Olympia Tumwater RFA Planning Committee

Governance, Operations and Finance Recommendations

August 8, 2022

Cities of Olympia and Tumwater

Tonight's Goal

- Council review and input to the RFA Planning Committee on the Committee's recommendations for:
  - Governance
  - Organization
  - Financing
- Confirm Council's commitment to have the RFA Planning Committee proceed with its work

Tonight's Presentation

I. Recap: What's an RFA

- Anticipated benefits
- Timeline

II. RFA—Independent Government Operation

- Administration, Cash Flow, Reserves

III. Governance Recommendation

- Option 4, phased in over time
- Proposed RFA Organization Chart

IV. RFA Finance Options

- Funding options for the RFA
- Legal & policy implications for City property tax

V. 7-Year RFA Finance Plan

- Projected expenditures & revenues
- Examples of cost impacts

Next Steps

- Council support for RFA Planning Committee continuing its work
- Additional input and recommendations

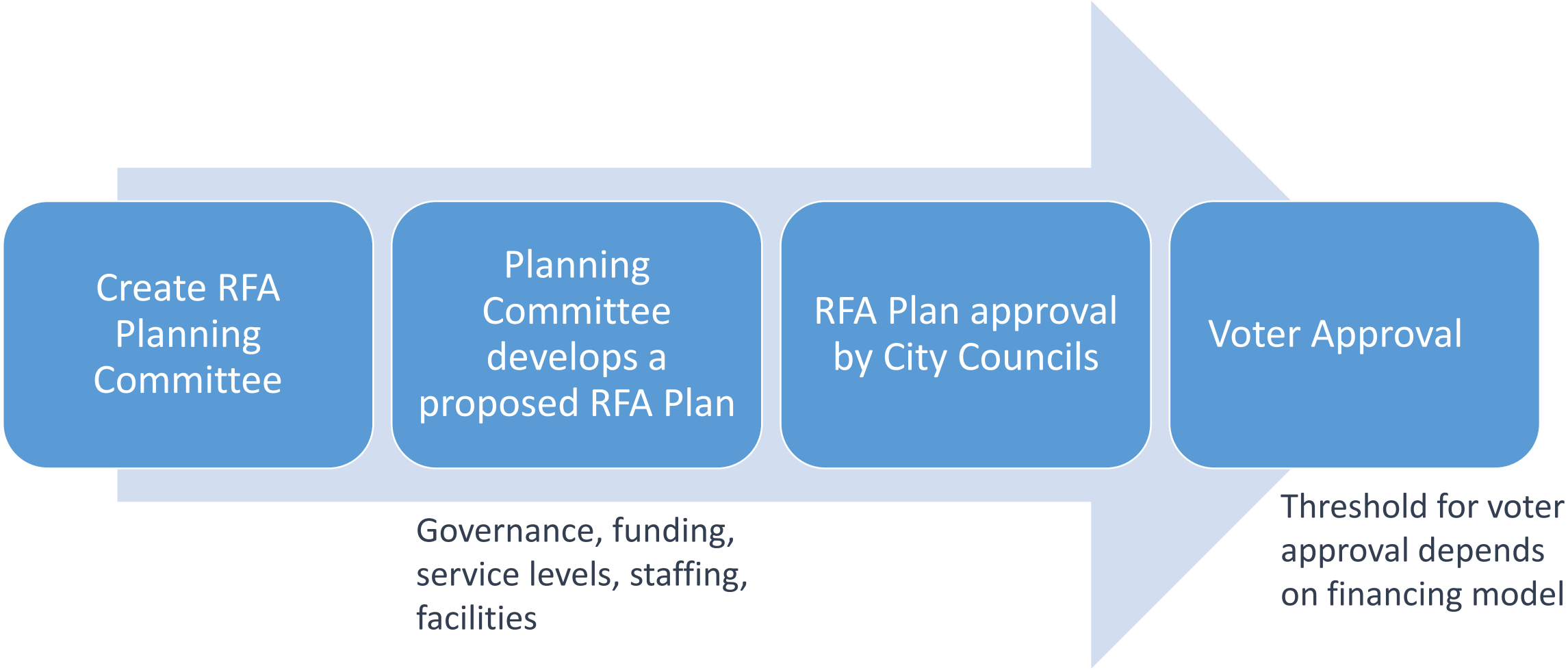
I. Recap

What's a Regional Fire Authority?

- Regional Fire Authority (RFA) is:
  - Separate, independent unit of local government
  - Created by the voters
  - Same powers, revenues as a fire district
  - Governance flexibility
- Currently 13 RFAs in the state, including 2 in Thurston County (West Thurston RFA, Southeast Thurston RFA)

Why Explore an RFA?

Process to Create an RFA



RFA Planning Committee Members

Tumwater	Olympia
Voting Members	
Councilmember Eileen Swarthout	Councilmember Jim Cooper
Councilmember Leatta Dahlhoff	Councilmember Lisa Parshley
Councilmember Michael Althauser	Councilmember Yến Huỳnh
Ex-Officio Non-Voting Members	
Tumwater Fire Chief Brian Hurley	Olympia Fire Chief Todd Carson
IAFF Local 2409 James Osberg	IAFF Local 468 Steven Busz

Timeline

Per Councils' concurrence from April 2022, the schedule calls for an April 2023 election and establishing the RFA by August 1, 2023.

Recommended Timeline	
RFA Planning Committee submits RFA Plan to City Councils	October 2022
City Councils deliberate	October 2022-February 2023
Councils act to approve RFA Plan and Place RFA measure before voters	Late February 2023
Election	April 2023
RFA Effective Date	By August 1, 2023
RFA taxes, charges imposed	January 2024

This timeline minimizes time between the vote and when the RFA can begin to generate revenue needed for its operations.

Work Accomplished & Work Ahead

Accomplished

- Committee Charter, Workplan
- Values & principles statement
- Committee Website
- 2 Council briefings
- 1 community briefing
- Governance options developed and presented to councils
- Operations Plan & Org. Chart reviewed
- Finance Plan reviewed

Work Ahead

- Confirm governance recommendation (tonight)
- Get Council input on finance, operations issues (tonight)
- More public engagement
  - August 15 Town Hall
  - Additional sessions this fall
- Finalize RFA Plan
- Deliver to City Councils in October

Questions about the process or timeline?

II.

Standing Up

Regional Fire Authority as an Independent Government Operation

- Fire Departments are part of the City organizations
- Central Administrative Services are not part of their budgets
  - Finance
  - Human Resources
  - IT
  - Communications

Creating an Independent Organization

The RFA will:

- Serve as an independent unit of government
- Need administrative support (Finance, HR, IT, Communications)
- Need revenue to pay bills
  - Revenues comes in primarily twice a year (April/May and October/November)
  - The RFA will have bills to pay every month
  - Working capital/cash flow is needed
- To minimize spikes in budgets to pay for major items, the RFA also needs reserves

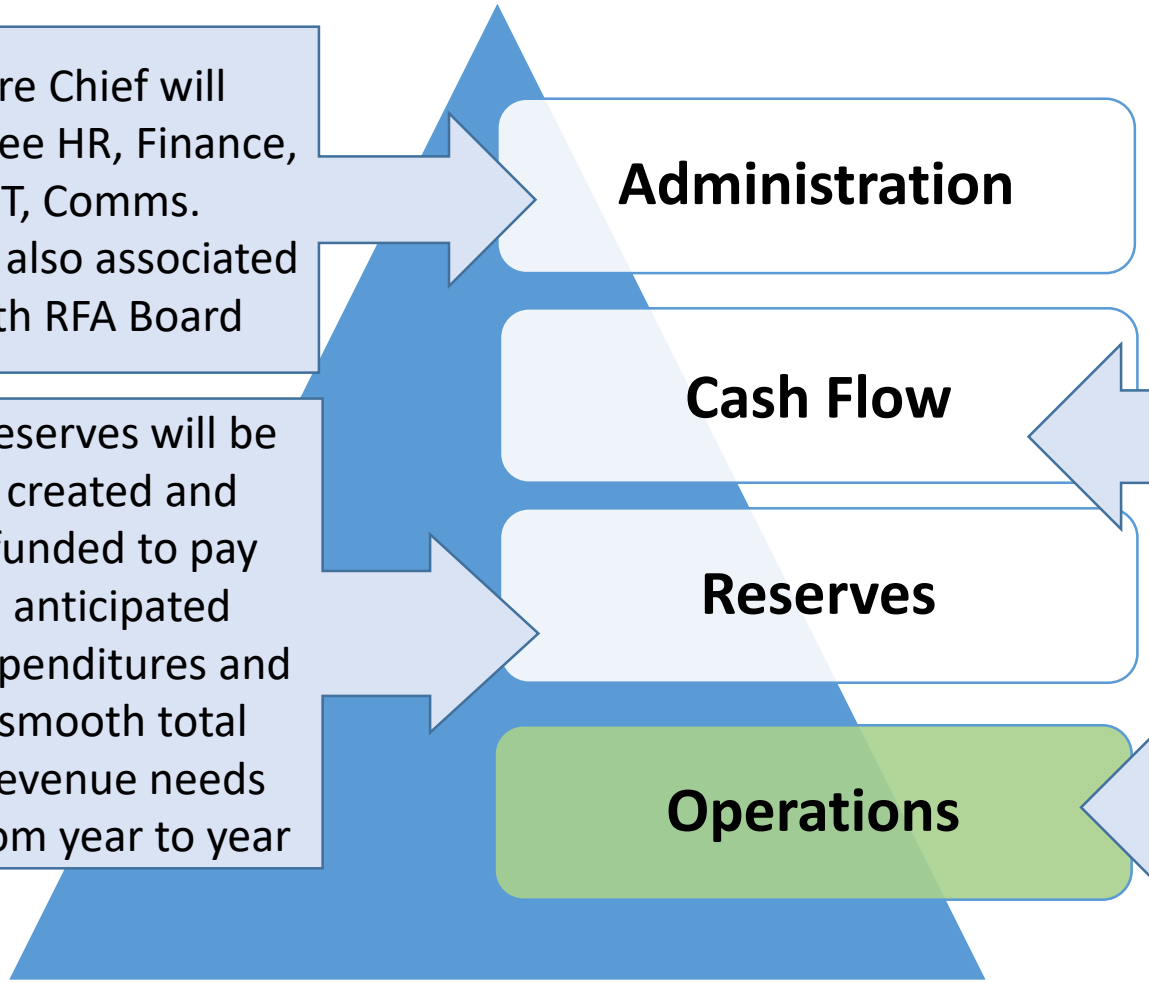
RFA as a Separate Unit of Government: 4 Major Budget Components

Only operations costs and modest reserves are in the City Fire Department budgets today.

Questions about these budget components?

Fire Chief will oversee HR, Finance, IT, Comms. Costs also associated with RFA Board

Reserves will be created and funded to pay anticipated expenditures and smooth total revenue needs from year to year



Cash flow is needed to fund operations between the times that tax revenues are received—each spring and fall.

Staffing
Facilities
Apparatus
Equipment

III. Governance

RFA Board of Commissioners

The RFA needs a governance structure that will make budget and other policy decisions

- In June, the RFA Planning Committee presented a set of governance options for City Council input
- The initial structure must be composed of elected officials from the two member cities
- The board structure can transition over time
  - The 2025 election cycle will be the first time that voters can directly elect RFA commissioners

Transitioning from the Initial All-City Elected Official Board

- In June, the RFA Committee presented 6 options for the longer-term structure of the RFA Board
- Both Councils expressed support for a 7-member board, to include a mix of Council and directly-elected representatives

	Option 1	Option 2	Option 3	Option 4	Option 5	Option 6
# Of seats	5	6	7	7	7	7
Appointed by Olympia	1	3	2	1	1	2
Appointed by Tumwater	1	3	2	1	1	2
Directly elected **At- large**			3	5		
Directly elected by **District**	3				5	3

Councils expressed **strongest support** for **Option 4**, with **Option 3** a strong second choice.

Recommended Initial Board Structure (2023-2025)

Recommendation 6 City Councilmembers
3 appointed from each City

Both City Councils supported this initial board structure proposal in June 2022.

- Options Considered:
  - 4 members, 2 from each City
  - 5 members, 3 from Olympia, 2 from Tumwater
  - 6 members, 3 from each City
- Rationale:
  - Mirrors current RFA Planning Committee structure which is working well
  - Maximizes equity in start-up of the new RFA agency as a true partnership
  - Maximizes input from each City without involving a quorum of each City Council

Longer-term Board Structure: Planning Committee Recommends Option 4, Phased-in

- The initial 6-member board will serve through December 2025
- The RFA Planning Committee recommendation is Option 4, phased-in
  - 7-member Board of Commissioners beginning in 2026
  - At-Large Commissioners serve terms up to 6-years (details TBD), and are elected by all voters in the RFA (Olympia and Tumwater)

2023-2025	2026-2027 (2 years)	2028 and beyond
Initial Board: 3 Olympia Councilmembers 3 Tumwater Councilmembers	***Phase-in to Option 4:*** 2 Olympia Councilmembers 2 Tumwater Councilmembers 3 At Large RFA Commissioners	***Option 4 fully implemented:*** 1 Olympia Councilmember 1 Tumwater Councilmember 5 At-Large RFA Commissioners

Rationale for Option 4 Phase-In Recommendation

Questions about the recommendation? Any reason not to proceed with this?

- Consistent with Councils' input from June
- Retain a connection to the Cities
- Phase-in transition from all-City Council member board to majority At-Large Board
- Allow for some directly-elected representation solely dedicated to the RFA
- Keep the structure simpler: districting could be confusing for voters (multiple countywide agencies moving to districting)
- At-Large seats promote oversight focused on the whole agency, not just part of it
- Governance structure can be changed in the future by the RFA Board
- Option 4 also enables all RFA voters to vote for 6 of the 7 RFA Board members
  - All 5 At-Large members, plus their City Council member serving on the Board

IV. Draft Org Chart

RFA Plan must include an organizational chart

- Fire chiefs have conferred on the most efficient structure for merging the two operations
- RFA includes new staff for proposed service enhancements:
  - Two transport units
  - A CARES unit
  - 2-Battalion staffing
- Administrative staffing of 9 new FTE + 1 maintenance staff
- Two existing positions are modified to serve as (1) Deputy Chief – Support Services, and (2) Assistant Chief -- EMS
- RFA Planning Committee supports the proposed Organizational Chart

Service Enhancement Staffing

- Staffing is added to support:
  - Two Basic Life Support Transport Units
    - ☐ Get patients to the hospital sooner, and allow fire apparatus to return to service more quickly
    - ☐ Help maintain and improve response times
  - A CARES Unit
    - ☐ Providing non-emergent care to low acuity patients. Allows fire apparatus to remain in service.
    - ☐ Help maintain and improve response times
  - Two Battalion Model
    - ☐ Ensures highly skilled oversight of simultaneous and complex incidents 24-7-365, as well as community education and outreach

Any questions about these service enhancements?

Administrative & Maintenance Staffing

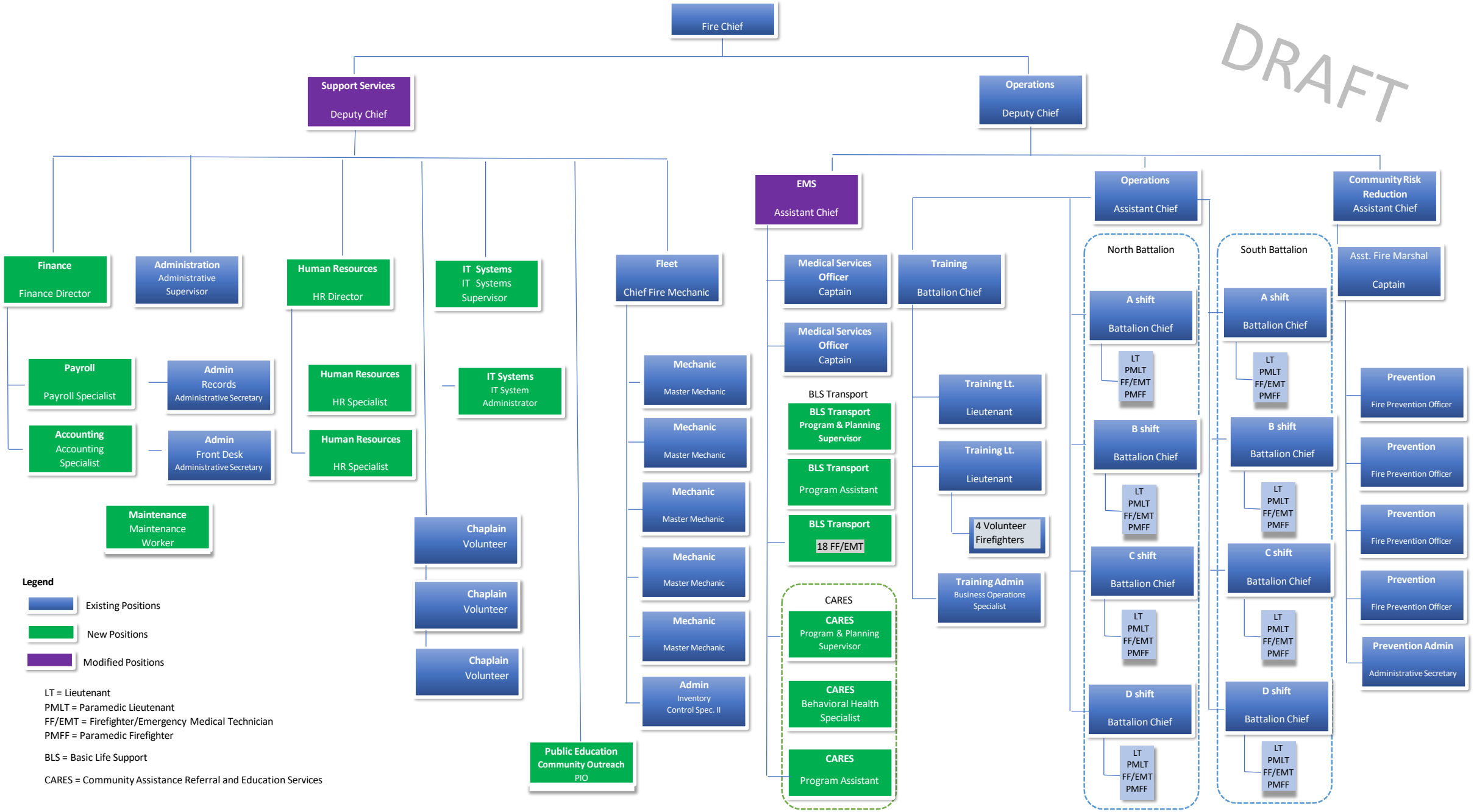
9 Administrative staff would be added:

- Finance director with 2 assistants (3)
- Human resources director with 2 assistants (3)
- IT director with one assistant (2)
- Communications/public education position (1)

Questions or concerns with the proposed administrative staffing?

1 facilities maintenance employee will also be added

Initially, these services may be contracted back to the cities or to outside consultants


DRAFT
Fire Chief
Support Services
Deputy Chief
Operations
Deputy Chief
Finance
Finance Director
Payroll
Payroll Specialist
Accounting
Accounting Specialist
Maintenance
Maintenance Worker
Administration
Administrative Supervisor
Admin
Records
Administrative Secretary
Admin
Front Desk
Administrative Secretary
Human Resources
HR Director
Human Resources
HR Specialist
Human Resources
HR Specialist
IT Systems
IT Systems Supervisor
IT Systems
IT System Administrator
Chaplain
Volunteer
Chaplain
Volunteer
Chaplain
Volunteer
Public Education
Community Outreach
PIO
Fleet
Chief Fire Mechanic
Mechanic
Master Mechanic
Mechanic
Master Mechanic
Mechanic
Master Mechanic
Mechanic
Master Mechanic
Mechanic
Master Mechanic
Admin
Inventory
Control Spec. II
EMS
Assistant Chief
Medical Services Officer
Captain
Medical Services Officer
Captain
BLS Transport
BLS Transport
Program & Planning Supervisor
BLS Transport
Program Assistant
BLS Transport
18 FF/EMT
CARES
CARES
Program & Planning Supervisor
CARES
Behavioral Health Specialist
CARES
Program Assistant
Training
Battalion Chief
Training Lt.
Lieutenant
Training Lt.
Lieutenant
4 Volunteer Firefighters
Training Admin
Business Operations Specialist
Operations
Assistant Chief
North Battalion
A shift
Battalion Chief
LT
PMLT
FF/EMT
PMFF
B shift
Battalion Chief
LT
PMLT
FF/EMT
PMFF
C shift
Battalion Chief
LT
PMLT
FF/EMT
PMFF
D shift
Battalion Chief
LT
PMLT
FF/EMT
PMFF
South Battalion
A shift
Battalion Chief
LT
PMLT
FF/EMT
PMFF
B shift
Battalion Chief
LT
PMLT
FF/EMT
PMFF
C shift
Battalion Chief
LT
PMLT
FF/EMT
PMFF
D shift
Battalion Chief
LT
PMLT
FF/EMT
PMFF
Community Risk Reduction
Assistant Chief
Asst. Fire Marshal
Captain
Prevention
Fire Prevention Officer
Prevention
Fire Prevention Officer
Prevention
Fire Prevention Officer
Prevention
Fire Prevention Officer
Prevention Admin
Administrative Secretary
Legend
Existing Positions
New Positions
Modified Positions
LT = Lieutenant
PMLT = Paramedic Lieutenant
FF/EMT = Firefighter/Emergency Medical Technician
PMFF = Paramedic Firefighter
BLS = Basic Life Support
CARES = Community Assistance Referral and Education Services

V.
RFA Funding

Major Funding Sources for an RFA

- 2 major funding options (how funding sources are combined)
- What is a “fire benefit charge”?
- Implications for City property taxes if an RFA is created
- Specific financial plan details are presented in a later section of the presentation

RFA's have 4 Major Funding Sources

- Fire Levy: a property tax
- Fire benefit charge (FBC): a fee based on the fire risk associated with the size and type of structures.
- EMS Levy Revenues
- Fees for Service: including revenue from service contracts with other governments

RFA Funding: 2 Options

Option 1: Fire Levy up to $1.50 *

- Share of County Emergency Medical Services (EMS) Levy Revenue
- Fees for service

50% + 1 voter approval needed

*Fire Levy is a property tax

Option 2: Fire Levy of up to $1.00 *

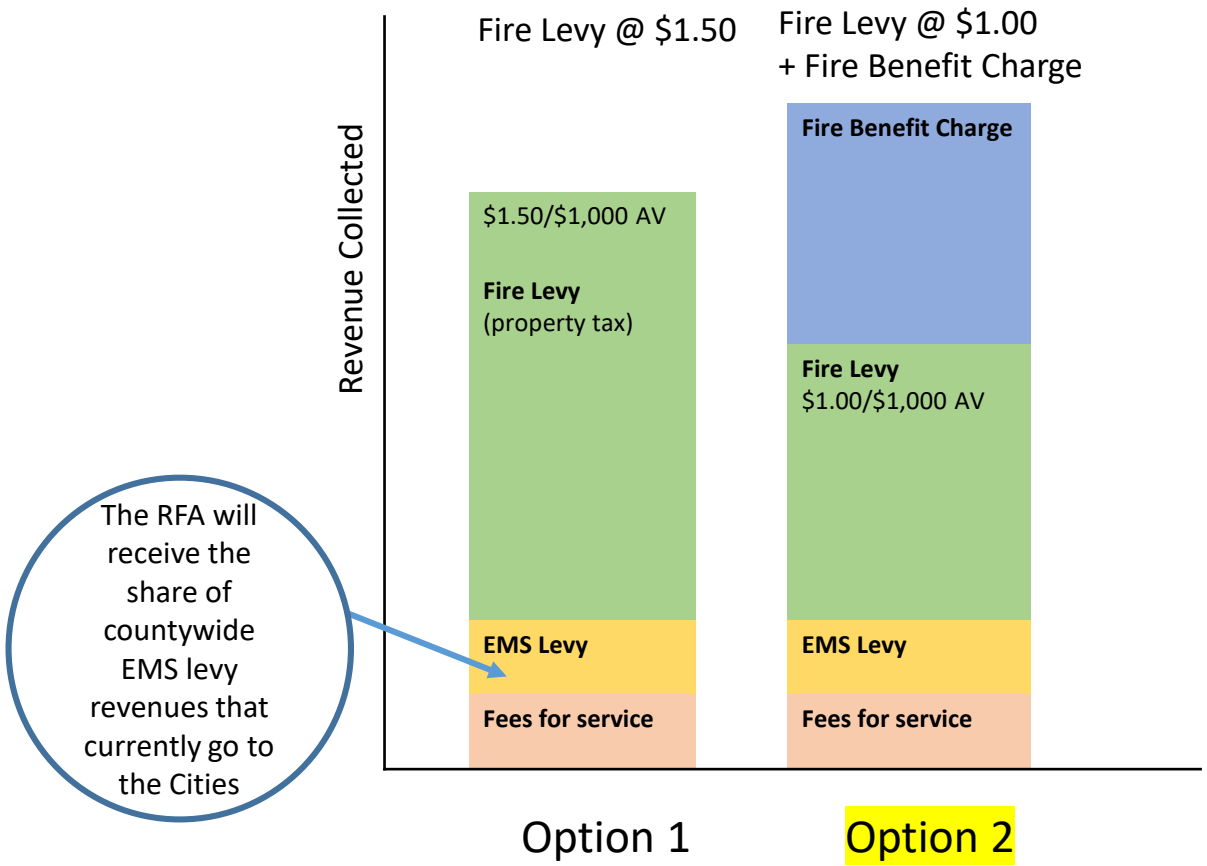
- Fire Benefit Charge (FBC)
- Share of County EMS Levy Revenue
- Fees for Service

60% voter approval needed

Option 2 can generate more revenue than Option 1.

Option 2 will be required to provide sufficient funding to maintain and enhance combined department operations in an RFA.

Another Look at Funding Options



The bar chart shows the 2 major funding options

- Under state law, in exchange for an FBC, the maximum fire levy allowed for the RFA drops one-third to $1.00/$1,000 AV
- To preserve and enhance service levels, Option 1 will not be sufficient. The RFA will deploy Option 2:
  - Fire Benefit Charge + Fire Levy of up to $1.00/$1,00 AV
  - By law, the Cities will shift $1.00/$1,000 AV of their property tax authority over to the RFA. The proposal is that Cities also reduce their 2024 levy by the same amount.

Bar charts not to scale.

What is a Fire Benefit Charge (FBC)?

A Fire Benefit Charge (FBC) is not a tax, it is a fee.

- The amount of the FBC is based on the fire-response needs of structures
  - Key factors in determining the fee are the type of structure (residential, multifamily, commercial) and size of structures (square footage)
  - Assessed value is not a factor in determining the FBC
- Land is not subject to an FBC. Property with less than a 400 sq. ft. of structures (combined total) is also not subject to an FBC.
- Exemptions/Discounts: Generally, properties exempt from, or qualifying for discounts on property tax will also be exempt from or have similar discounts with an FBC
- Local discounts can also be added: the proposal includes a 10% discount for structures that are sprinklered
- Unlike property taxes, an FBC is not subject to the 1%+ per year cap on collections
- Fire Districts and RFAs can impose an FBC. Cities cannot.

How does the FBC work?

1. Identify classifications of structures	2. Identify square footage and classification of each structure	3. Determine the weighting for each structure classification	4.Identify any discounts/ exemptions or surcharges	5. Do the math!
Mobile Home Single Family Residential Multifamily Small commercial Med. Commercial Large Commercial Etc.	County assessor records provide this information.	Weights increase with the size and complexity of the structure. The weighting reflects the additional resources needed to put out a fire at these different types of structures.	Some discounts/ exemptions are required by law-e.g. low-income senior citizen/disabled discounts. Other discounts are policy decisions., e.g., sprinkler sprinklers	Determine the bill for each parcel / structure

Everyone uses the **same basic formula**; what changes are the **structure categories** and the **weights for each category**.

FORMULA

(Square root of square footage) X 18 X cost per gallon X category weight factor X discounts and or additional charges

How does the FBC relate to the RFA budget?

- FBC collections in any year cannot exceed 60% of RFA operating budget
- Each year, the RFA Board will determine expenditure requirements and determine:
  - Property tax revenues from the Fire Levy (capped at 1% + new construction)
  - Contract revenues
  - Projected fee revenues
  - How much FBC revenue is needed
- The FBC is basically the “balancing factor” to fund the budget, subject to the 60% of operating budget limit

FBC Process

FBC Questions?

- Formula and collection amount set annually by RFA Board of Commissioners
- All fire agencies with an FBC use a very similar formula
- Annual appeals process required
- Bill is sent with property tax bill by the County assessor/treasurer and paid like property tax
- FBC must be reauthorized by voters after 6 years or it will lapse
- FBC reauthorization can be for another 6 or 10 years (50%+1 approval required), or a permanent authorization can be requested from voters (60% approval)

A benefit charge imposed must be reasonably proportioned to the measurable benefits to property resulting from the services afforded by the authority. RCW 52.26.180(5)

Implications for City Property Tax if the RFA is created

- To preserve service levels, the RFA will need to have a fire benefit charge:
  - This caps the RFA fire levy (property tax) at $1.00/$1,000 of Assessed Value (AV)
- When the RFA is created, $1.00/$1,000 AV of City property tax capacity will shift to the RFA
  - This affects a City's actual levy rate ONLY if the actual levy would exceed the maximum legal capacity.
  - This shift will redefine the amount of additional property tax each City could impose (excluding voter approved bonds).

Shift in property tax capacity from City to RFA

	Olympia	Tumwater
Statutory Maximum Property Tax for a City (w/o other factors)	$3.60	$3.60
Adjustments per statute: • Library district (deduct $0.50) -- both cities • Pre-LEOFF Pension (add $0.225) -- Olympia only **Resulting City Legal Maximum Property Tax Rate <u>today</u>:**	 ($0.50) +$0.225 _____ **$3.325**	 ($0.50) -- _____ **$3.10**
Maximum City property tax levy <u>capacity</u> if RFA approved (deduct $1.00)	$2.325	$2.10
Compare to: City **2022** General Property Tax Levy Rate *Olympia bond levy excluded ($0.12)*	$2.21	$2.26
RFA Property Tax Rate (fire levy) Authority shifted from Cities	$1.00	$1.00

Voter approved bond levies are not subject to these limits

All numbers shown are property tax rates per $1,000/ AV

Does shift of City tax capacity have an impact on current City levy rates?

All tax rates in rates per $1,000 AV	Olympia	Tumwater
Maximum City property tax levy capacity if RFA approved (shift $1.00 to RFA)	**$2.325**	**$2.10**
Compare to: Actual City **2022** General Property Tax Levy Rate Olympia bond levy excluded ($0.12)	$2.21	$2.26
Projected City 2024 General Property tax levy rate, assuming Councils takes the full 1% increase allowed (assuming AV growth of 6.5%/year)	$2.05	$2.09

The short answer is "no": no change would need to be made to city levy rates in 2024 after the legal property tax capacity is reduced by $1.00/$1,000

However, the cost of the fire departments will come off City budgets if the RFA is approved

To reflect this reduction in cost, and to mitigate the cost to taxpayers of the RFA's $1.00/$1,000 fire levy, the plan is for the Cities to reduce their property tax levy by an equivalent amount in 2024

Proposed reduction in City Property tax in 2024 by the same amount of property tax the RFA will gain

All tax rates in rates per $1,000 AV	Olympia	Tumwater
Projected City 2024 General Property tax levy rate, assuming Councils takes the full 1% increase allowed (assuming AV growth of 6.5%/year)	$2.05	$2.09
Less $1.00/$1,000 in City Levy in 2024 *(the proposal – to mitigate RFA cost impact to taxpayers)*	***($1.00)***	***($1.00)***
RFA Fire Levy in 2024	$1.00	$1.00
With addition of $1.00/$1,000 RFA Fire Levy, resulting **combined City general levy + RFA property tax** in 2024	$2.05	$2.09

Result: net zero additional property tax in 2024 from the City + RFA

The City levy reduction is not part of the RFA Plan. It is a separate action for each City to decide on this fall in adopting the 2023-2024 budget.

After reducing city property tax in 2024, both Cities will have ample remaining property tax capacity for future city needs

(all tax rates in rates per $1,000 AV)	Olympia	Tumwater
Maximum City property tax levy capacity if RFA approved (shift $1.00 to RFA)	**$2.325**	**$2.10**
Projected City 2024 General Property tax levy rate, assuming Councils takes the full 1% increase allowed (assuming AV growth of 6.5%/year)	$2.05	$2.09
Projected 2024 City 2024 Levy after $1.00 reduction to mitigate cost of RFA	***$1.05***	***$1.09***
Estimated remaining City property tax capacity projection in 2024 after reducing city levy	$1.275	$1.01

City Property Tax in 2024

- Plan is to reduce each City's general levy rate by $1.00/$1,000 AV in 2024 -- the equivalent of the RFA's $1.00 fire levy
- Both Fire Departments currently cost more than $1.00/$1,000 AV
- The proposal is that Cities retain the amount of current spending in excess of $1.00/$1,000 AV for other City purposes:
  - **Tumwater**: public safety
  - **Olympia**: public safety, homelessness response

Questions?
Comments?

VI. 7-Year RFA Finance Plan

RFA Planning Committee must consider the financial sustainability and stability of the RFA

- A 7-year financial plan has been created identifying planned expenditures and revenues necessary to support the RFA:
  - Operations
    - Fire suppression, EMS services
    - Maintenance
    - Administration
    - Utilities, etc.
  - Capital, facilities and equipment needs
  - Staffing for service enhancements
    - 2 transport units
    - CARES unit
    - 2-Battalion model
  - Reserves
  - Cash flow

Key Operations Assumptions

- All fire department employees in good standing will become RFA staff
- As shown on the organizational chart, 33 FTE will be added to support service enhancements and administrative structure outlined above
- All fire department equipment and apparatus will be transferred to the RFA, at no cost (so the taxpayers do not pay twice)
- All fire stations will be transferred to the RFA at no cost (again, so taxpayers do not pay twice)
  - If a station is no longer used by the RFA in the future, the donating City will regain title at no cost

Questions? Any concerns about these items?

Key Operating Assumptions, cont'd.

- Current service territory assumed
  - If annexations occur, taxes & FBC revenues from annexed areas will support RFA operations. Any additional capital and staffing needs associated with annexations will be addressed at that time.
- No additional fire stations in 7-year forecast

Questions?

Reserves

- 6 reserves created in Financial Plan
- Cities contribute balance of their existing Fire Dept. Reserves

	Olympia	Tumwater	Total
Apparatus Reserve	$200K	$162K	$362K
Equipment Reserve	$50K	$25K	$75K

Emergency Reserve	Not funded until 2031
Apparatus Reserve Equipment Reserve Equipment Reserve	Funded to meet projected needs with annual contributions from revenue
Debt Service Reserve	2 engines funded with councilmanic debt in 2025, total cost of $3.2M, repaid over 15 yrs. Debt service repayments funded starting in 2026.
Retirement Reserve	Funded initially at $150K starting in 2024 – this is the expected annual draw rate. Funded at this level (with inflation) going forward.

Key Finance Assumptions

- A fire benefit charge will be needed to support the operations
  - Projected expenditures exceed the amount that would be received from a $1.50/$1,000 of AV fire levy, even after considering other revenues (EMS levy, fees for service)
- The RFA Plan assumes Option 2: the main revenue sources will be:
  - A fire levy not exceeding **$1.00/$1,000 AV**
  - A **fire benefit charge**
  - A share of countywide EMS levy revenues
  - Fees for service, including contract revenues

Key Finance Assumptions

- Both Cities retain their **LEOFF 1 Liabilities** (for retired firefighters)
- Remaining Tumwater **fire levy lid lift** revenues transferred to RFA for apparatus purchase so commitment to voters is kept ($2M)
- Some planned capital acquisitions (equipment, apparatus) will be deferred by a year or two in the interest of smoothing the RFA budget from year to year – no operational impact anticipated
- City obligations for fire department employee accrued sick leave, vacation leave, retirement pay-out are transferred to the RFA

Questions about planning assumption or the financial plan so far?

Working Capital / Cashflow

- The RFA will need revenue to pay its bills each month
- In 2023 (August—December), the RFA will operate with the revenue remaining from the 2023-2024 City fire department budgets
- RFA will start with $0 in 2024 unless we provide for working capital
  - Tax and fee revenues will not arrive until April/ May
- The plan is for the City of Olympia to provide an $8M loan to the RFA for working capital, to be repaid over 4 years. An additional $2M comes from the Tumwater Levy money (it can be applied to cash flow and replaced in reserves by the RFA before it is needed to purchase fire trucks).

Questions?

Labor Costs

- Labor costs—salaries and benefits for firefighters and other staff—are around 80% of the annual cost of the RFA
- The two labor unions will merge if the RFA is created
- Draft terms of a proposed labor agreement will be worked out before the RFA is created, but the actual collective bargaining agreement can only be signed once the RFA is established
- The two labor union representatives serve on the RFA Planning Committee as nonvoting members

Labor Costs, cont'd

- Salaries will increase overall as the RFA is a larger agency, pay will need to be comparable to that paid by similar, larger agencies
- The "comparable salary" increase is 6.84% overall
- Labor leadership has agreed to phase in the comparable salary adjustments over 4 years starting in 2025
- Other labor cost assumptions:
  - 2023: 4% increase (following historical practice)
  - 2024: 6.5% increase (projected cost of living allowance (COLA))
  - 2025-2030: COLA at CPI estimate (ranging from 3.5% to 6.5% per year)
- Benefit packages (or equivalent) are continued

Maintaining Revenue Stability, Meeting Expenditure Needs

- A non-voted bond in the estimated amount of $3.2M will be issued by RFA in 2025 to fund purchase of 2 replacement fire engines
  - Funding to repay this bond comes from reserve fund allocations each year, no new tax.
- In 2027 RFA will seek voter approval to restore fire levy rate to $1.00/$1,000 (50%+1 voter approval required)
- In 2029, RFA will need voter approval to reauthorize FBC
  - Per state law, the FBC expires if not reauthorized by voters after 6 years.
  - The RFA Plan estimates the FBC will contribute between 34 and 36% of the budget of the RFA between 2024-2029.

For fire districts and RFAs, it is normal to go to the voters every few years to restore their fire levy and renew the FBC. This helps ensure accountability to voters.

This situation is similar to the need to ask voters to restore and renew the countywide EMS levy every 6 years.

RFA Financial Plan Timeline
Summary Years 1-7

2023	2024	2025	2026	2027	2028	2029
RFA Created in August. Operations funded with remaining balance of 2023 City fire dept. budgets	RFA fire levy and FBC are first imposed.	RFA non-voted bond for $3.2M issued to pay for 2 fire engines	Debt service on non-voted bond begins (no new tax increase—funded from allocation to reserves)	RFA seeks voter approved levy lid lift to restore fire levy (50%+1 approval)		RFA seeks voter approval to reauthorize FBC

7-Year RFA Financial Plan Summary

	2023[1]	2024	2025	2026	2027	2028	2029	2030
Total Expenditures		**39,747,889**	**41,496,121**	**45,040,483**	**47,193,447**	**49,493,008**	**51,147,732**	**52,938,867**
% change, year to year			4.4%	8.5%	4.8%	4.9%	3.3%	3.5%
Budget as property tax rate equivalent [2]		**1.87**	**1.85**	**1.82**	**1.79**	**1.87**	**1.81**	**1.74**
Transfers to reserves[3]		1,385,000	1,455,250	2,462,843	2,560,114	2,513,122	2,620,586	2,733,265
Beginning Cash Balance		**10,000,000**	**9,022,052**	**10,722,165**	**10,855,467**	**9,772,271**	**10,583,348**	**11,213,320**
Fire Levy collections	$0	15,472,141	15,857,912	16,253,314	16,658,588	19,904,389	20,400,735	20,909,474
Fire Levy Rate [4]		$1.000	$0.962	$0.926	$0.891	$1.000	$0.962	$0.926
Other revenues [5]		9,797,799	13,758,322	14,174,072	14,603,016	15,045,588	15,502,238	15,973,431
FBC collections	$0	13,500,000	14,580,000	15,746,400	16,848,648	17,354,107	17,874,731	18,410,973

(1) 2023 costs will be funded by City budgets
(2) Assuming total AV increases every year by 6.5%
(3) Includes debt service to pay bond issued in 2025
(4) Fire levy lid lift takes effect in 2028 if approved by voters in 2027
(5) Includes contract revenue and fees for service and share of countywide EMS levy revenues

Fire Benefit Charge Structure Proposal

- The RFA Plan will include the proposed structure for the Fire Benefit charge.
- Several RFAs and Fire Agencies currently have an FBC but this will be new in Thurston County.
- The FBC is not a land-use tool; all agencies use an identical formula. What changes from agency to agency is the set of structure classifications and weights.

1. Identify classifications of structures	2. Identify square footage and classification of each structure	3. Determine the weighting for each structure classification	4. Identify any discounts/ Exemptions or surcharges	5. Do the math!

Proposed FBC Classifications and Weights

Structure Classification	# of tiers in this classification	Proposed Weights	# of parcels in this category
Residential	3	**.58** for each of the 3 tiers (essentially, just one tier)	20,246
Mobile Home	1	**.45** (So, a 1,000 sq. foot mobile home pays less than a 1,000 sq. foot residence)	454
Apartments 4 units or more	1	**1.45**	354
Commercial	6	Increasing from 1 to 5 as square footage grows (See next slide)	2,142

The FBC increases as the weight and square footage increases.

Commercial Tiers & Weights

Tier	Max Sq. Ft in this Tier	Weight	# of parcels in this category
Commercial 1	5,000	1	1300
Commercial 2	20,000	1.5	611
Commercial 3	50,000	2	145
Commercial 4	100,000	3	53
Commercial 5	200,000	4	29
Commercial 6	No Max	5	4

Discounts and Hazard Surcharges

- No Hazard surcharges proposed
- State law requires the FBC include discounts for senior and disabled persons that match the property tax discounts in place today
- State law also exempts religious structures and nonprofit low-income housing from the FBC
- A 10% discount for properties that are sprinklered is proposed
  - This discount would apply to all sprinklered structures in all classifications--where the sprinkler system meets code requirements and is operational

Summary of the FBC proposed structure & cost shares by sector—if the RFA were created in 2022

Fire Benefit Charge Factors and Totals for 2022

Fire District OT	Factor	Max Sq Ft
Residential 1	0.58	1,500
Residential 2	0.58	3,000
Residential 3	0.58	No Max
Apartments	1.45	
Mobile Homes	0.45	
Balancing Factor	0.01	
Cost Per Gallon	83.38	
Sprinkler	0.9	

	Factor	Max Sq Ft
Commercial - 1	1	5,000
Commercial - 2	1.5	20,000
Commercial - 3	2	50,000
Commercial - 4	3	100,000
Commercial - 5	4	200,000
Commercial - 6	5	No Max

Commercial Subtotals

1,300	Commercial 1	$922,168.95	3,197,380
611	Commercial 2	$1,250,577.69	5,691,774
145	Commercial 3	$705,502.73	4,607,705
53	Commercial 4	$557,287.28	3,595,337
29	Commercial 5	$565,352.85	3,743,373
4	Commercial 6	$138,793.85	998,374

# Parcels		FBC $	Square Feet
20,246	Residential	$8,548,133.84	51,887,243
2,142	Commercial	$4,139,683.35	21,833,943
454	Mobile Home	$87,842.02	527,061
354	Multi Unit	$725,826.06	4,318,633
23,196	Total District	$13,501,485.27	78,566,880

Residential Subtotals

# Parcels		FBC $	Square Feet
2,020	Residential 1	$577,772.60	2,453,571
12,980	Residential 2	$5,212,643.71	29,512,895
5,246	Residential 3	$2,757,717.53	19,920,777

Sprinkler Discount

Olympia Tumwater Both

Both

Total collected from each classification

Total to be collected in 2024–
Allocation estimates based on 2022 data

FBC Total Collections by Structure Classification (2022 data)

- The FBC will contribute between 34-36% of the RFA Budget in the first financial planning period (the first 7 years)
- Residential properties in total are 66% of the total square footage in the RFA and would pay 63.3% of the total FBC
- Commercial properties are 27.7% of the square footage and would pay 30.6% of the total FBC
- Apartments are 5.4% of the square footage and would pay 5.3% of the total FBC
- The largest commercial properties pay about 2.6 X the FBC cost on a square footage basis as compared to a small commercial property

Other Notes

- There may be parcels still in the data base that are exempt from the FBC
- Sprinkler discount data is not yet in the data base
- As a result, the data shown slightly over-estimates likely FBC collections
- Sprinkler discount data is being developed and will be included in revised estimates presented in October
- An “FBC Calculator” will be developed next Spring so voters can know their individual FBC estimates for 2024

2024 FBC estimate for Mid-range Size Single-Family Homes

Square footage includes not just living space, but also garages and other structures

The plan is for both Cities to reduce their property tax by $1.00/$1,000 AV in 2024 (equal to the RFA fire levy in 2024). As a result, **regardless of the assessed value of a property, the FBC is the net estimated increase in cost from the RFA in 2024.**

Single Family Residential Square Footage	2024 Estimated FBC (based on 2022 data)
1500 square feet	$337
2000 square feet	$389
2500 square feet	$435

2024 FBC estimates for Other Structure Classifications.

These are just examples. Actual FBCs will differ based on total combined square footage of all structures on a parcel over 400 sq. ft..

Classification	Square Footage	Estimated 2024 FBC (based on 2022 data)
Mobile Home	954	$208
Apartment	10,250	$1,983
Small Commercial: Tier 1 < 5,000 Sq. ft..	2,140	$694
Medium Commercial: Tier 3 20,000-49,999 sq. ft.	20,035	$3,842

Additional examples can be found on RFA Planning Committee Website

The plan is for both Cities to reduce their property taxes by $1.00/$1,000 AV in 2024 (equal to the RFA fire levy in 2024). As a result, **regardless of the assessed value of a property, the FBC is the net estimated increase in cost in 2024.**

What parts of the Financial Plan are likely to be adjusted between now and 2023-2024?

- Actual inflation rates versus estimates
- Assessed value growth may not match the 6.5% per year increase in the model – this will impact Fire Levy collections, and thus how much FBC revenue must be collected
  - Any change in FBC total collections impacts all individual FBC fees
  - FBC data will be refined to include buildings known to have sprinklers that will qualify for a 10% discount
- Any changes Councils make to the RFA Plan
  - Both councils must adopt identical plans for the RFA to proceed to the ballot

VII. Next Steps

Hear and respond to Councils input this evening

Questions about what's next? Suggestions?

- Draft RFA Plan reviewed by Committee (August-September)
- Draft RFA Plan presented to Councils (early October)
- Final RFA Plan submitted to Councils (late October)
- Budgets for 2023-2024 will be approved with 2 scenarios: 1) RFA is approved by voters; 2) RFA is not approved by voters
- Councils will have until late February 2023 to decide whether to approve the RFA Plan and place RFA measure on the April 2023 ballot

Council direction to the RFA Planning Committee.

1. Does the Council want to suspend work on the RFA planning process, or shall the Committee proceed?

2. What direction does the Council have for the Planning Committee based on what has been presented?

Other questions, comments, further direction?

Thank You!

www.OlympiaTumwaterRFA.com