

BOARD OF DIRECTORS MEETING
May 7, 2020 at 10:00am
Teleconference and Videoconference via Zoom

MINUTES

Attendees:

Reina Schwartz, *City of San Pablo, President, Executive Committee*
Sukari Beshears, *City of Brentwood, Vice President, Executive Committee*
Tracy Robinson, *City of Lafayette, Past-President, Executive Committee*
Tim Przybyla, *City of Oakley, Member-at-Large, Executive Committee, Board Treasurer*
Brad Farmer, *City of Pittsburg, Member-at-Large, Executive Committee*
Mike Chandler, *City of Martinez, Member-at-Large, Executive Committee*
Thomas Lloyd Smith, *City of Antioch*
Laura Hoffmeister, *City of Clayton*
Rob Ewing, *Town of Danville*
Alexandra Orogas, *City of El Cerrito*
LeeAnn McPhillips, *City of Gilroy*
Lori Martin, *City of Hercules*
Norm Veloso, *Town of Moraga*
Paul Rankin, *City of Orinda*
Lorenzo Hines, *City of Pacifica*
Hector De La Rosa, *City of Pinole*
Ericka Mitchell, *City of Pleasant Hill*
Eva Phelps, *City of San Ramon*
Carla Hansen, *City of Walnut Creek*
Linda Cox, *MPA Chief Administrative Officer**
Frank Williamson, *MPA Finance Manager**
Erwin Chang, *MPA General Liability Claims Manager**
Barbara Esquivel, *MPA Workers' Compensation Claims Manager**
Victoria Thomas, *MPA Administrative Services Supervisor/Clerk of the Board**
Jasmin Intravaia, *MPA Administrative Assistant**
Dennis Mulqueeny, *Alliant**
Lesley Murphy, *PFM Investments**
Allison Kaune, *PFM Investments**
Kellie Murphy, *Johnson Schachter & Lewis**

(*Non-voting attendee)

All members present will be recorded in the minutes.

I. President, Reina Schwartz called the meeting to order at 10:03am.

II. INTRODUCTIONS

Roll call was taken by Board Clerk Thomas.

III. APPROVAL OF THE AGENDA AS POSTED

Motion made by Alexandra Orogas to approve the Agenda as posted. Seconded by Brad Farmer. Approved by unanimous vote of all members present and represented herein. (19-0).

IV. TIME RESERVED FOR MEMBERS OF THE PUBLIC

No comments were received from the public.

V. APPROVAL OF THE CONSENT CALENDAR

Motion made by LeeAnn McPhillips to approve the Consent Calendar as posted. Seconded by Tim Przybyla. Approved by unanimous vote of all members present and represented herein. (19-0).

VI. ACTION ITEMS

1. Proposed Changes to the General Liability Memorandum of Coverage

Chang reported on the proposed changes to the General Liability Memorandum of Coverage (MOC): Date, Definitions, Section VII Exclusions, Sexual Abuse language added, and Section VIII Conditions, Number 9.

Farmer said that a few Members have geological hazard abatement districts that are part of their city, but are made as a separate entity to limit the liability to the agency. He asked if coverage would be provided to an agency in the Pool if a claim occurred to the separate entity. He also asked if there was coverage to employees and/or council members that are on other Boards outside of the agency's city and/or JPA. Murphy replied that there is language in the MOC on JPA coverage (agenda packet page 166-167, Section VI.E); wherein it reads covered party does not include any type of entity that falls under any other JPA or JPA agreement that creates a separate agency or entity unless added by endorsement.

McPhillips asked if MPA ever had a claim from any of Members related to service by an employee of agency for their work on another Board. Chang said there has been no occurrences since he's been at MPA for three years. McPhillips said that, though there has not been an occurrence, making it low risk, MPA should keep the coverage for its Members. Schwartz agreed to keep the coverage, not allow endorsements that give the other entities insurance coverage, and proposed a sublimit of coverage be considered.

Farmer asked for the definition of entity. Murphy said that the word entity is used inconsistently throughout the MOC and suggested Staff review it further to better define its meaning.

Farmer asked for clarification on the word utility (agenda packet page 171, Section VII Exclusions, 19.c) when talking about city's vehicles. Murphy said that she and Staff researched the initial intent of the language and determined it was to address two agencies: Pittsburg and Hercules as they had unique risk described in the MOC as electrical power generation plants or power generating enterprises. The intent was to specifically exclude risks associated with those two power entities. Murphy agreed with Farmer in that, it is not the correct way to describe them and the language should be reviewed further by the Coverage & Governance Committee. Martin informed the Board that the City of Hercules no longer owns a power plant.

Cox said that the Coverage & Governance Committee will meet to discuss a potential sublimit of coverage and review the definition of entity and utility and bring back to the Board at the June meeting.

Motion made by Brad Farmer to review language in Sections 1 and 2 and bring back to the Board at the June meeting to review and adopt and to approve Sections 3 and 4 of the General Liability Memorandum of Coverage. Seconded by Paul Rankin. Approved by unanimous vote of all members present and represented herein. (19-0).

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

Chang reported on the proposed changes to the Vehicle Physical Damage Memorandum of Coverage (MOC): Date, Section I Definitions, Section V Limit of Liability, and Section V language change on tow charges.

There was discussion on undercover police leased vehicles. Staff was directed by the Board to determine the length of time a leased vehicle is covered and bring back to the Board in June.

Chang stated the definition of Total Loss is the replacement of the vehicle or the stated value, whichever is less. The language was defined to encourage Members to report the accurate value of a vehicle.

Tow charges were increased from \$15 per day to \$100 per day.

Motion made by Laura Hoffmeister to amend the language in Item B regarding rented/leased undercover police vehicles and approved Items A, C, and D and bring back to the Board June meeting to review amendment and adopt the Vehicle MOC. Seconded by LeeAnn McPhillips. Approved by unanimous vote of all members present and represented herein. (19-0).

3. Renewal of the Workers' Compensation Memorandum of Coverage

Chang reported on the proposed changes to the Workers' Compensation Memorandum of Coverage (MOC): Only the date was changed.

Motion made by Laura Hoffmeister to approve and adopt the Workers' Compensation Memorandum of Coverage. Seconded by Tim Przybyla. Approved by unanimous vote of all members present and represented herein. (18-1 City of Gilroy Abstained).

4. General Liability Claims Audit

Chang reported that MPA received high marks for litigation management, claims handling, and excess reporting. The auditor reported that all files were reported timely to CARMA.

The auditor reported that not all photos were documented in the electronic claim files. Chang explained that the claims management system Staff uses does not have adequate space to allow all photos for each claim to be uploaded. Going forward, Staff will put some of the photos in the electronic file and report the location of the CD of all photos in the files.

No adjustments were recommended.

Motion made by Tim Przybyla to accept and file the General Liability Claims Audit. Seconded by LeeAnn McPhillips. Approved by unanimous vote of all members present and represented herein. (19-0).

5. Property and Crime Program Renewals

Dennis Mulqueeny from Alliant was in attendance to present on the the Property and Crime Program renewals.

Proposed summary of coverages are:

Property Program - \$1B per occurrence with a \$25M for Flood sub-limit A&V and \$25M for Flood sub-limit for All Other

- Cyber Coverage \$2M with a sub-limit of \$1M for breach response costs

Crime Program - \$5M

Deadly Weapons - \$500,000 per claim with a \$2.5M aggregate shared among Members

With sub-limits of:

- 1st party property damage \$250,000 per event
- Business Interruption \$250,000 per event
- Crisis Management \$250,000 per event
- Funeral Expenses \$250,000 per event
- Counseling Services \$250,000 per event
- Demo/Clearance/Memorialization \$250,000 per event

Excess Workers' Compensation – Coverage is from PRISM (formerly known as CSAC-EIA) limits are statutory with a retention of \$500,000.

Estimated total cost is not to exceed \$2,262,056. 25.65% over prior year due to losses.

Rankin asked about water damage coverage. The current limit has a high deductible of \$150,000. Mulqueeny reported that in the past the Members experienced a large amount of water damage claims. The deductible was raised in order to soften a premium increase. The Board directed Mulqueeny to do an analysis on any recent losses to see if there is potential to lower the deductible.

Rankin asked if the Fine Art premium was now equal among the Members. Williamson replied that the Fine Art premium rate and \$5,000 deductible is now the same for all Members.

Motion made by Rob Ewing to approve the rate renewals as not to exceed amount in the Property and Crime Programs. Seconded by Ericka Mitchell. Approved by unanimous vote of all members present and represented herein. (19-0).

6. Proposed Draft Spending Plan for Fiscal Year 2020-21

In consideration of the potential impact the COVID-19 Shelter in Place may have on member cities for the next fiscal year, Staff reviewed the areas of next fiscal year's budget that can handle a reduction while ensuring sufficient funds to operate and provide essential services to Members. The proposed reductions were: no Cost of Living Adjustment for Staff, suspension of the Public Works and Police Risk Management Committees, eliminate Board trainings, travel, and meals, reduce Staff's meals, mileage, and trainings to a minimum, reduce office supplies and building/property maintenance to a minimum, and suspend the planned building projects.

To offset some of the claims liability increases, Staff asked Bickmore Actuary Services to value the General Liability and Workers' Compensation Programs for potential retrospective premium adjustments. Staff anticipates the retrospective premium adjustments will be substantial.

Additionally, Staff will be recommending the use of dividends received by the excess coverage programs, ERMA, and CARMA to offset their premiums.

12:13pm Laura Hoffmeister left the meeting

Williamson reported on the consolidated budget for all programs.

Mitchell asked how much the dividends would offset the premiums for Fiscal Year 2020-21. Cox said it depends on what each city pays into the programs annually. ERMA and CARMA both are proposing dividends of approximately \$200,000 each. The dividend would be applied to each Member based on their contribution, experience modification, and how they were originally charged for the premiums. Staff also anticipates \$1M of dividends coming from the General Liability Program for Members and possibly the same for the Workers' Compensation Program. Staff plans to present this information to the Board soon.

Cox reminded the Board that MPA takes a very conservative approach to the distribution of dividends. Per MPA's policy, it states that anything over 90% funded for all years older than five years can be distributed to Members between 50% to 100%. Staff remains conservative and will be proposing a 20% dividend distribution from the General Liability Program. Cox added that Staff is currently reviewing the Workers' Compensation Program for possible dividend distribution.

McPhillips asked about the implication of postponing the repairs to the building and if postponing will create risk for Members. Cox replied that the plan for the building was to do the geological testing and to meet with the Ad-Hoc Building Committee to review options with moving forward. The Committee will still meet to make a plan and projections for next year. Other than the approved ADA repairs to the building and property, there were no other building repair plans determined at the January Strategic Planning Workshop. Staff did have the required ADA repairs done while employees are not in the office.

Staff will meet with the Ad-Hoc Compensation Committee to review the total compensation study, salary chart, and pay structure and will bring to the September Board of Directors meeting for discussion.

McPhillips asked if some or all of the dividend can be put in the Section 115 Trust. Cox replied yes and this was a previous direction from the Board, which is why there is \$1M of dividends already earmarked for the Trust. Williamson asked for direction from the Board as to how much money to put into the Section 115 Trust. There was discussion on this, but no direction was given.

Farmer asked that the Public Works and Police Risk Management Committees not be suspended, but rather continue through videoconferences. Cox said Staff will research this to see if speakers are available for continued meetings via videoconferencing.

No motion was made. Direction was given.

VII. INFORMATIONAL ITEMS

7. PFM Investment Update

Leslie Murphy was in attendance to present. She spoke about Pre COVID-19 and Post COVID-19. In Pre COVID-19 there was continued job growth, elevated consumer confidence with spending, and record highs in the stock market. In March the COVID-19 spread across

the United States and globe causing a shutdown of many segments of the economy, massive job losses, significant volatility in all markets, unprecedented intervention by Congress and the Federal Reserve, and the Federal funds target rate slashed to 0.00% - 0.25%.

Congress Passed a \$2 Trillion Stimulus Package under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. This is noted to be the largest stimulus package ever in history.

Murphy reported on MPA's Investment Program with LAIF at \$14,760,776 and CAMP at \$5,247,034, Operating Reserve at \$42,114,723, and a Long Term Portfolio at \$16,597,835. As of March 2020, total portfolio percentages are: 45% in U.S. Treasury, 11% Federal Agency, <1% Federal Agency CMO, <1% Municipal Bond, 1% Supranational, 6% Negotiable Certificates of Deposit, 2% Asset-Backed Security, 7% Corporate Note, 7% in CAMP, and 19% in LAIF.

12:49pm Brad Farmer left the meeting

In the market value basis the operating reserve portfolio performance as of December 31, 2019 showed a beginning balance of \$38,556,812.68 and an ending balance on March 31, 2020 of \$41,889,846.32. Interest earned was \$216,547.75 making the portfolio earnings \$813,889.23.

1:05pm Thomas Lloyd Smith left the meeting

In the market value basis the Long-Term portfolio performance as of December 31, 2019 showed a beginning balance of \$13,870,988.02 and an ending balance on March 31, 2020 of \$16,506,024.82. Interest earned was \$88,199.67 making the portfolio earnings \$754,346.33.

Murphy gave 2020 market outlook key takeaways: Severe uncertainty around U.S economic conditions due to the COVID-19 pandemic, GDP expected to drop and unemployment rate expected to increase drastically in the second quarter, intervention by the Federal Reserve and lawmakers to bolster the markets and provide support to business and individuals will likely continue to take center stage, and rates are expected to remain ultra low until the crisis subsides. The portfolio strategy implications are: focus on safety and liquidity, increase surveillance of all corporate and asset-backed securities, temporarily halt non-government purchase until market conditions stabilize, and maintain portfolio duration in line with the benchmark.

1:10pm Tracy Robinson left the meeting

8. General Liability and Workers' Compensation Executive Dashboards

There was no discussion.

VIII. MANAGERS' REPORTS

Cox reported that both the General Liability and Workers' Compensation Departments continue to have a closing ratio above 90% and most often it is over 100%.

Esquivel reported on the state of affairs with the COVID-19 and workers' compensation claims. On May 6, 2020 Governor Newsom signed an Executive Order relating to COVID-19 workers' compensation claims.

The Executive Order is effective for cases contracted between March 19, 2020 (which was when the Shelter in Place went into effect) and July 5, 2020. This Executive Order creates a rebuttable presumption of compensability for workers contracting COVID-19 if they are diagnosed with COVID-19 within 14 days after a day they performed labor outside of the home, at their place of employment, at the employer's direction.

A COVID-19 workers' compensation claim allows for 30 days to investigate a claim and accept or deny it. A claim will automatically be accepted if the claim is not denied within the 30 days. Other types of workers' compensation claims allow for 90 days to investigate and determine whether or not the claim will be accepted.

To date, MPA has received eight COVID-19 workers' compensation claims, and of the eight two have tested positive for the virus. Fortunately, both self-quarantined themselves and recovered.

IX. MEMBERS' COMMENTS

Schwartz thanked Staff for running such a smooth meeting via videoconference recognizing the difficulty to prepare for the meeting that involved so many participants.

X. ADJOURNMENT - Meeting was adjourned at 1:30pm.