

LONE PEAK PUBLIC SAFETY DISTRICT BOARD MEETING MINUTES

November 18, 2020
Highland City Offices
Approved 1/20/2021

Board Members in Attendance – Troy Stout, Rod Mann, Brittney Bills (for Kurt Ostler), Jason Thelin

Others in Attendance – Reed Thompson, Brian Gwilliam, Tyler Bahr, Steve Rowley, Stephannie Cottle, Laurie Adams, Shane Sorensen, Charlie Thurston, Lon Lott, Nathan Crane

Invocation – Rod Mann

1. Unscheduled Public Appearances

There were none.

2. Lone Peak PSD Financial Deficit Discussion

Tyler Bahr gave a Power Point presentation, and he indicated that Steve Rowley from the auditor's office would also be contributing. The topic was fund balances, and some revenue from Cedar Hills, as they exited the partnership with Lone Peak. He gave a brief review of general accounting and fund accounting. In general accounting, there were income and expenses that emphasize profitability, similar to the private sector. However, in fund accounting, finances are segmented to emphasize accountability rather than profitability. There were elements that facilitated accounting of restricted funds, such as grants. In Lone Peak, the primary purpose of the government entity was to ensure accountability.

The three operational components of Lone Peak are Police, Fire, and Administration. They recognize revenue and expenses for each of those business lines, but also recognize the revenue that comes in from each business line that was not generally restricted to any one business line. There was discretion over the finances overall, as finances were considered overall for debt purposes. Other entities would look at it as a whole entity, not one particular business line.

Fund balances at year end were not the same as those at the time of the audit, which was June 30, 2020. The Power Point portrayed the financials as of June 30, 2020. Balances were \$683,000 in Police, \$72,000 in Administration, and Fire had a negative fund balance of roughly \$444,000. That -\$444,000 carried over from previous years. The exit of Cedar Hills from Lone Peak simplified the structure of the District slightly. Before, there were three cities participating with Fire and two in Police; now there would be two cities participating in both Fire and Police. Cedar Hills provided \$242,000, representing their portion of the negative fund balance, when they departed. Maintaining the negative balance for the Fire department doesn't make sense anymore because the balance was incurred prior to the current leadership. Current leadership was monitoring funds very closely. Fund transfers were more feasible as Highland and Alpine were both participating in Police and Fire. The disposition of \$242,000 received from Cedar Hills was ultimately what was being considered.

Upon completion of the audit, the recommendation would be to retire that negative balance and to use the revenue received from Cedar Hills to contribute to that end, to the operation leases, or to ultimately reduce the assessments that would be assessed to both of the cities.

Troy Stout said that if there was a positive balance in Police and a negative balance in Fire, the proposal was to take from the Police to pay off the Fire. Neither of these numbers represented cash, therefore it was

more of an accounting function. In the past, there was actual cash built up in Police for operations in Fire. Over the last five years or so, Fire hasn't overspent, but the fund balance has remained. However, that cash didn't exist anymore. The budget today was bigger than the budget five years ago, and management had done a better job of monitoring the expenses and revenues.

Jason Thelin commented that when they were affiliated with Cedar Hills, they had a certain percentage allocated for Fire and a certain percentage allocated for Police. It seemed like it was less for Fire back then, and more for Police. Since Cedar Hills had gone, the allocations seemed more equal. He asked if this was normal for a city the size of Alpine. He asked if the percentages were similar for Highland. Tyler Bahr responded that would be easier to answer that now that there are only two cities participating. He stated he would do an analysis and provide that information at a future meeting.

Nathan Crane noted that the payout amount from Cedar Hills had not been applied anywhere yet. The payout occurred when the board and staff hired Lewis Young to do a study. He did the study on the Canyons and the Jordan School District split, created a model, and analyzed all the debt that the District had, and their portion of payments on the apparatus. The payout amount was Cedar Hills' portion of the year's outstanding debt to the District. As mentioned by Troy Stout, there were a few choices before them. They would apply the amount to the existing debt, save it and apply it to future payments, reduce the assessments, or use the funds as a reserve for the District.

It was suggested that they put the payoff amount toward debt. Staff explained that there were a few concerns with that option. If the money were put toward the debt, Alpine would have to pick up the payment on the apparatus long-term, which increased their assessment. This would put the District in a tough spot financially. Having a reserve for emergencies and repairs may be a better choice than trying to pay the debt now.

Steve Rowley restated they have a positive balance of \$683,000 for Police, and a negative \$444,000 for Fire. They typically receive more revenue than they spend. It was difficult to accurately estimate revenues generated for ambulance services.

Laurie Adams stated that Zions Bank had approached the Board a few years ago with concerns about how that negative fund balance was showing in the financial statements. Zions Bank suggested that they come up with a plan to reduce debt. For the past five years, each city contributed their portion of \$25,000 that goes toward that negative fund balance. It would be difficult to borrow money or lease vehicles as long as there was a negative amount on the financial statements.

There was a discussion regarding the most appropriate use for the payout funds from Cedar Hills. The Finance Department's recommendation was to use the money as a reserve. Staff confirmed that the negative balance would continue to be monitored separately. They discussed the past actions that lead to this debt.

Reed Thompson explained that the fund balance was -\$587,000 when he came into the District, and it had been reduced since then. The District had been within budget on the expense side since 2018. In the last two budget cycles, the estimated revenues have come closer to the actual revenue. Revenues would be different in the upcoming year with the loss of a community. He noted that there had been operational and administrative functions that were geared toward reducing the debt and increasing revenue. There was an existing contract with the ambulance collection service that had been in place for 20 years without changing rates. That was recently corrected, and now they were collecting at an appropriate rate. Regarding the percentage going to Police and Fire, Reed Thompson said that cities typically had a 50/50 split. As they transition from a volunteer and part-time base to full-time employees, there tends to be more put toward Police. The reason for that was because Police had more full-time employees than Fire. However, Fire required a lot more expensive equipment than Police.


There was a discussion regarding funds collected from fighting fires in other states. It was the Board's duty to determine how those funds would be spent. The group contemplated whether it would be beneficial to pay cash and own assets outright, or if it would be better to pay down the debt. It was suggested that they obtain counsel from their financial institutions regarding this issue.

3. Approve Minutes for 10/14/20

Rod Mann made the motion to approve the minutes, as written. Troy Stout seconded the motion. A vote was taken and the motion passed unanimously.

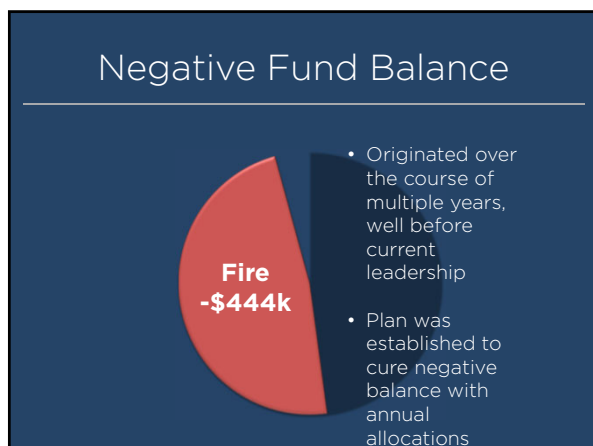
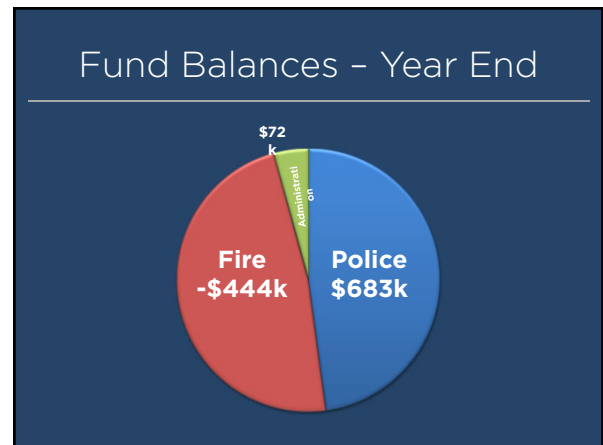
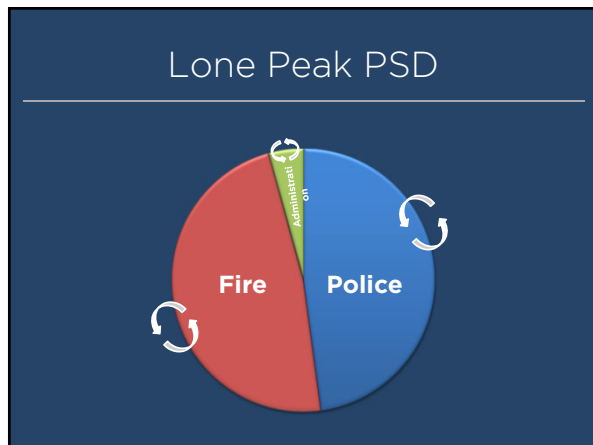
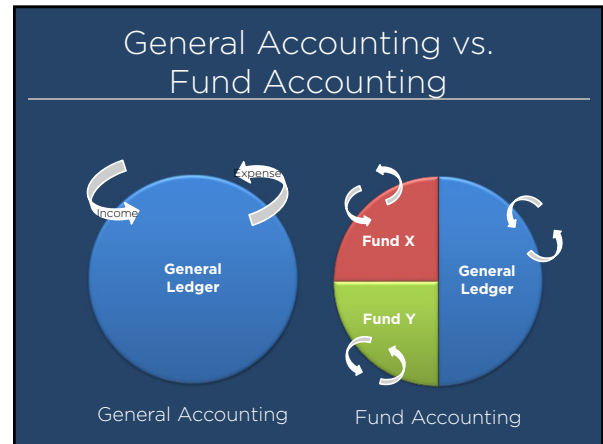
4. Adjourn

The meeting was adjourned at 8:15 p.m.



LONE PEAK PUBLIC SAFETY DISTRICT FUND ACCOUNTING

Presented by - Tyler Bahr, CSM, Finance Director
November 18, 2020



- ### Cedar Hills Exit
- Simplifies structure of the District
 - Before: 3 participating cities in Fire, 2 in Police
 - Now: 2 participating cities in both Fire, Police
 - Payment of \$242,161 received from Cedar Hills, representing their portion of the negative balance

For Consideration

- Maintaining negative balance in Fire no longer makes sense:
 - Balance was incurred under previous leadership
 - Current leadership monitors finances closely
 - Fund transfers are more feasible as Alpine & Highland participate in both Police & Fire
- Disposition of \$242,161 received from Cedar Hills

Recommendation

Upon completion of FY2020 audit...

- Retire negative balance
- Determine if Cedar Hills revenue will:
 - Contribute to retiring negative balance;
 - Be allocated to other operational uses; or
 - Reduce assessments to Alpine & Highland