

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 Althausen, 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 Councilmembers Jim Cooper and Lisa Parshley.

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; and Bill Cushman, Fiscal Analyst.

WELCOME & AGENDA: Chair Dahlhoff welcomed everyone to the meeting. There were no changes to the agenda.

Karen Meyer reviewed the agenda.

An update on the schedule was moved as the last item on the agenda.

City Administrator Doan reported there have been no public contacts since the last update.

DRAFT GOVERNANCE: Ms. Reed reviewed draft presentation materials to the councils on the status of governance. The intent of the council review is to provide several options for consideration for referral to the committee to develop a recommendation on the preferred option for the council's consideration. The presentation materials covered the following:

- Purpose of the council discussion
- Governance requirements
- RFA Governance options
- Committee process on governance (as presented in April)
- Proposed Statement of Shared Values and Principles (To guide development of RFA Plan)
- Proposed Statement of Values and Principles
- Governance examples of other RFAs in the state
- RFA Committee considered many governance options
- Additional statutory requirements to consider
- Recommended initial board structure 2023-2025
- Ongoing board structure options (several options considered by

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Committee with other iterations possible)

- Committee recommends a 7-member board (with several approaches possible)
- Additional RFA Planning Committee considerations on governance
- Questions for council on RFA start-up board
- Questions for councils on ongoing RFA board structure
- Next steps

Comments and recommendations from members included:

- Some discussion should be included on districts versus an at-large district prior to the discussion on governance options
- Include more information on the rationale for the recommendation on the start-up board
- Recommend obtaining council direction prior to covering next steps
- Be prepared to respond to questions such as, “what is the best option for the city and why both jurisdictions share the same number of start-up seats when the City of Olympia is much larger”
- Clarify that any of the recommended actions are a recommendation by the committee, include desired actions by the councils such as any concerns with an approach, preferences on districts versus at-large seats, and feedback on ongoing council participation on the RFA board, etc.

Ms. Reed said she would edit the materials and email the presentation to the committee prior to the council meetings.

FINANCIAL MODEL:

City Administrator Doan prefaced the presentation by describing ongoing efforts between the fire departments and fire unions to consider various scenarios to assist in developing the Financial Plan and moving it forward. The goal of the plan is to ensure the success of the ballot measure. The Financial Plan strives for fairness between labor unions and employees to help identify solutions to create a successful plan that can be passed by the voters.

City Administrator Doan and City Manager Burney presented a PowerPoint presentation focusing on information about the provision of fire services, enhanced services provided by the RFA, some of the financial elements of the financial plan, and some next steps:

- Some Definitions – Status Quo, Baseline, Enhanced Services and Organization under the RFA
- Line graphic of the three definitions (status quo, baseline, and enhanced services and organization)
- Enhanced Organization Elements in Financial Plan:
 - Provides for Transport and CARES to start in Olympia based on FCS Study. RFA could expand program after formation (Tumwater has initiated a similar FCS study to provide service or offering the service through the RFA)

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- Provides significant annual contributions to reserves for equipment, apparatus, facilities, and a retirement reserve
 - Uses combination of RFA administrative staff and transitions from contract services over 2 years
 - Provides for 2 battalion structure for greater incident response and supervision
 - No “Olympia Station 5” assumed in this timeframe
- Financial Elements in Finance Plan:
 - Starts with \$4 million loan from Olympia and \$2 million cash contribution from Tumwater to fund initial operations. Funds are paid back in 4 years. Additional loan from Olympia is used for Transport/CARES per FCS study
 - Salaries remain at individual levels in 2023 and catch-up to new comparables over the period of 2025 through 2028
 - Funds three replacement engines prior to 2030
 - Olympia pays off ladder and Tumwater pays for existing engine debt
 - RFA picks up remaining payments on Olympia station debt
 - Anticipated Levy Lid Lift in 2028
 - Does not fund Emergency Reserve – Future RFA Commission to set reserve level
- Next Steps:
 - Next RFA Planning Committee meeting on June 27 to review Finance Plan and Fire Benefit Charge (FBC) implications
 - Joint meeting to be scheduled with Olympia and Tumwater Councils to discuss governance options
 - Presentation to Councils on Finance Plan and FBC
 - Second public meeting to cover governance and Finance Plan concepts

Questions from members included:

- Questions on the impact of potential increase in the cost of future purchase of fire engines on the City of Tumwater's cost contribution of \$2 million. City Administrator Doan explained that the cost today for two fire engines is approximately \$2.1 million, which would likely be funded by the RFA.
- Questions on how the City plans to finance the \$2 million contribution. City Administrator Doan explained that at the time of the payment, the City of Tumwater will have nearly \$2 million accumulated in the levy lid lift fund.
- City Administrator Doan clarified that the 2028 levy lid lift is not the City of Tumwater's levy lid lift. The 2028 levy lid lift would be initiated by the RFA to recapture some of the valuation lost due to the 1% tax increase cap.
- What about the status of funding for LEOFF 1 retired members from

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both departments? City Manager Burney said he understands that LEOFF 1 members will remain with City of Olympia and City of Tumwater, respectively, and would not transfer to the RFA.

- How will the City of Olympia advance a loan of \$4 million? City Manager Burney reported the City of Olympia maintains two reserves accounts (a 10% reserve and a budget stabilization reserve of 10%) leaving over \$4 million to cover any economic hardships until the loan is repaid over the four-year period.

Mr. Cushman presented the financial model of the Finance Plan. Highlights included:

- The financial model was updated to begin in 2024 (the first full year of operations of the RFA)
- Assumptions are based on remaining 2023 budgets for both cities to be sufficient to end the year after the RFA is established in August 2023
- The financial model is based on the combined assessed values of each jurisdiction to create a model enabling a forecast of increased assessed value projected to 2030. The assessed value forecast is combined with a property tax model to generate the most likely fire levy rates through 2030. As assessed values increase more than the 1% cap, levy rates will continue to drop each year. The information will inform the total income available to the RFA.
- The RFA cash flow model begins with beginning cash (loan and cash from Olympia and Tumwater) combined with property tax and RFA operating revenue (from income generated by the RFA). The figures are combined. From that point, two decisions are necessary for each available dollar to either expend the money this year or save and deposit the money in a reserve fund for future needs.
- Spending decisions involve labor, maintenance, and operation expenses. Expenses generate the annual budgets or the annual operating program budgets. Conversely, money will be allocated to the reserve fund. Both decisions establish the trend over the next seven years. The seven-year forecast is designed to establish long-term goals both operationally and other higher level goals.
- The seven-year strategic planning model is broken into seven annual budgets with each year's budget created annually. The document is considered the BARS Budget or Operating Program Budget. The budget includes all operating programs during the current year, which is replicated each year for the next seven years. Additionally, reserve funds are established to receive deposits each year with the reserve funds used for future expenditures to achieve goals over the next seven years.

Mr. Cushman reviewed the RFA Financial Model effective January 1, 2024 with an initial cash balance from loans. Current revenue generated during 2024 from property taxes, FBC, and operating revenue is added with the beginning cash

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balance to establish the funds available to the RFA. Operating expenses funds are subtracted each year to create the ending fund balance for the general fund. The model created six reserve funds, each of which is delineated with its purpose and amount of required contributions to meet goals and objectives of each reserve account. Supplemental funds can be in the form of bonds or sale of assets. Each year, any expenses from a reserve fund are subtracted to create the ending funding balance for each reserve individually.

The operating budget reflects the creation of 14 new accounting programs. One of the programs is the Board/Commission program. The analysis is based on six Commissioners for payment of stipends and operating expenses associated with the Commission's program. Other program examples include Administration, Human Resources, and Finance, etc. each with operating expense and labor expense components. All program costs are combined to reflect the total cost of the RFA projected over seven years from 2024 to 2030.

Mr. Cushman reviewed the desired fund balance the RFA should have effective January 1 of each year. The model forecasts calculated cash balances according to all assumptions included in the model (revenues, growth in revenues, expenses, and growth in expenses). The RFA will start with an initial revenue balance of \$10 million (\$4 million from Olympia, \$2 million from Tumwater, and \$4 million for Transport and CARES Programs). The RFA will collect \$15 million in property taxes, \$13.5 million in FBC revenue, and about \$9 million in other operating revenue for a total of \$48 million in available revenue. Of that amount \$1.3 million would be allocated to five of the six reserves, operating expenses, labor, and maintenance and operations totaling \$37 million for a total of \$39 million from the general fund leaving a balance of \$9.1 million at the end of the year. During the first three months, the RFA will expend approximately \$9.7 million. A fund balance is required each year because property tax and FBC fees are not received until late April each year. The first year of operation does not include any loan payments.

A proposed alternate repayment schedule was prepared to account for accumulated interest accrued by the loan at 2% each year.

Mr. Cushman displayed and described a financial chart of a combined rate of \$1.87/\$1,000 AV (property tax & FBC) effective 2024 reducing to \$1.74/\$1,000 AV in 20230. The assumption in the model is a levy lid lift approved by voters in 2028 to close the funding gap.

Members offered the following questions and comments:

- Is it possible to model the property tax assumption for each department independently against the combined rate for the RFA to reflect that difference to voters? Mr. Cushman said there is no practical way to compute the differences as the RFA rate includes the FBC as a total of the revenue goal. The allocation of the FBC has not been modeled to

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show how it is distributed over the various classes of properties (mobile homes, single family, apartments, and commercial). The FBC is not assessed based on the value of a property it is based on the square footage and other factors.

City Manager Burney added that the \$13.5 million in FBC will be analyzed to depict how it will be allocated among the different property classes.

- It will be important to consider that voters will ask how much more the RFA will cost them and what level of service will be received as a return of that investment.

Mr. Cushman explained the tax authority of each jurisdiction and how the creation of the RFA reduces each jurisdiction's property tax levy by \$1/\$1,000 AV.

It was noted that the financial model does not include the cost of additional Transport and CARES programs that may also be needed for Tumwater. The model includes the programs' staffing, vehicles, and operating expenses only as modelled to date for Olympia. As study information is received from Tumwater, the numbers can be inputted to the model.

- As the RFA becomes established, Transport and CARES programs will become more robust and expanded providing better service to the entire community. Additionally, the Transport program serves as an enhancement to the entire BLS transport system benefitting all residents countywide.
- Fire Chief Hurley noted that Olympia has completed much work to establish the programs. The programs are scalable once they become established providing a base of information on what is necessary to operate the programs and what additional resources and partnerships may be needed. The infrastructure will be in place to provide the programs through the RFA.

Ms. Reed advised that the FBC consultant is scheduled to review some of the preliminary decisions on weighting and the classifications and how much properties will pay.

City Administrator Doan noted that the FBC modeling discussion will provide some levers for members to set rates between the different property classifications for the FBC. The overall financial model is a good representation as to how much it will cost to operate the RFA.

Ms. Reed advised that the committee will receive copies of the financial presentation. She encouraged members to contact her with any questions for compilation of list of questions from the committee with answers.

MEETING

Discussion ensued on the meeting schedule and a potential date of June 21, 2022

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SCHEDULE: for the council joint meeting on governance and possible dates for financial briefings/discussions by the committee. Potential briefings to the councils were considered in June and July with a public meeting scheduled in August. No firm dates for a joint council meeting or future council briefings were confirmed.

City Manger Burney recognized the work of staff members from both cities that are working behind the scenes in support of the committee.

ACTION AND QUESTION LOG: Ms. Meyer emphasized the importance of members submitting questions on the financials to assist in preparation of a financial Q&A.

ADJOURNMENT: **With there being no further business, Chair Dahlhoff adjourned the meeting at 7:20 p.m.**

Prepared by Valerie L. Gow, Recording Secretary/President
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