

**MEETING MINUTES OF THE
RISK MANAGEMENT TRUST FUND BOARD**

March 19, 2015 @ 6:00 p.m.

**AVONDALE CIVIC CENTER
OCOTILLO CONFERENCE ROOM
11465 W. CIVIC CENTER DRIVE
AVONDALE, ARIZONA**

1. Call to Order.

The meeting was called to order at approximately 6:00 p.m. by Chairman McDonald.

ROLL CALL

Roll was not called

3. Review and approval of the 2014 Risk Management Meeting Minutes.

Chairman McDonald invited discussion on the 2014 Risk Management Meeting Minutes. The Board Members voiced approval of the minutes.

4. Review of the Actuarial Report

Risk Manager Allen Iampaglia stated all the members have a copy of the actuarial report, which was obtained for approximately \$4,000. Also provided to the Board Members is an overview report discussing the background and how risk management got started over ten years ago.

He reported the program continues to operate quite nicely, but coverage issues are now more paramount due to recent events between police and communities throughout the country. Last year they had looked for cyber coverage in addition to property and vehicle insurance, which is with Travelers for a premium of \$135,701. Public entity liability has a \$500,000 SIR, up from \$250,000. Last year the city had to increase to \$500,000 because insurance companies are not writing policies with 250 deductibles anymore. The first layer is with Princeton at \$371,000, and the second layer is for 10 million, for a total layer of 20 million plus the retention, and that layer is \$60,390.

Risk Manager Allen Iampaglia stated he had been approached by City Council, members of the board, and the city manager to explore increased insurance coverage due to events in places like Ferguson, Missouri; Madison, Wisconsin; New York City; Los Angeles and elsewhere. As far as he is concerned, Avondale could have been Ferguson in any one of the four events where the City of Avondale Police Department had used deadly force

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over the last four years. One suspect was armed and he was killed. Another suspect was armed with two butcher knives. He was killed and the City wound up paying \$750,000 to settle.

A Board Member stated that was the way the City handled the investigation, not due to the crime. Risk Manager Allen Iampaglia explained the settlement was not for the shooting, but rather for a civil rights violation and the City's insurance company paid that claim after the City paid the 250,000 deductible.

The Board discussed a third incident involving a man with a machete who almost totaled a vehicle and an officer by ramming them with a stolen vehicle. When officers responded, he came out of the vehicle with a machete and he was killed. A fourth incident involved an unarmed man that officers had killed at a Circle K about a year-and-a-half ago. The suspect was erratic, violent, and probably on drugs, but even being unarmed the officers had to take his life to stop him.

In light of these instances and the relationship between the public and the press, City Council has asked the him to consider coverage at 30 million. He thinks this is prudent and the City Council and city manager will make the final decision.

A Board Member remarked increased coverage is a good idea because the media will whip anything into a frenzy and the current administration will likely incite a riot as they did in Ferguson.

Chairman McDonald remarked as he watched events in Ferguson and other areas, he couldn't help but think of the incidents in Avondale.

A Board Member remarked the City did shoot an unarmed man, but he was violent. He commented that Channel 12 had the incident with the suspect with a machete on film. The Board Members discussed other events experienced by the Avondale police officers.

Risk Manager Allen Iampaglia stated a new area of coverage is from Illinois Union for privacy and network liability coverage at one million. The City was prompted to purchase this coverage because of the events with Target and Sony, Maricopa County College District, and others. Last year the most insurance the City could get was for one million because it was a brand new form of coverage and the City had no loss history. The Board Members discussed security precautions the City is required to take and efforts of the City IT Department to keep data secure. This year the City would like to increase the privacy and network liability coverage.

The Board Members discussed types of network liability, such as the activities of a hacker. Risk Manager Allen Iampaglia explained the IT coverage.

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Risk Manager Allen Iampaglia explained the City's claims philosophy, which is to pay what is fair and not to try to shortchange people, and that this policy has served the City well.

Risk Manager Allen Iampaglia discussed the estimated outstanding claim losses as of June 30, 2014. The report shows the estimated outstanding losses and present value of those losses should be \$526,743 based on the current loss history. This is a decrease of \$64,524 from the independent review. Table 1-IB shows the level of funding at the recommended level of 75%, which would be \$634,000, which represents a decrease from last year by \$56,000. These numbers reflect the success of the Risk Management Program and the City's claims philosophy.

Some numbers have risen higher due to what happened with a 250 deductible bumped up to a 500 deductible. As the City now has a possible \$500,000 retention rather than a 250,000 deductible, the potential of higher reserves is there because now claims will be capped at \$500,000.

A Board Member asked how many times in the last year had the City paid claims over \$250,000, and the Risk Manager stated just once.

The Board Members discussed that the majority of the City's claims are below 500,000 and if a big claim comes in, the City is still only liable up to \$500,000.

Risk Manager Allen Iampaglia explained there are still companies that will write a policy for \$250,000, but the caveat is the City would have to hire a third-party administrator and basically pay someone to settle claims with the City's money and then charge the City a fee, so the City prefers to do it in-house.

The Board Members discussed the benefit of having City employees available nights and weekends to handle matters rather than waiting until Monday morning after the press and lawyers have become involved. This option does not exist with third party claim administrators.

Risk Manager Allen Iampaglia stated more good news is that currently the trust fund balance is projected to be 3.3 million, while last year it was 2.8 million. He stated last year the City had put in 1.87 million and this year it is putting 1.9 million into the fund.

A Board Member asked what cash level was recommended. Risk Manager Allen Iampaglia explained he would be comfortable with a cash level at 8 million because of the way the Finance Department invests the money. He thinks the City can generate enough income from that investment to pay for the City's liability and insurance

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premiums. He had achieved this goal in the City of Glendale after 22 years, and now he hopes to do the same for Avondale.

A Board Member asked how the money is generated for the trust fund. Risk Manager Allen Iampaglia stated the fund does not revert back to zero like all the other funds in the City. This is a self-standing trust fund and at the end of the fiscal year, it just rolls over.

Risk Manager Allen Iampaglia explained that every year funds are allocated for the different departments based on a number of facts such as claims history, and then they debit an expenditure into their appropriate fund and they credit or transfer funds for the amount. The City's budget this year will be about 1.9 million dollars in the fund.

Risk Manager Allen Iampaglia stated the premiums are \$600,000. The City is putting 1.9 million in for claims that are outstanding and claims that are incurred, but not reported, in order to increase the trust fund balance.

Risk Manager Allen Iampaglia explained that an incentive is built into each department because half of the money that comes out of the department is allocated on the basis of the last five years of their claims history. All claims are put into a database, including Worker's Comp. All the claim events are described in the database. Claims are allocated and the City pays each claim and whatever the reserve is. Once the claim is closed out, the City knows what each department has spent at the end of the fiscal year. They keep track of that for five years and have a five year look-back. Each department has an incentive because each department has a portion of their operating budget taken out and given to the Risk Management Trust Fund based upon their utilization of the money.

The Board Members discussed how the risk is spread out over the departments, but the lion's share of the budget goes towards public safety.

A Board Member asked what the City is doing as far as the police so that they are not shooting people dead. Risk Manager Allen Iampaglia described the City's intensive training program. He goes to the police department and everybody sergeant and above sits through an hour where he explains the ends and outs of why the City investigates claims a certain way, why deadly force is considered, etc. There are procedures in the police officer POST code as well. He reported the City does not do high speed chases anymore. Most police accidents now are due to the police looking at their computer screens while driving. The police are instructed not to be on their computers until they pull off the road.

The Board Members discussed police shootings, tasing incidents, and support for the officers. The members discussed the use of cellphones to record police-involved events. The members also discussed situations where tasing does not work, and that if tasing

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does not work and the suspect is still coming at the officer, the next option is deadly force. Risk Manager Allen Iampaglia stated that the City takes a proactive approach.

A Board Member stated ballistic vests are useless against a knife as the knife goes right through the Kevlar. A Board Member stated he had a picture of what a 15-year-old girl did to a cop with a knife. He required approximately 300 stiches. The members discussed the necessity for the public to understand why deadly force is used when people are armed only with a knife.

5. Questions and Answers

A Board Member asked about an incident where a suspect rammed a police car and asked what repercussion the City has insurance wise to recover costs for damages. Risk Manager Allen Iampaglia explained that the City tries to recover all the costs; however, the reality is that most of the people that go on a rampage and ram police cars do not own a home or a car and do not have a regular job; hence, it is impossible to recover the City's costs in those instances. One statistics says at least 35% of the drivers in Arizona do not have insurance.

A Board Member asked about expected payouts from claims five years back. Risk Manager Allen Iampaglia explained that cases are still open during the statute of limitations term and discussed other claim histories and matters that City Council will handle, as well as memos of understanding.

6. Recommendations to the Board

No recommendation were made. The board discussed their vote is regarding the contribution of 1.9 million dollars for this year's trust fund, which was arrived at working with Finance and Budget in terms of the funds necessary to pay the premiums, pay claims, and let the fund grow. Risk Manager Allen Iampaglia stated he would like the fund to grow to 7.5 to 8 million some day so the City will have enough money from interest earned to pay for the programs.

Chairman McDonald asked for a vote from the Board to contribute 1.9 million dollars in the 2015/16 budget coming up July 1st. Board Member Lynch made a motion. A Board Member seconded the motion. The motion passed unanimously.

7. Adjournment

With no further business, the meeting adjourned.

Respectfully submitted,

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**Kathy Reyes
Local Board Secretary**

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