



June 28, 2023

Governing Board Communication

Agenda Item B-6

**TO: MERA Governing Board**

**FROM: Heather Plamondon, Executive Officer**

**SUBJECT: Renewal of the Special Property Insurance Program Policy for All MERA Sites and Approval of Additional Funding for the Premium**

Recommended Action:

1. Authorize the Executive Officer to bind the insurance as provided under the Special Property Insurance Program (SPIP) to include all MERA Sites.
2. Authorize use of FY22-23 surplus operating funds prior to transfer to the Reserve Account for the unbudgeted cost increase.
3. Consider other options for Insurance Coverage or provide different direction.

Background:

MERA uses Alliant Insurance for both the property insurance and liability insurance coverage. The policies are split between the Special Property Insurance Program and the Special Liability Insurance Program and they are on different cycles. Property is July 1-June 30 and Liability is October 1-September 30. Both Premiums are due at the start of the coverage cycle. While preparing for the July 1 Property cycle staff was provided a Trending Budget update of 7.5%, which was interpreted to mean we should expect a 7.5% increase to our premium. That was an incorrect assumption and the premium for SPIP actually increased by more than 40%. When staff questioned the Broker about this significant increase, it was confirmed that "most clients are seeing a 40+% increase in California".

When the FY23-24 Operating Budget was prepared the insurance costs had not yet been confirmed so the approved budget will be insufficient to cover the costs of the SPIP and the SLIP premiums which combined are expected to exceed \$213,000. The approved budget amount is \$163,000. Staff is requesting approval to make up the cost difference using funds from the FY 22-23 Operating Budget prior to transferring the balance to the Operating Reserve Account. If the surplus operating funds are not sufficient at the end of the Fiscal Year, staff requests approval to transfer the balance from the Emergency Fund.

The SPIP Premium is due no later than July 20, 2023 so staff will still be closing out the FY 22-23 Operating Budget.

Fiscal Impact:

The Governing Board did not approve sufficient funds to cover this expense as the cost increase was unknown at the time of the FY 23-24 Budget adoption. Additional funds must be transferred from the FY22-23 Operating surplus and/or the Emergency Fund.