

DATE: January 20, 2021

FILE: 1700-02/2021/215

TO: Chair and Directors
Electoral Areas Services Committee

Supported by Russell Dyson
Chief Administrative Officer

FROM: Russell Dyson
Chief Administrative Officer

R. DYSON _____

RE: 2021 - 2025 Financial Plan – Denman Island Fire Protection, Function 215

Purpose

To provide the Electoral Areas Services Committee with the proposed 2021 - 2025 financial plan and work plan highlights for the Denman Island Fire Protection Service, function 215.

Recommendation from the Chief Administrative Officer:

THAT the proposed 2021 – 2025 financial plan for the Denman Island Fire Protection Service, function 215, be approved.

Executive Summary

- A residential tax rate of \$0.7618 per \$1000 of assessed value, which is a decrease of \$0.0489 compared to 2020.
- Total revenues of \$400,228 which is an increase of \$7,957 over 2020. Requisition is \$360,000, up \$8,000 from 2020.
- Future years requisition includes an annual \$20,000 increase through 2025 to put funds into reserves in plans for future fire hall construction.
- Personnel costs of \$101,699 in 2021 which is an increase of \$6,022 from 2020 as a portion of administrative assistant cost is now allocated to fire services;
- Total operating expenditure budget for 2021 of \$203,075 which is a decrease of \$6,797 from 2020.
- Total contributions to reserve of \$95,454 in 2021 which is an increase of \$41,485 from 2020.

Prepared by:

Concurrence:

J. Bast

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James Bast
Manager of Fire Services

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Government Partners and Stakeholder Distribution (Upon Agenda Publication)

Denman Island Firefighters Association	✓
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Board Strategic Drivers

The Comox Valley Regional District (CVRD) Board has set four strategic drivers to guide service delivery. Table 1 notes the degree of influence the drivers have on projects and work plans.

Table 1: Board Strategic Drivers

<p>Fiscal responsibility:</p> <ul style="list-style-type: none"> • Fire services continues to focus on sustainable asset planning in advance of capital replacement and ensuring ongoing contributions to capital reserves and the utilization of borrowing when necessary. 	<p>Climate crisis and environmental stewardship and protection:</p> <ul style="list-style-type: none"> • Service provides protection to address increase in wildfire risk as a result of climate change.
<p>Community partnerships:</p> <ul style="list-style-type: none"> • Service agreement with Denman Island Firefighters Association (DIFA) for the provision of bookkeeping and accounting services. • The Denman Island fire department has 33 volunteers. 	<p>Indigenous relations:</p> <ul style="list-style-type: none"> • This service is not significantly influenced by this driver.

Rethink Comox Valley / COVID-19 Response and Renewal

On May 12, 2020 the board adopted a COVID-19 renewal plan for the review of service levels and all necessary, critical and functional projects slated for the next five years. Recommended actions for the plan were brought forward to the relevant committees, commissions and partners for review over the summer.

In accordance with the COVID 19 renewal plan:

- Staff will utilize license agreements instead of statutory right-of-way to reduce legal costs for the placement of water storage tanks. Estimated savings of \$4,000.
- Delay the planned 2021 purchase of a new fire engine to 2025 thereby deferring \$98,000 in annual short-term debt servicing costs.
 - Pump test the current fire engine each year for up to four years to ensure it meets Fire Underwriters requirements.

Economic Recovery Task Force Actions

Not applicable for this service.

Financial Plan Overview


A major component of the proposed 2021 budget is the operational grant which is based on DIFA's budget submission attached as Appendix A.

The 2021 - 2025 proposed five-year financial plan for the Denman Island Fire Protection Service, function 215, including service establishment information, the requisition summary and the operating and capital budgets, 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.

Table 2 on the following page summarizes the 2021 proposed budget as compared to the 2020 adopted budget. Significant variances from 2020 adopted budget will be discussed in the financial plan sections that follow.

Table 2: Financial Plan Highlights

 2021 Proposed Budget		#215 Denman Island Fire		
Operating	2020 Budget	2021 Proposed Budget	Increase (Decrease)	
Revenue				
Senior Government Grants	25,000	0	(25,000)	
Requisition	352,000	360,000	8,000	
Sale Services User Fees	9,240	9,240	-	
Other Revenue / Recoveries	0	15,000	15,000	
Prior Years Surplus	6,031	15,988	9,957	
	\$ 392,271	\$ 400,228	\$ 7,957	
Expenditures				
Personnel Costs	95,677	101,699	6,022	
Operating	209,872	203,075	(6,797)	
Contribution to Reserve	53,969	95,454	41,485	
Debt Charges	32,753		(32,753)	
	\$ 392,271	\$ 400,228	\$ 7,957	
Capital				
Funding Sources				
Transfer from Reserve	175,000	15,000	(160,000)	
	\$ 175,000	\$ 15,000	\$ (160,000)	
Funding Applied				
Capital Projects & Equip	175,000	15,000	(160,000)	
	\$ 175,000	\$ 15,000	\$ (160,000)	

Highlights of the 2021 - 2025 proposed financial plan for function 215 include:

Revenue Sources

The proposed 2021-2025 financial plan includes:

- Tax requisition of \$360,000 in 2021 which is an increase of \$8,000 over 2020.
- Revenue of \$9,240 from leased portion of the fire hall property to the Province for an ambulance station, unchanged from prior years.
- Estimated surplus from prior year of \$15,988 which is an increase of \$9,957 over 2020.
 - license agreements instead of statutory right-of-way to reduce legal costs
- Donation commitment of \$15,000 from a resident for capital improvements to a water supply tank is included in 2021 revenues.

Annual tax requisition increases of \$20,000 per year are proposed through 2025 to build reserves in advance of capital expenditures for a new fire hall.

Personnel

The proposed 2021-2025 financial plan includes:

- Funding for the annual remuneration of the Fire Chief;
- A portion of the personnel costs attributed to the Manager of Fire Services apportioned to this service;
- Personnel costs of \$101,699 in 2021 which is an increase of \$6,022 from 2020 as a portion of administrative assistant, Manager of Fire Services and Deputy Training Officer at Oyster River are now allocated to fire services;
- No personnel changes are anticipated.

Operations

The proposed 2021-2025 financial plan includes:

- A total operating expenditure budget for the service in 2021 of \$203,075 which is a decrease of \$6,797 from 2020.

Increase largely attributed to:

- Purchase of replacement personal protective equipment required in 2021 and;
- Operational grant funding.

Capital

The proposed 2021-2025 financial plan includes:

- The capital improvement to a water supply tank to improve tank filling efficiency. This expenditure is to be funded by transfer from capital reserve by way of donation from a resident.
 - Estimated cost of \$15,000
- The capital purchase of a replacement fire engine in 2025 to maintain the residential insurance grade rating for fire insurance premiums.
 - Successful annual pump tests submitted to Fire Underwriters permit the delay in purchase of new fire engine without affecting insurance premiums.
 - Estimated cost of \$550,000.

Table 3 highlights capital projects within this financial plan.

Table 3- Capital Projects

Project Description	Budget year	Anticipated cost	Anticipated schedule
Improvement to water supply tank <ul style="list-style-type: none"> • To be funded by donation from resident. 	2021	\$15,000	Summer 2021
Replacement fire engine <ul style="list-style-type: none"> • to be funded by short-term debt proceeds 	2025	\$550,000	Fall/Winter 2025
All projects approved in the Financial Plan will be procured in accordance with Bylaw No. 510 and the Board approved Procurement Policy.			

Note: requisition increases within the proposed 2021-2025 Financial Plan are in preparation for the eventual capital replacement of the Denman Island Fire Hall.

- Fire hall originally built in 1975 with improvements in 1995, construction anticipated in 2025 subject to further analysis. Funding strategy with the consideration of reserves and debt to be completed asset management planning in 2021/2022.

Sustainable Asset Funding

Staff has developed a sustainable asset funding model (SAF) for the Denman Island Fire Protection Service. The SAF is a long range planning tool used to anticipate future capital purchases and to identify future capital replacement obligations, towards maintaining a sustainable service delivery. The SAF model will inform the development of an asset management plan for fire services.

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 SAF is attached as Appendix B.

Funding options:

In the context of the SAF, staff has identified three possible options for the accrual of funds to meet future capital replacement obligations and maintain service levels. 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 2021 and subsequent years, sufficiently to 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 SAF, to maintain the current level of service by way of "today's taxpayers" the contribution to capital reserve would need to be increased by approximately \$664,985 in 2021 which is not being recommended in this report.

The SAF currently in place will be incorporated into the CVRD corporate wide asset management strategy which will be under review in 2021 and future years as a "state of the nation" asset management plan is completed for all core asset groups which will consider strategic funding strategies to ensure sustainable service delivery and minimize impacts and volatility to the ratepayers.

Reserves

The proposed 2021-2025 Financial Plan includes total contributions to reserve of \$95,454 in 2021 which is an increase of \$41,485 from 2020 largely attributed to:

- Increased requisition in advance of the eventual capital replacement of the Denman Island Fire Hall.
- Donation from resident towards capital improvement to water supply.

The Denman Island Fire Protection Service has an approximate capital reserve balance of \$229,685 at the end of 2020.

Table 4 illustrates the anticipated contributions and annual balances based on the recommendations of the proposed 2021-2025 financial plan.

Table 4 – Capital Reserve Fund Status

Capital reserve (machinery & equipment) activity	2021	2022	2023	2024	2025
Beginning balance	\$229,685	\$308,725	\$410,830	\$526,202	\$656,781
Contributions to reserve	\$94,040	\$102,105	\$115,372	\$130,579	\$34,223
Applied to capital	(\$15,000)	\$0	\$0	\$0	\$0
Estimated balance at year end	\$308,725	\$410,830	\$526,202	\$656,781	\$691,004

The service also has a future expenditure reserve estimated to be \$69,364 at the end of 2021.

Debt Charges

The proposed 2021-2025 financial plan identifies:

- Short-term debt expense of \$120,095 beginning in 2025 for a five-year term.
 - Regarding the replacement of the main fire engine.

Tax Impacts

The 2021 - 2025 financial plan indicates the following residential tax impact:

- Based on the 2021 completed assessment roll, the estimated residential tax rate for this service is expected to be \$0.7618 per \$1,000 of taxable assessed value.
- The 2020 residential tax rate for the service was \$0.8107 per \$1,000 of taxable assessed value.
- For a residence with an assessed value of \$500,000, the total tax impact is estimated to be \$381.

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 2021 budget submission of DIFA was supported at the November 2020 meeting of DIRA.

Attachments: Appendix A – Denman Island Firefighters Association Budget Submission
Appendix B – Sustainable Asset Funding Model

Denman Island Fire Rescue

2021 Operating Grant and Budget Projection

	2020 Grant (for reference)	2021	2022	2023	2024	2025
Vehicle Maintenance	7500	7500	7,500	7,500	8,000	8000
Vehicle Fuel	2000	2000	2,200	2,200	2200	2400
Building Maintenance	5,000	5000	5,000	5,000	5,000	5500
Utilities & Heat	10,000	10,000	10,500	11,000	11,500	12000
Administration & Office-related Expenses	4800	5000	5,000	5,000	5,000	5000
- Independent Financial Review	1100	1100	1,200	1,200	1200	1200
- Civic Addressing	200	200	200	200	200	200
Fire/Rescue Equipment- Maintenance	2300	2300	2,500	2,500	2,500	3000
Radio Maintenance & Repairs	4,500	4500	4,500	5,000	5,000	5000
Fire/Rescue Equipment - Purchase	12,000	12,000	12,000	12,500	12,500	12500
Training and Education	10,000	10,000	10,000	11,000	11,000	11000
Firefighters Insurance	3700	3700	3,800	3,800	4,000	4200
Annual Dues and Fees .	1000	1000	1,000	1,000	1,000	1000
First Responder Equipment & Supplies	2500	2500	2,500	3,000	3,000	3500
Recruitment, Retention, Fire Prevention	4500	4500	4,500	5,000	5,000	5000
D&O and GCL Premiums (DIFA)	4000	6700	6700	6700	7,000	7,000
<u>Honoraria</u>						
Deputy Fire Chief Honorarium	14,400	14,400	14,400	14,400	14,400	14,400
Maintenance Officers Honoraria	4200	4200	4200	4200	4200	4200
Training Officer Honorarium	4200	4200	4200	4200	4200	4200
Administrative Officer Honorarium	4800	4800	4800	4800	4800	4800
Volunteer Firefighters Honoraria	27,000	27,000	29,000	29,000	29,000	29,000
Total Operating Expenses	129700	132600	135700	139200	140700	143100

Sustainable Asset Funding, Function Name: Denman Island Fire		Function Number: 215			2021-2025						
<p>The Sustainable Asset Funding (SAF) model is a long range planning tool used to anticipate future capital purchases and to identify future capital replacement obligations for this service. This SAF 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 SAF is based on the principles that:</p> <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	2021 Estimated contribution required	2021 FP Contribution to Reserve	2021 Variance	Notes
Building	Main firehall 5555 Denman Rd.	1975	50 yrs	2025	4 yrs		\$2,000,000.00	\$500,000.00	\$94,040.00	-\$405,960.00	This calculation only includes the oldest 3 bays. Assumes build of new bays with second floor
Trucks	Unit #52 RMP Freightliner Tanker	2016	25 yrs	2041	20 yrs	\$200,000.00	\$320,000.00	\$16,000.00	\$0.00	-\$16,000.00	Truck purchased in 2016. Contributions to reserve begin 2017.
Improvements	Site Services, septic/water BCAS site	2010	25 yrs	2035	14 yrs	\$25,000.00	\$25,000.00	\$1,785.00	\$0.00	-\$1,785.00	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	17 yr	\$100,000.00	\$250,000.00	\$14,700.00	\$0.00	-\$14,700.00	
Trucks	Unit #54 Freightliner tanker truck	2008	25 yrs	2033	12 yrs	\$150,000.00	\$320,000.00	\$26,700.00	\$0.00	-\$26,700.00	
	2003 Kenworth/Pierce Tanker Truck	2020	20 yrs	2040	20 yrs	\$150,000.00	\$300,000.00	\$15,000.00	\$0.00	-\$15,000.00	Purchased second hand in 2020. Contributions in 2021
Trucks	Unit #50 Tracker MFR vehicle	2003	20 yrs	2023	2 yrs	\$3,000.00	\$30,000.00	\$15,000.00	\$0.00	-\$15,000.00	Medical First Responder (MFR) vehicle. Purchase in 2023, contribute \$5k for 10 years=\$50k
Trucks	Unit #55 GMC main engine	2000	20 yrs	2025	4 yrs	\$10,000.00	\$550,000.00	\$137,500.00	\$0.00	-\$137,500.00	Replacement required in 2025 with pump testing to 2025 to maintain insurance rating. Begin reserve contributions 2026 for 20 yrs
Equipment	Kubota Generator 10KW diesel	2005	20 yrs	2025	4 yrs	\$5,000.00	\$30,000.00	\$7,500.00	\$0.00	-\$7,500.00	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 future years
Equipment	SCBA-MSA Airpacks	2009	20 yrs	2029	8 yrs	\$5,000.00	\$100,000.00	\$12,500.00	\$0.00	-\$12,500.00	Self Contained Breathing Apparatus (SCBA) Air-Packs only. Note: cylinder replacement program in "protective gear code 306"
Equipment	Auto Extrication equipment	2012	25 yrs	2037	16 yr	\$15,000.00	\$45,000.00	\$2,800.00	\$0.00	-\$2,800.00	Used refurbished purchased in 2012
Equipment	Express Alum Trailer	2012	20yrs	2032	11yrs	\$7,000.00	\$15,000.00	\$1,360.00	\$0.00	-\$1,360.00	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	8 yrs	\$10,000.00	\$40,000.00	\$5,000.00	\$0.00	-\$5,000.00	Fills SCBA cylinders
Equipment	2012 Kubota RTV	2012	20 yrs	2032	11 yrs	\$18,000.00	\$35,000.00	\$3,180.00	\$0.00	-\$3,180.00	Utility vehicle for off road fire fighting. Donated by DIFA in 2012.
	Estimated reserve contributions required totals							\$759,025.00		-\$664,985.00	
	2021 - 2025 Financial Plan contribution totals								2021 FP \$94,040		