CALIFORNIA JOINT POWERS RISK MANAGEMENT AUTHORITY

BOARD OF DIRECTORS ANNUAL MEETING
Wednesday June 7, 2023 9:00 A.M.
Thursday June 8, 2023 9:00 A.M.

CJPRMA Office
3201 Doolan Road, Suite 285
Livermore, CA 94551
(925) 837-0667

MINUTES

I. CALL TO ORDER – President Jensen called the meeting to order at 9:02 A.M. on 6/7/2023.

II. ROLL CALL

PRESENT

1) Yibin Shen, Alameda
2) Erika Milton, Fairfield
3) Steve Schwarz, Fremont
4) Janet Hamilton, Livermore
5) Beverly Jensen, Lodi
6) Dan Sodergren, LPFD
7) Elizabeth Ehrenstrom, NCCSIF
8) Erika Leahy, Petaluma
9) Natalia Ebersole, Redding
10) Laura Marquez, Richmond
11) Virginia Bolman, Roseville
12) Megan Stephenson, San Leandro
13) Dominique Blanquie, Santa Rosa
14) Blake Michaelsen, SCORE
15) Rosemary Rivas, Stockton
16) Jen Martel, Sunnyvale
17) GeorgeAnne Meggers-Smith, Vacaville
18) Barbara Lubben, YCPARMIA

NOT PRESENT – Chico and San Rafael

OTHERS

19) Byrne Conley, Board Counsel
20) Julie Harryman, LPFD
21) Lisajoy Calgari, Livermore
22) Nikki Aguon, LIvermore
23) Pam Dahl, Redding
24) Nick Vinh, Santa Rosa
25) Marci Arrendondo, Stockton
26) Anais Martinez Aquino, Sunnyvale
27) Andria Borba, Vacaville
28) David Due, YCPARMIA
29) Steve Brewer, Benchmark Analytics
30) Alec Henderson, Benchmark Analytics
31) Robert Lowe, Alliant Insurance Services
32) Bill Dennehy, Chandler Asset Management
33) Marcus Beverly, Alliant Insurance Services
34) Chris Carmona, George Hills
35) Tony Giles, CJPRMA
36) Vahe Hovakimian, CJPRMA
37) Marinda Griese, CJPRMA
38) Marcia Hart, CJPRMA
39) Shawn Millar, CJPRMA
40) Susanna Banuelos, CJPRMA

Per Government Code section 54954.2, persons requesting disability-related modifications or accommodations, including auxiliary aids or services to participate in the meeting, are requested to contact CJPRMA at (925) 837-0667 24 hours in advance of the meeting.

The Board of Directors voted to add another item to Closed Session:

Government Code Section 54956.95 (a)
Conference with Legal Counsel – Litigation

Name of Case: Salvagno, Kenneth v. City of Woodland (YCPARMIA)
Court: Superior Court of California, County of Yolo
Case No.: CV2022-0458

- A motion was made by Director Lubben and seconded by Director Rivas to approve adding Salvagno v. City of Woodland to the agenda, Section III. Closed Session because this item needed immediate attention and came up after the agenda was posted. Directors Shen, Milton, Schwarz, Hamilton, Jensen, Harryman, Ehrenstrom, Leahy, Ebersole, Marquez, Bolman, Stephenson, Blanquie, Michaelson, Martel, and Meggers-Smith approved the motion. Chico and San Rafael were absent. Motion passed.

CLOSED SESSION

1. **Government Code Section 54956.95 (a)**
   Conference with Legal Counsel – Litigation

   Name of Case: Gerardo Rodriguez Pacheco et al. v. City of Stockton
   Court: United States District Court, Eastern District of California
   Case No.: 2:20-CV-01404-TLN-KLN

2. **Government Code Section 54956.95 (a)**
   Conference with Legal Counsel – Litigation

   Name of Case: Zeidan, Bashar v. City of Richmond
   Court: United States District Court, Northern District of California
   Case No.: 21-4010 JD

3. **Government Code Section 54956.95 (a)**
   Conference with Legal Counsel – Litigation

   Name of Case: Higley, Natalie v. City of Willits (REMIF)
   Court: N/A
   Case No.: Date of Loss 06/19/2021

4. **Government Code Section 54956.95 (a)**
   Conference with Legal Counsel – Litigation

   Name of Case: Gonzalez, Mario v. City of Alameda
   Court: United States District Court, Northern District of California
   Case No.: 4:21-cv-09733-DMR

5. **Government Code Section 54956.95 (a)**
Conference with Legal Counsel – Litigation

Name of Case: Tanigawa, Mary (Bettencourt) v. City of San Leandro
Court: United States District Court, Northern District of California
Case No.: 3:21-cv-04093-JSC

6. **Government Code Section 54956.95 (a)**
Conference with Legal Counsel – Pre-Litigation

Name of Case: Maselli's Hardware et al (East Street Flood) v. City of Petaluma
Court: N/A
Case No.: DOL 10-24-2021

7. **Government Code Section 54956.95 (a)**
Conference with Legal Counsel – Pre-Litigation

Name of Case: Ramirez, Nancy et al (Clay Street Flood) v. City of Fairfield
Court: N/A
Case No.: DOL 10-24-2021

III. ACTION ON CLOSED SESSION ITEMS

- Closed session item #7 Ramirez v. Petaluma was removed from the agenda.
- The Board of Directors conferred with staff regarding litigated claims.

IV. PRESENTATIONS

- A presentation was given by Nikki Aguon and Lisajoy Calgari from the City of Livermore Police Department. They gave an overview to the Board of Directors about their Comfort Dog Service Program and introduced the service dogs Tater & Murphy.
- A presentation was given by Steve Brewer, Executive of Risk Solutions and Alec Henderson, Director of Business Development, Risk Solutions from Benchmark Analytics to the Board of Directors.

VI. THIS TIME IS RESERVED FOR MEMBERS OF THE PUBLIC TO ADDRESS THE BOARD OF DIRECTORS ON MATTERS OF BOARD BUSINESS. STATE LAW PROHIBITS ACTION BY THE BOARD ON NON-AGENDA ITEMS.

VII. COMMUNICATIONS

A. Board Members
B. General Manager/Secretary
C. Next Scheduled Meetings: Executive Committee (06/15/2023) to be rescheduled
Board of Directors (08/17/2023) Zoom

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VIII. APPROVAL OF MINUTES

- A motion was made by Director Ehrenstrom and seconded by Director Meggers-Smith to approve the minutes from the Board of Directors meeting held on March 16, 2023, and special Board of Directors meeting held on May 3, 2023. Directors Shen, Milton, Schwarz, Hamilton, Jensen, Harryman, Leahy, Ebersole, Marquez, Bolman, Stephenson, Blanquie, Michaelson, Rivas, Martel and Lubben approved the motion. Chico and San Rafael were absent. Motion passed.

IX. CONSENT CALENDAR

1. **Additional Covered Party Certificates Approved by the General Manager**

2. **Settlement of Claims Discussed in Closed Session**

3. **Status Update on General Manager's Goals and Objectives**

4. **Financial Report of CJPRMA as of February 28, 2023**

5. **Business Calendar for 2023**

6. **New Board Members/Alternates**

- A motion was made by Director Ehrenstrom and seconded by Director Lubben to approve the consent calendar Directors Shen, Milton, Schwarz, Hamilton, Jensen, Harryman, Leahy, Ebersole, Marquez, Bolman, Stephenson, Blanquie, Michaelson, Rivas, Martel and Meggers-Smith approved the motion. Chico and San Rafael were absent. Motion passed.

X. ACTION (A) AND INFORMATION (I) CALENDAR

7. **Election of Non-Officer Executive Committee Member (A)**

The Bylaws state that a non-officer director must have served on the board for at least twelve (12) consecutive months preceding the date of the election to be eligible for the office. The following is a list of board members who qualify for election:

Vincent Ewing, Chico	Erika Milton, Fairfield
Dan Sodergren, LPFD	Laura Marquez, Richmond
Megan Stephenson, San Leandro	Jen Martel, Sunnyvale
GeorgeAnne Meggers-Smith, Vacaville	Barbara Lubben, YCPARMIA

The candidate receiving the greatest plurality of votes will be elected to that position. In the event of a tie, those not involved in the tie will be eliminated and the remaining candidates will be the subject of a runoff election. If unsuccessful after the runoff, the election for that office will start again with all the candidates eligible (Article III – Bylaws).

- Director Meggers-Smith, Vacaville, Director Marquez, Richmond, and Director Martel, Sunnyvale removed their names from the ballot. Each member entity present received a paper ballot to record their vote. The ballots were tallied by Board Counsel, Byrne Conley and General Manager, Tony Giles. Chico and San Rafael were absent. Director Barbara Lubben, YCPARMIA received the most votes and elected to the Executive Committee position beginning 7/1/2023 through 6/30/2025.

8. Appointment of the Treasurer (A)

Article III of the Bylaws requires that the Treasurer be reappointed in even-numbered years. The appointment is for a two-year term. Following the death of Roger Carroll, the position of Treasurer is vacant.

Article III states:

> "The *Treasurer* will be appointed, by most of the *entire Board*, and shall serve at the pleasure of the *Board*. The term of *Treasurer* shall be two years, with appointments being made in the even number years, subject to the pleasure of the *Board*. The *Treasurer* may vote on matters before the *Board*, *Executive* or other appointed committees only if he/she is also a *director* serving in the appropriate capacity."

The Bylaws do not require that the Treasurer be a member of the Board of Directors, and they do not preclude a staff member from serving in the role. The duties of Treasurer are detailed in Article VI of the Bylaws:

> "The duties of the Treasurer shall be those specified in sections 6505.5 or 6505.6 of the California Government Code, to receive and safekeep all money coming into the treasury, to comply with all laws governing the deposit and investment of funds, and to approve the monthly financial report to the *Board* summarizing receipts, disbursements, and fund balances, along with a listing of all investments and other duties as specified by the *Board*."

These are all duties that the Finance Officer can perform. It is not uncommon in public agencies for an employee in the Finance Department to perform treasury duties. Government Code 6505.6 specifically authorizes public entities to appoint a staff member as Treasurer,

"In lieu of the designation of a treasurer and auditor as set forth in Section 6505.5, the agency or entity may appoint one of its officers or employees to either or both of such positions."

The California Joint Powers Insurance Authority (CJPIA) has its Finance Director serve as Treasurer, and the Schools Excess Liability Fund (SELF) has its Chief Financial Officer serve as Treasurer.

- A motion was made by Director Ehrenstrom and seconded by Director Milton to appoint Vahe Hovakimian, CJPRMA Finance Officer as Treasurer. Directors Shen, Schwarz, Hamilton, Jensen, Leahy, Ebersole, Marquez, Bolman, Stephenson, Blanquie, Michaelson, Rivas, Martel, Meggers-Smith and Lubben approved the motion. Chico and San Rafael were absent. LPFD was not present at the time of voting. Motion passed.

9. Report from the Investment Manager (I)

Bill Dennehy, of Chandler Asset Management, was present to discuss the portfolio and our investment strategy. In addition, he provided an update on economic factors that have had a direct impact on the investments.

Pool investments are managed by Chandler Asset Management. The assets are held in CJPRMA's bank custody account managed by the Bank of New York.

The investment program is divided into three parts. The Loss Payment Account is utilized to provide funds for operating expenses and the payment of losses. The Loss Payment Account invests in high grade securities with a maximum maturity of 5 years. Both Long Term Growth Accounts are utilized to provide long term asset growth in order to offset inflation. The maturity range of their investments is a maximum of ten years.

As of April 30, 2023, the Loss Payment Account was valued at $11,583,632. This was a decrease of $3,905,227 from its valuation of $15,488,859 on January 31, 2023. Consistent with the prior reporting period, transaction activity in the portfolio was muted as the majority of the allocation remains in LAIF and the money market sweep vehicle in anticipation of cash flow needs. $4 million was withdrawn from the Loss Payment Account during the reporting period.

As of April 30, 2023, the Long Term Growth Account / Tactical was valued at $13,936,224. This was an increase of $155,863 from its valuation of $13,780,361 on January 31, 2023. Several securities were purchased across the Agency, Asset Backed, and corporate portions of the allocation. The purchased securities ranged in maturity from November 2025 to March 2028. One security was sold, one was called, and one matured to help facilitate the new holdings in the portfolio.

As of April 30, 2023, the Long Term Growth Account was valued at $28,990,439. This was an increase of $276,728 from its valuation of $28,713,711 on January 31, 2023. Transaction activity in the portfolio was light during the reporting period as the Chandler team was focused on keeping the portfolio more conservatively positioned in anticipation of imminent cash flow needs across the three CJPRMA portfolios. Two securities were purchased, one Treasury note, and one Agency backed Mortgage security, both at the long end of the maturity distribution. One security maturing in August 2028 was sold to help facilitate the new holdings.

The investments in all accounts comply with CJPRMA's investment policy.

- This items was for information only.

10. Approve Revised Salary Schedule (A)

In April 2004, the Board of Directors adopted a policy to review and adjust staff salaries and benefits every two years. The most recent salary survey was conducted in 2021. In the year alternating years between salary surveys, staff receive cost of living increases based on CPI. The results of that review are presented herein. The general manager is not included in this salary survey.

Per policy, the following agencies were used as benchmarks for the survey: Alameda, PRISM, Fremont, Livermore, MPA, Palo Alto, Pleasanton, Richmond, Santa Rosa, Stockton and Sunnyvale.

CJPRMA Management Analyst Marcia Hart collected the information for the survey. She used publicly available information from agency websites and direct contact with staff when needed. The general manager reviewed the results for completeness.

In January 2023, the Risk Management Analyst position was converted to Management Analyst. The survey uses the same benchmarks that were used for the Risk Management Analyst position. Also, the Executive Assistant position was converted to Excess Claims Adjuster. To retain cost neutrality for this change, the survey used the benchmarks for the Executive Assistant for the Excess Claims Adjuster compensation.

At its April 20, 2023, meeting, the Executive Committee approved the revised salaries based on the results of the salary survey. Staff recommends that the Board of Directors approve the revised salary schedule.

<u>Salary Ranges</u>
The comparator for the survey is the median of top-step base salary, plus health and welfare contribution by employer and a deduction for employee contribution to retirement. This is the model that has been used since 2004.
The following are recommendations for each classification within CJPRMA:

<u>Administrative Assistant</u>
The existing top step total compensation of $7,445/month is $296 (4.0%) below the top step median total compensation from the survey. An adjustment is required.

<u>Excess Claims Adjuster</u>
The existing top step total compensation of $9,605/month is $86 (0.9%) above the top step median total compensation from the survey. An adjustment is not required.

<u>Management Analyst</u>
The existing top step total compensation of $10,748/month is $446 (4.2%) below the top step median total compensation from the survey. An adjustment is required.

Finance Officer
The existing top step total compensation of $15,146/month is $1,384 (9.1%) below the top step median total compensation from the survey. An adjustment is required.

Claims Administrator
The existing top step total compensation of $15,416/month is $185 (1.2%) below the top step median total compensation from the survey. An adjustment is required.

Position	Current Top Step Salary	New Top Step Salary	New Total Comp	Survey Median
Administrative Assistant	$6,159	$6,480	$7,741	$7,741
Excess Claims Adjuster	$8,507	$8,507 (no change)	$9,605 (no change)	$9,519
Management Analyst	$9,749	$10,234	$11,194	$11,194
Finance Officer	$14,529	$16,034	$16,530	$16,530
Claims Administrator	$14,529	$14,729	$15,330	$15,330

- A motion was made by Director Rivas and seconded by Director Ehrenstrom to approve the modified staff salary schedule to be effective July 1, 2023. Directors Shen, Milton, Schwarz, Hamilton, Jensen, Harryman, Leahy, Ebersole, Marquez, Bolman, Stephenson, Blanquie, Michaelson, Martel, Meggers-Smith and Lubben approved the motion. Chico and San Rafael were absent. Motion passed.

11. Approval of the Proposed Administrative and Direct Program Budget for Fiscal Year 2023-2024 (A)

The proposed budget for fiscal year 2023-2024 and the fiscal year 2022-2023 Budget Variance Report were presented to the Directors.

The budget is divided into two parts: (1) Administrative Budget and (2) Direct Program Expenditures.

The Administrative Budget is current year expenditures and consists of three sections: personnel, operations and capital outlay.

Direct Program Expenditures are operating costs directly associated with the coverage program. The direct program budget does not have a direct effect on the current year income since these costs are charged against the liability account for claim expenses accrued per actuarial studies in previous years but does show potential cash flow impact.

Current Budget FY 2022-2023
The approved administrative budget for the fiscal year 2022-2023 is $1,969,778. It is projected that expenditures will come to about $104,534 (5.3%) under budget due in large part to a partial year position vacancy in addition to unspent Capital Outlay funds.

Personnel: $51,728 (4.3%) under budget.

Operations: $20,281 (4.0%) under budget.

Building Operations: $17,475 (8.9%) over budget.

Capital Outlay: $50,000 (100%) under budget.

The Direct Program Budget is estimated to be $118,273 (10.5%) under expected. This is primarily due to lower than anticipated legal payments. At the excess level it is difficult to gauge what the direct program payments will be; this is always an approximation. The legal expenses do not impact the current year income since these were expensed in prior program years. The asset management fees are paid from the investment income.

Funding: FY 2022-2023

Administrative funding from liability premium	$1,600,000
Property & APD Admin Fee	35,000
DaVita rental income	192,712
DaVita/Golden Gate CAM and PG&E payments	170,866
Total Funding	1,998,578
Projected Administrative Expenses	1,865,244
Favorable position	$133,333

The administrative budget positive variance of $133,333 was due to a partial year vacancy as well as unspent capital outlay funds.

Proposed Budget FY 2023-2024:

The proposed administrative budget for 2023-2024 increases by $141,588 (7.2%) to $2,111,366.

Personnel: $79,788 (6.6%) increase

- Salaries: $62,139 (7.4%) increase
- Benefits/Expenses: $17,650 (4.7%) increase

Operations: $23,000 (4.5%) increase

- Office Expenses: No change
- Professional Services: No change
- Board Related Expenses: $23,000 (28%) increase
- Building Ops: $53,800 (27.4%) increase

Capital Outlay: $35,000 (30%) decrease

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Direct Program Expenses: No change

Funding: FY 2023-2024

Approved administrative funding	$1,700,000
Property & APD Admin Fee	35,000
DaVita rental income	198,507
DaVita/Golden Gate Cam and PG&E	180,000
Total Funding	2,113,507
Projected Administrative Expenses	2,111,366
Favorable position/(unfavorable)	$2,141

- A motion was made by Director Ehrenstrom and seconded by Director Lubben to approve the proposed FY 2023-24 administrative and direct program budgets. Directors Shen, Milton, Schwarz, Hamilton, Jensen, Leahy, Ebersole, Marquez, Bolman, Stephenson, Blanquie, Michaelson, Rivas, Martel and Meggers-Smith approved the motion. Chico and San Rafael were absent. LPFD was not present at the time of voting. Motion passed.

12. Approval of Insurance Renewals for Program Year 2023-2024 (A)

Since the beginning of the hard market, many insurance carriers have not been releasing quotes or pricing indications more than 30 days prior to renewal. As of May 31, 2023, we do not have complete information on all programs to present the fully quoted program in this agenda bill. Staff will have a proposed program available for Board review and approval at the June 7, 2023, meeting. Alliant is working with the market to get as many programs as possible quoted by June 7. The general manager will update the Board of Directors on the status of all programs during the meeting.

Casualty Program

Safety National expressed an interest in working with CJPRMA as a liability reinsurer. CJPRMA staff met with representatives of Safety National in February and in May. Safety National only quoted the lead layer of $5 million excess of CJPRMA's retention of $7.5 million. They only provide reinsurance if they can participate in the lead role. Safety National has a rich offering of loss control services available for its insureds, and it is also offering $100,000 to CJPRMA to spend on loss control.

Munich Re originally quoted for the lead layer at $7,283,844. Safety National quoted $5,722,039. After Safety National quoted, Munich Re reduced its quote to $5,827,633.

However, that quote also included an annual aggregate deductible (AAD) of $1,400,000. Safety National's quote was less than Munich Re's revised quote, and it did not include an AAD. Munich Re is not limited to participating only in the lead layer, and they provided a quote for the second layer. Although Munich Re will no longer be the lead reinsurer on the program, CJPRMA can continue the longstanding relationship that it has with them.

Carrier	Premium Quote	Layer	Cost per $1M
Safety National	$5,722, 039	$5M xs $7.5M	$1,144,408
Munich Re	$4,475,000	$5M xs $12.5M	$895,000
Applied Underwriters	$1,600,000	$2.5M xs $17.5M	$640,000
Chubb	$1,249,755	$5M xs $20M	$249,951
Everest	$1,240,000	$5M xs $25M	$248,000
SCOR	QUOTE PENDING	$5M xs $30M	PENDING
AWAC	QUOTE PENDING	$5M xs $35M	PENDING

We are still waiting for final quotes from SCOR and AWAC. We should have quotes from both before the June 7, 2023, Board meeting. If we have not received those quotes, staff will present a program based on best estimates and indications from the carriers and request authority to bind coverage based on a "not to exceed" basis.

- A motion was made by Director Hamilton and seconded by Director Leahy to authorize the general manager to bind casualty reinsurance program at a cost of $15,767,799, with Safety National in the lead layer and Munich Re in the second layer. Directors Shen, Milton, Jensen, Sodergren, Ehrenstrom, Ebersole, Marquez, Bolman, Stephenson, Blanquie, Michaelson, Rivas, Martel, Meggers-Smith and Lubben approved the motion. Chico and San Rafael were absent. Fremont was absent at the time of voting. Motion passed.

CJPRMA Office Policy/Difference in Condition (DIC)/Crime

Robert Lowe, Alliant Insurance Services was present to discuss the Office policy with the Board of Directors.

- A motion was made by Director Blanquie and seconded by Director Rivas to authorize the general manager to bind CJPRMA office/DIC/crime policies and not to exceed $44,320. Directors Shen , Milton, Hamilton, Jensen, Sodergren, Ehrenstrom, Leahy, Ebersole, Marquez, Bolman, Stephenson, Michaelson, Martel, Meggers-Smith and Lubben approved the motion. Chico and San Rafael were absent. Fremont was absent at the time of voting. Motion passed.

Property Program/Boiler and Ancillary Programs

The 2022-2023 property program is structured with primary limits of $25 million and excess limits of $375 million; 74% of the primary layer is placed in the London market with Lloyd's of London syndicates, and 26% is placed with domestic insurance carriers. Excess limits are provided by the Alliant Property Insurance Program (APIP) structure; the primary layer mirrors the coverage in the APIP program.

Initial feedback from the carriers was positive, but property program members reported four new claims while the submission was in the hands of the underwriters. As of May 31, 2023, the carriers have not issued their quotes, but we expect the new claims to have a negative impact on pricing. Also, the markets requested that property valuations increase by 15 percent. We initially balked at this; however, early results from the appraisals indicate that the property program is

undervalued. The total property premium will reflect the 15 percent increase in values plus any increases in rate compared to program year 2022/23.

Associated with the property program, CJPRMA purchases the following ancillary coverages: terrorism, cyber liability, excess boiler and machinery, pollution liability, deadly weapon, and drone liability.

- A motion was made by Director Marquez and seconded by Director Rivas to authorize the general manager to bind property and ancillary programs at a cost not to exceed $13,607,326. Only the 15 Property Program members voted: Directors Shen, Milton, Hamilton, Jensen, Leahy, Ebersole, Bolman, Stephenson, Blanquie, Martel and Meggers-Smith approved the motion. Chico and San Rafael were absent. Motion passed.

<u>Auto Physical Damage</u>

The auto physical damage program (APD) is insured by Hanover Insurance Company. Participants reported 3 losses with a total value of $15,766 to date this program year.

Hanover has provided two options for renewal. One keeps the current deductible of $10,000 with a rate increase of eight percent (8%). The other option is for no increase in rate and an increase in the deductible to $25,000.

Premium and Exposure Summary

Expiring	FY 22-23		
@$10K Deductible	Values	Rate	Annual Premium
Auto Physical Damage	$269,001,563	0.340	$914,605
Contractor's Equipment	$32,362,960	0.343	$110,893
	$301,364,523		**$1,025,498**

Option 1	FY 23-24		
@$10K Deductible	Values	Rate	Annual Premium
Auto Physical Damage	$299,508,808	0.367	$1,099,197
Contractor's Equipment	$38,405,594	0.369	$141,865
	$337,914,402		**$1,241,062**

Option 2	FY 23-24		
@$25K Deductible	Values	Rate	Annual Premium
Auto Physical Damage	$299,508,808	0.340	$1,018,330
Contractor's Equipment	$38,405,594	0.342	$131,428
	$337,914,402		**$1,149,758**

NOTE: Premiums do not include Terrorism

While Hanover is not requiring that the deductible increase to $25,000, this is a strong signal that this might be required in the future, maybe even as early as next year.

- A motion was made by Director Martel and seconded by Director Meggers-Smith to authorize the general manager to bind the auto physical damage program with a deductible of $10,000 at a cost of $1,241,062. The 11 APD Program members voted: Directors Shen, Hamilton, Sodergren, Jensen, Leahy, Ebersole, Marquez and Stephenson approved the motion. Chico was absent. Motion passed.

13. Cash Assessment for Liability Program (I)

How We Got Here

Beginning with program year 2018/19, CJPRMA began to experience a steady decline in its net position in the liability program. The table below shows the net position for program years 2017/18 through 2021/22:

Evaluation Date	Net Position
6/30/2018	$22,052,565
6/30/2019	$4,059,956
6/30/2020	($5,153,964)
6/30/2021	($23,315,095)
6/30/2022	($33,351,480)

There were several reasons for the decline. First, the claims environment in California changed significantly, with higher verdicts becoming more prevalent, which also resulted in higher settlements. Changing public sentiment regarding law enforcement, social inflation, and third-party litigation funding all contributed to this. Also, CJPRMA had developed an actuarial method that used a ten-year rolling average of claims to determine funding rates for the liability program. This provided consistency and smoothing for pool members, but it was not sufficient to quickly adapt to a changing environment. In 2018, CJPRMA hired a new general manager and claims administrator. During the first year of their tenure, they discovered that many claims had reserves that were not adequate for the new environment. During her first year at the pool, the claims administrator reviewed and updated reserves on all open claims. This was an important task, but it resulted in higher liabilities for the pool.

The Board of Directors recognized that it needed to take action to address the eroding equity position of the pool. At its December 10, 2020, meeting the Board approved a three-year program to address the net position. These were the items approved by the Board:

- PY 2021/22 return to the conventional method of funding
- PY 2021/22 decrease the discount rate from 2% to 1%, review annually
- PY 2021/22 increase the confidence level to 75%
- PY 2022/23 eliminate the $500,000 SIR
- PY 2022/23 increase the confidence level to 80%
- PY 2023/24 increase the confidence level to 85%

Prior to 2020, the Board had approved applying excess equity to program years with negative equity rather than issuing redistributions. Also, the pool kept investment income in the program rather than using it to reduce premium.

Pool staff and the Board of Directors had hoped that these efforts would be sufficient to avoid the need for an assessment in the liability program. The continued decrease in the net position indicates that these changes alone have not been enough. These changes are important, and they should help the pool collect adequate contributions for the liability program in the future,

but it has not had much impact on the past.

At its strategic planning meetings in October 2022, the Board of Directors identified "Be in a positive net position by June 30, 2025" as its number-one strategic priority. On December 12, 2022, the Board approved the strategic plan with that priority.

Assessment

The CJPRMA by-laws defines a cash assessment as "an amount determined by the *Board of Directors* to be paid by each member entity as necessary to meet the *Authority's* obligations." The bylaws continue, "A two-thirds vote of the entire Board is required to levy a cash assessment for any pooled coverage program."

Article XII of the by-laws addresses assessments:

> "Upon a two-thirds vote of the *entire Board*, the *Board* shall have the authority to levy a *cash assessment* for any *pooled coverage program*. There must be a finding by the *Board* that there are insufficient funds available to the *Authority* to meet its legal obligations.
>
> A *cash assessment* shall be directed only to those *member entities* or former *member entities* which participated in the *pooled coverage program* during the *program year* in which the *covered loss*, causing the assessment, was incurred.

Any costs, including attorney fees incurred by the *Authority* in collecting any *cash assessment*, shall be reimbursed in full by the *member entity* against which such collection action has been taken."

Article XVIII of the CJPRMA Joint Powers Agreement also addresses assessments:

> "The *Board* by a two-thirds vote of the entire body shall have the authority to levy a *cash assessment* upon a determination that it is necessary to meet the *Authority's* obligations.
>
> All *cash assessments* shall be determined and payable in accordance with the policy contained in the Bylaws."

The Joint Powers Agreement also discusses the effect of assessments on former members of the pool. Former members of the pool are still responsible to pay any cash assessment for program years in which they participated:

> "The withdrawal or expulsion of any *member entity* after the inception of its participation in the *Authority* or any *pooled coverage program* shall not terminate its responsibility:
>
> A. to cooperate fully with the *Authority* in determining the cause of losses and in the settlement of *claims* incurred during the coverage period, as defined in the *Memorandum of Coverage*;

B. to pay any cash assessments or other amounts determined by the *Board* to be due and payable for each *program year* of each program in which it participated until all *claims*, or other unpaid liabilities, covering such periods have been finally resolved;"

Potential Cash Assessment

Staff is not recommending that the Board of Directors levy a cash assessment at this time. However, an assessment is one solution to CJPRMA's net equity problem. This agenda bill is intended to provide information on the magnitude of an assessment and the potential financial impact to the members. The information provided in the attached tables shows what the cost of an assessment could be, but staff will refine the numbers before requesting the Board of Directors approve an assessment.

As you can see in the table above, the deficit as of June 30, 2022, was $33,351,480. Staff selected program years 2012/13 through 2016/17 for the potential assessment. All of these years are currently in deficit, and the total amount of deficit for those program years is $33,630,917, which closely aligns with the current deficit. Former members City of Vallejo and REMIF participated in all these program years and would be subject to the assessment. The general manager has contacted both agencies to inform them of the likelihood of a future assessment.

If the Board levies an assessment, it will need to make some decisions.

1. When to declare the assessment. Once the assessment is declared, the pool will be able to book that receivable as an asset, eliminating the current deficit.
2. When to start payments. Member agencies will need to budget for the cost of any assessment, so the earliest payment should be no sooner than July 1, 2024. Staff is providing financial information early so that members can start budget planning now. The assessment could be levied earlier than July 1, 2024, with payment approved for a later date.
3. How long to allow payment of the assessment. The Board could require the assessment be paid immediately or over a period of time. Some pools have spread assessments over as long as ten years to reduce the cost in any given year. Staff will conduct cash flow analysis before recommending a time frame to ensure that sufficient funds are received in time to make anticipated claim payments.
4. If the assessment is spread over time, the Board might consider offering a discount for immediate payment. The rate would likely be the discount rate that we use for the actuarial study, which is currently one percent.
5. Whether to charge annual interest if the assessment is spread over time.

Alternatives to Assessment

Extra Payments

One option to eliminate the deficit would be to just add an additional charge to the annual member contribution for a number of years. For example, for a $33 million deficit, the pool could

just charge an additional $3.3 million dollars on top of regular contribution each year for ten years. The upside of this approach would be its simplicity. Also, it would be flexible; it could be revised each year if the net position improves. However, this approach would only affect current members of the pool and not require contribution from former members who participated in the deficit years.

Loss Portfolio Transfer
Loss Portfolio Transfer (LPT) is another option to reduce the deficit. LPT is a mechanism by which CJPRMA could reduce liabilities by ceding a portion of our reserved losses to a reinsurer. The reinsurer would take on the risk of the loss and the reserves. With LPT, CJPRMA would be able to remove losses from the books, improving the net position. However, depending on the negotiated LPT contract, CJPRMA could be required to pay more if the losses turn out worse than expected. This method would not require contributions from former members who participated in the deficit years.

Robert Lowe, CJPRMA's Alliant broker, discussed the possibility of LPT with Kevin Bibler at Alliant. Kevin helped PRISM with a LPT in one of their liability programs. His opinion was that CJPRMA's deficit is not large enough for LPT to be cost effective. The PRISM LPT was more than $100 million. The general manager and the finance officer discussed assessments with Jim Marta of James Marta & Company. Jim is well known in the pooling community, and he has served in financial roles for a number of pools. He did not view LPT as a good option for CJPRMA. He believes that the cost would not be worth it for CPRMA compared to declaring an assessment.

Debt
Jim raised another possibility to address the deficit which is borrowing in the form of issuing bonds. He did not suggest that we do this. He said that the cost of issuing debt would be too great for it to make sense for CJPRMA. He estimated that it would cost $1 million or more for CJPRMA to issue bonds. Also, issuing debt would not require any contribution from former members who participated in the deficit years.

- This item was for information only. The Board suggested that the Board President appoint an ad hoc committee to do continued work with staff on addressing the deficit and reevaluating the premium allocation policy.

14. COVID-19 Business Interruption Claim (A)

In March 2020, the State of California ordered shutdowns of all but non-essential operations in the state due to the COVID-19 pandemic, and CJPRMA member entities were required to cease many operations. This resulted in business interruption losses for members, and the shutdown of private businesses resulted in tax revenue interruption losses for members. CJPRMA members did not suffer actual physical damage to their real property due to the governmental shutdowns.

Since there was no physical damage, there was no coverage in the property insurance standard insuring agreements of the property insurance program. However, the program included a

communicable disease endorsement that specifically provided coverage for losses due to business interruption arising from governmental shutdown related to communicable disease. The endorsement did not provide coverage for tax revenue interruption. Coverage under this endorsement was limited to a $2,000,000 aggregate sublimit for all CJPRMA property program members.

In September 2020, CJPRMA filed a property insurance claim on behalf of all property program members for program year 2019/20. In program year 2019/20, Lloyd's of London provided 74 percent of the primary layer of $25,000,000 in the property program, and its coverage included the communicable disease endorsement. Hallmark provided 20 percent of the primary layer, and its insurance policy incorporated the language from the communicable disease endorsement. RSUI provided 6 percent of the primary layer. However, the RSUI policy did not include the language from the communicable disease endorsement. In fact, the RSUI policy contained a specific pathogenic materials exclusion, and they denied coverage on the claim filed by CJPRMA.

Rather than require the members to provide proof of loss for their business interruption claims, Lloyd's of London and Hallmark elected to pay out their portions of the full $2,000,000 sublimit for the communicable disease coverage and allow CJPRMA determine how to allocate those proceeds. The general manager executed settlement agreements with Lloyd's of London for $1,480,000. As stated above, RSUI denied the claim. The general manager, Alliant, and McLarens (the adjusting firm) do not dispute that this was a valid denial of coverage.

Hallmark had initially agreed to a settlement of $400,000, and CJPRMA completed a proof of loss. Before issuing the check, Hallmark lost its A.M. Best rating and was acquired by Core Specialty Insurance. Core Specialty is taking a closer look at this loss before it issues payment. The general manager anticipates that Hallmark/Core Specialty will pay the $400,000, but that check has not been issued yet.

The total recovery on this claim including Hallmark's portion would be $1,880,000.

- A motion was made by Director Milton and seconded by Director Rivas to approve the COVID-19 business interruption settlement payment to property program members for program year 2019/20 according to each member's percentage of total insured value in the program year and once the final payment of $400,000 is received. The 15 Property Program members voted: Directors Shen, Hamilton, Jensen, Leahy, Ebersole, Marquez, Bolman, Stephenson, Blanquie, Martel and Meggers-Smith approved the motion. Chico and San Rafael were absent. Motion passed.

15. Approval of Meeting Calendar for 2024 (A)

- A motion was made by Director Rivas and seconded by Director Leahy to approve the meeting schedule for 2024 but find new dates for the Executive Committee meetings because YCPARMIA was voted onto Executive Committee, but YCPARMIA Board meetings are held on the same days as Executive Committee meetings. Directors Shen, Milton, Schwarz, Hamilton,

Jensen, Ehrenstrom, Ebersole, Marquez, Bolman, Stephenson, Blanquie, Michaelson, Martel, Meggers-Smith and Lubben approved the motion. Chico and San Rafael were absent. LPFD was not present at the time of voting. Motion passed.

16. Approval of Holiday Calendar for 2024 (A)

- A motion was made by Director Ehrenstrom and seconded by Director Martel to approve the 2024 holiday calendar for CJPRMA staff. Directors Shen, Milton, Schwarz, Hamilton, Jensen, Leahy, Ebersole, Marquez, Bolman, Stephenson, Blanquie, Michaelson, Rivas, Meggers-Smith and Lubben approved the motion. Chico and San Rafael were absent. LPFD was not present at the time of voting. Motion passed.

17. Report Out from Claims Committee (I)

The CJPRMA claims committee met on April 13, 2023. Claims Administrator, Marinda Griese, prepared a report on four closed claims and lessons to learn from them. A copy of the report was provided to the Board of Directors for review.

- This item was for information only.

18. Update on Industry and Legislative Initiatives (I)

At its strategic planning meeting in October, the CAJPA Board identified more aggressive legislative efforts as its highest priority goal. This goal was tied with a related goal of building on and furthering the CAJPA Data Collection Project. The CAJPA Board intends to ratify the strategic plan at its June 28, 2023, meeting. CJPRMA will continue to partner with other pools in collective efforts through CAJPA. Marinda Griese, claims administrator, is Vice President of the CAJPA Board, so CJPRMA will continue to have direct influence and input on CAJPA legislative work.

- This item was for information only.

19. Report out from Member Engagement Committee (I)

The CJPRMA Member Engagement Committee met on May 15, 2023. The members of the Member Engagement Committee are:

- Bev Jensen, City of Lodi Director and Board President
- Erika Milton, City of Fairfield Director
- Elizabeth Mackenzie, City of Alameda Alternate
- Jordan Green, City of Petaluma Alternate

At the May 15 meeting, the committee discussed is meant by engagement. Evidence of an engaged Board of Directors includes attendance, speaking up in meetings, offering opinions, and sharing knowledge and experience with other members of the pool.

The committee also discussed some of the barriers to engagement and ways to overcome those barriers. Some members might not participate because they might feel that they do not have sufficient knowledge or experience to participate in discussions of technical issues. One way to overcome that would be for the pool to produce training materials to help members with less experience be better prepared for such topics.

The committee also acknowledged that members might feel more engaged if they know the other Directors and Alternates better. Some methods to address include doing introductions at all Board of Directors meetings, conducting icebreaker activities, using technology (instant messaging apps, for example) to facilitate easier communication, assigning experienced Directors as mentors/buddies when new Directors/Alternates attend their first Board meeting, and asking members to report about their risk management programs at Board meetings.

The City of Petaluma provided a report on their risk management program, including the success of their wellness program.

The committee is scheduled to meet on the third Monday of each month, 10:00 – 11:00 a.m., via Zoom.

- This item was for information only.

20. Risk Management Issues (I)

- This agenda bill was removed from the agenda.

XI. ADJOURNMENT – President Jensen adjourned the meeting at 12:20 P.M. on Thursday 6/8/2023.

Per Government Code section 54954.2, persons requesting disability-related modifications or accommodations, including auxiliary aids or services to participate in the meeting, are requested to contact CJPRMA at (925) 837-0667 24 hours in advance of the meeting.