



Date: August 13, 2024

Honorable Mayor and Council Members:

Author and title: Kim Szczurek, Interim Administrative Services Director

Title: **Budget Amendment – General Insurance**

Jen Callaway, Town Manager

Recommended Action: That the Council approve a \$250,000 increase in the 2024-2025 budget for General Insurance for a total line-item budget of \$1,250,000.

Discussion: The Town is a member of the California Intergovernmental Risk Authority (“CIRA”) JPA for the procurement of its insurance coverages, including worker’s compensation, general liability, property, crime, cyber and others. This pooled approach to insurance coverage allows the Town and other small local governments to work together to procure coverage and share risks that would not otherwise be available to them.

Each entity is responsible for their share of the costs to the JPA as a whole and are allocated based on the entity’s payroll in relation to the rest of the members. For liability insurance CIRA self insures the first \$1 million and purchases coverage for the next “layer” of insurance up to \$40 million in coverage.

The 2024-25 cost of the Town’s liability insurance has increased 52% - from \$541k to \$823k. This was more than was anticipated when the budget was created and is due to two primary factors: 1. a 24% increase in the Town’s estimated payroll due to the full implementation of the compensation and classification study as well as the three new MOU’s with the employee groups, and 2. a 37% increase in the cost of purchasing the second layer of liability insurance. This increase is attributed not to CIRA members actual experiences, but rather an excess liability market that has experienced 30% increases over the last three years driven by police liability and dangerous conditions claims.

CIRA is actively working to reduce these large premium increases in the future via creative coverage models, but for this year, the Town and other CIRA members will absorb this cost.

Other coverage increases were in line with the budgeted amounts.

Priority:

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Enhanced Communication
Infrastructure Investment

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Climate and Greenhouse Gas Reduction
Emergency and Wildfire Preparedness

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Housing
Core Service

Fiscal Impact: \$200,000 increase in expenditures allocated amongst the Town’s various funds.

Public Communication: This staff report

Attachments: none