



NORTH WHATCOM REGIONAL FIRE AUTHORITY COMMITTEE

SPECIAL MEETING #8

via Zoom Meeting

10:00 a.m.

March 9, 2021

CALL TO ORDER

Chairman Bruce Ansell called the Regional Fire Authority (RFA) Committee Meeting for March 9, 2021, to order at 10:02 a.m. via Zoom Meeting.

ATTENDEES

Committee Members

Chairman Bruce Ansell, Vice-Chairman Scott Fisher (D21), Commissioner Dave Hanson (D4), Commissioner Harry Andrews (D4), Commissioner Rich Bosman (alternate D21).

Guests

Fire Chief Jason Van der Veen, Consultant Karen Reed, Consultant Heather Logan, Financial Analyst Bill Cushman, Board Secretary Jennie Sand (21), and Local 106 NW Kenneth Cunningham.

1. WELCOME AND INTRODUCTIONS

Consultant Karen Reed welcomed the group.

2. REVIEW AND APPROVAL OF AGENDA

All committee members have reviewed the agenda.

MOTION: Vice-Chairman Fischer moved to approve the March 9, 2021 agenda. The motion was seconded by Commissioner Andrews and approved 5-0.

3. APPROVAL OF MEETING MINUTES

All committee members have reviewed the minutes.

MOTION: Commissioner Hanson moved to approve the February 4, 2021 minutes. The motion was seconded by Vice-Chairman Fischer and approved 5-0.

The group reviewed the NWFR special work session notes held on February 25, which will be approved during the regular scheduled NWFR Fire Commissioner Meeting.

4. UPDATES

District 4 Commissioner: Commissioner Hanson provided an update regarding the search for the District 4 interim commissioner. Interviews will be held for three qualified candidates on Wednesday, March 10, 2021.

Once a candidate is appointed, he/she will attend the RFA meetings.

Website: Chief Van der Veen noted that the RFA agendas, approved notes, and other pertinent information continues to be added to the RFA tab on the NWFR and District 4 websites. The question-and-answer section has also been updated.

There have been no community queries at this time.

Other: Chief Van der Veen noted that the RFA will require a lot of background work to be completed by the Board and encouraged them to be ready to make some big decisions.

Chief Van der Veen expressed his appreciation to Consultants Karen Reed, Heather Logan, Financial Analyst Bill Cushman and Administrative Assistant Jennie Sand for their work behind the scenes.

5. PROJECT CALENDAR: Consultant Karen Reed reviewed the major tasks to be completed between now and the end of April.

- Complete RFA Plan including finances (levy rate), organizational chart, operations and services, equipment lists, and add appendixes. Transfer properties and apparatus to the RFA.
- Each Board will adopt the RFA Plan and resolution calling for the election.
- Hire an elections consultant to do the public outreach after the plan is adopted.
- Deliver the resolution requesting a ballot measure be placed on the August primary ballot no later than May 14. (may need special meeting)
- Second round of public outreach.

Karen Reed reviewed the election timeline.

- May 14, 2021 – Ballot Measure Resolution delivery deadline
- August 3, 2021 – Primary election day

Karen Reed reviewed the initial Planning Committee work timeline, noting that the Committee is currently behind schedule. Additional meetings will be scheduled in March and April to get back on track.

Although not mandatory, there was consensus regarding holding a public hearing to adopt the RFA resolution which will add to the level of transparency.

6. DISCUSSION: ELECTION CONSULTANT & COSTS

There was discussion regarding hiring another consultant to provide public outreach specifically for the election timeline. The consultant could work together with Consultants Karen Reed and Heather Logan. Additional funds would be required for an

educational mailing to the public and associated educational outreach. There was a discussion regarding how to distribute the costs between the two Districts.

Commissioner Hanson noted that initially, the Boards agreed to divide any costs associated with the RFA process fifty/fifty. He sees no reason to alter that decision noting that it is equally beneficial to both Districts. Commissioner Hanson suggested renewing the opinion through a motion at each Boards' upcoming meeting.

Chief Van der Veen pointed out that each District has budgeted for the 2021 election and potential RFA expenses, although most likely not as much as will be required.

7. DISCUSSION: RFA FINANCE PLAN: Financial Analyst Bill Cushman provided a draft RFA Financial Model overview to build on the ongoing RFA finance plan discussion. The goal will be to choose a levy rate that will set the RFA up for financial sustainability.

Bill Cushman announced that the group will spend some time looking at several issues dealing with the reserve funds, either the creation of new ones or the continuation of existing accounts. Other areas to be discussed include working capital. A series of decisions requiring concurrence by the commissioners will establish the Financial Plan over the next few years.

The Model Plan is based on the estimated assessed values, with a 4% annual increase. This draft Financial Plan starts in 2021. The RFA levy starts in 2022, if approved. The numbers are based on the 2021 budget.

Bill Cushman reiterated that the Finance Model can be altered at any time, changing percent contributions, to better achieve the RFA's goals.

Consultant Karen Reed expressed the importance of the RFA to build a financially stable seven-year financial plan (2022-2028). Bill Cushman noted that he can adjust this model, however, it will require the District to create a bars-based line-item operating budget that he can input labor cost assumptions including the nine additional members. Chairman Ansell noted that the current collective bargaining agreement will define the range of labor costs in 2022. Once completed, the financial model will be re-examined.

Bill Cushman reiterated that the working capital is an amount of money that is in the bank, in the form of ready cash, that is required to meet operating expenses during the first three to four months of the year while the RFA is waiting to collect its first-half property taxes which are not due until April 30 of each year. The working document allows the RFA to specifically preplan the starting amount.

Chairman Ansell noted that the Board is familiar with working capital and rolling over funds to cover the first four months of the following year.

Bill Cushman provided information regarding the current financial status of the District.

If the current levy rate (\$1.15) is not changed and nothing is done in terms of addressing the income discrepancy, based on the inability to raise property taxes more than one percent per year, the cost of labor increases approximately five percent per year, by the end of 2027, the RFA will have a deficit of up to \$3.5 M.

Bill Cushman stressed the importance of creating additional reserve accounts including an emergency reserve fund. The creation of reserve accounts is of exceptional importance in creating and managing a long-term strategy to clearly delineate the necessary management control of the RFA finances.

Each reserve account will have a goal (*Where does the RFA want to go in 8 years?*) and a target (*What are we going to do each year for seven years to ensure the goal is achieved?*)

Bill Cushman demonstrated how adjusting levy rates and contributions alter the outcomes of each fund significantly. Final decisions regarding the reserve accounts along with the levy rate have yet to be prioritized or determined.

Emergency Reserve

Goal: 15% of operating budget set aside in cash by 2027

Target: \$70,000 annual contribution growing at 15% per year = 5% growth rate

After 2027, monies will no longer be transferred from the general fund to the emergency fund. The emergency fund will continue to collect interest.

Chairman Ansell requested information regarding the beginning cash balance in the account. Bill Cushman noted that beginning funds were taken from the collected property taxes.

Apparatus Reserve (includes all apparatus and life spans)

Goal: Replace apparatus at the life cycle schedule without deficits.

Targets: \$1,150,000 starting contribution = 5% annual growth

The current amount in the apparatus reserve fund is \$1,078,315. The remaining monies were taken from the collected property taxes.

Currently, the District has nine million dollars of immediate apparatus replacement needs. The replacement schedule is based on the combined baseline and baseline plus model determined during the last meeting.

Equipment Reserve

Goal: Replace equipment following the life cycle schedule without bonds.

Targets: \$250,000 starting contribution = 3% annual growth

Bill Cushman noted that he reallocated \$200,000 from the general fund to the equipment reserve fund.

The information utilized in this fund was provided by Chiefs Jason Van der Veen and Shaun Ward.

Facility Reserve

Goal: Provide maintenance for all facilities.

Targets: \$25,000 starting contribution = 3% annual growth

This fund had an existing balance of \$1,036,090. Bill Cushman assigned an arbitrary \$10,000 per year per station to be used at the discretion of the Fire Chief for maintaining facilities.

Chief Van der Veen noted that following a discussion with the sub-committee regarding spending money on stations that may be sold or torn down in the future, it was decided that \$10,000 was a reasonable amount to estimate.

Bill Cushman noted that any surplus could be added to any project that would not have been completed due to lack of funds. The \$10,000 contributions could be reduced at any time, leaving the money in the general fund.

Karen Reed noted that the bigger projects at Birch Bay St 63 and Laurel St 69 would be considered capital projects, not funded from the Facility Reserve.

Capital Projects Reserve

Goal: Provide cash funding for all studies and planning for future capital projects.

Provide bond funding for capital projects. Deposit mitigation funds in this reserve.

Targets: \$50,000 starting contribution = 3% annual growth

This fund had an existing balance of \$303,639.

Bill Cushman pointed out the potential of \$39 M of capital projects. The only way to meet that burden will be to go out for a bond. In the meantime, the RFA will need funds for studies, architects, engineers, surveyors, and land consultants for purchasing property for a new or station relocation.

Bill Cushman suggested combining the mitigation reserve account (\$139,354) and the debt service account (\$43,892) and adding them to the capital projects reserve fund to pay for various capital planning efforts.

There are not enough funds to pay for a new station or seismic upgrades on the two stations.

The RFA could alternately ask the voters to approve a \$6.4 M bond (*20-year excess levy*) in 2023 at 3% interest, which would keep the RFA capital reserve funds intact.

Debt Service Reserve

The District does not have any outstanding debt at this time. Bill recommends transferring the remaining balance in this fund (about \$48,000) to the Capital Projects Reserve.

Retirement Reserve

Goal: Provide sufficient funds to meet all sick leave/vacation payouts on retirement.
Target: \$20,000 starting contributions = 3% growth rate

Bill Cushman noted that he reallocated \$300,000 from the general fund to the retirement reserve fund.

The current numbers in the Model were arbitrarily assigned and do not reflect actual retirement dates. The payout amounts were calculated on the base salary only.

If the numbers are accurate and the pattern continues, the account will be in a deficit by 2028.

Staffing Plan

There was discussion regarding the addition of four battalion chiefs, a peak transport unit (2 FTEs), and Public Information Officer (PIO) in 2022. It was unclear if a separate PIO would be hired or if the task would become the responsibility of the battalion chiefs, at least for the foreseeable future.

Levy Rate

Bill Cushman inputted various levy rates into the financial model. The Boards will need to agree on a beginning levy rate to submit to the voters.

Example: A beginning levy rate of \$1.36

- 4 battalion chief
- 5 firefighters
- 1 PIO
- Keep emergency reserves at 15% of the operating budget
- Replace 10-13 vehicles over 7 years
- Cover equipment replacement needs
- Maintain stations with minor improvements as necessary
- Fund most of capital planning efforts
- Set money aside for 15 retirees
- Results in a 0-fund balance (*no rollover working capital in 2028*)

Example: A beginning levy rate of \$1.45

- 4 battalion chief
- 5 firefighters
- 1 PIO
- Keep emergency reserves at 15% of the operating budget

- Replace 10-13 vehicles over 7 years
- Cover equipment replacement needs
- Maintain stations with minor improvements as necessary
- Fund most of the capital planning efforts
- Set money aside for 15 retiree vacation/sick leave payouts
- Results in 100 % of the working capital requirement

Chairman Ansell stated that the \$1.45 levy recommendation was not a surprise and following discussions from the last meeting, is where he surmised the levy rate would most likely be set. The Districts have managed to balance their budgets over the past few years, but neither has made any forward progress with regards to strategic plan needs and have watched stations and equipment slowly degrade. It was noted that South Whatcom Fire Authority will also be asking for a \$1.45 levy lid lift in the near future.

With \$1.50 being the maximum, Chairman Ansell believes that \$1.45 is a good number, further noting that the initial levy rate will continue to decrease, ending at \$1.32 in 2027. In addition, fire districts are limited to the yearly one percent increase in property tax collections. Unless there is a considerable amount of new construction, the Districts are limited to the one percent increase and cannot keep up with the three to five percent increase in costs indicated in the Finance Model. The public can be informed that the \$1.45 will maintain all the operational needs, however, the RFA will still have major capital needs that will ultimately benefit both the RFA and the public. The Districts can be upfront and ensure that the public is aware that they will be asking for additional money, in the form of a bond, once the RFA is up and running, possibly in 2024 or 2025.

Chairman Ansell pondered Chief Van der Veen's suggestion to ask the voters to keep the levy rate at \$1.45 for the entire time period. If the RFA intends to eventually ask for a capital bond to build or complete seismic upgrades on stations, Chairman Ansell believes the better option may be to allow the levy rate to trickle down. By asking to keep the levy rate at \$1.45, the voters may assume that the RFA will not ask for more funding at a later date.

A good argument to the public may be that the Districts could ask for \$1.50 by statute, however, they are choosing to only ask for \$1.45.

Chairman Ansell noted that initially he believed \$1.35 was ideal, but seeing the Financial Plan, he realizes that \$1.45 is the better option.

Commissioner Andrews stated that he is concerned with the salability of the levy rate. He asked the group to consider asking for \$1.35 at this time and asking for \$1.45 at a later date.

Chairman Ansell inquired about the differences in levy rates for a \$400,000 home.

House Value	\$400K	\$400K	\$400K	\$400K	\$400K
Levy Rate	\$1.15	\$1.25	\$1.35	\$1.45	\$1.50
Annual Tax	\$460	\$500	\$540	\$580	\$600
Monthly Tax	\$38	\$42	\$45	\$48	\$50

Chairman Ansell pointed out that the difference between a \$1.35 and a \$1.45 levy on a \$400,000 home is \$3.00 per month. He believes the amount is sellable.

Commissioner Hanson is concerned that he has already been hearing public resistance at the increased rate of \$1.35. Although he agrees with Chairman Ansell regarding the most beneficial levy rate, he understands Commissioner Andrews' concern of marketing the increased levy rate to the public. The RFA will rely on both District's response areas to approve the levy.

Consultant Karen Reed noted that with both Districts working together, it will reduce the impact of increased taxes on any one entity, and both will benefit from the increased level of service.

If the levy rate is set at \$1.35, Vice-Chairman Fischer wondered how long it would be before the RFA would need to go back to the public to ask for another increase. He believes the public needs to be better educated on the topic and further stated that he is comfortable with the levy rate at \$1.45, considering it a necessity.

Commissioner Hanson noted that if the \$1.45 does not pass, they could go back to the public and ask for a lesser amount. Karen Reed pointed out that it would not be ideal in terms of the message being sent to the community, not to mention the additional costs of marketing another election. The Boards need to be comfortable with the initial levy rate and be transparent that although this will stabilize and increase the level of service for at least six years, the RFA will still need additional capital for station refurbishing, relocation, or additions. If the initial levy rate is too low, the RFA will need to request additional funds sooner just for operations and staffing. Funding or station refurbishing, relocation, or additional stations will still need to be funded by another request at some point.

Commissioner Hanson stated that while he grapples with the \$1.45 levy rate, he agrees with Vice-Chairman Fischer and does not want to request a levy lid lift in two or three years. Both Districts have waited too long to request additional funds and the \$1.45 makes the most sense. Having the right consultants and bringing on additional professionals will be a huge resource for the RFA. Public education will be key.

Commissioner Bosman has been a Fire Commissioner for a long time, with both District 3 and then District 21. He noted that he is not sure if the actual levy amount request is as important as the initial ask. Commissioner Bosman believes that there needs to be an

honest conversation with the public regarding the need for funds to provide the best level of service. At this time there is no plan “B”.

Consultant Heather Logan pointed out the conundrum regarding the taxpayer’s aversion to additional taxes. Heather Logan agreed with Commissioner Bosman regarding the initial request for additional funds; the ask for a significant lid lift is the big item. All the Commissioners need to be fully invested in the final decision and be able to justify the decision, which in turn will strengthen the RFA’s credibility.

Bill Cushman identified the probable cash balance through 2027 which is between four and five million at the \$1.45 levy rate. At \$1.35, the RFA would be in a deficit before 2027. If however, the initial levy rate is \$1.35 and was raised to \$1.50 in 2025, the outcome would be the same as the \$1.45 levy rate, or where we are today. Bill Cushman cautioned that the RFA costs do not include any additional election or public outreach costs. All of these factors need to be taken into account before a decision is reached.

Bill Cushman noted that the Financial Model can provide the Commissioners with instantaneous feedback and encouraged them to ask alternative questions.

Karen Reed noted that further levy rate discussions are expected during the next meeting. She noted that if the Commissioners have any scenarios or targets that they would like to have Bill Cushman solve for or test through his financial model, to contact her or Chief Van der Veen.

8. NEXT AGENDA(S)

- Meeting #9: March 23 at 10:00 a.m.
- Update - election consultant
- Facility and asset lists, transfers
- Finance plan – continued discussion/direction
 - Fire levy rate, structure
 - Capital funding plan
 - Other funding options

9. CLOSING COMMENTS

Chief Van der Veen acknowledged that the numbers along with the many various potential directions are overwhelming. He believes that everyone needs to absorb the information over the next two weeks. Chief Van der Veen agrees with both sides, \$1.45 is necessary and the most responsible decision while at the same time a very big “ask” for the voters. On social media, he is already seeing complaints as property taxes increase. If the decision is made to ask for a lower amount, the RFA will need to be honest upfront that they will be asking for additional funds within a couple of years, on top of a future bond.

Chief Van der Veen thanked Bill Cushman and noted it would be beneficial if both members and the community invested the time to see and understand his presentation.

Chief Van der Veen agreed to forward the property assessed values document he received from the County to Karen Reed and Bill Cushman to assist with determining the average property value in our service area. The information could be cross-checked with some realtors for accuracy.

Chairman Ansell stated that he understands Commissioner Andrews' concern regarding selling the final levy rate to the public. He does not want to have to go back to the public to lift the lid in three years however, he does anticipate asking for a capital bond in the future. Chairman Ansell stated that although the levy rate will continue to decrease each year, he does not want to ask for a levy lid lift for at least six years.

Chairman Ansell believed that it had already been decided that a public information officer (PIO) was not necessary if battalion chiefs were added and could disseminate those PIO messages. Commissioner Andrews agreed that the PIO does not need to be a new position but rather a member could be selected to accomplish that function, such as the battalion chiefs.

Chairman Ansell queried the group regarding their comfort level regarding the reserve fund amounts presented by Bill Cushman. Chairman Ansell reiterated that this has been the most responsible presentation he has seen since becoming a D21 Commissioner. The presentation clearly shows what is needed, what has been neglected, what had been planned, and what has not been achieved. The Districts had not addressed the fact that the levy rates erode year to year and that the levy rate needs to be lifted every so often to stay current and not lag behind.

Bill Cushman agreed to forward a “read-only” copy of his \$1.45 scenario model to the Committee for review. Chairman Ansell emphasized the importance of the review. Following the review, that group can then have a more in-depth discussion about the financial model and then make decisions.

Heather Logan agreed to provide a one-page document on how best to address the public regarding the RFA, specifically with regards to finances.

Commissioner Hanson expressed his concern for the taxpayers if the RFA is not approved, specifically in District 4's area. He thanked Bill Cushman for his eye-opening presentation.

Chairman Ansell thanked everyone for their participation and is looking forward to further in-depth discussion once everyone has taken the time to review Bill Cushman's data.

Chairman Ansell noted that he plans to meet with Chief Van der Veen and the new labor group representatives on Monday, March 15, 2021, to hear their thoughts. He will report back during the next meeting.

10. ADJOURN

MOTION: There being no further business Vice-Chairman Fischer moved to adjourn the meeting at 12:17 p.m. The motion was seconded by Commissioner Hanson and approved 5-0.

Respectfully Submitted by:



Jennie Sand, Recording Secretary

ATTEST:



Bruce Ansell, Chairman