

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

**MINUTES OF THE BOARD OF DIRECTORS
MEETING OF SEPTEMBER 19, 2008**

A regular meeting of the Board of Directors of CARMA was held on September 19, 2008, at the Embassy Suites Lake Tahoe, located in South Lake Tahoe, California.

BOARD MEMBERS PRESENT: John Stroh, VCJPA, Vice President
Jake O'Malley, MPA, Treasurer
Joe Donabed, CSJVRMA
Joanne Rennie, PARSAC

BOARD MEMBERS ABSENT: Geoff Grote, BCJPIA, President
Kent Rice, MBASIA

ALTERNATE MEMBERS PRESENT: Linda Abid-Cummings, CSJVRMA Alternate
Jim Wanderscheid, VCJPA Alternate (*exited at 10:30 a.m.*)

OTHERS PRESENT: Rob Kramer, Executive Director
Kim Santin, Assistant Executive Director
Sandra Spiess, Board Secretary
Jeanette Workman, Bickmore Risk Services
Brian Kelley, Bickmore Risk Services
Mike Simmons, Alliant Insurance Services
Susan Adams, Alliant Insurance Services
Lauren Brant, Public Financial Management (*exited at 11:30 a.m.*)
Bill Patterson, Sampson and Sampson (*exited at 9:40 a.m.*)
Craig Smith, Farmer Smith & Lane
Roger Carroll, SCORE (*exited at 10:35 a.m.*)
Marylin Kelley, NCCSIF (*exited at 11:00 a.m.*)

1. CALL TO ORDER

The September 19, 2008, Board of Directors meeting was called to order at 9:10 a.m. by Vice President John Stroh.

2. **INTRODUCTIONS**

Those present introduced themselves.

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

It was requested the agenda be amended so that Agenda Item 7.C. be presented immediately following review of the Consent Calendar. Joanne Rennie moved to approve the agenda as amended. Seconded by Joe Donabed. Motion passed unanimously.

4. **PUBLIC COMMENTS**

None.

5. **CONSENT CALENDAR**

Joanne Rennie moved to approve/accept the following items: A) Minutes of the June 11, 2008, Board of Directors' Meeting; B) Warrant Listings for June 1, 2008, through August 31, 2008; C) Internal Financial Statements for the Year Ended June 30, 2008; D) Treasurer's Report as of June 30, 2008; E) Reinsurance Binder Confirmation from Everest Reinsurance; F) Excess Binder Confirmation from Colony National Insurance Company; G) PFM Memo on the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation; H) CAJPA Journal Volume 22, No. 3 – Summer 2008. Seconded by Jake O'Malley. Motion passed unanimously.

7. **FINANCIAL MATTERS**

C. Consideration of June 30, 2008, Independent Financial Audit Prepared by Sampson and Sampson

Mr. Bill Patterson, Sampson and Sampson, reviewed the financial audit for the year ended June 30, 2008, and indicated that an unqualified opinion was issued. Mr. Patterson informed the Board of Directors that CARMA experienced a thirty percent (30%) increase in revenues, due to an increase in premium contributions, the levying of an assessment, and increased interest earnings. At the same time CARMA experienced a ninety percent increase in expenses, primarily as a result of increased claims costs for the 2004/2005 program year.

Mr. Patterson then reviewed the notes to the financial statements and answered subsequent questions.

John Stroh moved to receive and file the financial audit for the year ended June 30, 2008, as presented. Seconded by Joe Donabed. Motion passed unanimously.

6. ADMINISTRATIVE MATTERS

A. Welcome and Review of CARMA for Visiting JPA Directors

Mr. Rob Kramer welcomed Mr. Roger Carroll representing SCORE, and Ms. Marilyn Kelley representing NCSSIF, and thanked them for attending the meeting. Mr. Kramer explained that the group was looking to expand the membership of CARMA if there were JPAs with the same philosophy as CARMA looking to make a change in their excess coverage.

Mr. Kramer indicated that CARMA is not aggressively marketing at this time; however, the opportunity to present information to representatives of interested JPAs in conjunction with the CAJPA conference was ideal and the direction of the Board to staff has been to embark on a marketing program that would make potential candidates aware of the value and offerings provided by CARMA.

Mr. Kramer and Ms. Kim Santin then provided a review of the CARMA program, highlighting the philosophy and benefits of membership and answered questions posed by the group.

B. Discussion Regarding the CARMA Board of Directors' Annual Workshop

Ms. Santin explained that the Board had previously discussed the possibility of moving to a bi-annual schedule for the Board Retreat and Workshop and requested time on the agenda at this meeting to discuss holding the meeting in 2009. Mr. Kramer indicated that staff recommends holding the meeting in January 2009, so that further strategic direction and discussion can take place. After discussion by the Board, it was determined the Board Retreat and Workshop would be held on January 15-16, 2009, in Bodega Bay, California.

The Board directed staff to make the appropriate arrangements and to draft an itinerary and agenda to be reviewed with Chairperson Geoff Grote.

C. CARMA's Re-Accreditation with the California Association of Joint Powers Authority (CAJPA)

Ms. Santin indicated that CARMA recently participated in the re-accreditation process with the California Association of Joint Powers Authority (CAJPA). Mr. Jim Marta served as the consultant for the evaluation and completed his review at the offices of Bickmore Risk Services on July 25, 2008.

Ms. Santin indicated that she attended the CAJPA Accreditation Committee Meeting on August 20, 2008. At that time, it was reported that CARMA has only one minor outstanding matter to resolve prior to full accreditation; however, the committee did grant CARMA conditional Accreditation with Excellence. Ms. Santin indicated the outstanding item involved the formal documentation of settlement authority for the group and was slated as the next agenda item for discussion.

D. Consideration of Revisions to the CARMA Master Plan Document to Include Settlement Authority Language

Mr. Craig Farmer, Board Legal Counsel, reviewed the revisions to the CARMA Master Plan Document with the Board. Mr. Kramer indicated the addition of this language was not changing the process under which the settlement process has transpired in the past, but to memorialize it in a formal manner.

The question was posed as to why the language to transfer all information regarding the claim to the litigation manager when the claim's total incurred cost reaches seventy five percent (75%) was included in the first paragraph. It was noted that the underlying member typically has control of the claim up until the incurred amount reaches \$1 million, when management of the claim is then transferred to the CARMA litigation manager. It was explained that the underlying member does have control of the claim. However, CARMA has always had the ability to take control of any claim the Board feels may pierce the CARMA layer. Mr. Kramer explained that the Board has only done that on one occasion and traditionally, the litigation manager becomes involved as a resource to the CARMA member when it appears the claim's ultimate net loss may exceed the members retained limit and pierce the CARMA pooled layer.

A lengthy discussion ensued as to the question of when the litigation manager should take over formal responsibility for the claim and the language granting the litigation manager authority to settle any claim where the ultimate net loss, is equal or less than one hundred thousand dollars (\$100,000) in excess of the members' retained limit.

Jake O'Malley moved to approve revisions to the CARMA Master Plan Document with the deletion of the first paragraph of Section 1, Item 1. *"When a Claim's incurred cost reaches one-half of the Member's Retained Limit, all information concerning the Claim shall transfer to the CARMA Litigation Manager. The Litigation Manager shall continue to keep the Member fully informed on the progress of the Claim, and shall consult with the Member regarding any settlement of the Claim within or above the Member's Retained Limit."* Seconded by Joe Donabed. Motion passed unanimously by two thirds of the members of CARMA.

Mr. Jake O'Malley requested the Board revisit the Settlement Authority language at

the January 2009, Board of Directors meeting.

E. Discussion Regarding the Possibility of Consolidating the CARMA and ERMA Organizations

Mr. Kramer explained that the CARMA Board briefly discussed the idea of consolidating the CARMA and ERMA groups during the June 11, 2008, CARMA Board of Directors' meeting. At that time the CARMA Board indicated it would more formally discuss the idea if the ERMA Board decided to move forward with creating a committee to investigate the possibility of combining the organizations.

The ERMA Board formally discussed the concept at their June 23, 2008, meeting. The current administrative costs of both groups were reviewed and an exploratory committee consisting of Mr. Jake O'Malley, Ms. Joanne Rennie, and Mr. Scott Ellerbrock of PERMA was formed to explore the matter further.

Mr. Kramer indicated there could be many potential benefits in combining the two organizations such as less time commitment for Board members and group members, joint purchasing power, and a reduction of administrative costs.

Mr. O'Malley suggested the staff work with the exploratory committee to determine exactly what the savings would be if ERMA and CARMA were to combine to form one organization.

Ms. Joanne Rennie indicated that CARMA should not only be looking to the possibility of combining with ERMA, but should be investigating all options available to the group.

The concept of CARMA joining CSAC-EIA for reinsurance coverage was discussed as a possible alternative. It was noted that if CARMA were to join CSAC-EIA, the group could lose the ability to have control over the reinsurance layer of coverage.

Mr. Mike Simmons, Alliant Insurance Services, suggested the Board invite a representative of CSAC-EIA to present information on the CSAC-EIA organization and a representative of Everest Reinsurance at the January 2009, Board Retreat and Workshop.

After further discussion, the Board directed Ms. Susan Adams, Alliant Insurance Services, to obtain an indication from CSAC-EIA to determine what the cost would have been for CARMA to join at July 1, 2008. The Board further directed that if the indication from CSAC-EIA is favorable that CSAC-EIA and Everest Reinsurance be invited to present at the January 2009, Board Retreat and Workshop.

Mr. John Stroh indicated he would volunteer to participate on the exploratory committee with Mr. O'Malley, Ms. Rennie, and Mr. Ellerbrock. Mr. Kramer

indicated Mr. Grote may wish to participate as well and that he would follow up with him. It was expressed that if these members would be willing to participate along with the committee members assigned by ERMA, they also should consider from a CARMA perspective any “other” options beyond just the CARMA/ERMA consolidation issue that might benefit CARMA going forward.

7. FINANCIAL MATTERS

A. Review of Investment Performance Presented by Lauren Brant, Public Financial Management

Ms. Lauren Brant, Public Financial Management (PFM), reviewed CARMA’s investment performance at June 30, 2008, current market conditions, and answered subsequent questions. Ms. Brant indicated that even though the markets are currently in turmoil, the CARMA portfolio is solid. Ms. Brant also confirmed there are no CARMA funds held with Lehman Brothers.

B. Management of CARMA Investment Portfolio – Public Financial Management, Inc.

Ms. Laura Brant presented the Board with an overview of the California Asset Management Program (CAMP), noting that it is a California Joint Powers Authority established in 1989 by the treasurers and finance directors of several California local agencies. Ms. Brant indicated that Public Financial Management (PFM) would continue to manage CARMA’s portfolio and would still provide quarterly investment reports. The only real difference is that the Trust would replace the money market account currently held at Bank of the West and the investments would move to Bank of New York. Ms. Brant indicated she would continue as CARMA’s primary contact. It was noted if CARMA were to join CAMP; the group would realize an annual estimated savings of approximately \$28,700.

Ms. Brant indicated minor revisions would need to be made to the CARMA Investment Policy if the Board should vote to participate in CAMP. Ms. Brant directed the Board to the revised Investment Policy included in the agenda and reviewed the changes.

Jake O’Malley moved to approve that CARMA become a participant in the California Asset Management Program (CAMP). Seconded by Joanne Rennie. Motion passed unanimously.

Joanne Rennie moved to approve revisions to the CARMA Investment Policy as presented. Seconded by Joe Donabed. Motion passed unanimously.

D. Review of PARSAC Members City of Wildomar and City of Menifee

Ms. Santin explained that on July 1, 2008, the City of Wildomar joined PARSAC. The City does not have employees, other than a five-person City Council with a payroll of \$36,000. The City will contract with the County of Riverside for road maintenance, law enforcement, and fire protection.

Ms. Santin stated that to determine the City's contribution staff worked with Chairperson Geoff Grote to inflate the reported payroll of the council by five times for the 2008/2009 program year. This provided an artificial payroll of \$180,000 and aligned the City of Wildomar with other similar members of PARSAC such as Amador, Plymouth, Ferndale, and Canyon Lake in terms of exposures.

Ms. Santin stated that in a related matter, the City of Menifee will be reviewed for membership in PARSAC at the September 16, 2008, Board of Directors' meeting. The City is a newly incorporated municipality and will become an official city on October 1, 2008. The city has hired consultants to manage city operations and will not have any employees, other than a City Council. Staff is suggesting the same method of calculation of contribution as utilized for the City of Wildomar.

Jake O'Malley moved to ratify the action taken with respect to the cities of Wildomar and Menifee. Seconded by John Stroh. Motion passed unanimously.

Mr. Kramer indicated the Board should discuss the issue of minimum premium in more detail and determine a formal method of calculation of contribution for underlying city members not having a payroll on which to determine contribution.

Mr. Kramer indicated staff will work with Susan Adams to draft a policy for minimum premium calculation and bring this before the Board at the January 2009, Board meeting.

E. Consideration of Current Target Equity Position and Return of Equity

Ms. Santin stated that the financial statements and the target equity ratios have been updated with the completion of the financial audit. Ms. Santin explained the CARMA Target Equity / Return of Equity Policy states that dividends may be declared after the program year is at least five years old and funded at the minimum confidence level of 70%. Ms. Santin indicated that at June 30, 2008, CARMA is funded at the 78% confidence level.

Mr. Rob Kramer indicated the program has some very positive program years; however, the 2004/2005 program is developing quite negatively and the Board may wish to keep the funds available for dividends in positive program years in reserve. Mr. Kramer indicated he did not recommend a declaration of dividends at this time. The Board concurred with Mr. Kramer's recommendation and did not take action to declare dividends at this time.

8. COVERAGE MATTERS

A. Review of 2008/2009 Excess and Reinsurance Coverage Policies

Ms. Susan Adams presented a review of the 2008/2009 coverage renewal. Ms. Adams indicated the Board approved a buy-down of \$1 million with reinsurance coverage attaching at the \$4 million level. The Board also approved the purchase of an additional \$5 million in coverage at a cost of \$125,000, bringing the group limit to \$29 million.

9. MARKETING MATTERS

A. Update on Marketing Efforts

Ms. Santin indicated the Board reviewed and approved the marketing plan at the June 11, 2008, meeting. After formalizing the marketing materials, the CARMA marketing letter and brochure were mailed to target members in early August and in accordance with the Board's direction, the letter invited potential members to attend the CARMA Board meeting held in conjunction with the CAJPA conference in Lake Tahoe.

Ms. Santin indicated she followed up the marketing mailing by contacting many of the JPA directors and personally inviting the directors to attend the September 2008, CARMA Board of Directors meeting. Ms. Santin indicated efforts were successful, with representatives of SCORE and NCCIF attending the meeting.

The Board discussed the direction CARMA should take going forward and what the appropriate pooling level would be if other JPAs were to join the group.

The Board directed staff to create models of what the group would look like if other attachment points were permitted within the group and present these models at the January 2009, workshop.

10. 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 11:30 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:

Skoumbas v Orinda (MPA)

Juarez v. Highland (PARSAC)

B. Report from Closed Session

The Board reconvened to open session at 11:45 a.m. and it was noted two matters were addressed in closed session.

11. CLOSING COMMENTS

A. Board

None.

B. Staff

None.

12. ADJOURNMENT

The September 19, 2008, Board of Directors meeting adjourned at 11:55 a.m. by general consensus of the Board.

Sandra Spiess
Sandra Spiess, Board Secretary