

CITY OF DANA POINT
AGENDA REPORT

Reviewed By:	
DH	_____
CM	_____
CA	_____

DATE: JUNE 22, 2005

TO: CITY MANAGER/HONORABLE MAYOR AND CITY COUNCIL

FROM: SHARIE APODACA, DIRECTOR OF ADMINISTRATIVE SERVICES

SUBJECT: RENEWAL OF TRANSIENT OCCUPANY TAX INSURANCE

RECOMMENDED ACTION:

That the City Council authorize the renewal of the commercial property insurance policy obtained through Complete Insurance, Inc. for protection of Transient Occupancy Tax revenues.

ISSUES:

Shall the City Council authorize the renewal of the existing insurance policy providing coverage should an insured peril cause an interruption in the City's Transient Occupancy Tax receipts?

BACKGROUND:

On June 6, 2005 the City was advised by Complete Insurance, Inc. that its current insurance policy covering an interruption in the City's Transient Occupancy Tax receipts will expire on June 17, 2005. Due to the short notice, the City was unable to agendize this matter for the June 8, 2005 agenda. The City has obtained an extension of the existing policy however in order to agendize this matter for Council action on June 22, 2005.

The current TOT insurance policy insures the City should TOT revenues be impacted as a result of damage to our local resorts and hotels caused by fire, flood or earthquake. Our current policy insures the City's TOT revenue up to the total estimated projection of \$8.7 million.

DISCUSSION:

The new policy increases the coverage to a total of \$8.9 million based on the City's TOT projections for next fiscal year. The annual premium is \$31,332. The

carrier is also offering additional optional coverage that would protect the City's TOT revenues as a result of acts of terrorism. This additional coverage was offered for the first time last year, however at a cost-prohibited premium of \$10,000. This year terrorism coverage is offered at a more reasonable cost for an additional annual premium of \$5,161. Staff is recommending the Council approve this additional coverage for acts of terrorism that may impact our TOT revenue. The threat of terrorism in our every day lives is a reality, especially due to our City being a destination town visited by thousands of individuals each year. In addition, it is not uncommon for high-profile celebrities and officials to be guests at any one of our resorts.

As the Council is aware, TOT makes up 35% of total General Fund revenue and it is a necessary revenue source needed to fund essential City Services. It is important that we protect this vital revenue source should it be interrupted by fire, flood, earthquake or an act of terrorism that may impact our hotels or resorts.

FISCAL IMPACT:

Sufficient funds have been budgeted in the Non-Departmental budget to cover the cost of this annual premium of \$31,332 + \$5,161 for a total of \$36,493.

ALTERNATIVE ACTION:

- 1) Do not approve the insurance policy renewal.
- 2) Other action as directed by City Council.

SUPPORTING DOCUMENTS:

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A. Summary of Proposal (Hard copy provided).....	3
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