

City of Coral Gables City Commission Meeting

Agenda Item G-2

April 8, 2008

City Commission Chambers

405 Biltmore Way, Coral Gables, FL

City Commission

Mayor Slesnick Donald D. Slesnick, II

Vice Mayor William H. Kerdyk, Jr.

Commissioner Maria Anderson

Commissioner Rafael “Ralph” Cabrera, Jr.

Commissioner Wayne “Chip” Withers

City Staff

City Manager, David Brown

City Attorney, Elizabeth Hernandez

City Clerk, Walter J. Foeman

City Clerk Staff, Billy Urquia

Human Resources Director, Marjorie Adler

G-2 and H-2 [Start: 10:54:01; a.m.]

Resolution authorizing the City Manager to renew the casualty and excess insurance coverage contracts with Arthur J. Gallagher & Company in the amount of one million three hundred and ninety seven thousand, three hundred and eighty-five dollars (\$1,397,385.00) for an additional one (1) year term, effective May 1, 2008.

City Manager Brown: G-2 is the presentation of the excerpts from the Insurance Advisory Committee meeting of March 24, 2008, requesting the following action from the City Commission. The Insurance Advisory Committee is recommending that the City accept the Arthur J. Gallagher & Company renewal quote for casualty and excess insurance coverage, effective May 1, 2008, and that's attached to Item H-2 which is a resolution authorizing the City Manager to renew the casualty and excess insurance coverage contracts with Arthur J. Gallagher & Company in the amount of \$1,397,385 for an additional one (1) year term, effective May 1, 2008. Mr. Adler.

Marjorie Adler (Director of Human Resource): This also is being recommended by the Committee. It... we were presented this year with two... proposals from two carriers where there was a difference of approximately one percent. The Committee felt strongly as did our consultants, that we are so, I want to say familiar, the ease of dealing with PESLIC (Princeton Excess and Surplus Lines Insurance Company) who has been our carrier for some time was not worth the disruption of moving to one percent, but following their vote to recommend this, the Committee directed Gallagher to approach PESLIC if they would match the bright (phonetic) quote which they came very close to doing. So that what you being are being presented with is in fact, the lower amount than the committee originally voted.

Commissioner Withers: Alright, I will make a motion

Ms. Adler: And, may I just? I noted on what you have, if I could, that there is thirty-seven thousand four hundred seventy dollars (\$37,470,00) worth of smaller premiums that used to expire at a variety of times during the years, sports liability, medical liability, the Youth Center and so on, that we let... that in the last year moved so that they will all expire on May 1, to give a... while it's a relatively small amount compared to the full premium, it does give the Commission a fuller picture of what our liability insurances costs.

Mayor Slesnick: Okay, we had a motion from Mr. Kerdyk, second...

Commissioner Withers: Second.

Mayor Slesnick: Seconded by Mr. Withers. Marj, I am... Yes.

Ms. Adler: I am sorry, I would be remiss, if I did not acknowledge from Arthur Gallagher, Tony Abella and Maria Vergo, who supported us very well on this.

Mayor Slesnick: Good to see you again, Tony. Maria. And I apologize because I was taking care of some other business and I wasn't paying as close attention as I should have to your first presentation on G-1, and maybe you have said this. You talked about the recommendation of the committee?

Ms. Adler: Yes.

Mayor Slesnick: Did we talk? What role if any does Bob Schaefer play in this?

Ms. Adler: Bob Schaefer is our... is our health insurance consultant.

Mayor Slesnick: Oh, he is only heath insurance?

Ms. Adler: George Erickson from Siver Consultants provides...

Mayor Slesnick: Okay, so George Erickson.

Ms. Adler: ... and he is supportive of both of these.

Mayor Slesnick: Okay, so what...? Does he work with the committee?

Ms. Adler: Usually by phone, very often by staff, sometimes by phone if the committee wishes.

Mayor Slesnick: Okay, so I mean, we have had full input by our paid consultant?

Ms. Adler: Yes. Yes, we have. Yes, we have.

Mayor Slesnick: Okay, That's all I wanted to make sure I understood, so...

Ms. Adler: Yes, I am sorry; I thought I made that clear.

Commissioner Withers: And, yes, we saw some drops to our windstorm this year?

Ms. Adler: Yes, we have, we have greater coverage for less amount of money, the full premium is about sixteen, seventeen percent less than it was this last year.

Commissioner Withers: And did they anticipate that to drop again next year. Did they forecast that out, or?

Ms. Adler: I would guess sort of around November 15th whether as to that idea was true last year.

Commissioner Withers: To have a better idea.

Commissioner Anderson: After hurricane season.

Mayor Slesnick: That's pretty good. I would like to... I mean, I don't think my home (phonetic) Windstorm has dropped.

Ms. Adler: I know, I can tell you mine hasn't.

Unidentified Speaker: [Inaudible].

Mayor Slesnick: Are they, wow.

Commissioner Withers: I just... I mean, sixteen percent is nice, but I mean...

Commissioner Cabrera: [Inaudible].

Commissioner Withers: You know what? You know what?

Commissioner Cabrera: [Inaudible].

Commissioner Withers: I will locate Ralph. I mean sixteen percent is a nice drop, but I mean, I would think that they should be dropping a little bit more, aren't they in some areas? Marj, not Ralph.

Ms. Adler: I think for the coverage that we had indication of going above twenty-five million. George Erickson did think that we would see lower rates there, but we didn't give... we didn't give AON direction, we didn't give AON direction to... the

committee did not want to give AON direction to bring a formal proposal above the twenty-five million of named Windstorm.

Commissioner Withers: Okay.

Ms. Adler: But if the Commission wants us to go do that, we can go do that.

Commissioner Withers: Well.

Commissioner Cabrera: [Inaudible].

Commissioner Withers: Based on what?

Commissioner Cabrera: [Inaudible].

Vice Mayor Kerdyk: That is funny.

Commissioner Cabrera: [Inaudible].

Commissioner Withers: What does our consultant feel we should do?

Vice Mayor Kerdyk: That's a good question.

Ms. Adler: He generally prefers more coverage for named windstorm than we have.

Commissioner Withers: Alright.

Ms. Adler: However, he believes that because we have so much more than last year, he was comfortable with supporting the recommendation to stay at twenty-five million.

Commissioner Withers: Okay. Now, is there any type of business interruption insurance as a part of the windstorm coverage?

Ms. Adler: [Inaudible].

Commissioner Withers: I am sorry.

Ms. Adler: Extra expense, yes.

Commissioner Withers: So, it's included or it's not included?

Ms. Adler: Yes, yes.

Commissioner Withers: And what is, and how do you do that? You do that by like, Motor Pool has a certain amount of income and City Hall has a certain and?

City Manager Brown: This can be recognized.

Ms. Adler: This is Martha Roig of AON.

Commissioner Withers: Hey, Martha.

Ms. Martha Roig: Your question again?

Commissioner Withers: The question is, is there, do we have insurance for loss of use, or?

Ms. Roig: You have insurance for loss of use; loss use comes in the way of extra expense. If for example the office is shut down and you need to relocate, the extra expense would cover for the relocation and for the extra additional expenses that you would incur during that time.

Commissioner Withers: So, so if Motor Pool got hit by a tornado...

Ms. Roig: Uhuh...

Commissioner Withers: ... and we had to move that Motor Pool somewhere.

Ms. Roig: You would have coverage. It would be...

Commissioner Withers: I am sorry?

Ms. Roig: You would have coverage.

Commissioner Withers: And what is that dollar amount?- how is that dollar amount figured?

Ms. Roig: I am not an Adjuster, so I can't ...

Commissioner Withers: Let me, I am assuming, I am assuming we would say we need five million dollars (\$5,000,000) to do that, or we need three million dollars (\$3,000,000) to do that, or how is that...

Ms. Roig: You would have to estimate basically what you ...

Commissioner Withers: Right.

Ms. Roig: ... you would anticipate what the cost...

Commissioner Withers: I understand.

Ms. Roig: ... would be to move that Motor Pool.

Commissioner Withers: And my question is, have we done that? Has...?

Ms. Roig: I am not aware because that would be something that Michael and Marj would...

Commissioner Withers: I would be curious to see what numbers we have assigned as to different loss of values to our different City functions.

Vice Mayor Kerdyk: Replacement costs, replacement costs is what he's looking for.

Ms. Roig: Yes, well replacement cost...

Commissioner Withers: Well no, not replacement cost of the facility...

Ms. Roig: Correct.

Commissioner Withers: ... but if we have to go out and lease from I don't know, Hertz Leasing, Gator Leasing and use their Motor Pool facility for four months while ours was being rebuilt, I am assuming that they just don't give us a blank check on that. I am assuming we pay for that based on values that we have given them that it would cost us to do that.

Ms. Roig: You are absolutely correct.

Commissioner Withers: Okay, so I guess my question is; who in the City went through that exercise for our different functions that we are paying loss of use like City Hall, Youth Center, Motor Pool, Police, Fire. Who, who put that number out there to our insurance company?

Ms. Roig: That would be your Insurance Committee.

Commissioner Withers: Okay, and that's why I am curious to see what those loss of use numbers are.

Ms. Roig: I don't, I don't have that.

Commissioner Cabrera: But they, they have never done that. Insurance Committees have never done that, that, I can recall.

Ms. Adler: I don't think the Committee has done it, and I am trying to think whether, whether I... I don't know that we have in conjunction with some other project.

Commissioner Withers: What I don't want have happened is, all of a sudden...

Ms. Roig: I hear you, I hear you loud and clear, Commissioner.

Commissioner Withers: ... that Motor Pool gets blown away, and we haven't correctly... and, because it's not real expensive insurance.

Ms. Adler: No.

Commissioner Withers: And, we have not properly planned for a replacement contingency for the Motor Pool for the three or four months that it has to be rebuilt, and we have to go out and lease something or temporarily move somewhere that interruption, you know.

Commissioner Cabrera: Operational expense.

Commissioner Withers: Operational expense.

Ms. Roig: Right, uh-huh.

Commissioner Withers: Not just the replacement cost, but ...

Ms. Roig: No, no, no, the operational expense to be able to relocate while the property is damaged.

Commissioner Withers: And all I am saying is, I would also like to see by City function what numbers we have thrown in there...

Ms. Roig: Okay.

Commissioner Cabrera: Okay.

Commissioner Withers: ...you know.

Ms. Roig: That's good to know.

City Manager Brown: By function or by facility?

Commissioner Withers: Both, I mean...

City Manager Brown: Okay.

Ms. Adler: It a departmental issue.

City Manager Brown: Yeah.

Commissioner Withers: I mean, you know, what if the building next door loses its roof, and we have to relocate whoever is over there, what number do we use for their relocation and temporary rent?

Commissioner Cabrera: Okay, got it.

City Manager Brown: Yeah.

Mayor Slesnick: If I am overlooking something, please direct me to it, but I have looked through my computer version, my... Do we have a specific report from our consultant?

Ms. Adler: No, we do not.

Mayor Slesnick: Why not, what do we pay him for?

Ms. Adler: We pay him for analyzing the...

Mayor Slesnick: Yes, I know, well I am the person asking, I am the person that's being asked to vote.

Ms. Adler: ...and our conversations, and I have reported to you the results of our conversations within this year.

Mayor Slesnick: Okay, since we are the ones being asked to make the final decision, I would appreciate the fact if we had a report from our... so that I could hang my hat. When is the renewal date due for all of this?

City Manager Brown: May 1.

Ms. Adler: May 1.

Mayor Slesnick: Yeah.

City Manager Brown: Mr. Mayor, would you like a report requiring?

Mayor Slesnick: I just want some ... I don't know nothing about insurance except that I buy it at home and at the office, and now I am being asked to buy it on behalf of the citizens of the City, which we have done for the past seven years, and we have had some good spirited debates, we have had some ups and downs, we have had some give and take. I mean, and I have always left feeling comfortable I have heard the whole thing. I am not as comfortable this time David that I have heard anything.

City Manager Brown: We will...

Mayor Slesnick: I would like an independent, I mean, I am not... Marj, I appreciate the work you do and it's nothing about that, but we hired somebody to give us expert advice, I don't know, I am not getting any expert advice.

Commissioner Withers: Usually he is here. A lot of times he comes here.

Mayor Slesnick: Yeah, yeah, I mean... What do we? I appreciate he helps Marj, and I guess the committee by phone I am now told, but I just really... I feel very uncomfortable...

City Manager Brown: Well, Mr. Mayor, I understand your concern, what I will do is, we will have Mr. Erickson reduce his report to writing and we will include it in the packet.

Mayor Slesnick: When a citizen approaches me in Publix and says how could you vote on ex, da-da-da and I say, well ah gee, it sounded good. I mean, I would like to say we had the best advice possible in the market, and I relied on the independent judgment of an insurance expert.

City Manager Brown: And we will have that backup in this report.

Mayor Slesnick: I mean, am I asking too much?

Ms. Roig: No, not at all. Not at all.

City Manager Brown: No, not at all.

Mayor Slesnick: Okay, I don't know if they can move ahead or not. May 1st, isn't it? Okay, do we have a motion on G-2?

Commissioner Withers: I'll move it.

City Manager Brown: H.

Vice Mayor Kerdyk: I'll second it.

Mayor Slesnick: Moved by Mr. Withers, seconded by Mr. Kerdyk. Any further discussion? Mr. Clerk.

City Clerk Foeman: Commissioner Anderson?

Commissioner Anderson: Yes.

City Clerk Foeman: Commissioner Cabrera?

Commissioner Cabrera: Yes.

City Clerk Foeman: Vice Mayor Kerdyk?

Vice Mayor Kerdyk: Yes.

City Clerk Foeman: Commissioner Withers?

Commissioner Withers: Yes.

City Clerk Foeman: Mayor Slesnick?

Mayor Slesnick: Yes.

Ms. Roig: Thank you.

