



Work Session – Fiscal Sustainability for Summit Fire and Medical District

1. CALL TO ORDER

Board Chairman Jim Timney called the Regular Board Meeting to order on Wednesday August 18, 2021, at pm at Station 32, 8905 N Koch Field Road, Flagstaff Arizona.

2. ROLL CALL OF BOARD MEMBERS / AFFIRMATION OF QUORUM

Members Present: Board Chairman Jim Timney, Board Member Rick Parker, Board Member Mike Milich. Board Clerk Robb Faus joined at 3:10 pm

Members Present: Board Member Jim Duskocil joined at 1:50 pm
Via Zoom

Members Absent: None

Administration: Deputy Chief Mark Wilson, Deputy Chief Pat Staskey, Deputy Chief Jerry Bills, Administrative Officer Deanna Reed, Battalion Chief Torsten Palm

Public Via Zoom: Station 37, Station 33, Preston Slayton, Jason Maynard, Ian Modrell, Michael Allen

Public: Torsten Palm

3. PLEDGE OF ALLEGIANCE TO THE FLAG OF THE UNITED STATES OF AMERICA

4. CHIEF'S PRESENTATION:

- Chief Gaillard stated that he does not expect a decision from the Board today, but to give them information for them to discuss among themselves to give us guidance as to which items they wish the leadership team to pursue. He gave a summarization on the background of Summit by reviewing the Board Goal, Labors Top Five and Additional Goals. Review call volume, types of calls and response times for the past 6 years. Rural Fire District and Coconino County Supervisors conversations; the County only estimated a growth of 1-2% over the next 20 years, therefore growth is limited for additional property taxes. We have utilized efficiencies in improving firefighter safety with grant funds. Using the resources here or partnering with our neighboring fire departments like Highlands.
- Jeff Miner presented the labors top five goals for this year. This included raises, healthcare, cola (not funded), restructure of east side fire station, and tuition reimbursement. He thanked to the board for what we have been able to fund to date.
- Chief Gaillard gave a discussion on 3 persons staffing with one staff person being a paramedic for each station for level of care, Challenges like Transwestern regarding income, falling short on capital replacements and would like to start rebuilding the capital account. We will run through each of these options and take it back to the options for a discussion with the board. Jim Timney Board Chairman agreed.

- Chief Wilson presented the options created by the leadership staff:
 - Option 1-Bond Election; Current GO Bond paid for until 2036, FY 23 GO Bond rates drop by .042, have identified capital needs of up to \$2.5 million in fiscal year 2024 and estimated decrease bond rate to .035 in fiscal year 2024. Chief Gaillard stated that option one is for capital purchases only.
 - Option 2-Increase Tax Rate from \$3.25 to \$3.5 which would increase the budget by \$350K, however we have a deficit of \$830,000 in raises and capital replacements. We will see a drop in revenue next fiscal year as Legislation has reduce the taxes on commercial properties. Chief Gaillard asked if the cap increase will cover the reduction on commercial properties. Chief Wilson will research an answer.
 - Option 3-Improve/Increase Revenue; We have already received funds from Prop 207 however the amounts are depended on sales and therefore not a reliable source of income for budgetary purposes. Halo-working on contract estimated \$50,000 additional revenue and PSPRS Loan Restructure which the board will hear more about during the regular board meeting.
 - Option 4-East Side Restructure to consists of combining two stations or building a new station. Restructure of FTE from 42 to 36 and the savings will be used for capital and wages. There is different variation of the East Side Restructure. We will come back and dive into these more.
 - Option 5-Do Nothing; Unable to meet staffing objective, marked based pay limited to 2.5% merits in December fiscal year 2022 and current budget is funded for 5 years.
 - Additional Considerations: Chief Gaillard stated that through exit interview the themes are pay and two person engines is why they have left. We do not a definite answer today, however, need one soon to decided whether to hire during the next academy. There are more than 4 firefighters who have applied to other departments and folks hiring Summit Firefighters are getting great fire firefighters. Now let's walk through the options with a discussion from the board. Chief Wilson asked that they turn to the last page (page 5) in their packet as they review the options again as this page has the leadership teams recommendations on these items.
 - Option 1 – Bond Election Discussion with Board Members.
 - Chief Wilson stated the positive of doing this is great to meet capital needs, however, the downside is an increase to the property owners.
 - Board Chairman Timney and Board Members Parker, Millich and Doskocil stated they wish to not discuss this issue and move on.
 - Option 2-Increase Tax Rate discussion with Board Members:
 - Board Chairman Timney stated that we may need to consider buying time until we can sustain another option. We could drop the mill rate once other options has worked, this is not a long-term solution, just a short term until we can plug in the hole.
 - Board Member Parker stated that he put it at the bottom of the list.
 - Board Member Doskocil agrees with staff recommendations to use as a contingency.
 - Option 3-Improve/Increase Revenue discussion with Board Members:
 - Chief Wilson the nice thing about option 3 is that they are currently working options, the problem is that the variables are unknown to budget purposes. PSPRS, we have an unfunded liability of \$6,000,000 so this option is a refinancing of this debt. Refinancing will allow us to flatten our budget expectations with PSPRS to remove the \$30,000 or \$60,000 we have had to pay into this account. You get a fix rate on this refinance through bonds, through the course of this 20-year loan shows a \$4,000,000 savings to the taxpayers. It does not put money in our pocket; however, it does give us savings down the line.

Board Member Parker: When it says taxable liability, what would be our responsibility?

Omar Daghestani: When you do a municipal bond it is nontaxable, however IRS regulations states that this obligation is taxable as it is invested in other securities to earn a higher rate.

Board Member Parker: Does this increase the 3.04%?

Omar Daghestani: No this does not. He explained the 10-year treasury note yields for the past 10 years. The rates are currently low, and this presents opportunities today, as many of you may have refinance your mortgage recently know the savings of the low rates. He explained the difference of doing nothing or to pay it all off and the increase UAL payments go away, and all Summit would be responsible is the balance on current employees. If you decide to use a bond obligation, there are two scenarios for funding. The first scenario is issuing obligations to fully fund the District's unfunded pension liabilities could allow the District to generate significant expected net present value benefit totaling \$3.9 million (48.49% of Par Issued), including establishing a Contingency Reserve Fund while leveling out year-over year payments. He has been doing this for 19 years and they just do not set this up and go away, they will stay with us throughout the entire course of the obligation. His first obligation was the State of Wisconsin 19 years ago and they are still fully funded, and he is still working with them. Recommend a contingency reserve fund, finance a little bit more to cover for a rainy day. The biggest reason is the accrual rate could change; for example, life expectancy rate increases so does the liability from PSPRS or their investments did not yield good returns. We estimated a \$907,000 contingency fund amount for SFMD protection. It is an essential tool that is not a benefit to the Bond holders but a District benefit. You will have a rainy-day plan and tool.

Board Member Milich: What are the principal causes of a rainy day?

Omar Daghestani: There are two principal causes for a rainy day, one is investment return, this year they had a 25% return rate, however, there have been years when they did not have a good return rate. Number two is they have an accrual assumption based on the mortality. When people are living longer, this causes your unfunded liability to increase. There could be other things that could cause the rate to change. There will always be movement. Its also your money and if you don't use all of it, you can use this money as you see fit.

Chief Gaillard: What are the interest earnings?

Omar Daghestani: We set a modest amount of earnings of assumed virtual nothing to 0.05%. This is because rates are so low right now.

Board Chairman Timney: When these zero outs and there are funds remaining in the Contingency Fund what happens to the funds?

Omar Daghestani: You can use it to make your current payments to PSPRS and this will clear up some funds for other items. There are two reasons for doing this, one is to reduce your liabilities and two you increase your savings to \$3.9 million in the next 16-17 years. Explained the payment rate chart, it is structure for the first years in modest savings. The second scenario is expanding on scenario 1 and the benefits would be to shorten the amortization of the certificates and thereby its pension-related liability, resulting a faster debt payoff, greater potential savings, a lower borrowing costs and likely favorable rating agency views. This is the options the city of Flagstaff used. You would budget to pay off obligation 3 years earlier. The risks involved in pension obligations is market risks, the bonds need to be earning at least 3%. Actuarial risks that create a new liability will have

to be amortized separately. Funding Target Risk is if the actual unfunded liability upon closing of the obligation is higher or lower than the projected unfunded liability, the issuance of the Certificate of Participation may result in a funding level that is above or below the rate level. There could be other risks like soft liability into rate liability could enhance the impact of statutory/constitutional/bankruptcy changes. The district could apply a portion of obligation proceeds and/or cash on hand to create contingency reserve fund that would help manage market and actuarial risks associated with pension to help mitigate changes in actuarial assumptions as assumed rate of return, COLA, and mortality. The Arizona revised its status so a Fire District can amend its budget at any time via the standard public hearing and notice process to allow the District to issue COPs and make a deposit to PSPRS for the District outstanding unfunded liability. Initial costs to the District are \$40,000 each for two credit service ratings.

Chief Wilson: This plan will help with current and budget needs by knowing the expected costs associated with PSPRS.

Board Member Millich: What do you need from us?

Chief Gaillard: Authority to use \$40,000 for two credit ratings to start moving forward.

Board Chairman Timney: Where would the \$40,000 come from?

Chief Wilson: We have it in our emergency fund.

Board Member Parker: Will make a motion to pay \$40,000 to use as payment to credit rating agencies from our emergency fund to start up the Certificate of Participation. Board Member Millich second the motion.

Discussion: None

Vote conducted. MOTION CARRIED unanimously in person and online
AYES: Timney, Millich, Faus, Parker, Doskocil
NAYES: None

b. Discussion and possible Action on adopting Securis Insurance Pool, Prepaid Account Participation Agreement
Administrative Officer Reed: Explained that in February the Board agreed to continue workers compensation contract with Securis for the next fiscal year. I present this year's prepayment contract for review and signatures. There is not a prepayment needed this year as we have a \$13,000 credit in our prepayment account from last year. Board Clerk Faus made a motion to accept the Securis Prepaid Account Participation Agreement as presented. Board Member Millich seconded the motion.

DISCUSSION: none

Vote conducted. MOTION CARRIED unanimously in person and online
YES: Timney, Millich, Faus, Parker, Doskocil
NAYES: None

c. Review, discuss and possible action on update from County Attorney Brynes regarding Duane Deck.
Board Member Parker made a motion to Adjourn to go into executive session to discuss matter with Attorney. Board Member Millich seconded the motion.

- Board Chairman Timney-Are any of the extended response time negligent? How often do we respond, and type of calls need to be looked at? Of the two building which one will withstand the additional manpower?
 - Chief Gaillard-We need to give the demand as to how many times we respond to the location and the response times.
 - Chief Wilson- We realize that the infrastructure is a part of the decision. We would not sell Station 33 as the shop is there and the workout equipment. Station 32 has a new kitchen, however, does not have a workout room. Is there one of these, assuming we have to go through A or B to get to C is there one of them you would want further dialogue on.
 - Board Member Dockisel: No comment at this time.
 - Option 4C Combine Stations 32/33 at a new Location Discussion
 - Chief Wilson-Best to meet the demands. Staff recommends with an outside analysis as to where this station should be as well as our on internal analysis. Benefits of the combined, is that we are able to put up a station that meets the community needs and minimize our response times. We know we will have some extended response times, however not as long. There is a fiscal liability involved with this as we are not able to build a new station with the current capital in our budget. There will be lots of dialogue with the public regarding as to whether we sell both stations, one station, do we put up a temporary one. There is a lot of dialogue involved, but the most important thing for us in the front end is identifying the location and then how we would get, build it, and then staff it. We are not fiscally comfortable to complete for several years.
 - Chief Stasky: Are these options feasible or is there another direction you would like us to pursue? Is it good that station 31 stays where it is or should we open the footprint up for all the stations to be reviewed?
 - Board Chairman Timney: I feel station 31 is good where it is as it has access to the 40. The access from 31 to the freeway is critical and that it needs to be where it is out, however possible additional manning at this station.
 - Board Member Parker, Milich, Daskocil and Board Clerk Faus.-Agreed at keeping 31 where it is at and re-evaluating 32 and 33.
 - Chief Wilson: Is the goal in your mind an end goal of a 4C.
 - Timney-question the location on Elden springs road and the estimated response times as this is a dirt road.
 - Chief Stasky: We did this in a rough estimate by taking ½ distance in the roadways between 32 & 33, it was not scientific and at not all the location to look at.
 - Chief Wilson: This is why we would do a cost analysis study to receive information to determine the best location.
 - Board members Parker, Milich, Daskocil, Board Chairman Timney and Board Clerk Faus all agree that 4c should be the end result in the future.
 - Option 5-Do Nothing Discussion
 - Chief Wilson: From the previous dialogue regarding option 5, I am assuming that the board does not want us to pursue option 5?
 - All board members agreed not to pursue this option.
- Chief Gaillard- I would like to thank the staff and all the labor folks for their work.

5. ADJOURNMENT OF SUMMIT FIRE AND MEDICAL DISTRICT WORK SESSION

- Board member Parker made a motion to adjourn, Board member Milich second.
- AYES-Timney, Parker, Faus, Milich and Daskocil
- MOTION CARRIED unanimously in person and online
- Work Session Concluded at 3:25 p.m.

Regular Board Meeting

6. Call to Order : Board Chairman called the meeting to order at 3:35 pm

7. Roll call of board members/affirmation of quorum: Present were Board Chairman Timney, Board Clerk Faus, Board Members Parker and Milich, and Board member Doskocil via zoom.
 8. Call to the Public- none
 9. CONSENT AGENDA
 - Approval of Reconciliations and Financial Reports for July 2021
 - Discussion and Approval of the Regular Board Meeting Minutes of July 21, 2021
- Administrative Officer Reed presented to the board the financial reports of July 2021, and Public Hearing and Regular Board Meeting Minutes July 21, 2021.
- Discussion: None

Board Member Parker motioned to approve the Bank Reconciliations and Financial Reports for July 2021 and Regular Board Meeting Minutes of July 21, 2021. Board Member Milich seconded the motion.

Vote conducted. MOTION CARRIED unanimously in person and online
 AYES: Timney, Parker, Faus, Milich, Doskocil
 NAYES: None

10. Current Events Summaries, Reports, and/or Correspondence

- Monthly Run Report – Battalion Chief Zambeck
 - Presented total number of calls for July 2021. Current Events regarding rain damage to the property at station 37 and how we have been running on more than usual snake calls for this month. The rain is bringing them above ground.
- Monthly Chief Updates
 - With Board Chairman Timney permission, the Chiefs waived their reports for the month due to the extended time in the work session.
- Local 1505 Update-None

11. NEW BUSINESS / ACTION ITEMS - Public Comment:

- a. Review, discuss and possible action on Stifel presentation on PSPRS Unfunded Liability Funding.

DISCUSSION:

Presentation by Brian Lundberg and Omar Daghestani regarding pension refinancing. Brian Lundberg presented the history of the pension financings. The Arizona State Legislation this spring has passed legislation that allows Fire Districts to participate in pension refinancing. They completed 6 of these for \$117 million. They completed refinancing for AFMA and CAFMA,

Omar Daghestani: Completed 22 pension refinancing in the state of Arizona. This is a way to control your PSPRS unfunded rate. Page 3 is a breakdown of SFMD Tier1 and Tier 2 Legacy Costs. The total for SFMD is \$5.7 million and growing at an accrual rate 7.3% every year. Discussed graph on presentation that the total amortization rate keeps growing to when it hits a million dollars in 2034. The Board could amend current PSPRS policy and budget more dollars toward the unfunded liability, however, to do this they would have to seek another revenue source or cuts to essential services. The third option which he is here to address is to refinance PSPRS debt which is accruing at 7.3% with taxable obligations yielding approximately 3.04%. This will address the legacy trajectory by “chopping down the future mountain” with fixed debt service payments and consider implementing a Contingency Reserve Fund to help manage future liability.

- Chief Gaillard explained that with HALO there is a revenue portion and non-revenue portion to this contract. The non-revenue part is training our firefighters to help transport via helicopter. This improves our services provided to our property owners and we could have firefighters willing to work for Summit to work with the HALO. They also discussed putting a helicopter pad at one of the Summit stations. You will be made aware as we continue our conversations with HALO.
- Board Chairman Timney asked about the unfunded amount of \$17 million.
- Chief Wilson: \$17 million is our total burden to PSPRS and our unfunded ;legacy balance is \$5.7 million.
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- Option 4 East side Restructure discussion with board members.
 - Chief Wilson: 36 personnel is the appropriate number to staff with this department. Our 5-year budgets are based on 1 vacancy, we currently have 2 and 4 by attrition for a total of 6 positions. This will meet the goals of 3 persons ALS engines at each station. If we go lower, then we would burn out the savings in overtime and mandatory holds. This would free out about \$1million in savings broken out to \$80,000 in employees' wages and the remaining in equipment and training expenses. These savings will help us to fund capital, wages compensation and benefits with these \$450,000 to \$500,000 savings. By reducing to two you will have some extended response time, however, instead of a two-person BLS engine arriving it will be a 3-person ALS engine which results in a higher level of service and better efficiency. When we look into the a, b, c options, any of these will help us to reach our goals of a 3-man ALS engine, with savings to fund capital, wage and benefits compensations.
 - Jeff Miner: When a two-man engine arrives on some of these calls, we end up calling for another two-man engine and this results in two engines on one call whereas a three-man als unit could handle the calls not taking another engine away from being available for other calls.
 - Board Member Parker: In combining stations, are you talking about one in a central location or putting personnel in one or the other?
 - Chief Gaillard: There are three options, we would like to roll two into one is the what and the other options present the how.
 - Board Member Parker: I am in favor of combining; however, we have delayed responses. We need to come up with a how for sure to get to get the word out to the public. He has already received questions from the public he is unable to answer.
 - Board Member Milch: The combination of two stations, will it overburden the personnel.
 - Chief Staskey: If you look at the percentage of calls in the district, the calls are in the district only is low.
 - Jeff Miner: There is no worry from the line ; they feel by combining the two stations would not over burden the personnel.
 - Board Member Parker addressed the subject of mutual aid involved should be two calls in the area of operations. He receives questions from the public and want to respond correctly that they will still receive services by the closest available unit.
 - Chief Wilson: In our current model with auto aid, the closes unit responds. In this situation the closes engine could be station 31 or a flagstaff unit. This helps as we have already put auto aid into the place and the training, academy for consistency in the field. If you look at the additional calls from both stations this is still lower than most districts.

- Chief Staskey: The fire service standards are if you have 2,500 to 3,000 calls a new unit is needed. Our current call volume does not render another unit by the industry standards.
- Board Chairman Timney: Our obligation to the community is a 3-man engine a four man would be better, however not an option with our revenue. If this what it takes, then this is what it takes if it is a common station. It all depends on the community buy in to two stations. The footprint is that we have to make a change.
- Board Member Doskocil: Questions is from the staff comments; does this put is in a better financial spot for JMA discussions with City?
- Chief Gaillard: We anticipate a feasibility analysis during the summer of next year. A jointly funded feasibility study will give us the pros and cons regarding establishing of joint powers of authority or a new district. There are other contractual arrangements could be made. Two fiscally solvent entities to come together to achieve the desired blend. If one of them is not fiscally sound it may prove challenges to the other partner.
- Jeff Minor: Labor supports options four as it will make us proactive rather than reactive. Nobody wants to be on a two-man engine. We would like to help in explaining to the public why this is the best action.
- Option 4A: Combine Station 32 into Station 33 Discussion.
- Chief Wilson: We are already looking at longer response times. Pioneer Valley response would be 9:15 is the estimated response time. D32 is antelope road estimated response time would be 12:39. Average number of calls per year is station #32 623 and Station 31 is 185. Consideration of longer response in our higher call volume area.
- Chief Staskey: The NFAP 1710 standard is an average of 6-7 minutes and benchmarks with other departments is that they are only reaching those times 70% of the time. You also need to consider that we are a rural community so other factors play a role in our response times like road conditions etc. This is why we look at the call volume and as to whether our response time are acceptable.
- Chief Gaillard: We are not asking you to pick one, we are looking for your opinion on the information received, and what maybe missing.
- Board Member Milich: What are the staff recommendations?
- Chief Gaillard: If money was not an option, I would like to have a feasibility study on where to put a station in the right place. Like the westside district when it was a one neighborhood one fire station however wasn't feasible to the district. We are a taxpayer supporter entity, and they have a say as to where they feel comfortable with a station regarding taxes and services, however, not willing to pin him down tonight. If this is the way the board want to proceed, then we would reach out to an outside consultant to give data regarding where the district's best response time could originate from.
- Board Docksel: What is the response time now compared to the one listed?
- Chief Wilson: If this is the direction from the board then we will get this data to you. We would also get a data analysis for the board.
- Option 4B Combine 33 into Station 32 Discussion
- Chief Wilson: Presented the estimated response times if Station 33 was browned out. This will put us at our highest hotspot regarding call volume and a larger risk at the school. As we move east and north on our response times increase As Chief Gaillard mentioned 4C is the best option, however, that will take time so therefore one of these other options will help us out until we have the time, and funds to pursue 4C. Looking at model 4A or B is the realistic approach until we can look at C.

DISCUSSIONS: None

Vote conducted. MOTION CARRIED unanimously in person and online

AYES: Timney, Milich, Faus, Parker, Daskocil

NAYES: None

Chairman Timney adjourned regular session at 4:55 pm to go into executive session.

Chairman Timney reopened the regular board meeting session at 5:00 pm.

Board Member Milich made the motion that we instructed attorney to drop the case against Duane Deck and reverse the PSPRS credit back to him. Board Member Parker seconded the motion.

DISCUSSIONS: None

Vote conducted. MOTION CARRIED unanimously in person and online

AYES: Timney, Milich, Faus, Parker, Daskocil

NAYES: None

12. FIRE BOARD COMMENTS-none

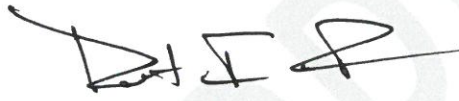
Board Member Parker motioned to adjourn meeting; Board Member Milich seconded the motion.

Vote conducted. MOTION CARRIED unanimously in person and online

AYES: Timney, Milich, Faus, Parker, Daskocil

NAYES: None

Board Meeting Adjourned at 5:01 p.m.



Board Clerk

9/15/2021

Date

