

PALM BEACH COUNTY  
BOARD OF COUNTY COMMISSIONERS  
AGENDA ITEM SUMMARY

Meeting Date: February 26, 2008 [ ] Consent [X] Regular  
[ ] Ordinance [ ] Public Hearing

Department: Facilities Development and Operations

I. EXECUTIVE BRIEF

**Motion and Title:** Staff recommends motion to approve: Purchase of a three-year Master Builders Risk Insurance Program ("MBRIP"), through the County's contracted broker, Arthur J. Gallagher & Co., under Contract No. 05-102/LJ, for a total not-to-exceed cost of \$275,000.

**Summary:** Typically, contractors are required to purchase builder's risk insurance as part of the contract price and therefore ultimately paid for by the County through project funds. The construction manager responsible for the Jail Expansion Program 2 projects estimated a price of \$2,000,000+ to furnish builder's risk coverage for the West County Detention Facility portion of the project. Risk Management was asked to provide a quote for this project, and the quote from Risk Management's contracted broker is \$1,200,000, a savings of \$800,000. The broker also proposed, for an upfront fee of \$250,000 plus fees for an estimated total of \$275,000, a blanket policy to cover all future County projects including Water Utilities Department (WUD) and the Department of Airports (DOA). The MBRIP, from the Lexington Insurance Company, provides coverage for reported construction and renovation projects commencing on or after the effective date of the policy. During the term of this policy, projects with total costs of \$5,000,000 or less that are reported to the insurer during the policy period are covered at no additional cost to the County. In addition to the West County Detention Facility project, projects with total costs in excess of \$5,000,000 and commencing during the three year policy period can be added, at the option of the County, to the policy. The additional cost for each of these large projects is based on the construction cost of the project, the duration of the project, and the type of construction. Projects will be added to the policy by reporting the project to Risk Management along with the appropriate funding source who will in turn notify the insurance broker. The rates vary by construction type and are guaranteed in advance for the three year policy period, and Risk Management feels that each project covered by the MBRIP will save 10-20% in insurance premiums. The initial \$275,000 payment will be funded from general government funding, WUD, and DOA. **(Capital Improvements Division) Countywide (JM)**

**Background & Policy Issues:** The County currently requires that the contractor provide a builder's risk insurance policy covering damage to the building being constructed/renovated. Since the contractor is financially responsible for damages under the deductible and the County pays for the cost of insurance as part of the contract cost, contractors have a built-in incentive to purchase coverage with the lowest available deductible and without concern for the cost of the insurance. Insurance cost and/or availability problems have also occurred due to such issues as:

- Construction commencing either just prior to or during hurricane season
- Construction delayed due to permitting, weather or other reasons
- Construction delayed beyond the expiration date of insurance

Purchasing a MBRIP provides the County greater control of costs and availability of builder's risk insurance while allowing for the carving out of specific projects where it is determined to be more cost effective to have the contractor purchase the insurance.

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Recommended by: Joe Anthony Wolf 1/28/08  
 Department Director Date

Approved By: [Signature] 2/11/08  
 County Administrator Date

**II. FISCAL IMPACT ANALYSIS**

**A. Five Year Summary of Fiscal Impact:**

Fiscal Years	2008	2009	2010	2011	2012
Capital Expenditures	\$275,000	_____	_____	_____	_____
Operating Costs	_____	_____	_____	_____	_____
External Revenues	_____	_____	_____	_____	_____
Program Income (County)	_____	_____	_____	_____	_____
In Kind Match (County)	_____	_____	_____	_____	_____
<b>NET FISCAL IMPACT</b>	<b>\$275,000</b>	=====	=====	=====	=====
<b># ADDITIONAL FTE POSITIONS (Cumulative)</b>	_____	_____	_____	_____	_____

Is Item Included In Current Budget? Yes X No. \_\_\_\_\_

Budget Account No.: Fund 3804 Agency 411 Org. B426 Object 4501 \$ 91,667  
                                   4100                  120                  1250                  4501 \$ 91,667  
                                   4001                  720                  2323                  4501 \$ 91,667

**B. Recommended Sources of Funds/Summary of Fiscal Impact:**

All projects over \$5,000,000 will pay for their premium from their specific project funds.  
 The initial \$275,000 cost for the projects under \$5,000,000 will be equally split between the Water Utilities, FD&O (on behalf of projects they manage) and Airports Departments. FD&O will be reimbursed by the first Library and Fire Rescue projects specific funds until FDO is reimbursed. After FDO has been reimbursed, all projects managed by FDO and under \$5,000,000 will be done at no additional cost to the individual projects.

**C. Departmental Fiscal Review:** \_\_\_\_\_

**III. REVIEW COMMENTS**

**A. OFMB Fiscal and/or Contract Administration Comments:**

*[Handwritten signatures and dates]*  
 2-7-08  
 OFMB  
 2/6/08  
 CN/1/29/08  
 Legal Sufficiency:  
 Assistant County Attorney  
 2/8/08

*[Handwritten signature]*  
 Contract Administration  
 2/8/08 This concept is the result of meetings with representatives of Risk Mgt, County Attorney, CDC and user construction Departments.

**C. Other Department Review:**

\_\_\_\_\_  
 Department Director

BUDGET AVAILABILITY STATEMENT

REQUEST DATE:1/30/08 REQUESTED BY Larry Schaner PHONE:233-0222

PROJECT TITLE: Master Builders Risk Program

ORIGINAL CONTRACT/ANNUAL AMOUNT: 275,000 BCC DATE:2/26/08

CONTRACTOR/CONSULTANT NAME: Arthur J Gallagher

PROVIDE A BRIEF STATEMENT OF THE SCOPE OF SERVICES TO BE PROVIDED BY THE CONSULTANT/CONTRACTOR:

Three year Master Builders Risk Program

WILL THIS AMENDMENT CHANGE THE ESTIMATED COST OF THE PROJECT?  
IF YES, PROVIDE ESTIMATES OF THE NEW COSTS:

CONSTRUCTION	_____
ARCHITECTURE/ENGINEER	_____
STAFF COSTS	_____
EQUIPMENT/OTHER	275,000

BUDGET ACCOUNT NUMBER (IF KNOWN)

FUND: AGENCY: ORG: SORG OBJ:  
FD&O 3804-411-B426-05-4501 91,667

PBIA 4100-120-1250-4501 91,666

WUD 4001-720-2323-4501 91,667

BAS APPROVED BY: C. M. Sullivan DATE: 1/30/08

ENCUMBRANCE NUMBER: \_\_\_\_\_

INTEROFFICE COMMUNICATION  
PALM BEACH COUNTY

BUDGET AVAILABILITY STATEMENT

DATE: February 6, 2008

TO: Taruna Malhotra, Budget Analyst  
Office of Financial Management & Budget

FROM: Guy Eggertsson, Fiscal Manager  
Water Utilities Department



RE: Property Insurance WUD's Portion

FISCAL IMPACT ANALYSIS:

Summary of Fiscal Impact:

Capital Expenditures	
Operating Costs	\$91,667.00
Revenues	

Is item included in current budget? Yes  No

Budget Account Number:

Fund	Agency	Organization	Object	Allocation
4001	720	2323	4501	100%

Recommended Sources of Funds/Summary of Fiscal Impact:

One-time expenditure to be funded by user fees.