

**POOLED LIABILITY ASSURANCE NETWORK JOINT
POWERS AUTHORITY
(PLAN JPA)**

**MINUTES OF THE SPECIAL EXECUTIVE COMMITTEE
MEETING OF APRIL 5, 2018**

A special meeting of the Executive Committee was held on April 5, 2018, at San Bruno City Hall, 567 El Camino Real, San Bruno, CA 94066.

MEMBERS PRESENT: Marc Zafferano, Chairman, San Bruno
Ann Ritzma, Foster City
Jesse Takahashi, Campbell
Brian Dossey, Colma
Heather McLaughlin, Benicia
Kevin Bryant, Woodside
Richard Lee, South San Francisco

MEMBERS ABSENT: Michael Taylor, Saratoga
Kathleen Kane, Burlingame

OTHERS PRESENT: Rob Kramer, General Manager, Bickmore
Yahaira Martinez, Assistant General Manager, Bickmore
Jon Paulsen, Senior Consultant, Bickmore
Greg Rubens, Legal Counsel, Aaronson, Dickerson, Cohn &
Lanzone
Seth Cole, Alliant (*telephonically participated during item 7.B*)
Vikki Rodriguez, Maze & Associates
Alan Shear, City of Benicia

1. CALL TO ORDER:

The April 5, 2018, Executive Committee meeting was called to order at 10:01 a.m. by Chair Marc Zafferano.

2. INTRODUCTIONS:

Those present introduced themselves.

3. PUBLIC COMMENTS:

None.

4. APPROVAL OF AGENDA AS POSTED (OR AMENDED):

Marc Zafferano moved to approve the agenda as posted. Ann Ritzma seconded the motion. Motion passed unanimously by Marc Zafferano, Ann Ritzma, Jesse Takahashi, Brian Dossey, Heather McLaughlin, Kevin Bryant, and Richard Lee.

5. CONSENT CALENDAR:

Ann Ritzma moved to approve the following items: A) Minutes from the February 8, 2018, Special Executive Committee Meeting; and B) Warrant List from February 7, 2018, through March 27, 2018. Richard Lee seconded the motion. Motion passed unanimously by Marc Zafferano, Ann Ritzma, Jesse Takahashi, Brian Dossey, Heather McLaughlin, Kevin Bryant, and Richard Lee.

It was requested that staff add a brief description of the expenses listed in the warrants list so the Committee knows what is being paid.

7.A. Presentation of the 2016/17 Financial Audit Report

This agenda item was moved up on the agenda to accommodate Ms. Vikki Rodriguez's schedule.

Mr. Ritesh Sharma, Finance Manager, reported that a financial audit for the year ending June 30, 2017, was conducted at the Metropolitan Transportation Commission (MTC) office.

Ms. Rodriguez reviewed the financial audit for the year ending June 30, 2017, prepared by Maze & Associates. She reported the following:

- The opinion of the financial auditor was unmodified, which is the "cleanest" opinion that can be received;
- ABAG staff/MTC's internal controls were reviewed and those were found to be adequate, no material weaknesses or deficiencies were found;
- There were no significant changes this year, Ms. Rodriguez noted Maze & Associates included an additional footnote disclosure on page 5 of the audit, to discuss the change in ABAG staff and that they were merged with MTC.

In response to a question, Ms. Rodriguez reported Maze & Associates also audited ABAG's financial statements and that ABAG and PLAN were separately audited, but Maze & Associates ensured everything lined up on both audits. The only thing the two shared were the controls because of the staff administering PLAN.

6. ADMINISTRATIVE MATTERS

A. Review of Draft Bylaws for PLAN

Mr. Rob Kramer, General Manager, advised the Board of Directors will need to approve the Bylaws specific to the new PLAN JPA. He noted staff tried to not make material changes to the current ABAG PLAN model. He reviewed the changes throughout the document as follows:

- Changed the name from ABAG PLAN to PLAN JPA throughout the document;
- Removed references stating PLAN is a corporation;
- Changed language to state the General Manger shall serve as the Secretary; and
- Changed references of a "Chief Financial Officer" to "Treasurer;"
- Added a section under Article VI, Membership, to delineate the requirements for potential new members; and
- Added Section 2 – Approval of Membership section under VI, Membership, which delineates the approval process of potential new members

Members provided staff with other changes they would like to see incorporated into the Bylaws. Staff will make the changes in redline/strikeout and provide to the Executive Committee and Board for consideration at their respective June meetings.

No action was taken on this item.

B. Review of Draft Memorandum of Coverage for PLAN

Mr. Kramer advised that PLAN will need to approve its own general liability Memorandum of Coverage (MOC). He noted staff tried not to make material changes to the current MOC and outlined the most relevant changes as follows:

- Changed the name from ABAG PLAN to PLAN JPA throughout the document;
- Changed the issue/effective date to July 1, 2018;
- Filled in the fields of the Declarations page;
- Changed references of a "deductible" to "self-insured retention" throughout the document;

- Added Endorsement No. 1 to list each member as a covered party under the MOC; and
- Added Endorsement No. 2 to list each member's Retained Limits.

Feedback was provided by some members regarding consistency and wording throughout the MOC. Staff will be making the changes in redline/strikeout and providing to the Executive Committee and Board for consideration at their respective June meetings.

No action was taken on this item.

C. Review of Draft Master Program Document (MPD) for the Pooled Liability Program for PLAN

Mr. Kramer stated that previously, ABAG PLAN had a Risk Coverage Agreement which served both as the document that contractually bound members together in ABAG PLAN, and outlined some of the member responsibilities and obligations for participation in the program. Since the PLAN Joint Powers Agreement has replaced many of the items previously memorialized in the Risk Coverage Agreement, staff recommended PLAN JPA consider approving a Master Program Document (MPD) or similar document for the Pooled Liability Program. The MPD memorializes items more specifically related to the operation of the pooled liability program. Mr. Kramer noted PLAN has not previously had a MPD in place to memorialize these important concepts and stated it is staff's recommendation that a MPD and MOC be created for each coverage program going forward.

Mr. Kramer reviewed the document and noted it delineates the following:

- How deposit premiums are calculated;
- The use of an experience rating formula;
- How assessments and dividends will be handled;
- Settlement authority; and
- How to add and remove members, etc.

In response to a question regarding the settlement authority amount stated in the document and whether or not it is an appropriate amount, Mr. Kramer stated that the amount is in line with what staff has seen throughout other JPAs, but an analysis on the number of claims above \$200,000 could certainly be done.

No action was taken on this item.

7.B. Update on Alliant Insurance Renewals

Mr. Seth Cole, Alliant Insurance Services (Alliant) attended the meeting telephonically and provided the Executive Committee with an update on the market and renewals for the 2018/19 programs that Alliant places.

Mr. Cole reported excess property insurance rates are expected to increase 5-10% in addition to the change in total insured values. He advised that as members of the Alliant Property Insurance Program (APIP) PLAN members have cyber and pollution liability coverage as well as some flood coverage; earthquake coverage is excluded, but can be purchased separately along with additional flood coverage. He added PLAN is coming off of a three year crime policy, and expects the renewal to be relatively flat as the crime market is stable.

In regards to the excess liability coverage, Mr. Cole advised his team continues working to find PLAN the best rate possible in the \$2.5M x \$2.5M layer of coverage, but advised it has been a bit more challenging because of the increase in claims activity; the premium may increase up to 85%. He noted the two layers above are not changing much; he foresaw a flat to 5% change in the rates for those layers. Lastly, Mr. Cole advised he would have solidified renewal proposals closer to the June meetings.

D. Consideration of Draft Resolution xx-2018: Establishing a Records Retention Policy

Ms. Yahaira Martinez, Assistant General Manager, reported that during the review of PLAN's governing documents, staff noted no records retention policy exists so staff created a policy which outlines the rules for filing and retaining documents for the JPA.

Ms. Martinez advised the policy is a standard policy that is used for all of Bickmore's JPA clients and incorporates retention period standards recommended by the California Joint Powers Association of Joint Powers Authorities (CAJPA) as an industry best practice.

Upon discussion, the Executive Committee agreed the retention period under Administration, Correspondence, should be changed to "2 years."

Kevin Bryant moved to approve the Resolution Establishing a Record Retention Policy with the changes as discussed; seconded by Ann Ritzma. Motion passed unanimously by Marc Zafferano, Ann Ritzma, Jesse Takahashi, Brian Dossey, Heather McLaughlin, Kevin Bryant, and Richard Lee.

E. Consideration of Draft Resolution Establishing the 2018/19 Calendar of Meetings

Ms. Martinez noted as a matter of procedure, staff provided the Committee with the proposed calendar of meetings for the 2018/19 year in the form of a Resolution. She stated the current meeting schedule was used to determine the proposed dates; however, to create efficiency, staff proposed holding the SHARP Board meetings in conjunction with PLAN's Board meetings. Additionally, given it will be PLAN's first year in existence, staff also proposed conducting two additional Executive Committee meetings; one in April and one in October in addition to June.

A discussion ensued regarding PLAN's jurisdiction and whether scheduling the SHARP and PLAN Board meetings together would limit the meeting locations. Mr. Greg Rubens, Legal Counsel, advised he would look into the matter and further advise.

Jesse Takahashi moved to approve the Resolution Establishing the 2018/19 Calendar of Meetings; Heather McLaughlin seconded. The motion passed unanimously by Marc Zafferano, Ann Ritzma, Jesse Takahashi, Brian Dossey, Heather McLaughlin, Kevin Bryant, and Richard Lee.

F. Discussion Regarding Employment Practices Liability (EPL) Coverage Options

Mr. Kramer reported that while visiting with member cities and towns and discussing their current coverage programs, staff discovered some members do not realize they do not have employment practices liability (EPL) coverage for their city or town through PLAN.

Mr. Kramer reviewed two EPL coverage options as follows:

Employment Risk Management Authority (ERMA)

ERMA is the first statewide risk sharing pool created exclusively to provide broad coverage for EPL with tailored loss prevention services. ERMA is comprised of ten JPA members and two individual members, totaling over 180 individual underlying members. ERMA provides coverage up to \$1 million per occurrence and purchases excess coverage through RSUI for coverage of \$1 million excess \$1 million per occurrence.

Group Purchased EPL Insurance

Alliant can provide a group purchase option for coverage that would at minimum, benefit the members purchasing stand-alone policies and others that may be interested by utilizing the economies of scale of PLAN.

The Committee agreed with the transition and changes occurring, it would be more appropriate to discuss and present these options to the Board at the December meeting. In preparation for that, staff was directed to distribute a poll to the membership to find out who is interested in learning more about EPL Coverage options.

The Executive Committee recessed for lunch at 11:59 a.m. and convened at 12:32 p.m.

G. Discussion Regarding Certificates of Coverage and Additional Covered Party Endorsements

Mr. Jon Paulsen, Senior Consultant, reported members now have the ability to print their own Evidence of Coverage certificates through the PLAN JPA website. However, members are being asked to provide contracts, when available, for staff's review prior to issuance of Additional Covered Party (ACP) endorsements. Mr. Paulsen stated several members have indicated they would like to go back to issuing their own ACP certificates, while others have agreed these requests should be reviewed by staff for accuracy and appropriateness.

Further, Mr. Paulsen advised Bickmore Best Practice for issuing certificates of coverage has always been to review agreements prior to issuing an ACP endorsement to ensure coverage is being transferred appropriately and it is being extended for activities that are covered under the Memorandum of Coverage. This process helps to protect individual member's interests, as respects effective contractual risk transfer and accurate representations, as well as the interests of the JPA as a whole.

In response to questions regarding the risk PLAN JPA would be taking on by allowing members to issue their own ACP certificates, Mr. Paulsen stated members may erroneously extend coverage to another party for activities not covered under the Memorandum of Coverage, or extend coverage rights to a party that should in reality be extending its coverage to the City.

Upon further discussion, the Committee advised they are in agreement with staff requesting contracts for review prior to issuing the ACP certificates provided the turnaround time is short. In the beginning of the year, the turnaround time was on average 5-7 business days and Committee members expressed that timing was not going

to work for their cities. Mr. Paulsen advised Ms. Martinez is currently issuing certificates of coverage and the turnaround time has been within 24 hours.

Ann Ritzma moved to approve staff's recommendation to request and review each contract for any certificate requests requiring an additional covered party endorsement; seconded by Brian Dossey. Motion passed unanimously by Marc Zafferano, Ann Ritzma, Jesse Takahashi, Brian Dossey, Heather McLaughlin, Kevin Bryant, and Richard Lee.

H. Report from the Risk Management Committee Meeting

Ms. Martinez reported that at the Risk Management Committee (RMC) meeting that took place the prior day, staff provided an update on the different Grant Fund programs available to members such as the service credits, program grants, training grants, and sewer smart grants. She noted the RMC discussed simplifying the program and establishing parameters for the use of funds as no written policies currently exist. The RMC directed staff to create a risk control plan for 2018/19 and bring it back to a special RMC meeting in May.

Mr. Kramer advised that the current program that is in place is a bit complicated and a pool like PLAN would benefit from having base risk control services that all members have access to regardless of size, and which encompass some elements of best practices assessments, support to help implement solutions and regional trainings on hot topics. In addition to the base services in the proposed plan, members would continue to have grant funds and would be able to use them for any risk control needs at their cities without using any portion of their individual funds to pay for base services.

Mr. Brian Dossey, Risk Management Committee Chair, shared the Committee was in agreement with the proposed new plan discussed because it provides more flexibility to utilize the grant funds and the carryover piece. He stated the RMC requested staff ensure there is still some accountability and base rules that all members should follow under this new program.

Ms. Martinez concluded by advising the Committee that vehicle packets were reviewed and approved by the RMC and will be distributed to the membership and posted to the website for members to print and download at their leisure.

7. FINANCIAL MATTERS

C. Review of Preliminary Operating Budget for Fiscal Year 2018/19

Enclosed in the agenda was a preliminary Operating Annual Budget for the 2018/19 fiscal year. Mr. Sharma advised the model is similar to what PLAN approved in the past, and funding rates were established by PLAN's actuary.

Mr. Sharma reviewed the overall rates for the coverage programs noting there is a 14% increase in contributions over the prior year due to an increase in estimated payroll of 9%, an increase in estimated funding rates, and an increase in estimated reinsurance and excess premiums.

Mr. Sharma reviewed the administrative budget noting expenses are projected to decrease by 9.1% over the prior year. He advised that should the Executive Committee and Board approve risk control service plan as discussed by the RMC, risk control services will become an administration budget item, adding a \$300,000 increase to the administration budget.

Mr. Sharma reviewed the experience modification (ex-mod) calculations and explained it is the same as what has been used in previous years. The losses were limited to \$250,000 per occurrence, and credibility was given to payroll, limited to a minimum of 10% and maximum of 90%.

D. Review and Approval of PFM Asset Management Agreement and Resolution for CAMP

Mr. Sharma stated the Executive Committee selected PFM Asset Management to manage PLAN and SHARP's investments, and enclosed in the agenda was the PFM agreement effective April 5, 2018, for their review and approval. He noted the agreement had been previously sent to Mr. Rubens for his review. Upon discussion, the Committee concurred they wanted the insurance requirements outlined in the contract and approved it with that stipulation.

In addition to the agreement, Mr. Ritesh advised the Committee a resolution was drafted for PLAN and SHARP to participate in the California Asset Management Trust (CAMP), a vehicle for public agencies to jointly exercise their common power to invest of debt issues and surplus funds. He advised PFM is the Investment Advisor and Administrator for the Trust. CAMP provides its members with the same liquidity benefits that LAIF provides, and the LAIF account would not be replaced by CAMP. Instead, PLAN and

SHARP would have the option to use whichever account is providing higher rates of return.

Heather McLaughlin moved to approve the PFM Agreement, effective April 5, 2018, with the stipulation the insurance requirements be added to the contract; and to approve the Resolution Authorizing PLAN to Join with Other Public Agencies as a Participant of the California Asset Management Trust; seconded by Brian Dossey. The motion passed unanimously by Marc Zafferano, Ann Ritzma, Jesse Takahashi, Brian Dossey, Heather McLaughlin, Kevin Bryant, and Richard Lee.

8. CLOSING COMMENTS

A. Executive Committee

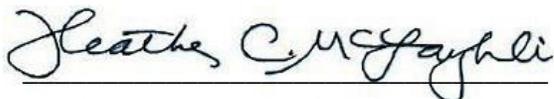
None.

B. Staff

Mr. Kramer advised staff will be distributing solicitation emails to the membership to seek interest in serving in Officer and Committee positions for PLAN JPA.

9. ADJOURNMENT

The Special Meeting of the PLAN JPA Executive Committee was adjourned at 1:42 p.m.



Heather McLaughlin, Board Secretary