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CITY OF MUSCATINE
SPECIAL COUNCIL MEETING
MINUTES

JUNE 27, 1988

3:00 P.M.

CITY HALL COUNCIL CHAMBERS

PRESENT: Mayor LeMar, Councilmembers Amerine, Phillips, Kemp, York, Harder, Sayles

Councilmember Brewer arrived at approximately 3:30 p.m.

ALSO PRESENT: Soren Wolff, City Administrator; Deb Neels, Director of Finance and Records; Nancy Lueck, Assistant Finance Director; Craig Olson, Water Pollution Control Director; Randy Hill, Administrative Assistant/Acting Public Works Director and Dave Eaton and Hal Larson representing the Insurance Advisory Committee.

The Mayor indicated the Special Meeting had been called to review the City's Insurance program which expired on June 30, 1988.

The City Administrator provided the Council with a review of the City's Insurance Trust Fund from Fiscal Year (FY) 1980 through the projections for FY 1989. It was noted the City's insurance program was with Western from FY 1980 through FY 1985 and with Northwestern Insurance since FY 1986. It was stated the City would be completing its three year insurance program with the company on June 30, 1988. It was indicated the projected fund balance by June 30, 1989 would be approximately \$140,000 as a result of a \$91,260 premium return from Northwestern under the swing plan and a \$43,479 return from the Western Retro Policy. It was proposed the \$25,000 transfer from the Insurance Trust Fund to the General Fund in FY 1989 not be made due to the low insurance quotes in an effort to build up the reserves in the Trust Fund in anticipation of eventually increasing the deductibles for the City's Insurance Program.

The City Administrator then reviewed the insurance costs for FY 1986, 1987 and the revised estimates for FY 1988. It was noted a total of \$447,101 had been budgeted for FY 1989. The recommended proposal by the Insurance Committee amounted to \$357,491, or \$89,610 less than budgeted. It was indicated the Insurance Committee was recommending the proposals submitted by Northwestern. The Council was also provided with a summary of the proposals received by Penco

and ICAP. A summary was also provided for the cost of providing additional umbrella coverage of \$2,000,000 and \$5,000,000 at an additional cost of \$18,950 and \$35,600 respectively. It was noted prior to the insurance market problems of 1985 the City did have \$5,000,000 of umbrella coverage compared to the current \$1,000,000.

Jim King, of King Lueck Agency and the City's Insurance Agent, reported that he was extremely pleased a total of three proposals had been submitted for the insurance program. This is a dramatic change since 1985 at which time the City almost had to "beg" Northwestern to provide coverage to the City. It was noted Northwestern in 1985 agreed to provide insurance and indicated it would be at a premium rate.

Councilmember Phillips questioned why the Iowa Community Assurance Pool (ICAP) had not quoted umbrella. The City Administrator indicated at the time they submitted their proposal they did not have umbrella coverage available. It was noted since their initial proposal was submitted they indicated they could obtain umbrella coverage of \$3,000,000 on top of \$2,000,000 underlying coverage. But as of Friday, June 24, 1988 they were not able to provide the City with the cost for the coverage.

Mr. King further indicated due to the City's commitment to risk management and the change in the insurance industry, the City had been provided with three excellent proposals. Mr. King indicated Northwestern and PENCO were both very complimentary about the City's facilities, management and the efforts put forth by Randy Hill, Administrative Assistant/Acting Public Works Director, who is in charge of overseeing the City's employee risk management program.

Dave Eaton, Chairman of the Citizen Insurance Advisory Committee then addressed the City Council. Mr. Eaton indicated in his position with Bandag risk management is a primary emphasis in eliminating as much risk as possible and then purchase insurance to cover those areas where risk can only be minimized. Mr. Eaton further indicated "the best is not always the cheapest" when it comes to purchasing insurance. He further indicated that all insurance proposals are different and it becomes difficult to compare one proposal to another simply from a price standpoint.

Mr. Eaton then provided the Council with a written summary of advantages and disadvantages with each of the three proposals received. Mr. Eaton reviewed each of these on an item by item basis.

Mr. Eaton indicated a major item that Council must be aware of is the fact Northwestern does not have an "A" rating from the Best Rating company. However, it was noted the Insurance Committee had reviewed this situation in detail and felt that Northwestern had made some major management changes and were financially sound. Mr. Hal Larson, member of the Insurance Committee, addressed the issue of ratings and noted that due to the major reorganizational changes within Northwestern, the Best Rating would not provide a rating to the company for another couple of years. He further indicated if the company should encounter financial problems the Iowa Guaranteed Insurance Fund would back up the claims. It was noted this fund is established by mandatory contributions from insurance companies.

It was indicated PENCO provides excellent financial stability through the Hartford Insurance Company and they have an excellent loss control department. However, the Committee felt due to the cost of the PENCO proposal, the fact that they do not offer a dividend program or workers compensation coverage, the Committee could not recommend accepting their proposal.

Mr. Eaton, in regard to the ICAP proposal, indicated that this proposal was not recommended due to: the newness of the program; the potential of levying additional assessments; and the problem of obtaining coverage for all open claims and claims reported at a later date would not be covered if the City chose to drop out of the pool. Mr. Eaton also indicated the advantages of the ICAP program was: the premiums were slightly lower; the program deals with only Iowa Municipalities and Counties; and the program would not be as susceptible to the cycles of the insurance industry.

Mr. Eaton stated that after evaluating all of the various factors involved the Committee recommended the City continue with Northwestern under the swing plan and increase the umbrella to a minimum of \$2,000,000 and preferably to \$5,000,000.

Mr. Hal Larson indicated that in the Committee's opinion the current coverage was too low when comparing the exposure the City has.

Councilmember Harder stated the current coverage was adequate and could not support increasing the umbrella to \$5,000,000.

#11062 On motion by Councilmember Brewer, seconded by Kemp it was moved to increase the umbrella coverage to \$5,000,000 at a cost of \$35,600. The motion was approved voting YES: Councilmember Brewer, Amerine, Kemp, York and Sayles; voting NO: Councilmember Harder and Phillips.

The City Administrator indicated a resolution was recommended to be adopted to accept the insurance program as recommended by the Insurance Committee for FY 1989. It was noted the resolution indicated the City recognizes that Northwestern does not have an "A" rating and the public housing insurance would be purchased from State Farm, and would not be purchased directly through the City's insurance agent as required in the City's risk management program. It was noted the housing situation was a result of meeting guidelines of the Federal Department of Housing and Urban Development and the low quote available from State Farm for public housing.

11063 On motion by Councilmember Amerine, seconded by Councilmember York, it was moved to adopt the resolution approving the insurance program for FY 1989 including the provision for increasing the City's umbrella coverage to \$5,000,000. The resolution was approved unanimously.

The City Administrator indicated the next item on the agenda involved a problem the City has encountered in closing out the State and Federal grants involved with the Water Pollution Control Construction project completed in 1976. It was noted for the past six months the City has been working with the Federal Environmental Protection Agency and the Iowa Department of Natural Resources to close out the \$17.7 million dollar project. It was noted the City still had grant receivables of \$64,071.50 from the Federal Government and \$3,811.43 from the State of Iowa. However, a major item needed to be resolved in order to close out the project. It was noted in early 1972 the City had

conducted pilot plant studies with the results utilized by the Engineers to design the plant. It was noted the pilot study had been extended and Grain Processing and Heinz had agreed to pay 50% and 25% respectively toward the cost. It was stated Grain Processing had paid the City \$35,190.28 and Heinz \$21,795.14. It was further noted the City had agreed to reimburse the two companies 80% of their contribution if the City received reimbursement for the additional pilot work from the State and Federal government. It was noted the City staff could not find any records of having reimbursed either of the two companies. It was noted the City had already received the grant reimbursements. In order for the not to have to return the amounts to the Federal and State Governments it was proposed that Grain Processing Corp. be paid \$28,152.22 and Heinz \$17,436.12, equal to the amount the City had received from the EPA and IDNR.

The City Administrator then reviewed the final status of closing out the grant and the current financial condition of the Water Pollution Control Renovation Project which was impacted by this issue as surplus funds from the 1976 project were being transferred to the Renovation Program. It was noted no additional funds should be required for the renovation project based on a transfer of \$400,000 from the 1976 Construction Project.

Councilmember Harder questioned if the matter over the sludge trucks in regard to being grant eligible for reimbursement had been resolved. Craig Olson, Water Pollution Control Director, responded that documentation has been forwarded to EPA and it is hoped that information is sufficient for the City to receive the reimbursement on all three trucks. Councilmember Harder also questioned if the City was sure that no payments had been made to the two industries. The City Administrator indicated that the City's Finance Department and independent auditors could not find any records of payment. He also noted Grain Processing Corp. had also been requested to check their records and Grain Processing Corp. had been requested to check their records and they had indicated they had not received payment.

11064 On motion by Councilmember Harder, seconded by Councilmember York, it was moved to adopt the resolution authorizing payments to H. J. Heinz and GPC in accordance with the schedules outlined to close out the Water Pollution Control Plant Project completed in 1976. The resolution was approved unanimously.

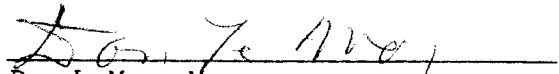
The City Administrator indicated that one additional item had come up which needed to be resolved prior to July 1. It was noted the City currently has a two year contract for its Xerox machine in City Hall. It was noted a couple of weeks ago City staff was notified by Xerox the agreement was ending June 30, 1988. It was noted staff was under the impression the agreement was not expiring until 1989. Deb Neels, Director of Finance then reviewed the current contract with Xerox, the funding in the budget for the continuation of leasing the equipment and the \$3,000 which had been appropriated for purchasing an additional smaller machine. It was also noted problems had been encountered with the copy machine at the Art Center and at the Water Pollution Control Plant. The Finance Director outlined a proposal for renewing the existing lease agreement and purchasing three additional small copiers. This would result in additional costs over budget of approximately \$1,200 if a one year agreement is signed or \$300 for a two year agreement. Under a two year proposal the extension of the lease for the City Hall copier would be \$23,196 and the purchase of a copier at City Hall would be \$1,660 and \$1,410 each for the Art

Center and Water Pollution Control. It was noted four year maintenance agreements would be included in the price for the three smaller machines.


11065 On motion by Councilmember Phillips, seconded by Councilmember Kemp, it was moved to extend the existing lease for the City Hall copier for two years and authorizing the purchase of three smaller copiers at a total cost of \$27,676. The motion was approved unanimously.

11066 On motion by Councilmember Brewer, seconded by Councilmember Amerine, it was moved to adjourn the meeting.

The meeting adjourned at approximately 5:45 p.m.


Don LeMar, Mayor

Attest:


Soren Wolff, City Clerk