



SUNSTITES-PEARCE FIRE DISTRICT

SERVING RESIDENTS OF THE SUNSTITES-PEARCE FIRE DISTRICT,
AND NEIGHBORING COCHISE COUNTY

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Sunsites-Pearce Fire District Budget Work Session May 7, 2013

1. **Call to Order** – The meeting was called to order at 10:30 a.m. by Mr. Schelling.
2. **Budget Work Session.** Mr. Schelling addressed the public by stating that this Budget Work Session was to discuss expenditures for the upcoming 2013-2014 Fiscal Year.

Mr. Schelling indicated that he tried to set the tax rate at 2.4%; however, it just can't be done, due to expenses he wasn't aware of. Therefore the tax rate for the 2013-2014 fiscal year will be set at 2.5%. Mr. Schelling further indicated that the budget had been cut by \$249,544 and provisions had been made for the 2014-2015 fiscal year.

The total revenues for the budget are \$744,301. The District reduced the revenues by \$3,600 that was originally entered for rent receivables from the Gem & Mineral Club. After a discussion with the Gem & Mineral Club they indicated that they would be moving due to not being able to afford the rent.

Regarding expenditures, Mr. Schelling went over each category of the expenses beginning with the Salaries and Wages. The Salaries and Wages were projected at \$390,000 which covered the expenses to bring the Paid Time Off (PTO) down. Interim Chief Steinberg explained to the public the PTO policy. Steinberg indicated that the District uses PTO in lieu of vacation and sick time. Currently the SOP's provide for PTO accrual up to 480 hours, which causes a large liability to the District. Steinberg has revised the SOP (Standard Operating Procedures) to reduce the accrual rate to maximum accrual depending on the years of service with the District. The new SOP cuts the maximum accrual almost in half, with 15+ years of service only accruing a maximum of 288 hours rather than 480 hours. Pursuant to some employees already accruing over 400 hours of PTO, the District has to allow them time to either use the PTO or lose it. Steinberg indicated that he has provided the employees one year to use the accrued PTO. Hence, if the employees have not used the time they are allowed by July 1, 2014, they will lose it. Therefore, the budget reflects the PTO accrual rates and the PTO time for vacation and illness for employees who have not reached their maximum accruals. Not only have the maximum accrual rates been reduced, but the monthly accrual rates have been reduced as well, therefore it takes employees longer to accrue PTO time.

Mr. Schelling interjected that the District was also looking into the PSPRS retirement system. He explained that firefighters are not required to pay into Social Security if covered by the

PSPRS retirement system; however the District is paying both. Social Security is a large liability for the District. The District has been trying to work the matter out with IRS; however IRS is not being very cooperative. Mr. Schelling indicated he is working with Fry Fire District, Anne Carl and Gary Maddox, who specializes in IRS matters, to resolve the matter of the firefighters paying into both entities. The matter should be resolved by the next fiscal year being 2014-2015.

Mr. Schelling also explained that the Wages and Salaries includes not only Steinberg's salary as a Chief, but also the salary for a Captain due to when a new board comes in they may hire another fire chief and Steinberg would return to the Captain position. If that doesn't happen this fiscal year, there will a savings of approximately \$40,000.

Mr. Schelling then went over the Retirement Contributions, Insurance, and Employee Benefits, which includes Worker's Compensation Insurance. Worker's Compensation Insurance will decrease due to the decrease in personnel.

Mr. Schelling indicated that should the Healthcare Reform Act take effect in 2014, there are provisions that the District may be mandated to cover employees who work 25-30 hours versus just full time personnel. Jill Schultz interjected that ASRS may also require personnel working over 25 hours to participate in the ASRS retirement system.

With all of the Wages, Retirement Contributions, Insurance and Employee Benefits, the total Personal Services category amounts to \$503,000.

Mr. Schelling then reviewed the categories under Operational Expenses. He explained that he tried to break down the expenses for fire and medical separately. Fuel was budgeted at \$23,033; Repairs & Maintenance at \$15,000, which is hoped to be reduced. The Bay doors need to be serviced and the District is unsure of what the cost will be. Bids will be obtained for repair of the Bay doors. Mr. Schelling then reviewed the Supplies and Materials at \$10,000; Small Tools & Equipment, including gurney and other certifications at \$7,000; Communications at \$8,000; and Employee Health and Safety at \$6,000.

Steinberg explained the Employee Health and Safety expenses as being pursuant to OSHA and the NFPA (National Fire Protection Agency) the District is required to have an annual physical. The full time staff requires a full occupational physical including blood work, hearing and breathing tests, confirmation that the individual can wear an SCBA Mask, and several other tests that are required. For part time personnel annual TB tests are required in addition to receiving the HEP series immunizations. Steinberg is currently working with Northern Cochise Community Hospital to obtain a contract with them to get a lower rate. We must have the provisions in place in the event of a needle stick the employee would require follow up care and testing by law. Steinberg will be setting an SOP to more professionally adhere to the legal requirements. Schelling explained that these requirements are not only for full time and part time personnel, but also volunteers pursuant to applicable law.

PPE (Personal Protection Equipment) at \$15,500, Drills at \$1,500 and Pump Tests at \$1,000 for a total Operational Projected Cost of \$87,033.

Mr. Schelling then moved to Other Services and Charges which included Mr. Schelling's and Anne Carl's, (the District's Attorney) as administration fees in the amount of \$10,000; Professional Services, which includes the medical billing by Fry Fire District and the auditor fees in the amount of \$20,000. Mr. Schelling indicated that a Notice of Bid to obtain a local auditor for the current fiscal year is going out today. Mr. Schelling had spoke with an auditor who indicated the costs associated with an audit would run between \$5,000 and \$6,000, which is considerably less than the costs paid last year to Saunders.

Additional projected budget items included Training at \$11,500 in addition to Travel Expenses for Training in the amount of \$2,000. Mr. Schelling shared that the Cochise County Fire Chief's Association is working with the other fire districts to arrange local training within Cochise County.

Mr. Schelling then moved to the Districts liability and vehicle insurance through VFIS at \$30,000; Licenses and Taxes at \$4,100; Utility costs at \$19,000 which is anticipated to be lower now that the Ceramics Club has moved out and the kiln will no longer be running. Mr. Schelling then reviewed the Repairs and Maintenance at \$10,000; and Interest for the line of credit at \$300. Mr. Schelling is hopeful that the District will build up enough so there will be no need to go into the credit line next fiscal year. Additional expenses included the Transfer to other funds at \$20,000 to be transferred to the reserve account to start building that up. The District has to come up with a project for the funds transferred to the reserve account. It is not a savings account, the District has to prioritize what the next project is going to be, for instance a new vehicle. The amounts have to be designated, however, should an emergency come up and the funds are needed, the District has the ability to transfer the money to the operations account to cover the emergency.

The remaining Other Services and Charges were as follows: Warrant Reimbursement which is the cost the County charges for the M&O account checks at \$700; County Services in the amount of \$5,568, which is the parcel fees which Mr. Schelling is working on to try to remove the vacant parcels, however the amounts will not change until the next fiscal year as the amounts are calculated by the Department of Revenue at the beginning of the calendar year.

The final budget projections for other services and charges were for Office Supplies and Postage at \$4,200 and Legal Notices at \$500 for the posting of the Budget and the Notice for Bid for the Fiscal Year Audit. The total Other Services and Charges amounts to \$137,868.

The final category of Capital Outlay was originally budgeted at \$20,000 for the building. The main station is in need of heating and cooling and quarters requires maintenance on the heating and cooling unit. In addition, the main station's roof is in need of repair due to leaks. Due to the Gem Club moving, the amount of \$20,000 was reduced by \$3,600 anticipated in rent for a total Capital Outlay expenditure of \$16,400. All expenditures balance with the revenues in the amount of \$744,301.

Steinberg reviewed the insurance costs under other services and charges and explained that not only did the premium cover the building and the vehicles, but also included a \$1 million liability provision should anyone get hurt on the premises. In addition, it covers a \$1 million medical liability provision due to the EMS personnel practicing medicine under a physician's medical license.

Mr. Schelling then opened up the meeting for questions.

Alice Hersch inquired as to how many full-time and how many part-time employees there were. Schultz responded there were 7 full time employees and 15 part time employees. Schultz further explained that the use of part-time personnel has decreased due to Steinberg working 12 days on and 2 days off pursuant to his contract. Steinberg interjected that volunteers were included in the number of part-time employees.

Mr. Schelling inquired if anything has been done to get more volunteers. He further stated that it would be beneficial to have volunteers on standby who would not be paid when personnel is out on another call.

Nancy Ford inquired as to the statement Steinberg made in the previous meeting that the repairs to the vehicles were being done in-house. She further inquired if the staff was paid not only their salary but an amount over and above their salary for the repairs. Steinberg responded by indicating that no, currently two part-time employees performing the repairs, one employee is an ASC certified diesel mechanic and the other has 18 years experience as a diesel mechanic, however he is not certified, but works under the employee with the ASC certification. Steinberg indicated that the individuals receive their part time hourly rate when doing the repairs which is a fraction of what we would pay a shop to do oil changes and maintenance. Steinberg also stated that the District is going over the vehicles more thoroughly now, and using the 100 point inspection sheet. Mrs. Ford further inquired were they not on the payroll at the time of doing the repair work? Steinberg responded by saying they were being paid their normal hours. As an example he stated that if the individual was paid \$10 per hour for his normal shift, he would be paid \$10 per hour while performing the repairs. The District is not separating the pay. Should the individual be doing the repairs and a call would come out for a fire, the individual would respond to the fire.

Mrs. Ford inquired of Steinberg's statement in a prior meeting that the District had a couple of individuals who would be training to become firefighters and would join the force. She asked for an explanation as to how this is to reduce the District's employee expenses. Steinberg explained that the District already had two individuals who were on staff who were going to take the PAC test which is required to work on Wildland fires. Those two employees went to Elfrida and took the PAC tests. Steinberg indicated with Wildland fires the District has to spend money to make money. The individuals were already trained firefighters but they needed to take the test to go on Wildland assignments. The individuals took the test, but were not paid for doing so. The District makes money on Wildland assignments the more the truck is taken out.

Mrs. Ford had another question regarding volunteers. She stated that according to the National Fire Protection Association, 69% of the firefighters in America are volunteers. That being the case, why are we not using more volunteers? Why is the District not recruiting more volunteers? Steinberg responded by saying that the District has been recruiting volunteers for months. Mrs. Ford indicated that Sunsites-Pearce use to be a volunteer department. Steinberg indicated that the District has only been able to hire 2 individuals for the Wildland assignments due to lack of applicants. Steinberg acknowledged Mrs. Ford by saying that a lot of the volunteer departments, especially back East, are very large departments with a \$5 million budget. The volunteers the District currently have a need to receive a paycheck; therefore they work a full-time job. Mrs. Lance inquired as if Elfrida and Sonoita Elgin were volunteer departments. Steinberg indicated that both districts have a full-time staff.

An inquiry was made as to the recruitment process. Steinberg responded by saying that an application must be filled out and fingerprints taken to submit to DPS to run a background check. After background clearance, the individual would be called to work. An additional inquiry was had regarding the posting the job opening. Steinberg indicated that the available job positions are posted on the website as well as on the bulletin board at the main station as well as the Richland station. In addition, Steinberg believed one was posted at the Post Office. Steinberg further stated that the District tries to use the free advertising available to save costs associated therewith.

Mrs. Ford indicated that where she came from their Department was a volunteer department, a lot of the business people were volunteer firefighters, whereby when the siren sounded the entire town dropped what they were doing to respond. Schultz responded by saying that there are few young people here qualified to volunteer and the remaining individuals in the community are retirees. There is nothing in the community to draw individuals to the Sunsites area. With the mine falling through and the golf course being closed there is not the industry here to bring young qualified people to the area. The community is going downhill; there is an extreme amount of vacant property. Mr. Schelling interjected that at Sunnyside Fire they have 18 volunteers, but go for months at a time where there is no one to respond because the volunteers are working. Steinberg made the comment that there are few employees that live within the District to respond. There is nothing here to draw them to the area. The District has one volunteer who works on a farm but has authorization to respond to fires if needed.

Mrs. Lance inquired as to the number of employees who paid taxes to the District. Steinberg responded that three individuals live in the District but do not own homes. Mrs. Lance inquired as to who those individuals were. Steinberg responded by saying that the individuals were part time staff.

Mr. Schelling requested that Steinberg speak regarding the information he received as to the HCI matter. Mr. Schelling indicated that the District has looked into the idea of the Ambulance Service; however the District is not looking at this time to discontinue the EMS services. Steinberg indicated that if the District gave up its CON, being our response area, it would never get it back. Should a District want to give up its CON, it would have to go to a

public bid. Due to our District not running that many calls, there would be a fee for a private company to come in and place an ambulance within the District to cover the costs of the personnel and the vehicles. Most private companies require a minimum of 650 calls per year to cover their costs. An example is Tombstone, due to their lack of call base, either Douglas or Benson respond to Tombstone. The CON would go up for bid for private companies and the District would not have the ability to choose which for-profit private entity would have control. Mrs. Lance requested that someone come to the District to talk to the citizens regarding the ambulance service, such as the insurance, payroll, so they would have hard facts to look at to see what the difference would be. Steinberg asked Mrs. Lance as to what company she wanted to come in. She responded by requesting HCI. Steinberg indicated he was sure they would come speak to the community. Mrs. Lance indicated she wanted the hard facts as the numbers. Steinberg further stated that the numbers are online on the DHS website as to the number of calls as well as the number of refusals.

An inquiry was made as to the ambulance service at AEPCO. It was their understanding that they gave up their ambulance and began to use Sunsites. He was inquiring if AEPCO was totally dependent upon Sunsites, could an arrangement be made to assist. Steinberg indicated that he would find out. Steinberg further stated the best benefit would be if AEPCO was in our District. It would be a huge boost to our budget by saving a lot of money. Steinberg explained that AEPCO could obtain a fire subscription, however on the ambulance side, the District could not sign a contract due to the fact they are already in our CON. Mrs. Rydzak responded that AEPCO had an emergency response unit, but would annexation be a possibility. Steinberg responded that he had no doubt the District could annex AEPCO, however he would prefer to talk with them first. Mr. Schelling indicated it would be a petition process.

An inquiry was made as to the PTO standards of the District. It was questioned if the policy we have is based off local standards, National Fire Standards or was it just made up. Steinberg responded by saying that some districts use the vacation and sick time policy, and other districts use the policy we use, being PTO. It is Steinberg's belief that the District is required to offer some vacation and some sick time, but is not sure on the actual requirements. Steinberg indicated he set the policy based on the practices he has been around in the past 12 years. He further stated that it was not beneficial to reinvent the wheel; it is possible to use another District's policy and make it fit to our District. A lot of fire districts use a large maximum accrual, like Fry Fire District and Sonoita/Elgin. Steinberg explained that the numbers seem high, however a firefighters day is not 8 hours it is 24 hours. From speaking with other Districts, he has found that we are low on the amount of total accrual.

An individual indicated at a previous meeting it was estimated that payroll was 60% of the budget, however on the proposed budget, payroll is over 60%. Mr. Schelling indicated that it appears that way due to the operational and other services being cut on the upcoming budget. It was further inquired as to how it would be lowered for the next fiscal year budget. Mr. Schelling responded by saying that by correcting our agreement for social security and the wages set aside for Steinberg would lower the payroll expenses.

Mr. Ford inquired as to the lack of cooperation from the IRS for the Social Security, who is the District going to use to reduce the liability. Mr. Schelling responded by saying that Anne Carl, the District's attorney, Gary Maddox, an accountant in Sierra Vista who specializes in IRS matters and Schultz, who has a good relationship with IRS to resolve the issue. Mr. Schelling indicated that the 218 Agreement needs to be revised to incorporate all personnel as firefighters who are exempt from paying Social Security. Schultz indicated that Mr. Finchum, the auditor for the IRS lien brought it to the District's attention that firefighters do not pay Social Security taxes if a Public Retirement System is in place, such as PSPRS.

3. **Adjourn** – There being no further business, the meeting was adjourned at 11:43 a.m.

Respectfully submitted,

Jill Schultz

MAINTENANCE & OPERATION/CURRENT CAPITAL OUTLAY

COCHISE COUNTY SPECIAL TAXING DISTRICTS ANNUAL BUDGET

Sunsite Pearce Fire DISTRICT

| <u>REVENUES</u> | PROJECTED BUDGET | MODIFIED BUDGET | APPROVED FY 2013 - 2014 BUDGET |
|---|---------------------|--------------------|--------------------------------------|
| Taxes: | | | |
| Real estate taxes | 376,801 | _____ | _____ |
| Personal property taxes | _____ | _____ | _____ |
| County fire district assistance tax | 80,000 | _____ | _____ |
| TOTAL TAXES | \$ 456,801 | \$ _____ | \$ _____ |
| Intergovernmental Revenues: | | | |
| Federal grants | 50,000 | _____ | _____ |
| State grants | _____ | _____ | _____ |
| State land | | | |
| Fees | _____ | _____ | _____ |
| Reimbursements | _____ | _____ | _____ |
| TOTAL INTERGOVERNMENTAL REVENUES | \$ 50,000 | \$ _____ | \$ _____ |
| Charges For Services: | | | |
| Fire protection | 5,000 | _____ | _____ |
| Emergency medical (EMS) | 130,000 | _____ | _____ |
| User Fees Out of District | 11,000 | _____ | _____ |
| Other Wildland | 90,000 | _____ | _____ |
| TOTAL CHARGES FOR SERVICES | \$ 236,000 | \$ _____ | \$ _____ |
| Miscellaneous Revenues: | | | |
| Projected carryover balance | _____ | _____ | _____ |
| Interest earnings | _____ | _____ | _____ |
| Rent | 3,600 | _____ | _____ |
| Contributions & donations | | | |
| from private sources | 1,500 | _____ | _____ |
| Proceeds from the sale of bonds | _____ | _____ | _____ |
| Other | _____ | _____ | _____ |
| TOTAL MISCELLANEOUS REVENUES | \$ 5,100 | \$ _____ | \$ _____ |
| TOTAL REVENUES | \$ 747,901 | \$ _____ | \$ _____ |

EXPENDITURES

PROJECTED
BUDGET

MODIFIED
BUDGET

APPROVED
FY 2013 /2014
BUDGET

Personal Services:

| | | | |
|--------------------------------|---------|-------|-------|
| Salaries and wages | 390,000 | _____ | _____ |
| Retirement contributions | 51,000 | _____ | _____ |
| Insurance | 32,000 | _____ | _____ |
| Employee benefits | 30,000 | _____ | _____ |

Emergency Medical (EMS)

| | | | |
|--------------------------------|-------|-------|-------|
| Salaries and wages | _____ | _____ | _____ |
| Retirement contributions | _____ | _____ | _____ |
| Insurance | _____ | _____ | _____ |
| Employee benefits | _____ | _____ | _____ |

TOTAL PERSONAL SERVICES \$ 503,000

\$ _____ \$

Operations:

| | | | |
|---|--------|-------|-------|
| Purchased utilities | _____ | _____ | _____ |
| Fuel, oil, and lubricants | 23,033 | _____ | _____ |
| Repairs and maintenance | 15,000 | _____ | _____ |
| Supplies and materials | 10,000 | _____ | _____ |
| Small tools and minor equipment | 7,000 | _____ | _____ |
| Communications and dispatch | 8,000 | _____ | _____ |
| Engineering | _____ | _____ | _____ |
| Fire hydrant costs | _____ | _____ | _____ |
| Water testing | _____ | _____ | _____ |
| Fire protection | _____ | _____ | _____ |
| Miscellaneous | _____ | _____ | _____ |
| Other (itemize) . Employee Health & Safety .. | 6,000 | _____ | _____ |
| PPE | 15,500 | _____ | _____ |
| Drills | 1,500 | _____ | _____ |
| Pump Tests | 1,000 | _____ | _____ |

TOTAL OPERATIONS \$ 8,7033

\$ _____ \$

Other Services and Charges:

| | | | |
|--|--------|-------|-------|
| Administration . . & Attorney Fees | 10,000 | _____ | _____ |
| Professional services | 20,000 | _____ | _____ |
| Training | 11,500 | _____ | _____ |
| Travel | 2,000 | _____ | _____ |
| Insurance | 30,000 | _____ | _____ |
| Judgments and losses | _____ | _____ | _____ |
| Licenses and taxes | 4,100 | _____ | _____ |
| Public utility costs | 19,000 | _____ | _____ |
| Leases and rentals (equipment & housing) | _____ | _____ | _____ |
| Repairs and maintenance | 10,000 | _____ | _____ |
| Interest | 300 | _____ | _____ |
| Penalties and late fees | _____ | _____ | _____ |
| Fire protection | _____ | _____ | _____ |
| Transfers to other funds | 20,000 | _____ | _____ |
| Election reimbursements | _____ | _____ | _____ |
| Reimbursement for warrants | 700 | _____ | _____ |

| | | |
|---|-------|-------|
| Reimbursement for County services | 5,568 | _____ |
| Miscellaneous | _____ | _____ |
| Other (itemize) | | |
| Office & Postage | 4,200 | _____ |
| Legal Notices | 500 | _____ |
| _____ | _____ | _____ |

TOTAL OTHER SERVICES AND CHARGES \$ 137,868 \$ _____

EXPENDITURES

PROJECTED
BUDGET

MODIFIED
BUDGET

**APPROVED
FY 2013/ 2014
BUDGET**

Capital Outlay:

| | | | |
|---|--------|-------|-------|
| Land | _____ | _____ | _____ |
| Buildings | 20,000 | _____ | _____ |
| Construction in progress | _____ | _____ | _____ |
| Improvements other than buildings | _____ | _____ | _____ |
| Motor vehicles | _____ | _____ | _____ |
| Machinery and equipment | _____ | _____ | _____ |
| Leasehold improvements | _____ | _____ | _____ |
| Other | _____ | _____ | _____ |

TOTAL CAPITAL OUTLAY..... \$ 20,000 \$ _____ \$ _____

TOTAL EXPENDITURES \$ 747,901 \$ _____ \$ _____

AUTHORIZED SIGNATURE

(Type or print name)

(Title)

(Hand written signature)

(Date)

(Type or print name)

(Title)

(Hand written Signature)

(Date)