



**MINUTES OF THE
ACCEL SPECIAL BOARD OF DIRECTORS
THURSDAY, DECEMBER 11, 2014 AT 2:30 PM
Via Telephone & Offices of Kilpatrick, Townsend & Stockton LLP
2 Embarcadero Center, 9th Floor
San Francisco, CA 94111
FRIDAY, DECEMBER 12, 2014 AT 8:30 AM
Via Telephone & Offices of Alliant Insurance Services, Inc.
100 Pine Street, 11th Floor
San Francisco, CA 94111**

MEMBERS PRESENT

Dave Nunley, City of Anaheim
Betsy Dolan, City of Burbank
Ann Richey, City of Ontario
Sandra Blanch, City of Palo Alto (12/12/14)
Mark Howard, City of Santa Barbara
Patty Haymond, City of Santa Cruz
Deb Hossli, City of Santa Monica

MEMBERS PRESENT BY TELEPHONE

Jena Covey, City of Bakersfield
Mary Akin, City of Modesto
Rhonda Combs, City of Monterey
Claudia Koob, City of Mountain View
Sandra Blanch, City of Palo Alto (12/11/14)
Charlotte Dunn, City of Visalia

MEMBERS ABSENT

GUESTS AND CONSULTANTS

Conor Boughey, Alliant Insurance Services
Daniel Howell, Alliant Insurance Services (12/12/14)
Vadim Livshits, Alliant Insurance Services
Brandon Schlenker, Carl Warren & Company (12/12/14)
Tim Thompson, Carl Warren & Company (12/12/14)
Jayson Schmitt, Chandler Asset Management (12/11/14)

A. CALL TO ORDER

President Ann Richey called the meeting to order at 3:00 p.m. on December 11, 2014.
President Ann Richey called the meeting to order at 8:40 a.m. on December 12, 2014.



B. CONSENT CALENDAR

B1. Approval of the Minutes from the October 9 & 10, 2014 Board Meeting

Motion to accept the minutes of the October 9 & 10, 2014 Board Meeting.

MOTION: Dave Nunley **SECOND:** Betsy Dolan **MOTION CARRIED**

	Dave Nunley	Jena Covey	Betsy Dolan	Mary Akin	Rhonda Combs	Claudia Koob	Ann Richey	Sandra Blanch	Mark Howard	Patty Haymond	Deb Hossli	Charlotte Dunn
Aye	X	X	X	X	X	X	X	X	X	X	X	X
Nay												
Abstain												

B2. Approval of the Minutes from the November 18, 2014 Emergency Board Meeting

Motion to accept the minutes of the November 18, 2014 Emergency Board Meeting.

MOTION: Dave Nunley **SECOND:** Betsy Dolan **MOTION CARRIED**

	Dave Nunley	Jena Covey	Betsy Dolan	Mary Akin	Rhonda Combs	Claudia Koob	Ann Richey	Sandra Blanch	Mark Howard	Patty Haymond	Deb Hossli	Charlotte Dunn
Aye	X	X	X	X	X	X	X	X	X	X	X	X
Nay												
Abstain												

B3. Approval of the Financial Audit

Conor Boughey explained that the financial audit was presented at the last Board of Directors meeting in October, and the audit was accepted by the Board at that time. However, there have since been some immaterial changes, and as a result the final report requires approval.

Motion to approve the 2013-14 Financial Audit.

MOTION: Mark Howard **SECOND:** Deb Hossli **MOTION CARRIED**



	Dave Nunley	Jena Covey	Betsy Dolan	Mary Akin	Rhonda Combs	Claudia Koob	Ann Richey	Sandra Blanch	Mark Howard	Patty Haymond	Deb Hossli	Charlotte Dunn
Aye	X	X	X	X	X	X	X	X	X	X	X	X
Nay												
Abstain												

C. GENERAL RISK MANAGEMENT ISSUES

Betsy Dolan explained that the City of Burbank is struggling to make Project Managers understand that they cannot start a project until all contracts are in place. Low dollar amount projects are often started before they should. She would like to know how other Members are dealing with similar problems.

Ann Richey explained that the City of Ontario requires the City Manager’s approval before work of any kind can begin on a project. Deb Hossli’s City uses a similar method. Dave Nunley explained that the City of Anaheim uses General Services Agreements. These ensure that everything is pre-approved and a purchase order or notice-to-proceed are issued on each project. Jena Covey added that she sometimes has to be strict, and Mark Howard added that as a Risk Manager you sometimes have to be the “bad guy,” and say no.

Rhonda Combs asked if anyone has purchased the Fiduciary Liability Policy that was discussed at a Board Meeting last year. Ann Richey responded that no Members have purchased it. Jena Covey asked for the information to be recirculated. Rhonda Combs asked for the summary sheet to be sent to the Board.

D. REPORTS

D1. President's Report

No report was given.

D2. Financial and Treasurer's

D2a. Ratification of Disbursements

Claudia Koob reported on the disbursements included in the agenda. There were no questions by the Board.

D2b. Report of Investments – Pursuant to Gov't Section Code 53646(b)(1)

Claudia Koob reported on the Investment Reports, pointing out the investment earnings and compliance report for each month. There were no questions by the Board.



D2c. Quarterly Financial Report as of September 30, 2014

Tami Giovanni, ACCEL’s Bookkeeper, updated the quarterly financials as of September 30, 2014.

D2d. Member Account Summary as of September 30, 2014

Conor Boughey advised that the September 30, 2014 Member Account Summary (MAS) report has been completed. This quarter’s report includes a new year for the 2014-15term, and represents the completion of the roll up procedure in which all current year transactions are moved to the prior year transactions section, and a new current year is started.

IBNR and reserves were added a few years ago to give a more accurate picture to members of how years add up.

D2e. ACCEL Projected Cash Flow Obligations as of September 30, 2014

Conor Boughey reported that ACCEL has about \$53,000,000 in assets. Conor reports that the report was not updated due to transitions at Carl Warren, and further communication needed to explain the report and receive updated information.

A motion was made to receive and file the reports from D3a, D3b, D3c, D3d and D3e.

MOTION: Betsy Dolan **SECOND:** Deb Hossli **MOTION CARRIED**

	Dave Nunley	Jena Covey	Betsy Dolan	Mary Akin	Rhonda Combs	Claudia Koob	Ann Richey	Sandra Blanch	Mark Howard	Patty Haymond	Deb Hossli	Charlotte Dunn
Aye	X	X	X	X	X	X	X	X	X	X	X	X
Nay												
Abstain												

D2f. Investment Report

Jayson Schmitt of Chandler Asset Management, ACCEL’s Investment Manager, presented the annual Investment Report. He reports that as the economy is improving and the Federal Reserve is starting to react. They are phasing out some of the programs that were intended to boost the economy, and interest rates will likely start rising soon.

Michael Simmons asked what the yield curve on page 11 of the Investment Report suggests. Jayson answered that the yield curve is flattening and that suggests that ACCEL may want to start evaluating investment strategies that include more short-term maturities, which can be reinvested more often. He doesn’t recommend a longer term strategy at this point.



Michael Simmons asked Jayson what Supernational investments are. Jayson explained that it is a multi-national organization that is based in the United States, but is able to invest beyond United States boundaries and interests. All money invested is backed by assets in the United States. All Supernationals are AAA rated by all financial organizations, and they are opening up for investment from groups such as ACCEL.

A motion was made to receive and file the report.

MOTION: Mark Howard **SECOND:** Dave Nunley **MOTION CARRIED**

	Dave Nunley	Jena Covey	Betsy Dolan	Mary Akin	Rhonda Combs	Claudia Koob	Ann Richey	Sandra Blanch	Mark Howard	Patty Haymond	Deb Hossli	Charlotte Dunn
Aye	X	X	X	X	X	X	X	X	X	X	X	X
Nay												
Abstain												

D2g. Investment Policy Proposed Change

Jayson Schmitt explains that Chandler suggests changing the ACCEL investment policy to allow for investments in a new type of fund called a Supernational.

Ann Richey asked if Supernationals have a set of rules by which they are governed. Jayson explained that they are governed by IBER (Insurance Block Exemption Regulation) and they are not allowed to finance certain things such as a Country’s deficit or a mass transit system. It has to be to a qualifying project and something that is tangible.

Michael Simmons asked if ACCEL will be allowing all Washington D.C. based Supernationals or only some. Jayson explained that there are only three, and all will be allowed.

Dave Nunley asked if there are any rules on who funds the project. Jayson explained it depends on the project, but all securities that ACCEL would buy are guaranteed.

Conor Boughey asked how much of the Pool’s portfolio would be placed in Supernationals. Jayson said up to 30% is allowed, but it will likely be 5-10%. He also noted that investments cannot be made yet in the State of California, but that Governor Brown is expected to sign legislation making it legal imminently.

Mark Howard commented that this would have to match his City’s investment policy as approved by his Governing Board. He cannot vote until he verifies that it does. Rhonda Combs’ concerns mirror Mark’s.



Deb Hossli asked if 30% is the best percentage for the policy reflect as the maximum that can be invested in a Supernational, or if it should be changed to reflect more closely what will actually be invested. Jayson says that this is something to consider.

Sandra Blanch prefers that this policy mirrors section 5.15D of the investment policy to keep her finance director comfortable. That is 5-10%.

Claudia Koob says her City’s Finance Department will not have a problem with this change, but their policy will have to be amended.

Ann Richey asked if Chandler would be ok with a limit of 5-10%. Jayson said that would be ok, but it may need to be revisited in the future.

Rhonda Combs asked that the Administrators email her a redline version of the investment policy.

Motion that Administrators incorporate section 5.15 of the proposed investment policy with the following changes:

- Section C will be changed from 30% to 10%.
- Section D will be changed from 10% to 5%.
- The final paragraph in section 11 will be deleted.

MOTION:Dave Nunley **SECOND:** Sandra Blanch **MOTION CARRIED**

	Dave Nunley	Jena Covey	Betsy Dolan	Mary Akin	Rhonda Combs	Claudia Koob	Ann Richey	Sandra Blanch	Mark Howard	Patty Haymond	Deb Hossli	Charlotte Dunn
Aye	X	X	X	X		X	X	X		X	X	X
Nay												
Abstain					X				X			

D3. PROGRAM ADMINISTRATORS

D3a. 2015 State of the Marketplace Report

This item has been rescheduled. It will be presented at the February 2015 Board of Directors Meeting.

Daniel Howell added a quick note that the market is changing, it is not necessarily hardening or softening, but there are changes. He thinks the Board should invite Starr Indemnity Liability Company to the February Board Meeting.



D3b. Alliant's Annual Disclosure Letter

Conor Boughey explained that since 2012, Alliant discloses all income it makes from ACCEL. This report does not include property coverage, as it is not placed through ACCEL. Conor explained how Alliant works with Alliant Underwriting Services and the compensation covers several items at 5.87%. Conor also explained contingent income. In the contract between ACCEL and Alliant, there is no contingent income. Contingent income is a volume bonus paid by an Insurer to a Broker for bringing in a certain amount of income.

Rhonda Combs asked if public agencies require the brokers to specify or disclose contingent income. Michael Simmons explained that is not always disclosed but should be disclosed, i.e., should be required by the public agencies that it be disclosed to them. Dave Nunley added that contracts should require disclosure of contingent income or require it to not be collected by the broker, i.e. disallowed.

D4. Claims Committee's

D4a. Report from the November 18, 2014 Claims Committee Meeting

Deb Hossli explained that at the Claims Committee meeting on November 18th, the Bassett settlement was approved. It is contingent on a Minor's Compromise, but that isn't anticipated to cause any problems.

She reports that the Claims Committee met Tim Thompson, and found him to be personable, and the Committee is comfortable working with him. They asked that Tim include each City's Total Incurred in the packet he presents to the Board during each meeting. They also outlined the criteria that ACCEL would like to have included on their watch lists. They specified that Carl Warren should identify and notify the Board of any issues that may come up between meetings.

Board Members discussed frustrations with the transition of Claims Administrators. Other Board Members believe the transition is going as expected.

Betsy Dolan described her recent experience working with Tim Thompson at a recent settlement conference.

If a contract is written with Carl Warren, Rhonda would like expectations of Tim memorialized.

D4b. 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 8:45 a.m. on Friday, December 12, 2014, pursuant to Government Section Code 54956.95.

MOTION: Mark Howard **SECOND:** Dave Nunley **MOTION CARRIED**



	Dave Nunley	Jena Covey	Betsy Dolan	Mary Akin	Rhonda Combs	Claudia Koob	Ann Richey	Sandra Blanch	Mark Howard	Patty Haymond	Deb Hossli	Charlotte Dunn
Aye	X	X	X	X	X	X	X	X	X	X	X	X
Nay												
Abstain												

A motion was made to come out of closed session at 9:15 a.m.

MOTION: Dave Nunley **SECOND:** Jena Covey **MOTION CARRIED**

	Dave Nunley	Jena Covey	Betsy Dolan	Mary Akin	Rhonda Combs	Claudia Koob	Ann Richey	Sandra Blanch	Mark Howard	Patty Haymond	Deb Hossli	Charlotte Dunn
Aye	X	X	X	X	X	X	X	X	X	X	X	X
Nay												
Abstain												

The Board gave direction to the Third Party Claims Administrators regarding the agendized claims.

D4c. Claims Administration Services Request for Proposal

The Claims Committee discussed several scenarios that may be possible in regards to Claims Administration Services. Conor Boughey reported that the contract with current Claims Administrators, Carl Warren & Company, is due to expire in June of 2015.

A motion was made to direct the Program Administrators to initiate discussions to renew the contract with Carl Warren and Company for one year. Administrators will bring a report of the progress made regarding the renewal or a draft RFP to the February meeting.

MOTION: Mark Howard **SECOND:** Deb Hossli **MOTION CARRIED**



	Dave Nunley	Jena Covey	Betsy Dolan	Mary Akin	Rhonda Combs	Claudia Koob	Ann Richey	Sandra Blanch	Mark Howard	Patty Haymond	Deb Hossli	Charlotte Dunn
Aye	X	X	X	X	X	X	X	X	X	X	X	X
Nay												
Abstain												

D4d. Review of Claims Reporting Policy and Procedure

Deb Hossli explained that the Claims Reporting Policy and Procedure is not current, and is no longer compatible with ACCEL practices. Deb requests that any Members who would like to add suggestions to the Claims Handling Policy and Procedure let her know prior to the February Board of Directors meeting. Deb would like this item revisited at the February meeting.

The Claims Reporting form will be made fillable and electronically downloadable from the Members section of the ACCEL website.

D5. Underwriting Committee's

D5a. Underwriting Committee Report

Conor Boughey explained that the City of Bakersfield is building a new freeway. The City is using Eminent Domain to purchase 199 homes, which will be demolished in about one year. The City is obligated to keep the homes occupied until demolition begins, which the City will accomplish through renting the homes out. The City has purchased a policy in the meantime with a \$10 million limit, which exceeds ACCEL's \$5 million attachment. The Board may take action to exclude the coverage from ACCEL. Failure to take action will result in ACCEL's attachment point to ANML increasing to \$10 million from its current \$5 million.

Motion to exclude coverage and draft an endorsement that will be part of the consent calendar as part of the next meeting.

MOTION: Deb Hossli **SECOND:** Mark Howard **MOTION CARRIED**

	Dave Nunley	Jena Covey	Betsy Dolan	Mary Akin	Rhonda Combs	Claudia Koob	Ann Richey	Sandra Blanch	Mark Howard	Patty Haymond	Deb Hossli	Charlotte Dunn
Aye	X	X	X	X	X	X	X	X	X	X	X	X
Nay												
Abstain												



D6. Memorandum of Coverage Ad Hoc Committee’s

D6a. Approval of proposed changes to the ACCEL MOC

Conor Boughey reported that the Ad-hoc Committee met to review the ACCEL Memorandum of Coverage. This was the first review of the MOC in three years.

Conor explained that the Committee decided to keep the MOC largely the same, only adding a few pieces of language from other JPAs regarding Employment Practices Liability.

Rhonda Combs asked for the Administrators to clarify whether drones are covered or not. The Administrators answered no, because the FAA has ruled that they are aircraft, and aircraft are excluded.

Daniel Howell explained that if desired, coverage for drones can be placed through other insurance programs. Premiums are based on the size of the drone.

Mark Howard asked if buying an airport policy provides coverage for drones, Dan answered that the drone would have to be scheduled on the policy.

Motion to accept changes to MOC as presented, retroactive to July 1, 2014.

MOTION: Mark Howard **SECOND:** Dave Nunley **MOTION CARRIED**

	Dave Nunley	Jena Covey	Betsy Dolan	Mary Akin	Rhonda Combs	Claudia Koob	Ann Richey	Sandra Blanch	Mark Howard	Patty Haymond	Deb Hossli	Charlotte Dunn
Aye	X	X	X	X	X	X	X	X	X	X	X	X
Nay												
Abstain												

D6b. Report from the Ad Hoc Committee Meeting on November 11, 2014

Conor Boughey gave a report on the in person Ad Hoc Committee meeting that took place in November, noting the process the Committee went through to evaluate the MOC and the other pools and insurance companies surveyed in the process.

E. Unfinished Business

F. New Business



F1. ACCEL: 30 Years of Success

Mark Howard explained that ACCEL is approaching its 30th anniversary, and it is a good opportunity for ACCEL, through its Administrators, to demonstrate why it is a value to the Members. Additionally, it can be used as a marketing tool for new membership. Now is the time to ask City Managers and Finance Directors what they would like to know and what is important to them. One of these things is how much money ACCEL Members have saved over the years instead of utilizing the open insurance market.

Rhonda Combs added that in addition to proving a report of cost savings, the Administrators might need to provide more data that can be used to market ACCEL.

Board members will provide feedback to the Administrators with info that their people would like to see. Members will also indicate the level information they want specific to their agency. Administrators will present draft marketing materials at the February board meeting, and continue work based on the feedback received.

Mark Howard thinks a PowerPoint might be an appropriate way to present data about ACCEL. Deb Hossli added that it doesn't have to be elaborate. Dave would like it to explain how Member Cities are able to control their own destiny by being Members of the ACCEL Pool.

Betsey Dolan thinks a basic page of bullet points with direct information might be the most pertinent, With a PowerPoint as a more in depth source to provide to those who are interested. It can be presented as an "ACCEL 101" course.

F2. Marketing for New Members

Conor explained that the report from the previous item is a good tool to market to new members as it shows how much money each member has saved over the last 30 years.

F3. ACCEL Target Equity Ratios

Conor Boughey explained the Target Equity Ratio report, which shows how the Administrators get equity ratios that help the Board make prudent decisions.

Conor reports that ACCEL has met all of its goals and reserve development exceeded its goal.

Michael Simmons explained that ACCEL is the only pool that defines equity differently than net position. Therefore, the pool should be prepared if the definition changes and the looks different in the future.

MOTION: Mark Howard

SECOND: Deb Hossli

MOTION CARRIED



	Dave Nunley	Jena Covey	Betsy Dolan	Mary Akin	Rhonda Combs	Claudia Koob	Ann Richey	Sandra Blanch	Mark Howard	Patty Haymond	Deb Hossli	Charlotte Dunn
Aye	X	X	X	X	X	X	X	X	X	X	X	X
Nay												
Abstain												

F4. Next Two Meetings Schedule

Conor Boughey reminded the Board that Ed Garbo of the City of Carlsbad is invited to attend the February Board Meeting, which will take place immediately after the PARMA Conference in Anaheim. The April Board Meeting is scheduled to take place in Burbank.

G. Correspondence/Information

G1. The Risk Report – August 2014

G2. PARMA Conference Information

H. Public Comments

Ann Richey adjourned the meeting at 5:10 p.m. on Thursday, December 11, 2014.

Ann Richey adjourned the meeting at 10:15 a.m. on Friday, December 12, 2014.