

CENTRAL YAVAPAI FIRE DISTRICT
FIRE BOARD
SPECIAL SESSION

April 26, 2011

MINUTES

1. **CALL TO ORDER/ROLL CALL OF BOARD MEMBERS**

Board Chairman John Range called the Fire Board Meeting to order on Monday, April 26, 2011 at 9:00 a.m. at Central Yavapai Fire District Training Center, 9601 E. Valley Road, Prescott Valley, Arizona.

Members Present: Board Chairman John Range, Board Clerk Bob Gardiner, Board Members Bob Page and Mike Generalli

Members Absent: Board Member Tony Reiter

Staff: Assistant Chief Scott Bliss, Assistant Chief Mary Dalton, Captain David Tharp and Finance Manager Toni Golden.

2. **PLEDGE OF ALLEGIANCE**

The Pledge of Allegiance was given.

3. **CALL TO THE PUBLIC**

Chairman Range asked for comments and complaints from the public and stated: Those wishing to address the Central Yavapai Fire District Board need not request permission in advance. The Fire District Board is not permitted to discuss or take action on any item raised in the Call to the Public due to restrictions of the Open Meeting Law; however, individual Board members may be permitted to respond to criticism directed to them. Otherwise, the Board may direct the staff to review the matter or that the matter be placed on a future agenda.

There were no calls from the public.

4. **WORK STUDY SESSION**

A. **Fiscal Year 2011-2012 Budget**

Chairman Range stated that this work study session is to review the current fiscal year budget because the District has three new Board Members. Also, because of the difficult economic times it is prudent to look at all of the options for the budget for FY 11-12. He further stated that we need to keep in mind the current economic forecast for the budgets for FY 12 – 13 and FY13 - 14 in order to provide the best possible service with the least amount of financial burden to the residents of the district as well as those doing business within the district. Chairman Range mentioned that the new Fire Chief Paul Nies is also in attendance today. He further stated that the Board will be voting on the budget in the next couple of weeks. Chairman Range announced that Asst. Chief Dalton will now present the budget information.

Chief Dalton began her presentation by stating that she had handouts for everyone. Chief Dalton presented economic conditions and stated that the recession has lasted longer than expected. Fire Districts are different than other government entities

because Fire Districts only get property taxes. Counties, Cities, and School Districts get state shared revenues, sales tax, vehicle license tax, and PILT taxes. The Fire Districts do not get any of these taxes, only property taxes. The Humboldt Unified School District gets property taxes, but they get other taxes as well. When property valuations started dropping, there were concerns for the Fire District because we only receive property taxes. When valuations drop, the Fire District will have a decrease in revenue, but has the same costs of service – the same expenses. Our call volume has increased 4% – 5% annually for the past 5 years. In the past year and half, we had an increase of 10% – 12% in call volume. Some of the reasons for the increases in call volume are that many of the citizens in our District do not have health insurance, use wood burning stoves, and that there has been an increase in domestic assault calls. Our energy and fuel costs have increased. As we have more calls, our fuel costs increase because our engines are out more. Three years ago when we saw the economy coming down, we knew we had to make changes. There is a two year lag in housing valuations as far as how property taxes are affected. We froze wages, reduced overtime, eliminated supervisor assignment pay, out of town travel, and reduced the budget significantly because we saw the reduction in valuations coming. We transferred some of the expenditures savings into our contingency account. One challenge that is unique to our Fire District is related to the number of employees that we currently have on our Engine Companies. NFPA 1710 states that there should be four employees on an engine, however, here at CYFD, we only have three employees per Engine Company. Other Fire District's/Departments who have had four employees on engines have been able to realign staffing to three per Engine Company to reduce their budgets. However, because we have had only three per Engine Company we didn't have room to reduce expenses. Also, we had planned to build a station (because of long response times) in the Prescott Country Club area. Many times the City of Prescott is covering for Prescott Valley. However, we have held off on the building of a station and of purchasing apparatus.

Chief Dalton presented graphs which illustrated the valuations of property types (commercial, residential) by both dollar amounts and by percentage changes. Chief Dalton explained that because of the two year lag, residential valuations have been decreasing, but commercial valuations are just now starting to decrease. This is important because collectively all of the property within the district comprise our valuations. The valuations are divided by our levy amount to compute our tax rate. Residential valuations are starting to stabilize and commercial valuations are just starting to decrease. The County Assessor's office is expecting that we will have a 20% decrease in valuations, but Chief Dalton estimates that the decrease will be about 10%. If our valuations decrease by 10%, our tax rate will go up and residential property owners will have an increase in property taxes for FY 12 - 13. Chief Dalton explained that Yavapai County is not releasing the valuations for next year and that all other Counties in the state including Maricopa County have released the valuations for next year. Chief Dalton also explained that the County Assessor has presented a letter that commercial property owners properties were previously understated and that this is now being corrected. What this means is that for many years in the past, commercial properties were undervalued. Because commercial properties are now being valued at proper values, they have seen an increase in their property taxes. However, the state is reducing commercial property taxes by 1% per year until their rates are down from 25% to 20% assessed value of property. Further, that there is a proposed bill to further decrease commercial property tax down to 15%. So, commercial property owners will continue to see 1% decreases each year for the next few years. Also, that recent legislation is decreasing horse property tax rates down to 5%. So, when commercial

property owners and horse property owners see decreases in their tax rates, this just shifts the overall tax burden to other property types.

Chief Dalton explained that while tax structures change, our costs of service remain the same. She also mentioned that benefits have increased and that employees are now paying \$3,000/\$6,000 deductibles for themselves and their families. Also, that the District is approaching its third year of no wage increases. Chief Dalton said that the employer portion for PSPRS will remain the same for next fiscal year and that the increase to 31% will be pushed off to FY 12 - 13. This represents a \$700,000 savings for our budget this year. Chief Dalton reviewed the three different tax rate comparisons for the proposed budget for FY 11 – 12, as a handout. The first scenario has a tax rate of \$1.95 (20% contingency), the second scenario has a tax rate of \$1.85 (20% contingency) and the third scenario has a tax rate of \$1.75 (15% contingency). The current fiscal year budget compared to the FY 10-11 budget has a flat levy, but because the assessed values decreased the tax rate increased. Chief Dalton explained that we have reduced the tax levy by \$1.4 million, as requested by the Board. Chairman Range asked about the contingency rate and stated that it might not be a good idea to reduce the contingency to 15%, as this would not be good for the future for the District. He asked if we currently have a 20% contingency in our budget and Chief Dalton replied that yes, we have a 20% contingency in our current budget. He stated that if we approve the budget with the \$1.85 tax rate, commercial rates will increase, but all others will decrease. He further added that commercial property owners have not been happy about the valuation changes. Chief Dalton expressed that she understands that we need to support local businesses in the community because businesses bring business to the community and potential homeowners. Chief Dalton expressed that because there are different property types, everyone will not have the exact same percentage change in their property taxes. Chief Dalton explained the graph that represents the changes in valuations and how residential valuations rose higher and quicker than commercial. Further, that residential has been declining and that commercial valuations are just beginning to decline, because of the two year lag.

Chief Bliss said that because the PSPRS increase did not go through, we were able to add some items back to the budget. Chief Bliss explained that he prefers that we maintain a steady budget and avoid yo-yo budgeting – budgets that go up and down from year to year. Further, that long-term planning is crucial to avoid a loss of service in the future. Chairman Range stated that he's trying to understand what's best for the District and members of the community. Chairman Range asked if we have cut out any essential services out of the budget and Chief Dalton said that we have not.

Chief Dalton explained that the District has put off the hiring of 3 new firefighters each year since FY 07 - 08, even though we want to adhere to NFPA 1710. She further explained the handout of the five year projection adding 3 new firefighters each year, contingency at 20% and with capital purchases (will be taken out of the capital reserve fund) that are needed, will be difficult to put into place because the tax rate will increase above the \$3.25 tax rate limit. Our big challenge is that our revenues will not support hiring 3 new firefighters per year. Chief Dalton explained that our assessed values are at 2000-2001 values. Also, that we applied for a Safer Grant to hire new firefighters. However, the grant asked us if we were in compliance with NFPA 1710 – having four employees on an engine, and we are not in compliance with NFPA 1710. Chief Bliss said that our first goal is to focus on our response times and how to find the right balance. Chairman Range added that with Station 58 being built and the potential for future manning of the station, this should help with response times.

Chief Dalton went on to explain that our FDAT tax is increasing in the amount of \$100,000 because of legislation passed this year. This is an increase from \$300,000 to \$400,000 for the FY 12 - 13. Chief Dalton also explained that the contingency account is not a separate account that we put money into each year and that it's really just becomes the carryover. We also have had savings for expenditures that were not made that are also a part of our carryover. Our non-levy revenues, like vehicle maintenance, the cell tower lease revenue, and other items help reduce our levy amount. Our levy amount is computed by subtracting the FDAT revenue, non-levy revenue, and the carryover from the budget total. The levy limit (passed two years ago) states that Fire District's cannot increase their levy amount by more than 8%. The levy limit has capacity, so if you don't use the increase one year, it rolls forward. This year we have a 35% capacity available. If we hire 3 firefighters a year, we are ok with our levy limit, but our tax rate will go over \$3.25 limit, so we can see that this will not work.

Chief Bliss added that the five year projection helps in seeing what we need to do each year. Chief Dalton explained that the different scenarios include reducing the contingency in the future, gradually, getting to a 5% contingency, which is the normal contingency amount. Chief Dalton explained that Governments should have a contingency from 5% - 15% to help to pay for delinquencies. Chief Dalton said that the scenario with the contingency at 20% with no new hires is not as difficult to handle, but in that in FY 15 - 16 we will have problems because the tax rate will be too high. On the 15% contingency budget, the problems just arrive sooner because we have reduced the contingency more quickly. Chairman Range stated that it looks like we are considering keeping the contingency at 20%. Chief Dalton said that the budget is up \$800,000, but this is not the levy. Of the \$800,000, \$413,000 is for grants. If we do not get the grant, we do not spend the budgeted funds. Another \$710,000 will be coming out of capital reserve. Personnel expenses are down for the year because of cuts in special pay. Also, because benefits expenses have increased, we actually decreased expenses even more. Supply expenses are down \$88,000, service expenses are down \$47,000, and operating and maintenance expenses are down \$139,000.

Chairman Range asked how long wages have been frozen and Chief Dalton said that it has been three years. Chief Dalton also said that the projection is to unfreeze wages for FY 12 - 13. Chairman Range added that the Board would like to see wages unfrozen at some point. Chairman Range thinks it's important to let the employees know that the Board is looking at unfreezing wages and would like to get back on track with wage increases. Chief Dalton added that this is why they are presenting the handout (handout of proposed pay adjustments). Chief Dalton explained about increases to employee's benefits, including a budget bill that was added to increase the employee portion of ASRS for all ASRS employees in the state. This will be a 3% increase in the ASRS contribution for employees participating in the ASRS, which includes school teachers, state employees, and Administrative employees of Fire District's. The additional 3% is going to be sent to the State's general fund.

Captain Tharp explained that employees were not happy with freezing wages, but were happy to do it to reduce the budget by \$2.7 million three years ago. These budget cuts helped to fund the contingency fund. The employees feel as though they have contributed to these cuts. The health insurance coverage has increased 34%. One employee is paying \$1,200 a month for dependent health insurance. Captain Tharp went on to say that the options presented to the Board today are optional pay

adjustments. The proposed pay adjustments are for all staff because they have not had wage increases for three years. Captain Tharp added that they are looking to the Board for direction on the proposed pay adjustments. The employees are 100% committed to serving the public and committing extra time to committee work and special project work and that all would like the Board to consider the proposed pay adjustments.

Chairman Range asked if the employees are recommending the budget which contains the 20% contingency. Captain Tharp said that the employees are looking at not touching the contingency unless it is absolutely necessary. Chairman Range further asked if the employees have talked about hiring new employees or unfreezing wages. Captain Tharp said that they have hoped for a Safer Grant and that the guys are frustrated because of longer response times and less resources to get to the job. In addition, Captain Tharp said that in Prescott Valley we do not have the resources to get to a first alarm assignment without pulling resources from Prescott. Chairman Range said that the Board recognizes that the employees are not getting increases and have had increases in benefit expenses. Further, that the Board realizes that employees are getting frustrated and may begin to look for another job in another city and that the District will lose experienced employees. Chief Bliss said that this is an example of what happened about eight years ago when there were extreme wage differences. Further, that he believes that perhaps there is a compromise that can take place, perhaps placing one or two extra people on shift during the day. Chief Bliss added that our recommendation is to go with the 20% contingency budget.

Mr. Jack Fowler (public) commended the Fire District for doing a great job. He also stated that the Board has a tough job in balancing everything. He stated that from a taxpayer's standpoint, he suffered a 25% increase in taxes last year and that he is one of many. Further, that he met with the bank today to restructure his bank loan because it went into negative cash flow. He asked if the Board would look at the contingency to give him a "year breather" and to consider any relief that might be possible.

Chairman Range called a 10 minute break at 10:25 am.

The session re-convened at 10:35 am.

Chief Dalton expressed her pride in the personnel of the District. She further stated that our District is one of a handful of Fire District's that actually froze wages and developed a contingency fund three years ago when the recession started. Year after year, the employees have come forward and have stated that they want to do their part to get through this (recession) and save jobs. Employees have saved funds by getting additional bids, performing janitorial cleaning and landscaping of all of the stations to save funds. Chief Dalton said that when the carryover was projected for FY 10-11, they thought that it would be nice to somehow award the employees for all that they have done. If everyone were to get a one-time additional payment this fiscal year (prior to June 30, 2011) of \$500 it would cost the District about \$57,000. A one-time step increase of 1% / 2.5% would cost the District approximately \$167,000. These are the two different scenarios for the Board to consider. Board Member Page asked where the money would come from. Chief Dalton said that a one-time payment would come out of the carryover for FY 10 – 11 budget. Chief Bliss added that a step increase would have to be included in the FY 11 – 12 budget. Board Member Generalli asked if we are looking at these types of pay adjustments because PSPRS did not increase to 31%. Chief Dalton replied that we would still have looked at these pay adjustment scenarios because of the carryover. Board Member Generalli asked what the Board thinks of the

\$1.85 tax rate. Chairman Range said that it's probably too early to decide and that this was purely a budget study. Chief Dalton added that the Board does not have to take action today, but that the Board can give direction today. Chief Bliss added that the staff is recommending the budget with the tax rate of \$1.85. Further discussion about the one-time payments to employees and Chairman Range stated that this should be added to the next Board meeting agenda for further Board consideration. Further, that the Board has four choices: 1) do nothing 2) Bonus – one-time payment 3) Step-increase 4) both. Chief Dalton asked for direction on the budget preparation for the May meeting and recommended bringing three budgets to the meeting 1) 15% contingency 2) 20% contingency 3) 20% contingency with a one-step increase. Chief Dalton reviewed the budget process, stating that a tentative budget should be approved at the May 9, 2011 meeting and then published in the newspaper June 1st for 30 days. However, she did state that the Board can hold a special meeting to approve budgets. She also stated that once a tentative budget is published, we can only decrease the budget, but cannot make increases to it. Chief Bliss stated that adding a step-increase to the budget would be sending a mixed message to the public. Board Clerk Gardiner asked if the Board can see all of the budget options at the next Board meeting. Chairman Range agreed that the Board would like to see all three budgets, as explained above. Paul Nies added that with regards to a step-increase we can always explain that we are not fully staffed at 4 employees per engine. He further added that the District does not want to lose firefighters to other Districts and that turnover has a price. Good employee retention is important and that we have to remain competitive. Captain Tharp stated that he is also concerned with public perception, but that he can certainly justify any pay adjustment and that the Board is the body that will have to deal with the public perception. Captain Tharp further explained that the employees at the bottom of the ladder are most affected by the wage freeze.

Board Member Gardiner asked if the pay adjustment computations include all employees. Captain Tharp said that yes, they include all employees. Chairman Generalli asked what the current public perception is of the District. Chief Dalton said that overall public perception is good, but there are about three or four commercial property owners who are not completely happy, but that most business owners are satisfied with the District. Chairman Range added that the Board will discuss the three budgets at the next regular Board Meeting. He asked if anyone had anything else to add and no one did.

5. **ADJOURNMENT**

The meeting was adjourned at 11:30 a.m.



Bob Gardiner, Board Clerk