



**WSTIP Activity Report  
February 25, 2009 ~ Executive Committee Meeting**

***This Activity Report is an effort to keep all WSTIP members informed on recent and ongoing WSTIP activities. Feel free to pass this information on to any and all interested parties.***

**To view the supporting materials for the meeting go to <http://board.wstip.org> and select the February 2009 Executive Committee Meeting.**

The Washington State Transit Insurance Pool Executive Committee met on February 25, 2009, at the WSTIP office in Olympia, WA. Executive Committee members present were: Mark Carlin, Grays Harbor Transit (Secretary); Jamie Collier, Clallam Transit (Past-President); Ben Foreman, Intercity Transit (Treasurer); Tom Hingson (virtually), Everett Transit (Vice-President); Jim Plaster, Spokane Transit (President); Jeff Ristau, Community Transit (Large System Representative); Chris Smith (10:04 a.m.), CUBS (At-Large System Representative); Ken Mehin (Medium System Representative); Ed McCaw, (Small System Representative). Others in attendance were: Robin Hunt, Thurston County Investment Pool and Eric Svaren, Groupsmith. WSTIP staff present were: Anna Broadhead (virtually), Member Services Assistant; Joanne Kerrigan, Administrative Assistant; Tracey Christianson, Member Services Manager; Ron Franz, General Counsel; Al Hatten, Executive Director; and Jerry Spears, Deputy Director.

**Call to Order**

President Plaster called the meeting to order at 10:03 a.m. and a verbal roll call ensued. A sign in sheet was passed around the room. He asked that the agenda be reordered so that Hunt could give her presentation first rather than later.

**Guest Presentation**

Spears introduced the Thurston County Treasurer Robin Hunt. Hunt gave brief background information. Hunt passed out graphs that show the benchmark comparisons between her investment group and closely associated government entities. She talked to the Executive Committee about what a county elected treasurer does. She went into detail about where she invests her client's money. Some of the highlights of her presentation include: the average life of her portfolio runs two years; most mature as far as 10 years out; WSTIP must give her a one-year notice if they plan to leave her group; her portfolio has about \$450 million; over an average of the last ten years she has made 1% more than the Local Government Investment Pool; because she is independently elected and her operation is not funded by the General Fund; and she doesn't get the same pressure from Commissioners to fund their expenses as other appointed officials might. Hunt fielded questions from the Executive Committee about risk, the current economic environment, diversification, and coming change. Hatten thanked Hunt for presenting to the Executive Committee. Hunt left at 11:00 a.m.

**Consent Agenda**

*Plaster read the request to approve the December, January, and February minutes as well as the voucher approval for November, December, and January. McCaw moved to approve the minutes and the November voucher check numbers 19125 through 19278 in the amount of \$321,566.93, December voucher check numbers 19279 through 19418 in the amount of \$457,239.54, and January voucher check numbers 19419 through 19618 in the amount of \$1,859,272.29; Internet transfers of \$26,388.55 for the 11/15/08 payroll, \$26,432.89 for the 11/30/08 payroll, \$26,867.78 for the 12/15/08 payroll, \$27,151.07 for the 12/31/08 payroll, \$34,209.63 for the 1/15/09 payroll, and \$35,450.96 for the 1/31/09 payroll from the WSTIP US Bank Claims and Administration Account to the WSTIP Payroll Account at US Bank; Internet/Electronic/ACH payments for staff credit cards totaling \$16,209.46 for November, \$9,562.13 for December, and \$5,509.92 for January.*

*Total voucher approval including November 2008 staff payroll and Internet/Electronic/ACH payments is \$390,597.83, for December 2008 staff payroll and Internet/ACH payments is \$520,820.52, and January 2009 staff payroll and Internet/Electronic Payments is \$1,934,442.80. Carlin seconded the motion. Plaster called for a vote and the motion passed.*

### **Staff Reports**

Plaster asked if there were questions on the Treasurer's report, and there were none. Hatten went on to talk about his Executive Director's Report. Please click [here](#) to see his report.

Hatten stated that the 2009 insurance premiums renewal was successful and outcomes included reducing the pool's aggregate total and negotiating a lower risk exposure. He emphasized that one of the main factors for the success was staff's commitment to loss prevention through Integrated Risk Management (IRM). He wanted the Executive Committee to know that WSTIP was the only pool, state-wide, to get a guaranteed rate for the 2010 renewal from this carrier. Hatten talked about the Governmental Entities Mutual (GEM) meeting in January and how the topic at that meeting surrounded creating "protected cells." Please see his report for more details. Hatten advised the board that our actuary, Kevin Wick has been contracted by GEM to serve as a second pair of eyes in the actuarial process. Franz asked Hatten if GEM was changing its appeals process. Hatten said the Board will address the appeals process in July. Mehin asked Hatten if only pools could join GEM. Hatten said yes, but if the cell concept gets started that may change.

Spears reminded the Committee he sent the claims audit out to everyone for review and comments. Staff from Markel, a reinsurance company for WSTIP at the \$1 million in excess of \$1 million layer, was recently at the WSTIP office conducting a claims audit. Spears reported it went very well.

Tracey asked Brenda Barnett to step into the room and introduced her as WSTIP's new receptionist. Hatten stated that Barnett filled in as a temp for Kerrigan while she was on her honeymoon. Barnett said she was happy to be at WSTIP. The Executive Committee welcomed Brenda.

### **Sub-Committee Reports**

*IT Support Update* – Spears reported the consultants visited seven members in 2008 and two (Whatcom and Skagit) so far in 2009. He would like to visit two more this year by June. Mehin asked why they are not doing this at cities. Spears remarked the responsibility for IT support falls outside the transit division

in cities. Plaster asked if any small agency had back up. Spears said there will be back up. Spears said a summary report of recommendations will be completed after the end of the reviews.

*Legislative Update* – Click [here](#) to see the legislative report. Hatten stated he met with the legislative subcommittee about comments on effective legislative budget issues. He remarked that Wednesday, February 25, 2009, was the last day to read reports on the floor, and went over several bills and the position WSTIP has taken on them. Please see the report for more details. Hatten stated there is a tremendous amount of effort that goes into the legislative bill process and Michael Shaw, contract lobbyist for WSTA will keep him informed of the situation on bills of interest to transit. Hatten asked the Executive Committee to have Franz assist Hatten in the effort in meeting the legislative demands with reviewing bills of interest. Hatten asked the Executive Committee to think about additional workload for counsel. Hingson thanked Hatten for his work in the legislative arena.

*Best of Breed* – Spears said this is of specific interest to one member and will be taken care of offline. The report will come back to this Committee at the March Executive Committee meeting. Collier stated this will be of interest to large agencies.

*IRM and IRM Benchmark Subcommittee Report* – Christianson stated that the committee does not have a Chairperson. Plaster asked that the Executive Committee decide on a Chair. She reported briefly on the ongoing projects in her report, click [here](#) for details. Carlin nominated McCaw for the Chair position. McCaw nominated Smith. Plaster asked if there was a member willing to volunteer for the position. McCaw stated he would volunteer. Plaster appointed McCaw as Chair to the subcommittee. Hatten talked about the camera initiative and that he is meeting with Apollo to talk about negotiations for favorable pricing and optional purchasing and leasing considerations. He said this could be the a more economical and transparent way of getting cameras on busses. Ristau asked if there was a state initiative to bid this on behalf of government entities. Collier said there was an effort from maintenance personnel to help spec out vehicles to put out to bid. Ristau asked if they could do that and have the state facilitate the procurement. Hatten said the point of the initiative is to get cameras on busses. Christianson said it doesn't preclude us from going to the state. Plaster said Spokane Transit's consultant for their camera system will conclude its report on cameras and he will have that report available at the March meeting. Mehin stated Yakima Transit has had three different systems and Apollo is the best one. Christianson reiterated that by saying Apollo's system is the most scalable for small and large transit agencies.

The committee took a break for lunch at 11:44 am and resumed the meeting at 12:00 pm.

### **Action Items**

***General Counsel's Expense Report*** – To see the report, click [here](#). Franz said he has been submitting his expense reports to AI for payment. He feels what he should have been doing is developing a process to get them approved the Executive Committee. This can be done by delegating it to the President for approval or have the Board approve them. Plaster asked how many times a year does this have to be dealt with. Franz said about nine times. Collier suggested that Counsel's expense reports be reviewed by the Treasurer similar to the practice for the Executive Director. Plaster asked if this could be done without amending the employment contract. Ristau said the issue is having pre-authorization. Plaster asked the minutes to show approval of the current expense reimbursement request by the President and

asked that further reimbursement requests be delegated to the Treasurer. Franz will bring this matter to the full Board's attention at the next meeting.

*McCaw moved to add the responsibility of reviewing counsel's expense report to the duties of the Treasurer. Smith Seconded. The motion passed.*

**2009 Meeting Schedule** – Hatten said contracts have been signed for the March and June Quarterly Board meetings. Broadhead has not executed contracts for the September meeting (slated to be held at the Bellwether Hotel in Bellingham). The Bellwether has a rate of \$108 per night. The per diem rate in Bellingham is \$70. Hatten asked if the committee wanted to look for something less expensive. Plaster stated the September meeting is critical to talk about budget items and it was not in favor of postponement. Franz brought up that the bylaws state the group must do quarterly board meetings. Ristau advised that the quarterly board meetings are at the discretion of the President to set the schedule. After discussing locations, Plaster said the meeting would be held at an Olympia location on Tuesday, September 22, 2009, from 8:30 am to 3:00 pm. Plaster will reconfirm this information at the next meeting. Ristau stated he had a conflict with the July 21<sup>st</sup> meeting date and asked if it had changed from a previous set date. Broadhead said Hatten had a conflict with the prior date and it was moved. Ristau said he will try to move his appointment.

*Carlin moved to accept the meeting dates as revised. Collier seconded. The motion passed.*

**Employee Handbook** – Hatten said this item has been delayed several times. The employee handbook revisions were completed by Summit Law to implement new legal requirements. The only change not part of the Summit Law is on page 22 regarding the carryover for vacation time. Plaster asked if there was any staff close to the maximum accrual. Spears said yes, there is one staff person who has close to the 680 hours. Collier asked if there was a health reimbursement account (HRA). Spears replied no. She commented that at Clallam Transit, an employee's entire leave balance goes into their HRA account when they leave employment. This is considered a lump sum amount and a tremendous benefit to the individual. Plaster asked for another month to review the handbook changes and put it on the agenda for March.

**2009 Work Plan** – Plaster said he considers the 2009 Executive Committee a work in progress and plans on reviewing it each month. He asked for changes and Hatten stated he would like clarity in the IRM component.

**Governance Policies** - The Committee discussed moving the governance policies to the March Executive Committee meeting, but decided to move forward now.

**Contractors and Suppliers** – Collier stated this needed to be dealt with for AGRiP accreditation. The Executive Committee needs to discuss whether WSTIP should use a competitive process for broker services every 10 years. Hatten stated there are no staff objections to this and staff is neutral on the subject.

*Collier motioned to approve the language in the Contractors and Suppliers policy. Carlin seconded. The motion passed.*

**Core Values** – Collier said Counsel stated the Executive Committee can approve this policy, but the full Board has to sign on with it.

*Collier motioned to recommend to the full Board adoption of the Core Values policy. Smith seconded. The motion passed.*

*Non-member Intergovernmental Procurement* – Collier said this policy allows WSTIP to set up interlocal arrangements. Franz added that this is a substitution for the associate membership. Ristau asked if the pool is going to be purchasing things for the benefit of non-members. Franz said if the pool wants to then this allows it to purchase things. Hatten said if the pool finds value in the purchase, it can say yes, if not, no. Plaster deferred this item to the March meeting to allow for more discussion.

### **Executive Session**

The Executive Committee went into Executive Session pursuant to RCW 42.30.110 for 15 minutes to discuss Claim Settlement Authority. Executive session began at 12:35 a.m. and ended at 12:44 a.m.

Tom Hingson left at 12:45 p.m.

### **Discussion Item**

*Weighted Voting Rights* – Eric Svaren talked about his presentation at the Executive Committee retreat. Hatten stated that there has been no contract made with Svaren yet to present to the full Board. Svaren wanted to come back and talk with the Executive Committee after crushing the data and work the issue a bit more. Svaren said the group might have been working on the wrong polarity in regards to equality vs. fairness. WSTIP is going to be balancing these two issues on an ongoing basis. Some decisions will lean one way or the other. Each pole has benefits and disadvantages and they are interdependent. The downside of not managing polarity is schism within the group. He asked the Executive Committee what they wanted to do at the Quarterly Meeting with the topic. He brought up the following suggestions: bring it up; not show them this product they worked on at the retreat; take them through the same exercise of getting to this product. Svaren is willing to do this at the March meeting in Chelan. He asked for reactions to the map he drew up. He handed out the original polarity map they worked with at the retreat and asked what actions should be taken. Collier stated she came away from the retreat exercise with two things; how do you measure fairness and what is perceived as fairness. She said there could be a lot more small agencies whose incentive is to tap into WSTIP's reserves to fund risky operations and upset the nature of the organization. Plaster said his concerns revolve around the idea of a growing board. It's expensive to bring 24 members together.

Ristau asked the group to consider the question of equity because small and large members have an affect on the equity question. Collier wants to answer the question if we had in place a different model, would we have made any different decision in the last three years. Foreman said it is hard to say. Plaster said he found himself in a personal conflict between the business and inclusivity sides of the issue. One vote per member doesn't make any business sense to him, but in an inclusive and cooperative way it makes a lot of sense. Foreman's fear is that if the large members pull out, there will be no more WSTIP because it won't be able to sustain. Collier said the income from the associate membership and the interest income and non-premium income has more than covered the staff expenses. She believes the equity over time is paying for the staff and the IRM project and the large members are paying for the claims. She doesn't want to lose any member but in the event they did, she believes there would be enough equity to go on. Mehin said that WSTIP is insuring everyone in the group. He thinks a conclusion was jumped to about the whole thing being broken and there has to be a change made. He doesn't think this is necessarily true. Hatten agrees with Collier the equity allows

WSTIP to do things like IRM and that largest assessment contributors are the large members, but the large members don't necessarily have the largest equity stake. Franz clarified that if any one member wants to leave the pool, they do so under the understanding that they leave with nothing. They leave the pool with the entire surplus. He said this may persuade members to leave or stay. Plaster says he can argue both sides of this issue. He said he felt WSTIP should consider the option of reimbursing large agencies that already have risk management systems in place. Plaster also said that large members create credibility statistically for pools. He did not say that weighted voting is the answer, there are many sides.

Svaren said that the conversation happening was wrestling with actions and maybe the model he set up and brought to the meeting may not be the best tool to work with. He said what is valuable is that the group is dealing with a value based decision.

Collier said the gorilla in the room is the potential change of the interlocal agreement. She feels the Executive Committee hasn't built a case strong enough to motivate a change to the fundamental governance document. The group is not clear on what they want to fix. Mehin asked Hatten what other pools do. Hatten said GEM does weighted voting. Plaster suggested making a list of the things the group thinks are broken. He feels it's a representation issue; 12 members have 8.4% of the voting representation. Franz made the comment, "Don't hit the hornets basket with a bat" concerning taking this to the full Board. Amending the interlocal agreement is not easy; you need a three-fourths supermajority to change the agreement.

Collier stated any future member is most likely going to be small and if we had a list of problems, we could mitigate those things through policy changes instead of changing the foundation of the Interlocal agreement. McCaw agreed with the point.

Svaren said managing polarity is key for addressing this issue. Plaster said whether things are broken is a subjective issue, there is an underlying current of small vs. large. Plaster doesn't think WSTIP is broken, but the process needs to be addressed. He enjoys the discussion but doesn't want to push anyone into a corner. He appreciates everyone's comments and willingness to work through the process. Smith said he is impressed with the operation of the Executive Committee and thinks the mix of this group helps mitigate some of the issues. He said the pool concept is strong in this group and it is important that it stays that way. Foreman doesn't want to bar small members, he just wants to have a process or plan to deal with the issues that will come up. Collier asked the group to consider solving the problem with taking on the entire issue of voting.

Svaren complimented the group on this entire discussion and stated it was completely different than the one at the retreat. He said this one has been much more solution based and coming up with ideas to solve problems. Carlin suggested reiterating this conversation to the full Board. He thinks we might be able to solve the situation without doing anything to the interlocal agreement. Collier suggested doing a fishbowl exercise at the full Board meeting in March. Several members did not want to address the issue without having hashed out the possible solutions. Collier felt it would be powerful for the other 16 members to see how the Executive Committee deals with these issues .

*Collier moved to have a structured discussion about admitting new members (small members). Mehin seconded. Plaster stated he will be voting against the motion. Collier, Smith, McCaw and Carlin voted for and Mehin, Plaster, and Ristau voted against. The motion passed.*

Svaren said it was a pleasure to work with this group and there are still things to work through. Plaster and Hatten will work out the details regarding having Svaren at the March meeting.

### **Recap Review**

*AIG Update* – Hatten stated the graphs in the report tell the story and if there are any questions to contact him.

### **Adjournment**

Plaster adjourned the meeting at 2:38 p.m.