



**OFFICE OF THE CITY ATTORNEY**

CITY HALL

10300 TORRE AVENUE • CUPERTINO, CA 95014-3255

TELEPHONE: (408) 777-3403 [www.cupertino.org](http://www.cupertino.org)

**CITY COUNCIL STAFF REPORT**

Meeting:

Subject

Creation of pooled liability assurance network joint powers authority (PLAN JPA).

Recommended Action

Adopt Resolution No. 17-\_\_\_\_ authorizing the City of Cupertino to participate in the Pooled Liability Assurance Network Joint Powers Authority (PLAN JPA).

Background

The Association of Bay Area Governments Pooled Liability Assurance Network (ABAG PLAN) was established in 1986 as a non-profit corporation in order to establish a stable, cost-effective self-insurance, risk sharing and risk management program option for ABAG members. City of Cupertino has participated in the ABAG PLAN for the past 31 years to obtain coverage and risk management services related to liability, property, automobile physical damage and other ancillary lines of coverage.

As a result of the merger of ABAG and MTC, ABAG PLAN is now administered by the Metropolitan Transportation Commission (MTC). Over the course of the last year, the Board of Directors of ABAG PLAN has been exploring various options to disengage from MTC. The Board of Directors of ABAG PLAN conducted an RFP during the past fiscal year which indicates significant savings to the pool members as a result of contracting pool administration services through another source. An independent consultant study revealed a savings in pool administrative costs of approximately \$3 million over the next five years for participating member agencies. ABAG PLAN Board of Directors voted unanimously at their annual board meeting in June to contract with Bickmore Risk Services. A transition plan has been developed by ABAG PLAN and Bickmore to transfer pool administrative services to the new pool administrator.

In order to complete the transition of pool administrative services from ABAG/MTC and achieve the significant savings in administrative cost to the existing program, both ABAG General Counsel and PLAN Counsel have recommended a separate Joint Powers Authority (JPA) be formed to exclusively manage the existing and future risk management and coverage needs of the members. The new JPA is required to act as fiscal agent and manage the transfer of all of the current assets and liabilities from the ABAG PLAN non-profit corporation to the new PLAN JPA. The new PLAN JPA will no

longer be directly affiliated with MTC but will continue to provide a stable, cost-effective self-insurance, risk sharing and risk management program for the member participants.

This separate JPA model would align City of Cupertino and other PLAN JPA members with pooling industry best practices, allow for program continuity and provide for a seamless transition to the new JPA post ABAG merger with MTC.

By signing Resolution No. 17-\_\_\_\_, City of Cupertino agrees to conditionally participate in the newly established PLAN JPA. Once all current ABAG PLAN members have approved and signed their respective resolutions, The PLAN JPA will officially become a going concern and all assets and liabilities will be transferred from the prior ABAG PLAN to the new PLAN JPA.

There is a potential adverse outcome in not signing the proposed resolution. Any delay in joining the JPA could jeopardize City of Cupertino participation in the PLAN program and would have an adverse impact on the PLAN members as it pertains to program costs. It would also be problematic for City of Cupertino in terms of finding an alternative solution for insurance and risk management services.

#### Sustainability Impact

No sustainability impact.

#### Fiscal Impact

There would be no direct fiscal impact on City of Cupertino related to the change to a new JPA. City of Cupertino would derive savings from the reduction in ABAG PLAN administrative costs over time. The action acknowledges City of Cupertino wishes to continue participating in the PLAN JPA to obtain coverage and risk management services going forward.

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Prepared by: Randolph S. Hom, City Attorney

Approved for Submission by: David Brandt, City Manager

Attachments:

A –Draft Resolution

B – Draft PLAN Resolution 2017-01 (Agency Agreement)

C – Draft Model JPA Agreement