



COUNCIL MINUTES

September 25, 2014

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 25, 2014 at 7:31 a.m.

COUNCIL PRESENT

John Giles
Christopher Glover
Dennis Kavanaugh
David Luna
Dave Richins
Scott Somers

COUNCIL ABSENT

Alex Finter

OFFICERS PRESENT

Christopher Brady
Debbie Spinner
Dee Ann Mickelsen

Mayor Giles excused Councilmember Finter from the entire meeting.

1-a. Hear a presentation, discuss and provide direction on the 2014/2015 Property, Liability, Aviation, Cyber Risk and Workers' Compensation Insurance and Self-Insurance Surety Bond.

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 introduced Deputy City Attorney Marc Steadman, Safety Administrator Nitra Hawkins, Risk Manager Claims Analyst Lisa Lorts and Bill Schulz of Willis of Arizona Insurance, who were prepared to assist with the presentation.

Ms. Spinner reported that the Property and Public Liability Trust Fund is funded by the City's general fund. She noted that disbursements include not only the insurance premiums, but also payments of any claims, lawsuits, attorney's fees and litigation costs in defending those claims and lawsuits. She advised that the insurance coverage renewal being purchased covers the Excess Liability, Property, Aviation and Cyber Risk insurance, which cost \$1.1 million in insurance premiums last year. (See Page 4 of Attachment 1)

In response to a question from Councilmember Richins, Ms. Spinner explained that both the insurance industry trends and the function of claims could both impact the cost of insurance premiums. She also stated that since 2001, insurance premiums have fluctuated, but remained relatively stable in the past few years.

Ms. Spinner, in addition, reported that the City maintains a Self-Insured Retention (SIR) level of \$3 million per occurrence, which operates similar to a deductible. She stated that the City has Excess Liability insurance in the amount of \$40 million and pointed out that any excess over that amount would be the City's responsibility. She also noted that the City has never exceeded the

excess coverage and recommended that staff seek bids for \$3 million SIR and policy limits of \$40 million and \$50 million in order to conduct a rate comparison. (See Page 6 of Attachment 1)

Ms. Spinner highlighted the Property insurance, which protects the City's \$1 billion in property assets. She stated that the current policy has a \$50,000 deductible and a policy limit of \$300 million per occurrence. She recommended that staff seek quotes for \$50,000 and \$100,000 deductibles as well as a \$3 million policy limit. (See Page 8 of Attachment 1)

Responding to a question from Councilmember Richins, Ms. Spinner clarified that in the past 12 years, the City has had perhaps one or two claims that exceeded \$50,000.

In response to a question from Councilmember Richins, Mr. Steadman indicated that a flood event would be included under the liability coverage, but not the property coverage.

Responding to a question from Councilmember Richins, Mr. Schulz commented that the Terrorism Risk Insurance Act (TRIA) coverage is available for damages involving acts of terrorism that are declared by Congress.

Mayor Giles inquired if the City has explored the financial pros and cons of reducing the deductible to ensure insurance coverage for ordinary claims.

Ms. Spinner responded that she doesn't believe it has been done in the last several years, but stated that staff can seek bids at the direction of the Council.

Discussion ensued relative to reviewing the natural catastrophic coverage with the Probable Maximum Loss (PML) formula to confirm that the \$300 million in coverage is consistent with the industry standard.

Ms. Spinner continued with her presentation and discussed the Airport and Aircraft Liability insurance. (See Page 9 of Attachment 1) She indicated that the coverage is for Falcon Field Airport and noted that Phoenix-Mesa Gateway Airport purchases its own insurance. She stated that the Airport Liability insurance protects the City against claims of negligence associated with airport operations (i.e., slip and fall). She advised that staff recommends requesting quotes based on the current policy limits of \$1 million, at a total cost of \$15,000.

Ms. Spinner also highlighted the Aircraft Hull and Liability insurance that protects aircraft assets and any negligence associated with aircraft operations. She recommended keeping the same \$100 million policy limit at a cost of \$72,000.

Ms. Spinner explained that Cyber Risk insurance was purchased for the first time last year. She stated that this coverage protects the City from possible disclosure of personal or sensitive customer and employee information that is transmitted electronically. She advised that staff recommends obtaining quotes with policy limits of \$5 million and \$10 million.

Councilmember Somers commented that credit card companies are implementing a new credit card next year that will contain a chip to help cut down on fraudulent activities. He recommended that staff research the issue and determine how it could impact the City's liability and risks.

Ms. Spinner stated that if such a change took place, there would be a period of time before we would see an impact on insurance rates.

In response to a question from Mayor Giles regarding risks associated with a breach in security, Mr. Schulz explained that the Cyber Risk insurance policy will cover any negligence filed by customers against the City.

Ms. Hawkins provided brief background information relative to the Workers' Compensation Trust Fund, which is funded by the general fund. (See Page 12 of Attachment 1) She reported that the disbursements include Industrial Injury/Illness claims, Medical and Legal costs, Special and Administrative taxes and insurance premiums. She stated that currently, the City has SIR coverage in the amount of \$1 million per occurrence and added that staff recommends obtaining quotes for \$1 million and \$1.5 million SIR in order to conduct a price comparison.

Ms. Hawkins displayed a graph (See Page 14 of Attachment 1) illustrating the Workers' Compensation insurance premiums in the past five years. She pointed out that last year, the City paid a total of \$314,819 in insurance premiums.

Councilmember Richins expressed concern that there has been a significant upward trend in costs, as well as an increase in injuries in the workforce. He recommended that the City look at implementing additional preventive safety programs for employees.

Councilmember Somers recommended having a discussion at a future Study Session to review safety data that reflects the number of injuries by department.

Mayor Giles pointed out that the information being presented reflects an increase of \$50,000 and it would be interesting to learn if the increase is due to claim payouts over the years or potential industry changes.

Councilmember Kavanaugh commented that the premiums being discussed are for excess coverage and noted that the driver for excess coverage is medical costs for catastrophically injured workers (i.e., paraplegic and quadriplegic) requiring lifelong care. He also stated that the City has done a good job in managing these claims, which is due to safer workplaces and communicating safety tips to employees.

Ms. Hawkins clarified that very few claims have exceeded \$1 million dollars. She noted that the City's Safety Committee is continuously working to ensure safety measures are implemented and followed by employees. She added that the City has implemented the Smith Driving System Training, which enables City drivers to be more aware when driving on the streets.

Ms. Hawkins continued with her presentation and stated that the City is authorized to act as a self-insurer for the payment of Workers' Compensation benefits by the Industrial Commission of Arizona through the purchase of a surety bond. She stated that staff anticipates the bond to be \$25.8 million.

Mayor Giles thanked staff for the presentation.

1-b. Hear a presentation, discuss and provide direction on the Mesa Fire and Medical Department's Community Care Response Initiative relating to the Centers for Medicare and Medicaid Healthcare Innovation Grant award.

Assistant Fire Chief Mary Cameli introduced the Mesa Fire and Medical Department's (MFMD) Medical Director Dr. Gary Smith, Grant Administrator Tony Lo Giudice, and Deputy Chief Steve Ward, who were prepared to assist with the presentation.

Chief Cameli displayed a PowerPoint presentation (**See Attachment 2**) and updated the Council on the Medicare and Medicaid Healthcare Innovation Award for the Community Care Response Initiative Project (CCRIP). She explained that the City has partnered with Mountain Vista Medical Center, CPR Behavioral Health, Superstition Fire and Medical Department, A.T. Still University and the Town of Queen Creek Fire Department and thanked them for their involvement and continued efforts.

Chief Cameli explained that the MFMD is one of the first fire departments in the region to receive the Innovation Award from the federal government. She stated that the Council approved the grant application last year and the City was notified of the award on July 8th in the amount of \$12,505,714 (no matching funds). She also announced that the grant is for three years and it will pay salaries and benefits for key personnel and related equipment. (See Page 3 of Attachment 2)

Chief Ward offered a brief overview of the program goals. (See Page 4 of Attachment 2)

Mayor Giles stressed the importance of advising citizens that there will be no costs associated with the services provided throughout the grant cycle.

Chief Ward concurred with Mayor Giles' comment and added that there will be no funds recovered and that staff will only be monitoring the movement of funds to compare costs.

Chief Camelli commented that staff is moving forward with a Request for Proposal (RFP) for the billing service component of the grant. She stated that the billing process guidelines will be noted in the RFP.

Dr. Smith highlighted various innovative strategies that have been implemented under the Community Care Programs. He stated that the Community Care Units will operate 24 hours a day (including holidays) and provide various service programs as follows:

- Community Care Special (Behavioral) operating every day at peak-demand time
- Nurse Triage in the Communications Center
- Follow-up care
- Immunizations
- Medical service-based home inspections
- Centralized medical direction

Responding to a question from Councilmember Somers, Dr. Smith clarified that staff is evaluating various transport services. He noted that the Police Department has the ability to transport a patient to alternative facilities without violating any regulations set by the Department of Health Services (DHS).

Chief Camelli commented that staff met with DHS and pointed out that the agency was aware of the program and services.

Councilmember Somers commented on the need to obtain a Certificate of Need (CON), which allows for coordinated planning of new projects and help aid the sustainability of the program.

Responding to a question from Mayor Giles, Dr. Smith confirmed that the program is not at a level to bill for follow-up care, but suggested that it could be implemented in the future.

Mr. Lo Giudice outlined the City's responsibilities under the cooperative agreement (See Page 6 of Attachment 2) as follows:

- Data collection/sharing
- Financial reporting
- Financial administration
- Programmatic reporting
- Programmatic milestones
- Operations
- Contract compliance

Mr. Lo Giudice, in addition, announced that a project officer has been assigned to the program and will be conducting site visits throughout the grant cycle.

Mayor Giles thanked staff for the presentation.

1-c. Appointments to Council Committees, Regional and other Committees and Boards.

It was moved by Vice Mayor Glover, seconded by Councilmember Luna, that the Council concur with the Mayor's recommendations (**See Attachment 3**) and the appointments be confirmed.

Mayor Giles declared the motion carried unanimously by those members present.

2. Information pertaining to the current Job Order Contracting projects.

(This item was not discussed by the Council.)

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

Councilmember Richins: Attended Environmental Protection Agency (EPA) Conference in Boston.

Councilmember Somers: Bridgestone Ribbon Cutting Ceremony

4. Scheduling of meetings and general information.

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

Thursday, September 25, 2014, 8:00 a.m. – Sustainability and Transportation Committee

Tuesday, September 30, 2014, 6:30 p.m. – Building Strong Neighborhoods District 3

Thursday, October 2, 2014, 7:30 a.m. – Study Session

5. Adjournment.

Without objection, the Study Session adjourned at 8:32 a.m.

JOHN GILES, MAYOR

ATTEST:

DEE ANN MICKELSEN, 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 25th day of September, 2014. I further certify that the meeting was duly called and held and that a quorum was present.

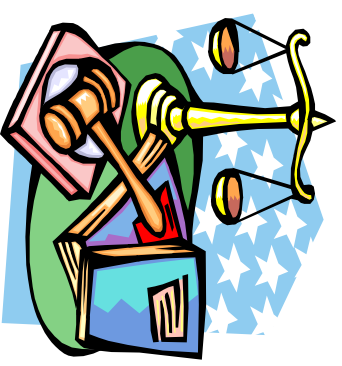
DEE ANN MICKELSEN, CITY CLERK

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(Attachments – 3)

2014 Insurance Coverage Renewal

Property & Public Liability Trust Fund
And Workers' Compensation

Renewal of City's Insurance Coverage





Property and Public Liability Trust Fund

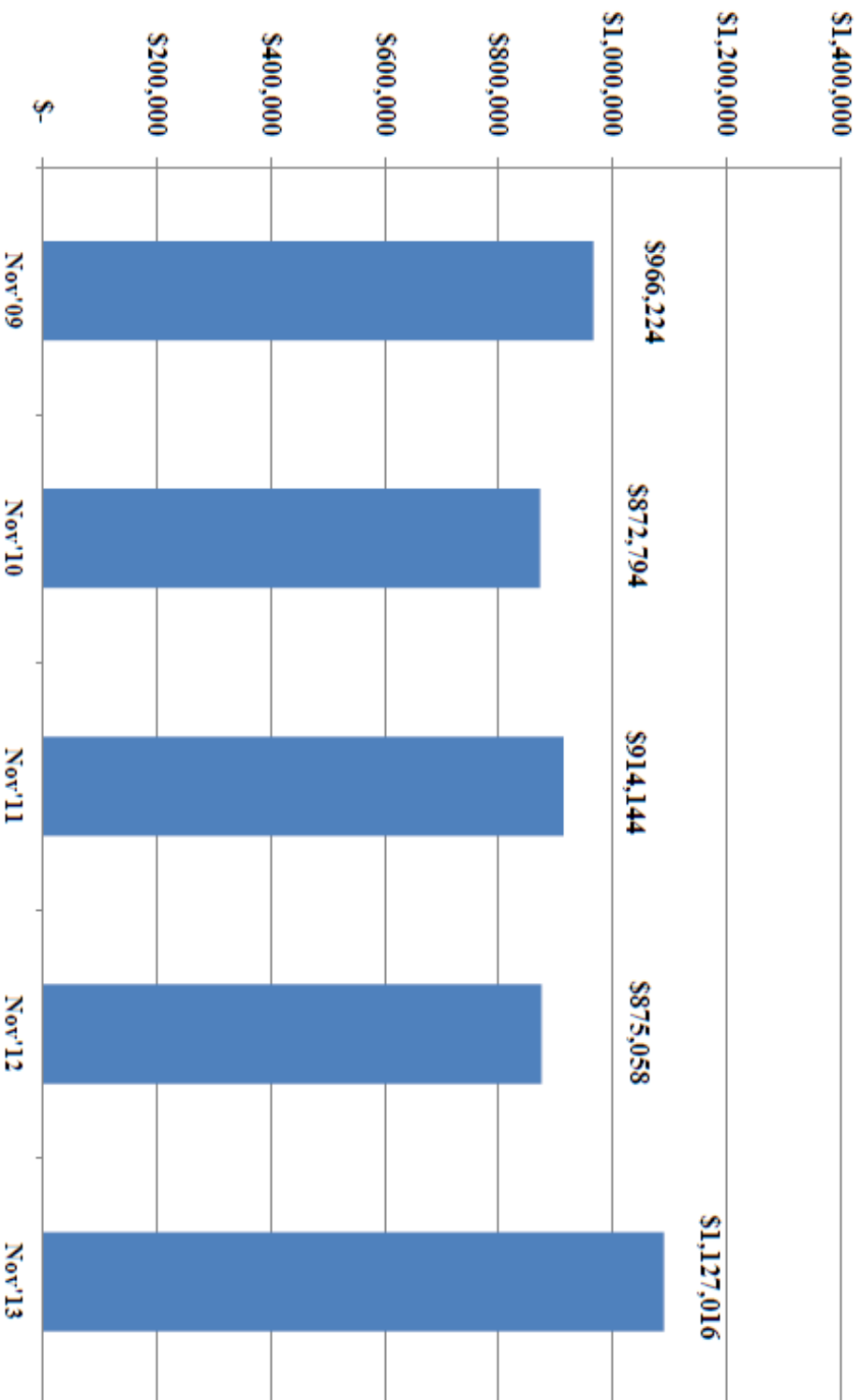
- Funded by City General Fund
- Disbursements include:
 - Liability claims and cases
 - Attorneys fees and Litigation Costs
 - Insurance Premiums



Insurance Coverage Renewal

- Excess Liability
- Property
- Aviation
- Other

Total Excess Liability and Property Insurance Premiums





Excess Liability Insurance

- Insurance coverage above the City's SIR (self-insured retention)
- Current coverage
 - City's SIR - \$3 million
 - Excess coverage - \$40 million



Recommendation

- Obtain quotes with the following variables:
 - SIR - \$3 million
 - Policy limit (per occurrence)
 - \$40 million
 - \$50 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/Aircraft Insurance

- **Airport Liability**
 - Protects against claims of negligence associated with airport operations.

- **Aircraft Hull and Liability**
 - Protects the aircraft and surveillance equipment and negligence associated with aircraft operations.



Cyber Risk Insurance

- Protects personal or sensitive customer and employee information which is transmitted electronically.
- Credit Card Information
- Date of Birth



Cyber Risk Insurance

- Arizona Cities with this Insurance
 - Phoenix, Tempe, Gilbert, Flagstaff
- Recommendation
 - Obtain quotes with policy limits of \$5M and \$10M



Workers' Compensation Trust Fund

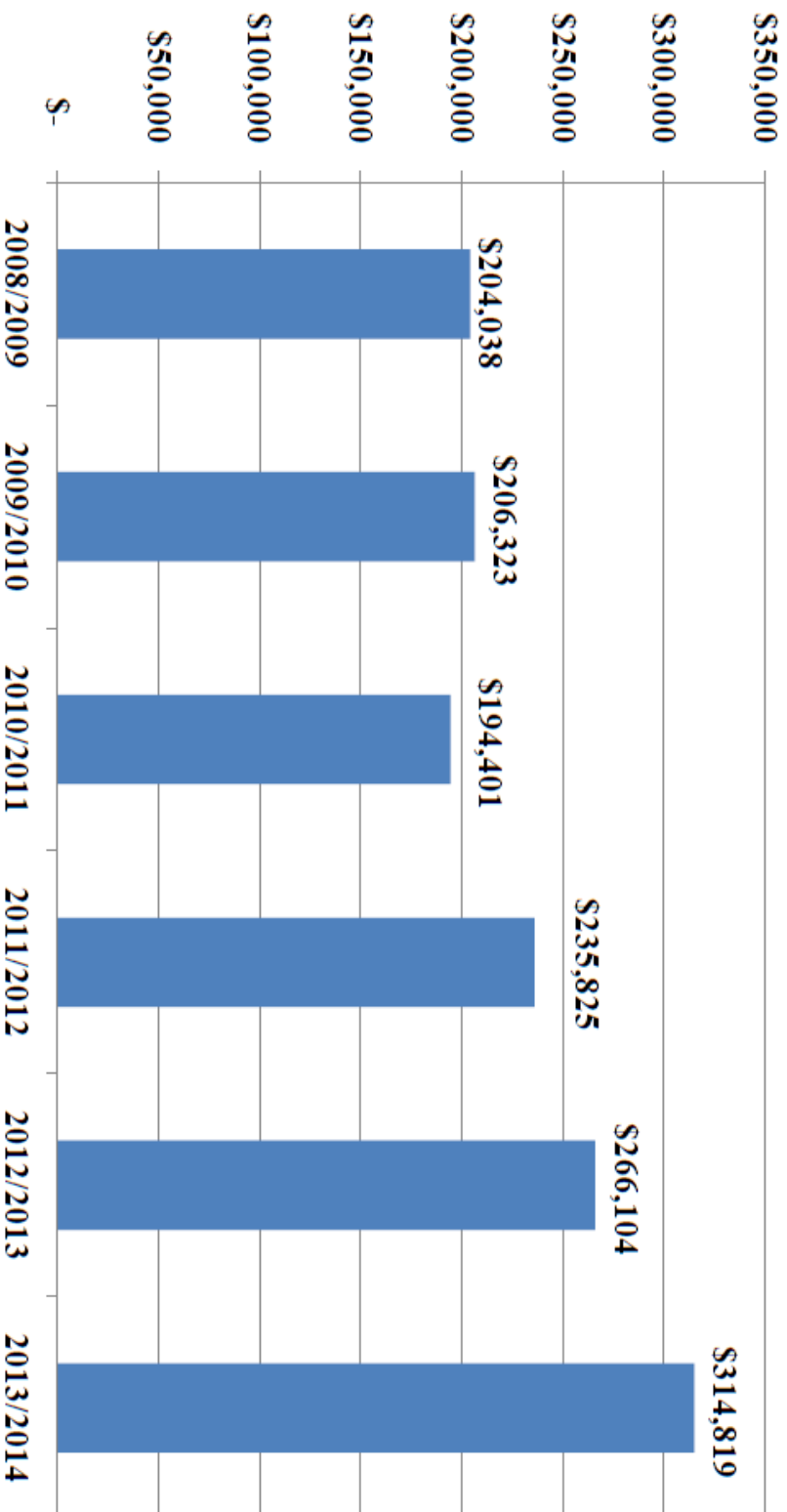
- Funded by City General Fund
- Disbursements include:
 - Industrial Injury and Illness claims
 - Medical and Legal Costs
 - Special and Administrative taxes
 - Insurance Premiums



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

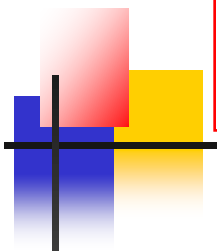
Workers' Compensation Insurance Premiums





Recommendation

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



■ QUESTIONS?

Mesa Fire and Medical Department Centers for Medicare and Medicaid Healthcare Innovation Award



GRANT PARTNERS





AWARD INFORMATION

- Notified July 8, 2014
- Grant Award is \$12,505,714 (No cost match)
- Three year grant: Period of Performance started 9/1/2014
- Grant pays salaries/benefits for key personnel & related equipment
- No further programmatic commitment required beyond final reporting



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PROGRAM GOALS

- Evaluate cost savings through pseudo billing practices
- Improve patient healthcare outcomes
- Improve healthcare system efficiencies
- Test sustainability
- Continue improving service delivery



COMMUNITY CARE PROGRAMS

- Community Care Units operating 24/7
- Community Care Special (Behavioral) operating everyday at peak-demand time
- Nurse Triage in Communications Center
- Follow-up Care
- Immunizations
- Medical service based home inspections
- Centralized Medical Direction





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COOPERATIVE AGREEMENT

City of Mesa Responsibility

- Data collection/sharing
- Financial reporting
- Financial administration
- Programmatic reporting
- Programmatic milestones
- Operations
- Contract compliance

Assigned a CMS Project Officer for weekly/monthly meetings

Operationally working in coordination with our grant partners



**Mesa Fire and Medical Department
Centers for Medicare and
Medicaid Healthcare Innovation
Award**

Questions??





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mesaaz.gov

September 25, 2014

TO: CITY COUNCILMEMBERS
FROM: MAYOR JOHN GILES
SUBJECT: Appointments to Council, Regional and Other Committees and Boards

I recommend for your approval the following appointments:

AUDIT, FINANCE AND ENTERPRISE COMMITTEE

Councilmember Dave Richins, Chairperson
Councilmember Scott Somers
Councilmember Alex Finter

SUSTAINABILITY AND TRANSPORTATION COMMITTEE

Vice Mayor Chris Glover, Chairperson
Councilmember Dennis Kavanaugh
Councilmember David Luna

PUBLIC SAFETY COMMITTEE

Councilmember Dennis Kavanaugh, Chairperson
Vice Mayor Chris Glover
Councilmember Alex Finter

Regional Agency Board Assignments:

VALLEY METRO REGIONAL PUBLIC TRANSIT AUTHORITY (RPTA)

Councilmember Dennis Kavanaugh

ARIZONA MUNICIPAL WATER USERS ASSOCIATION (AMWUA)

Councilmember Alex Finter

ECONOMIC DEVELOPMENT COMMITTEE

Councilmember Scott Somers, Chairperson
Councilmember Dave Richins
Councilmember Alex Finter

COMMUNITY AND CULTURAL DEVELOPMENT COMMITTEE

Councilmember David Luna, Chairperson
Councilmember Dennis Kavanaugh
Councilmember Dave Richins

METRO RAIL

Councilmember Dennis Kavanaugh

GATEWAY AIRPORT AUTHORITY

Mayor John Giles

Maricopa Association of Governments (MAG) Committee Assignments:

REGIONAL COUNCIL

Mayor John Giles

HUMAN SERVICES COORDINATING

Vice Mayor Chris Glover

TRANSPORTATION POLICY COMMITTEE

Mayor John Giles

Other Committee Assignments:

ARIZONA MUSEUM FOR YOUTH FRIENDS

Councilmember David Luna

GANG PREVENTION STEERING COMMITTEE

Councilmember Alex Finter

ARIZONA MUSEUM OF NATURAL HISTORY

Vice Mayor Chris Glover

MESA ARTS CENTER FOUNDATION BOARD

Councilmember David Luna

CHAMBER OF COMMERCE

Councilmember Dave Richins

MESA SISTER CITIES

Councilmember Dennis Kavanaugh

CITIZEN CORPS

Councilmember Alex Finter

MESA UNITED WAY

Councilmember Dennis Kavanaugh

CITY BENEFITS ADVISORY COMMITTEE

Councilmember David Luna

Councilmember Dave Richins

SELF INSURANCE BOARD OF TRUSTEES

Councilmember Scott Somers

DOWNTOWN MESA ASSOCIATION

Vice Mayor Chris Glover

VISIT MESA BOARD

Councilmember Scott Somers

EAST VALLEY PARTNERSHIP BOARD

Mayor John Giles

WEST MESA CDC

Councilmember Dennis Kavanaugh