



May 6, 2008

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to purchase property, boiler and machinery insurance for the Southeast Resource Recovery Facility for the period of April 1, 2008 through January 1, 2009, for a premium of \$417,939, payable to Veolia Environmental Services. (District 2)

DISCUSSION

The purchase of property, boiler and machinery insurance is required under the terms of the Southeast Resource Recovery Facility (SERRF) revenue bonds and lease.

The current insurance is provided through Veolia Environmental Services, a subsidiary company of Onyx North America Group, operator of the SERRF Plant. The coverage they have proposed names SERRF and the City as loss payees. In November of 2007, Veolia renegotiated their insurance package and extended the current policy until January 1, 2009. In doing so, Veolia was able to raise the property coverage limits by \$80 million over last year, while reducing the premium paid by the City.

Veolia Environmental Services has contacted the City indicating the requested policy, which covers the period of April 1, 2008 to January 1, 2009, provides SERRF with \$380 million in property coverage, \$50 million in boiler and machinery coverage, \$50 million in flood coverage, \$45 million in business interruption, and \$7.5 million in earthquake coverage. This policy carries a deductible of \$250,000 for property losses, a 30-day business interruption deductible, and a five percent earthquake deductible, for a 9-month premium not to exceed \$417,939. The total coverage has increased by \$80 million, with a 5% percent decrease in premium cost to the City.

Therefore, we are recommending coverage be purchased through Veolia Environmental Services for the period of April 1, 2008 through January 1, 2009, for a total amount not to exceed \$417,939.

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This matter was reviewed by Amy R. Burton, Deputy City Attorney, on April 29, 2008 and by Victoria Bell, Budget Management Officer, on April 29, 2008.

TIMING CONSIDERATIONS

City Council action to authorize the purchase of this coverage is requested on May 6, 2008.

FISCAL IMPACT

The total premium cost is \$417,939 for the period of April 1, 2008 through January 1, 2009. Sufficient funding is budgeted in the Insurance Fund (IS 390) in the Department of Human Resources (HR).

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



SUZANNE R. MASON
DIRECTOR OF HUMAN RESOURCES

APPROVED:



PATRICK H. WEST
CITY MANAGER