

MINUTES  
RISK MANAGEMENT TRUST FUND BOARD MEETING  
MONDAY, APRIL 1, 2013, at 6:00 PM  
COUNCIL CHAMBERS ROOM B3  
CITY HALL – BASEMENT LEVEL  
5850 W. GLENDALE AVE.  
GLENDALE, AZ.

Members Present

John Stern, Chairman  
Sandra Oates, Trustee  
Julie Stiak, Trustee  
Yvonne Knaack, Vice Mayor and Trustee

Staff Members Present

Dianne Shoemake, Risk Manager  
Lorena Sanchez, Risk & Safety Analyst  
Nick DiPiazza, Acting City Attorney

Members Absent

Diane Goke, Finance Director, Trustee

1. Call To Order

Chairperson Stern called the meeting to order at 6:05 p.m.

2. Loyalty Oath for Trustee

Mrs. Shoemake advised that Ms. Knaack was sworn in at a previous city council meeting. Chairperson Stern asked Mrs. Shoemake to present the Loyalty Oath to Ms. Knaack. It was signed by Ms. Knaack.

3. Executive Session

The Acting City Attorney, Nick DiPiazza provided a brief update on the exposures and defenses for claims and lawsuits above \$50,000 in executive session. The following claims were discussed: R2010461, R2009230, R2010094, R2010172, R2010191, R2010190, R2011198, R2012214, R2011300, R2011423, R2011491, R2012078, and R2012287. The Executive Session was held and the meeting was adjourned and returned to regular session.

4. Approval of Trust Board Minutes

Chairman Stern made a motion to approve the Minutes of the November 29, 2012 Risk Management Trust Fund Board Special Meeting. Ms. Stiak seconded. The motion passed. The Minutes were approved.

5. Trustee Handbook

Mrs. Shoemake presented a new table of contents and Risk Management and Workers' Compensation Trust Fund Board Roster to be included in the Trustee's Handbook. Changes were made to Mrs. Knaack's and Mrs. Stiak's phone number.

6. Risk Manager Arizona Insurance License

Mrs. Shoemake presented her Arizona Insurance License for Risk Management Consultant which is valid through February 28, 2017. The license was presented as required by city ordinance.

7. Executive Summary Risk Management Trust Fund Fiscal Year-End 2012 Report

Mrs. Shoemake presented the final Executive Summary to the Trustees. Mrs. Shoemake highlighted that the purpose of the report is to provide an overview of the City of Glendale Risk Management and Workers' Compensation Program and the costs associated with each component for fiscal year 2011/2012. Risk Management provides the most efficient least costly manner, protection against catastrophic loss of assets, minimizes the drain of assets from property damage or public injury, pays self-funded losses and related expenses and administers city safety, drug and alcohol and back to work programs.

The areas of commercial property coverage currently include city property, automobile physical damage, boiler and machinery and crime insurance. The areas of commercial liability insurance currently include airport owners' and operator's liability insurance, excess public entity liability and excess worker's compensation insurance. The annual cost of the City's insurance program for fiscal year 2011-2012 fiscal years was \$903,210. The Risk Manager is the designated consultant responsible for administering the programs and is licensed in accordance with A.R.S. 11-981.

Cost of Risk is a measurement used to compute the financial outlay to fund the risk of the organization. The outlay includes the cost of paid property and liability claims and expenses, insurance, staffing and other miscellaneous expenses. Cost of Risk does not include reserves for unpaid claims that have not yet settled. The governmental sector rule of thumb benchmark is to maintain the total Cost of Risk below 2% of the City's total operating budget including enterprise funds.

The City's total operating budget was \$362,100,000. Risk Management's operating costs were \$3,905,284. The Cost of Risk for 2011/2012 was 1.06%. This was a 10% decrease compared to the prior fiscal year. The decrease was the result of a decrease in liability claim settlements and an increase in the City's total operating budget.

Payments for liability claims were \$858,554, which is a decrease from the previous two fiscal year's. Excess insurance costs were \$860,636, which is down over 14 percent. The category in other represents staffing and expenses. As of December, 2012 payments for in the other category was removed and paid by the General Fund.

Mrs. Shoemake advised that City Council and Glendale management had been provided with a copy of the Report.

8. Risk Management Trust Fund City Ordinance

Mrs. Shoemake presented the draft changes to the ordinance. This item came up as a result of the Risk Management Trust Fund audit. After discussing the Code at our November 29, 2012 meeting, Risk Management reviewed and rewrote the code to try to incorporate the following changes.

- Create separate code citations for Risk Management and Workers' Compensation Trust Funds which should be treated separately and addressed separately in the code.
- Update and add definitions better clarification
- Clarify the roles of the risk management and city attorney's office
- Clear definition of a covered entity and coverage provided and what should be excluded
- Clear definition for funding, allocation and use of the fund
- Address Trustees terms, when they end, what constitutes a quorum, how often to meet and their responsibilities
- Expand on responsibilities for claims and litigation management responsibilities and referrals to outside law firms
- Address insurance or other alternative risk management financing
- Address appropriate expenditures, clarify when and type audits needed.
- Include indemnification language that supports our contacts

Risk Management provided our draft, very broad changes to the City Attorney. Risk Management and Human Resources met with the attorney's office, reviewed the changes and discussed our intent. At that time, the City Attorney felt that some of the changes conflicted with other areas of the code or rules and he would need to review and provide a new draft for consideration.

Due to all the recent changes within the City, the Code has not yet been reviewed. We are working closely with the City Attorney's office to determine a timeline for completion. Mrs. Shoemake advised that the City Attorney's office was reviewing the ordinance. A final draft will be presented to the Trustees once completed.

9. Risk Management Trust Fund Audit

Mrs. Shoemake provided an update on the remaining items left to be completed and the estimated completion dates. The following is an overview of the tasks that remain outstanding that were identified.

- Risk Management is working with Budget on a formal procedure for assessment of premiums to departments. A procedure for transfers into the fund has been drafted. Both items will be completed by July, 2013. (Obs. 1 & 2).

- Risk Management is contracting for claims repair services using the State's cooperative purchasing contract JOC for general contracting services. The final contract is under review by the City's attorney office for approval by City Council. Anticipated completion Spring, 2013. (Obs. 6).
- City Code changes to the Risk Management and Workers' Compensation Ordinance has been drafted and is under review by the City's attorney office. Anticipated completion Spring 2013. (Obs. 7)
- Request for Quotation for Actuarial services was sent out March 28, 2013. Anticipated completion May, 2013. (Obs. 13)
- Risk Management is in the process of documenting all procedures. Anticipated completion summer, 2013. (Obs. 14)
- Review of police stadium security fees and evaluation of accuracy was completed March 8, 2013. Staff continues to monitor fees and deposits made into the trust funds as events occur. (Obs. 15)
- Risk Management is in the process of reviewing record retention schedules with a purge day scheduled for April 4 and 5, 2013.

All remaining items have been completed.

#### 10. Risk Management Policy on Fund Transfer Process

Mrs. Shoemake presented the policy on transferring funds into or out of the risk management trust fund. The following procedure was presented.

#### **Risk Management and Workers' Compensation Guidelines** **Policy: Funds transfer process**

The City Code, Chapter 2 – Administration, Article V. – Financial Affairs, Division 5. – Risk Management Trust Fund and Workers' Compensation Trust Fund requires that a fund be established for self-insurance. The Risk Management Trust fund is established for payment of defense, losses, anticipated losses and insurance premiums related to losses for bodily injury or property damage. The Workers' Compensation Trust Fund is established for the payment of workers' compensation losses, insurance premiums and awards by the Industrial Commission of Arizona for injuries incurred by an employee or volunteer as covered by the Arizona Workers' Compensation laws and statutes.

#### **Risk Management Trust Fund (RMTF)**

RMTF is funded through appropriation to city departments. RMTF minimum fund balance is determined by actuarial analysis. Risk Management is responsible for monitoring the RMTF to ensure that the balance of the fund is maintained at the minimum level. Monthly Risk Management reviews the revenue, expenses and balance of the Fund. Risk Management analyzes the balance to determine if existing claims or anticipated claims versus revenue will reduce the RMTF below the minimum level. Risk Management provides an update to the Board of Trustees monthly.

If losses or an emergency occurs that reduce the Fund below the minimum, Risk Management notifies Financial Services Department and Board of Trustees. Risk

Management determines the amount of funds needed to bring the balance at or above the minimum requirements. Financial Services Department determines how to fund the deficiency based upon Financial Policies and Procedures. Risk Management recommends the amount of additional money needed for the RMTF. The RMTF Board of Trustees meets to discuss Risk Management's recommendation for fund transfer. The Board of Trustees provides a recommendation to City Council. Any transfer of funds into or out of the RMTF must have prior approval of the RMTF Board of Trustees and City Council.

### **Workers' Compensation Trust Fund (WCTF)**

WCTF is funded through appropriation to city departments. WCTF minimum fund balance is determined by Industrial Commission of Arizona (ICA) and actuarial analysis, whichever amount is greater. To maintain a self-insured status, ICA requires that the balance does not drop below the minimum. Risk Management is responsible for monitoring the WCTF to ensure that the balance of the fund is maintained at the minimum level. Monthly when large claims occur Risk Management reviews the revenue, expenses and balance of the Fund. Risk Management analyzes the balance to determine if existing claims or anticipated claims versus revenue will reduce the WCTF below the minimum level. Risk Management provides an update to the Board of Trustees monthly.

If losses or an emergency occurs that reduce the WCTF below the minimum, Risk Management notifies ICA, Financial Services Department and Board of Trustees. Risk Management determines the amount of funds needed to bring the balance at or above the minimum requirements. Financial Services Department determines how to fund the deficiency based upon Financial Policies and Procedures. Risk Management recommends the amount of additional money needed for the WCTF. The WCTF Board of Trustees meets to discuss Risk Management's recommendation for fund transfer. The Board of Trustees provides a recommendation to City Council. Any transfer of funds into or out of the WCTF must have prior approval of the WCTF Board of Trustees and City Council.

ICA is notified of the transfer and plans to maintain the WCTF at or above the minimum.

After review and discussion of the draft policy, the Trustees agreed with the policy and recommended no changes.

#### **11. Risk Management Trust Fund Balance**

Mrs. Shoemake reported the risk management ending fund balance as of March 5, 2013 at \$2,956,783. The actuary's recommended minimum balance is \$2,028,462. The current ending fund balance is \$928,321 above the required minimum. Mrs. Shoemake reported the revenue received to date is \$1,904,801, claims payments at \$1,044,656 and professional and contractual expenses at \$838,123. Mrs. Shoemake advised the Trustees that due to the hardening of the insurance market, the cost of insurance and reinsurance is expected to increase next fiscal year between 12 to 15 percent. Mrs. Shoemake advised that she has notified the Budget Office so that premiums charged to departments next fiscal year will need to be increased.

12. Request for Quotation for Fiscal Year 2013/14 Actuarial Study of the Risk Management Trust Fund

Mrs. Shoemake presented the solicitation request for quotation for an actuarial study of both the risk management and workers' compensation trusts. She explained the timeline for receiving the proposals. The requests for quotation asks for an analysis of both the liability and workers' compensation trusts for each fiscal year, a midyear actuarial review, if needed, a projection of losses at different self-insured retention levels and a cost allocation plan critique. The cost allocation plan critique would be to evaluate the formula's used to charge departments for their insurance/self-insurance premiums. Mrs. Shoemake advised the final selection will be presented to the Trustees.

13. The meeting was adjourned by Chairman Stern

Submitted by:

A handwritten signature in cursive script that reads "Dianne Shoemake".

Dianne Shoemake  
Risk Manager