

The York Area United Fire and Rescue Commission held a Regular Meeting on Tuesday, September 17, 2013 at 7 p.m. at the Springettsbury Township Offices, 1501 Mt. Zion Road, York, PA.

MEMBERS IN

ATTENDANCE: Bill Schenck, Chairman
Austin Hunt, Vice Chairman
Don Bishop
Cara Beth Zortman
John Fullmer
Richard Guyer

MEMBERS NOT

IN ATTENDANCE: George Dvoryak

ALSO IN

ATTENDANCE: John Holman, Springettsbury Township Manager
Steve Hovis, Solicitor
Robert McCoy, YAUFRR Chief
Dan Hoff, YAUFRR Battalion Chief
Sandra Ratcliffe, YAUFRR
Don Eckert, YAUFVFR
Jean Abrecht, Stenographer

1. CALL TO ORDER

A. Opening Ceremony

1. Pledge of Allegiance

SCHENCK Chairman Schenck called the meeting of the York Area United Fire and Rescue Commission to order. Because the Commission had an earlier session where the Pledge of Allegiance had been recited, the Chairman dispensed with the Pledge of Allegiance.

2. ANNOUNCEMENT OF EXECUTIVE SESSIONS

SCHENCK Chairman Schenck announced that an Executive Session would be held immediately following the meeting this date regarding personnel.

3. COMMUNICATION FROM CITIZENS

There were no citizen comments.

4. MANAGEMENT/ATTORNEY REPORTS

A. Steve Hovis, Solicitor

HOVIS Solicitor Hovis stated he had nothing to report.

B. Robert McCoy, Fire Chief

MCCOY Chief McCoy stated he had nothing to add to his report unless there were questions.

HUNT Mr. Hunt commented that Chief McCoy had included four part-time personnel in his report. He asked how many total hours per year they worked.

MCCOY Chief McCoy responded that it varied based on their availability but it is no more than 60 hours a pay period. He added that with the healthcare, it is no more than 30 hours.

HUNT Mr. Hunt asked whether they ever get close to the 30 hours.

MCCOY Chief McCoy responded that they had a couple who reached the maximum, depending on their availability with their jobs.

5. ACCOUNTS PAYABLE

A. Payable Listing as of August 31, 2013

MS. ZARTMAN MOVED TO APPROVE THE ACCOUNTS PAYABLE AS LISTED IN THE PACKET. MR. HUNT WAS SECOND. MOTION UNANIMOUSLY CARRIED.

6. BIDS, PROPOSALS & CONTRACTS

There were none for action.

7. COMMUNICATION FROM COMMISSIONERS

There were no Commissioner communications

8. COMMITTEE REPORTS

A. Volunteer Committee

ECKERT Mr. Eckert reported that the new fire building is underway. The footings are in, and block will be laid on the south end. They are pushing to get the building under roof before the weather gets too bad.

HUNT Mr. Hunt asked for an update on the road.

SCHENCK Chairman Schenck reported that the road in front of the fire station is the responsibility of the developer. Although the work on the road is behind, it appears that things are moving ahead. The issue is with a driveway matching up to the road, and some grade changes that had been made in the field that were not according to the plan. The developer received his DEP approvals, and he is planning to do some curbing.

HOLMAN Mr. Holman reported that the developer has a line run for the curbing, which does not include the adjustment that is necessary to make for the grade for the driveway. The main issue at this point that needs to be finished up is the box culvert at the end for which there are several issues to be solved. Once the box culvert is in, then things can move much faster on the road.

HUNT Mr. Hunt mentioned weight restrictions and asked whether there might be a township action needed to waive for fire trucks.

HOLMAN Mr. Holman responded that emergency vehicles can ignore the weight restriction. He noted that there is a turning restriction at Eastern Boulevard and Edgewood; however, Chief McCoy was aware of that. He stated that the roads are designed to township standards, which will more than exceed what is needed for fire vehicles.

9. RESOLUTIONS AND AGREEMENTS

There were none for action.

10. ACTION ON MINUTES

A. Approval of Minutes: August 20, 2013 – Fire Commission Meeting

MR. BISHOP MOVED TO APPROVE THE AUGUST 20, 2013 FIRE COMMISSION MINUTES. MS. ZORTMAN WAS SECOND. MOTION UNANIMOUSLY CARRIED.

B. Approval of Minutes: August 23, 2013 Strategic Planning Meeting

MS. ZORTMAN MOVED TO APPROVE THE STRATEGIC PLANNING MINUTES. MR. HUNT WAS SECOND. MOTION UNANIMOUSLY CARRIED.

11. OLD BUSINESS

There was no Old Business for discussion.

12. NEW BUSINESS

A. Fulton Financial Advisors – Presentation on Pension Plan Investment Options

PERIS Elizabeth Peris of Fulton Financial presented a follow up discussion regarding the asset allocation and options available for the management of the pension plan. She noted that currently the plan is between a conservative growth allocation and a balanced growth, as the allocation is 40% equities and the balance is in cash and fixed income. Expected return for a conservative growth allocation, which is a 35% allocation to equities, is at 5%. They are moving to balanced growth, which is an equal allocation between both equities and fixed income, which will result in an expected return of 5.8%. Both are below the actuarial assumption of 6.5%. She presented some options to get to 6.5%:

- Allocation must be increased to 65% equities with resulting risk from 7% to 13-1/4%.
- Adding alternatives results in an improved return and risk profile drops significantly and would return about 6.1%. Risk profile is 8.6 which is more than currently in the risk profile.
- Purpose of adding alternatives is to lower volatility of portfolio and provide enhanced return opportunities.
- Core includes traditional broad asset classes of fixed income and equities with some real estate and commodities.
- Alternatives become liquid through an Act 40 mutual fund; SEC oversight.
- Historic look at returns for some of the alternatives would be very favorable.
- Low correlation of bonds and equities have ability to lower portfolio volatility.
- Adding a 20% allocation to alternative class will increase expected return to 6-3/4%. Standard allocation without alternatives would result in a 6.6% return.

PERIS Ms. Peris had taken portions of the Investment Policy Statement and had rewritten the statement. Her notations were in red. She had made some assumptions that the portfolio would provide an expected return of about 6%, which would allow Fulton to increase equities up to 60% if they thought it was appropriate. The target allocation for alternatives is 20%; however, they have a range between 0 to 30% at this time.

FULLMER Mr. Fullmer asked about the current targets and ranges of the categories.

PERIS Ms. Peris responded that the cash target is 2 ½ and the range is 0 to 10; fixed target is 57 ½ with a range of 50 to 70; equity target 40 with the range of 30 to 50.

SCHENCK Chairman Schenck asked what it is about these alternatives that lowers the risk.

PERIS Ms. Peris responded that the alternative strategies alone are not necessarily less risky; when added to a portfolio where they have a low correlation with the other asset classes, the overall risk of the portfolio is reduced.

SCHENCK Chairman Schenck asked whether it was because they are typically in the opposite direction of where everything else is going.

PERIS Ms. Peris responded that sometimes they move in concert and sometimes they move in the opposite direction. However, over a long term they have somewhat moved with stocks. Their correlation with bonds is nearly zero.

BISHOP Mr. Bishop asked how long the alternative investments had been available in the Act 40 municipal funds.

- PERIS** Ms. Peris responded that some had been available for quite a while. PIMCO was one of the better known ones.
- FULLMER** Mr. Fullmer asked whether changes in the Investment Policy Statement were to be approved this date.
- SCHENCK** Chairman Schenck indicated that this subject came up during Fulton's last presentation, and the board wanted more information. Rather than wait for an additional quarter, it was determined to have an in-between learning session. When the pension board meets formally, the board would have the information necessary to make a decision.
- BISHOP** Mr. Bishop commented on her mention of the policy not reflecting selling long or short.
- PERIS** Ms. Peris responded that the policy prohibits the use of short selling. The language would have to be changed if the board does want to do so.
- BISHOP** Mr. Bishop asked how they would deal with cash requirements.
- PERIS** Ms. Peris responded that whatever the pension payment is, they make sure to have sufficient cash for the next three months.
- HOSE** Ms. Hose added that cash flow comes in biweekly with the contributions. The annual MMO will be coming in shortly. They take those cash considerations and factor them into the monthly pension payments.
- PERIS** Ms. Peris added that they look at interest and dividends as well, along with the contributions and determine the net amount needed for payment for the pensioners.
- SCHENCK** Chairman Schenck asked whether many municipal pensions are using the strategy Fulton recommends.
- PERIS** Ms. Peris responded that the policy allows for the use of real estate investment trusts. She added that within Central Pennsylvania there are probably very few municipalities that have adopted its usage. It first became adopted primarily in the foundation and charitable world. The strategy is employed by the Pennsylvania Retirement System for both teachers and state employees. In addition they use alternatives in their portfolio. They use the ill-liquid format; however, their pension plans and endowments are very large and have enough liquidity to meet their ongoing obligations.
- HUNT** Mr. Hunt recalled that there had been an actuarial assumption of return that was not being achieved.
- FULLMER** Mr. Fullmer questioned whether the actuarial assumption of 6-1/2 percent was realistic. He asked whether the investment policy should be changed to gain a

larger return, or whether Conrad Siegel should be recalculating what the unfunded liability would be at a lower actuarial return. He noted that was a question for the board's decision.

HUNT Mr. Hunt stated that the information gleaned from Fulton indicated that the portfolio is being handled more aggressively than the traditional investment policy for this type of board, but it is necessary in order to achieve the actuarial goal.

PERIS Ms. Peris responded that it is a combination because, in order to maintain the 6-1/2 percent actuarial assumption with the expected returns with the unfunded basis, that depends upon the salary grades and the benefits package. Fulton can advise what can be expected long term from investments based on the different allocations, and that needed to be balanced with the actuarial assumptions.

HOSE Ms. Hose commented that a study had been completed recently which indicated that the 6-1/2 percent would not change much because of the demographics of the pensioners. New employees are not being added to the pool, and with no change in the demographics, she did not see that the number would change much.

HUNT Mr. Hunt noted his question of how to make up the shortfall.

DVORYAK Mr. Dvoryak commented that ultimately the gap would come from the township.

FULLMER Mr. Fullmer added that would be the municipal obligation number in their budgets every year that are funded.

PERIS Ms. Peris stated that the overall expectations for returns on the equity side have been reduced two percent across the board for each of the separate asset classes. Fixed income has been reduced by one percent from four percent down to three. Domestic equities reduced from nine percent down to about seven percent. The risk profile has pretty much stayed the same, but within the equity classes, the correlations have increased across the board amongst the different equity classes. There is less diversification within the equity class because of those higher correlations.

SCHENCK Chairman Schenck stated that he would prefer to ask Tom Zimmerman of Conrad Siegel for his opinion.

FULLMER Mr. Fullmer noted that he would not have to do an in-depth study but just a review and recommend what would bring it closer to the rate of return in his actuarial report.

HOSE Ms. Hose asked whether that could happen prior to the next Pension Board meeting.

SCHENCK Chairman Schenck responded that it would be information in hand before the next Pension Board meeting, November 19th, in order to enable the board to make a decision.

BISHOP Mr. Bishop suggested that a draft policy should be provided prior to the board meeting for approval.

HOVIS Solicitor Hovis noted that the latest Investment Policy Statement was adopted by the board in February, 2013. The language in a few sections within the policy statement would be amended and new language inserted. It would only be looking at the existing policy and approving the amendments to that policy.

Consensus was to request Conrad Siegel/Tom Zimmerman to review the actuarial study for recommendation and to have Solicitor Hovis review the existing Investment Policy Statement and create amendments based on the actuarial review.

B. Approval – Fire Chief Job Description

MR. FULLMER MOVED TO INSERT THE APPROPRIATE CHANGES INCLUDING THE HIPPA PRIVACY OFFICER TO THE FIRE CHIEF'S JOB DESCRIPTION. MS. ZORTMAN WAS SECOND. MOTION UNANIMOUSLY CARRIED.

c. Funding Formula

MCCOY Chief McCoy provided a PowerPoint presentation review of work he had done toward bringing in a municipality and how to apply the funding formula. The presentation included a very lengthy discussion, which is summarized around the PowerPoint.

YAUFR Funding History

- YAUFR Charter Agreement set forth an apportionment formula under Article VII: *Thereafter the annual proportionate share of Spring Garden and Springettsbury shall be based on the average of the prior 5 fiscal years call history and allocation.*
- Issue of Funding Formula has been extensively studied since before the merger including:
 - EMS Responses in call volume (currently not included)
 - Township Fire Incidents only (Current Practice)
 - Mutual Aid Calls
 - Fixed Costs vs. Variable Costs
 - Various other parameters discussed including Population, Square Mileage, Assessed Value, Hybrid Formulas.
- Department currently utilizes fire calls within the Townships, excluding EMS Responses.

- Funding formula for 2008-2012 was 55% Springettsbury Township; 45% Spring Garden Township.
- 2013 Budget used the funding formula of 60% Springettsbury Township and 40% Spring Garden Township.
 - Charter Agreement does not allow more than a 5% change within any year.

Mutual Aid Statistics

- Review of the funding formula focused on the responses to neighboring jurisdictions referred to as Mutual Aid. Average across a five-year period is Spring Garden 61%; Springettsbury 39%.

Funding Recommendations

- With an inter-governmental revenue due to the department of \$4,169,000 this is the first year for a 64/36 apportionment. Currently the revenue is at 60/40, which is about a one percent decrease from last year or 2.501 Springettsbury and 1.667 for Spring Garden. Factor in 58/42 it would be \$2.4 million for Springettsbury to \$1.7 million for Spring Garden.

Recommendation

Review of mutual aid calls shows an inverse percentage difference from actual township calls versus mutual aid calls. YAUFRC Chiefs recommends that the Commission review and discuss the average call history including township and mutual aid incidents.

MCCOY Chief McCoy stated that having done the extensive review of the facts and statistics, this was the closest process that would apply toward bringing in another department such as Manchester Township. He brought this to the board's attention for another round of discussion.

A summary of additional discussion included:

- Calls are generated by where the engine leaves from, not where they are going.
- Spring Garden's mutual aid calls, because of proximity, go to York Township, York City, West Manchester, West York.
- Some county-wide departments are all volunteer with differences in costs.
- Additions of future departments may be determined by assessed value.
- Effective marketing tool including benefits and value of a regional department to be created.
- Addition of future departments may need different parameters such as contracted services, participating member, a la carte.
- Many long-term benefits for employees, townships, fire departments.

MCCOY Chief McCoy stated that he could place the subject on the Agenda for next month under Old Business. He asked the board to review the statistics for the next step. He would like to resolve this to bring Manchester in to the department.

HOLMAN Mr. Holman noted he would like to resolve the budget. The expansion of Manchester would be a needed step toward the direction of YAUFRR.

FULLMER Mr. Fullmer noted that Spring Garden Township is open to changing the funding formula and growing YAUFRR. He believed that assessed value down the road would be the appropriate way using county-wide statistics.

HUNT Mr. Hunt encouraged the political leaders to have a political conversation and come back to guide the board on the next step.

13. ADJOURNMENT

SCHENCK Chairman Schenck reminded the board of the Executive Session and adjourned the meeting at 9 p.m.

Respectfully submitted,

Signature on file at YAUFRR Headquarters

John Fullmer
Secretary

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