

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

**MINUTES OF THE BOARD OF DIRECTORS
MEETING OF DECEMBER 10, 2020**

A regular meeting of the Board of Directors was held on December 10, 2020, via Zoom Videoconference.

MEMBERS PRESENT:

Marc Zafferano, President, San Bruno
Pak Lin, Treasurer, Colma *(Left after Item 9.A)*
Maria Ojeda, American Canyon
George Rodericks, Atherton *(Left after Item 7.A)*
Alan Shear, Benicia *(Left after Item 9.A)*
Will Fuentes, Campbell *(Left after Item 9.A)*
Vanessa Guerra, Cupertino *(Left after Item 6.B)*
Julie Carter, Dublin
Brenda Olwin, East Palo Alto
Maria Saguisag-Sid, Foster City
Lisa Lopez, Half Moon Bay *(Arrived during Item 5; Left after Item 9.A)*
Jan Cooke, Hillsborough
Sarina Revillar, Los Altos Hills
Robert Schultz, Los Gatos *(Arrived during Item 6.A)*
Mike Sung, Millbrae
Donald Larkin, Morgan Hill
Lenka Hovorka, Newark
Kevin Woodhouse, Pacifica *(Left after Item 9.A)*
Jeremy Dennis, Portola Valley *(Left after Item 9.A)*
Joe Chinn, Ross
Rebecca Mendenhall, San Carlos
Mary Furey, Saratoga
Leah Lockhart, South San Francisco *(Arrived during Item 4; Left during Item 7.A)*
Suzanne Creekmore, Alternate, Tiburon
Kevin Bryant, Woodside

MEMBERS ABSENT:

Carol Augustine, Burlingame
Walter Rossman, Milpitas
Scott Corey, Suisun City

OTHERS PRESENT:

Jon Paulsen, General Manager
Katie Sullivan, Assistant General Manager
Ritesh Sharma, Finance Manager
Terrie Norris, Risk Control Manager
Will Portello, Litigation Manager
Susan DeNardo, Litigation Manager
Joe Costamagna, Contractual Risk Transfer Manager
Cheyenne Harold, Litigation Management Analyst
Cynthia Gordon, Sedgwick Claims Administration
Dorienne Zumwalt, Sedgwick Claims Administration *(Left after Item 8.A)*
Becky Richard, Bickmore Actuarial *(Left after Item 6.B)*
Jesse Deol, James Marta & Company *(Left after Item 8.A)*
Greg Rubens, Board Counsel
Seth Cole, Alliant Insurance Services
Colette Klier, Sedgwick
Jeff Johnston, Sedgwick *(Arrived during Item 6.B)*
Renuka Dhadwal, Dublin *(Left after Item 7.A)*
Lisa Hisatomi, Dublin
Ann Ritzma, Hillsborough
Mandy Brown, Hillsborough *(Arrived during Item 6.A)*
Cody Einfalt, Los Altos Hills *(Left before Item 8.A)*
Cindy Safe, Woodside
Katie Uthman, Woodside *(Left before Item 8.A)*

1. CALL TO ORDER

The December 10, 2020, Board of Directors meeting was called to order at 9:33 a.m. by President 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

Kevin Bryant moved to approve the following items: A) Minutes from the April 14, 2020, Special Board of Directors meeting; B) Minutes from the June 11, 2020, Board of Directors Meeting; C) Minutes from the June 25, 2020, Special Board of Directors Meeting; D) Warrant List from October 1, 2020 – October 31, 2020; E) Treasurer’s Report as of September 30, 2020; F) Investment Performance Report as of June 30, 2020, from PFM Asset Management; G) Consideration of Fixed Pricing Agreement for Sidewalk Repair; H) 2020/21 Risk Control Update; I) Contractual Risk Transfer Update; and J) State of the Insurance Market. Pak Lin seconded the motion. The motion passed by majority vote by George Rodericks, Alan Shear, Will Fuentes, Pak Lin, Julie Carter, Vanessa Guerra, Julie Carter, Brenda Olwin, Maria Saguisag-Sid, Lisa Lopez, Jan Cooke, Sarina Revillar, Mike Sung, Donald Larkin, Lenka Hovorka, Kevin Woodhouse, Jeremy Dennis, Joe Chinn, Marc Zafferano, Rebecca Mendenhall, Mary Furey, Leah Lockhart, Suzanne Creekmore, and Kevin Bryant. Maria Ojeda was not present for voting.

6. FINANCIAL AUDIT

A. Audit Approval Presentation

The financial audit for the year ending June 30, 2020, was prepared by James Marta & Company. Jesse Deol, James Marta & Company, was present to discuss the following sections:

- Section One: contained the independent auditor’s report which states the auditor’s opinion. The opinion is “unqualified,” which means the financial statements were presented fairly.
- Section Two: contained the Management Discussion and Analysis (MD&A) which describes what transpired throughout the program year.
- Section Three: contained the Basic Financial Statements comprised of the Statement of Net Position, Statement of Activities, Statement of Cash Flows and Notes to the Financial Statements.
- Section Four: contained supplementary information such as the ten-year claims development information.

- Section Five: contained additional information such as financial statements from program perspective and Graphical Summary of Claims.

Mr. Deol also reviewed the Governance Letter and Internal Control Letter with the Board.

Pak Lin moved to accept and file the Financial Audit Report for the Fiscal Year Ended June 30, 2020. Joe Chinn seconded the motion. A roll call vote was taken and the motion passed unanimously by Maria Ojeda, George Rodericks, Alan Shear, Will Fuentes, Pak Lin, Julie Carter, Vanessa Guerra, Julie Carter, Brenda Olwin, Maria Saguisag-Sid, Lisa Lopez, Jan Cooke, Sarina Revillar, Robert Schultz, Mike Sung, Donald Larkin, Lenka Hovorka, Kevin Woodhouse, Jeremy Dennis, Joe Chinn, Marc Zafferano, Rebecca Mendenhall, Mary Furey, Leah Lockhart, Suzanne Creekmore, and Kevin Bryant.

B. Consideration of New Experience Modification Methodology

At the February 21, 2020, Strategic Planning Session, member contributions were discussed including experience modification (Ex-Mod) methodology, reinsurance/excess, and administrative allocations. The Board directed staff to review the contribution methodology and provide recommendation for changes.

During the December 9, 2020, Strategic Planning Session, Ritesh Sharma, PLAN JPA Finance Manager, discussed the current ex-mod methodology, reminding the Board it has been in place since the 2002/03 program year. He reviewed the following:

- Loss experience and payroll from five years: when calculating contributions for the 2018/19 program year, losses and payroll from 2012/13 through 2016/17 were used in the calculation.
- Losses are limited to \$250,000 per occurrence.
- Creditability is given to payroll, limited to a minimum for 20% and maximum of 90%.

Mr. Sharma noted the excess costs are allocated based on the population of each member, administration costs are allocated 20%/80% to Property and General Liability. Those costs are further allocated by 33% fixed (equally among the members) and 67% variable (combination of reported claims and paid losses). He informed the current method also caps any members total annual contributions at +/- 30% change.

Becky Richard, Bickmore Actuarial, reviewed the proposed methodology of changing the cap from +/- 30% to contributions to +/- 30% to ex-mod and what it could look like for the members going forward.

Concerns were raised around projections for individual agencies who are also trying to develop their budgets for the next fiscal year. Ms. Richard indicated staff could use loss data as of September 30, 2020, combined with excess projections from Alliant, and bring rough numbers forward to the members. It was also noted a possible three-year transition could be beneficial for the members if the projections are higher than desired for members.

Mr. Paulsen informed this change would also require updates to governing documents that would be brought to the Board in June for formal approval. The Board agreed they would like to see what the contribution projections would look like and agreed to hold a special meeting in February/March 2021 to make a final decision regarding implementing a tempering over an extended period of time.

Kevin Bryant moved to direct staff to make the methodology change and to bring forward preliminary projections at a special meeting in February/March of 2021. Kevin Woodhouse seconded the motion. A roll call vote was taken and the motion passed by majority vote by Maria Ojeda, George Rodericks, Alan Shear, Will Fuentes, Pak Lin, Julie Carter, Julie Carter, Brenda Olwin, Maria Saguisag-Sid, Lisa Lopez, Jan Cooke, Sarina Revillar, Robert Schultz, Mike Sung, Donald Larkin, Lenka Hovorka, Kevin Woodhouse, Jeremy Dennis, Joe Chinn, Marc Zafferano, Rebecca Mendenhall, Mary Furey, Leah Lockhart, Suzanne Creekmore, and Kevin Bryant. Vanessa Guerra was not present for voting.

7. ADMINISTRATIVE MATTERS

A. Review of PLAN JPA Member Satisfaction Survey

Sedgwick staff and service providers contracted by PLAN JPA continuously strive to provide state-of-the-art, professional service, and greatly value the opinions of all member agencies. Annually, evaluation surveys will be sent to the member agencies to collect feedback regarding member satisfaction levels with services being provided to the JPA.

Katie Sullivan, Assistant General Manager, was present to discuss the results of the survey with the Board. She noted there was higher participation among the membership, as well as an overall rise in results for program administration, claims administration, risk control, and brokerage services.

Ms. Sullivan addressed concerns around the new certificate issuance process informing staff and Seth Cole, Alliant, had spoken and ensured issues would be addressed and slight changes would be made to the issuance process. She reminded the Board PLAN JPA made

this change at July 1, 2020, and kinks are still being worked out; however, the overall process has been well-received by members.

B. Discussion Regarding Program Administration Contract Renewal with Sedgwick

PLAN JPA contracted with Sedgwick for program administration services beginning November 2, 2017. The initial term of the contract was through June 30, 2020, with up to three one-year extensions. During the December 2019 Board of Directors meeting, the Board elected to sign a one-year contract extension for the 2020/21.

Jon Paulsen, General Manager, informed as part of the discussion around a new long-term contract, staff has requested an increase of \$75,000 to annual compensation beginning with the contract option starting on July 1, 2021. The increase is specifically to support the level of Litigation Management services currently being provided. Sedgwick's Litigation Management team for PLAN JPA consists of two licensed attorneys, William Portello and Susan DeNardo, who are also Certified Litigation Management Professionals, as well as litigation analyst level support. The team's responsibilities include:

- Reviewing and making recommendations on responses to Government Claims received by members, in order to preserve potential defenses;
- Reviewing incoming claims and lawsuits for significance to determine an appropriate course of action for early intervention in conjunction with the member and the third-party administrator (TPA);
- Providing input on defense counsel assignments;
- Engaging with counsel on discovery plans;
- Providing an independent review of potential liability and resolution strategy;
- Supporting 9-12 Claims Committee meetings per year, including full case write-ups, settlement authority requests, and most recently a Litigation Manager's Report (LMR) on all pending cases potentially impacting pool's funds;
- Participating in approximately 75% of mediations or settlement conferences involving pooled funds; and more.

Mr. Paulsen indicated over the past three years the complexity of the highest value claims has significantly increased as has the frequency of those large claims (dubbed frequency of severity by the industry). In addition, staff has been engaged in complex litigation with more successful outcomes that are also intensive. In terms of metrics, litigated claim counts can vary widely year to year; a high of 59 new litigated claims in 2015/16 and down to 16 in 2018/19. Since the transition to Sedgwick, staff has overseen the resolution of 138 litigated files.

Since there was a financial interest in the outcome of this contract, staff recused themselves from further discussion. The following staff members left the meeting to allow the Board to discuss freely:

- Jon Paulsen, General Manager
- Katie Sullivan, Assistant General Manager
- Ritesh Sharma, Finance Manager
- Will Portello, Litigation Manager
- Susan DeNardo, Litigation Manager
- Terrie Norris, Risk Control Manager
- Joe Costamagna, Contractual Risk Transfer Manager
- Cheyenne Harold, Litigation Management Analyst
- Cynthia Gordon, Sedgwick Claims Administration
- Dorianne Zumwalt, Sedgwick Claims Administration

Discussion and consideration on this matter was forwarded into Agenda Item 7.C.

C. Discussion Regarding Claims Administration Contract Renewal with Sedgwick

PLAN JPA contracted with Sedgwick for claims administration services through July 31, 2020, with up to two one-year extensions. During the December 2019 Board of Directors meeting, the Board elected to sign a one-year contract.

Since there was a financial interest in the outcome of this contract, staff recused themselves from discussion. The following staff members left the meeting to allow the Board to discuss freely:

- Jon Paulsen, General Manager
- Katie Sullivan, Assistant General Manager
- Ritesh Sharma, Finance Manager
- Will Portello, Litigation Manager
- Susan DeNardo, Litigation Manager
- Terrie Norris, Risk Control Manager
- Joe Costamagna, Contractual Risk Transfer Manager
- Cheyenne Harold, Litigation Management Analyst
- Cynthia Gordon, Sedgwick Claims Administration
- Dorianne Zumwalt, Sedgwick Claims Administration

Donald Larkin moved to approve a three-year contract for Program Administration Services and a three-year contract for Claims Administration Services, both with up to three one-year extensions. Rebecca Mendenhall seconded the motion. A roll call vote

was taken and the motion passed unanimously by Maria Ojeda, Alan Shear, Will Fuentes, Pak Lin, Julie Carter, Julie Carter, Brenda Olwin, Maria Saguisag-Sid, Lisa Lopez, Jan Cooke, Sarina Revillar, Robert Schultz, Mike Sung, Donald Larkin, Lenka Hovorka, Kevin Woodhouse, Jeremy Dennis, Joe Chinn, Marc Zafferano, Rebecca Mendenhall, Mary Furey, Suzanne Creekmore, and Kevin Bryant.

D. Consideration of Appointments of PLAN JPA

Mr. Paulsen informed the Board Kathleen Kane, City of Burlingame, has left her position with her agency; therefore, creating a vacancy in the position of Vice President. He advised that Rebecca Mendenhall, City of San Carlos, had expressed interest in serving as Vice President.

Donald Larkin moved to elect Rebecca Mendenhall to serve as PLAN JPA Vice President. Brenda Olwin seconded the motion. A roll call vote was taken and the motion passed by majority vote by Maria Ojeda, Alan Shear, Will Fuentes, Pak Lin, Julie Carter, Julie Carter, Brenda Olwin, Maria Saguisag-Sid, Lisa Lopez, Jan Cooke, Sarina Revillar, Robert Schultz, Donald Larkin, Lenka Hovorka, Kevin Woodhouse, Jeremy Dennis, Joe Chinn, Marc Zafferano, Rebecca Mendenhall, Mary Furey, Suzanne Creekmore, and Kevin Bryant. Mike Sung was not present for voting.

With Ms. Mendenhall's election to Vice President, this created a vacancy on the Executive Committee as Ms. Mendenhall held one of the At-Large positions. A short discussion ensued and Maria Saguisag-Sid, City of Foster City, volunteered to fill the vacancy on the Executive Committee.

Additionally, John Mullins, Town of Hillsborough, retired from his agency and left a vacancy on the Claims Committee. Ann Ritzma, Town of Hillsborough expressed interest in serving in his place. The Claims Committee elected Ms. Ritzma to fill the vacancy left by Mr. Mullins, pending ratification of the Board of Directors.

Kevin Bryant moved to elect Maria Saguisag-Sid to the Executive Committee and Ann Ritzma to the Claims Committee. Rebecca Mendenhall seconded the motion. A roll call vote was taken and the motion passed unanimously by Maria Ojeda, Alan Shear, Will Fuentes, Pak Lin, Julie Carter, Julie Carter, Brenda Olwin, Maria Saguisag-Sid, Lisa Lopez, Jan Cooke, Sarina Revillar, Robert Schultz, Mike Sung, Donald Larkin, Lenka Hovorka, Kevin Woodhouse, Jeremy Dennis, Joe Chinn, Marc Zafferano, Rebecca Mendenhall, Mary Furey, Suzanne Creekmore, and Kevin Bryant.

8. CLOSED SESSION

A. The Board convened to closed session, pursuant to Government Code section 54956.95(a) at 12:00 p.m. to discuss the following claims:

- Unknown Claims v. City of Burlingame

B. Pursuant to Government Code Section 54957.1, the Committee reconvened to open session at 12:12 p.m. The following actions were taken under closed session:

No reportable action was taken during closed session.

9. GENERAL MANAGER'S REPORT

A. Report from PLAN JPA's General Manager

Mr. Paulsen provided the Board with an update on the following:

City of Gilroy Equity Update

Effective July 1, 2015, the City of Gilroy (City) elected to withdraw from ABAG PLAN. The terms of the withdrawal agreement provide for an equity distribution or assessment based on the claims development in years in which the City was a participant.

Effective January 1, 2020, California passed AB218 essentially removing the statute of limitations on sexual abuse and molestation claims. Staff is expecting significant claims activity for municipalities that have historically run parks and recreation activities, aquatic centers, and other youth "interactive" programs. PLAN JPA has been notified of two AB218 claims to date.

On June 11, 2020, the Board directed Mr. Paulsen and Greg Rubens, Board Counsel, to negotiate a partial release of the final equity distribution to the City. Negotiations resulted in an agreement to release the entire scheduled amount with half held contractually in reserve for potential settlement of any AB218 claims filed against the City through December 31, 2022.

Staffing Update

Daria Hoffman, Analyst, joined Sedgwick on July 6, 2020. She has been supporting Mr. Paulsen and Ms. Sullivan on PLAN JPA.

Mr. Paulsen was promoted to Vice President of Pooling at Sedgwick on September 1, 2020. He will be retaining all current responsibilities for PLAN JPA's servicing with no anticipated changes going forward.

Will Portello, Litigation Manager, has been serving as Litigation Manager for PLAN JPA since April 25, 2019. Staff requested PLAN JPA Executive Committee formalize Mr. Portello's appointment in writing retrospectively to that date. Staff also requested confirmation that Mr. Portello can extend his settlement authority to Susan DeNardo, Litigation Manager, on an as needed basis. Both requests were approved at the October 29, 2020, Executive Committee meeting.

Wildfire Exposure Review

Over the past several months, staff engaged with EFI Global, Inc. (a division of Sedgwick) to review wildfire exposure to member properties. The first stage of this review included a geo-mapping of member property locations overlaid with the most recently published CalFire Fire Hazard Severity Zone maps. The results of the first stage are very positive.

Four members have the greatest percent of their properties in LRA – Very High Hazard Severity Zone and SRA – Very High Fire Hazard Severity Zone. Staff recommended contacting these four members to discuss their existing fire prevention and protection practices via virtual interviews.

Cyber Liability Resources

An initiative from PLAN JPA's December 2019 Strategic Planning Session, staff developed a four-part series of cyber risk webinars which were presented to members from August 19, 2020, to September 23, 2020. Attendance and feedback were positive.

The next step for many municipalities is to pursue cyber risk assessment services. The market for these services in California is limited and expensive where available. In response, Sedgwick has added a dedicated California IT Risk Control Manager, Colette Klier, to our team.

Ms. Klier briefly discussed the benefits and services with the Board before instructing to reach out to staff for more information.

10. STRATEGIC PLANNING REPORT OUT

A. Report from the Law Enforcement Liability Breakout Session

This Agenda Item was not discussed due to time constraints. Mr. Paulsen advised staff would distribute a recap of the discussion to the Board in the following weeks.

B. Report from the Open Discussion Breakout Session

This Agenda Item was not discussed due to time constraints. Mr. Paulsen advised staff would distribute a recap of the discussion to the Board in the following weeks.

11. CLOSING COMMENTS

A. Board of Directors

None.

B. Staff

None.

12. ADJOURNMENT

The Regular Meeting of the PLAN JPA Board of Directors was adjourned at 12:46 p.m.



Katie Sullivan, Assistant Board Secretary