SANTA BARBARA COUNTY
BOARD AGENDA LETTER

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Agenda Number:	
Prepared on:	12/8/05
Department Name:	General Services
Department No.:	063
Agenda Date:	1/3/06
Placement:	Administrative
Estimate Time:	
Continued Item:	NO
If Yes, date from:	

TO: Board of Supervisors

FROM: Bob Nisbet, Director
General Services Department

STAFF CONTACT: Bobbie Overgaard, Risk Program Administrator
General Services Risk Management, 884-6866

SUBJECT: Amendment of California State Association of Counties
Excess Insurance Authority Joint Powers Agreement
All Supervisorial Districts

Recommendation(s):

That the Board of Supervisors authorize the Chair to execute the proposed amendment to the California State Association of Counties Excess Insurance Authority (CSAC-EIA) Joint Powers Agreement (JPA).

Alignment with Board Strategic Plan:

The recommendation(s) are primarily aligned with Goal No. 1. An Efficient Government Able to Respond Effectively to the Needs of the Community.

Background:

Prior Board Actions:

1979 – Authorized participation in CSAC Excess Insurance Authority
1980 – Approved amendment to Joint Exercise of Powers Agreement
1987 – Approved amendment to Joint Exercise of Powers Agreement
1988 – Approved amendment to Joint Exercise of Powers Agreement
1993 – Approved amendment to Joint Exercise of Powers Agreement
1996 – Approved amendment to Joint Exercise of Powers Agreement
2005 – Approved amendment to Joint Exercise of Powers Agreement

The EIA was formed by and for the California counties in 1979 by the California State Association of Counties (CSAC). Although independently operated, counties must maintain membership in CSAC in order to participate in the EIA's programs. Today, 54 of the 58 counties in California participate in one or more of the EIA programs. The EIA is recognized as the largest public entity property and casualty pool in the United States.

On July 1, 2001, the EIA sponsored the formation of the California Public Entity Insurance Authority (CPEIA) to provide access to the EIA's programs and services to all public entities in California. This was done to provide greater flexibility to member counties in a changing and uncertain environment. The CPEIA is a separate entity from the EIA; many of the members of the CPEIA are county affiliated entities such as In-Home Support Services, county contracts with cities, and even individual county departments.

By increasing the membership through the formation of the CPEIA, the EIA is better able to retain more risk and transfer less risk to the commercial insurance market. The EIA has also been able to attract new reinsurers based upon its larger size and the reinsurance has been dramatically cheaper on a per member basis. Prior to formation of the CPEIA, counties were already combining their pooling and purchasing power, but still received an additional $41 million benefit during the past four years (through 6/30/05). CPEIA members gained even more ($116 million) during the same period because they were not receiving the volume discounts prior to joining that the counties were already receiving.

Executive Summary and Discussion:

Creating the CPEIA as a completely separate organization was done in order to maintain clear lines between counties and non-counties. Goals of retaining county control, and not disturbing the relationship with EIA's founding organization, CSAC, were accomplished. Now that there is a proven track record with the CPEIA, the EIA Board of Directors has proposed a change in structure.

It is proposed that the CPEIA members be permitted to join the CSAC EIA directly, thereby eliminating the need to maintain the CPEIA as a separate legal entity. In order to accomplish this restructure, the Excess Insurance Authority Joint Powers Agreement (EIA JPA) must be amended to alter the membership requirements and voting rights.

The proposed JPA amendment will create two classes of membership: Member Counties (those counties that maintain their membership in CSAC) and Public Entities (those public entities in the State of California that do not maintain membership in CSAC). All Member Counties will continue to be represented on the Board of Directors. Public Entity members will receive seven voting seats on the Board of Directors and will have three alternate directors that are permitted to vote in the absence of one of the seven. These 10 Public Entity Directors will be elected by the Public Entity membership and will include three designated seats in the categories of cities, schools, and special districts. Currently there are 54 member county directors to which seven Public Entity directors would be added for a total of 61 eligible voting directors. Therefore, the Public Entity membership would control approximately 11.5% of the votes. There is a provision that the Public Entity representation on the board can never exceed 20%.

In addition, the existing Executive Committee will be expanded from 9 voting seats to 11 voting seats. The two new Executive Committee seats will be designated for representatives from the Public Entity membership. The Public Entity members on the Executive Committee will be elected by the 61 member board of directors and must come from the seven representatives that are elected to the board by the Public Entity membership.

The EIA Board of Directors believes that the elimination of the CPEIA is in the best interest of both the EIA and CPEIA. The proposed restructure will simplify the organizational relationship and actually provide a higher level of control for the member counties. Adoption of the proposal will result in the sharing of the decision-making responsibilities under a new structure guaranteeing an overwhelming majority representation by the counties. Future changes to this new structure could only be implemented via an additional JPA amendment controlled by the counties. At the same time, this is an opportunity to provide a real and meaningful voice and level of participation to the CPEIA membership. The principles that the EIA was built upon and that have made the EIA so successful – primarily member involvement and member loyalty – apply to CPEIA members as well. Many CPEIA members recognize the benefits of pooling and want to be "participants", as opposed to "purchasers" of insurance. This structure will make it more likely that CPEIA members will remain in the EIA programs even as the insurance market softens. It is believed the proposed restructure has found the appropriate balance between county control and meaningful public entity participation.

As required by the JPA, the proposed amendment was circulated for a 90-day review and comment period to the County Counsels of all member counties, with no legal issues being raised.

The amendment to the JPA will become effective upon approval of two-thirds of the 36 boards of supervisors. The deadline is March 3, 2006.

Mandates and Service Levels:

No change in programs or service level.

Fiscal and Facilities Impacts:

No net county cost is associated with this recommendation.

Special Instructions:

Please return a copy of executed amendment of the "Joint Powers Agreement Creating the CSAC Excess Insurance Authority" to Bobbie Overgaard in the Office of Risk Management.

Concurrence:

County Counsel

Attachments:
- CSAC EIA / CPEIA Restructure, An Executive Summary
- Joint Powers Agreement Creating The CSAC Excess Insurance Authority (Red-line Version)
- Joint Powers Agreement Creating The CSAC Excess Insurance Authority
- CSAC Excess Insurance Authority Proposed Restructure of CPEIA / EIA, Pro's and Con's
- EIA/CPEIA Restructure Proposal, Frequently Asked Questions, April 26, 2005