



## TUBAC FIRE DISTRICT

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DATE: March 17, 2022  
TO: Santa Cruz County Board of Supervisors  
FROM: Fire Chief Cheryl Horvath  
RE: Request for ARPA funds  
CC: Jennifer St. John, County Manager

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Tubac Fire District respectfully requests assistance with funding a substantial increase in costs associated with worker's compensation (WC) insurance for the fire district. Our worker's compensation provider, Securis, recently sent a letter to us indicating a 100% increase in our annual premium and an additional assessment fee due to two primary issues, COVID and cancer. A copy of the Securis letter is included with this request. The letter presents a historical reference as to how the risk pool was established, presumptive cancer legislation passed in 2021, other worker's compensation providers leaving the marketplace and/or escalating premiums in the last two years, and two of the main reasons for the increased costs. The primary drivers of the increase are COVID (2 death claims) costing the pool \$6.5 million through 2024/2025, and presumptive cancer claims anticipated to be \$4 million annually for the foreseeable future.

Although we implemented a mandatory COVID vaccine policy at Tubac Fire District to mitigate the impact of the pandemic on our employees and their families, 2021 was a rough year with the increase in COVID cases county wide due to the Delta and Omicron variants. Thankfully we were able to minimize COVID claims however we still bore the cost of lost work hours and overtime due to firefighters and staff being absent from work for COVID-related reasons. Here are comments from our finance consultant, James Vincent Group, addressing the Covid-related costs:

*"Overall, the District's personnel costs have increased significantly since before the Covid pandemic. Tubac Fire District's personnel costs increased 39%, approximately \$50,000 in Fiscal Year 2021 compared to Fiscal Year 2020. Fiscal Year 2022 is currently on track to be about 67% higher than Fiscal Year 2020, an increase of approximately \$85,000. These increases are attributed directly to employee paid sick time and an increase in overtime to maintain staffing level of the District due to employees being out with COVID or required quarantine."*

Additionally, we have one staff member who continues to receive medical treatment for occupational cancer, which has driven up our health care costs but thankfully this staff member remains healthy and in remission.

As a small fire district still recovering from the Recession, with tax revenues \$700,000 less than 2010 and a budget of \$4.5 million annually, any increase in costs significantly impacts our ability to manage district resources without placing more of the burden on our taxpayers. Tubac Fire District is the largest fire district geographically in the County, spanning 166 square miles with 10,000 residents, and responding to six Santa Cruz County schools located within district boundaries. Worker’s compensation insurance is an absolute necessity in public safety, covering our firefighters as they serve and protect county residents and visitors.

Here is a comparison of last’s year WC costs for Tubac Fire District and our anticipated costs for the upcoming fiscal year beginning July 1.

<b>TFD Securis Worker's Compensation Insurance</b>			
	<b>FY 2021/22</b>	<b>FY 2022/23 (projected)</b>	<b>Increase</b>
Annual Premium	\$71,128	\$148,454	\$77,326
Capitalization Cost**	\$10,669	\$10,669	\$0
Assessment Fee	\$0	\$47,321	\$47,321
Total Increase			\$124,647
** Paid annually for 4 years			

After reviewing the letter from Securis outlining the potential impact of rate increases due to COVID and cancer claims, the total annual cost for FY 2022/23 worker’s compensation for Tubac Fire District could increase from \$81,797 to \$206,444, or 152%. Tubac Fire District does not have the ability to sustain this increase while still maintaining our current operations budget, capital plan, and/or any necessary cost increases associated with wages and benefits. If we were to pass on the worker’s compensation increase to our taxpayers our operations tax rate would increase \$.12 to \$2.97. Although we have seen an increase in assessed valuation within the fire district in recent years, we are still recovering from the Recession (our staffing is down two firefighters per shift from the 2010 staffing levels), have the need to replace a 50-year-old fire station in Tubac, and have additional operational and capital expenditures that must be funded to maintain or improve our current level of service. We are asking the Santa Cruz County Board of Supervisors to consider this request for assistance from County ARPA funds, potentially in the amount of \$124,647.

As noted in the Securis letter, an exact amount regarding the assessment fee will be determined once an independent actuarial analysis is complete, and a final decision is made by the Securis Board of Directors in August or September. The annual premium increase will be confirmed in the coming weeks.

At this point, our desire is to lay the groundwork for further substantive discussion with the County for financial assistance. We greatly appreciate your consideration in this matter.