Feasibility Statement

For

Mid Rogue Fire District

Josephine County, Oregon

April 28, 2010

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EXECUTIVE SUMMARY

The Issue

Fire Protection in a large portion of Josephine County is not adequately provided for by any form of local government. Service is delivered by three private companies with varying delivery methods under almost no measurable standards. Furthermore, fire protection is more than extinguishing fires – in most areas in the country and in the world, the fire service responds to medical emergencies and provides public education and prevention services. The importance of public education and fire prevention cannot be underscored. One of the fundamental facts that allow these services to be delivered is a stable funding base. This is difficult at best to provide for when the services that should be provided are done so by multiple private companies, that sell subscriptions to individual property owners.

It is estimated that between all of the companies, around 80% of the property owners subscribe to one of the three companies. There is duplication when multiple companies attempt to provide service in the same area. This overlap of services also leads to Command & Control issues as it relates to Incident Command during emergencies, creating at times an extremely unsafe environment for firefighters and the public they serve. The above statements do not mean to state that private companies are not effective or that they cannot provide adequate service when it comes to fire protection. It simply means that under this model with a lack of accountability both in regulating the cost for services and meeting safety and equipment standards, it would be difficult at best for this to work properly.

This feasibility statement demonstrates that an adequate assessment base exists in property values that a proposed tax rate of $ 1.78 per thousand dollars of assessed value would generate sufficient funds to operate a fire district both short and long term. The proposed rate would be the second lowest in Josephine County for fire districts and would not currently cause compression problems under the “Measure 5” rules.

Although this statement and its analysis was based on forming a new fire district that would operate itself independently, this does not mandate that a future board of directors could not consider alternatives such as contracting the district operations to adjacent fire districts, the City of Grants Pass or to a private company.

Conclusion

This proposed fire district is feasible at a property tax rate of $ 1.78 per thousand dollars of assessed valuation. At this rate the district could sustain more than adequate services at a cost that is well below the local and state mean. Without the district and a stable funding source, the status of fire protection in this area will continue to have the operational problems that currently exist with no public accountability and future planning.

Introduction

This analysis has been prepared for the purposes of evaluating the costs required to establish and operate a fire district within Josephine County that is not part of existing fire districts and cities. It is proposed to be placed on the Ballot for consideration in November 2010. It is almost impossible for every detail to be taken into account during this analysis because of the number of variables and the decisions that will become required of a Board of Directors, all of which will create too many options to analyze in this kind of statement. That being said, this analysis is based on a proposed fire district that will transition with the current private providers beginning July 1, 2012.

The reality of how fire protection will be delivered in the event that this proposed district is formed will be decided in time by a Board of Directors. It is intended that the services to be delivered will be the response to hostile fires - structural fires, wildland fires, vehicle fires and fires involving other improvements. The district would also respond to medical emergencies, motor vehicle crashes, various first response to technical rescue emergencies, initial response to hazardous materials incidents and provide various forms of public education and prevention services.

There are many options for delivering this service – contract out to private provider/s, contract out existing district/s and delivering the service directly which means building infrastructure (stations, people & equipment). There are several variables of those options listed above. For the purposes of this feasibility statement, we will look at the new fire district providing the service directly and believe that there is feasibility in this option, then the other options should be favorable as well due to there lower capitalization requirements.

It is essential that a Transition Plan be adopted by the elected Board of Directors as soon as it becomes practical. The purpose of the Transition Plan is to ensure that there is no interruption in service delivery and that the public is not paying the full cost of service delivery to both the district and a private provider at the same time. It also allows time for the private providers to adopt and implement an exit strategy that is fair to all involved.

Proposed Timelines of Transition

- Nov 2010 – District is formed by a vote of the people
- May 2011 – Adopt a Budget for FY2011/2012
- July 2011 – Private providers begin pro-rating contracts
- July 2011 – District begins in a non-operational mode
- Dec 2011 – District begins receiving tax revenue
- Jan 2012 – District hires command staff
- May 2012 – Adopt a Budget for FY2012/2013
- June 2012 – District hires line staff
- July 2012 – District assumes responsibility for service

Most fire districts are formed at a time when the population and size of the districts are relatively small. In the case of this area, this should have happened forty or fifty years ago. The reasons that a district was not formed is not important, but it is this fact that makes this more challenging than the average fire district formation. The proposed fire district is currently being served by three private companies. The size of the area is approximately 288 square miles with a population of around 35,000 people. There are various opinions as to the quality of service being provided here. As we start referring to fire stations, this is a real term to some and a stretch to others. From an insurance perspective, the ISO has given one of the companies an ISO Class 6 rating and the other two have no rating. It seems that while there is widespread support for the formation of a district, there is also a desire on the part of these same homeowners to not loose the Class 6 rating that they have become accustomed to.

There are currently 7 rated fire stations, not including any owned by the City of Grants Pass or any of the other fire districts. The locations of the existing stations are not exactly in the most efficient locations. Although the station locations made sense twenty years ago, due to changes in population densities and stations that have been added by the City of Grants Pass, some of them no longer make sense. For the initial transition of this newly formed district, the easiest and most cost effective strategy would be to lease equipment and stations from Rural Metro. Rural Metro owns three of the seven stations that they currently operate. The other four stations are leased by them from private parties. In order to complete this feasibility statement, some contact was made regarding the station leases and it appears that all parties would be willing to consider leasing the stations to the new fire district. This is a great short term solution – keeps initial capital down, allows some time to analyze the best locations and long term approaches to fire station construction.

During the initial transition, equipment is another high capital cost item. Again, there are many options and approaches, but for the purposes of this feasibility statement, the best solution would be a short term lease from the Rural Metro Fire Department. As far as an outright purchase of the existing equipment, there may be some of the equipment that would be desired, but not the entire fleet.

Resources

In the business world this is known as "Income or Revenue". Initially the Fire District would have no assets and no cash reserves. All taxation figures are based on current information provided by the Josephine County Assessors Office. These estimates are based on the taxation principles that other fire districts use in Oregon, which is a rate per thousand dollars of assessed valuation of improvements and up to 5 acres of property. See Modified LB-20.

It is proposed that during the transition period, FY2011/2012, the district would only levy a tax of $ 0.75 per thousand dollars of assessed value. This would generate an estimated $ 1,984,444. Beginning in FY 2012/2013 the district would begin levying their full permanent rate of $ 1.78 per thousand dollars of assessed value. That would generate $ 4.6 million, $ 4.8 million, $ 5.0 million and $ 5.1 million in year 2 through year 5 respectively. The analysis is based on an assessed value of $ 2,691,000,000.00 beginning in FY 2011/2012. During the initial transition year (FY2011/2012), a flex-lease loan would add $ 1,500.000 to resources for the acquisition of fire stations, equipment and the initial start up costs. At the end of each year, funds that are carried over from funds that are not expended, unappropriated ending fund balance and contingency funds that were not spent would be carried into the next year. The total anticipated revenue is shown below.

Resources	Year 1	Year 2	Year 3	Year 4	Year 5
Carryover Funds	0	900,000	1,000,000	950,000	1,000,000
Flex-Lease	1,500,000	0	0	0	0
Misc. Funds	0	132,000	269,000	280,000	293,000
Property Taxes	1,984,444	4,630,370	4,792,433	4,960,168	5,133,774
Total Resources	3,484,444	5,662,370	6,061,433	6,190,168	6,426,774

Expenditures

There are several categories used by fire protection districts during their budgeting process. Within each of these categories, there are several line items. For purposes of this analysis, we will only show the broad categories which were developed using the line item approach. The details of the line items are shown on the "Modified LB-31"

There are a number of hurdles to overcome when starting from ground zero and having to build some of the infrastructure such as the larger capital items like fire stations and fire trucks. The categories are laid out below, followed by an explanation of the plan to deal with those capital items.

Personal Services

This the category that deals with costs associated with personnel wages and benefits.

Personal Services	Year 1	Year 2	Year 3	Year 4	Year 5
	306,000	2,044,360	2,401,668	2,503,123	2,858,597

Summary of Personal Services:

Year 1 – Hire a Fire Chief, Assistant Chief, Training Officer and Office Manager after January of 2012 to begin developing lease agreements, policies, securing equipment and preparing to hire and orientate line staff by mid June of 2012. Those hired in mid June would be (3) Captains, (3) Lieutenants, (6) Firefighters and a Maintenance Officer.

Year 2 – Hire a Firefighter, (3) Seasonal Firefighters and an Office Assistant.
Year 3 – Hire (2) Firefighters and a Prevention Officer
Year 4 – Status Quo
Year 5 – Hire (3) Firefighters

This staffing proposal would allow two stations to be staffed during years 2 through 4 and a third station to be staffed beginning in the fifth year on a peak load basis.

Materials & Services

This category deals with routine expenditures that are not capitalized.

Materials & Services	Year 1	Year 2	Year 3	Year 4	Year 5
	130,000	704,000	693,000	717,500	741,000

Summary of Materials & Services:

This plan calls for the funding required to operate (7) fire stations and a fleet of (16) vehicles. Of significance is $ 130,000.00 per year to continue to lease either the fire stations that Rural Metro currently leases or enter into other leases while the district is in the start up phase of operations. These lease costs are reduced over the duration of the five year period as new fire stations are built and equipment is purchased. Some of the newly built fire stations could be better located after some time spent doing some analysis. Included in the portion of the proposal is the funding for (5) college intern positions, expanding to (6) positions and ultimately to (12) positions. These positions along with an active and well funded volunteer program would give this district the depth required to deliver the service needed.

Capital Outlay

This category deals with those expenditures for larger items that are required to be capitalized.

Capital Outlay	Year 1	Year 2	Year 3	Year 4	Year 5
	1,745,000	1,550,000	1,640,000	1,593,000	1,228,000

Summary of Capital Outlay:
This plan calls for heavy funding throughout the five year period due to the needs of fire equipment and fire stations.

Year 1 – Purchase (2) Type 1 Fire Engines, (1) Type 2 Water Tender and (2) Staff Vehicles and Construct (1) Fire Station
Year 2 – Purchase (1) Type 1 Fire Engine, (1) Type 2 Water Tender, (1) Staff Vehicle and (1) Mobile Cascade-Salvage/Utility Van and Construct (1) Fire Station
Year 3 – Purchase (1) Type 1 Fire Engine, (1) Type 2 Water Tender, (1) Staff Vehicle and (2) Type 5 Fire Engines and Construct (1) Fire Station
Year 4 – Purchase (1) Type 1 Fire Engine, (2) Type 2 Fire Engines, (1) Type 5 Fire Engine and Construct (1) Fire Station
Year 5 – Purchase (1) Type 2 Fire Engine, (2) Type 3 Water Tenders and Construct (1) Fire Station

Debt Service

This category deals with the principle and interest payments that are made to pay off debt. These are usually done as "Flex-Lease" loans through Special Districts

Debt Service	Year 1	Year 2	Year 3	Year 4	Year 5
	0	135,000	140,000	145,000	150,000

Summary of Debt Service:
These funds are for principle and interest payments for the initial start up flex-lease loan of $ 1,500,000 which is to be paid back over a fifteen year period.

Reserve Fund

This category deals with funds that are set aside for future acquisition of property & buildings for fire stations, large fire apparatus and capitalized equipment.

Reserve Fund	Year 1	Year 2	Year 3	Year 4	Year 5
Annual Contribution	103,444	29,010	36,765	31,545	99,177
Balance End of Year (Less earned interest)	103,444	132,454	169,219	200,764	299,941

Contingency

This category deals with unanticipated expenses that arise during the year that cannot be dealt with using carryover within each category. Spending funds from Contingency, takes a resolution from the governing body. Funds not spent from this category become carryover into the next year.

Contingency	Year 1	Year 2	Year 3	Year 4	Year 5
	300,000	200,000	200,000	200,000	200,000

Unappropriated Ending Fund Balance

This category deals with funds that are set aside to be used as cash carryover to the next year's budget, which provides the local government with needed cash flow until other money is received. These funds cannot be transferred by resolution. They can be changed by Supplemental Budget Process.

End Fund Balance	Year 1	Year 2	Year 3	Year 4	Year 5
	900,000	1,000,000	950,000	1,000,000	1,150,000

	Year 1	Year 2	Year 3	Year 4	Year 5
Total General Fund	3,484,444	5,662,370	6,061,433	6,190,168	6,426,774

Summary of All Categories & Resources

	Year 1	Year 2	Year 3	Year 4	Year 5
Resources	3,484,444	5,662,370	6,061,433	6,190,168	6,426,774
Personal Services	306,000	2,044,360	2,401,668	2,503,123	2,858,597
Materials & Services	130,000	704,000	693,000	717,500	741,000
Capital Outlay	1,745,000	1,550,000	1,640,000	1,593,000	1,228,000
Debt Service	0	135,000	140,000	145,000	150,000
Reserve Fund	103,444	29,010	36,765	31,545	99,177
Contingency	300,000	200,000	200,000	200,000	200,000
Ending Fund Balance	900,000	1,000,000	950,000	1,000,000	1,150,000
Total General Fund	3,484,444	5,662,370	6,061,433	6,190,168	6,426,774

Assumptions:

There are several assumptions that were made in putting this together. They are listed below:

1. There would be (7) fire stations covering similar areas to those being presently served. After the initial lease period and fire station construction begins, it would be beneficial for the district to complete a fire station analysis as to where the fire stations should be located based on travel access, population densities, historical incidents, ISO coverage and suitable land. The later is a recommendation, not an assumption.
2. (3) of those fire stations belong to Rural Metro, (1) is owned by the Sunny Valley CRT and (3) are leased to Rural Metro by private parties. The assumption is made that Rural Metro would desire to sell those fire stations that they own, Sunny Valley CRT would continue the lease to whomever provides fire protection in Sunny Valley and that those fire stations that are currently leased, the owners would desire to lease them to whomever provides fire protection in those areas.
3. Rural Metro would desire to sell a portion of their fleet to the fire district. In other areas of the country where the local government took back responsibility for delivery fire protection, Rural Metro worked amicably during the transition period.

Support from other local government

There is more than adequate support from local government. Attached are letters from various agencies indicating this support. Specifically, from the fire service, mutual aid that is shared amongst each other is of great importance. There is not a fire agency in existence that can handle all of the incidents that occur within their jurisdictions without the assistance of their neighboring districts. The mentality exists within the fire service that a strong and healthy neighbor is a good neighbor. There are also a number of incidents that occur that require cooperation and a good working relationship with non fire service agencies such as law enforcement and various County and State agencies in order to be successful to a level that is required by the public.

Conclusion:

After reviewing all of the budgetary data it appears that not only would a fire district be feasible, but for the majority, approximately 70% of the property owners could reduce their current cost of fire protection. In addition to the savings in the rate that is charged, there would be additional savings as this cost in property taxes is tax deductible where the annual subscription is not.