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CALIFORNIA JOINT POWERS
RISK MANAGEMENT AUTHORITY
Accredited with Excellence from the California Association of Joint Powers Authorities

BOARD OF DIRECTORS MEETING
Wednesday May 24, 2017 – 9:00 a.m.
Thursday May 25, 2017 – 8:30 a.m.

CJPRMA Office
3201 Doolan Road, Suite 285
Livermore, CA 94551

(925) 837-0667

Minutes

I. CALL TO ORDER:

- President Hamilton called the meeting to order at 9:07 a.m. on May 24, 2017.
- President Hamilton called the meeting to order at 11:45 a.m. on May 25, 2017.

II. ROLL CALL

PRESENT

1) Lucretia Akil, *Alameda*
2) Jamie Cannon, *Chico*
3) Craig Conwright, *Fremont*
4) Janet Hamilton, *Livermore*
5) Janice Magdich, *Lodi*
6) Cecilia Quiambao, *Petaluma*
7) Lynette Frediani, *Redding*
8) Kim Greer, *Richmond*
9) Laura Snideman, *Fairfield*
10) Astrida Trupovnieks, *NCCSIF*
11) Stacey Peterson, *San Rafael*
12) David Rawe, *Roseville*
13) Mary Ann Perini, *San Leandro*
14) Roger Carroll, *SCORE*
15) Gail Kiyomura, *Stockton*
16) Laura Marquez, *Sunnyvale*
17) Claudia Quintana, *Vallejo*
18) Kristin Vaughan, *Vacaville*
19) Jeff Tonks, *YCPARMIA*
20) Dominique Kurihara, *Santa Rosa*
21) Mark Ferguson, *REMIF*

OTHERS PRESENT

22) Amber Foster, *Chico*
23) Amanda Tonks, *Santa Rosa*
24) Robert Epstein, *San Rafael*
25) Jas Sidhu, *Livermore*
35) A. Byrne Conley, *Gibbons & Conley*
36) Dr. William Deeb, *AON Risk Services*
37) Robert Lowe, *Alliant Insurance Services*
38) William Dennehy, *Chandler Assets Management*

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26) Liz Ehrenstrom, *NCCSIF*
27) Elena Piazzisi, *REMIF*
28) Theresa Roland, *Stockton*
29) Rebecca Moon, *Sunnyvale*
30) Erika Leahy, *Vallejo*
31) Marinda Griese, *YCPARMIA*
32) Andria Borba, *Vacaville*
33) Marcia Hart, *CJPRMA*
34) Barry DeWalt, *Redding*
39) Chris Carmona, *Redding/George Hills Company*
40) Blaise Harris, *Alliant Insurance Services*
41) Robert Schimke, *Alliant Insurance Services*
42) David Clovis, *CJPRMA*
43) Lola Deem, *CJPRMA*
44) Craig Schweikhard, *CJPRMA*
45) Saima Kumar, *CJPRMA*
46) Marcus Beverly, *Alliant Insurance Services*
47) Susanna Banuelos, *CJPRMA*

III. PRESENTATIONS

- David Clovis, CJPRMA – Risk Console Information System Flexible Forms

IV. THIS TIME IS RESERVED FOR MEMBERS OF THE PUBLIC TO ADDRESS THE BOARD OF DIRECTORS ON MATTERS OF BOARD BUSINESS.

V. COMMUNICATIONS

A. Board Members:
B. General Manager/Secretary:
C. Next Scheduled Meetings: Executive Committee (6/22/2017) Roseville
Board of Directors (8/17/17) CJPRMA Office

VI. APPROVAL OF MINUTES

- A motion was made by Director Akil, seconded by Director Perini, to approve the 3/16/17 minutes. Directors Carroll, Conwright, Cannon, Peterson, Ferguson, Frediani, Garrett, Greer, Hamilton, Magdich, Rawe, Quiambao, Kiyomura, Kurihara, Marquez, Quintana and Snideman approved the motion. YCPARMIA was not present. Motion passes.

VII. CONSENT CALENDAR

1. **Additional Covered Party Certificates Approved by the General Manager *(A)***
2. **Financial Report of CJPRMA as of March 31, 2017 *(A)***

   - A motion was made by Director Cannon, seconded by Director Frediani, to approve the Consent Calendar. Directors Carroll, Peterson, Ferguson, Akil, Garrett, Greer, Hamilton, Magdich, Rawe, Perini, Solina, Kurihara, Marquez, Quiambao, Quintana, Conwright, Snideman and Tonks approved the motion. YCPARMIA was not present. Motion passes.

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VIII. ACTION & INFORMATION CALENDAR *(A) Action Item & (I) Information Item*

3. Approval of Property Program Renewal for Program Year 2017-2018 and Other Alliant Insurance Programs *(A)*

Mr. Robert Lowe, Mr. Blaise Harris, and Mr. Robert Schimke from Alliant Insurance Services presented an overview of the renewal programs and presented options for other programs available from. New members to the property program are Santa Rosa on 3-1-17 and Richmond on 7-1-17. Mr. Lowe discussed the following items: Property/Boiler Machinery, Difference in Condition, Pollution Program, Cyber Liability, Active Shooter and Drone Coverage.

<u>Property/Boiler Machinery</u>:

Mr. Lowe presented an all risk property/ boiler and machinery program with a total premium of $2,098,652.

City of Richmond will be joining the property program as of July 01, 2017; they were provided a separate premium for the PY 17/18 of $249,169.

Director Hamilton requested a workshop on the property program to give members a better understanding of the coverages.

- A motion was made by Director Magdich, seconded by Director Snideman, to authorize the general manager to bind coverage for the property and boiler machine programs and to include $50,000,000 in flood zone limits. A roll call vote was taken and the 18 Property Program Directors Akil, Cannon, Snideman, Conwright, Hamilton, Magdich, Quiambao, Frediani, Ferguson, Greer, Rawe, Perini, Peterson, Kurihara, Kiyomura, Marquez, Vaughan and Quintana voted unanimously to approve. Motion passed.

<u>Pollution Program:</u>

The current two-year Pollution Program will be expiring on 6-30-17. This program was provided by AON Risk Services and insured by Illinois Union Fire Insurance Company. The program provided $5,000,000 of coverage limits with a $25,000,000 general aggregate. The expiring premium for this program was $364,324 for the two-year term for an annual premium of $182,117. The new program being proposed for all members of the property program is based on the APIP program. The current proposal offers total combined limits of $5 million for an annual premium of $151,184.

- A motion was made by Director Greer, seconded by Director Snideman, to provide the general manager with the authority to bind coverage for the program as proposed with $5M limits for an annual premium of $151,184. The Property Program Directors Akil, Cannon, Snideman, Conwright, Hamilton, Magdich, Quiambao, Frediani, Ferguson, Magdich, Rawe, Perini, Peterson, Kurihara, Kiyomura, Marquez, Vaughan and Quintana voted unanimously to approve. Motion passed.

Excess Cyber Program:

Mr. Rob Lowe discussed options for the Cyber program. The recommended option presented to the members of the property program included a pool aggregate of $4m and a per member limit of $3m for an annual premium of $85,700 for members of the program. Mr. Lowe also provided a quote for excess cyber coverage with limits of $3m.

- A motion was made by Director Magdich, seconded by Director Rawe to authorize the general manager to bind Cyber Coverage, which would include a $3M per member and an aggregate of $4M for the pool for an annual premium of $85,700. In addition the motion included the option of providing the $2M excess coverage for any member that directed staff to purchase the additional limits. Property Program Directors voted yes were Cannon, Hamilton, Magdich, Greer, Rawe, Perini, Peterson, and Vaughan, 7 opposing votes from Directors Akil, Snideman, Conwright, Frediani, Ferguson, Kurihara, and Quintana. Petaluma and Stockton abstained from voting. Motion passed.

Drone Coverage:

A proposed addition of Drone Coverage to the liability program and Physical Damage/Hull Coverage for 2017-2018 was presented and discussed. The following option was provided:

Coverage based on number of drones, not activities the drones are being used for.
All equipment attached (camera, microphones, etc.) is considered part of the ‘aircraft”

Physical Damage/Hull Coverage is 10% of the drones’ value:
- $1,000,000 liability limit - $600 per drone
- $2,000,000 liability limit - $800 per drone
- $5,000,000 liability limit - $1000 per drone

The general manager stated that CJPRMA has 14 members currently operating drones. He said in order to have coverage members must report all drones to CJPRMA; no coverage is provided if the drone has not been reported.

- A motion was made by Director Cannon, seconded by Director Akil to have Drone Coverage added to the Liability Program for 2017-2018. Directors Akil, Cannon, Hamilton, Magdich, Trupovnieks, Quiambao, Ferguson, Greer, Rawe, Perini, Peterson, Carroll, Vaughan and Quintana voted in favor of Drone Coverage. Directors Snideman, Frediani, Kurihara and Marquez opposed the motion, and YCPARMIA was absent at the time of voting. Motion passed.

4. Approval of Casualty & Other Insurance Program Renewals for Fiscal Year 2017-2018 (A)

The general manager gave an overview of the strategy plan for liability renewals for 2017-2018 program year. Dr. William Deeb from AON Risk Services presented a summary of the

CJPRMA programs for Excess Liability and Auto Physical Damage (APD), and potentially drone coverage.

Dr. Deeb reviewed the preliminary quotes from Hanover to the APD members. The quote for the members is a rate reduction to .173/100 in value. This is a significant reduction from the 2016-2017 program year rate of .20/100. In addition, Hanover has agreed to eliminate the split deductible for Emergency Response/First Responder vehicles. Dr. Deeb presentation stated that the proposed APD Insurance program from Hanover would include:

- Reported Values: $305,941,068 (4.7% increase) Total Units – 3,242
- Per Occurrence Limit: $10,000,000
- Deductible: $10,000 for all member
- Full Replacement Cost
- No minimum value requirement for adding vehicles
- Automatic coverage for vehicles added during policy period, only vehicles/equipment valued above $1M must be reported. ***Garaging locations essential.***
- Rate: $.173/$100 Stated Values (15.6% decrease)
- Annual Premium: $529,278

- A motion was made by Director Akil, and seconded by Director Cannon to authorize the general manager to bind the APD programs final quotes. The 11 APD Program Directors voted unanimously. Motion passes.

Dr. Deeb presented the final quotations for the Excess Liability Insurance Program. The proposed program included:

$20M Xs $5M SIR
- Munich Reinsurance America
- Policy Limit: $20,000,000
- Self-Insured Retention: $5,000,000
- Rate: $0.1109 (5.7% increase)
- Annual Premium: $1,762,045 (NET)

$15M Xs $20M
- Scor Reinsurance Company
- Policy Limit: $15,000,000
- Rate: .0233 (5.7% increase)
- Annual Premium: $370,466 (NET)

SUMMARY
- *Total Payroll - $1,586,614,245 vs. $1,588,860,489 (0.2 % Increase)
- 2 Year Rate Guarantee (renewed)
- Recent settlement of a large EPLI claim, with almost $2M paid by Munich Re.
- The quote is for a 2 year guaranteed program. There is an inflationary risk, along with the inability to rerate based on deterioration in experience, which needs to be factored into the overall pricing.
- Coverage for drones included a $2M limit excess of a $5M SIR.

- A motion was made by Director Akil, seconded by Director Cannon to approve the casualty program/DIC/Office Policy and Crime Policy and to authorize the general manager to take any action required to bind coverage. Directors Hamilton, Magdich, Snideman, Conwright, Trupovnieks, Quiambao, Ferguson, Greer, Rawe, Perini, Peterson, Carroll, Vaughan, Frediani, Kurihara, Kiyomura, Marquez and Quintana voted in favor, YCPARMIA was absent at the time of voting. Motion passed.

5. Approval of Proposed Memorandum of Coverage Changes for 2017-2018 *(A)*

General Manager presented a list of proposed Memorandum of Coverage (MOC) changes to Board Counsel that was reviewed by the Executive Committee and Dr. William Deeb, AON Risk Services. The following modifications were recommended:

- Page 1, insert reference to Government Code section authorizing pooling.
- Page 1, specify that small drone aircraft are not "aircraft" for purposes of exclusions.
- Page 2, define "routine governmental operations" for which contractual assumption of liability is covered. List examples automatically within definition, and permit staff to address others case-by-case in advance of the loss.
- Page 3, specify that additional covered party status is for not more than required by contract and does not expand coverage beyond terms of what is covered in the MOC.
- Page 5, tighten exclusion from Damages definition so that it is all wage claims by employees, not just EPL claims.
- Page 9, put in title for Fireworks Retained Limit so it is more prominent.
- Page 10, alternative "hammer" clause where Authority can tender amount necessary to settle and cap exposure if there is a dispute whether to settle a claim.
- Page 11, eliminate duplicate language (was supposed to be stricken when next paragraph added).
- 1 Page 12, define "subsidence" for limit. [Question, should we reference earthquake? Limit it to property damage instead of bodily injury and property damage?]
- 2 Page 12, added "bacterial pathogens" to mold sublimit.
- [Page 12, note we discussed defining Daycare Operations; but this affects the reinsurance layer, only and should be discussed with the reinsurer.]
- Page 15; add "failure to enter into" a contract to breach of contract exclusion.
- Page 16; add FLSA claims to labor disputes exclusion.
- Page 18; add reference to criminal acts in intentional acts exclusion.
- Page 18, define "land use planning" and "land use regulation" including examples.
- [Note, do we want to address taxi ordinances or otherwise address adoption and enforcement of municipal ordinances?]
- Page 20, narrowed sewer backup exception to pollution exclusion to backup into home or business, not discharge into public waterways.

  - Page 21; add to pollution cleanup exclusion an explicit reference to citizen suits under the Clean Water Act.
  - Page 27, add back in former language re arbitration, to be applied when determining how much a member gets to credit toward Retained Limit where there are multiple covered Members, or payment from an additional insured endorsement jointly for a Member and outside party. Also, provide that by mutual agreement the Authority and a covered party can agree to arbitrate coverage disputes, setting forth a procedure for doing so.
- A motion was made by Director Cannon and seconded by Director Perini to adopt the proposed changes for the 2017-2018 MOC. Directors Akil, Snideman, Conwright, Hamilton, Magdich, Trupovnieks, Quiambao, Frediani, Ferguson, Greer, Rawe, Peterson, Kurihara, Carroll, Kiyomura, Marquez, Vaughan, and Quintana approved the motion. YCPARMIA was absent. Motion passes.

6. Approval of CJPRMA Litigation Policy *(A)*

The general manger presented the Board of Directors with a proposed CJPRMA Litigation Policy. The Executive Committee and general manager discussed numerous alternatives for encouraging members to utilize best practices in the area of Litigation Management. The single greatest exposure to the CJPRMA Membership is the poor handling or lack of current standards in managing claims. CJPRMA adopted a number of Model Policies for the membership to use, but member utilization is not mandatory. One of the policies available for the members is called Model Policy on Litigation Policies and Procedures created in 2000.

Staff reviewed the policy and updated items to meet current standards. Staff recognizes the importance of consistent policy amongst our members. The general manger stated that this is a benchmark that can be provided to outside attorneys. If they are not compliant, the Board can decide. Director Ferguson stated he was against policies that his attorneys have to comply, and that maybe the document could be called a Litigation Guideline and not a policy.

- Director Greer made a motion take this agenda item back to the Executive Committee for discussion, Director Frediani seconded the motion. Directors Akil, Cannon, Snideman, Conwright, Hamilton, Magdich, Trupovnieks, Quiambao, Ferguson, Perini, Peterson, Kurihara, Carroll, Kiyomura, Marquez, Vaughan and Quintana approved the motion. YCPARMIA was absent. Motion passes.

7. Approval of Development of a CJPRMA Claims Committee and New Board Practices in Developing Loss Mitigation Plans *(A)*

The recent litigation history of CJPRMA Members demonstrates that both frequency and severity are having a significant impact on the participants of our program. Staff has attempted to reach out to members and to develop training programs that directly impact the current losses with the greatest frequency. Unfortunately, the losses continue to occur and the severity of claims continues to impact our members. We have also experienced losses that are termed as “one of a kind” and attempting to implement training on those type of exposures would be both difficult and have a minimal return on investment.

The general manager presented the following recommendations to the Board of Directors that have been reviewed and approved by the Executive Committee:

1. Develop a Standing Claims Committee with seasoned personnel committed to reviewing litigation and participating in discussions that will result in minimizing the impacts of the claim, litigation and where appropriate, an early settlement. The President will appoint five participants for the committee.
2. Utilize the claims committee to evaluate the effectiveness of outside counsel and provide information to the membership based upon the overall review of the committee.
3. Reformat Board of Director Meetings and place the closed session items at the beginning of the meeting as opposed to the end of the meetings. Typically, many Board Members are anxious to depart and prefer that closed sessions items be presented quickly, with minimal impacts on their time. This review of claims and the proposed settlement should have a very high visibility to the Board of Directors and appropriate time and energy should be devoted to the discussions.
4. Staff to conduct post incident de-briefing with members and their assigned staff to discuss learning points from litigation and evaluate policies and procedures that should be implemented to avoid similar occurrences.
5. Require presentations by member’s in the event of losses that exceed a member’s SIR by 150% or greater. The presentation would be provided upon the closure of the claim. The presentation would include but not be limited to the following: causation of the loss, lessons learned from the losses and mitigation efforts implemented by the member to minimize the opportunity for a future loss. This report would not occur until the matter was fully resolved.
6. Develop specific standards and policies providing the general manager with greater flexibility in working with members when evaluating settlement alternatives.
7. Evaluate alternative training delivery systems that will have a significant impact on both the frequency and severity of claims.

During the discussion, Director Quintana suggested that the Claims Committee should be voted in by the Board of Directors and members of this committee consist of directors, alternates or other knowledgeable staff members.

Director Quintana made a motion take this agenda item back to the Executive Committee for discussion, Director Quiambao seconded the motion. Directors Akil, Cannon, Snideman, Conwright, Hamilton, Magdich, Trupovnieks, Ferguson, Greer, Perini, Peterson, Kurihara, Frediani, Carroll, Kiyomura, Marquez, and Vaughan approved the motion. YCPARMIA was absent. Motion passes.

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8. Development of Loss Allocation for Annual Contributions *(I)*

The general manager presented the Board of Directors with an update on the process of developing a loss allocation policy for annual contributions. At the Executive Committee meeting in May the general manager reviewed examples of 5/10/15/20 year member loss histories with frequencies and severity for comparison and how their exposures impact the overall contributions on an annual basis.

Mujtaba Datoo, AON Risk Services was present and gave an educational review of the pooling industry and a generic overview of options for implementing alternative contribution methodologies. The Executive Committee will review options for implementing alternative contribution methodologies at the June Meeting. The options will incorporate a loss rating/blending alternative that will include multiple alternatives. The outcome of the evaluation will be presented to the Board of Directors at the August meeting. The goal is to develop a rating strategy and adoption in August for implementation for July 1, 2018. It would be advantageous to have a preliminary plan approved in August so the actuary will be able to finalize a report based upon the proposed modification to the current contribution methodology.

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

9. Approval of change to City of Vallejo Self Insured Retention for 2017-2018 *(A)*

The general manager discussed with the Board a need to evaluate methodologies for program contributions and to develop sustainable alternatives for the long-range health of CJPRMA.

He said that the Executive Committee and staff are in the process of identifying multiple options for consideration by the Board of Directors for the August Meeting.

During this evaluation process the general manager identified that the City of Vallejo has experienced a significant number of losses over the past twenty years and their severity is impacting all members. The report stated that the City of Vallejo loss severity for the last 20 years equals 17% of the total incurred for all members. Vallejo by size based upon contribution is equal to 3% of the total membership. The total dollar contribution by Vallejo for the previous 20 years is $6,987,374 while their losses stated as CJPRMA net incurred of $14,063,725. This would equal a loss ratio exceeding 200%.

He said that CJPRMA utilized Mujtaba Datoo to prepare an actuarial report that identifies the impact on the program based upon the severity of losses sustained by Vallejo. A copy of the report was provided to the Board for review.

This report stated the Board Approved total contribution for all CJPRMA Members for the 2017-2018 program year would be $9,067,106 based upon a 70% level projected funding. The removal of Vallejo losses from the calculation revealed a total contribution of $7,800,416 at a 70% level projected funding. This actuarial number indicates that the overall contributions would be reduced by 14% ($1,266,690) to the membership if Vallejo's losses were excluded from the actuarial valuation.

The City of Vallejo also sustained an EPL loss that exceeded the CJPRMA retention by $2,000,000. This loss impacted the loss ratio and impacted pricing from our reinsurance partner MunichRe.

The City of Vallejo did not participate in Pool B until the 2004 program year. At that point in time, Vallejo requested a reduction in their SIR from $1,000,000 to $500,000. A presentation was made to the Board of Directors and they approved the SIR decrease. At that time, the losses did not indicate and adverse impact by their participation in Pool B.

The loss history for Vallejo continues to indicate a potential for more adverse exposures to the program. As provided on the attached loss history, the severity of losses for 5 years equals 22% of total losses experienced by CJPRMA, 10 years equals 16%, 15 years 18% and 20 years 17%. It is clear that the losses continue to occur and continue to impact all members.

Based on the data as provided and due to the long-term relationship with the City of Vallejo, the Executive Committee discussed numerous options that could improve the current downward trend. Items considered included the following:

1. Create a probationary period for the member and review their data after a period of time to insure improvement.
2. Increase the contribution from Vallejo based upon the actuarial report completed by Mujtaba Datoo requiring them to pay the amount allocated for their losses, approximately $1,266,000.
3. Evaluate future redistributions for Vallejo, and use those to offset their costs within the program.
4. Increase the SIR from $500,000 to $1,000,000, returning the City to their prior retention levels.
5. Increase the SIR from $500,000 to $2,500,000, as the layer that is impacted the greatest by Vallejo reducing the future exposures for other members.
6. Remove Vallejo from the program.

Director Quintana made a presentation on behalf of the City of Vallejo. She presented the board with a memo with attachments. She requested that this item be continued for one year in order to explore mutually acceptable alternatives to address the perception that Vallejo's losses are disproportionate to its contributions. In the memo she outlined Vallejo's reasons for the request.

The Board discussed and the following motion was made:

- Motion made by Director Ferguson, and second by Director Carroll: That the Self Insured Retention for the City of Vallejo be increased to $1 million effective 7/1/18, subject to further review by the Board when it adopts a policy on experience modification factors for calculation of cash contributions. A roll call vote was taken: resulting in 9 yes votes and 12 no votes. The motion did not pass.

- A new motion was made by Director Magdich, seconded by Director Cannon, that the General Manager and Executive Committee develop a policy for a benchmark on when a Member's SIR options will be reviewed, with time frames for application of review and determination of the Member's options, to be considered by the Board prior to December, 2017. A roll call vote was taken resulting in 18 yes votes and 3 no votes. The motion passes.

10. Review and Approval of the Succession Plan for the Replacement of the Retiring General Manager *(A)*

The Executive Committee and the general manager have discussed an approach to a replacement of the general manager that would minimize the impact on members and provide the incumbent nine months under the direction of the current general manager and the opportunity to work on numerous projects that will affect the long-range effectiveness of the organization. The general manager reviewed multiple succession plans generated by other organizations and found the plan created by the North Bay Schools Insurance Group to meet the needs of CJPRMA. The general manager consulted with their departing Executive Director Jan DeGracia and their incoming Executive Director Janet Selby to determine the effectiveness of their succession plan. Ms. Selby stated their organization hired an Assistant Executive Director approximately nine months prior to the anticipated date of their Executive Director leaving. Ms. Selby states that a one-year period of time would have been ideal for the replacement. However budget issues would not allow for a transition period of that duration.

The general manager will work directly with the Executive Committee on the recruitment of the Assistant General Manager. Alternative forms of recruitment would include a local search, statewide search and potentially a national recruitment. The general manager intends to work with known individuals in the pooling arena and risk management leaders within California to identify potential candidates to fill the position. Hiring an assistant general manager with the anticipated start date of February 1, 2018 will minimize the impact to the administrative budgets for either year. The additional personnel necessary would create a funding requirement that would be shared over two program years; 17/18 and 18/19. This implementation would create a smooth transition of the program to the new leader.

The Executive Committee reviewed the recommendations as stated above from the general manager at the May 3rd meeting. The Executive Committee approved the recommendations of the general manager for the planned succession. The Executive Committee approved an updated job description for the Assistant General Manager Position and adopted a salary range.

- A motion was made by Director Cannon and seconded by Director Akil to accept the action of the Executive Committee and adopt the recommendation for the succession plan to replace the retiring the general manager. Directors Quiambao, Quintana, Snideman, Conwright, Hamilton, Magdich, Trupovnieks, Ferguson, Greer, Perini, Peterson, Kurihara, Frediani, Carroll, Kiyomura, Marquez, Rawe, Griese and Vaughan approved the motion. Motion passes.

11. Approval of the proposed Operating Budget for Fiscal Year 2017-2018 *(A)*

Finance Officer, Lola Deem, presented the proposed administrative and direct program year budget for the 2017-2018 program year. She also provided the Board with a summary report of the current year budget. The current year budget is in a favorable position of $34,229.

The proposed administrative budget for FY 2017-2018 increases by $147,820 (8.5%) to $1,886,850. Ms. Deem said that these increase are due to the assistant general manager position that was added. The proposed funding is listed below:

Funding: FY 2017-2018	
Administrative funding from liability premium	$1,552,100
CSRMA member payments	32,750
Risk Console member payments	16,000
DaVita rental income	146,000
DaVita/Golden Gate Cam and PG&E payments	140,000
Total Funding	1,886,850
Projected Administrative Expenses	$1,886,850
Favorable position	**$0**

- A motion was made by Director Epstein and seconded by Director Hamilton to approve the proposed FY 2017-2018 administrative and direct program budgets. Directors Quiambao, Quintana, Snideman, Conwright, Akil, Magdich, Trupovnieks, Ferguson, Greer, Perini, Cannon, Kurihara, Frediani, Carroll, Kiyomura, Marquez, Rawe, Griese and Vaughan approved the motion. Motion passes.

12. Approval of the updated CJPRMA Insurance Limit requirements in Contracts *(A)*

The insurance requirements in contracts matrix was first adopted by the Board of Directors in 2013. This matrix provides members with minimum acceptable limits for insurance requirements in multiple types of agreements. Members requested that limits be updated to account for current limit requirements that they were experiencing.

- A motion was made by Director Carroll and seconded by Director Akil to approve with addition of sexual molestation and sexual abuse limits to all Park & Recreation contracts involving quotations and other limits changes that are reflected in the matrix. Directors Quiambao, Quintana, Snideman, Conwright, Hamilton, Magdich, Trupovnieks, Ferguson, Greer, Epstein, Perini, Cannon, Kurihara, Frediani, Kiyomura, Marquez, Rawe, Griese and Vaughan approved the motion. Motion passes.

13. Approval of CJPRMA Template for Shared Services Agreement *(A)*

The general manager explained that staff has had numerous requests for input on contracts. The City of Vacaville and San Leandro were both interested in a review of

Shared Service Agreements that were presented for their approval. Staff worked with both entities and provided feedback that was incorporated into the agreements, which was an excellent utilization of public funding and members rely on these types of agreements to deliver the services to their communities. Generally, these agreements are written for the purpose of sharing public safety services. The benefit of these joint services agreements would be quickly called into question in the event of a significant loss. The purpose of the modification to the agreements is to clearly identify the liability that may arise out of the agreement. The agreement also identifies a methodology for determining pro-rata share of liability, identifies an alternative to the court system by using Arbitration and defines liability as it rests with both the Responding Party and the Requesting Party. Implementing a Shared Services Agreement template will assist members with their risk management issues.

- A motion was made by Director Ferguson and seconded by Director Griese to accept and use the template for shared service agreement as a guideline as written. Directors Akil, Cannon, Snideman, Conwright, Hamilton, Magdich, Trupovnieks, Quiambao, Frediani, Greer, Rawe, Perini, Peterson, Kurihara, Carroll, Kiyomura, Marquez, Vaughan, and Quintana to approved the motion. Motion passes.

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

Mr. William Dennehy, Chandler Asset Management, was present to discuss the CJPRMA portfolio and investment strategy. He also provided an update on economic factors that have had a direct impact on the pool investments.

The investment program is divided into 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 April 30, 2017, the Loss Payment Account was valued at $3,744,249, little changed from its valuation of $3,744,267 on January 31, 2017. A limited number of securities were purchased during the quarter to keep the portfolio duration close to the 1.0 target. One security was called and two matured during the period to provide the proceeds for the new holdings in the portfolio. The overall portfolio balance remains below target and Chandler will be working with staff to increase the overall allocation to the portfolio in the coming months. 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 April 30, 2017, the Long Term Growth Account was valued at $38,369,081. This was an increase of $590,253 from its valuation of $37,778,828 on January 31, 2017. Transactional activity was light during the most recent quarterly reporting period as the overall structure of the portfolio remains within Chandler targets. The duration of the portfolio was extended via an Agency swap in early March when the ten year Treasury note was yielding above 2.50%. Overall the Chandler team will be looking to increase the maturity profile of the strategy as interest rates migrate higher in coming months.

As of April 30, 2017, the Long Term Growth/Tactical Account was valued at $31,855,713. This was a decrease of $2,316,013 from its valuation of $34,171,726 on January 31, 2017. Several securities were purchased across the Treasury, Commercial Paper, and Corporate sectors of the market to assist in keeping the overall portfolio structure in-line with Chandler objectives. The purchased securities ranged in maturity from July 2017 to March 2022. In light of the low cash balance in the Loss Payment Account, and after consulting with staff, we have been utilizing the Tactical accounts as a source of liquidity. During the recent quarterly reporting period $2.5 million was withdrawn from the account, funded primarily through selling several securities.
The investments in all accounts comply with CJPRMA's investment policy.

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

15. Status Update on the Development of CJPRMA Excess Workers' Compensation Program ***(I)***

The general manager provided an update to the Board. He explained that staff collected data provided by members which described the current structure of their respective excess workers' compensation coverage programs. This data was given to Dr. William Deeb, Aon Risk Service. Aon and staff are currently working towards developing a tentative structure for the CJPRMA Excess Workers' Compensation program. This data will be presented to the Executive Committee for approval at their June Meeting. Once a structure is developed that meets the needs of the membership, this data will be presented to the market for evaluation of reinsurance alternatives. In the event the structure is acceptable to the membership and rates meet expectations, we envision implementing the program effective July 1, 2018.

The proposed structure will then be presented to the Board of Directors at the August Meeting. Members will then have the opportunity to review the program prior to committing to participation. The vote in August will be directed at the overall structure and no commitment would be required until the vote to implement the program that will occur at the November Board Meeting.

Members were advised that additional data gathering will be required as this process advances. CJPRMA will make every effort to give the membership a minimum of one month to collect and report data.

Once the program structure is developed, staff will utilize Aon Actuarial Services by Mr. Mujtaba Datoo, to create an actuarial study based upon predictive modeling. Actuarial data will be used to finalize the primary rate and assist staff in contacting the market for potential reinsurers to complete a finalized product. When final rates and programs structure are developed, Staff will present a final recommendation to the Board for their approval of a program effective date of July 1, 2018.

Dr. Deeb agreed that the underwriters would be fully supportive of the intended method moving forward. The underwriters would rely heavily on the actuarial assumptions created by CJPRMA in determining estimated contributions

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

16. Claims Experience Report 2017 *(I)*

Craig Schweikhard, CJPRMA Claims Administrator, presented an “overview of claims” to the Board of Directors. He reviewed all claims that have been reported to CJPRMA beginning with program year 2004-2005 through 2015-2016. The date range is consistent with the current methodology being utilized by our actuary for developing our program year contributions.

The report was a high level overview of all claims that included a description of claims frequency, severity and development history. The report also assisted staff in the development of risk management training programs and be a basis for establishing baseline criteria to be included in risk management audit standards.

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

17. 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)	NCCSIF	**Director**: Astrida Trupovnieks–Human Resources/Risk Manager (City of Lincoln)
2)	NCCSIF	**Alternate:** Liz Ehrenstrom – Human Resources Director (City of Oroville)
3)	Stockton	**Alternate:** Gail Kiyomura – Deputy Director of Human Resources

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

18. Business Calendar 2017 *(I)*

The business calendar was 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.

19. Risk Management Issues *(I)*

1. Drones – Byrne Conley, Board Counsel – no discussion

2. Contractual Risk Transfer – David Clovis, General Manager – no discussion

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3. Golf Courses – ADA Issues – David Clovis, General Manager – 5 members claim they have ADA compliant golf carts. All members need to be aware of keeping ADA compliant golf courses.

4. U.S. Supreme Court Ruling on Flores v. City of San Gabriel (FLSA) – David Clovis, General Manager – no discussion

IX. CLOSED SESSION

1. **Government Code Section 54956.9(a)**
   Conference with Legal Counsel – Litigation

   Name of Case: Vexler, Talya v. City of Fremont
   Court: Superior Court of the State of California, County of Alameda
   Case No.: HG13692644

2. **Government Code Section 54956.9(a)**
   Conference with Legal Counsel – Litigation

   Name of Case: State Farm, et al v. City of Fairfield, CalTrans
   Court: Solano County Superior Court
   Case No.: FCS043691

3. **Government Code Section 54956.9(a)**
   Conference with Legal Counsel – Litigation

   Name of Case: Neuroth v. City of Willits
   Court: US District Court, Northern District of California
   Case No.: 3:15-cv-03226-RS

4. **Government Code Section 54956.9(a)**
   Conference with Legal Counsel – Litigation

   Name of Case: Miller, Mary v. City of Willits
   Court: Superior Court of Mendocino County
   Case No.: CVPM-16-67506

XI. ACTION ON CLOSED SESSION ITEMS

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

XII. ADJOURNMENT

- A motion made by Director Akil, and seconded by Director Quiambao to adjourn the meeting at 4:17p.m. passed unanimously.