

CITY OF SAN LEANDRO
MEMORANDUM

DATE: April 6, 2012

TO: Finance Committee

FROM: Chris Zapata, City Manager

BY: Jim O'Leary, Interim Finance Director
Mary Ann Perini, Budget and Compliance Manager

SUBJECT: Discussion Regarding Proposed Resolution Decreasing City's General Liability Self-Insured Retention Level through the California Joint Powers Risk Management Authority

SUMMARY AND RECOMMENDATION

Staff recommends that the Finance Committee approve the City decreasing its General Liability self-insured retention (SIR) level from \$1,000,000 to \$500,000 through the California Joint Powers Risk Management Authority (CJPRMA) and recommend that the City Council adopt a resolution approving this change as required by CJPRMA.

DISCUSSION

The City currently maintains a \$1,000,000 per occurrence SIR and participates in the CJPRMA pool above the \$1,000,000 limit. Article XIX of the CJPRMA joint powers agreement provides member entities with the ability to determine, on a year-to-year basis, an entities own self-insured retention level. The City's SIR was established, and has remained unchanged, since the City joined CJPRMA on December 1, 1986, the same year the risk pool itself was created.

At the December 2, 2011 Finance Committee meeting, the Committee reviewed and accepted a report prepared by the City's actuary, AON, evaluating the self-insured retention level and the possibility of decreasing the SIR to \$500,000. Based on 10 years loss history the City did not have a loss exceeding \$500,000. However with a decrease in the SIR, premiums will increase by \$38,000 for 2012-13. The Finance Committee determined that the added premium was worth reducing the SIR per occurrence by one-half.

At the CJPRMA Board of Directors meeting on March 15, 2012, the Board discussed, reviewed and approved the City's request to change the SIR from \$1,000,000 to \$500,000. Based on the City's loss history, neither CJPRMA nor the City will be negatively impacted by the SIR reduction. If the City Council authorizes and approves the reduced retention limit, the new SIR will be effective July 1, 2012 for the new fiscal year.

FISCAL IMPACT

Reducing the self-insured retention directly impacts the Self Insurance fund. The lower SIR reduces the City's exposure to liability occurrences and claims which is offset by a higher annual premium. For 2012-13 the annual CJPRMA general liability premium will increase by \$38,000 totaling \$154,000.

CONCLUSION

Staff recommends that the Finance Committee approve the City decreasing its General Liability self-insured retention (SIR) level from \$1,000,000 to \$500,000 through the California Joint Powers Risk Management Authority (CJPRMA) and recommend that the City Council adopt a resolution approving this change as required by CJPRMA.