



CITY OF DEL REY OAKS

650 CANYON DEL REY BLVD., DEL REY OAKS, CALIFORNIA 93940

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DATE: August 27, 2024

TO: Honorable Mayor and City Council

FROM: John Guertin, City Manager

SUBJECT: Authorize the Purchase of Pollution and Legal Liability Insurance Coverage for the City's Former Fort Ord Properties at a Coverage Level of \$1 Million Dollars

CEQA: This action does not constitute a "project" as defined by the California Environmental Quality Act (CEQA) guidelines section 15378 as it is an administrative activity of the City that will not result in direct or indirect physical changes in the environment.

Background

Following the closure of the former Fort Ord Army military base in 1994, the Army began the process of cleanup and remediation of certain portions of its properties due to environmental contamination and munitions and explosives of concern. The Army was responsible for the remediation and cleanup of its properties prior to transferring them to the underlying land use jurisdictions and continues to be responsible for cleanup of munitions or explosives if they are found in the future after the properties are transferred.

Even though these properties have been remediated and cleaned up, there remains a potential risk that is not covered by typical city insurance policies. To protect against these risks, the Fort Ord Reuse Authority purchased Pollution and Legal Liability Insurance (PLL Insurance) to protect against the insurable risks of holding or accepting potentially contaminated property, including property believed to have been fully remediated at the time of acquisition but later discovered to remain impacted by environmental contamination. Initially, FORA purchased \$100 million of PLL insurance for ten years which expired in 2014. A \$50 million PLL insurance policy was purchased again in 2014 by both FORA and the various land use jurisdictions. The City of Del Rey Oaks purchased a \$12.5 million dollar policy at that time. This policy will expire in December 2024.

In the 20 years that FORA has had PLL Insurance, no claims have ever been filed.

Discussion

Staff is recommending that the City purchase coverage once again, at a \$1 million policy coverage for PLL insurance. This insurance will cover incidents that are not typically covered under general liability policies for clean-up costs, personal injury, property damage and defense costs from munitions or explosives of concern. Even though the Army continues to be responsible for the clean and remediation if explosives or munitions are found, Del Rey Oaks could potentially have some risk. The PLL insurance policy will cover the risk.

The cost of \$1 million insurance for 10 years of coverage is \$52,643.04 or approximately, \$5,264 per year. The insurance has a self-insured retention (SIR) of \$250,000. The policy will be effective from January 2025 to January 2035. The policy does not cover removal or contamination due to asbestos or lead.

The City of Seaside, which is serving as the Environmental Services Cooperative Agreement agent since the termination of FORA, has coordinated the purchase of the new PLL insurance policy.

Fiscal Impacts

The cost of this policy is \$52,643.04 per million dollars of coverage and would come from unallocated fund balance/general fund.

Recommended Action

Staff recommends that Council pass the attached City of Del Rey Oaks Resolution.

Attachments:

Resolution No. 2024-16

Respectfully Submitted,

John Guertin
City Manager

Resolution No. 2024-16

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF DEL REY OAKS
AUTHORIZING THE PURCHASE OF POLLUTION AND LEGAL LIABILITY INSURANCE COVERAGE FOR
THE CITY'S FORMER FORT ORD PROPERTIES AT A COVERAGE OF \$1 MILLION DOLLARS**

WHEREAS, previously the City of Del Rey Oaks has purchased Pollution Legal and Liability insurance coverage through the Fort Ord Reuse Authority (FORA), and,

WHEREAS, this coverage expires December 2024, and,

WHEREAS, Pollution and Legal Liability insurance coverage is bound for a coverage period of ten years at a cost of \$52,643.04 for each million dollars of coverage, and,

WHEREAS, the City of Del Rey Oaks has determined that it will be beneficial to purchase this insurance coverage.

NOW, THEREFORE BE IT RESOLVED that the City Council of the City of Del Rey Oaks does hereby:

1. Authorize the purchase of Pollution and Legal Liability coverage at a level of \$1 Million dollars.
2. Authorizes the City Manager to make necessary accounting and budgetary entries.

PASSED AND ADOPTED by the City Council of the City of Del Rey Oaks at a regular meeting duly held on the 27th of August 2024, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

APPROVE:

Scott Donaldson, Mayor

ATTEST:

Karen Minami, City Clerk