



Yolo County Public Agency Risk Management Insurance Authority

Popular Annual Financial Report
Fiscal Year Ended June 30, 2018 and 2017
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 second Popular Annual Financial Report (PAFR) for fiscal year ended June 30, 2018 and 2017. 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 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

Holly Lyon
Financial Analyst

Message from the CEO

Jeffrey Tonks, CEO/Risk Manager



Formed in 1979 as local government's response to a recurring insurance crisis, 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. Administrative services make up only 13% of our budget, and an additional 34% is tied to excess coverage costs. This means that more than 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 two of our major programs, Workers' Compensation and Fidelity, fully funded to Board approved levels. The Property program shows a significant deficit that was generated by a one-time accounting adjustment for prepaid premium credits; we anticipate that the program will return to a fully funded position by the end of Fiscal Year 2018-2019. The Liability program has fully funded program reserves and confidence margin, but is only funded to 44% of the Board approved level. Ironically, the deficit was caused by catastrophic claim payments generated by defense costs and settlements on a small number of older claims. Again, it is anticipated that the coming fiscal year will see a substantial improvement in this program's position. This program also saw a 7.7% increase in premium charges while the other programs remained relatively 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.

About YCPARMIA

YCPARMIA (or “the Authority”) was established on March 1, 1979 under a number of California Government, Labor, and Educational Code sections that empower public agencies to self-insure and jointly fund their risk-related expenditures. It operates in a manner similar to a privately held insurance company with self-insured programs subject to varying member deductibles, and at the primary level for workers’ compensation, liability, property, and fidelity losses. It also offers coverages purchased from the insurance industry on a pass-through basis to respond to members’ exposures that fall outside the offered programs. Additionally, YCPARMIA offers risk management, claims management, and loss prevention services to its members usually at no additional cost.

Pursuant to its Joint Powers Agreement and By-laws, YCPARMIA is governed by a six-person Board of Directors appointed by six Member Agencies. The other twenty-six (26) member agencies are non-voting associate members.

The Board elects from its members a President and Vice President. The Chief Executive Officer/Risk Manager serves as Board Secretary, and Yolo County’s Treasurer/Tax Collector serves as the Authority’s Treasurer. Responsible to the Board, the Chief Executive Officer/Risk Manager oversees the office staff and daily operations of the Authority.

With the exception of the liability program, participation in offered programs and services is at the individual member’s discretion. Coverage programs are structured with the members carrying per occurrence deductibles, and the collective membership pooling of losses over the deductible and up to excess limits. Coverage limits over YCPARMIA’s pooled retentions are obtained either through participation in other Joint Power Authorities that provide excess coverage, or through the purchase of excess or reinsurance in the commercial market.

1979	1985	1988	1991	2018
<p>YCPARMIA was born.</p> <p>Original five members:</p> <ul style="list-style-type: none"> City of Davis City of Woodland City of Winters County of Yolo Esparto Unified School District 	<p>City of West Sacramento makes six.</p> <p>This completes our voting Board of Directors.</p>	<p>Main office location was established.</p> <p>On November 21, YCPARMIA purchased the building located at 77 West Lincoln Avenue in Woodland, CA. Trainings, Board Meetings, and YCPARMIA staff still operate at this central location.</p>	<p>More coverage.</p> <p>Responding to our members’ needs, YCPARMIA began providing additional coverages on a pass-through basis. This began with Marine and Hull liability insurance and has since expanded to several other types of coverage.</p>	<p>Present Day.</p> <p>As of June 30, YCPARMIA has grown to 32 member entities all located in Yolo County. It has expanded to include fire districts, cemetery districts, and many more.</p>

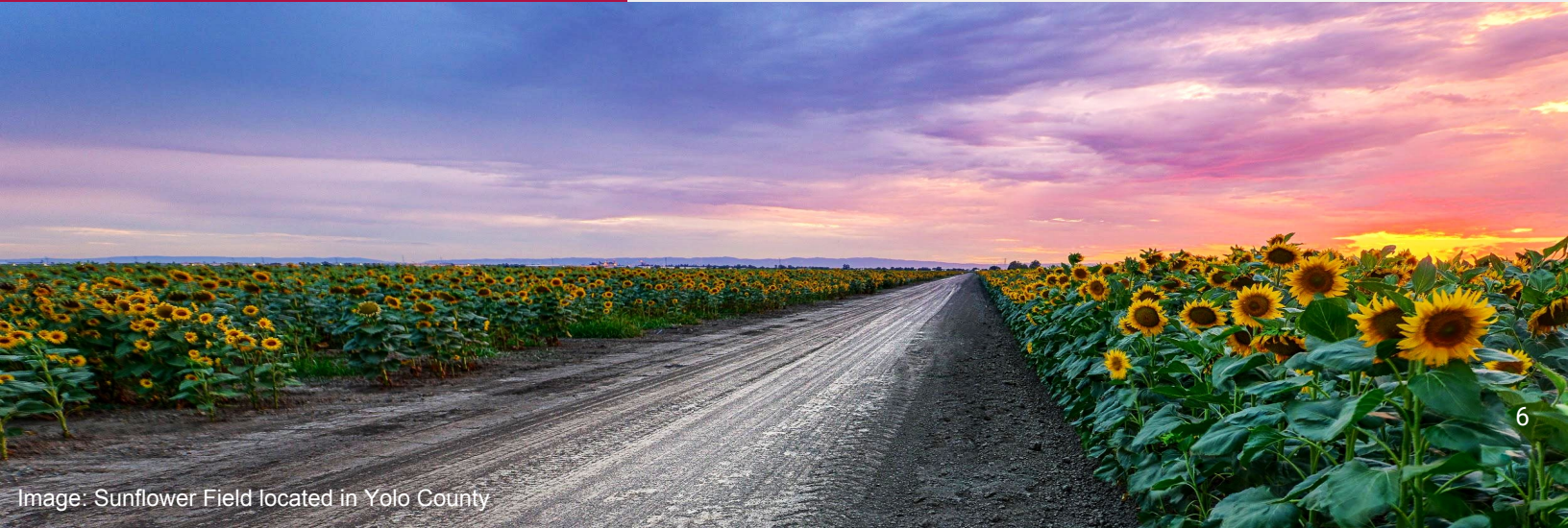


Image: Sunflower Field located in Yolo County

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 and address the needs of the members
- ★ Provide the most cost-effective insurance coverage available
- ★ Provide the most relevant training and education
- ★ Maintain the organizational strength of YCPARMIA
- ★ Provide responsive and comprehensive risk management services

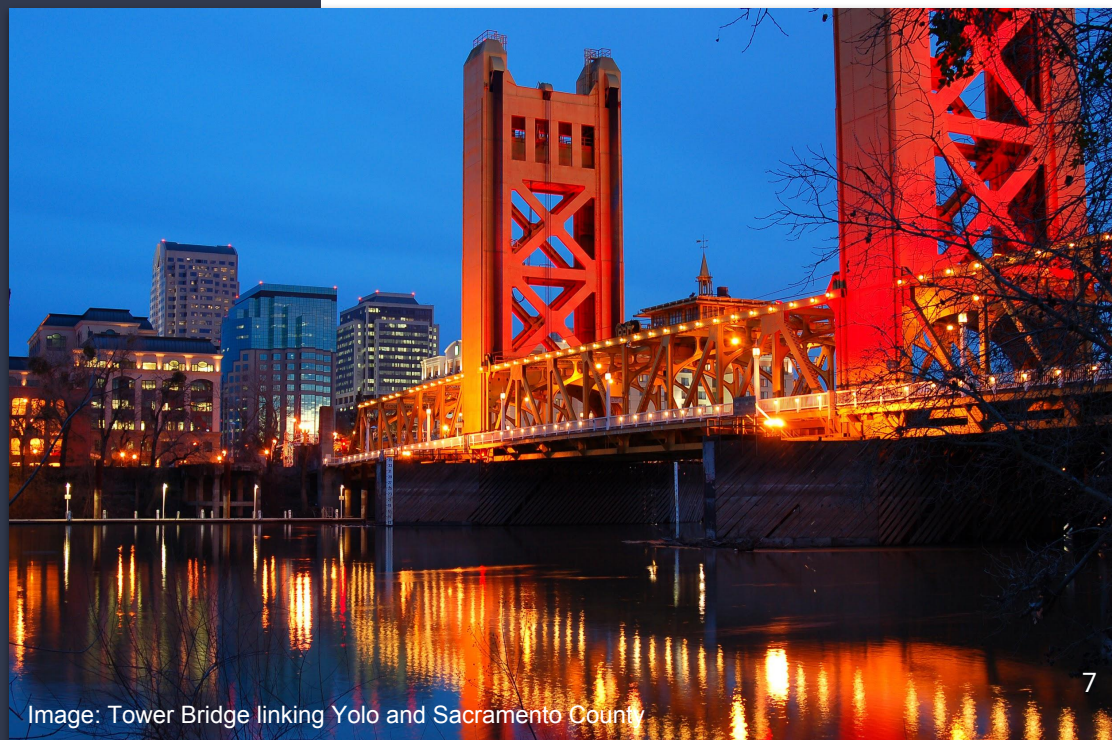


Image: Tower Bridge linking Yolo and Sacramento County



Debbie Howard, Director
Esparto Unified School
District



Sheila McShane, President
City of Woodland



Janet Emmett, Vice President
City of Davis



Kryss Rankin, Director
City of West Sacramento



Nanci Mills, Director
City of Winters

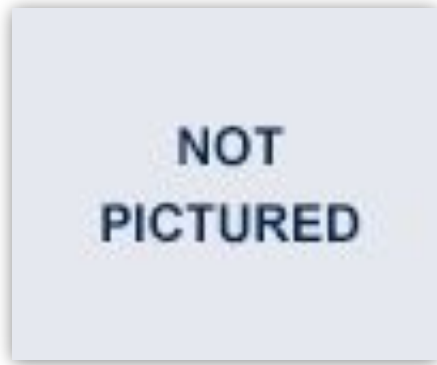


Jill Cook, Director
County of Yolo

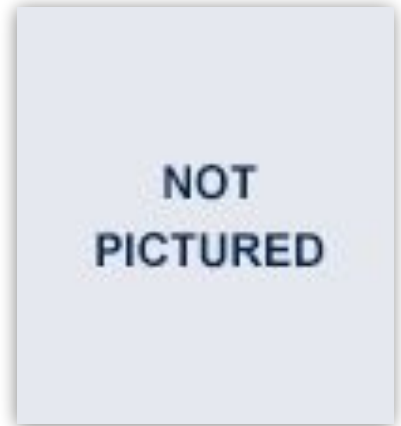
Board of Directors



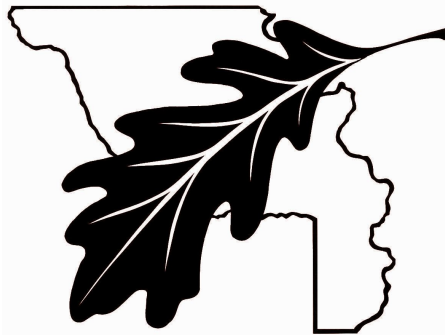
Rebecca Spiva
Esparto Unified School
District



Kimberly McKinney
City of Woodland



Vacant
City of Davis



Liane Lee
City of West Sacramento



John Donlevy
City of Winters



Gary Engel
County of Yolo

Board Alternates

Associate Members

Cemetery Districts

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



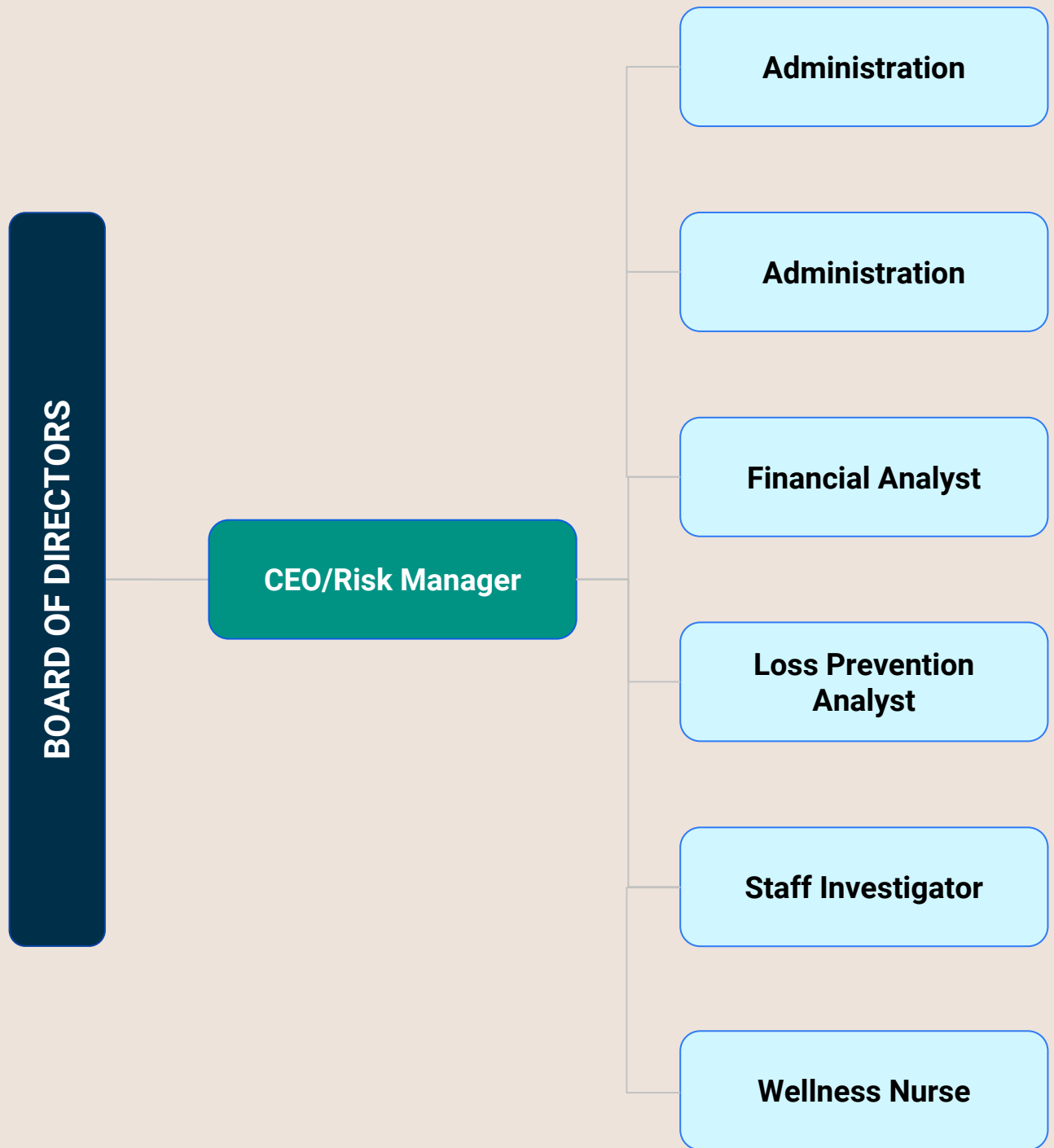
Image: "Stan the Submerging Man" statue located in City of Davis

Fire Districts

- ★ Capay Valley 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
- ★ Yolo County Communications Emergency Services Agency
- ★ 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
- ★ Yolo Habitat Conservation, JPA
- ★ Yolo-Solano Air Quality Management District



Organizational Chart

COVERAGE PROGRAMS



LIABILITY PROGRAM

By the NUMBERS

For Fiscal Year 17/18

of new **claims** reported

139

Total cost of **incurred**
claims

\$2,195,837

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.



Image: "The Barn" located in City of West Sacramento

WORKERS' COMPENSATION PROGRAM

By the NUMBERS

For Fiscal Year 17/18

of new claims reported

368

Total cost of paid claims

\$3,131,201

of participating entities

24

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 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 registered 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:

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

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 2017-2018, the Board approved a premium rebate/credit in the amount of \$650,000 for the workers' comp program. The approval of a rebate/credit represents the overall soundness of the program and its financial well-being.



Image: Downtown City of Winters

PROPERTY, BOILER & MACHINERY PROGRAM

By the NUMBERS

For Fiscal Year 17/18

of new **claims** reported

19

Total cost of **paid** claims

\$72,805

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

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, it is still one of our least expensive with it only accounting for about 8% of coverage expenses during fiscal year 2017-2018. 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.



FIDELITY PROGRAM

By the NUMBERS

For Fiscal Year 17/18

of new **claims** reported

0

Total Average # of **EEs**

3,471

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 14 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 stabilized excess insurance premium costs. As a result, member premiums/cash payments have stayed relatively low and invariable. This has carried over into a Board approved member rebate/credit in the amount of \$7,000 for the fidelity program for fiscal year 2017-2018.

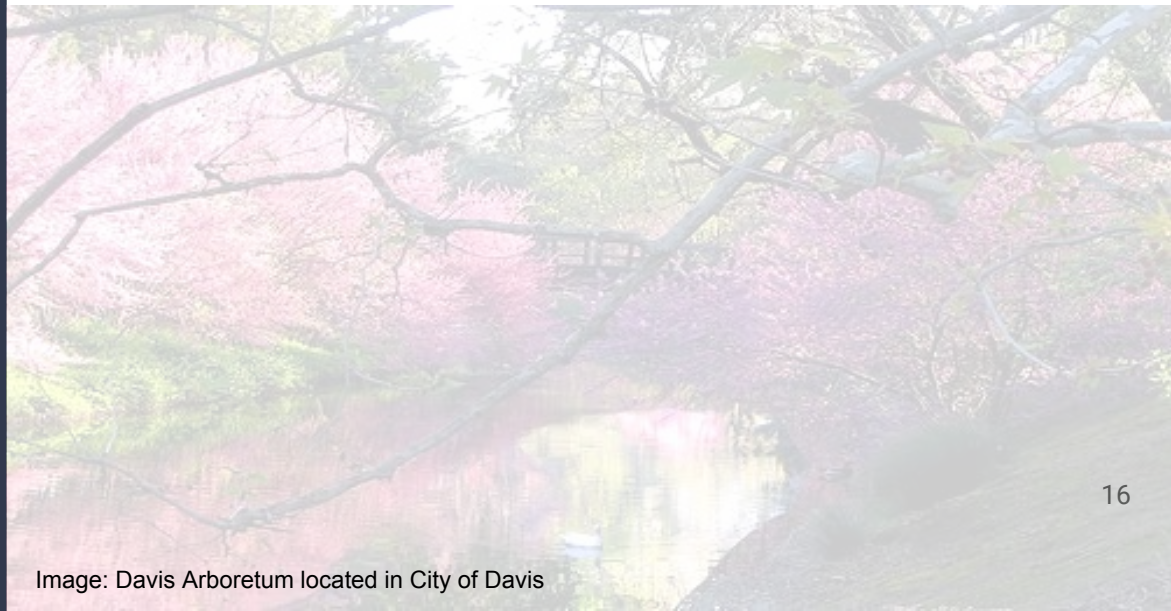
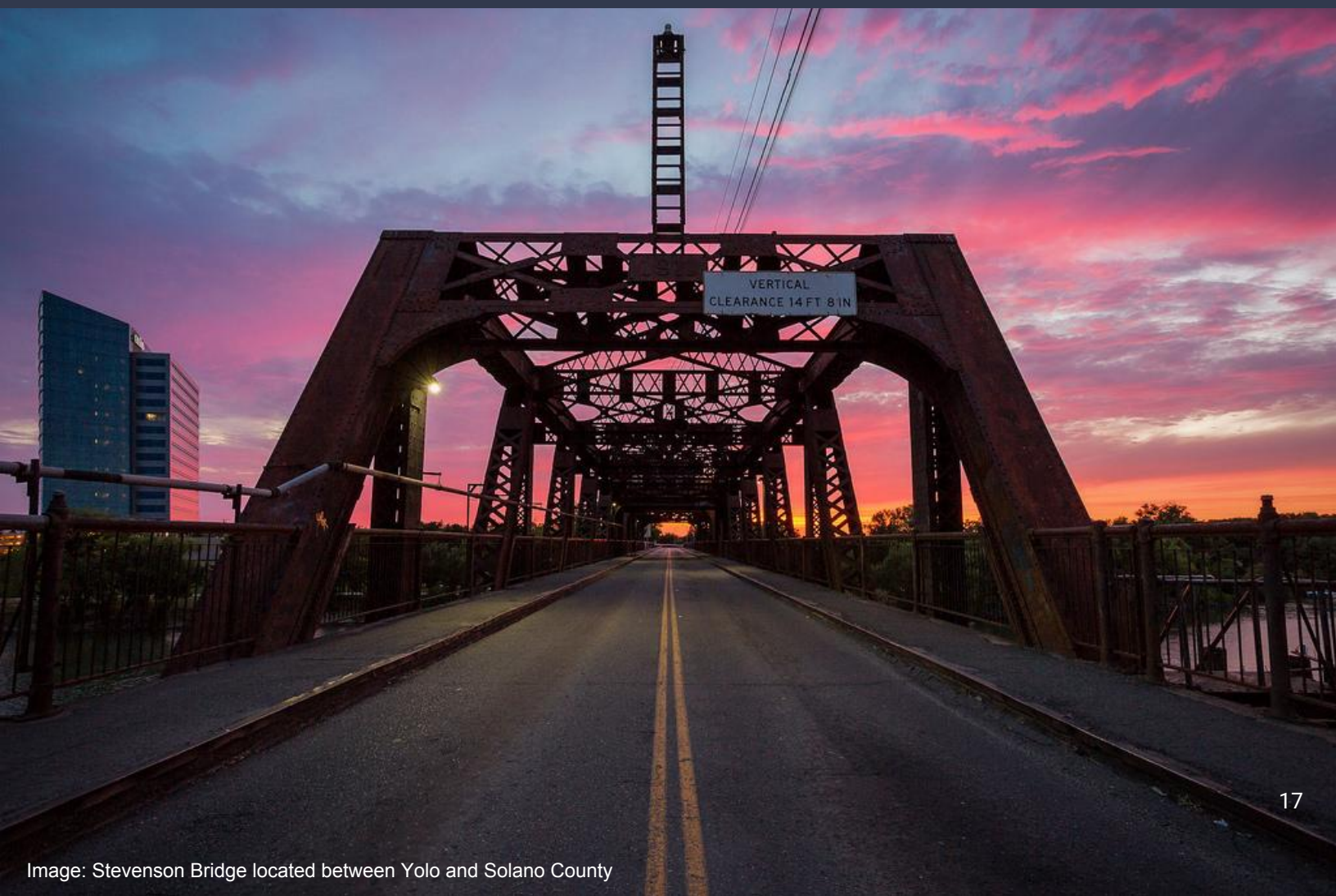


Image: Davis Arboretum located in City of Davis

FINANCIAL HIGHLIGHTS



Condensed Statement of Net Position

	As of Fiscal Year Ended		
	June 30, 2018	June 30, 2017	June 30, 2016
Current Assets	\$ 5,214,254	\$ 6,630,962	\$ 6,418,121
Non-current Assets			
Deposits	305,000	305,000	305,000
Investments	12,360,274	11,962,707	10,824,392
Capital Assets	103,118	112,752	124,622
Total Non-Current Assets	12,768,392	12,380,459	11,254,014
Total Assets	17,982,646	19,011,421	17,672,135
Deferred Outflows of Resources	523,578	282,047	102,254
Current Liabilities	5,038,780	4,747,938	3,830,939
Non-current Liabilities	9,970,112	10,019,057	10,032,426
Other Post-Employment Benefits	844,036	658,977	648,342
Total Liabilities	15,852,928	15,425,972	14,511,707
Deferred Inflows of Resources	87,139	64,325	92,689
Net Position			
Investment in Capital Assets	103,118	112,752	124,622
Unrestricted	2,463,039	3,690,419	3,045,371
Total Net Position	\$ 2,566,157	\$ 3,803,171	\$ 3,169,993

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.

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 2017-2018:

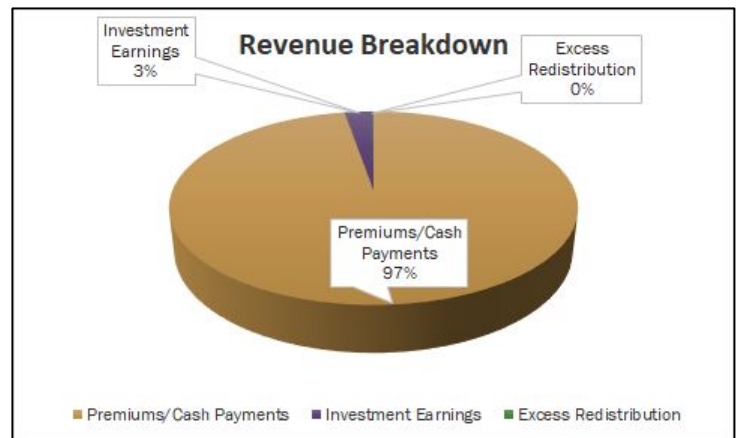
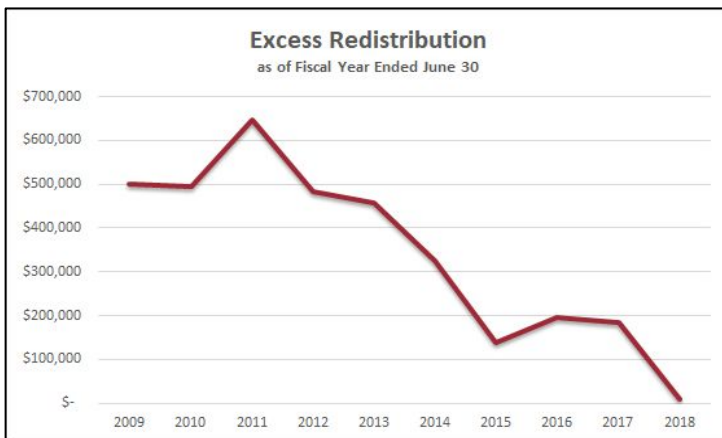
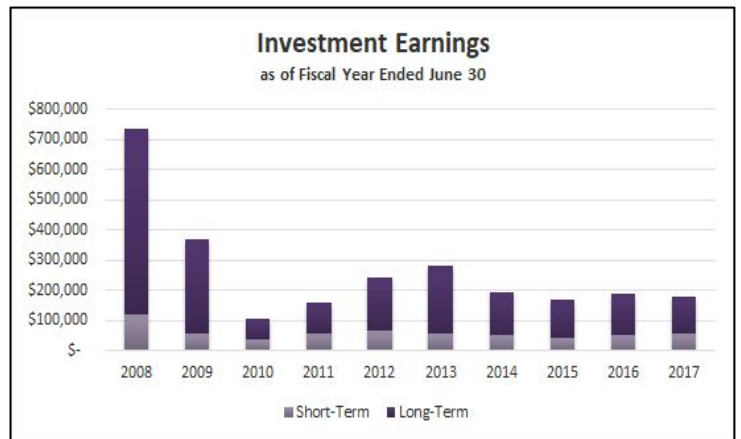
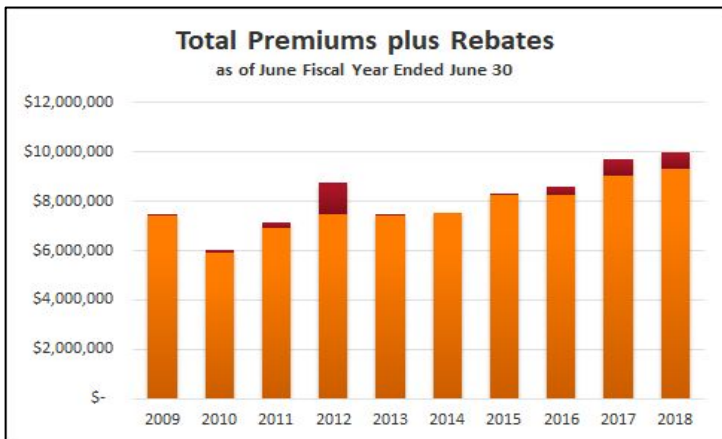
- Total assets decreased by \$1.03 million (or around 5%) from the previous year due to decreases in short-term investments returns, reduction in receivables, and increases in claims payments (which reduced overall cash).
- Current liabilities increased roughly 6% due to Board approval of a \$657,000 member premium credit/rebate, and the liability and workers' compensation claims adjustment expense.
- Total net position decreased approximately 32% subsequent to a few adverse claims, the implementation of GASB 75, as well as current year operations and activities.
 - GASB 75: replaces GASB 45 and requires governments to report a liability on the face of their financial statements for the OPEB they provide. Entities must also provide more extensive note disclosures and required supplementary information (GASB News Release, 2015). More information can be found in the Authority's CAFR.

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 factors such as member payroll and claim loss history. Excess redistribution comes from our excess carrier, CJPRMA, and varies from year-to-year. Investment earnings are limited to our investment policy rules which provide conservative returns at less than 2%.

The four graphs depicted below reflect the breakdown of the revenue sources for the past ten fiscal years. For FY1718, our primary source of revenue at approximately 97.2%, comes directly from our members for their premium payments. Investment income comes in second at roughly 2.7%, and excess redistribution is third coming in at 0.1% of total income.

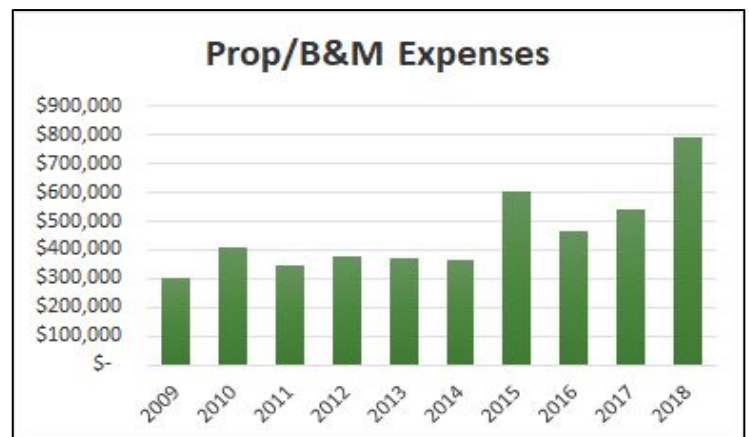
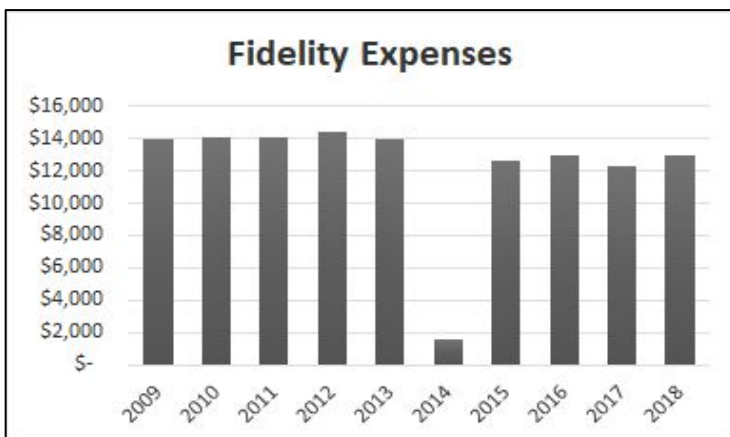
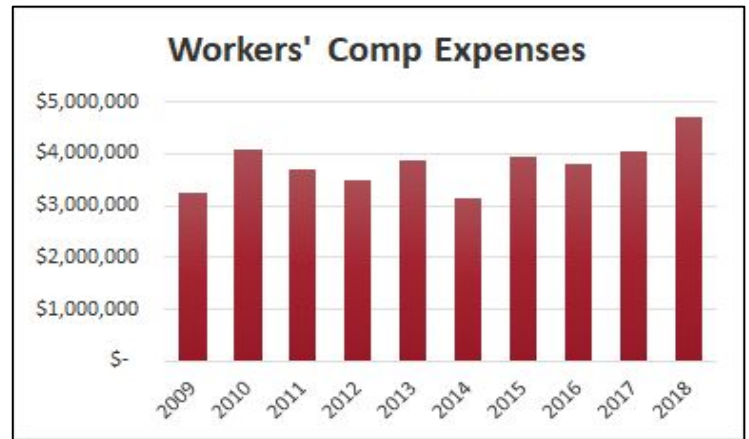


Expenses

Where the money goes: Coverage programs

Approximately 87% of the Authority's expenses are due to the four coverage programs: Liability, Workers' Compensation, Property/Boiler & Machinery, and Fidelity. Below are ten-year graphs illustrating trends between the programs.

As seen in the graphs below, liability expenses increased by 59% from the previous year due to a few adverse claims. Workers' comp increased by about 16% mainly due to increased claims administration fees, use of the wellness program, and the state assessment. The property program witnessed a 46% increase due to excess coverage costs, while fidelity expenses remained fairly stable with only a 6% increase overall.



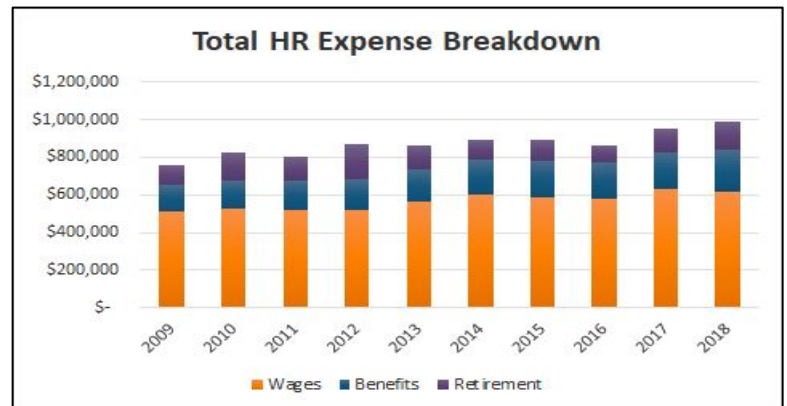
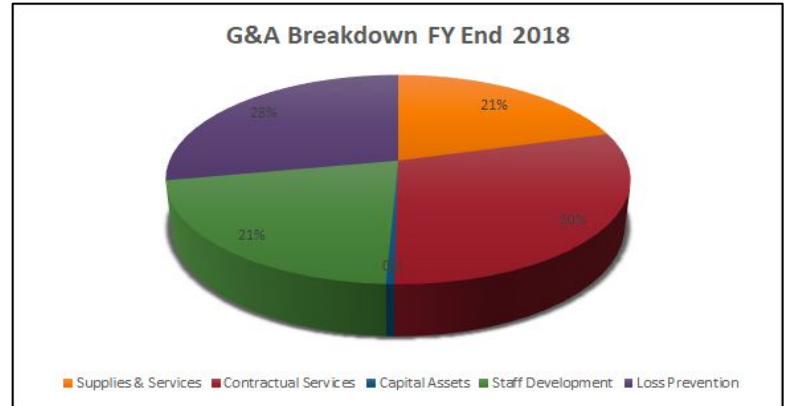
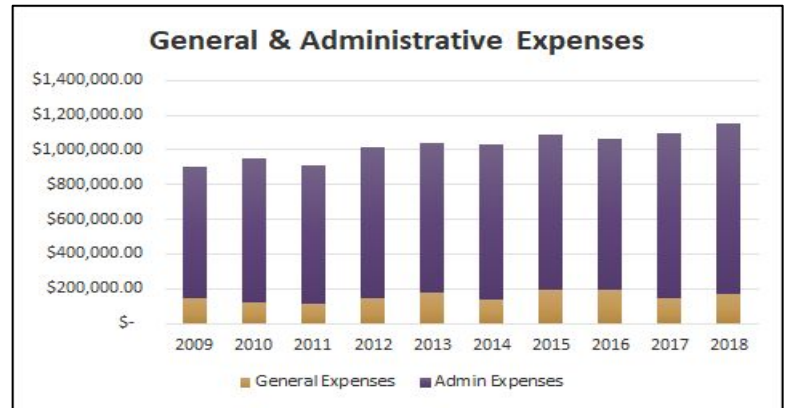
Expenses (continued)

Where the money goes: General & Administrative

General and 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 62%, liability at 34%, property at 3%, and fidelity at 1%.

While still coming in under budget, contractual services made up the majority of the general expenses at 30%. This category includes actuarial and financial services; grounds, building and equipment maintenance; and other professional services. However, overall general and administrative costs only increased by roughly 5% from FY1617. The minor increase is mainly due to health premium costs, retirement contributions, and loss prevention training.

The chart on the bottom right represents the breakdown of our human resources expense. Wages have remained relatively flat due to low employee turnover with a staff of only seven. However, our agency has recently undergone increased turnover due to more adept employees moving into retirement. In turn, this affects our benefit costs as we partially cover retiree health benefits and onboard new hires. Retirement contributions have also seen larger fluctuations due to changes in actuarial assumptions.



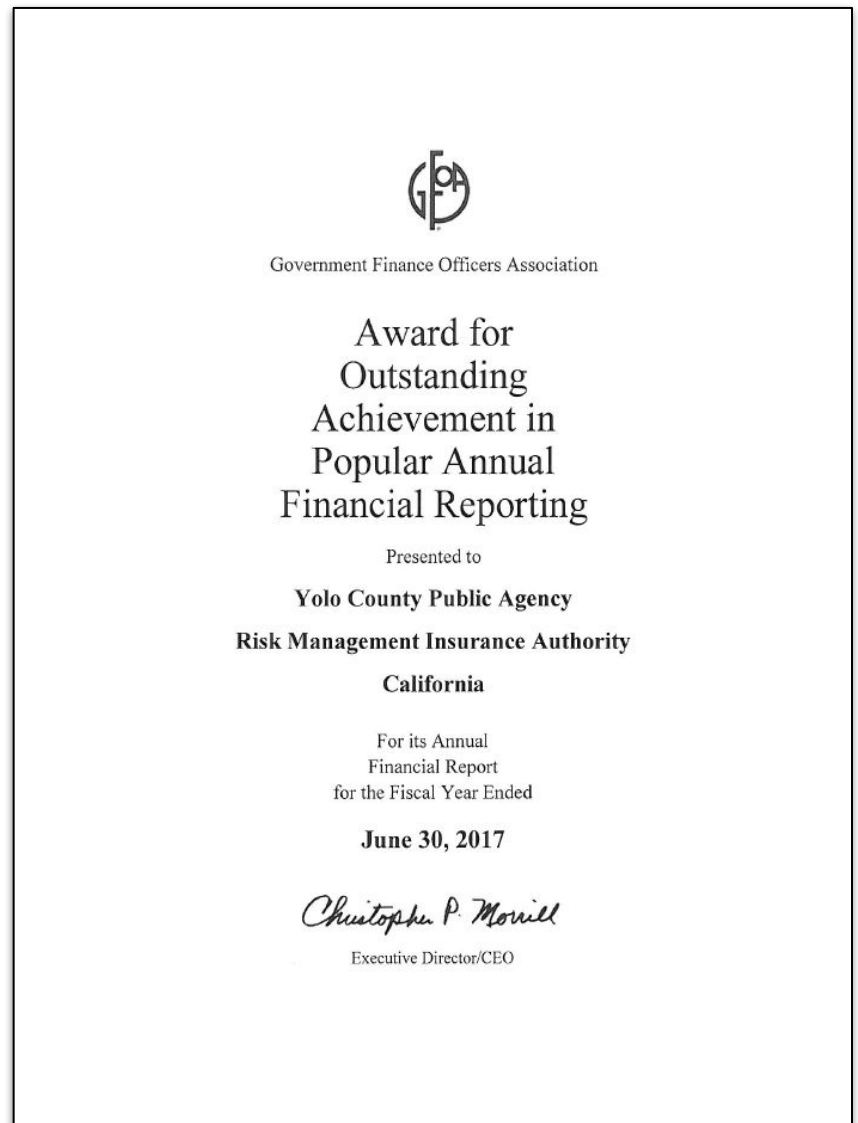
Financial Achievements



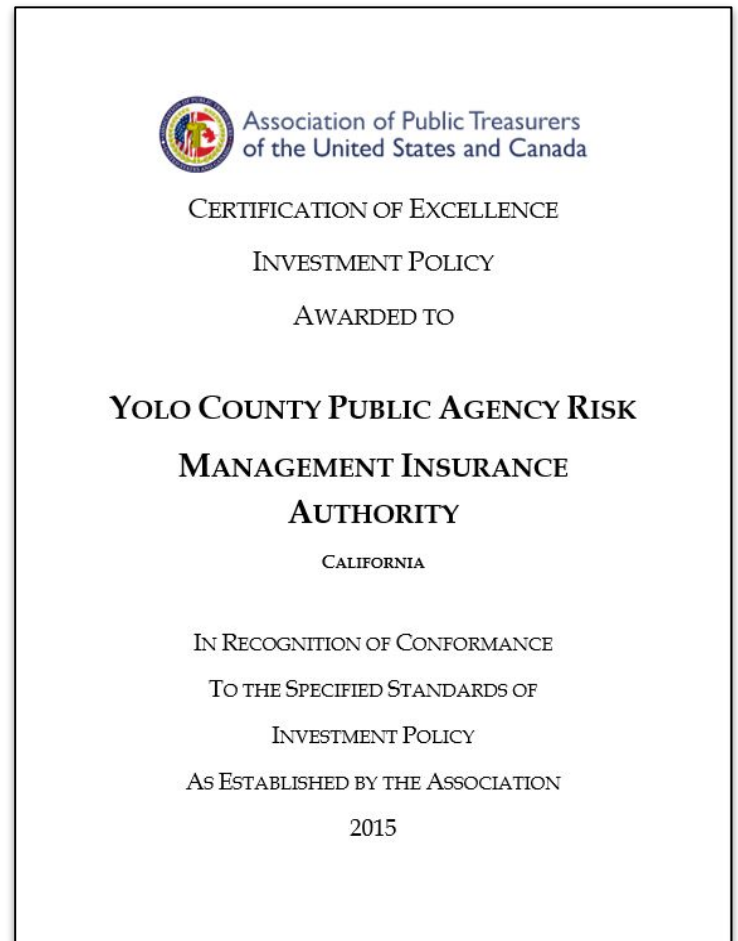
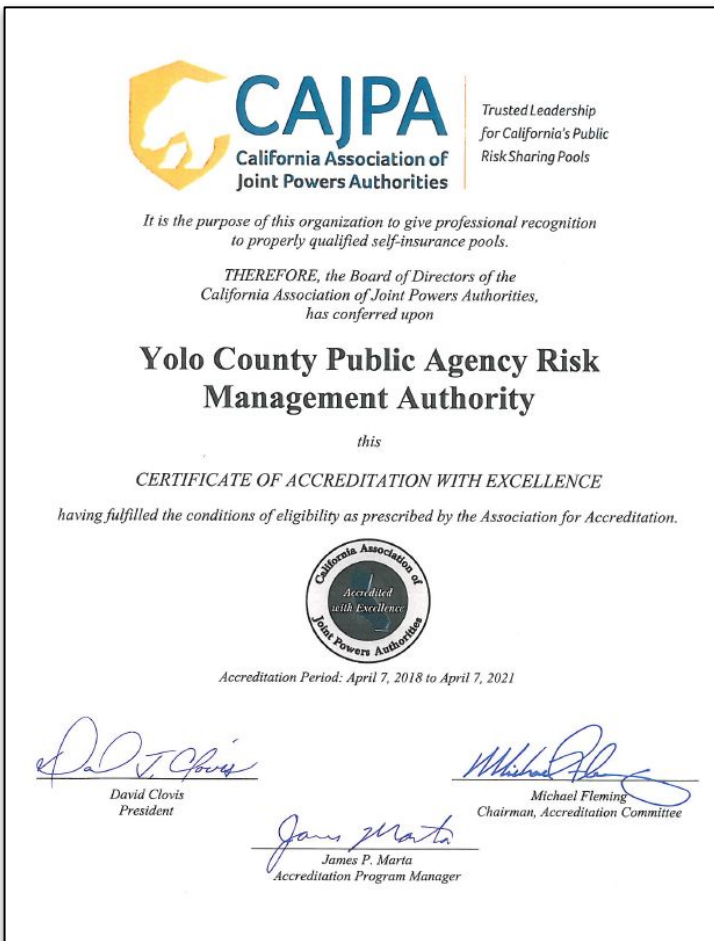
Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to Yolo County Public Agency Risk Management Insurance Authority for fiscal year ended June 30, 2017. The Award for Outstanding Achievement 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 one consecutive year (fiscal year ended 2017). 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.



Financial Achievements (continued)



The Certification of Accreditation with Excellence was awarded to YCPARMIA on April 7, 2018 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.

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.

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Image: Historic Hotel located in City of Woodland

Directory

Office Location

77 West Lincoln Avenue
Woodland, California 95695

Phone

530.666.4456

Fax

530.666.4491

Website

www.ycparmia.org

Hours of Operation

Monday through Friday, 8am-5pm

Yolo County Public Agency Risk Management Insurance
Authority

