

*Mr. Rosen stated that until the recent Water Reservoir Project discussions, he was not fully aware of how much open space and developed parks play to the fabric of the community. He mentioned that he would like to take time this spring to focus on the relationship of parks and open space, commenting that he would like to see an item on Council's agenda to further explore policies toward park development.*

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

**Aye** 7- Brennan, Hooper, Klomp, Pixley, Rosen, Webber and Yalamanchi

Enactment No: RES0072-2011

**Whereas**, the Parks and Forestry Department has undertaken a Five Year Parks and Recreation Plan which describes the physical features, existing recreation facilities and desired actions to be taken to improve and maintain recreation facilities during the period between 2011 and 2015, and

**Whereas**, to provide an opportunity for citizens to express opinions, ask questions, and discuss all aspects of the Recreation Plan, two public comment open forums were held on February 10, 2011 and February 17, 2011 at City Hall. In addition, a Public Hearing was held at a regularly scheduled Planning Commission meeting on March 1, 2011, and

**Whereas**, the Parks & Forestry Department has developed the Master Plan for the benefit of the entire community and assist in meeting the recreation needs of its citizens, and

**Whereas**, the Planning Commission, on March 1, 2011, reviewed the 2011-2015 Parks and Recreation Master Plan and found itself in accord with the basic plans and strategies outlined in that document, and

**Whereas**, the Planning Commission adopted the 2011-2015 Parks and Recreation Master Plan and directed that this Plan be filed with the Michigan Department of Natural Resources and the Southeast Michigan Council of Governments.

**Be It Resolved**, that City Council adopts the 2011-2015 Parks and Recreation Master Plan as approved by the Planning Commission.

**Be It Further Resolved**, that City Council directs the Parks and Forestry Department to file the 2011-2015 Parks and Recreation Master Plan with the Michigan Department of Natural Resources and the Southeast Michigan Council of Governments.

~~(Mr. Brennan exited at 9:56 p.m. and re-entered at 9:58 p.m.)~~

2011-0027 Request for Approval of the Administration's recommendation for Property and Liability Protection Insurance coverage based on the RFPs solicited

**Attachments:** [Agenda Summary.pdf](#)  
[Questions Answers Nickel.pdf](#)  
[Questions Answers MMRMA.pdf](#)  
[Actual Event Comparison.pdf](#)  
[Educational Programs MMRMA.pdf](#)  
[Education Program Brochures Nickel.pdf](#)  
[MMRMA net asset distribution announcement.pdf](#)  
[Adjusted 2011 premium email.pdf](#)  
[Adjusted 2011-12 premium.pdf](#)  
[012411 Agenda Summary.pdf](#)  
[Pros and Cons for MMRMA.pdf](#)  
[Pros and Cons for MML.pdf](#)  
[Pros and Cons for Nickel & Saph.pdf](#)  
[Add'l Questions to Proposers.pdf](#)  
[References.pdf](#)  
[Proposals Tabulation.pdf](#)  
[Resolution.pdf](#)

**Mr. Webber** stated that while he is employed by one of the firms involved in the bid process, he will recuse himself from discussion and any decision on this matter in the interest to avoid any appearance of impropriety or conflict of interest.

**Keith Sawdon**, Director of Finance, noted that at the January 24, 2011 meeting, Council directed that additional information be assembled from the Michigan Municipal Risk Management Authority (MMRMA) and Nickel and Saph regarding instances of non-renewals, exposure based on actual historical events, education provided to avoid insurance issues going forward, assistance available to the City in contract administration and the bidding firms' general relationships with the public entities they serve. He pointed out that three sets of questions were sent and the firms' responses were included for Council's review. He highlighted the following responses to the questions:

- The City joined the MMRMA in 1985 after being cancelled by its private carrier. Both finalists responded that they offered renewals to current clients. A better question to have posed might have been to inquire how many clients were asked to renew, but at equal or lesser amounts.
- A good risk management program deals with avoiding risk at the onset. The City had over 1.1 million visitors to its parks last year; park equipment should be in a safe condition to minimize risk. The MMRMA has an extensive educational program to assist in minimizing risk; however, as the Administration was not familiar with the educational programs presented by Nickel and Saph, more information on their programs was requested.
- The City has an extensive risk database from 2004-on. Nickel and Saph was requested to answer how their insurance would have covered the actual historical events encountered. While the resulting response was fairly similar in most situations, when a non-monetary settlement was encountered, there were limitations to the amount covered.

He commented that he continued to have concerns about the differences in insurance coverages between the widely-varying bids. He noted that the MMRMA, the City's current provider, has an uncapped liability for coverage while Nickel and Saph has a cap of \$15 million. With Nickel and Saph, the City could buy up to

a higher cap; however, this would add to premium costs. He noted that Nickel and Saph does not extend coverage to volunteers without the purchase of additional coverage. He commented that comparing both proposals was not the same as comparing apples-to-apples. He pointed out that with the lower premium quoted comes additional risk to the City.

Mr. Sawdon pointed out that the MMRMA has been able to make an annual distribution to its members in five of the last six years, noting that the City received approximately \$123,000 in 2010. Over the course of the last four years, the City has received over \$450,000, which represents approximately one year of premiums. He mentioned that MMRMA has declared a distribution to be made in July, consisting of a financial distribution and a premium reduction. As the City is a long-term member of the MMRMA, it could realize a return of over \$210,000 if it remains a member, and see a reduction of the originally-quoted premium from \$481,000 to just over \$408,000. He commented that he would caution Council from considering only premium costs without understanding risk. He noted that the Administration recommends remaining with the MMRMA. He mentioned that should the City leave the MMRMA, it would not be eligible to participate in the cooperative electric program, which represents an additional \$10,000 in utility savings. He stated that if Council concurs with the recommendation, the Administration will return in June for approval of the policy renewal.

**Public Comment:**

**Stephen Saph, Jr.**, representing Nickel and Saph, encouraged Council to continue to review the proposals. He stated that his firm deals with a national carrier with over \$100 million in surplus and pointed out that the \$15 million liability limit is dedicated to each line of coverage. He commented that Nickel and Saph's proposal is a pure insurance plan and is not a dividend plan. He mentioned that the MMRMA's dividends declared signify the benefit of a competitive market. He stated that one of the City's Parks staff members attended a Nickel and Saph seminar on playground safety, and noted other seminars included Michigan Occupational Safety and Health Act issues.

**Council Discussion:**

**President Hooper** noted that in the projected cost to the City resulting from events, all items were considered to occur in one rate year. He questioned why there was a difference in prior analyses considered.

**Mr. Sawdon** responded that he favored the idea of placing the City's actual events from 2004 to 2010 out for comparison, noting that it helped to clarify the differences between the two types of insurance programs.

**President Hooper** stated that it appeared that the difference between the MMRMA and Nickel and Saph was approximately \$45,000 in insurance costs; however, once the events were factored in, there was a \$158,000 advantage to Nickel and Saph.

**Mr. Rosen** commented that it would be very difficult to determine the additional

risks that the public funds would be exposed to in making the change. He questioned whether the Administration would continue to review risks if Council agreed with the recommendation to continue with the MMRMA.

**Mr. Sawdon** stated that he recommended engaging someone who is professionally trained to understand what level of risk the City should be covering. He commented that a program should be designed for the right level of risk protection and then the Request for Proposals drafted based on that program.

**Mr. Rosen** questioned how much a consultant would cost.

**Mr. Sawdon** responded that he was not sure of the costs for a consultant; however, if prohibitive, the Administration would not move forward.

**Mr. Pixley** questioned why Council would not vote on the purchase until June and questioned the 90-day notice required to terminate the policy with the MMRMA.

**Mr. Sawdon** responded that once the actual amount to be distributed to members is determined, the Administration would return to Council for approval in May or June. He stated that if Council did not concur with the Administration's recommendation, the April 1 notification process would begin and a policy would be in place before the process ended.

**Mr. Pixley** questioned whether it would be prudent to provide notification now and continue to assemble information.

**Mr. Sawdon** responded that while he can identify the exclusions, he cannot put a dollar amount to them, noting that additional review of the proposed policies would be necessary by the City Attorney's.

**Mr. Pixley** questioned how many members the MMRMA encompasses and whether their membership numbers are constant. He noted that with increasing membership, dividends would be divided by more participants.

**Mr. Sawdon** responded that the MMRMA currently has around 350 members, with membership increasing.

**Craig Manser**, Ibex Insurance Agency, representative in attendance for the MMRMA, responded that as of early today, the MMRMA had 353 members. He noted that dividend distribution is determined by length of experience. He stated that new members receive no distribution for the first few years and pointed out that the distribution also contains a component considering loss experience.

**Mr. Pixley** questioned whether incidents of catastrophic losses could prohibit the distribution of any dividend.

**Mr. Manser** concurred that while there was a potential for no distribution in the event of major catastrophic losses, the MMRMA is a Michigan-only program and catastrophic events are unlikely here.

**Mr. Pixley** noted that the City could save approximately \$100,000 overall by staying with the MMRMA, and commented that this estimate does not consider the savings in electric purchases. He stated that it appears better to stay with the MMRMA.

**Mr. Yalamanchi** questioned the inclusion of Stop Loss Protection.

**Mr. Sawdon** responded that he previously did not have an opportunity to review the City's experience history to see when Stop Loss Protection was important. Upon review of events totaling over the Self-Insured Retention Fund of \$458,000 within a calendar premium year, he did not see where the City has benefitted from having Stop Loss Coverage thus far. He commented that when he returns to Council with the request to authorize the policy purchase, he would not recommend including Stop Loss Coverage.

**Mr. Yalamanchi** questioned whether the distribution estimate of \$210,000 is a firm number and noted that it would actually translate to an actual policy cost of approximately \$198,000.

**Mr. Sawdon** stated that the distribution should be within that range. He pointed out that the actual policy costs could not be compared between the two carriers without consideration of the differences in coverage between the plans.

Council discussion ensued as to whether the 90-day notice could be provided to the MMRMA even if it was determined through further analysis to remain with them.

**Mr. Sawdon** stated that without further direction from Council, he could not promise that he would have any additional information to consider within 90 days. He noted that engaging a consultant would also add time.

**President Hooper** requested Mr. Staran's input on providing a 90-day notice to the MMRMA. He questioned how a consultant would be selected.

**John Staran**, City Attorney, stated that other than Mr. Sawdon and Ms. Farris have shared some of the exclusions with him, he has not personally reviewed the policy exclusions. He commented that providing notice would not commit the City to follow through and make the switch; however, not providing notice would commit the City for another year.

**Jean Farris**, Supervisor of Procurement, responded that a consultant would be solicited through the Request for Proposal (RFP) process.

**Mr. Sawdon** stated that he would recommend utilizing a consultant to determine an acceptable risk program for the City and then move to an RFP process to solicit bids for coverage.

**Mr. Rosen** commented that the Administration should undertake the RFP process for a consultant; however, he questioned whether employing a consultant would cost more than the savings to be realized.

*President Hooper* questioned what a consultant would cost, noting that the cost for the Solid Waste consultant was approximately \$15,000.

*Ms. Farris* responded that it could be in the range of \$15,000 to \$20,000.

*Mr. Sawdon* added it could be as low as \$5,000 to \$15,000.

*Mr. Pixley* reiterated that he did not see any harm to the City in providing provisional notification to the MMRMA.

*Mr. Rosen* responded that even if the City were to provide notice now, it is most likely clear that it could not exercise that notice. He stated that he would much rather be in the position six to eight months from now to have a consultant perform the analysis, issue an RFP for the coverage and have the responses back.

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

- Aye** 5 - Brennan, Hooper, Klomp, Rosen and Yalamanchi
- Nay** 1 - Pixley
- Abstain** 1 - Webber

Enactment No: RES0073-2011

**Whereas**, the City has been a member of the Michigan Municipal Risk Management Authority, a member organization offering a risk pool for Michigan municipalities, since 1985; and

**Whereas**, the City determined that it should examine, through a Request for Proposal (RFP) process, what other risk management programs were available, to Michigan municipalities, in the open market; and

**Whereas**, the City issued its RFP for Property and Liability Protection Insurance, received several proposals and reviewed information related to those proposals; and

**Whereas**, after reviewing the information related to proposals received, the City was not able to fully comprehend the additional risks, if any, that the City would be assuming by changing risk management programs.

**Therefore, Be it Resolved**, that the Administration is directed to continue with the Michigan Municipal Risk Management Authority as its current risk management program and provider.

**Be it Further Resolved**, that the Administration is directed to go out for an RFP for a consultant to analyze the City's insurance coverages and report back to Council for further deliberation.

~~**COUNCIL COMMITTEE REPORTS**~~

~~*Rochester Avon Recreation Authority.*~~