



MINUTES

SCHOOLS ASSOCIATION FOR EXCESS RISK  
(SAFER)

BOARD OF DIRECTORS MEETING  
OCTOBER 30, 2009  
10:00 A.M.

PHYSICAL LOCATION

SHERATON SUITES HOTEL  
701 A STREET  
SAN DIEGO, CALIFORNIA 92101  
(619) 696-9800

CONFERENCE CALL LOCATION

HUMBOLDT COUNTY OFFICE OF EDUCATION  
901 MYRTLE AVENUE  
EUREKA, CA 95501  
STACY LANE (707) 445-7055

---

I. **CALL TO ORDER**

The meeting was called to order by the Treasurer Curtis Stephan at 10:00 a.m.

---

II. **ROLL CALL**

**OFFICERS:**

SOUTHERN CALIFORNIA REGIONAL LIABILITY EXCESS FUND	Curtis Stephen, Treasurer
SOUTHERN CALIFORNIA REGIONAL LIABILITY EXCESS FUND	Herbert Bartelt, Secretary

**BOARD MEMBERS:**

NORTHERN CALIFORNIA REGIONAL LIABILITY EXCESS FUND	Reginald Crowell
NORTHERN CALIFORNIA REGIONAL LIABILITY EXCESS FUND	Stacy Lane (alt)
NORTHERN CALIFORNIA REGIONAL LIABILITY EXCESS FUND	Kimberly Dennis (alt)
SOUTHERN CALIFORNIA REGIONAL LIABILITY EXCESS FUND	Gary Matsumoto
STATEWIDE ASSOCIATION OF COMMUNITY COLLEGE	Mike Collins (alt)

**MANAGER:**

KEENAN & ASSOCIATES	Graham Grice
	Leslie Delozier
	Barry Blade
SETECH (a division of Keenan & Associates)	Mary Boyer

**ABSENT:**

NORTHERN CALIFORNIA REGIONAL LIABILITY EXCESS FUND	Brent Swanson
NORTHERN CALIFORNIA REGIONAL LIABILITY EXCESS FUND	William Assad
STATEWIDE ASSOCIATION OF COMMUNITY COLLEGE	Thomas Fallo
STATEWIDE ASSOCIATION OF COMMUNITY COLLEGE	Ed Maduli
STATEWIDE ASSOCIATION OF COMMUNITY COLLEGE	Sherry Hassan

---

**III. APPROVAL OF AGENDA**

**2009/2010-01**

The agenda was approved as presented.

PUBLIC COMMENTS: None

BOARD CONSIDERATION: Motion was made by Herbert Bartelt, seconded by Kimberly Dennis, and unanimously carried by roll call vote to approve the agenda as presented.

---

**IV. APPROVAL OF MINUTES**

**2009/2010-02**

The Board reviewed the minutes from the June 5<sup>th</sup> and June 26<sup>th</sup> meetings.

PUBLIC COMMENTS: None

BOARD CONSIDERATION: Motion was made by Herbert Bartelt, seconded by Mike Collins, and unanimously carried by roll call vote to approve the minutes from June 5<sup>th</sup> and June 26<sup>th</sup> as presented.

---

**V. CORRESPONDENCE**

**2009/2010-03**

There following correspondence was received:

- 1) Letter dated July 1, 2009 from Craig Farmer of Farmer, Smith & Lane, LLP to Graham G. Grice, JPA Manager regarding the disclosure of the amount of compensation received by their firm during the period July 1, 2008 – June 30, 2009.
- 2) Letter dated July 2, 2009 from James Marta of Marta & Company to Leslie Delozier, Assistant JPA Manager confirming their understanding of the services to provide the SAFER JPA, financial auditing services for the years June 30, 2009, 2010 and 2011.
- 3) Letter dated July 2, 2009 to Lien Cooc of James Marta & Company from Leslie Delozier, Assistant JPA Manager confirming receipt of the revised letter of engagement but also noting further revisions were necessary.
- 4) Letter dated July 14, 2009 to Cindy Glasser of the Fair Political Practices Commission from Leslie Delozier, Assistant JPA Manager advising the original signed Form 700's for the SAFER Board of Directors were being sent to their attention.
- 5) Letter dated August 24, 2009 to Craig Farmer of Farmer, Smith & Lane LLP from SAFER President Dr. Thomas Fallo requesting the firm to provide the independent auditors James Marta & Company information concerning certain contingencies involving matters as to which you they have devoted substantive attention in the form of legal consultation or representation.
- 6) Letter dated September 16, 2009 from SAFER President Dr. Thomas Fallo appointing Keenan & Associates as the reinsurance intermediary of record for SAFER JPA for the following reinsurers:
  - a. XL Group
  - b. Max Re
  - c. Catlin

PUBLIC COMMENTS: None

BOARD CONSIDERATION: None.

---

**VI. CLAIMS & COVERAGE**

**CLOSED SESSION/OPEN SESSION**

**2009/2010-04**

The Authority went into closed session at 10:04 a.m. and came out at 10:08 a.m. The Board of Directors reviewed a report on all the outstanding claims.

### OPEN SESSION

The President reported there was no action taken during closed session.

PUBLIC COMMENTS: None.

BOARD CONSIDERATION: None.

---

## VII. FINANCIAL

### FINANCIAL MANAGEMENT INFORMATION REPORT

2009/2010-05

SETECH presented the Authority's Financial Management Information Report as of June 30, 2009 and for the fiscal year then ended and reviewed in detail the Authority's Statement of Net Assets, which reflected the following totals:

#### Current Assets:

Cash In Checking Account:	\$ 866
Local Agency Investment Fund (LAIF)	136,557
Subtotal Cash and Cash Equivalents:	<u>137,423</u>
Interest Receivable:	2,687
Accounts Receivable:	522
<b>TOTAL ASSETS:</b>	<b><u>\$140,632</u></b>

#### Current Liabilities:

Accounts Payable:	6,497
Accounts Payable – Claims	3,742
<b>TOTAL LIABILITIES:</b>	<b><u>\$10,239</u></b>

#### Net Assets:

Undesignated:	130,393
<b>TOTAL NET ASSETS:</b>	<b><u>\$130,393</u></b>

**Total Liabilities and Net Assets:** **\$140,632**

SETECH advised the Authority had a substantial increase in the investment income due to the staggered carrier payment plan that the Manager negotiated on behalf of the Authority, which pays the carriers in increments: 60% up front and the remaining balance on 12/31/08, 3/31/09 and 6/30/09. The Authority benefits from this arrangement by earning investment income through the LAIF account.

Also reviewed in detail was the "Adopted Budget versus Actual and Reinsurance Contributions" noting the share percentage is used to allocate interest earned back to the members on a pro rata basis because each year stands alone.

PUBLIC COMMENTS: None.

BOARD CONSIDERATION: Motion was made by Kimberly Dennis, seconded by Herb Bartelt, and unanimously carried by roll call vote to receive and file the Financial Management Information Report as

presented.

## FINAL BUDGET

2009/2010-06

The Treasurer's Agent SETECH presented the 2009/2010 final budget and reported the following information:

Total Operating Revenues:	<u>\$ 38,476,526</u>
Total Operating Expenditures:	<u>(38,493,276)</u>
Revenues in Excess of Expenditures:	<u>\$ (16,750)</u>
Non Operating Revenues & Expenditures	33,750
Beginning Net Assets:	130,393
Ending Net Assets:	<u>\$ 147,393</u>

SETECH handed out a revised page to the final budget, page 46 of the agenda packet.

PUBLIC COMMENTS: None.

BOARD CONSIDERATION: Motion was made by Herb Bartelt, seconded by Mike Collins, and unanimously carried by roll call vote to adopt the 2009/2010 final budget as amended.

## TREASURER'S REPORT

2009/2010-07

The Treasurer's Agent SETECH presented the treasurer's reports for the periods ending 6/30/09 and 9/30/09 advising there are two treasurer's reports because the Government Code requires quarterly reports. The Board was advised the 6/30/09 treasurer's report balances back to the Financial Management Information Report and Financial Audit Report.

SETECH reported that as mandated by Section 53646 of the California Government Code, the Authority is required to disclose that it is able to meet its pool's expenditure requirements for the next six months. SETECH distributed a revised page one of the 6/30/09 and 9/30/09 treasurer's report. The following information is reported on a cash basis:

	<b>Balance Year To Date</b>
Unaudited Beginning Net Assets as of 07/01/09:	<u>\$ 130,393</u>
Total Operating Revenues:	39,033,607
Total Operating Expenditures:	39,040,357
Total Non Operating Revenues & Expenditures – Interest Income	3,095
Net Increase/(Decrease):	(3,655)
Ending Net Assets as of 09/30/09:	<u>\$ 126,738</u>

SETECH advised there was a net decrease of \$3,655 due to the financial audit fee and AGRiP membership dues, which was offset by the investment income for the quarter.

SETECH reviewed payment order 2009/2010-01 for the period 7/01/09 through 9/30/09 in the amount of \$30,536,500.00.

PUBLIC COMMENTS: None.

BOARD CONSIDERATION: Motion was made by Reginald Crowell, seconded by Herbert Bartelt, and

unanimously carried by roll call vote to receive and file the treasurer's reports for quarters ending 6/30/09 and 9/30/09 as amended.

**LAIF INVESTMENT**

**2009/2010-08**

SETECH reported in accordance with California Government Code the Manager is required to present monthly transaction reports for the LAIF account which was set-up in July 2008. As of August 2009 the LAIF account's ending balance was \$139,244.16.

PUBLIC COMMENTS: None.

BOARD CONSIDERATION: Motion was made by Kimberly Dennis, seconded by Herbert Bartelt, and unanimously carried by roll call vote to receive and file the monthly LAIF statements as presented.

**AUTHORIZATION OF PAYMENTS PROCEDURE**

**2009/2010-09**

The Treasurer's Agent, SETECH presented the "Authorization of Payments Procedure" requesting revisions to permit SETECH to authorize checks drawn on the regular checking account and wire transfers between the Authority's finance accounts up front and attain an Officer approval signature within 2 weeks of that transfer. This will assist the Authority in timely payments of claims where funds need to be transferred between accounts and an officer approval signature may not be readily available.

PUBLIC COMMENTS: None.

BOARD CONSIDERATION: Motion was made by Herbert Bartelt, seconded by Reginald Crowell, and unanimously carried by roll call vote to approve the Authorization of Payments Procedure as presented.

**MEMBER REIMBURSEMENT POLICY & TRAVEL GUIDELINES**

**2009/2010-10**

The Assistant Manager reported historically any member contributions collected by the Authority were almost immediately paid out to the reinsurers accruing minimal interest, which did not allow the Authority any extra funds to pay for the travel of its members to and from the regularly scheduled meetings. For the 2008/2009 program year the Manager negotiated with the reinsurance carriers to stagger the contribution payments, which has allowed the Authority to accrue investment income. The Board at the last meeting reviewed the increase in net assets and directed the Manager to create a travel and conference budget to reimburse SAFER Board members and/or alternates for attending Board meetings.

PUBLIC COMMENTS: None.

BOARD CONSIDERATION: Motion was made by Mike Collins, seconded by Stacy Lane, and unanimously carried by roll call vote to approve the "Member Reimbursement Policy and Travel Guidelines" as presented.

**TRAVEL REIMBURSEMENT FORM**

**2009/2010-11**

The Assistant Manager reported the Authority has established a travel and conference budget to reimburse any Board members and/or alternates that attend Authority meetings and in conjunction with that presented a travel reimbursement form for Board review.

PUBLIC COMMENTS: None.

BOARD CONSIDERATION: Motion was made by Gary Matsumoto, seconded by Mike Collins and

unanimously carried by roll call vote to approve the travel reimbursement form as presented.

---

## VIII. UNDERWRITING/ACTUARIAL

### 2009/2010 MEMORANDUM OF COVERAGE

2009/2010-12

The Manager reported there were several minor revisions to the 2009/2010 Memorandum of Coverage (MOC) mostly to the builders' risk coverage that was added into the MOC last program year and provided a presentation summarizing those revisions:

#### Declarations Page:

Added the BREM Sublimits:

- Temporary Offsite Storage: \$500,000 per Occ
- Architects and Engineering Fees: \$250,000 per Occ
- Plans, Blueprints and Drawings: \$250,000 per Occ
- Valuable Papers: \$250,000 per Occ
- Trees, Shrubs and Plants: \$50,000 per Occ
- Debris Removal: 25% of loss up to a max \$250,000 per Occ
- Pollutant Cleanup and Removal: \$25,000 Annual Agg
- Preservation of Property: \$100,000 Annual Agg
- Expediting Expenses: \$250,000 per Occ
- Transit: \$500,000 per occ
- Ordinance or Law: \$250,000 per occ
- Soft Costs: \$ per Endorsement

#### Intent of MOC

- Added verbiage:
- Coverage subject to policy and procedure enacted by the Authority.

#### Changes to Section V. Exclusions

- loss, claim or suit arising out of In-Flight operations of Aircraft or any Airborne Craft by or in the interest of the Covered Party except with respect to operations performed by scheduled common carriers or the United States Military. This exclusion shall not apply to Aircraft or any Airborne Craft used for instructional purposes while located on the property the Covered Party owns, leases, rents or occupies.

#### Section VI. Definitions:

- Added definition for a Building: A permanent structure with walls and a roof which is capable of occupancy by the district
- Added definition of a Structure: Property built and attached to land including fencing and enclosures, garages, gazebos, greenhouses, sheds and utility buildings
- Amended definition for Builders' Risk to mean the construction of new real property and of additions to or remodeling of existing real property where the total construction cost of the project exceeds \$250,000.

- Amended the definition of Real Property: Real Property means completed Buildings, completed Structures, and portable buildings the Covered Party owns or occupies including their permanently installed fixtures, machinery, equipment, and replacement of such components for maintenance and repair. Real Property does not mean Buildings, Structures and portables under construction where the total construction value exceeds \$250,000.
- Added definition for Builders Risk Equipment Breakdown - *Applicable if Limit of Liability is indicated on the Builders Risk Endorsement* means any occurrence that meets the definition of an Accident to Covered Equipment and that is not otherwise excluded.
- Amended definition of Total Construction Price to include Construction Management Fees

Section VII. General Conditions:

Included Protective Safeguards – originally on warranty now in MOC

- The site will be enclosed within a six-foot cyclone fence
- Site will be fully lighted
- Gates will be closed and securely locked during all non-construction hours, including but not limited to nights, weekends and holidays
- Security service will make on-site inspections of the project site at intervals during all periods of non-construction
- Fire extinguishers must be readily available, and workers instructed on where they are and how to use them
- A “fire watch” must be maintained. This requires an inspector to walk the project site forty-five minutes after workers leave the site. This inspector shall carry a properly charged fire extinguisher while performing the fire watch inspection
- A working fire hydrant must be within 1,000 feet of any building(s) under construction.
- Amended the Reporting Provision - Approval for occupancy must have been received in order to add a newly constructed Building or Structure to Real Property.

PUBLIC COMMENTS: None.

BOARD CONSIDERATION: Motion was made by Stacy Lane, seconded by Herbert Bartelt, and unanimously carried by roll call vote to approve the 2009/2010 Memorandum of Coverage as presented.

**NEW MEMBERS**

**2009/2010-13**

There were no new members at the time the agenda was prepared.

PUBLIC COMMENTS: None.

BOARD CONSIDERATION: None.

---

**IX. ADMINISTRATION**

**BYLAW REVISIONS**

**2009/2010-14**

The Assistant Manager advised in review of the Bylaws they found a discrepancy between the “Budget Preparation Policy” and the language in the Bylaws regarding approval of the budget so have brought that revision to the Board along with some other minor language changes to update the terminology.

PUBLIC COMMENTS: None.

BOARD CONSIDERATION: Motion was made by Herb Bartelt, seconded by Mike Collins, and unanimously carried by roll call vote to approve the revised Bylaws as presented.

---

**X. INFORMATION**

**MEMBER COMMENTS**

None.

**MANAGER COMMENTS**

The Manager advised they are working diligently to get the excess liability coverage in place for next program year and anticipate having indicated terms and conditions as early as February 2010. That being the case the Manager is requesting a special Board meeting be called in March so the Board can review the indicated terms and conditions giving the SAFER members time to review and bring back to their respective Boards.

**OTHER COMMENTS**

None.

---

**XI. AGENDA ITEMS NEXT MEETING**

Members and others may suggest items for consideration at the next Board of Directors meeting, which will be held in March in San Francisco at a date to be determined. Items for the agenda are:

- 2010/2011 Renewal
  - Financial Audit
  - Treasurer's Report
  - LAIF Report
  - Claims Update (June)
  - Meritage Update (June)
- 

**XII. ADJOURNMENT**

There being no further business to discuss, the meeting was adjourned at 10:30 a.m.

---