



Blending Chino Valley Fire District and Central Yavapai Fire District

Into One Agency

Analysis and Recommendation

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### Executive Summary

Emergency services agencies across the State of Arizona are struggling to recover from a historic recession. Making recovery more difficult for Fire Districts across our State is the implementation of Prop 117. This voter approved initiative moved Fire Districts from a market valuation of properties where annual financial recovery could be 10% - 18% to a lesser valuation rate. In addition to a decreased valuation rate Prop 117 also creates an artificial annual growth cap at 5%. Given real world practical constraints on the implementation of Prop 117, the actual maximum practical growth would be closer to 2.5% to 3.5%. Adding to this strain are the on-going issues with the rapid acceleration of costs surrounding the PSPRS.

Fire Districts face a new and different fiscal reality. This reality includes a decrease in existing revenue, a decreased ability to generate new revenue through existing mechanisms, a decrease in the ability to create new mechanisms for revenue generation, increased expenses from skyrocketing healthcare costs, and the burden of accelerating PSPRS commitments. While operational expenses are well within the Fire Districts' ability to anticipate and control, the external pressures exerted by legislated mandates and restrictions, inflationary pressure, and political and market forces are well beyond the ability of small political entities to manipulate. It is apparent that Fire Districts must find a new methodology for maintaining operational and readiness levels or bear the loss of service capability.

There are options available to Districts through mergers, consolidations, and Joint Powers Authorities. The Senior Staffs of the Central Yavapai Fire District and Chino Valley Fire Districts (CYFD and CVFD), operating under a Joint Management Agreement, propose the following hypothesis:

Can these two physically contiguous Fire Districts operate more effectively and efficiently by creating one organization and leveraging the predicted cost containment and cost avoidance opportunities?

To prove the hypothesis the following areas were examined in detail: Operations, Human Resources, Finance, Support Services. Based on the information gained by this in depth analysis the basic hypothesis was proven both factually and statistically reliable and valid. This proven reliability and validity is only true, however, if both Fire Districts pursue a blending of resources that is greater than the current Joint Management Agreement. The opportunities examined were: continued operation under the current Joint Management Agreement (JMA), legal merger, and the creation of a Joint Powers Authority (JPA). The costs and benefits are different depending on the process chosen, the end results are: decreased operating costs, increased cost avoidance, increased efficiencies, and improved service delivery stability to tax payers.

The recommendation of senior staffs of both Fire Districts is that the Central Yavapai and Chino Valley Fire Districts enter into an intergovernmental agreement (IGA) to form a Fire Authority with a start date of July 1, 2016.

## Overview

Fire District's in the State of Arizona are working through a "Perfect Fiscal Storm." The economic down turn caused many agencies to lose as much as 45% of their net assessed valuations which led to a significant decrease in revenues. In addition to the loss of revenue, Proposition 117 moved Fire Districts from the secondary to the primary cash value and established an artificial cap of 5% annualized revenue growth. This change in statute has severely limited Fire Districts' abilities to not only recover financial losses, but also to prepare for both density and geographic population growth. Add to these losses, the rising costs of the PSPRS, healthcare, insurance, and other inflationary pressures and the financial picture rapidly becomes unsustainable.

Proposition 117 was based on the assumption that the Secondary or Full Cash Value or Secondary Assessment of property would continue to rise as it has historically and reach the 5% cap every year. While not an unreasonable assumption, reality is quite different. The valuations are based on individual parcels. For the 5% cap to be reached in any given fiscal or calendar year, each parcel would have to increase by a minimum of 5%. If just one piece of property has a valuation increase that is any amount less than 5%, the increased net assessed value will never hit the cap. The Central Yavapai Fire District has 44,000 parcels. In order to hit the 5% cap, all parcels, both commercial and residential, would have to increase by 5%. A uniform increase across all property types is highly unlikely. This leaves Fire Districts with annual increases below 4% while trying to recover from a 45% loss of revenue. Full Cash Value for the Central Yavapai Fire District (CYFD) increased by 18% for Fiscal 16, while the Limited Value was assessed at 2.53% which included new growth. For Chino Valley Fire District (CVFD) the secondary assessment for fiscal 16 increased by 16%, however the limited value only increased by 2.58%.

New growth can help Districts increase their Net Assessed Valuations (NAV). As shown above, new growth may not produce the percentage increase one would anticipate. Fiscal analysis indicates that in order for CYFD to realize a 1% increase based on new growth there would need to be 5 new Walmart's built and taxed in the same year. This is equivalent to 40 fast food restaurants, or 250 new homes.

CYFD remains on a stable fiscal foundation because of past growth and savings. Regardless, it will likely not have the capacity to grow as demand for services increase due to the limited revenues and revenue generation constraints that are discussed above. In addition, there are increases in PSPRS expenses, increases in healthcare costs, and general inflationary pressures that further limit the revenue of all special taxing districts and of Fire Districts in particular.

In Yavapai County a majority of fire service agencies are struggling financially. Some are close to insolvency and dissolution. Other Fire Districts are cutting personnel, cutting services, and closing stations. It is important to note that Fire Districts make up 92.6% of the emergency response capabilities in Yavapai County.

Arizona State Statute dictates that if a District is within two years of insolvency, the management of that District must seek out partner opportunities with neighboring agencies. A different statute states that if Fire Districts merge, they will lose one of their Fire Department Assistance Tax (FDAT) dollars. A Fire District already struggling financially and seeking assistance from a neighbor has to incur an even larger reduction in resources. These dueling statutes and loss of revenue often take the possibility of a merger or consolidation off the table for some struggling Districts. A Fire District's only alternative may be to move to a volunteer system, become the responsibility of the county, or have the citizens vote to disband the District and shut down. Even if a Fire District is disbanded, the tax payers will continue to pay for the debts of the agency without the benefit of receiving any services.

For Fire Districts and other special taxing districts looking to combine their resources, there are three options. The first option is a Joint Management Agreement (JMA). Under a JMA, organizations agree to share management personnel and processes. This saves money by not duplicating positions and responsibilities. Another option would be a full legal merger. While cleaner from a statutory and administrative perspective, there are certain social, political, and economic issues that must be addressed. A third option would be a Joint Powers Authority in which two Fire Districts create a third entity that takes over the operations of the individual Fire Districts. The merits and liabilities of each option will be covered below.

There are a number of options for appointing Fire Authority board members. One option is to have even numbers appointed from each Fire District board. For a five member Fire Authority board each Fire District appoints two members. The four Fire Authority board members then choose the fifth member from either the CVFD or the CYFD Fire Boards. Another option is to base the number of Fire Authority board members on geographic size and/or population. With this option the larger/more populous Fire District would have three persons appointed.

The work of the Fire Authority board and staff is to develop the overall budget with revenues assessed and collected by the Fire Districts. Once approved by the Fire Authority board, the individual Fire District boards would meet to approve the Fire Authority budget. As separate legal entities, CVFD and CYFD would not only retain their separate tax rates but also their individual FDATs. This solves the political question of how to combine areas with different tax mill rates. It also prevents the financial loss by retaining FDATs.

Under current Arizona statute all three boards, the individual Fire District boards and the Fire Authority board, would have to meet monthly. There are options to address the potential timing and workload conflicts that the current statutes impose. One option, taken from an Authority model in Colorado, is to have all three board meetings on the same night. South Metro Fire Authority is composed of boards from the Parker Fire District, and the South Metro Fire District and meets the fourth Monday of every month. The Parker Fire District Board meets from 5:30-5:45. South Metro meets second from 5:45-6:00. The Fire Authority board meeting begins at 6:00pm. Those Fire District board members that are not appointed to the Authority Board take their seats in the audience once the Authority meeting begins and are allowed some level of input during the meeting. Another option is to have the Fire Authority board meet monthly to handle the business of the larger Fire Authority. The separate Fire District boards would meet quarterly as opposed to monthly to handle the limited financial transactions of the two entities. This option would require a statutory change, and may not be as effective in keeping those Fire District board members who not on the Authority Board engaged.

### Merger and Joint Powers Authority (Fire Authority) Defined

A merger is the dissolution of two Fire Districts to create one new agency. In this case CVFD and CYFD would cease to exist and “New Fire and Rescue” becomes the new agency. Under a merger, the mill rates for the two agencies *must* be the same. In the case of CVFD/CYFD, one mill rate would have to be increased while the other decreased. Additionally, one of the FDAT’s is taken away and divided amongst all the other agencies in the county.

The upside of a merger is that it leaves only one legal entity. This means that there is only one Board of Directors, one set of financials, and one audit. Once formed, there is no clause or legal pathway for dissolution. Only dealing with one legal entity is beneficial from an administrative perspective. The absence of a pathway for dissolution provides assurance that the new entity will not be dissolved in the future. This one new agency is able to take advantage of cost containment and real dollar savings through the joint purchasing of health insurance, workers comp, property and casualty, utilization of one attorney, only performing one audit, as well as the ability to utilize operational personnel wherever necessary which can save overtime dollars.

Under a Joint Powers Authority (JPA) two legal entities divest their operational and administrative obligations to a new overarching third legal entity; the Fire Authority. The mechanism that creates this third entity is an intergovernmental agreement (IGA). In this case CVFD and CYFD still exist as taxing authorities, however a third agency, “New Fire Authority,” becomes the employer. The employees of the two entities are transferred to the new entity. Chino Valley Fire District and Central Yavapai Fire Districts respectively would no longer have employees. The individual Fire Districts retain taxing and bonding authority based on previously established geographical boundaries. In addition, the Fire Districts retain the responsibility for electing board members. The administrative staff of the Fire Authority handles all financial transactions related to those Fire District elections. A Fire Authority does have a clause or pathway for dissolution, however once combined it is very difficult to separate the two. As with anything, we do not enter this arrangement with the idea that we will not be successful.

The benefit of this arrangement is that under a Fire Authority, the mill rates remain separate, and both agencies retain their FDAT dollars. Operationally the Authority and the merger look the same. The Fire Authority offers nearly the same cost containment, cost avoidance opportunities, and real dollar savings as a legal merger. Each Fire District would retain a small contingency budget to hire outside counsel should they deem it necessary for a specific issue. Each Fire District would carry a small work comp policy.

The South Metro Fire Rescue Authority in Colorado (CO) is not unlike Chino Valley Fire District and Central Yavapai Fire District. South Metro Fire Rescue Authority was created by the Parker Fire District and South Metro Fire and Rescue. Parker was the smaller of the two agencies. They first came together under a contract for Fire Chief Services whereby the Chief of Parker also served as the Chief of South Metro. The two formed a Fire Authority in 2008 because their mill rates were too far apart to merge. Over the last eight years, they have worked to bring their mill rates in line. As of January 2016, they will complete a full merger.

Based on current Arizona statute, the Fire Authority administration would have to complete three sets of financials monthly. There may be an option to change this based on the South Metro Fire Rescue Authority model. A determination from the Arizona Auditor General's office is needed to determine its legality in this state. This option would allow for one set of financials each month as opposed to three. Even though the Fire Districts would be managed by the Fire Authority each District would still have a very small budget for the possible retainer of legal counsel and for a small Worker's Compensation policy. This option, if approved by the Arizona AG's office would create the option to have the smaller Fire District budgets established as special revenue funds. If the Arizona Attorney General's office does not approve this option under current statute then clean-up language in the JPA statute that would allow for one set of financials would be introduced as part of the next legislative session.

As current statute dictates, three audits will need to be completed each year. Two of the audits be very minimal in complexity based on limited fiscal transactions that would take place under CVFD and CYFD. The estimate for each of the small audits is \$2500-\$3500 based on the number of fiscal transactions. The cost of performing the audit for the Authority along with the additional dollars spent for the two smaller agencies still nets an overall savings albeit not as much as would be realized under a merger due to the fact that under a merger the individual Fire Districts would no longer exist.

A legal merger and Joint Powers Authority present the same benefit; however there is additional work for the Fire Authority administrative staff. These additional responsibilities may be equal to the administrative responsibilities under our current JMA, but more than a merger.



### Financial Analysis

The primary focus of the financial analysis was answering the question, "Does it cost less to run the two agencies as one blended organization than it does to run them as two separate organizations?" If the answer is "yes", then what tax rates are applicable? Any time two entities come together there will be a difference between each organization's liabilities and assets. In addition to the financial question the different liabilities and assets must be examined to ensure that the differences are compatible and complimentary.

In this section we will look at a budget comparison including total estimated budget for fiscal 2017, as well as a tax rate comparison. The estimates presented here are conservative in an effort to ensure that the effort to merge or form a JPA is not oversold. Under the current JMA, CVFD and CYFD have already embarked on a tiered approach to bring the organizations together. This means that some of the additional savings typically realized when consolidating two organizations have already been realized under the JMA. These include a real dollar savings of \$122,000 base salary plus 46% ERE's related to the fire chief, and cost avoidance estimated at \$532,280 related to Battalion Chiefs, and an Operations Chief. Add to this is the savings from a consolidation of mass purchasing, consolidation of health care costs, the potential to minimize overtime costs with combined staffing, and the cost avoidance realized with administrative duplication, and the savings side of the calculation becomes significant.

To create a Fire Authority draft budget for fiscal 2017 separate budgets were created for both Fire Districts and for the theoretical Fire Authority. This budget provided a bottom line estimate for expenses. CVFD's mill rate under the JMA is going to remain at \$3.25 for the foreseeable future. This tax rate was used for the analysis along with a 3% Net Assessed Valuation (NAV) increase to arrive at an estimated revenue amount for 2017. The FDAT and contracts were then added to the estimate. CYFD's mill rate under the JMA under is \$2.50. A Net Assessed Valuation (NAV) increase for CYFD was calculated at 3%. The contracts and FDAT were added as was done with CVFD. This provided budget estimates for the two Fire Districts as they exist under the JMA.

After constructing projected budgets for both Fire Districts a budget was created for the theoretical JPA. This was done by combining the projected budgets for CVFD and CYFD. After factoring the cost savings from combined health care savings, worker's comp savings, PSPRS actuarial savings, and cost avoidance, the JPA budget is shown to be less than the combined budgets of both departments as separate entities under the current JMA. This leads to a projected decrease in mill rates for the JPA. The theoretical JPA budget was calculated with NAV annual increases at 2.5%, 3%, and 3.5%. In all cases the decrease in budget costs and mill rates remains factual and predictable.

Illustration 1 Line Graph Tax Rate Comparison

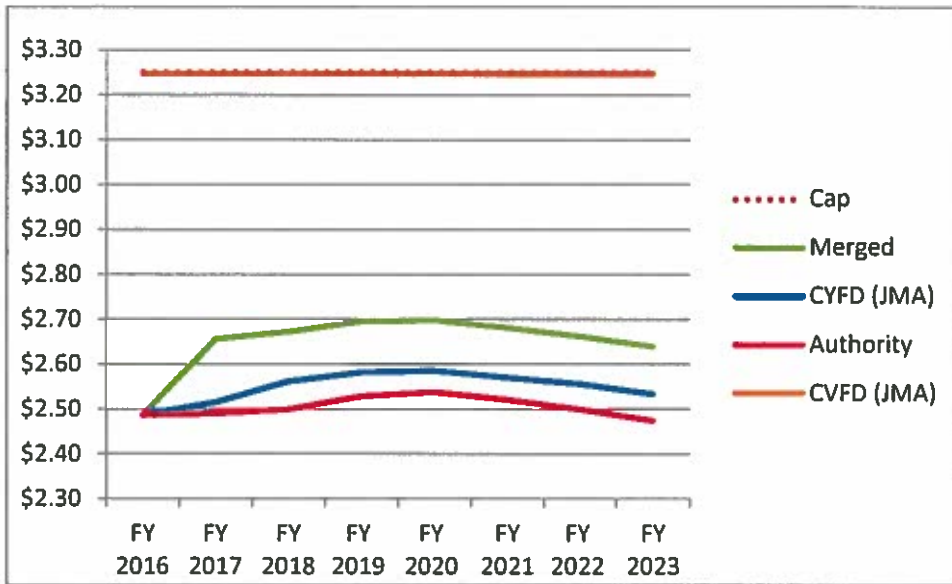
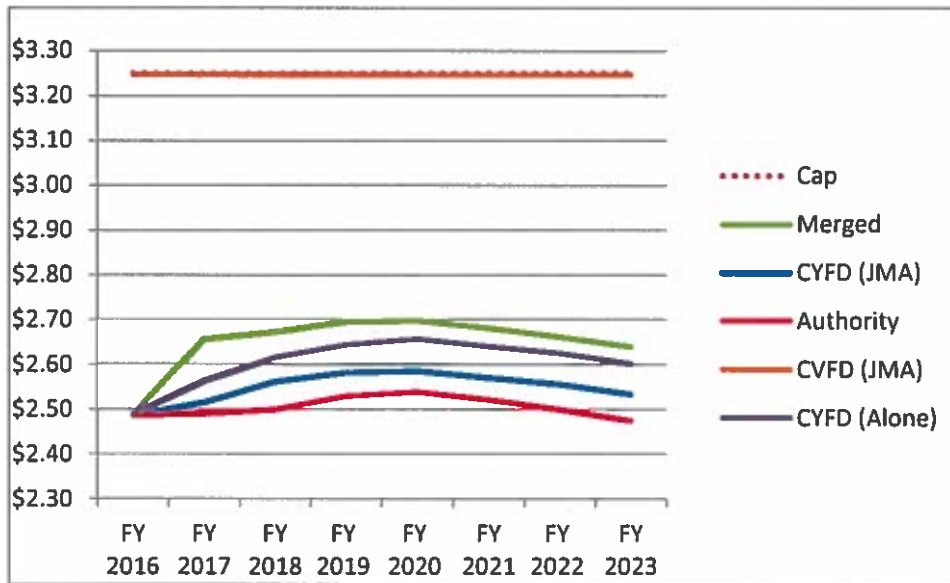


Illustration 2 Line Graph Comparison



In the financial comparison, Table 1, the projected budget is less under a blended organization, either a merger or a Fire Authority, than as separate organizations (Budget summary sheet can be found in Appendix A). However, the tax rate under a merger increases for Central Yavapai residents by approximately \$.15, and decreases for Chino Valley residents by approximately

\$.55. Under a JPA, the tax rate for Chino Valley is unchanged, while the projected tax rate for Central Yavapai residents decreases by an estimated \$.03.

Table 1 Budget Total Estimates for Fiscal 2017

Type of Budget	Estimated 2017 Budget Total	Difference
Central Yavapai	\$17,189,635	
Chino Valley	\$4,245,773	
Total Joint Management Cumulative Budgets Combined	\$21,435,408	
Merged Budget Estimate	\$21,247,178	(\$188,230)
Fire Authority Budget Estimate	\$21, 257,678	(\$177,730)

In Table 1 above, the total budget for a merger is less than the total budget for the two separate agencies. The merger budget is projected \$10,500 less than the Authority budget. Under the Fire Authority the agencies incur the cost of two additional audits, as well as two additional workers compensation policies that are not realized under the merger. The tax rate under the merger is higher because the organizations must balance the mill rates. In addition, there is the loss of approximately \$280,000 in revenue due to the loss of one FDAT. Both the merger and the Authority budgets do include at least one additional administrative assistant as well as moving all employees to a common pay scale and benefit package.

A merger would require a rate increase for Central Yavapai residents of approximately \$.15. This is in part due to the different mill rates, and in part because of the loss of one FDAT, or nearly \$280,000 of current revenue. The agencies can accomplish their goals of cost containment, fiscal savings, and a more efficient agency under a Fire Authority without raising taxes and reduce the tax increase projections for CVFD in the coming years. This indicates that financially the Authority is the most viable option.

The CVFD tax rate will remain at the \$3.25 cap for the foreseeable future. The current rate of growth within CVFD means that there can be no projected significant or sustainable change in NAV that would allow the mill rate to decrease more rapidly. Under the Fire Authority, while the tax rate does remain at the higher level, the District remains sustainable, maintains all three stations, and does begin adding to the capitol reserve account which is not projected should CVFD remain an independent entity. While no timeline exists at present for a return to a growth pattern that would allow for hiring new operations personnel, the ability to contemplate that growth is greatest under the JPA structure.

CYFD was short staffed in administration positions prior to the JMA. The need for additional administrative positions has not diminished nor would it diminish under a Fire Authority structure. Due to the projected savings between the two agencies under a Fire Authority structure the capacity would exist to hire at least one position and still realize an overall bottom line savings. This capacity does not exist if the two agencies remain separate even under the current JMA.

Both CVFD and CYFD have healthy Capital Reserve accounts that are equal to over 50% of their respective annual budgets. Another way to look at this is to say that both Fire Districts have more than 6 months operating cash on hand. The combined Capital Reserve account under the Fire Authority would be more than 50% of the projected budget, or more than 6 months operating cash on hand.

According to the estimated actuarial from PSPRS for Fiscal year 2017, CYFD has a funded balance of 51.4% and an estimated employer rate of 38.10%. CVFD has a funded balance of 67.8% and an estimated employer rate of 24.77%. The blended actuarial is a combined funded balance of 54.7% and an employer rate of 34.58%. This is an overall decrease in CYFD's annual payments for Fiscal Year 17 of \$223,996. The increase for CVFD for Fiscal Year 17 is \$197,177. The overall savings by paying as one organization is \$26,419. While it doesn't seem a tremendous amount of money it is a real dollar savings for the Authority budget.

The bottom line savings for a Fire Authority over the JMA is an additional \$177,730 in the first year. The levy for CYFD residents in Fiscal Year 17 is estimated to be \$82,826 lower under a Fire Authority than as an individual agency. The Fire Authority decreases the projected tax rate for CYFD residents by \$.03.

Costs for a name change which includes stations, equipment, and uniforms are estimated at a total of \$100,000 shared at some percentage between the two agencies. The estimate is based on costs incurred by other agencies that have gone through the same or similar process.

**The financial analysis with the actuarial from the PSPRS proves the stated hypothesis. In the case of CVFD and CYFD, it is less expensive to operate as one blended organization under a Fire Authority than it is to operate as two separate agencies.**

## Essential Questions

There are several questions that need to be considered in the process of analyzing the financial data, surveying the political landscape, studying the statutes, communicating with the public, and working with employees. The first three questions, not listed below, are recommended by Fire Chief Jeff Johnson (Retired) who serves as both an expert and consultant in the area of blending fire service organizations. Those questions are: Does it work politically? Does it work financially? Does it work operationally? The questions below address these fundamental decision points. It is essential to understand the answers to these questions and the impact of those answers.

### **1. What happens if the organizations continue under the JMA i.e. do nothing?**

Each agency continues to operate with some level of increased efficiency; however the workload on administration operating two wholly separate entities continues to cause a strain. While additional administrative staff would help, the two separate agencies do not have the means to hire the additional support. Because of the impact of Prop 117 and the expense of PSPRS, CYFD must re-work its Capitol and Contingency budgets. This will reduce the amount of money saved and extend the time frame that it will take to fully implement the financial recovery plan. The tax rate continues to increase at a higher rate and the break over point, the point at which the rate is projected to begin decreasing, is projected a bit further out than under a blended agency. CVFD will continue to exist, but any large financial incursions could cause additional reductions in force and result in the closing of a station. At the same time, employee wages will remain frozen. This would have multiple serious effects on the Fire District, the employees, and as a result the community as a whole.

### **2. What happens if the JMA is dissolved and the agencies revert back to individual entities?**

CYFD expenses would increase by \$122,000 as the base salary plus 46% ERE's to hire their own Fire Chief. That expense assumes that CYFD maintains a Support Services Chief. Should that position be eliminated the work load would be spread out over three positions of Fire Chief, Assistant Chief of Administration, and Assistant Chief of Operations. The added position would increase the tax rate as well as increase the time it takes to get to a break over point. The elimination of the Support Services Chief position would seriously overburden the remaining staff. Should geographic or density growth indicate that CYFD needed to expand by one station, the added cost of three additional Battalion Chiefs would be born as CYFD would not be able to utilize the three Battalion Chiefs from CVFD. CYFD would need to bear the cost of projected for renovation to Station 53 for the addition of administrative positions that are needed to fulfill the work of the District.

CVFD would revert back to a Chief and two front office personnel. The increased workload has already been shown to have a damaging effect on the efficiency and efficacy of work regarding human resources and financial tracking. Increased growth in the community will help, but how long will it take for them to realize the financial benefits and what would be lost in the interim?

The closing of a station in Chino directly impacts the response capabilities of CYFD in and around the Williamson Valley area. It also increases the need for CVFD to respond in to CVFD for aid on large incidents, and/or move ups to provide coverage.

As separate agencies, the two would need to employ two separate fire chiefs to do the same job for each agency less effectively than operating under one and at double the cost.

### **3. Is this about improved service to the community, or about the ability to maintain essential services for the future?**

If nothing is done it becomes a monumental challenge for CYFD to expand to meet future demands for service. Any significant disadvantageous financial situation could cause CVFD to close a station. The loss of a station in Chino directly impacts CYFD's response capability in Station 57's response area. It would increase the demand on CYFD resources to back-fill and/or augment CVFD. This shortfall would be compounded if Prescott FD loses a station. In that case CYFD will again realize an increased response burden both inside and outside their boundaries.

Under the JMA concept CYFD realizes a savings by not paying for the position of Fire Chief. There is a possibility of future cost avoidance due to the utilization of CVFD's BC's. The utilization of the CVFD's BCs provides the capacity to grow without the need to hire three additional BC's.

Under the JMA, CVFD realizes cost avoidance related to the salary and benefits of an Operations Chief they need, but cannot afford. This means that the District, as a stand-alone entity does not operate as effectively or efficiently as needed. Under the JMA, CVFD also has access to the expertise of an administrative chief and support services chief. These provide for increased efficiency, oversight and effectiveness of District operations. Both agencies benefit from having a Human Resources Manager and Human Resources Assistant as they can better manage the workload for both agencies.

### **4. So why blend the two?**

Through the existing JMA the agencies have realized a decrease in redundancy in many areas such as training, policies, SOG's, and some expenditures. Real dollars have been saved relating to the position of Fire Chief as well as cost avoidance for the future. The agencies remain short staffed on the administrative side. This exacerbates the duplication of efforts in processing two different payrolls, operating two different benefit packages, creating two separate sets of detailed financials, creating two full sets of board packets, and trying to maintain two separate offices with limited staffing. Under the current structure of two separate Fire Districts, if

someone calls in sick while CYFD is at minimum staffing, and CVFD has a four person engine, those resources cannot be moved to cover the shortage. In that case CYFD must incur the cost of overtime for the day. Each agency is still operating with separate insurance policies, work comp policies, attorneys, etc., which means the calculations are done differently and the individual costs are higher.

A merger will not work financially or politically. Tax rates have to be the same, and the agencies lose one FDAT. An estimated shortfall of \$800,000 - \$850,000 would pose serious financial burdens on existing service levels. A merger would increase the tax rate for CYFD's residents by \$.15, while significantly reducing the tax rate on CVFD's residents.

A Fire Authority, a form of Joint Power Authority (JPA), will create some additional workload because the two individual agencies will still exist. Both Fire Districts are currently critically understaffed in the administrative offices. A Fire Authority provides the cost savings necessary to improve the efficiency of that administrative apparatus by hiring the necessary personnel. Given that both Fire Districts will still be legal entities, there must be three sets of financials unless statutory changes are made. There will be a need for three audits. Two entities have minimal transactions, the audits are relatively simple and the costs associated are negligible based on estimates.

Under a Fire Authority, each agency sees a reduction in overall expenditures thereby allowing some additional capacity. The savings provides room in the Fire Authority budget to bring all employees under one wage scale and benefit package. While the tax rate in CVFD remains at the cap for now, it does allow them to stop utilizing their savings to balance their budget. In the future, it will give the Authority the ability to rehire the three FF positions lost due to a reduction in force at CVFD without effecting tax rates.

CYFD will not have to restrict capital and contingency plans to such a drastic extent. It also provides some needed relief related to PSPRS expenditures as CVFD's pension is healthier than CYFD's. CYFD tax payers will see an immediate reduction in their tax rate. The projection going forward is that their rate will climb at a slower pace, and reach a break over point sooner than is currently projected under the JMA.

Together the estimated cost savings in the first year is \$177,730. This includes sustainable wages for all Fire Authority employees and the addition one administrative assistant to equalize the workload. These estimates are conservative as they do not take into account a possible \$30,000 savings in Workers Compensation, and we have not projected a savings for health care, although we do expect the combined premium cost to decrease.

Review of the financial building blocks:

Under the JMA CYFD realizes approximately **\$122,000 base salary plus 46% ERE's** in savings for the position of Fire Chief.

Under the JMA CYFD has the potential to avoid costs by not having to hire additional Battalions Chiefs in the future at an approximate cost of **\$398,580**.

Under the JMA CVFD realizes cost avoidance for an Operations Chief Position of approximately **\$95,000 base salary plus 46% ERE's**.

Under a Fire Authority it is estimated that the net savings under the combined budget is **\$177,730**; this is a conservative estimate.

Between the JMA savings and the estimated savings under an Authority the real dollars savings estimate is **\$355,850**.

The conservative cost avoidance estimate remains **\$537,280**.

These figures do not include any possible savings from a potential reduction in overtime costs, training expenses for EMS, etc. Just as there has been under the JMA, there will be additional real savings that have not been realized or predicted as of this writing.

The Fire Authority structure provides additional capacity for the future through the utilization of all personnel. The savings realized to make this work comes from savings in insurance expenses, limited savings in auditing expenses, savings in legal expenses, savings in work comp, etc.

**Based on the financial analysis as well as the actuarial report by the PSPRS, it is less expensive to operate as one organization under a Fire Authority than to operate as two separate agencies.**



### What's in a Name?

According to contemporary research, the most difficult part of blending organizations is coming up with a name. Staff decided that union leaders should solicit input from all personnel to begin an initial list. Once a list was established, we scheduled a joint Labor/Management meeting to review the submissions. We started the meeting by asking the following questions:

- Should a blended organization pay tribute to one or the other separate agencies, or should it be a clean start?
- Should we identify with an area?
- If yes, which area?
- What thoughts do these names illicit within our populous i.e. Mingus View: To one, Mingus View relates to the view we have of Mingus Mountain from the Prescott Basin. To others, Mingus makes them think of the Verde Valley.
- When we state our name to others, do we want to explain where we're located?
- Should the name indicate a more exact location of the agency? i.e. Mingus View vs. Prescott Basin
- Should long term goals be a factor, no matter how far off they may seem i.e. the two becoming one under a merger, or another agency taking part in the future? In our case, what about a future Authority with Prescott FD? Do we care at this point?
- Is it self-explanatory?
- Is it inclusive?
- What is the acronym? Does it stand for anything that could be offensive?

Four names were sent to all members of both Fire Districts, including the Fire Boards for voting. Central Arizona Fire Authority was the clear winner with 128 votes out of 170. The board does have final right of refusal so the name will on remain, if the boards approve.

### Conclusion

The analysis illustrates that going it alone is not a financially or politically viable option when considering the new fiscal reality Fire District's face in the State of Arizona. Remaining in the JMA works, but the two agencies do not see the additional fiscal savings and efficiencies realized under a blended organization. While a merger is the cleanest option and the simplest in regards to the administrative side, it is not a fiscally or politically viable option at this time.

The Fire Authority accomplishes the goals of cost containment, real dollar savings, cost avoidance, and operational efficiencies. It does create some additional administrative work; however with the additional administrative assistant that is available to us due to the financial savings under a blended organization the load is more than manageable.

The primary benefit to the Central Yavapai Fire District is that their tax payers overall levy requirement is reduced by \$82,826 under a Fire Authority. Their projected tax rate is decreased by \$.03. CVFD realizes cost savings in several areas including the Fire Chief position, cost savings for retirement, a lower levy moving forward, and the potential for long term savings by utilizing CVFD's Battalion Chiefs.

Chino Valley Fire District's primary benefits include stability, administrative support, and improved wages/benefits for their employees. We cannot understate the importance of stability going forward including the ability to maintain essential services. The fiscal analysis was estimated using slow to no growth in the District based on their history. However, should CVFD see growth through the development of properties, including the Old Home Manor industrial area, the estimates improve. As the numbers improve, the tax rate may decrease.

Based on the analysis and research it is apparent that the best option is to enter into an Intergovernmental Agreement (IGA) between Chino Valley Fire District and Central Yavapai Fire District to form a Fire Authority. It is recommended that the individual Fire Boards move to approve a resolution for a Fire Authority by October 2015, or sooner, with an official start date of July 1, 2016. This would give staff the needed time to make preparations for the change.

The combining of two well-established and successful Fire Districts is an enormous undertaking with far reaching consequences. The long term benefits to service delivery and to fiscal and fiduciary accountability for our citizens is the primary driver of this initiative. Improving both services and finances is what the citizens demand. The formation of Joint Powers Authority between the Chino Valley Fire District and the Central Yavapai Fire District is the best way to achieve those goals.

## Appendix A

Central Yavapai Fire District/Chino Valley Fire District Budget Option Comparison  
Revenue Budget FY 2017

	CVFD FY 17	CYFD FY 17	Merged FY 17	Fire Authority FY 17
<b>Total District Budget</b>	4,245,773	17,189,635	21,247,178	21,257,678
<b>Carryover</b>	(110,819)	(1,233,138)	(1,343,957)	(1,343,957)
<b>Revenue:</b>				
<b>Vehicle Maintenance:</b>				
4315 Walker Fire		(8,000)	(8,000)	(8,000)
4325 Mayer Fire		(5,000)	(5,000)	(5,000)
4350 Chino Valley Fire		(21,306)	-	-
4352 Clarkdale		(3,000)	(3,000)	(3,000)
4360 Camp Verde Fire		(1,000)	(1,000)	(1,000)
4365 Montezuma Rimrock		(1,000)	(1,000)	(1,000)
4375 Forest Service		(1,000)	(1,000)	(1,000)
4385 Rosenbauer/Central States		(3,000)	(3,000)	(3,000)
4395 Crown King Fire		(500)	(500)	(500)
4600 Groom Creek Fire		(500)	(500)	(500)
4620 HME Maintenance		-	-	-
4640 Williamson Valley Fire		(750)	(750)	(750)
4700 Other/Warranty		(1,000)	(1,000)	(1,000)
<b>Total Vehicle Maintenance</b>	-	(46,056)	(24,750)	(24,750)
<b>Prevention:</b>				
4400 Plan Review Fees		(4,500)	(4,500)	(4,500)
4415 Care Home Inspection Fees		(500)	(500)	(500)
4420 Special Events Fees		(17,500)	(17,500)	(17,500)
4425 Prevention Permits		(200)	(200)	(200)
4430 Inspection Fees		(1,000)	(1,000)	(1,000)
4450 Urban Survival Sponsorships		-	-	-
5105 CPR Class Income		(6,000)	(6,000)	(6,000)
5125 31 Wildland (PAWUIC) / Def. Space		(15,000)	(15,000)	(15,000)
5150 Risk Management Grants		-	-	-
5500 Knox Box Reimbursements		-	-	-
5600 Babysitting Class		(600)	(600)	(600)
Chino Valley Fire Contract		(45,000)	-	-
<b>Total Prevention</b>	-	(90,300)	(45,300)	(45,300)
<b>Communications:</b>				
4775 Cell Tower Lease Agreements		(38,000)	(38,000)	(38,000)
5140 41 Tech Services Contracting		(125,000)	(125,000)	(125,000)
<b>Total Communications</b>	-	(163,000)	(163,000)	(163,000)
<b>Grants:</b>				
5260 Fire Act Grant Type 3	-	-	-	-
5260 Fire Act Grant Simulation Manikin	-	-	-	-
5260 Fire Act Grant Generator/TIC's	-	-	-	-
5410 Grant for Fire Training System	-	-	-	-
5430 Grant - FEMA - SAFER	-	(50,000)	(50,000)	(50,000)
<b>Total Grants</b>	-	(50,000)	(50,000)	(50,000)
<b>Warehouse:</b>				
5700 Warehouse Purchasing Group	-	(50,000)	(50,000)	(50,000)
<b>Training Center:</b>				
5900 CYFD Training Center Classes	-	(30,000)	(30,000)	(30,000)
<b>Other:</b>				
4000/4100 Real Estate Tax				
4001 Fire Protection Contracts	(59,000)	(65,000)	(124,000)	(124,000)
4200 FDAT	(313,900)	(313,900)	(313,900)	(627,800)
1200 Capital Reserve Account	-	(1,222,025)	(1,222,025)	(1,222,025)
4800 Off-District Fires	(150,000)	(50,000)	(200,000)	(200,000)
4900 Interest Income	(6,000)	(15,000)	(21,000)	(21,000)
5100 Miscellaneous Income		(10,900)	(10,900)	(10,900)
5200 Surplus Vehicles		-	-	-
5350 Paramedic Ride-In Charges		(100)	(100)	(100)
5400 Donations		(500)	(500)	(500)
5500 64 Lease	(7,200)		(7,200)	(7,200)
5600 Rebates/Refunds	(2,000)		(2,000)	(2,000)
5700 CYFD JMA Reimbursement	(10,000)		-	-
<b>Total Other</b>	(548,100)	(1,677,425)	(1,901,625)	(2,215,525)
<b>Total Non-L levy Revenues</b>	(345,019)	(3,026,019)	(3,294,732)	(3,294,732)
<b>Tax Levy Requirement</b>	3,586,854	13,849,716	17,638,546	17,335,146
<b>Net A.V.(3.5% increase)</b>	110,417,160	552,935,296	663,888,461	Chino Central 110,953,165 552,935,296
<b>Actual/Estimated Tax Rate</b>	\$3.2485	\$2.5048	\$2.6589	Chino Central \$3.2485 \$2.4840

## Appendix B