

Whatcom County Fire District 11

Lummi Island Fire Department

FINANCIAL PLANNING

The reason for this presentation:

The Board of Commissioners is tasked with the oversight of the financial condition of the Lummi Island Fire Department (LIFD). With input from Acting Chief Lish, we have concluded that the District has come to a point where our current sources of income are not meeting our expenses and will not meet future expenses if we are to maintain the District's expected level of service.

Currently, two tax levies provide about 98% of LIFD general funding, with grants and donations contributing a maximum of around 2%. Currently there are no other financial sources of support to finance the District. All Levies are approved by Lummi Island voters. The Fire Levy, which is permanent, was last approved by the voters in 2014. The Emergency Medical Services (EMS) Levy has a six-year duration and was last approved in 2015

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The Board must take action to address the fact that the District is now operating at a deficit, and we must do so quickly.

The Lummi Island Fire Department is here to serve this community and belongs to this community only. When financial issues for the Lummi Island Fire Department have come up, public meetings have been held to inform Islanders of the possible solutions the Board was considering. Such meetings also give the Board the opportunity to hear comments and suggestions from the community on possible ways to proceed.

Given continuing concerns over public meetings during the pandemic, the Board feels the best way to start the process of public discussion is with this presentation.

The Board has made no decisions at this point, but have identified several possible solutions.

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Some details:

The EMS levy is a 6-year levy that expires December 2021.

The Fire Levy does not expire, but as is the case with both levies, it is subject to the regulations of state law which limit the dollar amount the levy can provide each year to the District. The result of these regulations is that the annual overall income to the District is limited to the original dollar amount approved by voters plus a permitted 1% annual increase of the previous year's income. There are other limits that may also apply and other ways in which the annual income can vary.

For information on how levies work see:

<https://dor.wa.gov/get-form-or-publication/publications-subject/tax-topics/property-tax-how-one-percent-property-tax-levy-limit-works>.

And <https://app.leg.wa.gov/rcw/default.aspx?cite=84.52>

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Currently our operating expenses exceed our funding by almost ten percent due to inflation, increased operating expenses and automatic annual levy rate changes that limit income. While we have emergency reserves, we cannot continue to operate at a deficit. Therefore, we must take some action to balance our budget with increased revenue.

The following options are offered for consideration to address the present shortfall and future income needs.

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Option 1: By voter approval, return the Fire and/or EMS Levy rates to the levels approved by voters in 2014 and 2015.

Due to property valuations, by law, our levy rates have been decreased from the voter approved fire levy at \$1.49 per \$1000 to the 2021 rate of \$1.17. The EMS Levy rate was originally \$0.39 and is now \$0.28. These State required rate reductions are based primarily on property values, and do not take into account inflation or increases in the changing costs of labor or infrastructure.

The projected fire levy rate for 2022, based on property values may be \$1.07.

Note: our EMS levy rate will be impacted by the County EMS levy

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Option 2: Reduce District expenses.

The Board of Commissioners in consultation with Acting Chief Lish is looking for areas to reduce the cost of operations for the district (possible examples: finding a way to extend the life of equipment, changes to staff and benefit levels, or improved efficiencies). Reducing expenses should only be done in a way that will not negatively impact the services islanders depend on Lummi Island Fire Department to provide.

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Option 3: Issue Bonds to fund major expenses such as vehicle replacement costs.

Bonds require repayment including interest.

Currently the District sets aside significant funds every year to a vehicle replacement fund. This allows the District to avoid paying any interest on these major expenses. This approach could be adjusted or reduced to allow more operational fund availability in the yearly budget.

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While other mechanisms such as grant funding and public donations are received, historically these methods of funding have been insufficient to meet the general operational needs of the District. This kind of funding is typically focused on funding specific areas of operations. The donations and grants that the district has received have been used for specific pieces of equipment and not for general operations. While these monies do contribute to the overall District financial picture, their contribution is never guaranteed and this past decade, grants have been harder to secure.

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Why is the board looking at these options? Expenses for the district are outpacing revenue, leading to a projected deficit in 2021 of almost \$50,000. While the District maintains an emergency fund to ensure operating funds are available for such deficits, the District cannot continue to deplete the emergency fund to cover necessary expenses. Due to inflation and the legal limitations on levy rates, our tax revenue does not keep pace with our expenses because the costs of operating continue to increase. Unexpected costs associated with SARS-Covid 19 have further stressed our budgets for 2020 and 2021. Aging equipment must be replaced. New equipment must meet higher levels of safety, so replacement costs have gone up significantly. The costs associated with acquiring and maintaining the equipment necessary to provide service are significant and continually increase relative to our tax-generated income.

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Also significant is the increased cost of staffing. While it is still very appropriate to refer to LIFD as a “Volunteer Department,” we have been providing stipends to volunteers. This increases personnel response to 911 calls, increases training and professional development, along with Battalion Officer and Firefighter shifts in an attempt to provide our community with a guaranteed 24/7 response.

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The focus of the Board of Commissioners is to ensure adequate funding for the district while minimizing the cost of those services to the community. Another consideration in our planning is the financial soundness of the District over several years given all the factors that influence income and expenses. These goals need to be accomplished while maintaining, and if possible, improving the level of service to the community.

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The following chart shows the options we have been considering and the impacts on taxpayers.

***NOTE: All figures are approx. and based upon Whatcom County property valuation of \$300,000.00										
Voter Options	2021 Costs	Fire Levy Rate	EMS Levy Rate	EMS Levy Collected	Projected Revenue	Costs minus revenue	Average Cost/Month FIRE	Monthly Difference FIRE	Average Cost/Month EMS	Monthly Difference EMS
2021 Baseline Data	\$501,000.00	\$1.17	\$0.39	**\$0.28	\$460,315.00	(\$40,685.00)	\$27.50	n/a	\$6.98	n/a
Restore BOTH Levy Rates	\$501,000.00	\$1.49	\$0.39	**\$0.28	\$593,211.00	\$92,211.00	\$37.50	\$10.00 more	\$7.13	\$0.15 more
Restore ONLY Fire Levy	\$501,000.00	\$1.49	n/a	n/a	\$498,497.00	\$2,503.00	\$37.50	\$10.00 more	(\$6.98)	n/a
Take NO Action	\$501,000.00	*\$1.07	n/a	n/a	\$365,564.00	(\$135,436.00)	\$26.75	(\$0.75)	(\$6.98)	n/a
*Projected levy rate for 2022 if no action is taken, or if a levy rate adjustment is not passed										
**Our EMS levy rate is impacted by County EMS. Per State Law, there is only \$0.50 available for EMS levy collection. Our District is a junior taxing District to the county, so we can only collect revenue equal to the difference of the 2 levies. e.g. If the Districts approved levy amount is \$0.39, and the Countys EMS levy rate is approved at \$0.22, then the Districts collection rate is reduced to \$0.28.										

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This is your District

The District has been operating on a 6 year financial plan that was very carefully designed, and has proved to fund the District adequately until 2021. We are now planning for the next 6 years, and are looking for input from our community in this planning process.

The Board of Commissioners must make the final decision by the end of July so the community can approve or reject any proposed changes to the Fire or EMS Levies through a vote in November. We want you to know how our decisions might impact you and we want to know your thoughts on the options we have to ensure Fire and EMS services are available to the Island when needed. Please attend our next General Meeting on July 13th at 7:00 pm

We will have a time for comments and questions.

Prior to the meeting, you can submit comments and questions by email at:
grp.commissioners@wcf11.org.