

Minutes to the Budget Hearing of the Board of the Sonoita-Elgin Fire District
Monday, 21 May 2012
6 p.m.

Pledge of Allegiance

Roll Call – Izzo, Ruppel, Bianchi and Pfitzenmaier present; Tomlinson absent.

Budget Hearing – Izzo – If you wish to address the Board with any comments or questions, you will need to sign in on the sign-in sheet that is up on the table over there. You will be limited to three minutes. You're welcome to ask any question of the Board, at the end of your presentation the Board will respond to your question if they're able in not we'll refer them to Chief DeWolf. We'll ask that you address your comments directly to the Board, if you wish to submit written comments you can bring them to the table at any time.

We'll begin with statements by the Board Members.

Pfitzenmaier – Several days ago I put together a few words for our newsletter we'll be publishing. We're once again involved in our annual budget discussions, attempting to strike the best balance between emergency services cost and capability. We're all in this together as we face personal financial challenges that were unanticipated four or five years ago, with no assurance that the economy will regain its footing any time soon. These same factors make it increasingly difficult to supplement our tax-based income with income from grants, fund-raisers and contributions. Never-the-less, about 40% of this year's proposed revenue is from other than current-year property tax assessments.

My personal "fire tax" is about 13% of my total property tax. For that fee, I expect to receive what are, to me, as a resident in a rural community, the two most important of all tax-based services: Emergency medical intervention and structure and wildland fire protection. I want these services to be available 24 hours a day, every day, and I want them to be provided by men and women who are journeymen at their trade. Last year, on June 28th, as our firefighters tamed a fully-developed grass fire that engulfed my property, burning within feet of my house, I became convinced that we are receiving an outstanding return on our emergency services investment.

In order to hold costs down we have deferred several medium- and long-term goals. We diligently attend to apparatus maintenance needs, but we do not contribute to an apparatus replacement fund. The purchase and use of a water-tender would generate income and soon pay for itself, but we have deferred such a purchase to avoid near-term cost. We were gifted land in Elgin for forward-based water and apparatus staging, but we have delayed the development of that site. We have restructured our employee compensation to move to an "incentive based" format that will flatten personnel costs over time. We have declined to fund an employee health care plan and have postponed an upgrade to our substandard Firehouse living quarters.

Lastly, I've looked at my own personal fire tax over the last few years to see where they've gone and where they're going. In 2009, I paid \$599 for fire tax, 2010 - \$600, 2011 - \$561 and this year, if we approve the proposed budget which we have not done, my tax would be \$588; all that to say there's been very little change over the past 4 years that I have data to look at.

Bill Schock – I have several comments but the main thing is along Highway 82 I frequently see automobile accidents. And at these accidents I frequently see that there's an ambulance from Sonoita and two fire engines. I don't know how often there are fires but that seems to be wasteful of

resources to me I don't why we need to send two fire engines out there when there are no fires. We all need to be looking at ways to cut costs, I hear what Larry's saying; every company I worked in I've had to deal with a smaller budget every year rather than a smaller budget every year. I think with the economic times we're in right now, sending out two fire engines for no fire at an automobile accident is probably wasteful. It would be interesting to know how – what – where I could find the figures to find out how often fire engines leaves here and go to a location where there is no fire. Because I know it is very expensive to operate these vehicles, I know what the price of fuel is and that sort of thing, so I'm just looking at ways to cut down on expenses. I would like to see our budget go from over one million over a million one, down to one million, in other words I would like to see you cut \$100,000 off this budget it will be the first time I've ever seen a government organization actually cut a budget, I would like to see that before I die. Simply because, a lot of economies can be done inside of any organization, particularly as you get a more skilled group of people working for you, many of the staff you've had for a long time, it seems to me that you've got a very skilled group of people. What I'm looking for from you gentlemen basically is cost cutting ideas simply because it needs to be done in this nation now. That's all I have to say.

Chief De Wolf – A lot of the time it is for the extrication equipment that is carried on them. We do not have a high quality dispatch center in Santa Cruz County so a lot of the calls we go on we do not know what we're running on so it could be extrication it could be fire and it's probably maybe in the 1-2% that the engine's not used. But it could be fire potential because of spilled battery acids, fuels, oils, it could be that we need to block the road so that our personnel are not injured while other motorists are passing by us...

Ruppel – it could be hazmat it could be, it could be scene control, it could be wetting down an area for a helicopter...

Schock – then why can't send ...

Izzo – Excuse me, we can't really debate, all we can do is answer it. The answer is extrication equipment that is not carried on the ambulance is carried on the other fire engines, if they need to cut somebody out or manipulate the vehicle to save someone, or for fire protection, or traffic control. Thank you very much.

Terry Plympton – Board Members, Fire District Personnel and Members of the Community; Well it's the annual budget meeting again, and I think it an appropriate time to express some opinions about the role of Taxpayers play in sustaining all levels of government. I would ask those responsible for creating and managing the Sonoita-Elgin Fire District Budget to be mindful of the origins of the monies used for the operation of the district; it is also important that the community pay attention to the flow of Taxpayer dollars which maintain the local fire district as well as other government agencies. After attending a number of monthly Fire District Board meetings, I have the following observations about the financial status and the funding methods of the Sonoita-Elgin Fire District: As a government organization, the fire district requires the payment of taxes from local property owners to operate the fire district. This is the normal modus operandi for most governmental agencies at the local level; school districts, fire districts, library districts, water districts all employ similar methods. Most of the dollars collected for the annual budget needs of the Sonoita-Elgin Fire District come from a tax based on the Full Cash Value of land and homes within the boundaries of the fire district. Of the proposed 2012-2013 \$1.15 million dollar Budge, \$686,044 will come directly from property owners within the district. Additional funding for the fire district often comes in the form of State or Federal grant programs. Many individuals think Grant Programs are a great way of securing funds for the fire district, as they help defer an increase in the tax levy from local property owners; but the money for the funding or the payment of these grants inevitably comes from the same source; the taxpayers, and in this case the revenue is derived from state and/or federal taxes. An ambition

program for generating income for the Sonoita-Elgin Fire District is in process; the idea is to outfit a donated Type 3 fire truck for use as a wildlands vehicle, complete with a crew capable of spending up to two weeks at a fire location and getting paid for being on site; the current rate for this type of truck and crew is \$66 per hour. This sounds like a great idea for boosting the income of the district, and possibly reducing the dependency on local tax dollars. But wait a minute, most of the wildland fires that occur are located on public land, which means the monies generated from the use of a wildlands truck will come from State or Federal revenue, so, Local, State and National Taxpayers are paying taxes to support the income of the local fire district. The ambulance service is generating a sizable amount of income for the fire district; approximately \$240,000 for 2012. This is an impressive figure and could help offset the tax burden paid by property owners; however, many of those medical calls are for Medicare patients, and in some cases ACCHS or illegal alien patients, whose medical bills are paid through State or Federal programs. So in the end, Taxpayers are footing the bill for yet another government service which helps fund the operation of the local fire district. The point of these observations is this: Government agencies, from local to federal, are only able to exist by generating revenue through taxation on individuals and businesses. Nearly every government dollar is derived from some type of tax. Whether sales taxes, use taxes, excise taxes, payroll taxes or property taxes, in good economic times or bad, the founder of the feast is always the Taxpayer. I believe we all need to pay special attention as to how effectively our tax dollars are used; and to the Fire District Board, I ask that you be especially diligent when considering the proposed Budget and the impact that it will have on every Taxpayer in the local community and beyond. Thank you for your time and consideration.

Vicki Rutter, Fire District Resident - I would support the board taking the full tax increase available for the next fiscal year. There are approximately 3000 residents in the SEFD. The maximum increase in taxes would result in approximately \$48 per year, per resident, if paid evenly amongst the residents. I know some would pay more and some less but most would pay less than the cost of a tank of gas for their share of the increase. This is a small price to pay for the benefit of 24/7 emergency services. The board represents all 3000 residents, not just the few who attend the board meetings and oppose any fire district progress. By far the majority of fire district residents are pleased with the services the fire district provides and do not oppose the taxes that support those services. I believe the majority of fire district residents would be shocked to know there are no funds set aside for equipment replacement, capital expenditures or reserves of any kind. Most residents would not know that the board has kept the fire district funds so low that we can barely pay expenses between the receipt of our tax revenues without having to borrow on the line of credit. I have a question for Mr. Bianchi. You have included approximately \$20,000 in Prior Year carry forward for money relating to a specific grant. All of the grant income and expenses relating to this carry forward have been both received and spent. The carry forward appears to be a scheme to lower needed tax revenues for the next fiscal year by pretending that money will come from other sources. SEFD reports finances on the modified cash basis of accounting which means revenues are recognized when cash is received and expenditures when cash is spent. Grant revenues and expenses often cross over fiscal years, which is one reason the auditor does not want them included in the annual budget but the board chooses to include them anyway. A budget is to project the revenues and expenses for a specific time period, in this case the next fiscal year. My question is how you justify this carry forward?

Bianchi – I'd be very happy to answer that. We operate on a budget where we collect cash revenues each year, then we make expenditures. The carry over comes from GOERS Grant that provides equipment you see here, turnouts for the firefighters who respond to a fire. That was a grant. It was a reimbursing grant, which means we spend the money and then we get the money back. In the

prior fiscal year, we had sufficient funds to pay for all of the turnout equipment purchased. The amount of money that is the carry-forward did not come in 'till this year. Last year we operated within our budget so we had the funds to pay for that. This year we got the funds in and there was no budgeted expense. So it only makes since we didn't have a budgeted expense and we were able to cover it in the prior year that this year we can carry it over to the budget we're currently discussing.

Matt Parrilli – I've got a few question about this budget. The areo-medical billing, line item seems to be very substantial, and that's just to collect money - line 56. We had a surplus of \$62,400. Was that a genuine surplus or was that a prior year plan - line 21. Vera Earl Tower, how much is that costing us a year. There's a line here on debt service, \$31,000 is that ambulances, we're still paying those puppies off? That's it.

Bianchi – I think I can respond to it. Whenever you have a claim, it has to be submitted, whether it's to the government or the insurance company or Medicare. It has to be properly filled out or it gets kicked back. If you subscribe to the bulletin you would have notices about a year ago how delinquent the town of Nogales was, I think the number was somewhere around 90% was not getting collected because it was not being done properly. Now it is a very technical precise application that has to be done, we do not pay AeroMed until the funds have been collected. So they're not paid in advance, so if they do something wrong and the funds are not collected on the first go around they're not paid on that. I believe its 7% on what they collected.

Izzo – Can you address that carry-forward, line 21?

Bianchi – We'll I don't have al the details. Part of that is the GOERS Grant that didn't get spent or was spent in the prior year, collected this year with no off-setting expense this year, so that's being carried over, the other part is we're still dealing with our septic system. It does not appear that we're going to get our septic system in this year, that's \$20,000 there so that's \$40,000. I believe the balance of it is the amount of money that we need to carry-forward we do not have to borrow money from the county until the next big slug of taxes comes in from the county in November or December.

Izzo – Chief, Could you address the Vera Earl Tower?

De Wolf – The Vera Earl Tower is under contract and it runs roughly \$2,400 a year. The contract is up now and we're negotiating prices on it. The remaining balance of the money there, as you can see there is a decrease there, is for communications with dispatch and related expenses to towers.

Izzo – The other question was the debt service.

Bianchi – We still have two more annual payments on the ambulances. One paid this July and one paid next July, and then we own them.

Parrilli – I'm still not clear on this AeroMed, because the crews...

De Wolf – AeroMed is the Ambulance billing, it has nothing to do with helicopters.

Parrilli – Oh okay.

Pete Daniels – Mr. Chairman and respected Board Members. I would like to begin by thanking each of you for your willingness to volunteer your time to serve on the Fire Board. Having previously served on this Board, I appreciate the delicate balance between safeguarding the interests of the taxpayers who fund the District with the needs of the District in providing an acceptable level of service.

I will be direct. I would like to ask you to increase the amount of the proposed budget but we all know that isn't possible. Therefore, I am here tonight to strongly encourage each of you to vote to adopt the budget as published. While I am an advocate of seriously considering public input during the process, I feel you have already gone beyond your responsibility in protecting my fellow

taxpayers and me by insisting that our Fire Chief submit a bare bones proposal for your consideration. This is the third year in a row that this has occurred.

The primary role of this elected Board is to provide for the protection of life and property within the District. As a taxpayer I appreciate your aggressiveness in keeping my tax levy low but as a potential and probably consumer of the services provided by the District I am very concerned that you are on the verge of failing to provide adequately for the needs of the District.

When this District was formed in 2006, there were fiscal plans to slowly build a cushion to fund operations during the lag time without having to borrow money and pay interest until tax revenue started coming in. By our third year our Fire Chief had accomplished.

We also had plans to slowly build up funds for a structured vehicle replacement program, station remodeling to accommodate a 24/7 service, and operational expansion as required by increasing service demands. Over the past 3 years this Board has chosen to raid those funds so you could decrease our tax levy rate. We now have nothing left toward those needs.

Based on our call volume history and projections, and with the aid of a couple of government grants, our Fire Chief began staffing 24/7. This station is not set up to accommodate 24/7 staffing. We don't need to fund a mansion for our personnel but should provide adequate living quarters that are functional and safe. As you are aware, we've been asking our staff to use a rented "Port-A-Pot" for the past 6 months due to our septic tank problems. While you are funding the remedy, it has been difficult due to our tight budget.

We need to purchase another ambulance and plan to purchase an additional one every 2 to 3 years. We can't even provide service to local events like the horse races or rodeo without borrowing a back up ambulance from another department.

Title 48, Section 805 of the AZ Revised Statutes prohibits our Fire District from incurring any liability or debt in excess of taxes levied and to be collected except for voter approved bonds. Our budget has been so tight for the past 3 years that if we have any unexpected, uninsured loss, we'll be in trouble. If the District suddenly had to cover a large unbudgeted expense, the only option would be to reduce our ability to provide service.

We need to start going the other direction. We need to rebuild long term, dedicated funding for realistically anticipated needs. We need to keep pace with our ever increasing demands for service.

The number of simultaneous double and even triple calls is increasing. As our call volume increases, this body needs to ensure that the District has the resources to provide that service. That's what we elect you to do. Please do not decrease the amount by even a penny! Thank you.

Izzo – that does conclude the hearing portion, do we have closing statements from the Board members.

Bianchi – We've had several meetings of the Board, open to the public, where we have discussed in detail where we are going as a district, what the Chief's requirements are, taking it out for a ten year period, in terms of equipment or when we will need another ambulance, we're not scheduling one every two years. Are we operating bare bones, absolutely, but the community is operating bare bones and until this economy turns around and we get people so they can pay their mortgage, and not have their houses repossessed as it's happening here in Sonoita. We have got to do our part, in my opinion, to try and keep the taxes as low as possible. I think at some point in the future things will get better.

Pfitzenmaier - Jerry's probably said it all, I agree with Jerry that we're at a minimum of funding that we can sustain the operation that we have a responsibility to do. I'm really torn, I can talk to some really, really good friends and their sitting in the room right now, and they say Larry, we've got to knock this thing back to a million or less, we're a small community, we just don't need this kind

of service. I like these people, I believe them and they believe what they're telling me. I also have a responsibility to make sure that we can man every call at a level of confidence that gets the job done. I've heard some concerns for instance regarding our personnel – we've got to cut back our personnel costs, the largest part of the budget is personnel, of course, that's no surprise. We're always complaining about or worried about replacing people because they leave, well let's just leave the wage base the same and consider ourselves a training facility for younger, less experienced, excited and enthusiastic people to work their way through as they eventually work their way on to other fire districts. I disagree with that for two reasons. One, there is an element of teamwork that can only be achieved by working together over a period of time, to get the job done correctly that only comes with continuity, that only comes with people staying on the job a period of time. Two, when I fall off my ladder on my roof I want really good people to show up at my door, I don't want somebody on their first run. So, I'm trying to strike a balance with my personnel costs. Personnel costs have gone up, if you looked at the budget you have in front of you, you'd see that it has. We're structuring a program now where we pay an incentive fee for people to achieve greater qualifications in their trade. They do not receive that fee, that additional salary until they are in a position, or a billet that requires that skill. When they transfer into that billet they receive the increase pay; rather than an increase in pay just based on percentage. All to say we're trying to strike a balance in every one of these areas. Terri's comments I need to really mull; I don't know what to do about the secondary and tertiary taxes we've been talking about. Sitting here without spending time talking about it I don't know what we can do about that. Uh. Well I'll just have to let it go at that. Those are things that are on my mind, there on my mind all the time. I appreciate the people who attend those meetings 'cause they can hear the dialog, the background on some of these subjects. It's hard to lay out all of our thoughts at one time at a meeting like this. Over time if you choose to attend our Board meetings I think you'll get the ebb and the flow of our thinking.

Izzo – I'd like to thank everyone for coming tonight and addressing the Board, this is the public hearing process and it does really hear him out when people are involved and have things to say to us. It's really discouraging to be here and not have anybody comment on our budget process one way or the other, we really just don't know then what people are thinking. I want to echo or reiterate the need for our emergency medical services, as all of you know the vast majority of our calls are emergency medical calls. I feel like my responsibility on this Board is to provide the best possible care and service at a reasonable cost. Just like Larry mentioned, I'm always thinking about the call, we just don't want to see somebody that's on their first call. We don't want to see somebody that's here for just training – they're here a few months, maybe a year, and then they're gone. And this is costing us, our tax dollars, a lot more than what it should. People come, they come to get trained and then you know they apply for Tucson Fire, Rural Metro, Green Valley, they don't get accepted, so they come to work for us. Once they get all of their credentials, then they go on – and it's not just one of two. Every year we're losing qualified people that have now attained a level of professionalism, and so we start all over again. We continue to be far below comparable districts, our salary is not comparable that we're offering; our benefits, we do not offer medical benefits of any sort our holiday pay is far less than other comparable districts so these people go. Very few of our staff actually live here. So again it's just an idea to come here to be trained and then they go. I see this as the most significant problem that we face and we must begin to deal with that. This budget this year is our first attempt to try to deal with that problem. I recognize that we have a problem that we've had for the last several years; a bare bones budget. We have no plans to replace equipment, we've postponed development of the Elgin site, we've postponed additional equipment purchases to try to keep our taxes down to some reasonable level. But we can't continue to do that forever. So, this year's budget is our first attempt to try to establish some pay equity and maybe in

future years we can take little bites at that and build a credible staff here. Again, I appreciate all your comments and I thank you all for coming tonight. If there are no other Board comments, will I hear a motion for adjournment?

Motion for adjournment – Bianchi, seconded by Ruppel. Motion carried.