

Message from the Fire Chief

June 26, 2007

Budget Committee Members and Citizens

Tualatin Valley Fire and Rescue

Washington, Clackamas, and Multnomah Counties

Dear Budget Committee Members and Citizens:

I am pleased to transmit to you the 2007-08 proposed budget for Tualatin Valley Fire and Rescue, a Rural Fire Protection District (District), for your review at the legally required public budget hearing. Consistent with the District's mission statement and strategic plan, we have prepared this budget with priorities and resources directed toward the continuing accomplishment of our eight strategic goals and outcomes:

Community Goals & Outcomes

- I. Reduce the number and severity of emergency incidents.
- II. Enhance preparedness for catastrophic and unforeseen events.
- III. Increase community understanding of, and participation in, a safety partnership with TVF&R.

Organizational Goals & Outcomes

- IV. Ensure the health and safety of all members.
 - V. Develop and enhance a diverse workforce that honors and respects our individual and group differences and reflects the community we serve.
 - VI. Promote craftsmanship, innovation, and excellence throughout the organization.
 - VII. Leverage use of existing resources for the greatest community good.
 - VIII. Ensure ongoing financial stability and predictability.
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Message from the Fire Chief, continued

These goals drive our process of resource allocation and balancing of needs during every budget process. Every budget year brings unique challenges as we strive to provide the most effective firefighting, emergency medical service, rescue, and prevention programs to our citizens, while maintaining fiscal efficiencies in order to serve our duty as our taxpayers' government.

Budget Overview

The proposed 2007-08 budget is our best estimate of our operating ability to respond efficiently and effectively to the challenges of the upcoming fiscal year. As an organization whose funding is almost completely dependent upon property taxes, the District relies upon continued support of a five year local option levy of 25 cents per thousand, which supplements our permanent levy rate of \$1.5252 per thousand dollars of assessed value. This levy, first approved by our voters for fiscal year 2001-02, and recently renewed through fiscal year 2009-10, allows us to maintain a fourth firefighter on our urban response engines and deploy six additional firefighters, two on peak activity units. The local option levy also funds six firefighting support staff. In addition, the District's property tax revenues through its permanent tax base have provided for growth in critically needed positions in 2006-07 and 2007-08. Continued growth in assessed value and the PERS actuarial results released in January 2007, which will result in a drop in our PERS rates on July 1, 2007, will allow us to add firefighter positions and other needed support positions within our current combined tax rate. The proposed budget for 2007-08 reflects the addition of eight firefighters, which will be utilized in the deployment mix to fine tune and continue to manage response times, four and a quarter support positions within the Logistics division, and the equivalent of two additional personnel for the 2007-08 year, to provide temporary funding for instructors and recruit firefighters during two recruit academies planned for fiscal year 2007-08.

Continued voter support of our local option levies to supplement our permanent tax rate remains an important component of both our short and long-term financial forecasts currently projected through 2016. The local option levy is a critical component of our current and long-term financial stability. We anticipate asking for a renewal of the levy in November 2008, and possibly asking for an increase in 2012.

Additionally, our long-term forecasts had shown the District would require supplemental funding through a general obligation or other debt issuance to meet our apparatus and

infrastructure needs. Accordingly, we asked our voters for approval of general obligation bond authority to fund land for new stations, build two new stations and make renovations and seismic upgrades of several other fire stations and fund ongoing emergency response apparatus replacements at the November 2006 election. That strong 68% voter support of the future authority to issue up to \$77.5 million dollars of general obligation bonds will provide the ability to fund capital infrastructure needs of the District through approximately 2015-16, through a series of bond issuances matched to project timing. In anticipation, the District recently sought an improvement in its bond rating to reduce costs to the taxpayers. This effort was successful and TVF&R's credit quality rating was upgraded to Aa1 by Moody's Investors Service. Moody confirms that only the top 4-4.5% of issuers in the United States are rated at the Aa1 and higher rating levels, and currently, there are no other fire departments in the United States with such a superior credit rating.

The first \$20,000,000 of general obligation bonds was issued April 2007. The proceeds of the bond sale and the usage on projects are being accounted for in the Property and Building Fund for prior fire station land purchases and the Capital Projects Fund for current projects.

The largest cost component of our financial forecasts is the cost of personnel. Local 1660 represents all career firefighters, Training and Fire Prevention staff, and our current contract extends through June 30, 2007. The District is currently in negotiations with the union and it is not expected that an agreement will be reached by June 30, 2007. Because of the unsettled nature of the negotiations, the proposed 2007-08 budget for line firefighters generally has been budgeted at 2006-07 cost levels, except for the cost of added personnel. Upon contract settlement, the District will seek Board authority to transfer sufficient funds from General Fund contingency in order to make the necessary budgetary appropriations in the personnel services budget. We have incorporated into the proposed budget an estimated range and benefit increase for nonunion personnel, which may also be subject to change after settlement of the labor contract. While our non-union positions are evaluated against the market for these jobs, we nonetheless evaluate the salary ranges in the context of union range changes. We expect that overall results of the negotiations and range increases to be in the range whereby we can still fund the new positions and retain on a long-term basis, our stated goal of five months of operating costs in ending fund balance.

Another significant component of all employee costs is our Oregon PERS pension rates. Actuarial information had indicated significant rate increases beginning July 1, 2007, and the District had been prudently planning for this situation. However, the results of the settled litigation, the strong investment returns and changes in actuarial assumptions have combined to result in a significant rate decrease beginning July 1, 2007, which will be fully budgeted after negotiations are complete. In general, the PERS rate will decline from the budgeted 22.59% in 2006-07, to 18.96% in 2007-08. The PERS actuaries expect these rates will remain fairly stable and the upside potential in rates is in the range of 1-2% versus the 36% combined employer/employee rates forecasted just a few years ago before the PERS legislative reforms.

TVF&R's mission and the community's role in a safety partnership

As a large district serving multiple communities, we recognize the importance of building strong relationships with each community we serve. Fundamentally, these relationships enhance our core mission – the safety of those we serve – but there is a parallel benefit; the better known and understood we are by the public, the more supportive they are apt to be of the services we provide.

We utilize separate operating centers, each serving a different geographic area of the District, organized into North and South divisions, to make our people and services more accessible to the communities they serve. Station captains and their crews are asked to be involved with their local community, just as they would be in a small town setting, through attendance at neighborhood meetings, participation in community events, and through educational outreach. At each opportunity, key safety messages and information about District operations are conveyed. The same educational expectation also applies to the numerous informal contacts District personnel have with the public, such as shopping at the grocery store or drop-by requests for a station tour.

The Community Academy, a 27-hour immersion into the work of the District, is a powerful new tool for encouraging understanding of TVF&R's mission. Through a mix of classroom sessions, hands-on drills, and an overnight stay as a participating member of a crew, community leaders gain insights into District operations and experience some

of the physical, intellectual, and emotional challenges of life as a firefighter. In addition, in May 2007, TVF&R hosted its first Executive Development Series for graduates of the academy. The goal of these seminars is to deepen relationships and share TVF&R skill sets with key business executives and government officials.

Complementing this personal contact with the public is an educational strategy that relies heavily on mass media. We have largely shifted traditional fire education and safety training from one-on-one training in schools and classrooms to mass media avenues: television, print, radio, and transit. Here we are very appreciative of our corporate sponsors who assist us in leveraging each dollar of taxpayer funds into at least two to three dollars of fire and life safety messages. Analysis of response statistics assists us in identifying timely and appropriate safety messages. Utilizing a calendar of month-by-month safety issues, we secure corporate sponsorships and find underwriters with corporate interests in specific safety issues.

CFAI accreditation

First awarded in August of 2000, Tualatin Valley Fire & Rescue achieved accreditation through the Center for Public Safety Excellence's Commission on Fire Accreditation International (CFAI) for a second time in March of 2006, after an intensive and comprehensive self-assessment exercise and an on-site peer review. The District's commitment to being an accredited organization ensures that our taxpayers are getting the best service possible as determined by national standards. The current five-year accreditation period is effective through August 31, 2010. Less than one percent of the nation's fire departments have received this distinctive designation, which reflects well upon the quality of services provided by our firefighters and employees, and the support of the Board of Directors and their commitment to excellence. Our on-going involvement in the reporting processes for maintaining CFAI certification requires that we annually monitor and assess our actual performance in all aspects of our business, including toward industry and self-defined standards and agency adopted goals. To that end, and to continue to develop a number of staff, we will develop an internal assessment team with responsibility for supporting the requisite review and reporting functions. This team will

Message from the Fire Chief, continued

receive training in the accreditation process and select members of the team will become trained to serve as peer assessors on site reviews of accreditation candidate agencies. This exposure will expand our collective knowledge base and provide depth of District experience in this significant effort.

Significant budget items

Personnel. This budget represents a total of approximately 420.25 personnel, including continuation of local option levy supported firefighter and support staff positions. The overall budgeted staffing for 2007-08 has been increased by 14.25 FTE, two of which are temporary positions. Funding is provided for eight firefighter positions, one IT Network Engineer, one Systems Administrator, one Administrative Assistant, and one Communication Electronics Technician. Because of the addition of the eight firefighter personnel and the continued retirements, two recruit academies are planned for 2007-08. Funding for the instructor time and the time recruit firefighters are assigned to the three month training academy requires the temporary increase of the equivalent of two positions.

Apparatus Investment. Support by our voters of our general obligation bond and local option levy has allowed us to decrease the average age of our apparatus to meet our goal of less than 12 years average age. We have budgeted for five fire engines, one of which is for the new Walnut fire station, as well as the ongoing capital replacement of public safety fleet vehicles and a Code 3 command rig.

Facilities Remodels and Relocation. The budget reflects the construction of the new Walnut fire station, continued Brockman Road fire station renovation; design and engineering work for many of the stations that will be renovated, mandated environmental improvements to fire station wash areas, and design and engineering work for West Linn's fire stations.

Station Land Purchase. The District has funds set aside to purchase land for station sites expected to be required in the future to meet response time standards.

Budget Summary

This budget proposes our permanent tax rate of \$1.5252 per \$1,000 of assessed valuation for our operating levy, the local option levy of \$0.25 per \$1,000 of assessed valuation,

and a separate levy for debt service for the 1999, 2000, and 2007 General Obligation bonds, estimated to be approximately ten cents per thousand. We anticipate tax receipts of the levies at a 94.1% collection rate.

We have proposed a budget that allows us to continue to deliver outstanding fire and rescue services to our citizens. I recommend the 2007-08 fiscal year budget to you for your approval.

Sincerely,

Tualatin Valley Fire and Rescue

Jeffrey D. Johnson
Fire Chief/Administrator