

**DRAFT**

**MINUTES OF THE  
ACCEL BOARD OF MEETING  
THURSDAY, OCTOBER 4, 2007, 3:00 P.M.  
BAKERSFIELD, CA**

**MEMBERS PRESENT**

Sandra Blanch, City of Palo Alto  
Kris Kamandulis, City of Santa Cruz  
Charlotte Dunn, City of Visalia  
Ann Garcia, City of Ontario  
Ralph Korn, City of Bakersfield  
Brad Landreth, City of Santa Barbara  
Jim Patricola, City of Burbank  
Tom Phillips, City of Santa Monica  
Tom Vance, City of Anaheim

**MEMBERS ABSENT**

Mary Akin, City of Modesto  
Sherrell Freeman, City of Monterey  
Claudia Koob, City of Mountain View

**GUESTS & CONSULTANTS**

Keyan Aghili, Carl Warren & Company  
Conor Boughey, Alliant Insurance Services, Inc.  
Tim Farley, Farley Consulting Services  
Dan Howell, Alliant Insurance Services, Inc.  
Mike Simmons, Alliant Insurance Services, Inc.

**A. CALL TO ORDER**

President, Tom Vance called the meeting to order at 3:00 p.m.

**B. CONSENT CALENDAR**

**B1. Approval of Minutes – June 21 and 22, 2007 Board of Directors Meeting**

A motion was made to accept the minutes as presented with exception of the following change:

- Correction to Item D2, Tom Phillips was pointing out the increase in coverage from \$200 to \$300 million.

**MOTION:** Ann Garcia    **SECOND:** Jim Patricola    **MOTION CARRIED**

**B2. IBNR Update as of 6/30/07 (including ULAE)**

Mike Simmons clarified that the IBNR needs to be adopted prior to the Financial Audit. He opened the floor for discussion.

Ann Garcia asked if page 15 is the correct place to look for the numbers we are adopting. Mike Simmons confirmed that this was the correct place to look.

Brad Landreth asked why there was \$150,000 claim in the insured years. Keyan Aghili clarified that this was the Lino Case.

A motion was made to accept the IBNR and ULAE as stated.

**MOTION:** Brad Landreth    **SECOND:** Tom Phillips    **MOTION CARRIED**

**C. REPORTS**

**C1. President's Report**

**C1a. CSAC-EIA Work Comp Audit**

Tom Vance noted that this years experience with the CSAC-EIA audit was very positive. The inspections were very thorough and well done. If other members would like to review the City of Anaheim's report, Tom can provide it.

**C1b. Items of general interest to the members may be discussed**

There was no discussion on this item.

**C2. Claims Committee's Reports**

**C2a. 2007 Liability Claims Audit**

Claims Committee Chair Tom Phillips introduced Tim Farley to the Board.

Tim Farley presented the Liability Claims Audit. He noted that this years audit went smoothly and that his procedures worked very well with the board. His audit consisted of an individual

audit at each city. There were two reports created, one with all open claims and one with all open and closed claims. Tim brought attention to page 2 of the report, the cities mentioned are not correct, they should be Anaheim, Bakersfield and Burbank.

Tim noted that one weakness came from the member agencies not providing Carl Warren with follow-up information about claims. This would help reduce the claims deficiencies.

Tim reminded the board that this is his second year of a two year audit, and if elected to do the job next year, he would like the month of April to meet with the members. Also, Tim would like a copy of the Retro Claims Report when he visits the members.

Other items that Tim brought attention to were as follows:

- There was no negative claims handling
- John Lackey at City of Santa Monica's case handling is very high
- The names on page 7 in reserves need to be deleted

Brad Landreth asked how important in the timing of ACCEL is the March 31 Claims Report. To which Mike Simmons clarified that this report is very important for the Retro and that it is important to have all members submitting a report as of the same date.

A motion was made to approve and receive and file the Liability Claims Audit with the corrections provided to Tim Farley.

**MOTION:** Brad Landreth **SECOND:** Ann Garcia **MOTION CARRIED**

**C2b. The ACCEL Board of Directors entered into Closed Session pursuant to Government Section Code 54956.95**

A motion was made to enter into closed session at 3:50 p.m. pursuant to Government Section Code 54956.95.

**MOTION:** Brad Landreth **SECOND:** Charlotte Dunn **MOTION CARRIED**

A motion was made to come out of closed session at 4:45 p.m.

**MOTION:** Ann Garcia **SECOND:** Jim Patricola **MOTION CARRIED**

Claims Committee Chair, Tom Phillips, reported that direction was given on the Modesto Case and that this would be addressed in a Claims Committee Meeting. Also, direction was given on Munoz v. Anaheim.

**C4. Program Administrators**

Tom Vance directed the meeting to Item C4a.

**\*\*Sherrell Freeman from the City of Monterey joined the meeting.\*\***

#### **C4a. Financial Audit – Problems, Processes and Considerations**

Mike Simmons presented this item. This item is designed as a Pre Audit discussion to help all members understand the challenges ACCEL faced in this years audit. There were two major issues:

1. Ryan Neilson of Brown Armstrong has done a great job with the Financial Audit. He has a thorough understanding of ACCEL and he brings great value to ACCEL. The Program Administrators recommend that we keep Ryan on this account as opposed to go for an RFP. However there were two frustrations with the audit as well:
  - a. New reporting requirements
  - b. Last minute
2. This year the Financial Audit came in at the last minute. This has been a historical complaint against Brown Armstrong. Mike Simmons stated that this is not entirely the auditors fault, as there was a slow down receiving the IBNR and small windows of time to operate. Some of this was also a result of staff turnover at the Alliant. ACCEL relied heavily on the knowledge of Janelle Aldea who is no longer with Alliant.

Because ACCEL works in a cyclical cycle, it is hard for the auditors to reconcile our records. To compound this issue, ACCEL also has very complex aspects such as the EER and the Retro. Other items of interest that came out in this years audit included:

- Payroll audits for 0506 and 0607. This pit wage issue was finally solved, but the refunds and assessments were never issued
- Linh Chau and Janelle’s departure came at a very inopportune time with the financial audit
- There was much discussion on what “cash” means to the EER compared to what the auditors understanding of a “cash” report

Tom Vance expressed concern as to how the Finance Departments at each Member City will react to this report. The Board and Program Administrators discussed how to create a summary statement to help individuals outside of ACCEL understand how the organization operates and what challenges ACCEL faced this year.

Sherrell Freeman wanted to be sure Ryan Nielson understood the concerns of the board members, and that these concerns were addressed in his financial audit.

Mike Simmons pointed out that this report is his first priority, and that he hopes that the Program Administrators and Financial Committee can resolve this issue very shortly.

A motion was made to adjourn the meeting until tomorrow.

**MOTION:** Jim Patricola     **SECOND:** Sandra Blanch     **MOTION CARRIED**

The meeting was adjourned at 5:50

**MINUTES OF THE  
ACCEL BOARD OF MEETING  
FRIDAY, OCTOBER 5, 2007, 8:30 AM  
BAKERSFIELD, CA**

Sandra Blanch called the meeting to order at 8:30 AM to be continued from the prior day.

**C3. Financial and Treasurer's Report**

Mike Simmons presented the following reports.

**C3a. Ratification of Disbursements for Month Ending June 2007**

There was no discussion on this item.

A motion was made to file and accept Agenda Items C3a.

**MOTION:** Jim Patricola **SECOND:** Sandra Blanch **MOTION CARRIED**

**C3b. Re-adopting the Estimated Earnings Report as of: December 31, 2006 and March 31, 2007**

Mike Simmons and Conor Boughey explained to the Board what issues caused the EER to need to be readopted. An error in the roll up process has been reoccurring, and this error does not affect the total incurred per year, however it may affect member's share of the loss per year. This error has been corrected however it was noted that this document has structural weaknesses which is why we have considered creating a database for the EER.

A motion was made to file and accept Agenda Items C3b.

**MOTION:** Charlotte Dunn **SECOND:** Jim Patricola **MOTION CARRIED**

**C3c. Estimated Earnings Report as of June 30, 2007**

Mike Simmons advised that the Estimated Earnings Report has become a very complex report and that he would like to take some time to reevaluate the value of the report, what benefits it provides and what can be eliminated to help streamline the report. This year it became apparent that the EER is not really a "Cash Report" in terms of accounting purposed.

Mike Simmons would like to have this as a discussion item for the December Board meeting, at which time we will reevaluate the value of the report.

A motion was made to file and accept Agenda Items C3c.

**MOTION:** Jim Patricola **SECOND:** Brad Landreth **MOTION CARRIED**

### **C3d. Financial Statement Ending June 30, 2007**

Mike Simmons clarified questions on line items asked by Brad Landreth.

There was no further discussion on this item.

### **C3f. Financial Audit as of June 30, 2007**

Sherrell Freeman joined the meeting via telephone.

Mike Simmons introduced Ryan Neilson and Steve Starbuck to the Board of Directors. Ryan Neilson presented the 2007 Financial Audit.

He presented the audit page by page, clarifying any points of confusion as they were brought up by the members.

Mike Simmons asked if workers compensation should be included as part of the financial audit. Ryan Neilson replied no, workers compensation is clearly cash in and cash out. Ryan Neilson added that the investment advisors should send a letter of compliance with our investment policy annually. Ryan also noted that in the subsequent events section of the audit, a check to Modesto in the amount of \$300,000 would need to be added.

Subsequent to this meeting Monterey will be taking \$50,000 that will also be added to the *Subsequent Events* section of the audit.

The following items were errors made in the report that are to be fixed prior to the audit being finalized:

- Pg. 23 – Remove \* item
- Pg. 44 – Burbank (1) is noted with no explanation. (1) Will be removed.
- In the member schedules – A summary of all years is to be created.

As part of the financial audit, a new section was included called *Other Report: Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matter Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*. In this section the auditors report any weaknesses they encountered while performing the Financial Audit. This new reporting requirement is commonly referred to as SAS 112. Ryan clarified that the formation of this new reporting requirement is a fall out of Enron type cases, and now weaknesses noted have to be conveyed in writing and referred to as deficiencies or material weaknesses.

The board reviewed the five control deficiencies noted by the report, and worked with Ryan to better understand the issues and how to improve the language used to be more informative about the issues. Mike Simmons asked if Ryan believed it to be necessary to have a pre-audit audit. Ryan replied that in order to avoid having any control weaknesses this may be a necessary step.

The Board of Directors agreed to hold a series of meetings to address the issues brought up by SAS 112, and discuss ways to respond to the weaknesses noted. The Finance Committee will meet to draft client responses and an introduction to these issues brought up by SAS 112.

The Draft Financial was not accepted by the Board of Directors.

The Board of Directors formally asked the Finance Committee, Brown Armstrong and the Program Administrators to work together to draft responses and an appropriate introduction.

#### **C4. Program Administrator's Report**

##### **C4a. Financial Audit – Problems, Processes and Considerations**

This item was discussed on Thursday October 4<sup>th</sup> at the end of the meeting. Please refer to page 4 of the minutes.

#### **C5. Underwriting Committee's Report**

##### **C5a. Items of general interest to the members may be discussed**

Tom Vance and Tom Phillips discussed the issue of ACCEL's language in defining the SIR. They would like to assign to the Underwriting Committee to look into what it takes to satisfy the SIR. The issue is whether or not the SIR is bumped up if there is primary coverage provided by another party.

#### **D. UNFINISHED BUSINESS**

##### **D1. ACCEL Member Coverage Summary**

The Board was presented a Summary of Coverage's provided through ACCEL. The Board like the Coverage Summary and requested that it be added to the Members Only section of the website.

#### **E. NEW BUSINESS**

##### **E1. CPEIA Cancellation**

Mike Simmons reported that this cancellation was caused by two programs working in a parallel structure. The structure was not working the way it was designed so CPEIA was rolled into one program. We need to take action to cancel our current policy to be rolled in.

**MOTION:** Ann Garcia    **SECOND:** Sandra Blanch    **MOTION CARRIED**

**ABSTENTIONS:** Jim Patricola, Charlotte Dunn (not in program)

##### **E2. CSAC-EIA CAJPA Accreditation \$7,500 Credit**

The Board selected option 2. The annual credit of \$7,500 will be kept in the admin budget.

A motion was made to select option 2.

**MOTION:** Brad Landreth **SECOND:** Ann Garcia **MOTION CARRIED**

**E3. 2007 Proposed Calendar of Meetings**

The Board discussed the scheduling of the February Board Meeting and elected to keep it as scheduled, which is the last day of the PARMA Conference.

A motion was made to keep the schedule of meetings as posted.

**MOTION:** Ann Garcia **SECOND:** Tom Phillips **MOTION CARRIED**

**E4. Next Two Meetings Schedule**

There was no discussion on this item.

**F. CORRESPONDENCE/INFORMATION** -There was no discussion on these items.

**G. PUBLIC COMMENTS** - There were no public comments.

**H. GENERAL RISK MANAGEMENT ISSUES** -There was no discussion on this topic.

**ADJOURNMENT**

A motion was made to adjourn the meeting at 11:20 AM

**MOTION:** Ann Garcia **SECOND:** Tom Phillips **MOTION CARRIED**