



MOSSADAMS

Eugene-Springfield Fire Department

Financial Analysis, Option 1

Presentation

September 2022





Table of Contents

01 PROJECT TEAM

02 SCOPE OF WORK

03 ENGAGEMENT METHODOLOGY

04 LIMITATIONS

**05 OPTION 1 RESULTS: CONTINUING THE
CURRENT FUNCTIONAL CONSOLIDATION**

06 NEXT STEPS



Project Team



Colleen Rozillis | Partner
Quality Assurance



Amy Ahyo | Senior Manager
Project Manager



Maria Stroth | Manager
Lead Analyst



Emily Hayes | Manager
Analyst



Henry Morris | Senior
Analyst



Scope of Work

Moss Adams LLP (Moss Adams) partnered with the Eugene-Springfield Fire Department (ESF), City of Eugene (Eugene), and City of Springfield (Springfield) to perform a financial assessment of the functionally merged fire department. The goal of the assessment was to forecast and analyze options for sustaining fire services into the future, including:

1. Continuing the current functional consolidation, with potential modifications
2. One city contracting with the other for fire services
3. Creating and operating an intergovernmental entity
4. Creating and operating a special district
5. Terminating the functional consolidation and returning fire services to each city



Scope of Work (continued)

This presentation focuses on option 1, continuing the current functional consolidation, and examines the following financial considerations:

- The impact on Eugene and Springfield's general funds through 2031
- Forecasted expense growth through 2031

Financial Analysis on options 2–5 will be presented later this year.



Engagement Methodology

Our work began in April 2022 and consists of three main phases.

- **Phase 1: Planning.** Comprehensive project planning and project management, including scope setting, identifying staff to interview and documents to review, and communicating the project plan
- **Phase 2: Fact Finding.** Staff interviews, document review, research into industry standards for forecasting the alternative options, and review of peer city practices
- **Phase 3: Analysis.** Financial analysis on potential options for sustaining fire services into the future

Phases 1 and 2 are complete.



Limitations to Financial Analysis

Data on Overhead Costs: Overhead and internal service costs, including costs related to Financial Services, Information Technology (IT), Human Resources (HR), Legal Services, Fleet Services, and Facilities, are based on the amounts charged by each City to ESF for services, rather than actual costs. There are several examples where internal service charges do not adequately cover costs, especially costs related to IT and HR. Neither city has comprehensive data on costs associated with providing these services. Actual costs are currently being examined by each city to improve future financial analyses.

Capital Planning Data: While Eugene and Springfield have some capital planning data for ESF, a formal capital improvement plan is not being used, so forecasting for new or renovated stations and fire apparatus is based on expected upcoming expenditures provide by ESF.

Data Reconciliation: Springfield and Eugene financial systems and data do not align and had to be reconciled as appropriately as possible. Data was reconciled in collaboration with representatives from both cities' finance departments.





Option 1 Results: Continuing the Current Functional Consolidation



Background

- Eugene and Springfield provide fire and emergency services as a functionally consolidated department through an Intergovernmental Agreement originally established in 2010.
- ESF is not a singular entity; instead, Eugene and Springfield work together to fund, staff, and support fire services.
- Both cities fund ESF using proportional costing methods, budgeted based on Eugene covering 70% and Springfield covering 30%.
- ESF is staffed by 297 FTEs, including 206 Eugene FTEs and 91 Springfield FTEs.
- The Fire Chief is a Eugene employee but serves under the direction and authority of both City Managers and serves on both City Executive Teams.
- Internal services including finance, information technology, human resources, legal, fleet, and facilities services are provided separately by each City.



ESF Expenses, FY21

EUGENE AND SPRINGFIELD SHARE OF ESF EXPENSES BY EXPENSE TYPE, FY21

		EUGENE	SPRINGFIELD	TOTAL*
ESF Expenses	Personnel Costs	40,886,389	15,605,426	56,491,815
	Overhead and Peripheral Service Costs**	9,336,426	5,311,611	14,648,037
	Equipment & Maintenance Costs	1,873,062	612,685	2,485,748
	Capital Expenditures***	-	-	-
	Total Costs*	52,095,878	21,529,722	73,625,599

*Totals may not equal sums of expenses exactly due to rounding.

**Overhead and peripheral service costs include materials and services costs and costs related to Financial Services, Information Technology Services, Human Resources Services, Legal Services, Fleet Services, and Facilities. Costs for these services are based on rates charged by each City to ESF for services, rather than actual costs, due to data on actual costs being unavailable.

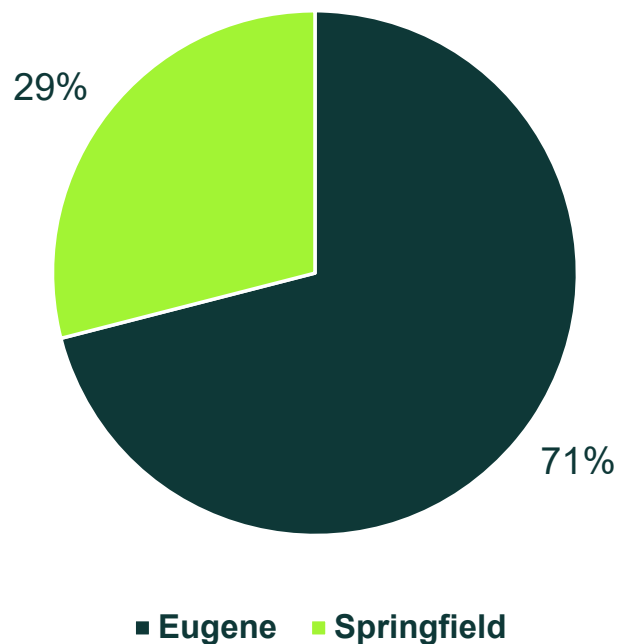
***Neither Eugene nor Springfield had capital expenditures in FY21.

Source: Based on financial data provided by ESF, Eugene, and Springfield.

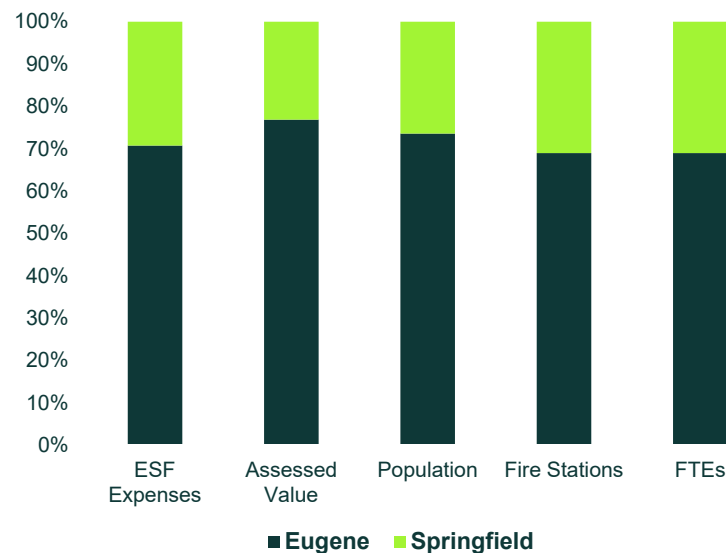


Share of ESF's \$73.6 million in Expenses, FY21

EUGENE AND SPRINGFIELD SHARE OF ESF EXPENSES OVERALL*, FY21



EUGENE AND SPRINGFIELD SHARE OF ESF EXPENSES COMPARED TO SHARE OF ASSESSED VALUE, POPULATION, FIRE STATIONS, AND FTES, FY21



*ESF FY21 expenses include equipment and maintenance costs, overhead and peripheral service costs, and personnel costs. Neither Eugene nor Springfield had capital expenditures in FY21. Source: Based on financial data provided by ESF, Eugene, and Springfield.

Source: ESF expenses are based on financial data provided by ESF, Eugene, and Springfield; assessed value data is based on the Lane County Department of Assessment and Taxation, Assessed Value Report for 2021; population data is based on the U.S. Census Bureau, data on the number of fire stations and full-time equivalent staff is based on data provided by ESF, Eugene, and Springfield.



Impact on General Funds, FY21

Eugene and Springfield general funds cover a significant portion of ESF expenses

EUGENE AND SPRINGFIELD SHARE OF ESF REVENUE, FY21

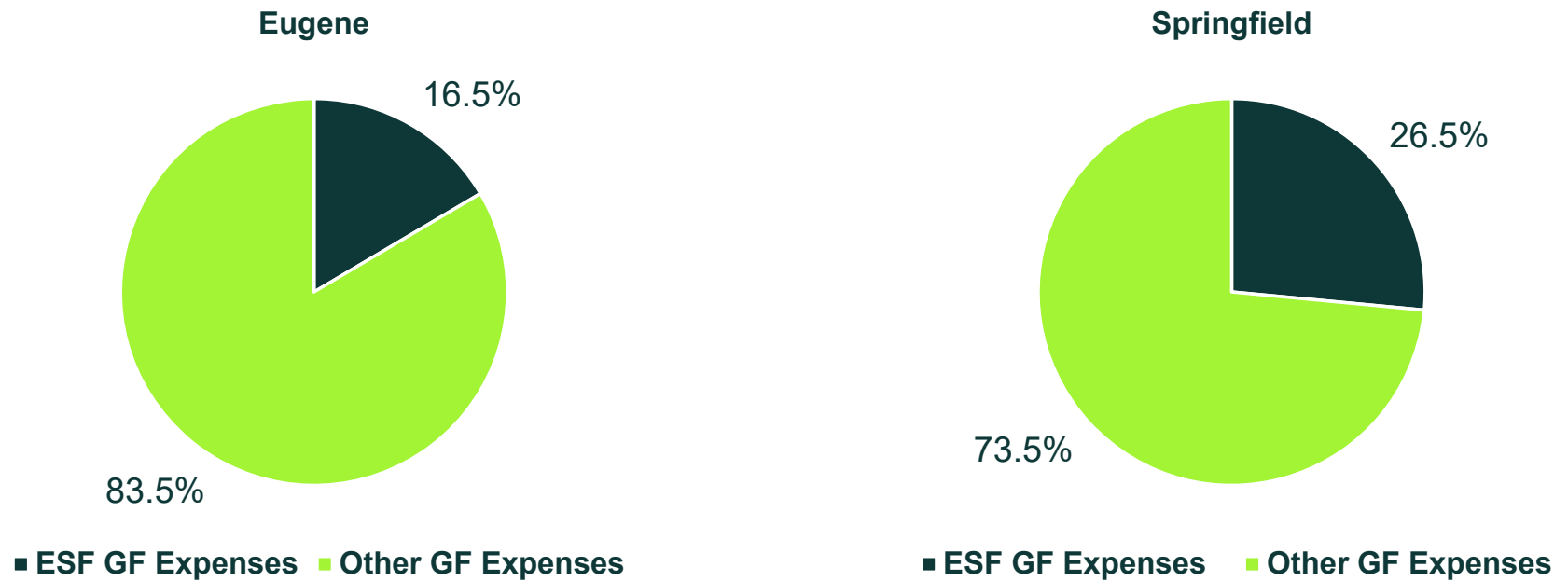
		EUGENE	SPRINGFIELD	TOTAL*
ESF Revenue	General Fund	36,745,276	10,562,491	47,307,767
	Ambulance Transport Fund	9,267,366	4,850,339	14,117,706
	Grants & Levies	926,906	4,037,977	4,964,883
	Other Revenue	5,156,329	2,078,913	7,235,243
	Total Revenue*	52,095,878	21,529,722	73,625,599

**Totals may not equal sums of revenue exactly due to rounding.
Source: Based on data provided by ESF, Eugene, and Springfield.*



Impact on General Funds, FY21

IMPACT OF FIRE SERVICES ON EUGENE AND SPRINGFIELD GENERAL FUNDS (GF), FY21*



*It is important to note that general fund proportions vary across cities depending on the services provided, the size of each city, and how revenues and expenditures are classified.
Source: Based on financial data provided by ESF, Eugene, and Springfield



Revenue and Expense Growth FY21-FY31

The following assumptions were used to create the forecasting model referenced in this section:

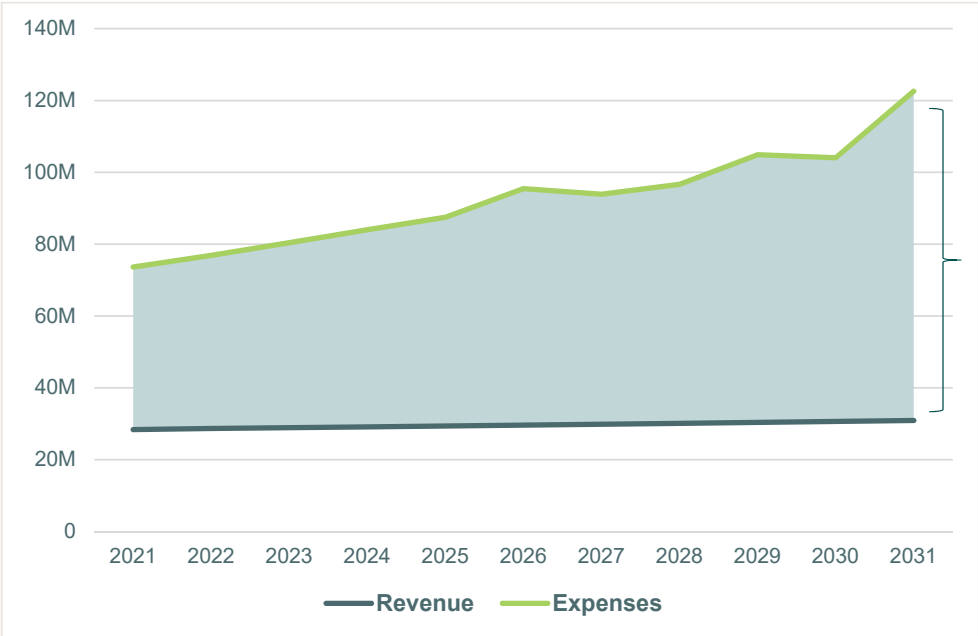
- Revenue was forecasted to increase at same rate as population growth
- Population growth was based on Portland State University population growth forecasts
- Overhead and peripheral service costs (including internal services costs) were forecasted to increase based on M&S inflation rates and anticipated growth provided by Eugene and Springfield
- Personnel costs were forecasted to increase based on scheduled cost of living adjustments, expected increases in retirement, health benefits, and risk management costs, and anticipated personnel growth forecasts provided by Eugene and Springfield
- Maintenance and equipment costs were forecasted to increase based on the M&S inflation rate
- Capital improvement costs were forecasted to increase based on planned capital expenditures provided by ESF



ESF 10 Year Financial Forecast

Total 10-year expenses consist of (in millions):
 Equipment and maintenance costs: \$35.9
 Planned capital expenditures: \$28.4
 Overhead and Peripheral Services: \$184
 Personnel: \$771.7

ESF REVENUE AND EXPENSE GROWTH FY21-31*



Impact on Eugene and Springfield's budget

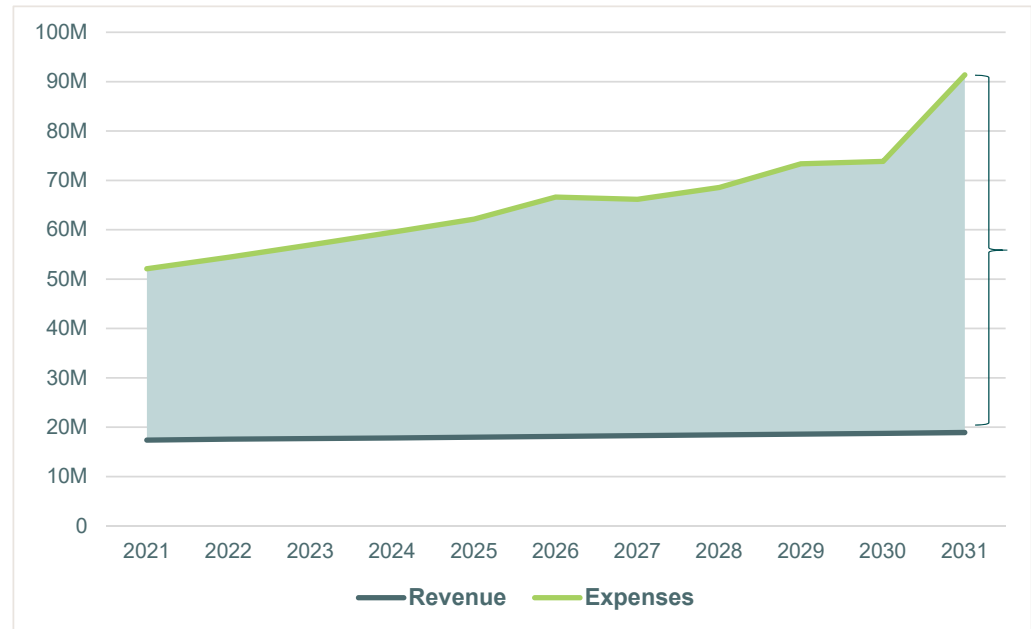
*Peaks in 2026 and 2029 are a result of \$2.5 million in planned station renovations for Eugene fire stations in both years and \$2.5 million in planned station renovations for Springfield fire stations in both years. The peak in 2031 is a result of \$15 million in planned station renovations for Eugene fire stations.
 Source: Based on financial data provided by ESF, Eugene, and Springfield and the previously listed assumptions.



Eugene 10-Year Financial Forecast for Fire Services

Total 10-year expenses consist of (in millions):
 Equipment and maintenance costs: \$27
 Planned capital expenditures: \$22.1
 Overhead and Peripheral Services: \$117.3
 Personnel: \$558.5

EUGENE FUNDED ESF REVENUE AND EXPENSE GROWTH FY21-31*



Impact on Eugene's budget

*Peaks in 2026 and 2029 are a result of \$2.5 million in planned station renovations for Eugene fire stations and the peak in 2031 is a result of \$15 million in planned station renovations for Eugene fire stations.
 Source: Based on financial data provided by ESF and Eugene and the assumptions listed above.

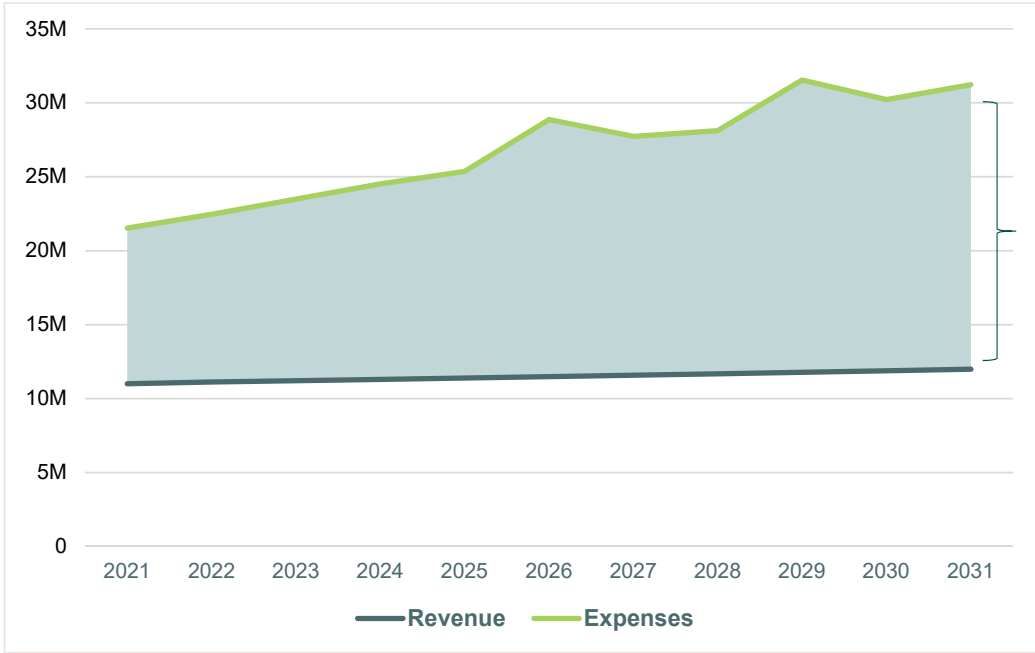


Springfield 10-Year Financial Forecast for Fire Services

Total 10-year expenses consist of (in millions):

- Equipment and maintenance costs: \$8.8
- Planned capital expenditures: \$6.2
- Overhead and Peripheral Services: \$66.7
- Personnel: \$213.1

SPRINGFIELD FUNDED ESF REVENUE AND EXPENSE GROWTH FY21-31

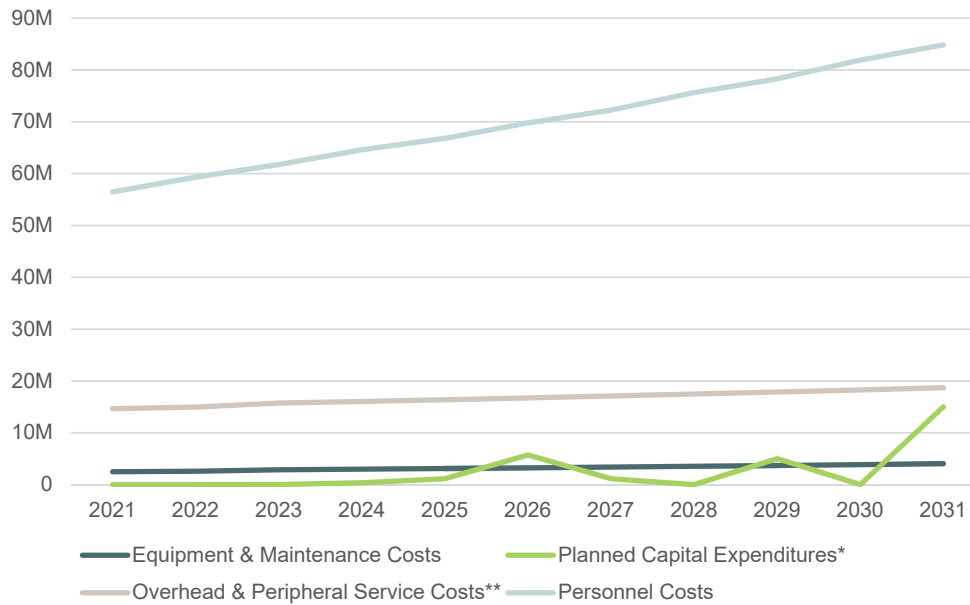


*Peaks in 2026 and 2029 are a result of \$2.5 million in planned station renovations for Springfield fire stations.
 Source: Based on financial data provided by ESF and Springfield and the assumptions listed above.



ESF Expense Drivers, FY21-FY31

ESF EXPENSE DRIVERS FY21-FY31



*Planned capital expenditures in Eugene include \$2.5 million in planned station renovations in 2026 and 2029 and \$15 million in planned station renovations in 2031. Planned capital expenditures in Springfield include \$2.5 million in planned station renovations in 2026 and 2029.

**Overhead and peripheral service costs include materials and services costs and costs related to Financial Services, Information Technology Services, Human Resources Services, Legal Services, Fleet Services, and Facilities. Costs for these services are based on rates charged by each City to ESF for services, rather than actual costs, due to data on actual costs being unavailable.

Source: Based on financial data provided by ESF, Eugene, and Springfield.





Next Steps

- 01 ONE CITY CONTRACTING WITH THE OTHER FOR FIRE SERVICES
- 02 CREATING & OPERATING AN INTERGOVERNMENTAL ENTITY
- 03 CREATING & OPERATING A SPECIAL DISTRICT
- 04 RETURNING FIRE SERVICES TO EACH CITY

