



**BOARD OF SUPERVISORS AGENDA ITEM REPORT**

Requested Board Meeting Date: February 7, 2017

**Title:** Exemption Request from Posting of Security for Pima County's Self Insured Workers Compensation Program

**Introduction/Background:**

In 1978 Pima County was approved by the Industrial Commission of Arizona (ICA) to self-insure workers' compensation. Annually the ICS reviews and approves an employer's submission to financially assure payment of workers' compensation outstanding liabilities by the employer either posting a security bond or requesting an exemption from the security requirement. In 2005 and each year since then, Pima County has requested and has been granted by the ICA an exemption to the security bond as the County meets the requirement that the program be fully funded.

**Discussion:**

The Commission's rules require a public entity annually file a certified statement to the ICA requesting an exemption from the requirement to post a statutory deposit. The Commission's rules also require the exemption form be signed by not less than a majority of the governing board. The form to be signed and certified is included in this resolution and once completed will be sent with the County's annual application containing the items listed in the resolution.

**Conclusion:**

Risk Management presents annually the ICA exception form for the approval of the Board to avoid posting a required security deposit or surety bond .

**Recommendation:**

Recommend the approval from the Board of Supervisors for the exception from the requirement to post a statutory deposit in order to avoid the County from posting a required calculated security deposit of approximately \$15.1 million or a surety bond at an estimated \$100,000 annually. The Industrial Commission of Arizona (ICA) requires the Clerk of the Board to sign that the exception form is the original signed document.

**Fiscal Impact:**

If Pima County is not eligible for exemption, the County would be required to post the security deposit of \$15.1 million or post a surety bond at an estimated cost of \$100,000 annually to guarantee the outstanding liability on workers compensation claims.

**Board of Supervisor District:**

- 1
- 2
- 3
- 4
- 5
- All

Department: Finance and Risk Management Telephone: 724-3840

Department Director Signature/Date: *[Signature]* 1/18/17

Deputy County Administrator Signature/Date: *[Signature]* 1-18-17

County Administrator Signature/Date: *[Signature]* 1/19/17



Re: Request to ICA for Exemption from Requirement to Post Statutory Deposit

COUNTY OF PIMA

I, Julie Castañeda, Clerk of the Board of Pima County Board of Supervisors, County of Pima, within the State of Arizona, do hereby certify and attest that the attached is a copy of the original Request for Exemption from Requirement to Post Statutory Deposit for Pima County in accordance with the Arizona Administrative Code and for its Self-Insured Workers' Compensation program, has been duly approved on February 7, 2017 and signed by the Chair of the Pima County Board of Supervisors, Sharon Bronson– District 3 and the Pima County Board of Supervisors Members; Ally Miller- District 1; Ramón Valadez–District 2; Steve Christy–District 4; and Richard Elías–District 5.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the official seal of Pima County to be affixed hereunto this \_\_\_\_\_ day of February, 2017.

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Julie Castañeda, Clerk of the Board

## 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 Pima County, duly qualified and authorized Arizona Workers Compensation self-insurer.

Pima County hereby requests the Industrial Commission of Arizona (ICA) approve an alternate (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 Pima County unpaid Workers Compensation claims liability, as outlined in the foregoing statement.

Pima County, Arizona States:

- 1) Pima County has established a self-insurance trust pursuant to A.R.S. § 11-981 (A-F) and the Pima County Code Chapter 3.04.
- 2) Pima County shall conduct an actuary report on an annual basis. The confidence level shall be no less than fifty-five percent. The discount for investments shall be no more than 3.0% annually.
- 3) The risk management fund and/or workers' compensation trust is sufficient to cover actuarial liabilities for workers' compensation as determined by the self-insurer in accordance with Government Accounting Standards Board Statement #10 (replaced by GASB No. 30); and
- 4) Pima County provides funding to the risk management fund and/or trust established pursuant to A.R.S. § 11-981 (A-F) each year. The amount in the internal service fund held for workers' compensation purposes within the trust is sufficient to cover actuarial liabilities for workers' compensation claims as determined by the self-insurer's actuary in accordance with Government Accounting Standards Board Statement #10 (replaced by GASB No. 30), as well as workers' compensation reserves multiplied by 125% pursuant to the A.A.C.
- 5) The Pima County 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 internal service fund and/or trust has insufficient funds to cover all workers' compensation liabilities of Pima County.
- 6) Pursuant to items 1 through 4, Pima County meets the conditions required under A.R.S. § 11-981 (A-F) and the Arizona Administrative Code, subsection R20-5-1114 (A&B).
- 7) The signatures below represent a majority of the governing body (Council/Board) members.

Signed \_\_\_\_\_  
Sharon Bronson, Chair, District 3

Date \_\_\_\_\_

Signed \_\_\_\_\_  
Ally Miller, District 1

Date \_\_\_\_\_

Signed \_\_\_\_\_  
Ramón Valadez, District 2

Date \_\_\_\_\_

Signed \_\_\_\_\_  
Steve Christy, District 4

Date \_\_\_\_\_

Signed \_\_\_\_\_  
Richard Elías, District 5

Date \_\_\_\_\_