ASSOCIATION OF WASHINGTON CITIES
RMSA Board of Directors

Meeting Minutes
September 27, 2018
Cedarbrook Lodge – SeaTac, WA
10:00 am

Present:
President & Position 1 - Jim Bailey, Councilmember, Wenatchee
Vice President & Position 4 - Craig George, Mayor, Dayton
Position 2 - Bruce Albert, Councilmember, Index
Position 5 - Michael Schaub, Mayor, Eatonville
Position 6 – JW Foster, Mayor, Yelm
Operating Committee Chair - Duncan Wilson, Town Administrator, Friday Harbor, *left the meeting at 1:45 am.*

Staff Present:
Peter King, CEO
Alicia Seegers Martinelli, Deputy CEO/COO
Lucy Lu, CFO
Carol Wilmes, Member Pooling Programs Director
Adrienne Beatty, Program Manager
Harlan Stientjes, Claims and Pre-Litigation Manager
Michelle Catlin, Executive Coordinator/ Recording Secretary

Others:
Charles H. "Skip" Houser III, RMSA General Counsel
Craig Scukas, Jordan He, PricewaterhouseCoopers
Mike Day, Aon
Craig Bennion, via conference call
Pat Pepper, Erika Morgan, Brian Weber, Dan Glenn, Black Diamond, *left the meeting at 11:05 am*

Absent:
Position 3 - Vacant
Position 7 - Julie Struck, Mayor, South Bend

1. *Call to Order*

1.1 <u>Call to Order</u>
President Jim Bailey called the meeting to order at 10:00 am. A quorum was established. Introductions followed.

Mr. Wilson disclosed he was outside counsel in the early 1990's for the City of Black Diamond when some of the development referred to in the claim was taking place. Mr. Wilson does not sit on the Board of Directors and has no voting rights. He attends the meetings as a representative of the RMSA Operating Committee. Both parties did not have an issue with Mr. Wilson sitting in the Executive Session.

2. *Approval of Minutes*

2.1 <u>June 27, 2018, Board Meeting Minutes</u>
The Board reviewed the minutes of the June 27, 2018 Board meeting.

Motion:
Motion by Bruce Albert to approve the minutes of the June 27, 2018 Board meeting, second by Michael Schaub; motion carried.

3. *CEO Report*

3.1 <u>CEO Meeting Overview</u>
Mr. King gave an overview of the meeting.

4. *Coverage*

4.1 <u>Appeal of Coverage Denial -- City of Black Diamond</u>
On November 21, 2017, AWC RMSA received a letter from Black Diamond then-councilmember Pat Pepper requesting coverage for a lawsuit she and two other councilmembers had been served with at the November 16, 2017 Black Diamond City council meeting. AWC RMSA staff forwarded the summons and complaint to Coverage Counsel Craig Bennion of Cozen O'Connor to review and provide a coverage opinion. The risk pool's decision was communicated to the councilmembers on November 28, 2017. On December 26, 2017, AWC RMSA received a written notice from the councilmembers asking to appeal the administrative agent's coverage decision.

The Board held a public hearing to hear the City of Black Diamond appeal pursuant to the RMSA Bylaws and RMSA Coverage Agreement. The hearing began at 10:07 am. Appealing party, Pat Pepper, Erika Morgan, Brian Weber and Dan Glenn, City of Black Diamond's attorney, were present. President Bailey instructed all parties on the process of the hearing.

The appealing party was given 15 minutes to explain why the party was aggrieved by the decision of the AWC RMSA. AWC RMSA General Counsel Skip Houser was the time keeper.

President Bailey yielded to Pat Pepper, Erika Morgan, Brian Weber and Dan Glenn at 10:08 am. Mr. Glenn provided background information regarding the lawsuit against the three of the City of Black Diamond councilmembers. Furthermore, Mr. Glenn stated that at no time did Ms. Pepper, Ms. Morgan, and Mr. Weber act unlawful in their actions while on the Black Diamond city council.

Ms. Pepper, Ms. Morgan and Mr. Weber provided their statements to the Board.

President Bailey allowed the appealing party one more minute. Mr. Glenn re-stated Ms. Pepper, Ms. Morgan, and Mr. Weber did not act unlawful in their decisions regarding the Rock Creek Improvements.

Mr. Glenn yielded to President Bailey at 10:24 am.

The Administrative Agent was given 15 minutes to represent all relevant evidence, testimony, argument and legal authority in opposition to the appealing party's position. President Bailey yielded to RMSA staff member Harlan Stientjes at 10:25 am. Mr. Stientjes spoke on behalf of the Administrative Agent. Coverage Council Craig Bennion participated via phone conference.

Mr. Stientjes stated AWC RMSA's denial of the claims in the Third Party Complaint was rendered based on the RMSA Coverage Agreements exclusions for breach of contract, claims for non-monetary relief, and for the knowing violation of any statute, ordinance, or government regulations.

Mr. Stientjes yielded to President Bailey at 10:28 am.

Mr. Glenn offered a rebuttal stating that the councilmembers did their duty and did not violate the law. Ms. Pepper, Mr. Weber, and Ms. Morgan provided a final statement to the Board.

In Mr. Stientjes' rebuttal, he stated any suit for damages alleged as a result of a breach of contract is excluded from coverage.

With no further rebuttal, President Bailey adjourned to Executive Session.

4.2 Executive Session pursuant to RCW 42.30.110(I)

President Bailey adjourned to Executive Session to discuss current and potential litigation, per RCW 42.30.110(i), for a period of 20 minutes at 10:38 am. Skip Houser, AWC RMSA general counsel; Peter King, AWC CEO; Alicia Seegers Martinelli, AWC Deputy CEO/COO; Lucy Lu, CFO; Carol Wilmes, Director of Member Pooling Programs; Adrienne Beatty, AWC RMSA Program Manager; Harlan Stientjes, AWC RMSA Claims & Pre Litigation Manager; and Michelle Catlin, Recording Secretary, were included in the Executive Session.

Motion by Craig George to adjourn to Executive Session at 10:38 am for a period of 20 minutes, second by Michael Schaub.

President Bailey adjourned executive session and returned to open session at 10:58 am.

Motion:

Motion by Craig George to uphold the decision of the Administrative Agent, second by Michael Schaub, motion carried.

President Bailey called for a recess at 11:05 am. The meeting reconvened at 11:13 am.

5. Financials

5.1 Quarter 2 2018 Financial Report

Ms. Lu reviewed the 2018 second quarter financial report for the period ending June 30, 2018 with the Board.

5.2 NLC Mutual Insurance Company (MIC) Update

Mr. King reported on the NLC MIC Board meeting that was held July 19-20, 2018.

5.3 2018 Mid-Year Actuarial Report

Mr. Scukas of PricewaterhouseCoopers reviewed the 2018 mid-year actuarial report with the Board. Several rate options were presented for consideration. Each rate option would add funds to the fund balance. The Operating Committee recommended the Board adopt a 1 percent increase for the 2019 coverage year.

Motion:

Motion by Craig George to approve a 1 percent rate increase for the 2019 coverage year, second by JW Foster; motion carried.

President Bailey called for a recess at 12:07 pm. The meeting reconvened at 12:38 pm.

6. Administration

6.1 Coverage Renewal Update

Ms. Beatty and Mike Day of Aon Risk Solutions discussed the 2019 property and liability insurance renewals with the Board. All lines of coverage will expire on December 31, 2018 and renew on January 1, 2019.

The Board discussed the Operating Committee recommended 2019 renewals: continuing coverage with Zurich for the government crime coverage with no change in coverage; continuing coverage with Chubb for property and liability pollution coverage with no change in coverage; continuing coverage with National Union for property and liability aviation coverage with no change in coverage; and continuing with XL Catlin for cyber Liability coverage with increasing the total limits in coverage to $3,000,000.

Motion:

Motion by Bruce Albert to approve the renewal of crime, pollution, aviation, and cyber liability policies for the 2019 program year as presented, second by Craig George; motion carried.

Motion by Craig George to approve Great American for the excess limit liability coverage for the 2019 program year, second by JW Foster; motion carried.

The Board discussed the property/auto physical damage coverage. AWC RMSA staff recommended the Board increase the deductible for auto and all risk to $200,000 and reduce Earthquake and flood insured limits to $25 million.

Motion:

Motion by Craig George to increase the deductible for auto and all risk property and auto to $200,000 including $72,000 in additional pool funding and reduce earthquake and flood insured limits to $25 million, second by Michael Schaub, motion carried.

6.2 Approval of New Member

Ms. Beatty reviewed the rate sheet for the Town of Lyman. The Town of Lyman is seeking approval of membership to the Pool.

Motion:

Motion by Michael Schaub to approve the Town of Lyman as an RMSA member, effective December 1, 2018, second by Bruce Albert; motion carried.

6.3 2019 Liability Coverage Agreement Update

Ms. Beatty reviewed the draft 2019 Liability Coverage Agreement the Board.

The Board reviewed recommended changes to the agreement. All recommended changes were reviewed and approved by RMSA Coverage Counsel Craig Bennion of Cozen O'Connor.

The Operating Committee recommended the Board approve the proposed changes to the 2019 Liability Coverage Agreement.

Motion:

Motion by Craig George to approve the proposed changes to the 2019 Liability Coverage Agreement as presented, second by JW Foster; motion carried.

6.4 2019 Draft Property and Auto Physical Damage Coverage Agreement

Staff were directed by the Board of Directors at its June 21, 2017, meeting to draft a formal coverage agreement for pooled Property and Auto Physical Damage coverage. Ms. Beatty reviewed the draft agreement with the Board.

The Operating Committee recommended the Board approve the 2019 Property and Auto Damage Coverage Agreement.

Motion:

Motion by JW Foster to approve the 2019 Property and Auto Damage Coverage Agreement, second by Michael Schaub; motion carried.

6.5 Revision of Records Retention and Disposition Policy and Consideration of Public Disclosure Policy

In 2016 the Board adopted a resolution outlining a records retention and disposition policy of AWC RMSA records. Ms. Beatty presented a revised resolution which included reference to the RMSA Public Disclosure Policy.

Motion:

Motion by Craig George to approve Resolution 2018-07 Replacing Resolution 2016-02 Adopting a Records Retention and Disposition Policy and adding a public disclosure policy, second by Bruce Albert; motion carried.

6.6 Review of Required Member Standards

Mr. Stientjes reviewed the draft, revised Required Member Standards with the Board.

AWC RMSA staff and the Operating Committee recommended the Board approve the proposed changes to the Required Member Standards and remove the compounding deductibles effective January 1, 2019.

Motion:

Motion by Bruce Albert to approve the revised Required Member Standards and associated deductibles as recommended and remove all inflating or compounding deductibles effective January 1, 2019; second by Craig George motion carried.

6.7 Review of Loss Prevention Grant Program

Ms. Beatty reviewed the draft revisions to the Loss Prevention Grant Program to revise the funding methodology.

At its August meeting, the Operating Committee reviewed several options and recommended the Board approve the option that will eliminate Transportation Benefit Districts (TBDs) from eligibility for grant funds; modify the cap on grant fund eligibility for members contributing less than $10,000 in unmodified annual assessment costs to 50% of their annual assessment costs; modify the cap on grant fund eligibility for members contributing over $200,000 in unmodified annual assessment costs to up to 3% of their annual assessment costs, capped at $10,000; and keep the eligibility cap of $5,000 for all other members.

The board reviewed the two options presented in the agenda packet.

Motion:

Motion by Bruce Albert to approve the proposed revisions to the Loss Prevention Grant Program funding methodology, (option 1) effective January 1, 2019, second by Michael Schaub; motion carried.

7. Membership

7.1 Loss Prevention Report

The loss prevention report was provided in the agenda packet. The Board had no questions concerning the report.

7.2 Membership Report

The membership report was provided in the agenda packet. The Board had no questions concerning the report.

8. Other Business

8.1 AGRiP Recognition Renewal

Ms. Beatty announced AWC RMSA's AGRiP Advisory Standards Recognition application was approved. The recognition will expire in August 2021. AWC RMSA will be recognized at the AGRiP Fall Conference at the end of September.

8.2 Triennial Claims Audit RFP

An update on the Request for Proposal for claims audit services was provided in the agenda packet. The Board had no questions regarding the update.

8.3 2018 and 2019 Board and Operating Committee Fiduciary Training Opportunities

The remaining fiduciary trainings for 2018 and the schedule for 2019 was provided in the agenda packet.

8.4 2018 and 2019 Board, Committee, and Annual Meeting Schedules

The remaining meeting dates for 2018 and the 2019 schedule was provided in the agenda packet.

8. Other Business

8.5 Claims Report

The claims report was included in the agenda packet. The Board had no questions concerning the report.

9. Executive Session

9.1 Executive Session pursuant to RCW 42.30.110(I)

Motion by Craig George to adjourn to Executive Session at 2:23 pm for a period of 10 minutes for potential claim litigation, second by Michael Schaub; motion carried. Skip Houser, AWC RMSA general counsel; Peter King, AWC CEO; Alicia Seegers Martinelli, AWC Deputy CEO/COO; Lucy Lu, CFO; Carol Wilmes, Director of Member Pooling Programs; Adrienne Beatty, AWC RMSA Program Manager; Harlan Stientjes, AWC RMSA Claims & Pre-Litigation Manager; and Michelle Catlin, Recording Secretary were included in the Executive Session.

President Bailey adjourned Executive Session at 2:33 pm.

10. Adjournment

10.1 Adjourn

President Bailey adjourned the meeting at 2:35 pm.

The foregoing minutes were approved by the RMSA Board of Directors on 11-29-18.

Date

President

ATTEST:

Recording Secretary