



**MINUTES OF THE  
GOVERNING BOARD MEETING  
Thursday, March 1, 2018  
10:00 A.M.**

A meeting of the Governing Board was held on Thursday, March 1, 2018, in Downey, California.

**MEMBERS PRESENT:**

Baldwin Park	Laura Thomas ( <i>arrived at 10:14 a.m.</i> )
Bell	Howard Brown ( <i>left 12:50 p.m.</i> )
	Sergio Ibarra
El Monte	Angela McCray ( <i>arrived at 10:21 a.m.</i> )
El Segundo	Mike Dugan
	Joe Lillio ( <i>left 12:50 p.m.</i> )
Fullerton	Gretchen Beatty
Glendora	Vicki Cross
Hawthorne	Olivia Valentine ( <i>left 1:40 p.m.</i> )
Hermosa Beach	Vanessa Godinez
Inglewood	Sara Nazir ( <i>arrived at 10:25 a.m., left at 2:21 p.m.</i> )
Lynwood	Cynthia Stafford
Monterey Park	Tom Cody
San Fernando	Nick Kimball ( <i>left at 12:30 p.m.</i> )
South Gate	Nellie Cobos

**MEMBERS ABSENT:**

Alhambra  
Downey  
Huntington Park

**NON-MEMBERS PRESENT:**

El Segundo	George Loaiza ( <i>left at 12:50 p.m.</i> )
RPA	Beth Lyons
	Tyler LaMantia
	Cindy LaMantia
	Jennifer Achterberg
	John Nielsen
	Bob May
Johnson Schachter & Lewis	Luther Lewis
Artex	Matt Anderson
Carl Warren & Company	John Beringer
	Dwight Kunz
	Tom Boylan
	Rose Nunoz
Sarah Peterson Consulting	Sara Peterson
VTD	Jessica Andersen ( <i>left at 10:48 a.m.</i> )
	Roger Alfaro ( <i>left at 10:48 a.m.</i> )
Kutak Rock LLP	Ed Richards ( <i>arrived 11:30, left at 1:40 p.m.</i> )
Richards Watson Gershon	Tom Jimbo ( <i>arrived 11:30, left at 1:40 p.m.</i> )
Lewis Brisbois Bisgaard & Smith, LLP	Wiener Cadet Jr. ( <i>arrived 12:00 p.m., left 2:00 p.m.</i> )
Gibbons & Conley	Byrne Conley

James Marta &amp; Company

Jim Marta (via teleconference, left 10:46 a.m.)

**1. CALL TO ORDER**

President Tom Cody called the meeting to order at 10:08 a.m.

**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 Vicki Cross, Glendora, seconded by Vanessa Godinez, Hermosa Beach, and unanimously carried to approve the agenda as presented.*

**5. CONSENT CALENDAR**

Ms. Gretchen Beatty requested item D. Attendance Record be pulled for a correction. Ms. Lyons informed the Board the Attendance Record indicated that Fullerton was not represented at the December 2017 meeting, but the sign-in sheet and minutes reflect Fullerton representatives were in attendance. The record was updated subsequent to agenda posting to correct this item. Regarding Item F. Check Register, the register's heading indicates that it is for December 2017 only, but the information provided also includes January 2018.

With the above amendments, a motion was made by Gretchen Beatty, Fullerton, seconded by Mike Dugan, El Segundo, and unanimously carried to approve the Minutes of the October 11-12, 2017 Board of Directors Meeting, Minutes of the December 14, 2017 Board of Directors Meeting, and Minutes of the January 22, 2018 Special Board of Directors Teleconference Meeting, and direct staff to finalize; and review and file items: Attendance Record, Treasurer's Report as of December 31, 2017, check Register for December 2017 and January 2018, Quarterly Investment Report as of December 31, 2017, Training Opportunities, and Enqurion Client Engagement Summary Q4 0 2017.

**6. OPEN SESSION****A. Financial Audit, including audited financials as of June 30, 2017**

Ms. Lyons indicated Mr. Marta would provide an overview of the audited financial statements as of June 30, 2017, and then representatives from Vavrinek, Trine, Day & Co., LLP (VTD) would present the financial audit. Ms. Lyons also mentioned that the action listed in the agenda packet should be updated to "review and file" because the audit has already been finalized and issued.

The information presented was to be a handout at the meeting, but will be provided to the Board following the meeting as Mr. Marta was unable to attend in person. Mr. Marta indicated the financials presented were presented in draft form at a prior meeting, and have not changed in the interim. Mr. Marta reviewed the financial statements and reminded the Board of supporting information feeding into the statements. The Net Position increased from a deficit position of \$821,726 as of June 30, 2016 to \$41,249,042 as of June 30, 2017. This increase directly relates to the receivable associated with the assessment plan for the liability program. Mr. Marta explained claims expense depicted on the Statement of Revenue, Expense and Net Position does not mean actual payment on claims. Rather it includes ultimate loss and loss reserves based on the actuarial report. In the last actuarial report, the projections of ultimate losses decreased. Mr. Marta stated the decrease could have been due to closure and settlement of claims, reduction in reserves, and improved litigation management. Overall, the financial position of ICRMA is stable with the current assessment plan addressing the funding of deficit years.

Ms. Andersen directed the Board to specific sections of the auditor's report for discussion, and reviewed the guidelines with which the auditor is to perform. As part of the audit performance, the auditor identified what they considered a significant deficiency, identified as Finding 2017-001. The report provides a recommendation by the auditor, and includes management's response. Ms. Lyons expanded on the item identified as a significant deficiency. This finding is related to a liability claim that was included in the Loss Run in the prior year, and removed subsequently, after the claim was identified as a non-covered claim. The process and format in which liability claim data has been provided to ICRMA has historically been challenging. This has required administrative staff to invest time to manually verify member data. Data submission has been a consistent topic of conversation with the Board, and the Board has taken action during the past four years to address data issues. Examples of this are: many members implementing trust accounts, adopted revisions to the Litigation Management Policies and Procedures, revised TPA performance standards, adding new codes to the underlying data to reflect covered, non-covered, and partially covered claims, and to ensure the underlying member's data sets have been corrected (so that claims are not capped at the member retained limit). ICRMA has a software license with Origami and is also coordinating the integration of member loss with the excess ICRMA data, so that reports going forward will include data points throughout the life of any particular claim.

*Motion was made by Tom Cody, Monterey Park, seconded by Nick Kimball, San Fernando, and unanimously carried to review and file the Financial Audit, including audited financials as of June 30, 2017.*

#### B. Preliminary Budget for 2018-19

Mr. Anderson, Artex, presented the Board with a Preliminary 2018/19 Budget handout. Many variables that build the ICRMA budget have not been developed at this point in time, therefore the numbers presented may shift dramatically by the presentation of the Preliminary Budget at the April Board of Directors meeting. Mr. Anderson reviewed the assumptions used in preparing this preliminary budget for members to begin to use in estimating their member city budgets. It was noted that the current projections of contributions do not include payments also required under the Assessment Plan, which was approved at the November 17, 2016 Board of Directors meeting.

Ms. Lyons directed the members attention to the two graphs depicting the data collected to build the 2017/18 Budget with the data collected to build the 2018/19 Budget. If there was a dramatic difference in the numbers reported to ICRMA between the two years, members were asked to review the discrepancy. A dramatic difference could be explained or could have been an incorrect submission. Ms. Lyons also indicated that some members may not have met the requested deadline for data submission, and therefore may not have had data in the software system by the time staff pulled a report to begin building the preliminary budget.

Mr. Nielsen indicated that the data points are being used to market coverage for ICRMA programs in 2018/19. Any revisions should be provided to RPA as quickly as possible. Mr. LaMantia also indicated that any members who currently do not participate in the other insured programs through ICRMA, can request a quote during this budgeting process. Members may see a material difference in the contribution to such a program, by joining an ICRMA program versus continuing to purchase a stand-alone coverage for any particular program.

Discussion regarding the definitions of certain data points within the Risk Partners platform revolved around the meaning of member budget and payroll. Members indicated that the request for "Total Budget" within Risk Partners should be better defined. A concern was expressed regarding the membership not reporting the same type of information, and how that may skew the data represented to the coverage market. Examples of this are the differences between: City Budget, General Fund, Operating Budget, and Enterprise Fund. Nielsen was going to follow-up to ensure the instructions are detailed and the member reporting consistent.

Confusion was also expressed with regard to Payroll desired. Ms. Lyons reported the number being sought is the "Total Subject Wages" box from the DE 9 form. Mr. Nielsen will also review, and clarify if necessary, the

directions and definitions provided within Risk Partners and also review the information received during the renewal process for 2018/19.

Mr. LaMantia reminded the Board that many variables are still outstanding: member loss data changes compared to last year, the credit and debit system adopted by the Board for this program year has not been calculated, quotes from the insurance market have not come in, the actuarial reports have not been completed to provide a funding number. RPA and Artex will continue to work to provide the best information possible at the April Board meeting. With the access to clean loss data becoming a closer reality, the process for building a preliminary budget should allow for earlier indications to the membership. Ms. Lyons reminded the Board loss data is key to building of the budget, and therefore if any of the members are aware of adverse development, they should plan for a higher contribution this next year.

Mr. Anderson also presented the Assessments amounted to be budgeted for 2018/19. A request was made of Artex to include former members' calculations to the Board.

*Review and file.*

C. Adopt Revised Litigation Management Policies and Procedures

Ms. Lyons informed the Board the Claims Committee has reviewed the combined Litigation Management Policies and Procedures (LMPP) documents for both the Liability and Workers' Compensation Programs during the most recent two Committee meetings. A significant change with combining the documents is an increase to the insurance coverage required of the attorneys on the workers' compensation panel (\$1 million to \$2 million). Carl Warren conducted research to verify that the limits proposed could be easily obtained, and noted many of the workers' compensation panel attorney's already carry insurance at the higher limit. The attorneys could be required to increase their limits during their renewal, therefore providing time for the attorneys to obtain higher insurance should they need to. As there are different requirements between Liability and Workers' Compensation litigation, the attachments indicated in the combined LMPP are to be regularly used by the liability program and as necessary in the workers' compensation program. Language was updated throughout, one key section being the "Audit of Defense Firms". Current language indicated that an audit "shall" be conducted, but this has been updated to "may" to provide the Board flexibility regarding timeline of such an audit. This audit will be scheduled, and accounted for in the ICRMA budget, for early 2018/19.

Staff indicated that there will be continued work to encourage members to set up Trust Accounts for payment processes. One member shared their reasoning and experience behind creating a Trust Account, and encouraged members who haven't created one to do so. Another member enquired after the potential timeliness of a training for the defense panel attorney's regarding ICRMA's policies and procedures, and the expectations regarding their performance. RPA indicated it has been two years since this type of training was held, and that they would look into a potential timeline for this type of review. RPA also indicated that ICRMA currently has many types of trainings for both member employees and city attorneys to attend, where the attorneys are offered general MCLE continuing education credits. Staff encouraged members to share this information with their city attorneys, particularly an upcoming class in Contractual Risk Transfer.

*Motion was made by Gretchen Beatty, Fullerton, seconded by Nick Kimball, San Fernando, and unanimously carried to adopt the combined Liability and Workers' Compensation Litigation Management Policies and Procedures document, with the removal of Section 1.D. Compliance with the LMPP, to be effective July 1, 2018.*

D. Revised Net Asset Policy

Ms. Sara Peterson, Consultant, reminded the Board of the Governing document review process. During this process procedural language or policies have been proposed to be removed from the Bylaws, and placed into the

Net Asset Policy. This will ensure there is no unnecessary repetition of information, and allow the Board flexibility in reviewing calculations related to dividends and assessments. The proposed language presented to the Board to be included in the Net Asset Policy is similar to the current Bylaws language with specific revisions to dividends and assessments noted in the cover memo.

*Motion was made by Tom Cody, Monterey Park, seconded by Mike Dugan, El Segundo, and unanimously carried to adopt the revised Net Asset Policy to be effective March 1, 2018.*

#### E. Draft Revised Bylaws

Ms. Peterson reviewed the key updates to the revised Bylaws since last presented at the December 2017 Board meeting. As discussed in the earlier agenda item, the language regarding calculations of the Net Assets has been removed, and placed into the Net Asset Policy. The language proposed in the Bylaws includes specific definitions and provisions regarding net assets and then refers to the Net Asset Policy for specifics on calculations and potential disbursements of net assets.

The Board discussed the membership requirements in Article 7, Section B, Item 3, naming who is eligible to be a Delegate, Alternate, and Sub Alternate, and if this affects anyone currently sitting on the Board. In other words, there are current Board members who would no longer be eligible based on the proposed language. The Board discussed the intent behind the changes, thus ensuring each member city recognizes the authority granted any representative present to make decisions for ICRMA. There is a desire to allow current appointed representatives the opportunity to remain on the Board, should their title at their member city make them technically ineligible to represent their city on the ICRMA Board, until they leave employment at their member city or are replaced.

Mr. Luther Lewis, General Counsel, directed the Board to review the language stating "...OR 3) hold positions with authority equivalent to Department Director within the Member hierarchy." This language can be used to elect a representative at the discretion of the member city. The Board was also reminded that each elected representative is approved by their member city council, as a resolution from city council is required per the Bylaws.

The Board discussed the need to add a fourth option of "Full Time Dedicated Risk Manager function".

There was discussion to amend language proposed in Article VII, Section C, Item 2. The proposed Bylaws language included "or other process recognized as official", thereby allowing official communication that may not include a city resolution. The Board requested to amend the proposed language to read "All appointments shall be made via member council resolution." The current Bylaws indicate that all appointments be made by city council resolution which includes the elected person's name, and the proposed Bylaws have revised this requirement to be by title only, therefore, creating flexibility for the member cities with staffing transitions.

Members were reminded that the timeline to provide notice to withdrawal from ICRMA in the proposed Bylaws is July 1 with rescission by December 1. Therefore, any member wishing to withdraw from ICRMA beginning July 1, 2019 would need to provide notice by July 1, 2018.

*Motion was made by Olivia Valentine, Hawthorne, seconded by Sara Nazir, Inglewood, and unanimously carried to adopt the revised Bylaws to be effective July 1, 2018, amended with the following: Article VII, Section C, Item 2 – ending with the word "resolution"; Article VII, Section B, Item 3 – adding a fourth category of "Full-Time Dedicated Risk Management function – subject to approval by the ICRMA Board of Directors"; and Article VII, Section B, Item 3 – will be enforced prospectively to all new appointments but all current appointees shall be grandfathered onto the Board.*

*The Board recessed for lunch at 12:10 p.m. and reconvened at 12:45 p.m. into Closed Session.*

## 7. CLOSED SESSION

The Board entered closed session at 12:45 p.m., to discuss open claims and conference with legal counsel pursuant to Government Code Section 54956.95(a).

## 8. REPORT FROM CLOSED SESSION

The Governing Board convened in open session at 2:16 p.m. and General Counsel reported: *In the matter of Sandlin v. Inglewood, settlement authority granted at \$3.6 million for a full and final settlement, less the member's retained limit. In the matter of Redondo Beach v. ICRMA, no action was taken. In the matter of the Coverage appeal hearing: Wong v. Alhambra, the appeal was denied.*

## 6. OPEN SESSION (Continued)

### H. Member Withdrawal Notices for the 2018-19 coverage period

Ms. Lyons informed the Board that the City of Downey rescinded its intent to withdraw by the notice date. The member present from Hermosa Beach updated the Board on its review process, and the ultimate decision at the recent City Council meeting to rescind the notice of withdrawal.

*Motion was made by Tom Cody, Monterey Park, seconded by Vicki Cross, Glendora, and unanimously carried to accept the rescission of withdrawal notice by Hermosa Beach.*

### F. Workers' Compensation Program Restructuring and DIR/OSIP Assessment

Mr. John Nielsen provided a brief overview of the process which ICRMA undertook to create the Workers' Compensation program in 2003. The program was incorrectly structured in a manner typically reserved for primary pools in which the pool makes payments on behalf of the members and a master Certificate of Consent to Self-Insure was issued by the State for ICRMA. RPA staff discussed with the DIR/OSIP the best manner in which to rectify this issue. The suggested two-step process to restructure the Workers' Compensation program is: first, each member city council adopts a resolution to "unwind" the existing master Certificate of Consent for ICRMA; and second, each city council completes an application and adopts a second resolution to obtain an individual Certificate of Consent to Self-Insure. Staff will provide sample resolutions for members to utilize for city council meetings, along with a draft memo explaining the process and reasons to adopt the resolutions. Only after each member has passed both resolutions will ICRMA then be able to request the DIR to revoke ICRMA's Master Certificate of Consent to Self-Insure.

Staff plans to contact the DIR to inquire if the program restructuring could take place retrospectively to July 1, 2017, in the event member paperwork is processed prior to the end of the current program year. Otherwise, the restructuring of the ICRMA Workers' Compensation Program is anticipated to take effect as of July 1, 2018.

The second issue related to the workers' compensation program is the DIR Assessment. Currently, ICRMA receives one lump invoice for all members that have participated in the workers' compensation program since inception. The invoice is allocated, however, in the current budget. Therefore, current members are paying for the DIR Assessments of former members. Going forward, with the restructuring of the program, each member will be billed directly by the DIR for their specific assessments. Language currently provided in the ICRMA Bylaws, Section 13.5.2, also provides the ability to collect the assessment from former members. With this ability in mind, both current and former members' apportionment of the most recently billed DIR Assessment was allocated based on indemnity payments as reported to the state by the TPA. The allocations were presented to the Board for review and indicated which cities are due a refund or an invoice. This is the first

time that this calculation has been performed, thus RPA will develop communication to explain the refund or invoice.

*Motion was made by Tom Cody, Monterey Park, seconded by Mike Dugan, El Segundo, and unanimously approved to approve the DIR Assessment worksheet for budget year 2017/18 and direct staff to refund members/former members with credit balances and invoice those that have debit balances.*

G. Workers' Compensation Program Single TPA Update

Ms. Lyons updated the Board regarding the process of entering a contract with AdminSure for Single TPA Services in the Workers' Compensation Program. A draft contract was presented to the Board, which was based on the City of Inglewood's current contract, as it was comprehensive and recently updated. AdminSure has negotiated a contract with Company Nurse; thereby any fees associated with the use of Company Nurse starting in 2018/19 will be paid through each claim file as a medical management fee, rather than an ICRMA administrative expense. Members will continue to access Company Nurse resources as they currently do, therefore no disruption of services is expected. RPA will renegotiate the contract between ICRMA and Company Nurse for the remainder of the 2017/18 program year; two members will remain on this contract through this time period; upon the end of the 2017/18 program year no contract will be renewed with Company Nurse; and the two remaining cities will transfer their TPA services to AdminSure at the beginning of the 2018/19 program year.

*Motion was made by Tom Cody, Monterey Park, seconded by Vicki Cross, Glendora, and unanimously passed that RPA continue the consolidation of the Workers' Compensation Program to a Single TPA.*

I. New Member Marketing

This item was tabled for discussion to the April Board of Directors meeting.

**9. PRESIDENT'S REPORT**

None

**10. CLOSING COMMENTS**

None

**11. ADJOURNMENT**

*Motion to adjourn by Tom Cody, Monterey Park, seconded by Vicki Cross, Glendora, and unanimously passed at 2:36 p.m.*