

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

**MINUTES OF THE BOARD OF DIRECTORS
MEETING OF JUNE 17, 2009**

A regular meeting of the Board of Directors of CARMA was held on June 17, 2009, at the offices of Bickmore Risk Services in Sacramento, California.

BOARD MEMBERS PRESENT: Geoff Grote, BCJPIA, President
John Stroh, VCJPA, Vice President
Jake O'Malley, MPA, Treasurer (*arrived at 10:35 a.m.*)
Joe Donabed, CSJVRMA
Joanne Rennie, PARSAC (*exited the meeting at 10:35 a.m.*)

BOARD MEMBERS ABSENT: Kent Rice, MBASIA

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

OTHERS PRESENT: Rob Kramer, Executive Director
Sandra Spiess, Board Secretary
Nancy Broadhurst, Bickmore Risk Services
Linzie Kramer, Bickmore Risk Services
Michael Groff, Bickmore Risk Services (*12:45 p.m. -1:45 p.m.*)
Jeanette Workman, Bickmore Risk Services
Adrienne Beatty, Bickmore Risk Services
Mike Simmons, Alliant Insurance Services
Susan Adams, Alliant Insurance Services
Craig Farmer, Legal Counsel

1. CALL TO ORDER

The June 17, 2009, Board of Directors' meeting was called to order at 10:12 a.m. by President Geoff Grote.

2. INTRODUCTIONS

Those present introduced themselves.

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

It was requested the agenda be amended to have Agenda Item 7.C. PARSAC Administration Fees, moved to follow the Public Comments section of the agenda.

John Stroh moved to approve the agenda as amended. Seconded by Robert Galvan. Motion passed unanimously.

4. **PUBLIC COMMENTS**

None.

7. **FINANCIAL MATTERS**

C. PARSAC Administration Fees

Mr. Rob Kramer indicated that at the April 17, 2009, meeting it was confirmed that PARSAC would be terminating membership in CARMA as of July 1, 2009. At that time an extensive discussion transpired as to a fair and reasonable amount to charge PARSAC for ongoing administration fees. Staff presented an itemized listing as to the services PARSAC would continue to benefit from and should therefore contribute to going forward and what percentage of those services should be allocated to PARSAC. Ms. Joanne Rennie, Executive Director for PARSAC, indicated the PARSAC Board did not feel the allocations were appropriate; however, the Board was open to settlement of administration fees in the form of a one-time nominal charge for administration fees.

At the time a resolution was not achieved and the Board directed staff and CARMA Board Legal Counsel to work with Ms. Rennie and PARSAC Legal Counsel to prepare a proposal for submission to the Board. Since that time Mr. Rob Kramer and Ms. Rennie have had several discussions in an attempt to achieve an agreement on the matter of administration fees. Based on these discussions staff has revised some items included in the calculation of administration fees and has arrived at the amount of \$87,992.

Mr. Rob Kramer indicated the major item of debate between the two parties is the Unallocated Loss Adjustment Expenses (ULAE). The position of the PARSAC Board is that ULAE is collected as a component of the premium that CARMA members pay at the beginning of each program year.

Mr. Rob Kramer indicated that while CARMA's actuary does provide a number for the ULAE amount which is booked on the CARMA financial statements, that amount is not incorporated into the calculation performed to determine each CARMA member's premium at the beginning of the program year. Mr. Kramer went on to explain that indemnity, Allocated Loss Adjustment Expenses (ALAE), and administration costs are the components included in the calculation for premium.

Ms. Rennie indicated the PARSAC Board feels it has made concessions since the issue of ongoing administration fees came to light. Initially, the PARSAC Board did not feel the group should be charged any amount for ongoing administrations costs; however, the Board has come to realize it would be appropriate to charge the group for appropriate costs associated with the run-off of PARSAC cases.

Ms. Rennie directed the Board's attention to a letter from PARSAC to the CARMA Board of Directors which outlines PARSAC's position on this matter and reflects PARSAC's own calculation of the CARMA budget line items directly attributable to PARSAC. Ms. Rennie indicated the PARSAC Board feels a charge of \$57,248 (or \$48,935 at present value) is appropriate to account for those expenses directly related to PARSAC. The PARSAC Board proposes the payment be reduced to the present value, based on expected earnings at a rate of 4% over the next four years, and deducted from PARSAC's equity in CARMA in one lump sum of \$48,935.

The Board convened to closed session at 10:35 a.m. to discuss the settlement offer for administration fees as proposed by Ms. Rennie and the PARSAC Board of Directors.

The Board reconvened to open session at 11:05 a.m. and it was reported the Board approved the submission of a counteroffer to PARSAC, requesting an answer within 30 days of receipt of the offer from Board counsel. The counteroffer will request PARSAC and CARMA split the difference of the approximately \$31,000 in dispute, based on present value calculations. CARMA will request payment of the administration fees over the next four years by deducting the appropriate amounts from PARSAC's equity in the CARMA program.

The Board directed Legal Counsel, Craig Farmer, to draft the administration fees settlement counteroffer letter, including a deadline for response of 30 days, and deliver it to PARSAC.

5. CONSENT CALENDAR

Mr. Rob Kramer requested Consent Calendar Item F. be pulled for discussion. Mr. Kramer requested any Board members who wish to have a letter of appreciation sent by CARMA to their Board or city council contact Board Secretary Sandra Spiess.

John Stroh moved to approve/accept the following items: A) Minutes of the April 17, 2009, Board Meeting; B) Warrant Listings from April 1, 2009, through May 31, 2009; C) Treasurer's Report as of March 31, 2009; D) Review of Investment Performance for the Quarter Ended March 31, 2009; E) Internal Financial Statements for the Nine Months Ended March 31, 2009; F) CARMA Board Letter of Appreciation - Jake O'Malley; G) Sampson and Sampson Letter of Agreement; H) CAJPA Journal – Volume 23, No. 2 – Spring 2009; I) Information Regarding California Association of Joint Powers Authorities (CAJPA) Fall Conference and Training Seminar. Seconded by Robert Galvan. Motion passed unanimously.

6. **ADMINISTRATIVE MATTERS**

A. Resolution of the Board of Directors of CARMA Establishing Meeting Dates for the 2009/2010 Program Year

The Board reviewed and discussed the proposed meeting dates for the 2009/2010 program year.

John Stroh moved to approve Resolution 3-2008/2009 Establishing Meeting Dates for the 2009/2010 Program Year as presented. Motion seconded by Robert Galvan. Motion passed unanimously.

B. Update on CARMA Staffing Plan

Mr. Rob Kramer indicated at this time he is still in the process of formulating a formal CARMA staffing plan. Mr. Kramer stated that Ms. Karen Thesing, former BRS employee and Administrator of the Bay Cities Joint Powers Insurance Authority (BCJPIA), is returning to employment with BRS in August 2009. Mr. Kramer indicated he has discussed staffing with the BCJPIA Board of Directors and they would be happy to continue with him as the Administrator and would also be happy to welcome Ms. Thesing back into the role of Administrator.

Mr. Kramer inquired as to the Board's opinion on bringing Ms. Thesing on as a member of the CARMA staff with the intention of eventually turning over the role of Administrator to her. The Board consensus was that Ms. Thesing would be a welcome addition to the CARMA staff.

Mr. Kramer indicated that he would keep the Board apprised of staffing developments and will have a formal staffing plan to present to the Board at the September 2009 meeting.

C. Proposed Draft Addendum to Bickmore Risk Services Contract

Mr. Rob Kramer stated that with the withdrawal of PARSAC on July 1, 2009, he felt it appropriate to discuss the possibility of lowering the current administration fees to account for a reduced workload. Mr. Kramer indicated the current BRS contract contains an escalation clause for increased fees for additional members but does not contain a de-escalation clause if members should choose to leave CARMA.

Mr. Kramer directed the Board's attention to the BRS Fee Reduction spreadsheet included in the agenda. Mr. Kramer indicated the BRS contract reduction will be 20% of PARSAC's percentage share of the BRS contract in 2009/2010, a 40% reduction in 2010/2011, and a 60% reduction in 2011/2012. The overall saving over the three years will be just over \$70,000 for CARMA.

Jake O'Malley moved to approve the proposed addendum to the Bickmore Risk Services contract containing the numbers as presented in the BRS Fee Reduction spreadsheet. Motion seconded by John Stroh. Motion passed unanimously.

7. **FINANCIAL MATTERS**

A. Renewal Rates for the 2009/2010 Program Year

Mr. Mike Simmons, Alliant Insurance Services, indicated that even with the loss of one of CARMA's larger members, Alliant was able to obtain a flat renewal from CARMA's current excess and reinsurance carriers.

Mr. Simmons indicated that Alliant has only been able to obtain preliminary rates from CSAC-EIA. Final rates are yet to be confirmed. Mr. Simmons explained that while the indication from CSAC-EIA is approximately \$500,000 less than CARMA's current carriers, there are some very important exceptions in coverage with CSAC-EIA the Board should consider. Mr. Simmons indicated CSAC-EIA's coverage does not include dams, inverse condemnation, subsidence, fixed-route transit, or strip searches by law enforcement.

The Board discussed the exceptions in coverage with CSAC-EIA and how these exceptions would impact CARMA. The Board consensus was that these exceptions were not acceptable to CARMA and the current carriers provide the appropriate coverage required.

Jake O'Malley moved to approve authorization to Mr. Rob Kramer, CARMA Administrator, to bind coverage with CARMA's current excess and reinsurance carriers upon a five percent reduction in premium. Motion seconded by Mr. John Stroh. Motion passed unanimously.

B. Consideration of the Approved Annual Operating Budget for the 2009/2010 Program Year

Ms. Nancy Broadhurst, Accounting Manager, reviewed the amended budget scenarios with the Board. Ms. Broadhurst indicated the quoted rates for excess and reinsurance rates with the current carriers are included. There is a \$14,000 increase over last year for these coverage levels.

Ms. Broadhurst indicated one scenario includes the Central San Joaquin Valley Risk Management Authority (CSJVRMA) with a self-insured retention (SIR) of \$2 million. CARMA is awaiting formal notification from CSJVRMA as to which SIR they will be taking for the 2009/2010 program year. Ms. Jeanette Workman, CSJVRMA Administrator, indicated the CSJVRMA Board is meeting on June 26, 2009, and a decision will be made at that time. She indicated they appear to be leaning towards continuing with a \$1 million SIR.

Jake O'Malley moved to approve both 2009/2010 Annual Operating Budget scenarios pending the self-insured retention level of the CSJVRMA Board of Directors. Motion seconded by John Stroh. Motion passed unanimously.

8. **COVERAGE MATTERS**

A. Update on the Structured Medicare, Medicaid, and SCHIP Extension Act of 2007

Mr. Kramer explained that at the April 17, 2009, meeting, the Board designated Bickmore Risk Services as the authorized representative of the group for purposes of registering with the Centers for Medicare and Medicaid Services (CMS) for mandatory Medicare reporting.

Mr. Kramer presented Resolution 1-2009 to the Board and explained that with Board approval it will empower Bickmore Risk Services to serve as the authorized representative for CARMA.

John Stroh moved to approve Resolution 1-2009 as presented. Motion seconded by Joe Donabed. Motion passed unanimously.

B. Report by Board Legal Counsel, Mr. Craig Farmer

Mr. Craig Farmer, Board Legal Counsel, reported that facts are still developing in the Somas v. Orinda case and it is not yet clear if the financial liability with this case will come to rest with the California Joint Powers Risk Management Authority (CJPRMA), with CARMA, or split between the two entities.

C. Draft Memorandum of Coverage for the 2009/2010 Program Year

Mr. Farmer indicated he has reviewed the Memorandums of Coverage (MOC) for each of the underlying members of CARMA, and based upon this review, is not recommending any changes to the CARMA Memorandum of Coverage at this time.

Mr. Jake O'Malley indicated MPA will be changing its Memorandum of Coverage regarding the dispensing of medications. Currently, the MPA MOC only covers dispensing medications on an emergency basis. MPA conducted a survey of their members and approximately 50% do dispense medication on a regular basis. Additionally, a recent change to the Americans with Disabilities Act now requires that under federal law, medications must be dispensed to avoid claims of discrimination. MPA has created a task force to fully investigate this issue and create a best practices policy to distribute to members. Those members adopting the policy will be covered through MPA.

Mr. O'Malley indicated this change to the MPA MOC will most likely be made at the October 2009 MPA Board meeting and made retroactive back to July 1, 2009. MPA would then request CARMA make this change to its MOC for the 2010/2011 program year.

Jake O'Malley moved to approve the 2009/2010 Memorandum of Coverage with the appropriate changes made to the levels of coverage reflected on the declarations page. Motion seconded by Joe Donabed. Motion passed unanimously.

9. MARKETING MATTERS

A. Update on the CARMA Marketing Plan

Mr. Rob Kramer stated that in anticipation of the CAJPA Conference held in Lake Tahoe in September staff suggests the CARMA marketing letter and informational brochure be updated. Both will then be sent to target JPAs in late July or early August to acquaint the JPAs with CARMA's current coverage limits, and invite them to attend the CARMA September 2009 Board meeting to be held in conjunction with the CAJPA conference.

The Board directed staff to update and distribute the CARMA marketing materials to target JPAs.

10. ELECTION AND APPOINTMENT OF OFFICERS FOR THE 2009/2010 PROGRAM YEAR

A. Nomination and Election of President

John Stroh moved to nominate Geoff Grote, BCJPIA, as President of the CARMA Board of Directors for the 2009/2010 program year. Seconded by Joe Donabed. Nominations were then closed and a motion to elect Geoff Grote as President of CARMA was made by John Stroh. Seconded by Joe Donabed. Motion passed unanimously.

B. Nomination and Election of Vice President

Jake O'Malley moved to nominate John Stroh, VCPJPA, as Vice President of the CARMA Board of Directors for the 2009/2010 program year. Seconded by Joe Donabed. Nominations were then closed and a motion to elect John Stroh as Vice President of CARMA was made by Jake O'Malley. Seconded by Joe Donabed. Motion passed unanimously.

C. Appointment of Treasurer

Geoff Grote appointed Jake O'Malley, MPA, as Treasurer of the CARMA Board of Directors for the 2009/2010 program year.

11. 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 12:45 p.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:

Guthrie v. Mill Valley (BCJPIA)
Padgett v. Loventhal (BCJPIA)
The Ross Valley Cases (BCJPIA)
Spyglass HOA v. City of Larkspur (BCJPIA)
Mill Valley Watershed Cases (BCJPIA)

B. Report from Closed Session

The Board reconvened to open session at 1:45 p.m. and it was noted there was no report from closed session.

13. CLOSING COMMENTS

A. Board

None

B. Staff

None

11. ADJOURNMENT

The June 17, 2009, Board of Directors' meeting adjourned at 1:50 p.m. by general consensus of the Board.

Sandra Spiess
Sandra Spiess, Board Secretary