



LOSS TRUST FUND BOARD REGULAR MEETING
Call: 480-378-2354 Conference I.D.: 310 130 923#
PUBLIC MEETING – HELD BY TELEPHONE/VIDEO CONFERENCE ONLY
THERE WILL BE NO “IN PERSON” ATTENDANCE

December 17th, 2021
5:00 p.m.

NOTICE AND AGENDA

General Public Hearing Notice: Board and Commission meetings are being held electronically for the public to attend and listen remotely. Loss Trust Fund Board Meetings will be open to the public to virtually attend and listen to the meeting in progress. Members of the Loss Trust Fund Board will also be able to attend and listen to this meeting remotely.

To join the meeting, **Dial: 480-378-2354**, when prompted by the electronic greeting, enter the **Conference I.D. 310 130 923 followed by the pound sign (#)**. You will then be joined in the meeting.

LOSS TRUST FUND BOARD

Brandon Perlow– Chairman
Allan Smith– Vice Chairman
Richard O’Conner

Suzanne Welch
Linda Wannie

CALL TO ORDER

ROLL CALL

OLD BUSINESS

1. Approval of September 30, 2021 minutes.

Action: Motion to approve minutes as submitted or with suggested changes.

NEW BUSINESS

1. Review, discuss and take action on submission of the Annual Report to City Council for Fiscal Year 2020/21.

Action: Motion to approve submission of the Annual Report or with suggested changes.

2. Review, discuss, and take action on the 2021 Board and Commission Annual Report Summary.

Action: Move to approve submission of 2021 Board and Commission Annual Report Summary or with suggested changes.

1. OPEN CALL TO THE PUBLIC

OPEN CALL TO THE PUBLIC (A.R.S. § 38-431.02)

Subject to reasonable time, place and manner restrictions, as determined by the Chairperson, members of the public will be allowed to address the Loss Trust Fund Board on any issue within the jurisdiction of the Board. Those wishing to speak are customarily limited to a five (5) minute presentation. At the conclusion of the open call to the public, individual members of the Board may respond to criticisms made by those who have addressed the Board, may ask staff to review a matter or may ask that a matter be put on a future agenda. Members of the Board shall not discuss or take legal action on matters, however, raised during an open call to the public unless the matters are properly noticed for discussion and legal action.

ADJOURNMENT

Action: Motion to adjourn.





MINUTES

LOSS TRUST FUND BOARD MEETING

TELEPHONIC

September 30, 2021

5:07 p.m.

PRESENT: Brandon Perlow, Chair
Allan Smith, Vice Chair
Richard O'Connor
Suzanne Welch
Linda Wannie

STAFF: Lori Davis, Senior City Attorney
George Woods, Acting Director of Risk Management, Claims Manager

GUESTS: Tracy Fleck, AON

CALL TO ORDER

Chair Perlow called the meeting of the Loss Trust Fund Board to order at 5:07 p.m. He welcomed Board Member Wannie to her first meeting. Board Member Wannie provided a brief personal background.

ROLL CALL

A formal roll call confirmed the presence of Board Members as stated above.

OLD BUSINESS

1. Approval of the March 11, 2021 public meeting minutes

Chair Perlow called for questions or comments. There were no changes.

BOARD MEMBER O'CONNOR MOVED TO APPROVE THE MARCH 11, 2021 PUBLIC MEETING MINUTES AS PRESENTED. VICE CHAIR SMITH SECONDED THE MOTION, WHICH CARRIED FIVE (5) TO ZERO (0). CHAIR PERLOW, VICE CHAIR SMITH AND BOARD MEMBERS O'CONNOR, WELCH AND WANNIE VOTED IN THE AFFIRMATIVE. THERE WERE NO DISSENTING VOTES.

NEW BUSINESS

1. Presentation and discussion of Actuary Study by AON

Tracy Fleck, AON, provided an overview of the report, noting that all figures discussed reflect only amounts up to the City's self-insured retention.

Board Member Welch made a typographical correction.

Ms. Fleck noted that Worker's Comp claims decreased upon the COVID pandemic, beginning in March 2020 and throughout 2021. An adjustment was made to claim data to reflect this. Estimated outstanding losses is the estimate of what is yet to be paid on all claims. As of June 30, 2021, the estimate is \$20.65 million. The estimate from the same period last year was \$19.6 million. The second conclusion looks forward to estimate costs for the upcoming year for claims with accident dates after 6/30/21. Projected ultimate losses by the next five years by coverage were reviewed, beginning at \$7.8 million and growing to \$9.6 million. The driver is the underlying loss rate change and exposure growth. Frequency and severity rates were discussed and these numbers are converted to loss rates for a comparable basis year to year.

In response to a question from Chair Perlow regarding the projection drop from 20/21 into 21/22, Ms. Fleck stated that the projection looks at a long-term average and takes into consideration the COVID environment. Years '19, '20 and '21 are more variable and uncertain than typical years.

Projected losses paid equate to a cash flow projection. For the upcoming year, the estimate is \$6.5 million increasing to approximately \$8.5 million. These track with ultimate loss increases. This a combination of legacy losses and the new run rates. The fund balance is the difference between assets and liabilities for the program. The recommended fund balance is equal to the estimated outstanding losses. In other words, there are estimated outstanding losses of approximately \$22 million and the recommendation is to have a cushion in this amount to support those liabilities. The intent of the cushion is to absorb large claims or catastrophic events. The study provides estimated outstanding losses at different confidence levels. The goal is look at long-term averages and use best judgment in making factor and weight selections.

In recent years, there have been a larger number of open claims. Larger claims tend to remain open. This is typical for a Worker's Comp program. Only one claim in the last ten years has exceeded the self-insured retention above \$1 million.

2. Review and discuss new format for Annual report

George Woods, Acting Director of Risk Management, Claims Manager, reviewed proposed changes for the annual report. This includes the suggestion to make the annual breakdown medical costs more robust in detail in terms of general liability, medical bill review, claims above \$100,000, average cost savings and frequency of claims also for \$50,000 and \$25,000 claims. In terms of recovery, it would be helpful to know how much claims are being recovered on, rather than simply reflecting the total number at the end of the year. There was confusion last year in regards to individual departments with some question regarding whether the amounts listed in the severity for fiscal year are the amounts incurred during the fiscal year or attributable to claims arising in the fiscal year. For clarity, the intent is to separate out claims originating in that year in one column and claims attributable financially to that fiscal year in another column. This will be helpful in terms of comparison.

Because the City is now in the Public Entities Partnership Program (PEPP) with ADOT, Scottsdale is subject to increased facility inspections. Once the City obtains its designation with PEPP, there should be reductions in terms of proper insurance and Worker's Compensation premiums. It would be desirable to include a safety section within the annual report, which covers ADOT's inspections, findings, efficiencies and improvements enacted and time frames for response. They would also like to address training resulting from the new Learning Management System (LMS). Also being promoted are lifting and stepping techniques. New initiatives include an injury review board.

In response to a question from Commissioner Welch, Mr. Woods stated that because the City is participating in the PEPP program, they have obtained buy-in from City Manager, Jim Thompson. They will be meeting with the City Manager's Office in the coming weeks to discuss making safety and injury reduction a component of every director's performance goals. Public Works has recently hired a safety and training coordinator with the goal to have a safety and training coordinator in each department. In addition, there will be a safety and training championship award. Board Member O'Connor suggested supporting these goals in the Board's letter to City Council. Mr. Woods concurred with the suggestion, emphasizing that safety and injury mitigation is paramount. Chair Perlow asked that this be included in the Board's upcoming meeting in December.

Vice Chair Smith asked how the leadership score cards will measure safety. Mr. Woods stated that each department presents varying challenges and as such, there will not be an identical approach across the board. They have developed a number of measurements that are specific to each department.

In response to a question from Chair Perlow, Mr. Woods confirmed that the issues discussed during the course of this meeting will be included in the annual report; this is why he wanted to specifically include the safety section in the report.

Chair Perlow asked whether Mr. Woods recommends removing any sections from the annual report. Mr. Woods recommends removing some sections as well as changing the format of the synopsis at the end of the report. The self-insured medical and dental plans are not germane to risk management and fall more under HR. Chair Perlow commented that he has appreciated receiving the breakdowns on the health and safety wellness

programs. Vice Chair Smith agreed. Mr. Woods confirmed that based upon these comments, those sections will remain in the report.

3. Review and discuss recently enacted legislation related to the Firefighter Cancer Reimbursement Fund Assessments and its impact on the Loss Trust Fund

Mr. Woods stated that the Arizona legislature passed a bill requiring all cities and towns to fund the Cancer Reimbursement Fund for firefighters. Funding of the Fund totals \$15 million and each city is responsible for a portion, based on population size. Scottsdale's portion is \$668,000. As this is new legislation, the required funding was not anticipated nor included in the budget. The Arizona League of Cities and Towns negotiated a deal that would transfer money typically paid to the Department of Revenue (approximately \$666,000) to the Firefighter Cancer Reimbursement Fund. It is not confirmed at this time whether this is a one-time or annual requirement.

In response to a question from Board Member Welch, Mr. Woods stated his understanding that the fire department utilizes decontamination kits for cleaning equipment of possible harmful contaminants.

Vice Chair Smith referred to the \$15 million assessment and asked about the actuarial component used to determine the number. Mr. Woods stated his understanding that much of this legislative push was driven by the City of Phoenix, which has the bulk of cancer claims in Arizona. The City of Phoenix has currently reserved \$10.5 million specific to address the cancer issue. In comparison, the City of Scottsdale only has approximately six to eight cancer claims with extremely low costs. There has been some disagreement in terms of allocation of responsibility for each city.

OPEN CALL TO THE PUBLIC

There were no comments submitted.

ADJOURNMENT

Chair Perlow thanked Sue Welch for her time and service on the Board.

VICE CHAIR SMITH MOVED TO ADJOURN. BOARD MEMBER WELCH SECONDED THE MOTION, WHICH CARRIED FIVE (5) TO ZERO (0). CHAIR PERLOW, VICE CHAIR SMITH AND BOARD MEMBERS O'CONNOR, WELCH AND WANNIE VOTED IN THE AFFIRMATIVE. THERE WERE NO DISSENTING VOTES.

With no further business to discuss, being duly moved and seconded, the meeting adjourned at 6:08 p.m.

Recorded and Transcribed by eScribers, LLC.



RISK MANAGEMENT FISCAL YEAR 2020/21 ANNUAL REPORT



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SCOTTSDALE, AZ 85257 | 480.312.2490

Table of Contents

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| Table of Contents | i |
| Executive Summary | 1 |
| Cost of Risk | |
| Cost of Risk..... | 4 |
| Workers' Compensation Payment Breakdown | 5 |
| General Liability Payment Breakdown | 6 |
| Medical Bill Review Savings..... | 7 |
| Recoveries | 8 |
| City Six-Year Overall Loss Performance | |
| All Divisions | 9 |
| Large Incurred Losses | 10 |
| Average Paid by Financial Type | 11 |
| Departmental Six-Year Loss Performance Statistics with Action Plans | |
| Charter Officers | 12 |
| Administrative Services | 13 |
| Community Services | 14 |
| Community Services Action Plan | 15 |
| Community & Economic Development..... | 17 |
| Fire Department | 18 |
| Fire Department Action Plan | 19 |
| Police Department | 21 |
| Police Department Action Plan | 22 |
| Public Works | 24 |
| Public Works Action Plan | 25 |
| Water Resources..... | 27 |
| Water Resources Action Plan..... | 28 |
| Self-Insured Medical and Dental Plans | 30 |
| Loss Trust Fund Financial Condition | |
| Healthcare Self Insurance Fund 5 Year Financial Forecast | 37 |
| Risk Management Fund 5 Year Financial Forecast | 38 |
| Financial Results of the Trust Fund..... | 39 |

Executive Summary - Risk Management FY 2020/21 Report

This annual report can be viewed as four sections:

- **Pink Tabs:** Provides a snapshot of Risk Management's income and expenses for the fiscal year ending on June 30, 2021. This includes various charts that expound on the expense and revenue items in the Risk Management program.
- **Yellow Tabs:** Starts with a summary of the entire City's total loss experience for the previous six years and are followed by corresponding reports which are broken out by Division. These provide a compilation of the frequency and severity of claims by each Department over time. **Note that claim payments all appear in the fiscal year in which the claim/injury/accident occurred, regardless of the year(s) the payment(s) were made.**
- **Green Tabs:** Provides an overview of the self-funded medical and dental plans.
- **Blue Tabs:** Provides information on the financial status of the Loss Trust Fund. A summary is provided along with the final five-year budget forecast for the self-insured benefits and the self-insured Risk Management accounts, respectively.

Risk and Safety Management Highlights

- ✓ The City's goal for the total Cost of Risk is 2% or less of the City's total operating budget. The 2020/21 fiscal year ended with a total Cost of Risk resulting at 2.04%.
- ✓ Although there were reductions in the frequency of overall claims, the increasing cost of excess insurance premiums and postponed medical treatment due to the COVID-19 pandemic along with significant increases in unemployment claims significantly impacted the total Cost of Risk in 2020/21.
- ✓ Beginning in February 2021, the Risk Management Department contracted with **Triage Now**, a telephonic nurse case management vendor. Triage Now provides 24 hour/7 day a week telemedicine service to all City employees and volunteers who had an accident/injury at work. The goal of Triage Now is to improve customer service by providing faster medical response for minor work accidents/injuries while keeping the City's cost and accident injury rates down. The Risk Management Department anticipates that Triage Now will help reduce the overall number of compensable workers' compensation claims within the City.
- ✓ The OSHA recordable injury/illness rate, per 100 employees, has trended up primarily due to COVID-19 from 7.19 in calendar year 2019 to 8.7 in calendar year 2020. There were reductions in the number of injuries/illnesses for the Community Services Division and a substantial reduction in the total number of lost workdays for multiple Citywide Divisions including Police and Fire. COVID-19 resulted in a total of 23 of the recordable illnesses and 486 lost workdays.
- ✓ The comparison of insurance premiums on page 5 indicate that the City is moving into a rising market with substantial increases for property excess casualty insurance.

- ✓ **The approved budget for FY 2021/22 is designed to achieve the actuary 85% confidence level goal of the Loss Trust Fund Board. The FY 2020/21 year-end funding for the Risk Management accounts achieved this 85% confidence level.**
- ✓ Risk Management previously underwent a reorganization in July of 2020, under the new leadership of Risk Director, George Woods Jr. and Safety Manger, Kevin D. Cullens. Under their leadership, an extensive data mining project was initiated to understand what is driving the City's accident experience and what will most improve the City's loss prevention efforts. With a renewed focus on safety and more information to help improve the City's safety footprint and loss experience, Risk Management has increased its visibility, outreach and effectiveness.
- ✓ An evaluation of Citywide internal health, safety and wellness resources for key Division/Departments has also been completed. A correlation was found between the Departments with dedicated safety staff (either full or part time) and lower accident and injury rates. As a result of those findings, a case was made to establish additional dedicated Safety positions in each large Division with high risk and/or safety critical operations. Risk added and filled a new Safety and Training Coordinator job in May of 2021. In June 2021 a new Safety job was also assigned to the Community Services Division.
- ✓ In May 2021 the City joined the Arizona OSHA (ADOSH) Public Entity Protection Program (PEPP) under a 3-year agreement which put the City on ADOSH Consultation status. While in consultation status, ADOSH staff and resources are available to support the City as we audit all occupational health, safety and wellness programs Citywide. ADOSH's consultation support is designed to allow the City to identify where it is doing well and where it can improve. These consultations also allow the City to correct any deficiencies or code compliance concerns found without being subject to OSHA fines, inspections or further disciplinary actions while actively in the Public Entity Protection Program. Through the program, the City will work toward implementing the best industry safety practices to improve upon its existing safety programs.



Medical Benefits Highlights

Medical and dental claims expenses incurred in FY 2020/21 continued to be lower than expected. This is partially attributed to the COVID-19 pandemic where many members postponed treatment and doctor visits. We collected \$33 million in revenues and incurred \$29 million in claims and administrative costs. Every year the City works with its benefits consultant, Hays, to develop medical and dental plan cost projections and provide recommendations to the City Council concerning funding level and cost sharing strategies. The Total Benefits Advisory Committee (TBAC) continues to receive training on claims administration and how it affects the City and reviews various plan design options/rate distributions. Human Resources also works with the Office of Communications to explore the best ways to engage and communicate with City staff which includes in-person or TEAMS staff meetings and electronic communications.

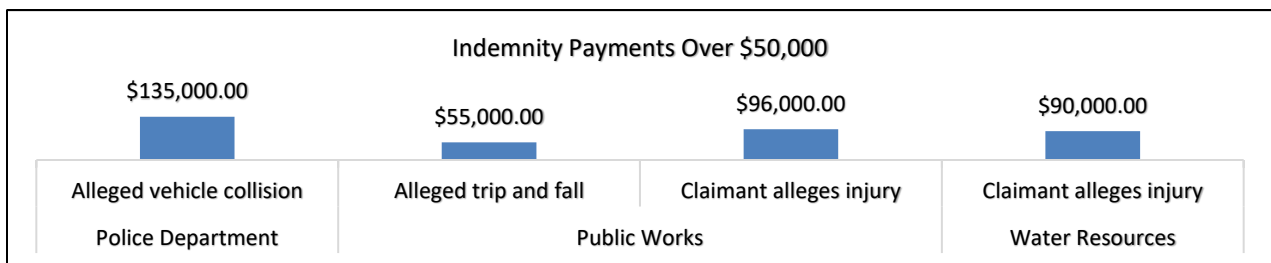
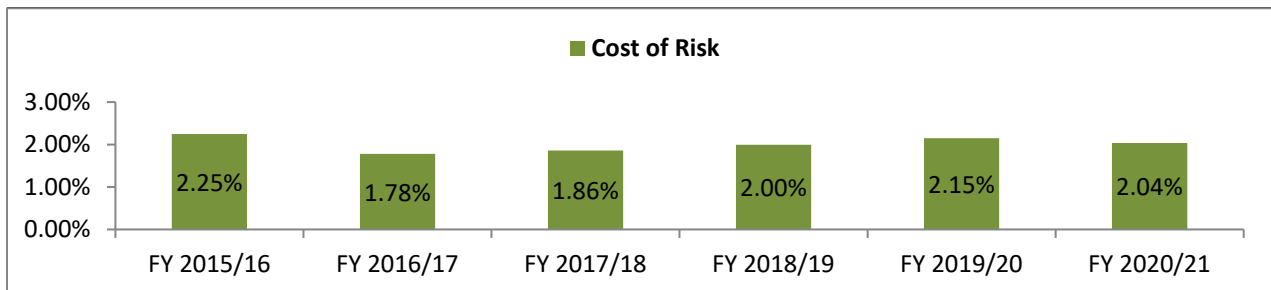
City Management focused heavily on mental health this year, including hiring a permanent on-site EAP counselor (up to 8 hours per week), virtual behavioral health visits from the EAP program, TalkSpace and Ginger, mental health first aid training, and mental health group discussion topics. They have all been well utilized and we are continuing to expand to ensure our employees and their family members' needs are met.

Cost of Risk

The Cost of Risk chart depicts all expenses and revenues associated with the City's Risk Management program. In addition to claims and legal costs, the chart accounts for all expenditures assumed by the Risk Management budget, including loss control services, safety incentives, purchase of personal protective equipment, insurance, OSHA required medical testing, safety training, safety grants, staff salaries and computer software. The City has historically measured the performance of the Risk Management program by comparing it to the City's total operating budget, with a goal of having Risk Management's overall budget "not to exceed" 2% of the City's total operating budget. The FY 2020/21 program ended at 2.04%.

Please note the amount listed below as "Claim Payments" represents payments on all claim types (General Liability, Auto Liability, Law Enforcement Liability, Employment Liability and Workers' Compensation) during the fiscal year. The "Operating Budget" line represents the Risk Management Department's internal operating expense.

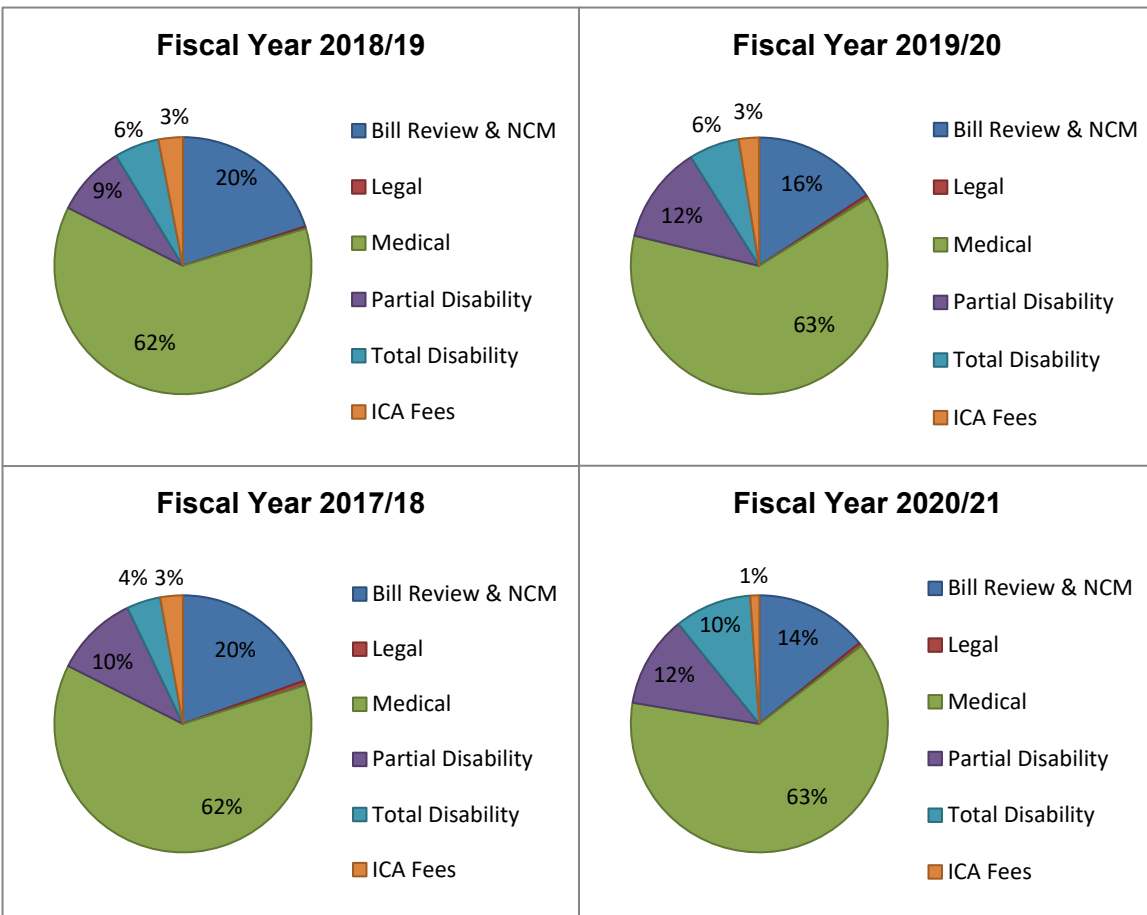
| | FY 2015/16 | FY 2016/17 | FY 2017/18 | FY 2018/19 | FY 2019/20 | FY 2020/21 |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Claim Payments | \$6,244,642 | \$5,379,106 | \$5,867,891 | \$7,371,950 | \$8,121,261 | \$8,133,788 |
| Operating Budget | \$1,122,979 | \$960,564 | \$1,070,083 | \$1,087,279 | \$1,227,988 | \$1,147,688 |
| Excess Insurance Premiums | \$2,348,821 | \$2,025,676 | \$1,960,295 | \$1,969,017 | \$2,242,427 | \$2,641,325 |
| Unemployment Compensation | \$19,983 | \$18,136 | \$37,907 | \$30,227 | \$28,123 | \$136,265 |
| Special Event Reimbursements | (\$113,130) | (\$103,753) | (\$103,617) | (\$117,863) | (\$116,326) | (\$59,633) |
| Total Recoveries | (\$609,170) | (\$452,279) | (\$508,535) | (\$1,071,110) | (\$1,135,303) | (\$2,404,535) |
| Risk Management Program Cost | \$9,014,125 | \$7,827,450 | \$8,324,024 | \$9,269,500 | \$10,368,170 | \$9,594,898 |
| City Operating Budget | \$401,312,174 | \$440,154,190 | \$447,716,995 | \$464,569,653 | \$482,086,151 | \$471,428,269 |
| Cost of Risk | 2.25% | 1.78% | 1.86% | 2.00% | 2.15% | 2.04% |



Workers' Compensation Payment Breakdown

The following depicts a comparison of the total payments made for the City's workers' compensation claims. Increasing medical expenses (highlighted in yellow) will continue over time due to a variety of factors. Due to the lifetime right to petition to reopen a claim within Arizona, there are instances wherein a claim referencing an old injury may be reopened due to worsening conditions or to allow the past employee to take advantage of recent medical advancements. In addition to the cost of advanced medical procedures and catastrophic injury care, the basic cost of medical treatments, surgeries, and prescription medications continue to rise. The broadening of benefits by the legislature, an aging work force, longer life expectancies, increasing wages, and expanding numbers of covered employees and volunteers are all factors that affect the total workers' compensation cost. These and other historical factors are taken into account by the City's actuary when projecting future losses.

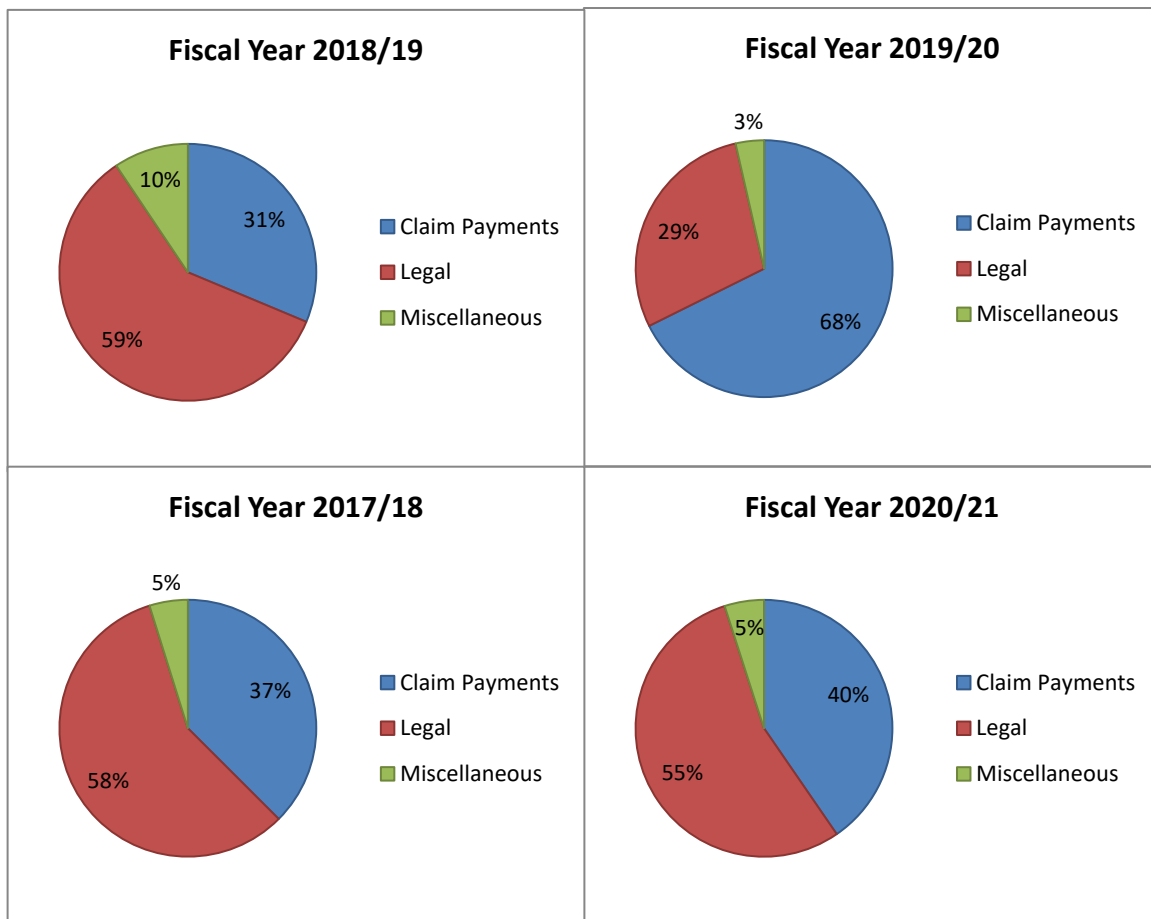
| | FY 2017/18 | FY 2018/19 | FY 2019/20 | FY 2020/21 |
|--------------------|--------------------|--------------------|--------------------|--------------------|
| Bill Review & NCM | \$790,692 | \$999,750 | \$558,018 | \$585,176 |
| Legal | \$22,837 | \$13,380 | \$15,166 | \$17,277 |
| Medical | \$2,517,296 | \$3,094,119 | \$2,220,105 | \$2,600,380 |
| Partial Disability | \$422,882 | \$442,372 | \$436,176 | \$475,930 |
| Total Disability | \$172,078 | \$280,515 | \$225,728 | \$399,761 |
| ICA Fees | \$114,660 | \$152,685 | \$90,434 | \$46,940 |
| Total | \$4,040,445 | \$4,982,821 | \$3,545,625 | \$4,125,465 |



General Liability Payment Breakdown

The following charts depict annual expenditures related to the general liability and auto liability claim programs. The legal component is comprised of expenses received from the City Attorney's Office and outside counsel. The City Attorney's Office provides for the City's primary defense of all lawsuits. The Loss Trust Fund is afforded a reduced rate of \$143.00 per hour (attorneys) and \$69.00 per hour (paralegals) for professional services. Infrequently, the City Attorney and Director of Risk Management will agree to assign outside counsel to defend a lawsuit if the City Attorney's Office has a conflict or if the case requires a particular expertise or resources that are not available in-house. These costs are also accounted for in the legal section of the chart. The miscellaneous category is made up of the litigation expenses including, but not limited to, research, travel, depositions, testimony of expert witnesses, and costs to obtain medical records.

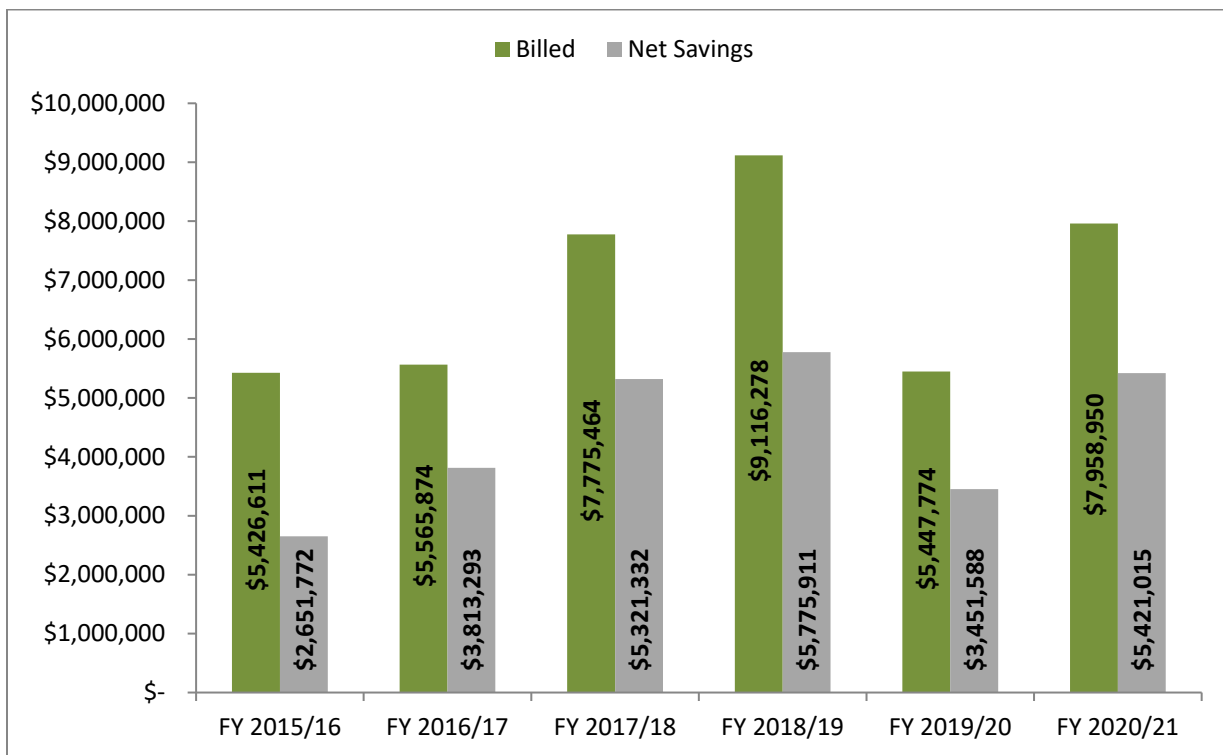
| | FY 2017/18 | FY 2018/19 | FY 2019/20 | FY 2020/21 |
|----------------|--------------------|--------------------|--------------------|--------------------|
| Claim Payments | \$438,432 | \$467,844 | \$2,290,767 | \$662,948 |
| Legal | \$674,574 | \$886,009 | \$974,268 | \$896,062 |
| Miscellaneous | \$56,459 | \$140,585 | \$121,028 | \$81,264 |
| Total | \$1,169,465 | \$1,494,437 | \$3,386,063 | \$1,640,274 |



Medical Bill Review Savings

During the 2020/21 fiscal year, the City contracted with a third party, CorVel Corporation, to review and adjust workers' compensation medical bills to reasonable and customary amounts as allowed by statute. This is considered a “best practice” for controlling the medical costs associated with workers’ compensation claims. Medical bills are reviewed on a line-item basis for accuracy, removal of duplicate charges, review of reasonable and customary charges, fee bundling, and any other opportunities to ensure maximum savings. The amounts in green represent the total of the original amount billed. The amounts in gray are indicative of the total net savings including the fees paid to CorVel for bill reduction services. There has been a significant reduction in the amount billed, which has correlated to a reduction in medical review savings.

| | FY 2015/16 | FY 2016/17 | FY 2017/18 | FY 2018/19 | FY 2019/20 | FY 2020/21 |
|------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Billed | \$5,426,611 | \$5,565,874 | \$7,775,464 | \$9,116,278 | \$5,447,774 | \$7,958,950 |
| Net Savings | \$2,651,772 | \$3,813,293 | \$5,321,332 | \$5,775,911 | \$3,451,588 | \$5,421,015 |
| % Savings | 49% | 69% | 68% | 63% | 63% | 68% |



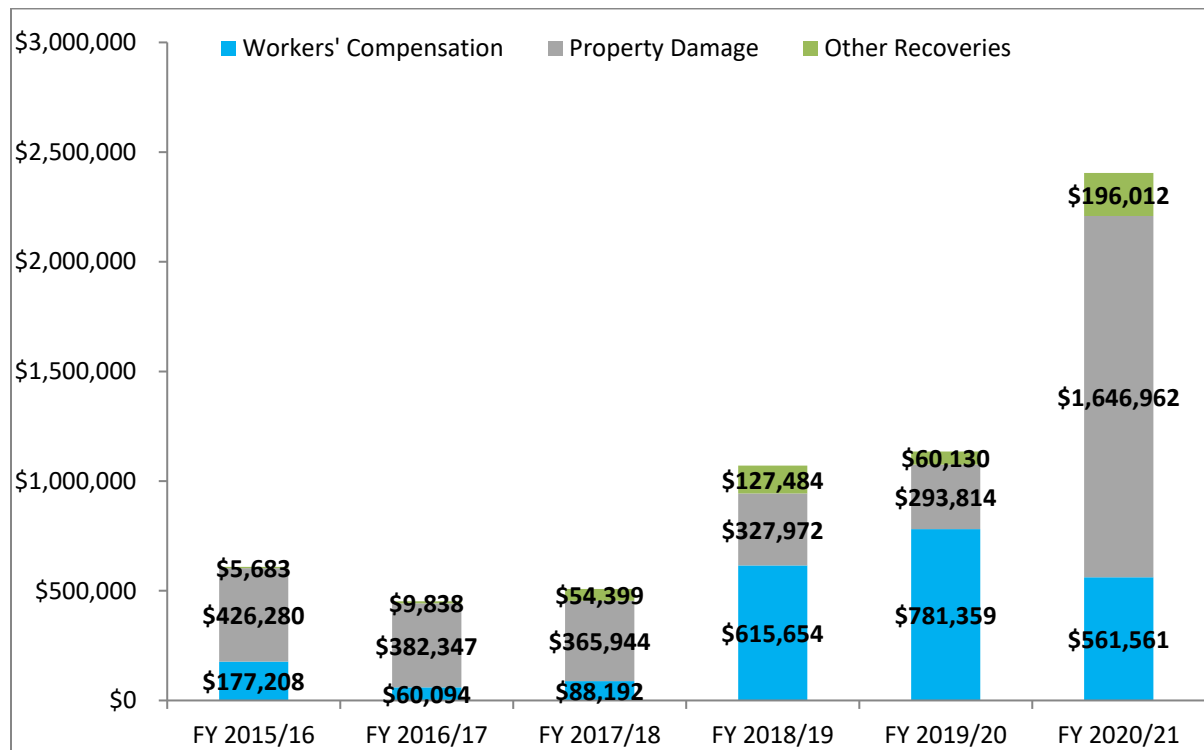
Recoveries

In FY 2020/21 the Risk Management Department continued to identify and evaluate property and casualty losses to ascertain potential recovery of those damages.

The other recoveries noted below are primarily derived from sharing insurance coverage costs for off-duty Police Officers.

The workers' compensation recoveries are predominantly reimbursements of expenses for those workers' compensation claims that have exceeded the City's self-insured retention level referenced in each respective excess insurance contract. Although the City has reached its self-insured retention amount on these claims, we must continue to manage these claims for as long as they remain open. The current insurance contract caps the City's liability at \$1,000,000 per injury. However, the obligation to manage the claim will continue indefinitely.

| | FY 2015/16 | FY 2016/17 | FY 2017/18 | FY 2018/19 | FY 2019/20 | FY 2020/21 |
|-------------------------|------------------|------------------|------------------|--------------------|--------------------|--------------------|
| Workers' Compensation | \$177,208 | \$60,094 | \$88,192 | \$615,654 | \$781,359 | \$561,561 |
| Property Damage | \$426,280 | \$382,347 | \$365,944 | \$327,972 | \$293,814 | \$1,646,962 |
| Other Recoveries | \$5,683 | \$9,838 | \$54,399 | \$127,484 | \$60,130 | \$196,012 |
| Total Recoveries | \$609,170 | \$452,279 | \$508,535 | \$1,071,110 | \$1,135,303 | \$2,404,535 |



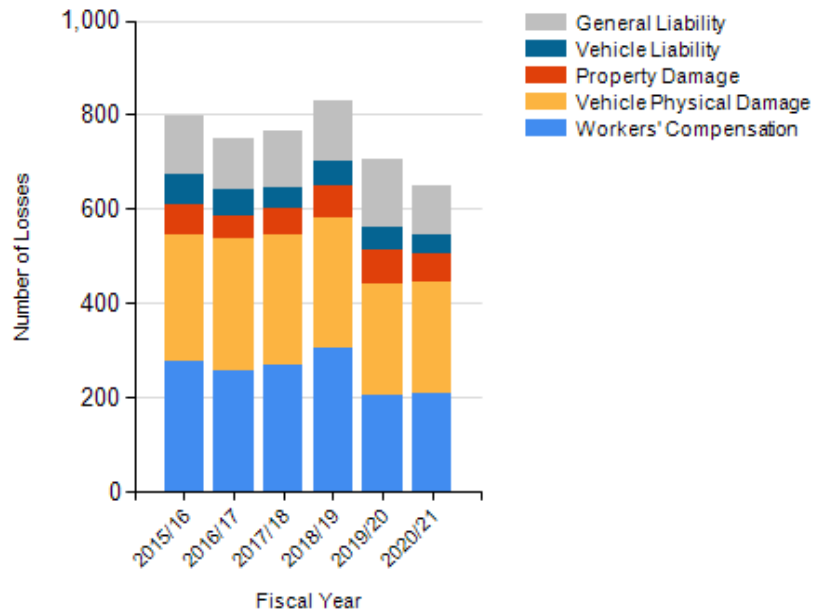


All Divisions Combined Incurred Performance

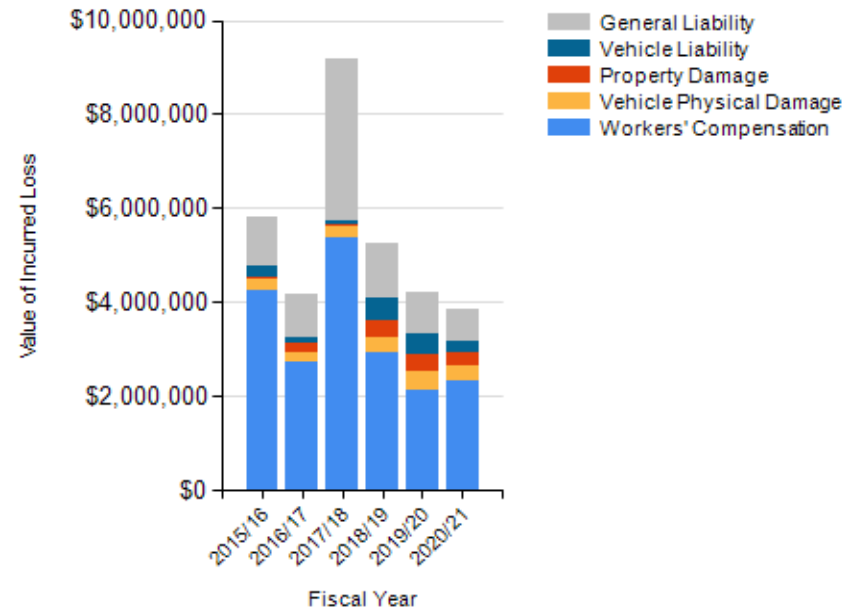
Claim Frequency and Severity by Date of Loss

| Claim Type | 2015/16 | | 2016/17 | | 2017/18 | | 2018/19 | | 2019/20 | | 2020/21 | |
|-------------------------|------------|--------------------|------------|--------------------|------------|--------------------|------------|--------------------|------------|--------------------|------------|--------------------|
| | Frequency | Severity | Frequency | Severity | Frequency | Severity | Frequency | Severity | Frequency | Severity | Frequency | Severity |
| General Liability | 125 | \$1,042,534 | 108 | \$897,734 | 123 | \$3,427,319 | 126 | \$1,172,548 | 143 | \$896,626 | 104 | \$689,760 |
| Vehicle Liability | 63 | \$250,269 | 55 | \$120,929 | 41 | \$97,343 | 54 | \$498,151 | 52 | \$449,037 | 42 | \$202,376 |
| Property Damage | 63 | \$41,492 | 50 | \$205,282 | 57 | \$48,151 | 66 | \$336,562 | 70 | \$353,246 | 59 | \$297,507 |
| Vehicle Physical Damage | 270 | \$230,822 | 282 | \$207,026 | 278 | \$221,327 | 278 | \$313,197 | 239 | \$396,428 | 240 | \$338,753 |
| Workers' Compensation | 276 | \$4,246,441 | 255 | \$2,717,571 | 268 | \$5,383,463 | 304 | \$2,937,207 | 202 | \$2,117,077 | 206 | \$2,305,837 |
| City Total | 797 | \$5,811,558 | 750 | \$4,148,542 | 767 | \$9,177,603 | 828 | \$5,257,665 | 706 | \$4,212,414 | 651 | \$3,834,232 |

Frequency of Claims

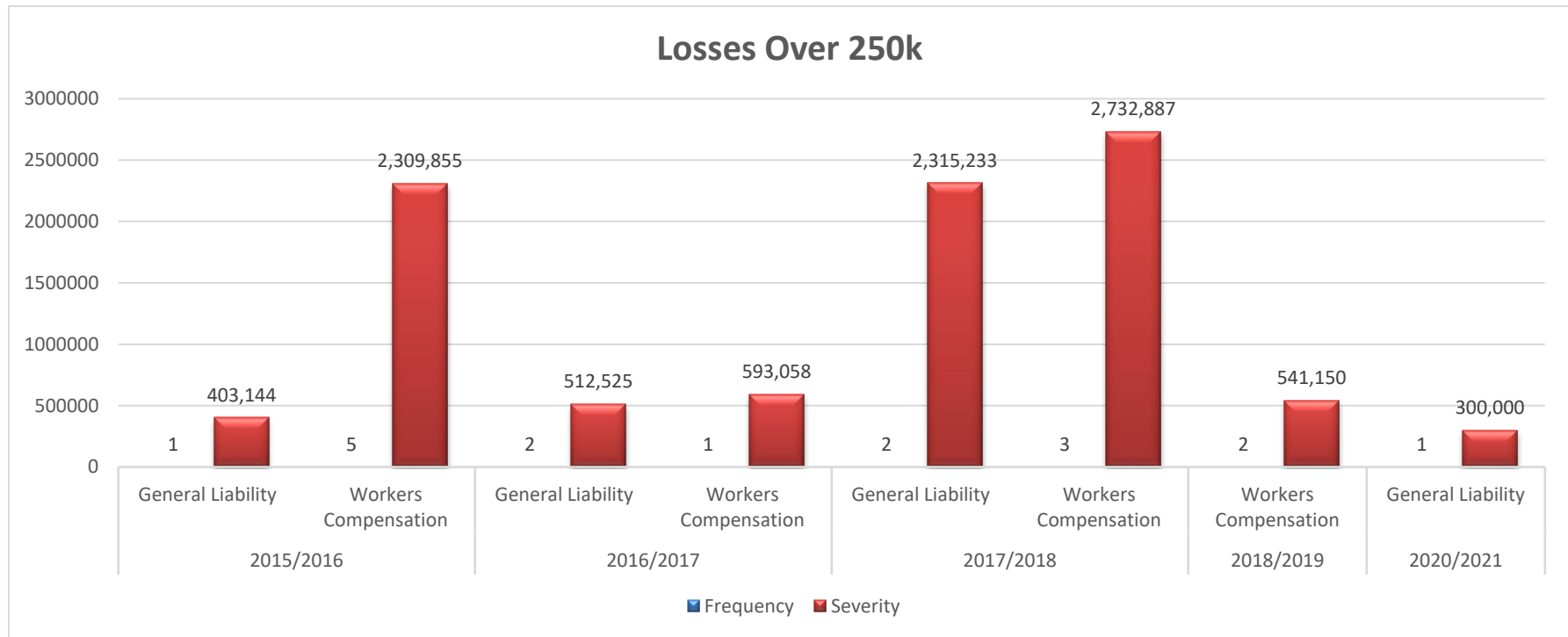


Severity of Claims



Large Incurred Losses

Severity = Outstanding Reserve + Paid – Collection. Valued as of 06/30/2021.



Average Paid by Financial Type



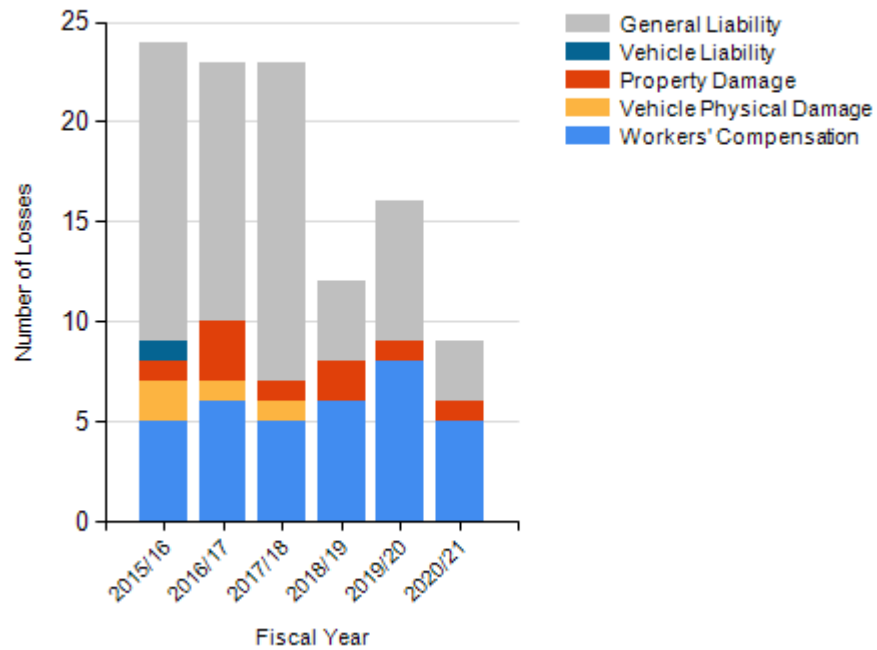


Charter Officers Loss Performance

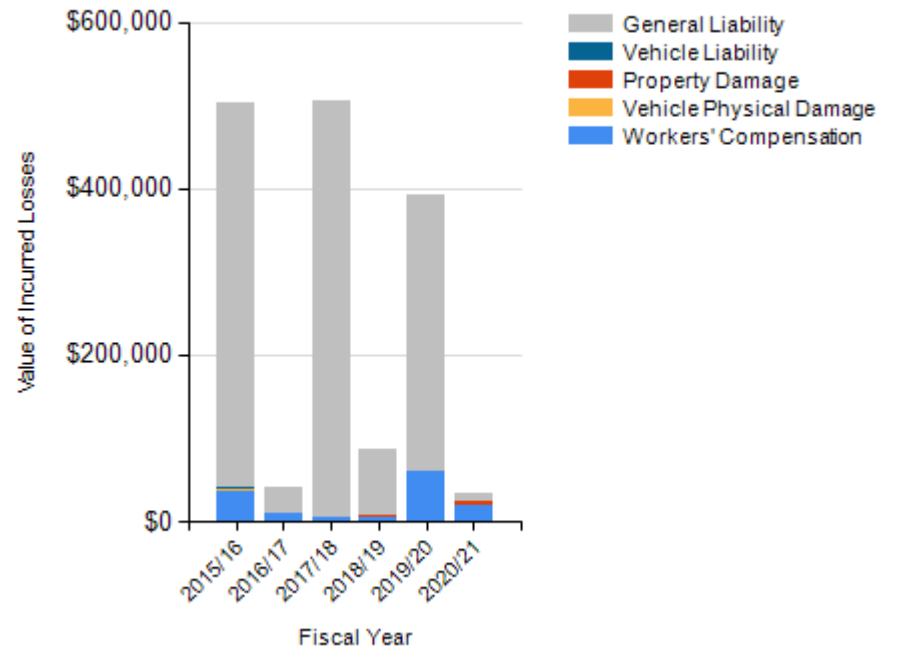
Claim Frequency and Severity by Date of Loss for Mayor and City Council, City Attorney, City Auditor, City Clerk, City Manager, City Treasurer, and Presiding Judge

| Claim Type | 2015/16 | | 2016/17 | | 2017/18 | | 2018/19 | | 2019/20 | | 2020/21 | |
|-------------------------------|-----------|------------------|-----------|-----------------|-----------|------------------|-----------|-----------------|-----------|------------------|-----------|-----------------|
| | Frequency | Severity | Frequency | Severity | Frequency | Severity | Frequency | Severity | Frequency | Severity | Frequency | Severity |
| General Liability | 15 | \$464,052 | 13 | \$30,156 | 16 | \$499,717 | 4 | \$80,000 | 7 | \$332,252 | 3 | \$9,112 |
| Vehicle Liability | 1 | \$965 | 0 | \$0 | 0 | \$0 | 0 | \$0 | 0 | \$0 | 0 | \$0 |
| Property Damage | 1 | \$0 | 3 | \$0 | 1 | \$0 | 2 | \$1,513 | 1 | \$0 | 1 | \$4,667 |
| Vehicle Physical Damage | 2 | \$4,296 | 1 | \$0 | 1 | \$0 | 0 | \$0 | 0 | \$0 | 0 | \$0 |
| Workers' Compensation | 5 | \$34,543 | 6 | \$9,770 | 5 | \$4,296 | 6 | \$5,118 | 8 | \$60,739 | 5 | \$18,800 |
| Charter Officers Total | 24 | \$503,856 | 23 | \$39,925 | 23 | \$504,013 | 12 | \$86,632 | 16 | \$392,990 | 9 | \$32,579 |

Frequency of Claims



Severity of Claims

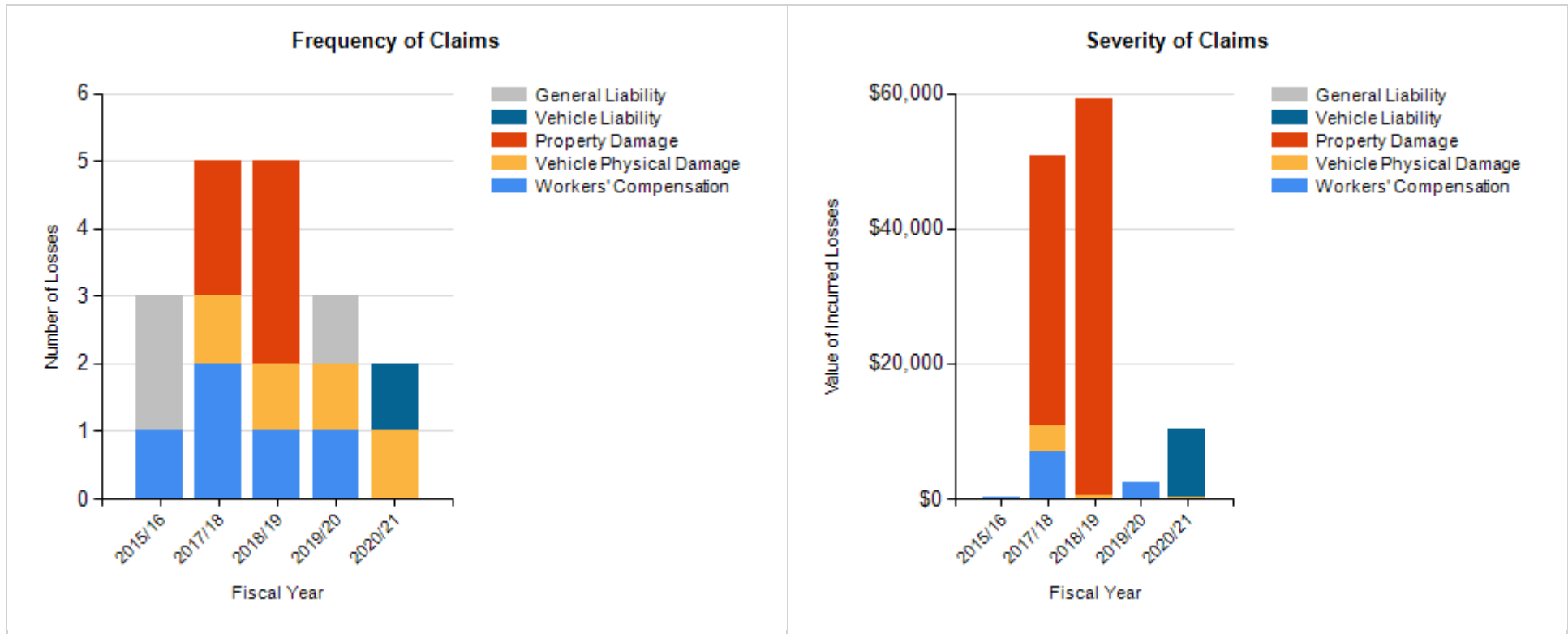




Administrative Services Loss Performance

Claim Frequency and Severity by Date of Loss for Human Resources and Information Technology

| | 2015/16 | | 2016/17 | | 2017/18 | | 2018/19 | | 2019/20 | | 2020/21 | |
|--------------------------------------|----------------------|--------------|----------------------|----------|----------------------|----------|----------------------|----------|----------------------|----------|----------------------|----------|
| Claim Type | Frequency / Severity | | Frequency / Severity | | Frequency / Severity | | Frequency / Severity | | Frequency / Severity | | Frequency / Severity | |
| General Liability | 2 | \$0 | 0 | 0 | 0 | \$0 | 0 | \$0 | 1 | \$0 | 0 | \$0 |
| Vehicle Liability | 0 | \$0 | 0 | 0 | 0 | \$0 | 0 | \$0 | 0 | \$0 | 1 | \$10,000 |
| Property Damage | 0 | \$0 | 0 | 2 | \$39,989 | 3 | \$58,723 | 0 | \$0 | 0 | \$0 | |
| Vehicle Physical Damage | 0 | \$0 | 0 | 1 | \$3,832 | 1 | \$433 | 1 | \$0 | 1 | \$229 | |
| Workers' Compensation | 1 | \$190 | 0 | 2 | \$6,946 | 1 | \$75 | 1 | \$2,468 | 0 | \$0 | |
| Administrative Services Total | 3 | \$190 | 0 | 5 | \$50,767 | 5 | \$59,231 | 3 | \$2,468 | 2 | \$10,229 | |



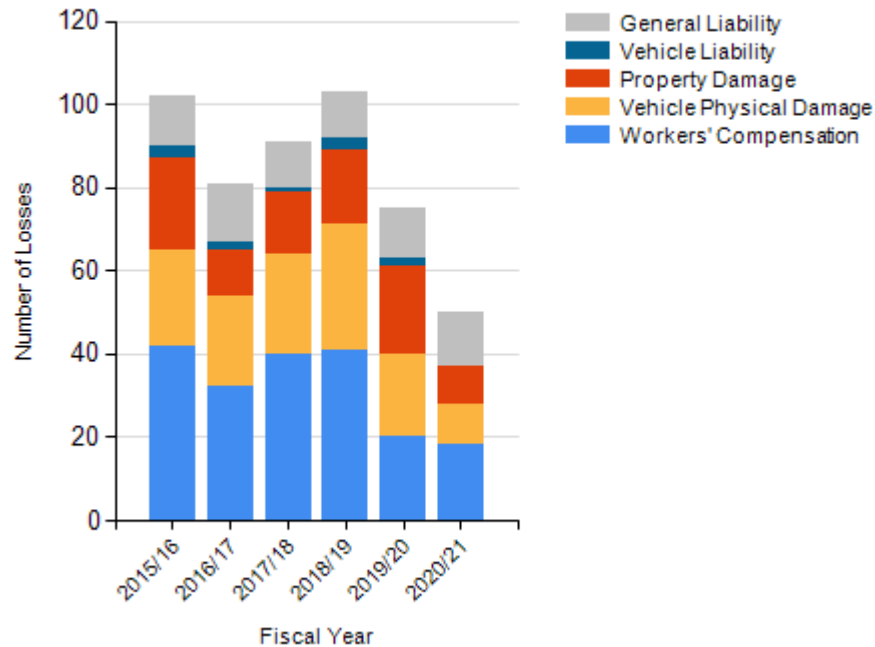


Community Services Loss Performance

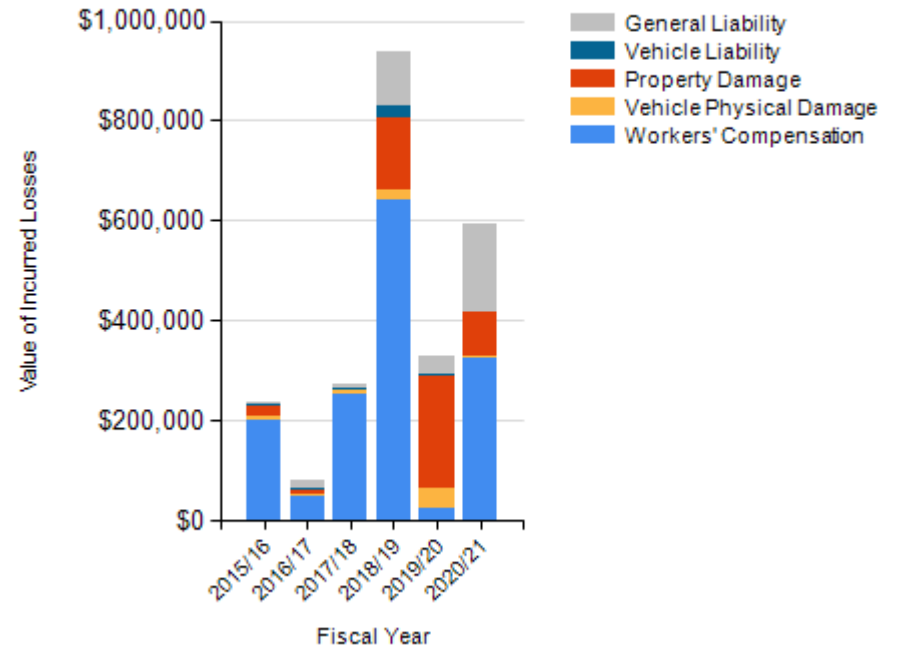
Claim Frequency and Severity by Date of Loss for Human Services, Libraries, Parks and Recreation, Westworld, and Preserve

| Claim Type | 2015/16 | | 2016/17 | | 2017/18 | | 2018/19 | | 2019/20 | | 2020/21 | |
|---------------------------------|------------|------------------|-----------|-----------------|-----------|------------------|------------|------------------|-----------|------------------|-----------|------------------|
| | Frequency | Severity | Frequency | Severity | Frequency | Severity | Frequency | Severity | Frequency | Severity | Frequency | Severity |
| General Liability | 12 | \$1,290 | 14 | \$18,285 | 11 | \$6,462 | 11 | \$106,553 | 12 | \$35,493 | 13 | \$175,355 |
| Vehicle Liability | 3 | \$8,188 | 2 | \$1,080 | 1 | \$1,594 | 3 | \$23,878 | 2 | \$3,703 | 0 | \$0 |
| Property Damage | 22 | \$20,384 | 11 | \$7,970 | 15 | \$935 | 18 | \$146,662 | 21 | \$224,804 | 9 | \$88,803 |
| Vehicle Physical Damage | 23 | \$9,666 | 22 | \$2,436 | 24 | \$10,492 | 30 | \$17,959 | 20 | \$41,982 | 10 | \$4,430 |
| Workers' Compensation | 42 | \$198,000 | 32 | \$50,694 | 40 | \$252,270 | 41 | \$642,475 | 20 | \$22,477 | 18 | \$323,515 |
| Community Services Total | 102 | \$237,527 | 81 | \$80,464 | 91 | \$271,754 | 103 | \$937,527 | 75 | \$328,460 | 50 | \$592,102 |

Frequency of Claims



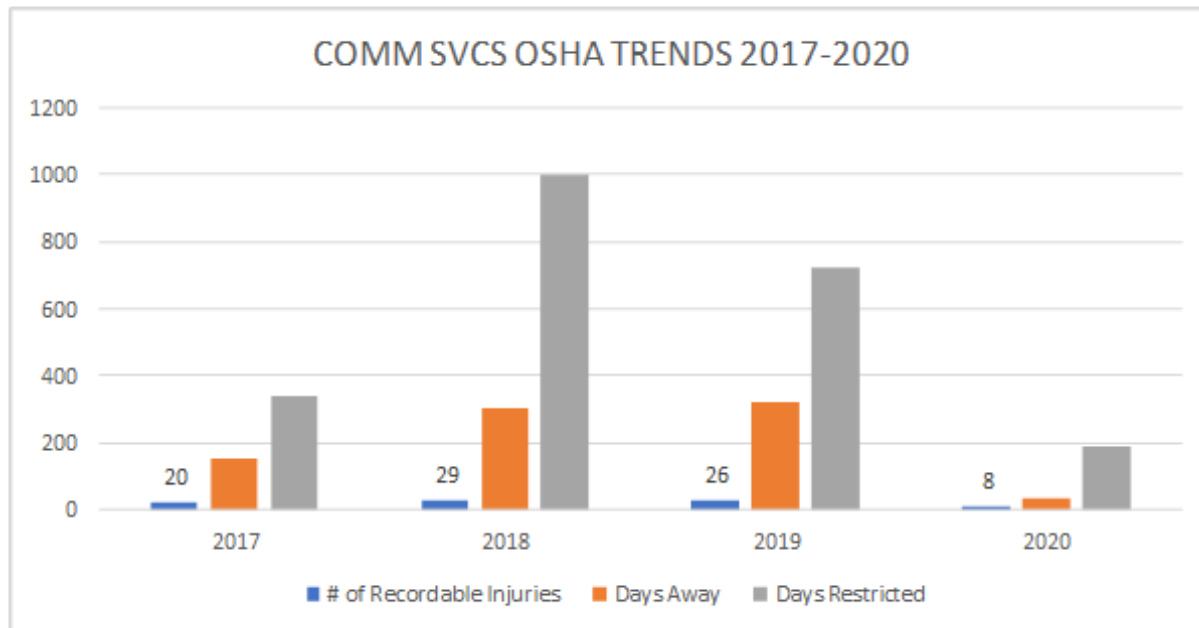
Severity of Claims



Community Services Action Plan
2020/21 Annual Safety and Health Program
Evaluation, Performance Objectives and Action Plan

ACTION PLAN

Trends



During calendar year 2020, Community Services sustained **8** recordable injuries, with 6 of those claims resulting in 32 days away from work and 187 days of job transfer/restriction for total lost time of 219 work days. This is a decrease and significant improvement from the previous year's total of 26 recordable injuries.

The primary injury types experienced were:

- Sprains/Strains - 5
- Slip/Trip/Fall - 2
- Needlestick- 1

Goals for Calendar Year 2022

Risk and Safety Management will continue to work closely with the Community Services Division, and the new Safety and Training Coordinator, to address the major drivers concerning its past year's injury experience. This would include, but not be limited to, in-person safety trainings, risk analysis and mitigation trainings, and safety awareness trainings. Risk Management also intends to utilize the following to positively impact the loss experience of all the Community Services Departments.

High Incidents of Sprains/Strains

Continue to reinforce and promote the effective use of the new Triage Now nursing/physical

therapy/triage services to focus on more effective physical preparation before and throughout shift assignments. These services may include safe practices for exercises, weight training, stretching, and avoidance of slips, trips, and falls.

Implement New Learning Management System (LMS) for ALL Staff

- a. Continue to deploy an expanded offering of health, safety and wellness training through the new centralized Learning Management System (LMS), ScottsdaleU. Hold in-person or virtual live Safety Tailgate training for all employees at least once per quarter.
- b. Ensure all OSHA, NFPA and other applicable mandated or recommended health and safety training content is added to the new LMS system and scheduling/completion of training for ALL City staff is monitored by the City Safety Office for proper implementation and follow-up.

Partner with ADOSH Through the Public Entity Protection Program (PEPP)

Complete monthly and/or quarterly safety and health inspections of all facilities and properties managed or maintained by the Division to ensure all employees are provided a safe work environment. New processes will ensure direct correlation of injury/accident data with specific safety measures implemented for risk mitigation.

Implement Focused Field Practical Safety and Health Training

The City Safety Office, along with effective use of the LMS system, will provide additional field practical safety training sessions focused on specific job descriptions, teams or other areas of ongoing injury/accident concerns.

Loss Experience

Risk Management's goal is to reduce the overall loss experience related to the Community Services Department by a minimum of 1-3%, as compared to the previous calendar year.

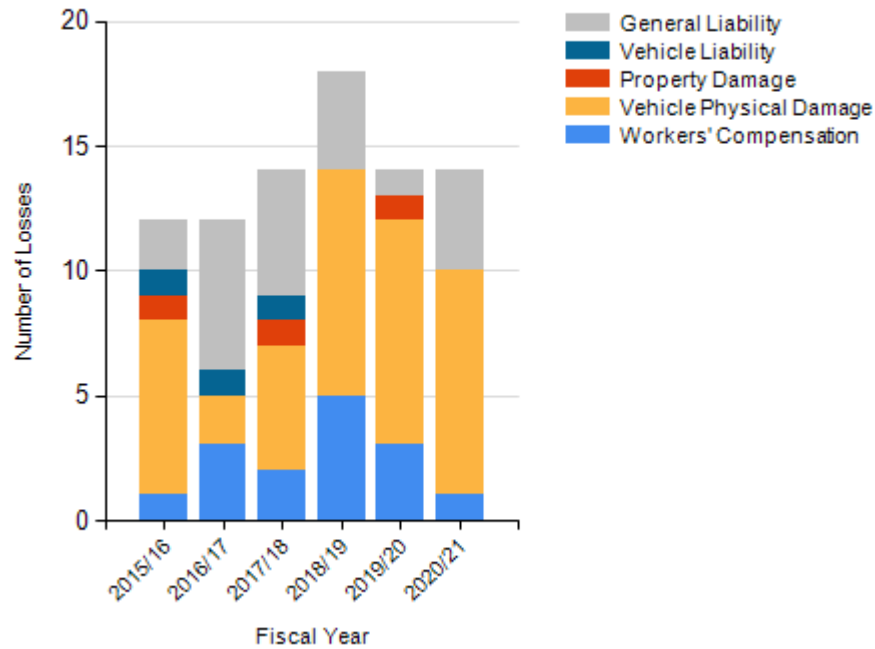


Community and Economic Development Loss Performance

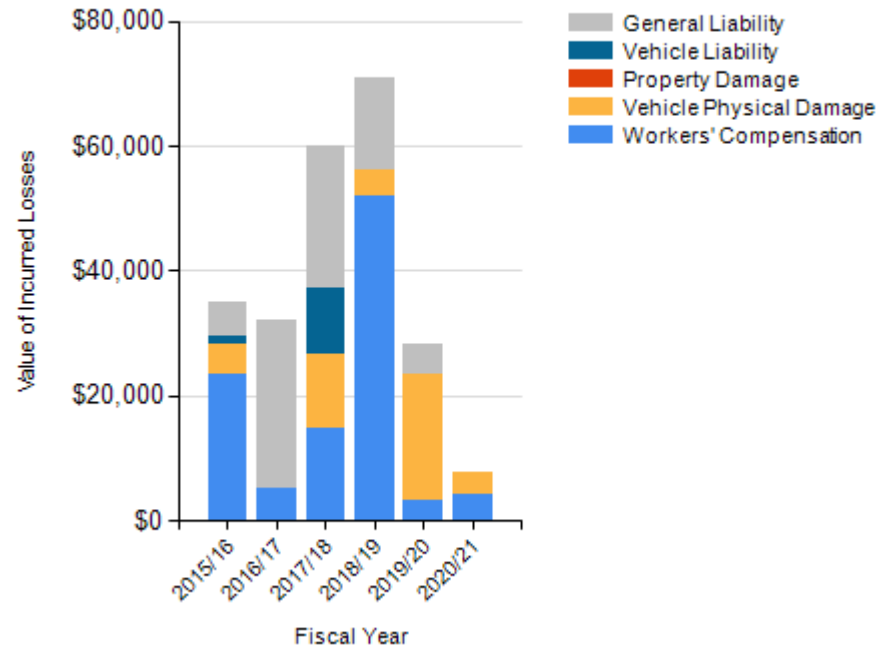
Claim Frequency and Severity by Date of Loss for Airport, Economic Development, Planning and Development, and Tourism and Events

| Claim Type | 2015/16 | | 2016/17 | | 2017/18 | | 2018/19 | | 2019/20 | | 2020/21 | |
|---|-----------|-----------------|-----------|-----------------|-----------|-----------------|-----------|-----------------|-----------|-----------------|-----------|----------------|
| | Frequency | Severity | Frequency | Severity | Frequency | Severity | Frequency | Severity | Frequency | Severity | Frequency | Severity |
| General Liability | 2 | \$5,416 | 6 | \$26,996 | 5 | \$22,819 | 4 | \$15,045 | 1 | \$5,000 | 4 | \$0 |
| Vehicle Liability | 1 | \$1,136 | 1 | \$0 | 1 | \$10,484 | 0 | \$0 | 0 | \$0 | 0 | \$0 |
| Property Damage | 1 | \$0 | 0 | \$0 | 1 | \$0 | 0 | \$0 | 1 | \$0 | 0 | \$0 |
| Vehicle Physical Damage | 7 | \$4,864 | 2 | \$0 | 5 | \$11,809 | 9 | \$4,034 | 9 | \$20,038 | 9 | \$3,516 |
| Workers' Compensation | 1 | \$23,392 | 3 | \$5,020 | 2 | \$14,842 | 5 | \$51,940 | 3 | \$3,315 | 1 | \$4,100 |
| Community & Economic Development Total | 12 | \$34,808 | 12 | \$32,017 | 14 | \$59,954 | 18 | \$71,019 | 14 | \$28,353 | 14 | \$7,616 |

Frequency of Claims



Severity of Claims



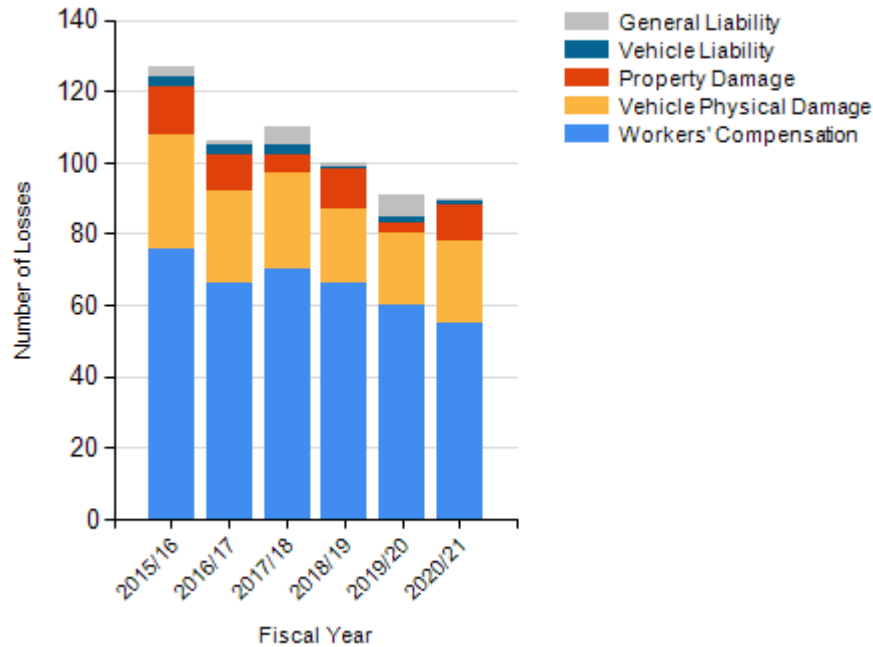


Fire Department Loss Performance

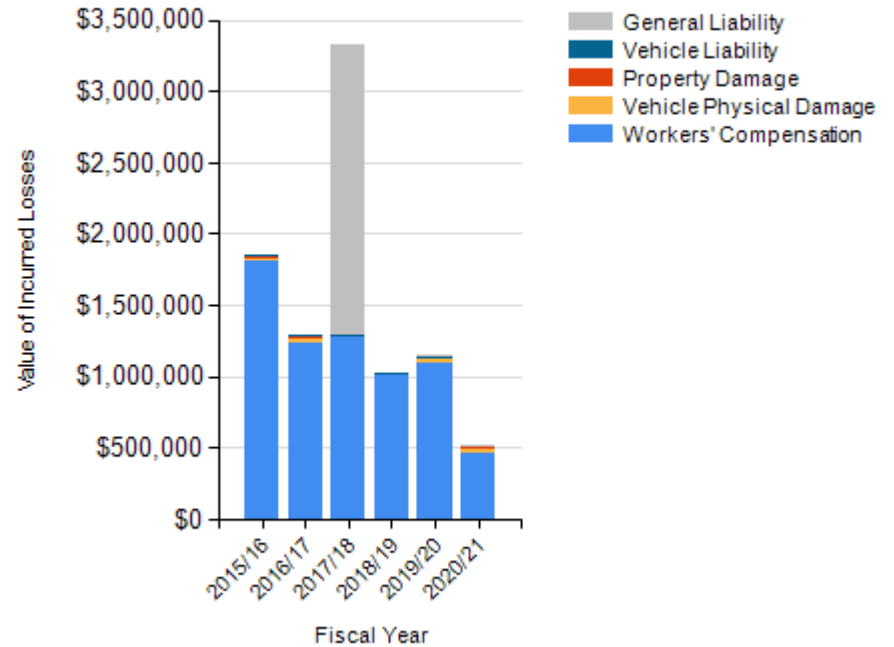
Claim Frequency and Severity by Date of Loss for the Fire Department

| Claim Type | 2015/16 | | 2016/17 | | 2017/18 | | 2018/19 | | 2019/20 | | 2020/21 | |
|------------------------------|------------|--------------------|------------|--------------------|------------|--------------------|------------|--------------------|-----------|--------------------|-----------|------------------|
| | Frequency | Severity | Frequency | Severity | Frequency | Severity | Frequency | Severity | Frequency | Severity | Frequency | Severity |
| General Liability | 3 | \$0 | 1 | \$0 | 5 | \$2,034,231 | 1 | \$0 | 6 | \$8,374 | 1 | \$847 |
| Vehicle Liability | 3 | \$12,926 | 3 | \$2,515 | 3 | \$1,019 | 1 | \$1,537 | 2 | \$5,513 | 1 | \$12,381 |
| Property Damage | 13 | \$20,788 | 10 | \$7,642 | 5 | \$1,183 | 11 | \$0 | 3 | \$11,292 | 10 | \$8,000 |
| Vehicle Physical Damage | 32 | \$13,948 | 26 | \$33,864 | 27 | \$13,902 | 21 | \$16,196 | 20 | \$23,087 | 23 | \$40,706 |
| Workers' Compensation | 76 | \$1,807,968 | 66 | \$1,239,681 | 70 | \$1,277,469 | 66 | \$1,002,994 | 60 | \$1,095,149 | 55 | \$458,646 |
| Fire Department Total | 127 | \$1,855,631 | 106 | \$1,283,702 | 110 | \$3,327,803 | 100 | \$1,020,727 | 91 | \$1,143,416 | 90 | \$520,580 |

Frequency of Claims



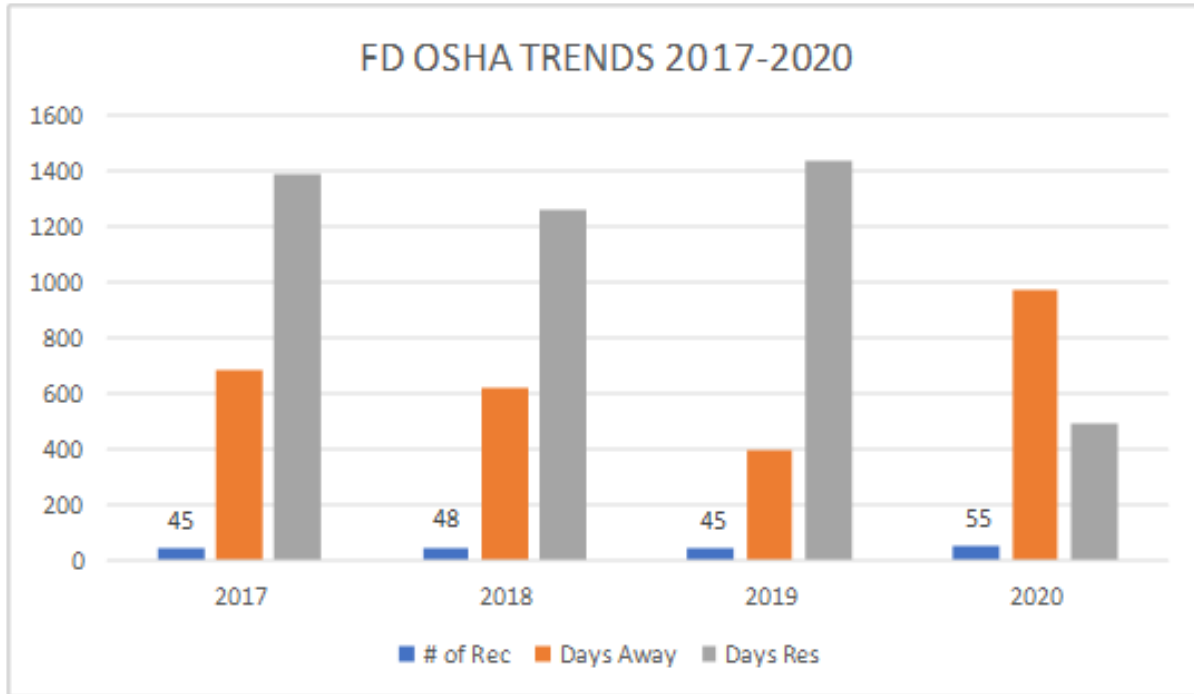
Severity of Claims



Fire Department Action Plan
2020/21 Annual Safety and Health Program
Evaluation, Performance Objectives and Action Plan

ACTION PLAN

Trends



During calendar year 2020, the Fire Department sustained **55** recordable injuries/illnesses, with 29 claims resulting in 974 days away from work and 496 days of job transfer/restriction for lost time of 1470 work days. While this is an increase from the previous year's total of 45 recordable injuries/illnesses, it is a decrease in total lost time of 1829 workdays in 2019. ** 13 of these recordable injuries were illnesses related to COVID-19 which represents 423 of the 1470 total days away from work.

The primary injury types experienced were:

- Sprains/Strains - 26
- Contusions/Lacerations - 5
- PTSD - 3
- Infection – 2
- Chest Pains/Heart Rate - 4
- Cancer – 1
- Fracture/Break - 1
- Respiratory/COVID-19 - 13

Goals for Calendar Year 2022

Risk and Safety Management continues to work closely with the Fire Department, and its full-time assigned Safety and Wellness Coordinator to address the major drivers concerning past year's injury experience. Risk Management has recently increased the frequency with which it interacts with the management staff of the Fire Department in efforts to highlight opportunities for injury reductions. Risk and Safety Management will continue to maintain an active and strong presence on the Injury/Accident Review Board of the Fire Department to assist in determining the root cause of many injuries within this Department. In addition to this approach, Risk Management intends to utilize the following to effectively improve the Fire Department's loss experience.

High Incidents of Sprains/Strains

Continue to reinforce and promote the effective use of the new Triage Now nursing/physical therapy/triage services to focus on more effective physical preparation before and throughout shift assignments. These services may include safe practices for exercises, weight training, stretching, and avoidance of slips, trips, and falls.

Ensure Fire and Emergency Services Industry Best Practices are Followed for the Divisions Health, Safety and Wellness.

The NFPA 1500 Standard on Fire Department Occupational Safety, Health, and Wellness Program specifies the minimum requirements for an occupational safety and health program for fire departments or organizations that provide rescue, fire suppression, emergency medical services, hazardous materials mitigation, special operations, and other emergency services.

- a. Engage an outside contractor to perform a National Fire Protection Association (NFPA) 1500 audit.
- b. Risk and Safety Management will provide direct support for the Fire Department to become the first agency of its kind in Arizona to become fully NFPA 1500 Compliant.

Update and Centralize All Division Injury/Accident Review Boards

Complete audit of existing practices and implement new written processes and procedures with meaningful oversight by the City Safety Office. New processes will ensure direct correlation of injury/accident data with specific safety measures implemented for risk mitigation.

Partner with ADOSH Through the Public Entity Protection Program (PEPP)

Complete monthly and/or quarterly safety and health inspections of all facilities and properties managed or maintained by the Division to ensure all employees are provided a safe work environment. New processes will ensure direct correlation of injury/accident data with specific safety measures implemented for risk mitigation.

Loss Experience

Risk Management's goal is to reduce the injury loss experience related to the Fire Department by 2-5%, as compared to the previous calendar year.

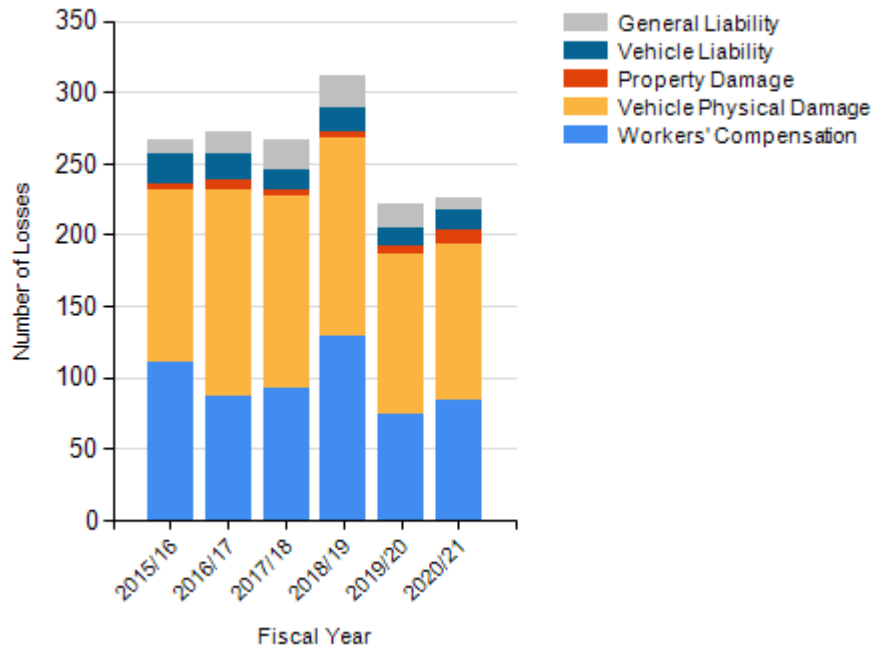


Police Department Loss Performance

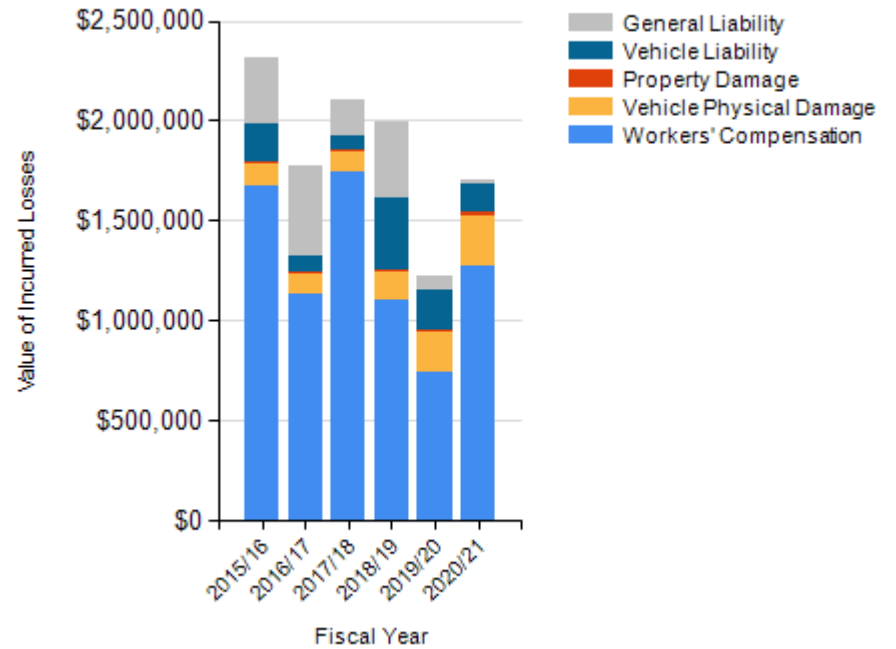
Claim Frequency and Severity by Date of Loss for the Police Department

| Claim Type | 2015/16 | | 2016/17 | | 2017/18 | | 2018/19 | | 2019/20 | | 2020/21 | |
|--------------------------------|------------|--------------------|------------|--------------------|------------|--------------------|------------|--------------------|------------|--------------------|------------|--------------------|
| | Frequency | Severity | Frequency | Severity | Frequency | Severity | Frequency | Severity | Frequency | Severity | Frequency | Severity |
| General Liability | 10 | \$337,594 | 15 | \$451,782 | 21 | \$181,933 | 23 | \$372,751 | 17 | \$70,127 | 9 | \$16,466 |
| Vehicle Liability | 21 | \$189,846 | 19 | \$79,826 | 15 | \$66,343 | 17 | \$365,165 | 13 | \$194,124 | 14 | \$142,550 |
| Property Damage | 5 | \$79 | 7 | \$12,294 | 4 | \$128 | 4 | \$5,685 | 6 | \$2,608 | 10 | \$16,740 |
| Vehicle Physical Damage | 120 | \$113,936 | 144 | \$102,842 | 135 | \$107,892 | 139 | \$146,912 | 112 | \$209,386 | 109 | \$248,162 |
| Workers' Compensation | 111 | \$1,676,534 | 87 | \$1,128,951 | 92 | \$1,747,426 | 129 | \$1,099,199 | 74 | \$741,852 | 84 | \$1,275,111 |
| Police Department Total | 267 | \$2,317,988 | 272 | \$1,775,695 | 267 | \$2,103,722 | 312 | \$1,989,712 | 222 | \$1,218,098 | 226 | \$1,699,029 |

Frequency of Claims



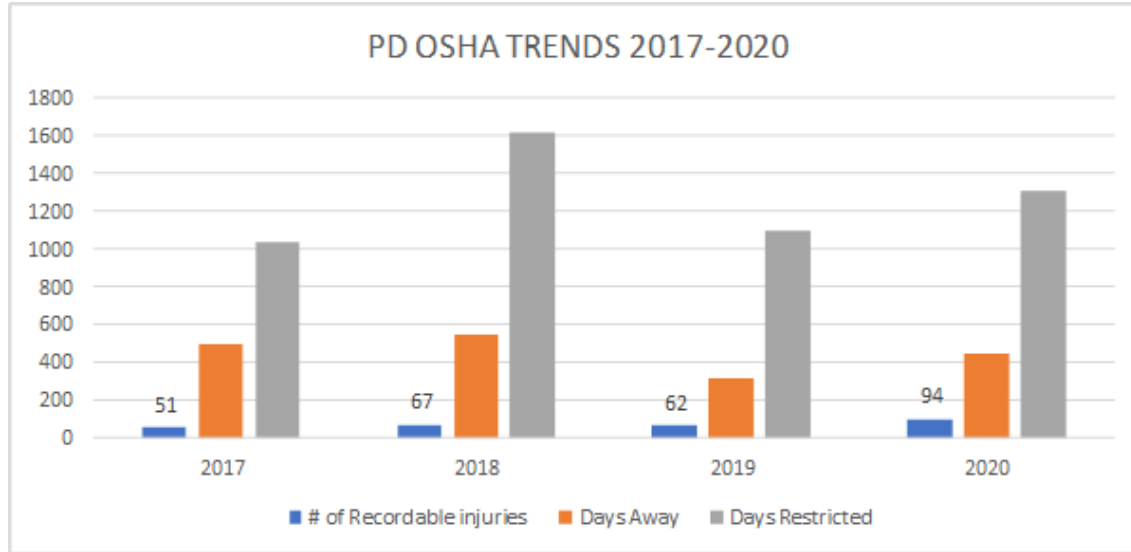
Severity of Claims



Police Department Action Plan 2020/21 Safety and Health Program Evaluation, Performance Objectives and Action Plan

ACTION PLAN

Trends



During calendar year 2020, the Police Department sustained **94** recordable injuries/illnesses, with 24 claims resulting in 446 days away from work and 1305 days of job transfer/restriction for total lost time of 1751 work days. This is an increase from the previous year's total of 62 recordable injuries/illnesses, which resulted in 11 cases in lost time (313 work days). The primary injury types experienced were:

- Sprains/Strains/Slips/Falls - 77
- Contusions/Lacerations - 2
- Eye/Teeth - 2
- Bodily Fluid Exposure - 2
- Exposure/Dehydration - 5
- Respiratory/COVID-19 - 6

Six (6) of these illnesses were related to COVID-19 for 84 of the total days away from work.

Goals for Calendar Year 2022

Risk and Safety Management maintains a close relationship with the Police Department and participates on various committees tasked with reviewing loss history and injury incidents. Sprains/strains continue to lead in terms of frequency and severity for this Department. In partnership with the Police Department, Risk Management continues to strategize regarding safety improvements geared towards reducing the overall number of injury claims year over year and developing procedures to address the loss history of the Police Department. Risk Management intends to utilize the following to effectively improve the loss experience of the Police Department.

High Incidents of Sprains/Strains

Continue to reinforce and promote the effective use of the new Triage Now nursing/physical therapy/triage services to focus on more effective physical preparation before and throughout shift assignments. These services may include safe practices for exercises, weight training, stretching, and avoidance of slips, trips, and falls.

Implement New Learning Management System (LMS) for ALL Staff

- a. Continue to deploy an expanded offering of health, safety and wellness training through the new centralized Learning Management System (LMS), ScottsdaleU. Hold in-person or virtual live Safety Tailgate training for all employees at least once per quarter.
- b. Ensure all OSHA, NFPA and other applicable mandated or recommended health and safety training content is added to the new LMS system and scheduling/completion of training for ALL City staff is monitored by the City Safety Office for proper implementation and follow-up.

Update and Centralize All Division Injury/Accident Review Boards

Complete audit of existing practices and implement new written processes and procedures with meaningful oversight by the City Safety Office. New processes will ensure direct correlation of injury/accident data with specific safety measures implemented for risk mitigation.

Partner with ADOSH Through the Public Entity Protection Program (PEPP)

Complete monthly and/or quarterly safety and health inspections of all facilities and properties managed or maintained by the Division to ensure all employees are provided a safe work environment. New processes will ensure direct correlation of injury/accident data with specific safety measures implemented for risk mitigation.

Loss Experience

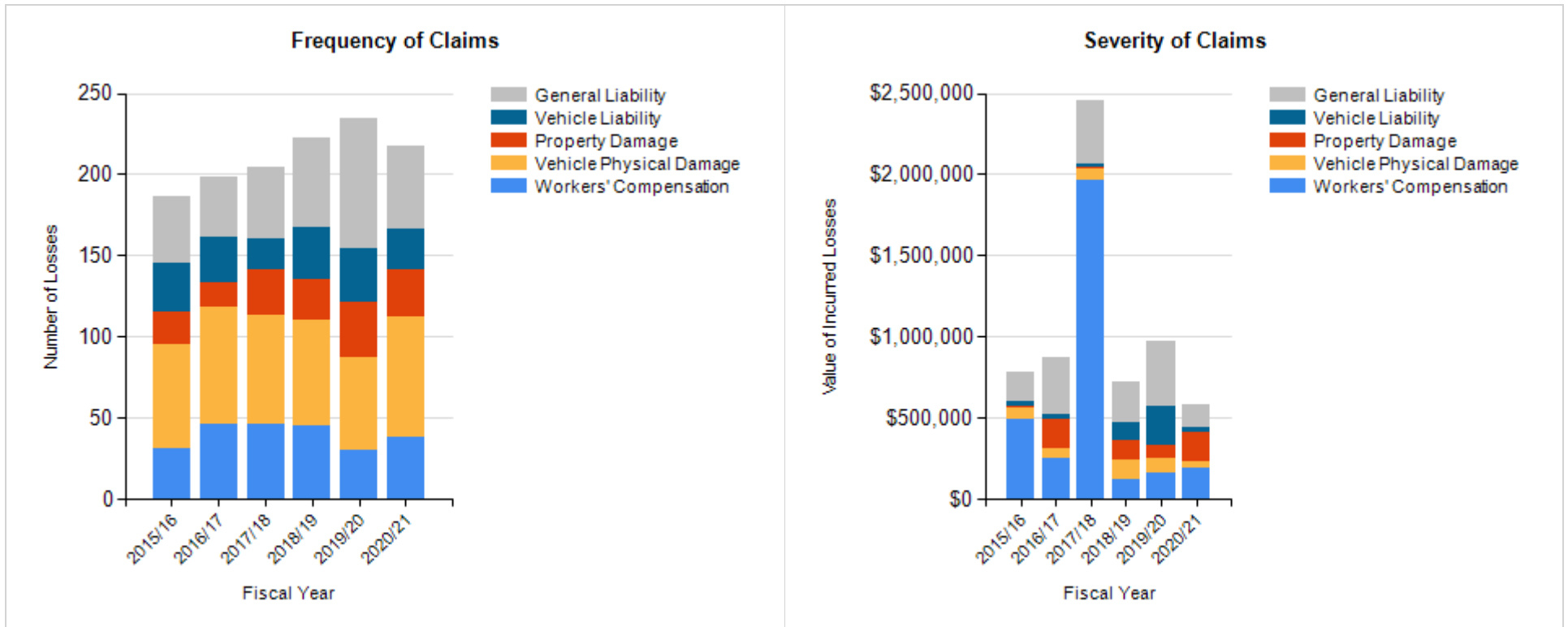
Risk Management's goal is to reduce the injury loss experience related to the Police Department by 2-5%, as compared to the previous calendar year.



Public Works Loss Performance

Claim Frequency and Severity by Date of Loss for Transportation, Solid Waste Management, Capital Project Management, Fleet Management, Street Operations, and Facilities Management

| Claim Type | 2015/16 | | 2016/17 | | 2017/18 | | 2018/19 | | 2019/20 | | 2020/21 | |
|---------------------------|------------|------------------|------------|------------------|------------|--------------------|------------|------------------|------------|------------------|------------|------------------|
| | Frequency | Severity | Frequency | Severity | Frequency | Severity | Frequency | Severity | Frequency | Severity | Frequency | Severity |
| General Liability | 41 | \$184,199 | 37 | \$346,142 | 44 | \$395,753 | 56 | \$246,682 | 81 | \$396,610 | 52 | \$141,844 |
| Vehicle Liability | 30 | \$33,229 | 28 | \$36,957 | 19 | \$17,045 | 32 | \$105,430 | 33 | \$243,797 | 25 | \$34,839 |
| Property Damage | 20 | \$241 | 15 | \$172,301 | 28 | \$5,509 | 25 | \$122,588 | 34 | \$75,125 | 29 | \$179,297 |
| Vehicle Physical Damage | 64 | \$77,126 | 72 | \$62,169 | 67 | \$71,970 | 65 | \$126,961 | 57 | \$91,937 | 74 | \$36,249 |
| Workers' Compensation | 31 | \$490,873 | 46 | \$251,951 | 46 | \$1,968,991 | 45 | \$114,596 | 30 | \$160,981 | 38 | \$189,850 |
| Public Works Total | 186 | \$785,668 | 198 | \$869,520 | 204 | \$2,459,267 | 223 | \$716,257 | 235 | \$968,450 | 218 | \$582,079 |

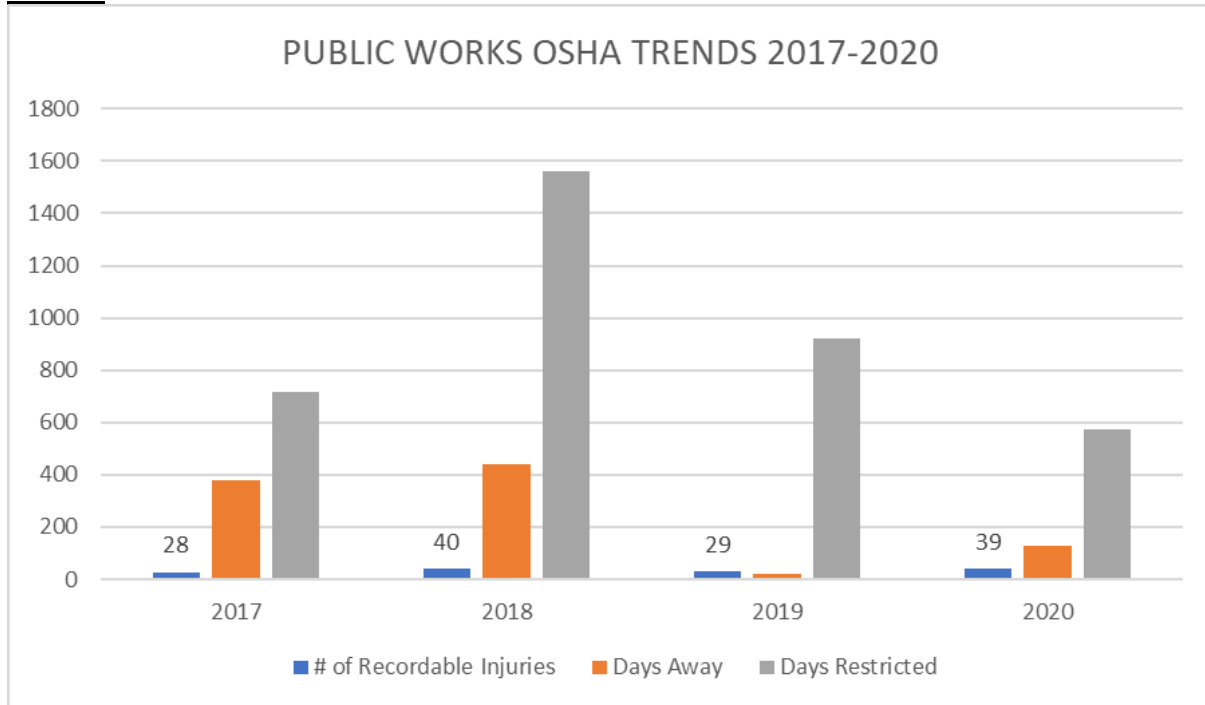


Public Works Safety Action Plan

2020/21 Annual Safety and Health Program Evaluation, Performance Objectives and Action Plan

ACTION PLAN

Trends



During calendar year 2020, the Public Works Division sustained **39** recordable injuries/illness, with 23 claims resulting in 129 days away from work and 574 days of job transfer/restriction for total lost time of 703 work days. This is an increase in claims, however, it is also a substantial decrease in the total number of lost work days (1,751 for 2019).

The primary injury types experienced were:

- Sprains/Strains - 30
- Contusions/Lacerations/Puncture - 5
- Hearing Loss – 2
- Exposure/Exhaustion - 2

Injury count per department within Public Works:

- Solid Waste - 23
- Fleet - 8
- Streets/Signals - 5
- Facilities - 3
- CPM - 0

Goals for Calendar Year 2022

Risk Management will work closely with the Public Works Department to address the major drivers concerning its past year's injury experience. This includes, but is not limited to, in-person safety trainings, risk analysis and mitigation trainings, safety awareness trainings, and ride-alongs. In addition to this approach, Risk Management will utilize the following efforts to positively impact the loss experience of the Public Works Department:

High incidents of Sprains/Strains

Continue to reinforce and promote the effective use of the new Triage Now nursing/physical therapy/triage services to focus on more effective physical preparation before and throughout shift assignments. These services may include safe practices for exercises, weight training, stretching, and avoidance of slips, trips, and falls.

Implement New Learning Management System (LMS) for ALL Staff

- a. Deploy expanded offering of safety training through the new LMS system. Require completion of monthly short safety videos (30-60 minutes) focused on subject training for review of best practices based on recent reported injury/accident types.
- b. Ensure all OSHA, NFPA and other applicable mandated or recommended health and safety training content is added to the new LMS system and scheduling/completion of training for ALL City staff is monitored by the City Safety Office for proper implementation and follow-up.

Partner with ADOSH Through the Public Entity Protection Program (PEPP)

Complete monthly and/or quarterly safety and health inspections of all facilities and properties managed or maintained by the Division to ensure all employees are provided a safe work environment. New processes will ensure direct correlation of injury/accident data with specific safety measures implemented for risk mitigation.

Provide Additional Division Dedicated Safety, Health and Wellness Training Resources

Risk and Safety Management will help Public Works develop the justification and budget for a new or reallocated Full-Time Equivalent (FTE) Safety and Training Coordinator position to be assigned to the Public Works Division.

Loss Experience

Risk Management's goal is to reduce the injury loss experience related to the Public Works Department by 2-5%, as compared to the previous calendar year.

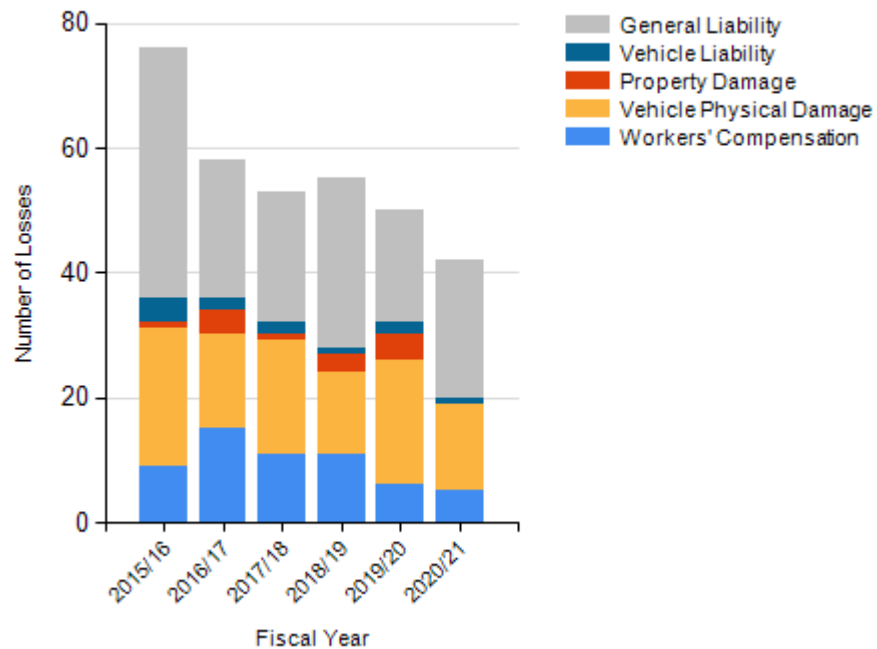


Water Resources Loss Performance

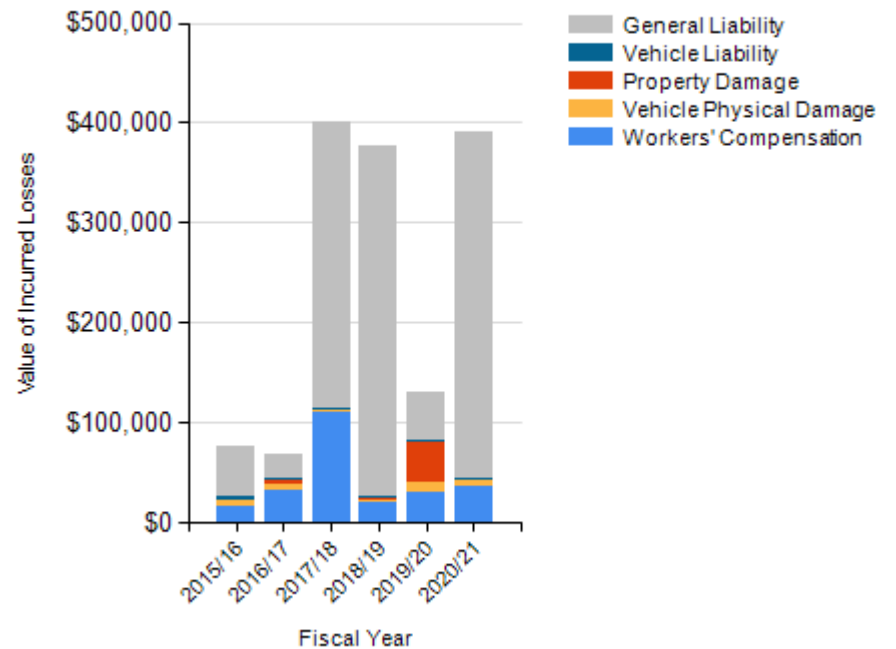
Claim Frequency and Severity by Date of Loss for Planning and Engineering, Reclamation Services, Water Quality, and Water Services

| Claim Type | 2015/16 | | 2016/17 | | 2017/18 | | 2018/19 | | 2019/20 | | 2020/21 | |
|------------------------------|-----------|-----------------|-----------|-----------------|-----------|------------------|-----------|------------------|-----------|------------------|-----------|------------------|
| | Frequency | Severity | Frequency | Severity | Frequency | Severity | Frequency | Severity | Frequency | Severity | Frequency | Severity |
| General Liability | 40 | \$49,984 | 22 | \$24,374 | 21 | \$286,405 | 27 | \$351,517 | 18 | \$48,770 | 22 | \$346,136 |
| Vehicle Liability | 4 | \$3,979 | 2 | \$550 | 2 | \$857 | 1 | \$2,139 | 2 | \$1,900 | 1 | \$2,607 |
| Property Damage | 1 | \$0 | 4 | \$5,076 | 1 | \$407 | 3 | \$1,392 | 4 | \$39,416 | 0 | \$0 |
| Vehicle Physical Damage | 22 | \$6,986 | 15 | \$5,715 | 18 | \$1,430 | 13 | \$702 | 20 | \$9,997 | 14 | \$5,461 |
| Workers' Compensation | 9 | \$14,941 | 15 | \$31,504 | 11 | \$111,224 | 11 | \$20,810 | 6 | \$30,097 | 5 | \$35,814 |
| Water Resources Total | 76 | \$75,890 | 58 | \$67,219 | 53 | \$400,323 | 55 | \$376,560 | 50 | \$130,180 | 42 | \$390,018 |

Frequency of Claims



Severity of Claims

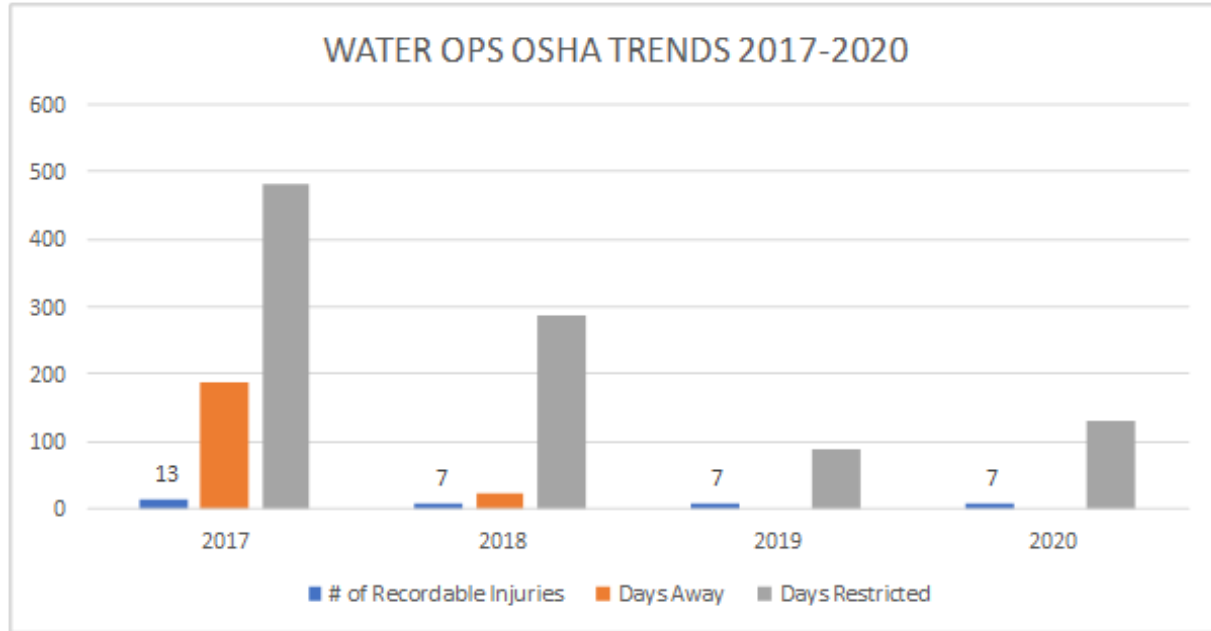


Water Resources Action Plan

2020/21 Annual Safety and Health Program Evaluation, Performance Objectives and Action Plan

ACTION PLAN

Trends



During calendar year 2020, the Water Resources Division sustained 7 recordable injuries/illness, with 4 claims resulting in 0 days away from work and 132 days of job transfer/restriction for total lost time of 132 work days. This is consistent with the previous year's total of recordable injuries/illnesses however it is also a substantial decrease in the total number of lost work days (703 for 2019).

The primary injury types experienced were:

- Sprains/Strains - 5
- Contusions/Lacerations - 1
- Hearing Loss - 1

Goals for Calendar Year 2022

Risk Management continues to work closely with the Water Resources Division and its two (2) full-time assigned Security/Safety and Training Coordinator's to address the major drivers concerning its past year's injury experience: sprains and strains. The Water Department utilizes two safety members dedicated to loss and injury prevention and conducts an internal accident review to ascertain the root cause of many injuries within its Department. This is evident based on the low number of claims received from this Department every year. In addition to working with the safety personnel, Risk Management intends to utilize the following to effectively improve the loss experience of the Water Department"

Implement New Learning Management System (LMS) for ALL Staff

- a. Deploy expanded offering of safety training through the new LMS system. Require completion of monthly short safety videos (30-60 minutes) focused on subject training for review of best practices based on recent reported injury/accident types.
- b. Ensure all OSHA, NFPA and other applicable mandated or recommended health and safety training content is added to the new LMS system and scheduling/completion of training for ALL City staff is monitored by the City Safety Office for proper implementation and follow-up.

Update and Centralize All Division Injury/Accident Review Boards

Complete audit of existing practices and implement new written processes and procedures with meaningful oversight by the City Safety Office. New processes will ensure direct correlation of injury/accident data with specific safety measures implemented for risk mitigation.

Partner with ADOSH Through the Public Entity Protection Program (PEPP)

Complete monthly and/or quarterly safety and health inspections of all facilities and properties managed or maintained by the Division to ensure all employees are provided a safe work environment. New processes will ensure direct correlation of injury/accident data with specific safety measures implemented for risk mitigation.

Self-Insured Medical and Dental Plans FY 2020/21

Introduction:

The City of Scottsdale offers a broad and innovative package of healthcare and wellness benefits to eligible employees. These benefits are designed to offer employees cost-effective opportunities to provide for current and future healthcare needs for themselves and their eligible family members. Benefits are effective on the first day of employment and are a significant part of the City's compensation package, recruitment, and retention of employees. Responsibility related to the self-insured medical and dental plans, including rate determination and benefit offerings, lies with the City Council, City Manager, City Treasurer, and Human Resources. This report is intended to provide a historical perspective concerning self-funding by the City, and information concerning current status of the self-insured plans.

Background:

The City has self-insured a portion of its medical and dental benefit plans since 1990. In January 2004, all medical plans became self-insured. Operationally, a self-insured employer designs its own schedule of benefits, pays for those benefits, and typically utilizes the services of an external organization to provide medical and utilization review services, administer the plans and provide customer service. Since 2014, medical and dental claims and administrative services have been provided by Cigna. The City continues to offer choices for our employees, including four medical plans in FY 2020/21. Two plans have identical plan designs with one plan utilizing the Open Access Plus (OAP) Network and one plan utilizing the Local Plus Network, a narrower network of physicians/facilities. The discounts are more favorable with the Local Plus plan which will result in a claims savings if employees are enrolled in that plan.

Cigna OAP In-Network – 65% of employees enrolled

This is an exclusive provider plan like an HMO; participants pay specific co-payments for services with no deductibles or co-insurance. Employees may only use in-network providers, but do not need referrals. There are no out-of-network benefits on this plan.

Cigna LocalPlus In-Network – 5% of employees enrolled

This is like the OAP In-Network plan; however, employees may only use LocalPlus in-network providers, which includes Honor Health, Phoenix Children's, Cigna Medical Group and Abrazo providers. There are no out-of-network benefits on this plan.

Cigna OAP – 14% of employees enrolled

This is a hybrid preferred provider plan that features co-payments for primary care and specialist office visits; deductibles for co-insurance payments for most other services (laboratory, x-ray, hospitalizations, etc.). Employees have a choice of using either in or out-of-network providers.

Cigna OAP + HSA – 16% of employees enrolled

This is a federally qualified high deductible health plan with an optional health savings account feature. This plan offers in-network and out of network benefits, subject to annual deductibles and co-insurance once deductibles are met. Employees have a choice of using either in or out-of-network providers.

The COVID-19 pandemic affected all healthcare plans nationally and worldwide. Our plan continued to see decreased utilization while elective, non-emergency procedures were temporarily halted or postponed. Due to the pandemic, our plan experienced far fewer claims than projected and finished favorably. We closely monitor our claims to see how this current fiscal year will be affected, but we

are currently only running at 102% to the medical funding estimate.

We received increased requests for more help with dealing with stress, COVID-19 fears, political and civil unrest, and managers recognizing signs with their employees. We added a permanent EAP provider, Dori DiPietro, LCSW, to meet with employees and their family members 5 hours per week, both one-on-one and group sessions that were very well attended. We have recently increased her hours to 10 hours per week due to the high demand.

Cigna continues to reimburse the City 100% of any prescription rebates and they are paid on a quarterly basis. We received \$1.4 million in pharmacy reimbursements for July 1, 2020 – June 30, 2021.

Plan Performance and Actuarial Study:

The following table reflects revenues generated by internal funding rates and claim loss data for the fiscal year ending June 30, 2021, for the self-insured medical plans.

| | |
|--------------------------------------|--------|
| Revenues ^(a) | \$33 M |
| Expenses ^(b) | \$29 M |
| \$ Variance Favorable/ (Unfavorable) | \$4 M |
| % Variance Favorable/ (Unfavorable) | 12% |

^(a) Includes amounts paid by the City, employees and PSPRS disabled retirees

^(b) Includes medical and prescription drug claim payments, administrative fees and City expenses

The loss ratio (expenses compared to revenue) over the past three years for active employees is as follows:

| | <u>FY 2018/19</u> | <u>FY 2019/20</u> | <u>FY 2020/21</u> |
|-----------------------------------|-------------------|-------------------|-------------------|
| Cigna OAP In-Network | 97% | 96% | 91% |
| Cigna LocalPlus In-Network | 88% | 41% | 59% |
| Cigna OAP | 110% | 121% | 124% |
| Cigna HSA | 48% | 62% | 46% |
| Overall (including City expenses) | 95% | 93% | 88% |

Each year an actuarial study is conducted to determine the accrued liabilities existing at year-end that carry-over into the next fiscal year. A cash reserve is maintained against these estimated claims run-off liabilities, as well as to provide for any reasonably expected increase in medical claims cost during the ensuing year.

Our Cigna PPO dental plan ran at a favorable 94% loss ratio in FY 2020/21. Preventive dental is important to one’s overall health. Starting in FY 2020/21, we added an incentive for members to receive their preventive cleaning. If an employee or spouse receives their preventive cleaning, they are eligible for a \$50 gift card, up to two times per plan year. Members must first complete their Health Risk Assessment to be eligible for any of the incentives.

Financial Limitations and Controls - Stop-Loss Coverage:

Under a self-insured arrangement the employer assumes financial risk for claims instead of paying a monthly premium to a carrier who assumes the risk. However, in order to protect the plan from unpredictable, catastrophic claims, an employer may purchase stop-loss insurance from a third party insurer for a fixed premium rate. There are two types of stop loss insurance: Specific Stop-Loss coverage and Aggregate Stop-Loss coverage. Specific stop-loss limits the employer’s liability

to a predetermined dollar amount (the deductible) on each covered participant in a fiscal year. Aggregate stop-loss protects an employer from total claims for all participants that exceed the annual aggregate amount in a fiscal year.

The City had carried Specific Stop-Loss coverage through Symetra Life Insurance Company which provides protection against individual catastrophic claims that exceed \$325,000 in a fiscal year. The City's premium for this protection was approximately \$789,000 in FY 2020/21. There were six large claims which exceeded the stop loss and the City received \$833,000 in stop loss reimbursements. The City does not currently carry Aggregate Stop Loss coverage because the health care claims volume is large enough to be relatively predictable from year to year, making it unlikely that the City would benefit from this protection.

Large Claims

An important component of the self-insurance program is to identify potential large claims and to provide case management assistance. When an individual participant has a condition that may approach the specific deductible, the stop-loss carrier is notified so they can work with the claims administrator on case management. The City incurred 32 catastrophic claims (over \$100,000) that resulted in payment of around \$6.8 million, or nearly 23% of the City's total medical plan payments for the year. Last year, the large claims accounted for 25% of total medical plan payments.

Plan Demographics:

The following reflects medical plan enrollment at the end of FY 2020/21 (2,119 total employees).

| | <u>Employees/COBRA</u> | <u>Disabled Retirees</u> | <u>Total</u> |
|--------------------------------|------------------------|------------------------------|--------------|
| Cigna OAP In-Network | | | |
| Individual Only | 452 | 4 | 456 |
| Individual & Children | 218 | 3 | 221 |
| Individual & Spouse | 217 | 1 | 218 |
| Individual & Family | <u>480</u> | <u>1</u> | <u>481</u> |
| Total | 1,367 | 9 | 1,376 |
| Cigna LocalPlus Network | | | |
| Individual Only | 46 | 1 | 47 |
| Individual & Children | 14 | 2 | 16 |
| Individual & Spouse | 16 | 0 | 16 |
| Individual & Family | <u>35</u> | <u>0</u> | <u>32</u> |
| Total | 111 | 3 | 114 |
| Cigna OAP | | | |
| Individual Only | 129 | 4 | 133 |
| Individual & Children | 39 | 0 | 39 |
| Individual & Spouse | 31 | 1 | 32 |
| Individual & Family | <u>85</u> | <u>1</u> | <u>86</u> |
| Total | 284 | 6 | 290 |
| Cigna OAP + HSA | | | |
| Individual Only | 182 | 1 | 183 |
| Individual & Children | 59 | 0 | 59 |
| Individual & Spouse | 32 | 1 | 33 |
| Individual & Family | <u>64</u> | <u>0</u> | <u>64</u> |
| Total | 337 | 2 | 339 |

Employee Medical Rates With the pandemic and lower healthcare claims, the plan underwriting had predicted only a 1% increase for FY 2021/22. Since employees have not experienced a flat increase for many years, the City Manager chose to move forward with no increase for FY 2021/22. We continued many of the prior incentives, including blood pressure, diabetes prevention program, health coaching, financial coaching, and Centers of Excellence. New incentives include primary care visit, dental preventive care visit, and healthy babies programs.

Disability Retiree Medical Rates – In January 2014, the City Council voted to eliminate the retiree medical plans and continue to allow PSPRS disabled retirees to pay the full monthly premium for active employees instead of the retiree rate. There were 20 disabled retirees enrolled in July 2021. We anticipated that these plans will continue to run at a loss ratio. For FY 2020/21 the funding loss ratio for the PSPRS disabled retirees was 117%. Retirees paid \$250,000 in premiums, but experienced \$300,000 in claims.

The following table reflects the FY 2021/22 rate models for the self-insured medical and dental plans.

| July 1, 2021 to June 30, 2022 | FY 2021/22 Monthly Premium | FY 2021/22 City Contribution | FY 2021/22 Employee Contribution |
|---|----------------------------|------------------------------|----------------------------------|
| City of Scottsdale Cigna OAP In-Network | | | |
| Employee Only | \$705 | \$564 | \$141 |
| Employee & Child(ren) | \$1,279 | \$959 | \$320 |
| Employee & Spouse/Partner | \$1,526 | \$1,145 | \$381 |
| Employee & Family | \$2,190 | \$1,643 | \$547 |
| City of Scottsdale Cigna LocalPlus Network | | | |
| Employee Only | \$638 | \$510 | \$128 |
| Employee & Child(ren) | \$1,157 | \$868 | \$289 |
| Employee & Spouse/Partner | \$1,381 | \$1,036 | \$345 |
| Employee & Family | \$1,983 | \$1,488 | \$495 |
| City of Scottsdale Cigna OAP | | | |
| Employee Only | \$618 | \$519 | \$99 |
| Employee & Child(ren) | \$1,123 | \$887 | \$236 |
| Employee & Spouse/Partner | \$1,339 | \$1,058 | \$281 |
| Employee & Family | \$1,922 | \$1,519 | \$403 |
| City of Scottsdale Cigna OAP + HSA | | | |
| Employee Only | \$588 | \$529 | \$59 |
| Employee & Child(ren) | \$1,067 | \$885 | \$182 |
| Employee & Spouse/Partner | \$1,273 | \$1,044 | \$229 |
| Employee & Family | \$1,827 | \$1,462 | \$365 |

Live Life Well

The City realizes that the health of employees and family members and their willingness to adopt healthier lifestyles are major factors influencing health care costs. As such, the City has developed a workplace health promotion program called 'Live Life Well,' which has been in operation since

2009. The program, modeled after the Wellness Council of America's Well Workplace initiative and Healthy Arizona Worksites, promotes healthy lifestyles through wellness education and participation in results-oriented projects. The Human Resources Department administers this program. The Live Life Well program is a key component to helping achieve the City's organizational wellness goals and create a long-term culture of good health. The City firmly believes that investing in wellness pays dividends in decreased health care costs, increased productivity, improved customer service, recruiting and retention and better job satisfaction.

Through the efforts of Live Life Well and City employees, the City has been recognized for its commitment to a healthy workforce. Wellness awards include: second place for Phoenix Business Journal's Valley's healthiest employers and 24th healthiest employer in the nation; American Heart Association's Fit Friendly Silver Award; Public Sector Cigna Well-Being Award; and Health Arizona Worksite Program Platinum Award.

Two committees are responsible for the decisions that help direct the Live Life Well program: the Benefit Coordinating Committee (BCC) and the Total Benefits Advisory Committee (TBAC). The BCC, comprised of upper level managerial employees, provides strategic direction. TBAC is a larger employee group that consists of a cross-section of all City Divisions. The primary goals are to develop, educate and communicate benefit information and wellness programs consistently throughout the organization.

Specific strategies employed include:

- Omada Diabetes Prevention Program – Introduced a digital lifestyle change program that helped employees lose weight and develop long-term healthy habits. This program was targeted for our pre-diabetic population. Out of 401 members identified as being eligible through claims data, 287 applied and 205 were accepted into the program. Participating members who completed up to 15 lessons averaged a 3.8% weight loss and those who completed over 16 lessons averaged a 7.2% weight loss.
- Blood Pressure Incentive - Due to 11% of our population experiencing high blood pressure, we introduced and continue to offer an outcomes-based incentive focusing on blood pressure. Employees and spouses who had their blood pressure verified at >140/90 **and** completed the health risk assessment received a \$10 per paycheck discount.
- Preventive Health Incentive – Statistics have shown that early detection of disease and health risks can significantly improve long-term health. Upon completion of an annual physical, employee and spouses can earn a \$120 payroll incentive.
- Preventive Dental incentive - Regular dental care and good oral hygiene also helps in the early detection of disease and health risks. Upon completion of an bi-annual physical, employee and spouses can earn a \$50 payroll incentive (up to \$100 per year).
- Tobacco Surcharge – Employees who self disclose they use tobacco and/or their dependent uses tobacco are charged \$10 per paycheck, \$20 per month.
- Centers of Excellence Incentive - Members who have certain procedures (back, knee, cardiac, pregnancy, bariatric) at a Centers of Excellence facility, receive a \$250 incentive. The Centers of Excellence have earned a top rating for cost and health outcomes based on industry standards. Data reviewed includes, patient experience, cost, re-admissions, complications, related deaths and average length of stays.
- Wellness Classes - Walking and weight loss programs, tobacco cessation, fitness, health and cooking education classes. Employees who complete a health coaching goal where they speak on-line or on the phone with a health coach (through Cigna) regarding a variety of topics including tobacco cessation, weight loss, nutrition, exercise and depression receive \$25 incentive after completion.
- Maternity Support – New comprehensive maternity support program was added to provide education and support for expecting mothers and their babies throughout pregnancy. Mothers can receive up to \$150 in wellness incentives upon completion. Additionally, we added two Mamava lactation pods in the City to accommodate mothers returning to work.

- Mental Health – This year we continued our focus on mental health. We incorporated mindfulness techniques, meditation and additional yoga classes. We offered training for managers and supervisors on “mental health first aid”. This will assist them to identify, understand and respond to signs of mental illness and substance abuse disorders. We also added a permanent on-site EAP provider who is available for employees and family members 8 hours per week.
- Financial Wellness – We have several vendors come on-site to discuss budgeting, retirement, women and retirement, wills and trusts, investing and saving for emergencies. We incentivize employees to meet with a financial planner to review their retirement preparedness.
- Benefit Newsletter – Through the City’s website, subscribers receive benefit updates and information to reach more family members.
- Benefit Bulletin – In collaboration with the Office of Communications, a bi-weekly online publication is provided Citywide regarding various benefits, training, and wellness topics.

**City of Scottsdale Healthcare Self-Insurance Fund
Five Year Financial Forecast**

| | Actual 2020/21 | Adopted 2021/22 | Approved 2021/22 | Forecast 2022/23 | Forecast 2023/24 | Forecast 2024/25 | Forecast 2025/26 | Forecast 2026/27 ⁽¹⁾ |
|---------------------------------------|-------------------|--------------------|---------------------|---------------------|---------------------|---------------------|---------------------|------------------------------------|
| Beginning Fund Balance | | | | | | | | |
| IBNR Reserve | 2,263,463 | 2,437,275 | 2,604,365 | 2,633,492 | 2,731,800 | 2,853,400 | 3,000,600 | 3,176,500 |
| Operating Contingency | 2,568,330 | 2,765,353 | 2,951,636 | 2,987,053 | 3,098,500 | 3,236,200 | 3,402,900 | 3,602,000 |
| Premium Stabilization Reserve | 2,939,225 | 3,042,786 | 3,042,786 | 2,995,596 | 3,295,200 | 3,486,700 | 3,689,400 | 3,904,300 |
| Undesignated, Unreserved Fund Balance | 6,396,582 | 7,570,687 | 9,206,564 | 7,670,568 | 7,704,109 | 8,358,409 | 9,277,709 | 10,191,909 |
| Total Beginning Fund Balance | 14,167,600 | 15,816,101 | 17,805,351 | 16,286,709 | 16,829,609 | 17,934,709 | 19,370,609 | 20,874,709 |
| Revenues | | | | | | | | |
| Employer Contribution - Medical | 24,781,212 | 24,644,493 | 24,644,493 | 27,205,600 | 28,838,000 | 30,568,200 | 32,402,400 | 32,402,400 |
| Employee Contributions - Medical | 7,653,128 | 7,759,038 | 7,759,038 | 8,591,000 | 9,106,400 | 9,652,800 | 10,232,000 | 10,232,000 |
| Employer Contribution - Dental | 789,369 | 886,110 | 886,110 | 903,800 | 921,900 | 940,300 | 959,200 | 959,200 |
| Employee Contributions - Dental | 777,081 | 883,577 | 883,577 | 901,200 | 919,300 | 937,700 | 956,400 | 956,400 |
| Miscellaneous | 349,135 | 288,054 | 288,054 | 292,300 | 296,500 | 300,800 | 305,400 | 305,400 |
| Disabled Retiree Contributions | 273,729 | 258,924 | 258,924 | 274,500 | 290,900 | 308,400 | 326,800 | 326,800 |
| <i>Subtotal</i> | 34,623,656 | 34,720,196 | 34,720,196 | 38,168,400 | 40,373,000 | 42,708,200 | 45,182,200 | 45,182,200 |
| Transfers In | | | | | | | | |
| Operating | 39,636 | 100,000 | 100,000 | 105,000 | 110,300 | 115,800 | 121,600 | 121,600 |
| <i>Subtotal</i> | 39,636 | 100,000 | 100,000 | 105,000 | 110,300 | 115,800 | 121,600 | 121,600 |
| Total Sources | 34,663,292 | 34,820,196 | 34,820,196 | 38,273,400 | 40,483,300 | 42,824,000 | 45,303,800 | 45,303,800 |
| Expenditures | | | | | | | | |
| Medical Claims | 27,585,601 | 32,873,753 | 32,873,753 | 34,110,700 | 35,648,700 | 37,518,600 | 39,759,400 | 39,759,400 |
| Dental Claims | 1,447,009 | 1,460,184 | 1,460,184 | 1,504,000 | 1,549,100 | 1,595,600 | 1,643,400 | 1,643,400 |
| Insurance & Bond Premiums | 787,460 | 801,459 | 801,459 | 849,600 | 900,500 | 954,400 | 1,011,900 | 1,011,900 |
| Administrative Fees | 562,548 | 579,480 | 579,480 | 601,900 | 625,400 | 649,700 | 675,100 | 675,100 |
| Live Life Well Program | 341,691 | 344,875 | 344,875 | 345,600 | 345,900 | 346,400 | 346,700 | 346,700 |
| City Administration | 218,459 | 192,494 | 190,896 | 226,800 | 211,400 | 220,200 | 254,000 | 254,000 |
| Behavioral Health Insurance Claims | 82,773 | 86,593 | 86,593 | 91,900 | 97,200 | 103,200 | 109,200 | 109,200 |
| Citywide Pay Program | - | - | 38 | - | - | - | - | - |
| Market | - | - | - | - | - | - | - | - |
| Market Catch-up | - | - | 1,560 | - | - | - | - | - |
| <i>Subtotal</i> | 31,025,541 | 36,338,838 | 36,338,838 | 37,730,500 | 39,378,200 | 41,388,100 | 43,799,700 | 43,799,700 |
| TOTAL OPERATING BUDGET | 31,025,541 | 36,338,838 | 36,338,838 | 37,730,500 | 39,378,200 | 41,388,100 | 43,799,700 | 43,799,700 |
| Total Uses | 31,025,541 | 36,338,838 | 36,338,838 | 37,730,500 | 39,378,200 | 41,388,100 | 43,799,700 | 43,799,700 |
| Sources Over/(Under) Uses | 3,637,751 | (1,518,642) | (1,518,642) | 542,900 | 1,105,100 | 1,435,900 | 1,504,100 | 1,504,100 |
| Ending Fund Balance | | | | | | | | |
| IBNR Reserve | 2,604,365 | 2,633,492 | 2,633,492 | 2,731,800 | 2,853,400 | 3,000,600 | 3,176,500 | 3,176,500 |
| Operating Contingency | 2,951,636 | 2,987,053 | 2,987,053 | 3,098,500 | 3,236,200 | 3,402,900 | 3,602,000 | 3,602,000 |
| Premium Stabilization Reserve | 3,042,786 | 2,995,596 | 2,995,596 | 3,295,200 | 3,486,700 | 3,689,400 | 3,904,300 | 3,904,300 |
| Undesignated, Unreserved Fund Balance | 9,206,564 | 5,681,318 | 7,670,568 | 7,704,109 | 8,358,409 | 9,277,709 | 10,191,909 | 10,191,909 |
| Total Ending Fund Balance | 17,805,351 | 14,297,459 | 16,286,709 | 16,829,609 | 17,934,709 | 19,370,609 | 20,874,709 | 20,874,709 |

⁽¹⁾ FY 2026/27 Sources and Uses mirror FY 2025/26 Sources and Uses. FY 2026/27 is included as a placeholder for the sole purpose of this report. The FY 2026/27 Sources and Uses will be updated appropriately during the FY 2022/23 Budget Development Process.

City of Scottsdale Risk Management Fund Five Year Financial Forecast

| | Actual 2020/21 ^(a) | Adopted 2021/22 | Approved 2021/22 | Forecast 2022/23 | Forecast 2023/24 | Forecast 2024/25 | Forecast 2025/26 | Forecast 2026/27 ^(c) |
|---|----------------------------------|--------------------|---------------------|---------------------|---------------------|---------------------|---------------------|------------------------------------|
| Beginning Fund Balance | | | | | | | | |
| Operating Contingency | 2,500,000 | 2,500,000 | 2,500,000 | 2,500,000 | 2,500,000 | 2,500,000 | 2,500,000 | 2,500,000 |
| Operating Reserve | 19,924,010 | 23,743,871 | 23,307,641 | 22,589,665 | 23,528,865 | 24,579,065 | 26,186,665 | 27,782,665 |
| Total Beginning Fund Balance | 22,424,010 | 26,243,871 | 25,807,641 | 25,089,665 | 26,028,865 | 27,079,065 | 28,686,665 | 30,282,665 |
| Revenues | | | | | | | | |
| Self Insurance (Property and Workers Comp) | 11,000,004 | 11,000,000 | 11,668,411 | 12,700,000 | 13,400,000 | 14,500,000 | 15,300,000 | 15,300,000 |
| Reimbursements from Outside Sources | 2,208,523 | 575,000 | 575,000 | 575,000 | 525,000 | 525,000 | 475,000 | 475,000 |
| Miscellaneous | 265,645 | 330,000 | 330,000 | 290,000 | 290,000 | 290,000 | 290,000 | 290,000 |
| Property Tax | 1,829,000 | 290,000 | 290,000 | 330,000 | 330,000 | 330,000 | 330,000 | 330,000 |
| Unemployment Claims | 106,233 | 37,870 | 37,870 | 39,800 | 41,800 | 43,800 | 46,000 | 46,000 |
| Subtotal | 15,399,405 | 12,232,870 | 12,901,281 | 13,934,800 | 14,586,800 | 15,688,800 | 16,441,000 | 16,441,000 |
| Transfers In | | | | | | | | |
| CIP | 47,999 | - | - | - | - | - | - | - |
| Subtotal | 47,999 | - | - | - | - | - | - | - |
| Total Sources | 15,447,404 | 12,232,870 | 12,901,281 | 13,934,800 | 14,586,800 | 15,688,800 | 16,441,000 | 16,441,000 |
| Expenditures | | | | | | | | |
| Insurance & Bond Premiums | 2,692,325 | 2,915,155 | 2,915,155 | 3,352,400 | 3,662,300 | 3,942,500 | 4,433,300 | 4,433,300 |
| Liability | 1,640,274 | 2,887,503 | 2,887,503 | 2,945,300 | 3,004,200 | 3,079,300 | 3,156,300 | 3,156,300 |
| Physical Damage | 2,368,049 | 1,010,000 | 1,010,000 | 1,030,200 | 1,050,800 | 1,077,100 | 1,104,000 | 1,104,000 |
| Risk Management | 1,075,396 | 1,698,246 | 1,672,542 | 1,767,100 | 1,831,300 | 1,903,300 | 1,973,500 | 1,973,500 |
| Safety Grants Program | 21,292 | 50,000 | 50,000 | 51,000 | 52,100 | 53,300 | 54,600 | 54,600 |
| Unemployment | 136,265 | 50,003 | 50,003 | 51,000 | 52,000 | 53,300 | 54,700 | 54,700 |
| Workers Compensation | 4,125,465 | 3,720,000 | 4,986,937 | 3,791,400 | 3,867,200 | 3,963,900 | 4,062,900 | 4,062,900 |
| Citywide Pay Program | - | - | 8,960 | - | - | - | - | - |
| Market | - | - | 37 | - | - | - | - | - |
| Market Catch-up | - | - | 16,707 | - | - | - | - | - |
| Subtotal | 12,059,065 | 12,330,907 | 13,597,844 | 12,988,400 | 13,519,900 | 14,072,700 | 14,839,300 | 14,839,300 |
| TOTAL OPERATING BUDGET | 12,059,065 | 12,330,907 | 13,597,844 | 12,988,400 | 13,519,900 | 14,072,700 | 14,839,300 | 14,839,300 |
| Transfers Out | | | | | | | | |
| CIP Technology | 4,708 | 21,413 | 21,413 | 7,200 | 16,700 | 8,500 | 5,700 | 5,700 |
| Subtotal | 4,708 | 21,413 | 21,413 | 7,200 | 16,700 | 8,500 | 5,700 | 5,700 |
| Total Uses | 12,063,773 | 12,352,320 | 13,619,257 | 12,995,600 | 13,536,600 | 14,081,200 | 14,845,000 | 14,845,000 |
| Sources Over/(Under) Uses | 3,383,631 | (119,450) | (717,976) | 939,200 | 1,050,200 | 1,607,600 | 1,596,000 | 1,596,000 |
| Ending Fund Balance | | | | | | | | |
| Operating Contingency | 2,482,193 | 2,500,000 | 1,900,000 | 2,500,000 | 2,500,000 | 2,500,000 | 2,500,000 | 2,500,000 |
| Operating Reserve | 23,325,448 | 23,624,421 | 23,189,665 | 23,528,865 | 24,579,065 | 26,186,665 | 27,782,665 | 29,378,665 |
| Total Ending Fund Balance | 25,807,641 | 26,124,421 | 25,089,665 | 26,028,865 | 27,079,065 | 28,686,665 | 30,282,665 | 31,878,665 |
| Actuarial Assessment ^(b) | | | | | | | | |
| 50%-55% Expected | 19,516,408 | 21,165,647 | 20,784,567 | 22,103,270 | 23,237,259 | 24,323,009 | 25,720,257 | 26,810,056 |
| 75% Confidence Level | 21,468,049 | 23,282,212 | 22,863,024 | 24,313,597 | 25,560,985 | 26,755,310 | 28,292,283 | 29,491,062 |
| 80% Confidence Level | 22,443,869 | 24,340,494 | 23,902,252 | 25,418,761 | 26,722,848 | 27,971,460 | 29,578,296 | 30,831,564 |
| 85% Confidence Level | 23,419,890 | 25,398,776 | 24,941,480 | 26,523,924 | 27,884,711 | 29,187,611 | 30,864,308 | 32,172,067 |
| 90% Confidence Level | 24,395,510 | 26,457,059 | 25,980,709 | 27,629,088 | 29,046,574 | 30,403,761 | 32,150,321 | 33,512,570 |
| <i>85% confidence level vs ending fund balance ^(d)</i> | 2,387,951 | 725,645 | 148,185 | (465,059) | (805,646) | (500,946) | (581,643) | (293,402) |

^(a) Unaudited.

^(b) Adopted FY 2021/22 reflects the actuarial assessment used during the FY 2021/22 budget development process and dated June 30, 2020. The rest of the document reflects the most recent actuarial assessment, dated June 30, 2021.

^(c) FY 2026/27 Sources and Uses mirror FY 2025/26 Sources and Uses. FY 2026/27 is included as a placeholder for the sole purpose of this report. The FY 2022/23 - FY 2026/27 Sources and Uses will be updated appropriately during the FY 2022/23 budget development process.

^(d) Forecasts for FY 2022/23 through FY 2026/27 fall below the 85% Confidence Level because these numbers tie to the Adopted FY 2021/22 Budget. The FY 2021/22 plan was in compliance with the 85% Confidence Level at the time it was adopted. The Five Year Plan will also be in compliance when the FY 2022/23 plan is adopted.

FY 2020/21 Financial Results of the Trust Fund

The Healthcare Self-Insurance Fund Five Year Financial Forecast previously referenced depicts an actual FY 2020/21 ending fund balance of \$16.28 million. The fund balance includes a Healthcare Claims Reserve designation in case medical claims are substantially greater than anticipated. Each year claims are projected through the Insurance Brokers Analysis of the City's historical claims and the claims experience of hundreds of other business entities across the nation. This results in a per employee per month projection of medical claims that will be presented for payment during the 12-month cycle. The resulting total annual projected claims are then funded by setting the contributions of the insured members and the City's contribution to equal the total estimated claims expenses.

The Risk Management Fund Five-Year Financial Forecast, as shown on the previous page, relies on an actuary to: 1) estimate outstanding losses; 2) project the development of existing losses to the ultimate final cost; 3) project losses to be paid during the fiscal year; and 4) recommend fund balances.

Unlike the Healthcare Self-Insurance Fund where health plans are funded each year based on the anticipated medical claims that will be presented that year, the Risk Management Fund must account for "long-tail" liability claims. Long-tail liability claims have long durations between the incident date and the final resolution of that claim. The lag time from claim receipt until ultimate resolution affects the Cost of Risk each year, as claim payments made from the general ledger are reflected in the fiscal year they are made, regardless of when the actual claim or incident was received by Risk Management. This accounting differs from the amounts stated on the All Divisions Combined Incurred Performance page, which is a depiction of the value of the claim during a specific fiscal year. The value of each claim is derived from the reserve amount, any payments made, less any recoveries received on the claim in that specific fiscal year.

For example, a general liability claim related to a trip and fall may be received by the City in a specific fiscal year and may ultimately be resolved in the next fiscal year or years. The value of this claim will be reflected on the All Divisions Combined Incurred Performance page during the fiscal year in which the claim was received. However, the ultimate resolution which may take place in the next fiscal year, or years, will be reflected in the Cost of Risk during the fiscal year in which the payment was made. This would be the case for all claims received by Risk Management.

The Arizona Workers' Compensation law allows for the lifetime right to petition to reopen a claim within Arizona for continuing medical treatment of work-related injuries throughout the injured worker's life. Therefore, old claims may lie dormant and may be reopened for subsequent treatment, resulting in a string of medical and lost income payments over time. In addition, loss of earning capacity can be awarded for some work-related disabilities, which is to be paid monthly for the life of the injured worker.

Each year the Risk Management Fund's ending fund balance is compared to the actuary's projected amount recommended to resolve all outstanding self-insured claims. The actuary's projection is completed after the close of the fiscal year in order to capture any new claims that occurred during the fiscal year. The actuary applies a variety of mathematical methods considering all historical loss information to develop the projected funding needed to defend against and resolve all outstanding claims. The annual actuarial study provides a table of projected ultimate losses at various confidence levels.

CONCLUSION

Overall, the financial health of the Loss Trust Fund remains strong. The Loss Trust Fund Board has recommended that the City fund the Loss Trust Fund at an 85% confidence level, which is summarized at the bottom of the Risk Management Fund Five-Year Financial Forecast previously referenced. The 85% confidence level can be viewed as an 85% probability that sufficient Trust Fund assets will be available to resolve all claims. The total ending fund balance for Actual 2020/21 is \$25.08 million. This balance achieved an 85% confidence level when compared to the June 30, 2021 Actuarial Report. The same June 30, 2021 Actuarial Report is then used to update the confidence levels that were used from the June 30, 2020 Actuarial Report for the adopted FY 2021/22 budget. The updated confidence levels are reflected in the approved 2021/22 budget. Future budgets and Risk Management operations will be designed to minimize losses, increase loss prevention efforts, and ensure an 85% confidence level is maintained within the Loss Trust Fund, to the fullest extent achievable.

December 16, 2021

To: The Honorable Mayor and City Council

Re: Report and Recommendations from the Advisory Trustees of the Loss Trust Fund

Scottsdale Revised Code 2-171 requires that the Loss Trust Fund Advisory Trustees are required to meet at least once per year and submit a report to the City Council regarding the status of the Loss Trust Fund. In compliance with that requirement, the FY 2020/21 Risk Management Annual Report is attached, which contains the statistical and financial details of the Loss Trust Fund as of June 30, 2021. This summary memo along with the attached report serves as the Trustees' required Annual Report for the fiscal year ending June 30, 2021 as approved during the Loss Trust Fund board meeting held on December 17, 2021.

Risk Management Fund

The FY 2020/21 Risk Management Fund ending balance of \$25 million has reached the actuary 85% confidence level for total funding. The Loss Trust Fund Advisory Board has recommended that the fund balance be maintained at no less than the actuarial 85% confidence level, which is an improvement from the previous fiscal year's confidence level of 80%. Future budgets and Risk Management operations will be designed to minimize losses, increase loss prevention efforts, and maintain an 85% confidence level within the Loss Trust Fund, to the fullest extent achievable.

The Advisory Trustees concluded that as of June 30, 2021, the Risk Management portion of the Loss Trust Fund (General Liability, Workers' Compensation, Vehicle Liability, Vehicle Physical Damage and Property claims) is adequately funded to address future financial claim obligations.

Self-Insured Group Health Fund

The Healthcare Self-Insurance Fund ending balance for FY 2020/21 has \$16.2 million of reserve. The City uses an internal calculation to determine an appropriate fund balance, which includes a reserve for large claims beyond what was anticipated, premium stabilization reserve, and a 30-day reserve for incurred but not reported (IBNR) claims. The Healthcare Self-Insurance Fund ending balance historically has met the large claims and IBNR reserve needs. The excess per person insurance or "Stop Loss" minimizes any

affect a large loss might have and the projections for total uses and sources are relatively stable.

Ongoing Financial Controls

The Advisory Trustees also wish to advise that the financial status of the Loss Trust Fund is regularly monitored and updated by the City Treasurer's and City Attorney's staff. The Board is confident that any material changes identified during the fiscal year will be reported to the Board and City Council timely.

Respectfully submitted this 17th day of December 2021.

Brandon Perlow, Chairman
Loss Trust Fund Board Advisory Trustees



2021 Annual Report

Loss Trust Fund Board Annual Report

George Woods Jr., Risk Management Director

Approved by the Loss Trust Fund Board on December 17th, 2021

Web Site Address: www.ScottsdaleAZ.gov/boards/loss-trust-fund-board

Number of Meetings Held: 3

Public Comments: 0

Major Topics of Discussion / Action Taken:

- Reviewed and discussed Actuary Study completed by AON
- Reviewed and discussed FY 2021/22 employee medical plan premiums
- Reviewed and discussed Annual Report

Current Member Attendance:

| Member Name | Title | Present | Absent | Recused | Service Dates |
|--------------------|--------------|----------------|---------------|----------------|---|
| Brandon Perlow | Chair | 3 | 0 | 0 | From January to December 2021 |
| Allan Smith | Vice Chair | 3 | 0 | 0 | From January to December 2021 |
| Suzanne Welch | | 3 | 0 | 0 | From January to December 2021 |
| Richard O'Connor | | 3 | 0 | 0 | From January to December 2021 |
| Dominic Bilotti | | 1 | 0 | 0 | From January to May 2021 term ended and Linda Wannie replaced him |
| Linda Wannie | | 2 | 0 | 0 | May to December 2021 |

Subcommittees: None

Ethics Training: Yes all completed by February 2021

Selected Officers: Yes on March 11, 2021

Reviewed Bylaws/City Code: No

Anticipated Key Issues: Locate replacement for Board Member Suzanne Welch whose term is expiring

Future Significant Work Products: Continue the rededication and focus on Safety, Health and Wellness programs citywide in an effort to reduce the overall number of employee injuries. Draw on industry best practices and consultations with ADOSH under the PEPP program.

Upcoming Opportunities, Challenges, or Outcomes: Continue to monitor fund balance to achieve the 85% confidence interval level as set by the Loss Trust Fund Board.

Additional Comments/Recommendations: If the Board/Commission wishes to add additional comments or recommendation(s) to the City Council, it can go in this section.

Report Approved on: