



ARIZONA FIRE & MEDICAL AUTHORITY BUDGET AND FINANCE COMMITTEE MEETING MINUTES

Tuesday, April 20, 2021

MINUTES

1. CALL TO ORDER / ROLL CALL OF BOARD MEMBERS / AFFIRMATION OF QUORUM

Committee Chairperson Miller called the meeting to order on Tuesday, April 20, 2021, at 2:01 p.m. at the **Arizona Fire & Medical Authority Administrative Office, 18818 N. Spanish Garden Drive, Sun City West, Arizona 85375. The meeting was held virtually.**

Members Present: Committee Chairperson Dawn Miller, Committee Vice Chairperson Diane Price and Committee Member Richard Bookie

Members Absent: None

Staff Present: Fire Chief Rob Biscoe, Assistant Chief Mary Dalton, Assistant Chief Chris DeChant, Division Chief Brad Puckett, Acting Finance Manager Coaleen Poland, Management Analyst Deborah Musselman and Authority Clerk Dusty Christopherson

Legal Counsel: None

Public Comment: None

Media Present: None

Guests Present: North County Fire & Medical District Board Members David Wilson, Tony Sambol, and James Young; South County Fire & Medical District Board Member Bill Becker; Arizona Fire & Medical Authority Labor Representatives Scott Dial and Justin Roggeman

2. REGULAR BUSINESS

A. Approve Budget and Finance Committee Meeting Minutes of March 16, 2021.

Committee Vice Chairman Price moved that the Budget and Finance Committee Meeting Minutes of March 16, 2021 be approved. Committee Member Bookie seconded the motion.

Vote conducted. **MOTION CARRIED.**

AYES: Bookie, Miller, Price

NAYS: None

ABSENT: None

B. Review South County Fire & Medical District, North County Fire & Medical District, and Arizona Fire & Medical Authority Financial Reports for March 2021.

Coaleen Poland, Acting Finance Manager presented the March 2021 financial reports for the South County Fire & Medical District, the North County Fire & Medical District and the Arizona Fire & Medical Authority and answered any questions from Board Members.

In response to an inquiry, Ms. Poland stated that the increase of 10% in ambulance revenue is due largely to an increase in transports.

Chief Biscoe stated that Staff is projecting a \$750,000 deficit in ambulance revenue for Fiscal Year 2020/21 and over the last two years a combined deficit of approximately \$1.3M due to the COVID-19 Pandemic.

Committee Member Bookie moved that the Budget and Finance Committee recommend the South County Fire & Medical District Governing Board, the North County Fire & Medical District Governing Board and the Arizona Fire & Medical Authority Governing Board approve the Financial Reports for March 2021. Committee Vice Chairman Price seconded the motion.

Vote conducted. **MOTION CARRIED.**

AYES: Bookie, Miller, Price

NAYS: None

ABSENT: None

C. Receive Fiscal Year (FY) 2021/22 budget development updates.

Ms. Poland stated that end of fiscal year projections will be updated at the AFMA Governing Board Meeting on April 27, 2021.

Ms. Poland provided updates to the Committee on the FY 2021/22 budget development process and that the budget is scheduled to be tentatively approved at the AFMA Governing Board Meeting on May 25, 2021. This will begin the 20-day posting period.

D. Announce the Distinguished Budget Presentation Award for Fiscal Year 2020/21.

Ms. Poland announced that the Arizona Fire & Medical Authority Finance Section has been awarded the Distinguished Budget Presentation Award from the Government Finance Officers Association (GFOA) for Fiscal Year 2020/21.

The GFOA established the Distinguished Budget Presentation Awards Program in 1984 to encourage and assist state and local governments to prepare budget documents of the very highest quality. The Arizona Fire & Medical Authority Finance Section has achieved this award every year since Fiscal Year 2012/13.

The Budget & Finance Committee congratulated the Finance Section for their hard work and accomplishments.

E. Discuss the external auditing firm bids for financial auditing services.

Ms. Poland presented the Committee with the results of a bid process for external auditing services for the next three fiscal years.

Ms. Poland explained that the Authority’s contract with Walker & Armstrong, LLP, expired with the finalization of the Fiscal Year ending June 30, 2020 audits and financial statements. With the expiration of Walker & Armstrong’s previous three-year contract, Authority staff has requested proposals from several qualified Arizona certified public accounting firms for a one to three-year contract period for auditing related services. A bid summary was provided to the Committee for each firm.

Staff is recommending renewing the auditing services contract with the accounting firm of Walker & Armstrong for an additional 3-years. In addition to being the lowest bidder, Walker & Armstrong has been a valuable resource over the years, assisting with the set-up and transition of the Authority and its partner agencies financial systems from QuickBooks to Tyler Technologies. This firm also assisted in the transition from a single fire district financial reporting system to the combined multi-entity financial reporting system currently in place for the Joint Powers Authority (JPA).

Chief Biscoe added that Walker & Armstrong have been very helpful to staff when issues have arisen and that they have recommended performing financial reviews quarterly to simplify and expedite the annual audit process.

Committee Vice Chairman Price moved that the Budget & Finance Committee recommend the South County Fire & Medical District, North County Fire & Medical District, and the Arizona Fire & Medical Authority Governing Boards approve the use of Walker & Armstrong, LLP for a period of three years beginning in Fiscal Year 2021/22. Committee Member Bookie seconded the motion.

Vote conducted. **MOTION CARRIED.**

AYES: Bookie, Miller, Price
NAYS: None
ABSENT: None

F. Discuss Certificate of Participation (COP) relating to potential refinancing of the Public Safety Personnel Retirement System (PSPRS) pension liability debt.

Mary Dalton, Assistant Chief – Business Services provided the Committee with a verbal report on the potential of utilizing a Certificate of Participation (COP) to address the Authority’s PSPRS unfunded liabilities.

Ms. Dalton explained that PSPRS has struggled with unfunded pension liabilities for the past 12-15 years. In 2016, Arizona’s public safety associations, led by the Professional Firefighters of Arizona and Arizona police and law enforcement associations, worked with the Reason Foundation, Senator Debbie Lesko and Senate President Andrew Biggs to enact comprehensive pension reform.

In 2020, cities and counties were successful in passing legislation which provided authorization to refinance their PSPRS unfunded pension liabilities and several have taken advantage of this opportunity.

The Arizona Fire District Association (AFDA) put forth Senate Bill 1298 (SB1298): Fire Districts; Pension Liability; Financing (Senator T.J. Shope) this year. SB1298 passed through the Arizona State Senate and House with 2/3rds of Arizona legislators supporting the bill and its’ emergency clause. The Governor has signed the bill.

Chief Biscoe recognized and thanked AFDA and John Flynn for their efforts in the success of this bill.

SB1298 authorizes fire districts to refinance their existing PSPRS unfunded liabilities at a lower interest rate (currently 2.5% to 3% but creeping upward) utilizing Certificates of Participation (COPs). An interest rate which is significantly lower than the rate at which unfunded liabilities accrue at PSPRS (currently 7.3% annually). A COP is different from bonds. They are sold but do not need voter approval. The entity pays back the COPs directly. AFMA is enlisting the help of Stifel, Nicolaus & Company, Incorporated (Stifel). Stifel specializes in public refinancing and would assist the Authority with support and planning. Stifel will provide a presentation to the AFMA Governing Board Meeting on April 27, 2021.

Chief Biscoe explained that AFMA would need to establish an S&P Bond rating in order to apply for a COP. The cost to attain this rating is approximately \$34,000. The timeframe to attain this rating is estimated at 2-3 weeks.

In response to an inquiry, Chief Biscoe explained that the S&P fees of approximately \$34,000 would not be rolled into the COP sales. However, Stifel’s costs would be.

AFMA currently has \$30M in unfunded pension liability and could potentially save up to \$20-25 million in interest over the projected 22 years of the refinancing term which will require the Authority’s assets be held as collateral during that time. The first year is projected to save \$750,000.

Chief Biscoe explained some of the risks involved. For example, if PSPRS does not meet expected earnings returns, the Authority’s unfunded liabilities would continue to grow. The COP does create a reserve fund of \$5M to address this.

Many fire districts, such as Golder Ranch and Central Arizona Fire & Medical Authority are exploring this option. If approved, a resolution would need to be adopted by the AFMA Governing Board with COP sales potentially starting in July.

G. Discuss HME, Inc. Authorized Service Center Agreement.

Chris DeChant, Assistant Chief - Operations, presented the Committee with the proposed Authorized Service Center Agreement with HME, Inc. for warranty repairs of the new Type 1 Engines.

Chief DeChant explained that the Authority has taken delivery of two new Type 1 Engines from HME, Inc. HME does not have a local repair service that can provide any necessary warranty repairs. This Authorized Service Center Agreement allows the Authority to provide warranty repairs in-house using Authority fleet personnel and outsource repairs for items that Authority fleet personnel are unable to make. Under this proposed Agreement, the Authority will be reimbursed for labor at the rate of \$112.50 per hour by HME, Inc. Parts covered under warranty will be ordered and delivered by HME, Inc. at no cost to the Authority.

Committee Member Bookie moved that the Budget and Finance Committee recommend the Arizona Fire & Medical Authority Governing Board approve the HME, Inc. Authorized Service Center Agreement. Committee Vice Chairman Price seconded the motion.

Vote conducted. **MOTION CARRIED.**

AYES: Bookie, Miller, Price
NAYS: None
ABSENT: None

H. Discuss Capital Improvement Plan (CIP) Expenditure – Swamp Cooler Replacement.

Brad Puckett, Division Chief - Support Services requested the use of Capital Improvement Plan (CIP) funds to replace four swamp coolers on the apparatus bay roof of Fire Station 231.

Chief Puckett explained that swamp coolers provide the crew with cooler working conditions in the apparatus bay during the hotter months of the year. This helps to avoid crew fatigue and the apparatus from preheating prior to calls. Regular preventive maintenance discovered that the four swamp coolers on the bay roof of Fire Station 231 are in poor condition, with pans that have rusted through, and pads in need of replacement. The cost of repairs is excessive, and full replacement is being recommended. Staff has solicited bids from three separate vendors. Staff is recommending the work be performed by Kerr's Comfort Zone, Inc. Kerr's bid was the lowest, they perform most of the Authority's air conditioning work, and have completed similar work at the administrative offices as well as Fire Station 232's recent remodel.

Committee Member Bookie moved that the Budget & Finance Committee recommend the Arizona Fire & Medical Authority Governing Board approve the use of CIP funds in an amount not to exceed \$8,500 for the replacement of the four swamp coolers at Fire Station 231. Committee Vice Chairman Price seconded the motion.

Vote conducted. **MOTION CARRIED.**

AYES: Bookie, Miller, Price
NAYS: None
ABSENT: None

I. Receive update on existing and planned grant applications.

Deborah Musselman, Management Analyst provided an update to the Governing Board on the existing and planned grant applications and answered any questions from Board Members.

Ms. Musselman noted that the Carcinogen Exposure Reduction Program for the Direct Source Capture Exhaust Extraction Systems funded by the Federal Emergency Management Agency (FEMA) Assistance to Firefighters Grant installation is scheduled to start as soon as the parts and equipment are received. This project is scheduled to be completed by September 17, 2021. However, FEMA has issued a blanket extension of one year for all recipients, if needed.

Ms. Musselman explained that most of the pending grant applications are scheduled to announce awards between May and June 2021 with the exception of the Arizona Governor’s Office of Highway Safety grant which will be announced by the start of the Federal Fiscal Year, October 1, 2021.

Ms. Musselman noted that Staff is working on a grant opportunity through the Arizona Public Service and Arizona Community Foundation for additional funding to support the Fire PALS Program.

3. **SUGGESTED ITEMS FOR FUTURE BUDGET AND FINANCE COMMITTEE MEETING AGENDAS**

There were no items suggested.

4. **ADJOURNMENT**

The meeting adjourned at 2:59 p.m.

Diane Price
[Diane Price \(Jun 10, 2021 10:51 PDT\)](#)

Diane Price, Committee Vice Chairperson


April 20, 2021 Approved Minutes - Budget and Finance Committee Meeting

Final Audit Report


2021-06-10

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