

FINANCE COMMITTEE MINUTES

November 18, 1999

The Finance Committee of the City of Mesa met in the lower level meeting room of the Council Chambers, 57 East 1st Street, on November 18, 1999 at 8:31 a.m.

COMMITTEE PRESENT

John Giles, Chairman
Jim Davidson
Bill Jaffa

COUNCIL PRESENT

Keno Hawker

STAFF PRESENT

C.K. Luster
Neal Beets
Dan Brewer
Candace Cannistraro
Linda Crocker
Randy Fleischhauer
Mike Hutchinson
Barbara Jones
Joe Padilla
Ellen Pence
Larry Woolf
Others

OTHERS PRESENT

Barrett Marson
Others

1. Hear a report regarding investment of available funds.

Finance Director Larry Woolf addressed the Committee relative to this agenda. Mr. Woolf referred to copies of the City's investment portfolio, which was distributed to the members of the Committee, and noted that at the end of October, 1999, the City's investment portfolio totaled \$163 million. Mr. Woolf explained that the bulk of those dollars was in the local government investment pool (75%) and said that the pool is the "investment of choice" for the State of Arizona.

Discussion ensued relative to book values versus market values, financial institutions/brokers, a breakdown of funds, treasury yields, the fact that the City's average investment rate is 5.70%, treasury yields, portfolio size and investment earnings.

Committeemember Jaffa requested that the members of the Committee receive frequent updates on the status of the General Fund and the General Fund balance.

In response to a question from Committeemember Davidson, Mr. Woolf commented that the portfolio amount has decreased based on the fact that bond construction proceeds have been reduced and the City is currently working with a smaller portfolio.

Chairman Giles thanked Mr. Woolf for his input and overview.

2. Discuss and review Liability Loss Fund.

City Attorney Neal Beets addressed the Committee relative to this agenda item and reported that the City of Mesa has a current balance of approximately \$16 million in its property and liability trust fund. Mr. Beets commented that in response to Council's questions regarding this fund, staff has compiled information including a comparison of efforts initiated by other Arizona cities in the areas of self insured retention, excess insurance and loss fund balances as of November 1999.

Mr. Beets commented on the fact that the various cities have initiated a broad range of approaches to this issue and provided a brief overview of the different cities that were included in the comparison. Mr. Beets stated that the City of Mesa appears to be in the moderate mainstream with \$2 million in self insured retention and excess insurance in the amount of \$58 million. Mr. Beets noted that the excess insurance was increased from \$10 million to \$58 million as a result of Council direction and approval. Mr. Beets commented on the fact that the City of Mesa is higher than the City of Phoenix in terms of the amount of excess insurance but added that Scottsdale continues to have the highest amount of excess insurance at \$75 million. Mr. Beets stated the opinion that additional information would require the services of an actuarial who would analyze the City's risks, study the City's unique operations, and prepare reports.

Discussion ensued relative to the property and public liability fund balances, the fact that the City has consistently increased the fund over the last five years from \$9 million to \$16 million, the fact that the higher amounts provide added stability and enhances the City's bond rating, Council appropriations, the fact that the City Attorney's Office continues to increase the amount of cases remaining in-house, which reduces the amount of outside legal expenditures, interest earnings, expenditures vs. investment earnings and other income, and claims filed but not settled and claims incurred but not reported for a potential contingent liability amount of \$6 million.

Mr. Beets discussed self-funding and stated that to date this year, the City's investment income is higher than disbursements for claims and expense fees, including adverse judgements and attorney's fees. Mr. Beets discussed staff's intention to continue to track the activities of other cities regarding fund balances and stressed the importance of continuing to maintain an adequate coverage ratio of 2 or 3 to 1.

Chairman Giles thanked Mr. Beets for his input.

3. Review structure of City insurance program.

City Attorney Neal Beets also addressed the Committee relative to this agenda item and noted that the City currently has a \$60 million total liability insurance package and a \$250 million property coverage package with a \$50,000 deductible. Mr. Beets advised that the City's cost is approximately \$257,164. Mr. Beets commented on the fact that the companies providing the City with their insurance coverage are substantial A+ rated firms.

4. Adjournment.

Without objection, the meeting of the Finance Committee adjourned at 9:14 a.m.

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the meeting of the Finance Committee of the City of Mesa, Arizona, held on the 18th day of November 1999. I further certify that the meeting was duly called and held and that a quorum was present.

Dated this ____ day of _____ 1999

BARBARA JONES, CITY CLERK