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December 17, 2018

Board of Directors
Triunfo Sanitation District
Ventura County, California

TSD PROPERTY INSURANCE

Summary

At the November 26, 2018 Triunfo Sanitation District (TSD) Board meeting, in response to staff's report on impacts to TSD from the Woolsey Fire, your Board inquired as to the District's current property insurance coverage. Staff reported that, with the exception of specific property that has insurance coverage as a required provision of its financing (the automated meter reading (AMR) system and the recycled water system recently purchased from Calleguas Municipal Water District (CMWD), TSD is self-insured for its fixed assets.

In 2014, initial work was performed to secure quotes for general property insurance coverage, but that work was suspended. At the November 26 meeting, your Board requested that staff determine the steps needed to obtain competitive quotes for additional property insurance coverage and report back at the December 17 meeting.

Staff contacted Tolman Wiker Insurance Services, the Ventura-based firm that administers the District's existing property coverage through Hanover Insurance Company. A quote among competing companies would begin with creation of a list of District property, plant, and equipment to be covered, followed by a valuation of those assets to establish the desired level of coverage. This would then be marketed to several potential carriers to secure competitive quotes for the Board's consideration.

The asset valuation is key to establishing a cost-effective quote that covers the District's insurable property. District records consist principally of a spreadsheet with acquisition costs and depreciation calculations for more than 600 items, including structures, water/wastewater storage and pumping equipment, pipelines, hydrants, generators, and other fixed assets. Certain of these items, such as land and easements, can be excluded from the valuation as they are not subject to insurable perils. An independent risk analysis

may also reveal other assets on the list that need not be covered. Such an analysis would also be prudent to establish current values for assets five years old and older.

Fiscal Impact

For 2018-2019, TSD paid a premium of \$32,774 for approximately \$14 million in coverage for the AMR and CMWD recycled water systems. Costs for additional coverage would include consultant fees for asset valuation assistance (if needed), the necessary staff time to coordinate the valuation and quote process, and the added premium itself. Actual premium costs will depend upon the final asset valuation for the desired level of coverage and variables such as deductibles and covered perils (e.g., fire, flood, earthquake, terrorism, etc.).

Recommendation

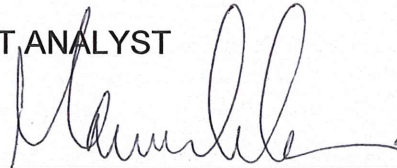
It is recommended that the Board discuss the information presented above and determine whether staff should proceed with a detailed formal quote for property insurance coverage, including consultation on asset valuation, as needed.

If you have questions, please call me at (805) 658-4608 or email sandywarren@vrzd.com.



SANDY WARREN – MANAGEMENT ANALYST

REVIEWED AND APPROVED:



Mark Norris - General Manager