

**FIRE STUDY SUB-COMMITTEE
MAY 16, 2011 RECOMMENDATIONS TO TOWN BOARD**

Whereas, the prior TW Fire Study Committee had made a number of recommendations to the Town Board and one of those (Recommendation #6) had to do with addressing the 25% portion of equipment purchased and the 25% portion of the annual Fire Partners budget paid by each of the 4 parties in the agreement, the Town Chairman appointed a sub-committee of citizens Dan Rostollan and Phil Mersberger and Chr. Supervisor Dale Sommer, to review this recommendation.

The following information was used in the review:

Municipality	Equalized Improvement Value	% of Total Improvements	Equalized Improv. Value With Schools/Govern Buildings added	% of Total Improvements
Village of Oostburg	\$ 151,456,800.00	44.62%	\$ 197,196,984.00	51.20%
Town of Lima	95,460,800.00	28.12%		24.78%
Town of Holland	71,399,700.00	21.04%		18.54%
Town of Wilson (4 S. sections)	21,014,100.00	6.19%		5.46%
Town of Lyndon	92,500.00	0.03%		0.02%
Total	\$ 339,423,900.00	100.00%	\$ 385,164,084.00	100.00%

<i>Town of Wilson (remaining area covered by BFRD)</i>	<i>\$ 248,837,600.00</i>		<i>\$ 252,157,150.00</i>	
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Subcommittee Recommendations:

- 1) That an Equalized Improvement Value Study be done every 5 years as part of a Fire Partners Agreement review.
- 2) Reduction of the Town Wilson portion of the annual Fire Partners budget and elimination of the payment toward purchase of major equipment:
 - A. That, for the next 5 years, Town of Wilson shall continue to pay a portion of the annual Fire Partners Budget using a formula which would reduce the current 25% portion by 3% per year x 5 years, and then remain at 10% of the annual Fire Partners Budget as an annual payment, for so long as the agreement exists and Town of Wilson's percentage of the Equalized Improvement Value remains at 10% or less. This process assumes that annual Partners Budget will have reasonable budget increases. Current annual Fire Partners Budget is \$ 57,682.12 and Town Wilson's 25% portion is \$14,420.53. (Note: need to define "reasonable budget increases".)

An as additional review item, if the Fire Partners annual budget payment were based on the Equalized Improvement Value for each municipality (with schools and government buildings included, churches and church buildings and retirement homes not included), the following chart shows what each Partner would pay as a percentage and as a dollar amount of the annual total budget of \$57,682.12.:

Municipality	% of Total Equalized Improvement Value	Partner's Annual Cost Based on %
Village of Oostburg	51.20%	\$29,532.19
Town of Lima	24.78%	14,296.20
Town of Holland	18.54%	10,692.81
Town of Wilson (4 S. sections)	5.46%	3,147.16
Town of Lyndon	0.02%	13.85

- B. As of January 1, 2012, Town of Wilson wishes to be removed from that part of the agreement which requires each partner to pay 25% for each major piece of equipment purchased by the Fire Partners. Payback to Town of Wilson for their portion of equipment owned, will be taken as a credit on annual budget payment and not to exceed \$5000.00 per year until such time as total payback is met. Total equipment value as reported by OFD is \$ 342,468.00 and Town of Wilson's 25% = \$85,617.00. Determination of current resale value of equipment, as a basis for a settlement, may raise or lower this

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number. If agreement were to be dissolved at some point in the future, Fire Partners would be responsible to pay \$5000.00 annually to Town of Wilson until equipment buy-back completed. Partners would have to agree upon present value of total equipment.

C. Annual payment to be made by Town of Wilson using the equipment buy-back as a credit in the payment process.

D. Example of the above formula:

Assume that current Fire Partners annual budget remains at \$ 57,682.12 and that resale value of the 25% of the Fire Partners equipment owned by Town of Wilson is \$50,000.00. (In this example, equipment credit would continue for 10 years.) (6 years of current 25% portion of budget is \$14,420.53 x 6 = \$86,523.18)

Year	2012	2013	2014	2015	2016	2017
25% of annual budget	\$14,420.53	\$14,420.53	\$14,420.53	\$14,420.53	\$14,420.53	\$14,420.53
Reduce payment 3%/yr	0%	-3%	-6%	-9%	-12%	-15%
% TW payment of total	25%	22%	19%	16%	13%	10%
Town Wilson payment	\$14,420.53	\$12,690.07	\$10,959.61	\$ 9,229.14	\$ 7,498.68	\$ 5,768.22
Reduce by equip. credit	-5,000.00	-5,000.00	-5,000.00	-5,000.00	-5,000.00	-5,000.00
Balance paid by TW	\$ 9,420.53	\$ 7,690.07	\$ 5,959.61	\$ 4,229.14	\$ 2,498.68	\$ 768.22

This example extends over 6 years and TW would pay a balance of \$ 30,566.25 over those 6 years. Anything that would change any of the above assumptions would have an effect on the balance paid by Town Wilson. For example, if the annual budget went up 3% /year, the annual budget for 2017 would be \$69,248.57 and TW's 10% portion in 2017 would be \$6,924.86 and balance payment would be \$1924.86. If we further add an assumption change that TW's portion of the equipment is only worth \$25,000.00, then the \$5000.00/yr. credit would continue x 5 years and end in 2016. Balance due in 2017 would then be \$6,924.86.

3) A further proposal, with minimal discussion, was for TW to consider paying \$10,000.00 per year as part of annual Fire Partners budget and elimination of the payment toward purchase of major equipment. \$5000.00/year credit would apply as in above assumption and then Town Wilson would pay a balance of \$5000.00/year until equipment credit is completed.

Comparing to above example, if 25% of equipment was worth a \$50,000.00, it shows that TW would pay a balance total of \$ 30,566.25 over those 6 years.....or an average of \$ 5,094.38 per year vs. the static payment of \$10,000.00 and after equipment credit, we show a balance due of \$ 5000.00 / year and a total of \$ 30,000.00 over the same 6 years.

Questions:

- 1) The \$10,000.00 /year in this example equates to a 17.35% of the annual Fire Partner budget of \$57,682.12 vs the 10% in 2017, but might this present another alternative?
- 2) What is the endpoint we are trying to reach in "years" and in "dollars" ?
- 3) What is the plan for 10 years from now? 2022 or before? Will we have a new centrally located fire station that would allow TW to remove itself from the Fire Partners agreement?
- 4) Another option we haven't discussed, could be:
 - a) Fire Partners would agree to base all charges for all partners on the percentage arrived at through an Annual Equalized Improvement Value Study.
 - b) TW study shows TW (4 southern sections) to be a 5.46% of the total value. This would be \$3,147.07 for 2012 payment.
 - c) This 5.46% would also remain as the % that partners would pay toward purchase of major equipment and would mean TW would pay \$5,460.00 for each \$100,000.00 of new equipment purchased by the Fire Partners. A \$400,000.00 piece of equipment would cost TW \$21,840.00 as their 5.46% portion.

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- d) Equipment credit would come back to TW as a payment from Fire Partners if TW ever decided to get out of the Fire Partners agreement.

Assuming that Fire Partners purchase one \$400,000.00 piece of equipment over the next 6 years, how do each of the above options compare?

#2 above: TW pays \$30,566.25 over the next 6 yearsaverage of \$5,094.38 /year. And using that example, once equipment credit was completed, 10% annual payment would be \$ 5,768.21.

#3 above: TW pays \$30,000.00 over the next 6 years.....average of \$5,000.00 /year.

#4 above: TW pays \$3,147.07 /year x 6 years = \$18,882.42 as their part of annual budget (over 6 years) and \$21,840.00 toward one piece of equipment purchased for \$400,000.00. Total for 6 years would be \$40,722.42.....average of \$6,787.07 /year.

Remembering that currently, TW is paying \$14,420.53 /year (\$ 86,523.18 total over the next 6 years) and is committed to paying 25% of any new major equipment purchase, any of the above options would save TW at least 50% of what they are now paying toward the annual budget and #2 and #3 would also get TW out from under the % purchase of new major equipment agreement.

Which option would be easiest to sell to the Fire Partners to get TW to 2017 or 2022?

Respectfully submitted: Dale Sommer
Phil Mersberger
Dan Rostollan