



**EXECUTIVE COMMITTEE MEETING**  
Friday August 12, 2011

**WCIA OFFICES**  
320 Andover Park East, Suite 104  
Tukwila, WA 98188  
Phone: 206-575-6046

10:30 AM Call to Order/Self-Roll Call

**Consent Calendar:**

Approval of July Executive Committee Minutes	Page 1
Approval of Claim Settlements, August	Page 7
Approval of Expenditures, July	Handout

**Action Items**

• Full Board Meeting Satellite Locations	Page 8
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**Executive Session:**

Claims Settlements

**Reports**

<i>Director's Report:</i>	Page 11
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- 2012 Insurance Renewal Strategies
- Seasonal Marketing Activity
- National Debt Limit Investment Implications
- Potential Retreat Topics

**Noon - Lunch Provided by WCIA**

## EXECUTIVE COMMITTEE MEETING

July 8, 2011

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### **MEMBERS PRESENT:**

Brenda Heineman, Auburn; Jared Burbidge, TRPC; Tony Piasecki, Des Moines; Stan Strelbel, Pasco; Allen Johnson, Arlington, John Caulfield, Mountlake Terrace; Ron Musson, Richland; Jim Reinbold, Chelan and Paul Schmidt, Oak Harbor.

### **OTHERS PRESENT:**

Leigh, Executive Director; Mark Bucklin, Counsel; Jill Marcell, Treasurer/Deputy Director; Tina Smith, Authority Secretary; Eric Larson, Deputy Director-Underwriting; Ann Bennett, Deputy Director-Claims/Litigation; Patti Crane, Member Services Manager; Jason Barney, Senior Claims Adjustor; Gordy Van, Senior Claims Adjuster; Debbi Sellers, Senior Risk Management Rep; Tanya Crites, Senior Risk Management Rep and Regina Harpster Evergreen Adjustment Services.

**MEMBERS EXCUSED:** Tony Piasecki, Des Moines; John Caulfield, Mountlake Terrace; Jared Burbidge, TRPC

**MEMBERS TARDY:** Mark Bucklin, Keating Bucklin McCormack

### **CALL TO ORDER:**

Vice President Brenda Heineman called the meeting to order at 10:30 a.m. and began with self-roll call. The chair recognized and excused absent committee members.

### **CONSENT CALENDAR:**

#### ***Motion***

A. Johnson moved to approve the consent calendar; J. Reinbold seconded. The motion passed unanimously.

### **ACTION ITEMS**

#### **• New Membership: City of Millwood**

L. Leigh stated this was a small town north of the Spokane Valley Super Mall. The city had an impressive checklist to interview each pool; L. Roberts handled the interview. Although we don't know what our assessment position was in the vote, their choice gives us an idea of how we compare with other pools. The Director is pleased to have them on board as part of the geographic group in the Spokane Valley.

#### ***Motion***

A. Johnson moved to approve the recommendation of the City of Millwood as a new member; S. Strelbel seconded. The motion passed unanimously.

#### **• Budget Committee Liability Assessment Recommendations**

Deputy Director/Treasurer Jill Marcell presented the recommendation. The Budget Committee recommends subsidizing 2012 rates to provide a zero rate increase. She provided the committee with WCIA's financial ratios. Though these are no longer looked at by the State Risk manager it is a good gauge to provide information on how the pool is doing financially.

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Marcell also applied the two new solvency tests determined by the State Risk Manager. WCIA has almost twice what the WAC requires for the first test regarding primary assets. The second test requires a 70 percent confidence level and WCIA passes well over that requirement with 98 percent confidence level. The Budget Committee looked at these issues and with our strong financial position felt comfortable to recommend a subsidy.

### *Motion*

P. Schmidt moved to approve the budget committee recommendation for 2012 liability assessments; S. Strelbel seconded. The motion passed unanimously.

### • **New Membership: Grandview TBD**

L. Leigh stated the City of Grandview, like many other members, is creating a transportation benefit district and they want to add it to the pool.

### *Motion*

R. Musson moved to approve membership for Grandview Transportation Benefit District; P. Schmidt seconded. The motion passed unanimously.

## EXECUTIVE SESSION

### *Motion*

R. Musson moved to enter executive session for 10 minutes to discuss claims and litigation per RCW 42.30.110, paragraph (i); J. Reinbold seconded. The motion passed unanimously and the committee entered executive session at 10:45 AM and returned from executive session at 10:55 AM.

As discussion of claims had not concluded in the allotted time frame, the chair asked if the committee wished to enter into another Executive Session.

### *Motion*

P. Schmidt moved to extend executive session for another five minutes to finish discussing claims and litigation per RCW 42.30.110, paragraph (i); A. Johnson seconded and the committee entered executive session at 11:01 AM and returned from executive session at 11:06 AM

### *Motion*

A. Johnson moved to approve amounts for claim settlements discussed in executive session; P. Schmidt seconded. The motion passed unanimously

## DIRECTOR'S REPORT:

L. Leigh began by updating the committee on the lobbying group interlocal that the committee authorized WCIA to join. Nine of the ten pool directors did join the Interlocal and the lobbying venture cost each pool \$1,666.67. The directors will likely lobby together again in the future; the group of pools is also considering working as an Interlocal to investigate the use of an independent financial audit rather than using the state to ensure a more professional audit.

L. Leigh also alerted the committee of another city with council members leaking information on an employment issue. There is a pre-defense issue for one member that has the potential for a

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\$13 million litigation. WCIA has taken over that case for the city and have been asked to address the council; it is suspected there is a leak on the council that could work against the success of the case. BH asked if the city manager is in support of the pool and Leigh confirmed she is.

### **STAFF QUARTERLY REPORT**

*Lisa Roberts, Risk Services Manager*

L. Leigh presented Lisa Roberts' report as she was out due to illness.

The Risk Management Reps are very busy in the height of the audit season. Members are posing the question of WCIA addressing cyber liability in the coverage document. There are issues arising among our members where data is unprotected or there is no reporting protocol if the data is breached. L. Leigh recommends the Committee consider the possibility of adding an annual aggregate, per occurrence to the 2012 Coverage Document. This limit could be directly correlated to the level of training and risk management of this exposure by the members.

The Reps are also providing Anti-Harassment training to the members this summer, along with new member orientations and individual consultations. With all of these efforts, Roberts is suggesting a computer program that could document the reps diversity and volume of work to gather information for stewardship issues and staffing projections.

A few members have been testing a human resource database called HR Sentry; it is targeted toward Group 1 and 2 members. Though staff does not want this to become an impediment to those members contacting us, the response has been so positive the program will likely be expanded. This was a product introduced to us by GEM and they negotiated a reasonable introductory rate that we should utilize while it is available.

The cities of Brier and West Richland have completed their new member orientation and are actively participating in our trainings. There is a new 911 group forming in the Jefferson County area and WCIA may offer membership to this group. Westport has a group of fire districts and ambulance services looking for coverage; while that is typically not an area WCIA pursues, these employees are driving our member city vehicles. It seems beneficial to add this group to the pool to ensure effective training and risk management. All of this could bring approximately five new members by the first of the year. Kennewick and SeaTac are still working with another pool and are receiving considerations to stay there.

There are several consultation requests regarding personnel and medical marijuana. One consultation addressed a request to allow the local fire chief/fire marshal to carry a weapon. The RCWs have been very clear that this is not appropriate. Authority Counsel M. Bucklin was a panelist for the King County City Managers' Association regarding medical marijuana. The consensus from some attorneys is this issue is only an administrative problem; M. Bucklin and other panelist addressed the potential liability of the issue. Counsel stressed to the Committee members not to allow grow operations on any city property as it enters the city into landlord liability. The sale of marijuana is still illegal, and that is the basis of the stronger opinion around the state that this is a law enforcement issue.

Counsel recommends members do nothing at this point. If cities start facilitating the growing of marijuana, contrary to federal law, there is risk of prosecution. This increases if grow operations

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are allowed. The federal law will likely not change, which will create an initiative push to make it completely legal.

B. Heineman commented that several of the medical marijuana dispensary locations do not seem to last because there is illegal activity going on within them. P. Schmidt asked how cities should handle citizens growing in their backyards, MB clarified medical marijuana growing was still an affirmative defense.

*Eric Larson, Deputy Director-Programs*

E. Larson stated liability projections are looking good due to our reduced losses and \$4 million in SIR. The property market is projected to be very soft during this renewal season; there is continued good news about the Howard Hanson Dam repairs. Larson noted members have received zero percent property rate increases over the years, but that has been due to a reduction in worker hours by 2.57 percent. He reiterated there is a great deal of uncertainty in the property renewal quote projections and much of it will depend on hurricane season. Additionally, there is a higher flood deductible for cities on the Green River region and the hope is that flood zone will go back to normal in the next renewal.

He highlighted that though WCIA lost Kent, which was 6.22 percent of our worker hours, 6 percent of our assessment and our biggest member, it did not impact our financial stability. Many other pools may not survive losing their biggest member.

Larson explained to the committee several charts displaying the current status of the property program. Despite the greater underwriting rules for flood and earthquake that have evolved over the years, WCIA's program is very stable.

A. Johnson asked what data is used to calculate the renewals and Larson stated we provide the most favorable five or six years of data for the underwriters to consider. There are not a lot of companies who can cover our level of losses and limits within the market. M. Bucklin mentioned he read some of the large European insurance companies have taken losses due to the economy. E. Larson stated that does not specifically touch WCIA, but it will limit the market further.

A. Johnson clarified that it is certain we will eventually feel the effect in our rates due to world-wide events. Larson confirmed, but was optimistic that our own small losses will help. Bucklin asked how many members were not participating in the property program. Larson stated there are several members, such as the Transportation Benefit Districts that have no property and there are cities such as Pasco, Olympia and Pullman.

*Patti Crane, Member Services Manager*

P. Crane began stating the pool is on pace to meet our typical benchmark for mid-year trainings. There has been a great deal of focus on personnel training; typically it is addressed to city managers or council members as they have the most impact on the risk management in that area.

The training done by the reps will save the department money in order to offer other vendor training opportunities. E. Larson has also presented a number of trainings on contracts and has received rave reviews both from members and non members. One of our vendors, SWERVE,

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recently opened up training to WCIA that was sponsored by another client. This allowed members who were on a wait list to participate in the class.

There is an increase in the areas of public records and social media. Some members have issued laptops to their council members and are concerned about unintentional liability from council actions. This element has also been added to the Council Do's and Don'ts training. WCIA has always received positive reviews on public records trainings, but the 'checklist training' developed this year has been reviewed as one of the best training on the topic so far. WCIA is currently the only entity providing this information that includes sample policies and specific examples for public records officers.

The reimbursement program of member risk management expenses continues to be a success, keeping members trained and certified while reducing their expenses. WCIA is up to 12 co-sponsored events and we are becoming a steady extension of several municipal association's pre-conference curriculum.

Crane gave an update on the progress of the new website; the first step is complete with the database conversions. She has meet with staff for feedback on the template and hierarchies. She is also seeking input from members who utilize our website on a regular basis to ensure any shortcomings are effectively addressed.

Crane concluded asking the committee to consider discussing at the September Retreat revising the COMPACT training requirements for the Group 5 members. Multiple training requirements are difficult for these members to meet as many are just a board of directors. Their training areas could be more liberal and eliminate the second and third requirements for those entities.

*Jill Marcell, Deputy Director-Administrative Services.*

Marcell began by explaining some investment allocation changes since the beginning of the year. Though typically WCIA purchases investments to hold, \$12 million in municipal bonds were sold in June. With this money, WCIA will invest in two \$6 million pieces of Treasury Inflation Protection Securities (TIPS). They will be purchased with staggered maturities. This is not a large portfolio amount, only 10 percent of the overall.

WCIA is unusual in the fact that we are active in our investments. Many pools contract out their investment handling and a lot of potential investment return is lost. Our investment income allows us to use direct discount factors from the actuary on assessments; other pools do not have this ability and must raise rates every year.

The State Risk Management audit occurred only one day in May; it may have been so short because staff had all the information ready and available for the auditor. Though the positive report has not been published, Marcell will provide it to the committee when it is available.

*Ann Bennett, Deputy Director of Claim & Litigation*

Bennett reported the second quarter for claims has been trending well. Claims were slightly down and lawsuits are up, but they were not huge upticks. Overall claims for the first and second quarter of this year compared favorably with last year are showing only a 10 percent increase; lawsuits are up 12 percent. Third quarter is historically slower due to vacations and will usually yield a decrease in these numbers.

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Indemnity and legal payments went up, but they are not large compared to 2010. The difference between the two years totals just one million dollars. There were a lot of significant settlements and many cases tried. WCIA received a defense verdict on the search and seizure issue in Olympia; that case was very visible and was a great example of positive litigation. The State Supreme Court upheld in a 9-0 vote, a dismissal by the trial judge that the Court of Appeals had reversed; this case was a significant land use case with a great potential liability. The Committee also had authorized WCIA to pursue a suit against an insurance company, which had a successful outcome.

Pre-Defense use is up ten percent overall but slightly less than last quarter. There have been many complex issues requiring multiple meetings with councils and lots of investigations; it has eliminated many potential employment practice problems.

Vice President Heineman added there was some unfinished business for the committee. Authority Counsel informed her that under the new proposed by-law change, a vote by the committee is required to excuse absent members. The Vice President called for a motion.

***Motion***

P. Schmidt moved to excuse absent committee members; J. Reinbold seconded. The motion passed unanimously.

B. Heineman recommended the Secretary add to the minutes a historical chart of member absences over the year. The Vice President called for a motion to adjourn.

***Motion***

P. Schmidt moved to adjourn; S. Strebel seconded. The motion passed unanimously and the Committee adjourned at 12:12 p.m.

Respectfully Submitted: \_\_\_\_\_  
Tina Smith, Authority Secretary

Approved on: \_\_/\_\_/2011

Attested by: \_\_\_\_\_  
Anthony Piasecki, WCIA President

**WCIA EXECUTIVE COMMITTEE  
SETTLEMENT CONSENT AGENDA  
FOR AUGUST 13, 2011**

The following lawsuits and/or claims are submitted for Executive Committee final review and approval of settlement:

1. **Claimant name;** Londi Lindell  
**Member;** City of Mercer Island  
**Date of loss;** 4/14/08  
**Nature of claim;** Alleged retaliatory discharge from employment  
**Settlement amount;** \$1,000,000  
**Settlement terms;** Settles all claims with full release and no admission of liability
  
2. **Claimant name;** City of Westport  
**Member;** City of Wesport  
**Date of loss;** 12/15/08  
**Nature of claim;** 1<sup>st</sup> Party Property Damage  
**Settlement amount;** \$139,153.89  
**Settlement terms;** Settles claims within WCIA property deductible
  
3. **Claimant name;** Kristen & Kelly Saling  
**Member;** City of Walla Walla  
**Date of loss;** 12/30/09  
**Nature of claim;** Alleged bodily injury due to auto accident  
**Settlement amount;** \$95,000  
**Settlement terms;** Settles all claims with full release and no admission of liability

\_\_\_\_\_  
Authority President

Approved on \_\_\_/\_\_\_/11

Attest:\_\_\_\_\_

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## Full Board Meeting Satellite Locations

### Background

At the 2010 Retreat, the Executive Committee felt a need to improve communications to better connect with the Full Board. They directed staff to investigate the use of web-conferencing for these meetings as an annual goal:

- A. *Evaluate web conferencing alternatives for Full Board meetings and training sessions.*
  1. *Begin with pilot for full board meeting using central location for drive-in and adding one remote regional location.*

This could not only improve communication and lower travel expenses for members, but also potentially achieve a quorum of the Full Board at every meeting.

Staff researched vendor options for web-conferencing and requests further direction from the Committee.

### Discussion

Staff's goal was to identify the ability and cost of a Full Board meeting with one additional remote location to better accommodate the 33 members of Central and Eastern Washington. This included searching out technology vendors and location logistics.

Washington State DIS Tech Mall can provide WebEx services to qualified customers. This service does have limitations for interactive communication between the locations. Authority Counsel advised that a staff member would need to be present to verify members attending the remote location and the outcome of any voting. They would additionally proctor the technology during the meeting. Discussions from remote attendees would require speaking into a headset tied to the computer in use at that location. Marriott Hotels have several locations among their various franchises that can accommodate the logistical requirements needed to host these meetings. The attached spreadsheet outlines the full estimated costs. All vendors were intrigued and awed by the idea of joining 146 members across the State for a web-based meeting.

Authority Counsel has opined on the legality of a remote meeting. The By-Laws state that in order to have representatives fully attending a meeting to vote and participate, they must currently be physically present in person. The By-Laws could be changed to additionally allow for electronically broadcast meetings and electronic attendance and voting, either at all meetings of the full Board or as specified on a case by case basis by a prior vote of the Executive Committee for its meetings. The By-Law change would first need to be adopted by the Full Board before such a meeting can take place.

The Executive Committee could vote to authorize an electronically broadcast meeting with a satellite location for the 2011 October Full Board meeting as an experiment, but it would have to be under the current rules. Therefore, members who attend the satellite location could not vote and their attendance could not be counted towards a quorum. However, conducting a "dry run" of this type of meeting would provide an opportunity to survey the membership and determine if they would support the necessary changes to the By-Laws.

The Committee can evaluate if this venture will meet the original goal to improve member communication, secure a quorum of the Full Board and reduce travel costs for WCIA members. Potential unintended consequences include a negative impact to the attendance of the Annual Meeting in January, as well as a greater segregation of the membership geographically.

**Recommendation**

A motion to authorize web conferencing of the 2011 October Full Board meeting and related expenses, with one satellite location in Richland under the current By-Laws; followed by a survey of the membership to assess the need for permanent By-Law changes to accommodate Full Board web-conferencing in the future.

## Estimated Costs for Web Conferencing

AVAILABLE DATES	WA DIS WebEx Services	Meals	Audio Visual	Meeting Room Fees	Accommodations	COMMENTS
October 21 <sup>st</sup> , 2011 <b>Main Meeting – Seattle Airport Marriott</b>	Dept. of Info Systems: Per Minute Web Collaboration \$0.17 per minute per user VoIP - \$0.02 per minute	Continental Breakfast: \$20 Lunch: \$30 (Est. for 50)	Econo package \$520 /day: (1) lcd projector (1) 6' - 8' tripod screen (1) 32" rolling projection cart/stand all cabling, extension cords Internet - \$1000 - Dedicated Line Video Camera - \$300.00	Waived or the difference from Food Minimum (Est. \$500)		Room Rental Waived based on a food and beverage minimum of \$3,000
October 21 <sup>st</sup> , 2011 <b>Satellite –Richland Courtyard Inn</b>	2 Locations = 2 users 180 minute meeting	Continental Breakfast: \$8.95 Lunch: \$16.95 (Est. for 25)	Screen – Comp <b>Internet – Comp</b> <i>Conference Phone – Comp</i> <i>Internet Connection - Comp</i>	\$200.00	3 Rooms for Staff (\$88 per diem)	We will provide the projector (Rent Video Camera or purchase webcam)

<b>Estimated Totals</b>	<b>\$68.40</b>	<b>\$3,147.50</b>	<b>\$1,820</b>	<b>\$700.00</b>	<b>\$264.00</b>	<b>\$5,999.90</b>
					<i>Tax (Est. 10%)</i>	\$599.99
					<i>Gratuity (Est. 18%)</i>	\$1,079.98
						<b>\$7,679.87</b>

*Previous Cost: Doubletree 2010 \$ 4,858.74*

*Estimated Costs for: 2 Satellite Regions \$ 9,200.00*  
*3 Satellite Regions \$ 10,000.00*