

Alpine-Nutriosso Consolidation Assessment

MANAGEMENT REVIEW DRAFT

POLICYLOGIC – GOVERNMENT AFFAIRS CONSULTING

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Alpine-Nutriosos Consolidation Assessment

Project Background; Objectives; Scope & Framework

In October of 2018 the Alpine Fire District (“Alpine Fire”) and the Nutriosos Fire District (“Nutriosos Fire”) sought to assess the feasibility of consolidating Nutriosos Fire into Alpine Fire pursuant to Arizona Revised Statutes (ARS) §48-822 et.al. The governing boards of Alpine Fire and Nutriosos Fire, as part of their respective due diligence in considering a consolidation of the districts, sought to determine whether a consolidated district would be in the best interest of the respective communities. Additionally, the governing boards sought to identify the various financial, operational and administrative factors associated with consolidating Nutriosos Fire into Alpine Fire. The Alpine Fire and Nutriosos Fire governing boards engaged the firm of PolicyLogic (“Consultant”), an independent fire service consultant and subject matter expert to provide the relevant information necessary for informed decision making concerning the consolidation of Nutriosos Fire into Alpine Fire.

On January 18, 2019 the Consultant met with the respective governing board chairs of Alpine Fire and Nutriosos Fire, along with the Alpine fire chief to discuss the project’s scope and objectives (*note: Alpine Fire provides the fire chief for Nutriosos by intergovernmental agreement*). The project was begun in mid-January 2019.

The project report is intended for use by: Alpine Fire governing board; Nutriosos Fire governing board; and district staff to determine the feasibility of consolidating Nutriosos Fire into Alpine Fire pursuant to ARS §48-822 et.al. The report specifically examines the financial impact of consolidating Nutriosos Fire into Alpine Fire. In preparation of the report, the Consultant reviewed past financial reports, annual audits / financial reviews, and actuarial reports. General information specific to each district was gathered from publicly available sources. A summary economic analysis was conducted, and the resulting data was used to inform the report’s financial projections. The project report concludes with findings for consideration by the Alpine Fire and Nutriosos Fire governing boards. The report was prepared by the Consultant.

Project Objectives

The report addresses the project's primary objectives which were established by Alpine and Nutriosio in consultation with the Consultant:

- Determine whether a consolidation will improve the efficiency of fire and emergency medical service (EMS) delivery to the citizens of the communities served by the districts.
- Determine whether the consolidation would improve the financial stability and sustainability of the districts.

Project Scope

The project's general scope targets the assessment of relevant foundational information on which the Alpine Fire and Nutriosio Fire governing boards may rely upon when considering a consolidation of the districts. The Consultant relies on Alpine Fire's Management Plan to advise and guide the report where applicable.

The project's scope includes:

- Summary analysis of Alpine Fire's current fire and EMS provision; general capabilities and conditions.
- Summary analysis of Nutriosio Fire's current fire and EMS provision; general capabilities and conditions.
- Provide a summary economic and financial analysis for consolidating Nutriosio Fire into Alpine Fire; include revenue and costing trend projections using FY20 as the base year for consolidating; provide economic and financial projections, and analysis for the three fiscal years following an FY20 consolidation.
- Assess the general feasibility for a consolidation of Nutriosio Fire into Alpine Fire; provide a summary detail of the process for implementation.

Project Framework

The report is divided into four sections:

Section One: General Conditions – describes the general demographics and risk profile of the community protected by Alpine Fire and the community protected by Nutriosos Fire; reviews the programs, services and assets that Alpine Fire and Nutriosos Fire are currently deploying to respond to fire, EMS and related emergency incidents.

Section Two: Financial & Economic Assessment - identifies in summary detail the key financial data, financial conditions, revenue streams and costs for the consolidation of Nutriosos Fire into Alpine Fire, with consolidation beginning within fiscal year 2020 (FY20).

Section Three: Alpine-Nutriosos Fire Consolidation – identifies the consolidation process pursuant to ARS §48-822 with guidance specific to the consolidation of Nutriosos Fire into Alpine Fire.

Section Four: Findings and Conclusions – provides findings and conclusions concerning the feasibility of consolidating Nutriosos Fire into Alpine Fire for consideration by the Alpine and Nutriosos governing boards.

Section One: General Conditions

Community of Alpine

Alpine is an unincorporated community and census designated place located in Apache County, Arizona. Established in 1879, the census designated place of Alpine covers 0.60 square miles according to census data. However, for the purpose of this report, the greater community of Alpine is inclusive of all property located within the primary jurisdictional boundaries of Alpine Fire (*approximately 30 sq. miles*). The community of Alpine is governed by the Apache County Board of Supervisors and is within the county's Supervisory District III.

Alpine Fire was formed in 1994 pursuant to ARS §48-261 to improve fire and EMS delivery to the community. Alpine Fire is a political subdivision of the state and is governed by a locally elected five-member non-partisan board. Alpine Fire is one of several local special taxing districts that serve the greater Alpine community.

The community of Alpine is generally centered at the intersection of U.S. Highway 191 and U.S. Highway 180 in the southeastern corner of Apache County. Alpine resides at 8,012 feet above sea level and is geographically located in the Bush valley. The community is surrounded by the mountainous terrain of the Apache-Sitgreaves National Forest, which extends through the Mogollon Rim and White Mountains of eastern Arizona into New Mexico. The New Mexico border is located approximately six-miles east of Alpine on U.S. Highway 180. The population of the census designated community was 145 persons at the time of the 2010 census, while the population of the greater Alpine community currently served by Alpine Fire is estimated at 750 year-round and 2,500 seasonal residents.

Alpine Fire's incorporated area encompasses approximately 30 square miles, is relatively square in shape with boundaries following section lines and is composed of contiguous taxable and tax-exempt properties, which include portions of the Apache-Sitgreaves National Forest (*see Alpine Fire Map – next page – map provided courtesy of Arizona Department of Forestry and Fire Management*).

For reference purposes, Alpine Fire's eastern boundary extends both north and south of U.S. Highway 180 at milepost marker 431. On the south, the boundary is at milepost marker 249 on U.S. Highway 191, with the northern boundary located at milepost marker 422 on U.S. Highway 180.

The greater Alpine community and southeastern Apache County's employment base consists primarily of utility / energy production; government employers; agriculture; retail and service employment that support outdoor recreation and tourism. The community is a hub for outdoor recreation and tourism in the region.

General Community Risk Profile

The General Community Risk Profile is a summary of the environment in which Alpine Fire delivers life safety and property protection services. It describes the prevalent operating challenges encountered in the delivery of fire and EMS within the greater Alpine community.

The community of Alpine consists primarily of single-family residential dwellings and single-story commercial buildings. The building stock is primarily frame or masonry site-built structures. The building density is generally light to rural in nature. Housing is a combination of both site-built and manufactured homes. The community's street network primarily extends outward from U.S. Highways 180 and 191. Residential and agricultural are the primary land uses within Alpine. Most businesses are retail or hospitality and tourism based and are located in close proximity to the confluence of U.S. Highways 180 and 191.

Alpine Fire's prevalent community risk and associated operating challenges can be grouped into three categories:

- Wildfire Risk: The entire community of Alpine is located within a wildland-urban interface zone, with numerous residential structures located within heavily forested areas. The ongoing community risk from wildfire is considerable (*the community has experienced significant wildfire threats in the past, the most notable being the Wallow Fire in 2011*). The operating environment and risk for firefighters at wildfire incidents can be high dependent upon fire and environmental conditions.

- Structural Fire Risk: A majority of fire deaths and injuries occur in residential fires. There is a greater risk of injury and death in rural communities based upon a number of factors. Rural community fire agencies are continually challenged with mitigating the risks associated with these factors, which include extended response time to remote properties, shortage of necessary personnel on initial response, extended time to assemble an effective firefighting force on the scene of the fire, adequate water supply for firefighting, long response time for mutual aid companies etc. These same factors can detrimentally impact the safety of firefighters conducting fire suppression activities in rural communities.
- Transportation Related Emergencies: The US Highway 191 and 180 transportation corridors require special considerations for both EMS and fire risk. Transportation related incidents can typically occur as either high frequency-low risk or low frequency -high risk events. Transportation related emergencies can quickly overwhelm limited resources in rural areas. In many instances, transportation related incidents require the delivery of both fire suppression and EMS simultaneously. The operating environment risk for emergency responders in transportation related emergencies is high.

Fire & EMS System Assessment

Alpine Fire's service delivery profile is provided in summary detail in this section of the report. It should be noted that the report does not make any evaluation as to the capabilities or sufficiency of fire and EMS provided by Alpine Fire, as this is outside the scope of the report. The fire and EMS service delivery profile details the emergency resources and risk reduction efforts being deployed by Alpine Fire to protect the community.

Alpine Fire – Service Delivery Profile

Alpine Fire provides fire, basic life support (BLS) and advanced life support (ALS) EMS and associated emergency response services to the greater community of Alpine from a single fire station facility located at 42688 U.S. Highway 180 in Alpine. Alpine Fire is operated as a professional combination / paid-on-call fire & EMS response agency. The combination / paid-on-call deployment model is used in many fire districts and rural communities throughout the state. The combination staffing model uses limited full-time paid staff to manage the agency and facilitate timely initial emergency response. The paid-on-call firefighters provide the agency with the personnel necessary to deliver the bulk of fire suppression and EMS to the community. Paid staff is typically scheduled during the standard work-day / work week when most paid-call firefighters are employed at their regular jobs. Paid-on-call staffing may also be assigned to scheduled work shifts during times of high wildfire danger or at other times as necessary to meet service demand.

Alpine Fire, through an intergovernmental agreement (IGA), provides management and operational responsibility for Nutriosos Fire, which is detailed later in the report. It should be noted that while this section of the report provides specific detail on the operations of Alpine Fire, the operational oversight and management practices described herein are applicable to Nutriosos Fire and the community of Nutriosos as well.

Alpine Fire operates with a paid professional staff of four senior fire officers, which includes the fire chief, assistant fire chief and two fire captains. A contingent of 20 state certified paid-on-call firefighters provide Alpine Fire's response force for fire suppression, EMS and associated emergency services. Firefighters are assigned to rotating shift platoons for "on call" response to 9-1-1 incidents. Senior staff officers work standard 40-hour weeks with shared / rotating after-hours and weekend emergency response call back. Alpine Fire employs a part-time administrative specialist to support the district's business operations.

Alpine Fire has established a management plan which addresses the prevalent risks faced by the community of Alpine. Notable components of the Alpine Fire management plan include:

- Emphasis on community wildfire preparedness and fuels mitigation to include support of the Firewise and Ready, Set, Go programs.
- Ongoing preparedness efforts to ensure Alpine Fire is “mission ready” for wildfire and structural fire suppression incidents.
- Ongoing organizational focus on firefighter training, personnel development and firefighter / operational safety.
- Developing and maintaining relationships with fire service partner agencies throughout the region which facilitates mutual aid and regional partnerships necessary for critical / large incident mitigation.
- Continual evaluation and reevaluation of community risk and Alpine Fire’s ability and preparedness to respond in the most efficient and effective way to mitigate said risk.

As is the case throughout rural Arizona, Alpine Fire faces an ongoing challenge to recruit and retain qualified individuals to fill paid-on-call firefighting positions. The individual time commitment necessary for firefighter training and associated on-call responsibilities is substantial. It should be noted that Alpine Fire’s firefighter recruitment and retention program continues to be among the most successful in the state.

Alpine Fire personnel deploy a number of mission specific emergency response apparatus in staffing configurations defined in standard operating procedures. The primary emergency response apparatus operated by Alpine Fire:

- One Type 1 structural fire response engines.
- One Type 3 wildland / structural response engine.
- Two pumper-tenders.
- One Type 6 wildland engine.

- One Type 6 / Rescue - EMS response unit.
- One light-duty command unit.

Alpine Fire is rated as a Class 4/4Y fire department by the Insurance Services Office (ISO) which rates public fire departments nationwide for their respective abilities to control and suppress fires within their community. The class rating is used to establish the amount property owners pay for fire insurance. Class 1 represents superior property fire protection, and Class 10 indicates that the area's fire suppression program does not meet ISO's minimum criteria. Alpine Fire's Class 4/4Y rating is remarkable given the associated fire risk and lack of an extensive water supply infrastructure.

While Alpine Fire has a primary jurisdictional response area of 25 square miles, responses are routinely made into nearby communities and forest lands under mutual aid and or automatic aid. Alpine Fire's primary response area for EMS covers approximately 1,680 square miles. It should be noted the closest auto-aid structural fire response assistance is 30 miles distance from Alpine (*Town of Eager Fire Department*). Alpine Fire maintains mutual aid and or automatic aid agreements with the regions various local, state and federal fire service partners.

In 2018 Alpine Fire responded to a total of 273 calls for assistance, or an average of just under one response per day (0.74 daily). The average response time within Alpine Fire's jurisdictional boundaries is 5.8 minutes. Responses outside jurisdictional boundaries are location specific but can extend beyond 30 minutes. A majority of the emergency responses made by Alpine Fire are requests for EMS (65%). Response totals include out of district emergency response, with responses to Nutrioso, Greenlee County and various forest roads and campgrounds. Service demand fluctuates with the seasons, with a majority of Alpine Fire's service demand occurring between April and November. The critical period for wildfires season extends from April until the monsoons arrive, typically in Mid-July.

Alpine Fire is a local government cooperator agency with the Arizona State Land Department (ASLD) and deploys throughout the region in support of local, state and federal fire service partners. Through the wildfire cooperator agreement Alpine Fire is able to recover costs

associated with suppressing wildfires. Alpine Fire deploys wildfire response resources throughout Arizona and the western U.S. under this same cooperator agreement when prudent to do so. The benefits of deployment to large wildfires throughout Arizona and the west is primarily twofold:

- Facilitates the experience and training of Alpine’s firefighters in wildfire suppression, which substantially improves Alpine Fire’s overall mission readiness for local wildfire response.
- Full labor cost recovery and equipment rental generates net positive non-tax income to Alpine Fire, which can be reinvested to support community fire and EMS efforts.

Emergency Medical Transportation Services

9-1-1 ground ambulance services are provided by White Mountain Ambulance Service, Inc. (WMAS) under Certificate of Necessity (CON) #64, issued by the Arizona Department of Health Services (ADHS). WMAS provides advanced life support / paramedic ambulance service to a number of communities in Apache County including Alpine and Nutrioso. Ground ambulances are responded to incidents in Alpine from the Town of Eager. Ground ambulance response times average 20 to 25 minutes to EMS incidents in Alpine. Weather related issues can further prolong ground ambulance response. Patient transport to the closest appropriate receiving hospital can also be long, which is not uncommon in rural areas. It should be noted that Alpine Fire and WMAS are currently working on a partnership agreement to markedly improve ambulance response in Alpine.

Alpine’s relative remote location necessitates the use of helicopter air ambulances on a semi-regular basis. Emergency medical protocols based upon medical condition or severity of injury guide Alpine Fire’s use of helicopter air ambulances. There are a number of helicopter air ambulance companies who station resources within the region. Air ambulance assets are dispatched based upon the closest available unit.

Community of Nutrioso

Nutrioso is an unincorporated community and census designated place located in Apache County, Arizona. Nutrioso is located along U.S. Highway 180/191 approximately 12 miles south-southeast of the Town of Eager, and 3 miles north of the community Alpine. Established in 1883, the census designated place of Nutrioso covers 0.31 square miles according to U.S. Census data. However, for the purpose of this report, the greater community of Nutrioso is inclusive of all property located within the primary jurisdictional boundaries of Nutrioso Fire (*approximately 20 sq. miles*).

Nutrioso Fire was formed in 2006 pursuant to ARS §48-261 improve fire and EMS delivery to the community. Nutrioso Fire is a political subdivision of the state and is governed by a locally elected five-member non-partisan board. Nutrioso Fire is one of several local special taxing districts that serve the greater Nutrioso community.

The community of Nutrioso extends along U.S Highway 180/191 on a general north-south axis. Nutrioso resides at 7,671' above sea level and is geographically located adjacent to the western base of the Escudilla Mountain wilderness. The community is surrounded by the mountainous terrain of the Apache-Sitgreaves National Forest. The population of the census designated community was 26 persons at the time of the 2010 census, while the population of the greater Nutrioso community currently served by Nutrioso Fire is estimated at 150 year-round and 500 seasonal residents.

Nutrioso Fire's incorporated area encompasses approximately 20 square miles, is somewhat irregularly shaped, with the northern boundary at milepost marker 412 on U.S. Highway 180/191. The east and west boundaries abut the U.S. Forest Service boundaries with the district encompassing the lands parallel to U.S. Highway 180/191 between the forest boundaries. The south boundary is contiguous to Alpine Fire's northern jurisdictional boundary, located at milepost marker 422 of U.S. Highway 180/191. Nutrioso Fire is composed of contiguous taxable and tax-exempt properties located within the described area and as identified on the Nutrioso Fire map (*see Nutrioso Fire Map – next page – map provided courtesy of Arizona Department of Forestry and Fire Management*).

General Community Risk Profile

The General Community Risk Profile is a summary of the environment in which Nutriosio Fire delivers life safety and property protection services. It describes the prevalent operating challenges encountered in the delivery of fire and EMS within the greater Nutriosio community.

The community of Nutriosio consists primarily of single-family residential dwellings and several single-story commercial buildings. The building density is rural in nature. Housing is predominantly site-built homes. Most residential structures are on multi-acre parcels. The community's street network primarily extends outward east and west from U.S. Highway 180/191. Residential and agricultural are the primary land uses within Nutriosio.

Nutriosio Fire's prevalent community risk and associated operating challenges mirror those of Alpine and are grouped into three identical categories:

- Wildfire Risk: The community of Nutriosio is located within a wildland-urban interface zone, with numerous residential structures located within forested areas. The ongoing community risk from wildfire is considerable. The operating environment and risk for firefighters at wildfire incidents can be high dependent upon fire and environmental conditions.
- Structural Fire Risk: The majority of fire deaths and injuries occur in residential fires. As previously noted, there is a greater risk of injury and death from fire in rural communities based upon a number of factors that were noted previously in this report. Rural communities are challenged to mitigate the impact of these factors. These same factors can detrimentally impact the safety of firefighters conducting fire suppression activities in rural communities.
- Transportation Related Emergencies: The US Highway 180/191 transportation corridor requires special considerations for both EMS and fire risk. Transportation related incidents typically occur as either high frequency-low risk or low frequency - high risk events. Transportation related emergencies can quickly overwhelm limited

resources in rural areas. In many instances, transportation related incidents require the delivery of both fire suppression and EMS simultaneously. The operating environment risk for emergency responders in transportation related emergencies is high.

Fire & EMS System Assessment

Nutriosio Fire's service delivery profile is provided in summary detail in this section of the report. It should be noted that the report does not make any evaluation as to the specific capabilities or sufficiency of fire and EMS provided by Nutriosio Fire, as this is outside the scope of the report. The fire and EMS service delivery profile details in general the emergency resources being deployed by Nutriosio Fire and the community risk reduction efforts being employed by Nutriosio Fire to protect the community.

Nutriosio Fire – Service Delivery Profile

Nutriosio Fire, provides fire, basic life support (BLS) EMS and associated emergency response services to the greater community of Nutriosio from a single fire station facility located at 41765 U.S. Highway 180/191 in Nutriosio. Nutriosio Fire is managed and operated by Alpine Fire through a management agreement which was initiated in 2015.

Similar to Alpine Fire, Nutriosio Fire is operated as a professional combination / paid-on-call fire & EMS response agency. Nutriosio Fire currently has a limited number of paid-on-call firefighters on staff. Alpine Fire supplements the paid-on-call staffing for response to fire and EMS incidents. Mutual aid further supports the delivery of fire suppression and EMS to the greater Nutriosio community.

Through the management IGA with Alpine Fire, Nutriosio Fire benefits from the paid professional staff of the four senior fire officers employed with Alpine Fire. The staff officers provide management, planning, oversight, training and support services for both agencies.

Nutriosio Fire currently has four state certified paid-on-call firefighters on staff. As previously noted, Nutriosio Fire's response force for fire suppression, EMS and associated emergency services is supplemented by Alpine Fire.

Nutriosio Fire, through the governing board's adoption of the management agreement is addressing the previously described risks faced by the community of Nutriosio. The jointly operated Alpine Fire and Nutriosio Fire provides consistency across the two communities in addressing prevalent risks. The notable objectives include:

- Emphasis on community wildfire preparedness, fuels mitigation and support of the Firewise and Ready, Set, Go programs.
- Ongoing preparedness efforts to ensure Nutriosio Fire is "mission ready" for wildfire and structural fire suppression incidents.
- Focus on paid-on-call firefighter recruitment, retention and training.
- Continual evaluation and reevaluation of community risk and Nutriosio Fire's ability and preparedness to respond efficiently, effectively and safely.

Nutriosio Fire faces an ongoing challenge to recruit and retain qualified individuals to fill paid-on-call firefighting positions. The time commitment necessary for required firefighter training and associated on-call responsibilities is substantial.

Nutriosio Fire personnel deploy a number of mission specific emergency response apparatus in staffing configurations defined in standard operating procedures. Typical emergency deployment to fire or EMS incidents is single-unit due to current staffing limitations.

Primary emergency response apparatus operated by Nutriosio Fire:

- One Type 1 structural fire response engine.
- One pumper-tenders.
- One Type 6 wildland engine.

- One light-duty command unit.

Nutrioso Fire is rated a Class 8b by the ISO, which rates public fire departments nationwide for their respective abilities to control and suppress fires within their community. The class rating is used to establish the amount property owners pay for fire insurance.

Nutrioso Fire has a primary jurisdictional response area of 20 square miles. Most emergency responses within the community of Nutrioso are supplemented by a response unit from Alpine Fire. Structural fires require mutual aid response from neighboring communities in order to assemble an effective firefighting force. In addition to Alpine Fire, mutual aid agencies which provide assistance to Nutrioso Fire include the Town of Eager Fire Department and the Town of Springerville Fire Department, which are 10- and 12-miles distance respectively from the community of Nutrioso. Nutrioso Fire maintains mutual aid and or automatic aid agreements with the regions various local, state and federal fire service partners to supplement wildfire response. The community of Nutrioso accounted for 21 total responses in 2018 with an average response time of 10.6 minutes.

Emergency Medical Transportation Services

9-1-1 ground ambulance services are provided by White Mountain Ambulance Service, Inc. (WMAS) under Certificate of Necessity (CON) #64, issued by the Arizona Department of Health Services (ADHS). WMAS provides advanced life support / paramedic ambulance service to Nutrioso from the Town of Eager. Ground ambulance response time averages 12 to 15 minutes. Weather related issues can prolong ground ambulance response.

Nutrioso's relative remote location necessitates the use of helicopter air ambulances on a semi-regular basis. Emergency medical protocols based upon medical condition or severity of injury guide Nutrioso Fire's use of helicopter air ambulances. There are a number of helicopter air ambulance companies who station resources within the region. Air ambulance assets are dispatched based upon the closest available unit.

Section Two: Financial and Economic Assessment

Section Two of the report identifies and details specific financial and economic data necessary to assess the viability of consolidating Nutriso Fire into Alpine Fire. Financial viability will ensure the following objectives can be met:

- Sufficient financial resources to sustain the current level of fire and EMS response to the community (maintenance of effort).
- Financial capacity to withstand economic fluctuations and changes to funding methodologies and tax policy.

Fire District Revenue Sources

Fire districts have two primary sources of operating revenue: direct local property tax and the countywide Fire District Assistance Tax (FDAT). Fire districts are authorized to levy a local property tax on all properties within their jurisdictional boundary (*ARS §48-805.F*). Fire district taxing authority is limited by law as to year-over-year funding and allowable tax rate (*ARS §48-807.F*). The tax rate is further limited with a maximum cap of 3.25 per hundred dollars of primary assessed value (*herein referred to as net assessed value or NAV*). In addition, voters approved Proposition 117 in November 2012, which made two significant changes to the property tax system for fire districts (*Prop. 117 went into effect in FY15*):

- Transferred fire districts from using secondary assessed or full cash value for taxation purposes to the Limited Property Value (LPV), the impact of which decreased overall local assessed property values.
- Limited the total increase in year-over-year property value growth to no more than five percent annually.

The impact of Prop. 117 on fire districts ability to generate the revenues necessary to keep pace with inflationary costs and growth has been considerable, especially for districts in rural Arizona (*the direct impact to Alpine Fire and Nutriso Fire are addressed later in this section of the report*).

Each fire district in the county receives FDAT, which is apportioned based upon twenty-percent of the fire district's direct tax levy (*ARS §48-807 et.al.*). The countywide FDAT is restricted by a tax rate cap with a ten-cent maximum per hundred of NAV countywide (*ARS §48-807.A*). When the countywide NAV is insufficient to generate the funding necessary for each of the county's fire districts under the tax rate cap, then each fire district is apportioned a pro rata share of the total available funding.

There are limited options available under the law to override fire district tax limitations and tax rate restrictions (*ARS §48-807 et.al.*). It should be noted that none of the tax override components of the law are neither applicable or necessary in regard to Alpine Fire or Nutriosos Fire and are not discussed further in the report.

The following analysis describes the general financial conditions for Alpine Fire and Nutriosos Fire in the current fiscal year (2019 - FY19). The analysis anticipates a beginning date of consolidating Nutriosos Fire into Alpine Fire to occur in fiscal year 2020 (FY20). Three-year financial and economic projections using FY20 as the base consolidation year are provided. Projections include revenue and costing for a consolidated district. Specific parameters and assumptions of the revenue and costing models are detailed within the relevant sub-sections of the analysis.

Alpine Fire – General Financial Conditions

Alpine Fire delivers fire and EMS to the community on an adopted annual operating budget of \$421,431 (FY19), protecting properties with a collective limited primary value (LPV) of \$138,144,462. The primary assessed value of Alpine Fire is \$16,255,232, which includes \$746,031 in tax-exempt properties. The current net assessed value (NAV) for taxation purposes is \$15,509,201 (FY19). Alpine Fire operates at a tax rate \$2.1000 (*per hundred dollars of NAV*) which generates \$325,693 in direct local property tax revenue. An additional \$65,139 is apportioned to Alpine Fire from the Fire District Assistance Tax (FDAT) collected in Apache County.

Alpine Fire generates additional non-tax revenues through donations, grants, fees for service and wildfire suppression deployments for the state. Additionally, Alpine Fire receives

\$30,600 annually from Nutriosso Fire for managing and operating the district. At the halfway point of the current fiscal year (*Dec. 31, 2019*) Alpine Fire has generated \$114,550 from non-tax revenue sources.

Over the past five-year period (*FY14 – FY19*) Alpine Fire’s NAV has decreased 14 percent, an average of 2.8 percent annually. The NAV established for FY20 is a 2.7 percent reduction from FY19. Only one year in the last six has Alpine Fire experienced an increase in NAV (*FY18 - NAV + 5 percent*). The reductions in NAV are attributable to a number of factors:

- Changes to property tax laws which adjust tax assessment ratios and methodologies.
- Tax correction processes, for both local and centrally assessed values.
- Proposition 117 implementation (*Alpine Fire lost 9.1% of total NAV upon implementation of the Prop 117 mandated changes*).

Subsequent to the housing market collapse, fire districts collectively lost \$5.9 billion dollars in property value statewide between 2008 and 2013. Rural counties have been slow to recover property value comparative to the state’s urban counties. The property value recovery for fire districts in rural counties was further inhibited by the implementation of Prop. 117 in 2015.

Although the NAV has trended downward in the recent past, the general economic outlook for Apache County is positive. Ongoing population, job and income gains are positive indicators for the region. Property values are anticipated to stabilize and trend upward, albeit they are projected to increase below the state average. The financial models used herein project NAV to increase by an average of 1.75 percent annually from FY21 through FY23. The table below illustrates the projected NAV growth through FY23 at 1.75 percent annually.

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PROJECTED NAV GROWTH					
	FY 2019 (actual)	FY 2020*	FY 2021	FY 2022	FY 2023
Alpine Fire NAV	\$ 15,509,201	\$ 15,079,574	\$ 15,343,467	\$ 15,611,977	\$ 15,885,187
		-2.77%	1.75%	1.75%	1.75%
<i>*FY20 NAV established by Apache County Assessor Feb. 2019</i>					
<i>**NAV growth from FY20 forward projected at 1.75% annually</i>					

Residential properties provide the majority of property type and property value for Alpine Fire. Residential Tax Class 3 and Tax Class 4 properties make up 55 percent of the total taxable properties within Alpine Fire’s jurisdictional boundaries. Residential development is anticipated to continue and buoy the district’s NAV.

Alpine Fire has \$164,393 (55% of tax levy) in additional local property tax levy capacity based upon the district’s FY20 maximum allowable tax rate of 3.25 (FY19 tax levy is \$325,693 at a tax rate of 2.1000). Fire districts with sufficient reserve tax capacity, such as Alpine Fire, are better able to manage economic fluctuations and changes to the property tax system. Alpine Fire’s reserve tax capacity allows the district to plan for and provide “maintenance of effort” funding on an annual basis to address various inflationary costs associated with fire and EMS delivery.

The table below illustrates the projected property tax revenues for Alpine Fire through FY 23. The tax rate is held constant at the FY19 rate of 2.1000, showing the resultant changes in revenue (variance + or -) from the previous fiscal year and ongoing changes to reserve capacity.

PROJECTED PROPERTY TAX REVENUES					
Alpine Fire	FY 2019 (actual)	FY 2020*	FY 2021	FY 2022	FY 2023
NAV	\$ 15,509,201	\$15,079,574	\$15,343,467	\$15,611,977	\$15,885,187
Property Tax	\$ 325,693	\$ 316,671	\$ 322,213	\$ 327,852	\$ 333,589
FDAT	\$ 65,139	\$ 63,334	\$ 64,443	\$ 65,570	\$ 66,718
Tax Rate	2.1000	2.1000	2.1000	2.1000	2.1000
Variance + or -		\$ (9,022)	\$ 5,542	\$ 5,639	\$ 5,737
Reserve Capacity	\$ 178,356	\$ 173,415	\$ 176,450	\$ 179,538	\$ 182,680
<i>*FY20 NAV established by Apache County Assessor Feb. 2019</i>					
<i>**FY21 forward based upon 1.75% annual NAV increase</i>					

Alpine Fire is authorized to expend \$421,431 in the current budget year (FY19). Expenditures fund the delivery of fire and EMS as detailed in Section One of this report, along with administrative and support service costs associated with operating the district. The FY19 expenditure amount is the baseline funding level to determine maintenance of effort in the delivery for the delivery of fire and EMS to the community (*e.g. projected funding for Alpine Fire adjusted annually for inflation*). For the purpose of this report, the inflation adjustment factor used is the Consumer Price Index for Arizona (CPI) averaged over most recent five-year period.

The cost to fund maintenance of effort for operating Alpine Fire is modeled in the aggregate. For the purpose of this report, maintenance of effort is funded from the local property tax levy and FDAT. However, the method by which to fund maintenance of effort is at the discretion of local elected officials. Maintenance of effort may be funded by other means, which can include non-tax revenues, end-of-year cash carry forward, reserve funds or any combination thereof.

The costing model in the following table shows the aggregate cost of funding Alpine Fire operations annually to include maintenance of effort funding through FY23. The resulting changes in tax levy and tax rate are shown (*note: estimated property tax levy and FDAT rounded to nearest hundred*).

MAINTENENACE & OPERATING COSTS					
Alpine Fire	FY 2019 (current)	FY 2020*	FY 2021	FY 2022	FY 2023
NAV**	\$ 15,509,201	\$15,079,574	\$15,343,467	\$15,611,977	\$15,885,187
Tax Rate	2.1000	2.2083	2.2159	2.2259	2.2316
Property Tax	\$ 325,693	\$ 333,000	\$ 340,000	\$ 347,500	\$ 354,500
FDAT	\$ 65,139	\$ 66,600	\$ 68,000	\$ 69,500	\$ 70,900
Non-Tax Revenue	\$ 30,599	\$ 30,600	\$ 30,600	\$ 30,600	\$ 30,600
TOTAL Revenue	\$ 421,431	\$ 430,200	\$ 438,600	\$ 447,600	\$ 456,000
M & O Budget***	\$ 421,431	\$ 429,860	\$ 438,457	\$ 447,226	\$ 456,170
Reserve Capacity	\$ 178,356	\$ 157,086	\$ 158,663	\$ 159,889	\$ 161,769
*FY20 NAV established by Apache County Assessor Feb. 2019					
**FY21 forward based upon 1.75% annual NAV increase					
***Maintenance of effort funding is 2.0% annually					

Alpine Fire has \$30,612 in outstanding lease-debt for fire apparatus (*Engine 1833*). The lease debt will be extinguished in December 2019. Alpine Fire has no general obligation bond indebtedness. Alpine Fire does not participate in either of the state's public pension systems for employees and has no unfunded pension liabilities. Alpine Fire maintains an alternative firefighter's pension as allowed by law (*ARS §9-981*).

Alpine Fire is statutorily compliant in regard to financial reporting matters. The FY17 and FY18 financial reviews / audits were examined in the preparation of this report. The financial reviews / audits detailed no substantive findings which would indicate additional analysis is required. Overall, Alpine fire is well managed, financially stable and sustainable long-term.

Nutrioso Fire– General Financial Conditions

Nutrioso Fire operates on an adopted annual operating budget of \$228,954 (FY19) and protects properties with a collective LPV of \$74,230,928. The district includes \$419,533 in net tax-exempt property value. The current net assessed value (NAV) for taxation purposes is \$8,384,055 (FY19). Nutrioso Fire operates at a tax rate \$2.0000 which generates \$117,462 in direct local property tax revenue. An additional \$23,492 is apportioned to Nutrioso Fire from the Fire District Assistance Tax (FDAT) collected in Apache County.

Nutrioso Fire generates additional non-tax revenues through donations, grants, and rental income. At the halfway point of the current fiscal year (*Dec. 31, 2019*) Nutrioso Fire has generated \$9,098 from these non-tax revenue sources.

Over the past five-year period (*FY14 – FY19*) Nutrioso Fire's NAV has decreased 18 percent, or an average of 3.6 percent annually. The NAV for FY20 is a 4.65 percent reduction from FY19. As is the case with Alpine Fire, only one year in the last six has Nutrioso Fire experienced an increase in NAV (*FY18 NAV + 5%*). As previously described, the reductions in NAV are attributable to a number of factors which include changes to property tax laws; tax corrective processes; and Prop. 117 implementations. Similar to Alpine Fire, the NAV and associated property values are anticipated to stabilize and trend upward. The financial models used herein project NAV to increase by 1.75 percent annually from FY21 through FY23. The table below illustrates the projected NAV growth through FY23 at 1.75 percent annually.

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PROJECTED NAV GROWTH					
	FY 2019 (actual)	FY 2020*	FY 2021	FY 2022	FY 2023
Nutriosio Fire NAV	\$ 8,384,055	\$ 7,994,516	\$ 8,134,420	\$ 8,276,772	\$ 8,421,616
		-4.65%	1.75%	1.75%	1.75%
<i>*FY20 NAV established by Apache County Assessor Feb. 2019</i>					
<i>**NAV growth from FY20 forward projected at 1.75% annually</i>					

Nutriosio Fire has \$104,801 (63% of tax levy) in additional local property tax levy capacity based upon the district’s FY20 maximum allowable tax rate of 3.25 (FY19 tax levy is \$167,681 at a tax rate of 2.0000). Fire districts with ample reserve tax capacity, such as Nutriosio Fire, are better able to manage economic fluctuations and changes to the property tax system. Alpine Fire’s reserve tax capacity allows the district to plan for and provide “maintenance of effort” funding on an annual basis to address various inflationary costs associated with fire and EMS delivery.

The following table shows the projected property tax revenues for Nutriosio Fire through FY 23. The tax rate is held constant at the FY19 rate of 2.0000, showing the resultant changes in revenue (variance + or -) from the previous fiscal year and ongoing changes to reserve capacity.

PROJECTED PROPERTY TAX REVENUES					
Nutriosio Fire	FY 2019 (actual)	FY 2020*	FY 2021	FY 2022	FY 2023
NAV	\$ 8,384,055	\$ 7,994,516	\$ 8,134,420	\$ 8,276,772	\$ 8,421,616
Property Tax	\$ 167,681	\$ 159,890	\$ 162,688	\$ 165,535	\$ 168,432
FDAT	\$ 33,536	\$ 31,978	\$ 32,538	\$ 33,107	\$ 33,686
Tax Rate	2.0000	2.0000	2.0000	2.0000	2.0000
Variance + or -		\$ (7,791)	\$ 2,798	\$ 2,847	\$ 2,897
Reserve Capacity	\$ 104,801	\$ 99,931	\$ 101,680	\$ 103,460	\$ 105,270
<i>*FY20 NAV established by Apache County Assessor Feb. 2019</i>					
<i>**FY21 forward based upon 1.75% annual NAV increase</i>					

Nutriosio Fire is authorized to expend \$230,078 in the current budget year (FY19). Expenditures fund the delivery of fire and EMS as detailed in Section One of this report, along with administrative and support service costs associated with operating the district. The FY19 expenditure amount is the baseline funding level to determine maintenance of effort in the delivery for the delivery of fire and EMS to the community (e.g. projected funding for Alpine Fire

adjusted annually for inflation). For the purpose of this report, the inflation adjustment factor used is the Consumer Price Index for Arizona (CPI) averaged over most recent five-year period.

The cost to fund maintenance of effort for operating Nutriosos Fire is modeled in the aggregate. The maintenance of effort funding model uses the same methodology as used for Alpine Fire. As previously noted, the method by which to fund maintenance of effort is at the discretion of local elected officials and may include non-tax sources.

The costing model in the following table shows the aggregate cost of funding Nutriosos Fire operations annually to include maintenance of effort funding through FY23. The resulting changes in tax levy and tax rate are shown (*note: estimated property tax levy and FDAT rounded to nearest hundred*).

PROJECTED REVENUES & COSTS					
Nutriosos Fire	FY 2019 (current)	FY 2020*	FY 2021	FY 2022	FY 2023
NAV	\$ 8,384,055	\$ 7,994,516	\$ 8,134,420	\$ 8,276,772	\$ 8,421,616
Tax Rate	2.0000	2.1452	2.1514	2.1627	2.1730
Property Tax	\$ 167,681	\$ 171,500	\$ 175,000	\$ 179,000	\$ 183,000
FDAT	\$ 33,536	\$ 34,300	\$ 35,000	\$ 35,800	\$ 36,600
Non-Tax Revenue	\$ 12,360	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000
TOTAL Revenue	\$ 213,577	\$ 217,800	\$ 222,000	\$ 226,800	\$ 231,600
M & O Budget***	\$ 213,577	\$ 217,849	\$ 222,206	\$ 226,650	\$ 231,183
Reserve Capacity	\$ 104,801	\$ 88,322	\$ 89,369	\$ 89,995	\$ 90,703
<i>*FY20 NAV established by Apache County Assessor Feb. 2019</i>					
<i>**FY21 forward based upon 1.75% annual NAV increase</i>					
<i>***Maintenance of effort funding is 2.0% annually</i>					

Nutriosos Fire has an outstanding lease-debt obligation for the fire station facility located at 41765 U.S. Highway 180/191. The annual payment obligation is \$50,868, with a balance of \$425,997 as of the close of FY17. Nutriosos Fire has no general obligation bond indebtedness and is statutorily compliant in regard to financial reporting matters as required by law. The FY17 and FY18 financial reviews / audits were examined by the Consultant. There are no substantive findings within the past two annual financial reviews / audits to indicate additional

analysis is required. Overall, Nutriosos fire is well managed, is financially stable and sustainable long-term.

Consolidated District Financial Outlook

The consolidation of Nutriosos Fire into Alpine Fire will bolster the financial resilience and sustainability of fire services for the communities. The elimination of duplicative administrative and support functions will provide cost savings. With Alpine Fire operating Nutriosos Fire under the management agreement, the two districts are functionally consolidated operationally, which achieved much of the cost reduction and or cost avoidance to be gained in consolidation (e.g. eliminating redundant staff positions). The consolidated district is still anticipated to have aggregate annual cost savings of five percent plus or minus in the initial consolidation year (FY 21). These savings can be repurposed going forward: either reinvested in the consolidated district; or rebated to the taxpayers through lowering the tax levy. For the purpose of modeling financial projections for a consolidated Alpine-Nutriosos Fire, both options are shown. The consolidation of the districts is anticipated to cause minimal administrative disruption.

A consolidated Alpine-Nutriosos Fire is projected to have combined aggregate expenditures of \$650,883 in FY20. The consolidated fire district will continue to receive FDAT based upon twenty percent of the total direct property tax levy. As part of the Arizona Legislature's ongoing efforts to facilitate the consolidation of fire districts, the legislature incentivizes mergers and consolidations by allowing consolidated fire districts to retain a five-year average of their respective FDAT amounts post-consolidation if the consolidated district were to exceed the annual maximum FDAT funding amount of four-hundred thousand dollars per district. Neither Alpine Fire or Nutriosos Fire are near the maximum cap for FDAT funding, individually or combined (*ARS §48-807*).

The following table shows the financial components of a consolidated Alpine-Nutriosos Fire through FY23. The initial full fiscal year of consolidation is FY21. The FY20 year is the combined total of the projected revenue and expenditure budgets for Alpine Fire and Nutriosos Fire adopted by the respective governing boards. Maintenance of effort funded at 2.5 percent annually is the only addition to the aggregate expenditure amounts for FY20 through FY23.

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Anticipated FY21 cost savings are reinvested in the district (*note: estimated property tax levy and FDAT rounded to nearest hundred*).

CONSOLIDATED ALPINE-NUTRIOSIO FIRE				
Alpine-Nutriosio Fire	FY 2020 Combined	FY 2021	FY 2022	FY 2023
NAV**	\$ 23,074,090	\$ 23,477,887	\$ 23,888,750	\$ 24,306,803
Tax Rate	n/a	2.2042	2.2144	2.2216
Property Tax	\$ 507,000	\$ 517,500	\$ 529,000	\$ 540,000
FDAT	\$ 101,400	\$ 103,500	\$ 105,800	\$ 108,000
Non-Tax Revenue	\$ 42,600	\$ 42,600	\$ 42,600	\$ 42,600
TOTAL Revenue	\$ 651,000	\$ 663,600	\$ 677,400	\$ 690,600
M & O Budget***	\$ 650,883	\$ 663,901	\$ 677,179	\$ 690,722
Reserve Capacity	\$ 242,908	\$ 245,531	\$ 247,384	\$ 249,971
<i>*Cost savings of 5% reinvested in operation of consolidated district</i>				
<i>**FY21 forward based upon 1.75% annual NAV increase</i>				
<i>***Maintenance of effort funding is 2.0% annually</i>				

The following table shows the same financial components of a consolidated Alpine-Nutriosio Fire through FY23, except that the anticipated FY21 cost savings of five percent is rebated to the taxpayer through a tax levy reduction. The FY21 M & O Budget is reduced five percent with the resultant reduction of tax levy and tax rate shown. Maintenance of effort continues thereafter (*note: estimated property tax levy and FDAT rounded to nearest hundred*).

Alpine-Nutriosio Consolidation Assessment 2019

CONSOLIDATED ALPINE-NUTRIOSIO FIRE				
Alpine-Nutriosio Fire	FY 2020 Combined	FY 2021	FY 2022	FY 2023
NAV**	\$ 23,074,090	\$ 23,477,887	\$ 23,888,750	\$ 24,306,803
Tax Rate	n/a	2.0977	2.1056	2.1146
Property Tax	\$ 507,000	\$ 492,500	\$ 503,000	\$ 514,000
FDAT	\$ 101,400	\$ 98,500	\$ 100,600	\$ 102,800
Non-Tax Revenue	\$ 42,600	\$ 42,600	\$ 42,600	\$ 42,600
TOTAL Revenue	\$ 651,000	\$ 633,600	\$ 646,200	\$ 659,400
M & O Budget***	\$ 650,883	\$ 633,798	\$ 646,474	\$ 659,403
Reserve Capacity	\$ 242,908	\$ 270,531	\$ 273,384	\$ 275,971
<i>*Cost savings of 5% applied to reduce FY21 M & O budget of consolidated district</i>				
<i>**FY21 forward based upon 1.75% annual NAV increase</i>				
<i>***Maintenance of effort funding is 2.0% annually</i>				

Consolidated District Financial Assessment

Both Alpine Fire and Nutriosio Fire have ample reserve tax capacity, reserve funds and limited or no debt. A consolidated Alpine-Nutriosio Fire will have the financial capacity to weather economic downturns and property tax volatility. Any NAV gains above the 1.75 percent annually shown in the financial models would allow the consolidated district to address resource needs for fire and EMS delivery, while maintaining a stable taxing environment for the community. While financial models show an initial consolidation year savings of five percent, it should be noted that a consolidated Alpine-Nutriosio Fire will continue to benefit from the cost avoidance implemented with the management agreement. There are no staffing or physical resource redundancies which would necessitate organizational restructuring or funding allocations to mitigate.

The report’s revenue and cost models project a 5.25 percent increase to NAV over a three-year period. The 5.25 percent is apportioned equally over the three-year period (FY21 - FY23). It should be noted that property value appreciation and growth projections used herein are by design conservative. Conservative modeling and equal apportionment are used to mitigate the effects of unpredictability and volatility in the property tax system for modeling purposes. With solid economic underpinnings in the region and state, it is anticipated NAV should gain more than the 5.25 percent total over three years used in the financial models. This

would further improve the financial outlook for a consolidated Alpine-Nutriosio Fire. Even modest gains beyond the 1.75 percent annually in NAV gain will positively impact a consolidated Alpine-Nutriosio Fire. The following table illustrates adding an additional one percent annually over the same three-year period for a collective three-year total NAV increase of 8.25 percent (*apportioned at 2.5% annual average*). Notable are the addition of year-over-year reserve capacity, corresponding incremental tax levy and rate reduction, while providing maintenance of effort funding.

CONSOLIDATED ALPINE-NUTRIOSIO FIRE				
Alpine-Nutriosio Fire	FY 2020 Combined	FY 2021	FY 2022	FY 2023
NAV**	\$ 23,074,090	\$ 23,708,627	\$ 24,281,594	\$ 24,868,407
Tax Rate	n/a	2.0773	2.0715	2.0669
Property Tax	\$ 507,000	\$ 492,500	\$ 503,000	\$ 514,000
FDAT	\$ 101,400	\$ 98,500	\$ 100,600	\$ 102,800
Non-Tax Revenue	\$ 42,600	\$ 42,600	\$ 42,600	\$ 42,600
TOTAL Revenue	\$ 651,000	\$ 633,600	\$ 646,200	\$ 659,400
M & O Budget***	\$ 650,883	\$ 633,798	\$ 646,474	\$ 659,403
Reserve Capacity	\$ 242,908	\$ 278,030	\$ 286,152	\$ 294,223
<i>*Cost savings of 5% applied to reduce FY21 M & O budget of consolidated district</i>				
<i>**FY21 forward based upon 2.75% annual NAV increase</i>				
<i>***Maintenance of effort funding is 2.0% annually</i>				

A consolidated Alpine-Nutriosio Fire, whether operating in a challenging economic environment, or an expanding one, is financially viable and is capable of meeting the financial operating objectives:

- Sufficient financial resources to sustain the current level of fire and EMS response to the community (maintenance of effort).
- Financial capacity to withstand economic fluctuations and changes to funding methodologies and tax policy.

Section Three: Alpine-Nutrioso Fire Consolidation

Consolidation is one of two processes allowable under the law for combining fire districts (*ARS §48-822 et.al*). Consolidation can best be described as one fire district absorbing another, with the surviving district continuing as before the consolidation. The absorbed district ceases to exist, and all assets, jurisdictional boundaries, and operations of the agency become a part of the absorbing district (*in this case – Alpine Fire*). The governing body of the absorbing district (*Alpine Fire*) remains intact.

Fire district consolidations are an essential tool in gaining both financial efficiencies and improvements to fire and emergency medical service delivery. Consolidations eliminate administrative and operational redundancies, reduce costs for taxpayers, stabilize financially distressed fire districts and improve overall financial efficiencies.

Consolidation is commonly used when combining districts of disparate size and operational capabilities. In many cases one of the consolidating districts is facing financial challenges. The law requires fire districts under certain financial conditions to undertake a study of merger (*ARS §48-820 et.al.*) and or consolidation (*ARS §48-822 et.al.*). Over the past five-year period a total of 21 independent fire districts have combined to form 10 consolidated fire districts (*note: fire district consolidations occurring over the past five years have been completed by unanimous governing board votes*).

Consolidation Process Guide & Requirements

Fire districts are permitted to “consolidate” either by election or by unanimous votes of the affected governing boards. A summary of the process to consolidate Nutrioso Fire into Alpine Fire follows. It should be noted that several changes to ARS §48-822 were enacted by the Arizona Legislature in 2019 (*H2469: FIRE DISTRICT CONSOLIDATION, MERGER - Chapter 130, Laws 2019*). These new provisions to the law will become effective on August 22, 2019 and are noted where applicable to the Alpine-Nutrioso Fire consolidation process. The statutory provisions specific to the election process to consolidate fire districts or process requirements not applicable to the Alpine-Nutrioso Fire consolidation are not included. Fire districts formed pursuant to ARS §48-261 may consolidate as follows:

- A resolution requesting consolidation is passed by a majority vote of the governing body requesting consolidation. The requesting district (*Nutriosio Fire*) is required send the notice of request to consolidate districts by first class mail to the fire district in which the consolidation is requested (*Alpine Fire*).

- On receipt of the resolution, and on approval by majority vote of the governing body receiving the request (*Alpine Fire*), the fire districts may consolidate if each affected fire district, by a majority vote of the members of each governing body, adopts a resolution declaring that a consolidation be considered, and a public hearing be held to determine if a consolidation would be in the best interests of the districts and would promote public health, comfort, convenience, necessity or welfare (*note: 2019 legislative change added public safety to the list of items under which consolidation will be considered*).

- After each district governing body adopts such a resolution, each district by first class mail shall send notice of the day, hour and place of a hearing on the proposed consolidation to each owner of taxable property within the boundaries of the district. The notice shall state the purpose of the hearing and shall describe where information on the proposed consolidation may be obtained and reviewed. The information provided by the affected districts shall include:
 - The name and a general description of the boundaries of each district proposed to be consolidated; and
 - A detailed, accurate map of the area to be included in the consolidation; and
 - An estimate of the assessed value of the consolidated district; the estimated change in property tax liability for a typical resident of the proposed consolidated district; and
 - A list of the benefits and injuries that may result from the proposed consolidated district.

(note: 2019 legislative change requires the information concerning a proposed consolidation be posted prominently to each affected district's website and includes the above information specifically)

- The clerk of the governing body of each affected district shall post notice in at least three conspicuous public places in the district and shall also publish notice twice in a newspaper of general circulation in the county in which the district is located, at least ten days before the public hearing *(publication by one affected district is sufficient if publication of notice is duplicative)*.
- The clerk of each governing body affected by the proposed consolidation shall also mail notice and a copy of the resolution in support of considering the consolidation to the chairman of the board of supervisors of the county or counties in which the affected districts are located. The chairman of the board of supervisors shall order a review of the proposed consolidation and shall submit written comments to the governing body of each fire district located in that county within ten days after receipt of the notice *(note: 2019 legislative change makes the county board of supervisor's comments at the discretion of the county)*.
- At the public hearing on the proposed consolidation, the governing body of the district shall consider the comments of the board of supervisors, hear those persons who appear for or against the proposed consolidation and determine whether the proposed consolidation will promote public health, comfort, convenience, necessity or welfare *(note: 2019 legislative change added public safety to the list of items under which consolidation will be considered)*.
- Note: There is no single taxpayer owning thirty percent or more of the net assessed value of either Alpine Fire or Nutriosos Fire and the requirements for written consent as required by ARS §48-822.C.9 is not applicable.

- If, after the public hearing each of the governing bodies of the districts affected by the proposed consolidation adopt a resolution by a **majority vote** declaring that the consolidation will promote public health, comfort, convenience, necessity or welfare, then:
 - Each of the governing bodies of the districts affected by the proposed consolidation shall submit to the board of supervisors the resolutions that **call for an election.**

- If, after the public hearing each of the governing bodies of the districts affected by the proposed consolidation adopt a resolution by a **unanimous vote** declaring that the consolidation will promote public health, comfort, convenience, necessity or welfare, then:
 - The governing bodies of each district **may choose to consolidate by unanimous resolution without an election.**

(note: 2019 legislative change allows districts to consolidate by a majority vote if certain conditions are met. None of these conditions are applicable to Alpine Fire or Nutriosos Fire).

- If the proposed consolidation is approved, either by election or unanimous resolution, the governing body of the district into which consolidation was requested shall by resolution declare the district consolidated and each affected district joined. The following items apply to the consolidated district:
 - Those persons currently serving on the governing body of the district into which consolidation was requested (*Alpine Fire*) shall serve as the governing body of the consolidated district and complete their regular terms of office.

 - The governing body shall consist of five members and shall immediately have the powers and duties prescribed by law for governance and operation of the consolidated district.

- The governing body by resolution shall declare the name of the consolidated district (*note: 2019 legislative change removed this requirement. The consolidated district may be renamed as specified in ARS §48-805.B.14*).
- The adopted fire code of the district into which consolidation was requested (*Alpine Fire*) shall apply to the entirety of the consolidated district.
- All assets and liabilities become the property of the consolidated district (*Alpine Fire*).
- Effective August 22, 2019 the following statutory provisions will apply to the proposed Alpine-Nutriosos Fire consolidation:
 - The district requesting consolidation (*Nutriosos Fire*) may be temporarily operated by the consolidated district governing board (*Alpine Fire*) to prevent service delivery interruption and for the purpose of transitioning personnel and transferring assets and liabilities.
 - The consolidated district by operation of law is the continuation of the existing district into which consolidation was requested (*Alpine Fire*).
 - On consolidation, the district that requested consolidation (*Nutriosos Fire*) is dissolved by operation of law and ceases to exist.
 - The district that requested consolidation (*Nutriosos Fire*) may continue to operate temporarily under the authority of the consolidated district (*Alpine Fire*) for the purpose of transition.

Section Four: Findings and Conclusions

This section of the report provides a summary of findings and conclusions based upon the Consultant's analysis. The findings and conclusions are focused on establishing whether the two primary objectives of the project can be met through consolidating Nutriosso Fire into Alpine Fire:

- Determine whether a consolidation will improve the efficiency of fire and emergency medical service (EMS) delivery to the citizens of the communities served by the districts.
- Determine whether the consolidation would improve the financial stability and sustainability of the districts.

General Findings

The following are a summary of the Consultant's findings concerning each district's overall fitness / readiness for consolidation and identifies those factors, if any, which may pose potential risk if the districts were to consolidate. The risks can be financial, operational, administrative or political.

- Both Alpine Fire and Nutriosso Fire are financially stable and sustainable as independent agencies.
- Both districts are financially resilient in their current state and operating environment.
- Both Alpine Fire and Nutriosso Fire are well suited financially for the proposed consolidation.
- Both Alpine Fire and Nutriosso Fire are effectively governed by their respective boards. Governing board oversight and policy have ensured both districts are well managed and well positioned financially.
- Operationally, Alpine Fire maintains a well-functioning emergency response system and the resources necessary to mitigate most fire and EMS incidents*. Nutriosso Fire, through the management agreement directly benefits from Alpine Fire's established emergency response system. There is limited risk concerning the sufficiency of firefighter staffing at Nutriosso Fire, although this should be further ameliorated post

consolidation (**it should be noted that no fire district has the resources / staffing necessary to mitigate large scale emergencies and as such rely on regional fire service partners for assistance*).

- Administratively both Alpine Fire and Nutriosos Fire function effectively and provide a high level of organizational transparency to their respective communities. The loss of community identity / ownership poses limited political risk as the ongoing functional consolidation of operations through the management agreement has been well received.

Conclusions

- Alpine Fire and Nutriosos Fire are well positioned operationally, administratively and financially for the proposed consolidation.
- The districts are currently operationally consolidated. Incorporating the governance and administrative functions through the consolidation process established in ARS §48-822 eliminates duplicative and redundant efforts in administrative, governance and overhead generating considerable long-term cost avoidance.
- A consolidated Alpine-Nutriosos Fire will be able to better withstand local and regional economic fluctuations.
- A consolidated Alpine-Nutriosos Fire will be better positioned to respond to changes in funding which affect the district's operations.
- A consolidated Alpine-Nutriosos Fire will be best positioned to attract, recruit and retain the necessary paid-on-call firefighters in a resource limited environment.
- A consolidated Alpine-Nutriosos Fire is better positioned than each district independently to deliver quality services in an affordable, efficient and cost-effective manner, providing full value for each tax dollar.

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- As the communities continue to grow, a consolidated Alpine-Nutriosso Fire will allow for future fire and EMS system improvements to occur sooner, then if each district were to remain independent.