

Written materials relating to an item on this agenda that are distributed to the legislative bodies within 72 hours before the item is to be considered at its regularly scheduled meeting will be made available for public inspection at the City Clerk's Office, 300 West Third Street 4th Floor during customary business hours. Agenda reports are also on the City of Oxnard web site at www.oxnard.org.



AGENDA
OXNARD CITY COUNCIL
FINANCE AND GOVERNANCE COMMITTEE
Council Chambers, 305 West Third Street
March 26, 2019
Regular Meeting - 9:30 to 10:45 AM

A. ROLL CALL / POSTING OF AGENDA

B. PUBLIC COMMENTS ON ITEMS NOT ON THE AGENDA

At this time, the legislative body will consider public comments for a maximum of fifteen minutes. A person may address the legislative body only on matters not appearing on the agenda and within the subject matter jurisdiction of the legislative body. Speaker cards will not be accepted after the beginning of the general public comment period. Based on the number of speaker cards submitted, the presiding officer may impose time limits per speaker. Typically, speakers are limited to two minutes, but shorter time may be established as deemed necessary. A person not able to address the legislative body at this time because the fifteen minutes expires may do so just prior to adjournment of the meeting. The legislative body cannot enter into a detailed discussion or take action on any items presented during public comments at this time. Such items may only be referred to the City Manager for administrative action or scheduled on a subsequent agenda for discussion.

C. CONSENT AGENDA

City Clerk Department

1. SUBJECT: Approval of Minutes.

RECOMMENDATION: That the Finance and Governance Committee approve the minutes of the March 12, 2019 Regular Meeting as presented.

Contact: Michelle Ascencion

Phone: (805) 385-7805

D. REPORTS

Finance Department / Information Technology Department

1. SUBJECT: Budget Appropriation from Fund Balance - Information Technology. (5/5/5)

RECOMMENDATION: That the Finance and Governance Committee recommends that City Council approve two budget appropriations: (i) in the amount of \$242,000 from the Information Technology (IT) Fund Balance for the purpose of offsetting a reversal of ASES Grant charges for FY 2018-19; and (ii) in the amount of \$203,004 for prepayment of FY 2019-20 IT vendor costs.

Contact: Stephen M. Fischer

Phone: (805) 385-7483

In compliance with the Americans with Disabilities Act, if you require special assistance to participate in a meeting, please contact the City Clerk's Office at 385-7803. Notice at least 72 hours prior to the meeting will enable the City to reasonably arrange for your accessibility to the meeting.

Agenda Item time estimates: (Staff Presentation / Committee Discussion / Public Comment)

Human Resources Department

2. SUBJECT: Update regarding withdrawal from BICEP and Possible Admission to CSAC-EIA. (10/5/5)

RECOMMENDATION: That the Finance and Governance Committee receive and file a report regarding withdrawing from the Big Independent Cities Excess Pool (BICEP) and potentially joining the California State Association of Counties Excess Insurance Authority (CSAC-EIA).

Contact: Stephen M. Fischer

Phone: (805) 385-7483

E. ITEMS FOR FUTURE AGENDAS

F. ADJOURNMENT

DRAFT

MINUTES

OXNARD CITY COUNCIL

FINANCE AND GOVERNANCE COMMITTEE

Regular Meeting

March 12, 2019

A. ROLL CALL / POSTING OF AGENDA

At 9:34 a.m., Chair Flynn called to order the regular meeting of the Oxnard City Council Finance and Governance Committee in the City Hall Council Chambers, 305 W. Third Street, Oxnard, California. The City Clerk called the roll and announced the posting of the agenda. Members Gabriela Basua, Bert Perello, and Chair Tim Flynn were present.

Staff members present were Alexander Nguyen, City Manager; Stephen Fischer, City Attorney; Shiri Klima, Deputy City Manager; and Michelle Ascencion, City Clerk.

B. PUBLIC COMMENTS ON ITEMS NOT ON THE AGENDA (None received.)

C. CONSENT AGENDA

City Clerk Department

1. SUBJECT: Approval of Minutes.

RECOMMENDATION: That the Finance and Governance Committee approve the minutes of the February 26, 2019 Regular Meeting as presented.

Discussion ensued among the Committee and staff regarding the structure and content of the minutes.

It was moved by Member Basua, seconded by Member Perello, to approve the minutes as presented.

VOTE: Basua, Flynn, and Perello voted in favor; the motion carried 3-0.

D. REPORTS

City Attorney Department

1. SUBJECT: Council Procedures Manual Update.

RECOMMENDATION: That the Finance and Governance Committee continue discussion of the draft update to the Council Procedures Manual and provide its further comments and direction.

The City Attorney gave a report. No public comments were received. Discussion ensued among the Council and staff. No action was required.

E. ITEMS FOR FUTURE AGENDAS

Member Basua requested an overview of the budget process or a mid-year review of the budget. Member Perello requested a report by the internal auditor regarding the previous findings, and an update on the status of the city's debt collections.

F. ADJOURNMENT

There being no further business on the agenda, and without objection, Chair Flynn adjourned the meeting at 10:49 a.m.

MICHELLE ASCENCION, CMC
City Clerk

TIM FLYNN
Chair



**FINANCE AND GOVERNANCE
COMMITTEE**

AGENDA REPORT

TYPE OF ITEM: Report

AGENDA ITEM NO.: 1

DATE: March 26, 2019

TO: Finance and Governance Committee

FROM: Kevin Riper, Chief Financial Officer
kevin.riper@oxnard.org, (805) 385-7475
Keith Brooks, Information Technology Director
keith.brooks@oxnard.org, (805) 385-7597

SUBJECT: Budget Appropriation from Fund Balance - Information Technology. (5/5/5)

RECOMMENDATION

That the Finance and Governance Committee recommends that City Council approve two budget appropriations: (i) in the amount of \$242,000 from the Information Technology (IT) Fund Balance for the purpose of offsetting a reversal of ASES Grant charges for FY 2018-19; and (ii) in the amount of \$203,004 for prepayment of FY 2019-20 IT vendor costs.

BACKGROUND

1. Recommended \$242,000 appropriation, which will affect fund balance

The IT Department operates off an Internal Service Fund structure, such that revenues and expenditures are designed to break even on an annual basis. The costs to operate the IT Department are allocated to all operating departments within the City. These funds are then used to cover the operational and capital needs for technology. The fund currently has a projected \$242,000 in ending fund balance at June 30, 2019, which may be used to cover unexpected expenses or a shortfall in revenue.

Through contracts with the Hueneme Elementary and Oxnard School Districts, the City of Oxnard Recreation and Community Services Division provides after school programming, via the After School Education & Safety (ASES) program, to over 3,200 Oxnard children on thirty (30) school campuses. The City's FY 2018-19 budget assumed IT support to the ASES programs would be reimbursed by the Districts in the amount of \$247,598. However, IT does not support the ASES program to that degree because the Districts provide the majority of those IT services themselves. Therefore, there will be no reimbursement from them to the City this fiscal year.

This revenue shortfall in the IT internal service fund has created the need to find resources to offset the negative amount. Those resources are recommended to be an appropriation from fund balance. The recommended appropriation of \$242,000 would reduce projected fund balance at the end of FY 2018-19 to zero.

2. Recommended \$203,004 appropriation, which will NOT affect fund balance

The technology industry has adopted a financial model whereby customers like the City pay software license and usage charges in advance. This fiscal year the IT Department has \$203,004 worth of invoices in hand for software license and usage charges that apply to future fiscal years, but which must be paid this fiscal year. In order to pay those invoices, which are listed in the table below, the IT Department needs an appropriation for the \$203,004. This appropriation will not affect fund balance, because the prepayment will be recorded on the City's books as an asset this fiscal year, not as an expense. In essence, this is a balance sheet transaction, converting cash to prepaid items on the asset side of the balance sheet for the IT internal service fund. The appropriation is necessary, however, in order for the IT Department to pay the prepaid items to its vendors.

INVOICES

Vendor	Amount Due	2018-19 share
Accela Legislative	23,040	13,440
Accela CRM Public Stuff	26,632	15,536
CivicPlus	29,205	14,603+
Selectron	37,760	12,587
Microsoft EA	84,609	14,102
McAfee	5,728	1,432
Faronics	27,840	6,960
OpenGov	32,775	8,194
Lynda.com	2,100	350
Portford Solutions	12,221	1,018
Broderick Data	\$342	29
ASES Grant Chargeback Reversal	247,598	247,598
Everywhere Networks	2,025	2,025
Versatile	4,948	4,948
Digital Ocean (remaining for 18/19)	1,792	1,792
CLETS (remaining for 18/19)	11,200	11,200
Corelogic (remaining for 18/19)	2,330	2,330
Paypal (remaining for 18/19)	3,360	3,360

Pacific Locators (remaining for 18/19)	30,000	21,000
Superion HTE	180,000	180,000
TOTAL	\$765,506	\$562,502

STRATEGIC PRIORITIES

This agenda item supports the Organizational Effectiveness strategy. The purpose of the Organizational Effectiveness strategy is to strengthen and stabilize the organizational foundation of the City in the areas of Finance, Information Technology, and Human Resources, and to improve workforce quality while increasing transparency to the public. This item supports the following goals and objectives:

Goal 1. To help foster a healthy and accountable corporate foundation by strengthening the support functions of the organization, which include Finance, Information Technology and Human Resources.

Objective 1a. Ensure the 128 recommendations outlined in the organizational assessment are implemented through the 3 phased implementation action plans adopted by Council in July, 2015 and provide periodic reports to Council on the status of the implementation plans.

Goal 2. Increase transparency with Council, community and staff related to the City's budget and financial management processes.

Objective 2c. Create a standardized template to present financial and other data to the general public.

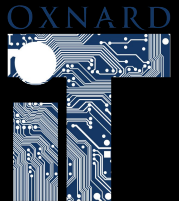
FINANCIAL IMPACT

The first recommended appropriation (for \$242,000) will use all of the projected ending fund balance in the Information Technology internal service fund. The second recommended appropriation will have no effect on fund balance, because it authorizes prepayment for vendor software and other support that will be delivered in a future fiscal year and does not affect expenses in the current fiscal year.

Prepared by: Kevin Riper - Chief Financial Officer
Keith Brooks - Information Technology Director
Gary Krumian - Information Technology Senior Business Analyst

IT Fund Balance Appropriation

Finance and Governance Committee Meeting
Tuesday, March 26, 2019



Invoices

IT Fund Balance Appropriation

Vendor	Amount Due	2018-19 share
Accela Legislative	23,040	13,440
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Portford Solutions	12,221	1,018
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	\$765,506	\$562,502

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**FINANCE AND GOVERNANCE
COMMITTEE**

AGENDA REPORT

TYPE OF ITEM: Report

AGENDA ITEM NO.: 2

DATE: March 26, 2019

TO: Finance and Governance Committee

FROM: Steve Naveau, Human Resources Director
steve.naveau@oxnard.org, (805) 385-7947

SUBJECT: Update regarding withdrawal from BICEP and Possible Admission to CSAC-EIA.
(10/5/5)

RECOMMENDATION

That the Finance and Governance Committee receive and file a report regarding withdrawing from the Big Independent Cities Excess Pool (BICEP) and potentially joining the California State Association of Counties Excess Insurance Authority (CSAC-EIA).

BACKGROUND

The City of Oxnard was a founding member of the Big Independent Cities Excess Pool (BICEP) in 1988. BICEP is a joint powers authority (JPA) that operates a self-insurance general liability pool for five large cities: Huntington Beach, Oxnard, San Buenaventura, Santa Ana, and West Covina. Former members include Pomona and San Bernardino. BICEP provides each member city with \$25 million of general liability coverage, excess of a \$1 million self-insured retention. BICEP also provides joint purchase of various types of insurance for its member cities (e.g., workers' compensation, property, crime). The decision to join BICEP came at a time when commercial liability insurance coverage for the City was cost prohibitive and virtually unavailable.

In recent years, BICEP's administrative costs to operate as a pool have increased considerably. Compounding the issue, since the withdrawal of San Bernardino in 2018, those costs are spread to fewer cities (five instead of six), which has substantially increased the cost to the City of Oxnard. City staff began looking at excess insurance alternatives in early 2018 as BICEP's excess insurance premiums and administrative costs increased. Other BICEP members have also evaluated various options, and all members have submitted conditional notices of withdrawal from the purchasing of insurance through the JPA effective July 1, 2019.

Given that BICEP as a pool will likely eventually cease, the City is left with essentially two options: (1) join another risk sharing joint powers authority pool to obtain various lines of

insurance coverage, or (2) obtain insurance on the open market with the assistance of an insurance broker. However, regardless of which option is selected, the City will retain the services of an insurance broker to evaluate its options.

Insurance Brokerage Services

In anticipation of the dissolution of BICEP, City staff issued a request for proposals (RFP) to obtain brokerage services for its various lines of primary and excess insurance coverage. Staff received five proposals from insurance brokers and selected Arthur J. Gallagher & Co. based upon the broker's experience, cost, and proposed level of services. Staff will execute an agreement in the amount of \$107,600 per year for a five-year term with Arthur J. Gallagher & Co. to act as the City's insurance broker to obtain any lines of coverage outside of what may be obtained as a risk-sharing member of the CSAC-EIA joint powers authority as discussed below.

CSAC Excess Insurance Authority

The best and lowest-cost option for obtaining excess workers' compensation insurance will likely be to join the CSAC-EIA joint powers authority. The City has already obtained its excess workers' compensation insurance indirectly from CSAC-EIA for at least the last 15 years as BICEP was a member entity of CSAC-EIA.

If the City joins CSAC-EIA, we will be able to move our workers' compensation excess insurance to CSAC-EIA as a direct purchase model rather than through BICEP. For the excess liability coverage, staff is still receiving and evaluating quotes whose limits are based on the Council-approved Risk Management Policy.

Legacy Issues

With all of the member jurisdiction leaving BICEP, the JPA will eventually be dissolved. BICEP will exist until all of the existing claims are closed, which is anticipated to take several years. Once this has occurred, the JPA will formally close and Council will adopt a new resolution dissolving the JPA.

There is the potential that during this period the City will need to contribute toward claims from prior fiscal years if BICEP's existing reserves and equity are insufficient; however, at this time, any additional funding needs are not quantifiable. As of June 30, 2018, BICEP had total claim reserves of \$10.4 million and equity of \$5.5 million. In the event the remaining reserves and equity are greater than future claims payments, it is possible that the City could receive funds once BICEP liquidates in a future year.

Staff will return to this Committee for future approvals as needed.

STRATEGIC PRIORITIES

This agenda item is a routine operational item or does not relate to the four strategic plans adopted by City Council on May 17, 2016.

FINANCIAL IMPACT

There is no immediate financial impact from approval of these actions in Fiscal Year 2018-19. There is the potential for lower excess insurance premiums in Fiscal Year 2019-20, but it is too soon to quantify what those savings will be, if any.

Prepared by: Michael More, Human Resources Manager

ATTACHMENTS

#1 – Resolution to join the CSAC Excess Insurance Authority

#2 - Joint Powers Agreement (A-8132)

APPROVALS

DEPARTMEN T	NAME	PLEASE ADD: COMMENTS or APPROVED and DATE
HR	Mike More	MM 3-11-19
HR	Steve Naveau	SN 3-11-19
Finance	Beth Vo	approved 3.15.19
Legal	Jennie Kelly	Approved 3/18/19
Legal	Stephen Fischer	Approved 3/18/19
City Manager	Shiri Klima	Approved 3/19/19

RESOLUTION NO. _____

**RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF OXNARD
TO JOIN CSAC EXCESS INSURANCE AUTHORITY**

WHEREAS, Article 1, Chapter 5, Division 7, Title 1 of the California Government Code (Section 6500 et seq.) permits two or more public agencies by agreement to exercise jointly powers common to the contracting parties; and

WHEREAS, the City of Oxnard desires to join together with the members of the CSAC Excess Insurance Authority (Authority) for the purpose of jointly funding and/or establishing excess and other insurance programs as determined; and

WHEREAS, the Authority has determined that it is necessary for each member of the Authority to delegate to a person[s] or position[s] authority to act on the member's behalf in matters relating to the member and the Authority;

NOW THEREFORE, BE IT RESOLVED by the City Council of the City of Oxnard that said City Council does hereby approve becoming a member of the CSAC Excess Insurance Authority, authorizes execution of the CSAC Excess Insurance Authority Joint Powers Agreement, and except as to actions that must be approved by the City Council, the City Manager or his/her designee is hereby appointed to act in all matters relating to the member and the Authority.

PASSED AND ADOPTED by the City Council this ____ day of _____, 2019 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Tim Flynn, Mayor

Date

ATTEST:

Michelle Ascencion
City Clerk



Adopted: October 5, 1979
Amended: May 12, 1980
Amended: January 23, 1987
Amended: October 7, 1988
Amended: March 1993
Amended: November 18, 1996
Amended: October 4, 2005
Amended: February 28, 2006

**JOINT POWERS AGREEMENT
CREATING THE CSAC EXCESS INSURANCE AUTHORITY**

This Agreement is executed in the State of California by and among those counties and public entities organized and existing under the Constitution of the State of California which are parties signatory to this Agreement. The CSAC Excess Insurance Authority was formed under the sponsorship of CSAC. All such counties, hereinafter called member counties, and public entities, hereinafter called member public entities, [collectively "members"] shall be listed in Appendix A, which shall be attached hereto and made a part hereof.

RECITALS

WHEREAS, Article 1, Chapter 5, Division 7, Title 1 of the California Government Code (Section 6500 et seq.) permits two or more public agencies by agreement to exercise jointly powers common to the contracting parties; and

WHEREAS, Article 16, Section 6 of the California Constitution provides that insurance pooling arrangements under joint exercise of power agreements shall not be considered the giving or lending of credit as prohibited therein; and

WHEREAS, California Government Code Section 990.4 provides that a local public entity may self-insure, purchase insurance through an authorized carrier, or purchase insurance through a surplus line broker, or any combination of these; and

WHEREAS, pursuant to California Government Code Section 990.6, the cost of insurance provided by a local public entity is a proper charge against the local public entity; and

WHEREAS, California Government Code Section 990.8 provides that two or more local entities may, by a joint powers agreement, provide insurance for any purpose by any one or more of the methods specified in Government Code Section 990.4 and such pooling of self-insured claims or losses is not considered insurance nor subject to regulation under the Insurance Code; and

WHEREAS, the counties and public entities executing this Agreement desire to join together for the purpose of jointly funding and/or establishing excess and other insurance programs as determined;

NOW THEREFORE, the parties agree as follows:

ARTICLE 1 DEFINITIONS

"CSAC" shall mean the County Supervisors Association of California, dba California State Association of Counties.

"Authority" shall mean the CSAC Excess Insurance Authority created by this Agreement.

"Board of Directors" or **"Board"** shall mean the governing body of the Authority.

"Claim" shall mean a claim made against a member arising out of an occurrence which is covered by an excess or primary insurance program of the Authority in which the member is a participant.

"Executive Committee" shall mean the Executive Committee of the Board of Directors of the Authority.

"Fiscal year" shall mean that period of twelve months which is established by the Board of Directors as the fiscal year of the Authority.

"Government Code" shall mean the California Government Code.

"Insurance program" or **"program"** shall mean a program of the Authority under which participating members are protected against designated losses, either through joint purchase of primary or excess insurance, pooling of self-insured claims or losses, purchased insurance or any other combination as determined by the Board. The Board of Directors or the Executive Committee may determine applicable criteria for determining eligibility in any insurance program, as well as establishing program policies and procedures.

"Joint powers law" shall mean Article 1, Chapter 5, Division 7, Title 1 (commencing with Section 6500) of the Government Code.

"Loss" shall mean a liability or potential liability of a member, including litigation expenses, attorneys' fees and other costs, which is covered by an insurance program of the Authority in which the member is a participant.

"Member county" shall mean any county which, through the membership of its supervisors in CSAC, has executed this Agreement and become a member of the Authority. "Member county" shall also include those entities or other bodies set forth in Article 3 (c).

"Member Public Entity" shall mean any California public entity which does not maintain a membership in CSAC, has executed this Agreement and become a member of the Authority, "Member Public Entity" shall also include those entities or other bodies set forth in Article 3(c).

"Occurrence" shall mean an event which is more fully defined in the memorandums of coverage and/or policies of an insurance program in which the participating county or participating public entity is a member.

"Participating county" shall mean any member county which has entered into a program offered by the Authority pursuant to Article 14 of this Agreement and has not withdrawn or been canceled therefrom pursuant to Articles 20 or 21.

"Participating public entity" shall mean any member public entity which has entered into a program offered by the Authority pursuant to Article 14 of this Agreement and has not withdrawn or been canceled therefrom pursuant to Articles 20 or 21.

"Self-insured retention" shall mean that portion of a loss resulting from an occurrence experienced by a member which is retained as a liability or potential liability of the member and is not subject to payment by the Authority.

"Reinsurance" shall mean insurance purchased by the Authority as part of an insurance program to cover that portion of any loss which exceeds the joint funding capacity of that program.

ARTICLE 2 PURPOSES

This Agreement is entered into by the member counties and member public entities in order to jointly develop and fund insurance programs as determined. Such programs may include, but are not limited to, the creation of joint insurance funds, including primary and excess insurance funds, the pooling of self-insured claims and losses, purchased insurance, including reinsurance, and the provision of necessary administrative services. Such administrative services may include, but shall not be limited to, risk management consulting, loss prevention and control, centralized loss reporting, actuarial consulting, claims adjusting, and legal defense services.

ARTICLE 3 PARTIES TO AGREEMENT

(a) There shall be two classes of membership of the parties pursuant to this Agreement consisting of one class designated as Member Counties and another class designated as Member Public Entities.

(b) Each member county and member public entity, as a party to this Agreement, certifies that it intends to and does contract with all other members as parties to this Agreement and, with such other members as may later be added as parties to this Agreement pursuant to Article 19 as to all programs of which it is a participating member. Each member also certifies that the removal of any party from this Agreement, pursuant to Articles 20 or 21, shall not affect this Agreement or the member's obligations hereunder.

(c) A member for purposes of providing insurance coverage under any program of the Authority, may contract on behalf of, and shall be deemed to include:

Any public entity as defined in Government Code § 811.2 which the member requests to be added and from the time that such request is approved by the Executive Committee of the Authority.

Any nonprofit entity, including a nonprofit public benefit corporation formed pursuant to Corporations Code §§ 5111, 5120 and, 5065, which the member requests to be added and from the time that such request is approved by the Executive Committee.

(d) Any public entity or nonprofit so added shall be subject to and included under the member's SIR or deductible, and when so added, may be subject to such other terms and conditions as determined by the Executive Committee.

(e) Such public entity or nonprofit shall not be considered a separate party to this Agreement. Any public entity or nonprofit so added, shall not affect the member's representation on the Board of Directors and shall be considered part of and represented by the member for all purposes under this Agreement.

(f) The Executive Committee shall establish guidelines for approval of any public entity or nonprofit so added in accordance with Article 3(c) and (d).

(g) Should any conflict arise between the provisions of this Article and any applicable Memorandum of Coverage or other document evidencing coverage, such Memorandum of Coverage or other document evidencing coverage shall prevail.

ARTICLE 4

TERM

This Agreement shall continue in effect until terminated as provided herein.

ARTICLE 5

CREATION OF THE AUTHORITY

Pursuant to the joint powers law, there is hereby created a public entity separate and apart from the parties hereto, to be known as the CSAC Excess Insurance Authority, with such powers as are hereinafter set forth.

ARTICLE 6

POWERS OF THE AUTHORITY

The Authority shall have all of the powers common to General Law counties in California, such as Alpine County and all additional powers set forth in the joint powers law, and is hereby authorized to do all acts necessary for the exercise of said powers. Such powers include, but are not limited to, the following:

(a) To make and enter into contracts.

- (b) To incur debts, liabilities, and obligations.
- (c) To acquire, hold, or dispose of property, contributions and donations of property, funds, services, and other forms of assistance from persons, firms, corporations, and government entities.
- (d) To sue and be sued in its own name, and to settle any claim against it.
- (e) To receive and use contributions and advances from members as provided in Government Code Section 6504, including contributions or advances of personnel, equipment, or property.
- (f) To invest any money in its treasury that is not required for its immediate necessities, pursuant to Government Code Section 6509.5.
- (g) To carry out all provisions of this Agreement.

Said powers shall be exercised pursuant to the terms hereof and in the manner provided by law.

ARTICLE 7

BOARD OF DIRECTORS

The Authority shall be governed by the Board of Directors, which shall be composed as follows:

a) One director from each member county, appointed by the member county board of supervisors and serving at the pleasure of that body. Each member county board of supervisors shall also appoint an alternate director who shall have the authority to attend, participate in and vote at any meeting of the Board when the director is absent. A director or alternate director shall be a county supervisor, other county official, or staff person of the member county, and upon termination of office or employment with the county, shall automatically terminate membership or alternate membership on the Board.

b) Ten directors consisting of seven directors and three alternate directors chosen in the manner specified in the Bylaws from those participating as public entity members. A director or alternate public entity director shall be an official, or staff person of the public entity member, and upon termination of office or employment with the public entity, shall automatically terminate membership or alternate membership on the Board.

c) Member county directors shall consist of a minimum of 80% of the eligible voting members on the Board. The public entity member directors shall be reduced accordingly to ensure at least 80% of the Board consists of county director members (By way of example, if the number of county members is reduced from the current 54 by member withdrawals to a level of 28, then county members would be at the 80% level, 28/35. If the county members go to 27, then the public entity members would lose one seat and would only have 6 votes).

Any vacancy in a county director or alternate director position shall be filled by the appointing county's board of supervisors, subject to the Provisions of this Article. Any vacancy in a public entity director position shall be filled by vote of the public entity members.

A majority of the membership of the Board shall constitute a quorum for the transaction of business. Each member of the Board shall have one vote. Except as otherwise provided in this Agreement or any other duly executed agreement of the members, all actions of the Board shall require the affirmative vote of a majority of the members; provided, that any action which is restricted in effect to one of the Authority's insurance programs, shall require the affirmative vote of a majority of those Board members who represent counties and public entities participating in that program. For purposes of an insurance program vote, to the extent there are public entity members participating in a program, the public entity Board members as a whole shall have a minimum of one vote. The public entity Board members may in no event cast more votes than would constitute 20% of the number of total county members in that program (subject to the one vote minimum). Should the number of public entity Board votes authorized herein be less than the number of public entity Board members at a duly noticed meeting, the public entity Board members shall decide among themselves which Board member shall vote. Should they be unable to decide, the President of the Authority shall determine which director(s) shall vote.

ARTICLE 8

POWERS OF THE BOARD OF DIRECTORS

The Board of Directors shall have the following powers and functions:

(a) The Board shall exercise all powers and conduct all business of the Authority, either directly or by delegation to other bodies or persons unless otherwise prohibited by this Agreement, or any other duly executed agreement of the members or by law.

(b) The Board of Directors may adopt such resolutions as deemed necessary in the exercise of those powers and duties set forth herein.

(c) The Board shall form an Executive Committee, as provided in Article 11. The Board may delegate to the Executive Committee and the Executive Committee may discharge any powers or duties of the Board except adoption of the Authority's annual budget. The powers and duties so delegated shall be specified in resolutions adopted by the Board.

(d) The Board may form, as provided in Article 12, such other committees as it deems appropriate to conduct the business of the Authority. The membership of any such other committee may consist in whole or in part of persons who are not members of the Board; provided that the Board may delegate its powers and duties only to a committee of the Board composed of a majority of Board members and/or alternate members. Any committee which is not composed of a majority of Board members and/or alternate members may function only in an advisory capacity.

(e) The Board shall elect the officers of the Authority and shall appoint or employ necessary staff in accordance with Article 13.

(f) The Board shall cause to be prepared, and shall review, modify as necessary, and adopt the annual operating budget of the Authority. Adoption of the budget may not be delegated.

(g) The Board shall develop, or cause to be developed, and shall review, modify as necessary, and adopt each insurance program of the Authority, including all provisions for reinsurance and administrative services necessary to carry out such program.

(h) The Board, directly or through the Executive Committee, shall provide for necessary services to the Authority and to members, by contract or otherwise, which may include, but shall not be limited to, risk management consulting, loss prevention and control, centralized loss reporting, actuarial consulting, claims adjusting, and legal services.

(i) The Board shall provide general supervision and policy direction to the Chief Executive Officer.

(j) The Board shall receive and act upon reports of the committees and the Chief Executive Officer.

(k) The Board shall act upon each claim involving liability of the Authority, directly or by delegation of authority to the Executive Committee or other committee, body or person, provided, that the Board shall establish monetary limits upon any delegation of claims settlement authority, beyond which a proposed settlement must be referred to the Board for approval.

(l) The Board may require that the Authority review, audit, report upon, and make recommendations with regard to the safety or claims administration functions of any member, insofar as those functions affect the liability or potential liability of the Authority. The Board may forward any or all such recommendations to the member with a request for compliance and a statement of potential consequences for noncompliance.

(m) The Board shall receive, review and act upon periodic reports and audits of the funds of the Authority, as required under Articles 15 and 16 of this Agreement.

(n) The Board may, upon consultation with a casualty actuary, declare that any funds established for any program has a surplus of funds and determine a formula to return such surplus to the participating counties and participating public entities which have contributed to such fund.

(o) The Board shall have such other powers and duties as are reasonably necessary to carry out the purposes of the Authority.

ARTICLE 9

MEETINGS OF THE BOARD OF DIRECTORS

(a) The Board shall hold at least one regular meeting each year and shall provide for such other regular meetings and for such special meetings as it deems necessary.

(b) The Chief Executive Officer of the Authority shall provide for the keeping of minutes of regular and special meetings of the Board, and shall provide a copy of the minutes to each member of the Board at the next scheduled meeting.

(c) All meetings of the Board, the Executive Committee and such committees as established by the Board pursuant to Article 12 herein, shall be called, noticed, held and conducted in accordance with the provisions of Government Code Section 54950 et seq.

ARTICLE 10 OFFICERS

The Board of Directors shall elect from its membership a President and Vice President of the Board, to serve for one-year terms.

The President, or in his or her absence, the Vice President, shall preside at and conduct all meetings of the Board and shall chair the Executive Committee.

ARTICLE 11 EXECUTIVE COMMITTEE

The Board of Directors shall establish an Executive Committee of the Board which shall consist of eleven members: the President and Vice President of the Board, and nine members elected by the Board from its membership.

The terms of office of the nine non-officer members shall be as provided in the Bylaws of the Authority.

The Executive Committee shall conduct the business of the Authority between meetings of the Board, exercising all those powers as provided for in Article 8, or as otherwise delegated to it by the Board.

ARTICLE 12 COMMITTEES

The Board of Directors may establish committees, as it deems appropriate to conduct the business of the Authority. Members of the committees shall be appointed by the Board, to serve two year terms, subject to reappointment by the Board. The members of each committee shall annually select one of their members to chair the Committee.

Each committee shall be composed of at least five members and shall have those duties as determined by the Board, or as otherwise set forth in the Bylaws.

Each committee shall meet on the call of its chair, and shall report to the Executive Committee and the Board as directed by the Board.

ARTICLE 13**STAFF**

(a) **Principal Staff.** The following staff members shall be appointed by and serve at the pleasure of the Board of Directors:

(1) **Chief Executive Officer.** The Chief Executive Officer shall administer the business and activities of the Authority, subject to the general supervision and policy direction of the Board of Directors and Executive Committee; shall be responsible for all minutes, notices and records of the Authority and shall perform such other duties as are assigned by the Board and Executive Committee.

(2) **Treasurer.** The duties of the Treasurer are set forth in Article 16 of this Agreement. Pursuant to Government Code Section 6505.5, the Treasurer shall be the county treasurer of a member county of the Authority, or, pursuant to Government Code Section 6505.6, the Board may appoint one of its officers or employees to the position of Treasurer, who shall comply with the provisions of Government Code Section 6505.5 (a-d).

(3) **Auditor.** The Auditor shall draw warrants to pay demands against the Authority when approved by the Treasurer. Pursuant to Government Code Section 6505.5, the Auditor shall be the Auditor of the county from which the Treasurer is appointed by the Board under (2) above, or, pursuant to Government Code Section 6505.6, the Board may appoint one of its officers or employees to the position of Auditor, who shall comply with the provisions of Government Code Section 6505.5 (a-d).

(b) **Charges for Treasurer and Auditor Services.** Pursuant to Government Code Section 6505, the charges to the Authority for the services of Treasurer and Auditor shall be determined by the board of supervisors of the member county from which such staff members are appointed.

(c) **Other Staff.** The Board, Executive Committee or Chief Executive Officer shall provide for the appointment of such other staff as may be necessary for the administration of the Authority.

ARTICLE 14**DEVELOPMENT, FUNDING AND IMPLEMENTATION
OF INSURANCE PROGRAMS**

(a) **Program Coverage.** Insurance programs of the Authority may provide coverage, including excess insurance coverage for:

- (1) Workers' compensation;
- (2) Comprehensive liability, including but not limited to general, personal injury, contractual, public officials errors and omissions, and incidental malpractice liability;
- (3) Comprehensive automobile liability;
- (4) Hospital malpractice liability;
- (5) Property and related programs;

and may provide any other coverages authorized by the Board of Directors. The Board shall determine, for each such program, a minimum number of participants required for program implementation and may develop specific program coverages requiring detailed agreements for implementation of the above programs.

(b) **Program and Authority Funding.** The members developing or participating in an insurance program shall fund all costs of that program, including administrative costs, as hereinafter provided. Costs of staffing and supporting the Authority, hereinafter called Authority general expenses, shall be equitably allocated among the various programs by the Board, and shall be funded by the members developing or participating in such programs in accordance with such allocations, as hereinafter provided. In addition, the Board may, in its discretion, allocate a share of such Authority general expense to those members which are not developing or participating in any program, and require those counties and public entities to fund such share through a prescribed charge.

(1) **Development Charge.** Development costs of an insurance program shall be funded by a development charge, as established by the Board of Directors. The development charge shall be paid by each participant in the program following the program's adoption by the Board. Development costs are those costs actually incurred by the Authority in developing a program for review and adoption by the Board of Directors, including but not limited to: research, feasibility studies, information and liaison work among participants, preparation and review of documents, and actuarial and risk management consulting services. The development charge may also include a share of Authority general expenses, as allocated to the program development function.

The development charge shall be billed by the Authority to all participants in the program upon establishment of the program and shall be payable in accordance with the Authority's invoice and payment policy.

Upon the conclusion of program development: any deficiency in development funds shall be billed to all participants which have paid the development charge, on a pro-rata or other equitable basis, as determined by the Board; any surplus in such funds shall be transferred into the Authority's general expense funds.

(2) **Annual Premium.** Except as provided in (3) below, all post-development costs of an insurance program shall be funded by annual premiums charged to the members participating in the program each policy year, and by interest earnings on the funds so accumulated. Such premiums shall be determined by the Board of Directors upon the basis of a cost allocation plan and rating formula developed by the Authority with the assistance of a casualty actuary, risk management consultant, or other qualified person. The premium for each participating member shall include that participant's share of expected program losses including a margin for contingencies as determined by the Board, program reinsurance costs, and program administrative costs for the year, plus that participant's share of Authority general expense allocated to the program by the Board.

(3) **Premium Surcharge**

(i) If the Authority experiences an unusually large number of losses under a program during a policy year, such that notwithstanding reinsurance coverage for large individual losses,

the joint insurance funds for the program may be exhausted before the next annual premiums are due, the Board of Directors may, upon consultation with a casualty actuary, impose premium surcharges on all participating members; or

(ii) If it is determined by the Board of Directors, upon consultation with a casualty actuary, that the joint insurance funds for a program are insufficient to pay losses, fund known estimated losses, and fund estimated losses which have been incurred but not reported, the Board of Directors may impose a surcharge on all participating members.

(iii) Premium surcharges imposed pursuant to (i) and/or (ii) above shall be in an amount which will assure adequate funds for the program to be actuarially sound; provided that the surcharge to any participating member shall not exceed an amount equal to three (3) times the member's annual premium for that year, unless otherwise determined by the Board of Directors.

Provided, however, that no premium surcharge in excess of three times the member's annual premium for that year may be assessed unless, ninety days prior to the Board of Directors taking action to determine the amount of the surcharge, the Authority notifies the governing body of each participating member in writing of its recommendations regarding its intent to assess a premium surcharge and the amount recommended to be assessed each member. The Authority shall, concurrently with the written notification, provide each participating member with a copy of the actuarial study upon which the recommended premium surcharge is based.

(iv) A member which is no longer a participating member at the time the premium surcharge is assessed, but which was a participating member during the policy year(s) for which the premium surcharge was assessed, shall pay such premium surcharges as it would have otherwise been assessed in accordance with the provisions of (i), (ii), and (iii) above.

(c) **Program Implementation and Effective Date.** Upon establishment of an insurance program by the Board of Directors, the Authority shall determine the manner of program implementation and shall give written notice to all members of such program, which shall include, but not be limited to: program participation levels, coverages and terms of coverage of the program, estimates of first year premium charges, program development costs, effective date of the program (or estimated effective date) and such other program provisions as deemed appropriate.

(d) **Late Entry Into Program.** A member which does not elect to enter an insurance program upon its implementation, pursuant to (c) above, or a county or public entity which becomes a party to this Agreement following implementation of the program, may petition the Board of Directors for late entry into the program. Such request may be granted upon a majority vote of the Board members, plus a majority vote of those board members who represent participants in the program. Alternatively, a county or public entity may petition the Executive Committee for late entry into the program, or a program committee, when authorized by an MOU governing that specific program, may approve late entry into that program. Such request may be granted upon a majority vote of the Executive Committee or program committee.

As a condition of late entry, the member shall pay the development charge for the program, as adjusted at the conclusion of the development period, but not subject to further adjustment,

and also any costs incurred by the Authority in analyzing the member's loss data and determining its annual premium as of the time of entry.

(e) **Reentry Into A Program.** Any county or public entity that is a member of an insurance program of the Authority who withdraws or is cancelled from an insurance program under Articles 21 and 22, may not reenter such insurance program for a period of three years from the effective date of withdrawal or cancellation.

ARTICLE 15

ACCOUNTS AND RECORDS

(a) **Annual Budget.** The Authority shall annually adopt an operating budget pursuant to Article 8 of this Agreement, which shall include a separate budget for each insurance program under development or adopted and implemented by the Authority.

(b) **Funds and Accounts.** The Auditor of the Authority shall establish and maintain such funds and accounts as may be required by good accounting practices and by the Board of Directors. Separate accounts shall be established and maintained for each insurance program under development or adopted and implemented by the Authority. Books and records of the Authority in the hands of the Auditor shall be open to inspection at all reasonable times by authorized representatives of members.

The Authority shall adhere to the standard of strict accountability for funds set forth in Government Code Section 6505.

(c) **Auditor's Report.** The Auditor, within one hundred and twenty (120) days after the close of each fiscal year, shall give a complete written report of all financial activities for such fiscal year to the Board and to each member.

(d) **Annual Audit.** Pursuant to Government Code Section 6505, the Authority shall either make or contract with a certified public accountant to make an annual fiscal year audit of all accounts and records of the Authority, conforming in all respects with the requirements of that section. A report of the audit shall be filed as a public record with each of the members and also with the county auditor of the county where the home office of the Authority is located and shall be sent to any public agency or person in California that submits a written request to the Authority. The report shall be filed within six months of the end of the fiscal year or years under examination. Costs of the audit shall be considered a general expense of the Authority.

ARTICLE 16

RESPONSIBILITIES FOR FUNDS AND PROPERTY

(a) The Treasurer shall have the custody of and disburse the Authority's funds. He or she may delegate disbursing authority to such persons as may be authorized by the Board of Directors to perform that function, subject to the requirements of (b) below.

(b) Pursuant to Government Code Section 6505.5, the Treasurer shall:

- (1) Receive and acknowledge receipt for all funds of the Authority and place them in the treasury of the Treasurer to the credit of the Authority.
 - (2) Be responsible upon his or her official bond for the safekeeping and disbursements of all Authority funds so held by him or her.
 - (3) Pay any sums due from the Authority, as approved for payment by the Board of Directors or by any body or person to whom the Board has delegated approval authority, making such payments from Authority funds upon warrants drawn by the Auditor.
 - (4) Verify and report in writing to the Authority and to members, as of the first day of each quarter of the fiscal year, the amount of money then held for the Authority, the amount of receipts since the last report, and the amount paid out since the last report.
- (c) Pursuant to Government Code Section 6505.1, the Chief Executive Officer, the Treasurer, and such other persons as the Board of Directors may designate shall have charge of, handle, and have access to the property of the Authority.
- (d) The Authority shall secure and pay for a fidelity bond or bonds, in an amount or amounts and in the form specified by the Board of Directors, covering all officers and staff of the Authority, and all officers and staff who are authorized to have charge of, handle, and have access to property of the Authority.

ARTICLE 17

RESPONSIBILITIES OF MEMBERS

Members shall have the following responsibilities under this Agreement.

- (a) The board of supervisors of each member county shall appoint a representative and one alternate representative to the Board of Directors, pursuant to Article 7.
- (b) Each member shall appoint an officer or employee of the member to be responsible for the risk management function for that member and to serve as a liaison between the member and the Authority for all matters relating to risk management.
- (c) Each member shall maintain an active safety program, and shall consider and act upon all recommendations of the Authority concerning the reduction of unsafe practices.
- (d) Each member shall maintain its own claims and loss records in each category of liability covered by an insurance program of the Authority in which the member is a participant, and shall provide copies of such records to the Authority as directed by the Board of Directors or Executive Committee, or to such other committee as directed by the Board or Executive Committee.
- (e) Each member shall pay development charges, premiums, and premium surcharges due to the Authority as required under Article 14. Penalties for late payment of such charges, premiums and/or premium surcharges shall be as determined and assessed by the Board of Directors. After withdrawal, cancellation, or termination action under Articles 20, 21, or 23, each member shall pay promptly to the Authority any additional premiums due, as determined and assessed by the Board of

Directors under Articles 22 or 23. Any costs incurred by the Authority associated with the collection of such premiums or other charges, shall be recoverable by the Authority.

(f) Each member shall provide the Authority such other information or assistance as may be necessary for the Authority to develop and implement insurance programs under this Agreement.

(g) Each member shall cooperate with and assist the Authority, and any insurer of the Authority, in all matters relating to this Agreement, and shall comply with all Bylaws, and other rules by the Board of Directors.

(h) Each member county shall maintain membership in CSAC.

(i) Each member shall have such other responsibilities as are provided elsewhere in this Agreement, and as are established by the Board of Directors in order to carry out the purposes of this Agreement.

ARTICLE 18 ADMINISTRATION OF CLAIMS

(a) Subject to subparagraph (e), each member shall be responsible for the investigation, settlement or defense, and appeal of any claim made, suit brought, or proceeding instituted against the member arising out of a loss.

(b) The Authority may develop standards for the administration of claims for each insurance program of the Authority so as to permit oversight of the administration of claims by the members.

(c) Each participating member shall give the Authority timely written notice of claims in accordance with the provisions of the Bylaws.

(d) A member shall not enter into any settlement involving liability of the Authority without the advance written consent of the Authority.

(e) The Authority, at its own election and expense, shall have the right to participate with a member in the settlement, defense, or appeal of any claim, suit or proceeding which, in the judgment of the Authority, may involve liability of the Authority.

ARTICLE 19 NEW MEMBERS

Any California public entity may become a party to this Agreement and participate in any insurance program in which it is not presently participating upon approval of the Board of Directors, by a majority vote of the members, or by majority vote of the Executive Committee.

ARTICLE 20 WITHDRAWAL

(a) A member may withdraw as a party to this Agreement upon thirty (30) days advance written notice to the Authority if it has never become a participant in any insurance program pursuant to Article 14, or if it has previously withdrawn from all insurance programs in which it was a participant.

(b) After becoming a participant in an insurance program, a member may withdraw from that program only at the end of a policy year for the program, and only if it gives the Authority at least sixty (60) days advance written notice of such action.

ARTICLE 21 CANCELLATION

(a) Notwithstanding the provisions of Article 20, the Board of Directors may:

(1) Cancel any member from this Agreement and membership in the Authority, on a majority vote of the Board members. Such action shall have the effect of canceling the member's participation in all insurance programs of the Authority as of the date that all membership is canceled.

(2) Cancel any member's participation in an insurance program of the Authority, without canceling the member's membership in the Authority or participation in other programs, on a vote of two-thirds of the Board members present and voting who represent participants in the program.

The Board shall give sixty (60) days advance written notice of the effective date of any cancellation under the foregoing provisions. Upon such effective date, the member shall be treated the same as if it had voluntarily withdrawn from this Agreement, or from the insurance program, as the case may be.

(b) A member that does not enter one or more of the insurance programs developed and implemented by the Authority within the member's first year as a member of the Authority shall be considered to have withdrawn as a party to this Agreement at the end of such period, and its membership in the Authority shall be automatically canceled as of that time, without action of the Board of Directors.

(c) A member which withdraws from all insurance programs of the Authority in which it was a participant and does not enter any program for a period of six (6) months thereafter shall be considered to have withdrawn as a party to the Agreement at the end of such period, and its membership in the Authority shall be automatically canceled as of that time, without action of the Board of Directors.

(d) A member county that terminates its membership in CSAC shall be considered to have thereby withdrawn as a party to this Agreement, and its membership in the Authority and participation in any insurance program of the Authority shall be automatically canceled as of that time, without the action of the Board of Directors.

ARTICLE 22
EFFECT OF WITHDRAWAL OR CANCELLATION

(a) If a member's participation in an insurance program of the Authority is canceled under Article 21, with or without cancellation of membership in the Authority, and such cancellation is effective before the end of the policy year for that program, the Authority shall promptly determine and return to that member the amount of any unearned premium payment from the member for the policy year, such amount to be computed on a pro-rata basis from the effective date of cancellation.

(b) Except as provided in (a) above, a member which withdraws or is canceled from this Agreement and membership in the Authority, or from any program of the Authority, shall not be entitled to the return of any premium or other payment to the Authority, or of any property contributed to the Authority. However, in the event of termination of this Agreement, such member may share in the distribution of assets of the Authority to the extent provided in Article 23 provided; however, that any withdrawn or canceled member which has been assessed a premium surcharge pursuant to Article 14 (b) (3) (ii) shall be entitled to return of said member's unused surcharge, plus interest accrued thereon, at such time as the Board of Directors declares that a surplus exists in any insurance fund for which a premium surcharge was assessed.

(c) Except as provided in (d) below, a member shall pay any premium charges which the Board of Directors determines are due from the member for losses and costs incurred during the entire coverage year in which the member was a participant in such program regardless of the date of entry into such program. Such charges may include any deficiency in a premium previously paid by the member, as determined by audit under Article 14 (b) (2); any premium surcharge assessed to the member under Article 14 (b) (3); and any additional amount of premium which the Board determines to be due from the member upon final disposition of all claims arising from losses under the program during the entire coverage year in which the member was a participant regardless of date of entry into such program. Any such premium charges shall be payable by the member in accordance with the Authority's invoice and payment policy.

(d) Those members which who have withdrawn or been canceled pursuant to Articles 20 and 21 from any program of the Authority during a coverage year shall pay any premium charges which the Board of Directors determines are due from the members for losses and costs which were incurred during the county's participation in any program.

ARTICLE 23
TERMINATION AND DISTRIBUTION OF ASSETS

(a) A three-fourths vote of the total voting membership of the Authority, consisting of member counties, acting through their boards of supervisors, and the voting Board members from the member public entities, is required to terminate this Agreement; provided, however, that this Agreement and the

Authority shall continue to exist after such election for the purpose of disposing of all claims, distributing all assets, and performing all other functions necessary to conclude the affairs of the Authority.

(b) Upon termination of this Agreement, all assets of the Authority in each insurance program shall be distributed among those members which participated in that program in proportion to their cash contributions, including premiums paid and property contributed (at market value when contributed). The Board of Directors shall determine such distribution within six (6) months after disposal of the last pending claim or other liability covered by the program.

(c) Following termination of this Agreement, any member which was a participant in an insurance program of the Authority shall pay any additional amount of premium, determined by the Board of Directors in accordance with a loss allocation formula, which may be necessary to enable final disposition of all claims arising from losses under that program during the entire coverage year in which the member was a participant regardless of the date of entry into such program.

ARTICLE 24

LIABILITY OF BOARD OF DIRECTORS, OFFICERS, COMMITTEE MEMBERS AND LEGAL ADVISORS

The members of the Board of Directors, Officers, committee members and legal advisors to any Board or committees of the Authority shall use ordinary care and reasonable diligence in the exercise of their powers and in the performance of their duties pursuant to this Agreement. They shall not be liable for any mistake of judgment or any other action made, taken or omitted by them in good faith, nor for any action taken or omitted by any agent, employee or independent contractor selected with reasonable care, nor for loss incurred through investment of Authority funds, or failure to invest.

No Director, Officer, committee member, or legal advisor to any Board or committee shall be responsible for any action taken or omitted by any other Director, Officer, committee member, or legal advisor to any committee. No Director, Officer, committee member or legal advisor to any committee shall be required to give a bond or other security to guarantee the faithful performance of their duties pursuant to this Agreement.

The funds of the Authority shall be used to defend, indemnify and hold harmless the Authority and any Director, Officer, committee member or legal advisor to any committee for their actions taken within the scope of the authority of the Authority. Nothing herein shall limit the right of the Authority to purchase insurance to provide such coverage as is hereinabove set forth.

ARTICLE 25
BYLAWS

The Board may adopt Bylaws consistent with this Agreement which shall provide for the administration and management of the Authority.

ARTICLE 26
NOTICES

The Authority shall address notices, billings and other communications to a member as directed by the member. Each member shall provide the Authority with the address to which communications are to be sent. Members shall address notices and other communications to the Authority to the Chief Executive Officer of the Authority, at the office address of the Authority as set forth in the Bylaws.

ARTICLE 27
AMENDMENT

A two-thirds vote of the total voting membership of the Authority, consisting of member counties, acting through their boards of supervisors, and the voting Board members from member public entities, is required to amend this Agreement.

ARTICLE 28
PROHIBITION AGAINST ASSIGNMENT

No member may assign any right, claim or interest it may have under this Agreement, and no creditor, assignee or third party beneficiary of any member shall have any right, claim or title to any part, share, interest, fund, premium or asset of the Authority.

ARTICLE 29
AGREEMENT COMPLETE

This Agreement constitutes the full and complete Agreement of the parties.

ARTICLE 30
EFFECTIVE DATE OF AMENDMENTS

Any amendment of this Agreement shall become effective upon the date specified by the Board and upon approval of any Amended Agreement as required in Article 27. Approval of any amendment by the voting boards of supervisors and public entity board member's must take place no later than 30 days from the effective date specified by the Board.

ARTICLE 31
DISPUTE RESOLUTION

When a dispute arises between the Authority and a member, the following procedures are to be followed:

(a) Request for Reconsideration. The member will make a written request to the Authority for the appropriate Committee to reconsider their position, citing the arguments in favor of the member and any applicable case law that applies. The member can also, request a personal presentation to that Committee, if it so desires.

(b) Committee Appeal. The committee responsible for the program or having jurisdiction over the decision in question will review the matter and reconsider the Authority's position. This committee appeal process is an opportunity for both sides to discuss and substantiate their positions based upon legal arguments and the most complete information available. If the member requesting reconsideration is represented on the committee having jurisdiction, that committee member shall be deemed to have a conflict and shall be excluded from any vote.

(c) Executive Committee Appeal. If the member is not satisfied with the outcome of the committee appeal, the matter will be brought to the Executive Committee for reconsideration upon request of the member. If the member requesting reconsideration is represented on the Executive Committee, that Executive Committee member shall be deemed to have a conflict and shall be excluded from any vote.

(d) Arbitration. If the member is not satisfied with the outcome of the Executive Committee appeal, the next step in the appeal process is arbitration. The arbitration, whether binding or non-binding, is to be mutually agreed upon by the parties. The matter will be submitted to a mutually agreed arbitrator or panel of arbitrators for a determination. If Binding Arbitration is selected, then of course the decision of the arbitrator is final. Both sides agree to abide by the decision of the arbitrator. The cost of arbitration will be shared equally by the involved member and the Authority.

(e) Litigation. If, after following the dispute resolution procedure paragraphs a-d, either party is not satisfied with the outcome of the non-binding arbitration process, either party may consider litigation as a possible remedy to the dispute.

ARTICLE 32
FILING WITH SECRETARY OF STATE

The Chief Executive Officer of the Authority shall file a notice of this Agreement with the office of California Secretary of State within 30 days of its effective date, as required by Government Code Section 6503.5 and within 70 days of its effective date as required by Government Code Section 53051.

IN WITNESS WHEREOF, the undersigned party hereto has executed this Agreement on the date indicated below.

DATE: _____

MEMBER: _____

(Print Name of Member)

BY: _____

(Authorized signature of Member)

Seal:

APPENDIX A
JOINT POWERS AGREEMENT
CREATING THE CSAC EXCESS INSURANCE AUTHORITY

MEMBER COUNTIES (AS OF MARCH 2005)

ALAMEDA
ALPINE
AMADOR
BUTTE
CALAVERAS
COLUSA
CONTRA COSTA
DEL NORTE
EL DORADO
FRESNO
GLENN
HUMBOLDT
IMPERIAL
INYO
KERN
KINGS
LAKE
LASSEN
MADERA
MARIN
MARIPOSA
MENDOCINO
MERCED
MODOC
MONO
MONTEREY
NAPA
NEVADA
PLACER
PLUMAS
RIVERSIDE
SACRAMENTO
SAN BENITO
SAN BERNARDINO
SAN DIEGO
SAN JOAQUIN
SAN LUIS OBISPO
SANTA BARBARA
SANTA CLARA
SANTA CRUZ
SHASTA
SIERRA
SISKIYOU
SOLANO
SONOMA
STANISLAUS
SUTTER
TEHAMA
TRINITY
TULARE
TUOLUMNE
VENTURA
YOLO
YUBA

Update regarding Withdrawal from BICEP and Admission to CSAC-EIA

Presented to:
Finance and Governance Committee
March 26, 2019

Background

- BICEP was formed in 1988 as a reaction to a hard insurance marketplace
- Provides pooling and joint-purchase insurance programs for its members
- Excess general liability insurance coverage - \$10 million per occurrence/\$25 million aggregate (pooled program)
- Workers' compensation insurance coverage (joint purchase)
- Property coverage (joint purchase)
- Other lines of coverage billed through BICEP

Background

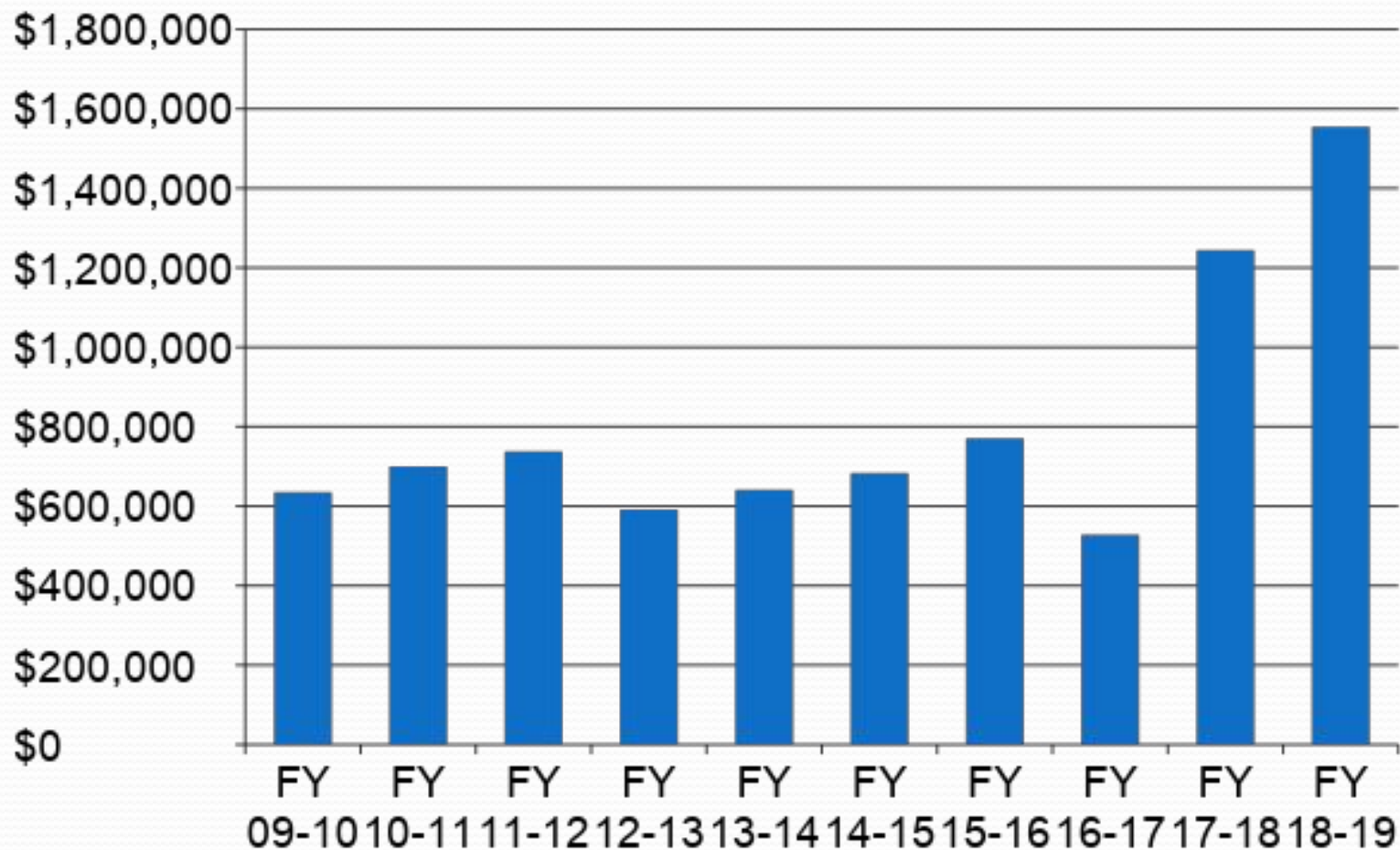
Founding Members:

- City of Oxnard
- City of Santa Ana
- City of Huntington Beach
- City of San Bernardino
- City of Pomona

Current Members:

- City of Oxnard
- City of Santa Ana
- City of Huntington Beach
- City of West Covina
- City of Ventura

Cost of General Liability Coverage: Last 10 Fiscal Years



Factors Behind Increasing Costs

- Increased losses by members (shared by all)
- Composition of pool members
- Only 4 members sharing risk beginning FY 17-18
- Change in philosophy regarding rebates for prior years beginning in FY 17-18
- Significant increase in administrative costs due to change in pool management

Current Status of BICEP

- All five members have issued conditional notice of withdrawal from coverage:
 - City of Oxnard
 - City of Huntington Beach
 - City of Santa Ana
 - City of Ventura
 - City of West Covina
- Pool is not viable with less than 5 members. If only one member leaves, thought is that pool must dissolve.
- BICEP is planning for dissolution. Other members are looking to join CSAC-EIA for coverage.



City's Alternatives

1. Join another risk sharing joint powers authority pool to obtain various lines of insurance coverage.
2. Obtain insurance on the open market with the assistance of an insurance broker.
3. Some combination of #1 and #2.

Brokerage Services

- Staff issued an RFP to obtain brokerage services for its various lines of primary and excess insurance coverage.
- Five (5) proposals received.
- Staff selected Arthur J. Gallagher & Co. based upon the broker's experience with public entities, cost, and proposed level of services.
- Executed an agreement for a 5-year term with insurance broker to obtain any lines of coverage outside of what may be obtained as a risk-sharing member of the CSAC-EIA joint powers authority.

CSAC-Excess Insurance Authority

- Large JPA formed in 1979 to find cost effective insurance solutions for California Counties
- Cities eligible to join the EIA beginning in 2001
- Members include:
 - 95% of California Counties
 - 70% of California Cities
 - Numerous Educational Organizations, Special Districts, Housing Authorities, Fire Districts, and other Joint Powers Authorities

CSAC-Excess Insurance Authority

- Major insurance programs include:
 - General Liability
 - Workers' Compensation
 - Property
 - Crime
 - Cyber Liability
 - Pollution
- Adoption of JPA agreement avails City to all programs

CSAC-Excess Insurance Authority

- Most likely best solution for excess workers' compensation insurance.
- Expected to be less competitive for excess general liability insurance.
- Staff will compare quotes from CSAC-EIA versus stand alone quote from its insurance broker and select the best and lowest-cost proposal.

Legacy Issues

- Equity in BICEP pool is approximately \$5.5 million.
- Oxnard's share of equity is approximately 18% or \$990,000.
- Equity will likely remain in pool for years until all open claim years are closed.
- Possibility of assessments for loss history through FY 18-19 if equity and reserves are insufficient to pay losses.
- Possibility of CSAC-EIA buying the “tail” liability if some or all BICEP members join.
- City will stay involved as a member while pool winds down.

Recommendation

That the Finance and Governance Committee receive and file a report regarding withdrawing from the Big Independent Cities Excess Pool (BICEP) and potentially joining the California State Association of Counties Excess Insurance Authority (CSAC-EIA).



Questions?