

Clackamas Fire District #1



(These minutes are unofficial until acted upon by the Board of Directors.)

BUDGET COMMITTEE MEETING
May 14, 2009

(This meeting was recorded.)

MEETING TO ORDER

Call to Order per ORS 192.610 to 192.710
ORS 192.650 – The meeting is being recorded.
ORS 197.710 – Smoking is banned during the meeting.

Board of Directors' Chairperson George Warren called the Budget Committee meeting to order at 6:00 p.m. He thanked everyone for coming to the meeting.

PRESENT: Budget Committee Members Director James Doane, Director Dave McTeague, Director Don Trotter, Director Marilyn Wall, Director George Warren, Mary Olson, Tim Powell, Nancy Thornton, Rob Wheeler; Chief Ed Kirchhofer; Deputy Chief Jonathan Smith; Deputy Chief Scott Weninger; Personnel Services Chief Mark Cauthorn; Executive Officer Kyle Gorman; Finance Director Susan McSperitt; General Ledger/Accounts Receivable Administrative Technician Xiomara Figueroa; Capt. Chris Geiger; Citizen Newell Weatherly; and Executive Assistant Karen Strejc. Budget Committee Member Lori Luchak was absent.

ROLL CALL/INTRODUCTIONS

Board of Directors' Chairperson George Warren welcomed everyone and thanked them for attending the meeting.

Roll call was taken. Introductions were made by the Budget Committee members and staff.

Board of Directors' Chairperson George Warren welcomed Tim Powell as a new member to the Budget Committee.

ELECTION OF BUDGET COMMITTEE OFFICERS

Board of Directors' Chairperson Warren asked for nominations for the position of Budget Committee Chairperson.

Jim Doane moved and Marilyn Wall seconded the motion to nominate Mary Olson for the position of Budget Committee Chairperson. The motion passed unanimously.

Budget Committee Chairperson Mary Olson took over chairing the meeting.

Budget Committee Chairperson Olson asked for nominations for the position of Budget Committee Recording Secretary.

Jim Doane moved and Marilyn Wall seconded the motion to nominate Tim Powell for the position of Budget Committee Recording Secretary. The motion passed unanimously.

BUDGET INTRODUCTION

Chief Kirchhofer thanked everyone for attending the budget committee meeting. He thanked Tim Powell for agreeing to be a member of the committee. Tim represents the first representative from the City of Oregon City to participate on a District board or committee since the annexation took place.

Chief Kirchhofer explained that the budget represented a culmination of many months of work. Staff and labor representatives participated in the preparation of the budget being considered for approval at the meeting. Many challenges were faced by staff that included reduced revenue and reduced collection rates. While it had been very difficult, this budget represented a balanced approach to provide a budget that preserved all of the current service levels and employees.

OVERVIEW OF CURRENT YEAR'S ACTIVITIES – FISCAL 2008

Finance Director Susan McSperitt welcomed and thanked the Budget Committee and staff for participating in the meeting. She explained that the Budget Committee was made up of the five Fire District Board of Directors and five citizens. Tim Powell was the newest member who replaced David Mansfield, who had asked to retire from the committee this fiscal year. Budget Committee member Lori Luchak was unable to attend the meeting. A quorum was present, as only six out of 10 members would be needed to pass the budget.

Finance Director McSperitt explained that the budget books and budget message had been distributed the previous week to the Budget Committee. The public will be provided time to speak and provide input regarding the budget. At the end of the presentation, staff will ask for the Committee to approve the budget and the tax rate and the levy for bonded debt.

The Fire District had many highlights throughout Fiscal 2008.

1. The District celebrated the annexation of the City of Oregon City into the Fire District by opening the South End Fire Station on July 1, 2008. The District was able to do this as a goodwill gesture towards the City of Oregon City by providing funds in Fiscal 2007 for hiring enough firefighters to open the station on July 1.
2. During the past year, staff worked on updating the District's Strategic Plan. Included in this Plan are discussions regarding succession planning. The Strategic Plan was changed significantly this year. An outside company was brought in to help develop the new Plan, which will be a living document that will be able to be updated continually. Goals were identified and staff is currently in the process of working on how to accomplish them.
3. The Volunteer Program was redeveloped this year. There were some significantly large tax issues regarding the IRS and the compensation of the Volunteers. This was rewritten along with the structure of the program and the services that the Volunteers provide.
4. Much progress was made with urban renewal legislation. The Fire District worked with the Association of Oregon Revitalization Agencies to draft legislation that will change the way urban renewal and tax increment financing is done in Oregon. This legislation passed the House unanimously with a 55 to 0 vote and will proceed to the Senate Revenue Committee and then to the Senate to be voted upon. It is moving through the

process with the support of the Districts. Staff is pleased with the changes that will take place regarding urban renewal.

Budget Committee Chairperson Olson requested that the changes be explained. Finance Director McSperritt deferred to EO Gorman, Fire District Government Relations liaison, who has worked many hours to help bring about urban renewal changes through the legislation that is being considered.

EO Gorman explained that there were three basic changes included in the urban renewal legislation.

1. An urban renewal agency would be able to return value to the tax rolls without changing the boundaries of the urban renewal district. Currently, there is a frozen base, which remains permanent throughout the life of the urban renewal district. The legislation would allow that frozen base to grow at the option of the urban renewal agency.
2. Limits would be able to be placed on the amount of maximum indebtedness that the urban renewal agency could incur. Small urban renewal agencies would have a limit of \$50 million; medium renewal agencies would have a limit of \$100 million.
3. Limits would be placed on the amount that urban renewal districts could increase their maximum indebtedness over time.

The Fire District received two large Assistance to Firefighters grants from FEMA. They are Staffing for Adequate Fire and Emergency Response (SAFER) Grants and are for a five-year performance period. The first SAFER Grant was for volunteer services for recruitment and retention. The District is in the second year of the five-year performance period. This grant has been crucial in helping the District redevelop the Volunteer Program.

The second SAFER Grant provided for the hiring of 12 firefighters, which allowed for adding staff to four pieces of apparatus. An additional person was placed on each shift for Engine 1, Engine 2, Engine 8 and Truck 15. The District is in the first year of the five-year performance period. The downside to this grant is that each year the funding reduces so that the requirements for the Fire District increase. This is a challenge each year to fund the difference between what the grant provides and what the District has to make up.

During the 2008 calendar year, the District responded to 16,035 requests for emergency service. Of these 65.5 percent were for medical responses. The Fire District's service requests increased by 4.1 percent, which were approximately 631 calls over 2007. The District conducted over 2,000 fire inspections. The District reviewed 462 building plans, which are down from two years ago by about half. Staff worked in the community providing safety presentations, Risk Watch assemblies, installing smoke alarms, etc. The Training Staff provided a significantly higher amount of training this year than in prior years due to conducting two recruit academies. The 3,014 hours of training includes the wellness training provided by the District's wellness staff.

FINANCIAL OVERVIEW OF FISCAL 2008

Finance Director McSperritt discussed the general fund report, which provides the District with information regarding where it is trending during the fiscal year. To date, the District has collected over 94 percent of the taxes that were budgeted for Fiscal 2008. The collections rates

are coming in lower than had been projected. The District budgeted for a 94.2 collection rate and staff is estimating that it will be 93.38 percent, which is approximately \$297,000 less than expected. Staff budgeted 5.18 percent on AV growth and it came in at 5.62 percent. The collections for the previous year's taxes had exceeded what had been budgeted, which helped to offset the shortfall in the current year's taxes.

The expenses for personnel services category is under budget at this point of the year. The District should be at 83.33 percent and currently is approximately three percent below that amount. The District deferred a spring academy, knowing that revenues would be lower than expected. The second PERS bond payment for the year will be made in May and is not reflected in this report.

Materials and services and capital outlay are both under budgeted guidelines.

Most of the purchases budgeted within the special revenue fund have been made to date during Fiscal 2008. Purchases include four staff vehicles, made the last two payments for the engines ordered last year, ordered two more engines and paid for the cab and chassis for these and will receive delivery on these during Fiscal 2009. One rescue unit was rehabilitated and a payment was made on the 800 MHz infrastructure, which should be the final payment.

The capital projects fund shows the first payment being made to the City of Oregon City for the South End Fire Station. The District has a 10-year loan payment for this station. Work finally began on the Clarkes Station remodel and costs will roll-over into Fiscal 2009.

The Training Enterprise Fund was reinstated during Fiscal 2008. No expenditures were budgeted for this fund and staff was unsure what to expect for revenue. The District was able to sell almost \$8,000 worth of classes to individuals from other agencies. Revenue will be budgeted for this fund in Fiscal 2009. The money earned this year from this fund will be used to purchase a training utility vehicle for use in moving props and equipment around the training ground.

Finance Director McSperitt explained that the last two payments for this fiscal year for the bond will be made in May from the bond fund.

PRESENTATION AND DISCUSSION OF PROPOSED FISCAL 2009 BUDGET BUDGET CHALLENGES

Finance Director McSperitt explained that at the top of the budget challenge list is the economic downturn. The District has been affected by the slower assessed value growth. The Tax Assessor's Office gives the District a projection in February based upon building permit requests and activity within the County. The estimate given was between four and four and one-half percent, which seemed high. The District used the lower rate and budgeted for a collection rate of 92.7 percent, which is much lower than the District had been experiencing over the last four to five years. Taxes are the District's largest source of revenue, so this will be where the largest budget loss will be realized.

Tax increment financing (TIF) continues to be an issue for the District as it is still not receiving money from the Clackamas Town Center area, Overland Park area or from Oregon City. The total cost to the District this past year was \$1.5 million. Most of the amount was from the Town Center urban renewal area for \$1.2 million. Capital investment is always a challenge for the District and the money from the TIF districts could be used to purchase apparatus.

Finance Director McSperitt explained that the SAFER Grant funding decreases each year, which means the District will need to provide more of the funding to make up the difference.

Funds needed to be allocated for the PERS changes that Finance Director McSperitt mentioned in the budget message. If funds were not transferred to the PERS reserve fund, the budget would be balanced and there would be more revenues than expenses. The decision was made to defer the funds into the PERS reserve fund as they will be needed for the future even in light of the reduced collection rate. Staff recognizes the collection rates will go up as the economy improves and these additional funds will return the over-expenditure to the general fund.

CHANGES FOR FISCAL 2009

Personnel Services

The personnel services fund is the largest portion of the budget. There was an increase of 3.35 percent, which predominantly covered the current number of employees with one minor change. The facility maintenance position was moved from temporary labor to a regular exempt staff position, one person was increased from half time to three-quarters time and the remainder of the adjustments were from the full time employees that are required to staff the academy.

Budget Committee Member Wheeler asked if the Fire District had a policy for a cost of living raise. Chief Kirchhofer explained that the District was in the second year of a two-year union contract. Staff received one-half of the CPI in July 2008 and the other half in 2009. Some staff members, based on a payroll study completed in 2008, only received the one-half CPI in July due to the salary survey results showing these positions were overpaid compared to other agencies with the same positions. This would allow their salaries to catch-up over time. The District will re-negotiate for a new union contract next year and would go from there regarding salary raises for the firefighters.

Budget Committee Chairperson Olson asked how often the District had salary surveys. Chief Kirchhofer replied that the District just completed a survey done by an outside contractor, HR Answers. It evaluated every support staff and exempt staff position and compared them to other public and private sector agencies for the responsibilities and salaries earned.

Materials and Services

Finance Director McSperitt explained that there was a budget decrease of 7.44 percent in the materials and services fund. Primary adjustments will be made first to this fund and the capital fund in order to maintain employees. The focus is to maintain assets and make use of what the District currently has.

Budget Committee Member Trotter shared that in Section 2, page 3, there was a 25 percent reduction in fuel, 34 percent reduction in uniforms and protective equipment and 33 percent

reduction in Volunteer Firefighters. His concern was that these were fairly significant reductions in areas that are important to the people in the District and he wanted to understand the rationale for the reductions. Chief Kirchhofer explained that it was not a reduction in the number of Volunteers, but the District had to revise how it compensated the Volunteers. The funding for the Volunteers is now showing in other areas.

Chief Kirchhofer suggested that Finance Director McSperitt would explain about the fuel. The uniforms and protective equipment is largely related to the function of not adding a lot of personnel. Two recruit academies were run last year and there was only one major academy this year. Regarding fuel, Finance Director explained that the comparison is based off of the adopted budget. When the budget was adopted last time, fuel prices were very high. It is expected that fuel costs will be lower during Fiscal 2009.

Finance Director McSperitt explained that the funding for the Volunteer Program is essentially the same, but is not budgeted in one line item. It is now budgeted as a department. Instead of all of the expenditures being placed into one line item, the costs are separated within different areas such as conferences and schools, dues and publications, etc. The Volunteers will receive a report that is broken out into the different areas so that it is more useful for them when they are trying to manage the program.

Budget Committee Member Powell commented that Volunteer Firefighters have a budget proposal of \$68,000. He asked what costs are associated within this amount. Finance Director McSperitt replied that mileage and the Length of Service Award Program (LOSAP) costs are included in this amount. Each quarter, funds will be placed into a retirement account for them based upon their service for that quarter. The cost for schools, conferences, dues and uniforms are also included.

Budget Committee Member Powell also asked where in the budget did it state how many Volunteers were in the program. Chief Kirchhofer shared there were approximately 55 Volunteers. Budget Committee Member Powell shared that it would be helpful to know how much the program cost per Volunteer. It was explained that the Volunteers included other types of Volunteers besides firefighters. He shared that it would be nice to see it broken out at some point in time.

Budget Committee Member Powell asked that under professional services there is \$201,400. Under 7110, only \$45,000 was identified. He asked where the rest of the funds were identified. Finance Director McSperitt explained that in Section 6 on the catalog page, each item that is budgeted is listed.

Capital Outlay

The capital outlay fund was decreased 32 percent over the prior year's budget. The District's strategy is to maintain what it has and maintain equipment and buildings to make them last.

Contingency and Transfers

Finance Director McSperitt explained that a large change had been made in the general fund contingency. Previously, 2.5 percent of the general fund budget was placed into the contingency

fund. Staff looked at \$450,000 for the contingency amount, but realized this was not sufficient on a \$30 million budget. They reviewed the past nine years to determine what the percent breakdown was and also researched what other organizations do for their contingency amounts. The determination was made that 2.5 percent was not an appropriate percentage based on the entire budget. The total amount was increased to \$800,000 for Fiscal 2009.

The 4.87 percent increase in Transfers is larger than in the past due to the addition of the transfer to the PERS reserve fund. The transfer to the capital projects fund was increased in order to reserve funds for the Training Center remodel project.

Transfers to the special revenue fund decreased by \$5,000. This fund provides for equipment purchases and apparatus. The District is preparing to begin saving for the replacement of the defibrillators, which will cost approximately \$625,000.

The capital projects fund will receive a transfer of \$225,000 to help fund the Training Center project, which will help to better meet the needs of the District.

The new transfer of \$422,237 to the PERS reserve fund for Fiscal 2009 is for planning ahead for the increase in the PERS rates in 2011.

Special Purpose Funds

Special Funds for Capital Purchases

There are two special funds for capital purchases. The special revenue fund is for apparatus and equipment. The capital projects fund is for land and buildings.

Training Enterprise Fund

The training enterprise fund is more of a business fund. Revenue is received and used for the purchase of equipment for the Training Center.

Debt Service Fund for Bond Payments

The debt service fund is used for paying bond payments. The revenue received from the special levy on the voter approved fund is placed in this fund.

PERS Reserve Fund

Money from the general fund will be transferred into this fund. By transferring the money from the general fund into the PERS reserve fund, the District remains in control of the money and has the ability to use it for cash flow purposes through an interfund loan. Even though money continues to be deferred to this account, it is available if needed.

Special Revenue Fund

The special revenue fund provides funding for capital equipment purchases. Resources include transfers from the general fund, revenue from the sale of surplus apparatus and interest income.

During Fiscal 2009, the District will receive delivery of the two fire engines ordered during Fiscal 2008. The remainder of the balance of these engines will be paid during Fiscal 2009. The

District will also order one new engine and pay for the cab and chassis on it and Truck 15 will be refurbished.

Capital Projects Fund

Resources for the capital projects fund include transfers from the general fund and interest income. If there was revenue from the sale of land and buildings, it would be placed in this fund. Requirements for Fiscal 2009 include the second payment on the South End Fire Station and funds needed for the remodel of the Clarkes Fire Station will be rolled into this budget.

Training Enterprise Fund

Resources are received for the classes the District provides and for interest received on the funds. During Fiscal 2009, a training utility vehicle to be used on the training grounds will be purchased from this fund.

PERS Reserve Fund

Finance Director McSperitt explained that the PERS reserve fund will receive funds transferred from the general fund and also the interest earned from the money in this fund. There will be no requirement for the next two fiscal years for any expenditure. In 2010, another transfer of funds will be made into this fund

Debt Service Fund

Payments will continue to be made on the District's 2001 bond, which ends in June 2015. The levy is \$978,274. This is approximately \$0.644 per thousand assessed value for the taxpayers.

RECOMMENDATION

Finance Director McSperitt requested approval of the proposed budget and the permanent tax rate of \$2.4012 and the approval of the levy for bonded debt of \$978,274.

Discussion

Director Wall inquired as to why the ambulance service area (ASA) payment went up. EO Gorman explained that while the payments had gone up and the District had made the payments, the District had not budgeted for the past two years for this rise in costs. Discussion followed.

Budget Committee Member Wheeler inquired if contingency was restricted. Finance Director McSperitt responded that there is a \$1 million restricted contingency and there is \$833,000 in general operating contingency. The restricted contingency has to be approved by the Board of Directors. Discussion followed.

Budget Committee Member Wheeler asked what the rate was on the bonds. Finance Director McSperitt responded that it was between four and five percent.

Budget Committee Chairperson Member Olson mentioned that at last year's Budget Committee meeting, discussion included the changing over of communication systems. She asked about the current 800 MHz communication system and if emergency services would be changing to a new system. Chief Kirchhofer explained that there is a need to migrate to a digital system in the future, which would be the 700 MHz system. This would be solely used for emergency services.

Although it will be expensive, much of the 800 MHz system will be able to migrate over to it. Many of the radios, towers, repeaters and microwaves will be transitioned over to the system. There are funds available from the Urban Area Security Initiative (UASI) to help with the transition.

PUBLIC COMMENT

None

SCHEDULE FURTHER MEETINGS

No further meetings will be necessary.

Budget Committee Member Rob Wheeler moved and Budget Committee Member Nancy Thornton seconded the motion to approve the proposed budget. The motion passed unanimously.

Budget Committee member Nancy Thornton moved Budget Committee Member Rob Wheeler seconded the motion to approve the levy for bonded debt of \$978,274. The motion passed unanimously.

Discussion followed regarding the tax rate not being included in the proposed budget motion. Finance Director McSperitt shared that it was not necessary to have the tax rate included in the motion since it does not change each year.

Chief Kirchhofer noted that this was the last Budget Committee meeting for Director Warren as his term of office ends June 30. He thanked Director Warren for his many years that he has worked with the fire service. The committee and guests applauded him for his service.

Chief Kirchhofer shared that if anyone had any questions regarding the budget they could contact Finance Director McSperitt, any of the staff members or him.

ADJOURN

Director George Warren moved and Director Jim Doane seconded the motion to adjourn the meeting. The motion passed unanimously.

The meeting was adjourned at 7:20 p.m.

Karen Strejc
Executive Assistant

Approved by: 
Recording Secretary, Tim Powell

Accepted by:


Chairperson, George Warren


Secretary, Dave McTeague