Agenda Date: 2/7/2006
Agenda Placement: 6R

NAPA COUNTY BOARD OF SUPERVISORS
Board Agenda Letter

TO:	Board of Supervisors
FROM:	Britt Ferguson for Nancy Watt - County Executive Officer County Executive Office
REPORT BY:	Karen Schoenfeld, Risk Manager, 253-4821
SUBJECT:	Amendment of CSAC Excess Insurance Authority Joint Powers Agreement

RECOMMENDATION

County Executive Officer requests approval of and authorization for the Chair to sign Agreement No. 2700-1, a Joint Powers Agreement creating the CSAC Excess Insurance Authority and combining the California Public Excess Insurance Authority (CPEIA) with the Excess Insurance Authority (EIA) pending final approval by the EIA Board of Directors on March 3, 2006.

EXECUTIVE SUMMARY

On October 7, 2005, the Board of Directors of CSAC's Excess Insurance Authority (EIA) approved a proposed amendment to the Joint Powers Agreement to allow for the restructuring of the EIA to include the membership of the California Public Entity Insurance Authority (CPEIA). The proposed restructure will simplify the organizational relationship and provide a higher level of control for member counties. As required by the JPA, the proposed amendment was circulated for a 90-day review and comment poeriod to the County Counsels of all member counties, with no legal issues being raised.

FISCAL IMPACT

Is there a Fiscal Impact? No

ENVIRONMENTAL IMPACT

ENVIRONMENTAL DETERMINATION: The proposed action is not a project as defined by 14 California Code of Regulations 15378 (State CEQA Guidelines) and therefore CEQA is not applicable.

BACKGROUND AND DISCUSSION

The EIA was formed by and for 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 out of the 58 counties in California participate in one or more of the EIA programs.

The County of Napa joined the EIA in May of 1988 upon execution of Joint Powers Agreement (JPA) No. 2700. The JPA has subsequently been amended March 1993, November 18, 1996 and October 4, 2005.

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 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. Indeed, 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.

In forming the CPEIA, it was anticipated that this would be a mutually beneficial relationship for both the EIA and CPEIA. All members would benefit from a larger volume that should produce lower costs and greater stability, lower costs of administration by spreading the cost of services to a larger membership base, provide a risk management solution for local public entities affiliated with member counties, and provide an overall benefit to taxpayers by creating the most efficient delivery of insurance protection possible.

By increasing the membership, 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.

The EIA/CPEIA relationship was structured as described above primarily because of the clear lines that were drawn between counties and non-counties by creating a completely separate organization. Goals of retaining county control, and not disturbing the relationship with our founding organization, CSAC, were accomplished. Now that there is a proven track record with the CPEIA, the EIA Board of Directors has determined that there is a better way. The intention is to restructure the relationship to ensure, and enhance county control and provide meaningful participation opportunities for our non-county members.

It is proposed that 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 EIA JPA Agreement needs to be amended to alter the membership requirements and voting rights.

The EIA Board of Directors believe 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 our 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.

SUPPORTING DOCUMENTS

None

CEO Recommendation: Approve

Reviewed By: Maiko Klieman