

CITY COUNCIL REPORT



Meeting Date: June 23, 2026
General Plan Element: *Provide for the orderly administration of city affairs*
General Plan Goal: *Provide Property/Casualty Insurance for the 26-27 Fiscal Year*

ACTION

Adopt Resolution No. 13719 to authorize purchase of Property-Casualty Insurance for the Period of July 1, 2026 to June 30, 2027

Adopt Resolution No. 13719 authorizing and directing the purchase of Property - Casualty Insurance, including General Liability, Law Enforcement Liability, Vehicle Liability, Public Officials Errors and Omissions, Property, Workers' Compensation, Cyber Liability, Aviation Drone, and Airport Liability insurance for Fiscal Year 2026/27.

BACKGROUND

Scottsdale Revised Code, Section 2-173, calls for the purchase of excess Property and Casualty insurance above the self-insured retention as recommended by the Safety & Risk Management Director and as approved by the City Council. The purpose of purchasing excess insurance is to insulate the City against the financial impacts of large and catastrophic claims, or a series of claims by transferring the risk to commercial insurers in exchange for a fixed cost premium amount. The City maintains reasonable per occurrence and annual aggregate property and casualty limits to safeguard against rising and often unpredictable claim values and court awards. The Safety & Risk Management Division consults with a certified actuary to best inform decisions regarding reserves and loss forecasting.

ANALYSIS & ASSESSMENT

In consultation with the City's insurance broker, the Safety & Risk Management Director undertakes a thorough review of the various loss exposures presented to and within the City, each coverage area and structure to optimize the cost-benefit assembly of self-retention and excess catastrophic insurance given the City's goal to mitigate and control the financial impacts of unpredictable losses and claims. Departmental budget parameters and international insurance market conditions factor heavily in the overall calculus regarding coverage and limits amongst the commercial insurers selected. The insurance program structure within the City includes a substantial self-insured retention per accident or per person, and excess catastrophic insurance purchased through additional commercial insurers for a fixed premium charge and is

determined by the City's insurance brokerage and the Safety & Risk Management Director to be the most cost-effective and comprehensive prudent insurance structure for the City, given its size and risk profile.

RESOURCE IMPACTS

Available funding

The cost of insurance is fully covered along with estimated future claim expenses within the Safety & Risk Management Division FY 2026/27 budget. In the unlikely event costs and insurance premiums exceed budgeted amounts during the 2026/27 fiscal year, a request to transfer contingency funds from the Loss Trust (Safety & Risk Management) Fund will be submitted to City Council for approval.

Staffing, Workload Impact

In a strong effort to control and mitigate the financial impacts of property - casualty losses, the City has a proactive safety and loss prevention program geared to address loss exposures. The Safety & Risk Management Division and the Civil Division of the City Attorney's Office work in tandem to mitigate liability exposures in the respective work areas. Lessons learned from previous claims brought against, or derived from within, the City are reviewed with appropriate City staff to prevent and mitigate future similar or related happenings. The Safety & Risk Management Division employs a state licensed Property Casualty Claims Adjuster and three state licensed Workers Compensation Claims Adjusters who, under the direction of the Safety & Risk Management Director, administer, adjudicate and manage all claims presented against the Loss Trust (Safety & Risk Management) Fund. In addition, the City Attorney's Office handles most litigation defense for the Loss Trust (Safety & Risk Management) Fund. These programs are already in place and require no additional staff at this time.

Cost Recovery Options

The cost of insurance is fully covered within the Safety & Risk Management FY 2026/27 Budget. Each year the entire cost of the insurance and the estimated costs for property losses, workers compensation claims, all liability claims as well as automobile related claims costs are allocated across City Division budgets on a monthly basis. The allocations are based 45 percent upon an average of two years of payroll expense, 45 percent on a five-year average of claims or loss history, and 10 percent on the utilization of adjuster or staff, resources.

OPTIONS & STAFF RECOMMENDATION

Recommended Approach

The Safety & Risk Management Director requests authorization to purchase comprehensive excess property & casualty insurance on behalf of the City. **The purchase of the Property & Casualty coverages referenced below are expected to range from \$6,000,000 to \$6,750,000.**

Authorize purchase of General Liability, Auto Liability, Public Officials Errors and Omissions, Employment Practices Liability insurance, Active Assailant, and Law Enforcement Legal Liability Insurance with protection of \$10,000,000 liability limits per occurrence and annual aggregate coverage. Additionally, authorize the purchase of following form excess coverage in the amount of \$30,000,000. The combination of these liability programs will address claims in excess of the City's self-insured retention amount of \$2,000,000 per occurrence.

Authorize purchase of excess Workers' Compensation insurance, which will sit atop the City's self-insured retention amount of \$1,000,000.

Authorize purchase of Special Form Property, Boiler & Machinery, Earthquake and Flood Insurance on approximately \$1,315,734,065 of buildings, contents, equipment replacement values and vehicles.

Authorize purchase of Drone Liability Insurance with \$50,000,000 limits and Aviation Liability Insurance with limits of \$200,000,000.

Authorize purchase of Storage Tank Liability Insurance with limits of \$1,000,000 per occurrence.

Authorize purchase of Fine Arts Insurance with an exposure of \$45,864,704.

Authorize purchase of NFIP Flood Insurance for pertinent buildings on the water campus.

Authorize purchase of Network Security and Privacy Liability Insurance of \$10,000,000 Aggregate Limit that includes coverage for event management, regulatory action, cyber extortion, data restoration, systems failure, and business interruption insurance.

Authorize purchase of comprehensive coverage for vehicles and trolleys while parked with \$20,000,000 limits.

Authorize the proposed purchase of Fiduciary Liability with \$10,000,000 in limits. This insurance is to address liability exposures due to increased responsibilities associated with the 457-retirement savings plan.

Collectively the insurance policies and coverages referenced above represent the recommended insurance program profile for the City as determined by the Safety & Risk Management Director, in consultation with the City's insurance broker and the City Attorney.

Description of Option B

Authorize no purchase of Property - Casualty Insurance, including General Liability, Law Enforcement Liability, Employment Practices Liability, Storage Tank Liability, Vehicle Liability, Public Officials Errors and Omissions, Property, Workers' Compensation, Airport Liability, Aviation Drone Liability, Cyber Liability, and Fiduciary Liability insurance for Fiscal Year

2026/2027- and elect to completely self-insure for all losses. Not electing to purchase any excess- insurance could place a financial strain on City resources and cash flows if the City had to pay monies on a severe or a catastrophic claim, or series of claims.

Proposed Next Steps

Upon Council approval, coverage will be bound for the period July 1, 2026 to June 30, 2027.

RESPONSIBLE DEPARTMENT(S)

City Attorney's Office


STAFF CONTACT

George Woods, Jr., Safety & Risk Management Director


APPROVED BY


George Woods, Jr., Safety & Risk Management Director
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6/04/2026
Date


Sonia Andrews, City Treasurer
480-312-2364 SAndrews@scottsdaleaz.gov

6/4/26
Date


Luis Santaella, City Attorney
480-312-7771, LSantaella@scottsdaleaz.gov
lsantaella

6/4/26
Date

ATTACHMENT

- 1. Resolution No. 13719

RESOLUTION NO. 13719

A RESOLUTION OF THE COUNCIL OF THE CITY OF SCOTTSDALE, MARICOPA COUNTY, ARIZONA AUTHORIZING THE PURCHASE OF PROPERTY AND CASUALTY INSURANCE FOR FISCAL YEAR 2026/2027.

WHEREAS, the purchase of general liability, auto liability, public entity management liability, employment practices liability, law enforcement liability, cyber liability, storage tank liability, fiduciary liability, public officials errors and omissions insurance is of benefit to the City; and

WHEREAS, the City is also served by the purchase of property insurance, workers' compensation, aviation/drone liability and airport liability and hangar keepers' legal liability insurance;

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

Section 1. The Safety & Risk Management Director or designee is authorized to purchase, on behalf of the City of Scottsdale, the property and casualty insurance policies for Fiscal Year 2026/2027 in the amounts as follows:

- A. Excess Workers' Compensation insurance which will sit atop the City's self-insured retention amount of \$1,000,000 per injury.
- B. General Liability, Auto Liability, Public Entity Management Liability, Public Officials Errors and Omissions, Employment Practices Liability insurance, Active Assailant, and Law Enforcement Legal Liability Insurance with protection of \$10,000,000 liability limits per occurrence and annual aggregate coverage; and additional following form excess coverage in the amount of \$30,000,000.
- C. Special Form Property, Boiler & Machinery, Earthquake and Flood Insurance on approximately \$1,315,734,065 of buildings, contents, equipment replacement values and vehicles.
- D. Drone Liability Insurance with \$50,000,000 limits and Aviation Liability Insurance with limits of \$200,000,000.
- E. Storage Tank Liability Insurance with limits of \$1,000,000 per occurrence.
- F. Fine Arts Insurance with coverage for \$45,864,704.
- G. NFIP Flood Insurance for pertinent buildings on the water campus.

H. Network Security and Privacy Liability Insurance of \$10,000,000 Aggregate Limit that includes coverage for event management, regulatory action, cyber extortion, data restoration, systems failure, and business interruption Insurance.

I. Comprehensive coverage for vehicles and trolleys while parked with an aggregate limit of \$20,000,000.

J. Fiduciary Liability with \$10,000,000 in limits. This insurance is to address liability exposures due to increased responsibilities associated with the 457-retirement savings plan.

Section 2. The Safety & Risk Management Director, or designee, is authorized to execute such documents and to take all other actions and sign all other documents necessary and proper to purchase the policies authorized by this Resolution for Fiscal Year 2026/2027.

PASSED AND ADOPTED by the City Council of the City of Scottsdale this _____ day of _____ 2026.

CITY OF SCOTTSDALE, an Arizona
municipal corporation

ATTEST:

Ben Lane, City Clerk

Lisa Borowsky, Mayor

APPROVED AS TO FORM:



Luis Santaella, City Attorney

By: Lori S. Davis, Chief Deputy City Attorney