

**CITY OF SAN ANTONIO
OFFICE OF MANAGEMENT AND BUDGET
INTERDEPARTMENTAL MEMORANDUM**

CONSENT AGENDA

ITEM NO. 23

TO: Mayor and City Council

FROM: Peter Zaroni, Acting Director of Management and Budget

THROUGH: Terry M. Brechtel, City Manager

COPIES: Milo Nitschke, Director of Finance; Erik J. Walsh, Assistant to the City Manager; Michael Rich, Risk Manager; Albert A. Ortiz, Chief of Police; File

SUBJECT: Ordinance Requesting the Purchase of Aircraft Hull and Liability Insurance (Police Helicopters)

DATE: March 25, 2004

SUMMARY AND RECOMMENDATIONS

This Ordinance authorizes the City Manager or her designee to purchase Aircraft Hull and Liability Insurance for the City of San Antonio from ACE USA Group through McGriff, Seibels & Williams of Texas, Inc., the City's Broker of Record. The policy is for a one-year period beginning 12:01 a.m. March 31, 2004 through 12:01 a.m. March 31, 2005 at an annual premium not to exceed \$202,394.

The Office of Management and Budget recommends approval of this Ordinance.

BACKGROUND

The Aircraft Hull and Liability insurance policy provides property damage coverage for the three (3) remaining City-owned helicopters operated by the San Antonio Police Department. Liability coverage resulting in third party bodily injury or property damage arising from the operation of the City's helicopters (all Model 333 Schweizer aircraft) will be included in the policy with a single limit of \$10,000,000.00 per occurrence. A sublimit of \$5,000.00 per person per seat in each aircraft is provided for medical payments to passengers and crew members.

On February 19, 2004, the City suffered the total loss of one of its helicopters, Unit N255TP, insured with ACE USA Group under the expiring policy. The claim's adjustment for this loss is currently pending, but preliminary findings indicate that the loss and recovery will exceed \$700,000. The City is planning to issue a Request for Bids to acquire a new helicopter and necessary equipment valued at \$1,092,000. The City will likely not take possession of such aircraft until sometime between September and November 2004. Within 10 days of acquiring the new aircraft, we must add it to this aircraft hull and liability policy and pay the premium from that date through expiration of this policy on March 31, 2005. The premium will be pro-rated based on when the

aircraft is obtained by the City. However, the Office of Management and Budget wishes to include the immediate need to pay for premiums of the three helicopters and the future endorsement of the fourth helicopter together into one ordinance.

Hull Deductible: The deductibles under the proposed coverage differ depending upon whether the rotors are engaged (in motion), in flight, or not in motion or in flight. A \$500.00 deductible applies if the helicopter hull is not in flight and also not in motion. For accidents occurring while in motion or in flight, however, a 5% of the insured value deductible applies.

Additional Coverages: Additional coverages beneficial to the City of San Antonio are included in the ACE proposal, such as cargo legal liability up to \$150,000, \$250,000 coverage for spare parts, and extra expense. Non-owned Aircraft Liability coverage, subject to specific terms and conditions, is also included. The "FLIR" Equipment (Forward Looking Infra Red System) is insured up to an additional sub-limit of \$250,000.00 with a \$500.00 per-occurrence deductible.

Request for Proposals Process: A notice of Request for Proposals was published in the local newspaper San Antonio Express News on Sunday, January 18, 2004 and on Sunday, January 25, 2004. The City's Broker of Record also began reviewing coverage needs and marketing for this policy renewal during January and February, 2004. Although initially there was some interest expressed by a few aviation markets, only one renewal quote was actually received by our Broker of Record. This one quote was from the City's current insurer, ACE USA Group. All indications point to the conclusion that once the City had a total loss of one of its four helicopters, other aviation insurers were not willing to underwrite this coverage at this time.

POLICY ANALYSIS

In accordance with the above background, the City's Broker of Record recommends placing the Aircraft Hull and Liability insurance coverage with ACE USA Group. The Office of Management and Budget concurs with this recommendation.

It is for the benefit of the City of San Antonio that we continue to insure physical damage exposure to our helicopters, liability coverage arising from the operation of our aircraft, and continue to purchase extra expense coverage, which reimburses the City if it becomes necessary as a result of an insured loss to expedite replacement parts or acquire the temporary use of a replacement aircraft.

The City Council has previously authorized the purchase of aircraft hull and liability insurance for many years. The proposed renewal premium to be expended will amount to \$146,959 for three helicopters. We shall also pay a proportionate share of the annual premium cost (\$55,435) when the new aircraft is obtained, not to exceed a total of \$202,394 in annual premium. Similar coverage in our current policy cost \$150,442.00. The proposed policy premium represents a 34.5% increase over the current policy premium due to the underwriting loss ACE USA Group took this year because of the February 19, 2004 helicopter accident, a higher value for the replacement helicopter and its equipment, and the current insurance market conditions. As stated previously, the new aircraft will be a replacement for Unit N255TP, which was lost in February.

FINANCIAL IMPACT

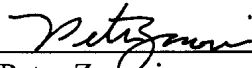
Funds are appropriated by fiscal year in the Liability Self-Insurance Fund for the purchase of insurance. This Ordinance will authorize the encumbrance of \$202,394 in the FY 03-04 budget.

COORDINATION

The Office of Management and Budget has coordinated this item with the Finance Department, the Police Department, and the City Attorney's Office.

SUPPLEMENTAL COMMENTS:

The Discretionary Contracts Disclosure Form is attached.



Peter Zaroni
Acting Director of Management and Budget


Erik J. Walsh

Assistant to the City Manager

APPROVED:



Terry M. Brechtel
City Manager

Attachment

City of San Antonio Discretionary Contracts Disclosure

For use of this form, see City of San Antonio Ethics Code, Part D, Section 1&2

Disclosure of Parties, Owners, and Closely Related Persons

For the purpose of assisting the city in the enforcement of provisions contained in the City Charter and the code of ethics, an individual or business entity seeking a discretionary contract from the city is required to disclose in connection with a proposal for a discretionary contract:

(1) the identity of any individual who would be a party to the discretionary contract;

NONE

(2) the identity of any business entity that would be a party to the discretionary contract and the name of:

(A) any individual or business entity that would be a subcontractor on the discretionary contract;

ACE PROPERTY AND CASUALTY INSURANCE COMPANY;
WESTCHESTER FIRE INSURANCE COMPANY

(B) any individual or business entity that is known to be a partner, or a parent or subsidiary business entity, of any individual or business entity who would be a party to the discretionary contract;

NOT APPLICABLE

(3) the identity of any lobbyist or public relations firm employed for purposes relating to the discretionary contract being sought by any individual or business entity who would be a party to the discretionary contract.

NONE

Political Contributions

Any individual or business entity seeking a discretionary contract from the city must disclose in connection with a proposal for a discretionary contract all political contributions totaling one hundred dollars (\$100) or more within the past twenty-four (24) months made directly or indirectly to any member of City Council, or to any political action committee that contributes to City Council elections, by any individual or business entity whose identity must be disclosed under (1), (2) or (3) above. Indirect contributions by an entity include, but are not limited to, contributions made through the officers, owners, or registered lobbyists of the entity.

NONE

City of San Antonio
Discretionary Contracts Disclosure

For use of this form, see City of San Antonio Ethics Code, Part D, Section 1&2

Disclosures in Proposals

Any individual or business entity seeking a discretionary contract with the city shall disclose any known facts which, reasonably understood, raise a question as to whether any city official would violate Section 1 of Part B by participating in official action relating to the discretionary contract.

NOT APPLICABLE

Signature:

JERRY RUTH

ACE USA

Jerry Ruth

ASSISTANT V.P.

Date:

3/15/04