



Finance Committee Summary

Wednesday, May 7, 2008

1:30 p.m.

3rd Floor Council Conference Room

Committee Members Present: Faatz, Chair; Brown, Lehmann

Committee Members Absent: Boigon, Robb

Other Council Present: Garcia, Johnson

Agenda:

- 1) Insurance coverage for the Democratic National Convention (DNC)
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1) Insurance coverage for the Democratic National Convention (DNC):

Committee Action

The Committee authorized two purchase agreements totaling \$1,847,722 for worker's compensation insurance coverage from ACE USA and police professional liability insurance coverage from Lexington Insurance Company for increased insurance coverage which includes additional automobile insurance as needed to cover vehicles used in police activities related to the Democratic National Convention. The collective purchase price of the policies shall not exceed \$2 million.

Subsequent to the meeting, Councilmember Faatz approved filing the bill on Thursday, May 8 for first reading on May 12.

Committee Discussion

Ray Sibley, Risk Management, explained that in order to provide security for the Democratic National Convention (DNC) the City needs to enter into an Intergovernmental Agreement (IGA) with other local jurisdictions to provide Worker's Compensation and Police Professional Liability insurance on their behalf. He stressed that if the insurance is not provided for the other public entities they will not sign the IGA. The fiscal impact for this request is outlined as follows (see attachment):

- Worker's Compensation will be provided by ACE USA in the amount of \$972,222;

- Police Professional Liability will be provided by Lexington Insurance Company in the amount of \$875,500 (includes fees and taxes);
- The Worker's Compensation policy will provide statutory coverage and there will be no deductible;
- The Police Professional Liability policy will provide \$10 million coverage and there will be a \$10,000 deductible per occurrence;
- Policy costs including additional vehicle coverage will not exceed \$2 million.

Mr. Sibley stated that the benefits to this proposal is that it transfers the risk instead of all risk being borne by the City and that it would provide better claims management for any occurrences. LaCharles Keese, Dept. of Finance, noted that this situation was unique and that there were only two providers robust enough to have this kind of risk covered. The DNC Host Committee outlined specific policies required for the convention and the Host Committee also purchased \$250 million insurance coverage through Marsh, stated Mr. Sibley. The Marine Insurance outlined in the policy specifics is associated with property that moves from the marine to land such as cargo. Councilmember Faatz requested more information regarding this particular insurance coverage. Mr. Sibley stressed that the insurance will only cover the professional activities of all the officers and would not cover police activities outside of DNC responsibilities. If there is disagreement on claims (third party), it will be handled the same as it is now, the legal department would get involved.

Katherine Archuleta, Mayor's Office, explained that the City has made the request to the Department of Justice (DOJ) to pay the \$1.8 million from the City's grant (\$50 million) to fund the DNC. To date, the DOJ has not confirmed that this is a reimbursable item. She noted that Minneapolis, Host City for the Republican Convention, did not request additional funding for Worker's Compensation and commented that their budget and anticipated expenses are different than Denver's. Councilmember Faatz asked who would pay for any additional costs above the anticipated \$50 million and if there are costs above that amount, could the Host Committee reimburse the City for those costs? Ms. Archuleta said the City has budgeted to the \$50 million amount and is not expecting to go over its budget.

Councilmember Brown asked what the dates of coverage are for the policies. Mr. Sibley stated the dates of coverage for the liability insurance begin on June 1, 2008 through September 1, 2008 and the Worker's Compensation insurance provides a project policy that begins three days before and ends three days after the event. The premiums are due May 1 for the liability insurance and May 5 for the Worker's Compensation coverage.

Councilmember Faatz questioned why the Host Committee didn't consider utilizing the City's mutual aid agreements with other jurisdictions to help cover the enforcement power it needs for the DNC. Mel Thompson, Dept. of Safety, explained that these agreements are based on unknown or emergency events. The DNC does not qualify as an unknown event.

Councilmember Garcia asked when the City would know when the insurance costs would be qualified as a reimbursable expense by the DOJ. Ms. Archuleta stated she is using all resources including talking with the DOJ - Deputy Assistant Secretary to persuade them to reimburse these costs. Councilmember Faatz questioned what the City's contingency plan is

if they do not approve these expenses and what the next steps would be. Mr. Thompson said the City could appeal to the DOJ, if denied. He added that the City would be liable last, and would need to find an outside source to pay for non-reimbursables not covered by the DOJ. Councilmember Faatz asked if the City could bill the DNC for costs since the 2008 DNC contract states the City is not obligated to pay for any goods, services, or facilities. David Broadwell, City Attorney's Office, said the contract doesn't give the City authority to bill others, but outlines the city's liability. It is a four-party agreement among the City, the DNC Host Committee, the DNCC, and Kroenke Sports, added Mr. Broadwell.

Councilmember Faatz stressed that the City needs to have a plan B just in case costs are not approved by the DOJ and she does not want the City paying out of its General Fund any costs related to the DNC since that was the commitment established by contract and what was promised to tax payers.