

207 - Special Police Fund	8,757,550
214 - Pathway Maintenance	587,560
244 - Water Resources Fund	1,148,890
299 - Green Space Millage Fund	961,670
403 - Pathway Construction Fund	522,350
420 - Capital Improvement Fund	193,970
592 - W&S Operating Fund	30,543,260
595 - Water & Sewer Debt Service Fund	346,150
631 - Facilities Fund	5,072,090
636 - MIS Fund	2,031,480
661 - Fleet Fund	3,989,280
677 - Insurance Fund	616,000
736 - Retiree Healthcare Trust Fund	414,050

Be it Further Resolved, the Mayor is authorized to administratively adjust the operating budget line-items up to \$25,000 per event, but in no case may total expenditures of a particular fund exceed that which is appropriated by the City Council without a budget amendment.

NEW BUSINESS

- 2011-0425 Request to Accept the Executive Summary Report and Opinion of the Insurance Audit & Inspection Company (IAIC) relative to the City's Risk Management Program

Attachments: [Agenda Summary.pdf](#)
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Mr. Webber disclosed that he is employed by an insurance agency that does bid and work on municipal property and casualty insurance; and, as such, he will recuse himself from this discussion and vote to avoid any appearance of impropriety or conflict of interest.

Keith Sawdon, Director of Finance, stated that in late 2010 and into 2011, the Administration received input from City Council requesting that the City's insurance/risk management program be bid out for future policy periods. He explained that a Request for Proposal (RFP) was issued late in 2010, with proposals received early in 2011. At the conclusion of the RFP process, both City staff and City Council concurred that an additional investigation should commence to determine whether the City's levels of coverage were appropriate. Council authorized the Administration to retain an insurance consultant to review coverage, and the Purchasing Division issued an RFP and solicited consultants to perform the review. Insurance Audit and Inspection Company (IAIC) was selected and the review commenced in August. The Executive Summary Report prepared by IAIC is included for Council's review. He noted that the next phase would be to draft an RFP based on the findings.

He noted that the Executive Summary concludes that with a couple of small exceptions, the City's risk management program is appropriate and in sound condition. The report recommends areas where the City could possibly save some money. He stated that while the City could opt to wait until 2013 to issue an RFP, the Administration feels confident in the work that IAIC performed and recommends moving on to the next phase to prepare an RFP for 2012. He pointed out that the Michigan Municipal Risk Management Authority (MMRMA) was asked to comment on the Executive Summary and their response is included for Council's review.

Ken Bush, representing IAIC, stated that the City's program is in reasonably good condition. He noted that if Council opts to proceed with the RFP process, changes recommended in the Executive Summary would be incorporated into the RFP.

President Hooper stated that he is in agreement with preparing an RFP for 2012. He questioned the following items of concern mentioned in the Executive Summary Report, noting the MMRMA's response to each, and requested Mr. Bush comment on these concerns:

- The report found the Liability/Pollution exclusion to be more restrictive; the MMRMA's response was that it was not as restrictive as the report interprets it to be.
- The report finds that there is no coverage for Computer Theft or Electronic Funds Transfer Fraud; the MMRMA's response is that coverage can be found in the Money and Securities section of the policy documents.
- The report questions coverage for automobile events that occur out-of-state; the MMRMA's response is that they have provided coverage for out-of-state events.
- The report questions the MMRMA's exclusion of liability claims arising out of volunteer injury.
- The report questions the low earthquake limit of \$5 million.
- The report indicates that the Extra Expense coverage, limited to 12-months in duration, is insufficient.

Mr. Bush responded with the following:

- IAIC's evaluation was based on the coverage document that the MMRMA provides to the City. He stated that the items in question were either not in the coverage document or were not addressed in a manner that IAIC felt was appropriate for the City. He commented that the MMRMA's response appears to be contradictory to the coverage document; and in the event of a claim, the coverage document would most likely prevail over a response letter.
- While the MMRMA's response letter states that Computer Theft is covered under the Money and Securities portion, the description of coverage for this section is for tangible items and does not reference theft by electronic entries. The insurance world has adopted a separate coverage document for computer theft and electronic funds transfer fraud and it would be in the MMRMA's best interest to adopt this standard language.
- Standard commercial insurance covers automobile events that occur anywhere in the United States and Canada. The MMRMA's coverage document does not specify this. While the MMRMA's response letter states that they provide this

Business Auto coverage, there is no provision for any out-of-state No-Fault coverage. MMRMA policy documents should contain this clarification.

- *There is a specific exclusion in the policy document that states that the MMRMA does not cover liability claims arising from a volunteer's injury. Volunteers are not bound by Workers' Compensation, which means that the right to sue is not lost as it is with an employee. IAIC read the exclusion contained in the policy, which states clearly that claims by volunteers are not covered.*
- *In the event of an earthquake, the amount of loss could be significant for the pool, as all members are in Michigan. It is recommended that the City have between \$15 and \$20 million in earthquake coverage.*
- *Commercial insurance does not typically place any limitations on Extra Expense coverage. If it could take more than one year to reconstruct a major facility such as this building, the City could sustain a financial loss. This deficiency in length of coverage was brought to light after the tornadoes that hit Joplin, Missouri, where a widespread disaster puts pressure on construction resources and materials leading to delays in rebuilding.*

President Hooper questioned why IAIC found the general liability policy for the Festival of the Hills was not worthwhile.

Mr. Bush responded that as it was explained to them, the policy was purchased because of the fireworks exposure. He noted that there is a fireworks exclusion in the policy.

President Hooper questioned what alternative Workmans' Compensation plans are typical for cities of this size.

Mr. Bush responded that deductibles are typically in the range of \$100,000 to \$400,000 or \$450,000. He stated that losses should be reviewed to determine an appropriate deductible level.

Mr. Sawdon noted that the City's Self-Insured Retention coverage is at \$150,000.

Council Discussion:

Mr. Pixley questioned whether the challenges in the current document could be amended if the City opts to stay with the MMRMA.

Mr. Bush responded that the MMRMA's coverage document dates from 1997 and should be updated, noting that the MMRMA's Commercial Liability Policy has been amended three times since then.

Mr. Pixley questioned what level of earthquake coverage is recommended and at what estimated cost.

Mr. Bush responded that once proposals are received, identifying earthquake coverage at various limits and the cost of each, the RFPs can be reviewed and the City can make a decision as to what coverage is desired.

Mr. Pixley questioned what would happen to the current premium if all changes recommended were made.

Mr. Sawdon responded that it may not have any effect other than to change policy language; however, he could not be certain at this point of any cost implications.

Mr. Pixley requested that City Attorney John Staran comment on whether anything would prohibit an employee or volunteer from bringing civil action against the City.

Mr. Staran responded that it would depend on the type of claim. He explained that when an employee is injured on the job, his/her exclusive remedy is the Workmans' Compensation Statute. He noted that there are other types of issues, such as civil rights and discrimination that relate to other types of injuries or damages that would not prohibit a worker from bringing forward a claim.

Mr. Yalamanchi expressed concern that the MMRMA's responses are not specifically contained within language in the coverage document. He questioned whether the City should request that the MMRMA change its current policy document.

Mr. Bush stated that IAIC recommends that the language be changed.

Mr. Sawdon noted that the structure of any RFP going forward would include a prequalification of firms that meet the set of language and specifications the City requires. He stated that the MMRMA will be asked for a clarification of its response to be added to the current policy document.

Mr. Yalamanchi questioned whether \$1 million in Extra Expense coverage is considered sufficient.

Mr. Bush responded that the buildings are covered for replacement cost, and the Extra Expense coverage would pay expenses for temporary quarters or equipment. He noted that IAIC is more concerned with the limitation of 12 months of coverage than it is for the amount of coverage.

Discussed.

- 2011-0425** Motion to Direct the Administration to require the Michigan Municipal Risk Management Authority to provide amended policy documents to confirm the responses in their letter of September 22, 2011

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President Hooper suggested that if Council so wishes, a motion could be made to direct the Administration to require that the Michigan Municipal Risk Management Authority revise their coverage document to reflect their response letter of September 22, 2011.

City Attorney John Staran concurred and stated that it would be a good idea to request this amendment to the policy documents.

A motion was made by Yalamanchi, seconded by Pixley, that this matter be Adopted by Resolution. The motion carried by the following vote:

Aye 5 - Hooper, Klomp, Pixley, Rosen and Yalamanchi

Abstain 1 - Webber

Absent 1 - Brennan

Enactment No: RES0205-2011

Resolved, that the Rochester Hills City Council hereby directs the Administration to require that the Michigan Municipal Risk Management Authority provide amended policy documents to confirm the responses in their letter of September 22, 2011.

2011-0425 Request to Accept the Executive Summary Report and Opinion of the Insurance Audit & Inspection Company (IAIC) relative to the City's Risk Management Program

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Mr. Rosen stated that the discrepancies between the policy documents and the Michigan Municipal Risk Management Authority's (MMRMA) response letter should be resolved to the City's satisfaction. He questioned why municipal insurance does not appear to be as standardized as commercial lines coverage.

Mr. Bush responded that each public entity self-insurance pool writes their own coverage documents. The IAIC's review will cite chapter-and-verse of where the deficiencies appear to be.

Mr. Sawdon noted that the Administration would request an amendment to the policy documents to confirm the responses in the MMRMA's letter. He stated

that the RFP will also contain language to prequalify bidders.

Mr. Rosen commented that the real test will be when the City reviews the RFP from MMRMA and compares them to commercial bidders.

Mr. Sawdon stated that should the MMRMA submit additional documentation supporting the responses contained in their interpretive letter, the consultant can review the documentation to ascertain whether the documentation satisfies the concerns. Going forward, the required language will be inclusive to be qualified as a proposer for insurance services.

Mr. Klomp commented that it would not be out of line to ask the MMRMA to modify the coverage documents. He stated that his original expectation was that the consultant would identify coverage that the City did not need; however, it appears that the consultant has identified a lack of coverage in some areas.

A motion was made by Pixley, seconded by Yalamanchi, that this matter be Adopted by Resolution. The motion carried by the following vote:

Aye 5 - Hooper, Klomp, Pixley, Rosen and Yalamanchi

Abstain 1 - Webber

Absent 1 - Brennan

Enactment No: RES0206-2011

Resolved, that the Rochester Hills City Council hereby accepts the Executive Summary Report and Opinion of the Insurance Audit & Inspection Company (IAIC) and authorizes the administration to move forward with Phase II of their proposal and seek proposals for the 2012 renewal period.

2011-0427

Request for Approval to amend the City's non-union benefit plans to provide the same health care program as that provided to AFSCME Local 2491 and AFSCME Local 1917.28 for benefit plan year 2012

Attachments: [Agenda Summary.pdf](#)
[Resolution.pdf](#)

Pamela Gordon, Director of Human Resources, stated that this request is to extend the health care compensation strategy for 2012 based on the contracts recently settled with the City's two AFSCME unions to its non-union employees. She noted that the change in coverage will reduce the City's cost of health care significantly, as a core Health Maintenance Organization (HMO) plan will provide coverage at a much lower cost than the current plans offered. She explained that in order to extend these changes to the non-union group, Senate Bill 7, now Public Act 152, requires that Council must approve an exemption. She noted that rather than requiring mandatory contributions for public employees for fixed hard-caps or an 80/20 contribution split as the legislation mandates, the City's approach to savings is to override that requirement and implement a strategy to lower the cost of the plans that the City provides.

A motion was made by Klomp, seconded by Yalamanchi, that this matter be Adopted by Resolution. The motion carried by the following vote:

Aye 6 - Hooper, Klomp, Pixley, Rosen, Webber and Yalamanchi