

**CORTEZ FIRE PROTECTION DISTRICT  
SPECIAL BYLAWS COMMITTEE MEETING  
September 11, 2013**

*(The special Fiscal Affairs Committee meeting was scheduled at the regular BOD meeting August 7, 2013, and was noticed in the Legal Section of the Cortez Journal, the paper of record, on Friday, September 6, 2013.)*

**CALL TO ORDER**

All members of the Board of Directors were appointed as members of the Fiscal Affairs Committee. Lori Johnson, Orly Lucero and Kent Lindsay were present for the meeting which commenced at 3:00 p.m. Also present were Chief Jeff Vandevoorde, Asst. Chief Charles Balke, Administrative Assistant Wendy Mimiaga and Heidi Trainor, CPA.

**NEW BUSINESS**

A draft copy of the proposed 2014 budget was distributed to each Board member. The budget included a column for the 2014 budget without the proposed mill levy increase and with the increase. It was explained that the slight changes in the layout of the budget was to be more transparent and more in line with governmental budgeting requirements.

Chief Vandevoorde started with the beginning balance, \$1,659,280. This number is taken from the audit and represents the amounts in the reserve accounts at the First Southwest and State Farm banks, as well as the ending fund balance in the general fund for 2012. It has been estimated that we will take in about \$1,000,000 in property tax for 2014.

Ms. Johnson commented that it was her understanding that everyone's property values went down, so how can we take in more money. Ms. Mimiaga explained that is it due to the 5.5% increase allowed by Tabor. Ms. Mimiaga met with the County Assessor, Mark Vanderpool who explained that the reason for the decreased valuation is that the Legislator has mandated the County Assessors to value foreclosed properties at the foreclosed value, and not the actual value of the property, as they have always been valued for the overall valuations. Mr. Vanderpool explained that about 14% of the properties in Montezuma County are in foreclosure, and have thus decreased the overall valuation for the county. Per Tabor, the 5.5% is a built in tax increase. Mr. Lindsay mentioned that you also have the Gallagher Amendment to consider. When assessed valuations go up, commercial property goes up, but residential property goes down. It ratchets down and stays there, it does not come back up.

*(The Gallagher Amendment was designed to maintain a constant ratio between the property tax revenue of residential property at 45% and business property at 55%. Gallagher reduces the assessment rate of residential property, the percent of property value that is taxed (currently 7.96% for residential and 29% for commercial) whenever statewide total residential property values increase faster than business property values. The commercial property assessment rate is fixed at 29%. The assessment rate for residential property has declined substantially over the years due to population growth and increased residential real estate values.)*

Ms. Trainor explained that your property tax revenues increase at the 5.5%, but your mill levy rate ratchets down. When property values eventually start to increase, the mill levy is already so far down that it takes a long time to increase again.

Ms. Mimiaga explained that the estimated property tax income is based on the preliminary valuation from the county, and could fluctuate after the final valuation is received the first part of December. The budget could then be adjusted and will need to be approved at the December meeting, and must be submitted to the County by December 15, 2013.

Chief Vandevoorde continued with an estimated \$80,000 income from S.O. taxes, we have averaged \$95,000 per year over the last five years. Interest remained at \$7,000, but miscellaneous income was increased to \$9,000. This is in part due to hosting Tri-State next year. We have to account for the incoming fees paid for the event, but did not want to add a separate line item to the budget for a one

year event. The income is offset in expenses. Mr. Lindsay inquired if we will be tracking the income and expenses elsewhere. Ms. Mimiaga explained that we will track it as a line item in the profit and loss statement, but for governmental budgeting purposes, DOLA wants to see a more simplified budget submitted. They are only interested in making sure the total amounts of money received and spent are accounted for, and the bottom line, that you do not end with a deficit. All the expenditure line items are so that we can better track our budget.

Program fees of \$2,000 is the income we receive from training classes. Grants, miscellaneous, are budgeted at \$44,750, and the SAFER grant we were granted last year in budgeted at \$250,000. This is the amount we will receive for the final nine months of the grant. We have submitted a SAFER retention grant proposal, and if we receive the grant, it will begin in September, 2014, we will take in about \$80,000 for the last three months of the year. We will also submit for an AFG grant for \$241,875. We have budgeted \$80,000 for fire income. Ms. Johnson expressed concern over budgeting the \$80K for fire income. Chief Vandevoorde explained that we did not budget anything for fire income this year, and we will be taking in about \$50K from the West Fork deployment, and will now have to amend the budget for 2013.

Ms. Trainor explained that you have to appropriate the money if you want to use it. Even if we receive the money this year and don't use it, we will need to amend the budget, and appropriate it in the next year's budget so that we can spend it. Ms. Johnson then inquired that if we do not receive the amount appropriated, the \$80K, will we then have an \$80K deficit at the end of the year.

Asst. Chief Balke explained that no large purchases are made until the end of the year, after we know if we have the income we have budgeted for. By anticipating additional fire income, if received, we would be able to expend it and we would not have to amend the budget next year.

Chief Vandevoorde reported that we would then have a proposed budget income of \$1,794,725 and this a total fund revenue of \$3,454,005, the beginning fund balance plus the proposed income. The Chief then went over the summary for each budget section of the total expenditures. Asst. Chief Balke explained that the line Grants (AFG & SAFER) accounts for our match for those grants, if received, and the line Grant Expenditures accounts for grant income, if received, that comes in, being spent. The AFG grant would be used to buy new air packs, and the new SAFER (retention) grant would be used for full time firefighter wages.

Ms. Johnson asked how the income from the SAFER grant was accounted for. Asst. Chief Balke explained that the income from the SAFER grant, that we were awarded last year, is built into wages. This is grant income we know is coming in and is being utilized, as opposed to grants that are uncertain.

Chief Vandevoorde continued, we have budgeted \$1,853,750 in total expenditures. Our proposed income is \$1,794,725, which shows a \$59K deficit, which then leaves us a Fund Balance of \$1,600,255. This is due to some of the changes made in the budget presentation. We had originally added a line item for carry-over in income so we would have the excess income at the end of the year to help pay the initial expenditures before the tax revenues begin to come in around March. This excess is included in the beginning fund balance, and should not be included in income. Ms. Trainor explained that essentially the fund balance is an accumulation of all the years "carry over" balances. It is accounted for in the audit under fund equity. The majority of the equity is appropriated to four different line items, however, the excess is the unassigned amount.

Ms. Johnson asked if next year's audit will show an increase instead of the decreases we have been showing. Ms. Trainor replied that is unknown until the audit is completed. However, as long as expenditures are appropriated in the budget, the District has plenty of fund balance to absorb any loss. Ms. Johnson commented that when she came into office there was over \$1 million in reserves, and that when she leaves office she does not want to see that grossly depleted.

Asst. Chief Balke explained that the assigned amounts in the reserves funds are still there, except for what has been budgeted for capital expenses (the new fire truck), but that the unassigned portion has

grown a little over the years. This is what is used as the "carry over" balance for general operating expenses at the beginning of each year.

Ms. Trainor explained that it is about perception. If you try to hold on to the fund reserve, the tax payers will think you have enough money and do not need any more from them, yet to balance the fiscal responsibility of the Board, you have to make sure you have enough in reserve in the event of an emergency. You need to spend it down, but not to the point you endanger the District. Ms. Johnson commented that her personal reaction is to hold onto the money and keep the fund growing. The differences between governmental budgeting and personal budgeting were discussed.

Chief Vandevoorde explained that the capital reserve budget had been done separately, but it needs to be included in the overall budget. It is money that can be spent, however, the bulk of it has been allocated by the Board for future use. After the allocations are accounted for, the estimated over/under revenues of \$228,162 is essentially our "carry over" balance and stays in the general fund for operating cost for the beginning of the following year. Our estimated cost for the first three months of this year was around \$200K. The Chief also explained that we may have to take money out of reserves for operations in the future depending on the income for the District.

Beginning on page three, the Chief went over each individual line item of the budget. Wages are budgeted for \$673,000. Ms. Johnson inquired about raises. It had been explained that in the past the Board had approved a salary schedule that allotted a 2.5% "raise" each year for administrative personnel. Ms. Johnson acknowledged that the Chief would establish the raises for his staff, but the Board should be able to determine and approve a "raise" for the Chief at his yearly evaluation. A previous Board should not have the say that an individual will get a predetermined increase for a set number of years. Ms. Trainor agreed, commenting that all the employees are the Chief's employees, but the Chief is the Board's employee and they should decide on the yearly raise he receives, unless he has a contract. Ms. Johnson commented that it is not the amount, 2.5%, but that it should be determined and approved by the current Board, 2.5% is barely a cost of living increase. Ms. Trainor continued that the Board approves the Chief's increase and wage, and essentially all of the wages only in that the Board approves the budget. It is not within the Board's duty to set the wages for employees other than the Chief. Chief Vandevoorde passed out the salary schedule showing a yearly 2.5% increase that was previously approved by the Board. Discussion ensued on establishing salaries and having a low and high end per position, and achieving the top end faster, and thus giving more incentive to the employees. Only giving cost of living raises and not being able to give merit raises can create complacency.

Overtime was increased from \$20K to \$35K. We are about \$3K over this year, but we will be reimbursed for the call back station coverage from the wildland deployment. It has also been difficult to get the shifts covered by the part time firefighters, and we have had to hold over or call back the full time firefighters to fill the shifts. We then have to pay them overtime. Currently the overtime rates are the same as the part time rates, but that will change in the future. The total for wage expenses, including benefits increased to \$828K from \$808K. Wages constitute 44.6% of the proposed budget.

Insurance, liability and workman's comp, was increased from \$70K to \$80K. We will get more information about insurance rates at the end of October. Options for computers and independent servers was discussed, but there are other priorities prior to looking into this. All other line items under administration remained the same, other than adding \$500 to educational materials for public education, \$2K to \$2,500, and rolling over the \$2K in the Jack Click Memorial Fund as it was not awarded to anyone this year. Ms. Johnson asked what the Miscellaneous line item for \$9K was used for. It is primarily used for Board meals, business lunches and odd expenditures, but primarily for the Fireman's Awards Banquet. The total preliminary expenditures for administration is \$961,800.

The volunteer reimbursement was lowered from \$30K to \$20K as we are looking at only expending just under \$20K this year. PPE fire and EMS remained the same. Justification sheets were handed out with itemized list of expenditures for each line item. Fire operating supplies was increased from \$4K to \$35K. Originally the purchase of equipment was budgeted under Equipment Repair & Maintenance, so the

two line items have been switched to be reflected under the appropriate classifications. There will be a significant decrease under Equipment Repair and Maintenance to offset the increase under Fire Suppression. Again, the itemized list of expenditures are on the justification sheets, most of the fire operating supplies to be purchased are hose, nozzles, rope rescue equipment. The current rope rescue equipment we have is not certified or compliant for use. We need to purchase the correct equipment to do the job necessary. We are also looking to buy two MDT tablets with software.. Physicals and Vaccinations was increased from \$5K to \$10K so that we can cover everyone. The total preliminary expenditures for fire suppression is \$98,500.

Fire training was increased from \$13K to \$35K and EMS training was increased from \$12K to \$18K. A list of the anticipated outside trainings and their costs is listed on the justification sheet. There are many training that are not offered in our area. Trainings are important to reward your active members and keep their morale up. The total preliminary expenditures for training is \$59,500.

Vehicle repair was increased from \$22K to \$30K due to the multiple repairs we have had to make on our aging fleet. We are currently over our line item budgeted amount for this year. We are doing well with our fuel budget and have kept it the same, and the equipment tool and appliances was decreased from \$34K to \$4K and is reflected under fire suppression. The total preliminary expenditures for equipment repair and maintenance is \$73,000.

Station operation and maintenance, utilities, supplies, maintenance and communications remained unchanged at \$91,500. We were able to buy some radios and portables this year, and will continue the same next year. The dispatch fees are estimated at \$21K.

Under other the treasurer's fees and payroll expenses remained the same. \$30K was budgeted under capital outlay for any unforeseen expenditures that may arise, or a grant match we did not plan for. The lease purchase of \$25K is for the payment for the new fire truck, which could be a little less, however we cannot pay the truck off early without a penalty. The grant expenditures, AFG match and SAFER Retention Grant were previously explained. The total preliminary expenditures for other is \$529,450.

The budget with the mill levy increase. The second justification sheet shows the additions with the increased mill levy revenue from the first sheet. Under resources everything remained the same except for the added \$361,460 in property tax income which increased the proposed budget income to \$2,156,185 and the total fund revenue to \$3,815,465. The expenditures on the summary page increased to \$2,214,250 and the allocations for the reserves changed due to an increase in the Tabor amount due to an increase in the operating budget. The allocations are based on the \$1.372M we have in reserves in the First Southwest Bank and the State Farm Bank.

Under wages we have budgeted to add an additional full time position which increases total wage expense to \$955K, 43% of the new increased proposed budget. This is the only increase under administration. This increases the total preliminary expenditures for administration to \$1,088,800.

Under fire suppression, the increases are in clothing allowance and PPE fire and ems and physicals, to outfit and cover the firefighters in the new position. There is also a significant increase in fire and ems operating supplies to purchase more hose and to start replacing air packs if we do not receive the AFG grant. We are also looking to purchase another cardiac monitor for engine 1. We have had several situations where we have had multiple calls and have needed more than one monitor. We would also like to purchase more AED's. This increases the total preliminary expenditures for fire suppression to \$216,500.

Training supplies fire increases to \$18K and ems to \$4K for additional props for the training house, a rescue randy and an ems rescue randy. This increases the total preliminary expenditures for training to \$75,000.

Equipment repair and maintenance increased by \$10K for vehicle repair and tire replacement, and station operation and maintenance increased by \$55K for security at the stations and improvements to

the training grounds. Several cars have been broken into at station one, and trespassing at station two and three. Under other the treasures fees were increased by \$5K to cover the extra income.

The first official reading of the budget will be at the October Board of Directors meeting, October 9, 2013.

### **ADJOURNMENT**

Having no further business to come before the Fiscal Affairs Committee, The meeting adjourned at 4:43 p.m.