

SHORELINE FIRE DEPARTMENT



2015 BUDGET

November 20, 2014

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Fire Chief

INTRODUCTION

The Shoreline Fire Department serves a population of approximately 55,000 citizens within the City of Shoreline in an area of approximately 14 square miles. In addition, the ALS program serves the cities of Bothell, Kenmore, Lake Forest Park, and a portion of Woodinville with an additional population of 75,000 in an area of approximately 22 square miles.

The **mission of the Shoreline Fire Department** is to make our community safer by protecting lives and property and caring for the needs of the people we serve. The Shoreline Fire Department is committed to providing high quality services to the community at an acceptable level of taxation. We work to the best of our ability to efficiently and effectively mitigate fire and life safety crisis and assist in other situations to meet our customers' urgent needs. We provide education, training, and assistance to our customers to make the Shoreline community a safe place to live and work. We aspire to provide a prompt, professional and positive experience to all we serve. We accomplish our mission by providing:

- Fire suppression services
- Emergency medical services
- Fire prevention services
- Special operations services
- Disaster preparedness and response
- Community education and outreach
- Programs to ensure our personnel are safe and prepared to respond

The following **general budget philosophy and policies** are the basis on which staff develop budget recommendations, and establish funding priorities within the identified revenues the Department has available to provide the services and programs identified above.

- The Department will maintain high service levels in emergency service operations, which include responses to fire and medical emergencies. These services receive the highest priority for funding. When increased service demands are experienced over a sustained period of time, resources should be provided to prevent service level degradation.
- The Department will avoid adopting budgetary procedures that result in balancing current operational costs at the expense of future years' operations. Funding for new programs and services in operating funds should be limited to the extent that they can be reasonably funded over the near-to-long-term, given the current revenue stream.
- The Department will maintain a budgetary control system to ensure compliance with the adopted budget, especially with regard to State of Washington Budget Law, and will prepare regular reports comparing actual revenues and expenditures to budgeted amounts. The Board of Commissioners receive monthly "budget to actual" financial statements on the funds and programs.

- The Department's balanced budget philosophy is that a budget is considered to be in balance when the funds' total resources of beginning fund balance, revenues, and other financing sources are equal to or greater than the total of expenditures, other financing uses, and ending fund balance. Current revenues (including fund balance less operating reserves) will be sufficient to support current expenditures. Revenue estimates will be realistic and debt financing will not be used for current operating expenses.
- Budget adoption by the Board of Commissioners shall be at the fund level. Any changes in appropriations at the fund level require Board approval.
- All interest earned within a fund is retained by that fund and is considered as a portion of the fund's revenue source.
- It is the policy of the Board of Commissioners to maintain various expense and reserve funds and operating contingencies as detailed below.

Fund Descriptions

General Expense Fund

This fund is used for the day-to-day operations of the Department (excluding ALS) and is segmented into cost centers based on the following divisions:

- Legislative (Board of Commissioners)
- Administrative
- Fire/BLS Operations
- Fire Prevention
- Training
- Support Services
- Other
- BLS (non-operations)
- Interfund Transfers

This account is funded primarily from property taxes (over 80%) and from additional sources such as the BLS contract and transport fees, ALS overhead charges, service contracts and miscellaneous other sources.

General Reserve Fund

This fund is available for unforeseen urgent or emergency needs and is intended to provide for unanticipated expenditures or revenue shortfalls of a non-recurring nature. The minimum targeted balance for this fund is 10% of the annual general expense budget, not including capital purchases and benefits reserve, with a maximum of \$0.375 per \$1,000 assessed value. This fund is kept at a minimum of 10%, as set by Resolution. This account is funded by inter-fund transfers from the General Expense Fund and/or from ending fund balance.

General Capital Fund

This fund is available for the acquisition and purchase of apparatus, equipment, land, and facilities. It is also available for funding large maintenance projects. The allocation of funds from this account is through the budget approval process and is based on an approved replacement/repair schedule. This account is funded by inter-fund transfers from the General Expense Fund, EMS Donations Fund, and other miscellaneous deposits.

ALS Expense Fund

This fund is used for the day-to-day operations of the ALS Division. This account is funded through a contract with King County EMS. King County EMS receives its funding from a countywide EMS property tax levy. The current levy was recently approved in 2013 for six years (2014-2019) at a rate of approximately \$.30 per \$1,000 assessed value.

ALS Reserve Fund

This fund is available for unforeseen urgent or emergency needs and is intended to provide for unanticipated expenditures or revenue shortfalls of a non-recurring nature. The minimum targeted balance for this fund is approximately \$200,000 per medic rig or a total of \$600,000, not including capital purchases and benefits reserve. This fund is also used if there is a delay in getting funds from King County transferred at the beginning of the year.

ALS Capital Fund

This fund is available for the acquisition and purchase of apparatus, equipment, land, and facilities related to the ALS program. It is also available for funding large maintenance projects. The allocation of funds from this account is through the budget approval process and is based on an approved replacement/repair schedule. This account is funded by inter-fund transfers from the ALS Expense Fund, EMS Donations Fund, and the proceeds from surplus apparatus and equipment.

Benefits Funds, For Both General and ALS

These funds are used for the payment of all medical/dental costs related to retired LEOFF 1 employees per applicable State law. In addition, it is used to cash out vacation and sick leave obligations for current employees separating from service. This account is funded by inter-fund transfers from the General Expense Fund and the ALS Expense Fund respectively. Retirement eligibility for current employees is calculated on either the minimum retirement age (53 for LEOFF2; 65 for PERS) or 30 years of service, whichever occurs first. Under the new post-retirement salary savings plan, employees have incentive to retire after 25 years of service and will provide the Department with better forecasting of retirement payouts, etc.

GO Bond Fund

The General Obligation Fund is used for the repayment of the 1997 GO Bond (re-financed in 2005). This account is funded by a separate property tax and is a "pass through" type of a fund that requires minimal involvement by the Fire Department.

EMS Donations Fund

This fund is available for apparatus, equipment, and training related to emergency medical services. This account is funded by donations from the community.

Other Terms or Goals

Carryover

It is the Department's policy to maintain an operating reserve balance in both the General and ALS Expense Funds at a level sufficient to provide for cash flow needs, a reasonable amount for emergent or unforeseen needs and an orderly adjustment to adverse changes in revenues. The current philosophy is to maintain a minimum of \$3.1 million of fund balance in reserve in the Expense Fund. This balance is called the "carryover" amount. It is the funds that are necessary to continue business as normal from January 1 to April 1, which is when the first half revenues from the property tax levy are received. The Fire Chief, in conjunction with the Administrative Director and the Board of Commissioners, will analyze fund balance requirements from time to time and recommend changes as needed.

Strategic Initiatives Contingency

In order to provide for unplanned expenditures or new opportunities throughout the year, the General Expense Fund budget has a total operating contingency of \$30,000 that may be used only with the Fire Chief's approval. Savings within division budgets throughout the year will be the first source for funding unplanned expenditures or providing for new opportunities before the Strategic Initiatives Contingency is accessed.

OVERVIEW

This year is the second in a marked change from the previous administration in how the budget has been prepared. Over the past few years the Department has had declining revenues due to assessed valuations decreasing. Simply, if a person is going to be held accountable to adhering to a budget for a specific Division, program, or purchase, he or she should have input on the level of that budget. This new doctrine caused some consternation last year as some individuals had not had that input for quite some time. However, this being the second year, some of this has eased and the process has become a little smoother. Also, the documentation format of the budget has been changed so that it was more usable. This document represents significant staff time and energy as the Department continues to try and recover from the great recession.

There are two separate budgets for the Shoreline Fire Department, the General and the ALS budget. The ALS program is supported by the King County EMS levy, which is a consistent and relatively stable revenue source. Typically the ALS budget is a balanced budget with detailed allocations specified by KCEMS, with not a lot of optional spending or projects. In 2015 it will be over budget by \$486,220, or 6.75%. This is the second year in a row that the revenues have not been sufficient to cover the expenses. Last year's shortage was anticipated due to KCEMS funding dropping in 2014 which resulted in the use of program reserves to cover the deficit. The shortfall in 2015 is due to a new wages package, a lag in compensation adjustments by King County EMS, and the anticipation of sending two students to paramedic training. The following discussions on the budget will mainly revolve around the General fund budget, not the ALS budget.

For 2015, the Department is going to realize a significant increase in revenues for the General budget. It isn't finalized yet, but currently an increase of 15.06% of assessed valuations (AV), or about \$1,430,120 in revenues, is anticipated. While this is a good increase in revenues, it will not get the Department completely healthy. The years of declining assessed values will take years to fully recover. The 2015 budget will almost get us there. Some of the line items and staffed positions are still short or are unfilled, but with the projected economic indicators moving forward, the Department should hopefully be close to pre-recession levels in 2016. At a meeting with the King County Assessor, Lloyd Hara, the Department was told to expect an increase in AV again in 2016, but probably at much more modest levels of around 5-7%.

The 2015 General Expense budget has increased by \$1,216,898 or 9.7% from the 2014 budget, with total revenues increasing by \$1,411,010. Overall the Department is in a stable financial condition with the annual budget, but there are still areas to recover and capital projects and purchases are well behind schedule.

The Department's highest revenue point was in 2009 when \$11,909,950 was received in property tax revenues. We are limited to a \$1.50 tax levy rate, but we will be able to continue recovering with AV until revenues are back at that 2009 level. So, if valuations continue to

increase at 5% each year beyond 2015, the Department will see a 5% increase in revenues in 2016, but in 2017 we will exceed our 2009 revenue level and will be restricted again at the 1% cap. These forecasts assume that values continue to increase at a 5% rate.

One thing to consider in 2015 is whether the Department wants to consider long-term fixes to our financial challenges. By 2017, assuming modest AV growth, we again will be restricted to 1% increases in revenues. This cap of 1% is unsustainable long-term for the Department. To address this issue, the Department is actively evaluating a fire benefit charge (FBC), which would diversify our revenue stream, protect us from pro-rationing, and allow us to adjust revenue sources to provide sustainability.

Another measure that will need to be considered in 2015 is a general obligation capital improvement bond. We are approaching the retirement of our current GO bond that was initiated in 1997 and will end in 2016. Unfortunately, due to the economy and delaying capital purchases, the replacement program has not been funded and is now significantly behind. In the near future the Department will need to pay for larger projects costing millions of dollars that are beyond the scope of our normal funding mechanisms such as a ladder truck, SCBA's, and facility work.

In 2014 a long range planning committee was formed to consider all funding options for the Department in moving forward and both the FBC and capital bonds were supported by the committee. Once our evaluation is completed on both of these measures, the results will be taken back to the committee for final review.

Summary

The 2015 budget reflects increasing line item expenses to continue the recovery process of our operations. This next year will see significant strides in that recovery and will allow some money to be put into the capital replacement fund. We have been able to confirm a new strategy in maintaining carryover funds. The Capital Replacement and Benefit funds will be increased in 2015, and the Reserve Fund will remain at approximately 10% of expenses as set by Resolution. The chart on the next page identifies a summary of actions for 2015.

Summary of 2015 Proposals	
<u>Action</u>	<u>Notes</u>
Adopt 2015 Budget	Adding an Administrative Assistant, some project management work, and 4 new Firefighters. Move budget surplus to Capital Reserve Fund.
Reduce Reserve Fund to 10% of Annual Operating Expenses	Currently we have \$1,409,669 in the fund and need a projected \$1,295,313 for 2015. Maintain 10% in the fund and move any extra funds to Capital Reserve Fund.
Reduce Carryover in General Expense Fund to \$3,100,000	Currently we are carrying more funds than necessary to cover expenses from January 1st to April 1st. Move extra funds to Capital Reserve Fund.
Increase General Benefits Fund to approximately \$950,000	We have had a light year for expenses from this fund and potentially increased expenses for 2015 from FLSA settlement, retirements, and long-term health care for our LEOFF I retirees.
Increase General Capital Fund by Approximately \$2,014,000	We are proposing an adjustment to our finance philosophy regarding carryover, etc. and these funds could help with capital projects, where we are significantly underfunded.
Transfer Approximately \$486,000 Out of ALS Program Reserves to ALS Fund	Our expenses will exceed revenues due to a lag in adjustment to cost inflators and anticipating two more paramedic students.

Since 2009 the Department has seen major tax revenue losses. We have had to make difficult reductions and cuts to multiple areas, but we have made big improvements in our recovery. This year marks the first significant increase in tax revenues and we will be using those funds to continue our recovery. We will work diligently to meet our citizens' needs and desires by providing them with the highest level of services possible while maintaining efficiencies and cost effectiveness in all areas. I am optimistic that we are emerging from the financial woes of the past five years and I am hopeful, with modest growth, that within the next two years we can get staffing up to more suitable levels and our budget line items recovered to the correct level.

Thanks for all your hard work in making the Shoreline Fire Department a successful and professional organization.

Matt Cowan

Fire Chief

DETAILS

Our budget process is driven in large part by our Strategic Plan and the core organizational strategies identified therein:

- Identify services and service levels and improve service where needed.
- Develop a stable and sustainable financial plan.
- Ensure that essential resource needs are adequately met.
- Improve organizational communication both internally and externally.
- Implement ongoing strategic planning.

The budget is presented by organizational totals first, followed by individual funds and, as appropriate within funds, by individual divisions. *Note: Some dollar amounts may not add up exactly as some rounding may have occurred.*

Anticipated staffing levels for 2015 are shown in the following table:

2015 Personnel Summary (all personnel)							
Position	2015	2014	2013	2012	2011	2010	2009
Fire Commissioners	5	5	5	5	5	5/3	3
Fire Chief	1	1	1	1	1	1	1
Deputy/Assistant Fire Chief	2	2	1	1	2	2	2
Administrative Director	1	1	1	1	1	1	1
Deputy Administrative Services Director	1	1	1	1	1	1	1
IT Manager	1	1	1	1	1	1	1
Executive Assistant	1	1	1	1	1	1	1
Administrative Assistant	4	3	2.5	2.5	4	4	4
Maintenance Supervisor	1	1	1	1	1	1	1
Mechanic	1	1	1	1	1	1	1
Facilities/Vehicle Technician	1	1	1	1	1	1	1
Community Educator/Information	1	1	1	1	1	1	1
Fire Marshal	1	1	1	1	1	1	1
Deputy Fire Marshal	0	0	0	0	0	1	1
Inspector	3	3	3	2	2	2	2
Battalion Chief	5	5	5	5	5	5	5
Captain	5	5	5	5	5	5	5
Lieutenant	9	8	8	8	8	8	8
Medical Services Officer	5	5	5	5	5	5	5
Firefighter/Paramedic	27	26	26	26	26	25	25
Driver/Engineer	12	12	12	12	12	12	12
Firefighter/EMT	34	29	27	29	29	32	32
TOTAL	121	113	109.5	110.5	113	116/114	114

The proposed 2015 budget reflects an ongoing balance of providing the highest level of service to the citizens we protect, while at the same time keeping the budget within the statutory limits established for fire protection districts.

While all items of the budget are subject to Board input, discussion and directive through to adoption, staff wants to assure that the Board has addressed key issues.

GENERAL EXPENSE FUND

General Expense Fund - 001

Program Description

This budget category is established to account for the operations of general expense fund operations for the Department.

General Expense Fund - Expenditures

Expenditures	2015 Budget (proposed)	2014 Budget
Salary and Benefits	\$11,264,405	\$10,667,855
Maintenance & Operations	1,070,810	905,758
Inter-Governmental	617,913	554,057
Transfers Out	821,343	430,410
TOTAL	\$13,774,471	\$11,655,000

General Expense Fund - Revenues

Revenues	2015 Budget (proposed)	2014 Budget
Property Tax	\$11,024,803	\$9,608,967
ALS Overhead	394,841	544,855
BLS Contract (King County)	661,817	640,781
BLS Transports	615,000	500,000
FMO Permits/PADS Interlocal	110,000	110,000
Other Contracts	895,510	829,148
CPR/Other	27,000	87,260
Interest	38,000	38,000
Miscellaneous	7,500	5,000
TOTAL	\$13,774,471	\$12,364,012

General Expense Fund - Notes

The Property Tax revenue includes a 1% default factor.

A significant overhaul of the ALS overhead computation was performed to ensure that it was appropriate.

ALS EXPENSE FUND

ALS Expense Fund - 100

Program Description

This budget category is established to account for the operations of ALS emergency medical services through contract with King County EMS.

ALS Expense Fund - Expenditures

Expenditures	2015 Budget (proposed)	2014 Budget
Salary and Benefits	\$4,819,253	\$5,123,068
Maintenance & Operations	1,297,110	263,194
Inter-Governmental	567,907	705,807
Transfers Out	521,820	486,243
TOTAL	\$7,206,090	\$6,578,312

ALS Expense Fund - Revenues

Revenues	2015 Budget (proposed)	2014 Budget
KCEMS Contract (Operations)	\$6,234,369	\$5,967,399
KCEMS Contract (Capital)	258,825	250,314
Other Contracts	221,468	212,083
Other	1,208	1,208
Interest	4,000	4,000
TOTAL	\$6,719,870	\$6,435,004

ALS Expense Fund - Notes

A significant overhaul of the ALS overhead computation was performed to ensure that it was appropriate. This also had an effect on the Maintenance & Operations category.

GENERAL CAPITAL FUND

General Capital Fund - 002

Program Description

This budget is established for the purchase of capital items. Generally capital items are defined as durable goods (greater than a 1 year life) and/or exceed \$1,000 value. The cost of major improvements to facilities is also included.

General Capital Fund - Expenditures

Expenditures	2015 Budget (proposed)	2014 Budget
Capital Purchases	\$561,725	\$286,278
TOTAL	\$561,725	\$286,278

General Capital Fund - Revenues

Revenues	2015 Budget (proposed)	2014 Budget
Beginning Fund Balance	\$430,000	\$380,000
Transfers In (General Expense Fund)	2,014,317	201,278
Transfers In (EMS Donations Fund)	0	85,000
Other	0	0
TOTAL	\$2,444,317	\$286,278
ENDING FUND BALANCE	\$1,882,592	\$380,000

General Capital Fund - Notes

Due to changes in philosophy on the carryover amounts, a surplus in the General Fund, and lowering the Reserve Fund to 10% there was a one-time transfer of over \$2 million into the Capital Fund.

ALS CAPITAL FUND

ALS Capital Fund - 007

Program Description

This budget is established for the purchase of capital items. Generally capital items are defined as durable goods (greater than a 1 year life) and/or exceed \$1000 value. Also included is the cost of major improvements to facilities.

ALS Capital Fund - Expenditures

Expenditures	2015 Budget (proposed)	2014 Budget
Capital Purchases	\$203,000	\$263,500
TOTAL	\$203,000	\$263,500

ALS Capital Fund - Revenues

Revenues	2015 Budget (proposed)	2014 Budget
Beginning Fund Balance	\$1,026,720	\$1,000,000
Transfers In (ALS Expense Fund)	\$258,825	\$250,314
Transfers In (EMS Donations Fund)	0	0
Other	0	0
TOTAL	\$1,285,545	\$1,250,314
ENDING FUND BALANCE	\$1,082,545	\$986,814

ALS Capital Fund - Notes

Nothing of note.

GENERAL BENEFITS FUND

General Post Employment Benefits Fund - 101

Program Description

This budget funds the obligations for all medical and dental expenses for retired General Fund LEOFF1 employees. In addition it funds the vacation and sick leave cash-outs for current General Fund employees upon retirement from service. The cash-out prediction for active employees is based on letters of intent to retire as part of the post-employment medical benefits (PEMB) program. There is an additional \$50,000 put in for retirees that are not taking advantage of the PEMB program and are therefore unanticipated.

Post Employment Benefits General Fund - Expenditures

Expenditures	2015 Budget (proposed)	2014 Budget
LEOFF I Retiree Liabilities	\$251,040	\$212,932
LEOFF II Retiree Liabilities	\$119,600	\$16,200
Employee Cash Out	318,067	822,375
TOTAL	\$688,707	\$1,051,506

Post Employment Benefits General Fund - Revenues

Revenues	2015 Budget (proposed)	2014 Budget
Beginning Fund Balance	\$656,979	\$800,000
Transfers In (General Expense Fund)	320,640	229,132
Other	0	0
TOTAL	\$977,619	\$1,029,132
ENDING FUND BALANCE	\$288,912	\$800,000

General Benefits Fund - Notes

The LEOFF1 expenditures include an additional long-term health care expense for uninsured LEOFF1 employees at \$30,000 per person, totaling \$120,000. This line item is not anticipated on an annual basis, but is there as a buffer for those costs as they can be substantial.

Due to most of the retiree cash outs can be predicted there is not a need to have extra money to cover cash outs, which is why the cash out line item decreased substantially.

ALS BENEFITS FUND

ALS Post Employment Benefits Fund - 102

Program Description

This budget funds the obligations for all medical and dental expenses for retired ALS Fund LEOFF1 employees. In addition it funds the vacation and sick leave cash-outs for current ALS Fund employees upon retirement from service. The cash-out prediction for active employees is based on letters of intent to retire as part of the post-employment medical benefits (PEMB) program. There is an additional \$10,000 put in for retirees that are not taking advantage of the PEMB program and are therefore unanticipated.

Post Employment ALS Benefits Fund - Expenditures

Expenditures	2015 Budget (proposed)	2014 Budget
LEOFF I Retiree Liabilities	\$26,527	\$23,846
LEOFF II Retiree Liabilities	25,000	0
Employee Cash Out	100,370	315,081
TOTAL	\$151,897	\$338,927

Post Employment ALS Benefits Fund - Revenues

Revenues	2015 Budget (proposed)	2014 Budget
Beginning Fund Balance	\$310,386	\$285,048
Transfers In (General Expense Fund)	41,527	23,846
Other	0	0
TOTAL	\$351,913	\$308,894
ENDING FUND BALANCE	\$200,016	\$285,048

ALS Benefits Fund - Notes

Due to most of the retiree cash outs can be predicted there is not a need to have extra money to cover cash outs, which is why the cash out line item decreased substantially.