

**SAN DIEGO CONVENTION CENTER CORPORATION  
BUDGET COMMITTEE MEETING  
OF THE BOARD OF DIRECTORS**

**Director Shawn VanDiver, Chair  
Director Carlos Cota  
Director Carol Kim**

**MONDAY, APRIL 24, 2023, 2:00 P.M.  
111 W. Harbor Drive, 2<sup>nd</sup> Floor, Executive Boardroom  
San Diego, California 92101**

**AGENDA**

**Telephone number for members of the public  
to observe, listen, and address the meeting telephonically:  
1(888) 251-2909 – Access code is 6724115#**

1. **Call to Order** - Shawn VanDiver, Chair
2. **Non-Agenda Public Comment:**  
This portion of the agenda provides an opportunity for members of the public to address the Board on items of interest within the jurisdiction of the Board that have not previously been before the Board. Pursuant to the Brown Act, no discussion or action shall be taken by the Board on items not posted on the agenda.
3. **Approval of Proposed Minutes of March 27, 2023 Budget Committee Meeting**
4. **Chair's Report**
5. **Action Item(s):**
  - A. **Recommendation to Authorize Placement of Property, General and Umbrella Liability, Workers' Compensation and Directors & Officers Insurance Through the Brokerage Services of Marsh & McLennan Agency**
  - B. **Recommendation to Authorize Purchase of Maintenance Work Order System**
6. **Staff Updates:**
  - CFO
  - President & CEO

7. **Urgent non-agenda items** (must meet the requirements of Government Code, Section 54954.2)
8. **Budget Committee Comment** [Govt. Code §54954.2(a)(2)]

## **Adjournment**

This information is available in alternative formats upon request. To request an agenda in an alternative format, or to request a sign language or oral interpreter, or an Assistive Listening Device ("ALD") for the meeting, please call Pat Evans at (619) 525-5131 at least five working days prior to the meeting to ensure availability.

In compliance with Government Code section 54957.5, non-exempt written material that is distributed to the Board prior to the meeting will be available at the meeting or it may be viewed in advance of the meeting at the corporation's offices at 111 West Harbor Drive, San Diego, CA. Materials distributed to the board after the posting of this agenda also will be available online at [visitsandiego.com](http://visitsandiego.com). Please contact Pat Evans at (619)525-5131 or [pat.evans@visitsandiego.com](mailto:pat.evans@visitsandiego.com) if you would like to pick up a copy of any material related to an item on this agenda.

**Action items on this agenda may be consolidated for voting purposes into a single vote of the Board, to the extent they are routine or otherwise do not require further deliberation. A Board member may comment on an action item before it is voted upon as part of the consolidated vote; however, if a Board member wishes to discuss an action item, that item will not be included in the consolidated vote. If a member of the public wishes to comment upon an action item, they should so advise the Board chair at or before the public comment portion of the meeting, in which case that item will not be included in any consolidated vote.**

## Agenda Item 3

### MINUTES

#### SAN DIEGO CONVENTION CENTER CORPORATION BUDGET COMMITTEE OF THE BOARD OF DIRECTORS

#### COMMITTEE MEETING OF MARCH 27, 2023

**BOARD MEMBERS PRESENT:** Chair Shawn VanDiver and Director Carlos Cota

**BOARD MEMBERS ABSENT:** Director Carol Kim

**STAFF PRESENT:** Rip Rippetoe, Mardeen Mattix, Corey Albright, and Victoria Mitchell and Pat Evans (Recorder)

**ALSO PRESENT:**

1. **Call to Order:** Chair Shawn VanDiver called the meeting to order at 11:06 a.m. in the Executive Conference Room of the San Diego Convention Center, 111 West Harbor Drive, San Diego, California.

Chair VanDiver announced that since this meeting is being conducted on site with an open line to the public, the first action is to perform a roll call to determine which Board members are present on this call:

Director VanDiver– Present  
Director Cota - Present  
Director Kim – Absent

Chair VanDiver noted that all Directors were present except Director Kim, and that all votes would be recorded via roll-call vote.

2. **Non-Agenda Public Comment:** Chair VanDiver requested public comment regarding any non-agenda items. Hearing none, the meeting proceeded.

3. **Approval of Minutes of February 13, 2023, Budget Committee Meeting:**

**Directors Cota and VanDiver moved and seconded, respectively, to approve the minutes from the February 13, 2023, meeting.**

**Director VanDiver– Aye  
Director Cota - Aye  
Director Kim – Absent**

**Vote: Unanimous**

**AYES: 2                                      NAYS: 0                                      ABSTENTIONS: 0**

4. **Chair’s Report:** Chair VanDiver reported that he hoped that today’s meeting would result in the Committee’s recommendation to authorize approval of both the FY 2024 Budget and the FY 2024 CIP/Infrastructure and O&M Projections. He further noted that today’s meeting is the most important meeting of the year. Chair VanDiver stated that this meeting is an opportunity for the Committee to set the foundation for the Center’s priorities – (1) that the Convention Center be able to deliver a positive experience for our guests, (2) that the Center act as the premier diplomatic gathering place for folks visiting San Diego and (3) continued investment in the facility in order to maintain a world class experience for both employees and guests.

5. **Action Item(s):** Chair VanDiver requested public comment regarding any of the agenda action items. Hearing none, presentations regarding the items commenced.

Chair VanDiver inquired if any member of the public wished to comment on Agenda Item 5.A. No members of the public responded to the request for comment.

**A. Recommendation to Authorize Approval of Fiscal Year 2024 Budget**

Director Kim arrived at the meeting at 11:10 a.m.

**After presentations by staff, Directors Kim and Cota moved and seconded, respectively, to recommend Authorizing Approval of the Fiscal Year 2024 Budget.**

**Director VanDiver– Aye  
Director Cota - Aye  
Director Kim – Aye**

**Vote: Unanimous**

**AYES: 3                                      NAYS: 0                                      ABSTENTIONS: 0**

Chair VanDiver inquired if any member of the public wished to comment on Agenda Item 5.B. No members of the public responded to the request for comment.

**B. Recommendation to Authorize Approval of FY 2024 CIP/Infrastructure and O&M Projections**

After presentations by staff, Directors Kim & Cota moved and seconded, respectively, to recommend Authorizing Approval of FY 2024 CIP/Infrastructure and O&M Projections.

Director VanDiver – Aye  
Director Cota - Aye  
Director Kim – Aye

Vote: Unanimous

AYES: 3                      NAYS: 0                      ABSTENTIONS: 0

Chair VanDiver inquired if any member of the public wished to comment on Agenda Item 5.C. No members of the public responded to the request for comment.

**C. Recommendation to Authorize Purchase of Business Intelligence Reporting Software**

After presentations by staff, Directors Cota and Kim moved and seconded, respectively, to recommend Authorizing Purchase of Business Intelligence Reporting Software.

Director VanDiver – Aye  
Director Cota - Aye  
Director Kim – Aye

Vote: Unanimous

AYES: 3                      NAYS: 0                      ABSTENTIONS: 0

**6. Staff Updates:**

**CFO:** Ms. Mattix reported the following:

- That the month of February was outstanding for the Corporation. The revenues derived from the month of February highlighted the impact of corporate events.
- Not only did the two booked corporate events prop up the Corporation’s bottom line, both events also provided a window into the value of continuing to pursue this type of event.
- Centerplate did an excellent job of showing clients the value of what they receive by booking with the Convention Center. When Centerplate does well, SDCCC also benefits exponentially.

- The Corporation's telecom provider, Smart City Networks, also realized revenue much greater than anticipated.
- February placed the Corporation in a position to exceed expectations and, operationally, the Corporation should be cost neutral by the end of the year.

**President & CEO:** Mr. Rippetoe reported the following:

- Mr. Rippetoe discussed the benefits of corporate business and SDTA's decision to place a sales operative in the Bay Area in order to continue to pursue those types of events.
- The Indian Gaming event is in the process of moving into the center and will open later this week.
- The Dream Hack e-gaming event opens next week. E-gaming events are exploding now, so this event has the potential to turn into great repeat business.
- The ERSA event last week was more successful than that event's management team had originally anticipated.
- The Center's communication team is working very closely with all events that come into the facility not only with the event's social media but with the local community to increase awareness about events.
- The center is going to be busy this month and is continuing to see a ramp-up in activity. The staff is also reviewing events in order to gather data to quantify how the change in the center's Sales business model has impacted events moving forward.
- SDCCC is hosting a job fair in Lobby C today. The H.R. Department has onboarded over 40 employees in the last three weeks. The H.R. Department is also in the process of actively recruiting a General Manager.

7. **Urgent non-agenda items** (must meet the requirements of Government Code, Section 54954.2) – **None**

8. **Budget Committee Comment** [Govt. Code §54954.2(a)(2)]: Director Cota recognized Director Kim being named as the "Woman of the Year" for Assembly District 77. Director Kim noted that despite a pending deficit for next year, she feels very confident about the Corporation's budget and the team's staffing in support of upcoming projects. She is also pleased at the progress staff has made with budget initiatives during her tenure on the Board. Director VanDiver also thanked the staff for all of the work done to build up internal staff infrastructure to support future capital initiatives.

There being no further business, the meeting adjourned at 11:55 a.m.

**CERTIFICATION**

I, Shawn VanDiver, Chair of the Budget Committee of the Board of the Directors of San Diego Convention Center Corporation, Inc., do hereby certify that the foregoing is a true and correct copy of the minutes of the business transacted by the Budget Committee of the Board of Directors of the San Diego Convention Center Corporation, Inc. at a duly noticed meeting held on March 27, 2023.

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Shawn VanDiver, Chair



## Agenda Item 5.A

### SAN DIEGO CONVENTION CENTER CORPORATION

#### M E M O R A N D U M

**TO:** Budget Committee

**FROM:** Mardeen Mattix, Chief Financial Officer

**DATE:** For the Agenda of April 24, 2023

**RE:** Recommendation to Review and Authorize Approval of Placement of Property, General and Excess Liability, Workers' Compensation, Cyber, Assailant, Auto, Underground Storage Tank and Directors & Officers Insurance through the Brokerage Services of Marsh & McLennan Agency

#### BACKGROUND

The Corporation's Property, General & Excess Liability, Workers' Compensation, and Directors & Officers insurance policies expire April 30, 2023.

Five years ago, the Corporation issued a formal Request for Proposal (RFP) to brokers and awarded Marsh & McLennan Agency (Marsh) an initial term of three years with the option to extend for two additional one-year periods. This is the final year of the contract term.

#### DISCUSSION

The Executive Director of HR and CFO reviewed the submitted quotes and evaluated package premium costs, claims and loss control services, risk, and financial stability.

Below is an overview of our current program coverage, deductible limits, and incumbent carriers:

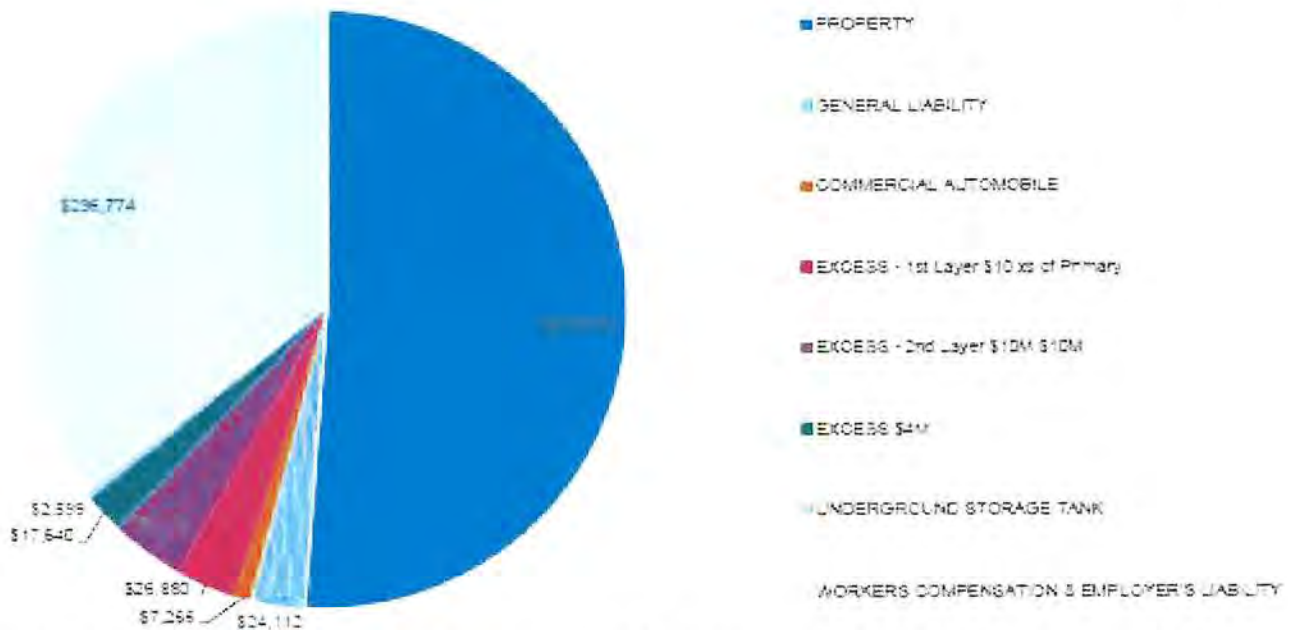
San Diego Convention Center 5/1/2022 - 5/1/2023

| Excess Liability   |   |  |  | Property  |                    | Cyber Liability   | Underground Storage Tank                             | Crime                                     | D & O, EPL & Fiduciary   | Active Assailant                           |
|--|---|--|--|---|--------------------|---|--|---|--|--|
| Carrier: Capitol Specialty<br>Limit: \$4,000,000<br>Premium: \$16,814            |   |  |  | Carrier: Affiliated FM<br>Total Insured Value: \$810,295,049                              |                    | Carrier: Beazley<br>Limit: \$3,000,000 various policy sublimits | Carrier: UCPM<br>Environmental<br>Limit: \$1,000,000 | Carrier: Zurich<br>Limit: \$250,000       | Carrier: Zurich<br>Limit: \$3,000,000 D & O + EPL<br>Fiduciary \$2,000,000 | Carrier: Hiscox Lead<br>Limit: \$2,500,000 |
| Carrier: HDI Global<br>Limit: \$10,000,000<br>Premium: \$29,137                  |   |  |  |   |                    |   |  |   |  |  |
| Carrier: National Casualty / K&K<br>Limit: \$10,000,000<br>Premium: \$24,328     |   |  |  |   |                    |   |  |   |  |  |
| General Liability<br>Carrier: Scottsdale (K&K)<br>Limit: \$1,000,000/\$2,000,000 | Automobile Liability<br>Carrier: Scottsdale (K&K)<br>Limit: \$1,000,000 | Workers' Compensation<br>Carrier: Hiscox<br>Limit: \$1,000,000 | Employee Benefits Liability<br>Carrier: Scottsdale (K&K)<br>Limit: \$1,000,000/\$2,000,000 |   |                    |   |  |   |  |  |
| SIR: \$100,000   | Deductible \$1,000<br>Comp. \$1,000 Coll.                               | Deductible \$250,000   | Deductible \$1,000   | Deductible \$25,000, Water Damage \$50,000, Flood \$100,000, Business Interruption- 48 HR | Retention \$50,000 | Deductible \$250,000  | Deductible Tank 1- \$100,000<br>Tank 2 - \$25,000    | Deductible \$15,000<br>Fiduciary \$10,000 | Retention D & O 0<br>EPL- \$250,000  | No Deductible                              |
| Premium \$23,318   | Premium \$8,721   | Premium Incl. in WC  | Premium Incl. in GL  | Premium \$367,285   | Premium \$30,954   | Premium \$229,164   | Premium \$2,340.15                                   | Premium \$1,847                           | Premium \$65,654   | Premium \$28,394                           |



**Overview of Current Coverage**

| COVERAGE<br>POLICY TERM                     | EXPIRING  |                | RENEWAL   |                  | CHANGE        |
|---|-----------|----------------|-----------|------------------|---------------|
|   | 05/01/22  | 05/01/23       | 05/01/23  | 05/01/24         |               |
| PROPERTY                                    | \$        | 387,265        | \$        | 426,830          | 10.73%        |
| GENERAL LIABILITY                           | \$        | 23,318         | \$        | 24,112           | 3.41%         |
| COMMERCIAL AUTOMOBILE                       | \$        | 8,721          | \$        | 7,266            | -16.68%       |
| EXCESS - 1st Layer \$10 xs of Primary       | \$        | 24,328         | \$        | 26,880           | 10.49%        |
| EXCESS - \$10M                              | \$        | 29,136         | \$        | 32,801           | 12.56%        |
| EXCESS \$4M                                 | \$        | 16,814         | \$        | 17,640           | 4.91%         |
| UNDERGROUND STORAGE TANK                    | \$        | 2,097          | \$        | 2,599            | 23.92%        |
| WORKERS COMPENSATION & EMPLOYER'S LIABILITY | \$        | 229,164        | \$        | 296,774          | 29.50%        |
| CYBER                                       | \$        | 30,554         | \$        | 19,359           | -37.46%       |
| ACTIVE ASSAILANT                            | \$        | 28,394         | \$        | 36,138           | 27.27%        |
| EXECUTIVE LIABILITY                         | \$        | 66,654         | \$        | 66,939           | 1.96%         |
| BROKER FEE*                                 | \$        | 81,250         | \$        | 81,250           |               |
| <b>TOTAL PROGRAM COST</b>                   | <b>\$</b> | <b>927,115</b> | <b>\$</b> | <b>1,040,566</b> | <b>12.24%</b> |



\*Broker Fee - Per the Client Service Agreement, MMA takes commission on the D & O, Cyber, UST, Active Assailant and Property. The Property Commission is related back to SDCC.

**Property**

Property markets are experiencing increases in rate due to supply constraints, legal system abuse, inflation, and catastrophic losses such as hurricanes, floods, and fires. Carriers looked for property valuation increases due to the higher inflation significantly impacting replacement cost for buildings. SDCC increased their building value by 5%.

| PROPERTY                                  | EXPIRING            |                  | RENEWAL             |                  | CHANGE        |
|---|---------------------|------------------|---------------------|------------------|---------------|
|   | Affiliated FM       |                  | Affiliated FM       |                  |               |
| Coverage Term                             | 05/01/22 - 05/01/23 |                  | 05/01/23 - 05/01/24 |                  |               |
| Personal Property                         | \$                  | 5,125,000        | \$                  | 5,125,000        |               |
| Electronic Data Property                  | \$                  | 1,500,000        | \$                  | 1,500,000        |               |
| Building                                  | \$                  | 772,373,805      | \$                  | 810,992,495      | 5.00%         |
| Business Income                           | \$                  | 7,000,000        | \$                  | 7,000,000        |               |
| Leasehold Rental Payments                 | \$                  | 24,296,244       | \$                  | 30,000,000       | 23.48%        |
| DEDUCTIBLE                                |                     |                  |                     |                  |               |
| All other Perils not specifically listed  | \$                  | 25,000           | \$                  | 25,000           |               |
| Earthquake Sprinkler Leakage              | \$                  | 25,000           | \$                  | 25,000           |               |
| Flood                                     | \$                  | 100,000          | \$                  | 100,000          | * see note    |
| Business Interruption                     |                     | 2 day equivalent |                     | 2 day equivalent |               |
| Premium                                   | \$                  | 422,299          | \$                  | 475,897          | 12.69%        |
| Terrorism                                 | \$                  | 50,000           | \$                  | 47,067           | -5.87%        |
| Premium                                   | \$                  | 472,299          | \$                  | 522,964          | 10.73%        |
| Engineering Fee                           | \$                  | -                | \$                  | -                |               |
| Commission                                |                     | 18%              |                     | 18%              |               |
| RATING BASIS                              |                     |                  |                     |                  |               |
| Total Insurable Values                    | \$                  | 810,295,049      | \$                  | 854,617,495      | 5.47%         |
| Rate for Comparison - per \$100 of Values |                     | 0.0478           |                     | 0.0502           | 4.98%         |
| <b>Premium (NET)</b>                      | <b>\$</b>           | <b>387,285</b>   | <b>\$</b>           | <b>428,830</b>   | <b>10.73%</b> |

Affiliated FM (Incumbent) submitted a comprehensive all risk property package, with a total insured value of \$834,617,495. Total premiums (before allocations to the City of San Diego and the Port of San Diego) are \$428,830, which is \$41,545, or 10.73% higher than the expiring policy. The Corporation's share of net premium (after deducting for amounts to be billed back to the City and the Port) is \$341,830. Coverage terms remain unchanged from the previous year.

Staff recommends authorizing Marsh to renew property policy with the incumbent, Affiliated FM.

**General Liability & Excess Liability**

The **General Liability** premium is based on Rental revenue and Admissions. Rental revenue remained unchanged, but attendance increased by nearly 80% due to high event activity and more festival-type shows.

| GENERAL LIABILITY   | EXPIRING            |                         | RENEWAL             |                         | CHANGE       |
|---|---------------------|-------------------------|---------------------|-------------------------|--------------|
|   | K & K-Scottsdale    |                         | K & K-Scottsdale    |                         |              |
| Coverage Term   | 05/01/22 - 05/01/23 |                         | 05/01/23 - 05/01/24 |                         |              |
| General Aggregate   | \$                  | 5,000,000               | \$                  | 5,000,000               |              |
| Products Completed Operations Aggregate Limit                                 | \$                  | 2,000,000               | \$                  | 2,000,000               |              |
| Personal and Advertising Injury   | \$                  | 1,000,000               | \$                  | 1,000,000               |              |
| Each Occurrence Limit   | \$                  | 1,000,000               | \$                  | 1,000,000               |              |
| Damage to Premises Rented to You Limit  | \$                  | 300,000                 | \$                  | 300,000                 |              |
| Medical Expense   |                     | Excluded                |                     | Excluded                |              |
| Self Insured Retention  | \$                  | 100,000                 | \$                  | 100,000                 |              |
| EMPLOYEE BENEFITS LIABILITY - CLAIMS MADE<br>Retro Date: 5/1/2006 \$1,000 ded |                     | \$1,000,000/\$2,000,000 |                     | \$1,000,000/\$2,000,000 |              |
| RATING BASIS  |                     |                         |                     |                         |              |
| Admissions  |                     | 415,980                 |                     | 750,000                 | 80.30%       |
| Gross Revenue   | \$                  | 31,000,000              | \$                  | 40,000,000              | 29.03%       |
| TPA Fee   | \$                  | 1,500                   | \$                  | 1,500                   |              |
| Premium   | \$                  | 21,818                  | \$                  | 22,807                  | 4.53%        |
| <b>Total Premium - Includes TRIA</b>  | <b>\$</b>           | <b>23,318</b>           | <b>\$</b>           | <b>24,112</b>           | <b>3.41%</b> |

Scottsdale Indemnity (Incumbent) includes \$1,000,000 base general liability coverage including a single occurrence deductible of \$100,000, for a premium cost of \$24,112 – a 3.4% increase above last year’s expense.

The **Excess Liability** coverage market is still limited in the capacity to insure as rates are increasingly driven by nuclear verdicts and severity of automobile liability losses.

Historically, the Corporation has been required to maintain comprehensive excess liability insurance with limits of \$50 million. For the third year, SDCC requested the City of San Diego and the Unified Port District to agree to reduce the liability limit to \$25 million through an Operating Memorandum. Marsh proposed the 1<sup>st</sup> layer \$10 million excess policy renewal for \$26,880 (an increase of 10.49% from the prior year) from National Casualty, a 2<sup>nd</sup> layer equal excess policy from HDI Global Specialty for \$32,801 (an increase of 12.58% from last year), and a 3<sup>rd</sup> layer \$4 million excess policy from Capitol Specialty for \$17,640 (a change of 4.91% over last year).

**GL Liability Coverage**

|                          |           |                   |                       |
|--------------------------|-----------|-------------------|-----------------------|
| Primary                  | \$        | 1,000,000         | K&K - Scottsdale      |
| 1st layer                | \$        | 10,000,000        | National Casualty Co. |
| 2nd layer                | \$        | 10,000,000        | HDI Global Specialty  |
| 3rd layer                | \$        | 4,000,000         | Capitol Specialty     |
| <b>Total GL coverage</b> | <b>\$</b> | <b>25,000,000</b> |                       |



|  | EXPIRING                       | RENEWAL                        | CHANGE        |
|--|--------------------------------|--------------------------------|---------------|
| <b>EXCESS - 1st Layer \$10 xs of Primary</b> | <b>National Casualty Co</b>    | <b>National Casualty Co</b>    |               |
| Coverage Term                                | 05/01/22 - 05/01/23            | 05/01/23 - 05/01/24            |               |
| Each Occurrence                              | \$10,000,000                   | \$ 10,000,000                  |               |
| General Aggregate                            | \$10,000,000                   | \$ 10,000,000                  |               |
| <b>Premium</b>                               | <b>\$ 24,328</b>               | <b>\$ 26,880</b>               | <b>10.49%</b> |
| <b>EXCESS - 2nd Layer \$10M</b>              | <b>HDI Global Specialty SE</b> | <b>HDI Global Specialty SE</b> |               |
| Coverage Term                                | 05/01/22 - 05/01/23            | 05/01/23 - 05/01/24            |               |
| Each Incident Limit                          | \$ 10,000,000                  | \$ 10,000,000                  |               |
| Aggregate Limit                              | \$ 10,000,000                  | \$ 10,000,000                  |               |
| <b>RATING BASIS</b>                          |                                |                                |               |
| Premium with commission                      | \$ 27,000                      | \$ 30,500                      | 12.96%        |
| Commission                                   | 0%                             | 0%                             |               |
| Policy Fee                                   | \$ 275                         | \$ 275                         |               |
| Surplus Lines Fees                           | \$ 886                         | \$ 923                         |               |
| TRIA   | \$ 975                         | \$ 1,103                       |               |
| <b>Total Estimated Annual Premium</b>        | <b>\$ 29,136</b>               | <b>\$ 32,801</b>               | <b>12.58%</b> |
| <b>EXCESS - 3rd Layer \$4M</b>               | <b>Capitol Specialty</b>       | <b>Capitol Specialty</b>       |               |
| Coverage Term                                | 05/01/22 - 05/01/23            | 05/01/23 - 05/01/24            |               |
| Each Incident Limit                          | \$ 4,000,000                   | \$ 4,000,000                   |               |
| Aggregate Limit                              | \$ 4,000,000                   | \$ 4,000,000                   |               |
| <b>RATING BASIS</b>                          |                                |                                |               |
| Premium with commission                      | \$ 16,200                      | \$ 17,000                      |               |
| Commission                                   | 0%                             | 0%                             |               |
| Policy Fee                                   |                                |                                |               |
| Surplus Lines Fees                           | \$ 527                         | \$ 541                         |               |
| TRIA   | \$ 87                          | \$ 99                          |               |
| <b>Total Estimated Annual Premium</b>        | <b>\$ 16,814</b>               | <b>\$ 17,640</b>               | <b>4.91%</b>  |

Staff recommends authorizing Marsh to renew general liability and excess coverage policies with the incumbent carriers for total annual cost of \$101,433 – 8.4% above last year’s expense.

### Workers’ Compensation

Workers’ Compensation premiums are based on claims history (severity and frequency of claims) as well as expected payroll. This year’s premium rates remained flat after further negotiation (rate per \$100/payroll remained the same) however increased payroll costs pushed the renewal cost up by 4% over the prior year.

The recommended workers compensation program is written through incumbent, Travelers. As with the current year’s program, the proposed Travelers program is a self-funded, high deductible (\$250,000 per claim) program requiring a fixed base of non-refundable premiums, assessments, and fees totaling \$296,774, an increase of \$67,610, or 29.5% higher, than the expiring program. Additionally, the Travelers package requires an additional \$300,000 Letter of Credit contribution due to long-standing claim costs, for a total Collateral Requirement of \$1,650,000. Including a budgeted claim costs reserve of \$350,000, the overall program costs are expected to be \$646,774 – 11.7% above last year’s expense.

| WORKERS COMPENSATION & EMPLOYER'S LIABILITY | EXPIRING            | RENEWAL             | CHANGE       | OPTION              |
|---|---------------------|---------------------|--------------|---------------------|
|   | TRAVELERS           | TRAVELERS           |              | Berkshire/Cypress   |
| Coverage Term                               | 05/01/22 - 05/01/23 | 05/01/23 - 05/01/24 |              | 05/01/23 - 05/01/24 |
| WORKERS COMPENSATION                        | Statutory - CA      | Statutory - CA      |              | Statutory - CA      |
| EMPLOYER'S LIABILITY                        |                     |                     |              |                     |
| Bodily Injury by Accident -Each Accident    | \$1,000,000         | \$1,000,000         |              | \$1,000,000         |
| Bodily Injury by Disease - Each Employee    | \$1,000,000         | \$1,000,000         |              | \$1,000,000         |
| Bodily Injury by Disease Policy Limit       | \$1,000,000         | \$1,000,000         |              | \$1,000,000         |
| Deductible Plan Amount                      | \$250,000           | \$250,000           |              | \$250,000           |
| Class Code Classification                   |                     |                     |              |                     |
| 9015 Building Operations                    | \$ 9,185,000        | \$ 14,000,000       | \$           | \$ 14,000,000       |
| 8742 Outside Sales                          | \$ 583,000          | \$ 612,150          | \$           | \$ 612,150          |
| 8810 Clerical                               | \$ 3,432,000        | \$ 2,000,000        | \$           | \$ 2,000,000        |
| RATING BASIS                                |                     |                     |              |                     |
| Estimated Annual Payroll                    | \$ 13,200,000       | \$ 16,612,150       | 25.85%       | \$ 16,612,150       |
| Rate for Comparison - per \$100 of Payroll  | \$ 1,4850           | \$ 1,4850           | 0.00%        | \$ 1,8043           |
| <b>Total Estimated Annual Premium</b>       | \$ 196,020          | \$ 246,890          |              | \$ 299,738          |
| Surcharges                                  | \$ 33,144           | \$ 50,084           |              | \$ 55,955,00        |
| Loss Control                                | Not included        | Not included        | Not included | Not included        |
| <b>Commission Rebate</b>                    |                     |                     |              |                     |
| <b>Total Premium</b>                        | \$ 229,164          | \$ 296,774          | 29.50%       | \$ 355,693          |
| <b>Loss Fund</b>                            | \$ 65,000           | \$ 65,000           |              | \$ -                |
| <b>Collateral Requirement</b>               | \$ 1,350,000        | \$ 1,650,000        | \$ 300,000   | \$ 400,000          |

As a comparison to the high deductible program, we received competing quotes for a guaranteed premium package of \$893,212. Additionally, staff reviewed other options including comparisons in changing the high deductible limit. Historically, claims have been unpredictable and further review is needed before changing programs.

Staff recommends authorizing Marsh to renew workers' compensation policy with the incumbent, Travelers.

**Directors & Officers (Including Employment Practice, Fiduciary Liability, and Crime)**

Marsh submitted a package written through the incumbent, Zurich. The one-year policy provides a \$3,000,000 coverage limit, a \$100,000 retention for Directors & Officers, and \$250,000 for Employment Practice.

| EXECUTIVE LIABILITY   | EXPIRING                | RENEWAL                 | CHANGE |
|---|-------------------------|-------------------------|--------|
|   | ZURICH                  | ZURICH                  |        |
| COVERAGE TERM   | 05/01/2022 - 05/01/2023 | 05/01/2023 - 05/01/2024 |        |
| Directors & Officers Liability Limit - Each Claim and Aggregate | \$ 3,000,000            | \$ 3,000,000            |        |
| Employment Practices Liability Limit - Each Claim and Aggregate | \$ 3,000,000            | \$ 3,000,000            |        |
| Fiduciary Liability - Each Claim and Aggregate                  | \$ 2,000,000            | \$ 2,000,000            |        |
| Additional Limit for Defense Costs                              | \$ 500,000              | \$ 500,000              |        |
| Policy Aggregate Limit  | \$ 3,500,000            | \$ 3,500,000            |        |
| Retentions (Per Loss)   |                         |                         |        |
| D&O Non-Indemnified Claims                                      | \$ -                    | \$ -                    |        |
| D&O Corporate Reimbursement for Indemnified Claims              | \$ 100,000              | \$ 100,000              |        |
| D&O Corporate Reimbursement for Entity-Related Claims           | \$ 100,000              | \$ 100,000              |        |
| Employment Practices Liability Claims                           | \$ 250,000              | \$ 250,000              |        |
| Employment Practices Liability - 3rd Party Claims               | \$ 250,000              | \$ 250,000              |        |
| Fiduciary Liability Claims                                      | \$ 10,000               | \$ 10,000               |        |
| DIRECTORS & OFFICERS LIABILITY                                  |                         |                         |        |
| Additional Side A Limit   | \$ 1,000,000            | \$ 1,000,000            |        |
| FIDUCIARY LIABILITY   |                         |                         |        |
| HIPAA Penalties Sublimit  | \$ 100,000              | \$ 100,000              |        |
| <b>Total Estimated Annual Premium (Includes Crime)</b>          | \$ 65,654               | \$ 66,939               | 1.96%  |



Staff recommends authorizing Marsh to renew the Directors & Officers policy with the incumbent, Zurich, for a total premium of \$66,939, an increase of nearly 2% compared to the expiring policy.

**Active Assailant**

Due to unfortunate increases in incidents across the country, the rate for this coverage is increasing. Active Assailant coverage — also known as active shooter coverage or deadly weapons coverage — through Hiscox, offers a combination of property and casualty coverage to complement the general liability and property coverage by layering protection against the threat of assailants.

| ACTIVE ASSAILANT                              | New                 |               | Renewal             |               |        |
|---|---------------------|---------------|---------------------|---------------|--------|
|   | Hiscox Lead         |               | Hiscox Lead         |               |        |
| Coverage Term                                 | 05/01/22 - 05/01/23 |               | 05/01/23 - 05/01/24 |               |        |
| Liability Combined Single Limit and Aggregate | \$                  | 2,500,000     | \$                  | 2,500,000     |        |
| Physical Damage                               | Excluded            |               | Excluded            |               |        |
| Business Interruption                         | \$                  | 2,500,000     | \$                  | 2,500,000     |        |
| Loss of Attraction                            | \$                  | 500,000       | \$                  | 500,000       |        |
| Extra Expense                                 | \$                  | 2,500,000     | \$                  | 2,500,000     |        |
| Crisis Response Company Fees                  | \$                  | 250,000       | \$                  | 250,000       |        |
| Deductible                                    | No deductible       |               | No deductible       |               |        |
| <b>Total Estimated Annual Premium</b>         | \$                  | 27,500        | \$                  | 35,000        |        |
| <b>Surplus Lines Tax &amp; Stamping Fee</b>   | \$                  | 894           | \$                  | 1,138         |        |
| <b>Grand Total</b>                            | \$                  | <b>28,394</b> | \$                  | <b>36,138</b> | 27.27% |

Staff recommends authorizing Marsh to renew Active Assailant coverage with Hiscox at a premium cost of \$36,138, a 27.3% increase over prior year expenses.

**Cyber Privacy/Data Liability**

Cyber rates are decelerating due to new entrants in the marketplace which is providing capacity in the market.

| CYBER PRIVACY / DATA LIABILITY                           | EXPIRING                     | RENEWAL                      |                |
|--|------------------------------|------------------------------|----------------|
|  | BEAZLEY                      | BEAZLEY                      |                |
| COVERAGE TERM  | 05/01/22 - 05/01/23          | 05/01/23 - 05/01/24          |                |
| POLICY AGGREGATE LIMIT OF LIABILITY                      | \$ 3,000,000                 | \$ 3,000,000                 |                |
| FIRST PARTY COVERAGE                                     |                              |                              |                |
| Breach Response  | Outside and separate         | Outside and separate         |                |
| Cyber Incident Response Team                             | \$ 1,000,000                 | \$ 1,000,000                 |                |
| Notified Individuals                                     | 100,000 notified individuals | 100,000 notified individuals |                |
| Business Interruption Loss and Extra Expenses            | \$ 3,000,000                 | \$ 3,000,000                 |                |
| Contingent Business Interruption Loss and Extra Expenses | \$ 100,000                   | \$ 1,000,000                 |                |
| Cyber Extortion Loss                                     | \$ 3,000,000                 | \$ 3,000,000                 |                |
| Data Recovery Costs                                      | \$ 3,000,000                 | \$ 3,000,000                 |                |
| THIRD PARTY COVERAGE                                     |                              |                              |                |
| Data and Network Liability                               | \$ 3,000,000                 | \$ 3,000,000                 |                |
| Regulatory Defense & Penalties                           | \$ 3,000,000                 | \$ 3,000,000                 |                |
| Payments Cards Liabilities & Costs                       | \$ 3,000,000                 | \$ 3,000,000                 |                |
| Media Liability  | \$ 3,000,000                 | \$ 3,000,000                 |                |
| Claim Prep   | \$ 50,000                    | \$ 50,000                    |                |
| Post Breach Remediation Costs                            | 100 hours                    | 100 hours                    |                |
| eCrime   |                              |                              |                |
| Fraudulent Instruction                                   | \$ 250,000                   | \$ 250,000                   |                |
| Funds Transfer Fraud                                     | \$ 250,000                   | \$ 250,000                   |                |
| Telephone Fraud  | \$ 250,000                   | \$ 250,000                   |                |
| RETENTIONS   |                              |                              |                |
| Each Incident, Claim or Loss                             | \$ 50,000                    | \$ 25,000                    |                |
| Waiting Period   | 10 Hours                     | 10 Hours                     |                |
| <b>Estimated Annual Premium</b>                          | \$ 29,980                    | \$ 18,750                    |                |
| <b>Surplus Lines Fees</b>                                | \$ 974                       | \$ 609                       |                |
| <b>Policy Fee</b>  |                              |                              |                |
| <b>Total Premium</b>                                     | <b>\$ 30,954</b>             | <b>\$ 19,359</b>             | <b>-37.46%</b> |

The recommended package is written through the incumbent, Beazley for \$3,000,000 policy coverage including a reduced single occurrence deductible of \$25,000, down from \$50,000 in the prior year.

Staff recommends authorizing Marsh to renew Cyber policy with the incumbent, Beazley for a premium cost of \$19,359 – 37.5% reduction from last year’s expense.

**Underground Storage Tank**

The SDCC Storage Tanks continue on a path to higher risk due to their age (34 and 23 years). Due to their age, the deductibles will march higher a bit every year with no alternative markets for coverage.

Staff must renew coverage for underground storage tank with incumbent carrier, Liberty Surplus, for a total premium of

\$2,599, an 11% increase over last year's expense. The most notable change from last year's policy is the additional \$1,000,000 deductible during removal or investigation claims.

| UNDERGROUND STORAGE TANK   | EXPIRING                  | RENEWAL                   | OPTION              |
|--|---------------------------|---------------------------|---------------------|
|  | Liberty Surplus Ins. Corp | Liberty Surplus Ins. Corp | Mt. Hawley          |
| Coverage Term  | 05/01/22 - 05/01/23       | 05/01/23 - 05/01/24       | 05/01/23 - 05/01/24 |
| Storage Tank Incident Limit of Liability                                 | \$ 1,000,000              | \$ 1,000,000              | \$ 1,000,000        |
| Aggregate Limit of Liability for all Storage Tank Incidents              | \$ 1,000,000              | \$ 1,000,000              | \$ 1,000,000        |
| Aggregate Limit of Liability for all Legal Defense Expenses              | \$ 1,000,000              | \$ 1,000,000              | \$ 1,000,000        |
| Total Policy Aggregate Limit of Liability for all Storage Tank Incidents | \$ 1,000,000              | \$ 1,000,000              | \$ 1,000,000        |
| Deductible per Storage Tank Incident - Tank 1*                           | \$ 100,000                | \$ 100,000                | \$ 50,000           |
| During Removal or Investigation  |                           | \$ 1,000,000              |                     |
| Deductible per Storage Tank Incident - Tank 2                            | \$ 25,000                 | \$ 25,000                 | \$ 10,000           |
| Retro Date Tank 1  | 8/1/2005                  | 8/1/2005                  | 8/1/2005            |
| Retro Date Tank 2  | 5/1/2005                  | 5/1/2005                  | 5/1/2005            |
| Premium  | \$ 2,097                  | \$ 2,349                  | \$ 4,590            |
| Program Fee  | \$ 175                    | \$ 175                    | \$ 200              |
| Surplus Lines  | \$ 68                     | \$ 75                     | \$ 147              |
| <b>Total Premium</b>   | <b>\$ 2,340</b>           | <b>\$ 2,599</b>           | <b>\$ 4,937</b>     |

**Commercial Auto**

Automobile rates continue to increase due to nuclear verdicts and higher physical damage repair costs along with increased vehicle purchase costs.

Staff recommends renewing coverage for automobile coverage with incumbent carrier, Scottsdale Indemnity for \$7,266, a 16.7% decrease from last year's expense due to one less automobile coverage.

| COMMERCIAL AUTOMOBILE                | EXPIRING               | RENEWAL              | CHANGE         |
|--------------------------------------|------------------------|----------------------|----------------|
|                                      | Scottsdale Indemnity   | Scottsdale Indemnity |                |
| Coverage Term                        | 05/01/22 - 05/01/23    | 05/01/23 - 05/01/24  |                |
| Liability - Any One Accident or Loss | Symbol #1 \$ 1,000,000 | \$ 1,000,000         |                |
| Uninsured/Underinsured Motorists     | Symbol #2 \$ 1,000,000 | \$ 1,000,000         |                |
| Medical Payments                     | Symbol #2 \$ 5,000     | \$ 5,000             |                |
| Comprehensive Deductible             | Symbol #7 \$ 1,000     | \$ 1,000             |                |
| Collision Deductible                 | Symbol #7 \$ 1,000     | \$ 1,000             |                |
| Hired Auto Liability- Excess         | Symbol #8 \$ 1,000,000 | \$ 1,000,000         |                |
| Hired Auto Physical Damage           | Symbol #8 \$ 50,000    | \$ 50,000            |                |
| Non-Owned Liability                  | Symbol #9 \$ 1,000,000 | \$ 1,000,000         |                |
| RATING BASIS                         |                        |                      |                |
| # Autos                              | \$ 4                   | \$ 3                 | -25.00%        |
| Average Rate per Vehicle             | \$ 2,180.25            | \$ 2,422.00          | 11.09%         |
| <b>Premium</b>                       | <b>\$ 8,721</b>        | <b>\$ 7,266</b>      | <b>-16.68%</b> |



**STAFF RECOMMENDATION**

Audit Committee recommends that the Board authorize placement of Property, General and Excess Liability, Workers' Compensation, Cyber, Assailant and Directors & Officers Insurance through the brokerage services of Marsh & McLennan Agency as detailed in the discussion above. The costs outlined above total \$1,303,588, inclusive of an estimated claims cost of \$350,000 as well as \$81,250 in brokerage fees. FY2024 total budgeted value of all costs were approved of \$1,563,000.

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Mardeen Mattix  
Chief Financial Officer

