**MINUTES OF THE**

**MBASIA LONG RANGE PLANNING MEETING &**

**BOARD OF DIRECTORS MEETING**

**Thursday, October 3, 2013 at 9:00 A.M.**

**Monterey, CA**

**MEMBERS PRESENT**

Lisa Murphy, City of Capitola

Jaime 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

Catrina Conaster, City of Marina

Steve Matarazzo, City of Sand City

Steve Ando, City of Scotts Valley

Adela Gonzales, City of Soledad

Francine Uy, City of Soledad

Michael Powers, City of King City

**MEMBERS ABSENT**

Layne Long, City of Marina

**GUESTS AND CONSULTANTS**

Conor Boughey, Alliant Insurance Services

Michael Simmons, Alliant Insurance Services

Theresa Fernandez, JT2 Integrated Services

**A. CALL TO ORDER**

President Rene Mendez called meeting to order at 9:00 a.m.

**B. ORAL COMMUNICATIONS & PUBLIC COMMENTS**

**C. LONG RANGE PLANNING & TRAINING**

**C1. INTRODUCTIONS/EXPECTATIONS**

Members gave a brief introduction to themselves and their roles at their respective city and their expectations of the meeting.

**C2. Reports**

**C2A. Financial Update – Five Year Financial Trends**

Steve Ando provided a brief report on the financials as of June 30, 2013. Members discussed the positive trends MBASIA has experienced, and commented on the new trends effecting the Liability program.

**C2B. Workers Compensation – Large Claim Trends**

Theresa Fernandez from JT2 Integrated Services provided the Board with an analysis of MBASIA’s Workers’ Compensation claims. Through MBASIA’s history, the Workers Compensation program has continued to struggle due to the frequency of large losses. In an effort to combat this trend, MBASIA joined CSAC at a lower retention to offset more risk. In addition to those efforts, Theresa announced that the trend of severe claims has been reduced slightly.

**C2C. Actuarial Review – Jack Joyce**

Jack Joyce from Bay Actuarial presented on recent action taken by the State of California, and how that legislation has affected the actuarial reports. Jack presented a series of charts and graphs that show the impact on outstanding reserves as a result of the action taken by the State. Jack’s analysis showed that, while these actions have been taken into account, the net effect to MBASIA is very minor.

**C2D. 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.

**C2E. MBASIA’s Property Program – Michael Simmons**

Michael Simmons reported on MBASIA’s Property Program which is placed in Alliant’s Public Entity Property Insurance Program (PEPIP). Michael reported that PEPIP 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 further explained that due to recent losses within the MBASIA program, premiums have increased, but he explained that these increases are still less than what the commercial market place would have delivered. The Board discussed the recent handling of losses and the Authorities history with PEPIP.

**C3. STRATEGIC PLANNING**

**C3A. MBASIA’s Loan – Details, Considerations and Future Steps**

Conor Boughey reported that due to the cash needs of the organization, MBASIA took a loan on October 1, 2004 in the amount of $5,150,000. The loan had a default interest rate of 3%, which adjusted to LIBOR + .60% on October 1, 2009. LIBOR is currently .18%, making the effective interest rate on the loan 78 basis points.

Currently, the outstanding balance of the loan is $3,710,000. Each Member’s share of the loan was fixed at the time the loan was taken. The schedule of each Member’s share of the loan is attached to the binder provided to the Members. The term of the loan is through October 1, 2024, with the repayment schedule escalating in value towards the end of the term. MBASIA decided to collect each Member’s share of the loan at a consistent rate, in essence over collecting at the beginning of the loan term, and under collecting towards the end of the loan term.

The Board discussed the financial details of the loan, the authorities Net Position and the availability of capital. After discussion, direction was given to bring this item back to the April Board Meeting with a review of the Loan’s current standing, the Libor Rate and the interest being earned by MBASIA’s LAIF account.

**C3B. MBASIA Member Loan Policy – Let’s Get Current**

Conor Boughey reported on MBASIA’s Member Loan Policy. The Policy allows Members to borrow funds from the Liability program to pay for increased Workers Compensation premiums. In recent years several members have utilized the loan policy to cover increases in premiums, and we are currently near the cap of $325,000.

Conor futher reported that Alliant surveyed 7 JPAs and found that, although some Pools make annual exceptions at the request by a Member City, only one other pool has a formal *Member Loan Policy*. The one policy allows Members to request up to 15% of the average fund balance for the preceding 12 months, not to exceed 5% for any one Member. Repayment of the loan is determined per request to the treasurer, and then the Executive Committee may approve the request. The JPAs without a Loan document mentioned they have allowed payment plans within a program year, but never more.

After the Board discussed this item at length, the Board directed the Program Administrators to bring a proposed policy and procedure to the February Board Meeting with the following criteria included in the policy:

1. Max Loaned funds of $325,000
2. Maximum per Member loan of $125,000
3. Only one Loan per Member
4. The Loan will be due and payable on the date of separation, if a Member withdraws or is expelled from the Authority.
5. Interest will be LAIF or 3%, whichever is greater
6. Maximum loan duration of 3 years
7. A written application for a loan, with justification for the loan, will be sent to the Program Administrators
8. The Loan will be vetted by the Executive and Finance Committee and approved by resolution by the Board of Directors

**C3C. Insurance Requirements in Contracts – Who’s our Audience**

Michael Simmons reported that the Insurance Requirements in Contracts (IRIC) manual is a public document that Alliant maintains for our Public Entity clients. The purpose of the manual is to serve as a guide in developing proper insurance requirements in contracts. The manual explains how to establish insurance requirements for most contracts, including those with contractors, professional service providers, tenants, vendors, and users of public property, and how to verify their compliance with those requirements during the term of the contract.

Michael Simmons walked through the presentation briefly to show what the presentation would cover, and asked Board Members to consider whether or not they would want an in person presentation provided to members in a regional setting. After some discussion, the Board decided that these sessions would be valuable, but Members do not currently have the staff time to send employees to this training. Members asked Michael to discuss the MBASIA MOC exclusions with respects to certain exposures that were announced during the discussion. Michael discussed the exclusions and how they would apply to the given circumstances.

**C3D. Transfer of Risk and Shared Service Awareness**

Conor Boughey reported that within the Monterey Bay Area, shared resources and regionalization continues to expand and effect how cities transfer risk. The contracts between agencies contain language which determines, in the event of a loss, which party will pay the claims that arise.

In several examples, another public entity will be acting as a vendor who is providing you a service. Typically this type of arrangement would require the person providing the service to name the City as additional insured. However, in agreements we’ve seen, the contract is written to name the entity providing services as additional insured. This means that a Member Agency of MBASIA could be granting coverage to another Public Entity through contract, without MBASIA being compensated for the increased exposure.

Michael discussed particular examples with Board Members, and asked to review a contract between the City of Seaside and the City of Del Rey Oaks.

The Board gave direction to the Program Administrators to create a draft penalty Policy and Procedure for Members who do not properly address transfer of risk, or purchase special liability policies. The Board requested a draft at the April Board of Directors Meeting.

**C4. CONTRACTOR REVIEW**

**C4A1. Liability Third Party Administrator (RMS)**

Rene Mendez advised that Ken Maiolini at RMS has been exceptional. Jaime Goldstein advised that Ken has continued to provide exceptional advise whenever asked.

**C4A2. Workers Compensation Administrator (JT2 Integrated Resources)**

Daniel Dawson and Rene Mendez stated that JT2 has been very responsive. The Board reported that the program with JT2 has improved since Janet’s handling of the account.

**C4A3. Actuary (Bay Actuarial)**

The members had no adverse comments to report about Bay Actuarial Services.

**C4A4. Program Administrators and Broker (Alliant)**

The Board had generally good comments about Alliant’s work for the Authority. Rene reported that the Board appreciates the hard work and pro-active approach to managing the Authority.

**C4A5. Legal Services**

The members had no adverse comments to report. Rene Mendez reported that in past Long Range Planning Meetings, Vince would provide a report to the Board on interesting developments in case law, and that he would like to see Vince at the next LRP.

**C5. RESOURCES**

No Report.

Rene Mendez adjourned the meeting until Friday’s Board of Directors Meeting.

**D. BOARD OF DIRECTORS**

Rene Mendez called the meeting to order at 8:30 AM.

**D1. CONSENT CALENDAR**

**D1a. Approval of Minutes of Meeting on June 10, 2013**

**D1b. Approval of Minutes of Meeting on August 22, 2013**

**D1c. Approval of Minutes of Meeting on September 12, 2013**

**D1d. Status of Deliverables**

A motion was made to approve the consent calendar.

**MOTION:** Steve Matarazzo **SECOND:** Daniel Dawson **MOTION CARRIED**

**D2. Bills and Correspondence**

**D2a. Ratification of Disbursements**

A report of disbursements was presented and no action was necessary.

A motion was made to ratify the disbursements for the months ending June 30, 2013, July 31, 2013, August 31, 2013 and September 30, 2013.

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

**D3. Unfinished Business**

**D3a. MBASIA Safety Funds**

Conor Boughey advised that $75,000 was allocated to the Safety Fund budget and allows for each member to request up to $7,500. The chart contained within the agenda item outlines which members have requested funds, and how much is still left within the budget. Susan requested help from the Program Administrators with filing a request for funds. Conor agreed to reach out to Susan to be sure they request is filed and hopefully approved by the committee.

No Action was taken.

**D4. COMMITTEE REPORTS**

**D4a. Executive and Finance Committee**

No report.

**D4b. Safety Committee**

No report.

**D4c. Coverage and Claims Committee**

**D4c1. Summary of Insurance**

Conor Boughey advised that each city’s Summary of Insurance was included in the agenda as a reference guide for the city. These summaries can also be given to each city’s financial auditor.

**D5. NEW BUSINESS**

**D5a. Review of Items Discussed at Long Range Planning**

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

No action was necessary.

**MOTION:** **SECOND:** **MOTION CARRIED**

**D5b. MBASIA Accounting Services**

Conor reported that the City of Scotts Valley has transitioned the accounting services to Tami Giovanni at Alliant. Alliant will be responsible for completing the accounting and audit requirements for the current program year, and into the future.

No action necessary.

**D5c. MBASIA Financial Audit Update**

No report.

**D6. LOSS REPORT**

**D6a. Workers’ Compensation Administrator’s Report - The MBASIA Board of Directors entered into Closed Session pursuant to Government Section Code 54956.95.**

**D6b. Liability Third Party Administrator’s Report**

No closed session was requested by the Third Party Administrators.

**D7. PROGRAM ADMINISTRATORS REPORT**

**D7a. Staff Update**

**D8. CORRESPONDENCE/INFORMATION**

**D8a. Next Board Meeting and Upcoming Training Sessions**

**D8b. PARMA Conference Information**

Conor Boughey reported that the PARMA conference will be held in San Jose in February, 2014 and stated that members should book their hotel rooms as soon as possible. Conor reminded that the members that the cost to attend the conference or any trainings is paid for out of MBASIA’s Travel & Training fund. He further stated that if any members would like to attend PARMA, they should register through the PARMA website, pay any registration costs up front, and then submit any receipts to us after attending the conference for reimbursement.

**D9. GENERAL RISK MANAGEMENT ISSUES**

No report.

**ADJOURNMENT**

President Rene Mendez adjourned the meeting at 11:30 AM.