

**Finance and Investment Committee Special Meeting
Town of Los Altos Hills - ZOOM call, July 12, 2021**

Members present	Nate Blair, Allan Epstein, Kjell Karlsson, Susan Mason, Chris Nam, Medha Rishi, Roddy Sloss and Chris Welborn
Member absent:	Cheryl Evans
Associate members present:	Jim Lai, Frank Lloyd
Council present:	George Tyson, Vice Mayor
Staff present:	Sarina Revillar, Administrative Services Director; Deborah Padovan, City Clerk
Public present:	Jon Paulsen, General Manager, Sedgwick

Ms. Mason called the meeting to order at 4 pm.

Approval of minutes – Susan Mason

Review and approval of the May 3, 2021, prior meeting minutes was deferred to the next meeting.

Liability and Property Insurance Review – Jon Paulsen

Mr. Paulsen introduced himself and explained he is presenting on behalf of PLAN JPA, the Town's Liability and Property insurer. Twelve power point slides supported the presentation. After a search by the 28 PLAN JPA (Joint Power Authority under state law) members, on July 1, 2018, ABAG (the predecessor) records, assets and liabilities were transferred. In addition to Mr. Paulsen, PLAN JPA is supported by Sedgwick and affiliated organizations, independent actuaries, and public accountants. Each PLAN JPA member has a single vote on the Board of Directors. Committees comprising staff from member entities support the Board. Sedgwick also manages SHARP, a separate JPA that provides Workers Compensation insurance services to the Town and a smaller group of member municipalities. (More detailed information is available on the PLAN JPA website, <https://www.planjpa.org/>.)

Mr. Paulsen first discussed the Liability insurance program including coverages, exclusions, current premiums, and optional coverages for Cyber, Earthquake, and claims arising from member administered internal employee benefit programs. Revenue for PLAN JPA are annual member premiums ("deposits") used for claims covered by Plan JPA, premiums for excess insurance for claims covered by third party providers and administration. After determining revenue requirements, actuaries allocate member deposits (premiums) formulaically based on member claims, member payroll, and member selected deductibles. Differences between members in population, commercial businesses, and police/fire employees are not explicitly differentiated in establishing annual member deposit (premium) amounts.

At present, Plan JPA has unrestricted equity comfortably above estimated future outlays for estimated unsettled claims, which is the primary reason why member premiums are set below the level recommended in the annual actuarial report. Beginning for the June 30, 2022, fiscal year, Plan JPA has joined CARMA, a separate insurance JPA, for the purpose of buying "excess" insurance coverage from both reinsurers and direct insurers. CARMA comprises four additional JPAs, the combined total of which represent 125 individual members.

Fiscal year June 30, 2022, budgeted deposits (premiums) for liability insurance have increased 27% for PLAN JPA overall and 35% for the Town. The 27% increase is attributable to market conditions overall. The Town's supplemental increase is attributable to its new outstanding claims. Confidentiality precluded a discussion of details, however Mr. Paulsen agreed to undertake a review of Town claims and suggest supplemental actions, if any opportunities are noted. He noted that falling trees and limbs are a growing area of concern and have resulted in significant claims in other cities. Additional Cyber risk assessment steps were discussed, and Ms. Revillar confirmed that commitments had already been made and would be implemented soon.

Continued

Liability and Property Insurance Review – Jon Paulsen (continued)

The following related items are deferred to the next FIC meeting presently scheduled for August 9, 2021: Earthquake insurance, Cyber insurance, results of reviewing current financial statements for PLAN JPA, CARMA and the most current actuarial report for PLAN JPA.

Regarding Property insurance provided by PLAN JPA, Mr. Paulsen discussed member deductibles, PLAN JPA responsibility for claims and Excess insurer responsibility for claims in addition to describing exclusions and past major categories of claims experienced by PLAN JPA and ABAG. Overall, PLAN JPA Property deposits (premiums) are 20% of total PLAN JPA deposits (premiums) and increased by 57% compared to fiscal June 30, 2021, deposits. LAH property premiums are 12% of total premiums for fiscal June 30, 2022 and have declined 53% compared to the prior year due to a decline in claims.

Workers Compensation insurance was not addressed in the presentation handouts, but Mr. Paulsen noted that SHARP JPA has a strong financial position, but he did not comment on claims. (Ms. Revillar provided SHARP JPA financial statements that Mr. Sloss reviewed noting the absence of exceptional items.)

Overhead Allocation; Building and Planning Fees Discussion – Allan Epstein

Mr. Epstein reiterated the concern expressed in the Joint Council/FIC Budget meeting regarding the fairness of overhead allocations, and as an example, the allocation of \$300,000 in anticipated litigation related legal expense. Improper overhead allocations can adversely impact sewer rates and building and planning fees. Ms. Revillar stated she will refer the legal fee issue to the city attorney and advise the FIC of the result.

Mr. Tyson shared a private communication with Mr. Epstein along with his characterization of Mr. Epstein's response, raising the issue of the appropriateness of the FIC addressing the June 17, 2021, Building and Planning Fees changes, a matter the Council and Staff had already considered. Mr. Sloss noted that considering the fairness of overhead allocations and building and planning fees is included in the FIC's charter.

Election of Officers – Susan Mason

The following were unanimously elected Committee officers for the June 30, 2022, fiscal year:
Chair – Susan Mason and Medha Rishi (co-chairs), Vice Chair – Allan Epstein, Secretary – Roddy Sloss

Council Matters of Interest – George Tyson

Regarding Undergrounding, Mr. Tyson noted that PG&E, AT&T, and Comcast are participating in the project at Foothill College which is fully funded. Mr. Tyson acknowledged the support offer by Mr. Blair and Ms. Mason's offer of FIC assistance. Regarding SB9, the Town Council is against it and encouraged interested parties to contact Marc Berman, the Town's Assemblyman.

Finance Activities of Interest – Sarina Revillar

The reconciliation of Building/Planning deposits is complete and a report to Council is planned.

Review of next meeting date – Susan Mason

The next meeting will be Monday, August 9, 2021. A report by PFM is planned.

Presentations from the floor - None

Adjournment: As there were no further comments, the meeting adjourned at 5:50 pm.

Respectfully submitted: Roddy Sloss, Committee Secretary (end)