



**MINUTES OF THE
GOVERNING BOARD MEETING
Thursday, June 15, 2017
10:00 A.M.**

A meeting of the Governing Board was held on Thursday, June 15, 2017, in Downey, California.

MEMBERS PRESENT:

| | |
|-----------------|---------------------------------|
| Alhambra | Richard Bacio |
| | Velia Rodriguez |
| Bell | Sergio Ibarra |
| | Howard Brown (arrived 10:16) |
| El Monte | John Nguyen |
| | Alex Hamilton (arrived 10:15) |
| El Segundo | Mike Dugan |
| | Joe Lillio |
| Fullerton | Gretchen Beatty (arrived 10:25) |
| Glendora | Cecilia Todd |
| Hawthorne | Olivia Valentine |
| | Dennis Hernandez |
| Hermosa Beach | Vanessa Godinez (arrived 10:15) |
| Huntington Park | Martha Castillo (arrived 10:19) |
| Inglewood | Sara Nazir |
| | Ken Campos |
| Lynwood | Treasure Ortiz |
| Manhattan Beach | Greg Borboa |
| Monterey Park | Tom Cody |
| Redondo Beach | Diane Strickfaden |
| San Fernando | Nick Kimball |

MEMBERS WITHOUT BOARD REPRESENTATION:

Baldwin Park
Downey
South Gate

NON-BOARD MEMBERS PRESENT:

| | |
|---------------|----------------|
| Redondo Beach | Cristine Shin |
| South Gate | Jackie Acosta |
| RPA | Tyler LaMantia |
| | Beth Lyons |
| | Ashley O'Brian |
| | Christina Floe |
| | Bob May |

| | |
|----------------------------|---|
| Johnson Schachter & Lewis | Luther Lewis |
| Carl Warren & Company | John Beringer (arrived 12:08) Sean Rasmussen (arrived 10:48) Todd Johnson |
| James Marta & Co. | Jim Marta |
| Carpenter Rothans & Dumont | Steve Rothans (arrived 11:03) |

1. CALL TO ORDER

President Tom Cody called the meeting to order at 10:11 AM.

2. ESTABLISHMENT OF QUORUM/INTRODUCTIONS

Introductions took place and it was determined a quorum was present.

3. PUBLIC COMMENTS

None

4. APPROVAL OF AGENDA AS POSTED OR AMENDED

Motion was made by Richard Bacio, Alhambra, seconded by Greg Borboa, Manhattan Beach, and unanimously carried to approve the agenda as presented.

5. CONSENT CALENDAR

*Jackie Acosta, South Gate noted that the motion should read “receive and file items F-K”.
Motion was made by Greg Borboa, Manhattan Beach, seconded by Mike Dugan, El Segundo, and unanimously carried to approve the consent calendar as presented.*

6. OPEN SESSION

A. ELECTION OF ICRMA OFFICERS

The terms of all four officers expire on June 30. Section 7.3, Nominating Committee, of the ICRMA Bylaws requires that the President appoint a Nominating Committee to develop a slate of candidates. In February the President appointed, and the Board approved, Gretchen Beatty (Fullerton), Nellie Cobos (South Gate), Mike Dugan (El Segundo), and Anil Gandhi (Downey) to serve on the Nominating Committee.

Section 7.3.2 provides that, “The nomination of candidates for the Officers and Administrative Committee shall be made in writing to the Governing Board no later than 60 days prior to the last regular Governing Board meeting of the fiscal year.” The Nominating Committee met in March and presented the following candidates for Board consideration at its meeting in April:

| | | |
|-----------------|---------------------------------|------------------------|
| President: | Tom Cody (Monterey Park) | Term expires 6/30/2019 |
| Vice President: | Nick Kimball (San Fernando) | Term expires 6/30/2019 |
| Secretary: | Vanessa Godinez (Hermosa Beach) | Term expires 6/30/2019 |
| Treasurer: | Joe Lillio (El Segundo) | Term expires 6/30/2019 |

Motion was made by Dennis Hernandez, Hawthorne, seconded by Greg Borboa, Manhattan Beach, and carried unanimously to elect the following officers, recommended by the Nominating Committee, to terms expiring on June 30, 2019: President: Tom Cody (Monterey Park), Vice President: Nick Kimball (San Fernando), Treasurer: Joe Lillio (El Segundo), Secretary: Vanessa Godinez (Hermosa Beach).

B. ANNOUNCE AD HOC COMMITTEE MEMBERS APPOINTED TO REVIEW ACTUARIAL, GENERAL/COVERAGE COUNSEL, AND PROPERTY APPRAISER RFPS

Every five years, ICRMA facilitates property appraisals for members that participate in the property program. Funds for the appraisals have been allocated in the 2017-18 budget and an appraiser needs to be selected to provide the appraisal services. At its February 9 meeting, the Board directed staff to prepare request for proposals (RFPs) for actuarial and general/coverage counsel services. In accordance with section 7.4.1 of the ICRMA Bylaws, the President may appoint an ad hoc committee at any time. President Tom Cody contacted individual Board members to determine availability and interest in serving on the various committees and appointed the following committee members:

Property appraisal ad hoc committee members:

Nellie Cobos (South Gate)
Sergio Ibarra (Bell)

Actuarial services ad hoc committee members:

Anil Gandhi (Downey)
Richard Bacio (Alhambra)
Joe Lillio (El Segundo)

General counsel/coverage counsel ad hoc committee members:

Gretchen Beatty (Fullerton)
Nick Kimball (San Fernando)
Vicki Cross (Glendora)

The Board reviewed and filed.

C. LIABILITY DEFENSE PANEL ADDITION

According to ICRMA's Litigation Management Policies and Procedures (LMPP), Approved Panel Counsel, Section 1.1, attorneys must be approved by the Board for inclusion on the liability defense panel. Attorneys must be nominated in writing, agree to the provisions of the LMPP, and have at least five years of civil litigation practice which includes substantial and significant defense experience in the area of public sector litigation in California.

The City of Bell nominated Laura Walker to serve on the Liability Defense Panel. Enclosed in the packet were the city's nomination letter, and Ms. Walker's resume, signed LMPP agreement, and proof of insurance.

Motion was made by Olivia Valentine, Hawthorne, seconded by Alex Hamilton, El Monte, and carried unanimously to approve the City of Bell's request to add Laura Walker of Aleshire & Wynder to the Liability Defense Panel.

D. ADOPTION OF THE OPERATING BUDGET

The Board reviewed the operating budget prepared by James Marta & Company for the 2017/18 program year, based on the program structure and renewals approved by the Governing Board at its prior meetings. Total budgeted contributions for all programs combined increased 4%. Following are key statistics for each program. Withdrawing members were removed for comparison purposes.

LIABILITY PROGRAM: 8% increase

- Self-insured retention unchanged at \$3 million
- Eliminated the \$1 million corridor
- Funding from member retained limit (MRL) to \$3 million at 70% confidence level, 2% discount
- Program participant payroll increased by 3% over the prior year

PROPERTY, BOILER & MACHINERY, AND AUTO PHYSICAL DAMAGE PROGRAM: \$63,000 savings

- Self-insured: \$250,000 pool deductible and fully-funded \$500,000 aggregate stop loss
- Total insured values in the property program increased 1%

EARTH MOVEMENT AND FLOOD PROGRAM: 16% decrease

- Earth Movement and Flood has been separated from the Property Program into its own program
- Coverage limits decreased to \$125 million from \$135 million (lower limits needed due to fewer members in the program)
- Total insured values used in the earthquake/flood program increased 1%

CRIME PROGRAM: \$10,237 increase

- Employee count decreased 2%
- Limit increased from \$3 million to \$5 million
- Renewed with a 2% rate increase (20% limit increase)

CYBER PROGRAM: \$44,778 increase

- Program participant payroll increased 6% over the prior year
- Limit increased from \$2 million per member/\$5 million ICRMA aggregate to \$3 million/\$10 million
- Renewed with a 10% rate increase (coverage limits increased 36%)

WORKERS' COMPENSATION PROGRAM: 28% increase

- Self-insured retention reduced from \$3 million to \$2 million; Statutory limits remain
- Funding from MRL to \$2 million increased from 57% to 60% confidence level, 2% discount
- 2017/18 projected payroll increased 10.4% over 2016/17 projections
- The DIR Assessment item in the budget was based on 2015/16 indemnity payments reported to the state in October 2016.

Motion was made by Greg Borboa, Manhattan Beach, seconded by Richard Bacio, Alhambra, and carried unanimously to adopt the operating budget for the 2017/18 program year.

E. PROPOSED RISK CONTROL PLAN

Marco Guardi is no longer serving as ICRMA's Loss Control Director. The new service team includes Lead/Service Coordinator Robert "Bob" May and Service Consultants Mat Matsumune and Andrew Lloyd.

For 2017/18, RPA proposed a Risk Control Plan that takes into account the Board's desire to combine a structured approach to address specific losses facing each member, with a comprehensive risk management and safety program evaluation of each member, and a pool wide bank of hours to be used to address specific member needs and issues as they arise.

May presented the 2017/18 Risk Control plan, stressing that it is heavily service oriented. He is working with staff to coordinate the use of loss control funds provided by the various carriers. Risk Control staff will be reviewing losses and creating customized trainings, recommendations, and services based on each city's unique needs.

The 2017-18 Risk Control Plan features:

1. Loss analysis and focused risk control services to develop root cause and intervention strategies for the top loss producing members – 2 service days each
2. Risk management & safety program evaluation of each member:
Liability and Workers' Compensation members – 2 service days
Liability only members – 1 service day
3. A pool of 70 days dedicated to services to address member needs and issues, or based on specific member requests.

Motion was made by Alex Hamilton, El Monte, seconded by Richard Bacio, Alhambra, and carried unanimously to adopt the proposed 2017-18 Risk Control Plan.

F. PROPERTY/APD PROGRAM

ICRMA's Property Program has been fully insured, with members having the option to participate in one of two programs: All Risk Only or All Risk with Earth Movement and Flood. At the April 13, 2017 meeting, RPA, broker Susan Blankenburg, and the actuary presented information regarding the creation of a self-insured property and auto physical

damage (APD) program. Several options were discussed and the Board directed the broker and RPA staff to develop a self-insured option and solicit quotes from carriers.

At the meeting on May 22, the Board reviewed the proposed program structure, which combines property and auto physical damage into a self-insured program. The Board approved a self-insured program with a \$250,000 pool deductible and \$500,000 aggregate stop loss. Deductibles are \$10,000 for Property and \$5,000 for Auto Physical Damage. General Counsel Luther Lewis and RPA staff drafted program bylaws for the Board's review and adoption. The Board reviewed and discussed the proposed bylaws. Several changes were recommended by the Board:

Page 5: Delete "in general" from the Assessment paragraph

Page 7: Section 4.2.2.6: Replace the term penalty(ies) with "surcharge(s)"

Page 8: Section 4.3.2.4: Revise language to define "frequent" by replacing "Frequent late" with "Late payment (more than once in a rolling five year period)"

Motion was made by Olivia Valentine, Hawthorne, seconded by Gretchen Beatty, Fullerton, and carried unanimously to approve the Property/APD Bylaws with the noted revisions.

RPA staff contacted AdminSure and Carl Warren, the current liability TPAs, to solicit proposals for TPA services for the program. AdminSure responded and its proposal was included in the agenda packet. The proposal includes a \$26,976 annual flat fee for claim handling services, and states the fee is negotiable in subsequent years based on volume.

Motion was made by Richard Bacio, Alhambra, seconded by Mike Dugan, El Segundo, and unanimously carried to authorize the Executive Director to complete negotiations with AdminSure for Property/APD program TPA services and execute a contract.

G. 2017-18 LIABILITY MEMORANDUM OF COVERAGE

The 2017-18 Liability Memorandum of Coverage (MOC) was reviewed in March by the Claims Committee and in April by the Governing Board. During the meeting in April, the Board provided additional direction regarding several items.

- The Declarations page was updated to reflect the reinsurance structure approved by the Board on May 22.
- At the City of Alhambra's request, and upon Board approval at its meeting on May 22, its member retained limit (MRL) was increased from \$250,000 to \$750,000. Beatty confirmed that Fullerton's MRL will be increasing from \$6,000,000 to \$8,000,000.
- Added language to page 14 that the Board discussed at its April meeting: "***Unless ICRMA assumes control of the claim, ICRMA will not settle a claim without the MEMBER's consent; however, the MEMBER may not unreasonably withhold such consent.***"
- Added the word "paid" as follows on page 14: "When total DEFENSE...plus claim DEFENSE COSTS paid by ICRMA..."
- Added a new paragraph to add further definition regarding a CLAIM that "could have been settled."

Borboa expressed concern that the language was unnecessary, since the pool already has the right to take control of a claim. Lewis explained that this clause caps the pool's liability exposure at what the claim could have settled for, and offers members an additional option short of the pool "taking control" of the claim.

Additional revisions discussed by the Board included the following:

- Page 15: Added new paragraph to state recusal policy in the MOC.
- Page 21: Revised exclusion 21 regarding marijuana as discussed at the May 22 meeting.
- Page 28: Replaced "Arbitration" with "Dispute Resolution," to accurately reflect what this section is about and to make it consistent with language on p. 14, fourth full paragraph.

Motion was made by Dennis Hernandez, Hawthorne, seconded by Mike Dugan, El Segundo, and unanimously carried to adopt the 2017/18 Liability Memorandum of Coverage with the changes noted above, direct RPA to finalize the document, and distribute to the members and third party claims administrators.

H. LIABILITY PROGRAM ASSESSMENT DISCUSSION

Staff presented an overview of the process for determining, and reviewing, the liability program assessment in light of continued concerns expressed by Redondo Beach. RPA and financial staff reiterated that the assessments were levied to rectify deficits for years in which large claim payments have already been made, and a brief recap of the payments was provided.

Actuarial studies are performed annually for ICRMA and form the basis for estimating claim liabilities. Last year Jack Joyce of Bay Actuarial used claim data from the TPAs valued as of August 31, 2015 to conduct the annual study and projected losses to June 30, 2016.

This year, at the May 22, 2017 meeting, actuary Jack Joyce presented the annual actuarial study, which used data from the member TPAs valued as of December 31, 2016. The report indicated the estimated claim liabilities have been reduced slightly. Understanding that claim liabilities continue to change until all claims are closed, the Board directed the finance team to move forward with the 2017 assessment invoicing and affirmed the assessments will be reviewed annually in order to determine if adjustments are necessary.

While preparing the year-end financial statements, the finance team will compare the actuarial report projections to June 30, 2017 to the actual loss data. They will consult with the actuary if claim development has exceeded actuarial projections. After this analysis has been completed, an updated assessment calculation will be presented to the Board for review. This review will take place each fall, with presentations to the Board anticipated each October.

In conclusion:

- the assessment amounts change regularly due to claim development
- each annual actuarial report will bring new program year balances as the losses change with each evaluation date until closed

- ICRMA's high SIRs create large swings in program year balances, and cities generally desire financial predictability. Based upon these factors, the Board must carefully consider whether it is in the pool's best interest to change the assessment plan annually.

Shin distributed a letter addressed to Redondo Beach's city manager, written by Steve Glicksman, the actuary the city hired. Shin relayed verbally the key point, namely the city believes the actual assessment should be around \$4.7 million because that was the cumulative financial position of all years on June 30, 2016. Shin further stated Redondo Beach respectfully disagrees with the pool's position regarding the assessment amounts.

Kimball asked how Glicksman conducted an actuarial study without the claims data, and Shin advised that he did not complete an actuarial study but instead reviewed existing documents.

Kimball stated that the net position of \$4.7 million reflects losses at expected, so there is no contingency. It also includes \$12.5 million in assessments already declared in January 2016. If ICRMA doesn't collect enough now, it may need to continue increasing the assessments.

Borboa affirmed Kimball's statements, and stated Redondo Beach's actuary did not look at each program year individually as required due to ICRMA's program year accounting. Borboa reaffirmed that the Board has thoroughly vetted the assessment plan during the past two years with affirmative votes from all members, including Redondo Beach.

Bacio advised that Alhambra supports the suggestions made by Redondo Beach city manager Joe Hoefgen: to conduct a second study and delay the assessment. Lyons noted ICRMA is issuing an RFP for actuarial services, so it is possible that a new actuary will be selected as part of that process. Beatty reminded the Board that the withdrawn members asked for a separate actuarial study in December 2016, and the Board declined.

Shin noted that "dividend" isn't defined in the Bylaws. LaMantia said he spoke with the Association of Governmental Risk Pools (AGRiP) and learned that the agency has not officially defined dividend, however, it is generally accepted to mean refunds, credits, applications of net assets to deficits or future premium, and so on.

With the lack of a motion, the President recognized the service of departing members, and expressed appreciation to Jill Buchholz (not present), Strickfaden, and Borboa.

The Board recessed for lunch at 12:44 PM and reconvened at 1:05.

The Board entered closed session at 1:07 PM.

At 1:37 PM, the Board entered open session. Lewis reported the Board discussed the following claims and took action as follows:

- *Hernandez v. Lynwood* - settlement authority was granted
- *Kitahara v. Monterey Park* - authority was granted and direction given

There being no further items to discuss, the President thanked the Board for attending, and the meeting adjourned at 1:39 PM.