WVEMS Endowment Plan

Purpose: This report is intended to explain our annual funding needs, and to make the case for building an endowment to achieve those funding needs over time while also providing for unforeseen emergency needs in the future. WVEMS has traditionally relied on donations from the public that fund not only our operating costs but also put money aside for the replacement of our vehicles and equipment.

This document will review the following:

- Annual Operating Expenses
- Vehicle Replacement Program
- Estimated Endowment Size
- Anticipated Return Rate
- Management and Investment of the Endowment
- Donor Recognition

Annual Operating Expenses: WVEMS prepares an annual budget that anticipates our expected expenses based on prior trends. This budget covers everything including vehicle maintenance, member services, educational expenses, and much more. As of this writing, the fiscal 2023 WVEMS annual budget is over $250,000. This number has grown over time especially the past few years as inflation has set in and will likely grow as time goes on. WVEMS also buys various pieces of equipment over time that have irregular schedules for replacement. WVEMS puts away $25,000 per year to account for equipment.

Annual Consolidated Expenses		
Operating Budget (2023)		$266,500.00
Various Equipment		$25,000.00
Total		**$291,500.00**

Inflation: Inflation has become a very real problem in recent years. While the Federal Reserve is doing its best to control inflation, we cannot predict where it will go in the future. Given that, we are not making any predictions on it and have made some assumptions based on current costs, such as the average cost of vehicles, which we think is a reasonable average representation over the next 25 years.

Vehicle Replacement: WVEMS currently purchases the ambulances and Paramedic SUVs (fly-cars) for WEMS. There are many assumptions that come into play when estimating replacement costs. Traditionally, our vehicles have lasted 10 years assuming good maintenance and no accidents. Given the recent inflationary trends, and the actual replacement costs, we are assuming that the conservative future replacement cost for an ambulance is $500,000 and a fly-car is $100,000 over the next 25 years.

Vehicle Replacement	Estimated Cost
Ambulances	$500,000.00
Fly Cars	$100,000.00
Total	**$600,000.00**

Vehicle Replacement Cycle: WVEMS assumes each vehicle's lifespan is 10 years and it is assumed that they will be on a staggered schedule of acquisition enabling us to plan for a 5-year funding cycle. The year 2000 is used for baseline purposes. This plan applies to ambulances and fly cars.

Replacement Schedule

	Vehicle 1	Vehicle 2	Vehicle 3
Initial Purchase	2000	2005	2010
Replacement	2010	2015	2020
Replacement	2020	2025	2030
Replacement	2030	2035	2040
Replacement	2040	2045	2050

5 Year Plan: Under optimal conditions, the age of our vehicles should be staggered so that WVEMS doesn't need to replace them all at once. Given that there are 3 of each type of vehicle, and assuming they are in service for 10 years, WVEMS schedules the replacement of 1 ambulance and 1 fly-car every 5 years with 2 being replaced every 10 years. Applying a 5-year view to the total expenses, WVEMS' operating budget is $1,375,000 and vehicle replacement costs are $600,000, for a total of $1,975,000.

5 Year Budget

Operating Budget		$1,375,000.00
Vehicle Replacement		$600,000.00
Total		**$1,975,000.00**

Vehicle replacement costs over time:

2025	1	$600,000.00
2030	2	$1,200,000.00
2035	1	$600,000.00
2040	2	$1,200,000.00
2045	1	$600,000.00
2050	2	$1,200,000.00

Unforeseen Emergencies: While the Town of Westport does insure the vehicles as it does for all town vehicles, we need to provide for emergency replacement of our vehicles due to accidents. Emergency vehicles depreciate fairly rapidly. In the event of our needing to replace an ambulance due to an unforeseen accident, WVEMS would like to stand ready to make up any shortfall in insurance payouts so we can supply replacement vehicles as soon as possible. WVEMS has faced this problem twice in our history with the most recent incident happening in 2024.

Endowment Returns: WVEMS has the advantage of being a 501(c)3 charitable organization that allows a simplification of assumptions because WVEMS does not pay taxes. WVEMS has traditionally invested conservatively keeping a portfolio balance of 60% Equities / 40% Fixed Income products. Over the past 20 years, this has yielded a total return of over 6% with all dividends being reinvested. Assuming WVEMS takes a more conservative approach to the expected yield and uses 4% returns, the implied endowment funding is approximately $10 million. This is in line with the endowment size of municipalities operating similarly.

Endowment Amount	$1,000,000	$5,000,000	$8,000,000	$10,000,000	$15,000,000
Return rate	4.00%				
Return/year	$40,000	$200,000	$320,000	$400,000	$600,000
Return / 5 Years	**$200,000**	**$1,000,000**	**$1,600,000**	**$2,000,000**	**$3,000,000**

Execution of the Plan: WVEMS currently has a professional investment advisor. As we establish this plan, we intend to:

- Increase our interaction with our investment advisor to utilize the resources offered
- Establish a separate Endowment Committee
- Obtain legal advice on how to structure the Endowment so that it is protected
- Develop a marketing outreach program for the Endowment
- Develop a plan to be able to receive gifts such as:
    - Outright Gifts
        - Cash and cash equivalents
        - Stocks, bonds, mutual funds
        - Physical Assets such as real estate or other marketable items on a case-by-case basis.
    - Estate / Planned Gifts
        - Wills and Living Trusts
        - Retirement Plans
        - Life Insurance
        - Cash over time

Management and Investment: The purpose of the Endowment Fund is to provide a consistent source of income for the needs of WVEMS. The investment management of the Endowment is directed toward maximizing the return on principal while maintaining prudent fiscal guidelines.

The overall objectives of the Endowment investments are as follows:

- Generation of a consistent and stable flow of income for the ongoing needs of WVEMS.
- Appreciation and growth of the Endowment to support the long-term needs of WVEMS.
- Protection of the Endowment principal.

The management of the Endowment will be guided by the following:

- WVEMS will develop specific investment guidelines that will include asset allocations, prohibited securities, performance measurement, etc.
- A long-term rather than short-term investment approach will be applied; high-risk securities will be avoided.
- No more than 5% of the total market value of the Endowment principal will be spent in any single fiscal year, in order to balance the effects of inflation as well as continue to build Endowment principal.
- Management of Endowment principal and income will take into consideration the near and long-term financial needs of WVEMS and will not be solely or primarily dictated by WVEMS' short-term spending needs.
- Every effort will be made to leave the original Endowment principal untouched to provide for the long-term viability of the fund.
- The Endowment's funds will be held at a major bank and/or broker-dealer with the guidance of an appropriate investment advisor.

Generosity: If WVEMS were able to execute a plan such as this, we would look to share the windfall where possible.

- One of the areas in which this might happen is in the disposal of our old vehicles. Currently, the trade-in value of vehicles of this type is small. Manufacturers buy them, refurbish them, and resell them at a healthy profit. WVEMS recognizes that there are many areas in the United States and the

world that are not as fortunate as Westport and that those vehicles could be donated to organizations in need. WVEMS has already done this in 2022 with the donation of a fly-car to a municipality in CT. We hope to continue this practice in the future.

- We would also like to be in a position to completely eliminate any residual financial burden on the Town of Westport making Westport EMS completely self-sustaining with the help of WVEMS. We view this as a burden ultimately on Westport's taxpayers and our goal is always to assist the public any way we can.

Donor Recognition:

- All gifts and any conditions will be promptly acknowledged via email or physical letter by the President of WVEMS or the Endowment Committee Chair.
- The donor's name will be recorded by the Endowment Committee and with the donor's permission, their name will be added to our public list of donors.
- Any use of the donor's name for marketing purposes will only be done with their permission.
- WVEMS will respect and uphold the wishes of any donor who wishes to remain anonymous. In this case, the donor's information will be kept to members of the Board of Directors and the Endowment Committee as needed.

Conclusion: The goal of WVEMS is to lessen our dependence on the public for annual donations. We view this as a savings to the public and our goal is to help the public in any way we can. WVEMS endeavors to take on as much of the financial burden for Westport EMS as we can for the benefit of the taxpayers of Westport.

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