



City of Scottsdale
Loss Trust Fund Board
Regular Meeting
Notice and Agenda

5:00 p.m., Tuesday, June 2, 2026
City Attorney Conference Room and via TEAMS
3939 N. Drinkwater Blvd., Scottsdale, AZ 85251
Call: 480-378-2354 Meeting ID: 544 403 96#

Call to Order

Roll Call

Chair Jake Seltzer, Vice Chair Austin Brooker, Tami Smith, Aaron Gocal

One or more members of the public body may be attending the meeting by telephone, video, or internet conferencing, pursuant to A.R.S. §38-431(4)

Public Comment:

Citizens may address the members of the Loss Trust Fund Board during Public Comment. This “Public Comment” time is reserved for citizen comments regarding non-agendized items. Arizona State law prohibits the Loss Trust Fund Board from discussing or taking action on an item that is not on the prepared agenda. Citizens may complete one Request to Speak “Public Comment” card per meeting and submit it to City Staff. **Public testimony is limited to three (3) minutes per speaker.**

Written comment cards are accepted for both agendized and non-agendized items and may be submitted to City Staff at any time. Cards submitted after public testimony has begun will be provided to the Loss Trust Fund Board at the conclusion of the testimony for that item.

1. Approval of minutes of Public Meeting conducted on December 3, 2025

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

2. Discussion, nomination, and election of Chair and Vice-Chair

A Chair and Vice-Chair must be nominated and voted upon in the first meeting of the calendar year to serve a one-year term. No person shall serve in the same capacity for more than two consecutive full one-year terms.

Action: Discuss, nominate and vote to elect a Chair and Vice-Chair.

3. Presentation and discussion on broadened reserving practice approved by City Council on March 24, 2026

(Information item)

4. Discussion and possible action on 2025 Board and Commission Annual Report Summary

Action: Discussion and possible action to approve submission of the 2025 Board and Commission Annual Report Summary as submitted or with suggested changes.

5. Discussion and possible action on submission of the Safety & Risk Management (SRM) Annual Report to City Council

Action: Discussion and possible action to approve SRM Annual Report as submitted or with suggested changes.

Adjournment



Persons with a disability may request a reasonable accommodation by contacting Risk Management at 480-312-2490. Requests should be made 24 hours in advance, or as early as possible, to allow time to arrange the accommodation. For TTY users, the Arizona Relay Service (1-800-367-8939) may contact Risk Management at 480-312-2490.



DRAFT MINUTES

LOSS TRUST FUND BOARD MEETING

**City Attorney Conference Room and Via Teams
3939 N. Drinkwater Blvd.
Scottsdale, Arizona 85251**

**December 3, 2025
5:00 p.m.**

PRESENT: Jacob (Jake) Seltzer, Chair
Austin Brooker, Vice-Chair (via MS Teams)
Allan Smith, Board Member
Tami Smith, Board Member

ABSENT: Brian Pittluck, Board Member

STAFF: George Woods, Risk Management Director
Denise Plug, Contracts Coordinator Safety and Risk Management
Lori Davis, Chief Deputy City Attorney

GUESTS: Adam Hirsch, Principal at Oliver Wyman

CALL TO ORDER

Chair Smith called the meeting of the Loss Trust Fund Board to order at 5:08 p.m.

ROLL CALL

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

OLD BUSINESS

1. Approval of the Minutes of Public Meeting conducted on May 7, 2025

Chair Seltzer noted the "\$" symbol should be removed before the "13.83 percent".

BOARD MEMBER ALLAN SMITH MOVED TO APPROVE THE MAY 7, 2025, PUBLIC MEETING MINUTES AS AMENDED. VICE-CHAIRMAN BROOKER SECONDED THE MOTION, WHICH CARRIED FOUR (4) TO ZERO (0). CHAIR SELTZER, VICE-CHAIR BROOKER, AND BOARD MEMBERS ALLAN SMITH AND TAMI SMITH VOTED IN THE AFFIRMATIVE. THERE WERE NO DISSENTING VOTES.

NEW BUSINESS

1. Presentation and Discussion on Actuary Study by Oliver Wyman

Adam Hirsch, Senior Vice President and Practice Leader at Brown and Brown, Inc, presented and discussed the actuary study by Oliver Wyman. Mr. Hirsch reminded the Board that this report captures the investment of liability as of June 3, 2025.

As of June 30, 2024, considering everything known, the reserve would be used to pay off expenses showing incremental increases and a projected estimate of \$20.6 million for June 30, 2025. The actuarial report shows the estimated unpaid losses at \$20.3 million, a \$2 million increase over last year, but a \$300,000 decrease from anticipated projections. There are a variety of reasons a larger expense was estimated than what is being paid, creating an imbalance. A slide was shared with a graph using a red line that represents the 2024 projections and a green line that represents the actuarial increase. Overall, an increase is projected over time, but it was pulled back based on a review of the last 12 months of claims information.

Mr. Hirsch clarified actuarial estimates are projected out several years. There is an added benefit of reviewing the prior 12 months of claims data to obtain information on how each claim closed out, along with additional information available for comparison to prior years. Such information is used to update estimates

Mr. Woods commented on the graph, noting the past 12 months of claims data indicates the City is doing better than anticipated in terms of claim development from a financial standpoint. If reserve practices or claims severity were negative, the green line would be above the red. Mr. Hirsch agreed with Mr. Woods' analogy, noting a variety of factors.

Mr. Hirsch continued the presentation, discussing the phrases loss and allocated loss adjustment expenses that are allocated to individual claims, often thought of as legal costs. ULAE (unallocated loss adjustment expenses) are not assigned to a specific claim, and are thought of as the aggregate claims handling fee the City pays for adjustments. The ULAE concept is excluded from most analysis and uses a separate calculation that was not part of the graph.

A second slide displaying the incurred basis with a level of paid payments was shared. The incurred development, or incremental payments, refers to only the incremental changes captured. "Retain" refers to the amount the City is responsible for per occurrence. Volatility is anticipated year over year, but it is recommended to compare the bold total row figures. The incurred development that was actually paid was an average of \$6 to \$7 million. Unfortunately, it was not the anticipated big jump due to changes in case reserving practices. Although the \$6.2 million incurred and the \$6 million paid are not at the projected increase, they are also not outside the range of what the City is used to seeing, and they are stable.

In response to Board Member A. Smith's question, Mr. Hirsch cited the four figures on the slide and stated the analysis shows that the City reached a steady reserving practice after a dramatic swing from year end 2022 and year end 2023. There is more stability in claims reserving, allowing them to be projected out and resulting in a steady level of incurred claims. Mr. Hirsch continued the presentation with a slide containing a coverage table in dollars.

The first row estimated ultimate loss or loss projection based on the occurrence date, meaning the reserve would only contemplate accidents that occurred between July 1, 2023, and June 30, 2025, regardless of when they were reported. He reviewed the processes and calculations using the estimate for the next 12 months and payments made, noting that all claims' data is reviewed and compared to the previous year.

In response to Board Member A. Smith's inquiry into the exposure driven or social inflation adjustments, Mr. Hirsch remarked that both play a role along with exposure growth in liability coverage and potentially workers' compensation.

As of the accounting date of June 30, 2025, the central estimate is \$20.3 million, which looks out several years, taking into consideration discounted estimate and a higher confidence level estimate. The undiscounted central estimate refers to an exact dollar amount that is expected to be paid and not reducing the impact on any investment. Central estimate refers to an estimate that could be too high or too low without being intentionally conservative or aggressive but trying to conceptually find the midpoint.

Mr. Hirsch discussed the processes for calculating the assumptions and losses over five years. Discussion ensued regarding the overview of discounted losses and confidence levels.

In response to Board Member A. Smith's question of where the central estimate would be relative to a confidence level of 75 percent, Mr. Hirsch advised him that a central estimate for coverage with frequency and claims to acquire a reasonable estimate land around the 55th percentile. Board Member A. Smith noted the Board can rest assured they are being 20 percent more conservative in creating funding mechanisms that satisfy the development of claims anticipated. Mr. Hirsch discussed how 4 percent came to be the set discount rate for the City. Board Member A. Smith asked where the fund sits now. Mr. Woods advised it is between \$26.5 and \$28 million, with an 80 percent confidence level. It is anticipated that the fund will increase by \$1.5 million during the budgeting process.

Mr. Hirsch summarized the highlights from this presentation, noting the discount level brings the projection down, and the confidence level brings it back up.

In response to Chair Seltzer's question, Mr. Hirsch discussed the actuarial process and said there is the expectation that the reserve will increase year over year. However, each year it is a ballpark estimate of the expense for occurrences that will be paid over time relative to what is being paid from the past. Mr. Woods added that as more data becomes available in the future, the estimate and actual payout will become closer. Mr. Hirsch discussed the impact of exposure growth over time and the severity trend, including social inflation.

Mr. Woods discussed using a performance indicator along with changes to the distance between exposure and payments, using safety initiatives, loss prevention, claim reductions, and severity reductions, among other things. Mr. Hirsch cautioned staff regarding implementing metrics such as payments made, adding that they should use caution when reacting to the actual estimates along with lower levels of incurred development and payments.

Board Member A. Smith clarified that the Board would like to determine the effectiveness of claims' mitigation or negotiating settlement values. What can be gleaned from the raw

data can provide insight into the effectiveness of those elements. Mr. Hirsch provided an overview using workers' compensation claim counts as an example. The key takeaway was to compare the same data at the same maturity point. Board Member A. Smith suggested a relativity such as "versus number of employees" as a basis of comparison. Mr. Hirsch noted the number of claims per million dollars in payroll comparison, stating this is a good metric. A discussion ensued.

Board Member A. Smith inquired about the graph related to severity on a per claim basis. Mr. Hirsch explained that claims are limited to \$250,000 and can be more volatile than the frequency comparison. The severity increase is based on the cost of things increasing each year, and the frequency metric remains flat. There is a clear upward graph, although it does not increase every year.

Mr. Woods discussed impacts on workers' compensation that cannot be controlled by the City. Ms. Plug explained the legislative changes for screening and treating firefighters for cancer. A discussion ensued related to continued legislative opinions to include the Police Department as well.

In response to Board Member A. Smith's inquiry into comparative data on growth of claim severity industry-wide, a discussion ensued with Mr. Woods noting that a benchmarking study is available from the Safety National performance benchmarking that compares public safety claim data nationwide. With feedback from the Board and confirmation from Mr. Woods, the benchmarking report will be conducted annually.

In response to Chair Seltzer's question, Mr. Hirsch explained the \$20 million for the reserve is different depending on whether the confidence level or discount level is used. With a \$1 million workers compensation retention and \$2 million retention for general and auto liability, there is significant exposure from a \$1 or \$2 million liability claim. This refers to the retention level which the City purchases insurance.

Vice-Chair Brooker inquired whether it is possible for a mid-year adjustment process to recalibrate the forecast. Board Member A. Smith inquired how the information would be used. A discussion ensued where Mr. Woods discussed budgetary impacts and the ability to provide a mid-year financial health of the fund report.

Chair Seltzer gave Board members an opportunity to further discuss the presentation. Board Member A. Smith explained the questions asked by Mr. Hirsch were to show how well funded the City is proportionate to what is extracted, as well as identify the activity of things Mr. Woods and others are doing.

Chair Seltzer inquired about a metric that compares real-time to estimates. A discussion ensued regarding the benchmarking study. At the conclusion of the discussion, Vice-Chair Brooker reiterated his statement regarding a mid-year report that could influence planning and funding. Understanding the actuary study falls in line with the budgeting process. Receiving the benchmarking study mid-year would be useful in determining if anything can be done differently.

2. OPEN CALL TO THE PUBLIC

No members of the public were present.

ADJOURNMENT

BOARD MEMBER ALLAN SMITH MOVED TO ADJOURN THE MEETING. BOARD MEMBER TAMI SMITH SECONDED THE MOTION, WHICH CARRIED FOUR (4) TO ZERO (0). CHAIR SELTZER, VICE-CHAIR BROOKER, AND BOARD MEMBERS ALLAN SMITH AND TAMI SMITH VOTED IN THE AFFIRMATIVE. THERE WERE NO DISSENTING VOTES

With no further business to discuss, being duly moved and seconded, the meeting adjourned at 6:20 p.m.

Recorded and Transcribed by eScribers, LLC.

CITY COUNCIL REPORT



Meeting Date: March 24, 2026
Charter Provision: *Provide for the orderly government and administration of the affairs of the City*
Objective: *Determine Policies*

ACTION

Comprehensive Financial Policies.

Adopt **Resolution No. 13608** to adopt the Comprehensive Financial Policies as the formal guidelines for the City of Scottsdale's FY 2026/27 financial planning and management.

BACKGROUND

The Comprehensive Financial Policies (Policies) encompass sound financial management as promulgated by the Government Finance Officers Association (GFOA), independent bond credit rating agencies, the International City/County Management Association (ICMA), the city's financial advisor, the city manager, and the city treasurer/chief financial officer.

Financial policies in general are rules that cover the city's financial activities—but more than that—they also institutionalize good financial management practices to ensure financial stability, financial integrity and strong bond ratings. The city uses financial policies to ensure compliance with applicable laws and regulations; budget and expenditure controls, sufficient reserves, manageable debt levels, identify and manage financial risks, manage city's financial assets and liabilities, and formalize sound financial management practices.

The Policies play a key role in rating agencies' assessments of the city's financial management practices and fiscal governance. Strong financial policies support the city's top tier credit ratings which in turn allows the city to borrow funds at lower interest rates, leading to long-term cost savings for our taxpayers and residents.

The city treasurer's staff uses these Policies as the basic tenets of the city's multi-year financial planning and as guidelines for advising the Council, city manager and divisions in preparation, adoption, and monitoring of the budget.

Formally adopted financial policies demonstrate to citizens, businesses and stakeholders, and prospective investors (i.e., bond buyers) the city's ongoing commitment to sound financial management and preserving the city's fiscal integrity and long-term financial sustainability.

A key part of establishing and maintaining financial policies is an annual review of the existing policies to ensure they are current and relevant to guiding the city's financial management.

Action Taken _____

ANALYSIS & ASSESSMENT

The annual review for FY 2026/27 resulted in clarifying language where needed and ensuring the Policies are consistent throughout the document. Below highlights the substantive changes to the Policies that are being proposed for FY 2026/27. Attachment 2 shows all substantive and non-substantive changes.

Reserves and Fund Balance – Policy 2

The proposed modifications to this policy are shown in blue below.

- **(2.08) – Self-Insurance Reserves – Risk Management.** The city will maintain “Self-Insurance Reserves” at a level that will adequately fund the city’s financial obligations for the payment of property, workers’ compensation, and general liability losses. A qualified actuarial firm shall be retained on an annual basis to project and develop losses to recommend appropriate reserve levels. The Loss Trust Fund Board’s target is to maintain a minimum Risk Management reserve fund balance *within a range of the actuary’s 75 percent to 80 percent confidence interval of projected total outstanding claims liability.*
- **(2.09) – Self-Insurance Reserves – Healthcare.** The city will maintain “Self-Insurance Reserves” at a level that will adequately fund the city’s financial obligations for the healthcare program. A qualified actuarial firm shall be retained to project liabilities *as part of establishing* reserve levels.

Expenditure Management – Policy 3

The proposed modifications to this policy are shown in blue below:

- **(3.02 (f)) Approval for Capital Project Cost Increase.** *All increases to capital project budgets must be approved by council.* Cost increases to capital projects greater than 10 percent and \$1.0 million as a result of scope increases or other cost increases require council presentation or a written update to council, and council approval. In unique circumstances, the city manager and budget director, based on additional review, may require council discussion or presentation and council approval for increases that do not meet the policy’s threshold of 10 percent and \$1.0 million.

Debt Management – Policy 8

The proposed modifications to this policy are shown in blue and strike through text below.

- **(8.04) Excise Tax and Other Revenue Secured Obligations**
 - a. Non-voter authorized debt (i.e., MPC, Excise Tax Obligations, Revenue Obligations, *notes payables and loans from banks and Infrastructure Financing Authorities of Arizona that do not require voter approval,* and other non-voter authorized debt) will be used only when a dedicated non-property tax source (e.g., excise taxes ~~and~~ or utility revenues) can be identified to pay or reimburse the General Fund for paying debt service expenses.
 - b. Issuances will be managed to match debt issuance proceeds to ~~CIP~~ cash flow requirements.
 - c. The General Fund *supported* excise tax debt service should not exceed 10 percent of the General Fund’s current or future annual operating revenue in order to control fixed costs and ensure expenditure flexibility.

Risk Management – Policy 13

City Council Report | FY 2026/27 Comprehensive Financial Policies

The proposed modifications to this policy are shown in blue text below.

- a. **(13.04) Self-Insurance Reserves** Financial reserves shall be maintained at a level which, together with any excess insurance, will adequately protect the city’s assets and defend its elected officials, officers, and directors against financial loss. *The Loss Trust Fund Board shall make recommendations regarding necessary reserve levels.* The Risk Management Department relies on an annual actuarial study to identify probable losses and is used as a basis for determining self-insurance fund balances based on historical loss data. See Policy 2 for additional information.

Appendix A - Budget Governing Guidance

- a. **(1b) Funding for General Fund CIP** *50 percent to 100 percent* of General Fund interest earnings

Summary

The goal for these proposed enhancements to the Policies is to update the financial policies and clarify language where needed.

Formally adopted financial policy statements contribute greatly toward increased public confidence, transparency, and accountability of government. Having these explicit policies provides a better understanding of city financial affairs to residents. Explicit financial policies also provide clear direction to city staff concerning the diligence and stewardship with which public monies are managed.

OPTIONS & STAFF RECOMMENDATION

Adopt **Resolution No. 13608** to adopt the Comprehensive Financial Policies as the formal guidelines for the City of Scottsdale’s FY 2026/27 financial planning and management.

RESPONSIBLE DEPARTMENT(S)

City Treasurer

STAFF CONTACT(S)

Sonia Andrews, City Treasurer/Chief Financial Officer; (480) 312-2364; sandrews@scottsdaleaz.gov

APPROVED BY

Sonia Andrews

Sonia Andrews, City Treasurer/Chief Financial Officer
(480) 312-2364; sandrews@scottsdaleaz.gov

3/9/26 19:27 MST

Date

Greg Caton

Greg Caton, City Manager
(480) 312-7759; gcaton@scottsdaleaz.gov

3/9/26 18:24 MST

Date

ATTACHMENTS

1. Resolution No. 13608
2. Marked Changes of Revised Financial Policies

RESOLUTION NO. 13608

A RESOLUTION OF THE COUNCIL OF THE CITY OF SCOTTSDALE, MARICOPA COUNTY, ARIZONA, ESTABLISHING COMPREHENSIVE FINANCIAL POLICIES FOR FY 2026/27; REPEALING PRIOR FINANCIAL POLICIES; AND PROVIDING FOR A DELAYED EFFECTIVE DATE.

WHEREAS, financial policies establish a shared understanding within the organization of what good financial management practices are to ensure financial stability and strong bond ratings;

WHEREAS, financial policies ensure compliance with applicable laws and regulations;

WHEREAS, financial policies ensure budget and expenditure controls;

WHEREAS, financial policies are used to identify and manage financial risk;

WHEREAS, financial policies manage the city's financial assets and liabilities;

WHEREAS, financial policies formalize sound financial management practices;

WHEREAS, after study and evaluation, the City Council wishes to update the financial policies and clarify language where needed; and

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Scottsdale, Arizona, as follows:

Section 1. The City Council hereby adopts the Comprehensive Financial Policies attached hereto as Exhibit "A" and incorporated herein by this reference.

Section 2. The City Council hereby repeals in their entirety the financial policies passed and adopted through Resolution No. 13356 on March 4, 2025.

Section 3. Delayed Effective Date. The provisions of Section 1 and 2 of this resolution shall be effective July 1, 2026.

PASSED AND ADOPTED by the Council of the City of Scottsdale, Maricopa County, Arizona this 24th day of March, 2026.


ATTEST:

CITY OF SCOTTSDALE, an Arizona
municipal corporation

By: _____
Ben Lane, City Clerk

By: _____
Lisa Borowsky, Mayor

APPROVED AS TO FORM:
OFFICE OF THE CITY ATTORNEY



Luis Santaella, Interim City Attorney
By: Lydia Tulin, Assistant City Attorney

CITY OF SCOTTSDALE, AZ
COMPREHENSIVE FINANCIAL POLICIES
FISCAL YEAR ~~2025/26~~2026/27

ADOPTED MARCH 3 24, 2026

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Introduction

The City of Scottsdale's (city) mission is to provide simply better service for a world-class community. A vital component to achieving this mission is to carefully account for public funds, to manage finances wisely, and to plan for the adequate funding of services desired by the public, including the provision and maintenance of public facilities.

These Comprehensive Financial Policies (Policies) establish the standards for stewardship over the city's financial resources and provide guidance for sound fiscal planning, budgeting, accounting, and financial reporting to support the city's mission and financial goals. The city's financial goals are broad and represent the financial position the city seeks to attain:

- To deliver quality services in an affordable, efficient, and cost-effective basis providing full value for each tax dollar.
- To maintain an adequate financial base to sustain a sufficient level of municipal services, thereby preserving the quality of life in Scottsdale.
- To have the ability to withstand local and regional economic fluctuations, to adjust to changes in the service requirements of our community, and to respond to changes in Federal and State priorities and funding as they affect the city's residents and business owners.
- To maintain high bond credit ratings to ensure the city's access to the bond markets and to provide assurance to the city's taxpayers that the city government is well managed and financially sound.

All departments will participate in the responsibility of meeting policy goals and ensuring the long-term financial health of the city. Future service plans and program initiatives will be developed to reflect current policy directives, projected resources, and future service requirements.

These Policies are adopted by council resolution each year. By their nature, policies must change and evolve over time as the city grows and to respond to changes in law, new industry standards, or best practices. Accordingly, these Policies will be subject to annual review and recommendation for revisions, if any, will be presented to the Scottsdale City Council (council) for approval.

In addition to these Policies, the city maintains internal Administrative Regulations (AR) to provide city manager directives for staff, where necessary. ARs are written orders or directives issued by the city manager intended to articulate citywide policies and procedures. These are referenced throughout these Policies, where applicable.

Policy 1 Fiscal Planning and Budgeting

Fiscal planning refers to the process of identifying resources and allocating those resources among numerous and complex competing purposes. A key tool for this planning is the preparation, monitoring, and analysis of the city's budget. The purpose of this policy is to provide guidance on the city's budget process and development to ensure sound financial management and application of best practices in budgeting and fiscal planning.

Accompanying the Policies are a set of budget governing guidance which provides direction for allocating certain annual city resources through the budget process to meet council priorities and goals. These guidelines are attached as Appendix A Budget Governing Guidance.

- 1.01 Budget Period. The city will budget revenues and expenditures for all funds on a fiscal year basis which begins July 1 and ends on the following June 30.
- 1.02 Budget Adoption. Pursuant to Article 3, Section 2 and Article 6, Sections 3 and 5 of the Scottsdale City Charter, the city manager shall submit to the council a proposed annual operating budget and five-year capital improvement plan. The full council will solicit resident input and review the operating and capital budget recommendations from a department, program, and goals perspective. The council shall adopt the budget for the following fiscal year at the first regular meeting in June.
- 1.03 Budget Basis. The annual operating budget and five-year capital improvement plan will be prepared on a basis consistent with Generally Accepted Accounting Principles (GAAP)¹ whereby Governmental Funds (General Fund, Special Revenue Funds, Debt Service Funds, and Capital Project Funds) are budgeted on a modified accrual basis and Proprietary Funds (Enterprise Funds and Internal Service Funds)¹ are budgeted on a full accrual basis except for the following:
 - a) Amortized lease revenues and associated interest
 - b) Payroll accruals and accrued compensated absences
 - c) Change in fair value of investments
 - d) Depreciation and amortization expenditures
 - e) Long-term revenue and expenditure activity
- 1.04 Alignment with Goals and Performance Measurement. The budget will be developed in accordance with council's established goals and priorities, the needs of the community, and local, state, and federal laws. Performance management will be utilized to align council goals and organization strategic efforts. The annual budget will include department goals, objectives, and performance measures to show that intended goals and objectives are achieved in an efficient and effective manner.
- 1.05 Long-Range Financial Forecasts. To promote long-term strategic thinking and demonstrate the city's ability to adapt to changes in the economy, operating requirements, and capital demands, the city will prepare a balanced five-year financial forecast that will incorporate both revenue and expenditure estimates and reserve requirements for the city's primary funds. The five-year forecast

¹ GAAP and fund types are all defined by the Governmental Accounting Standards Board (GASB) as defined by the Statements of Governmental Accounting Standards.

will identify revenues and expenditures that are anticipated to be sustainable over the five-year period. The five-year forecast will be updated annually and provided to executive leadership during the city's budget process.

- 1.06 Expenditure Limitation Review. The city shall ensure that its expenditures adopted through the annual budget process are below the expenditure limitation established by the state. At a minimum of every five years, the city treasurer shall report to the council the expenditure limitation capacity of the city. In the event that projections through the budget process result in the city reaching or exceeding ninety percent (90%) of the expenditure limitation, the city treasurer/chief financial officer shall provide council with formal notification and recommendations for council action.
- 1.07 Balanced Budget. The budget shall be considered balanced if all sources of revenue, as estimated, are equal to, or exceed, the total of amounts proposed to be used in the operating budget for the current fiscal year, by fund. To the extent unencumbered balances from the preceding fiscal year are required to achieve a balanced budget, use of unencumbered balances from the preceding fiscal year will be only as authorized by council. The budget will not use one-time (non-recurring) sources to fund continuing (recurring) uses or use external borrowing for operational requirements. The budget will incorporate the best available estimates of revenues and expenditures.
- 1.08 Cost Allocation. The city shall establish an indirect cost allocation plan to determine the administrative service and other indirect staff support provided to departments, programs, and funds. Administrative costs incurred in the General Fund to support operations of the Enterprise Funds (Water, Wastewater, Solid Waste, and Aviation) will be recovered through the indirect cost allocation plan.
- 1.09 Contingency. The city's annual budget will include contingency appropriations to provide for unanticipated increases in service delivery costs and unexpected needs that may arise throughout the fiscal year. Use of contingency appropriation will require identifying a funding source and should be utilized only after all budget sources have been examined for available funds. The contingency appropriation can only be expended upon separate council approval.
- 1.10 Budget Control. The city shall establish appropriate management controls to monitor expenditure budgets to ensure they do not exceed authorizations. For operating budgets, this control shall be exercised at the department/fund/general account classification level. The general account classification consists of personnel and non-personnel categories. For capital budgets, the budgetary control shall be exercised at the project level. See Policy 3 Expenditure Management for further policy guidance on budget controls.
- 1.11 Budget Amendments. The city can amend appropriations for line items, funds, projects, or departments if total expenditures do not exceed the final appropriation budget adopted by council. Requests for amendments within the same department, fund, and general account classifications must be approved by the department's executive director or equivalent and the city's budget director. Pursuant to Article 6, Section 11 of the Scottsdale City Charter and as clarified by these Policies, amendments requiring the transfer of contingency appropriation or the transfer of appropriation between funds, departments, general account classifications, and capital projects can be made at the direction of the city manager subject to council approval.

- 1.12 Budget Deficit. If a deficit is projected during the fiscal year, the city will take steps to reduce expenditures or increase revenues before considering using fund balance or reserves. The city manager may institute a cessation during the fiscal year on hiring, promotions, transfers, capital equipment purchases, and capital projects. Such action will not be taken arbitrarily or without knowledge of the council.
- 1.13 Unspent Appropriations. Unspent appropriations for programs and major projects may be considered for re-appropriation in the subsequent fiscal year. Such carryover of appropriation shall be included in the proposed budget to be authorized by the council.
- 1.14 Distinguished Budget Award. The city will prepare a budget in accordance with the Government Finance Officers Association policies and best practices established by the "Government Finance Officers Association Distinguished Budget Award" program. Staff will submit the budget document to the Government Finance Officers Association each year for review in the award program.

Policy 2 Reserves and Fund Balance

Maintaining adequate reserves is critical to ensure the city's financial stability through economic downturns, catastrophic events, natural disasters, and other unforeseen emergencies and events. Adequate reserves are also essential in preserving the city's high bond ratings and achieving the city's financial goals. The purpose of this policy is to establish reserve targets and fund balance, the conditions under which the reserves and fund balance may be spent, and the method by which the reserves and fund balance will be restored. Reserves should only be used after all other budget sources have been examined.

- 2.01 General Fund Operating Reserves. The General Fund is the city's main operating fund that pays for public safety, community services, parks, libraries, and other general city operations. The General Fund is considered to have a high level of risk due to its dependence on economically sensitive revenues. The General Fund is the main funding source when responding to city-wide emergencies and unexpected events. In consideration of these risks and other driving factors, the city will maintain an "Operating Reserve" in the General Fund of 20 percent of operating uses, excluding transfers out, to provide stability and flexibility to respond to unexpected events.

The reserve is intended for unexpected events (such as a significant unexpected loss of revenues, unexpected mandates, or large-scale emergencies) whose impact is significant. Use of this reserve requires council approval and must be replenished to the required General Fund Operating Reserve policy level of 20 percent within the next two fiscal years following the fiscal year in which the funds were used.

- 2.02 General Fund Emergency Reserves. The city will maintain an "Emergency Reserve" in the General Fund of 5 percent of operating uses, excluding transfers out. The reserve is intended for unexpected emergencies and events where immediate action must be taken in the best interest of the city's residents and business owners. Use of reserves must be appropriated by council action. However, the city manager may approve the use of this reserve in the event that immediate expenditure of funds is needed to protect the health, safety, and welfare of the city. When this occurs, the city manager will provide a report for council approval as soon as practical on the usage of these funds. The city will strive to restore the reserves to the required General Fund Emergency Reserve policy level of 5 percent within the next fiscal year following the fiscal year in which the funds were used.

- 2.03 Transportation Fund Operating Reserves. The city will maintain an "Operating Reserve" in the Transportation Fund of 10 percent of operating uses, excluding transfers out, to provide funding to deal with fluctuations in economic cycles and unexpected one-time operating requirements. Use of this reserve requires council approval, and the city shall strive to restore the reserves to the required Transportation Fund Operating Reserve policy level of 10 percent within the next two fiscal years following the fiscal year in which the funds were used.

- 2.04 Park and Preserve Tax Revenue Stabilization Reserve. The city will maintain a "Revenue Stabilization Reserve" in the Park and Preserve Tax Funds of 20 percent of operating uses, excluding transfers out, to provide funding to deal with fluctuations in economic cycles. Use of this reserve requires council approval, and the city shall strive to restore the reserves to the required policy level of 20 percent within the next two fiscal years following the fiscal year in which the funds were used.

- 2.05 Enterprise Fund Operating Reserves. Enterprise Funds (Water, Wastewater, Solid Waste, and Aviation) are intended to be self-supporting and not depend on the General Fund to fund operating and capital costs. The city will maintain "Operating Reserves" in its Enterprise Funds as follows to provide for emergencies, unexpected declines in revenues and other unanticipated events. Use of these reserves require council approval, and the city shall strive to restore the reserves to the defined level within the next two fiscal years following the fiscal year in which the funds were used.
- a) Water and Wastewater Funds - 25 percent of operating uses, excluding transfers out and debt service.
 - b) Aviation Fund - 25 percent of operating uses, excluding transfers out and debt service.
 - c) Solid Waste Fund - 15 percent of operating uses, excluding transfers out and debt service.
- 2.06 Asset Replacement Reserves. An asset replacement reserve may be considered if needed to provide for the replacement of critical assets. Departments shall identify aging capital assets or develop an asset replacement schedule to determine funding of an asset replacement reserve.
- 2.07 Governmental Debt Service Reserves. The city will maintain "Debt Service Reserves" in the General Obligation Bond Debt Service Fund for secondary property tax supported debt of no more than 10 percent of the amount of annual principal and interest needed to service the outstanding debt. The city will maintain "Debt Service Reserves" for governmental debt supported by excise taxes, dedicated taxes, or revenues, at a minimum of 25 percent of the next fiscal year's debt service.
- 2.08 Self-Insurance Reserves – Risk Management. The city will maintain "Self-Insurance Reserves" at a level that will adequately fund the city's financial obligations for the payment of property, workers' compensation, and general liability losses. A qualified actuarial firm shall be retained on an annual basis to project and develop losses to recommend appropriate reserve levels. The Loss Trust Fund Board's target is to maintain a minimum Risk Management reserve fund balance ~~equivalent to~~ within a range of the actuary's 75 percent to 80 percent confidence interval of projected total outstanding claims liability.
- 2.09 Self-Insurance Reserves – Healthcare. The city will maintain "Self-Insurance Reserves" at a level that will adequately fund the city's financial obligations for the healthcare program. A qualified actuarial firm shall be retained to project liabilities ~~and as part of~~ establishing reserve levels.
- 2.10 Other Reserves and Fund Balance. The city may maintain other reserves or fund balance as deemed necessary to ensure adequate resources to cover future expenditures.
- 2.11 Expending Order of Fund Balance. In accordance with Resolution No. 8751 adopted by the council on June 28, 2011, when an expenditure is incurred for purposes for which committed, assigned, and unassigned balances are available, as a general rule, the city will first reduce the committed amounts, followed by assigned amounts, and then unassigned.
- 2.12 Commitment of Fund Balance. In accordance with Resolution No. 8751, for committed fund balance, formal action by the city council through resolution is required to establish, modify, or rescind committed fund balance. Such council resolutions must occur before the end of the applicable fiscal year.

- .2.13 Assignment of Fund Balance. In accordance with Resolution No. 8751, the city council authorized the city treasurer/chief financial officer or designee, to assign fund balance for specific purposes.

Policy 3 Expenditure Management

Department management is expected to manage their expenditures wisely and to look for efficient and effective ways to deliver services—including alternative means of service delivery—to residents and businesses while meeting council goals. This policy provides guidance and standards to ensure careful management of expenditures in accordance with legal requirements and to ensure sound financial management practices and accountability for public funds.

3.01 Operating Expenditure Management.

- a) Budget Level Control. Operating expenditures will be controlled by an annual appropriated budget at the department/fund level/general account classification. A department cannot spend more than the budget appropriated for the fund, department, and/or account classification unless additional appropriation is approved by council.
- b) Transfer of Appropriation. In accordance with Article 6, Section 11 of the Scottsdale City Charter, the city manager, subject to approval of the council, may transfer any unencumbered or unrestricted appropriation balance between general classifications of expenditures within a department or fund or from one department or fund to another.
- c) Mid-year initiatives. Budget related requests for new, ongoing programs initiated outside of the annual budget development process requires approval by the city manager and the related budget authority approved by council.
- d) Position Control. A system will be used to facilitate position control. The number of full-time and regular part-time employees on the payroll shall not exceed the total number of full-time equivalents (FTEs) authorized by council through the budget process. The budget will identify the resources required to support the authorized staffing. Personnel additions outside of the budget process are discouraged and only accepted when approved by the city manager and the related budget authority is approved by council.
- e) Health Benefits. Benefits and compensation will be administered in accordance with policy given by council. As part of a cost-containment strategy, total costs for health insurance premiums will be shared between the employer, employees, and public safety disabled retirees. Total premiums will be evaluated on an annual basis to ensure they are reasonable and competitive, and that total premiums are expected to provide adequate funding of anticipated claims and a reasonable level of loss reserves.

3.02 Capital Expenditure Management.

- a) Capital Improvement Plan (CIP). The CIP is a planning and fiscal management tool used by the city for long-term planning for capital improvements. The five-year CIP will be updated annually, including anticipated spending as well as funding sources, appropriated for each fiscal year. CIP projects are defined typically as multi-year efforts which may include purchases or construction of infrastructure or equipment which results in new capitalized assets costing more than \$50,000 and having a useful life of five years or more.
- b) Project Review and Selection. Proposed CIP projects will include a detailed project description, identification of need and funding sources, full cost estimates, anticipated time schedule, full operating impacts, and other information necessary for proper evaluation of the city's investment in, and the ability to fund, the projects. Proposed CIP projects will be reviewed and prioritized by a cross-departmental team to ensure they are consistent with the council goals.
- c) Funding of CIP Projects. CIP projects must have sufficient budget authority and a funding source identified in the five-year CIP plan to meet the entire amount of the commitment. Future operating and maintenance costs associated with new capital improvements approved by council will be forecasted and included in the operating budget and five-year financial plan.

Capital projects will be monitored to ensure that no unnecessary budget appropriation authority exists due to inactivity or upon project completion. Before fiscal year-end, any unspent funding for inactive or completed projects will revert to the fund balance of the funding source.

- d) Balanced CIP Budget. For each year of the CIP, total anticipated expenditures and commitments will not exceed projected starting fund balance plus total anticipated revenues for that year.
- e) Pay-as-you-go. The city shall incorporate "pay-as-you-go" funding in the annual CIP. Pay-as-you-go funding should account for a minimum of 25 percent of the CIP for each five-year planning period, except for capital improvement programs funded by voter approved debt where the amount of debt is authorized by voters. Pay-as-you-go funding is defined as all sources of revenue other than city debt issuance, i.e., fund balance, dedicated revenues, contributions, grants etc.
- f) Approval for Capital Project Cost Increases. **All increases to total capital project budgets, as listed in the Capital Improvement Plan (CIP) budget book must be approved by council.** Cost increases to **total capital project budgets, as listed in the CIP budget book,**s greater than 10 percent and \$1.0 million as a result of scope increases or other cost increases require council presentation or a written update to council, and council approval. In unique circumstances, the city manager and budget director, based on additional review, may require council discussion or presentation and council approval for increases that do not meet the policy's threshold of 10 percent and \$1.0 million.

- 3.03 Financial Obligations and Commitments. Departments contemplating entering into financial obligations and commitments for new programs, projects, or services and requiring future budget appropriations over \$1.0 million that is not included in the five-year CIP or appropriated budget requires city manager approval and council presentation and approval before entering into the financial obligation or commitment.

Policy 4 Revenue Management

The revenue management policy establishes the city's revenue principles and practices for ensuring financial stability and sustainability and achieving the city's financial goals of maintaining an adequate financial base for municipal services.

- 4.01 Custody. In accordance with Scottsdale Revised Code Chapter 2 Article IV, Section 2-131, the city treasurer/chief financial officer shall control receipts and have custody of all the money of the city.
- 4.02 Revenue Collection. The city will maintain effective internal controls and formal procedures to ensure the proper billing, collection, and accounting of all receipts and receivables. The city will vigilantly pursue collecting all revenues, late penalties, and related interest as authorized by the Arizona Revised Statutes and city policies.
- 4.03 Revenue Base. The city will strive to maintain a diversified and stable General Fund revenue base to shelter it from economic changes or short-term fluctuations by exploring appropriate and allowable sources of revenues for funding programs and projects which may include revenues from assessments, contracts, grants and contributions, taxes, and fees.
- 4.04 Dedicated Revenues. Revenues will not be dedicated for specific purposes, unless approved by council, required by law, or restricted by an outside party. All non-restricted revenues (except for Proprietary Fund revenues) will be deposited in the General Fund.
- 4.05 User Fees and Charges. For services that largely or solely benefit individuals, the city shall recover full or partial cost of service delivery through user fees and charges. New fees and fee increases must be approved by council before implementation.

The city will periodically evaluate the full cost of providing a service for which fees are charged. The calculation of full cost will include all reasonable and justifiable direct and indirect cost components.

- 4.06 Fleet and IT Replacement Rates. The use or replacement of Fleet and Information Technology (personal computers, phones, and copier systems) will be accounted for through the use of a direct or a "rental" rate structure. The rates will be revised annually to ensure that charges to operating departments are sufficient for operation and replacement of vehicles and other equipment. Replacement costs will be based upon equipment lifecycle financial analysis.
- 4.07 Development Impact Fees. Development impact fees, as permitted by state law, for capital expenses attributable to new development will be reviewed periodically with an engineering assessment to ensure that fees recover all direct development-related expenses and be approved by council.
- 4.08 Unanticipated One-Time Non-Operating Revenues. Use of significant unanticipated one-time, non-operating revenues (except for grants) such as the sale of land, requires council presentation and approval.

Policy 5 Grants Management

Grant funding will be considered to leverage city funds. This policy provides guidance to ensure careful review of grant opportunities and their fiscal impact, prior to determining whether an application should be made for these grant funds. The city also maintains AR #255, which governs the Grant Acquisition and Administration process.

- 5.01 Grant Application. The city shall apply for only those grants that are consistent with the goals and priority needs of the city. The potential for incurring ongoing costs, including the assumption of support for grant-funded positions from local revenues, and required city funds needed to be used in conjunction with the grant must be considered prior to applying for a grant. Application or acceptance of grants meeting the parameters of AR #255 are subject to council approval.
- 5.02 Match Requirements. All grant submittals shall be evaluated by the city treasurer/chief financial officer or designee for any cash match requirements, their potential impact on the operating budget which includes any additional funds needed to carry out the use of the intended grant, and the extent to which they meet the city's goals. If there are city funds needed to execute the grant, the source of funding shall be identified prior to the application.
- 5.03 Budget Control. The city should avoid relying on grant funding to support ongoing programs. All grant program initiatives will be evaluated as part of the budget process. In the event of reduced grant funding, or inconsistent and/or fluctuating grants, city resources may be substituted only after all program priorities and alternatives are considered during the budget process.

Policy 6 Capital Asset Maintenance and Replacement

Proper preventative maintenance, repair, renewal, and replacement are essential to protecting the city's investment in its capital assets and ensuring the continued performance and use of these assets for the provision of services to our residents. Deferring essential maintenance or replacement can impact service delivery and increase long term costs. This policy provides guidance to ensure a system for assessing capital assets and providing adequate funding for the maintenance, repair, renewal, and replacement of capital assets. The city also maintains AR #226, which governs Capital Assets: Acquisition, Inventory and Disposal.

- 6.01 Maintenance and Replacement Plans. Periodic physical inventories and assessments for all types of capital assets should be conducted to determine the condition, use, repair, and replacement needs of the assets. A multi-year maintenance and replacement plan should be maintained for critical assets.
- 6.02 Ongoing Funding. The city will establish an ongoing source of funds to provide for and avoid deferral of critical capital asset maintenance, repair, renewal, and replacement needs.
- 6.03 Fleet and Equipment Reserves. Replacement funds or reserves for certain fleet vehicles, certain computer equipment, and other asset categories will be determined as part of the annual budget process, as deemed necessary, to ensure adequate funding for systematic replacement and operational needs.

Policy 7 Cash and Investment Management

The city has a fiduciary responsibility over public funds, including the ongoing managing and monitoring of treasury and investment activities. This policy provides guidance and standards of care for the proper management of the city's cash and investments. The city also maintains AR #268, which ensures a system of internal controls and governs the city's cash collection, handling, training, and procedures program.

- 7.01 Investment Policy. The city shall maintain and comply with a separate written Investment Policy that has been approved by the council. The city treasurer/chief financial officer, as chief investment officer, or his/her designee shall invest all funds of the city according to the approved Investment Policy. City funds will be managed in a prudent and diligent manner with an emphasis on safety of principal, liquidity, and financial returns on principal, in that order. The city treasurer/chief financial officer shall provide the council with quarterly investment reports.

- 7.02 Management of Funds. The city will collect, deposit, invest, and disburse all funds on a schedule that insures optimum cash flow liquidity and investment of public funds. Bond funds will be segregated from all other funds for arbitrage and accounting purposes. To optimize investment performance, the city will consolidate cash balances from various funds for investment purposes.

- 7.03 Financial Institutions. The city will conduct its treasury and investment activities with qualified financial institution(s) that have balance sheet strength, high credit quality, and dedicated government operations that can fully serve the city's complex treasury and investment needs. Arrangements with financial institutions will be based on written contracts. The city and financial institution(s) will adhere to state laws and city code for the proper collateralization of public deposits.

- 7.04 Custody of Investments. Ownership of the city's investment securities will be protected through third party custody safekeeping. Arrangements with third party custodian services will be based on written contracts.

Policy 8 Debt Management

The city utilizes debt to finance needed capital projects too large to fund with current resources or where the issuance of debt provides financial or economic benefits to the city's residents and business owners. The issuance of debt obligations (bonds, notes, certificates of participation, leases, and other debt instruments) has a significant impact on the city's finances and must be carefully considered and managed to ensure prudent financial management, mitigation of risks, and preservation of the city's high bond ratings. This policy provides guidelines for the appropriate uses of debt, establishing debt management goals, ensuring compliance with federal, state, and local laws, and maintaining the city's high bond ratings.

8.01 Evaluation for Issuance of Debt Obligations. The city treasurer/chief financial officer shall evaluate and consider various conditions, including but not limited to the following, when analyzing, reviewing, and recommending the issuance of debt obligations:

- a) Appropriate use of debt;
- b) Financing and funding alternatives;
- c) Acquisition and construction cash flow projections;
- d) Impact on the General Fund and other operating funds;
- e) Debt burden on tax base or user fees;
- f) Availability and sufficiency of pledged revenues for current and future debt service;
- g) Debt coverage and other ratios, debt security, reserve requirements, and proposed debt covenants.

8.02 Conditions for Issuance of Debt Obligations. The issuance of all debt obligations is subject to approval by the city treasurer/chief financial officer and council. In addition, the issuance of debt obligations is subject to but not limited to the following requirements:

- a) Debt financing shall not be obtained to fund operations.
- b) Capital projects to be financed should first be developed and approved in accordance with the capital improvement process.
- c) The city treasurer/chief financial officer will seek input from the city's external financial advisor, bond counsel and the City of Scottsdale Municipal Property Corporation (MPC)² Board (if related to MPC debt) carefully consider the debt service structure, timing, terms, and other such matters concerning each debt issuance.
- d) The debt portfolio's principal and interest payments should generally be structured to result in level debt service or to align with the useful life of the assets, unless an alternate structure is warranted. Deferral of principal is discouraged.
- e) The weighted average maturity of the debt issuance should generally be no greater than the reasonably expected average economic life of all the assets being financed.
- f) Debt proceeds will reasonably be utilized within three years, and in approved circumstances five-years, in compliance with Internal Revenue Service (IRS) regulations.

² The MPC is a non-profit corporation created in 1967 by the city as a financing mechanism for the purpose of financing the construction or acquisition of capital improvement projects for lease to and use by the city. The MPC is governed by a board of directors consisting of citizens from the community approved by the city council. MPC bonds are secured by the city's lease payments which are in turn secured by city excise tax and other undesignated general fund revenues. These bonds may be issued without a vote of the citizens.

- g) Debt obligations must comply with all applicable federal, state, and local laws, regulations, and covenants.

8.03 Outside Professional Services. The city treasurer/chief financial officer (and city attorney for bond counsel services) shall be responsible for the solicitation, selection, and securing of professional services required to assist the city in the issuance and administration of its debt obligations. The city shall use an external financial advisor on all debt issuances. The external financial advisor will have a fiduciary responsibility to the city, will have the proper experience and qualifications to advise the city, and will comply with all applicable municipal advisor rules and regulations promulgated by the Securities and Exchange Commission (SEC) and Municipal Securities Rulemaking Board (MSRB). The financial advisory relationship will be evidenced through a written contract. The solicitation and selection of outside professionals shall be done in conformance with the city's procurement code and competitive selection process for professional service contracts.

8.04 Types of Debt Obligations:

General Obligation (G.O.) Bonds.

- a) G.O. Bonds are voter authorized debt supported by (secondary) property tax revenues. The issuance of G.O. Bonds shall be carefully considered and used only for public projects benefitting a broad public interest.
- b) Issuances will be managed to match debt issuance proceeds to CIP cash flow requirements.
- c) The city will not exceed \$1.50 combined (primary and secondary) property tax rate per \$100 net assessed limited property value unless otherwise directed by the council.
- d) Outstanding G.O. Bonds are limited by the Arizona Constitution to 20 percent of net assessed full cash property value for projects involving water, sewer, streets, transportation, public safety artificial light, parks, open space, and recreational facility improvements, and 6 percent of net assessed full cash property value for any other general municipal-purpose projects.
- e) The city will maintain appropriate debt service reserves as stated in Policy 2.

Excise Tax/ and Other Revenue Secured Obligations.

- a) Non-voter authorized debt (i.e., MPC, Excise Tax Obligations, Revenue Obligations, notes payable and loans from banks and Infrastructure Financing Authorities of Arizona that do not require voter approval, and other non-voter authorized debt) will be used only when a dedicated non-property tax source (e.g., excise taxes and/or utility revenues) can be identified to pay or reimburse the General Fund for paying debt service expenses.
- b) Issuances will be managed to match debt issuance proceeds to ~~CIP~~ cash flow requirements.
- c) The General Fund supported excise tax debt service should not exceed 10 percent of the General Fund's current or future annual operating revenue in order to control fixed costs and ensure expenditure flexibility.
- d) The city treasurer/chief financial officer shall perform a five-year analysis of debt coverage and other ratios, debt security, and reserve requirements for each debt issuance.
- e) Careful consideration of the intended use of the financed facilities, including private activity use, must be evaluated when determining the appropriate debt structure.

- f) McDowell Sonoran Preserve (Preserve) debt service will be funded by the dedicated 0.15 percent privilege tax.
- g) The city will maintain appropriate Debt Service Reserves as stated in Policy 2.

Improvement District (ID) Bonds.

- a) IDs are a funding mechanism primarily used for existing neighborhoods desiring improvements to public infrastructure that specifically benefit the neighborhood such as street paving, improvements to sidewalks, curbs, gutters, sewers, ditches, drains, off-street parking, street lighting, undergrounding utility facilities, etc.
- b) ID bonds, as authorized by state statutes for certain ID improvements, shall not have maturities longer than ten years and are secured by a first lien on the property benefited. ID bonds will be utilized only when it is expected that the debt will be issued for their full term.
- c) ID debt will be permitted only when the net assessed full cash property value of the district, as reported by the Maricopa County Assessor's Office, to debt ratio (prior to improvements being installed) is a minimum of 3:1 prior to issuance of debt and 5:1 or higher after construction of improvements. Should the net assessed full cash property value to debt ratio not meet the minimum requirements, property values may be determined by an appraisal paid for by the applicant and administered by the city.

Community Facility District (CFD) Bonds.

- a) CFDs are special taxing districts created to provide a funding mechanism to finance construction, acquisition, operation, and maintenance of public infrastructure that benefits real property within the CFD.
- b) CFDs have statutory taxing and borrowing authority within the city. For that reason, council must fully understand the benefits, potential drawbacks, risks, and legal exposures, to ensure the financial protection of the city and its property owners and taxpayers, and to ensure the success of the CFD, when considering each CFD formation. The city will maintain a separate written CFD policy to establish policy directions, application, and formation procedures.
- c) CFDs should be considered primarily in connection with the financing and funding of major public infrastructure that conforms to council goals, the city's general plan, infrastructure plans, or capital improvement plans.
- d) The city treasurer/chief financial officer will carefully assess the proposed financing plan, financial assurances, overlapping tax and financial burden on property owners, and other factors for each proposed CFD formation.
- e) CFD debt will be permitted only when the net assessed full cash property value of the district, as reported by the Maricopa County Assessor's Office, to debt ratio (prior to improvements being installed) is a minimum of 3:1 prior to issuance of debt and 5:1 or higher after construction of improvements.
- f) Voter approval is required for the CFD to issue G.O. bonds.
- g) The landowner/developer shall also contribute \$0.25 in public infrastructure improvement costs for each dollar of public infrastructure improvement debt to be financed by the CFD.

- 8.05 Refunding Bonds. Refunding bonds are issued to retire all or a portion of an outstanding bond issue. Typically, this is done to achieve lower interest costs, reduce debt service payments, or to restructure the debt to meet the city's goals. When making a determination on refunding bonds, the city treasurer/chief financial officer will consider the following conditions:
- a) A present value analysis must be prepared to identify the economic effects of the potential refunding.
 - b) For refunding transactions undertaken solely to achieve cost savings, the target net present value savings as a percent of par, shall be at least 3 percent of the refunded par amount, net of transaction expenses, and in excess of \$1,000,000.
 - c) Modification of restrictive covenants or existing debt structure to the benefit of the city.
- 8.06 Investment of Bond Proceeds. The city treasurer/chief financial officer will direct the investment of bond proceeds in accordance with permitted investments for each bond issue and with the city's separately written Investment Policy. Bond interest earnings will be limited to funding changes to the bond financed CIP, as approved by the city treasurer/chief financial officer or be applied to debt service payments on the bonds issued. The investment of bond proceeds shall comply with all applicable federal, state, and indenture restrictions.
- 8.07 Use of Bond Proceeds. The city shall not give or loan its bond proceeds to any individual, association, or corporation unless legally authorized and approved by council.
- 8.08 Lending of City's Credit. The city shall not loan, give its credit, or guarantee loans for private developers or private party financing arrangements.
- 8.09 Issuance and Post Issuance Compliance and Continuing Disclosure Undertakings. The city will comply with arbitrage rebate requirements of Internal Revenue Code Section 148 and related Treasury Regulations and shall maintain and comply with separately written procedures for tax-exempt bonds (Written Policies Relating to Issuance and Post-Issuance Compliance Procedures for Tax-Advantaged Obligations of the City of Scottsdale, Arizona) to ensure tax-exempt bonds remain in compliance with federal tax requirements. Additionally, the city will comply with Rule 15c2-12 of the Securities and Exchange Act of 1934 adopted by the SEC for reporting significant events and shall maintain and comply with separately written procedures for continuing disclosure compliance (Continuing Disclosure Compliance Procedures Regarding the Securities and Exchange Commission Rule 15c2-12 for the City of Scottsdale, Arizona).

Policy 9 Enterprise Funds

The city's Enterprise Fund operations (Water, Wastewater, Solid Waste, and Aviation) are self-supporting operations that generate revenues to fully recover the cost of service. The city invests significantly in its enterprise systems and operations to ensure safe and reliable service to our residents and businesses. This policy provides guidance for the proper management, stewardship, and safeguarding of the Enterprise Fund assets and resources and to ensure financial stability and sustainability of the city's enterprise systems. Enterprise Funds will comply with all Policies where applicable.

- 9.01 **Enterprise Funds.** Separate funds will be established and maintained to properly account for each enterprise operation. Enterprise Funds will not be used to subsidize the operations of other non-Enterprise Funds. Interfund charges will be assessed for the administrative support of the enterprise activity based on a rational nexus between the charges and cost of the benefits received.
- 9.02 **Rates and Fees.** The city will establish rates and fees at levels that recover the total direct and indirect costs for operating and capital requirements, including debt service and debt coverage requirements for water, wastewater, solid waste, and general aviation services. All existing enterprise rates and charges will be reviewed annually and developed pursuant to a multi-year financial plan that strives to gradually implement user rate adjustments to avoid acute fluctuations.
- 9.03 **Enterprise Rate Stabilization.** In order to ensure long-term stability of the city's enterprise systems and rates, the city will develop its rates to include future capital needs. In conjunction with debt issuances, funds in excess of reserves and operating requirements will be used to supplement "pay as you go" capital expenditures to avoid significant and unplanned rate adjustments.
- 9.04 **Operating Reserves.** The city will maintain "Operating Reserves" in its Enterprise Funds as stated in Policy 2 to provide for emergencies, unexpected declines in revenues, and other unanticipated events.
- 9.05 **Debt Financing.** Debt financing will be used for capital projects too large to fund with current resources and when a debt issuance is affordable and appropriate to facilitate "intergenerational equity," wherein projects with longer lives are paid over several generations through debt service payments. The Enterprise Funds shall incorporate "pay-as-you-go" funding in the annual CIP. Pay-as-you-go funding should account for a minimum of 25 percent of the CIP, for each five-year planning period. Pay-as-you-go funding is defined as all sources of revenue other than city debt issuance, i.e., fund balance, dedicated revenues, contributions, grants, etc.
- 9.06 **Debt Coverage Ratio Target.** Bond covenants may exist that require maintaining a minimum debt coverage ratio. In order to maintain the city's high bond rating, the city will recommend rates based on a target debt coverage ratio, net revenues divided by the annual debt service, of at least 2.0 times for Water and Wastewater and 1.5 times for Aviation and Solid Waste. For financial planning purposes, the debt coverage ratios will be calculated with operating transfers and without consideration of capital related transfers and development fee revenues.
- 9.07 **Enterprise Debt Service Reserves.** The city treasurer/chief financial officer may require a Debt Service Reserve for debt supported by dedicated revenues, at a minimum of 25 percent of the next fiscal year's debt service.

Policy 10 Tourism Development Fund

The city assesses a 5 percent transient tax for lodging (bed tax) on businesses charging for lodging on a daily, weekly, or any other basis for less than 30 consecutive days. The purpose of this policy is to comply with state law and city elections as well as provide for the proper allocation of the transient tax for lodging in accordance with Scottsdale Ordinance No. 4534.

10.01 Deposits to the Tourism Development Fund. 100 percent of the bed tax received by the city shall be deposited into the Special Revenue Fund for Tourism Development (Tourism Development Fund). Additionally, the Tourism Development Fund shall receive 100 percent of Princess Hotel lease revenues.

10.02 Allocation of Bed Taxes. As approved by the voters, 50 percent of the bed tax revenues shall be used for destination marketing to promote tourism and 50 percent shall be divided among tourism-related event support, tourism research, tourism-related capital projects and other eligible uses as determined by city ordinance and state law.

As approved by council ordinance and in compliance with state law, the annual allocation of the second 50 percent of bed taxes is as follows³:

- a) Twelve percent for the General Fund;
- b) Nine percent for tourism-related events and event development;
- c) Four percent for tourism-related administration and research;
- d) Twenty-five percent, plus the lease payments on the Princess Resort, or the balance of the remaining Tourism Development Fund revenues, for tourism-related operating expenses, capital projects and/or operating impacts that are directly associated with tourism-related capital projects, in the form of one-time commitments or multi-year annual commitments, not to exceed \$600,000 per commitment unless otherwise approved by council.

10.03 Unused Funds. Subject to council approval, at the end of each fiscal year, any unused funds from the second 50 percent as referenced in 10.02 above will be available for use in following years for any of the non-marketing tourism categories (except the General Fund category) and may be allocated without limitations, except that they may not be leveraged for multi-year annual commitments, such as debt service payments.

10.04 Allocation Priority. In the event of a decrease in Tourism Development Fund revenues, debt service is the priority and will be met first.

³ Three percent of the bed tax was grandfathered in and is not subject to the A.R.S. § 9-500.06 restrictions on the use of bed tax funds for the promotion of tourism, and thus is only restricted by city election.

Policy 11 Park and Preserve Tax Funds

The city assesses a 0.15 percent transaction privileged and use tax (the Park and Preserve Tax) for maintenance and improvement of city parks and for the maintenance and protection of McDowell Sonoran Preserve (the Preserve) including police and fire security and protection. This policy provides for the proper allocation of revenues collected from the 0.15 percent Park and Preserve Tax in accordance with voter approval and Scottsdale Ordinance No. 4633.

- 11.01 Deposits to the Park and Preserve Tax Allocation Fund. 100 percent of the Park and Preserve Tax shall be deposited to the Park and Preserve Tax Allocation Fund.
- 11.02 Distributions from the Parks and Preserve Tax Allocation Fund. The annual revenues deposited to the Parks and Preserve Tax Allocation Fund shall be distributed in accordance with Scottsdale Ordinance No. 4633 and in compliance with state law. After debt requirements in section 11.03 are satisfied, all remaining revenues shall be distributed to the respective Park and Preserve Tax Funds as follows:
- a) 51 percent to the Parks and Preserve Tax – Park Improvement Fund for city parks improvement needs
 - b) 18 percent to the Parks and Preserve Tax – Preserve Maintenance Fund for McDowell Sonoran Preserve maintenance and protection needs
 - c) 14 percent to the Parks and Preserve Tax – Park Maintenance Fund for city parks and recreational facilities maintenance (excluding WestWorld)
 - d) 10 percent to the Parks and Preserve Tax – Fire Fund for Fire Department needs related to parks and the Preserve including, but is not limited to, technical rescue teams for the Preserve and city parks and for fire fuel mitigation around the Preserve and in and around the city for the protection and maintenance of the Preserve and city parks
 - e) 7 percent to the Parks and Preserve Tax -Police Fund for city park rangers and security needs for city parks and the Preserve
- 11.03 Distribution for Debt Service. Debt may be used to fund certain capital improvements for WestWorld in accordance with financial policies. Notwithstanding Section 11.02 above, on an annual basis, the Park and Preserve Tax revenues will be used to satisfy any debt requirements as required by bond covenants. Debt requirements will be limited to no more than \$4,500,000 of the Park and Preserve Tax revenues on an annual basis.
- 11.04 Fund Balance in Park and Preserve Tax Funds. At the end of each year, any unused park and preserve tax revenues in each respective Park and Preserve Tax Fund will be carried forward for use in future years within that fund.
- 11.05 Annual Report. The city treasurer/chief financial officer will prepare an annual accounting of the Park and Preserve Tax Funds for city council.

Policy 12 Economic Development

The city may utilize public funds to encourage private development projects that have a direct benefit to the city, subject to state law and Scottsdale City Charter restrictions. The city strives to expand and diversify its economic base by attracting, retaining, and expanding targeted industries to the city as identified in the city's Economic Development Strategic Plan. The purpose of this policy is to provide guidance on the use of public funds in economic development to focus on job opportunities and other community benefits that diversify and strengthen the local economy and align with the Scottsdale General Plan.

- 12.01 Compliance with State Law and the Scottsdale City Charter. Use of public funds in development agreements and contracts for economic development shall be applied consistent with state law and the Scottsdale City Charter and prove to have a clearly identified public purpose and direct benefit to the city.
- 12.02 Evaluation of Costs and Financial Impacts. Development agreements and contracts for economic development will be carefully evaluated for financial and cost impacts to the city by the city treasurer/chief financial officer and city manager or designees. Such costs and financial impacts will be forecasted and included in the operating budget, five-year financial plan, and/or the Capital Improvement Plan.
- 12.03 Restricted Use of Public Funds for Economic Development. The city shall not give or loan its credit in aid of, nor make any donation, grant, or payment of any public funds, by subsidy or otherwise, to any individual, association, or corporation except where there is a clearly identified public purpose and the city either receives direct consideration substantially equal to its expenditure or provides direct assistance to those in need.

Use of public funds for economic development shall be in accordance with council's established goals and priorities and subject to council approval.

Policy 13 Risk Management

Risk management has become increasingly important to guard against economic loss and ensure public safety in a time of increasing public liability and litigation. This policy outlines how risk management is an ongoing process of identifying, assessing, and prioritizing of risks, followed by the application of resources to minimize, monitor, and control the probability and/or impact of unfortunate events.

- 13.01 Mitigation of Risks. The city shall make diligent efforts to prevent or mitigate the loss of city assets and to reduce the city's exposure to liability claims through ongoing risk assessments, training, safety reviews, loss prevention, and the transfer of risk when prudent.
- 13.02 Self-Insurance. The city has elected to manage its exposure to risk, and third-party liability claims through self-insurance, in addition to purchasing excess workers' compensation, property, and casualty insurance.
- 13.03 Risk Exposure Controls. The city will utilize additional risk control measures to further control its exposure to risk. Measures include, but are not limited to, hold harmless provisions, indemnification language, and in many cases requiring contractors or vendors to procure additional insurance to address the various exposures presented to the city by their activities.
- 13.04 Self-Insurance Reserves. Financial reserves shall be maintained at a level which, together with any excess insurance, will adequately protect the city's assets and defend its elected officials, officers, and directors against financial loss. The Loss Trust Board shall make recommendations regarding necessary reserve levels. The Risk Management Department relies on an annual actuarial study to identify probable losses and is used as a basis for determining self-insurance fund balances based on historical loss data. See Policy 2 for additional information.
- 13.05 Annual Report. Each year, the Risk Management Department will prepare an annual report depicting a summary of the revenues and expenses received in relation to the workers' compensation, property, and casualty program for the fiscal year.
- 13.06 Cost Allocations. Cost allocations to various funds will be based on an analysis of contributing factors, such as claims experience, reserve requirements, cost of risk management, and mitigation, etc.
- 13.07 Liability Tort Settlements and Judgments. Annually, the city shall include liability tort settlements and judgments authorized by the State of Arizona's Property Tax Oversight Commission into the primary property tax creating a reimbursement revenue to the Risk Management Fund.

Policy 14 Accounting, Auditing, and Financial Reporting

Accounting, auditing, and financial reporting form the foundation for financial transparency and accountability. This policy provides guidance on the city's accounting, auditing, and reporting functions to ensure timely, accurate, and comprehensive information is provided to the council, management, residents, investors, creditors, and other interested parties.

- 14.01 Financial Records. The city treasurer/chief financial officer maintains the official financial records of the city, to include the general ledger, the city's budget documents, debt-related documents, etc.
- 14.02 Compliance. The city's accounting and financial reporting systems will be maintained in conformance with all state and federal laws, General Accepted Accounting Principles (GAAP), and standards of the Governmental Accounting Standards Board (GASB).
- 14.03 Internal Controls. A system of internal accounting controls and procedures will be maintained to provide reasonable assurance of the safeguarding of assets, the proper recording of financial transactions of the city, and compliance with applicable laws and regulations.
- 14.04 Monthly Financial Reports. The city treasurer/chief financial officer shall issue timely monthly financial reports to council in accordance with the Scottsdale City Charter.
- 14.05 Audit. Prior to the end of the fiscal year, the council shall designate certified public accountants who shall perform an independent audit of the city's financial statements in accordance with generally accepted governmental auditing standards. The certified public accountants shall be independent of the city government, having no personal interest, direct or indirect, in the fiscal affairs of the city government or any of its officers. The certified public accountants shall submit their reports to the council. All such audit reports shall be a matter of public record.
- 14.06 Annual Financial Report. The city will prepare an Annual Comprehensive Financial Report (ACFR) in accordance with the principles and guidelines established by the Government Finance Officers Association "Certificate of Achievement for Excellence in Financial Reporting" program. Staff will submit the ACFR each year for review in the award program.
- 14.07 Expenditure Limitation Report. The city treasurer/chief financial officer will prepare an Annual Expenditure Limitation Report (AELR) and submit the AELR each year to the State Auditor General in accordance with A.R.S. § 41-1279.07.

Policy 15 Pension Funding

An adequately funded pension plan not only provides assurance to employees but also achieves taxpayer and member intergenerational equity by not placing an unfair burden on future taxpayers and members. This policy provides guidance for pension funding to ensure the city maintains adequate assets to fund benefits payable in its pension plans.

- 15.01 Annual Required Contributions. The city shall fund the full amount of the Annual Required Contribution (ARC) each year as determined by the actuarial valuation report for its defined benefit contribution plans. The ARC is the amount necessary to be contributed by an employer to adequately fund a public pension plan.
- 15.02 Funding Policy. The city shall maintain and comply with a separate written pension funding policy for its Public Safety Personnel Retirement System that is approved by the council annually in accordance with A.R.S. § 38-863.01.
- 15.03 Funding Status. It is the intent of the city to maintain adequate assets to fund benefits payable in its defined benefit plans. In the event the funded status falls to an unacceptable level, the city shall strive to make additional contributions above the ARC to restore the funded status to an acceptable level.
- 15.04 Use of Debt. Pension obligation bonds add a level of risk that should be analyzed thoroughly, and the city shall not rely on pension obligation bonds to reduce unfunded pension liabilities.

Appendix A Budget Governing Guidance

The following represents budget governing guidance which provides direction for allocating city resources to fund operating or capital expenditures. The below guidance may be changed during the annual budget process to respond to council priorities or to better align resources with operating or capital needs as recommended by the city manager and city treasurer/chief financial officer. Changes to the below guidance must be approved by the council through the budget process.

- 1) Funding for General Fund CIP.
 - a) 25 to 50 percent of the unrestricted portion of construction privilege tax revenues.
 - b) **50 percent to** 100 percent of General Fund interest earnings.
 - c) Any additional funding as recommended through the budget process.

- 2) General Fund Operating Surplus. Year-end General Fund operating surpluses not needed to restore contingency, reserves, or designations or to cover unforeseen shortfalls in the budget will be considered for one-time operating needs or transferred to the General Fund CIP in the following fiscal year's budget development process.

- 3) Funding for Public Safety Accidental Disabled Retirees. A General Fund transfer will be made to the Benefits Healthcare Self-Insurance Fund to subsidize the cost of providing healthcare benefits to sworn public safety accidental disabled retirees.

- 4) Transportation Fund Operating Surpluses. Year-end Transportation Fund operating surpluses not needed to restore contingency or reserves or to cover unforeseen shortfalls in the budget will be considered for one-time operating needs or transferred to the Transportation Fund CIP in the following fiscal year's budget development process.

- 5) Allocation of Dedicated 0.2 Percent Transportation Privilege Tax. No less than 50 percent of the dedicated 0.2 percent privilege tax revenue for transportation improvements will be allocated to the capital budget for planning, design, construction, and acquisition costs associated with building, renovating, or enhancing capital projects for streets, highways, traffic control, and transit.

Item 14 – Adopt Comprehensive Financial Policies

City Council Meeting
March 24, 2026



City Treasurer's Office

Purpose of Comprehensive Financial Policies

1. Ensure Fiscal Responsibility and Sound Financial Management Practices
2. Ensure Compliance with Rules and Regulations
3. Establish Budget Controls and Financial Planning
4. Required to Maintain AAA Bond Ratings

Proposed Changes to Financial Policies

1. Housekeeping Changes to Clarify Language
2. Minor Changes to Improve and Strengthen Policies

Fiscal Planning and Budgeting Policy No. 2

2.08 Self-Insurance Reserves – Risk Management

The city will maintain “Self-Insurance Reserves” at a level that will adequately fund the city’s financial obligations for the payment of property, workers’ compensation, and general liability losses. A qualified actuarial firm shall be retained on an annual basis to project and develop losses to recommend appropriate reserve levels. The Loss Trust Fund Board’s target is to maintain a minimum Risk Management reserve fund balance equivalent to **within a range of** the actuary’s **75 percent to** 80 percent confidence interval of projected total outstanding claims liability.

Fiscal Planning and Budgeting Policy No. 2

2.09 Self-Insurance Reserves – Healthcare

The city will maintain “Self-Insurance Reserves” at a level that will adequately fund the city’s financial obligations for the healthcare program. A qualified actuarial firm shall be retained to project liabilities and **as part of** establishing reserve levels.

Fiscal Planning and Budgeting Policy No. 3

3.02 (f) Approval for Capital Project Cost Increases

All increases to total capital project budgets, as listed in the Capital Improvement Plan (CIP) budget book must be approved by council. Cost increases to **total capital project budgets, as listed in the CIP budget book**, greater than 10 percent and \$1.0 million as a result of scope increases or other cost increases require council presentation or a written update to council, and council approval. In unique circumstances, the city manager and budget director, based on additional review, may require council discussion or presentation and council approval for increases that do not meet the policy's threshold of 10 percent and \$1.0 million.

Fiscal Planning and Budgeting Policy No. 8

8.04 (a) Excise Tax **and Other** Revenue Secured Obligations

Non-voter authorized debt (i.e., MPC, Excise Tax Obligations, Revenue Obligations, **notes payable and loans from banks and Infrastructure Financing Authorities of Arizona that do not require voter approval**, and other non-voter authorized debt) will be used only when a dedicated non-property tax source (e.g., excise taxes ~~and~~ **or** utility revenues) can be identified to pay or reimburse the General Fund for paying debt service expenses.

Fiscal Planning and Budgeting Policy No. 13

13.04 Self-Insurance Reserves

Financial reserves shall be maintained at a level which, together with any excess insurance, will adequately protect the city's assets and defend its elected officials, officers, and directors against financial loss. **The Loss Trust Board shall make recommendations regarding necessary reserve levels.** The Risk Management Department relies on an annual actuarial study to identify probable losses and is used as a basis for determining self-insurance fund balances based on historical loss data. See Policy 2 for additional information.

Appendix A – Budget Governing Guidance

1) Funding for General Fund CIP

- a) 25 to 50 percent of the unrestricted portion of construction privilege tax revenues
- b) 50 percent to** 100 percent of General Fund Interest Earnings
- c) Any additional funding as recommended through the budget process

Questions ?



2025 Annual Report

Loss Trust Fund Board

Prepared by Denise Plug, Contracts Coordinator, 05/20/26

Approved by the Name of Board or Commission on 06/02/26

Web Site Address: <https://www.scottsdaleaz.gov/boards/loss-trust-fund-board>

Number of Meetings Held: 2

Public Comments: 0

Major Topics of Discussion / Action Taken:

- Reviewed and discussed Actuary Study completed by Oliver Wyman
- Reviewed and discussed FY 24/25 employee medical plan premiums
- Reviewed and discussed Annual Report
- Reviewed and discussed revisions to confidence levels

Member Attendance:

Member Name	Title	Present	Absent	Recused	Service Dates
Austin Brooker	Board Member	2	0	0	January to December
Jacob Seltzer	Board Member	2	0	0	January to December
Allan Smith	Chair	2	0	0	January to December
Linda Wannie	Vice Chair	1	0	0	January to May
Brian Pittluck	Board Member	1	0	0	January to December

Note: Recusals should be accounted for and noted as per item

Linda Wannie's term ended on May 18, 2024

Subcommittees: None

Ethics Training: Yes, all board members completed by January 31, 2025.

Selected Officers: Yes, on May 7, 2025.

Reviewed Bylaws/City Code: No

Anticipated Key Issues: Discussion of potentially moving to captive market

Future Significant Work Products: Continue the rededication and focus on Safety, Health and wellness programs citywide in an effort to reduce the number of employee injuries and improve overall injury rate citywide.

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

Additional Comments/Recommendations: None.



SAFETY & RISK MANAGEMENT FISCAL YEAR 2024/2025 ANNUAL REPORT



George Woods, Division Director

Luis Santaella, City Attorney

7447 EAST INDIAN SCHOOL ROAD, SUITE 225
SCOTTSDALE, AZ 85251 | 480.312.2490

Message from City Attorney Luis E. Santaella:

The City of Scottsdale Safety & Risk Management Division continues to demonstrate exceptional performance in advancing the City's commitment to workplace safety, fiscal responsibility, and proactive risk reduction. As City Attorney, I am extremely proud of the Division's accomplishments and the collaborative efforts across City operations that have produced measurable and meaningful results. During FY 2024/25, the City achieved a total Cost of Risk of 2.17%, remaining below the City's established goal of 2.3% and ending the fiscal year with a positive budget balance of \$3.9 million. Equally significant, the City's Experience Modification Rate (E-Mod) improved dramatically from 1.53 to 0.93—a nearly 39% reduction and the first time in more than 14 years that the City has fallen below the Industrial Commission of Arizona benchmark of 1.10. This achievement reflects the effectiveness of the City's safety culture, claims management practices, and overall commitment to prevention and accountability.

The Division's efforts have also resulted in substantial financial and operational improvements. Claim payments declined by nearly 20% compared to the prior fiscal year, while litigation expenses decreased by 32%, reflecting strong claims administration, successful litigation outcomes, and proactive hazard mitigation strategies. Medical cost containment efforts remained highly successful, generating a remarkable 68% savings rate through the Department's medical bill review program, helping stabilize the Loss Trust Fund despite ongoing increases in insurance premiums and healthcare costs. In addition, the City reduced its OSHA recordable injury rate by approximately 25%, demonstrating the effectiveness of targeted safety interventions, injury reviews, ergonomic improvements, and enhanced employee engagement in hazard identification and prevention.

The Division has continued to strengthen the City's overall safety infrastructure through proactive inspections, training, and prevention initiatives. During FY 2024/25, staff conducted 76 comprehensive safety inspections at City facilities, processed more than 661 property and casualty claims, completed 58 field investigations, expanded the "Blue Wall" emergency preparedness program, and sustained strong participation in the "See Something, Say Something" hazard reporting initiative, which generated 111 submissions Citywide. The continued success of the Triage Now nurse case management program further underscores the Division's employee-centered approach by improving injury response, reducing unnecessary medical costs, and supporting timely return-to-work outcomes.

These accomplishments reflect a strong and growing partnership between the Safety & Risk Management Division, City leadership, operational departments, and employees throughout the organization. Through continued investment in staffing, training, compliance, and prevention-focused strategies, the City is building a more resilient and accountable approach to risk management. Collectively, these efforts continue to strengthen the financial position of the Loss Trust Fund, reduce liability exposure, improve workplace safety outcomes, and reinforce the City's long-term commitment to operational excellence and employee well-being.

With appreciation,

Luis E. Santaella
City Attorney

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Executive Summary – Safety & Risk Management FY 2024/25 Report

This annual report can be viewed as four sections:

- **Pink Tabs:** Provides a snapshot of the Safety & Risk Management Division 's income and expenses for the fiscal year ending on June 30, 2025. This includes various charts that expound on the expense and revenue items in the Safety & 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 Safety & Risk Management Division accounts, respectively.

Safety & Risk Management Division Highlights

- ✓ The City's goal for the total Cost of Risk is 2.3% or less of the City's total operating budget. **The 2024/25 fiscal year (FY) ended with a surplus budget balance of \$3.9M resulting in a total Cost of Risk at 2.17%.**
- ✓ The Experience Modification Rate (E-Mod) is a key indicator of the City's workplace safety performance and the effectiveness of its workers' compensation program. In 2024, the City achieved an **E-Mod of 0.93**, a significant improvement from the 2023 rate of 1.53, representing an overall reduction of approximately 39%. **This achievement marks the first time in more than 14 years that the City's E-Mod has fallen below the standard established by the Industrial Commission of Arizona of 1.10**, reflecting the City's strong commitment to workplace safety, proactive loss prevention, and effective claims management.
- ✓ Although insurance premiums have continued their upward trajectory, the financial impact on the Loss Trust Fund has been mitigated by a corresponding decline in claims payments. This offset suggests that while the cost of maintaining coverage is increasing, fewer or less severe claims are being paid out, helping to stabilize the overall fund balance. As a result, the net effect of rising premiums has been partially absorbed, reducing immediate pressure on the fund despite broader cost escalation trends in the insurance market.
- ✓ Claim payments declined significantly in FY 2024/25, total reductions were \$1,672,986—a **reduction of 19.8% compared to the prior year**. This notable decrease reflects a combination of disciplined claims management practices and the strong performance of the City Attorney's Office – Litigation Division in resolving matters efficiently and favorably.

- ✓ Equally important has been the continued collaboration across City departments, where proactive risk identification and mitigation strategies have played a central role. The Safety & Risk Management Division has worked closely with operational teams to address potential hazards before they result in costly claims, strengthen loss prevention efforts, and promote a culture of accountability and safety. Together, these coordinated efforts have not only reduced immediate claim costs but also contributed to a sustained decrease in the City's overall liability exposure.
- ✓ Operating expenses rose modestly during the period, driven primarily by the strategic decision to fill a longstanding vacancy within Safety Management and to expand the team with additional safety personnel. These staffing enhancements reflect a deliberate investment in capacity, enabling the department to more effectively oversee compliance, deliver training, and implement proactive risk reduction programs across City operations.
- ✓ With ongoing support from the City Attorney and the City Manager's Offices, the department is well-positioned to build on this foundation by advancing key safety initiatives, strengthening internal controls, and further integrating risk management practices into daily operations. Over time, these efforts are expected to yield measurable benefits, including reduced incident frequency, lower claims costs, and a more resilient organizational approach to managing risk.
- ✓ Collectively, these efforts have strengthened the financial position of the Loss Trust Fund, reinforcing that a proactive, prevention-first approach is essential to reducing claims before they arise. By prioritizing hazard identification, risk mitigation, and department-wide accountability, the City continues to limit exposure, enhance workplace safety, and realize meaningful, measurable fiscal benefits.
- ✓ The Safety & Risk Management Division continues to achieve exceptional results in medical cost containment, underscoring the critical importance of its medical bill review program. Through its partnership with a specialized medical bill review provider, the Department ensures that all charges are carefully audited for accuracy, compliance with fee schedules, and appropriateness of care—an essential safeguard against overbilling and unnecessary expenditures.
- ✓ In FY 2024/25, these efforts produced an impressive **68% savings rate on all medical procedures and service payments**. This level of savings is particularly significant given the persistent upward pressure on healthcare costs nationwide. By rigorously reviewing and validating medical expenses before payment, the Department not only reduces immediate financial outlays but also strengthens long-term fiscal sustainability within the Loss Trust Fund. This disciplined approach to medical bill review remains a cornerstone of the City's broader risk management strategy, helping to control costs while ensuring that employees continue to receive appropriate and timely care.
- ✓ This initiative highlights the critical role of medical bill review in advancing both fiscal responsibility and operational efficiency. By systematically scrutinizing medical charges for accuracy, necessity, and compliance, the Department ensures that injured employees receive high-quality, appropriate care while avoiding inflated or unnecessary costs.
- ✓ The resulting savings are substantial, directly reducing financial strain on the workers' compensation program and reinforcing its long-term viability. Just as

importantly, these cost controls contribute to the ongoing stability and sustainability of the Loss Trust Fund, demonstrating that rigorous medical bill review is not simply an administrative function, but a key driver of overall financial health and risk management effectiveness.

- ✓ Insurance-related costs continue to trend upward, driven primarily by rising property valuations, the implementation of a new ambulance program and associated staffing, and structural changes within the excess insurance tower. Despite these increases, **claim payments have declined by 19.8%** compared to the previous fiscal year. This reduction reflects highly effective claims management, strong litigation strategies, and the continued success of a comprehensive hazard mitigation program. In addition, **litigation expenses have decreased by 32%**, underscoring the City Attorney's Office's ongoing focus on efficiency and its ability to secure favorable outcomes on behalf of the City.
- ✓ The City's total operating budget grew modestly by 3.3% over the prior fiscal year. When increases in Safety & Risk Management such as higher insurance rates, claim payments, or program-related fees outpace this level of budget growth, they exert disproportionate upward pressure on the overall Cost of Risk. Conversely, when the City's budget expands at a rate that meets or exceeds growth in these risk-related costs, the relative impact on the Cost of Risk is moderated, helping to maintain greater financial balance and stability.
- ✓ Since its launch in May 2023, the Safety & Risk Management Division's See Something, Say Something citywide hazard identification program has continued to demonstrate strong results throughout the current fiscal year. By encouraging employees at all levels to identify and report potential hazards early, the program has increased visibility into day-to-day risks that might otherwise go unaddressed. The incentivized structure has sustained high participation rates, reinforcing a culture of shared responsibility and accountability for workplace safety. As a result, the City has been able to resolve issues more quickly, reduce the frequency and severity of incidents, and limit associated claim and repair costs. Continuing this program represents a sound and proactive risk management practice, as it not only helps prevent losses before they occur but also strengthens employee engagement, supports regulatory compliance, and contributes to the long-term stabilization of the City's overall Cost of Risk. In FY 2024/25 there were a **total of 111 See Something Say Something submissions**.
- ✓ The Safety & Risk Management Division processed over **661** property and casualty claims and conducted a total of **58** field investigations during FY 2024/25. Field investigations involve photos, measurements, analysis of physical damage or structures, expert consultation to ultimately determine cause and/or liability.
- ✓ Triage Now, the City's 24/7 telephonic nurse case management service, continues to deliver measurable value to the workers' compensation program and remains an essential component of the City's overall risk management strategy. In FY 2024/25, **199 employees utilized the service**, receiving immediate, professional medical guidance at the time of injury. This early intervention helps ensure that employees receive the right level of care from the outset—whether that means self-care guidance, referral to an appropriate provider, or urgent treatment—thereby reducing unnecessary emergency room visits and avoiding overtreatment.

The program's continued success lies in its ability to streamline the claims process, improve medical outcomes, and reduce lost work time. By connecting injured employees with a registered nurse at the moment an incident occurs, Triage Now promotes timely reporting, enhances documentation accuracy, and helps mitigate the risk of claims escalation. Employees also benefit from reassurance and clear direction during what can be a stressful experience, which supports higher satisfaction and confidence in the City's response to workplace injuries.

Maintaining and expanding Triage Now is a sound best practice, as it contributes directly to controlling medical costs, improving return-to-work outcomes, and stabilizing the City's overall Cost of Risk. Its proactive, employee-centered approach aligns with broader safety and wellness goals, reinforcing a culture where health, efficiency, and fiscal responsibility are closely integrated.

- ✓ In calendar year 2024, the City achieved a significant reduction in its OSHA recordable injury and illness rate, decreasing to 7.39 incidents per 100 employees from 9.8 in 2023—**an improvement of approximately 25%**. This notable decline reflects not only more accurate and timely reporting, but also the tangible impact of focused safety interventions and increased employee engagement in the reporting process. A key driver of this improvement has been the disciplined use of injury review practices, which have allowed the Safety & Risk Management Division to identify trends, address root causes, and implement targeted corrective actions in higher-risk operational areas.
- ✓ The effectiveness of these injury reviews is particularly evident in the reduction of the OSHA injury rate, demonstrating how structured analysis and follow-through can directly influence safety outcomes. Insights gained from these reviews are being actively used to expand ergonomic assessments, refine training programs, and strengthen collaboration with departments experiencing higher incident frequencies. By continuing to prioritize data-driven decision-making, early intervention, and accountability, the City is reinforcing a proactive safety culture and sustaining long-term improvements in workforce health and risk reduction.
- ✓ The Safety & Risk Management Division remains committed to strengthening workplace safety through continued collaboration with departments across the City. By proactively identifying hazards, supporting injury prevention initiatives, implementing ergonomic improvements, and promoting safe work practices, the Department continues to foster a safer and healthier work environment for all employees. These ongoing efforts play a critical role in reducing workplace injuries, lowering claim costs, and advancing the City's Experience Modification Rate (E-Mod) goals, while reinforcing a strong culture of safety excellence and accountability throughout the organization.
- ✓ The approved FY 2024/25 budget was strategically developed to support attainment of the recommended confidence level goal established by the Loss Trust Fund Board.
- ✓ The Safety & Risk Management Division continues to collaborate with the Scottsdale Police Department and City management on the creation of a dedicated Safety & Training Coordinator position within the Police Department. Establishing a safety-focused position embedded directly within the Department would provide a more proactive and impactful approach to injury prevention by allowing for daily

engagement with employees, immediate identification of operational safety concerns, and consistent reinforcement of safe work practices. Given the unique and high-risk nature of police operations, having an internal coordinator focused specifically on safety and training would strengthen accountability, improve hazard recognition, enhance safety-related training, and support timely corrective actions. With the Police Department accounting for more than 30% of all City claims, data and industry experience demonstrate that a dedicated, department-based safety professional can significantly reduce the frequency and severity of injuries and accidents, ultimately improving employee safety and reducing overall claim costs.

- ✓ In May 2021, the City entered into a three-year agreement with the Arizona Division of Occupational Safety and Health Public Entity Partnership Program (PEPP), demonstrating its commitment to strengthening workplace safety, health, and wellness programs Citywide. Through this collaborative partnership, the City works proactively with ADOSH to identify and address safety concerns, improve compliance, and enhance overall safety practices without the threat of enforcement penalties. The City renewed its commitment to this important program by continuing its participation through Fiscal Year 2024/25, reinforcing its focus on continuous safety improvement and injury prevention.
- ✓ The Safety & Risk Management Division continued to conduct ergonomic evaluations that directly informed targeted improvements to workstation furniture and work processes. These proactive interventions were implemented to reduce ergonomic risk factors and prevent musculoskeletal disorders (MSDs), resulting in meaningful injury reduction and improved employee safety across the City.
- ✓ The Safety and Health “Blue Wall” Program was further expanded to strengthen emergency preparedness and improve access to critical safety resources. This initiative establishes a centralized, clearly identified location within each occupied City facility where essential safety equipment and information are readily available for immediate use during emergencies. To date, **14** Blue Walls have been installed across **10** City facilities, with continued efforts underway to equip all primary buildings with standardized, color-coded safety stations, ensuring consistency, visibility, and rapid response capability Citywide.
- ✓ Safety & Risk Management Division completed comprehensive Arizona Division of Occupational Safety and Health (ADOSH)-level Safety and Health Inspections at **73** City facilities, along with **3** additional inspections conducted to meet annual insurance and contractual obligations, resulting in a total of **76** facility inspections. These inspections are a foundational component of the City’s loss prevention strategy, providing a proactive, systematic review of workplace conditions to identify hazards before they result in employee injury, property damage, or operational disruption. Findings ranged from serious OSHA-defined hazards, including imminent danger exposures, to less severe but still important safety deficiencies, all of which were promptly addressed through corrective actions and abatement measures. In addition, **12** inspections were conducted at events held on City property to ensure safe setups, appropriate crowd and operational controls, and compliance with safety standards for both employees and the public. Collectively, these efforts strengthen the City’s overall safety culture by reinforcing accountability, improving compliance with regulatory standards, and driving

continuous improvement across facilities and operations, ultimately reducing risk exposure and supporting long-term reductions in workplace injuries and claims.

Medical Benefits Highlights

Medical claims expenses incurred in FY 24/25 ran just slightly over the projection with 102% loss ratio with \$925,718 as a deficit for the year. Dental claims ran favorably at 97% to the funding estimate. The City paid a total of \$12.9 million in large claims and received \$1.8 million in stop loss reimbursements, which is approximately 31% of the total claims paid.

The City collected \$38 million in revenues and incurred \$38.9 million in claims and administrative costs. Every year the City works with its benefit consultant, Brown & Brown, 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.

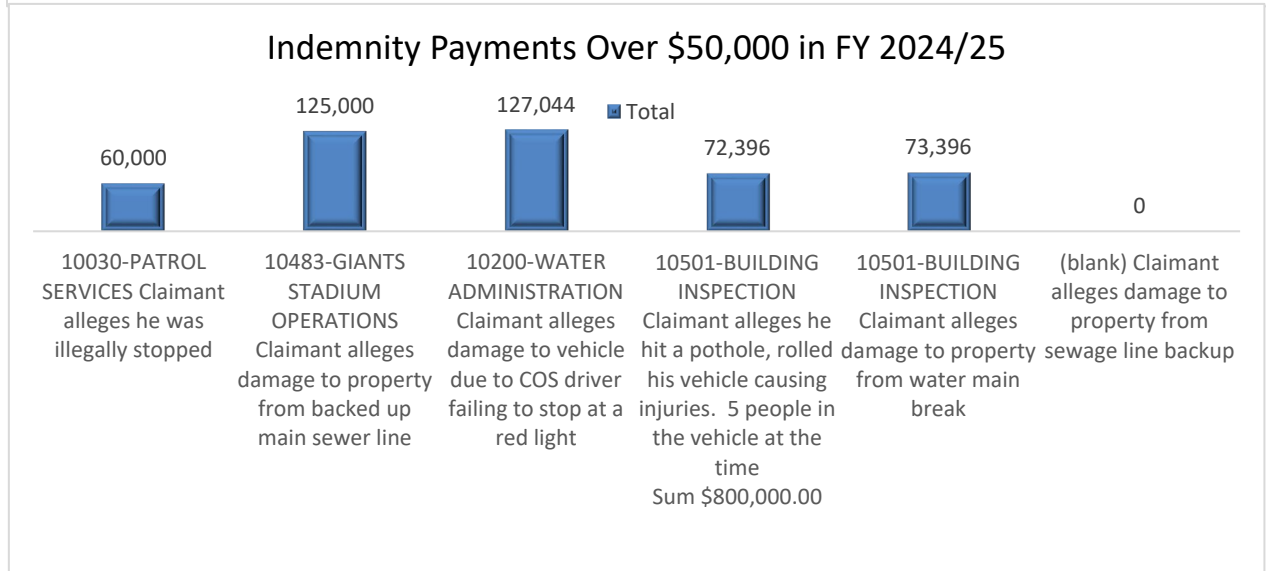
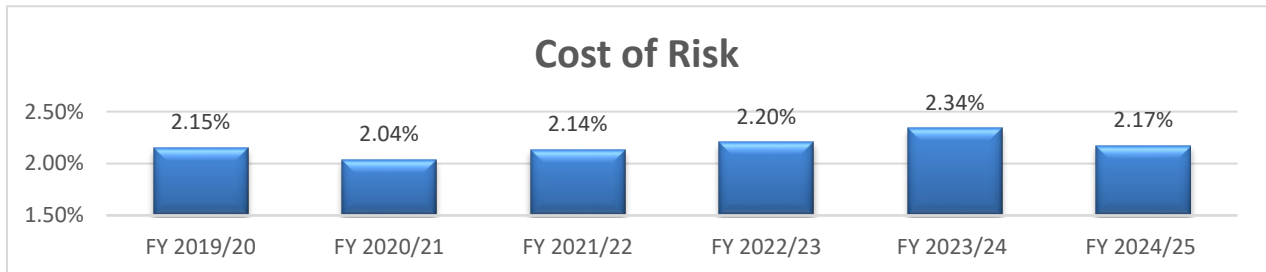
The City continued to focus on mental health and various preventive screenings this year. The wellness plan now offers incentives for cancer screenings to include: breast, prostate and colorectal screenings. We see continued utilization of our on-site EAP provider, as well as the monthly virtual group meetings addressing various stress and mental health topics. They are all very well attended with few cancelations. Our onsite preventive screening and vaccination clinics were very well attended with several screenings requiring additional dates added (especially onsite dental and vision).

Cost of Risk

The Cost of Risk chart depicts all expenses and revenues associated with the City's Safety & Risk Management program. In addition to claims and legal costs, the chart accounts for all expenditures assumed by the Safety & Risk Management budget, including loss control services, safety incentives, purchase of personal protective equipment, insurance, OSHA required medical testing, staff salaries and computer software. The City has historically measured the performance of the Safety & Risk Management program by comparing it to the City's total operating budget, with a goal of having the Safety & Risk Management Division 's overall budget "not to exceed" 2.3% of the City's total operating budget. The FY 2024/25 program ended at 2.17%.

	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
Claim Payments*	\$ 8,121,261	\$ 8,133,788	\$ 8,661,427	\$ 8,222,256	\$ 8,435,658	\$6,762,672
Operating Budget**	1,227,988	1,147,688	1,632,391	1,848,719	1,961,079	2,384,017
Excess Insurance Premiums	2,242,427	2,641,325	3,299,622	4,281,033	4,844,769	5,728,505
Unemployment Compensation	28,123	136,265	12,079	4,304	8,241	8,853
Special Event Reimbursements	(116,326)	(59,633)	(102,956)	(71,038)	(63,363)	(60,624)
Total Recoveries	(1,135,303)	(2,404,535)	(875,999)	(1,806,453)	(734,310)	(998,529)
Risk Management Program Cost	\$ 10,368,170	\$ 9,594,898	\$ 12,626,564	\$ 12,478,822	\$ 14,434,357	\$ 13,824,894
City Operating Budget	\$482,086,151	\$471,428,269	\$591,314,397	\$566,081,955	\$616,361,134	\$636,461,419
Cost of Risk	2.15%	2.04%	2.14%	2.20%	2.34%	2.17%

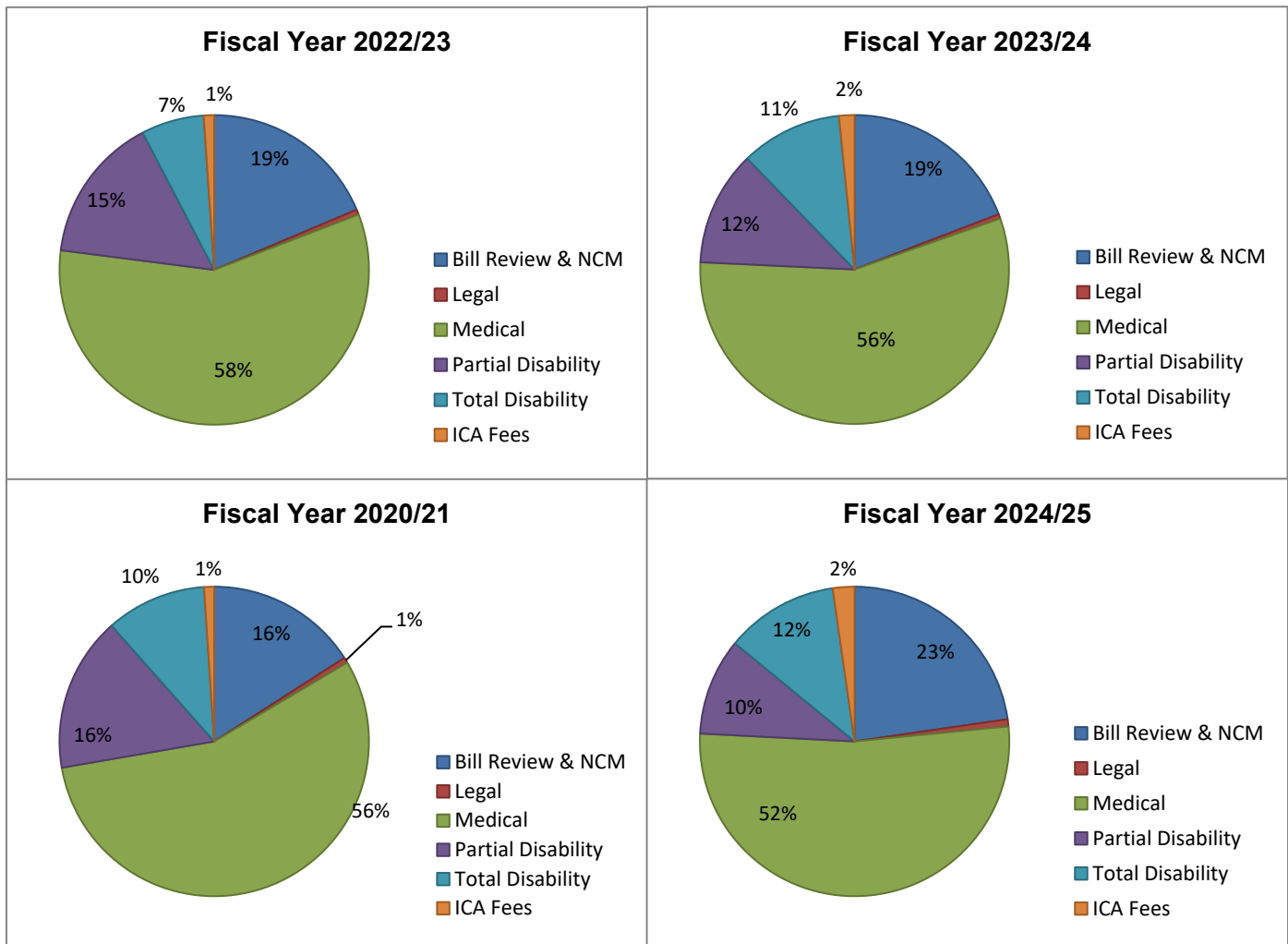
*Claim Payments represent payments on all claim types (General Liability, Auto Liability, Law Enforcement Liability, Employment Liability and Workers' Compensation) during the fiscal year.



Workers' Compensation Payment Breakdown

The City achieved a 16.1% reduction in workers' compensation costs, totaling \$388,641 in savings. This improvement is driven by reduced injury frequency, fewer claims related to public safety event operations, and more effective claim management, including appropriate use of nurse case managers to support coordinated care and early return-to-work through light-duty assignments, reflected in reduced partial disability costs. While medical, surgical, and pharmacy costs continue to rise industry-wide, the City has mitigated these increases through an effective bill review process, helping to control overall program expenditures.

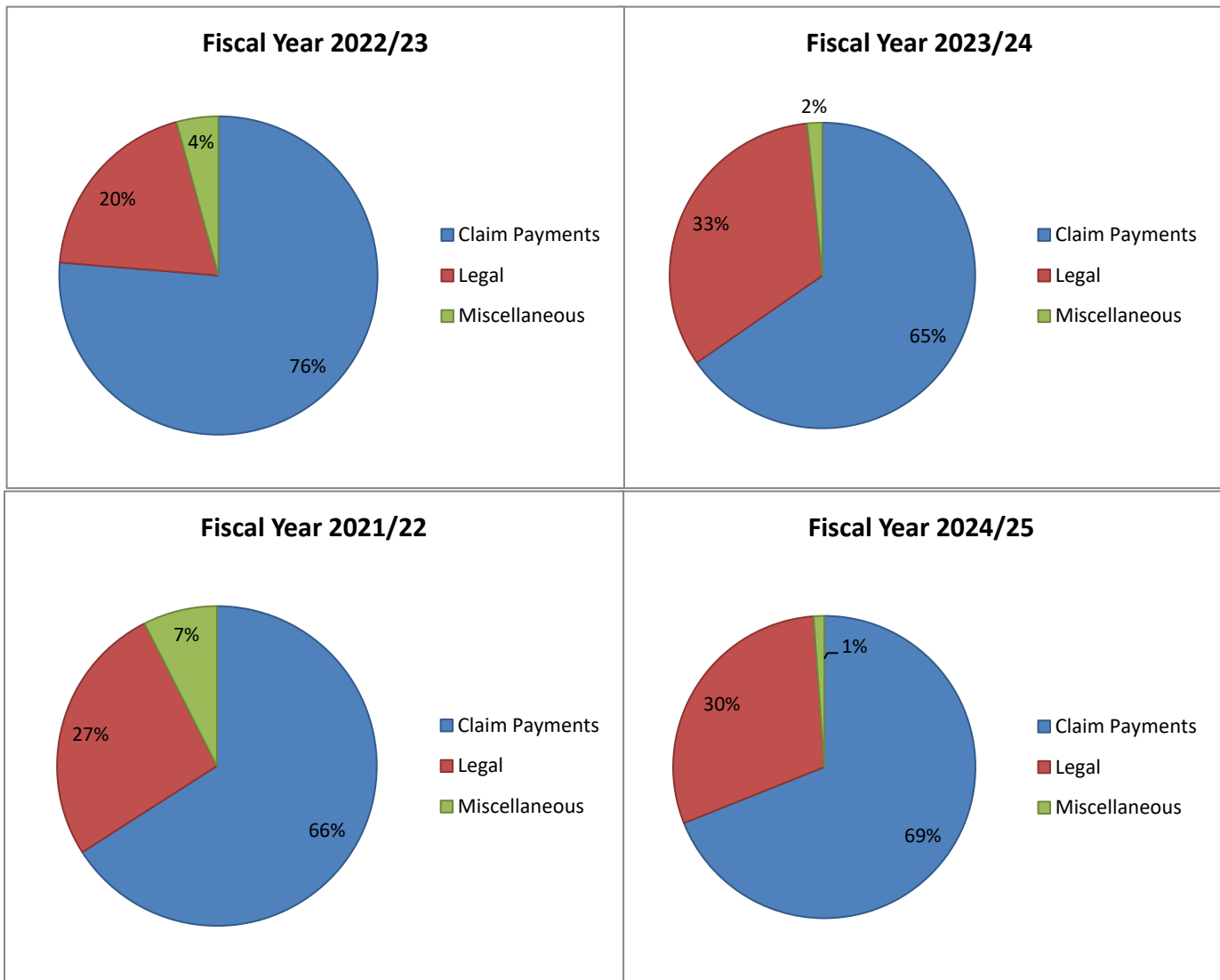
	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
Bill Review & NCM	\$674,183	\$753,065	\$823,651	\$876,187
Legal	\$23,957	\$21,770	\$20,443	\$28,795
Medical	\$2,361,405	\$2,337,553	\$2,409,040	\$2,020,399
Partial Disability	\$684,840	\$619,330	\$515,858	\$390,597
Total Disability	\$444,135	\$264,980	\$456,193	\$455,510
ICA Fees	\$44,420	\$43,978	\$69,503	\$87,280
Total	\$4,232,940	\$4,040,676	\$4,294,688	\$3,858,768



Liability and Property Damage Payment Breakdown

Claim payments are comprised of third-party liability claim settlements and claims related to damaged property owned by the City. The legal component is comprised of expenses received from the City Attorney's Office and outside counsel retained by the City. The City Attorney's Office provides for the City's primary defense of all lawsuits. The Loss Trust Fund is afforded a reduced rate for internal legal services of \$143 per hour (attorneys) and \$69 per hour (paralegals) for professional services. Infrequently, the City Attorney and Director of Safety & 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 and claim investigation expenses including, but not limited to, estimates, appraisals, assessments, research, travel, depositions, testimony of expert witnesses, and costs to obtain medical records.

	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
Claim Payments	\$2,423,319	\$2,463,848	\$2,516,951	\$1,820,757
Legal	\$976,631	\$627,647	\$1,157,619	\$789,781
Miscellaneous	\$275,218	\$137,540	\$102,408	\$29,909
Total	\$3,675,168	\$3,229,035	\$3,776,978	\$2,640,446



Medical Bill Review Savings

A third-party medical bill review provider is utilized by the City to evaluate and adjust workers' compensation medical bills to reasonable and customary amounts as permitted by statute. This industry best practice helps ensure effective control of medical costs through detailed, line-item review of charges for accuracy, duplicate billing, fee schedule compliance, bundling appropriateness, and other cost containment opportunities. In FY 2024/25, despite a significant increase in billed medical services and procedures, the City achieved approximately 68% savings on workers' compensation medical expenditures. The amounts shown in green represent total billed charges, while the gray figures reflect net costs after review, including vendor fees, demonstrating the overall savings realized. This continued strong performance reflects the successful implementation of an enhanced medical bill review program and reinforces the City's ability to effectively manage rising healthcare costs through improved oversight and cost containment strategies.

	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
Billed	\$ 5,447,774	\$ 7,958,950	\$ 5,732,504	\$ 7,312,534	\$ 8,690,831	\$ 6,382,066
Net Savings	\$ 3,451,588	\$ 5,421,015	\$ 3,554,669	\$ 5,116,222	\$ 6,223,036	\$ 4,365,374
% Savings	63%	68%	62%	70%	72%	68%

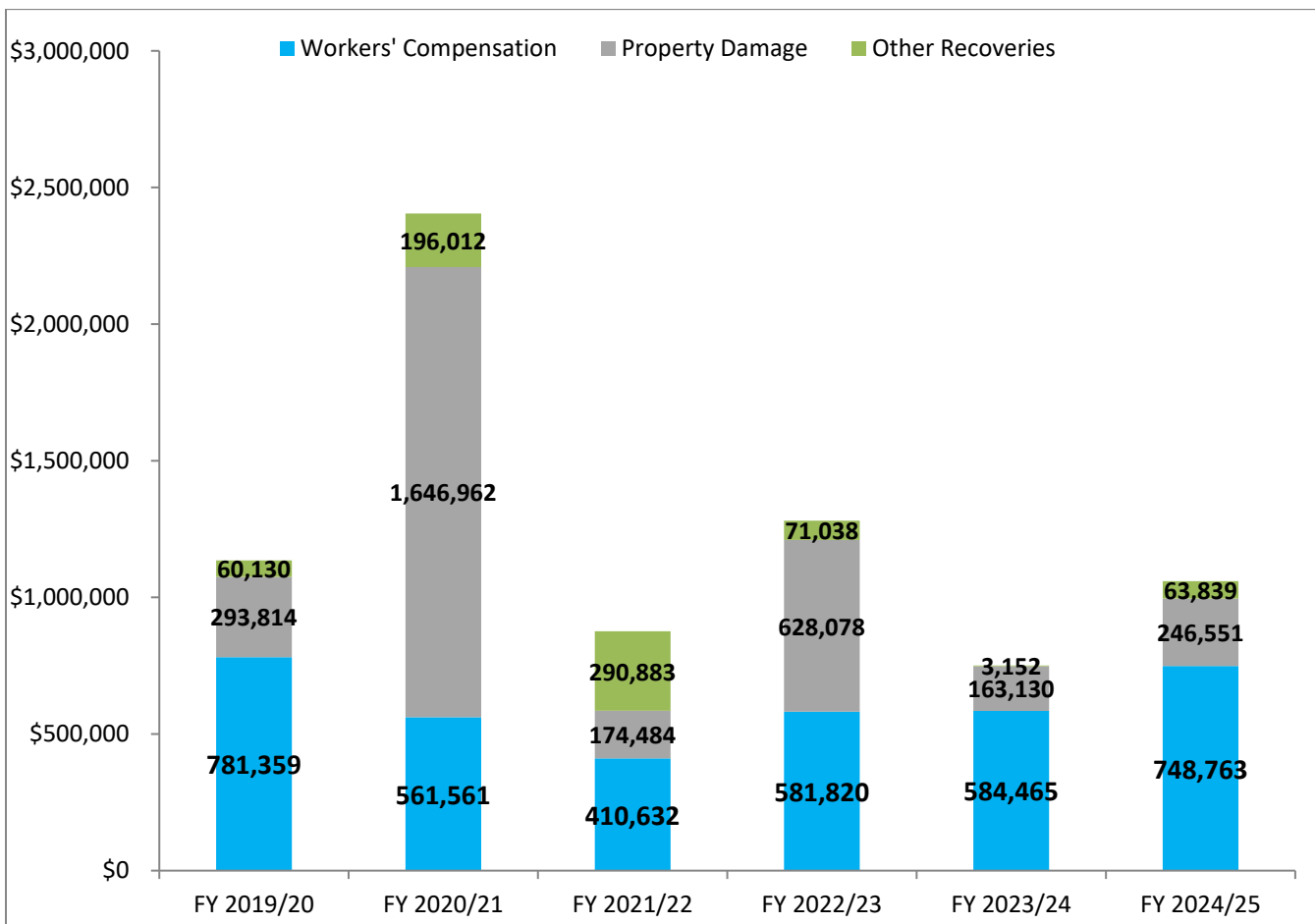


Recoveries

In FY 2024/25, the Safety & Risk Management Division continued its targeted efforts to identify, evaluate, and pursue recovery of property and casualty losses from responsible parties, reinforcing cost recovery as a key strategy to offset expenditures within the Loss Trust Fund. Building on this foundation, the Department expanded its recovery activities by dedicating additional staff resources to more proactively pursue reimbursement opportunities and maximize financial returns to the Fund.

Workers' compensation recoveries primarily consist of reimbursements for claims that have exceeded the City's self-insured retention under the applicable excess insurance contracts. While the City's financial exposure is capped at \$1,000,000 per injury under its current coverage, the responsibility to administer and manage these claims continues for the life of the claim, including any reopenings. As a result, effective cost recovery efforts are essential to mitigating long-term claim costs, reducing net expenditures to the Loss Trust Fund, and strengthening the City's overall financial position.

	FY 2019/20	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
Workers' Compensation	\$781,359	\$561,561	\$410,632	\$581,820	\$584,465	\$748,763
Property Damage	\$293,814	\$1,646,962	\$174,484	\$628,078	\$163,130	\$246,551
Other Recoveries	\$60,130	\$196,012	\$290,883	\$71,038	\$3,152	\$63,839
Total Recoveries	\$1,135,303	\$2,404,535	\$875,999	\$1,280,936	\$750,747	\$1,059,153



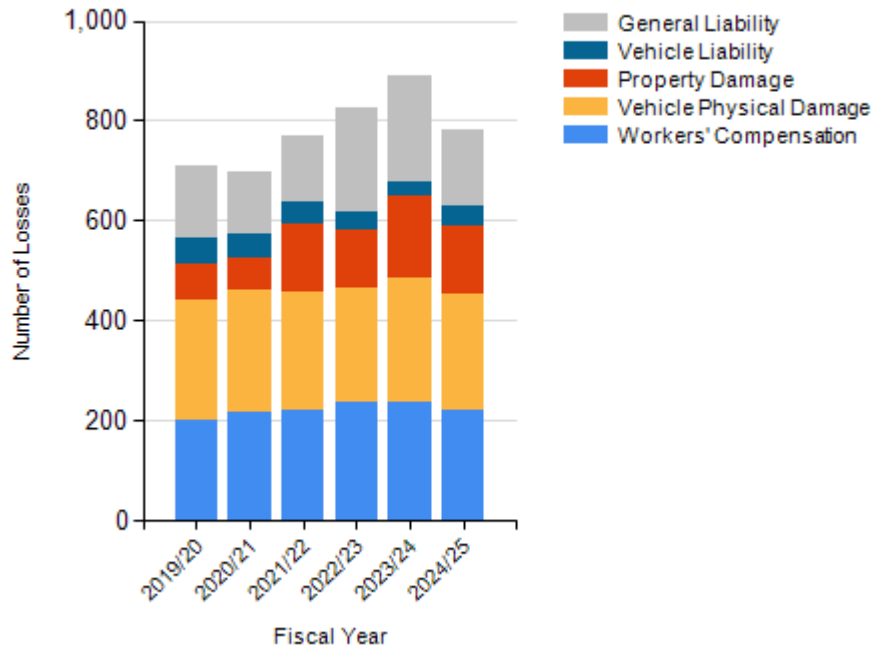


All Divisions Combined Loss Performance

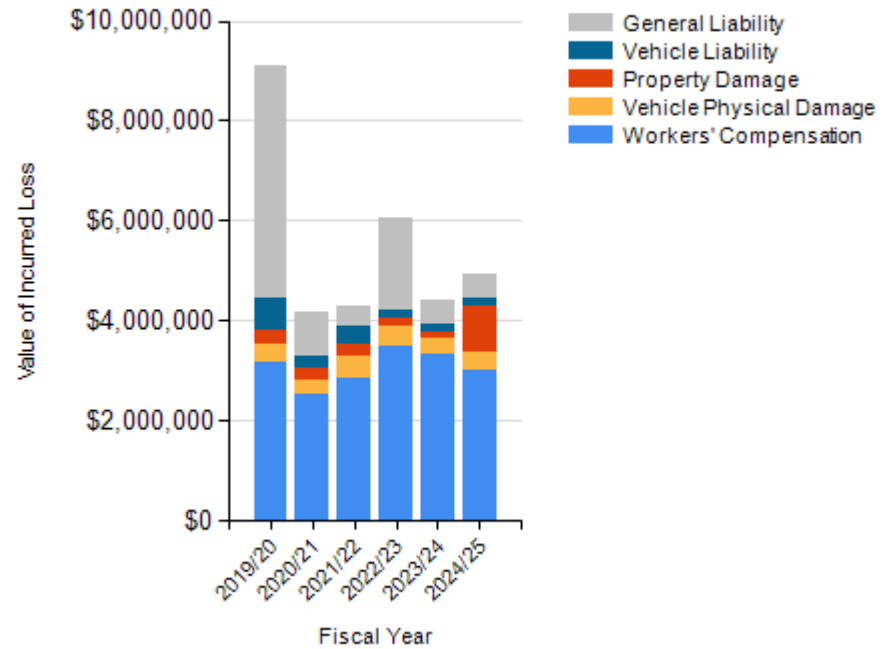
Claim Frequency and Severity by Date of Loss

Claim Type	2019/20		2020/21		2021/22		2022/23		2023/24		2024/25	
	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity
General Liability	146	\$4,648,122	126	\$888,917	132	\$420,506	211	\$1,829,332	214	\$485,850	151	\$506,519
Vehicle Liability	52	\$616,261	47	\$241,789	45	\$337,465	33	\$177,346	28	\$155,104	39	\$140,874
Property Damage	70	\$303,407	64	\$241,519	139	\$261,532	120	\$147,412	164	\$145,836	136	\$910,831
Vehicle Physical Damage	241	\$351,181	246	\$255,069	234	\$417,274	228	\$410,166	249	\$311,638	233	\$382,161
Workers' Compensation	201	\$3,163,601	215	\$2,539,936	221	\$2,854,301	235	\$3,485,238	235	\$3,321,434	221	\$3,001,464
City Total	710	\$9,082,572	698	\$4,167,230	771	\$4,291,077	827	\$6,049,495	890	\$4,419,861	780	\$4,941,849

Frequency of Claims

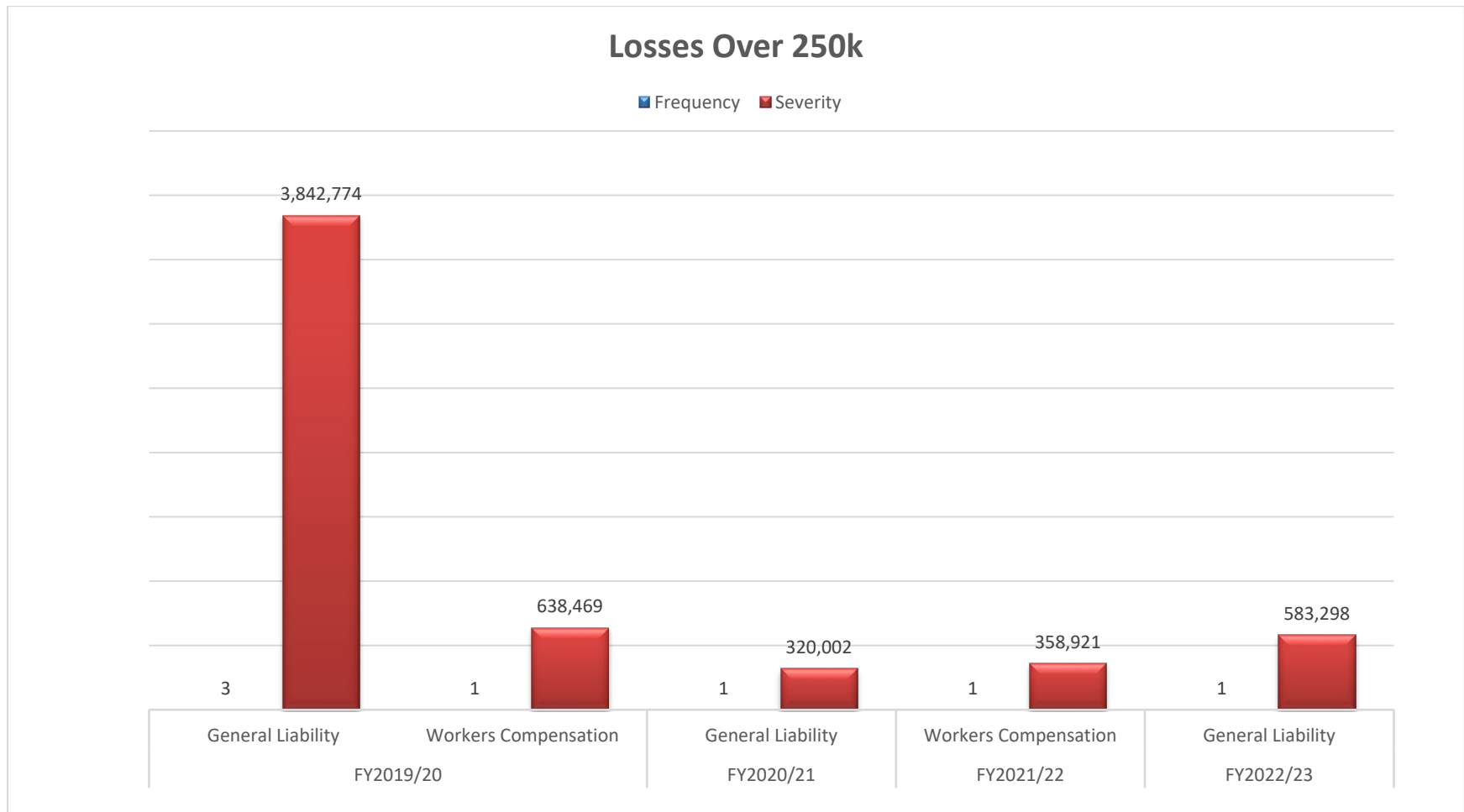


Severity of Claims

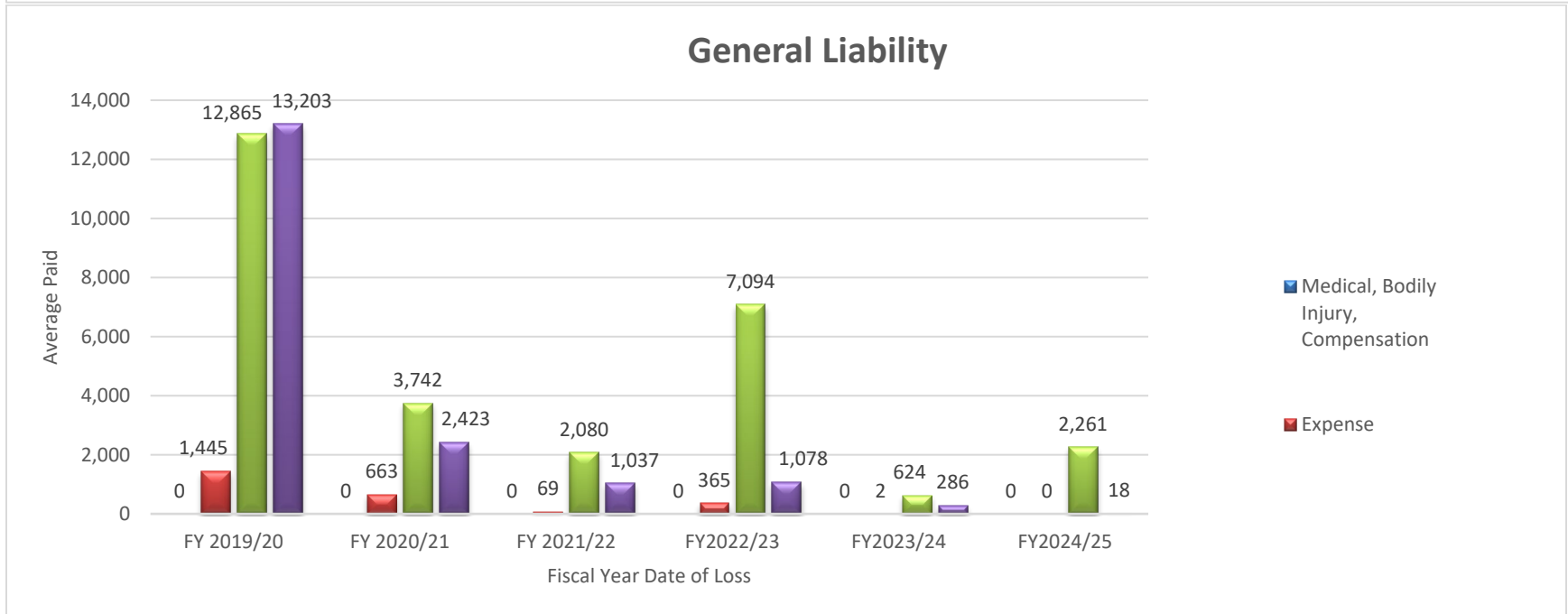
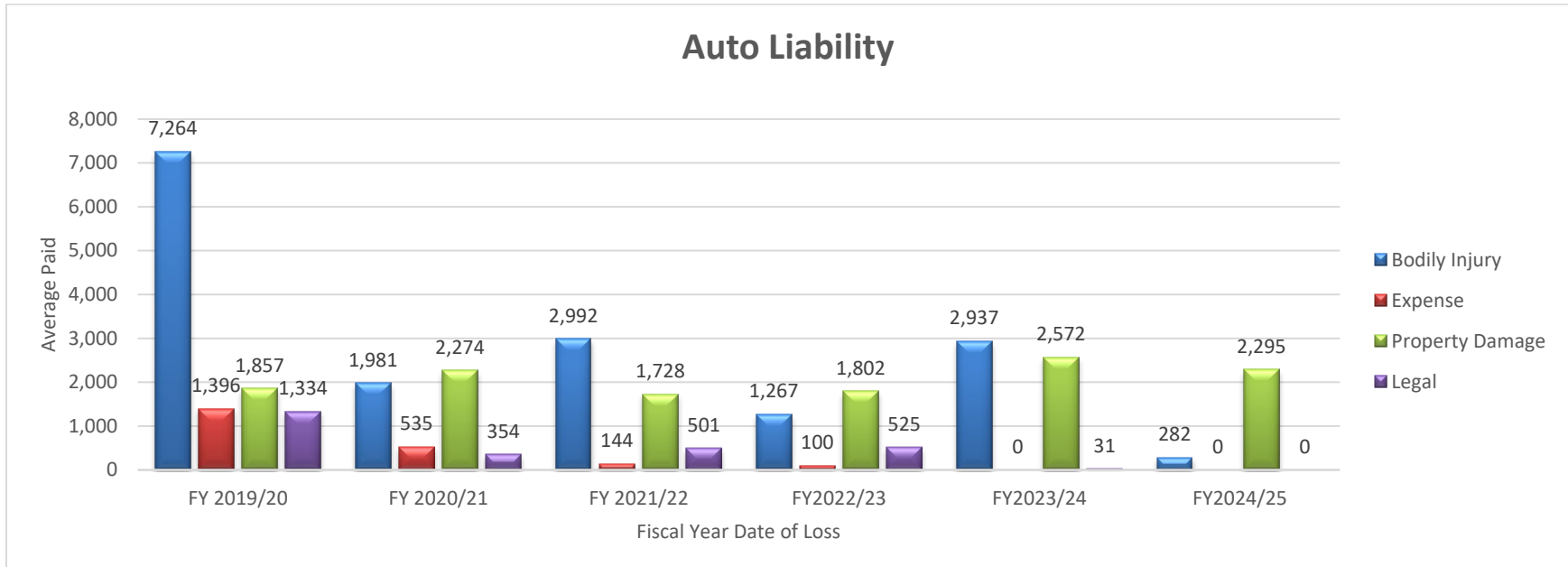


Large Losses Incurred

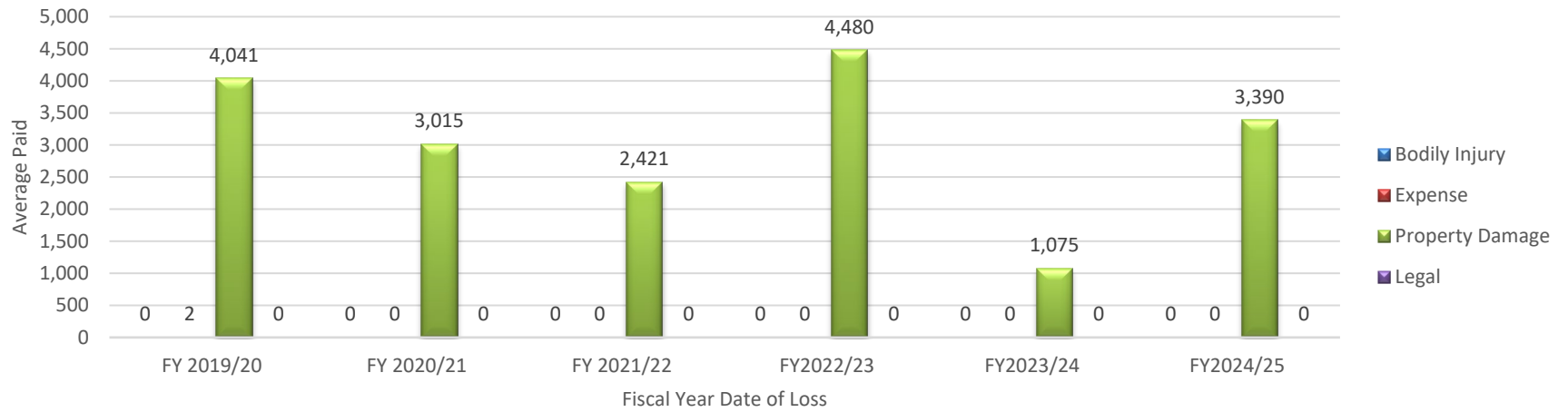
The graph below shows claim payments, reserves or settlements above \$250,000 within a given fiscal year. Although settlement of these claims may occur across multiple fiscal years, the payment or reserve is reflected in the fiscal year the claim received by the Safety & Risk Management Division . Losses include, but are not limited to, catastrophic injury, death, or extensive property damage.



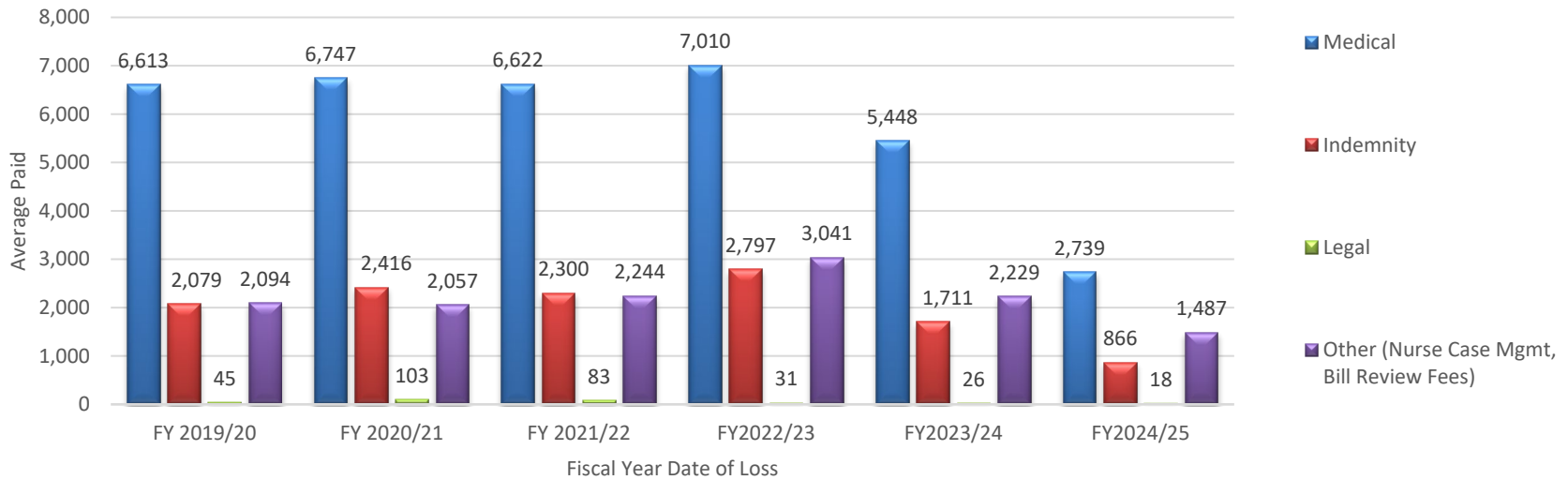
Average Paid by Date of Loss



Property Damage



Workers' Compensation

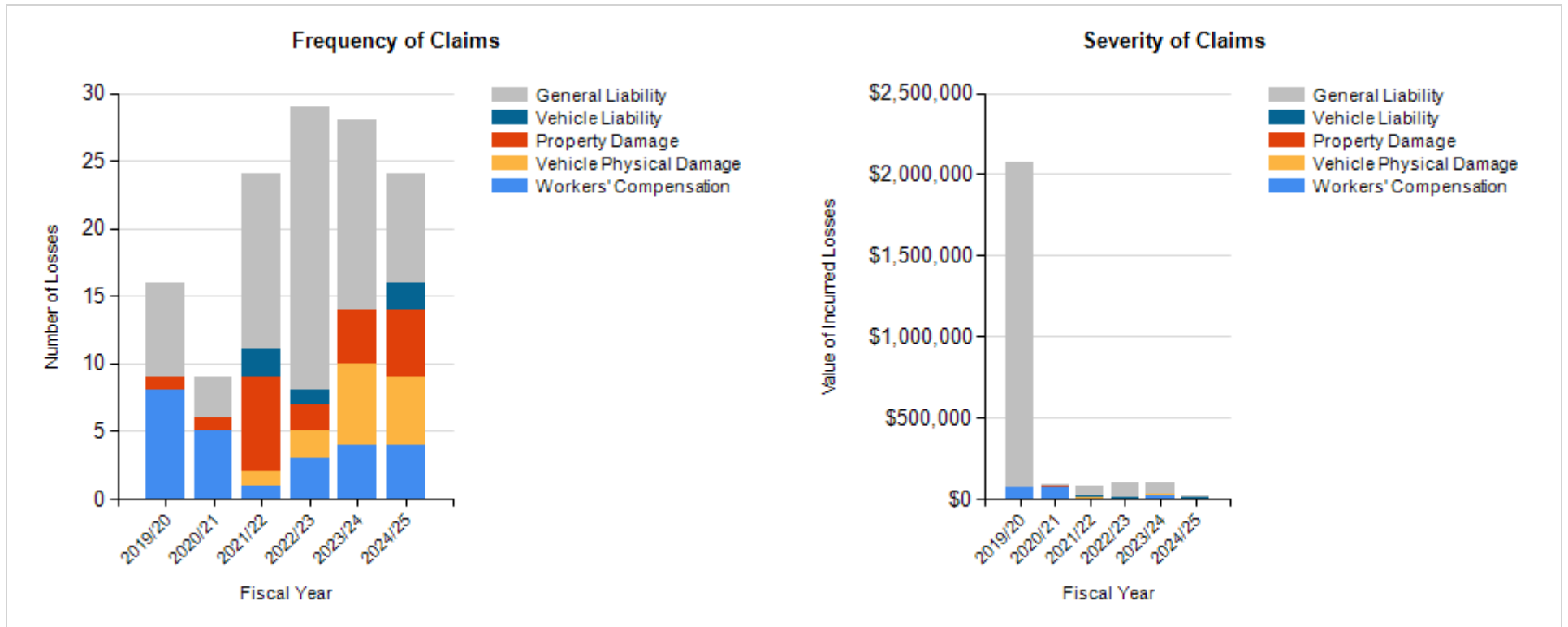




Charter Officers Loss Performance

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

Claim Type	FY 2019/20		FY 2020/21		FY 2021/22		FY 2022/23		FY 2023/24		FY 2024/25	
	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity
General Liability	7	\$2,012,138	3	\$11,136	13	\$61,096	21	\$87,174	14	\$70,958	8	\$6,950
Vehicle Liability	0	\$0	0	\$0	2	\$2,261	1	\$6,141	0	\$0	2	\$6,430
Property Damage	1	\$0	1	\$4,667	7	\$11,022	2	\$0	4	\$0	5	(\$1,559)
Vehicle Physical Damage	0	\$0	0	\$0	1	\$7,097	2	\$1,009	6	\$2,893	5	\$4,234
Workers' Compensation	8	\$67,368	5	\$71,726	1	\$137	3	\$998	4	\$26,027	4	\$290
Charter Officers Total	16	\$2,079,506	9	\$87,529	24	\$81,613	29	\$95,323	28	\$99,878	24	\$16,345



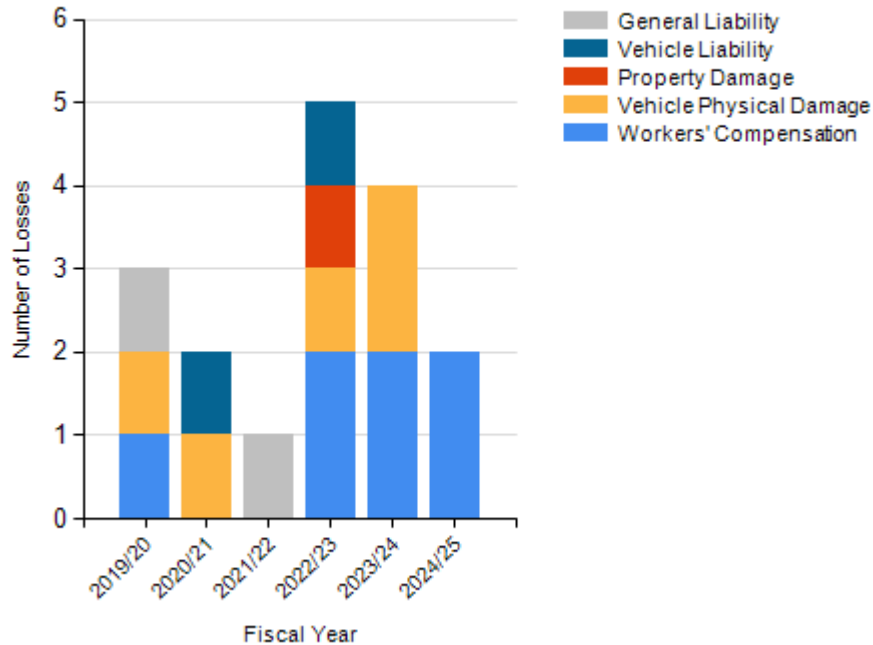


Administrative Services Loss Performance

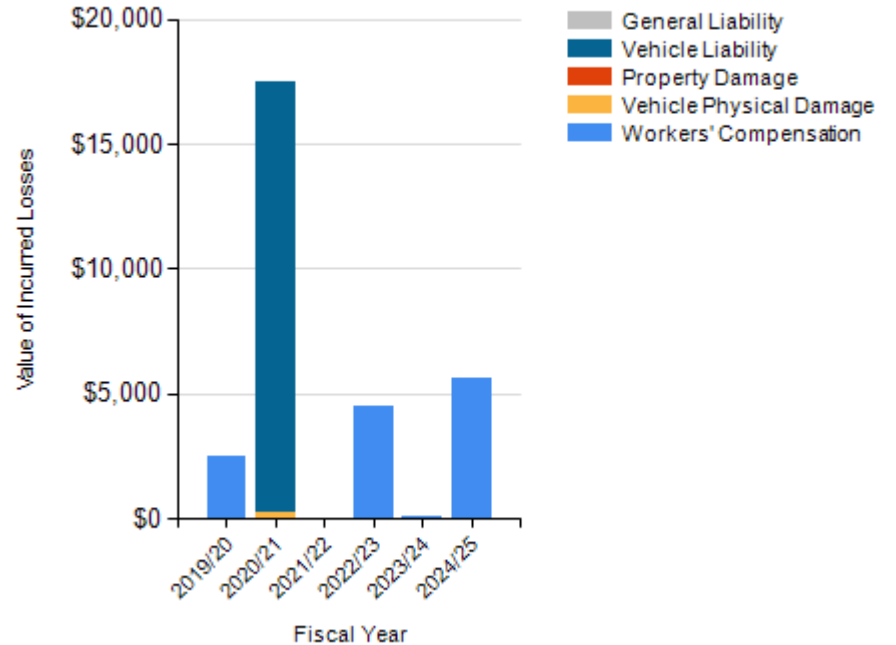
Claim Frequency and Severity by Date of Loss for Human Resources, Information Technology and Communications

Claim Type	FY 2019/20		FY 2020/21		FY 2021/22		FY 2022/23		FY 2023/24		FY 2024/25	
	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	
General Liability	1	\$0	0	\$0	1	\$0	0	\$0	0	\$0	0	\$0
Vehicle Liability	0	\$0	1	\$17,214	0	\$0	1	\$0	0	\$0	0	\$0
Property Damage	0	\$0	0	\$0	0	\$0	1	\$0	0	\$0	0	\$0
Vehicle Physical Damage	1	\$0	1	\$229	0	\$0	1	\$0	2	(\$5,958)	0	\$0
Workers' Compensation	1	\$2,468	0	\$0	0	\$0	2	\$4,497	2	\$57	2	\$5,567
Administrative Services Total	3	\$2,468	2	\$17,443	1	\$0	5	\$4,497	4	(\$5,901)	2	\$5,567

Frequency of Claims



Severity of Claims



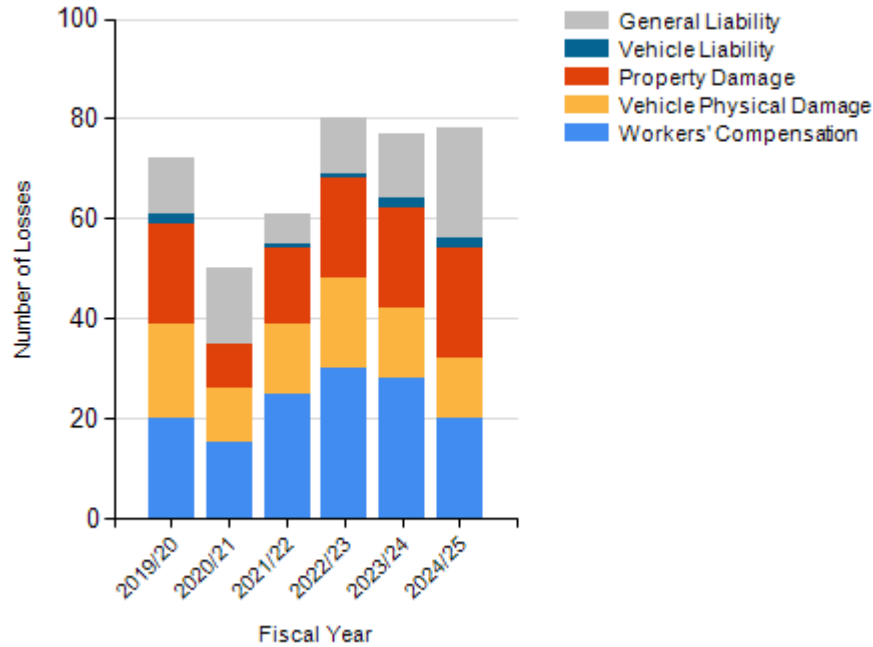


Community Services Loss Performance

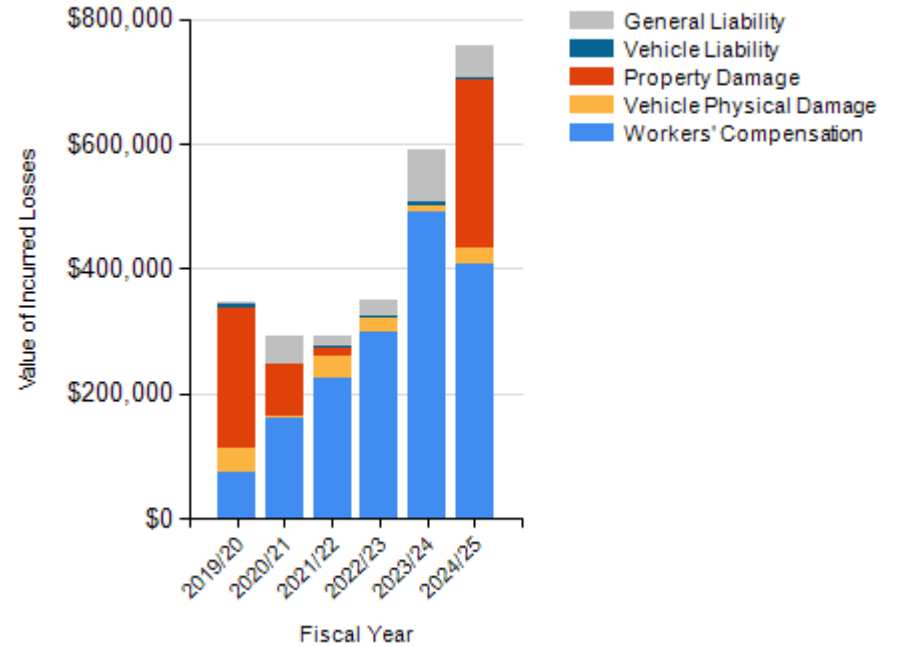
Claim Frequency and Severity by Date of Loss for Human Services, Libraries, Parks & Recreation, Westworld, and Preserve

Claim Type	FY 2019/20		FY 2020/21		FY 2021/22		FY 2022/23		FY 2023/24		FY 2024/25	
	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	Frequency / Severity	
General Liability	11	\$5,379	15	\$45,906	6	\$14,346	11	\$24,058	13	\$83,185	22	\$52,636
Vehicle Liability	2	\$3,703	0	\$0	1	\$2,327	1	\$320	2	\$6,131	2	\$3,953
Property Damage	20	\$224,804	9	\$81,803	15	\$13,110	20	(\$200)	20	(\$6,752)	22	\$268,536
Vehicle Physical Damage	19	\$39,528	11	\$3,930	14	\$36,489	18	\$25,736	14	\$9,739	12	\$26,327
Workers' Compensation	20	\$73,457	15	\$159,579	25	\$224,114	30	\$297,839	28	\$490,468	20	\$406,747
Community Services Total	72	\$346,871	50	\$291,217	61	\$290,386	80	\$347,753	77	\$582,772	78	\$758,198

Frequency of Claims



Severity of Claims

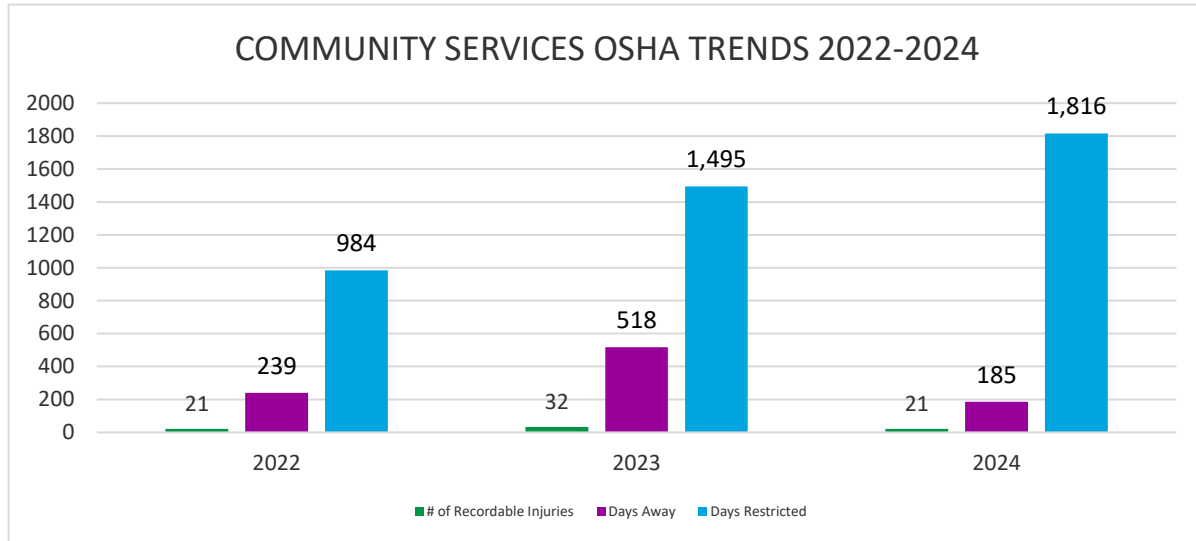


Community Services Action Plan

2024/25 Annual Safety and Health Program Evaluation, Performance Objectives and Action Plan

RECOMMENDED ACTION PLAN

Trends



During calendar year **2024**, Community Services sustained 21 recordable injuries, with 10 claims resulting in Lost Time (185 workdays).

The injury types experienced were:

- Strain/Sprain – 8
- Slip, Trip or Fall – 5
- Caught In, Under or Between – 3
- Cut, Puncture or Scrape – 2
- Striking Against or Stepping On – 1
- Kneeling/Bending – 1
- Struck or Injured By – 1

Goals for Calendar Year 2026

Risk Management intends to work closely with all City departments to address the major drivers concerning its past year's injury experience. This would include, but not limited to, in-person safety trainings, risk analysis & mitigation trainings, and safety awareness trainings. In addition to this approach, Risk Management intends to utilize the following, in efforts to positively impact the loss experience of the City.

Safety, Health and Loss Prevention Inspections

In 2025, Safety and Risk Management has a goal to conduct Safety, Health and Loss Prevention inspections in all City buildings. These inspections will focus on identifying workplace hazards related to OSHA, NFPA, ADA and other related regulations. Findings from these inspections will be resolved through

the appropriate department, including Facilities work orders as well as department/tenant-based corrections.

Online Driver Safety Training

Safety and Risk Management will identify an online based driver safety training course that focuses on distracted driving, situational awareness and rules of the road. This training will be made available to all departments and assigned on an as-needed basis to employees identified as needing additional training following an incident or accident.

Root Cause Analysis Reenvision

Safety and Risk Management will undertake an effort to overhaul the Root Cause Analysis process. This process is used following an injury, accident or property event and safety staff believe there is an opportunity to prevent reoccurrence of the event or mitigate future risk. This overhaul will include modifying the questions asked, the process by which it is sent to leaders and how follow-up action is taken.

Internalizing OSHA Required Testing and Training

Currently, much of the OSHA required testing and training is contracted out to various vendors. Along with significant costs, this prevents safety staff from being able to cater to departmental needs for scheduling and operations. Safety and Risk Management will begin the process to bring internal:

1. Hearing Testing: Purchasing of devices that allow for in-house hearing testing conducted by safety staff
2. Respiratory Testing: Purchasing of a device that allows for in-house testing of respirators for a variety of departments by safety staff
3. PPE: Research alternative vendors that allow for more seamless PPE procurement. This could include: safety glasses, hard hats, gloves and other PPE
4. Training: Investigate opportunities for safety staff to provide OSHA required training instead of contracting out to outside vendors. This could include: fire safety, forklift, scissor lift and more

It is the goal of Risk Management and the City Safety Office to reduce the overall loss experience related to all departments by a minimum of 2-5%, as compared to the previous calendar year.

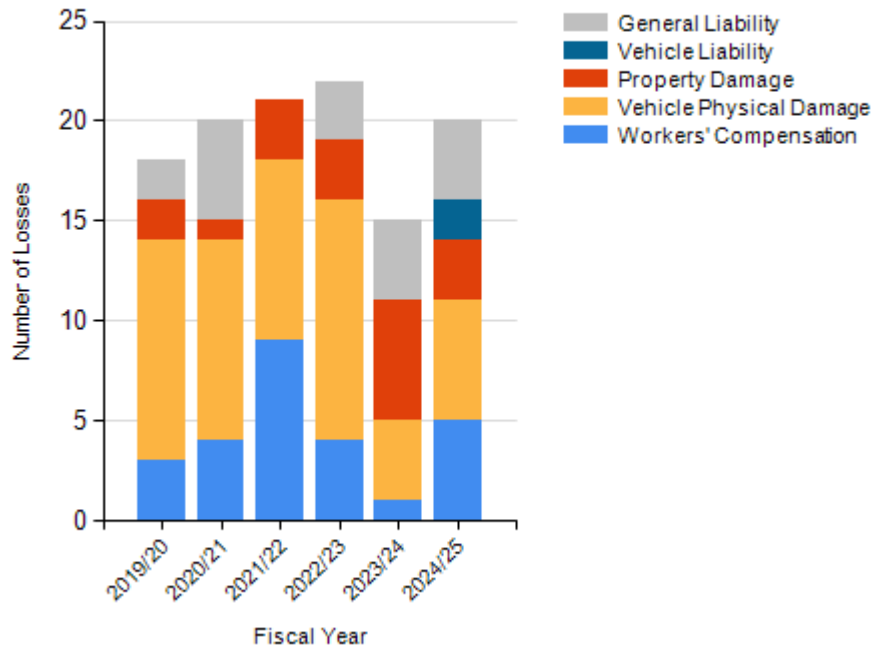


Enterprise Operations Loss Performance

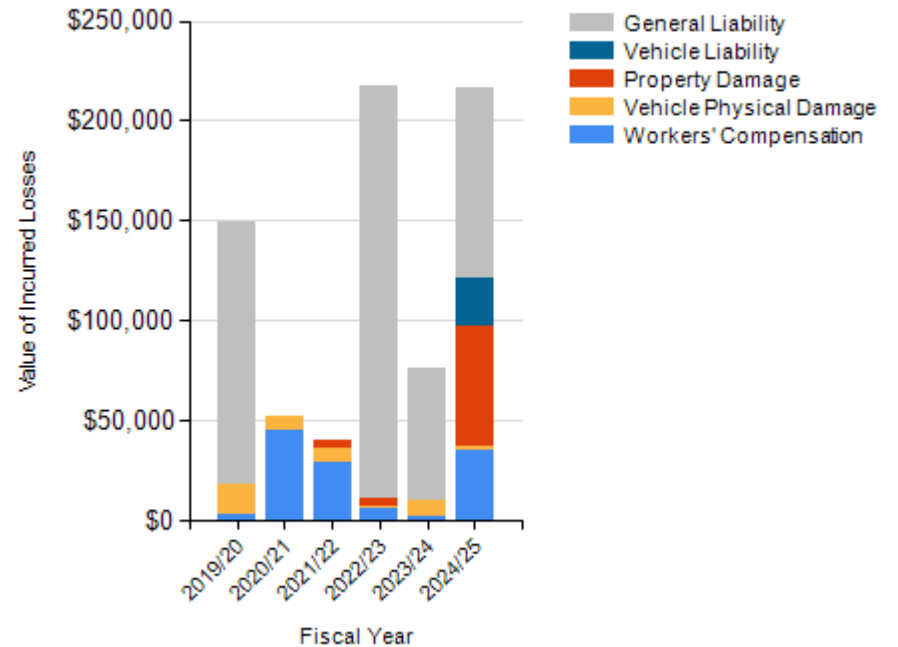
Claim Frequency and Severity by Date of Loss for Airport, Economic Development, Planning & Development, and Tourism & Events

Claim Type	FY 2019/20		FY 2020/21		FY 2021/22		FY 2022/23		FY 2023/24		FY 2024/25	
	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity
General Liability	2	\$131,100	5	\$0	0	\$0	3	\$206,715	4	\$65,601	4	\$95,969
Vehicle Liability	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	2	\$23,189
Property Damage	2	(\$1,000)	1	\$0	3	\$4,516	3	\$3,711	6	\$0	3	\$60,586
Vehicle Physical Damage	11	\$15,397	10	\$6,671	9	\$6,423	12	\$718	4	\$8,385	6	\$2,170
Workers' Compensation	3	\$2,669	4	\$45,140	9	\$29,105	4	\$6,130	1	\$1,925	5	\$34,881
Enterprise Operations Total	18	\$148,166	20	\$51,811	21	\$40,044	22	\$217,275	15	\$75,910	20	\$216,794

Frequency of Claims



Severity of Claims

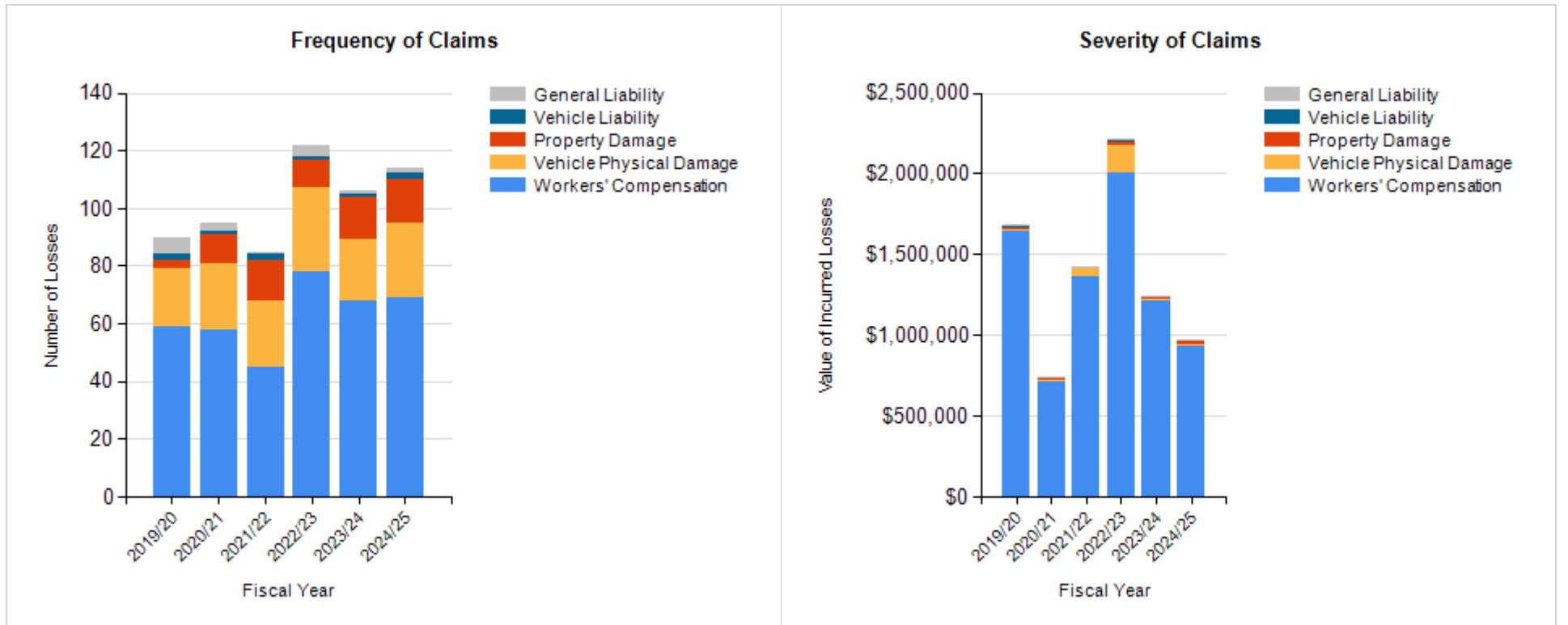




Fire Department Loss Performance

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

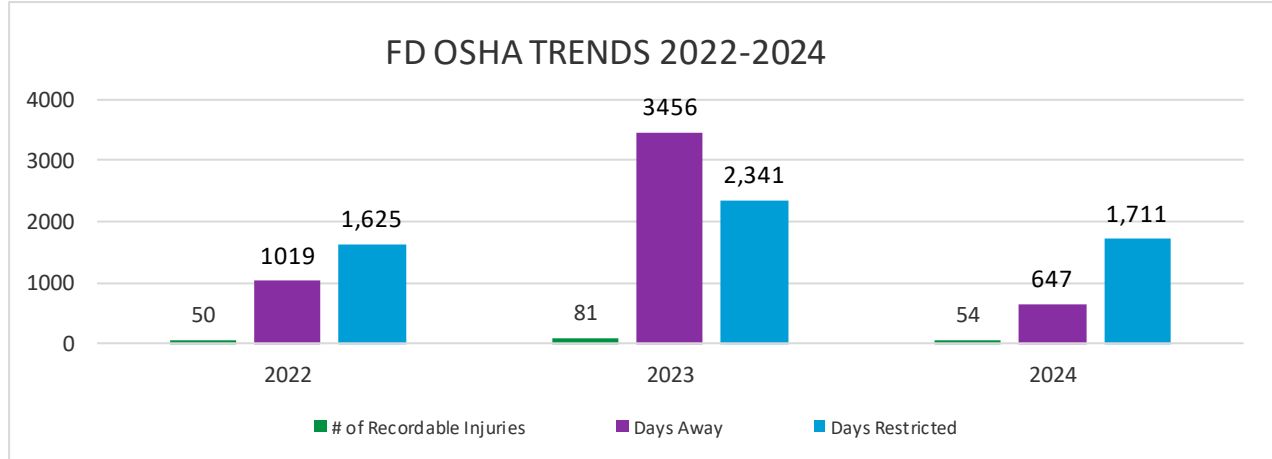
Claim Type	FY 2019/20		FY 2020/21		FY 2021/22		FY 2022/23		FY 2023/24		FY 2024/25	
	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity
General Liability	6	\$8,374	3	\$847	1	\$290	4	\$5,383	1	\$3,890	2	\$2,277
Vehicle Liability	2	\$5,513	1	\$12,381	2	\$1,999	1	\$3,293	1	\$465	2	\$4,462
Property Damage	3	\$11,292	10	\$2,870	14	\$0	10	\$31,289	15	\$12,308	15	\$22,382
Vehicle Physical Damage	20	\$16,741	23	\$18,921	23	\$49,018	29	\$167,957	21	\$11,034	26	\$15,241
Workers' Compensation	59	\$1,638,652	58	\$706,813	45	\$1,366,733	78	\$2,003,626	68	\$1,215,878	69	\$930,764
Fire Department Total	90	\$1,680,572	95	\$741,831	85	\$1,418,039	122	\$2,211,549	106	\$1,243,575	114	\$975,125



Fire Department Action Plan

2024/25 Annual Safety and Health Program Evaluation, Performance Objectives and Action Plan

ACTION PLAN



During calendar year **2024**, the Fire Department sustained 72 recordable injuries, with 14 claims resulting in Lost Time (647 work days).

The injury types experienced were:

- Strain/Sprain – 22
- Slip, Trip or Fall – 6
- Exposure to Bodily Fluids/Toxins/Weather – 5
- Struck or Injured By – 4
- Climbing/Stepping – 4
- Other – 3
- Foreign Matter in Eyes – 2
- Cut, Puncture, Scrape – 2
- Motor Vehicle – 2
- Striking Against or Stepping On – 1
- Caught In, Under or Between – 1
- Syncope -- 1
- Kneeling/Bending – 1

Goals for Calendar Year 2025

Risk Management intends to work closely with all City departments to address the major drivers concerning its past year's injury experience. This would include, but not limited to, in-person safety trainings, risk analysis & mitigation trainings, and safety awareness trainings. In addition to this approach, Risk Management intends to utilize the following, in efforts to positively impact the loss experience of the City:

Safety, Health and Loss Prevention Inspections

In 2025, Safety and Risk Management has a goal to conduct Safety, Health and Loss Prevention inspections in all City buildings. These inspections will focus on identifying workplace hazards related to

OSHA, NFPA, ADA and other related regulations. Findings from these inspections will be resolved through the appropriate department, including Facilities work orders as well as department/tenant-based corrections.

Online Driver Safety Training

Safety and Risk Management will identify an online based driver safety training course that focuses on distracted driving, situational awareness and rules of the road. This training will be made available to all departments and assigned on an as-needed basis to employees identified as needing additional training following an incident or accident.

Root Cause Analysis Reenvision

Safety and Risk Management will undertake an effort to overhaul the Root Cause Analysis process. This process is used following an injury, accident or property event and safety staff believe there is an opportunity to prevent reoccurrence of the event or mitigate future risk. This overhaul will include modifying the questions asked, the process by which it is sent to leaders and how follow-up action is taken.

Internalizing OSHA Required Testing and Training

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1. Hearing Testing: Purchasing of devices that allow for in-house hearing testing conducted by safety staff
2. Respiratory Testing: Purchasing of a device that allows for in-house testing of respirators for a variety of departments by safety staff
3. PPE: Research alternative vendors that allow for more seamless PPE procurement. This could include: safety glasses, hard hats, gloves and other PPE
4. Training: Investigate opportunities for safety staff to provide OSHA required training instead of contracting out to outside vendors. This could include: fire safety, forklift, scissor lift and more

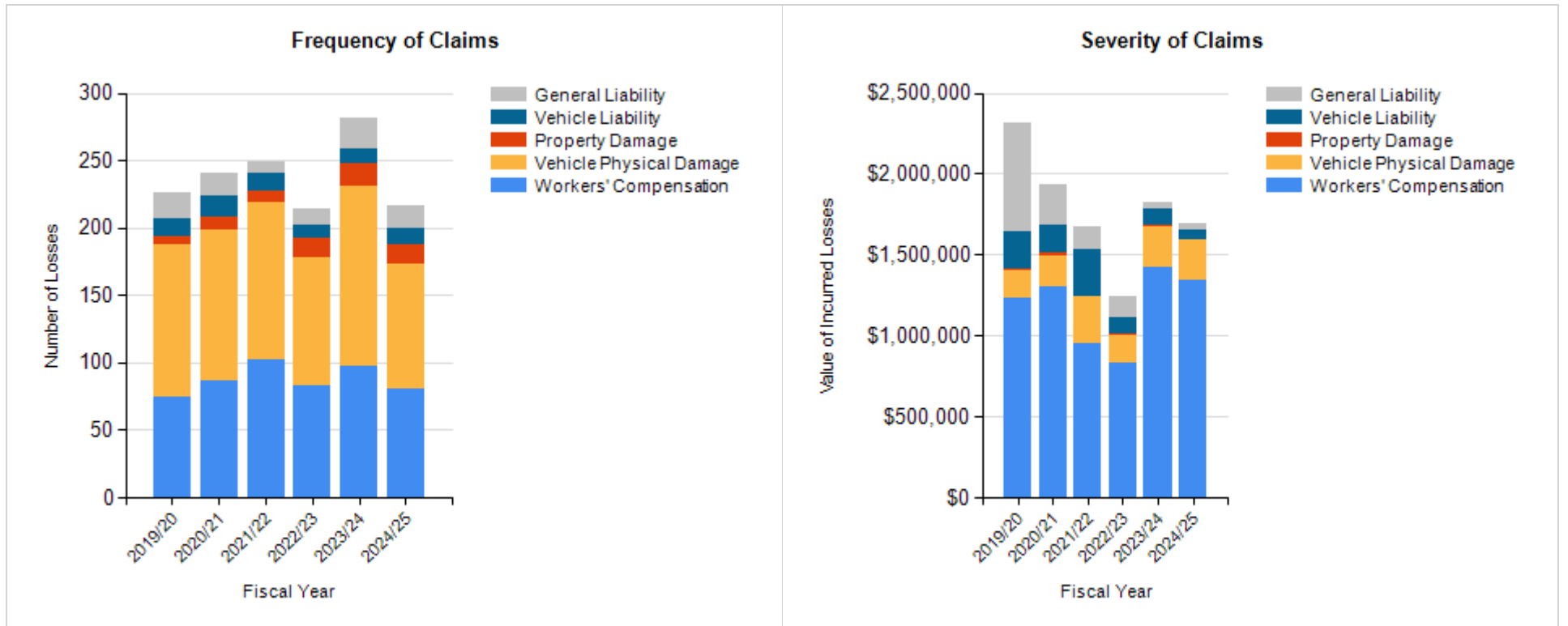
It is the goal of Risk Management and the City Safety Office to reduce the overall loss experience related to all departments by a minimum of 2-5%, as compared to the previous calendar year.



Police Department Loss Performance

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

Claim Type	FY 2019/20		FY 2020/21		FY 2021/22		FY 2022/23		FY 2023/24		FY 2024/25	
	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity
General Liability	19	\$667,567	16	\$249,994	8	\$140,150	12	\$126,091	24	\$45,672	16	\$34,041
Vehicle Liability	13	\$231,544	16	\$174,028	14	\$295,607	10	\$96,777	10	\$103,360	13	\$64,061
Property Damage	6	\$2,608	10	\$14,890	8	\$0	14	\$4,275	17	\$350	14	\$0
Vehicle Physical Damage	114	\$177,333	111	\$193,078	117	\$284,660	95	\$178,140	134	\$259,122	92	\$245,644
Workers' Compensation	74	\$1,233,233	87	\$1,300,968	102	\$955,448	83	\$833,964	97	\$1,419,172	81	\$1,345,472
Police Department Total	226	\$2,312,285	240	\$1,932,958	249	\$1,675,865	214	\$1,239,248	282	\$1,827,676	216	\$1,689,218

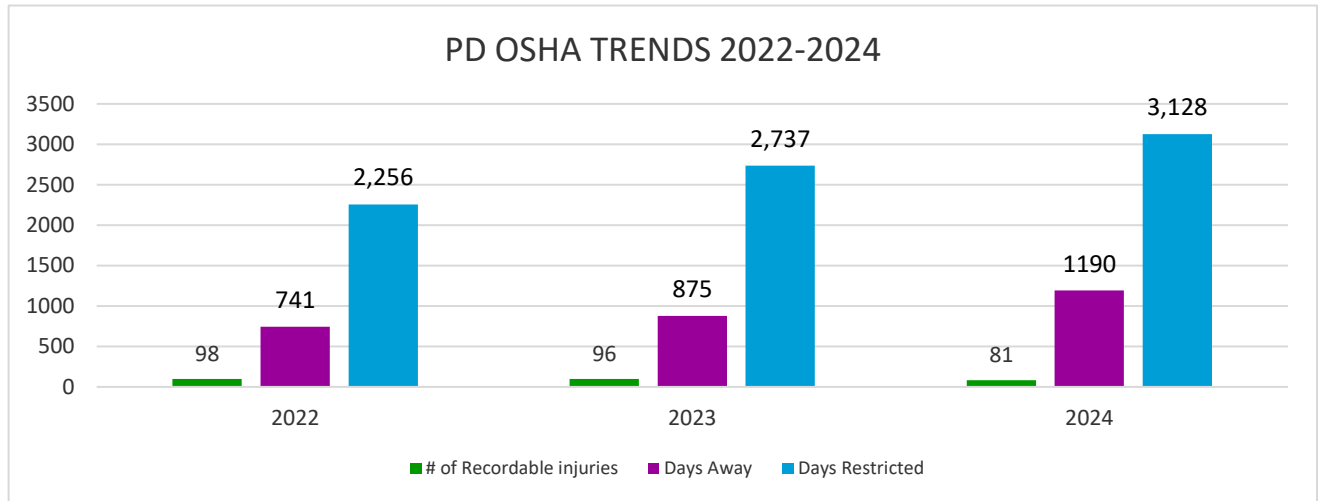


Police Department Action Plan

2024/25 Safety and Health Program Evaluation, Performance Objectives and Action Plan

ACTION PLAN

Trends



During calendar year **2024**, the Police Department sustained 81 recordable injuries, with 18 claims resulting in Lost Time (1190 work days).

The injury types experienced were:

- Strain/Sprain – 32
- Struck or Injured By – 8
- Motor Vehicle – 8
- Slip, Trip or Fall – 6
- Gunshot – 6
- Mental Health – 5
- Assault/Person in Act of Crime – 4
- Cut, Puncture or Scrape – 4
- Other – 2
- Striking Against or Stepping On – 1
- Climbing/Stepping – 1
- Caught In, Under or Between – 1
- Exposure to Bodily Fluids – 1
- Syncope – 1
- Absorption, Injection or Inhalation – 1

Goals for Calendar Year 2025

Risk Management intends to work closely with all City departments to address the major drivers concerning its past year's injury experience. This would include, but not limited to, in-person safety trainings, risk analysis & mitigation trainings, and safety awareness trainings. In addition to this approach, Risk Management intends to utilize the following, in efforts to positively impact the loss experience of the City:

Safety, Health and Loss Prevention Inspections

In 2025, Safety and Risk Management has a goal to conduct Safety, Health and Loss Prevention inspections in all City buildings. These inspections will focus on identifying workplace hazards related to OSHA, NFPA, ADA and other related regulations. Findings from these inspections will be resolved through the appropriate department, including Facilities work orders as well as department/tenant-based corrections.

Online Driver Safety Training

Safety and Risk Management will identify an online based driver safety training course that focuses on distracted driving, situational awareness and rules of the road. This training will be made available to all departments and assigned on an as-needed basis to employees identified as needing additional training following an incident or accident.

Root Cause Analysis Reenvision

Safety and Risk Management will undertake an effort to overhaul the Root Cause Analysis process. This process is used following an injury, accident or property event and safety staff believe there is an opportunity to prevent reoccurrence of the event or mitigate future risk. This overhaul will include modifying the questions asked, the process by which it is sent to leaders and how follow-up action is taken.

Internalizing OSHA Required Testing and Training

Currently, much of the OSHA required testing and training is contracted out to various vendors. Along with significant costs, this prevents safety staff from being able to cater to departmental needs for scheduling and operations. Safety and Risk Management will begin the process to bring internal:

1. Hearing Testing: Purchasing of devices that allow for in-house hearing testing conducted by safety staff
2. Respiratory Testing: Purchasing of a device that allows for in-house testing of respirators for a variety of departments by safety staff
3. PPE: Research alternative vendors that allow for more seamless PPE procurement. This could include: safety glasses, hard hats, gloves and other PPE
4. Training: Investigate opportunities for safety staff to provide OSHA required training instead of contracting out to outside vendors. This could include: fire safety, forklift, scissor lift and more

It is the goal of Risk Management and the City Safety Office to reduce the overall loss experience related to all departments by a minimum of 2-5%, as compared to the previous calendar year.

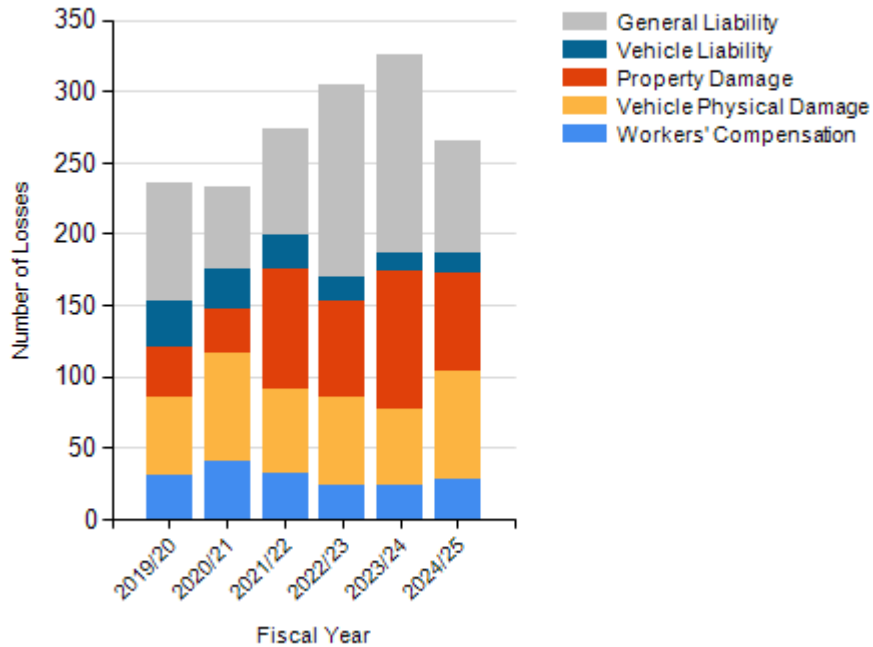


Constituent Services Loss Performance

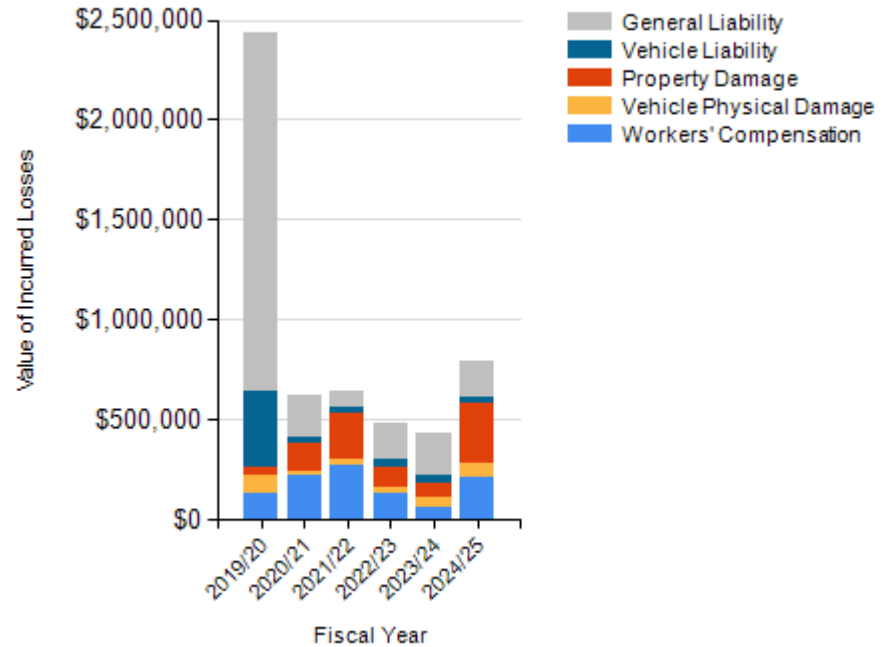
Claim Frequency and Severity by Date of Loss for Transportation and Infrastructure, Solid Waste Management, Fleet Management, Street Operations, and Facilities Management

Claim Type	FY 2019/20		FY 2020/21		FY 2021/22		FY 2022/23		FY 2023/24		FY 2024/25	
	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity
General Liability	82	\$1,798,492	58	\$203,667	75	\$76,242	134	\$179,653	139	\$211,737	79	\$174,413
Vehicle Liability	33	\$373,600	28	\$35,559	23	\$29,930	17	\$37,940	12	\$40,486	14	\$33,950
Property Damage	34	\$40,786	31	\$135,115	85	\$232,060	68	\$102,510	97	\$73,475	68	\$298,496
Vehicle Physical Damage	56	\$92,185	75	\$27,582	59	\$25,316	61	\$34,616	54	\$49,215	76	\$67,221
Workers' Compensation	30	\$131,268	41	\$215,910	32	\$273,440	24	\$126,284	23	\$55,528	28	\$212,400
Constituent Services Total	235	\$2,436,331	233	\$617,833	274	\$636,989	304	\$481,002	325	\$430,441	265	\$786,480

Frequency of Claims



Severity of Claims

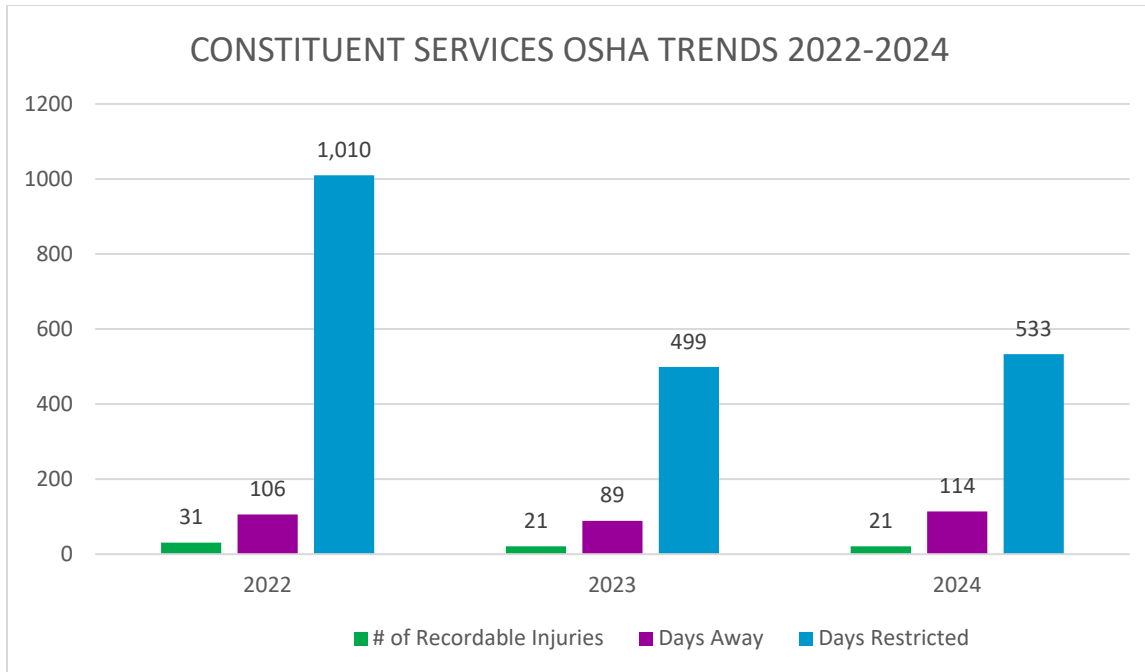


Constituent Services Safety Action Plan

2024/25 Annual Safety and Health Program Evaluation, Performance Objectives and Action Plan

RECOMMENDED ACTION PLAN

Trends



During calendar year **2024**, Constituent Services sustained 21 recordable injuries, with 5 claims resulting in Lost Time (114 workdays).

The main injury types experienced were:

- Strain/Sprain – 10
- Cut, Puncture or Scrape – 5
- Caught In, Under or Between – 1
- Exposure to Bodily Fluids – 1
- Slip, Trip or Fall –
- Motor Vehicle – 1
- Striking Against or Stepping On – 1
- Struck or Injured By – 1
- Climbing/Stepping – 1

Injury count per division within Constituent Services:

- Solid Waste: 16 injuries
- Fleet: 3 injuries
- Facilities: 1 injury
- Streets/Signals: 1 injury

Goals for Calendar Year 2025

Risk Management intends to work closely with all City departments to address the major drivers concerning its past year's injury experience. This would include, but not limited to, in-person safety trainings, risk analysis & mitigation trainings, and safety awareness trainings. In addition to this approach, Risk Management intends to utilize the following, in efforts to positively impact the loss experience of the City.

Safety, Health and Loss Prevention Inspections

In 2025, Safety and Risk Management has a goal to conduct Safety, Health and Loss Prevention inspections in all City buildings. These inspections will focus on identifying workplace hazards related to OSHA, NFPA, ADA and other related regulations. Findings from these inspections will be resolved through the appropriate department, including Facilities work orders as well as department/tenant-based corrections.

Online Driver Safety Training

Safety and Risk Management will identify an online based driver safety training course that focuses on distracted driving, situational awareness and rules of the road. This training will be made available to all departments and assigned on an as-needed basis to employees identified as needing additional training following an incident or accident.

Root Cause Analysis Reenvision

Safety and Risk Management will undertake an effort to overhaul the Root Cause Analysis process. This process is used following an injury, accident or property event and safety staff believe there is an opportunity to prevent reoccurrence of the event or mitigate future risk. This overhaul will include modifying the questions asked, the process by which it is sent to leaders and how follow-up action is taken.

Internalizing OSHA Required Testing and Training

Currently, much of the OSHA required testing and training is contracted out to various vendors. Along with significant costs, this prevents safety staff from being able to cater to departmental needs for scheduling and operations. Safety and Risk Management will begin the process to bring internal:

1. Hearing Testing: Purchasing of devices that allow for in-house hearing testing conducted by safety staff
2. Respiratory Testing: Purchasing of a device that allows for in-house testing of respirators for a variety of departments by safety staff
3. PPE: Research alternative vendors that allow for more seamless PPE procurement. This could include: safety glasses, hard hats, gloves and other PPE
4. Training: Investigate opportunities for safety staff to provide OSHA required training instead of contracting out to outside vendors. This could include: fire safety, forklift, scissor lift and more

It is the goal of Risk Management and the City Safety Office to reduce the overall loss experience related to all departments by a minimum of 2-5%, as compared to the previous calendar year.

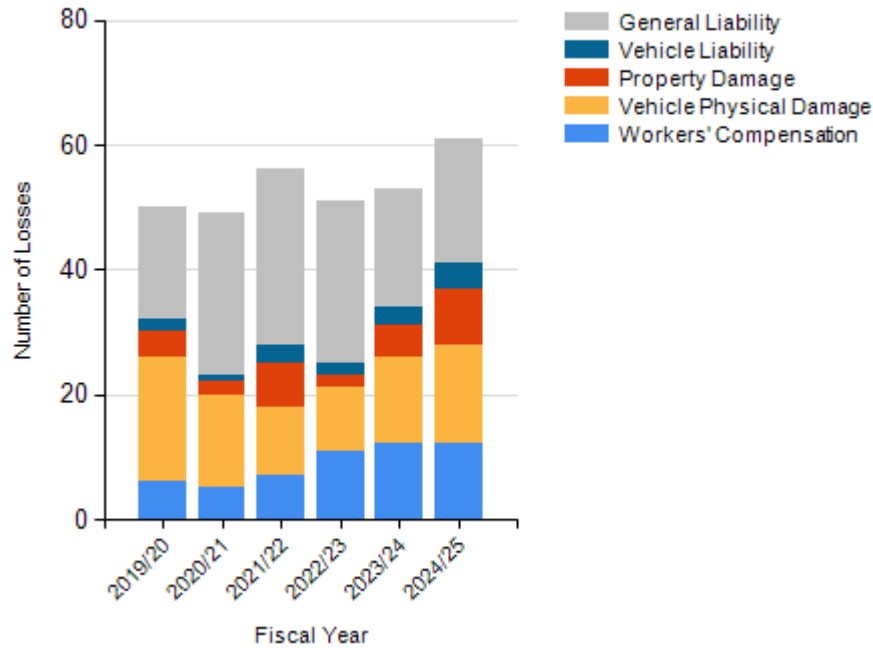


Water Resources Loss Performance

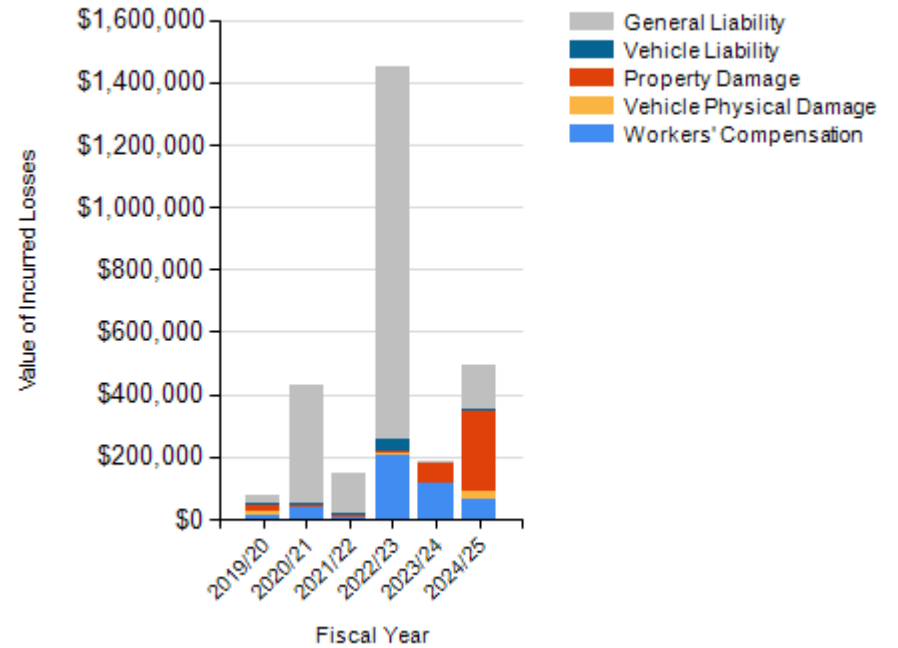
Claim Frequency and Severity by Date of Loss for Planning & Engineering, Reclamation Services, Water Quality, and Water Services

Claim Type	FY 2019/20		FY 2020/21		FY 2021/22		FY 2022/23		FY 2023/24		FY 2024/25	
	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity	Frequency	Severity
General Liability	18	\$25,073	26	\$377,367	28	\$128,381	26	\$1,200,257	19	\$4,808	20	\$140,234
Vehicle Liability	2	\$1,900	1	\$2,607	3	\$5,340	2	\$32,874	3	\$4,662	4	\$4,830
Property Damage	4	\$24,916	2	\$2,175	7	\$824	2	\$5,828	5	\$66,455	9	\$262,390
Vehicle Physical Damage	20	\$9,997	15	\$4,659	11	\$8,271	10	\$1,989	14	(\$22,791)	16	\$21,323
Workers' Compensation	6	\$14,486	5	\$39,801	7	\$5,324	11	\$211,900	12	\$112,378	12	\$65,344
Water Resources Total	50	\$76,373	49	\$426,609	56	\$148,141	51	\$1,452,848	53	\$165,511	61	\$494,121

Frequency of Claims



Severity of Claims

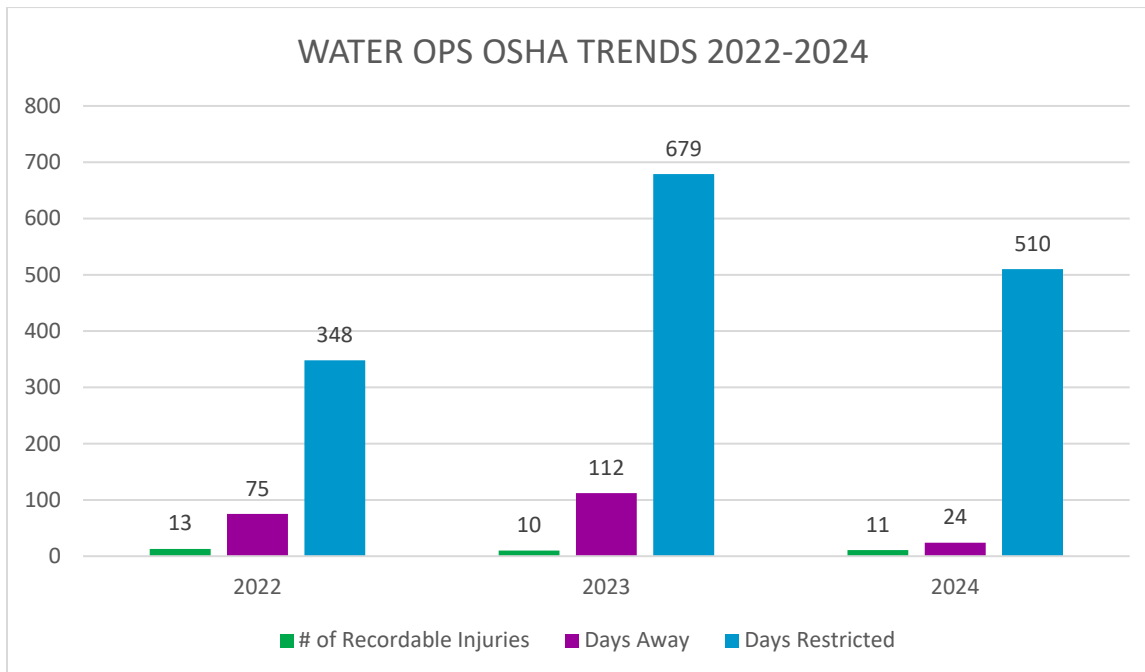


Water Resources Action Plan

2024/25 Annual Safety and Health Program Evaluation, Performance Objectives and Action Plan

RECOMMENDED ACTION PLAN

Trends



During calendar year **2024**, the Water Department sustained 11 recordable injuries, with 3 claims resulting in Lost Time (24 days).

The main injury types experienced were:

- Strain/Sprain – 4
- Slip, Trip or Fall – 2
- Caught In, Under or Between – 1
- Cut, Puncture or Scrape – 1
- Foreign Matter in Eyes – 1
- Motor Vehicle – 1
- Striking Against or Stepping On – 1

Goals for Calendar Year 2025

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Loss Trust Fund Annual Report

Self-Insured Medical and Dental Plans

FY 2024/25

Introduction:

The City of Scottsdale (the City) offers a broad and innovative package of healthcare and wellness benefits to eligible employees. These benefits are designed to offer employees opportunities to provide for current and future healthcare needs of themselves and their eligible family members in a cost-efficient manner. Benefits become effective on the first day of employment and are a significant part of the City's compensation package along with the 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 as well as information concerning the 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 and pays for those benefits. Typically the plan 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 its employees, including four medical plans in FY 2024/25. 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 – 58% of employees enrolled

This is an exclusive provider plan like an HMO; participants pay specific co-payment 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 – 6% 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, Evernorth Medical Group and Abrazo providers. Notably, Banner and Mayo Hospital, Clinic and providers are not within the Local Plus network. There are no out-of-network benefits on this plan.

Cigna OAP – 17% of employees enrolled

This is a hybrid preferred provider plan that features co-payments for primary care and specialist office visits; deductibles and 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 – 19% 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. City of Scottsdale provides a contribution to the health savings plan of \$500 for individual coverage and \$1,000 to coverage tiers that include dependents.

The City's top priority continued to be to ensuring its members received quality care when and where they need it. The City continued to receive an uptick in requests for more help with dealing with stress, managing daily life and responsibilities, and increased workloads due to turnover and heightened demand for City services. The City continued the increase in hours and days its permanent EAP provider, Dori DiPietro, LCSW, was available to meet with employees and their family members. Dori meets with employees both one-on-one and in group sessions and they all have been well attended. The City added an alternate

provider, Alexis James, to assist Dori with consultations as Dori's hours were reduced due to personal reasons.

Cigna continues to reimburse the City 100% of any prescription rebates and they are paid on a quarterly basis. The City received \$1.95 million in pharmacy reimbursements from July 1, 2024 – June 30, 2025.

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, 2025, for the self-insured medical plans.

Revenues ^(a)	\$38.06 M
Expenses ^(b)	\$38.99 M
\$ Variance Favorable/ (Unfavorable)	(\$925k)
% Variance Favorable/ (Unfavorable)	(2%)

^(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</u> <u>2022/23</u>	<u>FY</u> <u>2023/24</u>	<u>FY</u> <u>2024/25</u>
Cigna OAP In-Network	108%	105%	110%
Cigna LocalPlus In-Network	73%	64%	82%
Cigna OAP	100%	78%	96%
Cigna HSA	67%	68%	79%
Overall (including City expenses)	100%	95%	102%

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.

The City's Cigna PPO dental plan ran at a 97% loss ratio in FY 2024/25. Preventive dental is important to one's overall health. We continue with the 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. This incentive helped the City achieve 62% of its member population with at least one preventive cleaning. Cigna's book of business norm is 58.6%.

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. In order to protect the plan from unpredictable, catastrophic claims, an employer may purchase stop-loss insurance 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 Specific Stop-Loss coverage through Cigna which provides protection against individual catastrophic claims that exceed \$350,000 in a fiscal year. The City's premium for this protection was approximately \$1.63 M in FY 2024/25. There were 10 large claims which exceeded the stop loss and the City received \$1.81 M 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 claim's administrator on case management. The City incurred 61 catastrophic claims (over \$100,000) that resulted in payment of \$12.91 million, or nearly 32% of the City's total medical plan payments for the year. Last year, the large claims accounted for 31% of total medical plan payments.

Plan Demographics:

The following reflects medical plan enrollment at the end of FY 2024/25 (2,161 total employees).

	<u>Employees/COBRA</u>	<u>Disabled Retirees</u>	<u>Total</u>
Cigna OAP In-Network			
Individual Only	456	3	459
Individual & Children	194	1	195
Individual & Spouse	205	1	206
Individual & Family	<u>387</u>	<u>0</u>	<u>387</u>
Total	1,242	5	1,247
Cigna LocalPlus Network			
Individual Only	61	1	62
Individual & Children	15	0	15
Individual & Spouse	18	0	18
Individual & Family	<u>29</u>	<u>0</u>	<u>29</u>
Total	123	1	124
Cigna OAP			
Individual Only	196	2	198
Individual & Children	43	0	43
Individual & Spouse	40	2	42
Individual & Family	<u>90</u>	<u>0</u>	<u>90</u>
Total	369	4	373
Cigna OAP + HSA			
Individual Only	235	1	236
Individual & Children	58	0	58
Individual & Spouse	47	0	47
Individual & Family	<u>76</u>	<u>0</u>	<u>76</u>
Total	416	1	417

Employee Medical Rates For FY 2024/25 healthcare inflation had increased more than some of the years just following the pandemic. Overall claims increased and the plan underwriting predicted an increase of 8.9%. The City continued many of the prior incentives, including blood pressure, diabetes prevention program, health coaching, financial coaching, Centers of Excellence, primary care visit, dental preventive care visit, and healthy babies' program along with some other additions and enhancements.

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 11 disabled retirees enrolled in June 2025. The City anticipated that these plans would continue to run at a higher loss ratio. For FY 2024/25 the funding loss ratio for the PSPRS disabled retirees was 150%. Retirees paid \$165,095 in premiums, but experienced \$247,849 in claims.

The following table reflects the monthly FY 2025/26 rate models for the self-insured medical plans.

July 1, 2025 to June 30, 2026	FY 25/26 Monthly Premium	FY 25/26 City Contribution	FY 25/26 Employee Contribution
City of Scottsdale Cigna OAP In-Network			
Employee Only	\$913	\$730	\$183
Employee & Child(ren)	\$1,657	\$1,242	\$415
Employee & Spouse/Partner	\$1,977	\$1,484	\$493
Employee & Family	\$2,837	\$2,128	\$709
City of Scottsdale Cigna LocalPlus Network			
Employee Only	\$826	\$659	\$167
Employee & Child(ren)	\$1,499	\$1,125	\$374
Employee & Spouse/Partner	\$1,789	\$1,343	\$446
Employee & Family	\$2,569	\$1,928	\$641
City of Scottsdale Cigna OAP			
Employee Only	\$801	\$673	\$128
Employee & Child(ren)	\$1,453	\$1,148	\$305
Employee & Spouse/Partner	\$1,734	\$1,370	\$364
Employee & Family	\$2,490	\$1,968	\$522
City of Scottsdale Cigna OAP + HAS			
Employee Only	\$761	\$685	\$76
Employee & Child(ren)	\$1,382	\$1,147	\$235
Employee & Spouse/Partner	\$1,649	\$1,352	\$297
Employee & Family	\$2,368	\$1,895	\$473

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 administration of this program is the responsibility of the Human Resources Department. 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; American Heart Association's Fit Friendly Gold Award; Public Sector Cigna Well-Being Award; Health Arizona Worksite Program Platinum Award.

Two committees are responsible for the decisions that help direct the Live Life Well program: the Healthcare Advisory Committee (HAC) and the Total Benefits Advisory Committee (TBAC). The Healthcare Advisory Committee, comprised of senior-level managerial employees, provides strategic direction. TBAC is a larger employee group that consists of individual contributors from 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:

- Your Call Fire Fighter Cancer and Cardiac Disease Prevention Program – Firefighters are frequently exposed to smoke, various metals and other carcinogens that increase their risk for cancer. With a challenging and sometimes traumatic experiences they face, they also have higher rates of depression and are at risk for post-traumatic stress disorder (PTSD). These risks led the City to partner with Cigna and Honor Health to design prevention health screenings unique to firefighters. Those employees who have participated have stated it was a great experience, with a thorough exam and great follow up.
- Omada diabetes prevention program – Continued a digital lifestyle change program that helped employees lose weight and develop long-term healthy habits. This program was targeted for the City's pre-diabetic population.
- Blood pressure incentive - Due to ~11% of our population experiencing high blood pressure, the City 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 a bi-annual physical, employee and spouses can earn a \$50 payroll incentive (up to \$100 per year). Jet Dental is on-site at various locations throughout the year providing convenient, on-site dental care for employees and their family members. Oral Health Integration Program – Cigna's innovation team, in collaboration with Jet Dental and Oral B, will target high-risk individuals with chronic conditions who have not received recent dental services. Onsite dental cleanings will be provided by Jet Dental, after the exam, Cigna will provide eligible employees (aged 18 and over) an app-enabled Oral B toothbrush if they choose to join the program. The connected toothbrush will track brushing habits to improve overall oral health. Participants will have the opportunity to accept or decline program participation
- 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. Held to public safety wellness days – Police Officer Wellness Day and Fire Fighter Wellness Day in partnership with Cigna.
- Onsite vaccination clinics – Held throughout the City for employees and family members which included flu, pneumonia, shingles and COVID-19.
- Maternity Support – The City continued with the existing program, ‘Health Pregnancy Healthy Babies”, which provides additional education and support for expecting mothers and their babies throughout pregnancy. Mothers can receive up to \$150 in wellness incentives upon completion. Mothers and fathers receive a ‘Bump Box’ of baby gifts and comfort items for new parents as well as educational fliers. The City has a return-to-work pack for mothers which includes a map and listing of all the City’s Mothers Rooms/Relaxation Rooms and Mamava lactation pods.
- Mental Health – This year the City continued it’s focus on mental health. The City incorporated mindfulness techniques, meditation, and continue yoga classes. The City also continued the permanent on-site EAP provider, Dori DiPitro, who is available for employees and family members 8 hours per week. She holds monthly group classes where approximately 40-50 employees attend. The City also added an additional provider, Alexis James, also for 8-10 hours per week.
- Financial Wellness – The City has partnered with Nationwide Retirement Solutions, its 457(b) deferred compensation administrator, to host a variety of workshops and webinars highlighting the importance of enrollment in the 457b plan. The City has targeted sessions for new hires as well. Completion of the My Interactive Retirement Planner within Nationwide’s website qualifies an employee for a \$100 annual financial wellness incentive.
- 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.

Medical Benefits Highlights

Medical claims expenses incurred in FY 24/25 ran slightly over budget with a 102% loss ratio with \$925,718 as the deficit for the year. Dental claims ran favorably at 97% to the funding estimate with a surplus of \$48,620. The City paid a total of \$12.9 million in large claims and received \$1.65 million in stop loss reimbursements, which is approximately 32% of the total claims paid.

The City collected \$38.06 million in revenues and incurred \$38.99 million in claims and administrative costs. Every year the City works with its benefit consultant, Brown & Brown, 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.

The City continued to focus on mental health and preventive screenings this year. The City continued the increase in hours of our on-site EAP providers, as well as the monthly virtual group meetings addressing various stress and mental health topics. They are all very well attended with few cancelations. The City's onsite preventive screening and vaccination clinics were very well attended with several screenings requiring additional dates added. The City has added a vision exam and screening to its line up of preventive onsite services offered.

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

	Actual 2023/24	Adopted 2024/25	Forecast 2024/25	Adopted 2025/26	Forecast 2026/27	Forecast 2027/28	Forecast 2028/29	Forecast 2029/30
Beginning Fund Balance								
Incurring but Not Reported Reserve	2,769,415	2,701,435	2,812,827	2,868,895	3,109,297	3,315,000	3,536,945	3,774,079
Operating Contingency	3,140,835	3,065,299	3,191,193	3,254,728	3,525,850	3,758,522	4,009,552	4,277,747
Premium Stabilization Reserve	3,382,331	3,318,654	3,377,725	3,364,565	3,599,134	3,993,726	4,196,471	4,409,813
Healthcare Self Insurance Fund Balance	9,579,684	10,506,707	12,284,204	13,301,545	10,325,308	9,015,341	7,150,421	4,473,150
Total Beginning Fund Balance	18,872,265	19,592,095	21,665,949	22,789,733	20,559,589	20,082,589	18,893,389	16,934,789
Revenues								
Employer Contribution - Medical ^(a)	27,732,414	28,489,804	29,544,434	30,278,084	34,300,500	36,092,800	37,980,300	39,967,100
Employee Contributions - Medical	8,081,218	8,208,052	8,674,260	9,192,108	9,663,300	10,158,500	10,679,700	11,227,700
Employer Contribution - Dental	861,865	962,436	874,767	893,137	911,000	929,200	947,800	966,800
Employee Contributions - Dental	768,865	807,431	776,226	792,527	808,400	824,600	841,000	857,900
Miscellaneous	325,244	253,122	291,748	305,184	307,400	309,300	311,700	313,900
Disabled Retiree Contributions	214,740	205,434	185,992	213,497	221,700	230,200	238,700	247,400
<i>Subtotal</i>	<i>37,984,346</i>	<i>38,926,279</i>	<i>40,347,427</i>	<i>41,674,537</i>	<i>46,212,300</i>	<i>48,544,600</i>	<i>50,999,200</i>	<i>53,580,800</i>
Transfers In								
Operating	67,726	194,500	131,432	150,000	150,000	150,000	150,000	150,000
<i>Subtotal</i>	<i>67,726</i>	<i>194,500</i>	<i>131,432</i>	<i>150,000</i>	<i>150,000</i>	<i>150,000</i>	<i>150,000</i>	<i>150,000</i>
Total Sources	38,052,072	39,120,779	40,478,859	41,824,537	46,362,300	48,694,600	51,149,200	53,730,800
Expenditures								
Medical Claims	31,043,695	35,735,548	34,839,691	38,915,249	41,557,400	44,409,900	47,459,100	50,718,900
Insurance & Bond Premiums	1,484,749	1,403,967	1,622,784	1,658,147	1,746,100	1,838,300	1,936,200	2,039,000
Dental Claims	1,472,550	1,675,114	1,578,612	1,611,763	1,644,000	1,676,900	1,710,400	1,744,600
City Administration ^(b)	228,628	230,049	230,049	767,656	757,800	784,500	799,600	820,800
Administrative Fees	580,471	601,901	584,079	603,736	627,300	651,600	677,100	703,800
Live Life Well Program	285,350	336,718	336,718	334,988	335,200	342,300	335,700	336,100
Behavioral Health Insurance Claims	162,945	163,142	163,142	163,142	171,500	180,300	189,700	199,600
<i>Subtotal</i>	<i>35,258,388</i>	<i>40,146,439</i>	<i>39,355,075</i>	<i>44,054,681</i>	<i>46,839,300</i>	<i>49,883,800</i>	<i>53,107,800</i>	<i>56,562,800</i>
TOTAL OPERATING BUDGET	35,258,388	40,146,439	39,355,075	44,054,681	46,839,300	49,883,800	53,107,800	56,562,800
Total Uses	35,258,388	40,146,439	39,355,075	44,054,681	46,839,300	49,883,800	53,107,800	56,562,800
Sources Over/(Under) Uses	2,793,684	(1,025,660)	1,123,784	(2,230,144)	(477,000)	(1,189,200)	(1,958,600)	(2,832,000)
Ending Fund Balance								
Incurring but Not Reported Reserve	2,812,827	2,868,895	2,868,895	3,109,297	3,315,000	3,536,945	3,774,079	4,027,477
Operating Contingency	3,191,193	3,254,728	3,254,728	3,525,850	3,758,522	4,009,552	4,277,747	4,564,325
Premium Stabilization Reserve	3,377,725	3,364,565	3,364,565	3,599,134	3,993,726	4,196,471	4,409,813	4,634,220
Healthcare Self Insurance Fund Balance	12,284,204	9,078,247	13,301,545	10,325,308	9,015,341	7,150,421	4,473,150	876,767
Total Ending Fund Balance	21,665,949	18,566,435	22,789,733	20,559,589	20,082,589	18,893,389	16,934,789	14,102,789

^(a) The premium increases anticipated for FY 2025/26 will be absorbed by fund balance.

^(b) In FY 2025/26, the increase includes the new employee onsite clinic program.

**City of Scottsdale Risk Management Fund
Five-Year Financial Forecast**

	Actual 2023/24	Adopted 2024/25	Forecast 2024/25	Adopted 2025/26	Forecast 2026/27	Forecast 2027/28	Forecast 2028/29	Forecast 2029/30
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	24,555,196	26,488,589	27,875,137	30,324,065	32,207,698	33,710,098	35,026,998	36,244,898
Total Beginning Fund Balance	27,055,196	28,988,589	30,375,137	32,824,065	34,707,698	36,210,098	37,526,998	38,744,898
Revenues								
Self Insurance (Property and Workers Comp)	16,506,444	18,803,303	18,803,303	20,050,923	20,839,100	21,857,800	22,929,100	24,727,200
Property Tax ^(a)	2,201,944	1,200,000	1,200,000	678,687	550,000	550,000	550,000	550,000
Reimbursements from Outside Sources	587,617	525,000	525,000	525,000	500,000	500,000	500,000	500,000
Miscellaneous	227,773	290,000	480,000	240,000	240,000	240,000	240,000	240,000
Unemployment Claims	47,398	54,681	54,681	54,485	56,500	58,600	60,800	63,000
Subtotal	19,571,174	20,872,984	21,062,984	21,549,095	22,185,600	23,206,400	24,279,900	26,080,200
Total Sources	19,571,174	20,872,984	21,062,984	21,549,095	22,185,600	23,206,400	24,279,900	26,080,200
Expenditures								
Insurance and Bond Premiums	4,898,369	5,357,665	5,357,665	6,081,380	6,841,600	7,696,700	8,658,800	9,741,200
Liability	2,260,873	4,239,988	3,239,988	3,770,611	3,854,400	3,940,100	4,028,000	4,118,400
Physical Damage	1,512,023	1,520,028	1,520,028	1,255,854	1,283,800	1,312,400	1,341,900	1,372,000
Safety and Risk Management	2,004,488	2,477,246	2,461,306	2,584,173	2,648,100	2,800,300	2,816,400	2,911,600
Safety Grants Program	206,276	143,407	143,407	203,181	207,600	212,300	216,800	221,600
Unemployment	8,300	52,500	52,500	52,500	55,100	57,900	60,800	63,800
Workers Compensation	5,331,356	5,730,458	5,730,458	5,598,704	5,667,600	5,743,100	5,808,100	5,880,000
Personnel Programs ^(b)	-	7,012	2,538	2,888	3,000	3,100	3,100	3,200
Subtotal	16,221,684	19,528,304	18,507,890	19,549,291	20,561,200	21,765,900	22,933,900	24,311,800
TOTAL OPERATING BUDGET	16,221,684	19,528,304	18,507,890	19,549,291	20,561,200	21,765,900	22,933,900	24,311,800
Transfers Out								
CIP	29,549	20,541	106,166	16,171	22,000	23,600	28,100	11,100
Operating ^(c)	-	-	-	100,000	100,000	100,000	100,000	100,000
Subtotal	29,549	20,541	106,166	116,171	122,000	123,600	128,100	111,100
Total Uses	16,251,233	19,548,845	18,614,056	19,665,462	20,683,200	21,889,500	23,062,000	24,422,900
Sources Over/(Under) Uses	3,319,941	1,324,139	2,448,928	1,883,633	1,502,400	1,316,900	1,217,900	1,657,300
Ending 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	27,875,137	27,812,728	30,324,065	32,207,698	33,710,098	35,026,998	36,244,898	37,902,198
Total Ending Fund Balance	30,375,137	30,312,728	32,824,065	34,707,698	36,210,098	37,526,998	38,744,898	40,402,198

^(a) Anticipated decreases in Property Tax are due to expected reductions in the volume and scale of involuntary tort claims.

^(b) Includes non-periodic personnel costs such as Leave Accruals, Parental Leave, Vacation Trade, and One-Time Merit Payments.

^(c) Transfer to the Fleet Replacement Fund to cover replacement of totaled vehicles.

FY 2023/24 Financial Results of the Trust Fund

The Healthcare Self-Insurance Fund Five-Year Financial Forecast previously referenced depicts an actual FY 2024/25 ending fund balance of \$22.8 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 Safety & 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 Safety & 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 the Safety & Risk Management Division. 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 the Safety & Risk Management Division.

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 Safety & 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

The financial health of the Loss Trust Fund remains strong and well-positioned to meet current and future obligations. The Loss Trust Fund Board has recommended maintaining funding at an appropriate confidence level, which reflects the probability that sufficient assets will be available to fully resolve all outstanding and future claims. This approach ensures the Fund remains actuarially sound, financially stable, and capable of sustaining long-term claim liabilities. The recommendation and underlying financial outlook are detailed in the Risk Management Fund Five-Year Financial Forecast.

As of FY 2024/25, the total ending fund balance is \$32.8 million. This amount meets the required confidence level as outlined in the June 30, 2024 Actuarial Report. The same report was used to update the confidence levels that guided the adopted FY 2024/25 budget, replacing those previously based on the June 30, 2023 Actuarial Report. These updated metrics are now reflected in the approved budget.

Looking ahead, future budgets and Safety & Risk Management operations will remain strategically aligned to reduce losses, strengthen prevention initiatives, and sustain the Loss Trust Fund's recommended confidence level. This continued focus will support long-term financial stability, resilience, and effective management of the City's risk exposure.