

**LODI CITY COUNCIL
SHIRTSLEEVE SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, SEPTEMBER 20, 2016**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, September 20, 2016, commencing at 7:00 a.m.

Present: Council Member Johnson, Council Member Mounce, Council Member Nakanishi, Mayor Pro Tempore Kuehne, and Mayor Chandler

Absent: None

Also Present: City Manager Schwabauer, City Attorney Magdich, and City Clerk Ferraiolo

B. Topic(s)

B-1 Receive Overview Presentation Regarding the California Joint Powers Risk Management Authority by General Manager David Clovis (CA)

City Attorney Magdich reported that Lodi was a founding member of the California Joint Powers Risk Management Authority (CJPRMA), which provides general liability insurance coverage for excess liability, property, boiler and machinery, and automobile.

CJPRMA General Manager David Clovis presented a PowerPoint presentation regarding an overview of CJPRMA. Specific topics of discussion included background of CJPRMA, historical perspective, insurance pooling in the early years, creation of CJPRMA, CJPRMA members, first steps, CJPRMA today, Memorandum of Coverage, limits, total member payroll, liability rates, Lodi net cost, Lodi net benefits, property program, property program - total insured values, property program - rates, other programs, added services, and state of the industry.

In response to Council Member Mounce, Mr. Clovis explained that CJPRMA is a blended insurance pool for excess liability and four of the members are other insurance pools: Northern California Cities Self Insurance Fund, Redwood Empire Municipal Insurance Fund, Small Cities Organized Risk Efforts, and Yolo County Public Agency Risk Management Insurance Authority. He stated there are 21 members but 97 different entities.

In response to Council Member Nakanishi, Mr. Clovis stated that CJPRMA purchases its insurance from Munich Reinsurance Company, which is based in Munich, Germany, and is the largest reinsurer in the world. CJPRMA left the company two years ago and went with Starr Insurance due to lower costs; however, six months into the program, the company decided it would no longer insure public agencies in California and CJPRMA returned to Munich Reinsurance Company. Mr. Clovis stated that Munich provides great rates and is a superior company that works with CJPRMA on liability claims without pushing settlements.

In response to Council Member Johnson, Mr. Clovis stated that CJPRMA works in partnership with the City of Lodi legal staff to ensure the best end result, stating there are times when it is appropriate to go to trial on a claim due to political concerns while other times it may be in the best interest to settle a claim. CJPRMA does not force members to settle and will give insights on claims, including financial perspectives on costs of settlement versus trial and mock trials to determine what a jury may do.

In response to Council Member Nakanishi, City Manager Schwabauer stated that the retained coverage limit is similar to an insurance deductible for individuals: CJPRMA would pay the deductible on a claim up to \$5 million, and anything over that amount is covered by the reinsurer company. In further response, Mr. Clovis stated that no member city has reached or

exceeded the \$5 million limit, partially due to good risk management, good jury awards, or pure luck. CJPRMA will typically move aggressively to settle a case before it reaches that level.

In response to Council Member Nakanishi, Mr. Clovis stated that the \$2.7 million listed in the PowerPoint as the net benefit represents what it would have cost the City over time and is a savings over and above the amount the City has with CJPRMA. Mr. Schwabauer further explained that, if the City were completely self insured and paid the claims, it would have cost Lodi \$2.7 million more than what it cost the City as a result of the CJPRMA program. Currently, CJPRMA holds \$1.5 million on the City's behalf in the pool and the remaining amount was either redistributed back to the City or paid by CJPRMA on claims. Ms. Magdich stated that Lodi receives more back in redistribution because it has been in the pool for so long. CJPRMA manages \$93 million, some of which is invested with a return on the money.

In response to Council Member Mounce, Mr. Clovis confirmed that Lodi does not currently participate in the Difference in Conditions program, which is a new add-on service to cover catastrophic events. While the CJPRMA program is more affordable than those in the market place, it is still expensive; however, entities can select what they want to cover. Council Member Mounce requested that Council discuss and consider this program, to which Ms. Magdich stated that, once the program is in place, the costs are known, and updated appraisals are completed on City properties, the item will be brought back to Council for consideration.

At the request of Ms. Magdich, Mr. Clovis explained property coverage and replacements costs, using the Carnegie Forum as an example if it were damaged. Based on an appraisal and the listed value, the building would be reconstructed as is and upgraded to today's codes and standards; however, the listed value must be based on what it would reasonably cost to rebuild the structure at today's cost.

In response to Council Member Nakanishi, Mr. Clovis stated that none of the CJPRMA members has a negative balance in the pool and all entities share equally.

In response to Council Member Johnson, Mr. Clovis stated that, unfortunately, CJPRMA's rate of return on investments recently has been poor at roughly 6 to 7 percent, but it invests conservatively to protect its portfolio.

C. Comments by Public on Non-Agenda Items

None.

D. Adjournment

No action was taken by the City Council. The meeting was adjourned at 7:59 a.m.

ATTEST:

Jennifer M. Ferraiolo
City Clerk