

VECTOR CONTROL JOINT POWERS AGENCY
POOLED PROPERTY PROGRAM
MASTER PLAN DOCUMENT

Amended February 26, 2008

VECTOR CONTROL JOINT POWERS AGENCY

MASTER PLAN DOCUMENT
FOR THE
POOLED PROPERTY PROGRAM (PPP)

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ARTICLE I

GENERAL

A. AUTHORITY

1. This **Master Plan Document** ("**MPD**") is incorporated into the Bylaws of the Vector Control Joint Powers Agency. As such, it shall be treated as one of the **Agency's** governing documents. The **MPD** shall have the same weight and effect as the Bylaws and Memorandum of Coverage, however, any conflict between the **MPD** and the **Agreement**, Bylaws, or Memorandum of Coverage shall be determined in favor of the **Agreement**, Bylaws, or Memorandum of Coverage.
2. The **MPD** for the Pooled Property Program ("**PPP**") is intended to be the primary operational guide for the conduct of the **Agency's** PPP.

3. AUTHORITY AND STANDARDS

The **Agency's** PPP has been organized under authority granted by, and shall be conducted in accordance with the laws of the State of California and the standards set forth by the California Association of Joint Powers Authorities ("**CAJPA**") in its Accreditation Standards for pooled programs.

B. PURPOSE

The **Agency**, as a part of its overall objectives, provides a single Property Program which has been designed to provide for the needs of its **Member Districts** for protection against physical injury to the **Member Districts'** real and personal property, including contractor's equipment.

C. WHO MAY PARTICIPATE

All **Member Districts** of the **Agency** must participate in the PPP.

D. GOALS AND OBJECTIVES

1. The **Agency** offers its **Member Districts** this PPP designed to provide coverage for the physical damage to all real and personal property owned by, leased by, or in the care, custody, and control of the **Member Districts**.
2. The PPP shall provide a non-equity pool to indemnify the **Member Districts** for the amount of a **loss**, not to exceed the Limits of Liability, in excess of the deductible amount as established by the **Board of Directors**.
3. The **Agency** shall purchase property **insurance** to insure the real and personal property of the **Member Districts**, including the coverages Boiler and Machinery and contractor's equipment, subject to the exclusions of the policies.
4. The **Agency** may purchase, on behalf of its **Member Districts**, property coverage for earthquake and flood and other perils.
5. Through a contractual arrangement between the **Member Districts** of the **Agency**, authorized in the statutes of the State of California for Joint Powers Authorities, the **Member Districts** shall collectively pay on behalf of all pooled **Member Districts**, a covered **loss** to real or personal property of any **Member District**. The PPP shall be initially funded by charging each **Member District** a contribution in the amount established by the **Board of Directors**. Additionally, the PPP shall provide for the sharing of operating costs by charging all **Member Districts** their fair share of such costs.
6. The PPP is provided to the **Member Districts** under those terms and conditions as established in this **MPD**, the **purchased insurance** policy, and the Memorandum of Coverage. The **Board of Directors** shall have the right to alter, from time to time, the terms and conditions of the pooled coverage in response to the needs and abilities of the PPP and the participating **Member Districts**.

E. RESPONSIBILITY AND AUTHORITY

1. The **Board of Directors** shall have the responsibility of establishing policies and remaining informed as to the financial strength and viability of the PPP. The **Board** has the authority, within the parameters of the **Agreement** and Bylaws of the **Agency** and this **MPD**, to act as needed to maintain and develop the financial strength of the PPP.

2. The Executive Committee shall have the responsibility of affecting, and authority to effect, the general policies established by the **Board of Directors**. The Executive Committee shall have the authority to enter into **insurance** contracts for the **insurance** coverages within the budgeted costs of such **insurance** as prescribed by the **Board of Directors**. The Executive Committee shall report to the **Board of Directors**.
3. The **Agency** Administrator shall have the responsibility to manage the daily activities of the PPP and shall be given the authority to implement the policies established by the **Board of Directors**. The Administrator shall report to the **Board of Directors** and the Executive Committee.

F. PROGRAM YEARS

1. A **program year** is defined by the term of the coverage period, generally a period of twelve (12) months. The **program years** generally will begin at 12:01 a.m. on July 1, and end at 12:01 a.m. on the following July 1.
2. The income and expenses of this PPP shall be accounted for and the funds maintained separately from any other Program of the **Agency**. An annual contribution may be charged to each **Member District** at the inception of the **program year** to fund the **losses** and expenses anticipated during that **program year**.
3. Any excess funds at the end of the **program year** shall be retained by the PPP to pay **claims** and expenses which may be incurred in the future.

G. LIMITS OF LIABILITY

1. The membership shall establish an initial Limit of Liability for the PPP which may be amended by the membership for subsequent program years. This Limit of Liability shall apply to each real and/or personal property **loss** as described in the Memorandum of Coverage for this PPP.
2. The **Board of Directors** shall establish Limits of Liability for the **purchased insurance** for each **program year**. These Limits of Liability shall be based on the values of the covered properties of the **Member Districts** and may be stated as a dollar amount or a percentage of the total values of the **Member Districts'** property.

H. DEDUCTIBLES

1. A deductible, applicable to the **Member Districts** for each **loss**, may be established by the membership.
2. A deductible, applicable to **purchased insurance** and applying to each **loss**, shall be established for each coverage by the **Board of Directors**, based on the ability of the PPP to assume such deductibles and the savings in premiums with such assumption of risk of **loss**.

I. FINANCING THE PROGRAM

1. **Deposit premiums** may be established and charged to the individual **Member Districts** based on the **Member Districts'** property values such that, with the addition of funds raised from other sources and the balance in the PPP, there shall be sufficient funds to meet expected **losses**, other expected expenses, and desired contributions to the reserve fund.
2. A reserve fund shall be established and maintained to fund adverse **loss** history which may develop during the **program year**. The **Board of Directors** shall establish a target reserve fund amount that may be amended from time to time, the difference between the target reserve fund and the actual reserve fund being the desired contributions used in the determination of the **deposit premiums**.
3. The **deposit premiums** may be used to fund the **Claims** against the PPP, pay premiums for purchased coverage, and pay Program administrative expenses. Any remaining **deposit premiums** shall be a contribution to the establishment or maintenance of the reserve fund.
4. If the **Board of Directors** determines that the PPP lacks sufficient funds to complete a **program year**, the **Board of Directors**, upon a two-thirds (2/3rds) vote of the Directors present and voting at a regular or special meeting, may assess the **Member Districts** based on property values up to an amount sufficient to fund incurred costs and the completion of the **program year** or temporarily suspend the coverage under the PPP until such time as the membership may vote to terminate or continue the PPP pursuant to Article VIII of the **Agreement**.

J. AMENDMENTS TO THIS DOCUMENT

The provisions of this document may be amended from time to time by a two-thirds (2/3rds) vote of the **Board of Directors** present and voting at a regular or special meeting pursuant to Article IX of the **Agreement**, provided prior written notice has been given to the **Member Districts**.

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ARTICLE II
PREMIUMS, RATES, AND ASSESSMENTS

A. ADMINISTRATIVE EXPENSES AND **DEPOSIT PREMIUM** CALCULATIONS

1. **DEPOSIT PREMIUMS**

- a. The annual **deposit premium** for each **Member District** shall be calculated by multiplying the premium rate times the values of the covered properties for each **Member District**.
- b. The values of the covered properties to be used in the calculation of the **deposit premium** shall be the values used for the **Member Districts** in the **Agency's** budget for the prior year.
- c. The premium rate shall be calculated by:
 - (1) Adding the administrative budget expenses for the program year to the expected costs of **insurance** and any funding of **losses** retained by the **Agency**,
 - (2) reducing that sum by anticipated interest income and other sources of funds,
 - (3) increasing or decreasing that result by the difference in the desired reserve fund amount and the actual reserve fund amount, then
 - (4) dividing that result by the total value of the covered property of all **Member Districts**.

2. PROGRAM ADMINISTRATIVE BUDGET

- a. Each **fiscal year** shall have an administrative budget which shall cover the costs of operating and maintaining that PPP during the **fiscal year**. Items in this budget

shall include, but not be limited to, the following:

- (1) Property Program Management services;
- (2) Other contract services;
- (3) The cost of administrative materials; and
- (4) A provision for other minor miscellaneous costs.

B. ADDITIONAL PREMIUMS

Any increase in values of covered properties in excess of a standard inflation factor established by the **Board of Directors** each year over the previous year shall be charged an amount as determined by the **Board**, after consideration of the amount in the reserve fund, including any unpaid contributions, relative to the values covered in the previous year. These additional premiums shall be contributed to the reserve fund of this PPP.

C. ASSESSMENTS

If the PPP is found not to be **actuarially sound**:

1. Each participating **Member District** shall be assessed its pro rata share of the total funding necessary to make the PPP **actuarially sound**.
2. Each **Member District's** pro rata share shall be calculated as that percentage of the amount needed to make the PPP **actuarially sound** which is equal to the required premium rate times the values of the covered properties for each **Member District**.

D. REFUNDS

At the discretion of the Board of Directors, refunds may be provided to the **Member Districts** that contributed to the PPP:

1. Once the **Board of Directors** determines the total amount to be refunded from the PPP, each participating **Member District** shall receive its pro rata share based on the actual amount contributed by the **Member District** to the PPP as compared to the total contributed by all members. Refunds shall be subject to the provisions in Article II (E) below. **Member Districts** that have terminated participation in the **Agency** shall not be eligible to receive refunds from, or be reimbursed for, any monies contributed to the PPP.

E. **NEW OR RETURNING MEMBER DISTRICTS**

As new or returning **Member Districts** become members of the **Agency**, they shall be required to participate in the PPP. A new or returning member may elect either to:

1. Participate in the PPP at no initial charge. If a new or returning member selects this option, they will receive all of the benefits of coverage that the PPP provides, however, the **Member District** would not be eligible for refunds as described in Article II (D) above.; or
2. Contribute its pro rata share to the PPP. If a new or returning member selects this option, they will pay an initial **deposit premium** for the PPP equal to the required premium rate times the values of the covered properties for their district. At the discretion of the new or returning **Member District**, this initial **deposit premium** may be paid in five equal installments plus interest at six percent per year on the unpaid balance. **Member Districts** selecting this option would be eligible for refunds as described in Article II (D) above, but would not be eligible for reimbursement or refund of any monies contributed should they leave the **Agency**.

Upon being accepted as a member of the **Agency**, all new or returning **Member Districts** are required to pay premium for purchased **insurance** in excess of the Limit of Liability established in the Memorandum of Coverage. In addition, all new or returning **Member Districts** are required to participate in any assessment as described in Article II (C) above. All amounts collected as part an assessment are eligible for refund on a pro rata basis as described in Article II (D) above.

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ARTICLE III
COVERAGE

A. GENERAL DESCRIPTION

1. The coverage provided under this PPP shall be defined in the **insurance** policies and a Memorandum of Coverage, which shall be adopted by the Board. The **Board of Directors** may alter or amend the Limit of Liability and Deductible applicable to the **program year** under the Memorandum of Coverage prior to such **program year**.
2. The **Board of Directors** may purchase **insurance** in excess of the Limit of Liability established in the Memorandum of Coverage. The **insurance** company(ies) shall have an A.M. Best Rating Classification of A- or better and an A.M. Best Financial Rating of VI or better, or their equivalents.

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ARTICLE IV
ADMINISTRATION

A. RESPONSIBILITY AND AUTHORITY

1. RELATION TO AUTHORITY STRUCTURE

- a. The **Agreement**, Bylaws, and Memorandum of Coverage have precedence over this document, and anything in this document contrary to the **Agreement**, Bylaws, or Memorandum of Coverage is void and without effect.
- b. The **Agency's** Administrator shall administer the PPP and report to the **Board of Directors** and the Executive Committee.

2. MEMBERS OF THE AGENCY

- a. The **Member Districts** shall retain unto themselves the authority to do, upon a two-thirds (2/3rds) vote of the **Member Districts'** representative present and voting at a regular or special membership meeting, the following as provided in this **Master Plan Document**, the Bylaws, and the **Agreement**:
 - (1) Terminate the PPP; and
 - (2) Terminate any **Member District** from the PPP in accordance with Article IV(C)(3).

3. BOARD OF DIRECTORS

- a. The **Board of Directors** shall meet at least once a year to review the developments and performance of this PPP. This duty is fulfilled by discussion of developments and performance of this PPP as part of a general **Board of Directors** meeting.

- b. The **Board of Directors** retains unto itself the authority to:
 - (1) Determine the adequacy of the funds to pay current and future obligations;
 - (2) Establish the desired PPP reserve funding level;
 - (3) Approve the annual budget for the PPP; and
 - (4) Amend this **Master Plan Document**.

4. EXECUTIVE COMMITTEE

- a. The **Agency's** Executive Committee shall have the responsibility and authority to carry out and perform all other functions of the PPP, provided that such functions and decisions are consistent with the powers of the **Agency**, the policies established by the members as a whole and the **Board of Directors**, and are not in conflict with the **Agreement** or the Bylaws.
- b. The Executive Committee shall meet at least two times a year to review the developments and performance of this PPP. The Executive Committee shall review, study, advise, make recommendations to the **Board of Directors**, or take any action which the Committee believes to be in the best interests of the PPP and its **Member Districts**, provided that such action is not prohibited by law or is an action reserved unto the **Member Districts** or the **Board of Directors**.
- c. The Executive Committee may review applications from **Member Districts** to participate in the PPP and advise the membership and the **Board of Directors** regarding the applicant's acceptability to the PPP.

5. ADMINISTRATOR

- a. The Administrator shall use his or her best efforts to administer the PPP such as to achieve the objectives and goals of the PPP and the **Agency**.
- b. The daily operation of the PPP shall be administered by the **Agency's** Administrator who shall report to the **Board of Directors** and Executive Committee.
- c. The Administrator shall be assisted by the **Agency's** Risk Manager and Assistant Treasurer who shall provide the technical oversight of the PPP, maintenance of this document, and the accounting systems which support this PPP.

- d. The PPP shall be administered in a manner that will provide **claim** and cost accountability for the PPP, separate and apart from all other programs of the **Agency**.
- e. The Administrator shall:
- (1) Assist the **Member Districts** in training their personnel in the correct procedures for timely and accurately reporting of **Claims**;
 - (2) Accept **loss** notices and supporting documents;
 - (3) Evaluate and pay **claims** in accordance with the Memorandum of Coverage;
 - (4) Determine the possibility of recovery through subrogation and coordinate such action with the **Member District** where appropriate;
 - (5) Act as liaison between the **insurance** broker and the **Member Districts**;
 - (6) Prepare a budget for each **program year** for approval by the **Board of Directors** prior to the **program year**;
 - (7) Prepare and submit an annual report to the **Board of Directors** and Executive Committee.
 - (8) Recommend rates and **deposit premiums** for each new **program year** in the manner described in Article II;
 - (9) Invoice participating **Member Districts** for **deposit premiums** and other amounts due;
 - (10) Report to the Executive Committee any invoices not paid and outstanding for more than 60 days;
 - (11) Prepare demands for payment for approval by the Executive Committee;
 - (12) Present timely annual financial statements to the **Board of Directors** and the Executive Committee;
 - (13) Provide other services as may reasonably be requested by the **Board of Directors**, the Executive Committee, or a **Member District**; and

- (14) Have the authority to engage outside legal counsel for the purpose of providing an opinion regarding the scope of coverage provided under this program.

6. CLAIM SETTLEMENT AUTHORITY

- a. The Administrator shall review all **claims** properly submitted and make a determination as to applicability of coverage and amount of the **loss**. Upon such determination, the Administrator shall advise the **Member District** experiencing the **loss** and process a payment to the **Member District** where appropriate.
- b. Any decision of the applicability of coverage or amount of the **loss** by the Administrator may be appealed to the Executive Committee within thirty (30) days after notice of the decision to the **Member District**. The decision of the Executive Committee may be appealed to the **Board of Directors**. The decision of the **Board of Directors** shall be final.

B. PARTICIPANTS' DUTIES

1. PROVIDE UNDERWRITING CRITERIA

Each **Member District** shall provide, upon request by the **Agency**, a list of property locations owned or leased by the **Member District**, with corresponding real and personal property, contractor's equipment, and vehicle values.

2. PAYMENT OF PREMIUMS AND OTHER CHARGES

- a. Each year, the **Agency** shall include in the Annual Billing, as described in the **Agency's** Bylaws, the **deposit premium** and premium for additional property values, as described in Article II of this **MPD**, for this PPP. Due dates and delinquency dates are the same as those for the Annual Billing.
- b. The additional premium described in Article I(I) of this **MPD** and any other charges, including assessments, are due and payable in accordance with Article X(I)(6) of the Bylaws.

C. INTEREST AND PENALTIES

1. Any billing or invoice which is delinquent shall be subject to the penalties and interest

charges as defined in the **Agency's** Bylaws.

2. Failure to pay billings, penalties, or the accrued interest shall be considered grounds for removal of the **Member District** from the PPP and may result in the expulsion of the **Member District** from the **Agency** in accordance with the Joint Exercise of Powers **Agreement**. The defaulting **Member District** or former **Member District** shall be liable for the billings, penalties, accrued interest, and all costs incurred by the **Agency** in the enforcement of all provisions set forth in this document.
3. The PPP may initiate termination of future participation for the following reasons:
 - a. Termination as a member of the **Agency**;
 - b. Nonpayment of past premiums, assessments, or other charges;
 - c. Habitual late payment of premiums, assessments, and/or other charges;
 - d. Failure to provide requested underwriting information;
 - e. Development of an extraordinarily poor **loss** history;
 - f. Substantial change in exposures which are not acceptable in this PPP; and/or
 - g. Financial impairment that is likely to jeopardize this PPP's ability to collect amounts due in the future.

Such termination from this mandatory Property Program shall cause termination from the **Agency** pursuant to the **Agreement** and Bylaws.

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ARTICLE V
DEFINITIONS

In addition to the definitions provided in the **Agency's** Bylaws and the PPP Memorandum of Coverage, the following additional definition applies to this **MPD** for this PPP:

1. Insurance shall mean coverage purchased from an **insurance** company or provided by another joint powers agency that is purchased by the **Agency** for the purpose to provide coverage to the members and the **Agency** above the pooled property coverage as provided in this **MPD**.
2. Actuarially sound shall mean that the program year has sufficient funds to pay the expected cost of claims, as determined by a certified actuary, and the administrative expenses for the program year.
3. Administrative expenses means those expenses incurred by the PPP which are not incurred due to any specific claim and does not constitute a reserve for future expected changes in the size of existing claims or discovery of previously unknown claims.
4. Claim means, if not otherwise defined within the context, to be all demands for payments for losses covered by the PPP arising out of one occurrence.