



POLK COUNTY FIRE DISTRICT NO.1

1800 Monmouth St., Independence, OR 97351

Phone: 503-838-1510 Fax: 503-838-1235

Ben Stange, Fire Chief

May 12, 2022

Budget Message and Transmittal Letter for Fiscal Year 2022-23

Polk County Fire District No.1 Board of Directors, Budget Committee, Members of the Public, District Staff, and Volunteers,

It is an honor to present for your consideration the Polk County Fire District No.1 Budget for Fiscal Year 2022-23. This Budget, like previous Budgets, has been constructed through the collaboration of many members of the District. I would like to thank all those who played a part in the process. This was the first year since 2003 that Susan Shepard didn't play an instrumental role in the development of the Budget. However, where Susan's weekend and late night budget related text messages and emails left off, Stephanie Hale's have picked up. I'm very grateful for the incredible work Stephanie has put into this year's Budget.

Before I address the financial status of the District and highlight some of the changes in this year's Budget, I would like to take a moment and explain the Fire District's budgeting to those who may be picking up this document for the first time. In order to understand the area we protect, the services we offer, our method of staffing, and the way we are governed, I would encourage you to read the page titled, 'District Demographics and Profile.'

Our Budget is comprised of six Funds.

1. General Fund: The General Fund includes resources from taxes and other sources, mainly ambulance service revenue. The expenses within the General Fund are Personnel Services (wages and benefits), Materials and Services, Capital Outlay, and Debt Service.
2. Equipment Reserve Fund: The purpose of the Equipment Reserve Fund is to set aside resources from year to year in order to save for purchases of apparatus and expensive equipment. The District uses an Equipment Replacement Plan to anticipate needs from this Fund.
3. Grant Fund: From time to time the District receives grants and this Fund is set up to track grant resources and expenditures.
4. Mark and Mildred Laudahl Fund: The Laudahls were loyal residents of our community and left a generous donation to the Fire District. This Fund accounts for the earned interest from the donation and expenditures incurred in their honor.
- 5 & 6. Bond Capital Projects Fund and Bond Debt Service Fund: In 2014 the Fire District passed a two-million dollar Bond. The Bond Debt Service Fund tracks the repayment schedule. All expenses of the Fund have been complete.

Our Budget is a public document – it is, after all the public's money. The District presents the Budget to our Budget Committee for review, deliberation, and approval. These are public meetings and public comment is always welcome. After approval from the Budget Committee a Budget Hearing is held, then the Budget is presented to the Board of Directors for adoption by resolution. A complete schedule of the budgeting process is included in your Budget materials.

“Serving Because We Care”

Central Fire Station
Station #90
1800 Monmouth St
Independence

Airlie
Station #80
14775 Airlie Rd
Monmouth

Pedee
Station #70
12485 Kings Valley
Monmouth

Buena Vista
Station #40
11350 Church St
Independence



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Before introducing the 2022-23 Budget, I'd like to review the 2021-22 Budget.

In the 2021-22 Budget Message, I noted that COVID had impacted our ambulance transport revenue. The decrease in transport revenue at that time seemed closely linked to a sharp decrease in call volume. As call volumes have climbed to record levels, however, our transport revenue has not increased at the same rate. The percentage of responses that result in ambulance transport is low with the fewest number of total transports we've had since 2017. Having spoken with Chiefs from around the State, we are not alone. I believe this is because of a fundamental way we started interacting with our patients during the pandemic. EMS providers were being asked not to take patients to the hospital unless absolutely necessary. Patients were being told to stay out of the hospital. This shifted the default mindset for providers and patients alike. Although I still believe that these patterns will revert, it is admittedly taking more time than I had expected.

We made several major purchases in Fiscal Year 2021-22 including the electronic sign board. This is a project that has been discussed on and off for as long as I can remember and was finally completed using money from the Laudahl Fund. We also replaced the thirty year old wood windows on the first floor of Station 90 and upgraded our security system. Many of the other major purchases centered around improvement in our EMS delivery system. We purchased a new chart writing program along with new heart monitors and the ability for our monitors to upload information into the chart writing program. We also purchased a new automatic gurney and now have mechanical CPR devices on every ambulance improving our ability to provide quick, continuous, quality CPR. With the approval of the Budget Committee last year, we also signed a contract for a new ambulance. Unfortunately due to supply chain issues, it has been delayed and will appear in this year's Budget once again.

We will also be making a few personnel changes before the end of Fiscal Year 2021-22. After fifteen years with our organization (not including his volunteer time decades back) our EMS Chief, Mike Mayfield will be retiring on June 3rd. Along with him, our Office Assistant, Mary Carlson, who has also been a fixture of our organization for the past fifteen years will be retiring June 3rd as well. This will be just two weeks after we wish Captain Mike Kissell the best of luck with Corvallis Fire as their new EMS Chief after eighteen years of service with our District. Obviously, it's hard to have so many people leave who have been such an important part of the life and culture of our organization and who have been such great friends and supporters to all of us.

If the focus of 2021-22 was EMS upgrades and trying to emerge from COVID, the focus of 2022-23 will be hiring personnel and molding their talents with our organization.

It has become inescapable that our current staffing levels are not fulfilling the demands on response. In 2021 we responded to over 3,000 calls for service. This past month (April, 2022) we saw an incredible 285 calls for service and 39% of those responses overlapped with one another. In an attempt to add additional staffing the District has applied for a Staffing for Adequate Fire and Emergency Response (SAFER) grant. The grant would allow us to add up to six full time firefighters with 100% of wages and benefits paid by the grant for three years.

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We have decided to pursue this grant opportunity because of revenue constraints. Our tax base is increasing but as the Budget Committee is aware, we are limited by Measure 50, which caps an annual increase in property tax value at 3% despite the real market value of a property. Our local Urban Renewal Districts have been in effect since the early 2000's. A decade ago, the District was losing \$50,000 per year by not being able to collect on the increment. In Fiscal Year 2022-23, we expect that amount to be around \$173,000 in revenue that we will not be able to collect on properties we protect.

As I already noted, ambulance transport revenue is slow to return to pre-pandemic levels but we are hopeful to get close to what we collected at the onset of the pandemic. We are also hopeful to collect on the GEMT CCO program. This program resulted in \$160,000 in revenue during Fiscal Year 2021-22. I have had discussions with people in the billing industry, however, who are growingly increasingly concerned that the State will run out of time before they are able to get approval from the Federal government to continue the program for the coming year. I have engaged through emails, phone calls, and in person meetings with our State Senator and State Representative who have engaged with members of the Federal delegation to try and help move this issue forward highlighting the impact it has on organizations like ours.

In the Budget presented, we have accounted to receive this GEMT CCO revenue because in the event we are successful in receiving it and we are unsuccessful in our SAFER grant, it will be imperative that we put the funding toward increases in staffing to address our response demands. The expenditure will go to two Firefighter/EMT's beginning half way through the 2022-23 Fiscal Year. By this fall when the Federal fiscal year comes to a close we will know definitively if we were successful or not receiving both the SAFER grant and GEMT CCO funding. If we are not successful in our SAFER grant but we have received the GEMT CCO funds we will hire the two Firefighter/EMT's which you will find budgeted for. In the event we do not receive GETM CCO money, we will be unable to afford these hires.

In order to sustain increases in staffing, we will be forced to reevaluate our minimum staffing practices. For this reason, there is a slight decrease in budgeted overtime.

The other personnel expenses include two other changes. A decade ago, our Fire Marshal was laid off. Three years ago, we managed to hire a part time Fire Inspector to assist with some of the duties that we were unable to perform. This Budget eliminates the part time Fire Inspector position and replaces it with a Division Chief Fire Marshal. In order to afford this change we have decided to reduce our reliance on the Office Assistant position. With the retirement of our current Office Assistant, the position will be moving from full time with benefits to a part time position. This will offset many of the costs, particularly the insurance cost, associated with the transition of a part time Fire Inspector to a full time Fire Marshal. It will, however, create an increased workload for our Office Administrator and other administrative staff.

The two other items to note regarding personnel expenses are health insurance costs and workers' compensation insurance. Some may be happy and relieved to see that employee



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medical insurance rates did not increase. The Budget Committee should understand, however, that the actual costs for these insurance programs did increase. We continue to be a part of a self-insured pool of special districts in Oregon called Special Districts Insurance Services (SDIS). The SDIS pool has a large portfolio of investments and like many other pools has done very well earning returns over the last several years. In situations like this SDIS returns some of the earnings by paying down the rates of pool members. In years that investment returns are not as high, however, we will see these increases that are currently being masked through strong investment returns.

As far as workers' compensation, the 2022 "pure rates" (essentially the risk multiplier) for firefighters increased by 1.36%. However, our workers' compensation decreased. For the first time I am aware of our District has dropped to an experience modifier of less than 1.00. A "mod" of 1.00 demonstrates an industry average. Last year I was rather pleased when our mod had dropped to 1.14. This year it has dropped again to a rate of 0.77. Certainly the greater news than cost savings is the fact that those who are serving our community for this organization are remaining largely healthy and uninjured at work.

There are some minor changes to our materials and services spending to note as well.

We had several items budgeted under our communications line item such as Verizon, Century Link, MINet, and Spectrum that help us to communicate, but we treat far more like utilities. This year we intend to spend a significant amount of money reprogramming emergency radios throughout the District, which is under the communications line item. I believe projects like this are very different from subscribing to internet and phone services so we have moved those items to utilities.

A notable increased expense is in our ambulance billing service line item. I mentioned earlier that we received GEMT CCO revenue of \$160,000. The amount we actually received was \$226,000, however, in order to receive the funds we had to pay \$64,000. The Federal program demands a "state share" of the Medicaid funding but in Oregon, individual agencies are required to pay for the "state share" in order to keep the program cost neutral for the State. This expense is obviously worth it considering the revenue we earn in return. If we do not collect the GEMT CCO revenue this expense will not be incurred.

The election expense line item has also increased. The increase is small but the reason is significant. In the spring of 2023 I will most likely be presenting the Board with the recommendation that we pursue the continuation or increase of the current operating levy of 0.19 cents per thousand. We will continue to collect the current levy amount in the next 2023-24 Fiscal Year, but by pursuing a levy during the Fiscal Year prior to the expiration, we are able to better predict our revenue going into the next budgeting cycle. The District will be responsible for paying the costs associated with the election.

Our personal protective equipment line item has increased as well. Interior structure firefighting gear, like many other products, is on a long back order. We currently have an order for \$35,000 of structure firefighting gear but do not expect to see it until well into



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Fiscal Year 2022-23. In addition, if we are successful in the SAFER grant, hiring costs as well as wages and benefits for new employees will be covered. However, the grant does not cover the cost of purchasing personal protective equipment.

Those who have served on the Budget Committee are familiar with the every other year EMS licensing and recertification cycle. The 2022-23 Fiscal Year is a licensing year so those expenses are presented once again and have been increased by the State this year.

The grounds maintenance item has increased largely due to the purchase of a new lawnmower. I have received this budget request for several years in a row and have kept it out of the Budget each year. However, we have a few employees who have been working hard for several years to keep the backside of the station mowed. This includes the grassy spot on the east side of the parking lot as well as a few trails that weave through the wetlands on the north side of the property. We used the grassy area on the east side recently for the first ever District Easter egg hunt. Some of us use the trails created in the back as a place to walk and reflect when we need some time away. The only way these areas have been maintained in the previous years was by using Chief Mayfield's riding lawnmower that he has been generous enough to lend us for the last ten years while the crews have come up with creative ways to keep it running well beyond its expected life. In order to not rely on borrowing one from the Baptist Church, we will need our own. We hope to develop the east grassy area as well as the walking trails that the crews are maintaining in the coming years.

We continue to be covered for comprehensive and liability insurance by SDIS. As a Board Member for the Special Districts Association of Oregon (SDAO), I have the added task of being the assigned "observer" of SDIS. It has been an enlightening experience. One thing has emerged as more and more important over the last several years. While we have our insurance pool in the State, we also need reinsurance provided by vendors who spread their risk throughout the world. This past year was the fourth highest insurance loss in the history of the world due to events like Hurricane Ida, the Texas Freeze, and even as far away as flash floods that occurred in Europe. These worldwide events have an impact on our local rates. Closer to home, there were employees and Board Members of public agencies who were sued due to mask and vaccine requirements. Our insurance covers employees and elected officials who act within the law but obviously these legal battles come at a cost to the insurance pool. The final insurance cost I will mention specifically is perhaps the most obvious, construction inflation. Replacing buildings and vehicles is simply far more expensive than it was just a few years ago which demands that every agency reevaluate the replacement costs of everything they own. Many of these costs may not yet be fully realized.

The only Capital Outlay items budgeted for are furniture and flooring at Station 90, a rural station generator, and a new training monitor.

This year the only expense scheduled from the Equipment Reserve Fund is the ambulance replacement that was also budgeted last year. The Board selected a vendor and approved the purchase but as I mentioned previously, supply chain issues are delaying the receipt of the chassis and completion of the project.

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There is also only one item budgeted for from the Laudahl Fund. The project is the design and installation of a memorial garden at Station 90. There is a plaque and a tree that was planted on the east side of Station 90 in honor of Captain Tom Kistler who was killed in the line of duty in 2003. Despite the work of an arborist, the tree is no longer living. With the loss of Chief Milligan and Chief Patterson in the previous two years, it was noticed that we do not have a place to honor those who has served our organization and community. We intend to construct a memorial garden in the name of the Laudahls. This will include hardscaping and locations for plaques.

The District has budgeted an unappropriated ending fund balance of \$1,047,000. This is the money needed to operate from July through November when a majority of our taxing revenue is received. During this time, we continue to have all our regular expenses but the largest portion of our revenue for the year, taxes, have not yet been received.

The Government Finance Officers Association, Oregon League of Cities, and Special District Association of Oregon recommend a contingency of between \$200,000 and \$350,000 for a Budget our size. Unfortunately, we do not have the ability to allocate money to an operating contingency this year. On the positive side, we do expect an unappropriated ending fund balance that will allow us to avoid taking on any debt.

I believe that this demonstrates the fact that while we are able to maintain our staffing at this time, we are at a difficult balance of staffing demands and revenue constraints. In order to meet the needs of the community, we are going to have to push ourselves. Although we would never be reckless or irresponsible, we may be a little uncomfortable at moments. In the words of Retired Fire Chief Jeff Johnson, "how dare we be anything but the best when the people we serve don't get a choice."

I would like to thank District patrons for taking interest in the Fire District and our Budget. I would like to thank our staff for all the help and input in the budgeting process, and I would like to thank the Budget Committee and Board of Directors for your time and your thoughtful consideration of this Budget.

Respectively Submitted,

A handwritten signature in black ink, appearing to read "Ben Stange", written in a cursive style.

Ben Stange, Fire Chief
Polk County Fire District No.1