



TO: Members of the Legislative Commission on Pensions and Retirement
FROM: Rachel Barth, Deputy Director
RE: HF _____ (Anzelc); SF _____ (), Revisor #16-6859: Coleraine and Bovey Volunteer Firefighters Relief Associations; Providing for an Earlier Consolidation Date for the Relief Associations
DATE: March 18, 2016

Summary of HF _____ (Anzelc); SF _____ (), Revisor #16-6859

HF _____ (Anzelc); SF _____ (), Revisor #16-6859, permits the consolidation of the Coleraine and Bovey volunteer firefighters relief associations (VFRA) into the combined Trout Lake Volunteer Firefighter Relief Association to take effect September 1, 2016, rather than the statutory effective date of January 1, 2017. The proposed language also requires the newly formed VFRA to report the number of active firefighters as of September 1, 2016, to the state auditor and commissioner of revenue by September 7, 2016 in order to determine any applicable 2016 minimum fire state aid. Both provisions are effective upon final enactment.

Background Information

The proposed legislation will allow the Coleraine and Bovey VFRAs' consolidation to take effect in time for the Department of Revenue to accurately calculate the applicable 2016 fire state aid for the consolidated entity. The Coleraine and Bovey Fire Departments consolidated before December 31, 2015 to form the new Trout Lake Fire Department under a joint powers agreement. However, the fire departments consolidated before the relief associations were fully merged. The Coleraine and Bovey relief associations are on track to complete the consolidation within the next few months, but pursuant to Minn. Stat. 424B.02, subd. 2, para. (c), the consolidation will not be effective until January 1, 2017.

A January 1, 2017 consolidation poses several issues. Currently, the consolidated Trout Lake Fire Department is affiliated with two relief associations, which is in violation of Minn. Stat. § 424A.002, subd. 1, that permits only one volunteer firefighters relief association to be affiliated with a fire department at one time. The larger issue, however, is the problem of how fire state aid under Minnesota Statutes, Chapter 69, will be calculated for a fire department that is affiliated with two relief associations.

The majority of fire state aid provided to volunteer fire departments is called "initial aid", which is calculated under Minn. Stat. § 69.021, subd. 5 and 7, and is based on the population and market value of a fire department's service area. Fire state aid for 2016 will be calculated this upcoming September and is based on fire department service areas as of December 31, 2015. Another component of fire state aid, called "minimum aid", is intended to provide additional funding for fire departments that service the least populated or most modestly valued towns, which is calculated under Minn. Stat. § 69.021, subd. 7, para. (d). The calculation for determining the qualification for and the amount of minimum aid is dependent on information about the fire department's affiliated relief association regarding the amount of fire state aid provided per firefighter.

The Coleraine and Bovey Fire Departments consolidated prior to December 31, 2015, so the fire state aid will be calculated based on the service area of the consolidated fire department. However, because the affiliated relief associations did not consolidate at the same time, the fire department currently has two relief associations. Therefore, although the fire department qualifies for initial fire state aid, there is nothing in statute to provide the Department of Revenue guidance on how to distribute the aid when there are two relief associations. There is also no statute that provides a process for the Department of Revenue to determine if the newly consolidated Trout Lake Fire Department will qualify for or receive minimum fire state aid since it is affiliated with two relief associations. Allowing the Coleraine and Bovey relief associations to consolidate on September 1, 2016, rather than January 1, 2017, will allow the Department of Revenue to accurately calculate and pay the Trout Lake Fire Department's 2016 fire state aid.

Discussion and Analysis

HF _____ (Anzelc); SF _____ (_____), Revisor #16-6859, raises the following pension and public policy issues:

1. Impact of Not Modifying Effective Date. Current statute does not provide the Department of Revenue guidance on how to provide fire state aid to a fire department with two relief associations. The Trout Lake Fire Department consolidation was effective before December 31, 2015, so the Department of Revenue will not have a problem calculating the "initial" state aid, which is based on the fire department's service area. However, the department currently has no method to determine how much of the initial aid the Coleraine relief association and Bovey relief association would each receive. Volunteer fire departments depend on fire state aid to fund service pensions, so not receiving the correct amount of state aid, even for just a year, could have significant financial consequences.

There is also no method in current statute for the Department of Revenue to determine if the Trout Lake Fire Department would qualify for minimum fire state aid. Minimum aid provides additional funding to fire departments that receive the smallest amounts of initial aid and is an important part of maintaining financial solvency for those qualified fire departments. Determining the eligibility and amount of minimum aid is dependent on information about the affiliated relief association. Under current statute, the Department of Revenue can only use the information for a single relief for minimum aid determinations. There is no method to determine minimum aid eligibility and applicable amounts when there are two relief associations affiliated with one fire department, and not receiving minimum aid could impact the fire department's ability to provide service pensions. In 2015, the Bovey relief association qualified for minimum aid while Coleraine did not. Although the consolidated fire department is likely to receive more initial aid, which could impact the eligibility for and amount of minimum aid received, there is no way to estimate or predict those amounts and the resulting financial impact of not receiving necessary funding.

2. Adequate Solution. The proposed legislation would provide the relief associations with an earlier consolidation date and requires the newly consolidated relief association to report the number of active firefighters at the time of consolidation, which will allow the Department of Revenue to accurately calculate and disperse the Trout Lake Fire Department's initial and minimum fire state aid for 2016. The Office of the State Auditor, the entity that audits VFRA's, has also looked over the proposed legislation and is alright with the reporting timeline changes.

RESOLUTION

In support of special legislation for Joint Fire Departments

Whereas the City of Coleraine operated a Coleraine Fire Department and maintained a Relief Association for its members.

Whereas the City of Bovey operated a Bovey Fire Department and maintained a Relief Association for its members.

Whereas the two Cities have created a joint fire board and a new department called the Trout Lake Fire Department.

Whereas current Statute 424B provides for a consolidated Relief Association effective January 1, 2017.

Whereas this consolidated effective date would not allow the State of Minnesota to disperse fire and in 2016 to the Trout Lake Fire Department causing a significant financial impact on the new department.

Whereas in consultation with the State Auditor's office the Cities of Coleraine and Bovey need special legislation to permit an effective date of September 1, 2016.

NOW THEREFORE BE IT RESOLVED that the City Council of Coleraine, and the City Council of Bovey, and the Joint Fire Board adopt this resolution to seek special legislation to make the effective date of the consolidated departments be September 1, 2016.

Further the entities each will adopt this resolution and work with our legislators to adopt a special legislation to make the Trout Lake Fire Department consolidation effective September 1, 2016.

Motion By Vekich

Seconded By Foss

Roll Call

Aye Vekich, Foss, Bibich, Stein

Nay 0

Johnson absent

Date: 2/24/14



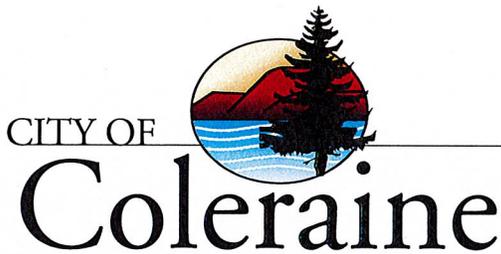
Mayor



City Clerk



Joint Board Chair



Office 218.245.2112
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RESOLUTION

302 Roosevelt Street
PO Box 670
Coleraine, MN 55722

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Motion By: Councilperson P. Smith

Seconded By: Councilperson Lawson

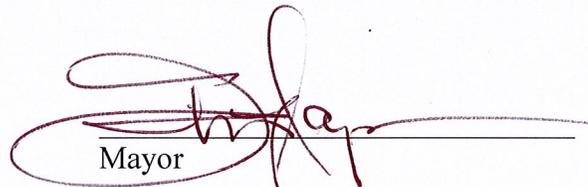
Roll Call

Ayes: P. Smith, Lawson, K. Smith, Drewes and Mayor Hagen

Nays: None

Motion carried

Date: February 22, 2016



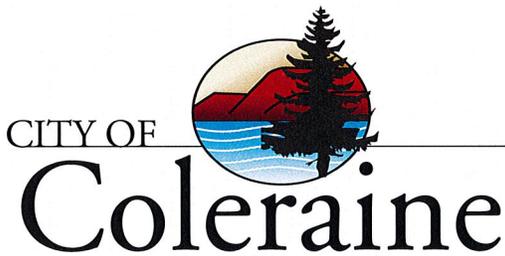
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Motion By: Mike Bibich

Seconded By: Dick Foss

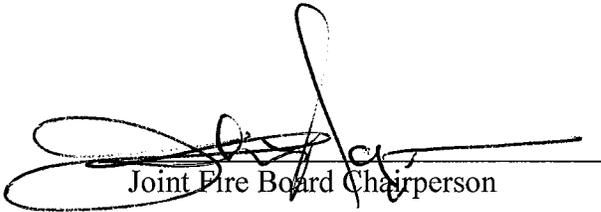
Roll Call

Ayes: Mike Bibich, Dick Foss, Todd Lawson and Chairperson Hagen

Nay: None

Motion carried

Date: 2/22/2016



Joint Fire Board Chairperson



Joint Board Fire Chief