



LOCAL AND REGIONAL GOVERNMENT  
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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.*

**REGULAR MEETING**  
**May 15, 2014**  
**2:20 p.m.**

**Yountville Community Center**  
**Art Room**  
6516 Washington Street  
Yountville, CA 94599

**1. CALL TO ORDER**

**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 **April 14, 2014** Minutes
- B. Approval Administrative & Financial Policies Updates, including Conflict of Interest Code
- C. Approval of FY2015 Budget

*Action*

**4. TREASURER'S REPORT**

- A. Review of Preliminary Fiscal-Year-To-Date Financial Reports through March 2014

*Information*

**5. OLD BUSINESS**

- A. Authorization of Executive Director to execute JPA Agreement and Bylaws for MSA membership in the Municipal Insurance Cooperative, a JPA, subject to MSA counsel review.

*Action*

**6. NEW BUSINESS**

- A. Authorization of Executive Director to create a dental program, execute necessary documents and prepare amendments to the MSA JPA agreement and bylaws for consideration by the Board at a future MSA meeting.

*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 August 21, 2014 at 1:00 p.m. in Dublin.**

**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.

**MUNICIPAL SERVICES AUTHORITY  
BOARD OF DIRECTORS MINUTES  
APRIL 14, 2014**

The Municipal Services Authority held a special meeting of the Board of Directors on April 14, 2014 via teleconference. The meeting was called to order at 1:32 p.m.

**1. CALL TO ORDER**

Members Present: Steve Rogers, Chair  
Ken Nordhoff, Vice Chair  
Dan Schwarz, Member

Members Absent: None

Other Attendees: Richard Averett, Executive Director  
Tiffany Buraglio, Executive Assistant  
Bill Poland, Keenan and Associates

**2. CHANGES TO THE ORDER OF AGENDA - None**

**3. APPROVAL OF CONSENT AGENDA**

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

**ACTION:** Moved and seconded (Nordhoff/Schwarz) to approve the consent agenda.

**AYES:** Chair Rogers, Vice Chair Nordhoff, Member Schwarz

**NOES:** None

**ABSTAIN:** None

**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. The Executive Director presented a proposal to form a new JPA for the purpose of obtaining General Liability and Workers' Comp insurance through a larger buying pool. The pool would not share risk, only purchasing power. Questions were raised as to the number of agencies required to form the new JPA and what MSA's role would be in the new JPA. The Executive Director responded that two or more agencies are required to form the JPA, and MSA's involvement would be only to share purchasing power, not risks. Members also wanted to know if the Executive Director had researched existing JPA insurance pools to join. Staff has explored several existing pool options but all shared risks and required RGS and LGS be separate members, negating the value of MSA's collective strength to minimize purchasing and risk costs. Additionally, members asked if there was a time limit on finding additional agency members to form the JPA. Mr. Poland responded that four or five agencies were being approached for membership in MIC and one other had already indicated their interest in joining.

**ACTION:** Moved and seconded (Schwarz/Nordhoff) to approve MSA joining a new JPA, Municipal Insurance Cooperative (MIC).

**AYES:** Chair Rogers, Vice Chair Nordhoff, Member Schwarz

**NOES:** None

**ABSTAIN:** None

**7. PUBLIC COMMENT - None**

**8. ADJOURNMENT** – The meeting adjourned at 1:50 p.m. The next regular meeting is scheduled for 1:00 p.m., May 15, 2014, in Yountville.

11:16 AM

04/25/14

Accrual Basis

## Municipal Services Authority

## Profit &amp; Loss

July 2013 through March 2014

	Jul 13	Aug 13	Sep 13	Oct 13	Nov 13	Dec 13	Jan 14	Feb 14	Mar 14	TOTAL
<b>Income</b>										
<b>440410 · Member Contributions</b>	27,916.00	27,916.00	27,916.00	27,916.00	27,916.00	27,916.00	27,916.00	27,916.00	27,916.00	251,244.00
<b>Total Income</b>	27,916.00	27,916.00	27,916.00	27,916.00	27,916.00	27,916.00	27,916.00	27,916.00	27,916.00	251,244.00
<b>Expense</b>										
<b>520100 · Broker Expense</b>	3,166.66	3,166.66	3,166.68	3,166.66	3,166.66	3,166.66	3,166.66	3,166.66	3,166.66	28,499.96
<b>520200 · Admin Fee Expense</b>	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	22,500.00
<b>520300 · Gen Liability Insur Exp</b>	5,355.00	5,355.00	5,355.00	5,355.00	5,355.00	5,355.00	5,355.00	5,355.00	5,355.00	48,195.00
<b>520400 · Worker Comp Insur Exp</b>	5,120.39	5,120.39	5,120.39	5,120.39	5,120.39	5,120.39	5,120.39	5,120.39	5,120.39	46,083.51
<b>520500 · Legal</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5,782.86	5,782.86
<b>Total Expense</b>	16,142.05	16,142.05	16,142.07	16,142.05	16,142.05	16,142.05	16,142.05	16,142.05	21,924.91	151,061.33
<b>Net Income</b>	<b>11,773.95</b>	<b>11,773.95</b>	<b>11,773.93</b>	<b>11,773.95</b>	<b>11,773.95</b>	<b>11,773.95</b>	<b>11,773.95</b>	<b>11,773.95</b>	<b>5,991.09</b>	<b>100,182.67</b>

**Municipal Services Authority**  
**Balance Sheet**  
As of March 31, 2014

	<u>Mar 31, 14</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Checking/Savings</b>	
110010 · Union Bank Cash	4,000.00
110040 · CalTrust Med Term Fund	412,565.00
<b>Total Checking/Savings</b>	416,565.00
<b>Accounts Receivable</b>	
120100 · Due From/To RGS-LGS	676,963.00
<b>Total Accounts Receivable</b>	676,963.00
<b>Other Current Assets</b>	
130100 · Prepaid Expenses	23,220.15
<b>Total Other Current Assets</b>	23,220.15
<b>Total Current Assets</b>	1,116,748.15
<b>TOTAL ASSETS</b>	<b><u>1,116,748.15</u></b>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Long Term Liabilities</b>	
260001 · IBNR - GL	50,000.00
260002 · IBNR - WC	147,042.00
<b>Total Long Term Liabilities</b>	197,042.00
<b>Total Liabilities</b>	197,042.00
<b>Equity</b>	
320000 · Unrestricted Net Assets	819,523.48
Net Income	100,182.67
<b>Total Equity</b>	919,706.15
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b><u>1,116,748.15</u></b>



## MUNICIPAL SERVICES AUTHORITY

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**TO:** BOARD OF DIRECTORS **BOD Meeting: 5-15-2014**  
**FROM:** RICHARD H. AVERETT, EXECUTIVE DIRECTOR **Item: 5A**  
**SUBJECT: APPROVAL OF JOINING THE MUNICIPAL INSURANCE COOPERATIVE, A  
PROPERTY, LIABILITY AND WORKERS' COMPENSATION INSURANCE JPA**

### **RECOMMENDATION**

Authorization of the Executive Director to execute JPA Agreement and Bylaws for MSA membership in the 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. The final JPA Agreement would be subject to MSA Counsel approval as to form.

### **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.

At the April 14, 2014 meeting, the Board approved MSA's 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. Staff is working with our broker to prepare MIC formation documents – JPA Agreement and Bylaws - for Board final approval. The draft agreement and bylaws are not ready to be distributed with the initial May 15, 2014 agenda packet, but will be distributed as soon as available. The final agreement will be subject to JPA Counsel approval as to form.

### **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 quotes for workers' comp and general liability coverage obtained under MIC and those obtained under MSA as a stand-alone agency. 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.

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MUNICIPAL INSURANCE COOPERATIVE  
JOINT EXERCISE OF POWERS AGREEMENT

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Draft  
April 1, 2014

**MUNICIPAL INSURANCE COOPERATIVE (MIC)  
JOINT EXERCISE OF POWERS AGREEMENT**

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Municipal Insurance Cooperative (MIC)  
JOINT EXERCISE OF POWERS AGREEMENT

**TO ESTABLISH, OPERATE, AND MAINTAIN A  
JOINT PROGRAM**

**THIS AGREEMENT** is entered into pursuant to the provisions of Title 1, Division 7, Chapter 5, Article 1 (Sections 6500, et seq.) of the California Government Code, relating to the joint exercise of powers, between the public agencies signatory hereto, and also those which may hereafter become signatory hereto, for the purpose of operating an agency to be known and designated as Municipal Insurance Cooperative (MIC) (hereinafter referred to as the Authority).

**WITNESSETH :**

**WHEREAS**, it is to the mutual benefit of the parties herein subscribed and in the best public interest of said parties to join together to establish this Joint Exercise of Powers Agreement to accomplish the purposes hereinafter set forth; and

**WHEREAS**, the signatories hereto have determined that there is a need, by public agencies, for a Joint Purchasing Program for Workers' Compensation, General Liability, Property, Employment Liability and optional Crime insurance; and

**WHEREAS**, it has been determined by such signatories that a Joint Purchasing Program for Workers' Compensation, General Liability, Property, Employment Liability and optional Crime insurance is of value on an individual and mutual basis; and

**WHEREAS**, Title 1, Division 7, Chapter 5, Article 1, of the California Government Code authorizes joint exercise by two or more public agencies of any power common to them; and

**WHEREAS**, it is the desire of the signatories hereto to jointly provide for a Joint Purchasing Program for Workers' Compensation, General Liability, Property, Employment Liability and optional Crime insurance for their mutual advantage and concern; and

**WHEREAS**, it is the desire of the signatories hereto to study and from time to time to incorporate other forms of property, casualty or employee benefit health and welfare programs into a Joint Purchasing Program such as that described herein.



**NOW, THEREFORE, FOR AND IN CONSIDERATION OF THE MUTUAL ADVANTAGES TO BE DERIVED THEREFROM, AND IN CONSIDERATION OF THE EXECUTION OF THIS AGREEMENT BY OTHER PUBLIC AGENCIES, EACH OF THE PARTIES HERETO DOES AGREE AS FOLLOWS:**

**1. CREATION OF THE JOINT POWERS ENTITY**

A joint powers entity, separate and apart from the public agencies signatory hereto, shall be and is hereby created and shall hereafter be designated as the Municipal Insurance Cooperative (MIC) (hereinafter referred to as the Authority).

**2. FUNCTIONS OF THE AUTHORITY**

A. The Authority is established for the purposes of administering this Agreement, pursuant to the provisions of the California Government Code, and of providing the services and other items necessary and appropriate for the establishment, operation and maintenance of a Joint Purchasing Program for Workers' Compensation, General Liability, Property, Employment Liability, and optional Crime Insurance Program protection for the public agencies who are Members thereof, and to provide a forum for discussion, study, development and implementation of recommendations of mutual interest regarding other programs.

B. The functions of the Authority are:

- (1) To provide a Joint Purchase Program and system for Workers' Compensation, General Liability (including Employment Liability), Property, and such other optional individual coverages as are required by a Member, and as such, to perform, or contract for the performance of, the financial administration, policy formulation, claim service, legal representation, safety engineering, and other services as necessary for the payment and handling of all Workers' Compensation, General Liability, Property, and Employment Liability claims and optional Crime Insurance Program claims against Members.
- (2) To pursue the Member's right of Subrogation against a third party when in the discretion of the Authority the same is appropriate. Any and all proceeds resulting from the assertion of such Subrogation rights shall accrue to the benefit of the Member.

### 3. POWERS OF THE AUTHORITY

The Authority shall have the power and authority to exercise any power common to the public agencies which are parties to this Agreement, provided that the same are in furtherance of the functions and objectives of this Agreement as herein set forth. Pursuant to Section 6509 of the California Government Code, the exercise of the aforesaid powers of the Authority shall be subject to the restrictions upon the manner of exercising such powers by a public agency having the same status as a member agency or joint powers authority except as otherwise provided in this Agreement.

In specific, the Authority shall have the following powers:

- (1) To enter into contracts.
- (2) To obtain appropriate other coverage as determined by the Authority.
- (3) To acquire, hold, and dispose of property, real and personal, all for the purpose of providing the membership with the necessary administration, education, study, development, and implementation of a Joint Program including, but not limited to, the acquisition of facilities and equipment, the employment of personnel, and the operation and maintenance of a system for the handling of the Joint Program.
- (4) To incur debts, liabilities, and obligations necessary to accomplish the purposes of this Agreement.
- (5) To receive gifts, contributions, and donations of property, funds, services, and other forms of assistance from persons, firms, corporations, associations, and any governmental entity.
- (6) To invest funds as deemed appropriate by the Authority, and as subject to law.
- (7) To provide a forum for discussion, study, development, and implementation of recommendations of mutual interest regarding other Joint Programs.
- (8) To sue and be sued in the name of the Authority.
- (9) To perform such other functions as may be necessary or appropriate to carry out this Agreement, so long as such other functions so performed are not prohibited by any provision of law.
- (10) To join other joint powers authorities to provide services and coverages to the Authority.

#### 4. TERM OF THE AGREEMENT

This Agreement shall be effective and binding on any signatory thereto upon execution. This Agreement shall continue in effect until lawfully terminated as provided herein and in the Bylaws. In the event of a reorganization of one or more of the public agencies participating in this Agreement, the successor or successors in interest to the assets and/or obligations of any such reorganized public agency shall succeed as a party or as parties to this Agreement. However if the reorganization creates a material change in the risk profile of the public agency as determined by the Authority's Board of Directors, then continuing membership by such reorganized agency will be subject to Board approval.

#### 5. BYLAWS

- A. The Authority shall be governed pursuant to certain Bylaws, a copy of which is attached hereto as Exhibit "A" and incorporated herein by reference, and by such amendments to the Bylaws as may from time to time be adopted. Wherever in this Agreement "Bylaws" are referred to, said Bylaws shall be those set forth in Exhibit "A", as may be amended. Each party to this Agreement agrees to comply with and be bound by the provisions of said Bylaws and further agrees that the Authority shall be operated pursuant to this Agreement and said Bylaws.
- B. Procedures for amending the Bylaws shall be as provided in the Bylaws so long as not inconsistent with this Agreement.

#### 6. MEMBERSHIP IN THE AUTHORITY

- A. Each party to this Agreement must be eligible for membership in the Authority as defined in this Agreement and shall become a Member of the Authority on the effective date of this Agreement, except as provided herein below. Each party which becomes a Member of the Authority shall be entitled to the rights and privileges of, and shall be subject to the obligations of, membership as provided in this Agreement and in the Bylaws.
- B. Upon two-thirds (2/3) vote of the Members present at a Board of Directors' meeting, any public agency that is not a party hereto but that desires to join the Authority created hereby, may become a Member hereof by executing a copy of this Agreement whereby said public agency agrees to comply with the terms of this Agreement and of the Bylaws effective as of the date of such execution.

**Deleted:** new membership as determined by the Board and the terms of

## **7. WITHDRAWAL FROM OR TERMINATION OF MEMBERSHIP**

- A. Any party to this Agreement which has completed a three year term as described in the Bylaws as a Member of the Authority may voluntarily terminate this Agreement as to itself and withdraw from membership in the Authority. Such termination and withdrawal of membership shall become effective subject and according to the conditions, manner and means set forth in the Bylaws.
- B. Termination by any party to the Agreement shall not be construed as a completion of the purpose of the Agreement and shall not require the repayment or return to the parties of all or any part of any contributions, payments, or advances made by the parties until the Agreement is terminated as to all parties.
- C. A Member may be involuntarily terminated from the Authority upon two-thirds (2/3) vote of the Members present at a Board of Directors' meeting, as provided in the Bylaws. Such removal from membership shall become effective subject and according to the conditions, manner and means set forth in the Bylaws.

## **8. TERMINATION OF AGREEMENT**

This Agreement may be terminated effective at the end of any fiscal year by a two thirds (2/3) vote of the Members present at a Board of Directors' meeting, provided, however, that the Authority and this Agreement shall continue to exist for the purpose of disposing of all obligations, distribution of assets, and all other functions necessary to conclude the affairs of the Authority.

## **9. DISPOSITION OF PROPERTY, FUNDS AND OBLIGATIONS**

- A. In the event of the dissolution of the Authority or other final termination of this Agreement by the public agencies then a party hereto, any property interest remaining in the Authority following a discharge of all obligations shall be disposed of as provided for in the Bylaws.
- B. In the event a Member withdraws from this Agreement, any property interest of that Member remaining in the Authority following discharge of all obligations shall be disposed of as provided for in the Bylaws.
- C. After the completion of the Authority's purpose, any surplus money remaining shall be returned to the current members hereto in proportion to the contributions made.

## **10. AMENDMENTS**

This Agreement may be amended at any time by a subsequent written agreement signed by two thirds (2/3) of the parties hereto. Any such amendment shall be effective upon the date of final execution thereof by all the parties thereto.

## **11. SEVERABILITY**

Should any portion, term, condition, or provision of this Agreement be decided by a court of competent jurisdiction to be illegal or in conflict with any law of the State of California, or any other applicable law, or be otherwise rendered unenforceable or ineffectual, the validity of the remaining portions, terms, conditions, and provisions shall not be affected thereby.

## **12. LIABILITY**

- A. Pursuant to Section 6508.1 of the California Government Code, the debts, liabilities and obligations of the Authority shall not be debts, liabilities or obligations of the parties to this Agreement. However, the Members remain liable to the Authority for contributions assessed by the Authority to pay its debts, liabilities or obligations.
- B. The Authority may insure/reinsure itself, to the extent deemed necessary or appropriate by the Board of Directors, against loss, liability, and claims arising out of or connected with this Agreement.

## **13. ENFORCEMENT**

The Authority is hereby given authority to enforce this Agreement.

## **14. MULTIPLE COUNTERPARTS**

The Agreement may be executed in multiple counterparts, each of which shall be considered an original.

## **15. DEFINITIONS**

The terms used herein and in the Bylaws shall have the following meanings:

- A. the Authority shall mean the Municipal Insurance Cooperative, a joint powers authority created by this Agreement.
- B. "Board of Directors" shall mean the governing board of the Authority established by the Bylaws to direct and control the Authority.
- C. "Claim Liability" shall mean those liabilities established by the Authority which represent Joint Program liabilities as respects to claims that have been incurred but unpaid and incurred but not reported.
- D. "Contribution" shall mean money paid by a Member to the Authority, or monies assessed a Member of the Authority.

- E. "Joint Program" shall mean the group purchasing of insurance/reinsurance or the setting aside of funds and reserves to pay for a self-insured retention or for losses not covered by insurance/reinsurance.
- F. "Member" shall mean an individual California public agency, or joint powers authority comprised solely of California public agencies, that has executed this agreement.
- G. "Memorandum of Coverage" shall mean the description of the scope of protection provided to the Members for Program claims.
- H. "Obligations" shall mean, but not be limited to, all payments required by law together with all Claim Liabilities and any other legal obligations incurred by the Authority pursuant to this Agreement and Bylaws.
- J. "Program Year" shall mean one year of the Joint Program, separate from each and every other Program Year and shall operate on a fiscal year from July 1st through June 30th, or as otherwise determined by the Board of Directors.
- L. "Subrogation" shall mean the recovery of payments which the Authority has made on behalf of a Member. Subrogation monies received are the properties of the Authority and for the Basis of Contribution are credited to the account of the Member.

**16. ENTIRE AGREEMENT**

This Agreement constitutes the entire agreement between the Authority and the Members, and as such, supersedes all prior agreements, understandings, negotiations and representations.

**17. CONTROLLING LAW**

This Agreement shall be governed by and construed in accordance with the laws of the State of California.

**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be duly executed by their authorized officers thereunto duly authorized as set forth herein below.

Member: \_\_\_\_\_

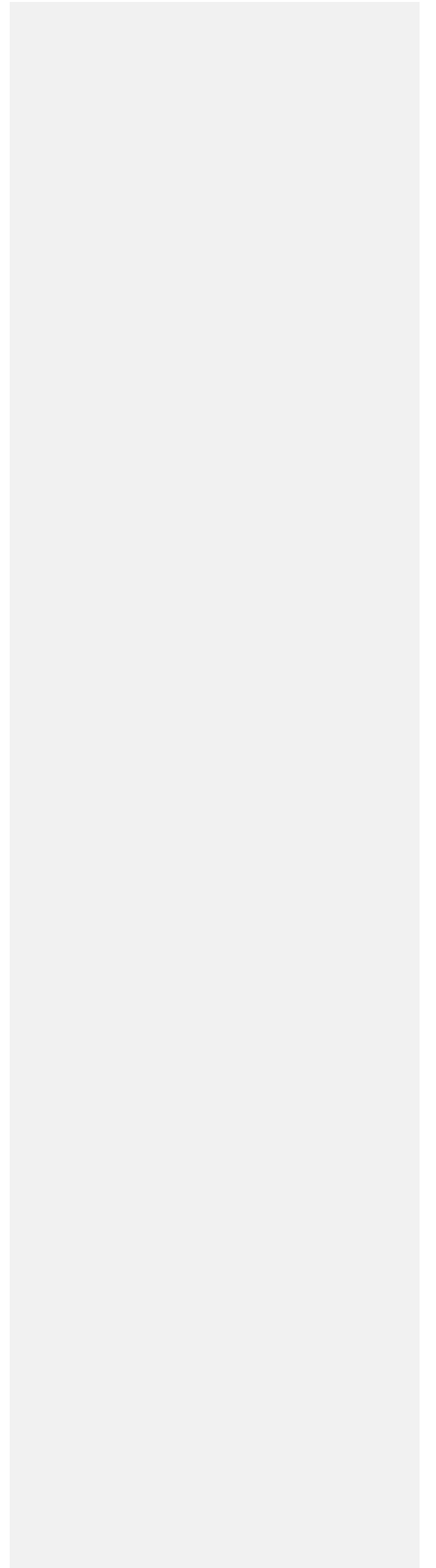
Date: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Exhibit A

# **BYLAWS**



**BYLAWS**  
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BYLAWS  
MUNICIPAL INSURANCE COOPERATIVE

PREAMBLE

Municipal Insurance Cooperative (MIC) ("Authority") is established for the purpose of providing the services and other items necessary and appropriate for the establishment, operation, and maintenance of a Joint Purchasing Program for Workers' Compensation, General Liability, Property, and Employment Liability and an optional Crime Insurance Program protection for the public agencies who are Members hereof, and to provide a forum for discussion, study, development, and implementation of recommendations of mutual interest regarding other programs of insurance and self insurance.

ARTICLE I  
BOARD OF DIRECTORS

- A. A Board of Directors is hereby established to direct and control the Authority.
- B. Each Member of the Authority shall be entitled to appoint one representative and one alternate to the Board of Directors. The Board representative and the alternate must be employees or authorized agents of the Member and shall serve at the pleasure of the member by whom appointed. Only the designated Board representative or designated alternate may represent a Member, and the alternate may act as Director only in the absence of the representative. The designated representative and designated alternate may invite members of their agencies' staffs or consultants to attend meetings of the Board of Directors in an advisory capacity only.
- C. The Board of Directors will conduct meetings consistent with the Ralph M. Brown Act, provided, however, that it will hold at least one regular meeting each fiscal year. The date, time, and place for each such regular meeting shall be fixed by the Board of Directors, which shall be publicly posted prior to the meeting on a public bulletin board to be designated by the Board of Directors and filed with each Member of the Authority. All meetings of the Board of Directors shall be called, held, and conducted in accordance with the terms and provisions of the Ralph M. Brown Act (Sections 54950, et seq., of the California Government Code), as said Act may be modified by subsequent legislation, and as the same may be augmented by rules of the Board of Directors not inconsistent therewith. The Board of Directors will cause minutes of its meetings to be kept, and post the true and correct copies of the minutes of such meetings after Board approval
- D. The Board of Directors, by resolution, shall designate a specific location at which it will receive notices, correspondence, and other communications.
- E. The Board of Directors may establish and dissolve operating committees and establish the authority granted to such committees and their operating policies. The Board Chair shall

appoint the Chairperson and members of committees from the Authority's active membership.

- F. The Board of Directors may establish, revise and discontinue policies related to the operation of the Authority and such approved policies are binding upon the Members unless otherwise specified by policy by the Board of Directors.
- G. The Board of Directors shall determine contributions and the method by which contributions will be paid to a General Fund. The Board of Directors shall also provide for additional assessments during the year, if necessary or appropriate, to allow for increased costs and expenses that may occur. The Board of Directors shall insure that a complete and accurate system of accounting of the General Fund shall be maintained at all times consistent with established auditing standards and accounting procedures.
- H. The Board of Directors shall review coverages that are provided to Members through the Memorandum of Coverage, established policies and procedures for claims administration.
- I. The Board of Directors shall approve the terms of all related insurance, excess insurance, reinsurance and other agreements, including the terms of coverage, claims services, cost and compensation.
- J. The Board of Directors shall directly or by contract provide for services required to effectively implement all aspects of this Joint Program.

## ARTICLE II RULES OF THE BOARD OF DIRECTORS

- A. The Board of Directors may establish rules governing its own conduct and procedure and have such expressed or implied authority as is not inconsistent with, or contrary to, the laws of the State of California, these Bylaws, or the Joint Powers Agreement.
- B. A quorum for the transaction of business by the Board of Directors shall consist of a majority of the Board of Directors.
- C. No one serving on the Board of Directors shall receive any salary or compensation from the Authority.
- D. The Board of Directors may approve reimbursement for expenses incurred at its direction.

### ARTICLE III OFFICERS

- A. Principal Officers shall be a Chair, a Vice Chair, Secretary, and a Treasurer. The Officers of the Authority shall serve a term of two years, beginning July 1 of even-numbered years, except in the formation year the initial term will run from the date of formation until July 1.
- B. Election of Officers:
1. The Board shall elect a Chair and Vice-Chair, Secretary, and Treasurer from among the Directors.
  2. Officer elections shall take place at the last regularly scheduled Board of Directors meeting in even-numbered Program Years. Directors may make nominations of individuals who meet the requirements for the office at the time of election. If such nomination is seconded, the nominated individual shall be a candidate for that office for which the candidate was nominated. The candidate with the greatest number of votes shall assume the office.
  3. Any person elected as an officer may be removed at any time, with or without cause, by a majority vote of the Board of Directors.
  4. All vacancies arising may be filled at any time by a two-thirds vote of the Directors present at that Board of Directors meeting using the same procedures as specified above. Officers elected by such procedure shall serve the remaining term of the vacant position.
- C. The Chair and Vice Chair shall perform the duties normal to such offices, and shall perform such other duties as may be imposed by the Board. The Vice-Chair shall perform all of the Chair's duties in the absence of the Chair.
- D. The Secretary shall be the chief administrative officer of the Authority. The Secretary duties include recording all votes and the minutes of all proceedings. The Secretary shall give, or cause to be given, notice of all meetings of the Board of Directors when notice is required by law or these Bylaws. The Secretary shall have such other powers and perform such other duties as may be prescribed from time to time by the Board of Directors or the Chair.
- E. The Treasurer shall serve as the chief financial officer of the Authority, without the need to post an official bond, and fulfill the requirements of the California Government Code. The Treasurer shall oversee third party professionals, approved by the Board of Directors, in connection with the following:
1. Receipt of all money of the Authority and place it in the designated depository to the credit of the Authority;
  2. Be responsible for the safekeeping and disbursement of all money of the Authority;

3. Pay, when due, out of money of the Authority all legitimate and verifiable sums payable by the Authority;
4. Verify and report in writing at least annually to the Board of Directors the amount of money held for the Authority, the amount of receipts since the last Treasurer's Report, and the amount paid out since the last Treasurer's Report; and
5. Act as custodian of the Authority's property.

The Treasurer shall have such other powers and perform such other duties as may be prescribed from time to time by law or by the Board of Directors or the Chair.

#### ARTICLE IV MANAGER

All decisions related to the Authority and the Joint Program shall be made by the Board of Directors and/or Officers. The Authority may contract with a company with demonstrated expertise and experience to assist the Authority with the management and operation of the Authority (the "Manager"). The services to be provided by the Manager and the compensation to be earned shall be as determined and approved by the Board of Directors.

#### ARTICLE V FINANCE

- A. The Authority shall operate on a fiscal year from July 1 through June 30.
- B. The Board of Directors shall adopt, on or before June 1<sup>st</sup>, a preliminary budget estimating the amount of money that will be needed for the ensuing year. On or before June 30, the Authority shall adopt a final budget showing each of the purposes for which the Authority will need money and the estimated amount of money that will be needed for each purpose for the ensuing fiscal year. A copy of the budget shall be provided to each of the Directors.
- C. Each Member that actually purchases coverage from the Authority shall pay to the Authority a Contribution as calculated and adopted by the Board of Directors pursuant to the following:
  1. Member's premium based upon each Member's Payroll, Total Insurable Values, Loss History, Unusual Exposures and other information relative to providing coverage purchased by the Member as determined by the reinsurers. This shall be considered the Base Contribution Rate.
  2. A share of all other costs as determined by the Authority based on each Member's percentage of premium paid as defined in C.1 to the total premium of all Members purchasing products.

4. Contributions are due and payable on receipt of invoice and shall be considered past due 30 days from receipt of invoice and a penalty assessed on the unpaid amount as determined by the Board of Directors.
- D. Each Program Year of the Authority shall be accounted for separately from every other Program Year in regard to its assets and Obligations.
  - E. A General Fund if necessary shall be established and maintained to receive monies, pay operating expenses, hold reserves and pay claims of the Authority. The Authority shall accept and deposit in the General Fund all monies received.
  - F. An Operating Account if necessary shall be established and maintained out of monies received and deposited in the General Fund for:
    1. Insurance/reinsurance premiums;
    2. Claims management expenses;
    3. Safety engineering;
    4. Data processing costs;
    5. Administration and Professional Services, and Miscellaneous operating expenses;
    6. Loss Control.

ARTICLE VI  
MEMORANDUM OF COVERAGE

- A. As soon as practicable following the effective date of each Program Year, the Board of Directors shall issue to each Member a Memorandum of Coverage.
- B. The Memorandum of Coverage shall contain:
  1. Declarations of coverage and Member Contributions;
  2. The scope of protection provided; and
  3. Other terms and conditions determined by the Board of Directors.

**ARTICLE VII  
ACCOUNTS AND RECORDS**

- A. The Authority shall designate a depository in accordance with California Government Code 6505.5 and 6505.6.
- B. The Authority is strictly accountable for all funds received and disbursed by it and, to that end, the Authority shall establish and maintain such funds and accounts as may be required by the Governmental Accounting Standards Board or by any provision of law or any resolution of the Authority. Books and financial records of the Authority shall be open to inspection at all reasonable times by representatives of the Members. The Authority, as soon as practical after the close of each fiscal year, shall give, or cause to be given, a complete written report of all financial activities for such fiscal year to each Member of the Authority.
- C. The Board of Directors shall make, or contract with a Certified Public Accountant to make, an annual audit of the accounts, records, and financial affairs of the Authority. In each case the minimum requirements of the audit shall be those prescribed by the State Controller for Special Districts under Section 26909 of the California Government Code and shall conform to Generally Accepted Auditing Standards and accounting principles. When such an audit of accounts and reports is made by a Certified Public Accountant, a report thereof shall be filed within twelve (12) months of the end of the fiscal year under examination with the State Controller and county auditor. Any costs of the audit, including contracts with, or employment of Certified Public Accountants in making the audit(s) provided for herein, shall be appropriate administrative charges against the funds of the Authority.

**ARTICLE VIII  
RISK MANAGEMENT**

The Board of Directors of the Authority may adopt recommended minimum standards for risk management/loss control practices. These standards and best practices shall be reviewed by each Member as part of each Member's risk management practices.

ARTICLE IX  
WITHDRAWAL FROM OR TERMINATION OF MEMBERSHIP

- A. Any Member having completed three complete program years as a Member of the Authority may withdraw from its status as a Member and party to the Joint Powers Agreement at the end of the fiscal year subject to the following terms and conditions. Provisional notice must first be submitted by notifying the Board of Directors of the Authority of its intention, in writing, prior to December 31 of the fiscal year.
- B. The Member filing the provisional notice of withdrawal may then effectuate its withdrawal by giving the Authority final written notice, together with a copy of the Member's Board resolution or meeting minutes authorizing such action, at least three (3) months prior to the start of the new Program year.
- C. The incurred claims, incurred but not reported claims, and all unearned contributions of the withdrawing Member shall leave with the Member.
- D. A Member may be involuntarily terminated from the Authority upon a vote of two-thirds (2/3) of the Directors representing the remaining Members. Involuntary termination shall become effective at the end of the Program year in which the action is taken or upon such other date as the Board of Directors may specify, but in no case less than sixty (60) days after notice of involuntary termination is given. The responsibility and participation of an involuntarily terminated Member shall be the same as stated in Paragraph C of this Article.
- E. Grounds for involuntary termination include, but are not limited to, the following:
  - 1. Failure or refusal to abide by the Agreement or Bylaws;
  - 2. Failure or refusal to fulfill the Member's responsibility to participate in Authority governance.
  - 3. Failure or refusal of a Member to abide by an amendment which has been adopted by the Board of Directors or by the Members of the Authority as provided in the Agreement or these Bylaws;
  - 4. Failure or refusal to pay Contributions or assessments to the Authority as provided in the Agreement or Bylaws;
  - 5. Failure to comply with risk management or safety standards implemented by the Authority;
  - 6. Failure of a Member to disclose a material fact to the Authority or its Manager.

ARTICLE X  
DISPOSITION OF PROPERTY AND FUNDS

- A. In the event of the dissolution of the Authority or other final termination of the Joint Powers Agreement, any funds or property interest remaining in the Authority following a discharge of all Obligations shall be distributed to current Members in proportion to contributions made.
- B. If the Authority determines a return of contributions is to be declared, such return of contributions shall be computed in proportion to contributions made.

ARTICLE XI  
INVESTMENT OF SURPLUS FUNDS

- A. The Authority shall have the power to invest or cause to be invested, in compliance with Section 6509.5 of the California Government Code, such funds as are not necessary for the immediate operation of the Authority as allowed by Section 53600 et seq of the California Government Code.
- B. The level of cash to be retained for the actual operation of the Authority shall be determined by the Authority.

ARTICLE XII  
AMENDMENT

- A. Amendment to these Bylaws may be proposed by any Member of the Authority.
- B. All amendments to these Bylaws must be approved by a two-thirds (2/3) vote of the Directors present at a Board of Directors meeting before the amendment shall become effective. Such amendments shall be binding upon all Members of the Authority. The effective date of any amendment will be on the first day of the next month following adoption, unless otherwise stated.

ARTICLE XIII  
SEVERABILITY

Should any portion, term, condition, or provision of these Bylaws be decided by a court of competent jurisdiction to be illegal or in conflict with any law of the State of California, or be otherwise rendered unenforceable or ineffectual, the validity of the remaining portions, terms, conditions, and provisions shall not be affected thereby.



**ARTICLE XIV  
EFFECTIVE DATE**

These Bylaws, as they may be amended from time to time, shall become effective immediately upon the effective date of the Joint Powers Agreement. Amendments to these Bylaws become effective as stated in Article XI.

The Agreement may be executed in multiple counterparts, each of which shall be considered an original.

**ARTICLE XV  
INDEMNIFICATION OF DIRECTORS AND OFFICERS**

Funds of the Authority may be used to defend, indemnify, and hold harmless any Officer or Director of the Authority for any liability arising from their actions on behalf of the Authority. Nothing herein shall limit the right of the Authority to purchase insurance to provide such coverage.



**TO:** BOARD OF DIRECTORS **BOD Meeting: 5-15-2014**  
**FROM:** RICHARD H. AVERETT, EXECUTIVE DIRECTOR **Item: 6A**  
**SUBJECT: APPROVAL OF CREATION OF A DENTAL COVERAGE POOL AND**  
**AUTHORIZE THE EXECUTIVE DIRECTOR TO EXECUTE AGREEMENTS**

**RECOMMENDATION**

Approve Municipal Services Authority creating a dental program for public agencies, authorize the Executive Director to execute documents necessary, and direct the Executive Director to prepare amendments to the MSA joint powers agreement and bylaws, for consideration by the Board of Directors at a future MSA meeting.

**BACKGROUND AND ANALYSIS**

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, has been working with several agencies to form a Dental Pool to aggregate buying power, lower premiums and provide greater rate stability than smaller public agencies are able to obtain on their own. Once the Pool has sufficient participants, self-funding of dental coverage could provide even greater savings and control of the program.

Several agencies have indicated an interest in the Pool, starting as soon as July 1, 2014. MSA Counsel has opined that the MSA joint powers agreement does allow the agency to create and administer a Dental Program. Counsel recommends amendments to the agreement, that could be made at a later date, to specifically reference programs such as the Dental Program that would be open to non-MSA Member Agencies (as well as Member Agencies), and insulate operation of the Program from JPA operation.

A Keenan white paper giving an overview of the Program is provided in the packet, as well as a broker of record agreement (to be distributed at a later date).

**FISCAL IMPACT**

There will be costs for staff time and legal services to establish the Pool and prepare amendments to the MSA agreement, but these costs are expected to be less than \$10,000. The benefits to MSA of operating this program are:

- MSA member agencies benefit as a potential program for RGS and LGS benefits;
- MSA benefit programs that may be created for Member use; and
- Outreach to other agencies that may not use other RGS services.

Brokerage fees for the Dental Program would be capped at 10% and would be paid by the provider from premiums collected, as is the convention for benefit programs.

# **Municipal Services Authority**

## **MSA Dental Pool**

### **Overview**

MSA works with a number of smaller public agencies who for the most part are contracting for their dental coverage directly with an insurance company. In addition to the MSA relationships, there are a number of other California agencies in the same position. Insurance companies build expenses into the premium rate based on the size of the account. The smaller the case the larger the expense as a percentage of premium. The expense costs could be as high as 25% and as low as 10% of premium. The creation of a Dental Pool offers the following benefits:

- Aggregate buying power in the marketplace and achieve more comprehensive dental insurance coverage
- Provide lower premium rates through the pooling of agencies
- Greater rate stability
- Obtain even greater savings and control through eventual self funding, which pooling will enable smaller agencies to do
- Multiple plan offerings

### **MSA Dental Pool**

Keenan conducted an RFP to select a carrier that could meet the needs of this pool within MSA. Some key factors are the breadth of the dental network; DPPO and DHMO plan offerings, experience with JPAs and competitive rates. The RFP went to 14 carriers. Four declined to quote, five responded that they were not competitive and five quoted. The carrier that best fit the priorities of the MSA Pool as outlined above is Delta Dental.

### **Plan Design**

Individual agencies with less than 100 covered employees will have the option to choose between one of four standard plan designs. This standardization helps to control the cost of administering the Pool. The larger agencies will be encouraged to use one of the standard plans but are also able to match their current plan terms.

## **Financing**

The Pool will start out fully insured. The objective is too ultimately become self insured, giving the Pool an opportunity to lower its expense costs and have more control of the rate setting. We would work toward having a common renewal date such as July 1 or January 1. Bylaws will be created to review but not limited to how renewal rates will be determined, reserving policies, disposition of surplus and the process for joining and terminating from the pool.

## **Administration**

Each agency will use the Delta Dental electronic billing system. Based on each agency's input, premium statements will be sent to each agency. Premium payments will be forwarded to SETECH, a division of Keenan that will do the aggregation of premium to be sent to Delta Dental. When the plan goes to self funded status, SETECH will be responsible for the funding of claims requested by Delta Dental from the premiums submitted by the agencies. SETECH will do a year-end report of all monies contributed, claims paid and balances per agency.

Keenan & Associates would act as the Broker of Record of the MSA Dental Pool. This includes but not limited to the sales and marketing of the program, enrollment and reenrollment of agencies, being a resource to agencies on service issues, working on the renewal with the carrier and delivery of the annual renewal. Keenan & Associates currently manage over 60 other California public educational agency JPAs in the State.

## **Broker of Record Designation Municipal Services Authority Dental Program**

This designation confirms that as of **[insert beginning date]**, the Municipal Services Authority (“JPA”) has appointed **Keenan & Associates** (“Keenan”) as the Broker of Record for the dental program (“Program”) being established by the JPA for those organizations (“Program Participants”) electing to participate in the MSA Dental Program..” This appointment rescinds any and all previous appointments JPA may have made with respect to the Program. This appointment shall be effective for a minimum term of three (3) years from the date above. After the expiration of three (3) years this appointment shall remain in full force and effect unless and until cancelled in writing at any time by either party.

Keenan shall have the exclusive authority and right to negotiate with carriers on JPA’s behalf with respect to the Program. Keenan shall not necessarily contact every available market for the particular coverage being sought. JPA shall not seek or acquire quotes directly or through any other party from any insurance carrier or other coverage provider for the Program. Keenan is authorized to provide a copy of this designation to any insurer to demonstrate Keenan’s authority to obtain the coverages for the Program. JPA shall provide Keenan with timely and accurate information necessary to obtain the coverages and authorizes Keenan to provide such information to prospective insurers and other coverage providers.

Program Participants shall have the opportunity to select from a variety of dental benefit plans. Each Program Participant shall be invoiced directly by the carrier selected for the Program. Program Participants shall remit payments to Keenan’s SETECH division and SETECH will be responsible for forwarding all payments to the carrier. Except for Keenan’s responsibilities with respect to funds obtained from or on behalf of JPA or the Program Participants, Keenan shall not be a fiduciary of JPA. As compensation for its services, Keenan shall receive a 10% commission from the Program’s insurance carrier for the placement of the insurance coverages. The standard SETECH service fee of \$1500.00 will be waived. If JPA elects to switch from a fully-insured to a self-insured Program, JPA and Keenan shall negotiate a separate a agreement to cover Keenan’s services and fees for the self-insured Program.

Information concerning Keenan’s compensation Disclosure Policy is available online at [www.Keenan.com](http://www.Keenan.com) or from your Keenan account representative.

Disputes arising out of or relating to this designation, other agreements between the parties, or any other relationship involving JPA and Keenan (whether occurring prior to, as part of, or after the signing of this Agreement) shall first be resolved by good faith negotiations between representatives of the parties with decision-making authority. If either party determines that the dispute cannot be resolved through informal negotiation then the dispute shall be submitted to non-binding mediation. The site of the mediation and the selection of a mediator shall be determined by mutual agreement of the parties. If the dispute is not resolved through mediation within sixty (60) days following the

first notification of a request to mediate, then either party shall have the right to require the matter to be resolved by final and binding arbitration by JAMS dispute resolution service pursuant to its Streamlined Arbitration Rules and Procedures, or such other arbitration procedures as may be agreed to in writing by the parties. Negotiation, mediation, and arbitration shall be the exclusive means of dispute resolution between JPA and Keenan and their respective members, agents, employees and officers. The arbitration shall be conducted in the County of Los Angeles, California.

<b>Municipal Services Authority</b>		<b>Keenan &amp; Associates</b>	
<b><u>Signature:</u></b>		<b><u>Signature:</u></b>	
<b><u>By:</u></b>		<b><u>By:</u></b>	
<b><u>Title:</u></b>		<b><u>Title:</u></b>	
<b><u>Address:</u></b>		<b><u>Address:</u></b>	2355 Crenshaw Blvd., Ste. 200
			Torrance, CA 90501
<b><u>Telephone:</u></b>		<b><u>Telephone:</u></b>	310 212-0363
<b><u>Fax:</u></b>		<b><u>Fax:</u></b>	
<b><u>Attention:</u></b>		<b><u>Attention:</u></b>	