

**MINUTES OF THE
MBASIA BOARD OF DIRECTORS MEETING
Thursday, October 2, 2014 & Friday, October 3, 2104
Hotel Pacific
Monterey, CA**

MEMBERS PRESENT

Jamie Goldstein, City of Capitola
Daniel Dawson, City of Del Rey Oaks
Rene Mendez, City of Gonzales
Brett Miller, City of Hollister
Michael Powers, City of King City
Layne Long, City of Marina
Linda Scholink, Sand City
Steve Ando, City of Scotts Valley
Adela Gonzalez, City of Soledad

MEMBERS ABSENT

Susan Stanton, City of Greenfield

GUESTS AND CONSULTANTS

Conor Boughey, Alliant Insurance Services
Michael Simmons, Alliant Insurance Services
Vadim Livshits, Alliant Insurance Services
Tabatha Bettencourt, JT2 Integrated Services
Milissa Gillihan, JT2 Integrated Services
Lisa Murphy, City of Capitola
Nina Aguayo, City of Greenfield
Francine Uy, City of Soledad
Elizabeth Sav, Crowe-Horwath – Friday, October 3, 2014
Rob Kramer, CARMA – Thursday, October 2, 2014
Vincent Hurley – Thursday, October 2, 2014

A. CALL TO ORDER

Rene Mendez called the meeting to order at 3:30 p.m. on Thursday, October 2, 2014.
Rene Mendez reconvened the meeting at 9:30 a.m. on Friday, October 3, 2014.

B. PUBLIC COMMENTS

There were no public comments.

C. ICE-BREAKER EXERCISE

Board Members and guests introduced themselves and gave some interesting facts about themselves.

D. LONG RANGE PLANNING & TRAINING

D1. Introductions/Expectations.

D2. Reports

D2a. Financial Update – Five Year Financial Trends

Steve Ando provided a brief report on the financials as of June 30, 2014. Members discussed the trends MBASIA has experienced, and commented on the new negative trends affecting the liability program.

D2b. Workers Compensation – Claims Handling

Tabatha Bettencourt for JT2 Integrated Serves provided the Board with an analysis of MBASIA's Workers' Compensation Claims noting a financial improvement in the program.

D2c. Concern – Employee Assistance Program

Humberto Chacon of Concern explained the Employee Assistance Program to the Board Members and the various services that their employees are able to take advantage of. He encouraged greater use of the program but also confirmed that MBASIA's usage is higher than average.

D2d. Equity Report – Equity Ratio Trends

Conor Boughey presented a report to the Board on Financial Equity Ratios. Conor reported on the definitions of certain terms that are used to evaluate the ratios; such as Net Contributions, Confidence Level and other terms. Conor then walked through MBASIA's results, noting that the Liability Program continues to be evaluated in a moderate standing; but because of MBASIA's negative net position in the Workers Compensation program, the report does not add value because of the negative net position.

D2e. MBAIA's Property Program – APIP Explained

Michael Simmons reported on MBASIA's Property Program which is placed in the Alliant Property Insurance Program (APIP), formerly the Public Entity Insurance Program (PEPIP). Michael reported that APIP is the single largest property placement in the world, combining over 6000 public entities into one program, which is viewed by the market as one entity. Through this program individual members are able to see large premium savings and extended coverage terms compared to the open market. Michael walked through several examples of coverage enhancements the members receive through being a member of the program.

D2f. CARMA and ERMA Update

Rob Kramer of Bickmore Risk Services presented an update to the Board on the CARMA and ERMA Pools. He highlighted some of the available training as well as service offered by ERMA, and presented CARMA's financial picture.

D2g. Regional Litigation Experience & Trends

Vincent Hurley presented an update on regional litigation and gave an update on what is happening in the Monterey County area in regards to claims.

D3. Strategic Planning

D3a. MBASIA's Loss Prevention Policy

Conor Boughey reports that 8 of 10 members have requested the use of Safety Grant Funds during the 2013-14 Program Year.

Conor reported that the amount and types of invoices being sent in to MBASIA for reimbursement have become an issue. Things such as program year divisions have become complicated, and a high number of invoices coming in for small amounts of reimbursement have also caused unnecessary time and expense for the Authority.

Conor also reported that there is some confusion on wellness programs. He suggests that requests such as wellness programs include documentation to back up the cost of the program.

Michael Powers suggested that Members send their accounting backup for wellness programs. Layne Long suggests giving every City \$7,500 per year to use as they see fit within a certain criteria. Rene Mendez suggested Members can send an intended usage of funds and get the money first, and then spend it. Jaime Goldstein suggests having everyone submit reimbursement requests only when they reach a certain amount of expense. Mike Simmons suggests documenting how money is used, and creating a system where for example, if you only use \$6,000 one year, you only get \$6,000 the next, therefore creating an incentive for members to use their loss control money. Steve Ando suggests giving members money first and then having them account for it.

The Board directed the Administrators to draft three options for Board to Review at the March Board of Directors meeting. Option one: Get money back and prove at the end of the year. Option two: Pay based on memo not receipts. Option 3: \$1,000 reimbursement minimum, must be requested within 1 year.

D3b. MBASIA's Loan – Details, Considerations and Future Steps

Conor Boughey gave the history of MBASIA's loan and the current cost to keep the loan, which is about .5% interest. Conor reported this is a great deal, but the board should decide if they still need the loan. When the loan was taken out, the group had no cash and ran into a cash flow issue which made the loan necessary; and now MBASIA has \$11,000,000 (PLEASE CHECK THAT

IS OUR CASH AMOUNT). If the loan is paid back, the Board will have \$8,000,000 left, so a decision needs to be made whether to keep the loan or retire it.

Mike Simmons commented that a decision on what to do with the money will have to be made, but the Board will have to decide on a time line. It can be when the interest rate hits a certain percent, or when there is a large enough spread between the interest the money earns in LAIF and how much it costs. Brett Miller asked why we invest in LAIF and not somewhere else. Mike Simmons explained that it is because LAIF is the simplest method, and there is no overhead from paying an investment manager. Steve Ando added that the group uses LAIF because no Member cities have enough staff time to dedicate to being in charge of the investing.

Direction given to discuss this issue as an action item at any Board Meeting following the spread of the loan being over 1% between interest income and interest expense (LIBOR and our Portfolio). Direction was given to the Administrators to talk to the Treasurer about investment management and comparing some different investment methods.

D3c. MBASIA Membership Discussion

Conor Boughey explained that after review of the JPA Agreement, termination of a member is only allowed after a member breaches a duty. However, duties are not defined in the JPA Agreement. This almost eliminates MBASIA's ability to terminate a member. The Board must indicate which direction they want to go in if they want to change the agreement.

Daniel Dawson believes that it is a good idea to be able to terminate a member, but there need to be safeguards from terminating a member who had a single bad year.

Layne Long commented that one bad year shouldn't result in punishment, but if a member is causing exposure for several years, and does not show a willingness to change, then termination should be an option.

Michael Powers suggested requiring a super-majority to be able to remove a member.

Jaime Goldstein believes that increasing a member's SIR might be enough of a deterrent. That way you don't get the benefits of being a member in good standing, but you are not completely removed.

The Board agrees that terminating a Member should require at least a 2/3 majority of the Board. 7 Members in the case of MBASIA.

Conor added that taking action against a member would require notice. The Board would like to give 30 days' notice to agendize a termination and a 6 month notice to terminate membership. There should also be an appeals process.

Rene Mendez suggests a Committee be formed to decide how to handle assets and liabilities. Michael Simmons would like the Members on the committee to understand how the budget works. Rene suggested several members including Adela Gonzales and Layne Long. Rene will

contact the people who will be on the Ad-Hoc Committee. This will not happen earlier than December 31, 2014.

D4. Service Provider Review

The Board reviewed the results of a survey that was sent out by the Administrators and answered anonymously by the Board Members.

D4a1. Legal Services

D4a2. Liability Third Party Administrator

The Board reviewed the services they receive from RMS – Cotati. All Members are happy with the service they are provided, and everyone only had good things to say.

D4a3. Workers Compensation Administrator

The Board reviewed the services they receive from JT2 Integrated Resources. Overall, the Board is satisfied with the service they are receiving and feel the program has been improved over the years.

D4a4. Actuary

D4av. Program Administrators and Broker

The Board reviewed the services they receive from Alliant Insurance Services. The Board indicates that they are happy with the service they are receiving.

D5. Resources

No Report.

E. Board of Directors Agenda

E1. Consent Calendar

E1a. Approval of Minutes of the June 16, 2014 Board Meeting

Motion to approve minutes of the June 16, 2014 Board of Directors Meeting.

Motion: Michael Powers **Second:** Daniel Dawson **MOTION CARRIED**

	Jamie Goldstein	Daniel Dawson	Rene Mendez	Brett Miller	Michael Powers	Layne Long	Linda Scholink	Steve Ando	Adela Gonzales
Aye	X	X	X	X	X	X	X	X	X
Nay									
Abstain									

E1b. Status of Deliverables

E2. Bills and Correspondence

E2a. Ratification of Disbursements

- i. June 30, 2014**
- ii. July 31, 2014**
- iii. August 31, 2014**
- iv. September 30, 2014**

E2b. Status of Del Rey Oaks Loan from MBASIA

Conor Boughey announced that the City of Del Rey Oaks has repaid their loan in full.

Motion to approve Items E2a and E2b.

Motion: Daniel Dawson **Second:** Linda Scholink **MOTION CARRIED**

	Jamie Goldstein	Daniel Dawson	Rene Mendez	Brett Miller	Michael Powers	Layne Long	Linda Scholink	Steve Ando	Adela Gonzales
Aye	X	X	X	X	X	X	X	X	X
Nay									
Abstain									

E3. Unfinished Business

E3a. MBASIA Safety Funds

Conor recapped the use of safety funds from the 13-14 Program Year and encouraged members to utilize the available funds. Each Member may request up to \$7,500 for safety related uses at their Cities. All requests are pending approval by the safety committee.

E3b. King City Performance Improvement Plan

Conor Boughey reports the City of King has signed the Performance Improvement Plan as previously presented to the Board, and an independent consultant has reviewed the City's practices. Michael Powers reports that the meeting with the consultant has gone well. Conor explained that the contract with the consultant was signed by Tom Bertrand, the MBASIA attorney.

The consultant's report will be made available to King City in early November. Michael Powers reports that he has talked to Tom Bertrand and they expect to have their draft report completed by the end of October and it can then be released to the City of King's City Council.

Michael Powers requests that the MBASIA Executive Committee be present to make the pitch to assist the City in granting authority to the City Manager to terminate department heads.

E4. Committee Reports

E4a. Executive and Finance Committee

No report.

E4b. Safety Committee

No report.

E4c. Coverage and Claims Committee

E4c1. Summary of Insurance

The agenda packet contains an insurance summary page for each Member City. The summary contains only the policies provided to Member Cities by MBASIA. He explained that there are lines of insurance that Members can purchase, but they aren't through MBASIA, and therefore not included in the summary. Members should use the summaries as a quick reference.

E5. New Business

E5a. Review of Items Discussed at the Long Range Planning Meeting

Conor Boughey recapped the items discussed at the Long Range Planning Session. Conor discussed the action items recorded at the LRP, and asked if the Board had any additional items to diary for a later date.

No action was necessary.

E5b. Financial Auditor's Presentation

Elizabeth Sav presented the 2012 and 2013 Financial Audit. Michael Simmons asked if our overall net position worsened slightly due to claims payments, Elizabeth answered that it did.

Adela Gonzales asked if page 55 of the audit covers the loan. Elizabeth answered yes, that the note issuance cost is the cost of the loan.

Conor explained that the Administrators are working with the Auditors on the 2014 financial audit. Elizabeth explained that it will be done very soon. The audits will be available at the next meeting.

Adela asked why the 2013 audit is being presented so late. Elizabeth explained that this is due to claims being looked at over time, and it is based on info actually being sent to the actuary, not estimated numbers.

Motion to accept the audit as presented.

Motion: Jaime Goldstein **Second:** Adela Gonzales **MOTION CARRIED**

	Jamie Goldstein	Daniel Dawson	Rene Mendez	Brett Miller	Michael Powers	Layne Long	Linda Scholink	Steve Ando	Adela Gonzales
Aye	X		X	X	X	X	X	X	X
Nay		X							
Abstain									

E6. Loss Report

E6a. Workers' Compensation Administrator's Report - The MBASIA Board of Directors entered into Closed Session pursuant to Government Section Code 54956.95.

Motion to enter closed session at 9:38 a.m.

Motion: Adela Gonzales **Second:** **MOTION CARRIED**

	Jamie Goldstein	Daniel Dawson	Rene Mendez	Brett Miller	Michael Powers	Layne Long	Linda Scholink	Steve Ando	Adela Gonzales
Aye	X	X	X	X	X		X	X	X
Nay									
Abstain						X			

Motion to come out of closed Session 9:45 a.m.

Motion: Nina Aguayo **Second:** **MOTION CARRIED**

	Jamie Goldstein	Daniel Dawson	Rene Mendez	Brett Miller	Michael Powers	Layne Long	Linda Scholink	Steve Ando	Adela Gonzales
Aye	X	X	X	X	X	X	X	X	X
Nay									
Abstain									

E7. Program Administrators Report

E7a. Program Administration Contract Renewal

Conor explained that Alliant first started working with MBASIA in January 2010. For six months Alliant was the backup to Kent Rice and on July 1, 2010, Alliant became the full time Pool Administrator. The contract between Alliant and MBASIA originally expired in 2013, but there were several one year extension options which were exercised by the pool. Overall, except for a roughly \$6,000 price increase for accounting, prices have been steady and adjusted only according to the Consumer Price Index (CPI). The Pool can request a contract renewal with Alliant Insurance Services or send issue an RFP.

The executive committee will work on this issue and try to have a signed deal by the April Board of Directors meeting.

E7b. Best Practices – Reporting Claims Promptly

Conor Boughey would like to make every member aware to report claims promptly. Particularly:

- Employment practices claims. Members should notify Ken Miolini immediately.
- Cyber/Data breach claims. Members should call Beazley insurance right away. Notifying Beazley timely doubles the coverage limit and greatly reduces potential for fines. Michael Simmons suggests putting page 94 of the agenda in multiple departments throughout each City so that employees know that they should be contacting someone if a data breach happens.
- Pollution. Absolutely has to be reported in 7 days to Alliant. Members may contact Conor Boughey, Michael Simmons or Vadim Livshits. Administrators ask that members post page 97 of the agenda in their City’s Public Works Department.

E8. Correspondence/Information

E8a. Next Board Meeting and Upcoming Training Sessions

Conor reports that members can find upcoming ERMA meetings in this part of the agenda. Conor also explained that future board meetings will be scheduled to alternate between Sand City and Salinas.

E8b. PARMA Conference Information

Conor reports that the PARMA conference is in February. Members can may attend up to two educational conferences up to \$2000 per year. Both Board Members and Staff can attend.

E9. General Risk Management Issues

There were no general risk management issues discussed.

ADJOURNMENT

Rene Mendez adjourned the meeting at 3:55 p.m.

Rene Mendez adjourned the meeting at 11:13 a.m.