Volume 5

Long Term Financial Plan

INTEGRATED
COMPREHENSIVE PLAN

Acknowledgements

This Long-Term Financial Plan has been developed for the citizens of our District and the Central Whidbey Island Fire & Rescue Board of Fire Commissioners:

- Board Chairperson Paul Messner
- Commissioner Cheryl Engle
- Commissioner Steve Hutchinson

District Staff

- Fire Chief Ed Hartin, MS, EFO, FIFIreE, CFO
- Finance Officer Kim Harpe
- Deputy Chief Charlie Smith, CEMSO
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Editorial Review

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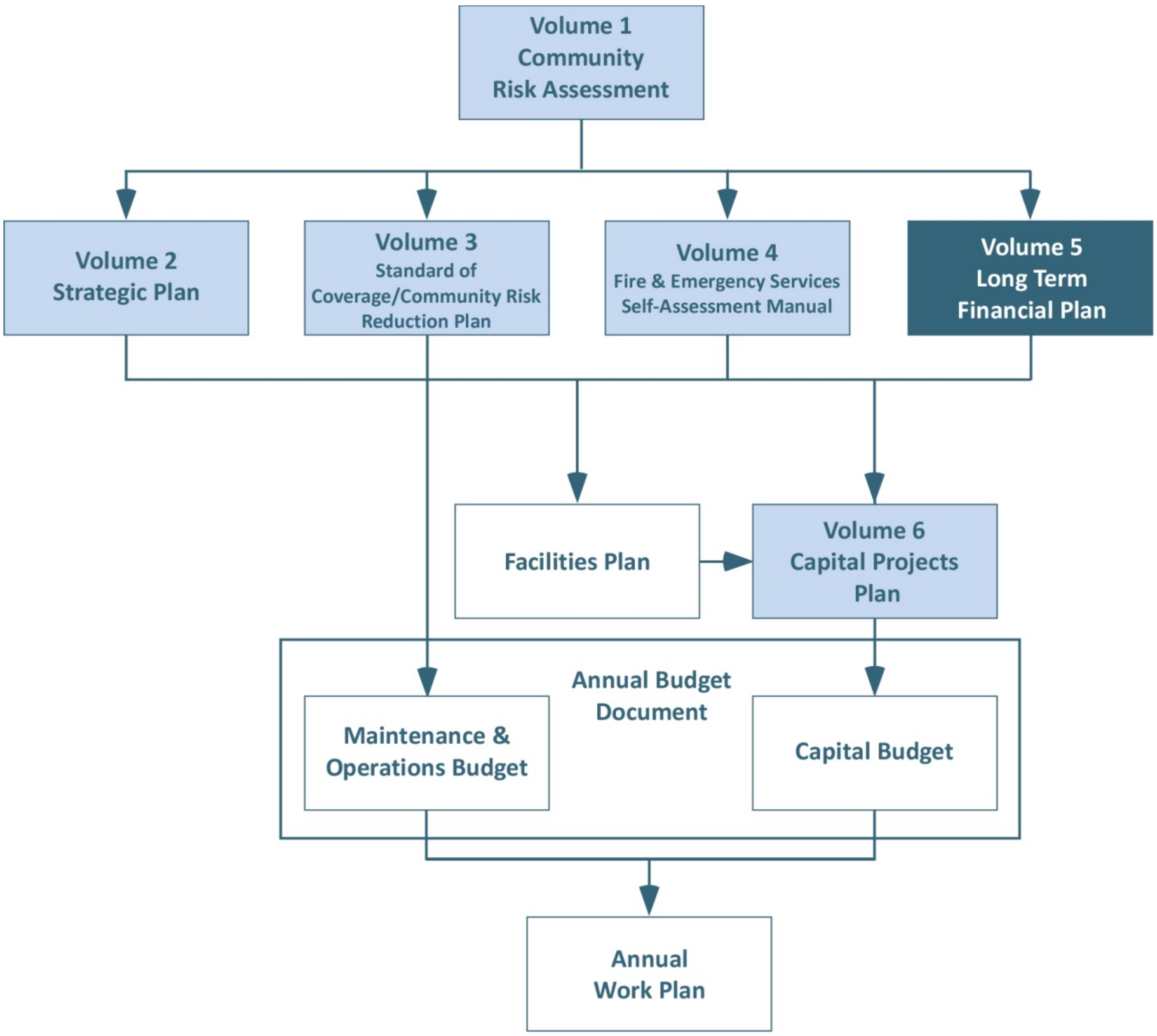
The Long-Term Financial Plan Working Group would also like to acknowledge the support and commitment of the District's full-time, part-time, and volunteer members in translating this plan into operational day-to-day reality.

Introduction

Central Whidbey Island Fire & Rescue (CWIFR) maintains several strategic level plans 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. CWIFR Integrated Comprehensive Plan Components



Volume 1-Community Risk Assessment (CWIFR, Under Development): 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 as a whole, and by Fire Management Zone and Marine Area of Operation.

Volume 2-Strategic Plan (CWIFR, 2016): CWIFR'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 (CWIFR, Under Development): 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 ICP Volume 1-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 Manual (Under Development): The Fire and Emergency Services Self-Assessment Manual (FESSAM) (CPSE, 2015) 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. While this document is one of the key elements in fire department accreditation, the District has used this self-assessment process for six years prior to formally moving forward in the accreditation process.

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 (2018b): 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.

While not part of the integrated comprehensive plan, the District's facilities plan (Rice Fergus Miller, 2015) provides analysis of existing facilities and projected needs based on a 50-year timeframe. This plan was used in development of the exiting Capital Projects Plan and will serve as a reference for future capital facilities projects.

The District develops an annual budget for all funds including General Fund, Capital Projects Fund, Compensated Absences Fund, Bond Fund, Debt Service Fund and Grant Management Fund. Additional detail regarding budget structure and organization is 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 90% of total district revenue. As with all municipal corporations in Washington, the District is constrained by the constitutional limited increases in tax revenue, statutory limitations on fire district levy rates, and the community's financial capacity. CWIFR also has several Interlocal Agreements to provide service to Whidbey Island Hospital District (dba WhidbeyHealth), the Town of Coupeville, and Island County which comprise approximately 8% of total district revenue. Approximately 2% 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).

The District's voters passed an Unlimited Tax General Obligation (UTGO) bond measure in the November 2017 general election. This bond funded renovation and expansion of Station 53 on Race Road and purchase of three Type 1 fire engines, allowing replacement of existing apparatus that is reaching the end of its 25-year useful life.

Overall the District is fiscally healthy, with positive Cash Flow in the near term and adequate General Fund Balance to sustain current service levels through 2027. The General Fund is fully funded for currently programmed projects but is not funded for major capital facilities projects (not yet programmed) such as renovation and expansion of Stations 51 and 54. The compensated absences fund is not fully funded, but annual transfers from the General Fund are anticipated to match the District's liability prior to anticipated retirement of incumbent members.

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 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.

"All knowledge is about the past; and all our decisions are about the future" (Wilson, 2000, p. 24).

Preparing for an uncertain future requires consideration of a wide range of factors as well as direct and indirect influences on Central Whidbey Island Fire & 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, 2008) recommends that public agencies regularly engage in long term financial planning and that plans include the following elements:

- ***Time Horizon:*** A plan should look at least five but not more than ten years into the future. Governments may elect to extend their planning horizon further if conditions warrant.
- ***Scope:*** A 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.

Central Whidbey Island Fire & Rescue staff and Board of Fire Commissioners consider multiple fiscal scenarios and use Fiscal Environment Analysis (FEA) (Kavanagh, 2007) as a method 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:

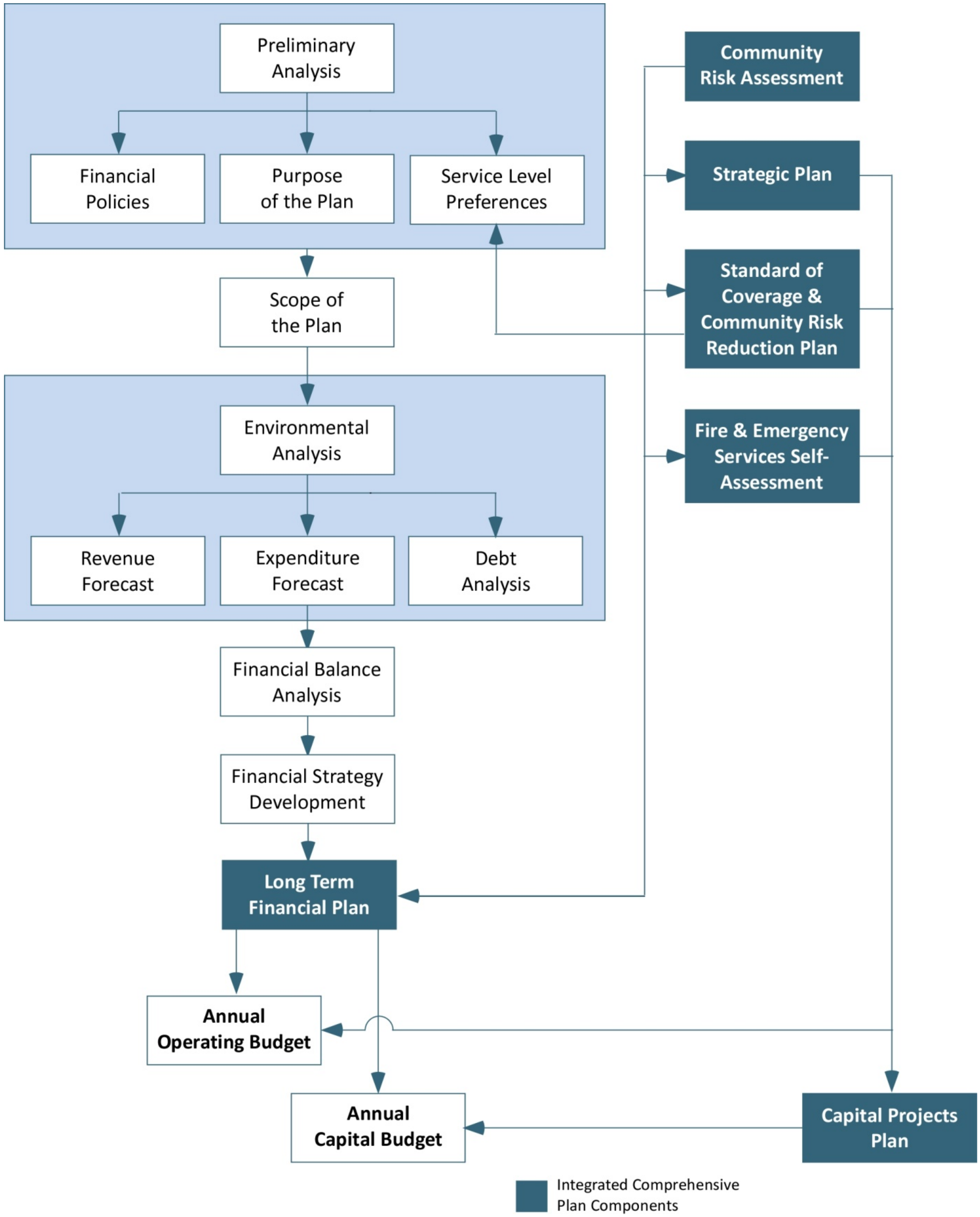
- Aids in refinement of economic forecasts and planning assumptions
- Institutionalizes the financial planning process
- Promotes strategic decision-making
- Develops support for plan implementation

As with all municipal corporations in Washington State, the District has an ongoing struggle with the gap between increasing expense 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* (Kavanaugh, 2007). Since 2010, Central Whidbey Island Fire & Rescue has used scenario based financial planning to address fiscal challenges and chart a course for the future. Subsequently, long term financial planning has been established as an integral component of the District's Integrated Comprehensive Plan (CWIFR, 2018d). Figure 2, illustrates the relationship between long term financial planning and the District's Community Risk Assessment, Strategic Plan, Fire & Emergency Services Self-Assessment, Standard of Coverage and Community Risk Reduction Plan Capital Projects Plan, and Annual Operating Budget.

Review and Revision

The District's Long-Term Financial Plan is reviewed annually as part of the annual budget process and updated at the end of the fourth quarter on a two-year cycle (CWIFR 2018a). Revisions to the Long-Term Financial Plan are re-adopted by the Board of Fire Commissioners by resolution.

Figure 2. Financial Planning Process



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

Financial Plan Integration

As discussed in the introduction to this Long-Term Financial Plan, the District's Strategic Plan (CWIFR, 2016), Fire and Emergency Services Self-Assessment Manual (CWIFR, Under Development), and Capital Projects Plan (CWIFR, 2018b) inform development of the annual maintenance and operations budget. The Long-Term Financial Plan will be assessed using key fiscal indicators and updated on a bi-annual basis and a summary report presented to the Board of Fire Commissioners.

Strategic Goals & Performance Measures

Two of the District's enterprise wide strategic goals (CWIFR, 2016) relate directly to the Long-Term Financial Plan:

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

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. It also can provide a balanced and systematic attempt to assess the effectiveness of operations from different points of view: financial, operational performance, community, and members.

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, fund balances and a positive cash flow in the short term must be considered in light of the constitutional and legislative limitations on taxation to support fire district operations.

The District's Strategic Plan identifies being fiscally responsible and operate with transparency and ensuring adequate and sustainable funding as two of six strategic goals (CWIFR, 2016). The District's Strategic Goal to be fiscally responsible and operate with transparency is supported by three initiatives, each championed by a member of the District's executive staff:

- Develop, maintain, and operate under sound fiscal policy and procedure (Finance Officer Kim Harpe).
- Engage the community in building awareness and understanding of the District's fiscal and policy making processes (Fire Chief Ed Hartin).
- Develop and maintain a capital projects plan to meet the District's capital infrastructure needs (Fire Chief Ed Hartin).

Performance Management

Specific performance measures are used to assess the District's position and performance in relation to this strategic goal as outlined in Table 1.

Table 1. Fiscal Responsibility and Transparency Performance Measures

Performance Drivers (Lead Indicators)	Outcome Measures (Lag Indicators)
Total expenditure per capita (Expenditure Indicator-Brown's 10 Point Test) Operating Surplus or Deficit/Operating Revenues Percentage (Operating Position Indicator-Brown's 10 Point Test) General Fund Balance/General Fund Revenues Percentage (Operating Position Indicator-Brown's 10-Point Test) Long Term Debt/Assessed Value Percentage (Debt Indicator-Brown's 10 Point Test) Debt Service/Operating Revenues Percentage (Debt Indicator-Brown's 10 Point Test) Post-Employment Benefit Assets/Liabilities Percentage (Unfunded Liability Indicator-Brown's 10 Point Test) Website self-assessment transparency score (Sunshine Review Transparency Checklist) • Budget • Meetings • Elected Officials • Administrative Officials • Audits • Contracts • Lobbying • Public Records • Taxes	Percentage change in fund balance for: • General Fund • General Capital Projects Fund • Compensated Absences Trust Fund Bond rating Successful financial audit by the State Auditor's Office Transparency score on annual community survey Fiscal responsibility score on annual community survey

The District's Strategic Goal to ensure adequate and sustainable funding is supported by two initiatives, each championed by a member of the District's executive staff:

- Develop alternative (non-property tax) revenue sources consistent with the District's mission. This may include (but is not limited to) expanded fire prevention services for the Town of Coupeville and Island County (Fire Chief Ed Hartin).
- 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 (Fire Chief Ed Hartin).

Specific performance measures are used to assess the District's position and performance in relation to this strategic goal as outlined in Table 2.

Table 2. Ensuring Adequate & Sustainable Funding Performance Measures

Performance Drivers (Lead Indicators)	Outcome Measures (Lag Indicators)
Total revenue per capita (Revenue Indicator-Brown's 10 Point Test) Intergovernmental revenues/total revenues percentage (Revenue Indicator-Brown's 10 Point Test) Property tax/total revenues percentage (Revenue Indicator-Brown's 10 Point Test) Actual levy rate/maximum levy rate (Operating Position Indicator added to the 10 Point Test[1])	General Fund beginning balance as a percentage of budgeted expense. Percentage of full funding of the following: • General Capital Projects Fund • Compensated Absences Trust Fund • Contingency

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, 2011). However, measurement of performance is only one element in a comprehensive, integrated approach to performance management. The National Performance Management Consortium's report *A Performance Management Framework for State and Local Government: From Measurement and Reporting to Management and Improving* (2010) provides a framework 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.

[1] The enterprise fund operating position indicator in Brown's 10 Point Test is not used (as the District does not have enterprise funds). The percentage of maximum levy rate has been substituted as a relevant operating position indicator.

Central Whidbey Island Fire & Rescue's Integrated Comprehensive Planning Process (inclusive of the District's Strategic Plan, Fire and Emergency Services Self-Assessment Manual, Long Term Financial Plan and Capital Plan) described in Standard Operating Guideline (SOG) 1.4.1 Integrated Comprehensive Planning (2018d) and budget process as defined in Standard Operating Guideline 1.3.1 Budget (CWIFR, 2017d) reflect the District's commitment to effective performance management. The performance measures identified in Tables 1 and 2 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.

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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.

This analysis provides a fiscal and economic overview. Expanded information on the community and the services provided by the District are provided in Central Whidbey Island Fire & Rescue's *Integrated Comprehensive Plan Volume 1-Community Risk Assessment* (CWIFR, Under Development), *Volume 4-Fire and Emergency Services Self-Assessment Manual*, and *Volume 3 Standard of Coverage and Community Risk Reduction Plan* (CWIFR, Under Development).

Economic Profile

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 on 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, 2018). The economic profile describes those facilities within the community that are critical to the financial vitality and sustenance of the community including:

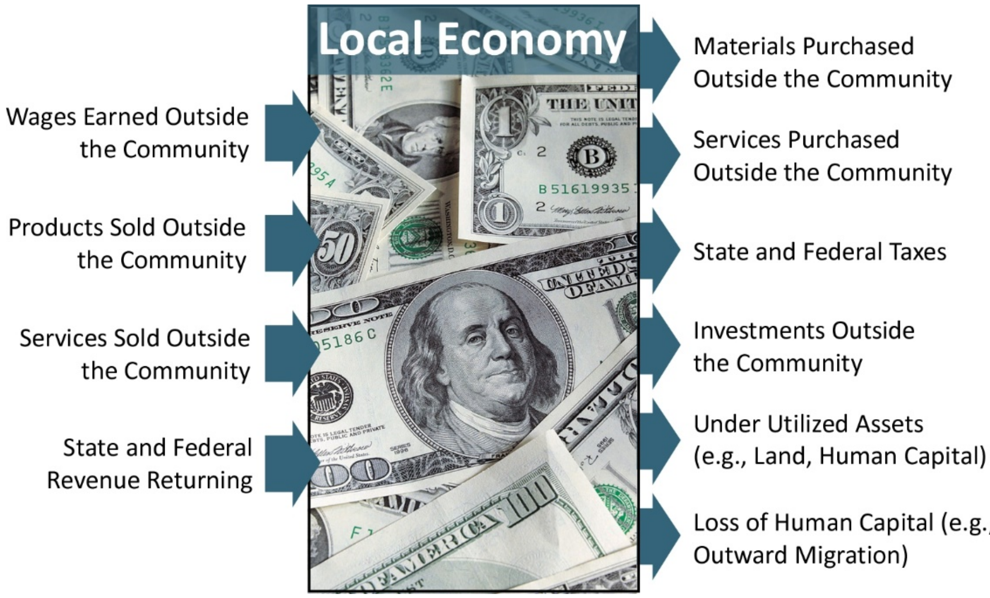
- Infrastructure
- Employers
- Industries
- Major Taxpayers
- Institutions

A Simple Model

Understanding the economic profile of the community requires a framework outlining how a local economy works. Figure 3 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.

In many respects it is difficult to disentangle the economic profile of the area within the District from that of Whidbey Island as a whole, and to the Seattle-Everett urban area to interconnected economic influences. The economic profile of Whidbey Island can be divided into two regions; the northern end of the island including Oak Harbor and Naval Air Station Whidbey Island (NASWI) and the southern end of the Island including Coupeville and Langley. The economy of the entire island is impacted by NASWI, but this is particularly true of the northern end of the Island. The economy of the southern area of the island relies heavily on tourism, small-scale agriculture, and the arts.

Figure 3. Simple Model of a Local Economy



Money flows into the local economy several ways:

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

Money flows out of the local economy seven ways:

1. Local firms buy their materials and services from outside the local economy.
2. Local households shop out of the area to buy materials and services.
3. Local firms and employees pay taxes and social security to higher governmental units.
4. 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.

5. Community citizens invest their dollars in stocks, bonds and federal government securities instead of local business opportunities or real estate developments.
6. 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.
7. 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.

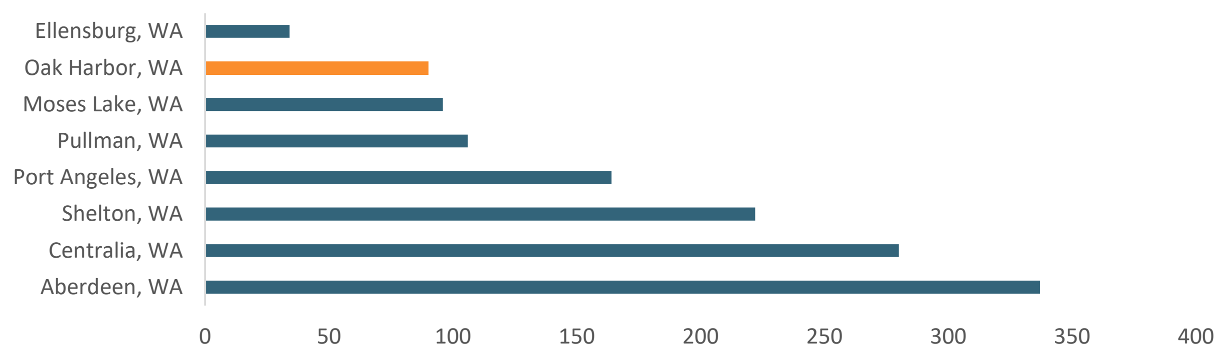
It is often thought that payments for taxes or Social Security are a type of leakage out of the local economy. However, this is not always the case. Most local government revenues and a large share of state tax dollars are spent in local communities supporting infrastructure, education, and government.

Regional Economy

Island County comprises the Oak Harbor, WA Micropolitan Statistical Area (µSA), which is also included in the Seattle-Tacoma, Washington Combined Statistical Area. The United States Office of Management and Budget and Bureau of Census define a Micropolitan Statistical Area as an urbanized area comprised of at least one county with a city of at least 10,000 population but less than 50,000 population (United States Census Bureau, n.d.). Micropolitan cities do not have the economic or political importance of large cities, but are nevertheless significant centers of population and production, drawing workers and shoppers from a wide local area.

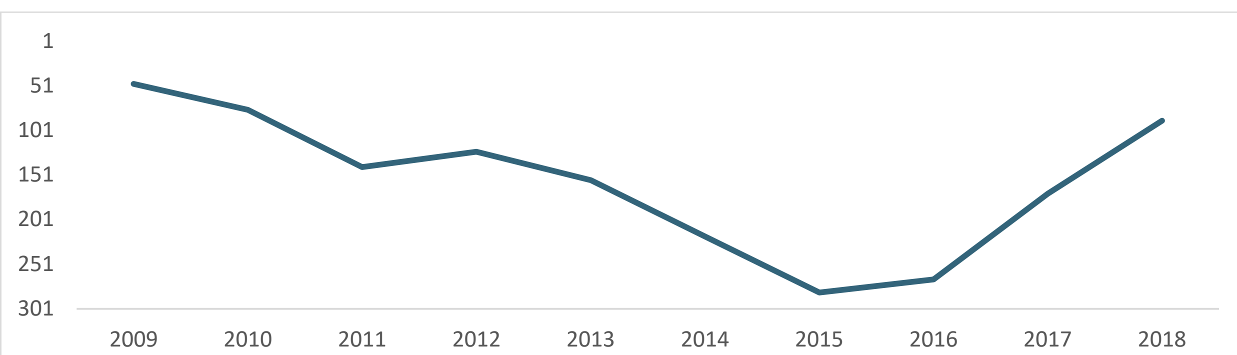
The condition of an economy may be addressed from the viewpoint of its impact upon the standard of living of the people who live and work in an area. These economic strength rankings were created to examine the characteristics of strong and weak economies. The highest ranked areas (lower numbers) have 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, 2018). Figure 4 shows the Oak Harbor's 2018 Ranking out of 550 Micropolitan Statistical Areas (µSA) in comparison to other µSA in Washington state. Figure 5 illustrates changes in Oak Harbor's ranking among the 550 µSA between 2008 and 2018.

Figure 4. Washington State µSA 2018 Ranking (out of 550 µSA)



Note: Adapted from Polycom. (2018). *2018 Metropolitan Micropolitan economic strength ranking*.

Figure 5. Oak Harbor's Historical Ranking among the 550 µSA



Note: Adapted from Polycom. (2018). *2018 Metropolitan Micropolitan economic strength ranking*.

Island County Basic Industries

Basic industries provide services to people and business outside the community and bring money into the local economy.

Military: In 1941, the U.S. Navy started construction on an airbase, which transformed Oak Harbor into a booming community due to the creation of construction jobs and influx of Navy personnel. NASWI remains a strong economic stabilizing force on Whidbey Island. NASWI has also brought many highly skilled workers to Whidbey Island (Vance-Sherman, 2017). *The Economic Impacts of Military Bases in Washington* (Sommers, 2004) indicated that on-base employment at Naval Air Station Whidbey Island (NASWI) contributed 68% of the total employment and 52% of countywide labor earnings in Island County (inclusive of Whidbey and Camano Islands). When indirect economic impacts were considered, NASWI accounted for 88% of total wage earnings on a countywide basis. While this information is dated, a more recent study by the Western Washington University Center for Economic and Business Research reaffirmed the basic findings of Sommers earlier study and significant impact of NASWI on the economy of Island County and Whidbey Island (Schaefer, 2014).

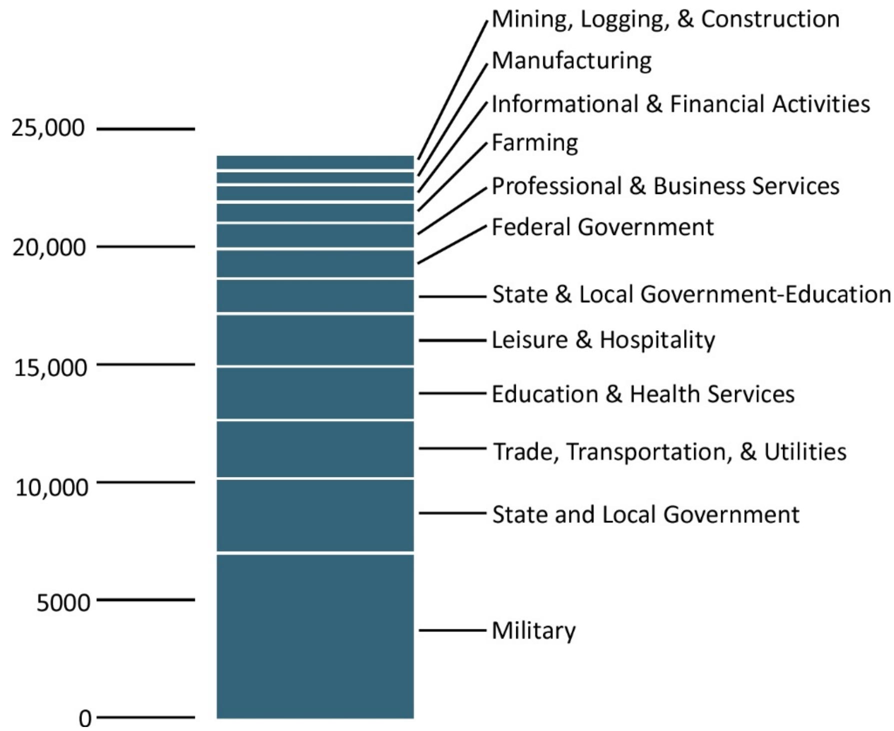
As illustrated in Figure 6, the United States military is the single largest employer in Island County. Approximately 7,050 Unites States Navy officers and enlisted personnel are currently stationed at Naval Air Station Whidbey Island (US DOD, 2015). As military salaries are paid by the Federal government, this makes the military the county's most significant basic industry.

Leisure & Hospitality: Whidbey Island maintains a thriving leisure and hospitality industry including hotels, motels, bed and breakfast inns, and restaurants. In addition, the county has four state parks, numerous county parks and a wide range of festivals and events that draw numerous visitors to the county.

Agriculture/Aquaculture: Whidbey Island has a long history of agriculture and small-scale agriculture continues to be a significant basic industry. In addition, Penn Cove Shellfish, LLC has a thriving aquaculture business raising mussels in Penn Cove.

Retirement: Whidbey Island has been identified as one of the 100 best places to retire in the United States (Abbot & Fuller, 2013). The mild climate and relaxed island lifestyle are a strong draw for retirees. In addition, the proximity of NAS Whidbey Island has resulted in many military retirees on Whidbey Island. Pension, social security, and other retirement payments make retirement a significant basic industry (bringing revenue into the local economy) within the county.

Figure 6. Employment Distribution in Island County



Note: Adapted from United States Department of Defense (US DOD). (2015). Military Installations: Naval Air Station Whidbey Island, Washington; Washington State Employment Security Department (2015). Island County profile; and United States Census 2012 Census Volume 1, Chapter 2: County Level Data, Table 7. Hired Farm Labor -- Workers and Payroll: 2012.

Central Whidbey Island Economy

When the economic focus is narrowed to Central Whidbey, most of the employment is in the public sector with Island County Government and Whidbey Island Public Hospital District (WhidbeyHealth Medical Center).

The largest employers in the District include:

- Whidbey Island Hospital District (dba WhidbeyHealth) (630 employees)
- Island County Government (453 employees)
- Careage of Whidbey (130 employees)
- Island Transit (109 employees)
- Coupeville School District (105 employees)
- Penn Cove Shellfish, LLC (60 employees)

As illustrated by the list of largest employers, public sector (hospital district, county government, schools, and transit) are the largest employers in the District. A substantial number of Central Whidbey residents work locally as this area is not a reasonable commuting distance of major job centers.

> Most of the Central Whidbey Planning Area is not within a reasonable commuting distance of major Skagit County job centers. Large regional job centers in Snohomish County and King County are even farther away. The city of Port Townsend in Jefferson County has a significant number of jobs and is within commuting distance of the Central Whidbey Planning Area; however, recent American Community Survey data indicate that the number of Island County residents commuting to work in Jefferson County is insignificant (Island County Planning and Community Development Department, 2013).

The economic impact of the retirees is likely greater in the Central Whidbey economy in comparison to Island County due to the higher median age and likelihood that older residents are receiving some type of retirement income.

Legal Basis for Existence

CWIFR is a fire protection district formed under Title 52 of the Revised Code of Washington (RCW). 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 (as the Town of Coupeville did in 1990). CWIFR 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 three-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 RCW 52. However, Central Whidbey Island Fire & Rescue (CWIFR) is also partially funded through Interlocal agreements with other agencies. For example, CWIFR staffs a Basic Life Support (BLS) ambulance for Whidbey Island Public Hospital District (d.b.a. WhidbeyHealth) and provides fire and life safety inspection services for the Town of Coupeville & Island County.

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/$1000 of assessed value (AV) (RCW 52.16.130, 140, 160).

The Revised Code of Washington (RCW) 84.52.069 allows emergency service agencies to impose an EMS levy to an amount not to exceed fifty cents per thousand dollars of the assessed property value. WhidbeyHealth Emergency Medical Services (EMS) is currently the sole recipient of the EMS levy across the entire island; as such this funding stream is not directly available to CWIFR. The amount of EMS levy funding received by WhidbeyHealth based on the AV of properties within CWIFR’s response area is approximately $880,390 (based on a 2018 AV of $1,760,780,779).

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 3.

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 3. 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 *Property Tax Levies Operations Manual*, Washington State Department of Revenue https://dor.wa.gov/sites/default/files/legacy/Docs/Pubs/Prop_Tax/LevyManual.doc

CWIFR has two property tax revenue streams, the general levy and a voter approved bond levy for specific capital projects. 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, there are approximately 500 parcels with buildings in the District that do not pay taxes, but which have significant value. A few examples of the tax-exempt parcels within the District include:

- Island County Complex (Court, Jail, County Offices)
- WhidbeyHealth Medical Center
- Churches
- Coupeville Elementary, Middle, & High Schools
- National Park Service (Jacob Ebey House & Ferry House)
- Camp Casey & Camp Casey Inn (Seattle Pacific University Conference Center)
- United States Navy Coupeville Outlying Field (NOLF)
- Greenbank Farm (Port of Coupeville)
- Washington State Ferry Coupeville (Keystone) Terminal
- Fort Casey State Park & Admiralty Head Lighthouse
- Fort Ebey State Park
- South Whidbey State Park

Some of these facilities (e.g., State Parks and Coupeville 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 first response to vegetation fires within the District, regardless 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/$1000 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/$1000 AV, 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 level of service desired by the community, with the cost shared based on property value.

Charges for Service

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. The District currently has revenue generating Interlocal Agreements to provide emergency medical services and fire and life safety inspections. Other potential revenue generating opportunities include provision of fleet maintenance services for emergency vehicles. However, current space and staffing are constraints on this potential revenue source.

CWIFR's second significant revenue stream results from Interlocal Agreements with other municipal entities. CWIFR has an Interlocal Agreement with WhidbeyHealth Emergency Medical Services to staff a Basic Life Support (BLS) Ambulance.

In addition to its agreement with WhidbeyHealth EMS, the District maintains Interlocal agreements with both the Town of Coupeville and Island County for provision of fire inspection services for commercial occupancies. Revenue is determined by the number of occupancies inspected annually.

Benefit Charges

The Fire Benefit Charge (FBC) method of funding is an alternative to use of assessed value and property taxes as the sole method distributing the cost of fire and rescue service among taxpayers. 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). It is called a benefit charge because it refers to the benefit of having fire protection available.

- A tax of up to $1.00/$1000 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 Fire Benefit Charge.
- 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 Fire Benefit Charge every six years.

CWIFR's Board of Fire Commissioners have not elected to shift from the traditional property tax method of funding to the Fire Benefit Charge based on the simplicity of property taxes based on Assessed Valuation. However, the Board may choose to examine alternative funding mechanisms provided by state law at some point in the future.

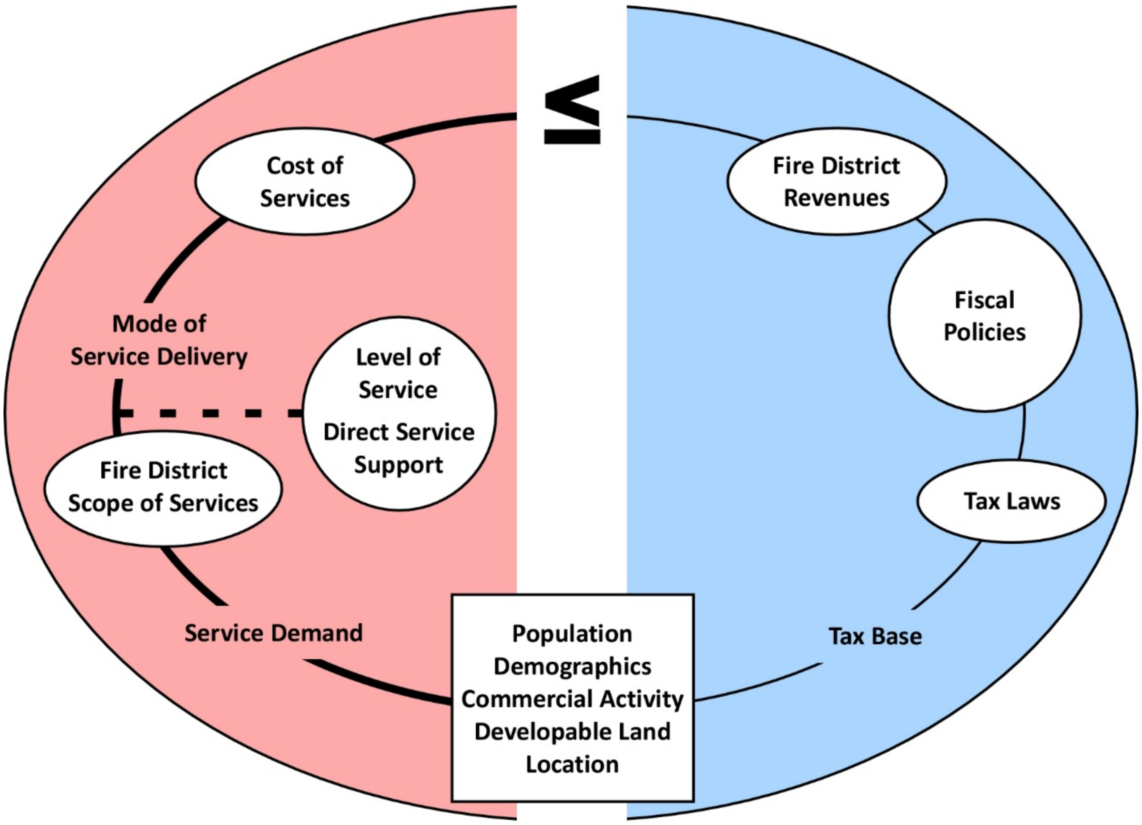
Other Revenue

Fire Districts may also receive revenue from other sources such as fee for service, grants, sale of surplus real or personal property, etc.

Purpose of the Plan

The purpose of Central Whidbey Island Fire & 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 7, 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 7. Sustainable Service Model



Note: Adapted from Hodgins, M. & Lincoln, A. (2015) Bending the Cost Curve a Roadmap to Fiscal Sustainability [webinar]. Retrieved October 1, 2015 from http://mrsc.org/Home/Training/Archived-Webinars/Bending-the-Cost-Curve-A-Roadmap-to-Fiscal-Sustain.aspx

Scope of the Plan

Central Whidbey Island Fire & Rescue's Long-Term Financial Plan addresses the following funds across a time frame of 10 years:

- General Fund
- Capital Projects Fund
- Compensated Absences Trust Fund
- Bond 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. For example, the 2017 Long Term Financial Plan was revised in 2018 (rather than 2019) due to passage of a voter approved bond measure that allowed the District to achieve the financial goals previously established in the plan.

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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 *Board of Fire Commissioners Policy Manual* (CWIFR, 2018a) and Financial Standard Operating Guidelines (SOGs).

Policy Adoption and Review

In 2012, Central Whidbey Island Fire & Rescue's Board of Fire Commissioners recognized the need for well-defined and clearly stated Board Policies and established the Board of Fire Commissioners Policy Manual (CWIFR, 2018a). This manual clearly defined that the Board adopts policy as a guide to decision making by formal action (RCW 52.114.100) and reviews key policies annually.

The *Board of Fire Commissioners Policy Manual* identifies that the Long-Term Financial Plan (incorporating financial policies) as an important policy document (CWIFR 2018, p. 2). In addition, the manual states "The Board will review the District's Strategic Goals, Capital Projects Plan, and other major policies in April of each year and shall provide policy direction to the Fire Chief in advance of the District's budget development process" (CWIFR, 2018a, p. 19).

Financial Standard Operating Guidelines

The District revised its Financial Policies in 2017 to ensure compliance with state and federal law and to reflect best practices identified by the Government Finance Officers Association (GFOS). These updated policies were adopted by the Board of Fire Commissioners on August 10, 2017 (CWIFR, 2017a). These policies were integrated into the District's *Integrated Comprehensive Plan Volume 5-Long Term Financial Plan* (CWIFR, 2017c) by Resolution 17-07 on September 9, 2017.

The District's Standard Operating Guidelines include a statement of purpose, scope, and policies. The District's SOGs addressing financial policy 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 1.3.11 Debt

- SOG 1.3.12 Grants and Grant Management
- SOG 1.3.13 Financial Risk Management
- SOG 1.3.14 Transparency and Accountability
- SOG 1.3.15 General Financial Guidance
- 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 and are delineated in *Standard Operating Guideline (SOG) 1.1.13 Public Records and Retention* (CWIFR, 2018b) impact 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" (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 are delineated in *Standard Operating Guideline (SOG) 1.3.1 Budget* (CWIFR, 2017d):

- Establish funding priorities to reflect our mission to partner with our community to proactively reduce risk from fire, illness, injury and other hazards.
- Be a good steward of public funds and ensure that budgeting and financial management follow applicable laws and regulations and achieves 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 Auditors 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.
- Maintain a balanced budget at the Division level (Administration, Operations, Life Safety & Community Risk Reduction, Training, Facilities, & Vehicle Maintenance).
- The District shall clearly set forth transfers between funds (e.g., General Fund and General Capital Projects Fund) in the District's annual budget or adjustments.
- Require approval of the Board of Fire Commissioners for transfers between Funds, Divisions, or between line items within a Division.
- Post the Proposed and Adopted District Budgets and any mid-year Budget Adjustments on the District's web site in a timely manner to provide public access.

Procurement

The following financial policies have been established by the Board of Fire Commissioners and are delineated in *Standard Operating Guideline (SOG) 1.3.2 Procurement* (CWIFR, 2017e):

- It is the policy of Central Whidbey Island Fire & Rescue (CWIFR) 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.
- The District will 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 as applicable to fire district procurement.
- In addition, it is the policy of CWIFR 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.
- It is the policy of CWIFR that 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 $10,000 may be approved by the Fire Chief. All other sole source purchases must be authorized by Resolution of the Board of Fire Commissioners.

- CWIFR will endeavor to ensure consistency with the Government Finance Officers Association best practices and advisories related to procurement.

Finance and Accounting

The following financial policies have been established by the Board of Fire Commissioners and are delineated in *Standard Operating Guideline (SOG) 1.3.3 Finance & Accounting* (CWIFR, 2017f):

- 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 and Training Expense and Reimbursement

The following financial policies have been established by the Board of Fire Commissioners and are delineated in *Standard Operating Guideline (SOG) 1.3.4 Travel and Training Expense and Reimbursement* (CWIFR, 2012):

- CWIFR 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 as a member of local, state, and national professional organizations.
- It is the policy of Central Whidbey Island Fire & Rescue (CWIFR) 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 CWIFR 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 are delineated in *Standard Operating Guideline (SOG) 1.3.5 Asset Management* (CWIFR, 2017g):

- It is the policy of Central Whidbey Island Fire & Rescue (CWIFR) to maintain accountability for its assets. The District shall maintain 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 are delineated in *Standard Operating Guideline (SOG) 1.3.6 Use of District Resources* (CWIFR, 2017h):

- 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.
- With the limited exceptions provided 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 are delineated in *Standard Operating Guideline (SOG) 1.3.7 Revenue* (CWIFR, 2017i):

- 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.
- 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.
- The District will fund current expenditures with current revenues, avoiding the use of one-time funds for ongoing expense, 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 are delineated in *Standard Operating Guideline (SOG) 1.3.8 Investment* (CWIFR, 2017j):

- It is the policy of Central Whidbey Island Fire & Rescue 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.
- Management responsibility for the investment program is delegated to the District's Finance Officer under the supervision of the Fire Chief.
- Pursuant to the Revised Code of Washington (RCW) 52.16.010 the Island County Treasurer serves as the financial agent for the District. As such, the Island County Treasurer receives and disburses district revenues, and invests financial assets as directed by the District's Finance Officer (CWIFR, 1986, 2009).
- Pursuant to the provisions of Revised Code of Washington (RCW) Chapter 36.29.020, if the Board of Fire Commissioners determines the necessity to redeem or sell any of the purchased securities before their ultimate maturity date, the Board shall by resolution, direct the Island County Treasurer to take that action.
- The District's Finance Officer will review the Island County Investment Policy (Island County Treasurer, 2017) 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 are delineated in *Standard Operating Guideline (SOG) 1.3.9 Financial Reserves* (CWIFR, 2017k).

- The Board of Fire Commissioners shall be responsible for establishing and managing all District Fund accounts and 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.

- CWIFR 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.
- CWIFR will maintain a Contingency beginning balance in the amount of 10% 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[2].
- 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.

Debt

The following financial policies have been established by the Board of Fire Commissioners and are delineated in *Standard Operating Guideline (SOG) 1.3.11 Debt* (CWIFR, 2017l):

- 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.
- Central Whidbey Island Fire & Rescue may consider issuance of debt consistent with the provisions of the Revised Code of Washington (RCW) 52.16.080 for major capital projects as defined in SOG 1.3.10 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 Chapter 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.

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[2] This policy applies to projects funded through the Capital Projects Fund. Other projects may be funded through judicious use of debt (such as major capital facilities projects or simultaneous replacement of multiple fire apparatus such as the projects funded with the District's Unlimited Tax General Obligation (UTGO) bond in 2017.

Grants and Grant Management

The following financial policies have been established by the Board of Fire Commissioners and are delineated in *Standard Operating Guideline (SOG) 1.3.12 Grants and Grant Management* (CWIFR, 2017m):

- 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 are delineated in *Standard Operating Guideline (SOG) 1.3.13 Financial Risk Management* (CWIFR, 2017n):

- 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, Deputy Chief, & Office Manager 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 are delineated in *Standard Operating Guideline (SOG) 1.3.14 Transparency and Accountability* (CWIFR, 2017o):

- 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, tax payers, 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 are delineated in *Standard Operating Guideline (SOG) 1.3.15 General Financial Guidance* (CWIFR, 2017p):

- 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.
- Each of the District's Divisions (Administration, Operations, Community Risk Reduction, Training & Recruitment, Facilities, and Fleet 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
- Proposed 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 Commissioners.

Capital Projects Plan

The following financial policies have been established by the Board of Fire Commissioners and are delineated in *Standard Operating Guideline (SOG) 1.4.7 Capital Projects Plan* (CWIFR, 2017r):

- 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.
- CWIFR 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

Service Level Preferences

For a fire district, service level preferences are about 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.

Technical Risk Assessment

Central Whidbey Island Fire & Rescue has and continues to assess community risk as the first element in its Integrated Comprehensive Planning process. The District's *Integrated Comprehensive Plan Volume 1-Community Risks Assessment* (CWIFR, Under Development) identifies and provides a detailed assessment of the nature of community risk related to fire, illness, and injury as well as other natural and human caused hazards.

Risk Perception & Valuing of Services

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.

Services are often valued based on perceived potential for need. For example, community members participating in focus groups as part of the District's strategic planning process in 2011 and 2016 identified emergency medical and firefighting response as higher priority than proactive services such as public education and code enforcement. While response services are important, the District may (in reality) gain greater leverage on reducing community risk through proactive service delivery.

Services Provided

Since the establishment of the Coupeville Volunteer Fire Department in 1928, fire and rescue services in Central Whidbey Island have changed considerably. Initially formed by community members as a defense against fire, we are now an all hazards service providing fire protection, emergency medical services, hazardous materials response, and rescue service. In addition, we have 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 CWIFR's proactive and response services.

Table 4. CWIFR Services

Proactive	Response
• Fire and Medical Community Education • Fire and Life Safety Inspections (Commercial) • Home Fire Safety Surveys • Address Sign Program • Hydrant Inspection and Testing • Pre-Incident Planning • Community Preparedness	• Fire Suppression (Structural and Vegetation) • Emergency Medical Services (EMS) in partnership with WhidbeyHealth EMS • Technical Level Marine Rescue • Operational Level Hazardous Materials Response • Operational Level Technical Rescue (rescue from height, confined spaces, trenches, or collapsed buildings) • Non-Emergency Services

Many of the emergency service operations provided by CWIFR are done in partnership with other agencies. CWIFR has automatic and/or mutual aid agreements in place with each fire agency on Whidbey Island to ensure the delivery of timely and effective emergency services. Additionally, the department routinely interacts with the Island County Sheriff's Office (ICSO), WhidbeyHealth Emergency Medical Services (WH EMS), and the United States Coast Guard (USCG). Response to large scale disasters often begins with fire, rescue, & EMS services, but expands to include a wider range of resources. During large scale emergencies such as landslides, CWIFR also works closely with the Island County Department of Emergency Management.

Standard of Coverage & Community Risk Reduction Plan

Central Whidbey Island Fire & Rescue's *Integrated Comprehensive Plan Volume 3-Standard of Coverage and Community Risk Reduction Plan* (CWIFR, In Progress) defines how community risks are addressed from a proactive and response perspective. The Standard of Coverage and Community Risk Reduction Plan (SOC CRRP) is a rational and systematic method of examining the basic service provided by the District. The purpose of the SOC CRRP document is to provide a system which will assist with:

- Defining proactive strategies to reduce the frequency and severity of emergency incidents.
- Defining baseline and benchmark prevention and emergency response performance standards
- Determining apparatus and staffing patterns for both prevention and response
- Measuring service delivery performance for both prevention and response
- Supporting strategic planning and policy development relative to resource procurement and deployment

The key elements in the 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

Historical Service Levels

Central Whidbey Island Fire & Rescue (CWIFR) had not historically defined service level objectives. Since its inception the District has dispatched the resources specified in the response plan for a given call nature without regard to which resources responded (and which did not) and without specifically defined staffing levels. As a combination staffed fire and rescue agency staffing, turnout time, and the specific resources responding (or not) have depended on unit staffing (on-duty or on-call) and availability of on-call members.

Defined Service Levels

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 mandate that each department conduct a self-assessment and design a response system that will meet the community needs in a safe, efficient, and effective manner.

It is anticipated that the District's Standard of Coverage and Community Risk Reduction Plan (which will clearly define service level objectives) will be complete and adopted by the Board of Fire Commissioners in 2019. At such time that the Board has adopted the District's Standard of Coverage, 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. 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.

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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).

National and Regional Economic Outlook

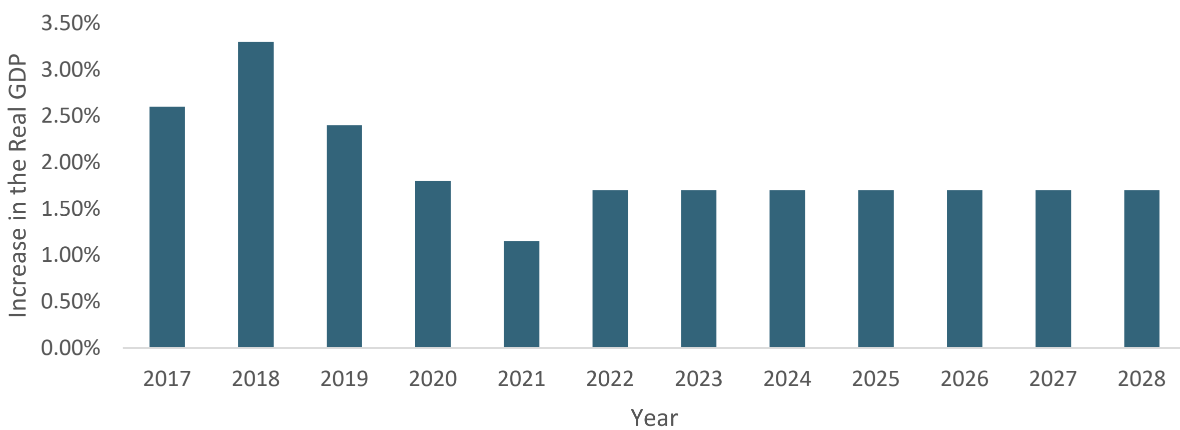
Economic outlook can be examined on multiple levels, globally, nationally, regionally, and locally. While Central Whidbey Island Fire & Rescue is a local government entity, it is substantively impacted by the global, national, and regional economy. For example, global and national economic forces influence 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 when needed to maintain service delivery levels.

The Congressional Budget Office Budget and Economic Outlook 2018-2028 (CBO, April 2018) indicates that the national economic outlook is healthy according to many economic indicators. However, other analysts indicate that economic conditions have worsened and forecast considerable economic challenges in the next decade and beyond (Auerbach, Gale, & Krupkin, 2018).

Gross Domestic Product

Growth of the gross domestic product (GDP) is expected to be strong in 2018 and 2019 but is anticipated to grow at a more modest pace over the next several years. As illustrated in Figure 8, growth in the GDP is anticipated to average 1.9% between 2018 and 2028 (CBO, April 2018).

Figure 8. Projected Growth of the US GDP



Note: Adapted from CBO (April 2018) *The budget and economic outlook 2018-2028.*

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 Economic Analysis, and the Implicit Price Deflator (IPD) published 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 over time 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.
- 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.

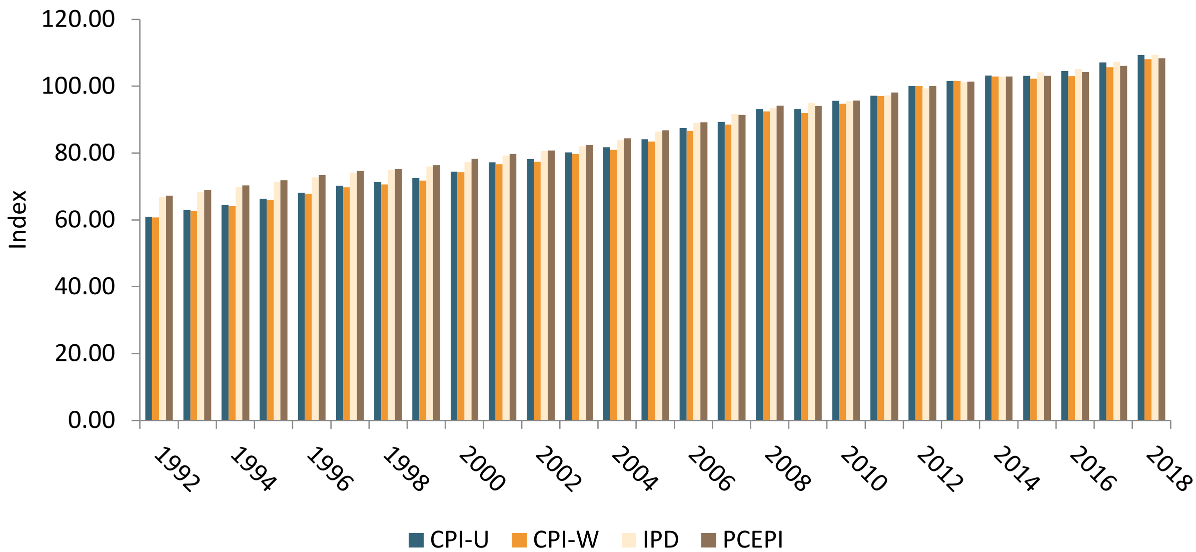
The Bureau of Labor Statistics (BLS) recommends the use of the national CPI-U or CPI-W indexes for all contract adjustments, as metro indexes are published less frequently and are based on a smaller sample, making them more volatile and subject to measurement error. Municipalities in rural areas should use one of the national indexes (BLS, 2018 & MRSC 2018a, 2018d).

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 a given 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. Taxing districts with a population under 10,000 are not impacted by the IPD and may increase their total annual levy amount the full 1% regardless of the IPD (MRSC, 2018b). As Central Whidbey Island Fire & Rescue has a population of less than 10,000, this is not currently a concern, but as the District's population increases, it could become a significant factor.

In each of these indexes, cost is compared against the cost in a given base year; 1982 for the CPI and 2012 for the PCEPI and 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 provides a historical comparison when CPI values are adjusted to a base year of 2012 to allow direct comparison between the indices.

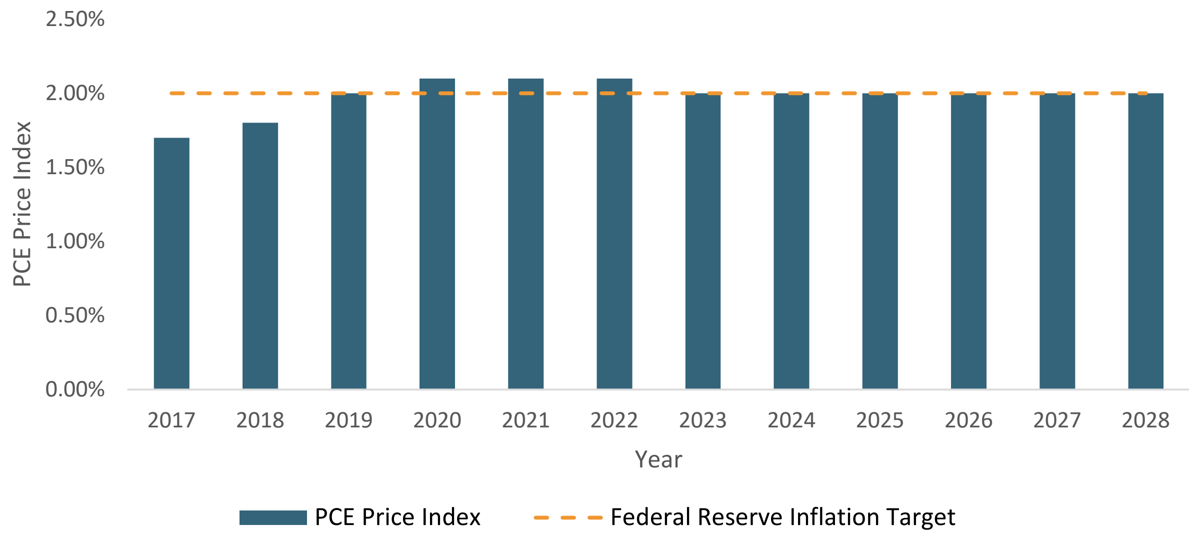
Figure 9. Historical Inflation



Note: Adapted from McMahon, T. (2018). *Historical consumer price index (CPI-U) data* [Jan-Jan], US Social Security Administration (2018) *Average CPI [W] by quarter and year [Q1-Q1],* Federal Reserve Bank of Saint Louis (2018a) *Gross domestic product: implicit price deflator [Jan-Jan], and* Federal Reserve Bank of Saint Louis (2018b). *Personal Consumption Expenditures: Chain type Price Index* (PCEPI).

As illustrated in Figure 10, the Congressional Budget Office predicts Inflation will remain between 1.8% and 2.1% between 2018 and 2028, but between 2020 and 2023 the level of inflation is projected to rise above the 2% target set by the Federal Reserve 2028. These estimates are based on the Personal Consumption Expenditure Index (PCE) from the United States Bureau of Economic Analysis (CBO, April 2018).

Figure 10. Projected Rate of Inflation-PCEPI Index



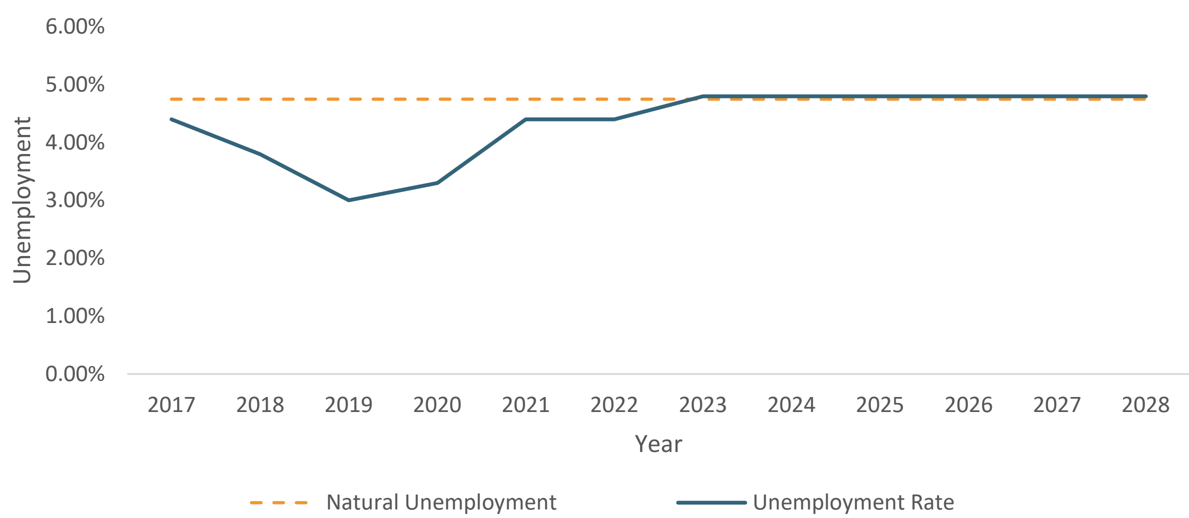
Note: Adapted from CBO (April 2018). *The budget and economic outlook 2018-2028.*

This estimate is consistent with the 1.88% average increase in the PCEPI between 1992 and 2018 (Federal Reserve Bank of Saint Louis, 2018b).

Unemployment

While unemployment is currently below the natural unemployment rate of 4.5% to 5% (Amadeo, 2018) Unemployment is forecast to continue at the natural rate as illustrated in Figure 11 (CBO (April 2018).

Figure 11. Unemployment

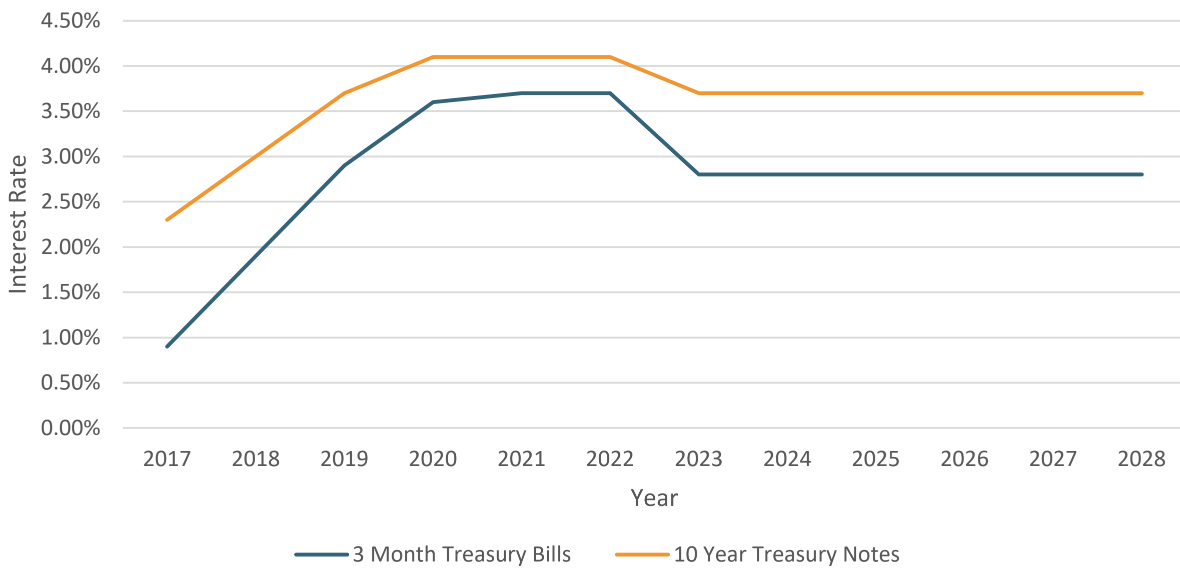


Note: Adapted from CBO (April 2018) *The budget and economic outlook 2018-2028.*

Interest Rates

Interest rates as reflected by 3 Month Treasury Bills and 10-Year Treasury notes are expected to rise through 2022 and then fall slightly (Figure 12)

Figure 12. Interest Rates



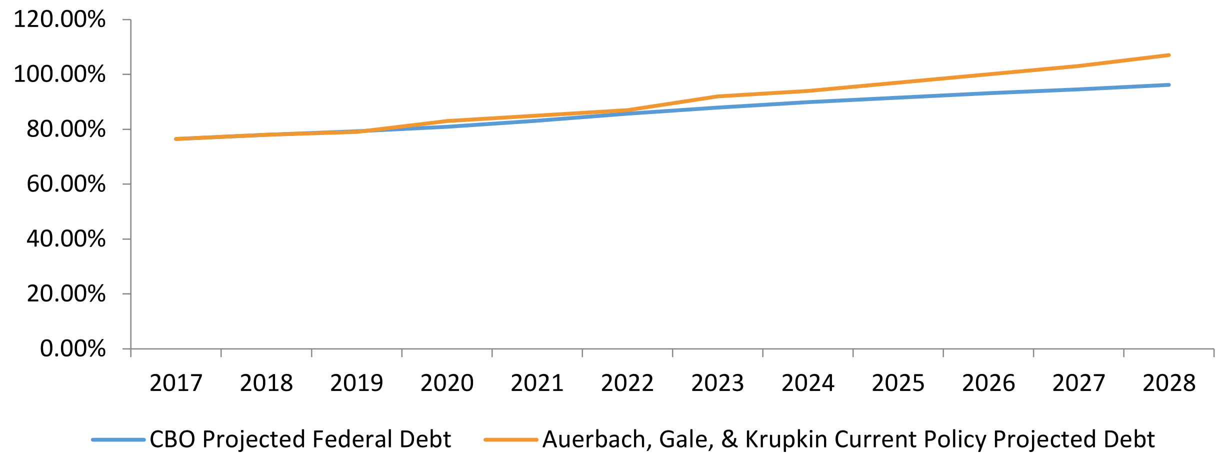
Note: Adapted from CBO (April 2018) *The budget and economic outlook 2018-2028.*

Federal Deficit

The Congressional Budget Office (CBO) identifies that the gap between revenue and outlay by the federal government will be persistently large and that this imbalance will cause the federal debt to rise to nearly 100% of the gross domestic product (GDP) as illustrated in Figure 13. Auerbach, Gale, & Krupkin (2018) indicate that given current fiscal policy, federal debt as a percentage of the GDP will likely rise higher than forecasted by the CBO and that increasing debt presents even greater problems if analysis is extended beyond the next decade.

> “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 13. Federal Debt as a Percentage of GDP



Note: Adapted from Congressional Budget Office (CBO) (April 2018) *The budget and economic outlook 2018-2028* and Auerbach, Gale, W., & Krupkin, A. (2018). *The federal budget outlook: even crazier after all these years.*

Economic forecasts will always have some level of uncertainty. The 2018-2028 economic forecast developed by the CBO (2018) is more uncertain than usual as they incorporate estimates of the effect of recent changes in federal fiscal policy. Other factors impacting the uncertainty of current economic forecasts include concerns about international trade, geopolitical risks and a maturing economic expansion (Washington State Economic and Revenue Forecast Council, 2018).

The Washington State economy has outperformed the nation for several years and continues to do so. Washington State's real Gross Domestic Product (GDP) jumped 4.4 percent last year, by far the largest increase of any state (Maciag, 2018). In addition, the Washington State Employment Security Department reports the state's unemployment rate is holding steady at between 4.7% and 4.8 % (WA ESD, 2018c, 2018d). However, there are considerable variances across the state.

Local Economy

While Island County is one of six counties included in the Seattle-Tacoma Consolidated Metropolitan Statistical Area (CMSA), economic conditions are considerably different than metropolitan King County.

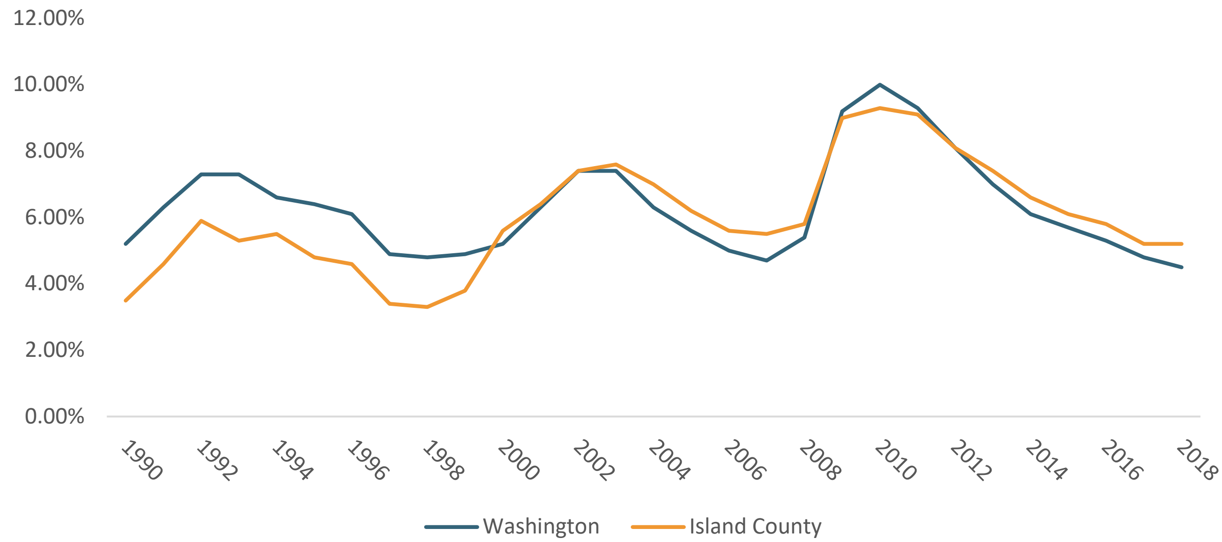
Unemployment

Island County employment trends follow those of Washington State, but vary somewhat in timing of changes due to the nature of the local economy (see Figure 14).

> Island County's pre-recession employment peaked in 2007, slightly earlier than either Washington state or the United States as a whole. Every year from 2008 to 2011, Island County shed proportionally more jobs than either the state or the nation and did not begin to see employment gains until 2012, after the state and the nation had already begun to improve. In 2013, Island County experienced a second round of job losses and finally began to emerge from sustained net job losses in 2014. 2015 was a year characterized by slow employment growth,

and 2016 is the first year that growth rates approached the statewide average (Vance-Sherman, 2017).

Figure 14. Unemployment Rate



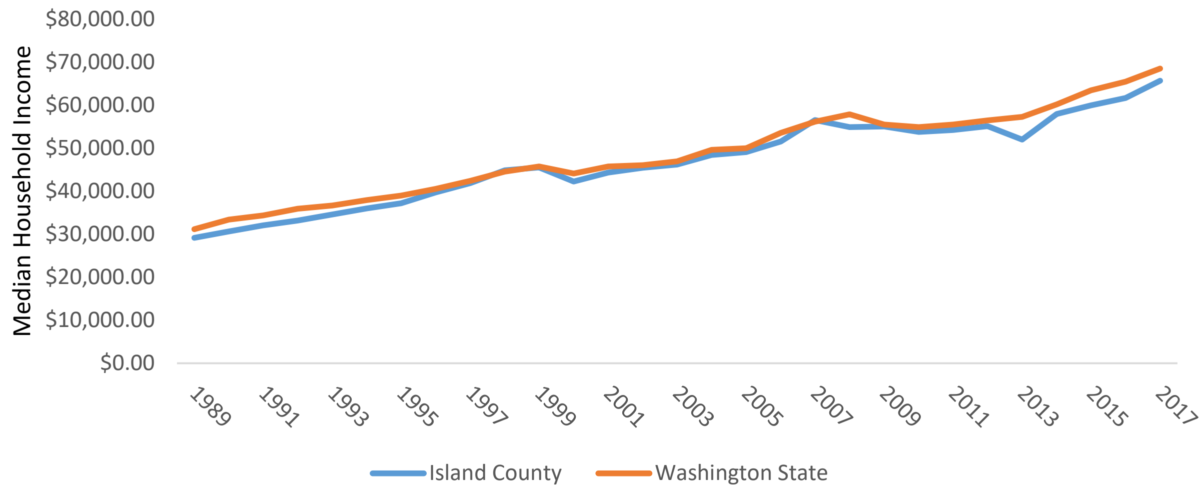
Note: Adapted from Washington Employment Security Department (WA ESD). (2018a). LAUS-annual-averages.xlsx [spreadsheet]. and LAUS-current-NSA.xlsx [spreadsheet].

While the current unemployment rate in Island County is higher than Washington State. Differences in unemployment rate in adjacent counties illustrate variation in economic conditions across the state. While unemployment in Island County is 5.2 %, the unemployment in Snohomish County (adjacent) is 4.1% and in Skagit County (adjacent) is 5.5% while in King County, unemployment is 3.7% (WA ESD, 2018b).

Median Household Income

Median household income is a reasonable indicator of the income of a typical family as the range of household incomes are not evenly distributed (i.e., a smaller number of households have higher incomes and a larger number have lower incomes). Figure 15 illustrates median household income in Island County and Washington State.

Figure 15. Median Household Income



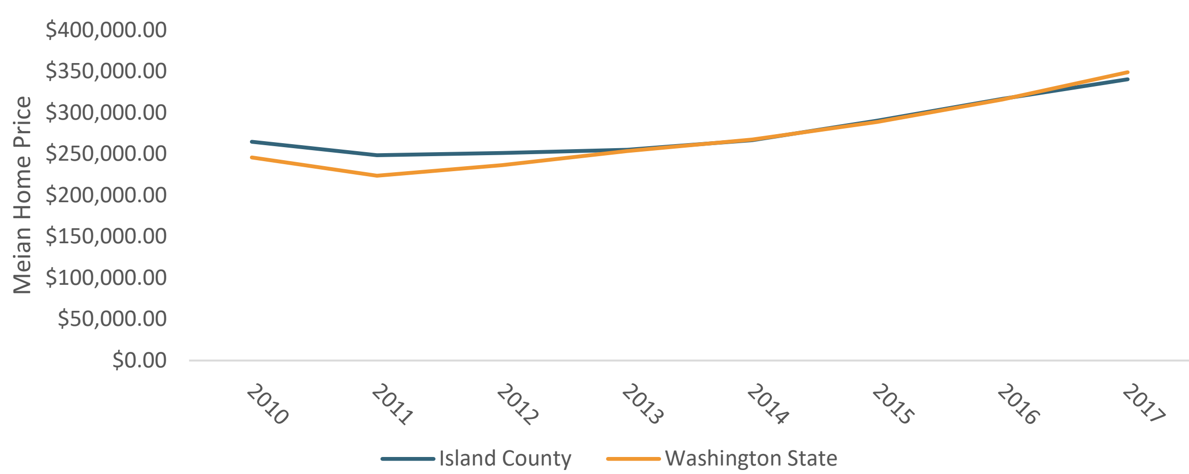
Note: Adapted from Washington Office of Financial Management (WA OFM). (2018). *Median Household Income Estimates.*

As with unemployment, median family income in Island County, while lower than the statewide average generally tracks statewide trends.

Median Home Prices

As fire districts are largely funded by property taxes, real estate value is a particularly significant economic indicator. As illustrated in Figure 16, the median price of homes in Island County fell in 2011 and did not begin to see a significant increase until 2014.

Figure 16. Median Home Prices



Note: Adapted from Washington Center for Real Estate Research (2018) *Washington State's Housing Market 1st Quarter 2018*.

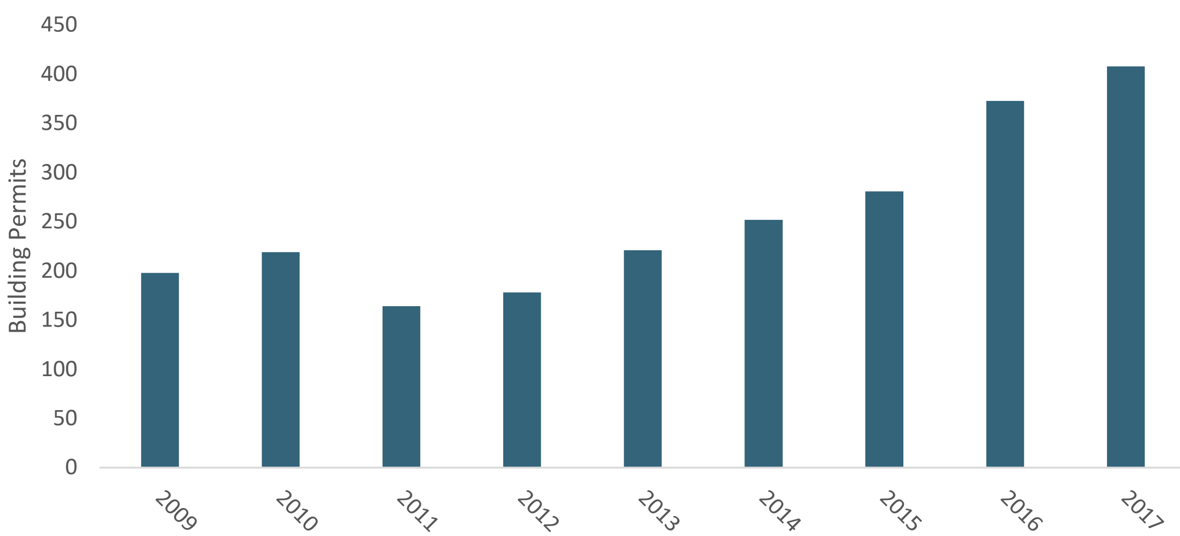
The Revised Code of Washington (RCW) 84.41 requires that assessors appraise property at 100 percent of its true and fair market value in money, according to the highest and best use of the property. The assessor values real property using one or more of the following appraisal methods (WA DOR, 2016):

- 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.

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). While not reflecting added value, the number of building permits issued provides an indication of potential for added property value (see Figure 17).

Figure 17. Island County Building Permits



Note: Adapted from Washington Center for Real Estate Research (2018) Washington State's Housing Market 1st Quarter 2018.

As illustrated in Figure 17, the number of building permits fell in 2011 but has risen steadily each year since then with significant increases in 2016 and 2017.

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 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. However, economists use leading indicators (variables that historically precede a recession), concurrent indicators (variables that are influenced by a recession), and lagging indicators (factors that influence the duration of a recession and return to growth).

The June 2018 National Association of Business Economists Outlook (NABE, 2018) was based on the consensus macroeconomic forecast of a panel of 45 professional forecasters. In the near term the panelists were less optimistic than earlier in the year but were much more positive about the prospects for industrial production. The panel also forecast slightly lower growth in the gross domestic product with risk to the performance in this dimension weighted to the downside and risk to inflation rated to the upside.

Economic growth prospects appear to be related to federal fiscal policies, but nearly 76% of the NABE panelists believe that current trade policies will have a negative effect. Half of the panel expect the next recession to occur sometime between the fourth quarter of 2019 (Q4 2019) and Q2 2020. One-third of the panel suggests that a recession will begin after the fourth quarter of 2020 (NABE, 2018).

The Federal Reserve uses a model that examines the yield spread in interest rates between short and long-term debt (3-month and 10-year treasury interest rates). When the yield narrows and becomes inverted (long term rates higher than short term rates) concern for a recession is elevated. (Oetjen, 2017). In August 2018, this model predicts a 13.5% probability of recession by July of 2019 (Federal Reserve Bank of New York, 2018). Oetjen (2018) reconstructed the Federal Reserve’s probit regression model with the forecast 3-month and 10-year Treasury Yields over time revealing a rising risk for recession of 32% by the end of year 2020. Based on the model and forecast data, the yield spread may invert in October of 2019 meaning a potential recession in late 2020. This is consistent with the results of the NABE forecast (NABE, 2018). However, Oetjen states “The only guarantee is that these assumptions will be wrong over time and the Fed may likely step in and adjust rates to avoid a yield inversion”.

Factors influencing potential for a recession and its duration within the duration of this long-term financial plan include:

- Duration of the current economic expansion. The current economic expansion is the second longest in US history and will become the longest if it continues beyond July 2019, but will not continue indefinitely (Manning, 2018)
- Federal tax cuts will aid the economy through 2019 but may trigger a recession when they expire in 2020 (Sperling, 2018). This perspective is echoed by other analysists indicating that there may be short term benefit but long-term damage to the economy as the result of recent tax cuts (Schmidt, 2018).
- Federal trade policies, particularly tariffs may trigger a global trade war (Sperling, 2018). Import tariffs increase inflation and depress consumption. Higher inflation will lead to expectations of higher interest rates, with lower investment and consumer credit as a result. But the US competitive position will also be hurt by higher prices of imported semi-finished products (Barendregt & Giesbergen, 2018).
- Most recessions last around a year or less (the 2008 recession was an exception as it lasted 18 months). This recession will likely be less than a year, though again this depends on various volatile political factors (Reyes, 2018).

One major question is the impact of a recession on property values and the related real estate market. Unlike the recession of 2008 which was substantively impacted by the real estate market, the next recession is not anticipated to be caused by housing related activity. “If a recession is to occur, it is unlikely to be caused by housing-related activity, and therefore the housing sector should be one of the leading sources to come out of the recession,” (Fleming as cited in Thorsby, 2017).

When the recession arrives in 2020, analysts anticipate that the housing market will see sluggish sales and falling home prices, but this market is not expected to be problematic on a national level. Some markets will likely take a bigger hit than others, including Seattle (Thorsby, 2017). However, the real estate market may be a positive influence on ending the recession with quick recovery of sales and prices expected in 2021-2022 (Reyes, 2018).

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

Central Whidbey Island Fire & 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.

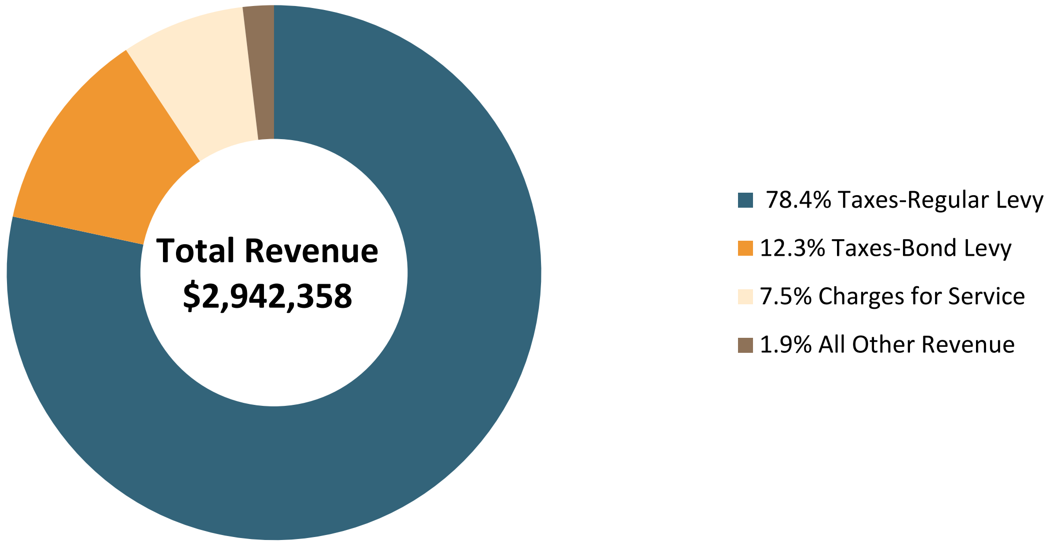
In *Recommended Budget Practices: A Framework for Improved State and Local Government Budgeting*, the National Advisory Council on State and Local Budgeting (1998) encourages governments to establish a policy on revenue diversification to improve the government's ability to handle fluctuations in revenues and potentially help to better distribute the cost of providing service. Central Whidbey Island Fire & Rescue *Standard Operating Guideline (SOG) 1.3.7 Revenue* (CWIFR, 2017i) 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 (p. 1)

Revenue Distribution

Tax revenue is CWIFR's largest revenue stream, comprising approximately 90.7% of total district revenue. CWIFR also has several Interlocal Agreements to provide service to Whidbey Island Hospital District (dba WhidbeyHealth), the Town of Coupeville, and Island County which comprise approximately 7.5% of total district revenue. Approximately 1.9 % 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).

Figure 18. CWIFR 2018 Revenue Distribution



From 1992 to present, CWIFR has had (and continues to have) revenue streams in addition to property taxes. Prior to the 1998 annexation of the Town of Coupeville into the District, the Town paid a fee for fire protection services through an intergovernmental agreement. In 1996, the Town of Coupeville entered into an Interlocal agreement with CWIFR (then Island County Fire District #5) to provide fire inspection services within the Town on a fee per inspection basis. This agreement for inspection services is still in place today. In 2013, Island County entered into an interlocal agreement with Central Whidbey Island Fire & Rescue for fire inspection services in the unincorporated areas of the District (like the District's agreement with the Town of Coupeville). In addition, the District entered into an Interlocal agreement with the Whidbey Island Hospital District (dba WhidbeyHealth) in 2008 to staff and operate a basic life support (BLS) ambulance.

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* (CWIFR, 2017j), the District's funds are invested to provide maximum security with the highest return while meeting cash flow demands.

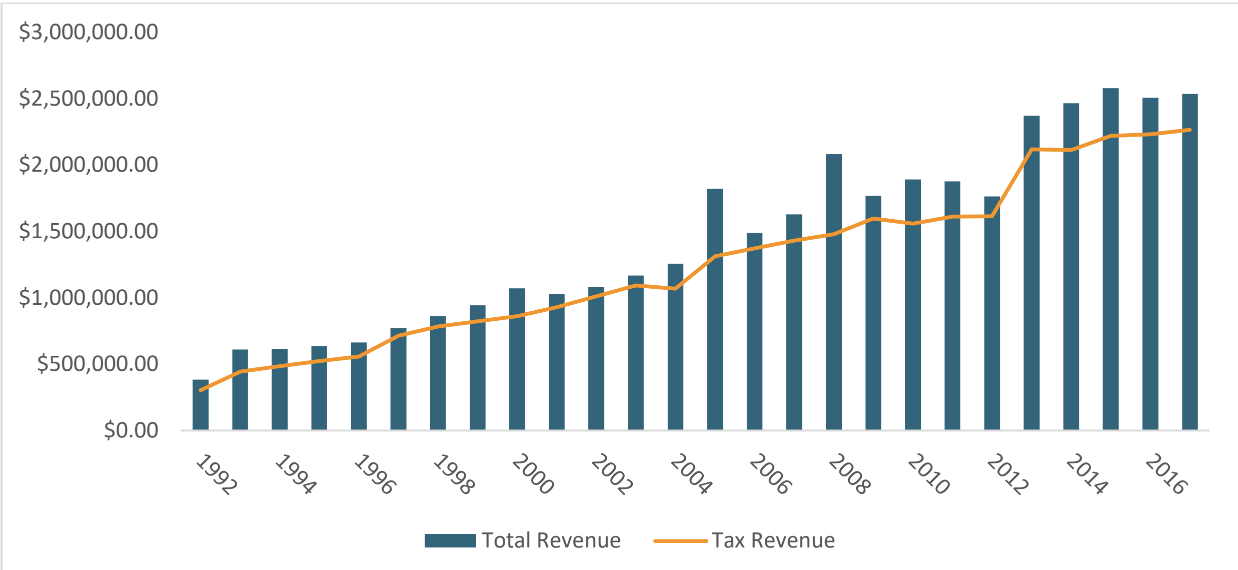
Revenue History

While property tax revenue has been limited by passage of Referendum 47 in 1997 and Initiative 747 in 2002, the District's revenue has increased over time as illustrated in Figure 19. Several factors have contributed to these increases:

- Addition of the value of new construction to assessed valuation (AV)
- Interlocal agreements with fees for services provided to the Town of Coupeville, Island County, and Whidbey Island Hospital District (dba WhidbeyHealth)
- Passage of lid lifts in 1992, 2004, and 2012 increasing the District's levy rate from the prior year

From 1992 to present the District's revenue has increased an average of 9.02% annually. However, since the passage of the District's last lid lift in 2012, revenue has increased an average of 1.73% annually which represents the normal constitutionally limited 1% and the added value of new construction. There has been no significant change in revenue related to the District's Interlocal agreements during this time.

Figure 19. CWIFR Revenue History 1992-2017 (Excluding Bond Revenue)



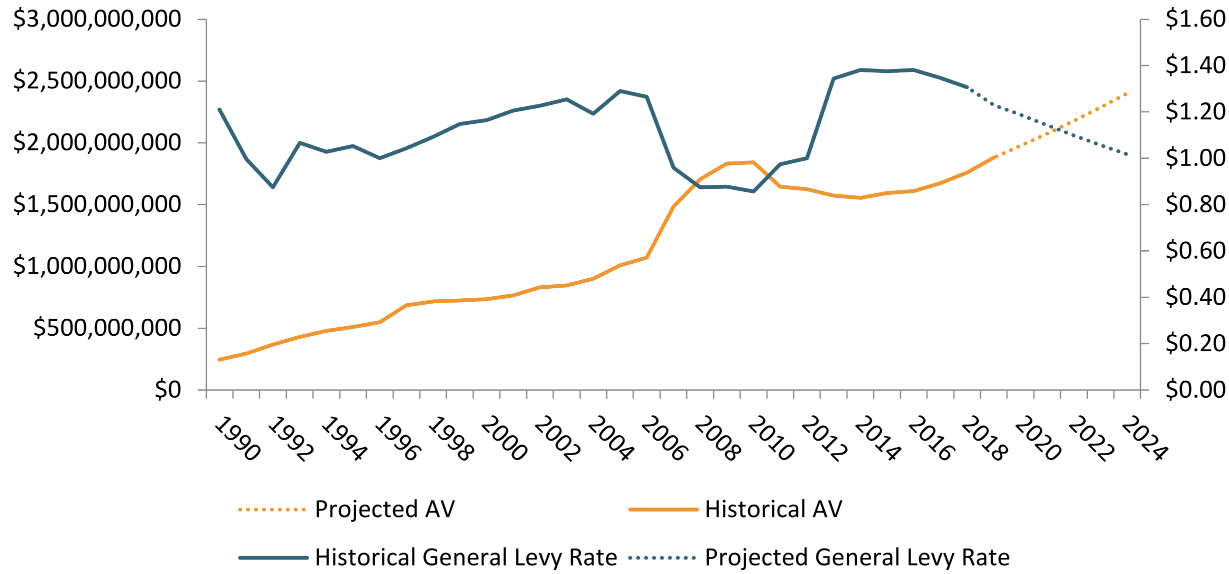
Issuance of a $1,200,000 Limited Tax General Obligation (LTGO) (councilmatic) Bond in 1997 and passage of a $7,424,543 Unlimited Tax General Obligation (UTGO) (voter approved) Bond in 2017 provided substantial, one-time bumps in revenue. Bond Revenue has been excluded from Figure 19 as inclusion of these one-time funds distort District's revenue trend. Debt service on UTGO bonds is paid with funds from a dedicated bond levy, resulting an ongoing (20-year) increase in revenue beginning in 2018.

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). As illustrated in Figure 20, CWIFR's levy rate has fluctuated from a low of $0.79/$1000 to a high of $1.38/$1000 assessed value (average rate of $1.22/$1000). In addition to the regular levy, the unlimited tax general obligation (UTGO) bond passed in 2017 is funded by a dedicated bond levy with an initial levy rate of $0.22/$1000 in 2018.

Assessed Valuation and Levy Rate

Figure 20 illustrates the District's assessed valuation (AV) and levy rate from 1990 to present and provides projections though 2024. Note that as the District's assessed valuation increased the levy rate has decreased and when assessed valuation decreased, the levy rate increased. The other levy rate increases occurred because of lid lifts passed in 1992, 2004, and 2012. While growth in AV is variable, it is likely to continue at or near historical rates as this has been reasonably consistent over the last several decades. As AV increases, the bond levy rate will decrease over time. 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).

Figure 20. CWIFR Assessed Valuation and General Levy Rate 1990-2024

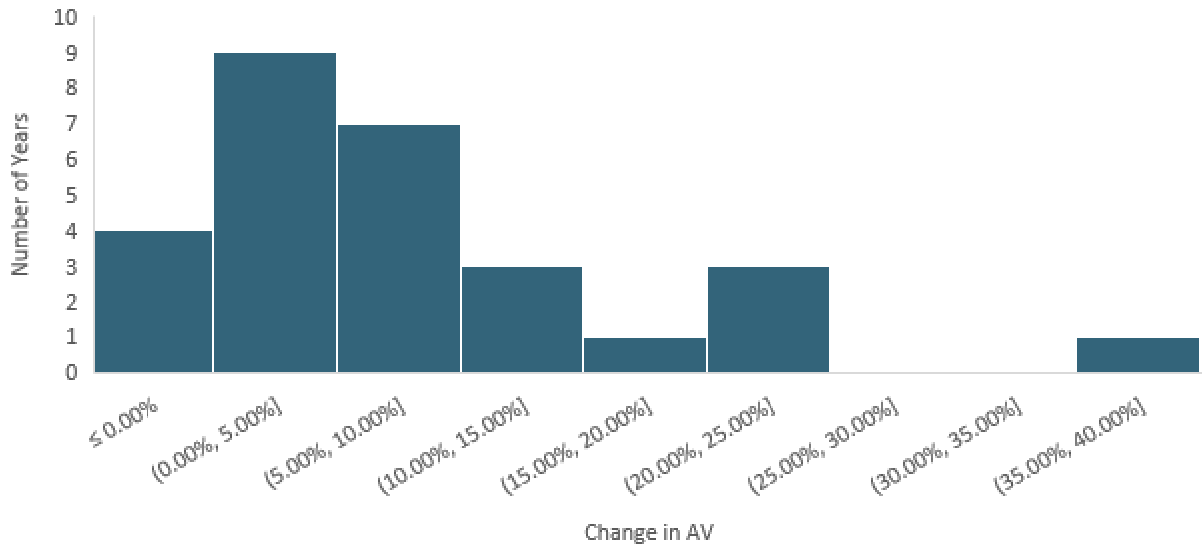


Note: AV and General Levy Rate are only projected through 2024 as the District will likely require a lid lift prior to 2024 to maintain current service levels. If passed by the District's voters, a lid lift would increase the general levy rate and thus change the projections beyond that point.

In 24 of the last 28 years, assessed valuation within the District has increased. The magnitude of the change in assessed valuation has varied widely over this time (-10.72% to 38.57%). Over this 28-year period, the average change in AV has been an increase of 7.69%.

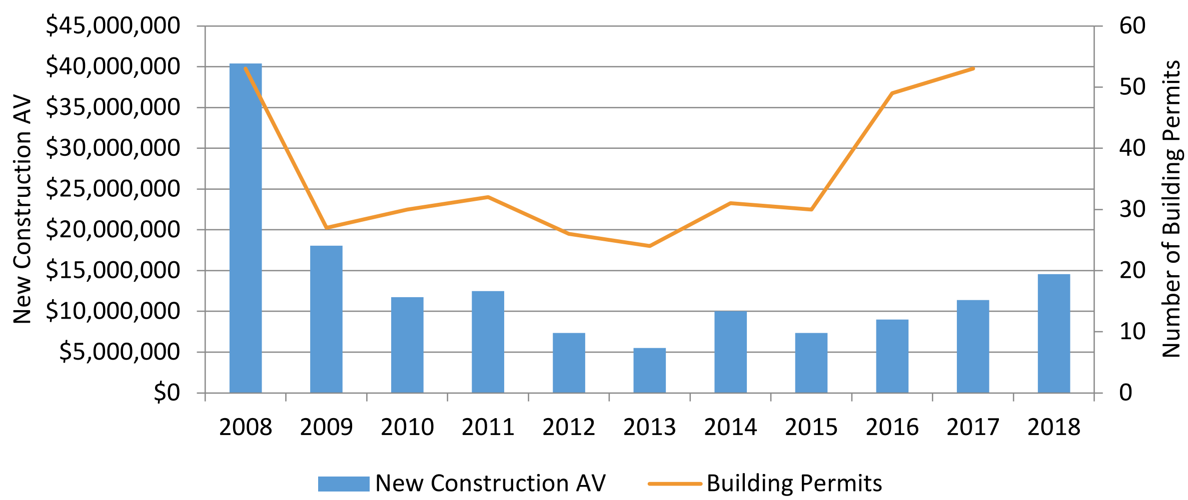
The average change in AV of 7.59% between 1990 and 2018 is a bit misleading as it is substantially influenced by large increases in a small number of years. It is more useful to examine the frequency with which ranges of percentage change occurred. As illustrated in Figure 21, it has been most common for AV to experience an increase ranging from 0% to 5%, but if AV was greater, it was typically in a positive direction.

Figure 21. Histogram of Percentage Change in AV



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 many are constructed for recreational or seasonal use. Construction of buildings for commercial occupancy comprises a much smaller percentage of new construction. Figure 22 illustrates changes in the District's Assessed Valuation based on addition of new construction to the District's tax rolls as well as the relationship to the number of building permits issues within the District.

Figure 22. Changes in Central Whidbey island Fire & Rescue's Assessed Value



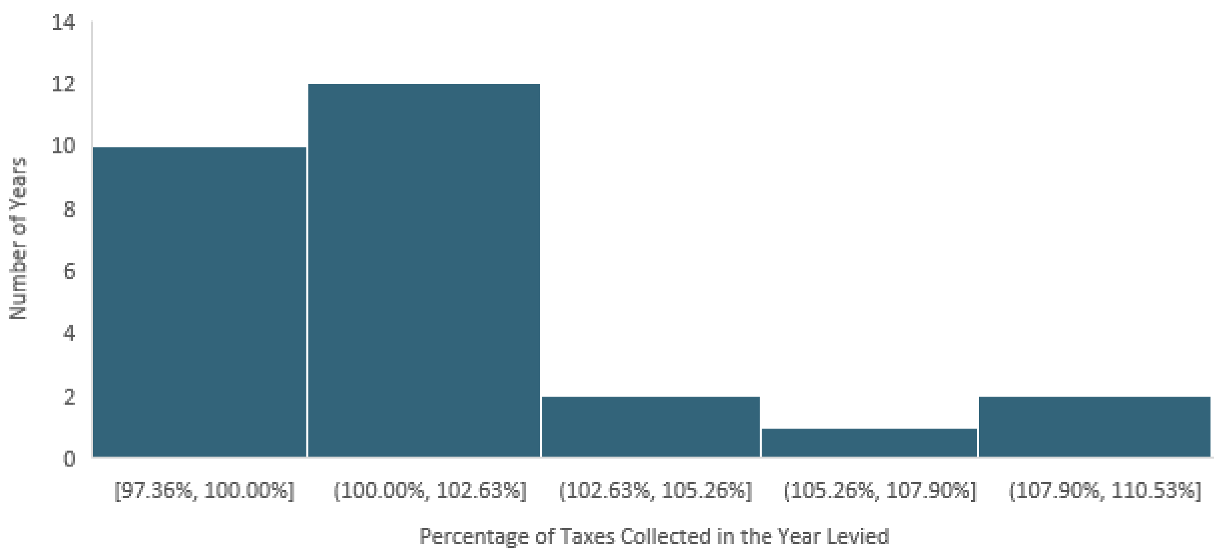
Note: Adapted from Island County Assessor *Annual Levy Certification 2008-2018* and Island County Building Official *Special Report-Building Permits in Zip Codes 98239 and 98253 for 2008-2018* [Excel spreadsheet].

As illustrated in Figure 22, the District's new construction revenue has trended upward since 2013 and is anticipated to continue at a moderate pace until late 2019 or 2020. While there is likely to be a slowdown in new construction during the anticipated economic recession, in the long-term new construction is anticipated to continue at historic levels over the 10-year duration of this long-term financial plan.

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. Figure 23 illustrates variation of property tax collection rate from 1991 to 2017.

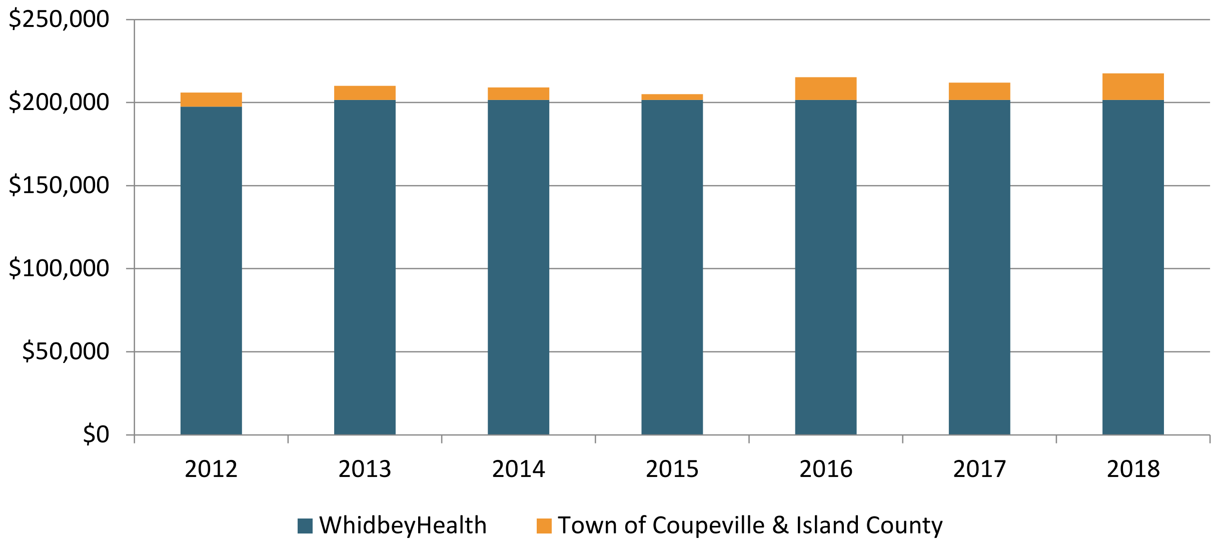
Figure 23.Percentage of CWIFR's Property Tax Collected in the Year Levied 1991 to 2017



Revenue from Services Provided

As previously identified, the District receives revenue from interlocal service agreements with Island County Hospital District (dba WhidbeyHealth), the Town of Coupeville, and Island County. As illustrated in Figure 24, this revenue has been relatively flat since 2012.

Figure 24. Revenue from Services Provided



The existing Interlocal Agreement between the District and WhidbeyHealth expires on December 31, 2019. Similar agreements have been in place since 2008 and provide mutual benefits to both agencies. Negotiations are currently underway for a mid-term adjustment in compensation for service which is anticipated to provide an increase in revenue, but the exact nature of that increase is unknown.

It is unlikely that the revenue from Fire Prevention Interlocal Agreements with the Town of Coupeville and Island County will change significantly in the near term and if increased in the mid to long term will have limited impact as they are a small percentage of the District's total revenue.

Fire District Expenditures

Central Whidbey Island Fire & 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 includes 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, social security (this does not apply to employees in the Law Enforcement Officers and Firefighters pension system) and Medicare.

In 2018, personal services accounted for approximately 73% 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 is influenced substantially by inflation and a range of other factors. The cost of health care insurance, workers 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 2018, Materials and Services account for approximately 27% of the District's maintenance and operations budget.

Inflation is the primary factor impacting materials and services expense as 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 a fuel and other expendable supplies.

Capital Projects

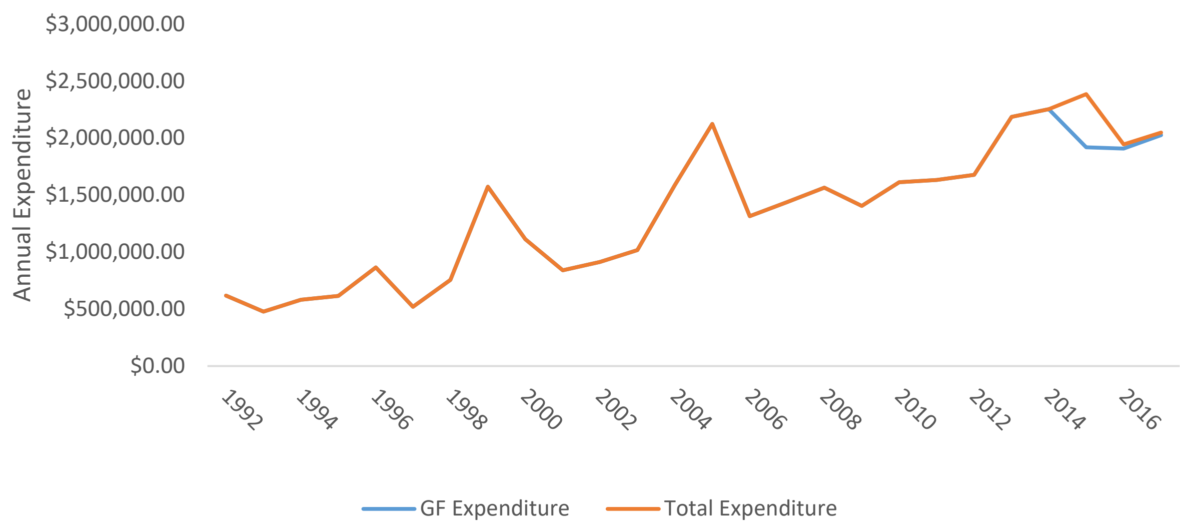
This category includes items with a purchase price of greater than $5,000 and a useful life of greater than one year. Major capital items include (but are not limited to) real property, fire apparatus and other vehicles, communications system projects, and information technology infrastructure.

Capital projects expense 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 2005 and 2017, Central Whidbey Island Fire & Rescue's expenditures have increased at a rate of 9.21% per year (all funds). Significant changes in expense from year to year largely reflect increases in staffing and major capital projects. Since 2014, General Fund (maintenance and operations) expenditures have only increased at an average of 1.04% per year (see Figure 25).

Figure 25. Historical Expenditures 1992-2017



Note: Prior to 2015 the District operated with a single fund with all expenditures made from the General Fund. In 2015, the District established the Capital Projects, Compensated Absences, and Grant Management Funds. In 2017, the District added the Bond and Debt Service Funds to account for capital projects funded by the District's UTGO Bond and payment of debt service on this bond.

Current Fiscal Position

Since development of the Districts first Long-Term Financial Plan (separate from its strategic plan) in 2015, Central Whidbey Island Fire & Rescue has achieved the fiscal goals established in that plan and significantly improved its financial position.

- Revenue from the general levy and interlocal agreements is adequate for current operations.
- The District's current (2018) general levy rate is $1.31/$1000.
- The District's general levy rate is anticipated to be reduced to $1.23/$1000 in 2019 based on increased assessed valuation and new construction.
- In 2019, the General Fund beginning balance is anticipated to be approximately 124% of budgeted expenses, exceeding the minimum set aside of 43% (33% plus 10% Contingency) established by the Board of Fire Commissioners.
- In 2020 the General Fund beginning balance will decrease annually (absent an increase in revenue). This change was anticipated based on constitutional limitations in property tax increases and is addressed in this Long-Term Financial Plan.
- Adequate funding is available in the Capital Projects Fund and Bond Fund for programmed capital projects (the Capital Projects Fund is 100% funded for apparatus and equipment)

- The Capital Projects Fund beginning balance will fluctuate considerably over the next several years based on the schedule of capital projects.
- Proceeds from an Unlimited Tax General Obligation Bond approved by the voters in November 2017 were deposited prior to the end of 2017 providing a beginning balance of $7,424,544 in 2018. This balance will be drawn down as capital projects funded by the bond (Station 53 renovation and three Type 1 Engines) are completed between 2018 and 2020.
- Debt service on the District's Unlimited Tax General Obligation (UTGO) bond is funded through a separate, voter approved bond levy.
- The District's current (2018) bond levy rate is $0.22/$1000.
- The District has a AAA Bond Rating with Standard and Poor's.

While the District is financially healthy, it faces several fiscal pressures that will impact on financial position in the mid to long term.

- 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 have and continue to directly and indirectly impact personal services expense.
- Level funding of the District's largest interlocal agreement to staff a Basic Life Support (BLS) ambulance for the Whidbey Island Hospital District (dba WhidbeyHealth) has shifted a greater percentage of the cost of providing this service to the District. Negotiations are underway to address this issue.
- The District does not have enough revenue to fund identified capital facilities needs beyond those currently programmed.
- The District has a potential liability for compensated absences for full-time employees that exceeds current funding in the compensated absences fund. The District's Compensated Absences Fund is funded at 100% of the liability for Executive Staff Long Term Sick Leave Buyback but is not currently funded for the potential liability for unused Executive Staff Paid Time Off (PTO) or International Association of Firefighters (IAFF) members annual leave (vacation).

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 Maintenance and Operations and Capital Budgets (short term perspective), Capital Projects Plan (long-term perspective), and Financial Plan (long-term perspective) must out of necessity be based on assumptions about the future. Transparency in fiscal decision-making and policy require that these assumptions be clearly stated and shared to ensure a common understanding.

General Economic Assumptions

There are several assumptions about the economy of the United States, Washington State, Island County, and the local community that must be considered in both the short- and long-term.

> ***Assumption G1:*** A recession is likely to begin in late 2019 or 2020 and is anticipated to last least than 12 months (although this may be impacted by the volatility of the political environment).
>
> ***Assumption G2:*** A recession impacting the United States economy will by default impact on Washington State, Island County, and the local economy. It is likely that recovery will be slower in Island County than in the remainder of the state.
>
> ***Assumption G3:*** Real estate values will be negatively impacted by a recession, but unlike the great recession of 2008, a recession in late 2019 or 2020 will not be significantly impacted and real estate will likely be a leading influence on economic recovery with resumption of more normal growth in real estate value in 2021 and 2022.

These assumptions are supported by analysis of the Economic Outlook presented earlier in this section of the Long-Term Financial Plan (Pages 39-59).

Revenue Assumptions

CWIFR's Long Term Financial Plan is based on three constitutional and statutory limitations and nine 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/$1000 of assessed value (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/$1000 of assessed value (RCW

84.062.59). The Whidbey Island Public Hospital District levies this tax and other taxing districts within the hospital district's boundaries are precluded from levying a tax for EMS services.

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: Growth in the District's revenue will be slow, but stable over the duration of this plan with a levy rate below the statutory maximum of $1.50 for the general levy. Provided that the District's general levy rate is below $1.50/$1000 assessed valuation (AV), revenue will not decrease even if AV decreases. Revenue from the District's unlimited tax general obligation (UTGO) bond levy is not impacted by fluctuations in AV.

Assumption R2: The District's Assessed Valuation (AV) will increase between 5% and 10% per 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 R3: Growth in the District's AV will lag changes in real estate prices due to recession by approximately two years, slowing in 2021 or 2022 and resuming normal growth in 2024 and 2025.

Assumption R4: In the long term, average annual increase in AV will be close to the historic level of 7% (an average annual increase of 5% is used in this plan).

Assumption R5: In the long term, the average annual increase in AV due to new construction will be between $7,000,000 and $15,000,000 (this is included in Assumption R4).

Assumption R6**:** In the long term, the District will collect 100% of property taxes in the year in which they are levied (based on historical data for tax collection within the District).

Assumption R7: Revenue generated through the interlocal agreement between the District and Whidbey Island Hospital District (d.b.a. WhidbeyHealth) to staff a Basic Life Support Ambulance will continue and increase moderately in the near term.

Assumption R8: Revenue generated through interlocal agreements with the Town of Coupeville and Island County for Fire Prevention Inspections will continue at their current level in the near term.

Assumption R9: Future increases in revenue generated through the interlocal agreements with WhidbeyHealth, The Town of Coupeville, and Island County are unknown but challenged by the similar economic factors and constraints impacting all special districts in Washington State.

These assumptions are supported by analysis of the Economic Outlook presented earlier in this section of the Long-Term Financial Plan (Pages 39-59).

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.

CWIFR's Long Term Financial Plan is based on one statutory impact and five 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 will be adjusted based on the CPI-W.

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 sources goods and services.

Assumption E1: The CPI-U and CPI-W are likely to increase between 1.5% and 3% per year over the next several years.

Assumption E2: The cost of equipment and services not included in the CPI-U or CPI-W are also likely to increase between 1.5% and 3% per year over the next several years.

Assumption E3: The State's minimum wage is likely to increase between 1.5% and 3% based on increases in the CPI-W. The state's minimum wage statute (RCW 49.46.020) will have direct impact on personal services expense for the District's part-time staff as compensation will need to be increased to keep pace with increases to the minimum wage. This change may also have an indirect impact on full-time staff due to compression between the lower and higher pay grades.

Assumption E4: The District has maintained a total compensation position in the labor market at or near the median of comparable agencies for the District's full-time employees represented by the International Association of Firefighters (IAFF) Local

4299. While not specifically tied to the CPI, it is likely that this median will increase at approximately the same rate as the CPI-U and CPI-W.

These assumptions are supported by analysis of the Economic Outlook presented earlier in this section of the Long-Term Financial Plan (Pages 39-59). The District uses the national Consumer Price Index-All Urban Consumers (CPI-U) as recommended by the Bureau of Labor Statistics (MRSX, 2018x & BLS, 2018) as a basis for anticipating increases in personal service. In the short term, expenditures are also impacted by statutory changes to the Washington state minimum wage, which is driven by statute in 2019-2020 and the Consumer Price Index- Urban Wage Earners and Clerical Workers (CPI-W) in subsequent years.

Based on Board of Fire Commissioners policy direction, the District has maintained a total compensation position in the labor market at or near the median of comparable agencies. Total compensation studies are completed by Central Whidbey Island Fire & Rescue on a two-year (executive and part-time staff) cycle or on the duration of the collective bargaining agreement for 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 5 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 5. 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 Exempt from Federal Taxes	Interest 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 CWIFR) 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 a 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 with the levy rate falling as Assessed Value increases or increasing. 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.

The District's voters approved a $7,424,543, 20-year bank qualified unlimited tax general obligation (UTGO) bond in November 2017 for renovation and expansion of Fire Station 53 and acquisition of three Type 1 Fire Engines. After passage of this bond measure, the District received the highest bond rating grade of AAA from Standard and Poor's. The AAA bond rating grade was based on the following key factors: 1) Demonstrated track record of very strong fund balances in the General Fund; 2) Strength of the local economy; 3) Growth in assessed value; 4) Financial management practices and policies; and 5) Experienced management in operating the District in an efficient manner

CWIFR's long term financial plan reflects the following given and three assumptions regarding debt:

> ***Current Debt:*** In 2017, the District issued $7,424,543 in Unlimited Tax General Obligation (UTGO) bonds. The District's voter approved bond levy generates revenue required for debt service on these bonds and the bond levy rate will decrease as assessed value increases.

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

> ***Assumption D1:*** The District does not currently have and does not anticipate any limited tax general obligation (LTGO) debt.

> ***Assumption D2:*** The District does not anticipate addition of any additional unlimited tax general obligation (UTGO) debt within the duration of this plan.

> ***Assumption D3:*** The District anticipates maintaining its AAA bond rating.

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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

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. As such the District has presented the voters with the option of increasing the tax levy to maintain services in 1992, 2004 and 2011. In all cases, the voters approved lifting the lid and maintained service delivery levels.

Revenue is 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.

Balanced Budget

Central Whidbey Island Fire & 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.

As noted in the Financial Policies section of the Long-Term Financial Plan, Standard Operating Guideline 1.3.1 Budget delineates two balanced budget policies.

- 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 (CWIFR, 2018x).

- Maintain a balanced budget at the Division level (Administration, Operations, Life Safety & Community Risk Reduction, Training, Facilities, & Vehicle Maintenance) (CWIFR, 2018x).

SOG 1.3.1 (CWIFR, 2018x) further delineates 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 Division and Fund levels. If line item expenditures would result in a deficit (within the line) of 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 adjustment will generally be 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 a prudent for governments to use a portion of budget surpluses to help create, sustain or increase the size of a 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), Central Whidbey Island Fire & Rescue (CWIFR) has established a written fund balance policy. This policy was adopted by the Board of Fire Commissioners by *Resolution 2017-1* (CWIFR, 2017b) and *Standard Operating Guideline (SOG) 1.3.9 Financial Reserves* CWIFR 2017k).

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, 2015).

General Fund

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 (CWIFR, 2017b; 2017k).

As established by Board policy, the District also maintains a General Fund Contingency in the amount of 10% of anticipated annual expenditures for use in the event of unbudgeted or unanticipated expense (CWIFR, CWIFR, 2017b;). Contingency may only be used if authorized by the Board of Fire Commissioners (CWIFR 2017q' 2017k)

Other Funds

The District's other funds do not have specified minimum beginning balances.

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 Compensated Absences Fund.

Capital Projects Fund

Prior to 2012, Central Whidbey Island Fire & Rescue (CWIFR) used a single (General) Fund and did not maintain dedicated reserve funds. Capital purchases were simply made from the General Fund on an as needed basis. Analysis of the unappropriated General Fund Balance and capital apparatus and equipment determined that there were insufficient funds for apparatus and equipment replacement. In addition, no funds had been set aside for future capital facilities projects.

The Capital Projects Fund was established in 2012 to accumulate assets for future capital purchases and for current capital expenditures. The District also established the Compensated Absences Trust Fund to address its compensated absences liabilities. While these funds were established in 2012, Island County as the District's treasurer continued to maintain the District's funds in a single account. In 2015, CWIFR directed Island County to segregate the District's funds into separate accounts by 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 purchase of Automatic External Defibrillators (AEDs) and fire hose and appliances. In 2017, with passage of the District's Unlimited Tax General Obligation bond the Capital Projects Fund reached full funding for apparatus and equipment along with currently programmed facilities projects. However, revenue is not adequate to address other major capital facilities requirements (e.g., renovation of Stations 51 and 54) on a pay as you go basis.

The Capital Projects Fund is currently funded at 123.14% of programmed projects. The Central Whidbey Island Fire & Rescue *Integrated Comprehensive Plan Volume 6-Capital Projects Plan* details the projected capital projects and anticipated cash flow within the Capital Projects Fund. Prospective cash flow in the Capital Projects Fund is also summarized in Table 9 in the Financial Strategy section of this document (pages 79-81).

Compensated Absences Fund

The Compensated Absences Fund has historically been funded to meet the District's liability for Executive Staff Long Term Sick leave (buyback of a of 240 hours or the bank balance, whichever is less). However, the District also pays full-time employees for unused Paid Time Off (e.g., used by Executive Staff for annual leave, short term sick leave, and holidays) or Vacation (used by other full-time employees). 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 (CWIFR, 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 is not necessary to immediately address this liability in its entirty. It would be reasonable to increment the percentage of full funding of the total liability for long term sick leave (Executive Staff) as well as unused PTO and vacation (all full time employees) based on eligibility for retirement and identified, planned retirements when known.

Two of the District's Executive Staff have tentatively set their retirement dates, the Finance Officer anticipates retireing in the fourth quarter of 2019 and the Fire Chief anticipates retiring in the fourth quarter of 2024. Retirement dates for other personnel are unknown. It is reasonable to assume that the Deputy Fire Chief will not retire until he has vested and has reached minimum retirement age with the Law Enforcement Officer and Firefighters (LEOFF) pension system which will occur in 2020. Further, it is anticipated that the District's other full-time employees (firefighters and officers) will not retire before they have reached the minimum retirement age and 20 years of service (whichever comes last). Table 6 illustrates Central Whidbey Island Fire & Rescue's maximum total paid time off liability based on current wage rates and the previously stated assumptions regarding retirements. Not all members carry over the maximum number of PTO or Vacation hours each year. However, leave use and carryover patterns may change as members near retirement ages (making maximum potential liability a resonable prediction).

The current balance in the Compensated Absences Fund is $30,357, covering 11.41% of the current potential compensated absences. 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. Kavanagh(2018), identifies, incrementally addressing unfunded liabilities as a sound and achievable approach to progressing towards fiscal sustainably. As the District's workforce is relatively far from retirement (with the exception of the Executive Staff), this approach will allow the District to address this issue and limit impact on service delivery levels.

In order to meet the total potential compensated absences liability at potential time of retirement (for each incumbent and their subsequent replacements at current pay rates), $35,360 will need to be transferred from the General Fund to the Compensated Absences Fund in 2019 and approximately $65,717 transferred on an annual basis through 2020 and $26,866 annually through 2024 and $23,901 annually thereafter. This amount will change as compensation changes, if there is any change in compensated absence carryover or long term sick leave buyback, and as the composition and longevity of the District's workforce changes.

If an indivudal chooses to remain in the employment of the District past their projected (earliest likely) retirement date, the annual transfer to the Compensated Absences Fund from the General Fund may be reduced (as their compensated absences liability would be fully funded).

Table 6. Maximum Potential Total Paid Time Off Liability

	Hours						
	Long Term Sick	100% PTO Carryover	PTO Accrual Less Use	90% Vacation Carryover	Vacation Accrual Less Use	Average Pay Rate	Subtotal
Executive Staff	729	840	731.76	n/a	n/a	$46.81	$107,285
IAFF Members				4956.60	206.16	$30.97	$158.691
Total Paid Time off Liability							**$265,975**

While this liability is significant, the related expense will be distributed over a considerable period of years due to the spread of anticipated retirement dates. Establishment of a policy to fund this liability for new full-time employees on an annual basis over the anticipated duration of their career will be recommended to the Board of Fire Commissioners at the next review of *Standard Operating Guideline (SOG) 1.3.9 Financial Reserves* (CWIFR, 2017k).

Debt

The District retired a Long-Term General Obligation (LTGO) Bond (non-voted debt) in 2011 and was debt free from 2011 to 2017. In November 2017, the District's voters passed a $7,376,000 bond measure to fund the District's most pressing capital facilities improvements and replacement of major fire apparatus. Passage of this bond measure allows the District to borrow funds for major capital expenditures with a separate tax levy to fund the debt service (payment on borrowed funds). This reduces demand on current revenue for capital expenditures and preserves the general levy to meet the expense of ongoing operational requirements.

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 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. Based on these limitations, the District's debt limits based on a 2018 assessed valuation of $1,832,849,538 are illustrated in Table 7.

Table 7. District Debt Limits

Type of Debt	Debt Limit	Amount of Debt	% of Debt Capacity
Non-Voted	$6,873,186	$0	0%
Voted	$22,910,619	$7,376,000	32.19%

Bond Fund

This fund was established for proceeds from the Unlimited Tax General Obligation (UTGO) bond approved by the voters in the November 2017 General Election for specific capital projects and related expenditures. Use of a separate fund to account for bond revenues and expenditures facilitates accounting and compliance reporting. In December of 2017, $7,424,536[3] was deposited in the Bond Fund after sale of UTGO Bonds. These funds will be used for the following Capital Projects:

- Payment for the District's Bond Attorney's and Bond Underwriters Services
- Station 53 Construction Project (2018 through 2020)
- Purchase of Three Type 1 Fire Engines (2020)

The investment strategy for the Bond fund is to maximize return using longer term investment for funds that will not be needed until late 2019 or 2020 while maintaining sufficient liquidity to meet cash flow requirements of these projects. The District earned $31,996 investment income in the Bond Fund between January 1, 2018 and June 30, 2018.

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. The Debt Service Fund is fully funded through a property tax bond levy and debt service payments are made from the same fund.

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 43% 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 10% of the maintenance and operations budget for use in the event of unbudgeted or unanticipated expenses, if authorized by the Board of Fire Commissioners.

Use of voter approved, Unlimited Tax General Obligation (UTGO) bonds with a related bond levy (separate from the District's general levy) has allowed the District to address several major capital projects, while maintaining current service levels.

While the current position of the District is fiscally sound, constructional 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.

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[3] This total was higher than the voted bond amount due to the premium paid by investors who purchased the bond. This allowed payment of Bond Attorney and Bond Underwriter expenses while leaving the full $7,376,000 amount of the bond available for capital projects.

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. The 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 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).

Analysis of Fiscal Position

Analysis of CWIFR's fiscal position presented in each scenario must be considered on multiple dimensions. These include:

- The District's ability to maintain a balanced budget as indicated by a positive, General Fund Cash Flow.
- Multi-year trends in Beginning Fund Balance (increasing or decreasing) for each fund.
- Adequacy of the General Fund Beginning Balance of at least 43% of budgeted maintenance and operations expenses (Inclusive of a Contingency Reserve of 10%).
- 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.

Overview of Scenarios

Table 8 provides an overview of the two scenarios examined in this long-term financial plan; Baseline and Lid Lift. Graphs are provided in this table to provide a conceptual picture of the scenarios and outcomes. It is important to note that these graphs are not drawn to exact scale but are configured to provide a clear illustration of the concepts involved in limited space. Detailed financial analysis is provided in tabular format later in this section.

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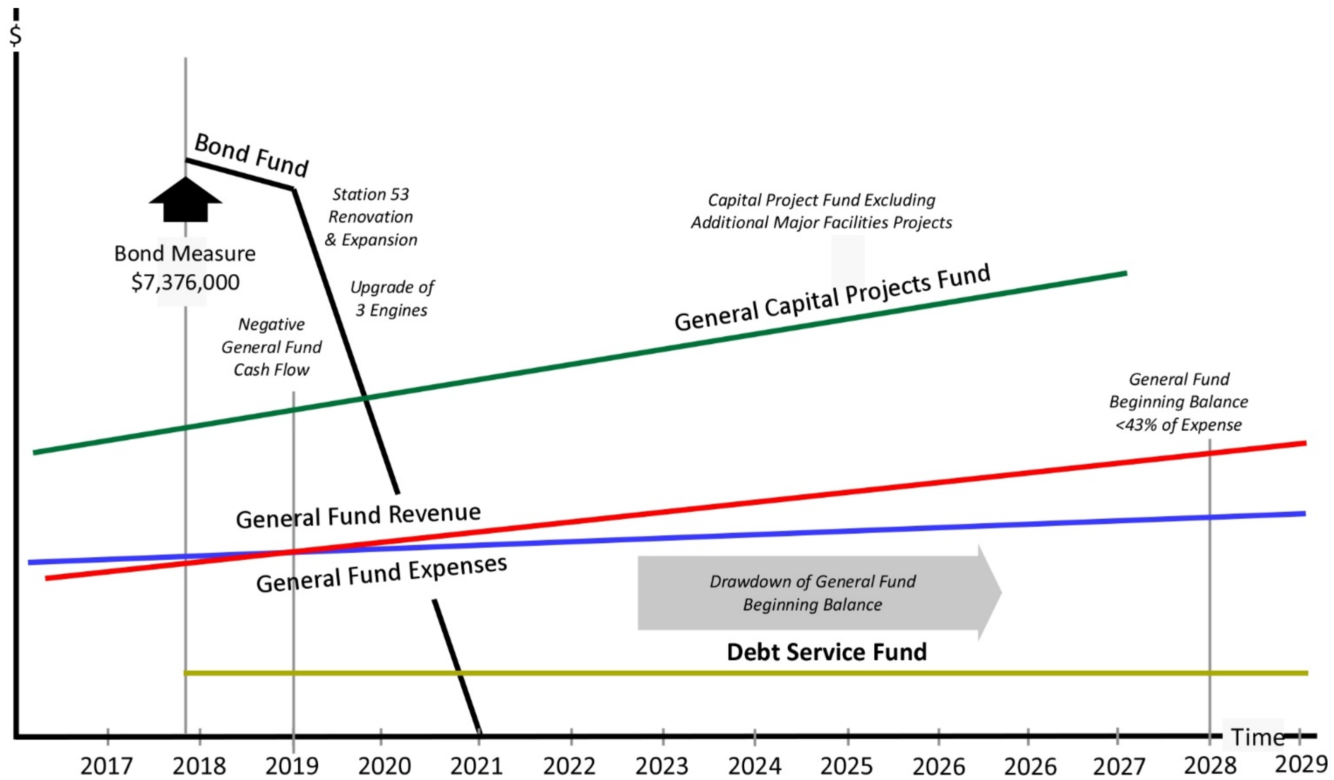
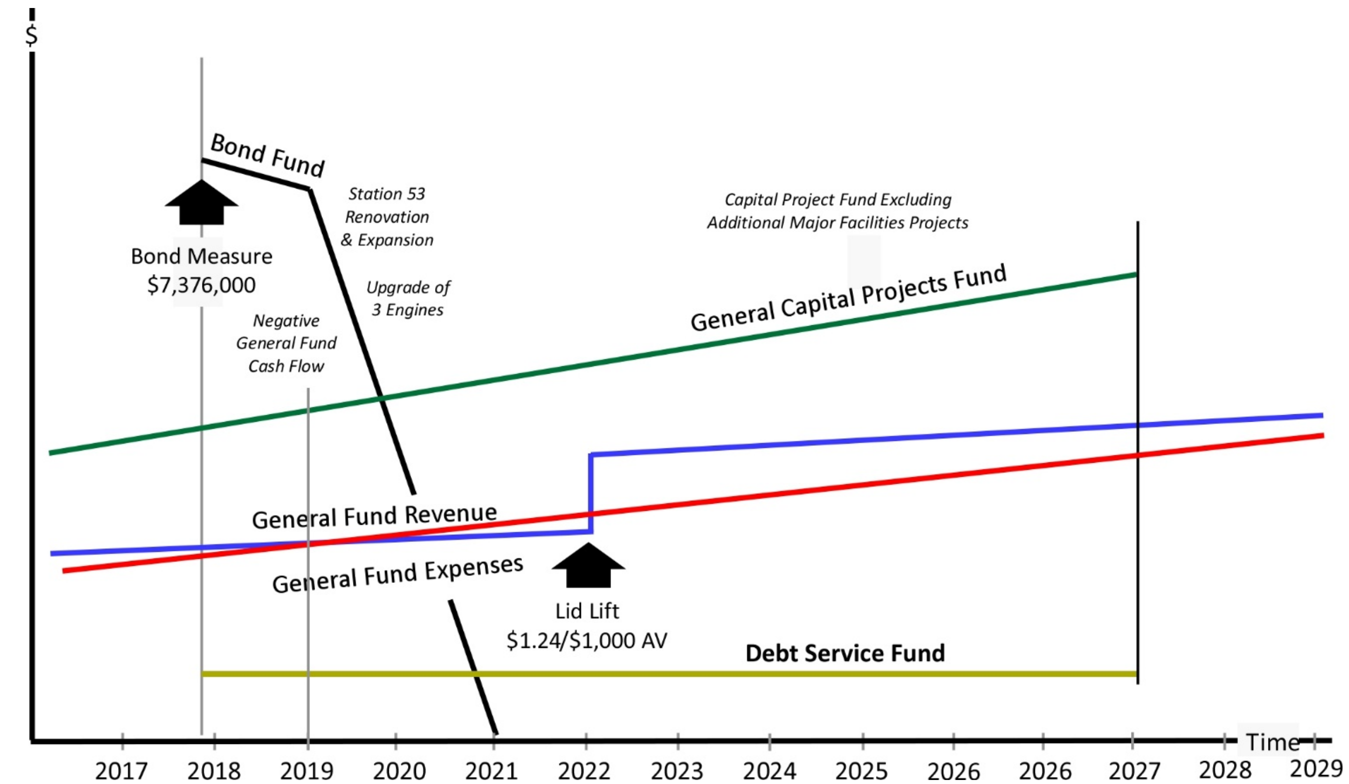
Table 8. Fiscal Scenario Overview

<table>
<tr><th>Baseline Scenario</th><th>Lid Lift Scenario</th></tr>
<tr><td>


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 43% 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, current service can be continued until 2028 with a beginning General Fund balance of ≥43% of anticipated expenses.

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 5.0% (inclusive of new construction)
- Increase in expense not to exceed 3.00% annually
- Full funding for the Capital Projects Fund (inclusive of all projects funded with current revenue).
- *No funds set aside for future major capital facilities projects (e.g., Renovation and expansion of Stations 51 and 54)*

Additional Detail: Additional information and analysis of this scenario is provided on pages 77-86.
</td><td>


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 beyond 2028.

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 5.0% (inclusive of new construction)
- Passage of a lid lift in 2024, increasing the general levy rate to $1.25/$1000 Assessed Valuation.
- Increase in expense not to exceed 3.00% annually
- Full funding for the Capital Projects Fund (inclusive of all projects funded with current revenue).
- *No funds set aside for future major capital facilities projects (e.g., Renovation and expansion of Stations 51 and 54).*

Additional Detail: Additional information and analysis of this scenario is provided on pages 87-94.
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Baseline Scenario

The Baseline Scenario is based on Central Whidbey Island Fire & Rescue's current plan to maintain service delivery levels, full funding of the Capital Projects Fund for apparatus, equipment and programmed facilities projects, and incrementally achieve adequate funding of the compensated absences fund to meet liabilities as members leave district employment due to retirement.

Renovation and expansion of Station 53 and purchase of three Type 1 Engines are funded through the Unlimited Tax General Obligation (UTGO) Bond approved by the voters in 2017.

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

- Statutory 1% increase in tax revenue (excluding new construction)
- Increase in Assessed Valuation (AV) of 5.0% (inclusive of new construction)
- Increase in expense not to exceed 3.00% annually
- Transfer of funds from the General Fund to the Capital Projects Fund, maintaining adequate cash flow and full funding to meet capital apparatus and equipment needs as well as for programmed capital facilities improvements (e.g., backup power generator at Station 51, diesel exhaust removal systems, fire & security systems, and telephone system upgrades).
- *No funds set aside for future capital facilities projects (e.g., renovation and expansion of Stations 51 and 54).*

As illustrated in Table 9, the District will maintain a positive General Fund cash flow through 2019 and the General Fund beginning balance will be greater than 43% through 2027. CWIFR financial policy requires the District to maintain a beginning General Fund Balance of 43% of budgeted expenditures (10% Contingency and 33% for expenditures prior to receipt of current year tax revenue). Given this policy, the impact of this financial scenario is that the District will be able to maintain current service levels through 2027 but will need to increase revenue or decrease service levels to reduce expense prior to this point.

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Table 9. Baseline Scenario Long Term Cash Flow Projection (Revision 9.0)

General Fund	Actual	Adjusted	Proposed	Projected									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Beginning General Fund Balance	$2,628,225	$2,775,233	$2,823,853	$2,809,203	$2,731,909	$2,659,780	$2,553,167	$2,405,834	$2,218,584	$1,977,035	$1,692,005	$1,360,975	$982,131
Contingency (10% of M&O Regular Budgeted Expense)	$227,519	$230,532	$237,448	$244,571	$251,908	$259,465	$267,249	$275,267	$283,525	$292,031	$300,792	$309,815	$319,110
Beginning GF Balance (Less Contingency)	$2,400,706	$2,544,701	$2,586,405	$2,564,632	$2,480,001	$2,400,315	$2,285,917	$2,130,567	$1,935,059	$1,685,004	$1,391,213	$1,051,160	$663,021
Revenue													
Taxes	$2,262,039	$2,305,765	$2,344,800	$2,384,225	$2,424,044	$2,464,262	$2,504,882	$2,545,908	$2,571,344	$2,613,035	$2,655,142	$2,697,671	$2,740,625
State Generated Revenue	$3,897	$14,476	$14,476	$14,476	$14,476	$14,476	$14,476	$14,476	$14,476	$14,476	$14,476	$14,476	$14,476
Charges for Service	$214,150	$219,575	$219,515	$219,515	$219,515	$219,515	$219,515	$219,515	$219,515	$219,515	$219,515	$219,515	$219,515
Miscellaneous Revenue	$26,181	$16,784	$13,599	$13,588	$13,687	$13,897	$14,220	$14,663	$15,230	$15,926	$16,755	$17,723	$18,834
Other Revenue	$0	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500
Investment Interest	$16,259	$2,500	$5,701	$5,712	$5,613	$5,403	$5,080	$4,637	$4,070	$3,374	$2,545	$1,577	$466
Total Operating Revenues	$2,522,526	$2,561,600	$2,600,591	$2,640,016	$2,679,835	$2,720,053	$2,760,673	$2,801,699	$2,827,135	$2,868,826	$2,910,933	$2,953,462	$2,996,416
Expenditures													
Regular Budgeted Expenditures (M&O General Fund)	$2,023,385	$2,305,317	$2,374,477	$2,445,711	$2,519,082	$2,594,655	$2,672,494	$2,752,669	$2,835,249	$2,920,307	$3,007,916	$3,098,153	$3,191,098
Contingency Expenditures	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Investment Fee	$1,319	$1,300	$285	$286	$281	$270	$254	$232	$203	$169	$127	$79	$23
Total Expenditures	$2,024,704	$2,306,617	$2,374,762	$2,445,996	$2,519,363	$2,594,925	$2,672,748	$2,752,901	$2,835,453	$2,920,475	$3,008,043	$3,098,232	$3,191,121
Interfund Transfers													
To General Capital Projects Fund	$349,000	$203,746	$205,119	$205,596	$205,735	$205,876	$208,391	$209,183	$209,331	$209,480	$210,019	$210,173	$211,359
To Compensated Absences Fund	$1,814	$1,431	$35,360	$65,717	$26,866	$25,866	$26,866	$26,866	$23,901	$23,901	$23,901	$23,901	$23,901
To Grants Management Fund	$0	$1,186	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
To Debt Service Fund	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Transfers From General Fund	$350,814	$206,363	$240,479	$271,314	$232,601	$231,742	$235,257	$236,049	$233,232	$233,381	$233,920	$234,074	$235,260
Ending General Fund Balance													
Contingency Ending Balance	$227,519	$230,532	$237,448	$244,571	$251,908	$259,465	$267,249	$275,267	$283,525	$292,031	$300,792	$309,815	$319,110
Ending GF Balance (Less Contingency)	$2,547,714	$2,593,321	$2,571,755	$2,487,338	$2,407,872	$2,293,701	$2,138,585	$1,943,317	$1,693,510	$1,399,974	$1,060,184	$672,316	$233,057
Total Ending General Fund Balance	$2,775,233	$2,823,853	$2,809,203	$2,731,909	$2,659,780	$2,553,167	$2,405,834	$2,218,584	$1,977,035	$1,692,005	$1,360,975	$982,131	$552,166

Capital Projects Fund	Actual	Adjusted	Proposed	Projected									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Beginning Capital Projects Fund Balance	$1,331,031	$1,664,918	$1,749,488	$1,531,668	$1,386,777	$1,281,584	$1,344,535	$1,521,414	$1,677,805	$1,881,020	$2,084,657	$2,253,035	$2,341,246
Revenue													
Investment Interest	$7,888	$2,972	$3,364	$3,458	$3,140	$2,910	$3,350	$3,736	$4,078	$4,522	$4,894	$5,262	$5,474
Interfund Transfers													
From General Fund	$349,000	$203,746	$205,119	$205,596	$205,735	$205,876	$208,391	$209,183	$209,331	$209,480	$210,019	$210,173	$211,359
Expenditures													
Investment Fee	$129	$149	$168	$173	$157	$145	$168	$187	$204	$226	$245	$263	$274
Vouchers (Capital Projects Fund)	$22,872	$122,000	$426,135	$353,772	$313,911	$145,689	$34,696	$56,341	$9,989	$10,138	$46,291	$126,961	$10,602
Ending Capital Projects Fund Balance	$1,664,918	$1,749,488	$1,531,668	$1,386,777	$1,281,584	$1,344,535	$1,521,414	$1,677,805	$1,881,020	$2,084,657	$2,253,035	$2,341,246	$2,547,204

Table 9. Baseline Scenario Long Term Cash Flow Projection (Revision 9.0) Continued

Bond Fund	Actual	Adjusted	Proposed	Projected									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Beginning Bond Fund Balance	$7	$7,424,544	$7,175,205	$2,098,900	$140,125	$140,125	$140,125	$140,125	$140,125	$140,125	$140,125	$140,125	$140,125
Revenue													
Bond Revenue	$7,424,537	$361,769	$372,700	$385,300	$401,250	$411,600	$426,500	$440,800	$457,400	$473,000	$492,600	$506,000	$523,400
Investment Interest	$0	$87,500	$60,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Interfund Transfers													
To Debt Service Fund		$364,106	$372,700	$385,300	$401,250	$411,600	$426,500	$440,800	$457,400	$473,000	$492,600	$506,000	$523,400
Expenditures													
Investment Fee	$0	$4,375	$3,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Vouchers (Bond Fund)	$0	$330,127	$5,133,305	$1,958,775		$0	$0	$0	$0	$0	$0	$0	$0
Ending Bond Fund Balance	$7,424,544	$7,175,205	$2,098,900	$140,125	$140,125	$140,125	$140,125	$140,125	$140,125	$140,125	$140,125	$140,125	$140,125

Debt Service Fund	Actual	Adjusted	Proposed	Projected									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Beginning Debt Service Balance	$0	$0	$2,337	$2,337	$2,337	$2,337	$2,337	$2,337	$2,337	$2,337	$2,337	$2,337	$2,337
Interfund Transfers													
From Bond Fund	$0	$364,106	$372,700	$385,300	$401,250	$411,600	$426,500	$440,800	$457,400	$473,000	$492,600	$506,000	$523,400
Expenditures													
Vouchers (Debt Service)	$0	$361,769	$372,700	$385,300	$401,250	$411,600	$426,500	$440,800	$457,400	$473,000	$492,600	$506,000	$523,400
Ending Debt Service Balance	$0	$2,337	$2,337	$2,337	$2,337	$2,337	$2,337	$2,337	$2,337	$2,337	$2,337	$2,337	$2,337

Compensated Absences Trust Fund	Actual	Adjusted	Proposed	Projected									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Beginning Compensated Absences Balance	$27,169	$29,161	$30,583	$43,629	$74,919	$102,027	$128,190	$155,411	$141,932	$166,301	$190,720	$215,189	$239,709
Revenue													
Investment Interest	$182		$71	$135	$266	$323	$379	$436	$492	$543	$593	$644	$695
Interfund Transfers													
From General Fund	$1,814	$1,431	$35,360	$65,717	$26,866	$25,866	$26,866	$26,866	$23,901	$23,901	$23,901	$23,901	$23,901
Expenditures													
Investment Fee	$4	$8	$25	$25	$25	$25	$25	$25	$25	$25	$25	$25	$25
Vouchers (Compensated Absences)	$0	$0	$22,360	$34,537	$0	$0	$0	$40,755	$0	$0	$0	$0	$0
Ending Compensated Absences Balance	$29,161	$30,583	$43,629	$74,919	$102,027	$128,190	$155,411	$141,932	$166,301	$190,720	$215,189	$239,709	$264,280

Table 9. Baseline Scenario Long Term Cash Flow Projection (Revision 9.0) Continued

Grant Management Fund	Actual	Adjusted	Proposed	Projected									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Beginning Grants Management Balance	$0	$24,920	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Revenue													
Grants	$23,734	$25,000	$25,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Interfund Transfers													
From General Fund	$1,186	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Expenditures													
Vouchers (Grants Management)	$0	$49,920	$25,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Ending Grants Management Balance	$24,920	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
All Funds	Actual	Adjusted	Adopted	Projected									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Total Ending Balance (All Funds)	$11,918,776	$11,781,466	$6,485,737	$4,336,068	$4,185,854	$4,168,355	$4,225,121	$4,180,783	$4,166,818	$4,109,844	$3,971,661	$3,705,548	$3,506,112

Fiscal Performance Measures	2017	2018	2019	Projected									
				2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Fiscal Responsibility													
General Fund Revenue-General Fund Expense	$147,008	$48,620	-$14,650	-$77,294	-$72,129	-$106,614	-$147,332	-$187,250	-$241,549	-$285,030	-$331,030	-$378,844	-$429,965
Expenditure/Capita	$244.68	$275.99	$281.33	$286.90	$292.57	$298.37	$304.27	$310.29	$316.43	$322.70	$329.08	$335.59	$342.23
% Change in General Fund Balance	5.59%	1.75%	-0.52%	-2.75%	-2.64%	-4.01%	-5.77%	-7.78%	-10.89%	-14.42%	-19.56%	-27.84%	-43.78%
% Change in Capital Projects Fund Balance	25.08%	5.08%	-12.45%	-9.46%	-7.59%	4.91%	13.16%	10.28%	12.11%	10.83%	8.08%	3.92%	8.80%
% Change in Compensated Absences Fund Balance	7.33%	4.88%	42.66%	71.72%	36.18%	25.64%	21.23%	-8.67%	17.17%	14.68%	12.83%	11.39%	10.25%
General Fund Cash Flow/General Fund Revenue	19.74%	9.95%	8.68%	7.35%	5.99%	4.60%	3.18%	1.74%	-0.29%	-1.80%	-3.34%	-4.90%	-6.50%
General Fund Ending Balance/General Fund Revenue	110.02%	110.24%	108.02%	103.48%	99.25%	93.86%	87.15%	79.19%	69.93%	58.98%	46.75%	33.25%	18.43%
Long Term Debt/Assessed Value	n/a	n/a	0.35%	0.32%	0.30%	0.28%	0.26%	0.24%	0.22%	0.20%	0.18%	0.16%	0.14%
Debt Service/Operating Revenue	n/a	n/a	14.33%	14.12%	13.91%	13.70%	13.50%	13.30%	13.18%	12.99%	12.80%	12.62%	12.44%
% Full Funding of Contingency	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%
% Full Funding of Capital Projects Fund	44.47%	123.14%	147.52%	114.14%	84.22%	105.11%	101.57%	100.34%	103.03%	102.94%	103.71%	111.18%	105.78%
% Full Funding of Compensated Absences Fund	11.31%	11.86%	16.94%	29.10%	39.58%	49.67%	60.15%	54.73%	64.06%	73.38%	82.70%	92.03%	101.35%
Adequacy & Sustainability of Funding													
General Fund Balance as a % of GF Expense	129.81%	120.32%	118.91%	114.85%	108.44%	102.50%	95.53%	87.39%	78.24%	67.70%	56.25%	43.93%	30.78%
Revenue/Capita	$304.84	$306.49	$311.16	$309.65	$311.21	$312.75	$314.28	$315.79	$315.51	$316.99	$318.46	$319.91	$321.35
Intergovernmental Revenues/Total Revenues	8.49%	8.57%	8.44%	8.31%	8.19%	8.07%	7.95%	7.84%	7.76%	7.65%	7.54%	7.43%	7.33%
Property Tax/Total Revenues	89.67%	90.01%	90.16%	90.31%	90.45%	90.60%	90.73%	90.87%	90.95%	91.08%	91.21%	91.34%	91.46%
General Levy Rate	$1.35	$1.30	$1.27	$1.23	$1.19	$1.15	$1.11	$1.08	$1.04	$1.00	$0.97	$0.94	$0.91
General Levy Rate/Maximum Levy Rate ($1.50)	89.73%	87.07%	84.47%	81.80%	79.21%	76.69%	74.24%	71.87%	69.13%	66.90%	64.75%	62.65%	60.62%
Bond Levy Rate		0.22	0.22	0.22	0.22	0.22	0.22	0.22	0.22	0.22	0.22	0.22	0.22
Total Levy (General Levy + Bond Levy)	$1.35	$1.52	$1.49	$1.45	$1.41	$1.37	$1.33	$1.30	$1.26	$1.22	$1.19	$1.16	$1.13

Note: The District may not run a deficit, therefore the percentage change in General Fund balance and General Fund Ending Balance/General Fund Revenue are not calculated when a negative balance is projected in this analysis. The District would increase revenue or decrease expense prior to a negative balance to maintain a balanced budget. Per capita values are based on an estimated 1% annual increase in population.

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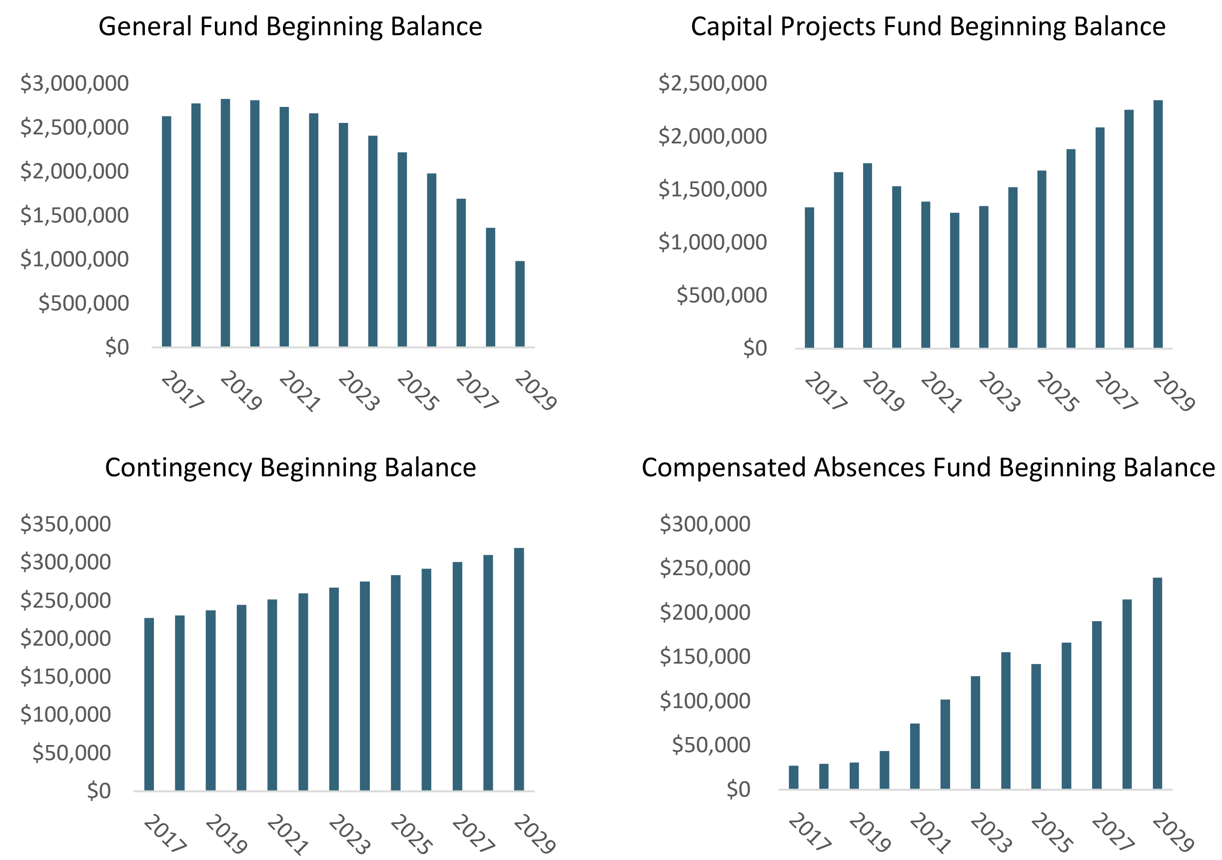
General Fund Cash Flow

As illustrated in Table 9, the District maintains a positive cash flow (General Fund Revenue minus General Fund Expense and transfers to other funds) through 2018. However, as the District is currently in negotiations with the Whidbey Island Hospital District (dba WhidbeyHealth) regarding payment for services related to the interlocal agreement for staffing a basic life support (BLS) ambulance, it is likely that increases in service delivery revenue will allow the District to maintain positive cash flow for several more years (likely through 2021).

Beginning Fund Balance Trends

The General Fund beginning balance began a continual decline in 2020. This decrease was anticipated due to increasing expense and because of transfer of money to the Capital Projects Fund (catching up on investment for future capital purchases). The Contingency beginning balance will remain consistent at 10% of anticipated annual General Fund expenditures. The Capital Projects Fund beginning balance fluctuates because of the timing of capital projects. The beginning balance of the Compensated Absences Fund is anticipated to increase over the next ten years to meet current and anticipated liability for compensated absences. Each of these funds is dependent on transfers from the General Fund and will potentially be impacted as the General Fund beginning balance decreases.

Figure 26. Beginning Balance Trends



The Bond Fund beginning balance is anticipated to decrease between 2019 and 2021 as capital projects funded by the District's voter approved, Unlimited Tax General Obligation (UTGO) Bond are completed.

Subsequently, the beginning balance of both the Bond and Debt Service Funds are anticipated to fluctuate throughout the year due to receipt of tax revenue, interfund transfers, and payment of debt service, but to be stable on a year-to-year basis.

Adequacy of the General Fund Beginning Balance

The General Fund Beginning Balance must be enough to meet the District's operational expenses from January through March as tax revenue is received in April and November. The District's Board of Fire Commissioners has an established policy to maintain a minimum General Fund beginning balance of 43% of Maintenance and Operations Expenses inclusive of a 10% within Contingency (CWIFR, 2017b, 2017k). As illustrated in Table 9, the District will maintain a General Fund Beginning Balance above this minimum through 2028 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 2028 to maintain current service delivery levels and maintain its AAA Bond Rating.

Capital Projects Fund

The Capital Projects Fund is currently funded at (147.42% of the total required based on straight line amortization of programmed projects). Funding over 100% accommodates funding for planned but not programmed technology (radio communications and information technology infrastructure projects). Maintaining transfer of adequate funds from the General Fund to the Capital Projects Fund beyond 2028 will require an increase in revenue.

Considerations

Use of voter approved debt to fund major capital projects, inclusive of expansion and remodel of 53 as well as upgrade of Engines 51, 54, and 512 as they reach their 25-year service life has allowed the District to address both capital and operational needs in the near to mid-term and lays a solid foundation for meeting the District's longer-term fiscal needs.

Reduction in the amount of funds transferred from the General Fund to the Capital Projects Fund (based on use of bond revenue for purchase of three engines) will allow the District to maintain current service levels through 2028. Note that this scenario removed the three Type 1 Engines (Engines 51, 54, and 512) from the District's pay as you go strategy for apparatus and equipment. The option exists to modify this action and return to pay as you go funding following a future increase in revenue.

The Bottom Line

In the Baseline Scenario, the District can maintain current service levels for several more years but will experience a negative cash flow in the General Fund between 2019 and 2022, depending on increases in revenue for services provided to the Whidbey Island Hospital District (dba WhidbeyHealth). Continued maintenance or improvement in current service delivery levels will require a revenue increase between 2022 and 2027 (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 (Capital Projects Fund)

Apparatus		**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
594 22 64 20	Replace Apparatus 0703 (A53) with R53	$70,000											
594 22 64 34	Replace Apparatus 0601 & 0602 (B53 & B54)		$315,000										
594 22 64 40	Apparatus 1502 (M5) Cabin Seating Replacement		$27,000										
574 22 64 02	Replace Apparatus 1301 (S591)				$17,500								
594 22 64 16	Replace Apparatus 9501 (S593 Fleet Services)				$120,000								
594 22 64 15	Replace Apparatus 9402 (R51)					$106,206							
574 22 64 36	Replace Apparatus 1201 (R53)											$89,516	
594 22 64 37	Replace Apparatus 1501 (C505)												
594 22 64 12	Replace Apparatus 1402 (C502)							$46,500					
Equipment													
594 22 64 14	Hose & Appliances	$14,872	$9,135	$9,272	$9,411	$9,552	$9,696	$9,841	$9,989	$10,138	$10,291	$10,445	$10,602
594 22 64 35	Marine 5 Electronics Upgrade												
594 22 64 39	Patient Simulator	$8,918											
594 22 64 31	Extrication Equipment Replacement			$45,000									
594 22 64 21	SCBA/Cylinder Replacement			$299,500									
594 22 64 05	Replace/Upgrade AEDs					$29,931							
594 22 64 19	Thermal Imager (TI) Replacement										$36,000		
594 22 64 32	Rescue Equipment Replacement												
Technology Infrastructure													
594 22 64 33	Radio Communications System[4]												
594 22 64 11	Server Replacement	$22,000					$25,000					$27,000	
594 22 64 38	Firewall Replacement	$6,000											
594 22 64 24	IT Infrastructure Improvements[5]												
594 22 63 11	Telephone System Replacement		$20,000										
594 22 63 12	Access, Fire & Security System Replacement		$10,000										
Facilities													
594 22 63 08	Station 51 Backup Power Generator		$45,000										
594 22 63 09	Station 51 Exhaust Removal System				$80,500								
594 22 63 10	Station 54 Exhaust Removal System				$80,500								
594 22 63 07	Replace Roof Covering Burn Building/Tower				$6,000								
Not Scheduled	Station 51 Renovation & Expansion												
Not Scheduled	Station 54 Renovation & Expansion												
Total Expenditures		$51,790	$426,135	$353,772	$313,911	$145,689	$34,696	$56,341	$9,989	$10,138	$46,291	$126,961	$10,602

[4] Radio system improvements are funded at $10,000/year with specific projects to be identified.
[5] IT infrastructure improvements are funded at $4,000/year with specific projects to be identified in the District's Technology Plan (under development)

Table 11. Capital Projects Plan-Baseline Scenario (Bond Fund)

Apparatus		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
594 22 64 22	Apparatus 9401 (E51) Replacement				$652,925									
594 22 64 28	Apparatus 9601 (E512) Replacement				$652,925									
594 22 64 29	Apparatus 9602 (E54) Replacement				$652,925									
Facilities														
594 22 63 05	Station 53 Renovation & Expansion		$283,927	$5,133,305										
Other Expenses														
	Cost of Issuance		$46,200											
Total Expenditures		$0	$330,127	$5,133,305	$1,958,775	$0	$0	$0	$0	$0	$0	$0	$0	$0

Lid Lift Scenario

The District will enter a negative cash flow condition in 2019 without an increase in revenue from services provided (i.e., Whidbey Island Hospital District Interlocal Agreement for staffing of a basic life support (BLS) ambulance). Given a moderate increase in revenue for services provided, the District will avoid a negative cash flow until approximately 2022. Under present fiscal conditions, the District will be able to maintain current service delivery levels until 2028. Absent an increase in revenue prior to that time, the District would need to reduce service delivery levels related expenses to maintain a balanced budget. A modest increase in tax revenue will allow the District to maintain or improve service delivery levels well past the term of this long-term financial plan. The Lid Lift scenario is based on a voter approved increase in the levy rate to $1.25/$1000 in 2025 (lid lift) and 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 5.0%
- Increase revenue due to new construction of between $5,000 and $25,000 (distributed randomly)
- Increase in expense not to exceed 3.00% annually
- Transfer of funds from the General Fund to the Capital Projects Fund to maintain adequate cash flow to meet capital apparatus and equipment needs and percentage of full at approximately 50% in a near to mid-term timeframe.
- No funds set aside for capital facilities projects.
- Passage of a lid lift increasing the District's general levy rate from $1.04/$1000 Assessed Valuation (AV) to $1.25/$1000 AV (an increase of $0.21)

As illustrated in Table 12, this lid lift would permit the District to sustain current service delivery levels well past 2029 based on the policy to maintain a beginning General Fund Balance of 43% of budgeted expenditures (10% Contingency and 33% for expenditures prior to receipt of current year tax revenue).

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Table 12. Lid Lift Long Term Cash Flow Projection (Revision 9.0)

General Fund	Actual	Adjusted	Proposed	Projected									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Beginning General Fund Balance	$2,628,225	$2,775,233	$2,823,853	$2,809,203	$2,731,909	$2,659,780	$2,553,167	$2,405,834	$2,218,584	$2,520,965	$2,785,304	$3,009,137	$3,190,705
Contingency (10% of M&O Regular Budgeted Expense)	$227,519	$230,532	$237,448	$244,571	$251,908	$259,465	$267,249	$275,267	$283,525	$292,031	$300,792	$309,815	$319,110
Beginning GF Balance (Less Contingency)	$2,400,706	$2,544,701	$2,586,405	$2,564,632	$2,480,001	$2,400,315	$2,285,917	$2,130,567	$1,935,059	$2,228,934	$2,484,512	$2,699,322	$2,871,595
Revenue													
Taxes	$2,262,039	$2,305,765	$2,344,800	$2,384,225	$2,424,044	$2,464,262	$2,504,882	$2,545,908	$3,115,274	$3,162,404	$3,210,005	$3,258,083	$3,306,641
State Generated Revenue	$3,897	$14,476	$14,476	$14,476	$14,476	$14,476	$14,476	$14,476	$14,476	$14,476	$14,476	$14,476	$14,476
Charges for Service	$214,150	$219,575	$219,515	$219,515	$219,515	$219,515	$219,515	$219,515	$219,515	$219,515	$219,515	$219,515	$219,515
Miscellaneous Revenue	$26,181	$16,784	$13,599	$13,588	$13,687	$13,897	$14,220	$14,663	$15,230	$15,926	$16,755	$17,723	$18,834
Other Revenue	$0	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500
Investment Interest	$16,259	$2,500	$5,701	$5,712	$5,613	$5,403	$5,080	$4,637	$4,070	$3,374	$2,545	$1,577	$466
Total Operating Revenues	$2,522,526	$2,561,600	$2,600,591	$2,640,016	$2,679,835	$2,720,053	$2,760,673	$2,801,699	$3,371,065	$3,418,195	$3,465,796	$3,513,874	$3,562,432
Expenditures													
Regular Budgeted Expenditures (M&O General Fund)	$2,023,385	$2,305,317	$2,374,477	$2,445,711	$2,519,082	$2,594,655	$2,672,494	$2,752,669	$2,835,249	$2,920,307	$3,007,916	$3,098,153	$3,191,098
Contingency Expenditures	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Investment Fee	$1,319	$1,300	$285	$286	$281	$270	$254	$232	$203	$169	$127	$79	$23
Total Expenditures	$2,024,704	$2,306,617	$2,374,762	$2,445,996	$2,519,363	$2,594,925	$2,672,748	$2,752,901	$2,835,453	$2,920,475	$3,008,043	$3,098,232	$3,191,121
Interfund Transfers													
To General Capital Projects Fund	$349,000	$203,746	$205,119	$205,596	$205,735	$205,876	$208,391	$209,183	$209,331	$209,480	$210,019	$210,173	$211,359
To Compensated Absences Fund	$1,814	$1,431	$35,360	$65,717	$26,866	$25,866	$26,866	$26,866	$23,901	$23,901	$23,901	$23,901	$23,901
To Grants Management Fund	$0	$1,186	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
To Debt Service Fund	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Transfers From General Fund	$350,814	$206,363	$240,479	$271,314	$232,601	$231,742	$235,257	$236,049	$233,232	$233,381	$233,920	$234,074	$235,260
Ending General Fund Balance													
Contingency Ending Balance	$227,519	$230,532	$237,448	$244,571	$251,908	$259,465	$267,249	$275,267	$283,525	$292,031	$300,792	$309,815	$319,110
Ending GF Balance (Less Contingency)	$2,547,714	$2,593,321	$2,571,755	$2,487,338	$2,407,872	$2,293,701	$2,138,585	$1,943,317	$2,237,440	$2,493,273	$2,708,346	$2,880,890	$3,007,646
Total Ending General Fund Balance	$2,775,233	$2,823,853	$2,809,203	$2,731,909	$2,659,780	$2,553,167	$2,405,834	$2,218,584	$2,520,965	$2,785,304	$3,009,137	$3,190,705	$3,326,756

Capital Projects Fund	Actual	Adjusted	Proposed	Projected									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Beginning Capital Projects Fund Balance	$1,331,031	$1,664,918	$1,749,488	$1,531,668	$1,386,777	$1,281,584	$1,344,535	$1,521,414	$1,677,805	$1,881,020	$2,084,657	$2,253,035	$2,341,246
Revenue													
Investment Interest	$7,888	$2,972	$3,364	$3,458	$3,140	$2,910	$3,350	$3,736	$4,078	$4,522	$4,894	$5,262	$5,474
Interfund Transfers													
From General Fund	$349,000	$203,746	$205,119	$205,596	$205,735	$205,876	$208,391	$209,183	$209,331	$209,480	$210,019	$210,173	$211,359
Expenditures													
Investment Fee	$129	$149	$168	$173	$157	$145	$168	$187	$204	$226	$245	$263	$274
Vouchers (Capital Projects Fund)	$22,872	$122,000	$426,135	$353,772	$313,911	$145,689	$34,696	$56,341	$9,989	$10,138	$46,291	$126,961	$10,602
Ending Capital Projects Fund Balance	$1,664,918	$1,749,488	$1,531,668	$1,386,777	$1,281,584	$1,344,535	$1,521,414	$1,677,805	$1,881,020	$2,084,657	$2,253,035	$2,341,246	$2,547,204

Table 12. Lid Lift Long Term Cash Flow Projection (Revision 9.0) Continued

Bond Fund	Actual	Adjusted	Proposed	Projected									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Beginning Bond Fund Balance	$7	$7,424,544	$7,175,205	$2,098,900	$140,125	$140,125	$140,125	$140,125	$140,125	$140,125	$140,125	$140,125	$140,125
Revenue													
Bond Revenue	$7,424,537	$361,769	$372,700	$385,300	$401,250	$411,600	$426,500	$440,800	$457,400	$473,000	$492,600	$506,000	$523,400
Investment Interest	$0	$87,500	$60,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Interfund Transfers													
To Debt Service Fund		$364,106	$372,700	$385,300	$401,250	$411,600	$426,500	$440,800	$457,400	$473,000	$492,600	$506,000	$523,400
Expenditures													
Investment Fee	$0	$4,375	$3,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Vouchers (Bond Fund)	$0	$330,127	$5,133,305	$1,958,775		$0	$0	$0	$0	$0	$0	$0	$0
Ending Bond Fund Balance	$7,424,544	$7,175,205	$2,098,900	$140,125	$140,125	$140,125	$140,125	$140,125	$140,125	$140,125	$140,125	$140,125	$140,125

Debt Service Fund	Actual	Adjusted	Proposed	Projected									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Beginning Debt Service Balance	$0	$0	$2,337	$2,337	$2,337	$2,337	$2,337	$2,337	$2,337	$2,337	$2,337	$2,337	$2,337
Interfund Transfers													
From Bond Fund	$0	$364,106	$372,700	$385,300	$401,250	$411,600	$426,500	$440,800	$457,400	$473,000	$492,600	$506,000	$523,400
Expenditures													
Vouchers (Debt Service)	$0	$361,769	$372,700	$385,300	$401,250	$411,600	$426,500	$440,800	$457,400	$473,000	$492,600	$506,000	$523,400
Ending Debt Service Balance	$0	$2,337	$2,337	$2,337	$2,337	$2,337	$2,337	$2,337	$2,337	$2,337	$2,337	$2,337	$2,337

Compensated Absences Trust Fund	Actual	Adjusted	Proposed	Projected									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Beginning Compensated Absences Balance	$27,169	$29,161	$30,583	$43,629	$74,919	$102,027	$128,190	$155,411	$141,932	$166,301	$190,720	$215,189	$239,709
Revenue													
Investment Interest	$182		$71	$135	$266	$323	$379	$436	$492	$543	$593	$644	$695
Interfund Transfers													
From General Fund	$1,814	$1,431	$35,360	$65,717	$26,866	$25,866	$26,866	$26,866	$23,901	$23,901	$23,901	$23,901	$23,901
Expenditures													
Investment Fee	$4	$8	$25	$25	$25	$25	$25	$25	$25	$25	$25	$25	$25
Vouchers (Compensated Absences)	$0	$0	$22,360	$34,537	$0	$0	$0	$40,755	$0	$0	$0	$0	$0
Ending Compensated Absences Balance	$29,161	$30,583	$43,629	$74,919	$102,027	$128,190	$155,411	$141,932	$166,301	$190,720	$215,189	$239,709	$264,280

Table 12. Lid Lift Long Term Cash Flow Projection (Revision 9.0) Continued

Grants Management Fund	Actual	Adjusted	Proposed	Projected									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Beginning Grants Management Balance	$0	$24,920	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Revenue													
Grants	$23,734	$25,000	$25,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Interfund Transfers													
From General Fund	$1,186	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Expenditures													
Vouchers (Grants Management)	$0	$49,920	$25,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Ending Grants Management Balance	$24,920	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0

All Funds	Actual	Adjusted	Adopted	Projected									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Total Ending Balance (All Funds)	$11,918,776	$11,781,466	$6,485,737	$4,336,068	$4,185,854	$4,168,355	$4,225,121	$4,180,783	$4,710,748	$5,203,143	$5,619,824	$5,914,122	$6,280,701

Fiscal Performance Measures	2017	2018	2019	Projected									
				2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Fiscal Responsibility													
General Fund Revenue-General Fund Expense	$147,008	$48,620	-$14,650	-$77,294	-$72,129	-$106,614	-$147,332	-$187,250	$302,381	$264,339	$223,833	$181,568	$136,051
Expenditure/Capita	$244.68	$275.99	$281.33	$286.90	$292.57	$298.37	$304.27	$310.29	$316.43	$322.70	$329.08	$335.59	$342.23
% Change in General Fund Balance	5.59%	1.75%	-0.52%	-2.75%	-2.64%	-4.01%	-5.77%	-7.78%	13.63%	10.49%	8.04%	6.03%	4.26%
% Change in Capital Projects Fund Balance	25.08%	5.08%	-12.45%	-9.46%	-7.59%	4.91%	13.16%	10.28%	12.11%	10.83%	8.08%	3.92%	8.80%
% Change in Compensated Absences Fund Balance	7.33%	4.88%	42.66%	71.72%	36.18%	25.64%	21.23%	-8.67%	17.17%	14.68%	12.83%	11.39%	10.25%
General Fund Cash Flow/General Fund Revenue	19.74%	9.95%	8.68%	7.35%	5.99%	4.60%	3.18%	1.74%	15.89%	14.56%	13.21%	11.83%	10.42%
General Fund Ending Balance/General Fund Revenue	110.02%	110.24%	108.02%	103.48%	99.25%	93.86%	87.15%	79.19%	74.78%	81.48%	86.82%	90.80%	93.38%
Long Term Debt/Assessed Value	n/a	n/a	0.35%	0.32%	0.30%	0.28%	0.26%	0.24%	0.22%	0.20%	0.18%	0.16%	0.14%
Debt Service/Operating Revenue	n/a	n/a	14.33%	14.12%	13.91%	13.70%	13.50%	13.30%	11.06%	10.90%	10.75%	10.61%	10.46%
% Full Funding of Contingency	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%
% Full Funding of Capital Projects Fund	44.47%	123.14%	147.52%	114.14%	84.22%	105.11%	101.57%	100.34%	103.03%	102.94%	103.71%	111.18%	105.78%
% Full Funding of Compensated Absences Fund	11.31%	11.86%	16.94%	29.10%	39.58%	49.67%	60.15%	54.73%	64.06%	73.38%	82.70%	92.03%	101.35%
Adequacy & Sustainability of Funding													
General Fund Balance as a % of GF Expense	129.81%	120.32%	118.91%	114.85%	108.44%	102.50%	95.53%	87.39%	78.24%	86.32%	92.60%	97.12%	99.99%
Revenue/Capita	$304.84	$306.49	$311.16	$309.65	$311.21	$312.75	$314.28	$315.79	$376.21	$377.69	$379.16	$380.61	$382.05
Intergovernmental Revenues/Total Revenues	8.49%	8.57%	8.44%	8.31%	8.19%	8.07%	7.95%	7.84%	6.51%	6.42%	6.33%	6.25%	6.16%
Property Tax/Total Revenues	89.67%	90.01%	90.16%	90.31%	90.45%	90.60%	90.73%	90.87%	92.41%	92.52%	92.62%	92.72%	92.82%
General Levy Rate	$1.35	$1.30	$1.27	$1.23	$1.19	$1.15	$1.11	$1.08	$1.26	$1.21	$1.17	$1.14	$1.10
General Levy Rate/Maximum Levy Rate ($1.50)	89.73%	87.07%	84.47%	81.80%	79.21%	76.69%	74.24%	71.87%	83.76%	80.98%	78.29%	75.68%	73.15%
Bond Levy Rate		0.22	0.22	0.22	0.22	0.22	0.22	0.22	0.22	0.22	0.22	0.22	0.22
Total Levy (General Levy + Bond Levy)	$1.35	$1.52	$1.49	$1.45	$1.41	$1.37	$1.33	$1.30	$1.48	$1.43	$1.39	$1.36	$1.32

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

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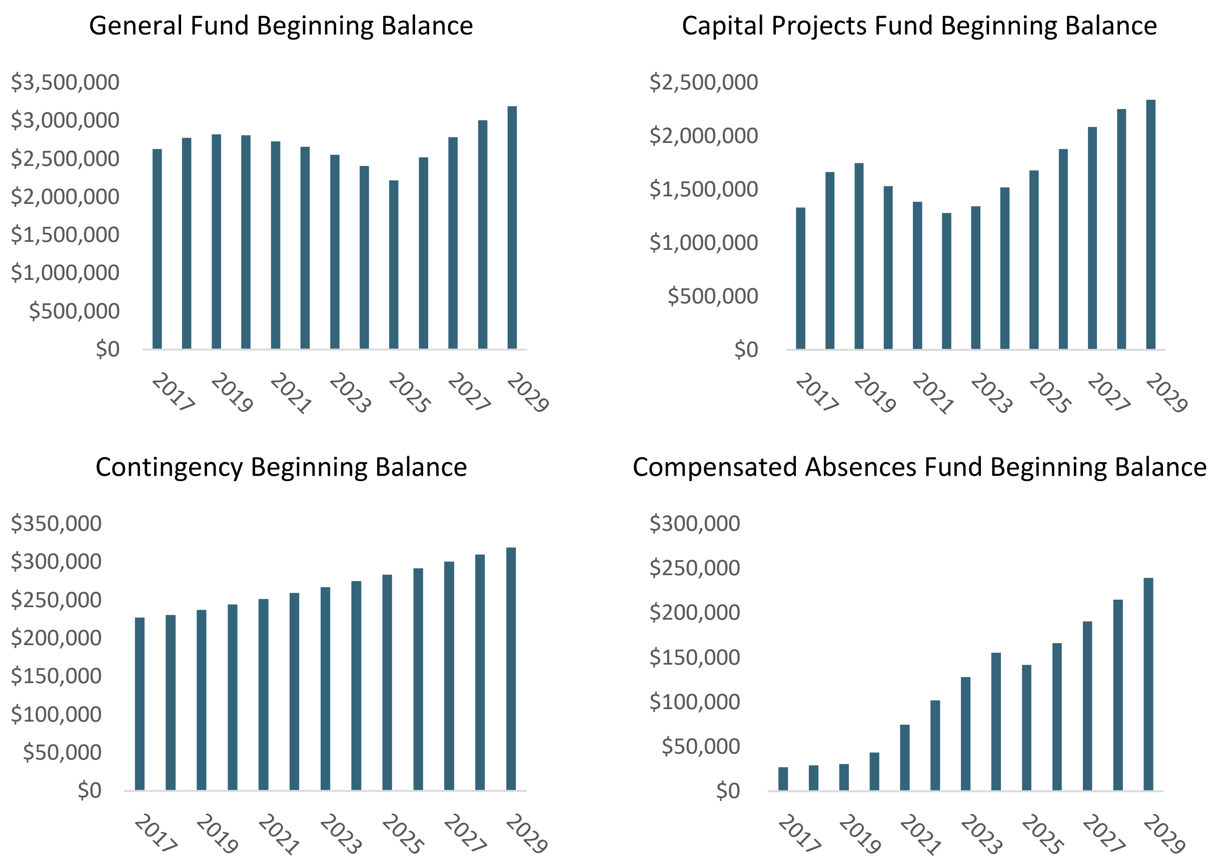
General Fund Cash Flow

As illustrated in Table 12, the District experiences a negative cash flow (Revenue minus General Fund Expense and transfers to other funds) in 2019 through 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 43% of anticipated expenses) beyond 2029.

Beginning Fund Balance Trends

As in the Baseline Scenario, the General Fund beginning balance began a continual decline in 2020. However, passage of a lid lift in 2024 will reverse this trend with positive cash flow continuing beyond the end of this long-term financial plan in 2029. Contingency beginning balance will remain consistent at 10% of anticipated annual General Fund expenditures. The Capital Projects Fund beginning balance fluctuates because of the timing of capital projects. The beginning balance of the Compensated Absences Fund is anticipated to increase over the next ten years to meet current and anticipated liability for compensated absences. Each of these funds is dependent on transfers from the General Fund and will potentially be impacted as the General Fund beginning balance decreases.

Figure 27. Beginning Balance Trends



The Bond Fund beginning balance is anticipated to decrease between 2019 and 2021 as capital projects funded by the District's voter approved, Unlimited Tax General Obligation (UTGO) Bond are completed. Subsequently, the beginning balance of both the Bond and Debt Service Funds are anticipated to fluctuate throughout the year due to receipt of tax revenue, interfund transfers, and payment of debt service, but to be stable on a year-to-year basis.

Adequacy of the General Fund Beginning Balance

The General Fund Beginning Balance must be adequate to meet the District's operational expenses from January through March as tax revenue is received in April and November. The District has an established policy to maintain a minimum General Fund Beginning Balance of 43% of Maintenance and Operations Expenses (inclusive of a 10% Contingency Reserve). As illustrated in Table 12, given a lid lift raising the levy rate to $1.24/$1000 assessed valuation (AV) in 2024 the District will maintain a General Fund Beginning Balance above this minimum well beyond 2029 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 the District to maintain 100% funding for all programmed projects well beyond 2029.

Considerations

Increasing revenue through use of a lid lift will allow the District to continue to provide service at current levels beyond 2028. While it would be possible to extend current service further by increasing the levy rate above $1.25 , this would erode the flexibility to absorb increases in levy rate that will occur if assessed valuation decreases. It is also possible to increase the regular levy rate less than $1.25. However, this would reduce the amount of time that the District could continue its current service delivery levels.

As this scenario places the lid lift several years prior to reaching the minimum beginning balance in the General Fund (43% of anticipated expenses), there is flexibility in scheduling placement of the lid lift on the ballot based on overall economic conditions in the nation, region, and locally.

The Bottom Line

Use of a lid lift is a viable option to maintain current service delivery term as increased revenue provided by a lid lift is adequate to meet operational and capital requirements for apparatus and equipment. However, as defined, this option does not provide revenue to future major capital facility needs (e.g. renovation and expansion of Stations 51 and 54).

Long Term Financial Plan

Fundamental Considerations

As discussed in earlier sections of this plan, Central Whidbey Island Fire & Rescue 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 such as passed by the District's voters in 2017. 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.

Fiscal Goals

The District strives to provide quality service in an efficient and affordable manner. The Long-Term Financial plan serves to address the District's strategic goals of ensuring adequate and sustainable funding as well as being fiscally responsible and operating with transparency. As outlined in this document, the District's fiscal strategy needs to address funding for capital projects as well as maintenance and operations expenses.

Current State

The District is financially healthy but will begin to experience a negative cash flow and resulting decrease in General Fund beginning balance within the next several years. The current General Fund balance should allow the District to sustain current service delivery levels through 2028, but will require an increase in revenue or decrease in expenses prior to then to maintain a balanced budget.

Action Plan

Central Whidbey Island Fire & Rescue's financial action plan focuses on the revenue and expense sides of the fiscal equation.

Revenue

The District has taken preliminary steps to renegotiate the financial element of its interlocal agreement with Whidbey Island Hospital District (dba WhidbeyHealth). Payment for staffing a BLS ambulance should maintain equity in cost share based on the proportionate benefit to the hospital and the fire district. In addition, payment should consider the scope and demand (call volume) of services provided. The target date for implementation of a new agreement is first quarter of 2019.

The District's fire prevention interlocal agreements with the Town of Coupeville and Island County have remained level funded (fee based on square footage of the occupancies inspected) since their inception. As this program is funded by user fees set by the Town and County respectively there is a degree of political complexity in adjusting payment for services. However, the District will explore this option with the parties to these agreements. In addition, there is a possibility to expand the scope of services provided to the Town of Coupeville in which the District would serve as the Fire Code Official for the Town. This would increase workload to some extent but would also provide revenue for this work along with additional revenue for work currently being performed.

Central Whidbey Island Fire & Rescue will also continue to explore interlocal agreements for shared services which may generate revenue or limit cost.

While there is some potential to increase revenue through interlocal agreements providing fees for service, proportionately this is a small percentage of the District's total 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 Lid Lift Scenario. However, the exact timing of the lid lift ballot measure will depend on the Districts future fiscal performance (e.g., assessed valuation, increase in revenue, and expenses).

Expenses

The District's long prospective cash flow analysis in the lid lift scenario is based on a maximum expense increase of 3% annually. However, the District will endeavor to hold below this maximum when possible to do so while meeting current service delivery levels and the communities 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 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 revenues are recognized on the income statement when they are earned (rather than when the cash is received).

Acting-in-Capacity (AIC): Working out of classification (e.g., a Firefighter working as a Lieutenant). Represented full-time employees are paid 5% AIC compensation when working at the next highest classification if they are fully qualified for this position and 3% AIC compensation if they are not fully qualified.

Actual: Monies which have already been used or received as opposed to budgeted monies which are estimates of funds that may be spent or received.

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).

AIC: See Acting-in-Capacity.

Aid Unit: A vehicle licensed and equipped to provide Basic Life Support (BLS) emergency medical care. CWIFR operates one Transport Capable Aid Unit (under an Interlocal agreement with WhidbeyHealth). In addition, the District has seven licensed aid vehicles (two Command Units, one Type 1 Engine, two Type 6 Engines, Rescue, and a Medical Emergency Response Vehicle (MERV).

Apparatus Number: A numerical designation used to identify district vehicles. The first two digits of this number are the year purchased and the second two digits reflect the sequence in which the vehicle was purchased in that year (e.g., 1301 would indicate that this was the first vehicle purchased in 2013.

Appropriation: The legal authorization granted by the Board of Fire Commissioners to make expenditures and incur obligations. An appropriation is usually limited in amount and as to the time when it may be expended.

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.

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 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.

Bank Qualification: 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.

BARS: See Budgeting, Accounting, and Reporting System.

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

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.

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 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.

Bond: A written promise to pay a specific sum of money (principal) at a specified future date along with periodic interest rate. Bonds are typically used for long-term debt to pay for a capital expenditure.

Budget Adjustment: A change to a 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 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 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 years' 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 Adopted expenditures for a given period and the Adopted means of financing them. Used without any modifier, the term usually indicates a financial plan for a single fiscal year. The term "budget" is used in two senses in practice. Sometimes it designates the financial plan presented to the appropriating body for adoption and sometimes the plan finally approved by that body. It is usually necessary to specify whether the budget under consideration is preliminary or approved.

Budgetary Reporting: The requirement to present budget-to-actual comparisons relating to general purpose external financial reporting. Budgetary reporting is required regarding the basic financial statements for both the general fund (current expense) and individual major special revenue funds with legally adopted annual budgets. Budgetary reporting is also required within the comprehensive annual financial report to demonstrate compliance at the legal level of control for all governmental funds with legally adopted annual budgets.

Budgeting, Accounting, and Reporting System: Stands for Budgeting, Accounting, Reporting System. The manual the State of Washington requires governmental entities (i.e., counties and cities) to use.

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 that are 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 to be incurred each year 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.

Captain: A Company Officer serving as a second level supervisor who is responsible for managing Lieutenants, Firefighters, and Emergency Medical Technicians. Volunteer Captains are responsible for managing volunteer members assigned to their station. The Full-Time Captain serves as the Training and Recruitment Officer. The Full-Time Captain is also certified as an EMT, Volunteer Captains may be certified as EMTs.

Cash Basis Accounting: The method of accounting where revenues are recorded when received and expenditures are recorded 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.

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, marine rescue, 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.

Compensated Absences Fund: This fund is used to account for assets held by the District for buyback of a specified percentage of unused long-term sick leave from employees at the time of their separation from the district (e.g., retirement).

Consumer Price Index (CPI): A statistical description of price levels provided by the US Department of Labor. The index 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. Non-farm consumers living in rural areas within MSAs are included, but the index 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 set aside for emergencies or unforeseen expenditures not otherwise budgeted. For the purposes of budgetary reporting within the context of the Budgeting, Accounting, and Reporting System (BARS), Contingency is rolled up into the General Fund

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.

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.

Deputy Chief: Chief Officer serving as second in command to the Fire Chief and is the District's Chief Operating Officer. CWIFR's Deputy Chief supervises the Full-Time Lieutenants and Volunteer Captains.

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 Finance Officer.

Division: The term is used to administratively categorize the operational areas of the District (e.g., Administration, Operations, Life Safety/Community Risk Reduction, Training/Recruitment, Facilities, and Vehicle Maintenance).

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. CWIFR has two types of fire engines, Type 1 (Structural) and Type 6 (Wildland). CWIFR's Type 1 engines are designated by the letter "E" and have a 1250 or 1500 gallon per minute pump, 750 or 1000-gallon water tank and a substantial complement of hose and tools. CWIFR's Type 6 engines are designated by the letter "B" (Brush) have a 375 gallon per minute pump, a 300-gallon water tank, and a small complement of hose and tools.

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 to be approved.

Executive Staff: Senior staff comprised of the Fire Chief, Deputy Chief, and Finance Officer.

Exempt Employees: Employees who are exempt from the overtime provisions of the Federal Fair Labor Standards Act (FLSA). The District Fire Chief, Deputy Chief, and Finance Officer are exempt.

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

Facilities Plan: A strategic level plan examining current facilities and their condition as well as future facilities requirements. CWIFR's facilities plan examines facilities requirements based on a 50-year service delivery timeframe.

FBC: See Fire Benefit Charge.

Finance Officer: A civilian member of the District's executive staff responsible for managing the Administrative Division. The Finance Officer supervises Part-Time Office Staff.

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). It is called a benefit charge because it refers to the benefit of having fire protection available.

Fire Chief: Chief Executive Officer of the District. The Fire Chief supervises the Deputy Chief, Office, Manager, Training/Recruitment Captain, and Firefighter Mechanic.

Firefighter/EMT: A firefighter who is also certified as an Emergency Medical Technician (EMT) Basic. Full-Time and Part-Time Firefighters are also certified as EMTs, Volunteer Firefighters may be certified as an EMT.

Firefighter: Emergency responder certified at least to the Firefighter 1 and Hazardous Materials Operational levels.

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

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

FTE: See Full Time Equivalent.

Full Time Equivalent: Acronym for Full-time Equivalent. FTE is a numerical expression that indicates a given position's budgeted proportion to a "full-time" position. A position budgeted at 40 hours per week for 12 months equals 1.0 FTE. Other frequently budgeted levels are 20 hours per week (.5 FTE) to show a position that has been split between two funds because the employee's responsibilities directly affect two funds.

Full-Time: Employees who are regularly scheduled for 40 hours per week or more are classified as 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 encompass 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 provide 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 (the Yellow Book).

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.

Interfund Transfers: Amounts transferred from one District fund to another (i.e., General Fund to Capital Projects Fund or Compensated Absences 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.

Lean Process: In the public sector, the core idea of Lean process is to maximize **community value** while minimizing waste.

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.

Lieutenant: A Company Officer serving as a first level supervisor who is responsible for managing firefighters and emergency medical technicians. Volunteers and Full-Time employees may serve as Lieutenants. Full-Time Lieutenants manage a (budget) division or major program within the Operations Division (e.g. emergency medical services). Full-Time Lieutenants are also certified as Emergency Medical Technicians (EMT), Volunteer Lieutenants may be certified as an EMT.

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. CWIFR'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.

Medical Emergency Response Vehicle (MERV): A vehicle that may be staffed by a volunteer to provide emergency medical response in addition to the on-duty crew. Use of the MERV aids in the District's ability to minimize response time, provide adequate staffing for medical emergencies and respond to concurrent calls for service. The District's MERV is a SUV.

MERV: See Medical Emergency Response Vehicle.

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. CWIFR's Fire Chief, Deputy Chief, and part-time employees are 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, CWIFR is required to use the Cash Basis of Accounting as an OCBA.

Paid Time Off (PTO): PTO is leave provided to the District's executive staff in place of Annual Leave, Sick Leave, and Holiday Leave.

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

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.

PTO: See Paid Time Off.

Public Employees Retirement System: 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: These are employees for whom terms and conditions of employment are bargained by a union are designated as represented. CWIR's full-time Firefighters, Lieutenants, and Captain are represented by Local 4299 International Association of Firefighters (IAFF).

Rescue: A fire apparatus designed to carry a substantial complement of rescue equipment. CWIFR's rescue primarily serves as a breathing air support unit (refilling the air cylinders used with self-contained breathing apparatus) and as a lighting plant (electrical generator and lights).

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.

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 this type.

Type 1 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 this type.

Type 6 Engine: A small fire engine designed for vegetation (brush) fires that meets the National Incident Management System (NIMS) performance and equipment requirements this type.

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., E51) identifies the nature of the unit (e.g., Engine, Water Tender, Command Unit, Support Vehicle) and the station assignment (e.g., Station 51) or specific unit (e.g., C501 is the Fire Chief).

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

UTGO: See Unlimited Tax General Obligation Bond

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. CWIFR's water tenders are equipped with a 750 gallon per minute pump and a 2500-gallon water tank.

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

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