



CALIFORNIA JOINT POWERS RISK MANAGEMENT AUTHORITY

BOARD OF DIRECTORS MEETING

November 16, 2000 – 9:35 A.M.

**Holiday Inn
1350 Holiday Lane
Fairfield, CA 94533
(707) 422-4111**

Minutes

I. CALL TO ORDER:

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

II. ROLL CALL

PRESENT

- | | |
|--|---------------------------------------|
| 1) Darrell Handy, <i>Alameda</i> | 9) Sharon Andrus, <i>San Rafael</i> |
| 2) Bob Koch, <i>Chico</i> | 10) William Kaslar, <i>Santa Rosa</i> |
| 3) Robyn Kain, <i>Fairfield</i> | 11) Roger Carroll, <i>SCORE</i> |
| 4) Patricia Born, <i>Fremont</i> | 12) Kerry Adamo, <i>Sunnyvale</i> |
| 5) Bill Henderson, <i>Livermore</i> | 13) Paul Wildermuth, <i>Vacaville</i> |
| 6) Mike Acorne, <i>Petaluma</i> | 14) David Lindquist, <i>Vallejo</i> |
| 7) Jeff Davis, <i>REMIF</i> | 15) Jeff Tonks, <i>YCPARMIA</i> |
| 8) Mary Richardson, <i>San Leandro</i> | |

ABSENT

Lodi, NCCSIF, Redding, Roseville, Stockton

OTHERS PRESENT

- | | |
|----------------------------------|--|
| 1) Lola Deem, <i>CJPRMA</i> | 5) Byrne Conley, <i>Gibbons & Conley</i> |
| 2) Robert German, <i>CJPRMA</i> | 6) Phyllis Sammon, <i>Marsh</i> |
| 3) Caren White, <i>CJPRMA</i> | 7) Craig Bowlus, <i>Ward North American</i> |
| 4) Marilyn Kelley, <i>Driver</i> | |

III. APPROVAL OF MINUTES

Director Kain asked what the amended meeting schedule was that was approved on page 9 of the minutes. The General Manager said that the Tahoe meeting was being changed to a one-day meeting during the fourth week of September and that an additional day was being added to the Annual Retreat in April. He said that that information was on the new calendars that were included in the new Administrative Manuals.

A motion by Director Born, seconded by Director Wildermuth, to approve the minutes of the October 5 & 6, 2000 Board of Directors meeting, passed unanimously.

IV. PRESENTATIONS

- None

V. CONSENT CALENDAR

The General Manager said that they needed a motion to add Item 16 to the Action Calendar and Item 4 to Closed Session. Board Counsel said that Item 16 was being added because Staff had located a possible lease space on Monday that the landlord wouldn't hold open. He said they had received a request to arbitrate a coverage dispute that came in after the agenda went out and that that was Item 4 for Closed Session.

A motion by Director Koch, seconded by Director Born, to add Item 16 to the Action Calendar and Item 4 to Closed Session, passed unanimously.

1. Financial Reports of CJPRMA for the Period Commencing July 1, 2000

Director Wildermuth asked if there had been any financial activity in the last period that had adversely affected the organization.

The General Manager said that there had not. He said that they had had difficulty in scheduling the financial audit with Maze and Associates. He said that the audit would start on November 20. He said that they had never had problems like this before with Maze. He said that, as soon as the audit was finished, it would be sent out to all the members.

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

A motion by Director Kain, seconded by Director Kaslar, 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

Director Davis said that he had asked Board Counsel to look into a ruling that had recently come down regarding tow-truck ordinances. Board Counsel said that he would read it and send out an e-mail to everyone.

Vice President Koch asked if they could investigate the legality of e-mailed certificates of insurance with electronic signatures.

VII. ACTION CALENDAR

6. Appointment of Committee Members

President Henderson said that this had been pulled from the agenda at the previous meeting. He said that a letter had been sent out on November 2, and that he had forgotten to include Director Davis on the Claims Committee. He said that that had been corrected. He asked if there were any other corrections or changes to the proposed Committee Roster. There were none.

A motion by Vice President Koch, seconded by Director Born, to approve the proposed Committee Roster, passed unanimously.

7. Appointment of Treasurer

The General Manager said that Dave Millican had resigned as Treasurer and that Roger Carroll had volunteered to take that over that position. He said that Director Carroll was a CPA and that he met the requirements under the Government Code. He said it was his recommendation that Director Carroll be appointed as Treasurer.

Director Carroll said that he had recently been elected as Treasurer of the Town of Loomis and that he didn't see that as a conflict of interest.

A motion by Director Davis, seconded by Director Richardson, to appoint Roger Carroll as Treasurer, passed unanimously.

8. Report on Status of Proposed FEMA Regulations

President Henderson introduced Phyllis Sammon from Marsh.

Ms. Sammon said that she had good news regarding FEMA and other congressional actions. She said that FEMA had withdrawn from implementing their proposed ruling. She said that the decision was a reaction to the many responses that they had received regarding their proposed rulings. She said that they had received 291 responses from 32 states and that 63% of that was from California. She said that FEMA had decided to defer any immediate action until a comprehensive study could be completed. She said that the OES had asked FEMA to be involved in the study. She said that it would probably take a while for that to happen. She said that the FEMA regulations were not gone, but that they would probably come back in some other form.

Ms. Sammon said that there was also an effort in Congress to require local and state governments to insure public buildings that was tacked on to HR707. She said that the California legislative bodies had signed a mandate to have the language removed. When the ruling came out, on October 10, 2000, the wording had indeed been removed

President Henderson asked if there was any requirement for a disaster management plan before FEMA would pay claims. Ms. Sammon said that she would check on that. Director Wildermuth said that he believed that OES required such a plan be in effect before they would provide any public assistance.

Ms. Sammon said that she had two articles that she would leave for them.

9. 1999-2000 Actuarial Study

Mr. Steven Glicksman, of ARM Tech, presented the 1999-2000 Actuarial Study. He briefly reviewed the methodology utilized for the study.

Director Born asked what Mr. Glicksman's reason was for recommending an increased funding rate. Mr. Glicksman said that it was because they were a smaller pool as the result of the withdrawal of CSJVRMA and CCCMRMIA. He also said that they were possibly at the bottom of the cycle for liability, and that there was a hardening of the insurance market.

Director Davis asked Ms. Sammon what they could expect to see in a year when they went to renew their reinsurance. Ms. Sammon said that the market was tightening in the liability area. She said that no one knew how long that would last and that she would keep them posted.

Director Born asked what the administrative rates were that were included in the study. Mr. Glicksman said that it was \$700,000 in Pool D, and that the rate was .029 per \$100 of payroll. Board Counsel said that it hadn't been clear in the previous year's report whether the .029 would change with the withdrawal of CCCMRMIA and CSJVRMA. Mr. Glicksman said that they had used a lump sum of \$700,000 and broken it down into a rate of .029. Board Counsel said that he thought that if the Board knew that the rate for the reinsurance was .08 and .029 for administrative expenses, that they needed to decide if they wanted to use Mr. Glicksman's recommended rate of .185 and build up a reserve towards future increases or if they wanted to fund at the actual rate because they had a three-year contract.

Director Lindquist said that if they went with .185 it brought the rates for Pools C & D to .635 and that he was hoping the rates would be around .60.

The General Manager said that they could keep the rate at .120 if they wanted to.

Director Davis said that .120 was what they were charged in the 2000-2001 year and that they were covered with that. He said that Mr. Glicksman was recommending that they anticipate an increase in premium and build equity. He said that he thought it was too much, but that they should anticipate a rate increase by half as much. He suggested a rate of .150 or .155.

Director Acorne asked if .65 would be the recommended rate if they self-funded Pools D & E. Mr. Glicksman said that he thought that the members were better off using reinsurance but that the rates he was recommending were the same rates he would recommend for self-funding.

A motion by Director Davis, seconded by Director Born, to use the rates of .237 for Pool B, .450 for Pool C and .155 for Pool D for the 2001-2002 Program Year, with the excess funds in Pools D & E to be used to cover future rate increases or be redistributed, passed unanimously.

Board Counsel asked what they intended to do with the surplus that built up each year resulting from charging more than the actual rate for Pools D & E. He said that, historically, they had funded each year on its own. Director Acorne said that this extra money could be used to offset future rate increases. The General Manager said that, in order to do that, they would have to declare the money as a redistribution and then use it to offset the costs. Director Acorne said that there needed to be a consensus that that was the intent to make it clear that any extra money was to be used to offset future rate increases.

Director Handy asked if they knew what the correlation was between the projected increase in market rates and the return on their assets. Marilyn Kelley said that they wouldn't be able to tell that until the December treaties renewed.

Director Born asked if they were looking at a redistribution of \$2.4 million. The General Manager said that if that was what they wanted, a redistribution plan for that amount of money would be brought back for their consideration. Director Davis asked if that would include closing out some program years. The General Manager said that they would look at closing out the 1990-91 and 1991-92 program years.

Director Acorne asked if the \$1 million in arrears would be taken out of the redistribution. The General Manager said that it would all be worked out in the redistribution plan.

Board Counsel said that they had \$705,000 in equity in Pools D & E, which was fully insured. He asked if they wanted to leave it in there, as a contingency margin, or if they wanted to redistribute it, which would include redistributing to CCCMRMIA and NCCSIF.

The General Manager said that they would take about \$2.1 million from the 1990-91 and 1991-92 program years, close those years out, and take about \$300,000 from the \$705,000 in Pools D & E from the 1999-2000 program year. He said that they could also look at closing out those two years and returning the entire \$705,000.

Director Kain asked if they wanted to look at retaining that \$705,000 to cover future rate increases. The General Manager said that they could do that if they wanted.

Director Davis asked the General Manager to bring back three different plans for the redistribution: one including the closure of the 1990-91 and 1991-92 program years and the \$705,000 from the 1999-2000 program year; one only closing out the 1990-91 and 1991-92 program years; and one closing out the 1990-91 and 1991-92 program years and half of the \$705,000 from the 1999-2000 program year. The General Manager said that the redistribution plans would be on the agenda for the January meeting.

10. 1999-2000 Financial Audit

The General Manager said that he had already discussed what was going on with the Financial Audit.

Director Kain asked if they would be looking for a different auditor as a result. The General Manager said that they would.

11. Report on Premiums vs. Redistributions

The General Manager said that they had put this report together so that the members could see, historically, what they had paid in and what they had received back. He said that the right hand column on the second page of the agenda bill showed them exactly what percentage of their contributions remained with the organization. He said that, for the most part, they were all at between 50-60%. He said that for the first seven years, CJPRMA had given back \$352,636 more than it had taken in as the result of good investment strategies and the lack of any major claims. He said that they would discuss the inclusion of this information in the annual report when they got to that agenda item.

Vice President Koch asked why he had chosen the first seven years. The General Manager said that he did annual reports for REMIF and YCPARMIA every year and that they had always broken it down by the first five years. He said that he was expanding it this time to seven years, because they had been in existence for 15 years. He said that he was looking at the halfway mark. He said that he didn't think that they would ever match the first seven years again.

The General Manager said that this was the sort of thing he did on an annual basis for REMIF and YCPARMIA. He said that this was the sort of information he would present if any other members wanted him to do a presentation.

12. Report on Primary Level Liability Losses

The General Manager explained that the Board had commissioned a review of primary level losses in an effort to determine what categories of losses were of the greatest concern and whether or not policies regarding those designated categories of losses should be adopted and/or recommended.

Mr. Craig Bowlus, of Ward North America, conducted the research and analysis, and provided the results to the Board.

A preliminary review of losses resulted in the analysis being focused on police liability claims and employment practices liability claims.

Mr. Bowlus recommended that, with regard to the police liability exposure, future loss control efforts be focused on 1) SWAT operations, 2) sexual abuse investigation training, and 3) dealing with police officers with personal agendas.

He said that the majority of the organization's exposure had been generated by CSJVRMA and CCCMRMIA. Since they had withdrawn from the group, the exposure should be reduced.

With reference to the employment practices liability exposure, Mr. Bowlus stated that sexual harassment claims seemed to be steadily increasing. However, the vast majority of the EPL claims had been generated by CCCMRMIA. Since they had withdrawn from the group, the exposure should be reduced.

He strongly recommended that all EPL claims, with incurred values within \$250,000 of the risk sharing layers, be placed on the watch list.

13. Proposed Policies on Fee Agreements and Litigation Management

Board Counsel said that the Claims Committee had wanted to put something into the Administrative Manual that members could use as a reference guide. He said that they had taken the model Fee Agreements used by Alameda and Fremont and tried to make the information easy to use. He said that the idea was not to mandate anything, but rather to give them a guide if they needed one. He said that the main point was that some members might use defense lawyers that were not on contract at all. He said that the most important part of this, in his perspective, was to have something in writing showing what fees there would be, something showing proper insurance coverage of their own, and the typical hold harmless language in case some negligent act on the part of the defense firm costs the member money.

He said that the Litigation Policies and Procedures were taken from several different forms. He said that they gave the defense lawyer a clearer idea of what was expected by the city and gave the member some basis for judging the work. He said that it would create a bit more paperwork, but that it created a greater ability to monitor the claims. He said that it fit in with some of Mr. Bowlus's recommendations regarding reserving and tracking.

Director Acorne said that his attorneys did page-line reports. He asked if that would be sufficient, rather than the summaries suggested in the Litigation Policies and Procedures. Board Counsel said that the idea was to set a minimum standard because in some cases they received no information at all. He said that the problem with page-line reports was that they had to wait for the transcripts, which took two or three weeks. He said that the policy was meant to be a tool, and could be adjusted for each member's needs.

Director Acorne said that, on the Legal Budget portion, at the initial case analysis, it was difficult to estimate an amount for reserves. Board Counsel said that that was something that they had taken from CCCMRMIA, and that they allowed 60 days for that information. He said that CCCMRMIA

wouldn't pay any bills until they received the budget. He said that they could move the legal budget requirement, if they wanted to, but that it was meant to help the risk manager.

Director Born asked if there would be a Litigation Budget Form. Board Counsel said that the Administrative Analyst would make some changes and send it out. He said that it was a one-page form.

Director Kain said that what she was often given was a range for the budget and that she didn't know how much that was really worth. Board Counsel said that a range could be sufficient to estimate a reserve amount.

Director Acorne asked about the mandatory reports every 90 days or following a significant event. He said that sometimes a case could sit for months without needing a status report. Board Counsel said that it was mandatory for CJPRMA to receive status reports every 90 days. He said that this was a policy that they could use for smaller claims as well.

Director Born asked if these forms would be posted on the web page. The General Manager said that they would.

A motion by Director Carroll, seconded by Director Andrus, to approve the proposed model policies on fee agreements and litigation management, passed unanimously.

14. Proposed Format for Annual Report

The General Manager said that he would add the information regarding premiums v. redistributions to the annual report so that it would show how much money had been given back. He said that he thought that it was rather impressive. He asked if there was anything else that the Board would like to see in the annual report.

Director Kain said that she didn't like the graphs. The General Manager said that they would find another way to show that information. Director Acorne said that they needed to include the premiums v. redistributions information prominently.

Director Davis said that the members of his organization wanted to know if they were covered, for how much were they covered, how much it cost and what had been done for them. He said that those four things were all that they would look at. He said that he would also suggest including all the members and sub-members.

The General Manager said that the information in the proposed report was effective June 30, 2000.

Vice President Koch said that he thought that the information should be current for the 2000-2001 program year. He said that he thought that the "About CJPRMA" section was a description of the liability program, but that that wasn't clear. He thought that it needed a little more detail. He said that he thought that the message from the General Manager should be longer.

Director Kain said that it needed to be noted that the commercial coverage programs were optional. She said that she thought that the "About CJPRMA" section should be closer to the front.

Vice President Koch said that his general thoughts were that the report seemed a little light, in terms of important information.

The General Manager said that that was why they were asking for the Board's input.

Director Acorne said that he thought that the "About CJPRMA" section needed to be in the coverages section and that there needed to be a history statement included. He said that some part of the Goals and Objectives from the April meeting should also be included.

The General Manager asked if they were combining a marketing type of brochure with an annual report. He said that the annual report talked about everything as it existed at the end of the fiscal year.

Director Lindquist said that whatever type of annual report they did needed to reflect what was happening in the 2000-2001 program year because the organization had changed substantially.

Marylin Kelley said that report was for the previous fiscal year.

Vice President Koch asked why they couldn't make the annual report more general, including the financial information for the period ending June 30, 2000 but also including what they were doing at the current time. He said that that way, they weren't tying themselves to their performance of the previous year.

Director Acorne said that then they would have a pure annual report with a second section including goals and objectives and plans for the future. The General Manager said that they could do that. He said that then they wouldn't need to do a separate marketing piece.

Marylin Kelley said that she thought that they should advertise how successful the Property Program had been. She said that they could include a bar chart showing how the premiums had decreased over time.

Director Handy said that they could do the same thing with the financials, showing the strength of the organization in a bar chart. He said that that was what the audience was going to look at. He said that if it were too long, people wouldn't read it. He said that pictures were something people looked at.

The General Manager said that they would create a new draft and bring it back for their review at the next meeting.

15. Review of Authority and Responsibilities of Officers and Executive Committee Members

The General Manager said that President Henderson had done this with the Executive Committee members in September and that he had asked that the information be provided to the Board as well as a reminder to everyone.

16. Request for Utilization of Contingency Fund

The General Manager said that staff was currently paying \$1.96 per square foot for office space and had approximately 17 months left on the current lease. He said that the rate in their current building had increased to \$4.25 per square foot with additional increases expected. He said that he had a broker looking for new office space for either lease or purchase. He said that the minimum rate was about \$3.50 and that it was expected that the rate would exceed \$4 within 6 months. He said that they had located office space at Bishop Ranch for \$3.17 per square foot that was larger than the current space and would allow for expansion and storage. He said that it also had a conference room that would allow for committee meetings. He said that, unfortunately, he had been informed the previous evening that the space was gone. He said that there was another potential space at Bishop Ranch that he was going to look at. He said that finding space had been very difficult. He said that what he would like to do was to sign a 5-year lease if he found the right space. He said that the current landlord was willing to let them out of their lease. He said that he was originally asking for permission to use the contingency fund to pay for rent increases and moving expenses, but that after some discussion, he was asking them to increase the line item for rental space by \$35,000 with the authority to find new office space. He said that he was concerned that if they waited until the current lease was up, that office space could cost \$5-7 per square foot.

Director Acorne asked about the possibility of purchasing a building. The General Manager said that there wasn't anything available.

Director Lindquist said that it depended on where they wanted to look. He said that there was plenty of space available in Vallejo.

Director Acorne said that the issue was whether they wanted to start planning to purchase and build something for the future or whether they wanted to remain in a leasing position where they could end up paying more and more.

The General Manager said that he would suggest that they sign a 5-year lease, but look extensively for a piece of land or a building to purchase for a permanent facility. He said that that would take time. He said that he had had a broker looking for land from Benicia down to Fremont, but that there wasn't anything reasonable available.

Vice President Koch asked in what areas they were looking. He said that they might want to consider moving the office.

The General Manager said that they were looking as far south as Fremont, as far north as Concord and Pleasant Hill and as far east as Livermore. He said that the current office location was optimum but that it probably wouldn't be a permanent solution. He said that they would probably want to look at something further out for a permanent solution but that for the next lease term, they should stay as close to their current location as they could.

Board Counsel suggested that they talk to their current landlord about extending the lease. The General Manager said that the current landlord wasn't interested in doing anything except increasing the rate. He said that there was a waiting list for the property they were currently in.

Director Carroll asked if the General Manager had the authority to sign a lease without the approval of the Board. The General Manager said that he did.

Director Davis said that they needed to keep the staff in mind if they expanded their search area for office space. He suggested Brentwood or other places in the Bay Area.

A motion by Director Davis, seconded by Director Adamo, to increase the office space line item of the budget by \$35,000, passed unanimously.

VIII. COMMITTEE REPORTS

A) Claims: Patricia Born, Chair

The Claims Committee had nothing to report.

B) Coverage: Jeff Tonks, Chair

Director Tonks said that the Coverage Committee would have a meeting on December 14, 2000.

C) Personnel: Carolyn Lyons, Chair

The Personnel Committee had nothing to report.

D) Communications: Bob Koch, Chair

Vice President Koch said that the Communications Committee had met that morning and had focused on the needs-assessment survey form. He said that they would be making some changes to the draft provided by staff and would be sending it out for review. He said that they discussed the other items on the agenda and that the deadlines for completion were after the first of the year.

E) Finance: Paul Wildermuth, Chair

The Finance Committee had nothing to report.

IX. CLOSED SESSION

1. **Government Code Section 54956.9 (a)**
Conference with Legal Counsel - Pending Litigation
Name of Case: Davis v. City of Auburn
Court: Placer County Superior Court
Case No.: SVC9736
2. **Government Code Section 54956.9 (a)**
Conference with Legal Counsel - Pending Litigation
Name of Case: Noble v. City of Ukiah
Court: United States District Court, Northern District of California
Case No.: C99-03469WHA
3. **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
4. **Government Code Section 54956.9 (a)**
Conference with Legal Counsel - Pending Litigation
Name of Case: County of Solano v. City of Vallejo
Court: Court of Appeals, First Appellate District
Case No.: A082666

X. ACTION ON CLOSED SESSION ITEMS

None.

XI. ADJOURNMENT

A motion by Director Born, seconded by Director Carroll, to adjourn the meeting at 12:40, passed unanimously.