



## Office of the Chief MEMORANDUM

**DATE:** February 18, 2021

**TO:** Board of Fire Commissioners

**FROM:** Robert Bounds, Fire Chief

**RE:** **Motorola Funding Proposal**

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**RECOMMENDED MOTION(S) OR ACTION(S):**

To approve the proposed funding plan for the Motorola radio purchase and installation.

**REPORT:**

As you know, with your approval we recently purchased \$307,632 (including installation) of new Motorola radios. The purchase of these radios was not anticipated in the FY21 budget. When Motorola bought out Airbus, they essentially removed the other providers which produced a less than reliable signal to our current inventory of radios. Additionally, you were made aware that we have two (2) different radio manufactures, Tait and Harris. For maximum efficiency and personnel safety, it was decided that we should do a full-scale change out to Motorola, including all base, mobile and portable radios. While the costs of this was significant, we (SMFR) did receive a great deal on the equipment.

My proposal is to withhold two (2) months of District contributions to the Firefighter's Pension Plan. As was evident by our last pension valuation we currently have \$2,200,000 in advanced contributions. These funds are not a result of the use of our OPEB monies we placed into both the Firefighter's and General Pension Plans a couple of years ago. That money was used to pay down our liabilities. The \$2,200,000 is a result of over contributions for the last 5+ years. Even now (as of Sept. 30, 2020) the District's current required contribution rate is 25.45% of payroll (down from 30.47% in FY20) and our FY21 budgeted contribution rate is set at 31%. The reason for the decrease in

contribution rates are due to demographic experience (change in mortality tables, -3.84%) as well as investment returns. By withholding two (2) months of contributions the “shortfall” would be taken from our advanced employer contribution. Two (2) months of contributions are equal to approximately \$304,378. Given our current contribution rate, less two (2) months of withheld contributions would still leave our advance employer contributions at approximately \$2,000,000.

This strategy would allow us to keep our current reserves as status quo, as well as other FY21 budgeted items. The Firefighter’s Pension Plan as of this last valuation has a funded status of 116%. While this valuation only represents “today” we can reasonably expect a market correction in the near future, and we will have to adjust for that. However, as we stand currently, we are a very, very healthy plan and our ten (10) year historical actuarial average return is 8.21%, including Plan Years 2010/11 (0.75%) and 2014/15 (-0.11%). With all of these factors being considered I believe it would be the best course of action to withhold two (2) months of plan contributions to pay for the unexpected expense of the Motorola radios, allowing the shortage (\$307,632) to be taken from the District’s Advanced Contributions at the end of FY21.