



**Enduris
Board of Directors Meeting**

May 16, 2012

Enduris Office
1610 S. Technology Boulevard, Spokane, WA 99224

Call to Order: Mike Millikin, Chair, called the meeting to order at 8:30 a.m.

ROLL CALL

Board Members Present: Mike Millikin, Chair; Noel Hardin, Vice Chair; Dick Gormley, Secretary/Treasurer; Rick Mockler, Board Member; Kim Bedier, Board Member; Jeri Sevier, Board Member; and Mark A. Kammers, Executive Director. Vicki Carter was excused.

Others Present: Cheryl Duryea, Enduris General Counsel; Shannon Stuber, Program Administrator, Washington Government Self-Insurance Program; Mike Purdy, Consultant, Michael E. Purdy Associates, LLC; Rafaela Ortiz, Enduris Chief Operating Officer; Sheryl Brandt, Enduris Director of Claims and Risk Management; and Joy Jelsing, Enduris Administrative Assistant.

ADOPT AGENDA

Mr. Kammers made a recommendation to amend the agenda by adding a claim payment approval to the Executive Session.

MOCKLER/HARDIN moved to adopt the Agenda as amended. Motion carried.

BOARD CONSENT AGENDA

Board Policy GC-2.6 states that the Board will use a Consent Agenda as a means to expedite the disposition of routine matters and to dispose of other items of business it chooses not to discuss. All administrative matters delegated to the CEO that are required to be approved by the Board will be acted upon by the Board via the Consent Agenda. An item may be removed from the Consent Agenda upon approval by a majority of the Board.

Board Consent Agenda

Minutes

February 22, 2012

HARDIN/GORMLEY moved to approve all items on the Board Consent Agenda. Motion carried.

CEO Consent Agenda

Vouchers

January 2012 voucher numbers 206045 through 206067 amounting to \$618,126.16

February 2012 voucher numbers 206068 through 206083 amounting to \$838,417.13

March 2012 voucher numbers 206084 through 206100 amounting to \$989,455.84

HARDIN/MOCKLER moved to accept all items on the CEO Consent Agenda. Motion carried.

STATE RISK MANAGER'S REVIEW

Board Policy GC-3.7 states that the Board will review and understand the annual report of the State Auditor and any reviews conducted by the Washington Office of Risk Management-Local Government Self-Insurance Program.

Shannon Stuber, Program Administrator for the Local Government Self-Insurance Program, explained her agency's role in providing regulatory oversight of the State's health benefits programs that are operated by individual local governments as well as the 15 property and liability risk pools across the State. Ms. Stuber identified solvency as a very important aspect for the Risk Manager to monitor to ensure the pools' ability to pay claims. Therefore, the Risk Manager's Office now does onsite reviews every year instead of every other year. They will work with the State Auditor's Office on financial reporting and they will review pools with aggressive growth to ensure that they are collecting enough premium to cover claims.

She congratulated Enduris on planning for the future, on its financial stability and attention to making sure that we are providing financial resources and services that our members need now and into the future. She saw no areas of concern during her audit. Ms. Stuber stated that she will provide a draft report of the audit for the Administration's review, which will be followed by the final report.

BOARD ETHICS TRAINING

Board Policy GC-2.2 states that the Board is responsible for its own performance, and commits itself to continuous improvement. The Board will assure that its directors are provided with training and professional support necessary to govern effectively, including ethics training.

In accordance with the Annual Work Plan, ethics training is scheduled for the May Board meeting.

Mike Purdy with Michael E. Purdy Associates conducted the ethics training this year. Topics included: Why Should We Talk About Ethics?, Public Service is a Public Trust, What's So Important About Appearances?, 8 Areas of Ethical Risk, 5 Keys to Making Ethical Decisions, Strategies for Dealing with Ethical Issues, 7 Risks of Ethical Lapses, and What Ethics Laws and Standards Apply?.

To minimize potential ethical risks, Mr. Mockler encouraged the Administration to identify strategies to provide ethics training to small districts who often do not have the resources to obtain this service.

Mr. Millikin recessed the Board meeting at 9:56 a.m. for a break and reconvened the meeting at 10:09 a.m.

BOARD'S REPORT ON AGRIP CONFERENCE

Board Policy GC-2.2 states that the Board is responsible for its own performance, and commits itself to continuous improvement. The Board will assure that its directors are provided with training and professional support necessary to govern effectively, including ethics training. After attending conferences or events, directors will report back to the Board at the next quarterly meeting about what have have learned.

Dick Gormley and Rick Mockler attended AGRIP's Spring Conference in Phoenix, Arizona, from March 4-7, 2012, and provided a brief summary of the conference.

BOARD DEVELOPMENT COMMITTEE – ELECTIONS – SLATE OF CANDIDATES

Board Policy GC-5.A states that the Board Development Committee (BDC) will recruit and nominate the slate of candidates for Board elections, whether for election or appointment, based upon their eligibility as a director. In addition, the policy states that the Board Development Committee will provide the full Board with a summary review of the candidates and the recommendation of the Committee.

Mr. Kammers reported that the election notice was mailed to the membership and no application for nomination was received. As a result, the Board Development Committee (Noel Hardin, Committee Chair; Rick Mockler; and Dick Gormley) recommended that the slate of candidates for the election ballot include Vicki Carter and Mike Millikin, both board members running for re-election. The ballots will include a write-in candidate line for both positions.

GORMLEY/HARDIN moved to approve the Board of Directors election ballot which includes Vicki Carter for Position #2 and Mike Millikin for Position #5. Motion carried.

GOVERNOR'S DECLARATION

For the record, Mr. Kammers acknowledged receipt of a declaration from Governor Christine Gregoire proclaiming May 15, 2012, as Local Government Risk Pool Day. This proclamation was presented at yesterday's Open House.

CEO REPORT

Board Policy OE-8 states that the CEO shall assure that the Board is fully and adequately informed about matters relating to Board work and significant organizational concern.

New Office Building Update

A spreadsheet detailing the actual costs of the building, including estimates to finish the project, was distributed for the Board's review. Kammers should have the final cost wrapped up by the next Board meeting and expects the final costs to mirror our estimates. Mr. Kammers acknowledged three key people for the success of the building project – David Dowers, Mike Purdy, and Rafaela Ortiz.

Member Renewal Update

Mr. Kammers reported that a member terminated last year inquired about being reinstated to the Pool. The request was denied due to the terminated member's significant loss history and its affect it would have on Enduris' current member rates.

Wenatchee PFD Update

Mr. Kammers indicated that the Wenatchee PFD financial problem is not a potential issue for Enduris any longer. There was no insurable act and we did not receive a claim.

New Staff Hire

Mr. Kammers and Ms. Brandt briefed the Board on Enduris' new claims analyst, Marc Antonietti.

AGRiP Recognition

Mr. Kammers announced that Enduris has been awarded AGRiP Recognition for being in compliance with AGRiP's Advisory Standards for public entity pools. This recognition will be effective for three years beginning April 1, 2012. Only 45 pools nationwide have met the rigorous requirements for AGRiP Recognition.

Comprehensive Annual Financial Report (CAFR) Update

Mr. Kammers informed the Board that the CAFR for the fiscal year ended August 31, 2011 has been completed by Lynn Scharff, Enduris' Director of Finance. The CAFR Report is posted on the Enduris website.

Washington Risk Pool Advisory Council (WRAC) Update

Mr. Kammers provided an update on the WRAC's May 10th meeting in Olympia. The Risk Manager's Office is taking a more active role in monitoring Pools' solvencies and has recommended that WAC 82-60 be revised to include a requirement that audited financial statements are to be completed within six months of fiscal year-end. Also discussed at the WRAC meeting was developing criteria to inform pools whenever the Risk Manager identifies a problem with pool solvency.

Succession Plan

Mr. Kammers stated that the Board inquired about a succession plan at the last Board meeting. The succession plan is described in Operational Expectations Policy OE-2. The OE-2 Policy for PY 2011 showing that it was in compliance was made available to the Board.

CEO Quarterly Update

Mr. Kammers presented the CEO quarterly status report for the 2nd Quarter of Policy Year 2012. The report included updates on Membership Growth Patterns, New Members, Upcoming Members, MRSC Activity, Member Training, Claims Opened, Budget Quarterly Trends, Budget and Claim Projection, Financial Comparisons, and Projections for Year-End 2012 and 2013. Mr. Kammers reported that trends and projections are positive and on target.

DISCUSSION/ACTION ITEMS

Island County Diking District #1

Board Policy OE-3.5 states that the CEO will establish all procedures and required time frames for appeals, balancing the needs of members for a speedy and fair resolution and the needs of the Pool for due diligence.

At the February 22, 2012 Board meeting, the Board authorized the CEO to terminate Island County Diking District #1. Enduris proceeded with the termination process by delivering a Certified Letter to the Board of Directors of Island County Diking District #1 notifying them of their membership termination effective August 31, 2012.

Soon after receipt of the letter, Island County Diking District's Commissioner Thomas Kraft called Mr. Kammers to discuss the termination notice and the organizational changes the district has recently made. Mr. Kraft asked Enduris to reconsider the termination. Due to the comprehensive changes in the organization, Mr. Kammers recommended the Enduris Board rescind their decision at the May Board meeting.

After some discussion, Ms. Bedier suggested that the Board reinstate the District with a condition that the Commissioners' attend some Enduris-sponsored training program(s) that includes risk management.

Mr. Kammers and Ms. Ortiz informed the Board that Enduris has plans to hold a Commissioner 101 training that will incorporate many areas of risk management, such as Open Public Meetings Act, Sexual Harassment, EPL issues, etc.

BEDIER/MOCKLER moved to reinstate Island County Diking District #1 with the provision they attend Commissioner training and other training that the Executive Director sees as appropriate. Motion carried.

Property and Liability Coverage Renewal Authorization – GC-3.8

Board Policy GC-3.8 states that the Board will approve levels of self-insurance retention and the level and providers of re-insurance and blanket coverage.

Mr. Kammers communicated that Enduris went to market two years ago to get quotes and found PEPIP by far was the best value for our members' property reinsurance. Our Broker, Doug Wozniak, has indicated that the market is hardening and Enduris will probably receive a rate increase no higher than 10%. The Administration recommends continuing our relationship with PEPIP. It is our opinion that this is not the best environment to be changing carriers and it is unlikely other reputable carriers will be able to match our price with PEPIP. Mr. Kammers also stated the 10% increase in rates will be absorbed by the Pool and there is no rate increase for property coverage for PY 2013.

Mr. Kammers added that the liability market is less volatile than the property market. Genesis indicated last renewal they would like to see a long lasting partnership and are asking for a COLA increase.

Mr. Mockler inquired whether we would consider raising the Self-Insured Retention (SIR). Mr. Kammers stated that he has been in discussions with our broker about possibly raising the SIR for property coverage.

MOCKLER/GORMLEY moved to authorize the Executive Director to renew the property coverage and give him the option, subject to analysis, of raising the SIR to \$500,000 with the condition that we maintain a 90% confidence level. Motion carried.

MOCKLER/HARDIN moved to authorize the Executive Director to renew liability coverage effective September 1, 2012 with Genesis and GEM, with a self-insured retention not to exceed \$1,000,000 subject to a COLA increase. Motion carried.

Reserve Analysis and Annual Liability Rate Review Report

Enduris hires PricewaterhouseCoopers (PwC) to conduct a Reserve Analysis Report at mid-policy year along with an annual Liability Rate Review Report. In years' past, the reports were scheduled for the May Board meeting in accordance with the Annual Work Plan.

Mr. Kammers explained that in order to create more efficiency in the member renewal process, the Administration has combined the liability and property renewals. As a result, the information required by PwC will not be available for completion of the reports for the May board meeting. The Administration recommended as a matter of efficiency that the mid-policy year Reserve Analysis Report and the annual Liability Rate Review Report be provided to the Board at the August Board meeting.

BEDIER/HARDIN moved to approve the Administration's recommendation to provide the mid-policy year Reserve Analysis Report and annual Liability Rate Review Report conducted by PricewaterhouseCoopers to the Board at the August 22, 2012 meeting and amend the Annual Work Plan accordingly. Motion carried.

Financial Statements – OE-8.3

Board Policy OE-8.3 states that the CEO shall provide for the Board in a timely manner information about trends, facts and other information relevant to the Board's work and the health of the Pool.

Mr. Kammers provided an overview of the Income Statement, Balance Sheet, and Budget Comparison. He presented the February 29, 2012 Financial Statements with total assets of \$23,748,705.37 and total members' net assets (surplus) of \$11,526,667.17. Expenses and Revenues to date are within budget and the pool assets are growing in a positive direction. He also provided the Board with excerpts from the Spokane County Treasurer's Report, which included the rate of Return on Investments.

GORMLEY/HARDIN moved to accept the financial statements as of 02/29/12 as presented by the Executive Director. Motion carried.

State Audit Reports – GC-3.7

Board Policy GC-3.7 states that the Board will review and understand the annual report of the State Auditor and any reviews conducted by the Washington Office of Risk Management-Local Government Self-Insurance Program.

At the February Board meeting, Mr. Kammers indicated that the State audits were completed by the state auditor and the exit interview was scheduled for February 22. The full audit reports (Financial Statements Audit Report and the Accountability Audit Report) were emailed to the Board on March 23, 2012.

HARDIN/SEVIER moved to accept the Financial Statements Audit Report and Accountability Audit Report as recommended by the Executive Director. Motion carried.

New Member Type – Transportation Benefit District – OE-3.8

Board Policy OE-3.8 states that the CEO may not approve for membership any new type of entity without authorization.

As described by Mr. Kammers, a Transportation Benefit District is a Board that oversees the \$20 vehicle tab that cities and counties can impose in their jurisdictions and that is collected from the

Department of Licensing. A Transportation Benefit District is largely a pass-through Board and the risk of losses is relatively low. The Administration sees a very small risk especially compared to the other members of the pool.

MOCKLER/BEDIER moved to approve Transportation Benefit District as a member type of Enduris. Motion carried.

Annual Ethics Training – GC-2.2

Board Policy GC-2.2 states that the Board is responsible for its own performance, and commits itself to continuous improvement. The Board will assure that its directors are provided with training and professional support necessary to govern effectively, including ethics training.

In accordance with the Annual Work Plan, the ethics training is scheduled annually during the May Board meeting. Mr. Kammers wanted to discuss if it is cost effective to provide training every fourth meeting. He expressed the difficulty in finding speakers and finding fresh information. Mr. Mockler felt that ethics training is important to review every year. He proposed that the Board review the Board's Governing Policies that address ethics every other year and receive formal ethics training on the alternate years.

MOCKLER/BEDIER moved to change the requirement for actual ethics training to two years; however, with an annual reminder of the ethics policy of Enduris. Motion carried.

Mr. Millikin recessed the Board meeting at 11:55 p.m. for lunch and reconvened the meeting at 12:30 p.m.

EXECUTIVE SESSION

Mr. Millikin convened in Executive Session at 12:30 p.m. for 40 minutes to review the status of open claims. He reconvened in Open Session at 1:10 p.m.

Mr. Millikin reconvened in Executive Session to discuss succession planning for 10 minutes. The Executive Session was adjourned at 1:22 p.m. and reconvened in Open Session.

GORMLEY/HARDIN moved to authorize payment of up to \$1,750,000 for claim 110-044. Motion carried.

BOARD SELF-ASSESSMENT

As outlined in the Annual Work Plan, the nine Governance Culture policies and the five Board-CEO Relations policies will be monitored by the Board. Mr. Mockler facilitated this portion of the meeting. This process is known as the Board Self-Assessment.

The Board reviewed its performance on each policy and the areas that were identified as being out of compliance or needing improvement include:

- **Policy GC-2.3** states that the Board will carry out a summative self-assessment with full, honest and timely participation by all directors. The assessment will include evaluation of the Board as a whole, based on GC and BCR policies. Board assessment of progress on Results and the CEO's summative evaluation will drive targets for the following year. Mr. Mockler stated it is time to review the targets/goals for the Results. The Board will ensure the targets identified in the Results are pertinent as they evaluate the past year's performance. In

addition, the Board will look to streamline the targets to eliminate redundancies.

- **Policy GC-3.3** states that the Board will maintain constructive dialogue with the members as a means to engage them in the work of the Board and the Pool. Last year, the Board agreed to reinstate the process of Board members welcoming new Pool members with a phone call; however, Mr. Mockler felt that the Board should explore additional opportunities to engage with members. Mr. Kammers suggested that the Board members who will attend Aspen's Governance Boot Camp in June might return with viable options.
- **Policy GC-3.5** states that the Board will evaluate CEO performance through effective monitoring of Results and Operational Expectations policies and annually set CEO compensation. The Board agreed to add to the end of the sentence, "based on the implementation of new policies reflected in B/CR-5.7.d."
- **Policy GC-5.A.b.1** relates to the appointment of the Board Development Committee. The Board instructed the Administration to revise the policy language to reflect the committee's appointments are by default due to the current criteria of who is eligible.

DEBRIEF BY BOARD

Board Policy GC-2.4 states that as a means to assure continuous improvement, the Board will regularly and systematically monitor all policies in this section, and will assess the quality of each meeting by debriefing the meeting following its conclusion.

The Board concurred that the Open House held the day before the Board meeting was successful. The current Board members gained insight from past Board members on the evolution of the organization over 25 years. Today's success is due to the hard work of the Board and the Administration in implementing the governance model.

Mr. Hardin appreciated that the Board is focused not only on today's issues but also looking into the future.

The Administration proposed to set aside time at the August meeting to review Board policies for potential changes for PY 2013.

EXECUTIVE SESSION

Mr. Millikin convened in another Executive Session at 2:02 p.m. to discuss a potential tenant for the available office space. The Executive Session was adjourned at 2:07 p.m.

ADJOURNMENT

Mr. Millikin adjourned the Board meeting at 2:10 p.m.



Michael R. Millikin, Chair

The Enduris Board meeting minutes are intended to be a reasonable summary of the Board's deliberations and action. The minutes are not a verbatim record of everything said at the meeting. The minutes include all actions taken by the Board.