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FINANCE AND ADMINISTRATION COMMITTEE MEETING

Thursday, March 27, 2025
 Teleconference

Minutes

1. CALL TO ORDER

Chairperson Robin Van Valkenburgh called the meeting to order at 10:03 a.m.

2. ROLL CALL

A roll call was conducted, and it was determined that a quorum of the Committee was present.

Committee Members Present

Chair: Robin Van Valkenburgh, Nevada County

Vice Chair: George Fink, Tahoe Transportation District

Treasurer: Tania Arnold, San Luis Obispo Regional Transit Authority

Cheri Holsclaw, Morongo Basin Transit Authority

Julia Tyack, City of Lodi

Katie Collender, Humboldt Transit Authority

Maurice Mansion, Omnitrans

Rob Thompson, Western Contra Costa Transit Authority

Steve Barnes, Golden Empire Transit District

Committee Members Absent

None.

Others Present

Chrissy Mack, CalTIP General Manager

Maria De Leon, CalTIP Deputy General Manager

Taysha James, CalTIP Member Services Coordinator

Kemble Ng, CalTIP Finance Manager

Mike Harrington, Bickmore Actuarial (*Left during Item 8.A.*)

Daniel Shaw, Bickmore Actuarial

3. APPROVAL OF AGENDA AS POSTED (OR AMENDED)

Maurice Mansion moved, seconded by Tania Arnold, to approve the agenda as posted. A roll call vote was taken. The motion passed unanimously.

4. PUBLIC COMMENTS

None.

5. CONSENT CALENDAR

- A. Minutes of the October 10, 2024, Finance and Administration Committee Meeting
- B. Interim Financial Statements as of October 31, 2024
- C. Interim Financial Statements as of January 31, 2025
- D. Treasurer’s Report as of October 31, 2024
- E. Treasurer’s Report as of January 31, 2025
- F. Check Register from November 30, 2024, through February 28, 2025
- G. Memorandum from Kemble Ng, CalTIP Finance Manager, Regarding Vehicle Physical Damage Program Net Position as of April 30, 2024
- H. Memorandum from Michael Kronbetter, PFM, Regarding Annual Investment Policy Review and Governance Policy 4.04, Investment Policy

Julia Tyack moved, seconded by George Fink, to approve the Consent Calendar. A roll call vote was taken. The motion passed unanimously.

6. REPORTS

- A. Report by General Manager – Chrissy Mack

Chrissy Mack, CalTIP General Manager, summarized the written report regarding activities that have occurred since the last meeting of the Finance and Administration Committee (FAC) in October 2024. She also highlighted the activities of the Member Services Committee (MSC) and Oversight Committee. She noted the Oversight Committee elected the slates of candidates, recommended by the Nominating Committee, for election to expiring and vacant positions on the FAC and MSC, and congratulated the newly elected and re-elected committee members. Corrections were noted to exchange the FAC and MSC subtitles under “Oversight Committee Meeting”, and to correct Amber Fink and Robin Val Valkenberg’s last names to “Johnson” and “Van Valkenburgh”, respectively.

Ms. Mack reminded members of the one-day Board meeting in April. She noted this is a deviation from the historical one-and-a-half-day meeting format. The Board will be asked to evaluate and select which format to follow for future April meetings starting in the 2025/26 and 2026/27 program years. Ms. Mack also mentioned the City of Arcata will officially withdraw, effective April 30, 2025, as their services are being consolidated with

Humboldt Transit Authority. Lastly, Ms. Mack noted the claims team has identified a new claims examiner, Jeanette Brossia, with extensive public entity experience, and all impacted members have been notified.

7. ACTUARIAL MATTERS

A. Liability Program Actuarial Study as of November 30, 2024

Daniel Shaw, Bickmore Actuarial, reviewed the draft Liability Program actuarial study, which included loss data as of November 30, 2024, and certified actual mileage provided by the members for program years through 2023/24. The actuarial report provided the following observations and projections as of April 30, 2025, as compared to the prior year:

- Non-Revenue and Revenue rates increased due to unfavorable claims development. Six program years include claims over the \$2M pool limit; the 2022/23 program year showed five claims with increases over \$500k;
- Staff, CalTIP Treasurer, PFM, and Bickmore Actuarial met and agreed to change the discount rate from 2.0% to 2.5%, based on projected investment earnings, while remaining conservative;
- Estimated Outstanding Losses increased to \$16.99M;
- Projected Assets decreased from \$44.80M to \$40.52M; and
- Projected Net Position is \$21.98M, at the discounted, expected confidence level, and \$14.98M at the discounted 90% confidence level.

Following a question, the members requested Bickmore Actuarial provide details to the Board at the April meeting regarding how rate increases impact the different retentions, particularly the \$0 SIR.

Tania Arnold moved, seconded by Julia Tyack, to direct staff to finalize the report for acceptance by the Board at its April 2025 meeting. A roll call vote was taken. The motion passed unanimously.

B. Vehicle Physical Damage Program Actuarial Study as of November 30, 2024

Mr. Shaw reviewed the draft actuarial study for the Vehicle Physical Damage (VPD) Program. He noted the report utilized loss data as of November 30, 2024, and vehicle values as reflected in the members' vehicle schedules. The VPD actuarial report provided the following projections as of April 30, 2025:

- Estimated Outstanding Losses decreased from \$217k to \$200k;
- The discount rate used increased from 2.0% to 2.5%; and
- Projected Net Position is \$2.14M, at the expected confidence level, and \$2.04M at the discounted 90% confidence level.

Tania Arnold moved, seconded by Julia Tyack, to direct staff to finalize the report for acceptance by the Board at its April 2025 meeting. A roll call vote was taken. The motion passed unanimously.

C. Review of the 2025/26 Liability Program Experience Rating Report

Mr. Shaw provided an overview of the Liability Program Experience Rating Report for 2025/26, noting the report evaluates losses incurred in 2019/20, 2020/21, 2021/22, and 2022/23 program years, valued as of November 30, 2024. CalTIP's experience modification (ex-mod) methodology remained unchanged, and the 25% cap was applied to three members to ensure stability in the changes in the ex-mod from the prior year.

Tania Arnold moved, seconded by Julia Tyack, to direct staff to finalize the report for acceptance by the Board at its April 2025 meeting. A roll call vote was taken. The motion passed unanimously.

8. FINANCIAL MATTERS

A. Approval of Release of Vehicle Physical Damage Program Rate Offset Reserve Funds of Withdrawn Member – City of Azusa

Kemble Ng, Finance Manager, reminded the Committee that Governance Policy 2.12 permits the Rate Offset Reserve Fund (RORF) of withdrawn members to be released when all program years in which they participated are no longer a consideration in a dividend or deficit calculation. The City of Azusa withdrew from the VPD Program, effective May 1, 2018. As a result, the years in which they participated are no longer considered in the dividend or deficit calculation. Therefore, the member is eligible to receive their VPD Program RORF balance of \$1,236 returned. Ms. Mack clarified this is the typical procedure for a withdrawn member.

Cheri Holsclaw moved, seconded by George Fink, to recommend to the Board approving the release of the City of Azusa's Vehicle Physical Damage Program Rate Offset Reserve Fund balance of \$1,236 at the Board meeting in April 2025. A roll call vote was taken. The motion passed unanimously.

B. Liability Program Retrospective Adjustment Calculation as of April 30, 2024

Mr. Ng reviewed the Liability Program Retrospective Adjustment Calculation (retro) as of April 30, 2024, prepared by Bickmore Actuarial, and explained the process as presented in the agenda.

The report indicated the net position at the expected confidence level was \$25.46M as of April 30, 2024, which exceeded the Program's target equity threshold of \$20M. The report also identified both eligible and ineligible program years for dividend release. According to

the retrospective adjustment calculation presented, a maximum of \$5.46M was available for distribution.

Mr. Ng explained that staff initially recommended a dividend release, but based on recent information from the claims team regarding adverse claims development in various program years and anticipation of a future increase in the Liability Program's self-insured retention, staff believes it is more prudent to retain the net position in the program. Ms. Mack clarified that some of the developments were not contemplated in the actuarial analysis because they are very new.

Tania Arnold moved, seconded by Julia Tyack, to recommend the Board approve retaining the net position as of April 30, 2024, in the Liability Program. A roll call vote was taken. The motion passed unanimously.

C. Review of Preliminary 2025/26 Revenue and Expense Budgets

Mr. Ng reviewed the five phases of budget development: underwriting, rate development, estimating pool expenses, calculating program contributions, and combining the data to create the budgets. He provided an overview of the draft Revenue and Expense Budgets for the 2025/26 program year, noting they are still in the preliminary stage as quotes have not yet been received from all reinsurers and excess insurance markets. The following key changes from the prior year were detailed:

- 15.1% increase in Pooled Loss Contributions, which factors in increases in the exposure base (mileage for the Liability Program and vehicle values for the VPD Program);
- 19.8% estimated increase in Excess/Reinsurance Insurance (excess quotes pending);
- 7.4% increase in the Administrative Contribution; and
- 20.0% estimated increase in Employment Practices Liability Coverage Contributions via ERMA.

Mr. Ng also noted increases in contractual and non-contractual budget line items, including a 60% increase for travel & meetings due to rising hospitality costs and the addition of a strategic planning session to be held in 2025, which is conducted every three years.

Cheri Holsclaw moved, seconded by Katie Collender, to recommend the Board approve the 2025/26 Revenue and Expense Budgets, subject to adjustments based on the actual reinsurance and excess insurance rates. A roll call vote was taken. The motion passed unanimously.

D. Review of Proposed 2025/26 Liability Program Contributions Calculation

Mr. Ng provided an overview of the proposed 2025/26 Liability Program contribution calculation. The proposed calculation featured loss funding at the 90% confidence level, with

a discount factor of 2.5% (an increase from the previous year of 2.0%) and a pooled retention of \$2M.

Mr. Ng reviewed the process of calculating member contributions and the components of the loss fund deposit, administrative deposit, and excess deposit. Mr. Ng informed the FAC the proposed contribution calculation reflects a 16.7% increase over the prior year, which includes a 9% increase in the total miles.

Tania Arnold moved, seconded by George Fink, to recommend the Board approve the 2025/26 Liability Program Contributions Calculation at the 90% confidence level, discounted at 2.5%, at the \$2 million pooled retention, subject to adjustments based on the actual reinsurance and excess insurance rates. A roll call vote was taken. The motion passed unanimously.

E. Review of Proposed 2025/26 Vehicle Physical Damage Program Contributions Calculation

Mr. Ng provided an overview of the proposed VPD Program contribution calculation for 2025/26. The proposed calculation featured loss funding at the 70% confidence level, with a discount factor of 2.5% (increased from 2.0%) and a pooled retention of \$100,000.

Mr. Ng noted the rates reflected a decrease in pooled rates and actual cash values, which resulted in a reduction of the loss fund deposit. He followed by explaining that the increase in the cost new values and estimated excess rates led to an increase in the excess deposit. Similarly, the increased administrative expenses led to an increase in the administrative deposit.

George Fink moved, seconded by Cheri Holsclaw, to recommend the Board approve the 2025/26 Vehicle Physical Damage Program Contributions Calculation at the 70% confidence level, discounted at 2.5%, at the \$100,000 pooled retention, subject to adjustments based on the actual excess insurance rates. A roll call vote was taken; Steve Barnes abstained. The motion passed by a majority vote.

9. ADMINISTRATIVE MATTERS

A. Proposed Finance and Administration Committee Meeting Schedule for 2025/26 and 2026/27 Program Years

Maria De Leon, Deputy General Manager, presented the draft calendar for the 2025/26 and 2026/27 program years. She noted the proposed meeting schedule does not conflict with known major conferences or seminars for the California Transit Association (CTA), California Association for Coordinated Transportation (CalACT), American Public Transportation Association (APTA), California Association of Joint Powers Authorities (CAJPA), and Public Agency Risk Managers Association (PARMA), and member schedules. Ms. De Leon noted committee meetings would continue to be held via teleconference unless noted otherwise

on the agenda. The Committee had no objections to the proposed meeting schedule as presented and gave direction to finalize the meeting calendar.

10. CLOSING COMMENTS

A. Committee Members

Robin Van Valkenburgh questioned whether there is another transit pool in the market to adequately compare CalTIP's claims experience and frequency, and the related risk control efforts. Ms. Mack explained CalTIP staff engages in conversations with two other transit risk pools, which are also members of Government Entities Mutual (GEM), noting that while one of the entities is experiencing adverse claims development, the transit risk pools are in other states and there can be differences in the tort environment.

B. Staff

Ms. Mack thanked the Committee for their participation, and she stated staff looks forward to seeing everyone at the April Board meeting.

11. ADJOURNMENT

There being no further business, the meeting adjourned at 12:15 p.m. by general consent.

Respectfully submitted,



Chrissy Mack
CalTIP General Manager/Board Secretary