

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

**MINUTES OF THE BOARD OF DIRECTORS
MEETING OF SEPTEMBER 16, 2016**

A meeting of the Board of Directors of CARMA was held on September 16, 2016, via teleconference.

BOARD MEMBERS PRESENT: Tim Przybyla, CSJVRMA, President
Dan Schwarz, BCJPIA, Vice President
Gary Goodman, VCJPA, Treasurer
Linda Cox, MPA

ALTERNATE MEMBERS PRESENT: Tamara Davis, VCJPIA

OTHERS PRESENT: Rob Kramer, Executive Director
Maria de Leon, Board Secretary
Nancy Broadhurst, Finance Manager
Craig Wheaton, Litigation Manager
Craig Farmer, Board Counsel
Jeanette Workman, CSJVRMA
Chrissy Mack, CSJVRMA
Seth Cole, Alliant Insurance Services
Conor Boughey, Alliant Insurance Services
Bill Patterson, Sampson, Sampson and Patterson, LLP
Janet Keeter, City Manager, City of Orinda

1. CALL TO ORDER

The September 16, 2016, Board of Directors meeting was called to order at 9:30 a.m. by President Tim Przybyla.

2. INTRODUCTIONS

A roll call was taken and it was determined that a quorum of the Board was present.

3. APPROVAL OF AGENDA AS POSTED (OR AMENDED)

Dan Schwarz moved, seconded by Gary Goodman, to approve the agenda as posted. A roll call vote was taken and the motion passed unanimously.

4. PUBLIC COMMENTS

None

5. **CONSENT CALENDAR**

Gary Goodman moved, seconded by Dan Schwarz, to approve the following items: A) Minutes of the June 15, 2016, Board of Directors Meeting; B) Minutes of the July 13, 2016, Special Board of Directors Meeting; C) Warrant Listings from June 1, 2016, through August 31, 2016; D) Internal Financial Statements for the Year Ended June 30, 2016; E) Treasurer's Report as of June 30, 2016; and F) Certificate of Casualty Facultative Reinsurance (Wesco). A roll call vote was taken and the motion passed unanimously.

6. **ADMINISTRATIVE MATTERS**

A. **2016/2017 Liability Renewal Recap**

Mr. Seth Cole, Alliant Insurance Services, provided a recap of the past year's renewal activities, current insurance market update, and an overview of renewal strategies for the 2017/2018 renewal.

Mr. Cole reported that CARMA's excess Liability coverage renewed on July 1, 2016, with AmTrust for the \$10M xs \$4M reinsurance layer, and \$15M xs \$14M excess layer with Colony. Both coverages renewed at the same terms, conditions, and premiums. This translated to a slight reduction in the rates due to increased payroll amounts.

Mr. Cole stated that the commercial insurance market is rapidly changing, particularly for those municipalities with urban police exposures. He added that the reinsurance and excess insurance liability environment is hardening and is not as favorable to public entities. As such, Alliant is recommending the Board consider marketing the CARMA program for the 2017/2018 renewal to evaluate available coverage options. He added that although AmTrust and Colony are committed to a long-term partnership, there is no assurance on how they would respond to the present environment.

Mr. Rob Kramer, Executive Director, commented that the renewal strategy would be added to the January 2017 Annual Workshop for further discussion.

B. **Review of the CARMA Goals and Objectives for 2016**

Mr. Kramer reviewed the CARMA Goals and Objectives for 2016: 1) Renew with AmTrust and Colony; 2) Collection and review of underlying MOC's; 3) Determine CARMA's approach regarding coverage for drones; 4) Continuing implementation of the mid-layer pool when funding allows; and 5) Internal marketing.

Mr. Kramer stated that there is a continued focus on member outreach. He reminded the Board that he is available to attend each JPA member's board meetings to provide an overview of the CARMA, as well as ERMA, programs, upon request. In addition, he noted that the funding of the mid-layer pool will be discussed further at the Annual Workshop in January 2017.

C. Discussion Regarding the 24th Board of Directors Annual Workshop on January 5-6, 2017

Staff proposed two potential locations for the 24th CARMA Board of Directors Annual Workshop in January 2017: 1) Dream Inn Santa Cruz, and 2) Bodega Bay Lodge. A comparison of preliminary price quotes from the two properties was provided for consideration. The general consensus was to hold the January event at the Bodega Bay Lodge.

Mr. Kramer noted the draft agenda for the Annual Workshop was inadvertently omitted from the meeting agenda packet. However, he does not foresee any unusual discussion topics that would be on the agenda for the workshop. He added that staff will be working with the CARMA President to fine-tune the workshop agenda before it is finalized for distribution. The Board was requested to let staff know if they have matters that they would like to be included in the workshop agenda for discussion.

7. **FINANCIAL MATTERS**

A. Consideration of the June 30, 2016, Independent Financial Audit Prepared by Sampson, Sampson and Patterson, LLP

Mr. Bill Patterson, Sampson, Sampson and Patterson, LLP, provided an overview of the June 30, 2016, Independent Financial Audit for CARMA, including the following highlights:

- CARMA has received an unmodified opinion, meaning the statements are in accordance with generally-accepted accounting principles.
- A new GASB Statement No. 72 was issued in February 2015 for reporting periods ending June 15, 2016, which requires the assignment of fair value measurement levels to security investment types.
- Financial highlights in the Management's Discussion and Analysis (MD&A) included: 1) Total Revenues increased by 3% due to an increase in operating premium revenue; 2) Expenses decreased by 84.4% from the prior year; 3) Assets increased by 17.2% primarily due to an increase in cash and investments; and 4) Liabilities decreased by 6.3% due to a decrease in claims reserves.
- In addition, Mr. Patterson reviewed other components of the report including the Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows.

Mr. Patterson explained that Net Income was a surplus of approximately \$6.8 million, primarily due to the significant variance in the Claims Liabilities projected as of June 30, 2015, and June 30, 2016, \$7.4 million and (\$1.4 million), respectively. Mr. Kramer pointed out that it is not unusual to have swings in claims liabilities, particularly for excess pools such as CARMA; however, substantial swings such as this one are a concern.

Gary Goodman moved, seconded by Dan Schwarz, to accept and file the June 30, 2016, audit report as presented. A roll call vote was taken and the motion passed unanimously.

B. Actuarial Matters

The Board approved the distribution of a Request for Proposal (RFP) for actuarial services. Mr. Kramer noted that Mr. Jack Joyce of Bay Actuarial Consultants has been CARMA's actuary for more than ten years. He opined that Mr. Joyce is an excellent actuary, but agreed it was a good time to do a RFP for these services. Mr. Kramer and Ms. Nancy Broadhurst, CARMA Finance Manager, noted there have been significant swings in CARMA's loss or Incurred But Not Reported (IBNR) projections, particularly in the last five years, which have impacted the pool's financials, as discussed in the previous agenda item. Mr. Kramer added that fluctuations are expected, particularly in excess pools such as CARMA; however, if they are significant and repeated, it is a cause for concern as it affects the pool's net position.

A graph showing CARMA's historical actuarial changes in ultimate loss projections from 2007/2008 to 2015/2016 was provided in the agenda for the Board's reference.

Ms. Tamara Davis, VCJPIA, commented that since CARMA has had the same actuary for many years, it may be of value to engage someone new to perform the study.

Staff was directed to develop the RFP for actuarial services for presentation and approval by the Board at their meeting in January 2017.

C. Electronic Fund Transfer (EFT) For Vendor Payments

Staff proposed the implementation of the Automated Clearing House (ACH) for Electronic Funds Transfer (EFT) vendor payment to replace the current method of paper check payment. Ms. Nancy Broadhurst, Finance Manager, provided an overview of the challenges with the current process, including: the possibility of financial loss due to check fraud; lost or stolen checks; time and resources expended for routing of checks for signature; the timeliness of payment to vendors; and cash flow management. Ms. Broadhurst opined that the implementation of the ACH EFT vendor payment method will create more efficiency and security as compared to the current process. She added that this is the direction that Bickmore is moving toward for all of its clients.

Linda Cox moved, seconded by Dan Schwarz, to approve the implementation of the ACH EFT vendor payment method to be added to and eventually replace the current method of paper check payment. A roll call vote was taken and the motion passed unanimously.

8. CLAIMS MATTERS

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

Pursuant to Government Code Section 54956.95(a), the Board recessed to closed session at 10:07 a.m. to discuss the following claims for the payment of tort liability losses, public liability losses, or workers' compensation liability incurred by the joint powers authority:

- Banta v. City of Walnut Creek (MPA)
- Marcias v. City of Clovis (RMA)
- Skoumbas v. City of Orinda (MPA)

B. Report from Closed Session

Mr. Craig Farmer, Board Counsel, reported that the Board took action on the Skoumbas v. Orinda case; however, no actions were taken on the other two claims listed above.

9. **CLOSING COMMENTS**

A. Board

None

B. Staff

None

10. **ADJOURNMENT**

The September 16, 2016, Board of Directors meeting adjourned at 11:05 a.m. by general consensus of the Board.



Maria de Leon, Board Secretary