

MINUTES OF THE COUNCIL FINANCE COMMITTEE
OF THE METROPOLITAN SERVICE DISTRICT

February 7, 1991

Council Chamber

Committee Members Present: George Van Bergen (Chair), Sandi Hansen
(Vice Chair), Richard Devlin, Judy Wyers

Committee Members Absent: Roger Buchanan

Chair Van Bergen called the regular meeting to order at 5:40 p.m.

1. Resolution No. 91-1398, For the Purpose of Authorizing the Release of an Request for Proposal for General Technical Services in Support of Its Capital Improvement and Facility Development Programs

Neil Saling, Construction Projects Manager, presented staff's report and said the proposed resolution would give the Finance and Administration Department authority to issue a request for proposals (RFP) for multi-year contract from engineering or technical firms interested in providing Metro with general technical services not readily available within Metro. He said the RFP would establish a point-of-contact within the contracted firm responsive to Metro, and said Metro would be able to meet ongoing technical support needs in an expeditious manner at a predetermined rate.

Councilor Devlin asked how had Metro handled the need for professional services in the past, and asked also what specific projects were anticipated over the next 4 1/2 months that would require expenditures as high as \$50,000 as indicated in the staff report.

Mr. Saling said Metro recently prepared and dispersed an RFP and eventually issued a contract for the project for \$14,000 for the St. Johns landfill design. He said under the proposed resolution the project would have been facilitated by requisition to the contracted firm. He said that \$50,000 in expenditures was estimated last January per year for a three year contract, and anticipated Metro would have numerous needs for cost estimate and technical support services.

In response to Councilor Devlin, Mr. Saling said the proposed contract would provide services for Solid Waste Department projects, Metro South station projects, cost estimates for the Hazardous Waste facilities, the St. John's landfill project, the Sears building project, and others.

In response to Councilor Wyers, Mr. Saling said maximum expenditures over the next three years would be \$50,000 to \$75,000 per fiscal year, and said individual requisitions would range from \$5,000 to \$10,000.

(Continued)

In response to Chair Van Bergen, Mr. Saling said the contracted firm would designate sub-consultants. Mr. Saling said Metro would issue RFP's for other engineering requirements, but said the proposed contract would help Metro meet immediate needs.

Councilor Hansen referred to page 4, section VII.D of the RFP and urged that consideration be given to companies who have lists of sub-consultants who meet the qualifications of the Disadvantaged Business Program. Mr. Saling agreed to insert contract requirements for selection of sub-contractors similar to the requirements in the Metro code.

Councilor Devlin said Metro would realize significant savings with the proposed contract, and said Metro would be able to 1) obtain technical assistance in \$5,000 to \$10,000 range as needed without the preparation of an RFP, which he noted involved considerable staff time, and 2) provide a timely response to Metro service needs.

In response to questions from Donald E. Carlson, Council Administrator, Mr. Saling said that he would manage the contract and vendor, and said both the Zoo and Solid Waste Department had requested the proposed contract. Mr. Carlson referred to a provision in the proposed contract that would prevent a vendor from negotiating other work for Metro, and he and Mr. Saling discussed the likelihood that response would come from smaller firms. Mr. Carlson suggested an amendment to the resolution that the contract not exceed \$150,000 to \$225,000 for the proposed three year period, and suggested Council approval for an extension be required should that amount be exceeded.

Chair Van Bergen asked if the amount of the contract was for the scope of work or for the consultant fee. Mr. Saling said the amount was for the actual work to be performed.

Councilor Devlin noted also that there was no guarantee that the proposed contractor would receive the total amount of \$150,000.

Main Motion: Councilor Wyers moved that Resolution No. 91-1398 be recommended to the full Council.

Motion to Amend: Councilor Devlin moved to amend Resolution No. 91-1398 per staff's changes per Committee discussion waiving requirement for Council review provided the contract does not exceed \$150,000.

Vote on Amendment: Councilors Devlin, Hansen, Van Bergen and Wyers voted aye. Councilor Buchanan was absent. The vote was unanimous and the motion to amend passed.

Vote on Main Motion as Amended: Councilors Devlin, Hansen, Van Bergen and Wyers voted aye. The vote was unanimous and the motion passed.

2. Report on Proposed Self Insurance and Risk Management Program

Jennifer Sims, Financial Services Manager, presented staff's report and introduced Kathy Rutkowski, Senior Management Analyst, and Rob Rayfield of Corroon & Black, Metro's Agent of Record. Ms. Sims noted staff's report would include a report and update on the department's current program since the inclusion of Metro ER Commission (MERC), the annual insurance report to be presented by Mr. Rayfield, and a report on the self-insurance program.

Mr. Rayfield discussed the Metro property program and noted the addition of the MERC facilities July 1, 1990 increased Metro's property values from \$31 million to \$228 million. He said Metro had retained the Allendale Insurance Company under a master property policy. He noted that the deductible per loss had been increased from \$1,000 per occurrence to \$10,000 per occurrence. He reviewed Workers' Compensation issues and the liability programs in the report. Mr. Rayfield said Corroon & Black recommended Metro establish a risk management department and overall self-insurance program.

In response to Chair Van Bergen, Ms. Sims indicated it would be practical for Metro to assume more responsibility by establishing reserves to manage Metro's losses. Mr. Rayfield suggested a gradual, measured process to establish self-insurance procedures, which would give Metro ability to deal with a cyclical market.

In response to Chair Van Bergen, Mr. Rayfield and Ms. Sims said the \$228 million in properties were appraised, above ground, insurable real properties. Ms. Sims said that deductible was pertinent to property loss, such as thefts, water damage, not liability. Mr. Rayfield added that property loss in 1989-90 was \$20,000; and said in 1991 so far it was \$3,000. Staff indicated Metro's liability deductible was \$100,000 and discussed the Tort statutory limits.

In response to Councilor Devlin, Ms. Sims said regarding Metro's liquor liability that terms were specified in individual contracts for events. Ms. Sims added that Metro also maintains liquor liability insurance.

Ms. Sims said Metro had experienced not only increased property values, but also the increase in visitors from one million a year to the Zoo to five million a year at all MERC facilities. She noted incident reports had increased from 50 reports per year to 150 incident reports in the first quarter since July 1, 1990. She said the department was understaffed in the area of risk management, and she recommended that

Metro acquire a full time risk management staff to deal with loss control and claims management.

Ms. Rutkowski distributed handouts to the Committee and presented staff's report on the actuarial study and recommendations, and the implementation study and budgetary impact. She noted three program areas for review which included the liability property program, the Workers Compensation program and the Environmental Impairment program. She noted emphasis and major changes were in the liability program which recommended fund reserves increase overall from \$100,000 to \$2 million over a four year period.

Ms. Rutkowski recommended the transfer of the Workers Compensation incurred loss program from the Personnel office to the Risk Management division. She referred to a chart which projected the financial impact for Metro under the current program compared to a self-insured program. Ms. Rutkowski said different Metro departments have been funding a reserve which now totals \$450,000 on an ongoing basis, and indicated the implementation program proposed \$450,000 be apportioned as a credit to those departments which funded the reserve. She said as premium costs increase Metro would incur cost savings overall with the execution of the proposed plan.

Mr. Carlson noted the charts presented did not reflect past history. Staff and the Committee reviewed the charts and discussed the benefits and drawbacks of the proposed self-insurance fund. Ms. Sims noted MERC had reviewed the proposal and said they had responded favorably.

Ms. Rutkowski said the fund would contain a large claims reserve and a predictable claims reserve. She said at the end of FY 1991-92 the amount in the reserve fund would be \$550,000.

In response to Mr. Carlson, Ms. Sims said the working time frame of four years had been discussed with Metro departments, and said response had been positive although there was concern about start up costs. Staff and the Committee discussed the concept of funding the reserve through revenue bonds should Metro issue revenue bonds for financing a new location. Chair Van Bergen requested Ms. Sims report to the Committee to determine the feasibility of this suggestion.

Staff and the Committee discussed fund allocation percentages of the proposal, liability including large or catastrophic loss, and the potential of exhausting the reserve. Ms. Rutkowski said in the proposed plan the department involved would be expected to bear the loss by refunding the reserve either over a short period or a long period of time, depending on the amount of the loss. Mr. Carlson noted departments without a substantial revenue base would be unable to refund accordingly, and suggested reviewing the possibility of a pooled reserve Metro fund.

Ms. Sims noted Metro losses involving claims had been averaging approximately \$10,000 per year. In response to Councilor Hansen, Ms. Sims said the proposal for self-insurance fund was based on review of the actuarial study, professional recommendations, and budget discussions with departments. Mr. Rayfield noted a specific line of coverage would be established for property definitions rather than for an entity or sub-entity.

Councilor Devlin commented a combination of self-insurance and direct insurance would be beneficial. Staff and the Committee agreed it was a budget issue.

Ms. Sims recapped three questions from the Committee for follow up were:


- 1) research the opportunity to bond the funding for self-insurance reserves;
- 2) evaluate the risks of small exposure and low-funded departments as well as specific areas of liability agency wide for areas requiring protection by being more fully insured;
- 3) evaluate the possibility of co-mingling department funds for reserve purposes.

Councilor Hansen agreed to carry Resolution No. 91-1398 to the full Council.

Mr. Carlson announced the retreat for Metro Councilors would be held at the Convention Center in the King Board Room beginning at 8:30 a.m. on Saturday, February 9. Ms. Sims noted parking at the Sears building was permissible.

The meeting adjourned at 7:38 p.m.

Respectfully submitted,


Marilyn Geary-Symons
Committee Clerk