



Yamhill & Polk Counties Fire Departments & Districts

McMinnville, Oregon

November 2021

Scenario 3 Financial Model

Financial Summary

ESCI Emergency Services
Consulting International

Providing Expertise & Guidance that Enhances Community Safety

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INTRODUCTION

In the original ESCI Cooperative Services Feasibility Study, two separate fire protection districts were proposed under Phase II, the North Willamette Valley and Mid-Willamette Valley Fire Protection Districts. Financial modeling was conducted assuming that all potential partners participated in each respective district to develop baseline financial projections and millage rate estimates. It was pointed out that the removal of one or more potential partners in either district would affect the financial analyses and potential mill rates to greater or lesser degrees that were unknown at the time of the original study.

Subsequent discussion between various potential partners has shown that many are not yet ready to move into the next phase. Most of the potential North Willamette partners, except for the Dayton Fire District (DFD) have expressed support to continue with the process. The following analysis summarizes the financial impact of the latest Preferred Scenario for the North Willamette Valley Fire Protection District which now includes: the Amity Fire District (AFD), the City of Dundee (DDF), the Dundee Rural Fire Protection District (DRFPD), the Lafayette Fire District (LFD), the City of McMinnville (MFD), the McMinnville Rural Fire Protection District (MRFPD) and the New Carlton Fire District (NCFD).

It is first worth reviewing the underlying assumptions used in both the original and this subsequent analysis. The potential partners have completed another fiscal year (FY 21) but the historical analysis from the original study was based upon actual data through FY 19. However, the original analysis is still generally valid since little of significance has changed that would alter historically derived trajectories of major revenue and expense categories. Updated financial data was not available for all potential partners in the Preferred Scenario, therefore, the original study data is used in the following financial model.

The estimates and analyses presented are dependent on the outlined assumptions and subject to change depending on actual factors that influence revenue and expense. Key assumptions used in the assessment are followed by high-level estimates of revenue, expense, and the net impact on fund balance over the five-year period FY 22 through FY 26. The scenario concludes with a notional summary of financial considerations. The figures shown in the summary may vary considerably given different assumptions as the process moves forward and is only intended as a rough indicator of how district formation may affect estimated millage rates for the participating parties over time. Operational millage rates in the forecast beginning with FY 21 are calculated rates and may not reflect actual current permanent or voter-approved levy rates.

FY 21 REVENUE & EXPENDITURE MODEL

The fiscal analysis begins with a comparison of FY 21 adopted or estimated financial resources and expenses of the partner agencies participating in the Preferred Scenario. The following figures provide summaries of recurring and non-recurring revenue sources as well as any fund balance, if applicable. The figures shown represent all potential partners in the Preferred Scenario.

Those departments that are part of a municipal general fund (Dundee, Lafayette, and McMinnville) do not show a fund balance that might be available as part of the new district's resources except where they have capital resources maintained in funds separate from the GF. Tax revenues for those city departments represent a portion of undesignated city general revenues (assumed to be taxes for purposes of this analysis) necessary to fully fund the departments beyond fire department-specific revenues and operational mill levies are calculated as if these departments were funded separately from the respective city general funds.

Charges for Services include ambulance billing, prevention activities, etc. The columns for Dundee and McMinnville do not include the Dundee and McMinnville rural fire protection districts to which they provide services under contract, which are shown separately. The analysis here does not include either the expenditure by the district or the revenue for the municipality derived from the service contracts as these are net zero.

Other recurring revenues include FireMed revenue where applicable and the Reimbursement/Conflagration line includes GEMT reimbursements, where applicable. The final column shows total revenues and fund balances for all agencies combined, as estimated for FY 21. This column is used as a starting point to examine projected revenues and expenses for the Preferred Scenario of the potential new North Willamette Fire Protection District.

Figure 1: FY 21 Adopted/Estimated Revenue and Expense for North Willamette Valley Fire District Partners—Preferred Scenario

Resources	Agency									
	AFD	DDF ³	DRFPD ³	LFD	MFD ⁴	MRFPD ⁴	NCFD	Total		
Taxes—Current Year ¹	695,423	543,524	187,541	517,222	4,590,175	504,939	413,145	7,451,970		
Taxes—Prior Year	15,000	0	8,000	0	-	23,936	13,000	59,936		
Interest/Earnings	4,000	0	500	13,500	15,200	15,000	9,300	57,500		
Charges for Services ²	0	0	0	0	3,668,000	0	100,000	3,768,000		
Other ⁵	0	150,000	0	0	228,000	0	0	378,000		
Recurring Revenue	714,423	693,524	196,041	530,722	8,501,375	543,875	535,445	11,715,406		
Grants	5,000	0	0	0	0	0	0	5,000		
Sale of Surplus	500	0	0	0	0	0	0	500		
Reimb./Conflagration ⁶	68,500	0	0	0	252,000	0	0	320,500		
Miscellaneous	1,000	535,600	500	0	116,202	0	5,000	658,302		
Non-Recurring Revenue	75,000	535,600	500	0	368,202	0	5,000	984,302		
Beginning Fund Balance	49,096	0	162,450	5,496,500	0	700,876	618,016	7,026,938		
TOTAL RESOURCES:	838,519	1,229,124	358,991	6,027,222	8,869,577	1,244,751	1,158,461	19,726,646		

¹For municipal departments this includes non-specified general revenues required beyond fire service-specific revenues to meet expenses

²Includes ambulance billing and collections revenue for transporting agencies

³City of Dundee contract revenue and Dundee RFPD contract expense excluded since they are net zero

⁴City of McMinnville contract revenue and McMinnville RFPD contract expense excluded since they are net zero

⁵Includes revenue from FireMed

⁶Includes GEMT reimbursements and Conflagration/wildfire reimbursement from state and other sources

Expense	Agency									
	AFD ¹	DDF ²	DRFPD ²	LFD	MFD ³	MRFPD ³	NCFD	Total		
Personnel Services	30,780	540,200	0	179,584	7,235,621	0	117,120	8,103,305		

Materials and Services	386,387	107,300	12,797	154,500	1,459,057	83,208	211,500	2,414,749
Debt Service	312,212	150,200	80,498	183,138	115,291	0	113,325	954,664
Recurring Expense	729,379	797,700	93,295	517,222	8,809,969	83,208	441,945	11,472,719
Land	0	0	0	0	0	0	0	0
Buildings	109,140	5,000	0	2,614,000	0	0	5,000	2,733,140
Equipment	0	22,800	1,000	626,500	413,100	42,000	165,000	1,270,400
Apparatus	0	535,600	0	0	45,000	0	0	580,600
Non-Recurring Expense	109,140	563,400	1,000	3,240,500	458,100	42,000	170,000	4,584,140
TOTAL EXPENSES:	838,519	1,361,100	94,295	3,757,722	9,268,069	125,208	611,945	16,056,859

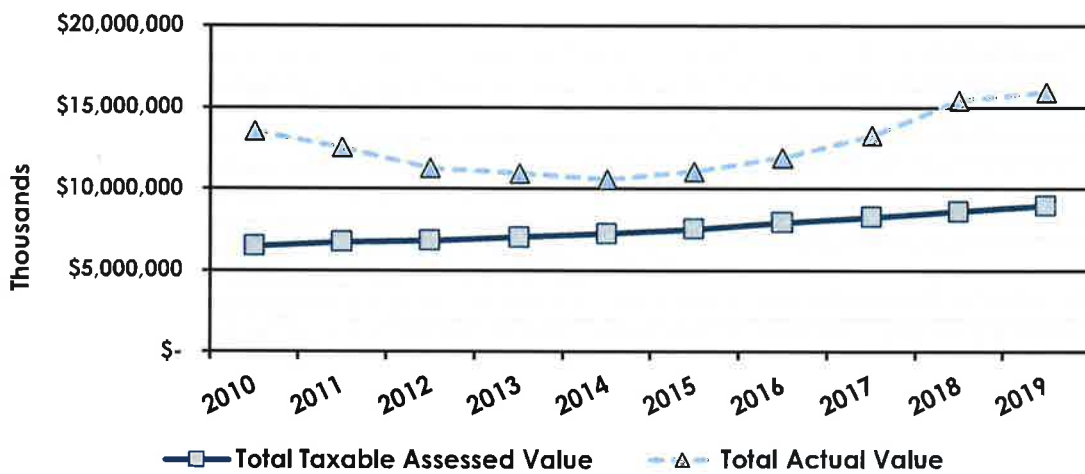
¹Adopted FY 21 expenditure budget reduced to provide for a balanced budget

²City of Dundee contract revenue and Dundee RFPD contract expense excluded since they are net zero

³City of McMinnville contract revenue and McMinnville RFPD contract expense excluded since they are net zero

Yamhill County is the county to which the petition to form the new district would most likely be addressed and it is useful to examine the historical trajectory of total taxable assessed value versus total actual value for property within the service area to determine an average rate of increase that might be applied to future properties within the new district. Figure following figure shows the historical trend of increasing taxable assessed value for the county from 2010 through 2019.¹ Total taxable assessed value, less exemptions, has increased from almost \$6.5 billion in 2010 to just under \$9 billion in 2019, an increase of 38.6%. Although fluctuating somewhat, the average annual rate of increase in value has been 4.2%.

Figure 2: Yamhill County Total Taxable Assessed Value versus Total Actual Value, 2010-2019



Applying the average annual increase in total assessed taxable value of 4.2% to the FY 20 total taxable assessed values for each respective partner jurisdiction yields the amounts shown on the second row of the following figure for the North Willamette Valley Fire District in the Preferred Scenario. Using the FY 21 debt service amounts for each agency (plus contracted districts as applicable) yields an equivalent debt service millage rate (DS Mill Rate). Operating expense funding requirements (after subtracting any fire department-specific revenues in the case of general fund municipal departments) yield an equivalent operating millage rate (Op Mill Rate). It should be noted that the equivalent millage rates are calculated rates and may not match the actual rates since they are based on adopted revenue and expense budgets.

¹ Yamhill County Department of Assessment and Taxation in; Yamhill County Comprehensive Annual Financial Report 2019.

Combined totals for all partner entities are shown in the final column on the right with a calculated equivalent millage rate for both operating and debt service needs. For example, and assuming no changes for FY 21, the North Willamette Valley Fire District totals in the Preferred Scenario would yield a debt service millage rate of 0.1911, which assumes the debt is spread over all district rate payers. Likewise, an equivalent district operating millage rate of 1.3005 mills would be needed to fund operating expenses spread across all taxpayers in the new district.

It is important to note that the combined millage rate shown here is only applicable to FY 21 and is not indicative of the permanent millage rate that would need to be adopted to sustain the new district over the next five years should the parties proceed. Sustainable millage rates for the potential new district under the preferred scenario through FY 26 and assuming district creation in FY 22 are shown later in this section.

The rows shown as Operating Millage Change and Debt Service Millage Change indicate either a reduction or an increase over the FY 21 estimated equivalent millage rates as calculated for the separate entities if they were to combine as the North Willamette Valley Fire District in FY 21 under the Preferred Scenario. For example, the Amity Fire District estimated equivalent operating and debt service millage rates for FY 21 are 0.8767 and 0.7442 mills, respectively. In the FY 21 Preferred Scenario, the equivalent operating millage rate for taxpayers within the current Amity Fire District jurisdictional limits would increase by 0.4238 mills, while the debt service millage rate would decrease by 0.5532 mills for a total net reduction of 0.1294 mills.

Figure 3: FY 20 Taxable and FY 2021 Estimated Taxable Assessed Values for the North Willamette Valley Fire District Partners vs. Combined Values and Rates—Preferred Scenario

Item	Agency										Total
	AFD	DDF	DRFPD	LFD	MFD	MRFPD	NCFD				
FY 20 Taxable Value	419,503,634	302,314,048	199,429,857	233,722,857	2,820,653,990	496,980,994	322,171,380			4,794,776,760	
FY 21 Estimated TV	437,122,787	315,011,238	207,805,911	243,539,217	2,939,121,458	517,854,196	335,702,578			4,996,157,384	
Operating Support	383,211	393,324	107,043	334,084	4,474,884	504,939	299,820			6,497,305	
Operating Millage	0.8767	1.2486	0.5151	1.3718	1.5225	0.9751	0.8931			1.3005	
Oper Millage Change	0.4238	0.0519	0.7854	(0.0713)	(0.2221)	0.3254	0.4073			-	
Debt Service Support	312,212	150,200	80,498	183,138	115,291	0	113,325			954,664	
Debt Service Millage	0.7442	0.4968	0.4036	0.7836	0.0409	-	0.3518			0.1911	
DS Millage Change	(0.5532)	(0.3058)	(0.2126)	(0.5925)	0.1502	0.1911	(0.1607)			-	

Key Assumptions

Revenue

Property taxes represent the largest and primary source of revenue for the combined operations and debt service of the potential partners regardless of the likelihood that the scenario will move forward. Property tax revenue assumptions include:

- The permanent tax rate estimated is equivalent to a base rate that produces the amount of revenue necessary to provide personnel, materials and services, capital equipment and apparatus replacement, as well as average annual building capital costs based upon the expenditure assumptions that follow. This rate was chosen to provide enough recurring revenue to fund recurring expenses through FY 26. Further, this rate works to support a 20% beginning fund balance goal based upon total annual expenditures as forecast. This rate may or may not be sufficient to provide for service level increases that the potential new district and participating agencies may need or desire. Therefore, the final proposed permanent millage rates may be higher than those assumed for the base case for each scenario.

The assumed effective, permanent levy rate in the base case for the North Willamette Valley Fire District under the Base Scenario with all potential partners participating is 1.5 mills per 1,000 AV for the forecast period FY 22–26.

- The forecast assumes that the total assessed taxable value will increase annually at the same historical rate of 4.2% observed for all of Yamhill County. Further, it is assumed that prior year taxes will increase at the same rate using the FY 21 total amount as the base.
- The debt service tax rate is based upon the amount of revenue necessary each year to fund the combined debt service, which is assumed to be spread across all taxpayers for the newly created district for the purposes of this forecast. The mill rate is only sufficient to generate enough revenue to service each year's debt in the model. It is understood that the assumption to spread total debt across all agencies will be the subject of negotiations and may not ultimately be adopted by the parties. Deleting the debt service and the necessary debt service millage would not impact the model as these changes are net zero. The same operating millage rates would still need to be applied.
- Interest earnings are forecast to increase at 1% annually using the FY 21 total as the base amount.
- Charges for services, the bulk of which represent ambulance billing, have historically not increased significantly, and are forecast to rise at 1% annually.

- Other revenues include FireMed and are forecast to increase at 1.2% annually based upon historical trends.
- Non-recurring revenues in each category represent a historical average for all partners and are not forecast to increase.
- Under the Base Scenario, a beginning balance of \$7.027 million in FY 21 is used as both a 20% operating reserve and to cover the difference between revenue and expense since there is a net operating loss in FY 21 for the North Willamette Valley Fire District.

Expenses

Personnel and Materials & Services represent the largest and primary source of recurring expenditures for the potential partners. Since the non-recurring capital facilities and equipment/apparatus replacement amounts for the individual agencies have been averaged historically and combined, they can be considered recurring in nature, realizing that the actual amounts may be higher or lower year-to-year. Expenditure assumptions include:

- The average annual increase in Personnel Services costs has historically varied significantly from agency to agency. Averages for the potential North Willamette Valley Fire District partners have varied from a low of 6.5% for Dayton to highs of 16–17% for Amity, McMinnville, and New Carlton. This category of expenditure has the highest impact on expenses and the required forecast permanent millage rate for district financial sustainability.
- It is anticipated that there will be some economies of scale for Personnel Services, and future rates for the North Willamette Valley Fire District will not be as high as 16–17%. The base forecast assumes an average annual increase of 6% throughout the forecast period for the North Willamette Valley District. This provides for an estimated 3% annual growth in total compensation and will still allow an additional 3% for some limited growth in staffing and improvements in service level while not requiring unrealistic permanent millage rates. However, this more conservative trend in Personnel Services increases still significantly impacts the permanent millage rate required for sustainment. The benefits of additional staff will need to be weighed against the impact of raising the permanent millage rate from an estimated district-wide rate of 1.3005 mills (the composite needed to fund the FY 21 adopted budget) to 1.5 mills.

- To test the impact of adding additional personnel, an analysis was done using a 2.0 mill maximum for the permanent rate (versus the 1.5 mill base case) and examining how many operations personnel might be added each year while still providing for at least 3% growth in total compensation.
- Based on ESCI's experience with other consolidation efforts, it is reasonable to expect a reduction in Materials & Services expenses for the first year followed by reasonable materials growth starting in year two. Historical average annual increases for the North Willamette Valley Fire District partners have ranged from a low of approximately 5% for Amity and Dundee to highs of 15% for McMinnville and New Carlton. To keep the permanent millage rates as low as possible for the projections, the forecast models assume no growth in FY 22, followed by a 3% per year growth rate.
- From FY 23 onward, growth in Materials & Services is projected to track with the annual inflation rate, which is projected to increase by 3% annually based upon a three-year average for the Western Region CPI-U, prior to the onset of the COVID-19 pandemic, as reported by the U.S. Bureau of Labor Statistics.² It is anticipated that this rate of inflation will continue once the nation recovers from the pandemic and the economy returns to pre-pandemic conditions.
- The forecast does not envision any expenditures for land, which may change if the committee decides to relocate existing or build new stations based upon the analysis of service demand.
- Capital expenditures for buildings in the forecast are based upon the historical average for all partners. This assumption may be high or low depending upon the degree to which major renovation and repair may be required for existing fire stations. Further, this annual average has been increased each year of the forecast period by 4.5% based upon a study of construction industry costs. According to Zarenski (2019), non-residential construction costs are estimated to have increased at 4–5% over the past five years and are expected to continue increasing at that rate.³ Construction costs can be as high as three times the Consumer Price Index and are heavily dependent upon labor and material costs as well as construction demand and backlog. Import tariffs on building materials such as steel and other commodities may have an increasing impact as well.

² <https://www.bls.gov/charts/consumer-price-index/consumer-price-index-by-category.htm>.

³ Zarenski, Ed (2019); Construction Cost Inflation-Commentary 2019, in Construction Analytics Economics Behind the Headlines; see <https://edzarenski.com/2018/02/15/inflation-in-construction-2019-what-should-you-carry/>.

- Equipment and Apparatus replacement costs in the forecast are also based upon the composite historical average annual expenditure of the partners. An annual inflation factor of 3% is applied to equipment, and 4% is applied to apparatus. The apparatus factor is based upon ESCI's experience with the fire apparatus industry.

Forecast Results

Summaries of the Preferred Scenario revenue and expense projections for the North Willamette Valley Fire District are shown in the following figures using the same assumptions and financial data from the original study as outlined above. The FY 21 figures represent the composite of the respective partners as discussed previously, with FY 22 being the first year of each new district's financial forecast.

Beginning in FY 22 for the North Willamette Valley Fire District under the Preferred Scenario, property tax revenue represents approximately 65% of total operating revenue, including non-recurring sources, with a net working capital/beginning fund balance of \$3.67 million. Between FY 22 and FY 26, total operating revenue increases at an average annual rate of approximately 2.3%, reflecting a conservative growth in revenues.

Figure 4: North Willamette Valley Fire District Preferred Scenario Resource Forecast, FY 22–26

Resources	2021	2022	2023	2024	2025	2026
	Adopted	Forecast	Forecast	Forecast	Forecast	Forecast
Taxes—Current Year	7,451,970	8,773,806	9,137,109	9,496,441	10,008,675	9,872,334
Taxes—Prior Year	59,936	62,453	65,076	67,810	70,658	73,625
Interest/Earnings	57,500	58,075	58,656	59,242	59,835	60,433
Charges for Services	3,768,000	3,805,680	3,843,737	3,882,174	3,920,996	3,960,206
Other	378,000	382,536	387,126	391,772	396,473	401,231
Recurring Revenue	11,715,406	13,082,550	13,491,704	13,897,439	14,456,636	14,367,829
Grants	5,000	32,611	32,600	32,600	32,600	32,600
Sale of Surplus	500	12,441	12,400	12,400	12,400	12,400
Reimb/Conflagration	320,500	290,189	290,000	290,000	290,000	290,000
Miscellaneous	658,302	79,484	80,000	80,000	80,000	80,000
Non-Recurring Rev	984,302	414,724	415,000	415,000	415,000	415,000
Beginning Fund Bal	7,026,938	3,669,787	4,166,268	4,408,402	4,375,513	4,045,804
TOTAL RESOURCES:	19,726,646	17,167,062	18,072,973	18,720,840	19,247,149	18,828,633

The following figures show the FY 21 composite revenue figures and millage rates for the potential district partners and the estimated equivalent levy amounts and rates needed to support the new district under the Preferred Scenario starting in FY 22, given the revenue and expenditure assumptions discussed previously for the five-year forecast period.

Figure 5: North Willamette Valley Fire District Preferred Scenario Forecast Levy Amounts and Rates, FY 22–26

Item	2021	2022	2023	2024	2025	2026
	Adopted	Forecast	Forecast	Forecast	Forecast	Forecast
Estimated Taxable Val	4,996,157,384	5,205,995,994	5,424,647,826	5,652,483,034	5,889,887,322	6,137,262,589
Permanent Levy Amt	6,497,305	7,808,994	8,136,972	8,478,725	8,834,831	9,205,894
Permanent Levy Rate	1.3005	1.5000	1.5000	1.5000	1.5000	1.5000
Debt Levy Amount	954,664	964,812	1,000,137	1,017,716	1,173,844	666,440
Debt Levy Rate	0.1911	0.1853	0.1844	0.1800	0.1993	0.1086
Total Levy Amount	7,451,970	8,773,806	9,137,109	9,496,441	10,008,675	9,872,334
Total Millage	1.4915	1.6853	1.6844	1.6800	1.6993	1.6086

As shown in the figure below, the annual growth rate in operating expense for the North Willamette Valley Fire District under the Preferred Scenario is expected to be relatively conservative due to reductions in redundancy and economies of scale. Personnel Services costs could expect to grow at 6% (a minimum of 3% for total compensation increases and 3% for some, limited additional growth) year over year, while Materials & Services grow at a rate of 3%, as discussed in the forecast assumptions. Using historical average costs for various capital line items allows the districts to better estimate the required permanent tax levy while providing the necessary funding for equipment and apparatus replacement, recognizing that actual expense may vary year-to-year based upon capital replacement plans.

Figure 6: North Willamette Valley Fire District Preferred Scenario Expenditure Forecast, FY 22–26

Expense	2021	2022	2023	2024	2025	2026
	Adopted	Forecast	Forecast	Forecast	Forecast	Forecast
Personnel Services ¹	8,103,305	8,589,503	9,104,873	9,651,166	10,230,236	10,844,050
Materials & Services ²	2,414,749	2,414,749	2,487,192	2,561,807	2,638,662	2,717,821
Debt Service	954,664	964,812	1,000,137	1,017,716	1,173,844	666,440
Recurring Expense	11,472,719	11,969,064	12,592,202	13,230,689	14,042,741	14,228,311
Land	0	0	0	0	0	0

Buildings	2,733,140	312,908	326,989	341,704	357,080	373,149
Equipment	1,270,400	219,443	226,027	232,807	239,792	246,985
Apparatus	580,600	499,377	519,353	540,127	561,732	584,201
Non-Recurring Exp³	4,584,140	1,031,729	1,072,368	1,114,638	1,158,604	1,204,335
TOTAL EXPENSES:	16,056,859	13,000,794	13,664,571	14,345,327	15,201,345	15,432,647

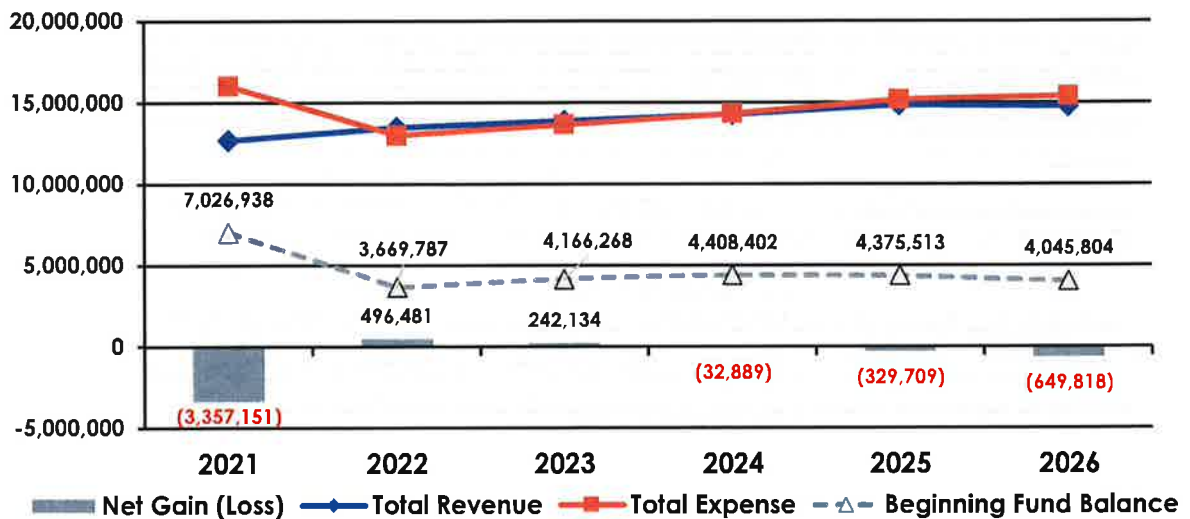
¹PS average annual increase has varied from a low of 6.5% for Dayton to highs of 16-17% for Amity, McMinnville and New Carlton

²M & S average annual increases have ranged from a low of approximately 5% for Amity and Dundee to highs of 15% for McMinnville and New Carlton

³Buildings, Equipment and Apparatus are each sum of historical average expenditures of the departments; inflation at 4.5%, 3% and 4%; respectively

The following figure shows total district revenue, expense, and the net effect on beginning fund balance under the Preferred Scenario. When expense in any one year exceeds available revenue, there is a net operating loss that must be made up by using the fund balance, thus reducing the available beginning fund balance the following year. Setting the permanent mill levy rate at 1.5 mills provides for a net gain in fund balance in FY 22-24, after which expense begins to increasingly exceed revenues, causing a reduction in fund balance.

Figure 7: North Willamette Valley Fire District Revenue, Expense, and Fund Balance Preferred Scenario Forecast, FY 22–26

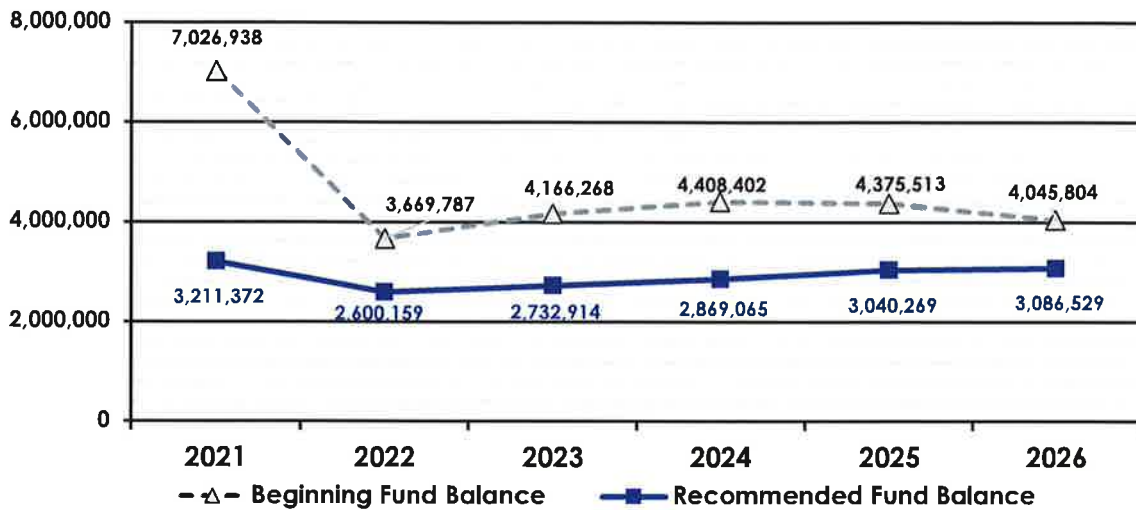


The Government Financial Officers Association (GFOA) provides guidance on how to account for fund balance and how much is recommended for various purposes.⁴ Specifically, GFOA recommends that governments maintain at least two months or just under 17% of operating revenues or expenditures at a minimum, depending upon fiscal year and timing of tax revenue collection and cash flow. A slightly more conservative 20% is recommended as the target for each new district. The following figure shows the impact of the forecast permanent millage rate on the North Willamette Valley Fire District beginning fund balance versus the 20% recommended beginning fund balance under the Preferred Scenario.

The North Willamette Valley Fire District beginning fund balance is maintained above the recommended amount in each of the five years of the forecast and rises in years two and three, after which the increase in expenses begins to outpace the rise in revenue and fund balance must make up the difference. This reduces subsequent beginning fund balance, which still does not drop below the recommended amount. However, this trend suggests that either future expenses would need to be reduced or the district would need to consider an optional adopted millage presented for a vote of district taxpayers. The leadership of the new district would need to monitor the actual trajectory of all these factors to ensure that the new district remains on sound financial footing.

⁴ <http://www.gfoa.org/fund-balance-guidelines-general-fund>.

Figure 8: North Willamette Valley Fire District Preferred Scenario Forecast versus Recommended Beginning Fund Balance, FY 22-26



Financial Impact of Staffing Additions

The above analysis for the North Willamette Valley Fire District can be considered the minimum mill rate case for comparison purposes under the Preferred Scenario. To test the ability to add additional operations staff, a model was prepared using the minimum or base case permanent mill rate of 1.5 mills, with a maximum millage rate of 2.0 mills per \$1,000 taxable assessed value.

ESCI has previously identified the need to add 5 to 7 additional positions for the recommended relief factor for the North Willamette Fire Protection District with all original partners participating. To account for these increased resources and long-term financial sustainability for this service level, a maximum 2.0 mills permanent rate per \$1,000.00 taxable income/value should be considered in the Preferred Scenario.

The following figure shows the estimated potential additional full-time equivalent (FTE) operational positions that could be added under the minimum necessary or base mill rate as outlined above for the Preferred Scenario (a 1.5 mill permanent levy) and shown here as Option #2 and under Option #3 which provides for a maximum permanent levy of 2.0 mills.

To develop this table, an estimated average total compensation cost for an operational position was developed. Based on the salary and benefit data provided in the initial study and a review of the potential partners, an average total compensation cost for a uniformed position in FY 21 is estimated at \$128,750. This is a composite of all uniformed positions through Battalion Chief and is not necessarily reflective of a specific position. This is merely used as a sensitivity indicator. This FY 21 cost for an FTE is escalated at 3% per year in line two of the table. Line three of the table is the total Personnel Services cost for the North Willamette District in FY 21, while the FY 22 amount is the first-year cost of Personnel Services for the new district if total compensation is increased by 3% only.

Option #2 is the minimum necessary mill rate case outlined above with a 6% annual increase in Personnel Services costs (3% for total compensation increases and 3% for other growth). Line five of the table shows the difference between the 3% compensation increase (Option #1) and the 3% plus growth or minimum mill rate case (Option #2) increase of 6%. The difference between the two cases is the amount of recurring expense that could be used to hire additional staff. Based upon the annual total compensation in line two, the next line shows the total number of staff that could, theoretically, be hired each year of the forecast at the minimum mill rate of 1.5 mills under the Preferred Scenario. The incremental cost is the cost that year of hiring the positions while the cumulative cost escalates the prior year costs by 3% and adds the new positions.

For comparison, the permanent millage rate was increased to 2.0 mills and the same analysis was performed. In the minimum case with a 1.5 mill permanent levy with a 6% annual growth rate in Personnel Services, the district could hire approximately 2 FTE per year through FY 26 for a total of approximately 10 new positions over the period and still provide for an annual 3% growth in total compensation in the Base Scenario. In the maximum 2.0 mill permanent levy case, the number of personnel that could potentially be hired increases to approximately 8 FTE per year through FY 24, dropping to 3 FTE and then 2 FTE for the following two years, respectively. This envisions annual growth rates in Personnel Services costs of 16% for FY 22–23, 12% for FY 24, and 6% for FY 25–26. While there are many assumptions that went into this model, it does give an indication that the district could achieve a desired goal of significantly increasing staffing while living within a 2.0 mill permanent levy and still provide for a 3% annual growth in total compensation.

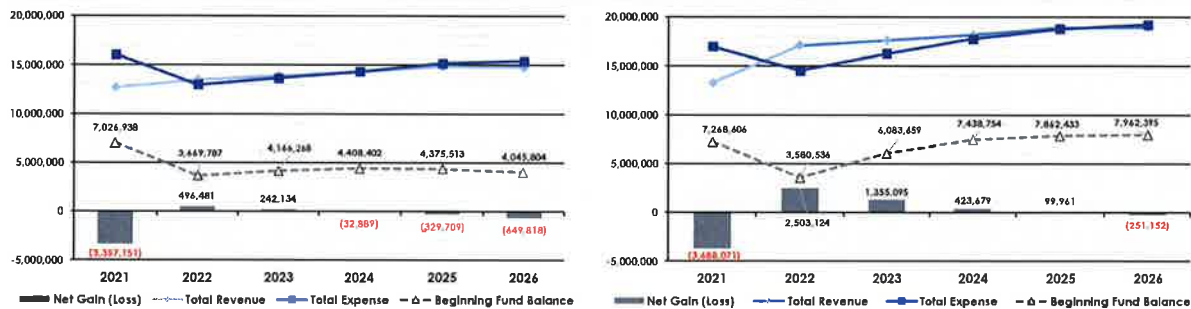
Figure 9: North Willamette Valley Fire District Preferred Scenario Forecast Under Alternative Mill Levy and Personnel Services Growth Options, FY 22–26

Expense	2021 Adopted	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast
Est PS Total Comp Increase	1.03	1.03	1.03	1.03	1.03	1.03
Avg Line Position Total Comp	128,750	132,613	136,591	140,689	144,909	149,257
PS Option #1 (3%, 1.5 mills)	8,103,305	8,346,404	8,596,796	8,854,700	9,120,341	9,393,951
PS Option #2 Min Case (6%, 1.5 mills)	8,103,305	8,589,503	9,104,873	9,651,166	10,230,236	10,844,050
Excess over Base Recurring	0	243,099	508,077	796,466	1,109,895	1,450,099
Potential Additional FTE	0	1.8	2.0	2.0	2.0	2.0
Incremental Cost	0	238,703	273,182	281,377	289,819	298,513
Cumulative Cost	0	238,703	519,045	815,994	1,130,292	1,462,714
PS Option #3 (Variable, 2.0 mills)	8,103,305	9,399,834	10,903,807	12,212,264	12,945,000	13,721,700
Excess over Base Recurring	0	1,053,430	2,307,011	3,357,564	3,824,659	4,327,749
Potential Additional FTE	0	8.0	8.0	8.0	3.0	2.0
Incremental Cost	0	1,060,900	1,092,727	1,125,509	434,728	298,513
Cumulative Cost	0	1,060,900	2,185,454	3,376,526	3,912,550	4,328,440

Financial Summary Comparing Base and Maximum Mill Rates

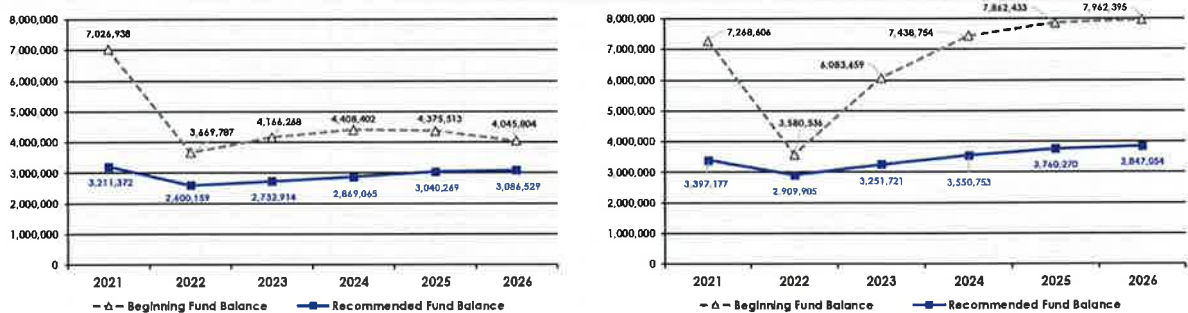
The following two figures compare the financial implications of adopting the minimum or base mill rate of 1.5 mills versus the maximum permanent rate of 2.0 mills on the partners of the Preferred Scenario. The first figure shows the relationship of revenue, expense, and fund balance with the 1.5 mill rate case on the left and the 2.0 mill case on the right. Despite adding additional personnel in the 2.0 mill case, revenue is much higher in the first two years having a significant and positive impact on fund balance. Further, despite adding a cumulative 29 FTE between FY 22 and FY 26 in the maximum case versus only 10 FTE in the base case, fund balance only just begins to level off by FY 26.

Figure 10: Comparison of Preferred Scenario Revenue, Expense, and Fund Balance under Minimum and Maximum Mill Rate Cases, FY 22–26



The following figure focuses on just a fund balance comparison which shows both the magnitude and rate of change for fund balance between the two cases. Again, the base or minimum case of 1.5 mills is shown on the left while the maximum case is shown on the right.

Figure 11: Comparison of Preferred Scenario Fund Balance under Minimum and Maximum Mill Rate Cases, FY 22-26



The next figure compares the ability of the North Willamette Fire Protection District to hire additional staff under the minimum or base permanent mill rate of 1.5 mills versus the maximum mill rate of 2.0 mills for the Preferred Scenario. As stated above, the maximum rate of 2.0 mills allows the district to add almost 30 additional FTE over five years and still maintain a healthy fund balance which only just begins to flatten out rather than grow by FY 26.

Figure 12: Comparison of Preferred Scenario New FTE Capacity under Minimum and Maximum Mill Rate Cases, FY 22-26

