



**Enduris
Board of Directors
Meeting Minutes**

May 8, 2024

Call to Order: Chair Matt Schanz called the meeting to order at **8:31 a.m.**

ROLL CALL

Board Members Present: Matt Schanz, Chairman; Donna Watts, Secretary/Treasurer; Noel Hardin, Board Member; Vicki Carter, Board Member; Sara Young, Board Member; Kelly Williquette, Board Member; Heather Yakely, Enduris General Counsel; and Sheryl Brandt, Executive Director.

Via Teams: Corrin N. Hamburg Commissioner District No. 3| Skagit PUD; BiJay Adams, Vice-Chair; Holly Nelson, Enduris Director of Claims; Ryan Wilson, Technology/Business Systems Coordinator

Others Present: Alric Balka, Director of Operations; Kimberly Millikan, Enduris Director of Finance; Joe Davis, Enduris Director of Risk Management and Member Relations; and Shawna Masterton, Executive Assistant.

Mr. Schanz started the meeting with introductions.

Public Comments – RCW 42.30.340

➤ *No public present. – No comments were made.*

ADOPT AGENDA

HARDIN/CARTER moved to adopt the agenda as presented. 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 Executive Director 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

➤ Board Meeting Minutes – February 16, 2024

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

EXECUTIVE DIRECTOR CONSENT AGENDA

- Disbursements (February 2024 and March 2024)

CARTER/HARDIN moved to approve all items on the Executive Director Consent Agenda. **Motion carried.**

EXECUTIVE DIRECTOR REPORT

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

Pooling and Membership Updates

Ms. Brandt requested attendees of the Governance Conference in Nashville, TN, to share their main takeaways.

Ms. Brandt also mentioned that she has been working with and met with six other Executive Directors from Pools in the State of Washington. They agreed to focus on tort reform, with the idea of starting with joint and several liability. The nuclear verdicts, amongst many other pools, are driving up claims and litigation costs.

GEM Members' Sessions and Board Meeting Recap ~ Washington, D.C., April 24-26, 2024

Ms. Brandt directed the board to the synopsis of the board discussions and decisions that occurred at the GEM Board Meeting in Washington, D.C., this was supplied to the Enduris board members prior to the meeting.

Staffing Update

In terms of staffing, Ms. Brandt reported that Kathy Johns has retired after 24 years; We have hired one new person in the Member Relations Department Velvet Bachman, AINS, AFIS Underwriting and Risk Management Associate.

Building Update

Ms. Brandt reported that Selkirk Pharma has asked us to vacate the walking path easement as they would like to build a campus, and that easement runs through the middle. Granite Investments has become involved and is helping to negotiate terms. The current proposal from Granite is a landscaping project which will act as a buffer between the two properties. We will communicate closely with Granite and Selkirk and keep the board updated if any significant developments occur.

Enduris Strategic Plan Update

Regarding the Dashboard, Ms. Brandt showed the progress we are making; she highlighted the primary Strategic/Objectives/Action Items/Timelines/Status, and Reporting Dates. It was noted that the new Dashboard format is working great, and the board is pleased with the work. Ms. Brandt pointed out several things we are working on and many action items that have been completed. Ms. Brandt made mention of the Generative Thinking Workshop, and the work done since. This is still a work in progress, and changes to the Strategic Plan will be considered as we move forward.

Quarterly Summary

Ms. Brandt presented the quarterly summary and reviewed key topics that we will be focused on the remainder of the Policy Year 2024 which included:

- **Policy/Reinsurance;** Member Data collection for the PY25 member renewal is in process; Finalize renewal for Property and Liability excess/reinsurance; Property appraisals- insurance to value, APIP underwriters performed 77 desk audits; Alliant has hired Kroll to appraise all structures with a TIV of \$5M or greater. 30 will likely be completed for the FY25 reinsurance and member renewals, and the impact is not known yet; Increased APIP property program SIR to \$500k for PY24
- **Member Engagement:** Explored cyber third-party support for members; Increased member visits/ consultations; Presented on claims mitigation at the Pierce Co Fire Commissioner's Association meeting in April; Reviewed APIP desk audits with 77 members to discuss TIV increases totaling \$95.3M; 9 Enduris-sponsored training during the next three months
- **Claims:** Working with excess carriers on complex claims; Improved processes in Origami; 139 Claims reported so far during fiscal 2024, with a projected net cost of \$4.1M; The claims department is managing 176 open claims with a projected net cost of \$11.8M; PWC's projected ultimate loss for PY24 is \$10.8
- **Operations/ Finance:** Data cleansing and improved processes in Origami; The SAO audit was completed, and the financial and accountability audit reports were issued on April 29th
- **Financial Results:** Financial results for the first seven months of FY24 are higher than the budget and move the Pool closer to our Capital Adequacy targets. There was a \$2.5M increase in Net Position.

Mr. Schanz recessed the meeting for a break at 10:15am

EXECUTIVE SESSION

Mr. Schanz stated the board will now enter into Executive Session at 10:30 am for 46 minutes to review the status of open claims. Mr. Schanz, called the regular meeting back to order in open Session at 11:16 am

DISCUSSION/ACTION ITEMS

CLAIM PAYMENT APPROVAL

Board Policy OE-6.10 states that the Executive Director will settle any claim of \$300,000 or less in indemnity per claimant without authorization by the Board. Claims over \$300,000 are brought to the Board for ratification.

Claim Payment Approval ~ For Ratification

Property Claim has been settled and presented to the Board: Break-in to Station 172, theft of contents, mobile equipment, and damage to the station. A payment has been issued in the amount of \$322,548.39.

HARDIN/YOUNG moved to authorize indemnity payment of **\$322,548.39** for **Claim #C10389**.
Motion carried.

BOARD DEVELOPMENT COMMITTEE – ELECTIONS – SLATE OF CANDIDATES.

Board Policy GC-5.5 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 seeking office and the recommendation of the Committee.

Ms. Young, Board Development Committee Chair, reported on recommending the approval of the election ballot, which includes ***Bijay Adams for Position #5*** and ***Vicki Carter for Position #2***. There were no additional nominations from the membership.

WATTS/HARDIN moved to approve the Board of Directors election ballot which include Bijay Adams for Position #5, Vicki Carter for Position #2 as recommended by the Board Development Committee. **Motion carried.**

BUDGET APPROVAL FOR POLICY YEAR 2025

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

Ms. Brandt and Ms. Millikan presented the proposed budget for approval the Fiscal Year 2025; The Highlights are: The FY25 budgeted change in Net Position is \$2.7M, with an ending Net Position of \$38.2M. This represents an 8% increase in Member's Equity over the FY24 forecasted Net Position of \$35.5M. At the end of August 2025, under the proposed FY25 budget, the Pool's Net Position will be \$2.2M above the \$36 million lower bound of the Capital Adequacy Assessment Risk Capital Target range. PWC updated the range to a lower bound of \$36M and an upper bound of \$64M in February 2024. The primary indicator in the Goal Policy (G-1) approved by the Board is that the Pool's Net Position trends towards or within this range. The proposed FY25 Budget also meets the established financial ratio targets under the current Board Policy and Executive Director interpretation and indicators. The ratios are expected to trend towards or be within the established target ranges.

In addition to improving the financial stability of the Pool, our goal for FY25 is to minimize Member rate increases. Member base rates increase assumptions are:

- Liability, Crime, and Named Position Coverages: 5%-10% Base Rate increase
- Property & Auto Physical Damage Coverages: 7-10% Base Rate Increases + 5% inflation factor + appraisal adjustments

The FY25 Budget reflects a 3.6M (13%) increase in Member Contributions to \$31.9M compared to FY24 contributions of \$28.3M.

Member rate increases are necessary given the projected \$3.9M (14%) increase in operating costs to \$31.9M:

- \$12.0M claims expense - up \$1.1M (11%) under the PWC actuarial report issued in February 2024
- \$13.0M property reinsurance - up \$2.3M (21%) under the APIP property program. Alliant has indicated a rate increase of 10%- 15%, plus the 5% Marshall & Swift inflation factor and the impact of higher appraisal TIVs for specific members.
- \$1.8M liability reinsurance - up \$0.2M (10%), reflecting 3% exposure growth and Alliant's estimates of a 5% rate increase for primary coverage and 10%-15% for excess.

- \$5.0M in General and Administrative expenses are up slightly, by \$0.4M (9%), to support additional member services/training and the impact of inflation.

FY25 budgeted Operating income is zero. Contribution increases are limited to covering increased operating costs, and any profit will come from non-operating income. Given the Pool's capital and cash positions, we believe this is acceptable this year.

With the Pool's significant Cash balance and a projected average interest rate of 4%, our interest income will be approximately \$2.5M. Combined with the building lease revenue, non-operating revenue is \$2.7M.

We expect to have between \$50,000 and \$100,000 in capital expenditures during FY2025.

WATTS/HARDIN moved to approve the Fiscal Year 2025 Budget as proposed by the Executive Director. Motion carried.

Mr. Schanz, Board Chair recessed the meeting for lunch at 11:57pm

Mr. Schanz, Board Chair called the regular meeting back to order and reconvened the meeting at 12:32pm

PROPERTY AND LIABILITY COVERAGE RENEWAL AUTHORIZATION

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

Ms. Brandt has reported that the property coverage for Enduris was renewed on July 1, 2024, and the liability coverage will be renewed on September 1, 2024. Ms. Brandt mentioned that the property renewal proposals for reinsurance usually come in after the May board meeting, while the liability renewal proposal may need to be completed before the August board meeting. In the past, the Board has authorized Ms. Brandt, Executive Director, to secure property and liability insurance contracts offering the best value, with the requirement to report back to the Board at the August meeting.

Property Renewal Indications

Ms. Brandt had a conversation with Doug Wozniak, our broker, and has indicated that current market conditions have improved from last year. Enduris has had some large property losses over the last few years that required payments from APIP (our excess carrier), but PY 2024 property losses thus far have developed more favorably. Based on Doug's most current market information, we can anticipate between a 5% - 10% rate increase and a 5% Marshall and Swift inflationary increase on property and contents.

Ms. Brandt noted last year, we increased the property self-insured retention (SIR) to \$500,000. The increase in the SIR reduced activity within the excess layer, which helped stabilize our loss ratio with APIP. We anticipate that our SIR will remain the same and the coverage limit will remain at \$1 billion.

Liability Renewal Indications

This year, Ms. Brandt noted the early projected rate increase in the liability reinsurance rate is 5-10%.

The Liability reinsurance market conditions have stabilized at the primary level and Government

Entities Mutual (GEM) have proved a great partner. Last year, we experienced a rate increase due to the Pool's losses. We expect GEM to continue to provide the first \$9 million in liability coverage above our \$1 million SIR, with a projected rate increase of 5%. The secondary layer is more uncertain and estimated to increase 8-15%. Currently, Great American provides \$ 5 million excess of \$10 million, and Everest Re provides \$5 million excess of \$15 million for a total of \$20 million in coverage. We are considering marketing part of this layer to a new reinsurer in search of a more favorable rate. We are in the process of determining if it will be a good fit.

CARTER/WILLIQUETTE moved to authorize the Executive Director to renew property coverage with APIP effective July 1, 2024. If the property renewal proposals are outside expectations, the Executive Director will notify the board prior to binding. **Motion carried.**

YOUNG/CARTER moved to authorize the Executive Director to renew liability coverage effective September 1, 2024, using the existing Self-Insured Retention of \$1 million, with GEM providing limits of \$9 million over our \$1 million SIR. In addition, procure \$10 million in coverage in excess of primary for a total of \$20 million in liability coverage. If the liability renewal proposals are outside expectations, the Executive Director will notify the board prior to binding. **Motion carried.**

STATE AUDIT REPORTS

GC-3.6 states that the Board will review and accept the annual report of the State Auditor, and any reviews conducted by the Washington Office of Risk Management-Local Government Self Insurance Program.

The Washington State Auditor's Office (SAO) conducted the fiscal year end of August 31, 2023, financial and accountability audit of Enduris between January and April 2024. The exit interview for the audit occurred on April 24, 2024. The SAO published the financial and accountability audit reports on April 29, 2024.

Audit Highlights outlined in the Exit Conference with the SAO:

- The Pool responded promptly to all requests and provided all documents necessary to complete the audit on time.
- The Pool continues to have strong processes in place to ensure its financial data is fairly presented in all material respects.

SAO Financial Statement Audit Communication:

- No material misstatements were identified during the audit.
- There were no uncorrected misstatements in the audited financial statements.

SAO Accountability Audit Communication:

- Pool operations complied, in all material respects, with applicable state laws, regulations, and policies and provided adequate controls over safeguarding public resources.
- However, the SAO noted certain matters related to electronic payments that they communicated to the Pool management and the Board of Directors in a "management" letter dated April 24, 2024.

CARTER/WILLIQUETTE moved to accept the fiscal year 2024 Financial Statement Audit Report, and the Accountability Audit Report as recommended by the Executive Director. **Motion carried.**

STATE RISK MANAGER'S REPORT

Board Policy GC-3.6 states that the Board will review and accept 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 Risk Management-Local Government Self-Insurance Program, has not conducted a review; therefore, no report will be available for PY 2024.

The WA Office of Risk Management-Local Government Self-Insurance Program did not produce a report for PY 2024.

AGRIP RECERTIFICATION AND BOARD RESOLUTION

Mr. Balka briefly outlined the AGRiP Recognition for Enduris, which expires in May 2023. Mr. Balka noted that AGRiP requires a resolution from the Enduris Board or a copy of the approved minutes from a Board meeting indicating that the draft application was reviewed and approved by the Executive Committee or the Board of Directors. The most expedient process is for the Board to adopt a resolution at the May Board meeting.

Mr. Balka and the Administration recommend that the Board review and approve the application.

At 1:00 pm Mr. Adams had to leave the meeting via Zoom.

HARDIN/WILLIQUETTE moved to approve Enduris **Resolution 24.02** seeking to renew AGRiP recognition. **Motion carried.**

FINANCIAL REPORT AND FINANCIAL STATEMENTS/SCIP REPORT

Board Policy OE-5 The Executive Director shall develop and maintain a financial plan in the form of an Annual Budget that is related directly to the Board's **Goal** priorities and **Operational Expectations** goals, minimizes the dependency upon the forces of the excess or reinsurance markets, and avoids long-term fiscal jeopardy to the organization.

Board Policy OE-6 states that the Executive Director shall not cause or allow any financial activity or condition that materially deviates from the budget adopted by the Board; cause or allow any fiscal condition that is inconsistent with achieving the Board's **Goal** or meeting any **Operational Expectations** goals; or place the long-term financial health of the Pool in jeopardy.

The Board of Directors formally monitors the financial position of the pool quarterly. Ms. Brandt and Ms. Millikan will be presenting the financial reports.

Excerpts from the Spokane County Monthly Investment (**SCIP**) Report show an effective rate of return of 3.04% for March and 2.6% for the SCIP Fiscal YTD. The Market Value of SCIP invested assets is \$1.5 billion. The Enduris investment is \$39.9 million.

Excerpts from the Local Government Monthly Investment (**LGIP**) Report show an effective rate of return of 5.43% for March and 0.1% for the LGIP – * **Enduris transferred \$15 million from SCIP to LGIP on March 28, 2024.** The Market Value of LGIP's invested assets is \$20.6 billion. The Enduris investment is \$15.0 million.

Enduris' total investment Balance for SCIP and LGIP is \$54.9 million.

WILLIQUETTE/CARTER moved to approve the January 31, 2024, February 28, 2024, and March 31, 2024 financial reports as presented. **Motion carried.**

WATTS/YOUNG moved to accept the March 31, 2024, activity reports for the Spokane County Investment Pool and the Local Government Monthly Investment Pool, as presented. **Motion carried.**

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 of directors provided brief comments and an assessment of the meeting, with very positive remarks. Mr. Hardin was appreciated for attending in person, and the staff did a fantastic job. Ms. Young expressed how impressed she is with the responsiveness of the Enduris staff. Ms. Carter noted that this is the best board she has ever sat on. Ms. Watts thanked Ms. Brandt and Millikan for their hard work on the PY2025 budget and the Financial Audits. Mr. Schanz thanked Ms. Masterton for all her work behind the scenes in bringing the board meeting together in such a professional manner.

ADJOURNMENT

Mr. Schanz adjourned the Board meeting at 1:20 p.m.

HARDIN/WATTS moved to adjourn the meeting. **Motion carried.**



Matt Schanz, Chairman

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