

# CITY OF MESA

## Meeting Minutes

### Self-Insurance Program Board of Trustees

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Tuesday, March 3, 2026

1:00PM – 2:30PM

Mesa City Hall – Room 650

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#### **Board Members Present:**

Councilmember Heredia, Chairperson  
Michael Kennington  
Christopher Scott  
Michael Schaiberger  
Katherine Callaway  
Tracy Hurt, Board Secretary

#### **Staff Present:**

Jason Reed, Deputy City Attorney  
Sarah Steadman, Assistant City Attorney III  
Lisa Lorts, Risk Management Claims Analyst  
Nitra Hawkins, Safety Administrator  
Janice Ashley, Employee Benefits Administrator  
Brian Ritschel, OMB Director  
Samuel Schultz, OMB Deputy Director  
Lauri Oszakiewski, OMB Budget Coordinator  
Jag Mundi, Sr. Budget Analyst  
Teri Overbey, HR Director

#### **Call to Order**

Chairperson Heredia conducted roll call of board members and called the meeting to order at 1:05 PM. All board members were present.

#### **Item 1: Citizens Present**

No citizens requested to speak.

#### **Item 2: Presentations and Discussion of Trust Funds and Related Budget Recommendations**

##### **2a. Property and Public Liability (PPL) Trust Fund**

Mr. Jason Reed, Deputy City Attorney, presented information on the PPL Trust Fund (see Attachment 2, *PPL Board Report*) and discussed the City's approach to managing claims and lawsuits, highlighting trends in claim volumes, the impact of high-exposure cases, reliance on outside counsel due to staffing shortages, and the use of mediation to resolve certain claims before litigation.

He also highlighted insurance market challenges and explained a 2022 resolution allowing the City manager and the City attorney to jointly purchase insurance and make quick decisions near renewal deadlines, with subsequent reporting to City Council for transparency. He noted that he would be proposing to the Board a recommendation to adopt an amendment to City Code and codify the resolution beyond its current expiration in fiscal year 26/27 (See Exhibit 3 & 4 ). Mr. Reed's final presentation item was to ask that the Board recommend that the Second Amended Restatement of Trusts be amended to specify that the trust fund balance be maintained at a range of \$10-15 million to provide a cushion against larger verdicts and claims, reflecting national trends in rising litigation costs. (See Exhibit 1).

Mr. Reed answered questions from the Board regarding claim sources, stating that increases are seen across departments, including police, street design, and vehicle accidents, with no single department responsible for the rise noting that the timing of case resolution also has financial impact.

He also described the City's approach to mediation, using it selectively when facts indicate City fault, and noted that courts often require mediation before trial, which can help parties evaluate risk and potentially save costs.

Samuel Schultz, Office of Management and Budget Deputy Director, answered questions regarding the claims, fund balance and setting of department contributions based on the prior year and future anticipated claims expenditures. Mr. Schultz noted that staff recommend a \$10.3 million City contribution in FY 26/27 to achieve an ending reserve balance anticipated at \$14.3 million (See Attachment 2a - *PPL Trust Fund: Financial Update and FY 2026/27 Funding Recommendations*).

## **2b. Worker's Compensation Trust Fund**

Nitra Hawkins, Safety Administrator, described the operations of the Workers Compensation Trust Fund, covering claim trends, funding mechanisms, the impact of healthcare inflation, and legislative changes affecting coverage and costs (See Attachment 2b - *Workers Compensation Trust Fund: Financial Update and FY 2026/27 Funding Recommendations*).

Ms. Hawkins noted that healthcare cost inflation is impacting the fund, with national increases of 10-30% and specific cost drivers such as prescription drugs and physical therapy rising significantly. In addition, proposed state legislation expanding presumptive coverage for PTSD could increase claims and limit the City's ability to contest causation, potentially impacting future costs and insurance arrangements.

Jag Mundi, Senior Budget Analyst answered board member questions regarding the future funding and explained that the fund's target balance is set to cover the following year's estimated expenditures, with department contributions based on employee classification and exposure, and adjustments made for over- or under-collection. Staff recommend the continuation of the current practice of adjusting rates annually and setting the rates for FY 2026/27 at a level to achieve a targeted ending reserve balance sufficient to cover the following fiscal year's annual WC Trust Fund expenses. For FY 2026/27, staff forecasts an increase in the rates to achieve a City contribution of \$8.0 million.

Councilmember Heredia asked Ms. Hawkins to provide an open claims by fiscal year chart as she had previously done. Ms. Hawkins noted that she would send it to the Board Secretary to be included as an attachment (See Attachment - WC Trust Fund Open Claims).

## **2c. Employee Benefits Trust Fund**

Janice Ashley, Employee Benefits Administrator, presented the Employee Benefits Trust Fund, discussing claim and membership trends, prescription drug cost drivers, plan design changes, and strategies for maintaining fund balance and controlling expenses (See Attachment 2c – *Employee Benefits Trust Fund: Financial Update and FY 2026/27 Funding Recommendations*). She noted the City implemented a rate increase for employees and retirees, increased deductibles and out-of-pocket maximums, and unified the prescription drug plan to improve cost control and member engagement. Concerning insurance, Ms. Ashley increased the stop loss threshold to \$750,000 per claimant, achieving a 34% reduction in premium costs for CY 2026, and noted that CY 2025 saw a record high number of large claims exceeding the previous stop loss level.

In addition, Ms. Ashley highlighted the Wellness Program and Wellness Center Utilization, which had over 11,000 visits, potentially saving the health plan over \$1 million by providing preventive and primary care services without a claim's liability in the main insurance plan.

Office of Management & Budget and Employee Benefits staff will continue to monitor the claims experience of the fund. As medical and prescription claim trends emerge, the City will consider adjustments to premium contributions each calendar year to maintain the fund balance.

The FY 2026/27 forecast includes an implemented increase of 10% to premium contributions in CY 2026, and a recommended 10% increase in CY 2027 for both the City, active employees and retired employees. This equates to a FY 2026/27 City contribution of \$111.0 million to the EBT Fund, resulting in an estimated year-end fund balance of \$28.9 million (17.8% reserve balance).

**Item 3: Recommendation to City Council regarding an Amendment to the Restatement of Trusts.** ( Exhibit 1)

Mr. Reed explained that considering the increased costs of claims and lawsuits, the Board previously recommended that the City adopt a resolution allowing the City to raise the balance of the PPL Trust Fund (i.e., exceed the \$10 million floor). After studying the issue, the City concluded that the most efficient way to implement that recommendation was to amend the City's Restatement of Trust (the document governing the PPL Trust Fund) and is proposing to amend to specify that the City can maintain an average intended annual balance of \$10 million to \$15 million through quarterly or semi-annual transfers from the City. The Restatement would be amended so that, if the PPL Trust Fund's balance fell below \$10 million, and it appeared that it would require more than what was budgeted to replenish the Fund, the City would notify this Board, and the Board would recommend to the City a timeframe within which to return the balance to the average intended annual balance (between \$10 million and \$15 million).

By making this amendment, the City would not be required to replenish the PPL Trust Fund in a single year (if multiple high-exposure cases are resolved or additional insurance were purchased). Instead, the Board can recommend a timeline to return to the intended annual balance considering, among other things, the PPL Trust Fund's balance, the amount budgeted for replenishing the PPL Trust Fund, the City's overall budget, and the availability of funds to replenish the PPL Trust Fund.

**Item 4: Recommendation to City Council regarding an amendment to the City Code for the Property and Public Liability and Employee Benefits Trust Funds.** (Exhibits 3-4)

Mr. Reed reiterated his prior explanation of the amendment to the ordinance authorizing the City attorney and City manager to obtain and enter into new insurance agreements, add insurance or excess layers of insurance, reduce insurance coverage layers or amounts, and modify coverage amounts, deductibles, and the City's self-insured retention.

**Item 5: Recommendation to City Council regarding the financial viability and staff recommendations for budgeting of the PPL, EBT and WC Trust Funds for FY 26/27.**

Michael Schaiberger thanked staff and commended them for their hard work and overcoming challenges to achieve successful outcomes. Mr. Schaiberger made a motion to recommend that City Council adopt the recommendations listed as items 3, 4 and 5. Michael Kennington seconded the motion and the Board voted as follows:

Ms. Callaway – Approve	Mr. Schaiberger – Approve
Mr. Scott – Approve	Mr. Kennington – Approve
Councilmember Heredia - Approve	

**Item 6: Verify current risk management/insurance provider licenses.**

The Board members reviewed and verified risk management/insurance provider licenses were current.

**Item 7: Discuss and take action authorizing the Chairperson of the Board to approve Board minutes after draft minutes have been circulated to all members.**

Katherine Callaway made a motion authorizing the Chairperson of the Board to approve Board minutes after draft minutes have been circulated to all members. The motion was seconded by Christopher Scott and the Board voted as follows:

Ms. Callaway – Approve	Mr. Schaiberger – Approve
Mr. Scott – Approve	Mr. Kennington – Approve
Councilmember Heredia - Approve	

**Item 8: Discuss/schedule future meetings**

Discussed future meeting schedule for February / March 2027.

There being no further business, Councilmember Heredia asked for a motion to adjourn the meeting. A motion to adjourn was made by Michael Kennington and seconded by Michael Schaiberger. The Board voted unanimously to adjourn.

The meeting was adjourned at 2:48pm.

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Board Secretary, Tracy Hurt

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Councilmember Francisco Heredia

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