

**GRAHAM FIRE & RESCUE
BOARD OF FIRE COMMISSIONERS
SPECIAL BOARD MEETING
October 15, 2015**

CALL TO ORDER

Commissioner Skaggs called the meeting to order at 9:00 a.m.

Attendance:

Present: Commissioner Robert E. Skaggs, Commissioner Gerald W. Gustafson, Commissioner Russell T. Barstow, Fire Chief Ryan Baskett, Deputy Chief Tony Judd and Board Secretary Jodi Reynolds.

2016 Budget Review. Chief Baskett referred the Board to their budget books. He began his presentation by providing an overview of his 2016 Budget Message as follows: Since 2008, the District has seen a decline in overall assessed property values of approximately 21%. 2016 is the second consecutive year we have seen an increase, allowing the Department's reserve account to be increased to \$2,954,625.01. Pierce County projects the 2016 Fire and EMS tax collection will increase 2.68% and new construction will increase 1.71% for a total increase of 4.4%, roughly \$444,648 over last year's budget.

The proposed 2016 budget is a reflection of the 2015 budget, with the same cost margins as in previous years. All members currently employed and an additional six Firefighter/Paramedics are funded in the budget. Several employees are still tied to the additional M&O levy revenue, making it extremely important to continue the commitment to a fiscally conservative approach. Based on staff's calculations, the 2016 budget will cover a total of four of the sixteen new employees under the normal Fire and EMS taxing measures. The 2016 budget reflects the final year of a two-year federal grant to fund four Firefighter/Paramedic positions, and will not be reflected as revenue in future budgets.

This year's financial plan is to fund all necessary operational costs in order to maintain the improved emergency services, with a slight increase over last year's costs due to the increased number of employees and the full operation of an additional station.

No reserve funds are being requested to balance the 2016 budget, and a dedicated 1% of the tax collections is being transferred to reserves to continue building the uncommitted reserve account. Based on our ability to fully fund the District's operational needs, he is requesting the Board consider reducing the emergency/contingency fund currently listed at \$250,000 to 1% of the Fire and EMS levies, or \$105,000.

The 2016 budget also reflects a cash carry over amount necessary to cover expenses through the first half of the year. The cash carry over amount is closer to the projected 2019 requirement, in an attempt to front-load that item.

Chief Baskett recommended that any 2016 uncommitted revenue be placed in the Department's reserve account to increase the uncommitted reserves, and he will address this later in the budget presentation.

Chief Baskett concluded by stating he is pleased to provide the Board with a balanced budget this year, and that Graham Fire is fiscally sound. The increased staffing has allowed us to meet our commitment to the citizens by opening all of our 24-hour stations.

Chief Baskett directed the Board to the 2016 Projected Revenue sheet in their budget books. He explained that the 2016 Tax Revenue figures are listed alongside the 2015 figures for comparison. He deferred to Deputy Chief Judd to present this information. Deputy Chief Judd informed the Board he has added a new column to the spreadsheet which shows the rate of increase or rate per \$1000, whichever applies. The total increase in regular assessed valuation including new construction and Improvements is 4.4%. Continuing down the sheet, the total fire tax collected is just under \$8 million. For EMS we are capped at the 1% limit on our EMS levy because we renewed it in 2011 which reset our highest dollar value. This year we will only collect \$0.485 rather than \$0.50. Next year we will discuss re-running the EMS levy, effectively doing a lid lift at that time. The M&O levy, at the full authorized amount of \$2.75 million, works out to a rate of \$0.521 per \$1000. He noted the rate is decreasing because the assessed valuation is increasing. Timber taxes of \$5,000 are what we collect on average, bringing our total tax collection to just over \$13.3 million. Beneath that is the 1% Chief Baskett spoke about that will automatically go into reserves. This amount is just over \$105,000. The estimated uncollected taxes for 2016 is 2.5%, down from 3%, which is approximately \$333,000. He expects the prior year's taxes, the delinquent taxes, to be approximately \$250,000, based on historical projections. The total tax collection comes to approximately \$13.1 million. Chief Judd then referred the Board to the County's preliminary assessment of tax rates for their review.

Deputy Chief Judd addressed the Non-Tax Revenue section next. He explained they increased ALS revenues by \$50,000 because this year we are doing almost all of our own transports and picking up transports from Central Pierce and South Pierce, unlike in 2014, due to our increased staffing. Also included are interest earnings and miscellaneous contracts comprised of the power companies, school districts and Pierce County parks. Commissioner Skaggs asked why miscellaneous contracts decreased by \$8,000, and Deputy Chief Judd responded we no longer have a contract with Puget Sound Energy. He explained PSE sold the flume and the new owner is not interested in signing a services contract with us. Chief Baskett added that he and Deputy Chief Judd plan to work with the new company to get a signed contract. Returning to the non-tax revenue items, Deputy Chief Judd stated they reduced miscellaneous income which consists of records requests, helmets and classes, because we are doing less of these. The amount for grants for EMS and Fire Fighter I state training will be accurate if we train 16 fire fighters, but will be less if we train fewer. The SAFER Grant, approximately \$426,000, is what we expect to receive from the federal government this year. The unspent 2015 equipment replacement amount of \$325,000 was just set aside and not to be spent in 2015, in order to build up the fund for future equipment purchases. Whatever is left in this line item at year's end will always roll into the next year's budget. \$325,000 will be added each year. 2015 capital purchase carry forward - We had identified in 2015 we would purchase a medic unit. We have gone out for bid, but this amount will not be spent before the end of the year. We will roll the \$200,000 forward and pay for the medic unit and take delivery in 2016. That brings our total projected

revenue to \$15.3 million. We are recommending putting \$200,000 into the dedicated cash carryover as the final installment, bringing the total to \$3.3 million, which is the amount we project we will need in order to be fully funded in 2019 when the M&O levy runs out. This way we should not have to add to the cash carryover until after the M&O. Deputy Chief Judd stated total projected expenditures come to \$14.4 million, and that leaves a remaining balance of \$715,000 which we need to identify what to do with. He added that Chief Baskett has a recommendation he will present to the Board.

Chief Baskett referred the Board to the Budget Comparison section in their books. He explained they revised the format to include the budget justifications on the same spreadsheet as the budget for ease of reference, rather than as a separate document. The new format includes a three-year budget comparison and justifications all together. Chief Baskett asked the Board if they would like to go through the budget line item by line item. The Board members stated they would. Chief Baskett then deferred to Deputy Chief Judd who began the budget review.

Commissioner Skaggs inquired about whether there was enough money in the Commissioners salaries line item in the event we go to a five-member Board. Chiefs Judd and Baskett agreed there was and we would only need to cover the remaining months of 2016 following the August election.

Chief Baskett addressed the contingency fund line item and stated they increased this number in the past when they were concerned about fully funding the budget and running into something unexpected. He and Deputy Chief Judd went back five years, and even in the leanest years we never spent over 1%. They went ahead and funded the 2016 budget at the full 2%, but Chief Baskett asked the Board to consider reducing that to 1%. The \$100,000 difference could go towards funding one of the 16 fire fighter positions.

Deputy Chief Judd explained that the Fire Control Suppression overtime line item is now for operations overtime only; Training and Public Education overtime amounts are listed separately under their divisions in the budget.

Commissioner Skaggs inquired about the cost to get onto the digital radio system. Chief Baskett responded it is fairly expensive and he would be addressing it at the end of the budget presentation. Chief Baskett expanded on some of the cost-related issues and the challenges related to the transition to the new digital radio system and station alerting.

Commissioner Gustafson asked why the propane/natural gas line item amount is the same as 2015 because the price of propane has gone down considerably. Deputy Chief Judd responded he would do more research.

The detailed review of the budget concluded. Chief Baskett stated he had asked Deputy Chief Judd to separate out personnel costs and calculate their percentage of the entire budget. For 2016 this number is 80.33%; however, Chief Baskett explained this figure is skewed because of one-time monies and major purchasing of two medic units and an engine. He said he believes we are closer to 83-85% in personnel costs at this point. He said they will continue to monitor this with the goal of reaching an 80/20 split.

Chief Baskett then directed the Board to the Proposed Purchases sheet located behind the 2016 Budget Submittals tab in their budget books. He explained he met with staff and the labor group and developed a list of "Recommended" purchases he considers "needs," and a list of purchases "Not Recommended at this Time" he considers "wants." This does not mean these "wants" will not become "needs" in the future, but currently they are not.

Chief Baskett reviewed each of the "Recommended" items individually in detail, the associated cost and justification for purchase in the 2016 budget. Chief Baskett then reviewed each of the "Not Recommended at this Time" items individually in detail, the associated cost and reason he is not recommending these purchases at the present time. Discussion ensued regarding the purchase of a new golf cart for Public Education events. Commissioner Skaggs inquired about purchasing a used golf cart. Chief Baskett said he would prefer not to because of potential problems with buying a used vehicle. He suggested a gator that could be used for multiple purposes. He stated he was not prepared to make a recommendation to the Board at this time, until staff does more research. The Board agreed the gator idea is favorable and directed staff to look into that option.

Chief Baskett addressed the request for a new Public Education van that is more "ergonomically" correct. As an alternative, he said he has staff researching a lift with wheels that can be installed on a trailer hitch. He stated he would show the brochure to PPEO Merdian-Drake upon her return from vacation leave. The Board concurred and directed staff to continue researching the lift solution.

Chief Baskett concluded and requested the Board make a recommendation on the proposed recommended purchases.

Commissioner Gustafson moved to approve staff to make the recommended purchases as proposed, within the 2016 Budget. Commissioner Barstow seconded the motion. Motion carried unanimously.

Chief Baskett referred the Board to the Reserve Budget sheet in their budget books. Deputy Chief Judd proceeded with a detailed review of the reserve budget.

Chief Baskett addressed the uncommitted reserve, the "rainy day" fund, in the amount of \$553,000. He stated he and Deputy Chief Judd calculated we will need roughly \$2 million in our uncommitted reserve as an insurance policy if the citizens decide not to support an M&O levy in 2018. He recommended we take the \$700,000+ remaining uncommitted revenue for 2016 and put it into the reserve account as uncommitted reserve, bringing the total to \$1.2 million, then continue to grow that until we reach \$2 million. The rationale for the \$2 million is it will allow us to extend our current service level and all of our employees for two years beyond the excess levy.

Commissioner Gustafson stated that we asked the citizens for \$2.75 million which is \$350,000 more than we ever had before. The \$813,000 increase received in 2015 should go back to the taxpayers. The retired taxpayers are not getting cost of living increases next year. He is concerned we are not out of the woods yet with regard to the recession. Chief Baskett responded that the \$813,000 received in 2015 was used to balance the budget without using reserves. Commissioner Gustafson reiterated he believes the \$813,000 should go back to the citizens. Chief Baskett pointed out we are

still \$1 million under our highest assessed valuation received in 2008. He recommends they reduce their contingency fund by \$105,000 leaving approximately \$800,000 which should go into the uncommitted reserve fund. He explained we can either bank the uncommitted revenue in the reserve account to reduce the amount needed for a future M&O or extend the M&O to six years, or we can give the money back to the citizens. Commissioner Gustafson stated, "We can't spend ourselves into prosperity." We should only be collecting \$1,937,000 from the M&O in 2016 in case we need to go out for another M&O in the future. He stated we should consider if we have enough money to hire six more people. Chief Baskett stated we committed to hiring 16 people to improve service levels in the District. He said he was very clear when we were considering the M&O we would not be able to roll 16 people into the regular budget by 2018 and we would be back asking for a smaller M&O amount at that time.

Commissioner Skaggs stated we need to continue with our plan to hire all 16 people. Giving money back to the citizens would feel good now, but will not help us in the future. We should add the uncommitted revenue to the reserve account now and give money back later if we do not need it. Commissioner Barstow concurred and stated that giving money back to the citizens is an awesome idea, but we could be "shooting ourselves in the foot" down the road. Chief Baskett responded that the Board does not need to act on this today. He inquired if the Board would agree to reduce the Contingency Fund from 2% to 1%.

Commissioner Barstow moved to reduce the Contingency Fund from 2% of the Fire and EMS Tax collection to 1%. Commissioner Gustafson seconded the motion. Motion carried unanimously.

Chief Baskett stated he will add in the approved expenditures, reduce the contingency fund and then the Board will have to figure out what they want to do with the 2016 uncommitted revenue.

Deputy Chief Judd requested the Board decide if they would prefer to hold the next budget discussion at the Regular Board Meeting on November 9th as an item of business or hold a Special Board Meeting. He explained he and Chief Baskett will need a decision on the uncommitted revenue at that time so they can prepare the final budget documents for the last meeting in November. The Board agreed on the November 9th Regular Board Meeting option. Chief Baskett asked the Board if they have any questions before the November 9th meeting, to please contact him and he will address those so they will be ready to make their final decision on November 9th.

EXECUTIVE SESSION

None

ADJOURNMENT

With no further business to come before the Board, the Special Board Meeting of October 15, 2015, was adjourned at 11:23 a.m.

Robert E. Skaggs, Commissioner

Anthony D. Judd, District Secretary