

To: Mayor Schertzer and Safety Director Robbins

From: Chief Deem

Date: 27 June 2019

Subject: three mil levy and capital projections

Sirs,

As you know, I have been working on determining our capital needs going forward. This letter is to inform you of my estimation of the associated costs and how we might fund them.

My best estimate for the cost to replace Station 1 with an appropriate building that meets all of our needs including all associated costs (Architect's fees, land acquisition, permits, etc.) is approximately \$9,000,000. Obviously, this is a rough estimate, so we would need to hire a consultant to get a more exact number. On a 30-year lease to own agreement, the annual payment would be approximately \$547,220.16

Because of the high cost of firefighting equipment, I feel it is prudent to include all of our projected capital needs during the 30-year period.

Attached is a table that shows a schedule of our expected needs. Included is a 2% annual cost increase for each item. The justification for the frequency of each item is as follows:

- Fire apparatus – NFPA recommends they spend 15 years in front line service, then be placed in reserve. We try to extend this to 20.
- Medics – Assuming we can maintain three medics on duty, a four-year purchase cycle leaves each medic in front line service for 12 years.
- SCBA – The cylinders have a service life of 15 years after which they must be replaced. Because of the rapid pace of advances in technology and changes in NFPA standards, it is reasonable to expect the entire units to be obsolete and in need of replacement every 15 years.
- Extrication equipment – This is based on a 15 year estimated service life and will depend on the condition of the equipment.
- Heart monitors – This too is based on a 15 year service life which is about how long our last monitors lasted.
- Turnout gear – NFPA standard 1851 states structural turnout gear shall be retired when it fails to pass an advanced inspection or ten years from the date it is placed in service. Thus, the ten-year replacement cycle.
- Renovation of Stations 2 and 3 – When fire stations are built, we plan for 50 years of service before needing a major renovation or replacement. Each of the outstations will be 50 years old in the year they appear on the table. Because we intend to house more personnel at each of them, they will need expansion and updating to meet modern standards.

I have contacted the Marion County Auditor's Office and they advised me a one-mil levy would generate \$388,419.18 per year at 100% collection. Our Auditor's Office feels 90% collection is more realistic. Therefore, we could expect to collect \$349,577.62 per year for each mil on the levy. Given those numbers, a three-mil levy would be expected to generate \$1,048,731.79 per year. After the lease payment, this leaves \$501,511.63 per year for our remaining capital expenses. For the owner of a \$100,000 home, this equates to \$105.00 per year, \$8.75 per month or less than \$.29 per day.

The numbers in this document are based on current prices and a 2% annual cost increase. All of which is subject to change. Therefore, this plan will have to be reviewed and adjusted annually.

The final number in the table (\$934,617.28) represents less than 3% of the total anticipated collection over 30 years. It will act as a means to cover any unexpected expenses related to capital equipment.

Please contact me if you have any questions. I look forward to working on this project with you.

Proposed Ballot Language for 3 mil Levy

An additional tax for the benefit of The Marion Fire Department for the purpose of providing and maintaining fire apparatus, mechanical resuscitators, rescue and recovery equipment, or other fire equipment and appliances, buildings and sites therefor, or sources of water supply and materials therefor, for the establishment and maintenance of lines of fire-alarm communications, for the purchase of ambulance, paramedic, or other emergency medical services operated by a fire department or firefighting company, or for the payment of other related costs, at a rate not exceeding 3.0 mills for each one dollar of valuation, which amounts to \$0.30 for each one hundred dollars of valuation, for a continuing period of time, commencing in 2020, first due in calendar year 2021.

In the event that an emergency is declared by Marion City Council and the Fire Chief, these funds may be used for the payment of firefighting companies, or emergency medical service, or administrative personnel to operate the fire department, including the payment of any employer contributions required for such personnel under section 145.48 or 742.34 of the revised code, provided the percentage of general fund, emergency medical service billing and voted income tax, allocated to the fire department is not reduced below the percentage approved by Marion City Council for the 2020 budget.

City of Marion
Marion County
Year Ended: December 31, 2018
Accounting Basis: GAAP

Final 2018 Report

Indicator #11 - Critical Outlook

Condition of Capital Assets

Description of indicator and what it means:

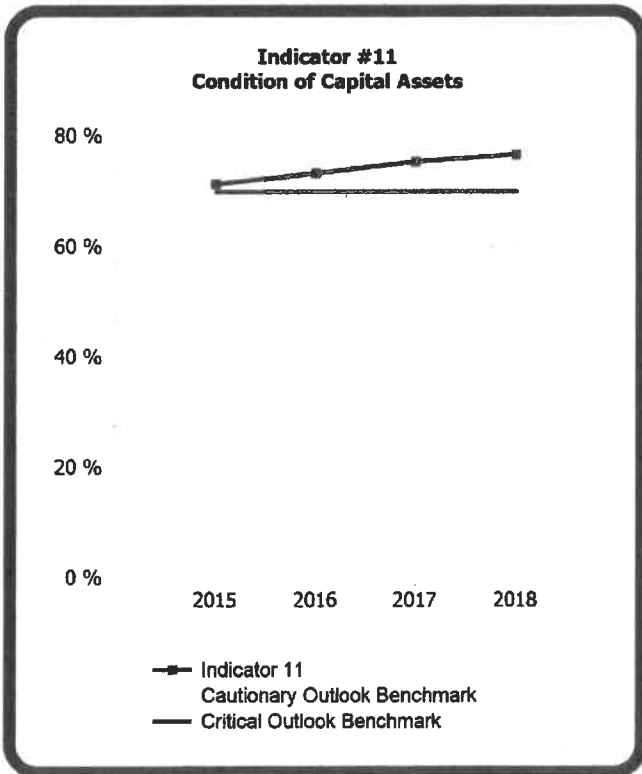
This indicator is accumulated depreciation as a percentage of depreciable capital assets. This indicator will identify apparent situations in which repair or replacement of the local government's capital assets will be necessary. A high percentage indicates capital assets replacement is imminent, and the entity may be delaying replacement of capital assets or significant repairs for cash flow purposes.

Why is it important?

When an entity delays improving or replacing capital assets in order to maintain cash flows for other purposes, improvements and replacements become absolutely necessary and may contribute to financial hardship on an already strained budget.

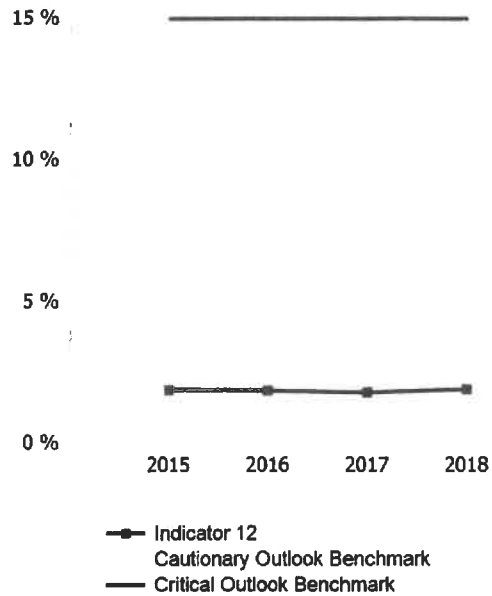
Critical Outlook – Ratio greater than 70%

Cautionary Outlook – Ratio between 50% - 70%



Indicator #12 - Positive Outlook

**Indicator #12
Debt Service Expenditures / Total Revenues**



Debt Service Expenditures / Total Revenues

Description of indicator and what it means:

This indicator is total debt service expenditures divided by total revenues (for all governmental funds). This indicator identifies the percentage of the budget used/needed for repayment of debt.

Why is it important?

Higher debt service expenditures to total revenues is unfavorable since the entity spends more of its current budget on debt repayment. An increasing trend of debt service expenditures to total revenues may mean the percentage of budget dedicated to debt payments is increasing; and therefore, less revenue will be available for capital asset repair/replacement or meeting current operating demands.

Critical Outlook – Ratio greater than 15%

Cautionary Outlook – Ratio between 12% - 15%

Capital Projections for 30 Years

A three-mil levy would generate an estimated \$1,048,731.79 per year. The annual payment on a 30-year loan for a \$9,000,000 station would be approximately \$547,220.16 per year, leaving \$501,511.63 for other capital needs. The following table outlines the projected capital needs, and the associated costs, of The Marion Fire Department for the next 30 years.

Year	Equipment	Cost	Balance
2021	Medic 27, Extrication Equipment	\$414,992.55	\$86,519.08
2022	Staff Vehicles x2, Turnout Gear	\$441,601.18	\$146,429.53
2023			\$647,941.16
2024	Ladder 24	\$1,100,000.00	\$49,452.79
2025			\$550,964.42
2026	Station 2 Renovation	\$1,500,000.00	(\$447,523.95)
2027	Medic 28, Heart Monitors	\$591,358.26	(\$537,370.58)
2028	Engine 22	\$511,223.10	(\$547,082.05)
2029			(\$45,570.42)
2030	SCBAs	\$363,384.45	\$92,556.76
2031	Medic 29	\$377,879.19	\$216,189.20
2032	Staff Vehicles x3, Turnout Gear	\$590,049.81	\$127,651.02
2033	Medic 27, Station 3 Renovation	\$2,116,174.01	(\$1,487,011.36)
2034			(\$985,499.73)
2035			(\$483,988.10)
2036	Extrication Equipment	\$141,316.18	(\$123,792.65)
2037			\$377,718.98
2038	Engine 23	\$623,178.10	\$256,052.51
2039	Medic 28	\$442,745.69	\$314,818.45
2040			\$816,330.08
2041			\$1,317,841.71
2042	Staff Vehicles x3, Turnout Gear, Heart Monitors	\$1,045,312.52	\$774,040.82
2043	Medic 29	\$479,242.18	\$796,310.27
2044	Ladder 24, SCBAs	\$2,114,020.21	(\$816,198.31)
2045	Medic 27	\$498,603.56	(\$813,290.24)
2046			(\$311,778.61)
2047			\$189,733.02
2048	Engine 22	\$759,650.63	(\$68,405.98)
2049			\$433,105.65
2050			\$934,617.28

