

To: James L. App, City Manager
From: Mike Compton, Director of Administrative Services
Subject: California Joint Powers Insurance Authority
DATE: June 17, 2003

Needs:

For the Council to consider adoption of a resolution approving a joint powers agreement with the California Joint Powers Insurance Authority (CJPIA) and authorizing the City's membership.

Facts:

1. Paso Robles has been a member of CCCSIF since 1977 and participates in both the workers' compensation and general liability programs.
2. Due to cost increases but mainly due to the requirement that the City move to a higher self-insured retention limit (\$250,000) for the general liability program, CCCSIF has been evaluating other program alternatives.
3. These program alternatives were presented to the Council at their April 15, 2003 meeting.
4. Staff was authorized to vote at the next CCCSIF Board meeting to join CJPIA if it continued to be the most favorable alternative.
5. On May 28, 2003, the Board voted 7 to 1 with one absent to join CJPIA effective 7/1/03 for the purpose of general liability coverage.
6. Existing general liability claims and those yet to be filed for occurrences prior to July 1, 2003 will continue to be covered and administered through CCCSIF at least for fiscal year 2004.
7. To finalize the City's participation in CJPIA, the Council must adopt their joint powers agreement and formally approve membership.

Analysis &
Conclusion:

The CCCSIF Board has been analyzing and discussing various general liability program alternatives due to program cost increases and higher required self-insured retentions. The insurance market forecast is quite bleak and higher costs are expected to continue.

Given this scenario, the Board voted at their last meeting to waive the noticing requirements for withdrawal from CCCSIF in order to allow members to join CJPIA or CPEIA.

As previously reported, the CPEIA option is not an attractive alternative since it includes 53 counties nor had staff 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. It also requires similarly high self-insured risk retentions that would be required if no move was made.

It is expected that all Board members that voted to waive the noticing requirement will join CJPIA even though a few of the cities would have slightly higher premium deposits than the CPEIA program. Lompoc was the only City that voted to disallow the waiver of the termination notice requirement. Lompoc has two full time city attorneys, one of which is responsibility for general liability claims. Under the CJPIA program, city attorneys may not manage its' own city's claims. Thus, Lompoc will likely opt for the CPEIA program wherein they may continue to be fully responsible for their claims.

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. Adopt Resolution No. 03-XX approving the California Joint Powers Insurance Authority's Agreement and authorize the City membership for general liability coverage; or
- b. Amend, modify, or reject the above option.

RESOLUTION NO.

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF EL PASO DE ROBLES,
COUNTY OF SAN LUIS OBISPO, CALIFORNIA, APPROVING EXECUTION OF THE
JOINT POWERS AGREEMENT CREATING CALIFORNIA JOINT POWERS INSURANCE
AUTHORITY, AND FURTHER APPROVING PARTICIPATION IN ITS JOINT
PROTECTION PROGRAM PROVIDING LIABILITY COVERAGE THROUGH
SELF-INSURANCE, LOSS POOLING AND EXCESS INSURANCE.

WHEREAS, pursuant to the provisions of Sections 990, 990.4, 990.8 and 6500 of the Government Code, CALIFORNIA JOINT POWERS INSURANCE AUTHORITY ("CALIFORNIA JPIA") has been created by a Joint Powers Agreement; and

WHEREAS, a Joint Protection Program has been developed by said CALIFORNIA JPIA pursuant to the provisions of said Agreement; and

WHEREAS, Article 21 of said Agreement provides for additional members to become parties to the Joint Powers Agreement creating the CALIFORNIA JPIA, after the first year of its operation, and thereupon enter the Joint Protection Program providing General and Automobile Liability Coverage through self-insurance and loss pooling; and

WHEREAS, the self-insurance and loss pooling programs of the CALIFORNIA JPIA, as well as its group insurance coverage programs, offer significant advantages to the City in terms of cost, protection, risk management and loss control advice and assistance, and entering such programs would be and is in the best interest of this City.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF EL PASO DE ROBLES DOES HEREBY RESOLVE, ORDER AND DETERMINE THE FOLLOWING:

SECTION 1. That the Mayor of the City of El Paso de Robles is hereby authorized and directed to execute the Joint Powers Agreement on behalf of the City of El Paso de Robles binding the Member to the terms and conditions of said Agreement.

SECTION 2. That the City of El Paso de Robles hereby joins the Joint Protection Program of CALIFORNIA JPIA, providing self-insurance and loss pooling for General and Automobile Liability for a period of not less than three (3) years.

PASSED AND ADOPTED by the City Council of the City of El Paso de Robles this 17th day of June 2003 by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Frank R. Mecham, Mayor

ATTEST:

Sharilyn M. Ryan, Deputy City Clerk

City Clerk

I hereby certify, under the penalty of perjury, that the above and foregoing is a true and correct copy of Resolution No. _____ as adopted by the City Council of the City of El Paso de Robles, on the 17th day of June 2003.