



**CALIFORNIA JOINT POWERS RISK MANAGEMENT AUTHORITY**

**BOARD OF DIRECTORS MEETING**

**April 17-19, 2006 – 9:30 A.M.**

**Hotel Pacific  
300 Pacific Avenue  
Monterey, CA 93946**

**(831) 373-5700**

**Minutes**

**I. CALL TO ORDER:**

Vice President Ellerbrock called the meeting to order at 1:02 p.m. on April 17, 2006

**II. ROLL CALL**

***PRESENT***

- |                                   |                                         |
|-----------------------------------|-----------------------------------------|
| 1) Darrell Handy, <i>Alameda</i>  | 12) Charlie Wilson, <i>Roseville</i>    |
| 2) Dan Fulks, <i>Chico</i>        | 13) Mary Richardson, <i>San Leandro</i> |
| 3) Robyn Kain, <i>Fairfield</i>   | 14) Jane Fleenor, <i>San Rafael</i>     |
| 4) Steve Schwarz, <i>Fremont</i>  | 15) Lynne Margolies, <i>Santa Rosa</i>  |
| 5) Jason Alcala, <i>Livermore</i> | 16) Roger Carroll, <i>SCORE</i>         |
| 6) Kirk Evans, <i>Lodi</i>        | 17) Mark Moses, <i>Stockton</i>         |
| 7) Dixon Coulter, <i>NCCSIF</i>   | 18) Rebecca Moon, <i>Sunnyvale</i>      |
| 8) Scott Ellerbrock, <i>PERMA</i> | 19) Paul Wildermuth, <i>Vacaville</i>   |
| 9) Ron Blanquie, <i>Petaluma</i>  | 20) Will Venski, <i>Vallejo</i>         |
| 10) Julie Theirl, <i>Pomona</i>   | 21) Jeff Tonks, <i>YCPARMIA</i>         |
| 11) Jeff Davis, <i>REMIF</i>      |                                         |

***ABSENT***

*Redding*

### ***OTHERS PRESENT***

- 1) Mark Schlosberg, *ACLU of Northern California*
- 2) Marty Cassell, *Chandler Asset Management*
- 3) Jessica Henry, *Chico*
- 4) David Clovis, *CJPRMA*
- 5) Lola Deem, *CJPRMA*
- 6) Robert German, *CJPRMA*
- 7) Caren White, *CJPRMA*
- 8) Robin Johnson, *Driver*
- 9) Marilyn Kelley, *Driver*
- 10) Bruce Praet, *Ferguson, Praet & Sherman*
- 11) Byrne Conley, *Gibbons & Conley*
- 12) Scott Tiedmann, *Liebert Cassidy Whitmore*
- 13) Janice Magdich, *Lodi*
- 14) Craig Bowlus, *Marsh*
- 15) Brian Cooney, *Marsh*
- 16) Tim Kenney, *Marsh*
- 17) Jim Pinckney, *Marsh*
- 18) Jerry Gebhardt, *Petaluma*
- 19) Mark Ferguson, *REMIF*
- 20) Pam Durocher, *Roseville*
- 21) Shelley Green, *Stockton*
- 22) Rick Smith, *Taser International*

### **III. APPROVAL OF MINUTES**

A motion by Director Wildermuth, seconded by Director Margolies, to approve the minutes of the Board of Director's meeting held on November 17, 2005, passed unanimously.

### **IV. PRESENTATIONS**

Bob Koch, former director from Chico, was honored for his years of service to CJPRMA.

### **V. CONSENT CALENDAR**

- 1. Financial Reports of CJPRMA for the periods ending October 31, November 30, and December 31, 2005 and January 31, 2006**
- 2. Additional Covered Party Certificates Approved by the General Manager**
- 3. Notification of New Claims Received**
- 4. Notification of Claims Closed**
- 5. Appointment of New Board Members/Alternates**

This item was amended to add the names of Kim Stalie (City of Dixon) as Alternate for NCCSIF and Darrell Handy (Risk Manager) as Director for Alameda.

A motion by Director Davis, seconded by Director Blanquie, to approve the consent calendar, passed unanimously.

**VI. THIS TIME IS RESERVED FOR MEMBERS OF THE PUBLIC TO ADDRESS THE BOARD OF DIRECTORS ON MATTERS OF BOARD BUSINESS**

**VII. ACTION CALENDAR**

**6. Report From Broker on Insurance Renewals**

Mr. Jim Pinckney and Mr. Brian Cooney, of Marsh, were present to provide status updates on the renewal of the current commercial insurance programs.

Mr. Pinckney discussed the liability program and commercial reinsurance. He provided a summary of the current coverages and limits, and the expected premiums for the 2006-2007 program year. He summarized the reinsurance program features. He said that the excess reinsurance rate for the 2006-2007 program year was \$.2068 per \$100 of payroll for the \$20 million excess of \$5 million layer. He said that the premium for the \$15 million excess of \$25 million layer was expected to be \$475,000.

A motion by Director Davis, seconded by Director Venski, to approve the proposed reinsurance rates plus 5%, if necessary, passed unanimously.

Mr. Pinckney next discussed the Auto Physical Damage program. He gave a brief history of the program and a summary of the current coverage and rates. He said that the rate for the 2006-2007 program year was \$.3086 per \$100 TIV for vehicles valued in excess of \$25,000, which was the same rate as in 2005-2006.

A motion by Director Davis, seconded by Director Wildermuth, to approve the proposed APD rate, passed unanimously.

Mr. Cooney discussed the Property program. He gave a summary of the program features and rates. He provided information on cost of construction and the inflation factors used to determine property values for the 2006-2007 program year.

The General Manager said that, as a matter of information, the contract with Associated Valuation Services had expired and that, though valuations for two cities had been completed, no work product had been provided. He said that he was recommending that they go forward with the selection process for another appraisal firm, and that they increase the current property values by 10% for renewal purposes. He said that they would request a refund of the \$90,000 deposit paid to AVS, and asked that

the Board give authority to file suit to recover the money. He said that he would convene a panel, with input from Marsh, to assist in the selection of a new appraisal firm, and would report back to the Board at the June meeting.

A motion by Director Davis, seconded by Director Evans, to increase the current property values by 10% across the board for the 2006-2007 program year, passed unanimously.

Mr. Cooney next discussed the Property Program loss history, which he said affected the rate stabilization feature built into the primary policy. He said that there were some pending losses for the 2005-2006 program year that could still cause an increase in the rate for the 2006-2007 program year. He said that, even if the cumulative loss ratio for the last three years exceeded 125%, the primary policy rate could increase no more than 35%. He said that they were in the last year of a three-year program for the primary layer and that the rate would be \$.038 per \$100 TIV if the loss ratio remained below 75%. He said that the maximum the rate would be if the loss ratio exceeded 125% was \$.0513 per \$100 TIV. He said that the rate for the \$195 million excess of \$5 million layer would be the same as in 2005-2006, \$.0375 per \$100 of exposed value. He said that the rate for the \$100 million excess of \$200 million would also be the same as in 2005-2006, \$575 per \$1 million of coverage.

Mr. Cooney said that renewal of the Boiler & Machinery program was almost identical to that of 2005-2006, with a few improvements in some sublimits. He said that the renewal rate was the same as the expiring rate, \$.006325 per \$100 TIV.

A motion by Director Margolies, seconded by Director Moses, to approve the property rates for the 2006-2007 program year, passed unanimously.

## **7. 2005 Claims Audit**

Mr. Tim Kenney, of Marsh, was present to discuss the results of the 2005 claims audit. He had 5 recommendations:

- 1) Ensure that all members (including City Attorneys) are aware of the excess claim reporting requirements. Consider sending an e-mail blast reminder (include the reporting criteria) to all members and clearly articulate the need for, and importance of, full compliance.
- 2) Develop a method for capturing updated financial information from members and their TPAs.
- 3) Consider sending members monthly or quarterly loss runs on their open excess cases and incorporate a field that they can fill in to update the financial information.

4) Consider including a financial reporting requirement in the Memorandum of Coverage. Currently, members are required to provide status updates but there is no explicit financial reporting requirement.

5) Create a Financial Change Report that documents financial changes from one period to another. This type of report could be rolled out to all members as an effective tool for presenting current financial information to CJPRMA.

A motion by Director Handy, seconded by Director Theirl, to approve the 2005 claims audit, passed unanimously.

## **8. Report from Investment Manager**

Mr. Marty Cassell, of Chandler Asset Management, was present to discuss CJPRMA's investment portfolio. He discussed the overall economic environment, its effect on interest rates, the investment objectives for CJPRMA's portfolio, sector distribution of the CJPRMA portfolio, and the performance of the CJPRMA portfolio.

## **9. Proposed Amendment to By-laws**

The General Manager said that, at its meeting of April 12-15, 2005, the Board had adopted numerous policies relating to organizational governance, including policies that modified the selection/election of Executive Committee members and term limits. He said that there would be term limits of two two-year terms for officer positions and one two-year term for Executive Committee members, to be determined on a rotational basis. He said that the required notice for amending the By-laws was sent to the Board on March 17, 2006.

A motion by Director Richardson, seconded by Director Theirl, to approve the amendment to the By-laws, passed unanimously.

## **10. Proposed Increase in Board Counsel's Legal Fees**

The General Manager said that Board Counsel's firm had requested that their hourly rate be increased from \$135 to \$150. He said that there had been no increase in the last five years. He said that he was recommending that the increase be approved, effective immediately.

A motion by Director Handy, seconded by Director Moses, to increase the hourly rate for Board Counsel from \$135 to \$150, effective immediately, passed unanimously.

## 11. Biannual Review of Staff Salaries and Benefits

The Risk Manager said that a salary survey had been conducted according to the policy adopted by the Board at its April 2004 meeting. He discussed the methodology for conducting the survey. He said that the findings of the survey were as follows:

### A) Salary Ranges

For salaries, the “median of base, top step” was approved as the determining factor for setting staff salary ranges. A survey of the agencies designated in the Board policy produced the following results.

- 1) Office Assistant – The existing salary range is \$85 (2.24%) below the top step median. An adjustment is required.
- 2) Administrative Analyst – The existing salary range is \$158 (2.65%) below the top step median. An adjustment is required.
- 3) Financial Analyst – The existing salary range is \$106 (1.67%) above the top step median. No adjustment is required.
- 4) Risk Manager – The existing salary range is \$182 (2.08%) below the top step median. An adjustment is required.

### B) Medical

With regard to the allotment for medical benefits, the current allotment is \$290.15 (36.27%) below the median. An adjustment is recommended.

Director Margolies asked if the medical program was set up as a true cafeteria plan where the unused portion of the allowance went to the employee. The Risk Manager said that any unused portion of the allowance went to the employee’s deferred compensation account.

Vice President Ellerbrock asked if an employee could find coverage elsewhere and still have the allowance go to the deferred compensation account. The Risk Manager said that the Dental and Vision plans were mandatory, but that an employee could opt out of the Medical program and the balance of the allowance would go to the deferred compensation account.

Director Margolies asked if the program was set up as a Section 125 plan. The General Manager said that the original plan had been set up in 1988 or 1989 and that they would need to review it further.

The Risk Manager said that the Executive Committee had recommended that:

- 1) Staff salary ranges be adjusted in conformance with the survey results, pursuant to Board policy;
- 2) Board policy be amended to include a medical/dental allocation based upon the median of the designated survey participants; and
- 3) The current allocation be increased by \$290.15, effective July 1, 2006.

A motion by Director Davis, seconded by Director Venski, to approve the proposed adjustments to staff salaries and benefits as recommended by the Executive Committee, passed, with one abstention (Director Margolies).

## **12. Proposed Operating Budget for 2006/2007**

The Financial Analyst said that projected expenditures for the 2005-2006 program year would be approximately \$49,507 over budget, due to the payment of the PERS side fund in the amount of \$140,689. She said that the total administrative expenses for the 2006-2007 program year were projected to be \$1,329,998, which was an increase of \$37,000. She said that included a decrease in personnel expenses as a result of paying off the PERS side fund, and key increases in office expenses for a new RMIS as well as Board related expenses for PARMA conference reimbursements. She said that there was no increase for direct program expenses. She said that, per the Actuarial Study for the 2005-2006 program year, reinsurance had been budgeted at \$2.9 million and overhead had been budgeted at \$1.2 million. She said that the actual cost of reinsurance was \$3.4 million, and that the overage was due to the decision to purchase additional limits after the Actuarial Study had been completed. She said that for the 2006-2007 program year, the reinsurance was funded at \$3.7 million and overhead at \$1.3 million.

Director Coulter asked if the proposed budget included the proposed increase in cost for staff salaries and benefits. The General Manager said that they would have to adjust the budget to incorporate that.

A motion by Director Coulter, seconded by Director Schwarz, to approve the proposed budget with adjustments to incorporate the increased cost for staff salaries and benefits, passed unanimously.

## **13. Proposed Expense Policy for Board Members/Alternates**

The General Manager said that AB 1234 was signed into law on October 7, 2005 by Governor Schwarzenegger. He said that it imposed restrictions on expenses for governing bodies of cities, counties, districts and other

local government agencies. He said that the League of California Cities had issued an opinion that stated that they did not believe the legislation applied to JPAs but that it was an oversight that would be corrected. He said that the Executive Committee had recommended the adoption of the policy for CJPRMA and that the mandatory ethics training be provided.

A motion by Director Davis, seconded by Director Wildermuth, to approve the proposed expense policy for CJPRMA Board members/alternates and Staff, passed unanimously.

#### **14. Proposed Addition of New Member to PERMA**

Vice President Ellerbrock said that the City of San Gabriel had renewed their application for membership in PERMA, effective July 1, 2006. He said that they had a great loss history

The General Manager said that the Board and the reinsurer had approved San Gabriel's original application in 2003, and that there was no reason to believe that the reinsurer would not approve them again.

A motion by Director Davis, seconded by Director Tonks, to approve the addition of the City of San Gabriel to PERMA for liability coverage purposes, passed unanimously.

#### **15. Risk Management Issues**

The Board discussed the following risk management issues, at length, but took no action:

- 1) Contractor safety programs
- 2) Control of flooding claims
- 3) How much members pay for accidents while employees are driving on city business
- 4) Roofing permits, inspections and CalOSHA fall requirements
- 5) Multiemployer requirements
- 6) Pandemic flu issues
- 7) Pomona's emergency program
- 8) Shooting response teams
- 9) Sewer back-ups
- 10) Pull notice programs

## VIII. CLOSED SESSION

1. **Government Code Section 54956.9 (a)**  
Conference with Legal Counsel - Pending Litigation

**Name of Case:** Clark v. City of Santa Rosa  
**Court:** Sonoma County Superior Court  
**Case No.:** 227896 & 227911

2. **Government Code Section 54956.9 (a)**  
Conference with Legal Counsel - Pending Litigation

**Name of Case:** Adobe Lumber v. City of Woodland  
**Court:** United States District Court, Eastern District of California  
**Case No.:** CV 01510

3. **Government Code Section 54956.9 (a)**  
Conference with Legal Counsel - Pending Litigation

**Name of Case:** Preston v. City of Yuba City  
**Court:** Sutter County Superior Court  
**Case No.:** CV CS 03-2417

4. **Government Code Section 54956.9 (a)**  
Conference with Legal Counsel - Pending Litigation

**Name of Case:** Rose v. City of Lodi  
**Court:** United States District Court, Eastern District of California  
**Case No.:** 2:05-CV-02229-GEB-DAD

## IX. ACTION ON CLOSED SESSION ITEMS

- None

## X. BOARD MEMBER TRAINING

- AB 1234 – Ethics

## **XI. BOARD MEMBER PRESENTATIONS**

At its meeting of April 12, 2005, the Board decided to have each member make a presentation on their risk management program, including their organizational structure. The purpose of these presentations is to familiarize the Board with the composition of each member's risk management program and organizational structure in order to identify common issues and problems.

Presentations were made by Robyn Kain (Fairfield), Kirk Evans (Lodi) and Jeff Tonks (YCPARMIA).

## **XII. BOARD MEMBER TRAINING**

- Use of Tasers in Law Enforcement

## **XIII. ADJOURNMENT**

The meeting was adjourned at 11:45 a.m. on April 12, 2006