

**MINUTES OF THE
ACCEL BOARD OF DIRECTORS MEETING
SANTA BARBARA, CA
JUNE 21 & 22, 2001**

MEMBERS PRESENT:

Tom Vance, City of Anaheim
Patrick Flaherty, City of Bakersfield
Mary Sue Baker, City of Monterey
Karen Thesing, City of Mountain View
Loron Cox, City of Ontario
Sandra Blanch, City of Palo Alto
Brad Landreth, City of Santa Barbara
Erwin Young, City of Santa Cruz
Tom Phillips, City of Santa Monica

MEMBERS ABSENT

Ben Bankard, City of Modesto
Charlotte Dunn, City of Visalia

GUESTS AND CONSULTANTS

Craig Schweikhard, Carl Warren & Company
Robert Powers, Carl Warren & Company
Dan Howell, Driver Risk Services
Mike Simmons, Driver Risk Services
Janelle Tsujiuchi, Driver Risk Services

A. CALL TO ORDER

The meeting was called to order by President Karen Thesing at 2:30 p.m. Karen introduced Pat Flaherty, the new risk manager for the City of Bakersfield, to attendees.

B. CONSENT CALENDAR

B1. Approval of Minutes – April 5, 2001 Board of Directors Meeting

The minutes were reviewed with no changes.

A motion was made to approve the Consent Calendar as submitted.

MOTION: Tom Vance **SECOND:** Sandra Blanch **MOTION CARRIED**

D2. ACCEL Accreditation Review

The Board decided to address this item before moving forward in the agenda because many of the items listed on this meeting agenda were the result of the Accreditation Review. Mike Simmons reported that it was expected ACCEL would receive *Accreditation with Excellence*. The Accreditation Review consultant, Jim Marta, had found a few items that needed to be addressed by the ACCEL Board to achieve *Accreditation with Excellence*. These items were generally clean up in nature, and it was expected that ACCEL would be fully accredited following actions taken at this meeting and it will be valid for a period of three years.

C1. President's Report: None

C2. Claims Committee

At 2:45 p.m., a motion was made to convene to Closed Session pursuant to Government Code Section 54956.95 to discuss pending agedized claims.

MOTION: Tom Vance **SECOND:** Karen Thesing **MOTION CARRIED**

The open meeting was reconvened at 3:27 p.m. Claims Committee Chair Mary Sue Baker reported that the Board had given direction to the claims administrator and Claims Committee Chair with respect to the Brassinga and Mancha claims.

C2c. Claims Administration Renewal Contract and 2001/2002 Service Fee

A motion was made to approve the contract as presented.

MOTION: Brad Landreth **SECOND:** Erwin Young

Mike Simmons requested discussion on the matter. Mike indicated that there were three main issues to be reviewed in the contract:

- The adjuster's rate will be \$62 an hour;
- A new clause as respects ownership of records was being added to the contract pursuant to CAJPA Accreditation standards; and
- The administration fee would be \$10,000.

Bob Powers commented that the contract now included a description of the Carl Warren services provided under the administration fee. Tom Phillips questioned whether Carl Warren had noticed any change in their time commitment now that ACCEL was entering the fourth year of full commercial insurance for the Excess Liability Program. Craig Schweikhard reported that Carl Warren's hours were definitely reduced on the larger claims but that he was spending

additional hours on the smaller claims because AIG's information demands were substantially more than ACCEL had historically required on small claims.

Tom Phillips questioned whether the reduction in pending claims from 171 down to 121 was indicative of a reduced effort. Craig reported that while the number of claims was down, the nature of those claims being employment practices related claims tended to require more attention by Carl Warren's staff.

MOTION CARRIED

At this time, Mary Sue Baker asked that an open session emergency item be added to the agenda for an item that had come up within the past 24 hours. The item was titled Brown Act and Confidentiality of Closed Session.

A motion was made to add Item C2d. Brown Act and Closed Session Discussions.

MOTION: Tom Vance **SECOND:** Sandra Blanch **MOTION CARRIED**

C2d. Brown Act and Closed Session Discussions

Mary Sue Baker reported that it had been brought to her attention that a participant in an ACCEL Closed Session had been discussing the performance of ACCEL's litigation counsel as respects a claim. Since this performance issue had been raised during Closed Session, it was generally felt that that would not be an appropriate topic of conversation outside Closed Session if the matter was brought in a way that related to specific Closed Session claims or discussions.

Brad Landreth reported that his city, the city attorney produced a letter each year that was directed to all counsel members and staff participating in Closed Session that described the obligations of Closed Session participants and confidentiality. It was suggested that the Program Administrators send out such a letter annually to all ACCEL participants. Brad will forward the city's example letter to Mike Simmons for redrafting to fit ACCEL's needs. This letter will be sent out annually and included in the ACCEL service calendar as a July item.

C3. Financial and Treasurer's Report

C3a. Ratification of Disbursements – Union Bank

C3a1. Disbursements resulted in a balance at February 28: \$122,936

C3a2. Disbursements February 2001 resulted in a balance: \$112,518.47

C3a3. Disbursements in April 2001 resulted in a balance: \$111,037.76

C3a4. Disbursements for of May 2001 resulted in a balance at May 31, 2001: \$111,427.99

C3b. Report of Investments Pursuant to Government Code Section 53646(b)(1)

C3b1, C3b2 and C3b3 were revised as respects ACCEL's investments

C3c. Estimated Earnings Report as of March 31, 2001

This report was reviewed and changes/corrections were discussed. The item will be returned to the next agenda.

C3d. Compilation of Balance Sheet and Statement of Profit & Loss Year-to-Date Comparison

A motion was made to accept Items C3a, b, c and d.

MOTION: Mary Sue Baker **SECOND:** Karen Thesing

Tom Vance mentioned that Anaheim's phone bridge was now available for up to 30 persons and that ACCEL could access the phone bridge for ACCEL meetings even when Tom was not participating in the meeting. He mentioned this because the financials included an expenditure of over \$1,000 in teleconferencing costs.

MOTION CARRIED

C3e. Budget Year-to-Date

Karen Thesing pointed out that the investment services cost was below budget, and Mary Sue Baker confirmed that the second installment had not yet been billed because the city bills in arrears.

C3f. FY 2001/2002 Budget

Tom Vance questioned where telecommunications was included in the budget. It was agreed that the budget category currently titled "Meeting Room/Meals" would be re-titled "Meeting Expenses" and that would include meeting rooms, meals and teleconference expenses.

Brad Landreth questioned when the claims audit would be conducted. He had not yet heard from Leo Heyenrath. The Board agreed that Leo normally would have begun scheduling meetings with ACCEL members. It was expected that he would conduct his audit during July and August. Mary Sue Baker agreed to follow up with Leo.

C3g. ACCEL Estimated Deposits for FY 2001/2002

A motion was made to approve the proposed rate at \$.60 per \$100 of payroll with the additional provision that members could continue to pay for excess insurance and administrative costs from the \$.60 rate if they so choose.

MOTION: Mary Sue Baker **SECOND:** Tom Vance

At this time, Mike Simmons distributed the pool deposit invoices to each member. It was noted that Mountain View had amended its payroll report and that their invoice would be reissued. The administrative overhead invoices will be reissued to reflect Burbank's contribution to the administrative fund. Brad Landreth asked that the Program Administrator issue a unified pool and administrative invoice for future years.

MOTION CARRIED

C3h. Acceptance of the 2000 Actuarial Study

Mike Simmons reported that ARM Tech and Driver staff had revised the final draft of the report to ensure that there were no remaining errors.

A motion was made to accept the actuarial report as included in the agenda packet.

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

C3j. Accounting Coordinator Contract Amendment "Ownership of Records" Clause

At 4:29 p.m., Brad Landreth left the meeting.

Mike Simmons reviewed the proposed changes that the Accounting Coordinator's service agreement include a Records Retention Policy & Procedure. A substitute amendment replacing page 67 of the agenda packet was distributed at the meeting.

A motion was made to adopt Resolution No. 01/02 included in the agenda packet at page 66, adopting the revisions to the Accounting Coordinator contract as distributed and amended at the meeting.

MOTION: Mary Sue Baker **SECOND:** Pat Flaherty **MOTION CARRIED**

C3k. Revisions to FY 99/00 Financial Audit

As a result of the CAJPA Accreditation process, CAJPA's consultant had identified three items:

1. GASB 30 Compliance – The consultant indicated that ACCEL's supplemental information statement should include a recognition of ceded insurance premiums. It was

agreed that Scott Manzer would include the ceded insurance as appropriate on the supplemental statement per the example shown at page 72 of the agenda packet;

2. A GAGAS letter relating to the auditor's review of internal processes and controls. This letter would be required if ACCEL wanted Accreditation with Excellence. ACCEL's financial auditor indicated that their work had been done but that the cost to produce such a letter would be outside the scope of the audit and subject to additional peer review.

A motion was made to approve the additional expenditure to obtain a GAGAS letter from ACCEL's auditor and to direct Mike Simmons and Scott Manzer to negotiate and agree upon an appropriate price for such a letter.

MOTION: Tom Vance **SECOND:** Mary Sue Baker **MOTION CARRIED**

A motion was made to authorize Scott Manzer to issue a restated GASB 10 schedule with the auditor to review and approve the revised document.

MOTION: Mary Sue Baker **SECOND:** Tom Vance **MOTION CARRIED**

The third issue related under this agenda item related to the small amount of members' equity shown in ACCEL's balance sheets included in the agenda packet at page 71. At June 30, 2000, ACCEL's members' equity was \$67,649, while there was a retrospectively rated retained funds liability of \$19,374,154. The Accreditation consultant commented that while there may be appropriate reasons that ACCEL's balance sheet reflect this status, the Board should review and comment on the appropriate amount of members' equity at year end. The Board discussed that ACCEL's financial plan determined with great specificity each member's share of ACCEL's assets. Therefore, the Board agreed that it was appropriate to show the funds subject to the Retrospective Rating Plan as a liability rather than members' equity. At the same time, the Board agreed that members' equity ought to be capped at year-end so that the administrative fund did not grow too large.

Loron Cox suggested that it would be appropriate to add a note to the financial audit that described why ACCEL had a low members' equity balance compared to other JPAs. It was agreed that the auditor would be instructed to include such a note.

A motion was made to establish a policy that members' equity not exceed \$100,000 at fiscal year end.

MOTION: Mary Sue Baker **SECOND:** Loron Cox **MOTION CARRIED**

C3l. Investment Services Contract Renewal (City of Monterey)

The Board discussed the renewal of the Investment Services Contract with the City of Monterey. Mike Simmons redrafted the contract to show a new item 3f. with regard to documentation of internal controls and ownership of records. The internal controls portion of the contract was a handout to replace page 67 of the agenda packet.

A motion was made to approve the contract including the handout amendments as amended at the meeting to delete the reference to Union Bank and refer instead to a authorized institution, as well as removing similar references to Union Bank in the Accounting Coordinator's service agreement.

MOTION: Pat Flaherty **SECOND:** Sandra Blanch **MOTION CARRIED**

C4. Executive Committee Report – None.

C4b. Program Administrators' ACCEL Performance Measures

Mike Simmons reported that ACCEL's service agreement with Driver included certain performance measures that were adopted. This agreement does not describe when the Program Administrator would be evaluated against the performance measures. Mike had included a self-evaluation prepared by Driver, which was included in the agenda packet. He reviewed these with the Board.

Mary Sue Baker commented that she was disappointed in the late deliver of policies. In addition, the Program Administrators had not issued binder extensions for the duration.

Karen Thesing reviewed the development of the performance measures that Sandra Blanch and she had done last year.

The Board directed staff to add the evaluation of performance measures to the ACCEL annual service calendar as an item for the Executive Committee to perform so that a report can be made each year at the April Board meeting and that the Executive Committee be responsible for any modifications to the performance measures in mutual agreement with Driver.

Sandra Blanch commented that it would be helpful to have the certificate request form included on ACCEL's website. Mary Sue Baker reported that Monterey had developed an ACCEL spreadsheet form that she would e-mail out to the ACCEL Board so that it could be used to generate certificate requests. The Program Administrators will develop a smart form.

At 5:08 p.m., a motion was made to adjourn the meeting for the day.

MOTION: Mary Sue Baker **SECOND:** Sandra Blanch **MOTION CARRIED**

The meeting was called back to order at 8:34 a.m. on June 22, 2001.

C3i. Actuary IBNRs as of June 30, 2001

Mike Simmons reviewed the IBNRs included at page 63 of the agenda packet. He had independently confirmed that the IBNRs would not change even though the actuary's report was completed two months prior because there had been no payment activity to reduce IBNR.

A motion was made to adopt the IBNRs included in the agenda packet at page 63 as presented.

MOTION: Tom Vance **SECOND:** Mary Sue Baker **MOTION CARRIED**

C5a. Optional Excess Workers' Compensation

This is not an official ACCEL program, but the Board agreed to discuss the matter during open session to accommodate the participating members.

Mike Simmons reported that the excess insurer, American Home Insurance Company (AIG), had indicated that they wished to cancel the current excess Workers' Compensation policy effective July 1, 2001 even though it was a three year policy not due to expire until July 1, 2002. AIG had not issued a written notice of cancellation yet because they were still considering whether to offer ACCEL an alternative to continue the policy with an endorsement increasing the rates. Mike reported that ACCEL's rates are currently approximately one third the rate paid by other municipalities with public safety exposures. It was agreed that Driver would establish a conference call with participants as such time that AIG indicated its intention as to cancellation of continuation of the policy. At that time, the participants would consider options relative to accepting an increased rate from AIG or alternative quotes obtained by Driver. It was agreed that the best strategy for the time being would be to wait and see how things develop, rather than pressure AIG into a quick decision.

As an additional issue, Mike Simmons reminded participants that this policy was auditable and that Driver would be requesting a statement of actual year end payrolls for the fiscal year since the deposit premiums was based on budgeted payroll. It was expected that this audit would take place at the end of July and in early August.

C5c. Alliant Resources Group Acquires Robert F. Driver Co., Inc.

Mike Simmons reported that Robert F. Driver Co., Inc. had been acquired in early June 2001 by Alliant Resources Group. Alliant is a holding company that has been established by an investment group led by GTCR. The holding company's strategy is to develop a nationwide brokerage by assembling a small number of leading regional brokers. Driver is the first piece in this strategy and represents approximately a \$60,000,000 revenue platform, which will be the basis for building out Alliant in the Pacific region (Washington, Oregon and California). It is expected that Alliant will add regional brokers in the north, south and east to complete its national network. Mike reported that Driver management was very pleased with the transaction because it would benefit clients by developing a larger presence for Driver, while simultaneously

maintaining current management rather than other disruptive acquisition strategies or hostile takeover. Mike indicated that there would be no change in Driver management, and that the acquisition would be seamless for ACCEL.

D1. Investment Policy

The revised Investment Policy was included separately in the agenda packet in a redline/strikeout version. Mike distributed an additional amendment to the policy that had been proposed. The Committee reviewed the policy. It was determined that Section 16.0 would be changed from the Investment Committee review to simply use ACCEL's existing Finance Committee to review investments.

A motion was made to adopt the revised Investment Policy, including the changes discussed at the meeting.

MOTION: Brad Landreth **SECOND:** Tom Vance

Mary Sue Baker noted that the City of Monterey requested that ACCEL agree to pay any additional cost that the City might incur as respects to travel or other reporting functions as a result of the Investment Policy, and the ACCEL Board agreed that that was appropriate. Mary Sue also asked how the ACCEL Board would evaluate the investment strategy. Brad Landreth suggested that the Board would not necessarily evaluate specific investments but would rather establish ACCEL's cash flow needs and rely on the City to deliver appropriate investment results within the Investment Policy guidelines to achieve ACCEL's cash flow. The Board agreed to delete the word "continually" as respects monitoring of reports.

Tom Vance questioned whether the 0.5% variance from benchmark investments was an appropriate threshold for determining adequacy of performance. Loron Cox suggested that in light of ACCEL's cash flow needs, it would be appropriate for the City of Monterey to periodically report on why ACCEL's investment results varied from the indicated benchmark, either positively or negatively. It was agreed to delete the variance threshold of 0.5% from the Investment Policy.

Tom Vance withdrew his second of the prior motion and offered a new motion.

A motion was made to approve the proposed Investment Policy with the following changes:

- Substitute ACCEL Finance Committee for the Investment Review Committee references;
- Remove the word "continually" as respects reporting of results; and
- Strike the sentence pertaining to the 0.5% variance threshold.

MOTION: Tom Vance **SECOND:** Sandra Blanch **MOTION CARRIED**

The next review of the Investment Policy pursuant to the service calendar will take place at the February 2002 ACCEL Board meeting.

E1. Estimated Retrospective Rating Plan Calculation

Mike Simmons distributed a handwritten recap of the Retrospective Rating Plan. He reported that the program had crashed and that staff had to complete the calculation manually pending the programmer coming to debug it. He indicated that at today's meeting, the Board of Directors needed to vote on retained funds (which is the IBNR plus any additional contingency that the Board might choose) and also determine when members had to notify the Accounting Consultant of how much funds they wish to withdraw and whether funds would be withdrawn from specific years.

Brad Landreth believed that there were calculation errors in the Investment Earnings Report, which was a basis for the retrospective calculation. Upon review of specific items, it was agreed that the Investment Earnings Report was again incorrect. A similar error had developed approximately three years ago related to mistakes by the accountant.

Jim Patricola arrived at 9:40 a.m.

In addition, Brad pointed out that the percentages in the investment report may not have been updated properly. There was general discussion about whether it was appropriate to have an independent audit of the financial plan to verify whether historical results had been accurate. It was discussed whether it was appropriate to have the investment earnings spreadsheet reprogrammed as a database or even whether the purpose of the investment earnings spreadsheet was so valuable that it warranted the additional effort needed to maintain that sheet. These are global issues that would need to be addressed in the future. Mike Simmons indicated that he could manually recalculate and accurate retrospective calculation by June 27, 2001 and provide it to the members by e-mail.

The Board next considered the appropriate level of retained funds. In the past, the Board had augmented the actuary's IBNR in setting retained funds to be extra conservative. Tom Phillips pointed out that this did not appear necessary this year because ACCEL had been fully insured for four years, removing the volatility of immature liabilities.

A motion was made to adopt the IBNR shown at page 63 of the agenda packet as the retained funds used to calculate the retrospective calculation pursuant to the financial plan.

MOTION: Brad Landreth **SECOND:** Mary Sue Baker **MOTION CARRIED**

Note: Tom Vance was momentarily out of the room during this motion.

Brad Landreth suggested that because the retro would be distributed by e-mail, it should be accompanied by a detailed description of the results, rather than an abbreviated message. In addition, Brad requested that the Board of Directors remain open to additional retrospective withdrawals by members later in the year based on these potentially changing results. Tom

Phillips suggested that rather than allow a second retro withdrawal, it would be better to allow members more time to make a decision.

A motion was made to require that ACCEL members notify the Accounting Consultant by mail or e-mail with a cc: to Treasurer Tom Phillips by July 31, 2001 of how much each member would be withdrawing.

MOTION: Mary Sue Baker **SECOND:** Loron Cox **MOTION CARRIED**

A separate motion was proposed that members be required to notify Accounting Consultant Scott Manzer and Treasurer Tom Phillips by July 30, 2001, but also provide them a non-binding estimated of each city's withdrawal by June 30, 2001 so that cash flow can be budgeted appropriately.

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

The President directed the Finance Committee to perform a review of the Estimated Earnings Report and retrospective database program status and provide initial recommendations to the ACCEL Board at the October 2001 meeting as to the appropriate future management and use of these systems and data. The Executive Committee will confirm appointments to the Finance Committee and other committees after July 1, 2001.

It was agreed that the Finance Committee would notice their meetings to other ACCEL members so that other members could attend either in person or by conference phone as they desired.

E2. ACCEL Strategic Planning Session

Mike Simmons reported that as a requirement for CAJPA *Accreditation with Excellence*, ACCEL was to periodically conduct a Long-Range Planning Session. A draft agenda was included in the agenda packet based on the previous ACCEL Long-Range Planning Session that took place in December 1998. The Board of Directors agreed that ACCEL would hold a Strategic Planning Session in conjunction with its December 2001 meeting. Brad Landreth requested that the agenda include discussion about ACCEL's future operations if it was determined that the purchase of insurance would continue. The Program Administrator was directed to include a draft of the Strategic Planning Session agenda in the October Board packet.

E3. Resolution No. 01/01 Revision to Financial Procedure F Financial Plan (for Actuarial Review Documentation)

Mike Simmons reported that as a part of CAJPA Accreditation standards, CAJPA required that ACCEL document the timing of its regular actuarial reports. The Program Administrators had drafted an amendment to the Financial Procedure F which would establish that ACCEL conduct an actuarial review of its liabilities semiannually, and review IBNR figures at June 30th of each year.

A motion was made to adopt Resolution No. 01/01 effecting the semiannual actuarial review and annual IBNR review as presented in the agenda packet at page 108.

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

E4. Amendment to Program Administrators Contract “Ownership of Records” Clause

Mike Simmons discussed that as a part of CAJPA Accreditation, ACCEL needed to amend the Program Administrators Contract to include an appropriate Ownership of Records clause.

A motion was made to adopt Resolution No. 01/03 amending the Program Administrators Contract as presented in the agenda packet.

MOTION: Mary Sue Baker **SECOND:** Tom Vance **MOTION CARRIED**

E5. Other Insurance Renewals

E5a. Public Employee Dishonesty Bond (July 10, 2000 to July 10, 2003)

A motion was made to approve the renewal of the bond for a period of three years with an annual cost of \$964.80.

MOTION: Tom Vance **SECOND:** Sandra Blanch **MOTION CARRIED**

E5b. Trustees Errors & Omissions Renewal

The Program Administrator reported that the underwriters had not yet offered a renewal quote. Last year, the policy had been reduced from over \$10,000 to a premium of approximately \$6,500.

A motion was made to renew the policy if renewal was offered within the budget and to authorize the President to bind the renewal using additional contingency funds if necessary.

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

E6. Next Two Scheduled Meetings

The Board of Directors moved its next meeting to Thursday, October 11, 2001 in Ontario at Driver’s offices. Some members discussed joining via teleconference. Tom Vance offered that the Anaheim phone bridge would be made available. The December meeting will remain in Anaheim. It may be extended to two days to accommodate the Strategic Planning Session. It was agreed that the February meeting *would not* be held in conjunction with PARMA due to PARMA’s Sunday to Wednesday format.

F1. Information Items

The Board reviewed and discussed various information items included in the packet.

G. PUBLIC COMMENTS

Tom Vance discussed that CIPRA will be merging into CAJPA and supported by PARMA as well. A new Board will continue and excellent information is available to members.

Brad Landreth asked about availability of IDL benefits to replace workers' compensation. He and Dan Howell will exchange information on this matter. Tom Vance commented on benzene exposure to police officers and the availability of the firefighter's presumption if the officer is associated with traffic control at fires. Tom also reported that FEMA is not immediately pursuing the Earthquake insurance issue but that it remain under study.

H. ADJOURNMENT