



COUNCIL MINUTES

September 13, 2012

The City Council of the City of Mesa met in a Study Session in the lower level meeting room of the Council Chambers, 57 East 1st Street, on September 13, 2012 at 7:33 a.m.

COUNCIL PRESENT

Alex Finter
Christopher Glover
Dina Higgins*
Dennis Kavanaugh
Dave Richins
Scott Somers

COUNCIL ABSENT

Scott Smith

OFFICERS PRESENT

Christopher Brady
Debbie Spinner
Linda Crocker

Vice Mayor Somers excused Mayor Smith from the entire meeting.

*Councilwoman Higgins participated in the entire meeting through the use of telephonic equipment.

1-a. Hear a presentation, discuss, and provide direction regarding the 2012/2013 Property, Liability, Aviation and Workers' Compensation Insurance.

City Attorney Debbie Spinner displayed a PowerPoint presentation (**See Attachment 1**) and stated that staff was seeking direction from the Council relative to the upcoming renewal of Property, Liability, Aviation and Workers' Compensation Insurance. She provided brief background information relative to the Property and Public Liability Trust Fund and said that the Trust Fund, which is funded by the City's General Fund, includes disbursement for the following:

- Liability claims and cases
- Attorney fees and litigation costs
- Insurance premiums (Excess Liability, Property and Aviation)

Ms. Spinner advised that bids would be brought back for the Council to determine which policy would be best for the City. She referred the Council to a chart entitled "Property – Liability – Aviation – Insurance Premium Costs" and said that it was anticipated that this year's premium costs would be comparable to last year's. (See Page 4 of Attachment 1)

Ms. Spinner noted that the City maintains a Self-Insured Retention (SIR) level of \$3 million per occurrence and Excess Liability insurance coverage in the amount of \$35 million for a total of \$38 million per claim. She recommended that the City seek bids for a SIR of \$3 million with policy limits of \$35 million and \$45 million per occurrence. She said that compared to other cities in the Valley, Mesa was on the lower end of the spectrum with regard to the amount of liability coverage carried. (See Page 6 of Attachment 1)

In response to a question from Vice Mayor Somers, Ms. Spinner explained that the City of Mesa has never received a claim that exceeded \$38 million. She noted, however, that any claims involving police actions or a serious disruption of utilities have the potential of becoming significant.

Ms. Spinner reported that the City currently carries Property insurance with a policy limit of \$300 million per occurrence and a \$50,000 deductible. She noted that the City has approximately \$1 billion in assets to insure. She indicated that it was staff's recommendation that the City seek quotes for the same \$300 million policy limit with deductibles of \$50,000 and \$100,000 to determine if a significant premium cost savings could be achieved. (See Page 8 of Attachment 1)

Responding to a question from Councilmember Kavanaugh, Joy Boswell, an Insurance Broker for Wilson Insurance, explained that as a result of the property losses from last year's hurricanes there have been increases in premium costs ranging from 4% to 8%.

In response to a series of questions from Councilmember Richins, Ms. Boswell advised that Wilson Insurance was a global company ranked third in the world. She said that she has worked with public entities insured by Wilson Insurance for 25 years and that the office located in Scottsdale employs over 120 people. Ms. Boswell indicated that she would research and determine the number of Wilson Insurance employees that currently reside in Mesa.

Ms. Spinner continued with her presentation and reported that Airport Liability insurance covers third party liability claims arising from airport operations. She explained that the current coverage provides \$50 million per occurrence with no deductible.

Ms. Spinner further indicated that Aircraft Hull insurance covers the City's aircraft and equipment for property damage or loss. She briefly outlined the coverage and policy limits of the Aircraft Hull and Aircraft Liability insurance. She said the current policy limit for Aircraft Hull insurance is the stated value of the aircraft per occurrence with a deductible of \$25,000 when in motion and \$1,000 when not in motion. Ms. Spinner added that staff recommends requesting quotes for Aircraft Hull coverage based on the current policy limits and for Aircraft Liability at \$50 million with no deductible. (See Page 11 of Attachment 1)

In response to a series of questions from Councilmember Richins, Ms. Spinner explained that the Aircraft Liability policy only covers Falcon Field Airport. She said that Phoenix-Mesa Gateway Airport was responsible for purchasing their own insurance. She also advised that insurance premiums are paid for out of the Property and Liability Trust Fund and not from the Police Department's budget.

Discussion ensued regarding how funds are allocated from the Police Department's budget to cover the aircraft insurance premium paid out of the Property and Public Liability Trust Fund.

In response to a question from Councilmember Richins, City Manager Christopher Brady advised that the specific costs for aircraft insurance would be included in future presentations related to police aircraft.

Responding to a question from Vice Mayor Somers, Ms. Spinner explained that the Police Department is the only department in the City that has aircraft, therefore, the specific costs associated with insuring police aircraft could be identified.

Ms. Spinner advised that staff's recommendation would be to obtain quotes at the existing levels for all aviation insurance coverage. She introduced Safety Administrator Nitra Hawkins, who provided brief background information relative to the Workers' Compensation Trust Fund. She said that the Trust Fund was established in June of 1982 and is funded by the City's General Fund. She stated that disbursements from the Workers' Compensation Trust Fund include the following:

- Industrial injury and illness claims
- Medical and legal costs
- Special and administrative taxes
- Insurance premiums

Ms. Hawkins stated that Workers' Compensation insurance protects the City from excessive financial loss in the event of a catastrophic injury or illness. She reported that currently the City has SIR coverage in the amount of \$1 million and that any amounts over \$1 million are covered by Workers' Compensation.

Ms. Hawkins referred the Council to a chart entitled "Workers' Compensation Insurance Premium Costs" and noted that the City's SIR in FY 2006/2007 was only \$850,000. She explained that by increasing the SIR to \$1 million the City's insurance premium rates were significantly reduced. She indicated that staff recommends that the City obtain quotes for Workers' Compensation insurance with an SIR limit of \$1 million. (See Pages 15 and 16 of Attachment 1)

Responding to a question from Councilmember Kavanaugh, Ms. Hawkins explained that the insurance broker uses the City's loss time and payroll data to calculate the City's insurance premiums.

Vice Mayor Somers commented that the number of employees that the City insures has decreased. He noted, however, that the cost for Workers' Compensation insurance has actually increased.

In response to a question from Vice Mayor Somers, Mr. Brady explained that the number of employees is "disconnected" in terms of the cost for Workers' Compensation insurance. He stated that the City departments (Police, Fire, and Utility Departments) that have the highest number of claims experienced a minimal reduction in staff.

Councilmember Kavanaugh commented that a few years ago the legislature changed the rules regarding the maximum amount of benefits that are paid to employees. He said that those changes have significantly impacted the premiums that the City is required to pay.

Responding to a question from Councilmember Finter, Ms. Spinner explained that in the last few years there have been some significant pressures placed on the Trust Fund. She advised that a number of cases in the Litigation Department have been resolved and that staff anticipates that those pressures should level out. She noted that increases to the Trust Fund are dependent on the number of claims presented.

Ms. Spinner reported that prior to FY 2009/2010 the City had an SIR of \$2 million. She said that the insurance premium was reduced when the City increased the SIR to \$3 million. She noted that based on the size of the City a \$1 million or \$2 million SIR was unrealistic. Ms. Spinner indicated that staff would obtain quotes for a \$2 million and a \$3 million SIR so that the Council could make a determination as to which SIR would be best for the City.

Councilmember Finter suggested that staff research and determine if it would be in the best interest of the City to pay the extra premium costs up front as opposed to increasing the transfers into the Trust Fund.

Ms. Spinner commented that in the past 10 years there have been three cases that exceeded the City's \$2 million SIR. She reiterated that the City's insurance broker would seek quotes for an SIR in the amount of \$2 million and \$3 million and that those quotes would be brought back for the Council's consideration. In addition, she said that staff would research the transfers made to the Trust Fund.

Vice Mayor Somers stated that it was the consensus of the Council that the City's insurance broker obtain the above-referenced bids for insurance renewals.

Vice Mayor Somers thanked staff for the presentation.

1-b. Hear a presentation, discuss and provide direction on Discovery Point Retirement Apartments.

Councilmember Richins commented that the transaction that is being considered with Discovery Point Retirement Apartments was complex. He noted, however, that after participating in discussions with the applicant he was comfortable with the agreement.

Director of Housing and Community Development Tammy Albright briefly reviewed the Discovery Point Retirement Apartments agreement as follows:

- Repay the original loan of \$418,679 to the Department of Housing and Urban Development (HUD)
- Allow the interest to be reinvested back into the project and the Deed of Trust released
- HOME Investment Partnerships (HOME) Restrictive Use Agreement would remain in place until December 21, 2015
- 10 units would be maintained in compliance with HOME regulations until December 15, 2015
- Project would be monitored to confirm the HOME grant affordability period

In response to a question from Councilmember Richins, Ms. Albright explained that City staff would continue to monitor the project, inspect the units and review the eligibility of the tenants.

Responding to a question from Vice Mayor Somers, Ms. Albright advised that staff is required to monitor all of the HOME projects.

Councilmember Kavanaugh expressed his support for the recommendation and thanked staff for their efforts.

In response to a question from Councilmember Kavanaugh, Ms. Albright explained that some of the older HOME projects have experienced similar issues. She noted, however, that staff was working to help those projects get back on track.

Councilmember Kavanaugh requested that staff keep the Council informed as to which organizations have required the City's assistance in bringing their payments up to date.

Councilmember Finter indicated that he was in support of the agreement and expressed his appreciation for the service provided by Discovery Point Retirement Apartments.

Vice Mayor Somers stated that it was the consensus of the Council that staff proceed with the modified contract.

Vice Mayor Somers thanked staff for their efforts.

2. Acknowledge receipt of minutes of various boards and committees.

2-a. Mesa Redevelopment Authority Executive Board meeting held on July 24, 2012.

2-b. Economic Development Advisory Board meeting held on August 7, 2012.

It was moved by Councilmember Glover, seconded by Councilmember Finter, that receipt of the above-listed minutes be acknowledged.

Vice Mayor Somers declared the motion carried unanimously by those present.

3. Report of upcoming Job Order Contract Projects.

Vice Mayor Somers expressed his appreciation for the condensed Job Order Contract (JOC) report (**See Attachment 3**) and inquired as to how this report would be made available for the citizens of Mesa.

City Manager Christopher Brady stated that the JOC report would be available on the City's website along with the City's Capital Improvement Projects. He said that any other information that the Council wished to have included in the report could be added.

4. Hear reports on meetings and/or conferences attended.

Councilmember Kavanaugh: Street Improvement Open House

Councilmember Glover: 9/11 National Day of Service, Mesa Urban Garden

5. Scheduling of meetings and general information.

City Manager Christopher Brady stated that the meeting schedule is as follows:

Friday, September 14, 2012, 6:00 p.m. – Fire and Ice Season Preview, Mesa Arts Center

Tuesday, September 18, 2012, 6:30 p.m. – Building Strong Neighborhoods, District 4

Thursday, September 20, 2012, 7:30 a.m. – Study Session

Thursday, September 20, 2012, 10:00 a.m. – Benedictine University Ribbon Cutting

6. Items from citizens present.

There were no items from citizens present.

7. Adjournment.

Without objection, the Study Session adjourned at 8:03 a.m.

SCOTT SOMERS, VICE MAYOR

ATTEST:

LINDA CROCKER, CITY CLERK

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Study Session of the City Council of Mesa, Arizona, held on the 13th day of September, 2012. I further certify that the meeting was duly called and held and that a quorum was present.

LINDA CROCKER, CITY CLERK

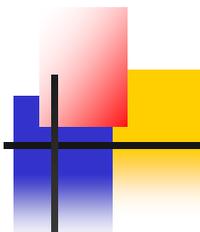
bdw
(attachments – 3)

2012 Insurance Coverage Renewal

Property & Public Liability Trust Fund
And Workers' Compensation

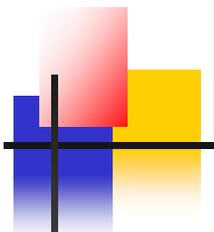
Renewal of City's Insurance Coverage





Property and Public Liability Trust Fund

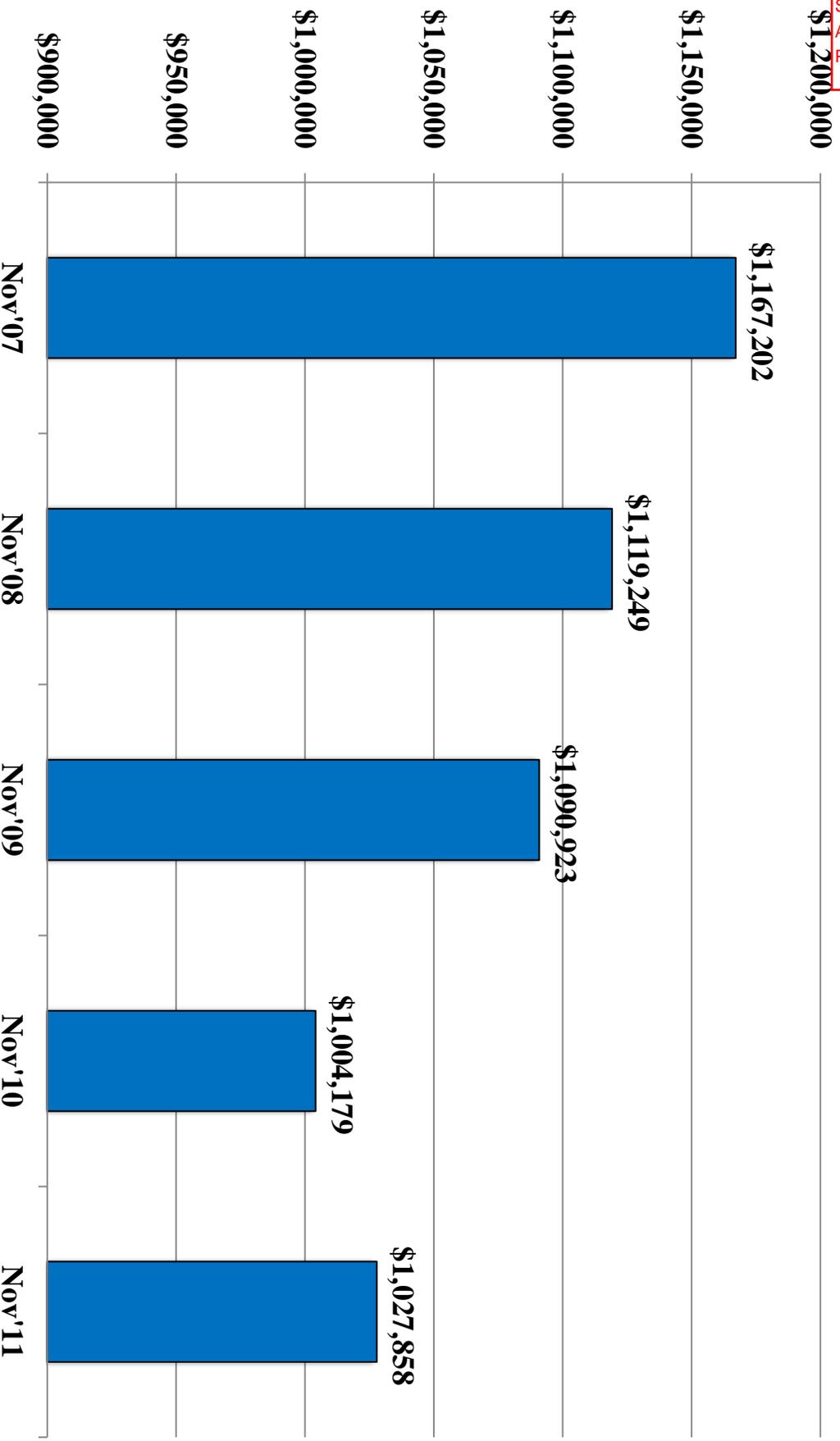
- Funded by City General Fund
- Disbursements include:
 - Liability claims and cases
 - Attorneys fees and Litigation Costs
 - Insurance Premiums

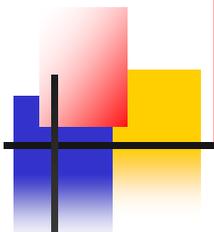


Insurance Coverage Renewal

- Excess Liability
- Property
- Aviation

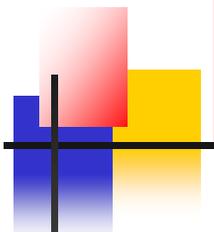
Property - Liability - Aviation - Insurance Premium Costs





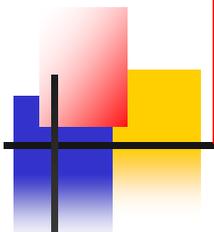
Excess Liability Insurance

- Insurance coverage above the City's SIR (self-insured retention)
- Current coverage
 - City's SIR - \$3 million
 - Excess coverage - \$35 million



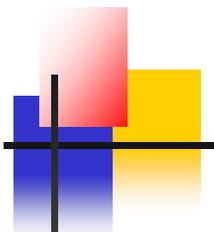
Recommendation

- Obtain quotes with the following variables:
 - SIR - \$3 million
 - Policy limit (per occurrence)
 - \$35 million
 - \$45 million



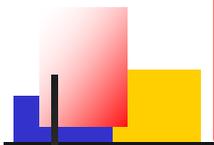
Property Insurance

- City has approximately \$1 billion in property assets.
- Current Coverage
 - \$50,000 deductible
 - \$300 million (per occurrence)



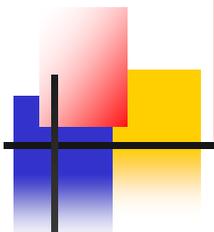
Recommendation

- Obtain quotes with the following variables:
 - Deductible
 - \$50,000
 - \$100,000
 - Policy limit (per occurrence)
 - \$300 million



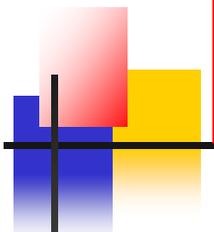
Airport Liability

- Airport liability insurance covers third-party liability claims arising from airport operations.
- Current coverage
 - \$0 deductible
 - \$50 million (per occurrence)



Aircraft Hull and Liability Insurance

- **Aircraft hull** insurance covers the City's aircraft and equipment for property damage loss.
- **Aircraft liability** insurance covers third party liability claims arising from aircraft operations.



Aircraft Hull & Liability Insurance

- Current coverage

Aircraft Hull

Deductible

\$25,000 (in motion)

\$1,000 (not in motion)

Aircraft Liability

Deductible

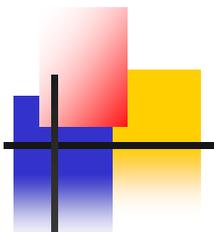
\$0

Policy limits (per occ.)

Stated value of aircraft

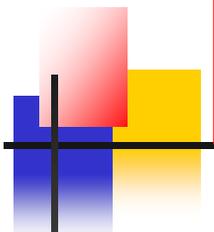
Policy limits (per occ.)

\$50 million



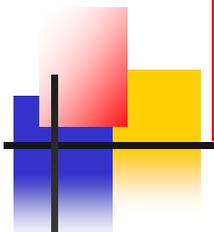
Recommendation

- Obtain quotes at the existing levels for all aviation insurance coverage:



Workers' Compensation Trust Fund

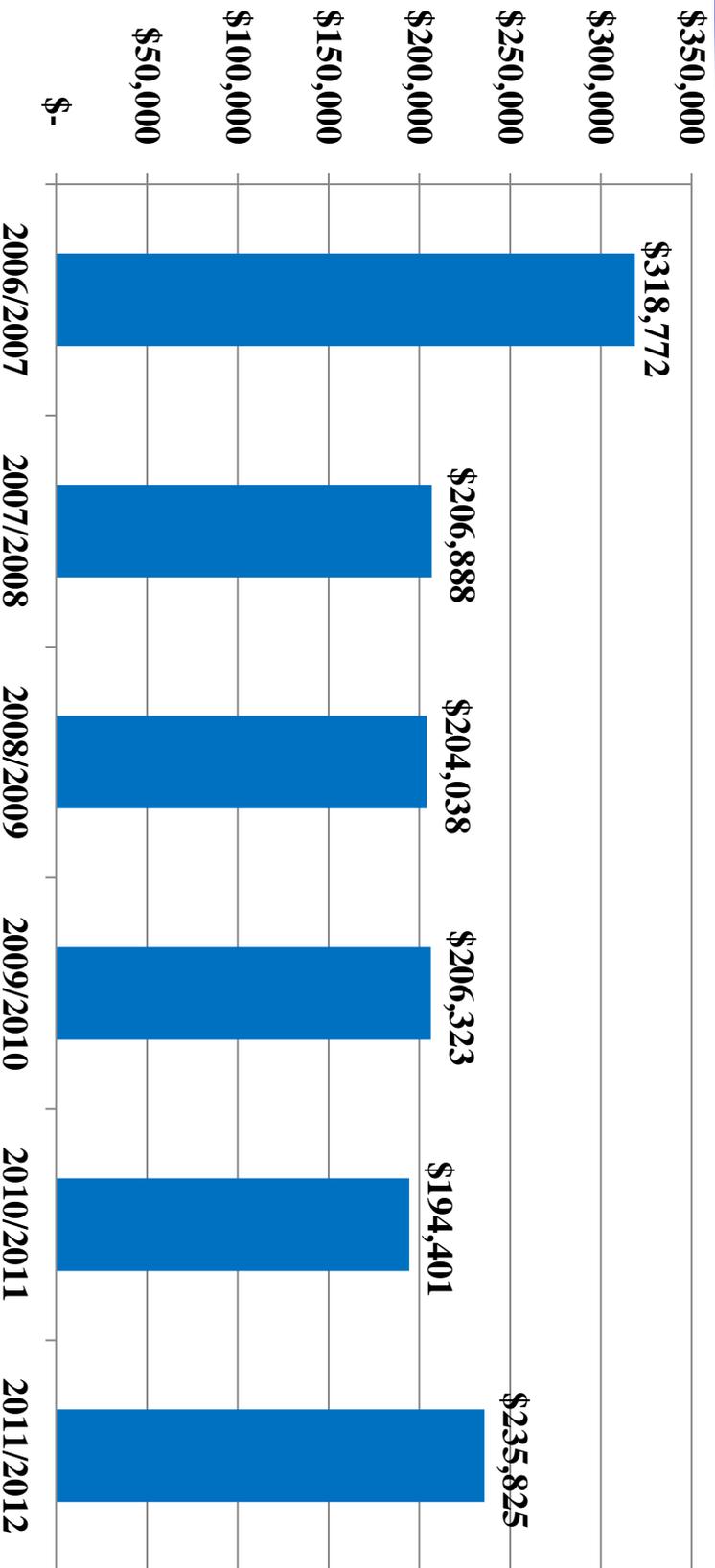
- Funded by City General Fund
- Disbursements include:
 - Industrial Injury and Illness claims
 - Medical and Legal Costs
 - Special and Administrative taxes
 - Insurance Premiums

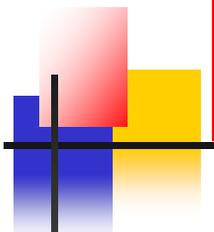


Workers' Compensation Insurance

- Protects the city from excessive financial loss in the event of a catastrophic injury / illness
- Insurance coverage above the City's SIR (self-insured retention)
- Current coverage
 - City's SIR - \$1 million

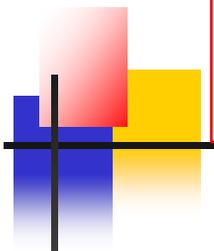
Workers' Compensation Insurance Premium Costs





Recommendation

- Obtain quotes with the same SIR limit (\$1 million) for workers' compensation.



■ QUESTIONS?

Discovery

Point



Housing and Community Development

September 13, 2012

History

- Located at 6210 East Arbor
- Built in 1996 using Arizona State tax credits and City of Mesa HOME funds
- 182 unit for low income persons at least 62 years old
- The only full service tax credit property of its kind in Arizona
- Service package available to residents
- 87% of the residents purchase the service package
- Extremely well-kept and is an asset to the City of Mesa

History

- HOME Loan Agreement for \$418,679
- Interest rate of 7.52% over an 18 year term
- Annual payments of \$53,786.84
- Unpaid remaining principal and interest due at the end of the term
- One partial payment of \$26,893.42 received
- All parties agreed to an extension
- Until 2008 documentation was provided to show the project had no surplus revenue to repay the loan

Current Obligations

- City to monitor for the next four (3) years of the affordability period – Dec. 2015
- City has invested \$577,019 in CDBG funds to rehabilitate the kitchen
- This CDBG investment requires continual use of the property as an affordability (80% or less of area median income) housing complex for 5 years following the kitchen completion

Discovery Point Proposal

- East Valley Adult Resource's (EVAR) letter dated April 19, 2012
- Proposing repayment of the original loan of \$418,679 to HUD
- Allow the interest be reinvested back into the project and the deed of trust released
- HOME restrictive use agreement will remain until 12/31/2015
- Will maintain (10) units in compliance with HOME regulations until Dec. 2015
- Project will be monitored to confirm the HOME grant affordability period

Staff Recommendation

- Payment of the original loan amount of \$418,679 back to HUD
- Signing a revised agreement with the City of Mesa to commit an amount equal to the waived interest of \$492,862 into the improvements within a two year time period
- Completion of at least the improvements as outlined in EVAR's letter dated April 19, 2012

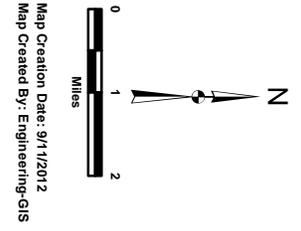
Staff Recommendation

- Providing all required documentation, invoices and inspection records of the improvements to the City's Housing and Community Development Department
- Having the improvements inspected by the City of Mesa's Housing Quality Standards Inspector for confirmation of completion of all improvements
- Continuation of the affordability period currently in place for the 10 HOME assisted units until Dec. 2015

Staff Recommendation

- The \$418,679 returned to HUD as program income, through the Maricopa County Consortium
- Funds will not be reinvested in the Mesa
- Provide the required CDBG 5 year continuation of use for 80% or less area median income (AMI) persons upon completion of the kitchen remodel

Questions ?



Planned Job Order Projects- 9/13/12

- LEGEND**
- JOC Project Location
 - Project #8- Wastewater Manhole Rehabilitation Phase 10- Citywide Project
 - Arterial/Highway
 - Public Street
 - Private Street
 - District 1
 - District 2
 - District 3
 - District 4
 - District 5
 - District 6

