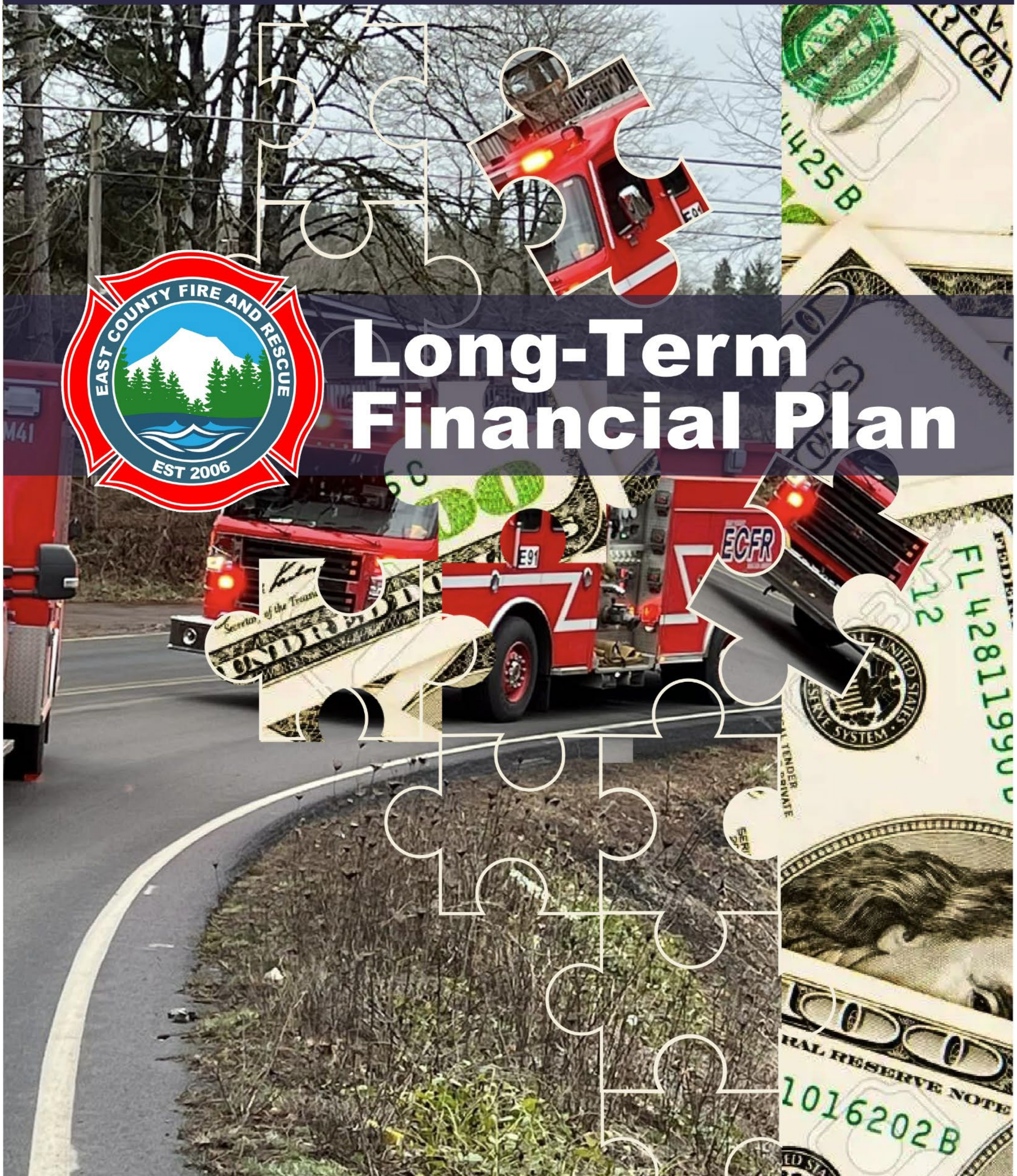
East County Fire and Rescue



Long-Term Financial Plan

Integrity • Compassion • Professionalism • Equity

Acknowledgements

This long-term financial plan has been developed for the citizens of our district and the East County Fire and Rescue (ECFR) Board of Fire Commissioners and was adopted on November 21, 2023 (East County Fire and Rescue Board of Fire Commissioners, 2023b).

- Board Chairperson Martha Martin
- Board Vice Chairperson Mike Taggart
- Commissioner Joshua Seeds
- Commissioner Sherry Petty
- Commissioner Steve Hofmaster

District Staff

- Fire Chief Ed Hartin, MS, EFO, FIFIreE, CFO
- Assistant Chief Robert Jacobs
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- Firefighter Cody Sorensen, IAFF Local 2444 Secretary
- Administrative Specialist Pam Jensen
- Accounting Assistant Debbie Macias

Editorial Review

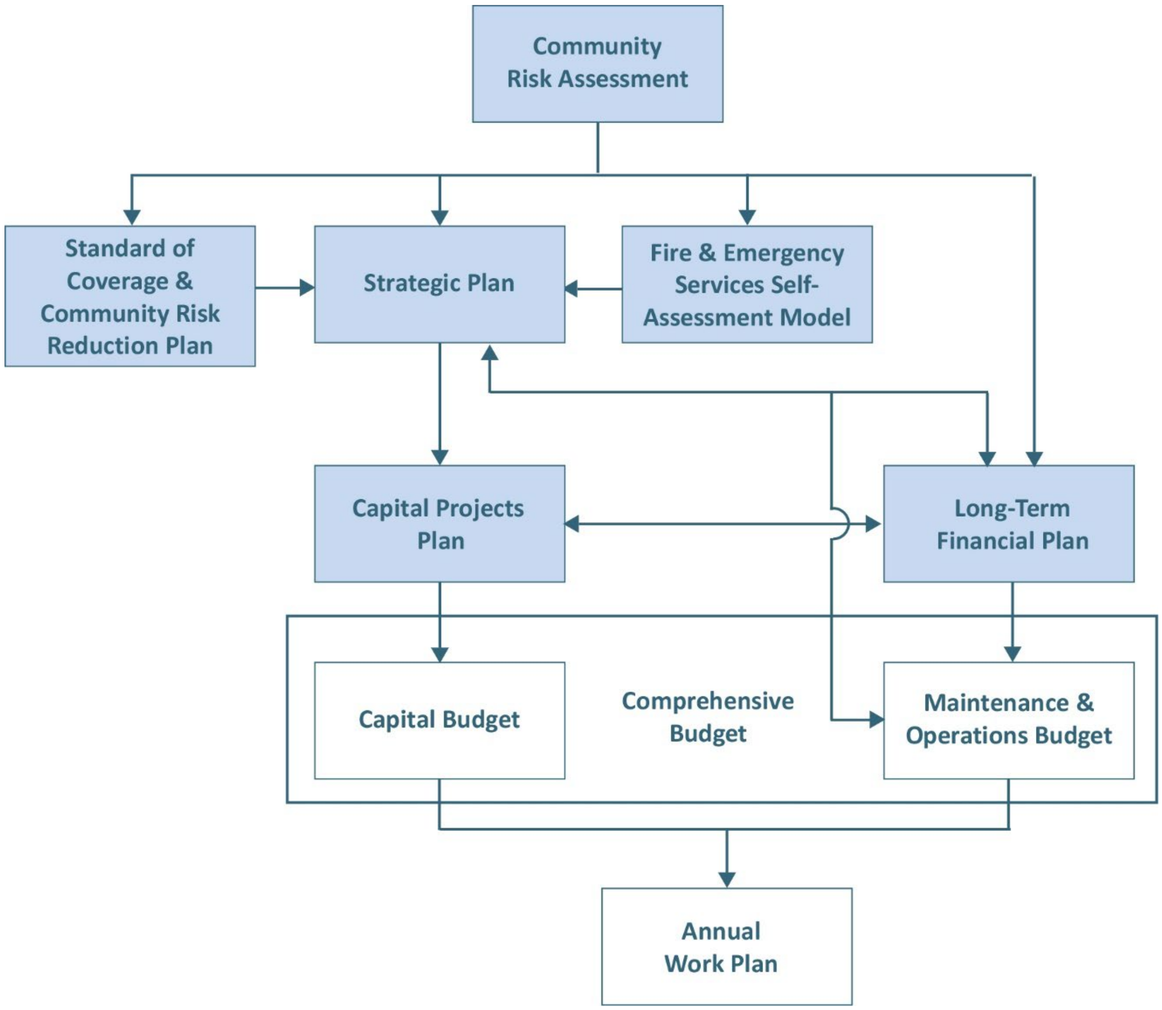
Sue Hartin

The long-term financial plan working group would also like to acknowledge the support and commitment of the district's full-time, part-time, and volunteer members in translating this plan into operational day-to-day reality.

Introduction

East County Fire and Rescue (ECFR) has implemented a comprehensive strategic planning process to guide its ongoing operations with a forward-looking orientation. Use of integrated comprehensive planning reduces duplication of effort and maximizes the effectiveness of the district's planning process. Figure 1 illustrates the six components of the integrated comprehensive plan, their relationships to one another and connection to the district's annual budget process and work plan.

Figure 1. ECFR Integrated Comprehensive Plan Components



Volume 1-Community Risk Assessment: Each element of the district's comprehensive planning process is rooted in a sound understanding of the nature, characteristics, and risk profile of the community. This volume of the comprehensive plan provides an overview of the community including demographics, geography, economic profile, and critical infrastructure. In addition, provides a comprehensive risk assessment for the district, and by fire management zone.

Volume 2-Strategic Plan: ECFR's strategic plan sets our organizational direction by establishing goals and identifies specific initiatives necessary to accomplish these goals and a means for measuring progress. This plan is a living document, intended to guide and support ongoing operations and is solidly integrated with the district's budgetary and operational business planning processes.

Volume 3-Standard of Coverage, & Community Risk Reduction Plan: The standard of coverage (SOC) and community risk reduction (CRR) plan provides a rational and systematic method of reducing and responding to the risks identified in the community risk assessment. This document establishes baseline and benchmark response performance standards, provides a basis for measuring service delivery performance, and identifies strategies and performance measures for proactive risk reduction.

Volume 4-Fire and Emergency Services Self-Assessment Model: The *Fire and Emergency Services Self-Assessment Model (FESSAM)* (CPSE, 2020) provides a structured approach to examining the district's current performance, assessment of this performance against criteria established by the Center for Public Safety Excellence (CPSE) Commission on Fire Accreditation International (CFAI) and developing a plan for continuous improvement.

> ***Volume 5-Long Term Financial Plan:*** Long term financial planning involves financial forecasting and strategizing how to meet both current and future needs of the community. This volume of the integrated comprehensive plan provides a financial forecast projecting revenues and expenditures over a long-term period, using assumptions about economic conditions, future spending scenarios, and other salient variables.

Volume 6-Capital Projects Plan: This volume of the integrated comprehensive plan establishes a long term, prioritized schedule of capital investments to ensure that the district has sufficient resources to fulfill its mission and that critical assets are repaired or replaced before they reach their end of useful life. The capital projects plan provides a basis for development of the district's annual capital budget.

The district develops an annual budget for all funds including general fund, capital projects fund, leave accrual fund, debt service fund and grant management fund. Additional details regarding budget structure and organization are provided in this long-term financial plan and in the district's annual budget document.

The annual work plan is a task focused plan that operationalizes the projects and programs funded in the district's annual budget.

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Executive Summary

Property taxes comprise approximately 97% of total district revenue. As with all municipal corporations in Washington, the district is constrained by constitutionally limited increases in tax revenue, statutory limitations on fire district levy rates, and the community's financial capacity. Approximately 3% of district revenue is generated from a variety of miscellaneous sources (e.g., such as payments in lieu of taxes, space and facilities rent, grants, and sale of surplus assets).

Since its formation in 2006, East County Fire and Rescue has been in debt. Multiple limited tax general obligation bonds have resulted in an ongoing and significant demand for debt service paid from the district's general fund. The district anticipates early payoff of its remaining 2012 bond in December of 2023, reducing interest expense and placing the district in a debt free condition for the first time since its formation.

The district's staffing model of using a combination of full- and part-time firefighters to maintain shift staffing is extremely fragile. Turnover among full- and part-time staff and inability of the district to maintain part-time staffing as the result of a regional increase in hiring of full-time firefighters by larger agencies has resulted in dramatically increased overtime expense and inability to maintain full shift staffing. This necessitates a change in the staffing model to reduce dependency on part-time firefighters by hiring additional full-time staff.

Given constitutional and statutory limitations on increases in tax revenue, the expense of district operations, and increased impact of inflation, the district will enter a negative general fund cash flow in 2024. Given the district's general fund beginning balance, the district can maintain current service levels and a sound minimum general fund beginning balance through 2025 despite negative general fund cash flow.

The real estate market has remained strong, having a continued positive influence on assessed valuation and as a result reduction of the district's levy rate from $1.50/$1,000 assessed valuation (AV) in 2019 to $1.09/$1,000 AV in 2023. While fluctuations in assessed value will occur, the district anticipates that in the long-term, real estate prices and related assessed valuation will continue to trend upward.

In 2023, the East County Board of Fire Commissioners adopted general fund beginning balance and contingency policies and with adoption of this long-term financial plan, comprehensive financial policies that will guide district staff in development of standard operating guidelines for the districts fiscal operations.

This long-term financial plan provides a detailed picture of the district's fiscal position, describes options to maintain or improve current service delivery levels, and a plan to present a permanent single year lid lift to the district's voters in 2024 to allow the district to continue to meet our community's needs for fire and rescue services.

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Long Term Financial Planning

Long term financial planning involves resource and requirements forecasting and strategizing how to meet both current and future needs of the community. This process requires developing a financial forecast projecting revenues and expenditures over a long-term period, using assumptions about economic conditions, future spending scenarios, and other salient variables.

"However good our futures research may be, we shall never be able to escape from the ultimate dilemma that all our knowledge is about the past, and all our decisions are about the future" (Ralston & Wilson, 2006, p. 3).

Preparing for an uncertain future requires consideration of a wide range of factors as well as direct and indirect influences on East County Fire and Rescue's success in providing the community's desired service delivery level on a sustainable basis. The planning process stimulates discussion and provides a framework for decision-makers to develop a long-range perspective and for communications with internal and external stakeholders.

Best Practices

The Government Finance Officers Association (GFOA) *Best Practice on Long Range Financial Planning* (GFOA, 2022a, 2022b) recommends that public agencies regularly engage in long term financial planning, projecting revenues, expenses, and key factors that have a financial impact on the organization. Long term financial planning allows government agencies to identify and address potential risk factors that impact overall financial stability.

- ***Duration:*** A long-term financial plan should look at least five but not more than ten years into the future.
- **Scope:** The plan should consider all appropriated funds, but especially those funds that are used to account for the issues of top concern to elected officials and the community.
- ***Frequency*:** Governments should update long-term planning activities as needed to provide direction to the budget process, though not every element of the long-range plan must be repeated.
- ***Content*:** A plan should include an analysis of the financial environment, revenue and expenditure forecasts, debt position and affordability analysis, strategies for achieving and maintaining financial balance, and plan monitoring mechanisms, such as a scorecard of key indicators of financial health.
- ***Visibility*:** The public and elected officials should be able to easily learn about the long-term financial prospects of the government and strategies for financial balance. Hence, governments should devise an effective means for communicating this information, through either separate plan documents or by integrating it with existing communication devices.

East County Fire and Rescue staff and board of fire commissioners considered multiple fiscal scenarios and used fiscal environment analysis (FEA) (Kavanagh, 2007) as methods for measuring and evaluating fiscal condition and to provide comprehensive long-term fiscal planning consistent with the best practices advocated by the GFOA.

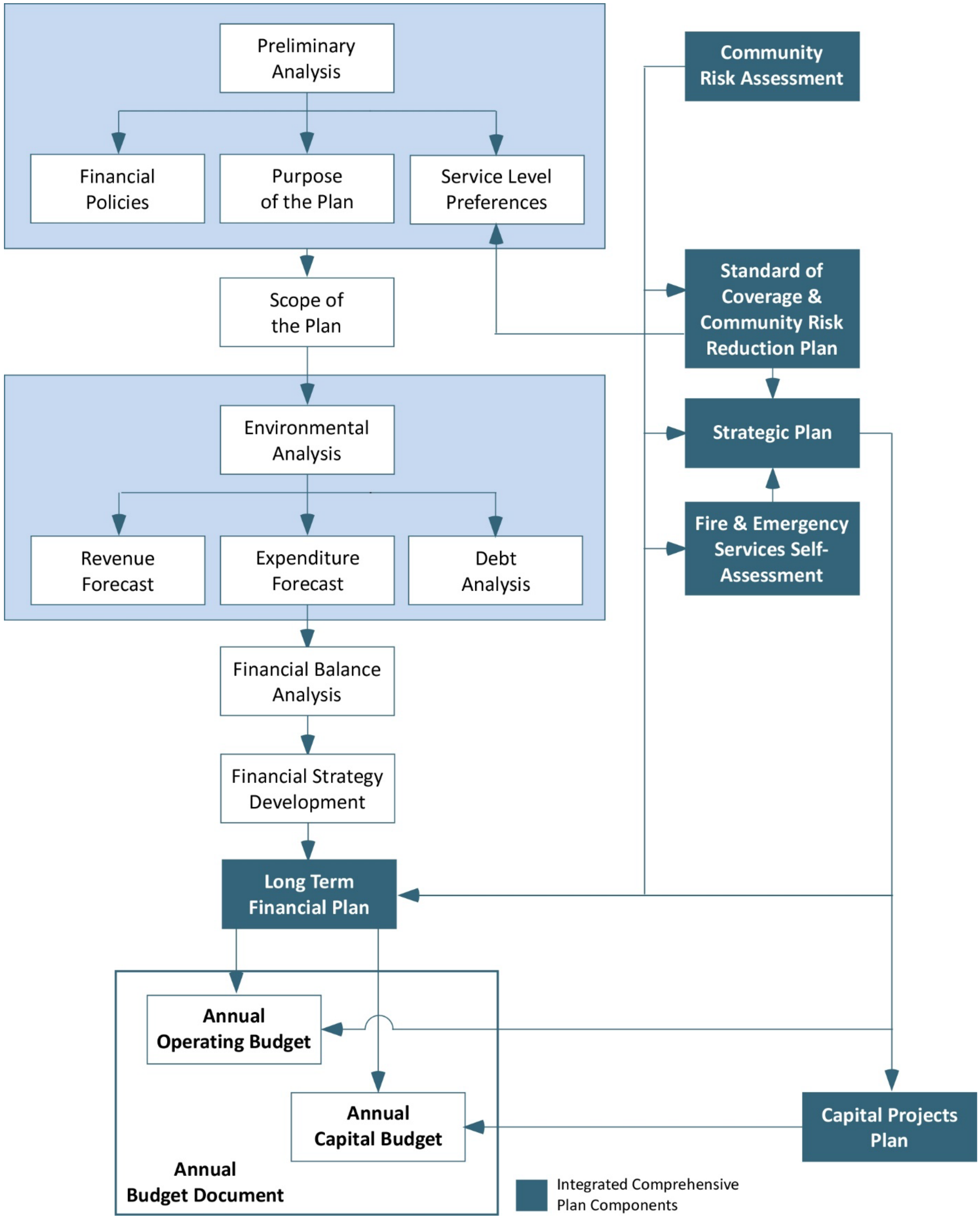
Financial Planning Process

Long term financial planning undertaken by a municipal corporation must be transparent and involve not only staff, but also elected officials and the public stakeholders. Advantages of engaging a broad base of stakeholders includes:

- Aids in refinement of economic forecasts and planning assumptions.
- Institutionalizes the financial planning process.
- Promotes strategic decision-making.
- Develops support for plan implementation.

As with all municipal corporations in Washington State, the district has an ongoing struggle with the gap between increasing expenses and constitutionally limited increases in tax revenue. To address these ongoing fiscal challenges, the district has adapted the long-term financial planning process presented in *Financing the Future* (Kavanagh, 2007). East County Fire and Rescue is using scenario based financial planning to address fiscal challenges and chart a course for the future. Subsequently, long term financial planning is an integral component of the district's integrated comprehensive plan. Figure 2 illustrates the district's long term financial planning process and relationship of the long-term financial plan to other components of the district's integrated comprehensive planning process and to the district's operating and capital budgets.

Figure 2. Financial Planning Process



Note: Adapted from Kavanaugh, S. (2007) *Financing the Future*. Chicago: Government Finance Officers Association

Adoption, Review, and Revision

As with other strategic level plans, East County Fire and Rescue's long-term financial plan is adopted by resolution of the board of fire commissioners. The district's long-term financial plan will be reviewed annually as part of the annual budget process and updated during the second quarter on a two-year cycle. Revisions to the long-term financial plan will be adopted by resolution of the board of fire commissioners.

Preliminary Analysis

This preliminary analysis provides a foundation for the district's financial planning and identification of strategies to provide the way forward in meeting our community's fire and rescue service needs.

Legal Basis for Existence

East County Fire and Rescue traces its roots to Clark County Fire District 1 which was formed in 1945 to provide protection to the unincorporated area of Clark County east of the Washougal River (CCFD 1, 1945) and Clark County Fire District 9 which was formed in 1961 to provide fire protection to unincorporated area of Clark County west of the Washougal River (CCFD 9, 1961). In 2006, Clark County Fire District 1 merged into Clark County Fire District 9 (CCFD 9 and CCFD 1, 2006) and the district was renamed East County Fire and Rescue (CCFD 9, 2006).

ECFR is a fire protection district formed under *Revised Code of Washington (RCW) 52 Fire Protection Districts*. Fire protection districts are formed to provide fire prevention, fire suppression, and emergency medical services outside cities and towns, except where cities and towns have annexed into the district. ECFR is an independent municipal entity and not part of county or town government. While fire districts may provide fire prevention services, districts do not have statutory authority for fire code enforcement (this authority resides with cities, towns, and counties).

Consistent with the provisions of RCW 52.14.010, the district is governed by a five-member board of fire commissioners, each of whom serves for a six-year term. By statute, the board oversees management of the district, establishes policy, and provides direction to the fire chief. The chief in turn manages the day-to-day operations and fiscal affairs of the district.

Fire District Funding

Property taxes serve as the primary funding mechanism for services provided by fire protection districts established under the provisions of Revised Code of Washington (RCW) 52.

Property Taxes

Beginning in 1997, the voters of Washington state have passed several referendum or initiatives to limit increases in property taxes. In 1997, Referendum 47 limited regular property tax collections to the rate of inflation unless elected officials identified a "substantial need" which then allowed elected officials to increase collections by as much as 6% (Guppy, 2002). This referendum placed this issue before the state legislature which passed legislation enacting this provision into law. Subsequently, Initiative 747 passed by the voters in 2001 amended the state constitution to limit annual increases in property taxes levied to 1%, plus revenue from new construction added to the tax rolls in the previous year.

While tax limitations are complex, there are two particularly important limitations for fire districts.

- The 1% limitation on increases in the regular property tax levy (Washington State Constitution Amendment 95 Article 7 Section 2).
- The maximum regular property tax levy rate for fire districts of $1.50/$1,000 of assessed value (AV) (RCW 52.16.130, 140, 160).

RCW 84.52.069 allows emergency service agencies to impose an emergency medical service (EMS) levy to an amount not to exceed fifty cents per thousand dollars of the assessed property value. A supermajority (60%) is required for approval of an initial EMS levy, but a simple majority is required for continuation.

In addition to the regular tax levy for maintenance and operations, fire districts may also establish additional tax levies for specific purposes with the approval of the voters within the district as illustrated in Table 1. Excess levies for maintenance and operations, construction, or payment of debt service on bonds are subject to the district's statutory limit on indebtedness which is three fourths of one percent of the value of taxable property within the district (RCW 52.16.080).

Table 1. Voter Approved Levies for Fire Districts (Excluding EMS Levies)

Type of Levy	Approval Requirement	Validation Requirement	Duration
Excess (M&O)	60%	40% of voters voting in the last preceding general election	2 to 4 Years
Excess (Construction)	60%	40% of voters voting in the last preceding general election	2 to 6 Years
Excess (Bond)	60%	40% of voters voting in the last preceding general election	Length of Bond

Note: Adapted from Washington State Department of Revenue. (2022). *Property Tax Levies Operations Manual.*

ECFR has two property tax revenue streams, the general levy, and an EMS levy. These property tax levies are distributed across all taxable property within the district.

In most cases, parcels within the district that have buildings pay fire protection tax. However, some parcels with buildings in the district are tax exempt. A few examples of the tax-exempt parcels within the district include:

- Jemtegaard Middle School (Washougal School District)
- Columbia River Gorge Elementary School (Washougal School District)
- Fern Prairie United Methodist Church
- Camas Bible Baptist Church

Some of these facilities (e.g., Washougal School District) pay a small fire protection fee in lieu of taxes. However, these nominal fees are substantially less than the tax that would be paid based on assessed valuation if not tax exempt.

Parcels that do not have buildings do not pay fire protection tax. Parcels with significant forest land (with or without buildings) pay forest protection tax that aids in funding the Washington Department of Natural Resources, who provides wildland fire protection. However, the district provides initial response to vegetation fires within the district, regardless of if the property is under DNR jurisdiction or joint DNR/district jurisdiction.

Given the defined maximum increase, changes in assessed value of existing property and new construction added to the tax rolls impact on the levy rate in several ways. If the district's levy rate is lower than the maximum $1.50/$1,000 assessed valuation (AV), decreases in assessed value will increase the levy rate to maintain relatively consistent funding with constitutionally limited increases. However, if the levy rate reaches $1.50/$1,000 AV and AV continues to decrease, revenue will decrease. If AV increases, the property tax levy will decrease, to maintain relatively consistent funding with constitutionally limited increases.

The rationale behind the tax structure in the state constitution and related laws is that the costs of delivering essential services (such as fire protection, rescue, and emergency medical care) is not based on the value of real property. Cost is based on the level of service desired by the community, with the cost shared based on property value.

Other Taxes

In addition to property taxes levied on the current year's assessed valuation, the district may receive the following additional tax revenues:

Refund Levy: A taxing district may levy taxes for refunds paid to taxpayers, or to be paid to taxpayers based on an administrative refund (correction of error) or a judgement. This levy is for the refund, including interest, plus an amount for abated or cancelled taxes. To do this, they must include the amount of refund levy they desire in their levy certification to the county legislative authority or county assessor. Although the refund levy is outside of the levy limit (aka 101 percent growth limit) calculation, the levy rate cannot exceed the statutory maximum rate for the taxing district (i.e., $1.50/$1,000 assessed valuation (AV) for a fire district) (WA DOR, 2022).

Leasehold Excise Tax: It is a tax on the use of public property by a private party. This tax is in lieu of the property tax. The Leasehold Excise Tax rate is 0.1284 percent of the rent paid for the property. Approximately 53 percent of the tax goes into the State General Fund and 47 percent of the tax is returned to the county and city in which the leased property is located. The county treasurer distributes leasehold tax revenue proportionately to taxing districts within the county (RCW 82.29A).

Timber Excise Tax: The stumpage value of timber harvested for sale or commercial/industrial use. The total tax rate for timber harvested on both private and public lands is 5 percent with 4 percent of the revenue going to the county where the harvest occurred and 1 percent going to the state of

Washington. County receipts are further distributed to local taxing districts by the county treasurers by formula, which reflects the assessed value of forest land in the respective districts (RCW 84.33.081):

- Funds go first to districts that have approved special property tax levies for capital purposes.
- Next, school districts receive funds in relation to their special levy rates.
- The remainder is distributed to each taxing district generally in proportion to the timber assessed value of each district.

Charges for Service

Fire districts may charge for services provided to other governmental units and for services provided that benefit an individual or business to a greater extent than the larger community. In some cases, there is a statutory obligation to charge for these services.

Interlocal Agreements: *Revised Code of Washington (RCW) 39.34 Interlocal Cooperation Act* provides enabling legislation that permits local governmental units to make the most efficient use of their powers by enabling them to cooperate with other localities on a basis of mutual advantage. Interlocal cooperation can take many forms including contracts for service.

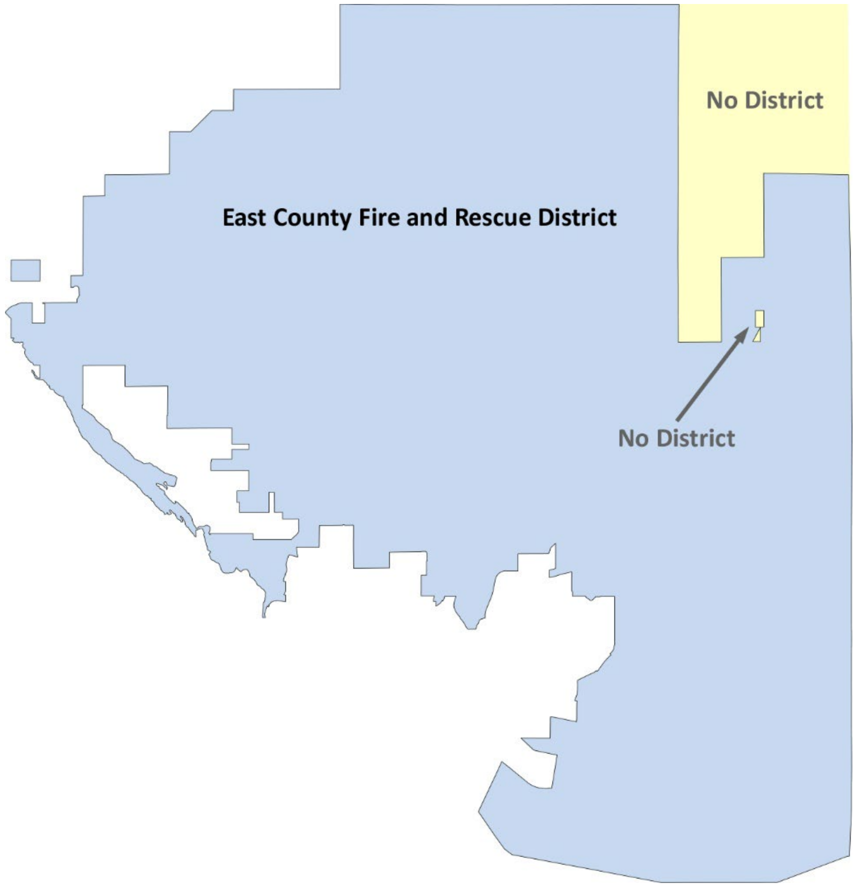
East County has interlocal agreements with the Washington State Patrol (WSP) for all hazards mobilization and with Washington Department of Natural Resources (WA DNR) for wildland firefighting resources. However, district participation in all-hazards mobilization and out of district wildland firefighting response under these agreements has been extremely minimal due to limited staffing.

Firefighting Services for Unprotected Lands: Revised Code of Washington (RCW) 52.12.160 firefighting services for unprotected lands specifies the conditions under which a fire district may provide firefighting services on unprotected lands outside its boundaries.

> In the absence of a written contractual agreement, a fire protection service agency may initiate firefighting services on unprotected land outside its fire protection jurisdiction in the following instances: (a) Service was specifically requested by a landowner or other fire service protection agency; (b) service could reasonably be believed to prevent the spread of a fire onto lands protected by the agency; or (c) service could reasonably be believed to substantially mitigate the risk of harm to life or property by preventing the spread of a fire onto other unprotected lands (RCW 52.12.160(3)).
>
> The property owner or owners shall reimburse an agency initiating firefighting services on unprotected land outside its fire protection jurisdiction for actual costs that are incurred that are proportionate to the fire itself. Cost recovery is based upon the Washington fire chiefs standardized fire service fee schedule (RCW 52.12.160(4)(a)).

The district has several areas within and adjacent to the district's boundaries that have chosen not to annex into the district and as such are unprotected lands as illustrated in Figure 3.

Figure 3. Unprotected Lands



These lands are forested with multiple homes that present both a structural and wildland interface fire risk. Current district policy 30.3 Response to 'No District Areas' (ECFR, 2018) provides for limited response to fire and emergency medical services incidents and states "ECFR reserves the right to bill for any and all response to no district areas". This policy specifies fees for apparatus are determined in accordance with RCW 52.12.160(4)(a) and charges for personnel equal to the total cost of compensation.

While response to no district areas is infrequent and charges for service would not provide the district with significant revenue, this policy should be revisited. RCW 52.12.160(4)(a) specifies that the property owner shall (mandatory not permissive) reimburse the agency. In addition, response should be proportional to the risk to life, property, and the safety of ECFR members.

Benefit Charges

The fire benefit charge (FBC) method of funding is an alternative to the use of assessed value and property taxes as the sole method of distributing the cost of fire and rescue service among taxpayers. The FBC funding method is a voter approved; two-part funding system that balances general purpose taxes and a user fee charged to buildings based on risk and need for service (RCW 52.26.180). It is called a benefit charge because it refers to the benefit of having fire protection available.

- A tax of up to $1.00/$1,000 assessed valuation (AV) may be levied on assessed values of property and used for all day-to-day operations and capital needs of the fire department.
- A fire benefit charge (FBC) of up to 60% of the operating budget may be assessed and used only for day-to-day operational expenses such as salaries, equipment, fuel, and utilities.

The fire benefit charge formula calculates the amount of firefighting water that would be required to extinguish a fire(s) that could occur on a property and the number of fire department resources that would be required to deliver that amount of water.

The fire benefit charge (FBC) has multiple exemptions for public, non-profit, and religious entities including:

- Property of recognized religious organizations (unless used for business operations or profit-making enterprises)
- Property of housing authorities that are tax exempt.
- Improvements used specifically for religious worship or education are exempt from the Fire Benefit Charge.
- Public schools who pay a per student stipend are exempt from the FBC.
- Entities with a contract for service with the fire department.

State law requires annual public hearings prior to adoption of FBC rates on an annual basis and voters may reauthorize use of a FBC every six years.

Other Revenue

Fire districts may also receive revenue from other sources such as fees for service, grants, sale of surplus real or personal property, etc. In some cases, these are one-time revenues and in other cases they are ongoing but comprise a small proportion of the district's total revenue. Other revenue also includes timber rents (revenue received for lease of state lands held in trust or from sale of products from those leases).

Timber Rents: A portion of the monies derived from the lease of state lands held in trust or from the sale of forest products, oils, gases, coal, minerals, or fossils, or from land designated as state forest land is distributed regularly by the state treasurer to the counties in which the lands are located and are distributed by the county treasurer proportionately to the taxing districts within the county (RCW 79.64.110).

Integrated Comprehensive Plan

In 2022, the district began the process of selecting a consultant to assist with facilities and financial planning. This process continued throughout the year as the scope of work was refined. In December of 2022, the district received a proposal from MERENA+CO to develop a financial plan for the district. In January 2023, Fire Chief Ed Hartin made a presentation to the board outlining the advantages of developing the district's financial plan using in-house resources and integrating facilities planning with completion of a community risk assessment, standard of coverage, and capital projects plan.

In addition, Chief Hartin explained the value of developing the long-term financial plan in the context of integrated comprehensive planning. As each of the elements of a comprehensive plan are interrelated, work on the long-term financial plan and other plan components would need to be conducted concurrently.

Strategic Plan

The district had a strategic plan in place at the start of 2023. Th strategic plan provided specific project level direction to district staff in a wide range of areas. However, the plan did not clearly articulate high level goals to organize initiatives and related programs and projects. Many of the projects identified in the plan had not been completed by their specified due date.

The strategic plan had several goals that made a specific connection to financial planning and the fiscal health of the district. These included:

1. Staffing of two stations, maintain 24/7 staffing at Stations 91 and 94 through **continued reduction in expenses** [emphasis added] and **identifying a sustainable funding stream** [emphasis added] for a total of 10 full-time and 6 part-time firefighters.

6. **Permanent** [emphasis added] capital funding.

    6.1. Develop a facilities improvement policy- will be established starting in the 2021 annual budget.

    6.2. Develop an apparatus purchasing policy – will be established starting in the 2021 annual budget.

    6.3. Staff and Officers will assess current equipment, making recommendations to the chief for the board to declare as surplus items to auction by 2019 (currently on-going).

    6.4. Staff to review wildland state mobilization opportunities yearly and make recommendations to the board of commissioners (not supported by the board of commissioners at this time) (ECFR, 2022).

Goal 1 identified two strategies for maintaining staffing at Stations 91 and 94, continued reduction in expenses and identification of a sustainable funding stream. The first strategy (continued reduction in expenses) likely had unintended consequences, as the district's already lean budget had limited capacity to absorb expense reductions without impacting service delivery levels to the public or adequate maintenance of infrastructure. As a result, facilities, apparatus, and equipment maintenance were often deferred, resulting in deterioration of critical infrastructure and increased need to address needed repair and deferred maintenance. As the district's operations are predominantly funded by property taxes which are constrained by constitutional and statutory limits as well as the district's tax base, identifying a sustainable funding stream is more easily said than done.

Goal 6 identified the need to identify a method for permanent capital funding but did not define what was meant by "permanent". However, this goal identified initiatives to develop capital projects policies related to facilities improvement and apparatus purchasing by 2021. These initiatives were not completed as of the end of 2022.

Goal 6 also identified two revenue-related initiatives which were not clearly coupled with capital funding (but could be). The first of these initiatives was to assess equipment that could be declared surplus and sold at auction. The sale of surplus equipment is a limited source of revenue, but also serves to reduce the expense of maintaining equipment no longer needed by the district. The second was review of the opportunity for wildland mobilization (with net revenue based on use of district apparatus). This revenue stream can be significant, but is dependent on availability of staffing (which likely resulted in the stated lack of support for this initiative by the board of fire commissioners)

In the first quarter of 2023, the district began the process of substantially revising the district's strategic plan with revision and refinement of the district's mission and values and development of an organizational vision. Work on refinement of the strategic plan will continue through the remainder of 2023 (in parallel with long-term financial planning).

Fiscal Strategic Goals

Effective organizational performance requires measurement to first establish a baseline and subsequently to evaluate progress toward established goals. However, performance management provides benefits beyond checking progress (Neely, 2002). Performance measurement supports continuous learning in which feedback is used for identifying achievements and adjusting agreed-upon strategies or initiatives. This process is critical to continued progression towards the attainment of organizations' mission and vision.

The following goals and initiatives have been proposed for inclusion in the district's 2023 strategic plan:

- Ensure adequate and sustainable funding.
    - Develop alternative (non-property tax) revenue sources consistent with the district's mission.
    - Develop and present property tax funding alternatives (e.g., lid lift, voter approved bond measure) to the board of fire commissioners as necessary to meet and continue established service delivery levels.
    - Pursue grants and other one-time funding consistent with the district's mission and strategic goals.

- Be fiscally responsible and operate with transparency.
    - Develop, maintain, and operate under sound fiscal policy and procedure.
    - Develop and maintain a capital projects plan and capital project funding strategy to meet the district's capital infrastructure needs.
    - Engage the community in building awareness and understanding of the district's fiscal and policy making processes.

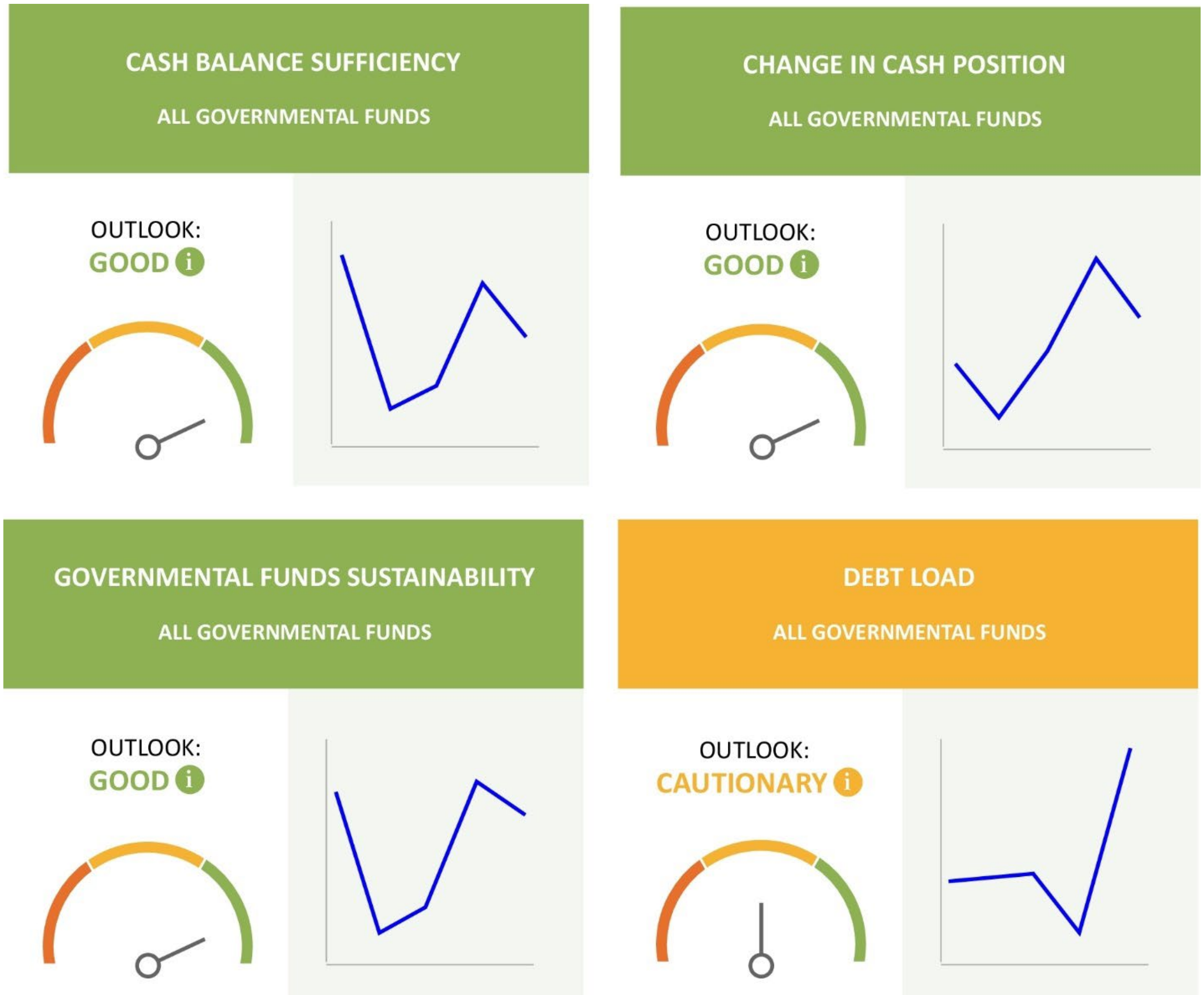
There are a multitude of measures that can be used to assess the fiscal health of a municipal corporation such as a fire protection district. It is essential to consider both internal financial data and economic, political, and legislative factors. For example, given the constitutional and legislative limitations on taxation to support fire district operations, fund balances, and a positive cash flow are critical measures of fiscal health.

Fiscal Performance Measures

Specific performance measures are used to assess the district's position and performance in relation to the district's strategic goals of adequate and sustainable funding, fiscal responsibility, and transparency.

Financial Intelligence Tool: The Office of the Washington State Auditor's Center for Government Innovation developed the Financial Intelligence Tool (FIT) to allow local governments to monitor common financial health indicators and compare the government's position to benchmark values and the performance of peer governments. As illustrated in Figure 4, the FIT examines four financial health indicators. Each of these indicators reflects financial health based on the total of all governmental funds (e.g., general fund, capital projects fund, etc.). This allows comparison to peer governments that have dissimilar fund structures (WA SAO, 2020).

Figure 4. 2021 Filing Milestone Snapshot FIT Financial Health Indicators



Note: Adapted from Office of the Washington State Auditor (SAO). (2023a). Financial Intelligence Tool, Government Profile: East County Fire and Rescue.

Cash Balance Sufficiency: This indicator shows the number of days a fund(s) could operate based solely on its ending cash and investments balance. Availability of cash is essential to government operations, especially for smaller cash basis governments. Without funds to meet payroll and accounts payable, government spending and related service delivery would cease. Cash balance sufficiency is determined using Equation 1.

Equation 1. Calculation of Cash Balance Sufficiency Equation

$$Days\ Covered = \frac{Ending\ Cash\ and\ Investments}{\left(\frac{Expenditures + Debt\ Service + Transfers}{365\ Days}\right)}$$

Establishment of a specified minimum cash balance depends on a government's revenue streams and spending priorities. Industry best practice recommends no less than two months of average spending be held as a minimum cash balance. An adequate cash balance ensures the government has enough cash on hand to operate, as well as deal with unexpected costs or emergencies and develop or maintain sufficient reserves (SAO, 2021, SAO 2023b). The FIT uses the following criteria for assessment of cash balance sufficiency (D. Walz, personal communication, July 31, 2023):

- Benchmark: At least 60 days.
- Cautionary Outlook: 3-year trend indicates next year will not meet threshold.
- Critical/Concerning Outlook: Less than 60 days, most current year.

Change in Cash Position Ratio: This indicator shows the percent change in ending cash and investments compared to the prior year. That is, it will show the extent to which expenditures were less than or greater than revenue (positive or negative cash flow). The cash balance sufficiency ratio is determined using Equation 2.

Equation 2. Change in Cash Position Ratio Equation

$$Change\ in\ Cash = \frac{(Ending\ Cash\ and\ Investmens - Beginning\ Cash\ and\ Investments)}{Beginning\ Cash\ and\ Investments}$$

Increased cash and investment balance is usually a positive sign that an entity is moving in a good direction to either build reserves or set aside funds for future capital improvements. When this indicator is negative, it can be for good reasons, such as to pay for capital improvements that were planned for or to pay off debt, but it can also indicate the government might not be living within its means. It is not uncommon for this indicator to fluctuate, and a negative value is not necessarily a concern. Negative values require an explanation, and it is important to track this measure over multiple years to identify trends (SAO, 2023c). The FIT uses the following criteria for assessment of the change in cash position ratio (D. Walz, personal communication, July 31, 2023):

- Benchmark: Greater than 0%.
- Cautionary Outlook: Less than 0%, most current year.
- Critical/Concerning Outlook: Less than or equal to 0% for 3 consecutive years.

Governmental Funds Sustainability Ratio: This indicator shows if the funds the government is spending inclusive of expenditures and debt service are greater or less than their revenue (which includes the beginning balance). General governmental activities usually do not have a lot of control over their primary sources of revenues (e.g., property taxes). Governments of necessity limit program and service expenditures to balance the budget in the long term. The government funds sustainability ratio is determined using Equation 3.

Equation 3. Government Funds Sustainability Ratio Equation

$$Government\ Funds\ Sustainability = \frac{Revenues - (Expenditures + Debt\ Service)}{Revenues}$$

The government funds sustainability ratio indicates if the government is living within its means. If the value is greater than 0% (positive cash flow), the government has funds available for capital projects and/or to build reserves. If the indicator is less than 0% (negative cash flow), it may indicate the government is living beyond its means. However, as with change in cash position, negative values require explanation, and this indicator must be tracked over multiple years to identify trends (SAO, 2023d). The FIT uses the following criteria for assessment of the change in government funds sustainability ratio (D. Walz, personal communication, July 31, 2023):

- Benchmark: Greater than 0%.
- Cautionary Outlook: Less than 0%, most current year.
- Critical/Concerning Outlook: Less than or equal to 0% for 2 consecutive years.

Debt Load Ratio: This indicator shows how much of the government's revenues are used for debt service. Governments often issue debt to finance capital improvements. However, excessive debt can reduce financial flexibility and impact the government's ability to deliver services. The debt load ratio is determined using Equation 4.

Equation 4. Debt Load Radio Equation

$$Debt\ Service\ Load = \frac{Debt\ Service\ Inclusive\ of\ Principal\ and\ Interest}{Revenues}$$

Evaluating debt load requires consideration of the length of the maturities for the outstanding debt, the reason for the debt (operations or capital needs), and the payment structure (timing and changes in interest rate and payment amount over time) (SAO, 2023e). The FIT uses the following criteria for assessment of the change in debt load ratio (D. Walz, personal communication, July 31, 2023):

- Benchmark: Less than 12%.
- Cautionary Outlook: 12% or greater most current year.
- Critical/Concerning Outlook: 12% or greater for 2 consecutive years.

FIT Data and Comparisons: The FIT provides a five-year history of each of the four measures of financial health along with the underlying data. In addition, the FIT identifies the statewide mean, median, and trimean for similar governments (e.g., fire districts).

In common language a typical value is described as "average". The average (mean) is determined by calculating the sum of the values in a sample and dividing by the count of those values. The median is another way to describe central tendency. The median is the 50th percentile, or the value where there are an equal number of higher and lower values in the sample (if the number of values is even, the mean of the two middle values is used as the median). Both mean and median are significantly influenced if the distribution of values is skewed (large number of higher or lower values). The trimean is a robust measure of central tendency as it is calculated as a weighted mean of the median and the two quartiles (25^{th}, 50^{th}, and 75^{th} percentiles). The trimean controls for values at the extreme high and low ends of the distribution (Lane, et. al, 2003). The trimean is calculated using Equation 5.

Equation 5. Trimean

$$TM = \frac{Q_1 + 2Q_2 + Q_3}{4}$$

$\mathrm{TM} = \mathrm{Trimean}$

$\mathrm{Q2} = \mathrm{Median}\ (50^{\mathrm{th}}\ \mathrm{Percentile})$

$\mathrm{Q1} = 1^{\mathrm{st}}\ \mathrm{Quartile}\ (25^{\mathrm{th}}\ \mathrm{Percentile})$

$\mathrm{Q3} = 3^{\mathrm{rd}}\ \mathrm{Quartile}\ (75^{\mathrm{th}}\ \mathrm{Percentile})$

By providing the mean, median, and trimean, the FIT provides a more comprehensive picture of the central tendency for each of the measures of fiscal health for similar governments.

FIT Limitations: The FIT provides a high level (all funds rolled up and considered in total) examination of four measures of fiscal health. As noted in discussion of cash balance sufficiency, change in cash position, governmental funds sustainability, and debt load, it is often necessary to examine the reasons for the value of a specific measure and to examine the measure over time.

Data provided by the FIT is useful and is incorporated into assessment of the district's financial performance. However, these four indicators do not provide the details necessary for a more fine-grained assessment of overall financial position and financial position at the fund level (e.g., general fund, capital projects fund, leave accrual fund).

Additional Performance Measures: The performance measures identified in Table 2 when used in addition to those included in the Financial Intelligence Tool (FIT) provide a more comprehensive look at the district's fiscal performance by examining revenue, expenditure, operating position, and debt.

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Table 2. Fiscal Performance Measures

Type	Indicator	Equation
Revenue	Revenue per Capita	$Total\ Revenue\ Per\ Capita = \frac{Total\ Revenue\ for\ all\ Governmental\ Funds}{District\ Populaton}$
Revenue	General Fund (GF) Intergovernmental Revenues Ratio	$GF\ Intergovernmental\ Revenues\ Ratio = \frac{GF\ Intergovernmental\ Revenue}{Total\ GF\ Revenue}$
Revenue	General Levy Property Tax Ratio	$General\ Levy\ Property\ Tax\ Ratio = \frac{Total\ General\ Levy\ Tax\ Revenue}{Total\ GF\ Revenue}$
Revenue	General Levy Rate Ratio	$General\ Levy\ Rate\ Ratio = \frac{General\ Levy\ Rate/\$1{,}000\ AV}{\$1.50/\$1{,}000\ AV}$
Revenue	EMS Levy Property Tax Ratio	$EMS\ Levy\ Property\ Tax\ Ratio = \frac{Total\ EMS\ Levy\ Tax\ Revenue}{Total\ EMS\ Fund\ Revenue}$
Revenue	EMS Levy Rate Ratio	$EMS\ Levy\ Rate\ Ratio = \frac{EMS\ Levy\ Rate/\$1{,}000\ AV}{\$0.50/\$1{,}000\ AV}$
Expenditure	Expenditures Per Capita	$Expenditures\ Per\ Capita = \frac{Total\ Expenditured\ All\ Governmental\ Funds^{1}}{District\ Population}$
Operating Position	General Fund Cash Flow Ratio	$GF\ Cash\ Flow\ Ratio = \frac{(Total\ GF\ Revenue - Total\ GF\ Expense)}{Total\ GF\ Revenue}$
Operating Position	General Fund Balance to Expense Ratio	$GF\ Balance\ to\ Expense\ Ratio = \frac{GF\ Beginning\ Balance}{Budgeted\ GF\ Expense}$
Operating Position	General Fund Balance Ratio	$GF\ Balance\ Ratio = \left(\frac{GF\ Beginning\ Balance}{Prior\ Year's\ GF\ Beginning\ Fund\ Balance}\right) - 1$

[1] Excludes the capital projects fund due to large fluctuation in expenditure from year to year.

Table 2. Fiscal Performance Measures (continued)

Type	Indicator	Equation
Operating Position	Capital Projects Fund (CPF) Balance Ratio	$CP\ Fund\ Balance\ Ratio = \left(\frac{CPF\ Beginning\ Balance}{Prior\ Year's\ CPF\ Beginning\ Balance}\right) - 1$
Operating Position	Capital Projects Fund % of Full Funding	$CP\ Fund\ \%\ of\ Full\ Funding = \frac{Projected\ Current\ Balance\ Requirements^{2}}{CPF\ Beginning\ Balance}$
Operating Position	Leave Accrual Fund (LAF) Balance Ratio	$GF\ Balance\ Ratio = \left(\frac{LAF\ Beginning\ Balance}{Prior\ Year's\ LAF\ Beginning\ Fund\ Balance}\right) - 1$
Operating Position	Leave Accrual Percent Full Funding	$CP\ Fund\ \%\ of\ Full\ Funding = \frac{Projected\ Current\ Balance\ Requirements^{3}}{LAF\ Beginning\ Balance}$
Debt	Limited Tax General Obligation (LTGO) Debt Ratio	$Long\ Term\ Debt\ Ratio = \frac{LTGO\ Debt}{Assessed\ Valuation}$
Debt	LTGO Debt Load	$LTGO\ Debt\ Ratio = \frac{LTGO\ Debt\ Service}{GF\ Revenue}$

[2] Current requirements based on amortized cost of net future expense of capital projects on a pay as you go basis.
[3] Projected balance based on anticipated retirement date and leave balance at retirement.

The district also considers the qualitative performance measures listed in Table 3 in relation to the district's strategic goals of adequate and sustainable funding, fiscal responsibility, and transparency.

Table 3. Qualitative Performance Measures

Type	Indicator
Creditworthiness	Maintaining or improving the district's current bond rating
Financial Compliance	Successful financial and accountability audits by the Office of the Washington State Auditor (SAO)
Transparency	Self-assessment of the district's website to ensure that the following information is readily accessible: • Elected officials. • Administrative officials. • Taxes and other revenues. • Current and historical budgets. • Meeting agendas, related documentation, and minutes. • Board of fire commissioners' resolutions. • Audit reports. • Contracts and agreements. • Lobbying that is conducted by the district or its elected or appointed officials. • Public records request procedures

Performance improvement is dependent on understanding current state, measuring performance on an ongoing basis, and acting to improve performance. The Government Finance Officers Association and National Advisory Council on State and Local Budgeting have long urged local government to incorporate performance measurement as an integral part of budget process (GFOA, 2018). However, measurement of performance is only one element in a comprehensive, integrated approach to performance management. East County Fire and Rescue's long-term financial plan and budget process incorporate the concepts outlined in *A Performance Management Framework for State and Local Government: From Measurement and Reporting to Management and Improving* (2010). This framework provides a methodology to integrate the governmental management process and practices of planning, budgeting, program execution, and evaluation into a single well aligned system focused on performance improvement.

East County Fire and Rescue's (ECFR's) integrated comprehensive planning process includes the district's strategic plan, fire and emergency services self-assessment manual, long-term financial plan, and capital plan. The comprehensive plan and budget process reflect the district's commitment to effective performance management. The district's fiscal and transparency performance measures are reported for a three-year period; prior year actual, current year adopted or adjusted, and proposed are presented in the district's annual budget and considered in financial decision-making.

Budget Process and Documentation

The district's 2023 comprehensive budget defined anticipated revenues and expenditures at the functional and line-item levels. However, it did not provide clear linkage to the district's strategic plan, nor did it articulate a clear financial strategy to support sustainable funding for adequate staffing or to fund future capital projects.

In the second quarter of 2023, the district began the process of refining the district's chart of accounts and budget process to increase internal engagement along with internal and external transparency. The district's budget process and resulting budget document are being developed based on the criteria established by the Government Finance Officers Association of the United States and Canada (GFOA) Distinguished Budget Presentation Award program. This program identifies best practices to develop a budget document that serves effectively as a policy document, as an operations guide, as a financial plan, and as a communications device.

The comprehensive (operating and capital) budget will be tightly coupled with the district's strategic plan, long-term financial plan, and other components of the integrated comprehensive plan.

Service Level Preferences

For a fire district, service level preferences define the type, amount, timeliness, and quality of services desired by the community. Particularly with emergency services, there is often tension between the desired level of service and the tax burden that the citizens are willing to bear.

Community Risk Assessment

Determination of service level preferences must be grounded in a comprehensive assessment of risk in the community. Risk assessment in establishing service level preferences not only includes a technical assessment of risk, but also the community's risk perception and desire for their fire and rescue service to address those risks. Perception of risk and actual risk may be considerably different from one another. However, an individual (or community's) actions are often based on perception of risk. It is incumbent on the district to engage in effective risk communication to allow the community to act based on the nature and degree of risk faced by the community.

In 2016, East County Fire and Rescue published a community risk assessment and standard of coverage. This document provided a cursory assessment of risk within the district but did provide a defined methodology for risk assessment.

In the fourth quarter of 2023, East County Fire and Rescue will begin the process of assessing community risk as a key element in its Integrated Comprehensive Planning process. The district's *Integrated Comprehensive Plan Volume 1-Community Risks Assessment* will identify and provide a detailed assessment of the nature of community risk related to fire, illness, and injury as well as other natural and human caused hazards.

Standard of Coverage and Community Risk Reduction Plan

The district's 2016 community risk assessment and standard of coverage provided critical task analysis for some incident types but did not address high acuity medical responses such as cardiac arrest, technical rescue, or hazardous materials incidents. Benchmark objectives were limited to 90th percentile one-minute turnout time and seven-minute response time with no specification as to location in the district or type of incident. No data was provided to describe the district's baseline turnout or response time performance. Effective response force resources and staffing by incident type and level of risk were not specified.

Current Services: The predecessors to East County Fire and Rescue, Clark County Fire District 1 and Clark County Fire District 9 were formed to provide fire protection services in the unincorporated areas of southeastern Clark County. Since its formation in 2006, East County Fire and Rescue has evolved into an all-hazards agency providing fire protection, emergency medical, rescue, and hazardous materials response.

The district delivers emergency medical services in partnership with Camas Washougal Fire Department who provides advanced life support ambulance service to Camas, Washougal, and unincorporated East Clark County. Throughout Clark County, fire and rescue services respond to high acuity incidents without regard to political boundaries (closest units respond). In addition, the fire and rescue agencies in the county have robust automatic and mutual aid on all types of incidents.

Consistent with the district's mission to improve community safety by reducing risk through education, prevention, and response, the district has moved to establish prevention at the core of our service to the community.

Community risk reduction (CRR) involves both proactive prevention and education along with effective emergency response to reduce harm from fire, accidents, illness, and natural hazards. Table 4 illustrates ECFR's proactive and response services.

Table 4. ECFR Services

Proactive	Response
• Fire and medical community education • Home fire safety surveys • Address sign program • Pre-incident planning • Community preparedness	• Fire suppression (structural and vegetation) • Non-transport basic life support emergency medical services • Operational level hazardous materials response • Operational level vehicle and machinery rescue • Operational level rescue from height • Awareness level swiftwater and other types of technical rescue (e.g., confined space, collapse, etc.). • Non-emergency services

Once the district has completed concurrent revision of its strategic plan, developed its initial long-term financial plan, and community risk assessment, work will begin on East County Fire and Rescue's *Integrated Comprehensive Plan Volume 3-Standard of Coverage and Community Risk Reduction Plan* will define how community risks are addressed from a proactive and response perspective. The standard of coverage and community risk reduction plan (SOC CRRP) provides a rational and systematic method of examining the basic service provided by the district.

Defining an appropriate level of service is an ongoing challenge faced by fire and rescue agencies throughout the world. Differences in hazards and risk faced by communities preclude a “one-size-fits-all” solution. Variation in risks and level of hazards within each community necessitates that each department conducts a self-assessment and designs a response system that will meet the community needs in a safe, efficient, and effective manner. The purpose of the SOC CRRP document is to:

- Define proactive strategies to reduce the frequency and severity of emergency incidents.
- Define baseline and benchmark prevention and emergency response performance standards.
- Determine apparatus and staffing patterns for both prevention and response.
- Establish a means for measuring service delivery performance for both prevention and response.
- Support strategic planning and policy development relative to resource procurement and deployment.

The key elements in the standard of coverage and community risk reduction plan (SOC CRRP) include:

- Assessment of current capability to provide proactive pre-incident intervention to reduce risk.
- Risk reduction strategies and performance objectives.
- An analysis of the agency’s current response capability in terms of time and on-scene performance for personnel and equipment.
- A development of standards describing how the agency resources will be allocated and deployed to maximize emergency response effectiveness throughout the area served.
- A determination of levels of service to be provided within the area served.

When the district’s standard of coverage and community risk reduction plan (which will clearly define service level objectives) has been completed and adopted by the board of fire commissioners this section of the long-term financial plan will be updated.

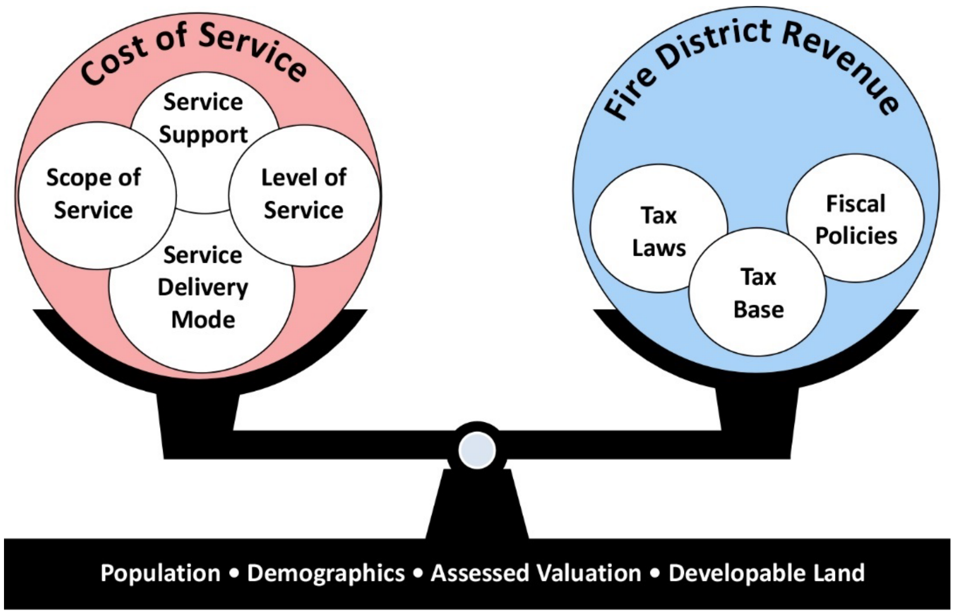
Annual Budget Process

The scope of services and defined service levels are operationalized by funding provided through the annual budget. As revision of the strategic plan and development of the long-term financial plan are being completed concurrent with development of the 2024 proposed district budget, integration is an iterative process with each of these three documents targeted for completion by the end of 2023. The district’s open and transparent budget processes provide an opportunity to balance optimal service delivery levels with the fiscal resources available to provide those services.

Purpose of the Long-Term Financial Plan

The purpose of East County Fire and Rescue's long-term financial plan is to provide guidance to meeting the community's desired level of service on a fiscally sustainable basis. As illustrated in Figure 5, sustainable service must balance the desired level of service, the cost of that service, and available revenue within the context of tax laws and the district's tax base.

Figure 5. Sustainable Service Model



Note: Adapted from Hodgins, M. & Lincoln, A. (2015) *Bending the Cost Curve a Roadmap to Fiscal Sustainability* [webinar].

Financial Plan Integration

As outlined in the introduction to this document, financial planning must be integrated with other strategic level plans such as a community risk assessment, standard of coverage and community risk reduction plan, strategic plan, and capital projects plan. In addition, short to mid-term financial plans such as the district's maintenance and operations and capital budgets must be closely coupled with strategic level plans.

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Scope of the Plan

East County Fire and Rescue's long-term financial plan addresses the following funds across a time frame of 10 years:

- General fund.
- Capital projects fund.
- Leave accrual fund.
- Emergency medical services fund.
- Debt service fund.

The grants management fund is not included within the long-term financial plan as grants are generally one-time funds and the district maintains a policy of avoiding the use of one-time funds for ongoing expenses. However, grants may be used for capital projects (provided that the district considers related ongoing expenses). Grant funded capital projects are budgeted and accounted for in the grants management fund.

While the district's long-term financial plan has a 10-year planning horizon, the plan is reviewed on an annual basis as part of the budget process and is revised on a two-year cycle (or more frequently if necessary) to ensure currency with anticipated changes in economic conditions.

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Financial Policies

The district has adopted comprehensive financial policies to guide budgeting and financial management. These policies are delineated in the district's financial standard operating guidelines (SOGs).

Policy Adoption and Review

East County Fire and Rescue's Board of Fire Commissioners recognizes the need for well-defined and clearly stated board policies and clearly defined procedural guidelines. In 2023, the district adopted *Standard Operating Guideline (SOG) 1.1.1 Standard Operating Guidelines* to establish a simple and accessible format for policies and procedures. The board of fire commissioners adopts policy as a guide to decision making by taking formal action (RCW 52.114.100). The board adopts the purpose, scope, and policies as an essential component of developing standard operating guidelines. SOGs are reviewed no later than 24 months following adoption to ensure that they remain relevant and consistent with district operations.

Financial Standard Operating Guidelines

The district developed comprehensive financial policies in 2023 to ensure compliance with state and federal law and to reflect best practices identified by the Government Finance Officers Association (GFOA). These policies are integrated into the district's long term financial plan. These policies will be operationalized by incorporating them into the district's financial standard operating guidelines. The district's SOGs addressing financial policies will include:

- *SOG 1.1.13 Public Records and Retention*
- *SOG 1.3.1 Budget*
- *SOG 1.3.2 Procurement*
- *SOG 1.3.3 Finance and Accounting*
- *SOG 1.3.4 Travel and Expense Reimbursement*
- *SOG 1.3.5 Asset Management*
- *SOG 1.3.6 Use of District Resources*
- *SOG 1.3.7 Revenue*
- *SOG 1.3.8 Investment*
- *SOG 1.3.9 Financial Reserves*
- *SOG 1.3.10 Debt*
- *SOG 1.3.11 Grants and Grant Management*
- *SOG 1.3.12 Financial Risk Management*
- *SOG 1.3.13 Transparency and Accountability*

- *SOG 1.3.14 General Financial Guidance*
- *SOG 1.4.6 Long-Term Financial Plan*
- *SOG 1.4.7 Capital Projects Plan*

Public Records and Retention

While not limited to the district's financial records, the following policies established by the board of fire commissioners will be delineated in *Standard Operating Guideline (SOG) 1.1.13 Public Records and Retention* which impacts directly on financial policy:

- Provide full access to the public records applicable to the fire district's common management functions in accordance with *Revised Code of Washington (RCW) 40.14, RCW 42.56* and *Washington Administrative Code (WAC) 40.14*.
- Provide for inspection and copying of requested public records as provided in this SOG unless such records are exempt from disclosure under *RCW 42.56* or other laws under which disclosure is regulated.
- Assist requestors including timely action on requests, while protecting public records from damage and preventing "excessive interference with other essential agency functions" as specified in *RCW 42.56.080*.
- Ensure disclosure of public records is managed in a manner that protects against the invasion of an individual's right to privacy and restrict access to its records that are exempt from public disclosure in accordance with *RCW 42.56.100*.
- Ensure protection of district records and prevent improper disclosure of confidential records.
- Destroy records at the end of the retention period specified on the retention schedule.

Budget

The following financial policies have been established by the board of fire commissioners and will be delineated in *Standard Operating Guideline (SOG) 1.3.1 Budget*:

- Establish funding priorities to reflect our mission to improve community safety by reducing risk through education, prevention, and response.
- Be a good steward of public funds and ensure that budgeting and financial management follow applicable laws and regulations and achieve results that are in the best interest of the district and its taxpayers.
- Conduct the budgeting and financial reporting process in a manner that is transparent and easy for taxpayers to understand.
- Ensure that the district's budgeting process has a direct and strong connection with the strategic plan adopted by the board of fire commissioners.

- Avoid budget decisions or procedures that provide for current operational cost at the expense of future needs.
- Use the Washington State Auditor's Office (SAO) Budgeting and Reporting System (BARS) codes in budget development and fiscal reporting.
- Maintain a balanced budget, defined as funds total resources, comprised of beginning fund balance, revenues, and other funds are equal to the total of expenditures, other fund use, and the funds ending balance.
- Clearly set forth transfers between funds (e.g., general fund and capital projects fund) in the district's annual budget or adjustments.
- Require approval of the board of fire commissioners for transfers between funds and for budget amendments increasing or decreasing budgeted line items.
- Post the proposed and adopted district budgets and any mid-year budget amendments on the district's website in a timely manner to provide public access.

Procurement

The following financial policies have been established by the board of fire commissioners and will be delineated in *Standard Operating Guideline (SOG) 1.3.2 Procurement*:

- Be a good steward of public funds. To that end, district expenditures must be for a valid public purpose which benefits the community, is directly related to the district's authorized functions, and which does not have as its primary objective the benefit of a private interest.
- Follow the statutory requirements of *Revised Code of Washington (RCW 52) Fire Protection Districts*, *RCW 39 Public Contracts and Indebtedness* and other relevant state laws and regulations applicable to fire district procurement.
- Maintain appropriate internal fiscal controls to promote effective and efficient use of resources; to safeguard resources against loss due to waste, mismanagement, abuse, or fraud; and to ensure compliance with applicable state and federal laws, regulations, and fiscal best practices.
- Procurements not exceeding $5,000 may be approved by the fire chief. The fire chief shall establish procurement limits for functional, program, and project managers based on their specific responsibilities. All other procurements must be authorized by the board of fire commissioners.
- Sole source procurements shall be fully justified based on the provisions of *RCW 39.04.280* and documented according to the provisions of this SOG. Sole source procurements not exceeding $5,000 may be approved by the fire chief. All other sole source purchases must be authorized by resolution of the board of fire commissioners.
- ECFR will endeavor to ensure consistency with the Government Finance Officers Association (GFOA) best practices and advisories related to procurement.

Finance & Accounting

The following financial policies have been established by the board of fire commissioners and will be delineated in *Standard Operating Guideline (SOG) 1.3.3 Finance & Accounting*:

- Financial and accounting duties and responsibilities shall be separated to the greatest extent possible so that no staff member has sole control over cash receipts, payroll, bank reconciliations, accounts payable, or other accounting functions.
- Finance and accounting policies and procedures shall be consistent with the requirements of the Washington State Auditor's Budgeting and Reporting System (BARS) for entities using cash basis accounting and the best practices recommended by the Government Finance Officers Association (GFOA).
- Access to computer or on-line systems for accounting, personnel, payroll, and banking is controlled by password access. Permissions within each system are set to allow appropriate level of access depending on role and responsibility.
- The district shall maintain a surety bond for commissioners, district secretary, fire chief, deputy chief, & finance officer in an amount equivalent to approximately two months of the district's maintenance and operations expense.
- Financial and accounting policies are reviewed annually by the board of fire commissioners.

Travel & Training Expense and Reimbursement

The following financial policies have been established by the board of fire commissioners and will be delineated in *Standard Operating Guideline (SOG) 1.3.4 Travel and Training Expense and Reimbursement*:

- ECFR encourages all members to expand their knowledge, skills, and abilities through professional development programs on a local, state, and national or international level. In addition, the district encourages its members to participate in local, state, and national professional organizations.
- It is the policy of East County Fire and Rescue (ECFR) to be a good steward of public funds. To that end, district expenditures must be for a valid public purpose which benefits the community, is directly related to the district's authorized functions, and which does not have as its primary objective the benefit of a private interest.
- In addition, it is the policy of ECFR to maintain appropriate internal fiscal controls to promote effective and efficient use of resources; to safeguard resources against loss due to waste, mismanagement, abuse, or fraud; and to ensure compliance with applicable state and federal laws, regulations, and fiscal best practices.

Asset Management

The following financial policies have been established by the board of fire commissioners and will be delineated in *Standard Operating Guideline (SOG) 1.3.5 Asset Management*:

- It is the policy of East County Fire and Rescue (ECFR) to maintain accountability for its assets. The district shall maintain capital and small and attractive asset records and verify those records by a physical inventory at least annually.
- In addition, it is the policy of the district that the disposal of surplus property is accomplished through an efficient and appropriate process that is compliant with applicable laws and regulations, and that achieves results that are in the best interest of the district and its taxpayers.

Use of District Resources

The following financial policies have been established by the board of fire commissioners and will be delineated in *Standard Operating Guideline (SOG) 1.3.6 Use of District Resources*:

- Be a good steward of public funds and ensure that use of district resources complies with applicable laws and regulations and achieves results that are in the best interest of the district and its taxpayers.
- Consistent with the provisions of *Washington State Constitution Article VIII § 7*, district services that benefit specific users rather than the community (as a whole) must be supported by fees and charges. User fees should reflect the direct and indirect cost of providing the service.
- With the limited exceptions specified in this guideline, members may not use district resources for personal benefit or gain or for the benefit or gain of other individuals or outside organizations.
- The district reserves the right to monitor members' use of district resources including telecommunications and information technology infrastructure and services. Members have no expectation of privacy when using district resources.

Revenue

The following financial policies have been established by the board of fire commissioners and will be delineated in *Standard Operating Guideline (SOG) 1.3.7 Revenue*:

- The district's primary source of revenue is a property tax levy as specified in the *Revised Code of Washington (RCW) Chapter 52.16*. However, the district shall work to develop diversification of revenue to include, but not limited to intergovernmental revenue, and fees for service.
- The district will fund current expenditures with current revenues, avoiding the use of one-time funds for ongoing expenses, postponing needed expenditures, or depleting reserves to meet current expenses.
- The district will actively seek grant funding for both operating and capital expenditures, provided that the grant is consistent with the district's mission and goals, provides a benefit that

exceeds cost, and does not commit the district to long term tax funded expenditures following the completion of the grant period.

- If necessary, to meet cash flow requirements, interfund loans shall be paid back in the near term and not result in a change in fund equity.

Investment

The following financial policies have been established by the board of fire commissioners and will be delineated in *Standard Operating Guideline (SOG) 1.3.8 Investment*:

- It is the policy of East County Fire and Rescue (ECFR) to invest public funds in a manner which will provide maximum security with the highest investment return while meeting the cash flow demands of the district and conforming to all state and local statutes governing the investment of public funds.
- Pursuant to the *Revised Code of Washington (RCW) 52.16.010* the Clark County Treasurer serves as the financial agent for the district. As such, the Clark County Treasurer receives and disburses district revenues, and invests financial assets consistent with the Clark County Treasurer's Investment Policy (Clark County Treasurer, 2023).
- The district's administrative specialist and fire chief will review the *Investment Policy* (Clark County Treasurer, 2023) whenever the county makes policy changes (but in any case, no less than annually) and shall determine if changes in this standard operating guideline are necessary.

Financial Reserves

The following financial policies have been established by the board of fire commissioners and will be delineated in *Standard Operating Guideline (SOG) 1.3.9 Financial Reserves:*

- The board of fire commissioners shall be responsible for establishing and managing all district fund accounts, minimum fund set-asides and minimum balances. Changes to set asides and fund balances require action by the board of fire commissioners.
- The district shall strive to maintain adequate fund balances and reserves to provide cash flows to meet operating and capital expenses, while also providing the financial ability to address economic downturn and system emergencies. Operating expenditures shall include salaries, benefits, supplies, services, intergovernmental and interfund expenses, capital outlays and transfers.
- ECFR will maintain a beginning general fund balance of at least 33% of budgeted maintenance and operations expenditures to provide funds for operation prior to receipt of subsequent year's tax revenue.
- ECFR will maintain a contingency beginning balance in the amount of 5% of budgeted maintenance and operations expenditures. Contingency will be used for unanticipated or exceptional unbudgeted expenditures only with the approval of the board of fire commissioners.

- An adequate balance will be maintained in the capital projects fund to provide for scheduled replacement of district vehicles and capital equipment at the end of their useful lives.
- ECFR will maintain sufficient balance in the leave accrual fund to meet anticipated payout requirements for unused compensated leave balance. The annual contribution rate to this fund shall be based on current salary, anticipated unused leave balances, and potential retirement date based on employee age, years of service, or announced retirement date.
- For employees hired after January 1, 2024, the district will fund compensated absence liability over the duration of the employee's career with payout anticipated on retirement eligibility based on age and years of service.
- At each fiscal year end the remaining dollars left in each fund that are undesignated and unencumbered constitute available reserves of the district. These fund balances will be included in the annual budget as the beginning fund balances.

Debt

The following financial policies have been established by the board of fire commissioners and will be delineated in *Standard Operating Guideline (SOG) 1.3.10 Debt*:

- Consider community needs; the district's current and projected long-term fiscal position and overall cost to the district's taxpayers in determining if debt should be issued by the district.
- Long-term debt or bond financing shall not be used to finance current operating expenditures.
- East County Fire and Rescue (ECFR) may consider issuance of debt consistent with the provisions of the R*evised Code of Washington (RCW) 52.16.080* for major capital projects as will be defined in *SOG 1.4.7 Capital Projects*.
- The district may contract indebtedness as provided by the Revised Code of Washington (RCW) 52.16 and Article VIII of the Washington State Constitution. Bonds evidencing indebtedness shall be issued and sold in accordance with RCW 39.46. Refunding bonds shall be issued in accordance with RCW 39.53.
- The district shall issue and manage debt in accordance with the limitations and constraints imposed by federal rules and regulations including the Internal Revenue Code of 1986, as amended; the treasury department regulations there under; and the Securities Acts of 1933 and 1934.
- The district shall seek to maintain and improve its current bond rating through sound financial management, long range financial planning, continuous improvement, and adoption of best practices in financial management.

Grants and Grant Management

The following financial policies have been established by the board of fire commissioners and will be delineated in *Standard Operating Guideline (SOG) 1.3.11 Grants and Grant Management*:

- Consider grant funding that may be used to leverage existing funding for programs or projects which address the district's current priorities and policy objectives.
- As a one-time funding source, grants shall not be used to support ongoing programs.
- If the outcome of a grant will incur an ongoing expense (e.g., purchase of equipment requiring maintenance), the ongoing expense must be considered in evaluating if the grant is an appropriate source of revenue for the program or project.
- All grants and other federal and state funds shall be managed to comply with the laws, regulations, and guidance of the grantor.

Financial Risk Management

The following financial policies have been established by the board of fire commissioners and will be delineated in *Standard Operating Guideline (SOG) 1.3.12 Financial Risk Management*:

- The district will identify and analyze its potential financial risks and determine the most appropriate way to mitigate or transfer these risks to an insurer.
- Financial policies and related SOGs shall be grounded in best practice to minimize the district's risk of financial loss.
- The district will maintain an adequate umbrella insurance policy covering district vehicles, general liability, commercial property, and crime and fidelity. Coverage on capital assets will be consistent with the annual inventory of capital and small and attractive assets.
- The district shall maintain a surety bond for commissioners, district secretary, fire chief, administrative specialist, and accounting assistant in an amount equivalent to approximately two months of the district's maintenance and operations expense.

Transparency and Accountability

The following financial policies have been established by the board of fire commissioners and will be delineated in *Standard Operating Guideline (SOG) 1.3.13 Transparency and Accountability*:

- *Be open and transparent in decision-making, complying with both the letter and intent of RCW 42.30 The Washington Open Public Meetings Act and best practices in local government transparency.*
- Provide timely and easily accessible on-line information to our constituents, taxpayers, and other members of our community or stakeholders.

General Financial Guidelines

The following financial policies have been established by the board of fire commissioners and will be delineated in *Standard Operating Guideline (SOG) 1.3.14 General Financial Guidance*:

- Develop comprehensive financial policies to assure the financial strength and accountability of the district. These policies shall be adopted by the board of fire commissioners and integrated into the development of financial SOGs to provide guidance for policy implementation and administrative procedures.

- Managers of each of the district's functions (administration, operations, fire prevention and public education, training, facilities, and apparatus and equipment repair and maintenance) shares in the responsibility of meeting policy goals and long-term financial health.
- Financial affairs and physical infrastructure will be diligently managed in an efficient and effective manner to ensure the district's long-term financial health and provision of essential public services.
- Adopted service plans and programs shall be developed to reflect current financial policies, projected resources, and future service delivery requirements.
- Service delivery will be analyzed on a periodic basis to ensure that quality services are provided to the community at the most competitive and economical cost. Emphasis will be placed on improving individual and work group productivity.
- Compensation planning and collective bargaining will focus on the total costs of compensation which includes direct salary, health care benefits, pension contributions, and other benefits which are a cost to the district. Total cost of compensation and specific operational, legal, or other compulsory items must be identified and discussed before ratification of collective bargaining agreements or personal services contracts by the board of fire commissioners.

Long Term Financial Plan

The following financial policies have been established by the board of fire commissioners and will be delineated in *Standard Operating Guideline (SOG) 1.4.6 Long-Term Financial Plan*:

- East County Fire and Rescue (ECFR) will develop and maintain a long-term financial plan to provide guidance to meeting the community's desired level of service on a fiscally sustainable basis.
- The district will use a 10-year planning horizon for the long-term financial plan.
- The long-term financial plan will be reviewed annually as part of the budget process and revised on a two-year cycle (more frequently if necessary) to ensure currency with anticipated changes in economic conditions.

Capital Projects Plan

The following financial policies have been established by the board of fire commissioners and will be delineated in *Standard Operating Guideline (SOG) 1.4.7 Capital Projects Plan*:

- The threshold used in determining if a given asset qualifies for capitalization is $5,000 per item with a useful life of over one year.

- The district will maintain its physical assets at a level that is adequate to protect its capital investment and to minimize future maintenance and replacement cost. The district budget will provide for adequate maintenance and orderly replacement of capital assets.
- ECFR will maintain a ten-year plan for capital projects, inclusive of capital maintenance projects that are in alignment with the district's integrated comprehensive plan (strategic plan standard of coverage, fire and emergency services self-assessment, and long-term financial plan), update it annually and make capital improvements in accordance with the plan.
- The capital projects plan shall include details on each capital project plan including estimated costs, sources of financing, impact on operational expense, and a full description of the project.
- The capital projects plan will be updated annually and presented to the board of fire commissioners for adoption by resolution in advance of the annual operating and capital budget development process.
- The district will endeavor to transfer adequate revenue from the general fund to the capital projects fund on an annual basis to fund replacement of capital assets having a useful life of 20 years or less (e.g., fire apparatus, other vehicles, and equipment) with current revenue.
- The district will consider issuance of debt for large capital projects having a useful life over 20 years.
- The capital and operating budget processes shall be integrated to allow consideration of operating and capital expenditures within the context of the current and projected fiscal condition of the district.

Analysis of Financial Policies

The district's financial policies provide comprehensive guidance for the district's fiscal management. Analysis of these policies identifies several common themes central to long term financial planning. These include:

- Maintaining a conservative fiscal philosophy.
- Fiscal responsibility and accountability to the district's residents and taxpayers.
- Make financial decisions in the best interests of the district's taxpayers.
- Use of current revenues to fund current expenditures.
- Avoiding use of one-time funds for ongoing expenses.
- Maintaining adequate reserves and avoiding depletion of reserves for ongoing expenses.
- Careful and considered use of debt to address major capital projects.

Environmental Analysis

"Fiscal environmental analysis identifies the district's fiscal strengths and weaknesses which define both opportunities for improvement and constraints on future activities" (Kavanagh, 2007, p. 79).

Environmental Factors

When evaluating the economy of the United States or any state requires consideration of multiple measures. Major economic measures provide insights into different aspects of the economy and can help gauge the overall health of an economy.

- ***Gross Domestic Product (GDP):*** GDP is the total value of all goods and services produced within a country or state during a specific period. It is a widely used measure of economic activity and growth.
- ***Government Debt and Deficit:*** Assessing the level of government debt and the size of the deficit relative to GDP helps understand the fiscal health and sustainability of an economy. High levels of debt or persistent deficits may have long-term implications for economic stability.
- ***Inflation Rate:*** Inflation refers to the general increase in prices over time. The inflation rate measures the percentage change in the average price level of goods and services. Low and stable inflation is generally desirable as it signifies a stable and predictable economic environment. There are multiple measures of inflation that can be considered.
- ***Interest Rates:*** Interest rates affect borrowing costs for businesses and consumers, influencing spending and investment decisions. Monitoring interest rates provides insights into the cost of credit and the overall monetary policy stance.
- ***Unemployment Rate:*** This indicator measures the percentage of the labor force that is unemployed but actively seeking employment. A low unemployment rate is generally indicative of a healthy economy, while a high rate may indicate economic weakness.
- ***Income and Wage Growth:*** Evaluating trends in income levels and wage growth provides insights into the standard of living and overall economic well-being. Rising incomes and wages indicate improving economic conditions.
- ***Real Estate Values:*** While home prices and real estate values can be examined at the national and state level, they vary considerably at the local level and have a major impact on governments funded largely by property taxes.

Some of these factors are related to the national economy but exert considerable influence at the state and local level and others have considerable variance at the state, regional, and local level.

National Economic Outlook

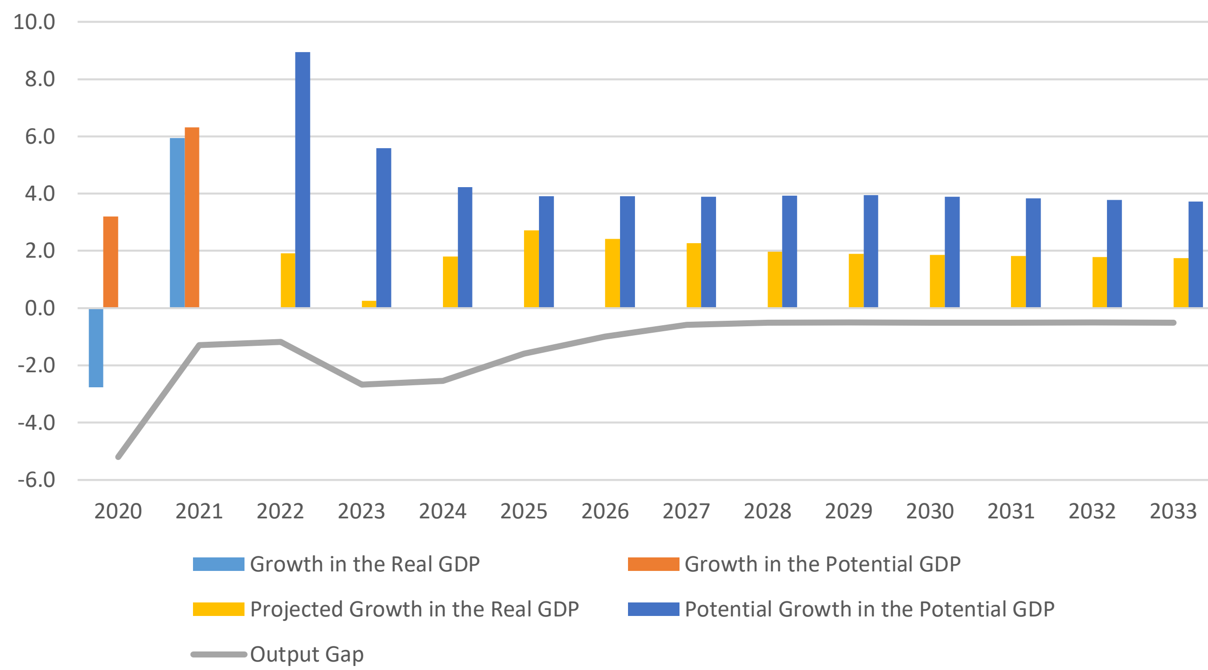
Economic outlook can be examined on multiple levels, globally, nationally, regionally, and locally. While East County Fire and Rescue is a local government entity, it is substantively impacted by the global, national, and regional economy. For example, global and national economic forces influence the value of real estate on the local level, impacting the district's levy rate. The larger economy also influences local resident's financial position and confidence, which impacts voters' inclination to increase the levy rate beyond the minimum 1% annual increase or to incur voted debt when needed to maintain or improve service delivery levels.

Gross Domestic Product

Gross Domestic Product is a measure of the value of all the goods and services produced in the economy in a given period, typically a quarter or year. Potential GDP is a theoretical construct, estimating the value of the output that the economy would have produced if labor and capital had been employed at their maximum sustainable rates (consistent with steady growth and stable inflation). The difference between the level of real GDP and potential GDP is the output gap. When GDP is higher than potential, the gap is positive, and the economy is operating above its sustainable capacity and is likely to generate inflation. When the real GDP is lower than the potential GDP, the output gap is negative (Powell, Sheiner, & Wessel, 2021).

The Congressional Budget Office projects real GDP growth will come to a halt in 2023 in response to the sharp rise in interest rates during 2022. Then, as the Federal Reserve reduces the federal funds interest rate, real GDP growth will rebound, led by the interest-sensitive sectors of the economy, averaging 2.4 percent from 2024 to 2027 and 1.8 percent from 2028 to 2033 (CBO, 2023a)

Figure 6. Historical and Projected Percentage Change in GDP and Output Gap



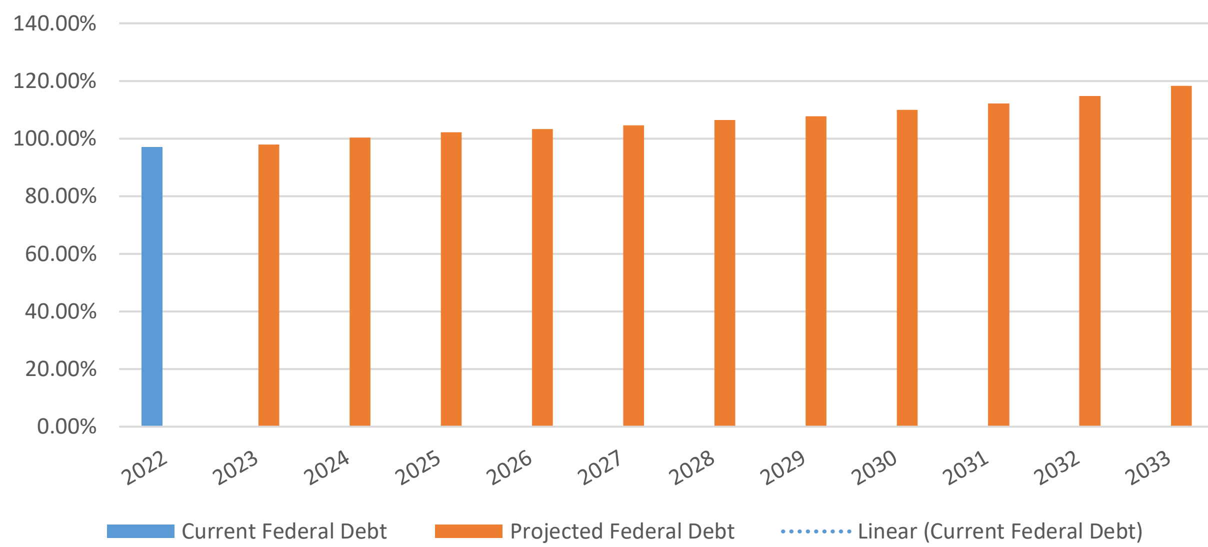
Note: Adapted from Congressional Budget Office (CBO). (2023b). Budget and Economic Data, 10-Year Economic Projections [February 2023]. https://www.cbo.gov/system/files/2023-02/53724-2023-02-Tax-Parameters.xlsx.

Federal Deficit

The Congressional Budget Office (CBO) projects federal debt held by the public will rise over the coming decade.

> Measured relative to the size of the economy, the deficit equals 5.4 percent of gross domestic product (GDP) in 2023, and deficits average 6.1 percent of GDP from 2024 to 2033. As a result of those deficits, federal debt increases each year in CBO's projections, rising from 98 percent of GDP this year to 118 percent in 2033 (CBO, 2023a, p. 5).
>
> Sustained federal deficits and rising federal debt that are used to finance consumption or transfer payments will crowd out future investment and reduce prospects for economic growth. Rising debt levels also make it more difficult to conduct routine policy, address major new priorities, deal with the next recession, and impose substantial burdens on future generations (Auerbach, Gale, & Krupkin, 2018, p. 1-2).

Figure 7. Federal Debt Held by the Public as a percentage of GDP



Note: Adapted from Congressional Budget Office (CBO). (2023b). *Budget and Economic Data, 10-Year Economic Projections* [February 2023].

Inflation

There are several measures of the cost of goods and services and inflation. These include the Consumer Price Index (CPI) produced by the Bureau of Labor Statistics, Personal Consumption Expenditures (PCE) price index prepared by the Bureau of Labor Statistics (BLS), and the Implicit Price Deflator (IPD) published by the Federal Bureau of Economic Analysis. The CPI is further divided into the CPI for urban consumers (CPI-U) and CPI for urban wage earners and clerical workers (CPI-W) is a subset of the CPI-U. Each of these indexes compares the cost of specific goods and services for a defined group of purchasers.

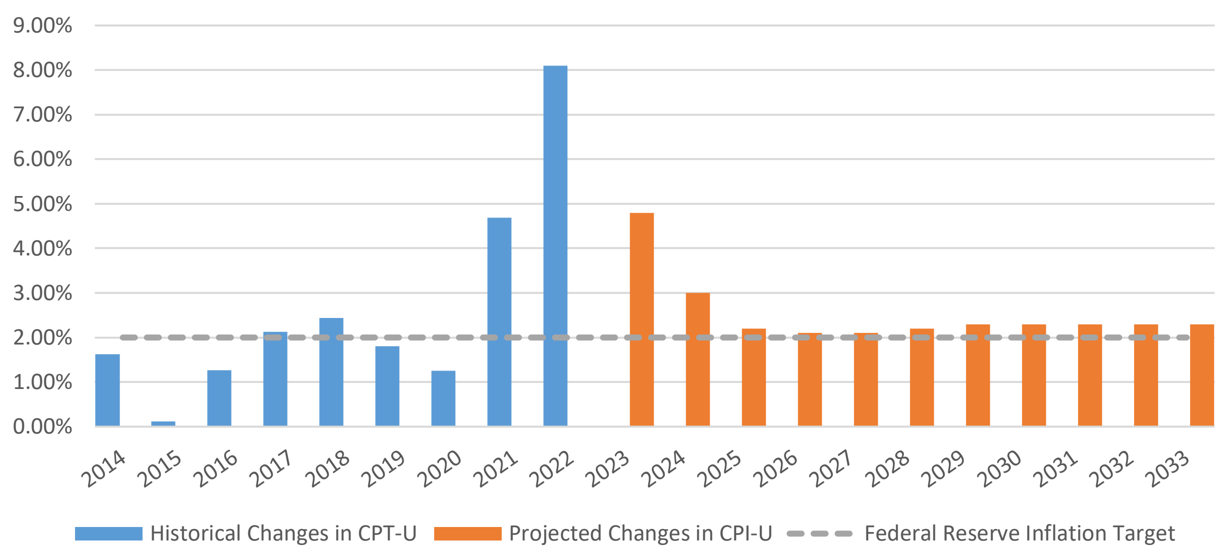
The CPI is a measure of the average change in prices paid for goods and services. The CPI reflects the spending patterns of two groups:

- The CPI for urban consumers (CPI-U) measures the percentage change in prices faced by urban consumers based on the expenditures of almost all residents of urban or metropolitan areas, including urban wage earners and clerical workers (BLS, 2023a).
- The CPI for urban wage earners and clerical workers (CPI-W) is a subset of the CPI-U. Its market basket reflects the expenditures of urban households that derive more than half their income from clerical and hourly wage jobs (BLS, 2023a).

The Bureau of Labor Statistics (BLS) recommends the use of the national CPI-U or CPI-W indexes for all contract adjustments, as metro indexes are published less frequently and are based on a smaller sample, making them more volatile and subject to measurement error. Municipalities in rural areas should use one of the national indexes (BLS, 2023b & MRSC, 2022a & 2022b).

Over the last ten years (2013-2022), the mean annual increase in the Consumer Price Index-Urban (CPI-U) was 2.49% while the median annual increase was 1.72%. Looking forward, the projected mean annual increase in the CPI-U is 2.54% while the projected median annual increase is 2.30%. (Statista, 2023 & CBO, 2023b). Figure 8 illustrates historical and projected increases in the CPI-U for the 20-year period from 2014 to 2033.

Figure 8. Projected Increases in the Consumer Price Index-Urban



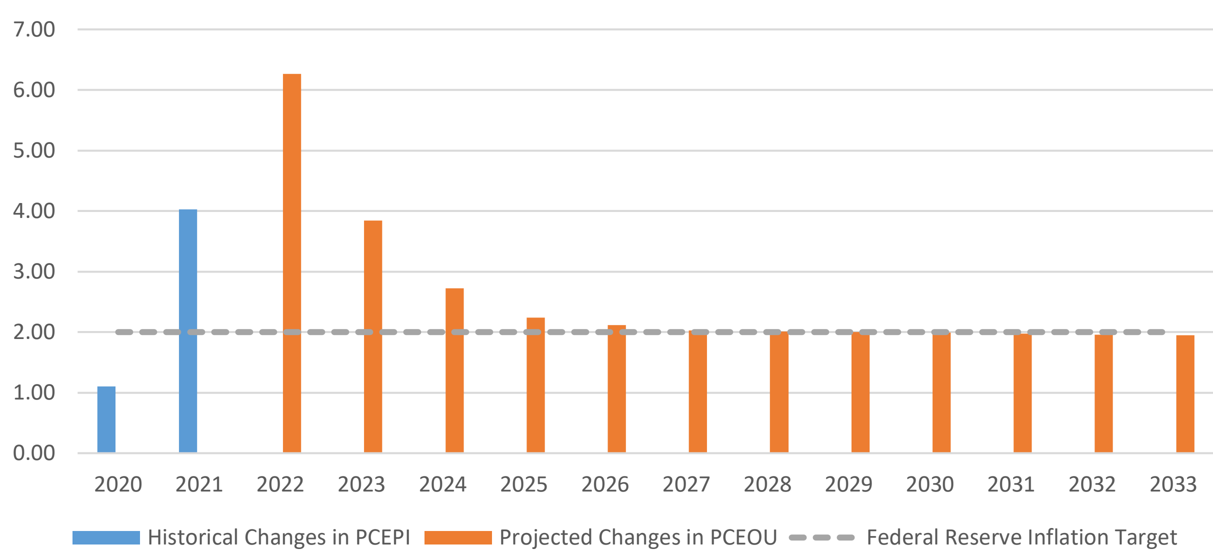
Note: Adapted from Statista. (2023). Projected annual inflation rate in the United States from 2010 to 2028 & Congressional Budget Office (CBO). (2023b). Budget and Economic Data, 10-Year Economic Projections [February 2023].

The personal consumption expenditure price index (PCEPI) is one measure of US inflation, tracking the change in prices of goods and services purchased by consumers throughout the economy. Of all the measures of consumer price inflation, the PCEPI includes the broadest set of goods and services.

The implicit price deflator (IPD) measures price changes in goods and services purchased by consumers, businesses, government, and foreigners, but not importers. The choice of which one to use in each scenario likely depends on the set of goods and services in which one is interested as a measure of price change. The implicit price deflator (IPD) is a major inflation index followed by local governments in Washington. The implicit price deflator for personal consumption expenditures is used to measure inflation, and it can impact how much property tax revenue a jurisdiction can collect in any year. The IPD is published quarterly by the federal Bureau of Economic Analysis and became an integral part of the process of setting property tax increases after the passage of Initiative 747 in 2001. Taxing districts with a population of 10,000 or more may increase their total annual levy amount by 1% or the percentage increase of the IPD, whichever is less. If the IPD is less than 1%, taxing districts must adopt a resolution of substantial need to increase their total levy amount by the full 1% (MRSC, 2022c, RCW 94.55.0101). As East County Fire and Rescue has a population of slightly more than 10,000, this is a consideration.

In each of these indexes, cost is compared against the cost in a given base year; 1982 for the CPI and 2012 for the personal consumption expenditure price index (PCEPI) and implicit price deflator (IPD) (Base Year has a value of 100.00). This makes direct comparison across all four measures difficult. Changes in the CPI (U and W), PCEPI, and IPD vary slightly in each year. However, they follow the same general trend with the cost of goods and services increasing over time. Figure 9 illustrates projected inflation from 2020 to 2033 based on the PCE Price Index.

Figure 9. Historical and Projected Changes in the PCEPI 2020-2033



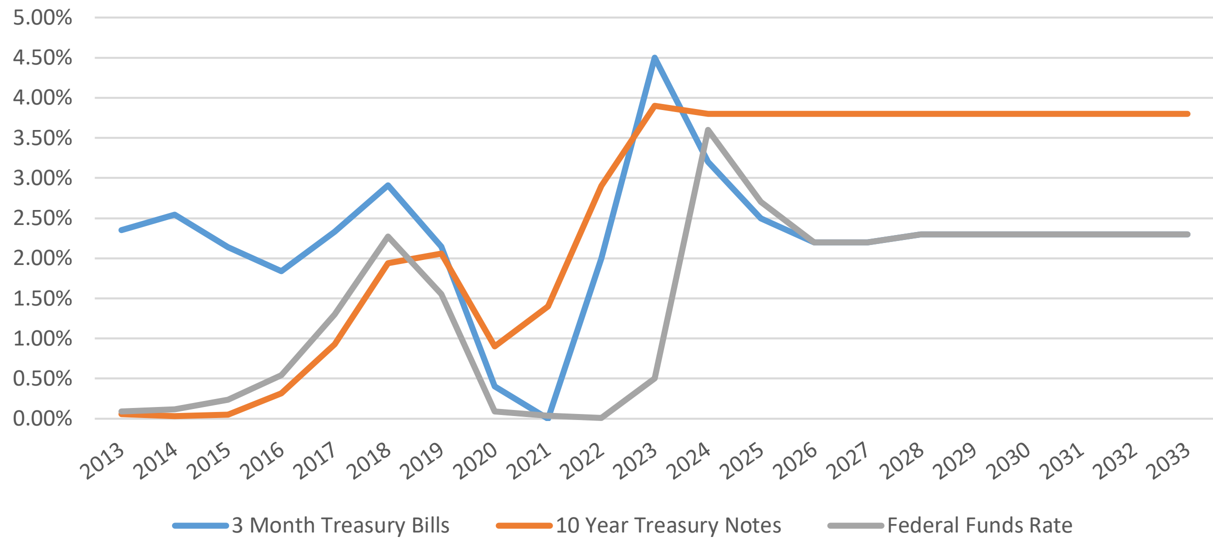
Note: Adapted from Congressional Budget Office (CBO). (2023b). Budget and Economic Data, 10-Year Economic Projections [February 2023].

As illustrated in Figure 9, the Congressional Budget Office predicts overall inflation return to near the 2% target set by the Federal Reserve by 2026 and will remain there through 2033.

Interest Rates

Interest rates as reflected by 3 Month Treasury Bills and 10-Year Treasury notes dropped dramatically between 2018 and 2021, increased in 2023, and are expected to drop somewhat and stabilize by 2025. Interest rates on 10-Year Treasury Notes are projected to stabilize near current rates.

Figure 10. Interest Rates



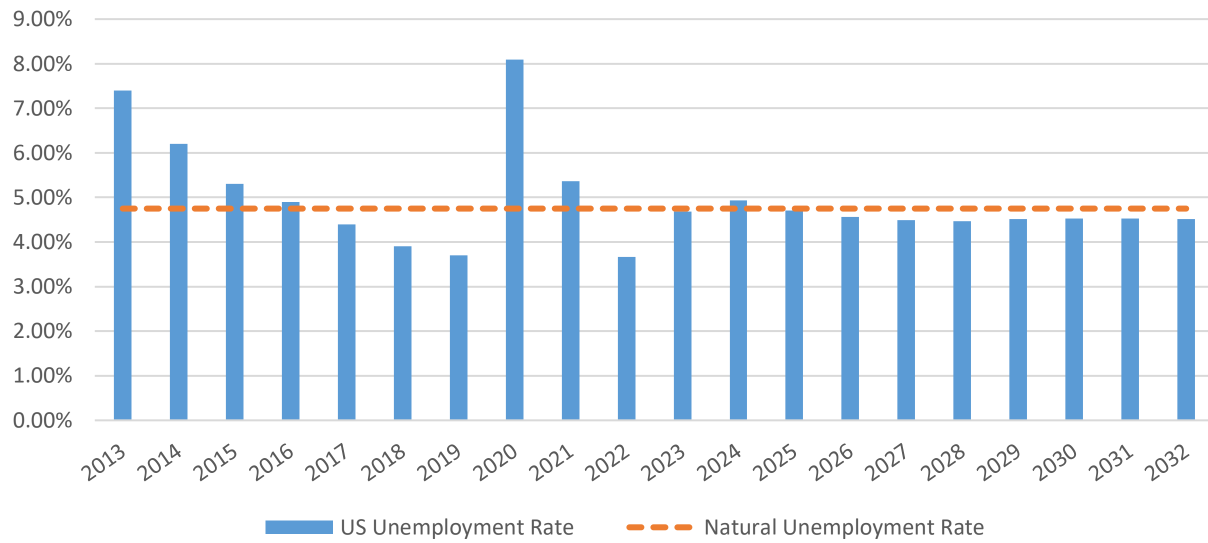
Note: Adapted from Congressional Budget Office (CBO). (2023b). *Budget and Economic Data, 10-Year Economic Projections* [February 2023], Congressional Budget Office (CBO). (2022, May) *Congressional Budget Office Budget and Economic Outlook 2020-2030* [data underlying the figures in supplemental material], and Federal Reserve Bank of Saint Louis (2023, June) *Federal funds effective rate.*

Unemployment

To reduce high inflation, the Federal Reserve signficantly raised the target range for the federal funds rate in 2022. This is projected to result in stagnation of economic activity, increased unemployment, and slowing inflation through 2024. From 2024 through 2025, tight financial conditions are expected to gradually ease with unemployment falling and continued reduction in inflation (CBO, 2023a).

In May 2023, the Congressional Budget Office forecast the labor market to deteriorate in 2023 with an increase in unemployment, but then to stabilize with an unemployment rate near 4.5% as illustrated in Figure 11.

Figure 11. Unemployment in the United States



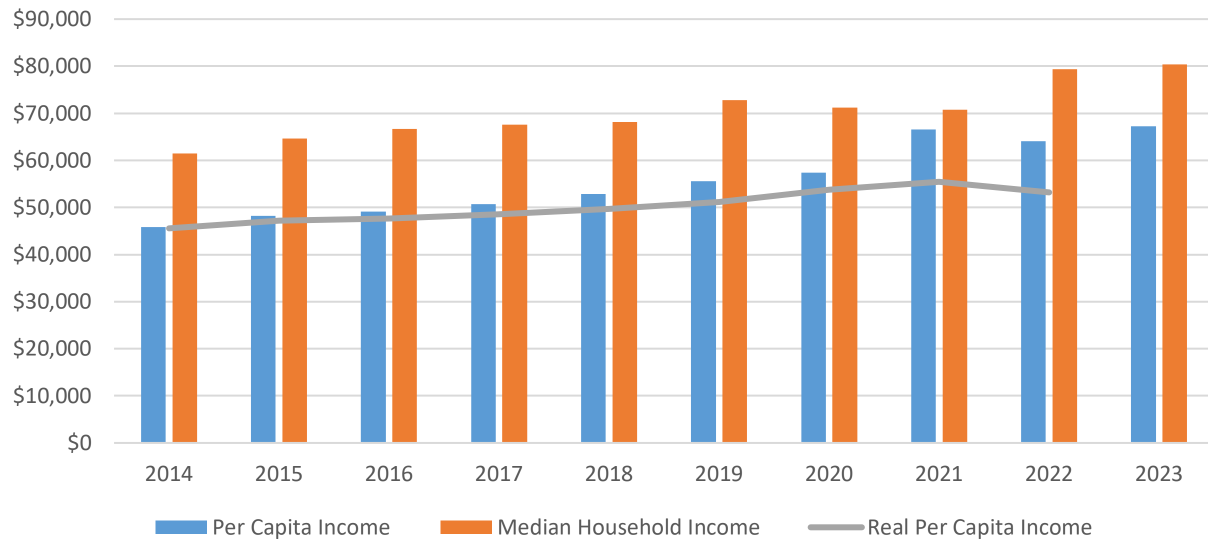
Note: Adapted from Congressional Budget Office (CBO). (2023b). *Budget and Economic Data, 10-Year Economic Projections* [February 2023]. and Congressional Budget Office (CBO). (May 2022) *Congressional Budget Office Budget and Economic Outlook 2020-2030* [data underlying the figures in supplemental material].

Income and Wage Growth

Per Capita Income (PCI) is a common indicator to assess economic performance. It is used to assess the economic well-being of residents and the quality of consumer markets. It serves as a barometer for calibrating the economic performance over time. Shifting trends per capita income growth have social and political ramifications and implications in formulating economic development strategies and initiatives.

Figure 12 illustrates changes in per capita and median household income in the United States over the last decade (2014-2023). In the last decade the average change in real (constant dollars adjusted for inflation) per capita income was 2.67%. However, in 2022, real per capita income decreased by 3.67%. In 2022 real per capita income was slightly less than it was in 2018 (United States Regional Economic Analysis Project, 2023).

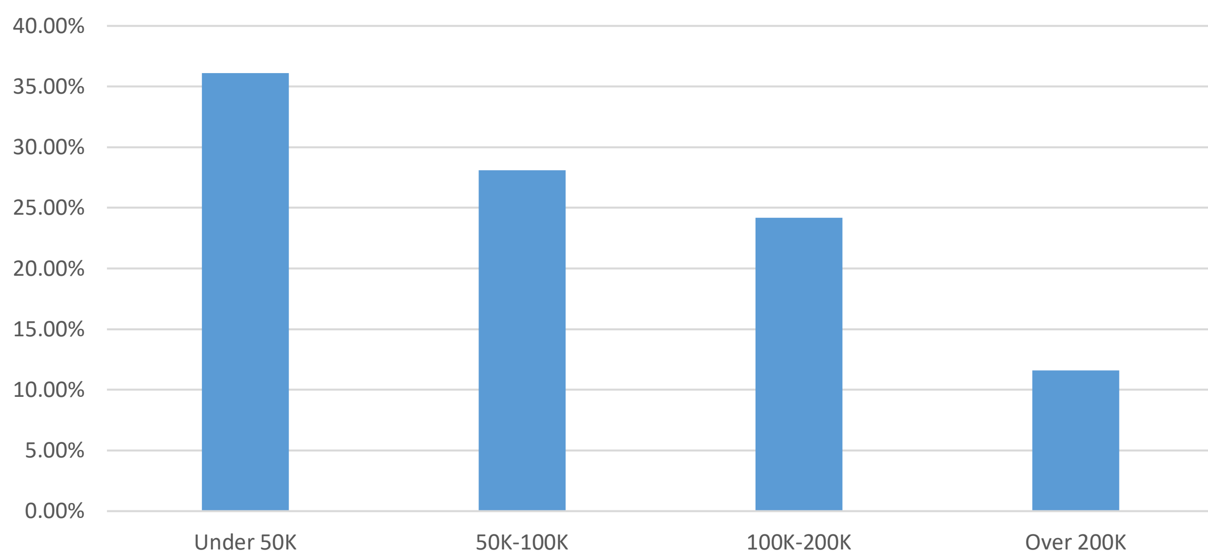
Figure 12. Per Capita and Median Household Income in the United States



Note: Adapted from United States Bureau of Economic Analysis (BEA). (2023). *Personal income per capita* [A792RC0Q052SBEA], United States Census Bureau (2023) Real Median Household Income in the United States [MEHOINUSA672N], Ironman at Political Calculations. (2023). *Median household Income in January 2023, and* United States Regional Economic Analysis Project. (2023). United States comparative trends analysis: Per capita personal income growth and change, 1958-2022.

Distribution of Income Levels

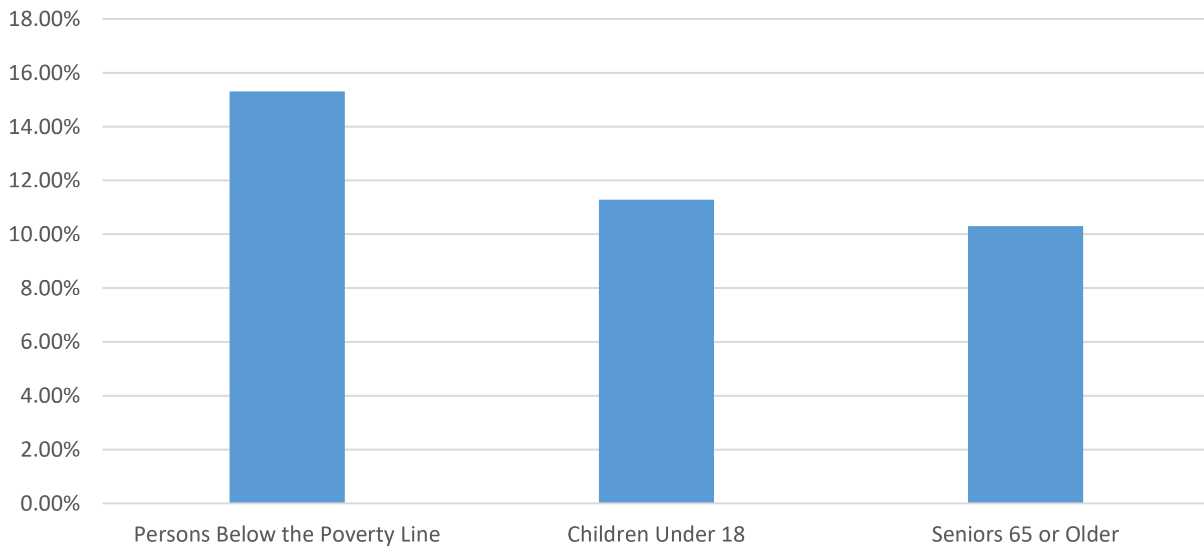
Figure 13. Distribution of Household Income Levels in the United States



Note: Adapted from Statista. (2022). Percentage distribution of household income in the United States in 2021.

Poverty: The Census Bureau uses a set of income thresholds that vary by family size and composition to determine who is in poverty. If total income is less than the family's threshold, then that family and every individual in it is below the poverty line. The official poverty thresholds updated for inflation using the Consumer Price Index-Urban (CPI-U) (United States Census, 2023).

Figure 14. Poverty Rates in the United States



Note: Adapted from United States Census Bureau. (2021). POV01: Age and Sex of All People, Family Members and Unrelated Individuals: 2021.

Uncertainty

Economic forecasts will always have some level of uncertainty. The Congressional Budget Office develops projections that fall in the middle of the likely range of outcomes under current law.

> Projections of economic output and labor market conditions are highly uncertain. In the short term, the effect of higher interest rates on overall demand, the easing of supply-chain disruptions, and participation in the labor market could be larger or smaller than expected; in the longer term, the pace of potential output in the aftermath of the pandemic could be faster or slower than expected. The agency's projections of price and wage inflation are also highly uncertain, particularly because the upward or downward pressure on wages and prices from conditions in product and labor markets could be greater or less than expected. The path of asset prices in the short term and the pace of the tightening of monetary policy may differ from the agency's projections of them. Other key sources of uncertainty are future monetary policy and the path of interest rates. Uncertainty about the path of interest rates contributes to the uncertainty of the agency's estimates of the effects of higher deficits and debt on the economy (CBO, 2023a, p. 52-53).

The Congressional Budget Office economic projections can be compared with other forecasts such as those made by private sector economists such as those published in *Blue Chip Economic Indicators*, the

Federal Reserve Bank of Philadelphia's *Survey of Professional Forecaster*s, and by the Federal Open Market Committee of the Federal Reserve. These projections and forecasts are generally in alignment, with variance resulting from differences in methodology.

State and Regional Economy

The economy of Washington state, located in the Pacific Northwest region of the United States, is known for its diverse industries, favorable business climate, and robust economic growth. Home to major companies like Microsoft, Amazon, and Boeing. In addition, Washington has strong agricultural output and a flourishing tourism industry.

Major Industry Sectors

Technology and Innovation: Washington state is a global hub for technology and innovation. Companies such as Microsoft, Amazon, and a multitude of startups have propelled the region to the forefront of the tech industry. The tech sector provides significant employment opportunities and attracts talent from around the world, fostering a culture of innovation and entrepreneurship.

Aerospace and Manufacturing: Boeing, one of the world's largest aerospace companies, has a significant presence in Washington state. The company's manufacturing facilities, research centers, and headquarters provide employment to thousands of workers. The aerospace industry, including aircraft manufacturing and related services, contributes significantly to the state's economy. Additionally, manufacturing in Washington encompasses a broad range of sectors, including electronics, metals, and machinery.

Agriculture: Washington has significant production of fruits, vegetables, and dairy products. The state's fertile soil, favorable climate, and abundant water resources contribute to its agricultural success. Key crops include apples, cherries, pears, berries, and hops. Washington is also a leading producer of wine, with numerous vineyards and wineries spread across the state. Agriculture plays a crucial role in rural communities, generating jobs and contributing to the state's export economy.

Trade and Logistics: Washington's strategic location on the West Coast makes it an ideal gateway for international trade. The state has a robust transportation infrastructure, including major ports in Seattle and Tacoma, and Portland in the adjacent state of Oregon which facilitate the movement of goods and cargo. Trade with Asia, particularly with China and Japan, is a significant driver of Washington's economy. The state's export-oriented industries benefit from its strong trade relationships and access to global markets.

Tourism: Washington's natural beauty, including national parks, mountains, and coastal areas, attracts millions of tourists each year. The state is home to landmarks such as Mount Rainier, Olympic National Park, and islands throughout the Puget Sound. Seattle, with its cultural attractions, music scene, and Pike Place Market, also draws visitors. Tourism contributes to job creation, supports small businesses, and generates revenue for the state.

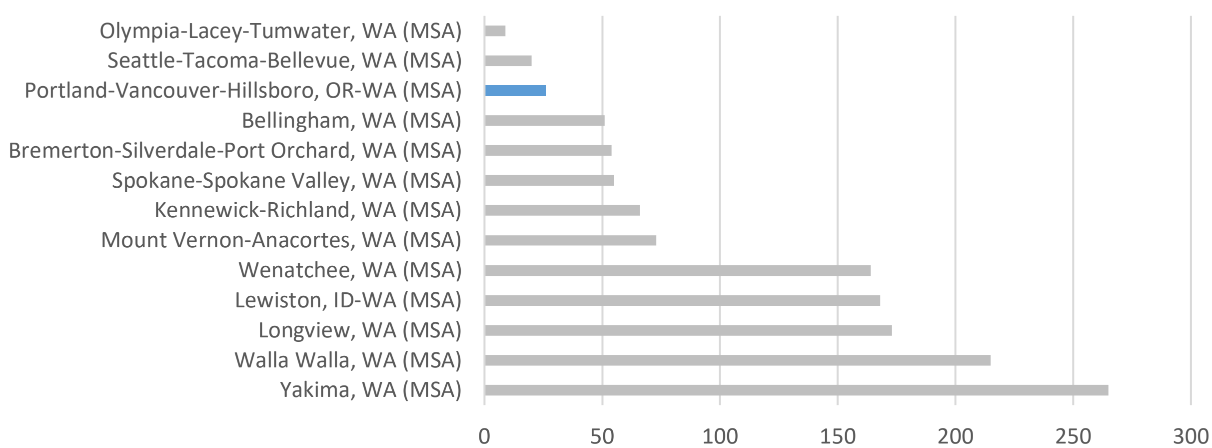
Portland-Vancouver-Hillsboro Metropolitan Statistical Area (MSA).

Clark County is in the Portland-Vancouver-Hillsboro metropolitan statistical area (MSA). and its economy can be understood only in that context. “The U.S. Office of Management and Budget defines metropolitan [statistical] areas as standardized county or equivalent-based areas having at least one urbanized area with a population of 50,000 or more, plus adjacent territory that has a high degree of social and economic integration with the core, as measured by commuting ties” (BEA, 2018).

Historically almost a third of the Clark County’s labor force have commuted to Portland daily, while one third commuted in the opposite direction. This may be in part due to the differences in tax structure between Oregon and Washington: Washington has a sales tax but no income tax, while Oregon has an income tax but no sales tax (Bailey, 2022).

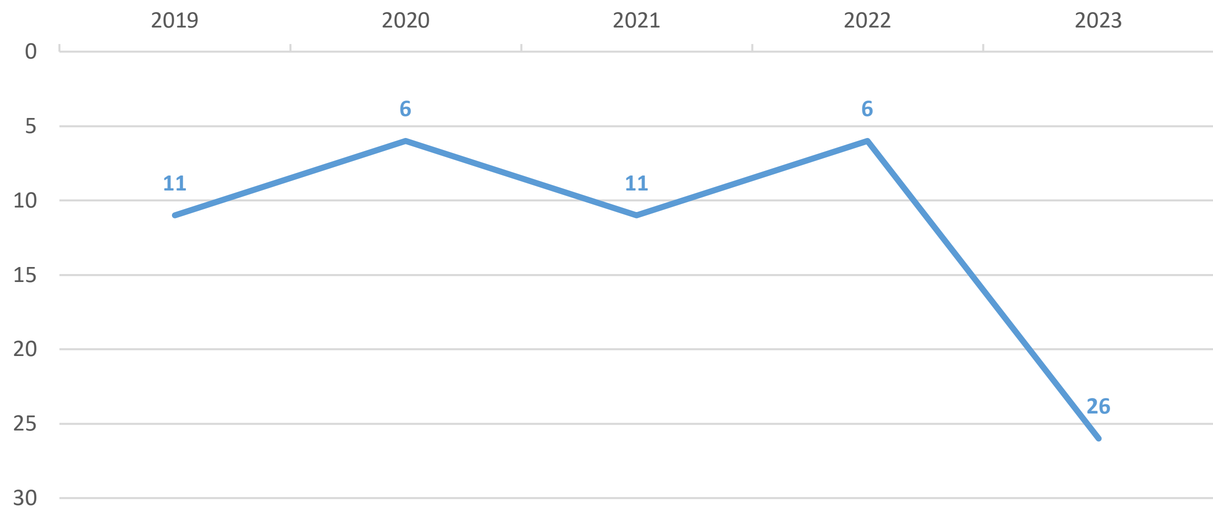
The condition of an economy may be addressed from the viewpoint of its impact upon the standard of living of the people who live and work in an area. These economic strength rankings were created to examine the characteristics of strong and weak economies. The highest ranked areas (lower numbers) have had rapid, consistent growth in both size and quality for an extended time. The lowest ranked areas (higher numbers) have been in volatile decline for a similar timeframe (Polycom, 2023a). Figure 14 illustrates the ranking of metropolitan statistical areas (MSAs) in the state of Washington out of 385 MSAs in the United States. Figure 16 illustrates changes in ranking of the Portland-Vancouver-Hillsboro, OR-WA MSA

Figure 15. 2023 Ranking of Washington MSA.



Note: Adapted from Polycom. (2023b). *Economic strength rankings - metropolitan areas.* https://policom.com/rankings-metropolitan-areas/.

Figure 16, Portland-Vancouver-Hillsboro, OR-WA MSA's Historical Ranking



Note: Adapted from Polycom. (2023b). *Economic strength rankings - metropolitan areas.* https://policom.com/rankings-metropolitan-areas/.

Health care and social assistance is the largest industry sector in terms of employment within both the Portland-Vancouver-Hillsboro, OR-WA MSA and within Clark County. Manufacturing is the next largest sector in the MSA while professional and business services had the second highest employment in Clark County. Retail trade was the third largest sector based on employment in both the MSA and the county. (JobsEQ, 2023 & Bailey, 2022).

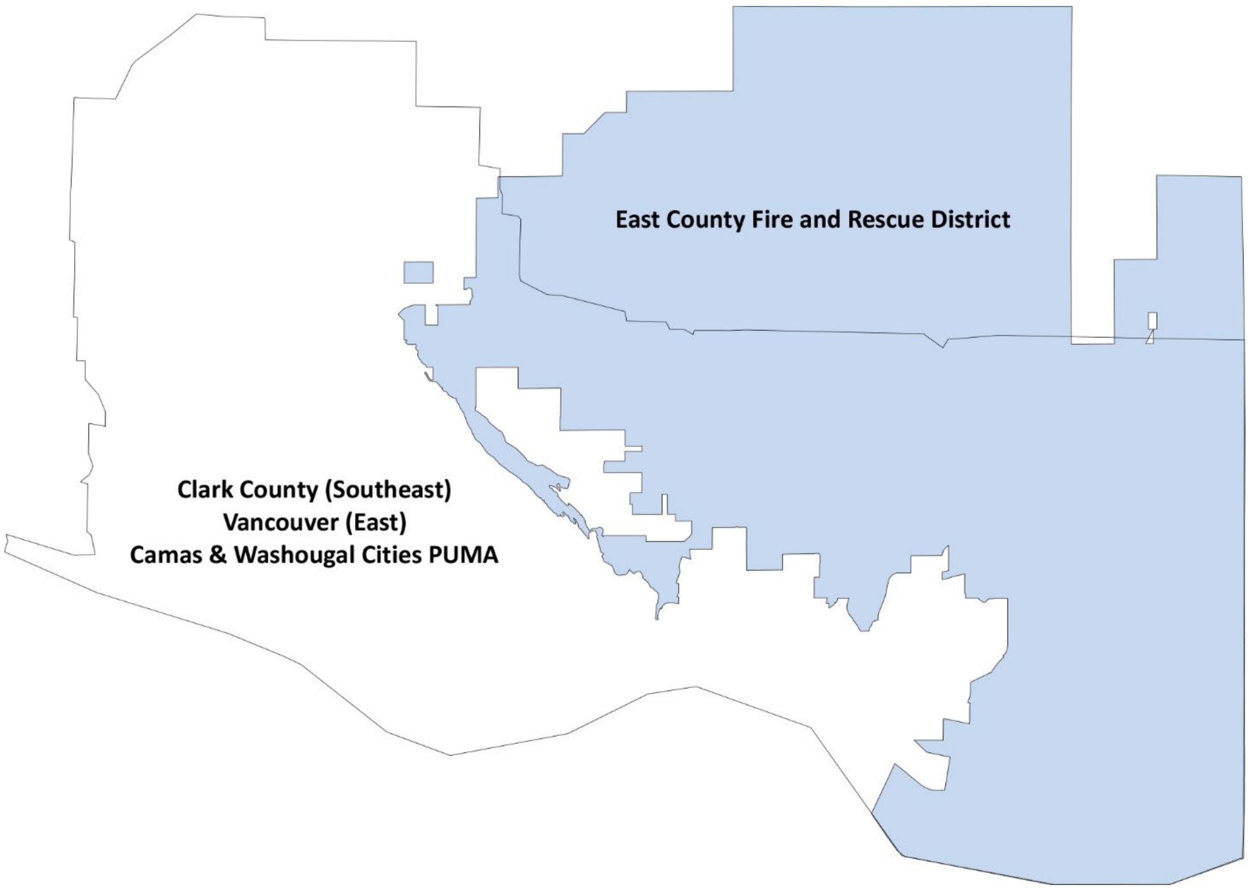
Clark County

Major industry sectors in Clark County include health care and social assistance, government (inclusive of public education), professional and business services, retail trade, leisure and hospitality, and manufacturing (Bailey, 2022).

Clark County has had a stronger recovery from the COVID-19 recession than the nation, Washington state, Oregon, Portland metro and Seattle metropolitan area. While influenced by national business cycles, long term prospects for the Clark County economy look good. Positive influences on the Clark County economy include a diversified manufacturing base, diversified in professional services, a relatively small but expanding software industry, transportation connections, effective port districts, low-cost power, and an educated workforce (Bailey, 2022).

Public Use Microdata Areas (PUMAs) are non-overlapping, statistical geographic areas that partition each state or equivalent entity into geographic areas containing no fewer than 100,000 people each. As illustrated in Figure 17, approximately 60% of the East County Fire and Rescue is within the Clark County (Southeast)-Vancouver (East), Camas, and Washougal Cities PUMA (Clark County SE PUMA).

Figure 17. Clark County SE PUMA & ECFR Fire District Boundaries



Note: Adapted from Clark County Geographic Information Systems (GIS) Department. (2023). *Fire districts* [district boundaries shape file] and *Washington State Office of Financial Management Forecasting Division (2013). Clark County (Southeast)--Vancouver (East), Camas, & Washougal Cities* PUMA [map].

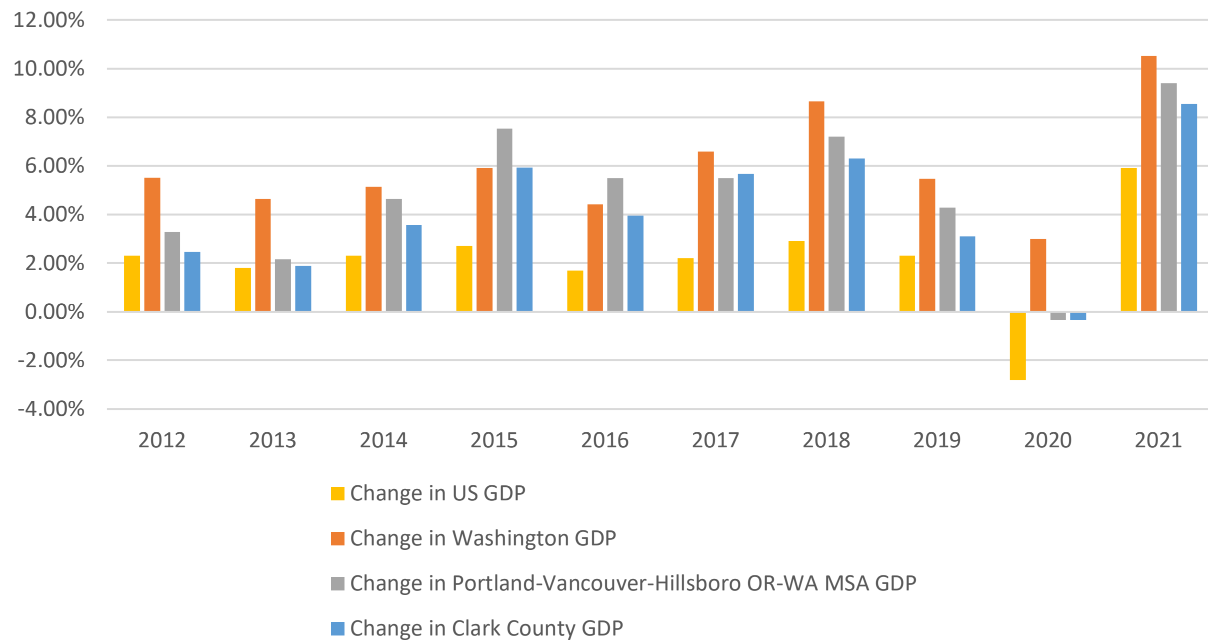
City of Camas: For many years the City of Camas was a mill town with its economy driven by the Georgia Pacific (formerly Crown Zellerbach) paper mill. In 2017, Georgia-Pacific announced plans to shut down most of its operations at the mill, resulting in significant layoffs. Fortunately, the city worked to attract a more diverse business base drawing high-tech companies such as WaferTech, Analog Technologies and Sharp to the city (Solomon, 2017).

City of Washougal: Like its neighbor Camas, Washougal was a mill town with the Pendleton Woolen Mill at the center of its economy. While the woolen mill is still in operation, the City of Washougal has also seen considerable industrial development in the Port of Camas-Washougal industrial park along the Columbia River. The industrial park has 54 business tenants that contribute over 1,100 jobs to the local economy.

Regional Gross Domestic Product

GDP by county is a measure of the market value of final goods and services produced within a county area in a particular period. While other measures of county economies rely mainly on labor market data, these statistics incorporate multiple data sources that capture trends in labor, revenue, and value of production. As a result, the capital-intensive industries are captured more fully than when measured solely by labor data (BEA, 2023)

Figure 18. Historical Change in State and Regional GDP



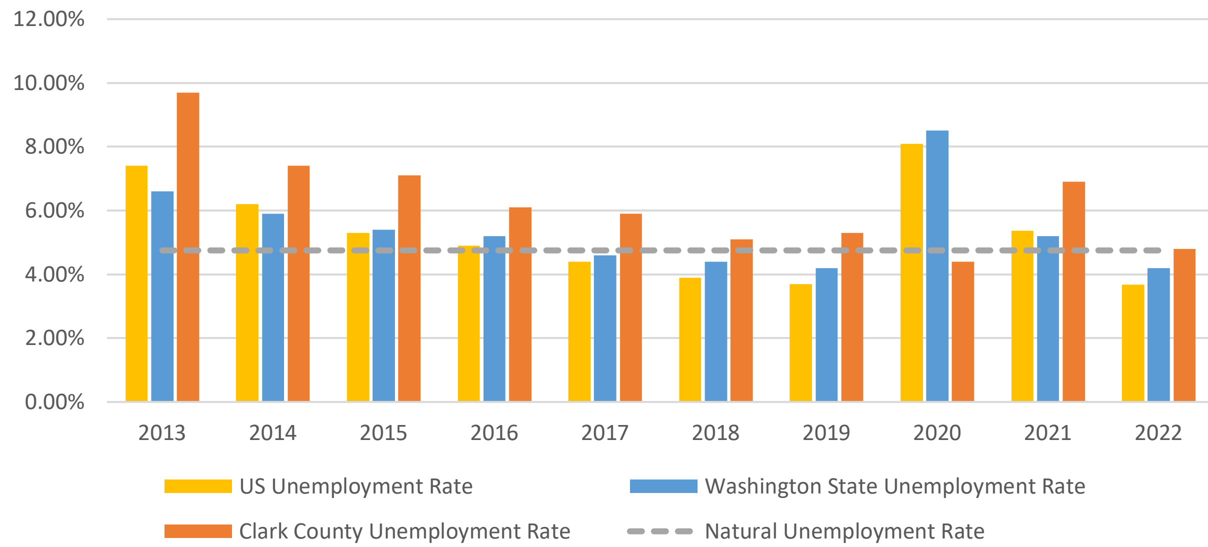
Note: Adapted from United States Bureau of Economic Analysis (BEA). (2023a, 2023b, & 2023c), *Gross Domestic Product: All Industry Total in Washington* [WANGSP], *Real Gross Domestic Product: All Industries in Clark County, WA* [REALGDPALL53011], Total Gross Domestic Product for Portland-Vancouver-Hillsboro, OR-WA (MSA) [NGMP38900], and O'Neill, A. (2023) Annual growth of the real GDP in the United States of America from 1930 to 2021.

As illustrated in Figure 18, the national, state, and regional GDP (Portland-Vancouver-Hillsboro OR-WA MSA) historically follows a similar pattern of increases and decreases. However, the change in the Washington GDP in 2020 was positive when the change in the US GDP was negative. Changes in the regional GDP were positive between 2012 and 2021 except for 2020. However, while the regional GDP in 2020 was negative, performance was better than the nation overall.

Regional Unemployment

As illustrated in Figure 19, Clark County unemployment has followed a similar trend as statewide unemployment, dropping from 9.70% in January 2013 to 4.4% in January of 2020, before spiking to 6.90% in January of 2021 and then declining to 4.80 in January of 2022.

Figure 19. Clark County and Washington State Unemployment Rates



Note: Adapted from Congressional Budget Office (CBO). (2023b). *Budget and Economic Data, 10-Year Economic Projections* [February 2023]. and Congressional Budget Office (CBO). (May 2022) *Congressional Budget Office Budget and Economic Outlook 2020-2030* [data underlying the figures in supplemental material], Federal Reserve Bank of St. Louis (2023a & 2023b). *Unemployment Rate in Washington* and *Unemployment Rate in Clark County Washington*

Except for 2020, unemployment in Clark County has been higher than either the State of Washington or the United States as a whole. The COVID-19 pandemic had a major influence on unemployment in 2020 and 2021 with the impact in Clark County lagging the nation and the state of Washington.

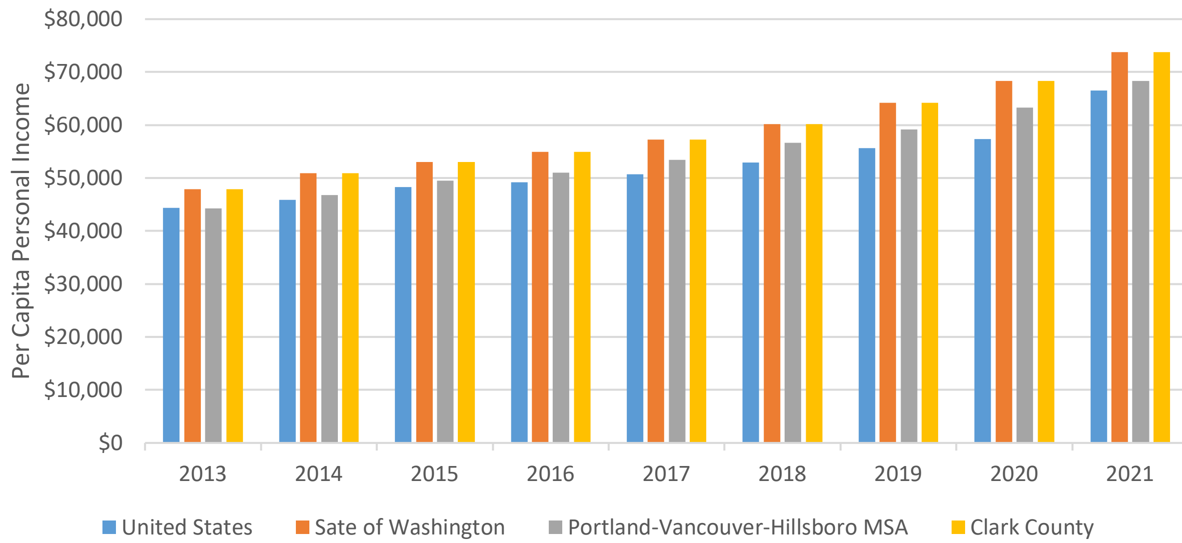
Income and Wage Growth

Income and wage growth are examined using per capita income, median household income, and poverty levels.

Per Capita Income: Per-capita income (PCI) is the total aggregate income for the area divided by the total population.

Figure 20 illustrates changes in per capita income in the United States, State of Washington, Portland-Vancouver-Hillsboro OR-WA Metropolitan statistical area (MSA), and Clark County. Per capita income has risen over the last decade, with the State of Washington and Clark County consistently seeing higher per capita income than the nation and the Portland-Vancouver-Hillsboro OR-WA MSA.

Figure 20. Per Capita Personal Income

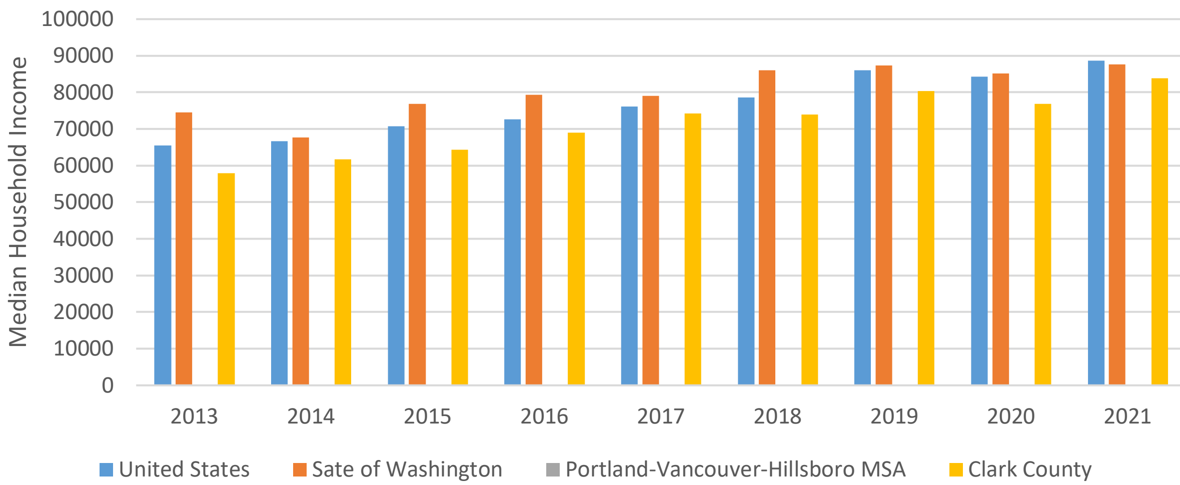


Note: Adapted from United States Bureau of Economic Analysis (BEA). (2023). *Personal income per capita* [A792RC0Q052SBEA], United States Bureau of Economic Analysis (BEA) and Federal Reserve Bank of St. Louis. (2023). *Per capita personal income in* Washington [WAPCPI], United States Bureau of Economic Analysis (BEA). (2023). *Per capita personal income in Portland-Vancouver-Hillsboro, OR-WA (MSA)* [PORT941PCPI], & United States Bureau of Economic Analysis BEA). (2023). *Per capita personal income in Clark County, WA* [PCPI53011].

Household Income: The total of the income figures reported for all individuals at the same address is called the household income. Persons in households who are related by blood, marriage or adoption constitute family households, and the sum of their incomes is referred to as family income. Income measures commonly deal with values at the household or family level rather than for individuals (Missouri Census Data Center, n.d.). As a practical matter when working with census data it is summarized for a geographic area using a measure such as median household or family income.

Figure 21 illustrates median household income in the United States, Washington State and Clark County. Data was not readily available for median household income in the Portland-Vancouver-Hillsboro (OR-WA) Metropolitan Statistical Area (MSA).

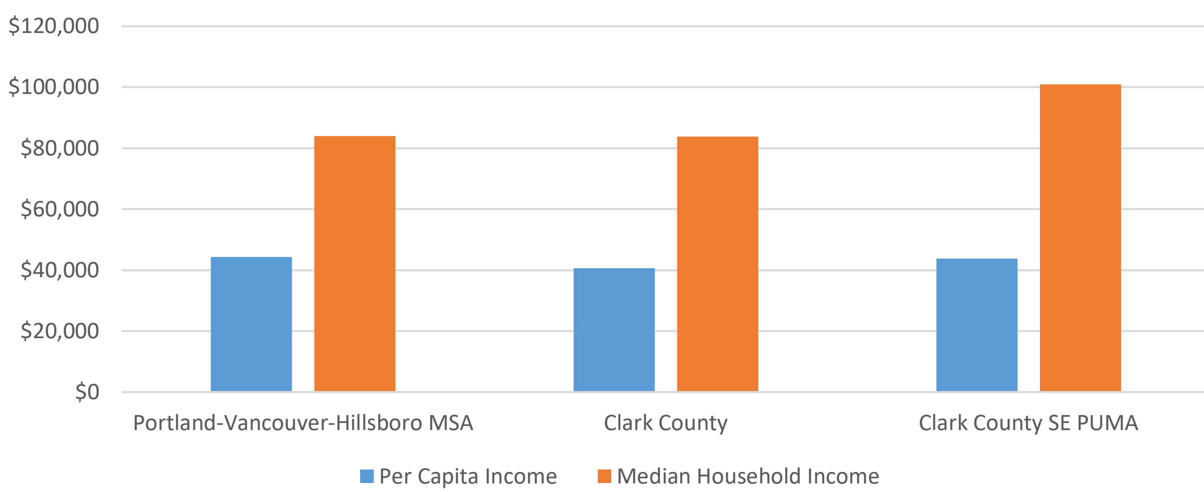
Figure 21. Median Household Income



Note: United States Census Bureau. (2022a). Median household income in the United States; United States Census Bureau. (2022b). Real median household income in Washington; and United States Census Bureau. (2022c). Estimate of median household income for Clark County, WA.

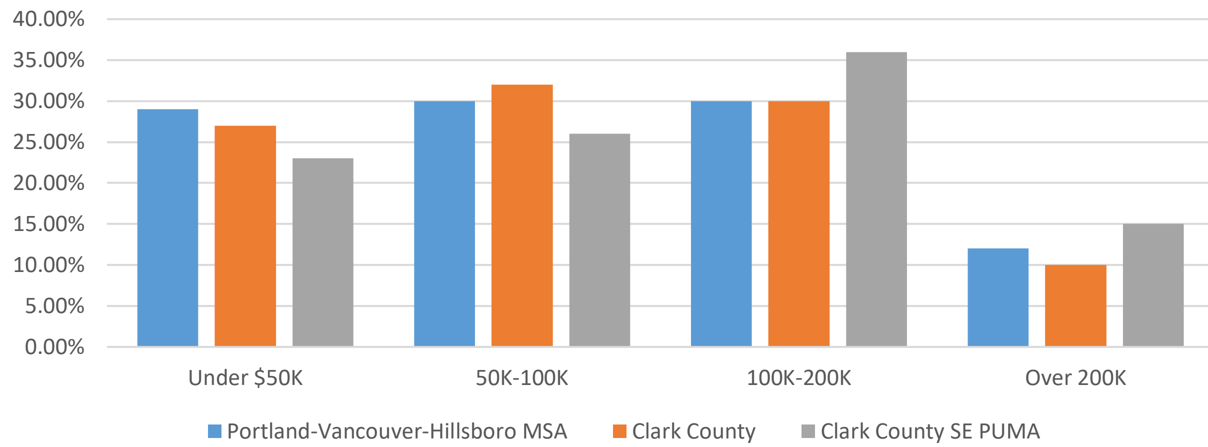
The demographics and economic data between the Portland-Vancouver-Hillsboro, OR-WA MSA, Clark County, and the Clark County SE PUMA are similar. The margin of error for most statistical data for these areas from the American Community Survey (Census Reporter, 2021a, 2021b, 2021c) is within 10% of the total value, so variations in this data should be considered with caution.

Figure 22. Per Capita Income and Median Household Income



Note: Adapted from United States Census Bureau. (2021a). *Census reporter profile page for Portland-Vancouver-Hillsboro, OR-WA metro area,* (2021b). *Census reporter profile page for Clark County, WA, &* (2021c). *Census reporter profile page for Clark County (Southeast)--Vancouver (East), Camas & Washougal Cities PUMA, WA.*

Figure 23. Distribution of Household Income Levels

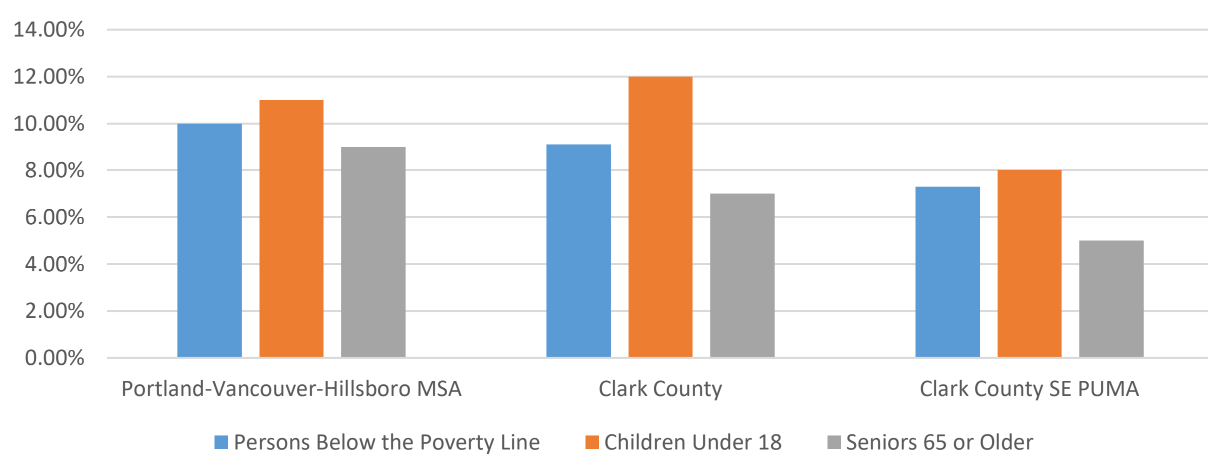


Note: Adapted from United States Census Bureau. (2021a). *Census reporter profile page for Portland-Vancouver-Hillsboro, OR-WA metro area,* (2021b). *Census reporter profile page for Clark County, WA, &* (2021c). *Census reporter profile page for Clark County (Southeast)--Vancouver (East), Camas & Washougal Cities PUMA, WA.*

Per capita income is similar in the Portland-Vancouver-Hillsboro MSA, Clark County, and Clark County SE PUMA. However, median household income is noticeably higher in the Clark County SE PUMA as illustrated in Figure 22. The distribution of household income levels in the Portland-Vancouver-Hillsboro MSA, Clark County, and Clark County SE PUMA may explain the higher median household income in the Clark County SE PUMA as the percentage of households with median income of between $100,000 and $200,000 and over $200,000 are higher than in either Clark County or in the Portland-Vancouver-Hillsboro MSA as illustrated in Figure 23.

Poverty: The percentage of persons below the poverty line in the Clark County SE PUMA is lower than that in the Portland-Vancouver-Hillsboro MSA and Clark County as illustrated in Figure 24.

Figure 24. Persons Below the Poverty Line

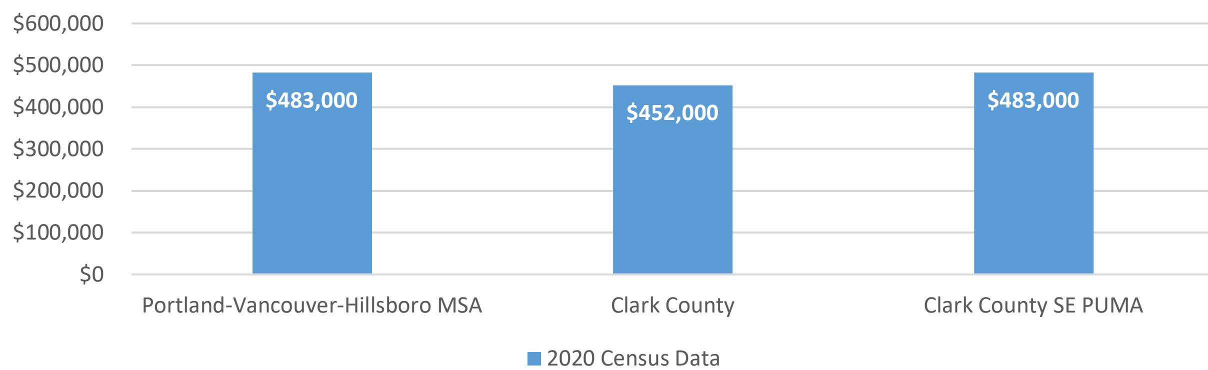


Note: Adapted from United States Census Bureau. (2021a). *Census reporter profile page for Portland-Vancouver-Hillsboro, OR-WA metro area,* (2021b). *Census reporter profile page for Clark County, WA, &* (2021c). *Census reporter profile page for Clark County (Southeast)--Vancouver (East), Camas & Washougal Cities PUMA, WA.*

Regional Home Values and Sale Prices

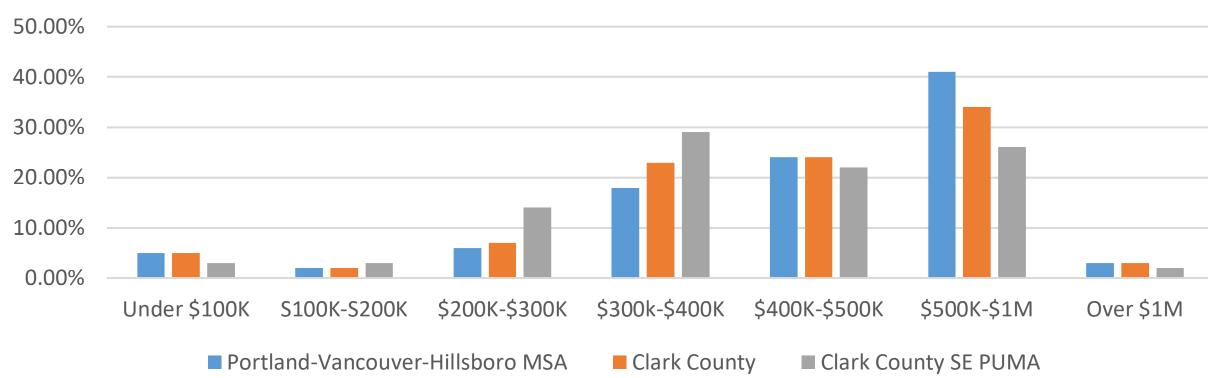
Based on the 2020 American Community Survey, home values in the Portland-Vancouver-Hillsboro MSA, Clark County, and Clark County SE PUMA are similar as illustrated in Figure 25. Figure 26 illustrates the distribution of home values in each of these three areas.

Figure 25. 2020 Median Home Values



Note: Adapted from United States Census Bureau. (2021a). *Census reporter profile page for Portland-Vancouver-Hillsboro, OR-WA metro area,* (2021b). *Census reporter profile page for Clark County, WA, &* (2021c). *Census reporter profile page for Clark County (Southeast)--Vancouver (East), Camas & Washougal Cities PUMA, WA.*

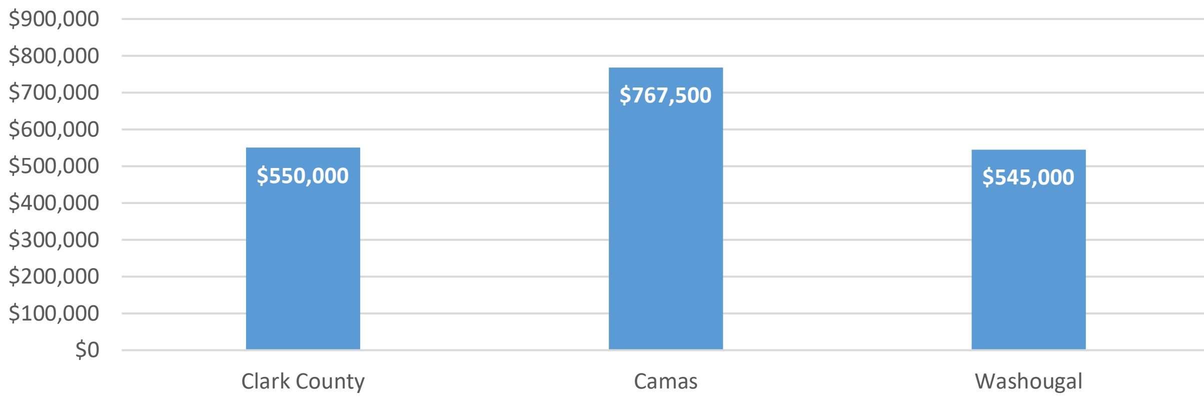
Figure 26. Distribution of Home Values



Note: Adapted from United States Census Bureau. (2021a). *Census reporter profile page for Portland-Vancouver-Hillsboro, OR-WA metro area,* (2021b). *Census reporter profile page for Clark County, WA, &* (2021c). *Census reporter profile page for Clark County (Southeast)--Vancouver (East), Camas & Washougal Cities PUMA, WA.*

Data in 2023 mid-year median Current median sale prices in Clark County and the cities of Camas and Washougal show a significant increase over the 2020 median home values identified in the census data, with the median sale price in Camas significantly higher than either Clark County or Washougal as illustrated in Figure 12.

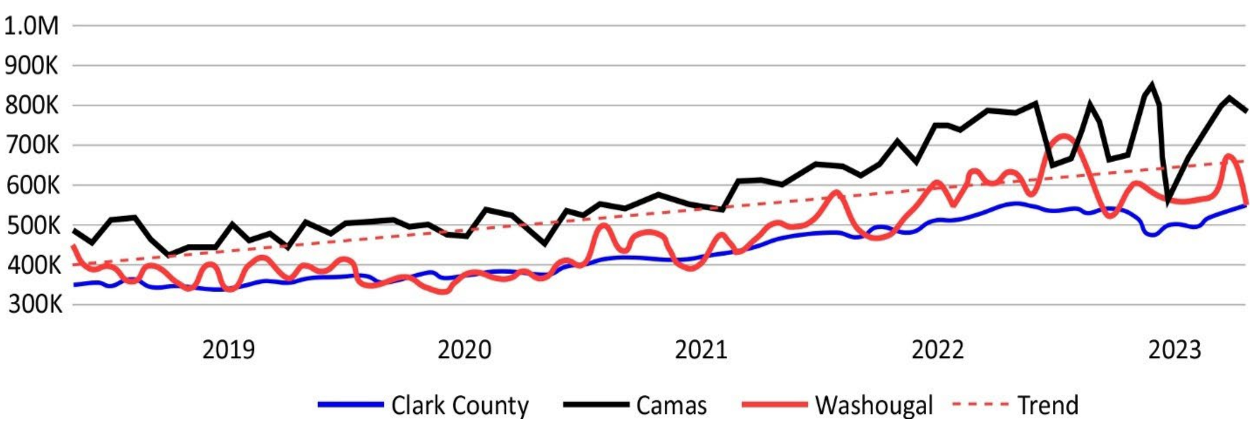
Figure 27. Median June 2023 Home Sale Prices



Note: Adapted from Redfin. (2023a). Clark County Housing Market. Redfin. (2023b). Camas Housing Market. Redfin. (2023c). Washougal Housing Market.

As illustrated in Figure 28, median home sale prices fluctuate from month to month and year to year, but there is a consistent long-term increase in home prices with Clark County and the cities of Camas and Washougal.

Figure 28. Median Home Prices 2019-2023

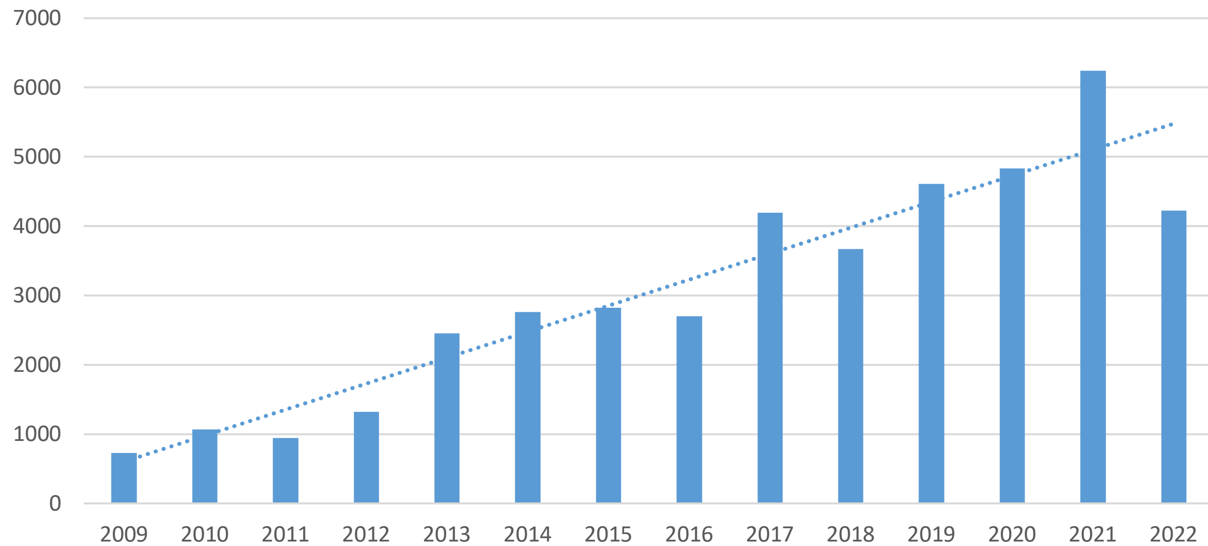


Note: Adapted from Redfin. (2023a). Clark County Housing Market. Redfin. (2023b). Camas Housing Market. Redfin. (2023c). Washougal Housing Market.

Regional New Construction

New construction is another significant economic indicator as construction of new buildings or additions to existing buildings increase total assessed value (and new buildings on previously vacant land, results in increased tax revenue). New construction within the East County Fire and Rescue (ECFR) district was not readily available. However, total building permits issued (new construction and renovation) as illustrated in Figure 29 provides a rough proxy measure for new construction.

Figure 29. Clark County Building Permits 2009-2022



Note: Adapted from Association of Washington Builders Institute. (2023). Total Building Permits-Clark County.

Regional Assessed Valuation

The Revised Code of Washington (RCW) 84.41 requires that assessors appraise property at 100 percent of its true and fair market value in money, according to the highest and best use of the property. The assessor values real property using one or more of the following appraisal methods (WA DOR, 2016):

- Market or sales comparison approach to value is determined, or estimated, based on multiple sales of similar properties. Most residential property is valued using this method.
- Cost approach to value is determined based on the cost of replacing an existing structure with a similar one that serves the same purpose. This method is commonly used to value new construction.
- Income approach to value is determined based on the income producing potential of the property. This method is used primarily to value business property.

A Simple Model

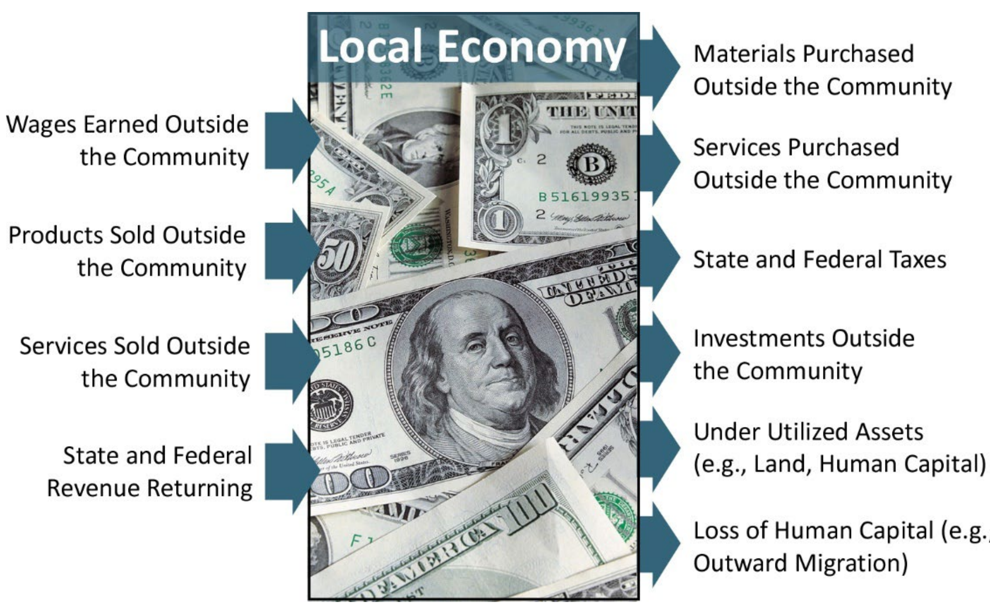
Fire and rescue services are a local government function provided by an incorporated municipality such as a city or town or by a special purpose district such as a fire protection district or fire authority. In Washington State, fire and rescue services are predominantly funded either directly or indirectly through property taxes. As such, property assessed valuation is likely one of the most significant economic factors impacting on fire and rescue service revenue. Other economic factors such as the rate of inflation impact the cost of providing fire and rescue services to the community. It is beyond the scope of this plan to address the national or state economies in detail, but it is essential to consider the impact of larger economic factors on the local economy in long range financial planning.

A local economy is a geographic area in which people live and work. The bounds of a local economy are largely determined by commuting patterns. Job centers pull economies together. If 75% of the people live and work in an area it is a contained economy (Polycom, 2020). The economic profile describes those facilities within the community that are critical to the financial vitality and sustenance of the community including:

- Infrastructure
- Employers
- Industries
- Major taxpayers
- Institutions

Understanding the economic profile of the community requires a framework outlining how a local economy works. Figure 30 is an adaptation of *Darling's Static Rain Barrel Model* (Darling, 1991). Here, the metaphor is that the level of economic activity, or prosperity, in a community is like the water level in a wooden rain barrel. As it rains water enters the barrel and the level rises and as water flows out, the level is lowered. When applied to a local economy at the simplest level, dollars entering the local economy from outside increase economic vitality and those leaving the local economy reduce economic vitality.

Figure 30. Simple Model of a Local Economy



Money flows into the local economy several ways:

- When materials or services are sold to a customer from outside the local community then local firms earn new dollars. In addition, when local people commute to out-of-town jobs their wages are new dollars.
- State and federal revenue returns to the local economy through revenue sharing, social security payments, federal employee pensions, and direct federal spending.

Money also flows out of the local economy multiple ways:

- Local firms buy their materials and services from outside the local economy.
- Local households shop outside of the area to buy materials and services.
- Local firms and employees pay taxes and social security to higher governmental units.
- Community citizens, local firms, and local government hold assets such as land, buildings and human skills that are underutilized and are not generating a flow of income. Or local investors spend time and dollars on local ventures that don't pay off.
- Community citizens invest their dollars in stocks, bonds, and federal government securities instead of local business opportunities or real estate developments.
- Estate settlements usually go to the spouses and children of the deceased. Often the children of older members of the community have left the area and moved to urban centers in and outside the state. Thus, the wealth of that estate can be lost to the community.
- Property taxes spent on educating students in local schools. With outward migration this investment is lost to the local economy (but not necessarily to the regional, state, or national economy).

Dollars are earned or captured within the community in the form of wages, sales, profits, and investments in base industries that created new wealth, often by capturing value from the natural environment. Services provided to markets outside the region and services provided to visitors coming in from outside the region also qualify as base industries producing streams of new revenue. Other sources of money entering the economy include external investment in local construction and social security and pension payments to retired persons.

When dollars flow in from outside sources to local governments and to community citizens, these new dollars also contribute to the local economy. These dollars can come from social security and other retirement payments, interest, rent and dividend from outside investments, grants from higher governmental agencies and foundations, and from investment by outside interests.

The wages and profits from basic industries are often used to buy local goods and services. Businesses such as grocery stores, other retailers, and service providers who do not make their living from outside dollars are region-filling businesses. Region-filling businesses are vital to community health, as wages and profits may be passed around several times before leaving the community. This is called the multiplier effect.

The more goods and services are purchased locally, the higher the multiplier effect. The higher the multiplier, the more a dollar circulates around a community prior to leaving. The more that happens, the greater the employment and income impacts of the base industry and the greater the prosperity of the community. In general, the smaller the town and its retail sector, the smaller the multiplier.

The relationships of households and businesses in a community to whom they sell or from whom they buy are called linkages. The more linkages within a community, the higher is the multiplier, and the greater the prosperity. To the degree that purchases of goods or services are made outside the community, these are called leakages.

It is often thought that payments for taxes or social security are a type of leakage out of the local economy. However, this is not always the case. Most local government revenues and a large share of state tax dollars are spent in local communities supporting infrastructure, education, and government.

Discussion of Economic Outlook

Overall, the economic outlook is encouraging in the near term, but there is a substantial degree of uncertainty on the global and national level which can, without a doubt, impact the state, regional, and local economies which may impact on the economic outlook in the longer term.

Economic Outlook

Overall, Washington state's economy has experienced steady growth in recent years. Its thriving technology sector, coupled with strong performances in aerospace, manufacturing, and agriculture, has helped drive economic expansion. However, challenges exist, such as housing affordability, transportation infrastructure, and income inequality. Additionally, the economic impacts of global events, such as trade disputes or natural disasters, can affect the state's economy.

In conclusion, Washington state's economy is characterized by its technological innovation, aerospace industry, agricultural productivity, trade and logistics, and tourism. The state's favorable business environment, skilled workforce, and diverse industries contribute to its economic strength. With ongoing investments in infrastructure, education, and innovation, Washington aims to maintain its position as a leading economic powerhouse both nationally and globally.

Economic Patterns

The economy follows a cyclical pattern of economic growth and expansion, peak, contraction or recession, and trough with demand, production, and employment are at their lowest. After exiting a trough, the economy again begins to expand. Prediction of this economic cycle is complex and far from certain as there are many variables that influence the eventual outcome.

> A recession is a significant decline in economic activity spread across the economy, normally visible in production, employment, and other indicators. A recession begins when the economy reaches a peak of economic activity and ends when the economy reaches its trough. Between trough and peak, the economy is in an expansion. (NBER, 2020).

Predicted probability of a recession in 2023-2024 climbed to 99 percent earlier this year (The Conference Board, April 2023). However, many economists have estimated that the probability of recession has been reduced by improved economic conditions later in 2023 (Goldman Sachs, 2023 & Case, 2023).

A Cautionary Note

Economic forecast and prediction are a complex challenge frequently with competing theories, models, and opinions. Bookstaber (2017) argues that traditional economic theory is not up to the task of predicting financial crisis due to the following four factors:

- Emergent phenomena resulting from the sum of human interactions can produce unexpected results that are not related to the intentions of those involved.
- Non-ergodicity in which probabilities based on human interactions constantly change.
- Radical uncertainty in which people do not know the range, or the probability, of future outcomes.
- Computational irreducibility to the complexity of the future and the effect of human interactions so unfathomable that (necessarily simplified) models cannot be used to anticipate the outcome.

It is likely that near term economic prediction has a higher probability of success than forecasts that extend to the long-term. It is also likely that the current national and geopolitical context introduces a considerable degree of uncertainty in any analysis. As such, this long-term financial plan has been developed with this concern in mind and the national, regional, and local economic position will be monitored on an ongoing basis to determine if it is necessary for more frequent revision.

Fire District Revenue

East County Fire and Rescue is largely funded through property taxes which are constrained by limitations codified in the *Washington State Constitution* and *Revised Code of Washington Chapter 52 Fire Protection Districts*. The district also has limited revenue streams from Charges for Service and other miscellaneous revenues.

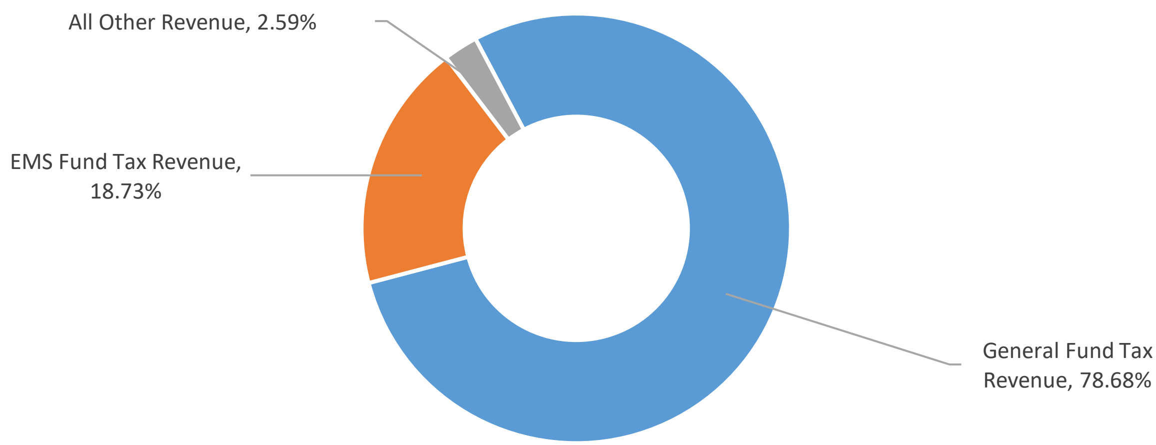
In *Recommended Budget Practices: A Framework for Improved State and Local Government Budgeting*, the National Advisory Council on State and Local Budgeting (1998) encourages governments to establish a policy on revenue diversification to improve the government's ability to handle fluctuations in revenues and potentially help to better distribute the cost of providing service. East County Fire and Rescue revenue policies as previously outlined in this long-term financial plan states:

> The district's primary source of revenue is a property tax levy as specified in the Revised Code of Washington (RCW) Chapter 52.16. However, the district shall work to develop diversification of revenue to include, but not limited to intergovernmental revenue, and fees for service.

Revenue Distribution

General fund tax revenue is ECFR's largest revenue stream, comprising 84.42 % of total district revenue. EMS fund tax revenue accounts for approximately 12.80% of total district revenue. 2.8% of district revenue is generated from a variety of other sources (e.g., such as intergovernmental revenues, charges for service and other miscellaneous revenues). 2022 revenue distribution is illustrated in Figure 31.

Figure 31. ECFR 2022 (Actual) Revenue Distribution



The district also generates a small amount of revenue from investment of funds that will not be needed to meet short-term cash flow requirements. As identified in *Standard Operating Guideline (SOG) 1.3.8 Investment* (ECFR, 2017j), the district's funds are invested to provide maximum security with the highest return while meeting cash flow demands. Similarly, the Clark County Treasurer's (who serves as the district's treasurer) investment policy states: "The treasurer will invest public funds in a manner that preserves capital and ensures the protection of investment principal, allows adequate liquidity for any relevant municipal corporations (Participants), and achieves the highest investment return consistent with the primary objectives of safety and liquidity" (Clark County Treasurer's Office, 2023, p. 4).

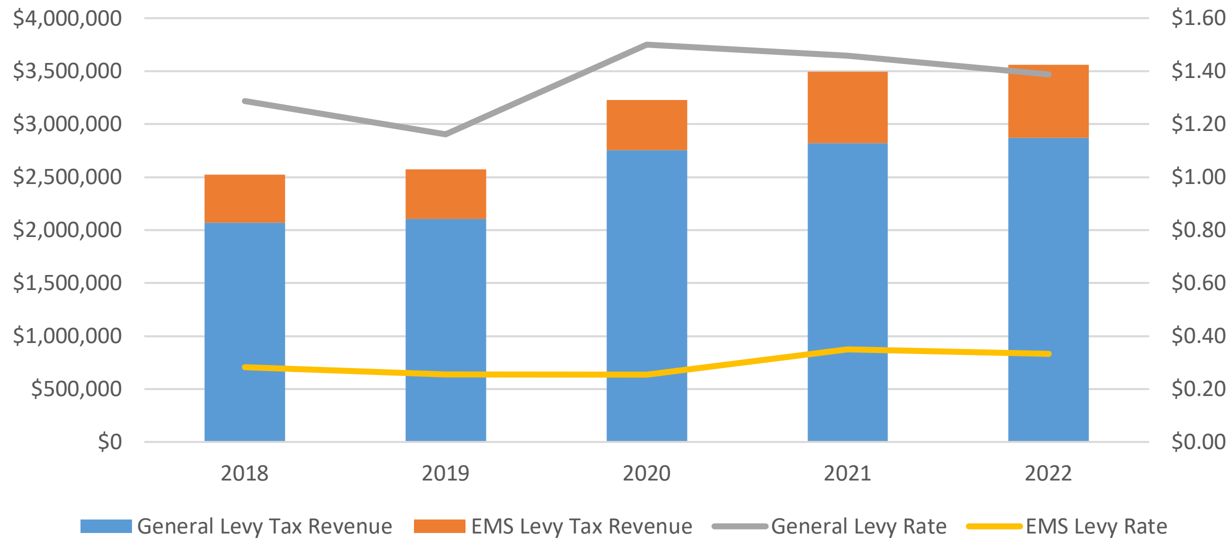
Revenue History

While property tax revenue has been limited by passage of Referendum 47 in 1997 and Initiative 747 in 2002, the district's property tax revenue has increased over time as illustrated in Figure 30. Several factors have contributed to these increases:

- Addition of the value of new construction to assessed valuation (AV)
- Passage of a lid lift in 2019 increasing the district's levy rate from the prior year
- Renewal of the EMS levy in 2020

Between 2018 and 2022 the district's revenue has increased an average of 7.27% annually. If increases in revenue related to the district's 2019 lid lift and 2020 EMS levy renewal are excluded, revenue has increased an average of 2.41% annually which represents the normal constitutionally limited 1% and the added value of new construction.

Figure 32. ECFR General Fund and EMS Fund Tax Revenue and Levy Rates 2018-2022



Assessed Valuation and Levy Rate

While the amount of the regular tax levy is constrained by constitutional limits, the levy rate fluctuates with the total assessed valuation within the district (as the total assessed valuation goes up, the levy rate goes down and as total assessed valuation goes down, the levy rate goes up). The district's current 2023 general levy rate is $1.09/$1,000 AV and EMS levy rate is 0.06/$1,000 AV.

Change in AV is variable as it may experience increases or decreases of varying magnitude. However, historically AV increases more frequently than it decreases and trends upward in the long-term. The average annual change in AV between 2017 and 2022 was 7.25%. In 2022 (for 2023 taxes) assessed value increased 29.65%. It is likely that AV will continue to increase over time, but at a more moderate rate than in 2022 (i.e., near historical levels). The general levy rate will decrease as AV increases, but as expenses continue to increase faster than revenue growth, the district will eventually need to place a lid lift before the voters to maintain current service levels (this is discussed in greater detail in financial strategy and long-term financial plan sections of this document).

As previously discussed, buildings constructed on vacant land or expansion of existing buildings adds to assessed valuation and is not subject to the 1% constitutional limitation on increases in property taxes levied by the district (in the year constructed). New construction within the district is primarily single-family homes. Some are constructed as primary residences, but some are constructed for recreational or seasonal use. Construction of buildings for commercial occupancy comprises a much smaller percentage of new construction.

Property Tax Collection Rate

While there has been some variation, the district's average property tax levy collection rate (taxes collected in the year levied) has been 100% on a consistent basis (some years have been less than 100% and others have been higher than 100% due to late payment).

Fire District Expenditures

East County Fire and Rescue's expenditures can be divided into two major categories operations and capital. Operations expenditures include the recurring cost of providing service inclusive of personal services and materials and services. Capital expenditures are investments in major equipment and infrastructure.

Personal Services

This category includes all expenditures related to our members serving the community. This category may be subdivided into Wages and Benefits.

- ***Wages:*** Wages include the salaries of our full-time employees, overtime paid to non-exempt, full-time employees, hourly wages paid to part-time employees, and stipends paid to our volunteer members.
- ***Benefits:*** Benefits include medical and dental insurance for our full-time employees, retirement benefits (Public Employee Retirement System (PERS) or Law Enforcement and Firefighters Retirement System (LEOFF), social security (this only applies to part-time firefighters and volunteers) and Medicare.

In 2022, personal services accounted for 76.29% of the district's annual maintenance and operations budget.

There are three primary factors that influence the district's personal services expense.

- Changes in numbers of staff
- Changes in composition of staff (full-time, part-time, volunteer)
- Changes in compensation and benefits cost

Changes in staffing and composition are influenced by demand for service, and available revenue to fund service level expansion. Revenue is generally the most significant limiting factor. Changes in compensation and benefits cost are influenced substantially by inflation and a range of other factors. The cost of health care insurance, worker's compensation, and retirement system expenses have been significant factors outside the district's direct control.

Materials & Services

This category includes all expenditures other than personal services or capital projects. This includes tools and equipment (costing less than $5,000), expendable supplies, and purchased services. In 2022, Materials and Services account for approximately 23.72% of the district's maintenance and operations budget.

Inflation is the primary factor impacting materials and services expenses. Many of these expenses are relatively fixed in relation to demand for service. However, service level demands have an impact on some materials and services expenses such as fuel and other expendable supplies.

Capital Projects

This category includes items with a purchase price greater than $5,000 and a useful life of greater than one year. Major capital items include (but are not limited to) real property, fire apparatus and other vehicles, communications system projects, and information technology infrastructure.

Capital projects expenses each year or other period are influenced by the timing of capital projects such as apparatus and equipment replacement and inflation. As the useful life of capital equipment can be substantial (often 10-25 years), inflation is a significant factor over time.

Historical Expenditures

Between 2017 and 2022, East County Fire and Rescue's total expenditures have increased at a rate of 6.88% per year (general fund inclusive of capital projects expenditures). Significant changes in expense from year to year largely reflect capital projects.

Historically, East County Fire and Rescue (ECFR) has used the general and reserve funds much like household checking and savings accounts. In this model, funds are transferred from the general fund to reserve funds in anticipation of future expenditures. When the expenditure was made, funds were transferred from the related reserve fund back into the general fund for payment of the expense. Unfortunately, this results in dramatic variation in general fund expenses from year to year and does not allocate capital expenses to the most appropriate fund. Payment of capital projects expenses from the capital fund provides increased transparency for maintenance and operations and capital expenditures. The district changed its fund structure (combining apparatus, equipment, and facilities reserve funds into the capital projects fund) and shifted to payment of capital expenses directly from the capital projects fund in 2023.

Debt

In accordance with the provisions of the *Revised Code of Washington (RCW) 52.16.061 General obligation bonds – Issuance – Limitations*, the district is limited to an amount equal to 0.375 percent of assessed valuation for non-voted debt and 1.25 percent of assessed valuation for voted debt. Any non-voted debt issued counts as part of the overall 1.25 percent limit.

There are two types of general obligation bonds: unlimited tax general obligation (UTGO) bonds and limited tax general obligation (LTGO) bonds. UTGO bonds must be approved by the district's voters and create a property tax levy to pay the debt service on the bond that is separate from the district's general levy. This property tax levy is not subject to or included in the fire district's statutory $1.50/$1,000 assessed value (AV) limitation on the general levy. Unlike a UTGO bond, a LTGO bond does not require voter approval, but may be initiated by the board of fire commissioners. However, an LTGO bond does not have a separate bond levy and debt service on this type of bond must be paid from the district's general levy.

Debt History

In 2003, Clark County Fire District 1 (CCFD 1) and Clark County Fire District 9 (CCFD 9) entered an interlocal agreement for contractual consolidation. This agreement established a joint fire department operated under the control of a joint board of fire commissioners, while retaining each district's statutory independence (CCFD 1 & CCFD 9, 2003).

In 2004, the CCFD 9 Board of Fire Commissioners issued $2,040,000 in LTGO bonds for multiple capital facility projects (CCFD 9, 2004):

- Construction of a 1000 square foot addition to Station 93
- Construction of an 864 square foot pole barn and live fire training area at Station 93
- Construction of a new Station 91.

Construction of the addition, pole barn and live fire training area at Station 93 was completed in 2005.

In 2006, CCFD 1 annexed into CCFD 9 (CCCFD 1 & CCFD 9, 2006), the financial accounts of both districts were combined (CCFD 9, 2006a) and the combined district was renamed East County Fire and Rescue (CCFD 9, 2006b)

In 2007, the year after annexation and renaming of the district, the ECFR Board of Fire Commissioners issued $770,000 in LTGO Bonds for the completion of Station 91.

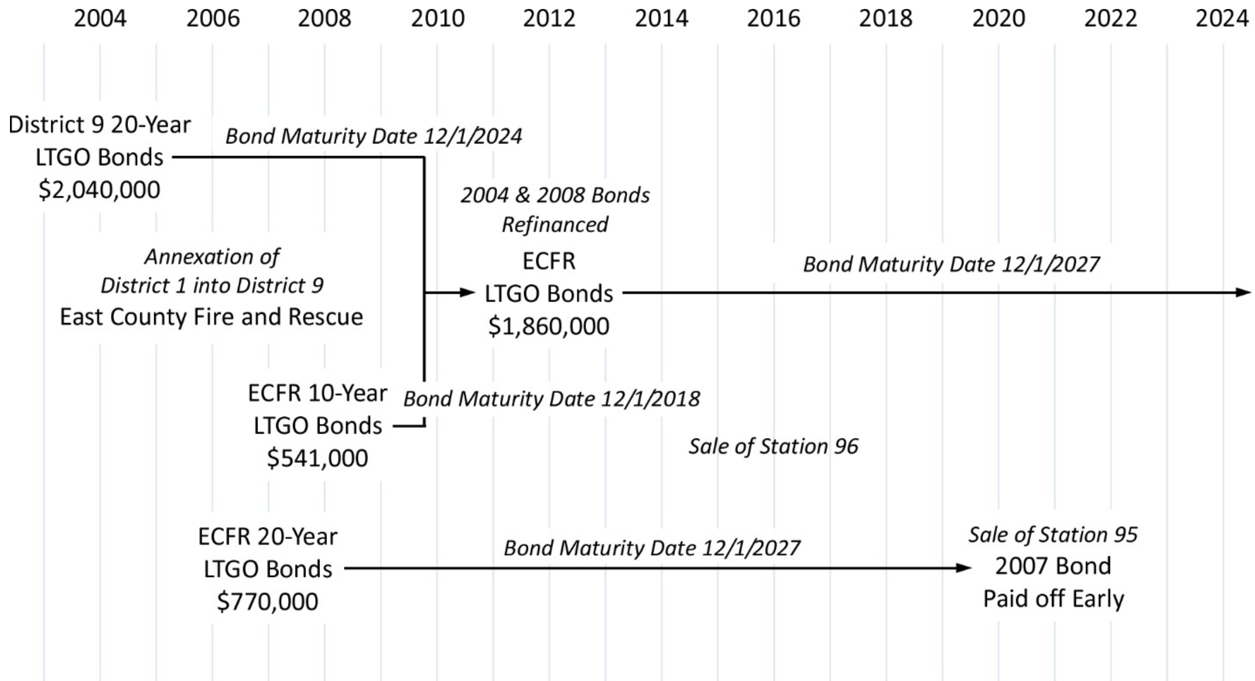
In 2008, the ECFR board of fire commissioners issued $541,000 in LTGO Bonds to fund Station 96 in Bear Prairie. The district purchased a single-family house and storage building on a five-acre parcel at 39801 NE 26th Street, Washougal for $525,000 (Clark County Assessor, 2023) with the intention of using the property as a fire station, constructing a pole barn to house fire apparatus for initial response in the Bear Prairie area. In October of 2009, a building permit was received from Clark County to construct a pole barn. However, the permit stated, "any traditional fire station uses are subject to additional review and approval by Clark County Development Services" (Clark County Development Services, 2009).

In 2012, the ECFR Board of Fire Commissioners refinanced the 2004 and 2008 LTGO bonds, issuing $1,860,000 in LTGO bonds and paying off the two higher interest bonds. The district continued to pay debt service on the 2007 bond until the proceeds from sale of Station 95 were used for early payoff of this bond. The district has continued to pay debt service on the 2012 bond which is scheduled to be paid off in 2027 (advantages of early payoff of the 2012 bond are discussed in the financial strategy section of the long-term financial plan).

Use of councilmanic, non-voted debt required the district to pay debt service from the general levy. This limited the burden on the taxpayers of the ECFR service area but has significantly constrained the revenue available for the district's maintenance and operations expenses.

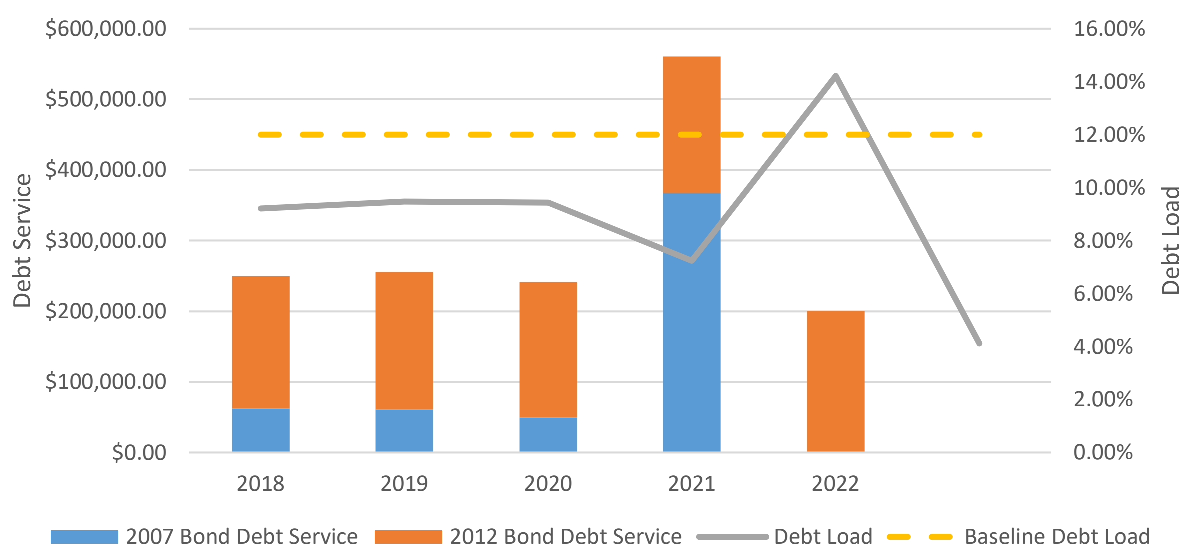
The district's debt history is illustrated in Figure 33.

Figure 33. Debt History



The Washington State Auditor's Office uses debt load (total debt service/total revenue) as a financial indicator. The SAO has established a benchmark level for debt load at 12%, with higher debt load as an indicator for concern. Figure 34 illustrates the district's historical debt service payments and debt load. The SAO Financial Intelligence Tool (FIT) (2023) indicates that East County Fire and Rescue's debt load from 2017 to 2020 and in 2022 was below the benchmark value of 12%, but the debt load was above the benchmark in 2021 due to increased debt service when the 2007 bond was paid off early.

Figure 34. Debt Service and Debt Load 2017-2022



Current Debt

As illustrated in Figure 35, the district's current debt is well below its statutory debt capacity and will be paid off by 2027.

Figure 35. Current and Projected Non-Voted Debt Capacity versus Debt

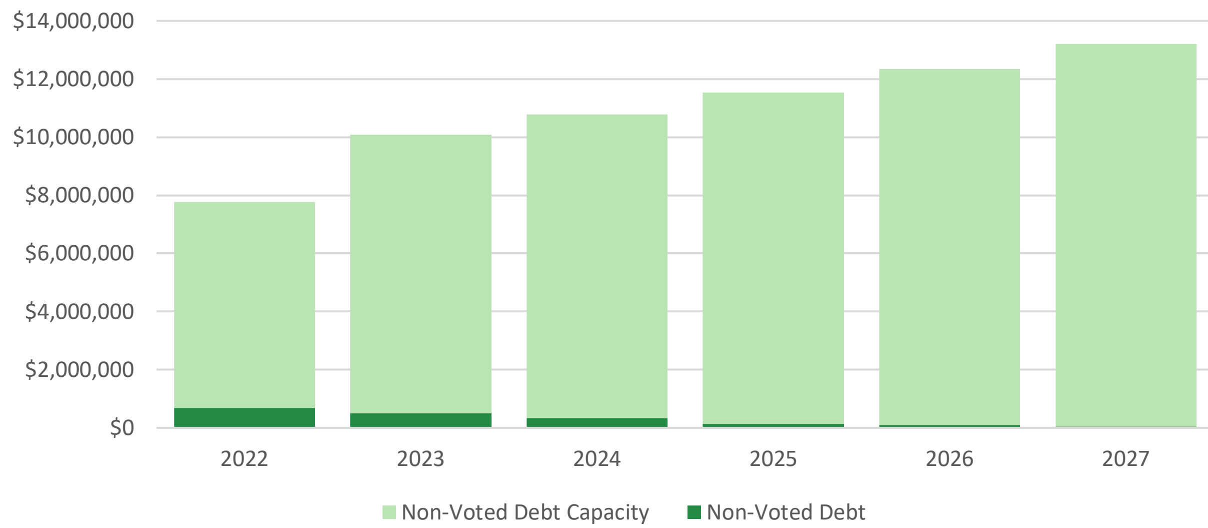


Table 5 illustrates the debt service schedule for the district's 2012 limited tax general obligation (LTGO) bond. This bond is scheduled to be paid off in 2027.

Table 5. LTGO Bond Debt Service Schedule

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
08/01/2012					
12/01/2012	$25,000.00	0.900%	$14,552.50	$39,552.50	$39,552.50
06/01/2013			$21,716.25	$21,716.25	
12/01/2013	$40,000.00	0.900%	$21,716.25	$61,716.25	$83,432.50
06/01/2014			$21,536.25	$21,536.25	
12/01/2014	45,000.00	0.900%	$21,536.25	$66,536.25	$88,072.50
06/01/2015			$21,333.75	$21,333.75	
12/01/2015	$145,000.00	0.900%	$21,333.75	$166,333.75	$187,667.50
06/01/2016			$20,681.25	$20,681.25	
12/01/2016	$145,000.00	1.250%	$20,681.25	165,681.25	$186,362.50
06/01/2017			$19,775.00	$19,775.00	
12/01/2017	$145,000.00	1.500%	$19,775.00	$164,775.00	$184,550.00
06/01/2018			$18,687.50	$18,687.50	
12/01/2018	$150,000.00	1.500%	$18,687.50	$168,687.50	$187,375.00
06/01/2019			$17,562.50	$17,562.50	
12/01/2019	$160,000.00	2.000%	$17,562.50	$177,562.50	$195,125.00
06/01/2020			$15,962.50	$15962.50	
12/01/2020	$160,000.00	2.000%	$15,962.50	$175,962.50	$191,925.00
06/01/2021			$14,362.50	$14,362.50	
12/01/2021	$165,000.00	2.000%	$14,362.50	$179,362.50	$193,725.00
06/01/2022			$12,712.50	$12,712.50	
12/01/2022	$175,000	3.500%	$12,712.50	$187,712.50	$200,425.00
06/01/2023			$9650.00	$9650.00	
12/01/2023	$180,000	3.500%	$9650.00	$189,650.00	$199,300.00
06/01/2024			$6,500.00	$6,500	
12/01/2024	$190,000	4.000%	$6,500.00	$196,500.00	$203,000.00
06/01/2025			$2,700.00	$2,700.00	
12/01/2025	$45,000	4.000%	$2,700.00	$47,700.00	$50,400.00
06/01/2026			$1,800.00	$1,800.00	
12/01/2026	$45,000	4.000%	$1,800.00	$46,800.00	$48,600.00
06/01/2027			$900.00	$900.00	
12/01/2027	$45,000	4.000%	$900.00	$45,900.00	$46,800.00

The district has no short-term plans to initiate either voted or non-voted debt. However, the district's financial policies identify prudent use of voter approved debt for capital projects with a useful life of over 20 years as a possible option for consideration by the board of fire commissioners.

Current Fiscal Position

Prior to development of this long-term financial plan, East County Fire and Rescue has achieved the following:

- The district's current, 2023 general levy rate is $1.09/$1,000. The levy rate has been reduced from its peak level of $1.50/$1,000 following the 2019 lid lift. This levy rate reduction resulted from increased property values and new construction.
- In 2023, the general fund beginning balance was approximately 69.27% of budgeted expenses, exceeding the minimum set aside of 38% (33% plus 5% Contingency) established by the Board of Fire Commissioners.
- The district has begun to gain ground in addressing deferred facilities and apparatus maintenance and has begun the process of right sizing its apparatus fleet.
- Adequate funding in the capital projects fund near-term capital projects such as replacement of Apparatus 1014 (Engine94).
- The district anticipates maintaining or improving its A+ Bond Rating with Standard and Poor's.

The district faces several fiscal pressures that will impact on its ongoing financial position.

- Constitutional and statutory limitations on revenue continue to provide a challenge to maintaining service levels in the face of rising expenses and increased demand for service.
- Increases in the state minimum wage and wages of comparable fire and rescue agencies have and will continue to impact personal services expenses directly and indirectly.
- The district does not have sufficient revenue to increase staffing to a level that will allow reliable service on both the east and west sides of the district, even with minimal two-person staffing at each station.
- The district does not have enough revenue to fund identified mid- to long-term capital projects such as ongoing apparatus replacement or capital facilities projects.
- The district has a potential liability for compensated absences for full-time employees that exceeds current funding in the leave accrual fund. However, it is anticipated that the leave accrual fund can be brought to full funding based on anticipated staff longevity and anticipated retirement dates.

This long-term financial plan identifies strategies to address maintaining a solid fiscal position and to address these challenges.

Financial Planning Assumptions

The district's annual comprehensive budget (short term perspective), capital projects plan (mid- to long-term perspective), and long-term financial plan (long-term perspective) must out of necessity be based on assumptions about the future. Transparency in fiscal decision-making and policy requires that these assumptions be clearly stated and shared to ensure a common understanding. The district's long-term financial plan covers a span of ten years. Some of the planning assumptions extend for the full duration of the plan while others consider a shorter timeframe. To provide a common framework, assumptions may be categorized as short-term, mid-term, or long-term as illustrated in Table 6.

Table 6. Financial Assumption Timeframes

Category	Time Frame
Short-Term	1 to 1 ½ Years
Mid-Term	1 ½ to 5 Years
Long-Term	5 to 10 Years

General Economic Assumptions

There are several assumptions about the economy of the United States, Washington State, the Portland-Vancouver-Hillsboro (OR-WA) Metropolitan Statistical Area (MSA), Clark County, and the local community that must be considered in both the short- and long-term.

> ***Assumption G1:*** Inflation will slow over the next several years because of the Federal Reserve's increases in interest rates, returning to the Federal Reserve's long-run goal of 2% annual inflation.
>
> ***Assumption G2:*** National economic output will stagnate, and unemployment will rise. However, the state and regional economy will continue to outperform the nation.
>
> ***Assumption G3:*** Increases in real estate values and home sales have slowed due to rising interest rates. As interest rates drop, home sales will increase. Assessed valuation in Clark County will continue to increase at a modest rate due to new construction and growth in property values over the next several years.

Revenue Assumptions

ECFR's long-term financial plan is based on three constitutional and statutory limitations and seven assumptions regarding revenue.

The Washington State Constitution and related laws strictly limit the amount of property tax that local taxing districts can levy. While tax limitations are complex, there are three particularly important limitations for fire districts. These limitations are accepted as given within the context of the financial planning process:

> ***Constitutional Limitation:*** Initiative 747, passed by the state's voters in 2001 which changed the state constitution to limit annual increases in property taxes levied to 1%,

plus revenue from new construction added to the tax rolls in the previous year (Washington State Constitution Amendment 95 Article 7 Section 2).

Washington House Bill (HB) 1764 considered in the 2017 legislative session proposed replacement of the 1% property tax limitation with a limitation tied to cost drivers such as inflation and increases in population and a cap of 5%. This bill did not pass but indicates that there is awareness in the legislature of the negative impacts of the 1% limitation on the ability of local governments to meet the service delivery requirements of their respective communities.

Statutory Limitation-Fire Districts: The Revised Code of Washington (RCW) limits fire districts to a maximum regular property tax rate of $1.50/$1,000 of assessed value (AV) (RCW 52.16.130, 140, 160).

Statutory Limitation Emergency Medical Services (EMS): The RCW allows an EMS levy to a maximum regular property tax rate of $0.50/$1,000 of AV (RCW 84.062.59).

The rationale behind the tax structure as set up in the state constitution and related laws is that the amount that it costs to deliver essential government services such as fire protection, rescue, and emergency medical care is not based on the value of your property. Cost should be based on the level of service desired by the community, with the cost shared based on property value.

While it is necessary to present a lid lift to the voters when additional funds are needed to maintain the district's service level, success of such measures is dependent on public trust, desire to maintain current service level, and economic conditions.

Assumption R1: With a general levy rate below the statutory maximum of $1.50/$1,000 AV for the general levy, growth in the district's revenue will be slow, but stable over the duration of this plan.

Assumption R2: The district will renegotiate its interlocal agreement with Camas Washougal Fire Department for advanced life support ambulance service and will renew its EMS levy in 2026 for less than the statutory maximum of $0.50/$1,000 AV. With a levy rate below the statutory maximum, growth in the district's revenue will be slow, but stable over the duration of this plan.

Assumption R3: The district's Assessed Valuation (AV) will increase approximately 7% year over the next two years, reducing the district's levy rate while maintaining a maximum 1% increase in the district's maximum tax levy.

Assumption R4: In the long term, average annual increase in AV will be close to the five-year average (2017-2022) level of 7.25% (an average annual increase of 7% is used in this plan).

Assumption R5: The annual increase in AV due to new construction added to the tax rolls will be between $15,000,000 and $25,000,000 based on the range of increases between 2019 and 2020 with a median increase of $19,070,477 during this period.

Assumption R6: In the long term, the district will collect 100% of property taxes levied (based on historical data for tax collection within the district).

Assumption R7: Property tax revenue will be insufficient to maintain service delivery levels and meet the capital infrastructure needs of the district in the near to mid-term, necessitating a lid lift to maintain or improve service delivery levels.

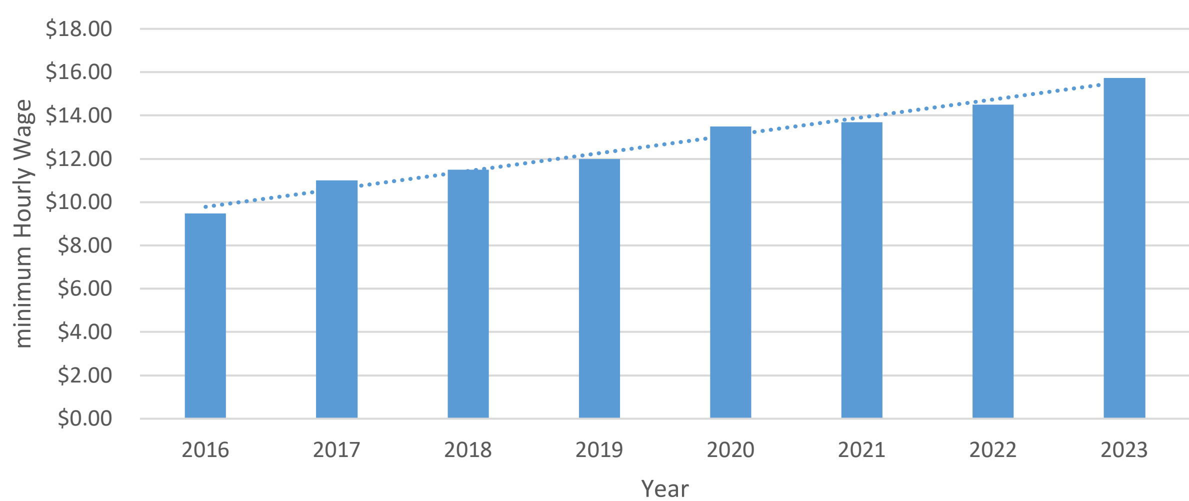
Expenditure Assumptions

Expenditure assumptions are influenced by inflation in the long term. As discussed in examination of the national and regional economic outlook, there are multiple measures of inflation, but all follow the same general trend, with cost increasing over time.

ECFR’s long-term financial plan is based on one statutory impact and three assumptions regarding expenditures.

Minimum Wage Statute: Initiative 1433 passed by Washington state voters in 2016 and Revised Code of Washington (RCW) 49.46.020 resulted in a 42.55% increase in the minimum wage over four years (2017-2020). Beyond 2020, the minimum wage is adjusted based on the CPI-W. Since 2016, the minimum wage has increased an average of 6.68% annually as illustrated in Figure 36

Figure 36. Minimum Hourly Wage Increases from 2016-2023



Note: Adapted from Washington Department of Labor & Industries. (2023). History of Washington State's minimum wage. https://lni.wa.gov/workers-rights/wages/minimum-wage/history-of-washington-states-minimum-wage.

This statutory impact on the minimum wage has a direct impact on the district’s part-time staff and indirect impact on all personal services expenses due to upward pressure on wages across the board.

Minimum wage increases also have the potential to impact other expenses for locally sourced goods and services.

> ***Assumption E1:*** The CPI-U and CPI-W are likely to increase higher than 3.0% in the short term and between 2.0% and 2.5% per year in the mid to long term. This has a direct impact on wages for members represented by the International Association of Firefighters (IAFF) and Office & Professional Employees International Union (OPEIU).

> ***Assumption E2:*** The cost of equipment and services not included in the CPI-U or CPI-W are also likely to increase between 2.0% and 3.0% per year in the mid- to long-term.

> ***Assumption E3:*** The State's minimum wage is directly tied to increases in the CPI-W (RCW 49.46.020). While district staff are all paid above minimum wage, increases will continue upward pressure on wages across all classifications.

The district uses the national Consumer Price Index-All Urban Consumers (CPI-U) as recommended by the Bureau of Labor Statistics (MRSC, 2018 & BLS, 2019) as a basis for anticipating increases in personal service.

The board of fire commissioners has not provided policy direction on the district's desired position in the labor market and the district and its collective bargaining units have not previously established commonality regarding comparable agencies. Clarification of these two issues will facilitate total compensation studies to inform collective bargaining and establishment of wage and salary schedules for non-represented employees.

Debt Assumptions

Debt has been broadly interpreted to mean all borrowed money payable from taxes. This includes all general obligation debt, but not obligations payable from nontax revenue sources, such as revenue bonds. Also, obligations that can be discharged from funds currently available, such as warrants and accounts payable, are not considered debt for purposes of these statutes. The amount of debt that may be issued by governmental entities in Washington is limited by Article VIII Section 6 of the State Constitution and by individual statutes pertaining to the specific type of governmental entity.

There are several debt limitations based on the provisions of the Washington State Constitution and Revised Code of Washington (RCW). These limitations are accepted as given within the context of the financial planning process:

> ***Statutory Debt Limitations:*** In accordance with the provisions of the Revised Code of Washington (RCW) 52.16.061 General obligation bonds – Issuance – Limitations, the district is limited to an amount equal to 0.375 percent of assessed valuation for non-voted debt and 1.25 percent of assessed valuation for voted debt. Any non-voted debt issued counts as part of the overall 1.25 percent limit.

Debt capacity is determined based on the following factors:

- Total assessed taxable property value.
- Total amount of general obligation debt (inclusive of voted and non-voted debt).
- Amount of assets available to pay the debt.

Assets available to pay debt include all applicable cash and cash equivalents available for the payment of general obligations. This includes cash in debt service funds reserved for the payment of general obligation debt. Generally, cash outside of debt service funds is used to meet current obligations. The following types of funds are not available to pay debt service:

- Cash or investments that are restricted for other than debt payment purposes.
- Cash or investments that will be used to make interest payments during the initial months of the subsequent fiscal year prior to property tax collections.
- Uncollected taxes from prior years except taxes specifically levied for debt redemption.

Non-voted debt is issued without a vote of the taxpayers. The debt service on non-voted debt is paid out of general government revenues. Voted debt is authorized by the taxpayers at an election. The debt service on voted debt is paid from excess property tax levies under RCW 84.52.056. Table 7 provides an overview of the differences between a non-voted limited tax general obligation bond (LTGO) and a voted unlimited tax general obligation Bond (UTGO).

Table 7. Bond Feature Comparison

Item	Limited Tax General Obligation Bond (LTGO) Non-Voted Debt	Unlimited Tax General Obligation Bond (UTGO) Voted Debt
Repayment Pledge	Limited pledge of the district to pay debt service on the bond	Unlimited pledge of the voters to pay debt service on the bond
Rating	Frequently two-steps away from the county bond rating	Frequently one-step away from the county bond rating
Call Provision	10-year par call	10-year par call
Tax Exemption	Interest is exempt from federal taxes	Interest is exempt from federal taxes
Bank Qualification	Improved rates for issuers of under $10 million per year	Improved rates for issuers of under $10 million per year
Buyer Profile	Moderate risk Looking for higher yields	Risk adverse Accepting lower yields
Appropriation Risk	Yes	None

The bond rating is a grade given to bonds that indicates their credit quality. Private independent rating services such as Standard & Poor's, Moody's and Fitch provide these evaluations of a bond issuer's financial strength, or the ability to pay a bond's principal and interest in a timely fashion. Bond ratings are expressed as letters ranging from AAA, which is the highest grade, to C (junk), which is the lowest grade. Different rating services use the same letter grades but use various combinations of upper- and lower-case letters to differentiate themselves.

A call provision is a clause in a bond's indenture granting the issuer (in this case ECFR) the right to call, or buy back, all or part of an issue prior to the maturity date of the bond.

Bank qualification is a designation given to a municipal bond by the issuer if it reasonably expects to issue in the calendar year of such offering no more than $10 million of bonds of the type required to be included in making such calculation under the Internal Revenue Code. When purchased by a commercial bank for its portfolio, the bank may deduct a portion of the interest cost of carry for the position. A bond that is bank qualified is also known as a qualified tax-exempt obligation.

Appropriation risk refers to the risk to the district. With an LTGO bond, the district is obligated to pay the debt service from current revenue (e.g., regular levy). In this case debt service must be paid prior to any other debt. On the other hand, with a UTGO, the voters have pledged to pay the debt service through a bond levy which is separate from the general levy and the bond levy rate excluded from the $1.50/%1,000 assessed valuation cap on the general levy. As a voter approved bond has its own levy, the risk to maintaining current levels of service in the event of a financial downturn is minimal.

ECFR's long term financial plan reflects the following given and four assumptions regarding debt:

> ***Current Debt:*** In 2012, the district issued $1,860,000 in limited tax general obligation (LTGO) bonds and current debt is $505,000 ($325,000 at the start of 2024).

Assumptions related to debt reflect the district's capital projects plan and financial policies.

> ***Assumption D1:*** The district anticipates paying off its limited tax general obligation (LTGO) debt by 2027 and is considering early payment to reduce interest expense.

> ***Assumption D2:*** The district does not anticipate addition of any limited tax general obligation (LTGO) debt within the duration of this plan.

> ***Assumption D3:*** The district may consider unlimited tax general obligation (UTGO) debt within the duration of this plan if needed to address capital facilities and major apparatus needs.

> ***Assumption D4:*** The district anticipates maintaining or improving its A+ bond rating.

Financial Balance Analysis

Measuring and evaluating the fiscal condition of a municipal corporation such as a fire district is complex and whatever framework is used, evaluation requires knowledge of the jurisdiction and experienced judgment. Measurement and evaluation of fiscal condition is an ongoing process that must consider both internal factors and the influence of the external environment.

Assessment of fiscal conditions generally attempts to answer the ability of a governmental entity to do one or more of the following (Ramsey, 2013):

- Pay current bills.
- Balance the annual budget.
- Satisfy long-term financial obligations.
- Meet current service level requirements.
- Meet future service level requirements.

Revenue

East County Fire and Rescue's largest revenue stream is from property taxes (general levy and EMS levy). New construction assessed valuation adds additional revenue. Increased assessed valuation of existing property does not add revenue but lowers the district's property tax levy rates.

The district has several other revenue streams, but they are quite variable (e.g., timber sales and excise tax revenue) and provide a small percentage of the district's total revenue. As such, revenue other than taxes above a low estimated baseline is much like "one-time revenue".

Expenses Versus Revenue

As previously outlined, constitutional and statutory limitations on tax revenue and historical inflation make it difficult for revenue to keep pace with the expense of maintaining a consistent level of service. The district presented the voters with a multi-year, permanent lid lift to maintain services in 2018. This ballot measure failed, likely due to complex ballot language. The district presented a single year, permanent lid lift to the voters in 2019. This measure passed with 59.48% to 40.52%. In 2020, the voters passed a ballot measure to renew the district's EMS levy 70.93% to 29.07%.

General fund revenue and unencumbered fund balances are adequate to maintain current service levels for several years, at which point it will be necessary to either increase revenue to maintain service delivery levels or reduce service levels to provide a level of expenditure that matches the available revenue. In addition, the district will need to renew its EMS levy in 2026.

In addition to the expense of maintaining day-to-day operations, the district has a substantial need to replace an aging apparatus fleet and facilities requirements. While the district has made progress in developing reserve funds to address capital needs, requirements far outstrip currently available funds.

Balanced Budget

East County Fire and Rescue defines a balanced budget as appropriations limited to the total of estimated revenues and the unencumbered fund balances estimated to be available at the close of the current fiscal year. At the fund level, a balanced budget is defined as funds total resources comprised of beginning fund balance, revenues, and other funds are equal to the total of expenditures, other fund use, and the funds ending balance.

The financial policies section of this plan clearly states that the district will maintain a balanced budget, defined as funds total resources comprised of beginning fund balance, revenues, and other funds are equal to the total of expenditures, other fund use, and the funds ending balance.

Currently under development, *Standard Operating Guideline SOG 1.3.1 Budget* will also define the process by which budgets are maintained after adoption of the annual maintenance and operations and capital budgets. Line-item expenditures that exceed the adopted amount may be approved by the fire chief provided that the budget remains balanced at the function (administration, operations, fire prevention and public education, training, facilities, and repair and maintenance) and fund levels. If line-item expenditures would result in a deficit (within the line) greater than $2000, the board of fire commissioners must be notified at their next regular meeting and funding of the line increased through the budget adjustment process.

Budget adjustments are generally performed (if needed) in April and October. However, under exigent circumstances, the fire chief may request that the board of fire commissioners adjust the budget at any time.

Minimum Beginning Fund Balances

Emergencies or unanticipated situations may happen at any time. Governments that maintain adequate reserves are better positioned to deal with funding issues when these challenges occur. Therefore, in good economic times it is prudent for governments to use a portion of budget surpluses to help create, sustain, or increase the size of general fund reserves. Putting money into reserves is a more fiscally prudent action than spending surplus funds on new or expanded programs.

As recommended by the National Advisory Council on State and Local Budgeting (NACSLB, 1998), East County Fire and Rescue (ECFR) has established a written fund balance policy. This policy was adopted by the board of fire commissioners by Resolution #319-05162023 – establishment of minimum set aside for general fund beginning balance and contingency (ECFR 2023).

General Fund

The Government Finance Officers Association (GFOA) best practice on unreserved general fund balances recommends that governments maintain an unrestricted general fund balance of no less than 2 months of regular general fund operating revenues or regular general fund operating expenditures. This amounts to 16.7% of either general fund operating revenues or regular general fund operating expenditures (GFOA, 2020c).

As established by Board policy, the district maintains a minimum beginning general fund balance of 33% of anticipated annual expenditures to provide adequate funds to meet current expenses in advance of receipt of tax revenue in April (ECFR Board of Fire Commissioners, 2023a).

As established by board policy, the district also maintains a general fund Contingency in the amount of 5% of anticipated annual expenditures for use in the event of unbudgeted or unanticipated expense. Contingency may only be used if authorized by the board of fire commissioners (ECFR Board of Fire Commissioners, 2023a).

Other Funds

The district's other funds do not have specified minimum beginning balances but must have a sufficient beginning balance to meet fund cash flow requirements.

Reserves

Reserve funds are mechanisms for accumulating cash for future capital outlays and other allowable purposes. The practice of planning ahead and systematically saving for capital acquisitions and other contingencies is considered prudent fiscal management. The district maintains two reserve funds, the capital projects fund, and leave accrual fund.

Capital Projects Fund

Capital expenditures are for items having a cost greater than $5,000 and a service life of greater than one year (e.g., major equipment, fire apparatus, and fire stations). In addition, items with a unit price less than $5,000, but purchased in large enough quantity to reach the $5,000 threshold have been combined into capital projects. Examples of this type of project include the purchase of automatic external defibrillators (AEDs).

Prior to 2023, East County Fire and Rescue (ECFR) maintained three dedicated reserve funds: 1) apparatus replacement fund, 2) equipment fund, and 3) capital facility fund. As previously noted, these reserve funds were used as "savings accounts". If available, funds were transferred from the general fund into one or another of the reserve funds late in the fiscal (calendar) year. Funds were transferred back into the general fund for expenditure. Funding for specific projects was allocated to the appropriate line item in the general fund budget, making it difficult to differentiate capital projects from maintenance and operations expenses.

Prior to 2023, the district did not have a capital projects plan that identified an apparatus and equipment replacement schedule and projected capital facility needs. As there was no capital projects plan, it was not possible to determine if there were sufficient funds available for future capital projects. The board of fire commissioners and staff worked to increase the beginning balance in each of these reserve funds, achieving a combined beginning balance of $1,073,377 in these three reserve funds.

Development of a preliminary capital projects plan and analysis of the combined total of these three reserve funds and capital apparatus and equipment determined that there were insufficient funds for apparatus and equipment replacement as well as capital facilities maintenance projects. Examination of the district's fire apparatus requirements identified that the fleet could be reduced by one fire engine

(Engine 92) and one water tender (Water Tender 93). Even with these apparatus replacement capital projects removed from the plan, the required current (combined) beginning balance of $1,073,377 is far short of the $3,640,024 that would be required had the district been maintaining transfer from the general fund to the capital funds to meet the board of fire commissioners stated goal of addressing capital needs on a “pay as you go” basis.

In 2023, the district identified the need to combine these three funds into a single capital projects fund, with specific projects identified and programmed based on the useful life of the respective assets and anticipated needs of the district. Beginning in 2024, the district will fund the expense of capital projects directly from the capital projects fund (rather than transferring the funds to the general fund for expenditure). This will improve transparency related to capital projects and maintenance and operations expenses.

Following adoption of the district’s long term financial plan, East County Fire and Rescue will complete *Integrated Comprehensive Plan Volume 6-Capital Projects Plan* detailing the projected capital projects.

Leave Accrual Fund

This fund is used to account for assets held by the district for payment to employees for unused vacation on separation from the district.

As noted in the financial policies section of this plan, the district’s policies related to compensated absences are as follows:

- ECFR will maintain sufficient balance in the leave accrual fund to meet anticipated payout requirements for unused compensated leave balance. The annual contribution rate to this fund shall be based on current salary, anticipated unused leave balances, and potential retirement date based on employee age, years of service, or announced retirement date.
- For employees hired after January 1, 2024, the district will fund compensated absence liability over the duration of the employee’s career with payout anticipated on retirement eligibility based on age and years of service.

If a position remains vacant for some period of time, the expense resulting from payment for unused PTO or vacation may be offset to some extent by a reduction in wages, health care and retirement expense until the position was filled. However, for firefighters and officers on shift work, vacancy results in increased overtime expense to maintain staffing levels. In addition, the district’s current succession plan (ECFR, Under Development) anticipated hiring replacements for key employees in advance of planned retirements to ensure a smooth and effective transition of duties, thus eliminating any savings due to vacancy and adding the cost of overlapping staffing during the transition period.

It is extremely unlikely that all full-tme staff would all leave district employment in the same year, thus it was not necessary to immediately address this liability in its entirety. In addition, it is possible, but unlikely that employees would use no paid leave in the the year prior to retirement. Examining patterns of leave use, the district has determined that on average, employees with over 15 years service maintain 70% of their of maximum vacation accrual values.

The gap between the current balance in this fund and anticipated requriements will be addressed incrementally between the current year and anticipated employee retirement dates. Kavanaugh (2018), identifies, incrementally addressing unfunded liabilities as a sound and achievable approach to progressing towards fiscal sustainably. As a majority of the district's workforce is relatively far from retirement, this approach will allow the district to address this issue and limit impact on service delivery levels. In funding this potential liability, the district has adopted an incremental for employees hired prior to 2024 and pay as you go approach for employees hired after this date. Annual funding per employee is determined based the following:

- Members in the law enforcement officers and firefighters (LEOFF) retirement system will have 70% of their maximum annual leave accrual at retirement.
- Except for individuals who have stated an anticipated retirement date, members who are in the LEOFF retirement system will retire at age 52 or 20 years of service, whichever comes last.
- Except for individuals who are in the public employee retirement system (PERS) are anticipated to retire at age 65 or 30 years of service, whichever comes last unless they have specified an anticipated retirement date.
- Liability is calculated at current salary and wage rates and is adjusted anytime that the district's salary and wage schedule, leave accrual, or long-term sick leave/sick leave buyback changes.

In 2024, the beginning balance of the leave accrual fund will be $46,326, funding 69.31% of anticipated liability at time of retirement for each employee and 67.23% of current liability and cash flow in this fund is anticipated to meet the short to mid term leave accrual liabilities of the district.

Unlike the capital projects fund, leave accrual expenses are addressed by transferring the required funds to the general fund. This is necessitated due to the payroll processes used for payout of unused leave.

Debt

At the close of the 2023 fiscal (calendar) year, the district will have $325,000 in debt related to the 2012 limited tax general obligation (LTGO) bond. Early payment on this debt will require an interfund loan from the capital projects fund which can be repaid over the next several years. This early payment will result in $23,800 savings in interest expenses. Once the 2012 LTGO bond has been paid off, the district will be debt free.

Analysis of the capital projects plan and general fund cash flow points to the potential need for the district to use debt to finance future capital facilities and possibly some apparatus replacement expenses. In this case, the district should avoid the use of LTGO debt as the debt service on this type of debt must be paid using general levy revenue and has an adverse impact on funds available for maintenance and operations expense. The district's debt financial policies specify:

- Consider community needs; the district's current and projected long-term fiscal position and overall cost to the district's taxpayers in determining if debt should be issued by the district.

- East County Fire and Rescue (ECFR) may consider issuance of debt consistent with the provisions of the R*evised Code of Washington (RCW) 52.16.080* for major capital projects.

Debt Capacity

In accordance with the provisions of the Revised Code of Washington (RCW) 52.16.061 General obligation bonds – Issuance – Limitations, the district is limited to an amount equal to 0.375 percent of assessed valuation (AV) for non-voted debt and 1.25 percent of AV for voted debt. Any non-voted debt issued counts as part of the overall 1.25 percent limit. If the district pays off the 2012 bond in 2023 (rather than continuing payment of debt service until bond maturity in 2027), the district will have 100% of its non-voted and voted debt capacity available should issuance of debt be necessary.

Debt Service Fund

The debt service fund was established to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. For limited tax general obligation debt, funds are transferred from the general fund to the debt service fund for payment of debt service. Should the district issue unlimited tax general obligation (UTGO) debt, funding for debt service is generated by a bond levy (separate from the district's general and EMS levies).

Discussion

Consistent with the board of fire commissioner's conservative fiscal philosophy, adopted policies and standard operating guidelines, the district maintains a balanced budget with revenues exceeding expenditures. In addition, the district maintains a general fund ending balance of 38% of budgeted expenditures in the subsequent year to provide:

- Adequate beginning balance in the general fund to meet current expense in advance of receipt of tax revenue in April (estimated as 33% of the maintenance and operations budget)
- Contingency comprised of 5% of the maintenance and operations budget for use in the event of unbudgeted or unanticipated expenses, if authorized by the Board of Fire Commissioners.

While the current position of the district is fiscally sound, constitutional, and statutory limits on revenue increase in combination with the increasing expense of maintaining current service delivery levels presents the district with a challenge; increase revenue or decrease the level of service to the community. To this point, the district's board of fire commissioners and voters have indicated a preference to maintain or improve the level of service provided to our community. As will be discussed in the subsequent financial strategy section of the long-term financial plan, this will necessitate presenting the district's voters with a lid lift ballot measure to increase the tax levy.

Financial Strategy

Scenario planning is a powerful tool in establishment of strategic direction and priorities. Scenarios provide perspective on potential events and their consequences, providing a decision-making context for policy makers and managers. Scenarios focus on the interrelated effect of multiple factors and provide alternative views of the future. With consideration of a range of possible futures, decisions are better informed, and a strategy based on this deeper insight is more likely to succeed.

Potential financial strategies in the district's long-term financial plan are based on examination of two basic scenarios. First, a baseline scenario examines fiscal conditions without any action to increase general levy revenue to address capital projects and/or maintain current service delivery levels. The second scenario examines the use of a lid lift to maintain current service delivery levels and address capital projects requirements.

It is essential to remember that these scenarios are not predictions! Key variables such as changes in assessed valuation (AV), inflation rate, and service level demand are defined based on consideration of historical data along with likely variation (but actual changes may be somewhat different than defined in the scenarios).

Lid Lifts

As previously discussed, in 2001 Initiative 747 established a 101% levy limit restricting the amount that any taxing jurisdiction can increase its regular property tax levy (the total amount of revenue collected) from current assessed valuation (excluding new construction) without voter approval. The 101% limit significantly restricts revenue growth for jurisdictions that are heavily dependent on property taxes (such as fire protection districts).

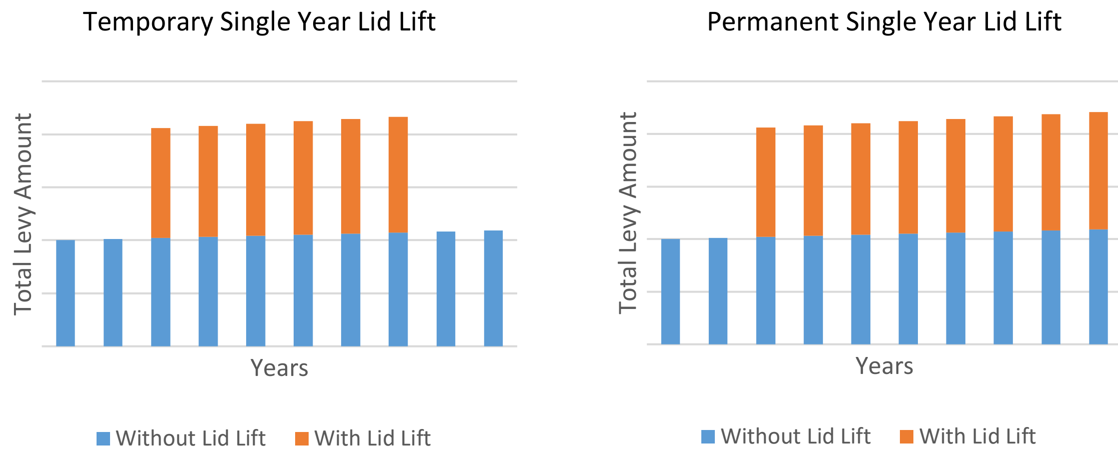
A taxing jurisdiction that is collecting less than its maximum statutory levy rate ($1.50/$1,000 for a fire protection district) may ask a simple majority of voters to "lift" the total levy amount collected from current assessed valuation by more than 1% (RCW 84.55.050 &WAC 458-19-045).

There are two types of levy lid lifts: single-year lifts and multi-year lifts. With a single-year lid lift, you can exceed the 1% annual limit for one year only, and then future increases are limited to 1%. With a multi-year lid lift, you can exceed the 1% annual limit for up to 6 consecutive years.

Single-year lid lifts may be used for any lawful governmental purpose, including general government operations. Single-year levy lid lifts can be temporary or permanent. A temporary single year lid lift increases the lawful levy in the first year and then increases are limited to 1% for a specified number of years, when the levy returns to what it would have been without the lid lift. A permanent single year lid lift increases the lawful levy in the first year but does not have a specified expiration date.

Figure 37 illustrates the impact of a temporary single year lid lift with a duration of six years and a permanent single year lid lift. These charts reflect a 1% increase in the lawful levy in all years except for the single year in which the lid was lifted.

Figure 37. Temporary and Permanent Single Year Lid Lifts



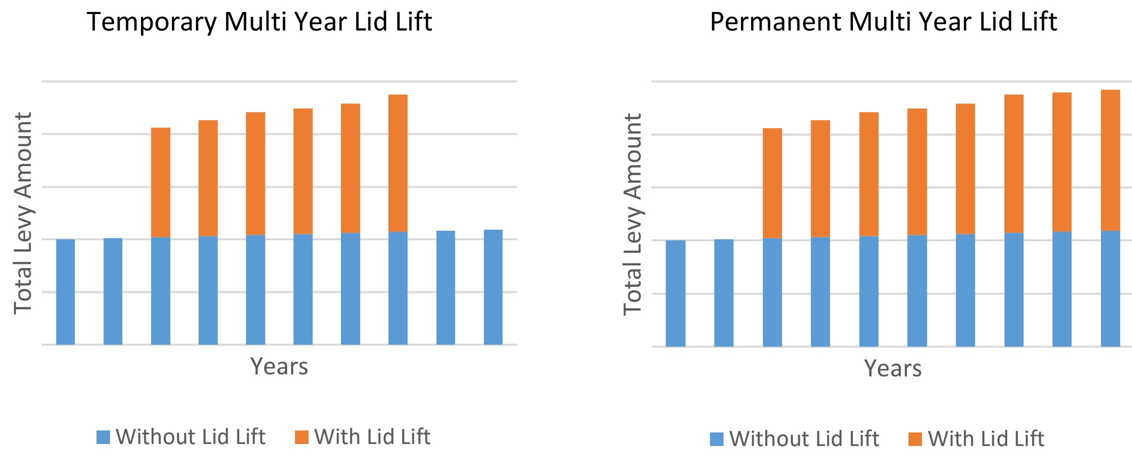
Note: Adapted from MRSC (2023). Levy Lid Lifts

In 2003, the state legislature added a multi-year levy lid lift option. A multi-year levy lid lift authorizes a jurisdiction to exceed the 1% limitation each year for up to six consecutive years. A multi-year levy lid lift may be used for any purpose, but the ballot must state the purposes for which the increased levy will be used.

The lift must state the total tax rate for the first year and for all subsequent years, the measure must identify a maximum "limit factor" which the total levy amount may not exceed (stated as an annual percent increase or a specific inflation index). The limit factor does not have to be the same for each year. The increase may also be the annual inflation increase as measured by an index such as the Consumer Price Index (CPI). If using an inflation index such as the Consumer Price Index, it is crucial to correctly identify the one you want to use in your ballot measure, since these will vary every year and are beyond the district's control. Regardless of the limit factor used, the district's levy rate cannot exceed its statutory maximum of $1.50/$1,000 assessed valuation.

Figure 38 illustrates temporary and permanent multi-year lid lift tied to an index such as the CPI which varies between 6% and 2% over the course of the six years of the lid lift. With the permanent lid lift the 1% increase applies to the lawful levy on the last year of the lid lift.

Figure 38. Temporary and Permanent Multi-Year Lid Lifts



Selecting a lid lift strategy depends on multiple factors. The Municipal Research and Services Center (MRSC) identifies:

- Additional revenue needed.
- The purpose and duration of the needed revenue increase.
- How quickly costs, and property values, are increasing.
- The desired election date (special, primary, or general).
- How the voters may respond to the different alternatives (MRSC, 2023a).

For example, East County Fire and Rescue placed a multi-year lid lift on the ballot in 2018 which failed to pass (Rejected 53.38%/Approved 46.62%). The district then placed a single year permanent lid lift on the ballot in 2019 which passed (Approved 59.48%/Rejected 40.52%). It is unknown why the multi-year lid lift failed, but the ballot language was complex and there may have been uneven support for the measure among key stakeholders.

Another consideration is when the district will need to renew its EMS levy as it would be difficult to pass tax levies concurrently.

Analysis of Fiscal Position

The board of fire commissioners and district staff must consider multiple dimensions in analysis of ECFR's fiscal position presented in each scenario. These include:

- A positive general fund cash flow indicates the district's ability to maintain a balanced budget.
- Multi-year trends in beginning fund balance (increasing or decreasing) for each fund.
- Adequacy of the general fund beginning balance of at least 38% of budgeted maintenance and operations expenses (Inclusive of a contingency reserve of 5%).

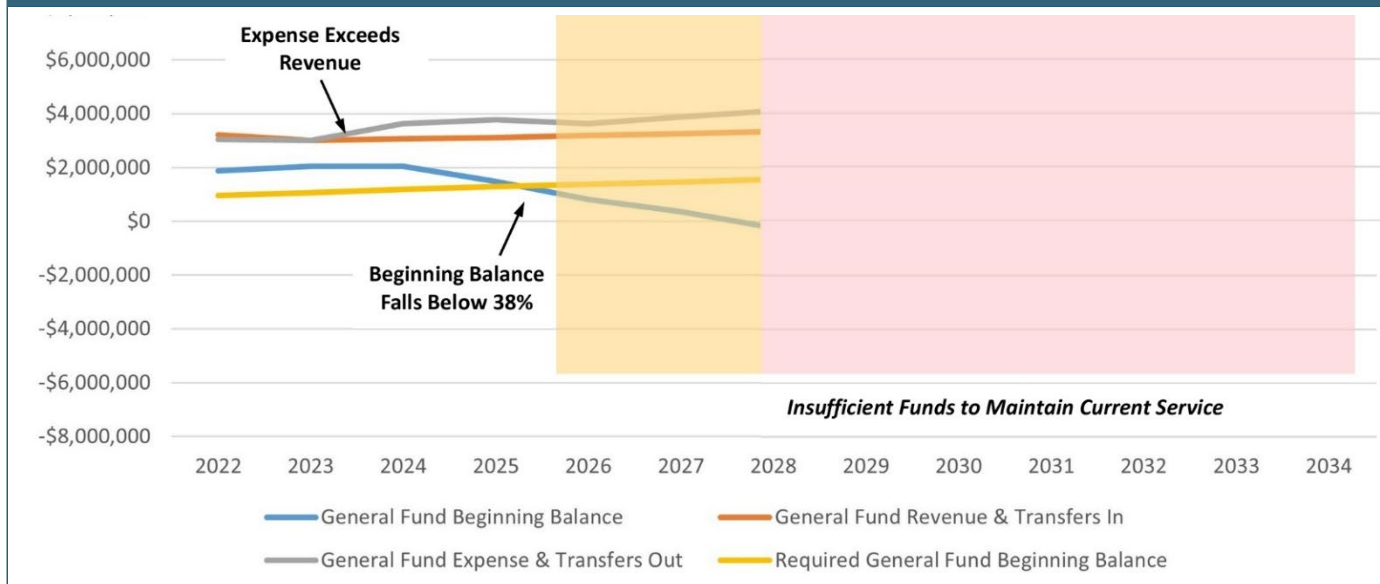
- Ability to maintain adequate funding and cash flow in the capital projects fund to meet capital apparatus and equipment needs and to meet programmed capital facility needs.
- Ability to maintain adequate funding and cash flow in the leave accrual fund to meet anticipated and potential leave payout liabilities upon separation of members from employment.

Overview of Scenarios

Table 8 provides an overview of the two scenarios examined in this long-term financial plan: baseline and lid lift. Graphs in this table provide a conceptual picture of the scenarios and outcomes. Detailed financial analysis is provided in tabular format later in this section.

Table 8. Fiscal Scenario Overview

Baseline Scenario



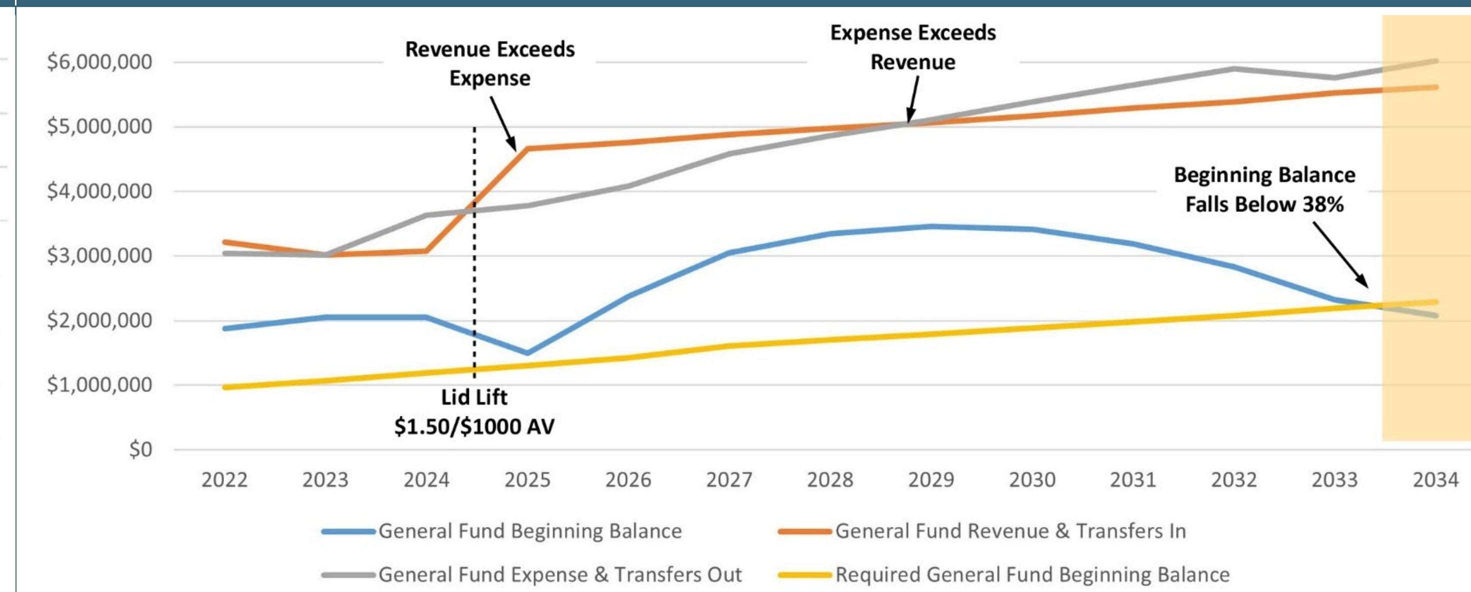
Description: Examination of the district's current fiscal trajectory and at what point current service delivery levels would be unsustainable based on revenue limitations provides a baseline for comparison with other scenarios. At (or before) the point at which the general fund beginning balance drops below 38% of anticipated general fund expenses, it will be necessary to increase revenue or decrease expenses (and as a result, service delivery levels). In this scenario, the general fund beginning balance will allow current service levels until 2025.

Assumptions & Conditions: The baseline scenario presents current and projected fiscal conditions based on the following:

- Statutory 1% increase in tax revenue (excluding new construction).
- Average increase in assessed valuation (AV) of 7.0% (inclusive of new construction).
- Early payoff of the district's 2012 bond in 2024, reducing interest expense.
- Increase in expense not to exceed 6.50% annually. This increase excludes expenses due to increased full-time staffing (one full-time firefighter hired in 2023 and one full-time firefighter hired in 2024 (Kelly Relief)).
- Reduction of the fire apparatus fleet from four engines, four water tenders and two squads, to three engines, three water tenders, and two squads.
- Full funding for the capital projects fund based on amortized expense for future capital projects identified in the capital projects plan.
- If the beginning fund balance falls below 38% of budgeted general funds expenses, there is no transfer of funds from the general fund to any of the reserve funds. Similarly, the district will suspend capital projects at such time that the beginning fund balance falls below 38% of budgeted general funds expenses.
- No funds are set aside for future major capital facilities projects (e.g., renovation and expansion of fire stations).
- EMS Levy renewed at $0.35/$1,000 in 2026. The amount of the EMS levy renewal will depend on negotiations with Camas Washougal Fire Department in 2024 on ambulance service cost share and other provisions of the ambulance service interlocal agreement.

Additional Detail: Additional information and analysis of this scenario on pages 93-102.

Permanent Single Year Lid Lift Scenario



Description: This scenario is based on passage of a lid lift by the district's voters in 2024 to allow the district to continue current or slightly expanded service delivery levels until 2033.

Assumptions & Conditions: The lid lift scenario presents an alternate view of current and projected fiscal conditions based on the following:

- Statutory 1% increase in tax revenue (excluding new construction).
- Average increase in assessed valuation (AV) of 7.0% (inclusive of new construction).
- Early payoff of the district's 2012 bond in 2024, reducing interest expense.
- Passage of a lid lift in 2024, increasing the general levy rate to $1.50/$1,000 assessed valuation.
- Three additional full-time firefighters will be added in 2025. Personal services expenses may be less than projected in this scenario due to reduced overtime, but this will depend on the shift schedule for additional personnel.
- Increase in expense not to exceed 6.5% annually in 2024 and 2025, decreasing over the next eight years to an annual increase of less than 5%. This increase excludes expenses due to increased full-time staffing.
- Reduction of the fire apparatus fleet from four engines, four water tenders and two squads, to three engines, three water tenders, and two squads.
- Full funding for the capital projects fund based on amortized expense for future capital projects identified in the capital projects plan.
- If the beginning fund balance falls below 38% of budgeted general funds expenses, there is no transfer of funds from the general fund to any of the reserve funds. Similarly, the district will suspend capital projects at such time that the beginning fund balance falls below 38% of budgeted general funds expenses.
- No funds are set aside for future major capital facilities projects (e.g., renovation and expansion of fire stations).
- EMS Levy renewed at $0.35/$1,000 in 2026. The amount of the EMS levy renewal will depend on negotiations with Camas Washougal Fire Department in 2024 on ambulance service cost share and other provisions of the ambulance service interlocal agreement.

Additional Detail: Additional information and analysis of this scenario on pages 103-112

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Baseline Scenario

The baseline scenario is based on East County Fire and Rescue's desire to maintain service delivery and incrementally achieve adequate funding of the capital projects fund and leave accrual fund as well as maintaining a general fund beginning balance of 38% (inclusive of contingency). However, the revenue required to meet these goals exceeds current revenue. This scenario examines the district's fiscal trajectory absent an increase in general fund revenue. **Important!** This scenario is not a prediction and many of the conditions identified (e.g., negative general fund beginning balance) could not be allowed to occur but are provided to illustrate the impact of divergence between revenue and expense to maintain current service delivery levels and general fund revenue.

As previously noted, this scenario is based on the following current and projected fiscal conditions:

- Statutory 1% increase in tax revenue (excluding new construction).
- Average increase in assessed valuation (AV) of 7.0% (inclusive of new construction).
- Early payoff of the district's 2012 bond in 2024, reducing interest expense.
- Increase in expense not to exceed 6.50% annually. This increase excludes expenses due to increased full-time staffing (one full-time firefighter hired in 2023).
- Reduction of the fire apparatus fleet from four engines, four water tenders and two squads, to three engines, three water tenders, and two squads.
- Full funding for the capital projects fund based on amortized expense for future capital projects identified in the capital projects plan.
- If the beginning fund balance falls below 38% of budgeted general funds expenses, there is no transfer of funds from the general fund to any of the reserve funds. Similarly, the district will suspend capital projects at such time that the beginning fund balance falls below 38% of budgeted general funds expenses.
- No funds are set aside for future major capital facilities projects (e.g., renovation and expansion of fire stations.
- EMS Levy renewed at $0.35/$1,000 in 2026. The amount of the EMS levy renewal will depend on negotiations with Camas Washougal Fire Department in 2024 on ambulance service cost share and other provisions of the ambulance service interlocal agreement.

As illustrated in Table 9, the district will enter a general fund negative cash flow in 2024. The district will maintain a general fund beginning balance above 38% in 2024 and 2025 but is projected to drop below 38% in 2026. ECFR financial policy requires the district to maintain a beginning general fund Balance of 38% of budgeted expenditures (33% for expenditures prior to receipt of current year tax revenue and 5% general fund contingency). Given this policy, the impact of this financial scenario is that the district will be able to maintain current service levels through 2025 but will need to increase revenue or decrease service levels to reduce expense prior to this point.

Note: In Table 9, the beginning fund balance is shaded orange when it falls below 38% of budgeted expenditures and shaded red if it would be negative. As the district cannot operate in deficit (RCW 52.16.070), these negative values illustrate the gap between the projected cost of maintaining current service delivery levels and projected general fund revenue. Given the conditions in this scenario, maintaining a balanced budget would require reduced expenses with resulting reductions in service delivery levels.

Table 9. Baseline Scenario Long Term Cash Flow Projection (Revision 0.1.1)

General Fund	Actual	Adjusted	Proposed	Projected									
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Beginning General Fund Balance (Less Contingency)	$1,883,281	$2,055,801.35	$1,899,277.97	$1,321,465.98	$646,666.72	$178,997.51	-$239,532.18	-$1,020,633.79	-$1,937,452.97	-$2,998,761.41	-$4,213,810.42	-$5,592,355.75	-$7,144,683.69
General Fund Contingency	$0	$0	$156,523	$171,456	$181,978	$193,906	$0	$0	$0	$0	$0	$0	$0
Revenue													
Taxes	$2,894,257	$2,987,273	$3,030,179	$3,092,574	$3,156,260	$3,221,262	$3,287,609	$3,355,327	$3,424,445	$3,494,992	$3,566,997	$3,640,492	$3,715,506
Intergovernmental Revenue	$1,629	$1,625	$10,000	$10,500	$11,025	$11,576	$12,155	$12,763	$13,401	$14,071	$14,775	$15,513	$16,289
Charges for Service	$32,851	$13,030	$5,000	$5,250	$5,513	$5,788	$6,078	$6,381	$6,700	$7,036	$7,387	$7,757	$8,144
Miscellaneous Revenue	$52,955	$12,630	$10,000	$10,500	$11,025	$11,576	$12,155	$12,763	$13,401	$14,071	$14,775	$15,513	$16,289
Other Revenue	$7,936	$3,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Appropriation from Contingency	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Transfer in from Capital Projects Fund	$225,091	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Transfer in from Leave Accrual	$0	$0	$16,395	$0	$0	$15,481	$13,662	$0	$0	$9,190	$0	$23,666	$0
Total Operating Revenues	$5,098,000	$5,073,359	$5,127,374	$4,611,746	$4,012,467	$3,638,587	$3,092,126	$2,366,600	$1,520,494	$540,597	-$609,877	-$1,889,414	-$3,388,455
Expenditures													
Budgeted Expenditures	$2,542,834	$2,818,258	$3,130,468	$3,429,116	$3,639,564	$3,878,120	$4,112,760	$4,304,053	$4,519,255	$4,754,408	$4,982,479	$5,255,269	$5,493,183
Non-Expenditures													
Total Non-Expenditures	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Interfund Transfers (Out)													
Transfer to Capital Projects Fund	$298,940		$493,985	$343,985	$0	$0	$0	$0	$0	$0	$0	$0	$0
Transfer to Leave Accrual Fund	$0	$0	$10,000	$10,000	$0	$0	$0	$0	$0	$0	$0	$0	$0
Transfer to Grants Management Fund	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Transfer to Debt Service Fund	$200,425	$199,300					$0	$0	$0	$0	$0	$0	$0
Total Transfers from the General Fund	$499,365	$199,300	$503,985	$353,985	$0	$0	$0	$0	$0	$0	$0	$0	$0
Ending General Fund Balance	$2,055,801	$2,055,801	$1,492,922	$828,645	$372,903	-$239,532	-$1,020,634	-$1,937,453	-$2,998,761	-$4,213,810	-$5,592,356	-$7,144,684	-$8,881,638

Capital Projects Fund	Actual	Adjusted	Adopted	Projected									
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Beginning Capital Projects Fund Balance	$989,630	$1,073,377	$747,432	$1,241,417	$667,752	$83,313	$83,313	$83,313	$83,313	$83,313	$83,313	$73,053	$73,053
Revenue													
Transfer in from General Fund	$298,940	$0	$493,985	$343,985	$0	$0	$0	$0	$0	$0	$0	$0	$0
Miscellaneous Revenue (Investment Interest)	$9,898												
Total Capital Projects Fund Revenue	$1,298,468	$1,073,377	$1,241,417	$1,585,402	$667,752	$83,313	$83,313	$83,313	$83,313	$83,313	$83,313	$73,053	$73,053
Expenditures													
Budgeted Expenditures (Capital)	*Included in GF*	*Included in GF*	$0	$917,650	$584,439	$0	$0	$0	$0	$0	$10,261	$0	$0
Interfund Transfers (Out)													
Transfer to General Fund	$225,091	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Transfer to the Grants Management Fund	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Transfer to the Debt Service Fund	$0	$325,945	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Transfers from the Capital Projects Fund	$225,091	$325,945	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Ending Capital Projects Fund Balance	$1,073,377	$747,432	$1,241,417	$667,752	$83,313	$83,313	$83,313	$83,313	$83,313	$83,313	$73,053	$73,053	$73,053

Table 9. Baseline Scenario Long Term Cash Flow Projection (Revision 0.1.1) (continued)

Debt Service Fund	Actual	Adjusted	Adopted	Projected									
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Beginning Debt Service Fund Balance	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Revenue													
Transfer in from General Fund	$200,425	$199,300	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Transfer in from Capital Projects Fund	$0	$325,945	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Debt Service Fund Revenue	$200,425	$525,245	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Expenditures													
Regular Budgeted Expenditures (LTGO Debt Service)	$200,425	$525,245					$0	$0	$0	$0	$0	$0	$0
Ending Debt Service Fund Balance	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0

Leave Accrual Fund	Actual	Adjusted	Adopted	Projected									
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Beginning Leave Accrual Fund Balance	$45,844	$46,326	$46,326	$46,326	$39,931	$56,326	$39,931	$40,845	$26,269	$40,845	$26,269	$31,655	$26,269
Revenue													
Miscellaneous Revenue (Investment Interest)	$482												
Transfer in from General Fund	$0	$0	$10,000	$10,000	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Leave Accrual Fund Revenue	$46,326	$46,326	$56,326	$56,326	$39,931	$56,326	$39,931	$40,845	$26,269	$40,845	$26,269	$31,655	$26,269
Interfund Transfers (Out)													
Transfer to General Fund (Leave Accrual Expense)	$0	$0	$16,395	$0	$0	$15,481	$13,662	$0	$0	$9,190	$0	$23,666	$0
Ending Leave Accrual Fund Balance	$46,326	$46,326	$39,931	$56,326	$39,931	$40,845	$26,269	$40,845	$26,269	$31,655	$26,269	$7,989	$26,269

Grants Management Fund	Actual	Adjusted	Adopted	Projected									
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Beginning Grants Management Fund Balance	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Revenue													
Intergovernmental Revenue	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Transfer in from General Fund (Match)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Transfer in from Capital Projects Fund (Match)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Grants Management Fund Revenue	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Expenditures													
Budgeted Expenditures (Grants Management)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Ending Grants Management Fund Balance	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0

Emergency Medical Service (EMS) Fund	Actual	Adjusted	Adopted	Projected									
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Beginning EMS Fund Balance	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Revenue													
Taxes	$688,795	$705,498	$720,102	$735,008	$750,223	$1,233,160	$1,258,686	$1,284,741	$1,311,335	$1,338,480	$1,366,186	$1,394,466	$1,423,332
Total EMS Fund Revenue	$688,795	$705,498	$720,102	$735,008	$750,223	$1,233,160	$1,258,686	$1,284,741	$1,311,335	$1,338,480	$1,366,186	$1,394,466	$1,423,332
Expenditures													
EMS Fund Expenditures (Passthrough)	$688,795	$705,498	$720,102	$735,008	$750,223	$1,233,160	$1,258,686	$1,284,741	$1,311,335	$1,338,480	$1,366,186	$1,394,466	$1,423,332
Ending EMS Fund Balance	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0

Table 9. Baseline Scenario Long Term Cash Flow Projection (Revision 0.1.1) (continued)

All Funds	Actual 2022	Adjusted 2023	Adopted 2024	Projected 2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Total Ending Balance (All Funds)	$3,175,504	$2,849,559	$2,774,270	$1,552,723	$496,148	-$115,374	-$911,051	-$1,813,295	-$2,889,179	-$4,098,842	-$5,493,034	-$7,063,642	-$8,782,317

Fiscal Performance Measures	Actual 2022	Adjusted 2023	Adopted 2024	Projected 2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Levy Rates													
General Levy (per $1,000 Assessed Valuation (AV)	$1.39	$1.09	$1.05	$1.00	$0.95	$0.91	$0.87	$0.83	$0.79	$0.75	$0.72	$0.68	$0.65
EMS Levy (per $1,000 AV)	$0.30	$0.28	$0.25	$0.25	$0.35	$0.33	$0.26	$0.25	$0.24	$0.23	$0.35	$0.33	$0.32
Total Property Tax Levy (per $1,000 AV)	$1.69	$1.37	$1.30	$1.25	$1.30	$1.24	$1.13	$1.08	$1.03	$0.98	$1.07	$1.02	$0.97
Office of the State Auditor Financial Intelligence Tool (FIT)													
Cash Balance Sufficiency	381	345	279	121	43	-11	-81	-154	-233	-315	-402	-491	-584
Change in Cash Position Ratio	-15.85%	-15.85%	4.28%	-79.95%	-132.71%	-242.47%	331.80%	89.83%	54.78%	40.82%	32.96%	28.18%	24.31%
Government Funds Sustainability Radio	46.19%	34.10%	38.95%	5.75%	-5.27%	-6.58%	-33.01%	-81.87%	-197.22%	-779.47%	918.65%	378.14%	262.11%
Debt Load Ratio	6.23%	17.41%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Revenue Performance Measures													
Revenue Per Capita	$352.81	$353.56	$354.97	$358.77	$362.61	$409.15	$413.53	$417.96	$422.44	$426.97	$431.55	$436.19	$440.88
General Fund Intergovernmental Revenues Ratio	0.04%	0.04%	0.26%	0.27%	0.28%	0.26%	0.27%	0.27%	0.28%	0.29%	0.30%	0.31%	0.31%
General Levy Property Tax Ratio	96.81%	99.00%	99.18%	99.16%	99.13%	99.11%	99.08%	99.06%	99.03%	99.00%	98.98%	98.95%	98.92%
General Levy Rate Ratio	92.57%	72.67%	69.75%	66.54%	63.47%	60.55%	57.76%	55.10%	52.56%	50.14%	47.83%	45.62%	43.52%
EMS Levy Property Tax Ratio	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
EMS Levy Rate Ratio	59.89%	56.47%	50.98%	50.99%	69.92%	66.45%	52.49%	50.08%	47.77%	45.57%	70.00%	66.77%	63.70%
Expenditure Performance Measure													
Expenditure Per Capita	$329.18	$384.51	$362.05	$473.08	$458.48	$466.45	$485.34	$499.98	$516.44	$534.33	$552.14	$571.68	$588.73
Operating Position Performance Measures													
General Fund Cash Flow Ratio	14.94%	6.60%	-2.46%	-9.95%	-14.31%	-19.32%	-23.95%	-27.07%	-30.69%	-34.68%	-38.25%	-42.83%	-46.24%
General Fund Balance to Expense Ratio	74.06%	72.95%	65.67%	43.54%	22.77%	9.62%	-5.82%	-23.71%	-42.87%	-63.07%	-84.57%	-106.41%	-130.06%
General Fund Balance Ratio	7.28%	9.16%	-7.61%	-30.42%	-51.06%	-72.32%	-233.82%	326.09%	89.83%	54.78%	40.52%	32.71%	27.76%
Capital Project Fund Balance Ratio	26.59%	8.46%	-30.37%	66.09%	-46.21%	-87.52%	0.00%	0.00%	0.00%	0.00%	0.00%	-12.32%	0.00%
Capital Project Fund % of Full Funding	*Undefined*	*Undefined*	19.09%	29.61%	18.67%	2.51%	2.56%	2.72%	3.32%	2.87%	2.53%	1.99%	1.80%
Leave Accrual Fund Balance Ratio	0.64%	1.05%	0.00%	0.00%	-13.80%	41.06%	-29.11%	2.29%	-35.69%	55.49%	-35.69%	20.50%	-17.02%
Leave Accrual Fund % of Full funding	*Undefined*	*Undefined*	67.23%	69.67%	49.62%	59.64%	44.44%	48.04%	28.22%	40.38%	26.31%	29.39%	33.73%
Debt Performance Measures													
Limited Tax General Obligation Debt Ratio	0.0328%	0.0188%	0.0113%	0.0044%	0.0027%	0.0013%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
Limited Tax General Obligation Debt Load	6.70%	17.41%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Note: Per capita values are based on an estimated 1% annual increase in population.

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General Fund Cash Flow

As illustrated in Table 9, the district entered a negative cash flow (general fund revenue minus general fund expense and transfers to other funds) in 2024.

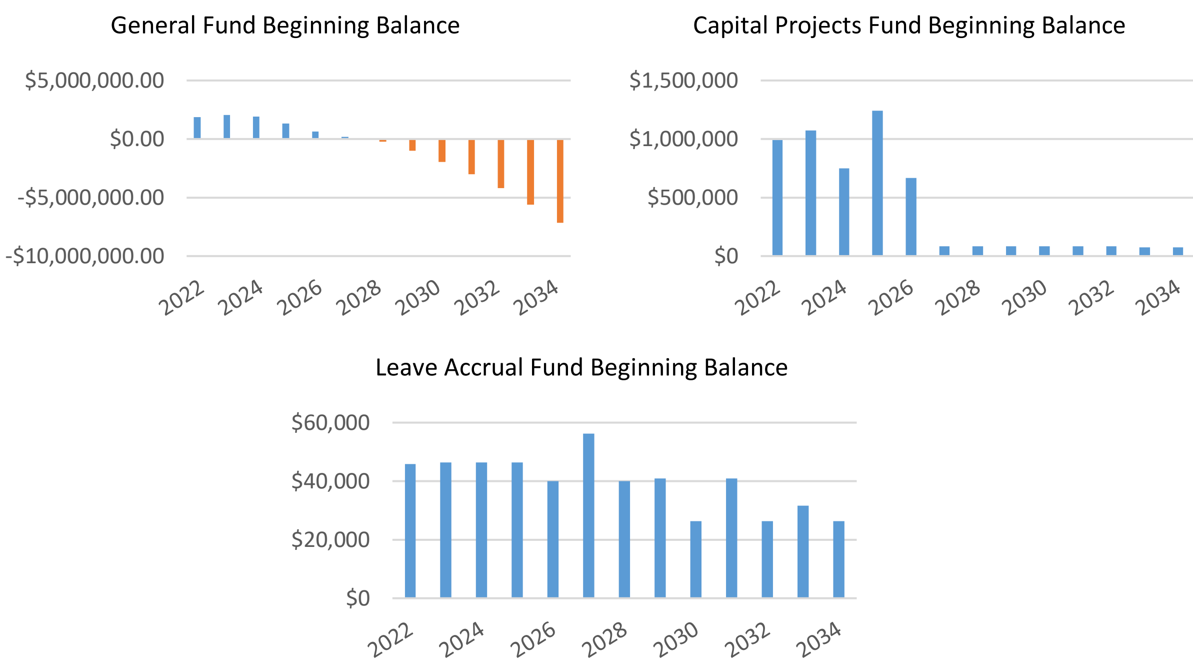
Beginning Fund Balance Trends

The beginning balance of the general fund begins a continual decline in 2024. This decrease is due to increasing expenses and the transfer of money to the capital projects fund (catching up on investment for future capital purchases). The district cannot have a negative balance (shown in Table 9 and Figure 39). In this scenario the district would need to reduce expenses to maintain a balanced budget and a general fund beginning fund balance of 38% of budgeted expenses for the district to pay its accounts payable for the first four months of the year and maintain a 5% contingency.

The capital projects fund beginning balance fluctuates because of the timing of capital projects, but flat lines once the general fund has a beginning balance of less than 38% of budgeted expenses. Once the general fund beginning balance has dropped below this level, the capital fund beginning balance would flat due to no transfer of funds to the capital projects fund and no expenditures for capital projects would occur.

Like the capital projects fund, the beginning balance of the leave accrual fund will fluctuate over the next ten years to meet current and anticipated liability for leave accrual payout on separation of employees from employment. Once the general fund balance drops below 38% of budgeted expenses no funds would be transferred from the general fund to the compensated absences fund. However, expenses may still occur and would eventually deplete this fund.

Figure 39. Beginning Balance Trends



Adequacy of the General Fund Beginning Balance

Tax revenue is received in April and November. Therefore, the general fund beginning balance must be enough to meet the district's operational expenses from January through April. The district's board of fire commissioners has an established policy to maintain a minimum general fund beginning balance of 38% of maintenance and operations expenses inclusive of a 5% general fund contingency (ECFR Board of Fire Commissioners, 2023a). As illustrated in Table 9, the district will maintain a general fund beginning balance above this minimum through 2025 while maintaining budgeted transfer of funds to reserves for capital and compensated absences. However, the district will need to address its negative cash flow by increasing revenue prior to 2026 to maintain or improve current service delivery levels. Absent an increase in revenue, the district must significantly reduce expenses to maintain an adequate beginning fund balance.

Capital Projects Fund

Table 10 lists the district's current capital projects schedule. The apparatus replacement schedule is based on reduction of the fleet from four engines, four water tenders, and two squads to three engines, three water tenders, and two squads. This reduction is based on minimum operational requirements and limited capacity to meet apparatus replacement requirements on a pay as you go basis. Engines and squads have a planned useful life of 20 years while water tenders have a planned useful life of 25 years. The age of some existing apparatus is currently or will soon be beyond this replacement schedule.

Projects that do not show funding within a given year are either beyond the 10-year planning window or do not yet have an identified cost. At the start of 2024, the capital projects fund is at 19.09% of the beginning fund balance required based on straight line amortization of programmed projects. Current funding of the capital projects fund and planned transfers from the general fund will allow completion of capital projects scheduled for 2024 and 2025. However, there will be insufficient funds for capital projects planned for the remainder of the planning period (2026-2034). Planned projects that will not be funded are highlighted in red. Transferring adequate funds from the general fund to the capital projects fund beyond 2025 based on amortized capital projects cost and catch up to achieve full funding of the capital projects fund will require an increase in revenue.

Considerations

Use of voter approved debt may be necessary to fund major capital projects, inclusive of construction of new or renovated and expanded facilities.

The Bottom Line

In the baseline scenario, the district can maintain current service levels for two more years but will experience a negative cash flow in the general fund beginning in 2024. Continued maintenance or improvement in current service delivery levels will require a lid lift to provide a revenue increase in 2024 (providing time for the district to receive the additional revenue prior to experiencing an inadequate general fund balance).

Table 10. Capital Projects Plan-Baseline Scenario

Apparatus	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Engine 94				$832,320									
Engine 95 (renumber to 93)										$937,328			
Engine 92													
Engine 91													
Water Tender 93					$530,604								
Water Tender 95													
Water Tender 94								$563,081					
Water Tender 91													$621,687
Chief 91				$85,330									
Unit 94					$53,835								
Chief 92						$85,330							
Rehab 93													
Squad 91													
Squad 94													
Utility Trailer													
Equipment													
Extrication Equipment Replacement													
SCBA/Cylinder Replacement													
Stairmill (Fitness Equipment)													
Fit Test Machine													
Situational Awareness Thermal Imager (TI)											$10,261		
Decision Making Thermal Imager (TI)													
Breathing Air Compressor													
Breathing Air Fill Station													
Technology Infrastructure													
Portable Radio Replacement						$188,944							
Mobile Radio Replacement						$146,279							
Computer Server Replacement													
Other Technology Infrastructure													

Table 10. Capital Projects Plan-Baseline Scenario (continued)

Facilities													
Live Fire Training Prop (SLEP/Replacement)													
Station 91 Exhaust Removal System													
Station 93 Exhaust Removal System													
Station 94 Exhaust Removal System													
Station 94 Generator													
Station 93 Generator													
Station 91 Generator													
Station 91 Capital Maintenance & Repair													
Station 92 Capital Maintenance & Repair													
Station 93 Capital Maintenance & Repair													
Station 94 Capital Maintenance & Repair													
Total Expenditures	$0	$0	$0	$917,650	$584,439	$420,553	$0	$563,081	$0	$937,328	$10,261	$0	$621,687

Permanent Single Year Lid Lift Scenario

The district will enter a negative cash flow condition in 2024. Under present fiscal conditions, the district will be able to maintain current service delivery levels until 2025. Absent an increase in revenue prior to that time, the district would need to reduce service delivery level related expenses to maintain a balanced budget. An increase in tax revenue will allow the district to maintain or improve service delivery levels through 2033. The lid lift scenario is based on a voter approved lid lift to increase the levy rate to $1.50/$1,000 in 2024. Before 2034, the district would again need to present a lid lift to the voters to continue maintenance or improvement of service delivery levels. This scenario presents an alternate view of current and projected fiscal conditions given the following assumptions:

- Statutory 1% increase in tax revenue (excluding new construction).
- Average increase in assessed valuation (AV) of 7.0% (inclusive of new construction).
- Early payoff of the district's 2012 bond in 2024, reducing interest expense.
- Passage of a lid lift in 2024, increasing the general levy rate to $1.50/$1,000 assessed valuation.
- Addition of three additional full-time firefighters in 2025. Personal services expenses may be less than projected in this scenario due to reduced overtime, but this will depend on the shift schedule for additional personnel.
- Increase in expense not to exceed 6.5% annually in 2024 and 2025, decreasing over the next eight years to an annual increase of less than 5%. This increase excludes expenses due to increased full-time staffing.
- Reduction of the fire apparatus fleet from four engines, four water tenders and two squads, to three engines, three water tenders, and two squads.
- Full funding for the capital projects fund based on amortized expense for future capital projects identified in the capital projects plan.
- If the beginning fund balance falls below 38% of budgeted general funds expenses, there is no transfer of funds from the general fund to any of the reserve funds. Similarly, the district will suspend capital projects at such time that the beginning fund balance falls below 38% of budgeted general funds expenses.
- No funds are set aside for future major capital facilities projects (e.g., renovation and expansion of fire stations.
- EMS Levy renewed at $0.35/$1,000 in 2026. The amount of the EMS levy renewal will depend on negotiations with Camas Washougal Fire Department in 2024 on ambulance service cost share and other provisions of the ambulance service interlocal agreement.

As illustrated in Table 11, this lid lift would permit the district to sustain current service delivery levels to 2033 based on the policy to maintain a beginning general fund Balance of 38% of budgeted expenditures (33% for expenditures prior to receipt of current year tax revenue and 5% contingency).

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Table 11. Lid Lift Long Term Cash Flow Projection (Revision 0.1.2)

General Fund	Actual	Adjusted	Proposed	Projected									
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Beginning General Fund Balance (Less Contingency)	$1,883,281	$2,055,801.35	$1,899,277.97	$1,321,465.98	$2,185,614.71	$2,838,489.24	$3,118,648.51	$3,218,473.07	$3,162,226.35	$2,930,155.27	$2,557,633.87	$2,033,450.37	$1,779,884.75
General Fund Contingency	$0	$0	$156,523	$171,456	$187,610	$211,373	$224,858	$236,089	$247,894	$260,748	$273,303	$288,151	$301,316
Revenue													
Taxes	$2,894,257	$2,987,273	$3,030,179	$4,637,154	$4,732,812	$4,830,449	$4,930,106	$5,031,823	$5,135,645	$5,241,614	$5,349,775	$5,460,173	$5,572,854
Intergovernmental Revenue	$1,629	$1,625	$10,000	$10,500	$11,025	$11,576	$12,155	$12,763	$13,401	$14,071	$14,775	$15,513	$16,289
Charges for Service	$32,851	$13,030	$5,000	$5,250	$5,513	$5,788	$6,078	$6,381	$6,700	$7,036	$7,387	$7,757	$8,144
Miscellaneous Revenue	$52,955	$12,630	$10,000	$10,500	$11,025	$11,576	$12,155	$12,763	$13,401	$14,071	$14,775	$15,513	$16,289
Other Revenue	$7,936	$3,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Appropriation from Contingency	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Transfer in from Capital Projects Fund	$225,091	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Transfer in from Leave Accrual	$0	$0	$16,395	$0	$0	$15,481	$13,662	$0	$0	$9,190	$0	$23,666	$0
Total Operating Revenues	$5,098,000	$5,073,359	$5,127,374	$6,156,326	$7,133,599	$7,924,733	$8,317,662	$8,518,293	$8,579,267	$8,476,884	$8,217,647	$7,844,223	$7,694,777
Expenditures													
Budgeted Expenditures	$2,542,834	$2,818,258	$3,130,468	$3,429,116	$3,752,192	$4,227,463	$4,497,167	$4,721,783	$4,957,872	$5,214,955	$5,466,054	$5,763,022	$6,026,324
Non-Expenditures													
Total Non-Expenditures	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Interfund Transfers (Out)													
Transfer to Capital Projects Fund	$298,940		$493,985	$343,985	$320,544	$342,763	$354,933	$374,890	$418,992	$418,992	$418,992	$0	$0
Transfer to Leave Accrual Fund	$0	$0	$10,000	$10,000	$11,000	$11,000	$11,000	$11,500	$11,500	$12,000	$11,000	$0	$0
Transfer to Grants Management Fund	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Transfer to Debt Service Fund	$200,425	$199,300					$0	$0	$0	$0	$0	$0	$0
Total Transfers from General Fund	$499,365	$199,300	$503,985	$353,985	$331,544	$353,763	$365,933	$386,390	$430,492	$430,992	$429,992	$0	$0
Ending General Fund Balance	$2,055,801	$2,055,801	$1,492,922	$2,373,224	$3,049,862	$3,343,507	$3,454,562	$3,410,120	$3,190,903	$2,830,937	$2,321,601	$2,081,201	$1,668,453

Capital Projects Fund	Actual	Adjusted	Proposed	Projected									
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Beginning Capital Projects Fund Balance	$989,630	$1,073,377	$747,432	$1,241,417	$667,752	$403,858	$326,068	$681,001	$492,810	$911,802	$393,467	$802,199	$802,199
Revenue													
Transfer in from General Fund	$298,940	$0	$493,985	$343,985	$320,544	$342,763	$354,933	$374,890	$418,992	$418,992	$418,992	$0	$0
Miscellaneous Revenue (Investment Interest)	$9,898												
Total Capital Projects Fund Revenue	$1,298,468	$1,073,377	$1,241,417	$1,585,402	$988,297	$746,621	$681,001	$1,055,891	$911,802	$1,330,795	$812,460	$802,199	$802,199
Expenditures													
Budgeted Expenditures (Capital)	*Included in GF*	*Included in GF*	$0	$917,650	$584,439	$420,553	$0	$563,081	$0	$937,328	$10,261	$0	$621,687
Interfund Transfers (Out)													
Transfer to General Fund	$225,091	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Transfer to the Grants Management Fund	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Transfer to the Debt Service Fund	$0	$325,945	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Transfers from Capital Projects Fund	$225,091	$325,945	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Ending Capital Projects Fund Balance	$1,073,377	$747,432	$1,241,417	$667,752	$403,858	$326,068	$681,001	$492,810	$911,802	$393,467	$802,199	$802,199	$180,511

Table 11. Lid Lift Long Term Cash Flow Projection (Revision 0.1.2) (continued).

Debt Service Fund	Actual	Adjusted	Proposed	Projected									
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Beginning Debt Service Fund Balance	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Revenue													
Transfer in from General Fund	$200,425	$199,300	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Transfer in from Capital Projects Fund	$0	$325,945	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Debt Service Fund Revenue	$200,425	$525,245	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Expenditures													
Regular Budgeted Expenditures (LTGO Debt Service)	$200,425	$525,245					$0	$0	$0	$0	$0	$0	$0
Ending Debt Service Fund Balance	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0

Leave Accrual Fund	Actual	Adjusted	Proposed	Projected									
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Beginning Leave Accrual Fund Balance	$45,844	$46,326	$46,326	$46,326	$39,931	$56,326	$50,931	$51,845	$48,269	$63,345	$59,769	$66,155	$70,769
Revenue													
Miscellaneous Revenue (Investment Interest)	$482												
Transfer in from General Fund	$0	$0	$10,000	$10,000	$11,000	$11,000	$11,000	$11,500	$11,500	$12,000	$11,000	$0	$0
Total Leave Accrual Fund Revenue	$46,326	$46,326	$56,326	$56,326	$50,931	$67,326	$61,931	$63,345	$59,769	$75,345	$70,769	$66,155	$70,769
Interfund Transfers (Out)													
Transfer to General Fund (Leave Accrual Expense)	$0	$0	$16,395	$0	$0	$15,481	$13,662	$0	$0	$9,190	$0	$23,666	$0
Ending Leave Accrual Fund Balance	$46,326	$46,326	$39,931	$56,326	$50,931	$51,845	$48,269	$63,345	$59,769	$66,155	$70,769	$42,489	$70,769

Grants Management Fund	Actual	Adjusted	Proposed	Projected									
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Beginning Grants Management Fund Balance	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Revenue													
Intergovernmental Revenue	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Transfer in from General Fund (Match)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Transfer in from Capital Projects Fund (Match)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Grants Management Fund Revenue	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Expenditures													
Budgeted Expenditures (Grants Management)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Ending Grants Management Fund Balance	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0

Emergency Medical Service (EMS) Fund	Actual	Adjusted	Proposed	Projected									
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Beginning EMS Fund Balance	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Revenue													
Taxes	$688,795	$705,498	$720,102	$735,008	$750,223	$1,233,160	$1,258,686	$1,284,741	$1,311,335	$1,338,480	$1,366,186	$1,394,466	$1,423,332
Total EMS Fund Revenue	$688,795	$705,498	$720,102	$735,008	$750,223	$1,233,160	$1,258,686	$1,284,741	$1,311,335	$1,338,480	$1,366,186	$1,394,466	$1,423,332
Expenditures													
EMS Fund Expenditures (Passthrough)	$688,795	$705,498	$720,102	$735,008	$750,223	$1,233,160	$1,258,686	$1,284,741	$1,311,335	$1,338,480	$1,366,186	$1,394,466	$1,423,332
Ending EMS Fund Balance	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0

Table 11. Lid Lift Long Term Cash Flow Projection (Revision 0.1.2) (continued)

All Funds	Actual	Adjusted	Proposed	Projected									
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Total Ending Balance (All Funds)	$3,175,504	$2,849,559	$2,774,270	$3,097,302	$3,504,651	$3,721,420	$4,183,832	$3,966,275	$4,162,474	$3,290,559	$3,194,569	$2,925,889	$1,919,734

Fiscal Performance Measures	Actual	Adjusted	Proposed	Projected									
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Levy Rates													
General Levy (per $1,000 Assessed Valuation (AV)	$1.39	$1.09	$1.05	$1.50	$1.43	$1.36	$1.30	$1.24	$1.18	$1.13	$1.08	$1.03	$0.98
EMS Levy (per $1,000 AV)	$0.30	$0.28	$0.25	$0.25	$0.35	$0.33	$0.26	$0.25	$0.24	$0.23	$0.35	$0.33	$0.32
Total Property Tax Levy (per $1,000 AV)	$1.69	$1.37	$1.30	$1.75	$1.78	$1.70	$1.56	$1.49	$1.42	$1.36	$1.43	$1.36	$1.30
Office of the State Auditor Financial Intelligence Tool (FIT)													
Cash Balance Sufficiency	381	345	279	240	274	272	314	255	282	182	197	185	105
Change in Cash Position Ratio	-15.85%	-15.85%	4.28%	36.94%	27.97%	14.89%	22.07%	0.46%	14.52%	-20.98%	7.18%	1.18%	-41.19%
Government Funds Sustainability Radio	46.19%	34.10%	38.95%	29.39%	39.21%	41.35%	45.93%	37.96%	42.21%	27.42%	33.36%	26.53%	13.60%
Debt Load Ratio	6.23%	17.41%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Revenue Performance Measures													
Revenue Per Capita	$352.81	$353.56	$354.97	$502.56	$507.92	$556.00	$561.94	$567.94	$574.01	$580.15	$586.35	$592.63	$598.97
General Fund Intergovernmental Revenues Ratio	0.04%	0.04%	0.26%	0.19%	0.20%	0.19%	0.20%	0.20%	0.21%	0.21%	0.22%	0.23%	0.23%
General Levy Property Tax Ratio	96.81%	99.00%	99.18%	99.44%	99.42%	99.40%	99.39%	99.37%	99.35%	99.33%	99.31%	99.29%	99.27%
General Levy Rate Ratio	92.57%	72.67%	69.75%	100.00%	95.39%	91.00%	86.80%	82.81%	78.99%	75.35%	71.88%	68.57%	65.41%
EMS Levy Property Tax Ratio	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
EMS Levy Rate Ratio	59.89%	56.47%	50.98%	50.99%	69.92%	66.45%	52.49%	50.08%	47.77%	45.57%	70.00%	66.77%	63.70%
Expenditure Performance Measure													
Expenditure Per Capita	$329.18	$384.51	$362.05	$473.08	$468.86	$536.71	$520.07	$587.72	$555.30	$656.93	$594.13	$615.33	$687.02
Operating Position Performance Measures													
General Fund Cash Flow Ratio	14.94%	6.60%	-2.46%	26.47%	21.18%	13.00%	9.34%	6.75%	4.09%	1.17%	-1.47%	-4.80%	-7.35%
General Fund Balance to Expense Ratio	74.06%	72.95%	65.67%	43.54%	63.25%	72.14%	74.35%	73.16%	68.78%	61.19%	51.79%	40.28%	34.54%
General Fund Balance Ratio	7.28%	9.16%	-7.61%	-30.42%	65.39%	29.87%	9.87%	3.20%	-1.75%	-7.34%	-12.71%	-20.49%	-12.47%
Capital Project Fund Balance Ratio	26.59%	8.46%	-30.37%	66.09%	-46.21%	-39.52%	-19.26%	108.85%	-27.63%	85.02%	-56.85%	103.88%	0.00%
Capital Project Fund % of Full Funding	*Undefined*	*Undefined*	19.09%	29.61%	18.67%	12.17%	10.02%	22.26%	19.61%	31.40%	11.94%	21.82%	19.72%
Leave Accrual Fund Balance Ratio	0.64%	1.05%	0.00%	0.00%	-13.80%	41.06%	-9.58%	1.79%	-6.90%	31.23%	-5.65%	10.68%	6.97%
Leave Accrual Fund % of Full funding	*Undefined*	*Undefined*	67.23%	69.67%	49.62%	59.64%	56.68%	60.98%	51.86%	62.63%	59.87%	61.41%	90.86%
Debt Performance Measures													
Limited Tax General Obligation Debt Ratio	0.0328%	0.0188%	0.0113%	0.0044%	0.0027%	0.0013%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
Limited Tax General Obligation Debt Load	6.70%	17.41%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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General Fund Cash Flow

As illustrated in Table 11, the district experiences a negative cash flow (revenue minus general fund expense and transfers to other funds) in 2024. Passage of a lid lift in 2024 returns the district to a positive cash flow and maintains an adequate general fund beginning balance (greater than 38% of anticipated expenses) through 2033.

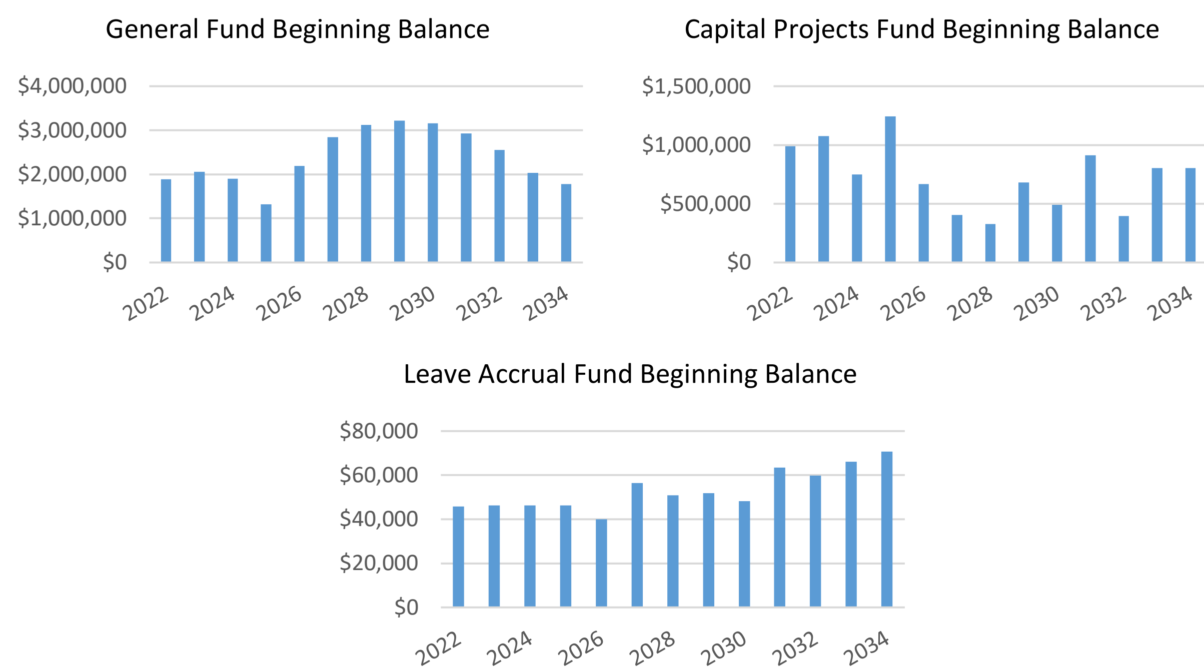
Beginning Fund Balance Trends

As in the baseline scenario, the general fund beginning balance began a continual decline in 2023. However, passage of a lid lift in 2024 will reverse this trend with positive cash flow through 2029 at which point the beginning balance will again begin to decline. The capital projects fund beginning balance fluctuates because of the timing of capital projects.

Like the capital projects fund, the beginning balance of the leave accrual fund will fluctuate over the next ten years to meet current and anticipated liability for leave accrual payout on separation of employees from employment.

As the general fund beginning balance decreases the capital projects and leave accrual funds are impacted as both funds are dependent on transfers from the general fund.

Figure 40. Beginning Balance Trends



Adequacy of the General Fund Beginning Balance

As the district receives tax revenue in April and November, the general fund beginning balance must be adequate to meet the district's operational expenses from January through April. The district has an established policy to maintain a minimum general fund Beginning Balance of 38% of maintenance and operations expenses (inclusive of a 5% contingency). As illustrated in Table 11, given a lid lift raising the levy rate to $1.50/$1,000 assessed valuation (AV) in 2024 the district will maintain a general fund Beginning Balance above this minimum through 2033 while maintaining adequate contingency and transfer to reserves for capital and compensated absences.

Capital Projects Fund

There is no change in the capital projects fund or programmed capital projects within the lid lift scenario. However, increased property tax revenue in 2024 will allow continuation of service delivery levels and transfer of adequate funding to the capital projects fund to allow adequate cash flow for capital projects programmed through 2034. However, there is limited revenue to increase the capital projects fund balance to catch up to the required balance for the district to pay as it goes for projects beyond 2030.

Considerations

Increasing revenue through use of a lid lift will allow the district to continue to provide service at current levels through 2033. The district could increase the levy rate to less than the statutory maximum of $1.50/$1,000 assessed valuation, but this would not allow ongoing funding of capital projects on a pay as you go basis and would require a subsequent lid lift much sooner than in this scenario.

The Bottom Line

The use of a lid lift is a viable option to maintain current service delivery levels, as the increased revenue provided by a lid lift is adequate to meet operational and near- to mid-term capital requirements for apparatus and equipment. However, as defined, this option does not provide revenue to support major capital facility needs.

Table 12. Capital Projects Plan-Lid Lift Scenario

Apparatus	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Engine 94				$832,320									
Engine 95 (renumber to 93)										$937,328			
Engine 92													
Engine 91													
Water Tender 93					$530,604								
Water Tender 95													
Water Tender 94								$563,081					
Water Tender 91													$621,687
Chief 91				$85,330									
Unit 94					$53,835								
Chief 92						$85,330							
Rehab 93													
Squad 91													
Squad 94													
Utility Trailer													
Equipment													
Extrication Equipment Replacement													
SCBA/Cylinder Replacement													
Fitness Equipment													
Fit Test Machine													
Situational Awareness Thermal Imager (TI)											$10,261		
Decision Making Thermal Imager (TI)													
Breathing Air Compressor													
Breathing Air Fill Station													

Table 12. Capital Projects Plan-Lid Lift Scenario (continued)

Technology Infrastructure	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**
Portable Radio Replacement						$188,944							
Mobile Radio Replacement						$146,279							
Computer Server Replacement													
Other Technology Infrastructure													
Facilities													
Live Fire Training Prop (SLEP/Replacement)													
Station 91 Exhaust Removal System													
Station 93 Exhaust Removal System													
Station 94 Exhaust Removal System													
Station 94 Generator													
Station 93 Generator													
Station 91 Generator													
Station 91 Capital Maintenance & Repair													
Station 92 Capital Maintenance & Repair													
Station 93 Capital Maintenance & Repair													
Station 94 Capital Maintenance & Repair													
Total Expenditures	$0	$0	$0	$917,650	$584,439	$420,553	$0	$563,081	$0	$937,328	$10,261	$0	$621,687

Long Term Financial Plan

Fundamental Considerations

East County Fire and Rescue (ECFR) is funded predominantly through property taxes. Constitutional and statutory property tax limitations provide a reasonably predictable, but severely constrained tax revenue stream. As the 1% maximum annual increase in the lawful property tax levy does not keep pace with historical levels of inflation, it is necessary from time to time to present the district's voters with an option to increase the general levy to maintain or improve service delivery levels. Similarly, tax limitations make it difficult if not impossible for the district to address major capital projects such as fire station renovation or expansion without additional revenue such as received through a voter approved bond measure. Baring a change in the property tax structure within Washington state, this will continue to be a normal part of the district's fiscal planning and operations.

Since its formation in 2006, the district has been paying debt service on one or more limited tax general obligation bonds. The expense of this debt service has significantly impacted the general fund and the district's ability to maintain its facilities, apparatus, and equipment. In 2023, the district has incurred significant expense in addressing deferred facilities maintenance. Apparatus maintenance will continue to be a critical expense with the need to replace tires on major fire apparatus due to age (in some cases tires are more than twice the maximum age for use on fire apparatus). The district also needs to replace its entire stock of aqueous film forming foam (AFFF) and contract for its disposal as a hazardous waste due to the environmental hazard presented by this material.

For many years, the district used part-time firefighters along with full-time firefighters and a full-time captain to maintain shift staffing, with two part-time firefighters providing one full-time equivalent (FTE) per shift. Recent increases in the hiring of full-time firefighters throughout the region have made it difficult, if not impossible, to maintain part-time staffing. Turnover among part-time firefighters and inability to maintain an adequate part-time staffing level has increased the district's overtime cost and full-time staff do not have the capacity to work sufficient hours to keep Stations 91 and 94 both staffed on an ongoing basis. The district has had recent success in increasing volunteer staffing but will experience a significant expense in providing these volunteers with personal protective equipment.

Fiscal Goals

The district maintains a conservative fiscal philosophy and has established the following financial goals.

- Ensure adequate and sustainable funding.
- Be fiscally responsible and operate with transparency.

As outlined in this document, the district's fiscal strategy needs to address both revenue and expenditures.

Current State

In recent years, the district has improved its financial position, but will begin to experience a negative cash flow in 2024 and the general fund beginning balance will decrease to less than 38% of budgeted expense within the next two years. The district has increased the capital projects fund beginning balance to over 1.2 million dollars, but this fund is 2.6 million dollars behind full funding based on the amortized replacement cost of existing apparatus and capital equipment assets.

The district will require an increase in revenue or decrease in expenses (along with a corresponding reduction in service delivery levels) prior to then to maintain a balanced budget beyond 2025.

Action Plan

East County Fire and Rescue's financial action plan focuses on the revenue and expense sides of the fiscal equation.

Revenue

Any long-term revenue strategy must also consider property taxes and the district's levy rate. As previously noted, the 1% constitutional limitation on increases in property tax revenue (exclusive of new construction) ensures that expenses will exceed revenue at some point in the future. The district anticipates presenting a lid lift to the voters in 2024 as outlined in the single year permanent lid lift scenario.

Expenses

The district's long prospective cash flow analysis in the lid lift scenario is based on general fund expenses increasing 6.5% in 2024 and 2025, 6% from 2026 to 2028 and then 5% annually for the remainder of the planning period. These increases are exclusive of the expense for increased full-time staffing in 2025. Increased expense in the first five years of the plan anticipates the need to continue to address deferred maintenance and the increased expense of an expanded volunteer program. However, the district will endeavor to hold below this maximum, when possible, while meeting current service delivery levels and the community's demand for service.

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Appendix A-Glossary of Terms

Account: A term used to identify an individual asset, liability, expenditure, revenue, or fund balance.

Accounting Assistant: A civilian member of the district's administrative staff responsible for a variety of clerical and accounting duties such as reception, payroll, accounts payable, data entry, and clerical support. The accounting assistant serves as district Secretary to the board of fire commissioners.

Accounting System: The total set of records and procedures used to record, classify, and report information on the financial status and operations of an entity.

Accreditation: Accreditation is a comprehensive self-assessment and evaluation model that enables organizations to examine past, current, and future service levels and internal performance and compare them to industry best practices. This process leads to improved service delivery by helping fire departments to 1) Determine community risk and safety needs. 2) Evaluate the performance of the department. 3) Establish a method for achieving continuous organizational improvement.

Accrual Basis Accounting: An accounting method under which recognizes revenues on the income statement when they are earned (rather than when the cash is received).

Actual Revenue and Expenditure: Monies which have already been used or received as opposed to budgeted monies which are estimates of funds that may be spent or received. As presented in the budget document actual revenues and expenditures are presented for the last full year (two years prior to the budget year).

Actual: Monies which have already been used or received as opposed to budgeted monies which are estimates of revenue and expenditure.

Adjusted Budget: The adjusted budget is an annual financial plan as revised by the board of fire commissioners during the fiscal year. Adjustments may include a reduction or increase in line items on a net-zero (no change to the appropriated total) or may involve an interfund transfer or increase in appropriation (usually as the result of an increase in revenue, new revenue stream, or use of contingency).

Administrative Specialist: A civilian member of the district's administrative staff responsible for supporting operations by planning, organizing, implementing administrative systems, training administrative support staff, managing information services and technology, and performing tasks associated with the administration of the department.

Adopted Budget: The adopted budget is an annual financial plan approved by a resolution passed by the board of fire commissioners which forms the basis for annual appropriation and expenditure of funds.

Adverse Opinion: An auditor's opinion stating that financial statements do not fairly present financial position, results of operations and (when applicable) cash flows in conformity with generally accepted accounting principles (GAAP).

Aid Unit: A vehicle licensed and equipped to provide Basic Life Support (BLS) emergency medical care. ECFR operates seven licensed aid units (two type one engines and two squads (type six engines).

Amended Budget: The amended budget is an annual financial plan as revised by the board of fire commissioners during the fiscal year. Adjustments may include a reduction or increase in line items on a net-zero (no change to the appropriated total) or may involve an interfund transfer or increase in appropriation (usually as the result of an increase in revenue, new revenue stream, or use of contingency).

Annual Financial Report: The Revised Code of Washington (RCW) 43.09.230 requires special purpose districts to file a standard financial report with the State Auditor's Office within 150 days after the close of the fiscal year.

Apparatus Number: A numerical designation used to identify district vehicles regardless of its current assignment and radio call sign.

Appropriation: The legal authorization granted by the board of fire commissioners to make expenditures and incur obligations. An appropriation limits the amount and time when expenditures may occur.

Assessed Value (AV): The assessed valuation is the value set for real estate or other property by the County Assessor as a basis for levying property taxes.

Assets: Property which has monetary value.

Assistant Chief: East County Fire and Rescue's assistant chief is a volunteer chief officer serving as second in command to the fire chief.

Audit: An examination to determine the accuracy and validity of records and reports by an agency whose duty it is to make sure the district conforms with established procedures and policies.

AV: See Assessed Value.

Balanced Budget: Appropriations limited to the total of estimated revenues and the unencumbered fund balances estimated to be available at the close of the current fiscal year. At the fund level, a balanced budget is the fund's total resources comprised of beginning fund balance, revenues, and other funds are greater than or equal to the total of expenditures, other fund use, and the funds ending balance.

Bank Qualification: A designation given to a municipal bond by the issuer if it expects to issue in the calendar year of such offering no more than $10 million of bonds of the type required included in making such calculation under the Internal Revenue Code. When purchased by a commercial bank for its portfolio, the bank may deduct a portion of the interest cost of carry for the position. A bond that is bank qualified is also known as a qualified tax-exempt obligation.

BARS: See Budgeting, Accounting, and Reporting System.

Basis of Accounting: A term used to refer to accounts and financial statements recognizing revenues, expenditures, expenses, and transfers, and the related assets and liabilities. It relates to the timing of the measurements made, regardless of the nature of the measurement, on either the cash or accrual method.

Beginning Balance: See beginning cash balance.

Beginning Cash Balance: The amount of unexpended funds carried forward from one fiscal year to the next.

Benefits: Employer contributions paid by the Fire district as part of the conditions of employment. Examples include health/dental insurance, state public employees' retirement system, and employment security.

BIAS Finance and Accounting System: The financing and accounting software suite used by the district. This system provides accounting, budgeting, accounts payable, bank reconciliation, and payroll functions.

Board Secretary: An appointed position responsible for preparing agendas, keeping minutes, and other administrative tasks for the board of fire commissioners. The accounting assistant serves as the board secretary.

Bond Rating: a grade given to bonds that indicates their credit quality. Private independent rating services such as Standard & Poor's, Moody's and Fitch provide these evaluations of a bond issuer's financial strength, or its the ability to pay a bond's principal and interest in a timely fashion. Bond ratings range from AAA, which is the highest grade, to C (junk), which is the lowest grade. Different rating services use the same letter grades but use various combinations of upper- and lower-case letters to differentiate themselves.

Bond: A written promise to pay a specific sum of money (principal) at a specified future date along with a periodic interest rate. Typically, bonds fund capital expenditures.

Budget Adoption: Formal action in the form of a resolution by the board of fire commissioners which sets the spending limits for the fiscal year.

Budget Amendment: A change to the budget adopted in accordance with state law. A budget may be adjusted to increase expenditures/expenses at the fund level by Board approval with or without public notice or public hearing requirements, when unanticipated revenues occur, or emergencies exist.

Budget Calendar: The schedule of key dates involved in the process of adopting and then executing an adopted budget.

Budget Document: The instrument used by the budget-making authority to present a comprehensive financial program to the appropriating body. The budget document usually consists of two parts. The first part contains a message from the budget-making authority, together with a summary of the

Adopted expenditures and the means of financing them. The second consists of schedules supporting the summary. These schedules show in detail the information as to the past year's actual revenues, expenditures, and other data used in making the estimates.

Budget Hearing: The public hearings conducted by the board of fire commissioners to consider and adopt the annual budget.

Budget Message: The opening section of the budget which provides the board of fire commissioners and the Public with a general summary of the most important aspects of the budget in comparison with the current and prior years.

Budget Policy: An overall plan to guide present and future courses of action regarding the coordination of revenues and expenditures.

Budget: A plan of financial operation embodying an estimate of expenditures for a given period and the means of financing them. The term budget designates the financial plan presented to the appropriating body for adoption and sometimes the plan adopted by that body. It is usually necessary to specify whether the budget under consideration is preliminary or adopted.

Budgetary Reporting: The requirement to present budget-to-actual comparisons relating to general purpose external financial reporting. Budgetary reporting includes basic financial statements for both the general fund (current expense) and individual major special revenue funds with legally adopted annual budgets.

Budgeting, Accounting, and Reporting System (BARS): The manual the State of Washington requires governmental entities (i.e., counties and cities) to use for financial reporting and which may also be used for budgeting and accounting.

CAD: See computer aided dispatch system

Call Provision: a clause in a bond's indenture granting the issuer (borrower) the right to call or buy back all or part of an issue prior to the maturity date of the bond.

Capital Assets: Land, improvements to land, buildings, building improvements, vehicles, machinery, equipment, works of art, infrastructure, and all other tangible or intangible assets used in operations and have a value of greater than $5,000 and a useful life greater than three years.

Capital Budget: A plan of adopted capital outlays and the means of financing them.

Capital Outlay: Fixed assets which have a value of $5,000 or more and have a useful economic lifetime of more than three years.

Capital Projects Plan: A plan for capital expenditures over a fixed period of years, identifying the expected beginning and ending date, and the amount to be expended in each year and the method of financing those expenditures.

Capital Projects: Projects which purchase or construct capital assets.

CAPT: See captain.

Captain: A company officer serving as a first level supervisor who is responsible for managing firefighters and emergency medical technicians (EMT).

Cash Basis Accounting: The method of accounting that records revenues when received and expenditures when paid.

Center for Public Safety Excellence (CPSE): The Center for Public Safety Excellence (CPSE) promotes the continuous quality improvement of fire and emergency service agencies that serve communities worldwide by providing training and career resource information. As a nonprofit, 501(c)(3) corporation, CPSE supports and encourages agencies and personnel to meet international performance standards through various programs and the work of two commissions: The Commission on Fire Accreditation International (CFAI) and the Commission on Professional Credentialing (CPC).

CFAI: See Commission on Fire Accreditation International.

Chart of Accounts: The classification system used by a governmental agency to organize the accounting for various funds.

Clark County Emergency Services Agency: An agency of Clark County government that provides dispatch for fire, emergency medical services, and law enforcement agencies and emergency management service throughout the county.

COLA: See cost of living adjustment.

Command Unit: A vehicle equipped with communications equipment and configured as a mobile office for an officer responsible to function as the Incident Commander (IC) at incidents requiring multiple resources such as a structure fire or major vehicle accident.

Commission on Fire Accreditation International (CFAI): A CFAI is the component of the Center for Public Safety Excellence responsible for fire department accreditation.

Commissioner: Elected official responsible for overall management of the district's affairs. The fire commissioners (as a body) appoint and supervise the fire chief.

Community Risk Reduction (CRR): CRR includes proactive and response measures taken by a community to reduce the impact of risk.

Consumer Price Index (CPI): A statistical description of price levels provided by the US Department of Labor. The index is used as a measure of the increase in the cost of living.

Consumer Price Index for All Urban Consumers (CPI-U): The all-urban consumer population consists of all urban households in Metropolitan Statistical Areas (MSAs) and in urban places of 2,500 inhabitants or more. The CPI-U includes non-farm consumers living in rural areas within MSAs but excludes rural consumers and the military and institutional population.

Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W): The urban wage earner and clerical worker population consists of consumer units consisting of clerical workers, sales workers, craft workers, operative, service workers, or laborers. (Excluded from this population are professional, managerial, and technical workers; the self-employed; short-term workers; the unemployed; and retirees and others not in the labor force.

Contingency: A budgetary reserve within the general fund set aside for emergencies or unforeseen expenditures not otherwise budgeted.

Core Competency: As used within the Commission on Fire Accreditation International accreditation process, core competencies are performance measures that must be met to achieve accreditation.

Cost of Living Adjustment (COLA): An increase in salaries to offset the adverse effect of inflation on compensation.

CPI: See consumer price index.

CPI-U: See consumer price index for all urban consumers.

CPI-W: See consumer price index for urban wage earners and clerical workers.

CPSE: See Center for Public Safety Excellence.

CRESA: See Clark County Emergency Services Agency.

Criterion: As used within the Commission on Fire Accreditation International accreditation process, criterion are major elements of the fire and emergency services self-assessment process. Each criterion is comprised of core competencies and performance indicators.

CRR: See community risk reduction.

Debt Service Fund: Governmental fund type used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Debt Service: The annual payment of principal and interest on the district's indebtedness.

Deficit: The excess of the liabilities of a fund over its assets or excess of expenditures over revenues during an accounting period.

District Secretary: An appointed position responsible for preparing agendas, keeping minutes, and other administrative tasks for the board of fire commissioners. This function is filled by the accounting assistant.

Emergency Medical Technician: An emergency responder certified as an emergency medical technician (EMT) basic.

EMT: See emergency medical technician.

Engine: Fire apparatus equipped with a pump, water tank, and hose. ECFR has three types of fire engines, type one (structural) and type five (wildland). ECFR's Type one engines are designated by the letter "E" and have 1250 or 1500 gallon per minute pumps, 1000-gallon water tanks and a substantial complement of hose and tools. ECFR's type six engines are designated by the letter "SQ" (squad) have a 200 gallon per minute pump, a 300-gallon water tank, and a small complement of hose and tools. The district also has one engine that meets type one engine requirements but for lack of four-person seating.

Excess Levy: Excess levies are those that impose property taxes over and above the regular property tax levies described previously. They are in "excess" of the many limits we put on regular levies. Excess levies require not only voter approval; but most also require a 60 percent "super" majority.

Exempt Employees: Employees who are exempt from the overtime provisions of the Federal Fair Labor Standards Act (FLSA). The district fire chief is exempt.

Expenditure: Decreases in net current assets. Expenditures include debt service, capital outlays, and those current operating costs which require the use of current assets.

FBC: See fire benefit charge.

Federal Insurance Contributions Act: A United States federal payroll (or employment) contribution directed towards both employees and employers to fund Social Security and Medicare.

FF: See firefighter.

FICA: See Federal Insurance Contributions Act.

Fire Benefit Charge: The fire benefit charge (FBC) funding method is a voter approved, two-part funding system that balances general purpose taxes and a user fee charged to buildings based on risk and need for service (Revised Code of Washington (RCW) 52.26.180).

Fire Chief: Chief executive officer of the district. The fire chief supervises the administrative staff, full-time captains, and volunteer assistant chief.

Firefighter/EMT: A firefighter who is also certified as an emergency medical technician (EMT) basic. Full-time and part-time firefighters are certified as EMT, volunteer firefighters may be certified as an EMT.

Firefighter: Emergency responder certified at least to the firefighter one and hazardous materials operational levels.

Fiscal Year: Any yearly accounting period, without regard to its relationship to a calendar year. The fiscal year for East County Fire and Rescue begins on January 1 and ends on December 31.

Fixed Assets: Assets held or used for the long term, such as land, buildings, and improvements other than machinery, and equipment.

FTE: Acronym for full-time equivalent. See full-time equivalent.

Full Time Equivalent: FTE is a numerical expression that indicates a given position's budgeted proportion to a "full-time" position. For example, an administrative position budgeted at 40 hours per week for 12 months equals 1.0 FTE.

Full-Time: Administrative employees who are regularly scheduled for 40 hours per week or more are full-time. Firefighters and captains who work 50.6 hours per week are full-time.

Fund Balance: Fund balance is the excess of a fund's assets of a fund over its liabilities and reserves.

Fund: A fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

GAAP: See generally accepted accounting principles.

GAAS: See generally accepted auditing standards.

GAGAS: See generally accepted government auditing standards.

GASB: See governmental accounting standards board.

General Fund: The general operating fund of the district. It is used to account for all financial resources except those that are required to be accounted for in other fund types.

General Obligation Bonds: Bonds for which the full faith and credit of the issuing government are pledged for payment.

Generally Accepted Accounting Principles (GAAP): Uniform minimum standards and guidelines for financial accounting and reporting. They govern the form and content of the financial statements of an entity. GAAP encompasses the conventions, rules, and procedures necessary to define accepted accounting practice. They include not only broad guidelines of general application, but also detailed practices and procedures. GAAP provides a standard by which to measure financial presentations. The primary authoritative body on the application of GAAP to state and local governments is the Governmental Accounting Standards Board (GASB).

Generally Accepted Auditing Standards (GAAS): Measures of the quality of the performance of auditing procedures and the objectives to be attained through their use. They are concerned with the auditor's professional qualities and with the judgment exercised in the performance of an audit. Generally accepted auditing standards have been prescribed by (1) the American Institute of Certified Public

Accountants (AICPA), and (2) the U.S. General Accounting Office (GAO) in Standards for Audit of Governmental Organizations, Programs, Activities, and Functions.

Generally Accepted Government Auditing Standards (GAGAS): Standards established by the GAO in its publication Standards for Audit of Governmental Organizations, Programs, Activities and Functions ("Yellow Book") for the conduct and reporting of both financial and performance audits. GAGAS set forth general standards applicable to both types of audits and separate standards of field work and reporting for financial and performance audits. The GAGAS standards of field work and reporting for financial audits incorporate and build upon GAAS.

GFOA: See Government Finance Officers Association.

Government Finance Officers Association: The purpose of the Government Finance Officers Association is to enhance and promote the professional management of governments for the public benefit by identifying and developing financial policies and practices and promoting them through education, training, and leadership.

Governmental Accounting Standards Board (GASB): The authoritative accounting and financial reporting standard-setting body for government entities.

Governmental Fund: A fund used to account for most of a government's activities, including those that are tax-supported (also see fund).

Grants: A contribution of assets (usually cash) by one governmental unit or other organization to be used or spent for a specified purpose, activity, or facility. Typically, these contributions are made to local governments from the State and Federal governments.

ILA: See interlocal agreement.

Information Technology: Systems (especially computers and telecommunications) for storing, retrieving, and sending information.

Interfund Transfers: Amounts transferred from one district fund to another (i.e., general fund to capital projects fund or leave accrual fund).

Interfund: Activity between the district's funds.

Intergovernmental Revenue: Grants, entitlements, shared revenues and payment for goods and services by one government to another.

Intergovernmental: Transactions conducted between two or more governments.

Interlocal Agreement (ILA): An agreement made between local governments (such as cities, towns, and special purpose districts) in accordance with the *Revised Code of Washington (RCW) 39.34 Interlocal Cooperation Act.*

Internal Control: A plan of organization for purchasing, accounting, and other financial activities, which provides that, (1) The duties of employees are subdivided so that no single employee handles a financial action from beginning to end, (2) Proper authorizations from specific responsible officials are obtained before key steps in the processing of a transaction are completed, and (3) Records and procedures are arranged appropriately to facilitate effective control.

Leave Accrual Fund: The fund used to account for assets held by the district for buyback of unused vacation upon retirement or other separation from district employment.

Levy Lid Lift: Initiative Measure No. 747 required state and local governments to limit property tax levy increases to 1% per year unless an increase greater than this limit is approved by the voters at an election. A levy lid lift is an increase in the levy rate under the provision of the Revised Code of Washington (RCW) 84.55.050 approved by the voters within the boundaries of a specific government (such as a fire protection district).

Levy Rate: The rate at which taxes, special assessments or service charges are imposed. For example, the real and personal property tax levy is the rate at which property is taxed per $1,000 of assessed valuation. The rate is determined by calculating the ratio of the maximum amount of property tax revenue allowable under state law and the total assessed valuation within the taxing district.

Levy: (Noun) The total amount of taxes, special assessments, or service charges imposed by a government.

Levy: (Verb) To impose taxes, special assessments, or service charges for the support of governmental activities.

Lid Lift: See levy lid lift.

Limited Tax General Obligation Bond (LTGO): See non-voted debt.

Line Item*:* A specific item or group of similar items defined by detail in a unique account in the financial records.

Long Term Financial Plan: A financial plan that forecasts and strategizes how to meet both current and future needs of the district. ECFR’s long-term financial plan addresses a time horizon of ten years and includes all funds. This plan includes an analysis of the district’s financial environment, revenue and expenditure forecasts, debt position and affordability analysis, strategies for achieving and maintaining financial balance and plan monitoring mechanisms.

LTGO: See Limited Tax General Obligation Bond.

Major Functional Assignment: Administrative categorization of the operational areas of the district (e.g., administration, operations, fire prevention and public education, training, facilities, and apparatus and equipment repair and maintenance).

MDC: See mobile data computer.

MDT: See Mobile Data Tablet

Mobile Data Computer: A laptop or other computer connected to the computer aided dispatch system (CAD) through a cellular connection used to send and receive data between the dispatch center and the field.

Mobile Data Tablet: A tablet computer connected to the CAD through a cellular connection used to send and receive data between the dispatch center and the field.

Non-Exempt Employees: Employees who are covered by the overtime provisions of the Federal Fair Labor Standards Act (FLSA). All district employees except for the fire chief, deputy chief, and finance officer are non-exempt.

Non-Represented Employees: Employees for whom terms and conditions of employment are not bargained by a union are designated as non-represented. ECFR's fire chief is non-represented.

Non-Voted Debt: Non-voted debt is issued on the authority of the board of fire commissioners. The debt service on non-voted debt is paid out of general Fire district revenues. Non-voted debt is referred to as a limited tax general obligation bond (LTGO).

Object (or Object Code): Used as expenditure classifications. This term applies to the article purchased or the service obtained. Typical object codes include personnel services (wages and salaries), contracted services (utilities, maintenance contracts, etc.) supplies and materials, and capital outlays.

OCBA: See other comprehensive basis of accounting.

Operating Budget: This budget presents a plan of current expenditures and the Adopted means of financing them. The annual operating budget is the primary means by which most of the financing, acquisition, spending, and service delivery activities of a government are controlled.

Operating Revenues: Those revenues received within the present fiscal year.

Operating Transfer: The regular, recurring transfers of cash from one fund (usually the general fund) to another, appropriated through the budget process.

Other Comprehensive Basis of Accounting (OCBA): OCBA refers to a system of accounting other than generally accepted accounting principles (GAAP). As a fire protection district, ECFR is permitted to use the cash basis of accounting as an OCBA.

Part-Time: Employees who are regularly scheduled for 35 hours per week or 150.5 hours per month are classified as Part-Time.

Performance Indicator: As used within the Commission on Fire Accreditation International accreditation process, performance indicators are performance measures that should be met to achieve accreditation.

The district's strategic plan and budget document also contain performance indicators not directly related to accreditation but are leading or lagging measures of district performance.

PERS: See public employees retirement system.

Program: A broad function or area of responsibility of government services. It is a basic organizational unit of government that is composed of a group of specific activities and operations directed at attaining a common purpose or goal.

Proposed Budget: The proposed budget is an estimate of the future costs, revenues and resources submitted by the fire chief to the board of fire commissioners.

Public Employees Retirement System (PERS): Stands for public employees' retirement system provided for all regular district employees, other than law enforcement and fire fighter personnel, by the State of Washington.

Represented Employees: Employees for whom terms and conditions of employment are bargained by a union are designated as represented. East County Fire and Rescue's (ECFR's) full-time firefighters and captains are represented by Local 2444 International Association of Firefighters (IAFF). ECFR's administrative staff are represented by Local 11 Office & Professional Employees International Union (OPEIU).

Reserve Apparatus: Apparatus placed in service by the district for use when other apparatus is being maintained or repaired.

Reserve Fund: A fund used to segregate a portion of equity as legally set aside for a specific future use.

Reserve: 1) A segregation of assets to provide for future use toward a specified purpose. 2) Apparatus maintained by the district for use when other apparatus is being maintained or repaired.

Revenue Estimate: A formal estimate of how much revenue will be earned from a specific source for some future period; typically, one year.

Revenues: Monies received or anticipated to be received during the year to finance district services. It includes such items as property taxes, interest income, and miscellaneous revenue.

Salaries and Wages: Amounts paid for services rendered by employees in accordance with rates, hours, terms, and conditions authorized by law or stated in employment contracts. This category also includes overtime and seasonal help.

SCBA: See self-contained breathing apparatus.

Strategic Plan: A plan that defines organizational strategy, or direction, and provides a basis for making decisions on allocating its resources to pursue this strategy, including its capital and people.

Target Hazards: Occupancies or locations that present a significant or unusual risk and/or which may require a large or specialized resource commitment in the event of an emergency incident are designated as Target Hazards.

Taxes: Compulsory charges levied by a government to finance services performed for the common benefit. This term does not include specific charges made against persons or property for current or permanent benefits such as special assessments, or charges for services rendered only to those who pay.

Transfers: Internal movements of revenue and expenses among funds in the budget to provide needed sources of funding for expenses incurred on behalf of another fund.

Type 1 Engine: A fire engine designed for structural firefighting and other types of response activity that meets the national incident management system (NIMS) performance and equipment requirements of this type.

Type 2 Support Water Tender: A fire apparatus designed to provide water supply in areas without fire hydrants that meets the national incident management system (NIMS) performance and equipment requirements for this type.

Type 4 Engine: A fire engine designed for wildland firefighting and other types of response activity that meets the national incident management system (NIMS) performance and equipment requirements of this type. The district operates one fire engine that meets the water tank, pump, and hose carrying capacity requirements for type one or two (structural firefighting) engines. However, crew seating does not have the four-person enclosed seating required for a type one engine or three-person enclosed seating required for a type two engine. As such, this apparatus is limited to resource typing as type four engine (even though it exceeds the requirements for this type in all but crew seating).

Type 5 Engine: A fire engine designed for wildland firefighting and other types of response activity that meets the national incident management system (NIMS) performance and equipment requirements of this type. The district operates one fire engine that meets the water tank, pump, and hose carrying capacity requirements for type one or two (structural firefighting) engines. However, crew seating does not have the four-person enclosed seating required for a type one engine or three-person enclosed seating required for a type two engine. As such, this apparatus is limited to resource typing as type five engine (even though it exceeds the requirements for this type in all but crew seating).

Type 6 Engine: A small fire engine designed for vegetation (brush) fires that meets the national incident management system (NIMS) performance and equipment requirements of this type. The district's type six engines are designated as "squads" as they are also licensed aid vehicles.

Unappropriated Fund Balance: Where the fund balance at the close of the preceding year is not included in the annual budget, this term designates that portion of the current fiscal year's estimated revenues, which has not been appropriated. Where the fund balance of the preceding year is included, this term designates the estimated fund balance at the end of the fiscal period.

Unit Designation: The unit designation (e.g., E91) identifies the nature of the unit (e.g., engine, water tender, command unit, support vehicle) and a numerical designation (in some cases based on station assignment).

Unlimited Tax General Obligation Bond (UTGO): See voted debt.

UTGO: See unlimited tax general obligation bond.

VFIS: See Volunteer Fireman's Insurance Services, Inc.

Volunteer Fireman's Insurance Services, Inc.: A company providing insurance services for volunteer firefighters.

Volunteer: Members who volunteer their services. Volunteer members are paid a stipend that is dependent on their rank and role, but not on the number of hours of service provided (if they meet the district's minimum activity standard).

Voted Debt: Voted debt is authorized by the district's voters through an election. The debt service on voted debt is paid from excess property tax levies under RCW 84.52.056. Voter approved debt is referred to as an unlimited tax general obligation Bond (UTGO).

Water Tender: Mobile water supply apparatus with a pump, large water tank and hose. East County Fire and Rescue's (ECFR's) water tenders are equipped with 500 or 750 gallon per minute pumps and a 2,500-gallon water tank.

Working Capital: The year-end balance of current assets minus current liabilities.

Working Out-of-Class: Working out of classification (e.g., a Firefighter working as a Captain). The district pays represented full-time employees 6% additional compensation when they are working at the next highest classification.

Appendix B-How Property Taxes Work

Washington state property tax is complicated! As East County Fire and Rescue is largely funded by property taxes it is essential to understand how the property tax system functions and the impact of its complex and interrelated limits.

Types of Tax Levy

There are several types of property tax levy, simply classified into the regular levy and excess levies. The regular levy comprises the property taxes that support general operations. Excess levies are separate from the general levy and not subject to the same constitutional and statutory limitations as they are approved by the voters (MRSC, 2023b).

Property Tax Components

There are three main components that determine property tax in Washington state:

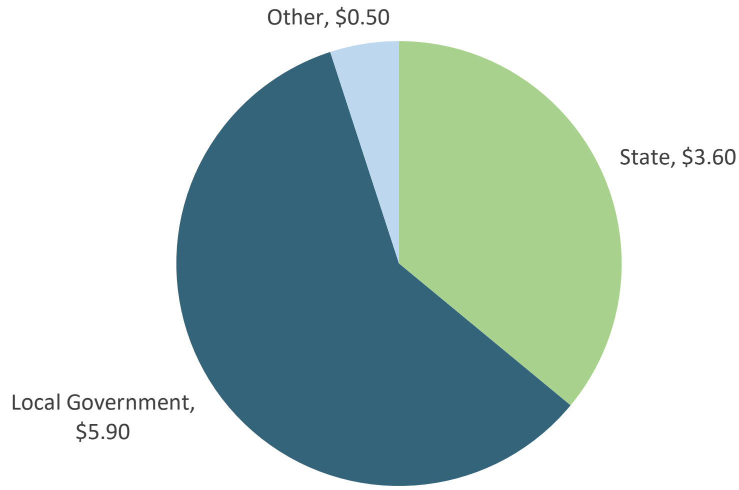
- ***Levy Amount:*** The total amount of tax to be collected from taxpayers by a taxing district (such as East County Fire and Rescue).
- **Assessed Value (AV):** One hundred percent of its true and fair market value in money, according to the highest and best use of the property. Fair market value, or true value, is the amount of money that a willing and unobligated buyer is willing to pay a willing and unobligated seller.
- **Levy Rate:** This rate is expressed in terms of a dollar rate per $1,000 of assessed valuation and is determined by dividing the levy amount by the assessed value (in thousands of dollars).

From here, things get a bit more complicated. The property tax levy is constrained by the overall limits on the regular levy rate and the limit on annual levy increases.

Constitutional Levy Rate Limits

The Washington Constitution limits the total annual property tax rate for regular levies to one percent of its true and fair market value. As levy rates are expressed in terms of dollars per $1,000 AV, one percent is the same a $10/$1,000 AV and is often referred to as the ten-dollar limit. This ten-dollar limit is allocated between the state and local governments as illustrated in Figure 41.

Figure 41. Distribution of Property Taxes



Local government is divided into senior taxing districts such as counties, cities and towns, and road districts who get priority in levying the $5.90/$1,000 assessed valuation (AV) and junior taxing districts who have second priority. Counties have a maximum levy of $1.80/$1,000 AV for the general fund and $2.25/$1,000 AV for a road levy (in unincorporated areas). Cities have a maximum levy of $3.375/$1,000 AV. Public utility and port districts are senior taxing districts that are not subject to the $5.90 limitation.

If the combined levy exceeds $5.90/$1,000 AV, the junior taxing districts must reduce their levy to meet the local government $5.90/$1,000 AV limit. This is a process defined in the Department of Revenue Property Tax Levies Operations Manual and Washington Administrative Code (WAC) 458-075. Special districts also have levy limits. For example, fire districts have a maximum regular levy rate of $1.50/$1,000 AV and there is a maximum levy rate for emergency medical services of $0.50/$1000 AV that may be levied by a special district or by cities and towns.

Constitutional Levy Increase Limit

In addition to limits on the overall levy rate, there is a one percent limit on the amount an individual taxing district can increase the property tax levy (total amount of taxes) each year. For example, if a taxing district levied $1,000,000 in the current year, next year's lawful levy would be $1,010,000 (an increase of one percent). However, the taxing district can also levy taxes on property that was added to the tax rolls in the prior year, such as a newly constructed house (RCW 84.55.010) or property that has been annexed (WAC 458-19-035). So, in many cases, the levy increases by more than one percent due to the value of new construction.

Calculating the Property Tax Levy Rate

One of the confusing aspects of Washington state property taxes is that the levy rate can change over time based on the authorized levy and the total assessed value of property within the jurisdiction. Consider the following scenarios.

A taxing district may increase their levy by one percent each year, but the total assessed value within the district may stay the same, it may increase, or it may decrease. If the total assessed value remains the same and the authorized levy increases by one percent, the levy rate will also increase by one percent (if it is below the statutory maximum levy rate for the type of taxing district). If the total assessed value within the district increases by one percent, the levy rate would remain the same and if the total assessed value increases by more than one percent, the levy rate would decrease so that the district would receive no more than its lawful levy. On the other hand, if the assessed value decreases, the levy rate will increase to provide the taxing district with its lawful levy (if it is below the statutory limit for the type of taxing district. Table 13 provides a simplified example of how changes in AV impact the levy rate.

Table 13. How Changes in AV Impact the Levy Rate-An Example

	Year 1	Year 2		
		AV Remains the Same	AV Increases by 5%	AV Decreases by 5%
AV	$1,000,000	$1,000,000	$1,050,000	$950,000
Lawful Levy	$1,000	$1,010	$1,010	$1,010
Levy Rate	$1.00/$1,000 AV	$1.01/$1,000 AV	$0.96/$1,000 AV	$1.06/$1,000 AV

Lid Lift

For a taxing district to increase the property tax levy by more than one percent, a proposed lid lift must be presented to the voters within the district. Lid lifts can be for a single year or up to six years and may be temporary or permanent. Passing a lid lift requires that a majority (50% plus one) of the taxing district's voters approve the ballot measure.

Excess Levies

Excess levies for maintenance and operations, construction, or payment of debt service on bonds are not subject to the same limitations as the general levy but are subject to the taxing district's statutory limit on indebtedness (which for fire districts such as East County Fire and Rescue is three fourths of one percent of the value of taxable property within the district (RCW 52.16.080)). Ballot measures for excess levies must be passed by a supermajority (60%) and must be validated with an election turnout of 40% of the number of voters in the last general election.

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