



February 23, 2017
1:00 p.m.

AGENDA

**Board Executive Committee Meeting
Riverside County Administration Center
Board of Supervisors Conference Room C
4080 Lemon Street, Fifth Floor
Riverside, CA 92501**

Any person with a disability who requires a modification or accommodation in order to participate in this meeting, or any person with limited English proficiency (LEP) who requires language assistance to communicate with the Riverside Transit Agency Board of Directors during the meeting, should contact the Riverside Transit Agency Clerk of the Board, telephone number (951) 565-5044, no fewer than two business days prior to this meeting to enable the Riverside Transit Agency to make reasonable arrangements to assure accessibility or language assistance for this meeting.

Agenda item descriptions are intended to provide members of the public a general summary of business to be conducted or discussed. Posting of any recommended action on an agenda item does not indicate what action will be taken. The Board of Directors may take any action it believes is appropriate on the agenda item and is not limited in any way by the notice of any recommendation.

All documents related to any agenda item are available for public inspection at www.riversidetransit.com or through the Clerk of the Board's office at the Riverside Transit Agency, 1825 Third Street, Riverside, CA 92507.

ITEM

RECOMMENDATION

- 1. CALL TO ORDER**
- 2. SELF-INTRODUCTIONS**

ITEM

RECOMMENDATION

3. PUBLIC COMMENTS – NON-AGENDA ITEMS

RECEIVE COMMENTS

Members of the public may address the Board regarding any item within the subject matter jurisdiction of the Board; however, no action may be taken on off-agenda items unless authorized by law. Comments shall be limited to matters not listed on the agenda. Members of the public may comment on any matter listed on the agenda at the time that the Board considers that matter. Each person's presentation is limited to a maximum of three (3) minutes.

4. APPROVAL OF MINUTES – DECEMBER 15, 2016 EXECUTIVE COMMITTEE MEETING (P.3)

APPROVE

5. APPROVAL OF MINUTES – JANUARY 26, 2017 EXECUTIVE COMMITTEE MEETING (P.5)

APPROVE

6. AUTHORIZE AN INCREASE TO GENERAL COUNSEL LEGAL FEES (P.7)

APPROVE

7. AUTHORIZATION TO CEASE PARTICIPATION IN THE CALIFORNIA TRANSIT INDEMNITY POOL (“CALTIP”) AND SECURE GENERAL/VEHICLE LIABILITY AND VEHICLE PHYSICAL DAMAGE (VPD) INSURANCE THROUGH A STAND-ALONE PLACEMENT (P.9)

APPROVE

8. NEXT MEETING

Thursday, March 23, 2017, 1:00 p.m.
Riverside County Administration Center
Board of Supervisors Conference Room C
4080 Lemon Street, Fifth Floor, Riverside, CA 92501

9. MEETING ADJOURNMENT

RTA BOARD EXECUTIVE COMMITTEE MEETING MINUTES
Minutes
December 15, 2016

1. CALL TO ORDER

Chairman Frank Johnston called the Board Executive Committee meeting to order at 1:00 p.m. on December 15, 2016, in the Board of Supervisor's Conference Room C, 4080 Lemon St., Riverside, CA.

2. SELF-INTRODUCTIONS

Self-introductions of those in attendance took place.

Committee Attendees

1. Chairman Frank Johnston, City of Jurupa Valley
2. First Vice-Chair Linda Krupa, City of Hemet
3. Second Vice-Chairman Art Welch, City of Banning
4. Director Randon Lane, City of Murrieta

Absent

1. Immediate Past Chair Marion Ashley, County of Riverside District V

RTA Staff

1. Larry Rubio, Chief Executive Officer
2. Craig Fajnor, Chief Financial Officer
3. Vince Rouzaud, Chief Procurement & Logistics Officer

Other Attendees

1. James Donich, Agency General Counsel

3. PUBLIC COMMENTS - NON-AGENDA ITEMS

None.

4. APPROVAL OF MINUTES – NOVEMBER 17, 2016 EXECUTIVE COMMITTEE MEETING

M/S/C (LANE/WELCH) approving the minutes of the November 17, 2016 Executive Committee meeting.

The motion carried unanimously.

The Executive Board Committee went into Closed Session at 1:02 p.m.

5. CLOSED SESSION

PURSUANT TO GOVERNMENT CODE SECTION 54956.9(b)(1) – ANTICIPATED LITIGATION – ONE ITEM

The Executive Board Committee returned to Open Session at 1:28 p.m.

6. NEXT MEETING

Board Executive Committee Meeting
Thursday, January 26, 2017, 1:00 p.m.
Riverside County Administration Center
4080 Lemon St., 5th Floor, Conference Room C
Riverside, CA 92501

7. MEETING ADJOURNMENT

The meeting was adjourned at 1:28 p.m.

RTA BOARD EXECUTIVE COMMITTEE MEETING MINUTES
Minutes
January 26, 2017

1. CALL TO ORDER

Chair Linda Krupa called the Board Executive Committee meeting to order at 1:02 p.m. on January 26, 2017 in the Board of Supervisor's Conference Room C, 4080 Lemon St., Riverside, CA.

2. SELF-INTRODUCTIONS

Self-introductions of those in attendance took place.

Committee Attendees

1. Chair Linda Krupa, City of Hemet
2. Immediate Past Chairman Frank Johnston, County of Riverside District II
3. Second Vice-Chairman Randon Lane, City of Murrieta

Absent

1. First Vice-Chairman Art Welch, City of Banning
2. Director Tonya Burke, City of Perris
3. Director Berwin Hanna, City of Norco

RTA Staff

1. Larry Rubio, Chief Executive Officer
2. Craig Fajnor, Chief Financial Officer
3. Vince Rouzaud, Chief Procurement & Logistics Officer
4. Jim Kneepkens, Director of Marketing

Other Attendees

1. James Donich, Agency General Counsel

3. PUBLIC COMMENTS - NON-AGENDA ITEMS

None.

4. APPROVAL OF MINUTES – DECEMBER 15, 2016 EXECUTIVE COMMITTEE MEETING

A quorum was not present and this item was continued to the February 2017 Executive Committee meeting.

5. TRANSPORTATION NOW QUARTERLY ATTENDANCE REPORT
Jim Kneepkens presented the Transportation NOW Quarterly Attendance report.
6. POSSIBLE LOCAL TRANSPORTATION FUNDS (LTF) ADVANCE
Craig Fajnor presented an update regarding a possible LTF advance.

Director Randon Lane arrived to the meeting at 1:10 p.m.

The Executive Board Committee went into Closed Session at 1:14 p.m.

7. CLOSED SESSION

PURSUANT TO GOVERNMENT CODE SECTION 54956.9(b)(1) – ANTICIPATED LITIGATION – ONE ITEM

The Executive Board Committee returned to Open Session at 1:34 p.m.

8. NEXT MEETING

Board Executive Committee Meeting
Thursday, February 23, 2017, 1:00 p.m.
Riverside County Administration Center
4080 Lemon St., 5th Floor, Conference Room C
Riverside, CA 92501

9. MEETING ADJOURNMENT

The meeting was adjourned at 1:35 p.m.

RIVERSIDE TRANSIT AGENCY
1825 Third Street
Riverside, CA 92507

February 23, 2017

TO: BOARD EXECUTIVE COMMITTEE
THRU: Larry Rubio, Chief Executive Officer
FROM: Vince Rouzaud, Chief Procurement and Logistics Officer
SUBJECT: Authorize an Increase to General Counsel Legal Fees

Summary: Since the adoption of the Joint Powers Agreement which created the Riverside Transit Agency in 1975, the law firm of Woodruff, Spradlin & Smart (formally Rourke & Woodruff) has had the responsibility of overseeing the Agency's legal affairs. Legal services include on-going compliance with the R.M. Brown Act, employee relations, defense of grievances, ethics, conflicts of interest, contract law, legal review of contract documents and all other legal matters arising through the ordinary course of business.

The Agency last approved an adjustment to legal fees (hourly rates) in December 2011. The attached letter is a request to increase the hourly rates for legal services effective March 1, 2017. The below table illustrates the current and proposed rates if approved.

	<u>Current</u>	<u>Proposed</u>
Partner	\$230/hour	\$245/hour
Associate	\$230/hour	\$245/hour
Paralegal	\$110/hour	\$118/hour

Staff has reviewed the hourly rates paid by other public transportation agencies in the region and determined the proposed increase to be fair and reasonable.

Expenditures for legal services to Woodruff, Spradlin & Smart have averaged approximately \$100,000 for each of the past three fiscal years.

Fiscal Impact:

There are sufficient funds in the current operating budget to accommodate this increase.

Recommendation:

- Approve an increase in legal fees paid to Woodruff, Spradlin & Smart effective March 1, 2017.

RIVERSIDE TRANSIT AGENCY
1825 Third Street
Riverside, CA 92507

February 23, 2017

TO: BOARD EXECUTIVE COMMITTEE

THRU: Larry Rubio, Chief Executive Officer

FROM: Craig Fajnor, Chief Financial Officer
Rick Majors, Risk Manager

SUBJECT: Authorization to Cease Participation in the California Transit Indemnity Pool ("CalTIP") and Secure General/Vehicle Liability and Vehicle Physical Damage (VPD) Insurance through a Stand-alone Placement

Background: CalTIP was formed in 1987 at a time when liability insurance costs in the public transit industry in California were skyrocketing. A year later (1988), the VPD Program within the pool was commenced. The Agency has been a member of CalTIP since its inception.

There were 15 original entities when CalTIP was formed. Ten of the original 15 are still members of the pool. CalTIP currently has 35 members participating in the Liability Program and 28 members participating in the VPD Program. The Agency participates in both programs. CalTIP member entities are made up of public transit Joint Powers Authorities (JPA) and transit service departments of cities and counties from all over the state. The size, structure, and nature of operation of the membership varies greatly.

The benefits of joining the pool – and the overall pooling concept – included, but were not limited to, the following:

- Reduced insurance acquisition difficulties
- Reduced and stabilized costs
- Customized experience rating
- Directed loss control and risk management services
- High-quality claims management service

CalTIP is an accredited insurance JPA currently managed under contract by Bickmore Risk Services. York Risk Services (York), the Third Party Administrator (TPA), provides claims administration under both the Liability and VPD Programs.

Due to the nature of operating as a JPA, other administrative services such as auditing, actuarial, legal counsel and brokerage are required. All of these services are contracted – there are no CalTIP employees. Administrative costs are borne by all pool members independent of the insurance premiums charged.

The Agency is an entity within the pool. As such, we have representation on the pool's Board of Directors. The Chief Executive Officer position of the Agency is the named CalTIP Board Member. There are two RTA Board-approved CalTIP Board Alternates: the Chief Financial Officer position and the Risk Manager position. Much like the RTA board structure, CalTIP has a governing Board as well as three Standing Committees. These are:

- Oversight (similar to the RTA Executive Committee)
- Finance & Administration (similar to the RTA Budget & Finance Committee)
- Member Services (similar to the RTA Administration & Operations Committee)

RTA is represented on the Oversight and Finance & Administration Committees. CalTIP has, on occasion and when warranted, had Ad Hoc Committees to address specific issues.

The costs of being in CalTIP and obtaining these insurance coverages are two-fold. First, as mentioned previously, there are administrative costs for being in the pool. These costs historically have been apportioned to the pool membership based on their size as measured in service miles. Currently, RTA is the largest member in the pool and pays approximately twenty percent (20%) of the pool's administrative cost.

Second, and greater, are the premium costs for the insurance. RTA is insured up to \$25 million for General/Vehicle Liability Insurance after a \$25 thousand self-insured retention (SIR). RTA is insured up to \$30 million for VPD Insurance after a \$5 thousand deductible.

Liability insurance costs are derived through calculations that take into account the following:

- Miles driven
- Reinsurance and Excess Insurance costs layers that build to the \$25 million limit
- Loss Experience - of the pool in aggregate and each Member individually
- Overall insurance market economics

For the VPD Program, the costs are derived through calculations that take into account the following:

- Number of vehicles
- Vehicle costs: Acquisition, Book, and Replacement
- Loss Experience - of the pool in aggregate and each Member individually

Alliant Insurance Services Inc. (Alliant) is the broker for both the Liability and VPD insurance coverages/policies offered through CalTIP. Alliant is also the Agency's broker for its non-CalTIP general insurance program policies that include, but are not limited to, property and employment practices.

With the above background in mind, there have been a number of issues that have developed over the years that have led staff to consider a change in how it insures itself for Liability and VPD losses. Most importantly is cost.

Summary: As mentioned previously, costs in CalTIP are two-fold: Administrative and Insurance. The Agency's costs through CalTIP have gone up significantly in recent years for a variety of reasons and have driven staff to consider coverage outside of CalTIP. These reasons include, but are not limited to, the following:

- Agency growth in service miles
- Public (transit) entities loss experience (frequency)
- Public (transit) entities loss experience (severity)
- Lack of tort limits in California
- Dissimilarities of RTA versus other CalTIP members
- CalTIP size and structure

With respect to the last bullet, particularly related to pool administrative costs allocation, the Agency has long argued about the inequity of the past - and more recent - allocation methodology. Given that the administrative elements of running the pool benefit each member equally, staff believes these costs should also be borne equally (approximately 3% each) amongst the membership. Up to this point, they have not been equally shared. They have been allocated by size of member with some consideration for equity. Thus, instead of paying the 3% equal share of the administrative costs, the Agency has been paying approximately 20%. There is no advantage to being larger than average in the pool. In fact, there is disadvantage to being larger under the past structure and RTA has been the first or second largest member of the pool for quite some time.

With respect to Liability and VPD insurance costs, these coverages have to be looked at separately.

VPD insurance cost is driven by the overall value of the vehicles being insured and loss history/experience. Mostly, the greater the aggregate value of the vehicles, the higher the premium. Loss history/experience also comes into play but this hasn't been an issue for the Agency and its costs in this area are not exorbitant.

Liability insurance cost is driven by exposure and claims experience. Claims cost is driven by frequency and severity. The more service the Agency provides, the greater the chance for an incident or occurrence (frequency). Given that an incident occurs, severity of the claim becomes the issue. It should be noted that a severe claim can happen to anyone – regardless of size. Each year, the premiums charged through the pool are calculated based on expected mileage, considering:

- The state of the market
- The loss experience of the entire pool
- The loss experience of each member in the pool

The Agency's experience has been reasonable while the pool's experience has been challenging in recent years. This adverse experience, coupled with the hardening public entities market and the non-existence of tort caps in California, will make market conditions challenging for the foreseeable future.

It should also be noted that the Agency currently requires its fixed route service contractor (Empire Transportation) and its primary Dial-A-Ride (DAR) service contractor (TransDev) to carry \$10 million of liability insurance. The Agency also requires its DAR Taxi Overflow service contractor (Network Paratransit) to carry \$2 million of liability insurance. These costs are passed on to the Agency through the rate charged for service. Thus, for these coverages, the Agency is essentially paying double for the premium up to these levels of coverage through CalTIP. Staff has asked CalTIP to revisit the rating/premium structure of our Liability insurance through the pool as we are being "double-charged" up to the limits identified above. Up to this point, CalTIP staff has been unable to accommodate our request.

Should the Board approve the Agency's departure from CalTIP (May 1, 2017), a number of other logistical items need to be addressed. These are:

- Electronic Pull-Notices (EPN) from the State Department of Motor Vehicles (DMV) (currently provided by SAMBA through CalTIP)
- Risk Control Training and Programs (currently provided through CalTIP)
- TPA services for claims handling (currently provided by York Risk Services under contract with CalTIP)

Staff has identified a solution for the replacement of SAMBA. Staff will identify and procure Risk Control Training and Programs as necessary. Staff currently has a competitive procurement in-progress for TPA services in support of Liability and VPD claims commencing on or after May 1, 2017 should it be decided and approved to leave the pool. It is expected that the cost of these services will be commensurate with the current costs incurred through CalTIP.

Attached to this report is a financial cost comparison that considers and compares the following:

- The estimated renewal cost to the Agency for Liability and VPD insurance through CalTIP with anticipated structural changes going forward with a \$100,000 SIR for Liability
- The estimated renewal cost to the Agency for Liability and VPD insurance through CalTIP with anticipated structural changes going forward with a \$250,000 SIR for Liability
- The estimated cost to the Agency for Liability and VPD insurance if placed outside of CalTIP with a \$400,000 SIR for Liability

The comparison indicates that the Agency will save approximately \$647,000 in the first year by securing both coverages on a stand-alone basis versus renewing with CalTIP at a \$100,000 SIR for Liability. The comparison further indicates that the Agency will save approximately \$301,000 in the first year by securing both coverages on a stand-alone basis versus renewing with CalTIP at a \$250,000 SIR for Liability. In both cases, the SIR for VPD would increase from \$5,000 to \$10,000.

After many decades of being a member of CalTIP, staff believes the time is right to change course. In addition to the savings estimated above, staff sees additional benefits of going with a stand-alone placement. These include, but are not limited to, the following:

- Stand-alone placement of Liability includes EPLI coverage which CalTIP will be excluding going forward
- Stand-alone placement of VPD provides greater limit with no potential dilution of coverage depending on occurrence
- Eliminates “double charging” of contractor miles up to limits previously identified
- Greater “control our own destiny” approach than with a 35 member, equally-weighted vote, Board of Directors; autonomy of claims handling within the SIR
- Avoid administrative costs of being in a pooled arrangement – regardless of allocation methodology
- Reduce out-of-office time by approximately 2 weeks per year
- Avoid potential for future assessment on claims experienced on or after May 1, 2017

It should be noted that additional costs could be incurred via an assessment from prior years’ claims’ adverse development. Conversely, a retrospective positive adjustment could also be realized in the future depending on the improved development of claims incurred prior to April 30, 2017.

Should CalTIP continue operation or cease existence and dissolve in the future, the possibility exists that some costs would still be the responsibility of the Agency subject to the limitations of the bylaws of the pool.

An overview of this situation was provided to the Administration and Operations Committee at their February 1, 2017 meeting. Staff shared the history and structure of the pool, and the issues experienced by the Agency. Staff also outlined the timeline and deadlines involved with the complicated decision to stay in or depart from the pool. Below is a summary:

- CalTIP Fiscal Year is May 1 to April 30
- CalTIP requires a 180 day notice of intent to leave the pool prior to the next year’s renewal (October 31)
- CalTIP requires a 90 day rescission of the notice of intent to leave the pool (January 31)
- CalTIP cannot provide comparative renewal values until at least late-March/early April

- Staff initiated due diligence and external marketing of coverage outside of CalTIP with Alliant in September 2016
- Staff requested, and was granted, an extension from the January 31 date to February 27 in order to vet as long, and thoroughly as possible, costs outside of CalTIP in order to provide the Board with the best information available – knowing that CalTIP actual numbers cannot be known in time for accurate comparison
- The timelines above do not change in the future if a decision was deferred

This timeline, and these deadlines, are what led to what appears to be a last-minute decision and recommendation to the Board. Had we not asked for and received the extension, we would have renewed with CalTIP without the most up-to-date information for comparison purposes and likely paid more than necessary. As such, staff briefed the Administration and Operations Committee that additional information would be gathered prior to the publishing of the Board meeting agenda in order for staff to either recommend leaving CalTIP or staying in for at least another renewal. It should be noted that an option staff and Alliant expected would be a viable alternative to CalTIP fell apart within days after the Administration and Operations Committee meeting. Thus, the extra time was critical.

This item will also be discussed at the Board Meeting on February 23, 2017.

Fiscal Impact:

The estimated first-year savings from leaving CalTIP and securing Liability and VPD insurance through a stand-alone placement is \$647,398. There is no specific cost (i.e. – early termination, cancellation, etc.) associated with leaving CalTIP. Future years' cost savings and/or increases are to be determined.

Should the Agency consider rejoining CalTIP in the future, it would have to re-apply. Further, if the Agency successfully rejoined the pool, the minimum pool participation commitment duration would be three years.

Recommendation:

- Authorize staff to notify CalTIP that the Agency will cease participation in the pool effective May 1, 2017.

Authorize staff to secure General/Vehicle Liability and Vehicle Physical Damage insurance coverages through a stand-alone placement effective May 1, 2017.

**Liability and VPD Pricing Analysis
May 1, 2017 to April 30, 2018**

	Estimated CalTIP Renewal at \$100K SIR	Estimated CalTIP Renewal at \$250K SIR	Stand Alone Program Option
	2017-2018	2017-2018	2017-2018
	10%	10%	
Liability SIR	100,000	250,000	400,000
Liability SIR Funding	557,000	708,000	750,000
Total Liability Limit	25,000,000	25,000,000	25,000,000
Total Liability Premium	2,313,445	1,804,387	2,004,400
APD SIR	5,000	5,000	10,000
APD SIR Funding	25,000	25,000	50,000
Total APD Limit	30,000,000	30,000,000	35,000,000
Total APD Premium	120,000	132,000	258,099
Admin Charge	175,000	175,000	-
TPA Cost	125,000	125,000	125,000
Total SIR Funding	582,000	733,000	800,000
Equity Building Plan	266,000	266,000	N/A
Mileage Adjustment	253,452	253,452	N/A
Total Program Cost	3,834,897	3,488,839	3,187,499
Savings vs. CalTIP @ \$100K SIR			\$647,398
Savings vs. CalTIP @ \$250K SIR			\$301,340

Notes:

1. Liability and APD SIR Funding figures are estimates as set by the Actuary
2. CALTIP Renewal Pricing is an estimation, based on a rate increase of 10% for the Liability and APD coverage