



**Small Cities Organized Risk Effort (SCORE)
Board of Directors Meeting Minutes
April 1, 2016**

Member Cities Present:

John Busch, City of Biggs
Mark Miller, City of Colfax
Marylin Seward, City of Etna
Linda Romaine, Town of Fort Jones
Robert Jankovitz, City of Isleton
Jim Goodwin, City of Live Oak
Roger Carroll, Town of Loomis
Kathy LeBlanc, City of Loyalton

Don Kincade, City of Montague
Muriel Howarth Terrell, City of Mt. Shasta
Robert Meacher, City of Portola
Brooke Woodcox, City of Rio Dell
John Duckett, City of Shasta Lake
Jared Hancock, City of Susanville
Jenny Coelho, City of Tulelake
Steve Baker, City of Yreka

Member Cities Absent:

City of Dunsmuir

City of Weed

Consultants & Guests

Michael Simmons, Alliant Insurance Services
Marcus Beverly, Alliant Insurance Services
Michelle Minnick, Alliant Insurance Services
Dorienne Zumwalt, York Risk Services
Cameron Dewey, York Risk Services
Marty Cassell, Chandler Asset Management

Kevin Wong, Gilbert Associates, Inc.
Tracey Smith-Reed, Gilbert Associates, Inc.
Becky , Bickmore
David Patzer DKF Risk Services
John Balestrini, DKF Risk Services

A. CALL TO ORDER

Mr. Roger Carroll called the meeting to order at 10:02 a.m.

B. ROLL CALL

The above mentioned members were present constituting a quorum. Cities absent from this meeting were the City of Dunsmuir and the City of Weed.

C. APPROVAL OF AGENDA AS POSTED

A motion was made to approve the Agenda as posted.

MOTION: Mark Miller

SECOND: Kathy LeBlanc

**MOTION CARRIED
UNANIMOUSLY**



D. PUBLIC COMMENT

There were no public comments.

E. CONSENT CALENDAR

1. Board of Directors Meeting *Draft* Minutes – January 29, 2016
2. US Bank Custodial Account Statement – January – February 2016
3. SCORE Checking Account Transaction List – January – February 2016
4. Investment Statements from Chandler Asset Management – January – February 2016
5. Target Solutions Monthly Utilization Report – January – February 2016

A motion was made to approve the Consent Calendar as presented.

MOTION: Linda Romaine

SECOND: Robert Meacher

**MOTION CARRIED
UNANIMOUSLY**

F. ADMINISTRATIVE REPORTS

F1. President's Report

Mr. Roger Carroll had no issues to report for SCORE.

F2. Alliant Update

Michelle Minnick noted that Chandler Asset Management requested permission to list SCORE on their current client list and the Program Administrators were given permission to allow Chandler Asset Management to list SCORE on their current client list.

F3. CJPRMA Update

Mr. Roger Carroll noted that there are indications from CJPRMA that the Excess Layer will see an increase of about 5-10% for the next year. He also thanked members who have Police Departments because there are no shooting claims coming from SCORE but this has been an issue for CJPRMA.

F4. ERMA Update

John Duckett provided the Board of Directors with an update as he attended the ERMA Planning Day and Board of Directors meeting in Yountville this past February and provided a brief review of the items covered. He highlighted the main points covered and noted the goals and objectives were approved. He indicated ERMA will continue with the Ad Hoc training committee and that the Underwriters are in the process of revising the Experience Modified Calculations (Ex Mod). ERMA will also continue the use of an attorney hotline and will continue their marketing efforts to obtain new members.



F5. LAWCX Update

Steve Baker had had no issues to report for SCORE.

G. FINANCIAL

G1. Chandler Asset Management – Investment Manager’s Report

Marty Cassell provided the Board with the Investment Manger’s report which included a brief explanation of the economy which is continuing to grow and noted that the Federal Reserve is the big topic of interest. He went on to mention that the Federal Reserve is still continuing to increase rates this year but noted that the market assumes this is overly ambitious as the Federal Reserve only has direct control of short term rates while long term rates have actually come down. Marty Cassell also indicated that everything is in compliance with state code and the SCORE investment policy and mentioned that prior to any investment transaction is performed there is a check with state code and the SCORE investment policy.

A motion was made to accept and file the Investment Manager’s Report.

MOTION: Robert Meacher

SECOND: John Duckett

**MOTION CARRIED
UNANIMOUSLY**

G2. Investment Policy Review and Approval

Marcus Beverly noted that Chandler Asset Management has recommended a few changes to the SCORE Investment Policy. On the investment schedule he noted the changes are marked in red with comments in the margin and highlighted that the LAIF Program Limit increased from \$50 million to \$65 million and the Repurchase Agreements and the Money Market Fund changed to 20 percent. We added the Supranationals to the Investment Policy last year and the remainder of changes that are recommended are an effort to clean up the language and to be consistent in the table and the text.

A motion was made to approve the amendments to the investment policy.

MOTION: Linda Romaine

SECOND: Don Kincade

**MOTION CARRIED
UNANIMOUSLY**

G3a. Gilbert Associates Service Agreement FY 2015/16

Marcus Beverly provided that there are recommended changes to the Gilbert Contract and they have added the first two main headings but noted the rest of the agreement is the same. Laura Redwine indicated there is little room to change the wording which comes from the AICPA directly and noted there are misconceptions as to why the auditor doesn’t find fraud every time. Roger Carroll noted that they are probably hiring attorneys to help write the language in the agreement.



A motion was made to approve the Gilbert Associates Service Agreement for FY 2015/16.

MOTION: Muriel Howarth- Terrell **SECOND: Mark Miller**

MOTION CARRIED UNANIMOUSLY

G3b. Gilbert Associates Service Agreement FY 2016/17

Marcus Beverly noted as we enter into the first of a one year option extension there is a 3.5% increase in the Gilbert Associates fee (\$1,800 increase). It was mentioned that the financial statements are on time and the audits are really smooth. Jared Hancock indicated that the hourly rate for Tracey and Kevin did not change and mentioned that about 3 years they took a lot of extra time to help with the transition from the prior accountant. It was also noted that Gilbert will begin to bill quarterly instead of monthly.

Jared Hancock asked if the reconciliation of the claim payments had been completed when Gilbert took over and helped to create the new dividend and assessment process. Mike Simmons responded that a certain amount had been written off with Board approval and Marcus Beverly indicated he would pull the information from the meeting in Napa to confirm the amount.

A motion was made to approve the Gilbert Associates Agreement for FY 16/17.

MOTION: Jared Hancock **SECOND: John Duckett**

MOTION CARRIED UNANIMOUSLY

G4. Quarterly Financials for Period Ending December 31, 2015

Kevin Wong and Tracey Smith-Reed provided a summary of the Quarterly Financials for Period Ending December 31, 2015.

- The change in Claims Liabilities has had positive claims development in both Workers' Compensation but mostly in the Liability Program (a decrease of approximately \$2 million as claims that were reserved at a fairly high level have reduced as claims developed)
- Dividends in the amount of \$146,000 was the disbursement of the ERMA dividends (distributed to members in late August 2015)
- Ending Net Position Ending for the third quarter of FY 15/16 at \$7.4 million
- There has been an increase in the Workers' Compensation Program and there are undesignated funds and if trends continue there could be funds available in the Shared Layer for distribution next year

A motion was made to accept and file the Quarterly Financials for PE December 31, 2015.

MOTION: Kathy LeBlanc **SECOND: Robert Meacher**

MOTION CARRIED UNANIMOUSLY



H. JPA BUSINESS

H1. Risk Control Issues

H1a. Suggested Risk Management Services for FY 2016/17

John Balestrini noted that he has completed 17 of 18 member site visits and highlighted that DKF Solutions Group has developed 48 CalOSHA Programs for SCORE members and employees are engaged in the process. He also mentioned that the companion computer based modules are being developed this month. The MSO Training Tracking Tool is something of focus as DKF is taking a list of training to help determine what training is needed and when – members were encouraged to send completed training reports to Edie to ensure this is up to date. He also provided a summary of the services that are available under the current DKF Solutions contract:

- Video Library of safety related training
- Risk Control hotline – recommended that members post this for all employees to use
- CalOSHA policies (three for each City)
- More Regional Trainings – recent trainings have been extremely popular

John Balestrini also mentioned that he will begin regular scheduled contact with members in the form of a quarterly call with members to help ensure smaller steps are being taken toward the goal of updating policies to get into compliance.

David Patzer reminded the Board about the Budget Benchmarking Study for Sewer Collections and noted that sewers are a significant source of losses for the SCORE pool. He went on to mention that Randy Musgraves and will be contacting SCORE members during April-May to review a couple years' worth of budget data as it relates to sanitary sewer systems. David then provided a review of the services that will be provided under the proposed risk control services 3 year contract with two year optional extensions:

- Minimum of one site visit - adding services to include safety inspections to catch safety related issues before they turn into claims
- Updating CalOSHA policies – after this year every member will have three (3) updated policies and this contract will allow us to revisit and revise as necessary those policies that have been created with the goal to get all members up to date on all CalOSHA policies over a five (5) year period.
- Companion computer based training to compliment the CalOSHA policies
- Web based training modules- being revamped and there will be 10 course designed for group training sessions
- App for Lockout/Tag out procedures using a QR code which will pull up the specific procedure associated with that piece of machinery
- Adding Quarterly Risk Control Pulse to ensure progress of Risk Control Work Plan
- Comprehensive special risk control projects to address new/emerging exposures

A motion was made to approve the DKF Solutions Agreement for the FY 2016/17-FY 2018/19.

MOTION: John Duckett

SECOND: Don Kincade

**MOTION CARRIED
UNANIMOUSLY**



H1b. Loss Control Grant Fund Program

Marcus Beverly noted that the Loss Control Grant Fund is an annual program which allocates \$50,000 from both the Workers' Compensation and Liability programs shared layers and provided the allocation for the FY 2016/17 for review. He indicated that there is a minimum allocation amount of \$1,000 per member for each program that a member participates in.

A motion was made to continue to the Loss Control Grant Fund for the FY 2016/17.

MOTION: Mark Miller

SECOND: Muriel Howarth-Terrell

**MOTION CARRIED
UNANIMOUSLY**

H2a. Draft Actuarial Review of the Self-Insured Liability Program

Becky Richard from Bickmore presented a review of the Actuary report for the Liability Program.

- She noted that there was a decrease in the Actual versus Expected of \$122,994 due to claims that had been reserved for a higher amount and then settled for a lesser amount and indicated that the Selected Ultimate Loss and ALAE for claims at 6/30/16 is \$1,164,000
- Prior Outstanding Liabilities for last year are \$1,467,000 and for this year the Expected is at \$1,135,000 (which is a 45% decrease)
- Outstanding Liabilities in the Banking Layer is \$218,000 - a decrease of 26% from last year
- Outstanding Liabilities in the Shared Layer is \$917,000 - a decrease of 22% from last year

**NOTE: At this time the Board requested a review of the Actuary report for the Workers' Compensation program prior to making a motion on this time.*

**NOTE: The Board voted on Items H.2.a. and H.2.b. in the same motion.*

A motion was made to issue the final actuary reports.

MOTION: Mark Miller

SECOND: Kathy LeBlanc

**MOTION CARRIED
UNANIMOUSLY**

H2b. Draft Actuarial Review of the Self-Insured Workers' Compensation Program

Becky Richard from Bickmore presented a review of the Actuary report for the Workers' Compensation Program.

- She noted that there was a decrease in the Actual versus Expected of \$17,100 due to claims that had been reserved for a higher amount and then settled for a lesser amount
- The Selected Ultimate Loss and ALAE for claims at 6/30/16 is \$3,530,664
- Prior Outstanding Liabilities for last year are \$3,681,000 and this year the Expected is at \$3,211,000 (which is a 13% decrease driven by case reserves)



- Outstanding Liabilities in the Banking Layer is \$288,000 - a decrease of 25% from last year
- Outstanding Liabilities in the Shared Layer is \$2,923,000 - a decrease of 11% from last year

**NOTE: The Board voted on Items H.2.a. and H.2.b. in the same motion.*

A motion was made to issue the final actuary reports.

MOTION: Mark Miller

SECOND: Kathy LeBlanc

**MOTION CARRIED
UNANIMOUSLY**

H3. FY 2016/17 Funding Rates

H3a. Liability Program Funding Rates

Marcus Beverly presented the FY 2016/17 Liability Program Funding rates and indicated there was no change in the rates from last year. The Board was asked to approve the funding rates at the 70% Confidence Level (CL) as recommended by the Master Plan Documents (MPD's).

A motion was made to continue funding at the current 70% Confidence Level - Banking Layer Rate \$1.54 and Shared Layer Rate \$2.18.

MOTION: Linda Romaine

SECOND: Robert Meacher

MOTION CARRIED

OPPOSED: Susanville - Jared Hancock

H3b. Workers' Compensation Program Funding Rates

Marcus Beverly provided the current 70% Confidence Level rates with the Board and noted that there was a decrease in the funding rates for the FY 2016/17 due to favorable claim development – Banking Layer Rate \$1.56 and \$3.53 for the Shared Layer Rate. Mike Simmons noted that when some pools see rates drop they discuss funding at a higher Confidence Level (CL). He went on to mention that a 70% CL is marginal and it is more conservative to move up to a higher CL especially when there is a decrease in the Workers' Compensation rates. Becky Richard indicated that a jump from a 70% CL to 80% CL is a large jump and would recommend increasing to a 75% CL with the goal of moving up to a higher CL in the future. It was noted that if a city's payroll increased over the last year there may be an increase for those members but the funding rates would not be increasing significantly.

A motion was made to move to a 75% CL for funding in the Workers' Compensation – Banking Layer Rate \$1.70 and Shared Layer Rate \$3.78.

MOTION: Linda Romaine

SECOND: Brooke Woodcox

MOTION CARRIED

OPPOSED: Susanville - Jared Hancock, Mt. Shasta - Muriel Howarth-Terrell, Colfax - Mark Miller



H4. FY 2016/17 SCORE Preliminary Budget

Marcus Beverly and Michelle Minnick provided a presentation to illustrate to the Board regarding how the budget is calculated per the Master Plan Documents (MPD's) for each program. It was also noted that the presentation is posted on the SCORE Website for review. It was mentioned that Projected Payroll is Calendar Year (CY) Payroll reported by members which is then multiplied by an inflation factor of 3%—this is traditionally what has been used to begin the budget calculations. Members were also provided with a detailed description of the calculations in each layer of funding in both the Liability and Workers' Compensation programs. Members were also provided with information related to how the Experience Modification (EX Mod) is calculated and also how it affects their funding. Members expressed appreciation for the detailed explanation as it helped them to better understand the budget and how it is calculated.

This was provided as an information item only.

H5. Master Plan Document Revisions

H5a. Liability

Marcus Beverly indicated that historically the practice of how the budget has been calculated does not match the Master Plan Documents (MPD's) which guides the calculation of the budget. It was mentioned that we amended the practice many years ago and did not amend the document to reflect those changes – as such the MPD's should reflect the practice. Marcus also noted that the EX Mod has traditionally been applied to the Banking Layer, Shared Layer and to the Excess layers as well - applying the EX Mod in the Banking Layer does help to normalize the rate. The Program Administrators recommend applying the EX Mod only to the Banking and Shared Layers and not applying the EX Mod in the Excess Layer (LAWCX and CJPRMA) calculations as it would shift expenses to the two largest members. The Program Administrators indicated that we will bring the issue of applying the EX Mod to the Excess Layers back to the Board for review at the October meeting. Program Administrators also recommended a more clear definition of Projected Payroll as the practice historically has been to use CY payroll including a 3% inflation factor. Marcus Beverly also recommended a change to the order in which the calculation is presented (Projected Payroll x Rate x EX Mod) rather than how it has been presented in the past. This would allow members to see how their EX Mod affects their funding amounts. Marcus recommended clarifying what years of losses are used to calculate the EX Mod. He then noted another recommended change is related to the calculation of the EX Mod and indicated that in 1)iii of the MPD's the formula should replace Relative Loss Rate with Credibility Factor in order to reflect the practice of the calculation. Lastly Marcus indicated that under B of the MPD's we would recommend continuing the practice of multiplying projected payroll by the EX Mod as well as under D of the MPD's to multiply the cost of Excess Coverage by the EX Mod to match the historical practice of what we have been doing.

A motion was made to amend the document with recommended revisions.

MOTION: Steve Baker

SECOND: Mark Miller

MOTION CARRIED

OPPOSED: Susanville - Jared Hancock



H5b. Workers' Compensation

Marcus Beverly indicated that the Program Administrators are recommending the exact same changes to the Workers' Compensation Program that were previously discussed for the Liability Program. Those recommendations include a more clear definition of Projected Payroll as the practice historically has been to use CY payroll including a 3% inflation factor. Marcus Beverly also recommended a change to the order in which the calculation is presented (Projected Payroll x Rate x EX Mod) rather than how it has been presented in the past. This would allow members to see how their EX Mod affects their funding amounts. Marcus then recommended clarifying what years of losses are used to calculate the EX Mod. He then noted another recommended change is related to the calculation of the EX Mod and indicated that in 1)iii of the MPD's the formula should replace Relative Loss Rate with Credibility Factor in order to reflect the historical practice of the calculation. Lastly Marcus indicated that under B of the MPD's we would recommend continuing the practice of multiplying projected payroll by the EX Mod as well as under D of the MPD's to multiply the cost of Excess Coverage by the EX Mod to match the historical practice of what we have been doing.

Marcus Beverly also indicated that he make the above revisions to the budget and will be sending out preliminary budget numbers to members within the next two weeks.

A motion was made to amend the document with recommended revisions.

MOTION: Mark Miller SECOND: Kathy LeBlanc MOTION CARRIED
OPPOSED: Susanville - Jared Hancock

H6. SCORE Training Day

Marcus Beverly indicated that this will probably be a Long Range Planning day and Training day. He noted items that will be presented would include defining a Mini-Cities (MC) member, rules for admission to the MC pool and how that impacts the Workers' Compensation funding, Excess Coverage and if we want to continue to apply the EX Mod to the Excess Layer. The Board was asked for suggestions regarding topics they would like to see in October 2016. Roger Carroll indicated that CJPRMA is having another Jurassic Parliament session and indicated this was a good topic for training.

H7. Identity Fraud Quote

Michelle Minnick provided the Board with the Identity Fraud Quote from Traveler's and a brief explanation of the coverage that the program would afford to employees of SCORE Members who provided responses to the questions on the application. It was noted that there were a couple members who did not provide the requested information (City of Colfax, City of Etna, Town of Fort Jones and the City of Live Oak) and so the quote provided for review does not include coverage for those members. Identity Fraud coverage under this policy would provide:

- Reimbursement for expenses associated with resolving a fraud event (travel, lost wages, Attorney fees)



- Online education resources to help prevent becoming a victim
- Dedicated identity fraud claim unit to help employees through the resolution process
- Fees charged for copies of medical records (related to medical identity fraud)
- Help with Document replacement (social security card, birth certificate, passport, etc.)
- Family Coverage (spouse, child under the age of 18)

Mike Simmons noted that because the cost of this program is low (Annual Premium of \$2,697) it would make sense to include this cost as part of the Administrative Expenses.

A motion was made to bind coverage for all SCORE members and include the cost of the Annual Premium in Administrative Expenses.

MOTION: John Duckett SECOND: Jenny Coelho MOTION CARRIED
OPPOSED: Susanville - Jared Hancock

H8. City of Yreka – Request funds

Marcus Beverly briefly described the City of Yreka’s request for \$2,000 to help outfit the Yreka City Council Chambers which could then be used as a regional risk management training facility. Roger Carroll asked the Board who would attend a training session in Yreka and members from City of Tulelake, City of Montague, Town of Fort Jones and City of Mount Shasta indicated they would attend – it was also noted that Siskiyou County has all four cities in SCORE.

A motion was made to grant the request of \$2,000 for upgrade the audio visual media in the Yreka City Council Chambers.

MOTION: Linda Romine SECOND: Marylin Seward MOTION CARRIED
UNANIMOUSLY

I. CLOSED SESSION PURSUANT TO GOVERNMENT CODE 54956.95

At 1:49 P.M., pursuant to Government code section 54956.95, the Board held a closed session to discuss the following claims for payment of tort liability loss or public liability loss.

1. Liability

- a. Larsen v. Isleton

2. Workers’ Compensation

- a. SCWA-343480 v. Crescent City**
MOTION: Steve Baker SECOND: Kathy LeBlanc
Motion Carried Unanimously
- b. SCWA-530470 v. Crescent City**
MOTION: Steve Baker SECOND: John Duckett
Motion Carried Unanimously



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- c. SCWA-231393 & SCWA-75498 v. Susanville**
MOTION: Steve Baker SECOND: Marilyn Seward
Motion Carried Unanimously
- d. SCWA-554038 v. Montague**
MOTION: Don Kincade SECOND: Linda Romaine
Motion Carried Unanimously

J. REPORT FROM CLOSED SESSION

The Board returned from closed session at 2:21 PM.

K. INFORMATION ITEMS

- K1. FY 2016/17 Resource Contact Guide**
- K2. Glossary of Terms**
- K3. Certificate Request Form**
- K4. SCORE Travel Reimbursement Form**

Items K1., K2., K3., and K4. were provided as information items only.

L. TOWN HALL OPEN DISCUSSION ON MEMBER ISSUES

There were no discussion items.

M. CLOSING COMMENTS

There were no closing comments.

N. AJOURNMENT

The meeting was adjourned at 2:22 PM

NEXT MEETING DATE: June 24, 2016 in Anderson, CA

Respectfully Submitted,

Brooke Woodcox, Secretary

Date