UNIFIED FIRE SERVICE AREA
FINANCE COMMITTEE AGENDA

February 17, 2022, 1:00 p.m.

NOTICE IS HEREBY GIVEN THAT THE UNIFIED FIRE SERVICE AREA FINANCE COMMITTEE SHALL ASSEMBLE FOR A MEETING AT 3380 South 900 West, Salt Lake City, UT 84119

THE PUBLIC MAY ATTEND PHYSICALLY OR ELECTRONICALLY VIA ZOOM WEBINAR:
https://us06web.zoom.us/j/86806763298?pwd=bUgycUFmMUN1OGthdzIwWUJrMDF4Zz09
Meeting ID: 868 0676 3298
Passcode: 8675309

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1. Call to Order –

2. Public Comments
   Please limit comments to three minutes each
   There are three options for comments during this meeting:
   a. In-Person.
   b. Live during the Webinar by logging in as described above. If you wish to make a comment, select the "Raise Hand" button at the bottom of the screen. You will then be added to the que and invited to speak.
   c. EMAIL: Public comments will be accepted prior to the meeting via email at publiccomment@unifiedfire.org until 7:00 a.m. February 16, 2022. Emailed comments submitted prior to 7:00 a.m. February 16, 2022, will be read or summarized into the record, comments received after the deadline will be forwarded to the UFSA Board, but not read into the meeting record or addressed during the meeting.

3. Selection of Finance Committee Chair –

4. Minutes Approval - Chair
   A. November 1, 2021

5. Discussion/Direction on 2021 Audit Firm - CFO Hill

6. Discussion/Direction on Excess Bond Proceeds Due to Inability to Rebuild Station 112 - CFO Hill

7. Possible Closed Session
   The Board may consider a motion to enter into Closed Session. A closed meeting described under Utah Code Section 52-4-205 may be held for specific purposes including, but not limited to:
   a. discussion of the character, professional competence, or physical or mental health of an individual;

b. strategy sessions to discuss pending or reasonably imminent litigation;
c. strategy sessions to discuss the purchase, exchange, or lease of real property;
d. discussion regarding deployment of security personnel, devices, or systems; and
e. investigative proceedings regarding allegations of criminal misconduct.

A closed meeting may also be held for attorney-client matters that are privileged pursuant to Utah Code § 78B-1-137, and for other lawful purposes that satisfy the pertinent requirements of the Utah Open and Public Meetings Act.

Re-Opening the Meeting

8. Adjournment - Chair

THE PUBLIC IS INVITED TO PARTICIPATE IN ALL UFSA MEETINGS.

In accordance with the Americans with Disabilities Act, UFSA will make reasonable accommodation for participation in the meetings. Please call the clerk at least three working days prior to the meeting at 801-743-7213. Motions relating to any of the foregoing, including final action, may be taken at the meeting. This meeting may be held electronically to allow a member of the UFSA Finance Committee to participate. This agenda is subject to change with a minimum 24-hour notice.

CERTIFICATE OF POSTING

The undersigned, does hereby certify that the above agenda notice was posted on this 16th Day of February, 2022 on the UFSA bulletin boards, the UFSA website www.unifiedfireservicearea.org , posted on the Utah State Public Notice website http://www.utah.gov/pmn/index.html and was emailed to at least one newspaper of general circulation with the jurisdiction of the public body.

Cyndee Young, UFSA Board Clerk

UNIFIED FIRE SERVICE AREA
FINANCE COMMITTEE MEETING MINUTES
Monday, November 1, 2021, at 2:30 p.m.
Meeting was held both electronically via Zoom Webinar/UFA Headquarters

Committee Members Present:

Council Member Bailey
Mayor Hale
Mayor Sondak
Mayor Overson
Mayor Silvestrini

Staff:

Chief Petersen
CFO Hill
Cyndee Young
District Administrator Anderson
AC Pilgrim

Guests:

Aaron Lance
AC Burchett
AC Higgs
Division Chief Robinson
Erica Langenfass
Kate Turnbaugh
Kimberly Ruesch, Eagle Mtn.
Kioshi Young
Lana Burningham
Larson Wood
OC Dern
Pat Costin
Ryan Love
Steve Quinn

Meeting called to order by Chair Sondak at 2:34 p.m.

Public Comments
None
Public comment was made available live and with a posted email address

Minutes Approval
Mayor Hale moved to approve the minutes from the September 22, 2021, Finance Committee Meeting as submitted
Mayor Overson seconded the motion
All voted in favor, none opposed

Potential Market and CPI Wage Increases for FY22/23 – Chief Petersen

- Chief Petersen reviewed the data that has been acquired to date
    - There have been more increases for comparable agencies and Chief anticipates more in January
        - This data will be updated in preparation for Benefits & Compensation meetings
    - The CPI will be a big discussion for Benefits & Compensation
        - September – September saw a 5.4% increase, Chief felt that number might increase when evaluating Dec – Dec average

- Projecting major impacts to the Budget for FY22/23
  - To maintain market will increase the budget by $730,000, a 1.3% increase to the Member Fee, however, HR is anticipating our comparable agencies may be providing mid-year increases in January
  - These increases will be reflected in the survey and presented to Benefits and Comp in February
    - Chief will be proposing increasing the over market of the Paramedic Rank to remain competitive
  - A 3% CPI will cost $1.37 million (2.44% Member Fee increase)
    - A 5.4% CPI is $2.5 million (4.22% Member Fee increase)
  - URS will see a reduction of 1% which results in a $227,000 savings
  - Health insurance and Ambulance Revenue remains unknown at this time
  - The Capital Fund needs an additional $200K in fund transfer to continue the smoothing of the Member Fee increases
- Chief Petersen stated that in order to hold the market, UFSA should consider a 5 to 5.5% placeholder increase for the Member Fee
- Benefits & Compensation will need to determine how best to hold Top 3
  - This should help hold the market wage and manage some inflationary costs, however, there will not be room for any other service improvements
- Mayor Hale stated that a sizeable increase is out of our control, it is important to stay ahead of the wave to maintain the Top 3 commitment
- Mayor Overson, Mayor Silvestrini, and Mayor Sondak echoed in agreement to not go backward
- Mayor Sondak clarified that the 3.5% remains for the first 6 months, this is strictly for the second half of 2022
- Council Member Bailey has received much feedback with recent tax increases
  - There will be a need for something specific to take to the Copperton City Council to justify these increases
  - Mayor Silvestrini agreed that it is difficult times for all
  - Chief Petersen reminded all that UFA has a great story to share with a clean, transparent budget to help people understand where the monies are spent
  - The Benefits & Compensation Committee and Finance Committee must determine where UFSA should be
- All UFSA Finance Committee Members agreed with applying a 5.5% increase to the Member Fee as proposed by Chief Petersen

<u>2022 Tentative Budget</u> – CFO Hill

- CFO Hill reviewed the tentative budget document
- Overall, the total UFA Member Fee increase should be close to a $1.9M
- Mayor Sondak pointed out that the budget implies a tax adjustment to stay above the 15% Ending Fund Balance in FY23/24
  - CFO Hill explained reducing expenditures, both within and beyond our control is possible
  - It is up to the UFSA Board to determine how far ahead they wish to go
- The last tax increase was in 2018, Mayor Sondak reminded the committee that it's best to space tax increases out, but this appears as though it would be a large one in 2023
  - Mayor Sondak asked for clarification on the relationship between growth and increased need to spend funds on additional personnel
  - CFO Hill explained that the current station construction designs take into account growth of both the area and additional crews
  - Growth does not cover growth, it is used for maintaining, a tax increase is necessary, Utah Property Tax Law forces this situation
  - Inflationary monies are not available, raising property tax is the only way to increase funding

Mayor Hale recommends submitting the tentative budget to the UFSA Board of Trustees for consideration with the addition of 5.5% placeholder for UFA
Mayor Silvestrini seconded the motion
All in favor, none opposed

Closed Session

- None

Adjournment
Mayor Overson moved to adjourn the November 1, 2021, UFSA Finance Committee Meeting
Mayor Hale seconded the motion
All voted in favor, none opposed

January 12th, 2022

Background – On March 30, 2021, the Unified Fire Service Area ("UFSA") issued $34.905M in Lease Revenue Bonds for the purpose of financing the purchase and construction of land and facilities for five fire stations: Millcreek 112, Magna 102, Midvale 125, Eagle Mountain 251, and Eagle Mountain 253. Due to flood plain concerns the funds for Millcreek 112 cannot currently be spent. The funds associated with the Millcreek 112 station amount to $6.42M of the total proceeds of the project, or 16.4% of the total bond proceeds. Options for those funds are outlined below. Two main methods of utilizing those funds are considered.

Option 1 – Save, Earn, Pay, and Wait

- The first option is to hold the funds in a restricted account earning a nominal amount of interest until the flood plain is mitigated and UFSA is able to utilize those funds to re-construct the station. Because the bonds issued by UFSA were issued on a tax-exempt basis (interest income earned by investors is exempt from federal and state income tax) the funds are governed by specific rules from the IRS. Those rules stipulate that UFSA must abide by arbitrage restrictions (ie only earn a specific rate of interest on any funds held in investment accounts) and 85% of those funds must be spent within 3 years of bond issuance. Violation of either principal may result in the bonds being deemed taxable and could result in penalties to UFSA.
- UFSA could reach the 85% spenddown requirement by utilizing some of the funds intended for Station 112 on other stations. A fairly minimal amount of increased spending on other stations would bring total spending above the 85% threshold. If UFSA were to do that, it could continue to hold the remaining 15% in accounts until Station 112 construction could commence.
- Holding onto funds would mean that UFSA would continue to pay interest expense on the entirety of the Series 2021 bonds. Interest income would be made on those funds, but that income would be less than the interest expense paid to bond holders on the outstanding par amount.

Option 2 – Tender Offer Option

- The second option is to approach bond holders with an option to repurchase the bonds they are holding. This would be an unscheduled call on the bonds and bond holders would be within their rights to say no eliminating this option entirely. The tender offer could take a number of forms depending on which bond maturities are called.
- Interest savings – The purpose of the tender option is to reduce the annual interest and principal expense the Service Area would be required to make. It relies on assumptions about reinvestment earnings, future interest rates, and expected price from bond holders. The Service Area would only accomplish a tender offer if the interest savings was greater than the costs to perform the transaction (costs to buyback bonds and professional fees less interest earnings expected in an escrow)
- Early call option – Currently short-term interest rates are higher than when UFSA issued bonds. Long-term rates are close to the same levels but are expected to increase over the course of the year. One option would be to take advantage of the relative low value of your bonds and pay investors less on only early maturities (the first four to five years). UFSA may be able to eliminate nearly all debt service in the first several years using the excess levy space to save cash and then utilize those funds, that would not be yield restricted, for the Station 112 project.
- Level Debt Service Call – The other form this could take would be to issue a tender offer on specific maturities across the life of the bonds in order maintain a specific level of debt service during the entire bond amortization period. New bonds would then be issued when UFSA is ready to build Station 112 and layered on top of the existing bonds.
- Late call option – This option would seek to reduce overall interest costs by eliminating the longest-term maturities. Future debt could layer in behind the current bonds or potentially on top again