



LOCAL AND REGIONAL GOVERNMENT
SERVICES AUTHORITIES

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MUNICIPAL SERVICES AUTHORITY (MSA) AGENDA

Agenda materials may be viewed on the Agency's web site or by contacting the Executive Director prior to the meeting.

SPECIAL MEETING
Via Teleconference

April 14, 2014
1:30 p.m.

Yountville Town Hall, Town Manager's Office, 6550 Yount Street, Yountville, CA 94599
Walnut Creek City Hall, City Manager's Office, 1666 North Main Street, Walnut Creek, CA 94596
Larkspur City Hall, City Manager's Office, 400 Magnolia Avenue, Larkspur, CA 94939

1. CALL TO ORDER
Roll Call

2. CHANGES TO THE ORDER OF AGENDA

3. APPROVAL OF CONSENT AGENDA

Consent agenda items are considered to be routine and will be enacted by one motion. There will be no separate discussion on these items unless members of the Executive Committee, staff or public request specific items to be removed for separate action.

A. Approval of **February 27, 2014** Minutes

Action

4. TREASURER'S REPORT - None

5. OLD BUSINESS - None

6. NEW BUSINESS

A. Approval of MSA joining a new insurance joint powers authority, Municipal Insurance Cooperative

Action

7. PUBLIC COMMENT

Each speaker is limited to two minutes. If you are addressing the Executive Committee (EC) on a non-agenda item, the EC may briefly respond to statements made or questions posed as allowed by the Brown Act (Government Code Section 54954.2). However, the EC's general policy is to refer items to staff for attention, or have a matter placed on a future EC agenda for a more comprehensive action or report.

8. ADJOURN

The next Regular Meeting will take place on May 15, 2014 at 1:00 p.m. in Yountville.

Americans with Disabilities Act

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact Richard Averett at (650) 587-7301. Notification in advance of the meeting will enable Agency to make reasonable arrangements to ensure accessibility.

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**MUNICIPAL SERVICES AUTHORITY
BOARD OF DIRECTORS MINUTES
FEBRUARY 27, 2014**

The Municipal Services Authority held a regular meeting of the Board of Directors on February 27, 2014 via teleconference. The meeting was called to order at 2:07 p.m.

1. CALL TO ORDER

Members Present: Steve Rogers, Chair, Member for Local Government Services
Ken Nordhoff, Vice Chair, Member for Regional Government Services
Dan Schwarz, MSA Board Member

Members Absent: None

Other Attendees: Chris Foss
Herb Pike
Jim Schutz
Richard Averett, Executive Director
Jennifer Bower, Director of HR
Tiffany Buraglio, Executive Assistant

2. CHANGES TO THE ORDER OF AGENDA - None

3. APPROVAL OF CONSENT AGENDA

- A. Approval of **December 5, 2013** Minutes
- B. Approval of Fiscal-Year-To-Date Financial Reports through December 2013
- C. Approval of Payments and Deposits made July 2013 through December 2013
- D. Approval of FY2013 Audited Financial Statements
Action: Moved and seconded (Nordhoff/Schwarz) and carried unanimously to approve consent agenda.

4. TREASURER'S REPORT - None

5. OLD BUSINESS - None

6. NEW BUSINESS - None

7. PUBLIC COMMENT - None

8. ADJOURNMENT – The meeting adjourned at 2:08 p.m. The next regular meeting is tentatively scheduled for 1:00 p.m., May 15, 2014, in Yountville.



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TO: BOARD OF DIRECTORS **BOD Meeting: 4-14-2014**
FROM: RICHARD H. AVERETT, EXECUTIVE DIRECTOR **Item: 6A**
**SUBJECT: APPROVAL OF JOINING THE MUNICIPAL INSURANCE COOPERATIVE, A
PROPERTY, LIABILITY AND WORKERS' COMPENSATION INSURANCE JPA**

RECOMMENDATION

Approve Municipal Services Authority joining a new JPA, Municipal Insurance Cooperative (MIC), which is being formed to provide an additional option for public agencies to consider for their property, liability and workers' compensation insurance. If approved, staff will assist with preparation of the MIC formation documents and return those to the Board for final approval to join.

BACKGROUND

Currently the Municipal Services Authority purchases workers' compensation and liability coverage for its two member agencies, Regional Government Services Authority and Local Government Services Authority. The MSA insurance broker, Keenan and Associates, solicits proposals from carriers for the combined census data (\$12 million budget and approximately 100 employees) of the MSA members. In some cases, such as general liability insurance, MSA is paying a carrier's minimum premium costs in excess of MSA's 'normal' risks because its purchasing power is limited. In other words, the MSA budget could increase without incurring additional premium costs.

Keenan & Associates is proposing a new joint powers authority to increase the purchasing power of agencies similar to MSA in that individually they often do not warrant a competitive marketplace response. This would strictly be a purchasing pool, and not a risk sharing pool, to achieve better market response to the needs of individual needs for similar coverages, but different retention levels. Other agencies being considered for founding members include the Cities of Palm Springs, Carson and Upland.

ANALYSIS AND FISCAL IMPACT

There is no cost to MSA for joining the MIC JPA. Membership in MIC would enable MSA to have a choice of stand-alone quotes for workers' comp and general liability coverage, and quotes obtained under MIC. The brokerage fees currently paid by MSA would continue if the agency continues purchase of coverage independently of MIC. If MSA elects to purchase coverage under MIC, brokerage fees would be incurred under MIC and not both MIC and MSA (except where purchase is split with one program purchased through MSA and the other through MIC, in which case brokerage fees would be proportional through each agency). Brokerage fees under MIC are expected to be less than for MSA simply because quotes will be solicited for a large base.

Overall, the cost of workers' compensation and general liability should be no greater using MIC and are expected to be less than those available to MSA on its own. Carrier quotations under either JPA are not expected to be received prior to consideration of the fiscal year 2015 budget. Therefore, the budget will be prepared with the same cost assumptions as the FY2014 budget, which more than covered premium, audit and administrative expenses.

Municipal Insurance Cooperative

Joint Powers Authority

Keenan & Associates is proposing to have public agencies form the Municipal Insurance Cooperative Joint Powers Authority (MIC) in an effort to provide California public entities who are supportive of the principal of joint purchasing, to aggregate their buying power in the marketplace and achieve more comprehensive property, liability and workers' compensation insurance coverage at a more reasonable cost than they can obtain on their own. Features available to members of MIC will include:

- Broad coverage that may not be available on an individual basis such as employment practice liability coverage including back wages, breach of contract and coverage for approved volunteers, thereby protecting more assets of each member from uninsured losses.
- Coverage based on a Memorandum of Coverage supported by reinsurance and excess coverage that follows the form of the Memorandum. This provides MIC members, not insurance carriers, the opportunity to determine what coverage should be provided to them.
- Use of the collective buying power of all members to achieve lower costs for transferred coverages without the perception of one entity unfairly subsidizing the risks of another given MIC will be a joint purchase JPA.
- Uniform administration of claims for all members which will enhance the credibility of MIC in the insurance marketplace to support obtaining cost effective pricing of coverage.
- Individual elections by each member of what deductible or self-insured retention they want to accept for each line of coverage without any pooling of risks between members.
- Since MIC is just being formed there are no historic program years that, if determined to be underfunded, could lead to assessments for members.
- As a joint purchase JPA, members will be insulated from any liability of other members which will provide each member the ability to know each year's program costs with a very high degree of financial certainty subject only to estimating losses within their selected deductible or self-insured retention.

MIC is being formed as a joint purchase JPA open to all California public entities, including other public JPAs, at no cost for membership. The purpose is to provide its members with an alternative to programs that each of them may be able to obtain in the traditional insurance marketplace or as members of other JPAs. Public entities joining MIC will have an additional insurance program alternative to consider for property, liability and workers' compensation coverage to compare against all other program options available to them. If they decide to use MIC programs their costs will be as outlined in the proposal provided by MIC. If they decide not to buy any program(s) offered by MIC there will be no cost to the agency.

Keenan & Associates will manage MIC on behalf of the members similar to the way in which we currently manage over 60 other California public educational agency JPAs in California. Our management will include among other things, administration of all claims for all members for all lines of coverage. This will provide a consistent approach to this extremely important aspect of all insurance programs. By using this approach on most of our other JPAs, we have gained an excellent reputation in the carrier marketplace allowing them to place a higher degree of credibility on the loss information of our clients and better pricing than when they review risks with multiple claims administrators and other service providers.

Keenan & Associates will also offer risk management services under the MIC umbrella to help members proactively reduce risks of loss and to remediate recurrence of past loss experience. This will be accomplished by analyzing each member's losses to determine what is causing them. From that, a Risk Improvement Action Plan ("RIAP") will be developed to address those loss drivers to reduce their frequency and severity. Risk management services will also include such things as review of insurance language in contracts, policies and procedures related to loss prevention and access to online loss control training. Costs for all these services will be included in total program costs.

In summary, MIC is being formed to provide insurance program options to all members at no cost unless the member elects to purchase programs from MIC, which Keenan & Associates believes will provide broader coverage at lower cost than all other options available to its members, without any uncertain unfunded legacy cost issues and insulation for members against liability of other members.