

Pine-Strawberry Fire District

PINE-STRAWBERRY FIRE BOARD SPECIAL WORK STUDY MEETING MINUTES February 14, 2022

The meeting was called to order at 2:00 pm.

- 1) **Pledge of Allegiance**
- 2) **Roll Call** – Present were Board Clerk Bob Papke, Board Member Bruce Dow, Board Chairman Chuck Ackerman, Board Member Dave Burkhart, and Board Member Mel Palmer.
- 3) **Call to the Public** –None
- 4) **Presentations** - *(The Board will hear presentations on Arizona Public Safety Personnel Retirement System (PSPRS) unfunded pension liabilities, financial services, tools, and instruments to restructure such debt. The Board will also hear presentations on General Obligation Bonds as they relate to the fire district and potential capital projects. WORK STUDY PRESENTATIONS ONLY, NO ACTIONABLE ITEMS.)*

- a) **Zoom Presentation by PSPRS. Items covered were included in power point slides.**

Presentation by PSPRS on current and past pension funding issues.

Through the 1980s and 90s PSPRS was well funded. General economic conditions resulted in economic downturn in 2000s. By State Constitution, increases in State Pensions were given Permanent Benefit Increases and could not later be reduced. This caused a shortfall between Contributions and Earnings and Benefits and Expenses ($C+E=B+E$) causing a large obligation to present and future retirees - Unfunded Liability (UAL) which could not be corrected without a change in the system. Employers and Employees contributed into individual funds for each employer. Pension reform and change in PSPRS leadership has stopped the growth of UAL with a Tier System (Pension Reform) however PSFD has only funded 54% of our UAL. District is paying that down on a 30 year amortization schedule. This schedule results in escalating payments to meet the \$5.1 million obligation up from \$300K to more than \$600k annually by 2047. Total payments under this plan would be \$11.6M on the \$5.1M obligation.

Refinancing this obligation to level out payments and perhaps save money in the long run is now possible.

- b) **Presentation by RBC Capital Markets.**

Presentation by RBC Capital Markets: Tom Carlson, Tye Burgess, Kathryn Pong. Followed PowerPoint slide and printed presentation outline, with the District has and is included by reference. Certificates of Participation (COP) to refinance UAL, General Obligation Bonds (GOB) for future capital improvement.

RBCCM has managed COPs for Tempe, Glendale Fort Mohave Fire Districts.

COPs would be sold by RBCCM to raise funds to cover the UAL. Requires collateral lease purchase agreement of District assets (Risk). Level payments at approximately \$380K through 2043 at an estimated 3.77% (dependent, in part by a credit rating which has not been determined, but is estimated to be in the "A" range, saving approximately \$4.4M over the term.) Risk of losing collateral property, inability to borrow in the future based on encumbered property.

Our stations and one ambulance would actually be turned over to a trustee who would lease them back to us for semiannual payments equal to debt service and then turn those payments over to COP holders.

All of the above assumes that PSPRS earns at its project 7.3% level. As long as it does we realize savings in the amount of the difference between our percentage rate and 7.3%.

Key points

Credit Rating not yet determined

Interest rate to be paid in debt service to be determined, estimated at 3.7%

Annual Payments in the \$380K range through 2043

Overall savings estimated at \$4,463,218

Collateral would require Stations 41, 42, and Admin with land and one ambulance in lease hold obligation for lease purchase use by the district. No collateral left on which to borrow in the future.

Would not see savings if PSPRS does not achieve assumed 7.3% earnings.

GOB

Require credit rating, voter approval. Specific time lines in order to meet election time line.

Can be used for Capital improvement/purchases.

Secured by voter approved tax income.

c) Presentation by Stifel, Nicolaus & Company Inc.

Presentation by Mark Reader, in person and Claude Lockhart Jr, zoom.

Presentation followed power point slide and printed outline, which the District has and which is included here by reference. Both COP and GOB covered.

COP: same mechanics as RBCCM. 15 Fire Districts.

Key Points:

Credit rating not yet established.

Projected interest rate 4.06% if Credit rating is in the "A" range payments of approximately \$325K through 2048

Projected savings of \$3,215,842 (paying 5 years longer)

Collateral not addressed until asked

Collateral projected to include Stations 41, 42, Admin, but no apparatus.

GOB

Same mechanics and time line as RBCCM

- 5) **Adjournment** – Bruce Dow made a motion to adjourn. Chuck Ackerman seconded the motion and it passed unanimously at 5:15pm.