RESOLUTION
OF THE GOVERNING BOARD OF THE
SANTA BARBARA COMMUNITY COLLEGE DISTRICT

BE IT RESOLVED to approve the JOINT POWERS AGREEMENT TO
ESTABLISH, OPERATE, AND MAINTAIN A SELF INSURANCE PROGRAM FOR
WORKERS' COMPENSATION, developed by the Office of the Santa
Barbara County Superintendent of Schools.

PASSED and ADOPTED this 14th day of July 1977 by the Board of Trustees of the SANTA BARBARA COMMUNITY
COLLEGE DISTRICT:

JOSEPH W. DOBBS  President

ANN GUTSHALL  Member

JOYCE R. LOWELL  Vice-President

ELI LURIA  Member

(absent)

KATHRYN O. ALEXANDER  Member

BENJAMIN P. WELLS  Member

(absent)

SIDNEY R. FRANK  Member

Encl. #5
Item 5.2-f
7-14-77
JOINT POWERS AGREEMENT

TO ESTABLISH, OPERATE, AND MAINTAIN A SELF INSURANCE PROGRAM FOR WORKERS' COMPENSATION

THIS AGREEMENT, is entered into pursuant to the provisions of Title 1, Division 7, Chapter 5, Article 1, (Section 6500, et seq.) of the California Government Code, relating to joint exercise of powers between the Public Educational Agencies signatory hereto (and also those which may hereafter become signatory hereto) for the purpose of operating a program to be known and designated as "Self Insurance Program for Employees," hereinafter designated as SIPE.

WITNESSETH:

WHEREAS, it is to the mutual benefit of the parties herein subscribed and in the best public interest of said parties to join together to establish this Joint Powers Agreement to accomplish the purposes hereinafter set forth; and

WHEREAS, the development, organization and implementation of such a program is of such magnitude that it is necessary for aforesaid parties to join together in this Joint Powers Agreement in order to accomplish the purposes hereinafter set forth; and

WHEREAS, the signatories hereto have determined that there is a need by public agencies for a Self Insurance System for Workers' Compensation; and

WHEREAS, it has been determined by such signatories that Self Insurance for Workers' Compensation is of value on an individual and mutual basis; and

WHEREAS, a Self Insurance System can adequately serve the needs of all of such signatories; and

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WHEREAS, Title 1, Division 7, Chapter 5 of the Government Code of the State of California authorized joint exercises by two or more public agencies of any power common to them; and

WHEREAS, it is the desire of the signatories hereto to jointly provide for a Self Insurance System for Workers' Compensation for their mutual advantage and concern;

NOW, THEREFORE, FOR AND IN CONSIDERATION OF THE MUTUAL ADVANTAGES TO BE DERIVED THEREFROM AND IN CONSIDERATION OF THE EXECUTION OF THIS AGREEMENT BY OTHER PUBLIC AGENCIES, each of the parties hereto does hereby agree, as follows:

1. **Agency.** The Santa Barbara County Superintendent of Schools is hereby designated as the Agency to administer this agreement, pursuant to the joint powers provisions of the Government Code of the State of California. This agreement shall be of no force and effect, and shall be terminated, should the Santa Barbara County Superintendent of Schools not be a party hereto.

2. **Agency Powers.** The Santa Barbara County Superintendent of Schools, as Agency shall have the power and duty to carry out all of the functions of the Workers' Compensation Self Insurance Program for Employees, hereinafter called SIPE, and said functions are hereby designated as the power common to each of the parties to this agreement, which could be carried out individually by said parties. He may carry out the functions of SIPE either directly or by contracting with another party. Monies received by the Santa Barbara County Superintendent of Schools as Agency pursuant to this agreement and the Bylaws shall be designated as SIPE money and deposited by him with the County Treasurer, County of Santa Barbara, State of California, and shall be used for carrying out the purposes of this agreement. Said money shall be subject to the same audit control as other monies handled by the Santa Barbara County Superintendent of Schools.

3. **Term of Agreement.** This agreement shall become binding upon participating parties upon action of the public agencies' governing boards as attested by the
signatures of their duly represented agents on this Joint Powers Agreement. This agreement and SIPE shall continue in effect for ten (10) years unless earlier terminated as provided in this agreement.

4. Bylaws. SIPE shall be governed pursuant to those certain Bylaws, a copy of which is attached hereto as Exhibit "A," and by this reference made a part of this agreement as if fully set forth herein. Wherever in this agreement Bylaws are referred to, said Bylaws shall be those set forth in Exhibit "A." Each party to this agreement agrees to comply with and be bound by the provisions of said Bylaws, and further agrees that SIPE shall be operated pursuant to this agreement and said Bylaws.

5. SIPE Membership. Each party to this agreement must be eligible for membership in SIPE as defined in the Bylaws, and becomes a member of SIPE on the effective date of this agreement and is entitled to the rights and privileges and is subject to the obligations of membership, all as provided in this agreement and in said Bylaws.

6. Termination. Any party having completed its first three years as a party to this agreement may withdraw from its status as a party to this agreement at the end of any fiscal year, in the manner and means set forth in said Bylaws. A fiscal year commences July 1 and terminates June 30. Should parties give notice to terminate such that the yearly premium for all parties in the upcoming fiscal year will be less than $200,000, then this agreement shall terminate effective at the commencement of the upcoming fiscal year.

7. Disposition of Property and Funds. In the event a party withdraws as a party to this agreement, any property interest of that party remaining in SIPE, following a discharge of all obligations attributable to that party, its officers and employees, shall be disposed of as provided in the Bylaws. In the event of the complete revision or other final termination of this agreement and SIPE by all members then a party hereto, any property interest remaining in SIPE, following a discharge of all obligations, shall
be disposed of as provided by the Bylaws. "Obligations" shall include, but not be limited to, all payments required pursuant to the Workers' Compensation laws together with all reserves which have been established for the purpose of paying Workers' Compensation claims together with any other legal obligations incurred by the Agency pursuant to this agreement.

8. Amendments. This agreement may be amended by written agreement signed by all the parties to this agreement. If two-thirds (2/3) of the parties to this agreement agree to an amendment, the other parties must also agree to said amendment, or they may be involuntarily terminated as parties to this agreement. Said involuntary termination may be effected only upon approval by the Santa Barbara County Superintendent of Schools, and only by using the procedure set forth in VIII D of the Bylaws.

9. Enforcement. The Santa Barbara County Superintendent of Schools as Agency is hereby given authority to enforce this agreement. If suit is necessary therefore, a defaulting member shall pay reasonable attorney fees to the Agency as adjudicated by the Court.

10. Invalidity. Should any portion, term, condition, or provision of this agreement be determined by a court of competent jurisdiction to be illegal or in conflict with any law of the State of California, or be otherwise rendered unenforceable or ineffectual, the validity of the remaining portions, terms, conditions, and provisions shall be not affected thereby.

11. Effective Date. This agreement shall become effective at 12:01 a.m. on the first day of the month of AUGUST next following the execution of this agreement by a sufficient number of parties such that a yearly premium of no less than $200,000 will result.
SANTA BARBARA COUNTY SUPERINTENDENT OF SCHOOLS

LORENZO DALL'ARMI

April 1, 1976

SANTA BARBARA COMMUNITY COLLEGE DISTRICT

Approved at a regular meeting of the BOARD OF TRUSTEES on

July 14, 1977.

JOE W. DOBBS President

ANN GUTSHALL Member

( absent)

JOYCE H. POWELL Vice-President

ELT LURIA Member

( absent)

KATHRYN G. ALEXANDER Member

BENJAMIN P. W. WELLS Member

SIDNEY R. KRANK Member

Approved As To Form
Date March 25, 1976

GEORGE P. KADING
County Counsel
Santa Barbara County

Deputy
BY-LAWS

WORKERS' COMPENSATION
SELF INSURANCE PROGRAM FOR EMPLOYEES

PREAMBLE

The Workers' Compensation Self Insurance Program for Employees (SIPE) 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 System for workers' compensation claims against the public educational agencies who are members thereof, and to provide a forum for discussion, study, development and implementation of recommendations of mutual interest regarding Self Insurance for workers' compensation.

ARTICLE I
FUNCTIONS

The functions of SIPE are:

a) to provide a Self Insurance plan and system for workers' compensation claims against SIPE members and as such, to perform, or contract for the performance of, the financial administration, policy formulation, claim service, legal representation, safety engineering, and other development as necessary for the payment and handling of all workers' compensation claims against members as required by state law. Said payment and handling for any member shall be for all workers' compensation claims filed under the laws of the State of California arising out of facts occurring during the period of membership in SIPE. SIPE shall not pay or handle for a member any workers' compensation claims which arise out of facts occurring before SIPE membership or after SIPE membership.

b) to enter into contracts,
c) to acquire, hold, and dispose of property, real and personal, all for the purpose of providing the membership with the necessary education, study, development, and implementation of a Self Insurance program for workers' compensation claims, including, but not by way of limitation, the acquisition of facilities and equipment necessary, the employment of personnel, and the operation and maintenance of a system for the handling of the Self Insurance Plan.

ARTICLE II

MEMBERSHIP

A. All public educational agencies located within California are eligible for membership of SIPE, provided membership is contingent upon being a party to the Joint Powers Agreement to establish, operate and maintain a self insurance program. A "public educational agency" is defined as a school district, a county superintendent of schools, or a regional occupational program.

B. Should any member reorganize in accordance with state statutes, the successor-in-interest or successors-in-interest to the obligation of any such reorganized member shall be substituted as a member.

ARTICLE III

ADVISORY COMMITTEE

A. An Advisory Committee is hereby established for SIPE.

B. Each member of SIPE shall be entitled to one seat on the Advisory Committee and each member of SIPE shall be entitled to cast one vote. The legislative body of each member shall designate in writing to SIPE a representative and an alternate to the Advisory Committee. Said representative and said alternate must be full-time employees of the member. Only the designated representative or designated alternate may represent a member and each shall be invited to attend all meetings of the Advisory Committee. The designated representative and alternate may invite members of their agencies' staff or consultants to attend in an advisory capacity. A vote may be cast only by the official
B. The Agency hereunder shall have the authority to carry out all functions of SIPE, including, but not limited to, making and entering into contracts, employing agents and employees, acquiring, holding and disposing of personal property, and insuring debts, liabilities or obligations necessary for the accomplishment of SIPE.

C. The Agency shall review the recommendations of the Advisory Committee and where said recommendations, in its judgment, are legal and in the best interest of SIPE, implement the recommendations.

D. The Agency shall provide each member with an annual report of the financial condition of SIPE.

E. The Agency shall be paid in full for services rendered. Said payments of administrative cost shall be made from the total member deposits required herein.

ARTICLE VI

FINANCE

A. Each member shall pay to SIPE each fiscal year the annual premium calculated pursuant to Article VI, Paragraph B. Partial payments shall be made in advance based on an estimated annual premium calculated by the Agency. Said partial payments shall be made in the first year or partial fiscal year as follows: Fifty (50) percent in July or the first month of operation; Thirty (30) percent in December or the middle month of operation; Twenty (20) percent in March or 3/4 through the partial fiscal year, as determined by the Agency. Partial payments for subsequent years shall be made in July, December and March at a percentage to be determined by the Agency. The estimated annual premium for subsequent years shall be adjusted to the actual annual premium following the close of the fiscal year as specified in Section B following. Each member of SIPE hereby authorizes the County Superintendent of Schools as Agency to transfer from its general fund any required premiums as specified in this agreement.

B. The yearly premium for each member shall be as follows:

For the first year that this agreement is in effect for any member of SIPE,
the California Inspection Rating Bureau rate for school districts, multiplied by the member's estimated annual payroll, multiplied by the member's current experience modification factor, less ten percent (10%).

For all years after the first year, the member's estimated annual payroll used in the above formula shall be increased or decreased by the amount that the prior year's estimate differs from the actual payroll for that prior year. If the actual payroll is higher than the estimate, the current year's estimated payroll shall be increased by that difference, and conversely. The discount factor (10% in the first year) if any shall be determined by the Agency.

The California Inspection Rating Bureau rate for school districts used in the above formula shall be that rate currently in effect for purposes of school districts insured by the State Compensation Insurance Fund. Should said rate be adjusted upward or downward at the commencement of or during a fiscal year for purposes of the State Compensation Insurance Fund, then it shall be similarly adjusted for use in the above formula.

Each member's current experience modification factor shall be calculated by the Agency, using the formula established for such modification by the California Inspection Rating Bureau.

C. SIPE shall operate on a fiscal year from July 1 to June 30.

D. Handling Funds - The Agency shall have the power, authority and duty to handle all aspects of workers' compensation claims against members of SIPE arising out of facts occurring during membership. All expenditures of funds shall be authorized by the Agency.

E. Contributions - Without in any way limiting the powers otherwise provided for in this agreement or by statute, the Agency shall have the power and authority to receive, accept, and utilize the services of personnel offered by any members or their representatives or agents; to receive, accept, and utilize property, real or personal, from any member or its agents or representatives; to receive, hold, dispose of, to construct,
operate and maintain buildings and other improvements; and to receive, accept, expend and disburse funds by contract or otherwise, for purposes consistent with the provisions of SIPE which funds may be provided by any members or their agents or representatives.

F. Debts - Should workers' compensation claims against all members of SIPE exceed the total yearly premiums, each member of SIPE shall be assessed by the Agency an additional amount based upon the percentage of yearly premiums paid by each member relative to the total yearly premiums paid by all members. Each member of SIPE hereby authorizes the County Superintendent of Schools to transfer from its (the member's) general fund an amount sufficient to pay any required assessments.

G. Disposition of Property and Funds - In the event of the dissolution of SIPE, the complete rescission or other final termination of this agreement by all agencies then a party hereto, any property interest remaining in SIPE or the Santa Barbara County Superintendent of Schools as Agency following a discharge of all obligations, shall be returned to the members of SIPE based on their pro rata share of tangible assets, with the objective of returning to each member which is then or was theretofore during the prior six (6) months a member, a pro rata share based on the premium paid by such members. Pro rata share shall be determined in the same manner as a withdrawing member.

In the event a member withdraws from this agreement, the Agency shall pay to the withdrawing member its pro rata share of the total tangible assets less obligations. A withdrawing member's pro rata share is defined as the withdrawing member's total paid in premiums divided by the total premiums paid by all members from the inception of SIPE to the date of the member's withdrawal. The Agency shall determine, after receiving advise from the Advisory Committee, whether the obligation to pay a member's pro rata share 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.

The current fair value of SIPE properties shall be determined by the Agency after receiving advice from the remaining members of the Advisory Committee. If the withdrawing member disagrees with the determination of the current fair value of SIPE
properties as determined by the Agency, the current fair value of SIPE properties shall be determined by an independent appraiser who shall be selected by the Agency.

ARTICLE VII

AUDIT

A. The Agency shall call for an annual audit of the financial affairs of SIPE, to be made by a Certified Public Accountant at the end of each fiscal year in accordance with generally accepted auditing principles. The annual report shall be delivered to each member. The costs of this audit shall be paid from the funds of SIPE by the Agency.

ARTICLE VIII

WITHDRAWAL

A. Any member having completed its first three years as a member may withdraw from its status as a member and party to the Joint Powers Agreement at the end of any fiscal year by notifying SIPE in writing prior to December 31 of any fiscal year.

B. Upon any withdrawal, or involuntary termination of a member, the withdrawing or terminated member shall continue to be responsible for the amount of any additional assessments or contingencies required because of a workers' compensation claim against any SIPE member arising out of facts occurring while the withdrawing or terminating member was a member of SIPE.

C. On withdrawal of members so as to reduce the total amount of yearly premiums of continuing members to less than $200,000 per year, SIPE shall be terminated and dissolved.

D. A member may be involuntarily terminated from SIPE provided 2/3 of the Advisory Committee so recommends and the Agency agrees. Should a member be involuntarily terminated, it shall be paid its pro rata share of total tangible assets less obligations in the same manner as if it were a withdrawing member. Obligations shall be defined in the same manner as in paragraph 7 of the Joint Powers Agreement. Involuntary termination shall have the effect of eliminating the party as a signator of the Joint Powers Agreement and as a member of SIPE, effective upon the date of involuntary termination.
ARTICLE IX
LIABILITY

A. Except as otherwise provided by individual contract, pursuant to the provisions of Section 895, et seq., of the Government Code of the State of California, each member of SIPE shall be liable for its pro rata share of all debts and liabilities of SIPE, and its pro rata share of all debts and liabilities for workers' compensation claims against members of SIPE arising out of facts occurring while a member of SIPE. A member's pro rata share shall be determined in the same manner as a withdrawing member's pro rata share of assets is determined. To achieve such purpose, each member indemnifies and holds harmless the other members for any loss, cost or expense that may be imposed upon such other member in excess of such pro rata liability. (The rules therefore, as set forth in Civil Code Section 2778 are hereby made a part of these Bylaws.)

ARTICLE X
AMENDMENT

A. Amendment to these Bylaws may be proposed by any designated representative of the member. The proposed amendment shall be referred to the Advisory Committee for its consideration. A copy of the proposed amendment, with the committee's recommendations and reasons therefore, shall be forwarded to each member.

B. All amendments must be approved by each member before the amendment shall become effective.

D. The effective date of any amendment will be on July 1 following adoption, unless otherwise stated.

ARTICLE XI
EFFECTIVE DATE

These Bylaws shall be into effect immediately upon the effective date of the Joint Powers Agreement.

APPROVED AS TO FORM
Date March 25, 1976
GEORGE P. KADING
County Counsel
Santa Barbara County

Deputy
SELF INSURANCE FOR WORKERS' COMPENSATION RISKS

April 1976

The Business Office of the County Superintendent has for some time provided insurance which is managed by the State Compensation Insurance Agency to cover workers' losses, compensation and medical, when injured on the job. On an optional basis, school districts have been able to participate in the policy. Presently, twenty of twenty-six districts plus the County Superintendent are included. In the past four years, premiums on this policy have increased fifty-eight percent while the number of claims has increased only three percent and the number of employees has actually decreased by three-tenths of one percent. It would appear that there is a need to improve the management of this insurance.

Experience in cities, counties, and school districts indicates that significant savings may be made by becoming self-insured in this area and by employing the services of a professional insurance management firm. An investigation has led to the actions described in the following paragraphs.

CURRENT PLANS

If approval of the self insurance concept is given by the County Board of Education, the Office of the County Superintendent would cancel the existing countywide contract with the State Compensation Insurance Fund. An agreement would be made with an insurance management company in order that the county office and the school districts might become self-insured for this risk.

Districts now under the countywide contract could choose to stay with the county and become self-insured as a member of the group or could stay with the State Compensation Insurance Fund by establishing a separate agreement with the state.
Districts not now under the countywide contract could submit a request to be included in the countywide group.

The firm of R. L. Kautz & Co., Insurance Management, would be employed to manage and administer the Workers' Compensation Insurance program for the countywide group. This company serves school districts, cities, counties, and many large companies. It specializes in workers' compensation insurance.

The company's services would include:

1. Doing all administrative work and reporting now done by the State Fund.
2. Reviewing and auditing claims plus computing and paying benefits.
3. Preparing an operating manual tailored to fit the requirements of the countywide group.
4. Attending monthly meetings to report and discuss claims and settlements with representatives of districts.
5. At the monthly meeting, reviewing reports of accidents including a description of each incident.
6. Representing districts as necessary before the State Workmen's Compensation Appeals Board.
7. Providing a Safety Program Service including the following:
   a. A comprehensive survey of past experience.
   b. Physical inspections of plant and work operations.
   c. Safety literature, employee training, and other aspects of a comprehensive safety program.
   d. Recommendations and follow-up.

In general, the company proposes to furnish all services formerly provided by the State Compensation Insurance Fund plus an operating system which would allow districts to be involved in claims decisions and in financial matters, and to be much more effective in accident prevention. This system has been shown to result in significantly
SELF INSURANCE FOR WORKERS' COMPENSATION RISKS

April 1976

lower costs to districts with no additional burden to district administration. Group self insurance is said to provide incentives to prevent accidents and improve experience since district personnel participate in claims decisions and, through the monthly meetings, are made aware continually of the benefits of an ongoing safety program.

FINANCIAL FACTORS

Districts would continue to budget and pay an annual premium which would be deposited in a separate county fund. This fund would be maintained at a level to provide reserves against present and future claims. Additional insurance (reinsurance) would be purchased to protect the Group against the possibility of a large, catastrophic loss. After the end of a fiscal year, experience would be analyzed and, if recommended by the Agent and the Service Company with the approval of the districts, a dividend might be declared or the following year's premium might be reduced.

Premiums are said to be applied as follows based on the experience of the Service Company's clients:

<table>
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<th>DESCRIPTION</th>
<th>PERCENT</th>
<th>ESTIMATED AMOUNTS</th>
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<tr>
<td>Premiums</td>
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<td>Less Costs:</td>
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<td>Reinsurance</td>
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<tr>
<td>Savings</td>
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The claims percentage represents average loss experience.

It is planned that the premium for 1976-77 would be 10% less than the districts premium which would have been paid in that year. Future premiums would be based on experience and the advice of the management company.
SELF INSURANCE FOR WORKERS' COMPENSATION RISKS

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Should experience with self insurance prove to be unsatisfactory, this coverage could be returned to the State Compensation Insurance Fund.

IMPLEMENTATION

The proposal would be initiated by a Joint Powers Agreement with the school districts and the County Superintendent, and by a second agreement between the County Superintendent and the Service Company. These documents have been developed in cooperation with the County Counsel and the Service Company, and with the approval of the districts.

The Joint Powers Agreement designates the County Superintendent as the "Agency" for the group of districts. The Agency administers the insurance program under the management of the Service Company. The Agency works with an Advisory Committee made up of representatives from each school district. Information has been distributed to all districts and meetings have been held in both the north and south portions of the county. Districts' reactions seem to be very favorable.

If the County Board of Education approves this self insurance concept, plans would be implemented immediately. The new program would be in effect on July 1, 1976.