A photograph of the Tower Bridge in West Sacramento, California, at dusk. The bridge's two massive concrete towers are illuminated from within, casting a warm glow. The bridge's steel truss structure is also lit up, and the water below reflects the lights. Several boats are docked at a pier in the foreground. The sky is a mix of blue and orange from the setting sun. In the top right corner, there is a white rectangular box.

Yolo County Public Agency Risk Management Insurance Authority

Popular Annual Financial Report
For Fiscal Year Ended June 30, 2017 and 2016
Yolo County, California



CONTENT OVERVIEW

YOLO COUNTY PUBLIC AGENCY RISK MANAGEMENT
INSURANCE AUTHORITY





Holly Lyon, Financial Analyst

WELCOME MESSAGE

To Our Board of Directors, Member Entities, and General Public

Yolo County Public Agency Risk Management Insurance Authority (YCPARMIA or the Authority) is pleased to present our first Popular Annual Financial Report (PAFR) for fiscal year ended June 30, 2017 and 2016. 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). The CAFR 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 under Member Manual/Blue Binder, Section L.

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

Respectfully Submitted,

Holly Lyon
Holly Lyon, Financial Analyst



**Jeff Tonks, CEO/Risk
Manager**

MESSAGE FROM THE CEO

Formed in 1979 as local government's response to a recurring 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 36% is tied to excess coverage costs. This means that more than half of the Authorities 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 June 30, 2017 fiscal year with all four major programs (Liability, Workers' Compensation, Property, and Fidelity) fully funded to Board approved levels. This was done with the assistance of Board approved rebates from excess surplus, while keeping member cash payments/premiums flat.

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.



Image: Gable Mansion located in Woodland, CA



BRIEF OVERVIEW OF OUR HISTORY

ESTABLISHED

1979

YCPARMIA, a not-for-profit public entity, was established on March 1 with only five (5) participating members: Cities of Woodland, Davis, and Winters, County of Yolo, and Esparto Unified School District due to insurance needs that were difficult to obtain in the traditional market. The original coverage programs offered were liability, workers' comp, fidelity, property, and boiler & machinery which are still offered today. The founding five members and the City of West Sacramento (joining in 1985) currently make up our voting Board of Directors.

LOCATION

1988

On November 21, YCPARMIA purchased the building located at 77 West Lincoln Avenue in Woodland, California. Trainings, Board meetings, and YCPARMIA staff still operate at this central location.

MORE COVERAGE

1991

Beginning in fiscal year 1991-1992, YCPARMIA began providing other coverages outside of the five (5) original programs on a pass-through basis. These coverages were only purchased as members' needs emerged. The first outside coverage purchased was Marine Hull & Machinery. This has since expanded to several other types of insurance coverages.

NOW

2017

As of June 30, YCPARMIA has grown to thirty-two (32) participating member entities who are all located within Yolo County. The JPA has expanded to include fire and cemetery districts, and other public entities. We anticipate continued growth as public agencies become more aware of the cost-efficiency and effectiveness of JPA's and self-insurance.



OUR MISSION STATEMENT

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



Image: Angled front view of YCPARMIA building located in Woodland, California

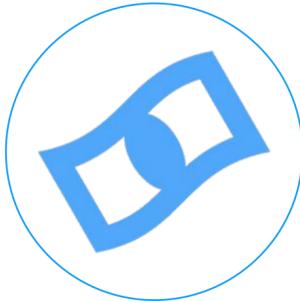


OUR OBJECTIVES



ASSESS & ADDRESS

Assess and address the needs of the members



COST EFFICIENCY

Provide the most cost effective insurance coverage available



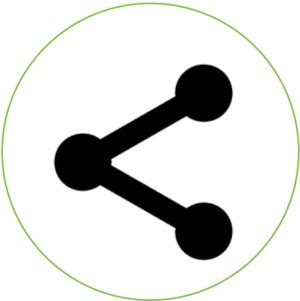
TRAIN & EDUCATE

Provide the most relevant training and education



MAINTAIN

Maintain the organizational strength of YCPARMIA



PROVIDE

Provide responsive and comprehensive risk management services



BOARD OF DIRECTORS



President

John Perry

City of West Sacramento



Vice President

Sheila McShane

City of Woodland



Director

Janet Emmett

City of Davis



Director

Nanci Mills

City of Winters



Director

Gina Rowland

County of Yolo



Director

Debbie Howard

Esparto Unified School District



BOARD ALTERNATES



Alternate

Kryss Rankin

City of West Sacramento



Alternate

Gary Engel

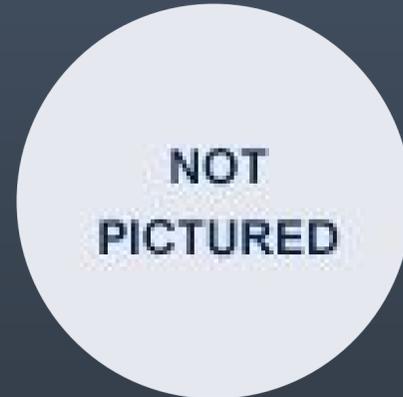
County of Yolo



Alternate

Rebecca Spiva

Esparto Unified School District



Alternates

Jackie Jaskowiak, City of Davis

John Donlevy, City of Winters

Kimberly McKinney, City of Woodland



ASSOCIATE MEMBERS

Non-voting Members

CEMETERY DISTRICTS

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

FIRE DISTRICTS

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

OTHER

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



Davis Arboretum (a part of Davis Cemetery District)



Willow Oak Fire Department, Station 7 (a part of Willow Oak Fire Protection District)



Port of West Sacramento (a part of Sacramento-Yolo Port District)



Yolo County Superior Court (a part of California Superior Courts, Yolo County)



Swainson's Hawk (endangered species under protection by Yolo Habitat Conservancy)



Coverage Programs

Liability Program

YCPARMIA offers several different types of liability coverage to our members. Liability, like the other three programs, is an optional coverage that members may elect to participate in or decline. However, nearly all of our members opt-in to this coverage with an existing member, Esparto Fire, joining in fiscal year 2018-2019. 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
- ❖ 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 individual member deductible is covered up to \$500,000 within the Authority's pooled retention limit. This amount is called the self-insured retention (SIR) limit. Each coverage program that YCPARMIA offers has as SIR limit that is approved by the Board of Directors and is determined using multiple factors such as current market trends, premium costs, actuarial figures, and other outside considerations. Any amounts above the SIR limit are generally covered under excess insurance, which is purchased separately by the Authority on behalf of our members. For the Authority's liability program, 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.



Image: Train Depot located in Davis, CA



Workers' Compensation Program

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' comp program and purchases excess coverage through membership with an excess insurance carrier, 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 are city and county workers who have high exposure risks such as police, fire, and public works. The Authority employs an on-staff registered nurse and loss prevention analyst who work closely with 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:

- ❖ CPR/First Aid
- ❖ Ergonomic Evaluations
- ❖ Defensive Driving
- ❖ Work Zone Safety
- ❖ Forklift Certification
- ❖ And many more...

This coverage is also optional to our member entities. Currently, 24 out of our 32 members participate in workers' comp coverage.

Each fiscal year (and on a quarterly basis), a breakdown of program net position is evaluated to determine each program's individual financial health. When there is a net surplus (or positive net position) at the end of the year, the Board may approve a member rebate/credit to offset premium costs. In fiscal year 2016-2017, the Board approved a premium rebate/credit in the amount of \$618,500 for the workers' comp program. The approval of a rebate/credit represents the overall soundness of the program and its financial well-being.



Image: Railroad Bridge (rear) and newly built Putah Creek Bridge (front) located in Winters, CA



Property/Boiler & Machinery Program

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. 22 out of our 32 members opt-in to this coverage.

All participating members have a \$1,000 deductible for general property, \$5,000 deductible for boiler and machinery, and a \$10,000 deductible for vehicles. 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. Yet, despite its unpredictability, the property program is still one of our least expensive with it only accounting for about 5% of coverage expenses during fiscal year 2016-2017. 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. The Board also approved a member rebate/credit in the amount of \$44,000 for the property program.



Image: Esparto Unified School District School Bus



Image: Woodland Sports Park located in Woodland, CA



Fidelity Program

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. Only about 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.

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 in 1979 with no claims in the past 13 years (since 2004). With very little activity in this program, the need for claims administration and claims payments is also greatly reduced.

Additionally, YCPARMIA was able to negotiate a revolving three-year contract that has economized insurance premium costs. As a result, member premiums/cash payments have stayed relatively low and stable. This has carried over into a Board approved member rebate/credit in the amount of \$9,700 for the fidelity program for fiscal year 2016-2017.



Image: City Hall Offices located in Davis, CA

Financial Highlights for Fiscal Year Ended June 30, 2017





Condensed Statement of Net Position

	As of Fiscal Year Ended		
	June 30, 2017	June 30, 2016	June 30, 2015
Current Assets	\$ 6,630,962	\$ 6,418,121	\$ 6,713,647
Non-current Assets	12,380,459	11,254,014	10,009,776
Total Assets	19,011,421	17,672,135	16,723,423
Deferred Outflows of Resources	282,047	102,254	115,185
Current Liabilities	4,747,938	3,830,939	4,141,682
Non-current Liabilities	10,019,057	10,032,426	9,898,789
Other Post-Employment Benefits	658,977	648,342	645,250
Total Liabilities	15,425,972	14,511,707	14,685,721
Deferred Inflows of Resources	64,325	92,689	187,941
Net Position			
Investment in Capital Assets	112,752	124,622	136,154
Unrestricted	3,690,419	3,045,371	1,828,792
Total Net Position	\$ 3,803,171	\$ 3,169,993	\$ 1,964,946

Shown to the left 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 2016-2017:

- Total assets increased \$1.34 million (or around 8%) from the previous year due to increases in short- and long-term investments.
- Current liabilities increased roughly 23% due to Board approval of a \$672,200 member premium credit/rebate, and the liability and workers’ compensation claims adjustment expense.
- Total net position increased approximately 20% subsequent to current year operations and activities.

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.



Condensed Statement of Revenues, Expenses, and Changes in Net Position

Presented to the right is YCPARMIA’s condensed statement of revenues, expenses, and changes in net position for the past three fiscal years ended June 30.

Operating revenue mainly consists of member premiums/cash payments and the retrospective premium adjustment which is the excess redistribution received from our liability excess carrier, CJPRMA. This rebate is received on an annual basis and varies from year-to-year. YCPARMIA has no direct control over this redistribution. Member premiums are based on calculations stated in our bylaws that include factors such as member payroll and claim loss history. Since these figures can vary each year, the bylaws include other factors (such as loss history caps) to help stabilize the premium calculations.

Non-operating revenues consist of short- and long-term investments. The short-term investments are with the Local Agency Investment Fund (LAIF) which is monitored by Yolo County and regulated by the State of California Treasurer. The rate of return on this fund is approximately 0.754% per year as of June 30, 2017. Our long-term investments are managed by Chandler Asset Management and are held at the custodian Bank of New York Mellon. Our strict investment policy limits the types of investments we are allowed to engage in. This results in conservative long-term investment returns at less than 2% per year.

Operating expenses consist primarily of general and administrative, and coverage program expenses which are discussed in further detail on the following pages.

It should be noted that changes in net position for fiscal year ended June 30, 2015 include the GASB 68 implementation in the amount of \$749,888. GASB 68 is a fairly new pronouncement that requires government agencies to improve their pension plan reporting for financial purposes. The amount stated was the resulting figure for the Authority.

More information on these financials can be found in our audited financial statements and CAFR report located on our organization’s website.

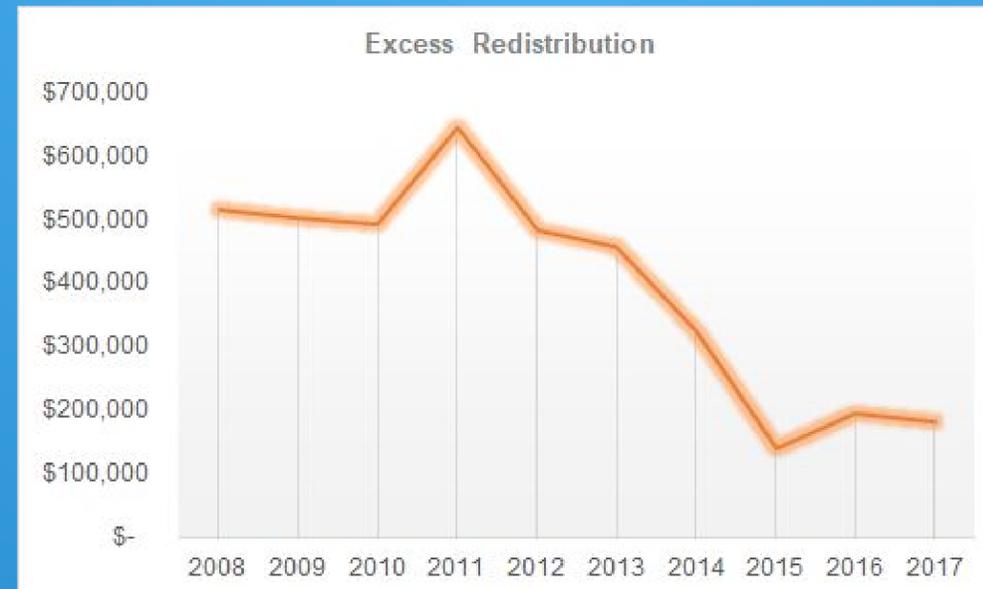
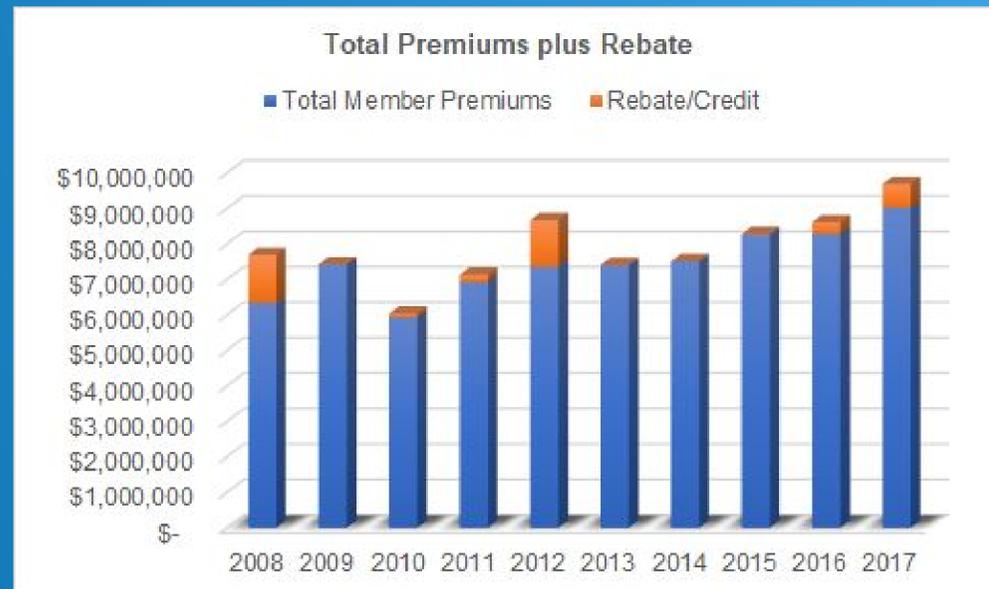
REVENUES, EXPENSE, AND NET POSITION			
	As of Fiscal Year Ended		
	June 30, 2017	June 30, 2016	June 30, 2015
Operating Revenue			
Member Contributions	\$ 9,695,621	\$ 8,620,049	\$ 8,278,813
Retrospective Premium Adjustment	182,683	196,382	138,821
Total Operating Revenue	9,878,304	8,816,431	8,417,634
Non-Operating Revenue			
Investment Income	180,192	187,048	170,321
Net Change in Fair Value of Investments	(206,950)	116,600	(26,593)
Total Non-Operating Revenue	(26,758)	303,648	143,728
Total Revenues	9,851,546	9,120,079	8,561,362
Total Operating Expense	9,218,368	7,915,032	7,224,216
Components of Net Position			
Net Invested in Capital Assets	112,752	124,622	136,154
Unrestricted	3,690,419	3,045,371	1,828,792
Total Net Position	3,803,171	3,169,993	1,964,946
Change in Net Position	\$ 633,178	\$ 1,205,047	\$ 1,337,146



Revenues

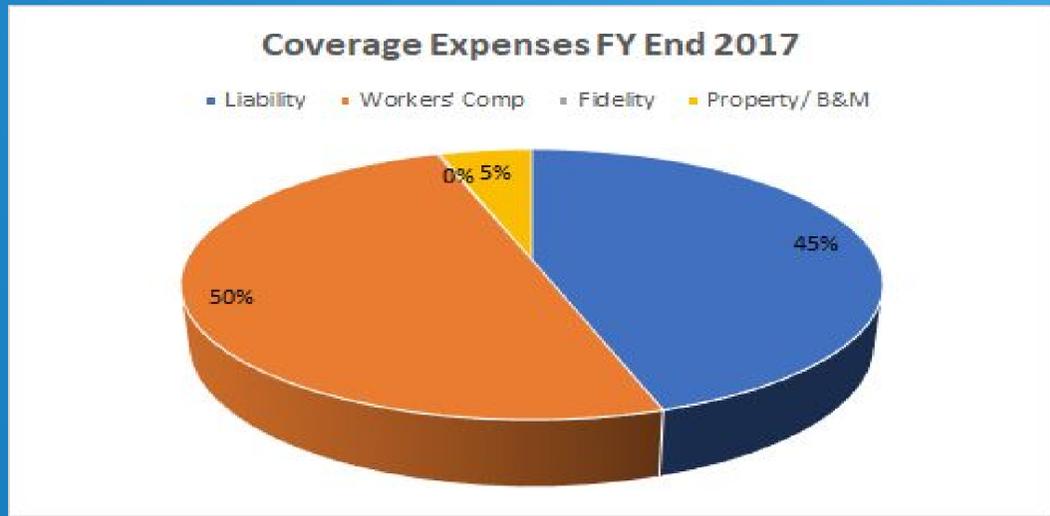
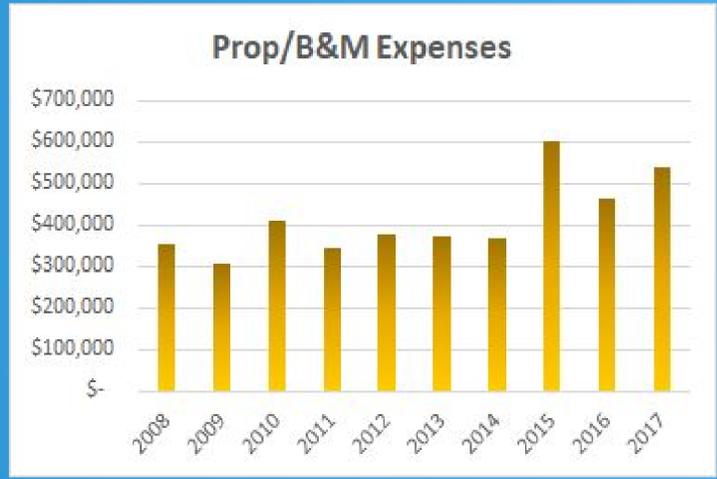
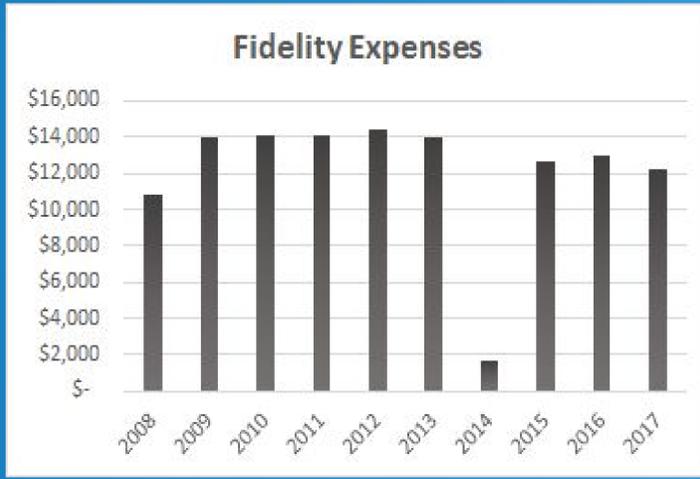
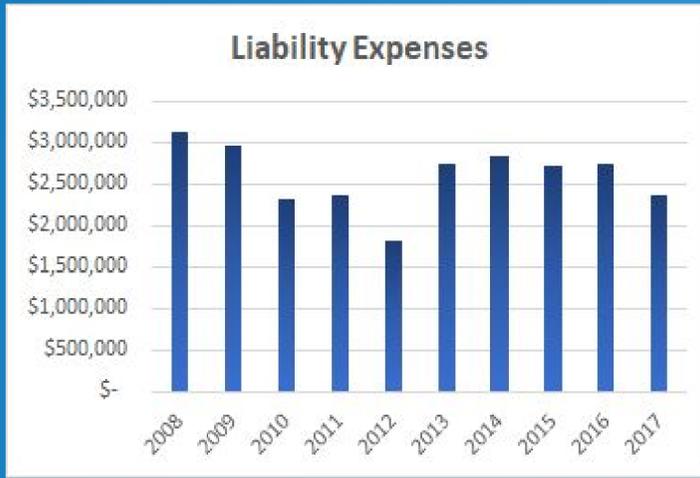
YCPARMIA's three, and essentially only, sources of revenue are derived from member premiums/cash payments, excess redistribution from our excess insurance carrier, and investment earnings. The three graphs depicted below reflect the breakdown of the revenue sources for the past ten fiscal years.

The pie chart found to the upper left represents the percentage of income received from each of the three sources for fiscal year ended June 30, 2017. As shown, our primary source of revenue, at approximately 92%, comes directly from our members for their premium payments. Excess redistribution comes in second at roughly 5%, and investments are third coming in at 3% of total income.





Expenses - Coverage Programs

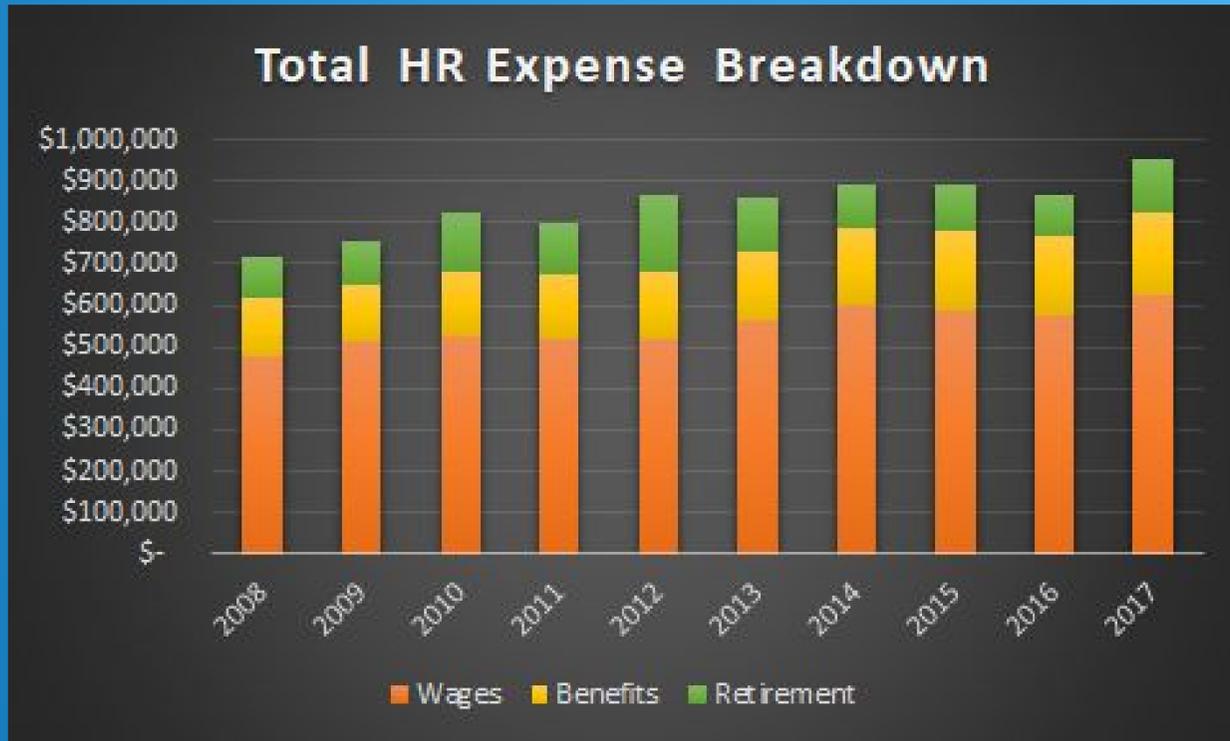
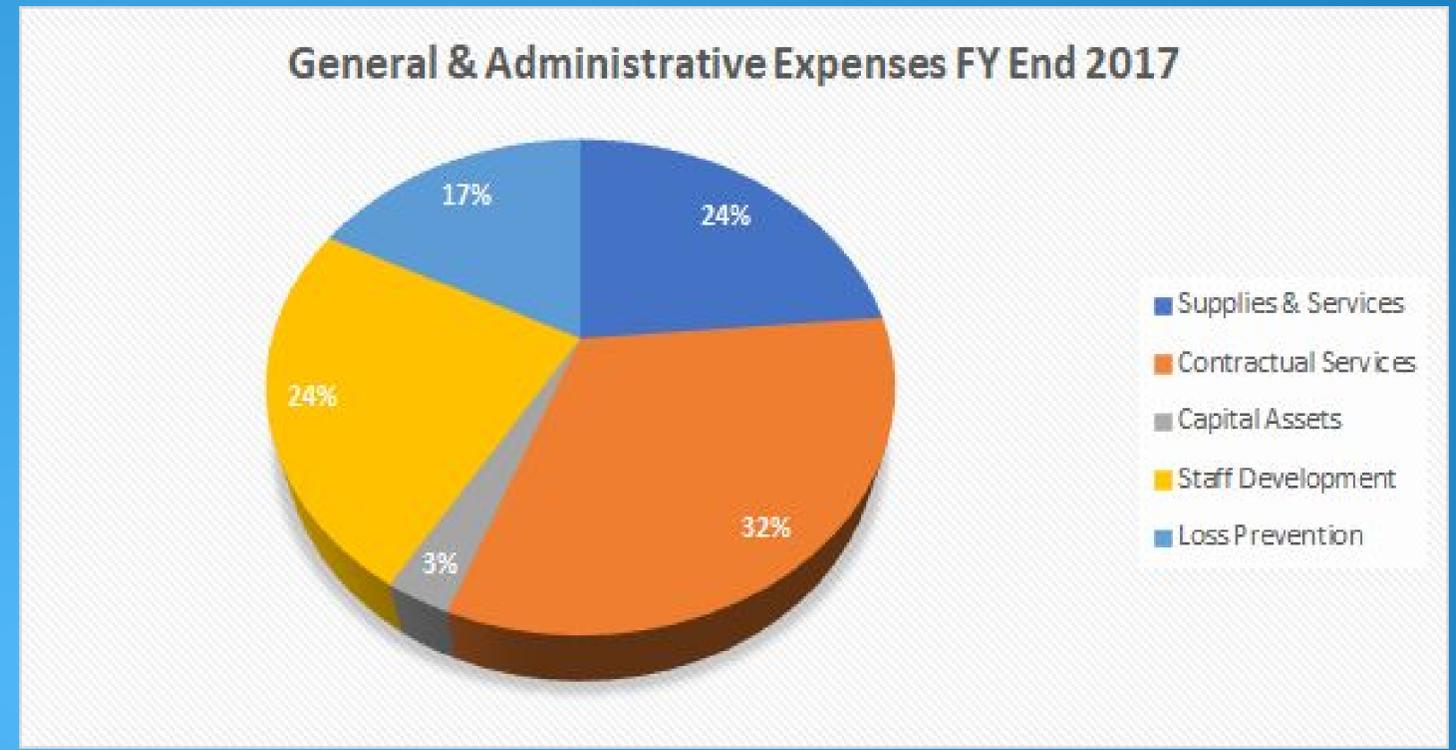
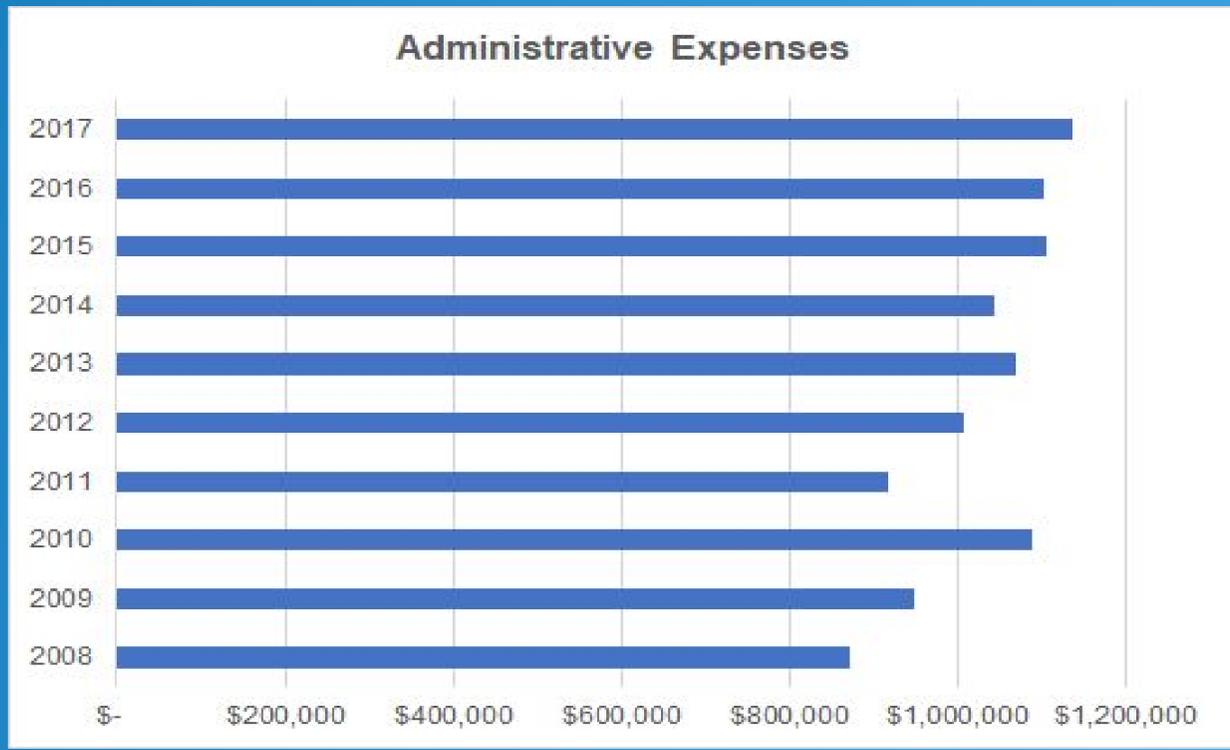


The majority of the Authority's expenses are due to the four coverage programs: Liability, Workers' Compensation, Property/Boiler & Machinery, and Fidelity. Of the four programs, workers' compensation was the most costly for fiscal year 2016-2017 with liability in close second. The higher expenses are largely due to claim payments and third-party administration fees. In addition to claims payments and claims administration fees, coverage expenses also include the wellness program (for liability and workers' comp), excess insurance premiums, and the state assessment (for workers' comp) that is imposed on an annual basis by the California Department of Insurance.

As seen in the graph, workers' compensation expenses only increased by about 7% from the previous fiscal year, while liability expenses decreased by roughly 16%. The main cause of the workers' comp expense increase was due to a rise in excess insurance premiums. However, combined coverage expenses overall only increased by about 3% from fiscal year 2015-2016. Increases in workers' comp and property/boiler & machinery were somewhat offset by decreases in liability and fidelity expenses as portrayed in the four graphs to the upper left.



Expenses - General & Administrative

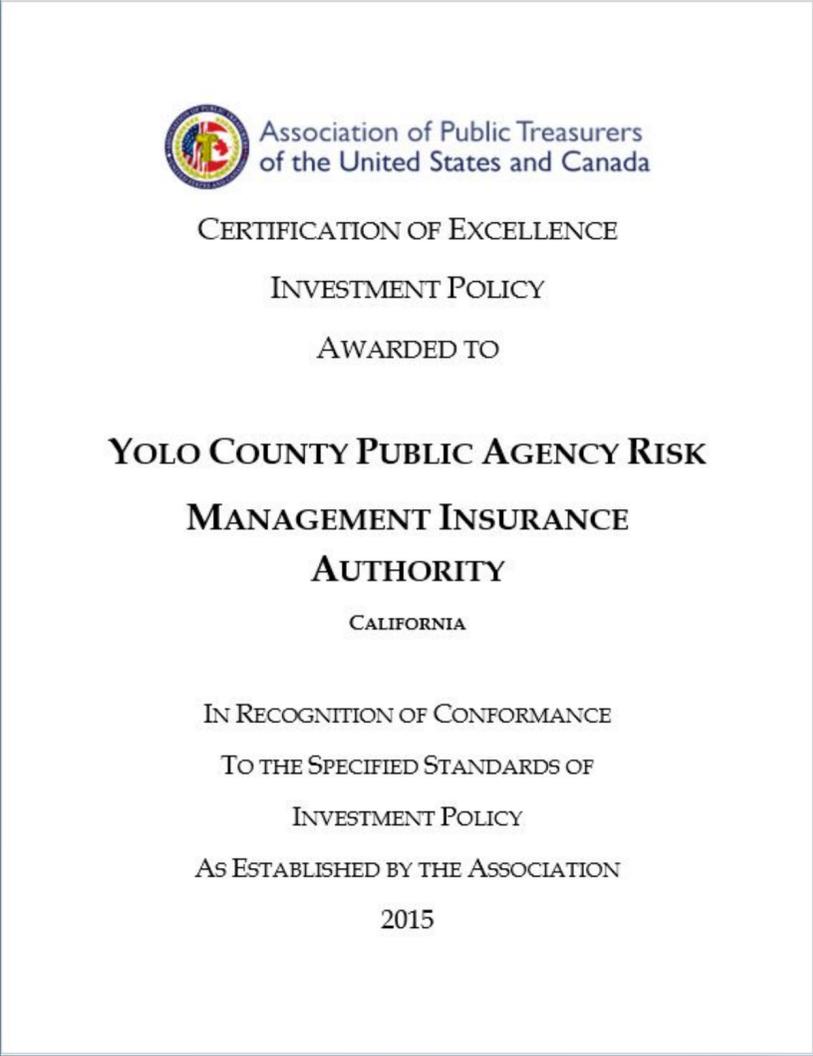


Administrative expenses primarily consist of the Authority's payroll and benefits, supplies and services, contractual services, capital assets, staff development, and loss prevention. These expenses are arbitrarily allocated between our four programs with workers' compensation set at 64%, liability at 36%, property at 3%, and fidelity at 1%.

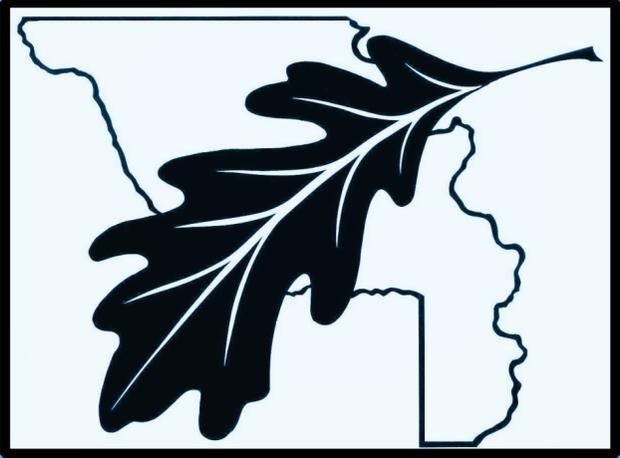
The chart above suggests the majority of our expenses stem from contractual services which include audit and actuarial services, loss prevention contracts, and office maintenance. However, the above left chart shows that our overall administrative expenses only increased by about 3% from the previous year. The minor increase is due to general increases in services, compensation, and purchasing of capital assets.

The bottom left chart shows a breakdown of our human resource expenses. Wages and benefit costs remain relatively flat as YCPARMIA experiences extremely low employee turnover with an office staff of only seven. However, retirement contributions have seen larger fluctuations due to changes in actuarial assumptions for retirement contributions.

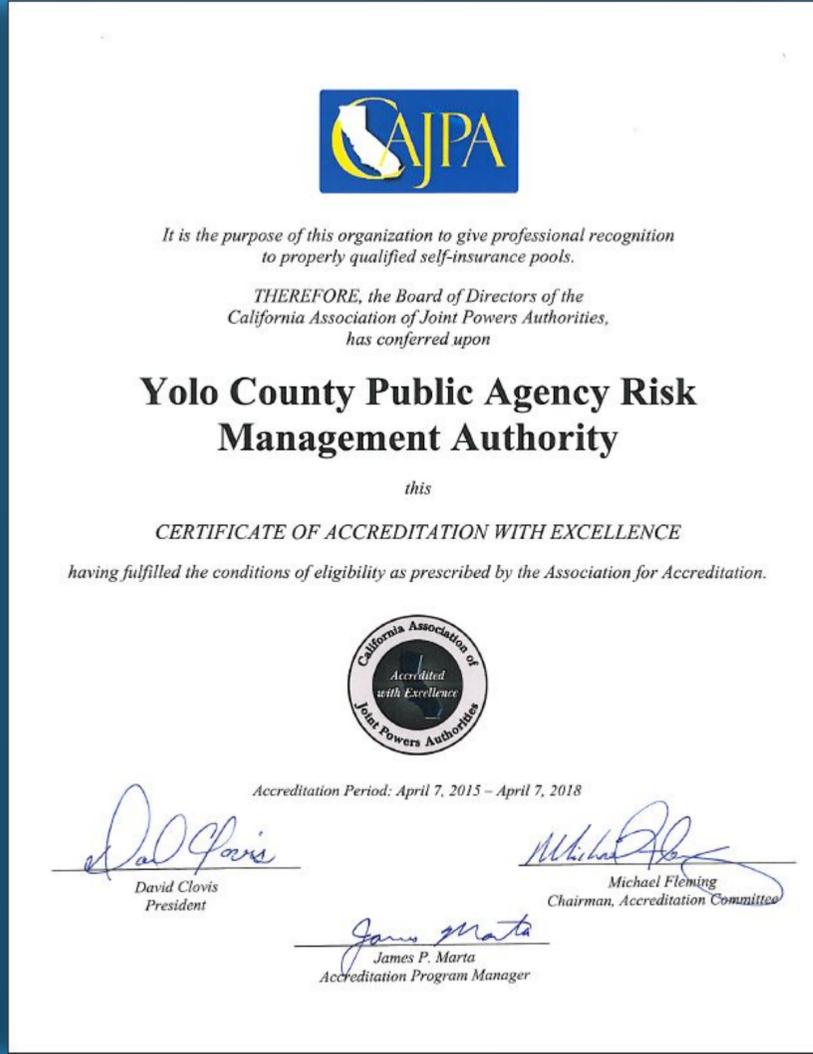
Financial Achievements



The Certification of Excellence was awarded to YCPARMIA in 2015 in recognition for its Investment Policy. This certificate is valid for approximately five (5) years according to the Association of Public Treasurers (APT). It is recommended that organizations renew this certification as policy changes are made/updated or every five years, whichever comes first.



The Certification of Accreditation with Excellence was awarded to YCPARMIA on April 7, 2015 by the California Association of Joint Powers Authorities (CAJPA) and is valid for three (3) years. This certification is specifically for risk management pools who undergo a rigorous process that includes review of bylaws, financials, audits, policies, procedures, etc. in order to receive this recognition.



DIRECTORY

For more information, questions, or comments please contact us at any of the following.

Office Location:
77 West Lincoln Avenue
Woodland, California 95695

Phone: (530) 666-4456
Fax: (530) 666-4491

Office Hours:
Monday through Friday, 8am-5pm

Website: www.ycparmia.org



Image: Stevenson Bridge located between Yolo and Solano County

John T. Tlu Photography