

OLYMPIA TUMWATER REGIONAL FIRE AUTHORITY PLANNING COMMITTEE
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CONVENE: 5:30 p.m.

PRESENT: Chair/City of Tumwater Councilmember Leatta Dahlhoff, Vice Chair/Olympia Councilmember Yén Huỳnh, Tumwater Councilmember Michael Althaus, Olympia Councilmember Lisa Parshley, Tumwater Councilmember Eileen Swarthout, Fire Union Representative/Firefighter Steven Busz, Tumwater Fire Union Representative/Paramedic Lieutenant James Osberg, Tumwater Fire Chief Brian Hurley, and Olympia Fire Chief Mark John.

Excused: Olympia Councilmember Jim Cooper.

Staff: Tumwater City Administrator John Doan, Olympia City Manager Jay Burney, Olympia Interim Fire Chief Todd Carson, and Tumwater Fire Department Administrative Assistant Erika Stone.

Others: Karen Reed, RFA Consultant; Karen Meyer, The Athena Group; Bill Cushman, Fiscal Analyst, and Neil Blindheim, FBC Consultant.

WELCOME & Chair Dahlhoff welcomed everyone to the meeting.

AGENDA:

Karen Meyer reviewed the agenda.

City Administrator Doan advised of no public contacts since the last update other than an article published in the *Jolt* on the governance briefings to the councils.

UPDATED WORK PLAN:

Ms. Reed referred members to an updated copy of talking points and committee schedule. The discussion on the fire benefit charge (FBC) formula has been deferred to give Mr. Blindheim some time to review the database to ensure accuracy of the information. On July 11, 2022, the committee is scheduled to continue the FBC discussion and review the organizational chart and asset transfer information. On July 25, 2022 the committee will conclude its FBC review as the decision point for go- or no-go is nearing. The August 8, 2022 meeting is the only meeting scheduled in August with a review of the finance presentations scheduled to be introduced to the councils at their briefings on August 9, 2022. The committee will also prepare for the mid-August public outreach workshop, which could be deferred to September.

RECAP AND DISCUSS JUNE 21 MEETING, GOVERNANCE:

Ms. Reed invited feedback on the presentations to the councils on governance.

Councilmember Huỳnh and City Manager Burney reported Councilmember Cooper conveyed a preference for option 3 with the majority of the Council expressing a preference for option 4. In terms of districting versus at-large, the majority of the council preferred at-large but several said they would be receptive to more conversations on districting and wanted to receive feedback from the Tumwater City Council. Councilmember Parsley said she supports option 4 and believes districting would complicate the issue and also confuse the community.

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Chair Dahl summarized feedback from the Tumwater City Council. The Council's discussion focused on representation of both Tumwater and Olympia. A majority of the Council supported an at-large RFA with the board comprised by a majority of fire commissioners with one elected official from each city. A majority of the Council supported option 4 to include Mayor Sullivan and Councilmember Swarthout.

City Manager Burney added that although Councilmember Cooper conveyed that he supports an option with more Council representation, he would support the majority preference.

Ms. Reed said it appears the majority of both councils support option 4 similar to the committee's majority preference. At a future meeting, the committee will review options for assignment and staggering of board positions. The committee will receive several options to aid the discussion.

FINANCIAL MODEL FOLLOW UP:

Ms. Reed reviewed some basic assumptions, key inputs, and forecasted revenue and expenditures considered in the development of the draft Seven-Year Financial Plan.

The seven-year financial model forecasts expenditures and the sources of revenue. Revenue sources include a \$1.00/\$1,000 AV fire levy, a Fire Benefit Charge (FBC), and other revenues, such as state grants and regional levy funds. The financial model includes six reserve accounts (Emergency, Apparatus, Equipment, Facilities, Debt Service, and Retirement). Reserves can reduce/eliminate the need to go to voters for additional revenues to address both expected and unexpected expenditures. Emergency reserve is for unanticipated needs. Other reserves are sized to address known expenditures during the planning period. The RFA is reliant on taxes collected twice annually. Administrative services can be provided either by adding staff, or by a combination of staff and contract services. Four different examples of administrative staffing have been previously shared with the committee.

Feedback requested from the Committee involve the following key operating assumptions:

- No additional fire stations in 7-year forecast
- No annexations in model
- Apparatus, equipment purchases deferred modestly – no operational impact
- Remaining Tumwater fire levy lid lift revenues transferred to RFA so commitment to voters is honored. (\$2 million) (Tumwater will continue to pay off previously acquired fire engines with this same revenue source)
- Move to 2-Battalion model in 2023-2024 period (add 3 FTEs)
- Labor Costs
 - 2023: 4% increase (following historical practice)
 - 2024: 5.5% increase (COLA)

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- 2025-2030: COLA at CPI estimate (ranging from 6.5% to 3.5% per year)
 - RFA comparable salary adjustments: additional 6.4% increase, phased in over 4 years starting in 2025
- Transport & CARES Units
 - 2 Transport units added by Olympia in 2023
 - 1 CARES unit also added by Olympia in 2023 (likely a phased approach during the RFA transition per City Manager Burney)
 - 23 additional FTEs added to staff these units
 - Tumwater residents will have access to units
- Both cities retain their LEOFF 1 Liabilities

Ms. Reed reviewed draft employee count assumptions from 2024 through 2030 included in the draft RFA Plan. New commissioners are based on input from the councils last week with the draft reflecting seven commissioners beginning in 2026. Some minor changes are reflected in administration and the number of firefighters.

The financial model incorporates the six reserve accounts with cities contributing the balance of existing fire department reserves. The Emergency Reserve would not be funded until 2031. Apparatus, Equipment, and Facilities Reserves are funded to meet projected needs with annual contributions from revenue. Debt Service Reserve includes 2 engines funded by councilmanic RFA debt in 2025 at \$3.2 million repaid over 15 years. Debt service repayments are funded starting in 2026. The Retirement Reserve is funded initially at \$150,000 beginning in 2024 which is the expected annual draw rate from this reserve.

Assumptions for Administration include:

- Retain current FTE count in Chief positions and administrative support in both departments combined: Chief, Deputy Chief, plus 3.5 admin staff
- 8 additional admin, FTE + 1 Facilities staff assumed added over 2 years: Finance Director and 2 Account Specialists; HR Director and 2 Account Specialists; IT Director and 1 support; and 1 Facilities Maintenance FTE
- August 2023: begin process to hire 9 additional FTEs
- August 2023 – December 25: assume other administrative services are contracted (from cities or executive support firms – TBD)

Assumptions for working capital includes:

- \$8 million loan from Olympia, repaid by RFA over 5 years: includes cash to support expanded operation costs of Transport units added in 2023, structured as 2 loans with different repayment dates
- \$2 million of Tumwater fire levy revenue City has on hand transferred to RFA and used for working capital and general RFA expenditures.

Key revenue assumptions in the model:

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- Assessed value of real property grows annually by 6.5% including new construction
- State contract for fire service with Olympia revenues grow at 2% per year
- Other programmed revenues continue growing at 2%
- EMS Levy assumptions: revenues from levy grow at 3.43% a year based on historical trend
- Transport units generate revenue at rate estimated by FCS Consulting in its 2022 study for Olympia

Combining the current departments cost results in a shared tax reliant cost of \$1.33/\$1,000 AV in 2022 across the combined area.

Ms. Reed reviewed projected expenditures and revenues from 2023 through 2030 within the financial model. As fire levy collections decrease as assessed value increases, the model projects a ballot measure in 2027 to restore the fire levy to its full \$1.00 per \$1,000 AV rate.

Questions and comments from members included:

- Are the numbers adjustable, and compared with other RFAs are the numbers comparable or high? Ms. Reed said it is dependent upon the committee's conversation in terms of the levy rate and what the community receives in return (Transport units and CARES); however, the net impact on voters will depend on separate policy decisions each city makes in terms of its budget should the fire departments merge as the RFA. All current RFAs have benefitted from being able to use an existing fire district partner's administrative structure. The proposed RFA does not have that benefit as it has to be developed at the onset.
- City Manager Burney added that in addition to BLS Transports, another significant aspect is that the RFA would fully fund its reserves at appropriate levels that have been difficult to accomplish by both cities. It is not surprising that the rate might be higher because part of the rationale for pursuing the conversation was to ensure a fire service that was sustainable and fully funded providing all materials and equipment fire personnel need to be safe and to ensure the safety of the community.
- City Administrator Doan noted that initially, the RFA will experience some challenges in terms of revenue during the first five years primarily because it will be its own organization, which speaks to raising the FBC to an amount that might be daunting realizing that at the end of the seven-year planning period, the RFA will be in excellent shape and much more financially stable than it is today.
- Councilmember Parshley agreed that the numbers are valid; however, the actual increase in property tax for the average person should be demonstrated rather than presenting a financial chart along with the benefits of increased level of service.

Ms. Reed outlined two issues associated with property tax and the RFA. The first

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issue surrounds the RFA (once approved by voters) and how it affects each city's maximum legal property tax capacity, which by law drops by \$1/\$1,000 AV after creation of the RFA. This affects a city's actual levy rate only if the actual levy would exceed the maximum legal capacity. This change will redefine the amount of additional property tax each city could impose (excluding voter-approved bonds).

Ms. Reed displayed a chart outlining the change in the legal maximum property tax capacity for each city if voters approve the RFA. Currently, each city can assess a maximum property tax rate of \$3.60/\$1,000 AV. The library district subtracts some of the maximum property tax levy rate from each city by 50 cents. Because Olympia established a long-term pre-LEOFF pension for firefighters, the City received additional tax capacity to assist in paying pensions providing an additional 22.5 cents of tax capacity totaling a maximum tax capacity for Olympia of \$3.325/\$1,000 AV. If the RFA is approved, the cities maximum taxing capacity is reduced by a \$1/\$1,000 AV. If the RFA were in place today, Tumwater would have to roll its levy back \$.16/\$1,000 AV. Olympia would have \$0.115/\$1,000 AV additional cents it could impose before reaching its maximum. Following the creation of the RFA, both fire department operating costs are largely eliminated in each city's budget. The change in levy legal capacity does not become effective until 2024 and actual levy rates in 2024 are dependent on budget decisions by both the RFA and the Cities and the growth of assessed value.

The second issue is a policy decision by each city on the property tax rate if the RFA is approved. Each city must make a policy decision this fall, as it will determine the net cost impact of the RFA for each household/business (initially). The answer can be different for each city and the policy decision is not part of the RFA Plan. The policy decision is a commitment to voters and affects the 2023-24 city budgets (and beyond).

Ms. Reed and City Administrator Doan responded to questions about the impact to Tumwater's property tax levy rate and the possibility of Tumwater not in compliance with the statutory cap for approximately one year. Ms. Reed said based on the forecasted growth in assessed valuation, the levy rate reduces and would drop from \$2.26/\$1,000 AV to \$2.09/\$1,000 AV in 2024 affording the City the extra capacity. Voter approved bonds are in excess of the statutory maximum. City Administrator Doan added that the City has experienced a substantial amount of new construction, which reduces the levy rate substantially enabling the City to recover capacity.

Ms. Reed provided a refresher on how the FBC is established based on a formula comprised of building categories (building use and size), fire flow factor, effective response force, hazard factor (may or may not apply dependent upon number of hazardous uses), discounts, and exemptions.

Comments included the potential of the FBC creating a disincentive to developers

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for creating multi-family housing. Ms. Reed explained that in the order of magnitude of the total tax burden, the FBC is a small amount. Councilmember Althaus mentioned the number of hotels in the City that would pose less risk than an apartment as most hotels do not have kitchens in rooms. Lieutenant Osberg commented that multi-family housing create a higher demand on fire service resources than single-family dwelling units.

Mr. Blindheim shared additional information on some calculations he included to date in the FBC formula.

Discussion ensued on the different type of building categories, fire risk associated with different uses, and adding more building categories to include different types of uses. Ms. Reed pointed out that non-profit housing for low-income, disabled, or low-income seniors are exempt from a FBC. Additionally, the statute does not allow assessment of a FBC to the Port (unless the Port agrees), state-owned buildings (unless asked to pay). Privately owned buildings leased to the State would be assessed a FBC.

City Administrator Doan noted that in terms of the hazardous charge, he does not believe uses in Tumwater rise to high hazard occupancy. The example shared for the City of Kent reflects high hazardous uses, such as military equipment manufacturers, aviation manufacturers, and rocket manufacturers as opposed to large warehouses or office buildings.

City Manager Burney suggested prepping the committee with some questions to consider before embarking on the FBC discussion, such as considerations for accessory dwelling units and incentivizing the development of multi-family housing to help members prepare for the next review.

OTHER BUSINESS:

Fire Chief John thanked members for their efforts, as this is his last meeting before his planned retirement at the end of the week. The effort has been worthwhile and is headed in a positive direction. He believes the RFA is the best option for firefighters and for both communities.

City Manager Burney thanked Fire Chief John for his service to the community and for his input to the process.

ADJOURNMENT: With there being no further business, Chair Dahlhoff adjourned the meeting at 7:01 p.m.