

Clackamas Fire District #1



BUDGET COMMITTEE MEETING MINUTES
Tuesday, May 10, 2022
Meeting Location: Remote Video Conferencing
5:00 pm

I. CALL TO ORDER PER ORS 192.610 TO 192.690
ORS 192.650 – The meeting was recorded.

President Joseph called the meeting to order at 5:08 pm.

II. INTRODUCTIONS AND ROLL CALL

Board President Joseph introduced the budget committee.

Present:

Budget Committee Members: Erin Anderson, Jay Cross, Charles Gallia, William Gifford, Chris Hawes, Heidi Hicks, Thomas Joseph, Tim Powell, Jim Syring, Marilyn Wall

Clackamas Fire District: Nick Browne, Steve Deters, Heather Goodrich, Dan Mulick, Ariel Roberts, Brian Stewart, Mark Whitaker, Michael Wong

III. ELECTION OF BUDGET COMMITTEE CHAIRPERSON

President Joseph opened nominations for Budget Committee Chairperson.

Director Syring nominated Ms. Hicks for Budget Committee Chairperson. Mr. Gifford seconded. No other nominations.

Ms. Hicks was unanimously voted to be the Budget Committee Chairperson.

Chairperson Hicks opened the nominations for Budget Committee Recording Secretary.

Director Syring nominated Mr. Gifford. No other nominations.

Mr. Gifford was unanimously voted to be the Budget Committee Recording Secretary.

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IV. OPENING REMARKS ON THE FY 2022-2023 PROPOSED BUDGET – FIRE CHIEF NICK BROWNE

Chief Browne expressed his gratitude to the Budget Committee and the Board for their time and their service. This budget was created with the resources allocated and with the District's purpose, vision, and mission guiding them.

He said that the last couple years have been challenging for the Fire District. He reminded everyone that last year they brought forth a budget with a \$1.8 million deficit. When he became Fire Chief, they identified financial health and stability as one of their core priorities. With expenditures outpacing the revenues, they made some pre-fiscal year changes to get that number down to \$1.4 million. Later in the year, Chief Financial Officer (CFO) Whitaker identified an error in the budget that increased that to \$3.6 million. The District had to make difficult mid-year reductions to administration and station staffing to put them back on the path to financial stability. As difficult as these decisions were, he is proud of the way the District responded to these challenges.

Despite all these challenges, Chief Browne was proud to present a balanced budget to the committee at this meeting.

V. BUDGET MESSAGE AND OVERVIEW– CHIEF FINANCIAL OFFICER MARK WHITAKER & FINANCE MANAGER MICHAEL WONG

CFO Whitaker explained that he will cover the current year, the beginning fund balance, the overview of revenues and expenses, the capital plan, the five-year forecast, and special funds.

He reviewed the Budget Committee's role in this process as well as the three items they will need to vote on.

CFO Whitaker presented an overview of the current year. With the changes they made mid-year, he expects to end the year with a \$2 million deficit.

He then presented the proposed budget. He refers to this budget as the status quo or stabilization budget. They are going to maintain service levels and staffing levels, but not expand or add any new programs or staff. They want to continue to maintain a balanced budget throughout the fiscal year while rebuilding some capacity to fund capital outlay and add to reserves.

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Some new things in the budget would be an IGA with Gladstone Fire and the implementation of a new apprenticeship program thanks to a \$2 million state grant.

He explained that in order to simplify the budget and have more transparency, they are proposing to consolidate the equipment replacement fund and the capital project fund into a single capital replacement fund. He also proposed to close the enterprise fund and create a new grants fund.

Mr. Gifford was concerned that if they created a grants fund those funds would be expected. Budgeting for money that they don't have yet, isn't a good practice. CFO Whitaker explained that the grants fund would only be used once they are awarded the grant. If there aren't any grants, the fund won't be used. He is concerned that if the grant funds are included in the general fund, it will be difficult to differentiate what is funded by the grants. This was an issue in the past. Director Joseph agreed and said this line item will provide clarity and better tracking of the grant funds. Director Hawes agreed. If the grant funds are added to the general fund, it also skews any projections on available funds.

Mr. Gallia expressed concerns over the consolidated funds. Most capital reserve funds are created in association with bonds. These funds have restrictions. Will this create issues? CFO Whitaker explained that there is a separate capital construction fund that is only for G.O. bonds. He agreed that it's important to have those funds separate. With proper reporting and accountability, he's confident they will be able to manage this fund.

CFO Whitaker continued with his presentation by going over beginning fund balance. He showed a chart showing FY 2020-21 having \$24.6 million, FY 2021-22 having \$22.4 million, and FY 2022-23 estimates being \$21.2 million. This estimate reflects the deficit and where he expects to end the current fiscal year. The goal is to have the beginning fund balance increase as they balance the budget each year. Due to the beginning fund balance being low, CFO Whitaker projects that they might need to do some short-term borrowing to meet cash flow needs to make it until November.

He then went over the general fund revenue, property tax revenue, and AV growth.

Mr. Gifford asked if the AV growth grows with the property values. This projected increase seems a lot less than projected property values. CFO Whitaker explained that AV is assessed value not market value, which is where a lot of the increases are. For existing properties, unless there is a major improvement, assessed value is capped at 3% growth. Anything above 3%, they are relying on new development/construction.

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Mr. Gifford asked what processes are in place to make sure that the budget error from last year is not repeated. CFO Whitaker said there are transparent practices in place and the numbers are there for all the public to view. Mr. Gifford replied that these processes were in place before. Is there outside auditing? CFO Whitaker said the audit takes place at the end of the fiscal year, so it does not help them plan for the next fiscal year. Last year's budget did not include the property tax calculations from the county for AV Growth. He feels they have greatly improved the transparency and process around this.

CFO Whitaker then presented a slide on the general fund expenses and explained the details on that slide.

Mr. Gallia asked if there are standard capital replacement guidelines to follow. How do they determine how much to set aside? CFO Whitaker said there are general guidelines that recommend setting aside 3-5% of the total asset value each year. He prefers that they build a robust capital plan; this is a project he's already started.

CFO Whitaker presented a slide showing personnel expenses. They are budgeting healthcare expenses relatively high as these expenses can be unpredictable. There is also a new payroll tax that is coming into effect January 1 which is the State's new paid family and medical leave insurance program.

Director Syring asked if there are revenue funds budgeted to get the SAIF refund that they get every year. CFO Whitaker said that the SAIF dividend and SAIF refund are conservatively projected in the "Other Revenues" line that he's planned for.

Director Wall brought up that she thought they had a stop loss for healthcare expenses at \$5 million. What else is included in that number? (Slide showed about \$6.6 million planned for FY 22-23.) CFO Whitaker said the \$5 million stop loss is only for health insurance claims. This doesn't include dental, administrative fees, and a couple other expenses.

Director Joseph asked if healthcare expenses included the Wellness program. CFO Whitaker said the Wellness program is under Materials & Services and in personnel.

CFO Whitaker then presented on Materials & Services. This spending has been relatively flat over the years and his chart showed this. For FY 2022-23, they have \$7.5 million budgeted. He explained that this is up from their original budget due to much higher fuel prices.

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Financial Manager Michael Wong presented the Capital Plan. He explained that a capital improvement plan is a blueprint that identified current inventory, capital needs, years in which funding each project should occur, and the methods of funding. Having a capital improvement plan is a best practice as it ensures the District is accountable to the community in respect to the expenditure of public funds and the maintenance of public assets. Scheduled replacement of capital assets is vital to the safety of fire personnel and the public and it allows the District to maintain uninterrupted services and reduce unnecessary costs.

He explained that the District recognizes two different definitions for capital assets. For depreciation, capital (fixed) assets are assets with an initial cost of \$5,000 or greater and an estimated life in excess of two years. For budgeting and capital planning purposes, the definition of a capital asset is broadened so it doesn't need to meet the \$5,000 requirement. This allows the District to plan for expenses that are significant, even if the cost is under \$5,000.

Financial Manager Wong presented a slide showing the major categories of capital projects includes facilities, apparatus, technology, firefighting equipment, EMS and rescue equipment, and exercise equipment. He showed a slide with these categories and their financial needs for the upcoming five budget cycles. For FY 2022-23, the capital replacement needs are \$1.29 million. However, due to the limited budget, they are only proposing funding about \$669,000 of the highest priority items. He showed that for the next four years, the identified capital needs exceed the available resources.

Director Hawes said that he appreciated all the work that they put into this capital plan.

Mr. Gallia asked if Gladstone Fire was included in this capital plan. CFO Whitaker said no, under the current IGA the City of Gladstone was still responsible for major maintenance of their station. This IGA also gave possession of their newest engine over to CFD, which is only a year old. This wouldn't require replacement for another 15 years. It's still a great point to bring up that the capital plan will need to be updated in the future with any IGAs and assets that are acquired.

Director Cross commended them on creating this plan. This was a gap that was much needed for the District's planning.

Director Syring thanked them for doing a great job. He asked what the \$2.7 million for communications was for in FY 2024-25. CFO Whitaker replied that it is an estimate for replacing the portable radios.

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CFO Whitaker presented the five-year forecast. His projections showed some modest surpluses in future years thanks to the projected AV growth and PERS costs. This forecast shows that the District is on the right track with recovery being slow and steady. He reminded everyone that a forecast comes with a lot of caveats and the next time they see a forecast, it will look different. However, what's important is that they continue in the right direction.

Mr. Gallia said he sees modest increases each year and this doesn't take into account current inflation which would obviously change the forecast. CFO Whitaker agreed; if materials and services costs increased 7% annually, that would definitely change the forecast.

Next, CFO Whitaker wanted to cover the District's loan payoff. In 2018, the District took out a \$7 million loan. Currently, there is \$1.6 million left in the capital replacement fund. Annual debt service is about \$506,000 each year through FY 2032-33. In FY 2032-33, the loan resets and the bank can either require repayment of the entire remaining principal amount of \$2.2 million or it will allow the District to continue debt service through the next five years at a new interest rate.

There are concerns about the possible balloon payment or another five years of debt service; therefore, he came up with an alternate proposal. His plan proposes using \$1.4 million of the remaining loan proceeds to make principal pre-payments for the next four years. The FY 2022-2023 proposed budget includes a \$506,000 principal pre-payment. If they make these principal pre-payments as well as continue to pay debt service, in 2033 the loan would be paid off without a balloon payment or extending the debt service.

He shared that this proposal doesn't come without drawbacks. Putting money towards the pre-payments means these funds are not going toward capital projects. The capital replacement plan shows that there are outstanding needs that the District can't fund. The remaining loan funds could help fund these projects. Inflation is also high and capital costs are only going to increase. Perhaps they should be using the loan to cover these costs now rather than in the future.

CFO Whitaker said that these are just a couple options of what to do. If they wanted to move forward with the pre-payment, they are only allowed to do this once a year on June 15. They can choose to look at the budget further along in the year and decide whether or not to proceed with the payment on June 15 or use it for other projects.

Director Hawes really liked the option of the pre-payment or putting it toward something mission critical, if needed.

Director Cross agreed. Having options in the current financial situation is a good choice.

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Director Syring also agreed. He asked what the \$7 million loan was for. CFO Whitaker believed it was for a new administrative building and to finish up G.O. Bond projects. Director Cross remembered that there were cost overruns with building Stations 16 and 19. Director Wall further explained that they did not anticipate when they accepted the bond money that they would have to replace Station 16. The expectation at the time the bond was requested was to have the money go toward fixing up Station 16. However, once they looked into Station 16 further, they realized it would need to be fully replaced. Similarly, Station 19 wasn't originally in the plan but the opportunity arose and the District made the decision to go forward with that. They were looking at building the new administrative building on a Clackamas Community College site, but they couldn't get a building at a size they could afford.

Mr. Powell asked about Urban Renewal dollars. Will the County allow them to use the funds for other capital projects? CFO Whitaker said that it requires the County's approval, but they have been fairly open with the District's requests. Mr. Powell asked how that impacts the budget for this year. CFO Whitaker said they are forecasting using about \$300,000 of the Urban Renewal funds. If they identified more projects sooner, then they would ask for approval to use more of those funds.

Director Joseph asked if Urban Renewal funds were used for the property next to Station 1. CFO Whitaker said yes, Urban Renewal funds are being used to convert that home into office space. Director Joseph asked what the total budget on that project was. CFO Whitaker said they budgeted \$75,000 but believes they will be under budget. This project is not in the proposed budget as it's in the current year's budget.

CFO Whitaker presented on the general obligation bond debt. One of the budget committee's roles is to approve the tax amount for this debt. Principal and interest payments total under \$2.3 million in FY 2022-23. The bonded debt levy, plus prior year tax collections, interest earnings, and beginning fund balance in the debt service fund should be sufficient to cover the general obligation debt payments. The staff's recommendation is for the committee to approve a bonded debt levy of \$2,259,050.

Director Wall asked what the amount of that fund per dollar would be. CFO Whitaker said it would be around \$0.10. Director Wall said they had told the public in the past that it would not go above \$0.10 so she wanted to be sure.

VI. GENERAL DISCUSSION

Chairperson Hicks opened up general discussion.

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Director Joseph said he has been privileged to work with Chief Browne and his team throughout the last year. They have left no stone unturned in finding ways they can save money. They have gone to great lengths to go through all the District's expenses and not just go with the status quo. He thanked them for all their hard work.

Mr. Gifford asked with the increase in gas prices, if electric vehicles have ever been discussed. Director Hawes said there are many pros and cons to electric vehicles, but it's really more of a subject for the Board rather than the budget committee. Keeping the budget committee focused on the budget and not operational details and policies, makes a good budget.

Mr. Powell asked about the Gladstone IGA. Is CFD absorbing the employees, equipment, etc.? How will this impact CFD specifically in regard to employees and training? Assistant Chief (AC) Stewart said the contract for service is for all fire and emergency services. CFD will provide service to the City of Gladstone just like they provide service to the City of Milwaukie and CFD's other areas. However, instead of receiving tax dollars directly from the residents, CFD will be paid from the City of Gladstone. As far as employees, Gladstone Fire's three full-time employees will be joining CFD. They also have a group of part-time, on-call firefighters that will join CFD's volunteer group. The salaries be will at the rate in which they are placed in the organization. The benefits and training are rolled into the contract costs. They will become CFD employees starting June 1.

Mr. Powell asked if it made sense operationally to have an ambulance in the Gladstone area as it's an aging population, or if they are fully depending on the fire apparatus. This could impact the dollars received from ambulance service. AC Stewart said CFD is contracted to provide a fire engine with three firefighters, with at least one being a paramedic. The City of Gladstone sets the service level in their station.

Mr. Anderson asked about the D-shift rotation. How does this affect the budget? AC Stewart explained that the schedule change referred to as D-shift is a rearrangement of the days firefighters work. This doesn't affect the total number of hours or shifts per year. The intent of this schedule is to look at the rest and recovery rehabilitation time for the members. There has been a lot of research around shift workers, specifically firefighters, that looks at the amount of recovery time needed to recover from hypervigilant states. CFD worked with Local 1159 and one of the ways to address this health and safety concern was this rearrangement in shifts. The personnel would work one day, have two days off, work one day, have four days off. About every 24th day, they would work an extra shift back. Director Joseph added that one of the

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priorities of the Board was changing the firefighters' quality of life and to attract and keep the best people for CFD.

Director Syring reminded the group that last year, for the first time in CFD's history, they passed a \$1.4 million deficit budget which later ballooned to \$3.7 million. To come from that situation and still present a balanced budget is amazing and he commended Chief Browne, CFO Whitaker, and their teams on their exceptional work.

Mr. Powell commented on how well-defined and digestible the proposed budget was. He appreciated the explanations in each area and it was a very intuitive document. Director Joseph added that CFO Whitaker has done a wonderful job creating reports that anyone can understand.

Mr. Gallia asked Chief Browne and CFO Whitaker if they were confident that the issues and concerns that were brought up in the last few months, would not be concerns again. Do they feel that the processes they have put into place will prevent this? Chief Browne said they are in the business of natural disasters so he cannot predict if they will have another wildfire season like in 2020. However, the strategies they have implemented are currently working. The prompt and decisive moves they made have proven to work and this shows in the forecasts. CFO Whitaker added that he believed they are on the right path. This budget required a lot of difficult choices but it's balanced. There are still some risks and challenges, but it will not be remotely close to the magnitude that they encountered in January. He's also built-in conservative assumptions.

Mr. Gifford asked if the budget committee could be looped into major items like the Gladstone IGA so they aren't surprised. Chief Browne said it was approved two weeks ago but he will work on giving them more of a heads up in the future.

Director Joseph wanted to specifically mention and thank Division Chief (DC) Mulick, AC Stewart, and AC Deters for all their hard work.

VII. PUBLIC COMMENT

Executive Assistant Roberts said that Richard Nepon was signed up for public comment but he had just left the virtual meeting. She shared that he wanted to suggest funding for CERT groups to cover communications, emergency supplies, handouts, and PPE.

VIII. APPROVAL OF THE FY 2022-2023 PROPOSED BUDGET

Mr. Anderson made a motion and Mr. Gallia seconded to approved the FY 2022-2023 proposed budget. The motion passed unanimously.

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Mr. Gifford made a motion and Director Hawes seconded to approve the permanent tax rate of 2.4012% per \$1,000 of assessed value for FY 2022-23. The motion passed unanimously.

Mr. Powell made a motion and Mr. Gallia seconded to approve the levy bonded debt at \$2,259,050. The motion passed unanimously.

IX. ADJOURNMENT

The meeting was adjourned at 6:51 pm.

Minutes were recorded by Executive Assistant Ariel Roberts and prepared by Administrative Technician Jessamyn Ode.

Approved by: *William Gifford*
[William Gifford \(Jul 21, 2022 12:38 PDT\)](#)
Recording Secretary, William Gifford

Accepted by:

thomasjoseph
[thomasjoseph \(Jul 21, 2022 06:50 PDT\)](#)
President Thomas Joseph

James E Syring
[James E Syring \(Jul 21, 2022 08:36 PDT\)](#)
Secretary James Syring











Budget Committee Meeting Minutes 5-10-22 Final


Final Audit Report

2022-07-21


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