



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 12/02/2025

ITEM NO: 19

DATE: December 2, 2025
TO: Mayor and Town Council
FROM: Chris Constantin, Town Manager
SUBJECT: **Resolution Terminating Membership in the Pooled Liability Assurance Network Joint Powers Authority and Authorizing Membership in the California Joint Powers Insurance Authority to Obtain Risk Management and Insurance Coverages**

RECOMMENDATION: Adopt a resolution authorizing the Town Manager and Town Attorney to issue written notice of termination of the Town's membership in the Pooled Liability Assurance Network Joint Powers Authority (PLAN JPA) at the end of the fiscal year and to execute all necessary agreements to join the California Joint Powers Insurance Authority (CJPIA) and obtain risk management and insurance coverages.

FISCAL IMPACT:

Town staff estimates ongoing budget annual savings of up to approximately \$250,000. While experience and claim history can change rates over time, the table below summarizes the four-year history of PlanJPA premiums and the current quotes from CJPIA.

	Current Vendor- The PlanJPA				CJPIA
Coverage	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Estimate
Liability Insurance	\$ 629,535	\$ 727,963	\$ 913,348	\$ 1,103,502	\$ 1,254,500
Property Insurance	\$ 145,790	\$ 231,605	\$ 242,373	\$ 252,262	\$ 100,000
ERMA (Employee Risk Management Authority)	—	—	\$ 103,581	\$ 111,026	Included
Self-Insured Retention Payments	\$ 212,674	\$ 124,525	\$ (9,898)	\$ 200,000	\$ 50,000
Cyber Coverage	Included	Included	Included	Included	Included
Pollution Coverage	Included	Included	Included	Included	\$7,500
Crime Coverage	Included	Included	Included	Included	\$ 4,500
Public Official Bond	\$ 9,111	\$ 9,175	\$ 9,175	\$ 9,175	Included
Total	\$ 997,110	\$ 1,093,268	\$ 1,258,579	\$ 1,675,965	\$ 1,416,500

Reviewed by: Town Manager, Assistant Town Manager, Town Attorney, and Finance Director

Future rates are estimates, as current-year claims history and insurance authority negotiations can affect premiums. However, the reduction of the self-insured retention for the CJPIA liability program from the current \$50,000 will allow the Town to reduce the self-insured retention budget. The CJPIA estimate includes \$50,000 to account for property-based retentions, while the PlanJPA budget of \$200,000 annually reflects retentions for both liability and property programs.

STRATEGIC PRIORITY:

Evaluating alternative risk-management services and insurance pooling arrangements aligns with the Town's strategic priority of ensuring prudent financial management. Improving coverage, reducing volatility, and stabilizing long-term costs support this goal.

BACKGROUND:

The Town of Los Gatos has participated in the Pooled Liability Assurance Network Joint Powers Authority (PlanJPA) since December 2017. PlanJPA was created when former Association of Bay Area Governments (ABAG) PLAN member agencies elected to separate from ABAG and form an independent joint powers authority dedicated to municipal risk pooling. On December 5, 2017, the Town Council approved participation in PlanJPA and authorized execution of a Joint Powers Agreement, enabling the transfer of assets and liabilities from the ABAG PLAN Corporation to the new authority. PlanJPA's governing documents confirm that the new JPA was formed to assume all assets, liabilities, and obligations of the former ABAG PLAN, and to administer pooled liability and property programs for member agencies. Under Article XIX of the PLAN JPA Joint Powers Agreement, withdrawal requires at least six months' written notice and must occur at the end of a fiscal year.

PlanJPA provides pooled liability coverage, which includes general liability, bodily injury, property damage, personal injury, public officials' errors and omissions, and employee benefit plan administration liability. PlanJPA also provides property coverage through participation in the Alliant Property Insurance Program (APIP), which offers a shared per-occurrence property limit for scheduled locations and associated sublimits for supplemental coverages. Property deductibles include a member-level per-occurrence deductible for most property and vehicle losses, with additional program-level deductibles applicable to certain types of losses. PlanJPA's property program also includes boiler and machinery, cyber, crime, and pollution liability coverage, each administered through APIP.

As part of efforts to seek opportunities for broader coverage at a reduced cost, Town staff initiated an evaluation of alternative pooled insurance arrangements. Staff obtained

coverage information and quotations from the Bay Cities Joint Powers Insurance Authority (BCJPIA) and the California Joint Powers Insurance Authority (CJPIA), both of which provide pooled liability and property coverage for public agencies in California. CJPIA appears to provide a more robust program and more competitive rates.

Using the detailed coverage documents provided by CJPIA, staff compared coverage structures, program design, and available member services to the Town's current program under PlanJPA. Based on that review, Town staff recommend moving to the California Joint Powers Insurance Authority for general liability, property, cyber, crime, and pollution coverage.

Both insurance authorities offer similar types of coverage with nuanced differences. However, for the Town's highest-risk categories of police and general liability, the CJPIA program provides higher coverage limits and the opportunity to eliminate the existing \$50,000 self-insured retention. The change is estimated to result in approximately \$100,000 in annual savings, and allows the Town to discontinue budgeting \$200,000 each year to cover potential self-insured retention payments under the current \$50,000 per-occurrence structure. When retaining \$50,000 for property retention, Town staff estimates a budgetary savings of approximately \$250,000.

On November 6, 2025, the CJPIA Underwriting Committee considered the Town's application and unanimously approved a positive membership recommendation for their Executive Board. On November 19, 2025, the Executive Board unanimously approved the Town's membership application to the CJPIA for July 1, 2026.

DISCUSSION:

Insurance joint powers authorities are public-sector cooperatives. They allow cities, towns, and special districts to band together to manage risk, stabilize long-term insurance costs, and secure broad coverage that would be prohibitively expensive on an individual basis. A JPA spreads the financial impact of severe claims across all members, but it also builds a professional infrastructure for claims handling, litigation management, loss control, and training. In practice, participating agencies protect themselves against liability, employment claims, property loss, cyber incidents, and other exposures that a municipal organization inevitably encounters. The JPA structure gives each member the collective strength of the group while retaining local control through a governing board made up of the member agencies themselves.

The Town of Los Gatos's current provider, the Pooled Liability Assurance Network Joint Powers Authority, is built around that cooperative model. PlanJPA was formed in 2017 when the former ABAG PLAN members separated from the Association of Bay Area Governments and created an independent JPA to assume all existing assets, liabilities, and obligations. Its current membership of 28 agencies is concentrated in Bay Area

cities and towns, including Los Gatos, Saratoga, Campbell, Cupertino, and other communities as far north as Fairfield and south as Morgan Hill. The organization provides pooled liability and property coverage, supported by pooled retained limits and excess insurance. Its programs cover general liability, public officials' errors and omissions, auto liability, employment-related exposures, and property coverages ranging from buildings and contents to contractor's equipment, business interruption, and boiler and machinery losses. PLAN also purchases or coordinates cyber, pollution, and crime policies for its members. The structure is collaborative and regionally focused, its board is comprised of one representative per member agency, and its services include claims management, training, and risk control.

The California Joint Powers Insurance Authority (CJPIA) is a larger and longer established statewide pooling organization. Its liability program is structured as a self-insured pool backed by significant reinsurance capacity. The liability program shows a primary limit of 30 million dollars for each member in a pooled structure that includes defense, indemnity, excess liability, public officials' errors and omissions, employment practices liability, automobile liability, and employee benefits administration liability. Excess coverage increases limits up to \$50 million. CJPIA's property program provides all-risk coverage that addresses buildings, contents, business interruption, boiler and machinery, and multiple extensions and sublimits for items such as newly acquired property, course-of-construction projects, and scheduled or unscheduled infrastructure. CJPIA supplements this with dedicated cyber liability insurance, offering first-party incident response, liability protection, business interruption, cyber extortion, and e-crime coverages with defined limits and retentions. Under Article 24(a) of the CJPIA Joint Powers Agreement (Attachment 2), new members commit to a mandatory three-year initial term during which withdrawal is not permitted. After the initial three-year period, Article 24(c) requires members to provide twelve months' written notice prior to withdrawing at the end of a protection period.

CJPIA, in addition to the insurance coverage, provides a proactive and focused risk management program. This program includes regular risk management reviews by a dedicated senior risk manager, in which the CJPIA completed the initial review in preparation for the Town's membership. Additionally, the CJPIA provides other cost-saving benefits, such as a subscription to the police Lexipol policy manual (Los Gatos currently pays about \$13,000 for this service), ongoing wellness services for police, an on-call attorney for quick responses on key employment-related matters, on-call emergency public information officer services for critical incidents, and robust training and best practices templates.

The CJPIA includes over 125 cities and public entities throughout California and is large enough to support broad coverage offerings, specialized training programs, claims oversight, and a deep catalogue of risk-management resources. Current membership includes the Midpeninsula Regional Open Space District (MROSD) in San Mateo County to

the north and members as far as the Mexican border in both San Diego and Imperial counties. While 79% of its members are cities, Pacific Grove and Seaside are the furthest north, so Los Gatos would become its northernmost town, abutting their current member MROSD.

The CJPIA Bylaws require each member agency to appoint a Director and an Alternate Director to the CJPIA Board of Directors (Attachment 3). Meetings, notices, and procedures of the Authority are governed by the CJPIA Bylaws, which incorporate Brown Act requirements as described in Article II and Article III of the Bylaws.

Insurance Review Due Diligence

Staff conducted a comparison of the Town's current insurance and risk management programs under PlanJPA and the programs available through CJPIA. The review focused on the structure of each pool, the scope of available coverage, deductible and retention levels, and how liability, property, cyber, crime, and pollution coverages are delivered and administered. Additionally, the comparison included the cost and budget associated with the plans.

Under PlanJPA, liability coverage is structured around a pooled primary layer sitting above a Town-level retention, with additional excess protection purchased above that layer. PlanJPA's property insurance is placed through the Alliant Property Insurance Program (APIP), with a shared program limit and standard member deductibles applied to most losses, along with higher internal pool deductibles for certain categories of risk. Ancillary coverages such as cyber liability, crime, pollution liability, and boiler and machinery are also accessed through the APIP structure.

CJPIA administers its own pooled liability program with integrated cyber and employee liability coverage, together with an all-risk property program that incorporates APIP-style sublimits for business interruption and related coverages. The CJPIA property program is structured so that internal deductibles are managed authority-wide rather than by applying a Town-specific self-insured retention. CJPIA also provides separate crime, and pollution programs with defined member-level deductibles and authority-level self-insured retentions, which the Town intends to acquire.

Both the PlanJPA and CJPIA operate as member-driven joint powers agencies with formal governance structures, shared decision-making, and defined amendment and subrogation practices within their Memoranda of Coverage. While both organizations provide comprehensive pooled coverage solutions, they differ somewhat in their liability limits, treatment of member deductibles and retentions, and in how property, cyber, and pollution programs are structured. The following sections set out a line-by-line comparison of the two programs. Overall, both programs adequately cover and address

risk exposures for the Town of Los Gatos.

General Description of Insurance Programs

Both authorities provide similar lines of insurance programs covering general liabilities and property coverages. Some coverages have optional additions and vary in self-insured retentions and coverage limits, but both sets of programs are similar. Some coverages are included in one insurance program, while those coverages may be reflected separately in the other programs. Holistically, the following provides a reasonable description of the insurance and coverage programs, which include:

Liability Insurance

Liability insurance protects the agency against claims alleging bodily injury, property damage, personal injury, civil rights violations, automobile liability, employment practices liability (included separately in other plans called ERMA), or errors and omissions by public officials. It provides legal defense and indemnity when the agency becomes legally responsible for damages resulting from its operations, employees, or decision-making.

Property Insurance

Property insurance covers physical assets owned or used by the agency, including buildings, facilities, equipment, vehicles, contents, and other scheduled or unscheduled property. Coverage typically includes losses caused by fire, theft, vandalism, weather events, mechanical breakdown, and other accidental direct physical damage. It may also include business interruption, debris removal, and extra expenses needed to continue operations after a loss.

ERMA (Employee Risk Management Authority)

ERMA provides employment-practices liability coverage, including defense and indemnity for claims such as wrongful termination, discrimination, harassment, retaliation, failure to hire or promote, and violations of state and federal employment laws. The program also offers training, loss-control resources, and claims management support to reduce the frequency and severity of workplace-related litigation.

Self-Insured Retentions (SIRs)

A self-insured retention is the portion of a loss that the agency pays directly before pooling or excess coverage applies. It functions like a deductible but is handled differently in public-sector pooling, where the member agency manages and funds the

initial layer of liability up to the SIR amount, after which the JPA's pooled coverage or excess insurance responds.

Cyber Coverage

Cyber coverage protects the agency against costs and liabilities arising from data breaches, network intrusions, ransomware, business interruption caused by system failures, e-crime losses, and digital extortion. It typically includes incident response services, forensics, notification and credit-monitoring expenses, regulatory defense, restoration of corrupted data, and liability for unauthorized access or disclosure of personal information.

Pollution Coverage

Pollution coverage provides protection for sudden and accidental releases of pollutants, contamination of soil or water, disinfection events, sewer backup, mold or legionella occurrences, and third-party claims arising from environmental damage. It may also include remediation expenses, emergency response costs, business interruption related to pollution incidents, and coverage for potable-water or wastewater systems.

Crime Coverage

Crime coverage protects the agency against financial losses resulting from dishonest or fraudulent acts. This can include employee theft, forgery or alteration of documents, theft of money or securities inside or outside agency premises, computer fraud, funds-transfer fraud, counterfeit currency, credit-card forgery, and social-engineering or impersonation schemes.

Public Official Bond

A public official bond guarantees the honest and faithful performance of duty by designated officials, which often includes finance officers, treasurers, or others who handle public funds. If an official fails to perform required duties or commits a dishonest act that causes financial loss, the bond provides reimbursement to the agency up to the bond's stated amount.

Risk Exposure Considerations

The Town's risk exposures arise from the full span of municipal operations, including police and public safety activities, street and infrastructure maintenance, land-use decisions, parks and recreation programs, employment practices, public-official governance, large and aging physical assets, cyber systems, and environmental

management responsibilities.

Both PlanJPA and CJPIA are structured to absorb these exposures through pooled and excess liability, property, and ancillary coverages, but they do so at different scales and with different coverage designs. Evaluating some of these differences helps illustrate how each authority mitigates the Town's exposure to financial loss.

PlanJPA

PlanJPA is a regional pool composed of 28 Bay Area cities and towns, including Los Gatos. Its risk-sharing structure is built around various self-insured retentions, which is \$50,000 for Los Gatos's liability program and shared excess insurance for liability and property claims. PlanJPA provides coverage for general liability, bodily injury, property damage, personal injury, public officials' errors and omissions, auto liability, and property losses, including buildings, contents, equipment, business interruption, and boiler and machinery failures. These exposures are addressed through a pooled coverage layer above a member's retention limit, followed by excess insurance purchased by the insurance pool.

Because the pool is regionally concentrated, member agencies often face correlated exposures such as earthquake, flood, and regional litigation trends. While the property program provides extensive sublimits, including flood and earthquake when purchased (Los Gatos does not participate), the overall all-risk limit is shared and subject to impacts to more than one agency when the exposure impacts others. The pool's liability protection depends on the collective financial strength of its members, its pooled reserves, and the structure of its excess insurance.

The benefits of PlanJPA's structure include closer governance relationships with other cities in the Bay Area. The limitations include a smaller pool size, lower aggregate purchasing power, and the potential for large losses within the region to affect the program more sharply. Further, the lower excess coverage of \$30 million could result in Town exposure should a claim result in a liability greater than the coverage level. These would be high risk, low frequency events, but with public safety and infrastructure liabilities, they are a possibility.

CJPIA Risk Exposure Profile

CJPIA, with over 125 member agencies statewide, addresses municipal risk on a larger scale. Its liability program Memorandum of Coverage provides \$30 million of primary pooled protection per member, backed by excess insurance purchased by the Authority, increasing coverage to \$50 million. The broader membership base distributes high-severity risks across many agencies, reducing volatility for any single member. The statewide pool also smooths regional risk

concentrations; for example, earthquake, major litigation, or catastrophic employment matters affecting one region are absorbed across a wider financial base.

CJPIA's property program offers comprehensive all-risk coverage, business-interruption protections, coverage for newly acquired property, course-of-construction projects, scheduled and unscheduled infrastructure, boiler and machinery, and automatic extensions that address the evolving nature of a municipal property portfolio. CJPIA supplements this with a dedicated cyber program providing first-party breach response, data restoration, extortion, and liability protections.

The scale of CJPIA allows for greater diversification of losses, the ability to purchase broader excess and reinsurance layers, and access to specialized risk-management services. The tradeoff is that governance occurs within a larger, more complex organization, and some programs, such as the property program, carry higher administrative or participation costs. However, the coverage depth and financial protections are designed to absorb high-severity municipal exposures more fully, and the overall cost of the programs provides the Town with some financial relief.

Comparative Assessment of Town Risk Exposures

The following section provides a detailed comparison of the Town's current coverage through PLAN JPA and the coverage available through the CJPIA. Because insurance pooling programs differ significantly in structure, limits, deductibles, and the way risk is shared among members, understanding these differences is beneficial for determining which program delivers the strongest financial protection and most predictable cost exposure for the Town. The narrative that follows summarizes each program's coverage in key areas and then identifies where the CJPIA program provides added value.

Liability Coverage

PLAN JPA

PLAN JPA provides liability coverage that includes general liability, auto liability, bodily injury, property damage, personal injury, and public officials' errors and omissions. Under this structure, the Town must pay its own self-insured retention, which is typically about \$50,000 per occurrence before the pooled layer begins to respond. Once the retention is satisfied, the combination of pooled and excess layers provides roughly \$30 million in total per occurrence liability protection.

CJPIA

CJPIA provides broad liability coverage that includes bodily injury, property damage,

auto liability, public officials' liability, employment practices liability (this is a separate additional cost with PlanJPA), and media liability. Unlike PLAN JPA, the CJPIA program provides true first-dollar coverage, so the Town does not pay a self-insured retention before the program responds. CJPIA provides a total liability tower of \$50 million per occurrence through primary and excess layers.

Differences and Value Added

CJPIA provides two structural advantages for the Town. First, it removes the need to fund a self-insured retention at the start of each significant claim, which reduces budget volatility. Second, it provides a higher per occurrence limit of \$50 million rather than the \$30 million available through PLAN JPA. Together, these differences offer significantly stronger protection for high-risk municipal liability exposures, such as police liability.

Property Coverage

PLAN JPA

PLAN JPA participates in the Alliant Property Insurance Program (APIP), which offers a shared \$1 billion limit across all participating agencies, including private sector participants in the APIP pool. Under this program, the Town is responsible for a property deductible usually between \$5,000 and \$15,000, depending on the asset. The program also applies an internal pooled deductible of \$500,000 before upper layers are attached. The coverage includes buildings, contents, vehicles, technology equipment, fine arts, and business interruption.

CJPIA

The CJPIA property program has a shared \$750 million per occurrence all risk limit. The Town pays a consistent \$25,000 deductible for most covered losses. While similar in coverage to PlanJPA, the deductible is a little higher, but the overall coverage covers the Town's property, and the CJPIA program does not impose internal pooled deductibles for different items lost, similar to those in PlanJPA APIP. Optional earthquake and flood coverage is available with shared limits of \$225 million for each peril.

Differences and Value Added

The CJPIA program now provides a high capacity property limit that is well matched to the scale of the Town's exposures while avoiding the internal pooled deductible structure in APIP. CJPIA's single predictable deductible enhances financial clarity and simplifies budgeting. Although APIP provides a higher theoretical limit, CJPIA's

structure more closely aligns with real-world risk for Los Gatos and provides clearer and more stable financial protection. It should be noted that the Town cannot join the liability program of one authority and the property of another. As liability is a base requirement, liability coverage tends to drive decision-making when picking coverages.

Cyber Coverage

PLAN JPA

The PLAN JPA cyber program provides a \$2 million primary limit and an additional \$3 million excess limit for a total potential limit of \$5 million. Member deductibles range from \$50,000 to \$250,000, depending on the member's total insured values. Coverage includes breach response services, business interruption, extortion response, data restoration, media liability, and payment card liabilities.

CJPIA

CJPIA provides a \$2 million aggregate limit per member within a \$10 million shared pool for cyber incidents. The Town's deductible is a consistent \$100,000 for each claim, and CJPIA pays a \$500,000 internal retention, which is not charged to members. The program covers first party response costs, including forensics, notification, identity monitoring, business interruption, system restoration, and extortion response, along with liability exposures such as regulatory penalties and payment card assessments.

Differences and Value Added

While PLAN JPA provides a higher theoretical combined limit, CJPIA provides more predictable financial exposure by offering a fixed deductible and absorbing the internal retention. This creates a more stable budgeting environment for cyber events, which are typically high urgency and resource intensive.

Crime Coverage

PLAN JPA

PLAN JPA provides crime coverage with a \$2 million limit for most categories, including employee theft, forgery, theft of money or securities, computer fraud, and restoration expenses. The deductible for crime losses is \$25,000. The coverage includes dedicated protection for social engineering and impersonation fraud.

CJPIA

CJPIA offers crime coverage with a range of limit options from \$1 million to \$5 million, allowing members to select the level that fits their needs. Deductibles range from \$5,000 to \$100,000, depending on the selected limit. The program covers employee dishonesty, forgery, theft of money and securities, computer fraud, and related financial fraud events.

Differences and Value Added

Both programs provide comprehensive crime protection. CJPIA's primary advantage is the ability to tailor limits to the Town's operations, which can improve efficiency and alignment with actual exposure. Although PLAN JPA includes certain preset sublimits for social engineering events, the difference is not a decisive factor in overall program selection.

Pollution Liability

PLAN JPA

PLAN JPA provides pollution coverage through the APIP program with a \$2 million per incident limit and a \$2 million per member aggregate. The overall program aggregate is \$25 million. Deductibles usually fall between \$250,000 and \$500,000, depending on the type of environmental loss. Covered exposures include remediation of contaminated property, bodily injury, off-site migration, mold, sewer backup, wildfire, and contractor pollution.

CJPIA

CJPIA provides a \$5 million per incident limit and a \$5 million per member aggregate with a \$20 million program aggregate. The program uses a standard \$250,000 deductible except for older underground storage tanks. Coverage includes remediation of contaminated property, emergency response actions, bodily injury, environmental migration, image restoration costs, and protections for newly acquired properties subject to reporting conditions.

Differences and Value Added

CJPIA's substantially higher per incident limit provides stronger protection for the types of large environmental losses that create the greatest financial risk for municipalities. Since pollution exposures are typically dominated by the severity of individual events rather than aggregate limits, CJPIA's structure offers meaningfully greater value for the Town.

ENVIRONMENTAL ASSESSMENT:

This action is exempt from the California Environmental Quality Act (CEQA) pursuant to CEQA Guidelines section 15061(b)(3), the “common sense exemption,” because it can be seen with certainty that the approval of a resolution to withdraw from PLAN JPA and to join CJPIA will not result in a direct or reasonably foreseeable indirect physical change in the environment. The action constitutes an administrative and organizational change in insurance and risk management providers and therefore does not constitute a “project” under CEQA or has no potential for causing a significant environmental impact.

CONCLUSION:

It is prudent to periodically review insurance coverage and costs. Based on Town staff review, the Town can see savings while increasing coverage on key areas of liability, such as public safety and infrastructure use, and recommends moving forward with CJPIA.

Attachments:

1. Resolution
2. CJPIA Joint Powers Authority Agreement
3. CJPIA Bylaws