



CALIFORNIA JOINT POWERS RISK MANAGEMENT AUTHORITY

BOARD OF DIRECTORS MEETING

September 15, 2005 – 10:30 A.M.

**Hiddenbrooke Golf Club
1095 Hiddenbrooke Parkway
Vallejo, CA 94591**

(707) 588-0330

Minutes

I. CALL TO ORDER:

President Henderson called the meeting to order at 10:01 a.m.

II. ROLL CALL

PRESENT

- | | |
|-------------------------------------|---|
| 1) Steve Schwarz, <i>Alameda</i> | 12) Charlie Wilson, <i>Roseville</i> |
| 2) Bob Koch, <i>Chico</i> | 13) Mary Richardson, <i>San Leandro</i> |
| 3) Robyn Kain, <i>Fairfield</i> | 14) Gus Guinan, <i>San Rafael</i> |
| 4) Scott Rennie, <i>Fremont</i> | 15) Lynne Margolies, <i>Santa Rosa</i> |
| 5) Bill Henderson, <i>Livermore</i> | 16) Roger Carroll, <i>SCORE</i> |
| 6) Kirk Evans, <i>Lodi</i> | 17) Mark Moses, <i>Stockton</i> |
| 7) Quinn Johnston, <i>NCCSIF</i> | 18) Darrell Handy, <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) Jessica Henry, *Chico*
- 2) David Clovis, *CJPRMA*
- 3) Lola Deem, *CJPRMA*
- 4) Robert German, *CJPRMA*
- 5) Caren White, *CJPRMA*
- 6) Robin Johnson, *Driver*
- 7) Marilyn Kelley, *Driver*
- 8) Byrne Conley, *Gibbons & Conley*
- 9) Brian Cooney, *Marsh*
- 10) Jim Pinckney, *Marsh*
- 11) Amy Meyer, *Maze & Associates*
- 12) Guy Avagliano, *Milliman*
- 13) Mark Ferguson, *REMIF*
- 14) Adela Gonzales, *San Rafael*
- 15) Tom Baber, *Bragg & Associates*

III. APPROVAL OF MINUTES

A motion by Director Davis, seconded by Director Wildermuth, to approve the minutes of the Board of Director's meeting held on June 16, 2005, passed unanimously.

IV. PRESENTATIONS

None

V. CONSENT CALENDAR

- 1. Financial Reports of CJPRMA for the periods ending May 31 and June 30, 2005**
- 2. Additional Covered Party Certificates Approved by the General Manager**
- 3. Notification of New Claims Received**
- 4. Notification of Claims Closed**
- 5. Proposed Meeting Schedule for 2006**
- 6. Proposed Holiday Schedule for 2006**

A motion by Director Kain, seconded by Director Evans, 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

7. Settlement Proposal from Marsh

The General Manager discussed the settlement agreement between Marsh and the New York Attorney General's Office and the resulting \$850 million settlement fund. He said that the settlement proposal compensated clients on a pro-rata basis based on the "estimated" revenue attributable to the client's policies. He said that, if the Board approved the settlement agreement, CJPRMA would receive \$375,613.03 paid in four installments over the course of three and a half years.

A motion by Director Davis, seconded by Director Theirl, to approve the proposed settlement from Marsh, passed unanimously.

8. Proposed Addition to PERMA

The General Manager said that the Mount San Jacinto Winter Park Authority had previously applied for membership in PERMA and had been approved by the CJPRMA board, but subsequently declined to join. He said that they were reapplying for membership in PERMA this year. He said that AmRe had approved MSJWPA for \$10 million in coverage, excess of the \$5 million provided by CJPRMA, with a premium of approximately \$100,000. He said that the premium was roughly \$65,000 for the \$5 million excess of \$5 million portion and \$35,000 for the \$5 million excess of \$10 million portion. He said that since it was a risk-based type of exposure, instead of a payroll-based one, he would recommend a premium of approximately \$104,000 for the underlying \$5 million of coverage, based on double the rate for the first \$5 million of excess coverage, less 20% for PERMA's S.I.R. He said that the rate would be prorated to account for the November 1 entry date. He said that he was recommending approval.

Director Koch asked if the governing documents allowed for charging premium on a basis other than payroll. Board Counsel said that there was nothing that stated premium had to be payroll based.

Director Koch said that he would not support the application from MSJWPA because it was not a risk that was shared by all members of the organization. He said that the Board should have a policy for providing coverage to agencies such as this, rather than deciding on a case by case basis. Director Margolies said that she agreed with Director Koch. She said that they were providing transit coverage to some members and that they needed to decide whether they wanted to offer it to everyone.

Director Handy said that the number of risks for an airport or a transit agency was much higher than for the MSJWPA tram. He said that there were so many different kinds of risks they could take on that they should

each be evaluated on their own merits. He said that he would support MSJWPA's application.

Director Blanquie asked if there was a mechanism for exploring the possibility of broadening coverage. Board Counsel said that the Executive Committee could be tasked with that. The General Manager said that any member could request that an expansion of coverage be explored.

The General Manager said that many of the members had unique risks within their organizations that CJPRMA provided coverage for because they were not specifically excluded.

Director Koch asked that the Executive Committee look at removing the exclusion for airport coverage.

A motion by Director Evans, seconded by Director Venski, to approve coverage for the addition of the Mount San Jacinto Winter Park Authority to PERMA, passed. Chico, REMIF and San Leandro opposed.

9. 2005 Financial Audit

Ms. Amy Meyer, of Maze & Associates, was present to discuss the results of the 2005 Financial Audit. She said that they were giving CJPRMA a clean opinion. She said that there was one management comment this year, regarding CalPERS mandatory pooling. She said that CalPERS required all plans with 100 members or fewer be pooled into one of nine pools, based on benefit rates, as of July 1, 2005. She said that CJRPMA was required to pool. She said that there could not be an overfunding or underfunding at the time of joining the pool, so a "side fund" had been established. She said that CJPRMA should consider paying off the side fund of approximately \$141,189.

Vice President Ellerbrock said that PERMA had negative retained earnings for both Pool C and Pool D. He asked why that was if the funding rate was at a 70% confidence level and recognizing the liabilities at a 55% confidence level. Mr. Avagliano said that equity calculations were based initially on a 90% probability level that rolled down as the years aged.

Vice President Ellerbrock said that they needed to discuss the procedure for funding Pool D. He said that, if they were approving the rates in the fall and the reinsurance rates didn't come in until spring, it appeared that they were not budgeting high enough. The General Manager said that there were two years with a shortfall in Pool D because of the higher cost of reinsurance in the 04-05 and 05-06 program years. He said that the actuary was aware of those costs now and that it would be rolled into the rate for the 06-07 program year. He said that they were recommending a shift of \$500,000 from Pool C to Pool D for the current year to cover the shortfall

and that they would do the same for the prior year. He said that they would do this in order to avoid assessments.

Director Margolies asked about the GASB requirement for posting PERS post-employment health benefits as future unfunded liabilities. Ms. Meyer said that it would be phased in in fiscal 2007.

A motion by Director Handy, seconded by Director Kain, to approve the 2005 Financial Audit and to pay off the CalPERS “side fund”, passed unanimously.

10. 2005 Actuarial Study

Mr. Guy Avagliano, of Milliman USA, was present to discuss the results of the 2005 Actuarial Study and the proposed rates and redistribution. He said that the study reflected proposed rates of \$1.071 per \$100 of payroll for those members with a \$500,000 SIR and \$.799 per \$100 of payroll for those members with a \$1 million SIR. He also said that the study contained a proposed redistribution of approximately \$6.21 million.

Director Koch asked why program years 93-94 and 94-95 hadn't been closed yet. The General Manager said that there were still open claims in those years. He said that once those claims were closed, they would close the program years and redistribute the equity.

A motion by Director Koch, seconded by Director Wildermuth, to approve the actuarial study, including the rates and redistribution plan, passed unanimously.

11. Proposed Amendment to 2005/2006 Memorandum of Coverage

The General Manager said that the City of Fairfield had requested this change and that the Executive Committee had endorsed Staff's recommendation to change the Memorandum of Coverage. He said that Firing Ranges were excluded but that Exclusion #20 made an exception when “the firing range is only provided for the additional use of law enforcement divisions of other public agencies.” He said that the City of Fairfield wanted to let the Napa Valley College Police Academy use the firing range. He said that there was POST Certification for police academies, so Staff was recommending that the exception to the exclusion be amended to incorporate language that would allow member's to let their firing ranges be used by POST Certified police academies.

A motion by Director Richardson, seconded by Director Evans, to amend Exclusion #20 to include the use of firing ranges by POST Certified police

academies, passed unanimously.

12. Request for Review of Governance Policies and Proposed Changes to By-laws

The General Manager said that two Board members had raised concerns relating to the governance policies that were adopted in April, specifically the board member standards policy. He said that the Executive Committee had discussed it and that they had decided to leave everything as it was. He said that the Board member standards, for the first year, were advisory only. He said that they would become a requirement on July 1, 2006. He said that letters had been sent to the members outlining the standards. He said that if problems arose during the year, the Executive Committee and Board could revisit the requirement that the standards become mandatory on July 1, 2006.

Director Johnston asked if, as a Board member representing a JPA, he would be required to be involved in risk-transfer and contract management for all the members of his JPA. The General Manager said that it only applied to risk-transfer and contract management at the JPA level, not for their individual members.

Board Counsel said that he required some clarification with regard to the proposed By-law changes for the Executive Committee rotation and term limits policies. He asked if the President and Vice President would continue to be elected by the full board. Director Koch said yes. Board Counsel then asked if the President and Vice President could serve up to two terms in their elected positions. Director Koch said that they could serve up to two consecutive terms. Board Counsel asked if the President and Vice President then went to the bottom of the Executive Committee rotation list at the end of their elected term. Director Koch said that they had not clarified that yet. Board Counsel asked how the list should be determined, alphabetically or ranked by member size or some other method. Director Koch said that they were going to have two separate lists, one for cities and one for JPAs, and ordered randomly by lot. Board Counsel asked if there would no longer be a requirement that a member be on the Board for a year before being eligible to serve on the Executive Committee, and whether there would be an option to be “skipped” if a member did not want to serve. Director Koch said that that was correct. Board Counsel said that he would draft the language and have the ad hoc Executive Committee Membership and Term Limits Committee review it.

13. Auto Physical Damage Coverage Program

The General Manager said that he and the Risk Manager had met with Jim Pinckney of Marsh and a representative of Fireman’s Fund to discuss how the APD program functioned and how valuations were made. He said that

the Risk Manager would present the results of that meeting.

The Risk Manager discussed the basic features of the APD program. He said that there were currently 10 participants and that included 1,264 vehicles with a total value of \$109 million. He said that the coverage was provided through Fireman's Fund and that premium was determined on the values at the inception of each program year. He said that it was an Inland Marine Policy with a scheduled property floater. He said that the policy provided \$1.5 million in coverage, on a per occurrence basis, with a \$10,000 deductible. He said that the program was specifically for vehicles valued in excess of \$25,000. He said that there was an audit in values at the end of each program year. He said that accidents had to be reported in writing as soon as possible to Pat Clark at Marsh, with a signed proof of loss within 90 days of the date of incident. He said that the vehicle replacement value as reported in the policy was the lesser of:

1. "The actual cost to repair or replace the lost or damaged property with like kind and quality without deduction for depreciation;
2. The stipulated value declared for each item listed in the statement of values on file with the company;
3. The acquisition cost of newly acquired equipment, not listed on the statement of values on file with this company;
or
4. The catastrophe limit of \$1,500,000."

He said that point #1 meant that if a model year 2001 fire truck was destroyed in 2005, the value would be what it would cost to purchase a 2001 fire truck in 2005. He said that the policy stated that if the covered party and Fireman's Fund disagreed on the amount of the loss, either party could request that the amount of loss be established by appraisal.

The General Manager said that the program provided replacement cost coverage for like kind and quality. He said that for vehicles, whose value could not be determined by like kind and quality, they would go with the stipulated value but that was only in the case of unique vehicles. He said that the participants needed to review their vehicle listings to ensure that the values were accurate.

Director Moses said that, theoretically, they should be setting aside money to replace equipment as it depreciates anyway so that if a vehicle is damaged halfway through its useful life, they would be prepared to make up the difference.

Director Blanquie asked if there was such a thing as a guaranteed stated

value policy. Mr. Pinckney said that there was, but that it was used for very unusual and specific items and that the premium was hard to determine.

14. Special Events/SPARTA Coverage Program

The Risk Manager said that CJPRMA participated in the Municipal Insurance Authority SPARTA and PROMPT Special Events programs. He said that in 2003-2004, there were 113 PROMPT events and 20 SPARTA events, and in 2004-2005, there were 118 PROMPT events and 10 SPARTA events. He said that the programs were accessible through the CJPRMA website. He said that the Executive Committee was evaluating alternative programs, but that SPARTA and PROMPT had the unique benefit of on-line access.

15. Risk Management Issues

The Risk Manager discussed the upcoming training schedule including a Public Works/Contractors program with David Patzer and Risk Management Training for Fire Command with Gordon Graham, both to be held in various locations in the coming months. He said that he was working on a small contract management program as well as other programs for individual members. He said that he would be continuing the member audits throughout the year. He said that the results of the Member Satisfaction survey were attached for the Board's review. He said that he was continuing to gather proposals for property program appraisals. He said that Staff was continuing to look seriously at a new RMIS.

The Risk Manager also discussed the possibility of purchasing a group membership to IRMI Online. He said that the International Risk Management Institute had an online library that provided great resources. He said that they could get a discounted group membership rate if ten, ten-seat licenses were purchased. He said that the 2006 rate of \$746 per quarter would be discounted to \$448 per quarter if they had ten agencies in the group.

16. 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 Bill Henderson (Livermore), Jeff Davis (REMIF), Charlie Wilson (Roseville) and Roger Carroll (SCORE).

VIII. CLOSED SESSION

1. Government Code Section 54954.5

Case Review/Planning

2. Government Code Section 54956.9 (a)

Conference with Legal Counsel - Pending Litigation

Name of Case: Headwaters Forest Defense v. City of Eureka

Court: United States District Court, Northern District of California

Case No.: C97-3989 VRW

3. Government Code Section 54956.9 (a)

Conference with Legal Counsel - Pending Litigation

Name of Case: McGee v. City of Alameda

Court: Alameda County Superior Court

Case No.: RG 04161599

4. Government Code Section 54956.9 (a)

Conference with Legal Counsel - Pending Litigation

Name of Case: Angeles v. City of Vallejo

Court: Solano County Superior Court

Case No.: FCS 5024363

5. Government Code Section 54956.9 (a)

Conference with Legal Counsel - Pending Litigation

Name of Case: Velez v. City of Marysville

Court: Yuba County Superior Court

Case No.: YCSCCVP 004-0000549

IX. ACTION ON CLOSED SESSION ITEMS

- None

X. ADJOURNMENT

A motion by Director Kain, seconded by Director Margolies, to adjourn the meeting at 2:32 p.m., passed unanimously.