



HIGHLANDS FIRE DISTRICT

FIRE BOARD OF DIRECTORS SPECIAL MEETING MINUTES • 04/07/20

The special meeting of the Fire Board of Directors was held on Thursday, April 7, 2020 at 11:00 AM in the Administration Board Room at 3350 Old Munds Highway, Flagstaff, Arizona. The meeting was accessible to Board members and public by video conferencing.

1. CALL TO ORDER. The meeting was called to order at 11:01 AM.

2. ROLL CALL. Board members in attendance were Chairperson Kloeber*, Director Hirsch, Director Bippus*, and Director Favazzo. There is one vacancy on the Board.

Administrative personnel in attendance were Chief Foreman, Deputy Chief Greenwalt, Ms. Jones*, and Mrs. Wilson.

Visitors in attendance were John Ashton*, Roshell Lee*, Tracy Foss*, Shelby Erickson*, Josh Pond*

* Attended remotely

3. DISCUSSION REGARDING THE ARIZONA FIRE DISTRICT WORKERS' COMPENSATION POOL (AFDWCP).

Chief Foreman introduced John Ashton, Principal, CEO of Ashton Tiffany LLC, and he informed the Board that the meeting was call to provide the opportunity for the Board to discuss and ask questions about the potential for joining the AFDWCP. Mr. Ashton provided information about Ashton Tiffany LLC and extensive experience they have organizing and managing workers' compensation and health pools.

In 2017 they attempt to organize a workers' compensation pool for fire districts; however, 7710 reduced rates, and they lost their critical mass of participants needed to form. This session there is new non-rebuttable presumptive cancer legislation; Copperpoint dropped fire districts, and 7710 planned to increase premiums 271%. The concept of a fire district pool was re-energized, and they began to lobby the state for funding. Then 7710 reduced rates to 128%, and told the legislators they would not increase rates at all if SB 1160 doesn't pass. When COVID-19 hit, the legislature suspended its session, and fire chiefs organized their efforts to establish the pool again. About fifty districts submitted interest applications; it appears that the pool is moving forward. The pool will "shadow price" current premiums, and to capitalize the pool, they are asking for 60% of the premium to be paid upfront or over a 4 year period. The capitalization funds will go into each member's equity account, which may be used pay losses of the pool.

Chairperson Kloeber asked about the pool's board; Mr. Ashton explained that there is current a three members board needed to incorporate. Later a seven member board will be elected by its members.

Chairperson Kloeber asked what they have determined to be the critical mass needed; Mr. Ashton explained that in 2017 actuarial studies determined 3 million to reach critical mass, and with many firm commitments, they are well above 3 million.

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Mr. Ashton explained the benefits of join the pool: 1) districts will own it, and any profits remain in the pool; 2) the pool may “lean into coverage” to protect members as opposed to shareholders; 3) a pool is less expensive to administer (about 15% as opposed to 35%); 4) profit and investment income stays in the pool; 5) ability to tailor coverages and safety and loss programs; and 6) it has been phenomenally successful for many Arizona public entities.

Chairperson Kloeber asked if municipal fire departments could be included in the pool; Mr. Ashton explained that many cities and towns are going to include fire department in their pools. Separating fire departments would be difficult because they are not considered public entities.

Mr. Ashton informed the board that the pool will abandon the traditional emod and expense factors, which are not required by statute for pools. Over time, districts with more loss experience will pay a higher premium than those with good loss experience. The intention is to have more stable premiums year over year. Premiums will be determined by March 1 every year.

Mr. Ashton also explained the risks: 1) lack of fund to pay losses, which would require an assessment up to one year’s premium; and 2) 90 day notice required to leave the pool and an initial three year commitment.

Chief Foreman asked about potential for lapse of coverage; Mr. Ashton assured him that there would be no lapse of coverage.

Director Favazzo asked if the funds are invested; Mr. Ashton explained that most funds will be invested according to Title 35 for investing public funds and there is a potential to invest some outside of Title 35. The Board will hire an investment manager and will make decisions about investments.

Chief Foreman asked Mr. Ashton to touch on how the medical insurance cancer liability may be reduced by the workers’ compensation insurance; Mr. Ashton explained the premiums for medical insurance through Kairos may be adjusted if cancer claims are paid by workers’ compensation.

Chairperson Kloeber said that this meeting has been incredible helpful. Mr. Ashton explained the timing perspective needed; a Chief’s commitment by May 1, and board resolution by June 1. Mr. Ashton excused himself and his staff from the meeting at 11:48 AM.

After discussion, the Board agreed to consider making a commitment decision at the April 21 regular meeting.

4. **ADJOURNMENT.** A MOTION was made by Director Hirsch and was seconded by Clerk Favazzo to adjourn; the motion was unanimously APPROVED. The meeting adjourned at 11:51 PM.

Respectfully submitted,

Jayne Jones
Administrative Specialist