



CALIFORNIA JOINT POWERS RISK MANAGEMENT AUTHORITY

BOARD OF DIRECTORS MEETING

January 20, 2000 – 9:37 A.M.

**Holiday Inn
1350 Holiday Lane
Fairfield, CA 94533**

(707) 422-4111

Minutes

I. CALL TO ORDER:

President Davis called the meeting to order at 9:37 a.m.

II. ROLL CALL

PRESENT

- | | |
|-------------------------------------|---|
| 1) Darrell Handy, <i>Alameda</i> | 10) Barry Mlinarcik, <i>Redding</i> |
| 2) Bob Koch, <i>Chico</i> | 11) Carolyn Lyons, <i>Roseville</i> |
| 3) Jake O'Malley, <i>CCCMRMIA</i> | 12) Mary Richardson, <i>San Leandro</i> |
| 4) Linzie Kramer, <i>CSJVRMA</i> | 13) Sharon Andrus, <i>San Rafael</i> |
| 5) Robyn Kain, <i>Fairfield</i> | 14) Roger Carroll, <i>SCORE</i> |
| 6) Patricia Born, <i>Fremont</i> | 15) George Bist, <i>Stockton</i> |
| 7) Bill Henderson, <i>Livermore</i> | 16) Paul Wildermuth, <i>Vacaville</i> |
| 8) Michael Acorne, <i>Petaluma</i> | 17) David Lindquist, <i>Vallejo</i> |
| 9) Jeff Davis, <i>REMIF</i> | 18) Jeff Tonks, <i>YCPARMIA</i> |

ABSENT

Lodi, NCCSIF, Santa Rosa, Sunnyvale

OTHERS PRESENT

- | | |
|---------------------------------|--|
| 1) Elena Chin, <i>CJPRMA</i> | 4) Byrne Conley, <i>Gibbons & Conley</i> |
| 2) Robert German, <i>CJPRMA</i> | 5) Robin Johnson, <i>SCORE</i> |
| 3) Caren White, <i>CJPRMA</i> | |

III. APPROVAL OF MINUTES

- Amended Minutes of the Board of Directors Meeting held on June 17, 1999.

The General Manager said that the changes in the amended minutes were on closed session items relating to benefit changes.

- Minutes of the Board of Directors Meeting held on November 18, 1999.

A motion by Director Henderson, seconded by Director Wildermuth, to approve the amended minutes of the June 17, 1999 meeting and the minutes of the November 18, 1999 meeting, passed unanimously.

IV. PRESENTATIONS

- Director Kain gave a presentation on Assembly Bill 435.
- The General Manager asked if it would be okay to move the April retreat back by one day in order to accommodate the facilitator. The Board agreed to the change.

V. CONSENT CALENDAR

1. Financial Reports of CJPRMA for the periods ending October 31 and November 30, 1999

Director Henderson asked if a check register would be included in the Financial Reports. The General Manager said that that would begin with the March meeting.

2. Additional Covered Party Certificates Approved by the General Manager

3. Notification of New Claims Received

4. Notification of Claims Closed

A motion by Director Born, seconded by Director Bist, 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

- No one addressed the Board of Directors

VII. ACTION CALENDAR

5. Proposed Amendment to PERS Contract

The General Manager explained that the amendment to the PERS contract had been approved at the November meeting, but that PERS required a second approval. He said that the increased costs for the amendment would be effective July 1, 2000. He said that the rate had dropped substantially from the original quote of 5.355% to 2.747% for the first year. He said that the rate had dropped because of the actuarial valuation. He said that the increase for the 4th Level 1959 Survivor Benefit was \$57.60 annually.

A motion by Director Henderson, seconded by Director Acorne, to approve the amendment to the PERS contract, passed unanimously.

6. Withdrawal Notices from CSJVRMA and CCCMRMIA

President Davis said that the withdrawal notices seemed final. Director Kramer said that the CSJVRMA Board had not yet had a full discussion, but that all of the alternatives would be presented at their next meeting where they would make their final decision. Vice President O'Malley said that his Executive Committee's recommendation was to withdraw, but that it still had to go to the full board for a final decision.

The General Manager said that since both Boards were going to make their final decisions within the next few weeks, he felt that it was inappropriate to wait until March for redistribution recommendations from Steve Glicksman. He said that he would present the Board with some options for consideration as overtures to the two withdrawing members. He said that the information was contained in the spreadsheet that was passed out.

The General Manager said that one option was to redistribute \$1.9 million from Program Year 1993-94, which was the first year that CCCMRMIA was a member. He said that that redistribution would offset the reduced premium CCCMRMIA had been quoted by CARMA. He said that a second option was to give back \$3 million, which was the option that he would recommend. He said that the money would come from Pool C out of Program Years 1988-89, 1993-94 and 1994-95, with \$1 million from each year. He said that a variation on that option was to reduce the rate for Pool C from .419 to the minimum recommended rate of .36, which would result in an additional

reduction in cost. He said that that option would reduce CCCMRMIA's projected premium to \$548,000, which would be less than they were quoted by CARMA.

The General Manager said that another issue that had concerned CSJVRMA was the absence of a \$2 million retained limit. He said that Mr. Glicksman had broken Pool C into \$1 million layers, and that that chart was attached to the agenda bill. He said that if they allowed a retained limit of \$2 million, there would be a further rate reduction resulting in additional savings.

The General Manager said that the third issue related to risk management and risk control. He said that there was concern that some members were not utilizing the training budget available to them. He said that each member was entitled to \$3,000 in matching funds for training expenses incurred each year, but that only about 60% of the members were participating. He said that one way to address the lack of participation was to collect \$3,000 from each member who wanted to participate in training. He said that CJPRMA would administer the funds, which would also be matched. He said that a training committee could then be established to direct the training program.

The General Manager said that all of these options were being provided as an opportunity for the Board to make overtures to CCCMRMIA and CSJVRMA by making it cost effective for them to stay. He said that they were the two largest members and that it was a serious situation. He said that his recommendation was that if the Board decided to exercise any of the options that they make them conditional upon the members staying in the organization. He said that he would still recommend the training committee, but that if CCCMRMIA and CSJVRMA left, he would recommend waiting until Mr. Glicksman produced his supplemental report in March to decide about any redistributions.

Director Henderson asked what the difference would be to CJPRMA if CCCMRMIA and CSJVRMA left. He said that they were the largest risks. The General Manager said that the spread of risk would get smaller, but that the risk exposure would also decrease. He said that there would be about \$143,000 in additional administrative expenses that would be spread among the remaining members. President Davis said that 1.5% of premium would be added for administrative expenses, which was not a lot.

Director Henderson asked what was being recommended for the Board to do. He also asked if the CCCMRMIA and the CSJVRMA boards had been given this information. Vice President O'Malley said that his organization did have the information and that it could be influential, but that there were many other issues involved. President Davis said that they had suggested appearing before the CCCMRMIA Board of Directors, but that they had not been invited. He said that they had met with CSJVRMA. Director Kramer said

that a redistribution to CSJVRMA was an overture, but that it didn't resolve the issues that his organization was concerned with.

Director Born asked if the \$3 million redistribution was the same as the one that had been discussed at the November meeting. The General Manager said that the money would come from different program years than the \$3.5 million that had been proposed at that last meeting.

Director Born said that Director Kramer and Vice President O'Malley were very knowledgeable and active board members and that their loss would be felt.

Director Koch asked what would happen in subsequent years if the General Manager's recommendations were only for a one-year fix.

Board Counsel discussed the information on the spreadsheet and said that if they went with Option 1, there would still be an increase in net premium over the last program year. He said that the numbers were not really that radical.

President Davis said that his response was that they had set a premium in November that was 15.8% lower than the current year's premium. He said that Pool C was where most of the activity occurred. He said that the proposal to change the rate from .419 to .36 would remove another \$670,000 out of Pool C. He said that he was in favor of any type of rebate because that affected every member equally. He said that he was opposed to cutting the rate because he felt that it was fiscally irresponsible. He said that Director Kramer and Vice President O'Malley brought expertise and knowledge to the organization, but that to cut the rates too much could be problematic. He said that they should deal with the refund and the training issue in April. He said that training was an issue, but that some members were opposed to mandatory training.

The General Manager said that the purpose of presenting these alternatives was to try to address some of the issues that were of concern to CCCMRMIA and CSJVRMA. He also said that they may not solve the problem.

Director Handy asked if there were any overtures that could be made that would not affect the premium. The General Manager said that Option 1 was only a redistribution and didn't affect the premium. Director Handy asked if there were any overtures that were not financial that could be made. President Davis said that that question would have to be addressed to CCCMRMIA and CSJVRMA.

Vice President O'Malley said that there had been some positive development with the management and that he felt that it would continue to improve. He said that the Board had been dealing with some of the issues that he had had,

but that he was less than optimistic that his board would be persuaded by the overtures.

Director Mlinarcik said that this was only a one-year fix and wondered what would happen in future years. He said that this redistribution was only taking money from different years than had been proposed in November. He said that he didn't like the idea of funding at a minimum rate.

Director Kramer said that, historically, there had been issues with which CSJVRMA didn't agree. He said that they had decided three years ago to examine the market. He said that, at that time, they had liked the programs of both CJPRMA and CARMA, which was a pool made up of other pools. He said that they had liked the idea of CARMA because of the similarity of interest. He said that CSJVRMA presidents had come to CJPRMA Board meetings and had been less than impressed. He said that they had decided to seriously look at other options when CJPRMA decided to purchase commercial reinsurance, to which they were opposed. He said that once that happened, they began to examine their options again. He said that his board was given all of this information, but that he didn't know how it would influence their decision.

Director Wildermuth asked how competitive CJPRMA was compared to other organizations with regard to loss prevention, loss control and premiums.

Board Counsel said that CARMA had rates that were much more competitive for CCCMRMIA. Board Counsel also said that CARMA was much more highly reinsured, which allowed for lower rates.

President Davis said that he didn't think CARMA had any training requirements or risk management programs. He said that that issue could be fulfilled by the training committee proposal, and was an issue that should be addressed again. He said that there were strong feelings on both sides of the training requirement issue.

Director Henderson said that training should be discussed in April. He said that even if they didn't make it mandatory, that some members could still group together to share training costs. He also said that the organization needed to decide if it wanted to market itself and grow if CCCMRMIA and CSJVRMA left. The General Manager said that that would be addressed in April and that there would be a new applicant for their review in either March or April. Director Henderson also asked what "making overtures" actually meant.

The General Manager said that one of the concerns expressed by the withdrawing members was economics. He said that he wanted to give the Board some options that they could utilize to affect the economics.

Director Henderson asked what it would entail if the Board decided to make overtures. The General Manager said that CCCMRMIA and CSJVRMA already had the information and that if the Board decided to make overtures, CCCMRMIA and CSJVRMA could take that information back to their boards for consideration.

The General Manager said that part of the problem was that CCCMRMIA and CSJVRMA each had different concerns. He said that some of the concerns were things that the Board was not able to address.

Director Tonks asked if the overtures being suggested were a way for them to compare CJPRMA's program with other programs. The General Manager said that it was a straight economic issue for comparison purposes. Director Tonks said that this would move up the redistribution in order to come up with a true premium. The General Manager said that it was both moving up the redistribution and changing the way that it was normally calculated in order to include CCCMRMIA.

Director Acorne said that taking money from more recent program years worried him. He said that he knew that CCCMRMIA and CSJVRMA would make the best decisions for their groups, but that organizations do change and grow.

Director Wildermuth said that the problem that he had was that making this accommodation was only a one-year fix.

President Davis said that even if CCCMRMIA and CSJVRMA left, they would still get their redistribution, eventually. He said that there was a motion not to make any overtures and that CCCMRMIA and CSJVRMA had the information to take back to their boards.

Board Counsel pointed out that the motion to make no overtures, to keep two members who contributed over \$2 million from withdrawing, was being made by a member who contributed a net of \$33,000 and seconded by a member who contributed a net of \$8,000.

Director Acorne said that the problem was that CCCMRMIA would probably not accept these offers and that CSJVRMA was also going to another pool. He said that he felt that CCCMRMIA and CSJVRMA were committed to moving out and that there wasn't much that could change their minds.

Director Born said that she didn't see what could be lost in making overtures. She said that if CCCMRMIA and CSJVRMA decided to leave, then the overtures would no longer be valid anyway. She said that they would be losing knowledge and expertise if they lost Vice President O'Malley and Director Kramer.

Director Kain said that it was worthwhile to make the overtures if there was any possibility that the withdrawing members would stay.

Director Lyons said that she supported the motion because she was opposed to a one-year fix and to giving redistributions out of recent program years. She said that they needed a commitment to the organization and that if members were going to dollar shop, that they shouldn't make overtures to accommodate them.

A motion by Director Acorne, seconded by Director Richardson, to not make any overtures to the withdrawing organizations, passed by a vote of 10 to 6, with 2 abstentions.

7. Budget Policy

The General Manager said that this matter arose at the November meeting and that it had been brought back for further discussion. He said that it related to the way in which he managed the budget. He said that, pursuant to his discussions with the Board in 1992, it was decided that he could manage the budget as a whole rather than based on each line item. He said that it was his philosophy that he could exceed a line item as long as he made up for it on another one. He said that that was how he had been operating for the past 8 years. He said that at the last meeting, Vice President O'Malley had said that he thought that that violated Article VIII of the By-Laws and that any line item overage had to go to the Executive Committee for approval. The General Manager said that he disagreed and that the issue had been agendaized so that it could be discussed further. He said that he didn't think that Article VIII was specific as it related to that issue and that it did allow for flexibility in how the budget was managed. He said that the Board had been flexible with the Governing Documents in other matters. He said that the Board had a lot of leeway and that they had utilized that in 1992. He said that it was a matter of either allowing him to manage the budget his way or the Board voting to change it.

Director Koch said that this matter had originally come up when he noticed that the Contingency Fund had been exceeded. He said that, in general, he agreed that the General Manager should be able to move line items around but that he didn't think that that should apply to the Contingency Fund.

The General Manager said that he didn't disagree with that and that he would be happy to come to the Executive Committee with any Contingency Fund overages.

Director Mlinarcik asked how the \$25,000 over-budget limit worked. The General Manager said that if the entire budget were to go over by \$25,000, that it would have to be brought to the Executive Committee for approval. He

said that he felt that there was no reason to bring it to the Executive Committee for individual line items.

Director Mlinarcik asked how much the budget was and if it had ever been exceeded. The General Manager said that the budget was about \$654,000 and that they had only exceeded it once. He said that they had reduced the budget almost every year.

Vice President O'Malley said that he interpreted the \$25,000 as the threshold for bringing it to the Executive Committee. He said that the Board Counsel line item had been exceeded some months ago and that he felt that that should have been brought to the Board.

The General Manager said that it was incumbent upon him to bring to the Board items that became significant. He said that he would do that in the future.

Director Mlinarcik said that his city did a mid-year budget review and he suggested that the organization do the same. The General Manager said that that could be done

A motion by Director Koch, seconded by Director Acorne, to bring any overage of the Contingency Fund to the Executive Committee for approval, passed unanimously.

8. Report From Personnel Committee

Director Koch said that he was providing a memo to the Board that covered the activity of the Personnel Committee meeting held on January 12, 2000. He said that he would talk about the highlights. He said that the Personnel Committee had identified a number of concerns and that communication between the General Manager and the Board and timely completion of projects by the General Manager were the two major issues that would be considered during the Goals and Objectives process. He said that the Personnel Committee would make final recommendations to the Board subsequent to their January 20 meeting.

Director Koch said that another concern that had arisen was that the JPA itself needed to decide what it wanted to do, how much it should be involved with the members and what the role of the General Manager should be. He said that once they decided what the JPA wanted to do, that it would help determine the role of the General Manager. He said that they also needed to decide how much financial oversight they wanted. He said that the Personnel Committee was proposing that these items be discussed at the April meeting.

Director Koch said that the General Manager had been at the January 12 meeting and that they had discussed a memo that indicated his various functions and duties. He said that, based on that information, they had tried to figure out how much time was spent in the General Manager's job. He said that there weren't enough hours in the year for the General Manager to do everything and that they, as a Board, would have to decide whether some of the duties should be contracted out or if additional staff should be hired. He said that no decisions or recommendations had yet been made.

9. Proposed Policy on Business Expenses

Director Koch said that this item came out of the Personnel Committee.

Board Counsel said that this was the same policy as that proposed earlier, with a few changes suggested by the Personnel Committee. He said that it recommended that expense reports be included in the Consent Calendar for Board approval. He said that a paragraph about MasterCard bills was included in this draft. He also said that the By-Laws indicated that the check register should be included in the Consent Calendar, but that some years ago it had been removed because no one was reading it. He said that it should be included again. He said that there were some wording changes in paragraphs 6 and 7. He said that this was the draft that the Personnel Committee had approved and was now being submitted for Board approval.

A motion by Director Henderson, seconded by Director Acorne, to approve the proposed policy on Business Expenses, was approved unanimously.

VIII. CLOSED SESSION

1. Government Code Section 54956.9(a)

Conference with Legal Counsel – Pending Litigation

Name of Case: Gallardo v. City of Dinuba

Court: United States District Court for the Eastern District of California

Case No.: CIV-F97-6111 OWW DLB

2. Government Code Section 54956.9(a)

Conference with Legal Counsel – Pending Litigation

Name of Case: Murphy v. City of Folsom

Court: Sacramento County Superior Court

Case No.: 98AS00981

3. Government Code Section 54956.9(a)

Conference with Legal Counsel – Pending Litigation

Name of Case: Alcorta v. City of Delano

Court: United States District Court, Eastern District of California

Case No.: CV-F-98-5017-SMS

4. Government Code Section 54956.9(a)

Conference with Legal Counsel – Pending Litigation

Name of Case: Smith v. City of Walnut Creek

Court: Contra Costa County Superior Court

Case No.: C97-04808

5. Government Code Section 54956.9(a)

Conference with Legal Counsel – Pending Litigation

Name of Case: Children’s Hospital of Oakland v. City of Lodi

Court: San Joaquin County Superior Court

Case No.: 291222

6. Government Code Section 54956.9(a)

Conference with Legal Counsel – Pending Litigation

Name of Case: Twilley v. City of Vacaville

Court: Solano County Superior Court

Case No.: 012529

7. Government Code Section 54956.9(a)

Conference with Legal Counsel – Pending Litigation

Name of Case: County of Solano v. City of Vallejo

Court: Solano County Superior Court

Case No.: L004732

IX. ACTION ON CLOSED SESSION ITEMS

- None

X. ADJOURNMENT

A motion by Director Born, seconded by Director Bist, to adjourn at 1:42 p.m., passed unanimously.