TOWN OF PALM BEACH

Office of The Town Clerk

REPORT OF THE FINANCE AND TAXATION COMMITTEE MEETING HELD ON WEDNESDAY, MARCH 9, 2011

I. CALL TO ORDER AND ROLL CALL

The Finance and Taxation Committee meeting was called to order on Wednesday, March 9, 2011, at noon in Town Council Chambers.

II. PLEDGE OF ALLEGIANCE

Chairman Wildrick led the Pledge of Allegiance.

III. APPROVAL OF AGENDA

The agenda was approved as presented.

IV. FUNDRAISING UPDATE FROM PALM BEACH ISLAND CATS [David Leavitt]

David Leavitt, President of Palm Beach Island Cats, reported that Island Cats was getting great help from the Peggy Adams Animal Rescue League. He spoke about cost cutting measures that had been taken and planned fund raisers. Chair Wildrick and Committee Member Rosow commended Mr. Leavitt for his efforts. Mr. Leavitt stated he hoped to raise $120,000 which would be needed to continue the program through the summer. He further stated that the two donations from the Town had been critical to the program. He said that Island Cats was doing everything possible not to come back to the Council to ask for funds.

Town Manager Peter Elwell suggested that the Island Cats update be included at the next Council meeting as part of the committee report and Mr. Leavitt not be required to attend the meeting. Chair Wildrick agreed.

V. REVIEW OF OPTIONS FOR THE TOWN'S SELF-INSURED RETENTION LEVELS FOR PROPERTY, LIABILITY, AND WORKERS' COMPENSATION INSURANCE [Thomas G. Bradford, Deputy Town Manager]

Thomas Bradford, Deputy Town Manager, reported that at the last Finance and Taxation Committee meeting staff had been asked what could be done relative to the insurance

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program deductibles, self-insured retentions, and coverage of liability to find a way to save money. He reported that staff reviewed the bi-annual actuarial study of the risk fund and, based on the current program, the Town would need to have approximately $3.5 million for current claims as of 9/30/2010. He further reported that the actuarial study for deductibles, self-insured retentions and other areas, such as the deductible for wind, was tweaked and the effect was $5.2 million would be needed to pay claims as of 9/30/2010. He stated there is $7.7 million in the risk fund, $20 million in the general fund reserve, and $80.5 million in uninsured exposures (sidewalks, curbs, street lights).

Mr. Bradford informed the Committee that the Town had been insured with Preferred Government Insurance Trust (PGIT) since 2004. He stated that staff had asked PGIT about alternative deductibles, self-insured retentions, and coverages of liability. He referred the Committee to Exhibit A showing what could happen in today's market if the tweaks were made. He explained that Exhibit B was the insurance coverages outside of the scope of the PGIT program. He summarized that if the Town was willing to take on more risk it might be able to save approximately $220,000 by staying in PGIT and tweaking it and the ancillary coverages.

Mr. Bradford stated that the Town's insurance agent was Wells Fargo. He said it was difficult for them to get quotations from underwriters except during the renewal period; therefore, all figures in the staff report are estimates based on current market conditions. There was discussion regarding the renewal period and bidding the insurance program. Mr. Bradford stated that the current policy expires October 1.

Chair Wildrick asked for the recommendations of Karen Temme, Risk Manager. Mrs. Temme referred the Committee to the footnotes in the exhibits. She stated that by law there are no caps to protect the Town from a settlement so she would not recommend reducing the limits of the Public Officials liability. She noted it was a claims-made policy with $5 million for all claims. She stated that to reduce it to $1 million would save $8,000. She reported that she had previously reduced stop loss from $9,000 to $5,400. She explained that stop loss gives the Town protection to pay no more than $780,000, but it does not include wind coverage for property. She did not recommend elimination of this coverage. Chair Wildrick asked for Mrs. Temme's best estimate of savings. She replied it would be a $100,000 savings. Mr. Bradford added that the savings would be achievable if the Town was willing to increase the amount of reserves on hand.

Committee Member Rosow said he would like to go outside of PGIT to look at other markets. Mrs. Temme stated that PGIT is not a pool, but a trust. She reported that the Town has higher retention levels than most municipalities, so the retention levels are going above the trust money into the carrier. She said that should the trust default, the Town is an additional insured under the carrier. Committee Member Rosow stated he would still like to look at other markets. Mr. Bradford responded that staff could begin work now on putting the insurance out for bid or have the current agent show the Town some alternatives. He explained that the Town pays the agent a flat fee of $70,000 a year. Committee Member Rosow recommended staff tell the agent the Town wants to shop the market and see what is available to balance the risk and premiums. Chair Wildrick agreed. Mr. Bradford advised that the Town had an addendum to the agent's contract for this type of work, but if they were not agreeable to the addendum, he would seek authorization to do a RFQ for a new agent.

Committee Member Rosow asked at what point does the Town rely upon its reserves for a catastrophe or is it double dipping having catastrophe reserves plus insurance? He asked that staff rely upon the expertise of Wells Fargo to find the appropriate point in balancing $27 million against the unknowns.

Chair Wildrick asked if the Town chose not to save the $100,000 to $220,000, how much money could be removed from the risk reserve and used for something else, such as a sand reserve. He proposed the Town could borrow the money from itself. Committee Member Rosow agreed with the idea. Town Manager Elwell was asked to have staff look into the idea.

William Diamond, 221 Wells Road, asked about the fee for the agent. Mr. Bradford responded that the Town has a contract with Wells Fargo Insurance Services for a flat fee of $70,000 with no commissions, and they do all insurance services for that fee.

Town Manager Elwell reviewed the recommendations from the Committee:

- Tell the insurance agent to shop the market based on the current program;
- Tell the insurance agent to shop the market based on the tweaks suggested in Exhibits A and B or on the agent's recommendations; and
- Consider keeping the coverages and premiums the same as they are currently and possibly reduce the risk fund reserves and use that money for coastal protection or some other purpose.

VI. ANY OTHER MATTERS

There were none.

VII. ADJOURNMENT

There being no further business, the Finance and Taxation Committee meeting of Wednesday, March 9, 2011, was adjourned at 12:31 p.m.

APPROVED:

Robert N. Wildrick
Chairman