

Minutes
Risk Management Trust Fund
Wednesday, November 6, 2013 - 6:00 PM
City Hall - Council Chambers, Room B2
5850 W. Glendale Avenue
Glendale, AZ 85301

Members Present

Tom Duensing
John Stern, President
Julie Stiak, Trustee
Sandra Oates, Trustee

Members Absent

Yvonne Knaack, Vice-Mayor and Trustee

Staff Present

Dianne Shoemake, Risk Manager
Lorena Sanchez, Risk & Safety Analyst
Nick DiPiazza, Acting City Attorney (via teleconference)
Jim Brown, Executive Director HR & Risk Management
Shannon Rodriguez, Employee Development Coordinator/Org Development

1. Call to Order

John Stern called the meeting to order at 6:06 PM.

2. Appointment of New Trustee, Tom Duensing

John Stern presented Mr. Duensing with his loyalty oath for signature. Dianne Shoemake advised that Mr. Duensing was sworn in as a Trustee by City Council at its October 22, 2013 meeting. His term will expire on July 24, 2014.

3. Discussion of City Ordinance changes to Risk Management Trust Fund

Dianne Shoemake and Nick DiPiazza presented the final draft revisions to the Risk Management Ordinance, Chapter 2, Administration, Article V., Financial Affairs, Division 5. The proposed draft changes to the ordinance were discussed. The Risk Management Trust Fund Ordinance will 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 for 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 of audits needed
- Include indemnification language that supports our contracts

Risk Management advised the Board that the draft, with very broad changes was provided to the City Attorney's office in November 2012. Due to changes in management, personnel and council, the revisions were placed on hold due to other priorities. Risk Management met with the City Attorney's office and we have developed the proposed draft changes to the ordinance.

This draft ordinance was provided for discussion and comments. The ordinance will be undergoing review by our finance department, actuary, management team and city manager. There are a number of comments in the draft that were discussed. Risk Management agreed to incorporate the changes as detailed above for final presentation to City Council.

4. Executive Session

It was moved by Tom Duensing to enter into executive session which was seconded by Julie Stiak. Motion carried. Nick DiPiazza provided updates on the following claims R2009230, R2010172, R2010292, R2010303, R2010304, R2010461, R2011423, R2012078, R2012287, R2012287, R2012403, R2012448, R2012449. Julie Stiak moved to return to regular session which was seconded by Sandra Oates. Motion carried.

5. Approval of August 7, 2013 Risk Management Trust Fund Board Meeting Minutes

Dianne Shoemake provided the minutes to the Trustees. It was moved by Tom Duensing to approve the minutes which was seconded by Sandra Oates. Motion carried.

6. Discussion of Actuarial Study of the Self-Insured Liability Program as of June 30, 2013

Risk Management reported the following to the Board. Aon Risk Solutions completed their actuarial analysis of the Risk Management Trust from data extrapolated to June 30, 2013. A copy of the Study was provided. The actuary was provided with the following information, 3 years annual payroll, 10 years claims data including claims payments and current reserves, city operating budget, interest rate and CAFR.

The report provides Estimate of Outstanding Losses, which is an estimate of the total amount of expected losses or the money that will be needed to meet unpaid claims, Projection of Ultimate Limited Losses, which is a projection of future losses and Projection of Losses Paid, which is an estimate of the claims payments expected to be made.

The amount of money needed to pay expected claims is \$4,260,586. GASB 10 requires funding of expected claims at a 55% confidence level. This is the minimum amount of funds that are needed in the trust fund to pay current unpaid claims. The prior

confidence level was \$2,028,462. The increase is mainly attributed to reserves that increased by about \$1.5 million on prior claims since the prior fiscal year and new claims reserves totaling \$781,000.

The projected ultimate losses to be paid for fiscal year 2013/14 is estimated at \$1,443,000 at the 55% confidence level. Based upon current reserves on open claims and the development of the claims, they are projecting during fiscal year 2013/14 that we will make claims payments totaling \$1,947,467 which is above the 55% confidence level projected. Based upon current projections, it was reported the Fund will drop below the confidence level. We are working with Finance to increase the balance in the fund to meet the new confidence level of \$4,260,586.

7. Discussion of 2013/14 Risk Management Trust Fund Revenue and Expenses as of 10/31/13

Risk Management provided the following to the Board. For the period ending 10/31/2013 total revenue is \$833,307. Of that amount \$1,357 is from interest income and \$7,948 is from stadium security fees. We have been working with Finance to determine if the premiums charged to departments for the full fiscal year can be deposited into the Trust Fund now rather than doing the deposits on a monthly basis. This will allow for better analysis of the fund.

To date, total expenses paid from the Fund is \$1,186,293. Of that amount \$236,464 is for payment of claims and \$949,829 for payment of professional and contractual fees (insurance and excess insurance premiums).

The ending balance is \$2,944,246. The actuary completed their analysis from data extrapolated to June 30, 2013. The required minimum balance for this fiscal year is \$4,260,586. The Governmental Accounting Standard Board (GASB) #10 requires that the City maintain a balance at a 55% confidence level. A minimum balance less than that can reflect on the City's bond rating and create an exception in the audit findings. The ending fund balance is short \$1,316,340 as of October 31, 2013. If the department's insurance premiums were deposited into the fund for the entire fiscal year, this would help balance out the fund. The insurance premiums for the full year are paid in August/September, but the deposits to cover those premiums are collected monthly.

We advised we will continue to monitor this fund closely and work with Finance to determine what money is available to increase the fund balance. We have also been working with Finance on premiums charged to departments for next fiscal year to ensure the amounts collected will adequately fund the trust.

Dianne Shoemake provided a spreadsheet listing the total revenue and expenses for FY 2013/14 as of 10/31/13.

8. Discussion of fiscal year 2012/13 Trustees Annual Report to City Council

Dianne Shoemake provided a draft report for the Trustees to submit to City Council, as required by city ordinance. The report provided information on risk management, its structure, functions, who manages the fund, department's insurance premiums, insurance and excess insurance, fund balance and actuarial analysis, status of trust fund

audit, safety and loss control and accomplishments. The Trustees made no changes to the report and approved for submittal to Council.

9. Safety Committee and Training Overview

Shannon Rodriguez provided an overview of the development of a safety committee and working to create a safety culture within the organization. Staff reported we are developing standards to be required by all department heads for safety responsibility. Shannon provided an overview of the safety training management system and the departments that have already taken courses. The system will be rolled out city wide over the next few months.

10. Adjournment

Tom Duensing moved to adjourn the meeting which was seconded by Sandra Oates. The meeting was adjourned at 8:05 PM.

Submitted by:
Dianne Shoemake
Risk Manager