
Tax-Dependent Fire Budget	\$5,306,925
Tax-Dependent Fire Budget	
Levy Equivalent	\$ 1.14

RFA Fire Budget	\$26,990,894
LESS: Fire Revenue	\$8,828,679
Tax-Dependent Fire Budget	\$18,162,215
Tax-Dependent Fire Budget	
Levy Equivalent	\$1.33

Yet to be added: Admin Structure, Reserves, Cash Flow

Next steps

- Develop draft RFA financial plan with inputs from Joint Staff Team to determine estimated operating and capital costs for RFA over 7 years
- Proceed as directed by Committee on FBC