



Legislation Details (With Text)

File #: RES 17-0066 **Version:** 1
Type: Consent - SR w/Resolution **Status:** Agenda Ready
In control: City Council Regular Meeting
On agenda: 6/6/2017 **Final action:**
Title: Resolution Approving an Agreement with the Independent Cities Risk Management Authority for Amortized Payment of Pooled General Liability Program Assessments (Human Resources Director Zadroga-Haase).
ADOPT RESOLUTION NO. 17-0066

Sponsors:

Indexes:

Code sections:

Attachments: 1. Amortized Assessment Payment Agreement with ICRMA, 2. Resolution No. 17-0066

Date	Ver.	Action By	Action	Result
6/6/2017	1	City Council Regular Meeting		

TO:
Honorable Mayor and Members of the City Council

THROUGH:
Mark Danaj, City Manager

FROM:
Teresia Zadroga-Haase, Human Resources Director
Gregory S. Borboa, Risk Manager

SUBJECT:
Resolution Approving an Agreement with the Independent Cities Risk Management Authority for Amortized Payment of Pooled General Liability Program Assessments (Human Resources Director Zadroga-Haase).
ADOPT RESOLUTION NO. 17-0066

RECOMMENDATION:
It is recommended that the City Council adopt Resolution Number 17-0066 approving the amortized assessment payment agreement (Attachment 1) with the Independent Cities Risk Management Authority (ICRMA) and authorizing the City Manager to execute the agreement.

FISCAL IMPLICATIONS:
The assessment of \$146,278.00 for Fiscal Year 2017-18 has been included in the two-year budget approved in June of 2016.

BACKGROUND:
The City is a founding member of the ICRMA, a public entity risk sharing pool created by authority of the Joint Powers Act (Government Code 6500 et seq.). The City has maintained membership since

1980. In 2014 the Governing Board of the pool began to address significant claim experience erosion in the pool's excess general liability program. In 2016 the Board announced a \$12.5 million assessment to the membership to cover reserve shortfalls in four prior years. The assessment was to be amortized and was to begin in FY 2016-17. The assessment applied to all current and prior pool members that had claims experience in the problem claims years. Along with the assessment a proposal was made to recapitalize \$12.5 million beginning in FY 2017-18, also in an amortized fashion. The recapitalization would only be charged to members in the program in any future fiscal year.

As part of the renewal for Fiscal Year 2017-18 some program restructuring was done that lowered the pool's retained exposure per claim from \$5 million to \$3 million, which left a lower reserve to fund in future claim years. While this was a prudent move for claims funding going forward, prior claims continued to erode. A sub-committee was selected to evaluate options to address the continued reserve degradation. The planned recapitalization was abandoned as it would exclude prior members from paying their share of claims experience for the problem years. The \$12.5 million was added to the assessment value. There was also continued claims experience erosion that led to additional reserving requirements of \$13.26 million over the \$25 million shortfall originally intended to be addressed by the assessment. The total assessment value has now reach \$38.26 million and includes five claims years. The assessment detail by ICRMA member can be found as Exhibit A of the attached assessment payment agreement. The City's full assessment total is \$1,462,781.00. The annual amortized payment is \$146,278.00. The assessment amount has been included in the FY 2017-18 operational budget.

DISCUSSION:

In order to ensure current and past members were properly noticed and to avoid any disputes over the obligation to pay the assessments, ICRMA deemed it prudent to have each individual member complete a simple agreement as to acceptance of the amortized assessment.

Without the amortization agreement, the City's full share of the assessment of nearly \$1.5 Million would be due and payable in full during FY 2017-18.

As this agreement is with another public entity and because of the amount of the assessment it is required that Council provide approval to execute the agreement by resolution. Resolution 17-0066 is included for consideration and approval as Attachment 2.

POLICY ALTERNATIVE:

The City is contractually obligated to pay any assessments adopted by the ICRMA Board. The only alternative to the amortization agreement is to pay the full assessment of \$1,462,781 in one payment due July 1, 2017. This alternative is not recommended due to the impact to the General Fund. As mentioned above, the first amortized payment of \$146,278 for FY 2017-2018 has been included in the proposed budget.

LEGAL REVIEW:

The agreement has been reviewed and approved by the City Attorney as to legal form.

CONCLUSION:

Staff recommends that the City Council approve the amortized assessment payment agreement with ICRMA and authorize the City Manager to execute the agreement.

Attachments:

1. Amortized Assessment Payment Agreement with ICRMA
2. Resolution No. 17-0066