

CHINO VALLEY FIRE DISTRICT
FIRE BOARD
REGULAR SESSION

January 19, 2016

MINUTES

1. CALL TO ORDER / ROLL CALL OF BOARD MEMBERS

Clerk Dobbs called the Chino Valley Fire District Fire Board meeting to order on Tuesday, January 19, 2016 at 5:07 p.m. at the Town of Prescott Valley, 7401 E. Civic Circle, Prescott Valley, Arizona.

Members Present: Board Clerk Dave Dobbs, Board Members Dave McConnell, Julie Pettit

Members Absent: Board Chairperson Cyndy Ducote

Staff: Fire Chief Scott Freitag, Assistant Chief of Administration Dave Tharp, Administrative Manager Susanne Dixson, Administrative Assistant III Laura Mowrer

Others in Attendance: Attorney Nick Cornelius

Board Clerk Dobbs resided over meeting as the Board Chair due to Chairperson Ducote's absence.

2. PLEDGE OF ALLEGIANCE

Chairperson Dobbs led the recitation of the Pledge of Allegiance.

Chairman Dobbs varied the agenda.

8. NEW BUSINESS

A. Swear in and Seat New Board Member Travis Bard

Chairman Dobbs swore in new Board Member Travis Bard.

3. PRESENTATIONS

A. Stifel Presentation and Discussion Regarding Possible Bond Refinancing

Chief Freitag explained that the District is at a point where the bonds may be refunded for a better interest rate. He mentioned that the fire authority has no bonding authority;

the bonding authority remains with the individual entities. Chino Valley Fire District has about \$4.8 mil in bonds that have not been touched out of the \$10 mil bonds that were approved. Approximately \$2.4 mil is available for bonding capacity. We have identified about \$1.5 mil worth of capital purchases that need to be made, such as a Type 1 engine, Type 3, and a water tender. There is about \$2.5 mil in capital reserve funds and \$1.5 mil could be spent out of that, leaving about \$1 mil on hand. Staff is concerned with spending the funds from the capital reserve account as there is no current plan to replenish these funds. Staff asked Stifel if it would be better to utilize the bonding tool that we have available with the lower interest rate as long as the current debt can be re-structured and release \$1.5 mil of additional funds without increasing bond debt service to the taxpayer. Based on the information received from Stifel so far, we would be extending the bond that we currently have by approximately five years, not increasing the tax rate to the taxpayer, and keeping cash on hand. The question before the Board will be: do we use the cash or keep the cash on hand and utilize the bonding tool.

Mike LeValley with Stifel Nicolaus gave an overview of his background working with schools and fire districts as the security offerings are very similar such as general obligation bond and lease purchases.

Mr. LeValley explained that due to Prop 117 the Chino Valley Fire District revenue is now based on the limited assessed value of property. This value is limited to 5% annual growth. If the property value increases by 8%, the revenue is capped at 5%; however, the 3% is rolled over to the following year. The 3% may be lost the following year if the property value decreases. New construction is added to the tax rolls at the current value. This also affects the bonding capacity which is limited to 6% of the assessed value. School districts just passed legislation to allow for the bonding capacity to be 6% of the full cash value instead of the limited value. Mr. LeValley is hopeful that legislation can be approved for fire districts and municipalities to allow the same.

Mr. LeValley mentioned that due to the recession, the District's assessed value has gone down over the past several years; therefore, the levy has had to be increased to collect a similar amount. Likewise if the debt payments are consistent and the assessed values decrease, it takes a higher bond rate to cover the obligation.

Chief Freitag explained that in fiscal year 2009-2010 the tax rate was \$1.90 without the bond rate; the budget was over \$5 mil. We are currently at a tax rate of \$3.2472 with the budget at \$4.1 mil. There is a complete disconnect between rate and real dollars collected.

Mr. LeValley stated that bond tax rate has been near \$.42 the past three years. We have issued \$5.3 mil in bonds through a state agency (GADA) which had funds to assist fire districts with the cost of issuing bonds. GADA no longer have funds to assist with paying issuing costs. Currently there is a repayment balance of \$3.7 mil. The bonds that are callable may be refinanced early for savings. There is a call date of August 1, 2017 and if the interest is low as you are approaching that date, it is a good option to

refinance debt. The District is currently paying 5% and 4.375%, so if we can replace the 5% interest rate with less than 3% there is savings.

Mr. LeValley provided scenario 1 with a simple refinance for savings with a conservative rate of 3.25% showing a possible savings of \$87,000. If the interest rate is 3.10% the savings would be \$114,000. If the rate is at 3%, the savings would be \$132,000. He explained that Stifel is hoping to get an interest rate between 2.75% and 3.25%. He is using the 3.25% to be conservative. This option is matching cash flows with refunding bonds and replacing them in the exact same years.

Mr. LeValley explained that their scenario used flat growth to be conservative and mentioned that this coming year is the last year for the phase down of commercial property values. Commercial property values have been reduced by half a percent from 20% to 18% over the last four years. Therefore, if there is no growth in the District, the valuation is actually negative due to the commercial property tax break. If the assessed valuation is higher than anticipated, the tax rate will be lower.

Mr. LeValley provided scenario 2 which pushes the debt out two years and increases the payments at the end. This would be refunding a similar amount of bonds, but extending their life. This creates more savings up front. This may be a solution to keep the tax rate at the same and allow funds to make capital purchases. The net effect is the tax rate is reduced to \$.37 instead of \$.41. We would be asking banks to bid on the refinancing of \$3.5 mil plus \$1.5 mil for new money. The net effect would include a similar debt service rate and two years added to the repayment.

Mr. LeValley explained that taxpayers have already approved an additional \$4.675 mil that can be borrowed. However, the District's bonding capacity is smaller due to being limited to 6% of the limited assessed valuation; current capacity is about \$2.4 mil.

Board Member Pettit confirmed that the current bonds may be refinanced and there is an additional \$2.4 mil that can be accessed. Chief Freitag explained that he believes only the minimum required amount of bonds should be released as we are trying to wean off using bonds.

Mr. LeValley explained that the original purpose of the bonds were acquisition of land and the construction of a fire station and equipment. Fire stations have a useful life of 30-40 years and the bonds only went out 15 to 20 years. The restructuring only contemplates pushing the debt out 3-5 years. You do not want to push the debt out beyond the useful life of the project per federal tax purposes.

Mr. LeValley provided scenario 3 which will push the new debt out five years and will also provide \$1.5 mil of new money. This provides more savings up front. The net effect is a tax rate of \$.42.

The overall picture with any of these scenarios is having 15 years of debt.

Chief Freitag stated that this item will be placed on next month's agenda. He explained that there is potential for savings under the refunding option and the other scenarios provided for retaining some funds in the bank. The scenarios were projected with no growth in value to stay conservative. Chief Freitag mentioned that fire districts have very limited revenue sources such as property taxes and fire district assistance tax (FDAT) other than grants.

Board Member Bard asked what the life expectancy is for equipment that the District wants to purchase. Chief Freitag explained that generally 20 years is the life expectancy; however, 10 to 12 years would be front-line service and then moved to reserve. These engines are over the 10 year life expectancy, but there are some safety concerns. Type 3 is over 10 years old and has poorly engineered axels and tires that cause safety issues. Station 63 Water Tender used to be an asphalt truck in the 1980s. Chief Freitag stated those expenses are near \$1.3 mil and there is some capital improvements needed at Station 63.

Board Member McConnell asked for a summary of the potential savings.

Mr. LeValley stated that Scenario 1, not including the additional \$1.5 mi, would have approximate savings of \$100,000. Scenario 2, debt extended two years, savings \$10,000. Including the \$1.5 mil extending the debt five years provides a savings of \$290,000. Pushing out the old debt longer and paying the new debt sooner has a similar net effect.

Chief Tharp excused himself from the meeting.

B. Fiscal Year 2015 Audit Presentation by HintonBurdick CPAs and Advisors

McKay Hall from HintonBurdick CPAs and Advisors presented the Fire Board with the Chino Valley year end June 30, 2015 audit and power point slides. He thanked Chief Tharp and Finance Manager Spingola for their assistance.

Mr. Hall explained that HintonBurdick CPAs and Advisors are issuing an unmodified opinion and the financial statements are materially accurate and can be relied upon by users. There are no findings or recommendations noted this year. He did not find any material weaknesses.

Mr. Hall commented on the government wide financial statements that are reported under the full accrual basis. He explained that there is a large decrease in District's net position (assets compared to liabilities) from last year which was caused mostly by the change with Government Accounting Standard Board (GASB) 68 and 71. These changes were related to the reporting requirements for pension accounts. Previously, the retirement plan such as PSPRS was required to report pension liabilities. The District is now required to report their allocated portion of the pension liability. There are

no changes to operations or cost; this is only a reporting change. The net position is a key indicator of the health of the organization. The net position should be increased due to saving for a large project; however, then the position would be decreased once the funds are expended. The capital assets decreased by \$290,000 net of depreciation and the long-term debt of \$3.9 bonds, \$315,000 compensated absences, and GASB 68 and 71 adjustments gave a net liability of \$2.5 mil. Mr. Hall mentioned there was a transfer of about \$900,000 from the general fund to the capital reserve fund.

Chief Freitag explained that the District's accountant Stephen Crandall was in the audience and he thanked him, Chief Tharp and Finance Manager Spingola for their work.

4. CALL TO THE PUBLIC

Chairperson Dobbs opened the meeting for public comment.

There were no comments.

5. CONSENT AGENDA

- A. Approve Regular Session Minutes of December 15, 2015
- B. Approve General Fund Financials
- C. Approve Capital Reserve Fund Financials
- D. Approve Bond Debt Service Financials
- E. Approve Bond Fund, 2007 Financials

Board Member McConnell made a motion to accept the consent agenda. Board Member Pettit seconded the motion. MOTION CARRIED

AYES: Dobbs, McConnell, Pettit
NAYS: None
ABSTAIN: Bard

Attorney Cornelius noted that new Board Member Bard should abstain from voting as he was just appointed today.

6. CORRESPONDENCE

A. Letters from the Public

Chief Freitag explained that Battalion Chief Davis provided a note explaining how District members and the Firefighter Foundations with private donations and outside resources assisted a family that lost their home to a fire in December.

B. Monthly Division Reports from the Fire Chief and staff in regard to current activities of the Fire District and the status and progress relating thereto

Chief Freitag added that he was a guest of Representative Fann during the opening day of the 2nd session of the 52nd Legislature. He explained that it is very important that fire agencies have a presence there. He had an opportunity to meet with legislators that have been working on PSPRS reform. He mentioned House Bill 2197 that addresses the Fire District Assistant Tax (FDAT) issue. Currently the FDAT revenue is lost if agencies merge; thereby financially penalizing agencies that are already struggling. HB2197 has been written to change this law. Representative Fann is a cosponsor of HB2197. Chief Freitag has also asked for Senators Pierce and Campbell's support.

Chief Freitag explained that Brian Jefferies was present at the AFDA meeting and stated that they have reached agreement on PSPRS reform. There are several agencies that have been working on this reform. The hope is that the bill will be moved through the legislature and approved by February 17 so that it can be placed on the May 17 ballot along with a proposition for the schools. It must be placed on the ballot due to the contractual relationship of the pension plan that is in constitution for current employees and retirees.

Chief Freitag gave a brief overview of the pension reform and explained that there are several tiers.

Tier 3 would be effective in January or June of 2017. New for employees would have a split defined benefit plan: the employer contribution rate of 9% and employee contribution rate of 9%. The benefit amount would be the same. The way it is paid for is a 50/50 split. New employees would also have an option of defined contribution plan that is 9/9 split.

Additional changes: Currently, if an employee is hired that was a 10-year employee of the City of Prescott, CAFMA would assume the unfunded liability created by their employment with the City of Prescott. Under the new plan, Prescott retains the 10-years of unfunded liability.

Chairman Dobbs confirmed Tier 3 defined contribution plan is an employee choice.

Chief Freitag also explained that the PSPRS Board will be a 50/50 split between employee and taxpayer to ensure that the benefits are not increased that would increase the contribution amounts.

Chief Freitag explained that the State Fire Marshall's office is being moved under the State Forester's office. Arizona is the only state that does not compile National Fire Incident Reporting System (NFIRS) data; thereby, reducing the opportunity for federal grants. The State Forester is working on resolving these issues. A subcommittee will be formed under the Arizona Fire Service Institute which covers AFDA, Arizona Fire

Chiefs, PFFA, etc. and will represent the state and interact with the State Forester as one consistent voice. Chief Freitag volunteered to be on this committee.

Chief Freitag was on a panel at AFDA regarding mergers and data collection.

Chief Freitag mentioned that Chief Feddema is on the state training committee. Normally, the initial year members are assigned a mentor. However, John was not assigned a mentor; he was assigned to curriculum development.

Chief Freitag stated that Black Canyon Fire District and Daisy Mountain Fire District has signed a joint management agreement.

Chief Freitag mentioned that that the name of Support Services will be changing to Planning and Logistics to better fit National Institute Management Systems (NIMS).

Chief Freitag stated that there are a number of new employees Karen Viscardi is our new HR Assistant and Administration is fully staffed.

7. OLD BUSINESS

A. Discussion and Possible Action Related to State Forestry Intergovernmental Agreement

Attorney Cornelius explained that we are still awaiting comments from other agencies including towns related to their risk liability pools. This item does not need to be addressed in executive session.

8. NEW BUSINESS CONTINUED

B. Approve Fiscal Year Ending June 30, 2015 Audit

Chief Freitag mentioned that January 31 is the deadline for providing the audit to the County. This is a clean audit and Chief asked the Board for approval.

Board Member McConnell made a motion to approve the June 30, 2015 audit. Board Member Pettit seconded the motion. MOTION CARRIED

AYES: Dobbs, McConnell, Pettit
NAYS: None
ABSTAIN: Bard

C. Review and Approve Budget Schedule for Fiscal Year 2017

Chief Freitag explained that all three budget schedules are included as three budgets are required to enable all to see the savings created by the joint powers authority. We need a budget workshop the week of April 1 to be able to review all budgets with all

Board members. Chief Freitag explained that going forward there will be some legal and election expenses on the individual budgets.

Board Member Pettit made a motion to approve the budget schedule for Fiscal Year 2017 as presented. Board Member McConnell seconded the motion. MOTION CARRIED

AYES: Dobbs, McConnell, Pettit

NAYS: None

ABSTAIN: Bard

D. Discussion and Direction to Staff Regarding Meeting Locations

Chief explained that since the idea of the fire authority the location and time of the board meetings has been discussed. We want to be accessible to all residents throughout the jurisdiction. The recommendations from the other boards is to rotate meetings monthly starting April. There is a retirement ceremony scheduled for CYRTA in February and a ceremony scheduled for Chino in April. Additionally, we need time to create an agreement with the Town of Chino Valley to use their council chambers.

The Board consensus is to rotate meetings starting with the April meeting being held in Chino Valley. There was a concern relating to starting the meetings at 5:00 p.m.

E. Discussion and Possible Approval of Yavapai Regional Medical Center Base Hospital Agreement

Chief Freitag mentioned that the initial contract that YRMC submitted was for \$1,100 per drug box plus retail cost for drug replacement. That represented a 45% increase over last year and 300% increase over the past three years. Chief Freitag explained that after negotiating with YRMC President John Amos the final offer was a three-year contract for \$500 per drug box with no drug replacement costs even though YRMC's cost is \$850 per drug box. The reduction was offered as a community service. The District cannot bill the patients, because we do not have transport capabilities. Chief Freitag explained that with the exception of Honor Health, YRMC's rates were at or below the other options. YRMC is a not for profit business, and it is also a benefit that they are local. Chief Freitag mentioned that there were some discrepancies with invoices, and YRMC stated to disregard those invoices.

Chief Freitag explained that the requirement of the onsite training (run reviews) has been modified to utilize internet training so that crews may attend this required training from their stations. This item will be addressed in a separate amendment.

Attorney Cornelius explained that the amendment is a three-year agreement and additional items will be addressed.

Board Member Pettit made a motion to approve amendment to the Base Hospital Agreement with the Yavapai Regional Medical Center. Chairman McConnell seconded the motion. MOTION CARRIED

AYES: Bard, Dobbs, McConnell, Pettit
NAYS: None

9. VOTE TO GO INTO EXECUTIVE SESSION

- A. Legal Advice Pursuant to A.R.S. §38-431.03(A)(3) and Instruction to District Legal Counsel Pursuant to A.R.S. §38-431.03(A)(4) Re: Intergovernmental Agreement with State Forestry

Executive session was not required.

10. NEW BUSINESS CONTINUED

- A. Discussion and Possible Action Related to State Forestry Intergovernmental Agreement Issues Discussed in Executive Session

This item was not discussed.

11. ADJOURNMENT

Board Member Pettit made a motion to adjourn. Board Member McConnell seconded the motion. MOTION CARRIED

AYES: Bard, Dobbs, Ducote, McConnell
NAYS: None

Chairman Dobbs adjourned the meeting at 6:53 p.m.

2/16/2016

Date
Julie Pettit

Dave Dobbs, Board Clerk

JULIE PETTIT