



**STAFF REPORT**  
**4/27/2022**

**TO:** Honorable Mayor and City Council Members

**FROM:** Nathan Statham, Finance Director

**SUBJECT:** Approve the delegation of claims settlement authority to the Public Entity Risk Management Association (PERMA) for small claims and authorize the establishment of a member trust account under the liability program.

---

**STAFF RECOMMENDATION:**

Staff recommends that the City Council adopt Resolution 2022-37 delegating claims settlement authority to PERMA for small claims (not exceeding \$25,000) and authorize the establishment of a liability trust account.

**BACKGROUND:**

The Public Entity Risk Management Authority (PERMA) was created in 1985 for the purpose of jointly funding programs of insurance and developed risk retention pools for general liability and workers' compensation insurance. The City of Coachella is a member of PERMA and pools its' general liability risk and workers' compensation risk with thirty public entities in the Coachella Valley and Inland Empire.

**Claims Administration**

Upon the filing of a claim, administrative responses must be timely. The City generally has up to 45 days to respond after a claim or amended claim is presented. Failure to make an appropriate response could prejudice the defense of the claim. Some options for responding to a claim include doing nothing, approving all or part of a claim, rejecting a claim, providing a notice of insufficiency or providing a notice that the claim is untimely.

PERMA requires all claims filed to be forwarded to them so they may be appropriately tracked. Because PERMA is already receiving all claims, issuing administrative response authority is a natural extension of the claim handling services already being provided. Agencies that delegate administrative authority to PERMA receive professional and appropriate claim handling, and the agency's and pool's interests are also appropriately protected.

The City's Risk Manager currently tracks and evaluates liability claims made against the

City. For larger claims, City staff review is crucial to determining a proper course of action when deciding on a settlement action. However, the City receives numerous smaller claims. Reviewing these smaller claims often take City staff time in excess of the benefit provided.

### Member Trust Account

The City currently maintains a member trust account under the workers' comp program in excess of \$1 million. The payments process through the member trust account has worked well for the City.

If a liability program member trust account is established, at the end of each month, the trust account will earn interest, or be charges interest (if in a deficit position), at the Local Agency Investment Fund (LAIF) monthly yield. This return is consistent with a significant portion of the City's investment portfolio that is also held in LAIF.

### DISCUSSION/ANALYSIS:

Administratively delegating claims settlement authority to PERMA will reduce the daily claim administrative burden currently borne by City staff. PERMA claims adjusters are more suited to determine the advantages of entering into a settlement agreement than City staff. PERMA staff has specific knowledge skills and expertise pertaining to claims and the settlement procedures.

Establishing a member trust account will streamline City payments for claims invoices. Claims payments such as legal fees, expert opinions and incident examinations are currently presented to the Finance Department for payment through the accounts payable process. The establishment of a member trust account would allow for payment of these invoices directly through the member trust account. The City would then receive monthly invoices from the member trust account for replenishment if needed. This would consolidate multiple payments into one payment each month for the City.

### ALTERNATIVES:

1. Adopt Resolution No. 2022-37 Establishing a Policy Which Delegates Settlement Authority of Tort Liability Claims to the Public Entity Risk Management Authority (PERMA).
2. Adopt Resolution No. 2022-37 as modified to allow for lower deposit fund and/or claim settlement authority limits.
3. Adopt Resolution No. 2022-37 as modified to approve either the deposit fund or claims settlement authority delegation but not both.

### FISCAL IMPACT:

The fiscal impact for staff time saved is indeterminate, however, savings are expected to exceed any associated costs. With this action, Council would appropriate funds in the amount of \$50,000 from the City's general fund to fund the member trust account. It is noted, that this is not a true

use of general fund resources since the member trust account will pay future claims expenses and will be reflected as an asset of the City.

**ATTACHMENTS:**

1. Resolution No. 2022-37