

MINUTES

**Central Arizona Fire and Medical Authority
Central Yavapai / Chino / Central Arizona Fire and Medical
Joint Meeting - Budget Workshop**

Tuesday, April 4, 2017, 2:00 pm - 5:00 pm

Central Arizona Regional Training Academy - 9601 E Valley Road - Classroom 1 -

Prescott Valley

In Attendance:

Darlene Packard; Dave Tharp; Jeff Wasowicz; Julie Pettit; Laura Mowrer; Matt Zurcher; Nicolas Cornelius; Rick Mayday; Scott A Freitag; Susanne Dixson; Todd League; Tom Steele; ViciLee Jacobs

Not In Attendance:

Cyndy Ducote

NOTICE OF MEETING

Pursuant to A.R.S. § 38-431.02, notice is hereby given to the members of the Chino Valley and Central Yavapai Fire Districts and Central Arizona Fire and Medical Authority Board of Directors and the general public that the Chino Valley Fire District, Central Yavapai Fire District, and Central Arizona Fire and Medical Authority will hold a special meeting open to the public on **Tuesday, April 4, 2017 at 2:00 p.m. The meeting will be held at Central Arizona Regional Training Academy, 9601 E. Valley Road, Prescott Valley, Arizona.** The Board may vote to go into Executive Session on any agenda item, pursuant to A.R.S. §38-431.03(A)(3) for discussion and consultation for legal advice with the District's Attorney on matters as set forth in the agenda item. The following topics and any variables thereto, will be subject to Board consideration, discussion, approval, or other action. All items are set for possible action.

1. CALL TO ORDER / ROLL CALL OF BOARD MEMBERS

A. Chino Valley Fire District Board of Directors

Board Member Pettit took roll call of Chino Valley Fire District Board Members at 2:21 p.m. A Board quorum is present.

B. Central Yavapai Fire District Board of Directors

Board Chair Packard took roll call of Central Yavapai Fire District Board Members at 2:22 p.m. A Board quorum is present.

C. Central Arizona Fire and Medical Board of Directors

Board Chair Pettit took roll call of Central Arizona Fire and Medical Authority Board Members at 2:22 p.m. A Board quorum is present.

2. PLEDGE OF ALLEGIANCE

Board Member Steele led the Pledge of Allegiance.

3. CALL TO THE PUBLIC

Those wishing to address the Chino Valley Fire District, Central Yavapai Fire District, or Central Arizona Fire and Medical Authority Board of Directors need not request permission in advance. However, we ask that you complete a Call To Public Form for the record. The

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 the matter may be placed on a future agenda. Individuals may be limited to speak for three (3) minutes with a total of 30 minutes allotted for Call to the Public per meeting.

CAFMA Board Chair Pettit opened the meeting for public comments. There were no comments.

4. NEW BUSINESS

A. Fiscal Year 2017-2018 Budget Workshop

Chief Freitag explained that this is a budget review, and he asked if the Boards wanted another joint session on April 18, 2017 to discuss the budget. He mentioned that the Boards will not be asked to make any decisions today.

Chief Bliss provided draft budgets to the Boards and reviewed the history and forecast of our financial position. These documents can be located on the website. He explained that our revenue is derived from property taxes based on net assessed values, the fire district assistant tax (FDAT), fire contracts, and other small sources. He mentioned that Prop 117 took effect in 2016.

Chief Bliss explained that the Yavapai County Assessor's office is using a new program that allows for a more timely assessment of properties. The County is estimating a 1% property value increase due to utilizing this new photographic tool.

Chief Bliss stated that we expect Central Yavapai to have a 4% increase in net assessed value for existing property and Chino to have a 3% increase. It is anticipated that both Districts will have a 1% increase for new construction. This forecast may be low; this is based on a meeting with the Yavapai County Assessor's office.

Chief Tharp explained that Director Packard and he met with the Assessor's office. The assessor believes that if an agency is experiencing a 4.4 to 4.6% net assessed value increase they are doing phenomenal.

Chief Bliss stated that we expect increased cost for equipment, services, and wages. The projections include a 3% increase for PSPRS, and we are making a slow shift in how the capital reserve account is funded. The capital reserve account was previously used to level out the tax rate from year to year when making large purchases. When we entered the recession, we purchased all our capital items utilizing capital reserve funds. We are now shifting back to using less of the reserve funds and more of the tax collections so we do not bankrupt the reserve fund.

Chief Bliss explained that the projections may include some room for COLAs and workforce expansion; it depends on what actually happens with PSPRS. If PSPRS increases by 9% as they did last year, that wipes out everything else.

Chief Bliss mentioned some advantages we are experiencing with the formation of CAFMA:

-Chino Valley wages were unfrozen.

-Central Yavapai workers' compensation rate is significantly lower than it would have been. If we were not changing workers' comp companies, our increase would have been 38%, and that would be mostly due to injuries sustained by former CYFD personnel (now CAFMA personnel) this year.

-Healthcare costs are lower due to Chino Valley.

-PSPRS 4% savings

-Central Yavapai is collecting approximately \$400,000 less.

If we were not joined as CAFMA, Chino Valley would continue to be at the cap with \$3.25 tax rate, and Central Yavapai would be collecting \$400,000 more from tax payers.

Chief Bliss covered the detailed draft budget, and stated they were updated from last week's version. He explained that the Chino and Central Yavapai budget sheets are very small as they transfer funds to CAFMA and then CAFMA is responsible for allocating the funds. The red text indicates changes from last year except for the utility bills. These costs were moved to a single line item instead of each facility being listed separately.

Chief Bliss stated that the net assessed value increased by 6.2336% (both districts combined). The expenses increased \$975,738 due to PSPRS's 29.37% increase or \$750,000. The PSPRS rate increased about 9%. The actuarial that PSPRS provided only estimated the increase at about 2-3%; no one expected a 29% increase. There is a new legacy cost that no one knew about; that amounted to about \$50,000. There is a new cost associated with a group of employees hired after 2012 and before 7/2017. None of this was in the proposition that was passed. This was in the administration interpretation of the law and was not shared with organizations.

Chief Bliss mentioned that the workers' compensation increase was minimal due to CAFMA, and health care costs are controlled due to a new risk pool. Due to injuries sustained, our overtime expenses were astronomical. We have never experienced this prior. We do not anticipate having funds left at the end of the fiscal year to be transferred into the capital reserve account.

Chief Tharp explained that a couple of years ago Standard & Poor's (S&P) stated that in order to retain our credit rating, we had to maintain a certain amount in reserve. We budgeted to reduce the capital account, and now we need to slowly rebuild it. We typically transfer any remaining funds into that account. There are no extra funds to transfer this year, so we are now budgeting more capital expenditures within the normal maintenance and operating (M&O) budget.

Chief Bliss mentioned that he was trying to decrease the \$500,000 rollover; however, he did not want it to happen so abruptly. He reviewed other expenditures such as the 4% increase in health care costs (\$60,000). This may be lower. Employee health costs which include annual physicals, blood work, and costs associated with meeting standards have increased; we have changed vendors to obtain improved services. An expenditure item of \$24,000 was added for fleet maintenance; there was already a revenue item. In-house printing costs increased as did utilities.

Chief Bliss provided the current tax projections and stated that the NAV is higher than we projected last year, the Central Yavapai rate is projected to come down faster. Chino Valley is still at \$3.25 and will continue as there are items we would like to improve including replacing three personnel positions. Chief Bliss explained that with CAFMA, we are still realizing about \$.10 savings.

Chief Tharp explained that the workers' compensation experience modification (EMOD) rate, which is a percentage of claims versus premiums paid, for Chino Valley is at .7 and they were at .68 the prior year, and .66 before that. Central Yavapai was at 1.13, they dropped to .98 last year, and they are projected at 1.36 for next year. He mentioned that most insurance companies start talking about cutting your service and not insuring you at 1.25. We would then be forced into the state high risk pool which is almost three times the normal rate. He explained that just the impact from this one item shows how CAFMA is benefiting the residents.

Chief Bliss explained that the staff has made some improvements in the capital reserve account and the goal is to have a stable fund of about \$8 mil. The will allow us to even out the capital purchases so that we do not affect tax rate. This account also provides for cash flow as we do not receive property tax revenue until October. Many agencies utilize warrants while they wait for the revenue; however, interest must be paid for warrants.

Chief Freitag explained that the interest could cost as much as \$300,000.

Chief Bliss provided updated Summary Revenue and Expenditure sheets including options for a 1% or 2% cost of living increase (COLA). He explained that a 1% COLA would cost \$130,000 or \$.02 increase in tax rate. Central Yavapai's rate would be \$2.5469 without a COLA, \$2.5695 with 1%, and \$2.5920 with 2%.

He mentioned that if PSPRS was not an issue, this decision would not be so difficult. PSPRS expenditures are not an option. The COLA has to be considered after PSPRS costs.

Chief Freitag mentioned that there is a Senate bill that relates to reserve pension funds that are no longer being used. Chino Valley had a reserve pension fund that was terminated about 3.5 years ago. Once everyone was paid out, there was about \$97,000 remaining. Due to current Arizona statutes, the agency cannot use these funds for anything. This new legislation will allow an agency to move these funds into PSPRS. If this passes, the funds may be used to offset the PSPRS liability.

Clerk Packard asked about the Bond repayment rate. Chief Tharp stated that he needs to contact the County to determine delinquency rate; however, he estimates \$.22. Central Yavapai's bond should be paid off in about 13 years; there will be callable bonds that could be refinanced. He mentioned that refinancing may not be an option depending on the interest rate. Chino Valley bonds have about 11 years.

Chief Tharp explained that the Board has the detailed budgets for review. He asked for the Board to provide direction at the April 18, 2017 Board meeting regarding the COLA. The tentative budget is scheduled to be approved at the May Board meeting. After that, the budget can be reduced but not increased, and then final budget is scheduled for approval at the June Board meeting.

Director Jacobs asked if the 1% or 2% COLA was just for the firefighters or if it included administration and executive staff as well. Chief Bliss confirmed the COLA is across the board.

Chief Bliss explained that the budgets presented do not include the bond rates. He mentioned that firefighter starting rate is below the 50% range, and a long-term

plan needs to be created.

Chief Freitag mentioned that wage scale has not been adjusted in 10 years other than cutting the merit increases in half and extending the scale. He suggested another joint meeting be held on April 18 for further budget discussion.

Board Member Zurcher asked when the last COLA was given. The last COLA was given in 2006.

Chief Bliss requested Board Members email their questions to him, and he will provide answers to all the questions at the April 18 meeting.

Chief Freitag mentioned that Chief Tharp has been the driving force to create the workers' compensation risk pool with 18 other agencies; this will help us hold costs down.

Chief Tharp explained that the risk pool is open to all Special Districts; it is a governmental pool similar to school districts. This pool will assist smaller organizations in obtaining coverage at reduced costs. He will be providing a presentation on this at the April Board meeting.

Clerk Wasowicz stepped out of the meeting at 3:22 p.m.

Board Member Steele asked about our EMOD. Chief Tharp explained that in a pool, costs are reduced as it is spread across all members. This pool is still in the development stage; we have received a quote from this pool with an anticipated increase of less than 1%.

Clerk Wasowicz returned to meeting at 3:23 p.m.

Board Member Jacobs asked what CYFD is doing to help identify the problems related to injuries.

Chief Freitag stated that CAFMA has a Safety Committee that reviews every injury even if it does not get reported to workers' comp. The Safety Committee makes recommendations for prevention of future injuries. He mentioned that a lot of the injuries are torn meniscus which are very difficult to avoid. The peer fitness members have just been trained in body mechanics so they can educate members in proper lifting techniques. There have also been articles distributed.

Chief Freitag explained that we assisted in the development of the new member risk pool questionnaire asking questions related to their wellness / fitness program, safety programs, peer programs, cancer prevention, etc. Organizations may not be accepted if they are not meeting certain standards. This helps to control risks.

5. ADJOURNMENT

Clerk Wasowicz made a motion to adjourn Central Yavapai's meeting. Board Member Steele seconded.

Central Yavapai Board Chair Packard adjourned Central Yavapai's meeting at 3:28 p.m.

Board Member League made a motion to adjourn Chino Valley's meeting. Board

Member Mayday seconded.

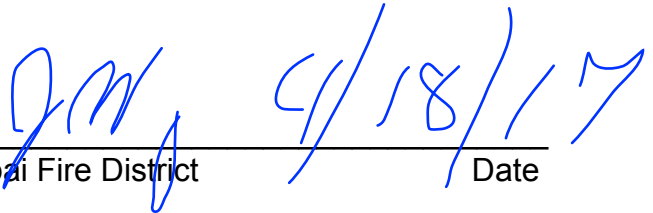
Chino Valley Board Chair Ducote adjourned Chino Valley's meeting at 3:29 p.m.

Board Member Zurcher made a motion to adjourn CAFMA's meeting. Clerk Packard seconded.

CAFMA Chair Pettit adjourned CAFMA's meeting at 3:28 p.m.

Move: Second: Status: Passed

Yes: ViciLee Jacobs, Darlene Packard, Tom Steele, Julie Pettit, Jeff Wasowicz, Matt Zurcher, Todd League, Rick Mayday



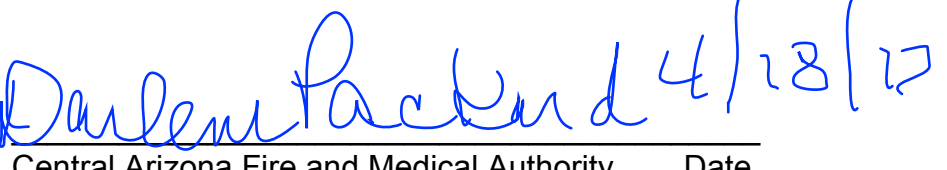
Central Yavapai Fire District
Board Clerk

4/18/17
Date



Chino Valley Fire District
Board Clerk

4/18/17
Date



Central Arizona Fire and Medical Authority
Board Clerk

4/18/17
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