



**MINUTES OF THE
GOVERNING BOARD MEETING
Thursday, June 14, 2018
10:00 A.M.**

A meeting of the Governing Board was held on Thursday, June 14, 2018, in Downey, California.

MEMBERS PRESENT:

Bell	Howard Brown (<i>left at 1:52 p.m.</i>)
	Sergio Ibarra (<i>out of room 12:45 p.m. – 2:06 p.m.</i>)
Downey	Anil Gandhi
El Monte	John Ngyuen
El Segundo	Joe Lillio (<i>left at 2:22 p.m.</i>)
Fullerton	Gretchen Beatty (<i>left at 2:43 p.m.</i>)
Glendora	Vicki Cross
Hawthorne	Dennis Hernandez (<i>left at 2:25 p.m.</i>)
Hermosa Beach	Vanessa Godinez
Huntington Park	Daniel Hernandez
Inglewood	Sara Nazir
Lynwood	Jose Ometeotl (<i>arrived 11:52 a.m., left at 2:25 p.m.</i>)
	Yolanda Delgadillo (<i>out of room 12:45 p.m. – 2:25 p.m.</i>)
Monterey Park	Tom Cody
San Fernando	Nick Kimball
South Gate	Nellie Cobos (<i>left at 1:56 p.m.</i>)

MEMBERS ABSENT:

Alhambra
Baldwin Park

OTHERS PRESENT:

Glendora	Christi Giannone
RPA	Beth Lyons
	Tyler LaMantia
	Jennifer Achterberg
	John Nielsen
Johnson Schachter & Lewis	Luther Lewis
Artex	Matt Anderson (<i>left at 12:</i>
Carl Warren	Dwight Kunz
	Rose Nuno
	Tom Boylan (<i>left at 1:06 p.m.</i>)
McCune & Harber	Steven H. Taylor (<i>present from 1:56 p.m. – 2:22 p.m.</i>)
Carpenter, Rothans, & Dumont	Mark Rutter (<i>present from 12:45 p.m. – 1:05 p.m.</i>)
Aleshire & Wynder	Laura Walker (<i>present from 1:07 p.m. – 1:52 p.m.</i>)
	Glen Tucker (<i>present from 1:07 p.m. – 1:52 p.m.</i>)

1. CALL TO ORDER

President Tom Cody called the meeting to order at 10:15 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 Gretchen Beatty, Fullerton, seconded by Dennis Hernandez, Hawthorne, and unanimously carried to approve the agenda as presented.

5. CONSENT CALENDAR

Ms. Gretchen Beatty, Fullerton, requested item E. Board Attendance be pulled for discussion.

A Motion was made by Gretchen Beatty, Fullerton, seconded by Vicki Cross, Glendora, and unanimously carried to approve the Minutes of the April 12, 2018 Board of Directors Meeting, and the May 29, 2018 Special Board of Directors Meeting, and direct staff to finalize; approve the Occu-Med Contract Extension for the 2018-19 program year and rescind the Program Bylaws; and receive and file the Check Register for March and April 2018, Treasurer Report as of April 2018, and the Claims Settlement Disclosure Report.

Concern was voiced regarding how attendance is captured on the Attendance Record, and whether an Alternate or Sub-Alternate when present at meeting counts towards the overall member's attendance. Ms. Lyons informed the Board that any eligible voting member, inclusive of delegates, alternates, and sub-alternates, in attendance at a meeting counts toward that member city's attendance.

Motion was made by Gretchen Beatty, Fullerton, seconded by Tom Cody, Monterey Park, to review and file item E. Board Attendance.

6. OPEN SESSION

A. Approve Claims Committee Appointments for Expiring Terms

Ms. Beth Lyons provided an updated regarding membership on the Claims Committee. The current Bylaws indicated the composition of the committee consists of between twenty (20) and forty (40) percent of the Board up to a maximum of seven (7) members. Ms. Lyons reminded the Board of the efforts put forth to solicit interested parties to join the Claims Committee. Two current committee members' terms expire at the end of the 2017-18 program year, and both indicated a desire to continue to serve on the committee. The Claims Committee met on May 9, 2018 and approved recommending both incumbents for another term of three years.

Claims Committee Chair Vicki Cross shared with the Board the interest in seeing additional participation, in particular with someone who has a finance background. Ms. Lyons reiterated to the Board that the Committee meets in the odd months, are typically held in person at Downey City Hall, and effective July 1, 2018 will have settlement authority of \$750,000.

Motion was made by Vicki Cross, Glendora, seconded by Joe Lillio, El Segundo, and unanimously carried to approve Yvette Abich-Garcia and Sergio Ibarra as Claims Committee Members serving terms expiring 2021.

B. Membership Consideration

Ms. Lyons provided an update regarding several potential membership additions to ICRMA programs. As this is the last scheduled meeting of the ICRMA program year, staff prepared updates and proposed action items to ensure an effective and smooth addition of any of the potential members to a program. The City of Gardena is reviewing quotes for the upcoming program year, and RPA staff has been in discussion with the city's broker. Because the city has not made a decision regarding coverage for the 2018-19 coverage period, staff recommended the Board approve the city as a member, with the intent that RPA staff would schedule a Risk Management Evaluation by December 31, 2018. Quotes have been provided to the city with three options regarding member retained limits for the liability program, and two options for the workers' compensation program.

RPA staff has also been in discussion with the current ICRMA members, the cities of El Monte and South Gate, regarding participation in the workers' compensation program. In the time since posting this meeting agenda, El Monte confirmed it will not be joining the workers' compensation program for the 2018-19 program year. RPA staff will continue to work with the city regarding joining the program in the 2019-20 program year. South Gate continues to review its options for the 2018-19 program year.

Members of the Board requested clarification regarding the evaluation process of prospective members in comparison to the current membership, and how they compare regarding their losses. Additional clarification was provided regarding how the financial impact, both increases in certain fees and in the expected decrease of shared program fees, would be allocated to the current membership. Because ICRMA members need stability regarding the operating budget and new member additions are commonly approved in June, ICRMA manages a new member in a manner that does not reallocate costs among existing members. Any associated increase in fees, based on vendor contracts, would be allocated to the new member directly. During the second year of membership, it would be included with the other program members in the total program cost analysis at which point any economies of scale for overall program expenses would be implemented and spread across the membership.

Motion was made by Dennis Hernandez, Hawthorne, seconded by Joe Lillio, El Segundo, and unanimously carried to approve 1) City of Gardena for membership in the Liability and Workers' Compensation programs effective July 1, 2018, should it elect to join ICRMA. 2) Approve the City of South Gate for membership in the Workers' Compensation program effective July 1, 2018, should it elect to join.

C. Policy on Marketing to Prospective Members

Mr. John Nielsen presented a draft "Marketing to Prospective Members" policy to be added as subsection of the Underwriting & Administration Policy Manual.

Board discussion refining and clarifying the proposed language was discussed. Verbiage to limit the role of an outside broker utilized by a prospective member was recommended. In addition language was suggested to clarify that ICRMA has no responsibility on behalf of the member to maintain the working relationship between broker and city, pay broker or other fees, etc. RPA staff will incorporate the language into the policy and present another draft at the next meeting. The Board discussed the goals of this type of policy. RPA staff indicated this type of policy is unique, and could encourage cities who work with an independent broker to consider ICRMA as a potential partner as well as encourage other types of partnerships. For example, another pool who does not utilize ICRMA's contracted broker may be looking for innovative partnerships.

The Board requested examples regarding what it would look like for ICRMA to support a prospective member in maintaining some form of relationship with its current broker should ICRMA adopt this type of policy. The Board also requested a revised draft be presented at the next Board meeting in August 2018.

D. Program Underwriting & Administrative Policy Manual clarification

While applying the payments following exit policy in the Program Underwriting & Administrative Policy manual, RPA staff encountered uncertainty regarding member payments and asked for Board clarification regarding intent. The policy outlined the calculations for such payments to be paid in the first three years after exiting the program. The Board was reminded of the language in the ICRMA Bylaws, "ALL current AND past ICRMA members shall be responsible for...paying their respective share of ICRMA expenses UNTIL ALL claims or other unpaid liabilities, covering the period ICRMA's the Member's participation in the program have finally resolved and the Board has determined the final amount of payments due by, or credited to, the Member for the period of its participation."

RPA staff's understanding was the Board did not intend to collect monies from exiting members to be applied to the net position of the various programs. The Board concurred and stated the goal in collecting administration fees from exiting members is to ensure continuing members do not pay a disproportionate amount of expenses related to withdrawing members. A few examples included continued claims handling, claims audits, financial audits, actuarial studies, and financial and administrative services. Ms. Lyons presented proposed clarifying language to be added to the Program Underwriting & Administrative Policy Manual to ensure clarity in implementation.

Motion was made by Dennis Hernandez, Hawthorne, seconded by Joe Lillio, El Segundo, and unanimously carried to approve the proposed language to the Program Underwriting & Administrative Policy Manual.

E. Risk Control Plan for 2018-19

Ms. Lyons directed the Board to the information in the packet regarding the structure of the 2017-18 Risk Control Plan and the proposed changes for the 2018-19 Risk Control Plan. The past couple of years, ICRMA has provided services based on a specified number of hours for each member. This has proved to be difficult to quantify, with regards to what type of service requests are allocated against a member's allotted days compared to general risk control services to the pool. Additionally, based on the type of assistance requests, it has been tedious to track the number of days each

member has used. Continuing to use a set number of service days per member could also limit the services needed.

The proposed plan for 2018-19 would allow members the ability to access services as needed without tracking days. Each member would have a risk management evaluation performed. Members who have the highest loss ratios will receive additional risk control focus. Members who have had their retained limited (MRL) increased, or may have an increase, will participate in a root cause analysis of losses. These efforts will better support each member and therefore ICRMA.

Training will be offered through webinar, online, and in-person to support ICRMA members. Many of the vendors ICRMA has partnered with have online trainings and webinars are often underutilized. Staff will continue to research and promote such resources to the membership. RPA staff requested feedback regarding University topics to ensure information presented is relevant.

Motion was made by Tom Cody, Monterey Park, seconded by Dennis Hernandez, Hawthorne, and unanimously carried to approve the Risk Management Plan for 2018-19.

F. Cyber Coverage Renewal Update

Mr. Nielsen provided an update to the Board regarding the Cyber coverage renewal. At the Special Board Meeting on May 29, 2018, the broker presented coverage comparisons between the incumbent carrier, Chubb/ACE, against competitor XL. While the pricing for XL coverage was favorable, there were concerns about the limited coverage, specifically related to the deductible for a data breach response and crisis management coverage. At the conclusion of the May meeting, the broker was directed to approach XL to determine if the coverage differences could be eliminated. If XL was amenable to the changes in coverage, coverage was to be placed with XL for the 2018-19 program year. The broker provided an update to RPA staff stating that XL would not consider changes to their coverages. Therefore, without object by the Board, coverage will be bound with the incumbent Chubb/ACE at a cost of \$57,967 for program year 2018-19.

No action required.

G. Operating budget for 2018-19 Program Year

Mr. Matt Anderson reviewed the operating budget prepared for the 2018-19 program year, based on the program structure and renewals approved by the Governing Board at prior meetings and the information presented earlier in this meeting. Since the last budget discussion, administration expenses have been refined in several programs, current member administrative expenses were decreased by the amount of withdrawn member contributions, and financials were corrected on two partially covered liability claims for the cities of Hawthorne & Hermosa Beach.

Total budgeted contributions for all programs increased for 2018/19 by 2%. Following are key statistics for each program. The withdrawing member was removed for comparison purposes.

LIABILITY PROGRAM: 2.5% increase

- **Administrative expenses increased by 1%; \$8,222
- Funding increased by 2.3%; \$192,045

- Excess premiums increased by 3.3%; \$134,098
- Total exposure (payroll) increased 5% over the prior year
- Cost allocation debit/credit methodology implemented by members

PROPERTY & AUTO PHYSICAL DAMAGE PROGRAM: 8% increase

- Self-insured: \$500,000 aggregate stop loss reduced to \$430,000
- **Administrative expenses increased by 21.2%, due to property appraisals; \$18,162
- Total insured values used in the property program increased 3%

EARTH MOVEMENT AND FLOOD PROGRAM: 5.7% increase

- Coverage limits decreased from \$120 million to \$100 million
- **Administrative expenses increased by 45.6%; \$41,000
- Total insured values used in the earthquake/flood program increased 7%

CRIME PROGRAM: <19.5%> decrease

- Premium renewed with a <27%> rate decrease
- **Administrative expenses decreased by 1.2%; <\$94>

CYBER PROGRAM: <40.3%> decrease

- Total payroll increased 7.9% over the prior year
- Premium renewed with a <48%> rate decrease
- **Administrative expenses decreased by 1.2%; <\$94>

WORKERS' COMPENSATION PROGRAM: <3.8%> decrease

- Confidence level increase from 60% to 70% confidence level, 2% discount
- Total payroll decreased <3.8%> over prior year's budget
- **Administrative expenses increased by 9.7%; <\$54,305>
- TPA fees will now be paid by ICRMA at the same rates paid individually by member cities*
- ICRMA will no longer be collecting and paying DIR assessments for members. Member will be responsible for paying their own DIR assessments*
- Nurse Triage (Company Nurse) services have been discontinued through ICRMA and will now be paid by members directly on a case by case basis*
- Cost allocation debit/credit methodology implemented by members

OTHER:

- Total broker costs decreased by 15% based on member withdrawal
- * 2017-18 Program Contributions for WC program were adjusted for comparison purposes to remove Nurse Triage, DIR Assessment; includes TPA fees previously paid by member cities
- **ICRMA approved administrative fees are charged to exiting members per ICRMA policy. The administrative fee is calculated based on the member's actual payroll and self-insured retention level in the last year in which the Member participated. This fee represents the withdrawn member's respective share of ongoing expenses and ensures the ongoing members are not paying fees associated with withdrawing members (see associated agenda item).

RPA staff reviewed the cost allocation debit/credit methodology with the Board, discussed how the policy change affects each member, and reiterated the driving factor of increases to individual member contributions are the individual member's losses.

Motion made by Gretchen Beatty, Fullerton, seconded by Joe Lillio, El Segundo, and unanimously carried to adopt the operating budget for the 2018-19 program year.

The Board recessed for lunch at 11:57 a.m. and reconvened at 12:45 p.m. into Closed Session.

7. CLOSED SESSION

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

8. REPORT FROM CLOSED SESSION

The Governing Board convened in open session at 2:52 p.m. and General Counsel reported: *In the matter of Tellez v. Huntington Park, settlement authority for a final settlement of \$2.5 million less the remaining member retained limit, for a total ICRMA contribution of approximately \$2,350,000. In the matter of Sanchez, Carrera et al v. Bell, authority was granted in part, and direction was given. In the matter of Ochoa v. Lynwood, settlement authority was granted. In the matter of Sanchez v. El Monte, direction was given. In the matter of Andrade v. South Gate, a final settlement of \$395,000, less the remaining member retained limit, for a total ICRMA contribution of approximately \$301,000.*

9. PRESIDENT'S REPORT

None

10. CLOSING COMMENTS

None

11. ADJOURNMENT

Motion made by Vicki Cross, Glendora, seconded by Tom Cody, Monterey Park, and unanimously carried to adjourn the meeting 2:53 pm.