

**SHARED AGENCY RISK POOL
(SHARP)**

**MINUTES OF THE BOARD OF DIRECTORS
MEETING OF JUNE 20, 2018**

A regular meeting of the Board of Directors was held on June 20, 2018, at Hilton Garden Inn San Francisco Airport North, 670 Gateway Boulevard, South San Francisco, CA 94080.

MEMBERS PRESENT: Joe Chinn, Chairman, Ross
Frances Reed, Los Altos Hills
Monica Labossiere, Ross

MEMBERS ABSENT: Jason Holley, American Canyon

OTHERS PRESENT: Rob Kramer, General Manager, Bickmore
Yahaira Martinez, Assistant General Manager, Bickmore
Jon Paulsen, Senior Consultant, Bickmore
Katie Sullivan, Analyst, Bickmore
Jackie Miller, Workers' Compensation Program Manager,
Bickmore
Jeff Johnston, Director of Risk Control, Bickmore
Jennifer Gorgen, York Risk Services
Lesley Murphy, PFM Asset Management
Mike Harrington, President of Actuarial Services, Bickmore
Vikki Rodriguez, Maze & Associates (*via telephonically, only for
Agenda Item 6.A*)

1. CALL TO ORDER

The June 20, 2018, Board of Directors meeting was called to order at 1:43 p.m. by Chairman, Joe Chinn.

2. INTRODUCTIONS

Those present introduced themselves.

3. PUBLIC COMMENTS

None

4. APPROVAL OF AGENDA AS POSTED (OR AMENDED)

Frances Reed moved to approve the agenda as posted. Monica Labossiere seconded the motion. Motion passed unanimously.

5. CONSENT CALENDAR

Frances Reed moved to approve the following items: A) Minutes – November 2, 2017, Special Board of Directors Meeting; B) Warrant List January 1, 2018, through May 31, 2018; and C) SHARP Loss Prevention Grant Balances as of April 12, 2018. Monica Labossiere seconded the motion. Motion passed unanimously.

6. FINANCIAL MATTERS

A. Presentation and Consideration of the 2016/17 Financial Audit Contract

Ms. Vikki Rodriguez, Maze & Associates, was present to discuss the financial audit for the year ending June 30, 2017. She provided an overview of the three sections contained within the audit report:

- Section One: contained the independent auditor’s report, which states the auditor’s opinion. The opinion on the financial audit was unqualified, meaning the financial statements were presented fairly and is considered a “clean” audit opinion.
- Section Two: contained the Management Discussion and Analysis (MD&A), which was prepared by the Metropolitan Transportation Commission (MTC) Finance team. The MD&A provided an analysis and discussion regarding significant events that occurred during the year.
- Section Three: contained the Basic Financial Statements, which was comprised of the Statement of Net Position, Statement of Activities, Statement of Cash Flows, and Notes to the Basic Financial Statements.

Ms. Rodriguez also discussed SHARP’s financial highlights for the 2017 fiscal year:

- Total assets at June 30, 2017, were \$4.9 million, a decrease from the prior year due to claims payments made in FY 2017 that exceeded the addition to claim reserves.

- Claims payments totaled \$453,000 during the year, compared to \$106,000 the prior year, largely due to settlement of a 2016 death claim of \$400,000. Claim reserves are relatively stable, and claim frequency continues to be low for participating members. The SHARP program remains funded at a high actuarial confidence level.
- Total revenues were \$693,000 in FY 2017, with total expenses at \$837,000.
- Total Trust Fund net position was \$3.9 million, a slight decrease from prior year.
- Administration Fund net position at June 30, 2017, had a deficit of \$2,799.
As of June 30, 2017, total book value and fair market value of the investment portfolio was \$3.9 million. This is comprised of an 81% investment in the Local Agency Investment Fund (LAIF), and 19% bank certificates of deposit. Investment income was \$28,000.

Overall, the opinion of the auditor is the financial statements of SHARP were presented fairly, in all material respects, the respective financial position of the business-type activities of SHARP as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Monica Labossiere moved to accept and file the 2016/17 Financial Audit report for Fiscal Year Ended June 30, 2017. Frances Reed seconded the motion. Motion passed unanimously.

B. Review of the Actuarial Report

Mr. Mike Harrington, President of Actuarial Services at Bickmore, was present to review the Workers' Compensation Program Actuarial Report for year ending June 30, 2018 with the Board. He provided the following highlights:

- Outstanding liabilities are expected to be \$941,000 as of June 30, 2018;
- Ultimate cost of claims and expenses for 2018/19 are expected to be \$311,000;
- The rates for the 2018/19 program year are \$1.56 per \$100 of payroll; and
- The pool is being funded at the 65% confidence level with a 3% discount factor.

Frances Reed moved to accept and file the Actuarial Report dated June 30, 2018. Monica Labossiere seconded the motion. Motion passed unanimously.

C. Review of the Draft Operating Budget for the 2018/19 Program Year

Mr. Ritesh Sharma, Finance Manager, provided the Board with a review of the Draft Operating Budget for the 2018/19 Program Year. Member contributions were presented at

the 65% confidence level (CL), discounted at 3%, with similar factors to the 2017/18 budget. He reviewed the following highlights:

- Overall contributions increased 14% over the prior mainly due to a 10% increase in payroll;
- LAWCX premium increased 16% over prior year;
- Claims Administration was budgeted at \$14,720, with a 3% contractual increase;
- The Self-Insurance Assessment is expected to increase 5% over the prior year;
- Claims Expense would increase \$17,000, or 5.8%, over prior year, with Insurance Expense increasing by \$40,585, or 16.3%;
- Administrative Expenses increased by 9% over prior year;
- Program Administration reflect a savings of 9.9% from prior year cost;
- Financial Audit will have a 25% increase based upon new contract;
- Actuarial Studies will have an increase of 17.6% based upon new contract;
- Legal Counsel was budgeted at \$5,000 as a new line item; and
- An Allowance for Contingencies was budgeted at \$5,000.

Frances Reed moved to approve the 2018/19 Operating Budget. Monica Labossiere seconded the motion. Motion passed unanimously.

D. Review and Consideration of CAMP Resolution No. 2018-01 and Investment Policy

At the February 8, 2018, ABAG PLAN Executive Committee meeting, PFM Asset Management (PFM) was selected to manage PLAN JPA and SHARP's investments. As part of investment management, a resolution was drafted to participate in California Asset Management Program (CAMP). This program is a vehicle for public agencies to jointly exercise their common power to invest in debt issues and surplus funds. PFM is the contracted Investment Advisor and Administrator for CAMP.

Ms. Lesley Murphy and Ms. Sarah Meacham, PFM, discussed PFM's investment strategy for SHARP's investment portfolio. Ms. Murphy informed the Board of the ongoing investment services provided by PFM. Those included the following:

- Annual Investment Policy review and presentation;
- Annual reporting to the Board of Directors;
- Cash flow monitoring and analysis; and
- Investment in the CAMP Cash Reserve Portfolio.

After a brief discussion, the Board decided to add an amendment to the Investment Policy in regards to the maturity of 'A' and 'AA' rated corporate notes. If the note is rated 'A,' maximum maturity should be two years and 'AA' should be five years.

Frances Reed moved to approve Resolution No. 2018-01: Authorizing SHARP to Join with Other Public Agencies as a Participant of the California Asset Management Program (CAMP) and the Investment Policy, as amended. Monica Labossiere seconded the motion. Motion passed unanimously.

E. Consideration of Resolution No. 2018-02: Establishing All Bank Accounts and Authorized Signers

Due to the transition in administration to Bickmore, the Board approved at their November 2, 2017, meeting a Resolution Establishing All Bank Accounts and Authorized Signatures to include the new administration staff on the list of authorized signers for SHARP. Staff requested the Board consider opening an account with California Bank & Trust (Cal Bank & Trust). If approved, opening an account would require an amendment to the Resolution. Once the account is up and running, staff will transfer funds from Bank of the West and work on closing the account.

Mr. Sharma explained Bickmore has worked with Cal Bank & Trust for years with most of the clients they administer. Benefits of transitioning to Cal Bank & Trust included:

- Group pricing benefits;
- Consistency and familiarity on the part of staff with their systems and processes; and
- Account Representative who makes Bickmore clients a priority.

Monica Labossiere moved to approve Resolution No. 2018-02: Establishing All Bank Accounts and Authorized Signers. Frances Reed seconded the motion. Motion passed unanimously.

F. Consideration of Resolution No. 2018-03: Revising Authorized Signers for Investment of Monies in the Local Agency Investment Fund (LAIF)

As part of the transition in administration to Bickmore, the Resolution Revising Authorized Signers for Investment of Monies in the Local Agency Investment Fund (LAIF) also required an amendment to update the signers to the LAIF account.

Frances Reed moved to approve Resolution No. 2018-03: Revising Authorized Signers for Investment of Monies in the Local Agency Investment Fund (LAIF). Monica Labossiere seconded the motion. Motion passed unanimously.

G. Consideration of Financial Audit Contract for the 2018/19 Program Year

Mr. Sharma informed the Board that Maze & Associates provided the financial audit for SHARP for prior years and recommended engaging the firm for a one year extension of their contract to conduct the SHARP financial audit for year ending June 30, 2018, with a fee of \$7,250.

Monica Labossiere moved to approve a one-year extension of the Maze & Associates contract to conduct the SHARP financial audit for year ending June 30, 2018. Frances Reed seconded the motion. Motion passed unanimously.

H. Member Withdrawal Policy

On July 1, 2018, the ABAG PLAN non-profit public benefit company will no longer be a member of SHARP as it no longer has any employees. The entity properly provided its notice of intent to withdraw as outlined in the governing documents.

Jon Paulsen, Senior Consultant, informed the Board the only information regarding how a withdrawn or expelled member is to be treated, as respects future dividends or assessments, was found in the SHARP Bylaws. Mr. Kramer stated there is no other official withdrawal policy, so the Board directed staff to recommend changes to the current policy.

Staff recommended the Board approve the General Manager to prepare a letter to ABAG explaining the SHARP policy is to distribute any equity or collect any assessment required of withdrawn or expelled members only upon closing of each respective program year.

Frances Reed moved to approve staff to prepare a letter to ABAG outlining the current policy, and to direct staff to further recommend any changes to the policy going forward. Monica Labossiere seconded the motion. Motion passed unanimously.

7. ADMINISTRATIVE MATTERS

A. Potential Consolidation of SHARP with PLAN JPA

July 1, 2018, is the official start date of PLAN JPA, which will have an operating structure similar to SHARP. The recommendation was made that the two JPA organizations consider consolidating into one organization moving forward. Should the SHARP Board of Directors wish to consider this option, staff would prepare a letter formally reaching out to PLAN JPA to initiate discussions.

Mr. Kramer explained the combination of the two Authorities would be more efficient with respect to streamlining operations and time spent by the members. It would be done in such a way as to continue the separation of assets and liabilities of the coverage programs. Additionally, with a workers' compensation program being "part" of PLAN JPA's offerings, the program is more likely to grow as the current PLAN members evaluate adding the coverage through PLAN.

The Board discussed adding additional members to the program and found it important any prospective members be of similar size and have similar loss exposures to the existing members of SHARP. Ultimately, the Board agreed they were open to discussing a potential merger with PLAN JPA and directed staff to inquire whether PLAN JPA is interested in discussing this matter.

Frances Reed moved to approve staff to direct a letter to PLAN JPA inquiring as to whether PLAN JPA is interested in evaluating consolidation of the two organizations. Monica Labossiere seconded the motion. Motion passed unanimously.

B. SHARP Governance Participation in LAWCX

SHARP participates in the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX) for coverage above \$250,000 per occurrence, up to statutory limits. As part of its participation, SHARP is required to attend a minimum of one Board of Directors meeting per year. Previously, Ms. Laci Kolc from the City of American Canyon served as the LAWCX Board member; however, she departed from the City. Mr. Kramer is currently serving as the Alternate Board member. Upon discussion, the Board appointed Ms. Frances Reed, Los Altos Hills, to serve as the SHARP representative on the LAWCX Board.

C. Consideration of Resolution No. 2018-04: Establishing the 2018/19 Calendar of Meetings

The Board was provided with a proposed calendar of meetings for the 2018/19 Program Year in the form of a resolution. The current meeting schedule was used to determine the proposed 2018/19 dates; however, to create efficiency, staff recommended holding the SHARP Board of Directors meeting in conjunction with PLAN's Board of Directors.

Monica Labossiere moved to approve Resolution No. 2018-04: Establishing the 2018/19 Calendar of Meetings. Frances Reed seconded the motion. Motion passed unanimously.

D. Consideration of Resolution No. 2018-05: Establishing a Records Retention Policy

Ms. Martinez stated during staff's review of the governing documents, it was discovered SHARP currently does not have a record retention policy. The goal of a record retention policy is to ensure SHARP allows for electronic records retention, where legally appropriate, and to ensure its policy is broadly defined and detailed to meet current and future JPA retention needs. The proposed policy also incorporates retention period standards recommended by the California Associate of Joint Powers Authorities (CAJPA).

Frances Reed moved to approve the Resolution No. 2018-05: Establishing a Records Retention Policy. Monica Labossiere seconded the motion. Motion passed unanimously.

8. WORKERS' COMPENSATION MATTERS

A. Update on Workers' Compensation Program

The SHARP Workers' Compensation Program has been in place since 1986, with the claims administered by York Risk Services Group since 2006 under the guidance of Ms. Julie Long as supervisor, and Ms. Jennifer Gorgen as Sr. Claims Adjuster. Workers' Compensation oversight services are provided to the Program by Ms. Jacquelyn Miller as the Workers' Compensation Program Manager.

Ms. Miller provided an overview of the Workers' Compensation Program, along with industry updates. As of May 31, 2018, there are eight open and active workers' compensation claims and incurred losses of the eight claims totals \$610,887.

Ms. Miller encouraged members to contact her directly if there were additional reports or information the member would like to receive. She also provided the Board with a quick reference guide for members and their staff, which lists contact information as well as the respective scope of services of Bickmore and York staff. Ms. Miller advised she created the reference guide due to some member confusion about the differences in operations between Bickmore and York.

Lastly, Ms. Miller provided the Board with Legislative and Industry updates and noted she is continuously watching legislative changes and encouraged members to contact her if they have a specific legislative watch request.

9. ELECTIONS

A. Elections of Officers for 2018/19 Program Year

In preparation for the new program year, the Board of Directors shall elect members of the Board to act as Chair, Vice-Chair, and Treasurer. The following Officer positions were up for election:

- Chair
- Vice-Chair
- Treasurer (previously known as Finance Officer)

Currently, Mr. Joe Chinn, Ross, holds the Officer position of Chair; and the Vice Chair position is vacant since Ms. Pak Lin's departure from Los Altos Hills in May 2018. SHARP did not have a Treasurer in 2017/18, and that position is also vacant. Nominations were taken from the floor to fill the Officer positions.

Upon discussion, the Board agreed to combine the roles of Vice-Chair and Treasurer. Mr. Chinn was nominated to retain the position of Chair, and Ms. Monica Labossiere, Saratoga, was nominated to assume the positions of Vice-Chair and Treasurer.

Frances Reed moved to elect Joe Chinn as Chair and Monica Labossiere as Vice-Chair and Treasurer for SHARP's 2018/19 Program Year. Monica Labossiere seconded the motion. Motion passed unanimously.

10. CLOSED SESSION

A. Pursuant to Government Code Section 54956.95(a), the Board went into closed session at 3:50 p.m. to discuss the following items:

- Watch Report

B. Pursuant to Government Code Section 54957.1, the Board reconvened to open session at 3:57 p.m. There was no reportable action taken in closed session.

11. CLOSING COMMENTS

A. Board of Directors

Ms. Labossiere requested closed session topics to be moved to the beginning of future meetings, to allow vendors or service providers the opportunity to leave once their agenda item is completed.

B. Staff

None

12. ADJOURNMENT

The Regular Meeting of the SHARP Board of Directors was adjourned at 3:53 p.m.

A handwritten signature in cursive script that reads "Katie Sullivan". The signature is written in black ink and is positioned above a horizontal line.

Katie Sullivan, Assistant Board Secretary