



HIGHLANDS FIRE DISTRICT
FIRE BOARD OF DIRECTORS
REGULAR MEETING MINUTES · 04/20/2021

A regular meeting of the Fire Board of Directors was held on **Tuesday, April 20, 2021 at 5:00 PM** at Fire Station 23, Administration Board Room, 3350 Old Munds Hwy, Flagstaff, AZ. The meeting was accessible to Board members in-person and through video conferencing, and the public through video conferencing.

1. Call to Order

The meeting was called to order at 5:01 PM.

2. Roll Call

Chairperson Kloeber, Clerk Favazzo, Brad Bippus* and Director Hanecak* were present, and Director Hirsch was absent.

Administrative personnel present were Chief Foreman, Chief Greenwalt, Chief Miller*, Ms. Jones, and Mrs. Wilson.

Visitors present were and Bryan Lundberg* and Claude Lockhart* from Stifel Public Finance, and Michael Townsend* and Clark Partridge* from PSPRS.

*Attended through Zoom Video conferencing.

3. Pledge of Allegiance, Invocation, Mission and Vision Statements, and Board Responsibilities. The Pledge of Allegiance was recited, a silent invocation was offered, and the District's mission, vision, and selected Board responsibilities were recited.

4. Welcome Visitors. Chairperson Kloeber welcomed everyone.

5. Call to the Public. Chairperson Kloeber dispensed with the call to the public.

6. Approval of Minutes.

A. JANUARY 19, 2021 EXECUTIVE SESSION. The Board independently reviewed the minutes from the January 19, 2021 Executive Session. **A MOTION was made by Clerk Favazzo and was seconded by Director Bippus to approve the minutes as presented;** the motion was unanimously **APPROVED**.

B. MARCH 16, 2021 REGULAR MEETING. The Board reviewed the minutes from the March 16, 2021 regular meeting. **A MOTION was made by Clerk Favazzo and was seconded by Director Hanecak to approve the minutes as presented;** the motion was unanimously **APPROVED**.

7. Presentations by Stifel Public Finance and PSPRS. Chairperson Kloeber informed the Board that Stifel Public Finance is here to present more information regarding financing the PSPRS unfunded liability. Mr. Lundburg and Mr. Lockhart introduced themselves, and Mr. Lundberg introduced Mr. Townsend and Mr. Partridge from PSPRS.

Mr. Townsend, Administrator for PSPRS, provided his credentials and explained his intention to help organizations solve problems with their unfunded pension liabilities. Mr. Partridge, who is also the Chair of ASRS, presented general information about PSPRS's past, present, and future. He explained the largest culprit of unfunded liabilities were Permanent Benefit Increases (PBI). Pension reform

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ended PBIs, but the associated unfunded liabilities were not resolved. He also explained several changes have been made to improve the situation going forward. Mr. Partridge provided information about calculating the defined benefit as well as the astounding accrual of the unfunded debt obligation. He provided information about investment returns and answered several of the Board's questions.

Mr. Lockhart reviewed the Stifel presentation the Board had heard previously heard. He provided a plan to finance \$8,535,000 to cover 100% of the recognized liability and provide a contingency reserve fund, and funds to cover any unrecognized unfunded liability. Mr. Lockhart provided options for funding the pension: 1) pay accelerating payments year after year, 2) contribute more money, or 3) refinance the debt, which could provide \$4,070,497 in savings over 25 years. The Board discussed ways to manage the contingency reserve fund. Mr. Partridge informed the Board that PSPRS will create a Section 115 Trust, which would be dedicated savings for pension payments. He suggested the Board consider all options to maximize the rate of return. Mr. Lockhart suggested separating the risk, and creating a contingency reserve fund; although, the returns are lower, there are more options for how the money could be used. There are pros and cons for each method. If the Board decides this is the direction they would like to go, Stifel will provide the necessary information for the Board's consideration. Mr. Townsend said that PSPRS is also committed to working with employers to understand their status and actuarial evaluations going forward. Mr. Lockhart also showed a shortened scenario with a 20 year term, which had a lower interest rate.

In regards to refinancing the fire stations, the District could potentially save \$189,330 by refinancing. Chief Foreman informed Mr. Lockhart that the District is in a position to pay-off Fire Station 25. Mr. Lockhart described the risk associated with the issuing the pension obligation; he explained the saving assumptions are dependent upon PSPRS earning 7.3% returns, and he explained that lower interest earnings (above the borrowing cost) would still result in savings, but not as much. Mr. Lockhart described how a contingency reserve fund would mitigate potential risk, and how Proposition 207, sales of recreational marijuana, may provide some assistance. In closing, Mr. Partridge told the Board that they may want to consider reducing borrowed amount instead of paying off the fire station, and to look at all options to make to best possible decision.

Chairperson Kloeber asked about the next step in moving forward. Mr. Lundberg replied that if the Board confirms their commitment, they will put together a tentative financing timetable, which will include preparing documents and a resolution for the Board to authorize the issuance of the financing and would delegate the authority to complete the financing. There are several parties involved including a bond attorney for the District, underwriter's counsel for Stifel to help with regulatory systems, and credit rating, and they will need to prepare a prospectus. The Board further discussed paying off Station 23. Mr. Lundberg believes S & P will appreciate that the District didn't encumber everything, because the health and vitality is part of the rating process. Chairperson Kloeber thanked everyone for their time and efforts.

The Board adjourned for short break at 7:08 PM. The Board reconvened to regular session at 7:13 PM.

8. Finance

A. WARRANTS – The Board reviewed the warrants and credit card purchases paid in March.

A MOTION was made by Clerk Favazzo and was seconded by Director Hanecak to accept the warrants as presented. After questions the motion was unanimously **APPROVED**.

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- B. FINANCIAL REPORT – The Board reviewed the District’s General Fund, Capital Fund, and Bear Jaw Fund Financial Reports including the Profit/Loss Budget Overviews, Bank Reconciliation, County’s Fund Balance Summary, Cash Flow Projection, and Quarterly Interest Earnings. There were no questions.
- C. QUARTERLY COUNTY INTEREST EARNING REPORT. Ms. Wilson provided the County Interest Earning Report.

9. Summary Reports & Correspondence

- A. IAFF LOCAL CHAPTER 1505 SUMMARY REPORT – The Local 1505 had nothing to report.
- B. BATTALION FIRE CHIEF’S SUMMARY REPORT – Chief Greenwalt presented the Battalion Chief’s report including Individual Activity, Incidents, and Training. There were 55 calls for service in March. There were no questions.
- C. FIRE CHIEF’S SUMMARY REPORT – Chief Foreman presented the Fire Chief Report. He noted that his staff briefing provides an update of the hiring process for a fire chief. The Board discussed interviewing candidates in executive session prior to the May 18 regular meeting.
- D. FIRE BOARD CHAIRPERSON’S SUMMARY REPORT – Chairperson Kloeber had nothing further to report.
- E. CORRESPONDENCE – The Board reviewed a thank you letters from Prescott Fire Department.

10. Topics of Discussion and Possible Legal Action

- A. ACCEPTANCE OF RESIGNATION FROM DIRECTOR JAN HIRSCH. The Board reviewed the letter of resignation provided by Director Hirsch. A MOTION was made by Director Hanecak and was seconded by Clerk Favazzo to accept the resignation of Jan Hirsch; the motion was unanimously **APPROVED**.
- B. APPOINTMENT OF BOARD MEMBER TO SERVE AS DESIGNEE TO THE PSPRS LOCAL BOARD. Chairperson Kloeber appointed Director Hanecak to serve as the Board designee to the Local PSPRS Board; Director Hanecak accepted the appointment.
- C. CONSIDERATION TO APPROVE RENEWAL OF SECURIS WORKERS’ COMPENSATION INSURANCE. Chief Foreman recommended the Board renew the Workers’ Compensation Insurance with Securis. A MOTION was made by Director Favazzo and was seconded by Director Bippus to renew the Securis Workers’ Compensation Insurance as presented; the motion was unanimously **APPROVED**.
- D. PRESENTATION OF PROPOSED FY 2022 BUDGET. Ms. Wilson presented the FY 2022 Budget. She noted that the Budget Committee discussed wages in depth. Due to the minimum wage increase to \$12.15 in Arizona, the proposed wage schedule was adjusted proportionally. Bear Jaw Grade W1 and Admin Grade A1 were then adjusted with a starting rate of \$13.50. The Chief positions were not adjusted at this time. This proposal ensures that firefighter rates are competitive in the Greater Flagstaff Region.

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The proposed Budget meets all of the goals and priorities identified by staff and the Committee. The proposed Budget does not include the potential refinancing with Stifel or pay-off of Station 25. Chief Miller noted that the Budget would not be affected much by the Stifel refinance or station pay-off. The Board will approve a budget to post and publish on May 18. Chairperson Kloeber asked that the Board review the Budget and direct question to Ms. Wilson or Chief Miller. He thanked staff for their efforts.

- E. UPDATE REGARDING SENATE BILL 1298 – FIRE DISTRICTS; PENSION LIABILITY; FINANCING. The Governor signed SB1298 as an emergency clause on April 16, 2021.
 - F. DISCUSSION AND POSSIBLE LEGAL ACTION REGARDING REFINANCING PSPRS UNFUNDED LIABILITY. Chairperson Kloeber informed the Board that the next step is for the Board to decide what to do regarding the PSPRS unfunded liability. If the Board agrees to refinance the debt obligation, decisions must be made regarding the length of the term and contingency funds. The consensus at the April 16 special meeting was that the 25 year term looked more appealing. A decision will need to be made regarding the contingency reserve fund. Board members expressed their view in favor of refinancing. **A MOTION was made by Director Favazzo and was seconded by Director Bippus to engage Stifel to proceed with the process to refinance the pension unfunded liability debt to PSPRS and authorize Chairperson Kloeber to serve as the Board’s point of contact on the project; the motion was unanimously APPROVED.**
 - G. DISCUSSION AND POSSIBLE LEGAL ACTION REGARDING PAYING-OFF OF WELLS FARGO LEASE/ PURCHASE FOR FIRE STATION 25. The Board discussed the options provided by Stifel and PSPRS regarding whether to pay-off Station 25. Considering the payment is due on May 1, 2021, Chief Foreman believes the Board should seriously consider paying-off Station 25. The Board agreed that there is a benefit to having the property free and clear. After discussion, **A MOTION was made by Director Favazzo and was seconded by Director Hanecak to pay-off the Wells Fargo Lease with the Option to Purchase Fire Station 25; the motion was unanimously APPROVED.**
 - H. REVIEW FIRE BOARD TASK CALENDAR. The Board reviewed the Board Task Calendar.
- 11. **Board Member comments.** There were no additional comments.
 - 12. **Adjournment.** **A MOTION was made by Director Hanecak and was seconded Director Favazzo to adjourn; the motion was unanimously APPROVED.** The meeting adjourned at 8:06 PM.

Respectfully Submitted,

Jayme Jones
Administrative Specialist