Agenda Item # 4

Approval of Minutes

June 14th, 2012

Association of Bay Area Governments

Summary Minutes - Draft

ABAG PLAN Board of Directors
Annual Meeting

June 14, 2012

City of Dublin Shannon Center
11600 Shannon Avenue
Dublin, CA 94568

Presiding:	**Jurisdiction:**
Jesse Takahashi, Chair	Campbell
Members Present:	**Jurisdiction:**
Bronda Silva	American Canyon
Jennifer Larson	Atherton
Heather McLaughlin	Benicia
Gus Guinan	Burlingame
Jesse Takahashi	Campbell
Brian Dossey	Colma
Julie Carter	Dublin
Stephanie Osaze	East Palo Alto
Steve Toler	Foster City
LeeAnn McPhillips	Gilroy
Laura Snideman	Half Moon Bay
Kathy Leroux	Hillsborough
J. Logan	Los Altos
Judith Propp	Los Gatos
LaRae Brown	Millbrae
Emma Karlen	Milpitas
Bryan Otake	Milpitas
Nick Pegueros	Portola Valley
Yulia Rasulova	San Carlos
Mary Furey	Saratoga
Kathy Mount	So. San Francisco
Jason Garben	Suisun City

Representatives:
Dennis Mulqueeney, Alliant Insurance Service
Seth Cole, Alliant Insurance Service
Mike Harrington, Bickmore Risk Management
Bob Lanzone, PLAN Legal Counsel

Staff Present:
Jim Hill, ABAG PLAN Risk Manager
Susan Hsieh, ABAG Assistant Finance Director
Gertruda Luermann, ABAG PLAN Risk Analyst
Carol Johnson, ABAG PLAN Secretary

*Before the Annual Board of Directors meeting was called to order, Joni Patillo, City Manager - Dublin gave a warm welcome to PLAN Members. She provided an economic update on the City of Dublin and provided the group with some history on the Shannon Center.

1. **Call to Order:**
The meeting was called to order by Jesse Takahashi at 10:08 a.m.

2. **Roll Call:**
Roll call was taken. Personal introductions were made by each Member. A quorum was present.

3. **Public Comments:** None

Jesse Takahashi provided some comments on the overall position of PLAN and the accomplishments to date. He noted many of the past challenges and stated that PLAN is now on a new road and many of the issues of the past have been addressed. PLAN is now positioned to move forward. Jesse thanked Jim Hill, ABAG PLAN Risk Manager for his commitment to PLAN and for all of his efforts given the challenges faced by the organization.

4. **Approval of Minutes – Board Meeting June 15, 2011:**
Minutes were approved with a correction. Correction noted: Laura Snideman –Half Moon Bay was noted as being present at the June 15, 2011 Board Meeting.
/M/Snideman/S/Rasulova/C/unanimously approved

5. **Year End Review – Jim Hill, ABAG PLAN Risk Manager**
After introduction and welcome, Jim Hill reported that the health of Ezra Rapport, ABAG's Executive Director is improving and a positive outcome is expected.

Staff reported on the Board of Directors retreat and other highlights:
1. Strategic Planning Initiative – Phase I
2. Automated Deductible Billing Interface – Guest Link
3. Sewer Summit
4. Grant program
5. PLAN Sponsored Training

Staff also commented on claims highlights (frequency/severity trends), leading cause indicators and Loss Prevention expense (grant) utilization.

6. **Actuarial Review of the PLAN Self-Insured Liability Program and City of Los Altos Withdrawal Funding Analysis - Mike Harrington, Bickmore:**
Mr. Harrington presented the Actuarial Report to Members. Committee is seeking approval of the report, including proposed funding levels for Members.

Discussion included a review of the Actuary report and premium calculations, with a specific focus on the Premium Calculations. Overall PLAN premiums were projected to increase approximately 4% from the prior year, however, member premiums vary from one member to another primarily driven by loss experience and impact to ex mods.

He noted that there was adverse loss development which increased outstanding liabilities from $20.1 million to $22.9 million at the expected confidence level (50%), an increase of $2.8 million. Outstanding liabilities increased from $29.4 million to $33.4 million (up $4 million) at the 90% confidence level. Adverse loss development is being monitored very closely.

The actuarial report revealed ABAG PLAN Self-funded Liability Program is currently adequately funded. The program continues to provide a stable cost effective solution for member agencies. The actuary noted that further evaluation of the discount rate used for investment income assumptions should be discussed. It was pointed out to the Board that a 1% drop in the discount rate would result in an average rate increase of 3.5% above and beyond the current indicated premium increase.

PLAN will continue to evaluate the utilization of higher confidence level in our premium funding requirement, as well as a reduction in the investment discount rate assumption.

A motion was made to accept the Actuary Report as presented.
/M/Toler/S/Snideman/C/ unanimously approved.

Jim Hill discussed the City of Los Altos' withdrawal funding calculation and withdrawal agreement. He was seeking authorization to execute the contract with City of Los Altos in accordance with PLAN governing agreements and consistent with the actuarial findings and recommendations. He provided the Board with the Withdrawal Agreement draft document and Withdrawal Equity calculation exhibit.

A motion to approve the proposed withdrawal formula for the City of Los Altos as well as authorization PLAN (Jim Hill, Risk Manager) to execute the Withdrawal Agreement with the City of Los Altos based on the Actuary review and recommendations.
/M/McLaughlin/S/Leroux/C/unanimously approved

7. **Excess Property and Liability Insurance Program – Seth Cole:**
Seth Cole distributed handouts and discussed the insurance market place. He noted that the insurance market is hardening and pricing increases should be expected. The excess liability premium has been stable and pricing reflects existing market conditions in which insurers are increasing premium slightly to firm up their underwriting results.

Seth reported property premiums in general are increasing rapidly due to the hardening property market and due to capacity issues. He noted the following:

PLAN total insurable property values have increased 15% over the prior period. The overall increase in PLAN's TIV is approximately $305 million. Automobile schedules have increased in terms of reported values and it is evident that automobile values have been under reported in the past. In addition to the increase in total insurable values, the renewal rate has increased 12% this year. The estimated increase for the program was 10% and the renewal is slightly higher than the indicated increase because of market conditions.

After presentation and discussion the Excess Property and Liability Insurance program as outlined in the report from Alliant Insurance Services was accepted as presented and the purchase of excess insurance was authorized.
/M/Snideman/S/Silva/C/unanimously approved

8. Risk Management Program Update and funding for 2012-2013:
Jim Hill presented an overview of the Risk Management Program funding and update.

He encouraged members to fully utilize the available grant fund. He stated if not used within the fiscal year the funds will go back into the surplus budget. He also noted that the grant program allows for processing grant requests after the fiscal period ends, therefore the percentage of grant funds utilized tends to move upward accordingly after fiscal year end.

The Risk Management Committee is recommending the continuance of the Risk Management Grant Program in FY 2012-2013 with the following funding levels:

Total grant funding for FY 2012/13 is estimated at approximately $1,600,000 versus $2.2 million, in the prior year. Total FY 2012-2013 grant funding is $600,000 (25%) lower than the prior year.

The following allocation of funds was recommended:

Reduction of the Risk Services Budget allocation to 4% of the PLAN annual funding contribution.

Maintain the Risk Management Risk Management grant dollars at 10% of annual GL contributions with no matching contributions required for activities related to each member's three priority Risk Management objectives for the current fiscal year.

Retain training grants at $15K. Reduce Police grants to $15K.

Imposition of a 20% cap on all members – percentage of grant to premium funding.

Gertruda Luermann presented an update on the Risk Management Best Practices and Scorecard. She reported that all cities except one member have qualified for grant funding and all members, with the noted exception, are in good standing. A reassessment will be performed to determine how Member City's are performing to date.

Jim Hill provided the Board with an overview of the MDR reports and recent report enhancements. Handouts were provided to the members of the Board.

After all presentation(s), a motion was made to approve the Risk Management Program funding for 2012-2013 as presented.
/M/Toler/S/Snideman/C/unanimously approved

9. Approval of the 2012-13 Administrative Budget - PLAN Member Funding Requirements:

Jim Hill reported on the PLAN administrative fund – 2012-13 FY preliminary budget, recommending Committee approval as presented.

He stated that the PLAN Administrative Budget of $2,814,326 has been reduced $35,413 or 1% from the prior fiscal year. He provided a detailed analysis of the proposed budget including a comparison to the prior fiscal year. He closed by stating that ABAG continues to focus on the containment of operating expenses and PLAN is exploring other cost reduction measures.

After presentation and discussion a motion was made to approve the administrative budget as presented. /M/Toler/S/Dossey/C/unanimously approved

Susan Hsieh reported on the 2011 Audited Financial Statements and Memorandum on Internal Controls. Handouts were provided to Committee Members. Financial statements were reviewed/discussed. There were no notable comments on the MOIC.

After presentation and discussion a motion was made to approve the 2011 Audited Financial Statements and Memorandum on Internal Controls as presented.
/M/Toler/Karlen/C/unanimously approved

10. Conflict of Interest Code (PLAN) – ABAG PLAN:
Bob Lanzone reported that the California Political Reform Act requires each California local agency adopt a Conflict of Interest Code.

He suggested that Board Members and alternates prepare and file Form 700s with the Secretary of the PLAN. This would also apply to key ABAG employees who do work for the PLAN. After presentation and discussion Committee Members agreed to move forward on approving the resolution which adopts a Conflict of Interest Code.

Questions arose as to who exactly, "ABAG Corporation" vs. "ABAG PLAN", is required to abide by the conflict of interest rules and file the appropriate documents. Counsel indicated that further review is necessary and PLAN would formalize our position at a later date. No action was taken.

11. Summary of Board Retreat – Strategic Planning Initiative; PLAN Committee Priorities:
Jim Hill presented an overview and recap of the Board Retreat held on December 5, 2011.

The meeting was facilitated by Judy Robb of the Robb Group. Presentations were given by Nicole Kissam of NBS Consulting and Jon Paulsen/Bernida Reagan of Merriwether & Williams, Inc.

He stated after presentations were completed PLAN members were given the opportunity to engage in open discussion with each consultant. The results of the study revealed that ABAG was in full compliance with cost allocation methodologies prescribed by federal and state funding agencies (OMB cognizant agency reporting). The study also revealed that PLAN administrative costs were higher than norm in the industry. It was also noted that an "apples to apples" comparison against the peer group was somewhat challenging given the more complex structure of the ABAG organization.

The members then focused their discussion on four key areas: Membership Services, Claims Administration, Insurance Programs and Cost Containment. The discussion centered on key goals and activities to focus on within each of the above areas with a goal of incorporating these activities into the strategic planning process.

At the conclusion of the retreat, the PLAN Board directed Jim to work on developing the formal framework for PLAN's five year strategic plan and to identify all related activity in support of the defined plan.

Jim Hill presented the topic of a Classification or Efficiency Study. An explanation of the study was provided, discussion ensued and the board discussion expanded on the approach to be used in the study. The project is exploratory in nature and would help to assess internal claim efficiency given the current classification of claims staff. It will be crucial in terms of assessing cost reduction strategies. No action was taken.

12. Board and Committee Nominations:

Jim Hill reported that all standing committees met in accordance with the approved meeting schedule during the current fiscal year. The Executive Committee on occasion was called for special meetings.

Jesse Takahashi stated that currently PLAN has vacancies on some committees and recommended that the Board of Directors approve the Slate of Officers for the PLAN Executive Committee and allow for floor nominations for Board/Committee open seats. The Board of Directors slate of Nominees was presented as follows:

Executive Committee:
Heather McLaughlin, Chair (Benicia)
Kevin Bryant, Vice Chair (Woodside)
Mike Taylor, Saratoga (Chair Risk Management Committee)
Paul Rankin, Dublin (Chair Actuary Committee)
Mark Zafferano, San Bruno (Chair Claims Committee)
Nick Pegueros, Portola Valley (Chair Finance Committee)

At Large:
Jesse Takahashi (Campbell)
Danny Wan (Morgan Hill)
Emma Karlen (Milpitas)

Note: Steve Toler (Foster City) volunteered for the Finance Committee and Theresa DellaSanta (Atherton) for the Actuary Committee. Both were approved by Board as nominees.

After discussion and review, the slate of nominees was approved as presented: /M/Guinan/S/Toler/C/unanimously approved

13. Other Business:

Jim Hill provided a status update regarding the hazard mitigation planning activities for PLAN member cities and presented a report prepared by Danielle Hutchings – ABAG Earthquake and Hazard Coordinator. The report highlighted the following:

Between 2009 and 2011, ABAG developed an update to the regional hazard mitigation plan, meeting the requirements of the Disaster Mitigation Act 2000. The plan was approved by FEMA in March 2011 and adopted by ABAG's Board. The plan is valid for five years from the approval date. ABAG plans to update the regional hazard mitigation plan beginning in 2014 and prepare it for final adoption in 2016.

It is recommended that PLAN Members review their plan status and those members without an active mitigation plan are encouraged to develop a standalone plan that can be approved by FEMA, as part of PLAN's risk mitigation best practices. The plans are critical and an absolute necessity in terms of facilitating recovery (application for relief and funding) from FEMA/CalEMA in the event of a disaster.

Jim Hill presented Jesse Takahashi with an outgoing Chair award. Jesse Takahashi gave thanks to everyone as the outgoing Chair.

Jim Hill advised the Board members of the upcoming ABAG Golf Tournament and encouraged PLAN members to participate.

14. Adjournment:

Meeting was adjourned at 3:03 p.m.

Respectfully Submitted,

Jim Hill
Risk Management Officer and PLAN Secretary