



City of Culver City

Staff Report

File #: 21-14, Version: 1

Item #: C-14.

CC - (1) Ratification of Amendment to Existing Professional Services Agreement with AON Risk Insurance Services West, Inc. to Continue Providing Broker Services for the City's Insurance Programs through June 30, 2021; and 2) FOUR-FIFTHS VOTE REQUIREMENT: Approval of an Amendment to the FY 2020/2021 Adopted Budget in the Amount of \$652,285

Meeting Date: July 13, 2020

Contact Person/Dept: Rachelle Adkins/Administrative Services
Phone Number: (310) 253-5640

Fiscal Impact: Yes No **General Fund:** Yes No

Public Hearing: **Action Item:** **Attachments:**

Commission Action Required: Yes No **Date:**

Public Notification: (E-Mail) Meetings and Agendas - City Council (07/08/20);

Department Approval: Serena Wright-Black, Assistant City Manager (07/02/20)

RECOMMENDATION

Staff recommends the City Council ratify an amendment to the existing professional services agreement with AON Risk Insurance Services West, Inc. to continue providing broker services for the City's insurance programs through June 30, 2021; and approve an amendment to the FY 2020/2021 Adopted Budget in the amount of \$652,285 (a budget amendment requires a four-fifths vote).

BACKGROUND/DISCUSSION

For over 25 years the City of Culver City was a member of the Independent Cities Risk Management Authority (ICRMA) for the purpose of participating in pooled programs for liability, workers compensation, auto physical damage, crime, and cyber insurance. City Council approved withdrawal from ICRMA and authorized the execution of an insurance binder with AON Risk Insurance Services West, Inc. (AON) effective July 1, 2016.

As indicated below, over the past four years since leaving ICRMA, the City has realized a significant savings, receiving additional coverage and higher limits for a lower premium. However, this year has presented a challenging market due to economic issues related to the global pandemic and a

national increase for police liability. The program premium for FY2019/2020 was \$1,361,222.94 and the quote for FY2020/2021 is \$2,076,104.23. Overall, the City's program premiums have increased by 52.2%, or \$714,881. In addition, the Self-Insured Retention layer has increased from \$1M to \$2M. This increase will have an impact on the amount of reserves that should be kept in the Self Insurance Fund. Once the annual actuarial study for Worker's Compensation and General Liability are complete, typically around October 2020, Finance will determine how much funding should be kept in the reserve fund. If a transfer from the General Fund is needed it will be included in the FY 2020/2021 Mid-Year Report.

Following are the program costs for the last 6 fiscal years.

<u>2015 Program (ICRMA)</u>	<u>2016-2017 (AON)</u>	<u>2018-2019 (AON)</u>	<u>2019-2020 (AON)</u>	<u>2020-2021 (AON)</u>
\$2,186,307	\$1,319,658	\$1,317,638	\$1,367,377	2,076,104

Based on the late receipt of the quotes for this fiscal year, the City Manager executed the contract amendment to ensure that the City's insurance policies were renewed timely and did not lapse. Chapter 3.09 of the Culver City Municipal Code provides the City Manager with emergency purchasing authority if there is an unforeseen emergency that threatens life, property or the general public, safety and welfare. Staff is recommending the City Council ratify the amendment approved by the City Manager to continue using AON for insurance broker services and amend the FY 2020/2021 Budget in the amount of \$652,285.

FISCAL ANALYSIS

Funding for the City's insurance premiums, as well as the administrative fees, are included in the FY 2020/2021 Adopted Budget. However, the annual increase of \$715K was not anticipated and therefore, staff is requesting that Council approve an amendment to the FY 2020/2021 Adopted Budget in the amount of \$652,285 from Unappropriated General Fund Reserves. (Acct#30922220.650200 - \$95,113 and Acct#30922220.650100 - \$557,172).

ATTACHMENTS

1. 2020-07-13_ATT_Amendment to AON Agreement

MOTION

That the City Council:

1. Ratify an amendment to the existing professional services agreement with AON Risk Insurance Services West, Inc. to continue providing broker services for the City's insurance programs through June 30, 2021.
2. Approve an amendment to the FY 2020/2021 Adopted Budget in the amount of \$652,285 from Unappropriated General Fund Reserves into Acct# 30922220.650200 for \$95,113 and Acct#

30922220.650100 for \$557,172 (a budget amendment requires a four-fifths vote).