

**MINUTES OF THE  
MBASIA BOARD OF DIRECTORS MEETING  
Monday, April 14, 2014 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  
Mike Chambless, 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**

**GUESTS AND CONSULTANTS**

Conor Boughey, Alliant Insurance Services  
Michael Simmons, Alliant Insurance Services  
Vadim Livshits, Alliant Insurance Services  
Tabitha Bettencourt, JT2 Integrated Services  
Ken Maiolini, Risk Management Services

**A. CALL TO ORDER**

Rene Mendez called the meeting to order at 9:30 a.m.

**B. CONSENT CALENDAR**

**B1. Approval of Minutes – February 13, 2014, Board of Directors Meeting**

A motion was made to approve the minutes as presented.

**MOTION:** Daniel Dawson

**SECOND:** Michael Powers

**MOTION CARRIED**

	<u>AYE</u>	<u>NAY</u>	<u>Abstain</u>
Jamie Goldstein	X		
Mike Chambless	X		
Rene Mendez	X		

Susan Stanton	X		
Daniel Dawson	X		
Michael Powers	X		
Linda Scholink	X		
Steve Ando	X		
Adela Gonzales	X		

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

**B3. Bills and Correspondence**

**B3a. Ratification and Disbursements**

**i. January 31, 2014**

**ii. February 28<sup>th</sup>, 2014**

A motion was made to approve items B2, B3, and B3a.

**MOTION:** Daniel Dawson

**SECOND:** Mike Powers

**MOTION CARRIED**

	<u>AYE</u>	<u>NAY</u>	<u>Abstain</u>
Jamie Goldstein	X		
Mike Chambless	X		
Rene Mendez	X		
Susan Stanton	X		
Daniel Dawson	X		
Linda Scholink	X		
Michael Powers	X		
Steve Ando	X		
Adela Gonzales	X		

**C. PUBLIC COMMENTS**

There were no public comments.

**D. BOARD OF DIRECTORS**

**D1. UNFINISHED BUSINESS**

**D2. COMMITTEE REPORTS**

**D2a. Executive and Finance Committee**

**D2a1. Draft Liability Budget**

Conor Boughey reported that the executive committee met in March to discuss the draft liability budget. MBASIA is currently funding \$1,000,000 per year for all Cities. The administrators feel that a budget increase is necessary this year due to changing trends and an increase in liability claims. The budget is up \$323,000 over last year, mostly due to putting money away for claims. Last year everyone except the City of Hollister was asked to budget for a 50% increase.

Susan Stanton asked why Del Rey Oaks is looking at only a 4% increase. Conor replied that because they only had one small claim this year, and a large claim fell off of their loss history, the result is a relatively flat premium. Hollister is getting a 7% premium increase because they are coming off of a large premium increase previously.

Conor explained that this is just the first draft of the liability budget; a redone budget will be brought to the June meeting.

Jaime asked if this is the amount they should budget, Conor replied yes.

## **D2a2. Draft Worker's Compensation Budget**

Conor Boughey explained that the worker's compensation budget formula is broken out into payroll expense, claims experience, and a fixed percentage based on the loan MBASIA took out in 2005. This year there is a 50% cap on maximum increases to allow members to know in advance what their worst case scenario will be. The total year over year changes are on page 22 of the agenda. There are no significant suggested changes to the proposed budget.

Jaime Goldstein asked why excess is exceeding the budget. Conor responded it is actually going down, and we slightly under-budgeted last year. It should have been closer to \$600,000 instead of \$500,000.

Daniel Dawson asked why JT2 fees increased 30%. Conor and Tabitha Battencourt explained that this increase captures some services provided by JT2 outside of the current contract. Otherwise, JT2 increases are capped.

The Workers Compensation Budget will be up for adoption in June.

## **D2b. Safety Committee**

### **D2b1. Reminder-Policy and Procedure-Grant Funds**

Conor Boughey reports that this is the last meeting before extra money can be requested from the safety grant fund, if there are funds remaining. There is an uptick in the use of safety grant funds. Conor explained how the program works, and the post May 1<sup>st</sup> request process.

Board members pointed out that some approved funds are not on the list they were provided. The Administrators will double-check and add those funds.

### **D2c. Coverage and Claims Committee**

## **D3. NEW BUSINESS**

### **D3a. CARMA Insurance Renewal**

Conor Boughey explained that CARMA is a General Liability/Automotive Liability excess liability pool that attaches at \$1,000,000. This year, the CARMA premium is up \$89,442 over last year's premium of \$314,859 an increase of 28.4%. The increase has to do with an increase in MBASIA's Experience Modification Factor (Ex Mod), meaning MBASIA takes on more of the CARMA premium.

Michael Simmons explained that CARMA's Ex Mod is formula that looks at claims reserved up to the first \$1,000,000. If there are a lot of claims, that equates with a lot of experience, which leads to a higher Ex Mod. MBASIA, however, hasn't had any claims paid by CARMA. Therefore, the way the Ex Mod is calculated isn't the most appropriate for MBASIA. MBASIA will have to show CARMA that they aren't correct, and should make changes.

Steve Ando asked if there is an alternative to CARMA. Mike explained that there is CSAC-EIA. If MBASIA considers withdrawal, they have to provide notice of intent to leave by December 31<sup>st</sup>, and that may change the way CARMA calculates its Ex Mod.

### **D3b. ERMA Insurance Renewal**

Conor Boughey explained that MBASIA joined ERMA several years ago for excess employment practices coverage, as well as their training program, which is included for no extra charge. This year's premiums are down by 2.1%. ERMA, like CARMA, is a pool of pools that allows direct participation.

One issue brought up in the past was getting options with higher excess limits from ERMA. MBASIA members can give direction to the Administrators to ask for options if they choose to do so. The current employment practice limit is \$3,000,000 which in most cases is appropriate, but claims can be larger than that.

### **D3c. CSAC-EIA Excess WC Insurance Renewal**

Conor explained that CSAC-EIA is an excess Workers Compensation group. MBASIA was previously at LAWCX, but joined CSAC-EIA because they offered a lower retention. The premium has gone up because the pool is considered by CSAC-EIA as a "bad member," due to a large number of claims. Premiums were slated to go up, but a payroll audit showed that the numbers were out of MBASIA's favor by \$112,000, due to overestimated payroll. The premium is going down by about 17% to \$480,000, which is opposite of the current trend in insurance.

### **D3d. Workers' Compensation Actuarial Report**

Conor Boughey explained that Jack Joyce is the Actuary for MBASIA's Worker's Compensation and Liability. The Actuary compares MBASIA to other municipalities across the state. Conor reports that this year, claims are down, but Workers' Compensation premiums are going up for

everyone. The rate is \$5.53 this year, compared to \$4.91 last year an increase of about 12.6%. This pool is trending below the state average increase, which is about 15%.

Conor reports that MBASIA's Estimated Liability for Unpaid Losses undiscounted is \$12,078,000, down \$347,000 from last year. Short-term liability is also down slightly, at \$1,697,000, which is what the pool should fund to match last year.

Conor explained that last year MBASIA put away \$2,500,000 for claims expense to fund at an 80% confidence level. This year, to fund at 80%, MBASIA will need to put away \$2,575,000. Most Workers' Comp pools fund at 70%. MBASIA's prudent funding is advisable.

Conor reports that the Actuary used undiscounted numbers because the pool is in debt, and not receiving investment income.

Michael Simmons reports that although we are doing better as a group, the industry as a whole is not, due to increasing medical costs.

### **D3e. Liability Actuarial Report**

Conor Boughey reports Jack Joyce has completed MBASIA's 2013-14 Liability Actuarial Report. Jack estimates that the central estimated rate for undiscounted funding is about \$860,000 this year, last year it was about \$835,000. This is a good result given the loss runs provided to the actuary.

Conor reports that the Estimated Liability for Unpaid Losses undiscounted is \$2,274,000, down from last year's figure of \$2,820,000, mostly due to claims being paid down. The short-term liability is down \$299,000 to \$808,000.

Conor proposes funding \$1,000,000 for the pooled layer. With a credit from surplus of 100,000, it appears that the budgets are in line with the Actuary's recommendations, and are set up appropriately.

A motion was made to adopt both actuarial reports

**MOTION:** Jamie Goldstein

**SECOND:** Daniel Dawson

**MOTION CARRIED**

	<u>AYE</u>	<u>NAY</u>	<u>Abstain</u>
Jamie Goldstein	X		
Mike Chambless	X		
Rene Mendez	X		
Susan Stanton	X		
Daniel Dawson	X		
Layne Long	X		
Michael Powers	X		
Linda Scholink	X		
Steve Ando	X		
Adela Gonzales	X		

## **D3f. MBASIA's Loan Details**

Conor Boughey reports that MBASIA's outstanding loan balance is \$3,485,000. The original loan was \$5,150,000. This loan is due in 2024. The current rate is .75%, or LIBOR +.6 basis points. LAIF is currently at .26%, meaning a difference of .49% on the loan balance, which means that the loan costs MBASIA approximately \$17,075 annually.

Conor explained that at this point, the Board has to answer several questions about the loan: Is the loan still needed? Is it worth the money it costs to have the loan? Can another loan be had with a better rate?

Dan Dawson is in favor of keeping the loan because it's cheap money. Mike Chambless commented that the only bad thing is it ties everyone up until 2024. He says his current City Council is not comfortable with that, because they believe it bounds the City to MBASIA until the loan is repaid. Rene Mendez informed Brett that if a member wants to leave, they just have to figure out how to repay their share of the loan, and they are free to do so. Michael Simmons explains that a member leaving still has to pay any deficits associated with the loan into the future. Brett explained that his council believed that no members could leave until the entire loan is paid, but that is incorrect. He will report back to his City Council.

Michael Simmons explains that the loan can be instrumental if our trend continues, and this is the first year there has been an apparent trend. The loan only exists for cash-flow reasons, and if cash-flow is no longer an issue, the loan can be retired, however, if the loan is retired and a cash-flow problem arises, it will cause severe issues.

Rene Mendez would like to agendize discussions about the loan and its parameters in the future. All members need to keep in mind what is best for their individual city.

Michael Simmons says that at the long range planning meeting, we need to look at the loan, and see if we can bifurcate the loan agreement. Rene would like to have fewer items on the agenda, so that the issue can be more closely looked at. Steve Ando would like to know how much cash we have left after a loan is paid off.

## **D3g. Transfer of Risk Policy and Procedure Draft**

Conor Boughey reports that the Insurance Requirements in Contracts (IRIC) Manual outlines recommended contract terms when talking with a vendor in terms of indemnification and when it is appropriate to use a special events policy. As a result, the Administrators were given direction to create a procedure that outlines a penalty for failing to follow procedure.

The Administrators conducted a survey of pools, which showed that this is a unique policy. Other pools only have policies for objective things. This is a very contentious policy and procedure if moved forward with. Dan Dawson commented that it is administratively problematic if other pools are not using it.

Conor recommends other ways to address this issue, such as giving people credits for participating in programs, instead of having penalties.

Michael Simmons proposes having contract City Attorneys attend an IRIC webinar. This saves on travel time, and introduces attorneys to the topic of following the IRIC manual. Some members indicated that they are concerned about City Attorneys not looking at the IRIC manual, which the webinar will address.

The Administrators will send an email asking Members for their City Attorney's email addresses, and will schedule a webinar to encourage attorneys to attend. Board Members will be copied on those emails to encourage attendance.

### **D3h. MBASIA's 2014-15 Meeting Calendar**

Conor Boughey reported that the proposed calendar mostly follows this year's calendar. As far as the administrators can tell, there are no conflicts with any conferences.

A motion was made to approve the proposed calendar.

**MOTION:** Michael Powers

**SECOND:** Dan Dawson

**MOTION CARRIED**

	<u>AYE</u>	<u>NAY</u>	<u>Abstain</u>
Jamie Goldstein	X		
Mike Chambless	X		
Rene Mendez	X		
Susan Stanton	X		
Daniel Dawson	X		
Layne Long	X		
Michael Powers	X		
Linda Scholink	X		
Steve Ando	X		
Adela Gonzales	X		

### **D4. LOSS REPORT**

#### **D4a. Workers' Compensation 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 10:49 AM pursuant to Government Section Code 54956.95.

**MOTION:** Michael Powers

**SECOND:** Dan Dawson

**MOTION CARRIED**

	<u>AYE</u>	<u>NAY</u>	<u>Abstain</u>
Jamie Goldstein	X		
Mike Chambless	X		
Rene Mendez	X		
Susan Stanton	X		
Daniel Dawson	X		
Layne Long	X		

Michael Powers	X		
Steve Ando	X		
Linda Scholink	X		
Adela Gonzales	X		

**D4b. Liability Third Party Administrator’s Report**

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

**MOTION:** Adela Gonzales **SECOND:** Michael Powers

**MOTION CARRIED**

	<u>AYE</u>	<u>NAY</u>	<u>Abstain</u>
Jamie Goldstein	X		
Mike Chambless	X		
Rene Mendez	X		
Susan Stanton	X		
Mike Chambless	X		
Michael Powers	X		
Layne Long	X		
Linda Scholink	X		
Steve Ando	X		
Adela Gonzales	X		

Direction was given to RMS to take action on claims discussed during closed session.

Direction was given to the administrators to draft a letter in agreement with our bylaws that outlines membership rules, and rules on removing police coverage.

**E. PROGRAM ADMINISTRATORS REPORT**

**F. CORRESPONDENCE/INFORMATION**

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

**G. GENERAL RISK MANAGEMENT ISSUES**

Susan Stanton asked if it is common in California for an arbitration to be initiated by a union. She wants to know if a grievance process for workers’ compensation claims is normal.

**ADJOURNMENT**

Rene Mendez adjourned the meeting at 12:30 PM.