Approved by the Board on 6/21/17

Sedona Fire District

2860 Southwest Drive, Sedona, Arizona 86336
Telephone (928) 282-6800 FAX (928) 282-6857

SPECIAL BOARD MEETING
Station #1 – 2860 Southwest Drive – Sedona – Multipurpose Room
WEDNESDAY, May 31, 2017 / 4:00 PM

~ MINUTES~

I. CALL TO ORDER/ROLL CALL

A. **Salute to the Flag of the United States of America and Moment of Silence to Honor all American Men and Women in Service to Our Country, Firefighters, and Police Officers.**

Mr. Montgomery called the meeting to order at 4:05 PM and led the Pledge of Allegiance and moment of silence.

Board Present: Ty Montgomery – Chairman; Corrie Cooperman – Clerk; Tim Ernster, Abe Koniarsky, Dave Soto (Via Telephone) – Members

Others Present: Fire Chief Kris Kazian; Assistant Chief Jeff Piechura; Finance Consultant Melissa Tomlinson with James Vincent Group (Via Telephone); Tricia Greer, Recorder to Board; 1 Citizen

II. BUSINESS MEETING

A. Public Forum:

1. Public Comments.

2. Executive Staff Response to Public Comments.

No one requested to speak.

B. Discussion/Possible Action: Additional Items to SFD Fiscal Year 2017/2018 Budget and Possible Impact of Resolution #2017-04.

C. Discussion/Possible Action: Approval of Resolution #2017-04 to Increase Amortization Period for PSPRS Liability up to 30-Years.

Chief Kazian said at the last Board meeting, the proposed Fiscal Year (FY) 2018 budget was approved to be published, and by State statute, the budget may be lowered after that point, but not increased. After last month's meeting, SFD received notice from the Public Safety Personnel Retirement System (PSPRS) that an emergency action taken by Governor Doug Ducey allowed a short window of time for agencies to consider re-amortizing PSPRS unfunded liability for the upcoming Fiscal Year to 30 years; previously, it was a 30-year payback schedule, which was moved to 20 years increasing our costs. This emergency clause gives the Board the opportunity to decide if it is the right time to consider this option.

Chief Kazian added Melissa Tomlinson of the James Vincent Group to the meeting via telephone in place of Finance Director Gabe Buldra, who was unable to attend, to talk about financial impacts of these matters. There are many unknowns in the PSPRS system and if we choose to go back to a 30 year schedule, we will remain there as it is a lifetime choice; staff is concerned with the amount of unknowns which have not yet been revealed by PSPRS or the State. Mrs. Cooperman asked if the Board would have to make a decision now about 20 over 30 years; Chief Kazian replied, yes, if we want it to be in effect for FY 2018, but we can defer now and make a decision in FY 2018 for FY 2019, once we have more facts. Mr. Montgomery wanted clarification that the impact to next year's budget would be about $270,000; Chief Kazian said it is about $290,000 and asked Ms. Tomlinson to clarify; she wanted to go through the timeline outlined in the memo from PSPRS and address the savings "pros and cons" listed. She said if SFD wants the opportunity to make the change effective for FY 2017/18, the Board would have to make that election before June 28th, which is the reason for this special meeting. The emergency action by the Governor was meant to be a relief for districts having trouble with payments in the next fiscal year. A "pro" is it would lengthen amortization, so the unfunded liability would be paid off over a longer period of time making our employer contribution less – a cash flow savings of $287,000 in the next budget year and our contribution rate would be reduced from 34.85% to 30.37% with each of those rates also having a 4% defined contribution benefit added. Some of the "cons" listed are the lengthening of amortization not only lengthens the time to pay back the liability, but also lengthens the time to pay interest, which would be mean long-term costs could be more expensive. We are not yet sure of the long-term impacts, but PSPRS is promising the actuarial reports completed Year End June 30, 2017 will have more information to help us make a decision in the long term; if the district chooses not to opt in for next fiscal year, we will have the option again for the FY 2019 budget period after more detailed information becomes available.

Mrs. Cooperman asked if the option to make this decision for the following fiscal year is in writing. Ms. Tomlinson stated a letter was sent from the PSPRS Board of Trustees with the explanation and they advise districts to weigh the options when they have more available information later; however, if the districts need the relief now, they may take advantage of the option for this coming fiscal year; some other districts have decided to wait for more information.

Chief Kazian read aloud the last paragraph in the memo SFD received from Jared Smout, Administrator of the PSPRS regarding Employers' ability to increase their individual amortization period, as follows: *"If an employer is in need of this relief and can afford to wait, it is recommended they do so in order to take a more measured approach to this decision. For the June 30, 2017 valuations to be released in the fall, we will be able to provide more data to help employers make a more informed decision while they discuss and digest the information over a longer period of time."* Mrs. Cooperman stated she is glad to have it spelled out. Chief Kazian said the PSPRS Board of Trustees would have to know a week before their June 28th meeting and a resolution is required to be signed by the Board if that was the decision, which is why our next regular meeting on June 21st would have been too late. Chief Kazian also said increasing amortization would impact our budget by lowering the mil rate by about 5 to 6 cents to $2.4921.

Mr. Ernster pointed out the Chief's Board Agenda Communication recommendation on this item was to approve the change. Chief Kazian commented that, initially, his recommendation was to approve the change, but this being a fluid situation, and after consideration with Finance Director Gabe Buldra based on additional information, their recommendation is now to wait until we see the long-term impacts on the actuarial; as much as he would like a reduction in the mil rate and the opportunities it would create, he believes waiting until we know all the facts and the actuarial of June 30th is finished will provide a clearer picture; the actuarial will not be released until December.

Mrs. Cooperman said at 30 years, we would potentially be paying more in interest to elongate the payment plan; Chief Kazian responded if we were only dealing with the issue of changing the amortization schedule from 20 to 30 years, we would be in a different position to benefit from this; however, SFD, along with every other fire agency in PSPRS in the state, still does not have definitive information on how agencies will pay back the money that was over-collected from the Hall/Parker court decision; the thought at this point is agencies will not make PSPRS contributions for the period of time in which it takes to make up that total payment to employees. Ms. Tomlinson added that is her understanding as well and hopes to see in June how the assumptions would change from 20 to 30 years and the long term costs.

Mr. Montgomery said he has an issue with "kicking the can down the road" which ties into the intergenerational equity concept of a bond; by moving to 30 years, we would be paying in the future for something we have to pay for now, and if we defer and the bond does not pass, it may become necessary to lengthen the amortization schedule, but that does not have to be decided for this fiscal year; he said shouldering 10 additional years of pension burden onto the district 20 years from now would be a big decision. Chief Kazian said his understanding of the impact if PSPRS decides agencies would not make contribution payments and in SFD's case would be about 6 months of payment and if we chose 30 years, it would take about 8 months to catch up; he speculated on how the PSPRS fund would work with no contributions put into the system for 6 months, creating a problem being able to calculate "down the road" impact.

Chief Kazian explained this does not just affect SFD, but all Arizona public safety entities; the funding percentage levels of agencies throughout the state vary widely – some are funded at 380% and others at 20% or 30% funded; this entire problem is relative to the court decisions made found to be unconstitutional, and decisions made by PSPRS to change without input – which created that large impact to our budgets; the Governor was trying to provide relief for those agencies that need it right now or be faced with cutting services; however, SFD is not in that situation and can make the choice to "wait and see". Ms. Tomlinson said Chief Kazian has summarized it well; the long-term impacts are unclear and more information could be useful for making the decision.

Chief Kazian said he concurs with Mr. Montgomery, but will leave the decision to the rest of the Board, which could come to consensus to stay the same, or if not, make a motion to approve the resolution from 20 to 30 years and lower payments with some unknowns. Mrs. Cooperman agreed with the Board Chairman and said it is a good policy to not strain the future of the district; she added if we were not able to re-visit this issue next year, she would be inclined to go with 30 years just because we do not know the outcome of the bond, but since we have the option, she agrees to wait until next year. Mr. Koniarsky stated his agreement to wait. Mr. Ernster referenced the BAC from Chief Kazian under "Cons" bullet #4 that concerned him in "*lengthening the amortization period may destabilize pension to the degree it undermines the amount of assets available to fund for future benefits*" he is thinking in 7 or 8 months additional information may provide more clarity. Mr. Soto said he tends to agree with the rest to wait to receive additional information. Ms. Tomlinson said the district has been hit with a "double whammy", but with corrections proposed would expect more moderate contribution increases to PSPRS. Mr. Montgomery stated the Board consensus is to remain on the 20 year amortization schedule.

Chief Kazian said the other agenda item was if the Board had selected to elongate the amortization period and "freed up" some ability in the budget for additional items, but that did not occur. Mr. Ernster asked if the items proposed to purchase were considered during the budget process; Assistant Chief Jeff Piechura responded, yes, and they were prioritized relative to "need to have", and these items are "need to have".

III. ADJOURNMENT

The meeting was adjourned at 4:24 PM.

Original signed by Corrie Cooperman

Corrie Cooperman, Clerk of the Board

:tg