



CALIFORNIA JOINT POWERS RISK MANAGEMENT AUTHORITY

BOARD OF DIRECTORS MEETING Thursday November 15, 2018 – 9:00 a.m.

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

MINUTES

I. CALL TO ORDER

- President Greer called the meeting to order at 9:08 a.m. on November 15, 2018.

II. ROLL CALL

PRESENT

- | | |
|---------------------------------------|--|
| 1) Lucretia Akil, <i>Alameda</i> | 11) David Rawe, <i>Roseville</i> |
| 2) Steve Schwarz, <i>Fremont</i> | 12) Liz Ehrenstrom, <i>NCCSIF</i> |
| 3) Janet Hamilton, <i>Livermore</i> | 13) Lauren Monson, <i>San Rafael</i> |
| 4) Beverly Jensen, <i>Lodi</i> | 14) Dominique Kurihara, <i>Santa Rosa</i> |
| 5) Dan Sodergren, <i>LFPD</i> | 15) Roger Carroll, <i>SCORE</i> |
| 6) Lynette Frediani, <i>Redding</i> | 16) Gail Kiyomura, <i>Stockton</i> |
| 7) Kim Greer, <i>Richmond</i> | 17) Scott Mann, <i>Sunnyvale</i> |
| 8) Chris Carmona, <i>Fairfield</i> | 18) GeorgeAnne Meggers-Smith, <i>Vacaville</i> |
| 9) Amy Northam, <i>REMIF</i> | 19) Jamie Cannon, <i>Chico</i> |
| 10) Cecilia Quiambao, <i>Petaluma</i> | |

NOT PRESENT

- | | |
|-----------------|--------------|
| 20) San Leandro | 21) YCPARMIA |
|-----------------|--------------|

OTHERS PRESENT

- | | |
|-------------------------------------|---|
| 22) Theresa Roland, <i>Stockton</i> | 30) Martin Cassell, <i>Chandler Asset Management</i> |
| 23) David Clovis, <i>CJPRMA</i> | 31) Marcus Beverly, <i>Alliant Insurance Services</i> |
| 24) Tony Giles, <i>CJPRMA</i> | 32) A. Byrne Conley, <i>Gibbons & Conley</i> |
| 25) Lola Deem, <i>CJPRMA</i> | 33) Dr. William Deeb, <i>AON Risk Services</i> |
| 26) Marinda Griese, <i>CJPRMA</i> | 34) Marcia Hart, <i>CJPRMA</i> |
| 27) Saima Kumar, <i>CJPRMA</i> | 35) David Patzer, <i>DTK Solutions</i> |
| 28) Susanna Banuelos, <i>CJPRMA</i> | 36) Tracy Fleck, <i>Aon Global Consulting</i> |
| 29) Jas Sidhu, <i>Livermore</i> | 37) Brenda Craigmyle, <i>Aon Global Consulting</i> |

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

III. CLOSED SESSION

1. **Government Code Section 54956.95 (a)**

Conference with Legal Counsel – Litigation

Name of Case: Keimach, Jill vs. City of Alameda

Court: State of California Superior Court, County of Alameda

Case No.: N/A

2. **Government Code Section 54954.3 (a)**

Public Employee Appointment

Title: General Manager

3. **Government Code Section 54957**

Public Employee Performance Evaluation

Title: Assistant General Manager

4. **Government Code Section 54957.6**

Conference with Labor Negotiators

Agency designated representatives: President Kim Greer and Vice President David Rawe

Unrepresented Employee: General Manager

The Board of Directors will review its position and instruct the designated representatives.

IV. ACTION ON CLOSED SESSION ITEMS

- Item #1 was removed from closed session. Action was taken on Closed Session Items 2-4. Board President Greer announced that the Board approved the negotiators' recommendations for and authorized the President to execute an employment contract with Tony Giles to be the General Manager of the Authority. The terms will be the as the prior general manager contract with David Clovis, with the following adjustments effective December 4, 2018:
 - \$172,000 salary (middle of the range)
 - 3 weeks' vacation initially
 - 3 month severance provision
 - Employee to contribute 8% PERS share
- A motion was made by Director Cannon and seconded by Director Jensen to approve the President to execute an employee contract with Tony Giles as discussed. Directors Akil, Carmona, Schwarz, Sidhu, Sodergren, Quiambao, Frediani, Northam, Greer, Rawe, Monson, Kurihara, Carroll, Kiyomura, and Meggers-Smith approved the motion. Sunnyvale abstained from voting, YCPARMA and San Leandro were absent and NCCSIF was not present at the time of the vote. Motion passed.

V. PRESENTATIONS

- David Patzer gave a presentation on the services available to CJPRMA members from DKF Solutions Group.

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- David Clovis, General Manager presented Janet Hamilton, Livermore with a plaque recognizing her for the Presidency term she served on the Board.
- Board President Kim Greer, Richmond and Director/Past President Janet Hamilton, Livermore presented the General Manager David Clovis with a plaque for his retirement and serving 15 years with CJPRMA.

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 – The general manager announced that Chris Carmona is the Risk Manager and Board Member for the City of Fairfield effective 11-9-18. He also added there is a discrepancy between the Property MOC and APIP policy that he is working on to clarify.
- C. Next Scheduled Meetings: Executive Committee (01/17/2019) CJPRMA Office
Board of Directors (03/21/2019) CJPRMA Office

VIII. APPROVAL OF MINUTES

- A motion was made by Director Quiambao and seconded by Director Kiyomura to approve the minutes from the board meeting August 16, 2018. Directors Akil, Cannon, Schwarz, Carmona, Sidhu, Sodergren, Jensen, Ehrenstrom, Frediani, Northam, Greer, Monson, Rawe, Carroll, Mann, Meggers-Smith and Kurihara approved the motion. San Leandro and YCPARMIA were not present. Motion passed.

IX. CONSENT CALENDAR

1. Additional Covered Party Certificates Approved by the General Manager **(A)**
2. Financial Report of CJPRMA as of June 30, 2018 **(A)**
 - A motion was made by Director Quiambao and seconded by Director Kiyomura to approve the consent calendar. Directors Akil, Cannon, Schwarz, Carmona, Sidhu, Sodergren, Jensen, Ehrenstrom, Frediani, Northam, Greer, Monson, Rawe, Carroll, Mann, Meggers-Smith and Kurihara approved the motion. San Leandro and YCPARMIA were not present. Motion passed.

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

3. Claims Experience Report **(I)**

Claims Administrator, Marinda Griese presented an “overview of claims” to the Board of Directors. The report reviewed all claims that have been reported to CJPRMA beginning with program year 2005-2006 through 2017-2018. The date range was consistent with the

current methodology being utilized by our actuary for developing our program year contributions.

Ms. Griese discussed claims frequency, severity and development history. This report also assists staff in the development of risk management training programs and establishing baseline criteria to be included in risk management audit standards.

- No action was required. This was an information only item.

4. Report from the Investment Manager (I)

Martin Cassell, of Chandler Asset Management presented the Board with the portfolio and investment strategy. 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 consists of three parts: The Loss Payment Account, the Long Term Growth Account and the Long Term Growth/Tactical Account.

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 five years. As of September 30, 2018 the Loss Payment Account was valued at \$6,840,023. This was an increase of \$4,021,636 from its valuation of \$2,818,387 on June 30, 2018. No securities were purchased and two securities matured during the reporting period. Additionally, \$4.0 million was contributed to LAIF causing the overall market value of the portfolio to increase. The Loss Payment Account has sufficient funds to meet the expenditure requirements of the next six months.

Both Long Term Growth Accounts are utilized to provide long term asset growth in order to offset inflation. The maturity range of these investments is a maximum of ten years.

As of September 30, 2018 the Long Term Growth Account/Tactical was valued at \$16,895,879. This was an increase of \$43,085 from its valuation of \$16,852,794 on June 30, 2018. Several securities were purchased across the agency and asset backed sectors of the market. The purchased securities ranged in maturity from August 2022 to June 2023. One security was sold and three matured to keep portfolio in-line with Chandler targets.

As of September 30, 2018, the Long Term Growth Account was valued at \$37,917,503. This was a decrease of \$111,564 from its valuation of \$38,029,067 on June 30, 2018. Two securities were purchased during the reporting period to keep the structure and duration in-line with Chandler objectives. One corporate note was purchased with a maturity date in July 2023 and one agency note with a maturity in June 2028. A short maturity corporate note, maturing in March 2019, and a slightly shorter than five-year maturity agency note, maturing in March 2023, were sold to facilitate the new holdings in the portfolio.

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

- No action was required. This was an information only item.

5. Approval of Statement of Investment Policy (A)

The general manger recommended adoption of the proposed recommended revisions of the Investment Policy. The Statement of Internal Procedures and Controls states that the investment manager will review the Authority's Investment Policy annually and report any recommendations for revisions for approval to the Board of Directors. Chandler Asset Management has reviewed the existing investment policy and has made the following recommended revisions:

1. Permitted Investments: State that investment concentration limits shall apply at time of purchase.
 2. Commercial Paper: Specify maximum maturity of 270 days.
 3. Municipal Securities: Change from unlimited to cap at 30% of portfolio and 5% per issue.
- A motion was made by Director Mann and seconded by Director Northam to approve the statement of the Investment Policy with the recommended options. Directors Akil, Cannon, Schwarz, Carmona, Sidhu, Sodergren, Jensen, Ehrenstrom, Frediani, Kiyomura, Greer, Monson, Rawe, Carroll, Quiambao, Meggers-Smith and Kurihara approved the motion. San Leandro and YCPARMIA were not present. Motion passed.
- ## 6. Approval of the 2019 Actuarial and Proposed Funding and Rates for Program Year 2019/2020 (A)

Ms. Tracy Fleck and Ms. Brenda Craigmyle of Aon Global Risk Consulting presented the Board of Directors with the 2018 actuarial study. The following details of the report were discussed and a CJPRMA staff report was provided to the Board as a summarizing the study:

Estimated Outstanding Losses:

This year, the value of estimated outstanding losses increased \$412,684 (1%) to \$41.8 million. Case reserves declined \$1.5 million and IBNR increased \$1.9 million. This minimal change does not accurately represent the volume of payments made during the year. In fiscal year 17/18 there were \$21 million in claim expenses and settlements paid.

Redistribution:

Page 12 of the actuarial report showed a maximum excess equity distribution of \$5.9 million for program years 1996/97 through 2012/13. The table also shows a deficit position of \$40.9 million in years 2013/14 through 2017/18. For this reason, the actuary and CJPRMA staff are recommending no redistribution of funds but rather a reallocation of equity to the deficit years. The redistribution spreadsheet was presented and revealed the reallocation from the older years to program years 2012/13 through 2016/17.

Equity:

The equity in the program at June 30, 2018 was \$4.4 million; with the addition of the Excess Loss Fund of \$17.7 million, which makes a total equity of \$22.1 million. The CJPRMA target equity is \$22.5 million which gives a shortfall of \$421,800.

In 2009 the liability premium funding was adjusted to help our member entities during the recession. This along with the increased claim severity has reduced the pool equity by \$37.7 million since 2011.

Funding:

The total required liability funding, as proposed by the actuarial report, for program year 2019/20 is \$13.9 million. The total funding rate being proposed is \$0.807/\$100. This is based upon a projected payroll of \$1.75 billion, which is a 3% increase from the program year 18/19 actual payroll. The proposed funding represents a \$2.2 million (19%) increase in funding over program year 2018/19.

This funding is based on the 10-year rolling average that has been used since 2009. Although there has been shortfalls in the last five years, this funding mechanism is still appropriate and should be continued.

**PY 2019/20 Proposed Rates & Funding
(70% Confidence level – Discounted)**

| | | | | |
|--------------------|---------------------|--------------|--------------|---------------------|
| Losses | \$9,577,785 | Pool B | 0.160 | \$2,578,989 |
| Reinsurance | 2,802,514 | Pool C | 0.399 | 6,998,796 |
| Overhead | 1,550,000 | Pool D | 0.248 | 4,352,514 |
| TOTAL | \$13,930,299 | TOTAL | 0.807 | \$13,930,299 |

Alternate Funding:

The current self-insured retention attachment points of \$500,000 to \$1 million for Pool B and \$1 million to \$5 million for Pool C, have been utilized since program year 1993/94. With the cost of inflation, jury awards and legislative changes, it may be time to reevaluate these SIR levels.

As a part of the actuarial study, staff requested that Aon prepare an exhibit showing the funding amounts and rates if the attachment points on both Pool B and Pool C were to increase by \$250,000. At the alternate attachment points, Pool B is \$750,000 to \$1.25 million and Pool C is \$1.25 million to \$5 million, Pool D would remain the same at \$5 million to \$40 million.

70% Confidence Level – Discounted

| | | | |
|----------------------|--------------|--------------|---------------------|
| \$750,000 - \$1.25 M | Pool B | 0.111 | \$1,780,779 |
| \$1.25 M - \$5 M | Pool C | 0.311 | 5,460,285 |
| \$5 M - \$40 M | Pool D | 0.248 | 4,352,514 |
| | TOTAL | 0.670 | \$11,593,578 |

The new attachment points would realize a savings of \$2.34 million (16.7%) over the current self-insured retention levels for program year 2019/20. We realize this would require our members to increase their reserves at the primary level, but we think this option should be considered for future funding.

- A motion was made by Director Ehrenstrom and seconded by Director Akil to approve the 2018 actuarial study. Directors Northam, Cannon, Schwarz, Carmona, Sidhu, Sodergren, Jensen, Mann, Frediani, Kiyomura, Greer, Monson, Rawe, Carroll, Quiambao, Meggers-Smith and Kurihara approved the motion. San Leandro and YCPARMIA were not present. Motion passed.
- A motion was made by Director Mann and seconded by Director Akil to approve program year 2019-2020 proposed funding. Directors Northam, Cannon, Schwarz, Carmona, Sidhu, Sodergren, Jensen, Ehrenstrom, Frediani, Kiyomura, Greer, Monson, Rawe, Carroll, Quiambao, Meggers-Smith and Kurihara approved the motion. San Leandro and YCPARMIA were not present. Motion passed
- A motion was made by Director Akil and seconded by Director Quiambao to approve no redistribution of funds but rather a reallocation of equity to the deficit years. Directors Northam, Cannon, Schwarz, Carmona, Sidhu, Sodergren, Jensen, Ehrenstrom, Frediani, Kiyomura, Greer, Monson, Rawe, Carroll, Mann, Meggers-Smith and Kurihara approved the motion. San Leandro and YCPARMIA were not present. Motion passed

7. Authority to Execute Lease Agreement with DaVita Dialysis (A)

The general manager reviewed the history of their tenants DaVita Dialysis and requested the Board of Directors to grant him authority to execute the lease renewal. He stated that CJPRMA purchased the current office building July 23, 2013. As part of that purchase, CJPRMA assumed a lease tenant which occupies a first floor suite. The current tenant is DaVita Dialysis. The lease agreement was first created on February 11, 2009 and was scheduled to expire February 11, 2019. An extension on the lease was granted through April 30, 2019 to allow time for negotiation and in recognition of the possible impacts to DaVita if California Proposition 8 had been approved by voters.

On behalf of CJPRMA, Mr. Jeff Morgenstern, Senior Managing Director at Newmark, Cornish & Carey has negotiated a renewal of the lease with DaVita Dialysis. The premises have been re-measured, and the rentable square footage has increased from 7,740 to 8,125. The term of the lease is through June 30, 2024. Rent increases are expected to be 3% per year. The total income to CJPRMA during the course of this lease will be \$936,433.38. The current annual rent is \$145,424.76. The rent through the term of the lease is as follows:

| <u>Period</u> | <u>Rent per s/f/yr</u> | <u>Monthly Rent</u> | <u>Yearly Rent</u> |
|-------------------------------|------------------------|---------------------|--------------------|
| May 1, 2019 - June 30, 2019 | \$00.00 | 0 | 0 |
| July 1, 2019 - April 30, 2020 | \$21.60 | \$14,625.00 | \$146,250.00 |
| May 1, 2020 - April 30, 2021 | \$22.25 | \$15,065.10 | \$180,781.25 |
| May 1, 2021 - April 30, 2022 | \$22.92 | \$15,518.75 | \$186,225.00 |

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| <u>Period</u> | <u>Rent per s/f/yr</u> | <u>Monthly Rent</u> | <u>Yearly Rent</u> |
|------------------------------|------------------------|---------------------|--------------------|
| May 1, 2022 - April 30, 2023 | \$23.60 | \$15,979.17 | \$191,750.04 |
| May 1, 2023 - April 30, 2024 | \$24.31 | \$16,459.90 | \$197,518.75 |
| May 1, 2024 - June 30, 2024 | \$25.04 | \$16,954.17 | \$33,908.34 |

- A motion was made by Director Carroll and seconded by Director Carmona to approve giving the general manager the authority to execute the lease renewal with DaVita Dialysis. Directors Northam, Cannon, Schwarz, Quiambao, Sidhu, Sodergren, Jensen, Ehrenstrom, Frediani, Kiyomura, Greer, Monson, Rawe, Akil, Mann, Meggers-Smith and Kurihara approved the motion. San Leandro and YCPARMIA were not present. Motion passed.

8. Review of 2017-2019 Strategic Planning *(I)*

The general manager stated that the current strategic plan was adopted by the Board of Directors at the December 15, 2016 board meeting.

ACS Quantum Strategies assisted the Board of Directors and the general manager with the creation of the current plan. Since adopted, the Executive Committee utilized the plan to assist in the development of annual goals and objectives for the general manager. The status of the goals and objectives assisted the Executive Committee in performing performance reviews for the general manager annually.

The primary goals were set for the general manager during the 2017-2018 program year to effectively implement the adopted succession plan and to insure the organization is staffed appropriately upon his retirement.

- No action was required. This was an information only item.

9. Business Calendar for 2018 & 2019 *(I)*

The 2018 and 2019 business calendars were provided to the Board as a standing agenda item. The calendar provides key business items and the required dates for completion for the Board.

- No action was required. This was an information only item.

10. Risk Management Issues *(I)*

The Directors discussed the following topics:

- 1) Disc golf – Does any member allow disc golf games/tournaments in their parks? If so, what are the criteria/guidelines they use?
- 2) LA settlement requires the city to spend \$1.3B over the next 30 years to fix sidewalks
- 3) Waste Hauler Contracts – Should a city require a Performance Bond for the length of the contract and/or Guaranty letter?

- 4) Homelessness associated issues.
- 5) Wastewater Treatment Plants and Cal OSHA requirements
- 6) Non-Profit Organizations: Do all agencies engage in MOU's and require insurance?
 - No action was required. This was an information only item.

XI. ADJOURNMENT

- A motion was made by Director Northam and seconded by Director Cannon to adjourn the meeting at 1:55pm. Directors Carroll, Carmona, Schwarz, Quiambao, Sidhu, Sodergren, Jensen, Ehrenstrom, Frediani, Kiyomura, Greer, Monson, Rawe, Akil, Mann, Meggers-Smith and Kurihara approved the motion. San Leandro and YCPARMIA were not present. Motion passed.