

TUALATIN VALLEY FIRE & RESCUE
CAPITAL PROGRAM

Capital Program

The District's **Capital Program** and policies encompass the entire area of capital purchasing for the District. The District's Capital Program operates under the purview of three strategic goals:

- Reduce the number and severity of emergency incidents.
- Maximize utilization of existing resources.
- Pursue maximum institutional financial stability and predictability.

We strongly believe in building and funding the primary response system to accomplish our mission of saving lives and preventing emergency incidents. The response system's impact is enhanced by a well thought out supporting infrastructure to our primary and most important resource – our people.

While our people are our most important tool in achieving our primary mission to serve the public as their fire and rescue and emergency preparedness agency, we must equip our people with the response and prevention tools to ensure their safety and success.

These tools include:

- Standardized, quality fire apparatus and fire equipment;
- A technologically current voice and data communications link to our dispatch agency and other responding agencies;
- Strategically-placed fire stations which allow us to reach the most citizens possible within our targeted timeframes; and
- A well developed and constantly reevaluated planning process that considers our current and projected demographics, technological changes and industry trends.

Because the equipment and capital infrastructure to support quality service to our citizenry is expensive, we must plan for its best utilization considering cost of ownership, expected useful life, ease of use and training, and its funding. It is this strategic goal of “**Maximize utilization of existing resources**” which drives the objective of standardizing as much of our firefighting and support equipment as possible. Standardizing fire apparatus, tools, and support equipment reduces training costs; maintenance costs; inventory support costs and can reduce initial purchase costs.

Because our strategic goal of “**Pursue maximum institutional financial stability and predictability**” drives our financial planning policies, we regularly prepare long term financial forecasts which consider funding sources, personnel and capital infrastructure needs, among other areas. The District has utilized this planning process for apparatus, station construction and other capital requirements to set aside reserve funds for these ongoing projects. Because of the costs of these items, our capital budget could range from a low of \$4 million a year to over \$10 million a year. Accordingly, the District must plan for funding to ensure citizen needs are met.

The District, which was formed through the combination of several smaller fire departments, is a regional service provider, serving nine cities and regions in three counties in Oregon. Until 1998, the District had been able to utilize its previous tax base and operating efficiencies achieved from the mergers to set aside reserve funds to fund the majority of its capital needs. However, in 1997, the Oregon voters passed Measure 50, which significantly affected our primary revenue source – property taxes. The Measure reduced 1997-98 property tax revenues over 16.5% and restricted the growth of tax collections in future years below prior legal levels. In 1998, our voters overwhelmingly approved a \$10,000,000 bond to be issued in two phases to provide capital funding. These funds were utilized through fiscal year 2003-04. In addition, we achieved voter approval to supplement our operating requirements through a four year local option tax levy which ended 2004-05 and which was renewed for another five years at the November 2004 election. Proceeds of this levy have been utilized to add additional firefighters and support personnel and provide supplemental capital funding.

The District utilizes several **reserve funds**, as defined under Oregon laws for purposes of managing capital purchases. These include the Capital Improvements Fund, the Property and Building Fund, Capital Projects Fund and the Apparatus Fund. The Capital Improvements Fund has accounted for items or projects generally costing less than \$50,000. This has included automobiles and light trucks, fire fighting equipment, fire hose, office equipment and furniture, building equipment, which would include appliances as well as physical fitness items, data processing software, communications equipment, emergency medical services equipment, and data processing equipment. Purchases in this fund are also largely items considered nonbondable capital items.

The **Apparatus Fund** has been utilized to fund fire engines, fire trucks, special rescue, water tenders, brush units and other specialized fire response apparatus. The **Capital Projects Fund** has been utilized in recent years for this purpose due to the general obligation bond sales.

Within the **Property and Building Fund**, we account for land acquisitions and improvements, as well as major building improvements or construction. The **Capital Projects Fund** accounts for similar projects that were funded with general obligation bond proceeds.

Policy Statement

Effective financial management of available resources requires that budgetary plans for any one fiscal year be consistent with intermediate and long-range plans. Because capital acquisitions and programs generally require a well-developed plan covering a span of several years, a capital program and related budget should be developed. The District has in place an evolving multi-year capital replacement plan that forecasts capital needs and related budget requirements for each projected fiscal year. Our primary focus is to maintain the vehicle replacement schedule, identify years in which station land purchases and construction should be performed, as well as perform ongoing equipment capital replacement based upon estimation population increases and commercial and planned community developments.

Specific budgetary and operating policies are as follows:

Apparatus Policies:

- 1) Standardize new vehicle purchases to the maximum extent possible.
- 2) Utilize a rotation system to maximize the useful lives of apparatus.
- 3) Purchase response vehicles designed for a specific and planned use.
- 4) Consider future service, planning and demographic trends.
- 5) Consider "life cycle costing" in the initial purchase evaluation.
- 6) Perform ongoing and regular preventative maintenance on apparatus to maximize the longest effective and useful life.
- 7) Maintain a fleet with an average age of not to exceed 12 years of age.

Facility Policies:

- 1) Construct fire stations accordingly to stage of surrounding development:
 - a) Construct 50-year facilities in areas that are largely developed.
 - b) Develop temporary, resaleable facilities in areas that are rapidly developing and may have road condition and population shifts as the area develops.

- 2) Incorporate community rooms into fire stations to assist our communities, cities and law enforcement agencies with achieving community oriented goals not specific to the fire service.
- 3) Consider "life cycle costing" in the design of new facilities.
- 4) Utilize cooperative relationships with other governments where possible to jointly site facilities and share in costs of construction.
- 5) Construct facilities that can house career and volunteer firefighters as well as male and female response personnel.
- 6) Achieve “good neighbor” relationships when designing, developing and working out of fire stations.
- 7) Provide regular preventative maintenance on facilities to ensure longest useful life.
- 8) Consider apparatus and personnel deployment when designing facilities.

Equipment Policies:

- 1) Equip our firefighters with the tools and equipment necessary to maximize the margin of safety and survivability in an inherently dangerous job.
- 2) Consider safety, training ease, life cycle costing and length of useful life when evaluating equipment purchases.
- 3) Standardize equipment where possible to save training costs, increase safety and support mobile workforce working throughout the fire station system.
- 4) Provide regular preventive maintenance and provide resources for replacement of equipment with predictable useful lives.

The District's Capital Program identifies capital expenditures necessary to accomplish long-range objectives and meet the needs of the area for which services are provided.

The Capital Program is categorized by the type of capital outlay or expenditure within the individual capital funds alluded to above as follows:

- **Public Safety Vehicles:** Includes automobiles, light trucks, firefighting apparatus, and special purpose units.
- **Equipment:** Includes firefighting equipment, building and office equipment as well as emergency medical services and voice/data communications equipment.
- **Property & Building:** Includes land acquisition, land improvements, building construction and major building improvements.

Relationship of Capital Budget to Annual Operating Budget

In the process of the District's capital replacement program an evaluation is made on how the capital expenditure decisions will affect annual operations and specifically the General Fund. The impact on the General Fund is an important factor because the majority of resources in the Capital Improvements, Property and Building and Apparatus Funds have been from transfers from the General Fund. We are particularly concerned about the level of recurrent capital expenditures for land, buildings, apparatus, vehicles and equipment that can be financed on a "pay-as-you-go" basis from operating funds versus the capital expenditures that should be funded from **General Obligation Bond proceeds**. We believe that Measure 50 has fundamentally changed the way we must finance capital to either debt issuances or supplemental tax levy authority.

The majority of the District's fixed assets are of a type that can be forecast on a **replacement cycle**. Included in these items, however, are the high cost fire engines, fire trucks, brush units, water tender units and special purpose vehicles and equipment that have a high per unit cost. It is in this area expenditure decisions become more difficult in that these high cost items now require funding over and beyond the fiscal capacity of the District's annual operating budget.

Specific considerations are as follows:

- 1) Capital expenditures may need to be financed on a "pay-as-you-use" basis. Debt will not be issued to fund purchases with a shorter useful life than the debt repayment schedule.
- 2) It is recognized that the political and economic impact of the investment in long-term projects or equipment extends far into the future.
- 3) Long-term capital items or project investment decisions are often irreversible, except at considerable financial cost.

Having recognized these funding concerns, the District elected to fund in 1990, certain targeted projects of equipment through the "pay-as-you-use" method by the issuance of certificates of participation. In fiscal year 1999, authority to issue bonds was overwhelmingly approved by District voters in the November 1998 election. In January 1999, we issued the first five million of a total of \$10,000,000 in approved bonds. We sold the second five million in June 2000. Because meeting future needs for both operations and capital requirements must be supplemented, a planned local option tax levy request of 25

cents/\$1,000 was requested of and approved by our voters at the November 2000 election and recently renewed for another five years. We anticipate asking our voters for approval of an increase levy and additional general obligation bond authority in future elections.

Capital Project Summary

The summary of 2005-06 approved capital projects is as follows. Please refer to the individual fund for detailed capital outlay descriptions, as well as the operating impact from each project.

	2005-06
Apparatus Fund	
Rescue Pumpers	\$ 1,125,000
Water Tender	230,000
Total Apparatus Fund	<u>1,355,000</u>
Capital Improvements Fund	
Public Safety Vehicles	303,000
Firefighting, EMS and Communications Equipment	770,291
Office, Building, and Computer Equipment	1,082,078
Total Capital Improvements Fund	<u>2,155,369</u>
Grant Fund	
Public Safety House	58,668
Building Equipment	270,416
SCBA Equipment	286,204
Total Grant Fund	<u>615,288</u>
Property and Building Fund	
Station 58 Seismic Reconstruction	2,446,136
Station 56 and South Division Seismic Reconstruction	1,362,818
Station Land	1,350,000
Securtiy Systems for Administration, North and Training Center Complexes	88,500
Total Property and Building Fund	<u>5,247,454</u>
 Toal Capital Outlay for 2005-06	 <u><u>\$ 9,373,111</u></u>

