



Funding the Future Capital Needs of SFD

Citizens' Advisory Committee

FINAL RECOMMENDATION

Committee Members

Citizen Members

- Tim Ernster (Board Member and Committee Chairman)
- Dave Watters (Committee Co-Chair)
- Gary Johnson
- Lonnie Lillie
- Caryn Maxwell
- Eugene McCarthy
- Wendy Tanzer

Staff Members

- Greg Eberlein
- Betty Johnson
- Pat Ojeda



Process

- 10 Meetings (Nearly 30 hours total)
 - Meetings facilitated by Fire Chief and Assistant Chief
 - Visited all of SFD fire stations
 - Heard from experts:
 - James Vincent Group
 - Stiefel
 - LEA Architects
 - Engineering Firm
 - Core Construction
 - Asked questions
 - Created priorities and needs vs. wants



History

- SFD is operating in stations not designed for 24/7/365 use
- Some of our buildings have met their useful lifespan and while there is a need to make significant repairs and renovations at Stations 1 and 3... Stations 4 and 5 need to be rebuilt as new facilities
- SFD had an active Citizens' Committee in 2007 who worked on this very same set of circumstances/needs a decade ago
 - Station 6 in the Chapel area was built
 - SFD no longer needs to build its own Communications Center as we have partnered with Cottonwood Public Safety Communications Center



Some Quotes From 2007

SFD Citizens Strategic Planning Task Force
May 10, 2007 / 6:00 PM
Station #1 – 2860 Southwest Drive, Sedona, AZ

IV. PUBLIC FINANCE PRESENTATION.

Mr. Shook said he would give a “Public Finance 101” lesson, and stated the basic concept is those who benefit from capital improvements should share in the payment. In the past, smaller districts have used “pay as you go” capital financing, but as districts grow and take on more responsibility, the movement is towards more traditional financing methods. Bonds are a recognized, traditional method of financing public improvements. They provide a method of addressing capital needs immediately to respond to growth where current revenue cannot afford large ticket items. New facilities are paid over time for their useful life by taxpayers who use the system and current taxpayers do not pick up the entire cost. It is a method of having growth pay for itself and acquiring necessary facilities and equipment now. Bonding establishes a strong financial reporting system and credit worthiness as a key to low interest borrowing.

For “big ticket items”, such as what SFD is considering on the list of capital improvements, the district cannot pay for those in a short period of time, as it would use all its capital and if the assessed valuation (AV) did not continue to grow, there would be no funds left in a few years. Mr. Shook recommends a measured approach to paying for long term debt over the useful life of the facility/equipment.

Revenue bonds are a little more risky because there is no tax pledge, so they have a higher interest rate than GOBs. Some fire districts are moving towards GOBs because they know they must borrow the money, and by going to election, can get a lower interest rate.

SPECIAL BOARD MEETING
Station #1 – 2860 Southwest Drive
Wednesday, February 21, 2007 / 1500 Hours

MINUTES

- **Station #4 in Uptown - Station 4 in Uptown** – This station currently houses our Regional Communications Center, Shift Duty Chief, and Engine/Ambulance 541 crews. Station #4 is approaching 40 years of age and has structural issues. Chief Shobert stated it needs to be replaced “sooner than later”.
- **Fire Station #1/Administration** – This station houses firefighters in the West Wing of the building; crew quarters are not properly designed and no longer accommodate the shift crews at this location. SFD Administration is located in the East Wing of this facility. ADA and EEOC compliancy issues are prevalent in both wings of this facility and the HVAC system is in need of a complete re-engineering. The Administrative wing is poorly designed and parking is extremely limited for administrative and suppression personnel.
- **Oak Creek Canyon** – This facility is partially built on privately owned property; our current 20 year lease expires in 2010. The “vault and haul” sewer system at this location is not designed to accommodate “around the clock” suppression/EMS staffing. The facility is not large enough to accommodate current, much less projected, staffing needs in Oak Creek Canyon. This location is also too far south; optimally, it should be centrally located in Oak Creek Canyon.



More Quotes From 2007

SFD Citizens Strategic Planning Task Force
April 26, 2007 / 6:00 PM
Station #4 – 391 Forest Road, Sedona, AZ

station is more urgent. Mr. Minard pointed out, although Station #4 is an old building, with cramped quarters, it is still an operating station handling calls, and there is nothing in the Chapel. The group agreed, however, Station #4 has problems and a limited service life.

Chief Wills reviewed the priority list and said, eventually Station #8 will need renovating, but its storage issue has been temporarily resolved with a large storage box surrounded by a fence. The Loop Road area had 28 calls last year, but as development continues, that number will rise. SFD has outgrown its fleet maintenance facility at Station #1; Chief Wills said it was inadequate when it was built in 1987, with very limited storage, no lift, and one pit. Last year, there was a brief discussion with the U.S. Forest Service about the Canyon, and ultimately, SFD wants a

station closer to mid-point; the Chief worked unsuccessfully for four years to partner with Arizona State Parks for a station at Slide Rock State Park. SFD is currently working with the Forest Service to acquire property just north of Slide Rock, and will need to talk to ADOT in terms of egress. There are only limited alternatives for property in the Canyon. Mr. Lillie asked would be “guesstimates”, but it would help to use a spreadsheet to look at specifics. Mr. White estimated \$3 million per project at today’s prices.

Mr. Shook said he would take the group through an explanation of public funding at an upcoming meeting; he said in the past, SFD has used the “pay as you go” method for capital improvements, but as we get into “larger ticket items”, pay as you go is not efficient; he reiterated current taxpayers should not have to pay the entire bill for buildings with a useful life of 30 years. Mr. Shook said Chief Shobert and Finance Manager Schmidt have given him the

SFD Citizens Strategic Planning Task Force
April 26, 2007 / 6:00 PM
Station #4 – 391 Forest Road, Sedona, AZ

Mr. Karademos said there is an obvious need for a larger Communications Center and a better Station #4 facility, but the “big monkey wrench” is the sudden necessity for a Chapel station. Mr. Lillie commented community perception is SFD now needs a Chapel station because of the Chapel area is growing. Mr. Evans commented he was on the Fire Board for 9 years, and the Board, at that time, never looked 10, 15, or more years down the road; he said they did not look enough at capital investment needs, and were more concerned with people and equipment; he believes this Task Force concept is tremendous.

SFD – CITIZENS STRATEGIC PLANNING TASK FORCE
PUBLIC MEETING
Station #1 – 2860 Southwest Drive – West Sedona
Thursday, June 7, 2007 / 6:00 PM

Mountain is at \$600 million, but Mr. Harr said you must divide that by 40,000 homes. Chief Shobert said SFD could have cut the mil levy by a number of cents, but instead, we have earmarked those extra dollars for a capital improvement plan, knowing there are large projects on the horizon. Peacock, Hislip gathered the information, and Ms. Gibbs pointed out the five year average for the district has been well over 11% and the ten year average has been over 9%, so she believes the 7% projections are conservative. Mr. Harr again cautioned that a “Prop 13” type law would change everything for the district; he said he did not bring it up to other districts, but the chiefs and administrators mentioned it to him. Mr. White asked if the projected figures



Overview of the Projects Being Considered

Committee Recommendation to the Governing Board



Overview of Capital Needs

• Station 4 demolition and replacement station	\$4,945,096
• Station 5 relocation and replacement station	\$ 2,619,864
• Station 3 Structural, HVAC, Drainage, and Concrete	
• Apron repairs	\$1,045,000
• Station 3 living quarters	\$998,000
• Station 1 renovation to entire building to create efficiencies and ADA accessibility compliance	\$2,646,544
• Build new maintenance facility on site Station 1	<u>\$1,034,127</u>
Subtotal of Facilities	\$13,288,631
With 15% Soft Costs	\$15,281,925
• Apparatus/Vehicles and Equipment Replacement Funding	\$7,700,000
• Telecommunications System Funding	\$3,017,000

Committee Recommendation to the Governing Board



How Did We Get Here?

- SFD is eligible to request over \$30M by state statute/formula
- The concept of a \$15M bond was mentioned as an estimation of what could be needed – It was clearly mentioned the \$15M could be too much or it might not be enough
- The Committee realized a need for more than a \$15M Bond to fund the projects being considered
- The impact to a median home if an \$18M Bond is considered would be an additional cost of \$184 over 25 years (+\$7.36 annually)
- The needs of the District dictate the dollar amount being recommended – NOT what is legally available



Mil Rate and Levy – How the Taxpayer is affected

Funding Options

Committee Recommendation to the Governing Board



Pay as You Go Option

SFD has an option to consider paying for the capital projects within the current Mil Rate cap of \$3.25

The committee was concerned about a few of the downsides to going into this project with a 100% Pay/Go philosophy:

- The cost burden would be shouldered by current residents, absolving future residents from paying for long-term capital assets they would use
- The increase in taxes, whichever Pay/Go model is considered, creates significant financial challenges for taxpayers
- The 100% Pay/Go option is highly susceptible to changes in the Assessed Value which could create challenges for SFD downstream
- Does not require a vote of the public, but also has less certainty of completion given the many variables



How Does Pay/Go Impact the Taxpayer?

Attempting to fund the CIP via Pay/Go would likely force the Mil Rate up to the maximum of \$3.25 for 3 to 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.

The 3 models illustrated in Addendum 10 assume the projects are completed as projected and with the costs estimated. Future circumstances could dictate cost savings options the District may consider.



How Does Lease Payment Option Impact the Taxpayer?

Another option is to consider a Lease Purchase as a hybrid to the Pay/Go Option, but...

- It creates a spreading of the debt over time (20 years)
- It will be funded within the Mil Rate, so a downturn of the economy will compromise the ability to fund other critical emergency services
- It will likely be at a higher interest rate than a Bond



How Does Bond Funding Impact the Taxpayer?

While the long-term costs of paying for a bond are increased for the taxpayer, the amount when spread out over 25 years is an acceptable means of being able to complete the projects the committee identified as important

- Voters have to approve the bond, thereby creating a voice for the community to be heard on their interests in fire and EMS operations
- The long-term impact to budgeting creates a much more sustainable financial future for SFD and the residents
- The difference between \$15M and \$18M are insignificant to the amount of increase in taxes relative to the impact in long-term forecast to the budget



Why the Committee is Recommending the Bond Funding Option

The committee preferred the concept of spreading the cost of the projects over a longer period of time as it provides the following:

- A more fair distribution of repayment for people who would be benefiting the most from the capital improvements
- It protects the community from a drop in the assessed value
- The debt payback schedule is essentially a fixed payment schedule so the costs remain constant over time to create predictability in future tax levies
- The difference in the costs illustrates the value of utilizing a Bond to fund the District's capital needs



Projected Future Costs for a Median Home Value in Sedona Fire District

\$18M Bond Funded
Capital Cost

FY18 \$875.02

FY19 \$946.85

FY20 \$1,002.04

FY21 \$1,059.74

FY22 \$1,120.05

FY23 \$1,183.12

FY24 \$1,249.08

FY25 \$1,311.91

FY26 \$1,377.93

FY27 \$1,447.30

Mil Rate Funded
Back-loaded Costs

FY18 \$875.02

FY19 \$964.97

FY20 \$1,081.78

FY21 \$1,195.81

FY22 \$1,225.71

FY23 \$1,262.48

FY24 \$1,300.35

FY25 \$1,339.37

FY26 \$1,379.55

FY27 \$1,420.93

Mil Rate Funded
Front-load Costs

FY18 \$875.02

FY19 \$1,057.39

FY20 \$1,112.59

FY21 \$1,170.28

FY22 \$1,199.79

FY23 \$1,247.45

FY24 \$1,298.01

FY25 \$1,330.03

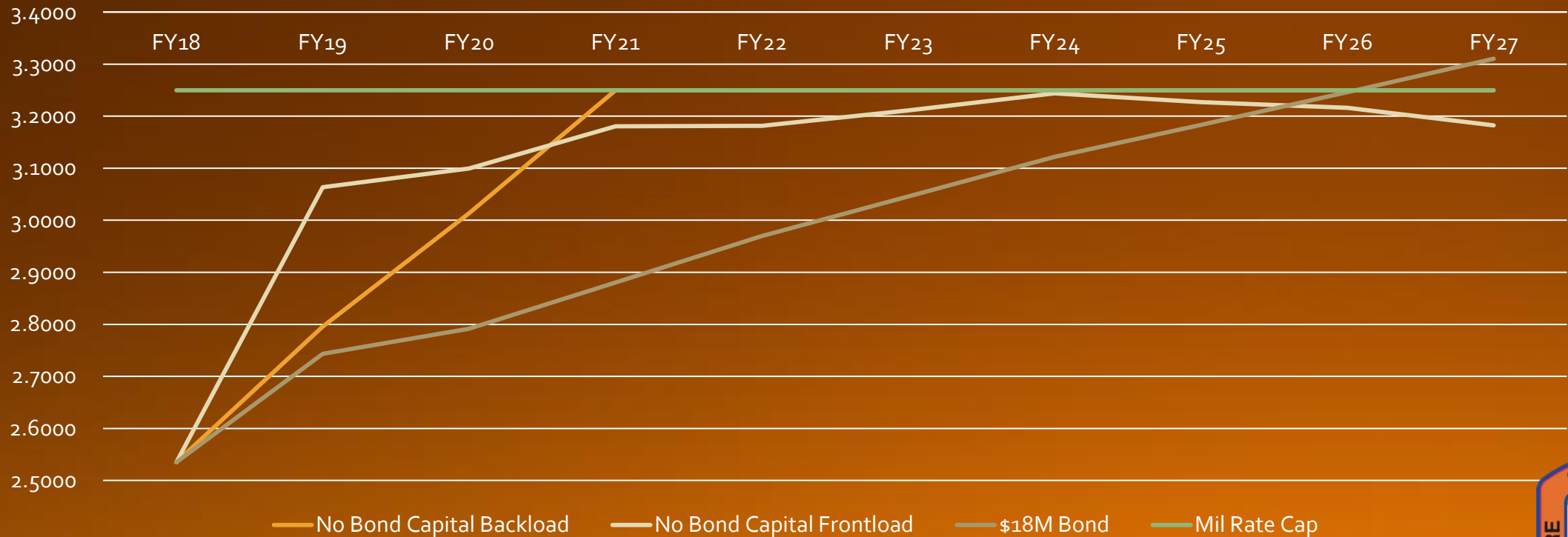
FY26 \$1,365.24

FY27 \$1,391.48



Projecting The Future Mil Rates

Mil Rate or Mil and Bond Rate Combined Schedule for all tax payers in Sedona Fire District



Committee Recommendation to the Governing Board



Findings and Recommendations – Summary

Citizens' Advisory Committee

Committee Recommendation to the Governing Board



Summary of Recommendations

- That the elected Fire Board call for a November 2017 Bond election in an amount not to exceed \$18 million. 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.



Summary of Recommendations

- 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 the capital projects, as proposed. Consideration should be given that 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.



Summary of Recommendations (Cont.)

- 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.



Summary of Recommendations (Cont.)

- 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.



Summary of Recommendations (Cont.)

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



Summary of Recommendations (Cont.)

- 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.



Findings of the Committee

- There are 15 findings identified by the committee that are outlined in the Final Report and provide more specific reasons as to why the recommendations for each project are being supported by the committee
- Many of the findings are supported by addendum details
- We encourage anyone to watch the SFD YouTube Channel to watch our meetings and see the discussions that took place
- We encourage anyone to reach out to one of us on the committee, the Governing Board, or the Fire Chief for information or to express concerns



Recommendation to the Community

- Review the full Citizens' Advisory Committee Recommendation Report
 - Will be posted on District website in next few days
- Feel free to reach out and ask questions
 - Committee, Governing Board, Fire Chief
- An informed decision is what we recommend before making up your mind – there are pros and cons to whatever direction SFD goes, but the needs remain constant



Recommendation to Board

- The Committee spent many hours learning the District's needs AND looked at the differences between wants and needs
- We have requested a hybrid approach to the needs of the District
 - Bond the majority of station needs
 - Bond some of the capital projects for apparatus and telecommunications equipment

The Committee is recommending the Governing Board consider an \$18M Bond to fund the District's needs.



	BOND	PAY GO
• Station 4 demolition and replacement station	\$4,945,096	
• Station 5 relocation and replacement station	\$ 2,619,864	
• Station 3 Structural, HVAC, Drainage, and Concrete		
• Apron repairs	\$1,045,000	
• Station 3 living quarters		\$998,000
• Station 1 renovation to entire building to create efficiencies and ADA accessibility compliance	\$2,646,544	
• Build new maintenance facility on site Station 1	<u>\$1,034,127</u>	
Subtotal of Facilities	\$12,290,631	\$998,000
With 15% Soft Costs	\$14,134,225	\$1,147,000
• Apparatus/Vehicles and Equipment Funding	\$1,920,000	\$5,780,000
• Telecommunications System Funding	<u>\$1,945,775</u>	<u>\$1,071,225</u>
Grand Total	\$18,000,000	\$7,998,225

Funding Allocation Breakdown

Committee Recommendation to the Governing Board



The Committee is Here to Answer Questions

Questions?

Committee Recommendation to the Governing Board



Committee Recommendation to the Governing Board

