

To: James L. App, City Manager
From: Mike Compton, Director of Administrative Services
Subject: Pollution Liability Coverage
DATE: May 4, 2004

Needs:

For the Council to adopt a resolution approving a budget appropriation for pollution liability coverage (non-landfill).

Facts:

1. Except for landfill operations, Paso Robles has never purchased pollution liability insurance.
2. The fueling station at the airport that is now owned by the City is covered under the airport liability policy and the current leasee is required to indemnify the City.
3. The City no longer operates fueling facilities for its vehicle fleet.
4. The City's only current exposure is limited to wastewater operations but potential exposures may be expanded if regulatory agencies force local agencies to monitor and control storm water discharge.
5. The California Joint Powers Insurance Authority (CJPIA) has provided the City with a quote for pollution liability in the amount of \$20,500 with a \$50,000 deductible. Coverage is provided for loss up to \$10 million.

Analysis &
Conclusion:

The proposed coverage is for both sudden and gradual pollution. It would not cover mold, known conditions or intentional acts. The City's insurance broker, Driver Alliant Insurance Services, indicates that the coverage offered by CJPIA is a "good purchase". It is their position that pollution liability insurance is not a frequency type of coverage as is proven by Paso's experience. Pollution events are very rare but the cost of an event can be quite severe.

Most cities, given the infrequency of such events, don't purchase pollution coverage. Of the 103 members of the CJPIA only about 20 purchase this coverage. No cities in SLO County or Northern SB County purchase pollution insurance.

Fiscal
Impact:

The one year budget/four-year financial plan adopted by the Council on June 3, 2003, indicated that the General Fund would experience a \$(1,215,500) operating deficit for fiscal year 2003. Since that presentation, the Council has approved the following additional General Fund budget appropriations:

Carry-over Requests	\$849,900
City-wide Fee Study	11,000
Self-contained Breathing Apparatus	15,800
Install 67 Parking Spaces	7,000
Void GF Montebello Park Contribution	(550,000)
Landscape & Lighting Improvements	100,000
Quake Consulting Services	<u>20,000</u>
Total YTD	<u>\$453,700</u>

These additional appropriations plus this request for \$20,500 would increase the projected General Fund deficit to \$(1,689,700). The projected deficit will be paid from General Fund savings (reserves). There are currently sufficient resources in reserves to cover the deficit.

Options:

- a. Adopt Resolution No. 04-xx approving an appropriation from General Fund reserves to Budget Account No. 100-140-5230-128.
- b. Amend, modify, or reject the above option.

RESOLUTION NO. 04-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASO ROBLES
APPROVING A BUDGET APPROPRIATION FOR THE PURCHASE OF
POLLUTION LIABILITY COVERAGE

WHEREAS, the City does not have coverage for losses arises from pollution events ; and

WHEREAS, while infrequent, pollution events may have significant financial impacts depending upon the nature and severity; and

WHEREAS, the California Joint Powers Insurance Authority has a pollution liability program and has offered coverage to the City at a cost of \$20,500; and

WHEREAS, the City Council desirous of purchasing coverage to protect the City from potential lossess arising out of both sudden and gradual pollution events.

THEREFORE BE IT HEREBY RESOLVED by the City Council of the City of El Paso de Robles to approve a budget appropriation from General Fund reserves in the amount of \$20,500 to budget account 100-140-5230-128 for fiscal year 2004.

BE IT FURTHER RESOLVED that said budget appropriation shall be added to the base budget and continue until such time as coverage is terminated.

PASSED AND ADOPTED by the City Council of the City of Paso Robles this 4th day of May 2004 by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Frank R. Mecham, Mayor

ATTEST:

Sharilyn M. Ryan, Deputy City Clerk