

AGENDA REPORT

DATE: October 18, 2005

**ITEM:** RESOLUTION 9521 APPROVING AND ADOPTING THE REVISED AND RESTATED INTERLOCAL AGREEMENT GOVERNING THE MONTANA MUNICIPAL INSURANCE AUTHORITY

**INITIATED BY:** MONTANA MUNICIPAL INSURANCE AUTHORITY

**ACTION REQUESTED:** ADOPT RESOLUTION AND AUTHORIZE THE CITY MANAGER TO EXECUTE THE AGREEMENT

**PREPARED BY:** KELLY AUDET, RISK MANAGEMENT SPECIALIST

**PRESENTED BY:** COLEEN BALZARINI, FISCAL SERVICES DIRECTOR

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RECOMMENDATION:

Staff recommends the City Commission adopt Resolution 9521 approving the Revised and Restated Interlocal Agreement Governing the Montana Municipal Insurance Authority and authorize the City Manager to execute the Agreement.

MOTION:

I move the City Commission adopt Resolution 9521 and authorize the City Manager to execute the Agreement.

SYNOPSIS:

The original Interlocal Agreement under which the MMIA currently operates, was created in 1986 and addressed the formation of the MMIA and its initial operations. Over time, the MMIA has expanded the services provided to the membership and adjusted operations to meet the members changing needs. Thus, the MMIA Board of Directors determined it was time to revise the Agreement. The Revised Agreement better reflects the current operations of the MMIA and incorporates several operational changes.

The changes are outlined below:

- A. **Recitals: Page 2, #7;** “jointly provides such other administrative services to political subdivisions of the State.” The original document limited the MMIA to the provision of joint services with our membership. The MMIA has been approached by other political subdivisions to jointly conduct administrative services. This will allow the MMIA to enjoy the savings of joint service operations, just as many of our members

currently enjoy amongst themselves, but which was previously unavailable to the MMIA.

- B. **Article VIII: Page 7, 8.01, B** “Automatic Expansion of the Board.” This has been added to allow for expansion of the Board of Directors as needed. Currently, the MMIA Board consists of membership by the six entities with populations greater than 20,000 and six members elected from representatives of entities with a population less than 20,000. A thirteenth member is elected by the other twelve. There is no provision to increase the Board if a municipality grows to a population greater than 20,000. Therefore, this change allows for automatic expansion of the Board by two – one representing a member whose population grows beyond 20,000 and a corresponding addition of an elected seat from members with a population less than 20,000.
- C. **Article XV: Page 15, 15.02, B** “Inter-Program Loans.” This allows for one MMIA Program to loan funds to be used to develop new Programs of the Authority, when secured by a promise to repay the funds to the lending Program. This allows the MMIA flexibility in the consideration of requests of the membership for the development of new programs.
- D. **Article XXII: Page 20, 22.03** “Indemnification.” The indemnification language of the document has been amended to meet the current standards for indemnification of Directors, Officers or Committee members representing Member Entities.
- E. **Article XXV: Page 21** “Amendment.” This sets forth the process for amending the Revised Agreement. The Revised Agreement may be amended by two-thirds of the Member Entities, acting through their governing bodies.
- F. **Article XXIX: Page 22** “Filing with Secretary of State and County Clerk and Recorders.” Upon acceptance of the Revised Agreement, the MMIA will file the signed documents with the Secretary of State and then with the various county clerk and recorders of Member Entities, in keeping with the current statutory requirements for filing Interlocal Agreements.

#### BACKGROUND:

On July 1, 1985 the City of Great Falls as well as several other Montana cities and towns found themselves without General Liability insurance coverage. A system was set up for self insurance and on January 1, 1986 the City joined the Montana League of Cities and Towns and created the self insurance programs for General Liability and Workers’ Compensation. On April 7, 1986 this program became available to all of the cities and towns in Montana. As of today’s date there are 120 cities and towns participating in the program.

The program added Property Insurance in 1998 and most recently an Employee Benefits program in October of 2004.

ATTACHED ARE:

1. Memo from the CEO of the Montana Municipal Insurance Authority
2. Resolution No. 9521
3. Revised and Restated Interlocal Agreement Governing the Montana Municipal Insurance Authority

**CERTIFICATION**

I hereby certify that the annexed is a true and complete copy of the REVISED AND RESTATED INTERLOCAL AGREEMENT GOVERNING THE MONTANA MUNICIPAL INSURANCE AUTHORITY on file in this office. The above-mentioned document does not constitute all the documents on file in this office.

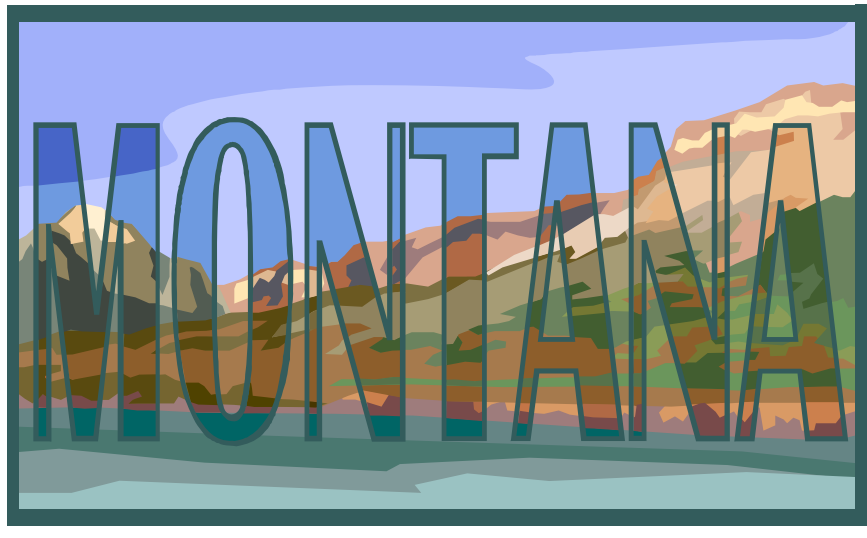
DATED: October , 2005

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SECRETARY OF STATE

By \_\_\_\_\_

**REVISED AND RESTATED  
INTERLOCAL AGREEMENT  
GOVERNING THE MONTANA MUNICIPAL  
INSURANCE AUTHORITY**

**EFFECTIVE AS OF OCTOBER , 2005**



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**REVISED AND RESTATED INTERLOCAL AGREEMENT  
GOVERNING THE MONTANA MUNICIPAL  
INSURANCE AUTHORITY  
EFFECTIVE AS OF OCTOBER \_\_, 2005**

THIS AGREEMENT is made in the State of Montana by and among local political subdivisions organized and existing under the laws of the State of Montana (the State), hereinafter referred to as "Member Entities" which are parties signatory to the Agreement. Member Entity(ies) are sometimes referred to in this Agreement as "party(ies)."

**RECITALS**

WHEREAS, Article XI, Section 7 of the Montana Constitution provides that a political subdivision may a) cooperate in the exercise of a function, power, or responsibility with, b) share the services of any officer or facilities with, and c) transfer or delegate any function, power, responsibility, or duty of any officer to one or more other local government units, school districts, the state or the United States; and

WHEREAS, Title 7, Chapter 11, Part 1, Montana Code Annotated (MCA), authorizes political subdivisions to create interlocal agreements to jointly perform any undertaking that each of them is authorized by law to perform; and

WHEREAS, Section 2-9-211, MCA authorizes political subdivisions of the state, separately or jointly with other subdivisions, to procure insurance to use a deductible or self-insurance plan, wholly or in part, and to establish a self-insurance or deductible reserve fund; and

WHEREAS, Section 2-9-211, MCA authorizes political subdivisions or a board created pursuant to an interlocal agreement, acting on behalf of such political subdivisions to issue and sell bonds or notes for the purposes of funding a self-insurance or deductible reserve fund; and

WHEREAS, the Member Entities executing this Agreement desire to join together for the purposes of:

1. Developing effective risk management programs to reduce the amount and frequency of their losses;
2. Sharing some portion, or all, of their losses;
3. Jointly purchasing other insurance, reinsurance, or excess insurance;
4. Jointly make Premium deposits which may take the form of contributions to an account or surplus account and pay premiums for the purposes of participating in group or captive insurance, excess insurance or reinsurance programs, in whole or in part;

5. Jointly issuing bonds or notes to fund a self-insurance or deductible reserve;
6. Jointly purchasing administrative and other services when related to any of the other purposes; and
7. Jointly provide such other administrative services to political subdivisions of the State;

WHEREAS, the governing board of each Member Entity has determined that it is in its own best interest, and in the public interest that this Agreement be executed and that it participate as a member of the public entity created by this Agreement.

NOW, THEREFORE, in consideration of the mutual benefits, promises and agreements set forth below, the parties hereby agree as follows:

## **ARTICLE I, DEFINITIONS**

**“Authority”** shall mean the Montana Municipal Insurance Authority created by this Agreement.

**“Board of Directors”** or **“Board”** shall mean the governing body of the Authority.

**“Bonds and Notes”** shall mean Bonds or Notes issued by the Authority pursuant to the Law or other enabling legislation as may hereafter be enacted on behalf of, and authorized by, Participating Entities for the purpose of financing a Program.

**“Bond or Note Resolution”** shall mean the Bond or Note Resolution adopted by a Participating Entity authorizing the Authority to issue Bonds or Notes on its behalf.

**“Bylaws”** shall mean the bylaws adopted by the Board prescribing the rules for the operations of the Authority.

**“Chair”** shall mean the Chair of the Board of Directors.

**“Claim”** shall mean a claim made against a Member Entity arising out of a Loss which is covered by a Program of the Authority in which the Member Entity is a participant.

**“Deductible”** shall mean that portion of a loss experienced by a Participating Entity which is retained as a liability or potential liability of the Participating Entity, and is not subject to payment by the Authority under an Agreement.

**“Director”** shall mean a member of the Board of Directors.

**“Executive Committee”** shall mean the Executive Committee of the Board of Directors of the Authority.

**“Excess Insurance”** shall mean one or more additional policies or programs of insurance or risk sharing purchased or participated in by the Authority as part of a Program to provide for the payment of Losses in excess of the types and amounts of coverage provided by the Authority directly in the primary Program Agreement(s) or applicable Memorandum of Coverage with respect to a Program.

**“Fiscal year”** shall mean that period of twelve months which is established by the Board of Directors as the Fiscal Year of the Authority.

**“Interlocal Cooperation Act”** shall mean Title 7, Chapter 11, Part 1, MCA, as amended.

**“Law”** shall mean Sections 2-9-211 MCA, as amended and such other laws of the state of Montana which authorize the Member Entities either jointly or severally to engage in activities in furtherance of the purposes for which this Authority was created.

**“Loss”** shall mean a liability or potential liability of a Member Entity, including, if applicable by Program Agreement or Memorandum of Coverage, litigation expenses, attorneys’ fees and other defense costs, which is covered by a Program of the Authority in which the Member Entity is a participant.

**“MCA”** shall mean the Montana Code Annotated.

**“Member Entity(ies)”** shall mean any political subdivision which has executed this Agreement and become a member of the Authority.

**“Memorandum of Coverage”** shall mean the document or documents issued by the Authority with respect to each Program specifying the type and amount of coverages provided to the Participating Entities by the Authority.

**“Open Meeting Law”** shall mean Title 2, Chapter 3, Parts 1 and 2, MCA, as amended.

**“Participating Entity(ies)”**, as used in reference to a Program of the Authority, shall mean any Member Entity which has joined a Program pursuant to Article XV of this Agreement, and has not withdrawn or been cancelled therefrom pursuant to Articles XVIII and XIX.

**“Policy Year”** shall mean, with the exception of the initial coverage period, for each Program of the Authority, that period of twelve months beginning and ending as set forth in the Program Agreement.

**“Policies and Procedures”** shall mean the Policies and Procedures manual(s) adopted by the Board specifying the policies and procedures to be followed by the Authority and Participating Entities in the Programs of the Authority.

**“Premium”** shall mean with respect to each Program the charges, fees and assessments made by the Authority for participation in a Program.

**“Program”** shall mean arrangements to insure against or cover specific types of claims, losses, damages and liabilities of Member Entities, which may include, but not be limited to, liability, property, workers’ compensation, employee health benefits, life, disability, vision and dental benefits.

**“Program Agreement”** shall mean the agreement or agreements by and between the Authority and the Participating Member setting forth the terms and conditions of each Program offered by the Authority.

**“Reinsurance”** shall mean either treaty reinsurance or facultative reinsurance purchased by the Authority, as part of a Program.

## **ARTICLE II, PURPOSES**

This Agreement is entered into by the Member Entities for the following purposes:

1. To jointly develop and fund, as provided by applicable law, programs for:
  - a. workers’ compensation and occupational disease insurance;
  - b. comprehensive liability insurance;
  - c. property insurance
  - d. employee health, dental, vision and life insurance
  - e. disability and group disability insurance;
  - f. other forms of insurance coverage as the Member Entities or some of them may deem appropriate;
  - g. participation in group or captive insurance, excess insurance or reinsurance programs, in whole or in part.
  
2. To develop or procure, as the Board of Directors of the Authority may from time-to-time determine, administrative services in support of the programs developed and funded by the Member Entities pursuant to this Agreement, including but not limited to:
  - a. risk management consulting;
  - b. loss prevention and control;
  - c. centralized loss reporting;
  - d. actuarial consulting;
  - e. claims adjusting; and
  - f. general legal services and legal defense.
  
3. To provide such administrative services through the Authority to political subdivisions of the state on such terms and conditions as the Board of Directors of the Authority may establish, provided that the Authority must,

at a minimum, recover the costs associated with each such service made available to such political subdivisions.

All such purposes shall be accomplished through a joint exercise of powers by Member Entities pursuant to this Agreement, to be administered by a separate legal entity, the Montana Municipal Insurance Authority, as created herein.

### **ARTICLE III, PARTIES TO AGREEMENT**

Each Member Entity, as a party to this Agreement, certifies that it intends to and does contract with, for the purposes and to the extent as herein provided, all other parties who are signatories of this Agreement and, in addition, with such other political subdivisions as may later be added as parties to, and signatories of, this Agreement. Each party also certifies that the removal of any party from this Agreement, pursuant to Articles XVIII or XIX, shall not affect this Agreement or the remaining parties' intent to contract as described above with the other parties to the Agreement then remaining.

### **ARTICLE IV, TERM**

This Agreement shall become effective as of the date it has been duly approved and executed by two-thirds of the Member Entities and upon filing with the Secretary of State and the various county clerks and recorders of the county or counties where the individual Member Entities are situated. This Agreement shall continue in effect until terminated or amended as provided herein.

### **ARTICLE V, CREATION OF THE AUTHORITY**

Pursuant to the Interlocal Cooperation Act, there is hereby created a public entity separate and apart from the parties hereto, to be known as the Montana Municipal Insurance Authority, with such powers as are hereinafter set forth.

### **ARTICLE VI, POWERS OF THE AUTHORITY**

The Authority shall have all of the powers common to its Member Entities under the Law and the Interlocal Cooperation Act, and is hereby authorized to do all things necessary and proper for the exercise of said powers. Such powers include, but are not limited to, the following:

- (1) To make and enter into contracts.
- (2) To incur debts, liabilities, and obligations.

- (3) To issue Bonds and Notes on behalf of its Member Entities for authorized purposes when expressly authorized by Member Entities.
- (4) To acquire, hold, or dispose of property, contributions and donations of property, funds, services, and other forms of assistance from persons, firms, corporations, and government entities.
- (5) To sue and be sued in its own name, and to settle any claim against it.
- (6) To receive contributions and donations of property, funds, services and other forms of assistance from any source.
- (7) To receive and use contributions and advances from Member Entities, including contributions or advances of personnel, equipment, or property.
- (8) Employ agents and employees.
- (9) Receive, collect, and disburse monies.
- (10) To invest any money in its treasury that is not required for its immediate necessities, in the same manner and on the same conditions as Member Entities pursuant to law.
- (11) Jointly make Premium deposits which may take the form of contributions to an account or surplus account, and pay premiums for the purposes of participating in group or captive insurance, excess insurance or reinsurance programs, in whole or in part.
- (12) Jointly purchasing other insurance, reinsurance, or excess insurance.
- (13) To carry out all provisions of this Agreement.
- (14) To provide such administrative services through the Authority to political subdivisions of the state on such terms and conditions as the Board of Directors of the Authority may establish.

Said powers shall be exercised pursuant to the terms hereof and in the manner provided by law.

## **ARTICLE VII, MEMBER ENTITY RESPONSIBILITIES AND POWERS**

7.01 **Responsibilities.** Each Member Entity participating in a Program shall have the following responsibilities:

- A. To provide the Authority with such statistical and loss experience data and other information as may be necessary or desirable for the Authority to carry out the purposes of this Agreement;
- B. To pay Premiums to the Authority when due;
- C. To cooperate fully with the Authority in determining the cause of Losses, and in the settlement of Claims;
- D. To cooperate with and assist the Authority and any insurer, claims adjuster legal counsel or other service provider engaged or retained by the Authority, in all matters relating to this Agreement and a Program Agreement;
- E. To comply with and keep and perform its obligations under the Program Agreements, Notes and Note Resolutions to which each Member Entity is a party or signator thereto, the Bylaws, and all Policies and Procedures of the Authority not inconsistent with the provisions of this Agreement;
- F. To have an audit of its risk management activities as required by the Authority. Such audit shall be at the expense of each Member Entity but the charge for such audit may be included within the Premiums to be charged for a Program;
- G. To maintain its own Claims and Loss records in each program of the Authority in which the entity is a Participating Member, and to provide copies of such records to the Authority or to such other committees as directed by the Board.

7.02 **Powers.** Member Entities shall have the following powers:

- A. To appoint, elect or remove members of the Board of Directors as set forth in Article VIII;
- B. To expel Member Entities as set forth in Article XIX;
- C. To approve amendments to this Agreement as set forth in Article XXV.

## **ARTICLE VIII, THE BOARD OF DIRECTORS**

8.01 Membership of Board, Procedure for Electing and Term in Office.

- A. Membership. Subject to Section 8.01(B) of this Agreement below, the Board shall be composed of a minimum of 13 Directors, elected in the following manner:

(1) Each Member Entity participating in one or more of the Authority's programs and has a population in excess of 20,000 is entitled to appoint a Director; and

(2) An equal number of Directors to the number of those Directors appointed in Section 8.01(A)(1) above, shall be elected by and representing Member Entities participating in one or more of the Authority's programs, and having a population of less than 20,000; and

(3) One (1) "At-large Director" from a member Entity participating in one or more of the Authority's programs appointed by the Directors selected in Sections 8.01(A)(1) and (2) above.

B. Automatic Expansion of the Board. In the event that a Member Entity, during the time it is a participant in one or more of the Authority's programs, has an increase in its population to a number in excess of 20,000 as determined in subparagraph C herein, then such Member Entity shall be entitled to a seat on the Board, and the total number of Directors shall increase by two, one of whom shall be appointed by the Member Entity which has experienced the described increase in population, and one of whom shall be an additional representative elected by and representing Member Entities who have a population of less than 20,000. The expansion in the number of Directors shall occur at the next annual meeting of the Member Entities following the annual census that established said population.

C. Procedure. The nomination and election of Board of Directors will be conducted at the regular annual meeting of the Authority. Each Member Entity shall appoint and elect Directors for its respective category as herein provided. No Member Entity shall have more than one Director at any time. To be eligible to vote for the Board of Directors, a Member Entity must be a participant in one or more of the Authority's programs at the time of the annual meeting. For purposes of this Article, the population of the Member Entity shall be as determined by the most recent census statistics published by the United States Census Bureau.

D. Terms.

(1) Directors shall serve a term of two (2) years from the date of the Annual meeting at which their appointment under Section 8.01(A)(1) and (3) or their election under Section 8.01(A)(2) occurred.

(2) A Director shall hold office until: (i) the expiration of his or her term of office or the Member Entity it represents no longer participates in a Program of the Authority and (ii) until a successor has been elected or appointed. In the event of a vacancy, the remaining Directors shall appoint a replacement Director who shall serve until the expiration of the predecessor's term or the next Annual meeting, whichever occurs first.

8.02 Resignation of a Director. A Director may resign upon giving thirty (30) days' notice in writing to the Authority.

8.03 Removal of a Director. Any director may be removed from office at any time by a majority vote of the Board, for neglect of duty or malfeasance in office. Notification of such removal or appointment of a successor shall be by instrument in writing by the Board and delivered to all Member Entities.

8.04 Compensation of Directors. The Directors shall receive no salary but may be compensated for any reasonable and necessary expenses incurred in connection with the performance of their duties.

8.05 Vacancies. Vacancies on the Board elected by Member Entities pursuant to Sections 8.01(A)(2) or (3) may be filled by a majority of the remaining Directors, and each Director so elected shall hold office until the next meeting of Member Entities and until that Director's successor has been elected and qualified. At the next Annual Meeting, Member Entities shall have the power to appoint a Director to fill the remaining term of office. Vacancies on the Board for a Director appointed pursuant to Section 8.01(A)(1) shall be filled by the Member Entities which appointed the representative whose position is vacant.

## **ARTICLE IX, MEETINGS AND RECORDS**

9.01 Member Entity Meetings. Member Entities shall hold at least one regular meeting each year which will be designated the "Annual Meeting", and the Board shall fix the date, hour and place at which the Annual Meeting or other meetings of the Member Entities are to be held. Member Entities may vote by absentee ballots or by proxy according to rules established by the Bylaws of the Authority. The Chair shall preside at all meetings of the Member Entities. Special meetings may be called upon written request by the Chair, by one-third or more of the Directors, or by one-third or more of the Member Entities.

9.02 Member Entity Voting. Each Member Entity shall have one (1) vote on each matter presented to Member Entities, but in election of Directors, shall have one (1) vote for each Director to be elected and may not cumulate votes; provided however that in the event that the matter presented to the Member Entities for a vote involves a specific Program, then only those Member Entities which are participants in such Program may vote on such matter.

9.03 Board Meetings. The Board shall hold at least four (4) regular meetings each year. The Board shall provide by resolution or in the Bylaws, the time for holding regular meetings. The Board shall fix the place where each regular meeting is to be held. Special meetings may be called upon written request by the Chair or one-third or more of the Directors.

9.04 Meeting Minutes. The Board shall have minutes of all regular, adjourned regular, special and adjourned special meetings of the Member Entities, and of the Board kept and available for inspection at any reasonable time. As soon as possible after each meeting, a copy of the minutes of each Member Entity meeting and each Board meeting shall be forwarded to each member of the Board.

9.05 Open Meeting Law. All meetings of the Member Entities and the Board shall be called, noticed, held and conducted in accordance with the provisions of the Open Meeting Law.

9.06 Quorum and Conduct of Business. A majority of the authorized number of Directors constitutes a quorum. Member Entities representing a majority of the Member Entities constitutes a quorum. Every act done or decision made by a majority of Member Entities, present in person or by proxy at a Member Entity Meeting, or Directors present in person at a Board meeting duly held at which a quorum is present shall be the act of that body, unless a vote by a greater number is required by law, this Agreement, or the Bylaws. Provided, however, that any action required to be taken by the Board or the Member Entities, as the case may be, which is restricted in effect to one of the Authority's Programs, as determined by the Chair of the Board, shall also require the affirmative vote of a majority of those Directors in person at a Board meeting, or Member Entities present in person or by proxy and voting at a Member Entity Meeting who represent or are Participating Entities in that Program. No business may be transacted by the Board or by the Member Entities without a quorum of their respective members being present; provided however, less than a quorum may adjourn from time to time. Meetings of the Board and the Member Entities shall be conducted in accordance with Roberts Rules of Order, except when in conflict with applicable law, this Agreement or the Bylaws.

9.07 Bylaws and Policies and Procedure Manual. The Board shall cause Bylaws to govern the day-to-day operations of the Authority, and one or more Policies and Procedures Manual(s) to govern the day-to-day operations of the Programs to be developed, which shall not be inconsistent either with applicable law or with this Agreement. Each Director shall receive a copy of the Bylaws and Policies and Procedures Manual(s) developed under this Section. Each member Entity shall receive a copy of the Bylaws and Policies and Procedures Manual(s) developed under this Section upon request made to the Chief Executive Officer of the Authority. The Board may adopt additional Bylaws and Policies and Procedures or change existing ones so long as the additions or changes shall be, and remain consistent with both applicable law and with this Agreement. The Chief Executive Officer shall send, or cause to be sent, each Bylaw amendment and Policy and Procedure change to each Director promptly after its adoption by the Board. The Chief Executive Officer shall send, or

cause to be sent, a summary of each such Bylaw amendment and Policy and Procedure change to each Member Entity in a timely manner.

## **ARTICLE X, POWERS OF THE BOARD OF DIRECTORS**

The Board of Directors shall have the following powers and functions:

- A. The Board shall exercise all powers and conduct all business of the Authority, either directly or by delegation of authority to other bodies or persons unless otherwise prohibited elsewhere in this Agreement or by applicable law.
- B. The Board may form an Executive Committee from its membership, as provided in Article XII, and may delegate to that Committee such powers as it sees fit, provided that all powers of the Executive Committee shall be exercised under the direction of the Board.
- C. The Board shall form, as provided in Article XIII, such other committees as it deems appropriate in conducting the business of the Authority. The membership of any such other committee may consist in whole or in part of non-Board members; provided, that the Board may delegate its powers and duties only to a committee of the Board composed of a majority of Board members. Any committee which is not composed of a majority of Board members may function only in an advisory capacity.
- D. The Board shall elect the officers of the Authority, shall appoint the staff members designated in Article XIV, and shall provide for the appointment of such other staff as may be necessary for the administration of the Authority, pursuant to that article.
- E. The Board shall cause to be prepared, and shall review, modify as necessary, and adopt the annual operating budget of the Authority.
- F. The Board shall develop, or cause to be developed, and shall review, modify as necessary, and adopt each Program of the Authority, including all provisions for reinsurance and administrative services necessary to carry out such Program.
- G. The Board shall provide for necessary services to the Authority and to Member Entities, by contract or otherwise, which may include, but shall not be limited to, risk management consulting, loss prevention and control, centralized loss reporting, actuarial consulting, claims adjusting, and legal defense services.
- H. The Board shall provide general supervision and policy direction to the Chief Executive Officer, either directly or through the Executive Committee.

- I. The Board shall receive and act upon reports of the committees as established by the Board, and the Chief Executive Officer, either directly or through the Executive Committee.
- J. The board shall act upon each claim involving liability of the Authority, either directly or by delegation of authority to the Executive Committee or other committee, body or person, provided that the Board shall establish monetary limits upon any delegation of claims settlement authority, beyond which a proposed settlement must be referred to the Board for approval.
- K. The Board may require that the Authority review, audit, report upon, and make recommendations with regard to the safety or claims administration functions of any Member Entity, insofar as those functions are affecting the liability or potential liability of the Authority. The Board may forward any or all such recommendations to the Member Entity with a request for compliance and a statement of potential consequences for noncompliance.
- L. The Board shall receive, review and act upon periodic reports and audits of the funds of the Authority, as required under Articles XVI and XVII of this Agreement.
- M. The Board shall provide for the creation of positions through its budget process as may be necessary for the administration of the Authority. The Chief Executive Officer will recommend to the Board for its approval the necessary positions for the administration of the Authority.
- N. The Board shall have such other powers and functions as are provided for in this Agreement, in the Bylaws of the Authority, and in applicable law.

## **ARTICLE XI, OFFICERS**

The Board of Directors shall elect from its membership a Chair, Vice Chair, Secretary and Treasurer, to serve for one-year terms.

The Chair, or in his or her absence, the Vice Chair, shall preside at and conduct all meetings of the Board, the Member Entities and shall chair the Executive Committee.

The Secretary shall have those duties normally associated with such office.

The Treasurer shall have those duties normally associated with such office.

## **ARTICLE XII, EXECUTIVE COMMITTEE**

12.01 Composition. The Board of Directors may establish an Executive Committee of the Board which shall consist of five members: the Chair and Vice Chair of the Board, and three members elected by the Board from its membership.

12.02 Term. The Terms of office of the three non-officer members shall be as provided for in the Bylaws of the Authority.

12.03 Responsibility. If established, the Executive Committee shall conduct the business of the Authority between meetings of the Board, exercising such powers as are delegated to it by the Board, through the adoption of Board resolutions, under the direction of the Board.

## **ARTICLE XIII, STANDING AND SPECIAL COMMITTEES**

13.01 Standing Committees. The Board shall establish Standing Committees, as it deems appropriate to conduct the business of the Authority consisting of at least five members. Members of the Standing Committees shall be appointed by the Chair with approval of the Board. Members of Standing Committees shall serve two year terms, subject to reappointment by the Chair with the approval of the Board. The members of each Standing Committee shall annually select one of its members to chair the Committee.

13.02 Special Committees. The Board may also establish Special Committees, as it deems appropriate. Members of such Special Committees shall be appointed by Chair with the approval of the Board for terms as specified by the Board. The Chair of Special Committees shall be designated by the Chair of the Board.

13.03 Duties. Each committee shall have those duties as determined by the Board, or if so directed, by the Executive Committee, or as otherwise set forth in the Bylaws.

13.04 Meetings. Each Committee shall meet on the call of its Chair, and shall report to the Executive Committee and the Board as directed by the Board.

## **ARTICLE XIV, STAFF**

Principal Staff. The following staff members shall be appointed by and serve at the pleasure of the Board:

A. Chief Executive Officer. The Chief Executive Officer shall administer the business and activities of the Authority, subject to the general supervision and policy direction of the Board or Executive Committee; shall be responsible along with the Secretary for all minutes, notices and records of the Authority; and shall perform such

other duties as are assigned by the Board or Executive Committee. The principal staff shall be appointed by and serve at the pleasure of the Chief Executive Officer.

B. Chief Financial Officer. The Chief Executive Officer shall appoint a Chief Financial Officer. The Chief Financial Officer shall be responsible for the financial, banking and investment activities of the Authority, and shall perform such other duties as are assigned by the Chief Executive Officer. Except for those independent duties that the Chief Financial Officer may owe to the Board or Finance Committee, the Chief Financial Officer shall report to the Chief Executive Officer.

## **ARTICLE XV, DEVELOPMENT, FUNDING, IMPLEMENTATION and JOINING INSURANCE PROGRAMS**

15.01 Program Coverage. Insurance programs of the Authority may provide coverages for one or more or any combination of the following:

- (1) Workers' compensation;
- (2) Comprehensive liability, including but not limited to general, automobile, personal injury, contractual, malpractice liability;
- (3) Property;
- (4) Employee health, vision and dental benefits;
- (5) Life and disability; and
- (6) Any other coverages authorized by the Board.

The Board shall determine, for each such Program, a minimum number of participants required for Program implementation.

15.02 Program and Authority Funding. The Member Entities developing or participating in a Program shall fund all costs of that program, including administrative costs as hereinafter provided, or as provided in the Program Agreement relating to that Program. Costs of staffing and supporting the Authority, hereinafter called Authority general expenses, shall be equitably allocated among the various Programs by the Board, and shall be funded by the Member Entities developing or participating in such Programs in accordance with such allocations, as hereinafter provided or as provided in the Program Agreements.

A. Development Charge. Development costs of a Program may be funded by a development charge, as fixed by this Agreement or determined by the Board of Directors. The development charge shall be paid by each Member Entity which wishes to join in development of the Program, and thereby reserve the option to participate in the Program following adoption by the Board. Development costs are those costs incurred by the Authority in developing a Program for review and adoption by the Board of Directors, including but not limited to: research, feasibility studies, information and liaison work among political subsidiaries, and preparation and consulting services. The development charge may also include a share of Authority general expense, as allocated to the Program development function by the Board.

The development charge shall be billed by the Authority to all Member Entities upon authorization of Program development by the Board and shall be payable within thirty (30) days of the billing date.

Upon the conclusion of Program development, any deficiency in development funds shall be billed to all Member Entities which have paid the development charge, on a pro-rata or other equitable basis, as determined by the Board; and any surplus in such funds shall be transferred into the loss reserve funds for the Program, or, if the Program is not implemented, into the Authority's general expense funds.

B. Inter-Program Loans. Except to the extent otherwise prohibited by any Program Agreement, one Program may loan funds to be used to develop any new Program of the Authority, provided however, that any such loan shall be secured by the promise of one or more Member Entities to repay the amount of any such loan with interest, if any, as may be established by the Board to the Program lending the funds in the event that the new Program is not created or has inadequate funds to repay such loan.

C. Premium. Except as provided in Section 15.03 below, all post-development costs of a Program shall be funded by Premiums charged to the Participating Entities in the Program each Policy Year, and by interest earnings on the funds so accumulated. Such premiums shall be determined by the Board upon the basis of a cost allocation plan and rating formula developed by the Authority with the assistance of a casualty actuary, risk management consultant, or other qualified person and set forth in the Program Agreement. The premium for each participating entity may include that entity's share of expected program losses, program reinsurance costs, and program administrative costs for the year, that Participating Entity's share of Authority general expense allocated to the program by the Board, plus that Participating Entity's share of any principal and interest that may become due in that year and a debt service reserve fund payment with respect to any notes or bonds issued by the Authority for such Program on behalf of that Participating Entity, as authorized by such Participating Entity.

Premiums shall be billed by the Authority at the beginning of each policy year or more frequently and shall be due and payable as provided in a Program Agreement. At the end of each policy year, program costs shall be audited by the Authority. Any deficiency or surplus in the Premiums paid by a Participating Entity, as shown by such audit, may be adjusted by a corresponding increase or decrease in the Premiums charged to that Participating Entity for the next succeeding year, as provided in the Program Agreement, unless the Participating Entity withdraws or is cancelled from a Program, in which case the provisions of Article XVIII and XIX shall control.

D. Premium Adjustments. If the Authority experiences an unusually large number of losses under a Program during a policy year, such that notwithstanding reinsurance coverage for large individual losses, the joint insurance funds for the Program may be exhausted before the next annual premiums are due, the Board of Directors may, upon consultation with a casualty actuary, impose premium surcharges

on all participating cities, which, in total amount, will assure adequate funds to the Authority for the payment of all such losses; provided, that the Program Agreements shall provide the maximum surcharge to be levied against any Participating Entity in any year.

15.03 Program Implementation and Effective Date. Following development of a Program and upon its adoption by the Board, the Authority shall give each Member Entity which has paid the development charge, if such charge has been levied for the Program, a written notice of the Program, which shall include: a form of the Program Agreement, the minimum number of participants required for the Program's implementation, and the estimated first year premium to the Member Entities for Program participation. Each such Member Entity may elect to enter the Program by giving written notice of such election, in a form prescribed by the Authority, to the Chief Executive Officer within thirty (30) days of the date of the Authority's notice of the Program. Any Member Entity which has not paid the development charge as of the date of the Program notice may enter the Program only if it pays such charge and gives notice of such election within the above 30-day period and executes a Program Agreement.

When at least the minimum number of participating Member Entities required for program implementation shall have elected to enter a Program, the Authority shall determine the actual first-year premium for each participating Member Entity so electing and shall give each such entity written notice thereof. If a Participating Entity's actual first-year premium is more than that estimated by the Authority, the entity may revoke its election to enter the Program by giving the Chief Executive Officer written notice of such decision within thirty (30) days of the date of the actual premium notice.

When the Authority determines that at least the minimum number of participating Member Entities required for Program implementation remain entered in a Program, it shall give written notice to that effect to all Participating Entities which have elected to enter, and the Program shall become effective on the date of such notice. All such entities shall thereafter be considered Participating Entities in the Program, except for any entity which has revoked its entry into the Program under the terms and within the time period above provided.

15.04 Late Entry Into Program. A member Entity which does not elect to enter a Program upon its implementation, pursuant to section 15.03 above, or a political subdivision which becomes a Member Entity and a party to this Agreement following implementation of a Program, may petition the Board for late entry into the Program. Such request may be granted, if authorized in the Program Agreement, upon a vote of a majority of all Directors present and voting, such a vote to include a majority of those Directors present and voting who represent Participating Entities in the Program, upon satisfaction of requirements set forth in the Program Agreement, provided that the applicant meets the various underwriting criteria of the individual Program.

As a condition of late entry, the Participating Entity shall pay the development charge for a Program, if required by the Board, as adjusted at the conclusion of the development period, but not subject to further adjustment, and also any costs incurred

by the Authority in analyzing the Participating Entity's loss data and determining its annual premium as of the time of entry.

## **ARTICLE XVI, ACCOUNTS AND RECORDS**

16.01 Annual Budget. The Authority shall annually adopt an operating budget pursuant to Article X of this Agreement, which shall include a separate budget for each Program under development or adopted and implemented by the Authority.

16.02 Funds and Accounts. The Chief Financial Officer of the Authority, under the direction of the Finance Committee, shall establish and maintain such funds and accounts as may be required by good accounting practices and by the Board. Separate accounts shall be established and maintained for each Program under development or adopted and implemented by the Authority. Books and records of the Authority shall be open to inspection at all reasonable times by authorized representatives of Member Entities.

The Authority shall adhere to the standard of strict accountability of public funds.

16.03 Annual Report. The Authority, within one hundred and eighty (180) days after the close of each fiscal year, shall give a complete written report of all financial activities for such Fiscal Year to the Board and to each Member Entity.

16.03 Annual Audit. The Authority shall either make or contract with a certified public accountant or the Audit Division of the Department of Commerce pursuant to Title 2, Chapter 7, Part 5, MCA to make an annual fiscal year audit of all accounts and records of the Authority. A report of the audit shall be filed as a public record with each Member Entity within six months of the end of the fiscal year under examination. Costs of the audit shall be considered a general expense of the Authority.

## **ARTICLE XVII, RESPONSIBILITIES FOR FUNDS AND PROPERTY**

Custody of Funds. The Chief Financial Officer, under the direction of the Finance Committee, shall have the custody of and disburse the Authority's funds.

17.01 Duties of the Chief Financial Officer. The Chief Financial Officer shall:

A. Receive and acknowledge receipt for all funds of the Authority and place them in the treasury to the credit of the Authority.

B. Be responsible upon his or her official bond for the safekeeping and disbursement of all Authority funds so held by him or her.

C. Pay any sums due from the Authority, as approved for payment by the Board or by any body or person to whom the Board has delegated approval authority, making such payments from Authority funds.

D. Verify and report in writing to the Authority and to Member Entities, as of the first day of each quarter of the fiscal year, the amount of money then held for the Authority, the amount of receipt since the last year, and the amount paid out since the last report.

17.02 Property of the Authority. The Chief Executive Officer, the Chief Financial Officer and such other persons as the Board of Directors may designate shall have charge of, handle, and have access to the property of the Authority.

17.03 Fidelity Bonds. The Authority shall secure and pay for a fidelity bond or bonds, and/or crime and fidelity coverage, in an amount or amounts and in the form specified by the Board of Directors, covering all officers and staff of the Authority who are authorized to hold or disburse funds of the Authority, and all officers and staff who are authorized to have charge of, handle, and have access to property of the Authority.

## **ARTICLE XVIII, WITHDRAWAL**

18.01 Withdrawal Prior to Becoming a Participating Entity. A Member Entity may withdraw as a party to this Agreement upon thirty (30) days advance written notice to the Authority if it has never become a participant in any Program pursuant to Article XV, or if it has withdrawn from all Programs in which it was a participant, pursuant to 18.02 below.

18.02 Withdrawal Subsequent to Becoming a Participating Entity. After becoming a participant in any Program pursuant to Article XV, a Participating Entity may withdraw from that Program only as provided in the respective Program Agreement.

## **ARTICLE XIX, CANCELLATION**

19.01 Cancellation by the Board. Notwithstanding the provisions of Article XXI, but subject to the terms of the Program Agreements, the Board of Directors may:

A. Cancel any Member Entity from this Agreement and membership in the Authority, upon a vote of a majority of the Directors present and voting. Such action shall have the effect of canceling the Member Entity's participation in all insurance programs of the Authority as of the date that all membership is cancelled.

B. Cancel any Member Entity's participation in a Program, without canceling the Member Entity's membership in the Authority or participation in other Programs, upon a vote of a majority of the Directors present and voting, such vote to

include a majority of those Directors present and voting who represent Participating Entities in the Program from which the Member Entity is to be expelled.

The Board shall give sixty (60) days advance written notice of the effective date of any cancellation under the foregoing provisions, unless otherwise provided in a Program Agreement. Upon such effective date, the Member Entity shall be treated the same as if it had voluntarily withdrawn from this Agreement.

#### 19.02 Automatic Cancellation.

A. A Member Entity that does not enter one or more Programs within the Member Entity's first year (a period of twelve months) as a member of the Authority shall be considered to have withdrawn as a party to this Agreement at the end of such period, and its membership in the Authority shall be automatically cancelled as of that time, without action of the Board.

B. A Member Entity which withdraws from all programs in which it was a participant and does not enter any other Program for a period of six (6) months thereafter shall be considered to have withdrawn as a party to this Agreement at the end of such period, and its membership in the Authority shall be automatically cancelled as of that time, without action of the Board.

## **ARTICLE XX, WITHDRAWAL OR CANCELLATION OF PARTICIPATION IN A PROGRAM**

The effect of withdrawal or cancellation of participation in a Program and the terms and conditions governing such withdrawal shall be as set forth in each of the Program Agreements.

## **ARTICLE XXI, TERMINATION OF AGREEMENT AND DISTRIBUTION OF ASSETS**

21.01 Termination of Agreement. This Agreement may be terminated at any time upon the election to terminate of three-fourths of the Member Entities, acting through their governing bodies; provided, however, that this Agreement and the Authority shall continue to exist after such election for the purpose of retiring any debt, disposing of all claims, distributing all assets, and performing all other functions necessary to conclude the affairs of the Authority and any program.

21.02 Distribution of Assets. Upon termination of this Agreement, all assets of the Authority in each Program shall be distributed among Participating Members in proportion to their contributions to the program, including premiums paid cash and property contributed or revenues attributed to the Participating Member (at market value when contributed) in accordance with the terms of the Program Agreement.

21.03 Future Assessments. Following termination of this Agreement, any participating Entity in a Program may be required to pay an additional amount of Premium, determined by the Board in accordance with the terms of the Program Agreement, which may be necessary to enable final disposition of all Claims arising from Losses under that Program during the Participating Entity's period of participation.

## **ARTICLE XXII, LIABILITY OF BOARD OF DIRECTORS, OFFICERS AND COMMITTEE MEMBERS**

22.01 Standard of Care. The Directors, Officers and committee members of the Authority shall use ordinary care and reasonable diligence in the exercise of their power and in the performance of their duties pursuant to this Agreement. They shall not be liable for any mistake of judgment or any other action made, taken or omitted by them in good faith, nor for any action taken or omitted by any agent, employee or independent contractor selected with reasonable care, nor for loss incurred through investment of Authority funds, or failure to invest.

22.02 Not Liable for Action of Others. No Director, Officer or committee member shall be responsible for any action taken or omitted by any other Director, Officer or committee member. No Director, Officer or committee member shall be required to give a bond or other security to guarantee the faithful performance of their duties pursuant to this Agreement.

22.03 Indemnification. Any person who at any time shall serve, or shall have served as a Director, Committee Member, or Officer of the Authority, shall be indemnified, held harmless and defended by the Authority against all costs and expenses (including but not limited to attorney's fees of an attorney approved by the Authority), amounts of judgments, and settlements reasonably incurred in connection with the defense of any claim, action, suit, or proceeding, whether civil, criminal, administrative, or other, in which he, she, or they may be involved by virtue of such person's being or having been a Director, Committee Member, or Officer; provided however, that such indemnity shall not be operative with respect to: (1) the Director, Committee Member, or Officer gaining any personal profit or advantage in his or her capacity as Director, Committee Member, or Officer, (2) the dishonesty of a Director, Committee, or Officer, (3) a Director's, Committee Member's, or Officer's conflict of interest, (4) willful violation of a statute or ordinance committed by a Director, Committee Member, or Officer or with the Director's, Committee Member's, or Officer's knowledge or consent, or (5) any matter as to which the Director, Committee Member, or Officer shall have been finally adjudged in such action, suit or proceeding to be liable for misconduct in the performance of his or her duties as Director, Committee Member, or Officer. The indemnification will not be operative for any settlement unless the settlement is approved by a majority of the Directors.

## **ARTICLE XXIII, BYLAWS**

The Bylaws of the Authority, or any subsequent amendment thereto, shall be in conformity with the provisions of this Agreement.

## **ARTICLE XXIV, NOTICES**

The Authority shall address notices, billings and other communications to a Member Entity at the address and to the attention of the individual set forth on each Member Entities' signature page hereto or as otherwise directed by the Member Entity. Member Entities shall address notices and other communications to the Authority to the Chief Executive Officer of the Authority, at the office address of the Authority which shall be, until otherwise notified, PO Box 6669, Helena MT 59604-6669.

## **ARTICLE XXV, AMENDMENT**

This Agreement may be amended at any time by approval of any amendments by two-thirds of the Member Entities, acting through their governing bodies, either at a meeting in person, by proxy, or by mail ballot: provided however, that no amendment may be made which would have the effect of altering or amending any Program Agreement or altering or limiting any obligations of the Authority or Member Entities thereunder.

## **ARTICLE XXVI, PROHIBITION AGAINST ASSIGNMENT**

No Member Entity may assign any right, claim or interest it may have under this Agreement, and no creditor, assignee or third party beneficiary of any Member Entity shall have any right, claim or title to any part, share, interest, fund, premium or asset of the Authority.

## **ARTICLE XXVII, AGREEMENT COMPLETE**

The foregoing constitutes the full and complete Agreement of the parties with respect to the Authority. There are no oral understandings or agreements not set forth in writing herein, provided, however, that participation in any insurance program of the Authority is subject to the terms and conditions of separate Program Agreements not inconsistent herewith.

## **ARTICLE XXVIII, EFFECTIVE DATE OF AMENDMENTS**

Any amendment of this Agreement shall become effective upon the Authority receiving notice of the approval of any Amended Agreement by the Governing bodies of two-thirds of the Member Entities and upon filing with the Secretary of State and the various county clerk and recorders of the counties in which Member Entities are located.

## **ARTICLE XXIX, FILING WITH SECRETARY OF STATE AND COUNTY CLERK AND RECORDERS**

Within thirty (30) days after the approval of any amendment, the Chief Executive Officer of the Authority shall file a copy of this Agreement with the Secretary of State and the county clerk and recorder of each county in which Member Entities are located.

## **ARTICLE XXX, EXECUTION**

This Interlocal Agreement shall be executed on behalf of the Member Entity by its Chief Executive Officer and attested by the Clerk only upon approval thereof by the governing body. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same agreement.

**REVISED AND RESTATED INTERLOCAL AGREEMENT  
GOVERNING THE MONTANA MUNICIPAL  
INSURANCE AUTHORITY  
EFFECTIVE AS OF OCTOBER     , 2005  
Signature Page**

IN WITNESS WHEREOF, the undersigned parties hereto have executed this agreement on the date indicated below.

City of \_\_\_\_\_

By \_\_\_\_\_

Its \_\_\_\_\_

Date Signed \_\_\_\_\_

Attest: \_\_\_\_\_  
Clerk

Notices required to be mailed to the City/Town under the foregoing Agreement shall be mailed to:

City/Town of \_\_\_\_\_

Attention: \_\_\_\_\_

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# IMPORTANT DOCUMENTS ATTACHED IMMEDIATE ACTION REQUESTED

September 30, 2005

Kelly Audet  
Risk Manager  
City of Great Falls  
PO Box 5021  
Great Falls MT 59403

RE: Revised Interlocal Agreement and New Memorandum of Liability Coverage

Dear Ms. Audet:

Your MMIA Board of Directors has been working to refine two key documents governing the operations of the MMIA. Attached are copies of those two documents, which require your immediate attention. You will find (1) a Revised and Restated Interlocal Agreement Governing the Montana Municipal Insurance Authority (Revised Agreement), and (2) a new Memorandum of Liability Coverage (Revised Memorandum), Form A, Effective October 1, 2005.

The original Interlocal Agreement (Agreement) under which the MMIA currently operates, was created in 1986 and addressed the formation of the MMIA and its initial operations. Over time, the MMIA has expanded the services provided to the membership and adjusted operations to meet the members changing needs. Thus, the Board determined it was time to revise the Agreement. The Revised Agreement better reflects the current operations of the MMIA and incorporates several operational changes. **It requires the action of your governing body.**

The Memorandum has been revised to address two specific matters. It should be brought to the appropriate individuals within your operations. All occurrences occurring after October 1, 2005 will be handled under this Revised Memorandum. No action is required by your governing body.

## 1. **Revised and Restated Interlocal Agreement Governing the Montana Municipal Insurance Authority:**

The Revised Agreement sets forth the operations of the MMIA as agreed by the participants.

- A. **Recitals: Page 2, #7;** “jointly provides such other administrative services to political subdivisions of the State.” The original document limited the MMIA to the provision of joint services with our membership. The MMIA has been approached by other political subdivisions to jointly conduct administrative services. This will allow the MMIA to enjoy the savings of joint service operations, just as many of our members currently enjoy amongst themselves, but which was previously unavailable to the MMIA.
- B. **Article VIII: Page 7, 8.01, B** “Automatic Expansion of the Board.” This has been added to allow for expansion of the Board of Directors as needed. Currently, the MMIA Board consists of membership by the six entities with populations greater than 20,000 and six members elected from representatives of entities with a population less than 20,000. A thirteenth member is elected by the other twelve. There is no provision to increase the Board if a municipality grows to a population greater than 20,000. Therefore, this change

allows for automatic expansion of the Board by two -- one representing a member whose population grows beyond 20,000 and a corresponding addition of an elected seat from members with a population less than 20,000.

- C. **Article XV: Page 15, 15.02, B** “Inter-Program Loans.” This allows for one MMIA Program to loan funds to be used to develop new Programs of the Authority, when secured by a promise to repay the funds to the lending Program. This allows the MMIA flexibility in the consideration of requests of the membership for the development of new programs.
- D. **Article XXII: Page 20, 22.03** “Indemnification.” The indemnification language of the document has been amended to meet the current standards for indemnification of Directors, Officers or Committee members representing Member Entities.
- E. **Article XXV: Page 21** “Amendment.” This sets forth the process for amending the Revised Agreement. The Revised Agreement may be amended by two-thirds of the Member Entities, acting through their governing bodies.
- F. **Article XXIX: Page 22**, “Filing with Secretary of State and County Clerk and Recorders.” Upon acceptance of the Revised Agreement, the MMIA will file the signed documents with the Secretary of State and then with the various county clerk and recorders of Member Entities, in keeping with the current statutory requirements for filing Interlocal Agreements.

**We are asking this matter be presented to your governing body at the earliest possible time for consideration and adoption. Upon adoption of the Revised Agreement, please complete three originals of the Signature Page (Page 23). Retain one for your files and return two original copies to the MMIA with a copy of the resolution passed adopting the Revised Agreement. It is our desire to obtain signed documents from the membership no later than November 25, 2005.**

The Revised Agreement will become effective upon receipt of the signature pages of two thirds (eighty one) of the Member Entities, thus indicating your entity’s adoption.

**2. Memorandum of Liability Coverage, Form A, Effective October 1, 2005:**

The Memorandum of Liability Coverage (Revised Memorandum) has been amended to affect two areas.

- A. **V. DEFINITIONS: Page 3**, “Air Navigation Facility,” and **IX, EXCLUSIONS, Page 9, #7**. A definition for “Air Navigation Facility” has been added. The current Memorandum excludes, and the Revised Memorandum will continue to exclude, coverage for airport and aircraft related facilities. The documents do not exclude coverage for non aviation related operations of airports. The added definition and amended language of Exclusion #7 are intended to further clarify this matter.
- B. **Section X: Page 13** “ADDITIONAL COVERED PARTY.” Previously, the Memorandum did not contain language authorizing a Member Entity to obtain an Additional Covered Party Endorsement. The addition of Section X addresses this matter. As Member Entities expand their operations and interactions with other organizations, they have been approached repeatedly to request coverage of an additional party. The addition of this section establishes the process to obtain that endorsement.

To obtain an Endorsement for an Additional Covered Party, you must submit a written application to the MMIA. The Memorandum sets forth the process and the criteria that will be used in this process. This process has been added to assist the membership in the execution of certain actions. It is not intended as a risk transfer process for those seeking Member Entities to assume liability for which they would not otherwise be responsible for. The MMIA policy authorizes serious scrutiny of each request. Endorsements will be granted only upon provision of complete information and an assessment of the exposure the endorsement brings to the Authority.

The revisions of these two documents represent the continued refinement of our operations. I would like to thank each of you in advance for your prompt attention to these matters. If you have any questions, please call me at 1-800-635-3089.

Sincerely,

Bob Worthington  
CEO

2 Attachments

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