

**CENTRAL FIRE PROTECTION DISTRICT
COMMITTEE OF DIRECTORS
AGENDA
FINANCE COMMITTEE MEETING
(Miller, Cupples, Walter)
Wednesday, December 5th, 2018 at 8:00 A.M.
Administration Office – 930 17th Avenue, Santa Cruz**

1.0 CALL TO ORDER; ROLL CALL

2.0 ORAL COMMUNICATIONS This is the time for the public to speak on items within the Committee's responsibility but which are not on this agenda. There can be no substantive discussion by the Committee of items not publicly noticed on the agenda. The Committee may refer such non-agendized matters to staff or may consider deferring such items to future meetings after public notice is provided.

The public should speak to the Committee on items appearing on the agenda when the Chair calls for public discussion of the item.

3.0 CONSENT AGENDA

Matters listed under the Consent Agenda will be acted upon by one motion affirming the action recommended. There will be no separate discussion on items unless members of the Committee or staff request removal of item for separate action.

Public Comment on Consent Agenda: This is the time for members of the public to address the Committee on items that are on the Consent Agenda. Oral presentations should ordinarily not exceed 3 minutes per person.

3.1 Approve Minutes of Committee Meeting on September 5, 2018

4.0 CLOSED SESSION

Public Comment: Public comments on closed session agenda items will be accepted by the Board at this time. The Board will then recess into closed session to discuss items on the closed session agenda.

4.1 Conference with Labor Negotiators Government Code § 54957.6

- Agency Designated Representatives: Ad-Hoc Committee Consisting of Mr. John Lucchesi, Mr. Dave Burnham, Mr. Barry Franchi
- Management Bargaining Group

4.2 Conference with Labor Negotiators Government Code § 54957.6

- Agency Designated Representatives: Ad-Hoc Committee Consisting of Mr. John Lucchesi, Mr. Dave Burnham, Mr. Barry Franchi
- Administration Bargaining Group

5.0 RECONVENE TO OPEN MEETING

Report of Action(s) – At the conclusion of a closed session a report of any reportable action(s) taken in closed session will be made

5.1 Report out of Closed Session

6.0 NEW BUSINESS

6.1 Accept and Implement Salary Schedule Adjustments- Fire Chief Steven Hall
Discussion/Action

7.0 ADJOURNMENT

Note: The Committee President requests that if you have any questions or wish clarification or additional information about any item on the agenda or contained in the attached materials, to please call the Fire Chief at (831) 479-6842 before the meeting. Information regarding items on the agenda may be reviewed at our business office located at 930 17th Avenue, Santa Cruz, California 95062, or you may view the agenda on our website at www.centralfpd.com

**CENTRAL FIRE PROTECTION DISTRICT
COMMITTEE OF DIRECTORS
MINUTES
FINANCE COMMITTEE MEETING
(Miller, Cupples, Walter)
Wednesday, September 5th, 2018 at 9:00 A.M.
Administration Office – 930 17th Avenue, Santa Cruz**

1.0 CALL TO ORDER; ROLL CALL

Chair Miller called the meeting to order at 9:05 a.m. In attendance were Directors Walter and Cupples, as well as Chief Hall, Finance Director Dannhauser, and Battalion Chief Walbridge.

2.0 ORAL COMMUNICATIONS This is the time for the public to speak on items within the Committee’s responsibility but which are not on this agenda. There can be no substantive discussion by the Committee of items not publicly noticed on the agenda. The Committee may refer such non-agendized matters to staff or may consider deferring such items to future meetings after public notice is provided.

The public should speak to the Committee on items appearing on the agenda when the Chair calls for public discussion of the item.

There was none.

3.0 CONSENT AGENDA

Matters listed under the Consent Agenda will be acted upon by one motion affirming the action recommended. There will be no separate discussion on items unless members of the Committee or staff request removal of item for separate action.

Public Comment on Consent Agenda: This is the time for members of the public to address the Committee on items that are on the Consent Agenda. Oral presentations should ordinarily not exceed 3 minutes per person.

3.1 Approve Minutes of Committee Meeting on July 17, 2018

Director Walter made a motion to approve the Consent Agenda. The motion was seconded by Director Cupples.

The motion passed with 3-Ayes.

4.0 NEW BUSINESS

4.1 Recommendation of Engineering and Design Firm from RFP for 410 Kennedy Improvements- Battalion Chief Walbridge and Fire Chief Hall Discussion/Action

Chief Walbridge addressed the Committee, drawing their attention to a document that contains issues with the premises at 410 Kennedy, to include a proposal to expand the premises; advised that an engineering proposal was included for the remodel of the shop floor; advised that the shop floor surface is not adequate for the working being done at the premises; advised that the floor deflects under and load and there is some cracking – the stabilization of the floor is compromised; advised that there have been discussions about square footage and how to possibly expand the work area, as well as correct the ADA issues in the building; advised that the front access to the building has a fairly narrow setback – so a wheel chair ramp in the front is not a possibility, so a lift will have to be designed into the proposed remodel of the mezzanine area of the premises; advised that some additional wiring will need to be done to accommodate equipment, as well as the addition of a circulation fan in the roof to ventilate the shop space; advised that he recommended that the Committee vote to move forward with the floor – advised that when the building was purchased, it was known that the floor was not adequate – it’s unsafe – it definitely needs a lot of attention – for future expansion and for the continuation of the services being provided at the premise – the mezzanine is recommended as well – the ADA stuff goes along with the requirements.

Chief Hall advised that that when the bids were reviewed – they are not high for the scope of work that needs to be done; advised that he had made mention earlier this year about the future of Fleet Services – we have a three year window to make sure that we are bringing Fleet Services up to what we believe is a good fiscal standpoint - if you approve this or move it to the full Board for approval, this will be a two phased approach – as Chief Walbridge mentioned, we have to get the floor fixed – that’s without question – the mezzanine is a necessity, but it’s not an urgent necessity; advised that if we can get the design approved for both sections, then we can tier this – we can do the floor at one time, and if the cost were greater than what we were anticipating, we could do the mezzanine at another time – we need to pour some footings, etcetera, that could be done during the first phase; advised that even if we were to get rid of the Fleet Services building – if we said we’re not going to do this anymore we still need a location for our own vehicles and hopefully a jurisdiction just south of us to be able to work on our equipment [sic] – which that building would be adequately sized and we do own it outright – even if we were to sell that building and with these improvements, it would just increase the resale value of the property; advised that it was his recommendation in moving forward that the bid be awarded to Streeter Group – it’s a local group – they have done a lot of work in Santa Cruz County – even though they weren’t the lowest, advised that he believed that due to geographic location – they don’t need to come for San Francisco, Southern California or the Bay Area – they are right here, and from what he’d been told, they do a quality project.

Director Cupples advised that his concerns about a return on the investment had been addressed – that is a major concern since over the years an amount of money has been poured into that location; inquired if what was being requested was \$122,000 to just do the engineering – this is not construction – it’s just an engineering concept and we’d have to get another bid to build from there? Chief Hall advised that was correct. Director Cupples inquired about the three year program – do we foresee that with the things that are happening with our Districts that Kennedy will be able to sustain itself? – will we ever get to that point where taxpayers do not have to keep shelling out money to keep this thing afloat. Chief Hall advised that he did not want to say that we are ever going to get there – I believe we are – and you will see with Finance Director Dannhauser’s report – you will see that the subsidizing is lessening each year, and we do believe that will continue – my approach or my optimism that we are going to be able to self-sustain Fleet Services – yes; advised that he was hoping to show a vast improvement in three years – do I think we will be at a net zero in three years – “no, I don’t” – but, I think we will be able to show some substantial savings. Director Cupples then inquired if Fleet Services were to be shut down in three years, the return on investment for what we put in – the \$122K, we would realize a return on our investment? Chief Hall advised that he believed we could realize that – with the availability or lack thereof of commercial or light industrial space, I think we will definitely see that coming. Chair Miller inquired if \$200,000 had been approved for Kennedy in the Preliminary Budget? Chair Hall inquired \$200,000 for what? Chair Miller advised he believed \$200,000 had been budgeted for improvements to the facility – the mezzanine going in – if you look at the capital improvements portion of the Final Budget – the capital improvements schedule, it shows \$200,000 ... Ms. Dannhauser advise that the \$200,000 is for the floor. Chair Miller advised that at the time, he thought the mezzanine was the topic, and if you look at the capital improvement schedule, there is nothing in there beyond the \$200,000 for mezzanine, and if we spend \$118,000 and move this to the full Board for a vote – I see that only leaves like \$82,000 to do the floors – that doesn’t seem like that’s a lot of money ... Chief Hall advised that it’s not – advised that he believed that the figure is erroneous and that we are gonna’ have to come back to you and the Board with a more robust number; advised that he wasn’t that shocked with \$120,000 for the engineering, but advised that it is all encompassing, and as Chief Walbridge mentioned, there are some other things that are gonna’ trigger the costs you are looking at today – the big one is the ADA; advised that we are noncompliant with ADA in that facility – we were noncompliant when we bought the building – they were noncompliant when they had the building before us – ADA requirements have been around for quite a while; advised that we are going to have to come back with some revised numbers - \$200,000 is not going to – as you just stated – or \$80,000 left to do this is not going to do anything for us. Chair Miller advised that he would like to see what the estimated figures are going to be – advised that he has the same concern as Director Cupples – that we are putting a lot of money into this building and continue to do so – I think we need to be careful on how far we continue to go down this road; advised that he understood that we want to make it workable – we want to do the best we can as it stands now, but at the same time, we start talking millions of dollars in that building – which would be interesting to see the history of how much we have actually spent now on that building. Chief Hall

advised that those figures could be provided. Chair Miller inquired about not going with the lower bid -there is a lower bid – by only a couple thousand dollars, but in just reviewing history in his head – advised that he believed this District was advised by a lawyer that you didn't have to go with low bid and we were then sued and it was settled out of court – so does this need to go to a lawyer due to the fact that we're not going with the low bid? Chief Hall advised that he would be happy to take it to counsel, but advised that from his experience – no – you don't need to go to a low bid – there's nothing written that says you have to go to a low bid; advised that you have to look at all the elements within the bid process for example, and not in this case, if you had a lower bid submitted, but the qualifications of the firms were not adequate or they didn't have the experience doing a design of this type of facility – that excludes them from the bid process – especially when we're that close – the way, historically – what I have done, is if it's within 10%, then you have to look at the reason why it's within 10% and I would give the win – if you will – or the acceptance to the local bidder, as long as they meet the requirements based on that 10% criteria cost – but if they're local, we need to be putting out dollars to the local businesses. Chair Miller advised that he didn't disagree – it's just history that I can remember – I do remember the District was sued for – I believe it was for this building, when they did not go with the low bid – given I was on rank and file, I was not an officer of the department, but I do know that there was a lawsuit that ensued, and my understanding was that it was settled out of court – it actually did come to a settlement; advised that his personal feeling is that he believed it would be worth a phone call – I appreciate your history – I'm not saying I don't have the faith in you Chief – I think just do to the fact that I do remember history on this – if it's okay with the Committee, I think it's worth a phone call to just double check with a lawyer. Chief Hall advised that he would be happy to do that. Chair Miller requested the feedback after the Chief contacts legal counsel. Director Cupples inquired if the Chief was going to capture all the costs for the Kennedy property. Ms. Dannhauser advised that right now the \$200,000 was budgeted because the floor needs to be addressed; advised that it's going to be done in phases – as soon as an estimate is received for the ADA costs or the rest of the costs for the building – they will be incorporated into the capital improvement schedule. Director Cupples asked for a total spent on Kennedy, to include history of expenses, including attorneys' fees, and projected costs.

Director Cupples made a motion to move the Recommendation of Engineering and Design Firm from RFP for 410 Kennedy Improvements (Streeter Group of Soquel in the amount of \$121,695.00) on to the full Board for their review and approval. The motion was seconded by Director Walter.

The motion passed with 3-Ayes.

Chief Hall advised that the figures for the Kennedy building at the regular Board Meeting on September 11, 2018. Chair Miller advised that he voted yes on this because there are issues with the floor and the ADA compliance is an issue – we need to be ADA complaint at all times – we can't have substandard floors within our facilities – we have to start taking care of our facilities and this is a starting point, even though we do know it is a question mark to the future.

Director Walter inquired about a possible elevator for Kennedy? Chief Hall advised that it may not have to be a full elevator like in this structure – it could be more like a lift – smaller elevator – that will come out of the design; advised that he would have to agree with Chief Walbridge that he didn't think that the District has the real estate to put a ramp in that front area – there may also be another alternative measure to that – when we say lift, if you are familiar with the Aptos La Selva headquarters – going up to the second floor Boardroom and other offices, there is a staircase and they have a wheelchair lift that can be put in – it's kind of a dual use program – again, that will be up to the design team to figure out what the best bang for the buck – obviously the less expensive option would be to design something in the front of the building; advised that he had an idea but that he had not run it past Chief Walbridge, but if we were to build a parapet or a deck in the front with a ramp ...; even if the contracts for service were to go away with the other County fire agencies, and we said okay, we're just gonna' do Central and I'm gonna throw Aptos in the loop – with the amount of equipment that we have, that building would be of adequate size and again, it's paid off – it's a zero balance to us – it still costs us money each year, just like a fire station costs us money – but with the amount of equipment we would be servicing inhouse only – that facility would still be of benefit to us. Director Cupples inquired about the solar panels – if we were to sell that building, we would lose those solar panels as far as the District benefiting. Chief Hall advised that was correct, and that was another conversation that he and Chief Walbridge have had – how can we utilize the real estate and space that we have from a canolevered solar system – we'd be able to park equipment underneath that covered area, or do we put them on the roof – that will come in the next phase of John's investigation on what the best bang for the buck is – yes, we would lose those – we would lose the credit and whoever bought that building would reap the reward. Chair Miller advised that he concurred that he liked the idea of a single handicap parking spot up there – that would give room for the ramp – that's for the architect and engineers to figure out.

4.2 (A, B, C, D) Review 2018-19 Final Budget – Finance Director Nancy Dannhauser
Discussion/Action

Ms. Dannhauser gave an in-depth review; advised that for 2017/2018 a deficit had been budgeted of about \$728,000, and the District actually came in at a surplus of \$670,000 – a favorable difference of \$1.4 million – due to higher than anticipated revenues of 1 million dollars – that was driven by \$500,000 of strike team reimbursements, as well as higher than expected property tax revenue of \$150,000, and a Homeland Security Grant was realized in the amount of \$100,000; advised that the District spent \$400,000 in expenditures – a lot of that money is carried over to this fiscal year – there are projects that needed to be carried over to this fiscal year; advised that Fleet Services had revenues at \$87,000 – advised that she broke out the interfund transfer to internal service charges and what is subsidized by the District – 32% was budgeted for midyear subsidized by the District, with the \$87,000 – with Scotts Valley Fire coming in as a new client; advised that for the final budget for revenues, we are proposing \$18.8 million,

\$19.5 million for expenditures, for a net deficit of \$768,000; advised that the beginning fund balance as of July 1, 2018 is \$12.1 million – now that the \$768,000 is being spent, the projected ending balance as of June 30, 2019 is \$11.4 million; provided an overview of the changes between the Preliminary Budget and the Final Budget for the operations figures the Fleet Services figures, and the capital outlay figures. Chair Miller inquired about the surplus – what the increase amount was ... Ms. Dannhauser advised that the property tax revenue is still estimated at 4% - but the base is higher. Chair Miller inquired about the amount of revenue collection for last year. Ms. Dannhauser advised that it was about 5 to 5.5% - but we are estimating 4%. Chair Miller inquired about the final budget being 1.4 million – expenditures of \$350,000 in vehicle replacement – you said we were getting a reimbursement ... Ms. Dannhauser advised that it was a pass through. Chief Hall advised that we need to fund the equipment that's going on the four new pieces of apparatus, and then we will be reimbursed through the financing process – we are putting the money upfront and will be reimbursed on the back side. Chair Miller inquired if it was reimbursement for the general funds – you are gonna' put that money back in there? Chief Hall advised that was correct. Director Cupples requested clarification - if we are financing it, but we are still spending the money. Chief Hall advised that it's in the total package – most finance companies can't do that – we upfront the cost, they roll those into the total cost of the finance – we're still paying for it, but the money will be reimbursed to the fund in the end. Director Cupples inquired if the \$350,000 was free money. Ms. Dannhauser advised no. Chief Hall advised that three vehicles were surplus – and gave an overview of why the 1999 GMC was sold for a significantly higher price than originally thought – advised that the surplus monies were put into the vehicle replacement fund.

4.3 Review 5 Year Forecast Model – Finance Director Nancy Dannhauser Discussion/Action

Chair Miller advised that he talked to the Finance Director yesterday about the highlights and what they were – the difference in figures between the preliminary and the final - advised that he didn't think he needed to see the entire budget again – the Board has technically approved in a Preliminary Budget – advised that he is more interested in the changes that occurred to the Preliminary Budget and why – instead of printing the whole Budget – he would like to see the items that changed – especially the ones that have gone up and why they've gone up – a snaps hot on one page – quite a few have gone up – advised that he wanted to understand why – we promoted three people - \$20,00 for carpeting – we got a new estimate or price of carpet went up – just items like that – that would be easier for me for future process on completing the Final Budget. Ms. Dannhauser advised that she agreed if he wanted it to that level of detail – I can provide it. Chief Hall advised that he saw the Chair's point; advised that there is a lot of time that goes into the process from the Preliminary side to the Final – \$1933 increase in belts and District buckles because we haven't purchased any in years – how many belts do we need? – we have new employees that weren't issued Class A uniforms – that's down for \$15,000 – a Class A runs about \$700 total – we've pieced that part over the last year to get people their Class A uniform – it gets into that much detail – if I hear you correctly, we had a \$15,000 increase, new personnel, Class A

uniforms ... Chair Miller advised that is it; advised that he is asking for this because we went through the whole budget process and we approved every line item in there, and then all of a sudden we have 50 somethin' that increase – for us to just turn around and say that its good to go with an increase – for me, since there was approval of the Preliminary Budget - the Committee may say that staff doesn't have to go through this, but for my edification from a Finance Chair standpoint, I'd like to see a small explanation – the big one was salaries – we promoted folks and it wasn't in the Preliminary Budget – I think you understand what I'm lookin' for. Chief Hall advised that when a body approves a Preliminary Budget, they are basing that approval on the Preliminary revenue stream that is coming in – we didn't have the total stream from the County until recently – so, when we're looking at those increases – when we get the final numbers in we know that we have more revenue, so we are able to increase some of those line items; I do agree that a Board of Directors approved the Preliminary Budget with the numbers that we had that point – that's the only difference. Ms. Dannhauser advised that the changes are based off what the financial results were in the prior year – a lot of that is driving these changes. Director Cupples wanted clarification on what the Chair was requesting. Chair Miller, again, reiterated his reasons for wanting a summary of the changes and the reasons for them.

Ms. Dannhauser gave an overview of the five year forecast – advised that it was updated based on actual results – for 2017/2018 the District came in at 86.82%, but advised that the recurring revenue was 5.62% - advised that because the side fund dropped, the new percentage is 81.84%, slightly lower than the Preliminary Budget which reflected 82% - advised that over the five years an increase in healthcare, PERS, workers comp are all project to about 84.80% - which is still under the targeted goal of 85%. Chair Miller cautioned that was without negotiations; inquired about the increases in the healthcare, PERS and workers comp. Chair Miller inquired about a salary report on one individual – and with the largest bargaining group – with the anticipated costs, you are probably going to be by 2024 – you are going to be a decent amount over the 85% unless something changes. Chief Hall advised that he thought there would be something mid-range – if 87 is a definition of a decent amount - advised that under 90 – we kind of have an eb and flow now were we would be – forecasting – I see us above 85, but not that much. Chief Hall advised that staff is conservative; advised that the argument from some people may be that you didn't project right – we projected right where we wanted to be – for the last couple years our budget has been right in line with our projection and when we see a surplus, that's a good thing – that's not based on false numbers – we should be doing conservative budgeting – all our bills were paid – salaries were increased – salary and benefit packages were looked at – granted we are still gonna' be dealing with the largest group, and that's fine – I feel very confident in that this year we are at 4% again, and if we come in 5.1 or 4.5, that's fantastic and that's where we should be; we have agreed that we are gonna put it down to 2- 2 between 2020 and 2021 because the market is saying that we are gonna' see a downturn – it's not gonna' be a sharp decrease, but it's gonna' be a downturn – lets be prepared for that – if we look at this in two years from now, and we see everything is still on the upswing, then maybe we'll change that – it's not necessary to have these exorbitant amount of percentages and say we're gonna' go 4% or 5% across the board because at

the end of the day, if we didn't hit 5% and we came in at 4%, well now we've lost revenue and that's not the way we wanna' run a business – that's what you're responsible for. Chair Miller advised that we're lookin' good in 2021 and I will retire at the end of that year; advised that the negotiations could change some of those long term forecast; "God willing we stop some of the heavy duty injuries that we've had in the past" – we could actually see a turn in those figures in the other direction. Chief Hall advised that a lot of things down the pipe are gonna' help – everything from retirements – we know we don't want to see anybody leave, but we know that we have some scheduled retirements this year – three- that will be replaced with lower costing employees per se – okay, that helps; if we look at the longevity report, it's not public information – we look at those and we say this band of employees are nearing the age of 50 and can retire if they have this amount of years in – we will bring in more employees there, so that will help – when we look at \$703,000 in workers compensation – the figure almost comes up to \$1 million in health and wellness for a couple categories – if we could split that in half, that's another \$500,000 or \$600,000 in revenue – it doesn't go out as an expenditure – although we are conservative and we have some good things moving forward, I think this District is sitting very well; advised that we do have two confirmed retirements and the third has not actually come in and had the discussion yet – those vacancies will be filled and not overstaffed.

Director Cupples made a motion to forward the Final Budget 2018/2019 to the Full Board for approval. The motion was seconded by Director Walter.

The motion passed with 3-Ayes.

Chair Miller thanked everyone for their hard work on the Budget. Chief Hall advised that the amount of work that goes into the budgetary process started back in January, and it's never-ending for all levels of the organization, and proceeded to give a detailed description of the process.

5.0 ADJOURNMENT

Note: The Committee President requests that if you have any questions or wish clarification or additional information about any item on the agenda or contained in the attached materials, to please call the Fire Chief at (831) 479-6842 before the meeting. Information regarding items on the agenda may be reviewed at our business office located at 930 17th Avenue, Santa Cruz, California 95062, or you may view the agenda on our website at www.centraalfpd.com

The meeting was adjourned at 9:55 a.m.

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This will certify that the foregoing is a true copy of discussions during the Central Fire Protection District Finance Committee Meeting held on September 5, 2018, as prepared by me.

Donna J. Steward
Recording Secretary

Dated: _____, 2018

ATTEST:

Committee Chair