

ACWA/JOINT POWERS INSURANCE AUTHORITY

Unapproved 11/30/09
Approved 1/22/10

EXECUTIVE COMMITTEE MEETING

ACWA/Joint Powers Insurance Authority
Town & Country Resort and Convention Center
Town & Country Room
San Diego, CA 92108

Monday, November 30, 2009

MEMBERS PRESENT

Vice Chair: Joan C. Finnegan, Municipal Water District of Orange County
Merle Aleshire, Valley Center Municipal Water District
Tom Cuquet, South Sutter Water District
Joe Dion, Citrus Heights Water District
E.G. "Jerry" Gladbach, Castaic Lake Water Agency
Paul Kelley, ACWA Vice President
W.D. "Bill" Knutson, Yuima Municipal Water District
Melody McDonald, San Bernardino Valley Water Conservation District
Lou Reinkens, Tahoe City Public Utility District

MEMBERS ABSENT

Chairman: Wes Bannister, Orange County Water District (Excused)

STAFF PRESENT

Chief Executive Officer/Secretary: Daniel N. Klaff
Chief Financial & Operations Officer: Walter "Andy" Sells
Dick Damon, Liability/Property Claims Manager
David deBernardi, Director of Finance
John Gilstrap, Director of Member Services
Sylvia Robinson, Publications & Web Editor
Dianne Salvador, Workers' Compensation Claims Manager
Nancy Stangel, Director of Administration
Jeanette Waterstradt, Executive Assistant to the CEO

OTHERS PRESENT

See List of Attendees.

WELCOME AND INTRODUCTION OF GUESTS

Vice Chair Finnegan called the meeting to order at 11:05 a.m. and welcomed everyone to San Diego. She introduced the Executive Committee members and also recognized Edward J. Tiedemann and Robin Stewart, of Kronick, Moskovitz, Tiedemann & Girard, JPIA Legal Counsel; William G. Malone of WGM & Associates, the JPIA's insurance broker; and Jan Jennings and Barbara Duggen of ACWA. She added that Chairman Bannister would not be available for this meeting because of health reasons.

Mr. Klaff then recognized Jack Cunningham, JPIA Director from Goleta Water District, who had recently celebrated his 90th birthday. Vice Chair Finnegan also recognized Ed Layton, former President of the JPIA, who was also in attendance.

Vice Chair Finnegan further 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

None were noted.

CONSENT CALENDAR

Before the call to approve the Consent Calendar, Mr. Klaff requested that the warrant batch of September 18 – October 5, 2009 – ACH and Wire Disbursements, be pulled from the Consent Calendar to be reviewed separately. He explained that only a few days before the October 1 renewal of all of the ACWA JPIA's Liability Program policies, Metro Risk had been sold to EPIC. Mr. Malone, the JPIA's Insurance Broker who had negotiated on the JPIA's behalf to obtain the policies, did not remain affiliated with Metro Risk after the sale to EPIC. Several of the policies were with new insurance carriers that had not worked with the ACWA JPIA before. Mr. Klaff and Mr. Sells consulted with ACWA JPIA President Bannister, and they determined that the best way to ensure that the renewals were completed without any complications, would be to complete the transaction through Mr. Malone / WGM & Associates. Mr. Malone has been the JPIA's Insurance Broker for many years, prior to which he was the underwriter on the JPIA's account for one of the JPIA's excess insurance carriers. His deep understanding of the JPIA's insurance needs and his long-established relationships in the excess insurance marketplace, have served the JPIA's members very well over the years. Historically, excess insurance carriers build acquisition fees into their budgets, and include them in the premium that they charge. In prior years, a single dollar amount, inclusive of such acquisition fees, was wired to the JPIA's broker, in order to put that year's new policies in place. This year, with the changes and the short timelines described above, staff felt it would be more prudent to wire separately. The wires were as follows: \$2.8 million to Everest, \$740,000 to AWAC and Great American, \$734,000 to Iron Shore, and \$469,000 to WGM & Associates. At the same time a wire in the amount of \$135,000 was sent to Bill Malone, the amount stipulated in his contract. Mr. Klaff added that the JPIA had never done this before, but he wanted to protect the JPIA and its members and make certain that there would be no lapse in coverage. Further discussion was needed on this, so he had requested that the warrant batch of the specified dates be pulled for separate discussion before approval.

Mr. Gladbach supported Mr. Klaff's request to pull the ACH & Wire Disbursement batch of September 18 – October 5, 2009.

Mr. Aleshire noted that this is an issue of full disclosure with broker compensation and there is more to be learned because this is just for the Liability Program. He indicated that he felt that it was his fiduciary responsibility to advise the members that there is a

serious problem in not publicly disclosing total compensation paid to the JPIA's Insurance Broker. It was noted that this matter is scheduled to be addressed further at the January 22, 2010, Executive Committee meeting.

Mr. Reinkens requested that all warrants be pulled from the Consent Calendar to be voted on separately.

Vice Chair Finnegan stated that the Executive Committee is doing the right thing and hopes that the members respect what is being done.

Mr. Klaff added that all of the Executive Committee members are sent copies of the Warrant Batches twice a month and that the Warrant Book is always available at Executive Committee meetings for their reference. Ms. Waterstradt gave the Warrant Book to Mr. Aleshire for his review.

Vice Chair Finnegan called for approval of the Warrants.

M/S/C (Gladbach/Knutson) (Yes – 6; No – 3 Finnegan, Aleshire, Reinkens):

That the Executive Committee approve the ACH & Wire Disbursements of September 9 – 17, September 18 – October 5, and October 6 – 23, 2009; approve the claims warrants of September 9 – 22, September 23 – October 7, October 8 – 22, and October 23 – November 9, 2009; approve the regular warrants of September 30, October 15, and November 16, 2009; approve the payroll warrants of September 25, October 8, October 9, October 23, and November 6, 2009; and approve the Petty Cash Disbursements.

Mr. Aleshire commented that he could not approve the warrants because of the payments to Mr. Malone. He added that the \$135,000 was budgeted for broker fees, but this was the first time he had seen the \$469,000 amount being sent to the broker. He believed that to be an exorbitant rate.

Further discussion ensued. Mr. Klaff stated that our contract is with the carrier. Bids for our excess insurance are reviewed by the respective Subcommittees and by the Executive Committee. There is a separate contract with the broker outside of the insurance policy. This is the way the policy for your homeowners, auto insurance, etc. is written and it is done through an independent broker.

Vice Chair Finnegan stated that this matter will be addressed in the January meeting and it was time to move on. She added that there was the need for a motion to approve the minutes and an excused absence for Chairman Bannister. Mr. Gilstrap added that there were no recreational activities to report on at this time.

M/S/C (Gladbach/Cuquet) (Yes – 8, No – 0): That the Executive Committee approve the minutes of the September 30, 2009, Executive Committee meeting as presented and approve an excused absence for Chairman Wes Bannister.

ADMINISTRATION

Availability for Upcoming Meeting

Vice Chair Finnegan announced that the next Executive Committee meeting is scheduled for January 22, 2010. No conflicts were noted.

JPIA Office Facilities Update

Mr. Gladbach, Chair of the Building and Property Ad Hoc Committee, noted that no action would be necessary. He then proceeded to update the Committee on recent developments. At the August 13, 2009 Executive Committee meeting, the purchase of the building at 2100 Professional Drive in Roseville, California was approved. The building was previously owned and occupied by the California State Automobile Association.

The JPIA recently closed escrow on the Roseville building. The original offer was for \$3,175,000, or approximately \$200 a square foot. After completing the due diligence, some items were noted that would require immediate attention. The HVAC units, roof, and ADA-required upgrades all would involve substantial costs. As a result, the JPIA was able to renegotiate the purchase price with the seller. The final result was that the building was purchased for \$2,780,000 or approximately \$175 a square foot. This resulted in an additional savings of nearly \$400,000.

JPIA was given the keys approximately ten days ago. The JPIA is currently in the design and remodel stage and an update and status report will be presented to the Executive Committee at its next meeting.

Executive Committee Member Emails

Mr. Sells stated that one of the on-going goals of the JPIA is to reduce the amount of paperwork product produced. Much of the information disseminated by the JPIA is in electronic format and a great deal of communication is done through email.

To help Executive Committee members more easily communicate and stay in touch with the JPIA and its staff, the JPIA has created an email mailbox inside the JPIA network. Each member has been assigned a user name and temporary password. Committee members can access their email from anywhere they have internet access. Staff will review with each member his or her information and the procedure for logging into and using the system.

Ms. Stewart, JPIA legal counsel, cautioned the Executive Committee members to remember that the JPIA is governed by the Brown Act, and members should be very careful to not forward communications to other Committee members, due to the possibility of Brown Act violations, i.e., serial meeting violations. Instead, each Committee member should communicate, individually, only with JPIA staff.

Meetings Attended on Behalf of the JPIA

Vice Chair Finnegan asked if any of the Executive Committee members had attended meetings on behalf of the JPIA. She noted that as Vice President of the JPIA, she had attended the ACWA Board meeting. No other meetings were noted.

POOLED PROGRAMS

Recommendations of the Workers' Compensation Program Subcommittee

Mr. Knutson, Chair of the Workers' Compensation Program Subcommittee, noted that it had met earlier in the day. It had reviewed recent legal decisions and Legislative Updates, and had also reviewed the latest Actuarial Report. The Subcommittee will meet on January 21, 2010 to set rates for next July.

MEMBERSHIP

Laytonville County Water District

Mr. Gilstrap reviewed the application of Laytonville County Water District for participation in the JPIA's Workers' Compensation Program. The District was formed in 1957, joined ACWA in 1986, and became a member of the JPIA's Liability and Property Programs in 1986. The District's experience modification factor is .94. By joining the Workers' Compensation Program, the District will save an additional \$232 on its Liability Program deposit premium and \$73 on its Property Program premium.

Laytonville County Water District provides domestic water to the small community of Laytonville, which is located about 55 miles north of Ukiah. The District has six employees, including one full-time general manager; one full-time operations manager; one full-time office manager; one part-time utility employee; and two part-time office staff. It also has five Board members.

The Risk Management assessment resulted in four recommendations. Mr. Gilstrap added that this is a good District that is responsive to suggestions and recommendations. It is staff's recommendation that Laytonville County Water District be accepted into the Workers' Compensation Program subject to completion of the recommendations.

M/S/C (Knutson/Cuquet) (Yes – 8, No - 0): That the Executive Committee approve the application of Laytonville County Water District for participation in the JPIA's Workers' Compensation Program.

Membership Opportunities

Mr. Sells noted that the Executive Committee has directed staff to expand the JPIA's outreach to other California water agencies. The goal is to contact agencies who are currently not members of the JPIA and inform them of the benefits of membership. Those agencies that qualify and meet the criteria, including a quality risk management philosophy, would be offered an opportunity to join the JPIA. Staff has prepared a list of potential members and has identified an initial group to begin the process.

RISK MANAGEMENT

Recommendations of the Risk Management Subcommittee

Vice Chair Finnegan, Chair of the Risk Management Subcommittee, stated that the Subcommittee had also met earlier in the day. It had reviewed the Liability, Property, and Workers' Compensation Program loss data and also had an interesting discussion on the Best Practices Focus Group. All of the Subcommittee members were in attendance. The Subcommittee had no recommendations at this time.

FUTURE AGENDA ITEMS

Vice Chair Finnegan called for future agenda items from the Executive Committee; two had been noted during the meeting and will be included on the January 22, 2010 Executive Committee meeting agenda. The two items were the broker issue and the warrant issue.

At approximately 12:10 p.m. the Executive Committee, upon advice of counsel, adjourned to closed session pursuant to Government Code Section 54956.95 to discuss workers' compensation claims in Michael Kay vs. Orange County Water District and Dharm Pellegrini vs. Orange County Water District.

The Committee returned to open session at approximately 12:18 p.m. with no reportable action and instructions having been given to staff.

The Executive Committee meeting adjourned at 12:20 p.m.

JOAN C. FINNEGAN, VICE CHAIR

ATTEST:

DANIEL N. KLAFF, SECRETARY

List of Attendees

<u>District</u>	<u>Name</u>	<u>Title</u>
ACWA	Barbara Duggen	Director of Member Benefits
ACWA	Jan Jennings	Director of Administration
Antelope Valley-East Kern WA	Russell E. Fuller	Alternate Director
Antelope Valley-East Kern WA	Andy Rutledge	Director
Byron-Bethany ID	Rick Gilmore	Alternate Director/GM
Calleguas MWD	Don Hauser	Director
Carmichael WD	Sanford Kozlen	Director
Crestline Village WD	C.N. "Bud" McGehee	Director
Friant PA	Carl Janzen	Director
Georgetown Divide PUD	Bob Diekon	Director
Golden Hills CSD	Bud Sargent	Director
Goleta WD	Jack Cunningham	Director
Helix WD	Charles Muse	Director
Helix WD	Tina White	Director of Admin Services
Hi-Desert WD	Roger Mayes	Director
Humboldt CSD	Kevin McKenny	Director
Kern County WA	Terry Rogers	Director
Kronick, Moskovitz, Tiedemann & Girard	Robin Leslie Stewart	Legal Counsel
Kronick, Moskovitz, Tiedemann & Girard	Ed J. Tiedemann	Legal Counsel
LaMore, Brazier, Riddle & Giampaoli	Jeffrey O'neal	Panel Lawyer
Madera ID	Carl Janzen	Director
Madera-Chowchilla W&PA	Carl Janzen	Director
Mesa Consolidated WD	Fred Bockmiller	Director
Mission Hills CSD	Jim MacKenzie	Director
Montecito WD	Richard Shaikewitz	President
Orange CWD	Boyd Lypka	Risk Manager
Palm Ranch ID	Wayne D. Nygaard	Director
Pico WD	Tony Martinez	Board Director
Pico WD	Rick Mercado	Alternate Director
Purissima Hills WD	Ernest Solomon	Director
Rancho CA WD	John Hoagland	Director
Rancho CA WD	Dave Morrison	Safety Officer
Rancho CA WD	Pat O'Neil	Human Resource Manager
Rincon del Diablo MWD	Mitch Dion	General Manager
Rincon Del Diablo MWD	David Drake	Director
San Benito CWD	Frank Bettencourt	Director
San Bernardino Valley WCD	Manny Aranda	Alternate Director
San Dieguito WD	Jace Schwarm	Alternate Director
San Gabriel Basin WQA	Bob Kuhn	Director
Scotts Valley WD	Dave Hodgkin	Director
Serrano WD	Lloyd Appelman	Director
Sierra Lakes CWD	Ulrich Luscher	Director
Solano ID	Steven Curnow	Alternate Director
South Coast WD	Robert Moore	Director

<u>District</u>	<u>Name</u>	<u>Title</u>
Suisun Solano WA	Steven Curnow	Alternate Director
Tehachapi-Cummings CWD	Jonathan Hall	Director
Three Valleys MWD	Brian Bowcock	Director
Upper San Gabriel Valley MWD	Al Contreras	District President
Vallecitos WD	Tom Scaglione	Director of Finance
Valley Center MWD	Bill Jeffrey	Alternate Director
Valley County WD	Marianna Lake	Director
Vandenberg Village CSD	Christopher Brooks	Director
Vista ID	Eldon Boone	JPIA Auditor/Controller
Vista ID	Roy Coox	Alternate Director
Vista ID	Paul Dorey	Director
Walnut Valley WD	Edwin Hilden	Director
Walnut Valley WD	Edwin Layton	Past JPIA President
Westborough WD	Janet Medina	Board Director
WGM & Associates	William G. Malone	JPIA Insurance Broker
Wheeler Ridge-Maricopa WSD	Mark Gardner	Alternate Director