



# Yolo County Public Agency Risk Management Insurance Authority

## AGENDA

### YCPARMIA BOARD MEETING

Thursday, January 28, 2016 at 8:30 a.m.

YCPARMIA  
77 W. LINCOLN AVE.  
WOODLAND, CA 95695

1. Call to Order
2. Approval of Agenda
3. THIS TIME IS RESERVED FOR MEMBERS OF THE PUBLIC TO ADDRESS THE BOARD ON ANY MATTER WHETHER OR NOT IT IS ON THE AGENDA, BUT STATE LAW PROHIBITS ACTION BY THE BOARD ON NONAGENDA ITEMS
4. Communications
  - A. Board Members
  - B. CEO/Risk Manager
  - C. Next Meeting
5. Consent Calendar
  - A. Approval of Minutes
6. Action Items
  - A. DOT Changes
  - B. Financial Internal Control Policy
  - C. Tree Claim Policy
  - D. CAFR
  - E. CAJPA Accreditation
7. Information Items
  - A. YCPARMIA Financial Report
  - B. YCPARMIA Investment Statement
  - C. Notification of New Claims Received Since the Previous Board Meeting
  - D. Closed Liability Files
  - E. Certificates Issued
  - F. Workers' Compensation Loss Run Summary
  - G. Yolo County Risk Assessment
  - H. Quarterly Statement of Revenues, Expenses and Retained Earnings
  - I. Strategic Planning

The meeting room is wheelchair accessible and disabled parking is available. If you are a person with a disability and you need disability-related modifications or accommodations to participate in this meeting, please contact our office at (530) 666-4456 or Fax (530) 666-4491. Requests for such modifications or accommodations must be made at least 48 hours before the start of the meeting.

# Yolo County Public Agency Risk Management Insurance Authority

COMMUNICATIONS	
AGENDA ITEM NO. <u>4B</u>	
DATE: <u>January 28, 2016</u>	
<b>SUBJECT:</b>	CEO/Risk Manager's Report
<b>RECOMMENDED ACTION:</b>	Information Only

## **BACKGROUND INFORMATION:**

The CEO/Risk Manager will be reporting on the following items:

1. PARMA is being held at the Renaissance Indian Wells Resort and Spa between February 23<sup>rd</sup> and 26<sup>th</sup>.
2. CAJPA is again being held in South Lake Tahoe between September 13<sup>th</sup> and 16<sup>th</sup>.
3. Our books are showing a number of past due premium invoices for the County and some of our smaller members. Many of these invoices are normally paid through the County with money coming from LAIF. The County's new accounting system is apparently not yet up to full speed, and needed reports have not yet been provided. The last LAIF report that we received from them was September's.
4. Board orientation is required by Board Policy for directors and alternates. We have at least three individuals that are overdue. Staff has tentatively scheduled availability for mornings during the second and third weeks in February.
5. At its last meeting the Board expressed interest in short training programs; we have tentatively blocked time for a one hour session at the April Board meeting.

Respectfully submitted,

Jeffrey M. Tonks  
CEO/Risk Manager

# Yolo County Public Agency Risk Management Insurance Authority

		COMMUNICATIONS
		AGENDA ITEM NO. <u>4C</u>
		DATE: <u>January 28, 2016</u>
<b>SUBJECT:</b>	Next Meeting	
<b>RECOMMENDED ACTION:</b>	Information Only	

**BACKGROUND INFORMATION:**

The following date is our next Board meeting:

DATE: March 24, 2016

Respectfully submitted,

Jeffrey M. Tonks  
CEO/Risk Manager

# Yolo County Public Agency Risk Management Insurance Authority

CONSENT CALENDAR  
AGENDA ITEM NO. 5A

DATE: January 28, 2016

**SUBJECT:** Minutes

**RECOMMENDED ACTION:** That the Minutes of the Regular Board Meeting of November 12, 2015 be Approved as Submitted

**BACKGROUND INFORMATION:**

Attached is a copy of the minutes of the YCPARMIA Regular Board Meeting for November 12, 2015 for your review.

Respectfully submitted,

Jeffrey M. Tonks  
CEO/Risk Manager

# Yolo County Public Agency Risk Management Insurance Authority

ACTION ITEM	
AGENDA ITEM NO. <u>6A</u>	
DATE: <u>January 28, 2016</u>	
<b>SUBJECT:</b>	DOT Changes
<b>RECOMMENDED ACTION:</b>	That the Board consider the DOT changes and not modify the current program at this time.

**BACKGROUND INFORMATION:**

The new Federal Motor Carrier Safety Administration (FMCSA) has issued a ruling on the minimum annual percentage rate for random controlled substances testing. The new standard for testing drivers of commercial motor vehicles (CMVs) requiring a commercial driver's license (CDL) has changed from 50% to 25% of the total group. We can either stay with the 50% of testing the employees or change to the new 25% standard.

If it is changed to the 25%, then the policies at each entity would have to be changed. Additionally if the FMCSA overall percentage of positives shows 1% or more, then the FMCSA can change the requirement for testing back to 50%.

It would be YCPARMIA's recommendation that we leave the current 50% standard in place, and await results. That way if the percentage of positives increases, a not unlikely occurrence given the trends that preceded the mandatory testing, and the old standard is reinstated members will not have to again change their policies.

The current cost and potential savings are listed below. Against these costs we should factor the one or two positives that we might get in any given year.

	<u>50%</u> <u>14/15</u>	Cost @ <u>\$67</u>	<u>REDUCED</u> <u>25% pool</u>
Davis	20	\$1,340.00	\$670.00
Davis Transit	6	\$402.00	\$201.00
West Sac	10	\$670.00	\$335.00
Woodland	36	\$2,412.00	\$1,206.00
Yolo	6	\$402.00	\$201.00
Esparto	5	\$335.00	\$167.50
	83	\$5,561.00	\$2,780.50

**FISCAL IMPACT**

Adoption of the new standard would save participating members about 50% of their annual DOT testing costs. There is also the indirect cost to members of having employees miss a short amount of work for testing.

Respectfully submitted,

Jeffrey M. Tonks  
CEO/Risk Manager

# Yolo County Public Agency Risk Management Insurance Authority

	ACTION ITEM
	AGENDA ITEM NO. <u>6B</u>
	DATE: <u>January 28, 2016</u>
<b>SUBJECT:</b>	Financial Internal Control Policy
<b>RECOMMENDED ACTION:</b>	That the Board review and adopt the recommended changes pertaining to the "Board Review" section of the Internal Control Policy (Blue Binder, K87-88).

## **BACKGROUND INFORMATION:**

In 1999 the YCPARMIA Board adopted, and since revised, a policy laying out internal controls for the Authority's financial actions. The policy is intended to combine efficient processing with maximum protection by involving multiple staff members in various financial processes. The last part of the policy addresses what information will be provided to the Board so that it can provide oversight. Following our CAJPA Accreditation Audit we received a recommendation that additional information be provided to the Board on a quarterly basis.

Currently the Board receives, as required by the Internal Control Policy, a quarterly report entitled Statement of Revenues, Expenses and Retained Earnings. This report is significant in that it provides the Board with the Authority's "bottom line" position for each of our programs. We are proposing that in the "Board Review" section of the policy's current requirements we add a second bullet requiring an additional quarterly report addressing investments.

The second bullet would read:

- *As summarized in a quarterly investment report, a detailed General Ledger reporting of all transactions in and out of YCPARMIA's LAIF account,, and detailed monthly account statements, detailing transactions in and out of YCPARMIA's managed investment account, along with confirmation of compliance with the Authority's Investment Policy.*

Lastly, a third bullet in the same section would read:

- *A certification signed by YCPARMIA's treasurer that there is a proper amount of funds available to meet the Authority's estimated cash flow requirements.*

## **FISCAL IMPACT**

There is no anticipated fiscal impact arising from the recommended action.

Respectfully submitted,

Jeffrey M. Tonks  
CEO/Risk Manager

# Yolo County Public Agency Risk Management Insurance Authority

ACTION ITEM	
AGENDA ITEM NO. <u>6C</u>	
DATE: <u>January 28, 2016</u>	
<b>SUBJECT:</b>	Tree Claim Policy
<b>RECOMMENDED ACTION:</b>	That the Board consider and adopt the proposed tree claim policy outlined below.

## **BACKGROUND INFORMATION:**

As previously reported to the Board in an information item (attached) at their June 2015 meeting, the California Court of Appeal, in City of Pasadena v. Superior Court (2014), held that an action in Inverse Condemnation may be used to award damages (not bodily injury claims) to claimants. Prior to that tree claims were decided on standard dangerous condition elements found in the Government Code, with the majority of claims being denied. Essentially, if there was no recognizable reason for limb failure (disease, rot, or decay) and the tree had been inspected pursuant to a reasonable schedule, then the entity lacked notice, and was not responsible for the damages caused by the falling limbs. Inverse Condemnation, unfortunately, is strict liability – the entity owns the tree and it causes property damage, you pay, along with attorney fees and costs for the other side. YCPARMIA, along with all other JPA's in the State, does not cover inverse condemnation.

YCPARMIA has continued to handle claims by applying dangerous condition principles, but has been confronted by claimants who cite the inverse condemnation theory. This has created three potential situations:

- The tree qualifies as a dangerous condition, and the matter is settled as a covered claim, regardless of the amount, without impact by the uncovered inverse condemnation;
- Under either theory, dangerous condition or inverse, the payment falls under the entity's deductible, and is recouped through the monthly deductible billing; or,
- The exposure is limited to inverse condemnation, and the payment exceeds the entity's deductible,

Due to the coverage exclusion, all tree claims must be investigated for a potential dangerous condition exposure.

It is felt that the Board needs to adopt a policy to deal with tree claims that trigger an uncovered inverse condemnation exposure. The proposed policy is:

*Under the City of Pasadena v. Superior Court (214)228 C.A. 4<sup>th</sup> 1228, the California Court of Appeal has held that a public tree that is part of the entity's forestry program can constitute a public improvement supporting an action for inverse condemnation; inverse condemnation is excluded under the Authority's Memorandum of Coverage. It is recognized that there will be claims where the involved tree does not satisfy the elements of a Dangerous Condition as defined in the California Government Code, and the entity's exposure is confined to an uncovered potential inverse condemnation exposure. In those situations the Authority will seek settlement authority from the involved entity, and upon concluding the claim will include the entire settlement amount in the next deductible billing. It is noted that this policy does not apply to bodily injury claims caused by the failure of an entity's tree.*

**FISCAL IMPACT:**

Adoption of the recommended action has no direct fiscal impact..

Respectfully submitted,

Jeffrey M. Tonks  
CEO/Risk Manager

# Yolo County Public Agency Risk Management Insurance Authority

	ACTION ITEM
	AGENDA ITEM NO. <u>6D</u>
	DATE: <u>January 28, 2016</u>
<b>SUBJECT:</b>	COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)
<b>RECOMMENDED ACTION:</b>	That the Board review and approve this year's CAFR.

## **BACKGROUND INFORMATION:**

On annual basis, staff creates and submits a Comprehensive Annual Financial Report (CAFR) to the Government Finance Officers Association (GROA). For the last eight years YCPARMIA has been awarded its Certificate of Achievement for Excellence in Financial Reporting. Attached is this year's offering that was submitted last month.

The Board should recognize that this outside recognition supports their oversight of the Authority's financial activity.

## **FISCAL IMPACT**

There is no anticipated fiscal impact from the recommended action.

Respectfully submitted,

Jeffrey M. Tonks  
CEO/Risk Manager

# Yolo County Public Agency Risk Management Insurance Authority

	ACTION ITEM
	AGENDA ITEM NO. <u>6E</u>
	DATE: <u>January 28, 2016</u>
<b>SUBJECT:</b>	CAJPA Accreditation
<b>RECOMMENDED ACTION:</b>	That the Board review and approve the attached CAJPA audit resulting in a renewal of our Accreditation with Excellence

## **BACKGROUND INFORMATION:**

Every three years YCPARMIA contracts with the California Association of Joint Powers Authority (CAJPA) to conduct an audit of our operations. This audit measures our actions against recognized industry standards. We have been fortunate to receive their Accreditation with Excellence after past audits, and again this year have been awarded that distinction.- -- a copy of the audit is attached.

This year's recognition comes with two conditions that must be satisfied:

- Our contract with LWP must be modified to create a duty on their part to disclose conflicts – this has been done.
- Reports to the Board on investment funds must be modified to include LAIF and our managed investment account – we are working with the auditor to satisfy this requirement; the modification of our Financial Internal Control Policy in this agenda is part of that process.

It is important that the Board recognize that this accreditation process goes a long way towards providing confirmation of their oversight of the Authority's activities.

## **FISCAL IMPACT**

There is no anticipated fiscal impact from approving the recommended action.

Respectfully submitted,

Jeffrey M. Tonks  
CEO/Risk Manager

# Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM  
AGENDA ITEM NO. 7A

DATE: January 28, 2016

**SUBJECT:** YCPARMIA Financial Report

**RECOMMENDED ACTION:** Information only, no action required

**BACKGROUND INFORMATION:**

Attached is the YCPARMIA's Financial Report through December 31, 2015 for your review.

Respectfully submitted,

Jeffrey M. Tonks  
CEO/Risk Manager

# Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM AGENDA ITEM NO. <u>      7B      </u>	
DATE: <u>      January 28, 2016      </u>	
<b>SUBJECT:</b>	YCPARMIA Investment Statement
<b>RECOMMENDED ACTION:</b>	Information only, no action required

## **BACKGROUND INFORMATION:**

Attached are the YCPARMIA Investment Statements through December 31, 2015 for your review.

### Investment Statement

For your information:

Chandler as of 12/31/2015	\$ 12,073,021.00
LAIF as of 12/31/2015:	\$ no report

### Outstanding Reserves

For your information:

<i>Total as of 12/31/2014:</i>	\$ 8,120,348.00
<b>Total as of 12/31/2015:</b>	<b>\$ 6,686,394.00</b>

Respectfully submitted,

Jeffrey M. Tonks  
CEO/Risk Manager

# Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM

AGENDA ITEM NO. 7C

DATE: January 28, 2016

**SUBJECT:** Notification of New Claims Received Since the  
Previous Board Meeting

**RECOMMENDED ACTION:** Information only, no action required

**BACKGROUND INFORMATION:**

Attached is a list of new Liability claims that have been received by YCPARMIA since the last Board Meeting. For your convenience, we have also included a list of all open Liability claims.

Respectfully submitted,

Jeffrey M. Tonks  
CEO/Risk Manager

# Yolo County Public Agency Risk Management Insurance Authority

	INFORMATION ITEM
	AGENDA ITEM NO. <u>7D</u>
	DATE: <u>January 28, 2016</u>
<b>SUBJECT:</b>	Closed Liability Files
<b>RECOMMENDED ACTION:</b>	Information only, no action required

**BACKGROUND INFORMATION:**

Attached is our report on closed liability files. Recognizing that this agenda is a public document, it should be emphasized that the information provided is general. It is probable during the course of the year that some files that close with a denial will re-open for litigation.

Respectfully submitted,

Jeffrey M. Tonks  
CEO/Risk Manager

# Yolo County Public Agency Risk Management Insurance Authority

	INFORMATION ITEM
	AGENDA ITEM NO. <u>7E</u>
	DATE: <u>January 28, 2016</u>
<b>SUBJECT:</b>	Certificates Issued
<b>RECOMMENDED ACTION:</b>	Information Only; no action required.

## **BACKGROUND INFORMATION:**

Attached is a list of the certificates that have been issued since the last Board Meeting.

Respectfully Submitted,

Jeffrey M. Tonks  
CEO/Risk Manager

# Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM  
AGENDA ITEM NO. 7F

DATE: January 28, 2016

**SUBJECT:** Workers' Compensation Loss Run Summary

**RECOMMENDED ACTION:** Information Only; no action required.

## **BACKGROUND INFORMATION:**

Attached is the December WC loss run summary reflecting results for the first half of the fiscal year.

### Summary:

Claim frequency is up when compared to last year, but severity is unchanged. Our monthly average paid benefits is down, and future reserves are down substantially. These trends should benefit us in the coming actuary study. Claims and payments are all trending flat, but importantly our future liabilities are trending down.

### Frequency:

Recognizing that we are dealing with small numbers, we have averaged 32.6 claims a month since the start of the fiscal year; last year we averaged 28 claims a month. Fortunately the increase appears to be small claims.

### Severity:

Of the 196 new claims received this year, only 15, or 7.6%, have been coded "indemnity," meaning that they have TD and/or PD reserves. This is essentially unchanged from last year.

### Benefits:

Our average monthly benefit payments this year are \$224,803. This compares well to last year's average of \$232,266. While this is a significant amount, our numbers are small enough that one bad, or one good month could drastically change our trends.

Temporary Disability: This number is trending flat when compared to last year

Permanent Disability: Permanent Disability payments are also trending flat.

Medical Costs: This number is also trending flat.

Legal, Investigative, Subrosa: And, maintaining the pattern, this area is also trending flat.

Future Reserves:

This area has been the management focus for the past three years. Our 12/31/15 total is \$5,948,315; last year at the same time we were \$1.1M higher, and the year before that we were at a catastrophic \$9.1M. At the start of the year our “expected” was about \$6.5M, so we are very pleased with this year’s number.

Respectfully submitted,

Jeffrey M. Tonks  
CEO/Risk Manager

# Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM  
AGENDA ITEM NO. 7G

DATE: January 28, 2016

**SUBJECT:** YOLO COUNTY RISK ASSESSMENT

**RECOMMENDED ACTION:** Information only, no action required

## **BACKGROUND INFORMATION:**

YCPARMIA has been chosen, along with a half dozen other "County Affiliated Joint Power Agencies" to participate in a risk assessment process facilitated by the County's internal audit division. This audit will identify, consider, and mitigate "risk," by looking at financial internal controls. YCPARMIA's Board Policies address many of these areas of interest.

At the initial meeting it was explained that the city managers and the county's administrator recognized the need to take a closer look at the JPA's that they belong to, and that the County volunteered to take the lead. It should be noted that this action is consistent with comments made by "electeds" at the Yolo Leader Meeting in October. A full day class conducted by the county's internal audit manager, Mary Khoshmashrab, is scheduled for March 10 to start the examination; we are told that an additional three hours of staff time will be needed to complete the process with results submitted to her for review and comment. It is anticipated that we will be reporting results to the Board at their April meeting, along with recommendations as needed.

Respectfully submitted,

Jeffrey M. Tonks  
CEO/Risk Manager

# Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM	
AGENDA ITEM NO. <u>7H</u>	
DATE: <u>January 28, 2016</u>	
<b>SUBJECT:</b>	Quarterly Statement of Revenues, Expenses and Retained Earnings
<b>RECOMMENDED ACTION:</b>	Information Only; No Action Required

## **BACKGROUND INFORMATION:**

This report reflects quarterly results for our self-insured programs through December 31st, and allows us to project trends towards year-end results. It should be noted that our investment numbers do not include LAIF returns; the County's last report on those results was as of September 30<sup>th</sup>.

### Liability

The Liability program has taken a few hits recently. We started the year with a bottom line deficit of \$1M, and have added \$214K to that number. At the same time we have disposed of a number of catastrophic claims, including a SIR limit payment for sexual assaults by a former West Sacramento police officer. Future reserves had reached \$1.2M on this program, and have now returned to a more normal level at \$733K. We will also be receiving the budgeted CJPRMA rebate before the end of this quarter. Projecting to the end of the year, we are anticipating fully funded program reserves, a fully funded confidence margin, and a catastrophic fund at about 50% of the Board approved level..

### Workers' Compensation

We continue to see improvement in this program. Program reserves and the confidence margin are fully funded; the catastrophic fund is at about two thirds of its Board approved level. We have made up about \$2.7M compared to a year ago..

### Property

The property program has "quieted down." After three bad years in a row we seem to have returned to a more normal pattern. Program reserves and confidence margin are fully funded, and the catastrophic fund is at 63% of its approved level. This program should be fully funded by the end of the fiscal year.

### Fidelity

The fidelity program is building a surplus that should be available for rebate at the end of the year.

Respectfully submitted,

Jeffrey M. Tonks  
CEO/Risk Manager

# Yolo County Public Agency Risk Management Insurance Authority

INFORMATION ITEM

AGENDA ITEM NO. 71

DATE: January 28, 2016

**SUBJECT:** Strategic Planning

**RECOMMENDED ACTION:** Information Only; No Action Required

## **BACKGROUND INFORMATION:**

This agenda item is intended to allow the Board to discuss trends, actions, and future risk management plans.

Respectfully submitted,

Jeffrey M. Tonks  
CEO/Risk Manager