



# City of Grand Island

Tuesday, April 12, 2016

Council Session

## Item G-10

**#2016-84 - Approving Letter of Credit for Employer's Mutual Casualty Company (EMC) Insurance Reserve**

Staff Contact: Renae Griffiths

# **Council Agenda Memo**

**From:** Renae Griffiths, Finance Director

**Meeting:** April 12, 2016

**Subject:** Approving Letter of Credit for Employer's Mutual Casualty Company (EMC) Insurance Reserve

**Presenter(s):** Renae Griffiths, Finance Director

## **Background**

EMC requires security or collateral to be provided for large deductible Workers Compensation policies. They require security or collateral to be purchased in order to cover long term workers compensation payments. We provide that security via the purchase of a letter of credit. In 2014 and 2015 that letter of credit was with Wells Fargo Bank and the cost was \$3,200 in 2014 and \$3,225 in 2015. This year the City was informed the fee would be 1% of the \$800,000 which would be \$8,000, an almost 150% increase over the prior year.

## **Discussion**

Quotes were obtained from other banks to determine if we could get a lower rate. The results were:

- 0.50% from Cornerstone Bank
- 0.75% from Union Bank and Trust
- 0.24% and we would have to put \$800,000 in a CD that earns 0.20%, from Great Western bank
- 1.00% from Wells Fargo

Based on those results Cornerstone Bank is the best pricing alternative for the letter of credit to meet our security requirements for EMC. We have confirmed with EMC that they will accept the letter of credit from Cornerstone Bank as a replacement to the existing letter of credit with Wells Fargo Bank.

## **Alternatives**

It appears that the Council has the following alternatives concerning the issue at hand. The Council may:

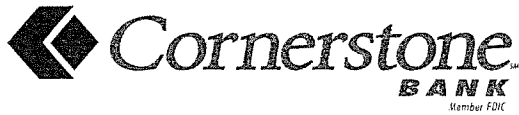
1. Approve the commitment for letter of credit with Cornerstone Bank
2. Disapprove or deny agreement
3. Refer to a committee

### **Recommendation**

City Administration recommends that the Council approve the letter of credit with Cornerstone Bank to cover the security requirement for EMC.

### **Sample Motion**

Move to approve the letter of credit with Cornerstone Bank.



Cornerstone Bank  
840 North Diers Ave.  
Grand Island, Nebraska 68803  
Phone: 308-382-9059  
Fax: 308-382-7347

March 21, 2016

City of Grand Island  
100 E. First St. / PO Box 1968  
Grand Island NE 68802-1968

RE: Letter of Credit

Dear Sirs:

This letter will serve as our commitment to the extent of \$800,000.00. Our commitment is subject to the following terms and conditions.

A. Fee

A ½% fee on the total commitment of \$800,000 will be due at issuance of the "Letter of Credit".

B. Rate

The interest rate for the commitment is 16% once letter is drawn upon.

C. Purpose

The purpose of this commitment will be for EMC Insurance Companies.

D. Security

Unsecured

E. Term

This "Letter of Credit" will expire one year from date of issue.

F. Payment of Loan


Principal and Interest will be due at maturity if the "Letter of Credit" is drawn upon.

G. Commitment

This commitment will be valid for 90 days from the date of this letter. If it is not accepted by City of Grand Island within that time frame, the terms and conditions of this commitment will be subject to renegotiation.

If you have any questions or concerns, please give me a call. Thank you for the opportunity to assist with your credit needs.

Sincerely,



Darren Sanchez, AVP  
MLO #868371  
Cornerstone Bank  
Grand Island Branches

ACKNOWLEDGMENT

We acknowledge receipt, and we agree to the terms and conditions of your commitment letter dated March 21, 2016

By: \_\_\_\_\_ Dated: \_\_\_\_\_  
City of Grand Island

RESOLUTION 2016-84

WHEREAS, Employer's Mutual Casualty Company (EMC), is an insurance company that provides Workers Compensation Insurance to the City Of Grand Island; and

WHEREAS, EMC requires security or collateral in the amount of \$800,000 for long term payments; and

WHEREAS, a Letter of Credit naming EMC as the beneficiary would be an acceptable form of security or collateral; and

WHEREAS, Cornerstone Bank can provide the necessary Letter of Credit to the City of Grand Island; and

WHEREAS, the Letter of Credit from Cornerstone will be issued for one year for a fee of 0.5% (\$4,000) of \$800,000.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA, that the Mayor is hereby authorized to, on behalf of the City, execute the Letter of Credit between the City of Grand Island and Cornerstone Bank naming Employer's Mutual Causality Insurance as the beneficiary for the cost of \$4,000.

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Adopted by the City Council of the City of Grand Island, Nebraska, April 12, 2016

\_\_\_\_\_  
Jeremy L. Jensen, Mayor

Attest:

\_\_\_\_\_  
RaNae Edwards, City Clerk

Approved as to Form	☐ _____
April 8, 2016	☐ City Attorney