

EMPLOYMENT RISK MANAGEMENT AUTHORITY (ERMA)

**MINUTES OF THE SPECIAL EXECUTIVE COMMITTEE MEETING
OF FEBRUARY 20, 2026**

A special meeting of the Executive Committee of ERMA was held on February 20, 2026. All portions of this meeting were conducted via Zoom in accordance with Government Code Section 54953.

COMMITTEE MEMBERS PRESENT:

Amy Conley, President, CIRA
Jeremy Wittie, Treasurer, VCJPA
Rob Thompson, WestCAT

COMMITTEE MEMBERS ABSENT:

Jason Castleberry, BCJPIA
Linda Cox, Vice President, MPA

OTHERS PRESENT:

Doug Alliston, Board Counsel
Rob Kramer, ERMA Executive Director
Sarah Thurston, ERMA Finance Manager
Nancy Broadhurst, ERMA
Stacey Sullivan, ERMA Litigation Manager
John Jeffs, ERMA Litigation Analyst
Wendy Enns, ERMA Legal Analyst
Kassandra Batista, ERMA Training Coordinator
Michael Kenney, Sedgwick Administrative Services Coordinator
Derek Berkhalter, Bickmore Actuarial
Dick Huntington, Bickmore Actuarial/Formation Consultant
Michael Kronbetter, PFMAM
Mallory Sampson, PFMAM
Allison Kaune, PFMAM
Yahaira Velasquez, VCJPA
Sarah Bishop, CalTIP
Chrissy Mack, CalTIP
Maria De Leon, CalTIP
Alexandra Avila, CIRA
Beth Lyons, PERMA
Jenny-Anne Flores, Liebert Cassidy Whitmore

1. CALL TO ORDER; ROLL CALL

The February 20, 2026, Special Executive Committee Meeting was called to order at 10:03 a.m. by President AmyConley.

2. APPROVAL OF AGENDA AS POSTED (OR AMENDED)

Jeremy Wittie moved, seconded by Rob Thompson, to approve the agenda as posted. A rollcall vote was conducted, and the motion passed unanimously with no nays or abstentions.

3. PUBLIC COMMENTS

Amy Conley, President, CIRA, called for public comments. There were no public comments.

4. CONSENT CALENDAR

President Conley noted the only item on the Consent Calendar was (A) Minutes of the November 10, 2025, Executive Committee Meeting, and asked whether there were any questions regarding the minutes.

Jeremy Wittie moved, seconded by Rob Thompson, to approve the following Consent Calendar item: (A) Minutes of the November 10, 2025, Executive Committee Meeting. A rollcall vote was conducted, and the motion passed unanimously with no nays or abstentions.

5. GOVERNANCE AND CAPTIVE FORMATION MATTERS

A. Consideration of Captive Name

Mr. Rob Kramer, Executive Director, introduced the discussion regarding the proposed captive name and explained that a name for the ERMA Captive is needed in order to proceed with the creation of the Articles of Incorporation and related formation documents. He advised the simplest option would be "ERMA Captive," but noted potential confusion with other similarly named pools (ERMALC). He presented additional naming options, including ERMA Captive, ERMA Captive Insurer - ERMACI, ERMA Captive Insurance Provider - ERMA CIP, ERMA Liability Captive - ERMALC, and ERMA Trust - ERMAT, and invited the Committee to provide other ideas.

President Conley asked whether staff had a preferred option. Mr. Kramer stated his preference was the straightforward "ERMA Captive" name because it was simple and easy to understand. President Conley observed that the organization would likely still be referred to by acronym, and Jeremy Wittie, Treasurer, VCJPA stated he had reviewed the proposed options and was comfortable with "ERMA Captive" unless the Committee felt a shortened acronym was necessary.

During the discussion, Sarah Thurston, ERMA Finance Manager, suggested "Captive for ERMA," which was then referred to in the discussion as "CERMA." President Conley stated she liked the smoother acronym options, including ERMAT, and also liked the newly suggested "Captive for ERMA" concept. Mr. Kramer indicated he liked the new suggestion as well, and Rob Thompson, WestCAT, stated he was comfortable with either "ERMA Captive" or "Captive for ERMA." Mr. Kramer asked the Committee to narrow the options so staff could proceed with the formation documents.

Rob Thompson moved, seconded by Jeremy Wittie, to select the proposed captive name suggested as "Captive for ERMA," referred to during the discussion as "CERMA." A rollcall vote was conducted, and the motion passed unanimously with no nays or abstentions.

B. Consideration of the Size and Composition of the Proposed Captive Board of Directors

Mr. Kramer reported that captive boards are typically composed of five to nine members and explained staff's recommendation that the proposed captive board initially mirror the ERMA Executive Committee, with the same officers and positions, plus one Utah representative as required. He advised that this would be the simplest structure to implement and would align with how other California public agency captives had recently been established.

President Conley agreed the structure made sense and asked whether staff should serve on the captive board. Mr. Kramer responded that staff would attend and present at meetings but did not need voting rights. President Conley then asked how often the proposed captive board would need to meet in Utah and whether participation in an association could reduce that requirement.

Mr. Kramer recommended that, at least for the first year, the captive board meet in person in Utah, so members could receive a more detailed orientation regarding the captive's investments, funds, and overall operations. He noted that, after the first year, the captive board could evaluate whether in-person Utah meetings continued to provide sufficient value. President Conley also advised that board service would require the completion of a detailed biographical affidavit containing personal information. Mr. Kramer stated staff would assist board members with that process once the formation moved forward. The Committee provided general direction supporting staff's recommendation to use the existing Executive Committee membership and officer structure, together with one Utah representative, as the proposed captive board composition.

The Committee took no formal action on this matter.

C. Consideration of the Captive Domicile

Mr. Kramer reported that the prior feasibility and implementation study had identified Utah as the recommended domicile and stated staff's recommendation was to proceed with Utah. He explained that Utah has a dedicated captive division, flat fee regulation rather than fees that increase with captive size, relatively low costs, and a reputation for being efficient and easy to work with. President Conley added that Utah had proven particularly friendly to California public entities and had been actively encouraging California agencies to form captives there.

Jeremy Wittie asked whether Utah and Hawaii were the only states with this type of regulation. Dick Huntington explained there were more than 30 states with captive regulations and described captive regulation generally as acknowledging that an entity forms a captive primarily to insure its own risks. He noted California still had not adopted captive legislation. Mr. Kramer introduced Mr. Huntington as part of the formation team and noted Derek Berkhalter was also involved in the business planning effort.

The Committee discussed other domiciles, including Hawaii, the Cayman Islands, and Bermuda. Dick Huntington, noted those jurisdictions were also used in some circumstances, and Mr. Kramer stated that, for ERMA's purposes, Utah remained the better fit, both operationally and from a public perception standpoint. President Conley, Mr. Wittie, and Mr. Thompson all expressed support for Utah. The Committee provided general direction supporting Utah as the proposed domicile and supporting staff's recommendation to proceed accordingly.

The Committee took no formal action on this matter.

D. Consideration of the Draft Articles of Incorporation

Mr. Kramer reviewed the draft Articles of Incorporation and explained the captive would need to be established as a separate nonprofit legal entity with its own federal tax identification number. He stated the

version included in the packet was only a draft and that the final version would need to be reviewed by Utah board counsel once that counsel was selected. President Conley asked whether the draft originated from the model used for the CARMA (The California Risk Management Authorities) captive. Mr. Kramer confirmed it did and explained it had been developed collaboratively with the Utah attorney who assisted that entity.

Mr. Kramer further explained the Articles of Incorporation were primarily foundational documents describing the purpose and organization of the entity and were similar to formation documents for any other company. Mr. Huntington confirmed that the captive would need to be formed before the application process could move forward, but stated that if the Board approved the formation package in March, the timing would still work. President Conley commented that the document appeared straightforward. The Committee provided general direction to staff to continue refining the draft Articles of Incorporation for presentation to the Board in March.

The Committee took no formal action on this matter.

E. Consideration of the Draft Captive Bylaws

Mr. Kramer introduced the draft bylaws and advised they were modeled after the CARMA documents prepared by the same Utah counsel. He stated the draft was intended to show the Committee the general scope and structure of the bylaws, including annual meetings, officer roles, quorum, and the other governance provisions typically found in governing documents, and that the final version would likely be tailored more specifically to CERMA.

President Conley stated she had no concerns with the draft but suggested that, if selected counsel had a more current or preferred form, she would support using that version as the starting point rather than attempting to revise the draft line by line. Mr. Kramer agreed and stated the documents should largely come from counsel given that counsel has repeated experience forming Utah captives. Mr. Wittie asked whether there were any unusual sections that differed from ERMA's usual governing documents. Mr. Kramer responded that most provisions were straightforward, though a few sections involving matters such as the number of "common" shares in the entity and related captive concepts were less intuitive and would need to be explained by counsel. The Committee provided general direction supporting staff's continued refinement of the bylaws through board counsel for presentation in March.

The Committee took no formal action on this matter.

F. Consideration of the Draft Captive Conflict of Interest Policy

Mr. Kramer explained the draft conflict of interest policy was intended to serve the same function for the captive that ERMA's conflict of interest policies serve for its current entities. He described the draft as generally similar in scope and purpose to those existing policies and advised it, too, would be reviewed and updated by selected counsel.

President Conley asked whether Utah imposed requirements similar to California's FPPC filing and ethics training requirements. Mr. Huntington responded that he was not aware of a Utah equivalent and stated that the principal requirement was completion of the board member affidavit, which the Utah Insurance Department uses when approving board members. Mr. Kramer added that the other captives Sedgwick works with had not been required to complete comparable Utah filings or training to date.

Mr. Wittie asked whether the affidavit referenced earlier was the same form President Conley had mentioned when describing the level of personal information required. Mr. Kramer confirmed it was. Mr. Huntington explained that the form requests a social security number, but the Department has allowed that information to be provided separately by telephone if a board member prefers not to write it on the form. President Conley stated that concern over the personal information requested was precisely why she had flagged the issue for the Committee.

Rob Thompson asked whether the fact that he is not a United States citizen would make any difference. Mr. Huntington responded that he did not believe it would, though Mr. Kramer stated staff would obtain confirmation. The Committee provided general direction supporting continued refinement of the conflict-of-interest policy for future consideration.

The Committee took no formal action on this matter.

G. Consideration of the Draft Business Plan and Reinsurance Agreement

Mr. Kramer turned the discussion over to Dick Huntington, Bickmore Actuarial, and Derek Berkhalter, Bickmore Actuarial, regarding the draft business plan. Mr. Huntington explained that the proposed captive would function as a reinsurance company and, for prospective years, would reinsure 100 percent of the losses paid by ERMA. He stated those reimbursements would occur based on a monthly or quarterly bordereau or listing of paid losses, with the captive reimbursing ERMA for the paid claim amounts. He further explained that the proposed arrangement contemplated two related documents: a go-forward reinsurance agreement for the 2026/27 program year and a one-time endorsement for a loss portfolio transfer covering all unpaid losses from years prior to July 1, 2026.

Mr. Kramer emphasized that this topic was one, in particular where feedback was needed from the Committee as to direction on whether the captive should include only go-forward losses or should also include the prior liabilities through the loss portfolio transfer. He stated staff strongly recommended doing both because ERMA had enough prior-year equity and prior liabilities to allow the captive to begin with a more meaningful asset base. He explained that a go-forward-only approach would start with a comparatively smaller amount and would not make as much immediate financial sense, whereas including the prior liabilities would position the captive closer to the scale at which its costs and investment structure become more advantageous from the outset.

Mr. Huntington added that the so-called "baby steps" approach of doing only the go-forward program is often driven by comfort level rather than by investment necessity and noted that investment conservatism can be managed through the investment policy regardless of whether the loss portfolio transfer is included. President Conley asked how the feasibility study had treated the issue. Mr. Kramer responded that the study leaned toward both go-forward and loss portfolio transfer funding because of the amount needed to make the captive worthwhile from the beginning, though it had stopped short of making a formal recommendation.

President Conley, Jeremy Wittie, and Rob Thompson each stated they agreed with the recommendation to include both the go-forward program and the loss portfolio transfer. President Conley stated it made sense to place enough money into the captive at the outset so it could function effectively and potentially earn more than ERMA is currently earning under existing constraints.

The Committee then discussed the related reinsurance agreement language. Mr. Huntington explained the annual go-forward policy would track ERMA's memorandum of coverage for the applicable policy year and that ERMA would continue to handle claim administration, with the captive simply reimbursing ERMA for covered

claim payments. He also walked through the one-time endorsement that would extend coverage to all annual periods prior to July 1, 2026, at the limits retained by ERMA in those years, for a one-time premium associated with the loss portfolio transfer.

President Conley asked whether the reinsurance agreement would need to be executed each year moving forward. Mr. Huntington clarified that the go-forward reinsurance policy would need to be renewed annually, but the loss portfolio transfer endorsement would be a one-time action and would not need to be repeated in later years. President Conley also asked whether the estimated amount to be transferred would leave ERMA with sufficient liquidity for daily operations. Mr. Kramer responded that the total amount would be fine-tuned further, but staff believed there would be enough to fund the required surplus and contribution while preserving sufficient working capital.

Following discussion, the Committee provided general direction supporting the draft business plan, including the recommendation that the proposed captive be structured with both a go-forward reinsurance component and a one-time loss portfolio transfer of prior liabilities. The Committee also supported staff's continued refinement of the reinsurance agreement and related business plan materials for presentation to the Board.

The Committee took no formal action on this matter.

6. ADMINISTRATIVE MATTERS

A. Consideration of the Captive Service Team

Mr. Kramer reviewed the proposed captive service team and stated staff would need direction on this item so formal proposals or engagement letters could be assembled for the March Board meeting. He identified Brent Andrewson of Holland & Hart as staff's recommended board counsel, explaining that Mr. Andrewson serves as counsel for other California public agency captives in Utah, is familiar with Sedgwick's captive work, and would also serve as the required Utah representative on the captive board.

President Conley stated that, through CIRA, she had recently interviewed Mr. Andrewson and another Utah attorney while evaluating counsel for a different captive and found Mr. Andrewson to be the clear choice despite his higher hourly rate. She explained that he had a deep command of captive formation work, maintained templates and checklists, and had the process "dialed in." Mr. Kramer added that, although there are some startup costs, Mr. Andrewson's ongoing billing had not proven excessive in staff's experience with other captives.

Mr. Huntington explained that many of the other recommended service providers would simply be the same partners ERMA already uses, including the auditor, broker, custodian bank, investment advisor, and bank. He also described the role of captive manager, noting that some pools self-manage while others engage Sedgwick, and that the accounting work for a captive is largely similar to pool accounting, with differences primarily in terminology such as premium and surplus. He stated Sedgwick already manages other captives successfully, and Mr. Kramer added that Sedgwick has already been approved by the State of Utah for similar work.

President Conley asked what services would be included if Sedgwick were selected as captive manager and whether additional staffing would be required. Mr. Kramer responded that the work would include accounting and administrative functions such as organizing meetings and annual reporting, that the contract amount for comparable captives was relatively modest, and that Sedgwick had been able to absorb the work within existing staffing for those entities. Mr. Huntington added that the feasibility study had already assumed this cost.

Before leaving the item, Mr. Kramer also highlighted the implementation status checklist included in the packet, explaining it was being used by staff as a running formation plan to track all steps necessary to establish the captive and move funds once approved.

Jeremy Wittie moved, seconded by Rob Thompson, to direct staff to seek formal proposals or engagement letters from the recommended captive service providers for presentation to the Board at the March meeting, including a proposal from Sedgwick to serve as captive manager. A rollcall vote was conducted, and the motion passed unanimously with no nays or abstentions.

B. Review of Administrative Insurance Coverage

Mr. Kramer explained that, once formed, the captive would need insurance coverage to protect the captive board in the same manner ERMA protects its own board. He stated Alliant would be asked to obtain indications or proposals for a package including errors and omissions coverage and likely related coverage such as general liability and possibly business auto coverage in connection with travel to meetings. Sarah Thurston stated the working budget assumption for this insurance was approximately \$8,000 for the first year.

President Conley expressed support for ensuring the captive board was protected and noted that inclusion of general liability coverage made sense if the board would be meeting in person. The Committee indicated support for staff's continued work with Alliant to obtain indications and bring the matter back as part of the overall formation package.

The Committee took no formal action on this matter

C. Draft Resolution 2025-2 Establishing Attorney Panel Rates and Establishing Criteria for Adding and Removing Defense Counsel to the Panel of Approved Attorney Firms

Mr. Kramer explained that the Committee had previously reviewed the draft proposals from Liebert Cassidy Whitmore and Jackson Lewis for renewal of their strategic partner arrangements and stated that issue had prompted staff to re-evaluate ERMA's broader attorney panel rates. He turned the discussion over to Stacey Sullivan, who reported she had been receiving substantial feedback from panel counsel over ERMA's low rates and had been advised by at least two highly valued firms that they were close to leaving ERMA's panel because the compensation was out of line with the market.

Ms. Sullivan stated she surveyed panel firms regarding the rates they charge other public entity clients, not private clients, and found ERMA's current rates were far below prevailing public entity rates. She reviewed examples showing substantially higher partner rates among panel firms' other public entity engagements. She then explained ERMA's current two-tier structure under which the strategic partners, Liebert Cassidy Whitmore and Jackson Lewis, receive rates outlined in their separate MOU with ERMA, versus the rest of the panel where the rates are separately determined, with rates delineated by partner, senior counsel, associate, and paralegal rates.

Ms. Sullivan advised staff was proposing to increase the rates and move to a single set of rates so all panel firms would be treated uniformly for litigation work. Mr. Kramer explained staff had wanted to determine whether the increases proposed by the strategic partners were appropriate in the context of the full panel and concluded, based on Ms. Sullivan's research, that the revised rates were reasonable and supported. President Conley acknowledged the increases were significant and described the discussion as painful but necessary,

noting she appreciated the three-year structure because it would avoid having to revisit the issue annually. Mr. Wittie and President Conley both noted the proposed rates still appeared to remain below many of the comparable public entity rates identified by Ms. Sullivan.

Mr. Kramer advised staff would inform the actuaries of the higher attorney and investigator rates so future financial modeling could account for the changes. After discussion, the Committee expressed support for staff's recommendation and directed staff to proceed with presenting the proposed revised panel rates and related strategic partner agreements to the Board for formal consideration.

The Committee took no formal action on this matter

7. FINANCIAL MATTERS

A. Consideration of Resolution 2025-3, Establishing all Bank and Investment Custody Accounts and Authorized Signatures for the Proposed Captive

Sarah Thurston presented the draft resolution establishing the captive's bank accounts and investment custody accounts. She explained the structure mirrored ERMA's current banking arrangement and would authorize a general account, an administrative account, and a claims account if needed, with designated authorized signers. She stated the purpose was to allow staff to move forward with opening the necessary accounts and to establish online banking and EFT authority once the captive is formed.

President Conley asked whether the designated officers would need to sign checks regularly and whether the structure would create an unnecessary administrative burden for Sedgwick staff. Mr. Kramer and Ms. Thurston responded that captive activity would be relatively limited because the captive would reimburse ERMA rather than directly administer claims, and the multiple signers primarily functioned as a safeguard and backup if the Executive Director was unavailable. President Conley also confirmed that the plan contemplated California Bank & Trust for the general banking relationship and U.S. Bank as investment custodian and stated she had no objection so long as the arrangement did not involve Bank of America.

Amy Conley moved, seconded by Jeremy Wittie, to adopt Resolution 2025-3, Establishing all Bank and Investment Custody Accounts and Authorized Signatures for the Proposed Captive, subject to the correction that the signature page reference be revised from a regular Board meeting to the Executive Committee. A rollcall vote was conducted, and the motion passed unanimously with no nays or abstentions.

B. Review and Consideration of the Draft Proposed Captive Investment Policy and Asset Allocation

Mr. Kramer introduced representatives from PFM Asset Management, including Mallory Sampson, and explained the Committee was being asked to provide direction regarding risk tolerance so the draft investment policy statement and proposed asset allocation could be refined before the Board meeting. Ms. Sampson stated the two principal inputs needed from the Committee were the preferred asset allocation and an informal required rate of return or hurdle rate for the portfolio. She explained the purpose was to match ERMA's comfort with volatility against the portfolio's long-term growth needs.

Ms. Sampson reviewed PFM's capital market assumptions and explained how various asset classes are evaluated for expected return and volatility over five-year and thirty-year periods. She emphasized that the exercise was not a recommendation to invest in all listed asset classes but rather a framework for determining the most efficient allocation based on risk tolerance. She described how portfolios are positioned along an efficient frontier and explained that captive clients generally fall somewhere between more conservative 40-60 models and more growth-oriented 70-30 models, with many settling around 60-40 over time.

At President Conley's request, Ms. Sampson gave a practical example comparing more conservative and more aggressive allocations during recent market years. She explained that the primary concern in a captive setting is avoiding a scenario in which the market is down during a heavy claim year and the entity is forced to sell assets at depressed values. She stated the best protection against that risk is maintaining sufficient short-term liquidity and cash reserves so the portfolio can withstand market volatility without forced liquidations.

Mr. Kramer noted that other captives administered by Sedgwick had started with allocations such as 60-40 and later considered adjustments as comfort with the structure increased. Jeremy Wittie and President Conley both stated they leaned conservative, especially given that ERMA does not have deep pockets behind it and should be careful in its initial approach. President Conley stated she could support either a 40-60 or 50-50 model but would be uncomfortable going beyond that at the outset. Rob Thompson likewise supported a conservative start and stated he would be comfortable with 50-50 while still allowing the Board the opportunity to go more conservative if desired.

The Committee also discussed use of a six percent informal benchmark or hurdle rate for future annual investment discussions. Ms. Sampson stated such a benchmark could be used as a reference point in evaluating whether the selected allocation is meeting long-term expectations, and she noted the risk tolerance discussion would be revisited each year rather than fixed permanently. President Conley asked how future changes in allocation would be handled from a governance perspective. Mr. Kramer explained that future decisions would be made by the captive board, though ERMA's Board would be kept informed through regular reporting.

After further discussion, Mr. Thompson and Mr. Wittie stated they were comfortable recommending a 50-50 starting allocation, and President Conley stated she could support that approach as well. Mr. Kramer agreed that 50-50 was a strong place to start. The Committee therefore provided direction that the draft investment policy be revised to reflect a 50-50 starting allocation, with the understanding that the Board would still have the opportunity to discuss and modify that recommendation and that the risk tolerance discussion would continue on an annual basis.

The Committee took no formal action on this matter

C. Review and Consideration of Proposed Captive Annual Operating Budget for Fiscal Year 2026/27

Sarah Thurston presented the proposed first-year captive budget and explained that several line items including startup and formation costs that would decline in later years. She reviewed the major categories, including captive management, actuarial work, legal services, annual audit, board meeting costs for a Utah annual meeting, license and regulatory fees, insurance coverage, investment management and custodial fees, and a contingency amount within other expenses for unanticipated startup costs.

Ms. Thurston explained that the board meeting estimate assumed travel, lodging, meals, and meeting costs for approximately eight to ten people, but noted that cost could be reduced if the meeting were held in board counsel's office or if the captive later joined the Utah association that allows entities to avoid in-person annual meetings. She stated the proposed total first-year expense budget was approximately \$208,000 and that future years would likely come in below or around \$200,000 once the one-time startup costs fell away.

Mr. Kramer and Mr. Huntington both noted that, given the expected size of the assets to be transferred to the captive, the captive should be able to pay for itself and more. Mr. Kramer offered a comparison to another captive that had generated substantial investment gains over a relatively short period. Mr. Huntington also pointed out that a large portion of the investment expense would simply replace investment expense ERMA is already incurring on the funds that would move into the captive.

President Conley asked whether the investment management estimate was based on the amount of assets under management. Ms. Thurston and Ms. Sampson explained that it was, using an estimate based on roughly a \$31 million portfolio, and Ms. Sampson further clarified the distinction between custody fees, fund or underlying investment expenses, and PFM's advisory fee. President Conley also asked how startup expenses paid initially by ERMA would be handled. Ms. Thurston stated the intent was that the captive would reimburse ERMA for those costs once operational, although ERMA may need to advance some smaller upfront items such as filing or legal fees.

Mr. Wittie requested that the materials for the Board break out one-time startup fees from recurring costs so Board members could more easily see what items would decline in future years. Ms. Thurston agreed to provide that additional detail or explanatory notation for the Board packet. President Conley stated she had no concerns with the proposed budget. The Committee reviewed the draft budget and provided direction for staff to continue refining the presentation for the Board, including clearer identification of one-time versus ongoing expenses.

The Committee took no formal action on this matter

D. Review and Consideration of Appeal Regarding Increased Retention for Contra Costa MVCD (VCJPA) Effective July 1, 2026

Mr. Kramer reminded the Committee that the Board had previously reviewed a member retained limit (MRL) study and directed ten members that met all three study thresholds to increase their self-insured retentions from \$25,000 to \$50,000 effective July 1, 2026. He explained that Contra Costa Mosquito and Vector Control District, a member within VCJPA Vector Control, had requested reconsideration because the vector control program is structured around uniform member retentions and would face administrative and accounting complications if one member alone moved to a different level.

Mr. Kramer reported that Contra Costa had exceeded the thresholds only narrowly and had done so in part because, while it reports many matters, it had only one loss that actually exceeded its retention. He stated staff therefore recommended allowing Contra Costa to remain at the \$25,000 level for the time being and for ERMA to continue monitoring the member until the next study, while expecting the VCJPA pool to prepare a longer-term plan for addressing future retention changes.

President Conley asked what actual losses had driven the result and confirmed that ERMA wanted members to report claims rather than avoid reporting. Mr. Kramer reiterated that the issue was not a pattern of significant losses but rather the way the study thresholds applied to a relatively small member. President Conley then asked Jeremy Wittie and the VCJPA representatives for input. Mr. Wittie acknowledged his pool relationship but noted he was trying to view the issue objectively. Yahaira Velasquez, Executive Director of VCJPA stated the pool would be discussing the matter with its full membership the following week and was considering whether to move all vector control members to a \$50,000 retention or otherwise create a plan for handling future situations in which one member's retention differs from the rest.

Ms. Velasquez further explained that the vector control program's current structure assumes a uniform \$25,000 retention for all members and that a different retention for one member would require separate tracking, custom claim system configurations, and additional accounting and retro calculations. She stated the pool would appreciate more time to work through those issues and indicated she was not contemplating a July 1, 2026 across-the-board change but potentially a later July 1, 2027 adjustment if warranted.

Mr. Kramer stated the Board's long-term direction had generally been to move away from \$25,000 retentions where possible, but he agreed the administrative realities described by VCJPA justified a temporary accommodation. President Conley and Rob Thompson both stated they supported staff's recommendation.

Rob Thompson moved, seconded by Jeremy Wittie, to approve the appeal and allow Contra Costa Mosquito and Vector Control District to remain at the \$25,000 self-insured retention effective July 1, 2026, with the expectation that VCJPA would continue evaluating a broader plan before the next study cycle. A rollcall vote was conducted, and the motion passed unanimously with no nays or abstentions.

E. Review and Consideration of a Request from The City of Mountain House (MPA) Regarding a Decrease of its Self-Insured Retention from \$50K to \$25K

Mr. Kramer reported that the City of Mountain House, a newly incorporated city and member of MPA, entered ERMA at a \$50,000 self-insured retention effective July 1, 2024. He explained that newer members have generally been required to enter at \$50,000 or greater and that Mountain House was now requesting to move down to a \$25,000 retention effective July 1, 2026.

Mr. Kramer advised that the cost difference to Mountain House was relatively small, approximately \$3,000, but the larger issue was the additional claim risk ERMA would assume if the request were granted. He noted Mountain House had one reportable claim with a reserve since joining ERMA and stated the request raised a policy question because ERMA has generally been trying to move away from the \$25,000 level rather than expand it.

President Conley asked whether the City had provided a substantive reason for wanting the lower retention, and Mr. Kramer responded that the request did not include much explanation. She also asked whether there was a history of similar requests being granted. Mr. Kramer stated such requests were rare and that downward changes require formal approval. President Conley then asked whether ERMA had discussed eliminating the \$25,000 option entirely. Mr. Kramer stated that issue had been discussed in the past, though the Committee and Board had retained the option largely because of some very small members, especially vector control districts.

The Committee discussed the remaining members still at the \$25,000 level and the possibility of grandfathering existing smaller entities while requiring all new members to enter at \$50,000 or above. Sarah Thurston noted that most members within certain larger pool groupings were already at \$50,000 or more and that the total number of members remaining at \$25,000 was relatively small in the context of ERMA's full membership. President Conley stated she was not persuaded there was any advantage to ERMA in allowing Mountain House to reduce its retention and said she favored continuing the broader conversation about eventually eliminating the \$25,000 option for new members.

President Conley also asked whether staff should speak with Linda Cox of MPA before a final response was sent, in case there were facts the Committee had not heard. Mr. Kramer agreed he would do so.

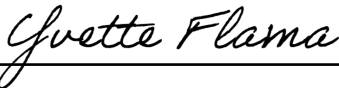
Jeremy Wittie then moved, seconded by Rob Thompson, to deny the City of Mountain House's request to reduce its self-insured retention from \$50,000 to \$25,000, subject to staff's further discussion with MPA and the possibility of revisiting the matter if materially new information arose. A rollcall vote was conducted, and the motion passed unanimously with no nays or abstentions.

8. CLOSING COMMENTS

There were no additional closing comments from the Executive Committee or staff.

9. ADJOURNMENT

The February 20, 2026, ERMA Special Executive Committee Meeting adjourned at 12:12 p.m. by general consent.



Yvette Flama, Board Secretary