



Report Date: February 12, 2020

Author: Ryan Thoms

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REQUEST FOR DECISION REPORT

TO: Finance Committee

FROM: Ryan Thoms, Manager of Emergency Services

IN COLLABORATION WITH: Mike Wall, Manager of Asset Management and Strategic Initiatives, Linda Greenan, Manager of Financial Services

SUBJECT: Fire Services Capital Asset Management

ACTION/RECOMMENDATION

1. THAT the Committee recommend the Board increase the 2020 contribution to the Northside Fire Protection Service statutory reserve fund from \$100,000 to \$203,574 in order to contribute sufficient funds for apparatus replacement based on the asset management replacement assumptions set out in this report dated February 19, 2020.

2. THAT the Committee recommend the Board amend the Malaspina Fire Protection statutory reserve fund to a reserve for hall construction/replacement; and

THAT staff be directed to establish a new statutory reserve fund for the Malaspina Fire Protection service for fire apparatus purchase/replacement; and

THAT staff be directed to establish a non-statutory reserve fund for the Malaspina Fire Protection service that could be used for fire equipment purchases and to stabilize the annual requisition; and

THAT any prior year surplus that is not planned for use in the subsequent year's budget be directed to the non-statutory reserve for the service.

3. THAT the Committee recommend the Board discontinue the recovery of costs for the Lasqueti Fire Island Protection service by parcel tax starting with the 2020-2024 Financial Plan.

4. THAT the Committee recommend the Board direct staff to undertake a public engagement process in 2020 for the Lasqueti Island Fire Protection Service in order to develop and prioritize capital asset management plans and to develop a funding strategy to support those plans; and

THAT staff be directed to reallocate \$5,000 from the proposed 2020 statutory reserve fund contribution toward the projected cost of public engagement on Lasqueti Island.

PURPOSE/SUMMARY

To consider the capital asset management needs for the four local fire services.

STRATEGIC PRIORITY

Asset Management is no longer noted as a qRD Strategic Priority though it is essential for the long term sustainability of the local fire services and falls under the context of our asset management policy and asset management strategy.

TYPE OF DECISION

Directive

HEALTH & SAFETY IMPACT/RELATIONSHIP

The development of asset management plans for fire service facilities and vehicle fleets is consistent with maintenance of safe workplaces for qRD firefighters.

RISK MANAGEMENT IMPACT/RELATIONSHIP

Failing to invest in the necessary maintenance and replacement of fire service facilities and vehicles may expose the qRD to significant risk in its ability to provide sustainable service delivery. Specific risks and consequences could be the failure to meet the service requirements or reduction in the levels of service.

BACKGROUND

The qRD operates four local fire protection services: Northside Volunteer Fire Department, Savary Island Volunteer Fire Department, Malaspina Volunteer Fire Department, and the Lasqueti Island Volunteer Fire Department.

On April 25, 2019 the qRD Board adopted the following resolution:

THAT the Board adopt Asset Management Policy 3.14 as amended.

Policy 3.14 explains the role of the Board is to:

- a) *Approve asset funding through the annual budget process;*
- b) *Approve funding and resources to maintain the asset management program;*
- c) *Provide high level oversight of the delivery of qRD's Asset Management Strategy;*
- d) *Approve Levels of Service that reflect, to the best of the Board's ability and within the context of qRD's financial capacity, the reasonable expectations citizens have for qRD services; and*

e) *Act as stewards for qRD's Assets.*

On January 30, 2020 the qRD Board adopted the following resolution:

THAT the Board endorse the concept and principles of developing capital asset management plans for the qRD Regional District local fire services by following facility condition assessments, BC Building Code, Worksafe BC, and guidance from the Fire Underwriters Survey guidelines for fire hall and fire apparatus replacement schedules; and

THAT the Board commit the recommended capital funding to build reserves in the respective fire department service budgets to meet the identified capital asset management planning needs outlined in the "Fire Services Capital Asset Management" report dated January 15, 2020.

DISCUSSION

The charts on the following pages detail the current facilities and vehicles in each fire service with a summary of current recommended replacement dates and estimated replacement costs. The recommended replacement dates for fire hall replacement are based on current facility condition assessments or the assumption of fifty year lifespans for new buildings. The estimated fire hall replacement costs are based on assumptions of constructing similar sized facilities without the need for purchase of new land.

The recommended replacement dates for fire engines and water tenders are based on Fire Underwriters Survey (FUS) guidelines for these types of apparatus. Replacement dates for rescue vehicles, first responder vehicles, and support vehicles such as pickup trucks have been set at thirty years. In cases where the vehicle is already over thirty years of age the recommended replacement date is shown as 2020. The estimated vehicle replacement costs are based on recent purchases and quotes for fire engines, water tenders, and rescue vehicles. Even though some forecasted costs are many years or even decades into the future all costs are understood to represent today's costs.

The Required Annual Reserve Contribution shown on the tables that follow indicate the amount needed for each year going forward to achieve the estimated replacement cost. The Annual consumption cost is the per year cost of the asset over its lifetime.

FINANCIAL IMPLICATIONS

The goal is for the Asset Management and Emergency Services departments, with direction from the Board, to work toward an understanding of the necessary capital reserves contributions for each service. Based on the current understandings the financial implications are as follows:

NVFD:

Given that the NVFD has one new fire hall and one hall on the verge of being built the facility capital replacement plans would require a \$47,714 annual contribution.

The proposed 2020 NVFD budget would see \$100,000 transferred to reserve for future apparatus replacement. It is recommended that the contribution to reserve for apparatus be increased to \$203,574. This increase would fit within the fire service's requisition limit. Based on the 2020 BC Assessment Completed Roll Values the increase to \$203,574 would mean a change in the total residential tax rate per \$100,000 in 2020 from \$181.20 to \$224.40.

SIVFD:

The Asset Management Department recommends \$51,800 per year contribution to reserves for future replacement of the three SIVFD fire halls estimated in 2049.

The proposed 2020 SIVFD budget would see \$38,000 contributed to reserves. The contribution cannot be increased in 2020 as the service has reached the current requisition limit. This amount is not enough to achieve the estimated \$350,000 fire engine replacement due in 2022. The remainder will likely need to be sourced through borrowing.

MVFD:

In order to replace the MVFD #1 hall in ten years and the #2 hall in 27 years the Asset Management Department currently recommends an annual contribution of \$158,700. Staff recommend the Board maintain the current reserve fund and dedicate that reserve toward fire hall construction/replacement.

The proposed 2020 MVFD budget would see a \$110,341 reserve contribution to the proposed new reserve fund for apparatus purchase/replacement. Based on the asset replacement table prepared for this report the planned reserve fund contribution should be sufficient for the next apparatus replacements.

The proposed 2020 MVFD budget proposes a \$55,646 non-statutory reserve fund contribution to pay for the 2020 equipment needs of the service. It is recommended that any annual surplus that is not planned for use in the subsequent year be contributed to this new non-statutory reserve.

Staff recommend that the Board:

- Amend the current reserve fund to be for hall construction/replacement.
- Establish a second reserve fund for fire apparatus purchase/replacement.
- Establish a non-statutory reserve for equipment purchases and replacement or for large operational purchases that do not take place every year i.e. a major apparatus repair or replacement of turn out gear.

LIVFD:

Given the current understanding, the qRD should be prioritizing immediate consideration to replacement of the LIVFD north fire hall and three of the five LIVFD apparatus as soon as possible. The Asset Management Department projects the cost of the LIVFD north fire hall at a minimum of \$720,000 and the cost for replacing the three apparatus at \$950,000.

Given the quantity of immediate needs, staff require direction regarding prioritization for asset replacement. Confirmation of the LIVFD capital replacement plan is particularly important as the current LIVFD 2020 budget is considering significant costs, such as \$7,000 for the pouring of a concrete apron for the north fire hall. The question of whether or not to commit to the current apron funding would be better informed if staff can confirm the replacement date for the fire hall. If the fire hall is to be replaced soon then it may be better to not invest \$7,000 in pouring a concrete apron that will likely need to be removed as the new facility is built.

The current rate of transfers to reserve will not provide a significant pool of funds for construction of the fire hall and the majority of the financing will need to come from borrowing.

It is recommended that the Board:

- Amend the current reserve fund so that it is for the purpose of fleet purchase or replacement.
- Establish a second reserve fund for fire halls.

Staff recommend that the board prioritize utilizing the current reserve funds for apparatus rather than for facilities. With consistent, adequate reserve fund contributions the qRD could avoid borrowing for fire apparatus as they come due regularly and would only need to consider long-term borrowing for fire hall construction once or twice every century.

To remain within the current requisition limit, staff propose the 2020 contribution to reserve at \$28,500. That level of contribution will mean a reserve fund balance of \$91,972 at the end of 2020. A significant requisition and requisition limit increase will be required in order to provide a sufficient contribution to the reserve in order to save money for apparatus replacement.

Parcel Tax

On March 23, 2001 the Board adopted the Lasqueti Island Fire Protection Service Establishment Bylaw No. 341, 2001. The bylaw served to:

- Convert the specified area to a service area; and
- Change the method of cost recovery from property value taxes on land and improvements to a combination of:
 - Parcel taxes to collect up to \$30,000 of the total annual requisition and
 - Property value taxes to collect the balance of the requisition.

The intent of the parcel tax was to provide financing dedicated toward upgrading the fire department to comply with WorkSafe safety regulations and Fire Underwriters standards for department certification. Under the formula, the amount collected by parcel tax was to decrease once the upgrade plan was completed. Ongoing upgrade costs were to continue to be financed through parcel taxes.

It seems that the purpose of the separate parcel tax for upgrades was to make very transparent the amount of funding that was dedicated toward department upgrades.

Parcel taxes are considered to be a more regressive form of taxation as each plot of land is taxed the same and parcel taxes generally hit lower-income people harder. The following two tables illustrate the current residential tax rate estimates, based on the 2020-2024 Financial Plan as proposed at Draft 2, with a comparison to the tax rates without a parcel tax component.

Property Value	\$100,000	\$200,000	\$300,000	\$400,000	\$500,000	\$600,000	\$1,000,000
Rate per \$100k	110	220	330	440	550	660	1,100
Flat Parcel Tax	76	76	76	76	76	76	76
Total Tax	186	296	406	516	626	736	1,176

Property Value	\$100,000	\$200,000	\$300,000	\$400,000	\$500,000	\$600,000	\$1,000,000
Rate per \$100k	128	255	383	511	639	766	1,277
Flat Parcel Tax							
Total Tax	128	255	383	511	639	766	1,277

It seems that the funding formula served its purpose at that time and is no longer necessary. Also, the current presentation format of the financial plan shows very plainly the amount of funding that is directed toward capital needs and toward annual reserve fund contributions. Therefore, it is recommended that the Board eliminate the recovery of costs for the Lasqueti Fire Protection service through a parcel tax starting with the 2020-2024 Financial Plan.

While a change in the method of cost recovery, through elimination of the parcel tax, will not raise additional funds for the service, it will move the service to a more progressive form of taxation. The move away from parcel tax will also result in a reduction of total taxation, for the LIVFD fire service, to owners of property in the lower value range. Based on the tax rates and assessed values in the 2020-2024 Financial Plan at Draft 2 property owners with property values up to \$400,000 will pay less than they would through cost recovery via parcel tax.

PUBLIC AND/OR STAKEHOLDER ENGAGEMENT

Staff work on an ongoing basis with Fire Chiefs in each of the fire service areas regarding facility and apparatus operations and planning. The fire services have not performed any recent public engagement regarding asset management needs. Public engagements have been carried

out in recent years in support of attaining the necessary public approvals for long term borrowing. A common criticism heard during these public engagements has been regarding the need to incur borrowing costs and the qRD's failure to put aside funds over the lifespan of its capital infrastructure to cover the eventual and predictable replacement cost.

Public engagement of Lasqueti Island is of particular importance in order to explain the capital needs and to develop a capital replacement plan for a way forward for the LIVFD service.

CONCLUSION

Developing and following the capital asset management plan will provide a better understanding of the expected service lives of the most significant capital items in the fire services: fire halls and fire apparatus fleets.

The timelines outlined in this report are based on facility condition assessments and expected lifespans while the fleet replacement timelines are based on guidance from the Fire Underwriters Survey of Canada. The timelines provide the qRD with effective planning tools for the ongoing sustainability of the local fire services.

In 2012 the qRD commissioned a review of its four local fire services. The subsequent report, known as the 2012 Fire Services Review, found at that time, significant deficiencies in the fire halls and apparatus in all four of the qRD fire service areas and made the following recommendation:

“Develop an Equipment/ Facility Replacement Capital Plan to complement the PRRD's Asset Management Plan and Financial Plans. Avoid leasing where possible. Develop reserves to facilitate purchases”.

There has been much progress since 2012 in the qRD fire services, with several aged facilities and fire apparatuses replaced. However these improvements have come with challenges, risks, costs, workload, and public criticism stemming from the reliance on long term borrowing to replace retiring capital assets.

In instances where the service cannot possibly support reserve contributions for both facility and apparatus needs staff recommend prioritizing apparatus reserves over facility reserves. This would mean the qRD could avoid borrowing for fire apparatus as they come due regularly and only need to consider long term borrowing for fire hall construction once or twice every century.

On Lasqueti in particular, comprehensive public engagement sessions to explain the capital needs of the LIVFD and to discuss the recommended requisition increase and the move away from parcel tax will be important

Ryan Thoms
Manager of Emergency Services

Concurrence: Al Radke
Chief Administrative Officer