

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

**MINUTES OF THE BOARD OF DIRECTORS'
MEETING OF JANUARY 16, 2009**

A regular meeting of the Board of Directors of CARMA was held on January 16, 2009, at the Bodega Bay Lodge & Spa, Bodega Bay, California.

BOARD MEMBERS PRESENT: Geoff Grote, BCJPIA, President
John Stroh, VCJPA
Joe Donabed, CSJVRMA

BOARD MEMBERS ABSENT: Kent Rice, MBASIA
Joanne Rennie, PARSAC
Jake O'Malley, MPA, Treasurer

ALTERNATE MEMBERS PRESENT: Dave Hodgkins, BCJPIA
Robert Galvan, MBASIA

OTHERS PRESENT: Rob Kramer, Executive Director
Kim Santin, Assistant Executive Director
Sandra Spiess, Board Secretary
Nancy Broadhurst, Accounting Manager *(exited at 11:15 a.m.)*
Linzie Kramer, Litigation Manager
Craig Farmer, Legal Counsel
Adrienne Beatty, Bickmore Risk Services *(exited at 11:15 a.m.)*
Jeanette Workman, Bickmore Risk Services *(exited at 11:15 a.m.)*
Brian Kelley, Bickmore Risk Services *(exited at 11:15 a.m.)*
Mike Simmons, Alliant Insurance Services *(exited at 11:15 a.m.)*
Susan Adams, Alliant Insurance Services *(exited at 11:15 a.m.)*
Carlos Oblites, PFM *(exited at 11:15 a.m.)*

1. CALL TO ORDER

The January 16, 2009, Board of Directors' meeting was called to order at 9:05 a.m. by President Geoff Grote. President Grote indicated a quorum of Board members was not present and only non-action agenda item 6.A. would be discussed until such time a quorum was established.

2. **INTRODUCTIONS**

Those in attendance introduced themselves.

6. **PRESENTATIONS**

- A. Presentation of the California Association of Joint Powers Authorities (CAJPA) Accreditation with Excellence Plaque to the CARMA Board of Directors

Ms. Kim Santin presented the CAJPA Accreditation with Excellence plaque to Chairperson Geoff Grote and congratulated the entire Board of Directors. Ms. Santin indicated this accreditation is for a three-year term. Chairperson Grote expressed appreciation to staff for their hard work in helping CARMA to achieve this honor.

The January 16, 2009, Board of Directors meeting was called to order with a quorum of Board members present at 9:30 a.m. by President Geoff Grote.

3. **APPROVAL OF AGENDA AS POSTED (OR AMENDED)**

Joe Donabed moved to approve the agenda as amended. Seconded by John Stroh. Motion passed unanimously.

4. **PUBLIC COMMENTS**

None.

5. **CONSENT CALENDAR**

John Stroh moved to approve/accept the following items: A) Minutes of the September 19, 2008, Board Meeting; B) Warrant Listings for September 1, 2008, through December 31, 2008; C) Investment Transaction Report for the Quarter Ended September 30, 2008; D) Treasurer's Report at September 30, 2008; E) Internal Financial Statements for the Quarter Ended September 30, 2008; and F) CAJPA Journal Volume 22, No. 4 – Fall 2008. Seconded by Joe Donabed. Motion passed unanimously.

7. **FINANCIAL MATTERS**

- A. Financial Issues

Ms. Santin indicated that the Board had discussed the experience modification factor (ex-mod) calculation process during the workshop the preceding day. Different

options were discussed, including the possibility of eliminating the use of ex-mods altogether. Ms. Santin indicated the Board requested that Ms. Nancy Broadhurst update the ex-mod calculations to include moving up the program's loss years by one fiscal year and remove PARSAC and MPA member Richmond from the calculation.

Ms. Broadhurst reviewed the new calculations with the Board and indicated the results are based on the 2008/2009 program rates.

B. PFM Portfolio Review and CAMP Update

Ms. Kim Santin explained the Board unanimously approved CARMA joining the California Asset Management Program (CAMP) at the September 19, 2008, meeting. Ms. Santin indicated Public Financial Management (PFM) will continue to manage CARMA's portfolio and provide quarterly investment reports. Ms. Santin further explained that at this time the Board is required to pass a resolution permitting CARMA to join with other public agencies and become a member of the CAMP Trust.

John Stroh moved to approve Resolution No. 2-2008/2009 in order to join with other public agencies as a participant in the California Asset Management Trust (CAMP). Seconded by Joe Donabed. Motion passed unanimously.

Mr. Carlos Oblites, Public Financial Management (PFM), reviewed CARMA's investment performance at September 30, 2008, and provided a detailed review of the current market conditions. Mr. Oblites explained that even with the current state of chaos in the market, the CARMA portfolio is realizing a 6.74% return.

8. ADMINISTRATIVE MATTERS

A. Report from the ERMA/CARMA Ad Hoc Exploratory Committee

Mr. John Stroh provided the Board with update of ERMA/CARMA Ad Hoc Exploratory Committee meeting that took place on November 5, 2008. Mr. Jake O'Malley, Ms. Joanne Rennie, and Mr. Scott Ellerbrock served as representatives for ERMA and Mr. Stroh represented CARMA.

Mr. Stroh indicated the Committee reviewed and discussed the pros and cons of merging the two organizations. Also discussed were projected savings that would result from the merger. Mr. Stroh explained that the savings were not as great as that anticipated; therefore the committee determined it would not be prudent to procedure with further discussions regarding a merger of the two organizations at this time. The committee did agree that it would be practical to revisit the possibility of merging the two organizations again at some point in the future.

B. Governance, Representation, and Communications

This item was discussed in conjunction with Agenda Item 11.A.

C. Reaffirmation of Conflict of Interest Policy

Rob Kramer indicated the Political Reform Act requires the Board to review its Conflict of Interest Code biennially to confirm accuracy and determine if any changes are necessary. It was noted that staff was not recommending any changes at this time.

John Stroh moved to reaffirm the Conflict of Interest Policy for the 2009 and 2010 calendar years. Seconded by Robert Galvan. Motion passed unanimously.

D. Review of Draft Policy for Minimum Contribution

President Geoff Grote indicated this policy was created to establish a minimum contribution for when entities that do not have employees join a CARMA member JPA. The situation occurred recently with two cities, neither having employees, joining PARSAC. Each city has a small city council and contracts out for city services.

President Grote further explained that at the time the cities joined it was deemed appropriate to calculate contribution for each of these cities by inflating the reported payroll of the city council (\$36,000) by five times and creating an artificial payroll. This resulted in a contribution amount that aligned the cities with other comparable PARSAC members in regards to exposures.

At the September 19, 2008, meeting, Board ratified the action taken to calculate contribution for these two cities and directed staff to draft a policy to formalize a process for calculation of contribution for cities with limited or no payroll.

After a lengthy discussion it was determined the contribution for new entities joining a CARMA member JPA will be subject to *at least* the same contribution paid by the smallest existing member of the JPA and subject to ratification by the Board of Directors.

It was also noted that “city” should be changed to “city or a special district” to include all types of entities that may join a CARMA member JPA.

Ms. Santin indicated staff would make the requested changes to the resolution and bring this back before the Board at the April 2009 meeting for approval.

E. PARSAC Withdrawal Process

President Grote confirmed that PARSAC has provided CARMA with a written notice of intent to withdraw on July 1, 2009. The notice does request that the CARMA Board of Directors consider rescinding the notice of withdrawal if PARSAC elects to remain in CARMA after reviewing all alternatives available to the JPA.

The question was posed as to what would transpire procedurally if PARSAC does choose to leave the group. Mr. Rob Kramer explained when PERMA terminated membership in CARMA, the JPA was still responsible for any assessments approved for years in which they were a member. PERMA was also responsible for 80% of their portion of administrative costs the first year, 60% of the second year, 40% of the third year, and 20% of the fourth year after termination of membership.

After a lengthy discussion the Board decided that it would be most appropriate to mirror the procedure utilized for PERMA should PARSAC choose to terminate membership in CARMA.

It was noted that a deadline for PARSAC to request to recant the notice to withdraw should be established so that the 2009/2010 budget can be developed and Alliant can properly market CARMA in the excess and reinsurance markets.

After further discussion it was determined a letter outlining the on-going responsibilities of PARSAC upon withdrawal from CARMA would be developed and sent by Board Legal Counsel Craig Farmer. The letter will formally document the deadline of April 14, 2009, for PARSAC to submit their appeal to withdraw their letter of intent to withdraw.

Joe Donabed moved to approve the creation and delivery of a letter to PARSAC outlining the on-going responsibilities of assessments and administrative costs of the JPA to CARMA should they decide to withdraw effective July 1, 2009, with a deadline of April 14, 2009, to submit a request to rescind their letter of intent to withdraw. Seconded by Robert Galvan. Motion passed unanimously.

At this time Mr. Mike Simmons requested an emergency agenda item be added to the agenda to discuss the class action lawsuit against Alliant Insurance Services (Alliant) involving contingent income.

John Stroh moved to approve the addition of the emergency agenda item regarding the class action lawsuit involving contingent income against Alliant Insurance Services. Seconded by Joe Donabed. Motion passed unanimously.

Mr. Simmons explained that issue of contingent income fees in regards to CARMA was handled through the repayment of fees to CARMA by a reduction in the Alliant Insurance Services brokerage contract over three years. Mr. Simmons further explained that the question before the Board at this point is whether CARMA wishes to be a part of the class action lawsuit or desires to opt out of the class action lawsuit.

Mr. Simmons indicated the deadline to respond and confirm CARMA's desire to opt out of the class action lawsuit is March 4, 2009.

Joe Donabed moved to approve taking action to have CARMA remain a member of the class action lawsuit against Alliant Insurance Services involving contingent income. Seconded by John Stroh. Motion passed unanimously

F. Discussion of Alliant Insurance Services Brokerage Contract

Ms. Kim Santin confirmed the current Alliant Insurance Services brokerage contract expires on June 30, 2009, and the question at hand is whether the desire of the Board is to renew the agreement with Alliant for an extended time period or to direct staff to develop and distribute a request for proposal for brokerage services.

Ms. Santin indicated the Board directed Alliant to do a full marketing campaign for excess and reinsurance coverage for the 2009/2010 program year during the workshop the preceding day.

The question was posed as to what Alliant's brokerage service responsibilities would be should the CARMA Board elect to join CSAC-EIA during the course of the contract. Mr. Mike Simmons illustrated what Alliant's role and responsibilities would be should CARMA elect to join CSAC-EIA, emphasizing the fact that Alliant would serve as CARMA's conduit to the excess group.

Ms. Simmons further explained that CARMA would most likely find it relevant to have a contract in place for brokerage services, even if CARMA were to join CSAC-EIA, so the Board would have a resource in place for gauging the temperature of the market and determining viable coverage options since CARMA could, with a 60-day notice, withdraw from CSAC-EIA at the end of a program year.

Ms. Simmons indicated he would work with staff to draft a contract that outlines the scope of work and the cost of services to market CARMA in the traditional market and the scope of work and cost of services that would come into play should CARMA decide to join CSAC-EIA during the course of the contract.

The Board directed Mr. Mike Simmons and Ms. Susan Adams to work with staff to develop a contract for brokerage services and bring it before the Board for review at the April 2009 Board meeting.

9. COVERAGE MATTERS

A. Settlement Authority Language

Mr. Linzie Kramer indicated he was unable to attend the September 19, 2008, Board meeting where the Board approved the addition of settlement authority language to the CARMA Master Plan Document, but raised some questions as to the inclusion of the \$100,000 settlement authority granted to the litigation manager.

Mr. Linzie Kramer explained that he felt it prudent to include the \$100,000 settlement authority as a practical matter for claims that settle in the member's self-insured retention level (\$1,000,000) but have expenses that do minimally penetrate the CARMA level.

The Board agreed this level of settlement authority is appropriate for the CARMA litigation manager. It was noted that at the September 2008 meeting, there was a question as to the use of the right of the litigation manager to assume control of the claim, but those present indicated they were comfortable with inclusion of the language.

B. Possible Expansion/Contractions of Coverage

Ms. Santin indicated the Board provided direction to staff during the workshop the prior day to investigate subsidence in relation to the CARMA Memorandum of Coverage and different self-insured retention level scenarios. Ms. Santin confirmed that the Board also directed Alliant to obtain quotes for employment practices liability coverage as part of the full-press marketing effort for the 2009/2010 program year.

Ms. Santin also indicated that the Board directed Alliant to assist staff with the CSAC-EIA application process as part of the full marketing plan.

10. MARKETING MATTERS

A. Marketing Strategy, Marketplace Position, and Member Retention

Ms. Santin confirmed that based on discussions held the prior day, there is no interest in creating a two-pool scenario for alternative self-insured retention levels at this time.

Ms. Santin indicated Mr. Jack Joyce can determine rates for members that may elect to choose a higher self-insured retention level. Mr. Rob Kramer confirmed that the individual CARMA JPA members would need to engage the services of their own actuary to determine rates for their own members, should the JPA elect to choose a higher self-insured level.

11. OTHER DISCUSSION TOPICS

A. Establishment of Goals and Objectives

The Board briefly reviewed items of interest noted during the workshop held the previous day.

Ms. Kim Santin reviewed the Action Plan compiled from the results of the discussions that occurred the preceding day during the workshop.

1. Governance

- 1.1 Evaluate Participation in Additional JPA - CSAC-EIA

2. Programs

- 2.1 Experience Modification Modeling
- 2.2 Alliant to market CARMA excess placement
- 2.3 Expansion/Contraction of Coverage, Employment Practices Liability Coverage, Subsidence
- 2.4 Analyze utilization of flexible self-insured retentions levels

3. Communications/Marketing

- 3.1 Internal Marketing to Members
- 3.2 Branding CARMA in JPA industry

4. Operations

- 4.1 Transition to new Executive Director
- 4.2 Vendor Expectations/Evaluation Process

Ms. Santin indicated she will be attending the CSAC-EIA Underwriting Committee meeting scheduled for February 11, 2009.

12. 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 convened to closed session at 11:15 a.m. to discuss the following claim for the payment of tort liability losses, public liability losses, or workers' compensation liability incurred by the joint powers authority:

Mehler v. Town of San Anselmo

B. Report from Closed Session

The Board reconvened to open session at 11:35 a.m. and it was noted the following

action was taken in closed session: The Board provided appropriate settlement authority to the Litigation Manager with respect to Mehler v. Town of San Anselmo.

13. CLOSING COMMENTS

A. Board

President Grote indicated he wished to provide feedback on the results of the service provider survey for Bickmore Risk Services (BRS). Mr. Grote indicated the overall scores for BRS were very high; however, there is some concern regarding the speed at which the transition of the new Executive Director is occurring. There is also concern as to the eventual transition plan of a new Litigation Manager.

Mr. Linzie Kramer indicated that Mr. Michael Groff, Bickmore Risk Services, his right-hand person with regards to the CARMA case load, is as familiar with the CARMA cases as he himself is. Mr. Kramer confirmed Mr. Groff would be able to immediately step in and litigate any of the CARMA cases, should the need arise.

The Board requested staff provide more communication as to any anticipated transition of CARMA staff early in the transition process. Ms. Santin indicated staff will develop a transition plan and present the plan to the Board at a future meeting.

B. Staff

None.

14. ADJOURNMENT

The January 16, 2009, Board of Directors meeting adjourned at 11:50 a.m. by general consensus of the Board.

Sandra Spiess

Sandra Spiess, Board Secretary