



**ARIZONA FIRE & MEDICAL AUTHORITY
NORTH COUNTY FIRE & MEDICAL DISTRICT
SOUTH COUNTY FIRE & MEDICAL DISTRICT
GOVERNING BOARDS**

**SPECIAL MEETING NOTICE / JOINT GOVERNING BOARD AGENDA
TUESDAY, JULY 27, 2021 – 9:00 a.m.**

Pursuant to A.R.S. §38-431.02, notice is hereby given to the members of the Arizona Fire & Medical Authority (AFMA) Governing Board and the general public that the Arizona Fire & Medical Authority, North County Fire & Medical District, and South County Fire & Medical District Governing Boards will meet in Special Session for a Joint Governing Board Meeting on Tuesday July 27, 2021 at 9:00 a.m. **The meeting will be held both in person, by video conference and telephonically. The meeting will be held at the Arizona Fire & Medical Authority Administrative Office, 18818 N. Spanish Garden Drive, Sun City West, Arizona 85375 and via video/teleconference.** The Board may vote to go into Executive Session on any agenda item, pursuant to ARS 38-431.03(A)(3) for discussion and consultation for legal advice from the Authority's Attorney on matters as set forth in the agenda item. The following topics and any variables thereto will be subject to Board consideration, discussion, approval, or other action. All items are set for possible action.

In accordance with the social distancing guidelines recommended by the Maricopa County Public Health Department relating to the COVID-19 Pandemic, members of the Governing Boards may attend either in person or by video conference. Members of the public may attend telephonically or by video conference ONLY. If you would like to attend the meeting telephonically please dial, 669-900-6833, and enter webinar ID 89864043976. If you would like to attend by video conference, you will need to register [here](#). Following registration, you will receive a confirmation email with login instructions. For technical assistance please call, 623-544-5400.

1. CALL TO ORDER / AFFIRMATION OF QUORUM

- A. South County Fire & Medical District
- B. North County Fire & Medical District
- C. Arizona Fire & Medical Authority

2. PLEDGE OF ALLEGIANCE TO THE FLAG OF THE UNITED STATES

3. CALL TO THE PUBLIC

The Chairman shall announce this portion of the Authority Board meeting as a Call to the Public which is for public input/comment. The Chairman shall ask those wishing to address the Board to raise their hand so they may be recognized. They must state their name and address for the record. Individuals addressing the Board are typically limited to three minutes for their comments. The Governing Board cannot discuss or take legal action on any issues raised during the Public Forum unless they are agendaized due to restrictions of the Open Meeting Laws. However, individual Board members may be permitted to respond to criticism directed to them. Therefore, pursuant to A.R.S. 38-431.01(H), action taken as a result of public comment on non-agendaized topics will be limited to directing staff to study the matter, responding to any criticism, or scheduling the matter for further consideration and decision at a later date. If warranted, issues raised may be placed on the agenda of a future meeting.

4. PRESENTATIONS

- A. Presentation by Stifel, Nicolaus & Company, Incorporated regarding the use of Certificates of Participation to assist in managing Public Safety Personnel Retirement System liabilities.

5. ADJOURNMENT

A copy of the supplemental agenda materials provided to the Board members (with exception of materials relating to executive sessions) is available for public inspection at the Authority Administrative Office at least 24 hours prior to the meeting. Those materials are also available during the board meeting.

The Arizona Fire & Medical Authority Board meeting locations are accessible to the handicapped. In compliance with the Americans with Disabilities Act (ADA), those with special needs, such as large-type face print or other reasonable accommodations may request those through the Arizona Fire & Medical Authority Administrative Offices at (623) 544-5400 at least 24 hours before the meeting.



Joint Governing Boards Meeting AGENDA STAFF REPORT

Date: July 27, 2021
To: Joint Governing Boards
From: David Wilson, Chairman, AFMA Governing Board
Subject: Call to Order/Roll Call of Board Members

Purpose:

The purpose of this item is used to establish that a quorum of the South County Fire & Medical District, the North County Fire & Medical District and the Arizona Fire & Medical Authority Governing Board is present to conduct the meeting.

Background:

Per Arizona Revised Statute (ARS) §38-431, a quorum of the Board must be present to conduct an official meeting.

Fiscal Implications:

Not applicable.

Previous Board/Committee Action:

Not applicable.

Sample Motion:

Not applicable.

Attachments:

None.



Joint Governing Boards Meeting
AGENDA STAFF REPORT

Date: July 27, 2021
To: Joint Governing Boards
From: David Wilson, Chairman, AFMA Governing Board
Subject: Pledge of Allegiance

Purpose:

The purpose of this item is to recite the Pledge of Allegiance to the flag of the United States of America.

Background:

The Governing Board has determined that a Pledge of Allegiance should be done at the outset of every public meeting.

Fiscal Implications:

Not applicable.

Previous Board/Committee Action:

Not applicable.

Sample Motion:

Not applicable.

Attachments:

None.



Joint Governing Boards Meeting AGENDA STAFF REPORT

Date: July 27, 2021
To: Joint Governing Boards
From: David Wilson, Chairman, AFMA Governing Board
Subject: Call to the Public

Purpose:

The purpose of this item is to provide an opportunity for public input/comment.

Background:

The Chairman shall announce this portion of the Joint Workshop meeting as a Call to the Public which is for public input/comment. The Chairman shall ask those wishing to address the Board to type their question into the Q&A box so they may be recognized. Individuals addressing the Board are typically limited to three minutes for their comments. The Governing Boards cannot discuss or take legal action on any issues raised during Call to the Public unless they are agendaized due to restrictions of the Open Meeting Laws. However, individual Board members may be permitted to respond to criticism directed to them. Therefore, pursuant to A.R.S. 38-431.01(H), action taken as a result of public comment on non-agendaized topics will be limited to directing staff to study the matter, responding to any criticism, or scheduling the matter for further consideration and decision at a later date. If warranted, issues raised may be placed on the agenda of a future meeting.

Fiscal Implications:

Not applicable.

Previous Board/Committee Action:

Not applicable.

Sample Motion:

Not applicable.

Attachments:

None.



Joint Governing Boards Meeting AGENDA STAFF REPORT

Date: July 27, 2021

To: Joint Governing Boards

From: Mary Dalton, Assistant Chief, Business Services Division; Lee Miller, Legal and Intergovernmental Affairs Director

Subject: Unfunded Pension Liabilities – Certificates of Participation

Purpose:

The purpose of the Joint meeting is to provide the South County Fire & Medical District (SCFMD), North County Fire & Medical District (NCFMD) and Arizona Fire & Medical Authority (AFMA) Governing Boards with a detailed final review of the Certificates of Participation (COP) proposal to address the Authority's Public Safety Personnel Retirement System (PSPRS) unfunded liability.

The Authority's COP Underwriters (Stifel, Nicolaus & Company) and Bond Counsel (Greenburg Traurig, LLP) will provide the final review of the COP proposal and answer any questions.

Background:

The Arizona Fire District Association put forth Senate Bill 1298 during the 2021 Arizona legislative session: Fire Districts; Pension Liability; Financing. SB1298 passed the Arizona State Senate and House with 2/3rds of Arizona legislators supporting the bill and its' emergency clause, enabling the immediate enactment of the bill when the Governor signed it, on April 16, 2021.

SB1298 authorized fire districts to refinance their existing Public Safety Personnel Retirement System (PSPRS) unfunded liabilities(debt) at a significantly lower interest rate utilizing Certificates of Participation (COPs). COPs allow for a fixed rate debt repayment at an interest rate which is currently significantly lower than the rate at which unfunded liabilities accrue with PSPRS (currently 7.3% annually). Taking into consideration its new ability to refinance pension debt, the Authority and its member agency board members were presented with several options related to how to manage their growing unfunded pension liabilities.

- Continue to pay accelerating payments to PSPRS resulting in additional tax increases in the future, mandatory expense reductions, or potentially a combination of both.
- Amend current PSPRS policy/funding goals and budget additional dollars towards the Unfunded Liability; possibly leading to additional tax increases and/or cuts to essential services.
- Refinance debt to PSPRS accruing at 7.3% with taxable Obligations yielding approximately 2.75% - 3.75%. Address the legacy trajectory by “chopping down the future mountain” with fixed debt service payments; coupled with implementing a contingency Pension Debt Reserve Fund to help manage future pension liabilities.

The Authority and its member agency boards are now being asked to authorize the existing pension liability refinancing using Certificates of Participation to:

- Achieve 100% funding levels (top 2.5% percentile nationally).
- Lower borrowing rate on \$32.4 million unfunded liability from 7.30% to less than 3.75%.
- Generate budgetary stability and potential savings to address other Authority needs and prevent crowding out of other priorities by escalating pension expenses. The Authority’s paying down the unfunded liability will not only enable the Authority to gain from investment earnings, it will also significantly free up monies otherwise encumbered in the General Fund. Leveling out the debt payments will ease the encumbrance upon the General Fund. This will save the Authority, and its taxpayers, approximately \$21 million net present value.

The Authority and its member agency boards were presented a plan to issue COPs in a strategy to pay off the unfunded PSPRS liability at 100%. Through ground lease agreements, Authority properties will be used to leverage an issuance of approximately \$45 million to pay the unfunded liability along with refinancing the Authority’s existing lease-purchase debt. With the Authority’s projected strong bond rating, the resulting low interest rate on this issuance will enable the realization of sizable investment earnings.

Proceeds from the sale of the COPs would be used to:

- Eliminate the PSPRS Unfunded Actuarial Accrued Liability (UAAL) during fiscal year 2022, and;
- Establish a Pension Liability Reserve Fund (PLRF). The PLRF is designed to keep the Authority Tier 1 and Tier 2 PSPRS plans at or near a 100% asset to liability ratio. In the event that those plans experience unfavorable market returns or other adverse factors that cause its liabilities to exceed its assets, the PLRF would be used to keep the plans fully funded. Other uses of the PLRF could be to retire the COP bonds early or to cover normal pension costs of the Authority. The life span of the PLRF would be limited to the amortization period of the COP Bonds or longer if the Authority Board so chooses.

Fiscal Implications:

The proposed COP transaction is expected to reduce the Authority's unfunded pension obligation from more than \$32,000,000 to zero. The projected net result of the transaction is to reduce the Authority's PSPRS costs by approximately \$20,000,000 while also funding the PLRF in the initial amount of \$4,815,206, which may be used to offset future pension-related costs.

Previous Board/Committee Action:

Assistant Chief Dalton presented this item at the Budget & Finance Committee and Authority meetings in April and at the May 2021 Joint Budget Workshop for South County Fire & Medical District, North County Fire & Medical District, and Arizona Fire & Medical Authority Governing Board Meetings. Chief Dalton also presented this at the Budget & Finance Committee meeting on June 15, 2021, and July 20, 2021, and at all three Governing Board meetings on June 22, 2021. Information and discussion related to this item was also included in several Fiscal Year 2021-22 Annual Budget and Operational Planning meetings and in the final budget document.

Sample Motion:

Not applicable.

Attachments:

Please refer to the extensive COP related documents included in the SCFMD, NCFMD, and AFMA July 27, 2021, Board meeting packets.