
**BIG BEAR FIRE AUTHORITY
MINUTES FOR THE SPECIAL WORKSHOP OF
March 20, 2019**

A Special Workshop of the Big Bear Fire Authority was called to order by Chairman Jahn at 4:33 p.m., on Wednesday, March 20, 2019, at 41090 Big Bear Boulevard, Big Bear Lake, California.

OPEN SESSION

Moment of Silence: Observed

Pledge of Allegiance: Led by Director Caretto

Board Members Present: Chairman Bill Jahn
Vice Chairman John Green
Director David Caretto
Director Rick Herrick
Director Karyn Oxandaboure
Director Randall Putz
Director John Russo
Director Larry Walsh
Director Al Ziegler

Board Members Absent: Director Bob Jackowski

Staff Present: Jeff Willis, Fire Chief
Mike Maltby, Assistant Chief/Fire Marshal
Kristin Mandolini, Senior Finance Officer
Frankie Ortega, Business Analyst I

PUBLIC COMMENT

None

DISCUSSION ITEMS

1. Community Facilities District, Method and Means of Calculations, Anticipated Revenue

Speaker: Chief Willis

Chief Willis explained additional items that could be added for Optimal service. He provided a timeline for both Strengthen and Optimal service achievement for stated goals.

A chart of potential tax scenarios under the CFD was presented based on desired level of service by category of taxpayer, e.g. residential, commercial, ski resorts, private home rentals, and Transient Occupancy Tax (TOT). 32% of the funding would come from the visitor sector regardless of the level of service. This chart attempts to establish equity across taxpayers based on cost to provide service.

He updated the board on the conversations he has been having with business leaders regarding the potential tax. Business leaders would like to see money for the fire department come from the City of Big Bear Lake (City).

One way to increase revenue outside the CFD is through an increase in TOT. This would be dependent on the City's cooperation and part of a separate tax. Discussion is planned with the City on this topic.

Conversations are ongoing with the ski resorts.

Staff responded to questions from board members. Board members provided comment.

Board members from the Fire Authority member agency, Big Bear Lake Fire Protection District commented that if they were to go down the path of implementing an increase in the City's TOT, there are other services besides fire that should be considered to be included as recipients of the additional tax such as law enforcement or additional trash services required due to the impact of increased tourism.

Most of the department's service calls are for emergency medical services (EMS). The question was asked if more could be charged for EMS services; thus, requiring less contribution from property owners who may only use a small percentage of the service the department provides for fire protection. This would seem to balance the charges more equitably to the user.

Chief Willis responded that transportation fees are set by the San Bernardino County Board of Supervisors through ICEMA (Inland County Emergency Medical Agency). Our community struggles with its payor mix. Big Bear Valley has a very high percentage of patients with Medicare and Medi-Cal insurance in addition to the a large group of uninsured. There is a small portion that is privately insured. This small insured group is the only group that is full-pay. If the payor mix ever changes, a better insured community would help cover EMS costs more fully.

The question was asked that if the board can come to agreement on a CFD Method and Means of Calculation that works, what is the timeline to bring this to an election?

Chief Willis responded that it is up to the board. The board will need one meeting to establish a CFD with the Method and Means of Calculation. The following meeting would require action to take it to the public for a vote. If something is voted in by August, the department gets the benefit of being able to book the revenue in that tax year. After August, it would be another year before revenues are realized, but he does not believe that is a reason to rush the election. A CFD is not held to a normal election cycle, so it could go at any time, but it would be wise to go when there is definite community support. He will have a better sense of community readiness after the second polling results are received.

Board members expressed their concern that the fire department does not have the capacity to respond to a large structure fire such as at The Lodge. The board must decide how comfortable they are with that and if they have the responsibility to correct that.

The question was asked how successful Bear Valley Hospital is with collections. Is 30% normal?

ACTION: Staff will find out the hospital collection rate.

Specifics were asked about the breakdown on the CFD chart:

1. When referring to the five resort parcels, does it include only Big Bear Mountain Resorts (BBMR)?

Senior Finance Officer Mandolini responded that all five referenced are BBMR parcels.

2. Will public facilities pay a CFD tax?

Chief Willis responded, no.

3. How was the \$750,000 annual fee for BBMR calculated?

Chief Willis responded, it is about 2% of their sales or \$1.00 per ticket.

4. Skier days does not equal skier tickets because of season passes sold. Wouldn't the number for BBMR be greater than \$1.00 per ticket?

5. How long will the projected revenue numbers be good for?

Chief Willis responded there would be an inflation adjustment as part of the ballot measure, perhaps tied to the Consumer Price Index which should adjust by a factor similar to the department's expenses historical growth rate.

It was noted that the Ad Hoc Committee asked staff to put a low-income exemption into the measure for senior citizens.

Chief Willis asked for direction from the board, "is the CFD the right path conceptually?"

Board Discussion:

The question was reiterated, philosophically, is any board member uncomfortable with this approach, considering that numbers still need to be tweaked.

It was stated that the City needs to determine what is acceptable for them with the TOT. How the numbers move around is dependent on what the City is comfortable with. Once the City decides on the TOT, this can be brought back to the Board for consideration. Chief Willis has been invited to the City's mid-year budget review discuss the prospects of a TOT.

Board members agree that right now, the board needs to decide if a CFD is feasible. If it is not, then there is no point in having the City move forward with their discussion. If the board is not going to move forward with the CFD, the board needs to think of something else quickly. This is the best solution the Ad Hoc Committee was able to arrive at for taxing.

Board members agree that this is a big ask of the business community. Philosophically, this is difficult when the department is primarily providing medical calls and asking homeowners to pay for it even if they may never use it. This is not an easy process and the board will have to hold strong when they start taking negative feedback from the community.

The information the Ad Hoc Committee has received so far, indicates that \$150 is pushing the limit of residential property owner tax tolerance.

Chief Willis stated that the CFD is responding to the community. The CFD is the product the community has asked for, to the best of his knowledge. The business community will not be in alignment with what the larger community is asking for.

Chief Willis summarized: 1) he will speak to the City about a TOT; 2) staff is waiting for the second polling results to come back and will report back; 3) staff and the board is prepared to accept one of the three service levels, with "maintaining" service as the minimum.

2. Fiscal Year 2019-2020 Preliminary Draft Budget Discussion

The Fire Authority's Preliminary Draft Consolidated Budget for FY 2019-20 was presented for the Board's review.

Senior Finance Officer Mandolini reviewed two draft budgets.

Budget A makes cuts to provide service within available revenue.

Budget A will cause a reduction in service, most notably the closure of Station 283. In addition, the length of the SBCERA loan has been extended from 2 to 18 years which reduces the annual payment by \$500,000. This will cause the an additional \$800,000 in interest payments over the life of the loan for the Authority. The Utility expense has been reduced by one-third and administrative staff was reduced by .5 FTE. The capital expenses have been reduced to a very small amount and eliminates the annual purchase of a new ambulance. These reductions will mean the department will not use any of its fund balance in FY2019-20.

Total revenue of \$15,295,000 is anticipated using the Budget A model with expenses of \$15,253,000. \$42,000 remains in place for capital expenditures, creating a balanced budget.

Chief Willis explained how closing Station 283 would be accomplished.

Existing personnel from Station 283 would be redistributed to Stations 281 and 282. When personnel take time off, the position will not be backfilled, saving overtime costs. The department will move from 13 firefighters on-duty daily to 11. This takes one engine out of service that is normally cross staffed with an ambulance.

Senior Finance Officer Mandolini provided a comparative analysis of budget projections for the current fiscal year and Budget A.

At this point in time, the projected use of fund balance is \$1.9 million by the end of the fiscal year, better than the \$2.5 that was projected at the beginning of the budget year. The strike team reimbursements netted more than anticipated because of an active fire season. Air operations also netted more income than anticipated. The rest of the savings is related to operational efficiencies.

Budget A's projected revenue includes property taxes that are anticipated to increase 3% based on historical trends. The department anticipates increased

revenue as it is now investing in a Local Agency Investment Fund. The Mutual Aid reimbursement number was determined by using an average of the last three years. Total revenue is expected to increase by \$430,000.

Budget A projected expenses includes a large decrease in Salaries and Benefits and Other Payroll expenses in excess of \$1 million. The increase in Professional Services is primarily due to an increase in dispatch service costs of \$38,000. \$50,000 for chipping in the unincorporated areas was added because the department does not currently have grant funding for that area. Utilities were decreased by \$48,000. The increase in Other expenses is a fluctuation between years in grant matching expenses.

Staff commented that there are no grants funds for hazardous tree removal in the City of Big Bear Lake. There is currently \$130,000 in the chipping fund for Big Bear Lake and staff is requesting that amount be split to use half for chipping and half for hazardous tree removal.

In this model, at the end of a 3-year fund balance projection, the department will have retained most of its fund balance.

Staff responded to questions from board members. Board members provided comment.

1. Is there salary negotiation money included in the model?

Chief Willis responded no, there are only step increases included.

2. Is it necessary to resort to extending the SBCERA loan at a cost of \$800,000?

Senior Finance Officer Mandolini responded that either the payment period is extended or use Fund Balance.

3. The department is not living within its means with this model, it is just extending its loan out further.

Chief Willis responded that that is correct, and with this model, the department is not making any major purchases like an engine or ambulance.

4. What will happen to the SBCERA liability if the department is annexed by San Bernardino County Fire or the services were to be provided by CAL FIRE through contract?

Chief Willis responded that with San Bernardino County Fire, they would likely be responsible for the liability because the department would be annexed into the

agency the pool resides in. With CAL FIRE, the liability may or may not go to the State by virtue of a contract. It would be paid for in the cost of the contract.

5. Can CAL FIRE or San Bernardino County Fire say no, they don't want to take on Big Bear Fire Department, and if so then what would happen to service for Big Bear?

Chief Willis responded that the answer is not clear but could default to the County. San Bernardino County Fire is aggressive about taking over service areas though.

6. Would the County would get the assets and the liabilities of the department.

Chief Willis responded that facilities and equipment go with the annexation, he is not sure about the Fund Balance.

7. Would CSD have to pay off the liabilities for their fire department retirees.

Chief Willis responded that CSD has the choice of what to do with their General Fund money.

Budget B maintains existing services, operating with a budget deficit.

Budget B maintains current service levels. All projected revenue and expenses are based on year-to-date numbers through February 2019, or on historical trends, or actual costs.

Total revenue of \$15,585,000 is anticipated using the Budget B model with expenses of \$17,365,000. \$332,000 is in place for capital expenditures, for a total use of Fund Balance of \$2.1 million. As of June 30, 2019, there was a \$7 million Fund Balance. After using \$2.1 million, the department will be left with just under \$5 million in Fund Balance at the end of June 30, 2020.

Capital expenditures include a new ambulance, a capital lease for a Type 1 engine, an E Class siren for Baldwin Lake, a siren activator and a small amount for contingency for expenses.

Chief Willis expanded on certain line items of the budget for capital expenditures.

1. The department does not have a Type 1 engine in reserve. It takes about one year to spec and build. He recommends not to defer this purchase and to spec and build with this year's budget and purchase through a 10-year lease for this \$750,000 vehicle.

2. The department is trying to get their early warning sirens activated again. The siren notifies the community to tune to local media sources for information. This would have made a difference in the big fires in Paradise and Napa. The existing systems do not work right now because they operate on the old analog VHF. There are upgrades to be done to make them work on the 800 MHz digital. \$19,000 is the amount for this item.
3. Contingency capital is something the department always maintains in case something unanticipated comes up through the course of the year.

The following items were removed but the board may want to consider adding back after more research is done on these items:

4. Battery powered extrication tools in the amount of \$60,000.
5. High pressure air bags for auto extrication in the amount of \$20,000. The department's current air bags are at their expiration date.
6. Auto pulse resuscitation, a mechanical device that does CPR automatically with a cost of \$47,000 for three. Its function is critical when trying to get a patient up and down stairs providing uninterrupted CPR will.

Senior Finance Officer Mandolini provided a comparative analysis of budget projections for the current fiscal year and Budget B.

Budget B projected revenue does not change from Budget A (though there is a movement of money due to Capital Expenditure, but no change in revenue).

Budget B projected expenses includes a \$200,000 increase in Salaries and Benefits for annual step increases. Other Payroll expenses is increased by \$340,000 due to consolidation. CalPERS reevaluated the unfunded liability, changing the amortization period of that liability from 30 years to 15 years increasing the department's payment. The remaining expenses detailed are the same as in Budget A.

In this model, at the end of a 3-year fund balance projection, the department will have a \$1.2 million Fund Balance.

Senior Finance Officer Mandolini provided changes in FTEs for Budget B:

Changes include a Fire Captain retirement; the position is not being filled. Two additional flight nurses will be added (the department is reimbursed for these

positions). The Assistant Fire Marshal retired; the position is not being filled. The Senior Finance Officer is being increased from a .25 position to a full-time position. Related to that, there is one less Business Manager position. The result is that the department is down .25 FTE from FY2018-19 to FY2019-20. In the Paid Call category, one additional Paid Call Captain was added moving the retired Assistant Fire Marshal into that position.

For Budget A, the FTE count would be down .75 due to the removal of the half-time administrative position.

Chief Willis is asking for guidance from the board on their budget preference, A or B and wants to know if staff is on the right track.

Staff responded to questions from board members. Board members provided comment.

1. Is it possible to shift to Budget B only during slow times to cut overtime costs during that time period?

Chief Willis responded no, not without a service reduction in administration or suppression. The only times considered slow are the transitions from spring into summer for 30 days and from summer into fall for about 30 days. However, the fall is high-fire season. Making that temporary reduction would not translate to enough savings.

2. How does the board justify risking a life going with Budget A.?
3. Is it responsible of the board to operate like there is not an issue and deplete savings to a point where there is no Fund Balance remaining in 2-3 years, which will leave fewer options at that time?
4. Is it a good idea to make the hard choice now and live within our means to maintain some Fund Balance in case there is some catastrophe?
5. Every ballot measure in this area passed in the last election.
6. Other communities have tried to pass a fire tax and failed.
7. Do the consultants have an opinion if the department goes with Budget A and close a station; does it look like the department is just making it look like it needs money?

Chief Willis responded that the consultant's opinion is that the department should make the potential for a station closure if there is not additional revenue part of its communication message. They advise to give the public the opportunity to vote, then do what you say you are going to do.

8. If Budget A is adopted and a station closed, the board should think about paying down the SBCERA loan. That is an appropriate use of reserves, rather than paying \$800,000 additional interest.
9. The polling for Measure M for the school district tax indicated it would pass and it didn't. The valley does not have a lot of history since then on how they would vote on a tax measure.
10. If the public does not know the department is hurting, they are not going to take the tax measure seriously.

Chief Willis stated that any response out of Sugarloaf will stop the clock at an incident but typically must be backed up by a unit from another station. It is true for any station that it can be empty when they are out responding to calls. Sugarloaf and Erwin Lake would experience a 4-5-minute delay if the Sugarloaf station is closed. That adds an additional minute systemwide. The department's number of level zeros will increase. It will not be sustainable and there will be a failure.

The community hasn't been able to weigh in on this yet. Chief Willis advised the board that the community should be able to speak through a vote before closing a station.

11. In the short-term, is it counter productive to the larger goal of increasing revenue if the board behaves like there is not a problem? Running the department until there are no more reserve funds does not make good fiscal sense.
12. When going through the public hearing process, the department could place a full-page ad notifying the public of the possibility of closing the station to see what the response is.

Chief Willis responded that the polling supports that the community wants to increase service. 70-80% of the approximately 300 people contacted they are in favor of improving service.

13. Staff could prepare a modified budget without the big expense numbers as in Budget A, and keep overtime down, stretching out the available funds for as long as possible. This is preferable over shutting down a station.
14. The board could go to the election asking for the revenue to sustain Budget B. If it fails, then go again for Budget A. It needs to be clear that Sugarloaf will close if the department does not get the revenue to support the budget to keep it open.

Chairman Jahn asked for a consensus from the board for direction of which budget staff should continue to develop. Board members weighed-in with six preferring Budget A, three preferring Budget B and one board member absent, as follows:

- Director Russo – Budget A
- Director Putz – Budget A
- Director Oxandaboure - Budget B
- Director Caretto – Budget A, but make payments to SBCERA
- Director Ziegler – A
- Chairman Green - Budget B
- Director Herrick – Budget B with no capital expenditures and cut overtime as much as possible
- Director Walsh – Budget A
- Chairman Jahn - Budget A
- Director Jackowski – Absent

Chief Willis asked if the board desires to close the Sugarloaf station this April during the 30-day window of the department's slow period. After the budget is adopted in June, there will be a full closure, but the waters can be tested if the process begins in April. The April closure would allow for a planned staff reassignment.

Chairman Jahn stated the consensus of the board is to move forward with Budget A which will close the Sugarloaf station.

The next budget workshop is April 17, 2019.

ADJOURNMENT

There being no further new business to come before the Fire Authority at this session, Chairman Jahn adjourned the meeting at 7:23p.m.



Dawn E. Marschinke, Board Secretary

APPROVED AT THE MEETING OF JUNE 4, 2019