

PURMS BOARD RESOLUTION NO. 11-10-11-1
for

**PUBLIC UTILITY RISK MANAGEMENT SERVICES
JOINT SELF-INSURANCE FUND**

I.

General Authority and Background

WHEREAS, pursuant to the authority granted in RCW 48.62 et. seq., PURMS has established and operates three Risk Pools through which the members of these Risk Pools jointly self-insure liability, property and health & welfare claims (respectively, “Liability Pool”, “Property Pool” and “H&W Pool”);

WHEREAS, the operation of these Risk Pools and the rights and obligations of the Members of these Risk Pools are governed by an Agreement entitled “PURMS Joint Self-Insurance Agreement” (hereinafter, the “SIA”) originally dated December 20, 1976, consisting of the PURMS Interlocal Agreement, as most recently amended by PURMS Resolutions on November 4, 2010 (“Current ILA”) and other Program Documents identified in ¶ 5.1 of the Current ILA;

WHEREAS, pursuant to § I, ¶ 6 of the Current ILA, the business and affairs of PURMS shall be managed and governed by the Board of Directors (“Board”);

WHEREAS, § I, ¶ 4.2 of the Current ILA provides that PURMS shall have all of the authority granted or implied by applicable Washington law.

II.

Resolutions for November 10, 2011 PURMS Annual Board Meeting

WHEREAS, the Board’s Agenda for its Annual Meeting on November 10, 2011 includes four (4) separate but related Resolutions for the Board to consider relating to implementing and memorializing changes and additions incorporated into the 2011 Amendments to the Interlocal Agreement, based on the prior Resolutions and decisions generally identified in § IV. below, as follows:

Resolution 11-10-11-1 re: Resolution Adopting PURMS 2011 Amended Interlocal Agreement (“Resolution No. 1”);

Resolution 11-10-11-2 re: Resolution Adopting ‘Program Funding Amendments’ for the Liability and Property Pools (“Resolution No. 2”);

Resolution 11-10-11-3 re: Resolution Adopting ‘Program Funding Amendments’ for the Health and Welfare Pool (“Resolution No. 3”); and

Resolution 11-10-11-4 re: Resolution Adopting Amendments to other PURMS Program Documents (“Resolution No. 4”);

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WHEREAS, on October 31, 2011, along with the Agenda for the November 10, 2011 PURMS Annual Board meeting, the Administrator emailed to Members and posted on PURMS' Website copies of the first three (3) of the above-identified 2011 PURMS Resolutions for Board consideration;

WHEREAS, although a Vote on the first three (3) Resolutions are being taken at the Annual Meeting of those Directors that wish to Vote on behalf of the Member at that time, as explained in § VIII below, based both on the terms of ¶¶ 5.2.2 and 5.3 of the Current ILA and on WAC 82-60-02021(2), each Member's "governing body" must adopt an "Authorizing Resolution" and sign the Amended ILA independent of and in addition to any Board Vote on or approval of this Resolution No. 1 at the Annual Meeting; and

WHEREAS, Resolution No. 4 re "Adopting Amendments to Other Program Documents", which was provided before or at the Board's Annual Meeting, shall be subject to Vote by Authorizing Resolutions, as provided in ¶ A. of the "Resolution" § XIV below.

III.
Amended ILA, Program Funding Amendments
and Summaries Provided to Members

WHEREAS, on October 11, 2011, thirty (30) days before the Annual Meeting of the PURMS Board on November 10, 2011, the Administrator provided to PURMS' Members by electronic mail, posted on PURMS' Website and provided Members with links to the following documents:

- (a) The "Interlocal Agreement for the Public Utility Risk Management Services Joint Self-Insurance Fund amended as of November 10, 2011" ("Amended ILA");
- (b) A version of the Amended ILA that showed all changes and additions to the Current ILA in color-font;
- (c) "PURMS' 2011 Program Funding Amendments for the Liability and Property Pools and General Assessments Provisions" ("L&P Program Funding Amendments" or "L&P PFAs");
- (d) "Definitions" for the L&P PFAs;
- (e) "PURMS' 2011 Program Funding Amendments for the Health & Welfare Pool" ("H&W Program Funding Amendments" or "H&W PFAs"); and
- (f) "Definitions" for the H&W PFAs;

WHEREAS, copies of these same documents were provided to the SRM in the same manner and on the same date, as required by WAC 82-60-02019;

WHEREAS, on October 26, 2011, the Administrator emailed to Members and posted on PURMS' Website a document entitled "Summary of 2011 Amendments to PURMS Interlocal Agreement"

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which summarized the paragraph-by-paragraph changes contained in the Amended ILA (“Summary of Amended ILA”);

WHEREAS, prior to the November 10, 2011 Annual Meeting of the PURMS Board, the Administrator emailed to Members of the Property and Liability Pools and posted on PURMS’ Website a document entitled “Summary of Concepts and Assessment Methodologies for Liability and Property Pool Program Funding Amendments” (“Summary of L&P PFAs”); and

WHEREAS, prior the November 10, 2011 Annual Meeting of the PURMS Board, the Administrator emailed to Members of the Health & Welfare Pool and posted on PURMS’ Website a document entitled “Summary of Concepts and Assessment Methodologies for H&W Pool Program Funding Amendments” (“Summary of H&W PFAs”).

IV.

Amending ILA to Implement Previous PURMS Resolutions

WHEREAS, the Resolutions adopted by the Board and Members in 2009 by the applicable Voting Standards (collectively, “2009 PURMS Resolutions”) addressed the following subjects:

Resolution No. 11-12-09-1 re: Authorizing Action to Achieve Compliance with 2009 Amendments to WAC §82-60 for Liability and Property Pools;

Resolution No. 11-12-09-2 re: Program Treasurer’s Bond and Bond or Insurance Coverage and Indemnification for PURMS’ Directors, Officers and Committees;

Resolution No. 11-12-09-3 re: Approving Amended Administrator Service Agreement and Related Amendments to SIA;

Resolution No. 11-12-09-4 re: Approving Terms of \$100,000 Limited “In Lieu of” Bond Coverage for Members’ Treasurers under the SIA; and

Resolution No. 11-12-09-5 re: Authorizing Voting Procedures re Resolutions for 11-12-09 Board Meeting.

WHEREAS, the Resolutions adopted by the Board and Members in 2010 by the applicable Voting Standards (collectively, “2010 PURMS Resolutions”) addressed the following subjects:

Resolution No. 11-4-10-1 re: Application of SIA Voting Standards to 2010 Resolutions and SIA Amendments;

Resolution No. 11-4-10-2 re: Approving Executive Committee’s Report Reviewing PURMS’ Financial Activities and Acquisition of Bond Coverage;

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Resolution No. 11-4-10-3 re: Adopting PURMS Written Risk Management Program;

Resolution No. 11-4-10-4 re: Adopting Proposed 2010 SIA Amendments;

Resolution No. 11-4-10-5 re: Directing Executive Committee to Review WAC Program Funding Requirements and Make Recommendations regarding Compliance;

Resolution No. 11-4-10-6 re: Approving Amendment to Property Premium Assessment Formula Reducing 10% Basic Factor to 5%.

WHEREAS, to the extent the 2009 and 2010 PURMS Resolutions directly or indirectly required amendment of the Interlocal Agreement or other Program Documents, a substantial portion thereof were included and explained in detail in the “Table of 2010 SIA Amendments and Voting Standards” (“Table”) provided to PURMS Members in connection with consideration and Voting on the 2010 SIA Amendments; and

WHEREAS, Resolution No 11-4-10-4 re “Adopting Proposed 2010 SIA Amendments” directed the Administrator and General Counsel to prepare such amendments to the PURMS Interlocal Agreement as necessary to effectuate the 2009 and 2010 PURMS Resolutions and the proposed 2010 Amendments reflected in the Table, which are now implemented in the Amended ILA.

V.

**Amending ILA to Implement Non-Funding-Related Requirements
of WAC § 82-60 and § 82-65**

WHEREAS, by Resolution No. 11-12-09-1, entitled “Resolution Authorizing Action to Achieve Compliance with 2009 Amendments to WAC §82-60 for Liability and Property Pools”, the Board directed the Executive Committee to begin reviewing the new provisions being added to the Washington Administrative Code (“WAC”) under § 82-60 et. seq. that would govern local government entities joint self-insurance liability and property programs, as they applied to PURMS and the PURMS Risk Pools;

WHEREAS, the provisions of § 82-60 applicable to the Liability and Property Pools became effective January 14, 2010;

WHEREAS, the Washington State Risk Manager’s Office (“SRM”) indicated to the Administrator that SRM was willing to work with the joint self-insurance programs, providing a reasonable time for such programs to transition their operations and program documents to full compliance with the new regulations;

WHEREAS, during the spring and fall of 2010, the Executive Committee met on multiple occasions to consider, among other things, changes and additions that may be needed to PURMS’ Program Documents, procedures and third-party contracts under the new provisions of WAC § 82-

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60 and under proposed draft regulations in WAC § 82-65 that would govern self-insured health & welfare programs;

WHEREAS, on September 23, 2010, the Executive Committee met, reviewed and approved the provisions of Exhibit 1 to the 2009 Administrator Service Agreement (“ASA”), entitled “Administrator’s Operational Duties” (“Exhibit 1”), which incorporated and *de facto* implemented the requirements of WAC § 82-60 and 82-65 applicable to operation and administration of local government entity joint self-insurance programs (“WAC Operational Requirements”), except for requirements of the WAC regarding joint self-insurance programs’ funding levels and reserves (“Program Funding Requirements”);

WHEREAS, the final regulations applicable to the H&W Pool contained in WAC § 82-65 did not become fully effective until November 1, 2010;

WHEREAS, at its November 4, 2010 Annual Meeting, by Resolution No. 11-4-10-4, entitled “Resolution Adopting Proposed 2010 SIA Amendments”, the Board approved the proposed 2010 SIA Amendments incorporating the WAC Operational Requirements for the Liability and Property Pools and the H&W Pool, as substantially implemented in the ASA and Exhibit 1 between PURMS and the Administrator; and

WHEREAS, Resolution No. 11-4-10-4 also directed that the Executive Committee, the Administrator and General Counsel to proceed with preparing the actual language of the amendments to the Interlocal Agreement consistent with the WAC Operational Requirements, as well as incorporating the other prior Board Resolutions and Executive Committee decisions reflected in a “Table of 2010 SIA Amendments”.

VI.

Amending ILA ¶ 13 to Incorporate Program Funding Amendments

WHEREAS, PURMS Resolution No. 11-10-11-2 provides for adoption of the proposed “Program Funding Amendments” for the Liability and Property Pools, together with Assessment mechanisms and funding methodologies in ¶ 13 of the Current ILA as adapted to the Program Funding Requirements of WAC § 82-60, and calls for amendment of the Current ILA consistent therewith; and

WHEREAS, PURMS Resolution No. 11-10-11-3 provides for adoption of the proposed “Program Funding Amendments” for the H&W Pool, together with Assessment mechanisms and funding methodologies in ¶ 13 of the Current ILA as adapted to the Program Funding Requirements of WAC § 82-65, and calls for amendment of the Current SIA consistent therewith.

VII.

Other Reasons for the 2011 Amendments to the Interlocal Agreement

WHEREAS, other reasons or purposes underlying the 2011 Amendments to the ILA include:

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- (a) To conform the Amended ILA to the terms of Exhibit 1 to the Administrator Service Agreement;
- (b) To incorporate and implement decisions made by the Executive Committee and approved by the Board regarding PURMS’ Financial Activities and changes to the Investment and Disbursement Procedures; and
- (c) To make changes or additions to the Current ILA which more accurately reflect long-time practices approved or accepted by PURMS’ Board and/or Committees over the years.

VIII.

**WAC Requirements for Amending “Foundation Agreement” and “Bylaws” of
Local Government Entities Joint Self-Insurance Programs**

WHEREAS, WAC 82-60-02019 provides that a joint self-insurance program of local government entities (“Program”) must provide members of the Program and the Washington State Risk Manager (“SRM”) with thirty (30) days’ notice of intent to change the Program’s “foundation agreement” or “bylaws” and provide a copy of the proposed changes; (*See also* same requirements for H&W Pools contained in WAC 82-65-270);

WHEREAS, WAC 82-60-020(11) defines “foundation agreement” to mean “...the interlocal agreement binding local government members...to a joint self-insurance program”;

WHEREAS, 82-60-020(15) defines “interlocal agreement” as an agreement established under the Interlocal Cooperation Act defined in chapter 39.34 RCW”; (*See also* WAC 82-65-020(15));

WHEREAS, PURMS’ Interlocal Agreement (“ILA”) both constitutes PURMS’ “foundation agreement” as defined by the WAC and contains PURMS “bylaws”;

WHEREAS, WAC 82-60-02021(2) states in pertinent part that “...[a]mendments to the foundation agreement *shall be adopted by ordinance or resolution of the governing board or council of each member.* The *signed amendment* and copy of the ordinance or resolution, as appropriate, shall be retained by the joint self-insurance program” (Emphasis added; *see also* WAC 82-65-280(2));

WHEREAS, under ¶ 5.2.2(a) and ¶ 5.3(a) of the Current ILA, any changes to the Current ILA contained in the Amended ILA can only be approved by a Unanimous Vote or Super-Majority Vote; in the case of a Unanimous Vote, the governing body of each Member must also subsequently adopt the Amendment by an Authorizing Resolution for the Amendment to be effective; and

WHEREAS, the result of the above-referenced provisions of the ILA and the WAC, all Amendments to PURMS’ Interlocal Agreement, whether governed by Unanimous Vote or Super-Majority Vote, must ultimately be approved by an Authorizing Resolution adopted by each Member’s governing body.

IX.

Status of Approval of State Risk Manager

WHEREAS, WAC 82-60-065(1)(a) provides that "...[p]rograms shall submit a written request and receive approval from the state risk manager *prior to implementing...*(a) Any change in the terms of the foundation agreement" (Emphasis added; *see also* WAC 82-65-140(1)(a));

WHEREAS, WAC 82-60-065(2)(d) provides: "The following program changes require written notification to the state risk manager prior to implementing the following changes:...(d) Any change to bylaws" (see also WAC 82-65-140(2)(b));

WHEREAS, as a result of these regulatory requirements, PURMS must obtain written approval of the SRM before it can implement the changes and additions to the Amended ILA;

WHEREAS, as of the date of dissemination of this Resolution No. 1, PURMS had not yet received written approval from the SRM for the non-funding-related amendments to the Amended ILA.

X.

**Delegation of Authority to Executive Committee re Conforming
and Clarifying Changes to Amended ILA**

WHEREAS, there may be changes, additions or deletions to the October 11, 2011 version of the Amended ILA that are requested or required by the SRM;

WHEREAS, in such circumstance, the Executive Committee shall have the authority to direct the Administrator and/or General Counsel to interface with the SRM to determine acceptable terms to the SRM and PURMS. The Executive Committee further shall have the authority to approve any agreed changes requested by SRM, and to approve issuance to Members of a revised Amended ILA reflecting such changes, along with an Authorizing Resolution if such is deemed necessary;

WHEREAS, further, as a result of the Executive Committee meeting on November 9, 2011 and/or the Board meeting on November 10, 2011, or as may be determined by the Administrator or General Counsel in connection with final review of the final Amended ILA, there may be additional conforming, clarifying or other non-material changes that do not significantly affect the operation of the Amended ILA that need to be made, and the Executive Committee shall have authority to approve the same and to authorize issuance of revised Amendments to the Members.

XI.

**Board Approval of Members Unable to Participate in the Meeting
Voting by Authorizing Resolutions**

WHEREAS, the 2011 PURMS Resolutions are extremely detailed in identifying the issues to be considered, citing the PURMS Resolutions, statutes and regulations, the Executive Committee's recommendations and other sources relevant to the changes and additions made in the Amended ILA;

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WHEREAS, Summaries of the 2011 Amendments to the ILA, the Liability and Property Program Funding Amendments and the H&W Program Funding Amendments provide additional detail and explanations regarding the considerations underlying those proposed Amendments;

WHEREAS, the Board concludes that Members that are unable to participate in the Board Meeting will have ample explanation and sufficient knowledge to meaningfully evaluate the Resolutions and Vote thereon by Authorizing Resolutions.

XII.

Further Action Following Board Meeting to Complete SIA Amendment Process

WHEREAS, following the Annual Board meeting, the Administrator shall pursue obtaining final written approval of SRM for those 2011 SIA Amendments requiring SRM approval before implementation;

WHEREAS, following the Annual Board meeting, the Administrator and General Counsel, and the Executive Committee, to the extent authorized and reasonably necessary, shall prepare the 2011 SIA Amendments in final adoption form containing any changes or additions to the October 11, 2011 versions of the Amended ILA, the L&P Program Funding Amendments and the H&W Program Funding Amendments that result from the processes contemplated in § X above, including any changes required by or agreed to with SRM;

WHEREAS, any such changes or additions resulting from this post-Board meeting finalization process shall be specifically identified in any revised Amended ILA and/or revised Program Funding Amendments subsequently provided to Members, along with, as necessary, revised Authorizing Resolutions for the same;

WHEREAS, the Board requests Members' governing bodies to adopt the Authorizing Resolutions approving all 2011 SIA Amendments, including the Amended ILA, and have the representative designated therein sign the final documents constituting the 2011 SIA Amendments and to return the originals thereof to the Administrator within forty-five (45) days from receipt thereof from the Administrator ("Preferred Approval Period");

WHEREAS, the Administrator shall be directed to make reasonable efforts to pursue obtaining Members' fully executed Authorizing Resolutions and signed 2011 SIA Amendments within the Preferred Approval Period; and

WHEREAS, failure to obtain a fully executed Authorizing Resolution from every Member within the forty-five (45) day Preferred Approval Period shall not, however, operate to preclude enforceable adoption of the 2011 SIA Amendments if and when all Members of PURMS have executed and returned Authorizing Resolutions and signed 2011 SIA Amendments to the Administrator.

XIII.

Effective Dates and Implementation of 2011 SIA Amendments

WHEREAS, as recognized in § VIII above, to become effective, the 2011 SIA Amendments that relate to the Amended ILA (including the L&P and H&W Program Funding Amendments) require a Unanimous Vote under the Current ILA and execution of an Authorizing Resolution by each Member of PURMS;

WHEREAS, also as recognized in § VIII above, any changes or additions to PURMS' Current ILA (including the L&P and H&W Program Funding Amendments) must be approved by SRM in writing before being implemented by the program;

WHEREAS, once both of the conditions identified immediately above have been met, the 2011 SIA Amendments shall become effective as follows:

- (a) Amendments previously approved by Board Resolutions shall become effective as of the date stated in the Resolution, and if no date is stated therein, then on the date the Resolution was adopted;
- (b) Amendments to conform the Program Documents to the 2009 Administrator Service Agreement, and the 2010 Exhibit 1 thereto outlining the Administrator's Operational Duties, shall become effective as of the Effective Dates of those agreements;
- (c) The L&P and H&W Program Funding Amendments shall be deemed to be or have been effective as of January 1, 2012, subject to the qualification relating to Liability and Property Pool Annual Automatic Assessments, as provided in 2011 PURMS Resolution No. 2, § XIII, third WHEREAS clause;
- (d) Any Amendments without an Effective Date previously established by Resolution or Board or Executive Committee decision shall be deemed to be effective as of January 1, 2012.

XIV.

RESOLUTION

NOW, THEREFORE, be it resolved that:

A. Voting Procedures for PURMS Resolution No. 1 re adoption of the Amended ILA.

- (1) Each Director or Employee Designee attending the Annual Meeting shall initial, sign and date in the Table constituting the "Record of Votes" below, either their vote in favor of adopting the Amended ILA or their choice to defer to the Member's Vote by subsequently adopted Authorizing Resolution;
- (2) Notwithstanding a Director's Vote in favor of PURMS' adoption of the Amended ILA, the governing body of the Member the Director represents must still adopt an Authorizing

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Resolution approving the adoption of the Amended ILA, and a designated employee of the Member must sign a duplicate signature page of the actual Amended ILA.

- B. Approval of Delegation of Authority to Executive Committee regarding Post-Annual Meeting Changes.** By Majority Vote, in accordance with authority in ¶ 6.2.11 of the Current ILA, the Board hereby delegates the duties and authority to the Executive Committee contained or implied in § X. above.
- C. Period for Members’ Executing and providing Administrator with Authorizing Resolutions regarding the Amended ILA and Amendments to other Program Documents.** As provided in § XII above, each Member, whether the Member’s Director Voted at the Annual Meeting or not, shall have forty-five (45) days from receipt of finalized Program Documents and accompanying Authorizing Resolution to execute the Authorizing Resolution, sign the L&P PFAs and to return both to the Administrator; subject to the extension of time for adoption contained in the last WHEREAS clause in § XII. The Administrator shall proceed with obtaining Authorizing Resolutions from each and all PURMS Members within the forty-five (45) “Preferred Approval Period”, and thereafter if and as necessary.
- D. Member Questions re Voting and Authorizing Resolution Procedures.** Any questions any Member has with respect to the 2011 PURMS Resolutions, or the voting procedure approved and used in this Resolution No. 1 or any of the other 2011 Resolutions should be addressed to the Administrator, and/or to General Counsel through the Administrator.

PURMS Board consists of a total of nineteen (18) Members. A Quorum of ____ PURMS Directors was present at or otherwise participated in this November 10, 2011 Annual PURMS Meeting.

RECORD OF VOTES AND MEMBER VOTING STATUS
re adoption of
2011 Amended INTERLOCAL AGREEMENT

PURMS Member	Vote for Adoption of Amended ILA (Use Initials)	Defer Vote to Authorizing Resolution (Use Initials)	Not Present at 2011 Annual Meeting	Name of Director or Employee Designee	Date of Director’s Initials and Signature
Asotin PUD					
Benton PUD					
Clallam PUD					
Grays Harbor PUD					
Jefferson PUD					

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Kitsap PUD					
Klickitat PUD					
Lewis PUD					
Mason PUD No. 3					
NoaNet					
Okanogan PUD					
Pacific PUD No. 2					
Pend Oreille PUD					
Skagit PUD					
Skamania PUD					
Stevens PUD					
Wahkiakum PUD					
Whatcom PUD					

PURMS OFFICERS: Attest to:

- (1) The identity of Members not present at or otherwise participating in 2011 Annual Meeting;
- (2) The Summary of Votes reflected below based on the completed “Record of Votes” above.

Votes in favor of *Amended Interlocal Agreement*: _____
Members deferring to Voting by Authorizing Resolution: _____
Members not present at or participating in 2011 Annual Meeting: _____

By: _____
 Al Littlefield, PURMS President

Date: _____

By: _____
 Don Nuxoll, PURMS Vice-President

Date: _____

By: _____
 Trish Butler, PURMS Secretary

Date: _____

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