

Minutes  
Risk Management Trust Fund  
Wednesday, April 29, 2015 - 6:00 PM  
City Hall - Council Chambers, Room B5  
5850 W. Glendale Avenue  
Glendale, AZ 85301

Members Present

Tom Duensing, Trustee  
Gary Sherwood, Council Member  
John Stern, Chairman  
Julie Stiak, Trustee  
Ken Wixon, Trustee

Staff Present

Dianne Shoemake, Risk Manager  
Lorena Sanchez, Risk & Safety Analyst  
Nick DiPiazza, Deputy City Attorney  
Jim Brown, Director, Human Resources & Risk Management

1. Call to Order

John Stern called the meeting to order at 6:05 PM.

2. Approval of November 12, 2014 Risk Management Trust Fund Board Meeting Minutes

The minutes were provided to the Trustees. Julie Stiak moved to approve the minutes as written and it was seconded by Ken Wixon. Motion passed.

3. Executive Session

Tom Duensing moved to enter executive session and it was seconded by Gary Sherwood. Motion passed. Nick DiPiazza updated the Board on the status of claims in litigation. No action taken. Tom Duensing moved to exit executive session and return to open session, which was seconded by Julie Stiak. Motion passed.

4. Execution of Loyalty Oath

Staff advised that Mr. Sherwood was sworn in to serve on the Risk Management and Workers' Compensation Trust Fund Boards at the January 27, 2015 Council Meeting. Mr. Sherwood was presented with his Loyalty Oath which was executed.

5. Annual Report of the Risk Management Trust fund for period ending July 1, 2014

Staff presented the Risk Management and Workers' Compensation Annual Report to Council for period ending July 1, 2014. Trustees were asked for comments to be submitted to Risk Management by May 1, 2015. If none are received, the report can be finalized. No motion needed.

6. Discussion of Risk Management Trust Fund 2014/15 Revenue and Expenses

A spreadsheet of the Risk Management Trust Fund 2540 for fiscal year 7/1/2014 through 7/1/2015 as of 3/23/2015 was provided to the Trustees for discussion. Staff reported on the following information. Fiscal year total revenue deposited is \$2,152,900. The revenue currently received is broken down by \$7,907 for interest income, \$28,806 for stadium security fees, \$31,604 for miscellaneous revenue (subrogation/insurance reimbursements) and \$2,084,583 for self-insurance premiums.

Total expenses paid are \$1,834,440. Of that amount \$1,106,751 is for payment of professional and contractual fees (brokerage and insurance premiums), \$27,035 for administrative costs (temporary employee) and \$1,106,751 for insurance claims.

The ending fund balance is \$3,562,118. To comply with GASB #10, the actuary projects the ending fund balance at a 55% confidence level to pay for known claims. This is the statistical certainty that an actuary believes funding will be sufficient. For example, a 55% confidence level means that the actuary believes funding will be sufficient in five out of 10 years. The actuary's projected confidence level is \$3,166,829. The fund balance is \$395,289 above the minimum amount needed to pay claims.

Administrative costs are now being charged to the fund, which will increase our expenses. This is allowed per the Risk Management Trust Fund City Ordinance which became effective 7/1/2014. Administration fees (salaries, employee benefits expenses, brokerage fees, adjusting, appraisal, drug & alcohol testing, training and safety expenses) will be moved out of the general fund and paid by the Risk Management Trust Fund during the last quarter of this fiscal year. Staff will be working with Finance to make the change. No Action taken.

7. FY 2015/16 Risk Management Insurance Renewals

Staff provided the information on the property and liability insurance and excess insurance renewals as follows.

City of Glendale Ordinance, Administration, Risk Management Trust Fund, Section 2-207 Insurance provides that "The city risk manager, acting for the city manager, is authorized to enter into, on behalf of the city, any appropriate commercial insurance, alternative risk financing and surety bonding contracts to provide such risk insurance as determined to be in the best interests of the city". Our broker, Alliant Insurance has been placing insurance for cities for over 25 years. Their insurance placements include all lines of coverage placed through a proprietary group purchase program for public

entities across the United States. Placement is underwritten and priced on a group basis without sharing the risks of the entire group. Alliant obtained quotations for property including auto physical damage, cyber/privacy coverage, pollution coverage, crime, excess liability, airport liability, fiduciary liability and special liability policy for Glendale Regional Public Safety Training Center (GRPSTIC). The quotes are based upon the same terms and conditions but with some deductible changes. The not-to-exceed cost to purchase the insurance for FY 2015-16 is \$1,161,755 (excluding workers' compensation). The expiring premium was \$1,035,139. A Renewal Projections spreadsheet was provided that lists each type of coverage, the expiring costs and the estimated costs.

### Property Insurance

The quote for property insurance for FY 2015-16 is \$369,248 compared to \$315,408 for the prior FY. The city's total insured property **values** are \$766,428,811 which is a 180% increase from the prior year due to an increase in property values. The primary factors that go into the increased values are the cost of construction from building supplies and labor costs which are driven by job opportunities and the economy. Marshall Swift provides the construction trends on a quarterly basis by region. The attached chart shows the trends from 2004 through 2014. As you can see the cost of construction has dropped slightly in 2014 which is why the increase in values is minimal.

The property insurance program provides \$1,000,000,000 in property damage limits. The policy provides coverage for boiler and machinery, city automobiles, cyber/privacy and pollution. We have had some significant losses in the past five years. These are:

- 10/19/09 fire residential housing \$248,748
- 10/5/10 hail loss \$1,054,903
- 7/13/14 vehicle fire \$28,196
- 7/13/14 fire in Old Station 151 (Resource Center) \$511,000
- 9/8/14 flood/storm \$1,350,000

Due to the loss history the carrier has increased our rate per \$100 value of property. Last FY our rate was .04189. This year's rate is .04817 or a 15% increase. Attached is the property premium year over year history for comparison. The rate had started to decrease but we were hit with three losses in one year. The deductibles are increasing. The all-risk property, boiler and earthquake deductible was \$50,000 and are being increased to \$100,000. The auto physical damage vehicle deductible stayed at \$25,000 EXCEPT vehicles with a value greater than \$250,000 the deductible is \$100,000. Hail deductible remains at \$250,000. Flood deductible increased from \$100,000 to \$250,000. This again is due to the large losses.

The broker went to market to obtain quotes from Liberty Mutual and Travelers Insurance who would offer this type of program to a public entity. Liberty Mutual advised that they could not be competitive and declined to quote. Travelers advised

they have a \$0.05 rate and the deductibles would be slightly higher than the deductibles proposed above. I checked with several of our benchmark Cities who are currently in the middle of renewals. Their rates from last year were \$0.08 or greater.

The city purchases crime insurance which provides protection for the city's money and securities up to \$10,000,000 in limits. The quote for FY 2015-16 is \$29,000 compared to \$28,462 last FY. This is a 2% increase due to the increase in employee count. The city purchases a fiduciary liability policy which covers the Deferred Compensation Plan/Deferred Compensation Committee with \$5M limits with a \$5,000 deductible. The quote for fiduciary liability is \$12,221 compared to \$11,644 last FY. This increase is due to an increase in the plan assets from \$78.9M to \$85M. The city purchases a public employees blanket bond (required by ordinance) which covers the Risk Management and Workers' Compensation Trust Fund board with limits to \$10,000. The policy cost \$180, same as the expiring policy. We are recommending renewing with Alliant's Property Insurance Program as detailed above. Our broker is still negotiating the costs and we expect final, firm quotes in mid-June. The premiums will not exceed the estimates provided above.

#### Excess Liability

The city's excess liability insurance provides coverage on an occurrence basis including bodily injury, property damage liability, errors and omissions liability, employment practices liability, employee benefit liability, wrongful act or employee benefits wrongful act and products and completed operations hazard. The city purchases a total of \$50,000,000 in limits. The city has a \$1,000,000 self-insured retention (large deductible). The FY 2015-16 quote is \$737,800 compared to \$666,656 last FY. The expiring policy provided coverage for terrorism up to \$10M. FY 2014-15 terrorism coverage is included up to \$50M limit. All coverage's expected to remain the same. Alliant is marketing this program. The coverage is currently insured in three layers, \$10M by Alliant's Municipal Liability program, \$15M (excess the first \$10M) by Starr and \$25M (excess the first \$10M and second \$15M) by Endurance. Endurance is leaving the public entity market so that coverage has to be replaced. The quotes provided are not to exceed numbers. We expect final, firm quotes in mid-June. We expect the estimates to come in less than projected.

The city purchases a separate airport owners and operators general liability policy with \$20,000,000 in limits on an occurrence basis including bodily injury and property damage liability, products and completed operations, personal injury and advertising injury, hangar keepers, non-owned aircraft liability, and fire damage liability. This policy is needed to provide coverage for the airport operations hazards which are not covered in the excess liability policy. There is no self-insured retention and no deductible. The carrier held the premium at \$7,800, which is the same as last year.

The city also purchases a small liability insurance policy to protect the Glendale Regional Public Safety Training Center (GRPSTC) with \$2M in limits and a \$5,000 deductible. This policy is required to meet our financing obligations. We are

beginning to market this coverage (policy doesn't expire until 9/29/15) and are expecting a 10% increase due to claims experience. The FY 2015/16 quote is \$5,686 compared to \$5,169 last FY.

The property and liability insurance premiums are paid from the Risk Management Trust Fund. For the coverage's described above, the total not to exceed premium is \$1,161,755 (excluding workers' compensation) which is included in the budget being proposed to City Council. Last FY total premium was \$1,035,139, an estimated increase of \$126,616.

Gary Sherwood moved to recommend City Council approve purchasing the insurance/excess insurance for the 2015/16 fiscal year not to exceed \$1,161,755. The motion was seconded by Julie Stiak. Motion passed.

8. City of Glendale Fire Loss July 13, 2014

Staff reported on the status of the Fire Loss as follows. On July 13, 2014 an electrical fire started in the bathroom of the Old Fire Station 151 at 7501 N. 55<sup>th</sup> Ave Glendale AZ 85301. This facility is used as the resource center for all materials, equipment (fire gear) and supplies used by the fire fighters. The fire started when light ballast shorted and melted the plastic and wiring. The ballast was located above a large trash container which subsequently caught fire. Due to amount of materials stored in the station, the contents quickly caught fire. The facility does not contain fire sprinklers due to its age (built in the late 1950s). The fire alarm did go off and the fire department responded.

There was extensive damage to one-half of the interior of the facility wiring, drywall, soffits and ceiling, windows and doors. Luckily the exterior of the building and roof is constructed of brick and concrete and it did not suffer any damage with the exception of an area where the fire department tried to vent the roof. The insurance company used ATI to complete interior demolition and cleaning, asbestos removal, tear out and repair of the damaged building materials. Due to the age of the building, the wiring, electrical lines, phone system, fire alarm and HVAC systems had to also be upgraded as part of the repairs. Due to the potential safety and theft risks, security was hired to protect the station after the tear out and until the building was secured. The building repairs are completed. The building repair costs total approximately \$416,000. We are working with the insurance company and ATI to obtain the final building invoices and submit them to the insurance carrier for reimbursement. To date the insurance company has paid ATI \$121,244.

Damage to contents consisted of gloves, masks, cases of Gatorade and bottled water (stored for use when fighting fires), drying system, SCBA racks for cleaning firefighting clothing, folding tables, chairs, sound system, podium, refrigerator, storage racks and bins, ice (melted when electrical was lost), wheeled totes, boots, hoses, nozzle gaskets, turnout gear and all cabinetry. After the fire occurred, many fire staff responded to sort out damaged contents and clean up the site. Damage to contents, labor and other miscellaneous costs are approximately \$60,000. Fire will provide their

documentation for all costs and it will be submitted to the insurance company for reimbursement subject to our \$50,000 deductible. Risk is hopeful that this claim can be concluded before 7/1/2015. No Action taken.

9. City of Glendale Storm Loss September 18, 2014

Staff report on the storm loss as follows. On September 8, 2014 there was a record breaking rain event that caused flooding throughout Glendale. Some areas received up to 6 inches of rain in a couple hours. This amount of rain surpassed our 10 year flood amounts. The large amount of rain backed up into city buildings, leaked in through roofs, windows and doors, flooded streets and washed out catch basins, storm drains and manholes.

The following locations were damaged:

- Sub-basement of city hall
- Multiple areas of the council building
- City auditor's office
- HR training room
- CAP office
- Gateway Fire/PD station
- Fire station 154 and 156
- Fire Administration
- Main library
- Most city parks and trails (some were closed for months while repairs were made)
- Facilities warehouse
- Camelback Ranch
- Six retention basins
- Storm drains and manholes throughout the City
- GRPSIC
- Road failures (washed out) in eight different locations.
- Contents damage was minor consisting of furniture, boxes, surge protectors

Many residents and business owners also experienced their own flooding to homes and businesses. The repairs to City owned property has been completed with a few exceptions (water syphon at Grand Linear Park, Patrick Channel, portions of Thunderbird Conservation trails and three retention basins). City staff is working to get repairs completed as they work through the procurement process.

The immediate removal of water damaged contents, building repairs and parks and trails repairs were completed by the insurance company's approved contractor ATI restoration. City staff completed emergency clean up and repairs. The insurance company has been paying ATI Restoration for the work that they have completed. To date they have paid \$500,023. The City will submit to the insurance company, the total of all City costs once all work has been completed. The City carries a \$100,000 flood

deductible and a \$500,000 un-scheduled property deductible. This would include damage to roads, storm drains, catch basins, etc. The estimated total cost of repairs to damaged city property is \$1,350,000. Please see attached breakdown.

City staff had to respond to the public to close roads that were washed out, barricade unsafe areas, assist with flooding of private property. This type of emergency response to the public is not covered under the insurance policy. It is work associated with the protection of the citizens. Due to the severity of the rain event across the Phoenix Metropolitan area, FEMA and Arizona Department of Emergency Services declared the event an emergency which qualifies for assistance. FEMA has guidelines on the type of costs and the amount that can be reimbursed. For any costs not covered by insurance (the deductibles, emergency response to the public, etc.) the City will submit a claim for consideration to FEMA for potential reimbursement.

When the claim is finalized we will report the final results to the Trustees. We do not anticipate the claim to be resolved for an additional 10-12 months. Total estimated loss is \$1,350,000. No Action taken.

#### 10. Safety Security Alliance Update

Staff reported the Safety Security and Alliance (SSA) have been working on the following:

- Working together with PD, the SSA developed a new badge/access policy. Richard Franzen did an excellent job putting the draft together. It has been vetted by the committee. Members are being asked to obtain comments from their departments. Finalized document will become an HR Policy.
- It was recommended that Security provide a list by department of who has authorization to enter into their respective locations. Each department will review and provide additions and deletions to Security. The SSA and all Directors were reminded that employees leaving the City or changing work location, Security should be notified within 24 hours or less.
- Communicate on-boarding and off-boarding procedures for all supervisors. No one knew that a checklist existed. The group recommended HR review the procedures and send out a reminder to all staff. They recommended that the requirements for collecting badges, keys and other personal property be included in the outboard process and minimum training requirements, defensive driving, blood borne pathogens and GHS be included in the on-boarding checklist.
- SSA recommended that signs be posted on pillars in parking garage on each floor and outside the doors to City Hall who to call in the event of an emergency. "In the event of an emergency, please call Security at xxx-xxxx."

- SSA is reviewing and asking for department feedback on the following policies: - (CMD 15) City Safety Policy & Program Responsibility, (CMD 18) Authorization and Operation of City Vehicle/Equipment, (CMD 20) Risk Management Policy Statement, HR Policy 505-Drug, Alcohol, and Substance Abuse and Human Resource AND HR Policy 515-Commercial Driver's License (CDL) Policy. We will be updating the policies
- Proof of Insurance for City of Vehicles. Through Risk Management and the City's Vehicle Shop, we are verifying that all City vehicles have a copy of Vehicle Card-What to Do-Referrals, Evidence of Self-insurance, Post Accident Determination Form and Accident Report Form. These forms are available on line. However, all vehicles should have a copy of these forms in their glove box. The Shop has been provided with the documentation. When vehicles are brought in for service, they will make sure the paperwork is in the vehicle and if not will add it. In addition all Departments have been asked to ensure employees who are regularly assigned a vehicle make sure the documents are in the vehicle.
- **Training database** – Each SSA member is responsible for their own department's information in the training management system. This includes training, communication and compliance.
- OSHA requires that all employees be trained on the new Global Harmonizing System for Safety Data Sheets by July 1, 2014. We have rolled out the required training to all our employees. Employees have 30 days to complete the training (this includes all administrative staff, not just people in the field, EVERYONE, from CM on down). In July, we will do the same for Defensive Driving
- **City Hall emergency evacuation procedures** – SSA is working on updating the rolls and responsibilities of each department, the floor monitors, fire alarm drill process, responsibilities and staff training. Once the boilerplate document is finalized it will be used to develop the process for all City buildings.

No Action taken.

## 11. Adjournment

Julie Stiak moved to adjourn the meeting which was seconded by Ken Wixon. The meeting was adjourned at 7:40 PM.

Submitted by:  
Dianne Shoemaker