

**CITY OF SAN ANTONIO  
DEPARTMENT OF HUMAN RESOURCES  
CITY COUNCIL AGENDA MEMORANDUM**

**TO:** Mayor and City Council

**FROM:** Sharon De La Garza, Director, Department of Human Resources

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

**DATE:** March 24, 2005

**SUMMARY AND RECOMMENDATIONS**

This ordinance authorizes the Interim City Manager or his 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 (1) year period beginning 12:01 a.m. March 31, 2005 through 12:01 a.m. March 31, 2006 at an annual premium not to exceed \$209,403.

Staff recommends the approval of this ordinance.

**BACKGROUND INFORMATION**

The Aircraft Hull and Liability insurance policy provides physical damage property coverage for the four (4) 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) is also 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.

The four helicopters insured under the expiring policy cost the City of San Antonio \$157,959 during policy year March 31, 2004 to March 31, 2005. The premium was based upon a full year of coverage for three helicopters including a pro rata premium for the replacement helicopter (a 2004 Schweizer 333 after the City sustained a total loss on a 1997 Schweizer aircraft, damaged from an accident on February 19, 2004) which the City took possession of on December 30, 2004. Last year's ordinance gave the City authority for \$202,394; however, the City took possession of the replacement craft later in the year than was anticipated, thereby resulting in less annual premium for the expiring term.

On January 18, 2005, the 1997 N296RL helicopter was damaged during a training exercise resulting in estimated repairs of \$566,000. For this reason, our Broker of Record is recommending physical damage protection while the craft is grounded. Upon policy renewal, the City will realize a \$35,423 savings because of this limitation and pay a going-in premium of

\$173,980.00. When the helicopter is repaired and fully operational or replaced, should the damaged aircraft be judged and adjusted as a total loss, the insurer will remove the limitation and charge the City the pro rata premium of this difference. Therefore, this ordinance is intended to give authorization to expend funds for \$173,980 immediately and some percentage of \$35,423 (pro rata premium) at a later date, not to exceed a total of \$209,403.00, based upon current agreed values for all four helicopters.

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 agreed 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 16, 2005 and on Sunday, January 23, 2005. The City's Broker of Record also began reviewing coverage needs and marketing for this policy renewal during January and February, 2005.

The Broker of Record submitted to the Risk Manager two insurance quotes for the four helicopters for the period of March 31, 2005 to March 31, 2006. ACE USA submitted a quote in the amount of \$209,403.00 and Phoenix Aviation Managers, Inc. in the amount of \$187,700. Phoenix Aviation Managers, Inc., however, is not willing to insure student pilots operating the helicopters until they have been properly certified by the FAA and have clocked a minimum of 100 hours in the make and model helicopter being operated. Essentially, this restriction affects three of the SAPD Helicopter Units' 16 pilots. For this reason, the Phoenix Aviation proposal cannot be entertained as it adversely affects the Helicopter Unit's missions and operations.

The following additional markets were approached, but all declined to quote citing reasons of "pilot experience" and "loss history": Texas Municipal League (TML), U. S. Specialty, XL Specialty, U.S. AIG, Global Aerospace, W. Brown & Associates, and the American International Group.

## **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 Department of Human Resources 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. Purchasing aircraft hull and liability insurance reflects a continuation of past policy.

### **FINANCIAL IMPACT**

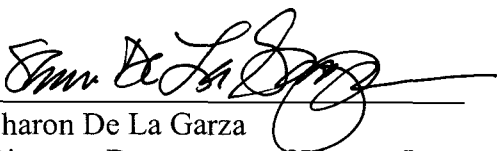
Funds are appropriated by fiscal year in the Liability Self-Insurance Fund for the purchase of insurance. This Ordinance will authorize the encumbrance of \$209,403 in the FY 04-05 budget. The purchase of this insurance is a recurring expense.

### **COORDINATION**

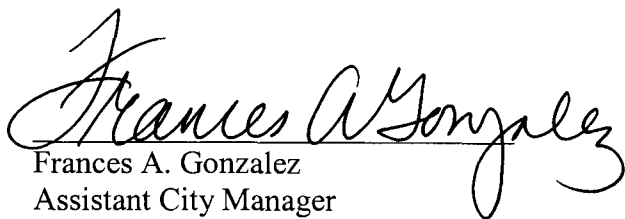
The Department of Human Resources has coordinated this item with the Finance Department, the Office of Management and Budget, the Police Department, and the City Attorney's Office.

### **SUPPLEMENTAL COMMENTS:**

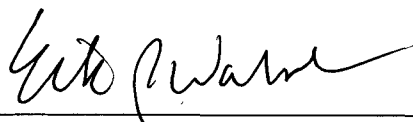
The Discretionary Contracts Disclosure Form is attached.



Sharon De La Garza  
Director, Department of Human Resources



Frances A. Gonzalez  
Assistant City Manager



J. Rolando Bono  
Interim 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 (ACE Property and Casualty Insurance Company and Westchester Fire Insurance Company) and the name of:

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

Not Applicable

- (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;

Please see the attached list of ACE USA - Insurance Companies as at January 17, 2005.

- (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.

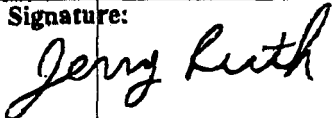
None

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**Discretionary Contracts Disclosure**

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**Disclosures in Proposals**

Any individual or business entity seeking a discretionary contract with the city shall disclose any known facts which, reasonably understood<sup>2</sup>, 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 J. Ruth Assistant Vice President - ACE USA	Date:  March 14, 2005