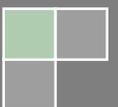


2019

JPA SERVICE REVIEW FOR THE

Yolo County Public Agency Risk
Management Insurance Authority
(YCPARMIA)





Project Name: JPA Service Review for the Yolo County Public Agency Risk Management Insurance Authority (YCPARMIA) JPA

LAFCo Project No. 053

Conducted By: Christine Crawford, Executive Officer
Yolo Local Agency Formation Commission
625 Court Street, Suite 107
Woodland, CA 95695

Date: August 22, 2019

Subject Agency: Yolo County Public Agency Risk Management Insurance Authority

Agency Address: 77 West Lincoln Avenue
Woodland, CA 95695

Agency Contact Person: Armond Sarkis, ARM, CPCU - CEO/Risk Manager

Date of Last JPA Service Review Adopted by LAFCo N/A

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JPA SERVICE REVIEW BACKGROUND

ROLE AND RESPONSIBILITY OF LAFCo

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, as amended (“CKH Act”) (California Government Code §§56000 et seq.), is LAFCo’s governing law and outlines the requirements for preparing Municipal Service Reviews (MSRs). MSRs and SOIs are tools created to empower LAFCo to satisfy its legislative charge of “discouraging urban sprawl, preserving open-space and prime agricultural lands, efficiently providing government services, and encouraging the orderly formation and development of local agencies based upon local conditions and circumstances (§56301). CKH Act Section 56301 further establishes that “one of the objects of the commission is to make studies and to obtain and furnish information which will contribute to the logical and reasonable development of local agencies in each county and to shape the development of local agencies so as to advantageously provide for the present and future needs of each county and its communities.”

While MSRs are not legally required of Joint Powers Agencies/Authorities, LAFCo has been requested by the cities and County (i.e. JPA member agencies) to provide MSR-like service reviews of selected types of JPAs in the county. LAFCo has the authority to furnish informational studies and analyzing independent data to make informed recommendations regarding the efficient, cost-effective, and reliable delivery of services to residents, landowners, and businesses via these JPAs. With this intention, LAFCo has modified its MSR checklist to conduct service reviews of JPAs.

PURPOSE OF A JPA SERVICE REVIEW

LAFCo has broad discretion in conducting informational studies, including geographic focus, scope of study, and the identification of alternatives for improving the efficiency, cost-effectiveness, accountability, and reliability of public services. The intent of the JPA Services Review is to provide a comprehensive inventory and analysis of the services provided by local JPAs, service areas, and evaluation of the finances, structure and operation of the local agency and discuss possible areas for improvement and coordination. From the state required MSR determinations, the following determinations remain relevant to the comprehensive inventory and analysis of local JPAs (there is a disadvantaged unincorporated communities determination for MSRs that is not applicable to JPAs):

1. Growth and population projections for the service area;
2. Present and planned capacity of any public facilities, adequacy of services, and infrastructure needs or deficiencies;
3. Financial ability of agencies to provide services;
4. Status of, and opportunities for, shared services and facilities;
5. Accountability for community service needs, including governmental structure and operational efficiencies; and
6. Any other matter related to effective or efficient service delivery, or as required by commission policy.

The JPA Service Review is organized according to these determinations listed above. Information regarding each of the above issue areas is provided in this document.

AGENCY PROFILE

The Yolo County Public Agency Risk Management Authority (YCPARMIA) is a joint powers authority formed in 1978 by participating members. It provides non-profit risk management, insurance, and safety services to its members within Yolo County. Its risk sharing pool is comprised of public entities in Yolo County that have entered into a joint powers agreement as either a voting member or an associate member. It is governed by a Board that is appointed by its six member agencies. There are an additional twenty-six associate member public agencies served¹. YCPARMIA's Board is independent, and not controlled by their member agencies. There is no insurance; with few specialized exceptions, members are covered by programs of self-insurance (funds YCPARMIA has set aside to pay claim costs). YCPARMIA, in turn, is a member of various excess pools made up of hundreds of other California public entities that provide coverage above YCPARMIA's pooled retentions/limits.

Prior to implementation of the YCPARMIA self-insurance program on March 1, 1979, each agency purchased its own insurance. To one degree or another, insurance related services such as loss prevention, claims and loss record keeping were supplied by the insurance companies. The pooling program substitutes a collective approach to loss funding and servicing for the previous programs.

YCPARMIA Mission:

"To protect the members' resources from the impact of loss through a program of insurance coverage, prevention, education, training, and service.

Objectives

- *Assess and address the needs of the members;*
- *Provide the most cost effective insurance coverage available*
- *Provide the most relevant training & education;*
- *Maintain the organizational strength of YCPARMIA, and*
- *Provide responsive and comprehensive risk management services."*

JPA Members

The Agency is governed by a six-member Board of Directors; one representative from each member agency. Board members comprised of agency staff members that are appointed by their jurisdiction's governing body. The Board of Directors adopts an annual meeting calendar which generally meets on the fourth Thursdays of most months of the year (eight meetings are scheduled for 2019).

The current voting members (and the year joined) making up the Board of Directors are:

- County of Yolo (1979)
- City of Woodland (1979)
- City of Davis (1979)
- City of Winters (1979)
- Esparto School District (1979)
- City of West Sacramento (1985)

The current associate/non-voting members (and the year joined) are:

- YCPARMIA (1979)
- Yolo-Solano Air Quality Management District (1985)
- Yolo Emergency Communications Agency (1988)

¹ Yolo LAFCo is an associate member of YCPARMIA.

- Capay Fire Protection District (1986)
- Springlake Fire Protection District (1983)
- East Davis County Fire Protection District (1997)
- California Superior Courts, County of Yolo (1999)
- No Man's Land Fire Protection District (2000)
- Yolo County Law Library (2001)
- Yolo County In-Home Supportive Services Public Authority (2002)
- Yolo LAFCo (2003)
- Davis Cemetery District (2003)
- Madison Fire District (2003)
- Yolo Habitat Conservancy JPA (2003)
- Winters Cemetery District (2003)
- Dunnigan Fire Protection District (2004)
- Cottonwood Cemetery District (2005)
- Clarksburg Fire Protection District (2005)
- Sacramento-Yolo Port District (2006)
- Winters Fire Protection District (2006)
- Madison Community Service District (2008)
- Woodland-Davis Clean Water Agency (2009)
- Willow Oak Fire Protection District (2016)
- West Plainfield Fire Protection District (2016)
- Esparto Fire Protection District (2017)
- Valley Clean Energy Alliance JPA (2017)

Member “Premiums”

YCPARMIA's annual revenues come entirely from member premium/cash payments. An annual actuary study is used to determine premiums based largely on member's claim history in liability and workers' compensation. Loss prevention efforts that drive down claim frequency and severity will result in lower premium charges while catastrophic losses will result in increases. When YCPARMIA is able to “beat” the actuary's projections of future losses, surplus funds result. The YCPARMIA Board returns these surplus funds to members in the form of premium rebate credits. YCPARMIA is staffed to provide professional risk management and claim services for members; there are no separate charges for these services. YCPARMIA staff has no authority over the risk management efforts of its members; at best staff serve as an outside consultant, albeit with a vested interest representing agency's risk sharing partners.

The annual "premium" charged each agency is designed to reflect the risk exposure of each participating agency, and modified to reflect the actual losses paid by the pool on behalf of each participating agency. Equity is achieved to the greatest extent possible. The annual premium charged to each participating agency consists of its pro-rata share of: 1) Excess insurance premium, 2) Charge for the pooled risk (or losses), recognizing the deductible selected, 3) Claims adjusting and legal costs, and 4) Administrative and other costs to operate the Authority.

Workers compensation claims administration services are contracted with outside third party administrators for the adjustment of all losses. Loss record keeping services are provided by the third party administrators in the form of computerized loss runs supplied monthly to YCPARMIA. All other types of claims are handled and processed by YCPARMIA staff.

Under the pooling program, losses are funded in the following manner:

- 1) Each participating agency assumes a deductible to a level commensurate with its financial size. However, the minimum deductible is \$1,000.
- 2) A self-insurance fund is created and funded by all participating agencies at the “YCPARMIA Level”.

- 3) Excess insurance is purchased by YCPARMIA for all catastrophic losses under all coverage lines, or obtained through membership in the California Association of Joint Powers Authorities, California Joint Powers Risk Management Authority, and CSAC Excess Insurance Authority. At this level coverage can be provided by pooled funding, reinsurance, or the purchase of excess insurance.

YCPARMIA provides the following risk sharing programs:

- Liability General: Auto, Personal, Employment Liability, and Errors and Omissions
- Workers' Compensation: Including Employers' Liability
- Property/Boiler & Machinery Buildings, Contents, Property in the open, and Vehicle physical damage
- Fidelity: Employee dishonesty

YCPARMIA passes through other liability programs to other insurance providers:

- Aircraft Liability
- Airport Liability
- Cyber Liability
- Drone Liability
- Landfill Liability
- Marine Liability
- Medical Malpractice
- Pollution Liability
- School Bus Liability
- Special Event Liability
- Underground Storage Tank Liability

Typical YCPARMIA claims include:

- Auto Accidents
- Dangerous Conditions/Premises Liability (slip/trip, potholes, falling trees, etc.)
- Employment Practices (discrimination, harassment matters,
- Law Enforcement (excessive force, false arrest)
- Federal claims (civil rights, etc.)

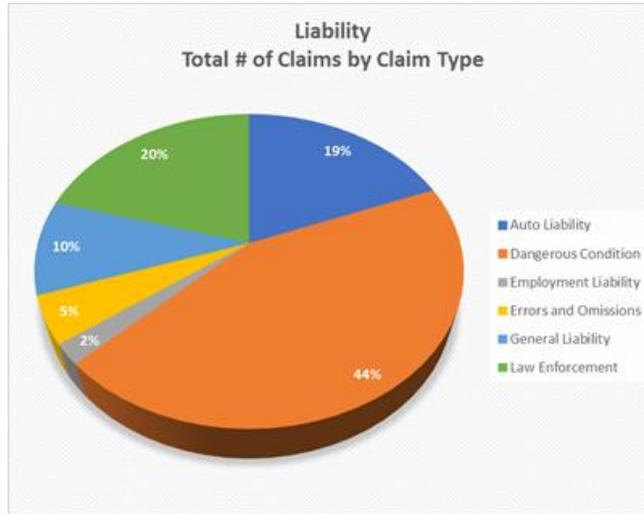
The great majority of YCPARMIA workers' compensation injuries involves workers injuring themselves; to that add the safety adage that "all injuries are preventable." If each worker had their own zero tolerance on safety issues, there would be very few work-place injuries. However, the number of YCPARMIA's injured workers has remained constant for the past decade – about 10% of the total YCPARMIA workforce suffers a work-place injury in any given year.

Agency members have opted to join the JPA and not hire their own risk managers. YCPARMIA provides members with information, but agencies need to prioritize their own training recognizing there is not sufficient staff or funding to do it all. Although member agencies may not do everything they should, lawsuits and claims can change behavior. YCPARMIA can also expel an agency if it has too many claims and it doesn't change its risk profile, but it has never happened to date.

Liability Claim Volume

The following data is for YCPARMIA's Liability Program and the total claim amount incurred for each claim type and by fiscal year:

FY End	Auto Liability	Dangerous Condition	Employment Liability	Errors and Omissions	General Liability	Law Enforcement	Grand Total
2014	\$ 168,593.19	\$ 743,363.28	\$ -	\$ -	\$ -	\$ 516,473.80	\$ 1,428,430.27
2015	\$ 54,589.96	\$ 1,231,266.08	\$ 61,025.78	\$ -	\$ 9,864.35	\$ 442,925.85	\$ 1,799,672.02
2016	\$ 89,300.17	\$ 145,477.86	\$ 340,682.47	\$ 106,961.37	\$ 46,908.74	\$ 129,303.13	\$ 858,633.74
2017	\$ 175,621.93	\$ 229,524.73	\$ -	\$ -	\$ 4,271.80	\$ 209,135.55	\$ 618,554.01
2018	\$ 524,158.42	\$ 68,195.24	\$ 20,000.00	\$ 10,000.00	\$ 17,599.27	\$ 59,165.00	\$ 699,117.93
Grand Total	\$1,012,263.67	\$ 2,417,827.19	\$ 421,708.25	\$ 116,961.37	\$ 78,644.16	\$ 1,357,003.33	\$5,404,407.97



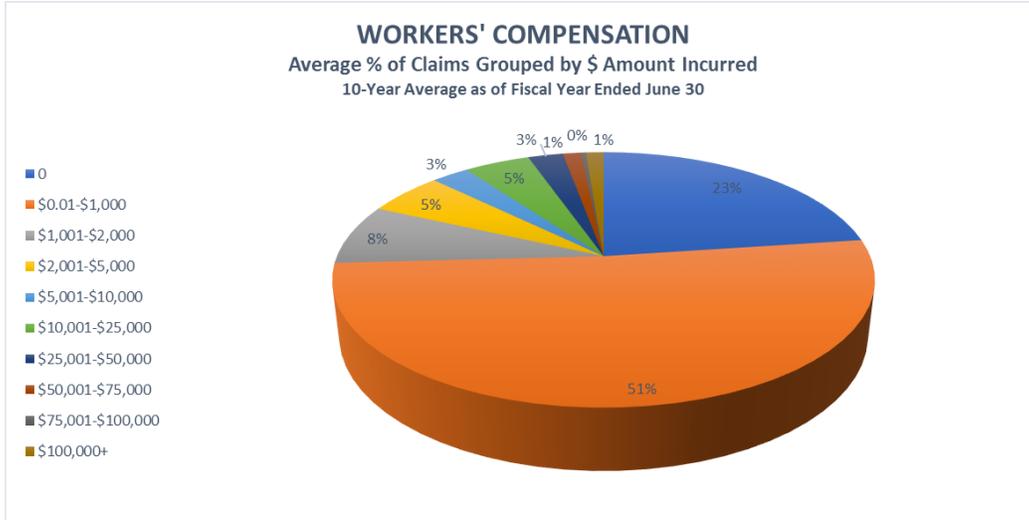
The following table shows the total number of claims filed each fiscal year by claim type:

FY End	Auto Liability	Dangerous Condition	Employment Liability	Errors and Omissions	General Liability	Law Enforcement	Grand Total
2014	19	32	1	8	4	26	90
2015	17	60	3	4	11	32	127
2016	23	51	6	8	7	18	113
2017	26	71	1	3	22	31	154
2018	24	38	1	5	12	11	91
Grand Total	109	252	12	28	56	118	575

Workers Compensation Claim Volume

The table below shows the number of workers' compensation claims for the last 10 fiscal years, categorized by the amount of the claims:

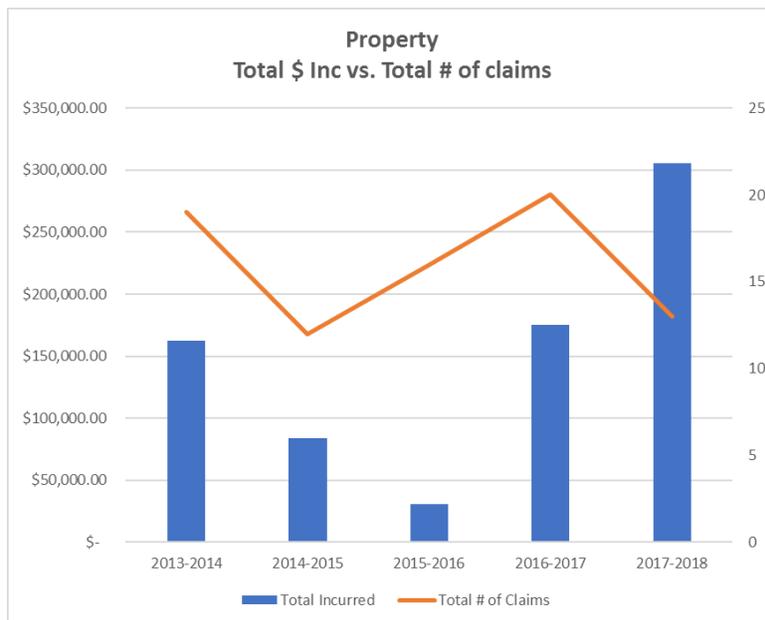
FY	\$0	\$0.01-\$1,000	\$1,001-\$2,000	\$2,001-\$5,000	\$5,001-\$10,000	\$10,001-\$25,000	\$25,001-\$50,000	\$50,001-\$75,000	\$75,001-\$100,000	\$100,000+	Grand Total
2008-2009	97	202	30	31	9	20	10	5	2	9	415
2009-2010	77	251	36	27	9	19	10	4	1	6	440
2010-2011	92	233	31	20	11	15	9	8	2	2	423
2011-2012	95	203	24	26	13	25	15	6	1	6	414
2012-2013	91	191	32	14	10	15	12	5	1	5	376
2013-2014	63	200	29	19	18	21	9	6	1	7	373
2014-2015	79	195	33	12	7	20	13	7	1	1	368
2015-2016	105	205	24	22	4	17	12	5	1	12	407
2016-2017	101	187	43	26	9	20	7	5	3	2	403
2017-2018	107	167	22	19	16	14	2	1	0	0	348
Average # of claims	90.7	203.4	30.4	21.6	10.6	18.6	9.9	5.2	1.3	5	396.7
% average	22.86%	51.27%	7.66%	5.44%	2.67%	4.69%	2.50%	1.31%	0.33%	1.26%	



Property Claim Volume

The tables below indicate the number of property claims paid each fiscal year with the total amount:

Fiscal Year	Total Incurred	Total # of Claims
2013-2014	\$ 162,727.84	19
2014-2015	\$ 84,185.00	12
2015-2016	\$ 30,692.30	16
2016-2017	\$ 175,306.68	20
2017-2018	\$ 305,560.78	13
Grand Total	\$ 758,472.60	80



JPA Staff

As of the fiscal year 2018/19 budget, the JPA has 7 authorized positions as shown below, which are all currently filled.

Authorized Positions	FTE Filled	FTE Authorized
CEO/Risk Manager	1	1
Administrative Assistant	1	1
Loss Prevention Analyst	1	1
Wellness Nurse	1	1
Financial Analyst	1	1
Claims Examiner I	1	1
Staff Investigator	1	1
Total	7	7

Training & Education Services Offered by YCPARMIA

YCPARMIA offers training and education services aimed at reducing agency claims. Topics include: facility inspections; ergonomics; CPR; safety policies; supervisor training; law enforcement training; employment issues; and offers a legal roundtable.

JPA SERVICE REVIEW

POTENTIALLY SIGNIFICANT DETERMINATIONS

The JPA Service Review determinations checked below are potentially significant, as indicated by “yes” or “maybe” answers to the key policy questions in the checklist and corresponding discussion on the following pages. If most or all of the determinations are not significant, as indicated by “no” answers, the Commission may find that a JPA Service Review update is not warranted.

- | | |
|---|--|
| <input type="checkbox"/> Growth and Population | <input type="checkbox"/> Shared Services |
| <input checked="" type="checkbox"/> Capacity, Adequacy & Infrastructure to Provide Services | <input checked="" type="checkbox"/> Accountability |
| <input checked="" type="checkbox"/> Financial Ability | <input type="checkbox"/> Other |

LAFCO JPA SERVICE REVIEW:

- On the basis of this initial evaluation, the required determinations are not significant and staff recommends that a comprehensive JPA Service Review is NOT NECESSARY. The subject agency will be reviewed again in five years per the Commission adopted review schedule.
- The subject agency has potentially significant determinations and staff recommends that a comprehensive JPA Service Review IS NECESSARY and has been conducted via this checklist.

1. GROWTH AND POPULATION	YES	MAYBE	NO
Growth and population projections for the service area.			
a) Is the agency’s territory or surrounding area expected to experience any significant population change or development over the next 5-10 years?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
b) Will development have an impact on the subject agency’s service needs and demands?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
c) Will projected growth require a change in the agency’s service area?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Discussion:

- a) *Is the agency’s territory or surrounding area expected to experience any significant population change or development over the next 5-10 years?*

Maybe. According to the Department of Finance, the estimated total countywide population YCPARMIA serves on January 1, 2019 was 222,581 with a growth rate of 0.6% over last year's estimate². Projected population estimates for the entire County is 243,234 by 2025³ (an increase of 20,656 or 9.28%) and 259,339 by 2030 (an increase of 36,758 or 16.51%). YCPARMIA's claim volume can be correlated to population growth and/or a commensurate increase in agency staff (i.e. more staff, more claims).

b) *Will development have an impact on the subject agency's service needs and demands?*

Maybe. If the volume of member agency claims increases over time, YCPARMIA may need to increase its staff capacity to manage those claims, which would increase member administration and overhead costs. Agency annual "premiums" are designed and adjusted to reflect the risk exposure of each participating agency, and modified to reflect the actual losses paid by the pool on behalf of each participating agency.

c) *Will projected growth require a change in the agency's service area?*

No. YCPARMIA serves public agencies within Yolo County. Projected population growth would occur within member agency boundaries.

Growth and Population Determination

Projected population estimates for the entire County is 243,234 by 2025 (an increase of 20,656 or 9.28%) and 259,339 by 2030 (an increase of 36,758 or 16.51%). YCPARMIA's claim volume can be correlated to population growth and/or a commensurate increase in agency staff (i.e. more staff, more claims). If the volume of member agency claims increases over time, YCPARMIA may need to increase its staff capacity to manage those claims, which would increase member administration and overhead costs. Agency annual "premiums" are designed and adjusted to reflect the risk exposure of each participating agency, and modified to reflect the actual losses paid by the pool on behalf of each participating agency. YCPARMIA serves public agencies within Yolo County and population growth would not affect its service area.

2. CAPACITY AND ADEQUACY OF PUBLIC FACILITIES AND SERVICES

Present and planned capacity of public facilities, adequacy of services, and infrastructure needs or deficiencies.

	YES	MAYBE	NO
a) Are there any deficiencies in agency capacity to meet service needs of existing development within its existing territory (also note number of staff and/or contracts that provide services)?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Are there any issues regarding the agency's capacity to meet the service demand of reasonably foreseeable future growth?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

² CA Department of Finance Report E-1: Population Estimates for Cities, Counties, and the State - January 1, 2018 and 2019

³ CA Department of Finance Report P-1: State Population Projections (2010-2060): Total Population by County

c) Are there any significant infrastructure needs or deficiencies to be addressed for which the agency has not yet appropriately planned (including deficiencies created by new state regulations)?

d) If the agency provides water, wastewater, flood protection, or fire protection services, is the agency not yet considering climate adaptation in its assessment of infrastructure/service needs?

Discussion:

a) *Are there any deficiencies in agency capacity to meet service needs of existing development within its existing territory (also note number of staff and/or contracts that provide services)?*

No. As of the fiscal year 2018/19 budget, the JPA has 7 authorized positions as shown below, which are all currently filled.

Authorized Positions	FTE Filled	FTE Authorized
CEO/Risk Manager	1	1
Administrative Assistant	1	1
Loss Prevention Analyst	1	1
Wellness Nurse	1	1
Financial Analyst	1	1
Claims Examiner I	1	1
Staff Investigator	1	1
Total	7	7

Historically YCPARMIA has been able to immediately respond to member needs and requests, and there are no issues anticipated that would reduce responsiveness going forward. There is a balance between YCPARMIA staffing and member agency staffing; if the JPA Board wanted to take on more duties that are currently handled by member agencies, more staffing would be needed, but it would be targeted to agency requests.

b) *Are there any issues regarding the agency's capacity to meet the service demand of reasonably foreseeable future growth?*

No. YCPARMIA's staff of seven interacts with the approximately 4,000 employees and volunteers of member agencies. Growth of member agency staff or requests for expanded services could require additional YCPARMIA staffing. The most likely area for expanded service would be with the smaller member agencies that do not have risk management experience in house or staff to manage it. YCPARMIA can budget and program to expand its capacity if desired.

c) *Are there any significant infrastructure needs or deficiencies to be addressed for which the agency has not yet appropriately planned (including deficiencies created by new state regulations)?*

Maybe. YCPARMIA owns its facility but the building is in need of some upgrades. YCPARMIA should consider developing a schedule and setting aside funds for regular maintenance.

d) *If the agency provides water, wastewater, flood protection, or fire protection services, is the agency not yet considering climate adaptation in its assessment of infrastructure/service needs?*

No. YCPARMIA is aware and responding to climate adaptation issues by necessity. YCPARMIA's CEO indicated industry property premiums have been going up due to changes in weather patterns by 30-50%. Even if there are no claims for YCPARMIA agencies, there is an indirect impact statewide. Umbrella insurance costs are going up.

Capacity and Adequacy of Public Facilities and Services Determination

There are no deficiencies in YCPARMIA's capacity to meet member service needs and the agency is able to respond to any member needs to increase capacity as determined by its Board. YCPARMIA owns its facility but the building is in need of some upgrades. YCPARMIA should consider developing a schedule and setting aside funds for regular maintenance.

Climate adaptation is an important issue for YCPARMIA and it is aware and responding to climate adaptation issues by necessity. YCPARMIA's CEO indicated industry property premiums have been going up due to changes in weather patterns by 30-50%. Even if there are no claims for YCPARMIA agencies, there is an indirect impact statewide.

Recommendation(s)

- 1) YCPARMIA should consider developing a schedule and setting aside funds for regular building maintenance.

3. FINANCIAL ABILITY

Financial ability of agencies to provide services.

	YES	MAYBE	NO
a) Is the organization in an unstable financial position, i.e. does the 5-year trend analysis indicate any issues?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Does the organization engage in budgeting practices that may indicate poor financial management, such as overspending its revenues, using up its fund balance or reserve over time, or adopting its budget late?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Is there an issue with the organization's revenue sources being reliable? For example, is a large percentage of revenue coming from grants or one-time/short-term sources?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
d) Is the organization's rate/fee schedule insufficient to fund an adequate level of service, and/or is the fee inconsistent with the schedules of similar service organizations?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
e) Is the organization unable to fund necessary infrastructure maintenance, replacement and/or any needed expansion?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
f) Is the organization needing additional reserve to protect against unexpected events or upcoming significant costs?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

g) Does the agency have any debt, and if so, is the organization's debt at an unmanageable level?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
h) If the agency has pension and/or other post-employment benefit (OPEB) liability, what is it the liability and are there any concerns that it is unmanageable?	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
i) Is the organization in need of written financial policies that ensure its continued financial accountability and stability?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Discussion:

a) *Is the organization in an unstable financial position, i.e. does the 5-year trend analysis indicate any issues?*

No. The financial data presented below shows that over the 5-year period total revenue has exceeded expenditures by \$1.4M. One of the primary goals of the agency is to control expenditures where possible. To this end YCPARMIA has maintained general administration expenses at the same level over the past 5 years. However, program expenditures (claims payments, excess insurance premiums, etc.), which are harder to control, were 16% higher in 2018 than in 2014 due to an unusual increase in claim payments. Overall, from 2014 to 2018 net position increased by \$493K, taking into account reductions due to the implementation of two new Government Accounting Standards Board Statements for changes in financial reporting of pension and other postemployment benefits (OPEB) liabilities.

**YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT INSURANCE AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION**

	2014	2015	2016	2017	2018
Revenue					
Member contributions	\$ 7,512,769	\$ 8,278,813	\$ 8,620,049	\$ 9,695,621	\$ 9,969,437
Rebate credits	-	(23,000)	(335,000)	(672,200)	(657,000)
Premium rebate and other	325,557	138,821	196,382	182,683	8,954
Investment earnings	176,235	143,728	303,648	(26,758)	30,180
Total revenue	8,014,561	8,538,362	8,785,079	9,179,346	9,351,571
Expenses					
General administration	1,046,073	1,115,909	1,183,626	1,061,260	1,038,197
Programs:					
Liability program					
Claims administration	1,242	30	1,192	73,424	102,505
Claims paid	1,992,335	1,799,248	1,268,871	852,997	2,374,827
Excess coverage	1,111,821	1,118,678	1,209,678	1,444,881	1,662,543
Total liability	3,105,398	2,917,956	2,479,741	2,371,302	4,139,875
Workers' compensation program					
Claims administration	291,149	293,803	299,846	301,505	307,079
Claims paid	2,809,874	1,117,823	1,904,065	2,744,760	2,673,821
Excess coverage	715,074	866,862	954,814	1,172,652	1,117,249
Other	299,160	258,777	250,428	256,472	405,288
Total workers' compensation	4,115,257	2,537,265	3,409,153	4,475,389	4,503,437
Property program					
Claims paid	51,497	181,000	45,785	71,425	72,848
Excess coverage	314,841	419,988	417,719	470,000	718,127
Total property	366,338	600,988	463,504	541,425	790,975
Other					
Excess coverage	1,612	12,650	12,955	12,235	12,912
Pass thru coverage	75,300	16,448	31,053	84,557	(66,774)
Total other coverage	76,912	29,098	44,008	96,792	(53,862)
Total expenses	8,709,978	7,201,216	7,580,032	8,546,168	10,418,622
Change in net position	(695,417)	1,337,146	1,205,047	633,178	(1,067,051)
Net position, July 1	2,073,101	1,377,684	1,964,946	3,169,993	3,803,171
New GASB's restatements	-	(749,884)	-	-	(169,963)
Net position, July 1 restated	2,073,101	627,800	1,964,946	3,169,993	3,633,208
Net position, June 30	\$ 1,377,684	\$ 1,964,946	\$ 3,169,993	\$ 3,803,171	\$ 2,566,157

- b) *Does the organization engage in budgeting practices that may indicate poor financial management, such as overspending its revenues, using up its fund balance or reserve over time, or adopting its budget late?*

No. YCPARMIA operates on a fiscal year basis, July 1 to June 30. The bylaws require an annual budget adopted by July 1 each year. Staff practice has been to present the Board a preliminary budget in March for the following fiscal year. The Board has adopted the budgets at the same meeting.

The YCPARMIA budget consists of four basic parts:

- 1) Revenue – Consists of member payments (96.7%), investment earnings (1.4%) and rebates (1.9%),
- 2) Administrative and services expenses – This category includes general operating expenses, staff development and loss prevention services.
- 3) Claims expenses – This includes actual estimated claims payments, claims administration contracted services and actuarial determined loss reserve adjustments.
- 4) Excess premiums – Premiums paid to other governmental insurance pools and commercial insurance carriers for coverage above YCPARMIA’s self-insured retention levels.

Based on the agency’s unaudited budget to actual data the total adopted appropriations were exceeded in fiscal year 2013-14 by over \$920K, by \$703K in fiscal year 2016-17 and by \$2.53M in fiscal year 2017-18. Most of the budget overages were due to “unbudgeted” expenses such as, loss reserve adjustments, expenses that are passed through to member agencies, dividends paid to members, depreciation, and changes to retiree health insurance (OPEB), pension and accrued compensation liabilities. However, beginning in fiscal year 2015-16 the agency has exceeded the budget for excess premiums each year.

- c) *Is there an issue with the organization’s revenue sources being reliable? For example, is a large percentage of revenue coming from grants or one-time/short-term sources?*

No. 97% of revenue is from member agencies. 92% of member agency contributions is from four agencies; Yolo County, City of West Sacramento, City of Davis and City of Woodland. New participating agencies, per the JPA agreement, are obligated to an initial 3-year period. Thereafter any participating agency may withdraw only at the end of a fiscal year, provided it has given YCPARMIA a six-month written notice of its intent to withdraw. According to YCPARMIA staff if a large member agency were to withdraw the impacts would be minimal, the loss of revenue would equal the reduction in expenditures

- d) *Is the organization’s rate/fee schedule insufficient to fund an adequate level of service, and/or is the fee inconsistent with the schedules of similar service organizations?*

No. Each year YCPARMIA calculates the cash contribution required by the participating agencies to cover outstanding liabilities, actuarially predicted losses, loss adjustment expenses, defense costs, excess insurance premiums, and administrative expenses. Also, if it is determined that the initial cash contributions are not sufficient to meet the obligations of a program year, the board by 2/3 (two-thirds) vote of the entire board, can levy a surcharge cash payment.

- e) *Is the organization unable to fund necessary infrastructure maintenance, replacement and/or any needed expansion?*

No. YCPARMIA does not have nor requires significant capital assets to serve its members. It only owns a small office building that has sufficient room for existing staff. The building is in need of some maintenance that can be funded within the normal budget process.

- f) *Is the organization needing additional reserve to protect against unexpected events or upcoming significant costs?*

No. An annual actuary study is prepared for the liability and workers compensation program to determine the funds needed for existing and unreported claims at various confidence levels. The Authority records an expense and liability, in accordance to generally accepted accounting principles (GAAP), which amounts to a 50% confidence level. By Board policy YCPARMIA has also established restricted funds, within net position, to an 80% confidence level for the liability and workers

compensation programs and up to other mounts, based on board policy, for the property and fidelity programs. On top of that YCPARMIA retains additional funds for a Catastrophic Fund up to amounts adopted by the board. Reserve targets and funded amounts reported to the board as of June 30,2018 is as follows:

	Reserves Recorded in Net Position							Total Funded Per Agency
	80% Confidence Level Reserve			Catastrophic Reserve				
	Target	% Funded	Funded Amount	Target	% Funded	Funded Amount		
Liability	536,754	a 100.00%	\$536,754	\$1,350,000	b 43.68%	\$589,660	\$1,126,414	
Workers Comp	911,219	a 100.00%	911,219	1,500,000	b 100.00%	1,500,000	2,411,219	
Fidelity	25,000	b 100.00%	25,000	25,000	b 100.00%	25,000	50,000	
Property	95,000	b 0.37%	350	65,000	b 0.00%	-	350	
Total reserved by agency staff							3,587,983	
Audited net position balance, 6/30/18							2,566,157	
Shortage							(1,021,826)	
a) Per actuary								
b) Board policy								

The reserve amounts reported to the board of \$3.6M is more than \$1M than actual net position.

f) *Does the agency have any debt, and if so, is the organization’s debt at an unmanageable level?*

No. YCPARMIA does not have any debt.

g) *If the agency has pension and/or other post-employment benefit (OPEB) liability, what is it the liability and are there any concerns that it is unmanageable?*

Maybe. OPEB – YCPARMIA provides a lifetime defined benefit for eligible retirees and spouses through the CalPERS membership plan, which covers both active and qualified retired members, along with a dental plan. As of June 30, 2018 the agency has not yet established an irrevocable trust fund to accumulate assets and pay benefits. The liability as of June 30, 2018 is \$844,036.

Pension - Beginning in fiscal year 2015 YCPARMIA was required to implement Government Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions. This statement requires agencies to report the amount of pension liability on the face of the financial statements. The pension liability as of June 30, 2018 is \$1.1M and has almost doubled since 2015.

j) *Is the organization in need of written financial policies that ensure its continued financial accountability and stability?*

No. YCPARMIA’s has sufficient financial policies. Their investment policy has been awarded a Certification of Excellence by the Association of Public Treasurers of the US and Canada (APT US & Canada).

Financial Ability MSR Determination

YCPARMIA is a financially well-run organization. Adopted budgets with revenue exceeding expenditures are routinely adopted. In addition to the annual financial audit the agency is subjected to 4 other audits and an annual actuary study. The agency has been accredited with excellence by two of the auditing organizations. In addition, YCPARMIA has received the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting for each year covered by this MSR.

YCPARMIA also has good financial polices including funding reserves. As of June 30, 2018 net position was \$2.6M, which is approximately 23% of total expenses. The agency has also served its members well by maintaining a relatively flat level of general administrative expenses over the past 5 years.

Recommendation(s)

- 1) YCPARMIA should consider modifying their budgeting practice to include budgeting for loss reserve adjustments, expenses that are passed through to member agencies, dividends paid to members, depreciation, and changes to retiree health insurance (OPEB), pension and accrued compensation liabilities. Budget modifications can be made during the year as amounts are known. Some of these amounts are known after the completion of audits and actuarial studies.
- 2) YCPARMIA should consider reviewing the reserve calculation process to ensure funded reserves balances provided to the board reconciles to the actual ending net position balance. Also YCPARMIA should consider creating separate general ledger accounts for each reserve and maintain the balances to agree to the amounts calculated and reported to the board.
- 3) YCPARMIA should consider establishing an irrevocable trust to accumulate assets to fund the OPEB liability.
- 4) YCPARMIA should consider making voluntary lump sum payments to CalPERS, as funding permits, to reduce the pension liability.

4. SHARED SERVICES AND FACILITIES

Status of, and opportunities for, shared services and facilities.

	YES	MAYBE	NO
a) Are there any opportunities for the organization to share services or facilities with other organizations that are not currently being utilized?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Are there any recommendations to improve staffing efficiencies or other operational efficiencies to reduce costs?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Discussion:

a) *Are there any opportunities for the organization to share services or facilities with other organizations that are not currently being utilized?*

No. The JPA in itself is a risk sharing pool to reduce agency costs.

b) *Are there any recommendations to improve staffing efficiencies or other operational efficiencies to reduce costs?*

No.

Shared Services Determination

The JPA in itself is a risk sharing pool to reduce agency costs.

5. ACCOUNTABILITY, STRUCTURE AND EFFICIENCIES

Accountability for community service needs, including governmental structure and operational efficiencies.

	YES	MAYBE	NO
a) Are there any issues with meetings being accessible and well publicized? Any failures to comply with disclosure laws and the Brown Act?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) Are there any issues with filling Board vacancies and maintaining Board members? Is there a lack of Board member training regarding the organization's program requirements and financial management?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) Are there any issues with staff turnover or operational efficiencies? Is there a lack of staff member training regarding the organization's program requirements and financial management?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
d) Are there any issues with independent audits being performed on a regular schedule? Are completed audits being provided to the State Controller's Office within 12 months of the end of the fiscal year(s) under examination? Are there any corrective action plans to follow up on?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
e) Does the organization need to improve its public transparency via a website? [A website should contain at a minimum the following information: organization mission/description/boundary, Board members, staff, meeting schedule/agendas/minutes, budget, revenue sources including fees for services (if applicable), and audit reports]?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f) Are there any recommended changes to the organization's governance structure that will increase accountability and efficiency?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Discussion:

- a) *Are there any issues with meetings being accessible and well publicized? Any failures to comply with disclosure laws and the Brown Act?*

No. There are typically eight (8) scheduled Board meetings every year held on the fourth Thursday of the scheduled months at the YCPARMIA office. No meetings are scheduled in February or September as the Board is invited to attend conferences for Board member development instead. There is one meeting in mid-December in-lieu of separate meetings in both November and December. YCPARMIA Board meetings are publicly accessible and held in compliance with the Brown Act, held at its offices

located at 77 West Lincoln Avenue in Woodland. Meeting agendas are posted on its website and emailed to all members.

- b) *Are there any issues with filling Board vacancies and maintaining Board members? Is there a lack of Board member training regarding the organization's program requirements and financial management?*

No. The five (5) founding members along with the City of West Sacramento (joining in 1985) make up the voting members of the YCPARMIA Board. Each Member agency's policy making body shall appoint either its Chief Administrative Officer, or department head or staff person responsible for its risk management functions. One alternate is also appointed by the member agency. Board elects a President and Vice President annually. Traditionally, they serve two (2) consecutive one-year terms. The Treasurer is appointed by the Board and need not be a Board member. Currently, this role is held by the Yolo County Chief Financial Officer.

Board members are not risk management experts, because member agencies rely on YCPARMIA instead of hiring such expertise. Therefore, Board members tend to focus on procedural issues. They are predominately human resources staff professions, so the focus is on these types of issues and potentially not the organization as a whole. Board Members, Alternates, and YCPARMIA staff attend PARMA and CAJPA Conferences each year.

- c) *Are there any issues with staff turnover or operational efficiencies? Is there a lack of staff member training regarding the organization's program requirements and financial management?*

No. YCPARMIA has experienced typical staff turnover. The longtime CEO retired in 2018 and the next CEO did not stay in the position long. However, the retired CEO returned in an interim capacity until a recruitment process could be completed. The new CEO started in April 2019. YCPARMIA recently hired a new Administrative Assistant in anticipation of a long tenured employee's retirement in June 2019. LAFCo is not aware of any staff turnover or operational efficiency issues. Board Members, Alternates, and YCPARMIA staff attend PARMA and CAJPA Conferences each year.

- d) *Are there any issues with independent audits being performed on a regular schedule? Are completed audits being provided to the State Controller's Office within 12 months of the end of the fiscal year(s) under examination? Are there any corrective action plans to follow up on?*

No. YCPARMIA produces an annual Comprehensive Annual Financial Report - awarded certificate of excellence by Government Finance Officers Association. During the past 5 years all the annual financial audits have been completed prior to the Government Finance Officers Association recommended best practice deadline of December 31. Previous audits have not resulted in any reservations or concerns. The Yolo County Chief Financial Officer serves as the YCPARMIA Board Treasurer.

- e) *Does the organization need to improve its public transparency via a website? [A website should contain at a minimum the following information: organization mission/description/boundary, Board members, staff, meeting schedule/agendas/minutes, budget, revenue sources including fees for services (if applicable), and audit reports]?*

Yes. YCPARMIA received a 26% transparency score in the Yolo Local Government 2018 Website Transparency Scorecard report. The JPA's information deficiencies can be viewed here: <https://www.yololafco.org/yolo-local-government-website-transparency-scorecards> .

- f) *Are there any recommended changes to the organization's governance structure that will increase accountability and efficiency?*

No. There are no recommended changes to YCPARMIA's structure.

Accountability, Structure and Efficiencies Determination

There are no issues with YCPARMIA meetings being accessible and well publicized. JPA members keep the Board member seats filled with staff, which tend to be human resource professionals. There is a lack of risk management expertise on the Board, however, agencies rely on YCPARMIA to provide this as a

shared service. The JPA's staff has remained relatively stable. Audits are performed on a regular schedule, on time and without issues or findings. YCPARMIA does need to improve its website and the content provided, per the 2018 website transparency scorecard.

Recommendation(s)

- 1) YCPARMIA should improve its website and content. The agency received a 26% transparency score in the Yolo Local Government 2018 Website Transparency Scorecard report. The JPA's information deficiencies can be viewed here: <https://www.yololafco.org/yolo-local-government-website-transparency-scorecards> .

6. OTHER ISSUES

Any other matter related to effective or efficient service delivery, or as required by commission policy.

	YES	MAYBE	NO
a) Are there any other service delivery issues that can be resolved by the JPA Service Review process?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Discussion:

- a) *Are there any other service delivery issues that can be resolved by the JPA Service Review process?*

No. There are no other matters related to effective or efficient service delivery not already discussed in this report.

Other Issues Determination

There are no other matters related to effective or efficient service delivery not already discussed in this report.

ATTACHMENTS

None.