

ACWA/JOINT POWERS INSURANCE AUTHORITY

Unapproved 1/30/09
Approved 3/20/09

EXECUTIVE COMMITTEE MEETING

ACWA/Joint Powers Insurance Authority
5620 Birdcage Street, Suite 110
Citrus Heights, CA 95610
(800) 231-5742

January 30, 2009

MEMBERS PRESENT

Vice Chair: Joan C. Finnegan, Municipal Water District of Orange County
Merle Aleshire, Valley Center Municipal Water District (Departed 11:15 a.m.)
Tom Cuquet, South Sutter Water District
Joseph Dion, Citrus Heights Water District
E. G. "Jerry" Gladbach, Castaic Lake Water Agency
W. D. "Bill" Knutson, Yuima Municipal Water District (Departed 11:15 a.m.)
Lou Reinkens, Tahoe City Public Utility District

MEMBERS ABSENT

Chairman: Wes Bannister, Orange County Water District (Excused)
Mary Gibson, Mission Springs Water District (Excused)
Paul Kelley, ACWA Vice President (Excused)

STAFF PRESENT

Chief Executive Officer/Secretary: Daniel N. Klaff
Chief Financial & Operations Officer: Walter "Andy" Sells
Melanie Bickford, Office Assistant
Dick Damon, Liability/Property Claims Manager
David deBernardi, Director of Finance
John Gilstrap, Director of Member Services
Nancy Stangel, Director of Administration
Dianna Sutton, Accounting Manager
Jeanette Waterstradt, Executive Assistant to the CEO
Chuck Wagenseller, Cost Estimator
Cece Wuchter, Sr. Claims Examiner

OTHERS PRESENT

Eldon Boone, Vista ID, ACWA/JPIA Auditor/Controller (Departed 11:15 a.m.)
Bill Malone, President, Metro/Risk, JPIA Insurance Broker (Departed 10:35 a.m.)
Robin Stewart, Kronick, Moskovitz, Tiedemann & Girard, JPIA Legal Counsel

WELCOME

Vice Chair Finnegan called the meeting to order at 8:30 a.m. and welcomed everyone. Mr. Klaff introduced Melanie Bickford, JPIA's new Office Assistant. Vice Chair Finnegan noted that, as the agenda stated, members of the public would be allowed to address the Executive Committee on any agenda item prior to the Committee's decision on that item. Comments on any issues, which may or may not be on the agenda, were also welcome.

ADDITIONS TO OR DELETIONS FROM THE AGENDA

Mr. Klaff requested the addition of a closed session item under Government Code section 54956.95 to discuss liability claim Honeywell vs. Mesa Consolidated Water District. This item arose subsequent to posting of the agenda for this meeting and requires immediate action. Mr. Reinkens requested the addition of discussion on Executive Committee member attendance. Vice Chair Finnegan noted that that discussion would be addressed under "Excused Absence" following on the agenda.

CONSENT CALENDAR

Vice Chair Finnegan then called for approval of the Consent Calendar.

M/S/C (Knutson/Gladbach) (Yes – 6, No – 0): That the Executive Committee approve the minutes of the December 1, 2008, Executive Committee meeting as presented and approve the claims warrants of November 7 – 21, November 21 – December 8, December 6 – 19, 2008, and December 20, 2008 – January 6, 2009; approve the ACH & Wire Disbursements of November 8 – 21, November 20 – December 9, December 10 – 19, 2008 and December 21, 2008 – January 6, 2009; approve the payroll warrants of November 21, December 5, December 19, 2008, January 2 and January 16, 2009; approve the regular warrants of November 28, December 15, December 31, 2008, and January 15, 2009; and approve the Workers' Comp Safety Awards of December 10, 2008.

Excused Absence of Executive Committee Members

Mr. Klaff requested excused absences for Mr. Bannister, Mr. Kelley, and Ms. Gibson.

M/S/C (Cuquet/Gladbach) (Yes – 6, No – 0): That the Executive Committee approve an excused absence for Mr. Bannister and Mr. Kelley.

There was a brief discussion on Executive Committee member attendance. Staff was requested to add this topic to the March agenda.

M/S/C (Cuquet/Aleshire) (Yes – 6, No – 0): That the Executive Committee approve an excused absence for Ms. Gibson.

ADMINISTRATION

Availability for Upcoming Meetings

Vice Chair Finnegan announced that the next Executive Committee meeting is scheduled for Friday, March 20, 2009. Mr. Reinkens noted a conflict.

Discussion followed on the September 17, 2009 scheduled meeting date. It was the consensus of the Committee to change the meeting date to Wednesday, September 30, 2009; the meeting will begin at 11 a.m. and conclude no later than 3 p.m.

Report on Meetings Attended on Behalf of the JPIA

Vice Chair Finnegan reported that she had attended the ACWA Board meeting. She announced that she had been appointed to the ACWA Centennial Advisory Committee. Mr. Klaff noted that he would also be sitting on that Committee.

Mr. Gladbach had attended the meeting at Antelope Valley-East Kern Water Agency where Mr. Sells delivered a presentation to the Board on the JPIA's programs and services. Mr. Gladbach noted that Mr. Sells had done an excellent job; they were very delighted and really appreciated his presentation. Mr. Gladbach stayed for the meeting and was asked by a member of the public about how to join the JPIA. He was with a Mutual Water Company and was interested in the JPIA because there is no statewide organization that pools Mutuals together.

Discussion followed on the possibility of Mutuals being covered by the JPIA. Mr. Klaff noted that the key problem is that they are governed by different Codes and do not have the same immunities that the Government Code provides for public agencies. He added that legislation was passed in 1994 that allowed Mutuals to be part of JPAs. Mr. Reinkens asked Mr. Malone if he could place insurance for Mutual Water Companies. Mr. Malone responded that they could be covered under the "UTEL" Program. Staff was asked to add a discussion on Mutuals at a future date. It was so noted.

Mr. Malone noted a problem with the meeting scheduled for July 17, 2009. As scheduled, he may not be able to meet the agenda-packet deadline; it would be helpful if the meeting were later in the month. Mr. Sells stated that the meeting needs to be held early enough to leave time to send the member billing out by August 1st. Following discussion, it was the consensus of the Committee to change the date to July 24. The Finance & Audit Committee and the Liability Program Subcommittee will meet on July 23 and the Executive Committee will meet on July 24, 2009.

Per Diem for Executive Committee Members

At the January 29, 2007 Executive Committee meeting, it was determined that the matter of per diem would be addressed each year in the January meeting with a 5% increase unless action is taken otherwise.

M/ (Aleshire): That the per diem for Executive Committee members remains at \$210.

There being no second to the motion, the per diem will be increased to \$220.50, effective February 1, 2009.

Goals and Objectives for 2009

Vice Chair Finnegan noted that the Executive Committee develops Goals and Objectives for the organization and Chief Executive Officer each fiscal year. The process includes review of the suggestions from the Executive Management Team and development by members of the Executive Committee.

The Goals and Objectives for fiscal year 2008/2009 have not been determined as of this meeting. The Executive Committee reviewed the suggestions from the Executive Management Team.

Mr. Aleshire gave a brief PowerPoint presentation on performance standards along with suggestions for Goals and Objectives.

Ms. Stangel stated that the Personnel Advisory Committee would meet on February 5, 2009 in Ontario and will review the suggested Goals and Objectives and discuss criteria for success, as well as any other necessary details. Mr. Sells added that the Personnel Advisory Committee would bring the matter back to the Executive Committee in its March meeting.

Following some discussion, it was felt that it might be time for another Strategic Planning Session. Mr. Klaff noted that staff would look into it.

Significant Claims Activity

The Executive Committee has requested to be kept abreast of settlements on those claims that were previously presented to it for authority. The following cases have been settled since this Committee's last meeting.

Mr. Damon reviewed the following list of recent significant claims activity:

- Snowden vs. Fresno Irrigation District – A child drowned in the District canal. The claim settled and the file is closed.
- Downs vs. Palo Verde Irrigation District – A child drowned in District canal. The claim settled and the file is closed.
- Glenn vs. Yorba Linda Water District – The District water mainline leaked and contributed to a landslide that damaged two homes. The JPIA paid its full retention, after which the JPIA's excess carrier took over any further handling of the claim, and the file is closed.
- Iannone vs. Orchard Dale Irrigation District – The District's mainline broke and the water that escaped damaged one house. The claim settled and the file is closed.
- La Fave vs. Castaic Lake Water Agency – The District's driver ran into the rear of the claimant's vehicle causing a severe back injury to the claimant that will most likely require future surgery. The claim settled and the file is closed.
- Grass vs. Fair Oaks Water District – The plaintiff alleged wrongful termination based upon gender, age, and disability. The claim settled and the file is closed.

The Committee complimented staff on its efficient manner of handling District claims.

JPIA Office Facilities Update

Mr. Gladbach, Chair of the Building and Property Committee, gave a PowerPoint presentation updating the Committee on the status of the Office Facilities project. He noted that the Committee had met with ANOVA Architects three times along with Carson Development and Otto Construction.

The Committee looked at existing buildings, with cold and warm shells, new buildings, and potential land sites. Mr. Cuquet observed that a problem with a warm shell is that

the major mechanicals can't be changed without significant costs. He added that he felt the JPIA should implement LEED (Leadership in Energy and Environmental Design) standards as an example for our members.

Mr. Malone left at 10:35 a.m.

Mr. Gladbach continued with his PowerPoint presentation. The Committee thanked him for the update.

FINANCE

Draft Audited Financial Statements of September 30, 2008

Mr. Boone noted that each year the JPIA provides for an independent audit of the JPIA's financial statements. For the third year, Mayer Hoffman McCann P.C. had performed the annual audit for the JPIA; this time for fiscal year of October 1, 2007 through September 30, 2008. He added that the Finance & Audit Committee had reviewed the draft Audited Financial statements and it resulted in changes. The Committee had accepted financials as presented with the recommended changes.

M/S/C (Aleshire/Cuquet) (Yes – 6, No – 0): That the Executive Committee approve the Finance & Audit Committee's recommendation to accept the draft Audited Financial Statements as presented with the recommended changes.

Mr. Boone stated that the JPIA had a three-year engagement with the current auditors. Staff has been requested to send out a new RFP, and results will be presented at the March 19, 2009 Finance & Audit Committee meeting.

RPA Stabilization Fund

The RPA Stabilization Fund (RSF) is used to help stabilize retrospective premium adjustments (RPA) for prior policy years. It is funded with future RPAs and refunds of the Catastrophic Reserve Funds of each of the pooled programs. Each member's "account" is maintained separately from other members and each "account" is allowed to grow to 60 percent of one year's basic liability premium; the amount over that point is refunded to the members on an annual basis. Mr. Boone noted that last year the Fund was expanded to include the ability for those members that have a positive balance and also have a RAP of \$100 thousand or more, to reimburse the JPIA for paid claims on their behalf with funds from their RPA Stabilization account. The RSF has been very successful, refunding over \$1 million in each of the last five years. Last year 196 members received refund checks.

In January 2009, RPA Stabilization Reports were mailed to members. Approximately 180 members received refund checks totaling approximately \$3.4 million. There were only three members that received invoices for an amount due; those totaled approximately \$57 thousand. The current balance of the Fund is now approximately \$7.9 million.

The Finance & Audit Committee also discussed benchmarks at its meeting. Mr. Boone noted that PFM would be at the March meeting for additional discussion on benchmarks.

Discussion followed on all Executive Committee members being sent the PFM Newsletter, the frequency of PFM at meetings, and how much authority has been given to them in handling the investments. Mr. Sells confirmed that it has always been the primary direction that JPIA makes the decisions; PFM can call him or Mr. Klaff for the necessary authority. However, in the future, a policy could be set with proper guidelines giving PFM authority. A suggestion had also been made that a review of the Investment Report be added to each Finance & Audit Committee agenda.

TRAINING

Training Update

Ms. Stangel stated that the JPIA continues to provide cost effective training to employees of member districts in an effort to increase knowledge and ability to meet day-to-day challenges of their work tasks. It has been shown that many forms of training allow employees to work more productively and safely, reducing costs and unnecessary losses, ultimately reducing claims. The current training calendar was included with the packet. Ms. Stangel added that for complete information, visit the JPIA's website at www.acwajpia.com. The member id is jpiamember and the password is water. The website also allows for on-line registration, links to important sites, and valuable information.

Prevention Link continues to grow as Target Safety staff is contacting members to provide information and assist with set up. JPIA staff continues to review Prevention Link and note those classes that will fill PDP requirements and also those classes recommended for pre-class work.

Ms. Stangel added that, due to the success of the webinar in October, staff is looking into presenting a series of webinars in 2009 for classes that lend themselves to that type of forum and those that are important to deliver to members, particularly those who are remotely located.

The Human Resource Groups continue to be successful, with two kick-off meetings held on January 21 in Sacramento and February 4 in Ontario. These meetings featured attorneys delivering the 2009 Legal Update, as well as other important sessions that tie into human resources.

Two Training Conferences are scheduled for 2009. The first will be in San Diego on June 9 and 10 and the second will be in Visalia on September 22 and 23. Staff is currently compiling the program that will consist of at least 20 classes, guest speakers and a few new classes.

Another aspect of the training component has been providing members with links to other training resources, announcing information in publications, and some coordination with vendors. As a recent example, the JPIA facilitated hosting of a webinar entitled "Understanding NFPA 70e & Arc Flash Hazards" presented by Lewellyn Technology.

Both Mr. Cuquet and Mr. Gladbach complimented staff.

Merle Aleshire, Bill Knutson, and Eldon Boone left at 11:15 a.m.

POOLED PROGRAMS

Recommendations of Property Program Subcommittee

Mr. Cuquet, Vice Chair of the Property Program Subcommittee, reviewed the recommendation of the Subcommittee from its meeting of January 29, 2009.

The JPIA's Property Program renews on April 1, 2009. The excess coverage (currently on a reinsurance basis) renews at the same time. The current reinsurer is Federal Insurance Company, a Chubb & Son subsidiary.

Mr. Malone, JPIA's broker, started the process of re-marketing the excess coverage in early October. The proposals reviewed by the Subcommittee reflected the current insurance market conditions, which are hardening due to the general economic conditions, and the JPIA's recent loss history.

The Chubb proposal, although it reflected a ten percent increase over the current rates, was again the most competitive over all. The JPIA currently retains the first \$50,000 of any property loss. Staff and the Subcommittee reviewed the optional proposals for higher retentions, which provide premium savings for selecting a higher retention. The potential savings do not appear to offset the risk of incurring additional losses within the higher retentions.

It was the Subcommittee's recommendation to accept the Chubb proposal to renew the reinsurance of the Property Program as expiring, but with a ten percent increase in the rates charged.

M/S/C (Gladbach/Reinkens) (Yes – 5, No – 0): That the Executive Committee approve the Property Program Subcommittee's recommendation to renew the reinsurance of the Property Program as expiring, but with a ten percent increase in the rates charged.

Mr. Cuquet noted that the Subcommittee's next recommendation was for the renewal pricing for the Property Program. Deposit premiums for the 4/1/09-10 policy year are to be mailed to the members at the end of February. Last year for the 4/1/08-09 policy year, the Real and Personal Property rate was reduced from 11.5 cents per \$100 of value to 10 cents. The change resulted in an approximate net rate reduction of ten percent. The Property Program Expected Revenue/Expense & Funding Requirement report provides a breakdown for the expected revenues and expenses for the 4/1/09-10 policy year. The total estimated premium is approximately \$3.8 million based on \$3.6 billion in TIVs. The premium is based on an estimated excess insurance cost of \$2.5 million and claims expense of approximately \$950 thousand. The 2008 actuary report projects a \$.0262, per \$100 of value, loss rate for the 4/1/09-10 policy year.

The Subcommittee recommended approval for the renewal pricing for the Property Program with no change in the following rates:

Real and Personal Property \$0.10 per \$100 of value
Mobile Equipment \$0.15 per \$100 of value
Automobiles \$0.85 per \$100 of value

M/S/C (Gladbach/Reinkens) (Yes – 5, No – 0): That the Executive Committee approve the Property Program Subcommittee’s recommendation to approve the renewal pricing for the Property Program with no change in the above mentioned rates.

Update on Risk Management Activities

Mr. Sells stated that goals for the Risk Management Department are established at the beginning of each year. For the last few years, a major focus has been on expanding the JPIA training programs and increasing both the number of training classes held, and the number of different locations.

During the next fiscal year, the Risk Management staff will explore altering that focus to target specific districts and specific issues. Staff will begin with an analysis of the JPIA’s largest members’ exposures and needs. Additionally, staff will work with the districts to develop and present “Best Practices” guidelines as they relate to infrastructure issues.

MISCELLANEOUS

Future Agenda Items

Vice Chair Finnegan asked the Committee members for any future agenda items. As discussed earlier in the meeting, a discussion on Executive Committee member attendance will be added to the March agenda. Another request was for discussion on the JPIA’s 30th Anniversary, which will also be added to the March agenda.

At approximately 11:30 a.m. the Executive Committee, upon advice of counsel, adjourned to closed session pursuant to Government Code Section 54956.95 to discuss liability claims in Christopher Warner vs. South Coast Water District and Honeywell vs. Mesa Consolidated Water District.

The Committee returned to open session at approximately 11:50 a.m. with no reportable action from closed session.

M/S/C (Gladbach/Dion) (Yes – 5, No – 0): That the Executive Committee meeting adjourn.

The Executive Committee meeting adjourned at 11:50 a.m.

JOAN FINNEGAN, VICE CHAIR

ATTEST:

DANIEL N. KLAFF, SECRETARY