



Long Term Financial Plan
Salt Spring Island Fire Rescue
2019

1. Planning for our Financial Future

Salt Spring Island Fire Rescue is taking important steps toward managing the long-term sustainability of the community's assets and services. Financial stability is fundamental to the health of the community. Only with stable and sufficient revenues, and careful planning of expenditures, will the Fire Department be able to provide the resources needed by firefighters to enable them to provide the services expected by our community.

Although the Fire Department is in reasonable financial shape, revenue opportunities expense pressures, and service demands are always changing. The scope and level of service, NFPA standard for firefighting equipment and meeting community expectations are constantly increasing. Salt Spring Island Fire Rescue has only limited access to financial support from senior levels of government.

The Fire District needs to think long term because its investments in equipment, apparatus and buildings are significant and longer term in nature. While individuals come and go, the District needs to continue in perpetuity to acquire and manage a stock of financial and physical assets that are critical for the provision of services to current and future generations of island residents and visitors.

This Financial Plan will provide the readers with an executive overview of the future Financial Plan and introduces the content and layout of each of the major sections.

The primary function of the Financial Plan is to provide detailed information about the District's funding requirements over the next few years. Furthermore, this document will guide the Fire Department towards a financially sustainable future:

1. Recognized value for services and equipment
2. Predictable infrastructure investment
3. Responsible debt management
4. Improved reserves and reserve funds

In conclusion, financial sustainability is about being mindful of the financial well-being of future generations. To be financially sustainable, the Salt Spring Island Fire Protection District needs to be a strategic thinker and planner. Long-term financial planning is the process of aligning financial capacity with the community vision and long-term service objectives. This is achieved through development of a set of financial principles and an effective linkage to the community vision.

2. Long Term Financial Plan Framework

To be financially sustainable, all forms of local government including fire departments need to be strategic thinkers and planners. Asset planners need to provide direction in the form of approved long-term strategic plans. To ensure all strategies and recommendations are aligned and consistent with a strategic goal of financial sustainability a framework is needed. Implementing a framework is a key mitigation factor in managing enterprise risk, meeting the challenges of infrastructure investment and reaching effective service levels for assets and operations.

When an entity embraces strategic planning, it gives the community confidence that decisions are well thought out and sustainable over a long-term period. These plans should provide the community with a clear understanding of the direction the department is moving in, and enough information to form and voice an option. Typically, the framework builds upon the vision outlined in the official plan and should include the following:

1. Official Plan
2. Recognized Value for Infrastructure
3. Predictable Infrastructure Investment
4. Responsible Debt Management
5. Service Standards and Performance
6. Short (Five Year) term and Long (Twenty-Five Year) term Financial Planning

3. Strategies for Financial Strength & Stability

3.1 Official Plan

In order to provide the services to the residents and ensure fire fighters' safety, it is important for the Fire Department to provide equipment and apparatus that meet the latest standard. The Fire Department must carefully plan and prioritize the use of its resources to ensure its service commitments are sustainable now and into the future.

3.2 Recognized Value for Infrastructure

It is extremely important to record the cost of infrastructure, calculate its depreciation rate, and provide a set of standards and performance measures for all infrastructures. These will help guide a long-term approach to management of service expectations, performance and cost.

3.3 Predictable Infrastructure Investment

The department's infrastructure is aging, and funds must be committed to ensure it is properly maintained and renewed. The department has an obligation to protect its investment and strike a balance between new facilities and the proper maintenance of existing infrastructure. Effective asset management sets out a strategic approach for the replacement, addition and improvement of assets over the long term.

It is also important to focus on existing assets and strategically choose between investing in what we have, building future expansions and/or revitalizations, and divest what may no longer be required.

An Asset Management Plan is being prepared and will provide a set of long-term infrastructure replacement approaches for all asset categories.

Asset Management

In 2019, the Fire department owns over \$3 million worth of assets in apparatus and equipment. This service the needs of Salt Spring Island residents, visitors, and firefighters.

An Asset Management Plan sets out a strategic approach for the replacement, addition and improvement of assets over the long term. Asset management is the process of gathering the most current and applicable information available to formulate the best possible informed decisions regarding building, operating, maintaining, renewal, replacement, and disposal of infrastructure assets, over the long term.

Maintaining core infrastructure in an appropriate state of repair is critical to long-term financial health and helps ensure asset management obligations are not deferred and infrastructure deficits do not accumulate to unacceptable levels.

Consistent with leading practice, the District plans to reallocate and identify revenues specifically for asset investment to a separate section on proposed Operating Budgets that are the basis of the yearly tax requisition. To ensure quality of service and accountability the Capital Asset Levy funds will be specifically earmarked to proactively invested not only routine maintenance, but also to replace aging capital assets to help ensure that quality services continue to be provided well into the future. The Capital Asset Levy will fund the current year's capital budgets, fund transfers to reserves and/or fund debt retirement.

3.4 Responsible Debt Management and Improved Reserves

Like many other local governments, the Salt Spring Island Fire Department uses debt in its mix of payment methods to fund capital investments. This allows payment to be made over a longer timeframe to align with the useful life of the underlying capital assets and ensures that more residents and the future generation will benefit from them.

The District will make every effort to minimize the impact of debt-servicing costs on the taxpayer by managing existing and future debt levels.

The District must take a very careful and strategic approach to its use of debt, ensuring a balanced operating budget and keeping property tax and fees at an affordable level. Using current assets and revenues wisely will help maintain modest overall debt and minimize interest costs over the long term.

Reserves and reserve funds are also a critical part of the long-term financial plan. Maintaining adequate reserves allow the department the flexibility to response to uncontrollable factors. The District must strive to maintain solid reserves and reserve fund balances to ensure that future liabilities can be met.

3.5 Service Standards and Performance

Demand for service must be balanced with the ability to pay, and between the conflicting goals of minimizing tax increases, maintaining existing services and infrastructure, and the cost of adding new services. As pressures on operating budgets rise, the District will need to work to identify financially sustainable service levels.

It is best practice to not only define appropriate levels of service, but to also consider all forms of service delivery in order to ensure the District's resources are being used efficiently.

3.6 Financial Planning

The last component of the framework is the preparation each year of a Five-Year Financial Plan and an updated Twenty-Five Year Capital Plan.

When the Asset Management Plan is completed, the report will begin detailing a twenty-five-year Capital Plan in more specific asset detail.

Review and Improvement (Plan-Do-Check-Act)

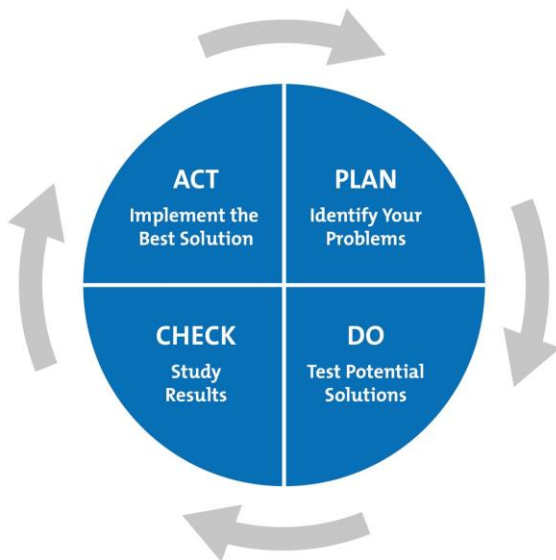
Continuous improvement is an underlying philosophy in asset management. Local governments that seek opportunities to improve the asset management system will ultimately deliver improved service to their communities. It is important for everyone to

realize that Asset Management is not a self-contained or one-time project. It is a journey of continual evolution and business change.

The “Plan-Do-Check-Act” model is a straightforward continuous improvement methodology that we can apply to our Asset Management (AM) system. Management and improvement of the Asset Management system should include a combination of three feedback processes:

1. Periodic formal management reviews of the AM system, including its effectiveness in delivering expected service performance and other outcomes.
2. Targeted audits of AM practices to ensure that processes are being followed and that tools and documents are being used correctly.
3. Ongoing solicitation and review of feedback from staff.

Figure 1: The Plan-Do-Check-Act Cycle



A formal management review of the asset management system, including the AM policy and strategy, should be undertaken on a cycle that aligns with the District’s strategic planning cycle. Reviewing the AM system in this way will ensure that priorities, objectives, decision-making criteria and planning processes remain aligned with strategic objectives and are effective in delivering value for the community.

Financial Plan for Apparatus

Apparatus are generally the most expensive expense for the Fire Department. The major vehicles have an estimated useful life of 20 years. However, the estimated useful life of the

apparatus can be extended depending on the apparatus' condition and the Fire Department's financial plan.

Table 1.1

Apparatus	Maintenance Management Item (MMI)	Installation Year	Estimated Useful Life	Unit Purchase Cost
E204	Engine 1 (Alf Pumper)	2010	20 years	\$ 538,067
E202	Engine 2 (Freightliner)	1997	20 years	\$ 215,110
E201	Engine 3 (Superior)	2003	20 years	\$ 638,630
T301	Tender 1 (Freightliner)	2000	20 years	\$ 276,924
T303	Tender 2 (Freightliner)	2000	20 years	\$ 239,520
T305	Tender 3 (Freightliner)	2017	20 years	\$ 391,736

Table 1.1 shows the basic information about the major vehicles.

Table 1.2

Apparatus	Estimated Replacement Cost (2018)
E204	\$ 750000
E202	\$ 500000
E201	\$ 750000
T301	\$ 400000
T303	\$ 400000
T305	\$ 400000

Table 1.2 shows the estimated replacement cost for each apparatus in 2018.

Table 1.3

Apparatus	Maintenance Management Item (MMI)	Installation Year	Estimated Useful Life	Unit Purchase Cost
M103	Mini Pumper 1 (Mitsubishi RIV)	2012	20 years	\$ 318,453
M102	Mini Pumper 2	1994	20 years	\$ 96,628
U509	Battalion	2010	10 years	\$127,330
U510	Utility 1 (Dodge Ram 25)	2004	15 years	\$ 18,000
U507	Chief 1 (Jeep Patriot)	2007	15 years	\$ 18,303
U508	Support 1 (Dodge Caravan)	2006	15 years	\$ 15,155

Table 1.3 provides the general information about minor and support vehicles that will need to be replaced in the future.

Table 1.4

Apparatus	Estimated Replacement Cost (2018)
M 103	\$ 400,000
M 102	\$ 200,000
U 509	\$ 125,000
U 510	\$ 75,000
U 507	\$ 75,000
U 508	\$ 60,000

Table 1.4 shows the estimated replacement cost for each vehicle in 2018 dollars.

Table 1.5 Expected Year of Replacement for each apparatus

2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
M102 U509 T301	U508	U507 E202	T301 E201						

2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
E204 T303		M103	T303				T305		

2040	2041	2042	2043	2044	2045	2046	2047	2048	2049
	T301								

Red shows apparatus that will need to be replaced in the next two years.

Yellow shows apparatus that will need to be replaced in the next five years.

Green shows apparatus that will not be replaced in the five years.

In our calculation, we assume an inflation rate of 2% per year starting in 2018 to predict the replacement cost for the apparatus. However, due to the shortage of the ending balance in the funds, the asset planner suggests extending the useful life of the apparatus. For example, instead of using an engine for 20 years, use it for 25 years. Also, it is assumed deposits to reserve funds as made on the first business day of each year, 2% interest revenue is earned on reserve fund balances, and disbursements from reserves are made on December 31st. The same assumptions are made for the equipment and the building replacement.

After the calculation, the table below shows the short term (5 years) financial plan for apparatus with a starting balance of \$262,717.

Apparatus		2018	2019	2020	2021	2022	2023	2024
Opening Balance	XX	\$ 262,717.00	\$ 331,068.00	-\$ 324,491.00	-\$ 153,426.00	-\$ 482,215.00	-\$ 1,043,949.00	
Contribution								
Apparatus Reserve Funds	XX	\$ 137,350.00	\$ 141,000.00	\$ 215,250.00	\$ 264,000.00	\$ 270,500.00	\$ 270,500.00	
Interest Earned	XX	\$ 8,001.34	\$ 9,441.36	-\$ 2,184.82	\$ 2,211.48	-\$ 4,234.30	-\$ 15,468.98	
Disbursements for Apparatus	\$ -	\$ 77,000.00	\$ 806,000.00	\$ 42,000.00	\$ 595,000.00	\$ 828,000.00	\$ -	
Borrowing								
Ending Balance		\$ 262,717.00	\$ 331,068.00	-\$ 324,491.00	-\$ 153,426.00	-\$ 482,215.00	-\$ 1,043,949.00	-\$ 788,918.00

As shown in the table above, the District will run out of the funds in 2020 due to the replacement of T301, U509 and M102. Even though the District adds a significant amount of money into the fund every year, it is still not enough to cover the replacement cost of apparatus.

The following table shows the balance of the fund and cost of replacement from 2019~2024.

Year	Funds	Cost of Replacement	Funds Balance
2019	\$ 408,068.34	-\$ 77,000.00	\$ 331,068.00
2020	\$ 481,509.36	-\$ 806,000.00	-\$ 324,491.00
2021	-\$ 111,425.82	-\$ 42,000.00	-\$ 153,426.00
2022	\$ 112,785.48	-\$ 595,000.00	-\$ 482,215.00
2023	-\$ 215,949.30	-\$ 828,000.00	-\$ 1,043,949.00
2024	-\$ 788,917.98	\$ -	-\$ 788,918.00

Chart 1.1: Long Term Financial Plan for Apparatus

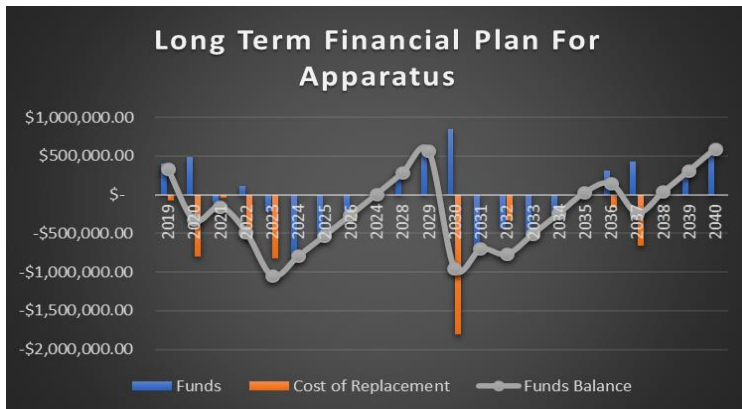


Chart 1.1 compares the cost of the apparatus and apparatus reserve funds until the year 2031. We assume that the fire department will put \$275,000, which is the same as 2023, into Apparatus reserve funds every year after 2023. The money that the fire department put into the funds is worth approximately 7~8% of the total property tax revenue every year.

As we can observe from the table and chart, the apparatus reserved funds will not have enough money for the replacement. Therefore, it is important for the District to adjust the

scheduled replacement year or plan to seek electoral approval for term loans to finance apparatus purchases.

Financial Plan for Equipment

The replacement cost of the equipment is another significant cost for the Fire Department. Most equipment has a nominal cost and can be expensed in the year acquired, in line with policy, it is still important to record as an asset on the balance sheet any equipment that costs \$2,500 or more.

Table 3.1 computer equipment that cost more than \$2500

Equipment	Maintenance Managed Item (MMI)	Installation Year	Estimated Useful Life	Purchased Cost
Desktop and Laptop	Dell Optiplex 3050 Desktop PC	2018	4	\$ 3,600
Server	Dell Power Edge R430 Server	2018	4	\$ 5,238
Pagers	Swissphones.Quad (AC)	2018	7	\$ 8,800
Pagers	Swissphones Quad (Fire Fighter)	2018	7	\$ 4,000

Table 3.2 Estimated replacement cost for computer equipment in 2018

Equipment	Estimated Replacement Cost (in 2018)
Desktop and Laptop	\$ 3,600
Server	\$ 5,250
Pagers	\$ 8,800
Pagers	\$ 4,000

Table 3.3 Other equipment's basic information.

Equipment	Maintenance Managed Item (MMI)	Installation Year	Estimated Useful Life	Replacement Cost (in 2018)
Personal Protective Equipment	PPE	2009	10	\$ 7,140
	PPE	2010	10	\$ 7,140
	PPE	2011	10	\$ 4,760
	PPE	2013	10	\$ 30,950
	PPE	2014	10	\$ 14,290
	PPE	2015	10	\$ 11,910
	PPE	2016	10	\$ 11,910
	PPE	2018	10	\$ 28,570

	PPE	2019	10	\$ 14,290
SCBA	M7	Unknown	20	0
	MMR/ Fire hawks	Unknown	20	\$ 47,4913
Equipment on Engine 1	3040 NCT Core	2003	10	\$10 119
	3260 UL Core	2003	10	\$12,792
	3350 Core	2003	10	\$8,788
	3340 Core	n/a	10	\$6,714
	DPU 60ph Core	2003	10	\$13,113
	50 Core Orange	2011	10	\$ 1 798
	50 Core Orange	2011	10	\$ 1 798
Equipment on Engine 2	3031 Core	2012	10	\$ 14,996
Equipment on Engine 3	3031 Core	2012	10	\$ 14,996

Table 3.4 Short term Financial Plan for the Equipment

Equipment		2018	2019	2020	2021	2022	2023	2024
Opening Balance	XX	\$ -	\$ -	\$ -	\$ 32,085.00	\$ 63,882.00	\$ 97,190.00	\$ 126,429.00
Contribution								
Small Capital Reserve Funds	XX	\$ -	\$ 51,750.00	\$ 53,250.00	\$ 54,500.00	\$ 55,750.00	\$ 55,750.00	\$ 55,750.00
Interest Earned	XX	\$ -	\$ 1,035.00	\$ 1,706.70	\$ 2,367.64	\$ 3,058.80	\$ 3,643.58	\$ 3,643.58
Disbursements for Equipment		\$ -	\$ -	\$ 20,700.00	\$ 23,160.00	\$ 23,560.00	\$ 29,570.00	\$ 587,200.00
Additional Money for SCBA								
Ending Balance		\$ -	\$ -	\$ 32,085.00	\$ 63,882.00	\$ 97,190.00	\$ 126,429.00	-\$ 401,377.00

Table 3.4 shows the short-term financial plan for the equipment. Due to the replacement of SCBA at 2024, the small capital reserve funds will not be enough to cover the replacement cost. Therefore, the fire department must put additional money for SCBA into the funds. The asset planner suggests adding an extra \$125,000 into the fund annually from 2020 to 2023.

Table 3.5 Short term financial plan for the equipment after adding \$125,000 to the fund annually.

Equipment		2018	2019	2020	2021	2022	2023	2024
Opening Balance	XX	\$ -	\$ -	\$ -	\$ 157,085.00	\$ 316,382.00	\$ 479,740.00	\$ 641,630.00
Contribution								
Small Capital Reserve Funds	XX	\$ -	\$ 51,750.00	\$ 53,250.00	\$ 54,500.00	\$ 55,750.00	\$ 55,750.00	\$ 55,750.00
Interest Earned	XX	\$ -	\$ 1,035.00	\$ 4,206.70	\$ 7,417.64	\$ 10,709.80	\$ 13,947.60	\$ 13,947.60
Disbursements for Equipment		\$ -	\$ -	\$ 20,700.00	\$ 23,160.00	\$ 23,560.00	\$ 29,570.00	\$ 688,800.00
Additional Money for SCBA				\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	\$ 125,000.00	
Ending Balance		\$ -	\$ -	\$ 157,085.00	\$ 316,382.00	\$ 479,740.00	\$ 641,630.00	\$ 22,528.00

Table 3.5 illustrates the short-term financial plan for the equipment after adding \$125,000 to the funds annually. \$125,000 is worth approximately 3.5% of the total property tax revenue of the year. This will increase the tax requisition slightly. However, it will help the financial plan for the equipment to stay financially stable.

Chart 2.1 Short term financial plan for equipment.

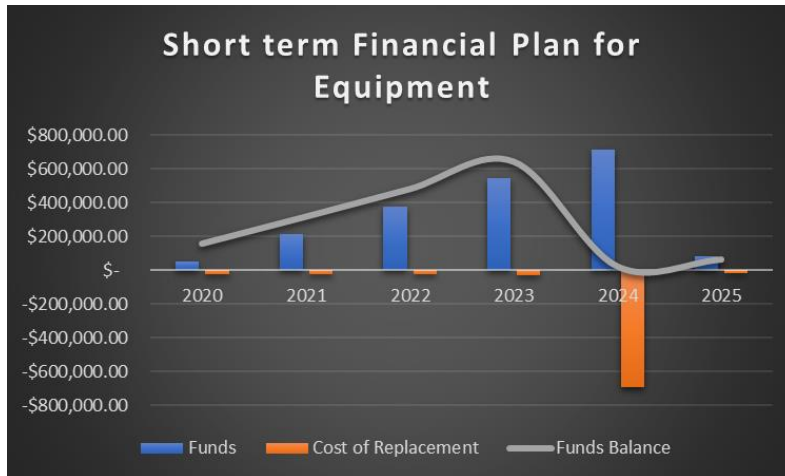
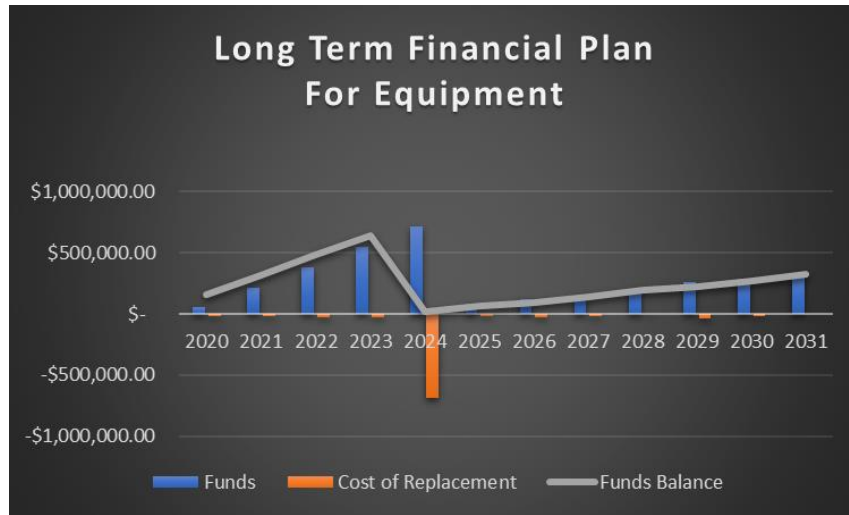


Chart 2.1 compares the replacement cost and the small capital reserve funds. It shows that the only major cost in the equipment is the replacement of SCBA.

Year	Replacement Cost	Funds
2020	\$ 20,700.00	\$ 177,785.00
2021	\$ 23,160.00	\$ 336,370.00
2022	\$ 23,560.00	\$ 496,917.00
2023	\$ 29,570.00	\$ 671,199.80
2024	\$ 688,800.00	\$ 711,327.60

Chart 2.2 compares the funds and costs and shows the ending balance.



If the fire department can continue to add \$55,750 into small capital reserve funds, the fire department should have enough money to replace the SCBA again in 2044.

Table: Expected Year of Replacement for Equipment.

2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
PPE 3260UL Core	PPE 3040NCT Core 50 Core Orange	PPE 3031 Core	3031 Core	PPE SCBA Ram3350 Core Ram3340 Core	PPE	PPE	PPE		PPE

2030	2031
PPE	

The **red** shows the equipment that will need to be replaced in the next two years.

The **yellow** shows the equipment that will need to be replaced in the next five years.

The **green** shows the equipment that will not be replaced in the next five years.

Financial Plan for the Building Replacement

The Salt Spring Island Fire Hall in Ganges has served the citizens of Salt Spring Island since 1960. Initially, the building had an estimated useful life of 50 years. The Fire Department plans on replacing the building in the near future.

According to the Fire Department’s asset planner, the replacement cost would be \$ 350 per sq ft. In other word, to build a new fire hall that is the current size (4200 sq ft) would cost around \$1,500,000.

This is the Financial Plan for the main Fire Hall replacement.

Land								
		2018	2019	2020	2021	2022	2023	2024
Opening Balance	XX	\$ 50,000.00	\$ 204,000.00	\$ 463,080.00	\$ 727,342.00	\$ 1,047,889.00	\$ 1,374,847.00	
Contribution								
Fire Hall Reserve Funds	XX	\$ 150,000.00	\$ 250,000.00	\$ 250,000.00	\$ 300,000.00	\$ 300,000.00	\$ 300,000.00	\$ 300,000.00
								\$ -
Interest Earned	XX	\$ 4,000.00	\$ 9,080.00	\$ 14,261.60	\$ 20,546.84	\$ 26,957.78	\$ 33,496.94	
Disbursements for Equipment		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,500,000.00
Borrowing								\$ -
Ending Balance		\$ 50,000.00	\$ 204,000.00	\$ 463,080.00	\$ 727,342.00	\$ 1,047,889.00	\$ 1,374,847.00	\$ 208,344.00

The fire department will have enough money in the New Fire Hall Reserve Funds by 2024 to build a new 4,200 sq ft fire hall to replace Ganges Fire Hall No. 1. To fund a larger replacement facility, borrowings would be necessary with reserve fund balances in effect being “equity”. Therefore, it is reasonable to plan the new fire hall development in 2025.

Similar to the main Fire Hall, Fire Hall 2 (Fulford) and Fire Hall 3 (Central) will eventually reach the end of their useful life. Therefore, it is important to plan the replacement funds as early as possible. The Fulford Fire Hall was built in 1980 and the Vesuvius Bay Fire Hall

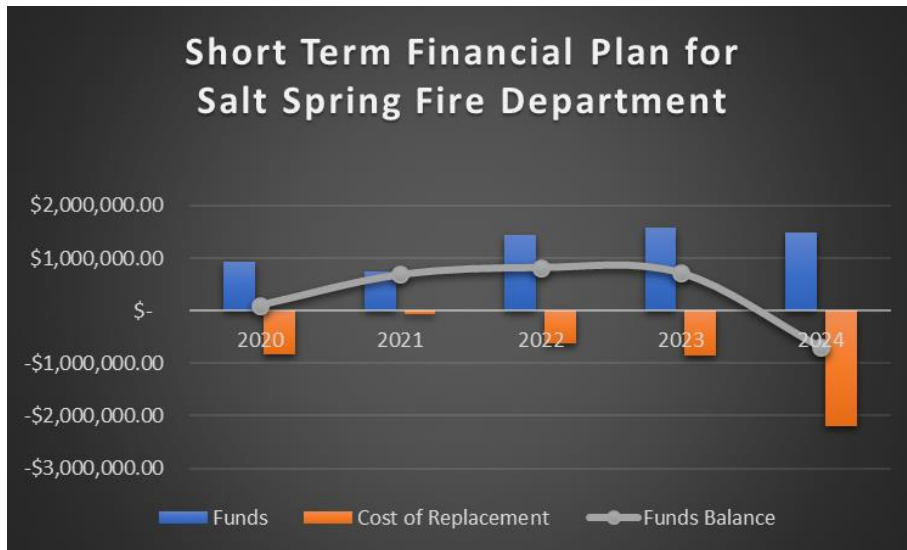
was built in 1993. Each with an estimated useful life of 50 years. In addition, there is a training ground at the Fulford Fire Hall. The training ground was built in 2013 with an estimated useful life of 20 years.

Fire Hall	Estimated Replacement Year	Estimated Cost
Fulford Fire Hall	2030	\$ 1000000
Vesuvius Bay Fire Hall	2043	\$ 1000000
Training Ground	2033	\$ 94000

Fortunately, the fire department will have plenty of time until the re-development of the Fulford Fire Hall in 2030.

Five-Year Financial Plan for the Fire Department

The Short-term Financial Plan for the Salt Spring Fire Department in the next five years.



Salt Spring Island Fire Infrastructure Report Card

Asset	Rating	Comments
Engine 1	A	Excellent Condition.
Engine 2	D	Poor Condition.

Engine 3	C	Reasonable Condition
Tender 1	C	Reasonable Condition
Tender 2	A	Excellent Condition
Tender 3	A	Excellent Condition.
M103	A	Excellent Condition.
M102	C	Reasonable Condition
U510	C	Reasonable Condition.
U507	C	Reasonable Condition.
U508	D	Poor Condition.
U503	D	Poor Condition.

The condition ratings are not unusual and indicate that most assets are in reasonable condition.

Asset Element	Rating	Projected rating at current funding	Projected rating at proposed funding	Comment
Apparatus	B	F	D	
Equipment	B	C	A	
Buildings	B	A	A	