

DATE: January 10, 2019**FILE:** 1700-02/2019/215**TO:** Chair and Directors
Electoral Areas Services Committee**FROM:** Russell Dyson
Chief Administrative OfficerSupported by Russell Dyson
Chief Administrative Officer**R. DYSON****RE:** 2019 - 2023 Financial Plan – Denman Island Fire Protection Service, Function 215**Purpose**

To provide the Electoral Areas Service Committee with the proposed 2019-2023 financial plan and work plan highlights for the Denman Island Fire Protection Service, function 215.

Recommendation from the Chief Administrative Officer:

THAT the proposed 2019 - 2023 financial plan for Denman Island Fire Protection Service, function 215, be approved.

Executive Summary

The proposed 2019 – 2023 financial plan includes the following key aspects:

- The proposed 2019 budget total includes a tax requisition of \$320,000 which is an increase of \$30,000 over 2018.
- Tax requisition increases each year to 2023 is in preparation for the eventual replacement of the Denman Island fire hall.
- Revenue of \$9,240 from lease to BC Ambulance Service
- Total operational costs of \$165,753 in 2019, a decrease of \$10,028 from 2018
- There are no capital purchases planned for this service during 2019.
- Contributions to capital works reserve of \$77,600 in 2019 which is an increase of \$28,295 from 2018
- Capital works reserve balance of \$164,602 is anticipated at the end of 2019.

Prepared by:

Concurrence:

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Manager of Fire ServicesT. Ian Smith, MCE
General Manager of Community Services**Stakeholder Distribution (Upon Agenda Publication)**

Denman Island Firefighters Association	✓
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Policy Analysis

- Service established with adoption of Bylaw No. 2045, being the “Denman Island Fire Protection Local Service Area Establishment Bylaw No. 2045, 1998”
- The maximum levy for defined portion of electoral area ‘A’ is the greater of \$164,433 or \$1.25 per \$1,000 of assessed value.
- The Comox Valley Regional District (CVRD) has a service agreement with the Denman Island Firefighters Association (DIFA)
- DIFA provides financial administration of operational grant funding, and community engagement services regarding the Denman Island fire protection service.
- This service agreement has a term of five years ending August 2023.

Financial Plan Overview


- A major component of the proposed 2019 budget is the operational grant which is based on the DIFA budget submission attached as Appendix A.

The proposed 2019-2023 financial plan includes:

- A total tax requisition of \$320,000 in 2019 which is an increase of \$30,000 over 2018
- The maximum tax requisition permissible for 2019 is approximately \$517,825
- The planned capital purchase of a new fire engine in 2020

Table 1 below summarizes the 2019 proposed budget as compared to the 2018 adopted budget. Significant variances from 2018 adopted budget will be discussed in the financial plan highlights section below.

Table 1: Financial Plan Highlights

 #215 Denman Island Fire			
Operating	2018 Budget	2019 Proposed Budget	Increase (Decrease)
Revenue			
Requisition	290,000	320,000	30,000
Sale Services User Fees	9,240	9,240	-
Prior Years Surplus	12,887	4,355	(8,532)
	\$ 312,127	\$ 333,595	\$ 21,468
Expenditures			
Personnel Costs	87,041	90,242	3,201
Operating	175,781	165,753	(10,028)
Contribution to Reserve	49,305	77,600	28,295
Debt Charges			-
	\$ 312,127	\$ 333,595	\$ 21,468

The 2019 - 2023 proposed five-year financial plan for Denman Island fire protection service, including the requisition summary and the operating and capital budget, is available within the full

proposed budget binder, provided in both searchable PDF and e-reader formats, located on the CVRD financial plan web page at www.comoxvalleyrd.ca/currentbudget.

Highlights of the 2019 - 2023 proposed financial plan for the Denman Island Fire Protection Service, function 215, include:

Revenue Sources

The proposed 2019-2023 financial plan includes:

- Tax requisition of \$320,000 in 2019 which is an increase of \$30,000 over 2018
 - Increase is largely attributed to increased contributions to reserve in advance of future capital expenditures.
- Tax requisition increases are proposed for each year to 2023 to build reserves in advance of capital expenditures for a new fire hall;
- Revenue of \$9,240 from leased portion of the fire hall property to the province for an ambulance station.
- Surplus from prior year of \$4,355 in 2019.

Personnel

The proposed 2019-2023 financial plan includes:

- Funding for the annual remuneration of the Fire Chief as an employee of the CVRD;
- A portion of the personnel costs attributed to the Manager of Fire Services are apportioned to this service;
- Personnel costs of \$90,242 in 2019 which is an increase of \$3,201 from 2018;
- No personnel changes are anticipated.

Operations

The proposed 2019-2023 financial plan includes:

- The total operating budget for the service proposed for 2019 of \$165,753 which is a decrease of \$10,028 from 2018.
 - Decrease largely attributed to reduced protective gear and equipment required in 2019

Capital

There are no capital purchases planned for this service during 2019.

The proposed 2019-2023 financial plan includes:

- The capital purchase of a main fire engine in 2020 to maintain the residential insurance grade rating for fire insurance premiums.
 - Estimated cost, \$450,000 to be funded by short-term debt proceeds.
- Increases in requisition in preparation for the eventual replacement of the Denman Island fire hall.
 - Fire hall originally built in 1975 with improvements in 1995.

Asset Management Plan

Staff has developed an Asset Management Plan (AMP) for the Denman Island Fire Protection Service. The AMP is a long range planning tool used to anticipate future capital purchases and to identify future capital replacement obligations for the service.

Discussions with the Fire Chief and officers of the fire department identified major capital assets and their respective life-cycle, expected replacement cost, and estimated annual contributions to

capital reserve required to fully fund their replacement at the time they are needed. The Denman Island fire protection service asset management plan is attached as Appendix B.

Funding Options:

In the context of the AMP, staff has identified three possible options for the accrual of funds to meet future capital replacement obligations. Specifically:

- Today's taxpayers may be engaged to provide funding to meet future capital replacement obligations. This could be accomplished by increasing the tax requisition of 2019 and subsequent years, sufficiently to fully fund the capital replacements in the year that they are anticipated.
- Future taxpayers may be engaged to provide funding to meet future capital replacement obligations. This could be accomplished by way of the financing of capital replacements in the year that they are acquired with tax requisitions increased at that time to service the debt.
- A combination of today's and future taxpayers may be engaged to provide funding to meet future capital replacement obligations. This could be accomplished by engaging today's taxpayer to fund a portion of the capital replacement obligation, recognizing that future taxpayers will be required to fund the remaining costs.

In the context of the AMP, to fully fund future capital replacement obligations for the service by way of "today's taxpayers" the contribution to capital reserve would need to be increased by approximately \$696,485 in 2019 which is not being recommended in this report.

Staff will seek board direction regarding the funding of unfunded future capital replacement obligations in a future staff report.

Reserves

The proposed 2019-2023 financial plan includes contributions to reserve of \$77,600 in 2019 which is an increase of \$28,295 from 2018.

The Denman Island Fire Protection Service has an approximate capital reserve balance of \$87,002 at the end of 2018.

Table 2 below illustrates the anticipated contributions and annual balances based on the recommendations of the proposed 2019-2023 financial plan.

Table 2 – Capital Reserve Fund Status

Capital reserve (machinery & equipment) activity	2019	2020	2021	2022	2023
Beginning balance	\$87,002	\$164,602	\$175,084	\$197,154	\$232,272
Contributions to reserve	\$77,600	\$10,482	\$22,070	\$35,118	\$49,469
Applied to capital	\$0	\$0	\$0	\$0	\$0
Estimated balance at year end	\$164,602	\$175,084	\$197,154	\$232,272	\$281,741

There is also a future expenditure reserve estimated to be \$66,479 at the end of 2018.

Debt Charges

The proposed 2019-2023 financial plan identifies short-term debt costs of \$73,000 in 2020 regarding the planned replacement of the main fire engine. This debt has a five year term with a final residual balance of \$150,000 in 2024 to be funded by transfer from reserve at that time.

Citizen/Public Relations

The Denman Island Fire Protection Service provides for protection of life and property for the residents of the local service area. The agreement with DIFA for provision for financial administration of operational grant funding and community engagement services includes the involvement of the Denman Island Residents Association (DIRA) as a venue for discussions with the greater community regarding budgetary matters for the service. The 2019 budget submission of DIFA was supported at the November 2018 meeting of DIRA.

Based on 2019 assessed values, the residential tax rate for this service is expected to be \$0.7535 per \$1,000 of assessed value. As an example, for a residence with an assessed value of \$400,000 the total levy for the service will be approximately \$301. The 2018 tax rate for this service was \$0.7490 per \$1,000 of assessed value.

Attachments: Appendix A – “Denman Island Firefighters Association Budget Submission”
Appendix B – “Asset Management Plan”

Denman Island Fire Rescue

Proposed 2019 Operating Budget and Annual Projection to 2023

	2018	2019	2020	2021	2022	2023
Vehicle Maintenance	7,500	7,500	7500	7500	7500	7500
Vehicle Fuel	2,000	2,000	2000	2000	2200	2200
Building Maintenance	5,000	5,000	5000	5000	5000	5000
Utilities & Heat	10,000	10,000	10000	10500	10500	11000
Administration & Office-related Expenses	4,500	4,500	4500	4500	4500	4500
- CPR's Year-end Reconciliation	1,050	1,100	1100	1100	1100	1100
- Civic Addressing	250	250	250	250	250	250
Fire/Rescue Equipment- Maintenance	2,500	2,500	2500	3000	3000	3000
Radio Maintenance & Repairs	3,500	4,000	5000	5000	5500	5500
Fire/Rescue Equipment - Purchase	9,000	9,000	9000	10000	10000	10000
Training and Education	12,000	10,000	10,000	10,000	11,000	11,000
Firefighters Insurance	3,200	3,200	3200	3200	3500	3500
Annual Dues and Fees .	1,000	1,000	1000	1000	1000	1000
First Responder Equipment & Supplies	2,000	2,000	2000	2000	2000	2000
Recruitment, Retention, Fire Prevention	5,000	5,000	5000	5000	5000	5000
D&O and GLI Premiums (DIFA)	3,000	3,200	3200	3200	3500	3500
Honoraria						
Deputy Fire Chief Honorarium	12,000	13,200	13,200	13200	13200	13,250
Maintenance Officer Honorarium	6,000	6,000	6,000	6000	6000	6000
Training Officer Honorarium	2,400	2,400	2,400	2400	2400	2,400
Administrative Officer Honorarium	4,800	4,800	4,800	4800	4800	6000
Volunteer Firefighters Honoraria	30,000	30,000	30,000	30,000	30,000	30,000
Total Operating Expenses	126,700	126,650	127650	129650	131950	133700

Asset Management Planning, Function Name: Denman Island Fire Department Function Number: 215											
The Asset Management Plan (AMP) is a long range planning tool used to anticipate future capital purchases and to identify future capital replacement obligations for this service. This AMP also provides information to the board towards policy direction regarding funding of future replacement obligations. Assumes reserves for full cost at time of replacement This AMP is based on the principles that: <ul style="list-style-type: none">• Building replacement costs are based on current estimated construction costs,• Equipment replacement costs are based on current estimated costs,• The lifespan of assets are based on the Tangible Capital Asset Reporting Policy of the Board and the actual usage or deterioration of the asset,• Specific and regular repair and maintenance programs maximize the life-cycle of capital assets, and• It will be updated and reported to the board annually as part of the financial planning process											
Type	Description	Date in Service	Expected Service Life	Expected Replacement Year	Remaining Service Life	Current Estimated Value	Expected Replacement Cost	2019 Estimated contribution required	2019 FP Contribution to Reserve	2019 Variance	Notes
Building	Main firehall 5555 Denman Rd.	1975	50 yrs	2025	6 yrs		\$1,500,000.00	\$250,000.00	\$79,425.00	-\$170,575.00	This calculation only includes the oldest 3 bays. Assumes build of new bays with second floor
Trucks	Unit #52 RMP Tanker	2016	25 yrs	2041	22 yrs	\$220,000.00	\$300,000.00	\$13,600.00	\$0.00	-\$13,600.00	Truck replaced in 2016. Contributions to reserve begin 2017.
Improvements	Site Services, septic/water BCAS site	2010	25 yrs	2035	16 yrs	\$25,000.00	\$25,000.00	\$1,560.00	\$0.00	-\$1,560.00	These improvements include the septic system and water well for the BCAS leased property.
Trucks	Unit #53 Ford Quick Responder Truck	2013	25 yrs	2038	19 yr	\$100,000.00	\$200,000.00	\$10,500.00	\$0.00	-\$10,500.00	quick response truck.
Trucks	Unit #54 Freightliner tanker truck	2008	25 yrs	2033	14 yrs	\$180,000.00	\$300,000.00	\$21,400.00	\$0.00	-\$21,400.00	This unit replaced #52
Trucks	Unit #50 Tracker MFR vehicle	2003	20 yrs	2023	4 yrs	\$3,000.00	\$30,000.00	\$7,500.00	\$0.00	-\$7,500.00	Medical First Responder (MFR) vehicle
Trucks	Unit #55 GMC main engine	2000	20 yrs	2020	1 yrs	\$10,000.00	\$450,000.00	\$450,000.00	\$0.00	-\$450,000.00	Replacement required in 2020 to maintain insurance rating. Begin reserve contributions 2021 for 20 yrs
Equipment	Kubota Generator 10KW diesel	2005	20 yrs	2025	6 yrs	\$5,000.00	\$30,000.00	\$5,000.00	\$0.00	-\$5,000.00	Very low usage, is expected to last to 2025. Assumes new and larger replacement of 15-20 KW. May be required with new fire hall in 2025
Equipment	SCBA-MSA Airpacks	2009	20 yrs	2029	10 yrs	\$5,000.00	\$60,000.00	\$6,000.00	\$0.00	-\$6,000.00	Self Contained Breathing Apparatus (SCBA) Air-Packs. Note: cylinder replacement program in "protective gear code 306"
Equipment	Auto Extrication equipment	2012	25 yrs	2037	18 yr	\$15,000.00	\$45,000.00	\$2,500.00	\$0.00	-\$2,500.00	Used refurbished purchased in 2012
Equipment	Express Alum Trailer	2012	20yrs	2032	13yrs	\$7,000.00	\$15,000.00	\$1,150.00	\$0.00	-\$1,150.00	Used to haul Kabota
Trucks	2001 Ford CrewCab P/U	2014	20yrs	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Truck donated to DIFR. Not to be replaced.
Equipment	SCBA compressor and fill station	2009	20 yrs	2029	10 yrs	\$10,000.00	\$40,000.00	\$4,000.00	\$0.00	-\$4,000.00	Fills SCBA cylinders
Equipment	2012 Kubota RTV	2012	20 yrs	2032	13 yrs	\$18,000.00	\$35,000.00	\$2,700.00	\$0.00	-\$2,700.00	Utility vehicle for off road fire fighting. Donated by DIFA in 2012.
	Estimated reserve contibutions required totals							\$775,910.00		-\$696,485.00	
	2019 - 2023 Financial Plan contribution totals								2019 FP \$79,425		