



AGENCY: City Council
MEETING DATE: November 23, 2020
DEPARTMENT: City Manager
PRESENTED BY: Tabatha Miller
EMAIL ADDRESS: Tmiller@fortbragg.com

AGENDA ITEM SUMMARY

TITLE:

Receive Report and Discuss the Redwood Empire Municipal Insurance Fund (REMIF) and the Public Agency Risk Sharing Authority of California (PARSAC) Proposed Merger

ISSUE:

Rather than purchase commercial insurance through a commercial insurance carrier, Fort Bragg participates in an intergovernmental arrangement through which a group of cities and towns (referred to as the members) contribute to a shared fund that pays for liability and workers' compensation claims and provides risk management services. That fund is often commonly referred to as a pool. Pools are empowered to exist through the sections of the California Government Code known as joint powers authority (JPA), which allow two or more like entities to pool funds to pay for claims.

Fort Bragg is currently a member of the pool named the Redwood Empire Municipal Insurance Fund. Our pool functions as an extension of Fort Bragg and is governed by a board of directors comprised of members in the pool. Fort Bragg holds one of the fifteen director positions and participates on the Board of Directors. Currently, this position is held by City Manager Tabatha Miller.

Public entity pools are fundamentally different from conventional insurance. The primary purpose of any public entity pool is to manage and reduce underlying risks to the benefit of public entity members and the public at large. Conventional insurers exist primarily to finance losses, while public pools are collaborating partners that help public entities create, foster, and manage safe environments in order to minimize personal, physical, and property damages and losses.

ANALYSIS:

The Redwood Empire Municipal Insurance Fund (REMIF) is a public entity pool representing 15 small to medium sized cities/towns. It was formed in 1976 with a mission to provide workers' compensation coverage in response to increasing and unaffordable commercial rates. Fort Bragg joined REMIF on December 31, 1978. Coverage was expanded in the mid-1980s to include liability coverage and other services. Other lines of coverage have been added since that time, which are outlined further below.

The Public Agency Risk Sharing Authority of California (PARSAC) is a public entity pool representing 34 small to medium sized cities/towns and one fire district. It was formed in 1986 with a mission to provide liability coverage in response to the insurance crisis that eliminated commercial coverage for cities. Coverage was expanded in 1990 to include

workers' compensation coverage and other services. Other lines of coverage have been added since that time, which are outlined further below.

PARSAC and REMIF provide a pooled liability program, pooled workers' compensation program, and coverage for group purchased property, Board of Directors public officials' errors and omissions, auto physical damage, special events, fidelity bonds, cyber liability, and other ancillary benefits. REMIF also has a pooled medical/health program.

Both pools focus on managing and maintaining a financially stable risk sharing pool for members, and the board of directors have a conservative funding and investment philosophy. They share a similar philosophy to embrace diverse opinions, have discussions that are constructive and collaborative, encourage participation from the members, balance member interests with those of the pool and work together towards a greater good.

Both pools also share a similar culture in that the pool is member owned, member governed, member driven and exists to serve its members. The organizations are also similar in that they serve small to medium sized cities/towns, and share a similar footprint in Northern California, while PARSAC has presence throughout the State.

A comparison matrix of the lines of coverage and services offered by both pools is attached to this staff report (Attachment 1).

Given the similarities between the two agencies, REMIF and PARSAC explored a strategic partnership, which ultimately led to a proposed merger between the two organizations. Rather than one pool merging into the other, the Board of Directors for the pools directed the creation of a new pool (called the California Intergovernmental Risk Authority or CIRA). There will be great benefits in sharing resources, sharing expenses and drawing on strengths. Benefits also include succession planning, more robust, stable programs, shared training resources, long term program sustainability, and eliminating redundancies. While a merger could have realized savings to the members of both pools, the intent of a merger between PARSAC and REMIF is to have long term stability, sustainability and adding depth and breadth to the agencies, with the singular goal of better serving our members.

After over a year of in-depth analysis of such a merger, the Board of Directors for both pools directed the merger of the organizations, effective 07/01/21, creating a new pool, CIRA. To proceed, the individual members must seek adoption of the CIRA agreements, which will be presented for adoption at the December 14, 2020 regular council meeting. Council will be asked to adopt the CIRA Joint Powers Agreement and Bylaws (which will be presented for adoption as a consent calendar item), and further direct staff to work with CIRA on the steps necessary to complete the merger.

While the intent of the merger is to merge the liability, workers' compensation and property programs, there is also an interest in having the self-insured health plan remain under the care, custody and control of REMIF, at least for the time being. This necessitated changes to the underlying Joint Powers Agreement and Bylaws. Council is asked to adopt the REMIF

Joint Powers Agreement and Bylaws (which will also be presented for adoption as a consent calendar item on December 14, 2020).

RECOMMENDED ACTION:

Discussion on the merger of the Redwood Empire Municipal Insurance Fund (REMIF) and with the Public Agency Risk Sharing Authority of California (PARSAC) to create the California Intergovernmental Risk Authority (CIRA). Further consider and discuss the Joint Powers Agreement (JPA) and bylaws for CIRA, which permits the merger of REMIF and PARSAC; and discuss the amended JPA and bylaws for REMIF which permits the self-funded health program to remain under REMIF.

Staff recommends the City Council provide direction to place the CIRA JPA and bylaws and the REMIF JPA and bylaws on the consent calendar for approval at the December 14, 2020 regular City Council meeting.

ALTERNATIVE ACTION(S):

Do not recommend approval of the CIRA JPA and bylaws and the REMIF JPA and bylaws. If the Council does not approve the documents, the City will need to find replacement insurance/risk coverage and negotiate a withdrawal from REMIF which would include payment of outstanding assessments and claims liabilities and unfunded CalPERS pension liability for REMIF.

FISCAL IMPACT:

The merger will consolidate the operations and expenses of both pools. CIRA will work towards eliminating redundant expenses which will lower long term operating costs. Consolidating operations will also achieve greater economies of scale, improve service delivery, and CIRA will be in a better position to leverage its larger size for better services, rates and coverage with service providers and excess insurers. A larger organization will also result in more predictable funding and reserving forecasts (with more available data), which reduces the likelihood of future assessments. The merged organization will be more fiscally viable and provide greater long term stability and sustainability.

GREENHOUSE GAS EMISSIONS IMPACT:

The merger will not have a direct impact on greenhouse gas emissions.

CONSISTENCY:

N/A

IMPLEMENTATION/TIMEFRAMES:

If approved, the merger will be effective July 1, 2021. If the Council approves the documents on December 14, 2020, the City is committed to participate in CIRA for two fiscal years or until June 30, 2023.

ATTACHMENTS:

1. REMIF/PARSAC Matrix
2. CIRA JPA

3. CIRA Bylaws
4. REMIF Revised JPA
5. REMIF Bylaws

NOTIFICATION:

1. Amy Northam, General Manager REMIF