

# CHARTING OUR COURSE

Activities of WSTIP's Committees and Board



## September 22, 2009 ~ Quarterly Board Meeting

***This Activity Report is an effort to keep all Board 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 this meeting go to <http://board.wstip.org> and select the September 2009 Meeting.

The Washington State Transit Insurance Pool Board of Directors met at the Ramada in Olympia, Washington on September 22, 2009. Board members in attendance were: Lynn Bourton, Link Transit; Mark Carlin, Grays Harbor Transit (Secretary); Van Church, Jefferson Transit; Jamie Collier, Clallam Transit; Kathy Cook, Mason Transit; Kim Gates, Asotin County PTBA, Ernie Graichen, Twin Transit; Stephanie Guettinger, Columbia County Public Transportation; Emmett Heath, Community Transit; Tom Hingson, Everett Transit (Vice-President); Staci Jordan, Island Transit; Joe Larson, Pierce Transit; Ken Mehin, Yakima Transit (Medium System Representative); Dale O'Brien, Skagit Transit; Jim Plaster, Spokane Transit (President); Paul Shinnors, Kitsap Transit (Virtually), Chris Smith, CUBS (At-large Representative); Rod Thornton, Pullman Transit; Cathy Whitney, Twin Transit; and Greg Wright, Grant Transit. Guests in attendance were: Rick Steddom, Alliant Insurance Services; and Kevin Wick, PriceWaterhouseCoopers (arrived 9:54 am). WSTIP staff in attendance were: Anna Broadhead, Member Services Assistant; Tracey Christianson, Member Services Manager; Christian DeVoll, Risk Management Specialist; Ron Franz, General Counsel; Al Hatten, Executive Director; and Jerry Spears, Deputy Director.

### **Call to Order**

President Plaster called the meeting to order at 8:35 am, a verbal roll call ensued as a sign-in sheet was passed around the room. Collier arrived at 8:37 am. There were no changes to the agenda.

### **Consent Agenda**

***Collier moved to approve the minutes of the June 26, 2009, Board meeting held in Spokane, Washington. Jordan seconded the motion and it passed.***

### **Financial Reports**

Plaster went through the Treasurer's Report, Balance Sheet, Income and Expense Statement, and RiskMaster Report and the Comparative Balance Sheet and Income and Expense Statement and asked for questions. Collier asked about the net income to date. Spears said currently we are at approximately \$400,000, but should be around \$200,000 at year end.

### **Sub-Committee Reports**

*COLA Sub-Committee* – Hingson and Foreman reported that they are trying to meet a couple of objectives. The first being they want to make the Cost of Living Adjustment (COLA) recommendation for staff out of the Executive Director's hands, and also be able to put in writing how the number is reached. The current draft policy states we will identify a number of transit agencies and create an average COLA, but another idea has come to light. Most WSTIP staff live in or around Thurston County and it may make sense to use Intercity Transit's general wage adjustment practice (GWA) then a set COLA. Foreman said Intercity's General Manager comes up with a number and the Board either approves or disapproves that number. Foreman said this year the recommended increase for non-represented employees is two percent; however, the WSTIP Board must approve any adjustment, if any. Hingson said we can let Intercity do all the research and then we can hash it out at the Annual Meeting. Collier asked if this was just a place marker for the budget. Foreman explained this would just give Spears a number for creating the budget. Plaster thought he was hearing that this was a pre-commitment to adoption of the budget. Smith felt that place holding was appropriate but that the data from each agency was necessary to finalize the number. Collier said she likes the idea that Foreman and Hingson have put forward to get an outside source but only to use that information as a placeholder. She felt that the discussion still needed to take place at the annual meeting. Hatten said in the past discussions about the COLA was about who has what and who doesn't. When staff has presented this proposed policy option to other pool members, questions were asked who determines what members are used for comparison and why consider the eastern side at all if one entity does the review of the environment it would be simpler. The simplicity of it would take away the general discussion. Historically, Intercity's GWA has been similar to WSTIP, but for clarity and simplicity it would meet the Pool's expectations. Foreman said they look at all the transit agencies, Thurston County, and the state. Plaster said as he collaborated with Hatten and Hingson regarding any possible staff salary adjustment he wants to keep it simple, but must admit he really likes seeing what everyone else is doing. Bourton said she supports the committee's work and appreciates them looking at like employers in the Thurston County area. Heath said he likes the idea of someone looking at a lot of data and using judgment. Plaster asked if Intercity could provide the data they used to support the GWA. Foreman said Tumwater is one to two percent, Lacey is zero percent, Olympia is zero percent, and Thurston County is two percent, Yelm is zero percent, and our transit comparables are at zero percent. He said after all the research Intercity is recommending two percent.

Plaster said to give staff direction we are recommending they use Intercity Transit's non-represented general salary adjustment of two percent for the target for the 2010 WSTIP budget. Plaster called for a vote and everyone concurred.

*IRM Sub-Committee* – Christianson reported that McCaw was not in attendance due to a special board meeting at his agency. The IRM Benchmark Sub-committee has worked on a draft policy, but has not submitted it to the Policy Review Committee. This is how the sub-committee is suggesting you determine success under IRM. If you have questions regarding the policy, seek out an IRM Benchmark Sub-Committee member (Ristau, Carlin, McCaw, Smith). The committee is tentatively scheduled to meet at the Annual Meeting and again in June. Collier asked if the sub-committee was ready for the Policy Review Committee to review. Carlin said yes. Collier also asked if a large number of high cost events was going to skew the results. Plaster asked Christianson to address frequency. Christianson said the average cost per event, the less cost will be picked up. Christianson said the committee focused on financially succeeding by reducing the number of claims. Plaster asked if there was a reason that the language "monies are held in trust" was used. Christianson said she would revise that. Collier said she felt the IRM Benchmark Sub-Committee needed to address the questions before it refers the policy.

*Camera Initiative Sub-Committee* – Heath reported that the committee held a “kick-off” meeting on August 10, and met again on September 21. There are several members who want to participate. There were 13 members in attendance at the meeting on the 21st. The group adopted a purpose statement which is: “To use WSTIP authority and resources to remove obstacles to install cameras in fixed route, and paratransit, to improve safety for customers and operators, to achieve lower claims cost and reduce vandalism costs.” The committee worked through a decision matrix and covered all the easy topics. We are working on a framework to report to the Board. The more difficult points all deal with money. We will be having a money discussion at a meeting on December 9th, if Ristau, Collier, and Spears are available, prior to the Annual Meeting.

*Nominations and Elections Committee* – Hingson reminded everyone that the Secretary position as well as the representative positions will be elected in December at the Annual Meeting. If you are interested in putting your hat in the ring, please let him know. Hingson explained they will have to write their name on their ballot this year so there is no secret ballots per the new rules. Hatten read the Nominations and Elections policy stating that the President must appoint two people to assist the Vice-President. Plaster asked for volunteers. Carlin volunteered as he will not be up for re-election. Collier pointed out that traditionally the Secretary and President are on the committee because they are already “stuck.” Plaster appointed Carlin and himself to the Nominations and Elections Committee.

*Policy Governance Committee* – Collier said the committee had met in early August and submitted two policies for the August Executive Committee meeting, she thanked Carlin for getting the nominations and elections policy as well as the records retention policy approved. .

## **Staff Reports**

*Executive Staff Report* – Hatten talked about his upcoming schedule, GEM happenings, cyber liability, renewals, how WSTIP and WSTA are working together to resolve the Public Disclosure requests, Pierce Transit’s transition to first dollar coverage, Washington State Pooling Coalition, the 2010 budget which staff have sharpened their pencils and tried to reduce costs where appropriate, the upcoming annual meeting where WSTIP will celebrate 20 years, and the Everett Transit training room which will be known as the “Dan Snow Training Room.” He also reminded the Board that WSTIP would be receiving recognition from AGRiP on Tuesday, October 20, at the AGRiP conference in Seattle, and encouraged everyone to attend. If you are interested in attending, please let Broadhead know.

*General Counsel’s Report* – Franz asked if anyone had questions. Heath asked how on average how many hours he was working in a week. Franz said on the average, in addition to fielding calls from Spears, approximately 2-3 days per week. Heath said he wasn’t talking about accountability just how involved he was, but that his response helped. Franz was asked what different abbreviations meant. He defined the PT ILA as Pierce Transit Interlocal Agreement and ICT as Intercity Transit, and said he would stop using so many abbreviations.

*Broker’s Report* – Steddom updated the group on current trends in the insurance market.

Plaster called for a short break at 10:00 am. The meeting resumed at 10:16 am.

## **Action Items**

*Actuarial Analysis* – Hatten explained that Wick was in attendance to answer any questions about the actuarial analysis, and to ensure fiduciary responsibility has been met, at the conclusion of his presentation it would be appropriate to accept the actuarial analysis as submitted.

Wick explained how the big number in the Pools budget is the loss fund, and how it is determined by his agency. To view his presentation go to <http://board.wstip.org> and select the meeting materials for September 2009.

***Carlin moved to accept the actuarial report. Collier seconded the motion and it passed.***

*Coverage Documents* – Hatten said he would defer to counsel but this has been a collaborative effort between Franz, Steddom, and himself and that they are recommending adoption of the revised coverage documents. Franz said previous coverage documents were “pretty darn good”, but this was a collaborative effort with three main themes: 1.) to clarify the existing language 2). avoid any reduction of coverage and 3.)to expand coverage where it was prudent to do so. He said these are better documents and encouraged the Board adopt with coverage to begin on January 1, 2010. Hatten said it is critical the Board move forward with this as it will help in negotiations with the underwriters.

***Collier moved to accept the re-drafted General Liability and Public Officials Liability coverage documents, effective January 1, 2010. Foreman seconded the motion.*** Plaster asked for discussion, he felt Hatten and Franz had addressed his concerns, but wanted to ensure there isn't a conflict of interest where we have a duty to the Pool to narrow the scope of coverage where there might be ambiguity, but as individual members we don't want to wake up one morning without a coverage we thought we had. He said Hatten and Franz's bottom line consensus was that these documents provide more clarity and do not diminish the coverage that members hope for. Franz said it is improved coverage. Heath asked if the improved coverage will result in higher rates. Hatten said that is why we involved our broker, Rick Steddom, and , in his opinion the proposed changes will be accepted by all the following form coverage providers, Steddom also stated that Pools, in general, have a tendency to have a broader and are open to the needs of our membership, and have broader language than commercial policies. ***Plaster called for a vote and the motion passed.***

*Budget Policy* – Collier said that Wick had clarified that the current calculation method seems reasonable so she proposed that the Policy Review Committee come back to the annual meeting with a budget policy that reflects how the budget is developed, same as last year but with a different approach to salary adjustments, flat rate experience calculation. Smith said he agrees it should be status quo for the year. There were several indicating approval around the room. Foreman said he could see no reason to do anything differently at this point.

Collier asked if experience rating compensated people for better safety practices for example having cameras, investing in training, etc., and asked Heath if he felt it would be worthwhile to ask Wick to look at that issue to see if there is a connection. Heath said he needs to understand it better, it's a very narrow and isn't sure we need Wick, he felt between Ristau, Collier, and staff can get help us figure out to what extent if any people who invest their own dollars in cameras, are being compensated with in their premiums. Hingson said he was hearing that maybe part of this discussion on cameras is the possibility of a carrot approach. He doesn't think at this point a carrot for this investment is the primary issue but,

what is the experience in terms of those settling claims whereas the camera says “this is what happened.” If you make the investment it should it reflect on your rates, or should we have a system of credits for those who have cameras? Heath said maybe but it’s already built in with the experience rating. Is there a diminishing return? Hatten said when we look at experience rating we are looking at the good of all. Hatten said staff can look at that. Heath said the pie doesn’t get bigger, and invited people to participate in the “money meeting.” Hatten asked if they would like Wick to be present. Spears said Wick would be willing to assist in any way the Board desires regarding the camera initiative. Christianson and Heath will propose questions to a small group of the camera initiative sub-committee to postulate the questions to be answered by the larger group.

Collier said the Policy Review Committee takes away status quo for the budget policy, will edit the draft policy and submit it to the Executive Committee in October, and hopefully present to the Board at the Annual Meeting.

The Board broke for lunch at 11:30 am. Plaster called the meeting back to order at 12:37 pm.

### **Executive Session**

The WSTIP Board of Directors went into Executive Session at 12:38 pm for approximately 80 minutes pursuant to RCW 42.30.110 and RCW 48.62.101 to discuss personnel matters. The Board came out of Executive Session at 2:03 pm. No action was taken.

### **Discussion Items**

*Draft 2010 Budget and Strategic Ratio Review* – Spears went through the budget, answering questions from Board members. DeVoll talked about Integrated Risk Management budget and Christianson talked about the Member Services budget noting that she reduced her budget by approximately 10 percent.

Plaster asked Hatten about health benefits for staff. Hatten said part of the employee compensation package from WSTIP is a fully paid family health benefits program, as long as you are enrolled in Uniform Medical Plan(UMP). If WSTIP offers other medical plans and the cost of premiums is higher than UMP, the employee pays the difference. Hatten asked, if this was an issue about the individuals or is this an issue about the line item in the budget. If it’s the line item in the budget then the Board could make a condition that benefits shall be no greater than a State of Washington agency of similar size and makeup to adequately meet the expectations of a budget for healthcare expense. Hatten feels it is the responsibility of the Executive Director to present a balanced budget to the Board. He said another option for the Board is to adjust everyone’s compensation by the amount of the premium portion, and then health benefits will be at the employees own expense. Or we can provide an incentive for those who have the option of obtaining healthcare through their spouses, but what is the incentive for doing that?

Plaster said it’s been a sensitive issues as more public agencies move to a contributory basis for healthcare. Until 2004 Spokane Transit was non-contributory, so what are the expectations of the broader representation of the Board? Should WSTIP pick up the pattern or is it more myth than actuality? Collier said they have both programs for a while. As an individual employee you are covered 100%, but you contribute at least 20% for your dependents, and that is from a cost standpoint and equity standpoint as your circumstances in life change you contribute more or less. For the last five years we have had an arrangement that if your spouse was on the transit plan and moved to an independent plan then we offer

an incentive and if you put yourself on their plan as an incentive which is set at about 40 percent. It hasn't changed behavior and has implementation issues you may want to consider.

Heath felt this was a significant topic, and would like to see it queued up to develop an appropriate amount of time to it, he wasn't aware there was a need to change, he would like to see the budget go status quo and bring it up fully at a later date.

Hatten said when you look at the strategic financial ratios we are right on the cusp of being in compliance. For every percentage reduction in operations of the membership a portion would need to be adjusted out of our operating expenses. It's something he wants to be sensitive about if we don't have an economic turnaround soon. Heath wanted to know about the premium waiver program. Hatten said it's more preemptive at this point, options to consider, and if you want us to continue status quo for 2010 that will be fine. He knows it's going to come up and wants to talk about it now rather than later. Heath said it's a big cost topic and you cannot do this in the next five minutes. Plaster said staff has taken the initiative to tighten the belt and there is a potential \$27,000 cost savings, it's important to properly analyze it.

Hingson said there are two issues the Board shouldn't tackle this in a short time frame, and Hatten is proposing a policy statement that gives the Executive Director direction that says "here are your parameters for benefits, it is up to you to figure out how to do that." He would be willing to look at a draft policy in December. Hatten said the reason we are bringing this up now, is that the enrollment period is in November. Collier suggested that the Executive Committee have this conversation at their October meeting. Heath said at Community Transit they have had a premium waiver in place for many years and he is intimately familiar with it. The last thing is that employee wages and benefits should be competitive in the market they live in, and stay within the parameters of competitiveness.

Plaster said he isn't a member of Public Employees Benefits Board (PEBB) and that they have been allowed to change mid-contract. Collier said the issue is in order to get the waiver one of the parties must jump onto someone else's coverage and that is normally November.

Plaster said for staff guidance we would like to see a draft policy brought forward with proper analysis in October if it's ready. Hingson said if the policy is ready we will look at it in October. Plaster said we can defend our actions at the Annual Meeting, he doesn't want to rush it but to wait another year may not be prudent. Foreman said he is hearing a couple of different things. First off, those who have the opportunity to join another plan will benefit from, it but the other question that came up was do we want employees to contribute to healthcare. Making staff contribute would be a reduction in pay, and Hatten wondered if that was the intent of the Board.

Plaster asked how many transit agencies are non-contributory for employee and family. Five members raised their hands. Hingson said he believes the staff contribution is a much larger issue, and if there is a cost savings by trying this, the Board would need a policy statement in discuss it. The Executive Committee will be reviewing a draft policy.

Heath left the meeting at 2:58 pm.

Spears said the budget proposes a zero percent COLA for staff. They discussed Pierce Transit, Board expenses, and Information Technology areas of the budget. Spears reminded everyone that for bad accidents that happen after hours to please call his cell phone (360-628-3111).

Hatten thanked the Board for the guidance on the budget, and emphasized that staff are sensitive to their financial positions. Plaster thanked staff for the budget document and chose to defer member updates unless anyone wanted to make an update of sales tax reductions we should know about. He also congratulated Island Transit for receiving their tax increase.

Plaster said the next Executive Committee meeting is scheduled for October 21<sup>st</sup> at the AGRiP Conference in Seattle, however, please be advised that date will likely change due to Spokane Transit's Board meeting. Hingson and Hatten will work with Plaster to make arrangements for the meeting.

***Update – the Executive Committee meeting will be held on October 19, at the Grand Hyatt in Seattle, from 4:00 pm to 6:00 pm.***

#### **Adjournment**

Carlin moved to adjourn the September 22, 2009, Board Meeting at 3:20 pm. Collier seconded the motion and it passed.