

MESSAGE FROM THE FIRE CHIEF

June 28, 2005

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 2005-06 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 ten key strategic goals:

- I. *Ensure the health and safety of all members.*
 - II. *Reduce the number and severity of emergency incidents.*
 - III. *Maximize utilization of existing resources.*
 - IV. *Seek efficiencies through cooperative initiatives.*
 - V. *Pursue maximum institutional financial stability and predictability.*
 - VI. *Enhance preparedness for catastrophic events.*
 - VII. *Develop and enhance a workforce that honors and respects individual and group diversity.*
 - VIII. *Promote craftsmanship throughout the organization.*
 - IX. *Build strategic, mission-oriented community understanding, which leads to involvement.*
 - X. *Maintain CFAI accreditation and industry credentials.*
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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 the constrained fiscal environment of the local economy.

Issues

There are numerous issues facing the District and our financial future. The proposed 2005-06 budget is our best estimate of our operating ability to respond efficiently and effectively to the challenges of the upcoming fiscal year. The 2005-06 year will be the first year of our renewed 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.

Continued voter support to supplement our permanent tax rate remains an important component of both our short and long term financial forecasts. The recently renewed levy is a critical component of our current and short term financial stability. In future years, however, we believe continued growth in our service area's population with its corresponding call volume increase will outstrip our ability to fund such growth without additional supplemental funding either through a general obligation or other debt issuance and/or a revision in the supplemental local option levy. We are intensively planning and forecasting and working with our community to best determine how we accomplish this.

To that end, and because service demands continue to grow within TVF&R and rapid delivery of emergency services to our citizens is critical; we have proposed an addition to firefighting and fire inspection personnel for 2005-06 and two additional positions in communications and information technology to continue to provide our firefighting staff the appropriate level of support in their emergency operations.

We cautiously advance these positions based upon an expectation of a second year of an improving economy and assessed valuation increases above our anticipated personnel and operating costs. We anticipate filling these positions after the assessed valuation results in November 2005 confirm our economic forecasts.

The largest cost component of our financial forecasts is labor costs. As of budget development through early May 2005, our negotiations with Local 1660, representing our career firefighters and fire prevention staff, have not been successful in securing an agreement for the contract set to expire June 30, 2005. Accordingly, we have not projected any labor cost increases for the union into the proposed budget for 2005-06. After conclusion of negotiations, we would expect to amend the budget through the use of a portion of contingency appropriations. We have anticipated into the proposed budget, however, a modest range increase for nonunion personnel.

Another significant component of all employee costs is our Oregon PERS pension rates. Recent cost containment measures by the Oregon legislature have been partially overturned at the Oregon Supreme Court and more litigation is ensuing. Because of the unsettled nature of this system and forecasted continued cost increases, we have included in our budget a 2% rate increase as a first step toward a 4% rate increase forecast actuarially by 2007 even before the recent Supreme Court decision.

This 2005-06 year reflects the second year of the annexation to the District by the City of West Linn residents. Their vote to join TVF&R made permanent their contracted arrangement with us since 1998. The annexation has resulted in a revenue increase over the prior fire protection contract amount, which has been and will be dedicated toward new station construction and apparatus replacement. The timetable is promulgated in the annexation contract. The first of the two reconstructed West Linn fire stations is reflected in the Property and Building fund. The City's projected assessed value added almost 2.2 billion dollars or 7.54% to the District's existing assessed value during 2004-05, the first year of the annexation.

Ensure the health and safety of all members

Safety has long been the center of our operating philosophy. We identified it as a strategic objective, thereby defining a significant prioritization of our funding process. Ensuring the ongoing health and safety of our employees in the course of performing their duties in dangerous conditions and being fit to perform those duties on demand is a critical focus for our Training Division and other programs, such as Wellness and Occupational Health Services. This budget year, we continue to fund significant training instruction for our personnel in addition to ongoing tactics training and other overtime

intensive training initiatives. In addition, temporary training instructor staff equivalent to nearly 1 FTE has been included to assist with instruction of anticipated recruit firefighters.

Reduce the number and severity of emergency incidents

As part of our ability to safely reduce the severity of emergency fire incidents, continued response aid funds for technology tools have been targeted in our original and renewal local option levy to improve our emergency response readiness and abilities. Improving the information available to firefighters en route and on scene to a facility regarding defensible fire stop points, areas of hazardous chemicals or substances, or other information as to the facility layout or construction, can make the difference in both reducing the severity of the damage and our ability to keep our firefighters safe. The program, has been, and continues to be, dedicated to significantly increasing the number of facility drawings (pre-plans) available, in an electronic format. The next phases, budgeted in 2005-06, and future years, will be to add to the maps available electronically to the newly deployed mobile data computer terminals in the apparatus. Subsequent years' dollars will be utilized to continue to add to the number of facility drawings and update them as the District continues to grow and expand. We have continued to work extensively in the planning portion of the project to ensure the most appropriate and hazardous facilities are identified for inclusion in the drawing phases, as well as ensure both legally and contractually the protection of our citizens' investment in this key technology project.

We continue to utilize and test the information from our station siting and run analysis software to enhance our statistical analysis of probable and best locations of future fire stations, as well as analyzing our response times and deployment strategies. We have worked extensively with our dispatch agency, Washington County Consolidated Communications Agency, to analyze and improve their dispatch time portion of the entire response time cycle. We continue to work both locally and statewide on street and neighborhood planning concepts for "skinny streets," which can dramatically affect our response abilities to certain areas. While "skinny streets" in new neighborhood development is not ideal from a purely emergency response perspective, we must accommodate planning desires to maximize utilization of available land and be creative in designing ways to ensure we can continue to provide the quickest emergency response

to our citizens; installation of sprinkler systems is one example. As we have worked with communities and our partner local governments to address the issue of skinny streets, we have also launched an effort to minimize the effects of traffic calming devices on emergency responses. Specifically, working with a local traffic engineering firm we have identified certain traffic calming devices that, while they achieve the desired effect of slowing neighborhood traffic, they have less effect on larger emergency apparatus. Our efforts in this area have been favorably received and we look forward to working cooperatively with area traffic engineers as they consider this important issue. We worked extensively with the City of Wilsonville in one of the state's largest planned community design efforts and were successful in obtaining a first-ever fully-sprinklered housing development in exchange for "skinnier streets."

Although voter approval of the local option levy has provided the support necessary to increase staffing on emergency response apparatus, each year we find ourselves challenged to meet certain other demands which are driven by community growth. This is most evident within our Fire Marshal's Office, which is charged with, among other tasks, code enforcement (inspections), new construction review, and fire investigations. Simply put, we do not currently have the full compliment of personnel resources required to inspect all critical occupancies while fulfilling other essential tasks. Therefore, we had identified the Fire Marshal's Office as one priority for additional personnel when resources permitted. Accordingly, in 2005-06, we propose funding for one new fire inspector beginning in January 2006 to move toward our goal of additional inspection resources.

Maximize utilization of existing resources

We speak to this strategic objective through our continued analysis of delivering the best possible emergency response service. We have continued to seek creative ways to distribute workload and abilities to respond to on-scene emergencies. To this end, we have pioneered peak activity units (PAU) in Oregon to provide six day a week coverage 12 hours a day in certain areas of our District. At the conclusion of the 12 hour day shift, one firefighter stays on for another 12 hours as a fourth firefighter on another crew to supplement night time staffing. This creative staffing model allows us to increase day time staffing when the bulk of our medical emergencies occur and provide additional night time staffing when fires typically occur. The hiring of the final six firefighters

funded through the local option levy allowed us to deploy two additional PAU units in fiscal year 2004 to enhance medical response coverage in both the North and South Battalion service areas through the addition of two rescue peak activity units in the King City and Beaverton areas. The success of utilizing peak activity units was measured in 2004 and the District found noticeable improvements in response time reliability. Because these units are an efficient way to improve response times and add to the number of response units in the field during high event hours, additional adjustment and redeployment of these units is planned for 2005-06. The addition of two firefighters and redeployment of existing resources will allow the addition of one more peak activity unit in 2006.

We continue to intensively focus on our personnel and their assimilation into a culture where the absolute best performance is expected for our citizens. We hired 14 additional firefighter recruits on January 1, 2005, to replace retiring firefighters and plan another 24 person academy for fiscal year 2006. Our energies have also been focused on continued benchmark testing, and performance and quality control for new firefighters hired as a result of our local option levy, as well as newly promoted company officers, to ensure a depth of command experience and training is achieved beyond their years of experience.

Firefighters hired through the local option levy were hired to increase staffing on our urban response engines from three personnel to four personnel due to recent OSHA mandates requiring that interior fire attack by firefighters be accomplished only with an equal number of firefighters outside the building. This has become known as the “2-in, 2-out” rule, which is a driving force for more firefighters on a response vehicle. Prior to our local option levy, the majority of our engines were staffed with three firefighters who could perform exterior attack and prepare for interior attack if necessary. However, because of these mandates we had to, for firefighter safety, wait for a second response vehicle to provide additional personnel before proceeding with interior fire attack. While some residential fires may be fought without an interior attack, it is the multifamily housing and our retail and urban core where interior attack is critical for containing fires and preventing their spread to adjoining occupancies. Thereby, we determined that we needed to supplement our firefighter force and first asked our voters in November 2000 to approve a local option levy. The renewal of this levy in November 2004, ensured continued funding of these important positions through the maximum term of the five year levy.

Seek efficiencies through cooperative initiatives

We are very appreciative of our corporate sponsors who have assisted us in leveraging taxpayer funds to provide fire and life safety messages. We have largely shifted traditional fire education and safety training from one-on-one training in schools and classrooms to mass media avenues - television, radio, and even movie theaters and the sides of transit buses. We have been able to find corporate sponsors, which has allowed us to communicate more than eight times the volume of life safety messages to our citizens by leveraging federal grant funds and a small District investment to over \$238,000 worth of advertising through these mediums. We also have been fortunate to have corporate sponsors for targeted safety campaigns, whereby our analysis of response statistics assists us in identifying timely and appropriate messages for our public. Utilizing a calendar of month-by-month safety issues we can secure corporate sponsorships and find underwriters with corporate interests in specific safety issues.

In the prior years, our staff in Community Services and Public Education wrote for and obtained an \$84,300 US Fire Administration grant, which paid for a first-ever demographic study of TVF&R's service area and a focus group study that assisted us in determining why there was such a prevalence of behavior of disabling smoke alarms. This enlightening information assisted in designing an entirely new public education focus for our citizens and educating them that it is the smoke and toxic fumes from a fire that would kill them before they could ever wake up to the sound of a raging fire in their apartment or home. We then measured the success of our educational campaign through a follow-up study, which told us how successful we were at this recent public education campaign. We hope this continuing focus on fine-tuning our safety messages to our citizenry will help us achieve our goal of "no fire deaths."

We were also successful in writing for and receiving significant state and federal grants, which will significantly improve communications abilities in the region and our specialty team vehicle and equipment cadre.

Pursue maximum institutional financial stability and predictability

Here the District's goal is to stabilize and maintain its General Fund balance. The specific objective is to maintain approximately five months of operating funds in fund balance and grow this fund balance each year correspondingly with the increased payroll and operating costs. To accomplish this, we target that our overall expenditure increase cannot exceed the growth rate of our primary revenue source, property taxes. Prior to the local option levy, our General Fund balance had been declining since the passage of Measure 47/50, which artificially lowered assessed property values utilized to provide property tax revenue. We must ensure the stability of our ending fund balance each year because it provides the "dry period" financing for approximately five months of operations before property taxes are received in late November and early December. As past history would suggest, our operating budget managers do not typically spend all dollars budgeted and, accordingly, our forecasted expenditures and revenues, we believe, will allow an ending fund balance at or slightly below the beginning fund balance in the General Fund (page 78). In addition, we are transferring to capital funds monies in order to accomplish future seismic upgrades, fire station construction, and technology purchases committed to as part of the local option levy.

We will continue to follow strict budgetary controls as we manage the local option levy resources. We have prepared multiple long term financial forecasts modeling different key components of our financial picture so that we can be prepared for significant changes in these areas. These factors include differing asset value growth rate assumptions, labor cost increases, levy renewal possibilities and funding strategies, among other items. Because we have completely utilized the proceeds of the general obligation bonds sold in fiscal year 2000 to construct and remodel stations, make ADA improvements and purchase fire apparatus, we will continue planning for the next general obligation bond and future levy requests.

Ensure preparedness for catastrophic events

The District continued to test itself under extreme conditions in a series of full-scale exercises, involving almost a dozen crews and five incident management teams ("overhead teams") every day for a full week in May, 2005. Lessons learned from this will help us better integrate with our cities and counties as well as improving internal procedures. In cooperation with OCEM and Hillsboro Fire, we led the substantial updating of countywide procedures for responding to wildland fires and other large-scale

emergencies. Completion of our Emergency Operations Plan was important in defining internal financial and operational processes during major emergencies, allowing us to better serve our communities. Seismic mitigation of our network in fiscal year 2006 will be a major advance in safety for our employees and continuity of operations.

Develop and enhance a workforce that honors and respects individual and group diversity

We have been successful in graduating a significant number of protected class firefighters from our recruit firefighter academies that we have hired through the local option process. We continue to educate our employees on cultural and diversity issues to ensure we build a cohesive and coalesced, culturally diverse workforce. We have earmarked funds in Human Resources specifically for continued diversity efforts, as well as a second language incentive.

Promote craftsmanship throughout the organization

We will continue to promote this strategic objective throughout every facet of our daily work. This objective speaks to our continued investment in training, employee support and coaching, post incident analysis, and a 360-degree feedback loop, both internally and externally. We continue to expect the highest levels of performance from each of our employees and support decision making in all positions.

Build strategic, mission-oriented community understanding, which leads to involvement

As a large district serving multiple communities, we recognize the importance of building strong relationships with each community we serve. Accordingly, 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. Along these same lines, we hold each station captain and crew responsible to be involved in and with their local community. We want each community to feel ownership of their local fire station and to enjoy the same kind of

relationship that exists between small towns and their fire departments. Our station personnel are intimately involved in their communities and routinely attend neighborhood meetings, participate in community events, and represent the District in parades, fairs, and festivals. In addition to relationship building, this community involvement provides opportunities for increased public awareness about fire and life safety.

Maintain CFAI accreditation and industry credentials

After a rigorous two-year process, we were recognized in August 2000 for achieving accreditation through the Commission on Fire Accreditation International. As the 28th fire department in the world to achieve this distinctive designation, we were honored by that recognition which reflects upon the quality of services provided by our firefighters and employees, and supported by the Board of Directors and their commitment to excellence. Our on-going involvement in the CFAI process and recertification requires we continue to monitor and test our performance standards and goals against our actual performance. The accreditation team will be on site in the summer of 2005 to audit our progress in addressing prior review comments and progress toward measurable objectives.

Significant budget items

Personnel. This budget represents a total of approximately 401.25 personnel, including continuation of local option levy supported firefighter and support staff positions. The overall budgeted staffing for 2005-06 has been increased by six FTE. Funding is provided for two firefighter positions, one deputy fire marshal, one communications manager, one IT staff position and the equivalent of one temporary recruit academy training officer FTE.

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 combination heavy brush/rescue units and one replacement water tender.

Facilities Remodels and Relocation. The budget reflects the architectural, planning and design work for two stations' seismic upgrades; Stations 56 and 58. The station 56

renovation includes a South Division relocation from leased office space to a District owned site currently leased to the City of Wilsonville at Station 56.

Station Land Purchase. The District has funds set aside to purchase station sites. One site is under an existing station for which we are nearing the end of lot partitioning and title closing, and the other two reflect funding for 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 and 2000 General Obligation bonds, estimated to be approximately five cents a 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 2005-06 fiscal year budget to you for your approval.

Sincerely,

Tualatin Valley Fire and Rescue

Jeffrey D. Johnson
Fire Chief/Administrator