

EXECUTIVE COMMITTEE MEETING

April 10, 2019 at 12:00 P.M.

MPA Office, 1911 San Miguel Drive, Suite 200, Walnut Creek

MINUTES

Attendees:

Gary Napper, *City of Clayton, Vice President, Executive Committee*
Rob Ewing, *Town of Danville, Past President, Executive Committee*
Mike Chandler, *City of Martinez, Member-at-Large, Executive Committee*
Brad Farmer, *City of Pittsburg, Member-at-Large, Executive Committee*
Linda Cox, *MPA Chief Administrative Officer**
Frank Williamson, *MPA Finance Manager**
Erwin Chang, *MPA General Liability Claims Manager**
Victoria Thomas, *MPA Administrative Services Supervisor**
Jasmin Intravaia, *MPA Administrative Assistant**

(*Non-voting attendee)

All members present will be recorded in the minutes.

I. Vice President, Gary Napper called the meeting to order at 12:02pm.

II. INTRODUCTIONS

Introductions were conducted.

III. APPROVAL OF THE AGENDA AS POSTED

Farmer requested to amend the agenda and move Action Item 7, Proposed Cost of Living Adjustment to Closed Session.

Motion made by Brad Farmer to approve the Agenda as amended. Seconded by Mike Chandler. Unanimous vote of all members present and represented herein. (3-0).

IV. TIME RESERVED FOR MEMBER OF THE PUBLIC

There were no members of the public in attendance.

V. APPROVAL OF THE CONSENT CALENDAR

Ewing asked for Item C, MPA's Financial Statement be pulled for discussion. Ewing asked if the interest earned amount of \$944,000 was because of the change in the premium payment due date. Williamson replied that half of the interest earned was due to changing the payment due date and the other half was due to a change in the fair market value.

Motion made by Brad Farmer to approve the Consent Calendar as posted. Seconded by Gary Napper. Approved by unanimous vote of all members present and represented herein. (3-0).

VI. ACTION ITEM

1. Proposed Changes to the General & Auto Liability Memorandum of Coverage (MOC)

Cox reported that the Coverage & Governance Committee met and reviewed the General & Auto Liability MOC. There were a few changes proposed to clarify language. The most significant change was with the Resolution of Coverage Disputes and the need to add language to be consistent with current practices.

Motion made by Mike Chandler to approve and move forward to the Board of Directors for approval. Seconded by Brad Farmer. Approved by unanimous vote of all members present and represented herein. (3-0).

2. Proposed Changes to the Vehicle Physical Damage Memorandum of Coverage (MOC)

Cox reported that the Coverage & Governance Committee met and reviewed the Vehicle Physical Damage MOC. There were a few changes proposed to clarify language.

Staff expressed the importance of Members notifying the Authority prior to doing repairs on a damaged vehicle, as referenced in the MOC, VII, B, Payment of Loss. It was asked if Members can use their own fleet maintenance staff to do repairs. Chang replied that Members can use their own staff to do vehicle repairs; however, the Authority must be notified prior to repairs being made. Chang added that if a Member's staff is used then the Authority will only reimburse for parts and approval for reimbursement of parts is based on prior notice.

A Board Member asked what the deductible is for the Program. The deductibles are: \$3,000 for police a vehicle and \$2,000 for any other type of vehicle.

Chang added the importance of Members notifying the Authority immediately when a vehicle is removed from their inventory. As referenced in the MOC, VII, D, Removal of the Vehicle, the effective date for removal for all purposes will be the date of the request, and will not be made retroactive.

Staff will notify appropriate contacts regarding the requirements on repairs.

Motion made by Mike Chandler to approve and move forward to the Board of Directors for approval. Seconded by Brad Farmer. Approved by unanimous vote of all members present and represented herein. (3-0).

3. Proposed Strategic Planning Workshop

The next workshop is scheduled for January 2020. Staff has begun the preparation for the workshop and presented five venue options for Board consideration. The proposed locations for the workshop are in: Walnut Creek, Lafayette, Oakland, and San Francisco. Staff proposed a budget of \$24,000 with the assumption that all workshop attendees will have an overnight stay at the hotel to attend the Board of Directors meeting the following day. Staff will research sponsors to help offset the cost. Staff researched planned meetings in the month of January and determined the best date for the workshop is January 16th.

Ewing and Chandler expressed an interest for the workshop to be held locally in either Walnut Creek or Lafayette.

Motion made by Mike Chandler to approve the proposed budget amount of \$24,000 with a venue preference of Walnut Creek or Lafayette and move forward to the Board of Directors for approval. Seconded by Brad Farmer. Approved by unanimous vote of all members present and represented herein. (3-0).

4. General Liability Claims Audit

Tim Farley of Farley Consulting Services completed the audit for the General Liability Department. MPA received high marks for investigation and litigation management. Chang reported on the audit summary. The audit received one deficiency shown in audit summary item six. Farmer researched the logistics of said deficiency and determined that it was not Staff's error, but the auditor's error. Farmer suggested Staff contact Mr. Farley and have him correct his audit report. Cox replied that Chang has made several attempts to contact Mr. Farley, but has not been successful with speaking to him.

Direction was given to Staff to revise the Staff Report being presented to the Board of Directors to inform them that Staff made attempts to get summary item six corrected. It was also requested that the Manager's Response to the Audit be on the Authority's letterhead going forward.

Motion made by Gary Napper to approve the General Liability Claims Audit with suggested edits and move forward to the Board of Directors to accept and file. Seconded by Mike Chandler. Approved by unanimous vote of all members present and represented herein. (3-0).

5. CalPERS Retirement Unfunded Liability

At the direction of the Board, Staff presented options for the unfunded liability to the Board for review and consideration. The options presented were: 1) pay as you go, 2) one-time lump sum payment, 3) establish a Section 115 Trust account, or 4) a combination of options 1 - 3. Staff provided the advantages and disadvantages for each option.

Cox reminded the Executive Committee that Staff has earmarked \$1,053,000 of dividends received from CARMA and ERMA to be applied towards one of the proposed options.

At the direction of the Board, Staff inquired a second time with CalPERS regarding whether the unfunded liability falls under a 20 year or 30 year amortization period. CalPERS stated that following their current policy, this situation is more comparable to either a New Agency UAL or a Plan Amendment UAL; thereby, making it a 20 year amortization period.

Option 2, Staff provided pay down options varying between \$100,000 to \$1,000,000. If paid down by June 19, 2019, the interest saved would vary between \$134,000 to \$1,116,000.

Farmer suggested that potential loss of principal be added to Option 2. Disadvantages, IV.

Option 3, Cox stated that the portfolio would be managed by PFM with an annual fee as high as .60% if under \$5M. Farmer asked what the estimated return would be. Cox replied that it is unknown, as Staff is at the beginning stage in the process and needs direction from the Board first.

Napper questioned establishing a Section 115 Trust as it locks the money in the trust for a singular purpose. He suggested possibly placing the money in a reserve fund in LAIF or CAMP. The benefits to do this would be: no management fee, money isn't locked in a portfolio, and the money can only be used based upon Board action, thereby disallowing Staff to move the monies around. Napper added that a disadvantage in placing the money in a reserve fund is membership equity. Because the \$1,053,000 money is from the dividends received in the General Liability Program and some member cities pay more into that making them have more share in the Program. He questioned what the equitable solution should be. Williamson proposed that the solution is to continue allocating how it is currently done; numbers are based on Members' payroll and experience modifications with each Member contributing 40% for the General Liability Program, 40% for the Workers' Compensation Program, and 20% for the remaining programs.

After a lengthy discussion, the Executive Committee proposed a fourth option for the Board to consider: pay down half of the CalPERS unfunded liability (\$500,000) and place the remaining \$553,000 into a Pension Stabilization Fund that has restricted movement that only the Board can approve with 2/3 of the full Board's vote. Some of the options for moving the monies would be: move monies into a Section 115 Trust, move monies to the General Liability Program for necessary access, or pay down CalPERS.

Motion made by Brad Farmer to approve the CalPERS Unfunded Liability with the amendment of adding a fourth option. Seconded by Mike Chandler. Approved by unanimous vote of all members present and represented herein. (3-0).

6. Transfer of Assets and Liabilities Resolution

This topic was brought to the Board at the January meeting. Approval and adoption of the resolution did not transpire during the January Board meeting due to the Board's request for Staff to go back to CalPERS a second time and confirm that the amortization period cannot be changed from a 20 year to a 30 year. Staff reported back to the Board that due to CalPERS policy the amortization will remain at 20 years. Staff cannot move forward with the transfer of the assets and liabilities until the resolution is approved and adopted. Staff is bringing the resolution back to the Board for approval and adoption.

Motion made by Mike Chandler to approve the Transfer of Assets and Liabilities Resolution and move forward to the Board of Directors for approval and adoption. Seconded by Brad Farmer. Approved by unanimous vote of all members present and represented herein. (3-0).

7. MPA Cost of Living Adjustment

This topic was moved to Closed Session. Report out - There was no reportable action.

8. Proposed Draft Spending Plan Fiscal Year 2019-20

Staff presented the proposed draft spending plan for Fiscal Year 2019-20. Williamson reported that total expenses are increasing by \$1,802,440, insurance premiums are increasing \$822,406, it is estimated that CARMA and ERMA will both increase 10%, and Staff is proposing earthquake insurance for the MPA building, with the cost included in the draft spending plan. The Authority's actuary is estimating the General Liability and Workers' Compensation Programs will increase approximately \$500,000.

As per policy, Staff used the CPI Bay Area December to December for the Cost of Living Adjustment, which is 4.5%. Williamson added \$74,490 to the draft spending plan to reflect the adjustment. Benefits are increasing \$153,769. Williamson explained that \$140,961 of the benefit increase was due to a reallocation agreement between MPA and the City of Pleasant Hill where MPA employees were incorrectly included under the City of Pleasant Hill's CalPERS retirement account. The Other Programs (Property, Life, STD/ LTD, Vehicle, Wellness and Facility Management) will be increasing a total amount of \$483,252. The increases are: Net Claims Paid \$32,881, Insurance Premiums \$422,836, and General & Administration Cost Allocation \$40,506. The decreases are: Claims Administration \$5,760 and Equipment \$8,660.

Napper requested that Staff include the total compensation cost for employees in the final budget.

The motion on the Draft Spending Plan was postponed until after the Cost of Living Adjustment topic was discussed in Closed Session.

Motion made by Brad Farmer to move forward to the Board of Directors for further discussion. Seconded by Mike Chandler. Approved by unanimous vote of all members present and represented herein. (3-0).

VII. INFORMATIONAL ITEMS

9. Risk Management Police Committee (RMPC) Meeting Report

Chang reported on presentations and discussion that occurred during the RMPC meeting.

Napper asked about participation at the meeting. Chang reported that the attendance is growing and are now at room capacity. Chang added that more member cities' police chiefs are attending, which is beneficial to their City.

10. General Liability and Workers' Compensation Dashboards

There was no discussion.

VIII. MANAGERS' REPORTS

11. General Liability Department

Chang reported that the department is working diligently to close claims showing a 105% closing ratio. The department recently recovered \$151,000 in subrogation for the City of Walnut Creek, wherein MPA received 50% of that. Chang added that in the past six months the department has recovered approximately \$346,020 through subrogation, which is money that was not accounted for.

12. Workers' Compensation Department

No report out.

13. Finance Department

Williamson added to his report that the Authority received one response to the Request for Proposal for a new auditor. Staff is currently checking their references.

14. Chief Administrative Officer's

Cox reported that several contracts have been received and Staff will present them at the May Board of Directors meeting for approval.

Cox informed the Executive Committee that CSAC-EIA amended their Memorandum of Coverage to specifically state that all member agencies must provide a resolution adopting coverage for off-duty police officers who may get injured while outside the state of California, attempting apprehension of law violators or suspected law violators. A sample resolution was given so Members can take it to their city councils.

Napper reiterated that a resolution is needed only for excess coverage through CSAC-EIA (claim costs above \$500,000) and that MPA does cover up to \$500,000 of coverage for off-duty police officers should they get injured while attempting apprehension of law violators or suspected law violators while outside the state of California

Due to a vacancy on the Dublin Insurance Board, Cox is now a member on the Board.

Staff will present service provider options for a possible change with the Employer Assistance Program at the Board of Directors meeting in May.

IX. MEMBERS COMMENTS

Napper announced he is retiring after serving in the local government for 42 years with 35 of those years as a City Manager. His retirement date will be at the end of July.

Napper's retirement will make a vacancy on the Executive Committee requiring an election at the May Board of Directors meeting to fill the vacancy for the remaining term that will expire in January 2020. The newly incumbent will take the position at the June 20th Board of Directors meeting.

X. CLOSED SESSION

Report out - There was no reportable action.

XI. ADJOURNMENT – Meeting was adjourned at 2:45pm