

# Saturna Island Fire Protection Society

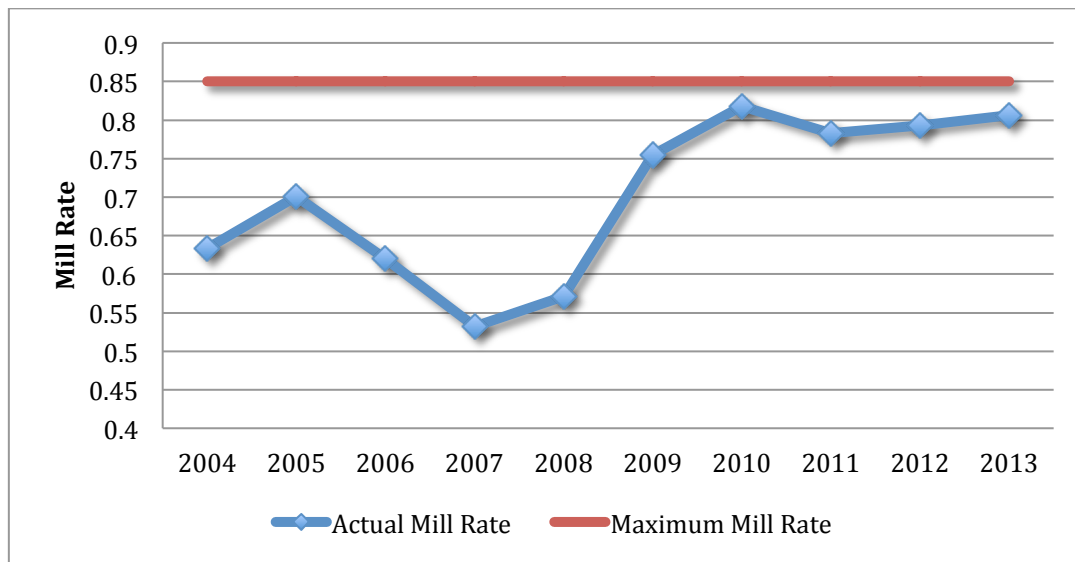
## Mandate

The Saturna Island Fire Protection Society (SIFPS), incorporated in 1994, has two purposes: to provide fire protection services and to provide emergency response services to the residents of Saturna Island.

Through a referendum held in 1993, SIFPS was authorized to levy taxes to pay for its services through CRD By-law No. 2165 that established a maximum mill rate of 0.6806. Since then, the by-law has been amended several times, last time in 1999, when the mill rate was increased to 0.85.

As shown in Figure 1, up to 2013 SIFPS has never “used” the full allowable tax room. Due to its fixed mill rate<sup>1</sup> SIFPS may see declining revenues as property assessments fall.

Figure 1 SIFPS Actual and Maximum Mill Rate 2004 to 2013



<sup>1</sup> Generally, most public agencies set their budget and the mill rate is set at the level it needs to be at to collect the budgeted amount. SIFPS is an exception.

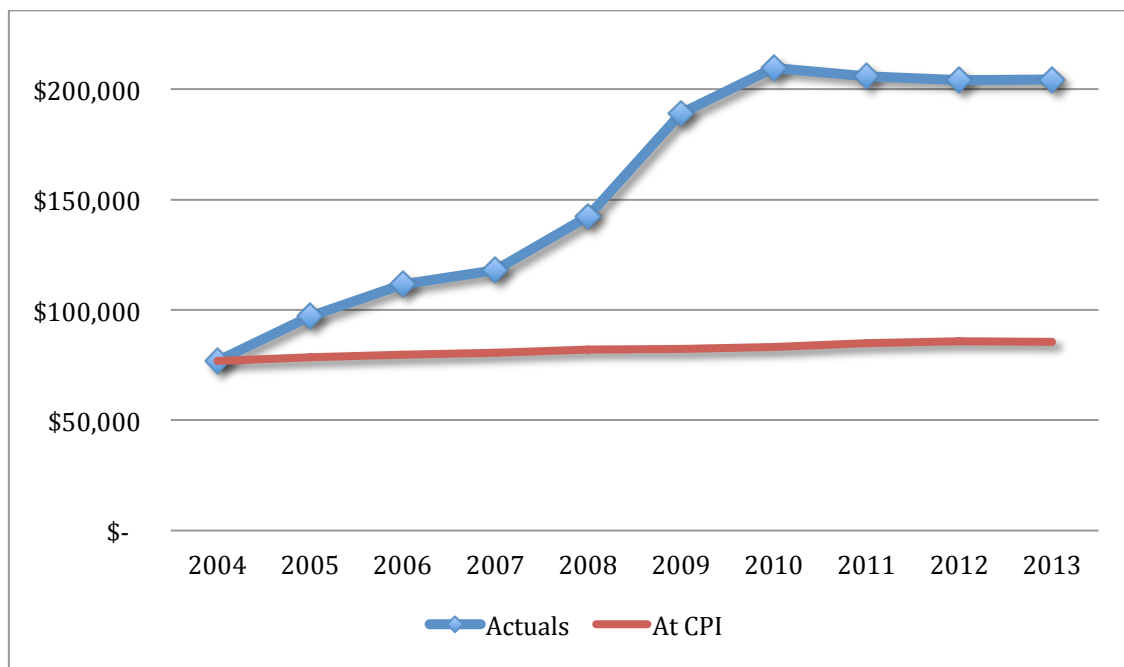
## SIFPS Budget and Funding

Funding of SIFPS services is through property taxes levied on Saturna with one exception – funding for Saturna Island Rescue (SIR or the ambulance). Island Health provides \$10,000 annually, which, along with donations, pay for the cost of SIR.

SIFPS receives \$200,000 annually from property taxes. The taxes are channeled through the CRD, but not for free. In 2013, \$204,402 was collected from Saturna property owners, but only \$200,000 reached SIFPS. CRD kept the difference \$4,402 plus the PILTs<sup>2</sup> as an “administration fee”.

Figure 1 shows the taxes that have been collected towards SIFPS (and does not exactly match SIFPS budget). Between 2004 and 2013 taxes increased from \$76,831 to \$204,402, an increase of 160%. Inflation, or CPI, for the same period was 11%.

Figure 2 Property Taxes Collected for SIFPS 2004 to 2013



## So why the vast increase in SIFPS budget?

In general, CPI is a broad measure of expected cost increases for public services. In SIFPS case it is not a fair comparison. Anyone who has been on the island in the past few years cannot have missed the two new fire halls. With a construction budget of \$1.2 million, SIFPS completed the fire halls in 2011 financed with a combination of donations and loans.

<sup>2</sup> PILTS is short for “payment in lieu of taxes” paid by the Federal government instead of property taxes.

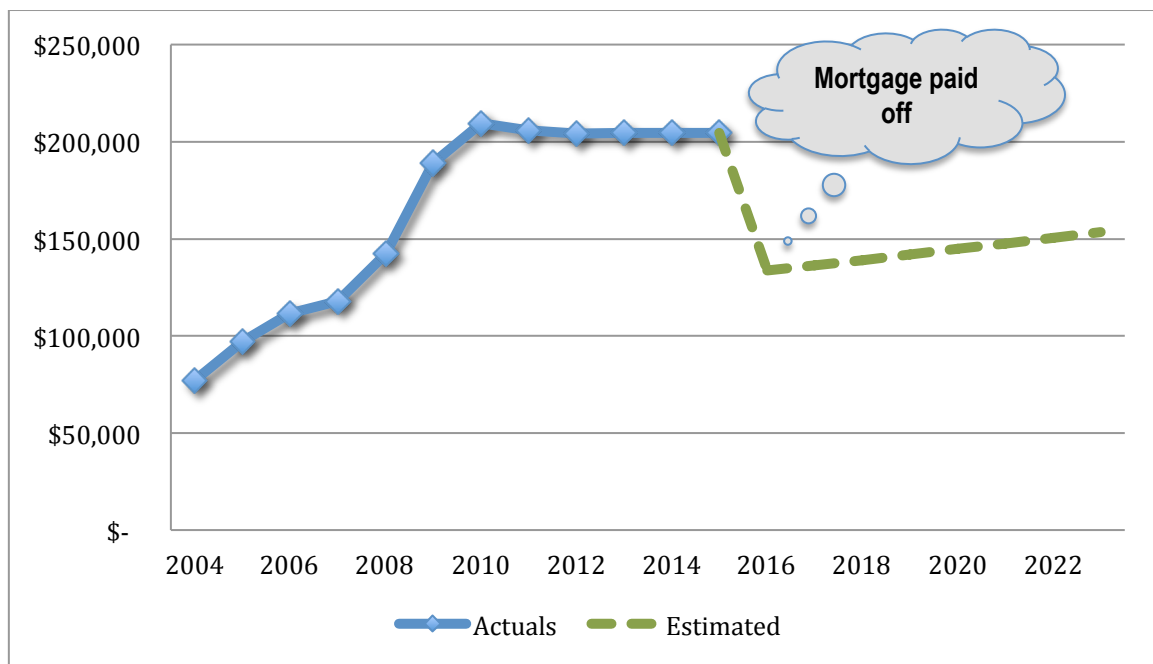
In 2011, SIFPS converted the construction loan to a mortgage and due to lower than anticipated construction costs and higher than anticipated donations the total mortgage was \$300,000. On December 31, 2013 the outstanding balance of the mortgage was \$114,000, which means that the mortgage is being paid down by approximately \$65,000 per year. Based on that rate, the mortgage will be fully paid off by in early 2016.

### Lower Taxes in the Future

After the mortgage is paid off, as a tax payer, we should expect tax levies to decline to a “steady state” level that reflects the operating expenses and a capital reserve for future building maintenance and vehicle replacements.

According to our analysis, the current annual operating budget is approximately \$96,000 (including contingency) and can be expected to increase by inflation. A capital reserve, with the addition of \$25,000-\$30,000 each year would be financially prudent<sup>3</sup>. As shown in figure 3, this results in an estimated future tax take-out of between \$120,000-\$130,000 per year growing with inflation. It is still a substantial increase over the \$77,000 budget in 2004, but it reflects a higher quality of service than previously available. This may even be reflected in a lower fire insurance premium for property owners out on East Point.

Figure 3 Pro-Forma SIFPS 2014 to 2024



<sup>3</sup> This is based on a 40-year life of buildings and 20-year life of vehicles.

## **Conclusion**

As other islands are mired in controversy and rapidly growing costs for new fire halls, we should all feel proud of what the Saturna community and SIFPS have accomplished. Our fire response services have improved dramatically. Our hard-working Fire Chief and volunteer fire fighters are better outfitted with more reliable equipment and are better prepared to respond to devastating fires.

Having said that, we expect that the amount of property taxes directed to SIFPS should decline in line with our analysis once the mortgage is paid off. We want to avoid a situation where a tax-funded organization such as SIFPS, which raised taxes to fund a particular project, redirects those now surplus funds to other projects without tax payers having a say in how those funds are used.