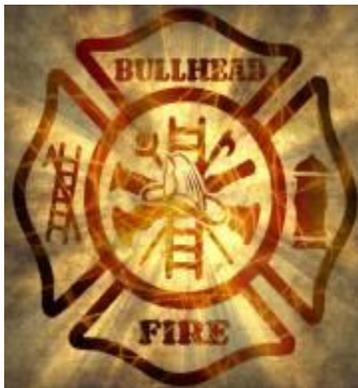




Feasibility Analysis for Bullhead City, Fort Mojave Mesa and Mohave Valley Fire Districts



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Table of Contents

Introduction.....	3
Methodology.....	5
Financial Assessments	6
Bullhead City Fire District (BCFD).....	6
Fort Mojave Mesa Fire District (FMMFD).....	8
Mohave Valley Fire District (MVFD)	10
Joint Powers Authority (JPA)	12
Further considerations and potential revenue.....	16
Summary	17



Introduction

It is evident that Bullhead City Fire District (BCFD), Fort Mojave Mesa Fire District (FMMFD) and Mohave Valley Fire District (MVFD) strive to provide the highest level of public safety services to the communities they serve in the most efficient and effective way possible. In this endeavor, James Vincent Group (JVG) has been tasked with providing financial consulting services focused on providing a detailed and independent assessment of the feasibility of a potential Joint Powers Authority (JPA). While remaining independent from each district was a critical aspect of this project, it was also essential to work closely with each organization to ensure that study expectations were met.

Given their extensive experience working with Arizona based fire districts and projects of this nature, JVG was engaged by Bullhead City Fire District (BCFD), Fort Mojave Mesa Fire District (FMMFD) and Mohave Valley Fire District (MVFD).

JVG is a full-service consulting firm with a team of expert professionals who connect with each one of our unique clients through specialized industry insight and refreshing sincerity. As a company, JVG has a strong commitment to fire organizations and thus all staff are experienced in working with fire organizations. Each member of the JVG team provides specialized industry expertise and brings a large amount of Arizona-specific fire and financial consulting experience. From the inception of JVG we have believed that providing our clients with a cross functioning team was the best way of providing the highest level of all-inclusive consulting services. To meet these goals JVG has a group of full-time consultants providing expertise in the different realms of accounting, tax and financial consulting. Our staff of consultants includes experienced CPA's, auditors, accountants, financial consultants and Chief Financial Officer (CFO).

As part of our continued focus on excellence and transparency JVG has been recognized by the Government Finance Officers Association through the award of a certificate of achievement for excellence in financial reporting. JVG has achieved that award with multiple fire district clients throughout the state.

The following list of some of our clients illustrates how we have become the trusted financial advisor for multiple fire agencies throughout the state. Some of our clients include:

- Buckeye Valley Fire District
- City of Chandler Fire, Health&Medical
- City of Glendale Fire Department
- Tempe Fire Medical Department



- Corona De Tucson Fire District
- Daisy Mountain Fire District
- Drexel Heights Fire District
- Fry Fire District
- Green Valley Fire District
- Heber Overgaard Fire Department
- Mesa Fire and Medical Department
- Northwest Fire District
- Peoria Fire Department
- Pine-Strawberry Fire District
- Pinetop Fire District
- Sedona Fire District
- Sun City Fire Department
- Sun Lakes Fire District
- Timber Mesa Fire and Medical District
- Tubac Fire District

Specifically related to this feasibility study we have provided similar consulting services to Show Low Fire District, Linden Fire District and Lakeside Fire District (now Timber Mesa Fire District), Mountain Vista Fire District (now Golder Ranch Fire District), Wittman Fire District (now part of North County Fire District), Sun Lakes Fire District (now part of South County Fire District) and Payson Fire Department.

Throughout this project, JVG has worked collaboratively with the designated project manager to discuss and document each District's vision for the future and to collect the necessary information and data needed to provide a detailed analysis. Our methodology was designed to provide a comprehensive review of the options for cost-effective approaches that focus on increasing levels of service, financial stability, workforce efficiency and reliability. This report consists of the following sections.

Methodology

This section discusses the client-focused approach used during the project.

Financial Assessments

To gather a clearer understanding of the financial impact of a potential JPA, JVG has included standalone projections for each organization.

Summary

This section provides an overview of our findings. It outlines some of the key points from the analysis.



Methodology

Each member of the JVG team is based out of our Arizona office. Throughout this project we have spent considerable amounts of focused time working collaboratively with members of the BCFD, FMMFD and MVFD team to collect information needed to provide a detailed analysis. We understand that although our independent position is an important aspect of this project another integral aspect is you, the client. You bring to the table a deep understanding of the goals, challenges and requirements. Your comments and constructive input have proven to be an invaluable component to this project.

The JVG approach to this analysis, as with all of our client-based services, is to thoroughly understand the needs and capabilities of BCFD, FMMFD and MVFD. The methodology employed utilized our team's experts, who have collective knowledge and proficiency in the areas under review, and who understand how to document, assess, analyze, and implement solutions that will best meet your needs. Our methodology was designed to provide a comprehensive review of the options for cost-effective approaches that increase levels of services, financial stability, workforce efficiency and reliability and was focused specifically on providing a detailed and independent assessment of the financial feasibility of a potential JPA involving BCFD, FMMFD and MVFD.

After gaining a clear understanding of the goals and vision for this project, JVG proceeded to the data collection phase. During this phase, JVG gathered critical information from various members of the BCFD, FMMFD and MVFD team. Some of the information collected included:

- Last 5 years of detailed revenues and expenses for BCFD, MVFD & FMMFD;
- Audited financials for the last 3 fiscal years for BCFD, MVFD & FMMFD;
- PSPRS prepared actuarial estimate of consolidated organization;
- Current wage and benefit package with breakdown of where employees are for each district;
- Operational models, current practices, and industry standards; and
- Historical assessed value for BCFD, MVFD & FMMFD.

After all of the information was collected, the JVG team spent time documenting the information using various formats and analyzing different scenarios to determine their potential effect on long term financial sustainability and on the feasibility of a JPA. Through a process of review, assessment and feedback, we have provided an independent financial assessment of the feasibility of a potential JPA including BCFD, FMMFD and MVFD. By working with the JVG team, BCFD, FMMFD and MVFD are hereby provided with a study that will enable leadership to make decisions based on reliable, expert and independent financial information.



Financial Assessments

To gather a clearer understanding of the financial impact of a potential JPA, JVG has also completed and included projections for each district if they were to standalone moving forward.

Bullhead City Fire District (BCFD)

The assumptions used during the standalone projections for Bullhead City Fire District include:

- Property tax revenue increasing 4.5% annually. This is based on analysis of historical trends and conservative projections for future growth;
 - Tax rate remaining the same at \$3.15.
- Nontax revenue increasing 2.5% annually;
 - Nontax revenue does not include the potential increase in revenue due to the ambulance rate increases proposed by BCFD and FMMFD. These increases are not included in the stand-alone or JPA projections;
- Personnel costs increasing 4.5% annually. This is based on discussion with management that personnel costs will match changes in assessed value;
- Operational expenses increasing 3% annually;
- Managerial expenses increasing 3% annually. Election costs are added every other year to align with election cycle.;
- Training expenses increasing 3% annually;
- No increase in full time emergency personnel staffing levels; and
- No significant change to employee wages or benefits.



The following table provides a five-year projection of revenues and expenses for Bullhead City Fire District. To provide the projections it is was essential to make assumptions on both the revenue and expenses. The assumptions listed above were used to create these projections and although JVG understands that it is possible to use worst case and best-case scenarios, JVG has used projections that are based on historical data and industry projections.

Bullhead City Fire District Alone 5 year projections

Revenues	Year 1	Year 2	Year 3	Year 4	Year 5
Property Tax	\$ 10,201,327	\$ 10,660,387	\$ 11,140,105	\$ 11,641,409	\$ 12,165,273
Fire District Assistance Tax	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000
Non Tax Levy Revenues	\$ 3,886,000	\$ 3,983,150	\$ 4,082,729	\$ 4,184,797	\$ 4,289,417
Total Revenues	\$ 14,487,327	\$ 15,043,537	\$ 15,622,833	\$ 16,226,206	\$ 16,854,690
Expenses					
Personnel Expenses	\$ 11,513,019	\$ 12,031,105	\$ 12,572,505	\$ 13,138,267	\$ 13,729,489
Building & Land	\$ 222,386	\$ 229,058	\$ 235,929	\$ 243,007	\$ 250,297
Vehicles & Equipment	\$ 445,539	\$ 458,905	\$ 472,672	\$ 486,853	\$ 501,458
Communications & I.T.	\$ 595,982	\$ 613,862	\$ 632,278	\$ 651,246	\$ 670,783
Travel & Training	\$ 139,336	\$ 143,516	\$ 147,822	\$ 152,256	\$ 156,824
Managerial Expenses	\$ 429,180	\$ 404,495	\$ 452,150	\$ 428,155	\$ 476,519
Capital Outlay & Grant Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 13,345,442	\$ 13,880,941	\$ 14,513,356	\$ 15,099,784	\$ 15,785,371
Projected Surplus	\$ 1,141,885	\$ 1,162,596	\$ 1,109,478	\$ 1,126,422	\$ 1,069,318



Fort Mojave Mesa Fire District (FMMFD)

The assumptions used during the standalone projections for Fort Mojave Mesa Fire District include:

- Property tax revenue increasing 4.5% annually. This is based on analysis of historical trends and conservative projections for future growth;
 - Tax rate remaining the same at \$3.25;
- Nontax revenue increasing at 2.5% annually;
 - Nontax revenue does not include the potential increase in revenue due to the ambulance rate increases proposed by BCFD and FMMFD. These increases are not included in the stand-alone or JPA projections.;
- Personnel costs increasing at 4.5% annually. This is based on discussion with management that personnel costs will match changes in assessed value;
- Operational expenses increasing 3% annually;
- Managerial expenses increasing 3% annually. Election cost is every other year.
- Training expenses increasing 3% annually;
- Debt Service expenses are based on the current debt schedule and has debt retiring in year one of the projections;
- No increase in full time emergency personnel staffing levels; and
- No significant change to employee wages or benefits.

The following table provides a five-year projection of revenues and expenses for FMMFD. To provide the projections it is was essential to make assumptions on both the revenue and expenses. The assumptions listed above were used to create these projections and although JVG understands that it is possible to use worst case and best-case scenarios, JVG has used projections that are based on historical data and industry projections.



Fort Mojave Mesa Fire District Alone 5 year projections

Revenues	Year 1	Year 2	Year 3	Year 4	Year 5
Property Tax	\$ 3,915,682	\$ 4,091,888	\$ 4,276,023	\$ 4,468,444	\$ 4,669,524
Fire District Assistance Tax	\$ 380,000	\$ 380,000	\$ 380,000	\$ 380,000	\$ 380,000
Non Tax Levy Revenues	\$ 1,430,000	\$ 1,465,000	\$ 1,501,625	\$ 1,539,166	\$ 1,577,645
Total Revenues	\$ 5,725,682	\$ 5,936,888	\$ 6,157,648	\$ 6,387,609	\$ 6,627,168
Expenses					
Personnel Expenses	\$ 4,764,769	\$ 4,979,183	\$ 5,203,246	\$ 5,437,392	\$ 5,682,075
Building & Land	\$ 70,170	\$ 72,275	\$ 74,443	\$ 76,677	\$ 78,977
Vehicles & Equipment	\$ 247,350	\$ 254,771	\$ 262,414	\$ 270,286	\$ 278,395
Communications & I.T.	\$ 167,500	\$ 172,525	\$ 177,701	\$ 183,032	\$ 188,523
Travel & Training	\$ 65,600	\$ 67,568	\$ 69,595	\$ 71,683	\$ 73,833
Managerial Expenses	\$ 390,100	\$ 381,203	\$ 412,639	\$ 404,418	\$ 436,551
Capital Outlay & Grant Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Service	\$ 61,220	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 5,766,709	\$ 5,927,525	\$ 6,200,038	\$ 6,443,488	\$ 6,738,354
Projected Surplus	\$ (41,026)	\$ 9,363	\$ (42,391)	\$ (55,879)	\$ (111,185)



Mohave Valley Fire District (MVFD)

The assumptions used during the standalone projections for Mohave Valley Fire District include:

- Property tax revenue increasing at 4.5% annually. This is based on an analysis of historical trends and conservative projections for future growth;
 - Tax rate remaining the same at \$3.05;
- Nontax revenue is based on the tribal contract and an increase of 2.5% annually on other nontax revenue;
- Personnel costs increasing 4.5% annually. This is based on discussion with management that personnel costs will match changes in assessed value;
- Operational expenses increasing 3% annually;
- Managerial expenses increasing 3% annually. Election cost is every other year.
- Training expenses increasing 3% annually;
- No debt service;
- No increase in full time emergency personnel staffing levels; and
- No significant change to employee wages or benefits.

The following table provides a five-year projection of revenues and expenses for MVFD. To provide the projections it is was essential to make assumptions on both the revenue and expenses. The assumptions listed above were used to create these projections and although JVG understands that it is possible to use worst case and best-case scenarios, JVG has used projections that are based on historical data and industry projections.



Mohave Valley Fire District Alone 5 year projections

Revenues	Year 1	Year 2	Year 3	Year 4	Year 5
Property Tax	\$ 1,829,171	\$ 1,911,483	\$ 1,997,500	\$ 2,087,388	\$ 2,181,320
Fire District Assistance Tax	\$ 173,607	\$ 173,607	\$ 173,607	\$ 173,607	\$ 173,607
Non Tax Levy Revenues	\$ 1,970,374	\$ 2,071,930	\$ 2,187,790	\$ 2,320,961	\$ 2,475,119
Total Revenues	\$ 3,973,152	\$ 4,157,020	\$ 4,358,897	\$ 4,581,956	\$ 4,830,046
Expenses					
Personnel Expenses	\$ 3,563,519	\$ 3,723,877	\$ 3,891,452	\$ 4,066,567	\$ 4,249,563
Building & Land	\$ 42,927	\$ 44,215	\$ 45,542	\$ 46,908	\$ 48,315
Vehicles & Equipment	\$ 146,967	\$ 151,376	\$ 155,918	\$ 160,595	\$ 165,413
Communications & I.T.	\$ 99,968	\$ 102,967	\$ 106,056	\$ 109,237	\$ 112,514
Travel & Training	\$ 45,776	\$ 47,149	\$ 48,564	\$ 50,021	\$ 51,521
Managerial Expenses	\$ 196,625	\$ 181,447	\$ 206,413	\$ 191,529	\$ 216,797
Capital Outlay & Grant Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 4,095,783	\$ 4,251,032	\$ 4,453,944	\$ 4,624,857	\$ 4,844,124
Projected Surplus	\$ (122,631)	\$ (94,012)	\$ (95,047)	\$ (42,901)	\$ (14,079)



Joint Powers Authority (JPA)

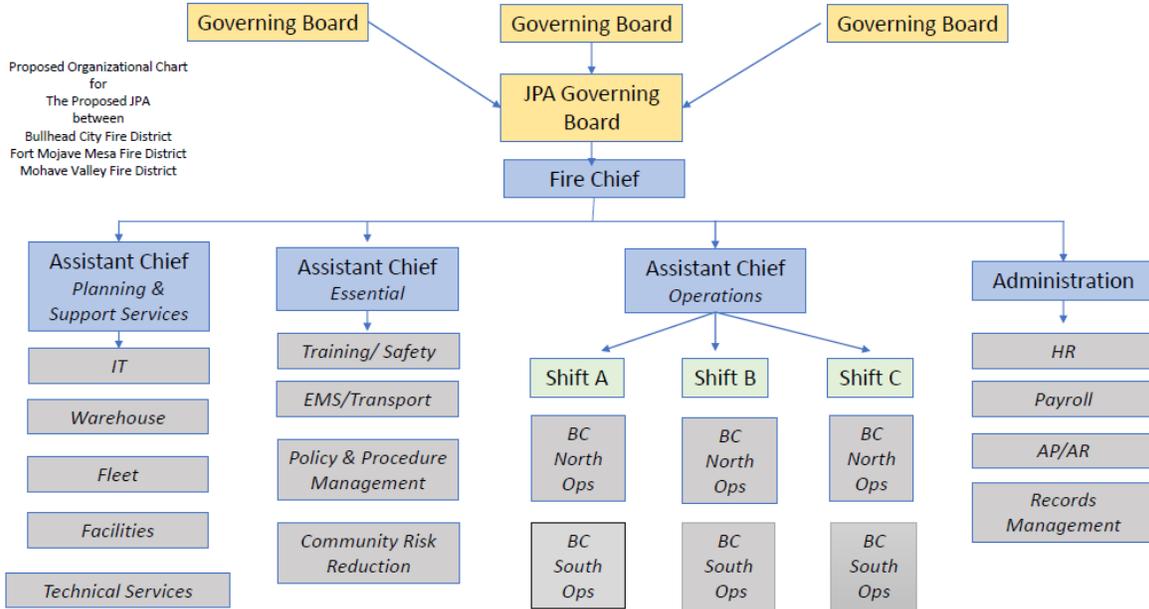
There are many types of fire district partnerships. JVG was asked to look at the feasibility of a Joint Powers Authority (JPA). The assumptions used during the following analysis include:

- A Joint Powers of Authority (JPA) would be set up including BCFD, MVFD and FMMFD;
- Property tax revenue increasing 4.5% annually. This is based on analysis of historical trends and conservative projections for future growth.
 - Tax rate remaining the same at each of the three organizations which is \$3.15 for BCFD, \$3.25 for FMMFD and \$3.05 for MVFD.
 - The BCFD Bond will continue to be taxed to the residents of BCFD and does not have an impact on these projections.
- Nontax revenue includes the tribal contract for MVFD and an increase of 2.5% annually on other nontax revenue items.
 - Nontax revenue does not include the potential increase in revenue due to the ambulance rate increases proposed by BCFD and FMMFD. These increases are not included in the standalone or JPA projections.
- Personnel costs increasing 4.5% annually. This is based on discussions with management and that personnel costs will match changes in assessed value. Baseline cost for personnel include;
 - Funded positions are based on the conceptual organizational chart, outlined below, and the conceptual staffing configuration for the JPA. The number of positions compared to the standalone model are outlined in the chart below.
 - A reduction in Public Safety Personnel Retirement System (PSPRS) costs due to revised actuarial assumptions. This includes a PSPRS rate of 47.80% Tier 1 and Tier 2, 42.62% for Tier 3.
 - ASRS for all non-sworn personnel at 12.22%.
 - Health benefit costs calculated at current standalone costs.
 - All personnel moving to current BCFD pay scale. Organizations outside of BCFD were moved to the most appropriate step within the BCFD scale without a reduction in compensation.
 - Paramedic stipend of \$7,500.
 - Longevity calculated at \$570 per FTE



- Uniform allowance of \$750 for all staff.
- Operational expenses increasing 3% annually;
 - JVG analyzed each districts' current costs and made a determination on what expenses could be reduced using experience with similar sized organizations. Some of these include
 - Computer Software and Equipment
- Managerial expenses increasing 3% annually. Election costs are added every other year to match with the election cycle.
 - JVG analyzed each districts' current costs and made a determination on what expenses could be reduced using experience with similar sized organizations. Some of these include
 - Office expenses were reduced
 - Dues and subscriptions were reduced
 - Professional services were reduced
 - Ambulance billing calculated at 5% of revenue
 - Liability insurance reduced
- Training expenses increasing 3% annually. Training cost at \$1,000 per FTE. This is based on similar sized organizations; and
- Debt service is based on current schedules.

The Organizational chart below has been used to build the following projections for the JPA analysis. JVG worked with ESM Consulting to validate this Organizational chart. It is however important to note that is intended to be used as an overview of the assumptions used in the analysis and the actual Organizational Chart will need to be constructed by the JPA's elected board and administration.



The following tax rate for each organization remained the same in the JPA projections.

District Tax Rates		
Bullhead City Fire District	\$	3.1500
Fort Mojave Fire District	\$	3.2500
Mohave Valley Fire District	\$	3.0500

The following table provides a five-year projection of revenues and expenses for a JPA. To provide the projections, it was essential to make assumptions on both the revenue and expenses. The assumptions listed above were used to create these projections and although JVG understands that it is possible to use worst case and best-case scenarios, JVG has used projections that are based on historical data and industry projections.



5 Year JPA Merged Projections Summary

Revenues	Year 1	Year 2	Year 3	Year 4	Year 5
Property Tax	\$ 15,946,180	\$ 16,663,758	\$ 17,413,627	\$ 18,197,241	\$ 19,016,116
Fire District Assistance Tax	\$ 953,607	\$ 953,607	\$ 953,607	\$ 953,607	\$ 953,607
Non Tax Levy Revenues	\$ 7,276,874	\$ 7,458,796	\$ 7,645,266	\$ 7,836,398	\$ 8,032,308
Total Revenues	\$ 24,176,661	\$ 25,076,161	\$ 26,012,500	\$ 26,987,245	\$ 28,002,031
Expenses					
Personnel Expenses	\$ 19,502,553	\$ 20,380,168	\$ 21,297,276	\$ 22,255,653	\$ 23,257,157
Building & Land	\$ 335,483	\$ 345,548	\$ 355,914	\$ 366,592	\$ 377,589
Vehicles & Equipment	\$ 839,856	\$ 865,052	\$ 891,003	\$ 917,734	\$ 945,266
Communications & I.T.	\$ 816,454	\$ 840,948	\$ 866,176	\$ 892,162	\$ 918,926
Travel & Training	\$ 226,679	\$ 233,480	\$ 240,484	\$ 247,698	\$ 255,129
Managerial Expenses	\$ 935,139	\$ 857,663	\$ 959,393	\$ 909,894	\$ 1,013,191
Capital Outlay & Grant Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Service	\$ 61,220	\$ -	\$ -	\$ -	\$ -
Total Expenses	\$ 22,717,385	\$ 23,522,858	\$ 24,610,246	\$ 25,589,733	\$ 26,767,260
JPA Projected Surplus	\$ 1,459,277	\$ 1,553,303	\$ 1,402,254	\$ 1,397,512	\$ 1,234,771

The following table illustrates the difference in total personnel needed in the proposed JPA compared to the standalone districts. It is important to note that no filled positions were removed, only unfilled positions.

Function	Stand Alone Budgeted	Proposed JPA
Fire Chief	3	1
Assistant Chief	2	3
Division Chief	3	3
Battalion Chief	7	6
Captain	27	27
Engineer	30	30
Firefighter	66	66
Non-Sworn EMS	4	4
Prevention	6	5
Admin	11	10
Fleet/Warehouse	5	5
	164	160



Personnel costs under the JPA projections show a \$473,000 reduction compared to the standalone model. These savings are created mainly by a reduction in total personnel and a reduction in the PSPRS rates. Managerial expenses show a \$258,000 reduction when comparing it to the standalone model. These savings were found primarily in office expenses, dues and subscriptions, professional services, and liability insurance. Operational expenses show a \$46,000 reduction when comparing it to the standalone model. These savings were found primarily in computer software and equipment.

Further considerations and potential revenue

As part of this engagement JVG did not evaluate the capital needs of the proposed JPA. It is our recommendation if the JPA is formed, to establish a 10-year capital plan to determine an adequate funding level to meet the needs of the organization.

Throughout this project JVG has focused on analyzing the direct revenue and operating expenses of each organization. This typically involves analysis of historical data to drive many of the future projections. As a newly formed JPA there is no historical data and therefore some potential revenue streams have not been included in the projections. It is however important to note that there are other potential avenues for revenue generation for the JPA. Some of the potential additional revenue include additional grants, wildland and interfacility transports (IFT).

- All the districts currently seek grant opportunities for projects and equipment. While it was not included in the projections, due to the uncertainty surrounding them, this practice should continue. As a larger and more regional organization the JPA may be more successful in certain grants.
- Wildland can be a significant source of revenue for fire districts. Although this revenue can be highly unpredictable, larger organizations often have more resources available and therefore can benefit financially from more deployments. An organization the size of the proposed JPA can expect to see \$500,000 during a typical Wildland season with a projected net income of between 20 – 30 percent profit after expenses.
- After discussions with management it is clear there are a number of IFTs being handled by a private ambulance provider. As a larger organization the JPA may have the ability to further provide IFT and therefore create substantial additional income.



Summary

Public safety agencies throughout the nation are continually trying to provide increased levels of service with less. Arizona fire districts are not immune to these challenges and many are analyzing ways to continue to provide the level of service required by the communities they serve while facing continued financial limitations. Throughout this project, it has been clear that each organization is willing to work together and is focused on serving their communities in the most efficient and effective way possible.

The study has shown that the JPA is financially feasible and using the assumptions discussed throughout this document the analysis shows the JPA will provide in excess of \$7million of operational surplus over a five-year period. Some of the savings that are projected, when compared to the standalone model, include a \$473,000 reduction in personnel costs, \$258,000 reduction in managerial expenses and \$46,000 reduction in operational expenses. Although wildland revenue, grants and interfacility transports were not calculated in the JPA projections, these provide a significant amount of potential additional revenue for the JPA when compared to the standalone model.

In addition to the projected financial savings, there are other potential benefits to the JPA when compared to the stand-alone model. These include but are not limited to:

- An increase in money allocated to training and potentially higher levels of standardized training;
- Leadership at each of the three organizations voiced the difficulty faced when trying to fill positions. The JPA will have a larger pool of employees for career development, succession planning, promotions and back-fill to cover vacancies;
- An increase in the service level provided to each community could be realized through one set of standardized operating guidelines, one set of standardized policies and one consistent response system;
- A potential increase in service levels associated with more flexibility in handling simultaneous calls;



- A potential increase in community and firefighter safety;
- Potential to realize further savings through greater purchasing power;
- A potential increase in the depth of service realized by increased staffing levels with greater staff flexibility and capability;
- An ability to provide additional services such as human resources, fleet, training, community risk reduction and technical services;
- An ability to reduce duplicative efforts. One example of this is the possibility of reducing the number of staff vehicles;
- A potential increase in the depth of administrative/support service staff flexibility and capability;
- An ability to provide improved prevention and code enforcement services;
- The potential to better balance demands for increased services;
- The ability to provide a unified service delivery; and
- An improved ability to absorb financial crisis

While our standalone projections have shown some of the districts will realize an operating deficit, it is important to note that these projections are based upon a set annual inflationary factor that does not take into account potential operational changes that can be made to match operational expenses with revenues. In discussion with the districts, it was noted that management will continue to modify expenses to match their revenues.

The goal of this study was to provide a detailed and independent assessment of the feasibility of a potential Joint Powers Authority (JPA) between Bullhead City Fire District (BCFD), Fort Mojave Mesa Fire District (FMMFD) and Mohave Valley Fire District (MVFD). This study has provided a comprehensive review of the options which enables decisions on the future path of this project to be based on reliable and independent information.