



CALIFORNIA JOINT POWERS RISK MANAGEMENT AUTHORITY

EXECUTIVE COMMITTEE MEETING

August 16, 2001 – 9:30 A.M.

**Marriott Courtyard
120 Nut Tree Parkway
Vacaville, CA 95687**

(707) 451-9000

Minutes

I. CALL TO ORDER:

President Henderson called the meeting to order at 9:40 a.m.

II. ROLL CALL

PRESENT

- | | |
|-------------------------------------|--------------------------------------|
| 1) Bob Koch, <i>Chico</i> | 4) Jeff Davis, <i>REMIF</i> |
| 2) Patricia Born, <i>Fremont</i> | 5) Paul Wildermuth, <i>Vacaville</i> |
| 3) Bill Henderson, <i>Livermore</i> | 6) Jeff Tonks, <i>YCPARMIA</i> |

ABSENT

Vallejo

OTHERS PRESENT

- | | |
|--|------------------------------------|
| 1) Lola Deem, <i>CJPRMA</i> | 5) Mike Acorne, <i>Petaluma</i> |
| 2) Robert German, <i>CJPRMA</i> | 6) Carolyn Lyons, <i>Roseville</i> |
| 3) Mark McGonigle, <i>Driver</i> | 7) Roger Carroll, <i>SCORE</i> |
| 4) Byrne Conley, <i>Gibbons &
Conley</i> | |

III. APPROVAL OF MINUTES

A motion by Director Wildermuth, seconded by Director Davis, to approve the minutes of the June 20, 2001 meeting, passed unanimously.

IV. PRESENTATIONS

- None

V. CONSENT CALENDAR

- None

VI. THIS TIME IS RESERVED FOR MEMBERS OF THE PUBLIC TO ADDRESS THE EXECUTIVE COMMITTEE ON MATTERS OF EXECUTIVE COMMITTEE BUSINESS

- No one addressed the Executive Committee

VII. ACTION CALENDAR

1. Review of Study on Staff Salaries and Benefits

The General Manager said that the Personnel Committee had been tasked with reviewing the salary ranges and benefits of the staff. He said that it had been a long term project that had never been completed. He said that the Personnel Committee had done an outstanding job of conducting the salary surveys and formulating recommendations.

He said that the recommendations were fairly simple. He said that they were recommending (1) that the monthly benefit for medical and dental be increased by \$35 a month; (2) that vacation be increased to 18 days for 10 to 14 years of service and to 20 days for 15 or more years of service; (3) that a change of title from Typist Clerk to Office Assistant be initiated; (4) that increases in the salary ranges of the Office Assistant and the Administrative Analyst be implemented; and (5) that a salary range for the Financial Analyst be established. He said that the salary range for the Typist Clerk hadn't been reviewed in over ten years and that that of the Administrative Analyst hadn't been reviewed in six years. He said that they had also created a salary range for the Financial Analyst and that the current fixed salary fell within that new range. He said that the Personnel Committee had also recommended that salaries and benefits be reviewed annually and, if it was determined that salary surveys weren't necessary, that a cost of living adjustment be made. He said that they had also made comments regarding the lifting requirements set forth in the job descriptions.

He said that the annual cost of the new salary range for the Office Assistant was between \$6,000 and \$7,000 and that the cost for the Administrative Analyst was between \$14,000 and \$15,000. He said that the financial impact, based on current salaries, would be \$1260 for the additional medical benefit, approximately \$2,000 for the Office Assistant and approximately \$12,500 for the Administrative Analyst. He said that the total cost, on an annual basis, based on existing salaries, was just under \$16,000. He said that if they implemented it mid-year, the cost would be reduced to about \$12,000.

Director Born asked why they would wait until October. Director Davis said that he would recommend that they make it effective July 1, 2001. The General Manager said that if they wanted to make it retroactive to July 1, that would be fine.

Director Acorne said that there needed to be a procedure established where the salaries and benefits would be looked at annually and where a cost of living adjustment would be made in the years that a full survey was not conducted. He said that it was pretty bad not to review salaries and benefits for six or ten years.

Director Born asked if the staff hadn't been getting any type of increase at all. The General Manager said that they had been given merit increases but that, in the case of the Office Assistant, the salary range hadn't been adjusted in ten years. He said that the Office Assistant had been at the top of her range for three or four years and hadn't had an increase in that period of time.

Director Tonks asked if they currently adjusted the salary ranges by COLAs. The General Manager said that he hadn't been authorized to do that. He said that that was why they had been trying to have the Personnel Committee conduct a review for so many years.

Director Lyons said that they wanted to at least have COLA adjustments annually and salary surveys when they felt it was necessary. The General Manager said that this would be an annual task for the Personnel Committee from this point forward.

Director Tonks said that it was kind of hard to swallow a 30% increase. Director Acorne said that it wasn't bad, considering that it hadn't been done in so long. He said that he would like to see the system change so that the ranges were adjusted annually. The General Manager said that that was what the Personnel Committee was recommending.

Vice President Koch asked if they would be getting any more work out of the Administrative Analyst in exchange for the increase in salary. The General Manager said that it was strictly a market issue. He said that they had known

that the existing ranges were low and that the recommended increases had come in almost exactly where he had anticipated.

Vice President Koch asked what the implications were of a five pound lifting limit in the job descriptions. The General Manager said that they were going to revise the job descriptions to increase the lifting requirement to 10 to 15 pounds.

President Henderson asked how the monthly medical allowance of \$535 was determined. Director Lyons said that she had conducted a survey of some CJPRMA members to gather information on all benefits besides salaries. President Henderson asked if there were options for medical benefits the staff was offered. The General Manager said that they were given a monthly allowance to use as they chose. He said that whatever amount wasn't utilized for medical or dental premiums was deposited into a deferred compensation 457 plan. Director Born asked if that allowance was pre-tax. The Financial Analyst said that the organization paid the premiums directly. Director Born said that, in years past, they had talked about trying to set up the staff with one of the member cities so that they could get PERS medical. The General Manager asked if they wanted staff to look into that. Director Acorne said that that had advantages and disadvantages. He said that one of the disadvantages would be a change of benefit structures or negotiations. President Henderson said that he wasn't thinking of the PERS plan specifically, but just pulling the staff into a larger group that would be able to provide more cost-effective benefits. Vice President Koch said that the City of Chico included the City of Oroville's staff into their plan and that they were given equal status in terms of voting. Director Born said that it was difficult to buy individual coverage, especially with the way health insurance was going. Vice President Koch said that some plans required participants to pay a composite rate so that they could spend the entire medical allowance. President Henderson said that staff could look into it, and that they could ask their benefit administrators what the possibilities of taking staff in were, to give the staff an option. Vice President Koch suggested that the General Manager talk to the staff to determine if there was any interest in pursuing it. The General Manager said that he would do so.

President Henderson said that the recommendation was to use the U.S. Cities CPI for cost of living adjustments. He said that the General Manager's salary was tied to the Bay Area CPI. Vice President Koch said that he thought that most of the member cities used the U.S. Cities CPI. Director Lyons said that the City of Roseville did that. Director Davis said that the cities in the Sonoma area used the San Francisco-Oakland CPI. Director Acorne said that the City of Petaluma used the San Francisco All Urban because that was where the city was located and that that was the labor market that they dealt with. He said that he wasn't sure if the All Urban or the Clerical Workers CPI would be more appropriate but that since the office was in Pleasanton, he

thought that they should use the San Francisco number. He also said that it was a decision for the Board, as a whole, to make.

President Henderson said that he didn't think that the lifting requirement of five pounds was appropriate. Director Lyons said that, based on the way the job descriptions were currently written, they didn't justify more than a five pound requirement. She said that, if the General Manager wanted to modify the job descriptions to indicate duties that would justify a greater lifting requirement, he could do so. The General Manager said that he would. Director Lyons said that they needed to be very specific. The General Manager said that he would bring the revised job descriptions back to them for the September meeting.

President Henderson said that they had established salary ranges. He asked if they intended to have steps within those ranges. The General Manager said that they would not. He said that they used to have salary steps and that he had had them eliminated in order to provide him with more flexibility in terms of merit increases.

Director Wildermuth said that he thought that the salaries had been adjusted when they last recruited for the Administrative Analyst and the Financial Analyst. The General Manager said that they had not done salary surveys for the Financial Analyst when they had recruited for that position. He said that the Administrative Analyst had been hired at the bottom of the range, and that the last review for that range had been done in 1995. He said that that was why it was good that they were implementing a system for reviews on an annual basis.

Director Wildermuth asked for a description of the current deferred compensation program. The General Manager said that it was strictly the use of funds left over from the monthly medical allowance after premiums had been paid. He said that the staff could add to that, up to the maximum allowed, which was currently \$8,500. He said that it was a 457 plan.

Director Wildermuth said that there was a supplemental program to PERS that could now be purchased. He said that, essentially, it gave them a benefit of 2.75% at age 55, which was a significant increase over the 2% that PERS offered. He said that it was PARS, the Public Agency Retirement System, that offered it. He said that the city paid an additional 4.5% and the employee paid 2%. He also said that it was subject to change, but that the employee never paid more than 2%. President Henderson said that he thought that it could be used to buy back time for military service or other public agency service. The General Manager said that he would follow up with Director Wildermuth on that issue.

President Henderson said that he wanted to thank the Personnel Committee for doing such a thorough job.

A motion by Director Davis, seconded by Director Born, to approve the Personnel Committee's recommendations, subject to the following modifications: (1) that the lifting requirements in the job descriptions be adjusted to a higher level; (2) that the job title of the Typist Clerk be changed to that of Office Assistant; (3) that the salary ranges, and the position of each staff member within those ranges, be increased annually based on the San Francisco All Urban CPI; (4) that the changes be made effective July 1, 2001; and to recommend these changes to the Board of Directors, for their approval, passed unanimously.

2. Review of Pool Benchmark Study

The General Manager said that they had started to discuss this item at the June meeting but had decided to table it because they had not yet received the full report from ARM Tech. He said that ARM Tech had not provided an analytical report because most of the groups being surveyed were their clients and they did not want to say that one client was better than another client. He said that he had done the analysis using the information gathered by ARM Tech and that the results were the same as indicated at the June meeting. He said that the only additional information provided was that CJPRMA's administrative costs were, by far, the lowest of all the groups surveyed, even with the addition of funds for loss control services. He said that his recommendations remained the same, and that he was in the process of working with the reinsurance company to get a quote for increasing the coverage limit to \$20 to 25 million. He said that the investment strategy they had implemented over the years had been very successful and that he would recommend no change there. He said that the lowest rated category that they had was in loss control services and that that would change if they decided to provide more extensive support to the members.

Director Born said that, according to the report, the General Manager had indicated that they should either increase the EPL sublimit to \$5 million or eliminate the sublimit completely. She said that that wasn't in any of the recommendations. The General Manager said that he was adding that as a recommendation and that he was going to discuss it with the reinsurance company. He said that he had not met with them as yet this year. He said that, at a minimum, they should increase the sublimit from the current \$4 million to \$5 million and that they should get the reinsurance to pick up EPLI coverage as well. He said that there was no sound reason for keeping the EPL sublimit at \$4 million.

Board Counsel asked if it was possible to expand coverage to include Faithful Performance, Money & Securities and Computer Crimes coverage, because other pools provided it. The General Manager said that he would ask the Broker. Director Davis said that if they were going to do that, they needed to have three different types of coverage: dishonesty on the part of the employees, dishonesty on the part of the bankers, and faithful performance. Director Lyons asked if that would cover their Finance Officers. Director Davis said that Faithful Performance covered everything.

Director Acorne said that they should discuss increasing the upper limits of coverage to \$20 to 25 million with the full Board. The General Manager said that he was in the process of gathering data for the Broker regarding that. He said that they were going to get a quote. Director Born said that they had had only one case that had hit over their limit, and that that was when the limit was \$10 million. The General Manager said that they currently had a claim that had a level of exposure which could exceed the coverage limit.

Director Davis asked if they should go through each item. The General Manager said that they could if they had specific questions. He said that his recommendations were fairly simple. He said that he thought that they looked pretty good compared to the groups that had been surveyed. He said that he was disappointed that they had only received responses from five of the ten groups that had been contacted. Director Born asked if the General Manager had contacted any of the pool managers himself. The General Manager said that he had not, but that they were probably going to make a public records act request to ACCEL and BICEP.

Vice President Koch asked if they would be getting someone besides ARM Tech to do the actuarial study. The General Manager said that ARM Tech would do the study this year and that they would be issuing RFPs for next year's Study as well as the Financial Audit.

Director Davis said that the only comment he had was related to the retained limit. He said that there was a comment in the report that the pool's retained limit of \$5 million was both high and a little bit expensive. The General Manager said that CJPRMA's retained limit was highest of the pools surveyed. Director Davis said that his recommendation was that they never go below \$5 million. The General Manager said that he wouldn't recommend that either. He said that AGRIP had sent an email to all of their members indicating significant increases in the cost of reinsurance for liability this past year. He said that many of them were experiencing 25% to 35% increases. He said that he didn't think that they would see that.

Vice President Koch asked why they were listed twice on the "Surplus to Loss Reserves" table on the last page of the report. The General Manager said that the first bar was supposed to be CSAC. Board Counsel said that

CSAC reinsured their entire pool so they had no shared risk layer, and that that was why their ratio and their rates were so low.

President Henderson asked, with regards to the table on page six of the report, if PERMA and CSAC were acting as primary pools, since they showed member retentions of \$0. Board Counsel said that CSAC allowed its members to choose an S.I.R. of up to \$2 million and that PERMA was completely primary.

The General Manager said that he was thinking about making informal contact with Scott Ellerbach at Coachella Valley to see if there was any interest in CJPRMA. He said that they had pulled out of CARMA and were currently with Municipal Mutual. Director Davis asked Board Counsel what his experience with Coachella Valley had been and what their loss history was like. Board Counsel said that he thought that it had been pretty good for the last few years. He said that a few of their larger members had left to go to CJPIA. He said that Coachella Valley now had 26 members and that they were all smaller cities. Director Davis said that he thought it would be a good idea to talk to them. Vice President Koch said that it could have an impact on where the meetings were held.

Director Wildermuth said that he had a comment on limits. He said that one of the things that CalTIP did was to offer an additional \$10 million in coverage to each member, if they so chose, in addition to the standard \$15 million limit. He said that it cost about \$462 per member for the additional coverage, based upon their exposure. The General Manager said that they could talk about increasing the limit to the entire group or creating some sort of flexible plan that would allow members to purchase the additional limits if they wanted. He said that he would talk to the reinsurers about it and that then they could decide how they wanted to approach it. He said that he thought that it would be foolish not to buy the upper limits because of the potential for exposure which could exceed coverage limits on some cases.

President Henderson said that the main issue for the Board was loss prevention services and training. The General Manager said that the Claims Committee had started looking at a number of issues relating to policies that they were going to recommend. He said that they would also look at training programs for the 2002-2003 program year.

Director Acorne asked the General Manager what type of loss prevention services he was recommending. The General Manager said that he didn't know yet. He said that the Claims Committee had discussed a number of different issues and that they just did not have recommendations yet. He said that they would continue to look at it during the course of the year and provide some recommendations for the following year. Director Davis said that part of what they were looking at was getting model policies developed

and implemented. He said that he thought that that would lead to defining the type of training that might be needed, the type of inspections that might be needed, or the type of policies that would need to be made mandatory. The General Manager said that the Claims Committee had chosen ten or twelve issues that they felt should be their focus and that they were working on getting out a few at a time. When that was done, they would have a better idea of what would be needed in terms of loss control services.

Director Acorne asked if anyone could recommend a good loss control inspector to review city facilities. Director Davis said that REMIF had recently utilized E&F and had been satisfied with the results.

President Henderson asked if the Claims Committee would look at staffing once they determined what the scope of the loss prevention program should be. Director Born said that they would have recommendations by April.

Board Counsel asked if it was the Board's feeling that this report provided enough information for their needs or if they should press ARM Tech to get more. The General Manager said that his suggestion was that they just accept the ARM Tech report as it was. He said that he didn't think that they would see anything significant in addition to that. He said that they seemed to have a pretty good idea of where they were and what they wanted to do, and that the report just showed them where they were as compared to some other groups. Board Counsel said that they could still gather additional information, but that they were done with the ARM Tech report.

Director Acorne asked if they could post the report on the web site and email it to other JPAs. The General Manager said that it was public information. He said that the other survey participants had already asked for their copies and that he had told ARM Tech to release them. He said that if anyone asked, he would provide them with a copy.

President Henderson said that Board members who were not present had said to him that they didn't understand why ARM Tech could not get the requested information. The General Manager said that he didn't know either. He said that he had been very frustrated with the process and the delays, but that they had not had any problems with ARM Tech in the past. He said that he was not really comfortable with what was going on.

Director Wildermuth asked if ARM Tech had provided the source documentation for the report. The General Manager said that they hadn't. He said that he hadn't asked for it. Director Born said that they should request it. Director Wildermuth said that they should pursue the rest of the information.

Director Davis said that the General Manager should try to gather the rest of the information. The General Manager said that he would have the Administrative Analyst do further research.

A motion by Director Born, seconded by Director Davis, to accept the Pool Benchmark Survey and the General Manager's recommendations, passed unanimously.

3. Review of Executive Committee Goals and Objectives under the Strategic Plan

The General Manager said that the Strategic Plan had changed significantly as the result of the April meeting and that many of the objectives had been completed. He said that the responsibilities of the Executive Committee had been completed or deferred. He said that the only thing that was really significant was the Marketing Plan. He said that the training program had been reassigned to the Claims Committee and that they were dealing with it. He said that the only group they knew of that did any marketing was CSAC with Driver. He said that he had talked to the Broker and that they had said that they wouldn't assist with marketing because it would be a conflict of interest with their other clients. He said that he and Board Counsel had talked about selectively picking cities that were not allied with any JPA and making informal inquiries as to their interest in joining CJPRMA. He said that that was one of the steps that they were going to take but that there really wasn't any place to go in terms of marketing. He said that they had a very fixed, limited market, and that most public entities were already tied to some JPA.

President Henderson asked if they had considered school districts as potential members. The General Manager said that school districts dealt with SELF. President Henderson said that the Livermore School District had purchased commercial insurance. The General Manager said that that presented an entirely different area of exposure. He said that he didn't think there would be a community of interest.

Director Wildermuth asked if CAJPA published a member directory, and if it was organized by type of coverage. The General Manager said that they did have a directory, but that it was not organized in that way. Director Davis said that it did not list individual members of JPAs.

President Henderson said that, according to the Goals and Objectives, the Executive Committee was supposed to develop and recommend to the full Board a marketing plan by the September meeting. The General Manager said that the research would not be done in time for the September meeting. Board Counsel said that he and the General Manager thought that the General

Manager didn't really have the time to do a lot of marketing and that it would not be fruitful unless it was targeted to specific cities. He said that the Executive Committee needed to tell them exactly who they wanted them to look at. He suggested that they look at cities with populations of 75,000 or more. Director Davis suggested that they limit it to cities with populations of between 75,000 and 250,000.

President Henderson said that they were supposed to have the marketing plan ready for the Board's consideration at the September meeting. He asked what they were going to recommend to the Board. The General Manager suggested that they defer that objective until January so that the preliminary information could be gathered. He said that they could tell the Board that it was deferred to January, pending completion of the staff research.

Director Tonks suggested that they create a marketing presentation that would take a city from commercial insurance to self-insurance. The General Manager said that he liked that idea, and that that was one of the reasons he wanted to find out which cities were utilizing the commercial market. Director Tonks said that the Executive Committee, with the help of the Broker, could put together a map of how to get from the commercial market to the self-insured market. The General Manager said that that would be a great approach.

Director Tonks said that the other half of the marketing plan should be focused on internal marketing. He said that CSAC's broker did an incredible job of internal marketing, by sending out things that explained what they were doing and comparing them to other alternatives. He said that he didn't see anything similar coming from Marsh. He said that he thought that they needed to look at internal marketing and that he didn't think that the Broker would have a conflict in assisting with it. The General Manager said that he would talk to the Broker.

Director Davis said that he saw the Annual Report as the first step in doing internal marketing, but that it could be enhanced a great deal.

President Henderson said that Director Tonks had mentioned putting together the tools that would take an entity from commercial insurance to self-insurance. He said that he was wondering if that was something they should strive to have ready to present to the full Board in April. The General Manager said that he thought that they could. Board Counsel suggested that they have it ready by January, so that if changes needed to be made they would have time. The General Manager said that he would see what they could do.

President Henderson suggested that they meet in November to discuss the marketing plan further. The General Manager said that they would do that at the regularly scheduled Executive Committee meeting on November 15, and that he would have some recommendations at that time.

VIII. CLOSED SESSION

1. Government Code Section 54956.9(a)

Conference with Legal Counsel – Pending Legislation

Name of Case: Lifton v. City of Fairfield

Court: United States District Court, Eastern District of California

Case No.: CIV S-98-1678 DFL/DAD

IX. ACTION ON CLOSED SESSION ITEMS

- None

X. ADJOURNMENT

A motion by Director Born, seconded by Director Davis, to adjourn at 11:13 a.m., passed unanimously.