

Fire Service Financial Review and Analysis



Sussex County

Final Report Summary

June 3, 2025



Objectives

- Detailed analysis of revenues, expenditures, and policies at all Fire Companies.
- Identify the key cost and revenue drivers and review each company's financial policies.
- Consider options for a more sustainable model for these services.

Methods

- In person interviews with the leadership of each fire company
 - Services provided
 - Income
 - Expenditures
 - Debt and reserves
- Fire station tour
- Collection & analysis of financial records and other documents

PA DECD Financial Monitoring System

Financial Monitoring Workbook

> ready > set > succeed



Documentation Request List

- Financial statements (audits)
- Profit and Loss statements (Budgeted vs. Actual)
- List of grant applications
- List of membership and staff
- Current fleet inventory
- Debt schedules
- Employment agreements/union contracts/other
- Financial policies and procedures
- Volunteer hours/points logs and pension documentation
- EMS/Ambulance billing contract and collections summary
- Etc.

Information/Discussion Points

- Volunteer hours tracking and staff scheduling
- Live-in programs where applicable
- # of stations/buildings, apparatus, structures in district, etc.
- Total land area and population
- Call volume
- Critical infrastructure
- Revenues & expenditures
- EMS/rescue billing and other fee schedules
- In-kind services received
- Forecast of company's future

Observations

- Long and proud history
- Changes in the fire service in the United States
- Rising costs
- Rising demand
- Sussex County Fire/EMS system grew organically

Observations

- Primary revenue sources for Sussex County Fire/EMS Companies are State, County, and EMS revenue
 - Two fire companies do not provide primary EMS service
- Financial condition of Fire/EMS Companies varies widely
- No financial irregularities observed
- Aging leadership
- Fire Company autonomy

Financial Health Factors and Grading System

- 13 total factors
- Factor weighting based on effect (ranges from 3-15%; totals 100%)
 - Adjusted for companies where certain factors were Not Applicable
- Factor points assignment based on best practice criteria ranges (maximum achievable points = 1,300)
- Green, Yellow, Orange, Red “stop light” health grading system with corresponding numeric ranges and estimated years of sustainability ranges
- Trend (2019 vs. 2023) AND Average (2019-2023) examined

Grading, Weights & Sustainability

Financial Health Grade Key

| Status | Description | Numeric | Est. Yrs. Sustain |
|--------|--|--------------|-------------------|
| GREEN | Fire Co./Dept. is in excellent financial health and is likely to survive | 100-90 | 16+ years |
| YELLOW | Fire Co./Dept. is in good financial health and might survive | 80-89 | 11-15 years |
| ORANGE | Fire Co./Dept. is in fair financial health and might survive | 60-79 | 4-10 years |
| RED | Fire Co./Dept. is in poor financial health and is unlikely to survive | 59 and below | 1-3 years |

Factor weights were adjusted for companies that are 100% volunteer and/or do NOT provide ambulatory response services

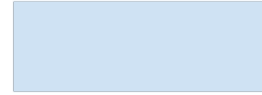
| #. Factor Name | Weight |
|--------------------------|---------|
| 1. Revenue per call | 3.00% |
| 2. Expenditures per call | 3.00% |
| 3. Employee benefits | 5.00% |
| 4. Cash position | 15.00% |
| 5. Debt service | 5.00% |
| 6. Debt per capita | 5.00% |
| 7. Operating position | 10.00% |
| 8. Revenue shortfalls | 7.00% |
| 9. Expenditure overruns | 7.00% |
| 10. EMS user fees | 10.00% |
| 11. Capital outlay | 5.00% |
| 12. Fund balance | 10.00% |
| 13. Solvency | 15.00% |
| | 100.00% |

| <u>FACTOR</u> | <u>DEFINITION</u> | <u>FORMULA</u> | <u>TREND</u> | <u>WEIGHT</u> |
|--------------------------|---|---|---|----------------------|
| 1. Revenue per call | Shows how a fire company's revenues are affected by changes in call volume | Total operating revenues / total calls | Increasing= Favorable No change= Stable Decreasing= Unfavorable | 3.00% |
| 2. Expenditures per call | Displays the cost of operating the fire company on a per call basis; reveals the effect of adding/deleting/changing service levels | Total operating expenditures / total calls | Increasing= Unfavorable No change= Stable Decreasing= Favorable | 3.00% |
| 3. Employee benefits | Demonstrates impact that employee benefit costs have on a fire company's finances | Total employee benefits cost (operational and administrative) / Total salary and wages cost | >1: Favorable =1: Stable <1: Unfavorable | 5.00% |
| 4. Cash position | Designed to give officials an idea of exactly where they stand (sufficient cash on-hand to pay bills?) at a given point in time | Cash and short-term investments / Current Liabilities | Below 10% = Favorable At 10% = Stable Above 10% = Unfavorable | 15.00% |
| 5. Debt service | Shows the proportion of general operating revenue devoted to paying off outstanding debt (loans, bonds, vendor leases, and lease rental payments to authorities) | Debt service (not including self-supporting) / Total operating revenue | Increasing= Unfavorable No change= Stable Decreasing= Favorable | 5.00% |
| 6. Debt per capita | Designed to demonstrate the debt burden associated with each resident (thereby taking into consideration the ability of the citizens to repay loans rather than the underlying value of the collateral pledged) | Long-term debt / Population | Increasing= Unfavorable No change= Stable Decreasing= Favorable | 5.00% |
| 7. Operating position | Fire company's ability to balance its budget annually, maintain reserves to cover emergency situations, and have sufficient cash available for timely payment of bills; whether a fire department is operating on a break-even basis or is spending down fund balances from previous years to fund current operations | General fund operating expenditures / General fund operating revenue | >1: Unfavorable (deficit) =1: Stable (Break-even) <1: Favorable (Surplus) | 10.00% |

| | | | | |
|-------------------------|---|--|---|--------|
| 8. Revenue shortfalls | Examines both fiscal condition and performance of officials in controlling budgets (1=break-even; <1=revenues budgeted in excess of actual; >1=actual revenues in excess of budgeted) | Actual year-end revenue/Budgeted revenue | >1: Favorable =1: Stable (Break-even) <1: Unfavorable | 7.00% |
| 9. Expenditure overruns | Way to assess how well the estimates for anticipated expenditures for the year were prepared and how closely the budgeted versus actual expenses were monitored throughout the year | Actual year-end expenditures / Budgeted expenditures | >1: Unfavorable =1: Stable <1: Favorable | 7.00% |
| 10. EMS user fees | Fire companies should know whether these are high enough to cover all the costs associated with provision; if they aren't, possible policy change | EMS Billing Revenue / Total cost of providing service | Greater than 100% = fees too high, Equal to 100% = fees adequate; Less than 100% = fees too low | 10.00% |
| 11. Capital outlay | How much current revenue a fire company allocates on an annual basis to fund capital expenditures; a fire department ought to commit the same proportion of its current revenue to fund the acquisition or replacement of its infrastructure and apparatus as well as financing these types of purchases. | Capital outlay from current operating funds/Operating expenditures | Increasing= Favorable Stable=Consistent Decreasing= Unfavorable | 5.00% |
| 12. Fund balance | Using cash balances from prior years to fund operating expenditures for subsequent budget years is not a sound financial management practice; if a surplus cash exists, it should be allocated as emergency operating reserve funds | (Operating revenue – operating expenditures = cash balance) / operating expenditures | Current operating revenue consistently equals current operating expenditures = favorable | 10.00% |
| 13. Solvency | Examines how much of a fire company's assets are made of liabilities. A high liabilities to assets ratio can be negative; this indicates potential financial distress. This factor is a good indicator of financial health for the company. | Total Liabilities / Total Assets | Upward trend may be cause for concern | 15.00% |

Example Report Card

Financial Health Report Card 2019-2023



| # FACTOR | 2019 | 2020 | 2021 | 2022 | 2023 | TREND | AVERAGE |
|--------------------------|----------|----------|----------|----------|----------|-------------|----------|
| 1. Revenue per call | \$745.56 | \$676.69 | \$584.71 | \$556.60 | \$687.92 | Unfavorable | \$650.30 |
| 2. Expenditures per call | \$559.74 | \$561.68 | \$482.56 | \$515.05 | \$589.66 | Unfavorable | \$541.74 |
| 3. Employee benefits | 22.63% | 23.33% | 23.28% | 20.44% | 20.64% | Favorable | 22% |
| 4. Cash position | 10.7135 | 7.6497 | 11.2733 | 15.5984 | 15.3012 | Favorable | 12.11 |
| 5. Debt service | 3.58% | 4.24% | 3.91% | 3.81% | 3.01% | Favorable | 3.71% |
| 6. Debt per capita | \$69.15 | \$64.28 | \$59.27 | \$54.12 | \$71.73 | Unfavorable | \$63.71 |
| 7. Operating position | 0.7508 | 0.8301 | 0.8253 | 0.9253 | 0.8572 | Unfavorable | 0.84 |
| 8. Revenue shortfalls | 1.3764 | 1.3244 | 1.4720 | 1.3330 | 1.3826 | Favorable | 1.38 |
| 9. Expenditure overruns | 0.9561 | 0.8901 | 1.1004 | 1.0383 | 1.0112 | Unfavorable | 1.00 |
| 10. EMS user fees | 80.29% | 77.82% | 74.87% | 81.78% | 53.58% | Unfavorable | 74% |
| 11. Capital outlay | 34.56% | 46.50% | 16.87% | 2.69% | 15.56% | Unfavorable | 23% |
| 12. Fund balance | 43.95% | 20.54% | 21.68% | 8.99% | 9.71% | Unfavorable | 20.97% |
| 13. Solvency | 20.45% | 18.41% | 16.38% | 14.92% | 18.08% | Favorable | 17.65% |

FINANCIAL HEALTH GRADE KEY *(Grade is calculated using the averages)*

| STATUS | Description | Numeric | Est. Sustainability |
|--------|---|-------------|---------------------|
| GREEN | Fire company is in excellent financial health and likely to survive | 100-90 | 16+ Years |
| YELLOW | Fire company is in good financial health and might survive | 89-80 | 11-15 Years |
| ORANGE | Fire company is in fair financial health and might survive | 79-60 | 4-10 Years |
| RED | Fire company is in poor financial health and unlikely to survive | 59 or below | 1-3 Years |

GRADE
83
11-15 years

Grading & Sustainability County Summary

| <u>Fire Company/EMS Agency</u> | <u>County</u> | <u>Financial Health Color</u> | <u>Financial Health Grade</u> | <u>Sustainability (Est. # of Yrs)</u> |
|---|---------------|-------------------------------|-------------------------------|---------------------------------------|
| American Legion Georgetown EMS, Station No. 93 | Sussex | ORANGE | 63.75 | 4-10 Years |
| Bethany Beach Fire Company, Station No. 70 | Sussex | ORANGE | 77.75 | 4-10 Years |
| Blades Volunteer Fire Company, Station No. 71 | Sussex | YELLOW | 80.25 | 11-15 Years |
| Bridgeville Volunteer Fire Company, Station 72 | Sussex | ORANGE | 71.50 | 4-10 Years |
| Carlisle Fire Company, Station No. 42 (Mutual Aid) | Sussex/Kent | YELLOW | 83.25 | 11-15 Years |
| Dagsboro Fire Company, Station No. 73 | Sussex | RED | 53.75 | 1-3 Years |
| Delmar Volunteer Fire Company, Station No. 74 | Sussex | YELLOW | 86.50 | 11-15 Years |
| Ellendale Volunteer Fire Company, Station No. 75 | Sussex | ORANGE | 71.25 | 4-10 Years |
| Frankford Volunteer Fire Company, Station No. 76 | Sussex | ORANGE | 74.00 | 4-10 Years |
| Georgetown Volunteer Fire Company, Station No. 77 | Sussex | YELLOW | 81.00 | 11-15 Years |
| Greenwood Fire Company, No.1, Station No. 78 | Sussex | ORANGE | 74.50 | 4-10 Years |
| Gumboro Fire Company, Station No. 79 | Sussex | ORANGE | 78.25 | 4-10 Years |
| Indian River Volunteer Fire Company, Station No. 80 | Sussex | YELLOW | 84.00 | 11-15 Years |
| Laurel Fire Department, Station No. 81 | Sussex | ORANGE | 76.50 | 4-10 Years |
| Lewes Fire Department, Station No. 82 | Sussex | YELLOW | 83.00 | 11-15 Years |
| Memorial Volunteer Fire Company, Station No. 89 | Sussex | ORANGE | 63.25 | 4-10 Years |
| Mid-Sussex Rescue Squad, Station No. 91 | Sussex | N/A | N/A | N/A |
| Millsboro Volunteer Fire Company, Station No. 83 | Sussex | ORANGE | 78.25 | 4-10 Years |
| Millville Volunteer Fire Company, Station No. 84 | Sussex | YELLOW | 80.25 | 11-15 Years |
| Milton Volunteer Fire Company, Station No. 85 | Sussex | ORANGE | 68.25 | 4-10 Years |
| Rehoboth Beach Volunteer Fire Company, Station No. 86 | Sussex | YELLOW | 87.75 | 11-15 Years |
| Roxana Volunteer Fire Company, Station No. 90 | Sussex | YELLOW | 88.50 | 11-15 Years |
| Seaford Volunteer Fire Department, Station No. 87 | Sussex | ORANGE | 77.75 | 4-10 Years |
| Selbyville Volunteer Fire Company, Station No. 88 | Sussex | ORANGE | 79.75 | 4-10 Years |

Recommendations

Strategic Plan

The leadership of Sussex County Fire/EMS companies and the County should work together to design a plan.

- System design
- System capacity and capabilities
- Asset ownership
- Funding requirements
- Timeline and process for change

Recommendations

Support Services

County facilitation or provision of services to Fire Companies that may save costs, increase revenues, or increase efficiency

- EMS billing
- Group purchasing, professional services, fleet, facility
- Reserve ambulances and apparatus
- Mergers, enablement
- Grant writing

Recommendations

Voluntary or Involuntary System Changes

The leadership of the County's Fire/EMS companies and the County should contemplate and plan for:

- Insolvency or bankruptcy
- Elective withdrawal from service provision
 - Lewes
 - American Legion
- Possible role of Sussex County EMS

Recommendations

Fire Service Fee – House Bill 127

- Fee revenue supports the strategic plan
 - Fees distributed where they are generated
 - No supplanting of State or County funding streams
- Significant fiscal requirements and controls
 - Expand standardized budgeting and financial reporting, enhanced agreements between the County and each Fire Company
 - Standards on the use of funds
 - Regardless of funding source
 - Major spending in support of the plan
 - Equipment standardization

Recommendations

Accounting Systems and Procedures

Grants

Revenue Enhancements, Cost Avoidance, Cost Savings

Questions?

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