



City of Grand Island

Tuesday, November 9, 2021

Council Session

Item G-24

#2021-322 - Approving Letter of Credit for Employer's Mutual Casualty Company (EMC) Insurance Reserve

Staff Contact: Patrick Brown, Finance Director

Council Agenda Memo

From: Patrick Brown, Finance Director

Meeting: November 9, 2021

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

Presenter(s): Patrick Brown, Finance Director

Background

EMC requires security or collateral to be provided for large deductible Worker's Compensation policies in order to cover long term worker's compensation payments. The City provides that security via the purchase of a letter of credit. In 2016 EMC required a security of \$800,000. Previously the letter of credit was with Cornerstone Bank for \$800,000 at a cost of \$4,000 annually.

Discussion

EMC is now requiring a security/collateral of \$1,400,000 and typically the cost of getting a letter of credit is 1% of the security. In this case it would cost the City \$14,000. In discussion with EMC and the City's main bank, Five Points, the Finance Director proposes to back the letter of credit with a \$1,400,000 certificate of deposit and Five Points has agreed to waive any and all fees associated with this transaction.

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 Five Points Bank
2. Disapprove or deny agreement
3. Refer to a committee

Recommendation

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

Sample Motion

Move to approve the letter of credit with Five Points Bank.

RESOLUTION 2021-322

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

WHEREAS, EMC requires security or collateral in the amount of \$1,400,000 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, Five Points Bank can provide the necessary Letter of Credit to the City of Grand Island; and

WHEREAS, the Letter of Credit from Five Points Bank will be issued for one year with no fees.

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 Five Points Bank naming Employer's Mutual Casualty Insurance as the beneficiary at no cost.

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Adopted by the City Council of the City of Grand Island, Nebraska, November 9, 2021.

Roger G. Steele, Mayor

Attest:

RaNae Edwards, City Clerk

Approved as to Form	☐ _____
November 6, 2021	☐ City Attorney