



SOUTH BAY AREA SCHOOLS INSURANCE AUTHORITY BOARD OF DIRECTORS TELECONFERENCE AGENDA

DATE / TIME: December 19, 2018 at 1:30 p.m.

This meeting agenda shall be posted at the address of the teleconference locations shown below with access for public via phone.

Berryessa Union School District
1376 Piedmont Rd
San Jose, CA 95132

Campbell Union School District
155 N Third St
Campbell, CA 95008

Evergreen School District
3188 Quimby Rd
San Jose, CA 95148

Los Altos School District
201 Covington Rd
Los Altos, CA 94024

Milpitas Unified School District
1331 E Calaveras Blvd
Milpitas, CA 95035

Mountain View-Los Altos UHSD
1299 Bryant Ave
Mountain View, CA 94040

Mountain View Whisman School District
750-A San Pierre Way
Mountain View, CA 94043

Santa Clara County Office of Education
1290 Ridder Park Dr
San Jose, CA 95131

Alliant Insurance Services
2180 Harvard St, Suite 460
Sacramento, CA 95815

A – Action I – Information 1 – Included 2 - Hand Out 3 – Separate 4 - Verbal

Per Government Code 54954.2, persons requesting disability related modifications or accommodations, including auxiliary aids or services, in order to participate in the meeting are requested to contact Joan Crossley at Alliant Insurance Services, Inc. at (916) 643-2708.

Documents and material relating to an open session agenda item that are provided to the SBASIA Executive Committee less than 72 hours prior to a regular meeting will be available for public inspection and copying at 2180 Harvard St, Suite 460, Sacramento, CA 95815.



Page

	A. CALL TO ORDER	
	B. ROLL CALL	A 4
	C. APPROVAL OF AGENDA	A 1
	D. PUBLIC COMMENT <i>This time is reserved for members of the public to address the Executive Committee on matters of the SBASIA Executive Committee business.</i>	
1	E. CONSENT CALENDAR	A 1
2-6	1. Board of Directors Meeting Minutes – June 14, 2018	
7-36	2. Audited Financial Report as of June 30, 2018	
37-43	3. Financial Report for Quarter Ending September 30, 2018	
44	4. Resolution for Withdrawal from Schools Excess Liability Fund (SELF) Effective July 1, 2019	
	F. GENERAL ADMINISTRATION	
	JPA President <i>The JPA President retires in December 2018, but will continue work as a consultant for Campbell USD. The Board will decide if the JPA should contract with Campbell USD to allow the JPA President acting as a consultant to continue to serve as President.</i>	
45-47	1.	A 1
	Amendment to Bylaws <i>The bylaws need to be amended so that if an independent contractor represents a member district on the Board of Directors, that independent contractor may be compensated.</i>	
48-59	2.	A 1
	G. COMMENTS FOR THE GOOD OF THE ORDER	

ADJOURNMENT

The next Board of Directors meeting is set for June 13, 2019 at 9:00 a.m. The Location will be at Campbell Union School District, 155 N. Third Street, Campbell, CA 95008.



Agenda Item E.1

CONSENT CALENDAR

ACTION ITEM

ISSUE: The Board of Directors should review the Consent Calendar and pull any items that need discussion. Otherwise, the Board of Directors should adopt the Consent Calendar as presented.

RECOMMENDATION: The Program Administrator recommends adoption of the Consent Calendar items as presented.

FISCAL IMPACT: None.

BACKGROUND: The following items are placed on the Consent Calendar for adoption by the Board. The Board may accept the Consent Calendar as posted, or pull any item for discussion and separate action while accepting the remaining items.

- 1. Board of Directors Meeting Minutes – June 14, 2018**
- 2. Audited Financial Report as of June 30, 2018**
- 3. Financial Report for Quarter Ending September 30, 2018**
- 4. Resolution for Withdrawal from Schools Excess Liability Fund (SELF)
Effective July 1, 2019**

ATTACHMENTS: Board of Directors Meeting Minutes – June 14, 2018
Audited Financial Report as of June 30, 2018
Financial Report for Quarter Ending September 30, 2018
Resolution for Withdrawal from Schools Excess Liability Fund (SELF)
effective July 1, 2019



**SOUTH BAY AREA SCHOOLS INSURANCE AUTHORITY
BOARD OF DIRECTORS MEETING MINUTES
CAMPBELL, CALIFORNIA
June 14, 2018**

MEMBERS PRESENT

James Crawford, President, Campbell Union School District
Mark Allgire, Vice President, Santa Clara Unified School District
Mike Mathiesen, Treasurer, Mountain View-Los Altos Union High School District
Phuong Le, Berryessa Union School District
Rosemarie Pottage, Los Gatos-Saratoga Joint Union High School District
Robert Clark, Mountain View Whisman School District
Megan Reilly, Santa Clara County Office of Education

MEMBERS ABSENT

Position Vacant at Evergreen School District
Shameram Karim, Lakeside Joint School District
Randy Kenyon, Los Altos School District
Marie dela Cruz, Metropolitan Education District
Wendy Zhang, Milpitas Unified School District

GUESTS & CONSULTANTS

Matt Gowan, Alliant Insurance Services
Joan Crossley, Alliant Insurance Services
Carole Schmitt, Evergreen School District
Anthony Poston, ESM Solutions, Inc.

A. CALL TO ORDER

The meeting was called to order at 10:07 a.m.

B. ROLL CALL

The above-mentioned members were present constituting a quorum.

C. APPROVAL OF AGENDA

A motion was made to approve the agenda.

MOTION: Mark Allgire	SECOND: Megan Reilly	MOTION CARRIED
AYES: 7	NOES: 0	ABSENT: 5
	ABSTAIN: 0	

AYES: Crawford, Allgire, Mathiesen, Le, Pottage, Clark, Reilly
NAYS: None
ABSENT: Karim, Kenyon, dela Cruz, Zhang

D. PUBLIC COMMENT

There were no public comments.



**SOUTH BAY AREA SCHOOLS INSURANCE AUTHORITY
BOARD OF DIRECTORS MEETING MINUTES
CAMPBELL, CALIFORNIA
June 14, 2018**

E. CONSENT CALENDAR

1. Board of Directors Meeting Minutes – December 7, 2017
2. Investment Report for Quarter Ending March 31, 2018

A motion was made to approve the items on the Consent Calendar as presented.

MOTION: Mike Mathiesen

SECOND: Robert Clark

MOTION CARRIED

AYES: 7

NOES: 0

ABSTAIN: 0

ABSENT: 5

AYES: Crawford, Allgire, Mathiesen, Le, Pottage, Clark, Reilly

NAYS: None

ABSENT: Karim, Kenyon, dela Cruz, Zhang

F. LOSS CONTROL

1. **Liability and Property Safety Inspections on Interior of Buildings (all rooms) to include Chemical Inspection**

Mr. Matt Gowan stated the Executive Committee developed a five year loss control plan. The loss control item for year one was completed. For year two, a Request for Proposal (RFP) was issued for Liability and Property Safety Inspections on Interior of Buildings (all rooms) to include Chemical Inspection. ESM Solutions, Inc. was selected to perform the inspections. Mr. Gowan introduced Mr. Anthony Poston, CEO of ESM Solutions. Mr. Poston presented an overview of the inspections and a preliminary schedule. A report will be issued for each JPA member as well as an Excel spreadsheet which can be sorted to prioritize tasks. The report will show trends by district and by the JPA as a whole. If an inspector finds anything that needs urgent attention, the inspector will notify the JPA member immediately.

G. FINANCIAL

Mr. Matt Gowan said he will go through the budget which will address action items G.1. through G.5 of the agenda.

The Liability funding has increased by 31.8%. The funding amount is determined by the actuary. The Excess Liability coverage with CSAC EIA from \$250,000 to \$5 million is increasing by 19.3%. The Excess Liability coverage with SELF from \$5 million to \$55 million is increasing by 33.5%. The Liability market for schools in California is extremely hard and this is reflected in the increase for both Liability funding and Excess Liability insurance. In addition, the JPA's loss ratio for the last six years in the Excess Liability insurance layer is 379%. The total Liability cost increased by 28% compared to last year.

The Property funding has increased by 7.9%. The funding amount is determined by the actuary. The Property rate decreased so the Property premium has decreased by 5.9%. The total Property cost decreased 3.2% compared to last year.



**SOUTH BAY AREA SCHOOLS INSURANCE AUTHORITY
BOARD OF DIRECTORS MEETING MINUTES
CAMPBELL, CALIFORNIA
June 14, 2018**

The Crime policy has a two year policy period; it was approved last year and the premium is flat. The admin fees decreased by 22.9%; this is due to a decrease in loss control fees. The inspection performed last year on the exterior of buildings cost \$181,312 and the cost this year is \$69,594 for the inspection on the interior of buildings.

The overall budget increased by 7.99% from last year.

Mr. James Crawford stated that the Executive Committee reviewed an option that would have moved the Property insurance from PEPiP (Public Entity Property Insurance Program) to Travelers. A coverage comparison was reviewed and the PEPiP policy had broader coverage. Mr. Crawford stated the Executive Committee decided that with the broader coverage provided by PEPiP, the cost savings from Travelers is not large enough to justify moving the Property insurance. The Executive Committee recommends the JPA remain with PEPiP.

Ms. Joan Crossley said PEPiP is offering a new coverage called active shooter coverage effective 7/1/18. The limit is \$500,000 per claim with \$2.5 million aggregate limit for the JPA; the deductible is \$10,000. The coverage includes \$250,000 sublimits for crisis management, counseling services, funeral expenses and creation of a memorial. A crisis management hotline is available 24 hours a day. PEPiP will need to have a certain percentage of its insureds purchase the coverage in order to roll out the active shooter program. The additional premium for the JPA is \$13,762.

A motion was made to remain with PEPiP and purchase the active shooter coverage and approve the rest of the budget (including items G.1 Excess Liability Renewal, G.2 Review and Adoption of Liability Memorandum of Coverage, G.3 Excess Property Insurance Options, G.4 Review and Adoption of Property Memorandum of Coverage, G.5 Revenue and Expense Budget for July 1, 2018-2019.)

MOTION: Mark Allgire	SECOND: Phuong Le	MOTION CARRIED
AYES: 7	NOES: 0	ABSENT: 5
	ABSTAIN: 0	

AYES: Crawford, Allgire, Mathiesen, Le, Pottage, Clark, Reilly

NAYS: None

ABSENT: Karim, Kenyon, dela Cruz, Zhang

H. GENERAL ADMINISTRATION

1. SBASIA Election of Officers and Executive Committee

Mr. Crawford presented the slate of officers recommended by the Executive Committee for the 2018-2018 program year. They are as follows:

President: Mr. James Crawford, Campbell Union School District

Vice President: Ms. Megan Reilly, Santa Clara County Office of Education

Treasurer: Mr. Mike Mathiesen, Mountain View-Los Altos Union High School District

Secretary: Mr. Robert Clark, Mountain View Whisman School District



**SOUTH BAY AREA SCHOOLS INSURANCE AUTHORITY
BOARD OF DIRECTORS MEETING MINUTES
CAMPBELL, CALIFORNIA
June 14, 2018**

Member at Large: Ms. Wendy Zhang, Milpitas Unified School District

Mr. Crawford stated he is retiring on October 31, 2018, but would be willing to continue to serve as President as an independent contractor if that would help the JPA which has several members that are new to Executive Committee duties.

A motion was made to elect the Officers and Executive Committee per the slate presented.

MOTION: Phuong Le	SECOND: Mark Allgire	MOTION CARRIED
AYES: 7	NOES: 0	ABSTAIN: 0
		ABSENT: 5

AYES: Crawford, Allgire, Mathiesen, Le, Pottage, Clark, Reilly

NAYS: None

ABSENT: Karim, Kenyon, dela Cruz, Zhang

2. Investment Authority

Mr. Gowan stated that Government Code requires the delegation of the authority to invest or reinvest funds of SBASIA to the Treasurer. The delegation cannot exist beyond one year so the Board will need to authorize the delegation for the period of July 1, 2018 to June 30, 2019.

A motion was made to adopt the Investment Authority as presented.

MOTION: Robert Clark	SECOND: Mark Allgire	MOTION CARRIED
AYES: 7	NOES: 0	ABSTAIN: 0
		ABSENT: 5

AYES: Crawford, Allgire, Mathiesen, Le, Pottage, Clark, Reilly

NAYS: None

ABSENT: Karim, Kenyon, dela Cruz, Zhang

3. Review of Investment Policy

Mr. Gowan said that Government Code requires annual review of the Investment Policy. There have been no changes to the policy since it was adopted in 2003.

A motion was made to adopt the Investment Policy as presented.

MOTION: Mark Allgire	SECOND: Phuong Le	MOTION CARRIED
AYES: 7	NOES: 0	ABSTAIN: 0
		ABSENT: 5

AYES: Crawford, Allgire, Mathiesen, Le, Pottage, Clark, Reilly

NAYS: None

ABSENT: Karim, Kenyon, dela Cruz, Zhang

4. Review of Conflict of Interest Code



**SOUTH BAY AREA SCHOOLS INSURANCE AUTHORITY
BOARD OF DIRECTORS MEETING MINUTES
CAMPBELL, CALIFORNIA
June 14, 2018**

Mr. Gowan said that Government Code requires the Conflict of Interest Code to be reviewed and approved every even numbered year. There are no changes to the Conflict of Interest Code.

A motion was made to adopt the Conflict of Interest Code as presented.

MOTION: Mark Allgire	SECOND: Mike Mathiesen	MOTION CARRIED
AYES: 7	NOES: 0	ABSENT: 5
	ABSTAIN: 0	

AYES: Crawford, Allgire, Mathiesen, Le, Pottage, Clark, Reilly

NAYS: None

ABSENT: Karim, Kenyon, dela Cruz, Zhang

5. Resolution Establishing Meeting Dates for Fiscal Year 2018-2019

Per Government Code, the Board should adopt a resolution establishing regular meeting dates for the fiscal year.

The following dates are proposed as Board meeting dates for the fiscal year 2018-2019:

December 6, 2018, 10:00 a.m., Campbell Union School District

June 13, 2019, 10:00 a.m., Campbell Union School District

A motion was made to adopt the 2018-2019 Board meeting dates as presented.

MOTION: Mark Allgire	SECOND: Mike Mathiesen	MOTION CARRIED
AYES: 7	NOES: 0	ABSENT: 5
	ABSTAIN: 0	

AYES: Crawford, Allgire, Mathiesen, Le, Pottage, Clark, Reilly

NAYS: None

ABSENT: Karim, Kenyon, dela Cruz, Zhang

I. COMMENTS FOR THE GOOD OF THE ORDER

There were no comments for the good of the order.

ADJOURNMENT

The meeting was adjourned at 11:20 a.m.

SOUTH BAY AREA SCHOOLS INSURANCE AUTHORITY

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT**

**FOR THE FISCAL YEARS ENDED
JUNE 30, 2018 AND 2017**

SOUTH BAY AREA SCHOOLS INSURANCE AUTHORITY

BOARD OF DIRECTORS

JUNE 30, 2018

Member	Representative	Office
Campbell Union School District	James Crawford	President
Santa Clara County Office of Education	Megan Reilly	Vice President
Mountain View-Los Altos Union HS District	Mike Mathiesen	Treasurer
Mountain View-Whisman School District	Robert Clark	Secretary
Evergreen School District	Carole Schmitt	Member
Santa Clara Unified School District	Eric Dill	Member
Berryessa Union School District	Phuong Le	Member
Lakeside Joint School District	Shameram Karim	Member
Los Altos School District	Randy Kenyon	Member
Los Gatos-Saratoga Joint Union HS District	Rosemarie Pottage	Member
Metropolitan Education District	Marie dela Cruz	Member
Milpitas Unified School District	Wendy Zhang	Member

SOUTH BAY AREA SCHOOLS INSURANCE AUTHORITY

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James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

INDEPENDENT AUDITOR'S REPORT

Board of Directors
South Bay Area Schools Insurance Authority
Sacramento, California

Report on the Financial Statements

We have audited the accompanying Statements of Net Position of South Bay Area Schools Insurance Authority (SBASIA) as of June 30, 2018 and 2017, and the related Statements of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows for the years then ended, and the related notes to the financial statements.

Managements Responsibility for the Financial Statements

Management is responsible for the preparation and presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's *Minimum Audit Requirements for California Special Districts*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the South Bay Area Schools Insurance Authority as of June 30, 2018 and 2017 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Other Matters

Required Supplementary Information

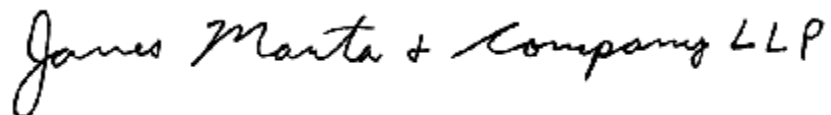
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Claims Development Information, and the Notes to Supplementary Information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with the auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise SBASIA's basic financial statements. The Graphical Summary of Claims are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2018 on our consideration of South Bay Area Schools Insurance Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entities internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "James Marta & Company LLP". The script is cursive and fluid, with the letters "J", "M", and "C" being particularly large and stylized.

James Marta & Company LLP
Certified Public Accountants
November 5, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

SOUTH BAY AREA SCHOOLS INSURANCE AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

The following narrative provides an overview and analysis of the financial activities of South Bay Area Schools Insurance Authority (SBASIA) for the fiscal year ending June 30, 2018. It is provided in order to enhance the information in the financial audit and should be reviewed with that report.

Financial Highlights

- Total operating revenues were \$3,838,717, an increase of 10.2 percent over the prior year.
- Total interest income was \$49,163, an increase of 85.7 percent from the prior year.
- Total expenses were \$4,674,775, an increase of .2 percent from the prior year.
- Total assets increased by 2.3 percent to \$5,582,088.
- Total liabilities increased by 23.7 percent to \$4,772,429.
- Total net position (equity) decreased by 49.29 percent to \$809,659.

Description of the Basic Financial Statements

SBASIA's financial statements are prepared in conformity with generally accepted accounting principles including amounts established based upon reliable estimates and judgments. The Statement of Net Position presents the assets and liabilities with the difference representing the net position. The Statement of Revenues, Expenses and Changes in Net Position presents the revenue and expenses for the year and discloses the changes in net position, or pool equity, during the fiscal year. All income and expenses are reported in the statement as soon as the underlying event causing a change occurs regardless of the related cash flow. Thus, uncollected income will be reflected in the Statement of Net Position as an accounts receivable and an unpaid expense will be recognized as a liability.

The Statement of Cash Flows is being presented by listing the cash inflow by category and all cash outflow by category to achieve the change over the year in cash as well as the ending cash balance. The Statement of Cash Flows also reconciles operating income to operating cash flows.

James Marta & Company, Certified Public Accountants, performed an independent audit of SBASIA's financial statements and found them to be in accordance with accounting principles generally accepted in the United States of America. Bickmore Risk Services, Inc. provided an independent analysis of SBASIA claims and projected the outstanding liabilities for unpaid claims used in SBASIA's financial statements.

SOUTH BAY AREA SCHOOLS INSURANCE AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

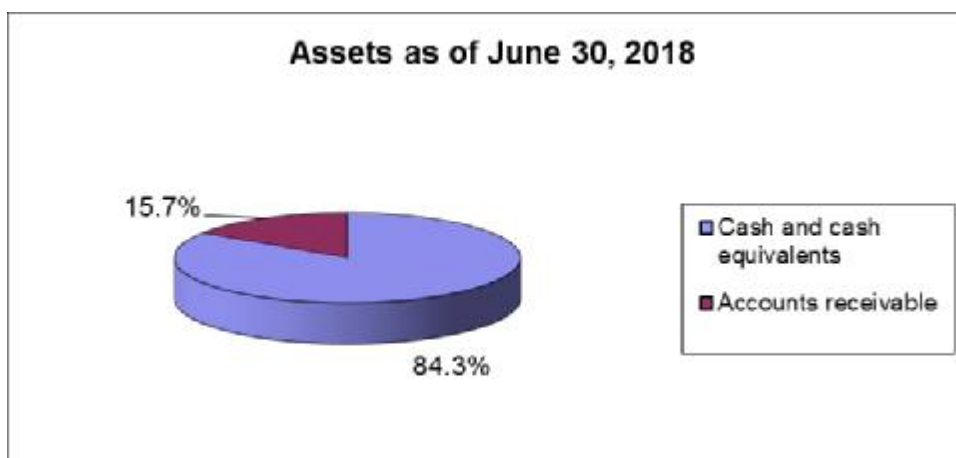
JUNE 30, 2018

Condensed Statement of Net Position

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>% Change June 30, 2017 to June 30, 2018</u>	<u>June 30, 2016</u>	<u>% Change June 30, 2016 to June 30, 2017</u>
Assets					
Total Assets	<u>5,582,088</u>	<u>5,452,545</u>	2.38%	<u>6,649,164</u>	-18.00%
Liabilities					
Total Current Liabilities	650,000	663,276	-2.00%	1,369,618	-51.57%
Total Long Term Liabilities	<u>4,122,429</u>	<u>3,192,715</u>	29.12%	<u>2,524,813</u>	26.45%
Total Liabilities	<u>4,772,429</u>	<u>3,855,991</u>	23.77%	<u>3,894,431</u>	-0.99%
Net position					
Net position	<u>\$ 809,659</u>	<u>\$ 1,596,554</u>	-49.29%	<u>2,754,733</u>	-42.04%

SBASIA Pool Assets

SBASIA assets are considered current assets and are invested through the investment pool run by the County of Santa Clara. There is also an account with Bank of America to pay operating expenses. The accounts receivable represents primarily deductibles that the members owe to SBASIA for claims incurred by the members. The types of assets as a percentage of the total assets are as follows:



Investments and cash have decreased by 1.25 percent from prior year, from \$4,764,690 to \$4,705,136.

Accounts receivable has increased by 27.49 percent from prior year, from \$687,855 to \$876,952.

SOUTH BAY AREA SCHOOLS INSURANCE AUTHORITY

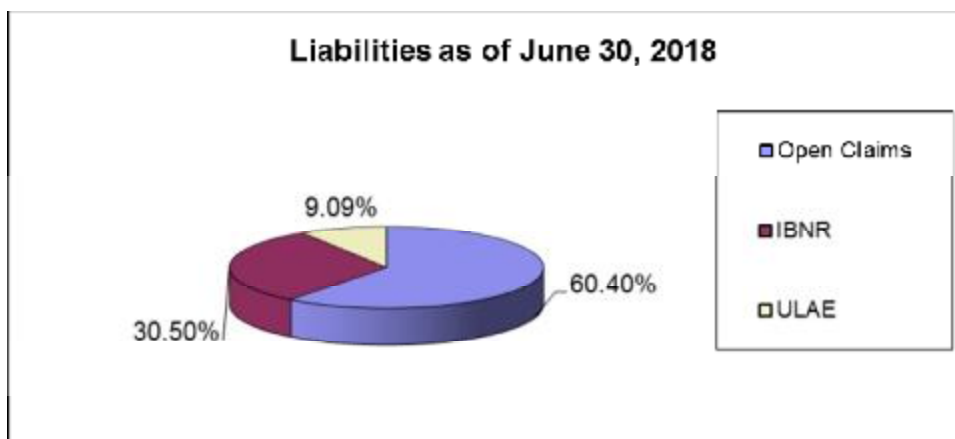
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

SBASIA Pool Liabilities

The pool liabilities consist primarily of expected future payments of claims. An actuarial study is performed to determine, as accurately as possible, the liabilities expected in the future. These liabilities are discounted to recognize the funds needed as of June 30, 2018 to meet the payments in the future from these funds plus interest earned on the funds prior to being expended. These liabilities are broken down into Open Claims, that is the amount anticipated by the claims adjuster needed before the claim is closed, ULAE (unallocated loss adjustment expenses such as claims adjusters' salaries), that is the amount to administer claims to final settlement which may be years in the future, and IBNR (incurred but not reported).

The following pie chart indicates the percentages that each liability represents to the total liabilities of \$4,772,429:



Open claims have increased by 35.93 percent from the prior year, from \$2,120,698 to \$2,882,744.

IBNR has increased by 6.02 percent over prior year, from \$1,373,017 to \$1,455,685.

ULAE has increased by 24.36 percent over prior year, from \$349,000 to \$434,000.

Accounts payable has decreased by 100% over prior year, from \$13,276 to \$0.

Net position

The net position as of June 30, 2018 was \$809,659, a decrease of \$786,895. The net position is segregated into Contingency Reserve and Undesignated Reserve. The Contingency Reserve represents funds designated to fund an unexpected fiscal drain due to losses as well as to provide SBASIA the ability to react to escalating insurance costs by increasing the amount retained in the pool.

SOUTH BAY AREA SCHOOLS INSURANCE AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

	June 30, 2018	June 30, 2017	Change June 30, 2017 to June 30, 2018	June 30, 2016	Change June 30, 2016 to June 30, 2017
Contingency Reserve	\$ 809,659	\$ 1,496,554	\$ (686,895)	\$ 2,500,000	\$ (1,003,446)
Loss Control	-	100,000	(100,000)	100,000	-
Undesignated	-	-	-	154,733	(154,733)
Total Net Position	\$ 809,659	\$ 1,596,554	\$ (786,895)	\$ 2,754,733	\$ (1,158,179)

Condensed Statement of Revenues, Expenses & Changes in Net position

	June 30, 2018	June 30, 2017	% Change June 30, 2017 to June 30, 2018	June 30, 2016	% Change June 30, 2016 to June 30, 2017
Revenue					
Total Revenues	\$ 3,887,880	\$ 3,508,638	10.8%	\$ 3,393,046	3.4%
Expenses					
Total Expenses	4,674,775	4,666,817	0.2%	3,221,004	44.9%
Net Income	\$ (786,895)	\$ (1,158,179)	-32.1%	\$ 172,042	-773.2%

Revenue and Expenses

Revenues consist primarily of member contributions, with interest income only representing about 1.26 percent of the total revenues. The expenses exceeded revenues by \$786,895. Total Operating Revenues increased by 10.8 percent from the prior year's revenues and Total Operating Expenses increased by 0.2 percent.

Claims expenses decreased by 16.4% percent from last year's claims expenses. Claims expenses for the year can be broken down into four different components. First is the actual cash payments for claims. This year the amount paid was \$938,702. The second component is the change in reserves established on known claims. This year the reserves increased by \$762,046. The third component is the change in accounts receivable. This year the receivables increased by \$189,097. Finally, the fourth component is the change in actuarially determined amounts in excess of known reserves to recognize the unanticipated changes in known claims as well as recognition of claims incurred but not yet reported. This change was an increase of \$82,668. The total costs of claims for the year ending June 30, 2018 was \$1,783,416.

Self-insurance Program Structure

The program of SBASIA provides Liability, Property and Crime insurance to its members and itself. SBASIA self-insures a portion of the losses and purchases excess coverage to protect the pool against unusually large or catastrophic claims. To put some direct financial impact to the members and to eliminate the pool oversight of smaller claims, SBASIA's program instituted deductibles of \$10,000 for Liability and Property and \$1,000 for Crime. Thus, the structures of the coverages in the program can be depicted as follows:

SOUTH BAY AREA SCHOOLS INSURANCE AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

LIABILITY	PROPERTY	CRIME
<p><i>Schools Excess Liability Fund (SELF)</i></p> <p>EXCESS LIABILITY</p> <p>\$50,000,000 EXCESS OF \$5,000,000</p>	<p><i>Public Entity Property Insurance Program (PEPIP)</i></p> <p>\$1,000,000,000 EXCESS OF \$500,000</p>	<p><i>National Union Fire Insurance Company of Pittsburgh, PA</i></p> <p>\$3,000,000 per occurrence Limit:</p> <ul style="list-style-type: none"> • Employee Theft-Per Loss • Forgery or Alteration • Inside the Premises-Theft of Money & Securities • Inside the Premises-Robbery & Safe Burglary of Other Property • Outside the Premises • Computer Fraud • Funds Transfer Fraud • Money Orders & Counterfeit Money
<p><i>California State Association of Counties-Excess Insurance Authority (CSAC-EIA)</i></p> <p>GENERAL LIABILITY PROGRAM I</p> <p>\$4,750,000 EXCESS OF \$250,000</p>	<p>INCLUDES BOILER & MACHINERY \$100,000,000</p> <p>REPLACEMENT COST</p>	
<p>SBASIA Shared Risk \$240,000 over Deductible</p>	<p>SBASIA Shared Risk* \$490,000 over Deductible</p>	<p>SBASIA Shared Risk \$4,000 over Deductible</p>
<p>District Deductible \$10,000</p>	<p>District Deductible \$10,000</p>	<p>District Deductible \$1,000</p>

*Shared Risk does not apply to Boiler & Machinery

SOUTH BAY AREA SCHOOLS INSURANCE AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

Conclusion

SBASIA funds at 70 percent confidence level to meet the requirements of expected future liabilities based on actuarial projections. SBASIA investments are liquid since they are invested through the treasury pool provided by the County of Santa Clara. Claim expenses exceeded actuarial loss funding projections driven by an increase in Liability claims.

FINANCIAL STATEMENTS

SOUTH BAY AREA SCHOOLS INSURANCE AUTHORITY

STATEMENTS OF NET POSITION

JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 4,705,136	\$ 4,764,690
Accounts receivable	<u>876,952</u>	<u>687,855</u>
Total Assets	<u>5,582,088</u>	<u>5,452,545</u>
LIABILITIES		
Current Liabilities		
Accounts payable	-	13,276
Current portion of claim liabilities	<u>650,000</u>	<u>650,000</u>
Total Current Liabilities	<u>650,000</u>	<u>663,276</u>
Noncurrent Liabilities		
Claim liabilities	<u>4,122,429</u>	<u>3,192,715</u>
Total Liabilities	<u>4,772,429</u>	<u>3,855,991</u>
NET POSITION		
Net Position	<u>\$ 809,659</u>	<u>\$ 1,596,554</u>

The accompanying notes are an integral part of these financial statements.

SOUTH BAY AREA SCHOOLS INSURANCE AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Operating Revenues		
Contributions	\$ 3,838,717	\$ 3,482,169
Operating Expenses		
Insurance premiums	2,391,507	2,251,922
Claims expense	1,783,416	2,132,656
Contract administration	239,872	244,364
Other operating expenses	259,980	37,875
Total Operating Expenses	<u>4,674,775</u>	<u>4,666,817</u>
Operating Income/(Loss)	(836,058)	(1,184,648)
Nonoperating Income		
Interest income	<u>49,163</u>	<u>26,469</u>
Change in Net Position	(786,895)	(1,158,179)
Beginning Net Position	1,596,554	2,754,733
Ending Net Position	<u>\$ 809,659</u>	<u>\$ 1,596,554</u>

SOUTH BAY AREA SCHOOLS INSURANCE AUTHORITY

STATEMENTS OF CASH FLOWS

JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities		
Contributions received	\$ 3,838,717	\$ 3,482,169
Claims and claim adjustment expenses paid	(1,056,075)	(1,403,719)
Insurance premiums paid	(2,391,507)	(2,251,922)
General and administrative expenses paid	(499,852)	(281,789)
Net Cash Flows Provided (Used) by Operating Activities	<u>(108,717)</u>	<u>(455,261)</u>
Cash Flows From Investing Activities		
Interest income received	49,163	26,469
Net Cash Flows Provided by Investing Activities	<u>49,163</u>	<u>26,469</u>
Beginning Cash and Cash Equivalents	4,764,690	5,193,482
Ending Cash and Cash Equivalents	<u>\$ 4,705,136</u>	<u>\$ 4,764,690</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating income (Loss)	\$ (836,058)	\$ (1,184,648)
Adjustments to reconcile operating income (loss) to net cash provided (used)		
by operating activities		
(Increase) decrease in:		
Accounts receivable	(189,097)	767,377
Prepaid Expenses	-	450
Increase (decrease) in:		
Accounts payable	(13,276)	(706,342)
Claims liabilities	929,714	667,902
Net Cash Provided (Used) by Operating Activities	<u>\$ (108,717)</u>	<u>\$ (455,261)</u>

The accompanying notes are an integral part of these financial statements.

SOUTH BAY AREA SCHOOLS INSURANCE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The South Bay Area Schools Insurance Authority (The “Authority”) was organized in accordance with Title I, Division 7, Chapter 5, Article I of the Government Code of the State of California. The purpose of the Authority is to jointly establish, operate, and maintain a self-insurance program for liability and property damage protection.

The participating districts as of June 30, 2018 are as follows:

Berryessa Union School District
Campbell Union School District
Evergreen School District
Lakeside Joint School District
Los Altos School District
Los Gatos-Saratoga Joint Union High School District
Metropolitan Education District
Milpitas Unified School District
Mountain View-Los Altos Union High School District
Mountain View-Whisman School District
Santa Clara County Office of Education
Santa Clara Unified School District

B. Admission and Withdrawal of Members

Under the Authority’s Joint Powers Agreement, new members may be admitted by a majority vote of the Board of Directors. Upon entry into the Authority, members may not voluntarily withdraw for a period of three years. Members must submit a written notice of preliminary intent to withdraw by October 1 of the calendar year prior to the effective date of withdrawal and provide a written final notice of withdrawal prior to December 15 following the preliminary notice. In all cases, withdrawal shall be effective on the following June 30. Members may be expelled by a majority vote. The effect of withdrawal does not terminate the responsibility of the member for any unpaid premiums and debts or assessments levied against its years of participation.

SOUTH BAY AREA SCHOOLS INSURANCE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

C. Description of Programs

Pursuant to a Joint Powers Agreement authorized under California Government Code sections 990, 990.4, 990.8 and 6500-6515 between the Member Districts, South Bay Area Schools Insurance Authority was established to provide for pooling of liability, property and crime coverage.

Property: JPA Retained Limit - \$490,000 over member deductible of \$10,000
PEPIP - \$1,000,000,000 excess of \$500,000

Liability: JPA Retained Limit - \$240,000 over member deductible of \$10,000
CSAC EIA - \$4,750,000 excess of \$250,000
SELF - \$50,000,000 excess of \$5,000,000

Crime: JPA Retained Limit - \$4,000 over member deductible of \$1,000
National Union Fire Insurance Co. of Pittsburgh, PA
\$3,000,000 excess of \$5,000

All limits are on a per occurrence basis.

D. Reporting Entity

The Authority's reporting entity includes all activities (operations of its officers and board of directors as they relate to the Authority) considered to be part of (controlled by or dependent on) the Authority. This includes financial activity relating to all of the membership years of the Authority. In determining its reporting entity, the Authority considered all governmental units that were members since inception. The criteria did not require the inclusion of these entities in the financial statements principally because the Authority does not exercise oversight responsibility over any members.

E. Basis of Accounting

These statements are prepared on the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues from contributions and interest are recognized when earned and expenses are recognized when goods or services have been received, except when a premium deficiency exists where unearned premiums are recognized currently in accordance with GASB pronouncements. Since the Authority discounts claims liabilities, the pool considers anticipated investment income in determining if a premium deficiency exists.

F. Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, cash and cash equivalents include all checking and savings accounts and cash in the county treasury.

SOUTH BAY AREA SCHOOLS INSURANCE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

G. Receivables

Deductibles are paid by the Authority on behalf of each member when claims are paid. Members are charged for these deductibles on an annual basis. All receivables are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible. At June 30, 2018 and 2017, the total member receivable was considered collectible.

H. Investment in Pooled Funds

The Authority records cash with the Santa Clara County Treasurer at fair value. The effect of recording investments at fair market value is reflected as a net increase (decrease) in the fair value of investments on the Statements of Revenues, Expenses and Changes in Net Position.

I. Unpaid Claim Liabilities (Claims Payable, Claims Incurred But Not Reported)

Claims liabilities are established based on estimates of the ultimate cost of claims (including future allocated claim adjustment expense) that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of salvage and subrogation and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverages such as general liability.

Claim liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

J. Operating and Nonoperating Revenues

Operating revenues result from exchange transactions associated with the principal activity of the organization. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. Operating revenues is comprised of premium contributions, administration income and related fees and assessments which are an integral part of the operations. All other revenues, including investment income, are classified as nonoperating.

SOUTH BAY AREA SCHOOLS INSURANCE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

K. Contribution Income

Contribution development is performed by actuaries and the Board of Directors based on the particular characteristics of the members. Contribution income consists of payments from members that are planned to match the expense of insurance premiums for coverage in excess of self-insured amounts, estimated payments resulting from self-insurance programs, and operating expenses. The activities of the Authority consist solely of risk management programs and claims management activities related to the coverages described above.

Member contributions are based upon each member's average daily attendance, exposure, total insured value (TIV), and claims experience. The allocation shall be actuarially sound. Member contributions are recognized as revenues in the period for which insurance protection is provided. Each year, the Authority evaluates the pool's financial risk position, defined as contributions less expenses, claims reserves, and IBNRs. If the JPA's Board of Directors determines that the insurance funds, including anticipated investment income, for a program are insufficient to pay losses, the JPA may impose a supplemental assessment on all participating members. Supplemental assessments are recognized as income in the period assessed.

L. Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date and revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term are described elsewhere in this report.

M. Income Taxes

The Authority's income is exempt from federal income taxes under Internal Revenue Service Section 115, which excludes income derived from the exercise of any essential governmental function and accruing to a state political subdivision.

2. CASH AND CASH EQUIVALENTS

Cash consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
Cash with County Treasury	\$ 3,818,597	\$ 3,769,433
Cash with Carl Warren	10,549	49,595
Cash with Bank of America	872,826	942,498
Cash with Wells Fargo Bank	3,164	3,164
Total Cash and Cash Equivalents	<u>\$ 4,705,136</u>	<u>\$ 4,764,690</u>

SOUTH BAY AREA SCHOOLS INSURANCE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

2. CASH AND CASH EQUIVALENTS (CONTINUED)

A. Investment in County Treasury

The Authority is considered to be an involuntary participant in an external investment pool as the Authority is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The Authority's investment in the pool is reported in the accounting financial statements at amortized cost which approximates fair value. The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

B. Cash with Carl Warren

Carl Warren holds an amount in trust for SBASIA. This amount is used to pay claims for one month then is reimbursed by SBASIA.

C. Cash in Bank

Cash balances held in banks are fully insured up to \$250,000 by the Federal Depository Insurance Corporation. The excess over the insured amount is covered by collateral held by the bank in accordance with California law requiring the depository bank to hold collateral equal to 110% of the excess government funds on deposit.

SOUTH BAY AREA SCHOOLS INSURANCE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

3. UNPAID CLAIM AND CLAIM ADJUSTMENT EXPENSES

The Authority establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claims adjustment expenses. The following represents changes in liabilities for the Authority during the fiscal years ended June 30:

	<u>2018</u>	<u>2017</u>
Unpaid claims and claim adjustment expenses at beginning of the fiscal year	\$ 3,842,715	\$ 3,174,813
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current fiscal year	1,572,000	856,165
Changes in provision for insured events of prior fiscal years	<u>211,416</u>	<u>1,276,491</u>
Total incurred claims and claim adjustment expenses	<u>1,783,416</u>	<u>2,132,656</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	220,510	7,273
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	<u>633,192</u>	<u>1,457,481</u>
Total payments	<u>853,702</u>	<u>1,464,754</u>
Total unpaid claims and claim adjustment expenses at end of the fiscal year	<u>\$ 4,772,429</u>	<u>\$ 3,842,715</u>
<u>Components</u>		
Reserve for Open Claims	\$ 2,882,744	\$ 2,120,698
Claims Incurred But Not Reported (IBNR)	1,455,685	1,373,017
ULAE	<u>434,000</u>	<u>349,000</u>
Total Claim Liabilities	<u>\$ 4,772,429</u>	<u>\$ 3,842,715</u>
Current Portion	\$ 650,000	\$ 650,000
Long Term Portion	<u>4,122,429</u>	<u>3,192,715</u>
Total Claim Liabilities	<u>\$ 4,772,429</u>	<u>\$ 3,842,715</u>

At June 30, 2018 and 2017, unpaid claims and claim adjustment expenses were presented at \$4,772,429 and \$3,842,715. SBASIA does not discount claims liability.

SOUTH BAY AREA SCHOOLS INSURANCE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

4. JOINT VENTURE

The South Bay Area Schools Insurance Authority participates in a joint venture under a Joint Powers Agreement (JPA) with California State Association of Counties Excess Insurance Authority (CSAC-EIA). The relationship is such that CSAC-EIA is not a component unit of SBASIA for financial reporting purposes. The audited financial statements for CSAC-EIA can be obtained from their administrators.

The most recent available information for CSAC-EIA obtained from the financial statements is as follows:

A. <u>Entity</u>	CSAC-EIA
B. <u>Purpose</u>	To provide excess liability insurance coverage
C. <u>Participants</u>	Statewide entities
D. <u>Governing Board</u>	Consists of elected representatives of members by region
E. <u>Condensed Financial Information</u>	
	June 30, 2017*
Total Assets	\$ 791,363,353
Deferred Outflows Of Resources	1,537,233
Total Liabilities	650,912,971
Deferred Inflows Of Resources	1,466,353
Net Position (Deficit)	140,521,262
Total Liabilities and Net Position	\$ 792,900,586
Total Revenues	\$ 771,964,936
Total Expenses	(769,116,291)
Net Income (Loss)	\$ 2,848,645
<u>Member Agency's Share of Net Assets</u>	**

* Most recent available

** Has not been calculated.

SOUTH BAY AREA SCHOOLS INSURANCE AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

5. SUBSEQUENT EVENTS

The Authority's management evaluated its June 30, 2018 financial statements for subsequent events through November 5, 2018 the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH BAY AREA SCHOOLS INSURANCE AUTHORITY

**CLAIMS DEVELOPMENT INFORMATION
PROPERTY/ LIABILITY**

JUNE 30, 2018

		Fiscal and Policy Year Ended June 30,									
		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
1. Premiums and Investment Revenue											
Earned	\$ 2,415,828	\$ 3,069,491	\$ 3,288,291	\$ 3,360,090	\$ 2,996,714	\$ 3,152,204	\$ 3,466,746	\$ 3,393,046	\$ 3,508,638	\$ 3,887,880	
Ceded	1,476,992	1,932,528	2,113,183	2,182,455	1,902,643	2,032,244	2,413,291	2,273,316	2,251,922	2,391,507	
Net earned	938,836	1,136,963	1,175,108	1,177,635	1,094,071	1,119,960	1,053,455	1,119,730	1,256,716	1,496,373	
2. Unallocated expenses	1,055,327	277,544	408,405	481,326	296,575	358,976	245,973	348,244	282,239	499,852	
3. Estimated incurred claims and expense, end of policy year											
Incurred	901,350	850,000	975,000	864,000	898,000	911,000	944,000	1,009,000	856,165	1,572,000	
Ceded											
Net Incurred	901,350	850,000	975,000	864,000	898,000	911,000	944,000	1,009,000	856,165	1,572,000	
4. Paid (cumulative) as of:											
End of policy year											
One year later	39,991	66,178	57,905	2,774	78,159	51,204	13,756	(114,784)	7,273	220,510	
Two years later	492,697	94,630	43,973	17,145	314,967	96,585	192,916	315,154	13,185		
Three years later	670,779	95,753	117,490	381,979	477,002	214,871	639,265	991,331			
Four years later	816,169	226,314	64,671	405,946	677,924	645,576	776,758				
Five years later	1,012,744	242,183	68,644	380,067	923,555	653,544					
Six years later	1,031,495	259,754	575,569	1,139,428	936,196						
Seven Years Later	1,036,495	229,754	97,277	1,139,428							
Eight Years Later	1,274,814	263,520	96,412								
Nine Years Later	1,054,375	263,519									
Nine Years Later	1,054,376										
5. Reestimated ceded claims and expenses:	-	7,875,825	9,487,242	-	-	-	-	15,000,000	2,811,978	36,569,279	
6. Reestimated net incurred claims and expenses:											
End of policy year											
One year later	901,350	850,000	975,000	864,000	898,000	911,000	944,000	1,009,000	856,165	1,572,000	
Two years later	720,000	850,000	590,000	864,000	931,000	911,000	1,127,000	2,226,302	916,000		
Three years later	865,804	244,514	805,891	627,023	931,000	592,071	1,101,404	2,309,000			
Four years later	927,398	253,278	183,506	1,227,023	933,982	752,576	1,385,557				
Five years later	1,038,125	258,113	783,506	432,174	1,023,555	654,007					
Six years later	1,037,189	258,113	604,202	1,139,428	969,852						
Seven years later	1,037,189	263,520	97,277	1,139,428							
Eight Years Later	1,276,204	263,520	96,412								
Nine Years Later	1,054,375	263,519									
Nine Years Later	1,177,913										
7. Increase (decrease) in estimated incurred claims and expense from end of policy year	\$ 276,563	\$ (586,481)	\$ (878,588)	\$ 275,428	\$ 71,852	\$ (256,993)	\$ 441,557	\$ 1,300,000	\$ 59,835	\$ -	

SOUTH BAY AREA SCHOOLS INSURANCE AUTHORITY

NOTES TO SUPPLEMENTARY INFORMATION CLAIMS DEVELOPMENT INFORMATION

JUNE 30, 2018

The table illustrates the Authority's earned revenues (net of reinsurance) and investment income compared to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Authority as of the end of the year.

The rows of the table are defined as follows:

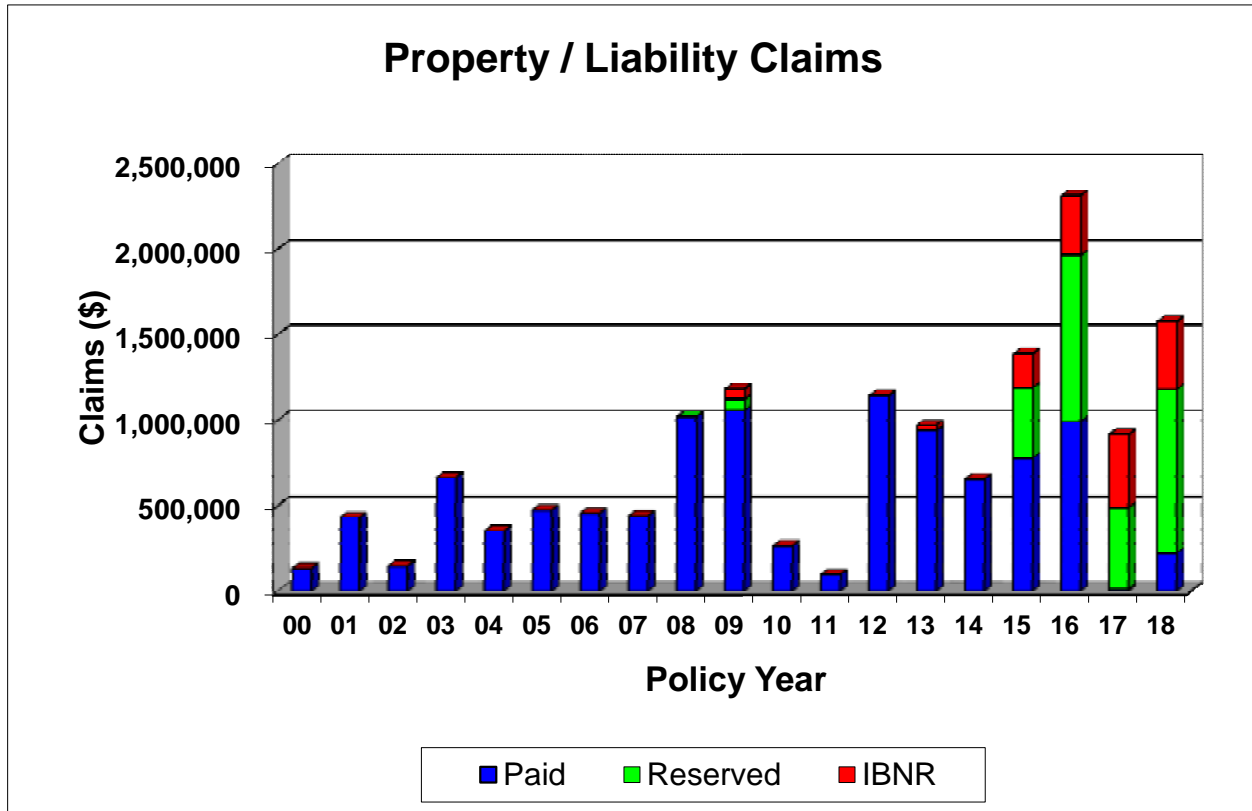
1. This line shows the total of each fiscal year's a) gross earned contributions revenue and investment revenue, b) the amount of contributions revenue ceded to reinsurers, and c) the amount of net earned contributions revenue and investment revenue.
2. This line shows the total of each policy year's a) gross incurred claims and allocated claim adjustment expense (both paid and accrued); b) the loss assumed by excess insurers or reinsurers, and c) the net amount of incurred claims and allocated claim adjustment expenses as originally reported at the end of the year.
3. This line shows the Authority's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the year.
4. This section shows the cumulative amounts paid as of the end of the year.
5. This line shows the latest reestimated amount of claims assumed by reinsurers as of the end of the current year for each insured year.
6. This annual reestimation results from new information received on known claims, as well as emergence of new claims not previously known.
7. This line compares the latest reestimated incurred claim amount to the amount originally established (line 3) and shows whether this later estimate of claims cost is greater or less than originally estimated.

SUPPLEMENTARY INFORMATION

SOUTH BAY AREA SCHOOLS INSURANCE AUTHORITY

GRAPHICAL SUMMARY OF CLAIMS

JUNE 30, 2018



South Bay Area Schools Insurance Authority
Statement of Net Position
As of September 30, 2018 and September 30, 2017

	<u>Sep 30, '18</u>	<u>Sep 30, '17</u>
ASSETS		
Current Assets		
Checking/Savings		
WFB - Santa Clara County	\$ 3,834,709.16	\$ 3,780,046.42
WFB - Transfer Account	3,164.36	3,164.36
B of A Claims Trust Account	46,418.24	100,000.00
B of A - General Checking	2,229,461.41	1,903,871.75
Total Checking/Savings	<u>6,113,753.17</u>	<u>5,787,082.53</u>
Accounts Receivable		
Accounts Receivable		
Claim Recovery Receivable	749,732.09	502,294.33
Claims Deductibles	255,812.27	223,387.14
Total Accounts Receivable	<u>1,005,544.36</u>	<u>725,681.47</u>
Total Accounts Receivable	<u>1,005,544.36</u>	<u>725,681.47</u>
Total Current Assets	7,119,297.53	6,512,764.00
Other Assets		
Interest Receivable	-	-
Prepaid Expenses		
Prepaid Contract Administration	176,250.00	176,250.00
Prepaid Excess Insurance	1,968,410.59	1,792,206.64
Total Prepaid Expenses	<u>2,144,660.59</u>	<u>1,968,456.64</u>
Total Other Assets	<u>2,144,660.59</u>	<u>1,968,456.64</u>
TOTAL ASSETS	<u>\$ 9,263,958.12</u>	<u>\$ 8,481,220.64</u>

South Bay Area Schools Insurance Authority
Statement of Net Position
As of September 30, 2018 and September 30, 2017

	<u>Sep 30, '18</u>	<u>Sep 30, '17</u>
LIABILITIES & EQUITY		
Liabilities		
Current Liabilities		
Accounts Payable	\$ -	\$ 1,467.00
Dividends Payable	-	-
Claims Reserves	2,166,686.75	2,113,052.61
Total Claims Reserves	2,166,686.75	2,113,052.61
Deferred Revenue	3,119,668.07	2,879,038.01
Total Current Liabilities	<u>5,286,354.82</u>	<u>4,993,557.62</u>
Total Current Liabilities	5,286,354.82	4,993,557.62
Long Term Liabilities		
IBNR	1,455,684.82	1,373,016.87
Total IBNR	1,455,684.82	1,373,016.87
Unallocated Loss Adjustment	434,000.00	349,000.00
Total Long Term Liabilities	<u>1,889,684.82</u>	<u>1,722,016.87</u>
Total Liabilities	<u>\$ 7,176,039.64</u>	<u>\$ 6,715,574.49</u>
NET POSITION		
Reserve for Shock Loss	2,500,000.00	2,500,000.00
Unrestricted Net Position	(1,690,339.25)	(903,445.25)
Net Revenue Over Expenditures	1,278,257.73	169,091.40
Total Net Position	<u>\$ 2,087,918.48</u>	<u>\$ 1,765,646.15</u>

South Bay Area Schools Insurance Authority
Statement of Revenue, Expenses, and Changes in Net Position
For the Quarter and Year to Date Ended September 30, 2018 and September 30, 2017

	<u>Jul '18 - Sep '18</u>	<u>Jul '18 - Sep '18</u>	<u>Jul '17 - Sep '17</u>
Revenue			
Member Contributions			
Liability Contributions	\$ 329,697.75	\$ 329,697.75	\$ 262,201.50
Property Contributions	318,141.50	318,141.50	334,562.25
Crime Policy	8,187.58	8,187.58	8,187.58
Administration	90,362.51	90,362.51	117,228.03
Loss Funding	293,500.01	293,500.01	237,499.98
Member Contributions - Other			
Total Member Contributions	<u>1,039,889.35</u>	<u>1,039,889.35</u>	<u>959,679.34</u>
Interest Income	16,112.65	16,112.65	10,613.26
Total Income	<u>1,056,002.00</u>	<u>1,056,002.00</u>	<u>970,292.60</u>
Expense			
General & Administrative			
General Expenses			
Accounting Services	6,209.41	6,209.41	6,000.00
Accreditation Fee	-	-	-
Actuarial Study	-	-	-
Appraisal Services	-	-	-
Audit Expense - Financial	-	-	-
Audit Expense - Claims	-	-	-
Bank Service Charges	68.01	68.01	178.20
Conference	-	-	-
Dues & Membership	-	-	450.00
Miscellaneous	-	-	-
Legal Expense - JPA	-	-	-
Loss Control	25,443.00	25,443.00	-
Supplies, Postage, Misc Expense	-	-	-
Website	-	-	-
Total Administration	<u>31,720.42</u>	<u>31,720.42</u>	<u>6,628.20</u>
Program Administration			
Claims Management Fees	18,750.00	18,750.00	20,112.42
Contract Administration	40,000.00	40,000.00	40,000.00
Total Program Administration	<u>58,750.00</u>	<u>58,750.00</u>	<u>60,112.42</u>
Total General and Administrative Expenses	<u>90,470.42</u>	<u>90,470.42</u>	<u>66,740.62</u>
Insurance Expense			
Excess Liability Policy	171,576.25	171,576.25	145,704.15
SELF Contributions	158,121.60	158,121.60	110,845.94
Excess Property Policy	314,700.92	314,700.92	334,562.28
Crime Policy	11,738.09	11,738.09	8,187.50
Total Insurance Expense	<u>656,136.86</u>	<u>656,136.86</u>	<u>599,299.87</u>
Claims Expenses			
Claims Payments	(205,765.50)	(205,765.50)	194,128.29
Claims Adjustment Account	(763,097.51)	(763,097.51)	(58,967.58)
Total Claims Expenses	<u>(968,863.01)</u>	<u>(968,863.01)</u>	<u>135,160.71</u>
Dividends	-	-	-
Total Expenses	<u>(222,255.73)</u>	<u>(222,255.73)</u>	<u>801,201.20</u>
Net Revenue Over (Under) Expenses	<u><u>\$ 1,278,257.73</u></u>	<u><u>\$ 1,278,257.73</u></u>	<u><u>\$ 169,091.40</u></u>
 Net Position, Beginning		<u><u>\$ 809,660.75</u></u>	<u><u>\$ 1,596,554.75</u></u>
 Net Position, Ending		<u><u>\$ 2,087,918.48</u></u>	<u><u>\$ 1,765,646.15</u></u>

South Bay Area Schools Insurance Authority
Statement of Revenues and Expenses - Budget vs. Actual
Year to Date Ended September 30, 2018

	<u>Jul '18 - Sep '18</u>	<u>Budget</u>	<u>\$ Over Budget</u>	<u>% of Budget</u>
Revenue				
Member Contributions				
Liability Contributions	\$ 329,697.75	\$ 1,318,791.00	\$ (989,093.25)	25.0%
Property Contributions	318,141.50	1,272,566.00	(954,424.50)	25.0%
Crime Policy	8,187.58	32,750.00	(24,562.42)	25.0%
Administration	90,362.51	361,450.00	(271,087.49)	25.0%
Loss Funding	293,500.01	1,174,000.00	(880,499.99)	25.0%
Total Member Contributions	<u>1,039,889.35</u>	<u>4,159,557.00</u>	<u>(3,119,667.65)</u>	<u>25.0%</u>
Interest Income	16,112.65	-	16,112.65	0.0%
Total Income	<u>1,056,002.00</u>	<u>4,159,557.00</u>	<u>(3,103,555.00)</u>	<u>25.4%</u>
Expense				
General & Administrative				
General Expenses				
Accounting Services	6,209.41	25,016.00	(18,806.59)	24.8%
Actuarial Study	-	-	-	0.0%
Audit Expense - Financial	-	13,035.00	(13,035.00)	0.0%
Audit Expense - Claims	-	3,700.00	(3,700.00)	0.0%
Bank Service Charges	68.01	-	68.01	0.0%
Conference	-	2,500.00	(2,500.00)	0.0%
Contingency	-	5,000.00	(5,000.00)	0.0%
Dues & Membership	-	4,950.00	(4,950.00)	0.0%
Legal Expense - JPA	-	2,000.00	(2,000.00)	0.0%
Loss Control	25,443.00	69,594.00	(44,151.00)	36.6%
Meeting Expense	-	500.00	(500.00)	0.0%
Website	-	155.00	(155.00)	0.0%
Total Administration	<u>31,720.42</u>	<u>126,450.00</u>	<u>(94,729.58)</u>	<u>25.1%</u>
Program Administration				
Claims Management Fees	18,750.00	75,000.00	(56,250.00)	25.0%
Contract Administration	40,000.00	160,000.00	(120,000.00)	25.0%
Total Program Administration	<u>58,750.00</u>	<u>235,000.00</u>	<u>(176,250.00)</u>	<u>25.0%</u>
Total General and Administrative Expenses	<u>90,470.42</u>	<u>361,450.00</u>	<u>(270,979.58)</u>	<u>25.0%</u>
Insurance Expense				
Excess Liability Policy	329,697.85	1,318,791.00	(989,093.15)	25.0%
Excess Property Policy	314,700.92	1,272,566.00	(957,865.08)	24.7%
Crime Policy	11,738.09	32,750.00	(21,011.91)	35.8%
Total Insurance Expense	<u>656,136.86</u>	<u>2,624,107.00</u>	<u>(1,967,970.14)</u>	<u>25.0%</u>
Claims Expenses				
Claims Payments	(205,765.50)	1,174,000.00	(1,379,765.50)	-17.5%
Claims Adjustment Account	(763,097.51)	-	(763,097.51)	0.0%
Total Claims Expenses	<u>(968,863.01)</u>	<u>1,174,000.00</u>	<u>(2,142,863.01)</u>	<u>-82.5%</u>
Dividends	-	-	-	0.0%
Total Expenses	<u>(222,255.73)</u>	<u>4,159,557.00</u>	<u>(4,381,812.73)</u>	<u>-5.3%</u>
Net Revenue Over (Under) Expenses	<u><u>\$ 1,278,257.73</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,278,257.73</u></u>	<u><u>0.0%</u></u>

South Bay Area Schools Insurance Authority
Check Register - Carl Warren Trust Account
July 1, 2018 - September 30, 2018

Check	Payee	Check Date	DOL	Claim	Cov	Claimant	Action Code	Amount	Loss	Expense
11115	DANNIS WOLIVER KELLEY	7/20/2018	1/26/2016	1941513	LBI	001	MIZE, JULIA	Payment	\$ 49,231.69	\$ -
11116	FORENSIC PSYCHIATRIC ASSOCIATES MED CO	7/20/2018	1/26/2016	1941513	LBI	001	MIZE, JULIA	Payment	\$ 2,250.00	\$ -
11117	SANTA CLARA UNIFIED SCHOOL DISTRICT	7/24/2018	8/14/2017	1968692	FPT	001	Santa Clara Unified, School District	Payment	\$ 2,275.87	\$ 2,275.87
11118	DAVIS & YOUNG, APLC	8/7/2018	8/1/2015	1927820	LEP	001	OCHOA, MICAELA	Payment	\$ 3,789.30	\$ -
11119	DAVIS & YOUNG, APLC	8/7/2018	8/1/2015	1927820	LEP	001	OCHOA, MICAELA	Payment	\$ 14,853.22	\$ -
11120	DAVIS & YOUNG, APLC	8/7/2018	8/1/2015	1927820	LEP	001	OCHOA, MICAELA	Payment	\$ 12,125.50	\$ -
11121	DAVIS & YOUNG, APLC	8/7/2018	8/1/2015	1927820	LEP	001	OCHOA, MICAELA	Payment	\$ 5,845.78	\$ -
11122	DAVIS & YOUNG, APLC	8/7/2018	8/1/2015	1927820	LEP	001	OCHOA, MICAELA	Payment	\$ 8,126.05	\$ -
11123	DAVIS & YOUNG, APLC	8/7/2018	8/1/2015	1927820	LEP	001	OCHOA, MICAELA	Payment	\$ 660.60	\$ -
11124	VJB VENTURES, INC.	8/7/2018	4/4/2016	1934380	FPT	001	SANTA CLARA HIGH SCH.,	Payment	\$ 3,264.00	\$ 3,264.00
11125	VJB VENTURES, INC.	8/7/2018	4/4/2016	1934380	FPT	001	SANTA CLARA HIGH SCH.,	Payment	\$ 2,448.00	\$ 2,448.00
11126	DAVIS & YOUNG, APLC	8/7/2018	8/4/2014	1935623	LPI	001	GIBBS, JAMES	Payment	\$ 1,945.95	\$ -
11127	DAVIS & YOUNG, APLC	8/7/2018	8/26/2016	1957920	LBI	001	PIPA, KATELYN	Payment	\$ 2,290.32	\$ -
11128	DAVIS & YOUNG, APLC	8/7/2018	8/4/2014	1935623	LPI	001	GIBBS, JAMES	Payment	\$ 110.00	\$ -
11129	DAVIS & YOUNG, APLC	8/7/2018	8/4/2014	1935623	LPI	001	GIBBS, JAMES	Payment	\$ 40.00	\$ -
11130	DAVIS & YOUNG, APLC	8/7/2018	3/21/2017	1965253	LBI	001	ANDERSON, NICHOLAS	Payment	\$ 402.50	\$ -
11131	DANNIS WOLIVER KELLEY	8/14/2018	1/26/2016	1941513	LBI	001	MIZE, JULIA	Payment	\$ 76,405.57	\$ -
11132	DAVIS & YOUNG, APLC	8/17/2018	6/13/2017	1966024	LPI	001	TOMBLIN, TYLER	Payment	\$ 9,430.55	\$ -
11133	DAVIS & YOUNG, APLC	8/17/2018	8/4/2014	1935623	LPI	001	GIBBS, JAMES	Payment	\$ 3,517.95	\$ -
11134	DAVIS & YOUNG, APLC	8/17/2018	8/4/2014	1935623	LPI	001	GIBBS, JAMES	Payment	\$ 4,787.70	\$ -
11135	DAVIS & YOUNG, APLC	8/17/2018	8/4/2014	1935623	LPI	001	GIBBS, JAMES	Payment	\$ 1,542.50	\$ -
11136	FORENSIC PSYCHIATRIC ASSOCIATES MED CO	8/27/2018	1/26/2016	1941513	LBI	001	MIZE, JULIA	Payment	\$ 13,000.00	\$ -
11137	FORENSIC PSYCHIATRIC ASSOCIATES MED CO	8/27/2018	1/26/2016	1941513	LBI	001	MIZE, JULIA	Payment	\$ 12,000.00	\$ -
11138	Lyndon Ironteeth	8/29/2018	4/9/2018	1979002	APD	001	IRONTEETH, Lynden	Payment	\$ 4,455.99	\$ 4,455.99
11139	AAA as subrogee of Livia Santos Veria	8/29/2018	3/30/2018	1978712	APD	001	SANTOS, LIVIA	Payment	\$ 1,907.04	\$ 1,907.04
11140	DAVIS & YOUNG, APLC	9/6/2018	1/27/2015	1908841	LBI	002	Quevedo, Emiliano	Payment	\$ 220.20	\$ -
11141	DAVIS & YOUNG, APLC	9/7/2018	3/21/2017	1965253	LBI	001	ANDERSON, NICHOLAS	Payment	\$ 542.50	\$ -
11142	SANTA CLARA UNIFIED SCHOOL DISTRICT FOH	9/13/2018	43014	1971475	FRB	001	HUGHES SCHOOL.,	Payment	\$ 2,975.00	\$ 2,975.00
11143	SANTA CLARA UNIFIED SCHOOL DISTRICT FOH	9/13/2018	43014	1971475	FRB	001	HUGHES SCHOOL.,	Payment	\$ 12,214.23	\$ 12,214.23
11144	GETRUDE RAMOS	9/13/2018	43284	1984170	LPD	001	RAMOS, GETRUDE	Payment	\$ 9,950.00	\$ 9,950.00
11145	GRACE BEVERLY	9/13/2018	43315	1983998	APD	001	BEVERLY, GRACE	Payment	\$ 2,003.32	\$ 2,003.32
11146	BERRYESSA UNION SCHOOL DISTRICT FOR CH	9/20/2018	42719	1954932	FRB	001	CHERRYWOOD ES.,	Payment	\$ 47,147.59	\$ 47,147.59
11147	DAVIS & YOUNG, APLC	9/21/2018	42217	1927820	LEP	001	OCHOA, MICAELA	Payment	\$ 4,894.05	\$ -
11148	SECOND IMAGE NATIONAL, LLC	9/21/2018	42495	1937203	LBI	001	AZARCON, JOMAR	Payment	\$ 150.84	\$ -
11149	DAVIS & YOUNG, APLC	9/21/2018	42608	1957920	LBI	001	PIPA, KATELYN	Payment	\$ 662.80	\$ -
11150	FORENSIC PSYCHIATRIC ASSOCIATES MED CO	9/27/2018	42395	1941513	LBI	001	MIZE, JULIA	Payment	\$ 2,494.35	\$ -
11151	FORENSIC PSYCHIATRIC ASSOCIATES MED CO	9/27/2018	42395	1941513	LBI	001	MIZE, JULIA	Payment	\$ 25,000.00	\$ -
11152	DAVIS & YOUNG, APLC	9/27/2018	42031	1908841	LBI	002	Quevedo, Emiliano	Payment	\$ 225.60	\$ -
									345,186.56	88,641.04
									256,545.52	

Check	Payee	Check Date	DOL	Claim	Cov	Claimant	Action Code	Amount	Loss	Expense
Claims Checking Account										
				Balance at beginning of the quarter				\$ 10,549.39		
				Deposits - Transfers from general account				380,895.41		
				Voided Checks				-		
				Recoveries				160.00		
				Claim Payments				(345,186.56)		
				Ending Bank Balance				\$ 46,418.24		

South Bay Area Schools Insurance Authority
Transactions by Account
July 1, 2018 - September 30, 2018

Type	Date	Num	Name	Split	Debit	Credit	Balance
General Journal	07/06/2018	JLZ 40	Alliant Insurance Services, Inc.	Bill.com Money Out Clearing			872,826.48
Deposit	07/10/2018		Deposit	-SPLIT-	846,367.21	32,750.00	840,076.48
General Journal	07/12/2018	JLZ 42	Carl Warren & Co - ATF SBASIA	Bill.com Money Out Clearing		99,450.61	1,686,443.69
Check	07/15/2018		Service Charge	Bank Service Charges		13.03	1,586,993.08
General Journal	07/17/2018	JLZ 41	Schools Excess Liability Fund	Bill.com Money Out Clearing		632,486.40	1,586,980.05
General Journal	07/18/2018	JLZ 43	ESM Solutions, Inc.	Bill.com Money Out Clearing		8,451.00	954,493.65
Deposit	07/23/2018		Deposit	-SPLIT-	1,922,834.81		946,042.65
General Journal	07/27/2018	JLZ 45	Alliant Insurance Services, Inc.	Bill.com Money Out Clearing		1,258,803.67	2,868,877.46
General Journal	07/27/2018	JLZ 45	Alliant Insurance Services, Inc.	Bill.com Money Out Clearing		14,202.38	1,610,073.79
General Journal	08/01/2018	JLZ 44	CSAC Excess Insurance Authority	Bill.com Money Out Clearing		686,305.00	1,595,871.41
General Journal	08/02/2018	JLZ 46	Alliant Insurance Services, Inc.	Bill.com Money Out Clearing		160,000.00	909,566.41
Deposit	08/07/2018		Deposit	-SPLIT-	1,401,794.79		749,566.41
General Journal	08/09/2018	JLZ 48	Carl Warren & Co - ATF SBASIA	Bill.com Money Out Clearing		76,405.57	2,151,361.20
General Journal	08/14/2018	JLZ 49	Carl Warren & Co - ATF SBASIA	Bill.com Money Out Clearing		51,481.69	2,074,955.63
General Journal	08/14/2018	JLZ 49	Carl Warren & Company	Bill.com Money Out Clearing		75,000.00	2,023,473.94
Check	08/15/2018		Service Charge	Bank Service Charges		54.98	1,948,473.94
General Journal	08/17/2018	JLZ 47	ESM Solutions, Inc.	Bill.com Money Out Clearing		8,541.00	1,948,418.96
General Journal	09/10/2018	JLZ61	Carl Warren & Co - ATF SBASIA	Bill.com Money Out Clearing		47,174.59	1,939,877.96
General Journal	09/12/2018	JLZ64	Carl Warren & Co - ATF SBASIA	Bill.com Money Out Clearing		106,382.95	1,892,703.37
General Journal	09/14/2018	JLZ62	Gilbert Associates, Inc.	Bill.com Money Out Clearing		6,209.41	1,786,320.42
General Journal	09/18/2018	JLZ63	ESM Solutions, Inc.	Bill.com Money Out Clearing		8,451.00	1,780,111.01
Deposit	09/18/2018		Deposit	Recoveries	457,801.40		1,771,660.01
Total Bank of America - 61312					4,628,798.21	3,272,163.28	2,229,461.41
TOTAL					4,628,798.21	3,272,163.28	2,229,461.41

RESOLUTION NO. R18-02

**RESOLUTION OF THE BOARD OF DIRECTORS
OF THE
SOUTH BAY AREA SCHOOLS INSURANCE AUTHORITY (SBASIA)
WITHDRAWAL FROM SELF
EXCESS LIABILITY PROGRAM
EFFECTIVE JULY 1, 2019**

WHEREAS, the Joint Exercise of Powers Agreement of Schools Excess Liability Fund (SELF) reads under VII. Withdrawal of a Party

- B. Resolution of Withdrawal: To effect withdrawal from this Agreement, or from any program (e.g., Liability or Workers' Compensation) in which a party is participating, such party, by its governing body, shall adopt a resolution stating that it is going to withdraw from SELF or from the SELF program, effective July 1 of that year or the following year.

BE IT RESOLVED THAT:

In accordance with the Schools Excess Liability Fund (SELF) Joint Exercise of Powers Agreement, South Bay Area Schools Insurance Authority is withdrawing from the SELF Excess Liability Program effective July 1, 2019.

This Resolution of the Board of Directors was adopted this 19th day of December 2018 in Campbell, California by the following vote:

Votes In Favor	_____
Votes Against	_____
Votes Abstaining	_____
Votes Absent	_____

Signed:

Attest:

James Crawford, President

Robert Clark, Secretary



Agenda Item F.1

JPA PRESIDENT

ACTION ITEM

ISSUE: The JPA President, Mr. James Crawford, retires in December 2018. Mr. Crawford will continue to work for Campbell USD as a consultant. The Board of Directors will decide if the JPA should contract with Campbell USD so Mr. Crawford can continue to serve as JPA President.

RECOMMENDATION: The Executive Committee will make a recommendation to the Board.

FISCAL IMPACT: \$15,000 per year

BACKGROUND: The majority of the Executive Committee is comprised of new representatives. Mr. Crawford has significant experience after working with the JPA for almost twenty years. Mr. Crawford will continue to work for Campbell USD as a consultant. Campbell USD can adopt a resolution to have Mr. Crawford remain as their Board representative. The JPA can contract with Campbell USD so Mr. Crawford can continue to serve as JPA President allowing the new Executive Committee members time to gain knowledge and experience.

ATTACHMENTS: Compensation Reimbursement Agreement

**COMPENSATION REIMBURSEMENT AGREEMENT
BETWEEN CAMPBELL UNION SCHOOL DISTRICT AND SOUTH BAY
AREA SCHOOLS INSURANCE AUTHORITY**

This Agreement is entered into as of December 12, 2018 (“Effective Date”) through June 30, 2020, by and between the Campbell Union School District (“District”) and the South Bay Area Schools Insurance Authority (“Authority”) (collectively, “Parties”).

RECITALS

WHEREAS, James Crawford is retiring from his position as Deputy Superintendent for the District; and

WHEREAS, because of his significant experience working with the Authority over a number of years, the District and the Authority wish for Mr. Crawford to continue serving as President of the Authority; and

WHEREAS, on October 25, 2018, the District’s Board of Trustees approved an agreement with Crawford School Business Consulting LLC titled “Independent Contractor Services Agreement: School Business Consulting Services,” (“Independent Contractor Agreement”), effective December 12, 2018, whereby Mr. Crawford (“Consultant”) shall provide various school business services, including serving as President of the Authority, and the District shall compensate Consultant for such services.

AGREEMENT

NOW, THEREFORE, the Parties agree as follows:

1. The District shall compensate Crawford School Business Consulting for Consultant’s services in accordance with the Independent Contractor Agreement of said agreement.
2. In accordance with the Independent Contractor Agreement, the total amount of Authority’s reimbursement to the District for Consultant’s services shall not exceed \$15,000 per year, payable in two annual installments, and due on March 15 and October 15 of each year of this Agreement.
3. Unless earlier terminated in writing by mutual agreement of the Parties, this Agreement shall terminate when a) the Independent Contractor Agreement has terminated, and b) the District has completed all payments to the Consultant for services rendered to the Authority, and c) the Authority has fulfilled all payment obligations arising under this Agreement.
4. While performing services under this Agreement, Consultant, on behalf of himself and the Authority, will be acting as an independent contractor and not as an officer or employee of the District. The Consultant will comply with all federal and state laws and regulations for payment of all applicable taxes and benefits.

5. Consultant is responsible for complying with any/all CalPERS, CalSTRS or any other comparable requirement before initiating work. Consultant hereby agrees that he is confirming his eligibility to participate as an independent contractor.
6. Consultant, on behalf of himself and the Authority, will treat all information received during the performance of this Agreement as confidential. Confidential information is information obtained solely as a result of work for an individual member and not available in the public domain. Such information may include, but is not limited to, attorney-client or attorney work product, personnel matters and other confidential information provided to Consultant in the performance of services pursuant to this Agreement that the District deems confidential.
7. Consultant, on behalf of the Authority, agrees that he presently has no interest and shall not acquire any interest, direct or indirect, in the subject of the Agreement, nor any other interest which would conflict in any manner or degree with the performance of services under the Agreement. Should any actual or apparent conflict arise during the term of services, Consultant agrees to disclose such conflicts in writing to the District. The District shall have the option to terminate the Agreement should it deem such conflicts disqualifying.
8. The District agrees it will not assign, transfer, convey or otherwise dispose of this Agreement or any part thereof, or its rights, title or interest therein, without the prior written consent of the Authority.

WHEREFORE, the Parties hereto, by their signatures below, enter into the Agreement as of the Effective Date.

CAMPBELL UNION SCHOOL DISTRICT

SOUTH BAY AREA SCHOOLS
INSURANCE AUTHORITY

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____



Agenda Item F.2

AMENDMENT TO BYLAWS

ACTION ITEM

ISSUE: The Board of Directors should review and adopt the proposed change to the Bylaws.

RECOMMENDATION: The Executive Committee recommends amending the Bylaws as presented.

FISCAL IMPACT: None.

BACKGROUND: The Bylaws, in Article II Section C, prohibit anyone serving on the Board of Directors from receiving any compensation from South Bay Area Schools Insurance Authority. A member of the Board, Mr. James Crawford, is retiring from his position at the Campbell Union School District, but shall continue to serve on the Board as a consultant and it is necessary to amend the Bylaws to permit him to be compensated.

Article II Section C shall be amended as follows:

No one serving on the Board of Directors shall receive any salary or compensation from the Authority while they are regularly employed by a member district. A member may be represented on the Board of Directors by an independent contractor, and in that case the Authority may compensate the independent contractor for service on the Board of Directors, either by paying the independent contractor directly or by reimbursing the member district for the services of the independent contractor.

The proposed amendment appears in bold lettering on the attached Bylaws.

ATTACHMENTS: Bylaws

BYLAWS
SOUTH BAY AREA SCHOOLS INSURANCE AUTHORITY

AS AMENDED: June 24, 2004

PREAMBLE

The South Bay Area Schools Insurance Authority (“Authority”) is established for the purpose of providing the services and other items necessary and appropriate for the establishment, operation, and maintenance of a self-insurance joint protection program for liability and property damage protection for the public educational agencies who are members hereof, and to provide a forum for discussion, study, development, and implementation of recommendations of mutual interest regarding self-insurance.

ARTICLE I
BOARD OF DIRECTORS

- A. A Board of Directors is hereby established to direct and control the Authority.
- B. The Board of Directors may delegate any and all of its authority except:
 - 1. Adopting the annual revenue and expense budget,
 - 2. Elect officers and Executive Committee members
and
 - 3. Amending these Bylaws.
- C. The Board of Directors delegates all of its authority to the Executive Committee except those authorities listed in Item B above.
- D. Each member of the Authority shall appoint to the Board of Directors one representative and one alternate. Said appointments shall be made by the governing boards of the member’s district and acknowledged by written confirmation of such appointment. Said representative must be employees or trustees of the member. The representative and alternate shall serve at the pleasure of the member by whom appointed. Only the designated representative or designated alternate may represent a member, and each shall be invited to attend all meetings of the Board of Directors. The designated representatives and designated alternates may invite members of their agencies’ staffs, consultants, or governing boards to attend meetings of the Board of Directors in an advisory capacity only.
- E. Each member shall have one vote, which may be cast only by the designated representative who is in physical attendance or by the designated alternate who is in physical attendance if the designated representative is absent. No proxy or absentee votes shall be permitted. Except as otherwise provided by law or in these Bylaws, a vote of the majority of

those members constituting the Board of Directors and attending the meeting shall be sufficient to constitute action, provided that a quorum is present.

F. The Board of Directors may conduct regular, adjourned regular, special, and adjourned special meetings, provided, however, that it will hold at least one (1) regular meeting a year. The date, time, and place for each such regular meeting shall be fixed annually by the Board of Directors, which shall be publicly posted prior to the meeting at the principal office of the Authority and filed with each member of the Authority. All meetings of the Board of Directors shall be called, held, and conducted in accordance with the terms and provisions of the Ralph M. Brown Act (Sections 54950, et seq.) of the California Government Code, as said Act may be modified by subsequent legislation, and as the same may be augmented by rules of the Board of Directors not inconsistent therewith. Except as otherwise provided or permitted by law, all meetings of the Board of Directors shall be open and public. The Board of Directors shall cause minutes of its meetings to be kept, and shall promptly transmit to the members of the Authority true and correct copies of the minutes of such meetings.

G. The Board of Directors, by resolution, shall designate the principal office at which it will receive notices, correspondence, and other communications. The Secretary shall be the designated officer for the purpose of receiving service on behalf of the Authority and the Board of Directors. The Board of Directors shall comply with the provisions of Sections 6503.5 and 53051 of the Government Code requiring the filing of a statement with the Secretary of State and with the County Clerk.

H. The Board of Directors may appoint and dissolve working committees from its active membership or may contract for services of others in keeping with the Joint Powers Agreement and these Bylaws.

I. The Board of Directors shall approve an annual revenue and expense budget including the determination of contributions from the members in accordance with the parameters as described in Article VI, and the method by which contributions will be paid to the fund.

J. The Board of Directors shall also provide for additional assessments during the year, if necessary or appropriate, to allow for increased costs and expenses as may occur or for dividend payments to member districts if the level of the General Fund is deemed more than adequate to cover expected costs and expenses.

K. The Board of Directors shall insure that a complete and accurate system of accounting of the fund shall be maintained at all times consistent with the established auditing standards and accounting procedures.

L. The Board of Directors shall determine the manner in which liability and property damage claims shall be processed.

ARTICLE II

RULES OF THE BOARD OF DIRECTORS

A. The Board of Directors may establish rules governing its own conduct and procedure, and have such expressed or implied authority as is not inconsistent with, or contrary to, federal, state, or local laws, these Bylaws, or the Joint Powers Agreement.

B. A quorum for the transaction of business by the Board of Directors shall consist of a majority of the active members of the Authority then in current status.

C. No one serving on the Board of Directors shall receive any salary or compensation from the Authority **while they are regularly employed by a member district. A member may be represented on the Board of Directors by an independent contractor, and in that case the Authority may compensate the independent contractor for service on the Board of Directors, either by paying the independent contractor directly or by reimbursing the member district for the services of the independent contractor.** The Board of Directors may provide and establish procedures for the reimbursement of reasonable expenses incurred in connection with the official business of the Authority.

ARTICLE III

OFFICERS

A. The officers of the Authority shall be elected at a regular meeting of the Board of Directors immediately preceding July 1st of each year. The Executive Committee may offer a slate of officers for the Board to adopt, but only after accepting and considering the nominations from the floor for each office.

B. The officers of the Authority shall be President, Vice President, Secretary, and Treasurer/Fiscal Agent. The term of each office shall be one (1) year or until their successor is elected or appointed. The length of term does not limit an individual from serving successive terms if elected. The term of office shall start on July 1st of each year and conclude on June 30th of the following year. All vacancies, however arising, may be filled by the affirmative vote of a majority of the Board of Directors at a regular or special meeting.

C. The President shall be the chief executive officer and shall have general supervision and direction of the business of the Authority, shall see that all orders and resolutions of the Board of Directors are carried into effect, and shall be a member of all committees appointed by the Board of Directors. He/she shall give, or cause to be given, notice of all

meetings of the Board of Directors when notice is required by these bylaws. The President shall have such other powers and perform such other duties as may be prescribed from time to time by the Board of Directors.

D. The Vice President shall serve in the absence or disability of the President and shall be vested with all the powers and authorization to perform all the duties of the President, as well as such other powers and duties as may be prescribed from time to time by the Board of Directors or the President.

E. The Secretary shall retain records of all votes and the minutes of all proceedings of the Board of Directors in a book to be kept for that purpose. He/she shall have such other power and perform such other duties as may be prescribed from time to time by the Board of Directors or the President.

F. The Treasurer/Fiscal Agent shall be the chief financial officer of the Authority and shall assume the duties described in Section 6505.5 of the California Government Code, and shall:

1. Receive and receipt for all money of the Authority and place it in a designated financial institution, to the credit of the Authority.
2. Be responsible for the safekeeping and disbursement of all money of the Authority held by him.
3. Pay, when due, out of money of the Authority so held by him, all sums payable by the Authority only upon warrants authorized by him or his authorized representative.
4. Verify and report in writing each quarter to the Board of Directors and to the members of the Authority the amount of money he holds for the Authority, the amount of receipts since his last report, and the amount paid out since his last report.

G. The Treasurer/Fiscal Agent shall have such other powers and perform such other duties as may be prescribed from time to time by the Board of Directors or the President.

ARTICLE IV EXECUTIVE COMMITTEE

A. An Executive Committee shall consist of the President, Vice President, Treasurer/Fiscal Agent, Secretary, and one Member-at-Large elected by and from the Board of Directors at the time of the election of officers.

B. The Executive Committee shall be responsible for the ongoing operations of the South Bay Area Schools Insurance Authority and shall meet at least four times a year. It shall have the authority to administer the Authority and its programs except to the extent that such authority is reserved exclusively to the Board.

C. The Executive Committee shall enforce the Bylaws of this organization, and be responsible for the implementation of rules, regulations, and directions of the Board.

D. A majority of the members of the Executive Committee shall constitute a quorum for the transaction of business. The Secretary shall take and maintain minutes of the committee meetings and copies of all minutes shall be forwarded to the Full Board members.

ARTICLE V INDEMNIFICATION OF OFFICIALS

A. The Authority agrees to indemnify and hold the representative and the alternates to the Board of Directors, the members of the Executive Committee and any and all the officers or employees of the Authority, and each of them harmless against and free from all claims, expenses, demands, penalties, fines, forfeitures, judgments, settlements, attorney fees, and any other amount whatsoever actually and reasonably incurred or threatened by reason of, or as a result of, their official participation and actions in pursuance of the execution and administration of the Agreement and the operation of the Authority created thereunder, including but not limited to amounts arising out of or by any judicial or quasi-judicial action or proceeding, whether civil, criminal, administrative or investigative, on condition that it appear to the satisfaction of the Board that the indemnitee acted in good faith and in a manner reasonably believed by him or her to be in the best interest of the Authority, or that such a person had no reasonable cause to believe that his or her conduct under the circumstances was unlawful.

B. This provision of indemnity shall not be construed to obligate the Authority to pay any liability, including but not limited to, punitive damages, which by law would be contrary to public policy or itself unlawful.

C. The Board, at its discretion, may self-fund or provide for errors and omissions insurance policy coverage for the directors and officers and employees of the Authority, at the expense of the Authority.

ARTICLE VI FINANCE

A. The Authority shall operate on a fiscal year from July 1st to June 30th.

B. The Board of Directors shall annually, prior to June 30th, adopt a budget showing each of the purposes for which the Authority will need money and the estimated amount of money that will be needed for each such purpose for the ensuing fiscal year. A copy of the budget shall be transmitted to each of the participating members, and the members of the governing boards.

C. Each member shall pay to the Authority each fiscal year the annual contribution calculated in accordance with the Program Document and adopted by the Board of Directors.

D. The Board of Directors may declare an assessment for any shortfall in contributions, in accordance with the Program Document.

E. An adequate reserve account within the General Fund shall be maintained. The Authority shall accept and deposit in the Authority's General Fund all monies received by it including monies from any of the following sources:

1. Member contributions, including deposit premiums, assessments, and any other charges;
2. Interest and other investment income;
3. Refund of insurance premiums;
4. Subrogation recoveries; and
5. Grants from any public agency or private company;

F. The General Fund shall be established and maintained out of monies received and deposited in the General Fund. Monies shall be for the purpose of paying for the following:

1. Insurance premiums;
2. Claims expenses;
3. Claims management expenses;
4. Salaries of administrators, if any;
5. Safety engineering;
6. Data processing costs;
7. Investigative costs;
8. Legal costs; and
9. Miscellaneous operating expenses and any other duly authorized obligations of the Authority.

G. The Reserve Account shall be established and maintained out of monies received by and deposited in the General Fund. Monies shall be maintained in the Reserve Account for the purpose of funding the General Reserves, i.e., monies for claims which have been incurred by the members but remain unpaid, and the Catastrophe Reserves, i.e., monies for claims which have not been incurred and other unexpected expenses.

ARTICLE VII

PROGRAM DOCUMENT AND MEMORANDUM OF COVERAGE

A. A Program Document shall be adopted by the Board of Directors establishing the policies and procedures for, among other concerns, the pooling of funds to pay claims retained by the Authority, purchase of insurance and participation in other joint powers authorities.

B. The Program Document shall contain:

1. The plan for allocation of costs;
2. The definition of a Program Year;
3. The authority to adopt or change the scope of coverage provided for any Program Year;
4. The ability to purchase reinsurance, excess insurance, group purchase insurance or participate in other risk pooling organizations, including participation in other joint powers authorities;
3. The manner in which liability and property damage claims will be reported and paid; and
4. Other terms and conditions which the Board of Directors may consider necessary.

C. A Memorandum of Coverage (MOC) shall be adopted by the Board of Directors for each Program Year. The MOC will provide the scope of coverage, including limits and deductibles, assumed by the Authority. All coverage decisions of the Authority shall adhere to the MOC. Disputes involving coverage decisions of the Authority shall be resolved in the manner provided by Joint Powers Agreement section 14.

ARTICLE VIII ACCOUNTS AND RECORDS

A. The person or entity described in the Agreement, section 3 is the designated depository of the Authority.

B. The Authority is strictly accountable for all funds received and disbursed by it and, to that end, the Authority shall establish and maintain such funds and accounts as may be required by good accounting practice or by any provision of law or any resolution of the Authority. Books and records of the Authority in the hands of the Administrator shall be open to inspection at all reasonable times by the representatives of the members. The Authority, as soon as practical after the close of each fiscal year, shall give, or cause to be given, a complete written report of all financial activities for such fiscal year to each member of the Board of Directors and to the chief administrative officer of each member of the Authority.

C. The Board of Directors shall make, or contract with a Certified Public Accountant to make, an annual audit of the accounts, records, and financial affairs of the Authority. In each case, the minimum requirements of the audit shall be those prescribed by the State Controller for special districts under Section 26909 of the California Government Code and shall conform to generally accepted auditing standards and accounting principles as promulgated by the Governmental Accounting Standards Board. When such an audit of accounts and reports is made by a Certified Public Accountant, a report thereof shall be filed as a public record with the county in which the principal office resides. Such reports shall be filed within twelve (12) months of the end of the fiscal year under examination. In addition, a copy of the report shall be sent to each of the members. Any costs of the audit, including contracts with, or employment of,

Certified Public Accountants in making the audit(s) provided for herein, shall be appropriate charges against the funds of the Authority.

ARTICLE IX RISK MANAGEMENT

A. The Board of Directors of the Authority shall develop suggested guidelines or risk management practices and encourage the implementation of the Authority's risk management program.

B. Each of the members hereby agrees to consider the implementation in its district of risk management guidelines developed by the Board of Directors.

ARTICLE X MEMBERSHIP

A. Application for membership in the Authority shall be in writing and shall be reviewed by the Administrator regarding claims experience and acceptability by the current insurance carrier. The Administrator will make recommendations of acceptability or non-acceptability.

- B. The members shall have the following responsibilities:
1. To report claims as soon as practicable and to cooperate fully with the Authority in the investigation and settlement of claims;
 2. To cooperate and assist the Authority and any insurer, claims adjuster or legal counsel retained by the Authority;
 3. To pay deposit premiums, contributions, assessments or other charges and any adjustment thereto promptly to the Authority when due;
 4. To provide the Authority with statistical and loss experience data and other information as may be necessary for the Authority to carry out the purposes of the Agreement; and
 5. To comply with the Agreement, these Bylaws, and any and all other governing documents adopted by the Board of Directors.

ARTICLE XI WITHDRAWAL FROM OR TERMINATION OF MEMBERSHIP

A. Any member having completed three complete consecutive years as a member of the Authority may withdraw from its status as a member and party to the Joint Powers Agreement by providing the Board with a written notice of preliminary intent to withdraw by October 1 of the calendar year prior to the effective date of withdrawal; and by providing the

Board with a written final notice of withdrawal by December 15 following the preliminary notice. In all cases withdrawal shall be effective on the following June 30.

B. A withdrawn member shall remain responsible for any and all liabilities arising out of the Program Years, as defined in the Program Document, for which the member participated.

C. Upon the withdrawal of any member, the Board of Directors shall establish a reserve account for claims pending against the withdrawing member in an amount to be determined by the Board of Directors, and fund that account with any equity held for the withdrawing member. The Board of Directors shall establish an additional reserve account for possible liability and property damage claims against the withdrawing member arising out of facts occurring while the withdrawing member was a member of the Authority but submitted after said member has withdrawn from same, and fund that account with any equity held for the withdrawing member. The amount of said reserve accounts shall be set by the Board of Directors. On written demand from the Authority, the withdrawing member shall promptly make payment to the Authority of any additional monies the Authority deems necessary to fund said accounts. For the purposes of this Article X, "equity" means the net, if any, of contributions made by the withdrawing member over claims payments and any related cost paid on its behalf. No refund or repayment shall be given to any withdrawing member.

D. In the event of any cost, liabilities, assessments, or contingencies required because of pending or potential future claims against the withdrawing or withdrawn member which exceed the amount set aside in the reserve accounts established pursuant to subparagraph B of this Article, on written demand from the Authority the withdrawing member shall promptly make payment to the Authority of all funds the Authority deems necessary to cover such additional cost, assessment or contingency.

E. A member may be involuntarily terminated from the Authority upon a majority vote of all the remaining members of the Board of Directors. Involuntary termination shall have the effect of eliminating the party as a signatory of the Joint Powers Agreement and as a member of the Authority, effective at the end of the fiscal year in which the action is taken or upon such other date as the Board of Directors may specify, but in no case less than sixty (60) days after notice of involuntary termination is given. Should a member be involuntarily terminated, reserve accounts shall be established pursuant to subparagraphs B and C of this Article as though the member were voluntarily withdrawing and the member shall continue to be responsible for the amount of any costs, liabilities, assessments, or contingencies required because of liability and property damage claims against the member which are needed for the reserve accounts established pursuant to subparagraph B of this Article. No refund or repayment shall be given to any involuntarily terminated member. Grounds for involuntary termination include, but are not limited to, the following:

1. Failure or refusal of a member to abide by an amendment which has been adopted by the Board of Directors or by the members of the Authority as provided in the Agreement or Bylaws;
 2. Failure or refusal to pay contributions or assessments to the Authority as provided in the Agreement or Bylaws;
 3. Failure to comply with the obligations as defined in Article X, Section B,
- or
4. Such other grounds as determined by the Board of Directors.

ARTICLE XII

DISPOSITION OF PROPERTY AND FUNDS

A. In the event of the dissolution of the Authority, the complete recession, or other final termination of the Joint Powers Agreement by all members or other public educational agencies then a party to the Agreement, any property interest remaining in the Authority following a discharge of all obligations shall be disposed of as the Board of Directors shall then determine, with the objective of returning to each member or other agency which is then or was theretofore a party during the six-month period immediately preceding the termination of the Agreement, a proportionate return on the contributions made to such properties by such parties, which shall be determined in the manner as provided in subparagraph B below.

B. In the event the Authority is dissolved, the Board of Directors shall pay to the members their pro rata share of the total tangible assets less obligations. A member's pro rata share of tangible assets is defined as the total contributions paid by the member divided by the total contributions paid by all members from the inception of the Authority to the date of termination, less claims paid. The Board of Directors shall determine whether the obligation to pay a member's pro rata share of tangible assets shall be discharged through a transfer of property or through a payment of funds. Said transfer or payment shall be made within a reasonable time following termination.

C. The current fair value of Authority properties shall be determined by the Board of Directors. If a member disagrees with the current fair value of Authority properties as determined by the Board of Directors, the current fair value of said properties shall be determined by an independent appraiser selected by the Board of Directors.

ARTICLE XIII

INVESTMENT OF SURPLUS FUNDS

A. The Board of Directors shall have the power to invest or cause to be invested in compliance with Section 5609.5 of the California Government Code such reserve surplus funds as are not necessary for the immediate operation of the Authority in such securities as allowed by Section 53601 of the California Government Code.

B. The level of cash to be retained for the actual operation of the Authority shall be determined by the Board of Directors.

ARTICLE XIV AMENDMENT

A. Amendment of these Bylaws may be proposed by any designated representative of a member in writing and sent to the Secretary thirty (30) days prior to the next regularly scheduled Board meeting.

B. All amendments to these Bylaws must be approved by a two-thirds vote of the members of the Board of Directors before the amendment shall become effective. Such amendments shall be binding upon all members of the Authority. Amendments shall specify an effective date.

ARTICLE XV SEVERABILITY

Should any portion, term, condition, or provision of these Bylaws be decided by a court of competent jurisdiction to be illegal or in conflict with any applicable state or federal law, or be otherwise rendered unenforceable or ineffectual, the validity of the remaining portions, terms, conditions, and provisions shall not be affected thereby.

ARTICLE XVI EFFECTIVE DATE

These Bylaws shall become effective immediately upon the effective date of the Joint Powers Agreement, and any amendments upon their effective date as specified in Article XIV.