

**FIRE AGENCIES INSURANCE RISK AUTHORITY MINUTES OF THE BOARD AND EXECUTIVE BOARD MEETING**

**March 14, 2022 at 12:00 p.m.**

**To be posted by all Districts in accordance with the Ralph M. Brown Act, California Government Code Section 54950, et seq.**

**The meeting was held at:**

**Orange County Fire Authority Headquarters**

**1 Fire Authority Road**

**Irvine, CA 92602**

**Present:** President Criss Brainard (San Miguel Consolidated FPD); Brian Boggeln (Alpine FPD); Mike Sims (Bonita-Sunnyside FPD); Don Butz (Lakeside FPD); Sean Bailey (Northstar CSD); Rhonda Haynes (Orange County FA)

**Remote:** Richard Pearce (Tiburon FPD); Dustin Hail (Fresno FPD); Ken Musso (South Placer); Tay Gonzalez (FAIRA Administrative Analyst)

**Absent:** Reno DiTullio Jr (Aromas Tri-County FPD); Scott Draper (Mason Valley FPD); Howard Wood (Vacaville FPD)

**Staff:** Susan Blankenburg (FAIRA General Manager); Zack Phillips (FAIRA Financial Consultant); Natalie Bates (Arthur J Gallagher); Tristen Ingram (Arthur J Gallagher); Jim Smith (Arthur J Gallagher)

**Item 1** - **CALL TO ORDER AND DETERMINATION OF A QUORUM**

President Criss Brainard called the meeting to order at 12 p.m. Quorum was confirmed.

**Item 2 – Confirmation of Agenda**

A **motion** was made by Don Butz to approve the agenda as presented in the Board packet. A second on the motion was provided by Sean Bailey.

**Item 3 - ORAL COMMUNICATIONS TO THE BOARD, OPPORTUNITY FOR PUBLIC COMMENT WITH RESPECT TO MATTERS NOT ON THE AGENDA**

There was no public comment.

**Item 4**- **AB 361 Continuing Resolution**

Allows FAIRA Board to meet virtually without posting where the Director is attending from.

A **motion** was made to continue the adopted resolution.

***M/S/P Sims/Boggeln***

Comment by Don Butz that AB 361 will expire on March 31, 2022.

Motion passed with all Directors in attendance voting in the affirmative. Approvals by: Criss Brainard (San Miguel); Brian Boggeln (Alpine); Mike Sims (Bonita-Sunnyside); Don Butz (Lakeside); Sean Bailey (Northstar); Rhonda Haynes (OCFA); Richard Pearce (Tiburon); Dustin Hail (Fresno).

**Item 5- Approval of the Minutes of the December 13, 2021 Board Meeting**

A **motion** was made to approve the minutes of the December 13, 2021 FAIRA Board and Executive Meeting, as submitted.

***M/S/P Rhonda/Butz***

Motion passed with all Directors in attendance voting in the affirmative. Approvals by: Criss Brainard (San Miguel); Brian Boggeln (Alpine); Mike Sims (Bonita-Sunnyside); Don Butz (Lakeside); Sean Bailey (Northstar); Rhonda Haynes (OCFA); Richard Pearce (Tiburon); Dustin Hail (Fresno).

**Item 6.1 – KCM Presentation**

Rob Byers and Don Jesberg of KCM, FAIRA’s financial managers, presented on the state of the market place. KCM has been assisting FAIRA with the purchase of corporate bonds, agency bonds, and government bonds since 2009. Don Jesberg sends a KCM Quarterly Commentary report to FAIRA’s General Manager annually. Additionally, they send Staff quarterly and monthly reports.

Mr. Jesberg reported that the price for bonds has come down. He advised that FAIRA will continue to get positive returns on the bonds as long as the bonds are held to maturity. The 5 year average return on the portfolio has been 2.33%. All of FAIRA’s returns have exceeded that of the LAIF returns. Mr. Jesberg explained that KCM will reinvest and take advantage of greater returns as bonds reach maturity.

He assured the Board that the bond portfolio is secure and that he is managing FAIRA’s funds in a way that is consistent with the goals of the Agency.

*No action required.*

**Item 6.2 – George Hills**

 Susan Blankenburg reported to the Board on the transition to George Hills as the CPA provider for FAIRA. Ms. Blankenburg explained that Staff has begun moving funds from Chase to California Bank and Trust (CBT). George Hills has a long standing relationship with CBT that Staff feels will serve FAIRA better than the previous banking provider.

Zack Phillips explained the timeline for full transition from Chase Bank to California Bank and Trust for FAIRA’s banking. Mr. Phillips further explained that the transition of CPA services as well as bank services will allow FAIRA to engage in faster banking actions such as sending ACH and wire payments.

*No action required.*

**Item 6.3 – Vegetation/Fuel Treatment Activity Survey**

Ms. Blankenburg reviewed the response results of the Vegetation/Fuel Treatment Activity Survey that was sent out by Staff on December 29th of 2021. Chief Don Butz explained why this survey is important to protecting the JPA. Ms. Blankenburg advised that the collection of this information will keep FAIRA ahead of the curve as far as risk management for the treatment of Vegetation and Fuel Management.

Chief Butz provided a scoring rubric to Staff to evaluate the surveys. Staff will score the survey responses according to the rubric and report back to the Board.

*No action required.*

**Item 6.4 – Employment Practices Liability**

Susan Blankenburg informed the Board that, at their direction, all districts had been sent notice of the new EPLI Protocols that went into effect on January 1st. Since the notice went out, there have been several districts that have contacted Ms. Blankenburg regarding retention of their own Employment Practices Liability professional as an advisor to their district. Staff will be keeping an account of which districts are using the services of Attorney Peter Flanderka. Staff will bring that information to the Board as appropriate.

*No action required.*

**Item 6.5 – Prospects**

There are three prospects for joining FAIRA July 1st 2022- 2023. The prospects are Sacramento Metropolitan Fire District (Sac Metro), North County Fire Protection District, and Rancho Adobe Fire Protection District. Sac Metro and North County Fire have loss ratios well below the 40% loss ratio benchmark for General Manager approval. Susan Blankenburg explained that she has submitted information about Rancho Adobe’s shock loss to FAIRA’s primary carrier. If the carrier is willing to discount or forgive on the loss, Ms. Blankenburg would bring that response to the Board for their consideration.

Rancho Adobe has a much larger loss ratio because of one large claim. They had a $4 million claim in 2017.

A **motion** was made for Staff to obtain quotes for rates with and without each of the three prospects, so long as it does not hinder the delivery of the quotes needed by current FAIRA members, and will not be detrimental to FAIRA as the organization stands.

***M/S/P Butz/Sims***

Motion passed with all Directors in attendance voting in the affirmative. Approvals by: Criss Brainard (San Miguel); Brian Boggeln (Alpine); Mike Sims (Bonita-Sunnyside); Don Butz (Lakeside); Sean Bailey (Northstar); Rhonda Haynes (OCFA); Richard Pearce (Tiburon); Dustin Hail (Fresno); Ken Musso (South Placer).

**Item 6.6 – Professional Property Appraisals**

Susan Blankenburg explained that she requested the appraiser revise the appraisals they first provided in order to reflect common exclusions in the Replacement Cost Values assessed on the properties. These types of exclusions include: the cost to replace the foundation, underground piping, water mains, grading, etc. Staff will review the appraisals in order to screen for errors before sending the reports to FAIRA members.

*No action required.*

**Item 6.7—FDAC Contract Renewal**

Ms. Blankenburg reported that the agreement between FAIRA and FDAC was up for renewal as it is set to expire on July 1, 2022.

A **motion** was made to renew the agreement.

***M/S/P Sims/Musso***

Motion passed with all Directors in attendance voting in the affirmative. Approvals by: Criss Brainard (San Miguel); Brian Boggeln (Alpine); Mike Sims (Bonita-Sunnyside); Don Butz (Lakeside); Sean Bailey (Northstar); Rhonda Haynes (OCFA); Richard Pearce (Tiburon); Dustin Hail (Fresno); Ken Musso (South Placer).

**Item 6.8 – Shasta CSD Dissolving**

Ms. Blankenburg reported that Staff is awaiting a formal resolution from Shasta CSD for their withdrawal from FAIRA. If they do not provide a resolution of withdrawal, the district will continue to be eligible for coverage through FAIRA.

*No action required.*

**Item 6.9 – Change in Nevada Board Representation**

There is a permanent seat on the Board for a Director from FAIRA’s Nevada members. Scott Draper is stepping down from his role on the Board. Chief Ryan McIntosh was put forward as a replacement to represent the Nevada members. FAIRA’s General Counsel Dale Bacigalupi advised that there needs to be one resolution from Central Lyon Fire accepting Mr. Draper’s exit from his position and a second resolution appointing Mr. McIntosh to the Board.

*No action required.*

**Item 6.10 – Annual Board Meeting**

A **motion** was made to have the June Board meeting at Orange County Fire Authority on Monday June 13th at 10 a.m. with a Board dinner to be held the evening prior.

***M/S/P Sims/Butz***

Motion passed with all Directors in attendance voting in the affirmative. Approvals by: Criss Brainard (San Miguel); Brian Boggeln (Alpine); Mike Sims (Bonita-Sunnyside); Don Butz (Lakeside); Sean Bailey (Northstar); Rhonda Haynes (OCFA); Dustin Hail (Fresno); Ken Musso (South Placer).

**Item 7.1 – Audited Financial Statements**

Zack Phillips gave the Board an overview of the Operating Revenues and Expenses on page 4 of the Audited Financial Statement for June 30, 2021 and 2020.

A **motion** was made to accept the audit as presented in the Board Packet.

***M/S/P Bailey/Musso***

Motion passed with all Directors in attendance voting in the affirmative. Approvals by: Criss Brainard (San Miguel); Brian Boggeln (Alpine); Mike Sims (Bonita-Sunnyside); Don Butz (Lakeside); Sean Bailey (Northstar); Rhonda Haynes (OCFA); Dustin Hail (Fresno); Ken Musso (South Placer).

**Item 7.2 – CPA Additional Fee**

Mr. Phillips reiterated that we have changed CPA’s from John Paget to the services of George Hills. Mr. Phillips explained that there was an incident of fraud on FAIRA’s Chase bank account. Mr. Paget incurred expenses and operated in capacities beyond the scope of his contract. Mr. Phillips explained to the Board that these expenses amounted to $1,061 and advised that there may be more expenses in resolving the fraud issues. He asked that the Board consider approving a payment of up to $1,500 in order to pay Mr. Paget if the need arises.

A **motion** was made to approve up to $2,000 to be paid to John Paget for services that may be necessary in the recovery of FAIRA’s assets.

***M/S/P Boggeln/Butz***

Motion passed with all Directors in attendance voting in the affirmative. Approvals by: Criss Brainard (San Miguel); Brian Boggeln (Alpine); Mike Sims (Bonita-Sunnyside); Don Butz (Lakeside); Sean Bailey (Northstar); Rhonda Haynes (OCFA); Dustin Hail (Fresno); Ken Musso (South Placer).

**Item 7.3 – ACH Payment Issues**

There have been fraudulent charges made to FAIRA’s account. Don Butz asked how it is possible for these false payments to be made. Zack Phillips asserted that typically these bad actors find ways to get into bank accounts similar to ours. Todays banks have very large fraud departments to deal with fraudulent transactions and getting money back to their clients. Criss Brainard explained that the fake checks looked nothing like those that FAIRA uses.

Susan Blankenburg expressed confidence in moving FAIRA’s banking activities to California Bank and Trust from Chase Bank given the way Chase seemed uninterested in prosecution of the perpetrators of these frauds and thefts from the account. She noted that George Hills invests in cyber security and cyber insurance.

*No action required.*

**Item 7.4 – Deductible Update**

Zack Phillips explained his chart on deductible payments made to AWAC. The deductible for members has only increased for one member.

*No action required.*

**Item 8.1 -- 2022-2023 Insurance Renewal**

Natalie Bates reported that all districts received their Insurance Renewal Applications on January 5th. Most districts responded by the deadline of February 11th.

Ms. Bates anticipates having quotes by early May.

Loss incurred is only up 10% from the prior year. Ms. Bates explains that this is a positive thing for the pool.

Rhonda Haynes asked Ms. Bates about projections for rate increases and if global affairs are impacting the market. Ms. Bates responded that it is hard to give solid projections, but the high estimate would be in the 15-20% range. Global conflicts and health crises should not be impacting the market much if at all. Susan Blankenburg assured the Board that she will work to get rates to the Board as soon as possible.

Ms. Blankenburg proposed a committee to discuss the rates and lock them in as soon as we have a solid quote. She would like to secure numbers sooner rather than later because of the way she sees the market going.

A **motion** was made to allow Criss Brainard, Don Butz, Rhonda Haynes, and Susan Blankenburg to form a committee to have the authority to lock in rates as soon as they are available with the understanding that the Board can opt-out of the rates at a later date.

***M/S/P Sims/Bailey***

Motion passed with all Directors in attendance voting in the affirmative. Approvals by: Criss Brainard (San Miguel); Brian Boggeln (Alpine); Mike Sims (Bonita-Sunnyside); Don Butz (Lakeside); Sean Bailey (Northstar); Rhonda Haynes (OCFA); Dustin Hail (Fresno); Ken Musso (South Placer).

**Item 8.2 – Stewardship Report**

 Natalie Bates presented the Stewardship Report for the Board. The Stewardship Scorecard gives an overview of what occurred last year. Ms. Bates explained that carriers have exited the California insurance marketplace which has increased rates due to a reduced capacity in the market. The overall rate increase for FAIRA was approximately 75% which is significantly less than the 200% rate increases that other insureds have been seeing.

Ms. Bates highlighted the various loss prevention tools that are offered to FAIRA members, including: Gallagher STEP online training modules, AAA Traq, Drive to Survive Seminars, and the various projects initiated by Staff for risk assessment and reduction.

Ms. Bates walked through the various challenges in the current insurance marketplace as they are outlined on page 7 of the Stewardship Report as it was presented to the Board. Carriers are concerned about properties in high fire areas. Ms. Bates explained that the goal is to build a comprehensive cyber liability program for FAIRA which is why the renewal application had multiple questions about cyber.

*No action required.*

**Item 9.1 – Fleet Gap Safety Analysis**

Jim Smith reported on the Fleet Safety Gap Analysis results. Eight member districts participated in the analysis. First they were asked to complete a self-assessment. Second, the Loss Control Consultants conducted on sight visits to the participating districts.

The Loss Control Consultant team outlined recommendations for each of the districts individually. The most common recommendations given were related to driver qualifications as well as for districts to continue to screen their drivers to assure that they are meeting industry standards.

Mr. Smith noted that this was a value added service provide by the broker. He elaborated that there are no strings attached to the recommendations unlike if this analysis had been done by a carrier. Risk management services are provided to ensure that losses are mitigated and to help keep premiums down.

Mr. Smith recommended to the Board that there be a signature document acknowledging that the district has received an updated copy of the Risk Management Manual. He referred the Board to the document provided in the Board Packet for his recommendations regarding adopting and updating FAIRA’s “Motor Vehicle Record Corrective Action Plan.” Mr. Smith further encouraged the Board that there be forward facing cameras and in cab cameras installed in district vehicles.

*No action required.*

**Item 9.2 – Risk Management Manual**

Jim Smith asked that the Board provide support for a peer review of company handbooks. He mentioned OCFA as a possible model to use for this endeavor. Don Butz brought up that some smaller districts do not have the same resources as OCFA. San Miguel Fire Protection District was mentioned as a middle ground for the basis of the model company handbook.

Rhonda Haynes asked if the goal was to reduce EPL claims or claims in general. Mr. Smith explained that there is an uptick in claims in general. He explained that mitigation of claims has to be multisided. A Risk Management Manual will provide policies as a benchmark for all districts.

*No action required.*

**Item 9.3 – Employment Practice Liability**

Susan Blankenburg explained to the Board that carriers are asking for a lot of answers from the insured about Employment Practice Liability. The questions that Ms. Blankenburg and Natalie Bates added to the renewal applications for the coming year exposed weak spots in most districts’ EPL policies. The goal is to keep FAIRA ahead of the curve to mitigate the possibility of claims.

Susan Blankenburg noted that FAIRA’s carrier Allied Public Risk has free resources on-line and a toll free helpline.

*No action required.*

**Item 9.4 – Cyber Risk Services Best Practices**

Susan Blankenburg reported that most Districts do not have the internal protocols that the premier Cyber carriers require and felt it was best to collect the data and work towards assisting with the build out of internal controls to be as safe as possible. Jim Smith mentioned that the training of employees on cyber safety is important. Mr. Smith offered E-Risk Hub through Gallagher as a complimentary resource for FAIRA member districts.

*No action required.*

**Item 10.1 – Potential Litigation. [Government Code 54956.9(b)]**

**Item 10.2 – Potential Litigation. [Government Code 54956.9(a)]**

**Item 10.3 – FAIRA Claims and Loss Report**

*No business in this section.*

**Item 11 – Other Business**

No other business.

**Item 12 – Correspondence and Informational Items**

*No business in this section.*

**Item 13 – Adjournment**

The meeting was adjourned at 3 p.m.