

CITY OF MESA

Meeting Minutes

Self-Insurance Trust Fund Board

Tuesday, February 21, 2023

8:00AM – 9:30AM

MCP – Room 170

Roll Call - Board Members Present:

Councilmember Scott Somers, Chairperson
Michael Kennington
Courtney Guinn
Michael Schaiberger
Peggy Lynch
Tracy Hurt, Board Secretary

Others in attendance:

Jason Reed, Deputy City Attorney
Lisa Lorts, RM Claims Analyst
Nitra Hawkins, Safety Administrator
Janice Ashley, Employee Benefits Administrator
Brian Ritschel, OMB Director
Samuel Schultz, OMB Deputy Director
Kristi Griffin, OMB Budget Coordinator
Teri Overbey, HR Director

The meeting was called to order at 8:03 am by Councilmember Somers who asked if there were any Items from citizens present. There were none.

Jason Reed gave a presentation on the Public Property and Liability Trust Fund highlighting the costs associated to the fund which include staffing, claims defense and payout, and insurance premiums (*see attachment: PPL Trust Fund Board Report*). Mr. Reed noted that the City's litigation unit handles nearly all third-party claims and lawsuits internally which provides significant savings to the PPL Trust Fund. In order to mitigate claims, staff works collaboratively with departments to categorize and identify trends in order to reduce the City's exposure. As the cost of insurance continues to rise, the City reviews coverages and explores options to manage the cost while maintaining adequate coverage. Insurance premium costs are negotiated on an annual basis and are forecasted to increase 25% over the next couple years due to the volatility in the market. In addition, claims costs are projected to increase as significant population growth continues in Mesa.

In conclusion, Mr. Reed recommended a City contribution of \$8.9M for FY 22/23 so that the fund will have an ending balance of \$10M in order to ensure that the PPL Trust Fund maintains the ability to cover the costs and expenses necessary to protect the City.

Samuel Schultz, Office of Management and Budget Deputy Director presented the *PPL Trust Fund Financial Update and FY 23/24 Funding Recommendations* report for reference. Mr. Schultz noted that the original FY 22/23 City contribution was projected at \$7.8M to achieve the reserve balance of \$10M. Due to higher-than-expected claim costs, the City is anticipating an additional transfer of \$1.1M into the PPL Trust Fund to achieve the \$10M reserve balance. For FY 23/24 the recommendation is a City contribution of \$11M. Due to the constraints of increasing insurance premiums and rising claims costs, the City is also recommending a change in policy to increase the minimum reserve balance of the fund to a floating balance between \$10 and \$15 million.

Nitra Hawkins, Safety Administrator, gave a presentation on the Workers' Compensation Trust Fund (*see attachment:*). Ms. Hawkins provided an overview of the City's self-insured and self-administered workers' compensation program operations, expenses, and staffing for the administration of the Workers' Compensation program.

Ms. Hawkins noted that excess workers' compensation insurance (Stop Loss) premiums have increased and now include a \$2M presumptive cancer tier.

While reviewing the number of workers' compensation claims by calendar year listed on Page 2 of the presentation, Ms. Hawkins noted that claimants have a lifetime right to reopen claims and that more complex and severe claims can contribute to this. Referencing the Annual Experience Modification Rate on Page 4, Ms. Hawkins explained that the goal of the City is to be at the industry standard of 1.00 although we are currently at 1.21 with the 2022 rating still pending. She explained that the rate is calculated using the previous three years average and the reason for our increase was due to severe injury in any of those three years and presumptive cancer claims. Identifying injury trends and having the Safety Services team work with departments to prevent those injuries is a priority for the Safety Services program.

Councilmember Somers asked if the injury trends noted for physical training (PT) were being monitored and Ms. Hawkins confirmed that PT injuries in some areas may result in the activity being removed as is the case for PT – Frisbee Football due to the level of injuries reported.

Mr. Guinn asked how wildland fires might affect our City and Ms. Hawkins stated that the City would be responsible for costs when firefighters are sent to help although it is an intergovernmental response. Councilmember Somers noted that it would be worth looking into recovery for costs since it is a state or federal response. Mr. Guinn also asked if the City is able to recoup any costs for motor vehicle accidents when the City is not at fault. Ms. Hawkins stated that the City has subrogation lien rights to recover funds.

In conclusion, Ms. Hawkins reviewed the many Safety Programs and Committees as shown on the last page of the presentation that work to improve employee safety practices and prevent injuries.

Mr. Schultz provided the *Workers' Compensation Trust Fund Financial Update and FY 23/24 Funding Recommendations* memo (attached) and stated that FY 22/23 expenses are projected to be at \$8.7M and that for FY 23/24 costs related to the Fire Cancer contribution will be removed from the Workers' Compensation Trust Fund and recorded out of the City's General Fund. FY 23/24 funding contribution recommendation is \$8M to ensure an ending reserve balance sufficient to cover the following years expenses.

Janice Ashley, Employee Benefits Administrator, presented on the Employee Benefits Trust Fund (EBT). Referring to the *City of Mesa EBT Operations Report* (attached) Ms. Ashley provided an overview of the EBT Benefit Programs, Funding and Revenue sources, Operational Highlights including the Open Enrollment Fall 2022 and Health and Wellness Initiatives. Ms. Ashley noted that a competitive RFP process for third-party administration services in 2022 resulted in a re-award to Cigna effective January 2023 which provides a five-year term with no increase guarantee on base administration fees during the five-year term. In addition, Cigna provides almost \$300,000 in wellness fund reimbursements to the City. Insurance premium costs are reviewed annually to determine contribution rates for the City and for employees and retirees.

Mr. Schultz provided the *EBT Financial Update and FY 23/24 Funding Recommendations* (attached) noting that current FY 22/23 claims costs are trending below budget and are expected to finish the year at \$88.4M while total fund expenses are projected to finish at \$99.4M. The current reserve balance policy set the fund reserve minimum at 30% of year-end EBT fund balance to cover following year total expenses. Mr. Schultz stated that the recommendation for FY 23/24 includes the same increase to premium contributions as the prior year which is a 5% increase for active employees and a 3% increase for retirees. He noted that this equates to a FY 23/24 City contribution of \$75.9M to the EBT fund resulting in an estimated year-end fund balance of \$52M (47.9% of the following year's projected expenses) in FY 23/24.

Michael Kennington asked how a 5% increase in premiums is justified based on the projected lower claims expenses. Mr. Schultz noted that continued monitoring of the expenses will occur and that the final budgeted contribution amount may differ slightly as the estimated number of employees/retirees is further refined during the budget process.

Councilmember Somers asked if the presumptive cancers affect the EBT fund and Nitra responded that those claims go through the Workers' Compensation fund, not the EBT.

With the presentations concluded, the next order of business was to discuss and take action on recommendations to City Council regarding the financial viability and staff recommendations for budgeting of the following Trust Funds for FY 23/24:

- a. Public Property and Liability Trust Fund
- b. Worker's Compensation Trust Fund
- c. Employee Benefits Trust Fund

Michael Kennington made a motion to approve the recommendations as presented and Courtney Guinn seconded the motion.

Board Chair Councilmember Somers called for a vote and the Board voted as follows:

Peggy Lynch – yes
Courtney Guinn – yes
Michael Schaiberger – yes
Michael Kennington – yes
Councilmember Somers – yes

The recommendations passed unanimously.

The next order of business was to discuss, consider, and provide direction on the Board's recommendation on whether the City Council should pass and adopt a resolution that would modify the PPL Trust Fund so that the PPL Trust Fund could maintain a floating balance between \$10 and \$15 million.

Michael Kennington made a motion to approve the recommendation as presented and Courtney Guinn seconded the motion.

Board Chair Councilmember Somers called for a vote:

Peggy Lynch – yes
Courtney Guinn – yes
Michael Schaiberger – yes
Michael Kennington – yes
Councilmember Somers – yes

The recommendation passed unanimously.

Board members were asked to verify current risk management/insurance provider licenses.

Board members were presented copies of the insurance licenses and verified all were current.

Board members were asked to discuss and take action on authorizing the Chairperson of the Board to approve Board minutes after draft minutes have been circulated to all members.

Michael Kennington made a motion to approve the minutes authorization as presented and Michael Schaiberger seconded the motion.

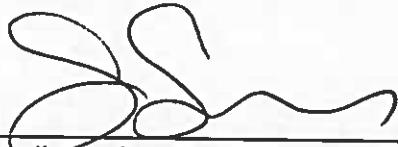
Board Chair Councilmember Somers called for a vote:

Peggy Lynch – yes
Courtney Guinn – yes
Michael Schaiberger – yes
Michael Kennington – yes
Councilmember Somers – yes

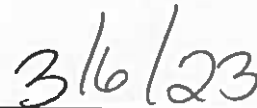
The motion passed unanimously.

The final order of business was to discuss the scheduling of future meetings. Board Secretary Tracy Hurt noted the next meeting would be February 2024.

There being no other items for discussion, the meeting was adjourned at 9:40am.



Councilmember Scott Somers, Board Chair



Date

The City of Mesa is committed to making its public meetings accessible to persons with disabilities. For special accommodations, please contact the City Manager's Office at (480) 644-3333 or AzRelay 7-1-1 at least 48 hours in advance of the meeting. Si necesita asistencia o traducción en español, favor de llamar al menos 48 horas antes de la reunión al 480-644-2767.

Attachments:

- a. *Public Property and Liability Trust Fund 2023 PPL Trust Fund Board Report*
- b. *PPL Trust Fund Financial Update and FY 23/24 Funding Recommendations Report*
- c. *Worker's Compensation Trust Fund Presentation*
- d. *Workers' Compensation Trust Fund Financial Update and FY 23/24 Funding Recommendations Report*
- e. *Employee Benefits Trust Fund (EBT) Operations Report*
- f. *Employee Benefits Trust Fund Financial Update and FY 23/24 Funding Recommendations Report*
- g. *Insurances Licenses*



Date: February 21, 2023
To: Self-Insurance Trust Fund Board
From: Jim Smith, City Attorney
Jason Reed, Deputy City Attorney
Lisa Lorts, Risk Management Claims Analyst
Subject: The City of Mesa's Property and Public Liability Trust Fund

I. Purpose.

This report addresses the financial status of the City's Property and Public Liability Trust Fund (the "PPL Trust Fund") and a budgetary recommendation for the PPL Trust Fund.

II. PPL Trust Fund Finances.

In accordance with state law, the PPL Trust Fund covers the following costs and expenses:

1. Costs associated with staffing the litigation unit in the City Attorney's Office;
2. Payouts and defense costs of third-party claims and lawsuits filed against the City and its employees; and
3. The City's insurance premiums.

In FY 21/22, the PPL Trust Fund incurred \$9.93 million in costs: \$6.17 million for claims and lawsuits; \$2.48 million for insurance; and \$1.28 million for the staffing costs of the litigation unit. For FY 22/23, the City estimates that it will have \$9.93 million in costs: \$5.60 million estimated for claims and lawsuits; \$2.90 million for insurance; and \$1.43 for the staffing costs of the litigation unit.

III. Litigation Expenses.

A. The City's Litigation Unit.

The City's litigation unit defends the City and its employees in nearly all third-party liability claims and lawsuits. In the past year, the litigation unit has handled approximately 250 claims and 46 lawsuits.

In contrast, many cities hire outside counsel to handle their claims and lawsuits. By handling most of the City's litigation matters internally, the City recognizes significant cost savings for the PPL Trust Fund. For example, in FY 20/21, the staffing cost for the litigation unit was \$1.2 million to handle 221 claims and 29 lawsuits. In contrast, the City retained outside counsel to defend the lawsuits associated with seven different incidents. In that same year, the cost of outside counsel for those seven incidents was approximately \$890,000.

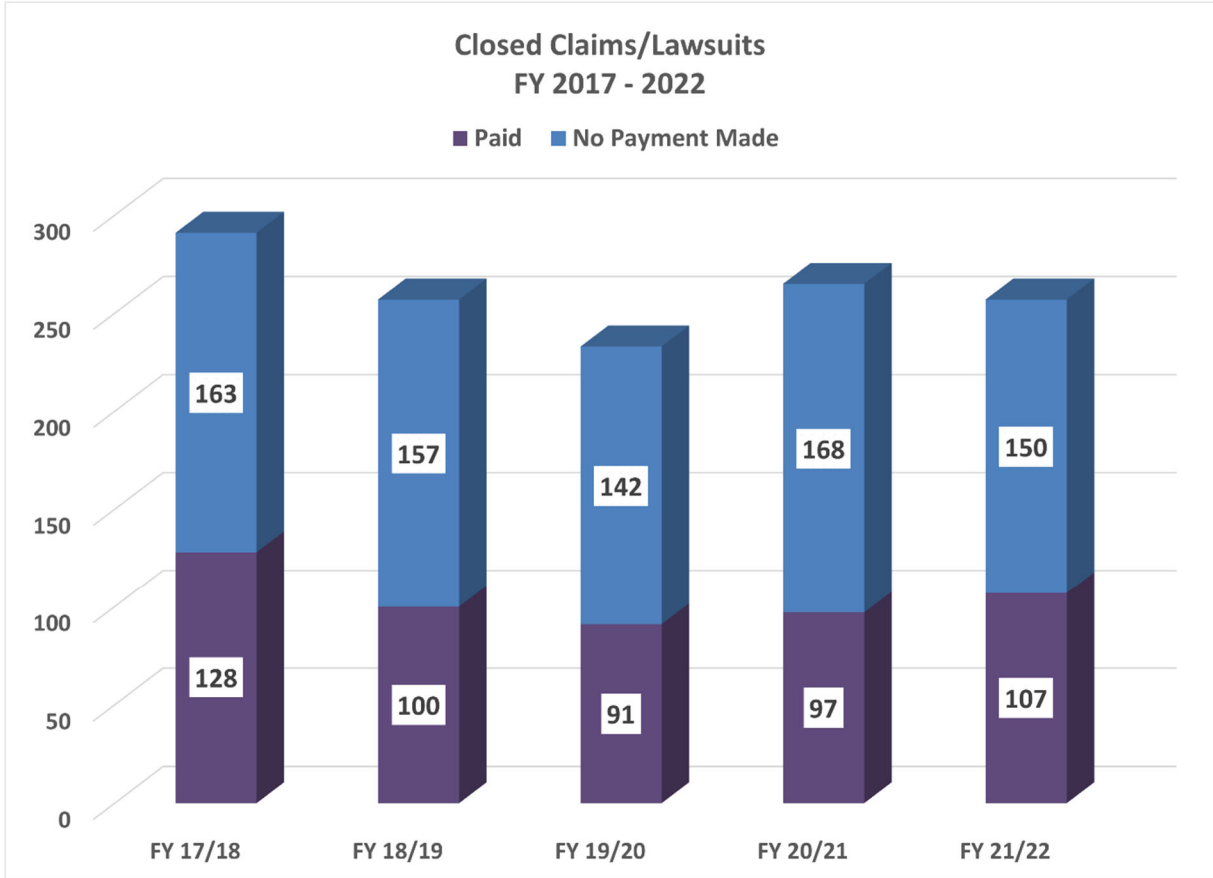
By handling litigation matters internally, the City's litigation unit also develops a strong working knowledge of the City's operations and reinforces strong working relationships with City employees. This also helps the City recognize significant cost savings because, in contrast with outside counsel, the litigation unit does not spend time and money on getting up to speed regarding the City's operations and witnesses whenever a new claim or lawsuit is filed.

The City Attorney's Office also works with City departments to help reduce the City's financial exposure and explore areas of improvement. This collaborative effort typically results in identifying better practices, implementing additional training, and increased liability sensitivity.

In the past year, the litigation unit has achieved some significant successes, including obtaining summary judgment/dismissal in multiple lawsuits against the City's Police Officers. In total, the litigation unit settled and resolved approximately 279 claims and lawsuits in 2022.

B. Claims Against The City.

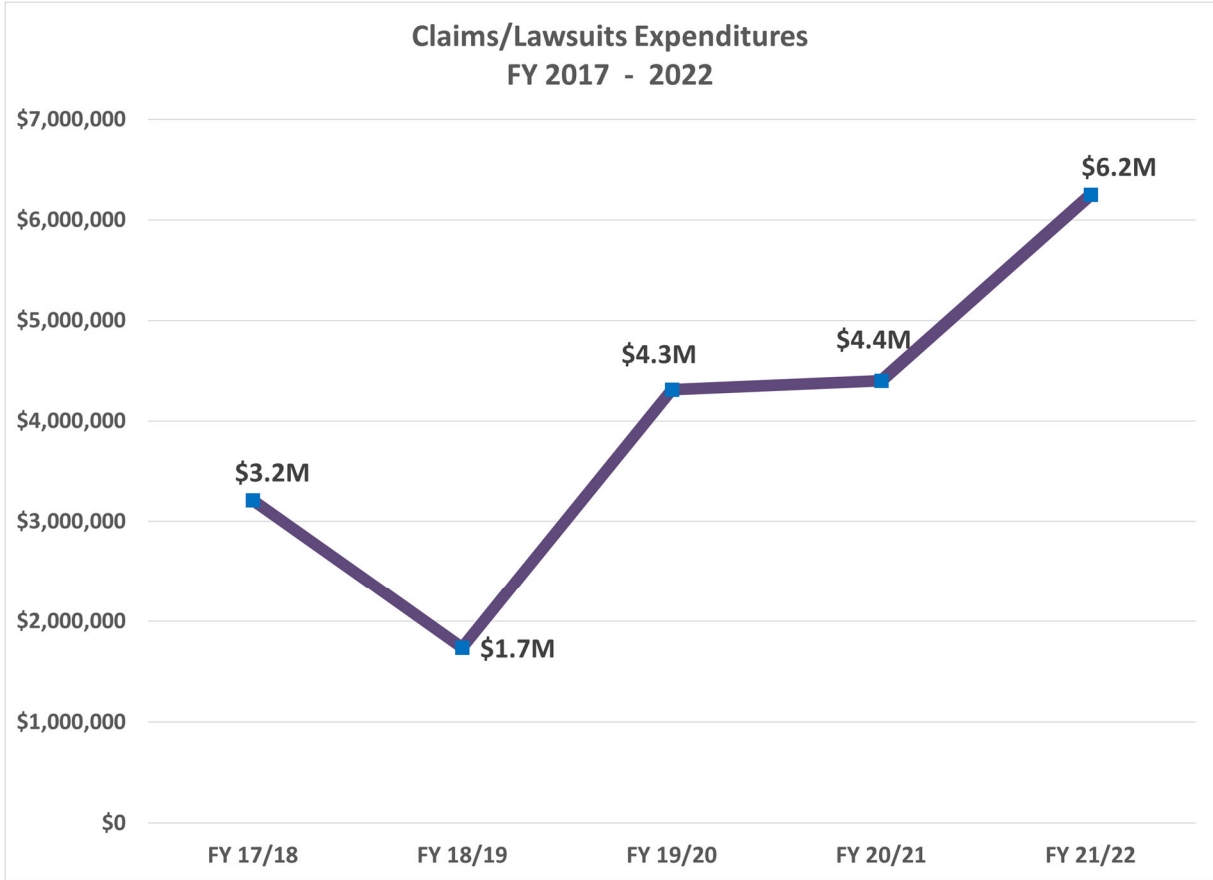
The City receives around 260 claims and 35 lawsuits each year. As shown in the following chart, the City is able to resolve a majority of these claims and lawsuits without making a payment to the claimant.



Based on national and local trends, the City anticipates that the number of claims and lawsuits filed against the City will increase. Specifically, cities that have a significant population growth (like the City of Mesa) experience an increased number of claims and lawsuits. This increase can be attributed, at least in part, to the additional services that large cities provide and the number of employees that the City has working with the public. Larger cities simply receive more claims than smaller cities.

In addition to an increased number of claims and lawsuits, the City also anticipates that litigation costs will increase. Some of those increasing costs include larger damage awards, increased outside counsel fees, higher expert witness fees, increased technology costs, and attorney fee shifting provisions.

The following chart shows the annual claim-related payouts from the PPL Trust Fund. The variation in the annual payout depends primarily on whether high-exposure cases were resolved during a particular fiscal year.

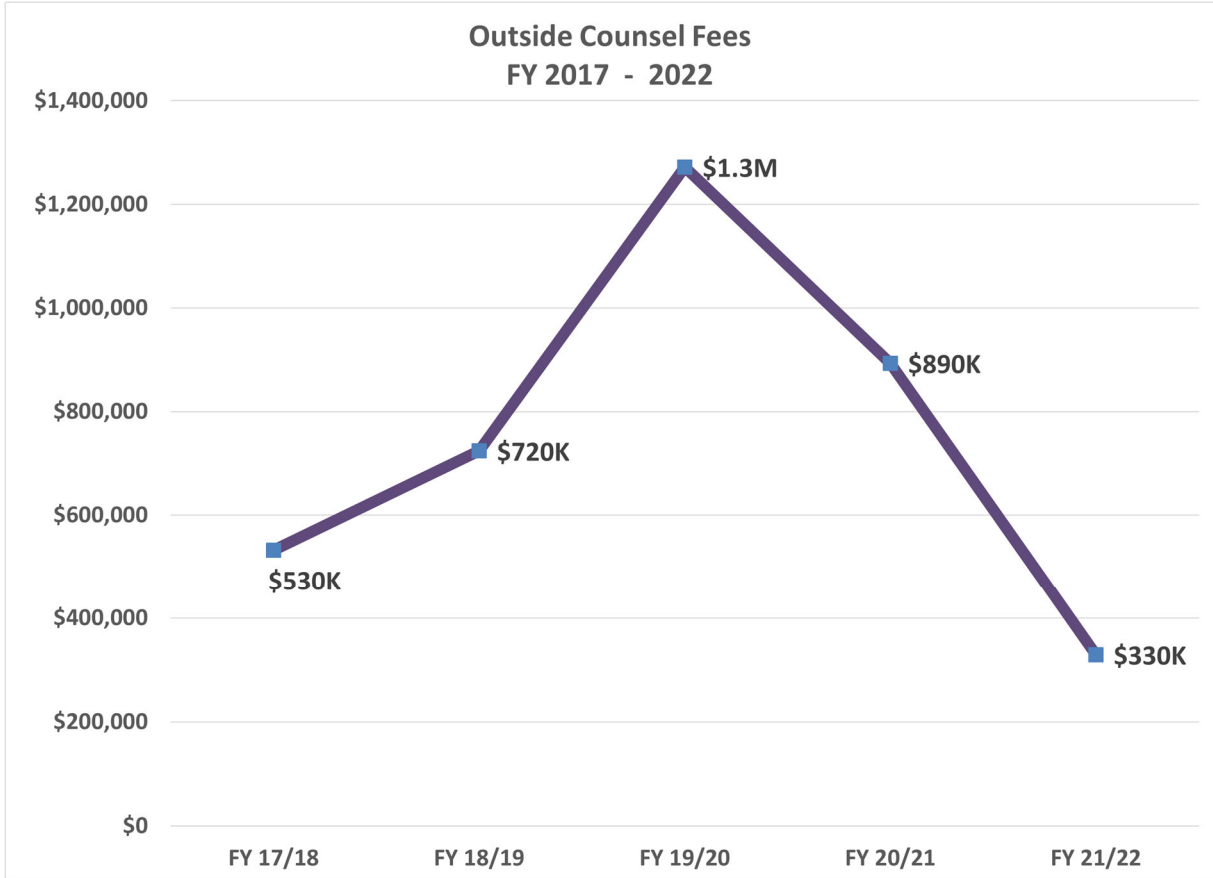


Considering the factors listed above and the number of high-exposure cases that the City is currently defending, pressure may be placed on the PPL Trust Fund if a jury awarded significant damages in one or more of the City’s high-exposure cases.

C. Outside Counsel.

The City generally retains outside counsel when a conflict of interest prevents the City’s litigation unit from defending the lawsuit, when a particular expertise is needed, and/or for certain high-exposure claims that may erode the City’s Self-Insured Retention (“SIR”).

Because high-exposure cases can last for several years, the City can continue to incur costs for outside counsel until these matters are resolved. The following chart, for example, shows the amounts spent on outside counsel for the last five years.

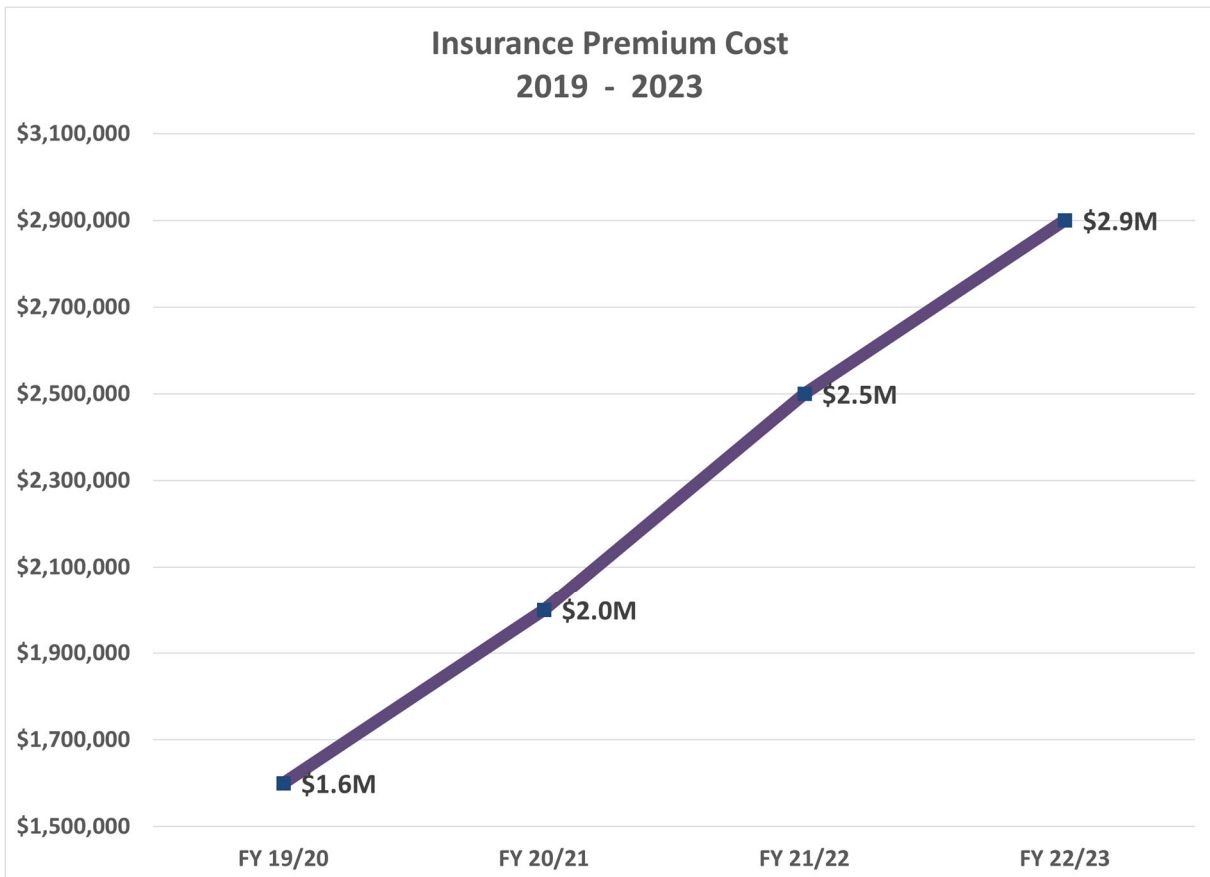


To help limit the PPL Trust Funds' exposure to the cost associated with outside counsel, the City works to expand the City's capacity to handle claims and lawsuits internally. In FY 21/22, for example, the City was able to reduce the amount spent on outside counsel by more than \$500,000 by, among other things, continuing to have the City's litigation unit handle cases internally.

The City also works with outside counsel to efficiently manage those cases by, among other things, retaining outside counsel with specific expertise, exploring areas for dispositive motions, using offers of judgment to limit plaintiffs' ability to shift their attorney fees to the City, and exploring reasonable settlement proposals.

IV. Insurance.

The insurance market for municipalities continues to be very challenging. Shown in the following chart, the City has seen a significant increase in its insurance premiums for the last four years.



Various factors are contributing to these increased premiums. Because the City anticipates that these factors will continue for the foreseeable future, the City anticipates that insurance premiums will continue to put pressure on the PPL Trust Fund.

For example, several carriers that previously provided municipal insurance have withdrawn from the market due to factors like the increasing number of lawsuits, the increasing cost of litigation, and rising settlement costs. With fewer competitors in the market, the remaining carriers have raised premiums for the available insurance capacity.

Other factors affecting the insurance carriers and contributing to the lack of capacity include inflationary pressures (that affect the carriers' investment profitability), natural

disasters (floods, winter storms, fires) where carriers have made a significant payout, and challenges within the reinsurance market.

As a result of these market pressures (lack of capacity and cost), municipalities in Arizona have reduced the total amount of their insurance coverage and/or elected not to purchase certain types of insurance.

This past year, the City made a similar decision. For example, for many years, the City purchased \$50 million in excess liability coverage. This past year, the City decided to purchase \$40 million in excess liability coverage. With that decision, the City saved \$148,608 (the cost of the additional \$10 million in insurance coverage).

Similar to excess liability coverage, cyber insurers are restricting capacity for cyber-risk insurance, are imposing strict underwriting requirements, and are raising premiums significantly. For example, the City maintained \$10 million in coverage for many years (the premium for this coverage in FY 20/21 was \$86,325). This last year (FY 21/22), the City was only able to purchase \$1 million in coverage for \$55,000. If the City had purchased that same coverage (\$1 million) for FY 22/23, it would have cost \$111,000 (over double the previous year's price).

For this year, the City also received quotes for \$3 million in coverage for \$190,000 and \$5 million in coverage for \$218,000 (each coverage had a \$1 million deductible). Following the recommendation of the City's Chief IT Officer (Travis Cutright) and Assistant Chief IT Officer (Ty Howard), the City did not purchase this coverage. For example, assuming the average cost of a government breach/cyber-attack is \$2.1 million (based on research), Mesa would pay \$1.218 million (deductible + premium) to respond to a cyber-attack, and the insurance carrier would only pay \$882,000. Assuming that the City does not suffer a cyber-attack each and every year (consistent with historical performance), the City can save money by not paying the increased premium costs for cyber insurance. Instead, the City will continue investing in a robust cyber security program to reduce the City's risk and exposure to a cyber-attack.

Considering the current market conditions for municipal insurance, the City will continue to explore various options to manage the cost and coverage of the City's insurance. Options in the future may include reducing or modifying coverage amounts and modifying the City's deductibles and SIR.

V. Summary And Recommendation.

The City has had a successful year in managing the claims and lawsuits filed against the City and its employees.

That said, pressure continues to exist on the PPL Trust Fund based on, among other things, high-exposure claims and the rising cost of litigation, outside counsel fees, and insurance. To ensure that the PPL Trust Fund maintains the ability to cover the costs and expenses necessary to protect the City, the City recommends a City contribution of \$8.9 million for FY 22/23 so that the PPL Trust Fund will have an ending balance of \$10.0 million.



Self-Insurance Trust Fund Board Report

Date: February 21, 2023
 To: Self-Insurance Trust Fund Board
 From: Samuel Schultz, Office of Management and Budget Deputy Director
 Brian Ritschel, Office of Management and Budget Director
 Subject: Property and Public Liability (PPL) Trust Fund: Financial Update and FY 2023/24 Funding Recommendations

Purpose

The Self-Insurance Trust Fund Board received information in Fiscal Year (FY) 2021/22 regarding the financial history and reserve policy of the Property and Public Liability (PPL) Trust Fund. This report will provide an update on the financial status of the fund through FY 2021/22, year-end projections for FY 2022/23, and recommended City contributions for the FY 2023/24 budget.

Financial Update

Expenses Trends

Expenses in the PPL Trust Fund are tracked in three categories: administration, claims paid, and premium costs. Administration costs include salary and benefits of City employees who work directly with the program, as well as other operating costs. Citywide overhead charges are not applied to the PPL Trust Fund. The length of time from the submission of a claim to final resolution, value of claims paid, and frequency of claims contribute to the variability of the annual costs to the PPL Trust Fund. The total expenses and cost of claims for the last several fiscal years are shown in the following chart.

	Fiscal Year	Total Expenses	Cost of Claims
Actual	FY17/18	\$5.6M	\$3.2M
Actual	FY18/19	\$4.1M	\$1.7M
Actual	FY19/20	\$7.0M	\$4.3M
Actual	FY20/21	\$7.7M	\$4.5M
Actual	FY21/22	\$9.9M	\$6.2M
Projected	FY22/23	\$9.9M	\$5.6M
Forecast	FY23/24	\$10.1M	\$5.0M

Revenues/Contributions and Reserve Balance

PPL Trust Fund expenses can vary greatly from year to year, but the fund has a stable funding source from contributions directly from the City's operating funds. The needed contribution is estimated each year and included in the adopted budget. Expenses are reviewed during the year, and contributions are made to the fund on a quarterly basis.

For FY 2022/23, the budget was adopted with PPL Trust Fund contributions estimated at \$7.8 million to achieve an ending reserve balance above \$10.0 million. Due to higher than expected claim costs, the City is projected to transfer an additional \$1.1 million into the PPL Trust Fund to maintain the reserve balance. With the cost per claims and insurance premiums increasing, the City is recommending increasing the City contribution to \$11.0 million in FY 2023/24 and bringing the ending reserve balance to \$11.0 million. The City is on a multi-year plan is to increase the fund balance up to \$12.0-\$13.0 million to minimize the City's financial impact with mediation on multiple large claims.

Future Stability of the Fund

The City's management practices and work by the City's litigation team over the last several years have resulted in a stable reserve balance for the PPL Trust Fund. Insurance premium costs to the City for property and public liability insurance are negotiated on an annual basis and are forecasted to increase 25% over the next couple of years due to the volatility in the market. Total claim costs are projected to increase. Due to these constraints, the City is recommending a change in policy to increase the minimum reserve balance.

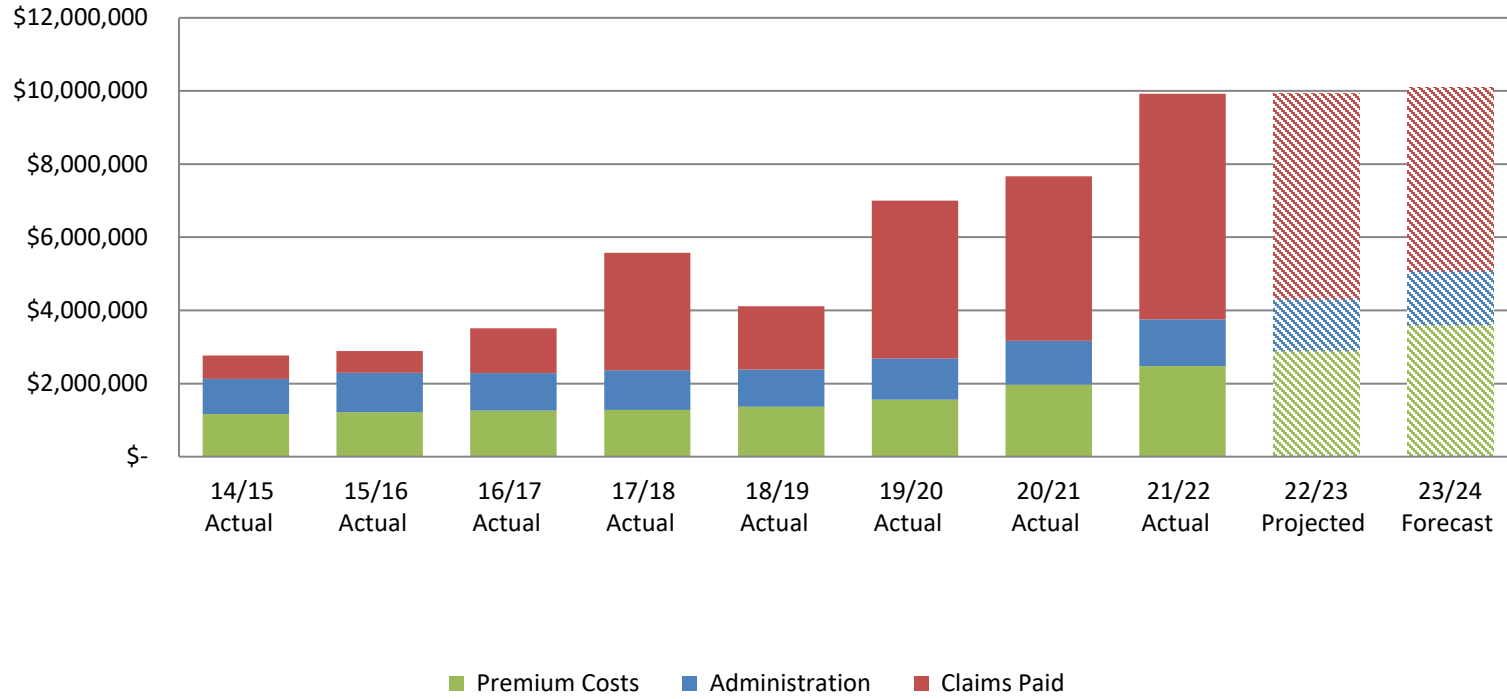
Recommendation

Staff projects a City contribution of \$8.9 million for FY 2022/23 so that the PPL Trust Fund will have an ending balance of \$10.0 million. Staff recommends including an \$11.0 million City contribution in the FY2023/24 budget to achieve an ending reserve balance anticipated to be at \$11 million.

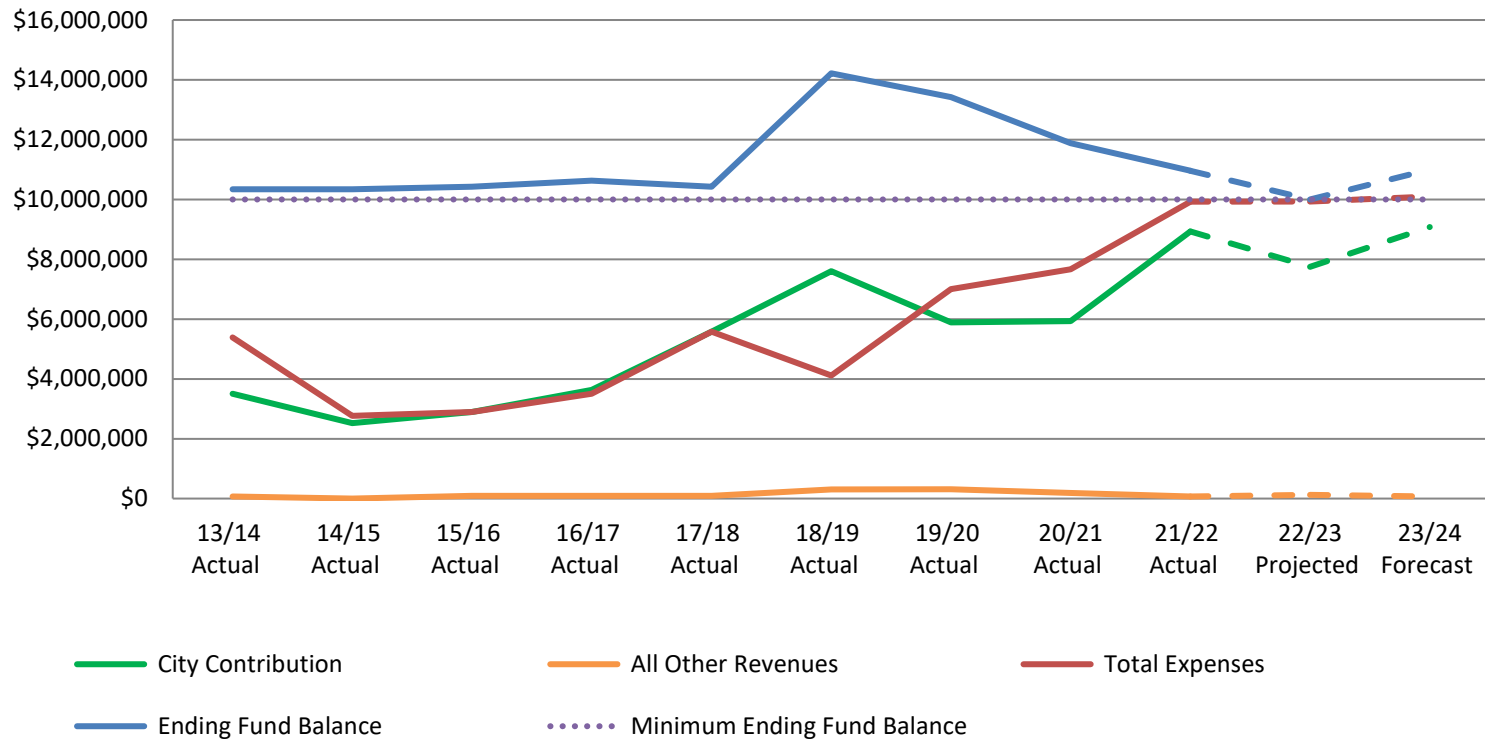
Attachments

1. *Property & Public Liability Trust Fund Expenses and Property & Public Liability Trust Fund Cashflow Charts*

Property & Public Liability Trust Fund Expenses



Property & Public Liability Trust Fund Cashflow



***CITY OF MESA
WORKERS' COMPENSATION
TRUST FUND***



*Self-Insurance Trust Fund Board Presentation
February 21, 2023*

WORKERS' COMPENSATION PROGRAM OVERVIEW

- ❖ Arizona statute requires that all public and private employers provide worker's compensation coverage for their employees.
 - Industrial Commission of Arizona (ICA)
- ❖ The City's Workers' Compensation Program provides medical and loss wages benefits to City employees and official volunteers who have a work-related injury or illness.
 - Self-Insured since **July 1, 1982**
 - Self-Administered since **October 1990**

- **Workers' Compensation Program Operations**

- **Pharmacy (Rx) Benefits Manager – myMatrixx**
- **CorVel Corporation (3rd Party Vendor) – Effective January 01, 2023**
 - **Blue Cross/Blue Shield Workers' Compensation Network Access**
 - **Specialty bill review services – non-Participating Medical Providers**
- **Legal – WC Attorneys fees and administrative court fees**
- **Self-insurance Surety Bond premiums**

Calendar Year	WC Liability \$	Surety Bond Cost
Jan'19	\$ 22,545,570	\$ 124,001.00
Jan'20	\$ 24,198,463	\$ 133,092.00
Jan'21	\$ 26,515,244	\$ 145,834.00
Jan'22	\$ 27,843,450	\$ 153,139.00
Jan'23	\$ 27,870,912	\$ 153,290.00

- **Special and Administrative taxes (AZ Industrial Commission of AZ)**



WORKERS' COMPENSATION PROGRAM OVERVIEW

➤ Excess Workers' Compensation Insurance (Stop-Loss) premiums

"Split" Self-Insurance Retention (SIR) as 12/01/2022

- 2.00 Million Presumptive (Cancer) Injury/Illness
- 1.25 Million Non-presumptive Injury/Illness (All Others)
- 1.00 Million Wildland Firefighters

➤ Transitional Work/Return-to-Work Program

- **Reduction in hours** – Less than full-time work to meet the temporary restrictions.
- **Alternative Work** – Offering the employee a position other than his/her regular job to meet the temporary work restrictions.
- **Modified Work** – Changing or eliminating specific job duties within the employee's regular job to meet the temporary work restrictions.

○ Personnel (Staff) – Program Administration

- Workers' Compensation Representatives (2)
- Safety and Workers' Compensation Specialists (3)
- PT- Program Assistant (1)

Calendar Year	# Workers' Compensation Claims
2018	411
2019	448
2020	332
2021	415
2022	422
Average	406

- **437** Open workers' compensation claims – **Valuation date 02/14/2023**
- WC Claims Representative claim load – Average **219 claims**



WORKERS' COMPENSATION PROGRAM OVERVIEW

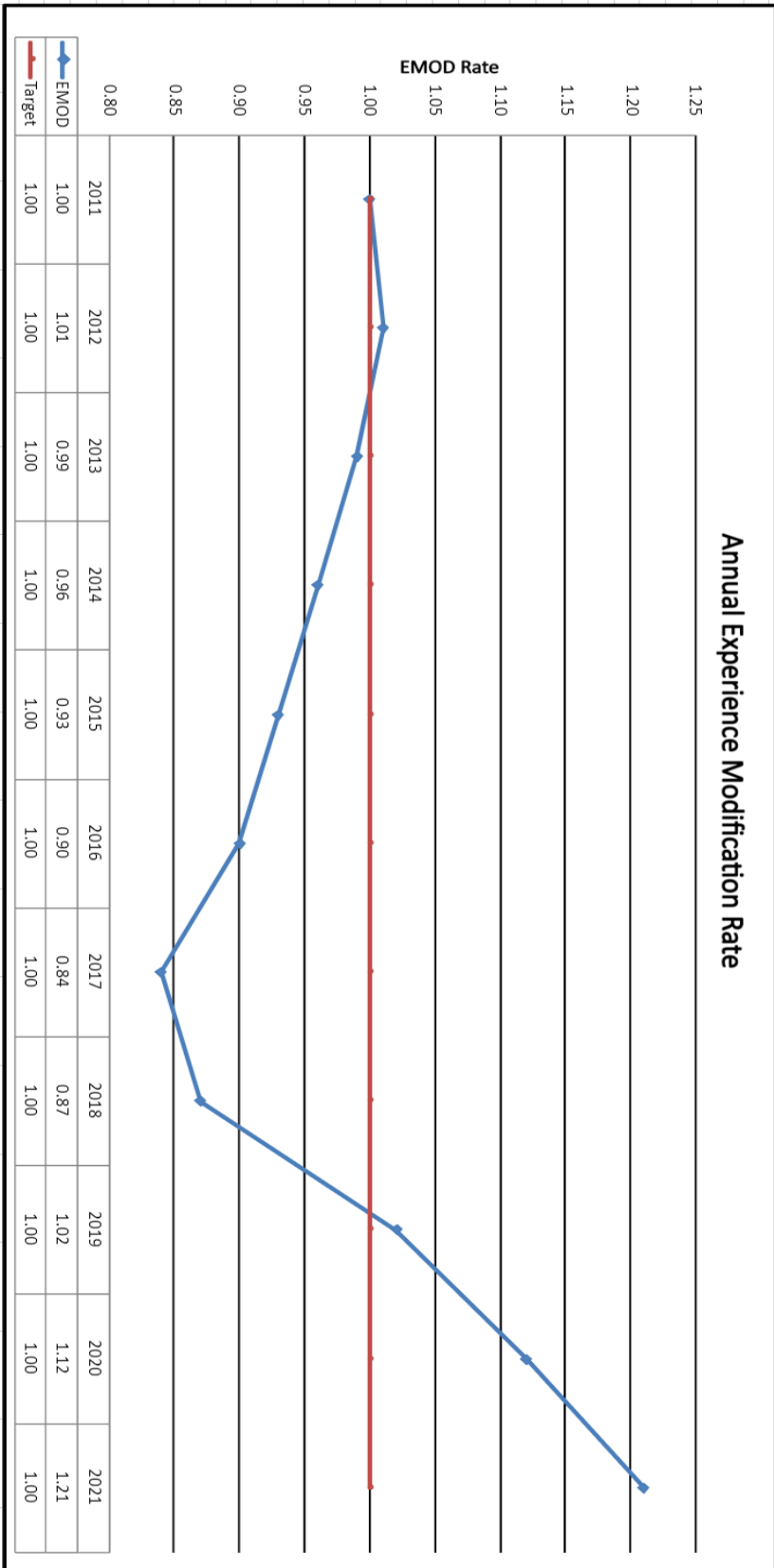
"DIRECT VS INDIRECT COST OF INJURIES"

- **Medical Costs**
- **Wage Indemnity**
- **Time Loss from work**
- **Claims administration fees**

- **Damaged equipment or vehicles**
- **Equipment or vehicle repair costs**
- **Process interruptions**
- **Lost productivity**
- **Lost time at the supervisor level**
- **Cost of training replacement labor**
- **Overtime Costs**
- **General Liability Costs**
- **OSHA Investigations or Fines**
- **Increased insurance premiums**



WORKERS' COMPENSATION PROGRAM OVERVIEW



	(8)	(9)	(10)
Fiscal Year Beginning	Total Claim Count	Excess Claim Count	Open Claim Count
Prior	45	4	7
7/1/1990	232	3	1
7/1/1991	255	0	0
7/1/1992	310	2	2
7/1/1993	327	2	0
7/1/1994	336	2	2
7/1/1995	314	1	3
7/1/1996	285	2	4
7/1/1997	288	3	4
7/1/1998	288	3	6
7/1/1999	302	3	5
7/1/2000	387	3	6
7/1/2001	374	2	6
7/1/2002	400	0	4
7/1/2003	421	1	6
7/1/2004	366	0	4
7/1/2005	409	0	3
7/1/2006	521	0	4
7/1/2007	469	0	4
7/1/2008	401	0	7
7/1/2009	363	0	7
7/1/2010	384	0	6
7/1/2011	414	0	8
7/1/2012	362	0	2
7/1/2013	430	0	10
7/1/2014	418	0	3
7/1/2015	379	0	4
7/1/2016	435	0	10
7/1/2017	411	0	9
7/1/2018	412	0	17
7/1/2019	380	0	29
7/1/2020	362	0	54
7/1/2021	412	0	197
Total	11,892	31	434



2022 ACCIDENT TRENDS

Over Exertion (Strain/Sprain)	Total Incurred
Chasing Suspect – Running	\$ 9,239.89
Crawling	\$ 2,000.00
Emergency Response/Rescue	\$ 1,742.20
Entering-Exiting Vehicle/Apparatus	\$ 90,639.66
Fire/Rescue Duties-Techniques	\$ 8,000.00
Improper Equipment Operation	\$ 6,000.00
Inattention / Distraction	\$ 2,500.00
Jumping or Climbing	\$ 858.60
Kneeling or Squatting	\$ 44,151.45
Lifting or Carrying	\$ 205,328.91
Lifting/Carrying - Patient Care	\$ 91,464.73
Overhead Reaching	\$ 2,000.00
PT - Calisthenics (Aerobics & Isometrics)	\$ 2,209.48
PT - Frisbee Football	\$ 93,594.77
PT - General/Workout	\$ 147,320.97
PT - Pickleball	\$ 15,500.00
PT - Running	\$ 122,459.58
PT - Walking	\$ 17,096.67
PT - Weight/Deadlift Training	\$ 278,119.23
Pushing or Pulling	\$ 35,645.92
Running	\$ 864.52
Step Up/Down - In/Out Equip/Vehicle	\$ 2,000.00
Tact Trng - Ju-Jitsu/Code-4-Combat	\$ 37,500.00
Tact Trng - Physical Altercation	\$ 556.20
Tact Trng - Tower/Stairs/Bleachers	\$ 1,776.52
Tact Trng - Wall Obstacle	\$ 49,171.17
Twisting or Bending	\$ 12,538.50
Grand Total	\$1,280,278.97



2022 ACCIDENT TRENDS

Slips, Trips, & Falls	Total Incurred
Combative Person (Fall/Takedown)	\$ 1,178.16
Curb - Step Up/Down	\$ 30,500.00
Equipment Failure	\$ 396.21
Gravel	\$ 117.36
Obstruction	\$ 50,261.71
Running	\$ 16,824.60
Slippery Surface/Flooring	\$ 62,331.73
Stairs/Steps	\$ 355.96
Step Up/Down - In/Out Equip/Vehicle	\$ 110,613.94
Unevenground - Hole	\$ 13,616.02
Walking/Mis-step	\$ 136,308.80
Grand Total	\$ 422,504.49

Assault Physical Altercations	Total Incurred
Combative Person (Fall/Takedown)	\$ 41,930.09
Combative Person (Subdue/Struck By)	\$ 125,533.16
Struck Against Object	\$ 358.89
Tact Trng - Ju-Jitsu/Code-4-Combat	\$ 45,981.64
Tact Trng - Physical Altercation	\$ 109,324.98
Tact Trng - Redman	\$ 7,201.43
Grand Total	\$ 330,330.19

Motor Vehicle Accident	Total Incurred
Struck Another Vehicle	\$ 17,495.03
Struck BY Another Vehicle	\$ 187,562.53
Struck Stationary Object/Vehicle	\$ 10,486.34
Tact Trng - Vehicle Accident	\$ 338.72
Grand Total	\$ 215,882.62

2019-2022 Workers' Compensation Cost by NCCI-Industrial Code

- Police and Fire (Sworn)
 - 78% = \$12,056,374.02
- Non-Police and Fire (non-Sworn)
 - 22% = \$ 3,425,924.50



SAFETY PROGRAM OPERATIONS

❖ Injury Prevention Programs: Safety Coordinators (3)

- Safety Inspections
- Safety Training
 - New Employee Orientation
 - Police and Fire Recruit Academies
- Commercial Motor Vehicle Training – Centralized Unit
 - CMV Safety Program Coordinator and CMV Safety Technicians (2)
- Safety Program Manuals/Procedures
- Indoor Air Quality Monitoring
- Ergonomic Evaluations
- Annual Summer Hydration Program (May/June thru September/October)

Items	Quantity
Beef Jerky	1,800 pieces
Trail Mix	1,440 bags
Liquid IV	1,290 packets
Water	1,240 bottles
Electrolyte replacement freezer pops	1,050 pops
Cooling Towels with Mesa logo	200 towels

❖ Safety Committees:

- Citywide Safety Committee – multi-department representation
- Citywide LOTO & Electrical Safety Committee
- Commercial Motor Vehicle Committee
- Department Safety Committees

❖ Safety Awareness: Targeted Statistics

- City Manager’s Office – Claims costs by Mechanism of Injury
- Department Directors
- City-wide Training Initiatives





Self-Insurance Trust Fund Board Report

Date: February 21, 2023
To: Self-Insurance Trust Fund Board
From: Nitra Hawkins, Work Safety Administrator
Teri Overbey, Human Resources Director
Samuel Schultz, Office of Management and Budget Deputy Director
Brian Ritschel, Office of Management and Budget Director
Subject: Workers' Compensation Trust Fund: Financial Update and FY 2023/24 Funding Recommendations

Purpose

The Self-Insurance Trust Fund Board received information in Fiscal Year (FY) 2021/22 regarding the financial history and reserve policy of the Workers' Compensation Trust Fund. This report will provide an update on the financial status of the fund through FY 2021/22, year-end projections for FY 2022/23, and provide the recommended City contributions for the FY 2023/24 budget.

Financial Update

Expense Trends

Expenses in the Workers' Compensation Trust Fund are tracked in three categories; administration, claims paid, and premium costs. Administration costs include salary and benefits of City employees who work directly with the workers' compensation program, as well as other operating costs. Citywide overhead charges are not applied to the Workers' Compensation Trust Fund. Total expenses for FY 2022/23 are projected to be \$8.7 million which is higher than in the previous five years due to increased claim costs and an additional contribution to the State of Arizona's risk pool. For FY 2023/24, costs related to the Fire Cancer contribution have been removed from of the Workers' Compensation Trust Fund and are recorded out of the General Fund.

The projected claims for FY 2022/23 are anticipated to come in at \$5.3 million which is higher than the adopted budgeted amount of \$4.8 million. The increases in expenses are largely driven by the increased cost of providing medical care for workers' compensation claims. The total expenses and cost of claims for the last several fiscal years are shown in the following chart.

	Fiscal Year	Total Expenses	Cost of Claims
Actual	FY 17/18	\$5.0M	\$3.5M
Actual	FY 18/19	\$4.8M	\$3.0M
Actual	FY 19/20	\$4.8M	\$3.2M
Actual	FY 20/21	\$6.2M	\$4.3M
Actual	FY 21/22	\$8.0M	\$4.5M
Projected	FY 22/23	\$8.7M	\$5.3M
Forecast	FY 23/24	\$7.5M	\$5.2M

Revenues/Contributions and Reserve Target

The Workers’ Compensation Trust Fund has a stable funding source as departments are charged each pay period based on the salary of the departments’ employees. The needed revenues are estimated each year and included in the estimated expenses of each department’s adopted operating budgets. Expenses are reviewed during the fiscal year, and rates may be modified as needed. The outstanding workers’ compensation claims are valued at the total estimated payments which may occur over many years based on the type of injury. The current reserve policy sets the fund balance reserve target at the amount sufficient to cover the following year’s total Workers’ Compensation Trust Fund expenses. Rates are adjusted annually to coincide with budget adoption.

The reserve balance at the end of FY 2022/23 is anticipated to be \$7.3 million. Based on the FY 2022/23 projected reserve balance, and the expenses forecasted for FY 2024/25, an increase to the workers’ compensation rates from the previous year is recommended for the FY 2023/24 budget. This will bring the year end targeted reserve balance equal to FY 2024/25 estimated total Workers’ Compensation Trust Fund expenses.

Future Stability of the Fund

The future stability of the Workers’ Compensation Trust Fund will have long-term effects of the expansion of the Arizona Revised Statute §23-901.01 regarding presumptive cancers, which has twenty-three (23) covered cancers for public safety employees, and fire investigators. Because of the complexity and variation in cancer treatment, it is difficult to predict the full costs (medical and loss time from work) for any individual with cancer at the time of diagnosis. The recently established Municipal Firefighter Cancer Reimbursement (MFCR) Fund has the potential to minimize the impact of presumptive cancers to the trust fund in the long run. With that said, the MFCR Fund only reimburses municipalities for workers’ compensation claims filed on or after September 29, 2021. Presumptive cancer claims filed before September 29, 2021 are not eligible for reimbursement, so at this time, the pre-09/29/2021 workers’ compensation claims will have a cost impact to the City’s workers’ compensation fund.

The City of Mesa has a five-year, new claim average of 406 workers' compensation claims. There are currently 437 active and open workers' compensation claims as of February 14, 2023.

Calendar Year	# Workers' Compensation Claims
2018	411
2019	448
2020	332
2021	415
2022	422
Average	406

The Safety Services Division provides OSHA safety training and education to City employees as well as department-specific safety programs. The safety team members work in collaboration with departments to proactively address, correct, and mitigate safety challenges. Claims are reviewed for preventability, mechanism, and accident types for trending and candidacy for additional training to reduce accident occurrence with the goal of reducing the number of future injuries and illnesses which can result in additional workers' compensation claims.

Recommendation

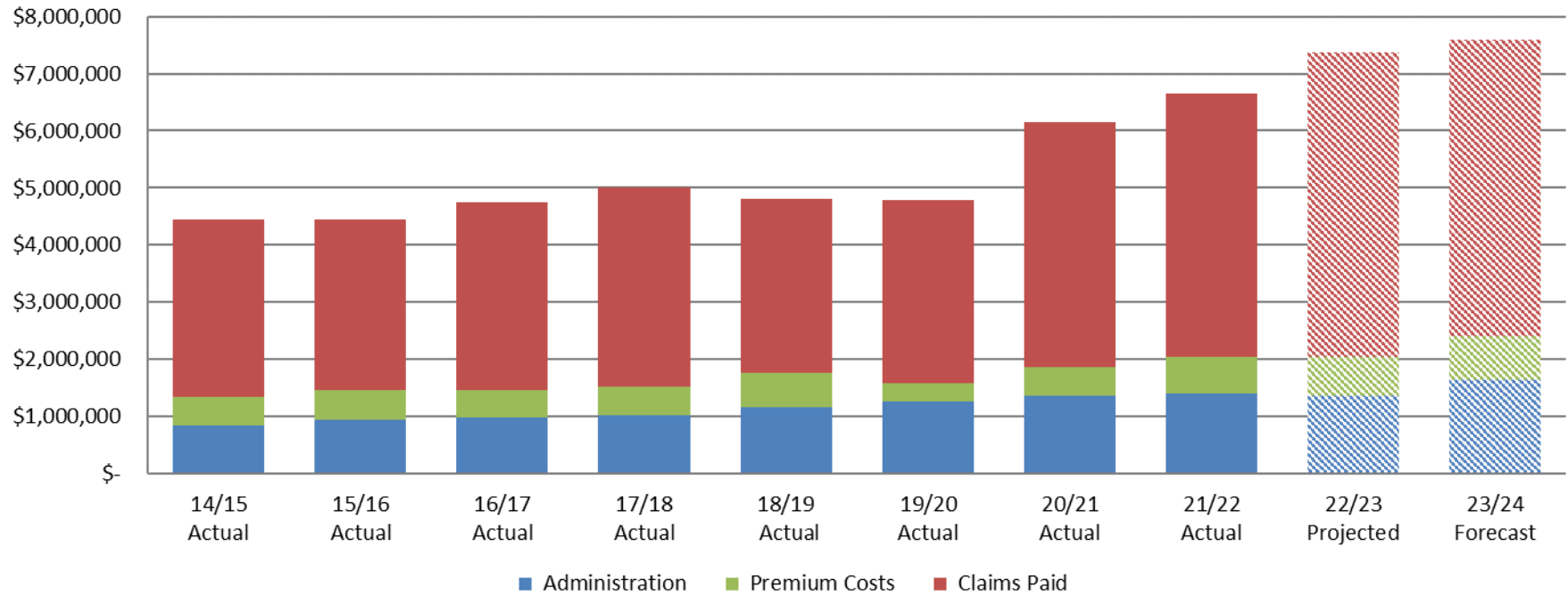
Staff recommends the continuation of the current practice to adjust rates annually unless a significant change in expenses occurs. Staff recommends setting the rates for FY 2023/24 at a level to achieve a targeted ending reserve balance sufficient to cover the following fiscal year's annual Workers' Compensation Trust Fund expenses. The City recommends setting the rates to achieve a City contribution for FY 2023/24 at \$8.0 million.

The final budgeted contribution may vary slightly from the recommendation as the adjusted rates are applied to budgeted salaries and the budget process has not yet been completed.

Attachments

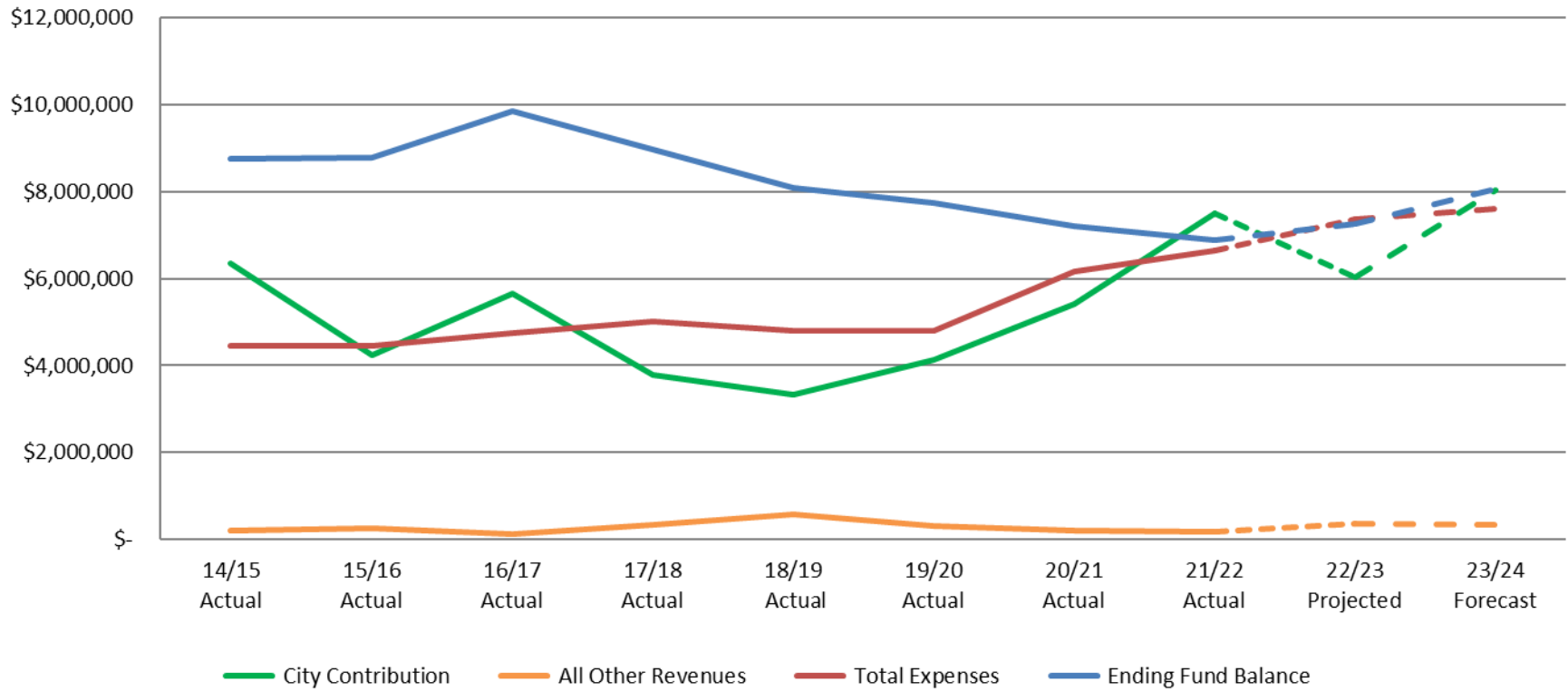
1. *FY23-24 Workers Compensation Report Trust Fund Board*

Workers' Compensation Trust Fund Expenses



(Excludes Fire Cancer Payment)

Workers' Compensation Trust Fund Cashflow



(Excludes Fire Cancer Payment)



CITY OF MESA EMPLOYEE BENEFIT TRUST FUND (EBT) – OPERATIONS REPORT



SELF-INSURANCE TRUST FUND BOARD PRESENTATION
February 21, 2023

Employee Benefit Trust (EBT) Benefit Program Overview

2

Employee Benefit Trust Fund provides:

- ❑ **Medical**/Prescription Drug/Behavioral Health benefits - Cigna and MedImpact/VibrantRx/PaydHealth
- ❑ **Stop-loss** Medical/RX insurance - Matrix Group Benefits/United States Fire Insurance Company
- ❑ **Dental** benefits - Delta Dental of Arizona
- ❑ **Vision** care benefits - Vision Service Plan (VSP)
- ❑ **EAP** program - ComPsych
- ❑ **Flexible Spending** Accounts (FSA) – Navia Benefit Solutions
- ❑ **Health and Wellness Center** - OnSite Care Inc.
- ❑ **Mesa Wellness 360** – programs, incentives/rewards, digital platform provided by WebMD.
- ❑ **Other benefit programs** - Life and Accidental Death and Dismemberment Insurance (MetLife), Business Travel Accident/Commuter Travel Accident Insurance (LINA), Short Term Disability Insurance (Unum) and Long-Term Disability Insurance (for full-time sworn officers and elected officials - MetLife)

EBT Funding/Revenue

3

- ❑ EBT is funded by:
 - ❑ Contributions from City department budgets
 - ❑ Employee, retiree and COBRA premiums
 - ❑ State retirement system subsidies (ASRS & PSPRS)
 - ❑ Medicare Part D Drug subsidy/discount reimbursements (EGWP) – for eligible retirees
 - ❑ Alternative funding through Specialty Drug Advocacy Services
 - ❑ Brand and Specialty Drug - Manufacturer Rebates
 - ❑ Administrative, Wellness and Performance Guarantee (PG) credits from contracted vendors
 - ❑ Stop-Loss Insurance reimbursements for medical/prescription drug claims over \$500,000 per claimant per year
 - ❑ Trust investment income

Benefit Plan Operational Highlights

4

- ❑ Third-Party Administration Services for Medical Plan Administration/Utilization Management/Cost Containment and Network Access services re-awarded to Cigna (after competitive **RFP process**) effective January 2023
- ❑ **Open Enrollment Fall 2022 for 2023:**
 - ❑ Full scope Benefits Fair at Mesa Convention Center (employees and retirees) early October 2022
 - ❑ Benefit vendors and City department booths
 - ❑ Behavioral health presentations (3 sessions)
 - ❑ Employee Network vendors
 - ❑ Flu shots
 - ❑ eBenMesa enrollment technology – used by over 2,500 employees and 310 retirees - either directly or in assisted enrollment sessions

Health and Wellness Initiatives

5

Employee Health and Wellness Center – access to primary and preventive care services, free of charge:

- Third-party administered by **OnSite Care** medical professionals
- Available to active employees/family enrolled in City medical plans
- Expanded July 2022 to include **all** City retiree medical plan participants and covered family members, including Medicare eligible individuals
- Same day appointment availability for sick visits
- Up to 45-minute appointment times for well visits and primary care service for chronic care management (and referrals to medical plan network specialty care)
- Skin cancer screenings – expanded twice monthly appointment availability with specialty Physician's Assistant
- Employment based physicals and screenings: pre-employment drug testing, DOT physicals, PD recruit physicals and SWAT bi-annual physicals

Health and Wellness Initiatives cont.

6

Mesa Wellness 360 – wellness initiatives, incentives, education programs and coaching using WebMD wellness technology platform:

- Engage/encourage healthy behaviors for **all active employees** regardless of medical plan enrollment
- Spouses/committed partners eligible if **enrolled in City medical plans**
- 1,939 (43%) employees signed up by January 2023 plus 288 (14%) spouses
- Non-benefited employees participate for raffle prize entries vs. gift card and medical plan discount rewards
- Retirees can participate in wellness education and webinars (no points or incentives)

Health and Wellness Initiatives cont.

7

Mesa Wellness 360 – incentives and rewards:

- “Points” opportunities via website/mobile app, fitness device syncs, contests, events, screenings, classes, health education resources, health assessment and biometrics, daily challenges and Citywide challenges
- New! Dedicated Wellness Health Coach from WebMD
- 1,000 points for benefited employees and spouses achieves:
 - \$200 per person (4 x \$50) in Visa or merchant gift cards (\$204,950 awarded in 2022)
 - \$200 per person (\$400 per household) annual medical premium discount (funded bi-weekly) for medical plan enrollees who have a payroll deducted medical plan premium (726 employees/spouses achieved for 2023)



Self-Insurance Trust Fund Board Report

Date: February 21, 2023

To: Self-Insurance Trust Fund Board

From: Janice Ashley, Employee Benefits Administrator
Teri Overbey, Human Resources Director
Samuel Schultz, Office of Management and Budget Deputy Director
Brian Ritschel, Office of Management and Budget Director

Subject: Employee Benefit Trust Fund: Financial Update and Fiscal Year 2023/24 Funding Recommendations

Purpose

The Self-Insurance Trust Fund Board received information in Fiscal Year (FY) 2021/22 regarding the financial history and reserve policy of the Employee Benefits Trust (EBT) Fund. This report will provide an update on the financial status of the EBT Fund through FY 2021/22, year-end projections for FY 2022/23 and recommended City contributions for inclusion in the FY 2023/24 budget.

Financial Update

Expense Trends

Expenses in the EBT Fund are tracked in five major categories: administration, self-insured medical/dental/prescription drug claims paid, Employee Health and Wellness Center, Mesa Wellness 360 incentive programs/services, and Life Insurance/Other benefit programs. The cost of Citywide overhead is included in the administration expenses along with departmental overhead, third-party administration fees, and fully insured premium costs.

Staff reviews trends in expenditures, claim counts, and membership/ demographics for the various self-insured benefit plans for employees, retirees, and their respective family members to assess future risk to the fund. As seen in the table below, total expenses and the cost of self-insured claims have seen modest increases through FY 2021/22 and are projected to have modest decreases through FY 2022/23. In FY 2021/22, the total cost of medical/behavioral health, prescription drugs, and dental claims increased by 2.1% from FY 2020/21. Current FY 2022/23 claims costs are trending below budget and are expected to finish the year at \$88.4 million.

	Fiscal Year	Total Expenses	% Increase	Cost of Claims	% Increase
Actual	FY 15/16	\$77.0M	12.7%	\$69.0M	17.9%
Actual	FY 16/17	\$78.4M	1.8%	\$69.3M	0.4%
Actual	FY 17/18	\$80.1M	2.1%	\$70.1M	1.1%
Actual	FY 18/19	\$90.8M	13.4%	\$80.7M	15.1%
Actual	FY 19/20	\$96.6M	6.4%	\$86.6M	7.4%
Actual	FY 20/21	\$99.3M	2.9%	\$89.5M	3.4%
Actual	FY 21/22	\$102.2M	2.9%	\$91.4M	2.1%
Projected	FY 22/23	\$99.4M	(2.7%)	\$88.4M	(3.2%)
Forecast	FY 23/24	\$105.2M	5.8%	\$92.7M	4.9%

Contributing factors affecting the EBT Fund

Increases

- National trend increases including healthcare inflation effect (4% to 8%)
- Year-over-year membership increases of 4% (15,027 members in February 2023 vs 14,390 members in February 2022)
- Modest increases in administration and premium costs with contract renewals and RFP procurements
- Leveling out pandemic costs and pre- and post-pandemic utilization increases (“catch-up” care claims)
- Stable number of high-cost claimants above \$500,000 for CY 2022 (5) but with increased severity/cost (transplant, cancers, cardiovascular and newborn complications) as compared to CY 2021

Offsets/decreases:

- Reduced EBT claims liability with increased active Basic Medical Plan enrollment (55% of total enrollment in February 2023 cf. 48% in February 2022) - no employee premiums, \$500 deductible, 50% coinsurance, OOP \$4,000
- 5% reduction in medical claims counts during CY 2022 vs CY 2021 (over 10,000 fewer claims)
- Gross prescription drug expenses:
 - Down 15% from CY 2021 (\$24.8 million) to CY 2022 (\$21.2 million)
 - Most drug expense reductions from specialty drugs (moved to alternative funding arrangements); related rebate reductions (revenue) from CY 2021 to CY 2022 – down \$1.2 million

- Increased utilization of COM Employee Health and Wellness Center for “free of charge” primary and preventive care services and wellness screenings by both active and retired members (opened to all retirees and covered dependents July 1, 2022)
- Increased participation in Mesa 360 Wellness programs - now including spouses and retirees for most wellness webinars, education, and some events, which promotes lifestyle changes, nutrition, exercise, screenings and chronic care management.
- Aging-in to Medicare eligibility for the majority (58%) of covered retirees – claims cost reduction due to secondary to Medicare.

Revenues/Contributions and Reserve Balance

The current reserve balance policy sets the reserve minimum at 30% of year-end EBT Fund balance to following year total EBT Fund expenses. The 30% reserve balance has been determined to be the lowest threshold that the fund can tolerate two consecutive years of significant expenditures, while keeping contributions at no more than 8% growth.

The EBT Fund is projected to end FY 2022/23 with a balance of \$46.1 million (or 43.8%) of year-end EBT Fund balance to following year total EBT Fund expenses. This fund balance is greater than prior fiscal years and is considered a strong year-end balance.

Office of Management & Budget and Employee Benefits staff have worked jointly on an EBT Fund quarterly report that closely monitors the claims experience of the fund. As medical claim trends emerge, whether due to shifts in plan population/enrollment, higher usage of the Wellness Center, and less usage of the plan due to a decline in the average age of the population, the City will continue to monitor the fund balance and adjust premium contributions accordingly to maintain the fund balance above the 30% fund balance minimum.

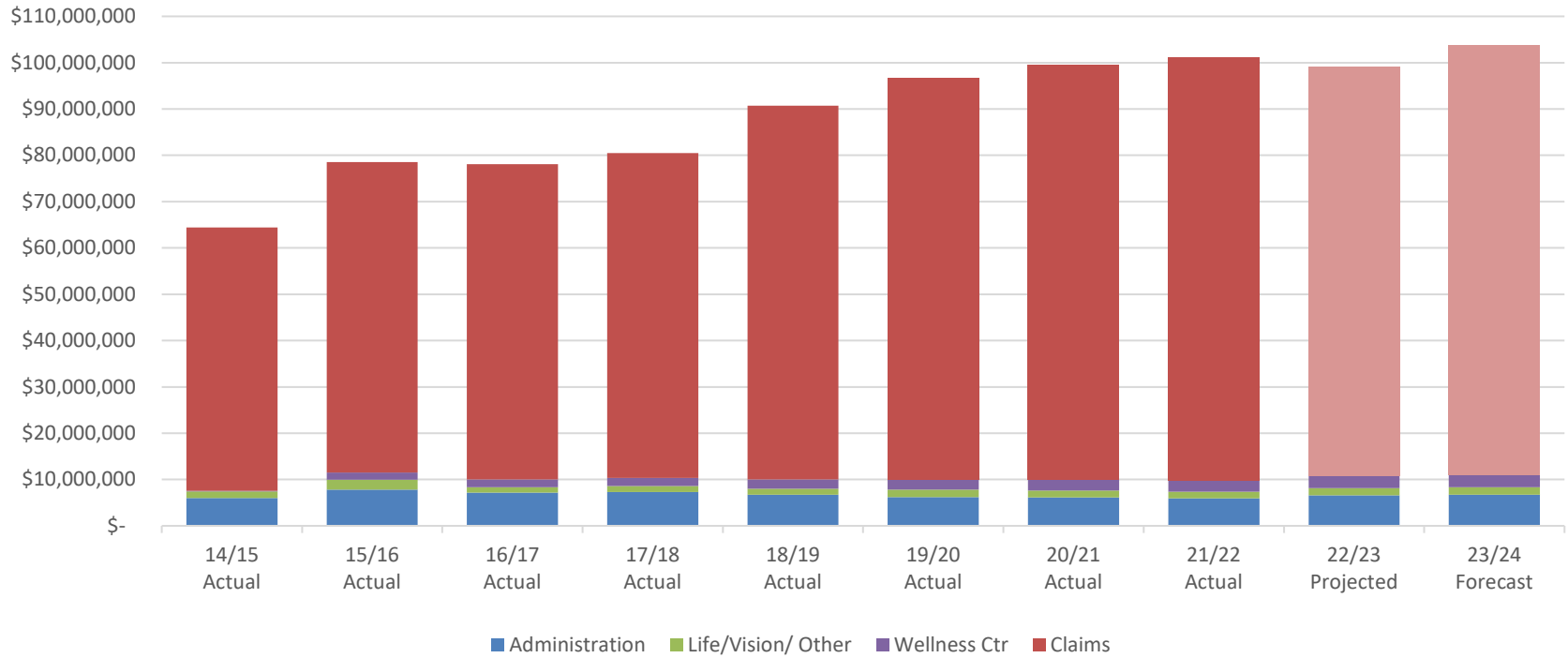
Recommendation

For CY 2023, staff recommended a 5% increase in premium contributions for active employees and 3% increase in premium contributions for retirees. The FY 2023/24 forecast includes the same increase to premium contributions, a 5% increase for active employees and 3% for retired employees in CY 2024. This equates to a FY 2023/24 City contribution of \$75.9 million to the EBT Fund, resulting in an estimated year-end fund balance of \$52 million in FY2023/24, which brings the fund balance to 47.9% of the following year’s total expenses. The final budgeted contribution amount may differ slightly as the estimated number of employees/retirees is further refined during the budget process.

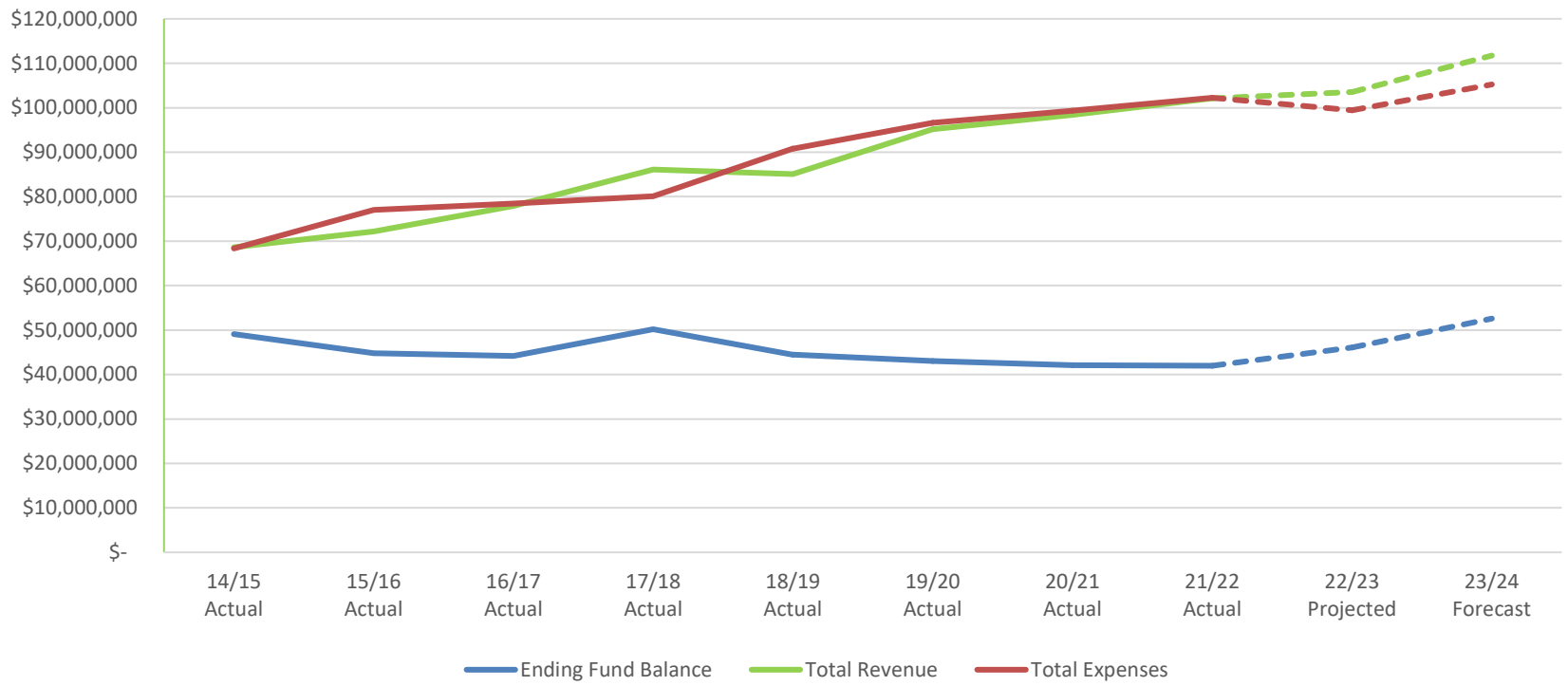
Attachments

1. *EBT Fund Balance Report – FY22-23 Trust Fund Board – Data through 12/31/2022*

Employee Benefits Trust Fund Expenses



Employee Benefits Trust Fund Cashflow



ARTHUR J GALLAGHER RISK MANAGEMENT SERVICES INC
 LICENSING DEPT
 2850 W GOLF ROAD
 ROLLING MEADOWS IL 60008

ARIZONA INSURANCE LICENSE

License No: 1800001294

ARTHUR J GALLAGHER RISK MANAGEMENT SERVICES INC

LICENSING DEPT
 2850 W GOLF ROAD
 ROLLING MEADOWS IL 60008
 NON-RESIDENT

As of January 10, 2022

LICENSE CLASS	FIRST ACTIVE DATE	LICENSE EFFECTIVE DATE	LICENSE EXPIRATION DATE	LINES OF AUTHORITY	LOA EFFECTIVE DATE
Insurance Producer	08/16/2005	01/01/2022	12/31/2025	Casualty	08/16/2005
				Variable Life and Variable	08/16/2005
				Annuity	
				Property	08/16/2005
				Life	08/16/2005
				Accident and Health or Sickness	08/16/2005
				Personal Lines	08/16/2005
Surplus Lines Broker	08/16/2005	01/01/2022	12/31/2025	Surplus Lines Broker	08/16/2005

APPOINTMENT DATA IS NOT COLLECTED, TRACKED OR MAINTAINED IN ARIZONA.

Arizona Department of Insurance and Financial Institutions
 100 N 15th Ave, Suite 261
 Phoenix, AZ 85007-2630

Buck Global LLC
11 STANWIX ST
SUITE 700
PITTSBURGH PA 15222-1312

ARIZONA INSURANCE LICENSE

License No: 1800003654

Buck Global LLC

420 LEXINGTON AVENUE
SUITE 2220
NEW YORK NY 10170
NON-RESIDENT

As of February 04, 2021

LICENSE CLASS	FIRST ACTIVE DATE	LICENSE EFFECTIVE DATE	LICENSE EXPIRATION DATE	LINES OF AUTHORITY	LOA EFFECTIVE DATE
Insurance Producer	03/17/2005	04/01/2021	03/31/2025	Accident and Health or Sickness Life Property Casualty	03/17/2005 03/17/2005 02/24/2006 02/24/2006

APPOINTMENT DATA IS NOT COLLECTED, TRACKED OR MAINTAINED IN ARIZONA.

Arizona Department of Insurance and Financial Institutions
100 N 15th Ave, Suite 261
Phoenix, AZ 85007-2630

JACQUELINE FARREN

317 MEGHAN LN

WALNUT CREEK CA 94597-2746

ARIZONA INSURANCE LICENSE

License No: 2579880

JACQUELINE FARREN

2 EMBARCADERO CTR FL 9
SAN FRANCISCO CA 94111-3817

NON-RESIDENT

As of September 27, 2021

LICENSE CLASS	FIRST ACTIVE DATE	LICENSE EFFECTIVE DATE	LICENSE EXPIRATION DATE	LINES OF AUTHORITY	LOA EFFECTIVE DATE
Insurance Producer	11/18/2013	11/01/2021	10/31/2025	Life Accident and Health or Sickness	11/18/2013 11/18/2013



APPOINTMENT DATA IS NOT COLLECTED, TRACKED OR MAINTAINED IN ARIZONA.

Arizona Department of Insurance and Financial Institutions
100 N 15th Ave, Suite 261
Phoenix, AZ 85007-2630

JACK LONNIE LANSDALE III
3043 E CHARLESTON AVE
PHOENIX AZ 85032-1173

ARIZONA INSURANCE LICENSE

License No: 8336595

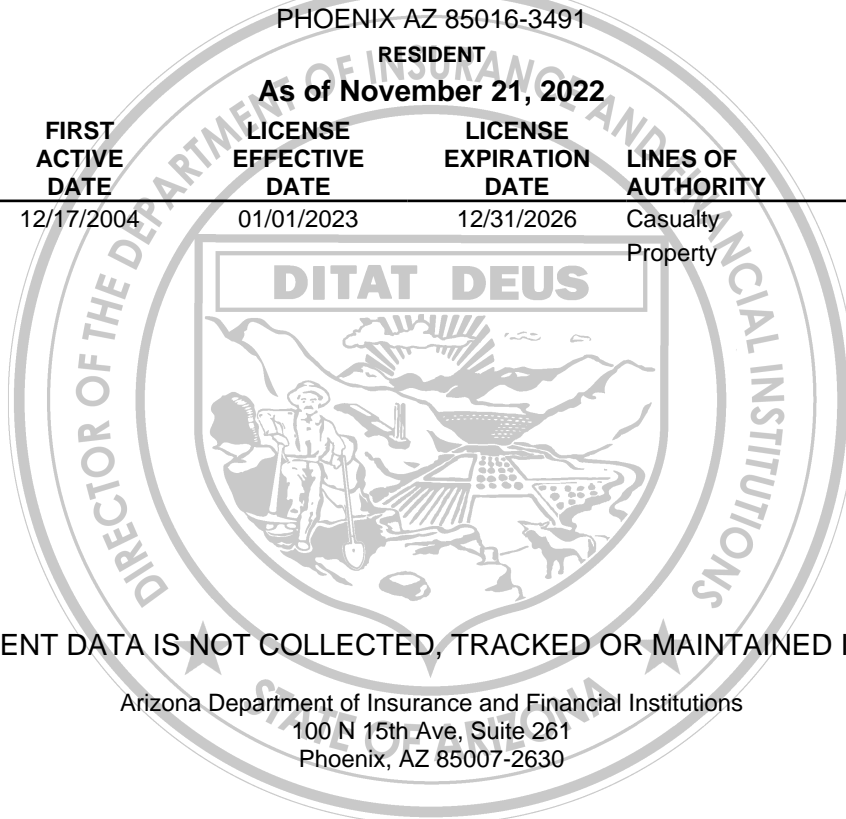
JACK LONNIE LANSDALE III

2375 E CAMELBACK RD STE 250
PHOENIX AZ 85016-3491

RESIDENT

As of November 21, 2022

LICENSE CLASS	FIRST ACTIVE DATE	LICENSE EFFECTIVE DATE	LICENSE EXPIRATION DATE	LINES OF AUTHORITY	LOA EFFECTIVE DATE
Insurance Producer	12/17/2004	01/01/2023	12/31/2026	Casualty Property	12/17/2004 12/17/2004



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Arizona Department of Insurance and Financial Institutions
100 N 15th Ave, Suite 261
Phoenix, AZ 85007-2630