

DATE: January 26, 2011**FILE:** 7200-20
1700-02-2011) 220**TO:** Chair and Directors
Electoral Areas Services Committee**FROM:** T. Ian Smith, MCE
Acting Chief Administrative Officer**RE:** 2011 – 2015 Financial Plan – Hornby Island Fire Protection – Function #220

Purpose

To provide the electoral areas services committee with the proposed 2011-2015 financial plan and work plan highlights for the Hornby Island fire protection service, function number 220.

Policy analysis

In February of 1998, Bylaw #2012, being the “Hornby Island Volunteer Fire Department Establishment Bylaw No. 2012, 1998” was adopted to provide the citizens of Hornby Island with fire protection and emergency assistance services. The maximum levy for this defined portion of electoral area ‘A’ is the greater of \$168,935 or \$1.00 per \$1000 of assessed value.

At its regular meeting of October 9, 2009 the board adopted the following:

*THAT the board endorse the option of building a new fire hall on Hornby Island;
AND FURTHER THAT staff begin the application process of securing tenure for a new fire hall site;
AND FINALLY THAT staff develop a public consultation plan.*

At its regular meeting of November 23, 2010 the board adopted the following:

THAT a grant application be submitted to the Towns for Tomorrow Program in the amount of \$400,000 to assist with the construction of a new Hornby Island fire hall.

Board direction to staff included renewal of the agreement with the Hornby Island Residents and Ratepayers Association (HIRRA) for fire protection and emergency assistance services. Further, board direction to staff includes the review of the administrative model for all rural fire protection services of the Comox Valley Regional District.

Executive summary

Good fiscal management and financial best practices are at the core of the CVRD financial planning process. Each service budget is prepared with consideration to balancing requirements of the service over the current financial plan timeframe with the service’s financial sustainability over the long term. Increasingly local governments are under pressure to deliver services to their citizens in a cost effective way while ensuring the future financial stability of those same services.

In light of this expectation, the regional district prepares an updated five-year financial plan each year that represents the operation of each service from one budget year to the next. The yearly budget process utilizes “zero-based” budgeting concepts, meaning that each service is assessed and budgets created based on the service work plans and priorities. Both expenditure and revenue sources are evaluated to ensure the financial plan is current, sound and can achieve the service

priorities as outlined. Additionally, the long term requirements are reviewed to ensure sufficient reserves are maintained and are available to sustain the service in the long term.

Tax Impacts

The proposed budget for 2011 recommends a total tax requisition of \$400,000 for the service which represents a 14% increase from the 2010 levels. This increase can be attributed to contributions to capital reserve in advance of planned capital expenditures as well the inclusion of anticipated costs in the development of a new fire hall.

The 2011-2015 financial plan recommends an increase in total requisition to \$450,000 in 2012 through 2015, to maintain the service as well as contributions to capital reserve in advance of planned capital expenditures.

The maximum levy for the service, established by bylaw, is the greater of \$168,935 or \$1.00 per \$1000 of assessed value.

Capital

The proposed 2011 budget includes a total capital expenditure of \$102,000. This total includes capital expenditures of approximately \$82,000 for the replacement of aged self contained breathing apparatus (SCBA) and also includes a carry forward of \$20,000 from 2010, to complete the water sources tank project.

Reserves

The service currently has approximately \$253,000 in capital reserves. The proposed 2011 budget includes an allocation of \$33,000 from capital reserves in combination with \$69,000 from the operating fund, to complete the proposed capital expenditures of \$102,000 in 2011.

Operating

The 2011 proposed budget includes allocation to the operational grant for the service of \$176,338 which represents a 2.5% increase over the 2010 total. This increase can be attributed to increased personnel costs, utilities and equipment maintenance costs.

Challenges

The Fletcher Pettis consulting engineer's report of 2008 confirmed that the current fire hall does not meet the seismic requirements of a post disaster building. Based on the content and recommendations of this report the board endorsed the option of constructing a new fire hall on Hornby Island. Staff recognizes that the planning and construction of a new fire hall on Hornby Island are identified in the strategic plans and objectives for the community services branch.

As the fire hall project moves forward, staff will undertake a public consultation plan to seek input and comment from the residents of Hornby Island, in advance of the electoral assent required for long-term borrowing.

On board direction, staff has applied to the Towns for Tomorrow Program for total grant funding of \$400,000 to assist with the construction costs of a new Hornby Island fire hall. The application has been received by the province. Staff will work with the province in supplying any further project information that may be requested in advance of a successful application.

The 2011-2015 financial plan includes proposed long term debt proceeds of approximately \$1,400,000 in 2012, in advance of the possible construction of a new fire hall at an estimated cost of \$1,800,000.

Board direction to staff included renewal of the agreement with HIRRA for fire protection and emergency assistance services. Staff recognizes the renewal of this agreement is included in the strategic plans and objectives of the community services branch. Further, board direction to staff includes the review of the administrative model for all rural fire protection services of the CVRD. These directions are the subject of in-camera staff reports.

Achievements

In 2010 staff applied for a sponsored crown grant of land for the proposed new fire hall. On December 20, 2010 the Ministry of Community, Sport and Cultural Development confirmed that the proposed use of the specific crown land meets their criteria for sponsorship and the Ministry will support the CVRD's application. Confirmation of a successful crown land grant application is anticipated in early 2011.

As the regional district's application for a sponsored crown grant moves through the approval process, HIRRA has indicated to the province that it wishes to apply for tenure on the old fire hall for community purposes. At its regular meeting of July 27, 2010 the board endorsed a letter of support for HIRRA's initiative.

In support of the board's strategic plans and objectives for the community services branch, the service has begun the process of installing water storage tanks which are strategically placed on Hornby Island to supply an emergency water source for fire fighting. This project is nearing completion with all water sources expected to be operational in 2011. The proposed 2011 budget includes a \$20,000 carry forward from 2010 for the completion of this project.

Personnel

The fire department volunteer roster includes approximately 25 personnel, including the fire chief, deputy chief, two fire captains, a training officer, a fire prevention officer, a fire inspection officer, as well as a fire department secretary. Based on the budget submission of the fire department as supported by HIRRA, the total operational grant proposed for the fire service includes a fire chief honourarium component of \$20,000, a fire fighter honourarium component of \$18,000 and an officer's honourarium component of approximately \$21,000.

The fire chief's honourarium and the fire fighters honourarium will remain unchanged for the proposed 2011 budget. The total number of volunteers is not expected to change in 2011.

The total officer's honourarium is proposed to increase by approximately \$2,000 over the 2010 total. This increase reflects an increase in operational duties and training to be assigned to the fire department officers.

Long term sustainability

With the 2011 proposed budget and the 2011-2015 financial plan, staff recognizes that the management of annual operational expenses and the development of asset management plan will lead to a sustainable tax rate that provides adequate funding for the fire service operations as well as capital reserves for planned future expenditures.

Recommendation from the chief administrative officer:

THAT the proposed 2011-2015 financial plan for Hornby Island fire protection service be approved.

Respectfully:

T. I. Smith

T. Ian Smith, MCE
Acting Chief Administrative Officer

Service Highlights /Background

The Hornby Island fire service was first established with the regional district in 1970 and was converted to a local service area in 1998. Currently the fire department has an active crew of approximately 25 firefighters and officers that respond to approximately 100 emergencies per year. The fire hall is centrally located on the island and houses three fire trucks and an ambulance.

Challenges

In 2005, HIRRA published an engineer's report which identified numerous areas of concern regarding the fire hall building and that concluded the structure was unlikely to survive any moderate earthquake without major structural damage. In June of 2008, the CVRD engaged the services of Fletcher Pettis consulting engineers to assist in the formulation of a decision document regarding the Hornby Island fire hall. Based on the content and recommendations of these documents, the board endorsed the option of constructing a new fire hall on Hornby Island. The proposed construction of a new fire hall will meet the requirements of the Comox Valley sustainability strategy.

Staff has applied to the province for the Towns for Tomorrow Program for total grant funding of \$400,000 to assist with the construction costs of a new Hornby Island fire hall. If this grant application is successful, the funds will be allocated as revenue in the financial plan for the construction of the fire hall. Staff will work with the province in supplying any further project information that may be requested in advance of a successful application.

In the continuing effort to provide for the safety of the fire fighters, the proposed 2011 budget includes a capital expenditure of approximately \$82,000 for the replacement of the fire department's SCBA gear. Currently the fire department is utilizing SCBA that are approximately 20 years of age and that no longer meet the National Fire Protection Association (NFPA) standards. Based on the NFPA standards and the functional requirements of the fire department, staff and the fire chief will develop the specifications for the replacement SCBA units. In accordance with purchasing policy, CVRD staff will manage the purchase of this capital expenditure.

Staff are currently working with the fire department to develop an asset life cycle analysis and plan that recognizes the scope of services provided by the department, and ensures adequate funding is in place for the planned replacement of assets.

Achievements

In support of the board's strategic plans and objectives for the community services branch, staff applied for a sponsored crown grant of land for the proposed new fire hall. On December 20, 2010 the Ministry of Community, Sport and Cultural Development confirmed that the proposed use of the specific crown land meets their criteria for sponsorship and the Ministry will support the CVRD's application. Confirmation of the crown grant of land is anticipated early in 2011.

If this crown grant of land is approved, the CVRD will engage the services of a qualified professional to provide detailed design drawings and refined costs for a fire hall that fulfills the objectives of the Comox Valley sustainability strategy.

Based on the design drawings, and refined costs, staff will undertake a communications strategy that seeks input and comment from the residents of Hornby Island in advance of electoral assent required for long-term borrowing.

In 2006 the fire department began a project of developing twelve emergency water supply tanks for fire fighting. These tanks are strategically placed on the island and facilitate improved fire suppression. Further, the goal of fire department is that these rural water sources will supply sufficient water for the department to challenge the Accredited Superior Tanker Shuttle Service established by the insurance underwriters. When the fire department achieves superior tanker shuttle accreditation, the residents of Hornby Island will not only be eligible for reduced property insurance rates, but will also benefit from a greater defense against fires.

In 2010, the fire department undertook to install the remaining four tanks planned for this effort. The proposed 2011 budget includes \$20,000 carried forward from 2010 for this project which is expected to be completed in early 2011.

An achievement of note: the Hornby Island community has had a great deal of interest expressed by a number of local artists who have asked to paint murals on the water supply tanks that depict Hornby Island scenery. These artisans have the support of HIRRA and have begun painting the murals on the completed water tanks.

Strategic Plan

The planning and construction of a new fire hall on Hornby Island are identified in the strategic plans and objectives for the community services branch. This project is continuing and staff will keep the board apprised as it moves forward.

The renewal of an agreement with HIRRA for the provision of fire services is identified in the strategic plans and objectives for the community services branch. On board direction staff is currently undertaking a review of the administrative model for all rural fire protection services of the CVRD.

2011 – 2015 Budget Highlights

The 2011-2015 financial plan for the Hornby Island fire protection service includes the following components:

Revenue Sources

The proposed budget for 2011 recommends a total tax requisition of \$400,000 for the service which represents a 14% increase from the 2010 levels. The 2011-2015 financial plan recommends an increase in total requisition to \$450,000 in 2012 through 2015, to maintain the service as well as provide contributions to capital reserve in advance of planned capital expenditures. Based on 2011 assessed values, the tax rate for this service is expected to be \$.82 per \$1000 of assessed value.

Operating

The 2011 proposed budget includes allocation to the operational grant for the service of \$176,338 which represents a 2.5% increase over the 2010 total. This increase can be attributed to increased personnel and equipment maintenance costs.

Capital

The proposed 2011 budget includes a total capital expenditure of \$102,000. This total includes:

- A capital expenditure of \$82,000 for the replacement of aged SCBA units that no longer meet NFPA standards.
- A capital expenditure of \$20,000 for the completion of the water supply tank project. These funds are carried forward from 2010.

Although the 2011-2015 financial plan includes anticipated long-term debt proceeds for the development of a new fire hall in 2012, capital expenditures for the fire hall construction will be included in the financial plan as costs are refined and electoral assent is achieved.

Staff are currently working with the fire department to develop an asset life cycle analysis and plan that recognizes the scope of services provided by the department, and ensures adequate funding is in place for the planned replacement of assets.

Reserves

The service currently has approximately \$253,000 in capital reserves. The proposed 2011 budget includes an allocation of \$33,000.00 from capital reserves in combination with \$69,000 from the operating fund, to complete the proposed capital expenditures of \$102,000 in 2011.

Personnel

The operational grant for the service includes a volunteer honourarium component of approximately \$59,000. This represents an increase of approximately 3% over 2010 levels. This increase can be attributed to an increase in the fire officer's honourarium.

Long term sustainability

With the proposed 2011 budget and the 2011-2015 financial plan, staff recognizes that the management of annual operational expenses and the development of a asset management plan will lead to a sustainable tax rate that provides adequate funding for the fire service operations as well as capital reserves for planned future expenditures.

Options

1. To approve the 2011-2015 financial plan for Hornby Island fire protection service.
2. To approve the 2011-2015 financial plan as amended for Hornby Island fire protection service.

Staff recommends that option 1 be approved.

Financial factors

The proposed budget for 2011 includes a total requisition of \$400,000 and based on 2011 assessed values, the tax rate for this service is expected to be \$.82 per \$1000 of assessed value. As an example; for a residence with an assessed value of \$365,000 the total levy for the service will be approximately \$300. The 2010 tax rate for this service was \$.78 per \$1000 of assessed value.

The proposed 2011 budget will establish the framework for the 2011-2015 financial plan to address the replacement of aged SCBA units and includes contributions to capital reserve for the planned replacement of capital assets, including the fire hall construction.

Legal factors

The 2011-2015 financial plan for the Hornby Island fire protection service will be included in the consolidated CVRD financial plan bylaw to be adopted pursuant to section (791(6)) of the local government act at the March 29, 2011 board meeting. The statutory deadline is March 31.

As the regional district has established the Hornby Island fire protection service by bylaw, there is an acknowledged duty of care to continue to provide the service in a safe manner.

Sustainability implications

In accordance with the Comox Valley sustainability strategy Objective 2.2.1 which states “New local government buildings and facilities over 500 sq m meet advanced levels of sustainability performance”, the planned new fire hall project will be built to LEED silver standard. The design of the fire hall will incorporate cost effective environmental and energy efficient measures including rainwater/storm water reuse, drought tolerant landscape design as well as lighting and heating systems designed to reduce greenhouse gasses.

The sustainability strategy objective 7.1.4 states: “Effective emergency health response services are provided for all residents”. The emergency assistance and medical first responder services provided by the Hornby Island fire department to the residents of the local service area addresses this objective.

Intergovernmental factors

In March of 2010 staff submitted an application for a sponsored crown grant of land for the site of the proposed new fire hall. On December 20, 2010, staff received a letter confirming Ministry sponsorship of the application.

The chosen site for the new fire hall is designated as an Environmental Protection Development Permit Area with the Islands Trust. The regional district will be working with the Islands Trust through the development permit process.

On March 18, 2010, staff received a letter of no objection to the fire hall project from the K’omoks First Nation. In cooperation with the band, an archaeological review of the subject property was conducted and no concerns were identified.

Interdepartmental involvement

Each service is charged a portion of the general administration service costs based on the existing board approved cost allocation policy. This charge is budgeted in each service as per legislation under the ‘support services’ line item. Section 800(1) and 800.1(4) of the Local Government Act (LGA) identifies general administration as a service that includes as participants, all municipalities and electoral areas in the regional district. Section 803.1(1) specifies that “all costs incurred by a regional district in relation to a service, including costs of administration attributable to the service, are part of the costs of that service.”

A recommendation for a revised general administration cost allocation policy was presented to the board in November 2010 but was referred to a future committee of the whole meeting. As a result, the existing policy for the allocation of general administration costs was used for the calculation of support services and the preparation of the proposed CVRD 2011-2015 financial plan.

The finance department works collaboratively with the community services branch by providing all financial information on which this report is based.

Citizen/public relations

The Hornby Island fire protection service provides for protection of life and property for the residents of the local service area.

At its regular meeting of November 8, 2010, the Hornby Island Residents and Ratepayers Association (HIRRA) moved to accept the fire department budget submission for the 2011 proposed budget.

With the support of HIRRA, the artisan community of Hornby Island is painting murals on the water storage tanks.

As the fire hall project moves forward, staff will undertake a public consultation plan to seek input and comment from the residents of Hornby Island in advance of the electoral assent required for long-term borrowing.

Prepared by:

J. Bast

James Bast
Manager of Fire Services

Concurrence:

T. I. Smith

T. Ian Smith, MCE
General Manager of Community Services

Attachments: Appendix A – “2011-2015 – Hornby Island Fire Protection Local Service Area - 220”

Hornby Island Fire Protection Local Service Area
220

Established:	10-Aug-70	Requisition Budget	2010 Actual	2011 PB	2012 FP	2013 FP	2014 FP	2015 FP
Authority	BL 40	Local Service Area						
Amendments	BL 2011 (converted to LSA), BL 2273 (amend to Area K)	X-771-CNR-LSA#37	350,000	400,000	450,000	450,000	450,000	450,000
Funding	Requisition		\$350,000	\$400,000	\$450,000	\$450,000	\$450,000	\$450,000
Maximum Levy	The greater of \$168,935.00 or \$1.00 per \$1000 - 100% Assessment	Tax Rate Estimate	0.7791	0.8248	0.9279	0.9279	0.9279	0.9279
Location	Defined portion of Electoral Area A - Hornby Island		(per \$1,000 of assessed value - approx. Residential Rate)					
Contract	RD-03-070 Exp Dec 31/10 HIRRA	Change from Previous year		\$50,000	\$50,000	\$0	\$0	\$0
Background	Bylaw 40 - establishment	Percentage		14.29%	12.50%	0.00%	0.00%	0.00%

BL 1901 - Contract with HIRRA
 BL 1948 - Fire Control Bylaw
 BL 2012 - Volunteer Fire Dept Est & Reg.
 BL 2732 - Fire Control Bylaw Amendment

Note: Estimates are based on 2011 Completed Converted Assessments at Proposed Budget January 2011. If a function has multiple tax rates, then average is shown..

2011 Maximum Requisition: \$441,088

Net Taxable Rate for 2011: 0.7935

Note: Maximum levy is calculated on net taxable values. Actual rates vary by property class.



Budget Departmental by Class

From Category : 220 To Category : 220
 Account Code : 0?-?-???-??? To : 0?-?-???-???

Account Code	Account Description	2010 Budget Value	2011 Proposed Budget	2012 Financial Plan	2013 Financial Plan	2014 Financial Plan	2015 Financial Plan
1 --> GENERAL REVENUE FUND - CVRD							
220 --> HORNBY ISLAND FIRE							
01-1-220-015	REQN ELECT/SPEC PROV GOVT	350,000	400,000	450,000	450,000	450,000	450,000
01-1-220-150	SURPLUS PRIOR YEAR	35,332	20,000	0	0	0	0
HORNBY ISLAND FIRE Total		385,332	420,000	450,000	450,000	450,000	450,000
OPERATING REVENUE Total		385,332	420,000	450,000	450,000	450,000	450,000
220 --> HORNBY ISLAND FIRE							
01-2-220-200	SUPPORT SERVICES	4,305	6,393	6,522	6,648	6,777	6,905
01-2-220-210	GRANT - OPERATIONAL	171,850	176,338	175,000	175,000	180,000	180,000
01-2-220-220	SALARIES & WAGES	19,627	19,627	20,020	20,412	20,805	21,197
01-2-220-225	BENEFITS	3,136	4,320	4,406	4,493	4,579	4,666
01-2-220-238	WCB	206	228	233	237	242	246
01-2-220-275	LICENSES/PERMITS	520	520	520	520	520	520
01-2-220-306	PROTECTIVE GEAR/EQUIPMENT	27,150	22,200	22,000	22,000	22,000	24,000
01-2-220-314	TELEPHONE & ALARM LINES	0	253	258	263	268	273
01-2-220-369	INSURANCE LIABILITY	3,337	3,337	3,403	3,471	3,537	3,604
01-2-220-372	INSURANCE PROPERTY	960	960	979	999	1,018	1,037
01-2-220-381	LEGAL FEES	2,250	5,000	1,000	1,000	1,000	1,000
01-2-220-387	OTHER PROF FEES	28,000	20,000	0	0	0	0
01-2-220-461	INSURANCE/LICENCE - VEHICLE	7,623	6,719	6,854	6,987	7,122	7,255
01-2-220-468	MINOR CAPITAL	17,000	7,000	0	0	0	0
01-2-220-480	TRANSFER TO CAPITAL	48,000	69,000	7,500	52,374	0	0
01-2-220-485	RESERVE CONTR - CAP WORKS/LAND/MACH/E	15,485	42,221	79,925	0	82,420	79,585
01-2-220-505	DEBT CHARGES-PRINCIPAL	22,419	22,419	22,419	56,635	34,216	34,216
01-2-220-506	DEBT CHARGES-INTEREST	13,465	13,465	98,961	98,961	85,496	85,496
HORNBY ISLAND FIRE Total		385,332	420,000	450,000	450,000	450,000	450,000
OPERATING EXPENSES Total		385,332	420,000	450,000	450,000	450,000	450,000
OPERATING Surplus/(Deficit)		0	0	0	0	0	0
220 --> HORNBY ISLAND FIRE							
01-5-220-016	GRANT PROV GOVT CONDITIONAL	0	0	400,000	0	0	0
01-5-220-142	LONG TERM DEBT PROCEEDS	0	0	1,422,764	0	0	0
01-5-220-145	TRANSFER FR RESERVE	0	33,000	0	117,626	0	0
01-5-220-148	TRANSFER FR OPERATING FUND	48,000	69,000	7,500	52,374	0	0
HORNBY ISLAND FIRE Total		48,000	102,000	1,830,264	170,000	0	0



Budget Departmental by Class

From Category : 220 To Category : 220
 Account Code : 0?-?-???-??? To : 0?-?-???-???

Account Code	Account Description	2010 Budget Value	2011 Proposed Budget	2012 Financial Plan	2013 Financial Plan	2014 Financial Plan	2015 Financial Plan
CAPITAL REVENUE SOURCES Total		48,000	102,000	1,830,264	170,000	0	0
220 --> HORNBY ISLAND FIRE							
01-6-220-471	BUILDING	0	0	1,800,000	0	0	0
01-6-220-475	MACHINERY & EQUIPMENT	48,000	102,000	7,500	0	0	0
01-6-220-478	VEHICLES	0	0	0	170,000	0	0
01-6-220-498	MFA ISSUE EXPENSE/DRF DEPOSITS	0	0	22,764	0	0	0
HORNBY ISLAND FIRE Total		48,000	102,000	1,830,264	170,000	0	0
CAPITAL EXPENDITURES Total		48,000	102,000	1,830,264	170,000	0	0
CAPITAL Surplus/(Deficit)		0	0	0	0	0	0
GENERAL REVENUE FUND - CVRD Total		0	0	0	0	0	0
Report Total -->		0	0	0	0	0	0