

# **AGENDA - FUSD Self-Insurance Trust Board (FSIT)**

**FLAGSTAFF UNIFIED SCHOOL DISTRICT NUMBER ONE**  
**District Administrative Center – 3285 E. Sparrow Avenue – Flagstaff, Arizona**  
**Meeting of the Trustee Board – 7:30 am**

**June 4, 2014**

Pursuant to A.R.S. §38-431.02, notice is hereby given to the members of the Trustee Board and to the general public that the Board of the FSIT will hold a Board Meeting, which will be open to the public. Pursuant to A.R.S. §38-431.03(A)(3), the Trustee Board may consider any item on this agenda in any order and at any time during the meeting. Pursuant to A.R.S. § 38-431.4, members of the Trustee Board may participate via speakerphone or other technological devices.

## **PRELIMINARY**

1. Call to Order
2. Pledge of Allegiance
3. Roll Call:

### Board Members

Ms. Christine Fredericks, Member  
Mr. Chris Bavasi, Member  
Mr. Frank Garcia, Member  
Ms. Julie Smith, Member  
Mr. Ben Stanton, Member

### Administration

Dr. Ken Garland, Director of Finance  
Mr. Robert Kuhn, Assistant Superintendent  
Ms. Ginger Wischmann, Director of Accounting  
Ms. Jennifer Moore, Benefits Specialist

4. Reorder Agenda - At the Trustee Board's discretion, the agenda may be reordered to accommodate guests who are present to address specific agenda items.
5. Agenda - Adoption of the agenda with addenda items, as submitted, is recommended.

**If any disabled person needs any type of accommodation,  
please notify the Business Office at 527-6062  
as soon as possible before the scheduled meeting time.**

*Members of the Board may not discuss items that are not specifically identified on the agenda.  
Additional information about agenda items can be found on the FUSD website at [www.fusd1.org](http://www.fusd1.org)  
or by contacting the Director of Finance at 928-527-6062.*

**CALL TO THE PUBLIC** - Any person wishing to address the Board on a non-agenda item will be granted time to make a presentation at the discretion of the presiding chairperson. Action taken as a result of public input will be limited to directing staff to review the matter for consideration or decision at a later time. Individual remarks may be limited to three minutes.

### **PRESENTATIONS**

1. Administrative Reports
  - a. Current Events

### **ADMINISTRATION: DISCUSSION/ACTION ITEMS**

1. Explanation and Acceptance of Trust Agreement and Designation of Trustee Board President
2. Review of Report on the Condition of Health Benefits Account being Transferred to FSIT Accounts and Approval of Investment Policy
3. Appointment of Executive Officer for the Trustee Board and Approval of Transaction Signers
4. Approval of Recommendation for Banking and Investment Services
5. Meeting Dates – The Board will discuss future meeting dates and times.

### **INFORMATION ITEMS**

1. Trustee Board Members' Reports
  - a. Current Events
2. Future Agenda Items – The Trustee Board may identify items they would like placed on a future agenda.

### **ADJOURNMENT OF PUBLIC MEETING**

**BOARD SUMMARY**  
**FUSD Self-Insurance Trust (FSIT)**

**MEETING DATE:** June 4, 2014

Explanation and Acceptance of Trust Agreement and Designation of Trustee Board President

**EXECUTIVE SUMMARY:**

Because of changes in AZ Revised Statutes and the guidance provided by the District's Independent Auditors for the FY 2013 audit, it became necessary to establish a Trust to handle funds related to payments for health/medical insurances. The balances for these payments can no longer be under the same jurisdiction as regular District M&O and Capital Fund balances. It has an effect on property tax levies for District Operations and also significant impact on Bond ratings for the District.

Attached is an electronic copy of the agreement, which will also be distributed as a hard copy at the meeting. Also attached is the FUSD Governing Board Agenda appointing members to the Trustee Board. It is suggested that the Governing Board member be the President of the Trustee Board.

District officials will respond to Board of Trustee questions/concerns.

**RECOMMENDED ACTION:**

It is recommended that the FUSD Board of Trustees accept the Trust Agreement and that \_\_\_\_\_ be designated as President of the Trustee Board from June 4, 2014 - December 31, 2014.

K. Garland

FUSD SELF-INSURANCE TRUST AGREEMENT  
FOR  
FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1  
OF  
COCONINO COUNTY, ARIZONA

THIS TRUST AGREEMENT is by and between the Governing Board of the Flagstaff Unified School District No. 1 of Coconino County, Arizona, and the individuals executing this Agreement as Trustees, and shall be effective as of May 15, 2014.

WHEREAS, the District may, pursuant to A.R.S. § 15-382 and § 15-387 provide self-insured and/or insurance programs;

WHEREAS, the District deems it to be in the best interest of its employees to establish self-insured and/or insurance programs pursuant to A.R.S. § 15-382 and § 15-387 of the Arizona Revised Statutes and other applicable law;

WHEREAS, the District and/or employees will contribute monies to the Trustees, which will constitute a trust fund to be held for the benefit of the employees in accordance with this Trust Agreement;

WHEREAS, the District desires the Trustees to accept, hold, preserve, protect, invest, and make payments from the Trust Fund, and the Trustees are willing to accept, hold, preserve, protect, invest and make payments from such Trust Fund pursuant to the terms of this Trust Agreement; and

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the District and the Trustees hereby agree as follows:

1. **Establishment.**

1.1 **Definitions.** The following capitalized terms shall have the meanings stated below for all purposes of this Trust Agreement unless the context clearly requires otherwise:

- a. "Board" means the Governing Board of the Flagstaff Unified School District No. 1 of Coconino County, Arizona.
- b. "District" means the District Unified School District No. 1 of Coconino County, Arizona, and its Governing Board.
- c. "Employees" means all employees of the District.
- d. "External Auditor" means the independent certified public accountant then retained by the District.

- e. "State" means the State of Arizona.
- f. "Trust Agreement" means this Agreement for Flagstaff Unified School District No. 1 of Coconino County, Arizona.
- g. "Trust Fund" means the trust fund created by this instrument, and shall mean the monies, property, contracts, or things of value received and held by the Trustees for the uses and purposes set forth herein, and things of value which comprise the corpus and additions to the trust.
- h. "Trustee" means each individual appointed by the Board as provided herein and holding office, and "Trustees" means the individuals appointed and then in office, collectively.

1.2 **Purpose.** The purpose of this Trust is to provide for the establishment of a self-insured program and/or insurance programs by the District to cover Employee medical, dental, disability and/or life insurance programs, and uninsured losses, claims, defense costs and other related expenses (including without limitation, property and liability losses and worker's compensation) as the District may elect to self-insure from time to time, and to authorize the management, funding and administration of the Trust for the purpose herein, including without limitation the payment of insurance premiums. The Trustees accept the Trust and declare they will receive and hold the Trust Fund by virtue of this Trust Agreement and for the uses and purposes and with the powers and duties set forth herein and none other.

1.3 **Trust Fund.** The District hereby establishes the Flagstaff Unified School District No. 1, Coconino County, Arizona Self-Insurance Trust. All appropriations from the District, and all other funds, earnings and assets of the Trust, shall be placed in the Trust Fund in a separately maintained bank account designated as a trust account, immediately upon receipt, shall be held in trust and used solely for the purposes permitted herein, shall not be co-mingled with other funds of the District nor used to secure any obligations of the District other than is expressly provided herein, and shall not lapse at the close of the fiscal year, except that any cash balance remaining after termination of the self-insurance program and settlement of all outstanding claims shall be used for reduction of District taxes for the budget year. Any monies recovered by the District pursuant to litigation, recovery, salvage value of damaged property, proportionate share monies from any other existing District funds or otherwise, or for damages related to either a liability or property loss for which monies from the Trust have been paid, shall be returned to the Trust Fund.

1.4 **Reservation of Authority.** Nothing herein shall modify or restrict the legal obligations of the District to administer and operate appropriate risk

management and insurance programs for the District. The District shall retain the sole and absolute right and authority to direct and authorize the establishment, management and administration of an overall insurance program for the District, and shall determine from time to time whether it is in the best interests of the District to procure insurance from any insurer authorized to do business in the State, to establish self-insured programs, to combine self-insured programs and procurement of insurance from third parties, or any combination of the foregoing for various types and dollar amounts of risks, including without limitation deductibles, reinsurance, and joint or participation insurance. Specifically, without limitation, the District may from time to time, for any period, elect to purchase insurance for any or all of the risks otherwise covered by this Trust, and Trust funds may be used to purchase such insurance. The District shall provide stop-loss coverage and determine the amounts thereof, provided that the excess liability coverage for liability losses may include an annual aggregate limit of no more than three million dollars, and the maximum retention per occurrence shall be one-half of one percent of the District's maintenance and operations budget.

## 2. **TRUST MANAGEMENT**

- 2.1 **Appropriations.** The District shall appropriate all funds in amounts it determines to be necessary to pay the benefits, losses, claims, and expenses described in Section 1.2, subject to District budgetary requirements, including that the funds shall be budgeted within the maintenance and operation section and the budget limitation on increases as prescribed in A.R.S. § 15-905. Should monies in the Trust Fund be deemed inadequate at any time to meet current expenditures, a special appropriation may be requested by the Trustees from the District for the remainder of the year or any part thereof.
- 2.2 **Management and Disbursement of Funds.** Subject to limitations prescribed in the Arizona Revised Statutes and this Agreement, the Trustees agree to manage and disburse Trust assets as follows:
- a. To invest and reinvest Trust monies as provided by law and consistent with prudent investment practices and the need for funds in the amounts and at the times reasonably anticipated for the purposes of this Trust;
  - b. To establish adequate and appropriate reserves for any and all claims against the District covered by this Trust;
  - c. To pay upon such terms and conditions as deemed appropriate and proper, the legal claims, settlements or judgments (including interest thereon required by law) against the District covered by the self-

insured retention program and this Trust;

- d. To reject, in whole or in part, settle or compromise any claims made by an Employee or third party against the District;
- e. To pay all reasonable costs and expenses of claims administration;
- f. To pay all reasonable legal fees, expenses and costs incurred in connection with the administration of the Trust and the defense of any claims that may arise thereunder or related thereto against the District and the Employees;
- g. To pay all reasonable costs of investigations of claims;
- h. To procure all necessary and appropriate bonds required of the Trustees and otherwise, whether fidelity, surety, performance, legal or other;
- i. To pay all reasonable actuary expenses and costs incurred in connection with the administration of this Trust;
- j. To pay all reasonable consultant expenses and costs incurred in connection with the administration of this Trust;
- k. To pay all reasonable audit expenses and costs incurred in connection with the administration of this Trust;
- l. To pay all other reasonable expenses and costs of approved agents and advisors retained by the Trustees;
- m. To pay the expenses of organization and establishment of this Trust, including without limitation all legal and other expenses in connection with its formation, establishment and initial funding; and
- n. To pay such other reasonable and appropriate Trust expenses as may be necessary in connection with the administration and management of this Trust, including without limitation insurance premiums, risk management consultation and the costs of preventative programs designed to reduce claims.

## **2.3 Limitations on Expenditures.**

- a. **Illegal Acts.** No expenditures shall be made from the Trust Fund except for authorized purposes as permitted under applicable law and this Agreement. Expenditures from the Trust Fund shall not, under any circumstances, be made for uninsured losses that arise out of, and are

directly attributable to an act or omission determined by any court to be a criminal act committed by an Employee.

b. **Claims Not Covered.** Claims which are not covered by the self-insured program established hereunder shall not be paid from this Trust. All questions relating to the nature, scope and amount of losses and risks covered by this Trust shall be determined by the Trustees.

### 3. **TRUSTEES**

3.1 **Powers.** In addition to the rights and powers described elsewhere in the Agreement, the Trustees shall also have the following powers:

- a. **Trust Fund Management.** Subject only to the express limitations set forth elsewhere in this Agreement, the Trustees are authorized to enter into contracts, procure insurance policies, manage the Trust, and provide for stop-loss insurance. The Trustees are authorized to pay any insurance company the required insurance premiums in connection with such group insurance.
- b. **Advisors.** The Trustees shall administer the Trust. The Trustees, subject to the approval of the Board, may engage, contract or employ agents, representative, employees, and independent contractors, including attorneys, actuaries, appraisers, claims managers, experts and investigators, to provide assistance to them in administering and operating the Trust. All agents, representatives, employees, advisors and independent contractors must be free of any conflicts of interest in the performance of their services.
- c. **Other Powers** The Trustees shall have all of the powers necessary, convenient or appropriate, unless restricted hereunder or by law, to effectuate the purposes of this Trust, and may take any action which they deem reasonably necessary or desirable to fulfill the terms, conditions and intent of this Agreement. The Trustees agree to discharge their responsibilities with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, all in accordance with the provisions of this Trust Agreement and law.

### 3.2 **Trustees.**

- a. **Number.** The District shall determine the number of Trustees, which shall be not less than five, and shall appoint all Trustees in accordance with applicable law. The individuals executing this Agreement as

Trustees are the original Trustees appointed by the District's Board. At all times, at least one Trustee, but no more than one, shall be a full-time employee of the District, and at least one Trustee, but no more than one, shall be a member of the District's Board.

- b. **Qualification.** Trustees shall be at least eighteen (18) years of age, and bonded in an amount determined appropriate by the District. No person shall qualify as a Trustee until s/he shall have signed this Agreement.
- c. **Compensation.** Trustees shall not be entitled to receive compensation for their services except, to the extent permitted by law, reimbursement for reasonable out-of-pocket costs and expenditures made in the performance of their duties upon written approval by the District.

### 3.3 **Term and Removal.**

- a. **Term.** The term of office for the District employee and the District's Board member serving as Trustees shall continue at the pleasure of the District's Board. The term of office for the other Trustees shall be for three years. Initial appointments for the remaining Trustees shall be for one-, two- and three-year terms, as determined by the Board, so that the terms of approximately one-third of the independent Trustees shall expire each year. Trustees may be reappointed at the sole discretion of the Board. The years of service by Trustees shall be measured by the calendar year with each term year beginning on January 1. If a Trustee is appointed after January 1 (including but not limited to the initial slate of Trustees), the initial year of such Trustee's term will still end on December 31 of that same calendar year.
- b. **Removal.** The District Board member or District employee Trustees serve at the pleasure of the District's Board and may be removed by the Board at any time, with or without cause, upon written notice thereof delivered to that Trustee and all other Trustees. The remaining independent Trustees may be removed by the District Board before the expiration of that Trustee's term for cause, upon written notice thereof delivered to that Trustee and all other Trustees.

- 3.4 **Chairman.** The Trustee who is also a member the District's Board, or such other Trustee as the Board member shall from time to time designate, shall act as Chairman of the Trustees. The Chairman shall establish the date, time and place of the meetings of the Trustees, and shall provide each Trustee and the public, at least twenty-four (24) hours prior to the meeting, an agenda of the matters to be covered

during the meeting; and shall preside at all meetings of the Trustees.

- 3.5        **Resignation.** A Trustee may resign at any time by giving 30 days' notice in writing to the Board. The District may waive the 30 days' notice at its sole discretion. The resignation shall be effective upon the earlier of the date stated in the notice of resignation or the appointment of a successor.
- 3.6        **Vacancies.** The resignation, court-declared incompetency, death or removal of any or all of the Trustees shall not terminate this Trust or affect its continuity. During a vacancy, the remaining Trustee or Trustees may exercise the power of the Trustees hereunder. Vacancies among the Trustees shall be filled by appointment by the District's Board and reflected in the minutes of the Board meeting. The determination of a vacancy among the Trustees shall be made by a majority of the remaining Trustees, and shall be stated, together with the basis for the determination, in a written document delivered to the District's Board. If, at any time, for any reason, there shall be no remaining Trustees, the Board shall forthwith appoint the requisite number of successor Trustees.
- 3.7        **Successor Trustees.** Any successor Trustee shall have the same powers, duties and exemptions as though originally named as a Trustee in this Agreement.
- 3.8        **Meetings.** The Trustees shall meet at least semi-annually and are authorized to meet as frequently as they shall determine necessary and appropriate. The Chairman or any two Trustees may call a meeting at any time upon no less than twenty-four (24) written notice to all other Trustees and the public. Notice and conduct of meeting must comply with the Open Meeting Law (A.R.S. § 38-431, *et seq.*) All meetings shall take place in the District.
- 3.9        **Conduct of Business.** The Trustees may act only during a legally convened meeting of the Trustees. In case of an emergency, as determined by the Chairman or a majority of the Trustees, the Trustees may act with the notice appropriate under the circumstances, subject to subsequent compliance with the notice requirements of A.R.S. § 38-431.02.D. and ratification and confirmation of their action at the next meeting of the Trustees. The present of both (a) a majority of all Trustees appointed and serving and (b) one Trustee who is either a District employee or a member of the Governing Board, who will be counted as part of the majority required in (a), shall constitute a quorum for purposes of conducting business. Any action by a majority of the Trustees in office during any meeting at which a quorum is present shall be conclusive and binding

as an action of the Trustees. All agreements, deeds, checks documents, instruments, reports and any and all other instruments approved at a lawfully convened meeting and executed by the Chairman and witnessed by another Trustee present at the meeting, shall be effective and binding on all of the Trustees.

- 3.10      **Limitation of Duties.** The duties and responsibilities of the Trustees shall be only those which are expressly imposed upon them by the provisions of this Agreement. The Trustees shall have no duty to enforce the payment of any appropriation to the Trust. The funding of all benefits shall be the sole responsibility of the District and/or its eligible employees. The fiduciary operation of the Trust shall be the sole responsibility of the Trustees.
- 3.11      **Reliance upon Documents.** The Trustees may act upon any written notice, resolution, request, consent, order, certificate, report, opinion or document reasonably believed by them to be genuine and to have been signed and presented by the proper party or parties.
- 3.12      **Limitation of Liability.** Except as provided below or as otherwise required by law, resort shall be had solely to the property of the Trust, and not against the Trustees, jointly or individually, for any debt, claim, demand, judgment, decree or obligation. The act of any Trustee in the administration of this Trust, or in connection with its business or property, shall be deemed done, omitted, exercised or incurred by the Trustees, as Trustees, and not as individuals. No Trustee shall be liable individually for any act or omission of any Trustee, including himself, or agent or representative of the Trustees, constituting negligence, error in judgment or mistake. Nothing in this Agreement shall protect a Trustee against liability for his/her own willful breach of the provisions of this Trust Agreement, gross negligence, bad faith or intentional misconduct in the performance of his/her duties.
- 3.13      **Indemnification.** The District agrees, to the extent permitted by law, to defend and indemnify and hold the Trustees harmless from and against any liability, including but not limited to legal fees, judgments, penalties and amounts paid in settlement or compromise, that the Trustees may incur while acting in good faith and in the proper conduct and scope of their office in the administration of the Trust Fund. Notwithstanding any other provision of this Trust Agreement to the contrary, any agreement by the District to indemnify the Trustees shall be limited to, and be payable only from the District's liability insurance coverage.

#### 4.      **AMENDMENT AND TERMINATION**

- 4.1 **Amendments.** This Agreement may be supplemented or amended, in whole or in part, at any time by the District. All such supplements and amendments must be in writing, and approved and executed by the District.
- 4.2 **Termination.** This Trust may be terminated at any time, upon thirty (30) days prior notice, by an instrument in writing executed by the District. Upon termination of this Trust, the District shall notify all employees, the Trustees, and any other necessary parties. The Trustees shall continue as Trustees for the purpose of winding up the affairs of the Trust. Upon termination of this or a successor Trust, after all outstanding claims and expenses are paid, any balance remaining shall be used for reduction of District taxes for the applicable budget year.
- 4.3 **Final Accounting.** At such time as the Trust is terminated, the Trustees shall render a final accounting of the Trust Fund balance to the District, and thereafter the Trustees shall have no further responsibility or duties and shall be discharged.

5. **GENERAL PROVISIONS.**

- 5.1 **Applicable Law.** This Agreement is executed and delivered in Arizona, and the laws of Arizona shall govern the construction, validity and effect of this Agreement and the administration of the Trust hereby created.
- 5.2 **Headings.** Headings have been inserted solely for convenience and reference, and shall not affect the meaning, construction or effect of this Agreement.
- 5.3 **Severability.** Should any provision or term in this Trust Agreement be deemed or held to be unlawful or invalid for any reason, such fact shall not adversely affect the other provisions herein contained unless such invalidity or illegality shall make impossible or impractical the functioning of the Trust. In such case, the appropriate parties shall immediately adopt a new provision to take the place of the illegal or invalid provision.

Approved at a lawfully convened meeting this 22<sup>nd</sup> day of April, 2014.

GOVERING BOARD OF  
FLAGSTAFF UNIFIED SCHOOL DISTRICT NO. 1  
OF COCONINO COUNTY, ARIZONA

By: Dolores Biggerstaff  
Dolores Biggerstaff, President

Miguel Vasquez  
Miguel Vasquez, Vice President

Sarah Ells  
Sarah Ells, Member

Paul Kalpinski  
Paul Kalpinski, Member

Christine Fredericks  
Christine Fredericks, Member

TRUSTEES OF THE FLAGSTAFF UNIFIED  
SCHOOL DISTRICT NO. 1 OF  
COCONINO COUNTY, ARIZONA  
SELF-INSURANCE TRUST

Christine Fredericks  
Christine Fredericks, Trustee

Date 4.22.14

Frank R. Garcia  
Frank Garcia, Trustee

Date 4-23-14

Chris Bavasi  
Chris Bavasi, Trustee

Date 4/28/14

Julie Smith  
Julie Smith, Trustee

Date 4/29/14

Benjamin Stanton  
Benjamin Stanton, Trustee

Date 4/28/14

## BOARD SUMMARY

MEETING DATE: April 22, 2014

Appointment of the Board of Trustees for the FUSD Self-Insurance Trust.

### EXECUTIVE SUMMARY:

Section 3.2 of the FUSD Self-Insurance Trust Agreement establishes a Board of Trustees consisting of one Governing Board member, one District Employee, and three other community members. Meetings of the Trustees will occur approximately twice a year for less than 1 hour each.

Legal counsel has advised that the Board of Trustees should have stability thus requiring staggering terms with reappointments by the FUSD Governing Board occurring each January at the Governing Board's first meeting each year. Since we are commencing the Trust in May the first appointments to the Trustee Board are suggested as follows:

Governing Board Member — 1 ½ year term — Board to Appoint

District Employee Member — 2 ½ year term — Frank Garcia

Community Member — ½ year term — Chris Bavasi

Community Member — 1 ½ year term — Julie Smith

Community Member — 2 ½ year term — Benjamin Stanton

### RECOMMENDED ACTION:

That the District Governing Board approve the appointments of Christine Fredericks,  
(Gov. Board Member)  
Frank Garcia, Chris Bavasi, Julie Smith and Benjamin Stanton for the lengths of terms  
specified to the Board of Trustees for the FUSD Self-Insurance Trust.

K. Garland

**BOARD SUMMARY**  
**FUSD Self-Insurance Trust (FSIT)**

**MEETING DATE:** June 4, 2014

Review of Report on the Condition of Health Benefits Account being Transferred to FSIT Accounts and Approval of Investment Policy

**EXECUTIVE SUMMARY:**

The Summary Report on the attachment shows three years of receipts, expenditures and end of the year balances in the FUSD Health Benefits Account. You will note that the end of year for FY 2014 is projected at \$6,953,580. That balance will be somewhat lower for beginning months of the new fiscal year, but overall it supports the investment program specified for in quotes from banking institutions.

Also included with the attachment are charts showing monthly receipts, expenditures and balances for FY 2013 and FY 2014. The two charts clearly substantiate moving to a \$4,000,000 investment program that invests as follows:

1. \$500,000 of the reserve invested for 3 months or less
2. \$1,500,000 of the reserve invested for 1 year or less
3. \$2,000,000 of the reserve invested for longer than 1 year

All authorized investments will follow AZ State laws for governmental investments as outlined in Arizona Revised Statutes (ARS) 35-321 and 35-323. See attached pages of the RFQ for further information on Investment Program and investment guidelines and ARS 35-323.

**RECOMMENDED ACTION:**

It is recommended that the FSIT Board approve the investment program and the use of AZ Revised Statute 35-323 as an Investment Policy for the Trust.

K. Garland

## FLAGSTAFF UNIFIED SCHOOL DISTRICT

Three years summary information for the Health Benefits Account showing revenue, expenditures

**FY 2012, FY 2013 and FY 2014**

### Summary Information for FUSD Health Benefit Account

| Year     | July 1 Beg Balance | Revenue         | Expenditures   | Ending Balance | Date      |
|----------|--------------------|-----------------|----------------|----------------|-----------|
| FY 2012  | \$3,214,509.71     | \$9,340,747.30  | \$9,977,085.76 | \$2,578,171.25 | 6/30/2012 |
| FY 2013  | \$2,578,171.25     | \$11,988,274.38 | \$9,842,972.94 | \$4,723,472.69 | 6/30/2013 |
| FY 2014* | \$4,723,472.69     | \$10,258,443.30 | \$8,028,336.30 | \$6,953,579.69 | 6/30/2014 |

\* Last two months of year projected


### FY 2013 Health Benefit Account Monthly Revenue, Expenditures and Balances

| Month          | Beg Balance           | Revenue                | Expenditures          | Ending Balance        | Date             |
|----------------|-----------------------|------------------------|-----------------------|-----------------------|------------------|
| July           | \$2,578,171.25        | \$977,800.74           | \$1,360,067.24        | \$2,195,904.75        | 7/31/2012        |
| August         | \$2,195,904.75        | \$2,646,872.71         | \$2,065,295.45        | \$2,777,482.01        | 8/31/2012        |
| September      | \$2,777,482.01        | \$666,196.89           | \$553,528.54          | \$2,890,150.36        | 9/30/2012        |
| October        | \$2,890,150.36        | \$1,053,069.06         | \$632,522.59          | \$3,310,696.83        | 10/31/2012       |
| November       | \$3,310,696.83        | \$741,318.09           | \$701,566.26          | \$3,350,448.66        | 11/30/2012       |
| December       | \$3,350,448.66        | \$700,447.05           | \$584,802.76          | \$3,466,092.95        | 12/31/2012       |
| January        | \$3,466,092.95        | \$753,800.62           | \$744,274.56          | \$3,475,619.01        | 1/31/2013        |
| February       | \$3,475,619.01        | \$690,922.18           | \$574,494.07          | \$3,592,047.12        | 2/28/2013        |
| March          | \$3,592,047.12        | \$1,096,822.93         | \$637,415.96          | \$4,051,454.09        | 3/31/2013        |
| April          | \$4,051,454.09        | \$652,028.30           | \$704,255.19          | \$3,999,227.20        | 4/30/2013        |
| May            | \$3,999,227.20        | \$737,189.21           | \$584,423.77          | \$4,151,992.64        | 5/31/2013        |
| June           | \$4,151,992.64        | \$1,271,806.60         | \$700,326.55          | \$4,723,472.69        | 6/30/2013        |
| <b>Totals:</b> | <b>\$4,151,992.64</b> | <b>\$11,988,274.38</b> | <b>\$9,842,972.94</b> | <b>\$4,723,472.69</b> | <b>6/30/2013</b> |

### FY 2014 Health Benefit Account Monthly Revenue, Expenditures and Balances

| Month          | Beg Balance           | Revenue                | Expenditures          | Ending Balance        | Date             |
|----------------|-----------------------|------------------------|-----------------------|-----------------------|------------------|
| July           | \$4,723,472.69        | \$1,404,178.11         | \$642,330.43          | \$5,485,320.37        | 7/31/2013        |
| August         | \$5,485,320.37        | \$1,321,162.43         | \$587,484.81          | \$6,218,997.99        | 8/31/2013        |
| September      | \$6,218,997.99        | \$756,220.89           | \$708,391.60          | \$6,266,827.28        | 9/30/2013        |
| October        | \$6,266,827.28        | \$738,739.23           | \$648,655.93          | \$6,356,910.58        | 10/31/2013       |
| November       | \$6,356,910.58        | \$762,957.93           | \$622,206.36          | \$6,497,662.15        | 11/30/2013       |
| December       | \$6,497,662.15        | \$723,939.19           | \$678,197.76          | \$6,543,403.58        | 12/31/2013       |
| January        | \$6,543,403.58        | \$728,632.61           | \$745,789.69          | \$6,526,246.50        | 1/31/2014        |
| February       | \$6,526,246.50        | \$1,085,277.56         | \$617,054.97          | \$6,994,469.09        | 2/28/2014        |
| March          | \$6,994,469.09        | \$732,464.70           | \$755,766.31          | \$6,971,167.48        | 3/31/2014        |
| April          | \$6,971,167.48        | \$704,870.65           | \$622,458.44          | \$7,053,579.69        | 4/30/2014        |
| May*           | \$7,053,579.69        | \$650,000.00           | \$700,000.00          | \$7,003,579.69        | 5/31/2014        |
| June*          | \$7,003,579.69        | \$650,000.00           | \$700,000.00          | \$6,953,579.69        | 6/30/2014        |
| <b>Totals:</b> | <b>\$7,003,579.69</b> | <b>\$10,258,443.30</b> | <b>\$8,028,336.30</b> | <b>\$6,953,579.69</b> | <b>6/30/2014</b> |

\* Last two months of year projected

|   |   |   |
|---|---|---|
|  | <b>REQUEST FOR QUOTATION</b><br><br><b>Trust Banking Service</b>                    | <b>Flagstaff Unified School District 1</b><br><br><b>Procurement Department</b> |
|   | <b>Quotations will be received until Friday, May 23, 2014; 2:00 pm (local time)</b> | 5400 E. Railhead Avenue<br>Flagstaff, AZ 86004<br><br><b>Page 1 of 7</b>        |

**VENDOR NOTICE**

**THIS IS NOT A PURCHASE ORDER**

The terms and conditions on the following pages should be reviewed and understood before preparing a quotation.

|   |  |   |
|---|--|---|
| <b>DELIVERY LOCATION:</b> 3285 E. Sparrow Avenue<br>Flagstaff, AZ 86004 | <b>Contact:</b> Ken Garland<br>Director of Finance | <b>PHONE:</b> (928) 527-6062<br><b>FAX:</b> (928) 527-6065<br><br><b>Email:</b> kgarland1@fUSD1.org |
|---|--|---|

**VENDOR QUOTATION**

**PURPOSE:**

The Flagstaff Unified School District's "FUSD Self-Insurance Trust" is seeking quotations for handling deposits, expenditures and balances for health insurance funds. The District will be depositing between \$7.5M - \$8.5M per year in the account and expending a like amount. The account will commence with a monthly minimum reserve/balance between \$4.0M to \$4.5M (see attached history of balances).

The Trust seeks quotations for interest earnings on the basis of the \$4.0M reserve. The investments allowed should meet all AZ State laws for governmental investments and have appropriate FDIC Insurance and/or other collateral assurances.

The following stipulations should be observed in establishing an Investment Program for the \$4.0M of reserve funds:

1. \$500,000 of the reserve should be committed to 3 month or less investments.
2. \$1,500,000 of the reserve should be committed to 1 year or less investments.
3. \$2,000,000 of the reserve can be in a longer than 1 year investment.
4. Costs, if any, for approximately 6 major deposits per month and 12 payments per month should be identified with the quote.

All services must adhere to the Arizona Revised Statutes Title 35-321, Title 35-323, and Title 35-323-01.  
<http://www.azleg.gov/ArizonaRevisedStatutes.asp?Title=35>. See pages 4 – 7 of this document.

**SUBMITTAL:** Return the quotation by:

May 23, 2014  
 2:00 pm (Local Time)

**TO:**

Ken Garland  
 Director of Finance  
 Flagstaff Unified School District  
 3285 E. Sparrow Avenue  
 Flagstaff, AZ 86004

Late submittals may not be considered.

## Quote Sheet for Handling FUSD Self Insurance Trust Account

### Interest on \$4.0M Reserve and Costs for Banking Services

(Interest Rates and Amounts should be based on your best estimates for FY 2015)

| Category of Investment or Expenditure  | Average Annual Interest Rate expected | Annual Return on Investment | Charges for Services |
|--|---------------------------------------|-----------------------------|----------------------|
| 1. First \$500,000 of Investment       |                                       |                             |                      |
| 2. Second \$1,500,000 of Investment    |                                       |                             |                      |
| 3. \$2,000,000 of Long Term Investment |                                       |                             |                      |
| 4. Total All Investments               |                                       |                             |                      |

|                         | Per Deposit Transactions<br>(72 Annually) | Per Expenditure Transactions (144 Annually) | Total Annual Charges Expected for 216 Transactions |
|-------------------------|---|---|--|
| 5. Charges for Services |   |   |  |

|                            |                             |              |                 |
|----------------------------|-----------------------------|--------------|-----------------|
| <b>Company Name</b>        |                             | <b>Date</b>  |                 |
| <b>Representative Name</b> |                             |              |                 |
| <b>Address</b>             | <b>City</b>                 | <b>State</b> | <b>Zip Code</b> |
| <b>Phone #</b>             | <b>Authorized Signature</b> |              |                 |
| <b>Fax #</b>               | <b>Printed Name</b>         |              |                 |

|                     |   |
|---------------------|---|
| <b>Company Name</b> | <b>Marketing Representative Signature</b> |
| <b>Phone #</b>      | <b>Printed Name</b>                       |
| <b>Fax #</b>        | <b>Title</b>                              |

|  |
|--|
| <b>Explanation of Proposed Investment Program*</b> |
|--|

\*Attachments should be provided showing uniform and special terms and conditions for your company.

### 35-321. Definitions

In this article, unless the context otherwise requires:

1. "Agency pool participant" means a subdivision or an entity of a subdivision that has monies maintained by the treasurer and that has the authority to draw negotiable instruments on the treasurer or make other disbursements from monies that the treasurer holds for the subdivision or entity.
2. "Board of deposit" means, in the case of a county, the board of supervisors, and in the case of a city or town, the board of trustees or common council.
3. "Capital structure" means the amount of the capital of the eligible depository shown by the latest call statement of condition as defined by rule of the superintendent of financial institutions for the purpose of administration of this article.
4. "Collecting entity" means the entity from which the treasurer receives general funding including the county for collections performed by a county treasurer, the city for collections performed by a city treasurer or the district for collections performed by a district treasurer.
5. "Eligible depository" means any:
  - (a) Commercial or savings bank or savings and loan association having either a branch in this state or its principal place of business in this state and insured by the federal deposit insurance corporation or its successor or any other insuring instrumentality of the United States according to the applicable federal law.
  - (b) Credit union that is insured by the national credit union administration or its successor.
6. "Involuntary pool participant" means a subdivision that only receives the principal ratio of the monies collected, for which the principal monies are mandated to be distributed on a specific date and for which the interest earned on the monies between the time of collection and other statutory requirements reverts to the general fund of the collecting entity.
7. "Permissible rate of interest" means a rate of interest which an eligible financial institution is permitted to pay by state or federal law or valid state rules or federal regulations.
8. "Public deposit" means public monies deposited in an eligible depository pursuant to this article.
9. "Public monies" includes subdivision monies.
10. "State monies" means all monies in the treasury of this state or coming lawfully into the possession or custody of the state treasurer.
11. "Subdivision" means any county, noncharter city or town. Cities governed by charter have the option of operating under this article.
12. "Subdivision monies" means all monies in the treasury of a subdivision or coming lawfully into the possession or custody of the treasurer.
13. "Treasurer" includes the treasurer or officer exercising the functions of treasurer of any subdivision but excludes the state treasurer.
14. "Trust funds" means those monies entrusted to a public body or official for preservation and investment, as prescribed by the instrument establishing such funds.

### 35-323. Investing public monies; bidding; security and other requirements

A. The treasurer shall invest and reinvest public monies in securities and deposits with a maximum maturity of five years. All public monies shall be invested in eligible investments. Eligible investments are:

1. Certificates of deposit in eligible depositories.
2. Deposits in one or more federally insured banks or savings and loan associations placed in accordance with the procedures prescribed in section 35-323.01.
3. Interest bearing savings accounts in banks and savings and loan institutions doing business in this state whose accounts are insured by federal deposit insurance for their industry, but only if deposits in excess of the insured amount are secured by the eligible depository to the same extent and in the same manner as required under this article.
4. Repurchase agreements with a maximum maturity of one hundred eighty days.
5. The pooled investment funds established by the state treasurer pursuant to section 35-326.
6. Obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations or instrumentalities.
7. Bonds, notes or other evidences of indebtedness of this state or any of its counties, incorporated cities or towns, school districts or special taxing districts, including registered warrants that shall bear interest pursuant to section 11-635.
8. Bonds, notes or evidences of indebtedness of any county, municipal district, municipal utility or special taxing district of any state that are payable from revenues, earnings or a special tax specifically pledged for the payment of the principal and interest on the obligations, and for the payment of which a lawful sinking fund or reserve fund has been established and is being maintained, but only if no default in payment on principal or interest on the obligations to be purchased has occurred within five years of the date of investment, or, if such obligations were issued less than five years before the date of investment, no default in payment of principal or interest has occurred on the obligations to be purchased nor any other obligations of the issuer within five years of the investment.

9. Bonds, notes or evidences of indebtedness issued by any county improvement district or municipal improvement district of any state to finance local improvements authorized by law, if the principal and interest of the obligations are payable from assessments on real property within the improvement district. An investment shall not be made if:

(a) The face value of all such obligations, and similar obligations outstanding, exceeds fifty per cent of the market value of the real property, and if improvements on which the bonds or the assessments for the payment of principal and interest on the bonds are liens inferior only to the liens for general ad valorem taxes.

(b) A default in payment of principal or interest on the obligations to be purchased has occurred within five years of the date of investment, or, if the obligations were issued less than five years before the date of investment, a default in the payment of principal or interest has occurred on the obligations to be purchased or on any other obligation of the issuer within five years of the investment.

10. Commercial paper of prime quality that is rated within the top two ratings by a nationally recognized rating agency. All commercial paper must be issued by corporations organized and doing business in the United States.

11. Bonds, debentures, notes or other evidences of indebtedness that are denominated in United States dollars and that carry at a minimum an "A" or better rating, at the time of purchase, from at least two nationally recognized rating agencies.

12. Negotiable or brokered certificates of deposit issued by a nationally or state chartered bank or savings and loan association.

13. Securities of or any other interests in any open-end or closed-end management type investment company or investment trust, including exchange traded funds whose underlying investments are invested in securities allowed by state law, registered under the investment company act of 1940 (54 Stat. 789; 15 United States Code sections 80a-1 through 80a-64), as amended.

B. Certificates of deposit shall be purchased from the eligible depository bidding the highest permissible rate of interest. No monies over one hundred thousand dollars may be awarded at any interest rate less than one hundred three per cent of the equivalent bond yield of the offer side of United States treasury bills having a similar term. If the eligible depository offering to pay the highest rate of interest has bid only for a portion of the monies to be awarded, the remainder of the monies shall be awarded to eligible depositories bidding the next highest rates of interest.

C. An eligible depository is not eligible to receive total aggregate deposits from this state and all its subdivisions in an amount exceeding twice its capital structure as outlined in the last call of condition of the superintendent of financial institutions.

D. If two or more eligible depositories submit bids of an identical rate of interest for all or any portion of the monies to be deposited, the award of the deposit of the monies shall be made to the eligible depository among those submitting identical bids having, at the time of the bid opening, the lowest ratio of total public deposits in relation to its capital structure.

E. Each bid submitted, and not withdrawn prior to the time specified, constitutes an irrevocable offer to pay interest as specified in the bid on the deposit, or portion bid for, and the award of a deposit in accordance with this section obligates the depository to accept the deposit and pay interest as specified in the bid pursuant to which the deposit is awarded.

F. The treasurer shall maintain a record of all bids received and shall make available to the board of deposit at its next regularly scheduled meeting a correct list showing the bidders, the bids received and the amount awarded. These records shall be available to the public and shall be kept in the possession of the treasurer for not less than two years from the date of the report.

G. Any eligible depository, before receiving a deposit in excess of the insured amount under this article, shall deliver collateral for the purposes of this subsection equal to at least one hundred one per cent of the deposit. The collateral shall be any of the following:

1. A bond executed by a surety company that is approved by the treasury department of the United States and authorized to do business in this state. The bond shall be approved as to form by the legal advisor of the treasurer.

2. Securities or instruments of the following character:

(a) United States government or agency obligations.

(b) State, county, school district and other district municipal bonds.

(c) Registered warrants of this state, a county or other political subdivisions of this state, when offered as security for monies of the state, county or political subdivision by which they are issued.

(d) First mortgages and trust deeds on improved, unencumbered real estate located in this state. No single first mortgages or trust deeds may represent more than ten per cent of the total collateral. The treasurer may require that the first mortgages or trust deeds comprising the total collateral security be twice the amount the eligible depository receives on deposit. First mortgages or trust deeds qualify as collateral subject to the following limitations:

(i) The promissory note or other evidences of indebtedness secured by such first mortgage or trust deed shall have been in existence for at least three years and shall not have been in default during this period.

(ii) An eligible depository shall at its own expense execute, deposit with the treasurer and record with the appropriate county recorder a complete sale and assignment with recourse in a form approved by the attorney general, together with an unconditional assumption of obligation to promptly pay to the entitled parties public monies in its custody upon lawful demand and tender of resale and assignment.

Eligible depositories may deposit the security described in this subdivision with the state treasurer, and county, city or town treasurers may accept the security described in this subdivision at their option.

3. The safekeeping receipt of a federal reserve bank or any bank located in a reserve city, or any bank authorized to do business in this state, whose combined capital, surplus and outstanding capital notes and debentures on the date of the safekeeping receipt are ten million dollars or more, evidencing the deposit therein of any securities or instruments

described in this section. A safekeeping receipt shall not qualify as security, if issued by a bank to secure its own public deposits, unless issued directly through its trust department. The safekeeping receipt shall show upon its face that it is issued for the account of the treasurer and shall be delivered to the treasurer. The safekeeping receipt may provide for the substitution of securities or instruments which qualify under this section with the affirmative act of the treasurer.

4. Letters of credit issued by a federal home loan bank if:

(a) The letter of credit has been delivered pursuant to this section or chapter 10, article 1 of this title to the statewide collateral pool administrator.

(b) The letter of credit meets the required conditions of:

(i) Being irrevocable.

(ii) Being issued, presentable and payable at a federal home loan bank in United States dollars. Presentation may be made by the beneficiary submitting the original letter of credit, including any amendments, and the demand in writing, by overnight delivery.

(iii) If the letter of credit is for purposes of chapter 10, article 1 of this title, containing a statement that identifies the statewide collateral pool administrator as the beneficiary.

(iv) Containing an issue date and a date of expiration.

(c) For the purposes of chapter 10, article 1 of this title, the eligible depository, if notified by the statewide collateral pool administrator, is not allowed to use new letters of credit issued by a federal home loan bank if that federal home loan bank fails to pay a draw request as provided for in the letters of credit or fails to properly complete a confirmation of such letters of credit.

H. The securities, instruments or safekeeping receipt for the securities, instruments or warrants shall be accepted at market value if not above par, and, if at any time their market value becomes less than the deposit liability to that treasurer, additional securities or instruments required to guarantee deposits shall be deposited immediately with the treasurer who made the deposit and deposited by the eligible depository in which the deposit was made.

I. The condition of the surety bond, or the deposit of securities, instruments or a safekeeping receipt, must be such that the eligible depository will promptly pay to the parties entitled public monies in its custody, upon lawful demand, and will, when required by law, pay the monies to the treasurer making the deposit.

J. Notwithstanding the requirements of this section, any institution qualifying as an eligible depository may accept deposits of public monies to the total then authorized insurance of accounts, insured by federal deposit insurance, without depositing a surety bond or securities in lieu of the surety bond.

K. An eligible depository shall report monthly to the treasurer the total deposits of that treasurer and the par value and the market value of any pledged collateral securing those deposits.

L. When a security or instrument pledged as collateral matures or is called for redemption, the cash received for the security or instrument shall be held in place of the security until the depository has obtained a written release or provided substitute securities or instruments.

M. The surety bond, securities, instruments or safekeeping receipt of an eligible depository shall be deposited with the treasurer making the deposit, and the treasurer shall be the custodian of the bond, securities, instruments or safekeeping receipt. The treasurer may then deposit with the depository public monies then in the treasurer's possession in accordance with this article, but not in an amount in excess of the surety bond, securities, instruments or safekeeping receipt deposited, except for federal deposit insurance.

N. The following restrictions on investments are applicable:

1. An investment of public operating fund monies shall not be invested for a maturity of longer than five years.

2. The board of deposit may order the treasurer to sell any of the securities, and any order shall specifically describe the securities and fix the date upon which they are to be sold. Securities so ordered to be sold shall be sold for cash by the treasurer on the date fixed in the order, at the then current market price. The treasurer and the members of the board are not accountable for any loss occasioned by sales of securities at prices lower than their cost. Any loss or expense shall be charged against earnings received from investment of public funds.

3. Investments in companies identified in section 35-392, subsection A, paragraph 1.

O. If the total amount of subdivision monies available for deposit at any time is less than one hundred thousand dollars, the subdivision board of deposit shall award the deposit of the funds to an eligible depository in accordance with an ordinance or resolution of the governing body of the subdivision.

### 35-323.01. Investment of government monies in deposits; conditions; definition

A. If an investing entity invests in deposits pursuant to section 9-492, subsection C, section 15-1025, subsection B, paragraph 7, section 35-313, subsection A, paragraph 14 or section 35-323, subsection A, paragraph 2, the investing entity in each case shall invest those monies in accordance with all of the following conditions:

1. The monies are initially invested through an eligible depository in this state selected by the investing entity.

2. The selected eligible depository arranges for the deposit of the monies in one or more federally insured banks or savings and loan associations wherever located, for the account of the investing entity.

3. The full amount of principal and any accrued interest of each such deposit is insured by the federal deposit insurance corporation.

4. The selected eligible depository acts as custodian for the investing entity with respect to such deposits.

5. On the same date that the investing entity's monies are deposited pursuant to paragraph 2 of this subsection, the selected eligible depository receives an amount of federally insured deposits from customers of other financial institutions equal to or greater than the amount of the monies initially invested by the investing entity through the selected eligible depository.
- B. Monies invested in accordance with all of the conditions prescribed in this section are not subject to any security or collateral requirements.
- C. For the purposes of this section, "investing entity" means this state, a political subdivision, the governing body of a municipality or the governing body of a school district.

**BOARD SUMMARY**  
**FUSD Self-Insurance Trust (FSIT)**

**MEETING DATE:** June 4, 2014

Appointment of Executive Officer for the Trustee Board and Approval of Transaction Signers

**EXECUTIVE SUMMARY:**

It is necessary that the Board of Trustees approve the appointment of the Director of Finance to serve as Executive Officer and Authorized Agent of the Trust to take necessary administrative actions on behalf of the Trustee Board.

The authorization is to include: 1) enforcement of rules, regulations and laws related to the operation of a Trust; 2) the signing of such documents, contracts, proposals, and agreements as may be approved by the Trustee Board.

In addition the Board of Trustees must designate signers for transactions related to the checking account and investment accounts associated with managing cash resources of the Trust. The following assignments are proposed for banking investment purposes:

|  |                                      |  |                |
|--|--------------------------------------|--|----------------|
| Account Name:<br><b>FUSD SELF-INSURANCE TRUST CHECKING ACCOUNT/INVESTMENT ACCOUNTS</b> |                                      |  |                |
| Changes this FY?   | Date Opened:                         | Date Closed:   |                |
| Bank Name  | Address                              | City-State-Zip   | Account Number |
|  | 3285 E. Sparrow Ave.                 | Flagstaff, AZ 86004                                    |                |
| *Authorized Signers:   | Robert M. Kuhn<br>Kenneth E. Garland | Dietrich E. Sauer<br>Ginger L. Wischmann               |                |
| *All transactions will require two signatures  |                                      |  |                |
| Checks written by:<br>Jennifer Moore   |                                      | Monthly reconciled by:<br>District Accounts Receivable |                |

**RECOMMENDED ACTION:**

That the FUSD Self-Insurance Board of Trustees appoint the Director of Finance as the Executive Officer and Authorized Agent of the Trust and approve the authorized signers designated above.

K. Garland

**BOARD SUMMARY**  
**FUSD Self-Insurance Trust (FSIT)**

**MEETING DATE:** June 4, 2014

Approval of Recommendation for Banking and Investment Services

**EXECUTIVE SUMMARY:**

A Request for Quotes was emailed to qualified banking institutions on May 8, 2014 with return of proposals due on May 23, 2014 at 2:00pm. The RFQ was sent to the following banks operating in Flagstaff:

Alliance Bank of Arizona  
Bank of America  
BBVA Compass Bank

Chase Bank  
National Bank of Arizona  
Wells Fargo Bank

The District received 1 quote for the Banking/Investment services. The quote was evaluated by a committee made up of:

Kenneth Garland, Ginger Wischmann, Katie Wittekind and Jennifer Moore.

The details of the quote from Alliance Bank of Arizona are attached. In addition, the interview with Greg Sampson from Alliance gave us assurances on collateral, flexibility in handling investments and details on handling banking services.

**RECOMMENDED ACTION:**


It is recommended that the FSIT Board approve Alliance Bank of Arizona for the handling of Trust Banking/Investment services.

K. Garland

**Quote Sheet for Handling FUSD Self Insurance Trust Account**  
**Interest on \$4.0M Reserve and Costs for Banking Services**  
 (Interest Rates and Amounts should be based on your best estimates for FY 2015)

| Category of Investment or Expenditure  | Average Annual Interest Rate expected | Annual Return on Investment | Charges for Services |
|--|---------------------------------------|-----------------------------|----------------------|
| 1. First \$500,000 of Investment       | 0.20%                                 | \$1,000.91                  | \$0.00               |
| 2. Second \$1,500,000 of Investment    | 0.45%                                 | \$6,763.94                  | \$0.00               |
| 3. \$2,000,000 of Long Term Investment | 0.55%                                 | \$11,027.77                 | \$0.00               |
| 4. Total All Investments               |                                       | \$18,792.62                 | \$0.00               |

|                         | Per Deposit Transactions<br>(72 Annually) | Per Expenditure Transactions (144 Annually) | Total Annual Charges Expected for 216 Transactions |
|-------------------------|---|---|--|
| 5. Charges for Services | <b>See attached</b>                       | <b>See attached</b>                         | <b>See attached</b>                                |

|  |  |                         |                          |
|--|--|-------------------------|--------------------------|
| <b>Company Name</b><br>Alliance Bank of Arizona, a division of Western Alliance Bank |  | <b>Date</b> 5/21/14     |                          |
| <b>Representative Name</b><br>Greg Sampson   |  |                         |                          |
| <b>Address</b><br>214 E Birch St   | <b>City</b><br>Flagstaff   | <b>State</b><br>Arizona | <b>Zip Code</b><br>86001 |
| <b>Phone #</b><br>928-214-3411   | <b>Authorized Signature</b><br> |                         |                          |
| <b>Fax #</b><br>928-213-5962   | <b>Printed Name</b><br>Greg Sampson  |                         |                          |

|                     |   |
|---------------------|---|
| <b>Company Name</b> | <b>Marketing Representative Signature</b> |
| <b>Phone #</b>      | <b>Printed Name</b>                       |
| <b>Fax #</b>        | <b>Title</b>                              |

**Explanation of Proposed Investment Program\***

Alliance Bank of Arizona, a division of Western Alliance Bank, is the largest locally owned and headquartered bank in the state of Arizona. Our focus on commercial lending and commercial real estate finance continues to provide capital to fuel Arizona's economic recovery and job creation. Deposits from Arizona businesses, non-profits and public entities help to fund this growth within the state.

We are pleased to propose the following deposit options to Flagstaff Unified School District 1:

1. First \$500,000 of Investment into a 3 month Certificate of Deposit with interest paid monthly
2. Second \$1,500,000 of Investment into a 12 month Certificate of Deposit with interest paid monthly
3. Third \$2,000,000 of Investment into an 18 month Certificate of Deposit with interest paid monthly
4. Accounts used for major deposits and expenditures can be held in a Notice of Withdrawal (NOW) account, which is both fully liquid and interest bearing, with a rate of 0.10% APY on balances of \$10,000 and higher

**Charges for Services in a NOW Account:**

The minimum balance required to offset the monthly maintenance fee of \$10 in a NOW account is \$1500.00. Deposits made to the account in a bank branch and checks written off of the account do not have fees associated with them. Additional fees associated with the account are on the attached Schedule of Fees.

All deposits will be insured or secured in accordance with Title 35-321, Title 35-323 and Title 35-323.01 of the Arizona Revised Statutes.

\*Attachments should be provided showing uniform and special terms and conditions for your company.

# Alliance Bank

OF ARIZONA

A division of Western Alliance Bank. Member FDIC.

## Business Accounts

| BUSINESS CHECKING <sup>1</sup>      | ACCOUNT SUMMARY   | MONTHLY CHARGES  | OPENING BALANCE | EARNs INTEREST   |
|-------------------------------------|---|--|-----------------|------------------|
| Business First Checking             | 200 items per statement cycle, including: debits/ checks, credits and deposited items.  | \$13.50 monthly service charge if daily balance falls below \$2,500.00. A \$0.35 per item charge if activity exceeds 200 monthly items.  | \$100.00        | No               |
| Business Prime Checking             | 500 items per statement cycle, including: debits/ checks, credits and deposited items.  | \$16.00 monthly service charge if daily balance falls below \$5,000.00. A \$0.35 per item charge if activity exceeds 500 monthly items.  | \$100.00        | No               |
| Business NOW Checking               | Available to sole proprietors, non-profit organizations <sup>1</sup> and government agencies. 300 items per statement cycle, including: debits/ checks, credits and deposited items.  | Service Charge: \$10.00 monthly charge if daily balance falls below \$1,500.00. A \$0.35 per item charge if activity exceeds 300 monthly items.  | \$100.00        | Yes <sup>2</sup> |
| Business Analysis                   | Detailed statement available at month end. You will earn an earnings credit on the average collected balance in the account.  | A separate Business Analysis Checking Schedule of fees is available upon request.  | \$100.00        | No               |
| Community Alliance Checking Account | A business checking account exclusively for non-profit organizations.   | Service Charge: None   | \$100.00        | No               |
| Community Alliance NOW Account      | Higher yield interest earning checking account exclusively for non-profit organizations with an interest rate 0.25% higher than the posted interest rate for Business NOW accounts <sup>2</sup> .   | Service Charge: \$10.00 monthly charge if daily balance falls below \$1,500.00. A \$0.35 per item charge if activity exceeds 300 monthly items.  | \$100.00        | Yes <sup>2</sup> |
| Community Alliance Analysis Account | Analysis account with waivers on monthly maintenance fees, FDIC Insurance, deposited items, credits, debits, checks, and received ACH debits and credits; earnings credit on the average monthly collected balance used to offset all other fees <sup>3</sup> . | The average balance, earnings credit and the fees/charges are analyzed and calculated monthly to determine the service charge that may be debited to the account. Positive earnings will not be credited to the account <sup>3</sup> .       | \$100.00        | No               |
| BUSINESS SAVINGS <sup>1</sup>       | ACCOUNT SUMMARY   | MONTHLY CHARGES  | OPENING BALANCE | EARNs INTEREST   |
| Business Savings                    | Interest-bearing savings account for businesses. Limited to six (6) transactions from the account each four (4) week or similar period.   | Service Charge: \$8.50 quarterly fee if daily balance falls below \$500.00.  | \$100.00        | Yes <sup>2</sup> |
| Business Flex                       | Tiered interest rates. Must maintain a minimum daily balance of \$5,000.00 to earn interest. Limited to six (6) withdrawal transactions from the account per calendar month.  | Service Charge: None.<br>Additional Charge: \$50.00 for each check, draft, debit card or similar order (including POS transactions), in excess of one (1) during a calendar month.   | \$5,000.00      | Yes <sup>2</sup> |
| Business Money Market               | Tiered interest rates based on daily balance ranges. Limited to six (6) transactions from the account per statement cycle.  | Service Charge: \$10.00 each month if daily balance falls below \$2,500.00. Additional Charge: \$25.00 for each check, draft, debit card or similar order (including POS transactions), in excess of six (6) during a statement cycle.       | \$2,500.00      | Yes <sup>2</sup> |
| Community Alliance Money Market     | Higher yield account money market exclusively for non-profit organizations.   | None. Limited to six (6) debit transactions from the account per statement cycle. Additional Charge: \$25.00 for each check, draft, debit card or similar order (including POS transactions), in excess of six (6) during a statement cycle. | \$3,000.00      | Yes <sup>2</sup> |

<sup>1</sup> Please refer to current rate sheet and Deposit Account Agreement and Disclosures brochure for other terms and conditions on these accounts.

<sup>2</sup> See the current rate sheet for interest rates and annual percentage yield.

<sup>3</sup> See the current Schedule of Fees and Charges for other fees and charges.



## Schedule of Fees and Charges

### BUSINESS ANALYSIS FEES

|                            |             |
|----------------------------|-------------|
| Monthly Maintenance Fee    | \$16.00     |
| Per Debit Transaction      | \$ .17      |
| Per Credit Transaction     | \$ 1.00     |
| Per Item Deposited On-Us   | \$ .08      |
| Per Item Deposited Transit | \$ .10      |
| ACH Per Item Received      | \$ .10      |
| ACH Returns                | \$ 2.00     |
| Earnings Credit Rate       | TBD by bank |
| Reserve Requirement        | 10.00%      |
| Wire-Outgoing              | \$25.00     |

### BUSINESS FEES

|                           |                    |
|---------------------------|--------------------|
| Internet Banking Services | Varies             |
| Armored Car               | Varies             |
| Coin Deposited            | \$5.00 per bag     |
| Coin Purchased            | \$5.00 per bag     |
| Currency Deposited        | \$1.10 per \$1,000 |
| Currency Purchased        | \$1.10 per \$1,000 |

### COURIER SERVICE - pricing determined by zones:

|         |                            |
|---------|----------------------------|
| Daily   | \$100 - \$250 per month    |
| On Call | \$10.00 - \$25.00 per call |

### SAFE DEPOSIT BOXES

|                 |                   |
|-----------------|-------------------|
| 3 x 5           | \$ 35.00 per year |
| 5 x 10          | \$ 50.00 per year |
| 10 x 10         | \$ 75.00 per year |
| Key Deposit     | \$ 10.00          |
| Drilling Charge | \$100.00          |
| Lost Key        | \$ 35.00          |

### WIRE TRANSFERS (CUSTOMERS ONLY)

|   |          |
|---|----------|
| Domestic Incoming Wire                              | \$ 10.00 |
| Domestic Outgoing Wire                              | \$ 30.00 |
| Foreign Incoming Wire                               | \$ 20.00 |
| Foreign Outgoing Wire<br>(conversion fee may apply) | \$ 40.00 |
| Email or fax notification                           | \$ 5.00  |

### COLLECTIONS

|          |          |
|----------|----------|
| Domestic | \$ 20.00 |
| Foreign  | \$ 20.00 |

### EXCHANGE FEES

|                 |         |
|-----------------|---------|
| Cashier's Check | \$ 6.00 |
|-----------------|---------|

### MISCELLANEOUS ACCOUNT CHARGES

|  |                   |
|--|-------------------|
| Account Closing (within<br>90 days of opening) | \$25.00           |
| Returned Item Charge                           | \$10.00           |
| Dormant Fee                                    | \$ 5.00 per month |
| Stop Item Charge                               | \$28.00           |

### NON-SUFFICIENT FUNDS AND OVERDRAFT FEES<sup>1</sup>

#### Consumer Accounts

|                        |   |
|------------------------|---|
| NSF Item Paid Fee      | \$35.00 per item, Maximum \$175 per day   |
| NSF Item Return Fee    | \$35.00 per item, Maximum \$175 per day   |
| Overdraft Fee (OD Fee) | \$5.00 per day, beginning the 6 <sup>th</sup> business day after the account becomes overdrawn (excludes weekends and Bank holidays) continuing until the account has a positive balance. |

#### Business Accounts

|                        |  |
|------------------------|--|
| NSF Item Paid Fee      | \$35.00 per item, no maximum   |
| NSF Item Return Fee    | \$35.00 per item, no maximum   |
| Overdraft Fee (OD Fee) | \$10.00 per day beginning on the 2 <sup>nd</sup> business day after the account becomes overdrawn (excludes weekends and Bank holidays) continuing until the account has a positive balance. |

### OTHER MISCELLANEOUS CHARGES

|                      |                                     |
|----------------------|-------------------------------------|
| Legal Process        | \$50.00 (or as dictated by request) |
| Notary Service       | No Charge                           |
| Foreign Drafts       | \$35.00                             |
| Research             | \$30.00 per hour                    |
| Check Image Copies   | \$ .25 per copy                     |
| Photocopies          | \$ .25 per copy                     |
| Snapshot Statement   | \$ 5.00                             |
| Additional Statement | \$10.00                             |
| Zipper Bags          | \$ 5.00                             |

### WITHDRAWAL SERVICE CHARGE

|  |  |
|--|--|
| Personal and Business<br>MMA <sup>2</sup>  | \$25.00 per item when more than 6 withdrawals per statement cycle.     |
| Personal and Business<br>Flex <sup>3</sup> | \$50.00 per withdrawal when more than 1 per calendar month.            |
| Flex CDs-Excessive<br>Withdrawal Fee       | 1 withdrawal at no charge then \$50.00 per each successive withdrawal. |

<sup>1</sup> The Total Overdraft Fees on your bank statement includes NSF Paid Item Fees and Overdraft Fees (Daily). The Total Returned Item Fees on your bank statement includes NSF Item Return Fees. The NSF and Overdraft Fees for Consumer accounts and the Overdraft Fee(s) on Business accounts will only be charged if the account is overdrawn by \$10.00 or more. NSF and Overdraft Fee(s) will be assessed when checks, in person withdrawals, electronic debit transactions (only recurring debit transactions on Consumer accounts) and by other electronic means (if applicable) are presented against an account with non-sufficient funds and/or overdraw an account balance.

<sup>2</sup> If the 6 withdrawal limitation is exceeded more than 3 times in a rolling 12 month period, the account may be subject to closure and the funds placed in another account that you are eligible to maintain, or the transfer and draft capabilities of the account may be cancelled. Fees assessed will be identified on your monthly statement in the "TOTAL CHARGE FOR REG D TRANSACTION" section.

<sup>3</sup> Fees assessed will be identified on your statement in the "ITEMIZATION OF SERVICE CHARGE PAID THIS PERIOD" as "WITHDRAWAL".

**From:** Greg Sampson [<mailto:GSampson@alliancebankofarizona.com>]  
**Sent:** Tuesday, May 27, 2014 3:01 PM  
**To:** Ken Garland; Ginger Wischmann  
**Subject:** questions

It was a pleasure meeting with you this morning. This is what I found out regarding your questions.

1. The funds listed fall under Public funds guidelines and don't qualify for the Community Alliance Account (501c3) program.
2. All deposits will be insured or secured in accordance Title 35-321, 35-323 and 35-323.01
3. The money market account rate today is .15% for \$100,000 and over. (the .27% is the Community Alliance Money Market Rate).
4. The Business Now Account rate today is .10% for \$10,000 and over.
5. We will provide the multi-check scanner.

If you can think of any other questions or if I forget anything, please let me know. I can have our person who handles our Public Funds deposits within the bank come and meet with you. She could come Thursday if this is something you would be interested in. She would need some lead time as she will be driving up from Phoenix.

I have attached our current rate sheet per your request.

Thank you.

Greg Sampson  
Vice President  
MLO# 771917



A Division of Western Alliance Bank, Member FDIC.

214 E. Birch  
Flagstaff, AZ 86001  
☎ W: 928-214-3400 | ☎ Direct Line: 928-214-3411  
[gsampson@alliancebankofarizona.com](mailto:gsampson@alliancebankofarizona.com)

# Alliance Bank

OF ARIZONA

A division of Western Alliance Bank. Member FDIC.

This Rate Chart contains information about interest rates and annual percentage yields for some of the accounts we offer. Please contact any Alliance Bank employee for further information about applicable fees and terms.

## CONSUMER

| Checking and Savings Accounts <sup>a b</sup>                                    |       |       |
|---|-------|-------|
| <b>Elite NOW <sup>d</sup></b><br>Minimum Opening Balance \$5,000.00             |       |       |
| \$0.01 - \$9,999.99   | 0.08% | 0.08% |
| \$10,000 +  | 0.11% | 0.11% |
| <b>Personal Premium NOW</b><br>Minimum Opening Balance \$1,500.00               |       |       |
| \$1,500 - \$9,999.99  | 0.05% | 0.05% |
| \$10,000 +  | 0.08% | 0.08% |
| <b>Elite Money Market <sup>d</sup></b><br>Minimum Opening Balance \$5,000       |       |       |
| \$0.01 - \$9,999.99   | 0.10% | 0.10% |
| \$10,000 +  | 0.27% | 0.27% |
| <b>Personal Money Market <sup>d</sup></b><br>Minimum Opening Balance \$2,500.00 |       |       |
| \$0.01 - \$99,999.99  | 0.10% | 0.10% |
| \$100,000 +   | 0.16% | 0.16% |
| <b>Personal Savings <sup>d</sup></b><br>Minimum Opening Balance \$50.00         |       |       |
| \$0.01 +  | 0.08% | 0.08% |
| <b>Minor Savings <sup>d</sup></b><br>Minimum Opening Balance \$1.00             |       |       |
| \$0.01 +  | 0.20% | 0.20% |
| <b>Health Savings Account <sup>a</sup></b><br>Minimum Opening Balance \$50.00   |       |       |
| \$0.01 - \$1,499.99   | 0.05% | 0.05% |
| \$1,500 +   | 0.10% | 0.10% |
| <b>IRA/SEP Savings</b><br>Minimum Opening Balance \$50.00                       |       |       |
| \$50.00 - \$1,500.99  | 0.10% | 0.10% |
| \$1,501 +   | 0.20% | 0.20% |
| <b>IDA/AZ Saves</b><br>Minimum Opening Balance \$5.00                           |       |       |
| \$5.00  | 0.10% | 0.10% |

| Certificate of Deposit (CD) <sup>b c d</sup> |         |       |          |       |           |       |
|--|---------|-------|----------|-------|-----------|-------|
| Minimum Opening Balance                      | \$1,000 |       | \$25,000 |       | \$100,000 |       |
| Term   | Rate    | APY   | Rate     | APY   | Rate      | APY   |
| 3 Month                                      | 0.15%   | 0.15% | 0.15%    | 0.15% | 0.20%     | 0.20% |
| 6 Month                                      | 0.20%   | 0.20% | 0.20%    | 0.20% | 0.25%     | 0.25% |
| 9 Month                                      | 0.25%   | 0.25% | 0.25%    | 0.25% | 0.35%     | 0.35% |
| 12 Month                                     | 0.35%   | 0.35% | 0.35%    | 0.35% | 0.45%     | 0.45% |
| 18 Month                                     | 0.45%   | 0.45% | 0.45%    | 0.45% | 0.55%     | 0.55% |
| 24 Month                                     | 0.55%   | 0.55% | 0.55%    | 0.55% | 0.65%     | 0.65% |
| 36 Month                                     | 0.75%   | 0.75% | 0.75%    | 0.75% | 0.80%     | 0.80% |

| Retirement Accounts (IRA/SEP) Certificate of Deposit (CD) <sup>b c d</sup> |         |       |          |       |           |       |
|--|---------|-------|----------|-------|-----------|-------|
| Minimum Opening Balance  | \$1,000 |       | \$25,000 |       | \$100,000 |       |
| Term   | Rate    | APY   | Rate     | APY   | Rate      | APY   |
| 6 Month  | 0.20%   | 0.20% | 0.20%    | 0.20% | 0.30%     | 0.30% |
| 12 Month   | 0.35%   | 0.35% | 0.35%    | 0.35% | 0.45%     | 0.45% |
| 24 Month   | 0.55%   | 0.55% | 0.55%    | 0.55% | 0.65%     | 0.65% |
| 36 Month   | 0.75%   | 0.75% | 0.75%    | 0.75% | 0.80%     | 0.80% |

| CD & IRA Flex CD <sup>b c d</sup> |          |       |
|-----------------------------------|----------|-------|
| Minimum Opening Balance           | \$10,000 |       |
| Term                              | Rate     | APY   |
| 3 Month                           | 0.15%    | 0.15% |
| 6 Month                           | 0.20%    | 0.20% |
| 9 Month                           | 0.30%    | 0.30% |
| 12 Month                          | 0.35%    | 0.35% |
| 15 Month                          | 0.40%    | 0.40% |
| 18 Month                          | 0.45%    | 0.45% |
| 24 Month                          | 0.55%    | 0.55% |

## BUSINESS

| Checking and Savings Accounts <sup>a b</sup>                                     |       |       |
|--|-------|-------|
| <b>Business NOW</b><br>Minimum Opening Balance \$100.00                          |       |       |
| \$1,500 - \$9,999.99   | 0.05% | 0.05% |
| \$10,000 +   | 0.10% | 0.10% |
| <b>IOLTA <sup>d</sup></b><br>Minimum Opening Balance \$100.00                    |       |       |
| \$0.01 - \$9,999.99  | 0.05% | 0.05% |
| \$10,000 +   | 0.10% | 0.10% |
| <b>Business Money Market <sup>d</sup></b><br>Minimum Opening Balance \$2,500.00  |       |       |
| \$0.01 - \$99,999.99   | 0.08% | 0.08% |
| \$100,000 +  | 0.15% | 0.15% |
| <b>Business Savings <sup>d</sup></b><br>Minimum Opening Balance \$100.00         |       |       |
| \$0.01 +   | 0.08% | 0.08% |
| <b>Community Alliance MMA <sup>d</sup></b><br>Minimum Opening Balance \$3,000.00 |       |       |
| \$0.01 - \$9,999.99  | 0.10% | 0.10% |
| \$10,000 +   | 0.27% | 0.27% |

| Personal/Business Flex Savings Account <sup>a b</sup> |         |       |
|---|---------|-------|
| Minimum Opening Balance                               | \$5,000 |       |
|   | Rate    | APY   |
| \$5,000-\$99,999                                      | 0.08%   | 0.08% |
| \$100,000-\$249,999                                   | 0.15%   | 0.15% |
| \$250,000-\$499,999                                   | 0.20%   | 0.20% |
| \$500,000-\$999,999                                   | 0.25%   | 0.25% |
| \$1,000,000+  | 0.35%   | 0.35% |

<sup>a</sup> At our discretion, the interest rate and annual percentage yield (APY) may change at any time after the account is opened.

<sup>b</sup> We use the daily balance method to calculate interest on your account. This method applies a daily periodic rate to the principal in the account each day.

<sup>c</sup> Penalty may be imposed for early withdrawal.

<sup>d</sup> Minimum balance to obtain APY \$0.01.

Fees could reduce the earnings on the account.

Interest rates and Annual Percentage Yields are current as of March 1, 2014.