**SOUTH KING FIRE**
October 3, 2023
Special Meeting
Station 68 and Virtual

Commissioner Gates called the Special Meeting to order at 1400 hours with Commissioners Berger, Vadino, Thompson and Fuller in attendance. Board Secretary Lauri Perry recording. Due to technical difficulties, the audio for those joining us virtually was not working or being recorded at the beginning of the meeting.

The Pledge of Allegiance was led by Commissioner Fuller.

Please visit our website (southkingfire.org) to view the recording of the Special meeting.

## COMMISSIONER COMMENTS

Commissioner Vadino thanked staff for their work upgrading the conference room, it will improve the viewing of the virtual meetings.

Commissioner Thompson echoed Commissioner Vadino's comments and added the upgrade was way past due. Commissioner Thompson added that he is looking forward to the presentation today regarding the budget planning process and updates to the information that supports our budget and district fiscal restraints. He added the month of October is National Breast Cancer Awareness Month, show your support by wearing your department Breast Cancer t-shirts.

Commissioner Berger had no comments.

Commissioner Fuller concurred with the other Commissioners.

Commissioner Gates had no comments.

Interim Chief Van Valkenburg welcomed everyone to the meeting.

## DISTRICT FINANCES

Executive Director Ganem noted that this type of meeting is a little bit uncommon in terms of the budget development process. He was asked by a Commissioner to put on a presentation on district finances. We had a retreat back in 2021 and gave a presentation on district finances and 10-year cash flow analysis. We are going to share a recap of what the district looked like back then and some of the progress that we have made since then, and where we are going.

We are going to look at our finances during the recession and the recovery afterwards. The District and the Governance Board made decisions that they felt were in the best interest of the District and the community at that time. Some of those things we can look back on now and determine if we should repeat those actions or should we go in a different direction. We are also going to look at some of the current financial considerations and then we are going to discuss what the Board can expect moving forward with some policy recommendations during this budget process.

Today we are going to review:

Recap 2021 Retreat Topics
- Cash Flow and Reserve Fund Analysis
- Capital Improvement Plan
  - 2015 Bond – Equipment and Technology upgrades replaced with Bond funds are up for replacement beginning in 2022.
  - Fire Station Improvements – Ongoing maintenance and routine upgrades.
  - Vehicles – includes vehicles that were not replaced with bond funds and new vehicles needed for our growing district.
  - Expected expenditures accounted for in increased M & O amount.
- Adjustments to Apparatus Replacement Schedule
  - Vehicle and Apparatus Replacement Cycle – Proposed by the Fleet Division
  - Purchases (not leased)
    - Shatt Vehicles – 10 years
    - Engines – 15 years
      - 8 Frontline – 7 reserve status
      - Reason – increased call volumes, double engine houses
    - Ladder Truck – 15-20 years
      - 15-year model (8 frontline – 7 reserve status)
      - 20-year model (10 frontline – 10 reserve status)
    - Heavy Rescue – 20 years (if not ran like an engine)
    - Aid Cars – 165 years
      - 8 frontline – 7 reserve status
      - Can re-chassis if available

- 10 Year Analysis (2013-2023)
  - Financials
    - Annual Budgets
    - Revenue & Expense Reports
    - Reserve Fund Balances
    - Election History – Lid Lifts, M&O Levies and Bond
    - LTGO Bond (2009)
    - Credit Rating History (AA+) – this is tied to our reserves
  - Staffing
    - Operations Staffing – Budgeted
    - Annual Emergency Responses
    - Operations Overtime

- Progress on "Balanced" Approach – Goals that we have Achieved Since 2021 Budget
  - Set Reasonable & Achievable Expectations
    - Funding – Increased Revenue
    - Staffing Levels – Increased Personnel both in Operations and Support Staff
    - Capital Replacements – Over $4M Expensed in 3 years
    - Reserve Contributions – Increases to Capital & Contingency Funds
    - Demonstrate the Need – Respect the Budget
  - Priorities

        - Take Care of our People and Community
        - Provide a Safe Workplace, Reliable Equipment & Stable career
        - Be Consistent – Do What We Say We'll Do
        - Make Informed Decisions that Impact Financials
        - Respect Taxpayer Dollars
        - Limit Financial Asks – Live Within Our Means
    - Board and Community Support
        - Supported Renewal and Increase to M&O Levy in 2020
            - Increase Staffing
            - Fund Capital Equipment
            - Increase Reserves
        - Provide Cost of Living Adjustments to Employees (9.3%) in 2 years
            - 2022 – 3.30%
            - 2023 – 6%
        - Passed August 2023 Lid Lift Levy

- Current Financial Outlook
    - Our Capital was frozen for several years, and we have 2 stations that still need to be remodeled and retrofitted. We are in the process of selling our property at 320th to fund the stations and additional apparatus purchases.

At 1516 hours the meeting recessed for a 10 minute break

At 1526 the Special Meeting reconvened

- Economic Outlook – 2024 Budget Considerations
    - Assessed Values
        - Property Tax Revenue
    - City of Federal Way
        - Tax Increment Financing (TIF)
            - This will divert Property Tax Revenue from the Fire District to the City of Federal Way to fund Economic Development in Federal Way.
            - We are working with the City Manager and Finance Director on options to mitigate.
            - The City Council is aware of our concerns
    - Recession
        - Inflation & CPI
    - Current Funding
        - M&O Levy – Expires in 2024
    - Labor Contracts
        - Negotiations
    - Tax Exemptions
        - Limit Funding for Fire District
    - Neighboring Levies & Taxpayer Fatigue
    - Grant Requests & Alternate Funding

- District Funds
  - General
    - Primary fund for all revenues and expenditures which are not accounted for in other funds and consists of those services commonly provided by the district
  - Capital
    - Used to fund Capital Improvement Plan for the timely replacement of capital equipment, apparatus, facility improvements, computer infrastructure, etc.
  - Contingency
    - Formerly "Rainy day Fund" available for emergencies, unforeseen circumstances
  - Medical – Restricted fund for Self-Insurance Medical Plan as dictated by the State
  - LEOFF – Fund for District liability of LEOFF 1 retired members.

- Rethinking Reserves – Insurance and Savings
  - Reserves as Insurance
    - Role – Guards against risk, revenue instability, catastrophic events, cash flow instability
  - Reserves as Savings
    - Role – Accumulate cash to pay for future costs that are not affordable within a single year's revenue.
  - Reserves and Insurance and Reserves as Savings = Solid Financial Strategy

- Board Policy Recommendations
  - Finance Supervisor Barrett has done a lot of work on this and is recommending that we develop a Reserve Policy for the Board to consider. This will be vetted through the Finance & Audit Committee. It will include:
    - Policy Purpose
    - Reserve Allocation % Ranges (min/max)
    - Acceptable Use of Reserves
    - Authority to Use
    - Replenishment Plan
- The Future is Now
  - Major Facility & Apparatus
    - How do we fund multimillion dollar projects for?
      - Station 62 and Station 68 improvements
      - Ladder Truck
      - A new fire station in the growing south-end of the District
        - Staffed
    - How do we grow to support the housing and economic development plans in Federal Way and Des Moines
      - Strategic Bridge Plan
        - Sustainable Funding Beyond 2024

Meeting adjourned at 1600 hours.

COMMISSIONER (CHAIR)

COMMISSIONER (VICE CHAIR)

COMMISSIONER

COMMISSIONER

COMMISSIONER

BOARD SECRETARY

SOUTH KING FIRE IS AN EQUAL OPPORTUNITY EMPLOYER