**MINUTES OF THE**

**MBASIA BOARD OF DIRECTORS MEETING**

**Monday, February 11, 2013 at 9:30 A.M.**

**City of Sand City, CA**

**MEMBERS PRESENT**

Jamie Goldstein, City of Capitola

Daniel Dawson, City of Del Rey Oaks

Rene Mendez, City of Gonzales

Susan Stanton, City of Greenfield

Robert Galvan, City of Hollister

Michael Powers, City of King

Doug Yount, City of Marina

Steve Matarazzo, City of Sand City

Francine Uy, City of Soledad

**MEMBERS ABSENT**

Steve Ando, City of Scotts Valley

**GUESTS AND CONSULTANTS**

Conor Boughey, Alliant Insurance Services

Monica Sandbergen-Izo, Alliant Insurance Services

Michael Simmons, Alliant Insurance Services

Ken Maiolini, Risk Management Services

Theresa Fernandez, JT2 Integrated Resources

**A. CALL TO ORDER**

President Rene Mendez called the meeting to order at 9:36 a.m.

**B. CONSENT CALENDAR**

**B1. Approval of Minutes - November 1 & 2 Long Range Planning Meeting & Board of Directors Meeting**

A motion was made to approve the consent calendar with the following corrections to the meeting minutes: 1). Meeting minutes need to reflect that Ken Maiolini was in attendance; 2) Under Pool Partnerships section, amend comment by Capitola to reflect that Lexington has been difficult in paying out claims, not CARMA.

**MOTION**: Jamie Goldstein **SECOND**: Steve Matarazzo **MOTION CARRIED**

**B2. Service Calendar & Status of Deliverables**

A motion was made to approve the Service Calendar & Status of Deliverables.

**MOTION**: Daniel Dawson **SECOND**: Michael Powers **MOTION CARRIED**

**B3. Bills and Correspondenc**e

A motion was made to approve Bills and Correspondence.

**MOTION**: Daniel Dawson **SECOND**: Michael Powers **MOTION CARRIED**

**C. Oral Communications & Public Comments**

None.

**D. Board of Directors**

**D1. Unfinished Business**

**D1a. ERMA Membership and Late Reporting Penalty**

Conor Boughey advised that at the Long Range Planning Meeting, Alliant talked to the MBASIA Board that ERMA has a strict late reporting penalty that is difficult to abide by. The penalty for late reporting was a minimum of a $25% increase to MBASIA’s retained limit, which was a $125,000 penalty. Alliant wrote a letter to the Board President asking them to revisit their methodology. ERMA a letter of MBASIA’s intent to withdraw if they did not reduce the late Reporting Penalty to $50,000 or less and also advising ERMA that they didn’t give us proper notification. Alliant asked that they call special Board Meeting to discuss the penalty system issue, which got postponed. This triggered Alliant giving ERMA notice of MBASIA’s intent to withdraw.

ERMA is now proposing a penalty system of $50,000 at a $500K SIR. Alliant rescinded MBASIA’s notice of intent to withdraw. ERMA will be having their Board Meeting this Friday and Alliant is going to try and get them to adopt this amendment. Daniel Dawson will be in attendance at this meeting.

**D2. Committee Report**

**D2a. Executive and Finance Committee**

**D2a1. July 1, 2011 Financial Audit**

The financial audit is not finished – were hopeful to have the meeting finished by today’s meeting. The financial auditors are supposed to be at today’s meeting to present the audit.

The goal was to have 2011 audit finished today, and then have the 2012 audit finished by the next Board Meeting – Michael Simmons.

Elizabeth Sav, Senior Manager with Crowe and Horwath, presented the 2011 Financial Audit.

For June 30, 2011, the Management Representation Letter is a draft letter. The letter will be finalized after the meeting and signed. This letter is their standard required communication letter for the audit. Ms. Sav walked through the various sections of letter management representation letter. Ms. Save reported that there were no significant unusual transactions or significant accounting policies in controversial or emerging areas.

Bottom of page 3, is the corrected and uncorrected misstatements. We had a Restatement of MBASIA’s 2010 financial statements due to the fact that there was not ULAE estimate included in MBASIA’s claims reserve. This # is actuarially determined. Jack Joyce has provided amounts for 2010 and 2011. Financial statements show adjustment in claims liabilities to include ULAE amount for 2010 and 2011.

Ms. Sav reported that there were no uncorrected misstatements.

Ms. Sav confirmed that the ULAE is material due to the fact that they had to issue a restatement.

Page 4 of the letter points out that there were no significant difficulties encountered during the audit and there were no disagreements with management.

Page 1 of the financial statement, 3rd paragraph, Crowe is issuing an unqualified opinion on MBASIA’s financial statements.

Page 8, Statement of Net Assets – restated 2010 column compared to 2011 is on page 8. MBASIA is still in a negative net asset situation. Mike Simmons stated that this audit is using claims information as of June 30, 2011 and any development in losses that would have occurred between that date and when this information is presented are not going to be reflected in this audit. Therefore, MBASIA will see a drop in negative net assets by $1,000,000. Negative assets will go from $4,000,000 in 2010 up to $2,000,000 in 2011 and down to -$3,000,000 in 2012.

Ms. Sav Further stated that page 9 lists MBASIA’s Statement of Revenues, Expenses and Change in Net Deficit. There was a slight increase in membership contributions and recovery reimbursements. Provisions in claims dropped. Change in net deficit shows quite an improvement from 2010-2011.

Page 14 lists MBASIA’s footnote for claims reserve. At the bottom of page 14, total reserves liability for 2011 is $12,478,429. ULAE # has been factored into the total reserves liability figure.

Lastly, on page 27, Ms. Sav advised that this is Crowe’s Government Auditing Opinion. Due to the misstatement, Crowe had to issue a material weakness. Ms. Sav stated that there is really no regulatory consequences due to the misstatement. This isn’t something abnormal that they see. Page 29 draws out what the material weakness is stating. Ms. Sav advised that a corrective action plan can be included on this page. Mike advised that a response should be ordered that accurately reflects what happened and how we have corrected it.

Conor Boughey reported that on page 23, it shows a breakdown between the Liability and Workers’ Compensation Programs. The Workers’ Compensation program continues to be in a larger deficit vs. the Liability Program.

**D2a2. Review of Bylaws and JPA Agreement**

Rene Mendez suggested tabling this agenda item until the next Long Range Planning meeting since there is no clear direction on asking a member to leave. Mr. Mendez advised that the Executive Committee needs to spend some time looking at this issue.

Conor Boughey advised that in order to amend the JPA Agreement, it must go before each member agency’s city council.

Mike Simmons reminded the members that this document was drafted in 1983. There isn’t any wording in the JPA that provides direction on how to expel a member. Procedures must be developed that members must follow, and those procedures must not be followed in order for a member to be expelled. Expulsion procedures can be developed through the By-Laws.

Michael Powers advised that under section 21a. of the JPA Agreement, it talks about a “breach of duties”, but there aren’t any duties listed or defined.

Robert Galvan advised that since Alliant has been the Program Administrator, the Authority has never taken a good look at the JPA Agreement.

Rene Mendez suggested bringing this agenda item back to the Board at the April 15th Board Meeting. Jaime Goldstein suggested bringing the item under Closed Session.

The Executive committee will work with Alliant to bring some topics for discussion at the April 15th Board Meeting and the possibility of having this discussion in Closed Session.

Daniel Dawson advised that it’s a lot to review the entire document by April 15th; that maybe the Board should look at Article 21 at the April 15th meeting, and then tackle the rest of the JPA Agreement at the next Long Range Planning meeting.

Mr. Simmons asked if Alliant should contract with an attorney to look at the wording under 21a. to determine what latitude MBASIA has to expel a member. Mr. Mendez stated that he would like the Executive Committee to address that with the Program Administrators.

Steve Matarazzo also advised that Alliant should also describe/define what “negligent risk management” is. Mike advised that Alliant can develop some Risk Management Best Practices.

**D2b. Safety Committee**

**D2b1. Revision to Policy and Procedure for Grant Funds**

Conor advised that at the last Long Range Planning Meeting, the grant fund policy and procedure was brought forth. Members were identified that are using the funds consistently along with those members that aren’t using the funds. Conor reminded the members that any unused funds are rolled into the General Fund to help fund the organization in the future but they aren’t being used for their intended purpose. One of the Board Members at the LRP meeting suggested that after a certain date of the program year, those funds will be made available for those members that use the funds. Alliant is proposing the following new language to the Grant Program Policy and Procedure: “On May 1st of a Program Year, all Members will have access to the unrequested funds, regardless of the Member’s previous use of their allocated share of the budget. Requests may not exceed 1/5 of the Grant Program Budget unless a higher amount has been approved by the Board, and will be processed in the order they are received (and approved) until the Budget has been exhausted.”

A motion was made to approve the revised wording to the Grant Program for Safety Services Administrative Policy and Procedure.

**MOTION**: Steve Matarazzo **SECOND**: Doug Yount **MOTION CARRIED**

**D2c. Coverage and Claims Committee**

Nothing to report.

**D2d. Ad Hoc Budget Committee**

**D2d1. Liability Budget – Revised Allocation**

Conor advised that this is an item from the Long Range Planning Meeting in November, 2012. One of the issues that came up is that the allocation has a 25% year over year cap and because of a historical trend small members were getting capped very easily and the remainder was rolling over to the larger members.

On page 43, there are 3 columns, city Hollister is charged $442,000 because of the cap issue.

Alliant is proposing a shift to the following methodology: 70% exposure (payroll compared to other members) and 30% experience (claims relative to other members) with a 50% cap. With the 50% cap, the goal is to soften the blow to the larger members.

A motion was made to approve the revised methodology for July, 2013.

**MOTION**: Jaime Goldstein **SECOND**: Michael Powers **MOTION CARRIED**

**D2d2. Liability Budget – July 1, 2013 and beyond**

Conor advised that the Liability budget is underfunded. In the last several years, MBASIA is seeing more claims and no longer has a surplus in the Liability Program. MBASIA needs to increase its funding. The actuary states MBASIA must fund $661,000 to pay off a 12 month rolling claim cycle. This lasts year, MBASIA spent over $1M and the total budget for the Liability Program was $883,996. Conor advised that every member is going to have to hit their cap for the July 1, 2013 renewal in order to be properly funded in the Liability Program.

**D3. NEW BUSINESS**

**D3a. Election of Officers**

Conor Boughey reported that in MBASIA’s ByLaws, it’s written that the Executive Committee serves a two year terms and are re-elected at the first board meeting at every odd year, which is this meeting.

A lot of transitions have occurred over the past few years. Executive Committee has been involved in all these decisions. Alliant’s recommendation is to keep the Executive Committee as is for another year. Keep the same core team.

**MOTION**: Jaime Goldstein **SECOND**: Doug Yount **MOTION CARRIED**

**D3b. PEPIP Insurance Renewal**

Mike Simmons advised that Alliant is trying to aggressively marketing the PEPIP Program away from Lexington.

Conor Boughey advised that 7 out of 10 members are in PEPIP Program. It is a joint purchase agreement for any public entity that wants to join. The program renews July 1, 2013. Property requests for renewal info have been sent out. Overall general property market is seeing a 15% increase due to worldwide losses.

Mike Simmons advised that the coverage is for direct damage to your own insured properties.

Conor Boughey advised that there is automatic coverage for in-yard vehicles (that are listed on the Member’s SOV) that covers vehicles while they are in yard. Alliant can also get a quote for auto physical damage on certain vehicles, such as police vehicles, etc.

**D3c. 2013-14 Program Year Calendar of Meetings**

It was proposed changing the October 31, 2013 and November 1, 2013 meeting to October 3 & 4, 2013.

A motion was made to approve the revised dates to the 2013-2014 Program Year Calendar of Meetings.

**MOTION**: Daniel Dawson **SECOND**: Jamie Goldstein **MOTION CARRIED**

**D4. Loss Report**

**D4a. Liability Third Party Administrator’s Report - The MBASIA Board of Directors entered into Closed Session pursuant to Government Section Code 54956.95.**

A motion was made to enter into closed session at 10:36 AM pursuant to Government Section Code 54956.95.

**MOTION**: Robert Galvan **SECOND**: Daniel Dawson **MOTION CARRIED**

**D4b. Workers’ Compensation Administrator’s Report**

Nothing to report.

A motion was made to come out of closed session at 11:35 a.m.

**MOTION**: Rene Mendez **SECOND**: Jaime Goldstein **MOTION CARRIED**

No reportable actions. Direction was provided to TPA.

**E. Program Administrators Report**

**E1. Alliant Connect Integration**

Due to time constraints, this item was tabled for the next Board meeting.

**F. Correspondence/Information**

**F1. Next Board Meeting & ERMA Training Schedule**

Nothing to report.

**G. General Risk Management Issues**

**ADJOURNMENT**

The meeting was adjourned at 12:09 p.m.