

**CITY OF PARK RAPIDS  
CITY COUNCIL WORKSHOP  
APRIL 10, 2012, 6:15 PM  
Park Rapids Public Library-Lower Level  
Park Rapids, Minnesota**

**1. CALL TO ORDER:** Mayor Nancy Carroll called the City Council Workshop for April 10<sup>th</sup>, 2012, to order at 6:15 p.m.

**2. ROLL CALL:** Present: Mayor Nancy Carroll, Councilmembers Dave Konshok, Pat Mikesh, and Paul Utke. Absent: Councilmember Sue Tomte. Staff Present: Administrator Bill Smith, Treasurer Angela Brumbaugh, Public Works Employee Dean Christofferson, and Clerk Margie Vik. Others Present: Dick Bradow.

**3. DISCUSSION:**

**3.1. Annual LMCIT Insurance Review:** Dick Bradow stated we will be reviewing liability, property, mobile property, municipal liability, automobile liability, uninsured/under-insured motorist coverage, personal injury protection coverage, auto physical damage, crime, petro fund, defense costs, the whole composite package of the insurance that the city has. On the coverage renewal summaries, each line item is different coverage, along with the supporting coverage documentation. The city also has optional coverages, which the city has purchased in the past, including bond, equipment breakdown, excess liability also called umbrella liability coverage that goes over the top of the underlying liability coverage, liquor liability limit, and airport liability coverage. The city does not have coverage for fireworks or no fault sewer back up.

Bradow stated the city's insurance rating modifier is trending better. This year it's 1.079. Last year it was 1.184. The higher that number, the high the premium is for the city. Carroll questioned is that used as a multiplier? Bradow answered yes. It's based on claims history for the municipality.

Mikesh questioned what is mobile property? Bradow stated that's property that is valued over \$25,000.00, like snow blowers, pay loaders, street sweepers. Any larger equipment that valued at over \$25,000.00 and you want it covered for physical damage.

Bradow stated provided is a premium breakdown for the lines for coverage that the city has. There is a rate breakdown that is used to allocate the costs for the insurance by department for the various lines of coverage. All the autos that the city owns are listed for all the departments. There may be one additional auto that should not be on the list and I'll work with you to get that off. Utke questioned are all the pieces in here actually still in our possession? Brumbaugh stated we go through this each year. Bradow stated when the city buys a new piece of equipment, they work with my office to get that information to me at the time of purchase or disposal. I note it in my file and then every year on January first when this policy renews, then I make the changes to the application and it gets submitted to the League of Minnesota Cities Insurance Trust (LMCIT). I've got a running set of documentation for autos, mobile property, and buildings. At the time of renew, I set an

appointment with Smith. Smith distributed the data to each department to look at their area to confirm what they have. We keep close tabs on it. We try not to insure things you don't have anymore, and get the stuff on there that you do have. This particular LMC is very forgiving. If something gets missed, like what happened with the irrigators lost by wind, we were able to go back and pick up coverage for that so the city had a greater recovery than the way we did have it insured. It was primarily due to the two older units, and the actual cash value was below their co-insurance requirement so LMC let us go back. The city had to pay a premium for the proper coverage and there was a 10% penalty, but it was better to pay the penalty than suffer the loss that would have been incurred because of the wind damage. We want to try to avoid the 10% surcharges.

Bradow stated in an effort to minimize midterm changes, when you add something new you don't get charged for it until January 1<sup>st</sup>. There's coverage for a new car for the day you add it until the renewal period at no additional premium charge. Likewise when you take something off, they don't give you a premium refund. We do these changes cumulatively on January 1<sup>st</sup> of each year. That's why it's important for me to keep track of what you are acquiring and taking off because I have to update that application each January 1<sup>st</sup>. Communication with city staff is important. Carroll stated having the item reported the minute it's purchased isn't important because it's automatically covered. Bradow stated I'd like it reported because it's easier for me to keep track of it as we go, instead of trying to remember what was purchased so my list is accurate. You'll be covered in the year of purchase, but if I miss it in the year of renewal, then we're in that 10% penalty, and we can pick coverage up, but I'd like to avoid the penalties. There's no reason for it because I have good communication with city hall and everyone understands that it's easier to do it as we go.

Carroll questioned there are vehicles that are auctioned so they are parked on city property, do we have insurance coverage on those vehicles? Bradow stated on the impounded vehicles you have coverage under police impounded items. It's also for items in the evidence room. The evidence room and the impound lot is covered. Carroll questioned is that coverage part of the building? Bradow stated it's under liability coverage. Because the property that's impounded belongs to a third party until the courts decide what the disposition will be. It's liability coverage.

Bradow stated any vehicle that is ten years or newer we can buy replacement cost coverage on it. I do have replacement cost coverage on all of the vehicles that are ten years old or newer. That's important for the police and fire departments. If the police department loses a cruiser within that ten year timeframe, they paid \$25,000.00 but now it's \$28,000.00, the insurance policy will pay \$28,000.00 for the new one. That's important for those two departments because they have higher value vehicles, especially the fire department. That equipment is expensive.

Bradow stated there are a dozen different categories of municipal liability that a premium gets assigned to. A lot of that information comes from the annual budget that is prepared. A premium gets associated with each one of the categories. Any changes get picked up at the time of the renewal application. The League is in the process of changing this formula. They are going to try to simplify it. Based on what I've provided to them as part of their test package, it looks like they are going to rate based on population. I don't anticipate the premium changing a lot, they're just trying to simplify it and break it down from all of these categories. That's still in the test stage.

Bradow stated the municipal property section lists each of the locations of city property. LOC indicates the location, BLD is the building, and COV is coverage type. There are three types of coverage, BLD for building, CNTS for contents coverage in that particular building. There is an endorsement on this policy so everything under \$25,000.00 in replacement cost value we don't need to inventory it. It's automatically covered and that simplifies inventorying things like paperclips, paper, computers, anything under \$25,000.00, there is blanket coverage on. It's all subject to a \$500.00 deductible. If you lose a mobile communication device, it's probably under \$500.00 individually. You'd have to lose a whole grouping of them. There's coverage, but what is the value of that item to replace it. The deductible is per loss. The third coverage description is PIO, which is property in the open. Those are things like playground equipment, irrigators, and the airport lighting system. There's a different rate for each type of coverage. The property in the open coverage is more expensive than a stationary building like city hall. Smith reviews with the department heads the locations that we still have, have we added any new buildings, or have we disposed of any.

Utke questioned what is the repair shop for location #20? Bradow stated that is the screen plant building on CSAH 15 and there's some equipment that is attached to it. Christofferson stated it used to be the old water/wastewater repair shop. Now it's the barscreen building. It's changed usage. Bradow stated I'll make a note to re-label it. Konshok questioned is #48, the steel tower, is that the radio tower at city hall? Bradow answered yes. Christofferson stated #38 should be labeled as Sunrise Circle Lift Station. Bradow requested that the lift stations be reviewed for accuracy.

Bradow stated we want to make sure we have accurate information for the mobile property so we not insuring equipment that we don't have. Anything new, over \$25,000.00, to insure properly needs to be on this list. Smith stated the new street sweeper is not on the list. Utke stated the values of the equipment have caught my eye. Do these numbers include the attachments? Bradow stated the attachments are included. Utke stated then that would add up. The values listed here are higher than buying them new. Bradow questioned when was the new sweeper purchased? Brumbaugh answered 2011. Bradow stated we have to get it on there now.

Bradow stated the Council needs to decide which optional coverage they want. Carroll questioned are the ones listed the ones that we have opted to include in the past, and is there any reason why we would not want to include them? Bradow stated I would recommend that you do. The bond insurance covers the employees. I'd say you want equipment breakdown because you have buildings with boilers and electrical panels that are expensive if you have a loss from arcing. Excess liability falls under the state statute because there are tort limits of \$500,000.00/\$1,500,000.00. If it falls under federal jurisdiction then state statutes don't control it. There are no tort limits for federal control. That would be like the police department and human rights violations, which fall under federal jurisdiction. That's why you've opted to buy the excess liability with a \$1 million umbrella. You'll want liquor liability for your store. There are certain requirements that are necessary for no fault sewer backup to obtain that coverage. They're almost there from the communications that I've been reading from the LMC. There is an additional charge to acquire that coverage. It's somewhere between \$3,500.00 to \$4,000.00 a year. Right now you have back up for sewer coverage, but it's legal liability coverage. You have to be negligent in order for the LMC to pay that claim. If someone is putting towels down the drain, the city would not be liable for that. I know that irritates homeowners when that

happens. No fault sewer backup would make the city the first payer no matter what. You'll want airport liability for their operations. Those are my recommendations.

Carroll questioned do you recommend keeping the deductible at \$500.00? Bradow stated I do until we see this experience level modifier come down because you get hit with that deductible every time you file a claim. I've looked at higher deductibles, and I look at the number of claims I turn in every year, and you'd be better off with a \$500.00 deductible. Utke stated if we were to go to \$1,000.00, is it across the board? Can we pick and choose. Bradow answered on the autos you can pick because it's a separate coverage. You can pick different deductibles on physical damage on the auto policy. Utke questioned are the claims mostly for equipment? Bradow stated you're getting it from the other side too. We had some storm damage last year. We've had sewer backups in certain areas where it's affected multiple homeowners. At this point, until we get a handle on it and lower our frequency even more, you'll be faced with paying a deductible for every loss.

**4. ADJOURNMENT: A motion was made by Utke, seconded by Mikesh, and unanimously carried to adjourn the workshop at 6:50 p.m.**

[seal]

\_\_\_\_\_  
Mayor Nancy J. Carroll

ATTEST:

\_\_\_\_\_  
Margie M. Vik  
City Clerk