



CALIFORNIA JOINT POWERS RISK MANAGEMENT AUTHORITY

BOARD OF DIRECTORS MEETING

September 28, 2006 – 9:30 A.M.

**Hiddenbrooke Golf Club
1095 Hiddenbrooke Parkway
Vallejo, CA 94591
(707) 558-0330**

Minutes

I. CALL TO ORDER:

President Ellerbrock called the meeting to order at 9:35 a.m.

II. ROLL CALL

PRESENT

- | | |
|-------------------------------------|--|
| 1) Darrell Handy, <i>Alameda</i> | 12) Charlie Wilson, <i>Roseville</i> |
| 2) Jessica Henry, <i>Chico</i> | 13) Jesse Baloca, <i>San Leandro</i> |
| 3) Robyn Kain, <i>Fairfield</i> | 14) Gus Guinan, <i>San Rafael</i> |
| 4) Steve Schwarz, <i>Fremont</i> | 15) Lynne Margolies, <i>Santa Rosa</i> |
| 5) Bill Henderson, <i>Livermore</i> | 16) Roger Carroll, <i>SCORE</i> |
| 6) Janice Magdich, <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) Jerry Gebhardt, <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) Marty Cassell, <i>Chandler</i> | 9) Janet Hamilton, <i>Lodi</i> |
| 2) David Clovis, <i>CJPRMA</i> | 10) Brian Cooney, <i>Marsh</i> |
| 3) Lola Deem, <i>CJPRMA</i> | 11) Jim Pinckney, <i>Marsh</i> |
| 4) Caren Frykland, <i>CJPRMA</i> | 12) Amy Meyer, <i>Maze & Associates</i> |
| 5) Robert German, <i>CJPRMA</i> | 13) John Bonsignore, <i>Milliman</i> |
| 6) Marylin Kelley, <i>Driver</i> | 14) Pam Durocher, <i>Roseville</i> |
| 7) Byrne Conley, <i>Gibbons & Conley</i> | 15) Laura Seiler, <i>SANDPIPA</i> |
| 8) Michael Graham, <i>Kroll</i> | |

III. APPROVAL OF MINUTES

A motion by Director Henderson, seconded by Director Kain, to approve the minutes of the Board of Director's meeting held on June 16, 2006, passed unanimously.

IV. PRESENTATIONS

None.

V. CONSENT CALENDAR

- 1. Financial Reports of CJPRMA for the periods ending May 31 and June 30, 2006**
- 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 2007**
- 6. Proposed Holiday Schedule for 2007**
- 7. Biannual Adoption of Conflict of Interest Code**

A motion by Director Davis, seconded by Director Venski, 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

- 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. 2006 Financial Audit

Ms. Amy Meyer, of Maze & Associates, was present to discuss the results of the 2006 Financial Audit. She said that, once again, they were giving CJPRMA a clean audit opinion. She said that their only recommendation related to having bank reconciliations reviewed by an outside accountant to provide more internal controls.

A motion by Director Henderson, seconded by Director Theirl, to approve the 2006 Financial Audit, passed unanimously.

10. 2006 Actuarial Study

Mr. John Bonsignore, of Milliman USA, was present to discuss the results of the 2006 Actuarial Study and the proposed rates and redistribution. He said that the study reflected proposed rates of \$1.112 per \$100 of payroll for those members with a \$500,000 SIR and \$.833 per \$100 of payroll for those members with a \$1 million SIR. He also said that the study contained a proposed redistribution of approximately \$5.7 million.

Mr. Bonsignore said that they had been asked to look at the feasibility of both a \$250,000 excess of \$250,000 pool layer and a \$3 million excess of \$2 million pool layer. He said that the rate for the \$250,000 layer would be \$1.398 and the rate for the \$2 million layer would be \$.587. The General Manager said that that assumed \$156 million in payroll for the \$250,000 layer, which he didn't think was enough to create a viable program. He said that there had been a few members inquiring about the lower level SIR as well as inquiries from both current members and potential members about the higher SIR.

Director Coulter said that it looked like there had been a decrease in excess equity over the last three years. He asked if they were funding adequately. The Financial Analyst said that in the 2005/2006 program year they had funded the reinsurance increase through equity rather than premiums. She said that the other negatives in recent years were the result of large reserves.

Director Tonks said that they were looking at a small rate increase even though the loss history was good, and that his premiums had increased 71% over the last three years. He asked what the reason for that increase was. Mr. Bonsignore said that for this year, the increase was not in the loss rates but in the discount rate and the shortened payment pattern.

Director Tonks then said that while the redistributions were kept at a level rate, the premium was increasing so that the net effect was an overall increase. He said that they should look at some way to stabilize that. The General Manager said that they had previously looked at giving a credit towards premium rather than a redistribution, but that the Board preferred

to have stable rates and separate redistributions each year.

Marylin Kelley said that the rates had been fairly stable over the last ten years but that there had been average payroll increases of 8-9% each year in her area, which resulted in increased premiums. The General Manager said that payroll base was the most accurate way to determine premium cost.

Director Wilson said that, unlike in Workers' Comp where good experience was rewarded by an experience modifier, there was no reward in liability. The General Manager said that the Board had considered the use of experience modification factors before, but that it did not make sense at the excess layer because of the limited frequency.

President Ellerbrock said that the Financial Analyst would reconcile the funding rate with the premiums expected during the budgeting process in March so that the rates could be reconsidered, if necessary.

A motion by Director Henderson, seconded by Director Coulter, to approve the 2006 Actuarial Study, the proposed rates for the 2007/2008 program year, and the proposed redistribution plan, passed unanimously.

The General Manager asked if any of the members were interested in dropping to the \$250,000 layer. Director Venski said that the City of Vallejo was. The General Manager said that there was not enough interest, from a minimum premium standpoint, to implement the \$250,000 layer.

President Ellerbrock asked if there was in interest in the \$2 million SIR. Marylin Kelley said that she wanted to look at it further. The General Manager said that they could discuss it further if interest arose.

11. Report on Proposed Property Appraisal Program

The Risk Manager discussed the RFP, interview and selection process for the proposed property appraisal program. Michael Graham, of Kroll Company, was also present to discuss the selection process. The Risk Manager said that staff's recommendation was American Appraisal. He said that American Appraisal had rated number one in the interview process, had outstanding references, had the organizational resources necessary to do the work, were responsive to the RFP, had the ability to provide a quality product and to meet the timeline required by CJPRMA, and had a clear methodology for appraising the property. He said that the five-year cost for the appraisal program submitted by American Appraisal was approximately \$559,000, based upon a per-structure cost of \$140.

Director Theirl asked what the definition of a structure was. The Risk Manager said that they were still finalizing the definition of property in the

open, but that there would be separate line items for each building and its associated property in the open. He said that water treatment plants listed as single line items would be broken out into the multiple buildings that made up the plant.

Director Henderson asked if there would be one individual appraiser assigned to each agency. The Risk Manager said that there would be multiple appraisers doing the work, but that there would be one primary contact for the scheduling.

Director Davis asked what the end product of the appraisal program would be. The Risk Manager said that at the end of the appraisal program, they would have full documentation and photographs of each site including replacement cost for the structure as well as a value for contents determined by use of modeling. He said that there would be various reports as well as an online system.

Director Henderson asked if they would be able to have new buildings appraised when the city acquired them. The Risk Manager said that they could but that the cost would be more than the \$140 per structure cost in the RFP.

Director Henry said that Chico had a lot of leased property that was not included in the property program but that they wanted appraised as well. She asked if that was possible. The Risk Manager said that there would be an additional billing on an individual basis for that.

Director Henderson said that he would require background checks for the appraisers entering his property. Director Magditch said that she would as well and suggested that they be required as part of the program.

Director Henderson said that he expected that the appraisers would find a number of properties not on the master list. The Risk Manager said that that was true, and that there would be additional charges for additional structures.

The Risk Manager said that the estimated cost of the program had been pro-rated based upon the total insured values of each member as of September 16, 2006, and that it would be adjusted at the end of the program. The General Manager said that they could either be billed or have the cost deducted from their redistributions.

Director Kain asked what the expected timeline was of the project. The Risk Manager said that the first half of the members would be completed by March 31, 2007 and that the second phase was expected to be completed sometime in October or November of 2007.

Director Margolies asked if they could base the pro-rata share on the total

number of structures rather than the total insured values. The General Manager said that they could, and that they would bring back a comparison of the estimated cost using both total insured values and total number of structures in November.

A motion by Director Henderson, seconded by Director Moses, to approve the bid submitted by American Appraisal Associates, Inc, passed unanimously.

12. Proposed 2006/2007 Risk Management Training Calendar

The Risk Manager presented the proposed training calendar for 2006/2007, which included training opportunities presented in conjunction with the Bay Area Training Consortium. He also provided summaries of some of the upcoming training programs.

13. NIMS Training Requirements

The Risk Manager discussed the requirements imposed by the Federal Department of Homeland Security with regard to the National Incident Management System (NIMS). He said that the national requirement was that, for any entity that would request reimbursement of Homeland Security funds, all operational first responders must be trained in NIMS by September 30, 2006. He said that the training could be completed on-line or through courses with certified instructors.

VIII. CLOSED SESSION

1. Government Code Section 54956.9 (a)

Conference with Legal Counsel - Pending Litigation

Name of Case: Thompson v. City of Orinda

Court: Contra Costa County Superior Court

Case No.: C98-03939

2. Government Code Section 54956.9 (a)

Conference with Legal Counsel - Pending Litigation

Name of Case: BNSF Railway Co. v. City of Victorville

Court: San Bernardino County Superior Court

Case No.: SCVSS 132213

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

Name of Case: Adams v. City of Vallejo

Court: Solano County Superior Court

Case No.: FCS 023954

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

Name of Case: CJPRMA v. Associated Valuation Services

Court: N/A

Case No.: N/A

IX. ACTION ON CLOSED SESSION ITEMS

- None

X. 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 the presentations was 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.

A presentation was made by Jerry Gebhardt (Petaluma).

XI. ADJOURNMENT

A motion by Director Kain, seconded by Director Carroll, to adjourn the meeting at 2:07 p.m., passed unanimously.