



## **SOUTH FEATHER WATER & POWER**

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**TO:** Board of Directors

**FROM:** Michael Glaze, General Manager

**DATE:** July 19, 2005

**RE:** Excess Crime Insurance Policy In Lieu of Treasurer's Bond

At your last meeting you made acquisition of an appropriate bond in the amount of \$100,000 a condition of your appointment of Jennifer Jellison as Treasurer. That condition was based on the understanding that Treasurer is a bonded position.

Subsequently, we began the process of discontinuing Pat Sands' (previous Treasurer) \$50,000 bond, and applying for a \$100,000 bond for Jenny. What we found was that the laws has been changed so that crime coverage insurance for a special district can be used in lieu of a blanket bond, subject to action by the Board of Directors to waive the bond in lieu of the crime coverage insurance.

Attached is a letter from Jeff Meith providing a more detailed explanation.

As recommended by Mr. Meith, the Board is requested to take the following action:

**"I move that the Agency's memorandum of crime coverage and excess crime policy, provided under its insurance program with the Association of California Water Agencies' Joint Powers Insurance Authority, be approved in lieu of a bond for the Treasurer of the Agency in the amount of \$100,000 as prescribed by the Board."**

**MINASIAN, SPRUANCE,  
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SEXTON, LLP**

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July 12, 2005

Michael C. Glaze, General Manager  
Jennifer Jellison, Finance Division Manager  
South Feather Water and Power Agency  
Post Office Box 581  
Oroville, California 95965-0581

Re: Bonds

Dear Mike and Jennifer:

I apologize, but like many of these archaic functions, it has gotten a little more complicated than I thought.

The Irrigation District Act still requires the Treasurer of the District to have a bond. The bond must be in the form approved for county officials. That part never changed.

However, under the Government Code, a blanket bond was authorized for county and special district officials as of 2005. County officials are now authorized to be covered by the type of crime and theft coverage that you have received through ACWA-JPIA. Therefore, the county no longer buys bonds and no longer approves bonds.

The Legislature didn't do a very good job of it, but in 2004, effective January of 2005, the above referenced law was modified to allow the use of crime coverage insurance for a special district in lieu of a blanket bond. However, the use of the crime coverage insurance and waiver of the bond does require action of the Board of Directors. I recommend such action be agendized for the next meeting. The documentation in support of the action can be this letter. The correct motion would be:

"I move that the District's memorandum of crime coverage and excess crime policy, provided under its insurance program with the

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OROVILLE OFFICE

Michael C. Glaze, General Manager  
Jennifer Jellison, Finance Division Manager  
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July 12, 2005  
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Association of California Water Agencies Joint Powers Insurance  
Authority, be approved in lieu of a bond for the Treasurer of the  
District in the amount of \$100,000 as prescribed by the Board.”

Incidentally, Mike, I had mentioned last week that your excess policy, covering claims above \$100,000 and up to \$1,000,000, appears to have an exclusion for employees who have a statutory obligation to be bonded. Given the language that the Legislature approved to be effective in 2005, I think it is clear that there is no longer an obligation to have a statutory bond. Therefore, I think the exclusion does not apply. In addition, Debbie Cruz, from ACWA-JPIA, indicated that there is an endorsement to the policy, which I don't think I have, and that said endorsement also eliminated that particular restriction. So you actually have coverage above the specified amount.

Please call me if you have any questions.

Very truly yours,

MINASIAN, SPRUANCE, MEITH,  
SOARES & SEXTON, LLP

By   
JEFFREY A. MEITH

JAM/jg