



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: General Services
Department No.: 063
For Agenda Of: November 18, 2008
Placement: Administrative
Estimated Tme: N/A
Continued Item: No
If Yes, date from:
Vote Required: Majority

TO: Board of Supervisors

FROM: Department Bob Nisbet, General Services Director
Director 805-560-1011
Contact Info: Luci Roger, Assistant Director
 805-884-6866

SUBJECT: The Formation of a Joint Powers Authority (JPA) for the Purpose of Pooling Self-Insured Seismic Related Losses.

County Counsel Concurrence

As to form: Yes

Auditor-Controller Concurrence

As to form: N/A

Other Concurrence:

As to form: N/A

Recommended Actions:

Consider recommendations regarding the formation of a Joint Powers Authority (JPA) for the purpose of pooling self-insured seismic related losses for court buildings as follows:

- a) Authorize the Chair to execute the attached Joint Powers Agreement creating the Earthquake Recovery Indemnity Authority (ERIA);
- b) In accordance with Article 7, Section (a) of the Agreement, appoint the General Services Director as the County's director to the board of the JPA, and appoint the General Liability Risk Program Administrator as the County's alternate director.

Summary Text:

The proposed self-insurance pooled program is only for court buildings that are being transferred to the State in accordance with SB 1732 and SB 10 that have a seismic rating of level V, or higher. Level V court buildings are those that were deemed seismically deficient by the State. Currently, the County purchases earthquake insurance for all of its buildings; including the 5 court structures that would qualify for this additional insurance coverage. The establishment of the JPA is for the purpose of forming a self-insured pool program with other counties to cover a seismic related loss or damage under coverage terms and conditions that are complimentary to earthquake insurance maintained by the

counties. The initial phase, i.e. the creation of a JPA is simply to determine: (1) the interest by other counties in participating in the self-insured pool, (2) the level of coverage, and (3) the cost of joining the insurance program. The formation of the JPA does not commit the County to *participating financially* in the proposed insurance program.

Background: The Trial Court Facilities Act of 2002, (“Act”), provides for the County to transfer responsibility for the funding and operation of all trial court facilities, located in the County to the Judicial Council of California through the Administrative Office of the Courts (AOC). Pursuant to the Act, the County and the AOC are currently in the process of entering into transfer agreements for each court facility.

As initially enacted, the Act established that neither title to, nor responsibility for, court facilities deemed deficient for seismic safety could be transferred to the State, unless provision was made in the transfer agreement for correction of the deficient items. This led to an amendment of the Act which became effective January 1, 2007 allowing the transfer of court facilities with a level V seismic rating or higher to the State so long as the County remained responsible for thirty-five years for any seismic-related damage, and injury, to the same extent the County would be liable if responsibility was not transferred to the State. The amendment to the Act also allowed the counties and the Judicial Council of California to agree on a method to address the seismic issue so that the state does not have a financial burden greater than if the Court facility transferred were rated as a level IV seismic rating (i.e. the level deemed acceptable to the state for transfer).

To accomplish this task the SB 10 Seismic Issues Working Group was formed with representatives from the State, the AOC, the counties and the California State Association of Counties (CSAC). The working group has developed a recommendation to provide sufficient funds for making repairs to seismic-related damage to court facilities with a level V seismic rating. The Group recommended a joint power authority be established for the purpose of pooling self-insured seismic related loss or damage under coverage terms and conditions that are complimentary to earthquake insurance maintained by the counties, that allows for an accumulation of net assets to meet the financial requirements of the Act, that allows for the continuous administration of the program by a board of directors made up of county representatives, and that allows for a single point of claim payment and financial reporting in the event of seismic related loss or damage.

To determine if the County’s participation in a self-insured pooling arrangement would be of value to the County the JPA’s formation is essential to evaluating the benefits of the County’s participation in that JPA. The envisioned self-insured program would complement the County’s current earthquake insurance by offering coverage for the insurance deductible, which is 5% of each structures’ value and provide another layer of shared excess limits (\$50,000,000) beyond the County’s shared annual aggregate policy limit of \$365,000,000.

Performance Measure:

The County’s involvement in the creation of a JPA will allow the County to asses the possible advantages to participating in a self-insured pool for seismic related losses.

Fiscal and Facilities Impacts: The fiscal impact to the General Services department will be de minimis as the only associated costs are staff time and some travel (3-4 meetings) in California.

Budgeted: Yes

Special Instructions:

Copy of signed minute order to: Ray Aromatorio, General Services

Attachments:

Joint Powers Agreement

Authored by: Ray Aromatorio