

MESSAGE FROM THE FIRE CHIEF

June 27, 2006

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 2006-07 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. *Pursue maximum institutional financial stability and predictability.*
- V. *Enhance preparedness for catastrophic events.*
- VI. *Develop and enhance a diverse workforce that reflects the community we serve and that honors and respects our individual and group differences.*
- VII. *Promote craftsmanship throughout the organization.*
- VIII. *Increase community understanding of TVF&R's mission and the community's role in a safety partnership.*
- IX. *Maintain a positive work environment through collaborative labor/management relations with both bargaining and non-bargaining unit employees.*
- X. *Maintain CFAI accreditation and industry credentials.*

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.

Issues

There are numerous issues facing the District and our financial future. The proposed 2006-07 budget is our best estimate of our operating ability to respond efficiently and effectively to the challenges of the upcoming fiscal year. The 2006-07 year will be the second 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. In addition, the District's property tax revenues through its permanent tax base have provided for some growth in critically needed positions in 2005-06 and 2006-07. The proposed budget for 2006-07 reflects the addition of three of the top seven priority positions identified by division managers as needed to support existing operations.

Continued voter support to supplement our permanent tax rate remains an important component of both our short and long term financial forecasts currently projected through 2014. The local option levy is a critical component of our current and short term financial stability. In addition, continued growth in our service area's population, with its corresponding call volume increase, is expected to outstrip our ability to fund such growth without additional supplemental funding through a general obligation or other debt issuance. We also anticipate the need to ask our voters for an increase in the local option levy at the November 2008 election, to fund firefighters for our growing population, which is increasing both call volume and increasing the risk that existing units will already be on another call at the same time.

To that end, and because service demands continue to grow within TVF&R and rapid delivery of emergency services to our citizens is critical, even after an earthquake; we have proposed to ask our voters in November 2006, to support a general obligation bond levy in order to provide financing for several new fire stations, seismic reconstruction and renovation of several other fire stations, and ongoing emergency response apparatus replacements.

DISTRICT OVERVIEW – MESSAGE FROM THE FIRE CHIEF, CONTINUED

The largest cost component of our financial forecasts is the cost of personnel. Local 1660 represents all career firefighters and fire prevention staff, and our current contract extends through June 30, 2007. The 2006-2007 budget reflects all negotiated wages and benefits for our union employees. We have incorporated into the proposed budget a commensurate range and benefit increase for nonunion personnel.

Another significant component of all employee costs is our Oregon PERS pension rates. Actuarial information has indicated significant rate increases beginning July 1, 2007. However, the PERS board is currently considering changes to actuarial assumptions, which may result in lesser rate changes on July 1, 2007.

This 2006-07 year reflects the third year of the annexation to the District by the City of West Linn residents. Their vote to join TVF&R made permanent their contractual arrangement with us made in 1998.

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 one FTE continues to be included to assist with instruction of the anticipated equivalent of six recruit firefighters (twenty four firefighters in recruit training for three months).

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

DISTRICT OVERVIEW – MESSAGE FROM THE FIRE CHIEF, CONTINUED

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 2006-07 and future years, will be to continue to add to the maps available electronically to the newly deployed mobile data computer terminals in the apparatus. Subsequent years' levy 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 worked 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 both legally and contractually ensure 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, by 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, 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.” We were pleased to learn that houses in this development sold rapidly, leading to further future support for home sprinkler systems.

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 and additional 24-hour coverage in two locations. This creative staffing model allows us to increase daytime staffing when the bulk of our medical emergencies occur and provide additional nighttime staffing at those locations with high 24 hour demand. The hiring of the final six firefighters funded through the local option levy allowed us to deploy two additional PAUs 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 Progress 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 was implemented March 2006. The addition of two firefighters in the 2005-06 budget, redeployment of existing personnel resources, and the purchase of five multi-purpose response units in 2005-06, which provide rapid firefighting and rescue capabilities, allowed the addition of one more Peak Activity Unit to the emergency response system in 2006. We are looking forward to capturing and measuring the response time changes to our citizens’ calls for help through these innovations.

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 graduated 13 additional firefighter recruits on May 31, 2006, to replace retiring firefighters and plan another 24 person academy for fiscal year 2007. 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.

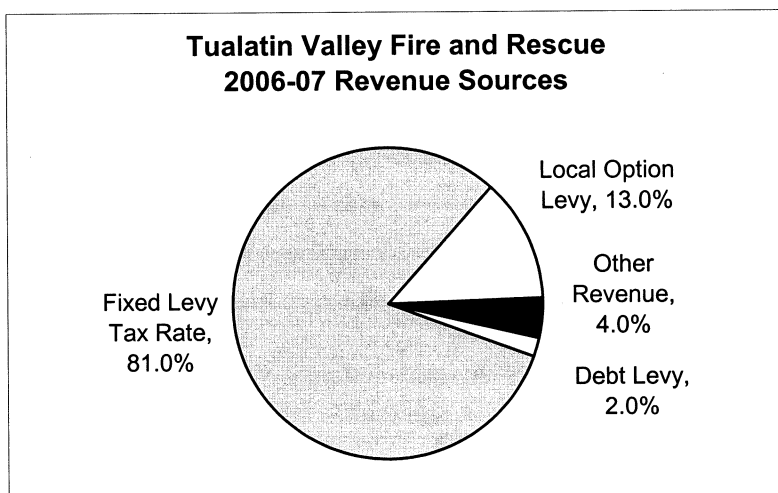
Firefighters hired through the local option levy were hired to increase staffing on our urban response engines from three personnel to four personnel due to recent OSHA mandates requiring that interior fire attack by firefighters be accomplished only with an equal number of firefighters outside the building. 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.

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).

DISTRICT OVERVIEW – MESSAGE FROM THE FIRE CHIEF, CONTINUED

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 have also incorporated the request for an obligation bond at the November 2006 election into our proposed 2006-07 budget.



Ensure preparedness for catastrophic events

The District participated in a major regional exercise in June 2006, which involved two counties, several TVF&R and surrounding cities, and integrated operations with local, state, and federal law enforcement agencies. Exercise objectives were based in part on lessons from previous exercises and actual events, and tested functions of our duty crews, specialty teams, Incident Management Teams (IMT), and our Fire Operations Center. Through planning, extensive training, and exercising we have maintained a strong emphasis on coordination with our city and county partners at incident scenes and emergency operations centers (EOCs), including working through OCEM to develop and test fire and EMS functions in the County EOC. As part of a larger internal process, we have been taking a close look at critical functions on divisional and District-wide scales, allowing us to plan more effectively for continuity of operations over a range of

emergencies. Last but not least, we have applied lessons from disasters over the past few years and refocused our internal and external educational efforts on the realities of extended operations and catastrophic events.

TVF&R met federal fiscal year 2005 requirements by formally adopting National Incident Management System (NIMS) mandates, providing NIMS training to all IMT members, and completing a baseline assessment of District functions and capabilities. Federal fiscal year 2006 NIMS-compliance activities to date include completion of introductory Incident Command and NIMS training for all non-sworn personnel (> 250 employee-hours), initiation of NIMS training for all sworn staff (to be completed by September 2006), and scheduling of National Response Plan training for all IMT Incident Commanders (completed in May 2006). More advanced Incident Command training will be provided over the next 12-15 months to satisfy federal fiscal year 2006 and 2007 requirements, while also meeting practical operational training needs.

Develop and enhance a diverse workforce that reflects the community we serve and that honors and respects our individual and group differences

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. Funding was increased for trade shows and job fairs as well as recruiting travel.

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.

**Increase community understanding
of 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 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.

Complimenting 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.

DISTRICT OVERVIEW – MESSAGE FROM THE FIRE CHIEF, CONTINUED

Two Federal grants from the US Fire Administration have played a key role in enhancing our community education efforts over the past several years. The first-ever demographic study of TVF&R's service area and several focus group studies have allowed us to more accurately tailor and deliver basic life safety messages for some of our most at-risk populations. Rather than accept risky fire behavior, such as disabling fire detectors, as the norm, the research has provided critical insights into cultural and educational barriers that new educational strategies seek to bridge. A key finding was the critical role played by apartment managers, which has led to the development of a hugely popular educational program that targets this group. We hope this continuing focus on fine-tuning our safety messages to our citizenry will help us achieve our goal of "no fire deaths."

Maintain a positive work environment through collaborative labor/management relations with both bargaining and non-bargaining unit employees

Local 1660 leadership and management have committed to hold regularly scheduled meetings in order to work together to achieve common goals. The District's Human Resources staff is also working to provide ongoing communication and supervisory skills training to ensure the spread of our intentional culture throughout TVF&R personnel.

Maintain CFAI accreditation and industry credentials

After a rigorous two-year process, we were first 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 CFAI accreditation team was on site in the fall of 2005, to audit our progress in addressing prior review comments and progress toward measurable objectives. We were very pleased to be officially reaccredited effective August 31, 2005 through August 31, 2010.

Significant budget items

Personnel. This budget represents a total of approximately 406 personnel, including continuation of local option levy supported firefighter and support staff positions. The overall budgeted staffing for 2006-07 has been increased by three FTE. Funding is provided for one EMS officer, one Senior Database Administrator, and one Communications Technician.

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 one combination heavy brush/rescue unit and one replacement dive rescue vehicle as well as the ongoing capital replacement of public safety fleet vehicles and Code 3 command rigs.

Facilities Remodels and Relocation. The budget reflects the renovation of several fire station entrance and exit areas, mandated environmental improvements to fire station wash areas, seismic and roof renovation of Fire Station 66 as well as 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.

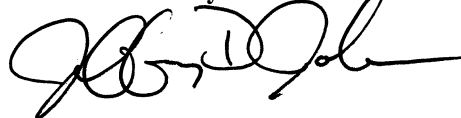
Budget Summary

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 and 2000 General Obligation bonds, estimated to be approximately four 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 2006-07 fiscal year budget to you for your approval.

Sincerely,

Tualatin Valley Fire and Rescue



Jeffrey D. Johnson

Fire Chief/Administrator