SEDONA FIRE DISTRICT
CITIZENS' ADVISORY COMMITTEE

Final Presentation to the SFD Governing Board at the May 17, 2017 Monthly Meeting

REPORT TO THE GOVERNING BOARD

MISSION OF THE ADVISORY COMMITTEE

At the direction of the Sedona Fire District (SFD) Governing Board, a Citizens' Advisory Committee was impaneled in March 2017. Its purpose was:

- To evaluate present and future capital needs of the District;
- To determine the best financial method possible to meet those needs in order to continue providing the most efficient and cost effective service to our community; and,
- To present its findings and recommendations to the Governing Board.

The Citizens' Advisory Committee (Committee) spent about 30 hours during 10 meetings where presentations and information were provided to the Committee from SFD staff, James Vincent Group, Coconino and Yavapai County Assessors, LEA Architects, BDA Design, and Core Construction. In addition, the Committee members were given a book entitled "Leadership and Self-Deception" to read and an additional 198 pages of handouts to review on their own time.

COMMITTEE RECOMMENDATION TO THE BOARD

The Citizens' Advisory Committee makes the following recommendations:

1. That the elected Fire Board call for a November 2017 Bond election in an amount not to exceed $18 million. The amount is based on the Committee's determination that proposed capital projects are necessary and are considered to be high priorities. The amount requested assumes a few years of conservative to marginal growth of the Assessed Value (AV). If the AV shows better than expected growth, a consideration for the amount of bonds issued may be reduced by the Governing Board, as appropriate, and the District has the ability to consider purchasing fleet, equipment, or Telecommunications projects through the operating budget. The Committee believes very strongly that the capital needs of the District are real and that the community deserves an opportunity to voice their opinion via the ballot box. If the community approves the Bond, the Committee recommends that this Board and future Boards follow the wishes of the community as expressed in the election.

2. That the elected Fire Board and staff continue to find efficiencies and cost savings so as to require the minimum amount of bond sales to complete capital projects, as proposed. Consideration should be given if timing and circumstances allow, projects for building may be combined and carried out at the same time; this could provide an estimated cost savings of 5% - 10% in combined total costs.

3. That the elected Fire Board and staff annually review the priority and/or importance of each proposed project with the understanding that "lower" priority projects may be delayed or canceled if economic circumstances dictate. The needs that are "higher" priority will remain regardless of economic factors. In challenging economic times, the District would evaluate the deferral of purchasing needed capital items, including fleet and operational equipment, and making them last longer or allowing for a greater tolerance for the cost of increasing maintenance, which is simply being good stewards of funding and the public trust.

4. The projected cost estimates recommended in the Bond are allocated for projects for which we were able to plan. The Bond dollars are not specifically earmarked for specific projects because we realize circumstances may change and priorities may shift. The Committee understands the language of the approved bond and legislative restrictions may dictate future needs which were unanticipated at the development of this recommendation. The Committee recommends following the advice of bond counsel for best practice language allowing appropriate flexibility over a 10-year period.

5. That the elected Fire Board and staff continue to actively pursue alternative funding such as grants and other revenue opportunities.

6. When implementing capital projects such as fire stations, utilization of a Construction Manager at Risk (CMAR) delivery process would likely provide the best overall value for the taxpayers. The Committee encourages the Board to take a strong look at implementing CMAR in major construction and remodel projects.

7. That this Board and future Boards approve appropriate annual funding in capital reserves following best practice procedures so that 10 years from now, capital funding will be available to replace future needs without going to another bond. An exception to this recommendation might be fire station replacements when those are needed in the future.

   Furthermore, the Committee recommends the current Governing Board establish – and future Governing Boards maintain – a best practice financial policy to authorize necessary funds to create a sustainable Capital Improvement Fund.

OPTIONS CONSIDERED

- Pay as you go
- Lease purchase programs
- Putting forth a Bond measure

The Committee unanimously agreed the proposed Sedona Fire District 10-Year Capital Improvement Plan (CIP) (See Addendum #13) should be implemented. The Committee also strongly believes the level of service provided today is the minimum level needed to serve this District. Even if (when) economic conditions reach a critical downturn, Fire and EMS services, as well as Telecommunication capabilities, must continue. Therefore, the question for the Committee became “how to pay for it”.

Pay As You Go (Pay/Go):
The Committee believes that had the district not gotten so far behind in implementing previously proposed Capital Improvement Plan(s), as was presented to the Board in 1998 (apparatus only) and again in 2007, the overall amount needed today would be lower and Pay/Go might have been a viable option. However, regardless of past decisions, the State-mandated limit on the Mil Rate ($3.25) combined with State legislation such as Proposition 117; significant Public Safety Personnel Retirement System contribution rates; the “Hall Decision” payout; and ever-increasing health insurance costs have all placed significant constraints on future annual budgets. The Committee believes given these constraints, it is doubtful the District could implement the proposed CIP unless SFD had several years of aggressive growth in AV with no periods of declining growth and a public tolerance for an increased Mil Rate. That type of continued growth of the AV is unlikely. Attempting to fund the CIP via Pay/Go would likely force the Mil Rate up to the maximum of $3.25 for 3-6 years (See Addendum 10, Page 2) and cause delays in funding and implementing the CIP. The Committee is also very concerned this form

of funding would cause dramatic and sustained tax increases forcing current property owners to pay for assets that future property owners will enjoy at no cost.

Lease Purchase:
The District's ability to implement the proposed CIP via lease purchase is questionable due to the same budget constraints as stated above in the Pay/Go section. Interest rates are typically higher for Lease Purchases, as well. This option would also force the Mil Rate to rise to the maximum allowed by law ($3.25) much quicker. If the District sees a "market correction", it would have no choice but to cut services because the Mil Rate needed to pay the debt and operate the District with current levels of service would quickly exceed the $3.25 limit.

General Obligation Bond:
The Committee believes a General Obligation Bond (GOB) is the best way to meet the District's needs and goals even in the most critical economic conditions. A GOB would allow the District to complete long overdue Capital Improvement needs. It would spread the costs of the CIP over a period of up to 25 years so current and future property owners would share those costs. A GOB would allow the District to maintain its current level of service. It provides the District flexibility to move some of the CIP to Pay/Go if it experiences better than expected growth in AV. The repayment schedule of a given GOB will always coincide with the life of the specific asset being purchased.

The schedule of repayment will always be shorter than the expected life of the item being paid through the Bond. Example: If Telecommunication microwave equipment with a service life of 10 years is purchased using GOB funding, then that bond repayment would be structured to assure it is paid off in less than 10 years.

The Committee strongly encourages the Elected Fire Board to pay particular attention to recommendations 2, 3, 4, 5, 6, and 7 given the intended desire to protect the interests of the taxpayers.

FINDINGS OF THE COMMITTEE

After reviewing all the information provided, the Committee made the following findings in determining its recommendations to the Board:

1. Sedona Fire District has serious capital needs that must be addressed. Indeed, some of these needs should have been addressed years ago, but large capital projects were delayed due to past reductions in assessed values (AV), budget constraints, and decisions made by previous Boards and staff. This committee believes it is time to address these issues.

2. Funding of a General Obligation Bond (GOB) will be cost-shared by taxpaying entities utilizing current tax percentages, i.e. residential properties at 10%, commercial properties at 18%, and vacant lands at 15%.

3. The GOB option has the ability to smooth out the capital improvement costs with the least immediate impact to the taxpayer. This allows us to amortize the costs in the best way to implement the high priority capital improvements for the District. The cost for the homeowner will go up in either scenario, Pay/Go or Bond, but the immediate increase is actually less to the homeowner funding via Bond due to spreading out the expenses over a longer period of time. This is illustrated by the payment schedule whereby the total cost annually to taxpayers over 10 years is also less in the year-to-year cost comparison. (See Addendum 10)

4. The cost of not doing the Bond (or the Bond not passing) will require the District to fund the capital plan at a minimum of $2.5 million annually and fund the operating budget. It is important to note that in a Pay/Go scenario, the District would not be able to fund capital at the needed $2.5 million level for 10 years because the State-mandated Mil Rate cap would be exceeded in years 9 and 10. In fact, the projections illustrate we would need to increase the Mil Rate at a faster pace creating a greater tax burden to the taxpayers by getting to the Mil Rate Cap by Fiscal Year 2021. (See Addendum 10)

5. The Committee considered the option of "bonding" only the station re-builds and improvements totaling $15 million (however, during discussion the Committee recommended approximately $1 million of renovation costs for Station 3 should be Pay/Go and evaluated for true need in the future, making the projected total of $14 million) (See Finding #12). However, the Committee felt the impact of increasing the Mil Rate required to fund the Capital reserve balance for the other needed capital improvements (i.e., Fleet and Telecom) would create a significant and sustained increase in Mil Rate to current taxpayers in the initial 10 years; the Committee recommends the bonding of the additional $4 million to provide the District flexibility in managing capital needs and believes spreading those costs out over 25 years to current and future property owners is fiscally responsible. Total additional costs for an average residential property over 25 years for an $18 million bond are projected to be $184 more than a $15 million bond; this difference over the life of the $18 million bond is an additional $7.36 annually. (See Addendum 10, page 7)

6. The priorities identified below are intended as a guide and not meant to micro-manage staff or the Board. The Committee realizes that over 10 years things may change and unforeseen circumstances can happen that might cause the staff and/or Board to change priorities.

7. The majority of the proposed capital projects will have a service life ranging from 18 to 40 years. The Committee believes it makes sense to spread the costs of those projects to all property owners, current and future, referred to as intergenerational equity, all which will benefit from improvements over the next 25 years. Repayment of Bonds will be structured so that items purchased through Bond funding will be paid back in shorter terms than the expected life of that asset.

8. While the District's population will likely see limited growth in the next 25 years, visitors to our District will continue to increase for the foreseeable future. That increase will impact the District with increased calls for service and increased traffic, which will negatively impact the District's response times. In fact, recently, the Maricopa Association of Governments projected in the next 20 years, metro-Phoenix will grow from 4.5 million people (2015) to 7.1 million by 2040[1]. Many of those new residents will come north to visit and recreate just as they do today. The District needs to plan for these increases by having stations, equipment, and personnel to provide necessary services.

9. The Committee discussed several development models including the "Design/Bid/Build" and "Construction Manager at Risk (CMAR)" methods. The committee believes CMAR would likely provide the overall best value for the taxpayers and it encourages the Board to take a strong look at implementing that process in the construction of Stations 4 and Station 5. This process may also prove beneficial in the remodel of Fire Stations 1 and 3 depending on the scope of work to be done.

10. Fire Station 4 in Uptown Sedona and its location are critical to the District and its operations. It has a large first-due area and provides second-due coverage to three other response areas (West Sedona, Chapel area, and Oak Creek Canyon). It is clear to this Committee that the District has some critical safety and structural issues to address related to Station 4. After reviewing information provided by the engineers and architects and the projected costs associated with remodeling Station 4, the

Committee determined remodeling is not a viable option. That leaves the District with the "raze and rebuild" option. Estimated costs to rebuild this Station range from $4.45 million to $4.95 million. A 10% to 15% additional fee would be added to those numbers for planning, architectural, and other owner "soft costs"[2]. The Committee believes this is a top priority.

Station 4 Concerns and Deficiencies

Structural:

- Significant cracking of slab in apparatus bays and garage
- Movement (bowing outward) of east masonry wall
- Does not meet International Building Code (2000 & 2012) requiring design to meet requirements of an "Essential Use Facility"
- Construction design of 2nd level has caused continuous water intrusion despite flashing and sealing efforts

General:

- Fire sprinkler system is not to code and appears to be a mix of commercial and residential
- Apparatus Bay doors are 10' high (should be 14')
- Turn-out lockers located in Apparatus Bay do not meet NFPA 1500 recommendations
- Does not meet Americans with Disabilities Act (ADA) standards and would be very difficult to bring station up to standards due to numerous interior levels changes and small single restrooms

See Addendum 5: LEA Architects Station Evaluations for a full report of concerns and deficiencies
See Addendum 8: Core Construction Estimated Costs for Station Rebuild and Remodels

11. Fire Station 5 in Oak Creek Canyon is critical to the District and its operations and covers a 15-mile stretch of State Route 89A from Midgley Bridge to beyond the switchbacks at the top of the Canyon. The first-due area has high property values and includes two of the region's most popular attractions (Slide Rock State Park and the West Fork Trail). Oak Creek Canyon was recently named one of the "Top 5 Most Scenic Drives in America" by Rand McNally (2014)[3]. ADOT estimates that more than 4 million visitors per year are passing through and recreating in Oak Creek Canyon. Given the projections by the Maricopa Association of Governments, that 4 million figure will likely rise. The Canyon also has a significant wildland exposure. Having a station in the Canyon can make the difference between a wildfire with no loss of life or property (Slide Fire in 2014) and a wildfire with significant loss of life and property. The Canyon station also provides second-due coverage to the Uptown Sedona area. It is clear to this Committee that the current Station 5 has significant challenges. The age and size of the building are of significant concern. The recent letter from the Garland Family Limited Partnership, from whom SFD leases property at Station 5, (See Addendum 11) indicates they may have other uses for the property in the future. In addition, the current location does not provide the best coverage or response times to upper Oak Creek Canyon. Estimated costs to build this station range from $2.3 million to $2.62 million. A 10% to 15% additional fee would be added to those numbers for planning, architectural, and other owner soft costs[2]. Given the fact there is currently a strong interest by Arizona State Parks to co-locate with SFD on the property at Slide Rock State Park, this may be a prime opportunity to make the timing of this project sooner. The Committee believes that relocating Station 5 to the Slide Rock area is a top priority.

Station 5 Concerns and Deficiencies:

- Coconino County use restrictions limits number of crew to 2 people
- Mixed ownership
- Residential sprinkler system

- Water supply is from a separate parcel and owner and is not on generator; *Note*: Oak Creek Canyon is frequently out of power
- No Sewer; Vault and Haul system must be pumped frequently
- Does not meet ADA standards and would be very difficult to bring station up to standards due to numerous interior level changes and small single restrooms
- Apparatus bays do not meet current NFPA standards and no room to bring them up to standards
- Station location is not optimal to provide effective response times to north end of the Canyon

See Addendum 5: LEA Architect's Station Evaluations for full report of concerns and deficiencies
See Addendum 8: Core Construction Estimated Costs for Station Rebuild and Remodels

12. That, overall, Fire Station 3 in the Village of Oak Creek is in good shape with 30 years of service still remaining; however, having said that, the Committee also believes the modifications proposed by SFD staff and LEA Architects would make the station more efficient and extend the station's service life. The Committee identified some of the proposed modifications for this station to be high priority (safety concerns), while other modifications were a lower priority. High priority items would include, but are not limited to, HVAC repairs/replacement, roof structural improvements, and apron/drainage issues. Estimated costs to remodel this station, as proposed, would range from $1.8 million to $2.04 million. A 10% to 15% additional fee would be added to those numbers for planning, architectural, and other owner soft costs[2]. Estimated costs to do "high priority" aspects (structural repairs, HVAC replacement, and apron/drainage issues) of this station remodel would range from $950,000 to $1.045 million. Estimated costs to do "low priority" aspects (interior renovation of living spaces) of this station remodel would range from $900,000 to $998,000. The Committee was not in full agreement that remodeling Station 3's living spaces should be done; however, the majority of the committee voted to add this item to the CIP. The Committee also felt this aspect of Station 3 should be funded via Pay/Go, but that if the need and opportunities arose through other cost savings, this project may be shifted to Bond-funded.

    Station #3 Concerns and Deficiencies:

    - Only the 1st level meets ADA standards including restroom access; the 2nd level is not ADA compliant; this is only fixed by installation of an elevator at substantial cost
    - Turn-out lockers located in Apparatus Bay do not meet NFPA 1500 recommendations
    - Cracks in Gypsum board above apparatus bays due to lack of expansion joints or structural issues
    - HVAC system works, but has issues with leaking condensation lines
    - Concrete apron and drainage issues

    See Addendum 5: LEA Architect's Station Evaluations for full report of concerns and deficiencies
    See Addendum 8: Core Construction Estimated Costs for Station Rebuild and Remodels
    See Addendum 9: Core Construction Estimated Costs for Specific Aspects of Stations 1 & 3 Remodels

13. That, overall, Fire Station 1 in West Sedona is in good shape with 25-30 years of service still remaining. However, the original design was not planned for and conducive to full-time crews living in the station 24/7/365. The administrative side of this station also has issues creating inefficiencies. The station's defective HVAC system and lack of ADA compliance is of concern as well. The Committee was also concerned about the apparatus maintenance facility and its inability to service modern day (bigger and longer) apparatus. There was considerable discussion regarding the priorities of remodeling this station. Some Committee members believed the "west side" remodel, HVAC replacement, and Maintenance Facility were high priority items, leaving the administrative side remodel as a lower priority. However, we were informed by Core Construction and staff that if the

decision was made to only build a modern Maintenance Facility at the station, there would be "missed opportunities" and duplication in the Admin side of the building (multiple maintenance areas). Consideration of a remodel of the Admin side would allow for better utilization of space within the building if a standalone Maintenance Facility was built; there was discussion about the importance of meeting administrative needs of the District. This caused a couple of Committee members who, initially, did not want to remodel the Admin side to change their minds based upon a maximization of efforts and capital needs. Estimated costs to do this station remodel including the maintenance facility would range from $3.380 million to $3.680 million. A 10% to 15% additional fee would be added to those numbers for planning, architectural, and other owner soft costs[2].

Station # 1 Concerns and Deficiencies:

- Turn-out lockers located in Apparatus Bay do not meet NFPA 1500 recommendations
- Only portions of station meet ADA standards including access to upper levels and restrooms
- Station was not designed to house 24/7 crews; this includes location of kitchen facilities and bathrooms/showers relative to bunkrooms
- HVAC system is very marginal and malfunctions frequently
- Parking is of concern as this station frequently holds public meetings

See Addendum 5: LEA Architect's Station Evaluations for full report of concerns and deficiencies
See Addendum 9: Core Construction Estimated Costs for Specific Aspects of Stations 1 & 3 Remodels

14. *Apparatus*: The Committee was provided a draft Apparatus Replacement Schedule. The entire fleet and equipment CIP schedule contains approximately $7.7 million in apparatus, vehicles, and equipment over the next 10 years. Approximately $1.92 million is proposed to be "bond funded". The balance of $5.78 million of the apparatus shown on the schedule would be purchased via Pay/Go. The apparatus and vehicles proposed have a service life of 7 to 18 years depending on type of apparatus. The Committee believes these apparatus replacements are necessary and the District should implement this replacement schedule as a top priority.

    See Addendum 6: Presentation and Spreadsheet from Assistant Chief Jeff Piechura regarding Sedona Fire's Fleet and Equipment Needs and the proposed Capital Improvement Plan

15. *Telecommunications*: The District operates 31 separate locations to provide effective and redundant communication systems critical to providing Fire, EMS, and Rescue services to the fire district. Some proposed capital projects are dictated by unfunded governmental mandates; an example would be the Federal government (FCC) continuing to adjust radio frequencies on which police and fire agencies can operate (P25 compliance). These mandates require new software and/or hardware in mobile and handheld radios, mountain top repeaters, microwave systems, etc. Some of those mandates force upgrades in other equipment due to SFD's "Converged System". Most of the projects in this category have a service life of 3 to 10 years. The Committee was provided a list of proposed Telecom replacements totaling $3.017 million, of which approximately $2.975 million was proposed to be "bond funded"; the balance of the Telecom equipment shown on the schedule would be purchased via Pay/Go. The Committee felt a higher percentage of the equipment should be funded via Pay/Go, and recommended $1.945 million be Bond-funded with the balance ($1.071 million) funded via Pay/Go. <u>The Committee believes the projects in this category are top priorities</u>.

    See Addendum 6: Presentation and Spreadsheet from Assistant Chief Jeff Piechura regarding Sedona Fire's Fleet and Equipment Needs and the proposed Capital Improvement Plan
    See Addendum 7: Telecommunication Equipment Replacement

Respectfully submitted,

Citizens on the Committee:

Original signed by Tim Ernster

Tim Ernster, Committee Chairman

Original signed by David Watters

David Watters, Committee Co-Chairman

Original signed by Gary Johnson

Gary Johnson

Original signed by Lonnie Lillie

Lonnie Lillie

Original signed by Caryn Maxwell

Caryn Maxwell

Original signed by Eugene McCarthy

Eugene McCarthy

Original signed by Wendy Tanzer

Wendy Tanzer

SFD Staff Members on the Committee:

Original signed by Greg Eberlein

Greg Eberlein

Original signed by Betty Johnson

Betty Johnson

Original signed by Patrick Ojeda

Patrick Ojeda

Addendums:

1) Historical Overview of Sedona Fire District
2) Presentation by Coconino and Yavapai County Assessors
3) Presentation by Mike Lavallee of Stifel regarding Bonds, Bond Elections, and Estimate Costs
4) Presentation by Gabe Buldra of James Vincent Group regarding Fire District Funding
5) Presentation by LEA Architects, LLC regarding evaluations of Stations 1, 3, 4, 5, and 6; *Note*: includes engineering evaluation of Station 4
6) Presentation from Chief Piechura regarding document "Sedona Fire Fleet and Equipment Needs
7) Presentation by Bob Motz regarding Telecommunication Equipment Replacement
8) Presentation by Core Construction regarding Construction Management at Risk (CMAR), cost per square foot estimates, and cost estimates for specific categories of build/remodel projects
9) Information from Core Construction showing breakdown of costs for specific aspects of remodel projects for Stations 1 & 3
10) Information from Gabe Buldra of James Vincent Group – "Bond Comparison Charts" regarding various options of Capital items to be Bond-Funded vs Pay As You Go; Charts showing Fire District budget and Cost to Taxpayers for different scenarios
11) Garland Family Limited Partnership Letter
12) 2017 Sedona Fire District Citizens' Advisory Committee Meeting Minutes
13) Sedona Fire District 10-Year Capital Improvement Plan
14) 2007 Citizens' Committee Minutes and related information
15) Citizen Advisory Committee Recommendation to Governing Board Powerpoint Presentation

Footnotes:

[1] Maricopa Association of Governments Website: https://www.azmag.gov/Fast_Facts/FFacts_PopAndGrowth.asp

[2] "Soft Owner Costs" may include:

- Design and Engineering Fees (Architect, Engineers, etc.)
- Geotechnical material testing and special inspections during construction
- Geotechnical survey of each site ("Soils Report")
- Permit Fees, Impact and/or Development Fees from the City/Town
- Utility Company Fees, Utility Tapping Fees, etc.
- Preconstruction Fee from Contractor – separate from Construction (typically 0.5% - 1% for this)
- Traffic Signal Work (if needed)
- Dispatch / Alerting System – cabling and devices (Contractor to provide rough-in conduit/pathways only)
- Temporary Housing (during re-build projects, if needed)

[3] Arizona Leisure Vacation Guide, May 10, 2014: http://www.arizona-leisure.com/oak-creek-canyon-drive.html