

EL DORADO LAFCO

LOCAL AGENCY FORMATION COMMISSION

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February 6, 2009

Gayle Erbe-Hamlin, Chief Administrative Officer
County of El Dorado
330 Fair Lane
Placerville, CA 95667

Joe Harn, Auditor-Controller
County of El Dorado
360 Fair Lane
Placerville, CA 95667

Subject: LAFCO's 2008-09 General Liability Insurance Premium

Dear Ms. Erbe-Hamlin and Mr. Harn,

On behalf of the Commission, I am writing to request an exception on LAFCO's 2008-09 premium for general liability insurance (GLI). Currently, LAFCO is a participant in the County's general liability pool. As part of our budget process, I contact the County's Risk Management every year to get an estimate on LAFCO's share of the total GLI cost. While LAFCO usually adopts its budget prior to the County setting the rates for the upcoming fiscal year, in the past these estimates have proven to be fairly accurate.

Last March I was assured that, while 2008-09 charges are subject to change until they were finalized in May 2008, the LAFCO GLI premium estimate would be between \$3,000 to \$5,000 (please refer to the attached e-mail). It was indicated to us that LAFCO would receive a low premium in 2008-09 because the last lawsuit filed against LAFCO would no longer appear in this agency's five year claims history. LAFCO used this information to adopt its final budget in late May 2008 with a conservative allocation of \$7,000 for general liability insurance.

On January 23, 2009, Risk Management notified me that LAFCO's 2008-09 GLI premium was set at \$29,952. As it was explained to me, in April 2008 the County adopted a new formula to calculate its GLI costs, utilizing a ten year claims horizon. Because of the new formula, LAFCO's last two lawsuits reappeared on its liability history, resulting in a higher premium.

Such a drastic increase in the GLI premium has severe repercussions on our budget this late into the fiscal year: It creates a nearly \$23,000 hole in our operating expenses. It is a problem that could have been avoided had LAFCO been notified by the County of the new calculations. In other words, LAFCO would have had sufficient time to react to

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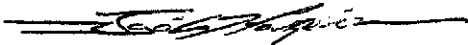
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a higher GLI premium prior to adopting its final budget in May had we been notified in April of the changes.

At this time, LAFCO respectfully requests that the County consider reducing LAFCO's GLI premium to the estimate provided in March 2008 for the 2008-09 Fiscal Year.

I look forward to working with you on resolving this issue in a mutually satisfactory manner for all parties.

Regards,



José C. Henríquez
Executive Officer

Attachment: E-mail from Larry Costello to José Henríquez, dated March 5, 2008

Cc: Members, El Dorado LAFCO
Members, El Dorado County Board of Supervisors
Andrew Morris, LAFCO Counsel

Jose Henriquez

From: larry.costello@edcgov.us
Sent: Wednesday, March 05, 2008 5:44 PM
To: Jose.Henriquez@edcgov.us
Subject: '08-'09 GL Charges

Jose,

In answer to your voice mail regarding your estimated premium charges for General Liability coverage for the upcoming '08-'09 FY, I can confirm that the reason your premium will drop dramatically from your current \$17K+ to the estimated \$3-\$5K is due to the fact that a large E&O claim you incurred in the '01-'02 FY has *dropped off of your history* (as have all claims for that FY for all departments). And note that although your estimated '08-'09 GL charges are subject to change until they are definitively known in May 2008, I don't expect the estimate to change dramatically. I hope this helps in your budgeting process.

Also, my records show that I did respond to your auditors regarding your current coverage secured through the County. If they did not receive the information, please forward a copy of the original request to me and I will re-submit the information.

Thank you,
Larry D. Costello
Risk Management
El Dorado County