



# Yolo County Public Agency Risk Management Insurance Authority



Popular Annual Financial Report  
Fiscal Year Ended June 30, 2019 and 2018

Yolo County, California



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# Welcome Message

Holly Lyon, Financial Analyst



To our Board of Directors, Associate Members, and General Public:

Yolo County Public Agency Risk Management Insurance Authority (YCPARMIA or the Authority) is pleased to present our third Popular Annual Financial Report (PAFR) for fiscal year ended June 30, 2019 and 2018. This report is intended to provide a broad overview of YCPARMIA's financial well-being, self-insurance coverage programs, and statistical data in an easy-to-read unaudited format.

The financial material presented in this report is primarily derived from YCPARMIA's Comprehensive Annual Financial Report (CAFR) which details our organization's financial operations in conformity with Generally Accepted Accounting Principles (GAAP). While the PAFR is also in conformity with GAAP, it's not intended to act as a substitute to the CAFR which includes management's discussion and analysis, audited financial statements, notes to the financial statements, and other required supplemental information. For those seeking more detailed financial information, a copy of the CAFR may be obtained on our website at [www.ycparmia.org](http://www.ycparmia.org) under Member Manual/Blue Binder, Section L.

We hope you find the information on the following pages useful in gaining further knowledge about YCPARMIA and its activities. We welcome any comments and suggestions to continually improve our report in the future.

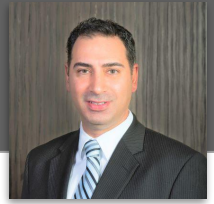
Respectfully Submitted,

*Holly Lyon*

Financial Analyst

# Message from the CEO

Armond Sarkis, CEO/Risk Manager



Formed in 1979 as local government's response to a reoccurring insurance crisis, the Yolo County Public Agency Risk Management Insurance Authority (YCPARMIA) is a joint power risk sharing pool of thirty-two public entities in Yolo County, California. Its stated purpose is "to protect the member's resources from the impact of loss through a program of insurance coverage, prevention, education, training, and services. Now almost forty years later, the Authority has evolved its practices, policies, and self-insurance programs into what can be best described as a "mature primary pool." Pooled limits are provided by YCPARMIA with excess coverage obtained through membership in California excess pools.

Unlike most public entities, YCPARMIA has limited revenue sources – member cash payment/premiums, and returns on investments of program claim reserves. Administrative services make up only 13% of our budget, and an additional 34% is tied to excess coverage costs. This means almost half of the Authority's annual budget is tied directly to claim costs within our primary layers. These are highly volatile and unpredictable expenses.

Having recently completed its independent annual financial audit, as required by the YCPARMIA Bylaws, the Authority ended the fiscal year with all but the Workers' Compensation program fully funded. Property, Liability, and Fidelity programs are financially healthy and fully funded to Board approved and industry best practices levels. The history of workers' compensation member cost per \$100 of payroll (after rebates) has been flat since 2014 while for the liability program, a 32% increase in excess liability premiums translated into a 17% rate increase to our members. YCPARMIA finished the year over budget for both revenues (105.41%) and expenses (107.19%), but it managed to increase net position by \$1,799,615 nonetheless.

Looking forward, we feel that the Authority continues to be well positioned to partner with our members, individually and collectively, in addressing their risk exposures.



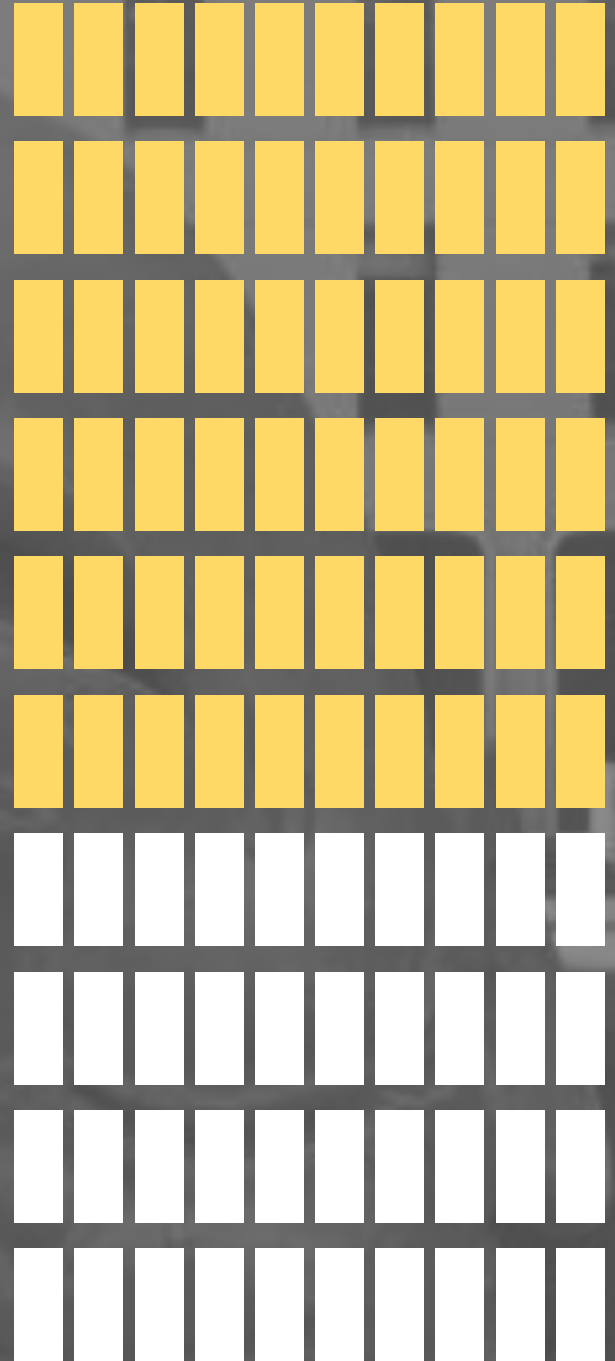


# Mission statement:

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

# Objectives:

- Assess & 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
- Provide responsive & comprehensive risk management services





Sheila McShane, President  
City of Woodland



Janet Emmett, Vice President  
City of Davis



Crystal Zaragoza, Director  
City of Winters



Kryss Rankin, Director  
City of West Sacramento



Jill Cook, Director  
County of Yolo



Rebecca Spiva, Director  
Esparto Unified School  
District

# Board of Directors

## Voting Members

Kimberly McKinney, City of Woodland  
Christopher Bensch, City of Davis  
John Donlevy, City of Winters  
Liane Lee, City of West Sacramento  
Gary Engel, County of Yolo  
Leah Smith, Esparto Unified School District

## Board Alternates





# Associate Members

Non-Voting

## Cemetery Districts

- ★ Cottonwood Cemetery District
- ★ Davis Cemetery District
- ★ Winters Cemetery District

## Fire Districts

- ★ Capay Fire Protection District
- ★ Clarksburg Fire Protection District
- ★ Dunnigan Fire Protection District
- ★ East Davis County Fire Protection District
- ★ Esparto Fire Protection District
- ★ Madison Fire District
- ★ No Man's Land Fire Protection District
- ★ Springlake Fire Protection District
- ★ West Plainfield Fire Protection District
- ★ Willow Oak Fire Protection District
- ★ Winters Fire Protection District

## Other

- ★ California Superior Courts, Yolo County
- ★ Madison Community Service District
- ★ Sacramento-Yolo Port District
- ★ Valley Clean Energy Alliance, JPA
- ★ Woodland-Davis Clean Water Agency, JPA
- ★ Yolo Emergency Communications Agency, JPA
- ★ Yolo County In-Home Supportive Services Public Authority
- ★ Yolo County Law Library
- ★ Yolo County Local Agency Formation Commission
- ★ Yolo County Public Agency Risk Management Insurance Authority, JPA
- ★ Yolo Habitat Conservancy, JPA
- ★ Yolo-Solano Air Quality Management District



# Coverage Programs: Liability

## By the NUMBERS

For Fiscal Year  
2018-2019

# of new claims  
reported

177

Total cost of  
*incurred* claims  
\$1,285,173

# of  
participating  
entities

31

YCPARMIA offers several different types of liability coverage to our members. The pooled liability coverage offered is as follows:

- Automobile Liability
- Cyber Liability
- Employment Malpractice
- Errors and Omissions
- General Liability
- Personal Injury

In areas where pooling is not cost-effective, YCPARMIA purchases additional coverages that are more specific to member's needs on a pass-through basis. This means YCPARMIA uses its broker relations to obtain affordable coverage for our members in the commercial market, and then invoice our members for the cost of that individual coverage. These liability coverages include (but are not limited to):

- Aviation Liability
- Drone Liability
- Friends of the Library Liability
- Landfill Pollution Liability
- Marine Hull & Machinery Liability
- Medical Malpractice
- Pollution Legal Liability
- School Bus Liability
- Special Event Insurance Liability
- Underground Storage Tank Liability

Each member has the option to choose their own per occurrence deductible which can range anywhere from \$1,000 to \$5,000. Anything over the deductible is covered up to \$500,000 within the Authority's self-insured retention (SIR) limit. Any amounts above the SIR limit is covered under excess insurance, which is purchased separately by the Authority on behalf of our members. Currently, excess coverage is obtained through membership in California Joint Powers Risk Management Authority (CJPRMA) who provide pooled excess coverage up to \$40 million per occurrence.



# Coverage Programs: Workers' Compensation

## By the NUMBERS

For Fiscal Year  
2018-2019

# of new claims  
reported:

3,959

Total cost of  
paid claims:  
\$3,287,283

# of  
participating  
entities:

25

YCPARMIA offers workers' compensation coverage to our members that is administered by LWP Claims Solutions. LWP is responsible for timely claims payments, claims management, and claims reporting on behalf of the Authority. The Authority maintains a constant relationship with LWP to ensure accuracy and efficiency.

For this coverage, all participating members have a \$1,000 per occurrence deductible. YCPARMIA also has a \$500,000 self-insured retention (SIR) limit for the workers' compensation program and purchases excess coverage through membership with CSAC-EIA.

This program tends to be one of the most costly for YCPARMIA primarily due to claims payments and claims administration fees. Since all of YCPARMIA's members are public entities, many of the employees have high exposure risks such as police, fire, and public works. The Authority employs an on-staff wellness nurse and loss prevention analyst who work closely with the members and their employees in order to mitigate this risk as much as possible. This is managed through a variety of trainings, inspections, and evaluations. Some of which are:

- Backhoe & Aerial Lift Safety
- Contract Risk Transfer
- CPR/First Aid Training
- Defensive Driving
- Ergonomic Evaluations
- Forklift Certification
- Respirator Fit Testing
- Work Zone Safety
- And many more...



# Coverage Programs: Property, Boiler & Machinery

## By the NUMBERS

For Fiscal Year  
2018-2019

# of new claims  
reported:

29

Total cost of  
paid claims:

\$65,466

Total property  
values:

\$1.3B+

YCPARMIA offers coverage for property, boiler and machinery. Property, boiler and machinery covers the real property, contents and vehicles of our participating members. Originally, these programs were offered separately, but in fiscal year 2013-2014 the two were combined to create a single program. 26 out of our 32 members opt-in to this coverage.

All participating members have a:

- \$1,000 deductible for general property
- \$10,000 deductible for boiler and machinery
- \$10,000 deductible for vehicles valued under \$250k
- \$100,000 deductible for vehicles valued over \$250k

YCPARMIA offers a pooled self-insured retention (SIR) limit up to \$25,000 with excess insurance purchased through membership with CSAC-EIA. Excess insurance offers shared limits coverage up to \$600 million.

The property program tends to experience more unpredictable variances in claims losses from year-to-year than the other three programs. Recently, current trends have seen an increase in claim activity. The number of new claims reported increased to 29 from 19 claims in FY1718. However, actual paid losses decreased from \$72,805 in FY1718 to \$65,466 for FY1819. Despite the swings in losses and claims activity, the property program is still one of our least expensive with it only accounting for about 75% of budgeted coverage expenses during fiscal year 2018-2019. In addition, due to the smaller amounts of claims activity, we are able to manage this program in-house which reduces the cost for claims management and claims administration.



# Coverage Programs: Fidelity

## By the NUMBERS

For Fiscal Year  
2018-2019

# of new claims  
reported:

0

Total average #  
of EEs:

3,552

Total covered  
payroll:

\$227M+

YCPARMIA provides our members the option of participating in the fidelity coverage program. Fidelity coverage protects member entities from dishonest or fraudulent acts made by employees and elected officials. Fraudulent acts include crime, forgery, and embezzlement, to name a few. Approximately half of our members have opted in to this coverage.

All participating members have a \$1,000 deductible and a pooled self-insured retention (SIR) limit of \$25,000. YCPARMIA also purchases excess insurance coverage through the commercial market which covers losses up to \$2 million per occurrence.

This program is usually the least costly to the Authority. This is due to the fact that YCPARMIA has had only three fidelity claims since program inception with no claims in the past 15 years (since 2004). Despite adding an existing JPA member, Yolo Habitat Conservancy, into this program for fiscal year 2018-2019, there is still very little activity. Therefore, the need for claims administration and claims payments is greatly reduced.

In addition, YCPARMIA has been able to negotiate a revolving three-year contract that has stabilized excess insurance premium costs. As a result, member premiums/cash payments have stayed relatively low and invariable.



# Financial Highlights

## Condensed Statement of Net Position

Shown to the right is YCPARMIA's condensed statement of net position for the past three fiscal years. The statement of net position provides a helpful summary of an organization's overall financial well-being. Increases and decreases in net position can indicate whether the organization's health is either progressing or regressing over time. The full statement of net position can be found in the Authority's CAFR report.

### Significant highlights for Fiscal Year 2018-2019:

- Total assets increased by 14% due to increased rate of returns for both long and short-term investments. A decrease in claims costs in the Liability program during FY1819 also increased cash on hand.
- Non-current liabilities increased by approximately 10% or \$1M due to increases in the OPEB liability, and the unpaid claims and claims adjustment expense.
- Total net position increased by nearly \$1.8M due to a "good" claims year in the Liability program which reduced overall costs; and a substantial recovery of return on investments.

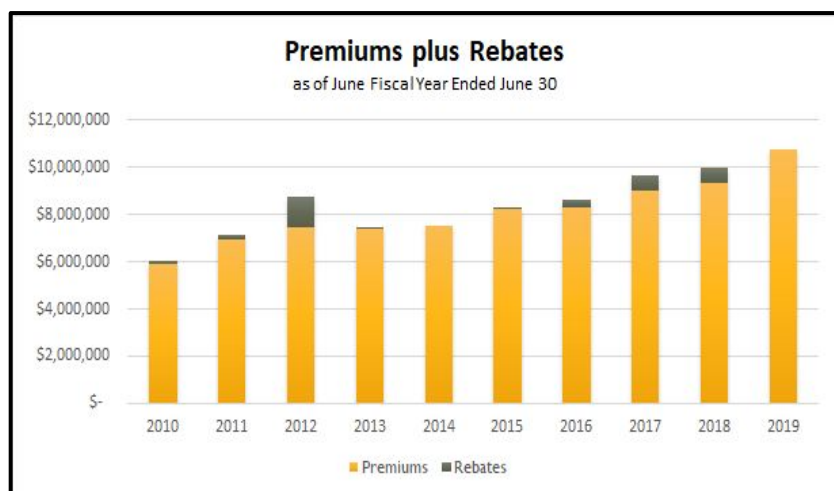
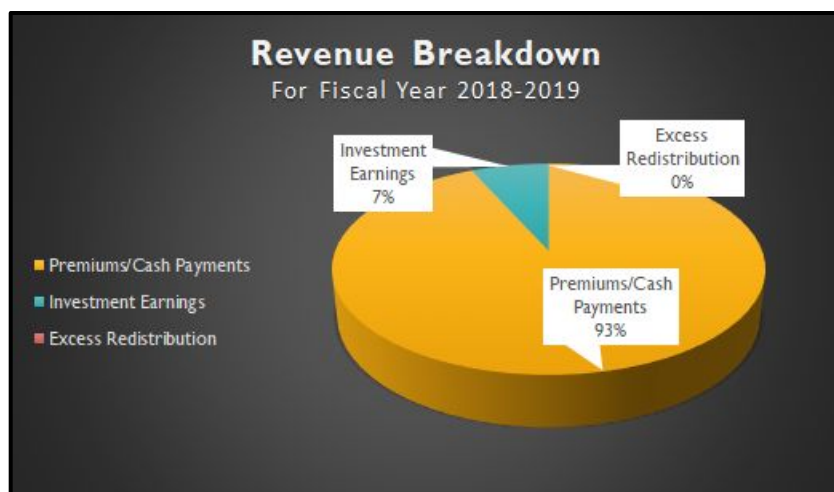
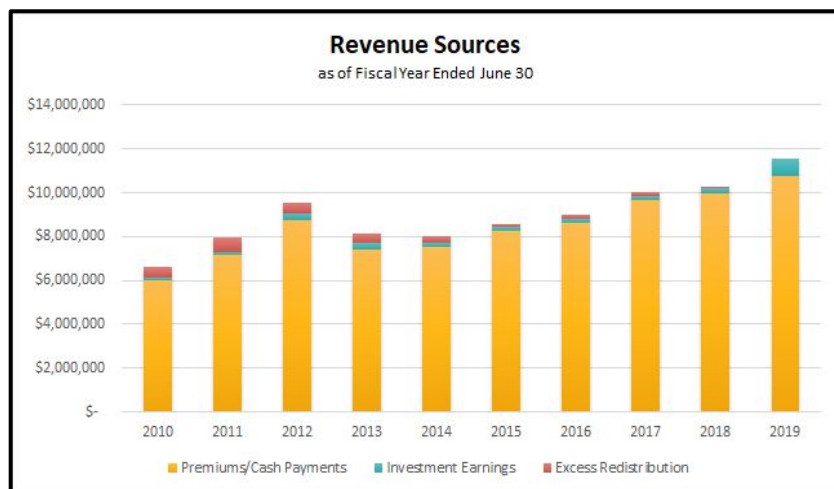
|                                | As of Fiscal Year Ended |               |               |
|--------------------------------|-------------------------|---------------|---------------|
|                                | June 30, 2019           | June 30, 2018 | June 30, 2017 |
| Current Assets                 | \$ 7,137,161            | \$ 5,214,254  | \$ 6,630,962  |
| Non-current Assets             |                         |               |               |
| Deposits                       | 305,000                 | 305,000       | 305,000       |
| Investments                    | 12,940,465              | 12,360,274    | 11,962,707    |
| Capital Assets                 | 106,925                 | 103,118       | 112,752       |
| Total Non-Current Assets       | 13,352,390              | 12,768,392    | 12,380,459    |
| Total Assets                   | 20,489,551              | 17,982,646    | 19,011,421    |
| Deferred Outflows of Resources | 278,110                 | 523,578       | 282,047       |
| Current Liabilities            | 4,353,917               | 5,038,780     | 4,747,938     |
| Non-current Liabilities        | 11,004,522              | 9,970,112     | 10,019,057    |
| Other Post-Employment Benefits | 893,130                 | 844,036       | 658,977       |
| Total Liabilities              | 16,251,569              | 15,852,928    | 15,425,972    |
| Deferred Inflows of Resources  | 150,320                 | 87,139        | 64,325        |
| Net Position                   |                         |               |               |
| Investment in Capital Assets   | 106,925                 | 103,118       | 112,752       |
| Unrestricted                   | 4,258,847               | 2,463,039     | 3,690,419     |
| Total Net Position             | \$ 4,365,772            | \$ 2,566,157  | \$ 3,803,171  |

### DEFINITION OF TERMS

- **Current/Non-current Assets:** Assets that are owned or due to the Authority. This includes cash, accounts receivable, prepaid insurance, deposits, capital assets, and short-and long-term investments.
- **Deferred Outflows of Resources:** Use of resources that applies to future periods.
- **Current/Non-current Liabilities:** Debt obligations owed by the Authority. This includes accounts payable, member rebates/credits, payroll, unpaid claims and claims adjustment expenses, OPEB and net pension liability related to CalPERS.
- **Other Post-Employment Benefits:** Benefits employee will receive at the start of retirement. This does not include pensions paid to the employee.
- **Deferred Inflows of Resources:** Procurement of resources that applies to future periods.
- **Net Position:** The remaining value after deduction of total expenses from total assets.
- **Investment in Capital Assets:** Building and improvements, land, furniture, and machinery and equipment valued over \$1,000 with a useful life of 3+ years. This is presented net of accumulated depreciation.
- **Unrestricted:** Surplus funds available for use by Authority after consideration of all other components.

# Financial Highlights

Revenues: Where the money comes from



YCPARMIA's three sources of revenue are derived from member premiums/cash payments, excess redistribution from our excess insurance carrier, and investment earnings. Member premiums are based on calculations stated in our Bylaws that include various factors such as member payroll, claim loss history, and actuarial determined claims costs. Excess redistribution comes from our excess carrier, CJPRMA, and varies each year. Investment earnings are limited to our investment policy rules which provide conservative portfolio returns at less than 5% for FY1819.

The three graphs depicted to the left reflect the breakdown of the revenue sources for the past ten fiscal years. For FY1819, our primary source of revenue at approximately 93%, came directly from our members for their premium cash payments. While this appears to be a reduction when compared to FY1718 at 97%, actual revenue has increased overall. Investment income increased drastically this year by about \$521,883, which caused the shift in its proportionate share of revenues from 3% to 7%. There was no excess redistribution for FY1819. However, total revenues increased by approximately \$1.3M or 11.5%.

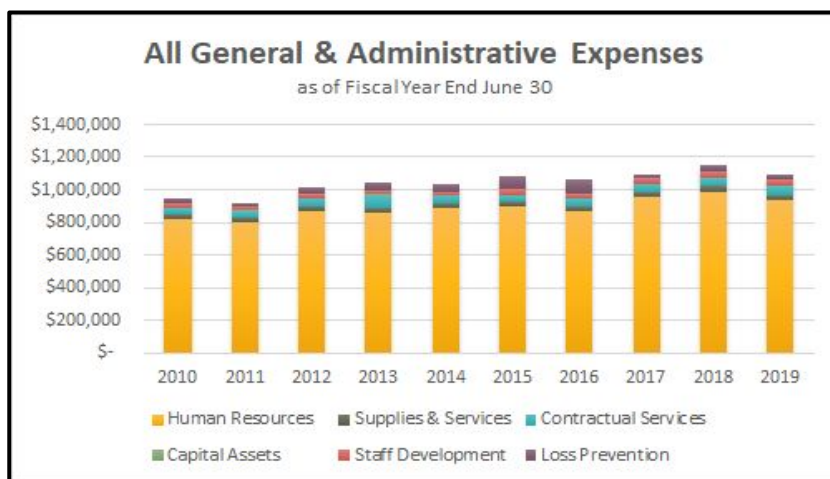
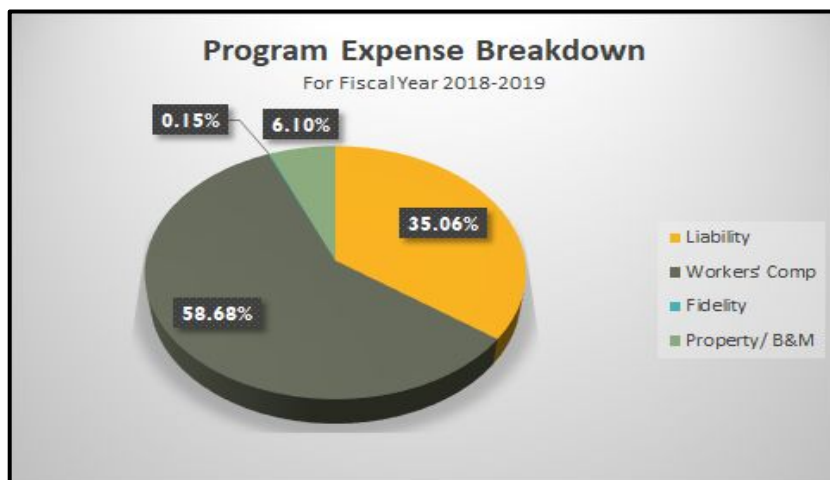
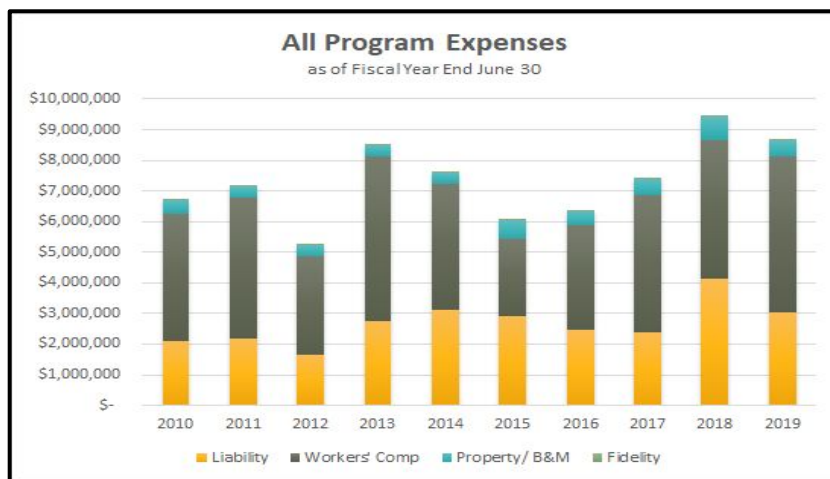
# Financial Highlights

## Expenses: Where the money goes

Approximately 87% or \$7.6M of the Authority's expenses are due to the four coverage programs: Liability, Workers' Compensation, Property/Boiler & Machinery, and Fidelity. Our largest actual expense is the Workers' Compensation program which increased by about 13% due to program reserve adjustments recommended by the actuary. Liability decreased by 36% from the previous year due to reduction in claims payouts. Fidelity stayed stable at 3% increase due to addition of Yolo Habitat Conservancy. Property also saw a decline from FY1718 of about 33% due to recovery of outstanding member premiums.

General and Administrative expenses make up the remaining 13% or \$1.1M of total expenses. It primarily consists of the Authority's human resources, supplies and services, contractual services, capital assets, staff development, and loss prevention. These expenses are arbitrarily allocated between the four programs with Workers' Compensation set at 62%, Liability at 34%, Property at 3%, and Fidelity at 1%. Overall, expenses were reduced by 6% due to staff turnover and by providing additional loss prevention training in-house.

To the right are graphs illustrating trends for our organization's actual expenses for the last ten years.



# Financial Highlights

## Financial Achievements

Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to Yolo County Public Agency Risk Management Insurance Authority for fiscal year ended June 30, 2018. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

An Award for Outstanding Achievement in Popular Financial Reporting is valid for a period of one year only. Yolo County Public Agency Risk Management Insurance Authority has received a Popular Award for the last two consecutive years. We believe our current report continues to conform to the Popular Financial Reporting requirements, and we are submitting it to GFOA to determine its eligibility for another Award.



Government Finance Officers Association

### Award for Outstanding Achievement in Popular Annual Financial Reporting

Presented to

**Yolo County Public Agency  
Risk Management Insurance Authority  
California**

For its Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2018**

*Christopher P. Morill*

Executive Director/CEO





# DIRECTORY

## **Location**

77 West Lincoln Avenue  
Woodland, California 95695

## **Hours of Operation**

Monday through Friday, 8am-5pm

## **Contact Us**

Phone (530) 666-4456

Fax (530) 666-4491

## **Website**

[www.ycparmia.org](http://www.ycparmia.org)