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with a statement on the financial difficulties facing the fire district.

"This upcoming fiscal year reveals several financial challenges that should be addressed," Schick said. "In the past several years, budget committees have strived to keep our tax rates as low as possible and achieve efficiencies in our operations. As a result, we have levied taxes well below our approved permanent tax rate, which have reduced our tax revenues just below \$700,000 per year since 2010."

SVFR's permanent tax rate is \$1.5417 per \$1,000 of assessed value. Between 2000 and 2010, that rate had been imposed, but in 2011, SVFR actually dropped the rate they had been collecting down to only \$0.8717.

According to SVFR Budget Committee Member Marvin Tipler, "When the city taxpayers chose to annex in the rural fire district, we made a contract with the city that we would drop the millage rate down to \$0.87, and then we only raised it 5 percent each year," he said. "But after three years, the city or the district could opt out of that. And the district did opt out. The city raised their tax rate up to \$1.30 because they needed it for capital improvements. We raised it up so we could make the payment on two new engines."

The millage rate went up to \$1.1391 in 2014 and has remained at that rate ever since.

During that time, SVFR used the taxes to pay off debt incurred by fire engines and constructing the main SVFR building. As of right now, the district is debt free and the current taxing rate covers day-to-day operations. If SVFR does not decide now to raise the

mileage rate from \$1.1391 to its original \$1.5417, services would still continue, and the public would not see any immediate impact. The district is not in crisis, and according to the budget committee members, is in better shape than it has been in years.

The concern for SVFR is not about the present, but the future. One issue is rising administrative costs through PERS and health insurance, a problem not singular to SVFR.

"I think every district in the state of Oregon, long-term can't keep up with inflation and can't keep up with healthcare and PERS," Schick said.

The largest problem has to do with equipment — fire engines, safety equipment and the SVFR buildings themselves.

"This lower tax rate has not allowed us to maintain financial reserves to adequately fund our apparatus reserve account and the capital reserves account, which includes funds for upgrading or maintaining our radio dispatch equipment and major expenses maintaining our facilities," Schick said.

In a few years, replacement and maintenance costs will begin to eat into the budget, and SVFR could find itself in a financial crisis. To stave off that crisis, the fire district is looking to begin saving money now.

Over the past year, SVFR personnel completed an inventory of all of the apparatus (vehicles) the organization owns, including fire engines and staff vehicles. The model years of the apparatus were recorded, and a lifespan was given to each vehicle.

"Normally people look at fire engines for 20 years, but we're planning for 25-30 years, because you're not getting as much use as you

would as a larger city," Abel said. "For instance, Engine 1. ... We have another 18 years to go before replacement. Projecting a 2.7 percent annual inflation rate, it would be \$880,000 to replace it 18 years from now. With Engine 1, you should be putting aside \$40,000 a year to be able to replace it in 18 years with the inflation rate."

To be able to afford replacing the entire fleet, staff projected that the district already needs \$1 million in its current reserve, with thousands of dollars going into the reserve monthly. However, there is only \$105,000 in reserve right now, with no extra money being set aside.

While most of the fleet is still projected to last for years, there are more immediate concerns, such as self-contained breathing apparatus (SCBAs), "the air tanks on our back," Abel said. "We know in four years we have to replace them and it's about \$350,000, but we have no financial plan on how we're going to take care of that."

The numbers that staff provided are not exact — "This is a planning tool, in essence," Abel said. Some vehicles and equipment could last longer than expected, while others could break down sooner. "But if you know if you're going to have to buy a fire engine in 'X' amount of years, this at least gives you a planning tool that can be adjusted every year. Right now, we don't have any planning tool."

All members of the SVFR board and the budget committee agreed that a tax increase was necessary, thought there were caveats in how SVFR should use the money. The largest concern was that the funds would be used for equipment and vehicles that ultimately may

not be needed. "I think you can get part of the money you need by fixing day-to-day operations here," Tipler said. "When I was operations chief, we had a horrible habit of getting a new piece of equipment and not getting rid of the old one. We couldn't get any money out of it, so the thought was 'Why not just keep it?' We have 15 staff vehicles, and [many] are over 30 years old because we never sold them because they aren't worth anything."

Having 30 vehicles, even if they are not regularly used, can be costly, from insurance rates to general upkeep.

"Right now, we have one piece of apparatus for every volunteer," Tipler said. "If there was a call, every volunteer could drive their own apparatus to a call. One person per vehicle. That's partly my fault, because we didn't get rid of the stuff. I think getting rid of those things, getting rid of surplus equipment, not having to pay insurance on it anymore, those things I think you can get part of the money there."

But deciding which equipment to liquidate can be complicated, as a comment by board member Ned Hickson demonstrated in regard to SVFR's ladder truck.

"My personal feeling is that I love the ladder truck, I love training on it, I love climbing up the ladder, I love all that stuff," he said. "But I think we used it four times last year, and we used it because we could, not necessarily because we needed it. I think at La Bu La, we had a hell of a time even getting it into the right place and getting the water where it needed to be. It's nice to have it, but I don't know if it's something we really need."

While the ladder truck, known as Truck 1, can be utilized for overhead and elevated fire suppression on multi-story structures as well as allow potential high-elevation rescue situations, the costs of maintaining the truck were far greater than its usefulness, Hickson argued.

"I look at the truck and I think to myself — \$50,000 to \$60,000 a year for maintenance," he said. "We have to save up money to replace it, another million dollars. If we sold it for \$500,000, we could immediately set that money aside to start replacing equipment that I think we really need. If we decide we need a ladder truck down the road if we grow that much as a community, personally, I think we could get some of these developments — and some of the money coming in from the developments — to help share in the cost. If we get more three- or four-story buildings, it would make more sense for them to pitch in — because the average taxpaying citizen does not really benefit from the ladder truck."

Tipler and Budget Committee member Anne Stonelake agreed with Hickson,

however Budget Committee member John Murphey stated he "strongly" disagreed.

"I would not want to be on the board of directors that made that decision," Murphey said. "And now you've got a fire at a two-story structure, like Shorewood or Spruce Point, I don't want to be the guy who made the decision that caused the loss of life in a two-story building fire."

For Abel, the concern was with Old Town.

"If you're a tourist-driven community, and you have a fire down there, the ladder truck can have a significant role in controlling that area," he said. "That will affect this community."

Another way SVFR could save funds through equipment and vehicles would be to modernize, as Budget Committee Member James Palisi pointed out.

"Some of the equipment that's being purchased today isn't really necessary for our geographical protection zones. We have a major urban wildland interface issue here," he said. "Is Engine 1 capable of getting into certain areas? No. It carries 1,000 gallons of water and has a gross vehicle weight of, what... 50,000 pounds? Why don't we go with multi-vocational units? You've got a lot of vehicle accidents, vegetation fires. So why would we have specialized equipment for vehicle accidents when we could have an engine that could also handle brush fires and carry medical rescue equipment? Take advantage of today's technology, is what I'm getting at. If we standardize our fleet that way, I think we could save a lot of money. We need to start thinking smart about what we buy."

However, there are specific reasons each piece of equipment was purchased and continues to be used.

"Before you throw your Class A engine out, remember, ISO," Tipler said, referring to the Insurance Services Office, which creates ratings for fire departments based on how well they are equipped to put out fires in a community. A bad ISO score could increase insurance rates.

"We work really hard to get a great ISO rating," Tipler said. "The reason why we have 1,000 gallons on those engines is because over half of our district isn't hydrated. And that's firefighter safety. You need 1,000 gallons for an initial attack when you're in a non-hydrated area. Should there be some equipment changes in my opinion? Yes. But look at 360 degrees with ISO ratings and all of that."

Palisi brought up compressed air foam systems (CAFS), an ISO-approved fire retardant foam that could be added to a water delivery system.

"You're basically taking a 500-gallon water tank on the apparatus, and you can stretch it to the equivalency of 2,500 to 5,000 gallons of actual firefighting agent," he

said. "And the good thing, it's less wear and tear on the firefighters, because they're carrying a hose with less water."

Another large concern the members had was that if SVFR increased the tax rate now, there would be little recourse for extra funds in the future.

"Being a director at the ambulance district, we had \$0.32 per thousand," Stonelake said. "You don't run an agency on that. So, every four years, we had to go out for a levy. And we had to work hard to make sure that our folks here in this community wanted to give up more of their tax dollars to give us \$0.48 to run the ambulance district. If we didn't get that money, people had to go. It took care of payroll. So I'm concerned that you're going to maximize this out and then four years, five years, you're going to have to ask for a levy. It is getting harder and harder to get these folks in this community to let go of more money. And this is taxpayer dollars that we're using and I think we need to look at this really hard."

The financial impact that such an increase could have on taxpayers was not lost on the board members in the room. "I spoke with John Carahan shortly before I got here," SVFR Director Tony Phillips said. "His serious concern was that we have taxpayers that are on a fixed income, and this might be the straw that breaks their back. Personally, this raise is going to cost me about \$500 a year in property taxes."

"Absolutely, I take this very seriously," Schick said. "Saving for the future is key, at this point," Phillips continued. "We could get by with a lesser increase and get by for a couple of years, but we don't get that extra cushion to continue to build."

"And that's what it is — preparing for the future," said Schick. "It's save money and pay cash for something versus going out and getting a loan and paying it off that way," Phillips said. "That's my opinion on the tax increase. I'm in favor of doing it as long as I feel confident that our future direction is to save everywhere we can, and put away for that future."

The rate increase does not need a public vote, since the \$1.5417 rate is standard. Thursday's meeting was an initial vote on the plan, with the final decision being made by the SVFR board in June. The fire district will be active in answering questions for the community.

"The issue I have is explaining it to the public," Budget Committee member Ed Groshens said. "If we vote on it, then we help support it. I volunteer to do that. I don't care what it takes, if it takes a public meeting, or whatever."

"I anticipate a lot of public meetings about this," Schick said. "Getting out there, meeting the public myself. I don't want to be known as the chief that comes in and raises taxes. I think talking to people will help."

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