

**CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES
(CARMA)**

**MINUTES OF THE BOARD OF DIRECTORS'
MEETING OF JANUARY 8, 2016**

A regular meeting of the Board of Directors of CARMA was held on January 8, 2016, at the Dream Inn in Santa Cruz, California.

BOARD MEMBERS PRESENT:	Tim Przybyla, CSJVRMA, President Dan Schwarz, BCJPIA, Vice President Karen Thesing, MPA, Treasurer Rene Mendez, MBASIA Gary Goodman, VCJPA
ALTERNATE MEMBERS PRESENT:	Patrice Hildreth, CSJVRMA Robert Ewing, MPA
OTHERS PRESENT:	Rob Kramer, Administrator Jessica Blushi, Assistant Administrator Maria de Leon, Board Secretary Nancy Broadhurst, Finance Manager Gerry Preciado, Litigation Manager Craig Farmer, Board Counsel Jaesa McCulligan, Bickmore Jeanette Workman, CSJVRMA Administrator Chrissy Mack, VCJPA Assistant Administrator Seth Cole, Alliant Insurance Services Lesley Murphy, Public Financial Management, Inc.

1. CALL TO ORDER

The January 8, 2016, Board of Directors' meeting was called to order at 9:00 a.m. by President Tim Przybyla.

2. INTRODUCTIONS

Introductions were made and it was determined a quorum was established.

3. APPROVAL OF AGENDA AS POSTED (OR AMENDED)

Rene Mendez moved to approve the agenda as presented. Seconded by Gary Goodman. Motion passed unanimously.

4. PUBLIC COMMENTS

None.

5. CONSENT CALENDAR

Gary Goodman moved to approve the following items: A) Minutes of the September 18, 2015, Board of Directors' Meeting; B) Warrant Listings from September 1, 2015, through November 30, 2015; C) Treasurer's Report as of September 30, 2015; and D) Financial Statements as of September 30, 2015. Seconded by Rene Mendez. Motion passed unanimously.

6. ANNUAL WORKSHOP RECAP

A. Establishment of Goals and Objectives

Mr. Rob Kramer, Administrator, reviewed the goals and objectives that were determined at the Annual Workshop the prior day. The discussed goals and objectives were as follows:

- Determine CARMA's approach as respects potential coverage for Drones;
- Collection and review of underlying Memoranda of Coverage to review any proposed changes by the underlying CARMA members;
- Continuing implementation of the Mid-Layer Pool when funding allows; and
- Continue internal marketing and outreach to JPA members, as requested.

A more formal document outlining the above goals and objectives will be presented for Board consideration in April 2016.

7. ADMINISTRATIVE MATTERS

A. Appointment of CARMA Assistant Administrator and Board Secretary

Mr. Kramer introduced Ms. Jessica Blushi and Ms. Maria de Leon from Bickmore and proposed that Ms. Blushi and Ms. de Leon be officially appointed as CARMA's Assistant Administrator and Board Secretary, respectively. He explained that the ultimate goal is for Ms. Blushi to assume the Administrator role. In the meantime, Mr. Kramer will continue to serve in the same capacity on CARMA; however, Ms. Blushi will be increasingly more active on CARMA-related matters and at meetings so the Board can evaluate her in action.

Ms. Blushi and Ms. de Leon provided a brief introduction of themselves to the Board.

Dan Schwarz moved to approve the appointment of Jessica Blushi as CARMA Assistant Administrator and Maria de Leon as CARMA Board Secretary. Seconded by Gary Goodman. Motion passed unanimously.

B. Commercial Marketing Strategies

Mr. Seth Cole, Alliant Insurance Services, Inc. (Alliant), provided a brief overview of CARMA's marketing strategies for 2016/17. He indicated that he anticipates a flat renewal for both the AmTrust and Colony layers of coverages. AmTrust provides the first \$10M in limits excess of the CARMA pooled layer, and Colony attaches above the AmTrust layer, up to \$15M in excess limit. Mr. Cole elaborated that CARMA is in a two-year premium

guarantee agreement with AmTrust, which applies through 2016/17. However, the premium guarantee is subject to certain conditions including 1) losses reported excess of the pooled layer cannot exceed \$1M; 2) CARMA not materially expand outside of its core group i.e., cities and/or special districts); or 3) payroll reported changes cannot be more than 10%.

Mr. Cole added that Alliant is ready to market coverage if Colony were to offer a renewal that does not meet expectations.

C. Insurance Brokerage and Consulting Services Agreement

Ms. Blushi reported that the current agreement with Alliant for brokerage and consulting services expires in June 30, 2016. She inquired whether the Board would like to continue with Alliant or go out to RFP for said services. The consensus of the Board was to renew with Alliant for another three-year term without going through the RFP process.

Staff will work with Alliant to obtain a draft agreement. Upon receipt, the agreement will be submitted for review by Board Counsel and presented to the Board in April 2016, for approval.

Mr. Cole expressed appreciation to the Board for their vote of confidence. He added he is looking forward to working with the Board through the next term.

Karen Thesing moved to direct staff to renew the agreement between CARMA and Alliant Insurance Services, Inc. for a three-year term. Rene Mendez seconded. Motion passed unanimously.

D. Claims Audit Services Agreement

Ms. Blushi reported that agreement with Farley Consulting Services (FCS) for claims audit services will expire following completion of the 2016 audit. Ms. Blushi inquired whether the Board would like to renew with FCS or go out to RFP for claims audit services. She noted that the list of potential service providers for claims audit services would be limited due to conflicts brought on by existing relationships with certain firms, such as Risk Management Services (RMS) and Bickmore. RMS would not be able to bid as RMS currently serves as MBASIA's claims administrator and Bickmore provides administration and litigation management services to CARMA.

The Board felt that FCS' fees are competitive and the services provided have been satisfactory. The consensus was to renew with FCS without going out to RFP.

Staff will work with FCS to obtain a draft agreement for claims audit services for a three-year term. Upon receipt, the agreement will be submitted for review by Board Counsel and presented to the Board in April 2016, for approval.

Karen Thesing moved to direct staff to renew the agreement between CARMA and Farley Consulting Services, Inc. for a three-year term. Gary Goodman seconded. Motion passed unanimously.

E. Actuarial Services Proposal

Ms. Blushi presented the proposal from Bay Actuarial Consultants to CARMA for actuarial services. The current agreement with the firm expired following completion of the 2015 actuarial study. The proposal is for providing actuarial services through 2020 at a base fee of \$7,426 with proposed future increases to no more than 2% per year. The proposed fee is a 2% increase over the fee paid for the 2015 study, which was \$7,280. She noted that Mr. Jack Joyce of Bay Actuarial Consultants has been CARMA's actuary since 2002.

The consensus of the Board was to accept the proposal presented in the agenda.

Dan Schwarz moved to accept the proposal from Bay Actuarial Consultants for actuarial services to CARMA. Gary Goodman seconded. Motion passed unanimously.

F. CARMA Conflict of Interest Code

Ms. Blushi reported that staff had no recommended changes to the CARMA Conflict of Interest Code.

Karen Thesing moved to reaffirm the CARMA Conflict of Interest Code as presented for the 2016 and 2017 calendar years. Gary Goodman seconded. Motion passed unanimously.

G. Proposed Revision to the Liability Master Program Document

Mr. Kramer reported the Liability Master Program Document was amended in January 2015. Subsequently, in September 2015, the Board requested additional changes to the document. A copy of the revised Liability Master Program Document reflecting the changes requested at the September meeting was provided in the agenda for the Board's consideration.

Mr. Kramer briefly reviewed the additional changes including changes to section G.2.C., which states that new members will be required to contribute to the Mid-Layer Pool (MLP) and how the contribution will be calculated; and changes to section G.3.C, which provides that the MLP will apply to any program year after activation of the pool on a prospective basis. Mr. Kramer noted that the revised document has been reviewed by Board Counsel.

Dan Schwarz moved to approve the revised Liability Master Program Document as presented. Rene Mendez seconded. Motion passed unanimously.

8. FINANCIAL MATTERS

A. California Asset Management Program Portfolio Review

Ms. Nancy Broadhurst reported that Ms. Lesley Murphy is CARMA's new investment Manager, replacing Mr. Carlos Oblites who has left the employ of PFM Asset Management to serve as the new Administrative Services Manager for another agency. Ms. Murphy introduced herself to the Board and proceeded with her presentation.

Ms. Murphy reviewed CARMA's Investment Portfolio of the Fourth Quarter 2015, noting the following:

- In the 4th quarter 2015, PFM took advantage of higher yields offered by longer-dated securities, sold select U.S. Treasury securities, and purchased corporate securities, which resulted in 0.62% and 0.63% in incremental yields in October 2015 and November 2015, respectively.
- CARMA's portfolio has consistently outperformed its benchmark over the years. However, the dramatic increase in interest rates resulted in the devaluation of CARMA's securities resulting in the negative Portfolio Total Return during 4th quarter 2015. PFM anticipates the portfolio's Total Return to bounce back to a positive and stronger return over time.
- CARMA's portfolio is in compliance with California Government Code and CARMA's Investment Policy.
- CARMA's portfolio holdings are very well diversified.
- Looking ahead to 2016 and beyond, PFM expects to see U.S. economy to continue to grow at a slow and steady phase.
- PFM will continue to monitor the corporate sector and identify opportunities to add value to the CARMA portfolio.

The Board thanked Ms. Murphy for her presentation.

B. Review of CARMA Investment Policy

Ms. Murphy reviewed the proposed changes to the CARMA Investment Policy. She stated that the CARMA Investment Policy is in compliance with the California Government Code. She indicated that there were no changes to the Code that require a change to the policy, and that the proposed changes are intended to clarify and tighten the policy. Those changes include: 1) clarifying the types of obligations which are excluded from the 5% per issuer limitation by specifically listing each type of obligation that is to be excluded; 2) changes to the language in the U.S. Treasury Obligations to exactly match the language used in the Code; 3) adding a requirement for the use of Securities Industry and Financial Market Association Master Repurchase Agreement as respects to repurchase agreements; 4) deleting redundant language; and 5) assigning specific short-term and long-term rating requirements for negotiable certificate of deposits (CDs). Ms. Murphy clarified PFM does not purchase unrated negotiable CDs for any of its clients, particularly because such types of CDs are not backed by FDIC.

Provided in the agenda was a memo from PFM, which outlined a detailed explanation of the proposed changes to the investment policy.

Dan Schwarz moved to approve the CARMA Investment Policy as presented. Karen Thesing seconded. Motion passed unanimously.

C. Review of CARMA's Equity Position

Ms. Broadhurst reported that this was included as a placeholder on the agenda in the event the Board desired to discuss CARMA's equity position or other financial-related matters based upon discussion at the Annual Workshop held the prior day.

There were no discussions held on this item.

9. CLAIMS MATTERS

- A. Closed Session Pursuant to Government Code Section 54956.95(a) to Discuss Claims

Mr. Craig Farmer, Board Counsel, provided an update on the Wright v. CARMA claim in open session. He noted that the claim was initially scheduled to be arbitrated in December. However, due to a family medical emergency involving one of arbitrators, the arbitration has been rescheduled to April 2016. Mr. Farmer will apprise the Board as new developments pertaining to this claim arises.

There were no actions taken on this item.

- B. Report from Closed Session

The Board received update on the Wright v. CARMA claim in open session as stated above.

10. CLOSING COMMENTS

- A. Board

None.

- B. Staff

None.

11. ADJOURNMENT

The January 8, 2016, Board of Directors' meeting adjourned at 9:54 a.m. by general consensus of the Board.

Maria de Leon

Maria de Leon, Board Secretary