

VECTOR CONTROL JOINT POWERS AGENCY
POOLED AUTO PHYSICAL DAMAGE PROGRAM
MASTER PLAN DOCUMENT

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MASTER PLAN DOCUMENT
FOR THE
POOLED AUTO PHYSICAL DAMAGE PROGRAM (PAPDP)

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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 for auto physical damage shall be determined in favor of the **Agreement**, Bylaws, or Memorandum of Coverage for auto physical damage.

2. The **MPD** for the Pooled Auto Physical Damage Program ("PAPDP") is intended to be the primary operational guide for the conduct of the **Agency's** PAPDP.

3. AUTHORITY AND STANDARDS

The **Agency's** PAPDP 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 Auto Physical Damage Program which has been designed to provide for the needs of its **Member Districts** for protection against physical injury to the **Member Districts' automobiles, watercraft, and unmanned aircraft systems**.

C. WHO MAY PARTICIPATE

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

D. GOALS AND OBJECTIVES

1. The **Agency** offers its **Member Districts** this PAPDP designed to provide coverage for the physical damage to all **automobiles, watercraft, and declared unmanned aircraft systems**.

2. The PAPDP 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. 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 an **automobile, watercraft, or unmanned aircraft system** of any **Member District**. The PAPDP shall be initially funded by charging each **Member District** a contribution in the amount established by the **Board of Directors**. Additionally, the PAPDP shall provide for the sharing of operating costs by charging all **Member Districts** their fair share of such costs.
4. The PAPDP is provided to the **Member Districts** under those terms and conditions as established in this **MPD** and the Memorandum of Coverage. The representatives of 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 PAPDP 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 PAPDP. 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 PAPDP.
2. The Executive Committee shall have the responsibility and authority to advise staff and aid in implementing the general policies established 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 PAPDP 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. Historically, the PAPDP has had Program Years which 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 PAPDP 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 PAPDP to pay **Claims** and expenses which may be incurred in the future.

G. LIMITS OF LIABILITY

The Board shall establish an initial Limit of Liability for the PAPDP which may be amended by the Board for subsequent program years. This Limit of Liability shall apply to each **automobile, watercraft, and unmanned aerial vehicle** for each **Claim** as described in the Memorandum of Coverage for this PAPDP.

H. DEDUCTIBLES

A deductible, applicable to each **Claim**, may be established by the Board.

I. FINANCING THE PROGRAM

1. **Deposit Premiums** may be established and charged to the individual **Member Districts** such that, with the addition of funds raised from other sources and the balance in the PAPDP, 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** may establish a target reserve fund amount which may be amended from time to time.
3. The **Deposit Premiums** may be used to fund the **Claims** against the PAPDP, 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 PAPDP 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 the number of **automobiles**, excluding trailers, and the replacement cost value of **unmanned aircraft systems** up to an amount sufficient to fund incurred costs and the completion of the **Program Year** or temporarily suspend the coverage under the PAPDP until such time as the membership may vote to terminate or continue the PAPDP 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**.

ARTICLE II

PREMIUMS, RATES, ASSESSMENTS, AND LIMITS

A. ADMINISTRATIVE EXPENSES, **DEPOSIT PREMIUM** CALCULATIONS, AND LIMITS OF LIABILITY

1. **DEPOSIT PREMIUMS FOR AUTOMOBILES AND WATERCRAFT**

- a. The **Board of Directors** may approve an independent actuarial study to determine a premium rate.
- b. The annual **deposit premium** for each **Member District** shall be calculated by multiplying the premium rate times the number of **automobiles**, excluding trailers, for each **Member District**.
- c. Upon election by a **Member District**, the limits of liability applicable to any one **automobile** or **watercraft** may be increased by a whole number multiple of the limit of liability stated in the Memorandum of Coverage by written request from the **Member District** identifying the **automobile** or **watercraft** to which the increase shall apply and the multiple of the limit of liability desired. Each **automobile** multiple, excluding trailers, shall increase the number of **automobiles** used in the calculation of the **annual deposit premium** by one.

2. **DEPOSIT PREMIUMS FOR UNMANNED AIRCRAFT SYSTEMS**

- a. The annual **deposit premium** for each **Member District** shall be calculated by multiplying the replacement cost value of the **unmanned aircraft system**, as reported by the **member district**, by a rate as established by the **Board of Directors**.

3. PROGRAM ADMINISTRATIVE BUDGET

- a. Each **Fiscal Year** shall have an administrative budget which shall cover the costs of operating and maintaining that PAPDP during the **Fiscal Year**. Items in this budget shall include, but not be limited to, the following:
 - (1) Program Management services;
 - (2) Other contract services;
 - (3) The cost of Administrative materials; and
 - (4) A provision for other minor miscellaneous costs.

B. ASSESSMENTS

If the PAPDP 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 PAPDP **actuarially sound**.
2. Each **Member District's** pro rata share shall be calculated as that percentage of the amount needed to make the PAPDP **actuarially sound** which is equal to the required premium rate times the total number of **automobiles**, excluding trailers, and replacement cost value of unmanned aircraft systems for each **Member District**.

C. REFUNDS

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

1. Once the **Board of Directors** determines the total amount to be refunded from the PAPDP, each participating **Member District** shall receive its pro rata share based on the actual amount contributed by the **Member District** to the PAPDP as compared to the total contributed by all members. **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 PAPDP.

D. NEW OR RETURNING MEMBER DISTRICTS

1. As new or returning **Member Districts** become members of the **Agency**, they shall be required to participate in the PAPDP.
2. A new member shall be required to pay **deposit premiums** and assessments and may participate in any refunds (based on its contributions to the PAPDP) declared in accordance with this Article. Should a new member join mid-year, the **deposit premium** shall not be pro-rated.

ARTICLE III

COVERAGE

A. GENERAL DESCRIPTION

1. The coverage provided under this PAPDP shall be defined in 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. A **Member District** may increase, for an additional contribution as described in Article II, Section A (1)(c) of this **MPD**, the Limits of Liability established for the PAPDP's Memorandum of Coverage for specific **automobiles** or **watercraft** which need greater coverage limits and the **Member District** has requested such increased limits.
3. The **Board of Directors** may determine to provide coverage in excess of the Limit of Liability established in the Memorandum of Coverage by obtaining excess coverage attaching coverage at the PAPDP's Limit of Liability. This coverage may be obtained from an **insurance** company, by participating in another pool established under the Government Code as a Joint Powers Agency, or offered through another PAPDP pooling procedure. If the coverage is purchased from an **insurance** company, such **insurance** company shall have an A.M. Best Rating Classification of A- or better and an A.M. Best Financial Rating of VII or better, or their equivalents.

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 PAPDP and report to the Executive Committee and the **Board of Directors**.

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 PAPDP; and
 - (2) Terminate any **Member District** from the PAPDP pursuant to 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 PAPDP. This duty is fulfilled by discussion of developments and performance of this PAPDP 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 a desired PAPDP reserve funding level;
 - (3) Approve the annual budget for the PAPDP; 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 PAPDP, provided that such functions and decisions are consistent with the powers of the **Agency**, the policies established by the **Board of Directors**, and are not in conflict with the **Agreement**, Bylaws, or Memorandum of Coverage.
- b. The Executive Committee shall meet at least once a year to review the developments and performance of this PAPDP. 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 PAPDP 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 PAPDP and advise the membership and the **Board of Directors** regarding the applicant's acceptability to the PAPDP.

5. **ADMINISTRATOR**

- a. The Administrator shall use his or her best efforts to administer the PAPDP such as to achieve the objectives and goals of the PAPDP and the **Agency**.
- b. The daily operation of the PAPDP shall be administered by the **Agency's** Administrator who shall report to the **Agency's Board of Directors** and Executive Committee.

- c. The Administrator shall be assisted by the **Agency's** PAPDP claims administrator who shall provide the technical oversight of the PAPDP claims and the Assistant Treasurer who shall provide the accounting systems which support this PAPDP.
- d. The PAPDP shall be administered in a manner that will provide **claim** and cost accountability for the PAPDP, 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) Prepare a budget for each **Program Year** for approval by the **Board of Directors** prior to the **Program Year**;
 - (6) Prepare and submit an annual report to the **Board of Directors** and Executive Committee.
 - (7) Recommend rates and **Deposit Premiums** for each new **Program Year** in the manner described in Article II;
 - (8) Invoice participating **Member Districts** for **Deposit Premiums** and other amounts due;
 - (9) Report to the Executive Committee any invoices not paid and outstanding for more than 60 days;
 - (10) Prepare demands for payment for approval by the Executive Committee;
 - (11) Present timely annual financial statements to the **Board of Directors** and the Executive Committee;
 - (12) Provide other services as may reasonably be requested by the **Board of Directors**, the Executive Committee, or a **Member District**; and

- (13) 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 Administrator under this MPD or the PAPDP Memorandum of Coverage, including decisions concerning the applicability of coverage or amount of the **loss** may be appealed to the **Board of Directors** within thirty days after notice of the decision to the **Member District**. The decision of the **Board of Directors** shall be final.

B. PARTICIPANTS' DUTIES

1. PROVIDE UNDERWRITING CRITERIA

- a. Each **Member District** shall provide within 30 days of a request by the **Agency**, a list of **automobiles** and **watercraft** owned or leased by the **Member District**. Such list shall provide the make and model of the **automobile** or **watercraft**, the Vehicle Identification Number, and the replacement cost of such **automobile** or **watercraft**.
- b. Each **Member District** requesting coverage for **unmanned aircraft systems** owned or leased by the **Member District** shall annually provide the **Agency** with the serial number, year, manufacturer, model, and replacement cost value of such **unmanned aircraft system**.

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**, as described in Article II of this **MPD**, for this **PAPDP**. Due dates and delinquency dates are the same as those for the Annual Billing.
- b. Any other charges, including assessments, are due and payable in accordance with Article X(J)(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 PAPDP 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 PAPDP 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 PAPDP; and/or
 - g. Financial impairment that is likely to jeopardize this PAPDP's ability to collect amounts due in the future.

ARTICLE V

DEFINITIONS

The words in bold print are defined in the **Agency's** Bylaws and the PAPDP Memorandum of Coverage.