

# **Olympia/Tumwater Joint Council Study Session**

## **RFA Planning Committee Recommendations**

October 25, 2022



Cities of Olympia and Tumwater



# Tonight's Goal

Council review and provide input to the RFA Planning Committee's DRAFT RFA Plan Recommendations



# Tonight's Presentation

## I. Why Consider an RFA?

## II. RFA Recap

- What's an RFA?
- Planning Committee Members
- Work Accomplished To-Date/Ahead

## III. Administration/Staffing

## IV. Governance

## V. RFA Funding Recommendation

- Funding options for the RFA
- FBC Process
- City property tax impacts

## VI. 7-Year RFA Finance Plan

- Projected expenditures & revenues
- Examples of cost impacts - FBC

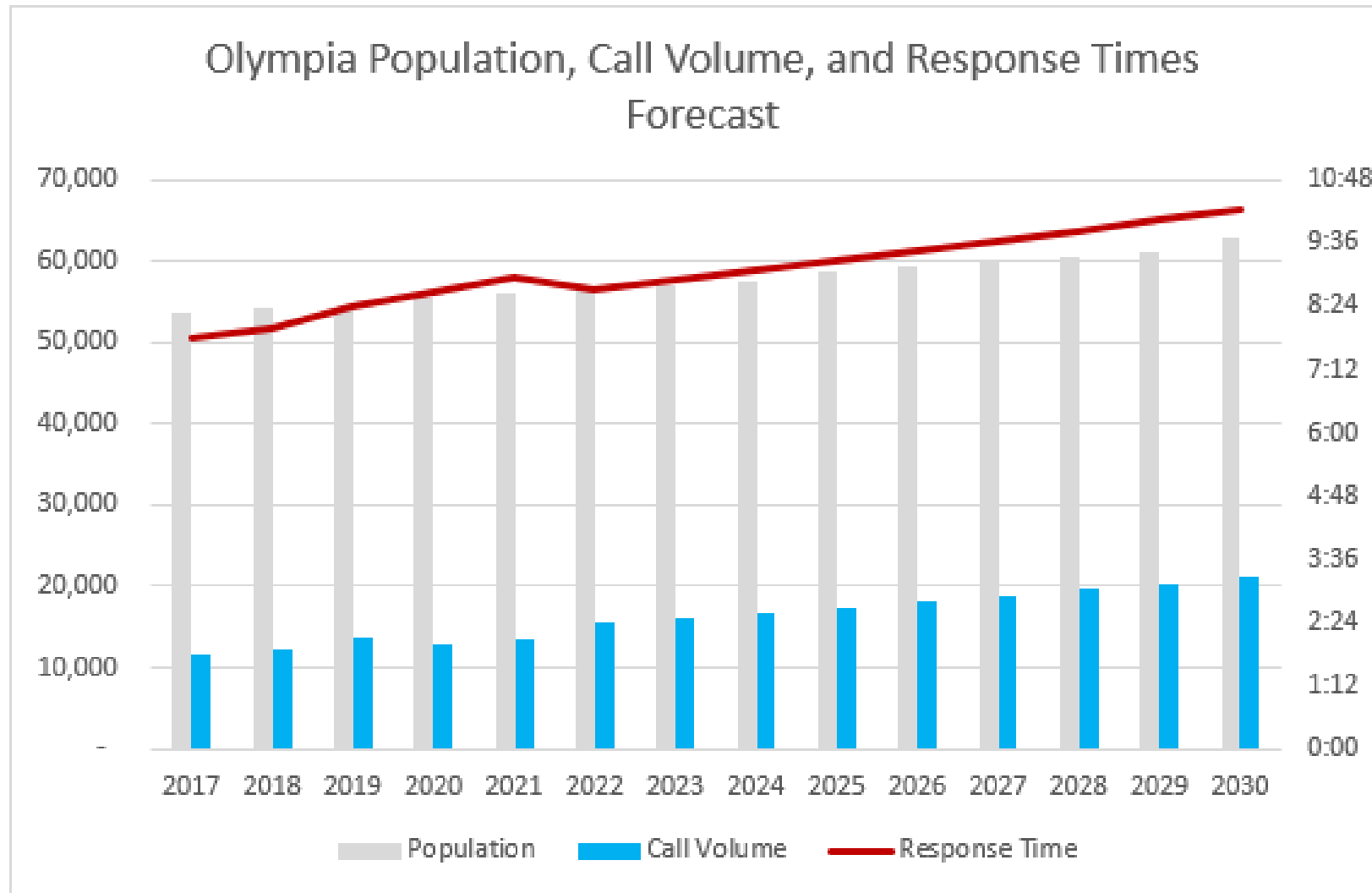
## VII. Next Steps

# II. Why Are We Considering an RFA?

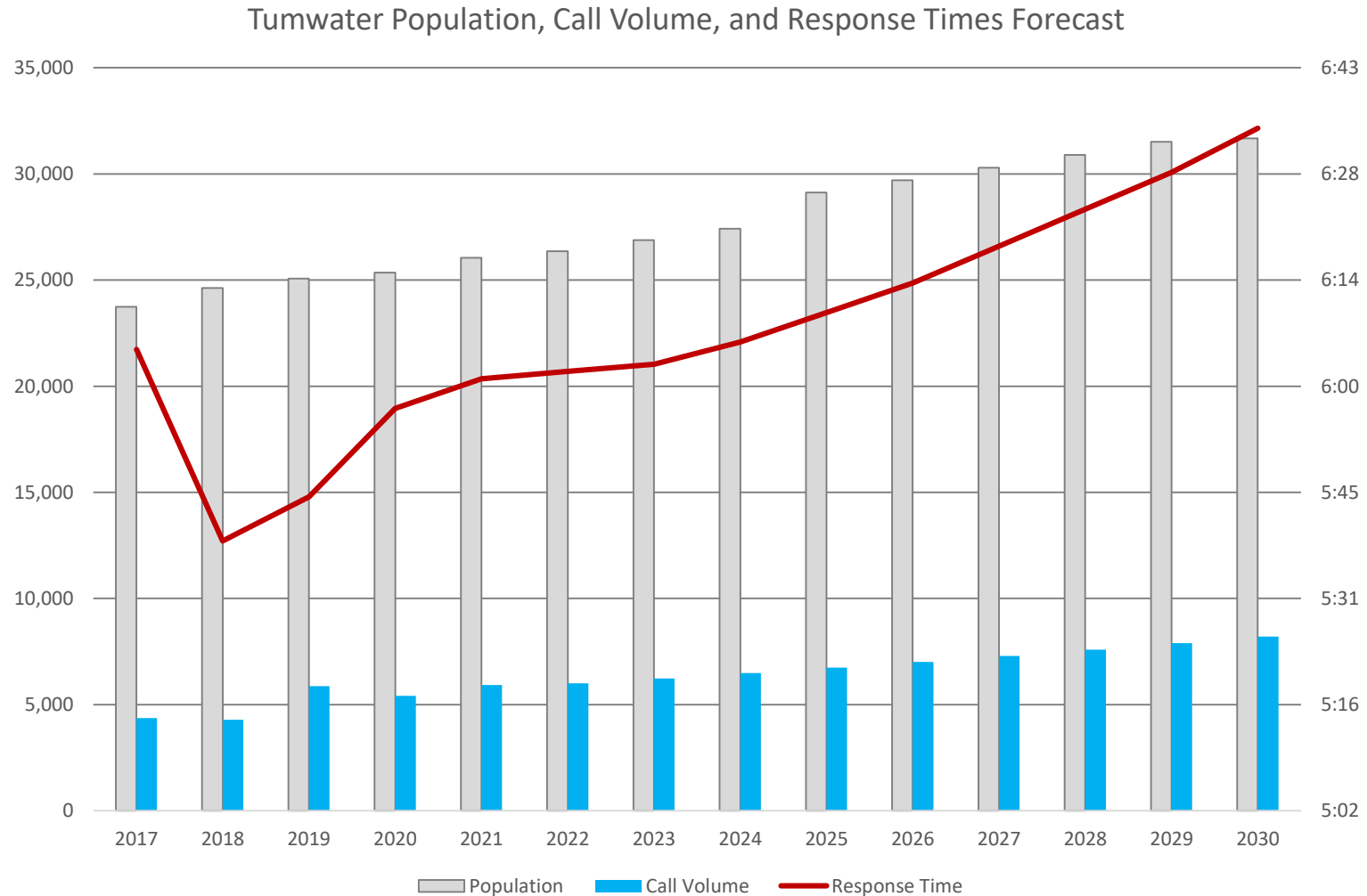
## 2019 Fire & Emergency Services Study

- Limited city resources
- Growing demand on our fire departments
- Average fire/EMS response times declining over time
- Need to maintain fire/EMS service needs of our growing communities

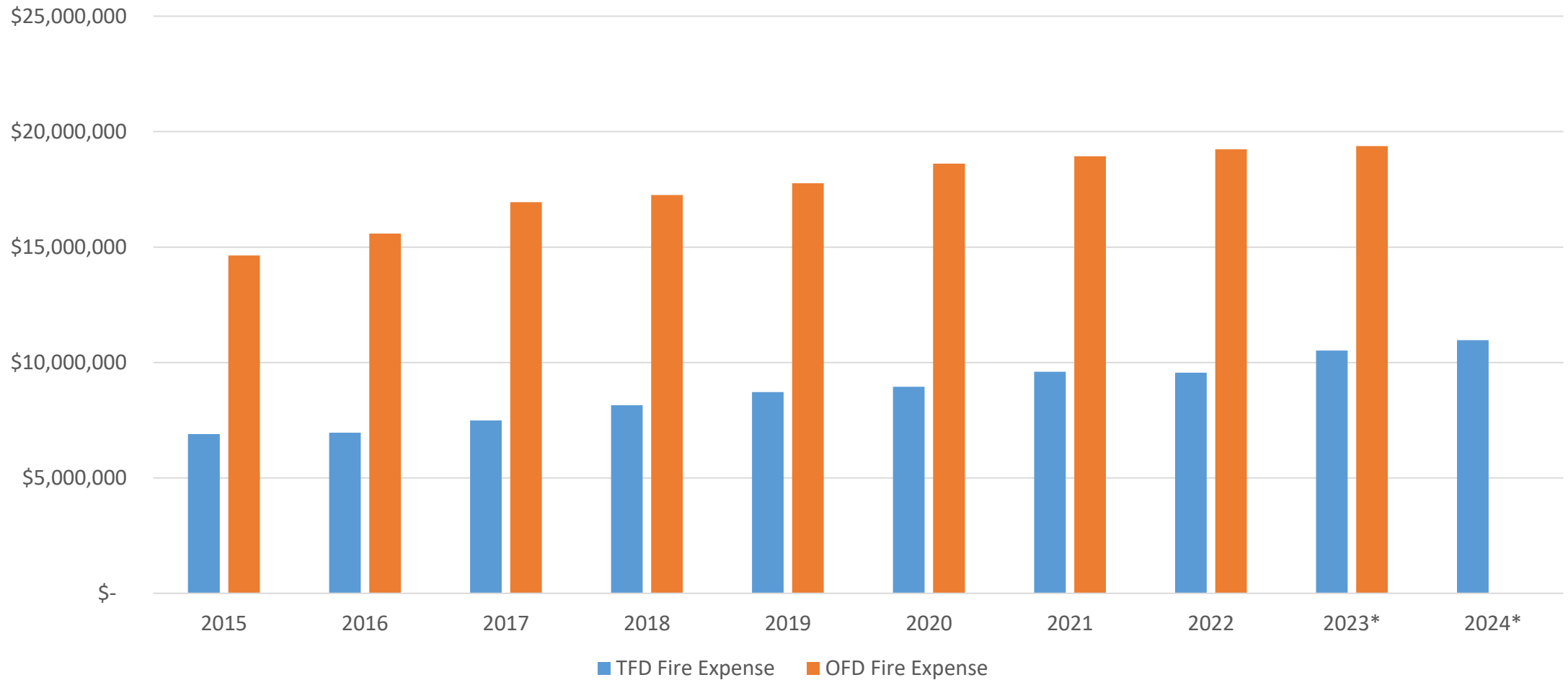
# Olympia Trends



# Tumwater Trends



# Fire Department Budgets



# RFA Operational Enhancements

- Basic Life Support Transport / CARES
- 2 Battalion Chief Model
- Dropping Borders Olympia HS, SPSCC)
- Ladder Truck stationed in Tumwater
- Fire/EMS training
- Community Risk Reduction
- Reserve Apparatus

# The RFA is the Recommended Solution

- Utilized by other communities – from West Thurston to Renton
- Provides for a locally-governed entity to provide:
  - Quality
  - Sufficient
  - Sustainable fire and emergency medical services
- Retains elected governance with periodic check-ins with voters
- Structure allows for smoothest transition to new agency possible
- Four-pronged funding strategy provides a dedicated funding source for Fire Protection Services
- More sustainable funding source to meet long-term community needs



# 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)

# RFA Planning Committee Members

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

# Work Accomplished & Work Ahead

## Accomplished

- Committee Charter and Workplan
- Values & Principles statement
- Committee Website
- 2 Council briefings
- 4 Community meetings
- Fire Department Employee Briefings
- Governance Options
- Operations Plan & Org. Chart
- Finance Plan
- DRAFT RFA Plan Developed
- Union Votes of Support

## Work Ahead

- Tonight: DRAFT RFA Plan Discussion (Joint Council Meeting)
- November 14: RFA Committee Public Hearing
- Finalize RFA Plan
- November/December: Deliver to Councils
- April: Election

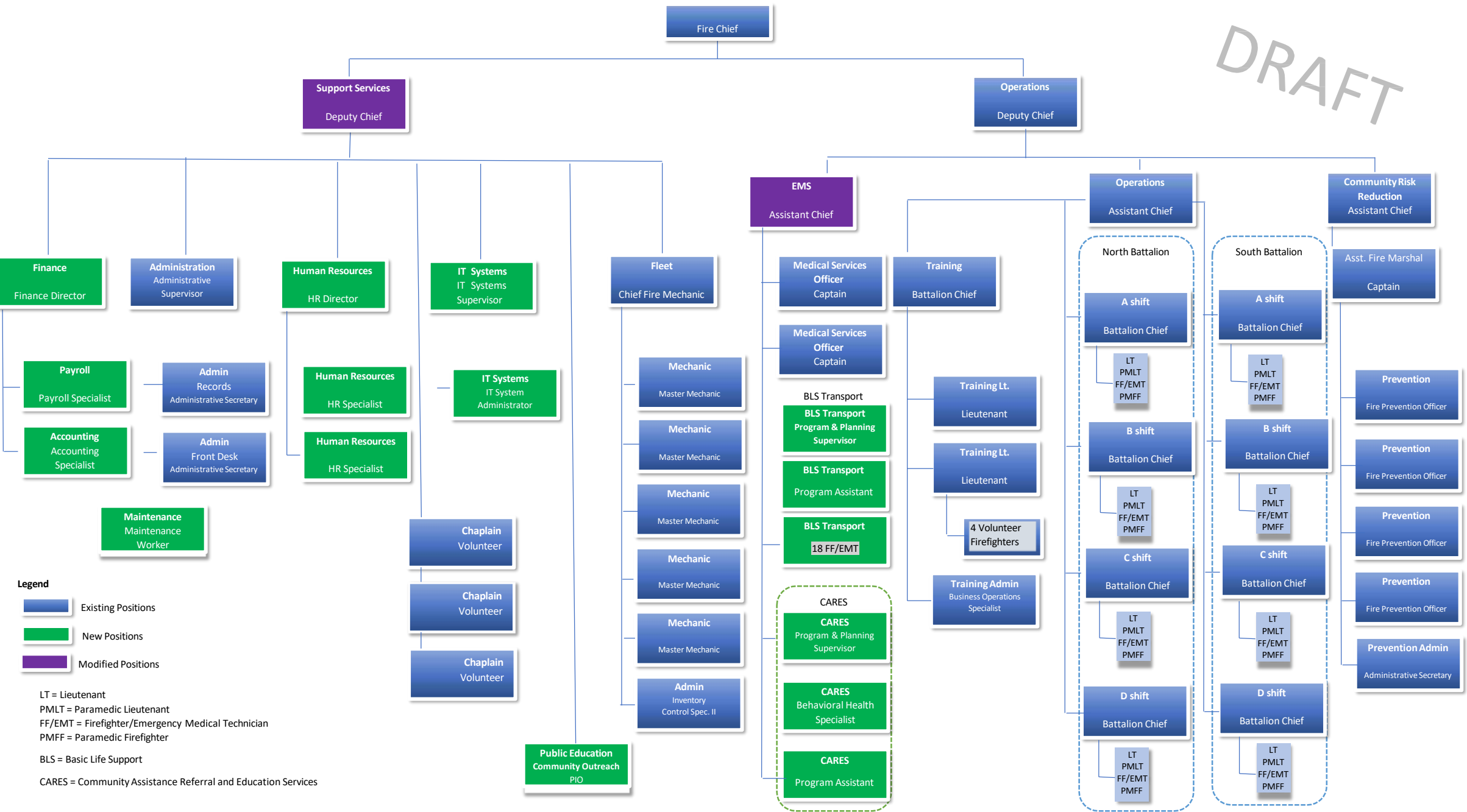
# III. ADMINISTRATION & STAFFING

## DRAFT Organization 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 7 new FTE + 1 maintenance staff
- Two existing positions are modified to serve as (1) Deputy Chief – Support Services, and (2) Assistant Chief – EMS
- Consultant support for IT services

DRAFT



## IV. RFA Governance

- An initial 6-member board will serve from the RFA Effective Date (October 1, 2023) through December 2025, comprised of 3 elected officials from Olympia and 3 elected officials from Tumwater
- Thereafter, the Board will transition as shown below:
  - 7-member Board of Commissioners beginning in 2026, mix of appointed and directly elected At-Large Commissioners
  - Term lengths vary during transition (2026-2027) – 2, 4 or 6 years – to ensure a permanent board in which turnover can be minimized at elections (every 2 years)
  - From 2028 and beyond, Council reps. serve 4-year terms, elected Commissioners 6-yr)

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

# IV. RFA Funding Recommendation

## RFA's Have Four Funding Sources:

- Fire Levy: a property tax
- Fire Benefit Charge (FBC): Fee based on the fire risk associated with the size and type of structures.
- EMS Levy Revenues
- Fees for Service: including revenue from permits and 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**

## 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 - Planning Committee Recommendation**

\*Fire Levy is a property tax

# What is a Fire Benefit Charge (FBC)?

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

- FBC amount is intended to reflect the measurable benefit received by properties
  - Statewide, fire districts and RFAs have determined that the best measure of benefit is based on **fire flow**
  - The measure of “**fire flow**” is derived from a national formula – measuring the amount of water needed to put out a fire. That fire flow calculation is a proxy for resources needed to fight a fire. That measure is not linear but does increase with building size.
  - In addition to fire flow, the other 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 to contribute to all fire operating costs. 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**. Some RFAs add additional factors to consider staffing requirements relative to fires at different structures.

## FORMULA

**FBC = Fire Flow\* x Building Category Factor x Cost per Gallon Factor x Balancing Factor x Sprinkler Discount x Exemption Factors**

\*Fire Flow =  $\sqrt{\text{Total Square Feet}} \times 18$

# 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 and revenue needs

# FBC Process

- 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)*

# Property Tax Implications With RFA Creation

- The RFA will gain \$1.00/\$1,000 AV of property tax capacity
- The cities will each lose \$1.00/\$1,000 AV of property tax capacity (shifted to RFA)
- The cities must reduce their actual property tax levy by \$1.00/\$1,000 AV calculated from the highest levy that each city could impose at the time.

# Olympia Property Tax Implications

	Collection Year		
	2022	2023	2024
	W/ RFA @ \$1.00	W/ RFA @ \$1.00	W/ RFA @ \$1.00
2022 Est. Assessed Value (AV) for collections in 2023	\$ 8,993,974,419	\$ 11,822,825,673	\$ 13,005,108,240
2022 Highest Lawful Levy	\$ 19,402,957	\$ 19,796,939	\$ 20,286,467
Limit Factor of 1% on Highest Lawful Levy	\$ 19,596,987	\$ 19,994,909	\$ 20,489,332
Reduction due to RFA or Fire District	\$ (8,993,974)	\$ (11,822,826)	\$ (13,005,108)
<b>Est Highest Lawful Revenue 2023</b>	<b>\$ 10,603,012</b>	<b>\$ 8,172,083</b>	<b>\$ 7,484,224</b>
Levy Rate to estimated AV excluding add-ons	\$ 1.17890	\$ 0.69121	\$ 0.57548
Rate Change from status quo	\$ (1.00)	\$ (1.00)	\$ (1.00)
Legally allowed add-ons in addition to the 1% statutory limit			
New Construction	\$ 189,487	\$ 274,790	\$ 214,113
State Assessed Property (Estimate)	\$ 16,768	\$ 16,768	\$ 11,886
Refund Levy (Estimate)	\$ 111,740	\$ 111,740	\$ 100,000
Total estimated legally allowed add-ons	\$ 317,995	\$ 403,298	\$ 325,999
<b>Est District Levy for Collections in 2023</b>	<b>\$ 10,921,007</b>	<b>\$ 8,575,381</b>	<b>\$ 7,810,223</b>
Levy Rate to estimated AV including add-ons	\$ 1.21426	\$ 0.72532	\$ 0.60055
Rate Change from status quo	\$ (1.00)	\$ (1.00)	\$ (1.00)
2023 Estimated Fire Expense	\$ 19,254,920	\$ 19,964,957	\$ 19,964,957
2023 Estimated Fire Earned Revenue	\$ 5,957,580	\$ 6,477,660	\$ 6,477,660
<b>2023 Estimate Net GF Reduction</b>	<b>\$ 13,297,340</b>	<b>\$ 13,487,297</b>	<b>\$ 13,487,297</b>
<b>Net favorable/(unfavorable) variance</b>	<b>\$ 4,303,366</b>	<b>\$ 1,664,471</b>	<b>\$ 482,189</b>
<b>Percent of \$1.00 to rate</b>	45%	58%	62%

# Tumwater Property Tax Implications

	Collection Year		
	2022	2023	2024
	W/ RFA @ \$1.00	W/ RFA @ \$1.00	W/ RFA @ \$1.00
2022 Est. Assessed Value (AV) for collections in 2023	\$ 4,649,454,436	\$ 6,318,846,856	\$ 6,950,731,542
2022 Highest Lawful Levy	\$ 10,053,323	\$ 10,486,141	\$ 11,044,788
Limit Factor of 1% on Highest Lawful Levy	\$ 10,153,856	\$ 10,591,002	\$ 11,155,236
Reduction due to RFA or Fire District	\$ (4,649,454)	\$ (6,318,847)	\$ (6,950,732.00)
<b>Est Highest Lawful Revenue 2023</b>	<b>\$ 5,504,402</b>	<b>\$ 4,272,155</b>	<b>\$ 4,204,504</b>
Levy Rate to estimated AV excluding add-ons	\$ 1.18388	\$ 0.67610	\$ 0.60490
Rate Change from status quo	(1.00)	\$ (1.00)	\$ (1.00)
Total estimated legally allowed add-ons	\$ 357,570	\$ 453,786	\$ 297,344
<b>Est District Levy for Collections in 2023</b>	<b>\$ 5,861,972</b>	<b>\$ 4,725,941</b>	<b>\$ 4,501,848</b>
Levy Rate to estimated AV including add-ons	\$ 1.26079	\$ 0.74791	\$ 0.64768
Rate Change from status quo	(1.00)	\$ (1.00)	\$ (1.00)
2023 Estimated Fire Expense	\$ 8,178,028	\$ 9,342,562	\$ 9,342,562
2023 Estimated Fire Earned Revenue	\$ 2,871,103	\$ 2,928,525	\$ 2,928,525
<b>2023 Estimate Net GF Reduction</b>	<b>\$ 5,306,925</b>	<b>\$ 6,414,037</b>	<b>\$ 6,414,037</b>
<b>Net favorable/(unfavorable) variance</b>	<b>\$ 657,471</b>	<b>\$ 95,190</b>	<b>\$ (536,695)</b>
<b>Percent of \$1.00 to rate</b>	<b>44%</b>	<b>57%</b>	<b>61%</b>

# V. 7-YEAR RFA FINANCE PLAN

- A 7-year financial plan has been approved by the Planning Committee 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 equipment and apparatus will be transferred to the RFA, at no cost
- All fire stations will be transferred to the RFA at no cost
  - If a station is no longer used by the RFA in the future, the donating City will have first right of refusal to regain ownership

# 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

# Working Capital / Cashflow

- In 2023 (August—December), the RFA will operate with the revenue remaining from the 2023 City fire department budgets
- RFA will start with \$0 in 2024 unless we provide for working capital
- The plan is for the City of Olympia to provide an \$8M loan to the RFA for working capital, to be repaid over 5.5 years. An additional \$2M comes from the Tumwater Levy money

# 7-Year RFA Financial Plan Summary

## (October 2022 update)

	2023	2024	2025	2026	2027	2028	2029	2030
<b>Total Expenditures</b>		<b>39,905,137</b>	<b>41,666,295</b>	<b>44,849,117</b>	<b>47,070,794</b>	<b>48,839,162</b>	<b>50,541,315</b>	<b>52,303,547</b>
<b>% Change Year-to-Year</b>			4.4%	7.6%	5.0%	3.8%	3.5%	3.5%
<b>Transfer to Reserves</b>		1,260,000	1,324,000	1,947,218	2,021,989	1,988,973	2,070,781	2,156,538
<b>Beginning Cash Balance</b>		<b>10,000,000</b>	<b>9,713,543</b>	<b>11,476,973</b>	<b>11,348,791</b>	<b>11,861,202</b>	<b>12,038,737</b>	<b>11,990,537</b>
<b>Fire Levy Collections</b>		19,320,881	19,803,903	20,299,001	23,338,651	23,922,118	24,520,170	25,133,175
<b>Fire Levy Rate</b>		\$ 1.00	\$ 0.96	\$ 0.93	\$ 1.00	\$ 0.96	\$ 0.93	\$ 0.89
<b>Other Revenues</b>		9,797,799	13,758,322	14,174,072	14,603,016	15,045,588	15,502,238	15,973,431
<b>FBC Collections</b>		10,500,000	10,867,500	11,247,863	11,641,538	12,048,992	12,470,706	n 12,907,181
<b>Fire Levy and FBC Collections combined as a property tax rate equivalent in the two city area</b>		<b>\$ 1.54</b>	<b>\$ 1.49</b>	<b>\$ 1.44</b>	<b>\$ 1.50</b>	<b>\$ 1.45</b>	<b>\$ 1.40</b>	<b>\$ 1.35</b>

# Proposed FBC Classifications and Weights

Structure Classification	# of Tiers in this Classification	Proposed Weights	Number of Parcels in this Classification
<b>Residential</b>	3		20,246
	Residential 1 ( $\leq 2,000$ sq. ft)	0.45	
	Residential 2 (2,001-3,000 sq. ft.)	0.55	
	Residential 3 ( $\geq 3,001$ sq. ft.)	0.64	
<b>Mobile Home</b>	1	0	454
<b>Apartments (5 unit or more)</b>	1	1.5	354
<b>Commercial</b>	6 (See next slide)		2,142

*The FBC increases as the weight and square footage increases.*

# Proposed FBC Classifications & Weights Continued

Tier	Max Sq. Ft in this Tier	Weight	# of parcels in this category
Commercial 1	5,000	0.8	1300
Commercial 2	20,000	1.5	611
Commercial 3	50,000	2.7	145
Commercial 4	100,000	4.1	53
Commercial 5	200,000	5.5	29
Commercial 6	No Max	6.5	4

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

Fire District

OT

Factor

Max Sq Ft

Residential 1

0.45

2,000

Residential 2

0.55

3,000

Residential 3

0.64

No Max

Apartments

1.5

Mobile Homes

0

Balancing Factor

0.01

Cost Per Gallon

64.44

Sprinkler

0.9

Commercial - 1

0.8

5,000

Commercial - 2

1.5

20,000

Commercial - 3

2.7

50,000

Commercial - 4

4.1

100,000

Commercial - 5

5.5

200,000

Commercial - 6

6.5

No Max

Commercial Subtotals

1,300

Commercial 1

\$569,996.56

3,197,380

611

Commercial 2

\$965,456.25

5,691,774

145

Commercial 3

\$736,081.84

4,607,705

53

Commercial 4

\$588,620.48

3,595,337

29

Commercial 5

\$600,780.63

3,743,373

4

Commercial 6

\$139,446.37

998,374

# Parcels

FBC \$

Square Feet

20,246

Residential

\$6,321,927.51

51,887,243

2,142

Commercial

\$3,600,382.14

21,833,943

454

Mobile Home

\$0.00

527,061

354

Multi Unit

\$579,872.12

4,318,633

23,196

Total District

\$10,502,181.77

78,566,880

Residential Subtotals

5,708

Residential 1

\$1,128,546.32

9,034,043

9,292

Residential 2

\$2,852,815.34

22,932,423

5,246

Residential 3

\$2,340,565.85

19,920,777

Olympia Tumwater Both

Both

Each row is  
a sample property.

Sample FBCs		
Sample	Structure Sq Ft	Estimated FBC in 2024
<b>Residential</b>		
R3	1500	\$202
R4	2000	\$233
R6	2500	\$318
R8	3255	\$423
R10	4466	\$496
R11	6220	\$585
<b>Apartments</b>		
A3	2,724	\$817
A4	5,100	\$1,242
A5	10,250	\$1,585
A6	21,120	\$2,528
A7	103,401	\$5,035

The FBC Estimates are just that – estimates. Actual FBC charges will change depending on the RFA adopted 2024 budget and the final property assessed values for 2023

Sample FBCs		
Sample	Structure Sq Ft	Estimated FBC in 2024
Mobile Homes		
M1	576	\$0.0
M2	600	\$0.0
M3	432	\$0.0
M4	440	\$0.0
M5	952	\$0.0
M6	1572	\$0.0
Sample Commercial 1- (400-5,000SqFt)		
C1.1	450	\$196
C1.2	1500	\$359
C1.3	2140	\$429
C1.4	3000	\$508

Sample FBCs		
Sample	Structure Sq Ft	Estimated FBC in 2024
Sample Commercial 2 (5,001-20,000SqFt)		
C2.1	5000	\$656
C2.2	9000	\$1,540
C2.3	15000	\$1,917
C2.4	19540	\$2,188
Sample Commercial 3 (20,001-50,000SqFt)		
C3.1	20035	\$3,989
C3.2	36000	\$5,347
C3.3	44200	\$5,925
C3.4	49056	\$6,292

Sample FBCs		
Sample	Structure Sq Ft	Estimated FBC in 2024
Sample Commercial 4 (50,001-100,000SqFt)		
C4.1	50333	\$9,602
C4.2	65834	\$10,981
C4.3	77369	\$11,905
C4.4	90804	\$12,897
Sample Commercial 5 (100,001-200,000SqFt)		
C5.1	100778	\$18,227
C5.2	121671	\$20,027
C5.3	130094	\$20,709
C5.4	147156	\$22,025
Sample Commercial 6 (200,001+SqFt)		
C6.1	214476	\$31,424
C6.2	247656	\$33,768

# RFA – Why Now?

- Fire and emergency medical are among the most critical services we provide
- Increases in demand have and are increasing call volume and response times to unacceptable levels
- The time for action is now, not after the system is broken.
- Built on a 2019 study that articulated the problem, the Regional Fire Authority is the best-fit solution.
- Fellow elected officials, staff, and consultants have worked on a best possible plan to address the issues within the constraints of the law.
- It supports fire and emergency medical without competing with other city services.
- It calls on the electorate to authorize the RFA, to select the governance, and to authorize taxes and the fire benefit charges
- It provides dedicated, adequate, diverse, and sustainable funding to ensure the provision of quality fire and emergency medical services into the future.

# VI. Next Steps - Timeline

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

Recommended Timeline	
RFA Planning Committee submits RFA Plan to City Councils	October 2022
City Councils deliberate	October 2022- November2022
Councils act to approve RFA Plan and Place RFA measure before voters	December 6, 2022
Election	April 2023
RFA Effective Date	By October 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.