



Association of Bay Area Governments

SUMMARY MINUTES
BOARD OF DIRECTORS –16TH Annual Meeting
May 22, 2002 – 12:25 p.m.
Monarch Hotel, Salon A
6680 Regional Street
Dublin, CA 94568

PRESIDING:	Robert Sousa, Chair	Suisun City
MEMBERS PRESENT	Gretchen Conner Vice Chair	Campbell
	Ed San Diego	Belvedere
	Alan Nadritch	Benicia
	Larry Anderson	Burlingame
	Julie Carter	Dublin
	Stephanie Osaze	East Palo Alto
	Kristi Chappelle	Foster City
	Debra Ryan	Half Moon Bay
	Steve Foster	Los Altos
	Maureen Cassingham	Los Altos Hills
	Tina Reza	Morgan Hill
	Barbara Lathrop	Newark
	Cecilia Quick	Pacifica
	Pamela Thompson	San Bruno
	Jeff Maltbie	San Carlos
	Jesse Baloca	Saratoga
	Alex McIntyre	Tiburon
MEMBERS ABSENT	Elizabeth Wessman-McGee	American Canyon
	Sharon Barker	Atherton
	Linda Pappas Diaz	Colma
	Sandy Abe	Cupertino
	LeeAnn McPhillips	Gilroy
	Orry Korb	Los Gatos
	Jeff Killian	Millbrae
	Emma Karlen	Milpitas
	Angela Howard	Portola Valley

Gary Broad
Jim Steele
Susan George

Ross
South San Francisco
Woodside

STAFF PRESENT

Eugene Leong, President
Marcus Beverly, Risk Manager
Joseph Chan, Chief Financial Officer
Kenneth Moy, Legal Counsel
Angela Salsbury, Claims Manager
Jeanne Perkins, Earthquake Program Manager
Eileen Barr, Claims Examiner

CONSULTANTS

Ron Kozlowski, Tillinghast-Towers Perrin
Dennis Mulqueeney, Driver Risk Services

ALSO PRESENT:

Richard Ambrose, City Manager of Dublin (12:25 – 12:40p.m.)

Welcome: Richard Ambrose welcomed everyone to Dublin.

Call to Order: Chairman Rob Sousa called the meeting to order at 12:30 p.m. A quorum was present (17 members – Cecilia Quick arrived later)

Public Comments: None

Approval of Minutes: May 15, 2001 Board of Directors' meeting minutes approved as presented /M/Anderson/S/San Diego/C/unanimously approved

Business Meeting:

A. Meeting Schedule: There were no recommendations to change the proposed meetings schedule.

B. Election of Officers FY 2002-2003: The Executive Committee nominated Gretchen Conner of Campbell as ABAG PLAN Corporation Chair and Jack Dilles of Morgan Hill as Vice Chair for fiscal year 2002-2003. /M/San Diego/S/Nadritch/C/unanimously approved.

C. Committee Appointments: There were no volunteers to fill openings on the Finance, Claims, Loss Prevention and Actuary/Underwriting Committees. Rob Sousa and Gretchen Conner will call board members to get one additional person to serve on each of these committees.

The Year in Review: Eugene Leong gave an overview using the metaphor "on shaky ground" for the loss of the sense of security after the terrorist attacks in New York and Washington, D.C. on 9/11. It shook the insurance market, resulting in exorbitant increases in premiums in the private sector. In addition, some private insurers are no longer writing homeowners policies because of mold claims. Cities will continue to

feel the consequences of the dot com bust, increasing health care costs and the substantial state budget deficit. Given the increased severity of claims, we need to continue with proactive loss control programs.

Loss Prevention Programs:

A. Earthquake Study: Jeanne Perkins presented preliminary survey results, as only half of the surveys were returned. She encouraged board members to submit their completed surveys.

- More cities looked at their structures, instead of the contents of the buildings. It is generally not structural problems with buildings, but contents such as lighting, power, communications and computers that cause the most disruption after an earthquake.
- Two-thirds of those responding did retrofitting on at least one building or rebuilt the building using general funds. Certificates of participation were the second source of funding for retrofitting or replacement.
- Forty-five percent of those responding believed there was a greater likelihood of an earthquake than they believe the public anticipates.
- Infrastructure problems will arise after an earthquake due to damaged water and sewer lines. To minimize this, cities are doing more aggressive programs to replace old lines and are doing a better job of maintenance.
- Jeanne has not been able to get the building specific numbers to PLAN because of a delay in information from USGS. Survey results should be available in September.
- Marcus provided compact discs with earthquake information from the Parma Conference.

B. Sewer Claim Prevention & Response:

The Loss Prevention Committee and staff recommended approval of the Sewer Loss Prevention Program with a total budget of \$125,000. This program includes model policies and procedures, adoption of a model ordinance, training for city personnel, public education and purchase of pop-up valves with the matching grant program.

The timeframe includes 2 – 3 training sessions in September/October and adoption of the model policy by cities by the end of the year.

C. Police Training & Equipment:

- South Bay Consortium started the driver training and several PLAN cities have participated.
- Line officer training is scheduled for 6/17/02 through 6/21/02
- Recommendation to allocate \$10,000 to provide training on escalation of force techniques with emphasis on emotionally disturbed persons.
- Grants for the cities of Pacifica and San Carlos were submitted to the Department of Justice for Secure Eye digital camera equipment for police cars.

D. Defensive Driving:

- Recommendation to allocate \$5,000 to provide defensive driving classes available through the State of California. Marcus suggested that any City employee causing a motor vehicle accident be sent to one of these classes.

Motion to spend \$125,000 for the Sewer Loss Prevention Program as presented; \$10,000 for the Police Training and Equipment training as presented and \$5,000 for the defensive driving classes as presented. /M/Nadritch/S/Maltbie/C/ unanimously approved.

Financial Summary

- A. Joseph Chan presented the Investment Performance Report for FY 01-02 as of 3/31/02.
- B. The summary of the proposed changes to the Investment Policy:
- Divide the assets into 3 separate funds: Operating Fund, Claims Liability Fund and Long-Term Fund.
 - Assets in the Operating Fund will be invested in highly liquid securities. Assets in the Claims Liability Fund will be invested to achieve an average duration that closely matches the duration of claims liability calculated by the actuary. Assets in the Long-Term fund can be invested in securities with duration and yields that are higher than those in the Claims Liability Fund.
 - Allow investments in corporate notes—medium term notes with maximum maturity of 5 years issued by US corporations. They must be rated and remain at top category by Moody's or Standard and Poor's.
 - The total par value of callable federal agency securities and corporate notes must not exceed 30% of total portfolio.

The changes to the Investment Policy were approved as presented. /M/Cassingham/S/Conner/C/ unanimously approved.

Rob Sousa offered special thanks to Jim Steele of South San Francisco for all his efforts to look at ABAG PLAN's existing policy and assist in bringing it up to date.

The meeting was recessed for a break from 2:15 p.m. – 2:30 p.m.

Planning Meeting Report & Staffing Plan:

Marcus Beverly presented the status on the eight goals identified at the Strategic Planning meeting. We've made good progress on these since the October 2001 meeting.

The three-year staffing plan recommends the addition of one examiner position and expanding the responsibilities of each examiner. We will continue to form partnerships with key service providers to maintain quality services at a reasonable cost. We will look at the best use of the resources, which may include outsourcing some services.

Funding Policy

The funding policy was presented for approval. The objectives are:

- Sufficient assets to pay expected losses
- Stability of funding to avoid substantial fluctuations in deposits or assets.
- Support risk management services to benefit all members.

The policy includes defining funds for specific purposes, including a Risk Margin Fund (to meet expected liabilities at a 90% confidence level) and Self-Insured Retention Fund (to allow increase in PLAN SIR to \$10

million). It also includes benchmarks to follow in setting funding policy, such as a Fund to SIR ratio of at least 2:1 and setting initial Program Year funding at a 50% confidence level.

The funding policy was approved as presented/M/McIntyre/S/Cassingham/C/ unanimously approved.

Actuary/Underwriting Report:

Alex McIntyre introduced Ron Kozlowski who reviewed the actuarial report and also led the discussion regarding the self-funded excess liability program. The Actuarial Committee and Mr. Kozlowski worked very hard to make the premiums as realistic as possible. Overall the funding increased by 10%. Dennis Mulqueeney noted 30 – 80% increases for other public entities in the private insurance market.

No dividends will be paid this year because of the funding policy decision that the money will stay in the pool for solvency and to build the self-insured retention fund. The Actuarial Committee's goal is \$10,000,000 in the SIR Fund by the end of 2005. PLAN is well on the way to meeting that goal. Rob Sousa asked if alternative funding scenarios had been considered by the Actuarial Committee in order to provide a minimal dividend to plan members. Considerable discussion followed relating to the funding policies of the PLAN and the original goal to provide stable premiums for members.

Self-insuring to \$10,000,000 was estimated to cost about \$350,000 for the excess insurance. Dennis Mulqueeney is still working to firm up the quote for this excess coverage, but now believes it will exceed \$350,000. Mr. Kozlowski stated that purchase of the excess insurance, instead of self-insuring, will help protect the surplus to guarantee the pool's survival in the future. In addition, the cost of the insurance is still less than the cost to self-insure the \$5 million excess of \$5 million layer, though the gap between self-insurance and private industry is closing.

Motion for approval of the actuarial report; including funding up to \$350,000 to purchase the \$5,000,000 excess coverage and to authorize the Executive Committee to have a telephone conference if needed to approve any excess insurance premium amount that exceeds \$350,000.
/M/Nadritch/S/Conner/C/unanimously approved.

Property Program FY 2002-2003

Marcus Beverly handed out the proposed funding for the Property Program, which shows an increase on the average of 70% this year. The proposed funding was unanimously approved as presented. /M/San Diego/S/Cassingham

Claims Committee Report:

There was no formal presentation of the report, but information was provided with the meeting packets.

Administrative Budget FY 2002-03

The proposed administrative budget was approved as presented. The staffing figure includes funding for a temp-to-hire examiner position. Beverly explained the current plan is to hire a temp to adjust sewer claims to see if that relieves enough stress on the staff's workload to allow for an expansion of their duties. He

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would like to maintain flexibility in the staffing budget to allow for use of specialists as needed v. committing to a staff position, if possible. /M/Nadritch/S/San Diego/C/ unanimously approved.

The meeting was adjourned at 4:05 p.m.

Respectfully Submitted,
Eileen Barr
ABAG PLAN

Approved as presented at 5/28/03 PLAN Board meeting.