



**Enduris
Board of Directors Meeting**

February 16, 2017

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

Call to Order: Kim Bedier, Chair, called the meeting to order at 8:34 a.m.

ROLL CALL

Board Members Present: Kim Bedier, Chair; Vicki Carter, Board Member; André Fresco, Board Member; Patsy Martin, Board Member; and Mark A. Kammers, Executive Director. Greg Brizendine, Noel Hardin, and Jeri Sevier were excused.

Others Present: Carl Oswald, Vice President & West Regional Manager, Genesis/General Reinsurance Co.; Cheryl Duryea, Enduris General Counsel; Rafaela Ortiz, Enduris Chief Operating Officer; Sheryl Brandt, Enduris Chief Risk Officer; and Joy Jelsing, Enduris Administrative Assistant.

ADOPT AGENDA

Mr. Kammers made a recommendation to add *Board Policy Revision to OE-6* to Discussion/Action Items.

CARTER/FRESCO moved to adopt the revised agenda as recommended. 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

Meeting Minutes – November 17, 2016

MARTIN/CARTER moved to approve all items on the Board Consent Agenda. Motion carried.

CEO Consent Agenda

Vouchers

- November 2016
- December 2016
- January 2017

MARTIN/CARTER moved to approve the CEO Consent Agenda. Motion carried.

OPERATIONAL EXPECTATIONS MONITORING

Operational Expectations (OE) Policies are operational policies that are carried out by the Administration and change very little year after year. The Board has already approved the policies, the CEO interpretation of each policy, and evidence of compliance – the monitoring reports are provided each year as evidence to the Board that the Administration is in compliance with the policies.

As outlined in the Annual Work Plan, OE-2 CEO Succession, OE-3 Treatment of Members, and OE-7 Asset Protection are monitored by the Board at the February Board meeting.

OE-2: CEO Succession

Board Policy OE-2 states that the CEO shall prepare the organization for the loss of the CEO on a short-term or long-term basis.

Board Policy GC-4.11 states that one of the roles of the vice chair is to “review and update the Succession Plan and present to the Board annually.” With the absence of the Vice Chair, the Chair provided the OE-2 report.

CARTER/FRESCO moved to accept the monitoring report for Policy OE-2 for Policy Year 2016 as evidence of being in compliance. Motion carried.

Board Comments (comments made by Board members that are reflected in today’s minutes will be transferred to the CEO evaluation form for the February 2018 CEO evaluation)

Ms. Martin feels confident that Mr. Kammers has developed a very strong team in Ms. Ortiz and Ms. Brandt, who are capable of assuming Mr. Kammers responsibilities if needed.

OE-3 Treatment of Members

Board Policy OE-3 states that the CEO shall maintain an organizational culture that treats members with high professional standards and respect, dignity and courtesy.

Mr. Kammers provided the monitoring report for Policy OE-3 with supporting evidence of compliance of the policy.

Ms. Bedier asked if there was any feedback from members on the annual report, specifically the write-down on the financial statement. Mr. Kammers stated that there was none and felt the write-down was explained very well in Ms. Bedier’s letter in the annual report.

CARTER/MARTIN moved to accept the monitoring report for Policy OE-3 for Policy Year 2016 as evidence of being in compliance. Motion carried.

Board Comments (comments made by Board members that are reflected in today's minutes will be transferred to the CEO evaluation form for the February 2018 CEO evaluation)

Ms. Bedier commended the Administration for its open and honest transparency and communication to members.

Mr. Fresco is impressed with the organizational culture which makes decisions that are in our members' best interest. He feels that not all members recognized the tremendous feat of raising the liability limits to \$20 million without increasing costs to members.

OE-7 Asset Protection

Board Policy OE-7 states that the CEO will assure that all organizational assets are adequately protected, properly maintained, appropriately used and not placed at undue risk.

Mr. Kammers provided the monitoring report for Policy OE-7 with supporting evidence of compliance for the policies.

CARTER/MARTIN moved to accept the monitoring report for Policy OE-7 for Policy Year 2016 as evidence of being in compliance. Motion carried.

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.

Mr. Kammers announced that Mr. Fresco and Ms. Sevier will be seeking re-election to the Enduris Board.

Office Building Update

Mr. Kammers briefed the Board of an interest in the Enduris vacant office space; however, the party was only interested in a quarter of the space. He foresees there might be more interest in the spring with the Spokane economy doing well.

Pooling Update

Mr. Kammers reported that the Water & Sewer Risk Management Pool is currently looking for an executive director.

Government Entities Mutual, Inc. (GEM) Board Meeting Update

Mr. Kammers reported that he and Ms. Ortiz attended the recent GEM Board meeting in Newport Beach, CA. As a result of the meeting, Mr. Kammers stated it reaffirmed our position to write down the GEM assets.

Ms. Ortiz provided an update of the meeting and indicated that as more information becomes available, as far as decisions the GEM Board makes, Enduris will decide how we will continue our relationship with GEM.

Annual Report to the State Auditor's Office

Mr. Kammers furnished the annual financial report that Enduris submitted to the State Auditor's Office for fiscal year ended August 31, 2016. Ms. Ortiz reported that the recent audit went very well.

PRIMA 2017 Annual Conference

Mr. Kammers advised the Board of PRIMA's 2017 Annual Conference in Phoenix, AZ, from June 4-7, 2017.

Data Management Software System Update

Ms. Ortiz provided an update on replacing Enduris' information system platform. There was a kick-off meeting with Origami last week and they have an ambitious schedule (July 2017) to start the new system; however, we may decide to start on September 1st to coincide with the beginning of a policy year.

CEO Quarterly Update

Mr. Kammers showed an illustration of Enduris' 2017 liability coverage structures. Discussion followed on some options to change the layers of reinsurance in the future.

Mr. Kammers presented the CEO quarterly status report for the 1st Quarter of PY 2017. Trends are positive and on target with projections. The report included updates on membership growth, new and upcoming members, member training, claims opened, claims reported, budget quarterly trend, Spokane County Investment Pool, financial comparisons, PY 2016 analysis, exposures vs growth, PY 2015 loss development, prior year adjustments, and incurred loss development (year end to one year later).

Board Comments (comments made by Board members that are reflected in today's minutes will be transferred to the CEO evaluation form for the February 2018 CEO evaluation)

Ms. Bedier thanked Mr. Kammers for the detailed explanation of the CEO report; made it easy to understand and clearly shows how it could impact our current business model.

Mr. Fresco is impressed with how well the presentation slides are created; it tells a clear story.

Ms. Bedier recessed the Board meeting at 9:50 a.m. for a break and reconvened the meeting at 10:08 a.m.

EXECUTIVE SESSION

Ms. Bedier convened in Executive Session at 10:10 a.m. for 30 minutes to review the status of open claims. At 10:40 a.m. Ms. Bedier extended the Executive Session for 10 minutes to continue discussions. She reconvened in Open Session at 10:50 a.m.

DISCUSSION/ACTION ITEMS

Executive Committee Meeting

Board Policy GC-4 states that the officers of the Board are the Chair, the Vice-Chair, and the Secretary/Treasurer.

At the November 17, 2016 Board meeting, Mr. Kammers asked the Board to consider whether Enduris' equity in Government Entities Mutual (GEM) should remain an asset on the financial statements. Mr. Kammers requested more time for the Administration to review options and explore the support from the State Regulator and then make a recommendation to the Board's Executive Committee for them to act on a recommendation.

On November 30, 2016, the Executive Committee met with the Administration. The Administration provided new information regarding the equity in GEM and recommended that Enduris no longer list the equity on the financial statements. The Administration also received support from the State Regulator to write down the GEM asset. The Executive Committee agreed and authorized the Executive Director to write down the GEM asset.

MARTIN/FRESCO moved to affirm the Executive Committee's approval of the write-down of GEM equity of \$1,565,882 and an additional loss adjustment for prior year claim of \$212,251 for a total write down of \$1,778,133.45 effective August 31, 2016. Motion carried.

Approval of Policy Year 2018 Budget

Board Policy GC-3.9 states that the Board will adopt and monitor annual budgets.

Mr. Kammers stated that the purpose of the budget is to establish rates and to monitor expenses for the next policy year. He presented an overview of the PY 2018 proposed budget, including a review of anticipated revenue and expenditures. The proposed budget for PY 2018 is \$12,512,000 and due to growth of the pool is \$1,318,000 more than the PY 2017 budget. To keep pace with inflation, the proposed PY 2018 budget projects a 2.9% rate increase for liability and property coverage, and using a Marshall & Swift matrix of 1.0% inflationary increase for property values.

MARTIN/FRESCO moved to approve a budget of \$12,512,000 for Policy Year 2018 as proposed by the Executive Director. Motion carried.

Financial Statements

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 the Income Statement, Balance Sheet, and Budget Comparison for November 30, 2016, December 31, 2016, and January 31, 2017. He presented an overview of the January 31, 2017 financial statement showing total assets of \$29,084,554.92 and total members' net assets (surplus) of \$12,368,600.17. He also provided the Board with the December 31, 2016 Spokane County Treasurer's Report, which included the Rate of Return on Investments.

Ms. Carter asked what happens to the members' fund if the pool were to close. Mr. Kammers replied that it belongs to the members and is returned after all claims are paid proportionately.

FRESCO/CARTER moved to accept the financial statement of 11/30/16, 12/31/16 and 1/31/17 as presented by the Executive Director. Motion carried.

Executive Director Annual Performance Evaluation

Board Policy B/CR-5 states that the Board considers CEO performance to be identical to organizational performance. Organizational accomplishment of the Board's Results policies and operation according to the values expressed in the Board's Operational Expectations policies will be considered successful CEO performance. These two components define the CEO's job responsibilities, and are the basis for the CEO's performance evaluation.

Ms. Bedier stated that throughout the course of the year, the OE policies were in compliance and the Goal policy met reasonable progress.

FRESCO/MARTIN moved that since all ten Operational Expectations and the Goal policies were achieved successfully we approve an incentive pay of 10% of the CEO base salary. Motion carried.

Mr. Kammers stated the allocation of the same 10% incentive pay will apply to all employees of Enduris.

Mr. Fresco commented that it is not easy in a government culture to pay for performance. He recognizes that hard work and commitment to the mission leads to success so it should be rewarded.

Board Policy Revisions

Board Policy GC-2.8 states that the Board, by majority vote, may revise or amend its policies at any time.

As the result of the recent state audit, the Administration is recommending a policy change to meet the following RCW:

RCW 43.09.2855: Local governments—Use of credit cards.

(3) The legislative body shall adopt a system for:

- (a) The distribution of the credit cards;
- (b) The authorization and control of the use of credit card funds;
- (c) The credit limits available on the credit cards;
- (d) Payment of the bills; and
- (e) Any other rule necessary to implement or administer the system under this section.

FRESCO/MARTIN moved to approve an addition to Policy OE 6.3: The CEO will establish a credit card account for business use and a policy for the distribution, authorization, limits, and payments of credit cards. Motion carried.

GOOD OF THE ORDER

Mr. Oswald of Genesis/General Reinsurance will be retiring in March. He thanked the Board and staff for the relationship that we've had over the years and with the management's quality and professionalism.

Mr. Kammers and Ms. Bedier both thanked Mr. Oswald for his support of Enduris.

DEBRIEF BY BOARD

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

The Board provided comments and an assessment of the meeting, some of which included:

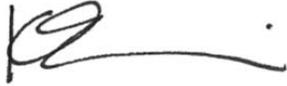
- Ms. Carter complimented the staff for making it easy to get caught up after being absent and also for the well prepared work that makes it easy to be a board member.
- Mr. Fresco was amazed at how much was accomplished last year. He finds the organization puts a lot of effort in its strategy and keeping to the course of that strategy.

- Ms. Bedier added that since we are a member-based organization, her greatest appreciation is the transparency to the members. She also feels well equipped to answer questions because of the clear explanations at the Board meetings.

ADJOURNMENT

Ms. Bedier adjourned the Board meeting at 11:25 a.m.

CARTER/MARTIN moved to adjourn the meeting.



Kim Bedier, 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.