

April 7, 2008

Board of Directors
League of Minnesota Cities Insurance Trust
145 University Ave W
Saint Paul, MN 55103-2044

Dear Members of the Board,

This evening the Maplewood City Council met with VeNita Schnebele, Ann Stanton, and Tony Becker — representatives of Arthur J. Gallagher Risk Management Services, Inc. — for a frank discussion of the LMCIT board's upcoming review of our city's insurance policy renewal for the 2008-2009 year. I am writing as an individual member of the city council to express my view of these matters and to respectfully ask that the LMCIT continue to work with us and to help us reduce the risks and costs of litigation in the future.

Ms. Schnebele provided a number of helpful documents to us, and conveyed the very serious concerns of the LMCIT Board and the drastic actions that might be taken. She gave us documentation concerning Maplewood's historical net losses from claims, going back to 1986. She provided us with copies of correspondence between the League and the City from May and June of 2007. Apparently these letters had not previously been seen by members of the council, and our Acting City Manager did not have several of them either, owing to the lack of files and documentation left behind by his predecessor. Ms. Schnebele, Ms. Stanton and Mr. Becker also reported more recent concerns expressed by representatives of the LMCIT.

As you may realize, I was just elected to the city council this past November. As I review the documentation and correspondence delivered to us this evening, I see the very things that alarmed me as a private citizen and motivated me to run for office. For example, in Michael Wozniak's letter dated May 14th, he noted “the apparent disregard of or lack of familiarity with legal requirements relating to employment, land use regulation, and development actions.” Peter Tritz's letter of June 8th stated that, concerning claims stemming from the December 2006 reorganization, “Those claims might very well have been defensible but for some specific actions and comments by city officials.”

As a result of this unprecedented wave of litigation, it appears that Maplewood's net losses of the 2006/2007 policy year are equal to *164% of the previous twenty years' losses combined*. This figure is staggering, all the more because it comes not from an isolated and statistically improbable event, but from an apparent pattern of behavior and decisions.

Mr. Tritz's letter of June 8, 2007, described “the impression that Maplewood city officials do not recognize the problems that their actions have created.” As though to drive home Mr. Tritz's point, our former city manager, writing in the September 2007 city newsletter, minimized the

Banick settlement by stating that “it was LMCIT that paid the settlement, the City of Maplewood did not pay one dime of taxpayer money to settle this litigation.”

Any reasonable observer would understand the LMCIT's concern, and recognize your need to protect the interests of other member cities. If nothing had changed from last year, I would be the last question a decision from the LMCIT to drop coverage of Maplewood, as we are told you have seriously considered.

But I am asking the LMCIT to continue to work with Maplewood because there *have* been major changes. Maplewood's residents were just as concerned as the LMCIT by developments in our city, and they resoundingly voted for a change on the city council. Those voters put me on the council, replacing one of the members who had been part of the three-vote bloc that had appointed our former city manager and had approved various actions that resulted in costly litigation (such as the reorganization).

At my very first council meeting on January 14th, 2008, I voted to begin the process of removing former City Manager Greg Copeland. We retained special outside counsel specifically to advise us on how to effect this removal while minimizing cost and the risk of litigation. We turned to the LMC for suggestions on appropriate attorneys. While Mr. Copeland threatened to sue, in the end we negotiated an agreement with a very broad release and discharge of any potential claims against the city. I did feel that we could have removed Mr. Copeland for cause (and thus not paid him any severance benefits), but I was ultimately persuaded that this negotiated settlement was the most responsible course of action to bring closure and avoid any potential litigation.

We have not yet established a process for selection of a new, permanent city manager. However, I think there is consensus on the council that we must attract someone with appropriate experience and qualifications. I see the League of Minnesota Cities as essential in helping us with this process. Just last week I contacted League staff to ask about appropriate firms to assist in a city manager search process, for example. My intent is that we will take our time to do this search right, making full use of the resources available to us, and that we will find a manager who will serve Maplewood well for many years to come.

Let me be the first to admit that it's not all smooth sailing. There has been a power shift, but we still have a divided council. Personality conflicts remain, as do strong differences of opinion on various policy matters. The media remains very interested in the drama of Maplewood, as I'm sure you are aware, and they provide a loud bullhorn for any intemperate comments that we councilmembers may happen to make. I can't honestly tell you that this is likely to change over the next two years of this council, though I believe we have taken some small steps toward working better together. I would argue that if a majority of the council takes care to make prudent and legally sound decisions, the council chamber fireworks that continue to entertain many of our metro neighbors should have minimal impact on the actual operations of the city.

To make those sound decisions, we continue to need the expert help that the League of Minnesota Cities offers us — perhaps now more than ever. And frankly, we need the LMCIT's

insurance coverage. Even with the best of decisions 100% of the time, accidents and events and situations beyond our control may still result in claims against the city. We understand and accept that the LMCIT needs to adjust the terms and cost of our coverage as part of your own prudent management of the Trust for the benefit of all the member cities.

While under previous management, the City of Maplewood may have taken an inappropriately cavalier attitude toward lawsuits and abused the common trust of the LMCIT's member cities. I can assure you that the city does not now take these matters lightly. I believe that we have been given a serious wake-up call, and that the council as a body and the city staff are united in a willingness to accept the LMCIT's message and to work with all of your constructive suggestions for minimizing future claims.

Sincerely yours,

John Nephew, Councilmember
City of Maplewood
1830 County Road B E
Maplewood, MN 55109

cc: Chuck Ahl, Maplewood Acting City Manager
VeNita K. Schnebele, Arthur J. Gallagher Risk Management Services, Inc.