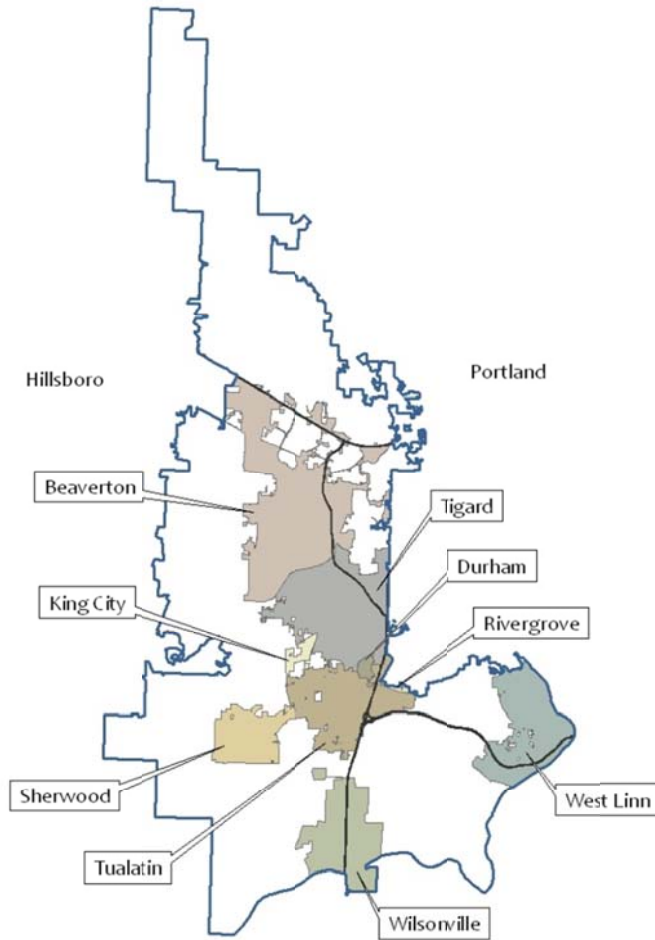


District Overview

TUALATIN VALLEY FIRE AND RESCUE

Tualatin Valley Fire & Rescue (District) operates under Oregon Revised Statutes Chapter 478 as a separate municipal corporation and is managed by a Board of Directors composed of a President and four Directors, who include a Vice-President and a Secretary-Treasurer. The Board hires a Fire Chief/Administrator to manage the day-to-day operations of the District. The governing board appoints members of the community to serve on boards and commissions, which include the Budget Committee and the Civil Service Commission.



The District was **formed in 1989**, through the merger of Washington County Fire Protection District No. 1 and Tualatin Rural Fire Protection District. The District has subsequently expanded its service area through the annexation of the City of Beaverton Fire Department, Valley View Water District, Rosemont Fire District, and the mergers of Multnomah County Fire Protection Districts No. 4 and No. 20. The District's most recent annexation was the City of West Linn, effective July 1, 2004.

The District's total service area is approximately **210 square miles**. It provides services to northeast **Washington County**, northwest **Clackamas County**, and the western edge of **Multnomah County**. Tualatin Valley Fire & Rescue is a **special service district** supported by the property owners within its boundaries, serving an estimated population of **440,590**.

The District will have approximately **458.39** employees (449.39 General Fund and nine Grant Fund), supplemented by approximately 62 volunteers. Fire and rescue services are provided from 21 career and volunteer fire stations, 25 fire engines, three ladder trucks, three aerial pumpers, four hazardous materials response units, three technical rescue units, two rehab units, one heavy CBRNE unit, six water tenders, nine brush rigs, and several other pieces of equipment, including four medic units, four response cars, two water rescue units, a mobile command unit, and a large fleet utilized to supplement response needs.

SERVICE AREA

The area served, which includes the **cities of Beaverton, Durham, King City, Sherwood, Tigard, Tualatin, Rivergrove, West Linn, and Wilsonville, and unincorporated areas within portions of three counties, Washington, Clackamas, and Multnomah**, lies within one of the economically strongest regions of the state of Oregon. It is an area encompassing densely populated suburbs, rural farmlands, retail and commercial establishments, and growing industrial complexes.

Fire stations are strategically placed throughout the District to protect high property values and population densities. The District has a three operating division model, whereby the Integrated Operating Centers are placed throughout the District to serve defined geographic areas.

District Overview, continued

As a result of the high quality of services provided, training standards, equipment, staffing, and related support functions, the District is among the leaders in Oregon in obtaining a favorable insurance classification and carries a rating of **2** out of a scale of 1-10 (1 being the most favorable, according to the standards set forth by the Insurance Services Office). This classification results in very low premium rates for fire insurance to homeowners within the District.

This area serves as the home to internationally recognized companies such as Nike, Mentor Graphics, Tektronix, and Planar Systems, in addition to several growing companies such as Digimarc. Top metropolitan area employers include Intel, Fred Meyer, Oregon Health & Science University, Providence Health System, Kaiser Foundation Health Plan of NW, Wells Fargo, Nike, U.S. Bank, UPS, and Freightliner LLC. The area has attracted significant retail and wholesale marketers such as Costco Wholesale Clubs, Target Corporation Stores, and Rite-Aid Drug Stores, and companies such as Pacific Realty Associates, LP, have continued development of acres of land adjacent to the Sunset Highway. The Nike World Headquarters complex houses thousands of employees in office buildings bordering a seven-acre man-made lake and five acres of wetlands. Intel has continued to invest in multi-million dollar facility expansions to manufacture state-of-the-art computer chips, largely in the neighboring city of Hillsboro.

ECONOMY

The District, through its broad geographic area, serves a relatively strong part of Oregon's economic base. While the recent national credit crisis and resultant economic downturn has significantly slowed the pace of assessed valuation growth that had been consistently above the legally allowed 3% increase for existing properties due to property development and construction prior to the downturn, TVF&R's service area is expected to continue to begin to slowly grow and develop again as the economy improves. Currently, the District has lowered its forecasts for future years' property tax revenue based on reduced projected growth of assessed value as more properties are anticipated to have assessed valuation allowed increase of 3% legally being limited by declining real market value of property, particularly commercial and industrial property.

The local economy has continued to be affected by the slowdowns in almost all business sectors from high technology to finance and construction. Oregon's unemployment rate of 8.4 percent across the state as of May 31, 2012, continues to cause concern across the state and local area although Washington County's unemployment continues to be less than adjacent counties and the State of Oregon and the county's labor force is reported by WorkSource Oregon to have increased by 1.4% from a year ago.

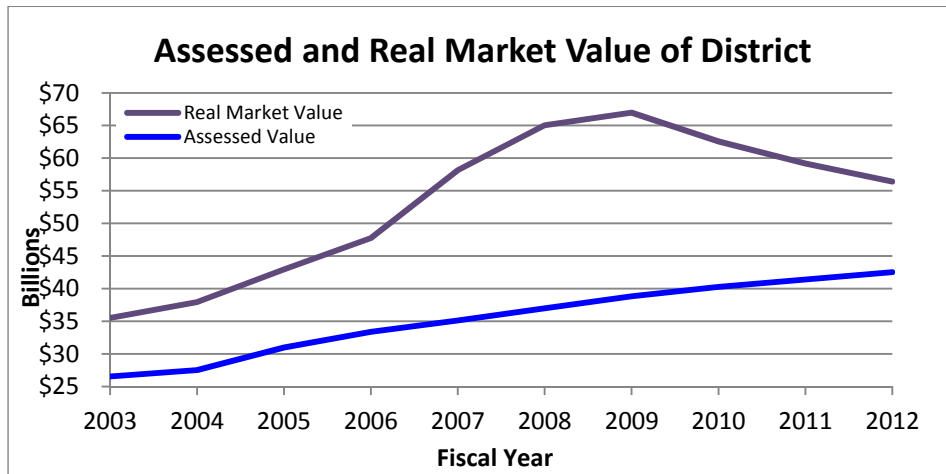
Unemployment Rate



By law, increases in assessed valuation of existing property are limited to 3% a year. Accordingly, growth beyond 3% in the District's assessed valuation must come from continued development within its service boundaries.



Assessed value grew 2.74% for the property tax year 2011-12, but it is conservatively forecasted to grow at only 2.1% to 2.4% for 2012-13, based upon continued concerns about the lack of renewed investment and continued declines in real market values as reported by Case-Schiller Home Price Indices.

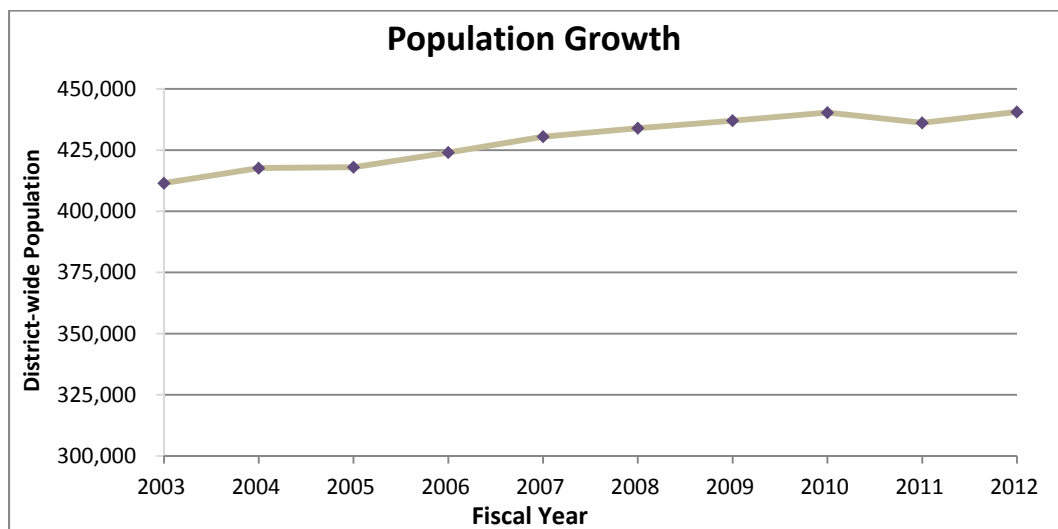


The District’s real market value for 2012-13 fiscal year is expected to continue to decline when measured by County Assessors as of January 1, 2012 for the 2012-13 fiscal year due to continued issues with property values. While assessed value of each individual property may increase by law by 3% a year until reaching real property value, properties that are near a 100% RMV to AV ratio are expected to constrain AV growth, particularly in Clackamas County where a larger proportion of properties’ assessed values were near or at real market value as of the 2011 assessment data.

POPULATION

The District has experienced a population growth of almost thirty thousand people since 2003.

The population is expected to continue to grow over the next decades.



The District’s population is expected to continue to grow over the next decades. Staff is working proactively and cooperatively with other governments and regional planning groups to ensure continued ability to service this future population. This includes neighborhood and street planning, emergency access, and road construction, as well as evaluating and working across jurisdictional boundaries to ensure closest force response to population centers, regardless of city and county boundaries. This is one reason the District has purchased land for future fire station sites and expects to continue to do so.

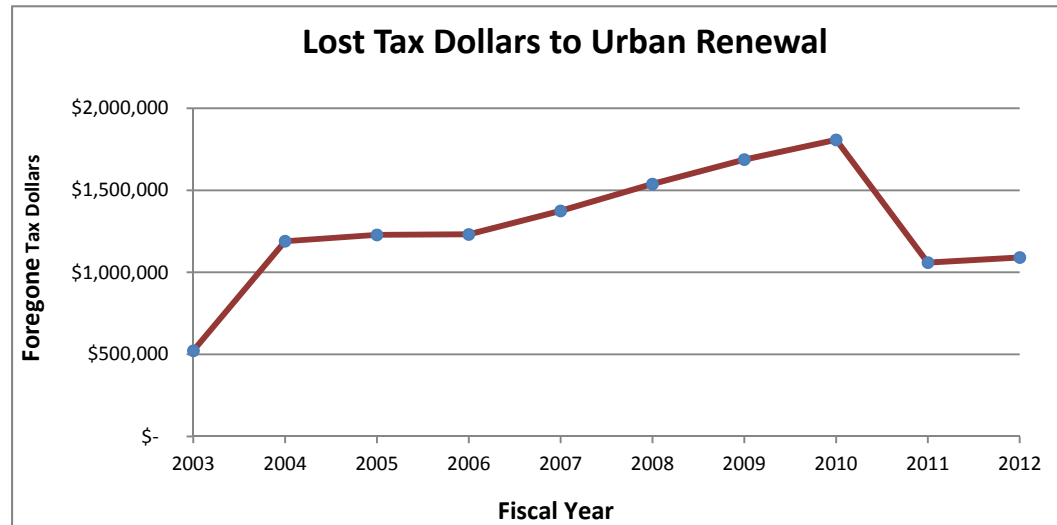
However, the question of how local regional governments will pay for the development costs of the necessary infrastructure is of utmost concern. Many of TVF&R’s partner local governments have adopted tax increment financing (TIF), specifically in the form of “urban renewal,” as a financing tool to both develop and redevelop

District Overview, continued

areas within their jurisdictions. While some urban renewal plans are designed to address blight, as statutorily intended, others are broader in their application. In either event, once a plan is established, the District generally forgoes future increases in property tax revenue until the urban renewal plan is complete. In the interim, the District must continue to serve the area(s).

The District forgoes future increases in property tax revenue until the urban renewal plan is complete.

The City of Tualatin closed two urban renewal projects in 2010 returning land to District tax rolls in 2011.



MULTI-SERVICE DISTRICT

Tualatin Valley Fire & Rescue is a multi-service district with services and programs tailored to meet the needs of the community. The District provides services in:

- Fire suppression
- Emergency medical services
- Fire prevention
- Public education
- Hazardous materials
- Water rescue
- Technical rescue
- Heavy rescue

The District also serves as a Hazardous Materials Response provider for the state of Oregon, with a service response area ranging from the City of Portland boundary on the east to the Pacific Ocean on the west, and from the District's northern boundary in Multnomah County and southwest to Marion County.

Within the former Fire Prevention Division—now in the Integrated Operations Division—the District coordinates all of the state mandates concerning the investigation of fires, inspection of commercial and retail occupancies, and education of the citizens within its boundaries. The Deputy Fire Marshals and Fire Inspectors provide code enforcement inspections and manage several proactive programs, such as the Apartment Manager Training program, in order to educate landlords in fire safe building management practices.

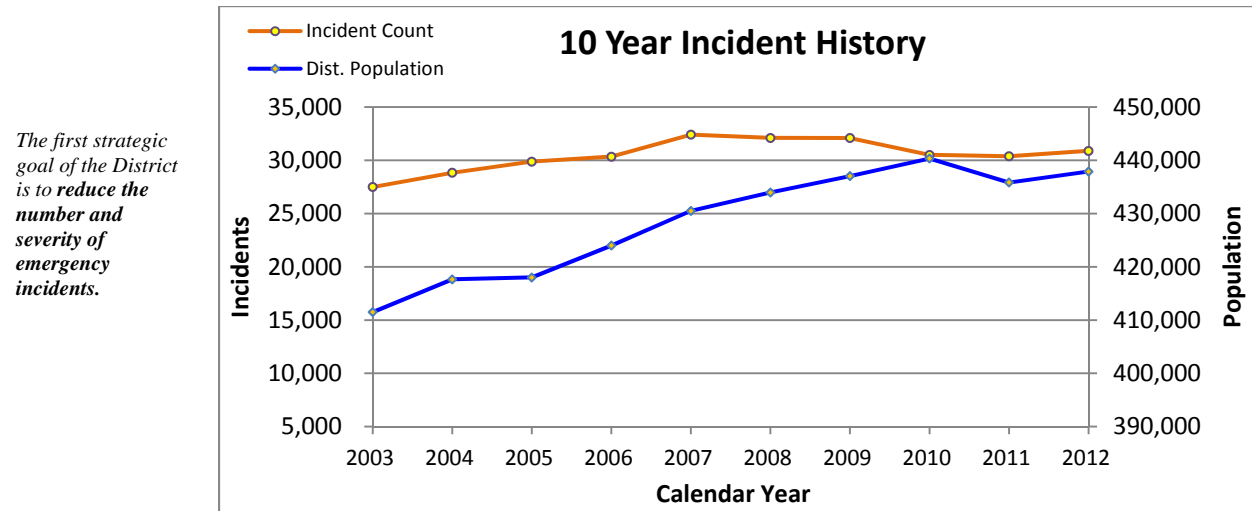
To manage emergencies, both fire and medical, the District staffs a team of career firefighters and paramedics 24 hours a day, with skills and equipment necessary to deal with a wide variety of emergencies. Approximately **175** career firefighters are certified as **advanced life support (ALS) paramedics**, while 100% of the remaining fire suppression personnel are certified at the basic life support (BLS) level. Under the guidance of physician advisors, emergency medical service personnel (all of whom are firefighters) maintain a highly certified skill level through several specialized programs.

CREATING SAFER COMMUNITIES

Tualatin Valley Fire & Rescue's mission is to prevent, prepare for, and respond to situations that threaten the community we serve. The means not only responding to emergencies as they occur, but continuously looking for ways to strategically prevent or reduce the effects of those emergencies.

EMERGENCY INCIDENTS

The District's responses to emergency incidents over the past ten calendar years are reflected below.



Note: Incident totals also include automatic and mutual aid responses to areas located outside of TVF&R's jurisdictional boundary (e.g., Hillsboro Fire & Rescue, Lake Oswego Fire Department, and Portland Fire & Rescue).

The District experienced a 1.6% increase in call volume in 2011, while the Call Type trends within the dataset remained largely consistent. False calls were reduced almost 20% or 429 calls, offset by increases in fire, EMS, and service calls. The District continues to experience low numbers of working structure fires, while the majority of the call volume centers on emergency medical services (EMS) and general service calls. Focused code enforcement, prevention efforts, and educational campaigns continue to influence call volume, while the District also recognizes the impacts of modern fire protection systems and building technologies that are present in a large portion of the District's building inventory. The District maintains its intent to fully understand all of the dynamics of its call volume dataset to continue to effect change in areas where the District has some control (e.g., reducing low risk/high frequency calls such as false alarms and service calls).

TRAINING

The District's training facilities include a six-story training tower, a burn building for live fire training, a 19-acre Training Center, and a live television studio, which are utilized to provide personnel with continual training to maintain and improve their skills to the highest level possible and a recently installed Compartment Fire Behavior Training Prop (CFBT). The Training Center, which was constructed in several phases using public funding and private donations, provides advanced training opportunities in flammable liquids and gases with the use of live props, including a tanker truck, driving courses, propane rail cars, a bridge, and excavation tunnels. The construction of a sophisticated burn structure and tower at the site using local option levy proceeds was completed in 2002, and allows live fire training in interior attack and other fire suppression tactics. The project included extensive foundation work to support the tower, as well as water recycling and reclamation components to support the extensive water usage in fire suppression activities. The CFBT prop that has been recently constructed and installed in phases, allows fire companies to train on multiple scenarios they will encounter in the field.

District Overview, continued

BOARD POLICIES

The District operates under a comprehensive **Board Policy Manual**, which is adopted, annually reviewed, and, as required, revised by the Board of Directors. Each section of the Board Policy Manual provides policy direction concerning the day-to-day operations of the District and specifically addresses the following areas:

- District Board Operations
- Bylaws of the Board
- Budget and Finance
- Personnel Policy
- Training
- Fire Chief's Role and Executive Functions
- Operations
- Fire Marshal's Office
- Purchasing
- Maintenance
- Community Services
- Business Operations

BUDGET COMMITTEE AS OF JUNE 30, 2012

<i>Board Members</i>	Term Expiration
Clark I. Balfour, <i>President</i>	June 30, 2013
Robert C. Wyffels, <i>Vice-President</i>	June 30, 2013
Brian J. Clopton, <i>Secretary-Treasurer</i>	June 30, 2015
Gordon L. Hovies, <i>Member</i>	June 30, 2013
Randy J. Lauer, <i>Member</i>	June 30, 2015
 <i>Citizen Members</i>	
Angie R. Fong, <i>Member</i>	June 30, 2015
Paul A. Leavy, <i>Member</i>	June 30, 2015
James W. Petrizzi, <i>Member</i>	June 30, 2014
Michael D. Smith, <i>Member</i>	June 30, 2013
Jon R. Walsh, <i>Member</i>	June 30, 2013

DISTRICT STAFF

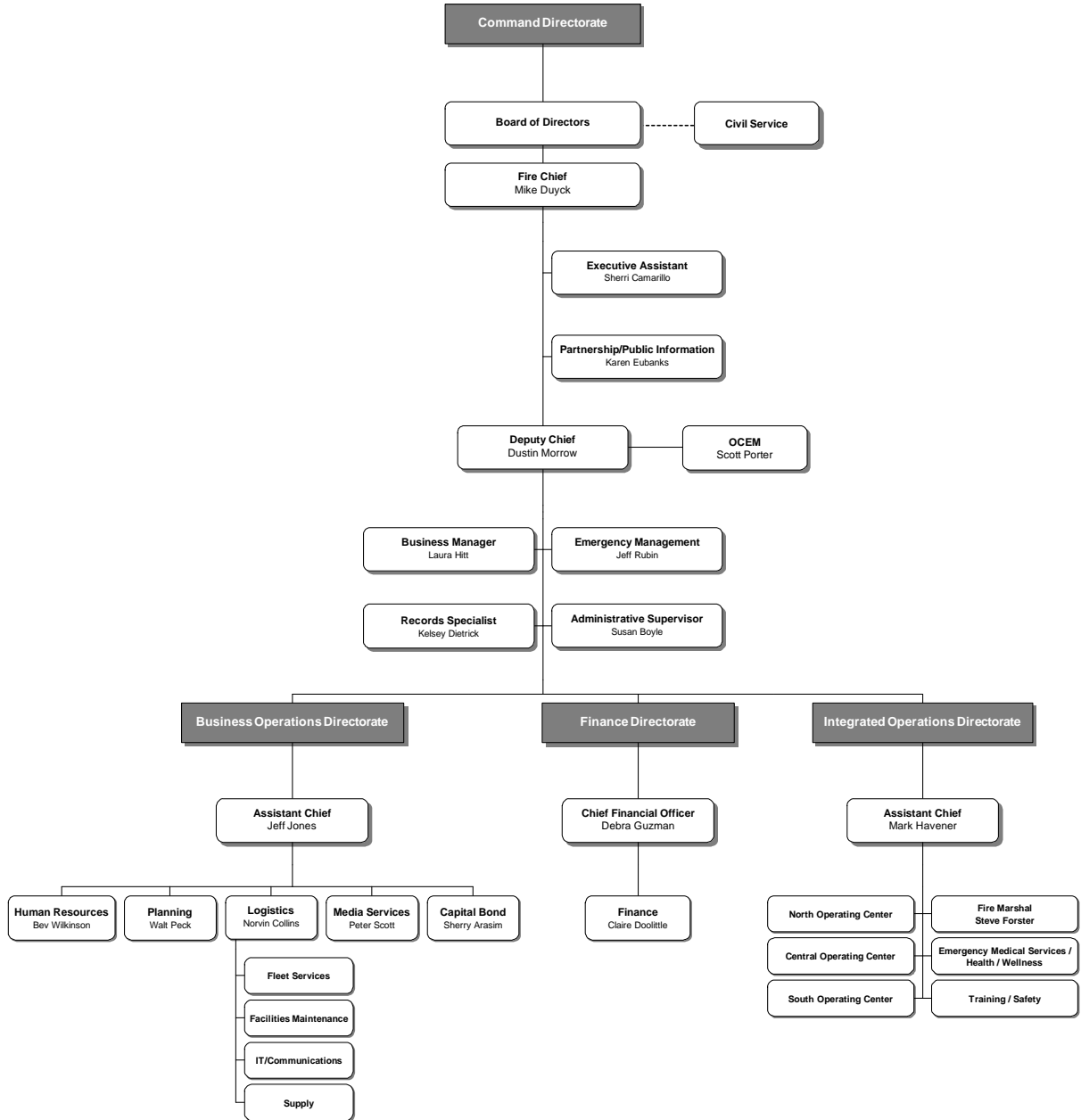
- **Michael R. Duyck**, Fire Chief/Administrator
- **Dustin E. Morrow**, Deputy Chief
- **Debra L. Guzman**, Chief Financial Officer
- **Mark E. Havener**, Assistant Chief
- **Jeff S. Jones**, Assistant Chief



Commission on
Fire Accreditation
International

District Overview, continued

ORGANIZATIONAL CHART



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Message from the Fire Chief

MAY 4, 2012

Budget Committee Members and Citizens
Tualatin Valley Fire & Rescue
Washington, Clackamas, and Multnomah Counties, Oregon

DEAR BUDGET COMMITTEE MEMBERS AND CITIZENS:

I am pleased to submit the 2012-13 proposed budget for Tualatin Valley Fire & Rescue, a Rural Fire Protection District (District). Consistent with the District's mission statement and strategic plan, we have prepared this budget with priorities and resources necessary to accomplish Tualatin Valley Fire & Rescue's eight strategic goals and outcomes:

COMMUNITY GOALS & OUTCOMES

- I. Reduce the number and severity of emergency incidents.
- II. Increase communities' participation in their safety and preparedness, and knowledge and support of the District's services.

ORGANIZATIONAL GOALS & OUTCOMES

- III. Enhance preparedness for catastrophic and unforeseen events.
- IV. Foster an environment conducive to the safety and health of all members.
- V. Develop and enhance a workforce that understands and respects individual and group differences, and builds trust in the communities we serve.
- VI. Promote craftsmanship, innovation, and excellence throughout the organization.
- VII. Leverage use of existing resources and seek efficiencies for the greatest community good.
- VIII. Ensure ongoing financial and business operations stability and predictability.

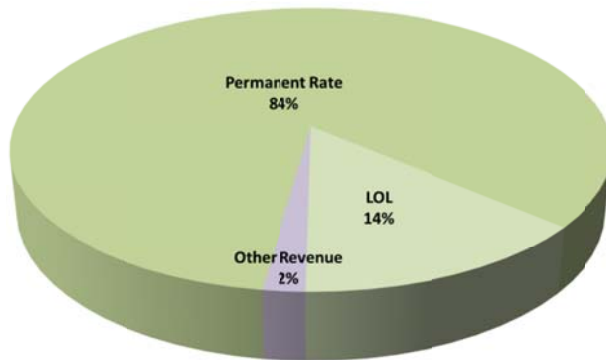
Each budget year brings unique challenges as we strive to provide the most effective emergency response and prevention services to our citizens, while maintaining excellent fiscal stewardship. This commitment drives our budget process in allocating resources and funding.

TAXATION AND VALUATION

The local economy continues to be weak with high unemployment levels and lack of new development. Property taxes thus far remain relatively unimpacted by the current economic cycle due to past voter initiatives which delinked the assessed value (AV) from the real market value (RMV) of property. Because the District depends almost entirely upon property tax revenue levied upon AV (lower than RMV and allowed to grow 3%, until it meets and begins to be constrained by decreasing RMV), we continue to experience growth in revenue, albeit at a much lower rate than in the past. Total assessed valuation of the District grew 2.74% overall in 2011-12.

Message from the Fire Chief, continued

The S&P/Case-Shiller Home Price Indices for 2011 reported another decline of 4% for home values in 2011, with prices now comparable to pre-recession levels set in September 2004¹. Because RMV is measured as of January 1, 2012 as the market value basis for property taxes levied and received during the 2012-13 fiscal year, we anticipate more properties experiencing AV constrained by declining RMV. It is with this in mind that we have decreased our AV forecast for 2012-13 budget development to include: Washington County, 2.4%; Clackamas County, 2.25% (permanent rate taxation), and 0.75% (local option levy taxation); and Multnomah County, 1.75%.



In addition to its permanent tax rate of \$1.5252 per \$1,000 of AV, the District relies upon a local option levy of 25 cents per \$1,000 of AV. This levy, first approved by our voters in November 2000, was renewed for the third time by voters in November 2008, ensuring relative financial stability through fiscal year 2014-15. Final analysis and planning will be completed in 2012-13, and a decision will be made whether to request an increase in, or fourth renewal of, the local option levy.

The overall collection rate has remained consistent during this economic downturn and collections are forecasted to decline slightly to 93.7% for the coming year. We will continue to proactively monitor our collection rates and review assessed valuation actual percentage change results in late October 2012, when we receive AV data for the 2012-13 year. If necessary, we are prepared to make adjustments to ensure that we meet our target of five full months of ending fund balance at the end of each year. I believe our current financial reserves, coupled with continued conservative fiscal management, will allow us to support the operations of the District and provide essential services to our citizens through this economic cycle.

BUDGET OVERVIEW

The proposed 2012-13 budget represents the third year of the reorganization of the District into three Operating Centers: North, Central, and South. These centers, staffed by Integrated Operations personnel, blend the technical expertise of emergency operations, fire prevention, and public affairs staff. Combining these functions and staff into three geographically-based Operating Centers increased the District's connectivity to the community, its nine cities, and other government agencies, and strengthened its ability to implement community risk reduction programs. Each of the District's 21 fire stations is assigned to an Operating Center.

The District's firefighters, training officers, and fire prevention members are represented by Local 1660. The current labor contract extends through June 30, 2015. The first year of the new contract was based upon the average annual CPI-W for 2011, which was 3.6%. The contract calls for a 1% pay raise effective January 1, 2013, an increase in the incentive to participate in the deferred compensation program of .5% on July 1, 2012, additional Kelly relief shifts, and a payment based upon years of service for a portion of Union workforce. The contract also requires limitations upon the increases to healthcare costs and implements numerous operational changes.

The number of District personnel in the General Fund increased by a net 2.26 full time equivalent employee (FTE). The District increased firefighting FTE by 2.57 to account for the increased time off negotiated through the labor contract to be filled with additional relief pool personnel or assigned relief shifts. A decrease of .31 Recruit firefighter FTE reflects the expected activity of the planned recruit academy for firefighters in training. Within the Training Division, an offsetting increase of 1.0 FTE to fund an administrative assistant position that had been previously fully funded by an outside program is budgeted. An increase of 1.0 FTE in the Supply division as a limited duration position for District-wide order entry support and surplus property management, was offset by a decrease of (1.0) in Information Technology following the release of a limited duration position hired to assist in managing through the peak period of ERP conversion and another (1.0) reduction of a Fleet

¹ Culverwell, 2012

Message from the Fire Chief, continued

Technician position added in the prior year as contingency for the fleet contracts being negotiated with neighboring fire agencies.

The District has conservatively forecasted medical insurance cost increases for the proposed budget year to the maximum in the Union contract, although preliminary information indicates it will be significantly lower. All employees contribute to their monthly health insurance and are partners in our ongoing attention to the cost of healthcare. Oregon's Public Employee Retirement System (PERS) has informed all stakeholder governments that the next several biennium's rates are expected to increase significantly. Based upon the latest actuarial valuation and PERS guidance, this increase to the District is currently estimated to be approximately 5.4% beginning on July 1, 2013 for the following two years. The District's Tier One and Tier Two rates are currently 21.7% of payroll; OPSRP rates are 13.17% for general service personnel and 15.88% for fire personnel. Based upon the District's workforce, the District expects, and has budgeted for, an overall effective rate of 19.96%. Past budgets, in preparation for several bienniums of forecasted rate increases, included higher-than-actual rates with the difference going to a PERS Rate Reserve Fund. This will ease the transition to higher rates and protect core services in the future as rates continue to rise. It is expected that we will utilize the reserves beginning on July 1, 2013, for at least the next two bienniums.

The District's budget also provides for continued project management of the District's \$77.5 million capital bond program. The District has sold four issues of general obligation bonds, for a total of \$72.5 million. This leaves a remaining \$5 million of bond issuance authority. Each sale has occurred so as to match projected construction and apparatus purchase timelines. Moody's Investor Service affirmed the District's Aaa rating for the most recent bond sale, which helped ensure the lowest possible interest rates for the June 2011 bond issuance. The budget for 2012-13 reflects the continued construction of fire stations in this bond sale: Stations 65, 68, and the combined Station 56/South Operating Center; and the beginning design and engineering work on Stations 35, 51, and 52; two pumper engines and carry-over funding of a light brush unit, two water tenders, and a heavy rescue unit being delivered October 2012. The District will also look to correct operational and safety deficiencies at Stations 62 and 64 in future years in light of the District's SB122 agreement with Hillsboro. Due to a lower than expected property annexations by Hillsboro, we anticipate retaining possession of these two stations and remaining as the service provider for the SB122 area for an extended length of time. The capital bond program has followed through on its commitment to our taxpayers, controlled costs—including capturing cost-savings during this economic cycle—and ensured our ability to respond in a major emergency by constructing seismically sound facilities.

In 2011-12, the District expanded its community risk reduction program from three pilot fire stations to all 21 stations. Community risk reduction is the coordinated effort of Integrated Operations to identify and prioritize risks within a station's 'first due' area. Because senior care facilities have historically been heavy users of our emergency response system (the top ten facilities generate 1,200 calls/year), several stations are now working with their facilities to improve quality of care for residents and reduce low risk calls. Other projects include increasing awareness of hands-only CPR, working with Washington County to increase safety in tax-exempt properties and prioritize road improvements on the Major Streets Transportation Improvement Program (MSTIP) project list, and improve rural addressing.

Following the successful transition of top management in the organization, we continue to focus on succession planning and leadership development for our next generation of managers. We believe this is a continual process to ensure competent leaders at every level are available to integrate into the operation when and where they're needed.

CFAI ACCREDITATION

In August 2000, Tualatin Valley Fire & Rescue was accredited by the Center for Public Safety Excellence's Commission on Fire Accreditation International (CFAI). This designation directly influences our emergency response model, by requiring that we meet industry established objectives to effectively arrive and initiate fire attack operations, medical interventions, and specialty team rescues. Maintaining CFAI certification requires that we annually monitor and assess our performance in all aspects of our business, including industry and self-defined standards and District-adopted goals, and be reaccredited every five years. The District was last reaccredited on July 1, 2010.

Message from the Fire Chief, continued

SIGNIFICANT BUDGET ITEMS

Personnel. This budget represents a total of approximately 449.39 personnel in the General Fund and nine in the Grants Fund. In addition to emergency response, training, fire prevention, fleet, and support personnel, the budget includes staffing for strong fiscal and project management of the \$77.5 million capital bond program. We also continue to fund firefighter and support staff positions with the District's local option levy.

Apparatus Investment. Voter support of our general obligation bond has allowed us to standardize and improve our fleet and decrease the average age of our apparatus to less than 12 years. We have budgeted for two pumper engines, two tenders, and one light brush unit, as well as a heavy rescue unit in the Capital Bond Fund. Other fleet vehicles are planned to be purchased from the Capital Improvements Fund.

Cardiac Monitors. Capital replacement of the District's 40 cardiac monitors is planned with a placeholder of \$1,400,000 in the Capital Improvement Fund. While continued analysis and review are expected before a final source is identified, the replacement of these life-saving devices, with a seven to eight year life span, is planned and has been previously reserved through fund balance reserves in the Capital Improvement Fund.

Fire Stations and South Operating Center. The budget reflects the construction completion of Stations 65 and a combined Station 56/South Operating Center, construction re-initiation for Station 68 after land use issues are resolved, and the beginning of design work for Stations 35, 51, and 52 in this fiscal year as part of the capital bond program.


BUDGET SUMMARY

This budget proposes our permanent tax rate of \$1.5252 per \$1,000 (AV), the local option levy of \$0.25 per \$1,000 (AV), and a levy for debt service for outstanding bond issues, estimated to total approximately 14 cents per \$1,000 (AV). We anticipate tax receipts of the levies at a 93.7% collection rate and an assessed value growth between 2.10% and 2.36%.

The adopted budget allows us to continue to deliver outstanding emergency fire, medical, and rescue services to our citizens in a fiscally conservative and prudent manner. I present the 2012-13 budget to you.

Sincerely,

Tualatin Valley Fire and Rescue



Michael R. Duyck
Fire Chief/Administrator