

SALT SPRING ISLAND FIRE PROTECTION DISTRICT

STAFF REPORT

DATE: September 13, 2021
SUBJECT: RECOMMENDED 2022 Operating Budget
FROM: Andrew Peat, CAO

The Board of Trustees will give first reading of the 2022 Taxation Bylaw at the September 20, 2021 meeting. Trustees are asking for public advice and comment before approval of the 2022 Operating Fund Budget and final reading of Bylaw No. 145, "Fire Protection Taxation Bylaw 2022".

The proposed tax requisition in 2022 is \$4,255,000 – a \$424,850 (+11.09%) increase over 2021 levies. In 2022 there are no outstanding loans for apparatus purchases so, total property taxes (Operating + debt servicing combined) would increase by 9.10% over 2021.

For the median valued property (2021 Total Assessed Value \$633,000) property taxes for fire protection purposes would increase \$47.56.

For residential property owners who do not pay Ganges Sewer parcel taxes and service levies, the cost for fire protection services in 2021 was 16.58% of total property taxes.

What are the major costs in the Proposed 2022 Operating Budget?

Income

Interest General	\$ 6,750 (-\$5,250)
Miscellaneous Income	\$ 5,000 (unchanged)
Tax Revenue	\$4,255,000 (+\$424,850)
Total Operating Fund Revenue	\$4,266,750 (+\$419,600)

Operating Expenses

Administration Expenses	\$ 147,500 (+\$1,800)
Operating Expenses	\$ 395,000 (+\$2,500)
Trustee Expenses	\$ 99,500 (-\$110,000)
Wages & Stipends	\$2,114,750 (+\$266,700)
Statutory & Group Benefits	\$ 652,750 (+\$139,350)
Contingency Reserve	\$ 45,000 (-\$55,000)
Total Operating Expenses	\$3,454,500 (+\$245,350)
Surplus before Capital Expenses & Tsfs.	\$ 812,250 (+\$174,250)

Capital Expenses & Transfers to/from Reserves

SCBA Lease Payment	\$ 62,125 (-\$3,375)
Small Capital	\$ 30,000 (-\$25,000)
Major Capital (Water Supply)	\$ 50,000 (unchanged)
Transfer to Reserves (Apparatus)	\$ 258,000 (+\$48,000)

Transfer to Reserves (New Fire Hall)	\$ 500,000 (+\$345,000)
Transfer to Reserves (Unspecified)	\$ 25,000 (-\$215,000)
Transfer to Reserves (Halls 2,3)	\$ 50,000 (unchanged)
Capital Expenses & Tsfs. to Reserves	\$ 977,125 (+\$149,625)
Transfer from Reserves (New Fire Hall)	\$ -15,000 (-\$125,000) to cover Project Soft Costs
Transfer from Reserves (Payroll)	\$ -150,000 (+\$150,000) New
Transfer from Reserves (Paggers)	\$ 0 (-\$44,500)
Transfers from Reserves	\$ -165,000 (-\$19,500)
Total Capital & Tsfs. to/from Reserves	\$ 812,125 (+\$169,125)
Surplus /Deficit	\$ 125 (+\$5,215)

2022 budgeted **Administration Expenses** are \$147,500 – an increase of \$1,800 (+1.24%) over 2021. Increased “Audit & Related Fees” and “Licences, Leases & Rentals” largely offset reduced “Technical Support”. Actual Fiscal Year 2020 Administration Expenses (\$122,928) under budget \$26,072 because of lower Insurance and Technical Support expenses.

2022 budgeted **Operating Expenses** are \$395,000 – an increase of \$2,500 (0.64%) over 2021. Actual Fiscal Year 2020 Operating Expenses (\$293,031) under budget \$115,219 because of lower Training – Paid-on-call and Career (curtailed because of the COVID-19 pandemic) and Vehicle Operating (no major apparatus repairs).

2022 budget **Trustee Expenses** are \$99,500 – a decrease of \$110,000 (-52.61%) from 2021 because of lower New Fire Hall Project related costs. Actual fiscal Year 2020 Trustee Expenses (\$280,716) over budget by \$15,216 – savings on New Fire Hall Project offset by higher Legal and Labour Relations expenses (IAFF contract settled by arbitration). Trustees expect to receive the Project Manager’s Final Report on the feasibility of the New Fire Hall Project late in 2021 with a possible referendum vote to approve borrowings in spring 2021. **NOTE**, in the budget, New Fire Hall Project expenses are offset by a transfer FROM the New Fire Hall Reserve Fund.

Why are Wages and Benefits increasing so much?

2022 budget for **Total Wages** is \$2,114,750 – an increase of \$266,700 (+14.43%) from 2021. The 2021 Budget was prepared without knowing the details of the 2020 Interest Arbitration made by Arbitrator Ms. Judi Korbin. The award set wage rates at 100% of comparable CRD municipalities (previously 102% of District of Saanich), increased the average work week for the suppression branch (35 to 42 hour/week), and allowed the Fire Department to transition in 2021 to a 24/7 staffing model, eliminating the need for the evening Standby Duty Shift. Savings are more than offset by mandated officer promotions, new hires, and higher costs to backfill for vacation and sick relief - IAFF members are exercising their right of refusal to backfill shifts at overtime, work

that was previously done by paid-on-call members. Since, 2017, the Deputy Chief position has not been funded in the approved budget and with the uncertainties surrounding the status of the incumbent Fire Chief, the proposed 2022 budget funds both the Fire Chief and Deputy Chief positions. A cost-of-living wage increase is budgeted for career, excluded and paid-on-call members and apart from changes mandated by the Interest Arbitration award, there are no other material changes in staffing included in the proposed 2022 budget.

2022 budget for **Total Statutory and Group Benefits** is \$652,750 – an increase of +\$139,350 (+27.14%). In addition to increased numbers of staff eligible for group benefit plans and increased statutory benefits there are material increases in the costs for LTD insurance plans and employer contributions to Registered Pension Plans (overtime paid IAFF members is pensionable).

NOTE in 2020 and 2021 the Municipal Pension Plan refunded employer contributions, with interest, on earnings ruled ineligible (\$269,359). These were transferred to a Wages & Benefits Reserve Fund. The recommended 2022 Budget includes a one-time transfer from this Reserve Fund to reduce the 2022 Tax Requisition.

Why is the Board proposing to continue large transfers to Reserve Funds for Apparatus Replacement, Equipment and Fire Halls?

In 2018, staff and Board committees discussed the need for the District to properly plan future capital asset expenditures. **Ideally, good asset management and sustainable service delivery means there will be no unfunded liabilities foisted on future property owners.**

Since then, successive budgets have transferred funds to separate Reserve accounts for apparatus, to improve water supply for fire flows, general capital purchases, remediation of Fire Halls, and a down payment for the new Fire Hall No. 1 at Brinkworthy. As of August 31st 2021 the balance in all reserve funds was \$1,594,622 plus accrued interest.

The recommended 2022 Budget proposes transfers to reserves from operating funds (general tax revenue) of \$977,125, an increase of \$149,625 from 2021. The transfer to the General Capital Purposes Reserve Fund (New Fire Hall Reserve) is \$500,000. Unspent balances in the New Fire Hall fund could be used as a “down payment” reducing future borrowings. The New Fire Hall appropriation would in the future be used for debt servicing. At a 3.5% interest rate and 20-year loan amortization, total payment (principal + interest) on a loan of \$100,000 is \$7,036.11/annum.

The last apparatus loan was paid in full in 2021 and the 2022 budget Transfer to the General Capital Purposes Reserve Fund (Apparatus) IS \$258,000, an increase of \$48,000 over 2021 includes prior year's loan payments plus an adjustment for inflation. Planned 2022 front line apparatus and support vehicle purchases, \$475,000 are funded from reserves.

In 2020 replacement self-contained breathing apparatus (SCBA) equipment costing \$287,524 was leased from Calidon Equipment Leasing on a 4-year term ending in 2024. At the end of the lease the District can purchase the SCBA equipment for \$1.

The recommended 2022 budget includes transfers from reserve funds to the general operating fund to cover soft costs of the New Fire Hall Project (\$15,000) and the Wages & Benefits Reserve Fund (\$150,000) to "smooth out" tax increases due to higher Wages & Benefit costs mandated by the Interest Arbitration award.

Fire Underwriters Survey (FUS) Fire Insurance Grading

The 2022 Capital Account budget continues setting aside funds (\$50,000) to augment the water supply in the Ganges core that would be available for fire protection purposes. The business district, hospital, seniors housing and schools are concentrated in the Ganges core. FUS have indicated a willingness to discuss a proposal to divide the Island into "grading zones" and obtaining a separate classification for the Ganges core area. A higher Fire Insurance Grading may mean reduced insurance premiums for fire protection coverage. The Fire Insurance Grading report is scheduled to be updated again in 2022.