

Update on RFA Financial Plan Work in Progress

Olympia Tumwater RFA Planning Committee

May 9, 2022

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Agenda

- Review of what the financial plan is for, key inputs, next steps
- Review of Fire Benefit Charge, update/review of data collection, next steps

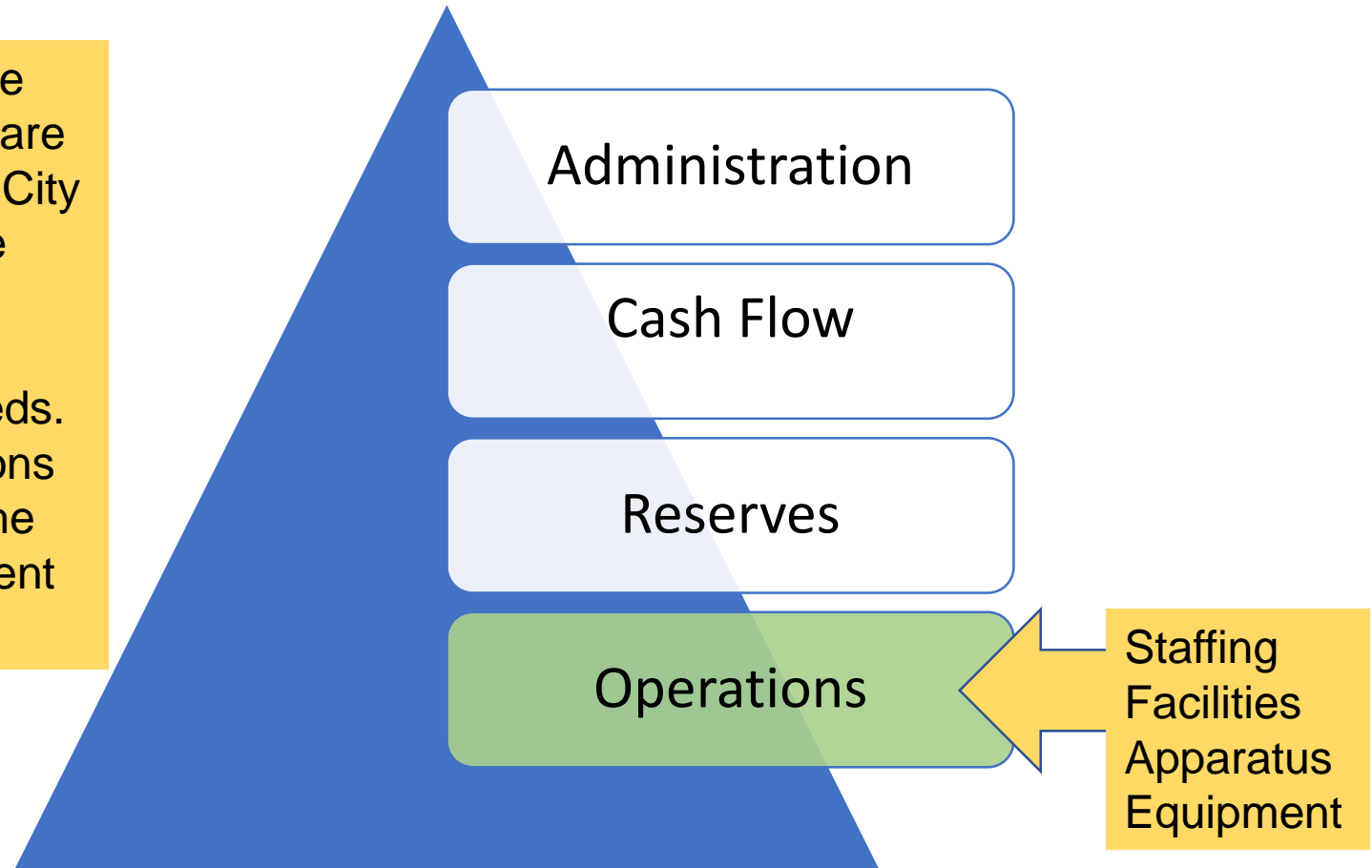
Our target is to present the initial model at the
May 23 Committee Meeting

Purpose of the 7-Year Financial Plan

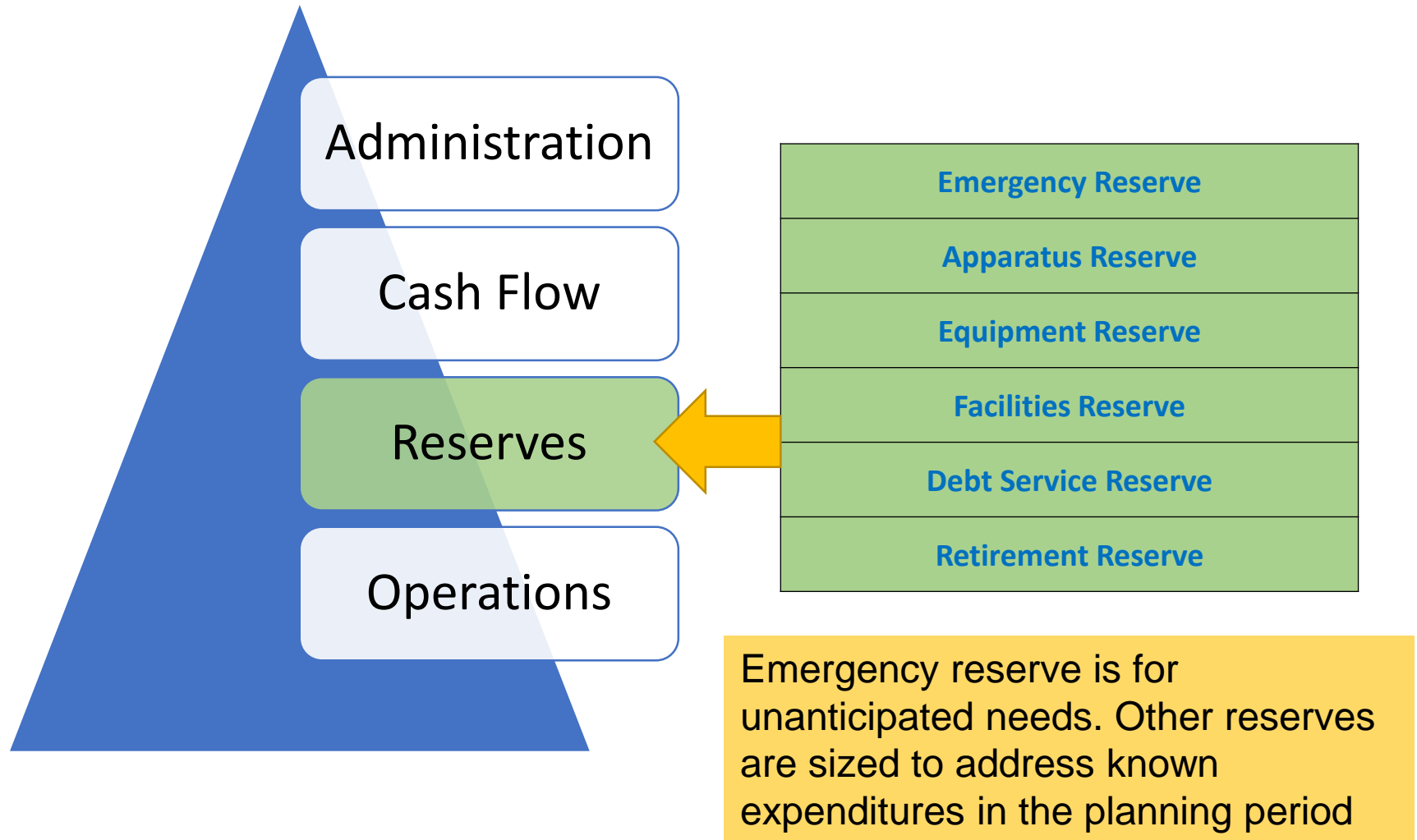
- Model the **expenses** for the RFA in its first 7 years—
 - To maintain services (**Baseline**)
 - To consider/build in service enhancements
 - Consider different ways of providing services (contract?)
- Model the **revenues** needed to support the level of service desired.
 - Fire levy
 - Fire benefit charge
 - Fees generated (fire permits, fire inspections, etc.)
 - Grants and other revenues

Expenses: 4 major components

Today, the Fire Departments are supported by City administrative services, reserves and cash flow needs. Only Operations costs are in the Fire Department Budgets.



Reserves can reduce/eliminate the need to go to voters for additional revenues—to address both expected and unexpected expenditures.



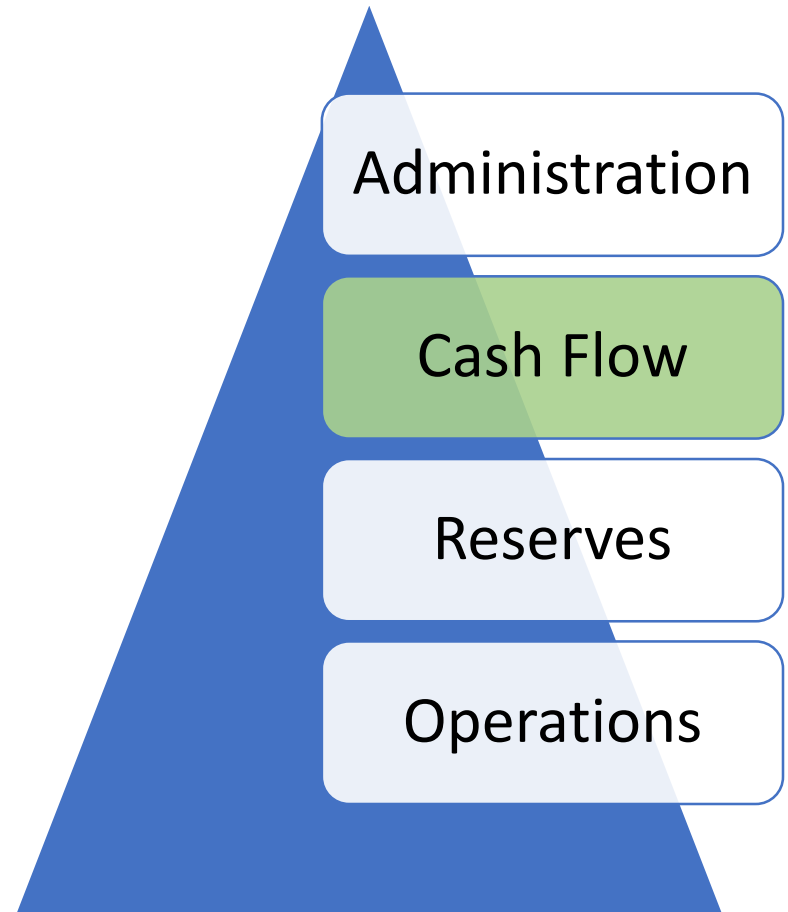
Cash flow is needed each year to pay expenses between the time tax revenues are received

Under the target timeline, the RFA starts operation August 1, 2023.

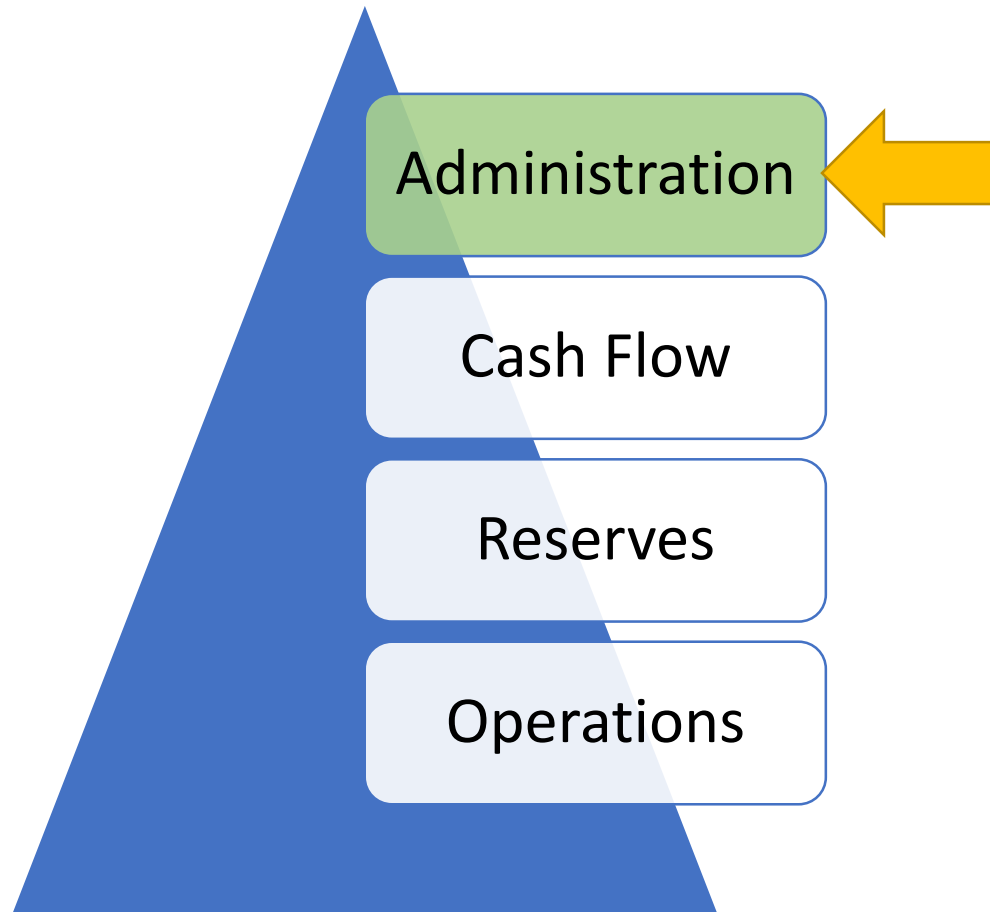
The first RFA tax revenues will be received in April-May of 2024.

Most 2023 funding will come from the balance of City Fire Dept operating budgets.

Cash flow is needed to fund operations between the times that tax revenues are received—each spring and fall. This will likely come in the form of a loan from the Cities to the RFA, to be repaid over a few years as reserves of cash are slowly built up.



Administrative services can be provided either by adding staff, or a combination of staff and contract services.



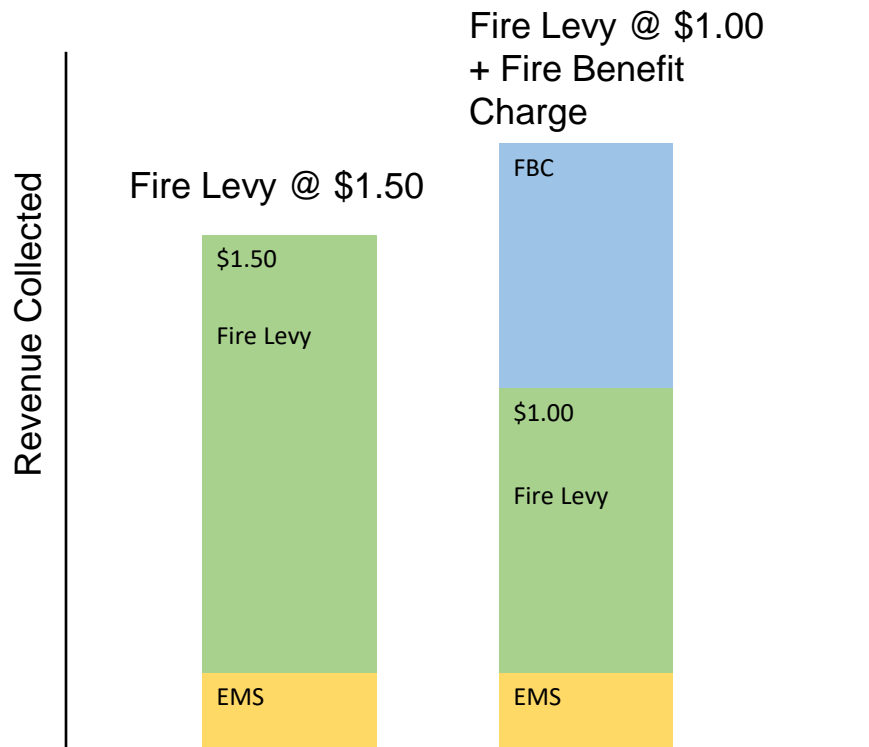
We've previously shared 4 different examples of administrative staffing.

Staff are working to explore both how to provide services **initially**—which will likely be by contract—and **over the initial planning period of 7 years**.

Where can we save money and still provide the needed administrative support?

RFA Revenues:

Fire Levy
Fire Benefit Charge
EMS Levy share



Graph shows 2 approaches to RFA funding

- The combination of a fire benefit charge (FBC) and a \$1.00/\$1,000 AV fire levy can generate more revenue than the alternative, which is a \$1.50 fire levy.
- In exchange for having the ability to impose an 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.**

Fire Benefit Charge

- Is a fee, not a tax
- Is based on the fire risk associated with the size and use of physical structures
 - If your structure will need more fire resources to put out a fire, your FBC will be more
 - If your structure is small and need fewer fire resources, your FBC will be less
- Can be adjusted annually by the RFA Governing Board in terms of both (1) the total amount collected, and (2) the formula for allocating the total amount between different properties

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

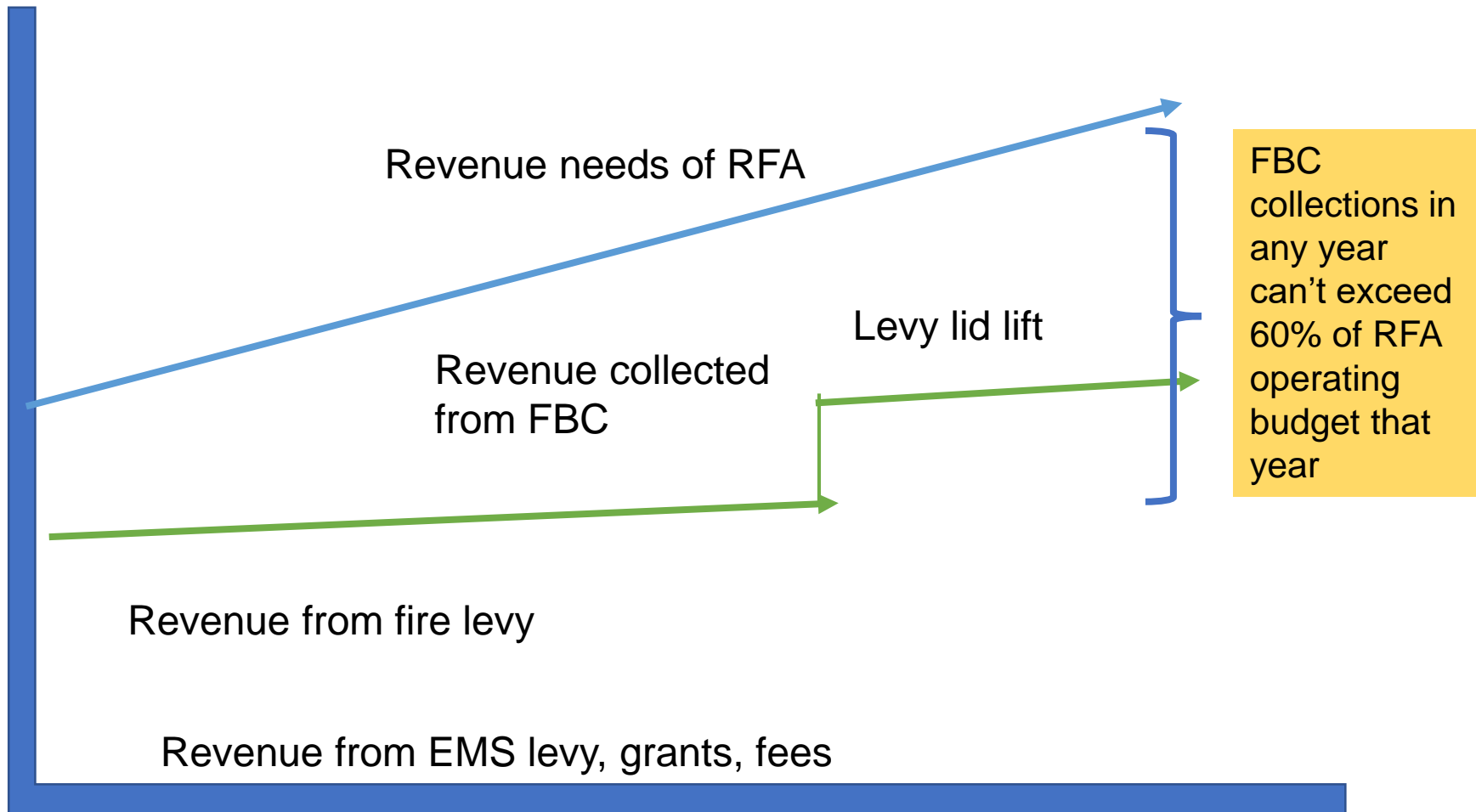
How does the FBC work?

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

Everyone uses the **same basic formula**; what changes are the **structure categories** and the **weights for each category**. **Fire flow & cost per gallon** are based on your water system and fire assets

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 policy action)	4. Identify any discounts/exemptions applicable to the property, e.g. --sprinklers, senior citizen/disabled	5. Do the math!
Mobile Home Single Family Residential Multifamily Small commercial Medium Commercial Large Commercial	County assessor records provide this information.	Weights increase with the size and complexity of the structure and its use. It's not a straight line—some small commercial establishments may have an FBC like a single-family residence. The weighting reflects the additional resources needed to put out a fire at these different types of structures.	Count assessor records provide this information	Determine the bill for each parcel / structure

The revenue picture for the RFA changes over time. We will build a 7-year plan.



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

Key inputs in the financial model that the Planning Committee will need to confirm (staff will bring recommendations)

- Inflation rate assumption
- Growth rate of assessed value assumption
- Labor cost assumptions in model
- Operational programs to be added in order to maintain service levels
- # of FTEs in starting RFA
- Reserves to be funded, at what levels
- How cash flow will be provided
- Approach to providing administrative services (staffing + contracts)
- Do we need an FBC? If so, what is the FBC formula?
 - What structure categories should be included?
 - What weights (cost share) should be assigned to each structure category?
- Do we plan for a levy lid lift? When?
- ...and more...

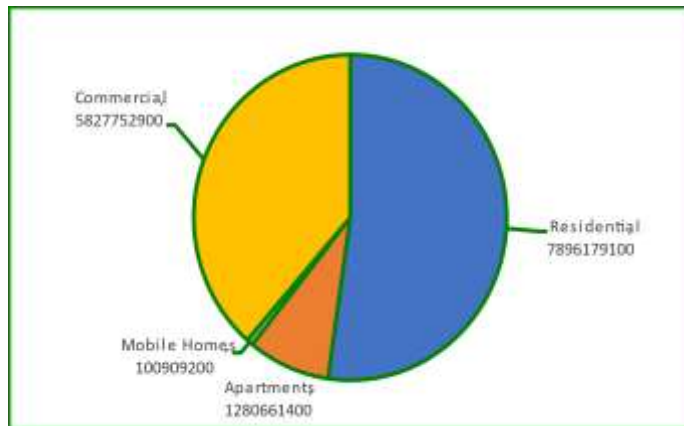
Fire Benefit Charge Initial Data Collection is Complete. What does it tell us?

Building Class	RFA AV	RFA Sq Ft of Structures
Residential	7,896,179,100	51,968,424
Apartments	1,280,661,400	4,443,856
Mobile Homes	100,909,200	545,832
Commercial	5,827,752,900	24,977,333
TOTAL	15,105,502,600	81,935,445

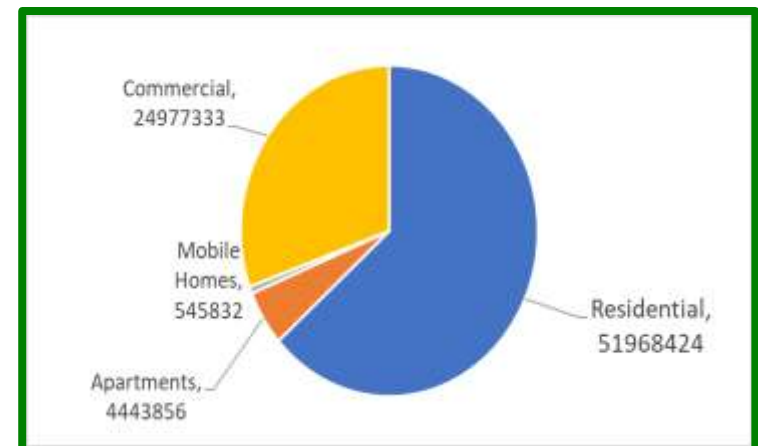
Structure
Classifications

Square
footage is
the
foundation
for an FBC

Property tax is
based on
Assessed
Value (AV)



Assessed value share

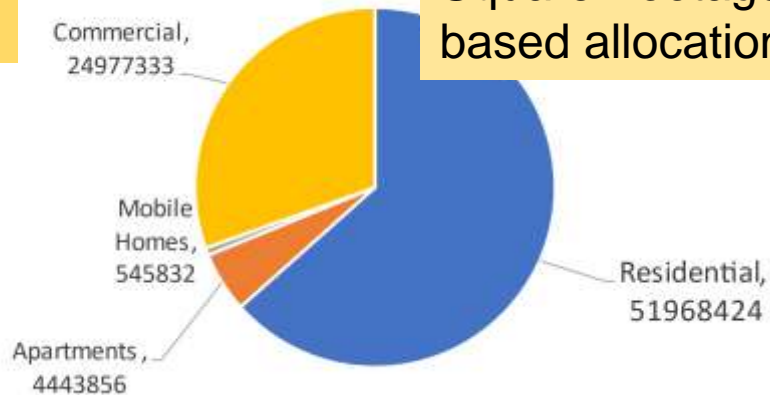


Square footage share

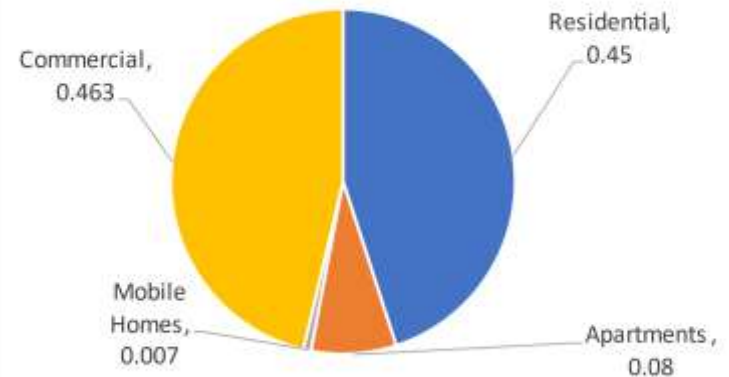
FBC formula decisions are where the Committee will recommend how the cost is shared

1.

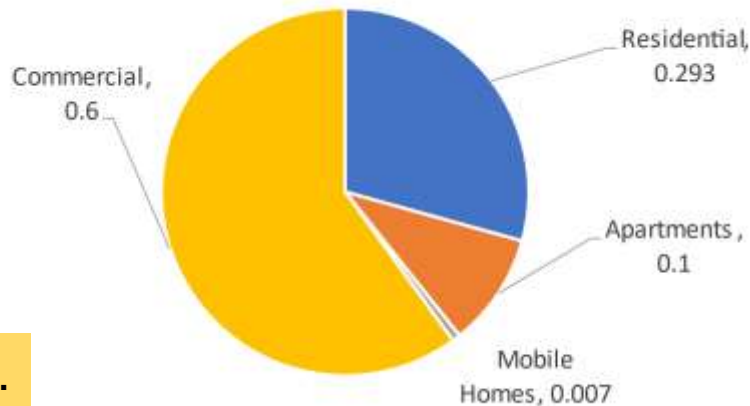
Square Footage
based allocation



2.



3.



2. and 3. --- Two hypothetical examples of cost share if weights for commercial are increased as compared to the other classifications

Another FBC decision: How many classifications?

- **4..?**

- Residential
- Mobile home
- Multi-family (4+ units)
- Commercial

- **More?**

- Most FBC formulas have multiple classes of commercial structures—based on sq. footage.
- Many FBC formulas have more than one class of residential and multifamily.

Database Overview: Hypothetical FBC collection amount

FACTOR

Fire District

OT

Factor

Max Sq Ft

Residential 1

0.57

2,000

Residential 2

0.57

3,200

Residential 3

0.57

No Max

Apartments

1.44

Mobile Homes

0.4

Balancing Factor

0.01

Cost Per Gallon

55.6

Sprinkler

0.9

Commercial - 1

0.9

5,000

Commercial - 2

1.4

20,000

Commercial - 3

2

50,000

Commercial - 4

3

100,000

Commercial - 5

4

200,000

Commercial - 6

5

No Max

Commercial Subtotals

1,318

Commercial 1

\$561,281.26

3,244,331

635

Commercial 2

\$813,211.13

5,988,297

149

Commercial 3

\$483,382.94

4,740,420

56

Commercial 4

\$394,110.50

3,811,395

31

Commercial 5

\$404,454.45

4,037,564

8

Commercial 6

\$193,684.41

2,157,920

Parcels

FBC \$

Square Feet

20,282

Residential

\$5,610,639.38

51,961,374

2,197

Commercial

\$2,850,124.68

23,979,927

454

Mobile Home

\$52,067.02

527,061

364

Multi Unit

\$494,404.05

4,443,856

23,297

Total District

\$9,007,235.12

80,912,218

Residential Subtotals

5,739

Residential 1

\$1,241,375.05

9,078,729

10,506

Residential 2

\$2,940,394.54

26,689,013

4,037

Residential 3

\$1,428,869.78

16,193,632

Olympia Tumwater Both

Both

Record: 1 of 1

Filtered

Search

Information is gathered on each parcel

FBC

2022 Olympia Tumwater RFA 2022

PARCEL# [] Txpr NAME [] Site ADDR [] Txpr ADDR [] Tumwater

Parcel# 12704110301 Total Sq Ft 5040

Area Code 440 MF # Units 1 FB Charge \$ \$404.98

Taxpayer SHIPE, JOSHUA D Taxable Imprv 352,800 Sr / Disabled

Site Addr 6002 GLENWOOD DR SWOLYMPIA98512 Taxable Land 164,800 Exempt Code

Address 1 6002 GLENWOOD DR SW Parcel Type R Use Code N

Address 2 Sprinkler Appeal

City State TUMWATER WA 98512 Spr Percent 0 ReCalculate

Comments

Record: 14 1 of 1

Square Feet

	Main Area	Upper	Basement	Unfinished	Att Garage	Garage	Carport	CovPorch	OpnPorch	EnclPorch	ScrPorch	Storage	Attic	Balcony	Breezeway
▶ SPLIT-ENTRY	1764	0	996	0	0	768	0	28	0	0	0	0	0	0	0

Record: 14 1 of 1 Unfiltered Search

Detached Structures

	Square Feet	Width	Depth
▶ FRAME-GARAGE	840	30	28
LEAN-TO	336	12	28
LEAN-TO	308	11	28
*			

Record: 14 1 of 3 Unfiltered Search

Record: 14 2222 of 30882 Unfiltered Search

Next steps

- Staff will develop 1+ recommendations for how to frame out the FBC formula and bring it to the Committee for consideration/recommendation
 - What classifications should there be and why? (4 or more?)
 - What should the weights be for these classifications and why?
 - What exemptions / credits / surcharges should be added, if any?

Questions?