

# CITY COUNCIL REPORT



Meeting Date:  
Charter Provision:

December 4, 2023  
*Provide for the orderly government and administration of the  
affairs of the City*

## ACTION

---

**Adopt Resolution No. 12998 authorizing the execution of a letter to the Industrial Commission of Arizona requesting an exemption to the requirement to post security for outstanding workers' compensation claims.**

## BACKGROUND

---

The Industrial Commission of Arizona previously required the City as a qualified self-insurer to post securities or cash as collateral for the accrued future liability of pending claims as projected by outside actuarial analysis. The minimum security deposit required by A.R.S. 23-961 is \$100,000.00.

Effective in April of 2005 the Industrial Commission adopted revised rules, Arizona Administrative Code R20-5-1114, providing self-insured public entities with a conditional exemption from the requirement to post securities to cover estimated total future workers' compensation claims liability. This was done because public entities have stability and resources. To take advantage of not having to post actual securities, the revised rules require a certified letter signed by a majority of the governing board requesting exemption from requirements to post security for the accrued liability for future workers' compensation obligations. The City has a Loss Trust Fund and certifies that the governing board will immediately notify the Industrial Commission if the Fund does not have sufficient funds to cover the workers' compensation liabilities of the City. The insurance program structure includes excess catastrophic insurance for work-related injuries that is purchased through a commercial insurer. The City Treasurer's staff regularly monitors the Fund balance for adequacy and will notify Council if there is any under-funding. Per the revised rules, attached is a letter that a majority of elected officials must sign granting the conditional waiver for the future liability of pending workers' compensation claims.

## ANALYSIS & ASSESSMENT

---

### Recent Staff Action

Risk Management staff has worked with the Treasurer's office and with the City's actuaries to determine that the City has sufficient funds to qualify for the requested exemption.

Action Taken: Approved on Consent

**Policy Implications**

None

**Significant Issues to be Addressed**

None

**Community Involvement**

None

**RESOURCE IMPACTS**

---

**Available funding**

The Loss Trust Fund maintains Risk Management reserve funding to meet the City's financial obligations for the payment of the liability for the City's outstanding and projected workers' compensation losses. A qualified independent actuarial firm is retained on an annual basis to project and develop losses to recommend appropriate reserve levels. The City attempts to maintain a Loss Trust Fund Risk Management Reserve Fund balance equivalent to the actuaries' 75% confidence interval of projected total outstanding claims liability as recommended by the Loss Trust Fund Board. The approved FY 2022/23 Budget projects the fund balance to be above the actuaries 75% confidence level. The exemption mandates that the Fund balance will not fall below the actuary recommended funding levels of 50-55% of the ultimate liability.

The alternative to the exception request is for the City to post security in the amount of the outstanding expected liability.

**Staffing, Workload Impact**

None

**Maintenance Requirements**

None

**Future Budget Implications**

None

**OPTIONS & STAFF RECOMMENDATION**

---

**Recommended Approach**

Adopt Resolution No. 12657 authorizing the execution of a letter to the Industrial Commission of Arizona requesting an exemption to the requirement to post security for outstanding workers' compensation claims.

**Next Steps**

File the executed letter requesting the security exemption with the Industrial Commission of Arizona by the self-funded program renewal date of January 1, 2024.

**RESPONSIBLE DEPARTMENT(S)**

---

Risk Management Department

**STAFF CONTACT(S)**

---

George Woods, Jr., Risk Management Director

**APPROVED BY**

---

  
George Woods Jr., Risk Management Director  
480-312-7840, [gwoods@scottsdaleaz.gov](mailto:gwoods@scottsdaleaz.gov)

11/15/2023  
Date

  
Sherry R. Scott, City Attorney  
480-312-7816, [sscott@scottsdaleaz.gov](mailto:sscott@scottsdaleaz.gov)

11/15/2023  
Date

**ATTACHMENTS**

---

1. Resolution No. 12998
  - a. Exhibit A – Letter to the Industrial Commission of Arizona
  - b. Exhibit B – Request for waiver security deposit

RESOLUTION NO. 12998

A RESOLUTION OF THE COUNCIL OF THE CITY OF SCOTTSDALE, MARICOPA COUNTY, ARIZONA AUTHORIZING EXECUTION OF A LETTER TO THE INDUSTRIAL COMMISSION OF ARIZONA REQUESTING AN EXEMPTION TO THE REQUIREMENT TO POST SECURITY FOR WORKERS' COMPENSATION CLAIMS.

WHEREAS, it is in the best interest of the City to be exempted by the Industrial Commission of Arizona from having to post security for the City's self-insured workers' compensation claims; and

WHEREAS, the Industrial Commission's rules allow a self-insured public entity to request an exemption from posting security by a certified letter signed by a majority of the members of the public entity's governing body.

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

Section 1. City staff is authorized to submit a letter signed by a majority of the City Council and certified by the City Clerk substantially in the form attached hereto as Exhibit A, requesting an Industrial Commission of Arizona exemption from the requirement to post security.

PASSED AND ADOPTED by the City Council of the City of Scottsdale this \_\_\_\_\_ day of \_\_\_\_\_, 2023.

CITY OF SCOTTSDALE, an Arizona  
municipal corporation

ATTEST:

\_\_\_\_\_  
Ben Lane, City Clerk

\_\_\_\_\_  
David D. Ortega, Mayor

APPROVED AS TO FORM:



Sherry R. Scott, City Attorney

By: Eric C. Anderson, Senior Assistant City Attorney



**Risk Management**  
7447 E. Indian School Rd., Ste. 225  
Scottsdale, AZ 85251

**PHONE** (480) 312-2490  
**WEB** [www.ScottsdaleAZ.gov](http://www.ScottsdaleAZ.gov)

December 4, 2023

City of Scottsdale

COUNTY OF MARICOPA

I, Ben Lane, City Clerk of the City of Scottsdale, Maricopa County within the State of Arizona, do hereby attest that the attached is the original Request for Exemption from Requirement to Post Statutory Deposit for the City of Scottsdale in accordance with the Arizona Administrative Code and for its Self-Insured Workers Compensation program and has been duly approved and signed by the City Council on \_\_\_\_\_.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the official seal of the City of Scottsdale to be affixed hereunto this \_\_\_\_ day of December, 2023.

---

Ben Lane, City Clerk of the City of Scottsdale

## Request for Exemption from Requirement to Post Statutory Deposit

Pursuant to the Arizona Administrative Code subsection R20-5-1114 (A & B), this document constitutes a certified statement from the City of Scottsdale, a chartered Arizona municipality and duly qualified and authorized Arizona Workers Compensation self-insurer.

The City of Scottsdale hereby requests that the Industrial Commission of Arizona (ICA) approve an exemption from the posting of a statutory deposit, of which the current approved types are as follows: Letter of credit; a surety bond; U.S. Treasury notes or establishing a local government investment pool (LGIP) account. This request is made in accordance with A.A.C § R20-5-1114 and shall cover the City of Scottsdale's unpaid Workers Compensation claims liability.

The City of Scottsdale, Arizona states:

1. The City of Scottsdale has established a self-insurance trust pursuant to A.R.S. § 11-981 (A-F) and Section 2-167 of the Scottsdale Revised Code.
2. The City of Scottsdale shall conduct an actuary report on an annual basis. The City attempts to maintain a Loss Trust Fund Risk Management reserve fund balance equivalent to the actuaries' 75 percent confidence interval of projected total outstanding claims liability as recommended by the Loss Trust Fund Board. The unaudited FY 2022/23 ending fund balance for the Risk Management Fund is \$22.1 million, which according to the actuary, has a 80 percent confidence level, or probability that the total value of all losses will be that amount or less. The current fund balance does comply with the exemption mandate not to fall below the actuary recommended funding levels of 50-55 percent of the ultimate liability. The present value discount for investments is no more than 2 percent annually.
3. The Risk Management Loss Trust Fund is sufficient to cover actuarial liabilities for worker's compensation as determined by the self insurer in accordance with Government Accounting Standards Board Statement #10 (replaced by GASB No. 34); and
4. The City of Scottsdale provides funding to the Risk Management Loss Trust Fund established pursuant to A.R.S. § 11-981 (A-F) each year. The amount held for worker's compensation purposes within the trust is sufficient to cover actuarial liabilities for worker's compensation claims as determined by the self-insurer's actuary in accordance with Government Accounting Standards Board Statement #10 (replaced by GASB No. 34).
5. The City's governing body, or designate, shall immediately notify the ICA and provide security as provided by and in this Article, if the governing body, or designate, learns that the Risk Management Loss Trust Fund has insufficient funds to cover all worker's compensation liabilities of the City of Scottsdale.
6. Pursuant to items 1 through 4, the City of Scottsdale meets the conditions required under A.R.S. § 11-981 (A-F) and the Arizona Administrative Code, R20-5-1114 (A&B).
7. The signatures below represent a majority of the governing body (City Council) members.

Signed \_\_\_\_\_

Date \_\_\_\_\_

Signed \_\_\_\_\_

Date \_\_\_\_\_

Signed \_\_\_\_\_

Date \_\_\_\_\_

Signed \_\_\_\_\_

Date \_\_\_\_\_

Signed \_\_\_\_\_

Date \_\_\_\_\_

Signed \_\_\_\_\_

Date \_\_\_\_\_

Signed \_\_\_\_\_

Date \_\_\_\_\_