

**ASSOCIATION OF BAY AREA GOVERNMENTS POOLED  
LIABILITY ASSURANCE NETWORK  
(ABAG PLAN)**

**MINUTES OF THE EXECUTIVE COMMITTEE  
MEETING OF JUNE 6, 2018**

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A regular meeting of the Executive Committee was held on June 6, 2018, at San Bruno City Hall, 567 El Camino Real, San Bruno, CA 94066.

**MEMBERS PRESENT:** Marc Zafferano, Chairman, San Bruno  
Kathleen Kane, Burlingame  
Jesse Takahashi, Campbell (*Arrived during Agenda Item 6.A*)  
Brian Dossey, Colma  
Heather McLaughlin, Benicia  
Kevin Bryant, Woodside  
Richard Lee, South San Francisco

**MEMBERS ABSENT:** Michael Taylor, Saratoga  
Ann Ritzma, Foster City

**OTHERS PRESENT:** Rob Kramer, General Manager, Bickmore  
Yahaira Martinez, Assistant General Manager, Bickmore  
Jon Paulsen, Senior Consultant, Bickmore  
Katie Sullivan, Analyst, Bickmore  
Ritesh Sharma, Finance Manager, Bickmore  
Jeff Johnston, Director of Risk Control, Bickmore  
Greg Rubens, Legal Counsel, Aaronson, Dickerson, Cohn &  
Lanzone (*Left after Agenda Item 7.A*)  
Seth Cole, Alliant Insurance Services  
Lesley Murphy, PFM Asset Management

**1. CALL TO ORDER:**

The June 6, 2018, Executive Committee meeting was called to order at 10:08 a.m. by Chair Marc Zafferano.

**2. INTRODUCTIONS:**

Those present introduced themselves.

**3. APPROVAL OF AGENDA AS POSTED (OR AMENDED):**

*The agenda was approved as posted.*

**4. PUBLIC COMMENTS:**

None.

**5. CONSENT CALENDAR:**

*Brian Dossey moved to approve the following items: A) Minutes – April 5, 2018, Special Executive Committee Meeting; and B) Warrants Listing for March 28, 2018, through May 29, 2018. Kevin Bryant seconded the motion. Kathleen Kane abstained from voting. The motion passed by majority vote by Marc Zafferano, Richard Lee, Jesse Takahashi, Brian Dossey, Heather McLaughlin, and Kevin Bryant.*

**6. ADMINISTRATIVE MATTERS**

**A. Review of PLAN JPA Bylaws**

At the April 5, 2018, Executive Committee meeting, a first draft of the proposed PLAN JPA Bylaws was presented to the Committee for consideration. Upon review of the document, the Committee members directed staff to make additional changes to the document and to bring back for review and further consideration. Additional revisions were made by both Board Counsel, Greg Rubens, and staff based on discussion from that meeting. Some of the key changes to the Bylaws were as follows:

- Changed name from ABAG PLAN to PLAN JPA throughout document;
- Defined the jurisdictional area of PLAN JPA;
- Removed references stating PLAN is a “corporation;”
- Outlined requirements for membership in PLAN JPA;
- Updated Officers section to comport with the new JPA structure;
- Changed language to state the General Manager shall serve as Secretary; and
- Changed references of “Chief Financial Officer” to “Treasurer.”

Mr. Rob Kramer, General Manager, and Mr. Rubens reviewed some of the changes that were made based off the Committee's feedback from the last meeting. Mr. Rubens stated most of the changes were updates to specific language used, such as removing references to general corporation law or terms particular to corporations. Besides minor grammatical errors and some language that needed to be revised, an amendment request was made to add a phrase stating PLAN JPA does not have any employees and in order to hire an individual, it would require two-thirds vote of the Board of Directors.

*Kathleen Kane moved to recommend approval of the PLAN JPA Bylaws, as amended, to the Board of Directors. Heather McLaughlin seconded the motion. Motion passed unanimously.*

**B. Review of Draft PLAN JPA Liability Memorandum of Coverage**

As with the Bylaws, the Executive Committee reviewed the first draft of the PLAN JPA Memorandum of Coverage (MOC) and approved changes recommended by staff, as well as directed staff to make other minor changes in regards to consistency throughout the document.

The Executive Committee normally has the authority to approve the MOC; however, at the time of this meeting, the PLAN JPA Executive Committee had not been officially constituted. The new PLAN JPA Board of Directors will meet in June, prior to the constitution of the PLAN JPA Executive Committee; therefore staff recommended the Executive Committee recommend the Board formally consider this document.

The changes to the MOC were as follows:

- Changed the ABAG PLAN name to PLAN JPA throughout the document;
- Changed the issue/effective date to July 1, 2018;
- Filled in fields on 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.

*Richard Lee moved to recommend approval of the PLAN JPA Memorandum of Coverage for the Liability Program to the Board of Directors. Heather McLaughlin seconded the motion. The motion passed unanimously.*

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

As with the Bylaws and Memorandum of Coverage documents, the Master Program Document (MPD) for the Pooled Liability Program for PLAN JPA was presented at the April 5, 2018, Executive Committee meeting.

Mr. Paulsen reminded the Committee previously, ABAG PLAN had a document titled “Risk Coverage Agreement,” which served as both the document that contractually bound the members together in ABAG PLAN, as well as outlined some member responsibilities and obligations for participation in the program. The PLAN JPA Joint Powers Agreement replaced many of the items previously memorialized in the Risk Coverage Agreement, so staff recommended maintaining a separate document for items specifically related to the operation of the program. The changes the Executive Committee requested at the previous meeting were in regards to how deposit premiums would be calculated, the use of experience modification (ex-mod) factors, how assessments and dividends would be handled, how to add and remove members, and litigation management authority.

At the April 5, 2018, meeting, the Executive Committee agreed to establish the MPD presented, and requested a final review prior to the Board of Directors meeting on June 20, 2018. As with the MOC, the PLAN JPA Executive Committee will be able to approve the MPD, once constituted. Since the Executive Committee will not meet again until after the Board of Directors meeting, staff recommended the Committee recommend the Board formally consider this document, along with the Bylaws and MOC.

A brief discussion ensued regarding settlement authority and how a disagreement would be handled in the event a member disagrees with the Litigation Manager’s decision to settle within his or her authority. The Committee agreed in the event of a dispute, the matter should be brought forth to the Claims Committee for review and to make a recommendation. The Committee requested clarifying language be added to the MPD to address this issue. Mr. Kramer advised staff will prepare a formal set of Litigation Management guidelines that will lay out expectations for the Claims Committee, Litigation Manager, and Counsel.

***Heather McLaughlin moved to recommend approval of the Master Program Document for the Pooled Liability Program for PLAN JPA, as amended, to the Board of Directors. Brian Dossey seconded the motion. Motion passed unanimously.***

**D. Consideration of Aon Contract Extension for Claims Auditing Services**

Mr. Kramer reported previously, ABAG PLAN engaged the services of Aon Risk Solutions to conduct a claims audit in 2015 and the contract expired after the 2015/16 audit. For consistency, staff recommended the Executive Committee consider a one year extension to the latest contract for the 2017/18 audit in order to perform the important check and balance for the JPA.

Since the contract expired in 2015, the Committee requested a new contract be drafted instead of extending the expired contract. The Executive Committee authorized President, Marc Zafferano, to negotiate a new contract with Aon with the same terms and conditions and to work with Legal Counsel to finalize.

*Richard Lee moved to designate President Marc Zafferano and staff to negotiate and finalize a new AON Contract for liability claims auditing services with the same terms and conditions. Jesse Takahashi seconded the motion. Motion passed unanimously.*

**E. Consideration of Resolution Establishing All Bank Accounts and Authorized Signers**

Mr. Ritesh Sharma, Finance Manager, advised changes needed to be made to the Resolution Establishing All Bank Accounts and Authorized Signatures, which had been previously adopted at the November 2, 2017, Board of Directors meeting. He reviewed the changes below: Mr. Sharma stated the changes included the following:

- Changing the name to Pooled Liability Assurance Network (PLAN JPA);
- Updating signers on the account; and
- If approved by the Committee, opening a bank account with California Bank & Trust (Cal Bank & Trust) and closing the account with Bank of the West.

Mr. Sharma informed the Committee that he personally, along with other Bickmore staff, works with Cal Bank & Trust on most of the administration clients and due to the relationship staff has with Cal Bank & Trust, Bickmore clients obtain group pricing benefits. Cal Bank & Trust also provides consistency and familiarity with JPAs as well as an account representative who makes Bickmore clients a priority. He noted if approved, once the account is up and running, staff would close the Bank of the West account after transferring all funds to Cal Bank & Trust.

*Kathleen Kane moved to recommend to the Board of Directors approval of the Resolution Establishing All Bank Accounts and Authorized Signatures. Heather McLaughlin seconded the motion. Motion passed unanimously.*

**F. Consideration of Resolution Revising Authorized Signers for Investment of Monies in the Local Agency Investment Fund (LAIF)**

With the transition to PLAN JPA, the Resolution Establishing Authorized Signers for the Investment of Monies in the Local Agency Investment Fund (LAIF) needed to be amended to incorporate the new PLAN JPA name and update the signers to the LAIF account.

Mr. Sharma noted the resolution enclosed in the agenda did not include the Treasurer of PLAN JPA as an authorized signer, and he would update the resolution to include the Treasurer prior to approval by the Board of Directors meeting in June.

*Richard Lee moved to recommend to the Board of Directors approval of the Resolution Revising Authorized Signers for the Investment of Monies in the Local Agency Investment Fund, as amended. Kevin Bryant seconded the motion. Motion passed unanimously.*

**7. RISK CONTROL**

**A. Report from Risk Management Committee Meeting**

At the request of the Risk Management Committee, staff presented a draft risk control plan that would provide “core risk control services” for all members, along with a simplified annual Grant Fund program. Mr. Jeff Johnston, Risk Control Director provided an overview of the proposed risk control plan as follows:

**1. Proposed Core Services Risk Management Program**

This program would include a first year on-site risk control orientation, an annual risk assessment of select best practices, dedicated time to assist with recommendation implementation(s), regional training, unlimited phone and email support as well as additional refinements. The proposed cost would be funded through the annual budget process. Mr. Johnston noted the proposal would have little impact on the current risk management grant funding and reduces the current annual outlay of resources from equity by nearly \$175,000.

**2. Proposed Changes to the Grant Fund Program**

Mr. Johnston reminded the Committee the current program was broken into various buckets: Risk Service Credits, Grants, Sewer Smart Grants and Training Grants. The Risk Service Credits totaled \$361,052 last year and were funded out of equity; however, the

Risk Service Credits would be replaced with the proposed risk management program and be funded through the annual budget process.

The other programs would be rolled into one simple Grant Fund which would allow for 100% reimbursement for any expenses related to addressing liability-related exposures and elimination of the 50% reimbursement rule if it does not address a goal.

Mr. Johnston advised a total of \$500,000 would be funded from equity for the 2018/19 Grant Fund Program. The funds would be distributed “pro-rata” based on each member’s percentage of premium, and is the same method PLAN used in the past. Additionally, after all reimbursement requests for the 2017/18 program year have been completed, staff recommended any remaining funds in all current grant buckets be combined and re-allocated to the members via the same “pro-rata” formula.

He noted members would receive their 2018/19 grant funds on July 1<sup>st</sup> and an additional allocation in January 2019, after the total amount of unused funds from the prior program years are determined and rolled over. Mr. Johnston stated annually, thereafter, staff recommends the Board review the equity position of the group and make further allocations of equity, as appropriate, to continue to replenish funds to the individual Grant Fund account balances.

Mr. Kramer advised recommendation to approve the proposed 2018/19 Risk Control Plan came from the Risk Management Committee (RMC) and noted staff did not make a recommendation on this item as Bickmore has a financial interest in the outcome. Mr. Kramer stated the RMC reviewed and assisted staff with refining the program.

In response to a question regarding other pools utilizing outside providers for risk management services, Mr. Johnston stated most pools combine their administration and risk control services with Bickmore; however, Bickmore staff would oversee the work of whichever provider is chosen by PLAN JPA.

The Executive Committee discussed various options and agreed to approve the proposed Risk Control Plan for the 2018/19 Program Year, and requested the issuance of a member satisfaction survey mid-year to gauge member approval of the Risk Control Plan. To conduct its due diligence, the Committee also agreed they wished to issue a Request for Proposal (RFP) for risk control services.

Mr. Brian Dossey, Chair of the Risk Management Committee, Colma, stated the Risk Management Committee was partial to the Risk Control Plan from the perspective that it was less oversight, more user friendly, and proactive in terms of Bickmore staff

encouraging members to use their grants and driving them to improve their risk management programs.

*Brian Dossey moved to approve the 2018/19 Risk Control Plan for a one year contract with Bickmore, as well as directed the Risk Management Committee to develop a member satisfaction survey and a Request for Proposal for future risk control services. Kathleen Kane seconded the motion. Motion passed unanimously.*

*The Executive Committee recessed for lunch at 11:46 a.m. and convened at 12:12 p.m.*

## **8. FINANCIAL MATTERS**

### **A. Report from Actuarial Committee Meeting**

Mr. Sharma provided the Executive Committee with an update from the Actuarial Committee Meeting held on April 18, 2018, where the Committee reviewed the most recent actuarial report for ABAG PLAN. The report was composed of two main components: Part one was to determine the appropriate funding for the 2018/19 program year and part two was a review of the estimates of the outstanding liabilities projected as of June 30, 2018. The actuary compiled the report using December 31, 2017, loss run and financial statements.

The actuary reported a 14% increase in the expected funding for the 2018/19 program year. The increase was caused by an 8% increase in payroll, as well as claims development from prior years. Current funding at the 60% confidence level (CL) shows an 11.9% change between 2017/18 and 2018/19.

In response to a question by an Executive Committee member regarding the Committee's interest in increasing funding to the 70% CL, Mr. Sharma suggested conducting an analysis to assess what the appropriate confidence level should be; however the final decision would need to be made by the full Board.

A discussion ensued regarding PLAN JPA's interest in increasing funding to the 70% confidence level. With the understanding that an increase to the funding level would also increase member contributions, the Executive Committee directed the Actuarial Committee to conduct an analysis and determine a plan for the pool to gradually increase funding to the 70% confidence level.

### **B. Report from Finance Committee Meeting**

Mr. Sharma reported the Finance Committee met on May 23, 2018, and received an update on the PLAN budget, the excess liability and property renewals, a presentation on



the proposed Investment Strategy by Ms. Lesley Murphy, PFM Asset Management, LLC (PFM), as well as reviewed the proposed changes to the Investment Policy.

Mr. Sharma discussed the following highlights from the 2018/19 Draft Operating Budget:

- Total proposed contributions came in at \$10.8 million, a 12% increase over prior year;
- Payroll increased by 7.9% over prior year;
- The Liability Program was funded at the 60% CL with a 3% discount;
- The Property Program was funded at the 70% CL, with a 3% discount;
- There was a 12% increase in claims expenses and a 23% increase in insurance expense over prior year; and
- The Administration cost provided a savings of \$500,000, a 23% decrease over prior year, from the transition from Metropolitan Transportation Commission (MTC) to Bickmore.

Mr. Seth Cole, Alliant, provided a market update and noted in general, accounts with zero losses are experiencing rate increases of 10-15%, and accounts with a higher number of claims are seeing considerably higher rate increases than those with zero claims. The areas of concern for underwriters have been road design and intersection type claims, and police use of force cases. Mr. Cole advised PLAN can expect an approximate 23% rate increase in excess liability insurance. He further reported the property market had rate increases due to catastrophic losses caused by the hurricanes and wildfires in 2017, indicating a 5-10% increase for accounts with good claims experience. He estimated PLAN's rate increase to be about 7.1%, which is better than anticipated.

### **C. Review and Consideration of Investment Policy for PLAN JPA**

During the Special Executive Committee meeting held in February 2018, the Executive Committee selected PFM Asset Management (PFM) to manage PLAN and SHARP's investments. Additionally, the Committee approved participation in California Asset Management Program (CAMP), a California Joint Powers Authority established to provide California public agencies with professional investment services. The Finance Committee met in May 2018, and reviewed the investment strategy presented by Ms. Murphy; as well as the proposed revisions to the PLAN JPA investment policy.

Ms. Lesley Murphy, PFM, provided an overview of the recommended changes to the investment policy, which were fully vetted and recommended for approval by the Finance Committee. She noted PLAN's current policy is very comprehensive, well

written, and compliant with California Government Code. Ms. Murphy highlighted the following changes:

- Section 5: included updates to reflect PLAN's current governance and operating structure;
- Section 8: included updates to reflect the language currently used California Government Code and to incorporate language related to the use of an investment advisor; and
- Section 9: various changes were made to this section, which were designated to allow greater investment diversification and flexibility, which could result in higher interest earnings over time. It was recommended PLAN consider increasing the maximum allowable allocation to certain non-government sectors to more closely align with Code guidelines.

Ms. Murphy noted the current policy was more restricted and conservative and PFM recommended increasing sector allocations up to code maximums and changing some rating requirements, to potentially increase earnings in the portfolio.

***Richard Lee moved to approve the PLAN JPA Investment Policy, as presented. Kevin Bryant seconded the motion. Motion passed unanimously.***

#### **D. Consideration of Financial Audit Contract for 2018/19 Program Year**

The objective of a financial audit is to determine whether ABAG PLAN is presented fairly in all material respects. The audit is conducted in accordance with auditing standards generally accepted in the United States of America. A secondary report is provided on memorandum and internal controls.

Mr. Paulsen advised the services Maze & Associates was engaged to provide, consisted of auditing the Basic Financial Statements and Memorandum on Internal Controls and preparation of Federal IRS Form 990 and California Forms 199 and RRF-1. He noted Maze & Associates provided the financial audit for ABAG PLAN for the previous three years, and staff is recommending a one-year extension to complete the financial audit for year ending June 30, 2018. The Finance Committee reviewed the Financial Audit Engagement Letter at their May 23, 2018 and recommended approval.

***Jesse Takahashi moved to approve the one-year extension of the Maze & Associates contract to conduct the ABAG PLAN financial audit for year ending June 30, 2018. Richard Lee seconded the motion. The motion passed unanimously.***

## 9. ELECTIONS

### A. Review of Candidates to Fill PLAN JPA Committee Positions

In preparation for the annual elections to take place at the June Board of Directors meeting, staff distributed a solicitation email seeking interest from the Board members and Alternate representatives to serve for the first time, or continue serving on a committee.

Ms. Yahaira Martinez, Assistant General Manager, reminded the Committee in previous years, they were tasked with developing a slate of candidates to serve on the Executive Committee, Claims Committee, Risk Management Committee, Finance Committee, and Actuarial Committee for the Board's consideration. A current listing of the Committees and a tracking list of meeting participation for each member for Fiscal Years 2016/17 and 2017/18 was provided for review. Additional nominations and were taken from the floor and the Executive Committee proposed the following slates:

#### Executive Committee

Marc Zafferano, Chair, San Bruno  
Heather McLaughlin, Benicia  
Kathleen Kane, Burlingame  
Jesse Takahashi, Campbell  
Ann Ritzma, Foster City  
Robert Schultz, Los Gatos  
Richard Lee, South San Francisco  
Kevin Bryant, Woodside  
Reserved for Chair of the Risk Management Committee

#### Claims Committee

Kathleen Kane, Chair, Burlingame  
Heather McLaughlin, Benicia  
Jesse Takahashi, Campbell  
Brenda Olwin, East Palo Alto  
John Mullins, Hillsborough  
Robert Schultz, Los Gatos  
Marc Zafferano, San Bruno  
Rebecca Mendenhall, San Carlos  
Scott Corey, Suisun City

Risk Management Committee

George Rodericks, Atherton  
Julie Carter, Dublin  
Yulia Carter, Half Moon Bay  
David Benoun, Newark  
Jeremy Dennis, Portola Valley

Finance Committee

Ann Ritzma, Chair, Foster City  
Yulia Carter, Half Moon Bay  
Will Fuentes, Milpitas  
Rebecca Mendenhall, San Carlos  
Richard Lee, South San Francisco  
Mary Furey, Saratoga

Actuarial Committee

Jesse Takahashi, Chair, Campbell  
Pak Lin, Colma  
Colleen Tribby, Dublin  
Edmund Suen, Foster City  
Lorenzo Hines, Pacifica  
Cindy Safe, Woodside

*Heather McLaughlin moved to recommend to the Board of Directors approval of the slate of Candidates for PLAN JPA's Executive, Risk Management, Finance, Actuarial, and Claims Committees for Fiscal Year 2018/19. Kevin Bryant seconded the motion. Motion passed unanimously.*

**B. Review of Candidates to Fill PLAN JPA Officer Positions**

In preparation for the annual elections, staff distributed a solicitation email seeking interest from the Board and Alternate representatives to serve for the first time, or to continue serving, as an Officer for the PLAN Board. As with the slate of candidates for the committees, the Executive Committee was tasked with developing a slate of candidates to fill the Officer positions of President, Vice-President, and Treasurer for the Board's consideration.

Ms. Martinez advised currently, Mr. Marc Zafferano, Mr. Michael Taylor, and Ms. Ann Ritzma hold the positions of President, Vice-President, and Treasurer. She noted Mr. Taylor had chosen not to run for re-election due to his upcoming retirement next spring. After brief discussion, the slate of candidates the Executive Committee developed for Board approval is as follows:

- President: Marc Zafferano, San Bruno
- Vice-President: Kathleen Kane, Burlingame
- Treasurer: Ann Ritzma, Foster City

Mr. Zafferano opened the floor up for additional nominations, but the Committee agreed to keep the slate of candidates as is.

*Kevin Bryant moved to recommend to the Board of Directors approval of the slate of Candidates for PLAN JPA's Officer Positions of President, Vice-President, and Treasurer for Fiscal Year 2018/19. Heather McLaughlin seconded the motion. Motion passed unanimously.*

## **10. CLOSING COMMENTS**

### **A. Executive Committee**

None.

### **B. Staff**

Mr. Kramer reminded the Executive Committee of the Board of Directors meeting on June 20, 2018, in South San Francisco.

## **11. ADJOURNMENT**

The Regular Meeting of the ABAG PLAN Executive Committee was adjourned at 1:20 p.m.

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Heather McLaughlin, Board Secretary