



CALIFORNIA JOINT POWERS RISK MANAGEMENT AUTHORITY

BOARD OF DIRECTORS MEETING

Thursday August 15, 2019 – 9:00 a.m.

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

MINUTES

I. CALL TO ORDER

- Vice President Rawe called the meeting to order at 9:01 a.m. on August 15, 2019.

II. ROLL CALL

PRESENT:

- | | |
|--------------------------------------|--|
| 1) Yibin Shen, <i>Alameda</i> | 10) Amy Northam, <i>REMIF</i> |
| 2) Jamie Cannon, <i>Chico</i> | 11) David Rawe, <i>Roseville</i> |
| 3) Chris Carmona, <i>Fairfield</i> | 12) Liz Ehrenstrom, <i>NCCSIF</i> |
| 4) Steven Schwarz, <i>Fremont</i> | 13) Dominique Kurihara, <i>Santa Rosa</i> |
| 5) Janet Hamilton, <i>Livermore</i> | 14) Roger Carroll, <i>SCORE</i> |
| 6) Beverly Jensen, <i>Lodi</i> | 15) Gail Kiyomura, <i>Stockton</i> |
| 7) Dan Sodergren, <i>LPGD</i> | 16) Scott Mann, <i>Sunnyvale</i> |
| 8) Charles Castillo, <i>Petaluma</i> | 17) GeorgeAnne Meggers-Smith, <i>Vacaville</i> |
| 9) Lynette Frediani, <i>Redding</i> | 18) Armond Sarkis, <i>YCPARMIA</i> |

OTHERS PRESENT:

- | | |
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| 19) Jas Sidhu, <i>Livermore</i> | 28) A. Byrne Conley, <i>Gibbons & Conley</i> |
| 20) Julie Harryman, <i>LPGD</i> | 29) Tony Giles, <i>CJPRMA</i> |
| 21) Theresa Roland, <i>Stockton</i> | 30) Lola Deem, <i>CJPRMA</i> |
| 22) Andria Borba, <i>Vacaville</i> | 31) Marinda Griese, <i>CJPRMA</i> |
| 23) David Due, <i>YCPARMIA</i> | 32) Saima Kumar, <i>CJPRMA</i> |
| 24) Dr. William Deeb, <i>AON Insurance Services</i> | 33) Marcia Hart, <i>CJPRMA</i> |
| 25) Rick Buys, <i>Risky Business Pros</i> | 34) Susanna Banuelos, <i>CJPRMA</i> |
| 26) Erika Milton, <i>Fairfield</i> | 35) Bill Dennehy, <i>Chandler Assets Management</i> |
| 27) Erica Truong, <i>Sunnyvale</i> | |

NOT PRESENT: Richmond, San Leandro and San Rafael

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: Christopher Wroth & Marni Wroth v. City of Rohnert Park

Court: United States District Court Northern District of California

Case No.: 3:17-CV-05339-EDL

IV. ACTION ON CLOSED SESSION ITEMS

- The Board of Directors conferred with staff regarding litigated claims and provided direction.

V. PRESENTATIONS

- None

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 – Director Mann introduced Erica Truong, City of Sunnyvale Intern.
- B. General Manager/Secretary
- C. Next Scheduled Meetings: Executive Committee (09/19/2019) CJPRMA
Board of Directors (11/21/2019) CJPRMA

VIII. APPROVAL OF MINUTES

- A motion was made by Director Mann and seconded by Director Northam to approve the minutes of the Board of Directors meeting held on May 22 & 23, 2019 and special telephonic meeting held on June 27, 2019. Directors Shen, Carmona, Cannon, Schwarz, Sidhu, Jensen, Sodergren, Castillo, Frediani, Rawe, Ehrenstrom, Kurihara, Carroll, Kiyomura, Meggers-Smith and Sarkis approved the motion. Richmond, San Rafael and San Leandro were absent. Motion passed.

IX. CONSENT CALENDAR

1. Additional Covered Party Certificates Approved by the General Manager **(A)**
2. Financial Report of CJPRMA as of May 31, 2019 **(A)**
3. 2017-2019 Strategic Planning **(I)**
4. Status Update on General Manager's Goals & Objectives **(I)**

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5. Settlement of Claims Discussed in Closed Session *(I)*

6. Business Calendars for 2019 and 2020 *(I)*

- The general manager requested that Agenda Bill #5 be removed from the Consent Calendar to update and correct the final settlement amount from \$600,000 to \$662,500 on the Guerrero v. City of Roseville case. A motion was made by Director Cannon and seconded by Director Jensen to approve the consent calendar and acknowledge the correction on Agenda Bill #5. Directors Shen, Carmona, Schwarz, Sidhu, Sodergren, Sodergren, Castillo, Frediani, Rawe, Ehrenstrom, Kurihara, Meggers-Smith, Carroll, Mann, Kiyomura, and Sarkis approved the motion. Richmond, San Rafael and San Leandro were absent. Motion passed.

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

7. Report from the Investment Manager *(I)*

Bill Dennehy of Chandler Asset Management was present to discuss the portfolio and our 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 is divided into three parts: The Loss Payment Account, the Long Term Growth Account and the Long Term Growth/Tactical Account.

As of July 31, 2019, the Loss Payment Account was valued at \$2,738,540. This was a decrease of \$478,232 from its valuation of \$3,216,772 on April 30, 2019. Transaction activity in the portfolio was modest during the most recent quarterly reporting period. Two securities were purchased in July to keep the positioning of the portfolio consistent with Chandler objectives. The purchased securities ranged in maturity from September 2019 to June 2020. Additionally, two securities were sold in June to help fund the net \$510k withdrawn from the portfolio during the quarter. 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 July 31, 2019, the Long Term Growth Account/ Tactical was valued at \$13,627,663. This was a decrease of \$3,771,253 from its valuation of \$17,398,916 on April 30, 2019. Transactional activity in the portfolio was heavy during the reporting period. Several securities were purchased throughout the quarter, ranging in maturity from August 2019 to May 2024. Multiple securities were sold across the maturity spectrum of the portfolio to facilitate over \$4 million in withdrawals in June. The sold securities ranged in maturity from August 2019 to February 2023.

As of July 31, 2019, the Long Term Growth Account was valued at \$29,599,135. This was a decrease of \$7,362,962 from its valuation of \$36,962,097 on April 30, 2019. Multiple securities were sold across the maturity spectrum of the portfolio to facilitate an \$8.6 million withdrawal in June. The sold securities included positions in the Treasury, Agency and Corporate sectors and ranged in maturity from November 2019 to August 2027.

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

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

8. Approval of the 2019 Claims Audit **(A)**

Mr. Rick Buys, Risky Business Pros, conducted the 2019 Excess Claims Audit, and presented the results and recommendations of his audit.

Mr. Buys examined a total of 153 files reported to CJPRMA for this audit. This represented an increase of 3 files from 2017. Included were 105 open files and 48 files that were either closing or recently closed. The audit work included site visits to members, TPAs and the CJPRMA office.

A final summary of audit findings will be presented to the Board of Directors at this meeting. Individual Member Claim Audit Reports have been provided to the members. Mr. Buys' Executive Summary reported:

- Members are adhering to reporting requirements at an improved level compared to 2016 and 2017. However, there are still some exceptions.
- The number of EPL claims decreased to 29 this year, compared to 22 in 2015, 26 in 2016 and 30 in 2017. Mr. Buys includes all open EPL claims in the audit.
- 14 Watch List files were audited for 2018, down from 19 in 2017.
- CJPRMA reflects the industry trend of increasing claim severity over the last several years. This is evidenced in that total incurred (primary and excess) for all audited files has grown from \$37.6 million to \$55.6 million since 2011.

Mr. Buys identified some recommendations made over the last several years that continue to be valid issues:

- For claims that qualify for reporting to CJPRMA, reserve changes must be provided by Members, at least quarterly. There continues to be improvement in this area, but many Members still are not presenting the requested quarterly reserve updates on reported files.
- Quarterly captioned reports are required on all Watch List cases, regardless of whether outside or in-house counsel is involved. There is still room for improvement, especially since Watch List files create the greatest exposure to the Member and CJPRMA.
- When changes occur in Member staffs, lapses in meeting excess reporting requirements can occur. CJPRMA meets with Member staffs when these changes occur, to assure clarity

exists regarding reporting requirements and other program policies and procedures, as clear communication between CJPRMA and the Members continues as a focus going forward.

Mr. Buys made several conclusions resulting from his audit review of CJPRMA files. The following key items were noted in the report:

- In looking at the number of audited claims Total Pending Primary and Excess Reserves (are down by 10%, from 2017, which is contrary to the current increases in claim severity we see elsewhere.
 - The number of Watch List claims dropped from 26 in 2016 to 14 in 2019; a drop of 54%. (The fact that the number of Watch List cases has dropped over the three years indicates Members and CJPRMA are working hard to resolve cases, where possible.)
 - 77 (50%) of the audited claims are “critical incident” claims, down from 55% in 2017 (all of which have the potential to turn into Watch List files).
 - The climate for taking police claims through trial continues to be poor, with some types of police cases being worse than others.
 - With national trends of continued increasing frequency and severity of claims, the need for effective communication between the Members and CJPRMA is critical to successful resolution of claims.
 - With indications of continued industry trends of increasing frequency and severity of claims, the need for effective communication between the Members and CJPRMA is critical to the successful resolution of claims.
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- A motion was made by Director Carmona and seconded by Director Northam to approve the 2019 claims audit. Directors Shen, Cannon, Schwarz, Hamilton, Jensen, Sodergren, Castillo, Frediani, Rawe, Ehrenstrom, Kurihara, Carroll, Kiyomura, Mann, Meggers-Smith and Sarkis approved the motion. Richmond, San Rafael and San Leandro were absent. Motion passed.

9. Election of Executive Committee Members **(A)**

The general manager stated that there was an error on this agenda bill. Director Frediani’s term is up, NOT Director Cannon. The Bylaws require the election of two non-officer positions in odd numbered years. The current terms for Director Magdich and Director Cannon expired on June 30, 2019. 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:

Steven Schwarz, Fremont
Dan Sodergren, LPFD
Cecilia Quiambao, Petaluma
Amy Northam, REMIF

Mary Ann Perini, San Leandro
Dominique Kurihara, Santa Rosa
Scott Mann, Sunnyvale
GeorgeAnne Meggers-Smith, Vacaville

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)

- The general manager asked if any Directors wanted to be removed from the ballot. Directors Sodergren, Kurihara and Meggers-Smith asked to be removed from the ballot. Alternate Castillo reported that Director Quiambao requested to have her name removed from the ballot. Ballots were given to each of the 18 directors present for voting. 17 directors voted and Alameda abstained. Richmond, San Rafael and San Leandro were absent. General Manager, Tony Giles and Board Counsel, Byrne Conley tallied the votes revealing the top two candidates receiving the greatest plurality of votes were Directors Scott Mann, Sunnyvale and Amy Northam, REMIF. Their term on the Executive Committee will be July 1, 2019 to June 30, 2021.

10. Proposed Modification to Reimbursement of General Liability Training Expenses Policy (A)

The general manager proposed a change to the current policy on Reimbursement of General Liability Training Expenses. The policy states, “Members of CJPRMA may be reimbursed for 50% of the actual expenses which they incur for the training of their employees and staff on general liability matters to a maximum of \$3,000 per program year.”

The modification to the policy to allow 100% reimbursement for general liability training rather than 50%, while retaining the program year maximum of \$3,000. The new language would state, “Members of CJPRMA may be reimbursed for the actual expenses which they incur for the training of their employees and staff on general liability matters to a maximum of \$3,000 per program year.”

This is intended to encourage more members to use the reimbursement to provide training. Also, it would facilitate members using reimbursement funds to partner with neighboring members to provide trainings jointly.

- A motion was made by Director Carmona and seconded by Director Carroll to approve the modification the Board Policy B11 (Reimbursement of General Liability Training Expenses Policy.) Directors Shen, Cannon, Schwarz, Hamilton, Jensen, Sodergren, Ehrenstrom, Frediani, Castillo, Northam, Rawe, Kurihara, Mann, Kiyomura, Meggers-Smith and Sarkis approved the motion. Richmond, San Rafael and San Leandro was absent. Motion passed.

11. Approval of Annual Review of Member Loss History (A)

The Board of Directors approved Board Policy B25 (Annual Review of Members Loss History) at the November 2017 Board meeting. The policy requires an annual review of member loss history that utilizes the ten-year rolling average claims experience that is currently used for the development of annual contributions. The policy evaluates all members and will compare total contributions for the ten-year window and total CJPRMA incurred losses. If a member has a loss ratio that exceeds 200%, the policy provides the Board of Directors with five options to increase that member’s self-insured retention.

A \$2.5 million cap is applied to all individual losses incurred by members. This cap eliminates the impact of a significant individual loss that would impact a member's overall loss history for multiple program years. The Member Loss Experience Rating 10 Year Rolling Average for PY 06/07 – 15/16 was attached to the agenda bill.

Currently, no members exceed the 200% loss history ratio, so the Board does not need to take action related to any member based on this year's report.

A motion was made by Director Northam and seconded by Director Hamilton to approve the Annual Review of Member Loss History. Directors Shen, Cannon, Carmona, Schwarz, Jensen, Sodergren, Castillo, Frediani, Rawe, Ehrenstrom, Kurihara, Carroll, Kiyomura, Mann, Meggers-Smith and Sarkis approved the motion. Richmond, San Rafael and San Leandro were absent. Motion passed.

12. Proposed Program for Self-Funding Property 2019-2020 (A)

In June 2019, the members of the Property Program voted to renew coverage with an all-risk deductible of \$250,000, a wildfire deductible of \$500,000, and a flood deductible of \$1,000,000. In PY 2018/19, the all-risk deductible was \$100,000; there was no separate wildfire deductible; and the flood deductible was \$100,000, except for flood zones A & V, which had a deductible of \$250,000.

The all-risk deductible for the property program had been \$25,000 through PY 2017/18. This was increased to \$100,000 in PY 2018/19. Until the current program year (2019/20), there had never been a separate deductible for wildfire. Through PY 2015/16 damage due to flood was excluded. Flood coverage was first added to the program in PY 2016/17, and the flood deductible was \$25,000, except for flood zones A & V, which had a deductible of \$250,000. In PY 2018/19, the flood deductible was increased to \$100,000 along with the all-risk deductible. The deductible for flood zones A & V remained at \$250,000 for PY 2018/19.

The members directed the general manager to see if a \$100,000 all-risk deductible would be available from the market for an additional \$500,000 in premium. The market was unwilling to offer a \$100,000 deductible at that price.

In response, the general manager proposed creating a self-funded program of property coverage to address coverage gaps with deductibles at lower levels. The proposed program will include the following elements:

- The program would be optional for members of the Property Program.
- The program would mirror the approved coverage form from the Alliant Public Entity Insurance Program (PEPIP). The Property Program members have adopted the PEPIP form as the governing document for the Property Program.

- Coverage would be for losses exceeding \$100,000 and not exceeding \$250,000 for all-risk. (\$100,000 deductible for all-risk)
- Coverage would be for losses exceeding \$100,000 and not exceeding \$500,000 for wildfire. (\$100,000 for wildfire)
- Premium will be determined on a pro-rata portion of total insurable value (TIV) of the members in the pooled program, which is how premium is allocated in the standard property program.
- Establish the program on a total pool basis rather than accounting for individual program years. There would be no dividends unless the program is closed.

In addition to the proposal above, there were two options that the Property Program members could consider related to bringing the deductible down to \$50,000:

- Establish a coverage pool for \$50,000 - \$100,000.
- Establish a “banking layer” for \$50,000 - \$100,000. In a banking layer, members would deposit \$50,000 to cover losses in the layer. The first \$50,000 of any loss would be charged back to a member against its deposits, and paid back over several years, with an assessment if the member’s deposits have a negative cash balance.

The general manager will place the proposed program on the agenda of the November 2019 Board of Directors meeting with a proposed memorandum of coverage and pricing.

- A motion was made by Director Cannon and seconded by Director Carmona to approve a proposed CJPRMA funded layer for deductibles between, \$100k - \$250k. A roll call vote of the 18 property program members was held. Alameda, Chico, Fairfield, Livermore, Lodi, Petaluma, Redding, REMIF, Roseville, Santa Rosa, Stockton, Sunnyvale and Vacaville voted yes. Richmond, San Rafael and San Leandro were absent. Motion passed.

13. New Board Members/Alternates (I)

Notifications regarding a change in director/alternate designations that have been received as of the last meeting are indicated herein:

1)	Fairfield	Alternate Erika Milton – Risk Management Technician
2)	Alameda	Director Alan Cohen – Chief Litigation Counsel/Assistant City Attorney
3)	Alameda	Alternate Yibin Shen – City Attorney
4)	Lodi	Director Beverly Jensen – Risk Manager
5)	Lodi	Alternate Janice Magdich – City Attorney
6)	Petaluma	Alternate Charles Castillo – Director of Human Resources

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

14. Risk Management Issues (I)

The directors discussed the following risk management issues:

- 1) Golf course accessibility claims (Exhibit 1) – Chris Carmona, Fairfield
 - 2) Due process when unable to accommodate – Tony Giles, CJPRMA
 - 3) Quigley v. Garden Valley Fire Protection District (Exhibit 2) – Tony Giles, CJPRMA (via Janice Magdich, Lodi)
- No action was required. This was an information item only.

XI. ADJOURNMENT

- Vice President Rawe adjourned the meeting at 12:00 p.m.