



(For Board Meeting of February 23, 2007)

**SUMMARY OF RECOMMENDATIONS**  
**MEETING OF THE FINANCE-AUDITING COMMITTEE/**  
**COMMITTEE OF THE WHOLE**  
**THURSDAY, FEBRUARY 22, 2007**  
**(CHAIR J. DIETRICH STROEH)**

**Item No. 1**

Approve actions relative to the filing of a grant application with the U.S. Department of Homeland Security for FY 06/07.

**Action by the Board – Resolution**

**Item No. 2**

Authorize filing grant applications with the Federal Transit Administration for FY 06/07 Section 5307 and Section 5309 for federal grant funds to support various capital projects.

**Action by the Board – Resolution**

**Item No. 3**

Approve renewal of the Marine Insurance Program.

**Action by the Board – Resolution**



Agenda Item No. 3.a.

To: Finance-Auditing Committee/Committee of the Whole  
Meeting of February 22, 2007

From: Gayle S. Prior, Capital and Grant Programs Manager  
Joseph M. Wire, Auditor-Controller  
Celia G. Kupersmith, General Manager

Subject: **AUTHORIZE ACTIONS RELATIVE TO THE FILING OF A GRANT APPLICATION WITH THE U.S. DEPARTMENT OF HOMELAND SECURITY FOR FISCAL YEAR 2006**

### **Recommendation**

The Finance-Auditing Committee recommends that the Board of Directors adopt a resolution authorizing the General Manager or her designee to execute for and on behalf of the District any actions necessary, including executing and submitting related certifications and assurances, relative to the filing of a grant application with the U.S. Department of Homeland Security for Fiscal Year 2006.

This matter will be presented to the Board of Directors at its February 23, 2007, meeting for appropriate action.

### **Summary**

In July 2006, the District filed an application with U.S. Department of Homeland Security (DHS) for Fiscal Year 2006 Transit Security Grant Program (TSGP) funds in the amount of \$728,000 to support implementation of the following projects:

Ferry Security Shelter and Additional Surveillance Equipment: Will construct an enclosed security area/shelter, including fencing, gates, cameras, motion detectors, and access control measures at Sausalito Ferry Landing and also surveillance equipment on additional ferry vessels. \$325,000 grant funds.

Ferry Joint Security Training/Exercise: Will include Bay Area ferry operators and law enforcement partners in a training/exercise mandated by the Marine Transportation Security Act. \$150,000 grant funds.

Bus Perimeter Security and Surveillance Equipment: Will install physical security enhancements at San Rafael, Novato, Santa Rosa, and San Francisco Bus Yards and the San Rafael Transit Center. \$253,000 grant funds.

The Governor's Office of Homeland Security (OHS), designated as the State Administrative Agency, is responsible for administering the TSGP funds for California on behalf of DHS. OHS requires project applicants to adopt a resolution appointing individuals or positions to act on behalf of the applicant and its governing body and to provide related certifications and assurances as provided in Attachment A. This item authorizes actions necessary in order to secure FY 2006 TSGP funds to support transit security capital projects.

**Fiscal Impact**

This item authorizes actions relative to the filing of an application for grant funds that provide \$728,000 to support transit security capital projects.

Attachment

**Office of Homeland Security**  
*Grant Assurances*

1. GGBH&TD agrees to comply with financial and administrative requirements set forth in the current edition of the Office of Justice Programs (OJP) Financial Guide;
2. GGBH&TD agrees to comply with the organizational audit requirements of Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, as further described in the current edition of the OJP Financial Guide, Chapter 19;
3. GGBH&TD understands and agrees that it cannot use any federal funds, either directly or indirectly, in support of the enactment, repeal, modification or adoption of any law, regulation or policy, at any level of government, without the expressed prior written approval of Office of Program Development (OPD);
4. GGBH&TD agrees that federal funds under this award will be used to supplement but not supplant recipient or sub-recipient funds;
5. GGBH&TD agrees to comply with the standards put forth in OMB Circular A-87, "Cost Principles for State, Local, and Indian Tribal Governments";
6. GGBH&TD agrees that all allocations and use of funds under this grant will be in accordance with the Fiscal Year 2006 Transit Security Grant Program Guidelines and Application Kit and must support the goals and objectives in each agency's Security and Emergency Preparedness Plan (SEPP) and the approved Regional Transit Security Strategy (RTSS);
7. The recipient may obligate, expend, or draw down no more than 5% of the total regional allocation available to eligible rail and intra-city bus transit systems until DHS/Office of State & Local Government Coordination & Preparedness (SLGCP) has received the documents listed in a., b., and c., below; has received, reviewed, and approved the RTSS listed in d. below; and has issued a Grant Adjustment Notice removing this special condition.
  - a. All of the Applicable Transit System Risk Assessments
  - b. All of the Applicable Security and Emergency Preparedness Plans
  - c. The Certification Regarding Regional Consensus on Funding Allocations
  - d. The RTSS
8. GGBH&TD will comply with all federal statutes relating to nondiscrimination. These include, but are not limited to:
  - a. Title VI of the Civil Rights Act of 1964 (P.L. 88-352), as amended, which prohibits discrimination on the basis of race, color or national origin;
  - b. Title IX of the Education Amendments of 1972, as amended (20 U.S.C. §§ 1681-1683 and 1685-1686), which prohibits discrimination on the basis of sex;
  - c. Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. § 794) which prohibits discrimination on the basis of handicaps;
  - d. The Age Discrimination Act of 1975, as amended (42 U.S.C. §§ 6101-6107) which prohibits discrimination on the basis of age;
  - e. The Drug Abuse Office and Treatment Act of 1972 (P.L. 92-255) as amended, relating to nondiscrimination on the basis of drug abuse;
  - f. The Comprehensive Alcohol Abuse and Alcoholism Prevention, Treatment and Rehabilitation Act of 1970 (P.L. 91-616), as amended, relating to nondiscrimination on the basis of alcohol abuse or alcoholism;

- g. §§ 523 and 527 of the Public Health Service Act of 1912 (42 U.S.C. 290 dd-3 and 290 ee-3), as amended, relating to confidentiality of alcohol and drug abuse patient records;
  - h. Title VIII of the Civil Rights Act of 1968 (42 U.S.C. § 3601 et seq.), as amended, relating to nondiscrimination in the sale, rental or financing of housing;
  - i. Title 28, Code of Federal Regulations (CFR) Part 42, Subparts C, D, E and G;
  - j. Title 28, CFR Part 35;
  - k. Any other nondiscrimination provisions in the specific statute(s) under which application for federal assistance is being made, and
  - l. The requirements on any other nondiscrimination statute(s) which may apply to the application.
9. GGBH&TD will comply, or has already complied, with the requirements of Titles II and III of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (P.L. 91-646) which provides for fair and equitable treatment of persons displaced or whose property is acquired as a result of federal or federally-assisted programs. These requirements apply to all interested in real property acquired for project purposes regardless of federal participation in purchases;
10. GGBH&TD will comply, if applicable, with the flood insurance purchase requirements of Section 102(a) of the Flood Disaster Protection Act of 1973 (P.L. 93-234) which requires recipients in a special flood hazard area to participate in the program and to purchase flood insurance if the total cost of insurable construction and acquisition is \$10,000 or more.
11. GGBH&TD will comply with environmental standards which may be prescribed pursuant to the following:
  - a. institution of environmental quality control measures under the National Environmental Policy Act of 1969 (P.L. 91-190) and Executive Order (EO) 11514;
  - b. notification of violating facilities pursuant to EO 11738;
  - c. protection of wetlands pursuant to EO 11990;
  - d. evaluation of flood hazards in floodplains in accordance with EO 11988;
  - e. assurance of project consistency with the approved state management program developed under the Coastal Zone Management Act of 1972 (16 U.S.C. §§ 1451 et seq.);
  - f. conformity of federal actions to State (Clean Air) Implementation Plans under Section 176(c) of the Clean Air Act of 1955, as amended (42 U.S.C. § 7401 et seq.);
  - g. protection of underground sources of drinking water under the Safe Drinking Water Act of 1974, as amended, (P.L. 93-523); and
  - h. protection of endangered species under the Endangered Species Act of 1973, as amended, (P.L. 93-205).
12. GGBH&TD will comply with the Wild and Scenic Rivers Act of 1968 (16 U.S.C. §§ 1271 et seq.) related to protecting components or potential components of the national wild and scenic rivers system;
13. GGBH&TD will assist the awarding agency in assuring compliance with Section 106 of the National Historic Preservation Act of 1966, as amended (16 U.S.C. 470), EO 11593 (identification and preservation of historic properties), and the Archaeological and Historic Preservation Act of 1974 (16 U.S.C. 469a-1 et seq);
14. GGBH&TD will comply with Standardized Emergency Management System (SEMS) requirements as stated in the California Emergency Services Act, Government Code, Chapter 7 of Division 1 of Title 2, Section 8607.1(e) and CCR Title 19, Sections 2445, 2446, 2447 and 2448;

15. GGBH&TD has requested through the State of California, federal financial assistance to be used to perform eligible work approved in the applicant's application for federal assistance. GGBH&TD will, after the receipt of federal financial assistance, through the State of California, agree to the following:
  - a. Promptly return to the State of California all the funds received which exceed the approved, actual expenditures as accepted by the federal or state government.
  - b. In the event the approved amount of the grant is reduced, the reimbursement applicable to the amount of the reduction will be promptly refunded to the State of California.
  - c. Separately account for interest earned on grant funds, and will return all interest earned, in excess of \$100 per federal fiscal year.
16. GGBH&TD will comply with the Intergovernmental Personnel Act of 1970 (42 U.S.C. Sections 4728-4763) relating to prescribed standards for merit systems for programs funded under one of the nineteen statutes or regulations specified in Appendix A of Office of Personnel Management's (OPM) Standards for a Merit System of Personnel Administration (5 C.F.R. 900, Subpart F);
17. GGBH&TD will comply with provisions of the Hatch Act (5 U.S.C. Sections 1501-1508 and 7324-7328) which limit the political activities of employees whose principal employment activities are funded in whole or in part with federal funds;
18. GGBH&TD will comply with P.L. 93-348 regarding the protection of human subjects involved in research, development, and related activities supported by this award of assistance;
19. GGBH&TD will comply, if applicable, with the Laboratory Animal Welfare Act of 1966 (P. L. 89-544, as amended, 7 U.S.C. 2131 et seq.) pertaining to the care, handling, and treatment of warm blooded animals held for research, teaching, or other activities supported by this award of assistance;
20. GGBH&TD will comply with the minimum wage and maximum hour provisions of the Federal Fair Labor Standards Act (29 U.S.C. 201), as they apply to employees of institutions of higher education, hospitals, and other non-profit organizations;
21. GGBH&TD will comply, as applicable, with the provisions of the Davis-Bacon Act (40 U.S.C. Section 276a to 276a-7), the Copeland Act (40 U.S.C. Section 276c and 18 U.S.C. Sections 874), and the Contract Work Hours and Safety Standards Act (40 U.S.C. Sections 327-333), regarding labor standards for federally-assisted construction sub-agreements;
22. GGBH&TD is not itself, and will not make any award or permit any award (subgrant or contract) to any party which is debarred or suspended or is otherwise excluded from or ineligible for participation in Federal assistance programs under EOs 12549 and 12689, "Debarment and Suspension";
23. GGBH&TD agrees that:
  - a. No federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the making of any federal grant, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any federal grant or cooperative agreement;
  - b. If any other funds than federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or an employee of Congress, or employee of a Member of Congress in connection with the federal grant or cooperative agreement, the undersigned

- shall complete and submit Standard Form LLL, "Disclosure of Lobbying Activities," in accordance with its instructions;
- c. The undersigned shall require that the language of this certification be included in the award documents for all sub awards at all tiers including subgrants, contracts under grants and cooperative agreements, and subcontract(s) and that all sub recipients shall certify and disclose accordingly.
  - d. This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by Section 1352, Title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.
24. GGBH&TD agrees that equipment acquired or obtained with grant funds:
    - a. Will be made available under the California Disaster and Civil Defense Master Mutual Aid Agreement in consultation with representatives of the various fire, emergency medical, hazardous materials response services, and law enforcement agencies within the jurisdiction of the applicant.
    - b. Is consistent with needs as identified in the Terrorism Annex to the State's Emergency Plan, and will be deployed in conformance with that plan.
    - c. Will be made available pursuant to applicable terms of the California Disaster and Civil Defense Master Mutual Aid Agreement and deployed with personnel trained in the use of such equipment in a manner consistent with the California Law Enforcement Mutual Aid Plan or the California Fire Services and Rescue Mutual Aid Plan.
  25. GGBH&TD agrees that funds awarded under this grant will be used to supplement existing funds for program activities, and will not supplant (replace) non-federal funds;
  26. GGBH&TD will comply with all applicable Federal statutes, regulations, policies, guidelines and requirements, including OMB Circulars A-87 and A-133, EO 12372 and Uniform Administrative Requirements for Grants and Cooperative Agreements contained in Title 28, Code of Federal Regulations, Part 66, that govern the application, acceptance and use of Federal funds for this federally-assisted project;
  27. GGBH&TD will comply, and assure the compliance of all its subgrantees and contractors, with the nondiscrimination requirements of the Omnibus Crime Control and Safe Streets Act of 1968, as amended, 42 USC 3789(d), or the Juvenile Justice and Delinquency Prevention Act, or the Victims of Crime Act, as appropriate; the provision of the current edition of the OJP's Financial and Administrative Guide for Grants, M7100.1, and all other applicable Federal laws, orders, circulars, or regulations;
  28. GGBH&TD will comply with provisions of 28 CFR applicable to grants and cooperative agreements, including Part 18, Administrative Review Procedures; Part 20, Criminal Justice Information Systems; Part 22, Confidentiality of Identifiable Research and Statistical Information; Part 23, Criminal Intelligence Systems Operating Policies; Part 30, Intergovernmental Review of Department of Justice Programs and Activities; Part 42, Nondiscrimination/Equal Employment Opportunities Policies and Procedures; Part 61, Procedures for Implementing the National Environmental Policy Act; Part 64, Floodplain Management and Wetland Protection Procedures; and Federal laws or regulations applicable to Federal Assistance Programs;
  29. GGBH&TD will ensure that the facilities under its ownership, lease or supervision which shall be utilized in the accomplishment of this project are not listed in the Environmental Protection

Agency's (EPA) list of Violating Facilities and that it will notify the Federal Grantor agency of the receipt of any communication from the Director of the EPA Office of Federal Activities indicating that a facility to be used in the project is under consideration for listing by the EPA.

30. GGBH&TD will comply with Subtitle A, Title II of the Americans with Disabilities Act (ADA) 1990;
31. GGBH&TD will, in the event a Federal or State court or Federal or State administrative agency makes a finding of discrimination after a due process hearing on the grounds of race, color, religion, national origin, sex, or disability against a recipient of funds, the recipient will forward a copy of the finding to the Office of Civil Rights, OJP;
32. GGBH&TD will provide an Equal Employment Opportunity Plan, if applicable, to the Department of Justice Office of Civil Rights within 60 days of grant award;
33. GGBH&TD will comply with the financial and administrative requirements set forth in the current edition of the OJP Financial Guide;
34. GGBH&TD will comply, if applicable, with the provision of the Coastal Barrier Resources Act (P.L. 97-348) dated October 19, 1982 (16 USC 3501 et seq.) which prohibits the expenditure of most new Federal funds within the units of the Coastal Barrier Resources System;
35. GGBH&TD will comply with all applicable requirements of all other federal laws, executive orders, regulations, program and administrative requirements, policies and any other requirements governing this program; and
36. GGBH&TD understands that failure to comply with any of the above assurances may result in suspension, termination or reduction of grant funds.



Agenda Item No. 3.b.

To: Finance-Auditing Committee/Committee of the Whole  
Meeting of February 22, 2007

From: Gayle S. Prior, Capital and Grant Programs Manager  
Joseph M. Wire, Auditor-Controller  
Celia G. Kupersmith, General Manager

Subject: **AUTHORIZE FILING GRANT APPLICATIONS WITH THE FEDERAL  
TRANSIT ADMINISTRATION FOR FISCAL YEAR 2006/2007 SECTION  
5307 AND SECTION 5309 CAPITAL ASSISTANCE**

### **Recommendation**

The Finance-Auditing Committee recommends that the Board of Directors authorize the General Manager to file Section 5307 and Section 5309 grant applications with the Federal Transit Administration (FTA) for Fiscal Year 2006/2007 federal grant funds available to support various capital projects.

This matter will be presented to the Board of Directors at its February 23, 2007, meeting for appropriate action.

### **Summary**

Federal Urbanized Area Formula Program (Section 5307), Federal Capital Program (Section 5309), Surface Transportation Program (STP), and Federal Congestion Mitigation and Air Quality Improvement Program (CMAQ) funds in the amount of \$17,876,001 have been programmed by the Metropolitan Transportation Commission (MTC) in FY 06/07 to support implementation of 10 District transit capital projects. These projects which are included in the District's 10-year capital plan include 1) Replacement Buses, 2) Bus Radio/Communications System Replacement, 3) Management Information System, 4) Replace 14 Paratransit Vans, 5) Preventive Maintenance, 6) Transit Security, 7) Facilities Rehabilitation, 8) Ferry Channel and Berth Dredging, 9) Ferry Fixed Guideway Connectors, and 10) San Francisco Ferry Terminal Rehabilitation projects. In addition, federal funds in the amount of \$7 million have been programmed for District pass-through to MTC for implementation of the Translink regional electronic fare project. As part of administering the federal pass-through funds to MTC for Translink implementation, it will be necessary to revise the District's pass-through agreement with MTC to add the new \$7 million increment of federal funds to the project. Staff has begun preparation of the required grant materials and requests Board approval to submit the District's

FY 06/07 Section 5307 and Section 5309 grant applications to the FTA which would include the program of projects listed above and described in more detailed in Attachment A.

Federal Urbanized Area Formula Program funds are authorized to support public transit activities pursuant to Section 5307 of Title 49 of the United States Code. Federal Capital Program funds are authorized to support modernization of existing rail systems, new fixed guideway systems and new and replacement buses and facilities pursuant to Section 5309 of Title 49 of the United States Code. Federal STP funds and Federal CMAQ funds are available to support various transportation activities pursuant to Sections 133 and 149 of Title 23, respectively. In the San Francisco Bay Area Region, MTC is responsible for programming these funds.

MTC, in partnership with County Congestion Management Agencies and local transit operators, has developed a multi-modal approach to programming these funds to high-priority transit, bicycle, pedestrian and roadway projects. Once funds are programmed by MTC, individual project sponsors must secure funds through grant application and execution of a grant funding agreement with the FTA.

### **Fiscal Impact**

This item provides \$17,876,001 in federal capital funds to support implementation of 10 District projects and \$7,000,000 to support administration of Translink pass-through funds, requiring \$4,077,270 in District local match and \$906,924 in local match funds to be provided by MTC, for a total local match requirement of \$4,984,194. These projects are all included in the District's 10-year capital plan.

Attachment

## ATTACHMENT A

### GGBHTD Program of Projects FY 2007 Urbanized Area Formula Program and Capital Program Grant Applications

Project Title/Description	Federal Fund Source	Federal Funds Section 5307	Federal Funds Section 5309	District/Local Match	Total Project	Project Notes
<b>1. Replacement Buses</b> – Replace 1989 TMC coaches that have reached the end of their useful life with 13 – 45' buses.	Section 5307	\$5,222,360	-	\$1,264,260	\$6,486,620	Provide funds to replace 40' buses with 45' buses.
<b>2. Bus Radio/Communications System Replacement</b> - Develop and acquire a comprehensive radio communications system.	Section 5307	\$2,973,845	-	\$743,461	\$3,717,306	Provides partial funds to implement this project.
<b>3. Management Information System</b> - Purchase new integrated transit maintenance management information systems.	Section 5307	\$842,509	-	\$210,627	\$1,053,136	Provides partial funds to implement this project, reducing overall District share.
<b>4. Replace 14 Paratransit Vans</b> - Purchase 14 vans for use in Marin County Transit District local and GGBHTD regional ADA paratransit service.	Section 5307	\$834,292	-	\$209,000	\$1,043,292	Pass through funds to MCTD to implement project. MCTD secures required 17% local match funds.
<b>5. Preventive Maintenance</b> - Provides Federal funds to subsidize transit maintenance activities.	Section 5307	\$807,995	-	\$201,999	\$1,009,994	GGBH&TD will share a portion of these funds with MCTD and will credit MCTD invoices beginning in July 2007.
<b>6. Transit Security</b> - Will support several transit safety and security projects such as surveillance and communications equipment at bus and ferry.	Section 5307	\$665,000	-	\$86,412	\$751,412	Multi-year project.
<b>7. Facilities Rehabilitation</b> - Rehabilitation of bus and ferry facilities.	Section 5307	\$280,000	-	\$70,000	\$350,000	Multi-year projects.
<b>8. Ferry Channel and Berth Dredging</b> - Design and dredging of Larkspur Ferry Terminal berth, turning basin and channel.	Section 5307 and Section 5309	\$489,453	\$1,510,547	\$500,000	\$2,500,000	Funds budgeted in FY 07 will support design and permitting for Larkspur Berth Dredging in FY 08.
<b>9. Ferry Fixed Guideway Connectors</b> - Rehabilitation and replacement of floats and gangway systems that allow passengers to get from the vessels to the terminals.	Section 5309	-	\$2,000,000	\$500,000	\$2,500,000	Multi-year project. Funds will partially support implementation of design.
<b>10. San Francisco Ferry Terminal Rehabilitation</b> – Rehabilitation of San Francisco ferry terminal facilities.	Section 5307	\$2,250,000	-	\$291,511	\$2,541,511	Funds allocated by the San Francisco County Transportation Authority to support this project.
<b>11. Translink</b> – In coordination with MTC, AC Transit, BART, Caltrain, Muni, SamTrans, VTA and all other Bay Area transit agencies, develop more convenient way for transit riders to pay for rides in the Bay Area.	CMAQ	\$7,000,000	-	\$906,924	\$7,906,924	Pass-through funds to MTC. District receives \$10,000 per year to administer grant.
<b>TOTAL</b>		\$21,365,454	\$3,510,547	\$4,984,194	\$29,860,195	

TOTAL FEDERAL FUNDS

\$24,876,001



Agenda Item No. 4

To: Finance-Auditing Committee/Committee of the Whole  
Meeting of February 22, 2007

From: Joseph M. Wire, Auditor-Controller  
William Stafford, Director Risk Management/Safety  
Teri Mantony, Deputy General Manager Administration  
Celia G. Kupersmith, General Manager

Subject: **APPROVE RENEWAL OF THE MARINE INSURANCE PROGRAM**

### **Recommendation**

The Finance-Auditing Committee recommends that the Board of Directors approve the following actions relative to the renewal of the District's Marine Insurance Program:

- a. Approve the Hull & Machinery/Protection & Indemnity Insurance with St. Paul Travelers at a premium of \$255,000. Terrorism Risk Insurance Act (TRIA) is included in the premium for the 2007 Policy Year;
- b. Approve the Vessel Pollution Liability Policy at a premium of \$4,194; and,
- c. Approve the Excess Marine Liability Program with AIG and various underwriters at a premium of \$108,435. This policy has coverage limits to \$100 million;
- d. Approve TRIA coverage endorsement on the Excess Liability layers at a premium of \$5,050.

These recommendations come with the understanding that sufficient funds, totaling \$372,679, are available in the FY 06/07 Ferry Division budget to cover the premium payments in FY 06/07, and will be included in FY 07/08 Budget to cover FY 07/08 premium payments.

This matter will be presented to the Board of Directors at its February 23, 2007, meeting for appropriate action.

### **Summary**

#### *Overview of Marine Insurance Program*

The District's Marine Insurance Program, which renews on February 28, 2007, is comprised of the Hull & Machinery/Protection & Indemnity Insurance and Marine Liability Insurance (including Terminal Operator's Legal Liability and Excess Insurance).

Currently, the District purchases Hull & Machinery/Protection & Indemnity Insurance in amounts equal to the approximate replacement costs of the Ferry vessels along with primary Protection & Indemnity limits of \$1 million.

The limits of liability for the excess Protection & Indemnity and Marine Liabilities currently total \$100 million.

#### *Marine Insurance Market Conditions*

Following a few years of some moderate fluctuations in premium in the Hull & Machinery/Protection & Indemnity classes of business, we are now witnessing a very competitive marketplace, particularly for accounts like the District's Ferry operation that have a favorable loss history. Several new insurers have entered the marketplace recently, intensifying the competition by offering premium reductions from 15% to 30 %.

In order to take advantage of the current market, the District's Broker, Marsh Risk and Insurance Services (Marsh), was directed to focus their efforts on our incumbent carriers as well as to expand into selected alternative markets. The District also directed Marsh to seek quotes for an option with an annual aggregate of \$150,000 versus the current \$350,000 annual aggregate deductible. Eight markets were asked to quote on the District's Marine program for 2007.

#### *Operations Experience*

The District's Hull and Machinery/Protection & Indemnity loss experience has continued to improve. The number and severity of hull and machinery damage claims, as well as the amounts paid for crew injuries, has been dramatically reduced. This is due to Ferry and District Management actively controlling hazards and mitigating areas of potential risk, including Ferry maintenance.

There have been no claims that have reached the marine excess liability limit.

### **Proposed Renewal**

#### *Hull & Machinery/Protection & Indemnity Insurance*

This renewal period we obtained three highly competitive quotes including the current carrier, St. Paul Travelers. We also received competitive quotes from AIG and Starr Marine.

The St. Paul Travelers quote is \$255,000, the AIG quote is \$246,830 and the Starr Marine quote is \$290,371. All three quotes include TRIA coverage.

Only one carrier, AIG, quoted the \$150,000 annual aggregate deductible. That quote was for \$319,977.

Although AIG was slightly less than St Paul/Travelers, risk management practices suggest staying with the incumbent if the price differential is less than 5%. This is because a long-term relationship with an insurance carrier can further reduce premiums in the future.

It was decided to not recommend reducing our aggregate to \$150,000 in 2007, but to wait and see if more markets are willing to respond in 2008 to our favorable loss experience, should it continue.

The recommended option is to enter into an agreement with St. Paul Travelers for the complete Marine Insurance package. The renewal price of \$255,000 coverage is a 31% decrease over last year.

#### *Vessel Pollution*

The renewal quote for the District's Vessel Pollution Liability Policy with Great American is \$4,194. This premium is a 4% decrease from 2006.

#### *Excess Marine Liability Program 1<sup>st</sup> Excess-5<sup>th</sup> Excess Marine Layer*

Starr Marine and various existing insurers on the Marine Excess Liability program will renew at the existing rate for a total premium of \$108,435, a 12% decrease from 2006.

#### *Terrorism Exclusion Coverage*

The recommended renewal options include terrorism exclusions. Separate terrorism insurance endorsements must be purchased to cover these exclusions. The District's Broker and staff recommend that the District accept the additional premiums for the terrorism coverage because of their relatively low prices. The renewal premium for TRIA coverage is 12% lower for 2007. The TRIA insurance at our Excess Marine Liability Program coverage limits can be purchased for \$5,050. The premium was computed on 5% of the Excess Marine Liability Program premium and has not changed from last year.

The total cost for renewal of the Marine Insurance Program, including terrorism insurance and based upon the above-recommended quotes, is \$372,679, an overall decrease of 26% on the existing program structure.

The letter from the Marsh is attached and includes the following exhibits:

- Exhibit I - Hull/P&I Insured Values 2006
- Exhibit II - 2006 Renewal Option
- Exhibit III - 5 Year Premium and Loss History
- Exhibit IV - 2006 Options

**District Insurance Renewal Calendar for 2006**

The following is a timetable for all the insurance renewals for the District which will be brought forward to the Finance/Auditing Committee the month prior to the renewal date.

<b>Renewal Date</b>	<b>Insurance Policy</b>
2/28/2007	<ul style="list-style-type: none"><li>• Marine Insurance Renewal</li></ul>
4/4/2007	<ul style="list-style-type: none"><li>• Property</li><li>• Boiler &amp; Machinery</li><li>• Bridge Physical Damage and Use &amp; Occupancy</li></ul>
7/1/2007	<ul style="list-style-type: none"><li>• Commercial Crime</li><li>• Umbrella/Excess Liability</li><li>• Railroad Liability</li><li>• Excess Workers Compensation</li><li>• Public Officials Liability</li></ul>

**Fiscal Impact**

Approval of the recommendation would cost the District \$372,679. Sufficient funds are available in the FY 06/07 Ferry Division budget to cover the premium payments in FY 06/07, and will be included in FY 07/08 Budget to cover FY 07/08 premium payments.

Attachment