

Mayor and Council Communication

DATE: 01/10/23

M&C FILE NUMBER: M&C 23-0010

LOG NAME: 14FY2023 COMMERCIAL INSURANCE

SUBJECT

(ALL) Authorize Purchase from Hub International Rigg, Broker of Record of the City's Multiple-Layered Property Insurance, Boiler and Machinery and Commercial Liability Insurance Policies, in an Amount Not to Exceed \$8,341,296.00, Adopt Appropriation Ordinance and Amend the Fiscal Year 2023 Adopted Budget

RECOMMENDATION:

It is recommended that the City Council:

1. Adopt the attached appropriation ordinance increasing estimated receipts and appropriations in the Risk Financing Fund in the amount of \$750,000.00, from available net position, for the purpose of purchasing commercial insurance;
2. Authorize the purchase of the City's Multiple-Layered Property Insurance, Boiler and Machinery and Commercial Liability Insurance Policies from Hub International Rigg, Broker of Record, in an amount not to exceed the budgeted amount of \$8,341,296.00 in accordance with the Broker Agreement with Hub International Rigg, City Secretary Contract No. 47080; and
3. Amend the Fiscal Year 2023 Adopted Budget.

DISCUSSION:

On June 16, 2015, the City Council approved Mayor and Council Communication (M&C) C-27333 designating Hub International Rigg as the City's broker of record (Broker). The Broker is authorized to provide consulting and brokerage services associated with the placement and administration of the following insurance policies: property, boiler and machinery, commercial liability insurance and other casualty policies as needed.

The commercial insurance renewal for Fiscal Year (FY) 2023 has a total estimated cost of \$8,341,296.00, which is an increase in the estimated annual amount of \$1,691,296.00 across all policies. The increases are a result of unprecedented rate increases in the property insurance market and, a more complete inventory and appraisal of City properties resulting in increases in the total insured values.

Property Insurance: The City's all-risk commercial property insurance is provided through a layered structure, involving multiple insurers employing a reinsurance quota share approach, which is a form of cost sharing. The multiple layer structure provides a \$500,000,000.00 coverage limit with a \$10,000,000.00 wind and hail deductible and a \$250,000.00 deductible for all other occurrences. The Fiscal Year 2023 premium cost is \$6,829,625.00.

Commercial General Liability Insurance: The City's commercial liability insurance policies will become due prior to the end of FY2023 at an estimated cost of \$1,511,671.00.

The action in this Mayor and Council Communication (M&C) will amend the Fiscal Year 2023 Adopted Budget as approved in connection with Ordinance 25773-09-2022, Section 5. Internal Service Funds, as listed on page 22.

Fund / Department	FY2023 Adopted Budget	Authority	Budget Adjustment	Revised FY2023 Budget
Budget Category				
Risk Financing Fund				
Revenues				
Use of Money and Property	\$398,680.00			\$398,680.00
Other Revenue	\$26,601,495.00			\$26,601,495.00
Use of Fund Balance/Net Position	\$510,520.00	This M&C	\$750,000.00	\$1,260,520.00

Total Revenues	\$27,510,695.00		\$750,000.00	\$28,260,695.00
Expenditures				
Human Resources	\$27,506,493.00		\$750,000.00	\$28,256,493.00
Transfer to IT Refresh Capital	\$4,202.00			\$4,202.00
Total Expenditures	\$27,510,695.00		\$750,000.00	\$28,260,695.00

Funding is available for appropriation from net position of the Human Resources Department's Risk Financing Fund. The beginning net position balance is \$34,341,769.79 and after use of net position the balance will be \$33,591,769.79.

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that funds are available in net position of the Risk Financing Fund, and upon approval of the above recommendations and adoption of the attached appropriation ordinance, funds will be available in the current operating budget, as appropriated, of the Risk Financing Fund. Prior to any expenditure being incurred, the Human Resources Department has the responsibility to validate the availability of funds.

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Expedited