

**MINUTES OF THE
ACCEL BOARD OF DIRECTORS MEETING
THURSDAY, OCTOBER 13, 2011 &
FRIDAY, OCTOBER 14, 2011
HILTON ONTARIO AIRPORT HOTEL
ONTARIO, CA**

MEMBERS PRESENT

Tom Vance, City of Anaheim
Betsy Dolan, City of Burbank
Claudia Koob, City of Mountain View
Ann Richey, City of Ontario
Sandra Blanch, City of Palo Alto
Mark Howard, City of Santa Barbara
Deb Hossli, City of Santa Monica
Charlotte Dunn, City of Visalia

MEMBERS ABSENT

Jena Covey, City of Bakersfield
Mary Akin, City of Modesto
Rhonda Combs, City of Monterey
Barbara Choi, City of Santa Cruz

GUESTS AND CONSULTANTS

Conor Boughey, Alliant Insurance Services
Michael Simmons, Alliant Insurance Services
Daniel Howell, Alliant Insurance Services
Monica Sandbergen, Alliant Insurance Services
Keyan Aghili, Carl Warren & Company
Matthew Nethaway, Perry-Smith

A. CALL TO ORDER

President Ann Richey called the meeting to order at 3:00 PM

B. CONSENT CALENDAR

B1. Approval of Minutes for June 23 & 24, 2011 Board Meeting

A motion was made to approve the minutes.

MOTION: Sandra Blanch **SECOND:** Charlotte Dunn **MOTION CARRIED**

C. GENERAL RISK MANAGEMENT ISSUES

C1. Member Survey – Fire Services

Conor Boughey conducted a member survey regarding whether or not each agency participates in any JPA agreements or other service agreements relating to Ambulance Services. Betsy Dolan reported that the City of Burbank solely operates their ambulances through their fire department. Deb Hossli stated that the City of Santa Monica contracts out these services. Mark Howard advised that the City of Santa Barbara's ambulance services are handled by the county and that the county issues a franchise to AMR. Claudia Koob said that these services within the City of Mountain View are handled by the County of Santa Clara. Sandra Blanch stated that the City of Palo Alto handles these services. Tom Vance reported that the City of Anaheim contracts this service and also noted that the cities of Huntington and Santa Anna have their own ambulance services.

D. Reports

D1. President's Report

D1a. Committee Assignments

Ann Richey, ACCEL's President, reported that the 2011-2012 Committee assignments are included on page 12 of the agenda packet. Conor Boughey reminded the Board that ACCEL's Executive Committee was nominated and chosen at the June, 2011 Board Meeting and that the newly appointed Executive Committee met in September and looked at last year's Committee assignments and chose this year's Committee. Conor stated that the Claims Committee will meet later on to choose a Claims Committee Chair.

D1b. Items of general interest to the members

Tom Vance asked that all Board Members be copied on Committee invite emails.

Charlotte Dunn stated that a police officer at the City of Visalia lost an eye during training and could be possibly returning to work. Ms. Dunn asked if any other members have experience a similar situation. Members discussed different examinations, included a peripheral vision exam, which may be of help to the City.

D2. Claims Committees

D2a. 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 3:33 PM pursuant to Government Section Code 54956.95.

MOTION: Mark Howard **SECOND:** Sandra Blanch **MOTION CARRIED**

A motion was made to come out of closed session at 3:58 PM

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

No reportable action took place in closed session.

D3. Financial and Treasurer's

D3a. Ratification of Disbursements for Months Ending July 31, 2011 and August 31, 2011

ACCEL's Treasurer, Betsy Dolan, reported on the Disbursements for the months ending July 31, 2011 and August 31, 2011. She advised that there were several disbursements during these months. Ms. Dolan explained in the report that a reimbursement check that was given to Ralph Korn had to be canceled because it was never cashed. The report shows that the check was reissued.

A motion was made to approve the disbursements.

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

D3b. Report of Investments – Pursuant to Gov't Section code 53646(b)(1) for Months Ending June 30, 2011, July 31, 2011 and August 31, 2011.

Betsy Dolan advised that the Investment Report from Chandler shows that the months of June & July experienced a loss of total market value but that August experienced a rebound in total market value. Ms. Dolan further reported that ACCEL is still in compliance with the Investment Policy.

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

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

D3c. Quarterly Financial Report as of June 30, 2011

Conor Boughey reported that the Quarterly Financial Report has been completed by ACCEL's bookkeeper, but because the Financial Audit will be presented for the same period of time, this report is not as pertinent to discussions.

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

D3d. Member Account Summary Report

Conor Boughey reported that this quarter's data is posted in the financial audit. Mr. Boughey further advised that the auditors "tested" this data and it was found to be accurate. Conor pointed out the following items in the report: interest earned of \$117,224 and Ontario claims payment of \$548,283. The members were advised that the current year adjustments include deposits of \$6,900,000, interest earned of each quarterly, claims payments and the \$500,000 retro payment. The members were provided with a net gain figure of \$5,600,000.

A motion was made to receive and file the report.

MOTION: Tom Vance **SECOND:** Mark Howard **MOTION CARRIED**

D3e. ACCEL's June 30, 2011 IBNR

Conor Boughey reminded the members that the actuarial report is done every year now versus every other year. Mr. Boughey reported that due to the claims in 2008-2009, ACCEL's outstanding liabilities were trended up from \$15,260,912 to \$15,423,824 due to an increase in reserves.

A motion was made to approve the June 30, 2011 IBNR.

MOTION: Mark Howard **SECOND:** Claudia Koob **MOTION CARRIED**

D3f. Financial Audit as of June 30, 2011

Matthew Nethaway from Perry-Smith presented the 2010-2011 Financial Audit to the Board. Mr. Nethaway stated that new accounting policies were required to be adopted and that a couple are listed in the letter. None of the newly adopted accounting policies had any financial impact on ACCEL's financial statements. Mr. Nethaway further advised that there were no significant or unusual transactions found and nor were any uncorrected misstatements discovered.

Deb Hossli from the City of Santa Monica had a question regarding section of Statement of Net Assets that states "Reserved for Future Claims". Matt Nethaway mentioned that this should state Unrestricted Liabilities and that he is going to confirm this.

Mr. Nethaway reported that this is the 3rd year that this firm has performed the audit and that they will they will be putting together an offer letter to continue performing the audit at no changes to the current agreement. He also advised that they will be bringing out new team members each year so that a fresh pair of eyes is always looking at the financials.

Deb Hossli also brought up that on page 10 of the report, it does not mention that Anaheim and Santa Monica share the \$50,000,000 Excess of \$100,000,000 limit. Mr. Nethaway advised that he will have this corrected.

Tom Vance from the City of Anaheim pointed out that on page 16 of the report the phrase "Provision for insured events of current year..." should be revised to state "Provision for covered reported events." Mr. Vance noted that the pool is not "insurance" and therefore any words that refer to this should be removed from the report.

Mr. Nethaway concluded his report by advising the Board that Perry-Smith is going to be joining another accounting firm and that their name will be changing to Crowe & Horwath.

No action was taken. I final copy of the Financial Audit will be presented at the December Board Meeting.

D3g. ACCEL Projected Cash Flow Obligations as of June 30, 2011

Conor Boughey reported that each quarter the Program Administrators call the Investment Manager, Carl Warren and the treasurer to discuss upcoming cash needs. ACCEL's goal is to maintain an investment allocation of 90% long term and 20% short term, but this is only a guideline and there is no requirement to keep this ratio. ACCEL's current allocation is nearly 30% short term, and that number will increase for the September report due to new program year deposits. However, because of the current economic climate, there is no need to move assets to long term investments because of the long term investment rate as compared to LAIF.

No action taken.

D4. Program Administrator's

D4a. Summary of Coverage

Conor Boughey presented the members with their individual Summaries of Coverage for the 2011-2012 Program Year and advised that this is a great document to send to their financial auditors at the end of the year.

No action necessary.

D5. Underwriting Committee's

Tom Vance, Underwriting Committee Chair, reported that the Underwriting Committee will be meeting soon to review several items.

No reportable action was taken.

E. UNFINISHED BUSINESS

E1. CSAC – Subsidy Funds

Conor Boughey reported to the Board that ACCEL accrues \$1,000 annually from CSAC as a group for loss prevention services. ACCEL's current subsidy balance is \$7,500 because it hasn't accessed these funds since its inception date with CSAC. It's a balance available to the authority as one group. Members can request use of the funds directly from ACCEL's President. Conor further advised that only members that participate in CSAC should be entitled to the funds. Prior to the Board meeting, the City of Monterey had suggested using the funds for training videos or PowerPoint slides by George Hills Company that demonstrate how to properly photograph sidewalk uplifts. Ann Richey advised that she spoke to John Chaquica at George Hills Company and reported that it was only a concept idea and that he had nothing tangible to present to the Board. Conor Boughey stated that there is technically no cap on the funds, but CSAC would like to see ACCEL use the funds.

Michael Simmons advised that members that ACCEL needs to use the funds jointly or allocate it separately to the members. Mike said that a decision on how the funds are going to be used needs to be made soon. He further stated that this is the second time this same item has been brought to the Board.

Mark Howard suggested withdrawing the funds and putting it in ACCEL's account. Mike Simmons advised that ACCEL is unable to do that. The money must be used towards loss prevention.

Ann Richey suggested using the funds for mobile hearing tests at each member city. Ms. Richey asked the members to email her before the December Board meeting with their ideas and stated that a decision will be made from there.

Charlotte Dunn mentioned the DMV License Reporting service provided by CSAC through Target Safety. Conor Boughey advised that Alliant will bring back to the December Board meeting DMV license reporting through Target Safety. Conor Boughey suggested pulling the invoice from CSAC and then billing the individual members for target safety use.

E2. Review of ACCEL's Liability Memorandum of Coverage

Tom Vance walked through ACCEL's MOC with the members and compared it to a standard insurance policy available in the commercial market. Mr. Vance reviewed several sections and definitions of the MOC, including Ultimate Net Loss, Retained Limit, and certain exclusions.

Mr. Vance reminded the Board that if a member is not able to pay its retained limit, ACCEL's insurance will not drop down to pay this amount.

Dan Howell advised that Employee Benefits Liability coverage is included under ACCEL's MOC, but the Board does not have any other fiduciary coverage such as administering grants, etc...

Dan Howell pointed out that Condition C2a of the MOC requires the reporting of a fatality within 30 days. Mr. Howell asked the Board to possibly consider removing this provision because it is a very difficult condition to fulfill.

Tom Vance pointed out a few typos in the MOC that need to be amended. The 2nd paragraph on page 15 contains a superscript # 2 that needs to be removed as well as on page 10.

E3. Review of ACCEL's Memorandum of Coverage Regarding Cyber Coverage Definitions

Conor Boughey reported that ACCEL's Memorandum of Coverage does not have exclusion for Cyber Liability coverage. Members that participate in PEPiP have some cyber coverage now. Mr. Boughey posed the question to the Board of whether the Authority wants to continue covering this exposure under its MOC.

Daniel Howell stated that it's mostly universities and hospitals that are getting hit with this exposure and possibly any ACCEL members that process credit card numbers could be exposed as well. Conor Boughey advised that some members process credit cards for utilities.

Mike Simmons reported that Cyber Liability coverage and Cyber 1st Party coverage is a combined policy when you buy it through PEPiP. He further stated that all 6,000 members of PEPiP share a \$20,000,000 limit with a \$2,000,000 per member limit. Mr. Simmons advised that some primary JPA's are excluding this exposure from their MOC's because they are fearful that they are providing coverage for a risk that has not been studied actuarially. Mike said that Alliant is not recommending that ACCEL this exclude this coverage under their MOC but that it is making the Board aware of this new emerging exposure.

Tom Vance asked the Board members if they think their member city has this type of exposure. Ann Richey advised her city does indeed have this exposure. She cited that the employees in the Benefits Department have laptops that they take them with them to do remote enrollments at different departments. Mark Howard stated that he thinks the biggest Cyber Liability exposure stems from the use of smart phones. He cited that he receives emails from the city's Workers Compensation TPA with attachments that contain medical information.

Dan Howell advised that universities and hospitals have bought separate policies and also suggested maybe buying an umbrella policy to fill in coverage gaps.

Mike Simmons re-stated that he does not recommend excluding this coverage under ACCEL's MOC because of the possibility that city could experience a \$5,000,000 claim at one point in the future. Instead of each member city purchasing a policy individually to cover this exposure, Mr. Simmons suggested that ACCEL purchase one policy as a group.

Ann Richey asked each member to talk to their IT Departments to gain a better understanding of what the risks are that their city faces and then recommended assigning this item to the Underwriting Committee for further discussion and action.

Mike Simmons advised that Alliant will look into the cost of ACCEL purchasing a stand-alone Cyber Liability policy and that the application will be emailed out to all members to complete.

No action taken.

F. NEW BUSINESS

F1. Potential City of Fullerton Membership

Conor Boughey stated that the City of Fullerton is currently a member of ICRMA but is looking at other JPA's to join. Conor reported that he ran an analysis using the City of Fullerton's payroll of \$54,000,000 and advised that if they had been a member of ACCEL with their claims history, they would have contributed more money to the pool than ACCEL would have paid out on their behalf.

Ann Richey stated that at an Executive level, she doesn't know if Fullerton is stable enough at this point to make a decision. Mark Howard stated he thinks it's too early to make a decision without an application. Mike Simmons asked the Board if they would like to encourage Fullerton to apply. Conor said that he emailed the pricing information to Ralph Korn at the City of Fullerton and told him that he should complete the application if he's interested in joining ACCEL.

No action taken.

F2. Reporting Requirements – Letter to City Attorney

Conor Boughey stated that as a result of the recent Claims Audit, some cities were notified that their city attorneys were not keeping the Risk Management Department up to date on claims developments.

Tom Vance suggested that if things are not improving by next year, the letter should be sent out. Betsy Dolan with the City of Burbank expressed concern over ACCEL sending the letter directly to the city attorney. Ms. Dolan advised that she would feel more comfortable handing the letter to the city attorney personally because she has spent a lot of time developing a relationship with Burbank's city attorney. She stated that she feels it would be received better if she were in control of the letter and when it gets delivered. Ann Richey stated that this letter is still in draft form.

No action necessary.

F3. Resolution No. 1112-01 – Contributions of President, Tom Vance

Mike Simmons presented the contents of the resolution to the Board.

A motion was made to approve Resolution No. 1112-01 – Contributions of President, Tom Vance with a few minor revisions requested by Mr. Vance.

MOTION: Mark Howard **SECOND:** Charlotte Dunn **MOTION CARRIED**

F4. 2012 Proposed Calendar of Meetings

Conor Boughey presented the 2012 Proposed Calendar of Meetings to the Board. Mark Howard with the City of Santa Barbara mentioned that the June 28-29, 2012 meeting date listed on the calendar is very close to the July 1, 2012 program renewal date and suggested that it might be beneficial to conduct the June Board meeting more in advance of this important date. After some discussion, it was decided that June 19-20, 2012 will be a possible substitution date. Tom Vance suggested that adhering to the provision of holding the meeting in a member city may not be practical anymore and recommended San Jose as a potential meeting location for future meetings due to the accessibility and cost effectiveness of the San Jose Airport. The Board members chose the City of Palo Alto as their first choice for the location of the June meeting and the City of San Jose as a possible back-up location.

F5. Next Two Meetings Schedule

Conor Boughey reviewed the schedule of the next two meetings with the members.

G. Correspondence/Information

None

G1. Public Pool Safety

No discussion.

H. Public Comments.

None

Ann Richey adjourned the meeting at 12:00 PM