

**MINUTES OF THE
ACCEL BOARD OF DIRECTORS MEETING
WEDNESDAY, FEBRUARY 13, 2008 9:30 AM
GRAND CALIFORNIAN, DISNEYLAND
ANAHEIM, CA**

MEMBERS PRESENT

Sandra Blanch, City of Palo Alto
Ann Garcia, City of Ontario (*departed at 10:50 AM, rejoined at 12:00 PM*)
Claudia Koob, City of Mountain View
Ralph Korn, City of Bakersfield
Tom Phillips, City of Santa Monica (*arrived at 10:50 AM*)
Tom Vance, City of Anaheim
Kris Kamandulis, City of Santa Cruz (*arrived at 10:50 AM*)
Charlotte Dunn, City of Visalia
Jim Patricola, City of Burbank
Mark Howard, City of Santa Barbara (*arrived at 11:00 AM*)

MEMBERS ABSENT

Mary Akin, City of Modesto
Brad Landreth, City of Santa Barbara
City of Monterey

GUESTS AND CONSULTANTS

Keyan Aghili, Carl Warren & Company
Conor Boughey, Alliant Insurance Services
Mike Simmons, Alliant Insurance Services
Dave Nunley, City of Anaheim (*arrived at 10:50 AM*)
John Alltop, Bickmore Risk Services (*departed at 11:25 AM*)
Lance Gams, City of Santa Monica (*arrived at 11:20 AM*)

A. CALL TO ORDER

President Tom Vance called the meeting to order at 9:30 AM

B. CONSENT CALENDAR

B1. Approval of Minutes – December 6 and 7, 2007 Board of Directors Meeting

A motion was made to approve the minutes.

MOTION: Ann Garcia **SECOND:** Charlotte Dunn **MOTION CARRIED**

C. REPORTS

C1. President's Report

There was no discussion on this item.

C2. Claims Committee's Report

C2a. 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 11:25 AM pursuant to Government Section Code 54956.95.

MOTION: Jim Patricola **SECOND:** Kris Kamandulis **MOTION CARRIED**

A motion was made to reconvene at 2:40 PM

MOTION: Ann Garcia **SECOND:** Mark Howard **MOTION CARRIED**

Claims Committee Chair Tom Phillips, reported that authorization was given on Morgan vs. City of Santa Monica and direction was given for Schneider vs. City of Santa Monica.

C2b. Carl Warren Contract

Tom Phillips reported that the Claims Committee had a meeting in which the committee discussed the Carl Warren Contract. At that meeting Mike Simmons reported that the current contract will expire in June. The Claims Committee gave Tom Phillips the authority to enter into discussion with Carl Warren regarding the renewal of the contract. Tom Phillips reported that he will be approaching Carl Warren for a new proposal that he hopes will include improvements on several important items. These items include a cancellation clause addressing compensation, the right to choose who the adjuster is, backup for Keyan Aghili, the issue of ownership of data, and to give Keyan the authority to deal directly with excess carriers.

Tom Phillips further reported that there is no action needed. Mike Simmons requested that the contract be sent to the Program Administrators office prior to being sent to Tom Phillips for review.

No Action was taken.

C3. Financial and Treasurer's Report

Ann Garcia directed Mike Simmons to discuss the following items.

C3a. Ratification of Disbursements for months ending September 30th, 2007

Mike Simmons walked through the Ratification of Disbursements report addressing any questions that arose.

A motion was made to approve the Ratification of Disbursements.

MOTION: Jim Patricola **SECOND:** Claudia Koob **MOTION CARRIED**

C3b. Investment Report – Pursuant to Government Section Code 53646(b)(1) for Months Ending December 31, 2007 and January 31, 2008

Mike Simmons reported on the successful transfer of \$2 million from Short Term Investments to Long Term Investments.

There were no questions on this item.

A Motion was made to receive and file the Investment Report.

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

C3c. Finance Committee Update

C3c1-3. Estimated Earnings Report as of December 31, 2007

Conor Boughey reported that the EER has been successfully converted from Quattro Pro to Excel. This report is the December 31, 2007 report, and is the second report that has been run in parallel to be sure that all formulas were converted correctly and to be sure the document is producing the same outcomes. Conor further explained that in the EER's new format, Mike Simmons and Conor would be able to move forward with improvements to the report, and hopefully refine and improve its functionality.

Mike Simmons announced that this conversion will allow us to move forward with the EER in Excel and stop running the document in Quattro Pro. This change should reduce the number of hours needed to run the report, and also allow the Board to re-budget \$8,800 from the current year's budget to the future year's budget.

Mike Simmons reported on the *Discussion for Potential Changes Update*. Mike walked through the report item by item, addressing any questions that arose.

Tom Vance asked about the penalty system on Item #2, to which Mike Simmons answered that the penalty would be 30 days from whichever date came **LATER**. Tom asked that the “due and payable in 30 days” be removed from ACCEL’s invoices, and changed to “payable upon receipt.” Jim Patricola asked where the penalty money would be budgeted. Mike Simmons clarified that the money would go to a new line for Interest Earned which would be distributed to all members.

Mike Simmons discussed Item #4. Mike reported that James Marta, Ryan Neilson, Conor Boughey and Mike had a conference call to discuss the EER. This report acts as our Cash Report; however it does not include several items that are required to be a true Cash Report. These items are IBNR, Reserves, Payables and Receivables. Mike added that we would also like to include that actual interest earned rather than an estimate. If these items were all completed, it would be possible to have the EER match the Financial Audit prior to the Audit becoming available. In order to accomplish this we will need to add several line items to the report.

In response to Item #8, members agreed upon a new name for the EER. The Program Administrators will Rename the report “Member Account Summary” and modify the terminology in all necessary reports for approval at the next Board Meeting.

A motion was made to approve the Financial Committee Recommendation.

MOTION: Jim Patricola **SECOND:** Ralph Korn **MOTION CARRIED**

C3c4. ACCEL Accounting Options

Mike Simmons discussed ACCEL’s accounting challenges with James Marta. James Marta is an accountant who focuses on JPA’s, risk sharing pools and also conducts audits for CSAC. Jim is very familiar with JPA’s, and their accounting needs. Jim gave a proposal to Mike with respects to conducting a Pre-Audit. Jim accurately described what ACCEL has been facing, the fallout of SAS 112 in conjunction with having an auditor who works with publicly held companies. Jim felt that good solution to this problem would be conducting an annual pre-audit. Mike agreed that this was a good idea, however Mike preferred that ACCEL have an accounting reconciliation performed quarterly until all accounting issues have been corrected, at which time we would conduct an annual reconciliation. The quarterly reconciliation will cost \$6,100 annually. James Marta also offered to perform the State Filing report for \$500, however this costs seems high, and Conor Boughey can run the report in less than 8 hours.

Tom Vance’s responded that it seems clear that our Financial Auditor focuses on publicly held companies, and that this leads to our audits being overly scrutinized. Mike noted that in his discussion with James Marta, Jim did not feel that he would have given us deficiencies for simple errors in journal entries or complacency. Mike further noted that he recommends we stay with Brown Armstrong at least one more year, then consider moving to a firm that specializes in

JPA's such as James Marta's firm. Tom asked Mike to discuss the current accounting proposal with Jim Marta to change the terms and length of contract to one year with an option for a second year.

A motion was made to give Mike Simmons the authority to enter into a contract with James Marta.

MOTION: Charlotte Dunn **SECOND:** Claudia Koob **MOTION CARRIED**

C3c5. Updated Minutes From the November 27, 2007 Finance Committee Meeting

There was no discussion on this item.

C3d. Financial Statement Ending December 31, 2007

Mike Simmons walked through the Statement ending December 31, 2007.

There were no questions on this item.

A motion was made to receive and file the Financial Statement.

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

C3e. Short Term Investment Strategy to Meet On-going Obligations as of February 1, 2008

Mike Simmons reported that this item had two attachments. Attachment 2 was a report that had been presented at the last Board meeting. Attachment 1 is a new report that has not yet been presented to the Board. Mike explained that attachment 1 showed an update in the progression of claims in the last two months. There has been an increase in severity of claims along with an increase in claim progression. Because of this shift in claims, and the transferring of funds to long term investments, our estimated cash available at 6/30/08 has gone from \$6.4 million to \$800,000. Mike reported that he had talked with Ted Piorkowski to let him know that we may need to move money back to short term from long term. Ted informed Mike that some of our long term investments will be maturing and may become available without penalty.

A critical component of the report is Retrospective Refunds. At this time, a worst case scenario would occur if the estimated claims payments are needed, and members ask for retro money. This may require the selling of long term investments. At the next meeting, Mike will be asking Members to give an estimate for how much money they would like returned.

Tom Vance reported that it may be a good idea for members to leave additional funds in the Retro to account for any changes that may occur when the risk sharing formula changes.

There was no action on this item.

C4. Program Administrator's Report

C4a. CaJPA Accreditation Renewal Update

At the last Board meeting, Conor Boughey presented that ACCEL had met all the requirements set forth to be Accredited with Excellence. Since that time, CaJPA held a Board meeting at which time CaJPA's Board discovered ACCEL does not account for the Workers Compensation program; however it is a member of CSAC-EIA as a JPA. Because of this, there may be issues of assessibility. ACCEL is a "pass-through" for members to join CSAC-EIA; however it needs to be reflected in the accounting procedures to meet the requirements of CaJPA. Mike Simmons had a telephone call with James Marta, Ryan Neilson, Robert Siegel and Conor Boughey to discuss the proper way to account for this pass-through in ACCEL's accounting records. It was decided that ACCEL should use a voucher system, in a new set of accounts to properly document the pass-through.

Tom Vance commented that ACCEL needs to have procedure to obtain money from members if CSAC were to assess the pool.

A motion was made to implements a voucher system to properly document the pass-through of money from Members to CSAC-EIA.

MOTION: Claudia Koob **SECOND:** Sandra Blanch **MOTION CARRIED**

C5. Underwriting Committee's Report

The Underwriting Committee had nothing to report.

D. UNFINISHED BUSINESS - None

E. NEW BUSINESS

E1. Amending the ACCEL Bylaws – DRAFT “Resolution 07/08-05 Amending the Bylaws”

Conor Boughey clarified that the proposed changes made to the Bylaws are a result of the change from PIT wages to SUBJECT wages. When this change was made, the Bylaws were updated, however it was not completed. Section XII.F.2 which addressed the need and procedure for the Liability Payroll Audit was not updated. The changes proposed complete the changes attempted with the last Bylaw change.

A motion was made to accept the resolution as presented.

MOTION: Kris Kamandulis **SECOND:** Jim Patricola **MOTION CARRIED**

E2. Status Report on Excess Liability Program Renewal

Members reviewed this item and discussed the possibility of a 10% increase in rate for the upcoming renewal. There was no further discussion on this item.

No action was taken on this item.

E3. Optional Excess Workers' Compensation Renewal Effective July 1, 2008

Mike Simmons reported that CSAC-EIA is predicting a 5% increase in rate for the upcoming renewal. There was no further discussion on this item.

No action was taken on this item.

E4. Calendar Changes and Next Two Meetings Schedule

Mike Simmons wanted all Board Members that may have been absent at the last Board Meeting to be aware of the change of dates and locations made at the last board meeting.

No action was taken on this item.

E5. Approval of the 2008 Liability Actuarial Study

John Alltop presented the 2008 Liability Actuarial Study. This is the first Actuarial Study performed in two years, last year there was an update, but not a full report. Since the last report, there has been two years of claims development which resulted in an 8% rate increase. However, this rate increase has been affected by the change to SUBJECT wages from PIT wages. ACCEL is now using SUBJECT wages; SUBJECT wages are on average 10% higher than PIT wages. Because of this, the effective rate change is 18%. To evaluate ACCEL, John Alltop used claims in the \$100,000 to \$1,000,000 range. John uses this layer because ACCEL has pooled various different amounts, and claims excess of \$1,000,000 are typically not an accurate indicator. John reported that California Municipalities are seeing a 12-18% rate increase across the board, so this increase is not unusual.

John further reported that claims in the 04/05 and 05/06 years have been over expected amounts, and this lead to the increase in rate. John continued to walk through the report exhibit by exhibit.

Tom Vance asked how the Board would go about rating different pools for different layers if ACCEL chooses to start an excess of \$2,000,000 pool. John Alltop responded by stating that it would be hard to determine the statistics without knowing which members, at which retention and when they would change the structure. Tom Vance assigned this item to the Underwriting Committee.

Mike Simmons asked the Board to direct all change requests to the Actuarial Study through himself or Conor Boughey.

No action was taken on this item.

G. CORRESPONDENCE / INFORMATION

There was no discussion on this issue.

H. PUBLIC COMMENTS

There were no public comments.

I. GENERAL RISK MANAGEMENT ISSUES

There were no issues discussed.

ADJOURNMENT

A motion was made to adjourn the meeting at 3:30 PM.

MOTION: Ann Garcia **SECOND:** Mark Howard **MOTION CARRIED**