

CENTRAL SAN JOAQUIN VALLEY RISK MANAGEMENT AUTHORITY

MINUTES OF THE TWENTY-FOURTH ANNUAL RETREAT
MEETING OF FEBRUARY 26-27, 2009

The Central San Joaquin Valley Risk Management Authority's (CSJVRMA) Twenty-Fourth Annual Retreat was held on February 26-27, 2009, at the Seascape Resort, Aptos, California.

COMMITTEE MEMBERS PRESENT: Leon Compton, President, Ripon
Bill Lewis, First Vice President, Woodlake
Jeff Cardell, Second Vice President, Clovis
Dave Elias, Past President, Fowler
Ken Walker, Treasurer, Lindsay
Joe Donabed, Hughson
Linda Abid-Cummings, Riverbank
Greg Applegate, Sonora
Tim Przybyla, Kerman
Wendy Silva, Madera
Felix Ortiz, Exeter
Jo Barrick, Shafter
Bob Wilburn, Maricopa

COMMITTEE MEMBERS ABSENT: Lois Hull, Selma

ALTERNATE MEMBERS PRESENT: Cruz Ramos, San Joaquin
Margee Fallert, Tulare

ALTERNATE MEMBERS ABSENT: Mike Barrows, Sonora

OTHERS PRESENT: Jeanette Workman, Administrator
Mary Ann Reilly, Board Secretary
Linzie Kramer, Litigation Manager
Tammy Vitali, Workers' Compensation Program
Manager
Tom Kline, Risk Control Manager
Jim Elledge, Director of Accounting and Finance
Services, Bickmore Risk Services
Mike Harrington, Actuary, Bickmore Risk Services,
(Departed after item 8.C.)
Charlotte Hemker-Smith, Legal Counsel
Dominic Russo, AIMS
Dave Whiteside, AIMS
Mary Kelly, Angels Camp
Margaret Silveira, Gustine
Katie Lemons, Lathrop
Cary Keaten, Lathrop
Lauri Robison, Maricopa
Gerald Forde, McFarland
D-B Heusser, Selma
Jim Zervis, Wasco

1. INTRODUCTION

A. Welcome and Summary by President

The meeting was called to order on February 26, 2009, at 9:00 a.m. by President Leon Compton. Introductions of those present took place. President Compton welcomed all members and asked that Agenda item 1.B., the Group Exercise, be moved to the end of the day. President Compton explained that the group exercise helps illustrate leadership style and personality traits and noted that he personally has found the exercise very helpful.

2. APPROVAL OF AGENDA AS POSTED (OR AMENDED)

Bob Wilburn moved to approve the agenda as amended. Seconded by Dave Elias. Motion passed unanimously.

3. PUBLIC COMMENTS

None.

4. POOLED LIABILITY PROGRAM

A. Primary Coverage

Ms. Jeanette Workman reported that the agenda format was changed this year to encompass all program information in one section including primary, excess, financial, and safety and training information. Ms. Workman also noted that as most graphs are for information only, staff will briefly review and encouraged members to ask questions.

Ms. Workman reviewed various graphs pertaining to the Pooled Liability Program (PLP) with the Executive Committee. The first \$1 million is self-insured through the PLP with excess coverage provided through the California Affiliated Risk Management Authorities (CARMA).

Ms. Workman noted that CARMA is considering offering members a \$2 million self-insured retention (SIR) for program year 2009/10. As soon as CARMA rates are available, staff will study the feasibility of increasing the CSJVRMA's SIR and will provide a recommendation to the Committee in March 2009 in conjunction with the budget discussion.

In response to the review of a graph depicting the loss rate per \$100 of payroll, Ms. Jo Barrick, City of Shafter, questioned how payroll affects premium. Ms. Workman explained that premium is weighted based 50% payroll, 25% Census, and 25% population, along with a built-in experience modification factor.

Ms. Workman explained that both the Liability Program and Workers' Compensation Program Contingency Funds were originally funded through bond proceeds. At the time of instituting these funds it was anticipated that the bond proceeds would fund a portion of both programs for approximately ten years. Ms. Workman reported that those proceeds have funded both Contingency Funds for approximately fifteen years, and although the Workers' Compensation Program Contingency Fund is currently in a deficit position, the goal of issuing the bonds was accomplished and funds lasted much longer than anticipated.

Ms. Barrick asked if the CSJVRMA should consider another bond issuance. Discussion ensued and it was determined that currently the market conditions are not as beneficial to bond issuance as they once were due to changes in regulations regarding allowable profit. President Compton also noted that since the original bond issuance, the CSJVRMA changed their Investment Policy to allow for longer-term investments and hired Chandler Asset Management to handle and advise on these investments. Ms. Barrick asked the Committee to keep bond issuance in mind for the future should the ability and returns become more feasible.

B. Excess Coverage (CARMA and CJPRMA)

The CSJVRMA participates in CARMA for excess liability coverage. CARMA risk shares the \$3 million in excess of \$1 million layer, purchases reinsurance for the \$10 million in excess of \$4 million layer, and purchases additional excess coverage for the \$15 million in excess of \$14 million layer, for total coverage limits of \$29 million.

Prior to July 1, 2000, the CSJVRMA participated in the California Joint Powers Risk Management Authority (CJPRMA) for excess liability coverage.

As a member of both CJPRMA and CARMA, the CSJVRMA members are responsible for all assessments and eligible for all refunds for the years in which they participate in the program.

Ms. Workman reported the following:

- ❖ The CJPRMA Board approved a 2008 redistribution for program years 1986/87 through 1999/00, which will be issued in March 2009. The CSJVRMA's portion of the redistribution is \$605,245;
- ❖ The 2007 CJPRMA redistribution was \$616,342, and the Executive Committee took action to apply \$514,000 to the Pooled Workers' Compensation Fund; and
- ❖ Mr. Joe Donabed, City of Hughson, currently serves as the CSJVRMA representative on the CARMA Board and the alternate representative is Ms. Linda Abid-Cummings, City of Riverbank.

Ms. Workman noted that during the upcoming discussion of the Workers' Compensation Contingency Fund deficit, staff would be recommending the Committee apply the 2008 CJPRMA redistribution to the Workers' Compensation Contingency Fund, with those

members not participating in the Workers' Compensation Program receiving a check for their portion of the distribution.

C. Actuarial Study

Ms. Workman reported staff is recommending a discount rate of 5% for the 2009/10 program year for both the Liability and Workers' Compensation programs. Ms. Workman noted the discount rate is used in the development of funding rates and unpaid liabilities. Ms. Workman reported that in reviewing the discount rate this year, staff consulted with Mr. Cassell concerning selection of the 5% discount factor and Mr. Cassell indicated that 5% may be aggressive for a program with claims that close in less than ten years as is generally the case with the Pooled Liability Program. However, staff believes it is in the best interest of the members to continue to discount at 5% as a drop in the discount factor will have a substantial impact on the rates. Ms. Workman reported that the Pooled Liability Program has generally refunded large amounts of money through the retrospective adjustment process and any shortfall in investment income would be absorbed through this process.

Ms. Workman also reported that staff has drafted a resolution establishing a policy for setting the annual discount rate for the Pooled Liability Program and Pooled Workers' Compensation Program. The policy stipulates that on an annual basis the actuary and the investment advisor shall discuss with staff whether a change in discount rate is warranted.

Included in the meeting agenda packet was the draft Pooled Liability Program Actuarial Study prepared by Mr. Mike Harrington, Bickmore Risk Services (BRS). Mr. Harrington reviewed the study and noted that the study indicates a 5% decrease in the 2009/10 rates at the 80% confidence level over the prior fiscal year's rates for the pooled layers of coverage.

Bill Lewis moved to fund the 2009/10 program year at the 80% confidence level. Seconded by Greg Applegate. Motion passed unanimously.

Ms. Workman next brought the payroll inflation factor used in the budget process to the Executive Committee's attention. Ms. Workman reported that staff uses the calendar year payroll and inflates that payroll by 5% per annum for use in the following year's budget. However, with layoffs and furloughs being experienced by members, staff questioned whether the Committee feels the 5% per annum inflation factor is too high for the 2009/10 budget. A brief discussion ensued with the consensus reached that any inflation factor was too high and the Committee concurred to not inflate the payroll for the 2009/10 budget.

Greg Applegate moved to use the actual calendar year payroll, without an inflation factor applied, for the 2009/10 budget. Seconded by Jeff Cardell. Motion passed unanimously.

Next Ms. Workman addressed the draft resolution included in the agenda which establishes a policy for annually setting the discount factor. Ms. Workman noted the policy states the actuary and the investment advisor shall discuss whether a change in

discount rate is warranted on an annual basis. A question was raised as to whether this policy was necessary since the discount rate would continue to be brought to the Executive Committee for approval. A general consensus was reached that the current policy did not warrant a change since it was working. However, Mr. Jeff Cardell, City of Clovis, noted this process would avoid any assumptions about the steps taken to reach the recommended discount rate.

Kenny Walker moved to approve the Resolution to establish a policy for setting the annual discount rate for the Pooled Liability and Workers' Compensation Programs. Seconded by Leon Compton. Motion passed unanimously.

Mr. Cardell noted the language in the Resolution specifies that only a discussion take place between the actuary and the investment advisor and he stated he felt the policy should require more than simply a discussion.

Kenny Walker moved to amend the Resolution to state "that on an annual basis, the actuary and the investment advisor shall analyze whether a change in discount rate is warranted." Seconded by Wendy Silva. Motion passed unanimously.

D. Financial Status

Mr. Jim Elledge, Director of Accounting and Finance Services, BRS, reviewed the financial status of the Pooled Liability Program with the Committee and noted that as of September 30, 2008, the program has total assets of \$22.8 million. Mr. Elledge also reviewed a table with the Committee showing the composition of the assets, including approximately \$6.1 million projected for future retrospective refunds. Mr. Elledge also reviewed a graph showing a ten-year retrospective adjustment history with the Committee. Mr. Elledge pointed out that changes to the years still to be retrospectively adjusted would be necessary due to the most current actuarial report as presented by Mr. Harrington. Mr. Elledge also noted some years would be affected positively, while others will be affected negatively.

1. Liability Program Contingency Fund

Ms. Workman reviewed the history of the Liability Program Contingency Fund (Fund). This Fund was established effective with the 2003/04 program year. The Fund was financed by transferring the balance of monies held in the Liability Mid-Layer Pool as of December 31, 2003, into the Liability Contingency Fund. The monies in the Fund are still available to pay claims from the Mid-Layer Coverage Program, but can also be utilized for other items, upon approval by the Executive Committee, including such things as stabilizing or phasing in large actuarial rate increases and paying for major assessments received from excess JPAs.

At the June 28, 2007, Executive Committee meeting, the Executive Committee approved: 1) increasing the aggregate attachment for the Pooled Liability Program to 1.5 times a member's deposit premium, retroactive to July 1, 2006; and, 2)

effective July 1, 2007, charge premiums for the mid-layer pool through the budget process, to be reviewed on an annual basis.

Ms. Workman reported that at the direction of the Executive Committee, the Administration and Financial Services Subcommittee met in April and July 2008 to review and determine whether to establish minimum and maximum levels in each of the non-equity pools. The Subcommittee provided their report to the Executive Committee at their August 28, 2008, meeting. At that meeting the Executive Committee took action to:

- ❖ Target the Liability Contingency Fund level at five times the current projection of discounted expected losses; and
- ❖ Take no action at that time as the Fund met the target.

Mr. Elledge then reviewed various graphs regarding the Contingency Fund with the Committee. Ms. Workman reported that since the Fund currently meets the standards previously approved by the Committee, staff did not recommend collecting premium for the Liability Program Contingency Fund in 2009/10.

Jo Barrick moved to not collect premium for the Liability Program Contingency Fund in 2009/10. Seconded by Wendy Silva. Motion passed unanimously.

E. Safety and Training

Ms. Workman reported that this year the Strategic Safety and Risk Control Plan would be presented in sections under each program. The major loss causes and suggested risk control measures to address both the loss causes and exposures would be presented as applicable to the program being addressed. Ms. Workman noted the entire 2009 Strategic Safety and Risk Control Plan would be subject to the Executive Committee's approval later in the meeting. Ms. Workman pointed out that the first pages include a review of the past year, as well as the summary for 2009, and would not be presented at this meeting; therefore, Ms. Workman urged members to read the entire plan and present any questions they might have at the time of the Plan's approval.

Mr. Tom Kline, Risk Control Manager, presented the major loss causes for the Pooled Liability Program and the risk control measures suggested to address both the loss causes and exposures. Mr. Kline reported that the key loss causes for the Pooled Liability Program are: civil rights/excessive force; driving; road maintenance; sidewalk slips; trips, and falls; struck by trees; and water damage. The Workshops and Forums proposed to address these key loss causes are: Use of Force, Managing Sidewalk Liability, Managing Tree Hazards, and Driver Training. Mr. Kline reported that the major exposures for the Pooled Liability Program are: claims handling, emergency planning, new technology, new recreation exposures, and risk transfer. The Workshops and Forums proposed to address the major exposures are: Communicating with the District Attorney's Office, Safe Use of Technology in Patrol Vehicles, General Liability Claims

Handling, Transfer of Risk and Special Events, Managing New Recreation Exposures, and Emergency Plan Development.

Mr. Kline requested that Mr. Linzie Kramer, Litigation Manager, describe the necessity of the Communicating with the District Attorney's Office Workshop. Mr. Kramer noted that periodically members need to re-educate their police departments. Mr. Kramer reported that when a charge is made for resisting arrest, that charge is sent to the District Attorney's office which often experiences a great deal of turnover. Therefore, when the person assigned to prosecute the case sees the file for the first time they may be prone to dropping the charges and dismissing or offering a plea bargain. Many times there are existing claims against our member cities or our member cities may find a suit filed against them as soon as the charges are dropped. There needs to be an open line of communication between the police department and the district attorney, especially in cases where a claim is involved. Mr. Kramer stated that the district attorney cannot approach the defendant and state that since they have a claim against a city, the district attorney would drop the charge or accept a lesser charge, if the defendant is willing to drop the claim. However, the law allows for the defendant's criminal attorney to volunteer the defendant to drop the claim in consideration of dropped charges or a plea agreement.

Mr. Bill Lewis, City of Woodlake, questioned why a district attorney would be willing to assist a city in this manner and Mr. Kramer replied it would save tax dollars without the district attorney having to give anything up.

Mr. Cardell suggested the title of the workshop be revised to more accurately reflect its purpose, as the word communication is too broad.

F. AIMS Update Regarding Online Liability Claims Access

This item was placed on the agenda at the request of the Goals Development Subcommittee. The Subcommittee requested an update to Goal II, Objective/Action 4 which reads: "Continue to enhance members' ability to access all claims data online."

Mr. Dave Whiteside, AIMS, reported that as noted in the response email which was included in the agenda packet, AIMS added the AIMS Dashboard for liability claims at no cost to their clients. Mr. Whiteside noted that due to technical issues it took approximately a year to get all the program requirements of their clients up and running. Mr. Whiteside reported that for the workers' compensation program, AIMS is currently utilizing the Talisman system.

Mr. Dominic Russo, AIMS, announced that AIMS recently signed a contract with the David Corporation to upgrade from David DOS to the David NavRisk program for the liability program. This will allow online access to claims files and notes and will offer strong reporting capabilities. Mr. Russo also informed the Committee that Talisman, the provider of the workers' compensation claims system, will no longer be providing a workers' compensation claims system. Due to Talisman opting to no longer provide a workers' compensation claims system, the workers' compensation program will also be converted to David NavRisk and this conversion will take place first. The workers'

compensation conversion is scheduled to be completed by the end of June 2009. The liability program conversion to NavRisk is scheduled to be completed by September or October 2009. Mr. Russo noted that training on NavRisk will be provided to members by AIMS and the adjusters will be trained in the use of NavRisk to ensure notes are up to date. The current Dashboard can continue to be used; however, NavRisk will offer additional reporting available online. AIMS added they will provide an update at each Executive Committee meeting until the conversion is complete.

5. POOLED WORKERS' COMPENSATION PROGRAM

A. Primary Coverage

Ms. Tammy Vitali, Workers' Compensation Program Manager, reported that the Pooled Workers' Compensation Program (PWCP) provides \$500,000 of coverage above each city's retained limit. Coverage above \$500,000 is provided through the Local Agency Workers' Compensation Excess (LAWCX) JPA. Ms. Vitali reviewed a graph of coverage layers with the Committee as well as various graphs related to claims.

B. Excess Coverage (LAWCX)

Ms. Vitali reported that the CSJVRMA participates in the Local Agency Workers' Compensation Excess (LAWCX) JPA for excess workers' compensation coverage. LAWCX is an equity-based joint powers authority with a retrospective adjustment process similar to the CSJVRMA. LAWCX pools the layer between CSJVRMA's self-insured retention (SIR) of \$500,000 and \$5 million. LAWCX purchases coverage in excess of \$5 million through the California State Association of Counties Excess Insurance Authority (CSAC-EIA), with statutory limits of coverage.

Mr. Leon Compton, City of Ripon, currently serves as the CSJVRMA representative on the LAWCX Board. The alternate representative is Mr. Greg Applegate, City of Sonora.

Ms. Vitali reported that in June 2007, the LAWCX Board of Directors declared an assessment of \$1,800,000 to be billed in three annual installments. The first installment was collected in conjunction with the 2007/08 Operating budget. The assessments were shared by those members who participated in the deficit program years. The amount of each member's assessment was based on the original deposit premium paid in the deficit years. Ms. Vitali reported that the LAWCX Executive Committee reviews the need for assessments annually in January and that in January 2009, the Committee decided to continue with the three-year plan that was approved in June 2007. The CSJVRMA portion of the assessment for 2009/10 is \$102,154.

C. Actuarial Study

Included in the meeting agenda packet was the draft Pooled Workers' Compensation Actuarial Study prepared by Mr. Mike Harrington, BRS. Mr. Harrington noted that the study indicates a 5% decrease in the 2009/10 rates at the 80% confidence level over the prior fiscal year's rates for the pooled layers of coverage.

Bob Wilburn moved to fund the 2008/09 fiscal year at the 80% confidence level using the actual 2008 calendar year payroll without an inflation factor applied. Seconded by Tim Przybyla. Motion passed unanimously.

Mr. Cardell questioned whether member cities are working towards Comprise and Release (C&R) as resolution of their workers' compensation claims. Ms. Vitali reported that she recently asked AIMS to provide some statistics on this issue and noted that 37% of current open indemnity claims are for future medical, with 47% of open reserves pertaining to those future medical costs. Ms. Vitali asked every city to consider C&Rs if at all possible. Mr. Whiteside stated that the mentality, especially of public safety employees, is that future medical claims give the employee the opportunity to always seek treatment later and sometimes work towards a cumulative trauma claim. Mr. Whiteside stated that AIMS can put together C&R proposals for members' approval. Ms. Vitali reported that she is continually reviewing the possibility of C&Rs on claims that she reviews; however, she does not see all of the claims that have the potential for C&Rs. Therefore, the member cities personnel who are familiar with all the claims within the city need to be proactive in addressing claims that have the potential to be settled via C&R. Mr. Cardell urged members to use creativity in these efforts and Ms. Vitali stated that the City of Clovis recently settled a claim where they made three installments over three years. Mr. Whiteside reported he will work with Ms. Vitali and report back to the Committee at a future Executive Committee meeting on the progress of closing more claims by C&R.

D. Financial Status

Mr. Elledge reviewed the financial status of the Pooled Workers' Compensation Program with the Committee and noted that as of September 30, 2008, the program has total assets of \$27.3 million. Mr. Elledge also reviewed a table with the Committee showing the composition of the assets including approximately \$3.1 million projected for future retrospective refunds. Mr. Elledge also reviewed a graph showing a ten-year retrospective adjustment history with the Committee. Mr. Elledge pointed out that as in the Liability Program, changes to the years still to be retrospective adjusted would be necessary due to the most current actuarial report as presented by Mr. Harrington. Mr. Elledge noted some years would be affected positively, while others will be affected negatively.

1. Workers' Compensation Program Contingency Fund

Ms. Workman reviewed the history and use of the Pooled Workers' Compensation Program (PWCP) Contingency Fund (Fund) with the Executive Committee noting that the Fund was established effective with the 2003/04 program year. The Fund was financed by combining the balance of monies held in the Workers' Compensation Mid-Layer and Aggregate Pools as of December 31, 2003, and became available for payment of claims incurred in the Mid-layer and Aggregate layer as well as for other options as approved by the Executive Committee on a case-by-case basis. Without using the Fund for any purpose outside of claims, the Fund is in a deficit position.

Ms. Workman reported that the Committee has taken several steps to improve the health of this Fund. In June 2007, in response to the declining state of the PWCP Contingency Fund, the Executive Committee approved the increase of the Aggregate Attachment to 1.5 times a member's deposit premium and allocated all amounts paid out for the aggregate pool back to the members through the retrospective adjustment process for each respective program year, to be reviewed on an annual basis. In addition the Committee approved charging premium for the mid-layer pool effective July 1, 2007, through the budget process, with the caveat that this be reviewed on an annual basis.

Ms. Workman also reported that in addition to the continued funding through the budget process, on February 28, 2008, the Committee approved the following steps to be taken during the 2007/08 fiscal year to improve the financial condition of this Fund: 1) allocate a portion of the 2008 CJPRMA refund (\$415,063); 2) allocate risk margin from the 2005/06 program year (\$513,480); 3) correct 2004/05 allocation of funding to the mid-layer (\$173,733); and 4) reallocate interest income using a modified cash calculation (approximately \$150,000). However, Ms. Workman reported that despite these efforts, an additional \$1.5 million in claims expense was charged to the Contingency Fund as of June 30, 2008.

Ms. Workman reminded the Committee that the Administration and Financial Services Subcommittee also reviewed the PWCP Contingency Fund and the Executive Committee took action on August 28, 2008, to:

- ❖ Target the Fund level at five times the current projection of discounted expected losses for both Mid-layer and Aggregate claims; and
- ❖ Re-evaluate the Fund at the 2009 Annual Retreat to determine whether pool contributions should be continued in 2009/10, as this pool does not currently meet its target, or whether the primary pool limit should be raised to \$500,000.

Ms. Workman noted that staff is recommending that the primary pool layer be raised to \$500,000 and that the use of PWCP Contingency Fund for the payment of aggregate and mid-layer claims be discontinued. Ms. Workman also recommended that the 2008 CJPRMA liability refund be allocated to the PWCP Contingency Fund for those members who participate in the PWCP. Ms. Workman noted this will require the members to fund to the \$500,000 level on a year-to-year basis; in addition, the deficit will need to be funded. Ms. Workman noted this change will have an impact on the two pay-as-you-go cities, Hanford and Porterville, as it will raise their SIR. Staff will contact both cities to discuss the change with them.

Mr. Kenny Walker, City of Lindsay, questioned how long staff believes it will take to make up the deficit in the PWCP Contingency Fund. Ms. Workman replied that staff is only looking at this year to avoid any hardships on members during this time of economic uncertainty. In addition, Ms. Workman noted the

deficit is not a cash flow deficit, but rather a deficit based on case reserves on claims that will be paid out over a period of years. Therefore, the deficit amount will change from year-to-year based on the payout of these claims and will be reviewed by the Committee annually until the deficit is fully funded.

Bob Wilburn moved that effective July 1, 2009, the CSJVRMA: 1) discontinue the use of the PWCP Contingency Fund for payment of mid-layer and aggregate claims; and 2) increase the primary pool layer to \$500,000; and allocate the 2008 CJPRMA liability refund to the PWCP Contingency Fund for those members who participate in the PWCP (other members will be issued a refund check). Seconded by Tim Przybyla. Motion passed unanimously.

E. Safety and Training

Mr. Kline reported the key loss causes for the Pooled Workers' Compensation Program are: ergonomics; slips, trips, and falls; driving; and altercations. The Workshops and Forums proposed to address these key loss causes are: Advanced Ergonomic Team Training and Driver Training. The following Webinars are also being proposed to address key loss causes: Slips, Trips, and Falls, and Preventing Heat Illness. Mr. Kline reported that the major exposures for the Pooled Workers' Compensation Program are: conflict, heat illness, injuries and illnesses, claims handling, recordkeeping, workers' compensation claims handling, and traffic. The Workshops and Forums proposed to address the major exposures are: Conflict Resolution for Individuals and Teams, CPR and First Aid, Worker Occupational Safety and Health (WOSH) Training, Workers' Compensation Claims Handling, and Traffic Control and Flagging. The following Webinars are also being proposed to address exposures: Cal/OSHA Injury and Illness Recording

F. AIMS Update Regarding Online Workers' Compensation Claims Access

This item was addressed in conjunction with the online liability claims access, Item 4.F.

6. PROPERTY PROGRAM

A. Primary Coverage

Ms. Workman explained that the Property Program consists of both pooled and commercial insurance coverage which is group purchased through Alliant Insurance Services. Boiler & Machinery coverage is also purchased. There are 37 cities that participate in the pooled portion of the Program and the fund balance as of December 31, 2008, is approximately \$1.5 million. The program offers deductibles of \$1,000, \$5,000, or \$10,000 with a coverage limit of \$25,000. Ms. Workman reviewed various graphs with the Committee as related to the Pooled Property Program. Ms. Workman noted that economic conditions are resulting in higher claims for many programs, including the property program. Ms. Workman stated that thefts, particularly copper thefts, have resulted in a number of claims which is atypical of previous years.

B. Excess Coverage (PEPIP)

Ms. Workman noted the excess property program has 50 members. The program covers replacement costs with a \$25,000 deductible. This program also covers boiler and machinery with a \$2,500 deductible, except in special instances. Ms. Workman reported that while rates for the program have risen over the years, the CSJVRMA continues to receive excellent rates from this program due primarily to the size of the entire PEPIP program.

C. Financial Status

Ms. Workman reported that as with the other non-equity pools, the Administration and Financial Services Subcommittee met to review the Pooled Property Program in 2008. The Subcommittee reported their findings to the Executive Committee and the Committee took action on August 28, 2008, to:

- ❖ Set target investment income at a level sufficient to cover projected losses for a minimum of three years (2007/08 through 2009/10);
- ❖ Take no action at that time as the pool met the target; and
- ❖ Evaluate the pool prior to the 2009/10 budget to determine whether pool contributions should be considered.

Ms. Workman noted that staff is recommending that the draft budget for the 2009/10 program year include a provision for pool contributions into the Property Program.

Mr. Elledge then reviewed various graphs with the Committee related to the Fund balance of the program. Mr. Elledge noted that the current trend shows the investment income will not continue to cover future losses and therefore staff is recommending contributions be included in the 2009/10 budget.

Jo Barrick moved to include premium for the Property Program pooled layer of coverage in the draft budget for the 2009/10 program year. Seconded by Jeff Cardell. Motion passed unanimously.

D. Safety and Training

Mr. Kline reported that the key loss causes for the Property Program are fire and water. The Webinars proposed to address these key loss causes are PEPIP Property Webinars.

7. AUTO PHYSICAL DAMAGE PROGRAM

A. Primary Coverage

Ms. Workman explained that the Auto Physical Damage (APD) Program consists of both pooled and excess coverage which is group-purchased through Alliant Insurance Services. The pooled portion of the program covers repair or replacement costs with a

coverage limit of \$10,000 and a \$500 deductible. There are 36 cities that participate in the pooled portion of the program and the fund balance as of December 31, 2008, is approximately \$1.4 million. Ms. Workman noted that after members pay premium for four years in this program they are no longer charged premium and can continue to add vehicles. As a result, Ms. Workman stated that eventually there will be an impact on the pool due to the increased number of vehicles as well as the increased value of the vehicles being covered. Ms. Workman also reviewed various graphs related to the APD Program.

1. Subrogation Recovery of Funds

Staff reported there had been no successful recovery of funds since February 2008.

B. Excess Coverage (PEPIP)

Ms. Workman reported that excess coverage for the APD Program is purchased through PEPIP with 43 members participating in the excess coverage. The deductible is \$10,000 and the coverage limit is \$1,000,000,000.

C. Financial Status

Ms. Workman reported that as with the other non-equity pools, the Administration and Financial Services Subcommittee met to review the Pooled Auto Physical Damage Program in 2008. The Subcommittee reported their findings to the Executive Committee and the Committee took action on August 28, 2008, to:

- ❖ Set the investment income target level at sufficient projected investment income to cover incurred losses for a minimum of three years (2007/08 through 2009/10); and
- ❖ Took no action at that time as the pool met the target.

Mr. Elledge reviewed various graphs with the Committee related to the APD Program and noted that as the investment income is sufficient to cover the claims, staff was making no recommendations to fund the pool at this time.

D. Safety and Training

Mr. Kline reported that the key loss causes for the APD Program are: distracted driving, following too closely, and improper backing. The Workshops and Forums proposed to address these key loss causes are Driver Training.

8. LOW VALUE VEHICLE PROGRAM

A. Primary Coverage

Ms. Workman explained that the Low Value Vehicle (LVVP) Program is a pooled program with 26 participating members. The program covers repair or actual cash value with a coverage limit of \$25,000 and a \$500 deductible. The fund balance as of December 31, 2008, is approximately \$1 million. Ms. Workman noted that after members pay premium for four years in this program, they are no longer charged premium and can continue to add vehicles.

1. Subrogation Recovery of Funds

Staff reported there had been no successful recovery of funds since February 2008.

B. Financial Status

Ms. Workman reported that as with the other non-equity pools, the Administration and Financial Services Subcommittee met to review the Low Value Vehicle Program in 2008. The Subcommittee reported their findings to the Executive Committee and the Committee took action on August 28, 2008, to:

- ❖ Set the target investment income at a level sufficient to cover projected losses for a minimum of three years (2007/08 through 2009/10);
- ❖ Took no action at that time regarding the LVVP pool balance as it currently met the target; and
- ❖ Review the pool in program year 2009/10 to address the option of raising the \$25,000 vehicle value limit.

Mr. Elledge then reviewed graphs with the Committee regarding the LVVP program.

Ms. Workman reported that staff evaluated raising the vehicle value limit and is recommending the vehicle value limit not be raised for the following reasons: 1) the CSJVRMA already has a program in place for vehicles valued over \$25,000 and if the vehicle values are raised on the LVVP some vehicles from the APD Program will be eligible for the LVVP. Since there are different members and different premiums constituting the two programs, inequities will result in the payout of claims for the programs; and 2) based on the pro forma analysis of vehicles in the program, investment interest will cease to sustain the program as of the 2014/15 program year and increasing the number and value of vehicles will shorten that timeframe.

C. Safety and Training

Mr. Kline reported the major loss causes and proposed workshops for the Low Value Vehicle Program, noting they are the same as those for the Auto Physical Damage Program.

9. EMPLOYMENT RISK MANAGEMENT AUTHORITY (ERMA)

A. ERMA Program Overview

The CSJVRMA offers its members employment practices liability coverage as an optional program through the Employment Risk Management Authority (ERMA). Currently 32 of the 55 members participate in ERMA, with two additional members participating in ERMA's training program only.

ERMA currently pools coverage excess of each member's deductible up to \$1 million. ERMA does not currently purchase excess coverage.

Mr. Dave Elias, City of Fowler, currently serves as the CSJVRMA representative on the ERMA Board. The alternate representative is Mr. Gerald Forde, City of McFarland.

Ms. Workman reported that ERMA held their Annual Retreat February 12-13, 2009, and the main focus of the retreat was ERMA training. Ms. Workman noted that with the state of the economy and in recognition of the number of members facing layoffs and furloughs, ERMA is concerned about the resulting number of claims expected to impact the program. Therefore, a recommendation was made to suspend mandatory supervisor and manager training to allow focus on assisting members with the handling of furloughs and layoffs to ensure claims aren't generated due to a lack of knowledge regarding the administration of such staff reductions. Ms. Workman alerted the Committee that a final decision will be made by the ERMA Board in April 2009 and staff will update the Executive Committee as soon as a decision is reached.

Ms. Workman then reviewed graphs of ERMA coverage layers, financial condition, and claims.

Mr. Cardell questioned whether ERMA's underwriting process has improved thereby lessening the opportunity for poor performance entities from obtaining membership in ERMA. Mr. Dave Elias, the CSJVRMA Representative to the ERMA Board, replied that ERMA is beginning to tighten their requirements and recently denied membership to a member who left a pool and applied to become a direct member. Mr. Elias also stated he believes the Board is beginning to deny coverage on claims not meeting reporting guidelines.

10. FINANCIAL

A. Target Equity Ratios

Ms. Workman reminded the Executive Committee that they adopted a target equity policy in 2008 in accordance with new accreditation requirements established by the California Association of Joint Powers Authorities (CAJPA). The policy includes a number of financial ratios designed to gauge the financial condition of the CSJVRMA and assist the Board/Executive Committee in making financial decisions such as funding, dividends, and assessments. The ratios can also be used from time to time to monitor performance and review the adequacy of the ratios being used.

Mr. Elledge noted that the target equity policy requires that the following five ratios be performed and compared against industry best practices:

1. Net contribution to equity – target $\leq 3:1$
2. Outstanding reserves to equity – target $\leq 3.5:1$
3. Equity to self-insured retention – target $\geq 5:1$
4. Operating ratio – target $\leq 100\%$
5. Reserve development – target $\leq 20\%$

A sixth test is performed and compares the change in equity year-over-year with a target of not less than a 10% reduction.

Mr. Elledge explained that staff prepared ratios for the CSJVRMA as a whole and in addition, drilled down to both the Liability and Workers' Compensation Programs. Mr. Elledge reported that as a whole the CSJVRMA met all ratios and requirements and the Liability Program also performed well. However, even though there were some improvements in the Workers' Compensation Program, some ratios were not met. Mr. Elledge further explained that as a result of the just completed actuarial studies as presented at this meeting, some of the ratios would change.

11. CLOSED SESSION

Pursuant to Government Code section 54956.9 the Executive Committee commenced to closed session at 1:30 p.m. to discuss the following liability claim:

Affholter v. Merced

12. REPORT FROM CLOSED SESSION

Pursuant to Government Code section 54957.1 the Executive Committee reconvened to open session at 2:30 p.m. Ms. Hemker-Smith reported the Committee took action to provide direction to Board counsel regarding this claim.

The Executive Committee adjourned the meeting on February 26, 2009, at 2:30 p.m. Those wishing to participate in the optional group exercise regarding leadership traits remained.

The Committee reconvened at 9:00 a.m. on February 27, 2009.

13. SAFETY AND TRAINING

A. Adoption of Strategic Safety and Risk Control Plan

Ms. Workman noted the entire Strategic Safety and Risk Control Plan was included in the agenda packet and reminded the Committee that Mr. Kline had reviewed recommendations pertaining to each program the previous day.

Greg Applegate moved to approve the adoption of the Strategic Safety and Risk Control Plan. Seconded by Dave Elias. Motion passes unanimously.

14. EVALUATION OF OTHER POOLED PROGRAMS

A. Business Travel Accident (BTA) Program

Ms. Workman stated the BTA Program covers accidental death and dismemberment while on business-related travel. The coverage is provided through group-purchased insurance and the rates vary by classification and days of travel. Ms. Workman also informed the Committee that the service provider would be presenting the program at the March 27, 2009, Board meeting.

B. Employee Assistance Program (EAP)

Ms. Workman reviewed the EAP with the Committee noting that all member cities are required to participate with the exception of one member that already had a comparable program in place when this program was instituted. The provider of the EAP services is PacifiCare. The current rate is \$3.28 per employee and Ms. Workman noted staff will be negotiating new rates at renewal. Ms. Workman reported that a representative from PacifiCare will be presenting at the June 2009, Board meeting.

C. Difference in Conditions (DIC) Program

Ms. Workman reported that the DIC Program has eight member cities participating and includes earthquake and flood coverage with only one member currently obtaining flood coverage. Several members have recently requested flood quotes. Ms. Workman further noted that coverage is purchased through Marsh and that staff worked to secure a quote with PEPiP for the 2008/09 renewal. However, the Marsh quote was much less expensive than the PEPiP quote and, therefore, coverage continues through Marsh.

15. GOALS AND OBJECTIVES

A. Review Proposed Goals and Objectives

Ms. Workman reported that the Goals Development Subcommittee met on January 22, 2009, to review the Goals and Objectives of the CSJVRMA. Enclosed in the meeting agenda packet was a listing of the CSJVRMA Goals and Objectives with amendments as recommended by the Subcommittee in underline/strikeout format. Chairperson of the Subcommittee, Mr. Joe Donabed, informed the Committee of the Subcommittee's thorough review of the goals and asked members to read the goals as provided in the agenda packet.

Ms. Charlotte Hemker-Smith, Board Counsel, inquired if the timeframe on Goal I, Objective/Action 1 should be revised from "Annually in April" to "Annually".

Bob Wilburn moved to adopt the proposed goals as amended by the Goals Subcommittee and to change the timeframe of Goal I, Objective/Action 1 to "Annually." Seconded by Jeff Cardell. Motion passed unanimously.

16. REVIEW OF SERVICE PROVIDERS

A. Legal Services (Hemker-Smith & Associates)

The members expressed satisfaction with the services provided by Ms. Hemker-Smith, Legal Counsel. Mr. Gerald Forde, City of McFarland, commended Ms. Hemker-Smith on recent legal services pertaining to his city.

B. Actuarial Services (BRS)

Satisfaction was expressed with the actuarial reports received. Mr. Bill Lewis, City of Woodlake, noted that the City hired BRS to perform their GASB 45 actuarial study and reported that the City was very happy with the product received. Ms. Jo Barrick, City of Shafter, also reported that Shafter had hired BRS to perform their GASB 45 actuarial study and the City of Shafter was also very happy with the product received.

C. Financial Auditor Sampson & Sampson (contract end date 2010)

Satisfaction was expressed with the financial audits received. Ms. Workman noted that as Sampson & Sampson has completed the financial audits for many years, the Committee had previously stated they would be interested in sending out an Request For Proposal for this service at the next contract renewal.

D. Insurance Brokers

1. Marsh – Business Travel Accident and Difference in Conditions including Earthquake and Flood
2. Alliant Insurance Services

Ms. Workman stated staff has been satisfied with the insurance brokerage services.

E. Liability Claims Administration (AIMS - contract ends June 30, 2012)

Prior to the Retreat, the member cities were given the opportunity to comment on AIMS' liability services via an on-line survey. The Executive Committee received a summary of the responses to review prior to the meeting.

F. Workers' Compensation Claims Administration (AIMS - contract end June 30, 2012)

Prior to the Retreat, the member cities were given the opportunity to comment on AIMS' workers' compensation services via an on-line survey. The Executive Committee received a summary of the responses to review prior to the meeting.

G. Risk Management, Financial, and Administrative Services (Bickmore Risk Services - contract ends June 30, 2012)

Prior to the Retreat, the member cities were given the opportunity to comment on the services provided by BRS via an on-line survey regarding services of risk management, finance, and administrative services. The Executive Committee received a summary of the responses to review prior to the meeting. Ms. Workman noted that only 25 responses were received from members and questioned whether this item should be addressed at an upcoming Board meeting. Discussion ensued and the consensus was reached that no response should be considered a positive response; if a member had a problem with any service provider they would have responded negatively on the survey or notified another member or one of the officers.

Mr. Cardell stated that Ms. Workman and staff do a fantastic job and noted it was difficult to provide service to so many members who have so many different needs. Mr. Cardell further suggested, as an item for improvement, he feels staff reports should specifically note if staff is making a recommendation and provide analysis as to why the recommendation is being made. Mr. Cardell noted some staff reports are lax in this area and staff needs to ensure that such analysis takes place on a regular basis.

1. Bickmore Risk Services Succession Plan

Ms. Workman reported that the BRS Succession Plan was originally provided last year and as a result of discussion at the Goals Development Subcommittee

meeting, this item will be brought back annually for review. Ms. Workman noted that as a program administrator recently left BRS, changes were required to the plan. In addition, Ms. Workman informed the Committee that Mr. Elledge would be transferring off the account and a new accounting manager would be transferring onto the account over the next year. Ms. Workman reported that when Mr. Elledge came onto the CSJVRMA account it was intended to be a temporary situation; however, Mr. Elledge has now been in the role for four years. Ms. Workman noted BRS would not select a person to serve on the account that the CSJVRMA was not comfortable with and reported that Mr. Elledge will continue to attend meetings with the new person for a period of time. Mr. Elledge reported that as he has transferred off other accounts, he has worked side-by-side with his successor to ensure a smooth transition.

17. POTENTIAL NEW PROGRAMS

A. Crime Shield Coverage


Ms. Mary Ann Reilly, Board Secretary, reported that at the request of Ms. Barrick, staff has begun researching Crime Shield coverage. Ms. Barrick noted Crime Shield coverage would be a replacement for surety bonds. Ms. Reilly reported two brokers had been contacted regarding coverage programs and the standard coverage limit is \$1 million with no losses; and higher limits are available on request. Both programs offer the opportunity for letting members join on an optional basis and each would require members to individually complete applications. One broker has provided rates. Ms. Reilly noted an e-mail soliciting interest had been sent out to the members with thirteen responses received and eleven members expressing interest.

Discussion ensued and it was noted there was some confusion on member's part as the e-mail did not clearly state that Crime Shield coverage replaces surety bonds. The Committee requested that staff send out another e-mail and provide additional information to the Executive Committee or the Board at the March 2009 meetings.

18. ADJOURNMENT

Mr. Greg Applegate, City of Sonora, thanked Ms. Reilly for her efforts in arranging the Annual Retreat.

The Twenty-Fourth Annual Retreat adjourned on February 27, 2009, at 9:25 a.m. by general consent.



Mary Ann Reilly, Board Secretary