WISCONSIN POLICY FORUM

LAKE COUNTRY FIRE & RESCUE FUNDING STUDY

May 2025

BACKGROUND

- The Wisconsin Policy Forum was contracted by Lake Country Fire & Rescue to analyze the current cost allocation formula and facilitate discussions with LCFR stakeholders on potential revisions.

- After a kickoff meeting in early December 2024, WPF collected and analyzed LCFR financial and programmatic data, conducted individual interviews with leaders of each of the seven LCFR communities, and developed an initial set of options to modify the formula.

- The options and rationales behind them were laid out to the stakeholders at a meeting on January 28, 2025. Feedback was solicited and the group reconvened on February 24. At that meeting, the four options were narrowed to two and WPF was asked to prepare four different implementation schedules to blend them.

- On March 18 and April 23, the group convened again to discuss the various options and schedules. At the conclusion of the April 23 meeting, ***the stakeholders agreed that Option 4 – to be implemented over a two-year period and coupled with a change in governance that would allow motions to be adopted with affirmative votes of five of the seven communities – should be forwarded to individual boards and councils for consideration.***

KEY VALUES

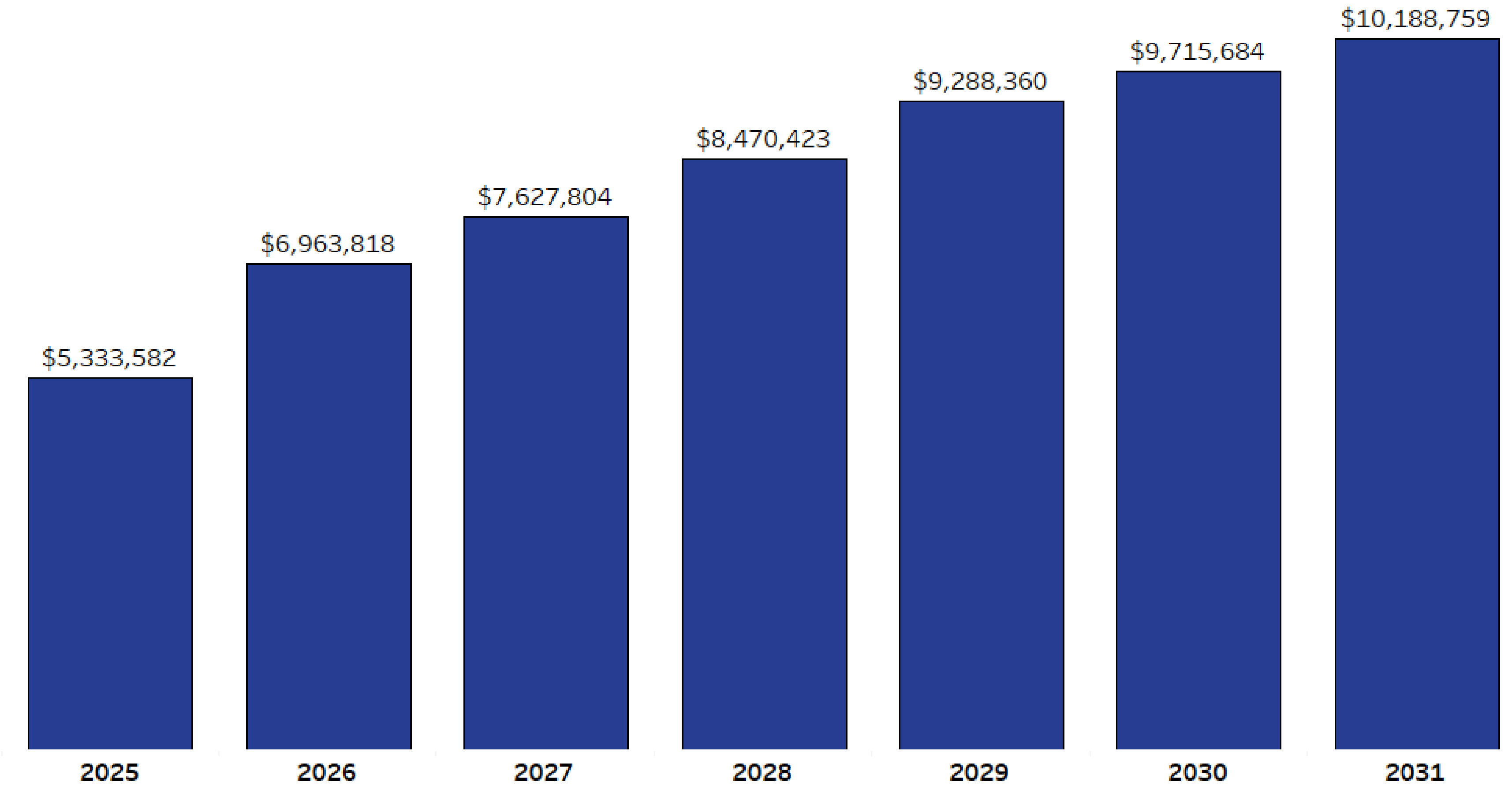
In our discussions with leaders from each community, the following were mentioned several times as important goals for the cost allocation process:

- Year-over-year consistency
- Ability to justify and explain the formula to constituents
- Support for the increase in staffing to create a full-time department
- Recognition of station costs covered by municipalities

COST FORECAST (ESTIMATED)

Assumptions:

- 5% annual operating increase
- 1% annual revenue increase
- Hire 12 more FTEs, adding 3 each year, 2026-2029.
- Follow the current Capital purchase schedule
- ***Note: These forecasted amounts for budgets from 2026-2031 and all estimated budget amounts used in subsequent slides were calculated using the best information available in April 2025 – actual budgeted amounts will undoubtedly change***



CURRENT FORMULA

- 65% of Operating Costs are allocated based on Base Rates determined when LCFR was established in 2021.
- 35% of Operating Costs are allocated based on 3-year averages of Call Volume, Population, and Equalized Value
  - 33.3% Call Volume
  - 33.3% Population
  - 33.3% Equalized Value
- Capital Costs allocated based on Capital Rates determined in 2021.

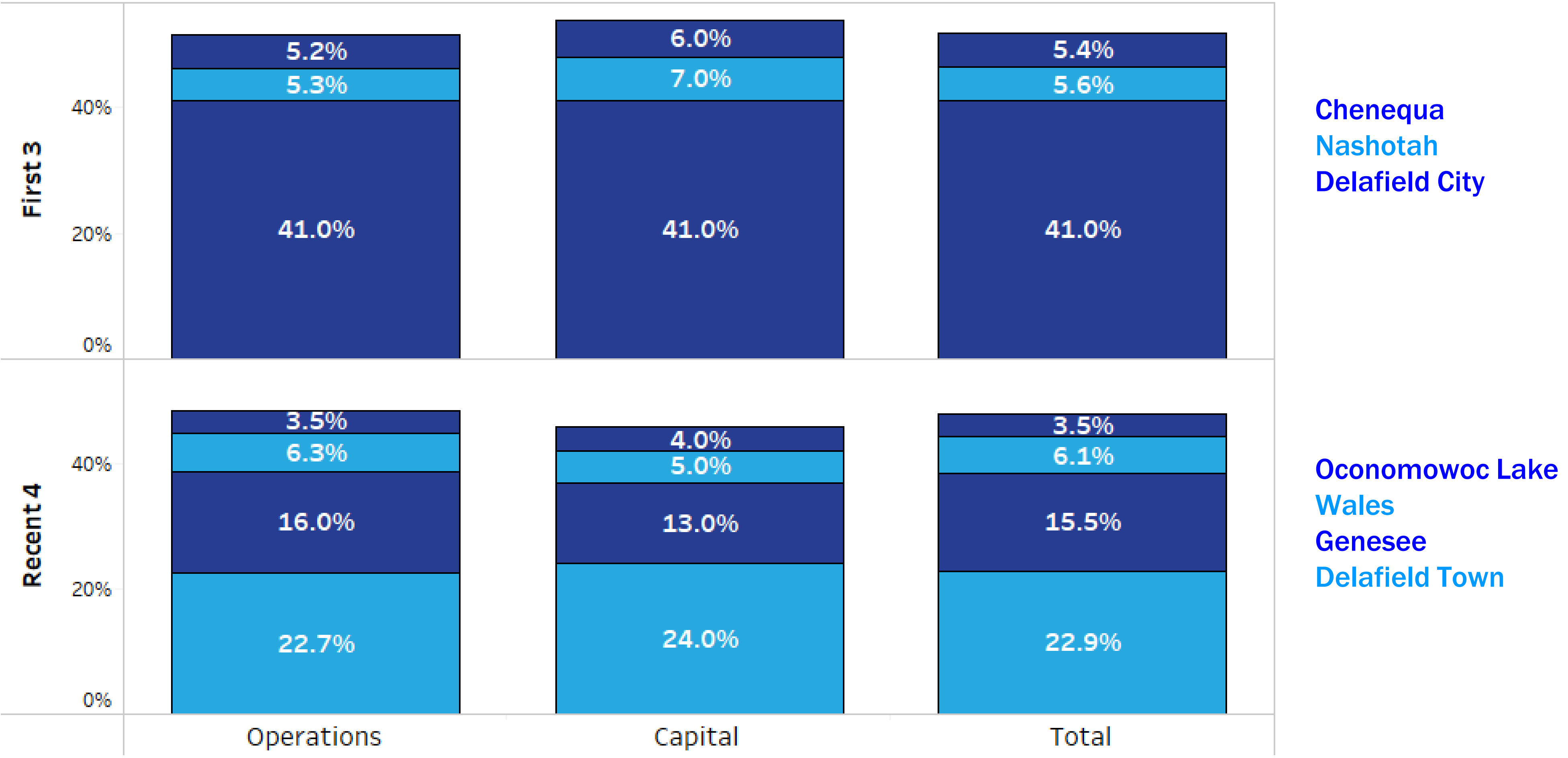
CURRENT FORMULA DISTRIBUTION

Call Volume, Population, and Equalized Value, Average 2021-2023

Source: Lake Country Fire & Rescue

CURRENT FORMULA ALLOCATIONS

65% Base Capital Distribution Call-Pop-EV: 33-33-33



Source: Lake Country Fire & Rescue

GOALS FOR THE NEW FORMULA

- Simplicity. The current formula has (1) Base Rates, (2) Capital Rates, and (3) a formulaic distribution based on Call Volume, Population, and Equalized Value. This makes the formula difficult to discuss and explain.
- Move Away From Base Rates. The base rates were important when LCFR expanded, reflecting a desire to preserve traditional levels of investment in fire and EMS. As time has passed, however, the base rates have become less relevant and more difficult to explain.
- Consideration of Original Agreement. Despite decreasing relevance, the base rates also factored into the decision-making of the four jurisdictions added in 2021; any changes to base rate should be phased in over time.

ADDITIONAL CONSIDERATIONS?

- ❑ Should annual building maintenance costs be billed to LCFR (while retaining the practice of having building improvements paid by the municipal owner)?
- ❑ Should the governance structure be changed from requiring unanimous decisions to conducting business by majority or super-majority votes?

OPTIONS PARAMETERS

Preserve the following for all options:

- Three-year smoothing. To prevent large swings in costs, the part of the formula that employs Call Volume, Population, and Equalized Value uses averages over the previous three years.

- The set base percentages, when used, remain the same.

Change for all options:

- Capital expenses allocated by the same formula as Operating expenses.

OPTIONS

Option	Operating Base	Capital	Call Volume %	Population %	Eq. Value %
Current	65% Base	Set Capital Distribution	33.3%	33.3%	33.3%
Option 1	32.5% Base	Follows Operations Formula	40%	30%	30%
Option 2	32.5% Base	Follows Operations Formula	50%	25%	25%
Option 3	0% Base	Follows Operations Formula	50%	25%	25%
Option 4	0% Base	Follows Operations Formula	60%	20%	20%

Key Questions Discussed at Feb. 24 Meeting:

1. Stick with base rate at all?
2. How long should the phase-in period be (if there is one)?
3. How much to emphasize calls vs. other metrics
4. Are governance changes on the table?

BLENDING OPTIONS 2 AND 3

- Options 2 and 3 both use weights of 50-25-25 for call volume, population, and equalized value. WPF was asked at the conclusion of the Feb. 24 meeting to prepare four different implementation schedules that would use those weights and blend the two options' treatment of the base rate:
  - <u>Schedule A</u>: Base rate reduced to 32.5% for 2026-2028, then permanently reduced to zero beginning in 2029.
  - <u>Schedule B</u>: Base rate reduced to zero over 2026-2031 period in equal increments each year.
  - <u>Schedule C</u>: Base rate reduced to 32.5% over 2026-2029 in equal increments each year, then stays at 32.5%.
  - <u>Schedule D</u>: Base rate reduced to zero over 2026-2029 in roughly equal increments each year.

MARCH 18 MEETING

- Consensus was loosely reached that the base rate should be fully phased out, and over a relatively short time frame. Of the four schedules, Schedule D best met that sentiment.
- Consensus was loosely reached that a change in governance should occur to allow motions to pass with support of five communities instead of seven.
- Consensus was loosely reached that annual building maintenance costs should be distributed per the funding formula, but such discussion should occur outside of this one.

Phase In Schedule D

	Year	Base Rate		Call Volume	Pop.	EV		Capital Distribution
Original	2025	65%		33%	33%	33%		Original
	2026	45%		36%	32%	32%		75% Original
	2027	30%		40%	30%	30%		50% Original
	2028	15%		45%	25%	30%		25% Original
Option 3	2029	0%		50%	25%	25%		Operating
Option 3	2030	0%		50%	25%	25%		Operating
Option 3	2031	0%		50%	25%	25%		Operating

APRIL 23 MEETING

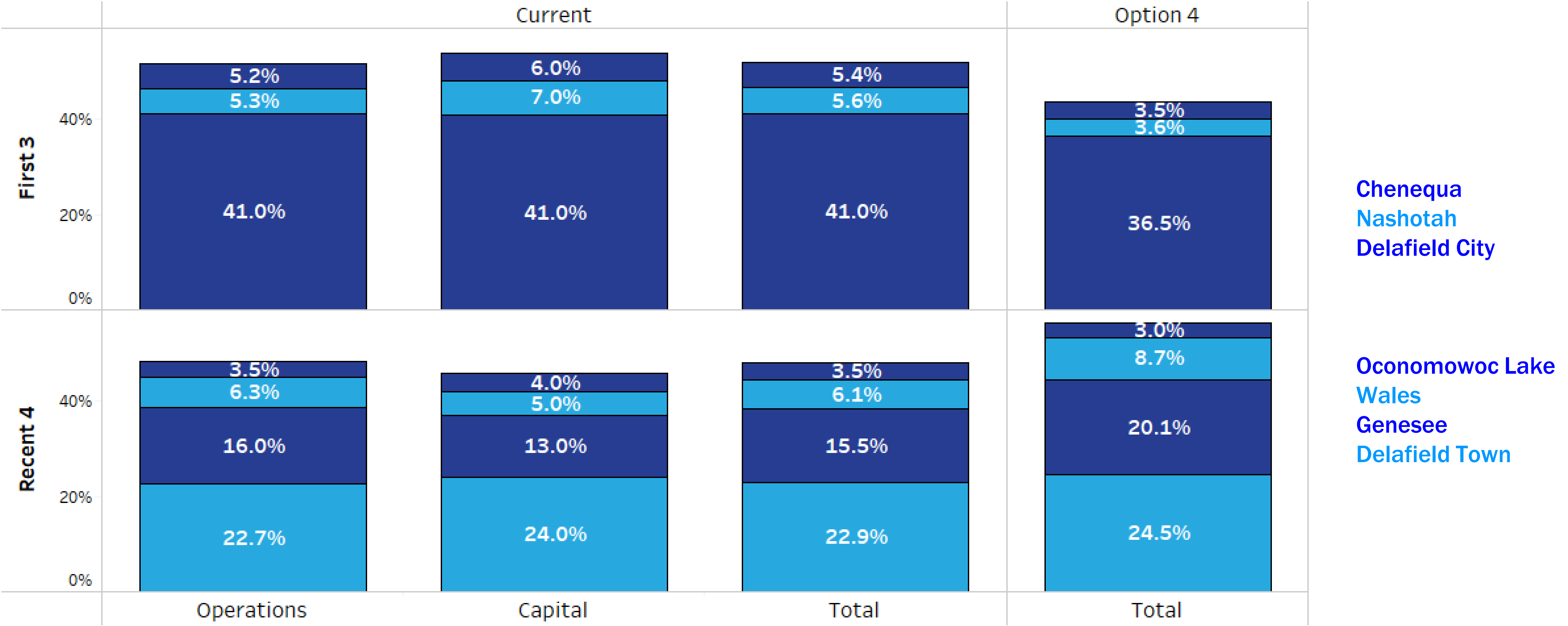
- The loose consensus on Schedule D disintegrated, as three communities (Town of Delafield, Genesee, Wales) felt their percentages would increase too much. To address that concern but retain the consensus to eliminate the base rate, the group reached a new consensus to select Option 4, which increases the weighting of call volumes to 60% (up from 50% in Options 2 and 3).

- Option 4 would increase the percentage for the city of Delafield when compared to Schedule D and modestly reduce the percentages for the three that voiced objection to Schedule D. To alleviate the impact on the city, consensus was reached to also reduce the phase-in period to two years (from four), allowing the city to benefit from base elimination more quickly. **This new consensus option is shown in the following slides (Option 4 and Schedule E).**

- All other elements of the March 18 loose consensus were retained (i.e. change in governance and agreement to pursue recognition of building maintenance costs).

OPTION 4

Option 4: 0% Base Call-Pop-EV: 60-20-20

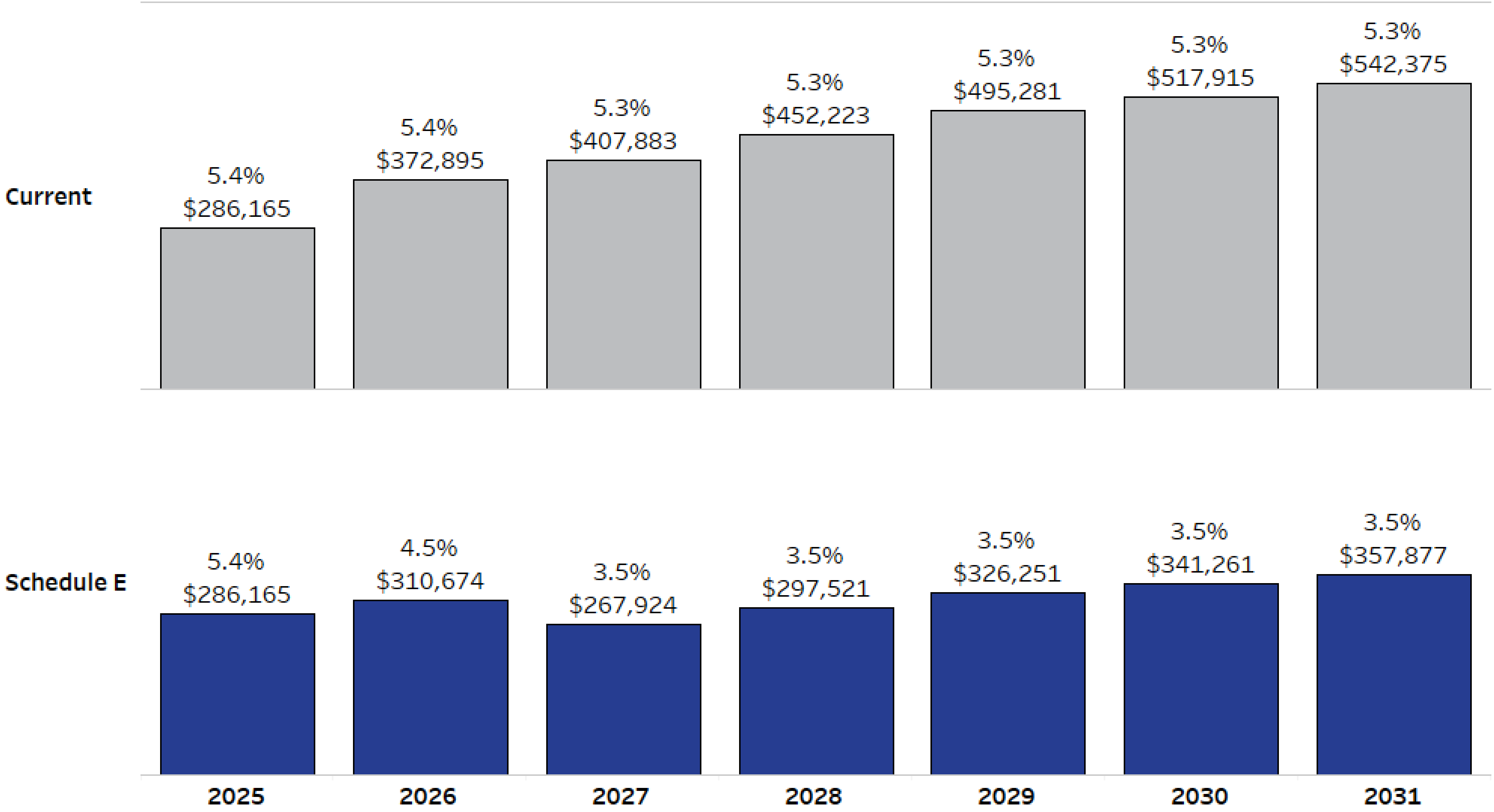


Source: Lake Country Fire & Rescue

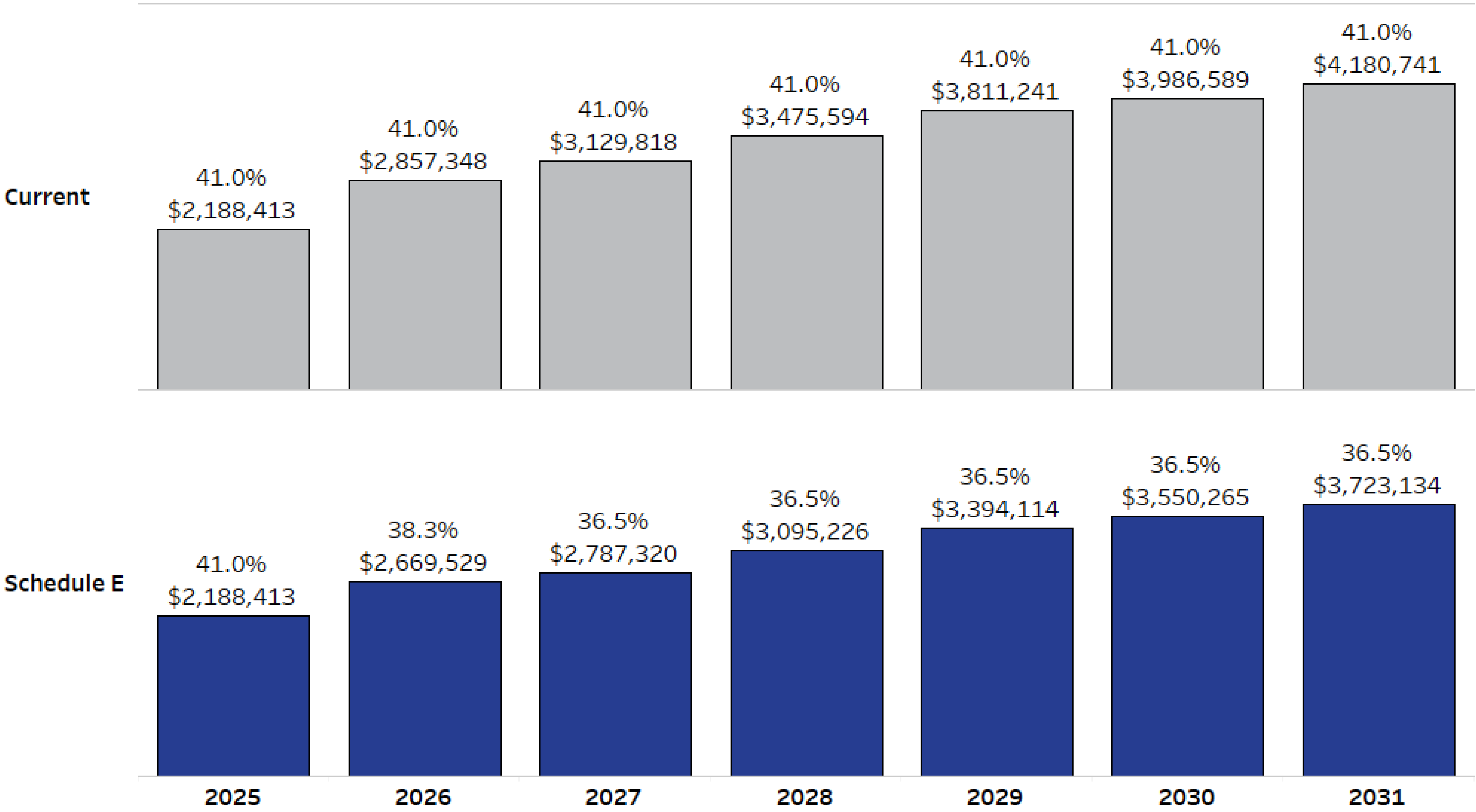
Phase In Schedule E

	Year	Base Rate		Call Volume	Pop.	EV		Capital Distribution
Original	2025	65%		33%	33%	33%		Original
	2026	32.5%		50%	25%	25%		50% Original
Option 4	2027	0%		60%	20%	20%		Operating
Option 4	2028	0%		60%	20%	20%		Operating
Option 4	2029	0%		60%	20%	20%		Operating
Option 4	2030	0%		60%	20%	20%		Operating
Option 4	2031	0%		60%	20%	20%		Operating

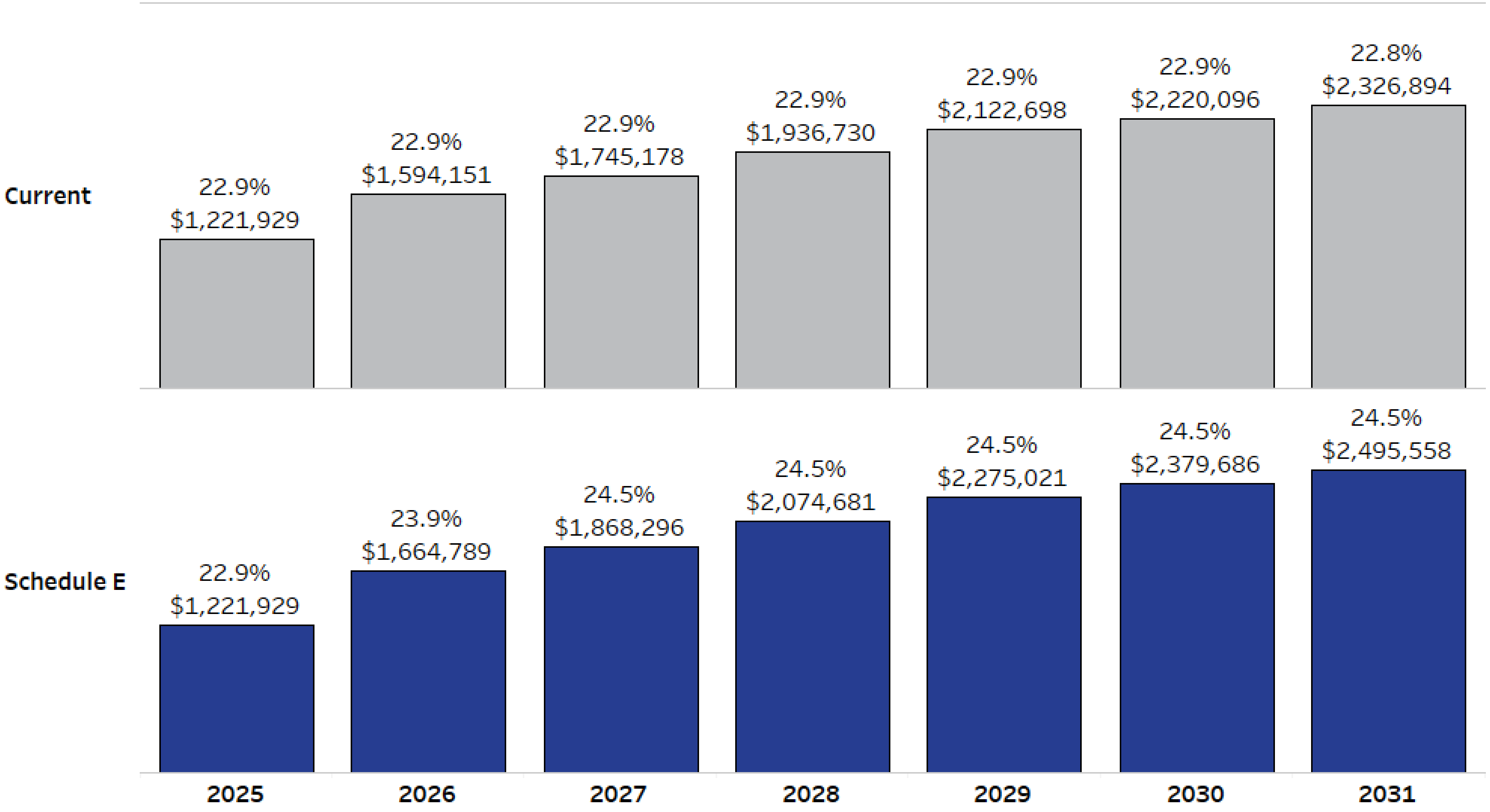
PHASE-IN – Village of Chenequa



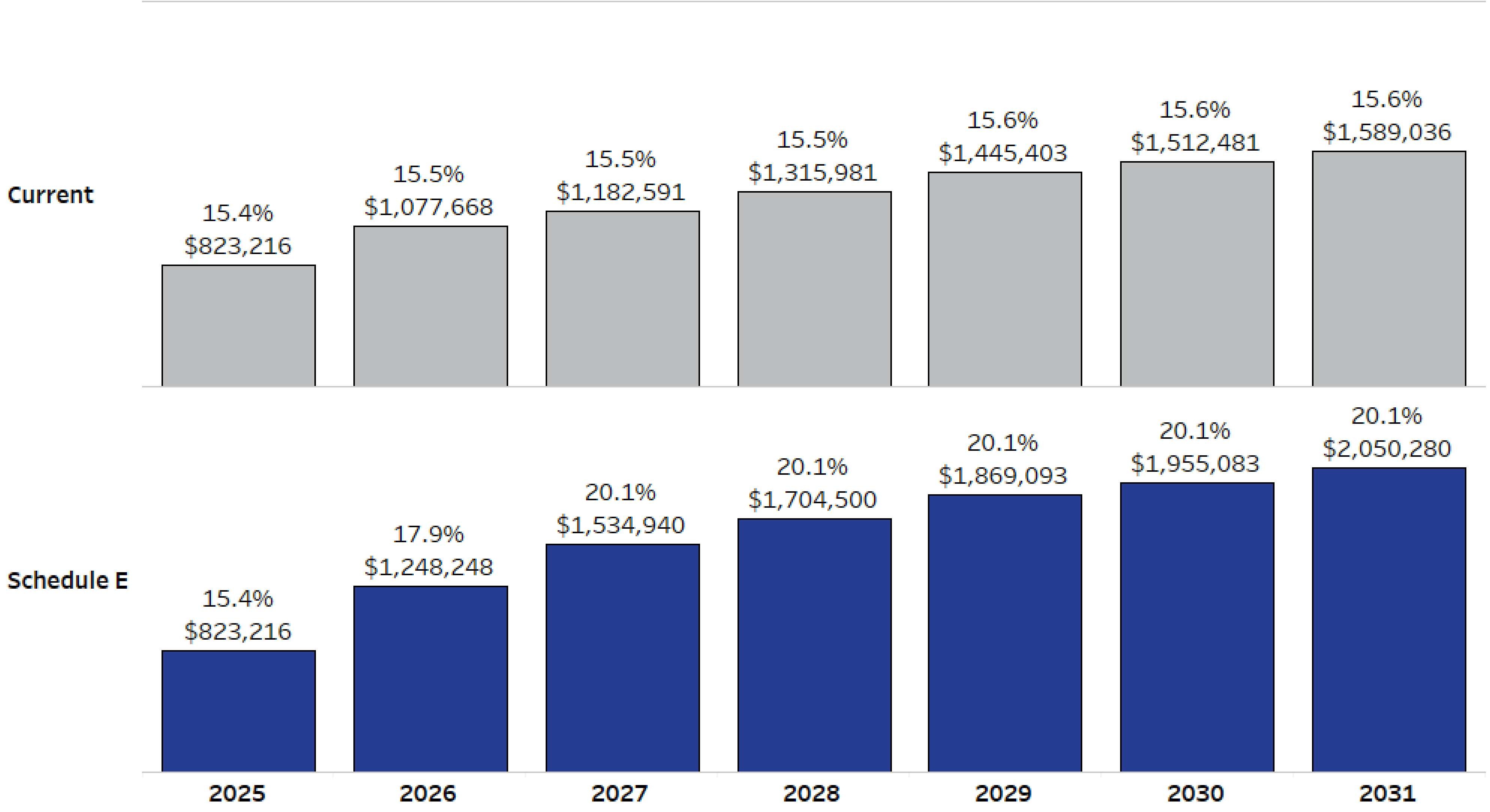
PHASE-IN – City of Delafield



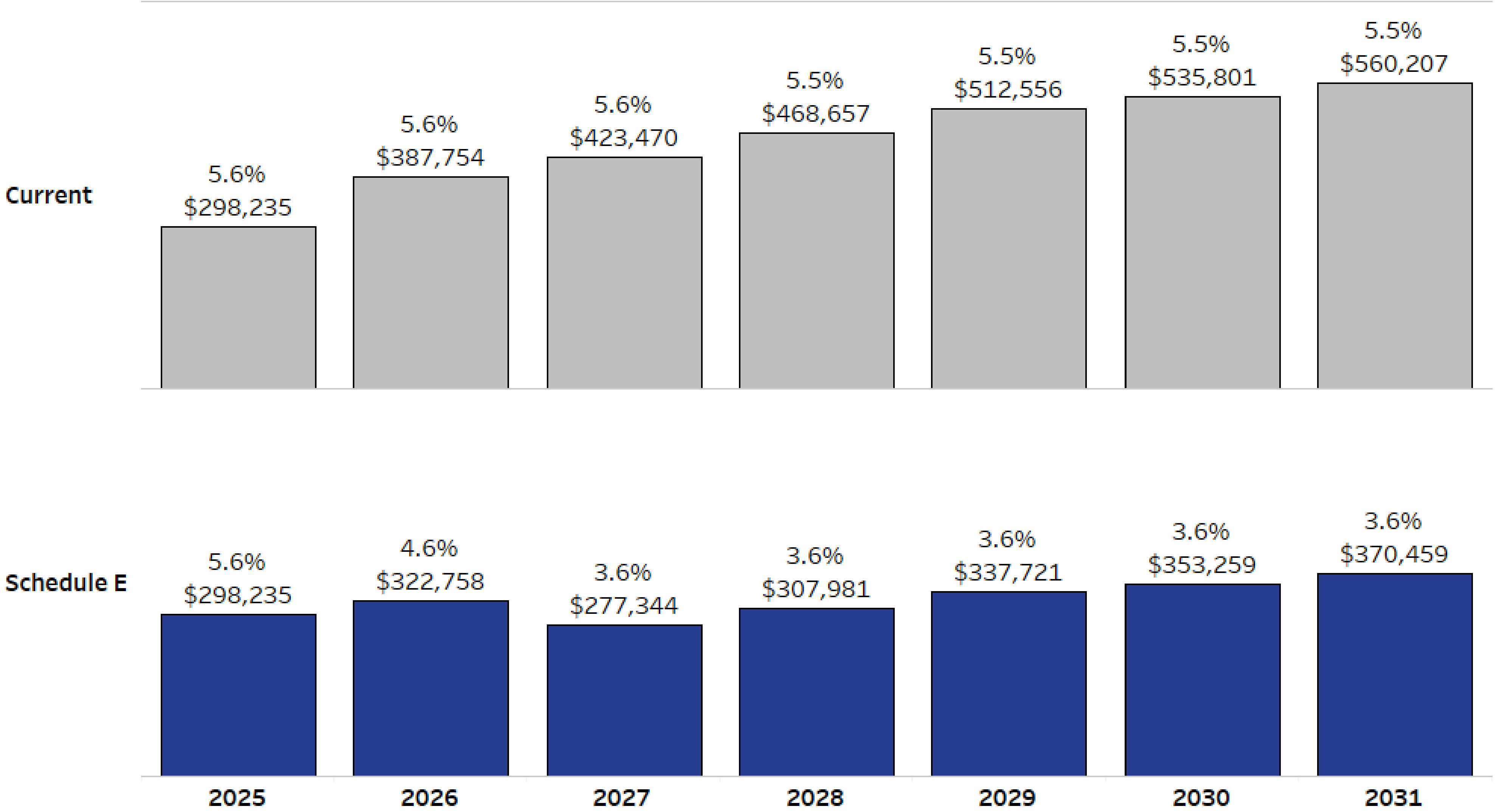
PHASE-IN – Town of Delafield



PHASE-IN – Town of Genesee



PHASE-IN – Village of Nashotah



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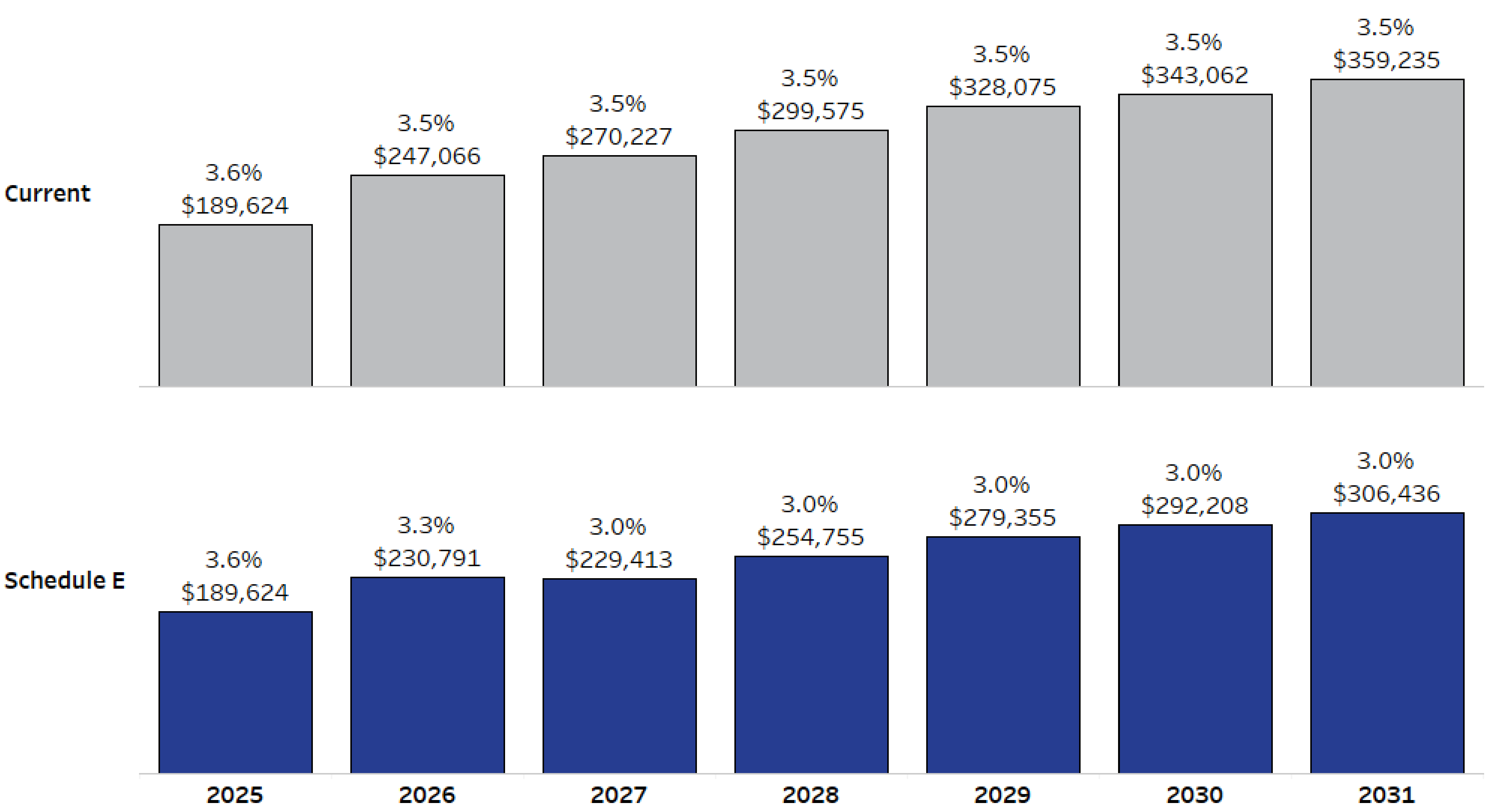
PHASE-IN – Village of Oconomowoc Lake



PHASE-IN – Village of Wales