



# FINANCIAL SUSTAINABILITY ANALYSIS

# Why the James Vincent Group (JVG)?

- ▶ Expertise focused on the financial aspects of fire organizations. Some of our relevant consulting and Finance Director services clients include;

- Arizona Fire & Medical District
- Buckeye Valley Fire District
- Berthoud Fire Protection District
- City of Chandler Fire, Health & Medical
- City of Glendale Fire Department
- Corona De Tucson Fire District
- Daisy Mountain Fire District
- Fry Fire District
- Green Valley Fire District
- Heber Overgaard Fire Department
- Mesa Fire and Medical Department
- Mountain Vista Fire District
- Northwest Fire District
- Payson Fire Department
- Peoria Fire Department
- Pine-Strawberry Fire District
- Pinetop Fire District
- Scottsdale Fire Department
- Sedona Fire District
- Sun City Fire Department
- Sun Lakes Fire District
- Tempe Fire Medical Department
- Timber Mesa Fire and Medical District
- Tubac Fire District
- Wellington Fire Protection District
- Windsor Fire Protection District

# Objectives

- ▶ To provide a detailed and independent financial assessment of the District
- ▶ To provide the financial costs/savings associated with potential options, enabling decisions on the future path of the District to be based on reliable and independent information.

# Methodology

## Collected information

- ▶ Historical financial information.
- ▶ Audited financials.
- ▶ PSPRS prepared actuarial.
- ▶ Current wage and benefit package.
- ▶ Operational models, current practices, and industry standards.

## Approach

- ▶ Compiled historical financial data to project and analyze trends.
- ▶ Developed employee shell for wages and benefits.
- ▶ Applied industry knowledge and best practices to build projections.

# Historical Analysis

	FY19	FY20	FY21	FY22	FY 23 Projected
<b>Revenues</b>					
Property Tax	3,010,578	3,090,020	3,262,379	3,654,332	3,979,531
Fire District Assistance Tax	521,412	482,366	487,689	494,770	493,953
Non Tax Levy Revenues	2,419,439	2,414,552	3,010,366	3,691,332	3,785,301
<b>Total Revenues</b>	<b>5,951,429</b>	<b>5,986,938</b>	<b>6,760,433</b>	<b>7,840,433</b>	<b>8,258,785</b>
<b>Expenses</b>					
Personnel Costs	4,849,323	4,987,770	5,646,510	5,507,472	6,021,919
Buildings & Land	140,210	99,063	98,447	130,497	118,906
Vehicles and Equipment	365,839	388,643	371,377	395,302	386,757
Communications and IT Services	377,810	347,968	348,034	393,710	421,668
Meetings & Training	70,802	73,169	66,014	60,934	64,525
Managerial Costs	255,418	228,550	254,512	306,106	270,490
Other Expenses (Ins Claims & Grant Matching)	174,957	90,042	278,640	553,518	435,400
Debt Service	277,512	123,718	325,121	689,911	1,017,840
<b>Total Expenses</b>	<b>6,511,871</b>	<b>6,338,922</b>	<b>7,388,655</b>	<b>8,037,451</b>	<b>8,737,504</b>
<b>Surplus/(Deficit)</b>	<b>(560,442)</b>	<b>(351,984)</b>	<b>(628,222)</b>	<b>(197,018)</b>	<b>(478,719)</b>



# Historical Analysis

# Future Projections - Revenues

To provide the projections it is essential to make assumptions on both the revenue and expenses. The assumptions listed below were used to create these projections and although JVG understands that it is possible to use worst case and best-case scenarios, JVG has used projections that are based on historical data and industry projections.

- ▶ Property tax revenue increasing 7.1% for next year, then 5% for FY 25 & FY 26, then 3% for future years
  - ▶ Tax rate increasing to 3.49 in FY 24 then 3.74 for future years.
- ▶ Non tax revenue increasing 3.0% annually.
  - ▶ Tribal contract based on IGA.
  - ▶ SAFR Grant ends in FY24, the study does not include a potential extension of the grant.
  - ▶ Non tax revenue does not include wildland revenue

# Future Projections - Expenses

- ▶ Personnel Costs increasing at 3.5% annually.
  - ▶ OT Reduced to 1 OT position per day.
- ▶ Buildings & Land expenses increasing 3% annually.
- ▶ Vehicles & Equipment expenses increasing 3% annually.
- ▶ Communication & IT services increasing at 4.4%
- ▶ Meetings & Training increasing 3% annually.
- ▶ Managerial expenses increasing 5% annually.
- ▶ Debt service is based on current schedules.
- ▶ No new capital



# 5 Year Projections

	FY24 EST	FY25 EST	FY26 EST	FY27 EST	FY28 EST
<b>Revenues</b>					
Property Tax	4,452,993	5,010,574	5,261,103	5,418,936	5,581,504
Fire District Assistance Tax	493,953	493,953	493,953	493,953	493,953
Non Tax Levy Revenues	3,624,682	3,234,856	3,345,175	3,439,381	3,536,413
<b>Total Revenues</b>	<b>8,571,628</b>	<b>8,739,384</b>	<b>9,100,231</b>	<b>9,352,270</b>	<b>9,611,870</b>
<b>Expenses</b>					
Personnel Costs	6,527,321	6,752,560	6,986,028	7,228,044	7,478,943
Buildings & Land	122,473	126,147	129,932	133,830	137,845
Vehicles and Equipment	397,948	409,886	422,183	434,848	447,894
Communications and IT Services	439,958	459,079	479,069	499,970	521,825
Meetings & Training	66,461	68,455	70,508	72,624	74,802
Managerial Costs	283,106	296,741	311,298	326,858	343,507
Other Expenses (Ins Claims & Grant Matching)	7,331	7,551	7,778	8,011	8,252
Debt Service	1,180,794	1,259,552	1,221,274	1,222,067	1,220,896
<b>Total Expenses</b>	<b>9,025,391</b>	<b>9,379,971</b>	<b>9,628,070</b>	<b>9,926,252</b>	<b>10,233,962</b>
Surplus/(Deficit)	(453,763)	(640,587)	(527,839)	(573,982)	(622,092)

# Summary

- ▶ The study has shown that the current operational model is not financially sustainable .
  - ▶ Expenditures must be reduced to match available revenues.
  - ▶ Once county LOC has been paid, District must continue to operate at a surplus to ensure funding for capital and financial reserves.
  - ▶ With a reduction in expenditures by \$675,000 it will take 5 years to pay back the county.
- ▶ In consultation with JVG the District has identified the following areas to generate savings.
  - ▶ The following is designed to be a listing of options for the Board to consider.
  - ▶ It's important to recognize each of the following options has associated risks.
  - ▶ JVG has not provided any recommendations on which ones to select, we can provide the Board with updated projections based upon the selected approach.

# Ongoing Expense Reductions

Items to Reduce	Projected Cost Savings
Hazmat Stipend	\$75,000
TRT Stipend	\$8,000
Health & Dental Opt Out	\$55,000
Holiday Pay for On Duty Only	\$125,000
PEHP Contribution	\$33,000
HRA	\$230,000
Freeze Pay	\$250,000

Items to Reduce	Projected Cost Savings
Reduce Uniform Allowance to \$450	\$14,500
Contract Fire Chief Position	\$135,000
Outsource Admin Positions	\$100,000
Switch Ambulance Billing Company	\$60,000
Eliminate SAFR Positions at end of Grant	\$425,000

# Other Considerations

- ▶ General Rate Increase on Ambulance
- ▶ Sell non-essential apparatus and facilities
  - ▶ The District has identified The Current Admin Station and parcel in Lake Montezuma.
- ▶ Consider Partner for JPA, Merger or Consolidation
  - ▶ Pros
    - ▶ Potential savings in reduction of duplicate positions.
    - ▶ A potential increase in level of service due to a greater depth of resources.
    - ▶ A potential ability to absorb financial crisis.
  - ▶ Cons
    - ▶ Willing partner based on current financial position
    - ▶ Savings may not be enough to avoid additional reductions

# Next Steps

- ▶ The District will need to provide direction on changes to be made.
- ▶ JVG will update the analysis based on the direction from the District.
- ▶ JVG will prepare a written report.

Questions?