

Tracy Rural County Fire Protection District

Board of Directors

John Muniz

John Vieira

Pete Reece

Matthew Kopinski

Jeff Ramsey

Raychel Jackson, Clerk of the Board

793 S. Tracy Blvd. #298

Tracy, CA 95376

(209) 834-7269

raychel.jackson@tracyruralfire.org

www.tracyruralfire.org

Board of Directors – Special Meeting Agenda Wednesday, April 21, 2021 at 2:00 PM PST

To join the meeting via GoToMeetings:

<https://global.gotomeeting.com/join/368205949>

By phone: [1 \(646\) 749-3122](tel:16467493122)

Access Code: 368-205-949

Due to COVID-19, and in accordance with California Executive Orders N-25-20 and N-29-20, ***the District Board meeting will not be physically open to the public.*** To maximize public safety while still maintaining transparency and public access, members of the public can observe the meeting by accessing clicking the link above and may provide public comment by sending comments to the Board Clerk via email at raychel.jackson@tracyruralfire.org. Please make sure all public comments are submitted prior to 10:00 a.m. April 21, 2021. Comments will then be read into the record, with a maximum allowance of 3 minutes per individual comment, subject to Chair's discretion.

1. Roll Call and Pledge of Allegiance

2. Public Comment

Please, give your name, entity (if any), and address as well as what agenda item you wish to speak about to the Clerk of the Board so that your comments may be heard at the appropriate time. Comments must be limited to 3 minutes.

3. Regular Agenda

3.1 Appoint Ad Hoc Committee to Review/Discuss JPA's Fiscal Sustainability Model Related to Growth Projections

3.2 Receive a Presentation from Municipal Resource Group Regarding Financial Impacts as a Result of Transitioning Employee from the City of Tracy to the South San Joaquin County Fire Authority

4. Public Comment

For any items not on the agenda.

5. Board Member Comment

For any items not on the agenda and requests for future agenda items. No action will be taken on any questions or matters raised by the Board at this time

6. Closed Session

7. Adjournment until Next Regular Session – May 11, 2021

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Board of Directors – Closed Session Agenda Wednesday, April 21, 2021 Following the Special Meeting

1. Roll Call

2. Public Comment

Board will vote on limiting total time and individual times per Brown Act §54954.3. (b) (1). At this time, members of the public may only comment on an item appearing on the agenda. Please adhere to the following when addressing the Board: • Individual comments will be limited to 3 minutes or less. • Comments should be directed to the Board as a whole and not directed to individual Board Members

3. Adjourn to Closed Meeting

- a. Conference with Real Property Negotiations (Tracy Hills Annexation) Pursuant to California Government Code section 54956.8.
- b. Conference with Real Property Negotiations (Ponderosa) Pursuant to California Government Code section 54956.8.
- c. Conference with Real Property Negotiations (proposed annexations) Pursuant to California Government Code section 54956.8

4. Reconvene to Regular Meeting

5. Report out of Closed Meeting

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STAFF REPORT

Meeting: Regular Session
Date: April 21, 2021
To: Board of Directors
Prepared by: Raychel Jackson, District Clerk
Approved by: John Muniz, Board Chairperson

Re: Appoint Ad Hoc Committee to Review/Discuss JPA's Fiscal Sustainability Model Related to Growth Projections

RECOMMENDATION

It is recommended the Board of Directors discuss and appoint two Directors to serve on the District's ad hoc committee to discuss and review the JPA's fiscal sustainability model related to growth projections.

BACKGROUND

On March 9, 2021, the Board of Director's received an update on the fiscal sustainability model related to growth projections and compare with previous forecast from JPA personal.

DISCUSSION

The two appointed Director's would review and discuss with JPA personal regarding the growth projections.

FISCAL IMPACTS

None.

ATTACHMENTS

None.

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STAFF REPORT

Meeting: Special Meeting
Date: April 21, 2021
To: Board of Directors
Prepared by: Raychel Jackson, District Clerk
Approved by: John Muniz, Board Chairperson

Re: Receive a Presentation from Municipal Resource Group Regarding Financial Impacts as a Result of Transitioning Employee from the City of Tracy to the South San Joaquin County Fire Authority

RECOMMENDATION

Action Item _____ Non-Action Item X _____

It is recommended the Board of Directors receive a presentation from consultant Municipal Resource Group (MRG) and provide feedback to staff.

BACKGROUND

Municipal Resource Group (MRG) was engaged by the City of Tracy to evaluate the potential financial impacts to the City of Tracy that would result from transitioning the Fire Operations staff from the City of Tracy to the South San Joaquin County Fire Authority. MRG presented its report to the City Council on March 2, 2021. The City Council requested additional information on several areas of the report and requested MRG to present the findings to the Tracy Rural Fire District.

DISCUSSION

The March presentation found that:

The transition could have significant fiscal impacts for the City in three broad categories:

1. Operational costs incurred by the Authority and shared between the District and the City,
2. Operational costs incurred directly by the City, and
3. Long-term liabilities (for both the City and the District).

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The Report reviewed the following areas:

- Authority Health Insurance Costs
- CalPERS Contribution Rates
- Administrative and Support Services
- Classification and Compensation
- CalPERS Contribution Rates
- Future City Health Insurance Costs
- General Liability and Workers' Compensation Insurance
- Stations, Apparatus and Equipment
- CalPERS Unfunded Accrued Liabilities
- Retiree Medical Leave Bank
- Authority Health Insurance Costs

The Report Recommended three areas the City could prioritize for additional discussion or analysis.

- The City and the District funding of current and future CalPERS liabilities;
- Long-term liabilities associated with switching to CalPERS medical insurance, and further consideration of alternatives; and
- A broad look at how the Authority will provide human resources, finance and other administrative support services, and the associated costs and options.

Following the City Council meeting the City engaged MRG to complete the following:

Task 1: Analysis and recommendations regarding the costs and long-term liabilities associated with switching to CalPERS medical insurance, and further consideration of alternatives.

Task 2: Take a broad look at how the Authority will provide human resources, finance and other administrative support services, along with the associated costs of each option.

Task 3: Review revenue forecasts and models for City and District property taxes, fire impact fees and related revenue to assist the Council understand the long-term revenue outlook for the Authority and its members.

Task 4: Review available options for the delivery of fire services to the City and District and discuss the policy implications of the current JPA governance model.

FISCAL IMPACTS

There is no fiscal impact associated with receiving this report.

ATTACHMENTS

1. Power point presentation: Fiscal Impact Analysis South San Joaquin County Fire Authority



City of Tracy Fiscal Impact Analysis South San Joaquin County Fire Authority

Fiscal Impact Analysis South San Joaquin County Fire Authority

Mike Oliver, MRG Partner

Dana Shigley, MRG Consultant

Brian Kelly, MRG Consultant



PROJECT OBJECTIVE

- ✓ Evaluate the potential fiscal impacts which may affect the City of Tracy resulting from the transition of City Fire employees to the Authority.



PRIMARY FOCUS AREAS

- ✓ Operational costs incurred by the Authority and shared between the District and the City
- ✓ Operational costs incurred directly by the City
- ✓ Long-term liabilities for the City and the District



AREA ONE: OPERATIONAL COSTS INCURRED BY THE AUTHORITY AND SHARED BETWEEN THE DISTRICT AND THE CITY

✓ **Authority Health Insurance Costs**

The Authority plans to offer employee health insurance through CalPERS. This will increase costs for the Authority and the City.

- Cost for health insurance plans will initially be about the same, but could increase by as much as \$160,000 per year over time depending on plans selected and number of employees electing to opt out
- Overtime costs from the *Flores* Ruling will increase costs by \$29,000 per year with future costs contingent upon the number of employees electing to opt out.



AREA ONE: OPERATIONAL COSTS INCURRED BY THE AUTHORITY AND SHARED BETWEEN THE DISTRICT AND THE CITY

✓ **Authority Health Insurance Costs (cont.)**

- CalPERS will require the Authority provide health insurance coverage to retirees, a new benefit. This will create a long-term liability requiring contributions of \$124,000 per year that will rise year over year.
- Summary
 - First year cost increases: \$153,000
 - Future year cost increases of \$153,000 plus up to \$160,000 per year over the long term



AREA ONE: OPERATIONAL COSTS INCURRED BY THE AUTHORITY AND SHARED BETWEEN THE DISTRICT AND THE CITY

✓ Authority Health Insurance Costs Possible Options to Consider

- Reconsider insurance plans from other providers or insurance pools. Even if the premiums are a little more than CalPERS plans, they might be a better option to avoid the costly long-term liability from the requirement to provide retiree health insurance benefits.
- Create policies and incentives that encourage employees to select less expensive plans to moderate cost increases over time.
- Continue to partner with the City for Kaiser health insurance plans



AREA ONE: OPERATIONAL COSTS INCURRED BY THE AUTHORITY AND SHARED BETWEEN THE DISTRICT AND THE CITY

✓ Administrative and Support Services

- The Authority currently pays approximately \$466,500 to \$501,500 for administrative, legal, IT support costs—including \$175,000 per year to the City.
- The Authority will require additional financial and administrative support positions to provide essential payroll and fiscal support, increasing the Authority's costs.
- The cost increases are estimated to range between \$229,000 and \$364,000 per year, for up to 3.5 additional support staff.



AREA ONE: OPERATIONAL COSTS INCURRED BY THE AUTHORITY AND SHARED BETWEEN THE DISTRICT AND THE CITY

✓ Administrative and Support Services Possible Options to Consider

- The Authority and its members would be best served by taking a comprehensive look at how the Authority will provide administrative services in the future so that members can plan for the costs necessary to provide professional administrative support.
- It is possible to continue to contract with the City for some administrative support functions while still maintaining the independence desired by the JPA.



AREA ONE: OPERATIONAL COSTS INCURRED BY THE AUTHORITY AND SHARED BETWEEN THE DISTRICT AND THE CITY

✓ Classification and Compensation

The Authority is proposing to modify classification and compensation for certain designated employees.

We estimate the increased costs for these changes will range between \$50,000 and \$75,000 per year



AREA ONE: OPERATIONAL COSTS INCURRED BY THE AUTHORITY AND SHARED BETWEEN THE DISTRICT AND THE CITY

✓ Summary for Area One

We estimate the Authority's increased costs will be approximately:

- First year between \$432,000 - \$592,000
- Future years between \$592,000 - \$752,000

The City will pay 72% of these costs increases currently, with their share reducing when the new Tracy Rural station opens.



AREA TWO: OPERATIONAL COSTS INCURRED DIRECTLY BY THE CITY

✓ **CalPERS Contribution Rates**

Withdrawal of the Authority employees from the City's CalPERS blended rate will increase the City's CalPERS contributions. This analysis looks at a single year, future years may be more or less.

- First Year estimated costs: \$149,000
- Future Years estimated costs may be more or less



AREA TWO: OPERATIONAL COSTS INCURRED DIRECTLY BY THE CITY

✓ Future City Health Insurance Costs

The City will experience an increase in health insurance rates for its remaining employees due to reductions in the size of the employee pool.

- 1st and Future Years: To Be Determined
- Continuing to provide these benefits to Authority employees after the transition would eliminate this concern.



AREA TWO: OPERATIONAL COSTS INCURRED DIRECTLY BY THE CITY

✓ **General Liability & Worker's Compensation Insurance**

The Authority's withdrawal from the City's insurance coverages will initially result in substantial one time cost savings for the City.

- Authority first year savings: \$282,000
- City first year total savings \$700,000
- In the future, these savings will be significantly reduced or eliminated.



AREA TWO: OPERATIONAL COSTS INCURRED DIRECTLY BY THE CITY

✓ **Stations, Apparatus & Equipment**

The lease terms between the District and City are not complete, but the current draft agreement could result in duplicate insurance coverage.

- First and future years' cost increase: \$150,000 to \$350,000
- Option to review the leases and reduce the requirement for duplicate coverage.



AREA TWO: OPERATIONAL COSTS INCURRED DIRECTLY BY THE CITY

✓ **Summary for Area Two**

We estimate the City's costs will be approximately:

- First year *savings* between \$201,000 - \$401,000 with unknown health insurance impacts
- Future years increased costs up to \$499,000 depending on CalPERS rates and TBD health insurance rates



AREA THREE: LONG-TERM LIABILITIES

✓ **CalPERS Unfunded Accrued Liabilities**

- The City and District are each responsible for their respective shares of the CalPERS unfunded liability. The District and City should agree on the allocation of this liability and develop plans to fund it. However, the transition of the employees to the JPA will not modify these liabilities.
- If the Authority changes retirement benefits to employees formerly employed by the City, the City's UAL will also change, along with their share of the Authority's liability in the future. The District and City, as governing members of the JPA, could develop policies to address changes to benefit levels in the future that would moderate cost increases.



AREA THREE: LONG-TERM LIABILITIES

✓ **Retiree Medical Leave Bank**

The City and the District jointly fund their share of the retiree medical leave bank.

This is an existing liability not impacted by the transition unless benefits change.



AREA THREE: LONG-TERM LIABILITIES

✓ **Authority Health Insurance Costs**

- The Authority's plan to provide medical benefits through CalPERS will result in increased liabilities due to the mandatory contributions to retiree health insurance costs.
- The current liability of \$4.9m will increase to \$10.1m immediately when benefits are contracted, then continue to increase as employees are hired.
- Selecting a non-CalPERS health insurance would eliminate this additional liability.



AREA THREE: LONG-TERM LIABILITIES

✓ **Stations, Apparatus & Equipment**

The Authority and its members would benefit from a robust capital improvement program to ensure timely replacement of apparatus, vehicles and equipment.

This is an existing liability not impacted by the transition.



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