

To: James L. App, City Manager  
From: Mike Compton, Director of Administrative Services  
Subject: Public Liability Program  
DATE: April 15, 2003

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Needs:

Present program options being considered by the Coast Cities Self Insurance Fund (CCCSIF) to City Council.

Facts:

1. Paso Robles has been a member of CCCSIF since 1977.
2. CCCSIF offers programs for both workers' compensation and public liability. A member City is not required to participate in both in order to be a member.
3. The CCCSIF is group purchase banking program. Each City is individually responsible for own expenses and losses. There is no sharing of risk.
4. CCCSIF membership includes all SLO County cities plus Guadalupe, Lompoc, Santa Maria and Santa Paula from northern Santa Barbara County.
5. Costs for both programs are increasing significantly. While the costs for workers' compensation is more significant, the CCCSIF Board has chosen to focus its' attention first to public liability program alternatives.
6. At the next Board meeting, CCCSIF will discussing the three options noted below:

Remain Unchanged

Join the California Joint Powers Insurance Authority (CJPIA)

Join the California Public Entity Insurance Authority (CPEIA)

7. Staff is requesting authority, as the City's Board representative, to vote in favor of joining the California Joint Powers Insurance Authority.

Analysis &  
Conclusion:

The CCCSIF Board at their January strategic planning session was given a very bleak forecast of potential cost increases to both the workers' compensation and general liability programs. The Board voted to direct the program administrator, Bickmore Risk Services, to return with liability program alternatives at the March Board meeting. Program alternatives to the workers' compensation program

were not included because CCCSIF had recently switched to the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX – pronounced locks) for excess coverage. Additionally, most of the costs increase for workers' compensation is loss driven rather than cost of insurance.

Final program costs for workers' compensation and general liability will not be known until late May or early June. However, the City's insurance broker and program administrator have estimated, as best as can be determined at this time, the following cost increases:

	<u>Current Deposit</u>	<u>2003/04 Deposit</u>	<u>Difference</u>
Workers' Compensation	\$380,356	\$601,085	\$220,729
General Liability	\$235,935	\$284,304	<u>\$ 48,369</u>
Estimated Increase			<u>\$269,098</u>

While a \$48,400 increase may not appear significant, the overall increase for CCCSIF is nearly \$300,000. Additionally, the excess insurer is requiring that Paso Robles, and any other member City with a total payroll greater than \$5 million, to increase its self-insured retention (deductible) from \$100,000 to \$250,000. Costs are expected to rise annually.

Of the three options noted above in Fact #6, the CPEIA option is the least attractive since it includes 53 counties. Staff hasn't heard or seen any convincing information or evidence that CPEIA a good fit for the City. Being aligned with Counties in a risk-sharing environment is not an attractive proposition. There was not much support at the last Board meeting for this option.

CJPIA is a risk sharing pool of 92 California cities from across the entire State. At one time, CJPIA was called the Southern California Joint Powers Authority whose membership was made up of only southern California cities. Its' current membership majority remains southern California cities but most of these cities are contract cities who don't directly provide police and/or fire services. CJPIA represents a radical change from the current program because it is a risk sharing pool. Risk sharing pools are the most prevalent form of public liability program in California

Points in favor of joining CJPIA are noted as follows:

1. Provides a lower deductible: \$30,000 versus \$250,000.
2. No program deposit increase in fiscal year 2004. The quote for CJPIA is similar to the deposit paid in fiscal year 2003.
3. Premium paid for the first excess layer is paid into a risk sharing pool rather than to an insurance company. This provides the opportunity

for return of unused premiums to member agencies rather than being kept by an insurance company.

4. Cost of program administration is not an additional cost as with CCCSIF. With CJPIA, program administration is fully funded from interest earnings on program deposits.
5. Cost of risk management services is not an additional cost as with CCCSIF. With CJPIA, risk management is fully funded from interest earnings on program deposits.
6. Program is managed by a full staff rather than part-time.
7. City will be able to continue using Carl Warren & Company for claims administration.
8. City will be able to continue using the same pool of local liability defense attorneys.
9. Liability program savings are expected to accrue with membership.

Potential downside of joining CJPIA include:

1. While the forced move to a \$250,000 SIR may curtail or eliminate liability program surpluses, the City has been able to apply said surpluses towards workers' compensation deficits.
2. Staff time will be required to participate in two different organizations.
3. City will not have same level of control over claims.

All of the members of CCCSIF have been invited to apply for membership in CJPIA. However, in order for any change to occur for the program year beginning July 1, 2003, a majority of the Board members must vote to join. Otherwise, individual members wishing to join will have to wait for an entire year since the deadline for individual CCCSIF member withdrawal was January 1, 2003.

Staff recommends that the Council authorize staff to vote in favor joining CJPIA.

Fiscal  
Impact:

Joining CJPIA would save approximately \$50,000 in program deposits for fiscal year 3004. While impossible to predict with certainty, it is believed that similar or more savings may occur in the future. Since CJPIA as a risk sharing pool provides excess coverage to \$5 million, there is additional opportunity for savings since premiums are not being paid directly to an insurance company. Unspent funds may be returned to member agencies at each five-year "retro" rating.

Options:

- a. Authorize staff to vote in favor of joining CJPIA for public liability coverage; or
- b. Amend, modify, or reject the above option.