

EMPLOYMENT RISK MANAGEMENT AUTHORITY (ERMA)

MINUTES OF THE BOARD OF DIRECTORS MEETING OF JUNE 6, 2022

A regular meeting of the Board of Directors of ERMA was held on June 6, 2022, at the Embassy Suites Hotel in Sacramento, CA.

BOARD MEMBERS PRESENT: John Gillison, President, CIRA
Robert Thompson, CalTIP
Charlene Calica, CCCHA
Bryan Whitemyer, CSJVRMA
Linda Cox, MPA
Beth Lyons, PERMA
Kevin Bryant, PLAN
Roger Carroll, SCORE
Jeremy Wittie, VCJPA

BOARD MEMBERS ABSENT: Stuart Schillinger, Vice President, BCJPIA
Brett Miller, Treasurer, MBASIA
Melissa Guerrero, ERMAC
Drew Felder, OHA

ALTERNATE MEMBERS PRESENT: Kin Ong, CIRA
Heather Rowden, BCJPIA
George Fink, CalTIP
Nataline Jindoaian, CCCHA

ALTERNATE MEMBERS ABSENT: Steve Adams, MBASIA
Reina Schwartz, MPA
George Rodericks, PLAN
Wendy Howard, SCORE
Becky Ramirez, CSJVRMA
Yumi Augustus, PERMA
Jamie Scott, VCJPA

OTHERS PRESENT: Jennifer Jobe, Executive Director
Maria De Leon, Sedgwick
Stacey Brock, Sedgwick
Stacey Sullivan, Litigation Manager
Jim Elledge, Interim Finance Manager
Chee Xiong, Senior Accountant
Doug Alliston, Board Counsel (*absent during Agenda Item 7.C.*)
Elizabeth Arce, Liebert Cassidy Whitmore
Shane Larsen, Jackson Lewis
Sally Nguyen, Jackson Lewis
Chrissy Mack, CalTIP/VCJPA
Amy Northam, CIRA
Shadi Jalali, Alliant
Greg Greeson, City of California City (*present only for Agenda Item 6.A.*)

1. CALL TO ORDER/INTRODUCTIONS

The June 6, 2022, Board of Directors Meeting was called to order at 11:15 a.m. by President John Gillison.

2. APPROVAL OF AGENDA AS POSTED (OR AMENDED)

Beth Lyons moved, seconded by Linda Cox, to approve the agenda as posted. A vote was conducted, and the motion passed unanimously with no nays or abstentions.

3. PUBLIC COMMENTS

None

4. CONSENT CALENDAR

Linda Cox moved, seconded by Beth Lyons, to approve the Consent Calendar as follows: A) Minutes of the April 26, 2022, Board of Directors Meeting; B) 2022/23 Memorandum of Coverage; C) General Warrants from April 1, 2022, through April 30, 2022; D) Claims Payments from April 1, 2022, through April 30, 2022; E) Treasurer's Report as of March 31, 2022; F) Internal Financial Statements as of March 31, 2022; G) PFM Quarterly Investment Report as of March 31, 2022; and H) Board Document Review Schedule. A vote was conducted, and the motion passed unanimously with no nays or abstentions.

5. CLAIMS MATTERS

A. Closed Session Pursuant to Government Code Section 54956.95(a) to Discuss Claims

Pursuant to Government Code Section 54956.95(a), the Board recessed to Closed Session at 11:16 a.m. to discuss the following claims:

- Hernandez, A. v. Barstow (PERMA)
- Martindale, W. v. Yreka (SCORE)
- Stump, G. v. California City (CIRA)

B. Report from Closed Session

The Board reconvened to Open Session at 11:28 a.m. Doug Alliston, Board Counsel, advised no reportable action was taken in Closed Session.

6. MEMBERSHIP MATTERS

A. Update Regarding the City of California City's (CIRA) Performance Improvement Plan

Jennifer Jobe, Executive Director, reminded the Board of the decision at the November 2021 meeting to issue formal notice of termination of participation to the City of California City, an underlying member of the California Intergovernmental Risk Authority (CIRA), effective

June 30, 2022, in conjunction with the city's placement on a Performance Improvement Plan (Plan). The Plan included completion of targeted training and regular meetings with staff to monitor the city's progress approaching the June 30th deadline.

Ms. Jobe reported the city experienced substantive leadership changes since issuance of the Plan, with Anne Ambrose acting initially as Interim City Manager. Effective May 2nd, Ms. Ambrose was succeeded by Doug Dunford, former City Manager of the City of Gustine, member of the Central San Joaquin Valley Risk Management Authority (CSJVRMA). Mr. Dunford has also employed the assistance of Greg Greeson, former City Manager of Wheatland (CIRA), on an interim basis. She further noted the city has successfully met the majority of the terms of the Plan; however, ERMA continues to recognize a number of claims. In response, Ms. Jobe stated staff proposed the addition of the following requirements to the existing Plan, via Amendment One:

- Continuation of Management 101 training for any incoming department leaders and senior level managers
- Acquisition and retention of experienced, professional Human Resources leadership with public sector expertise
- Increase of the city's self-insured retention (SIR) from \$250,000 to \$350,000 for all claims

Ms. Jobe confirmed staff would continue to meet with management on a regular basis and provide updates to the Board at future meetings.

Mr. Greeson addressed the Board, expressing his appreciation for the support shown by both ERMA and CIRA. He reaffirmed his commitment to working with City Council to institute changes and stated the city is in communication with multiple talent acquisition resource groups to develop a swift and efficient recruitment strategy.

Roger Carroll moved, seconded by Linda Cox, to approve Amendment One to the City of California City's (CIRA) Performance Improvement Plan, effective June 6, 2022. A vote was conducted, and the motion passed unanimously with no nays or abstentions.

B. Review of Prospective New Member Application – City of Tracy (CSJVRMA)

Ms. Jobe reviewed the application of the City of Tracy, a long-tenured underlying member of the CSJVRMA. After providing an overview of the city's staffing, payroll, and training compliance status, she advised the Underwriting Committee recommended the Board approve the city's application, with the condition the city's personnel policies and procedures be updated, reviewed by legal counsel with expertise in public sector employment law, and approved by the city's governing body no later than July 1, 2024.

Beth Lyons moved, seconded by Kevin Bryant, to approve the City of Tracy (CSJVRMA) at a \$100,000 SIR, effective July 1, 2022, with the condition the city's personnel policies and procedures are updated, reviewed by legal counsel with expertise in public sector employment law, and approved by City Council, no later than July 1, 2024. A vote was conducted, and the motion passed unanimously with no nays or abstentions.

C. Review of Prospective New Member Application – City of Colton (PERMA)

Ms. Jobe stated ERMA staff had been working with Public Entity Risk Management Authority (PERMA) staff to review an application from the City of Colton, who was considering participation in PERMA and, by extension, ERMA, effective July 1, 2022. Ms. Jobe noted the city's councilmembers intended to vote to finalize the decision regarding membership in PERMA/ERMA on June 21st.

Ms. Jobe summarized the city's staffing, payroll, and training compliance status, and further relayed the Underwriting Committee's recommendation to approve the city's application for approval, with the condition the city's personnel policies and procedures are updated, reviewed, legal counsel with expertise in public sector employment law, and approved by the City Council no later than July 1, 2024.

Beth Lyons, PERMA Board Representative, extended her appreciation for staff's effort coordinating the application process. Ms. Lyons corroborated the city's firm adherence to the June 21st deadline, as noted by Ms. Jobe.

Linda Cox moved, seconded by Roger Carroll, to approve the City of Colton (PERMA) at a \$500,000 SIR, effective July 1, 2022, with the condition the city's personnel policies and procedures are updated, reviewed by legal counsel with expertise in public sector employment law, and approved by City Council, no later than July 1, 2024. A vote was conducted, and the motion passed unanimously with no nays or abstentions.

7. ADMINISTRATIVE MATTERS

A. Draft Resolution 2022-4, Establishing All Bank Accounts and Authorized Signatures

Ms. Jobe summarized the adjustments proposed in Draft Resolution 2022-4, Establishing All Bank Accounts and Authorized Signatures. She stated the current iteration of the Resolution authorizes the Executive Director to obtain a business credit card with a credit line of up to \$5,000 and open the Administration Account with a maximum limit of \$5,000; however, staff has observed a trend in vendors shifting away from direct billing (i.e., check) transactions in favor of credit card transactions. Ms. Jobe explained rising venue costs would increase the likelihood a credit card deposit would be required that exceeds the current \$5,000 limit, thereby prompting staff's recommendation to increase the maximum credit line to \$10,000.

In response to Board inquiry, Ms. Jobe reaffirmed staff's conclusion that \$10,000 would be a sufficiently high limit given historical venue billing cycles. She also noted \$10,000 aligns with limits retained by many other joint powers authorities (JPAs) in the California pooling industry.

Linda Cox moved, seconded by Charlene Calica, to approve Resolution 2022-4, Establishing All Bank Accounts and Authorized Signatures, effective June 6, 2022. A vote was conducted, and the motion passed unanimously with no nays or abstentions.

B. Proposed Amendments to ERMA's Underwriting Guidelines

Ms. Jobe stated the Underwriting Committee met on May 12th to conduct a formal review of ERMA's Underwriting Guidelines, the last review having taken place in February 2014. She provided a summary of changes to ERMA's program that have since been adopted, including updates to minimum payroll and retrospective claims history, additional documentation denoting intent to participate and desired SIR, guidelines for designating conditional acceptance, and the addition of a \$350,000 SIR. Ms. Jobe explained the Guidelines are heavily and frequently utilized by staff and Committee members during review of prospective members, warranting revisions to address such changes and accurately reflect the current underwriting procedures. She further noted the changes were unanimously approved by the Underwriting Committee.

Bryan Whitemyer moved, seconded by Charlene Calica, to approve the proposed amendments to ERMA's Underwriting Guidelines, effective June 6, 2022. A vote was conducted, and the motion passed unanimously with no nays or abstentions.

C. Approval of Legal Services Agreement – Doug Alliston

Prior to introduction of this item, Mr. Alliston recused himself from discussion.

Ms. Jobe explained that Mr. Alliston has served as General and Coverage Counsel for ERMA since November 2019, following an extensive request for proposal (RFP)/interview process. She advised Mr. Alliston will terminate his partnership with Murphy, Campbell, Alliston, and Quinn (MCAQ) to pursue a sole proprietorship effective June 30th and has requested to continue to serve the ERMA Board. Ms. Jobe also confirmed the terms and rates in Mr. Alliston's proposed Legal Services Agreement were identical to the existing MCAQ Agreement.

Discussion ensued regarding the proposed rates, as well as whether Mr. Alliston's firm contained sufficient support staff to continue to serve ERMA at his current capacity. Ms. Jobe explained the reduction in support staff was offset by a narrowing of Mr. Alliston's client pool, thereby posing no additional imposition for handling client matters. Ms. Jobe also advised Mr. Alliston was the only attorney at MCAQ to provide services within the highly specified area of public entity risk pool law; therefore, the Board must issue an RFP for Legal Services if the Agreement is declined.

Bryan Whitemyer moved, seconded by Linda Cox, to approve the Legal Services Agreement with Doug Alliston, effective July 1, 2022, and direct staff to issue notice of termination of the MCAQ Agreement, effective June 30, 2022. A vote was conducted, and the motion passed unanimously with no nays or abstentions.

8. COVERAGE MATTERS

A. Discussion and Action Regarding Excess Coverage for the 2022/23 Program Year

Ms. Jobe recalled the report provided by Seth Cole, Alliant Insurance Services (Alliant), at the April 26th meeting regarding the state of the excess insurance market, noting RSUI (ERMA's excess carrier for the 12th consecutive year) was expected to offer a flat renewal for

the 2022/23 Program Year, subject to adverse claim development. She further summarized ERMA's current coverage limits, stating participating members retain limits of \$2M x \$1M on a per-claim basis with \$4M per-member and \$10M policy aggregates, respectively.

Ms. Jobe indicated the Alliant team solicited pricing for increased policy limits for the 2022/23 Program Year in response to recent expansions in ERMA membership. She noted additional excess limits were quoted through Ascot Specialty Insurance Company (Ascot), which were proposed at \$1M per member, per claim, with a \$1M member aggregate and a \$5M policy aggregate, at a corresponding premium of \$154,875. The Ascot layer would increase total excess policy limits to \$3M per member, per claim, with a \$5M member aggregate and a \$15M policy aggregate.

Shadi Jalali, Alliant, confirmed details from Ms. Jobe's presentation, noting a modest 1.7% increase in pricing for RSUI paralleling increases in payroll. Ms. Jobe also advised the additional Ascot layer was included in the proposed budget.

Beth Lyons moved, seconded by Kevin Bryant, to authorize binding excess coverage for the 2022/23 Program Year through RSUI, with the same terms and limits as expiring, and through Ascot Specialty Insurance at \$1M per member, per claim, with a \$1M member aggregate and a \$5M policy aggregate, as presented. A vote was conducted, and the motion passed unanimously with no nays or abstentions.

9. FINANCIAL MATTERS

A. Review of Annual Retrospective Adjustment Calculation

Jim Elledge, Interim Finance Manager, presented the Annual Retrospective Adjustment Calculation as of March 31, 2022. He reminded the Board a preliminary version of this Calculation was presented at the April 26th meeting, and summarized the following four conditions that must be met through the retrospective adjustment calculation process to allow declaration of dividends:

- (1) The program years must be greater than five years old.
- (2) There must be equity in each of the five most recent program years (i.e., no liabilities).
- (3) Dividends must first be reduced for deficits incurred for program years less than five years old.
- (4) The program's overall net position must be positive with liabilities stated at the 90% confidence level.

Based on this calculation, Mr. Elledge concluded approximately \$4.4M was eligible for release in the form of a dividend. He further relayed staff's recommendation to declare a dividend of \$2M from the 2012/13 and 2013/14 Program Years, consistent with ERMA's historical practice of releasing approximately half (\$1.75M) to membership. As also discussed at the April 26th meeting, Mr. Elledge recommended depositing \$250,000 to increase the Capital Contribution Fund to \$1M, as well as the closure of the 2012/13 Program Year. However, he advised against depositing funds into 2017/18 and 2019/20 deficit Program Years, for two reasons: (1) the claims are relatively new and are (historically) likely to develop favorably over time, and 2) substantial changes in membership have occurred over the course of the referenced Program Years, which complicates the equitable application of dividends.

Discussion then ensued regarding the possibility of increasing the dividend amount distributed to members to \$2M, noting the increased amount would still meet the aforementioned parameters. Mr. Elledge concurred, stating staff had no objections to this recommendation.

Linda Cox moved, seconded by Jamie Scott, to approve the following: (1) a release of dividends in the amount of \$2.25M from the 2012/13 and 2013/14 Program Years, with \$250,000 of the dividend transferred to the Capital Contribution Fund and the remainder \$2M released to the participating membership from the aforementioned Program Years; and (2) closure of the 2012/13 Program Year. A vote was conducted, and the motion passed unanimously with no nays or abstentions.

B. Review of Administrative and Operating Budget for the 2022/23 Program Year

Chee Xiong, Senior Accountant, reminded the Board of the preliminary budget for the 2022/23 Program Year presented at the April 26th meeting. Ms. Xiong continued by providing an overview of staff's proposed near-final budget, stressing areas where updates were made.

Ms. Xiong stated the proposed budget, like the preliminary budget, was drafted at the 80% confidence level with a 1.5% discount rate, applying a three-tiered experience modification (ex-mod) factor to each underlying member's contribution utilizing payroll from the 2021 fiscal year. She noted the budget incorporated expenses for the City of Tracy but did not address the increase in SIR from \$250,000 to \$350,000 for the City of California City, nor did it reflect the City of Colton's participation.

Ms. Xiong continued by noting total contributions of \$10.8M for the 2022/23 Program Year, an 8% increase over the prior year. She then provided a summary of contribution totals within the four main expense categories comprising ERMA's budget:

- \$9M for Funding for Losses, a 6.2% increase from the prior year (unchanged from the preliminary budget)
- Over \$2B in payroll, an increase of 1.1% from the prior year (now incorporates the City of Tracy), with premium for the Ascot layer at \$155k
- \$169,000 for Loss Prevention and Training, an 8% increase from the prior year (unchanged from the preliminary budget)
- Approximately \$1.1M for Administrative Expenses, a 6.4% increase resulting from contractual increases in program administration primarily due to the addition of the City of Tracy

Ms. Xiong concluded her presentation by stating the final budget would be distributed to the Board once necessary amendments are confirmed and incorporated.

Linda Cox moved, seconded by Beth Lyons, to approve the Proposed Administrative and Operating Budget for the 2022/23 Program Year, with losses funded at the 80% confidence level and discounted at 1.5%, pending additional amendments. A vote was conducted, and the motion passed unanimously with no nays or abstentions.

10. TRAINING/LOSS PREVENTION MATTERS

A. Risk Assessment Update – SunLine Transit Agency (PERMA)

Stacey Sullivan, Litigation Manager, reviewed the results of the risk assessment conducted for the SunLine Transit Agency (Agency) as approved by the Board at the November 1, 2021, meeting. Ms. Sullivan stated the majority of claims filed against the Agency during the 2019/20 Program Year – the year in which the Agency exceeded parameters of ERMA’s Target Ratio Calculations – were a product of contentious union relations that ultimately yielded no substantiated claims. Ms. Sullivan concluded despite the high volume of claims, the cost to ERMA was insubstantial and no further assessment or action was necessary.

No action was taken on this item.

11. CLOSING COMMENTS

A. Board of Directors

None

B. Staff

None

12. ADJOURNMENT

The June 6, 2022, ERMA Board of Directors Meeting adjourned at 12:24 p.m. by general consent.



Danielle Davis, Board Secretary