The mission of PARSAC is to provide quality protection at reasonable cost to members by maintaining a financially stable risk sharing pool.

As an organization, we value:

The concept that we are not an insurance company, rather a risk sharing pool consisting of Member Entities that play an active role in determining the direction of the organization.

Trust and integrity by assuring the Member Entities that we are committeed to excellence and are accountable for our actions.

A stable working environment which promotes employee growth and development, to the end that our employees are motivated and committed to providing the best possible service to Member Entities.

The ability to make available programs that are specific to Member Entities' needs and thus, conducive to maximizing membership growth.

The ability to effectively communicate with Member Entities to ensure that the goals and objectives of the organization are accomplished.

Controlling risks through training and information sharing.

Participating in the legislative process as necessary.

Return on investment in risk sharing.

End Result Statements

As a result of our efforts...

...the Executive Committee, Board of Directors and staff make decisions and develop programs that benefit PARSAC as a whole (End 1).

...there is a realization of financial benefit to the membership based on adherence to best practice risk management standards through an equitable sharing of risk and funding (End 2).

...we will have a cost effective office facility sufficient to accommodate current and future staff, board and membership services (End 3).

...we will have a well informed and supportive base within each entity of our membership and workforces committed to a productive, safe work environment (End 4).

...membership retention and growth will be based on a confidence that PARSAC is able to meet and serve current and ever changing needs of a cohesive membership base (End 5).

Public Agency Risk Sharing Authority of California
[PARSAC]
Executive Committee Meeting
Thursday, May 31, 2018 – 7:45 a.m.
Embassy Suites, 100 Capitol Mall, Sacramento, CA 95814

In accordance with the requirements of the Brown Act, notice of this meeting must be posted in publicly accessible places, 72 hours in advance of the meeting, in each of the member agencies involved.

Note: The Executive Committee may take action on any item listed on the Agenda, the General Manager's Recommendation for each item is solely the recommendation of staff and does not limit the Executive Committee's authority to take action on any Agenda item.]

I. CALL MEETING TO ORDER: DETERMINE QUORUM

II. MODIFICATIONS OF AGENDA

		GENERAL MANAGER'S RECOMMENDATIONS
III.	**APPROVAL OF CONSENT AGENDA** ***Note: If discussion of any item on the Consent Agenda is desired, it must be placed on the Regular Agenda.***	
A.	**Meeting Minutes** **1.** Executive Committee Minutes – March 29, 2018	*Approve*
B.	**Quarterly Report on Coverage Denials – January - March 2018**	*Receive & File*

IV. GENERAL INFORMATION

V. PUBLIC COMMENT ON ITEMS NOT ON AGENDA

VI. DIRECTORS' GENERAL COMMENTS/SUGGESTIONS FOR NEXT AGENDA

VII. ADJOURNMENT

Any writings or documents pertaining to an open session item provided to a majority of the members of the legislative body less than 72 hours prior to the meeting, shall be made available for public inspection at the PARSAC business office, located at 1525 Response Road, Suite 1, Sacramento, CA 95815. For special accommodation because of a disability, please phone Carol Shreve at PARSAC (916) 927-7727 or (800) 400-2642 or email her at cshreve@parsac.org at least 24 hours prior to the meeting time shown above.

UNAPPROVED

PUBLIC AGENCY RISK SHARING AUTHORITY OF CALIFORNIA
Executive Committee Minutes
March 29, 2018, 8:00 a.m.
Embassy Suites, 100 Capitol Mall, Sacramento, CA 95814

COMMITTEE MEMBERS PRESENT:

President:	John Gillison, City of Rancho Cucamonga
Vice President:	Steve Rogers, Town of Yountville
Auditor/Controller:	Carolyn Steffan, City of Tehama
Treasurer:	Greg Franklin, City of Yucaipa
Members-at-Large:	Chuck Dantuono, City of Highland
	Debra Breidenbach-Sterling, Town of Yucca Valley
	Jeff Gardner, City of Plymouth
	Cleve Morris, City of Placerville
	Tamara Vides, City of Watsonville
	Catrina Olson, City of Nevada City
	Steve Wright, Officer Emeritus

COMMITTEE MEMBERS ABSENT:

Ronda Rivera, City of Citrus Heights

OTHERS ABSENT:

Mala Subramanian, General Counsel, Best, Best & Krieger

PARSAC STAFF PRESENT:

General Manager	Joanne Rennie
Risk Manager:	Kin Ong
Sr. Accountant:	Tracey Smith-Reed
Sr. Admin. Assist.	Carol Shreve

OTHERS PRESENT:

Greg O'Dea, General Counsel, Longyear, O'Dea & Lavra
Mike Harrington, Bickmore

In compliance with Government Code §54953(c)(2), the following minutes indicate "unanimous" when all voting members listed above were accounted for and voted in favor of a motion. If any member was absent during a vote, abstained, or voted against any motion, they are indicated as such by name.

The PARSAC Executive Committee met at the Embassy Suites, Sacramento, California to discuss, approve, or amend the following items.

I. CALL MEETING TO ORDER: DETERMINE QUORUM

The meeting was called to order at 8:02 a.m. with a quorum present.

II. MODIFICATION TO AGENDA

Staff requested a change to Item 11d, changing fees from liability law enforcement defense firms to all defense. Motion to approve modification to agenda. *[M/S/C: Steffan/Rogers/Unanimous.]*

III. REPORTS

The General Manager stated the meeting would be shortened to allow those leaving Sacramento to exit safely. Demonstrations have impeded freeway access and blocked streets. As a result of the shorter meeting, closed session for claims would be conducted at the May meeting. If settlement authority is required before then, a special meeting would be scheduled.

PARSAC staff recently visited Twentynine Palms, Yucca Valley, Calimesa (fire personnel), Yucaipa, Wildomar, and met with new City Manager and Assistant Manager at Menifee, and a visit with California City would take place in mid-April.

PARSAC attended PARMA in February and met with Pacific Grove employees Tori Hannah and Amy Christy, the Police Chief.

PARSAC staff will conduct Risk Management 101 training for Twentynine Palms in mid-April.

Mr. Marshburn conducted a Contractual Risk Transfer workshops in Rancho Cucamonga in January for Southern California and will be presenting Part 2 on April 18, 2018 at PARSAC's office in Sacramento.

PFM met with PARSAC Staff and Greg Franklin earlier in March for an update on PARSAC investments.

During the December Strategic Planning session, technology was the main theme. PARSAC is seeking committee members to work along with Staff and Crocker & Crocker to create an updated/refreshed website.

Membership: promotions for Ronda Rivera of Citrus Heights and David Wilson of West Hollywood, both promoted to Assistant City Managers and Tamara Vides to Deputy City Manager. Rob Mescher of Avalon, Steve Pischel of Placentia and Cathy Krysyna of Pacific Grove have all left their respective cities and wish them well.

IV. APPROVAL OF CONSENT AGENDA — Action Taken

A. Meeting Minutes — *Approved*
1. Executive Committee Meeting – August 31, 2017
2. Workers Comp Subcommittee – November 2, 2017

B. Quarterly Financial Statements – ending September 30, 2017 — *Approved*

C. Quarterly Report on Coverage Denials — *Received & Filed*

D. Resolution 2017-05 to Revise the Workers' Compensation Defense Panel and Exhibits A & B to Revise List of Panel Firms to include Joseph T. Todoroff, II Of Hanna, Brophy, MacLean, McAleer & Jensen, LLP — *Approved, Recommend Board Adopt*

Motion to approve the consent agenda. *[M/S/C: Gardner/Rogers/Unanimous.]*

V. REGULAR AGENDA

1. Actuarial Review – Liability and Workers' Compensation — *Approved, Recommend Board Ratify*
Presented by Mike Harrington, Bickmore

Mr. Harrington presented the Liability Actuarial Report. The overall financial position is very good. Although pooled losses have developed adversely in the most recent years, which resulted in increased rates; the pool remains well funded above the 90% confidence level.

The last few years are showing adverse development resulting in a premium increase. Claims are trending greater than expected. The good news is that although PARSAC's claims have gone up, so have the assets.

- The Program's discounted outstanding liability, including EPL, projected at 6/30/18 is $6.9 million at expected and is $9.9 million at the 90% confidence level;
- Program assets are $18 million.
- The Program's actual versus expected incurred loss development decreased $340K and ultimate loss projections decreased $335K. However, losses are trending up in the most recent 3 years. Due to this upward trend, the loss funding rate at the 80% and 85% confidence levels increased an average of 9.3% and 20.2% respectively.
- The primary EPL funding rate at the 90% confidence level is .202 ($5K SIR) and .144 ($10K SIR), an average reduction of 5.5% from the current year.

Mr. Harrington stated that all pools are having large loss issues. Issues causing the adverse development in liability, deep pockets, #me too movement and larger claims.

The Program remains well funded overall at the 90% confidence level with net equity of $8.1 million. PARSAC is one of the healthiest pools.

After a very short discussion a motion was made to approve the Liability Actuarial Report and recommend the Board ratify. *[M/S/C: Morris/Vides/Unanimous.]*

Workers' Compensation:

Mr. Harrington presented the Workers' Compensation Program for 2018-19. Overall, the Program is well funded above the 90% confidence level. Other notable observations include:

- The Program's discounted outstanding liability increased $274K to $12.2 million (expected) and increased $338K to $15 million (90% confidence level).
- Total program assets increased $2 million to $25 million and surplus at expected and 90% confidence levels are $13,284,020 and $10,410,328, respectively (previously $11,516,492 and $8,707,234).
- The estimated funding requirement for claims expenses (excluding excess insurance and administration expense) at the 75% confidence level is $4,258,502, which includes allocated and unallocated loss adjustment expenses and is discounted for investment income.
- Actual versus expected incurred losses decreased $1,560,620 and ultimate losses decreased $1,686,683. However, total claims liabilities increase $274,186, which is a result of lower than expected paid losses of $1,481,379.
- Loss funding rate at the 75% confidence level is projected to decrease an average of 4% from the current year.

The Program's financial position remains strong with net equity exceeding $10.4 million at the 90% confidence level. PARSAC is one of the best funded groups and can weather any storm.

A motion was made to approve the Workers' Compensation Actuarial Report and recommend the Board ratify. *[M/S/C: Steffan/Breidenbach-Sterling/Unanimous.]*

2. Inverse Sublimit Interpretation *Approved, Recommend Board Ratify*

Staff advised that inverse condemnation actions are premised upon California Constitution which provides that private property cannot be taken, or damaged, for public use without just compensation to the owner. Common types of inverse condemnation claims impacting PARSAC members are:

1. Damage from land instability and landslide;
2. Damage from water and drainage;(surface water, drainage systems, flooding); and
3. Damage from sewage overflows or intrusions.

PARSAC's MOC provides inverse coverage **only when** there is physical damage to tangible property, subject to a sublimit. The Board recently increased sublimit coverage from $500K to $700K. An inquiry was made regarding how the sublimit is applied: 1) Does it trigger coverage after the member's SIR is exhausted; or 2) Does the SIR erode the sublimit? If the intention is that the sublimit stacks on top of the SIR, a member with a $100,000 retention would receive $700,000 of inverse coverage. However, if the SIR is included, a $100,000 SIR member would receive $600,000 of coverage. No precedent has been set for determining how the sublimit is applied, as previous inverse litigation also alleged nuisance and dangerous condition and members have been afforded full coverage limits when multiple covered causes are alleged. Staff's recommendation is to approve the MOC language, and the Declaration page, and that the sublimit be interpreted to provide coverage on top of the member's SIR not to exceed PARSAC's coverage layer of $1 million.

After a brief discussion, a motion was made to approve and recommend the Board ratify the MOC and Declaration page language, to interpret the coverage to be on top of the member's SIR. *[M/S/C: Rogers/Vides/Unanimous.]*

3. 2018/19 Program Funding for Liability and Workers' Compensation Programs *Approved*

Liability:
Staff thanked the Finance Committee and Chair for their contributions and presented the Liability funding options. The primary funding rate increased 9.3% and 20.2% at the 80% and 85% confidence levels, respectively. Historically, the Program has funded at the 85% confidence level. Recently the Board approved funding at the 80% confidence level due to the pool's healthy financial position. Funding at a lower confidence level provides an upfront dividend to members.

ERMA's preliminary 2018-19 budget indicates an average rate reduction of 3%. The pool experience modification factor is unchanged at 1.250. Estimated premium is $1,197,577 compared to $1,179,233 this current year.

The excess coverage rate through CSAC is projected to increase 24% next year, with PARSAC's annual costs estimated at $1,326,200 compared to the current year's premium of $1,108,243. An option to increase CSACs' coverage limits from $35 to $50 million is factored into the funding projections for an additional annual premium of $87,200. Other pools are increasing limits to $50 million to protect their interests. PARSAC has not had any claims with a $50 million loss.

CARMA, PARSAC's prior excess pool, issued issue a dividend of $715,000 last year and the Board approved applying $200,000 of this dividend toward reducing the 2018-19 rates.

Staff and the Finance Subcommittee recommended funding the primary layer at the 80% confidence level and increasing excess limits from $35 million to $50 million. The premium for the additional increase in coverage $50 million to be paid with CARMA dividends, at a cost of $87,200.

Workers' Compensation:
Staff presented the 2018/19 funding options. Overall, the pool's base funding rate will decrease 4% next year from $4.09 to $3.88. The Program's financial position is excellent and funded above the 90% confidence level with surplus exceeding $10.4 million.

LAWCX is projecting a rate increase of 5%. Additionally, funding of the mid layer pool ($2 million to $5 million) is projected to increase approximately 10%. This layer continues to be underfunded and LAWCX has a plan to cure the deficit over a ten-year period and PARSAC's assessment will be $38K beginning in 2019.

CSAC's excess rate above LAWCX's retention, $5 million to statutory limits, is projected to increase 15%. Overall PARSAC's excess rate is projected to increase approximately 9%.

The Workers' Compensation Program funding policy mandates funding on a year-to-year basis at a 75% confidence level. This conservative funding approach has been very successful and resulted in overall pool funding above the 90% confidence level with estimated Program surplus exceeding $10.4 million projected at June 30, 2018.

Staff and the Finance Subcommittee recommended Workers' Compensation funding at the 75% confidence level, and no use of any rate stabilization funds to reduce premiums.

After a short discussion, a motion to was made to approve Liability program to fund at 80% confidence level and increase CSAC's coverage limits from $35 million to $50 million; and approve the Workers' Compensation program to fund at the 75% confidence level. *[M/S/C: Breidenbach-Sterling/Steffan/Unanimous.]*

Disposition of Excess Dividends – CARMA / ERMA *Approved, Recommend Board Ratify*

ERMA
Staff thanked the Finance Subcommittee for their time and stated that at the Board meeting a portion of the ERMA dividend, $155,427 had previously been set aside to retain human resources related services.

Staff and the Finance Subcommittee discussed various reallocation of the funds with options such as returning the funds, combining the funds with a future dividend, increasing the EPL rate stabilization fund from $300,000 to $500,000, using this $155,427 to start that transition to $500K, and then using those funds to offset the premium increase from ERMA for FY 2018/19, which would require a change of policy. Also considered were funds for employee assistance program for agencies without resources to help prevent claims, retuning funds to members would cause three members to be assessed for ERMA's capital fund, as well as setting aside funds for withdrawn members.

The President indicated that ERMA may have another distribution coming to PARSAC in early summer.

The Finance Subcommittee recommended that the PARSAC members could best be served by using the funds to increase the EPL rate stabilization fund from $300,000 to $500,000 incrementally over time, using the funds immediately to offset ERMA's premiums for 2018/19.

CARMA
Staff reported that CARMA released $300K in January. The Finance Subcommittee met in February to consider uses for these funds and recommended allocating $100,000 to Risk Management Training; $54,000to consulting services to assist members with implementing risk assessment recommendations and returning all the remaining funds equally to all members through the grant program to be held in perpetuity until used.

The Executive Committee is now being asked to use some of the grant money within the Safety and Loss Control Program to increase conference attendance (currently $1,500 per year) by $1,000 per year per member to encourage succession planning.

After some discussion a motion was made for both the ERMA and CARMA funds as follows:

ERMA: Allocate funds to the rate stabilization fund and use those funds to help with the premium increase from ERMA in 2018/19.

CARMA: Allocate $100K to Risk Management Training; $54K for consultant fees; and the balance to be equally distributed to all members through the Safety and Loss Control Grant program for use until perpetuity, and to increase the limit $2,000 per year (from $1,500 to $3,500) to attend conferences and training development to encourage succession planning. *[M/S/C: Rogers/Steffan/Unanimous.]*

4. Safety & Loss Control Grant Program Update *Received and Filed*

Staff presented the current fiscal year grant fund balances by member. Seven members have submitted applications for fiscal year 2017/18 totaling $58,910 with an additional $6,000 encumbered for risk assessments. The total unused balance as of 3/9/18 was $260,538, which included unused funds encumbered for fiscal year 2016/17 in the amount of $449. The unused funds are expected to decrease significantly as reminders were sent to members. Per the policy, all unused grant funds as of May 1, 2018 will be applied to offset the total grant program funding for next year in the final program budget.

Grants are available to improve workplace safety and better control/manage members' liability exposures through the purchase of equipment, training, or related risk management services. Members must complete and submit applications for reimbursement by May 1 of each year, or their grant funds will be considered "unused." Members may request a maximum one-year extension for a specific project by providing an executed agreement. Seven members have submitted applications that were approved for projects such as wellness programs, ERM training, conferences, park and playground hazards and tree trimming.

5. Strategic Planning Update

Staff stated that during the Strategic Planning session in November plans were discussed for the next 3 years. The Board provided information before the planning session, and Mr. DeLizia lead the process on that day. He provided information on pooling industry, risk management, public entity issues. He also discussed PARSAC in terms of its performance and competitiveness in the industry. He compiled the data received and with the assistance of staff crafted new Values and Ends Statements; Mission Statement and a Vision Statement, along with other planning items. Staff presented a different look and feel to the Strategic Plan itself, as it is broken down year by year rather than a cumulative history. The Values, End Statements, Mission Statement and Vision Statement were presented, discussed and changed (by majority vote) as stated below.

Mission Statement: To provide shared risk financing, quality coverage and customized services and solutions to meet the evolving risk management needs of California Public agencies.

The Values were discussed and changed as follows:

Member-driven: PARSAC is a risk sharing pool in which highly engaged members set the direction and priorities of the organization and uphold the guiding principles by which the pool operates.

Collaboration: PARSAC members share a commitment to support each other in achieving a high standard of practice in risk management.

Responsiveness: PARSAC programs and services evolve to meet member needs and result in high member satisfaction and retention.

Service: PARSAC staff are committed to serving the diverse interests of the pool, while providing personalized support and solutions to meet the individual member's unique risk management needs.

Trust and Integrity. PARSAC is committed to excellence and is accountable as stewards of member resources.

Fiscal Responsibility. PARSAC operates an efficient organization providing competitive programs and services and the highest possible return on member investment.

The Ends Statements were discussed and changed as follows:

As a result of our efforts:

End 1: Programs and Services
The Executive Committee, Board of Directors and staff make decisions and develop programs and services that benefit PARSAC members as a whole

End 2: Pool Standards and Funding
Members understand that financial benefit is achieved through adherence to standards of best practice in risk management and an equitable sharing of risk and funding.

End 3: Pool Operations
PARSAC operates efficiently, and regularly evaluates and builds the capacity and infrastructure required to meet the evolving and diverse risk management needs of member agencies.

End 4: Support of Member Entities
A well-informed, supportive member entity commits to a productive and safe community.

End 5: Member Retention and Growth
PARSAC benefits from a strong, cohesive member base, with a high level of member satisfaction and retention, and appropriate growth based on our shared values.

Staff advised that Crocker & Crocker was retained to update the website. Rancho Cucamonga, Watsonville, Yountville and Yucaipa indicated they had personnel for the Tech Subcommittee.

Risk Assessment: A lengthy discussion occurred on the upcoming risk assessment process. Staff stated it will focus on each member, look at key areas, these will be driven by those exposures generating losses: dangerous conditions, employment, contractual risk transfer. Staff will focus efforts on systematic review of member contracts to ensure appropriate risk transfer in areas of high exposure. Changes to those contracts may take some time.

At the request of the Executive Committee the law enforcement risk assessment project will be tabled for now.

Succession Planning: Staff presented the flyer for the Risk Manager/Associate Risk Manager position. PARSAC is open to suggestions for filling this position. If there is no progress in a month, PARSAC will request permission to hire a recruiter.

Member Engagement: Staff requested a list of personnel from each member agency who would benefit from a quarterly bulletin.

After a lengthy discussion our Vision Statement was tabled, and the EC will forward a one-line statement to the GM for review. The matter will be brought forward at the Board meeting.

6. Membership Application - Mission Viejo

Staff stated that the City of Mission Viejo submitted an application for PARSAC membership in both the Liability and Workers' Compensation programs. No one from Mission Viejo attended the meeting, as they had not yet received the consultant report expected mid-April. Staff began the underwriting analysis, which included an onsite risk assessment, city staff interviews, review of the city operations, and a comprehensive review of their loss history. PARSAC is the only pool which conducted an on-site risk assessment. It is a clean, well-maintained, beautiful city.

The City is built on slopes, natural and manmade, which cause considerable concern to staff. City staff voiced their concern with current JPA for a $1.7 million inverse condemnation settlement with another case is pending. Staff was unable to obtain any information regarding the lawsuits.

At this time, staff recommends conditional approval in the Liability program effective 7/1/2018 upon completing a review of the City's inverse/subsidence exposure. However, if sufficient information is not available to complete the analysis, it is recommended that Mission Viejo's application for Liability membership is approved at $50K SIR or above, except that a $500K SIR shall be applied to all inverse condemnation and subsidence claims. Approve the City's Workers' Compensation membership at the $5,000 SIR level.

Mission Viejo is in Orange County in the Saddleback Valley. It incorporated in 1988 and has a population of 96,000 and is one of the largest master-planned communities in the country. The City is family orientated and received many top ten rankings from various publications for being the safest City in the state and country. It is known for its numerous recreational areas (approximately 2 parks per square mile), community involvement and volunteers. The City facilities and infrastructure were exceptionally maintained.

The City is 18 square miles with 228 miles of streets and roads. Their general fund budget is $43 million. There are 129 full-time and 149 part-time employees, along with 350 volunteers and an annual payroll of $12.8 million. Mission Viejo has a stable management team with dedicated and experienced staff who ensure high quality services are provided to the community. It is a contract city with essential services (law enforcement, fire protection and public transit), being provided through Orange County. Its water and waste water are with Santa Margarita Water District. They have a very impressive animal service center.

There was a lengthy discussion about the claims which total approximately 200 in ten years, most of which are generated through the animal service center. The City has not decided which pool to join; and will not make a decision until after the consultant's report is completed. Staff indicated there are so many unknowns. A motion was made to remain open to a special meeting to consider Mission Viejo's membership in PARSAC. *[M/S/C: Morris/Franklin – majority vote – motion passed.]*

7. Update on Other Post Employment Benefit (OPEB) Liability

Staff reported the Government Accounting Standards Board (GASB) approved Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB), requiring the long-term obligation for Other Postemployment Benefits (retiree healthcare) to be recorded on financial statements as of June 30, 2018. Previously the Board elected to fund the OPEB liability proactively using excess and pool dividends and through annual required contributions as determined through actuarial funding studies. Staff is pleased to report that based on the most recent OPEB actuarial reports, retiree healthcare is fully funded, and no additional contributions are required at this time.

A motion was made to approve, and recommend the Board ratify, the Actuarial Valuation Report for OPEB funding and GASB 75 Accounting Valuation Report and direct staff not to take a withdrawal from the OPEB trust. *[M/S/C: Morris/Rogers/Unanimous.]*

8. Estimated Retrospective Premium Adjustment (Multiple Years)

Staff reported that the Retrospective Premium Adjustment (RPA) is calculated annually for each self-insured program. The RPA in both programs (liability and workers' compensation) is calculated using a single-layer method allocating each element based on the members' pro-rate contribution to the program.

The Liability program's projected financial position increased compared to the prior year by $120K. Program assets projected to June 30, 2018 are $18 million and the program meets the 90% confidence level funding. However, with the additional Target Equity fund reduction of $5 million, the program falls short of its goal for a dividend return. The funding policy requires meeting both equity targets before a dividend can be declared, and as such, no dividend is recommended this year.

The Workers' Compensation RPA schedule spans the 1990/91 – 2009/10 years and includes three years in deficit totaling $182K. These deficits were offset by other years, leaving a total dividend available of $2,237,180. The Workers' Compensation program has historically taken a cautious approach to returning funds due to legislative impacts and the long life of claims. Last year the Board approved a dividend of $1.25 million representing 45% of the available balance. Options were presented for a dividend return from $1 million to $1.5 million. Staff and the Finance Subcommittee recommended a Workers' Compensation distribution of $1 million in dividends to members to be distributed in the form of a check to be disbursed in June, and that dividends for withdrawn members will be held until all claims are closed.

After a very short discussion a motion was made to approve and have the Board ratify staff and Finance Subcommittee recommendation to distribute of $1 million in Workers' Compensation dividends to members to be distributed in the form of a check to be disbursed in June, and that dividends for withdrawn members will be held until all claims are closed. *[M/S/C: Steffan/Breidenbach-Sterling/Unanimous.]*

9. Change of Attorney – Longyear, O'Dea & Lavra, LLP

Staff reported that Mala Subramanian of Best, Best & Krieger, PARSAC's long-time General Counsel notified PARSAC she would be stepping down from the position. Mala has been a tremendous asset to the Board for the last 10 years and will be missed. Long-time coverage counsel, Greg O'Dea has, at the Officer's request agreed to serve as General Counsel. Mr. O'Dea has served PARSAC as both coverage and defense counsel for 15 years.

Staff recommends approving the contract with Greg O'Dea of Longyear, O'Dea & Lavra for General Counsel and Coverage Counsel. *[M/S/C: Franklin/Steffan/Unanimous.]*

10. Preliminary Budget 2018/19

Staff thanked the Finance Subcommittee for their time. The budget reflects the Finance Subcommittee's recommendation to maintain funding at the prior year's confidence levels with the Liability Program funding at the 80% confidence level and the Workers' Compensation Program funding at the 75% confidence level.

An overview indicated

- Investment income remains unchanged due to market fluctuations
- Payroll and Benefits decreased by 8%
- The Grant program provides members with funds for loss control needs
- Computer costs increased 150% due to increased technology needs
- Website development costs increased 417% due to update to website and design to meet member needs;

- Staff travel and training increased by 27% for new staff's travel costs and training
- Membership dues increased 500% due to CAJPA accreditation costs and membership in AGRIP
- Loss Control Expense is added for the current year to provide risk assessments for 1/3 of PARSAC's members each year for the next three years

Key Changes to the Liability Program at the 80% confidence level:

Member Contributions increased 14%. The Liability Program budget is charged 50% of general administration expense, or $1,066,292, less than a 1% change from the prior year.

- Excess Premium Insurance increased by 15% with CSAC's estimated rates to increase by 26% and ERMA by 5%
- Claims Expense increased by 16% based on the Actuary's estimate at the 80% confidence level
- Loss Control Expenses has been added to address loss control needs of the members
- Claims Administration remains the same at $160,000 for pool administration and $150,500 for primary claims administration

Key Changes to the Workers' Compensation Program

Member Contributions increased 3%. The Workers' Compensation Program budget is charged 45% of the general administration expense, or $972,266, less than a 1% change from last year.

- Excess Premium Insurance increased by 14% based on estimates provided by LAWCX
- Claims Expense decreased by $19,000, less than 1% change
- Self-Insurance Fe increased by 11% based on claims estimates
- Loss Control Expense has been added for the current year to address loss control needs of members
- Consultants decreased by 5% or $750

In the Property Program member contributions included a 20% increase based on estimated insurance costs.

After a short discussion a motion was made to approve the budget as presented and request the Board ratify. *[M/S/C: Steffan/Franklin/Unanimous.]*

11. Liability and Workers' Compensation Programs Resolutions Revising Defense Panels

Staff indicated that this agenda item contained several parts. An evaluation of the panel is completed periodically to review the effectiveness of each attorney. In addition, the analysis assists PARSAC in paring down the panel to achieve the most efficient and effective litigation. This also enables PARSAC to identify additional resources where the pool is not sufficiently represented.

The majority of PARSAC's litigated cases have been assigned to a handful of attorneys/firms, due to the type and location of litigation, their effective representation, and the established relationship between the member and attorney. Conversely, there are several firms that have not been assigned cases for a variety of reasons, including litigation was outside their specialty, jurisdictions were beyond the territory which the firms serve, or the firms' rates exceed PARSAC's guidelines. Because PARSAC has not utilized, or has only sparingly used some firms, staff is recommending removal of the following firms: Aleshire & Wynder; Bradley, Curley, Asiano, Barrabee, Abel & Kowalski; Law Office of Cathy M. Gandara; Gibeaut, Mahan & Briscoe; Hawkins, Parnell, Thackston & Young; Howard, Rome, Martin & Ridley; Marderosian, Cercone & Cohen; Nelson Rozier; Thompson & Colegate and Weakley & Arendt.

A motion was made to remove the recommended firms from the Liability Defense Panel.
[M/S/C: Rogers/Steffan/Unanimous.]

For similar reasons as outlined in the Liability Reconstitution report, staff proposes that the following firms be removed from panel: Goldman, Magdalin & Krikes; Luna Levering & Schad; Robin, Carmack and Gonia; Stockwell, Harris, Woolverton & Muehl; and the Law Offices of Stacey L. Tokunaga.
A motion was made to remove the names from the Workers' Compensation Defense Panel.

[M/S/C: Breidenbach-Sterling/Steffan/Unanimous.]

Staff recommended that two names be added to the Liability Defense Panel, Peter Cuttitta of Porter Simon and Harvey "Chip" Wimer, III of Graves & King and Boone T. White and Robert A. Sanders of Witzig, Hannah, Sanders & Reagan to the Workers' Compensation Defense Panel. These attorneys come at members' requests.

A motion was made to add the recommended names to the defense panels. *[M/S/C: Rogers/Dantuono/Unanimous.]*

Staff recommends that the firm name of Bordin Martorell be changed to Bordin Semmer, as Josh Bordin-Wosk now has a new partner. A motion was made to approve staff recommendation for the firm name change.
[M/S/C: Dantuono/Franklin/Unanimous.]

Staff advised that several firms had requested a rate increase. Staff surveyed other JPA's and determined that our rates were lower than others, especially at the associate level. Given the outstanding work product delivered by PARSAC panel defense counsel, staff recommended an increase to $225 for partners, $185 for associates and $95 for paralegals.

A motion was made to approve the rate increase of $225 for partners, $185 for associates and $95 for paralegals.
[M/S/C: Steffan/Breidenbach-Sterling/Unanimous.]

12. Operational Best Practices – Contractual Risk Transfer

Staff advised that PARSAC members often enter into agreements with contractors, vendors, suppliers, tenants or even other public entities. When executing such agreements, it is good risk management practice for the member to transfer the risk of loss by contract. This contractual transfer is achieved through use of hold harmless and indemnity clauses, by which one party assumes the liability of another and agrees to defend them in the event of a claim or lawsuit. While the hold harmless and indemnity agreement is the legal instrument to transfer risk, the insurance policy is often the mechanism to fund that risk. The best method to ensure the transfer takes place is to require insurance. The insurance is intended to protect not only the contactor, but also the City against third party losses. All City contracts and/or professional service agreements should contain standard insurance requirements language. These requirements will convey to the contractor the types and limits of insurance, acceptable insurers, specific endorsement language, and renewal/cancellation notices, etc. prior to the commencement of work.

PARSAC's website provides an insurance requirement guide, which is intended to be a useful tool in helping members determine the appropriate requirements based on contracted services. The feedback staff received is the website information, although informative, contains too much information and is difficult to follow. As an alternative, staff presented Alliant's insurance requirements manual. The manual was originally developed as a public document in the late 70's by public entity risk managers and consultants. It has been updated throughout the years and was recently reviewed by leading industry consultants in risk management.

A motion was made approve, and recommend Board adopt the Alliant's Risk Transfer Manual to assist members in effective transfer of risks associated with contracted services. *[M/S/C: Rogers/Breidenbach-Sterling/Unanimous.]*

VI. CLOSED SESSION

A. Conference with Labor Negotiator

Pursuant to Government Code § 54957.6 the Board met in closed session for the opportunity to meet with the labor negotiator on behalf of the unrepresented employees, and by a unanimous vote with an abstention from Rancho Cucamonga, the board voted to approve a Cost of living adjustment of 2.5%.

VII. GENERAL INFORMATION

VIII. PUBLIC COMMENT ON ITEMS NOT ON AGENDA

IX. DIRECTOR'S GENERAL COMMENTS/SUGGESTIONS FOR NEXT AGENDA

X. ADJOURNMENT

The Executive Committee Meeting was adjourned at 1:35 p.m.

Respectfully submitted,

APPROVED: May 30, 2018

____
Carolyn Shreve
PARSAC Deputy Secretary

____
John Gillison, City of Rancho Cucamonga
PARSAC President

QUARTERLY REPORT ON COVERAGE DENIALS

SUMMARY: This report is intended to inform the Executive Committee of coverage denials and is delivered in any quarter where one or more members have received a letter that either fully or partially denies coverage.

RECOMMENDATION: Receive and File

DISCUSSION: Periodically, lawsuits received from member agencies allege causes of action which are not covered under PARSAC's Memorandum of Coverage. These suits are analyzed by PARSAC's coverage counsel to ensure coverage and defense is granted in accordance with the Memorandum. A denial may also be issued if a member chooses to assign defense counsel without using the Defense Panel since such assignment waives coverage per the Resolution.

The following claims were denied during the period of January 1, 2018 – March 31, 2018.

Plaintiff/Entity	Cause of Action	Coverage Opinion
Lilley v. Wildomar	Errors & Omissions	Exclusions G
Griffith v. West Hollywood	Breach of Contract	Exclusion D
Palmer v. Rialto	Land use regulation	Exclusion P
Tortilla Republic v. West Hollywood	Inverse Condemnation	Exclusion P
LBC Irwindale, LLC v. Placentia	Brach of Contract Land use regulation Dec relief	Exclusions D, P & Z

FISCAL IMPLICATIONS: Cost analysis by coverage counsel is included in each annual budget and varies by suit or claim.

ATTACHMENT: None

Public Agency Risk Sharing Authority of California
[PARSAC]
Board of Directors
Thursday, May 31, 2018 – 8:00 a.m.
Embassy Suites, 100 Capitol Mall, Sacramento, CA 95811

In accordance with the requirements of the Brown Act, notice of this meeting must be posted in publicly accessible places, 72 hours in advance of the meeting, in each of the member agencies involved.

[Note: The Board may take action on any item listed on the Agenda. The General Manager's Recommendation for each item is solely the recommendation of staff and does not limit the Board's authority to take action on any Agenda item.]

I. CALL MEETING TO ORDER: DETERMINE QUORUM

REPORTS

A. President
B. General Manager

II. MODIFICATIONS OF AGENDA

III. APPROVAL OF CONSENT AGENDA
[Note: if discussion of any item on the consent Agenda is desired, it must be placed on the Regular Agenda]

		GENERAL MANAGER'S RECOMMENDATIONS
A.	**Meeting Minutes**	
	1. Board of Directors – November 30, 2017	*Approve*
B.	**Quarterly Financial Statements – Quarter January through March 2018**	*Approve*
	1. Financial Statements; and	
	2. Treasurer's Report	
C.	**Resolution 2018-01 Establishing Meeting Dates for Calendar Years 2019/2021**	*Adopt*

IV. REGULAR AGENDA

1.	**Elections of PARSAC Officers and Executive Committee Members-at-Large**	*Conduct Election*
	Officers: Vice President, Steve Rogers	
	Treasurer – Greg Franklin	
	Members at Large: Four Positions	
2.	**Annual Actuarial Review**	*Approve*
	Mike Harrington – Bickmore Risk Services	
	a. Liability	
	b. Workers' Compensation	
3.	**Program Funding Fiscal Year 2018/19**	*Approve and*
	a. General Liability (SIR Changes)	*Adopt Resolution*
	b. Workers' Compensation (SIR Changes)	
	c. Disposition of Excess Dividends	
	i. ERMA/Resolution 2018-04	
	ii. CARMA	
4.	**PFM Investment Portfolio and Policy Update**	*Adopt*
5.	**Revise MOC to Define Sublimit**	*Ratify*

6.	**EPL, Safety/Loss Control Grant Program Update and Funding** a. Program Update and Funding b. Policy Update	*Approve Funding and Policy*
7.	**Strategic Plan Update and 2018 Outcomes** a. Mission Statement and Values b. Vision and Ends Statements c. Technology Discussion (*Meeting Reservations, Dashboards, List Serve)* d. Member Services i. Risk Assessments – Action Plan (3 years) ii. Specialty Risk/Dangerous Conditions/Law Enforcement Contractual Risk Transfer, Training, Consulting and Member Contract Review e. 2018 Plan (Outcome)	*Approve*
8.	**Estimated Retrospective Premium Adjustment (multiple years)**	
	a. General Liability	*Receive & File*
	b. Workers' Compensation	*Approve*
9.	**Budget – 2018/19**	*Approve*
10.	**Liability/Workers Comp Program – Resolutions 2018-02 & 2018-03 Revising Defense Panels and Exhibits A & B** a. Reconstitution of Defense Panels (Liability & W/C) b. Addition of Attorneys to Liability and W/C Defense Panels c. Change Firm Name from Bordin Martorell to Bordin Semmer d. Fee Increase Law Enforcement Defense Firms	*Adopt*
11.	**Operational Best Practices** a. Contractual Risk Transfer Manual and Templates Indemnity Language	*Adopt*

VI. CLOSED SESSION

A. Conference with Legal Counsel - Liability Claims

[Pursuant to Government Code § 54956.95]

New Cases

Police:	Claimant:	Alexander	Claimant:	Lander	Claimant:	Roberts
	Agency:	Wheatland	Agency:	Coalinga	Agency:	Citrus Heights
Dangerous Condition:	Claimant:	Bazzle	Claimant:	Burke	Claimant:	Engle
	Agency:	Yucca Valley	Agency:	Avalon	Agency:	Rancho Cucamonga
	Claimant:	Gervasio	Claimant:	Johnson	Claimant:	Lopez-Nava
	Agency:	Watsonville	Agency	Twentynine Palms	Agency:	West Hollywood
	Claimant:	PG&E	Claimant:	Rivera		
	Agency:	Calistoga	Agency:	Rancho Cucamonga		
Civil Rights:	Claimant:	Schroeder				
	Agency:	Rialto				
Inverse:	Claimant:	Dang	Claimant:	White Sail Trust		
	Agency:	Twentynine Palms	Agency:	Point Arena		

Ongoing:

Police:	Claimant:	Azevedo	Claimant:	Cisneros	Claimant:	Hopkins
	Agency:	Alturas	Agency:	Rialto	Agency:	Alturas
	Claimant:	Jackson/Ainely	Claimant:	Lewis	Claimant:	McGowan/Camacho
	Agency:	South Lake Tahoe	Agency:	Rialto	Agency:	Rialto
	Claimant:	Nelson	Claimant:	Ortiz/Pena	Claimant:	Piper
	Agency:	Citrus Heights	Agency:	Rialto	Agency:	South Lake Tahoe
	Claimant:	Smith				
	Agency:	Watsonville				
Dangerous Condition:	Claimant:	Cobb	Claimant:	Deutsch	Claimant:	Garcia
	Agency:	Highland	Agency:	Calistoga	Agency:	Citrus Heights
	Claimant:	Gonzalez	Claimant:	Hoar	Claimant:	Lopez
	Agency:	West Hollywood	Agency:	Menifee	Agency:	Rancho Cucamonga
	Claimant:	Heirs of I. Lowry	Claimant:	Love	Claimant:	Luna, Perez, et al.
	Agency:	Citrus Heights	Agency:	Rialto	Agency:	Highland
	Claimant:	Marston	Claimant:	Miller	Claimant:	O'Brien
	Agency:	Rancho Cucamonga	Agency:	Twentynine Palms	Agency:	Grass Valley
	Claimant:	Patroniti	Claimant:	Rivera	Claimant:	Rocklien
	Agency:	Rancho Cucamonga	Agency:	Rancho Cucamonga	Agency:	Highland
	Claimant:	Roy	Claimant:	Singleton	Claimant:	Stone
	Agency:	Menifee	Agency:	Rialto	Agency:	West Hollywood
	Claimant:	Tattersfield	Claimant:	Tarusov	Claimant:	Truex
	Agency:	Coalinga	Agency:	Citrus Heights	Agency:	Placentia
Civil Rights:	Claimant:	Cox				
	Agency:	Truckee				
***Inverse*:**	Claimant:	Banzett, et al.	Claimant:	McGuire	Claimants:	Multiple
	Agency:	Truckee	Agency:	Placerville	Agency:	Placerville
	Claimants:	Multiple				
	Agency:	Truckee				
Concluded:	Claimant:	Calderon	Claimant:	Camarena/Monroy	Claimant:	Hartford
	Agency:	Rialto	Agency:	West Hollywood	Agency:	Pacific Grove
	Claimant:	Heirs of D. Emery	Claimant:	Hamilton	Claimant:	Hickman
	Agency:	Rialto	Agency:	Rialto	Agency:	Pacific Grove
	Claimant:	Hill	Claimant:	Kelly-Whittle	Claimant:	Maldonado
	Agency:	Rialto	Agency:	Rialto	Agency:	Rialto
	Claimant:	McClurg	Claimant:	Moya	Claimant:	Nickels
	Agency:	Citrus Heights	Agency:	Rialto	Agency:	Yucaipa

Claimant:	Ramirez	Claimant:	Rayo	Claimant:	Heirs of Rivera
Agency:	Rancho Cucamonga	Agency:	Rialto	Agency:	Placentia
Claimant:	Roy	Claimant:	Sangster	Claimant:	Seely
Agency:	Wildomar	Agency:	West Hollywood	Agency:	Wildomar

B. **Conference with Legal Counsel – Workers' Compensation**
[Pursuant to Government Code § 54956.95]

Workers' Compensation:

Claimant:	Beuttler	Claimant:	Chainey	Claimant:	Clark
Agency:	Pacific Grove	Agency:	Alturas	Agency:	Grass Valley
Claimant:	Haas	Claimant:	Macias	Claimant:	Zabala
Agency:	Pacific Grove	Agency:	Avalon	Agency:	West Hollywood

RECONVENE – DISPOSITION OF CLOSED SESSION

VII. GENERAL INFORMATION

VIII. PUBLIC COMMENT ON ITEMS NOT ON AGENDA

IX. DIRECTORS' GENERAL COMMENTS/SUGGESTIONS FOR NEXT AGENDA

X. ADJOURNMENT

Any writings or documents pertaining to an open session item provided to a majority of the members of the legislative body less than 72 hours prior to the meeting, shall be made available for public inspection at the PARSAC business office, located at 1525 Response Road, Suite 1, Sacramento, CA 95815. For special accommodation because of a disability, please phone Carol Shreve at PARSAC (916) 927-7727 or (800) 400-2642 or email her at cshreve@parsac.org *at least 24 hours prior to the meeting time shown above.*

UNAPPROVED

PUBLIC AGENCY RISK SHARING AUTHORITY OF CALIFORNIA
Board of Directors Meeting Minutes
November 30, 2017

BOARD MEMBERS AND ALTERNATES PRESENT:

President:	John Gillison, City of Rancho Cucamonga (left at 11:20)
Vice President:	Steve Rogers, Town of Yountville
Auditor/Controller:	Carolyn Steffan, City of Tehama
Treasurer:	Greg Franklin, City of Yucaipa

City of Amador City:	Tim Knox	City of Nevada City:	Catrina Olson
City of Avalon:	Robert Mescher	City of Pacific Grove:	Tori Hannah
City of Belvedere:	Tricia Seyler	City of Placerville:	Cleve Morris
City of Blue Lake:	April Sousa	City of Plymouth:	Jeff Gardner
City of California City:	Mary Johnson	City of Point Arena:	Richard Shoemaker
City of Calimesa:	Darlene Gerdes	Rancho Santa Margarita:	Diego Chavez
City of Calistoga:	Dylan Feik	Rancho Santa Margarita:	Jennifer Cervantez
City of Citrus Heights:	Amy Van	Town of Truckee:	Kim Szczurek
City of Clearlake:	Melissa Swanson	City of Twentynine Palms:	Larry Bowden
City of Clearlake:	Greg Folsom	City of Watsonville:	Tamara Vides
City of Coalinga:	Mercedes Garcia	City of West Hollywood:	David Wilson
City of Ferndale:	Jay Parrish	City of Wheatland:	Greg Greeson
City of Grass Valley:	Andy Heath	City of Wildomar:	Janet Morales
City of Menifee:	Wendy Preece	Town of Yucca Valley:	Debra Breidenbach-Sterling

BOARD MEMBERS ABSENT:

City of Highland
City of Placentia
City of Rancho Cucamonga FPD
City of San Juan Bautista
City of South Lake Tahoe
City of Trinidad

PARSAC STAFF PRESENT:

General Manager:	Joanne Rennie
Risk Manager:	Kin Ong
Sr. Accountant:	Tracey Smith-Reed
Sr. Adm. Assist:	Carol Shreve

OTHERS PRESENT:

Malathy Subramanian, Best, Best & Krieger
Steve Wright, Officer Emeritus,
Jim DeLizia, DeLizia Consulting
Pat Vitale, George Hills
Katherine Nelms, LWP
Amber Davis, LWP
Jennie Adams, LWP
Emily Hooks, LWP
Gerald Lenahan, Lenahan, Lee, Slater & Pearse
Tiffany Corona, Lenahan, Lee, Slater & Pearse

In compliance with Government Code §54953(c)(2), the following minutes indicate "unanimous" when all voting members listed above were accounted for and voted in favor of a motion. If any member was absent during a vote, abstained, or voted against any motion, they are indicated as such by name.

CALL MEETING TO ORDER: DETERMINE QUORUM

The meeting was called to order by President, John Gillison at 8:00 a.m., he welcomed everyone and thanked them for taking the time to meet. A quorum was present. He asked for quick introductions since there were many new faces.

Modifications to the Agenda:

Staff requested that Item 8 be taken prior to Item 5 on the regular agenda. A motion was made to approve staff's request. *[M/S/C: Steffan/Feik/Unanimous.]*

GM Report

GM advised that the California Supreme Court would not hear the Pasadena tree case in which the Appellate Court stated cities were liable for trees that caused damage to private property. This is a very big win for PARSAC cities.

At the EC and Board's request, PARSAC has assisted the new GM at REMIF as she transitions into her new position.

PARSAC has also reached out to a mid-sized bay area city as a possible new member. Staff thanked Richard Shoemaker and Steve Rogers for the original contact.

Bickmore will be assisting PARSAC with the upcoming risk assessments.

PARSAC will be leaving the Westin and moving to the Embassy Suites for upcoming meetings.

Consent Agenda:

Motion to approve consent agenda: *[M/S/C: Morris/Olson/Unanimous.]*

Regular Agenda:

Every three years PARSAC engages in a strategic planning session. This process consists of a presentation on the "State of PARSAC," during which significant updates in the areas of claims, pool funding, and operations are reviewed. A facilitator is engaged to conduct the planning process and guide the Executive Committee and Board through a series of steps or exercises to evoke and identify interests, concerns, and opportunities for the next three years. Jim DeLizia is the facilitator this year.

State of PARSAC and Strategic Planning

The GM stated that she is proud of PARSAC as we are a unique group of diverse people who care deeply about the communities they serve.

PARSAC originated in 1986 as California Municipal Insurance Authority (CMIA), with 18-member agencies, and one line of coverage: general liability. PARSAC now has 36 members; $46.9 million in assets; $240 million in payroll; numerous lines of coverage; is accredited with excellence by CAJPA; and has successfully defended against market swings in the insurance industry, legislative reforms, social environments, and rising costs. PARSAC is well funded above the 90% confidence level. When PARSAC expands coverage, it is done in a fiscally stable manner. When compared to other JPAs, PARSAC is very competitive in both liability and workers' compensation and excels in service.

General Liability: there were 1,247 dangerous condition lawsuits in the past 10 years. Inverse condemnation claims are costly to litigate, as they include attorneys' fees, but are few in number. PARSAC had numerous auto liability claims consisting of inattentive drivers. To keep costs down, please remind employees to pay attention to the road and to store their electronic devices while driving.

When looking at PARSAC's workers' compensation claims, police, fire and public works employees make up 85% of the claims. Half of the claims are slip, trip and fall, or sprain and strain injuries which represent $23.3 million in costs. There are ways to reduce claims through training and/or exercise programs. Remember, grant funds are available.

Equity for all programs totals $24.8 million and continues to grow: the liability program has $13.5 million, workers' compensation program has $10.3 million, and the balance consists of the building, bond and crime programs.

Staff reminded everyone that employers must report EPL claims to ERMA within 30 days or they may be denied coverage. If your first notice is the letter from DFEH, call ERMA immediately. You must use ERMA defense counsel and ERMA investigators. Make sure your training is up to date.

Mr. DeLizia spoke briefly regarding the strategic planning session conducted on 11/29/17. Highlights from the meeting were enhanced website, development of mobile apps, the growth of PARSAC, development of succession plans for not only PARSAC but also for the members, build adequate staff capacity, which may include the modification of roles for staff/positions; and to communicate with elected officials quarterly.

Mr. DeLizia indicated action items such as templates, improved orientation, new information tools, vacancies, review and update job descriptions, test use of technology, and creation of a list serve were discussed. He will work with the Executive Committee, Board and PARSAC staff to update the mission statement and develop new End Statements. He will provide information to the Executive Committee and Board.

Audit/Annual Report

Staff thanked the Finance Subcommittee and Chairman, Jeff Gardner, for their time and stated Bill Patterson of Sampson, Sampson & Patterson was this year's auditor. PARSAC received an unmodified opinion, the highest form, indicating the financial statements were fairly presented.

Highlights: PARSAC ended the year with overall funding above the 90% confidence level as determined by the actuary. Net position increased $3.1 Million in the Liability program and $475K in the Workers' Compensation program with the Property/Bond program and Building fund incurring a net loss of $30K. The net income in the Liability Program was mainly due to favorable claims development and actuarial adjustments. Overall, PARSAC's expenses were 77% of the annual budgeted amount, with claims expenses, and payroll and benefits, accounting for most of the savings.

Overall premium contributions increased 13% with the Liability Program premiums increasing by 18% and the W/C Program increasing 5%. Premium contribution increases are a result of market rate changes, member payroll changes, and loss history. The member premium increases are a direct result of excess insurance premium increases. Excess insurance increased for all programs with a total increase of 21% or $1 million. The increase in excess insurance costs was offset by $300K in rate stabilization funds. PARSAC saw an increase in expenses of 3% over the previous year disregarding the $1 million W/C dividend. (ERMA returned a dividend of $483K, while CARMA returned dividends totaling $965K.)

Investment income is made up of 3 components: coupon earnings, gains and losses on market value, and the sale of investments. The portfolio earned coupon interest of $538K and recorded a loss on the sale of investments of $45K. Earnings were reduced by a decline in market value of $524K. This resulted in a net loss of $32K. PARSAC's investments are handled by PFM and remain steady at $36.1 million.

PARSAC is financially healthy with a net equity of $24.8 million and is able to handle any financial need that may arise.

Motion was made to approve the Audit. *[M/S/C: Parrish/Gardner/Unanimous.]*

Memorandum of Coverage

A periodic review of the Liability Program Memorandum of Coverage is prudent to assure members are afforded coverage that is competitive and consistent with the members' intent and evolving risks. Additionally, new case law and/or modifications to PARSAC's excess coverage could potentially create coverage gaps. Staff presented amendments to the MOC to define Drones and Unmanned Aerial Vehicles (UAV's), remove the $500,00 sublimit for inverse condemnation coverage, and clarify language for assignment of defense counsel for covered contracts.

As both law enforcement and fire departments use UAVs to examine risk and improve public safety, staff proposed that PARSAC modify the MOC to define Drones and Unmanned Aerial Vehicles.

After a very short discussion regarding property attached to the drone and that the operator should be licensed and/or certified. A motion was made to approve staff's recommendation to modify the MOC language regarding drones and UAVs. *(M/S/C: Steffan/Vides/Unanimous.]*

PARSAC requires Members to use its panel attorneys in litigation matters. Members may enter into contracts with parties where the Member is required to provide a defense per the indemnity agreement. Indemnity provisions are typically drafted in favor of the party with the most leverage. This may result in an agreement that allows the indemnitee to select their defense counsel, which may not be subject to PARSAC's litigation guidelines and rates. Staff is proposing additional language to the MOC that would require defense counsel to be assigned by PARSAC where the member is required to defend the indemnitee, provide the member the right to appeal if the member disagrees with counsel assignment, and limit PARSAC's defense costs to the panel rates if a panel attorney is not assigned.

A motion was made to approve the staff's recommendation to modify the MOC language to require Members to use PARSAC defense panel attorneys or cap the rate for the attorney's fees at the PARSAC rate. *(M/S/C: Rogers/Shoemaker/Unanimous.]*

Inverse condemnation actions are premised upon California Constitution which provide that private property cannot be taken or damaged for public use without paying just compensation to the owner. There are 4 elements to a successful inverse condemnation claim: 1) property was take or damaged; 2) plaintiff had an interest in the damaged property; 3) defendant planned, approved, constructed, or operated a public project or otherwise substantially participated in an activity for public use; and 4) the public entity's activity was a substantial cause of the taking or damage. The inverse condemnation creates strict liability on the agency for damage to property arising out of the operation of public improvements. Liability arises regardless of whether the activity was deliberate, faultless, or unintended. In such cases, the plaintiff must establish that the failure and damage was the result of unreasonable conduct by the public entity. The public improvement does not need to be the only cause, or even the majority cause of damage; the plaintiff need only prove that the improvement substantially caused damage. PARSACs MOC provides inverse coverage only when there is physical damage to tangible property, subject to a $500,000 sublimit. Staff recommends reducing the $500,000 sublimit.

The common types of inverse claims are land instability (landslide, sinkholes); damage from water and drainage (surface water, drainage systems and flooding); sewage overflows or intrusions; and falling trees. Subsequent to staff report strict liability for tress was overruled.

President Gillison advised there was a lengthy discussion at the Executive meeting regarding the desire to close the gap between the current $500,000 sublimit and the $1 million CSAC coverage layer and maintain PARSAC's financial stability. The Executive Committee's recommendation was to expand coverage from $500K to $700K, adding additional coverage of $200K per occurrence.

Dylan Feik of Calistoga brought up the fact that he is fearful of the flooding that will now occur because of the recent fires in both Calistoga and Yountville.

After some discussion, a motion was made to immediately increase the sublimit from $500K to $700K and use the CARMA excess dividend of $415K to fund the increase. *[M/S/C: Feik/Franklin:(3 Opposed: Amador City, Placerville, and Twentynine Palms).]*

Establishment of $5K Minimum SIR for Workers' Compensation Members

Staff thanked the Workers' Comp Subcommittee and Chairman for their time. First dollar coverage (zero SIR) has been available to the Workers' Compensation Program members since the inception for the Program. The Program has evolved over nearly 3 decades and a zero SIR option may no longer be conducive with PARSAC's claims management and pooling philosophy. An SIR promotes accountability and encourages proactive loss control activities. The Executive Committee directed staff and the Workers' Compensation Subcommittee to explore the elimination of the zero SIR option. Staff spoke with the members who have zero SIRs, and all but one member was agreeable to an increase to $5,000.

Eliminating first dollar coverage will cause members to incur claims costs within their retention; however, lower premiums may offset these costs. When an entity retains risk, loss control awareness increases, and members should be more receptive to implement risk reduction measures. Overall, the pool's funding costs will be nominally lowered (approximately $26,00) through the transfer of risk. All SIR claim payments are made through the pool and are reimbursed by members quarterly. Eliminating the zero SIR option would require the pool to "front" additional claim payments for members affected by this change.

After a very brief discussion. A motion was made to increase the zero SIR for the 2-member entities with public safety to $5K in 2018/19, and all other member with zero SIR would go to $5K in 2019/20. *[M/S/C: Steffan/Szczurek (Opposed: Point Arena).]*

Calistoga/Yountville Fires – What we Learned – Dylan Feik – Steve Rogers

Town Manager of Yountville, Steve Rogers, and City Manager of Calistoga, Dylan Feik, spoke about the devastating fires they both faced during early October. Multiple large fires surrounded their cities for several days, the air quality was horrible, communications were down, the smoke stayed in the valley and there were not enough resources available. They were thankful for all the firefighters who came to help.

Both indicated that one of the problems was the media. First there was no communication, then there was incorrect communication. Another issue was multiple EOCs within the same area were not communicating because of their varying communication parameters. There were also staffing issues, evacuations, not only of individuals, but of businesses and school closures. Dylan said he slept in a Sheriff's car, and Steve said that Cal Fire used his home as a base camp. They stated that you never know what you are going to be faced with during an emergency, so be prepared. One big thing they mentioned was that reverse 9-1-1- didn't work because there are very few landlines – VOIP is not a landline. They agreed that once communication was possible Nixle was an extremely important way to communicate as it sends alerts to cell phones. Everyone should be registered with Nixle.

They suggested that everyone establish an emergency evacuation plan. Make sure you know where your family is and that they are safe, that way you will have one less thing to worry about. Both indicated that you need to know what you would do in case of an emergency. Dylan also stated that you need to make sure your revenue stream is sustainable, even in an emergency.

Policy for Distribution of Excess Dividends

Staff presented a policy for the handling of excess dividends with options including: withdrawn members are not eligible for excess dividends until all the years in which they were members are closed; when the Board allocates funds for purposes such as rate stabilization there are no dividends to any member, or when allocating funds for other purposes such as grant funds.

PARSAC participates in ERMA for employment practices liability coverage and previously participated in CARMA for excess general liability coverage. Throughout the past 10 years both pools have declared dividends with PARSAC receiving $6.2 million ($2.6 million from ERMA and $3.6 million from CARMA). These dividends have been used to fund grant programs, rate stabilization funds, participation in LCW consortium, drawing down the pool's OPEB liability and dividends returned to the members.

Excess dividends are not calculated by PARSAC; therefore, the funds are not allocated through the pool's Retrospective Premium Adjustment (RPA) formula. Whereas RPA calculated surplus funds must be returned to all members (including withdrawn members), PARSAC does not have a policy for the distribution of excess dividends.

Staff presented Resolution No. 2017-04 for the Distribution of Excess Dividends, based on the Finance Subcommittee and Executive Committee's recommendations, and proposed the following options:

1. If excess dividends are returned to members, it shall be returned in the same manner which they were collected, (*i.e.*, payroll);

2. If excess dividends are returned to members, it shall not be returned to a withdrawn member until all years for which the withdrawn member participated in PARSAC are closed. If a withdrawn member has a deficit balance in any Program Year, the withdrawn member's excess dividend shall be used to offset all deficits before any funds are returned;

3. If excess dividends are allocated for purposes other than a dividend returned to members, the withdrawn member's dividend allocation shall will be set aside before excess dividends are used for other purposes.

Excess dividends have been successfully used to fund programs to benefit PARSAC members. Returning dividends to withdrawn members while they have deficit years, exposes PARSAC to greater risk if the member is not able to fulfill their financial obligations to the pool.

After some discussion, a motion was made to approve the staff recommendation for Resolution No. 2017-04. *[M/S/C: Steffan/Rogers – (1 Opposition – West Hollywood.]*

Disbursement of Dividends

ERMA PARSAC's Employment practices liability coverage is provided by the Employment Risk Management Authority (ERMA). After many years of assessments, ERMA is fiscally healthy and has issued its fifth distribution of equity. The total distribution of $483,720 represents PARSAC's equity in the program at the 90% confidence level for years 2010 – 2011.

Previous dividends were used to fund EPL rate stabilization and dedicated to loss control services and grants. FY 2017/18 is year 4 for of a 5-year contract with Liebert, Cassidy Whitmore Consortium and the Board elected to extend the contract for an addition year using an earlier dividend. Periodically the committee has evaluated funding requirements for increasing the attachment (SIR) to ERMA and other options for employment practices coverage. Funds attributed to withdrawn members were returned for all closed years.

In May CARMA issued $250,000 of a $1.4 million dividend due PARSAC, which was applied to offset a rate increase and replace rate stabilization funds. After considerable negotiation, CARMA agreed to release an additional $715,776 while retaining $410,639. This dividend represents equity from 2007–2009, the last year PARSAC participated in CARMA.

Staff stated there were lengthy discussions during the Financial and Executive Committee meetings, and the original recommendation had been changed. After some discussion, the Executive Committee recommends the following distribution: ERMA dividend of $310K equally split between grant funds and future HR consultant services. CARMA dividend of $715K to be disbursed as follows: $200K to the 2018/19 rates stabilization fund to offset premiums; $100K for future litigation manager/consultant position; and $415K to expand the inverse condemnation coverage to a sublimit of $700K (previously $500K). There was a discussion and a motion was made to approve the recommendation of the Executive and Finance Committee and disburse the funds as stated above. *[M/S/C: Mescher/Szczurek (3 Opposed: Yucca Valley, Twentynine Palms, Placerville.]*

Attorney Performance Analysis

Pat Vitale of George Hills presented a review of the Liability Program Defense Panel. This review included 163 closed litigated files for the program years 2007/08 through 2016/17, assigned to 34 different attorney/firms or city attorneys. The firms were analyzed in areas of reporting, budgeting, strategy/analysis, compliance with PARSAC's litigation guidelines and successful outcomes. Some of the findings were:

- Budgeting shortfalls (some attorneys)
- Southern California attorneys need judicial assistance to curb abusive discovery tactics
- Preparation of motions is more challenging in some courts
- Many panel firms are not utilized

CalPERS/IDR – New Guidelines and Impacts

CalPERS proposed substantial changes to the disability retirement process. PARSAC panel counsel, Gerald Lenahan, and Tiffany Corona of Lenahan, Lee, Slater & Pearse, presented the new guidelines and how it will impact PARSAC members.

Mr. Lenahan stated that in March 2017 CalPERS distributed a Circular Letter identifying changes to the way Industrial Disability Retirements (IDRs) are to be handled by local agencies. The new standards change how local agencies evaluate IDRs and the documentation required from applicants and employers to process an IDR. The new guidelines require local agencies to send all medical records, and in certain situations personnel records, to CalPERS for review. Applicants are also required to provide or release all medical information relating to their disability to CalPERS. The decision whether to grant an IDR will shift from the employer to CalPERS.

According to CalPERS, before an employer starts the process of a disability retirement, it must forward all relevant personnel documents and medical records to CalPERS to obtain CalPERS' determination that the member is eligible, especially under the following circumstances:

- Disciplinary process underway prior to the member's separation from employment;
- The member was terminated for cause;
- The member resigned in lieu of termination;
- The member signed an agreement to waive his or her reinstatement right as part of a legal settlement (*i.e*., Employment Reinstatement Waiver);
- The member has been convicted of, or is being investigated for, a work-related felony.

The new guidelines also require a 12-month disability duration. It must be shown that the disability will last for 12 consecutive months from the date of the application and to further prove the existence of a "continuous disability." Proving "continuous disability" requires the applicant and local agency to provide medical support of physical or mental incapacity to perform the employee's job duties for a year from the last day of physical work. To establish continuous disability there must be medical substantiation in the file from the last date of physical work to present, with no gaps in medical treatment of more than six months during this period. The agency must also conduct regular reevaluations to determine disability status for retirees who are under voluntary service retirement age. The employer must verify whether the retiree remains physically or mentally disabled.

Mr. Lenahan stressed the employer's duty to apply for disability retirement is mandatory, not discretionary. To be eligible for an IDR, the member must be in "good standing."

The employer shall make ADPP unless:

- A physician determines no discernable injury or illness;
- Incontrovertibly outside the course of his or her employment duties when injured;
- Proof of fraud associated with the filing of the claim.

The member must prove the following to establish entitlement to an IDR:

- Incapacity for performance of duty;
- Interpreted as the "substantial inability to perform the usual and customary duties of the member's position;"
- Difficulty in performing certain tasks is not sufficient;
- The inability to perform must be actual and present, not prospective, prophylactic, recommended, or advised;
- The disability must be "permanent" or of "extended and uncertain duration."

The following statements must be made under penalty of perjury in the employer's statement:

- The determination was made based on competent medical opinion;
- IDR was not used as a substitute for disciplinary process;
- A finding that the member has been found "substantially incapacitated" from the performance of the usual duties of his or her position;
- Statement confirming whether the workers' compensation claim was filed and accepted;
- Finding by the employer that the disability is industrial (or Findings and Award);
- Statement documenting member's last day on payroll;
- Statement as to whether there is a possibility of third-party liability;
- Statement identifying the disabling condition and any body part(s) approved;
- Statement that disability is expected to be permanent or at least 12 consecutive months from date of application, or that it will result in death; and
- Whether or not any ADPP have been paid or will be paid to the member – include the monthly amount and the beginning date and an address to which the reimbursement check should be mailed.

Finally, Mr. Lenahan stated that an employer should conduct regular reevaluations of disability retirees who are under voluntary service retirement age. The purpose of the reevaluation is to verify whether the recipient remains physically or mentally disabled from the position they retired from for the conditions they were approved. The reevaluation process is not a process to discover new conditions. If the retiree does not cooperate with the reevaluation process, either the pension portions or the full disability allowance may be discontinued.

CLOSED SESSION

Conference with General Counsel - *[Pursuant to Government Code § 54956.95]*

General Counsel Mala Subramanian stated there is no reportable action, but a written disposition of disputed claims is available at the PARSAC office.

GENERAL INFORMATION

None.

PUBLIC COMMENT ON ITEMS NOT ON AGENDA:

None.

DIRECTORS' GENERAL COMMENTS/SUGGESTIONS FOR NEXT AGENDA

None.

ADJOURNMENT:

Meeting adjourned at 2:28 p.m.

Respectfully submitted, APPROVED: March 29, 2018

Carolyn Shreve	John Gillison, City of Rancho Cucamonga
PARSAC Deputy Secretary	PARSAC President

FINANCIAL STATEMENTS – QUARTER ENDED MARCH 31, 2018

SUMMARY: The financial statements for the quarter ending March 31, 2018 reflect total assets of $51.5 million. PARSAC ended the quarter with a net loss of $50,000 for the period, and year to date net income of $800,000. The Liability Program has year to date net income of $45,000. The Workers' Compensation Program $807,000 which is offset by expenses related to the building fund of $56,000. Property Program income is $4,000. Liability claims expense is slightly over budget for the quarter and year, while Workers' Compensation claims are well below budget due to favorable actuarial projections. Overall, most expenses were within or below budgeted amounts. Investment market values continue to fluctuate. Year to date investment income which includes interest earnings and changes in market values is a $125,000 loss.

RECOMMENDATION: Approve the financial statements for the quarter ended March 31, 2018.

DISCUSSION: PARSAC reported a net loss for the quarter of $50,000 but has overall net income for the year of $800,000. Claim payments in both programs have continued to rise throughout the year. Overall claims expenses is slightly over budget for the Liability Program while the Workers' Compensation Program is under budget due to favorable actuarial projections. Overall expenses are within budget. Total equity is $25.6 million with the Liability Program equity at $13.5 million and Workers' Compensation at $11.2 million.

Investment Earnings **-** Investment yields on the portfolio are slowly increasing while market values still are volatile. PFM Asset Management actively manages the portfolio totaling $35.9 million. The returns shown in the table below are continuing to rise and are now at 2.5%, and exceed LAIF's quarterly return of 1.51%.

Mar 2017	Jun 2017	Sep 2017	Dec 2017	Mar 2018
		Yield at Market Value		
1.41%	**1.63%**	**1.69%**	**2.05%**	**2.50%**
		Yield at Cost		
1.58%	**1.49%**	**1.53%**	**1.61%**	**1.72%**

FISCAL IMPLICATIONS: None.

ATTACHMENT: Financial Report for the Quarter Ended March 31, 2018.

FINANCIAL REPORT
For the Quarter and Year to Date Ended
March 31, 2018

PUBLIC AGENCY RISK SHARING AUTHORITY OF CALIFORNIA
STATEMENT OF NET POSITION
March 31, 2018

ASSETS

	Liability	Workers Comp	Property / Bond	Building	Total
Cash					
LAIF	$ 5,289,898	$ 1,399,119	$ 90,440	$ 147,978	$ 6,927,435
Savings Account	1,134,914	1,567,261	-	-	2,702,175
General Account	439,846	607,407	-	-	1,047,253
Claim Trust Accounts	50,726	237,049	-	-	287,775
Petty Cash	65	-	-	-	65
Total Cash	6,915,449	3,810,836	90,440	147,978	10,964,703
Accounts Receivable	25,499	340,427	-	-	365,926
Excess Insurance Receivable	-	434,631	-	-	434,631
Interest Receivable	69,503	95,980	-	-	165,483
Prepaid Expenses	593,650	301,166	600,631	-	1,495,447
Prepaid OPEB	375,215	319,549	-	-	694,764
Investments	15,092,545	20,842,086	-	-	35,934,631
Property and Equipment					
Building & Land less accum depr	-	-	-	716,946	716,946
Office Equipment/Furniture less accum depr	-	-	-	-	-
Net Property and Equipment	-	-	-	716,946	716,946
Deferred Outflows of Resources	376,707	308,215	-	-	684,922
TOTAL ASSETS	**$ 23,448,568**	**$ 26,452,890**	**$ 691,071**	**$ 864,924**	**$ 51,457,453**

LIABILITIES & NET POSITION

	Liability	Workers Comp	Property / Bond	Building	Total
Liablities					
Current Liabilities					
Accounts Payable	$ 17,283	$ 15,555	$ 1,729	$ -	$ 34,567
Payroll Liabilities	13,786	12,407	1,379	-	27,572
Reserve for Capital Replacement	-	-	-	25,245	25,245
Accrued Vacation Payable	59,060	53,154	5,905	-	118,119
RPA's Payable	293,921	676,390	-	-	970,311
Unearned Contributions	1,456,032	1,303,054	617,208	-	3,376,294
Total Current Liabilities	1,840,082	2,060,560	626,221	25,245	4,552,108
Long Term Liabilities					
Committee Training Stipend Payable	11,378	10,240	1,137	-	22,755
Claim Reserves - At Expected					
Reserves for Reported Claims	3,807,428	4,482,323	-	-	8,289,751
Incurred But Not Reported Reserve (IBNR)	2,862,293	6,884,505	-	-	9,746,798
IBNR above expected CL	642,409	409,143	-	-	1,051,552
Unallocated Loss Reserve ULAE	559,825	1,301,578	-	-	1,861,403
Total Long Term Liabilities	7,883,333	13,087,789	1,137	-	20,972,259
Total Liabilities	9,723,415	15,148,349	627,358	25,245	25,524,367
Net Pension Liability	150,575	123,198	-	-	273,773
Deferred Inflows of Resources	19,053	15,588	-	-	34,641
Net Position					
Contributed Capital	-	-	-	1,233,306	1,233,306
Unrestricted	9,237,402	9,624,860	59,947	(337,143)	18,585,066
Designated Funds - detail on Page 2	4,273,053	733,316	-	-	5,006,369
Net Income	45,070	807,579	3,766	(56,484)	799,931
Total Net Postion	13,555,525	11,165,755	63,713	839,679	25,624,672
TOTAL LIABILITIES & NET POSITION	**$ 23,448,568**	**$ 26,452,890**	**$ 691,071**	**$ 864,924**	**$ 51,457,453**

PUBLIC AGENCY RISK SHARING AUTHORITY OF CALIFORNIA
STATEMENT OF NET POSITION
March 31, 2018

SCHEDULE OF DESIGNATED EQUITY

	Liability	Workers Comp	Property/ Bond	Building	Total
Designated Funds					
Designated for Cap Replacement	105,060	70,040	-	-	175,100
Designated for Grant Program	81,618	81,618	-	-	163,236
Designated for EPL Grant Program	814,826	-	-	-	814,826
Designated for Contingency	60,000	40,000	-	-	100,000
Designated for Pension/OPEB Liability	88,628	-	-	-	88,628
Designated for Errors and Omission	60,000	40,000	-	-	100,000
Designated Expanded Coverage ADA / Inverse	815,000	-	-	-	815,000
Designated EPL Coverage Expansion	360,184	-	-	-	360,184
Designated Litigation Manager	100,000	-	-	-	100,000
~~Designated HR Consultant~~ (See Agenda Proposal)	155,427	-	-	-	155,427
Designated CARMA Div-withdrawn mbr	149,676	-	-	-	149,676
Designated ERMA Div- withdrawn mbr	308,558	-	-	-	308,558
Designated for Rate Stabilization	707,776	501,658	-	-	1,209,434
Designated for EPL Rate Stabilization	300,000	-	-	-	300,000
Designated for Liebert Cassidy Program	166,300	-	-	-	166,300
Total Designated Funds	**$ 4,273,053**	**$ 733,316**	**$ -**	**$ -**	**$ 5,006,369**

PUBLIC AGENCY RISK SHARING AUTHORITY OF CALIFORNIA
CONSOLIDATED
STATEMENT OF REVENUE AND EXPENSE
For the Quarter Ended and Year-to-Date Ended March 31, 2018

	Quarter Ended	Year to Date	Annual Budget	Budget v Actual
	1/1/18 - 3/31/18	7/1/17 - 3/31/18	2017/18	% Budget
Income				
Member Contributions	$ 3,852,634	$ 11,557,905	$ 15,189,907	76%
Rate Stabilization Credit	(25,000)	(75,000)	(100,000)	75%
Special Events Credit	(4,625)	(13,875)	(17,500)	79%
Payroll Adjustment Prior Year	5,438	286,379	-	
Investment Income	(148,828)	(125,324)	470,421	-27%
Facility Contribution	16,970	50,910	67,880	75%
Other Income	304,606	315,633	-	
Total Income	4,001,195	11,996,628	15,610,708	77%
Expense				
WC Self Insurance Fees	-	90,853	90,000	101%
Excess Insurance	1,480,101	4,440,305	5,706,175	78%
Claims Expense	1,979,102	4,775,455	6,755,152	71%
Claims Administration	181,638	542,014	730,750	74%
Payroll and Benefits	201,800	758,693	1,100,297	69%
Consultants	55,598	128,611	173,437	74%
Risk Management	50,705	169,173	320,614	53%
General and Administrative	33,806	109,390	162,903	67%
Staff Travel and Training	9,741	12,630	24,900	51%
Board Expenses	10,122	50,980	71,000	72%
Building Maintenance	37,688	107,394	135,760	79%
Capital Expenditures	10,711	11,199	70,500	16%
Contingency Expense	-	-	50,000	0%
Total Expense	4,051,012	11,196,697	15,391,488	73%
Net Income	**$ (49,817)**	**$ 799,931**	**$ 219,220**	

PUBLIC AGENCY RISK SHARING AUTHORITY OF CALIFORNIA
LIABILITY PROGRAM
STATEMENT OF REVENUE AND EXPENSE
For the Quarter Ended and Year-to-Date Ended March 31, 2018

	Quarter Ended 1/1/18 - 3/31/18	Year to Date 7/1/17 - 3/31/18	Annual Budget 2017/18	Budget v Actual % Budget
Income				
Member Contributions	$ 1,643,033	$ 4,929,100	$ 6,518,732	76%
Rate Stabilization Credit	(25,000)	(75,000)	(100,000)	75%
Special Events Credit	(4,625)	(13,875)	(17,500)	79%
Payroll Adjustment Prior Year	-	93,524	-	
Investment Income	(71,437)	(61,566)	197,577	-31%
Other Income	301,876	306,591	-	
Total Income	1,843,847	5,178,774	6,598,809	78%
Expense				
Excess Insurance	578,305	1,734,916	2,304,838	75%
Claims Expense	640,755	2,488,146	2,881,217	86%
Claims Administration	79,076	234,326	320,500	73%
Payroll and Benefits	100,900	379,346	550,148	69%
Consultants	27,245	67,541	89,773	75%
Risk Management	45,430	135,820	209,063	65%
General and Administrative	16,903	55,669	81,453	68%
Staff Travel and Training	4,871	6,315	12,450	51%
Board Expenses	5,061	25,490	35,500	72%
Capital Expenditures	5,891	6,135	38,775	16%
Contingency Expense	-	-	27,500	0%
Total Expense	1,504,437	5,133,704	6,551,217	78%
Net Income	**$ 339,410**	**$ 45,070**	**$ 47,592**	

PUBLIC AGENCY RISK SHARING AUTHORITY OF CALIFORNIA
WORKERS' COMPENSATION PROGRAM
STATEMENT OF REVENUE AND EXPENSE
For the Quarter Ended and Year-to-Date Ended March 31, 2018

	Quarter Ended 1/1/18 - 3/31/18	Year to Date 7/1/17 - 3/31/18	Annual Budget 2017/18	Budget v Actual % Budget
Income				
Member Contributions	$ 1,591,322	$ 4,773,966	$ 6,402,784	75%
Payroll Adjustment Prior Year	5,438	192,855	-	
Investment Income	(77,391)	(63,758)	272,844	-23%
Other Income	2,730	9,042	-	
Total Income	1,522,099	4,912,105	6,675,628	74%
Expense				
WC Self Insurance Fees	-	90,853	90,000	101%
Excess Insurance	301,166	903,497	1,203,558	75%
Claims Expense	1,338,347	2,287,309	3,873,935	59%
Claims Administration	102,562	307,688	410,250	75%
Payroll and Benefits	90,810	341,412	495,134	69%
Consultants	28,038	58,961	81,006	73%
Risk Management	5,275	33,353	111,551	30%
General and Administrative	14,629	47,765	73,306	65%
Staff Travel and Training	4,383	5,683	11,205	51%
Board Expenses	4,555	22,941	31,950	72%
capital Expenditures	4,820	5,064	31,725	16%
Contingency Expense	-	-	22,500	0%
Total Expense	1,894,585	4,104,526	6,436,120	64%
Net Income	**$ (372,486)**	**$ 807,579**	**$ 239,508**	

PUBLIC AGENCY RISK SHARING AUTHORITY OF CALIFORNIA
PROPERTY PROGRAM
STATEMENT OF REVENUE AND EXPENSE
For the Quarter Ended and Year-to-Date Ended March 31, 2018

	Quarter Ended 1/1/18 - 3/31/18	Year to Date 7/1/17 - 3/31/18	Annual Budget 2017/18	Budget v Actual % Budget
Income				
Member Contributions	$ 599,183	$ 1,797,550	$ 2,196,391	82%
Total Income	599,183	1,797,550	2,196,391	82%
Expense				
Excess Insurance	581,534	1,744,603	2,125,779	82%
Payroll and Benefits	10,090	37,935	55,015	69%
Consultants	315	2,109	2,658	79%
General and Administrative	2,274	5,956	8,144	73%
Staff Travel and Training	487	632	1,245	51%
Board Expenses	506	2,549	3,550	72%
Total Expense	595,206	1,793,784	2,196,391	82%
Net Income	**$ 3,977**	**$ 3,766**	**$ -**	

PUBLIC AGENCY RISK SHARING AUTHORITY OF CALIFORNIA
CRIME BOND PROGRAM
STATEMENT OF REVENUE AND EXPENSE
For the Quarter Ended and Year-to-Date Ended March 31, 2018

	Quarter Ended 1/1/18 - 3/31/18	Year to Date 7/1/17 - 3/31/18	Annual Budget 2017/18	Budget v Actual % Budget
Income				
Member Contributions	$ 19,096	$ 57,289	$ 72,000	80%
Total Income	19,096	57,289	72,000	80%
Expense				
Excess Insurance	19,096	57,289	72,000	80%
Total Expense	19,096	57,289	72,000	80%
Net Income	**$ -**	**$ -**	**$ -**	

PUBLIC AGENCY RISK SHARING AUTHORITY OF CALIFORNIA
BUILDING FUND
STATEMENT OF REVENUE AND EXPENSE
For the Quarter Ended and Year-to-Date Ended March 31, 2018

	Quarter Ended 1/1/18 - 3/31/18	Year to Date 7/1/17 - 3/31/18	Annual Budget 2017/18	Budget v Actual % Budget
Income				
PARSAC Facility Contribution	$ 16,970	$ 50,910	$ 67,880	75%
Total Income	16,970	50,910	67,880	75%
Operating Expense				
Utilities	5,080	13,916	17,750	78%
Janitorial Service	1,800	5,400	8,500	64%
Landscaping Service	1,685	5,054	6,800	74%
Pest Control	103	408	600	68%
Security/Alarm	135	240	450	53%
Property Taxes	5,001	10,004	12,500	80%
Insurance - Property (Office)	596	1,789	2,500	72%
Building Repairs	5,378	13,502	8,000	169%
Total Operating Expense	19,778	50,313	57,100	88%
Operating Income	(2,808)	597	10,780	6%
Other Expense				
Capital Replacement Fund Expense	8,415	27,826	33,660	83%
Depreciation	9,495	29,255	45,000	65%
Total Other Expense	17,910	57,081	78,660	73%
Total Expenses	37,688	107,394	135,760	79%
Net Income (Loss)	**$ (20,718)**	**$ (56,484)**	**$ (67,880)**	

May 31, 2018
Board of Directors Meeting

RESOLUTION 2018-01 ESTABLISHING MEETING DATES FOR CALENDAR YEARS 2019/2021

SUMMARY: Meeting dates for the Executive Committee and Board of Directors are adopted via resolution. The last resolution was adopted in 2015 and will expire at the end of 2018. Approving a three-year meeting schedule is recommended to provide leverage when negotiating rates with area hotels.

RECOMMENDATION: Adopt.

DISCUSSION: As a general rule, PARSAC meetings are scheduled on the 4th Thursday of the month but the 5th week is used whenever feasible. Dates typically reserved for PARMA, CAJPA, PRIMA, AGRIP, and the League of California Cities are excluded. Further, winter Board meetings are scheduled on the 1st Thursday of December to accommodate observed holidays. The Executive Committee is asked to review the proposed schedule to ensure it continues to meet members' needs:

	2019:	2020:	2021:
Executive:	March 28	March 26	March 25
Executive/Board:	May 30	May 28	May 27
Executive:	August 29	August 27	August 26
Executive/Board:	Dec. 4, 5	Dec. 2, 3	Dec. 1, 2

The PARSAC Academy is held in conjunction with the December Executive and Board Meetings. A Strategic Planning is held every three years with the next session due in 2020, traditionally in December. The Executive Committee is asked to consider whether Strategic Planning should be held in lieu of the Academy on December 2, 2020.

The location for all meetings will remain in Sacramento, unless otherwise requested. Since 2009, PARSAC had conducted its meetings at the Westin in Sacramento. Beginning this year, we will move the meetings to the Embassy Suites, Sacramento Riverfront Promenade, located at 100 Capitol Mall, Sacramento for 2018, 2019 and 2020.

FISCAL IMPLICATIONS: The cost to hold an Academy or Strategic Planning is approximately $7,000 when held in conjunction with a scheduled meeting.

ATTACHMENT: Resolution 2018-01

RESOLUTION NO. 2018-01

RESOLUTION OF THE BOARD OF DIRECTORS OF THE PUBLIC AGENCY RISK SHARING AUTHORITY OF CALIFORNIA ESTABLISHING MEETING DATES FOR CALENDAR YEARS 2019 - 2021

WHEREAS, the Public Agency Risk Sharing Authority of California, herein referred to as PARSAC, falls under the definition of "local agency" under the State of California Government Code §54951, and;

WHEREAS, as a local agency, PARSAC must meet the conditions stipulated under §54954 wherein the PARSAC legislative body must provide by ordinance, resolution, bylaws, or by whatever other rule is required for the conduct of business by that body, the dates and locations for holding regular meetings;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors that the following public meeting dates have been established and will be held in Sacramento, California unless notice is provided otherwise:

	2019:	2020:	2021:
Executive:	March 28	March 26	March 25
Executive/Board:	May 30	May 28	May 27
Executive:	August 29	August 27	August 26
Executive/Board:	Dec. 4, 5	Dec. 2, 3	Dec. 1, 2

Effective Date. This Resolution shall become effective upon its adoption.

ADOPTED this 31st day of May 2018.

ATTEST:

John Gillison, President

Joanne Rennie, PARSAC Board Secretary

ELECTION OF PARSAC OFFICERS AND EXECUTIVE COMMITTEE MEMBERS-AT-LARGE

SUMMARY: Positions on the Executive Committee are filled by Board Directors on staggered two-year terms, unless removed by a change in position or employment. Eligible candidates are Directors who have served on the Board for at least 18 months and attended at least two meetings.

RECOMMENDATION: Conduct election.

DISCUSSION: Two officer and four Member-at-Large positions are presented for consideration. Candidate eligibility is outlined in the Bylaws, adopted May 27, 2015 as follows:

> *Article V:* Officer positions are filled by Executive Committee members who have served on the Executive Committee at least two years and have attended at least six Executive Committee meetings.
>
> *Article VI:* Member-at-Large positions are filled by Directors who have served at least 18 months on the PARSAC Board, on behalf of any member as either a Director or Alternate and have attended at least two meetings.

The following candidates are presented for the Board's consideration:

Vice President:	Steve Rogers, Town of Yountville (incumbent)
Treasurer:	Greg Franklin, City of Yucaipa (incumbent)
Member-at-Large:	Chuck Dantuono, City of Highland (incumbent)
	Dylan Feik, City of Calistoga
	Ronda Rivera, City of Citrus Heights (incumbent)
	Tamara Vides, City of Watsonville (incumbent)

Nominations may also be made from the floor, which may be accepted or rejected by the nominee. If a nomination is accepted, a silent vote will be required (ballot form provided at the meeting). Otherwise, a motion to approve the ballot as it stands (slate) can be made, at which point the election will conclude.

Elected members will serve a two-year term, effective July 1, 2018 through June 30, 2020, unless removed by a change in position or employment.

FISCAL IMPLICATION: None.

ATTACHMENTS: Letters of Interest for all candidates (in alphabetical order).

City of
HIGHLAND
Inc. 1987

April 16, 2018

Mr. John Gillison, President
PARSAC Board of Directors
1525 Response Road, Suite One
Sacramento, CA 95815

Reference: Executive Committee

Dear President Gillison,

Please accept this letter as my formal request to the PARSAC Board of Directors to be considered as an Executive Committee member. I feel my qualifications and commitment allows me to serve in this capacity and be involved in the development of PARSAC policies.

If you have any questions, please call me at (909) 864-6861, Ext. 224.

Sincerely,

Chuck Dantuono
Director of Administrative
Services/City Treasurer

CITY OF CALISTOGA

1232 Washington Street • Calistoga, CA • 94515
Telephone 707-942-2800
Fax 707-942-0732
www.ci.calistoga.ca.us

May 9, 2018

Mr. John Gillison
President, Executive Committee
Public Agency Risk Sharing Authority of California
1525 Response Road, Suite 1
Sacramento, CA 95815

Dear Mr. Gillison,

John

Please accept this letter as my official request for consideration by the PARSAC Executive Committee and general membership to participate as a member of the PARSAC Executive Committee.

I began work for the City of Calistoga in February 2016 and recently surpassed two (2) years as Calistoga's city manager. I have made every attempt to personally attend every PARSAC board meeting and am the lead representative to PARSAC from the City of Calistoga. Since beginning my tenure here, I have worked diligently to train and educate staff on the various programs and policies adopted by PARSAC. I personally provide direct oversight to our workers compensation, liability, crime and other programs and actively review 100% of all contracts approved by the City, ensuring appropriate contract language which mitigates exposure, including indemnification and insurance coverage, is included in every contract.

I have 4 years of experience participating in self-insured, government risk pools in the State of California and have yet to hold a formal committee role. I anticipate a long, vibrant career as a city manager in California and would enjoy the opportunity to participate on the PARSAC Executive Committee for years to come.

Thank you for your consideration.

Sincerely,

Dylan Feik
City Manager
dfeik@ci.calistoga.ca.us
707-942-2806

May 8, 2018

Joanne Rennie, General Manager
PARSAC
1525 Response Rd # 1
Sacramento, CA 95815

Dear Ms. Rennie,

For the past year, I have had the privilege of serving PARSAC in the role of Treasurer. While I have a lot to learn about the appropriate investment of public resources, I do not take lightly the concept of fiscal responsibility and the weight of stewardship of those resources that are entrusted to each of us as public servants. I remain committed to the mission of PARSAC and to assisting with the implementation of its strategies into this next fiscal period. As a result, I respectfully submit my name for consideration for the position of Treasurer of PARSAC.

Sincerely,

Greg Franklin
Assistant City Manager

City of Yucaipa
34272 Yucaipa Boulevard, Yucaipa, CA 92399-9950
(909) 797-2489 ◆ FAX (909) 790-9203 ◆ Yucaipa.org

CITY OF CITRUS HEIGHTS

6360 Fountain Square Drive • Citrus Heights, CA 95621-5634 • (916) 725-2448
Fax (916) 725-5799 • TTY/TDD: California Relay Service 7-1-1 • www.citrusheights.net

The City of Citrus Heights is committed to providing high quality, economical, responsive city services to our community.

April 17, 2018

Mr. John Gillison, President
PARSAC Board of Directors
1525 Response Road, Suite One
Sacramento, CA 95815

Reference: Executive Committee – Member at Large

Dear President Gillison,

Please accept this letter as my notice of interest in continuing to serve PARSAC members in the capacity of Member at Large on the Executive Committee. I have served as a member of the Executive Committee since 2006. I would be honored to once again serve the PARSAC members in this capacity.

Thank you for your consideration,

Sincerely,

Ronda Rivera

Ronda Rivera
Assistant City Manager
Risk Manager
City of Citrus Heights

(916) 727-4712

Town of Yountville

"The Heart of the Napa Valley"

May 7, 2018

Mr. John Gillison, President
PARSAC
1525 Response Road
Sacramento, CA 95815

Re: Willingness to Continue Serving on Executive Committee

Dear John:

John

I am writing to confirm my interest in continuing to serve in the role of Vice President on the PARSAC Executive Committee.

I have actively served as a PARSAC Board Member representing the Town of Yountville where I have now served as Town Manager for over ten years. I have served as an Executive Committee member, as stint as Treasurer and most recently as Vice President while also chairing the Loss Control/Grants Committee. I am willing to continue to serve on the PARSAC Board as Vice President to help assist in guiding our organization as we work to meet our member's individual and unique needs while focusing our potential growth by getting the right new members "on the bus" as we often say.

I represent a small agency and remain very much focused on the "value added" services which support our member agencies in a meaningful way with a positive impact on loss control and prevention, such as our grants program and industry best practices templates. I believe PARSAC's approach to provide guidance and support on how to manage the risk we face is one the key elements of what makes our pool different from others and of value to those who share similar values as we do.

My 32 years professional local government work experience includes mostly full service municipalities with public safety and utility operations ranging from the small at 3,000 in Yountville with less than 30 employees to a medium sized agency in San Bruno and Indio with 200 to 350 employees and populations in the 40,000 to 60,000 range. Previously when the Assistant City Manager in San Bruno I served as the agency Personnel Officer and Risk Manager.

It would be my distinct honor and privilege to continue to support PARSAC by serving on the Executive Committee as Vice President.

Sincerely yours,

Steven Rogers,
Town Manager

City of Watsonville

Celebrating 150 Years

May 8, 2016

PARSAC BOARD of Directors
1525 Response Road
Sacramento CA 95076

Dear PARSAC Board of Directors,

Please accept my letter of interest for consideration to continue to serve as a Member at Large on the PARSAC Executive Committee. I have served as a Member at Large on the Executive Committee for the past year, and I have been a Board Member of PARSAC as an alternate for four years and Board Member for the past two. During these six years on the Board and most recently on the Executive Committee, I have been actively engaged on all Board activities/meetings and have attended most of the Board Meetings convened by PARSAC. I have also been a member of the Loss Control/ Grant Program Subcommittee for the past four years.

I currently serve as the Deputy City Manager for the City of Watsonville and for the past eight years, I have been serving as Watsonville's Risk Manager. I have been actively working with PARSAC and the City of Watsonville to set in place best management practices to reduce the risks of our operations. My work during the aforementioned posts, have afforded me invaluable insights and enable me to accomplish the following:

1. To understand the multiple risks faced today by public agencies;

2. To handled multiple type of claims for Watsonville and have been able to reduce the City's exposure and of course the pool's exposure as well;

3. By taking a more proactive approach in handling and investigating claims, I have been able to integrate the lessons learned in training of our employees helping reduce future risks; and

4. Most recently, through my work at the Executive Committee level, I have been able to help set direction for PARSAC during our strategic planning process, contribute to important discussions to continue to have a pool that is responsive to its members while being relevant in today's risk management world.

I am interested in continuing my involvement with the Executive Committee, support the goals of our pool and continue my personal and professional development under the mentorship of fellow Board Members. Every time, I participate in Board activities I feel reenergized and inspired by the level of experience, professionalism and trusting friendships that exist among our Board. Working with the Board and staff, I have come to understand that our pool is unique and stands behind its philosophy of working together towards a greater good.

If I serve on the Executive Board, I will bring the perspective of one of the largest member Cities in the pool (population 57,000). Watsonville is located on the Central Coast between Monterey and Santa Cruz. City Manager Montoya, supports my involvement with the Board and my ongoing involvement with the Executive Board. I thank you for your support in allowing me to serve you as a member of the Executive Committee during this last year. I hope to be able to continue to serve you and to advance PARSAC's mission by being re-elected to the Executive Committee.

Respectfully,

Tamara Vides

831-768-3010
citymanager@cityofwatsonville.org
www.cityofwatsonville.org
Administration
275 Main Street, Suite 400
Watsonville, CA 95076

LIABILITY PROGRAM ANNUAL ACTUARIAL REVIEW

SUMMARY: Staff is presenting the 2018-19 Liability Program actuarial study for review and discussion. Mr. Mike Harrington from Bickmore Risk Services completed the analysis and will discuss the report.

RECOMMENDATION: Approve.

DISCUSSION: According to the actuary, the Program's overall financial position is very good. Although pooled losses have developed adversely in the most recent years, resulting in increased rates; the pool remains well funded above the 90% confidence level. Some noteworthy observations include:

- The Program's discounted outstanding liability, including employment practices liability, projected at June 30, 2018 is $7,014,988 at expected and is $9,996,358 at the 90% confidence level.

- Program assets are $18,042,295. Although outstanding liabilities increased $794,601, it is offset by a $2,534,546 increase in program assets. As a result, program surplus increased $1,739,945 to 11,027,307 at expected and increased $1,501,766 to $8,045,937 at the 90% confidence level.

- The Program's actual versus expected incurred loss development decreased $340,453 and ultimate loss projections decreased $366,921. However, losses are trending up the most recent three years. Due to this upward trend, the loss funding rate at the 80% and 85% confidence levels increased an average of 9.8% and 20.9% respectively.

- The primary EPL funding rate at the 90% confidence level is .203 ($5,000 SIR) and .145 ($10,000 SIR), an average reduction of 5% from the current year.

FISCAL IMPLICATIONS: The Program remains well funded overall above the 90% confidence level with net equity of $8 million. A high confidence level provides greater assurance that funds are sufficient to meet the Program's claims liability and absorb the impact of significant loss development.

ATTACHMENT: Liability Program actuarial report.

Bickmore

Tuesday, May 8, 2018

Ms. Joanne Rennie
General Manager
Public Agency Risk Sharing Authority of California
1525 Response Road, Suite 1
Sacramento, CA 95815

Re: Actuarial Review of the Self-Insured Liability Program

Dear Ms. Rennie:

As you requested, we have completed our review of the Public Agency Risk Sharing Authority of California's self-insured liability program.

We estimate the program's liability for outstanding claims to be $7,014,988 as of June 30, 2018, including allocated loss adjustment expenses (ALAE), unallocated loss adjustment expenses (ULAE), and a discount for anticipated investment income. Of this amount, $72,108 can be attributed to the program's employment practices liability (EPL) claims incurred during the 1999-00 through 2017-18 years.

Given estimated program assets of $18,042,295, the program is funded well above the 95% confidence level (see Graph 1 on Page 9).

In addition, we estimate the ultimate cost of claims and expenses for liability (non-EPL) claims incurred during the 2018-19 program year to be $2,519,531, again including ALAE and ULAE, and discounted for anticipated investment income. For budgeting purposes, the expected cost of 2018-19 claims translates to a rate of $0.996 per $100 payroll.

The $2,519,531 estimate does not include the cost of the Authority's EPL claims. We estimate that an additional $19,498 will need to be funded to cover the program's EPL exposure.

ALAE is basically the direct cost associated with the defense of individual claims. ULAE is the remainder of the cost to administer all claims to final settlement, which may be years into the future. The discount for investment income is calculated based on the likely payout pattern of your claims, assuming a 1.5% return on investments per year.

Our conclusions regarding the Authority's liability for unpaid loss and loss adjustment expenses (LAE) at June 30, 2018 are summarized in the table below.

Public Agency Risk Sharing Authority of California
Self-Insured Liability Program
Estimated Liability for Unpaid Loss and LAE
at June 30, 2018

	Expected	Marginally Acceptable 70% CL	Recommended Range Low 75% CL	Recommended Range High 85% CL	Conservative 90% CL
Loss and ALAE	$6,463,048	$7,245,076	$7,594,081	$8,524,761	$9,209,843
ULAE	665,166	745,651	781,570	877,354	947,862
Investment Income	(185,334)	(207,759)	(217,767)	(244,456)	(264,101)
Discounted Loss and LAE	$6,942,880	$7,782,968	$8,157,884	$9,157,659	$9,893,604
EPL Discounted Loss and LAE	$72,108	$80,833	$84,727	$95,110	$102,754
Total Discounted Loss and LAE	$7,014,988	$7,863,801	$8,242,611	$9,252,769	$9,996,358
Available Assets	18,042,295				
Redundancy or (Deficiency)	$11,027,307	$10,178,494	$9,799,684	$8,789,526	$8,045,937

Note: Includes Pooled EPL Losses

The $7,014,988 estimate is the minimum liability to be booked by the Authority as of June 30, 2018 in accordance with Governmental Accounting Standards Board (GASB) Statement #10. GASB #10 requires the Authority to accrue a liability on its financial statements for the ultimate cost of claims and expenses associated with all reported and unreported claims, including ALAE and ULAE. GASB #10 does not prohibit the discounting of losses to recognize investment income.

GASB #10 does not address an actual funding requirement for the program, but only speaks to the liability to be recorded on the Authority's financial statements. Because actuarial estimates of claims costs are subject to some uncertainty, we recommend that an amount in addition to the discounted expected loss costs be set aside as a margin for contingencies. Generally, the amount should be sufficient to bring funding to the 75% to 85% confidence level. We consider funding to the 70% confidence level to be marginally acceptable and to the 90% level to be conservative. However, given that the Authority's liability program is somewhat of a cross between a primary pool and an excess pool, we recommend that PARSAC fund at the 90% confidence level.

The tables below show our funding recommendations for the Authority for the 2018-19 fiscal year. We display separate recommendations for liability and EPL claims. These recommendations do not include consideration of the program's projected June 30, 2018 funding position. Given the size of the program's funding surplus, the 2018-19 contribution could be much lower than displayed below. However, we understand that the Authority returns excess funding through a retrospective rating plan. We recommend that the Authority contribute $4,336,113 for liability claims and $33,556 for EPL claims to fund the 2018-19 year at the 90% confidence level.

Public Agency Risk Sharing Authority of California
Self-Insured Liability Program
Loss and LAE Funding Guidelines
For Fiscal Year 2018-19

		Marginally Acceptable	Primary Pool Range Low		High	PARSAC Recommended
	Expected	70% CL	75% CL	80% CL	85% CL	90% CL
Loss and ALAE	$2,266,984	$2,686,376	$2,901,740	$3,155,642	$3,475,286	$3,901,480
ULAE	357,213	423,297	457,233	497,240	547,608	614,764
Inv Income	(104,666)	(124,029)	(133,972)	(145,695)	(160,453)	(180,130)
Discounted Loss and LAE	$2,519,531	$2,985,644	$3,225,000	$3,507,187	$3,862,441	$4,336,113
Rate per $100 of 2018-19 Payroll	$0.996	$1.180	$1.275	$1.386	$1.527	$1.714

Public Agency Risk Sharing Authority of California
Self-Insured Employment Practices Liability
Loss and LAE Funding Guidelines
For Fiscal Year 2018-19

		Marginally Acceptable	Primary Pool Range Low		High	PARSAC Recommended
	Expected	70% CL	75% CL	80% CL	85% CL	90% CL
Loss and ALAE	$19,952	$23,643	$25,538	$27,773	$30,586	$34,337
ULAE	0	0	0	0	0	0
Inv Income	(454)	(538)	(581)	(632)	(696)	(781)
Discounted Loss and LAE	$19,498	$23,105	$24,957	$27,141	$29,890	$33,556
Rate per $100 of 2018-19 Payroll	$0.0077	$0.0091	$0.0099	$0.0107	$0.0118	$0.0133

Note: The rates above are expressed as average rates per $100 of total pool payroll.

The funding recommendations shown in the table on the prior page are for losses and loss adjustment expenses only. They do not include provision for loss control, overhead, excess insurance contributions, and other expenses associated with the program.

A comparison of the discounted loss and ALAE rates by deductible are shown in the tables below, for Liability and EPL coverage separately, at various confidence levels.

	Prior * 2017-18 80% CL	Current 2018-19 80% CL	Percent Change	Prior * 2017-18 80% CL	Current 2018-19 85% CL	Percent Change
Liability Deductible						
$5,000	$2.536	$2.746	8.3%	$2.536	$3.024	19.2%
$10,000	2.374	2.575	8.5%	2.374	2.836	19.5%
$25,000	2.045	2.224	8.8%	2.045	2.449	19.8%
$50,000	1.667	1.817	9.0%	1.667	2.001	20.0%
$100,000	1.249	1.374	10.0%	1.249	1.513	21.1%
$125,000	1.010	1.130	11.9%	1.010	1.244	23.2%
$150,000	0.918	1.032	12.4%	0.918	1.136	23.7%
$200,000	0.718	0.807	12.4%	0.718	0.889	23.8%
$250,000	0.548	0.616	12.4%	0.548	0.678	23.7%
$350,000	0.487	0.547	12.3%	0.487	0.602	23.6%
$500,000	0.335	0.378	12.8%	0.335	0.416	24.2%
$750,000	0.168	0.191	13.7%	0.168	0.211	25.6%
		Average	9.8%		Average	20.9%

	Prior * 2017-18 90% CL	Current 2018-19 90% CL	Percent Change	Prior * 2017-18 90% CL	Current 2018-19 95% CL	Percent Change
EPL Deductible						
$5,000	$0.210	$0.203	-3.3%	$0.210	$0.240	14.3%
$10,000	0.154	0.145	-5.8%	0.154	0.172	11.7%
		Average	-5.0%		Average	12.6%

* Prior rates are from the 2016-17 Actuarial Report dated 3/13/17.

The rates shown above do not include any provision for claims administration, excess insurance, or other program expenses.

The report that follows outlines the scope of our study, its background, and our conclusions, recommendations and assumptions. Judgments regarding the appropriateness of our conclusions and recommendations should be made only after studying the report in its entirety – including the graphs, attachments, exhibits and appendices. Our report has been developed for the Authority's internal use. It is not intended for general circulation.

We provide the following allocation of premiums, which include ultimate loss and LAE for Non-EPL losses ($3,507,187) assuming a $1M retention per occurrence at the 80% confidence level, overhead expenses ($1,071,412), excess insurance ($1,413,400) and ERMA insurance premiums ($1,253,033) on a discounted basis (1.5%). This is shown in further detail on Ex Mod Exhibit 2-2.

Member	Xmod	Funding	Excess Insurance	Total Premium
Amador City	0.963	$7,500	$440	$7,940
Avalon	1.438	301,071	69,578	370,648
Belvedere	0.876	69,580	25,846	95,426
Blue Lake	0.993	18,790	4,777	23,567
California City	0.979	82,541	42,419	124,959
Calimesa	0.963	50,607	14,858	65,465
Calistoga	1.037	228,272	63,233	291,505
Citrus Heights	0.625	245,791	216,225	462,016
Clearlake	1.096	105,640	38,739	144,380
Coalinga	1.240	244,591	65,573	310,163
Ferndale	0.963	27,100	7,292	34,392
Grass Valley	1.254	270,858	71,380	342,239
Highland	1.861	105,686	29,631	135,317
Menifee	1.367	233,730	56,807	290,537
Nevada City	0.988	82,232	27,220	109,452
Pacific Grove	1.037	105,870	69,305	175,175
Placentia	0.726	169,448	128,276	297,724
Placerville	1.694	285,015	68,027	353,043
Plymouth	0.963	24,521	6,587	31,108
Point Arena	0.963	12,845	3,309	16,154
Rancho Cucamonga	0.654	110,129	336,575	446,704
Rancho Cucamonga FD	0.578	88,429	187,666	276,095
Rancho Santa Margarita	0.856	87,231	28,739	115,970
San Juan Bautista	1.096	26,750	6,323	33,073
South Lake Tahoe	0.906	149,457	202,377	351,834
Tehama	0.963	2,346	369	2,715
Trinidad	1.036	15,099	3,657	18,756
Truckee	0.930	330,858	120,805	451,663
Twentynine Palms	1.204	115,505	27,401	142,905
Watsonville	1.028	181,345	309,600	490,944
West Hollywood	1.581	414,650	296,892	711,542
Wheatland	1.390	88,045	16,896	104,942
Wildomar	1.493	69,899	12,395	82,294
Yountville	0.864	69,698	22,560	92,258
Yucaipa	0.811	107,397	55,057	162,453
Yucca Valley	0.872	50,072	29,601	79,673
Total		$4,578,599	$2,666,433	$7,245,032

Note: Excludes Pooled EPL Losses

Ex Mod Exhibit 2-1 includes the funding allocation at the 75% confidence level and Ex Mod Exhibit 2-3 includes the funding allocation at the 85% confidence level.

We appreciate the opportunity to be of service to Public Agency Risk Sharing Authority of California in preparing this report. Please call Becky Richard at (916) 244-1183, Mike Harrington at (916) 244-1162 or David Kim at (916) 244-1166, with any questions you might have.

Sincerely,

Bickmore

Becky Richard, ACAS, MAAA
Senior Manager, Property and Casualty Actuarial Services, Bickmore
Associate, Casualty Actuarial Society
Member, American Academy of Actuaries

Mike Harrington, FCAS, MAAA
President, Property and Casualty Actuarial Services, Bickmore
Fellow, Casualty Actuarial Society
Member, American Academy of Actuaries

David Kim

David Kim, MA
Senior Actuarial Analyst, Property and Casualty Actuarial Services, Bickmore

TABLE OF CONTENTS

I. BACKGROUND

The Public Risk Sharing Authority of California (PARSAC) was formed to provide pooled insurance coverage to cities in the State of California. PARSAC began its self-insured general liability program on July 1, 1986. Its current self-insured retention is $1,000,000, and excess coverage is provided by the California Affiliated Risk Management Authority. The program's members select individual retentions from $5,000 to $500,000 per occurrence and PARSAC insures the layer between these retentions and the $1,000,000 pool limit.

For employment practices liability (EPL) claims, the Authority purchases insurance from ERMA for the layer $25,000 to $1 million and pools the first $25,000 of each occurrence. Members with Non-EPL deductible higher than $25,000 attach directly to ERMA at $25,000 effective July 1, 2007.

Individual cities are responsible for administering their own claims. Members are required to report claims to PARSAC once they reach 50% of the member's retention for retentions greater than $50,000, or all of their claims for retentions less than $50,000. PARSAC contracts with George Hills Co. to administer claims with the potential to reach the pooled layer.

The Authority has funded each program year at the following historical confidence levels.

Program Year	Confidence Level
2005-06	75%
2006-07	80%
2007-14	85%
2014-18	80%

As of June 30, 2018, the Authority expects to have available assets of $18,042,295 for the program. Additional background on the program is given in Appendix K.

The purpose of this review is to provide a guide to the Authority to determine reasonable funding levels for its self-insurance program according to the funding policy the Authority has adopted to comply with Governmental Accounting Standards Board Statements #10 and #30. The specific objectives of the study are to estimate the Authority's liability for outstanding claims as of June 30, 2018, project ultimate loss costs for 2018-19, and provide funding guidelines to meet these liabilities and future costs.

II. CONCLUSIONS AND RECOMMENDATIONS

A. LIABILITY FOR OUTSTANDING CLAIMS AS OF JUNE 30, 2018

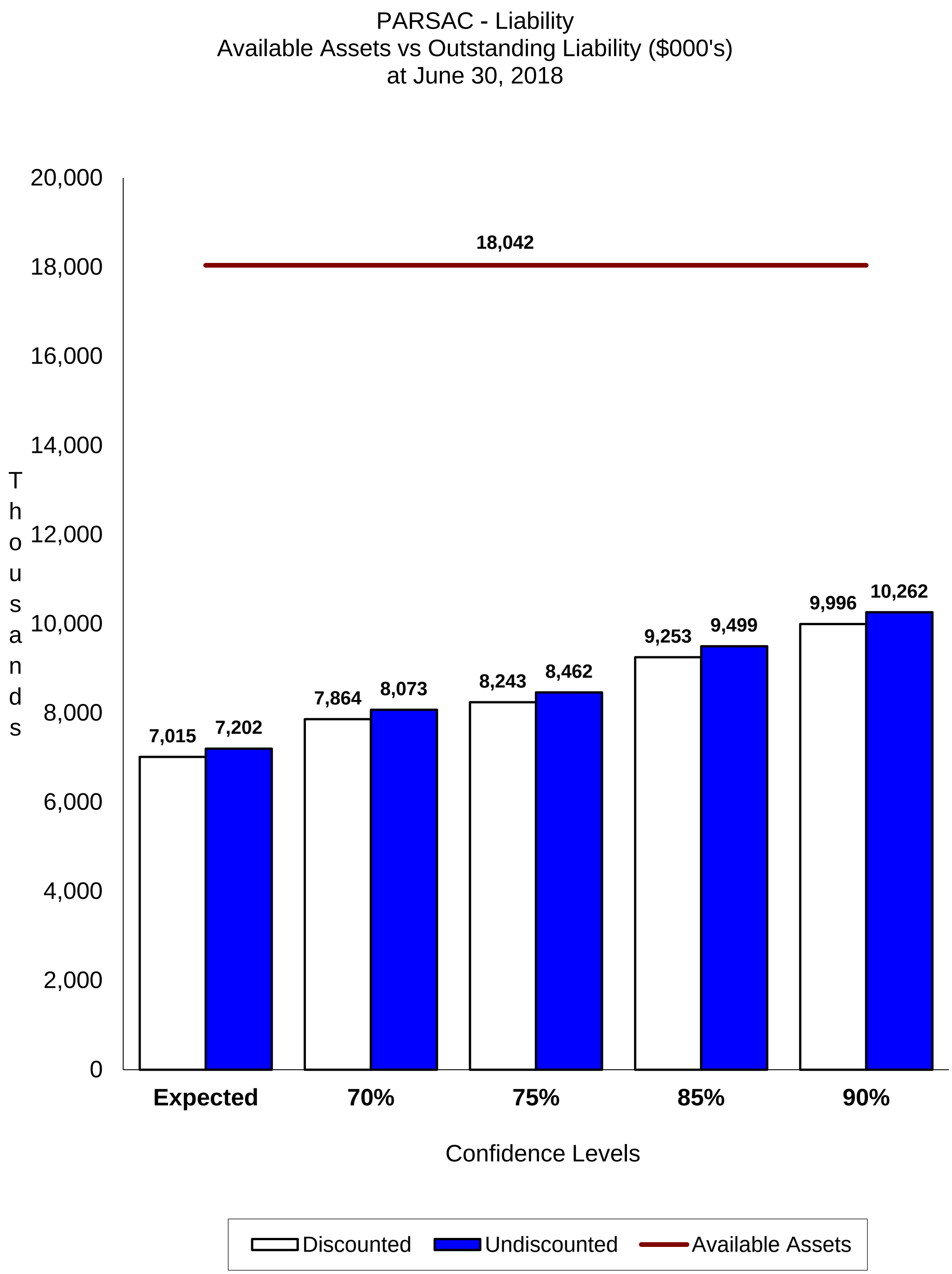
Graph 1 on the following page summarizes our assessment of the Authority's funding position as of June 30, 2018. The dark-colored bars indicate our estimates of the program's liability for outstanding claims before recognition of the investment income that can be earned on the assets held before the claim payments come due. The horizontal line across the graph indicates the Authority's available assets at June 30, 2018. As you can see, the program is projected to be funded well above the discounted 95% confidence level.

Our best estimate of the full value of the Authority's liability for outstanding claims within its self-insured retention (SIR) is $7,201,623, including EPL claims. This amount includes losses, allocated loss adjustment expenses (ALAE) and unallocated loss adjustment expenses (ULAE). ALAE is the direct cost associated with the defense of individual claims (e.g. legal fees, investigation fees, court charges). ULAE is the cost to administer claims to final settlement, which may be years in the future (e.g. claims adjusters' salaries, taxes).

There is some measure of uncertainty associated with our best estimate because of the random nature of much of the process that determines ultimate claims costs. For this reason, we generally recommend that a program such as this include some funding margin for the possibility that actual loss costs will be greater than the best estimate. We generally measure the amount of this margin by thinking in terms of the probability distribution of actual possible results around our best estimate. As the margin grows, the probability that the corresponding funding amount will be sufficient to meet actual claim liabilities increases. We typically refer to this probability as the "confidence level" of funding. Graph 1 shows the liabilities for outstanding claims at several confidence levels that are typically of interest to risk managers in formulating funding policies for self-insurance programs.

The Authority can earn investment income on the assets it holds until claims payments come due. Assuming a long-term average annual return on investments of 1.5%, we estimate the impact of investment income earnings to be about 2.6% if the program is funded within the range indicated in Graph 1. Investment income earnings will be less than this when the program does not maintain sufficient funding, and more when there is excess funding. Thus, thinking in terms of liabilities discounted for investment income can actually mask funding deficiencies and redundancies that might otherwise be obvious. However, the discounted liabilities do represent legitimate funding targets. The light-colored bars on Graph 1 show our estimates of the Authority's discounted liability for outstanding claims.

Graph 1


PARSAC - Liability
Available Assets vs Outstanding Liability ($000's)
at June 30, 2018
20,000
18,000
16,000
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
Thousands
18,042
7,015
7,202
7,864
8,073
8,243
8,462
9,253
9,499
9,996
10,262
Expected
70%
75%
85%
90%
Confidence Levels
Discounted
Undiscounted
Available Assets

We estimate the program's expected discounted liability for outstanding claims to be $7,014,988 as of June 30, 2018. Again, these amounts include ALAE, ULAE and EPL claims. As shown, after recognition of the investment income, the program is funded above the 95% confidence level as of June 30, 2018. The information presented in Graph 1 is also summarized in tabular form below.

Liability for Outstanding Claims at June 30, 2018

Confidence Levels	Expected	70%	75%	85%	90%
Discounted	$7,014,988	$7,863,802	$8,242,611	$9,252,769	$9,996,358
Not Discounted	7,201,623	8,073,019	8,461,907	9,498,941	10,262,313
Assets Available at 6/30/18			$18,042,295		

Note: Includes Pooled EPL Losses

GASB #10 does not address an actual funding requirement for the program, but only speaks to the liability to be recorded on the Authority's financial statements. Because actuarial estimates of claims costs are subject to some uncertainty, we recommend that an amount in addition to the discounted expected loss costs be set aside as a margin for contingencies. Generally, the amount should be sufficient to bring funding to the 75% to 85% confidence level. We consider funding to the 70% confidence level marginally acceptable and to the 90% confidence level to be conservative. However, given that the Authority's liability program is somewhat of a cross between a primary pool and an excess pool, we recommend that PARSAC fund at the 90% confidence level.

B. COSTS OF 2018-19 CLAIMS

We estimate the ultimate cost of claims and allocated loss adjustment expenses (ALAE) for claims incurred during the 2018-19 program year to be $2,519,531 for liability claims and $19,498 for EPL claims. In addition, we estimate expenses of $357,213 will be required to administer the same claims to final settlement. Thus, the total expected cost of claims for program year 2018-19 within the Authority's SIR is $2,644,149.

In addition, as with its funding for the outstanding liability, if the program is fully funded, the Authority can earn investment income on its funding for the coming year's claims before all payments come due. We estimate the impact of this investment income to be about 4.0%, or $104,666. Thus the total expected cost of claims for program year 2018-19 including recognition of future investment income is $2,539,029.

We provide the following estimates of the costs of 2018-19 claims at various confidence levels, after recognition of investment income. For budgeting purposes we also display rates per $100 of payroll. We have provided separate estimates for liability and EPL claims.

FY 2018-19 Liability Claims

Expected	$2,519,531	$0.996
70% Confidence	2,985,644	1.180
75%	3,225,000	1.275
85%	3,862,441	1.527
90%	4,336,113	1.714

FY 2018-19 EPL Claims

Expected	$19,498	$0.0077
70% Confidence	23,105	0.0091
75%	24,957	0.0099
85%	29,890	0.0118
90%	33,556	0.0133

The funding recommendations above are for losses and loss adjustment expenses only. They do not include provision for loss control, overhead, excess insurance contributions, and other expenses associated with the program. The recommendations also do not include consideration of the program's projected funding surplus as of June 30, 2018.

Again, we generally recommend funding to the 75% to 85% confidence levels. We consider funding to the 70% confidence level to be marginally acceptable, and to the 90% confidence level to be conservative. However, given that the Authority's liability program is somewhat of a cross between a primary pool and an excess pool, we recommend that PARSAC fund at the 90% confidence level.

C. PROGRAM FUNDING: GOALS AND OBJECTIVES

As self-insurance programs have proliferated among public entities, it has become apparent that there is a large measure of inconsistency in the way in which these programs recognize and account for their claims costs. This is the result of the fact that there have been several different sources of guidance available, none of which has been completely relevant to public entity self-insurance programs.

According to the Governmental Accounting Standards Board (GASB), the most relevant source of guidance on the subject is Financial Accounting Standards Board Statement #60. A liability for unpaid claim costs, including all loss adjustment expenses, should be accrued at the time the self-insured events occur. This liability should include an allowance for incurred but not reported claims. It may be discounted for investment income at an appropriate rate of return, provided the discounting is disclosed. The regulations detailing the way in which this must be done are outlined in GASB's statements #10 and #30.

GASB #10 and #30 do not address funding requirements. They do, however, allow a range of funded amounts to be recognized for accounting purposes, specifically GASB #10 and #30 allow recognition of a funding margin for unexpectedly adverse loss experience. Thus, it is possible to formulate a funding policy from a range of alternatives all acceptable for accounting purposes. The uncertainty in any estimate of the program's liability for outstanding claims should be taken into consideration in determining funding policy, but it may be offset by recognizing anticipated investment income earnings. This usually means developing a funding program based on discounted claims costs with some margin for unexpected adverse loss experience.

The amount of the margin should be a question of long-term funding policy. We recommend that the margin be determined by thinking in terms of the probability that a given level of funding will prove to be adequate. For example, a reasonable goal might be to maintain a fund at the 85% confidence level.

A key factor to consider in determining funding policy is the degree to which stability is required in the level of contributions to the program from year to year. If you elect to fund at a low confidence level, the chances are much greater that future events will prove that additional contributions should have been made for current claims. The additional contributions for years by that time long past may be required at the same time that costs are increasing dramatically on then-current claims. The additional burden of funding increases on past years as well as current years may well be prohibitive.

For primary programs, we generally recommend maintaining program funding at the 80% confidence level, after recognition of investment income, with a recommended range of the 75% to 85% confidence levels. We tend to think of the 70% confidence level as marginally acceptable and of the 90% confidence level as conservative. However, in PARSAC's case, we recommend the 90% confidence level due to the fact that the program is a cross between a primary program and an excess program. Further, the probabilities are reasonably high that resulting funding will be sufficient to meet claim liabilities, yet given the current funding surplus, the required margins are not so large that they will cause most self-insured entities to experience undue financial hardship. In addition, within this range, anticipated investment income generally pretty much offsets the required margin, which means that it is also reasonable to think of the liabilities as being stated on an undiscounted basis.

We also strongly believe, however, that the confidence level to which any future year is funded should be evaluated in light of the relative certainty of the assumptions underlying the actuarial analysis, the Authority's other budgetary constraints, and the relative level of risk it is believed appropriate to assume. This means formulating both short- and long-term funding goals, which may be the same in some years, but different in others.

In general, we recommend that you fund each year's claims costs in that year. When surpluses or deficiencies have developed and funding adjustments are necessary, they should be clearly identified as such so that the habit of funding each year's claims costs that year is maintained. We also recommend that you reduce surplus funding more slowly than you would accumulate funding to make up a deficiency.

The tables below show our funding recommendations for the Authority for the 2018-19 fiscal year. We display separate recommendations for liability and EPL claims. These recommendations do not include consideration of the program's projected June 30, 2018 funding position. Given the size of the program's funding surplus, the 2018-19 contribution could be much lower than displayed below. However, we understand that the Authority returns excess funding through a retrospective rating plan. We recommend that the Authority contribute $4,336,113 for liability claims and $33,556 for EPL claims to fund the 2018-19 year at the 90% confidence level.

Public Agency Risk Sharing Authority of California
Self-Insured Liability Program
Loss and LAE Funding Guidelines
For Fiscal Year 2018-19

		Marginally Acceptable	Primary Pool Range Low		Primary Pool Range High	PARSAC Recommended
	Expected	70% CL	75% CL	80% CL	85% CL	90% CL
Loss and ALAE	$2,266,984	$2,686,376	$2,901,740	$3,155,642	$3,475,286	$3,901,480
ULAE	357,213	423,297	457,233	497,240	547,608	614,764
Inv Income	(104,666)	(124,029)	(133,972)	(145,695)	(160,453)	(180,130)
Discounted Loss and LAE	$2,519,531	$2,985,644	$3,225,000	$3,507,187	$3,862,441	$4,336,113
Rate per $100 of 2018-19 Payroll	$0.996	$1.180	$1.275	$1.386	$1.527	$1.714

Public Agency Risk Sharing Authority of California
Self-Insured Employment Practices Liability
Loss and LAE Funding Guidelines
For Fiscal Year 2018-19

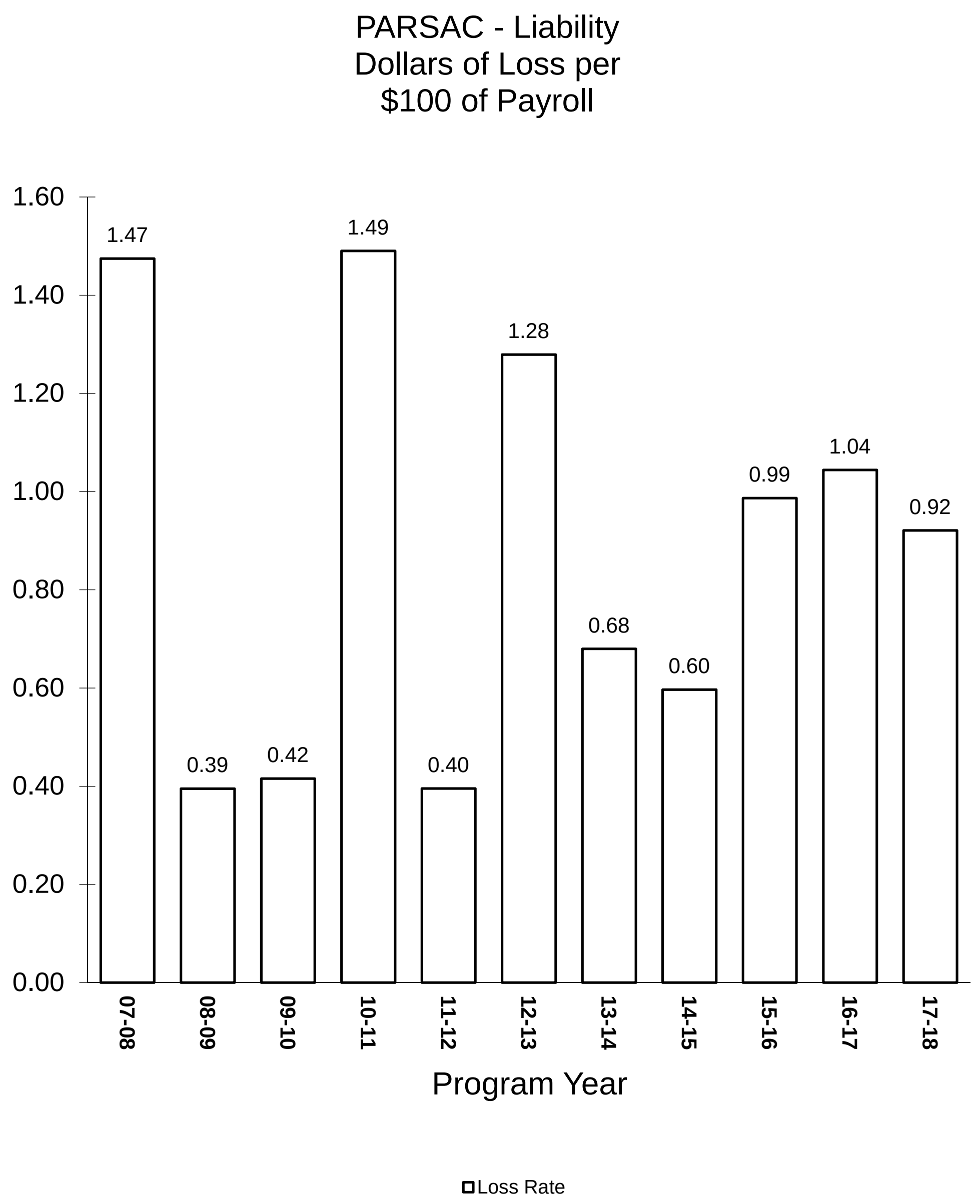
		Marginally Acceptable	Primary Pool Range Low		Primary Pool Range High	PARSAC Recommended
	Expected	70% CL	75% CL	80% CL	85% CL	90% CL
Loss and ALAE	$19,952	$23,643	$25,538	$27,773	$30,586	$34,337
ULAE	0	0	0	0	0	0
Inv Income	(454)	(538)	(581)	(632)	(696)	(781)
Discounted Loss and LAE	$19,498	$23,105	$24,957	$27,141	$29,890	$33,556
Rate per $100 of 2018-19 Payroll	$0.0077	$0.0091	$0.0099	$0.0107	$0.0118	$0.0133

Note: The rates above are expressed as average rates per $100 of total pool payroll.

D. HISTORICAL TRENDS IN THE SELF-INSURANCE PROGRAM

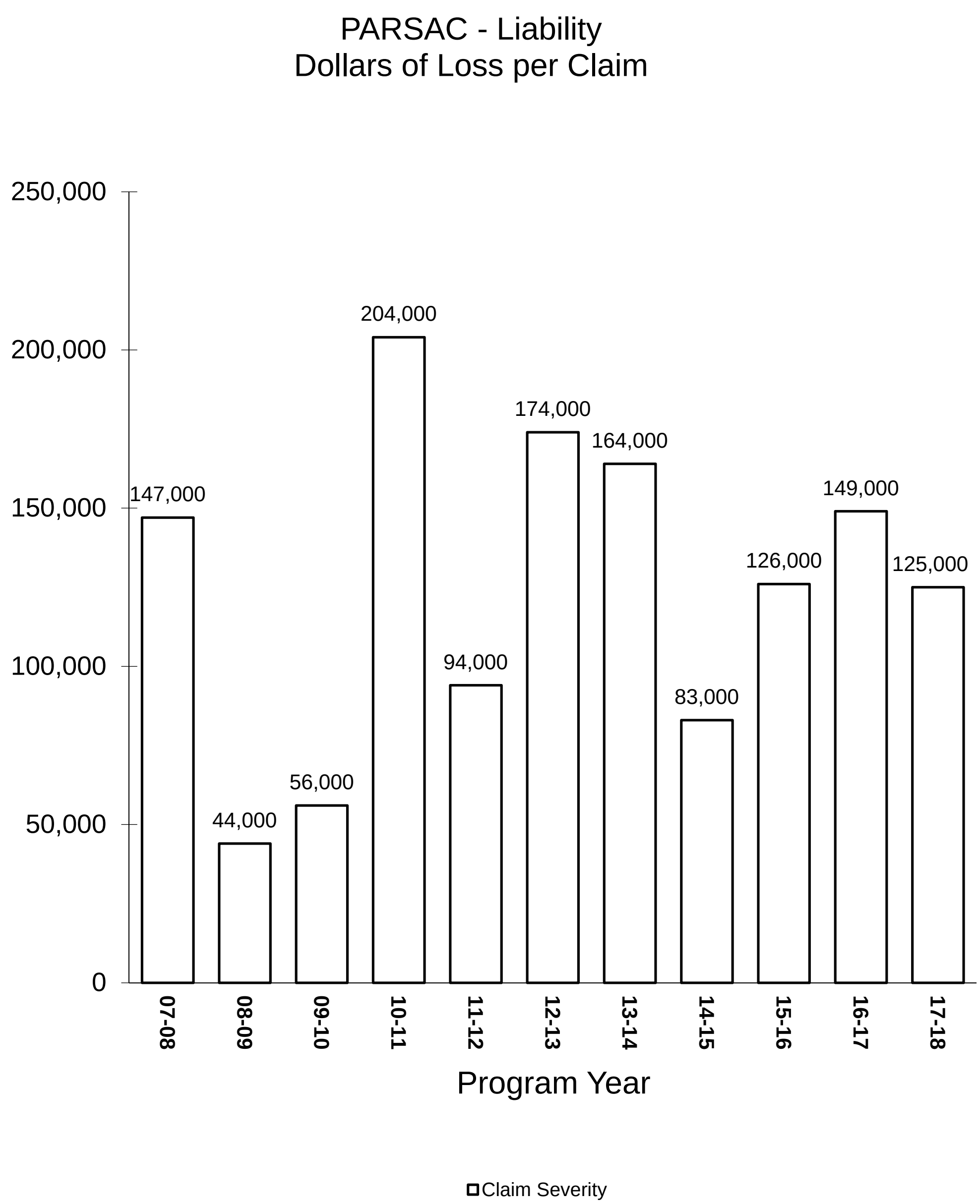
Over the past ten years, PARSAC's pooled loss rate per $100 of payroll has varied from a high of $1.49 per $100 of payroll in 2010-11 to low of $0.39 in 2008-09. Our projected loss rate of $0.92 for 2017-18 is based on long-term average and relatively stable loss cost trends in the future.

Graph 2



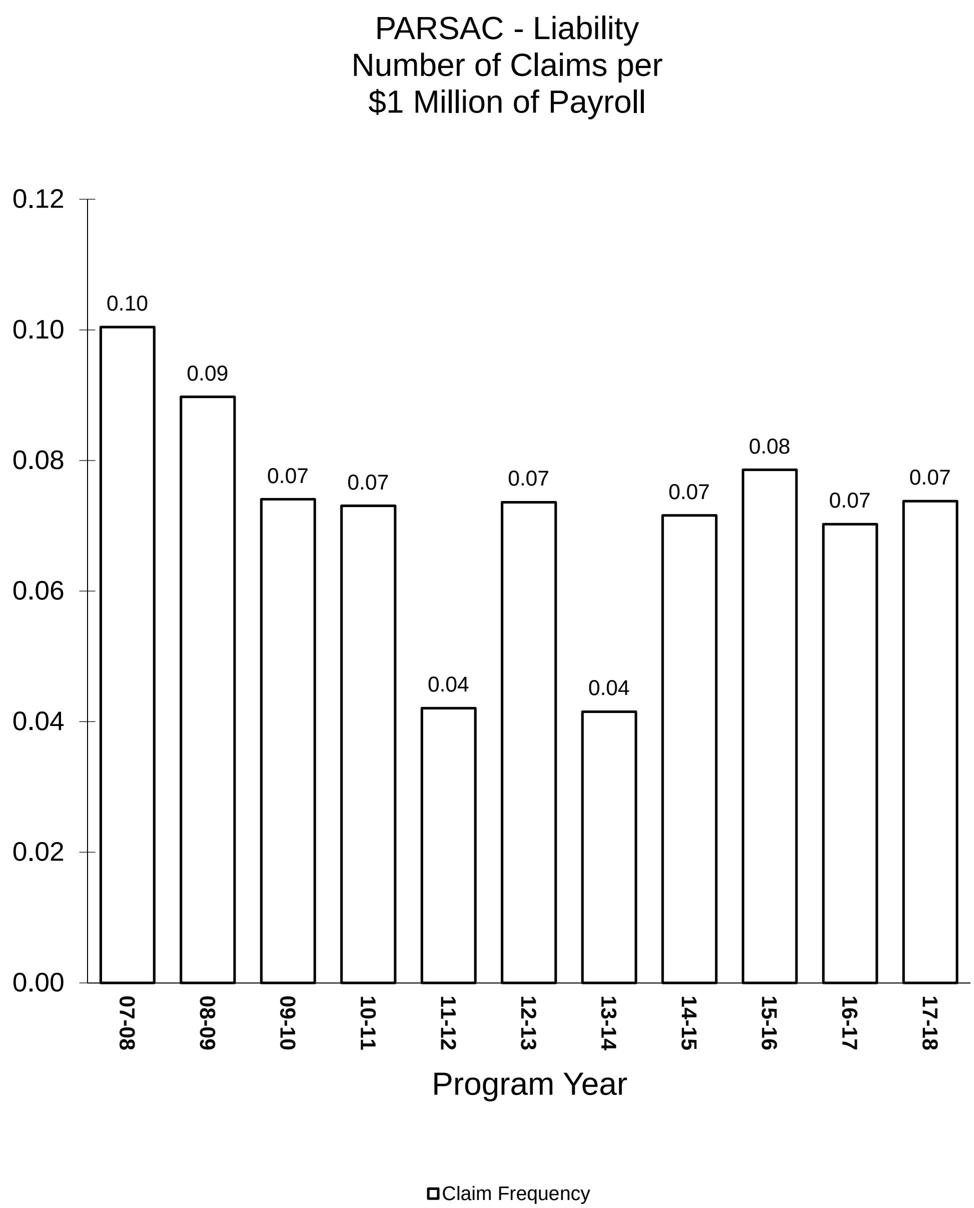
PARSAC's pooled cost per claim has been quite volatile over the past ten years. There are several large claims for the 2010-11 accident year causing the extremely high average severity. The claim cost averaged $124,000 during the past ten years. Our projected severity for 2017-18 is $125,000.

Graph 3



The pooled claims frequency averaged 0.07 claims per $1 million of payroll for the 2007-08 to 2016-17 years. Our projected claims frequency of 0.07 for 2017-18 is similar to this average.

Graph 4



E. COMPARISON WITH OUR PREVIOUS RESULTS

The most recent report for PARSAC was dated March 13, 2017. In the table below we display actual versus expected development of incurred losses and ALAE by accident year since our prior report.

Actual Versus Expected Incurred Loss and ALAE Development

Accident Year	Expected Incurred Development	Actual Incurred Development	Actual Minus Expected
2007-2008	$0	($6,919)	($6,919)
2008-2009	0	(64,994)	(64,994)
2009-2010	2,000	6	(1,994)
2010-2011	23,000	(525,000)	(548,000)
2011-2012	13,000	(225,407)	(238,407)
2012-2013	42,000	0	(42,000)
2013-2014	65,000	(396,847)	(461,847)
2014-2015	380,000	459,023	79,023
2015-2016	630,000	770,997	140,997
2016-2017	690,000	1,493,688	803,688
Total	$1,845,000	$1,504,547	($340,453)

Note: Excludes Pooled EPL Losses

As shown, actual incurred loss development was less than anticipated since the prior report. Based on the assumptions in the prior reports, it was expected that incurred losses would increase by $1,845,000 between the two evaluation dates. However, actual development was $1,504,547; or $340,453 less than expected. The less than anticipated development on accident years 2010-11, 2011-12 and 2013-14 was partially offset by the more than anticipated development in the latest two years.

In the table below we display the change in our estimates of the program's ultimate losses and ALAE by accident year since our prior report.

Change in Ultimate Loss and ALAE

Accident Year	Prior Report	Current Report	Change In Ultimate
2007-2008	$3,824,390	$3,817,471	($6,919)
2008-2009	989,114	924,120	(64,994)
2009-2010	899,605	897,817	(1,788)
2010-2011	3,812,902	3,263,654	(549,248)
2011-2012	1,086,419	846,214	(240,205)
2012-2013	2,649,692	2,606,296	(43,396)
2013-2014	1,782,392	1,309,459	(472,933)
2014-2015	1,308,506	1,334,801	26,295
2015-2016	2,164,791	2,385,963	221,172
2016-2017	2,058,326	2,823,421	765,095
Total	$20,576,137	$20,209,216	($366,921)

Note: Excludes Pooled EPL Losses

As shown, overall we have decreased our estimated ultimates by $366,921 since our prior report. The changes in ultimate losses are in line with the actual vs. expected analysis shown in the previous page.

At the time of the prior report, we estimated the liability for outstanding claims as of June 30, 2017 to be $6,220,387 at the discounted expected level. Our current estimate as of June 30, 2018 is $7,014,988, an increase in our assessment of PARSAC's outstanding liabilities, as shown below:

Outstanding Claim Liabilities for Loss and LAE

		Prior Report at June 30, 2017	Current Report at June 30, 2018	Change
A)	Case Reserves:	$3,287,815	$3,659,216	$371,401
B)	IBNR Reserves:	2,458,976	2,877,241	418,265
C)	Claims Administration Reserves:	639,054	665,166	26,112
D)	Total Reserves (A) + (B) + (C)	$6,385,845	$7,201,623	$815,778
E)	Offset for Investment Income:	(165,458)	(186,635)	(21,177)
F)	Total Outstanding Claim Liabilities: (D) + (E)	$6,220,387	$7,014,988	$794,601

Note: Includes Pooled EPL Losses

As shown, our estimate of outstanding claims liabilities at the discounted expected level has increased between June 30, 2017 and June 30, 2018, as reflected in our prior and current reports respectively.

The increase in reserves is driven primarily by less than expected paid development since the prior report. Reserves for future claims administration expenses are expected to be higher due to increased budget for claims administration, resulting in a $815,778 increase in total claim reserves. This increase in reserves leads to a greater offset for investment income. The net change due to the above factors is an overall increase of $794,601 in our estimate of outstanding claim liabilities for Loss and LAE.

At the time of the prior report, available assets were estimated to be $15,507,749 as of June 30, 2017, which matched the then-estimated discounted liability for outstanding claims above the 90% confidence level. Available assets are currently estimated to be $18,042,295 as of June 30, 2018, which matches the currently estimated liability for outstanding claims above the 90% confidence level. It can be summarized as follows:

Funding Margin

		Prior Report at June 30, 2017	Current Report at June 30, 2018	Change
A)	Outstanding Liability at the Discounted Expected Level:	$6,220,387	$7,014,988	$794,601
B)	Estimated Assets At June 30:	15,507,749	18,042,295	2,534,546
C)	Surplus/(Deficit): (B) – (A)	$9,287,362	$11,027,307	$1,739,945

Note: Includes Pooled EPL Losses

As you can see, our estimate of the program's funding margin at the discounted expected confidence level has increased by $1,739,945 between June 30, 2017 (as previously estimated) and June 30, 2018 (as currently estimated). This is driven by an increase in the estimated assets between the two points, partially offset by an increase in the estimated outstanding liability.

At the time of the prior report, our funding estimate for the 2017-18 year was $6,458,367 at the discounted 80% confidence level. That amount included allocated loss adjustment expenses (ALAE) for Non-EPL losses, unallocated loss adjustment expenses (ULAE), insurance expenses, other program expenses, and a discount for anticipated investment income. Our current estimate for the 2018-19 year is $7,245,032 at the discounted 80% confidence level, an increase in the program's total funding, as shown in the table below:

Comparison of Funding for Loss and LAE

		Prior * Report 2017-18 SIR = $1,000,000	Current Report 2018-19 SIR = $1,000,000	Change
A)	Ultimate Loss and ALAE:	$2,028,120	$2,266,984	$238,864
B)	Ultimate Claims Administration (ULAE):	327,294	357,213	29,919
C)	Total Claim Costs: (A) + (B)	$2,355,414	$2,624,197	$268,783
D)	Offset for Investment Income:	(92,842)	(104,666)	(11,824)
E)	Discounted Expected Loss & LAE: (C) + (D)	$2,262,572	$2,519,531	$256,959
F)	80% CL Margin:	907,291	987,656	80,365
G)	Other Program Expenses:	860,812	920,912	60,100
H)	Pool Funding @ Discounted 80% CL: (E) + (F) + (G)	$4,030,675	$4,428,099	$397,424
I)	Loss Run Fees:	150,500	150,500	0
J)	Liability Excess Insurance:	1,186,268	1,413,400	227,132
K)	EPL Excess Insurance:	1,090,924	1,253,033	162,109
L)	Total Funding @ Discounted 80% CL: (I) + (J) + (K)	$6,458,367	$7,245,032	$786,665
M)	Payroll ($100)	$2,372,070	2,530,116	158,046
N)	Total Funding rate per $100 of payroll @ Discounted 80% CL : (L) / (M)	$2.72	$2.86	$0.14

Note: Excludes Pooled EPL Losses. * Prior amounts from the Final 2016-17 Premium Allocation.

As you can see, our funding recommendations at the discounted 80% confidence level have increased between 2017-18 and 2018-19, as shown in our prior and current reports respectively.

Our estimates of ultimate loss and ALAE have increased by $238,864 primarily due to increased exposures and increase in the selected rate based on the development in the most recent three years. In addition, claims administration costs are expected to be higher, resulting in an overall increase in total claim costs of $268,783. Investment income is expected to be higher. The net change due to the above factors is an overall increase of $256,959.

The risk margin at the discounted 80% confidence level has increased, driven by the increase in expected level costs. Excess Liability Insurance costs and other expenses have increased, resulting an overall increase of $786,665 in our annual funding estimate at the discounted 80% confidence level.

F. DATA ISSUES

Overall, the data utilized in preparing this report appears to be accurate.

Comments and issues regarding the data are as follows:

- We have assumed that the program's self-insured retention will remain at $1,000,000 per occurrence for 2018-19 (See Appendix K).
- We estimated the 6/30/18 asset balance by beginning with the 6/30/17 asset balance, and adjusting for anticipated revenue and expense for 2017-18 (see Appendix L).
- We received a detailed claims listing evaluated as of 9/30/17. This listing was provided on a claimant basis and we aggregated the claims to an occurrence basis. The losses included dollars within the member's retentions and were not capped at the Authority's SIR. We applied historical member retentions and Authority SIRs to the uncapped losses to calculate losses in the pooled layer for each program year. (See Appendix M).
- An EPL claims listing as of 9/30/17 was provided separately, which appears to be accurate and consistent with that provided for the prior study.
- We also utilized the data from PARSAC's most recent actuarial study for our assessment of loss development.
- We have assumed that PARSAC's payroll for 2017-18 and 2018-19 will be $243,982,073 and $253,011,612, respectively based upon information provided by PARSAC. (See Appendix N).

The data provided for the analysis appears to be reasonable for use in this actuarial valuation of liabilities and projection of loss costs.

G. OVERALL ANALYTICAL APPROACH

The approach we have taken in developing this analysis is firmly grounded in the Authority's loss and exposure data. We have approached the problem of estimating the program's ultimate pooled loss costs in two steps. First, we have estimated ultimate loss rates for the $0 - $25,000, $0 - $1 million and $25,000 - $1 million layers of each occurrence for all of PARSAC members. Second, using a loss distribution, the $25,000 – $1 million ultimate loss rate, and our selected loss development patterns, we then estimated the ultimate losses of the excess layers for which the Authority is responsible by year.

The following actuarial techniques were applied to PARSAC's loss data to estimate the ultimate cost of claims in the $0 - $25K, $0 - $1M and $25K - $1M layers and to estimate the program's pooled layers:

- Incurred Loss Development
- Paid Loss Development
- Exposure Development Based on Incurred Losses
- Exposure Development Based on Paid Losses
- Frequency Times Severity

Actuarial judgment was used to select among the ultimate losses indicated by the above methods.

To project ultimate losses and recommended funding amounts for the 2018-19 program year, we adjusted the $25K - $1M loss rate for the various member deductibles and multiplied by estimated payroll for the year.

III. ASSUMPTIONS AND LIMITATIONS

Any quantitative analysis is developed within a very specific framework of assumptions about conditions in the outside world, and actuarial analysis is no exception. We believe that it is important to review the assumptions we have made in developing the estimates presented in this report. By doing so, we hope you will gain additional perspective on the nature of the uncertainties involved in maintaining a self-insurance program. Our assumptions, and some observations about them, are as follows:

- Our analysis is based on loss experience, exposure data, and other general and specific information provided to us by PARSAC. We have accepted all of this information without audit.

- We have assumed that the future development of incurred and paid losses can be reasonably predicted on the basis of development of such losses in the recent past. We have also assumed that the historical development patterns for other California public entities with self-insured liability programs in the aggregate form a reasonable basis of comparison for the patterns from PARSAC's data.

- We have made use of cost relationships for claims of various sizes derived from the most recent actuarial reviews of other California public entities with self-insured liability programs

- We have made use of cost relationships for claims of various sizes derived from the most recent actuarial review of other California public entities with self-insured liability programs.

- We have assumed that there is a continuing relationship between past and future loss costs.

- It is not possible to predict future claim costs precisely. Most of the cost of liability claims arises from a small number of incidents involving serious injury. A relatively small number of such claims could generate enough loss dollars to significantly reduce, or even deplete, the self-insurance fund.

- We cannot predict and have not attempted to predict the impact of future law changes and court rulings on claims costs. This is one major reason why we believe our funding recommendations are reasonable now, but should not be extrapolated into the future.

- We have assumed that the loss rate associated with liability claim costs increases 4.0% annually. We have assumed that claim severity increases at 4.0% per year, and that claim frequency is stable.

- We have assumed that payroll and other inflation-sensitive exposure measures increase 2.5% annually due to inflation.

- We have assumed that assets held for investment will generate an average annual return of 1.5% over the duration of payment of the loss liabilities. It should be noted that actual future investment returns may vary significantly from this assumption, depending upon the prevailing investment market conditions.

- The claims costs we have estimated include indemnity and medical payments, and all loss adjustment expenses. We have not provided estimates for excess insurance contributions to CSAC, and other expenses associated with the program.

- Our funding recommendations do not include provision for catastrophic events not in PARSAC's history, such as earthquakes, flooding, mass civil disorder, or mass occupational disease.

- Our estimates assume that all excess insurance is valid and collectible. Further, our funding recommendations do not include a provision for losses greater than the PARSAC's excess coverage.

- PARSAC's assets available for the program are estimated to be $18,042,295 as of June 30, 2018 for use in this report. This is shown in further detail in Appendix L.

IV. GLOSSARY OF ACTUARIAL TERMS

Accident Year - Year during which the accidents that generate a group of claims occurs, regardless of when the claims are reported, payments are made, or reserves are established.

Allocated Loss Adjustment Expenses (ALAE) - Expense incurred in settling claims that can be directly attributed to specific individual claims (e.g., legal fees, investigative fees, court charges, etc.)

Case Reserve - The amount left to be paid on a claim, as estimated by the claims administrator.

Claim Count Development Factor - A factor that is applied to the number of claims reported in a particular accident period in order to estimate the number of claims that will ultimately be reported.

Claim Frequency - Number of claims per $1 million payroll.

Confidence Level - An estimated probability that a given level of funding will be adequate to pay actual claims costs. For example, the 85% confidence level refers to an estimate for which there is an 85% chance that the amount will be sufficient to pay loss costs.

Discount Factor - A factor to adjust estimated loss costs to reflect anticipated investment income from assets held prior to actual claim payout.

Expected Losses - The best estimate of the full, ultimate value of loss costs.

Incurred but not Reported (IBNR) Losses - Losses for which the accident has occurred but the claim has not yet been reported. This is the ultimate value of losses, less any amount that has been set up as reported losses by the claims adjuster. It includes both amounts for claims incurred but not yet received by the administrator and loss development on already reported claims.

Loss Development Factor - A factor applied to losses for a particular accident period to reflect the fact that reported and paid losses do not reflect final values until all claims are settled (see Section IV).

Loss Rate - Ultimate losses per $100 payroll.

Non-Claims Related Expenses – Program expenses not directly associated with claims settlement and administration, such as excess insurance, safety program expenses, and general overhead. These exclude expenses associated with loss settlements (Indemnity/Medical, BI/PD), legal expenses associated with individual claims (ALAE), and claims administration (ULAE).

Outstanding Losses - Losses that have been incurred but not paid. This is the ultimate value of losses less any amount that has been paid.

Paid Losses - Losses actually paid on all reported claims.

Program Losses - Losses, including ALAE, limited to the SIR for each occurrence.

Reported Losses - The total expected value of losses as estimated by the claims administrator. This is the sum of paid losses and case reserves.

Self-Insured Retention (SIR) - The level at which an excess insurance policy is triggered to begin payments on a claim. Financially, this is similar to an insurance deductible.

Severity - Average claim cost.

Ultimate Losses - The value of claim costs at the time when all claims have been settled. This amount must be estimated until all claims are actually settled.

Unallocated Loss Adjustment Expenses (ULAE) – Claim settlement expenses that cannot be directly attributed to individual claims (e.g., claims adjusters' salaries, taxes, etc.)

WORKERS' COMPENSATION PROGRAM ANNUAL ACTUARIAL REVIEW

SUMMARY: Staff is presenting the 2018-19 Workers' Compensation Program actuarial study for review and discussion. Mr. Mike Harrington from Bickmore Risk Services completed the analysis and will discuss the report.

RECOMMENDATION: Approve.

DISCUSSION: The actuary has completed his analysis of the Workers' Compensation Program for 2018-19, with liability estimates projected at June 30, 2018. Overall, the Program is well funding above the 90% confidence level. Other notable observations include:

- The Program's discounted outstanding liability is increased $294,041 to $12,248,330 (expected) and increased $363,141 to $15,126,688 (90% confidence level).

- Total program assets increased $2,041,714 to $25,512,495 and surplus at expected and 90% confidence levels are $13,264,165 and $10,385,807, respectively (previously $11,516,492 and $8,707,234).

- The estimated funding requirement for claims expenses (excluding excess insurance and administration expense) at the 75% confidence level is $4,314,237, which includes allocated and unallocated loss adjustment expenses and is discounted for investment income.

- Actual versus expected incurred losses decreased $1,560,620 and ultimate losses decreased $1,670,170. However, total claims liabilities increase $294,041, which is a result of lower than expected paid losses of $1,481,379.

- Loss funding rate at the 75% confidence level is projected to decrease an average of 4.2% from the current year.

FISCAL IMPLICATIONS: The Program's financial position remains strong with net equity exceeding $10.3 million at the 90% confidence level.

ATTACHMENTS: Workers' Compensation Program actuarial report.

Bickmore

Wednesday, May 9, 2018

Ms. Joanne Rennie
General Manager
Public Agency Risk Sharing Authority of California
1525 Response Road, Suite 1
Sacramento, CA 95815

Re: Actuarial Review of the Self-Insured Workers' Compensation Program

Dear Ms. Rennie:

As you requested, we have completed our review of Public Agency Risk Sharing Authority of California's (PARSAC) self-insured workers' compensation program. Assuming an SIR of $500,000 per occurrence, we estimate the ultimate cost of claims and expenses in the pooled layer (i.e. above member deductibles and below pool SIR) for claims incurred during the 2018-19 program year to be $3,730,507. This amount includes allocated loss adjustment expenses (ALAE), unallocated loss adjustment expenses (ULAE), and a discount for anticipated investment income. ALAE is the direct cost associated with the defense of individual claims (e.g. legal fees, investigation fees, court charges). ULAE is the cost to administer all claims to final settlement, which may be years into the future (e.g. claims adjusters' salaries, taxes). The discount for investment income is calculated based on the likely payout pattern of PARSAC's claims, assuming a 2.5% return on investments per year. For budgeting purposes, the expected cost of 2018-19 claims translates to a rate of $1.789 per $100 payroll.

We also estimate that about $2,254,518 will be paid for other general and administrative expenses and excess insurance premiums during the 2018-19 year. The expected cost of 2018-19 claims, including these overhead expenses, translates to a rate of $2.870 per $100 payroll. These estimates do not take into account the program's current funding position or include a risk margin for potential adverse experience.

In addition, we estimate the program's liability for outstanding claims in the pooled layer to be $12,248,330 as of June 30, 2018, again including ALAE and ULAE, and discounted for anticipated investment income. Given estimated program assets of $25,512,495 as of June 30, 2018, the program is funded above the 90% confidence level (see Graph on Page 8.).

The $12,248,330 estimate is the minimum liability to be booked by PARSAC at June 30, 2018 in accordance with Governmental Accounting Standards Board (GASB) Statement #10. GASB #10 requires PARSAC to accrue a liability on its financial statements for the ultimate cost of claims and expenses associated with all reported and unreported claims, including ALAE and ULAE. GASB #10 does not prohibit the discounting of losses to recognize investment income.

Our conclusions regarding PARSAC's liability for unpaid loss and loss adjustment expenses (LAE) at June 30, 2018 are summarized in the table below.

Public Agency Risk Sharing Authority of California
Self-Insured Workers' Compensation Program
Estimated Liability for Unpaid Loss and LAE
at June 30, 2018

	Expected	Marginally Acceptable 70% CL	Recommended Range Low 75% CL	Recommended Range High 85% CL	Conservative 90% CL
Loss and ALAE	$12,600,425	$13,570,658	$13,948,670	$14,893,703	$15,561,525
ULAE	1,494,381	1,609,448	1,654,280	1,766,358	1,845,561
Investment Income Offset	(1,846,476)	(1,988,655)	(2,044,049)	(2,182,535)	(2,280,398)
Discounted Loss and LAE	$12,248,330	$13,191,451	$13,558,901	$14,477,526	$15,126,688
Available Assets	25,512,495	25,512,495	25,512,495	25,512,495	25,512,495
Surplus or (Deficit)	$13,264,165	$12,321,044	$11,953,594	$11,034,969	$10,385,807

GASB #10 does not address an actual funding requirement for the program, but only speaks to the liability to be recorded on PARSAC's financial statements. Because actuarial estimates of claims costs are subject to some uncertainty, we recommend that an amount in addition to the discounted expected loss costs be set aside as a margin for contingencies. Generally, the amount should be sufficient to bring funding to the 75% to 85% confidence level.

The table below shows our funding recommendations for PARSAC for the 2018-19 fiscal year for losses and expenses in the pooled layer. These guidelines do not include recognition of the existing funding surplus. We recommend that PARSAC contribute $6,568,755 to $6,982,541 to fund within the 75% to 85% confidence range during the fiscal year.

Public Agency Risk Sharing Authority of California
Self-Insured Workers' Compensation Program
Funding Guidelines for 2018-19
Self-Insured Retention (SIR) of $500,000

	Expected	Marginally Acceptable	Recommended Range		Conservative
			Low	High	
		70% CL	75% CL	85% CL	90% CL
Loss and ALAE	$3,557,192	$3,977,542	$4,113,885	$4,508,433	$4,790,566
ULAE	573,167	640,801	662,581	726,203	772,056
Investment Income Offset	(399,852)	(447,035)	(462,229)	(506,613)	(538,601)
Discounted Loss and LAE	$3,730,507	$4,171,308	$4,314,237	$4,728,023	$5,024,021
Excess Insurance	1,258,518	1,258,518	1,258,518	1,258,518	1,258,518
Other Program Expenses	996,000	996,000	996,000	996,000	996,000
Indicated Funding	$5,985,025	$6,425,826	$6,568,755	$6,982,541	$7,278,539
Rate per $100 of 2018-19 Payroll	$2.870	$3.081	$3.150	$3.348	$3.490

A comparison of the discounted loss and ALAE rates by deductible are shown in the table below at various confidence levels.

Deductible	Prior * 2017-18 75% CL	Current 2018-19 75% CL	Percent Change	Prior * 2017-18 75% CL	Current 2018-19 80% CL	Percent Change
$0	$4.085	$3.870	-5.3%	$4.085	$4.016	-1.7%
$5,000	3.733	3.573	-4.3%	3.733	3.708	-0.7%
$10,000	3.475	3.329	-4.2%	3.475	3.455	-0.6%
$25,000	3.026	2.883	-4.7%	3.026	2.992	-1.1%
$50,000	2.443	2.338	-4.3%	2.443	2.427	-0.7%
$100,000	1.832	1.783	-2.7%	1.832	1.892	3.3%
$150,000	1.310	1.266	-3.4%	1.310	1.343	2.5%
$250,000	0.669	0.641	-4.2%	0.669	0.680	1.6%
		Average	-4.2%		Average	0.1%

* Prior rates are from the 2017-18 Actuarial Report dated 3/15/17.

The loss projections in this report reflect the estimated impact of benefit legislation contained in AB749, AB227, SB228, SB899, SB863, and various WCAB court decisions based upon information provided by the WCIRB.

The ultimate impact on loss costs of legislated benefit adjustments are generally difficult to forecast in advance because the changes typically take place over a period of several years following enactment. Furthermore, actuarially derived benefit level evaluations often underestimate actual future cost levels. The shortfalls result from a variety of circumstances, including: increases in utilization levels, unanticipated changes in administrative procedures, and cost shifting among benefit categories. Thus, actual cost increases could differ, perhaps substantially, from the WCIRB's estimates.

The report that follows outlines the scope of our study, its background, and our conclusions, recommendations and assumptions. Judgments regarding the appropriateness of our conclusions and recommendations should be made only after studying the report in its entirety, including the graphs, attachments, exhibits and appendices. Our report has been developed for PARSAC's internal use. It is not intended for general circulation.

We appreciate the opportunity to be of service to the Public Agency Risk Sharing Authority of California in preparing this report. Please feel free to call Becky Richard at (916) 244-1183, Mike Harrington at (916) 244-1162 or David Kim at (916) 244-1166, with any questions you might have.

Sincerely,

Bickmore

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I. BACKGROUND

The Public Agency Risk Sharing Authority of California (PARSAC) was formed to provide pooled insurance coverage to cities in the State of California. PARSAC began its self-insured workers' compensation program on July 1, 1990. Its current self-insured retention is $500,000, and excess coverage is provided by the Local Agency Workers' Compensation Excess Joint Powers Authority. Claims administration services are provided by Athens Administrators. As of June 30, 2018, the Authority is expected to have available assets of $25,512,495 for the program. Additional background on the program is given in Appendix K.

The members of PARSAC and their deductibles are shown in the table below.

Member	Date Joined	Deductible
Avalon	7/1/90	$10,000
Belvedere	7/1/15	100,000
Blue Lake	7/1/90	0
Calimesa	7/1/04	0
Calistoga	7/1/02	25,000
Citrus Heights	7/1/06	100,000
Clearlake	1/1/04	50,000
Coalinga	7/1/01	25,000
Ferndale	7/1/90	0
Grass Valley	7/1/02	25,000
Highland	7/1/90	0
Menifee	10/1/08	5,000
Pacific Grove	7/1/05	100,000
Plymouth	1/1/91	0
Point Arena	7/22/93	0
Rancho Cucamonga	7/1/90	250,000
Rancho Cucamonga FD	7/1/15	250,000
Rancho Santa Margarita	3/1/04	5,000
Ridgecrest	7/1/90	Left 7/1/06
Tehama	7/1/90	0
Trinidad	7/1/90	0
Truckee	7/1/94	10,000
Twentynine Palms	2/2/91	0
Watsonville	7/1/02	150,000
West Hollywood	7/1/14	100,000
Wheatland	7/1/90	0
Wildomar	7/1/08	0
Yountville	7/1/90	0
Yucaipa	7/1/90	5,000
Yucca Valley	7/1/92	5,000

The Authority has funded each program year at the following historical confidence levels.

Program Year	Confidence Level
2005-06	70%
2006-10	80%
2010-14	75%
2014-15	70%
2015-18	75%

The purpose of this review is to provide a guide to PARSAC to determine reasonable funding levels for its self-insurance program in compliance with Governmental Accounting Standards Board Statements #10 and #30. The specific objectives of the study are to estimate PARSAC's liability for outstanding claims as of June 30, 2018, project ultimate loss costs for 2018-19 and provide funding guidelines to meet these liabilities and future costs.

II. CONCLUSIONS AND RECOMMENDATIONS

A. LIABILITY FOR OUTSTANDING CLAIMS AS OF JUNE 30, 2018

Graph 1 on the following page summarizes our assessment of PARSAC's funding position. The dark-colored bars indicate our estimates of the program's liability for outstanding claims before recognition of the investment income that can be earned on the assets held before the claim payments come due. The horizontal lines across the graph indicates PARSAC's available assets at June 30, 2018.

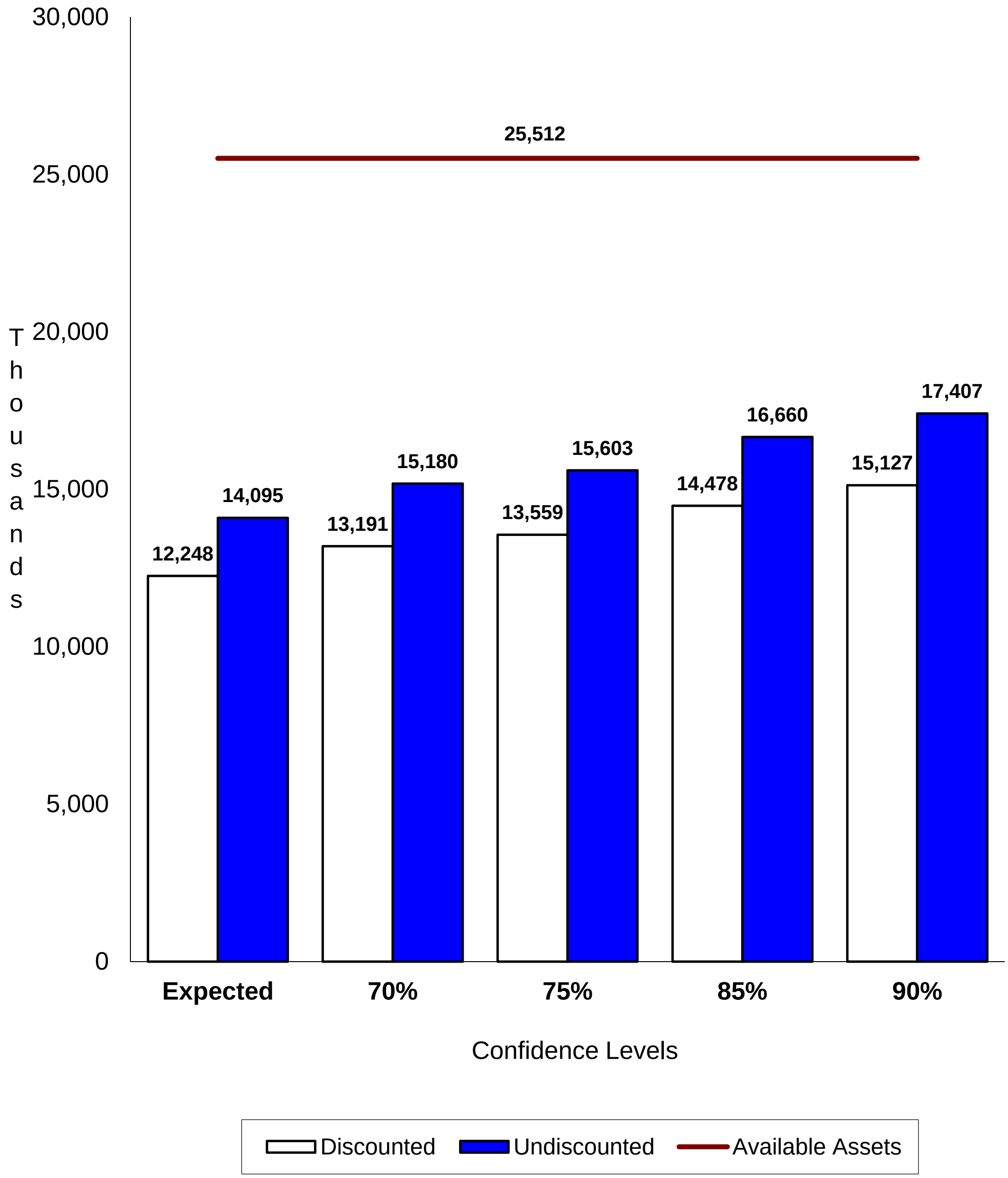
Our best estimate of the full value of PARSAC's liability for outstanding claims in the pooled layer is $14,072,345 as of June 30, 2018. This amount includes losses, allocated loss adjustment expenses (ALAE) and unallocated loss adjustment expenses (ULAE). ALAE is the direct cost associated with the defense of individual claims (e.g. legal fees, investigation fees, court charges). ULAE is the cost to administer claims to final settlement, which may be years in the future (e.g. claims adjusters' salaries, taxes).

There is some measure of uncertainty associated with our best estimate because of the random nature of much of the process that determines ultimate claims costs. For this reason, we generally recommend that a program such as this include some funding margin for the possibility that actual loss costs will be greater than the best estimate. We generally measure the amount of this margin by thinking in terms of the probability distribution of actual possible results around our best estimate. As the margin grows, the probability that the corresponding funding amount will be sufficient to meet actual claim liabilities increases. We typically refer to this probability as the "confidence level" of funding. Graph 1 shows the liabilities for outstanding claims at several confidence levels that are typically of interest to risk managers in formulating funding policies for self-insurance programs.

PARSAC can earn investment income on the assets it holds until claims payments come due. Assuming a long-term average annual return on investments of 2.5%, we estimate the impact of investment income earnings to be about 13.1% if the program is funded within the range indicated in the graph. Investment income earnings will be less than this when the program does not maintain sufficient funding, and more when there is excess funding. Thus, thinking in terms of liabilities discounted for investment income can actually mask funding deficiencies and redundancies that might otherwise be obvious. However, the discounted liabilities do represent legitimate funding targets. The light-colored bars on Graph 1 shows our estimates of PARSAC's discounted liability for outstanding claims.

Graph 1

PARSAC - Workers' Compensation
Available Assets vs Outstanding Liability
at June 30, 2018



We estimate the program's expected discounted liability for outstanding claims to be $12,248,330 as of June 30, 2018. Again, this amount includes ALAE and ULAE. As shown, after recognition of the investment income, the program is funded above the 90% confidence level as of June 30, 2018. The information presented in Graph 1 is also summarized in tabular form below.

Liability for Outstanding Claims at June 30, 2018

Confidence Levels	Expected	70%	75%	85%	90%
Discounted	$12,248,330	$13,191,451	$13,558,901	$14,477,526	$15,126,688
Not Discounted	14,094,806	15,180,106	15,602,950	16,660,061	17,407,085
Assets Available at June 30, 2018			$25,512,495		

GASB #10 does not address an actual funding requirement for the program, but only speaks to the liability to be recorded on PARSAC's financial statements. Because actuarial estimates of claims costs are subject to some uncertainty, we recommend that an amount in addition to the discounted expected loss costs be set aside as a margin for contingencies. Generally, the amount should be sufficient to bring funding to the 75% to 85% confidence level.

The table below displays a breakdown of the program's outstanding loss and LAE liabilities into case reserves and incurred but not reported (IBNR) reserves at June 30, 2018, before recognition of investment income.

Public Agency Risk Sharing Authority of California
Self-Insured Workers' Compensation Program
Estimated Liability for Unpaid Loss and LAE at June 30, 2018

Year	Case Reserves	IBNR Reserves	Total Outstanding
PRIOR	$114,745	$3,627	$118,372
1997-1998	62,021	3,312	65,333
1998-1999	382	2,356	2,738
1999-2000	35,804	7,205	43,009
2000-2001	419	9,339	9,758
2001-2002	175,415	11,366	186,781
2002-2003	4,473	31,583	36,056
2003-2004	248,300	28,104	276,404
2004-2005	52,370	18,581	70,951
2005-2006	186,246	41,194	227,440
2006-2007	69,951	20,803	90,754
2007-2008	311,981	77,251	389,232
2008-2009	574,713	163,901	738,614
2009-2010	227,063	185,397	412,460
2010-2011	666,957	134,356	801,313
2011-2012	529,376	180,021	709,397
2012-2013	665,811	127,318	793,129
2013-2014	623,528	103,650	727,178
2014-2015	521,908	404,859	926,767
2015-2016	517,936	745,749	1,263,685
2016-2017	493,826	1,341,196	1,835,022
2017-2018	572,008	2,304,024	2,876,032
Loss and ALAE	$6,655,234	$5,945,191	$12,600,425
ULAE		1,494,381	1,494,381
Total	$6,655,234	$7,439,572	$14,094,806

B. COSTS OF 2018-19 CLAIMS

We estimate the ultimate cost of claims and allocated loss adjustment expenses (ALAE) for claims incurred during the 2018-19 program year to be $3,557,192. In addition, we estimate expenses of $573,167 will be required to administer the same claims to final settlement. Thus, the total expected cost of claims for program year 2018-19 within the PARSAC's SIR of $500,000 is $4,130,359.

In addition, as with funding for the outstanding liability, if the program is fully funded, PARSAC can earn investment income on its funding for the coming year's claims before all payments come due. We estimate the impact of this investment income to be about 9.7%, or $399,852 for 2018-19. Thus the total expected cost of claims for program year 2018-19, including recognition of future investment income, is $3,730,507.

We provide the following estimates of the costs of 2018-19 claims at various confidence levels, after recognition of investment income.

	2018-19
Expected	$3,730,507
70% Confidence	4,171,308
75%	4,314,237
85%	4,728,023
90%	5,024,021

For budgeting purposes, these translate to the following contribution rates per $100 payroll:

	2018-19
Expected	$1.789
70% Confidence	2.000
75%	2.069
85%	2.267
90%	2.409

Again, we generally recommend funding to the 75% to 85% confidence levels. We consider funding to the 70% confidence level to be marginally acceptable, and to the 90% confidence level to be conservative.

The claim costs and rates shown above do not include any recognition of the existing funding margin. They are for losses and loss adjustment expenses in the pooled layer only, and do not include a provision for loss control, overhead, excess insurance premiums, and other expenses associated with the program.

C. PROGRAM FUNDING: GOALS AND OBJECTIVES

As self-insurance programs have proliferated among public entities, it has become apparent that there is a large measure of inconsistency in the way in which these programs recognize and account for their claims costs. This is the result of the fact that there have been several different sources of guidance available, none of which has been completely relevant to public entity self-insurance programs.

According to the Governmental Accounting Standards Board (GASB), the most relevant source of guidance on the subject is Financial Accounting Standards Board Statement #60. A liability for unpaid claim costs, including all loss adjustment expenses, should be accrued at the time the self-insured events occur. This liability should include an allowance for incurred but not reported claims. It may be discounted for investment income at an appropriate rate of return, provided the discounting is disclosed. The regulations detailing the way in which this must be done are outlined in GASB's statements #10 and #30. These regulations are required to be applied by PARSAC.

GASB #10 and #30 do not address funding requirements. They do, however, allow a range of funded amounts to be recognized for accounting purposes, specifically GASB #10 and #30 allow recognition of a funding margin for unexpectedly adverse loss experience. Thus, it is possible to formulate a funding policy from a range of alternatives all acceptable for accounting purposes. The uncertainty in any estimate of the program's liability for outstanding claims should be taken into consideration in determining funding policy, but it may be offset by recognizing anticipated investment income earnings. This usually means developing a funding program based on discounted claims costs with some margin for unexpected adverse loss experience.

The amount of the margin should be a question of long-term funding policy. We recommend that the margin be determined by thinking in terms of the probability that a given level of funding will prove to be adequate. For example, a reasonable goal might be to maintain a fund at the 85% confidence level.

A key factor to consider in determining funding policy is the degree to which stability is required in the level of contributions to the program from year to year. If you elect to fund at a low confidence level, the chances are much greater that future events will prove that additional contributions should have been made for current claims. The additional contributions for years by that time long past may be required at the same time that costs are increasing dramatically on then-current claims. The additional burden of funding increases on past years as well as current years may well be prohibitive.

We generally recommend maintaining program funding at the 80% confidence level, after recognition of investment income, with a recommended range of the 75% to 85% confidence levels. We tend to think of the 70% confidence level as marginally acceptable and of the 90% confidence level as conservative. We recommend the 75% to 85% confidence level range because the probabilities are reasonably high that resulting funding will be sufficient to meet claim liabilities, yet the required margins are not so large that they will cause most self-insured entities to experience undue financial hardship. In addition, within this range, anticipated investment income generally pretty much offsets the required margin, which means that it is also reasonable to think of the liabilities as being stated on an undiscounted basis.

We also strongly believe, however, that the confidence level to which any future year is funded should be evaluated in light of the relative certainty of the assumptions underlying the actuarial analysis, PARSAC's other budgetary constraints, and the relative level of risk it is believed appropriate to assume. This means formulating both short- and long-term funding goals, which may be the same in some years, but different in others.

In general, we recommend that you fund each year's claims costs in that year. When surpluses or deficiencies have developed and funding adjustments are necessary, they should be clearly identified as such so that the habit of funding each year's claims costs that year is maintained. We also recommend that you reduce surplus funding more slowly than you would accumulate funding to make up a deficiency.

The table below shows our funding recommendations for PARSAC for the 2018-19 fiscal year for losses and expenses in the pooled layer. These guidelines do not include recognition of the existing funding surplus. We recommend that PARSAC contribute $6,568,755 to $6,982,541 to fund within the 75% to 85% confidence range during the fiscal year.

Public Agency Risk Sharing Authority of California
Self-Insured Workers' Compensation Program
Funding Guidelines for 2018-19
Self-Insured Retention (SIR) of $500,000

	Expected	Marginally Acceptable	Recommended Range Low	Recommended Range High	Conservative
		70% CL	75% CL	85% CL	90% CL
Loss and ALAE	$3,557,192	$3,977,542	$4,113,885	$4,508,433	$4,790,566
ULAE	573,167	640,801	662,581	726,203	772,056
Investment Income Offset	(399,852)	(447,035)	(462,229)	(506,613)	(538,601)
Discounted Loss and LAE	$3,730,507	$4,171,308	$4,314,237	$4,728,023	$5,024,021
Excess Insurance	1,258,518	1,258,518	1,258,518	1,258,518	1,258,518
Other Program Expenses	996,000	996,000	996,000	996,000	996,000
Indicated Funding	$5,985,025	$6,425,826	$6,568,755	$6,982,541	$7,278,539
Rate per $100 of 2018-19 Payroll	$2.870	$3.081	$3.150	$3.348	$3.490

A comparison of the discounted loss and ALAE rates by deductible are shown in the table below at various confidence levels.

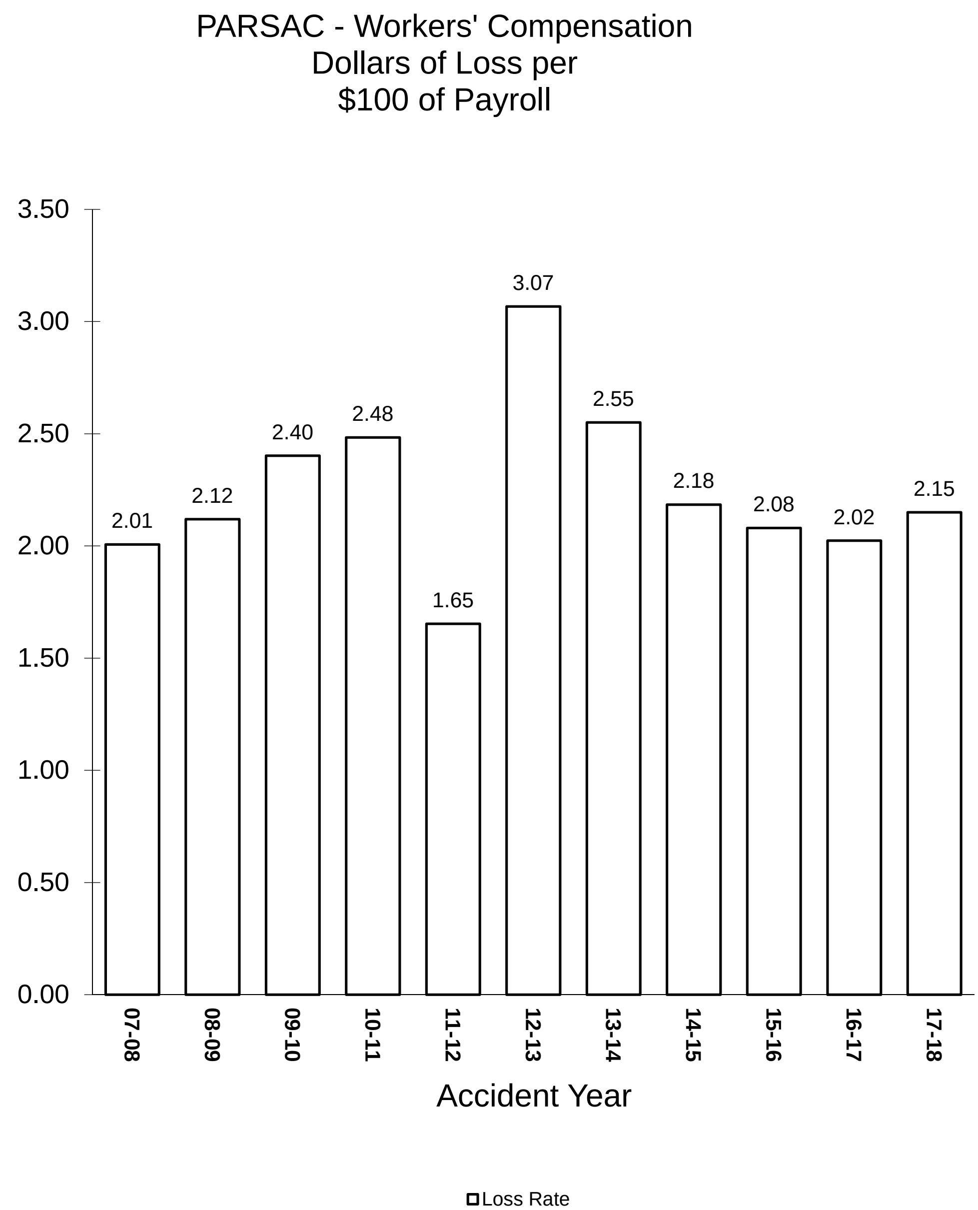
Deductible	Prior * 2017-18 75% CL	Current 2018-19 75% CL	Percent Change	Prior * 2017-18 75% CL	Current 2018-19 80% CL	Percent Change
$0	$4.085	$3.870	-5.3%	$4.085	$4.016	-1.7%
$5,000	3.733	3.573	-4.3%	3.733	3.708	-0.7%
$10,000	3.475	3.329	-4.2%	3.475	3.455	-0.6%
$25,000	3.026	2.883	-4.7%	3.026	2.992	-1.1%
$50,000	2.443	2.338	-4.3%	2.443	2.427	-0.7%
$100,000	1.832	1.783	-2.7%	1.832	1.892	3.3%
$150,000	1.310	1.266	-3.4%	1.310	1.343	2.5%
$250,000	0.669	0.641	-4.2%	0.669	0.680	1.6%
		Average	-4.2%		Average	0.1%

* Prior rates are from the 2017-18 Actuarial Report dated 3/15/17.

D. HISTORICAL TRENDS IN THE SELF-INSURANCE PROGRAM

The Authority's loss rate, or average annual loss per $100 of payroll has varied from a high of $3.07 per $100 of payroll in 2012-13 to a low of $1.65 in 2011-12. Our projected loss rate of $2.15 for 2017-18 is based on the three-year average.

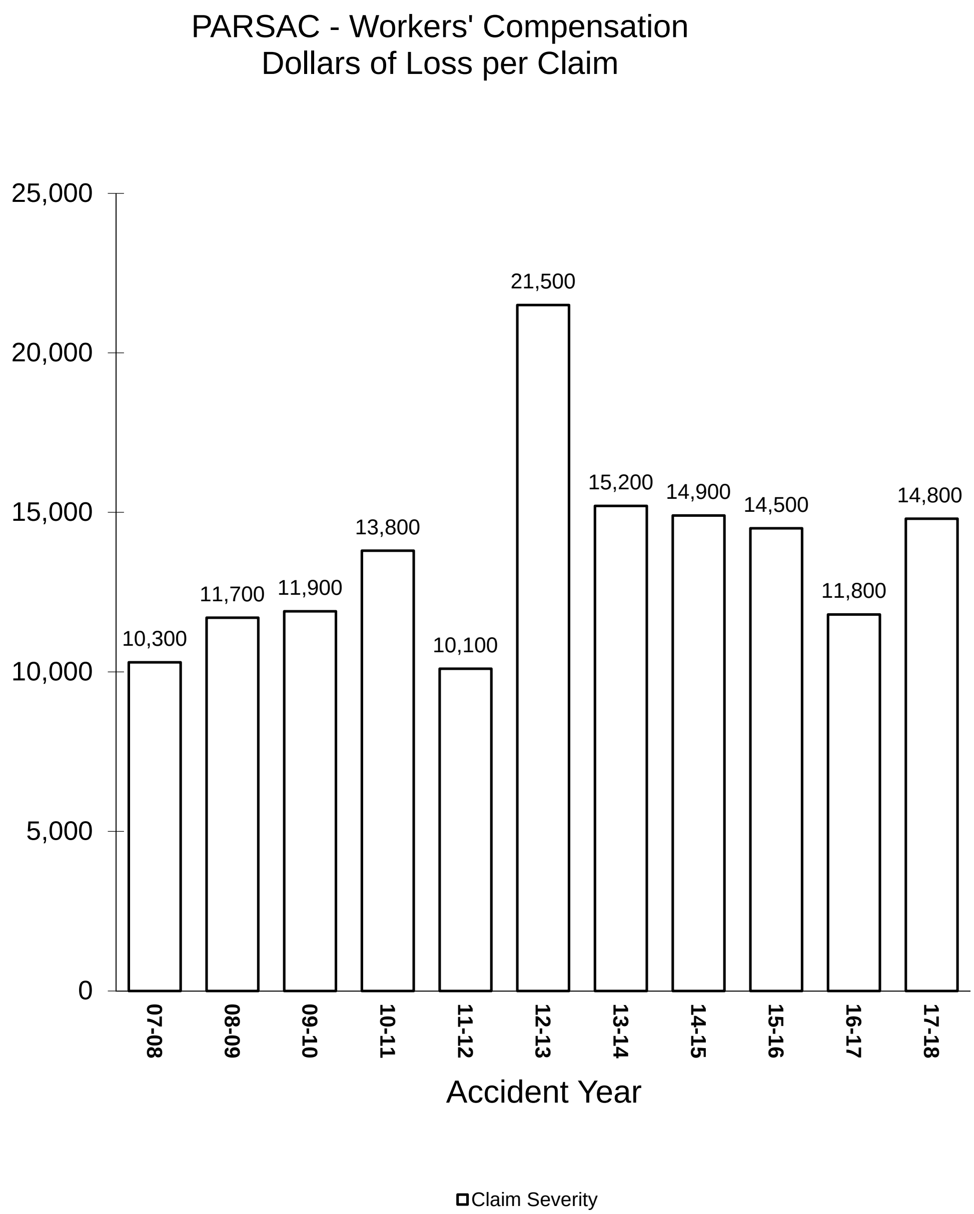
Graph 2



Note: Losses are limited to $100,000 per occurrence above.

The Authority's average severity, or cost per claim, increased to a high of $21,500 per claim in the 2012-13 program year, then averaged $14,100 per claim from the 2013-14 to 2016-17 program years. We selected a severity of $14,800 per claim for the 2017-18, based on the recent four-year average.

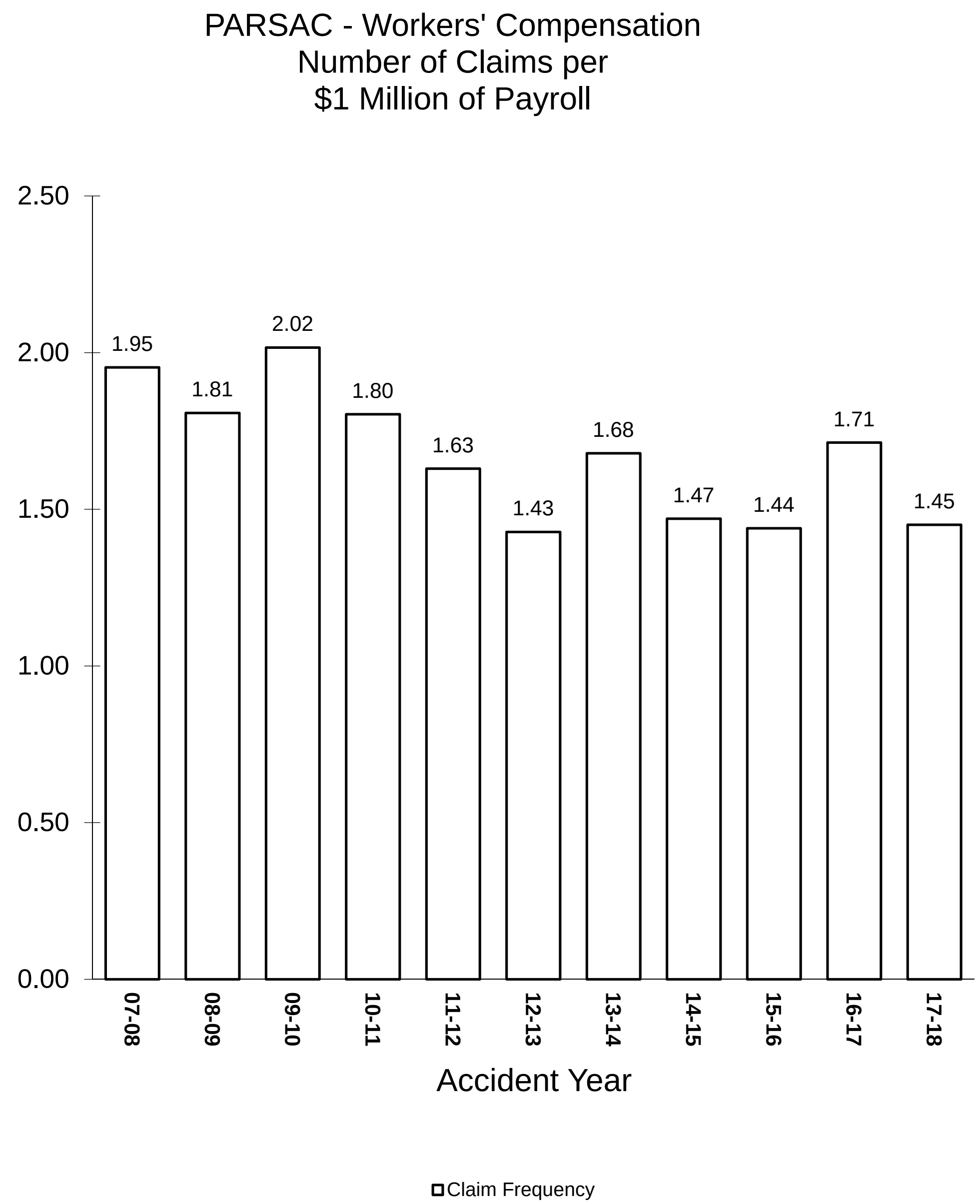
Graph 3



Note: Losses are limited to $100,000 per occurrence above.

The Authority's claim frequency, or number of claims per $1 million of payroll, has steadily decreased over the past ten years. This trend is similar to what other California public entities have experienced. Our projected claims frequency for 2017-18 is 1.45 based on the decreasing trend.

Graph 4



E. COMPARISON WITH OUR PREVIOUS RESULTS

The most recent report for the Public Agency Risk Sharing Authority of California was dated March 15, 2017. In the table below we display actual versus expected development of incurred losses and ALAE by accident year since our prior report.

Actual Versus Expected Incurred Loss and ALAE Development

Accident Year	Expected Incurred Development	Actual Incurred Development	Actual Minus Expected
Prior	$2,201	$141,966	$139,765
1997-98	1,097	0	(1,097)
1998-99	1,169	0	(1,169)
1999-00	2,386	32	(2,354)
2000-01	3,470	0	(3,470)
2001-02	4,663	(47,472)	(52,135)
2002-03	7,686	0	(7,686)
2003-04	6,325	84,606	78,281
2004-05	6,886	19,110	12,224
2005-06	7,400	45,091	37,691
2006-07	8,192	0	(8,192)
2007-08	14,622	30,024	15,402
2008-09	23,268	46,471	23,203
2009-10	31,268	97,506	66,238
2010-11	31,605	26,294	(5,311)
2011-12	24,780	(152,005)	(176,785)
2012-13	47,807	213,282	165,475
2013-14	80,526	177,609	97,083
2014-15	408,248	435,809	27,561
2015-16	956,437	212,028	(744,409)
2016-17	1,468,674	247,738	(1,220,936)
Total	$3,138,710	$1,578,090	($1,560,620)

As shown, overall actual incurred development was less than anticipated since the prior report. Based on the assumptions from the prior report, it was expected that incurred losses would increase by $3,138,710 between the two evaluation dates. However, actual incurred development was $1,578,090; or $1,560,620 less than expected.

In the table below we display actual versus expected development of paid losses and ALAE by accident year since our prior report.

Actual Versus Expected Paid Loss and ALAE Development

Accident Year	Expected Paid Development	Actual Paid Development	Actual Minus Expected
Prior	$23,046	$56,814	$33,768
1997-98	7,348	0	(7,348)
1998-99	358	0	(358)
1999-00	19,474	160,381	140,907
2000-01	1,175	0	(1,175)
2001-02	25,262	1,653	(23,609)
2002-03	9,550	54,771	45,221
2003-04	26,144	63,350	37,206
2004-05	7,567	267	(7,300)
2005-06	24,907	41,539	16,632
2006-07	13,541	10,381	(3,160)
2007-08	39,383	12,530	(26,853)
2008-09	88,867	115,711	26,844
2009-10	44,269	17,585	(26,684)
2010-11	167,310	69,974	(97,336)
2011-12	201,043	109,175	(91,868)
2012-13	220,233	191,936	(28,297)
2013-14	253,102	255,513	2,410
2014-15	359,205	135,701	(223,504)
2015-16	678,479	95,180	(583,299)
2016-17	723,093	59,518	(663,575)
Total	$2,933,356	$1,451,977	($1,481,379)

As shown, overall actual paid development was less than anticipated since the prior report. Based on the assumptions from the prior report, it was expected that paid losses would increase by $2,933,356 between the two evaluation dates. However, actual paid development was $1,451,977; or $1,481,379 less than expected.

In the table below we display the change in our estimates of the program's ultimate losses and ALAE by accident year since our prior report.

Change in Ultimate Loss and ALAE

Accident Year	Prior Report	Current Report	Change In Ultimate
Prior	$6,545,669	$6,620,554	$74,885
1997-98	1,107,805	1,106,703	(1,102)
1998-99	592,299	591,122	(1,177)
1999-00	1,210,496	1,208,128	(2,368)
2000-01	1,179,889	1,176,391	(3,498)
2001-02	1,198,861	1,147,232	(51,629)
2002-03	2,282,002	2,287,392	5,390
2003-04	1,499,032	1,590,380	91,348
2004-05	789,872	792,408	2,536
2005-06	1,365,704	1,414,853	49,149
2006-07	605,566	583,332	(22,234)
2007-08	1,767,932	1,794,789	26,857
2008-09	3,138,961	3,199,547	60,586
2009-10	2,973,333	3,082,668	109,335
2010-11	3,468,725	3,454,094	(14,631)
2011-12	2,230,295	2,141,381	(88,914)
2012-13	2,131,849	2,283,496	151,647
2013-14	2,362,959	2,328,219	(34,740)
2014-15	2,119,218	1,878,345	(240,873)
2015-16	2,599,079	1,776,240	(822,839)
2016-17	3,317,630	2,359,732	(957,898)
Total	$44,487,176	$42,817,006	($1,670,170)

As shown, overall we have decreased our estimated ultimates by $1,670,170 since our prior report. The changes in ultimate losses are in line with the actual vs. expected analysis shown in the previous pages.

At the time of the prior report, we estimated the liability for outstanding claims as of June 30, 2017 to be $11,954,289 at the discounted expected level. Our current estimate as of June 30, 2018 is $12,248,330, reflecting an increase in our assessment of PARSAC's outstanding liabilities, as shown below:

Outstanding Claim Liabilities

		Prior Report at June 30, 2017	Current Report at June 30, 2018	Change
A)	Case Reserves:	$6,551,009	$6,655,234	$104,225
B)	IBNR Reserves:	5,740,086	5,945,191	205,105
C)	Claims Administration Reserves:	1,442,817	1,494,381	51,564
D)	Total Reserves: (A) + (B) + (C)	$13,733,912	$14,094,806	$360,894
E)	Offset for Investment Income:	(1,779,623)	(1,846,476)	(66,853)
F)	Total Outstanding Claim Liabilities: (D) + (E)	$11,954,289	$12,248,330	$294,041

As shown, our estimate of outstanding claims liabilities at the discounted expected level has increased between June 30, 2017 and June 30, 2018, as reflected in our prior and current reports respectively.

Case and IBNR reserves is expected to increase by $100,834 and $186,035, respectively. Reserves for future claims administration expenses are expected to be higher due to increased budget for claims administration, resulting in a $360,894 increase in total reserves. This increase in reserves leads to a greater offset for investment income. The net change due to the above factors is an overall increase of $294,041 in our estimate of outstanding claim liabilities for Loss and LAE.

At the time of the prior report, available assets were estimated to be $23,470,781 as of June 30, 2017, which matched the then-estimated discounted liability for outstanding claims above the 90% confidence level. Available assets are currently estimated to be $25,512,495 as of June 30, 2018, which matches the currently estimated liability for outstanding claims above the 90% confidence level. It can be summarized as follows:

Funding Margin

		Prior Report at June 30, 2017	Current Report at June 30, 2018	Change
A)	Outstanding Liability at the Discounted Expected Confidence Level:	$11,954,289	$12,248,330	$294,041
B)	Estimated Assets	23,470,781	25,512,495	2,041,714
C)	Surplus/(Deficit): (B) – (A)	$11,516,492	$13,264,165	$1,747,673

As you can see, our estimate of the program's funding margin at the discounted expected confidence level has increased by $1,747,673 between June 30, 2017 (as previously estimated) and June 30, 2018 (as currently estimated). This is driven by an increase in the estimated fund assets between the two points, partially offset by an increase in the estimated outstanding liability.

At the time of the prior report, our funding estimate for the 2017-18 year was $6,408,365 at the discounted 75% confidence level. That amount included allocated loss adjustment expenses (ALAE), unallocated loss adjustment expenses (ULAE), insurance expenses, non-claims related expenses, and a discount for anticipated investment income. Our current estimate for the 2018-19 year is $6,568,755 at the discounted 75% confidence level, an increase in the program's total funding, as shown in the table below:

Comparison of Funding for Loss and LAE

		Prior * Report 2017-18 SIR = $500,000	Current Report 2018-19 SIR = $500,000	Change
A)	Ultimate Loss and ALAE:	$3,478,029	$3,557,192	$79,163
B)	Ultimate Claims Administration (ULAE):	515,550	573,167	57,617
C)	Total Claim Costs: (A) + (B)	$3,993,579	$4,130,359	$136,780
D)	Offset for Investment Income:	(379,405)	(399,852)	(20,447)
E)	Discounted Loss & LAE: (C) + (D)	$3,614,174	$3,730,507	$116,333
F)	75% CL Margin:	566,898	583,730	16,832
G)	Pool Funding @ 75% CL: (E) + (F)	$4,181,072	$4,314,237	$133,165
H)	Excess Insurance:	1,311,939	1,258,518	(53,421)
I)	Other Program Expenses:	915,354	996,000	80,646
J)	Total Funding @ 75% CL: (G) + (H) + (I)	$6,408,365	$6,568,755	$160,390
K)	Payroll ($100):	$1,931,200	$2,085,552	$154,352
L)	Total Funding Rate @ 75% CL: (J) / (K)	$3.318	$3.150	($0.169)

* Prior amounts from the Final 2017-18 Premium Allocation.

As you can see, our funding recommendations at the discounted 75% confidence level have increased between 2017-18 and 2018-19, as shown in our prior and current reports respectively.

Our estimates of ultimate loss and ALAE have increased by $79,163, driven primarily by increased exposures. In addition, claims administration costs are expected to be higher due to increased budget for claims administration, resulting in an overall increase in total claim costs of $136,780. The offset for investment income is expected to be higher. The net change due to the above factors is increase of $116,333 at the discounted expected level.

The contingency margin at the 75% confidence level, excess insurance, and other program expenses also contributed to an overall increase of $160,390 in our annual funding estimate.

F. REGARDING THE DATA

Overall, the data utilized in preparing this report appears to be accurate.

Comments and issues regarding the data are as follows:

- We received loss data valued as of 9/30/17 from seven sources. Detailed claim-level loss run with first-dollar unlimited loss information was provided in Rancho Cucamonga, Rancho Cucamonga Fire District, Pacific Grove, Watsonville, Ridgecrest, West Hollywood and other PARSAC member loss data. This loss data, net of 4850 benefits and recoveries, was used for the rate analysis.
- We received excess loss data valued as of 9/30/17 for Rancho Cucamonga, Pacific Grove, Watsonville and Ridgecrest.
- Labor Code 4850 benefits are excluded from the losses used in both the rate and reserve analysis.
- We have assumed that the program's self-insured retention will remain at $500,000 per occurrence for 2017-18 and 2018-19 (Exhibit C, Page 1).
- We have assumed that the members' deductibles will be as shown on page 6 for 2017-18 and 2018-19 (Exhibit C, Page 2).
- We were provided projected payrolls for 2017-18 and 2018-19. We have assumed a 3% payroll trend to estimate missing payroll info for historical years used in our ratemaking study to ensure a match between payroll and losses (Exhibit C, Page 3).
- We estimated the 6/30/2018 asset balance starting with the 6/30/2017 asset balance, and adjusting for anticipated revenue and expense for the remainder of the fiscal year as provided by PARSAC (Appendix L).
- The PARSAC data did not include excess recovery field. There were twelve claims in the 9/30/15 PARSAC data with excess recoveries. We assumed the same excess recovery amounts for the twelve claims.

The data provided for the analysis appears to be reasonable for use in this actuarial valuation of liabilities and projection of loss rates.

Regarding claims administration reserves, also referred to as ULAE (unallocated loss adjustment expenses), we have calculated a provision for future claims administration costs <u>for all claims</u> for all members except Pacific Grove, Rancho Cucamonga, and Watsonville. For these three members, we have calculated a provision for future claims administration costs <u>for pool layer claims</u>, with these members remaining responsible for all claims within their deductibles.

III. ASSUMPTIONS AND LIMITATIONS

Any quantitative analysis is developed within a very specific framework of assumptions about conditions in the outside world, and actuarial analysis is no exception. We believe that it is important to review the assumptions we have made in developing the estimates presented in this report. By doing so, we hope you will gain additional perspective on the nature of the uncertainties involved in maintaining a self-insurance program. Our assumptions, and some observations about them, are as follows:

- Our analysis is based on loss experience, exposure data, and other general and specific information provided to us by PARSAC. We have accepted all of this information without audit.
- We have also made use of loss statistics that have been developed from the information gathered and compiled from other California public entities with self-insured workers' compensation program.
- We have assumed that the future development of incurred and paid losses can be reasonably predicted on the basis of development of such losses in the recent past. We have also assumed that the historical development patterns for the participants of other California public entities with self-insured workers' compensation programs in the aggregate form a reasonable basis of comparison to the patterns from the Public Agency Risk Sharing Authority of California's data.
- We have made use of cost relationships for claims of various sizes derived from the most recent actuarial review of other California public entities with self-insured workers' compensation programs.
- We have assumed that there is a continuing relationship between past and future loss costs.
- It is not possible to predict future claim costs precisely. Most of the cost of workers' compensation claims arise from a small number of incidents involving serious injury. A relatively small number of such claims could generate enough loss dollars to significantly reduce, or even deplete, the self-insurance fund.
- We cannot predict and have not attempted to predict the impact of future law changes and court rulings on claims costs. This is one major reason why we believe our funding recommendations are reasonable now, but should not be extrapolated into the future.

- The changes in cost levels associated with benefit increases and administrative changes typically take place over a period of several years following their enactment, and these changes are very difficult to forecast in advance. We have based our benefit level factors on those produced by the Workers' Compensation Insurance Rating Bureau of California. See Appendix E for a display of the benefit level cost indices by fiscal year.
- We have assumed that the loss rate trend associated with claim costs increases at 0.9% per year. We have assumed that claim severity increases at 3.0% per year, and that claim frequency decreases at 2.0% per year.
- We have assumed that payroll and other inflation-sensitive exposure measures increase 2.5% annually due to inflation.
- We have assumed that assets held for investment will generate an average annual return of 2.5% over the duration of payment of the loss liabilities. It should be noted that actual future investment returns may vary significantly from this assumption, depending upon the prevailing investment market conditions.
- The claims costs we have estimated include indemnity and medical payments, and all loss adjustment expenses. We have not provided estimates for excess insurance premiums and other expenses associated with the program.
- Our funding recommendations do not include provision for catastrophic events not in PARSAC's history, such as earthquakes, flooding, mass civil disorder, or mass occupational disease.
- Our estimates assume that all excess insurance is valid and collectible. Further, our funding recommendations do not include a provision for losses greater than PARSAC's excess coverage.

IV. GLOSSARY OF ACTUARIAL TERMS

Accident Year - Year during which the accidents that generate a group of claims occurs, regardless of when the claims are reported, payments are made, or reserves are established.

Allocated Loss Adjustment Expenses (ALAE) - Expense incurred in settling claims that can be directly attributed to specific individual claims (e.g., legal fees, investigative fees, court charges, etc.)

Benefit Level Factor - Factor used to adjust historical losses to the current level of workers' compensation benefits.

Case Reserve - The amount left to be paid on a claim, as estimated by the claims administrator.

Claim Count Development Factor - A factor that is applied to the number of claims reported in a particular accident period in order to estimate the number of claims that will ultimately be reported.

Claim Frequency - Number of claims per $1 million payroll.

Confidence Level - An estimated probability that a given level of funding will be adequate to pay actual claims costs. For example, the 85% confidence level refers to an estimate for which there is an 85% chance that the amount will be sufficient to pay loss costs.

Discount Factor - A factor to adjust estimated loss costs to reflect anticipated investment income from assets held prior to actual claim payout.

Expected Losses - The best estimate of the full, ultimate value of loss costs.

Incurred but not Reported (IBNR) Losses - Losses for which the accident has occurred but the claim has not yet been reported. This is the ultimate value of losses, less any amount that has been set up as reported losses by the claims adjuster. It includes both amounts for claims incurred but not yet received by the administrator and loss development on already reported claims.

Loss Development Factor - A factor applied to losses for a particular accident period to reflect the fact that reported and paid losses do not reflect final values until all claims are settled (see Section IV).

Loss Rate - Ultimate losses per $100 payroll.

Non-Claims Related Expenses – Program expenses not directly associated with claims settlement and administration, such as excess insurance, safety program expenses, and general overhead. These exclude expenses associated with loss settlements (Indemnity/Medical, BI/PD), legal expenses associated with individual claims (ALAE), and claims administration (ULAE).

Outstanding Losses - Losses that have been incurred but not paid. This is the ultimate value of losses less any amount that has been paid.

Paid Losses - Losses actually paid on all reported claims.

Program Losses - Losses, including ALAE, limited to the SIR for each occurrence.

Reported Losses - The total expected value of losses as estimated by the claims administrator. This is the sum of paid losses and case reserves.

Self-Insured Retention (SIR) - The level at which an excess insurance policy is triggered to begin payments on a claim. Financially, this is similar to an insurance deductible.

Severity - Average claim cost.

Ultimate Losses - The value of claim costs at the time when all claims have been settled. This amount must be estimated until all claims are actually settled.

Unallocated Loss Adjustment Expenses (ULAE) – Claim settlement expenses that cannot be directly attributed to individual claims (e.g., claims adjusters' salaries, taxes, etc.)

2018/19 PROGRAM FUNDING LIABILITY PROGRAM

SUMMARY: 2018/19 Liability Program funding options are presented. The primary funding rate increased 9.8% and 20.9% at the 80% and 85% confidence levels, respectively. Historically, the Program has funded at the 85% confidence level. However, the Board approved funding at the 80% confidence level in recent years due to the pool's healthy financial position. Funding at a lower confidence level provides an upfront dividend to members.

ERMA's preliminary 2018-19 budget indicates an average rate reduction of 1.7%. The pool experience modification factor is unchanged at 1.250. Estimated premium is $1,218,210 compared to $1,179,233 this current year. Through additional ERMA dividends, the Executive Committee recommends applying a rate stabilization credit of $155,427 to reduce ERMA costs next year.

The excess coverage rate through CSAC is projected to increase 10% next year, with PARSAC's annual costs estimated at $1,359,200 compared to the current year's premium of $1,108,243. An option to increase CSACs' coverage limits from $35 to $50 million is factored into the funding projections for an additional annual premium of $87,200.

CARMA, PARSAC's prior excess pool, issued issue a dividend of $715,000 last year and the Board approved applying $200,000 of this dividend toward reducing the 2018-19 primary funding rate.

RECOMMENDATION: Approve (1) funding the primary layer at the 80% confidence level and increase excess limits to $50 million and (2) Self-Insured Retention (SIR) changes for West Hollywood from $100,000 to $250,000 and Yucca Valley from $25,000 to $100,000, effective July 1, 2018.

DISCUSSION: PARSAC's policy requires prospective funding of the Liability Program at the 85% confidence level. A conservative funding philosophy not only ensures sufficient assets are available to pay expected losses, but also builds Program surplus in the event of adverse loss development and is consistent with the Board's target equity goals.

<u>Self-Insured Pooled Funding Layer to $1 million</u>

Overall, pool losses have developed favorably; however, losses in most recent years are trending higher. As a result, the 2018-19 loss funding rates at the 80% and 85% confidence levels increased 9.8% and 20.9%, respectively.

Historically, the Program funds prospectively at the 85% confidence level. There is a fine line between funding conservatively and remaining competitive in the marketplace to retain membership and attract quality members. As such, for the past 4 years, the Board began funding the program at the 80% confidence level. Funding at a lower confidence level results in lower rates and essentially provides an up-front dividend to members; however, it increases the potential for future assessments should contributions fall short.

The Board established a Liability Program Rate Stabilization Fund of $500,000 to off-set potential primary and/or excess rate increases. The fund limit was subsequently increased to $750,000 through additional dividends returned by CARMA (prior excess pool). The rate stabilization fund is now fully funded. Additionally, last year the Board approved applying $200,000 of CARMA dividends to reduce the 2018-19 primary funding rate.

The Board also established an EPL Rate Stabilization Fund of $300,000 in 2014 and is currently fully funded. Through additional dividends returned by ERMA, the Executive Committee recommends applying $155,427 to reduce ERMA costs next year. PARSAC also funds a primary EPL layer to $25,000 for $5,000 and $10,000 SIR members. The primary funding rates decreased an average of 5% next year.

PARSAC's funding policy allows the Board to have discretion to adjust prospective funding annually if the program's overall financial position is healthy. Because the Program's overall financial position is very good and funded above the 90% confidence level with surplus exceeding $8 million, the Executive Committee recommends continued funding at the 80% confidence level next year.

ERMA (employment practices liability coverage to $1 million)

ERMA's budget reflects an average rate decrease of 2% (.512 to .503) for PARSAC next year. PARSAC's experience modification factor is unchanged at 1.250. The estimated 2018-19 premium is $1,218,210, compared to $1,179,233 this year.

CSAC (excess liability coverage to $35 million)

Staff received a preliminary excess liability funding projection from CSAC for 2018-19 with a projected renewal premium of $1,359,200. The current year's premium is $1,108,243. The 2018-19 rate is projected to increase approximately 10%. The excess limits are currently at $35 million per occurrence, with an option to increase limits to $50 million for an additional $87,200. The excess limits also include employment liability coverage in excess of ERMA's $1 million limit. Because jury verdicts and settlements have been trending higher and PARSAC's JPA peers are providing higher limits to their members, the Executive Committee recommends increasing limits to $50 million for the 18/19 year. The additional cost to each member is approximately 3 cents per $100 of payroll.

SIR changes

The City of West Hollywood and the Town of Yucca Valley are requesting SIR increases from $100,000 to $250,000 and $25,000 to $100,000 respectively. Because the members are assuming more risks and have sufficient funding to pay losses within their retention, staff recommends approval.

FISCAL IMPLICATIONS: Higher confidence level funding increases the probability that premiums are sufficient to meet claims liabilities and reduces the likelihood that members will be assessed in the future. However, the Program maintains sufficient surplus to continue funding at the 80% confidence level next year.

ATTACHMENTS: 80% confidence level funding spreadsheet.

May 31, 2018
Board of Directors Meeting

WORKERS' COMPENSATION – FUNDING FOR FISCAL YEAR 2018/19

SUMMARY: 2018/19 funding options are presented. Overall, the pool's base funding rate will decrease 4.2% next year from $4.09 to $3.87. The Program's financial position is excellent and funded above the 90% confidence level with surplus exceeding $10.3 million.

LAWCX is projecting a rate increase of 5% next year. Additionally, funding of the mid layer pool ($2 million to $5 million) is projected to increase approximately 10%. CSAC's excess rate above LAWCX's retention, $5 million to statutory limits, is projected to increase 5%. Overall, PARSAC's excess rate is projected to increase approximately 2%.

RECOMMENDATION: Approve funding at the 75% confidence level for 2018/19 and Self-Insured Retention (SIR) changes for Rancho Santa Margarita from $5,000 to $10,000, Yountville from $0 to $5,000, and West Hollywood from $50,000 to $100,000, effective July 1, 2018.

DISCUSSION: The Workers' Compensation Program funding policy mandates funding on a year-to-year basis at a 75% confidence level. This conservative funding approach has been very successful and resulted in overall pool funding above the 90% confidence level with estimated Program surplus exceeding $10.3 million projected at June 30, 2018.

Self Insured Pooled Funding Layer to $500,000

Program losses have developed favorably, resulting in overall decreases in incurred loss development and ultimate losses. Losses in most recent years are trending lower as well. As a result, the 2018/19 discounted base rate at the 75% confidence level decreased an average of 4.2% from $4.09 to $3.87.

Each year, the Committee considers the economic climate and balancing the needs of the membership with the funding objectives of the pool. A $500,000 rate stabilization fund was established to offset potential rate and excess cost increases. Rate stabilization funds have been used in prior years to offset increases due to lowering the discount factor and higher excess costs. Since a rate decrease is recommend next year, the Executive Committee is not recommending use of the rate stabilization fund to reduce the primary funding rate. The Executive Committee recommends continued funding at the 75% confidence level next year.

LAWCX Excess Funding Layer ($500,000 to Statutory Limits)

At June 30, 2017, LAWCX has net assets of $13.3 million, a 46% increase from the prior year of $9.1 million. This increased net position is due to claim costs stabilizing and increased funding. This past year, LAWCX's Board approved a reduction in the discount factor from 2.75% to 2.50% next fiscal year. The overall affect is a projected increase in the primary funding rate (members' SIR to $2 million) of 5% at the 80% confidence level.

In 2006, LAWCX established the mid layer pool. The mid-layer was funded over a five-year period accumulating $5 million in funding. LAWCX stopped funding this layer in the 2009/10 program year once the pool reached its funding target. There are several significant claims in this layer, which results in a $4 million deficit. The mid-layer was previously funded at the expected confidence level. Funding for this layer resumed in 2015/16 at the 80% confidence level. The rate in the mid layer is projected to increase approximately 10% next year.

The LAWCX Board recently approved a Deficit Curing Plan. The Plan is intended to provide funding to return the deficit years to surplus status. This Plan will move surplus exceeding the 80% confidence level to deficit years. Because the surplus is not sufficient to bring deficit years to the 80% confidence level, LAWCX will assess members $9.5 million over a 10-year period. PARSAC's net deficit is $378,503 and will be assessed approximately $38,000 per year the next 10 years under the plan. The assessments will begin in 2019.

Excess insurance is jointly purchased through CSAC, which provides coverage to statutory limits. The projected rate increase for excess insurance is 5%. When combining the funding rates for LAWCX and CSAC, the overall excess rate increases approximately 2% for PARSAC members.

<u>Self-Insured Retention changes</u>

The Cities of Rancho Santa Margarita and West Hollywood and the Town of Yountville has requested SIR changes. Rancho Santa Margarita will increase its SIR from $5,000 to $10,000, West Hollywood from $50,000 to $100,000 and Yountville from $0 to $5,000 next fiscal year. Because the changes reduce pool exposure, staff recommends approval of the members' requests. The members have sufficient funding to pay claims costs within their retention.

FISCAL IMPLICATIONS: Funding at higher confidence levels decreases the likelihood that additional contributions may be required to meet claim liabilities. The Program maintains sufficient surplus to continue funding at the 75% confidence level next year

ATTACHMENTS: Premium allocation spreadsheet.

pfm

May 10, 2018

Memorandum

To: Joanne Rennie, General Manager
Tracey Smith-Reed, Senior Accountant
Public Agency Risk Sharing Authority of California (PARSAC)

From: Allison Kaune, Senior Managing Consultant
PFM Asset Management LLC (PFM[1])

RE: Investment Policy Review

We have completed our review of PARSAC's Investment Policy (the Policy). Overall, the Policy is well written and in compliance with applicable sections in California Government Code (the "Code"). Although no changes are required, we are recommending edits to the Policy that will allow PARSAC to safely increase investment opportunities. This memorandum explains our recommended revisions to the Policy. We have also attached a marked-up version of the Policy illustrating these recommendations.

Proposed Additions to Authorized Investments

11. Local Government Investment Pools

We recommend adding language from Code Section 53601 paragraph p to permit investment in local government investment pools. By adding this language, PARSAC will expand its overnight investment options to include the California Asset Management Program (CAMP). Additional information on CAMP is included in the attached brochure and fact sheet.

13. Negotiable Certificates of Deposit

We recommend adding language from Code Section 53601 paragraph i to permit investment in negotiable certificates of deposit (NCDs). An NCD is an unsecured debt obligation issued by a nationally or state chartered bank or savings and loan association. Unlike time certificates of deposit, NCD securities are neither FDIC-insured nor are they collateralized. However, NCDs can be traded in the secondary market, whereas investors in time certificates of deposit must hold these vehicles to maturity or else incur a penalty.

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1 PFM is the marketing name for a group of affiliated companies providing a range of services. All services are provided through separate agreements with each company. This material is for general information purposes only and is not intended to provide specific advice or a specific recommendation.

NCDs offer opportunities for enhanced diversification, provide potential yield/return enhancement, and allow access to more of the fixed-income universe. The table below shows information on NCDs recently purchased by PFM on behalf of our clients.

Security	Rating	Maturity	Yield Advantage Over Treasury
Credit Suisse NY	A	2-year	+0.58%
UBS AG NY	A+	2-year	+0.69%

Investment in NCDs have similar risks to investment in commercial paper and corporate notes and PFM performs the same thoughtful credit analysis and monitoring on all NCDs purchased on behalf of our clients.

Although Code does not place issuer or credit rating limits on this sector, we are recommending PARSAC invest no more than 5% of the portfolio in any one issuer and that NCDs are rated in a credit rating category of "A" or the equivalent or better. Consistent with Code, we are recommending a maximum sector allocation of 30%.

14. Asset-Backed Securities

We recommend adding language from Code Section 53601 paragraph o to permit investment in asset-backed securities (ABS). ABS are bonds backed by various types of assets. The most common structures are backed by auto loans or credit card receivables, but can be backed by other obligations as well. Each pool of assets is usually broken down into individual tranches, with varying coupons and average lives. Originators of the loans or receivables, such as a bank, manufacturer, or finance company, package them into securities in much the same way that mortgages are pooled to form mortgage-backed securities.

While most ABS are high quality, like any investment, it is subject to risk. For ABS, those risks include:

- Interest rate risk: A change in the level of market rates will affect the value of ABS like any other fixed-income investment. The longer the weighted average life (WAL) of the ABS, the greater its sensitivity to changes in interest rates.
- Credit risk: ABS expose the issuer to the quality and performance of the underlying loans or receivables, although that is usually mitigated by the credit enhancements. However, if loan performance deteriorates enough, it can burn through the support created by the credit enhancements and cause principal losses.
- Prepayment risk: Some ABS may be exposed to the ability of the underlying borrower or lessee to repay or prepay their loan, which could accelerate the return of principal to the investor. While this can be a risk, ABS typically have relatively short maturities, are structured in tranches to minimize the variability of cash flows, and are created from loans that are historically less sensitive to the factors that drive prepayments in MBS. (For example, if interest rates fall, most car owners do not rush out to refinance their car loan.)

ABS require careful review of the issue structure, credit enhancement features, and ratings review. Since each issue can be unique, PFM conducts this on a deal by deal, and tranche by tranche, basis. We also review the historical quality and performance of similar or prior issuance of that issuer. Our goal is to analyze and select deal tranches that are well structured, contain quality loans/receivables, have adequate credit support/enhancement, and are from issuers with demonstrated successful experience in sourcing, packaging and managing ABS collateral. We will only purchase ABS for our clients' portfolios that have gone through our credit analysis process and have been added to our approved list.

ABS represent an additional investment-grade sector available to high quality investors. ABS can offer PARSAC another way to diversify its holdings and potentially enhance return as this asset class offers yields that are favorable relative to similarly rated issues in other asset classes. Investment in asset-backed securities is consistent with PARSAC's objectives, as outlined in its Investment Policy. The table below shows information on ABS recently purchased by PFM on behalf of our clients.

Security	Rating	Weighted Average Life	Yield Advantage Over Treasury
American Express Credit	AAA	1.90 years	+0.41%
John Deere Owner Trust	AAA	2.10 years	+0.40%

Consistent with Code, for investments allowed by this section, we recommend the Policy require an issuer rated in a rating category of "A" or better and that the issuer's debt be rated in a rating category of "AA." Also consistent Code, we recommend a maximum allocation of 20%. Although not required by Code, we recommend PARSAC place an issuer limitation of 5%.

Proposed Edits to Authorized Investments

5. Medium-Term Notes.

In line with Code, we recommend editing the credit rating language so that the Policy allows for investment in A- rated corporate notes. By making this edit, PARSAC will expand the number of high quality corporate issuers available to you, opening up additional opportunities to increase the portfolio's yield and earnings potential. In this sector we also recommend reducing the maximum amount allowed in each issuer from 10% to 5% to increase the safety and diversification requirements of the Policy.

I would be happy to discuss any questions regarding our recommended changes to the Policy.

P A R S A C

STATEMENT
OF
INVESTMENT POLICY

For the ~~2017-2018~~~~2017-18~~2018-19
Fiscal Year
Approved December 3, 2015
~~Revised May 25, 2017~~
May 31, 2018

PUBLIC AGENCY RISK SHARING AUTHORITY OF CALIFORNIA

Statement of Investment Policy

Effective ~~May 25, 2017~~May 31, 2018

I. PURPOSE

This statement is intended to provide guidelines for prudent investment of the Public Agency Risk Sharing Authority of California's ("PARSAC") temporarily idle cash.

II. SCOPE

This Policy covers all funds and investment activities under the direction of PARSAC.

III. OBJECTIVES

The overall program shall be designed and managed with a degree of professionalism worthy of the public trust. The primary objectives, in order of priority, of PARSAC's investment activities shall be:

1. Safety: Safety of principal is the foremost objective. Investments of PARSAC shall be made in a manner that seeks to ensure preservation of capital.

2. Liquidity: The investment portfolio will remain sufficiently liquid to enable PARSAC to meet cash flow requirements which might be reasonably anticipated.

3. Yield: Investment return becomes a consideration only after the basic measurements of safety and liquidity have been met.

IV. PRUDENCE

Section 53600.3 of the Government Code identifies as trustees those persons authorized to make investment decisions on behalf of a local agency. As a trustee, the standard of prudence shall be the "prudent investor" standard. Investments shall be made with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of PARSAC, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of PARSAC.

V. DELEGATION OF AUTHORITY

The Board of Directors ("Board") hereby delegates authority to invest PARSAC's funds for a one-year period to the Treasurer, who shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked or expires. Subject to review, the Board may renew the delegation of authority each year. No person may engage in an investment transaction except as provided under the limits of this Policy. The Treasurer may delegate day-to-day investment decision making and execution authority to an investment advisor. The advisor shall follow this Policy and such other written instructions as are provided.

VI. ETHICS AND CONFLICTS OF INTEREST

All participants in the investment process shall seek to act responsibly as custodians of the public trust. Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment recommendations and decisions.

VII. AUTHORIZED INVESTMENTS

PARSAC is governed by Government Code, Sections 53600 et seq. Within the investments permitted by the Government Code, PARSAC seeks to further restrict eligible investment to the investments listed below. In the event an apparent discrepancy is found between this Policy and the Government Code, the more restrictive parameters will take precedence.

Credit criteria listed in this section refers to the credit quality of the issuing organization at the time the security is purchased. The maturity limits are applied at the time of purchase

1. **United States Treasury Issues.** United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest. There is no limitation as to the percentage of the portfolio that may be invested in this category.

2. **Federal Agency Obligations**. Federal Agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. There is no limitation as to the percentage of the portfolio that may be invested in this category, however, not more than 30 percent of the portfolio shall be placed in any one Agency. Furthermore, purchases of Federal Agency mortgage-backed securities issued by or fully guaranteed as to principal and interest by government agencies are limited to a maximum of 20 percent of the portfolio.

3. **Bankers Acceptances.** Bankers acceptances, otherwise known as bills of exchange or time drafts, that are drawn on and accepted by a commercial bank. Purchasers are limited to issuers whose short-term debt is rated A-1/P-1. Bankers acceptances cannot exceed a maturity of 180 days. A maximum of 25 percent of the portfolio may be invested in this category. Furthermore, the

amount invested in bankers acceptances with any one financial institution in combination with any other debt from that financial institution or issuer shall not exceed 20 percent of the portfolio.

4. **Commercial Paper.** Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical-rating organization. The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (A) or paragraph (B):

    (A) The entity meets the following criteria: (i) Is organized and operating in the United States as a general corporation. (ii) Has total assets in excess of five hundred million dollars ($500,000,000). (iii) Has debt other than commercial paper, if any, that is rated "A" or higher by a nationally recognized statistical-rating organization (NRSRO).

    (B) The entity meets the following criteria: (i) Is organized within the United States as a special purpose corporation, trust, or limited liability company. (ii) Has program wide credit enhancements including, but not limited to, over collateralization, letters of credit, or surety bond. (iii) Has commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally recognized statistical-rating organization.

    Eligible commercial paper shall have a maximum maturity of 270 days or less and not represent more than 10 percent of the outstanding paper of an issuing corporation. A maximum of 25 percent of the portfolio may be invested in this category. Furthermore, the amount invested in commercial paper with any one issuer in combination with any other debt from that financial institution or issuer shall not exceed 20 percent of the portfolio.

5. **Medium-Term Notes.** Medium-term notes defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment under this subdivision shall be rated in a rating category of "A" or the equivalent, or better, by a nationally recognized statistical rating organization. Purchases of medium-term notes may not exceed 30 percent of the portfolio. Furthermore, the amount invested in corporate notes with any one issuer in combination with any other debt from that financial institution or issuer shall not exceed ~~10~~ 5 percent of the portfolio.

6. **Time Certificates of Deposit**. Time Certificates of Deposit (TCDs) placed with commercial banks and savings and loans. The purchase of TCDs from out-of-state banks or savings and loans is prohibited. The amount on deposit shall not exceed the shareholder's equity the financial institution. To be eligible for purchase, the financial institution must have received a minimum overall satisfactory rating for meeting the credit needs of California Communities in its most recent evaluation, as provided Government Code Section 53635.2. TCDs are required to be collateralized as specified under Government Code Section

53630 et. seq. PARSAC, at its discretion, may waive the collateralization requirements for any portion that is covered by federal insurance. PARSAC shall have a signed agreement with the depository per Government Code Section 53649. TCDs may not exceed one (1) year in maturity. A maximum of 20 percent of the portfolio may be invested in this category. Furthermore, the amount invested in TCDs with any one financial institution in combination with any other debt from that financial institution or issuer shall not exceed 20 percent of the portfolio.

7. **California Municipal Obligations.** Bonds, notes, warrants, or other evidences of indebtedness of a local agency within this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency. Obligations are required to be rated in a rating category of "AA" or the equivalent or better by a nationally recognized statistical-rating organization. No more than 25 percent of the portfolio may be invested in California municipal obligations.

8. **Passbook Savings Accounts**. Passbook Savings Accounts placed with commercial banks and savings and loans. To be eligible to receive deposits, the financial institution must have received a minimum overall satisfactory rating for meeting the credit needs of California Communities in its most recent evaluation, as provided Government Code Section 53635.2. Passbook Savings Accounts are required to be collateralized as specified under Government Code Section 53630 et. seq. PARSAC, at its discretion, may waive the collateralization requirements for any portion that is covered by federal insurance. PARSAC shall have a signed agreement with the depository per Government Code Section 53649. There is no limitation as to the percentage of the portfolio that may be invested in this category.

9. **Money Market Funds.** Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 and following) and that invest in the securities and obligations as authorized by Government Code, Sections 53601 subdivisions (a) to (k), inclusive, and subdivisions (m) to (q), inclusive. The company shall have met either of the following criteria: (A) Attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations. (B) Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of five hundred million dollars ($500,000,000). A maximum of 10 percent of the portfolio may be invested in this category.

10. **State of California Local Agency Investment Fund (LAIF).** There is no limitation as to the percentage of the portfolio that may be invested in this

category. However, the amount invested may not exceed the maximum allowed by LAIF.

11. **Local Government Investment Pools.** Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized in Government Code, Section 53601 subdivisions (a) to (q), inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:

    (1) The adviser is registered or exempt from registration with the Securities and Exchange Commission.

    (2) The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (q), inclusive.

    (3) The adviser has assets under management in excess of five hundred million dollars ($500,000,000).

12. **Supranationals.** United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated in a rating category of "AA" or its equivalent or better by an NRSRO and shall not exceed 10 percent of PARSC's portfolio.

13. **Negotiable certificates of deposit** issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank. For purposes of this section, negotiable certificates of deposit do not come within Article 2 (commencing with Section 53630), except that the amount so invested shall be subject to the limitations of Section 53638. The legislative body of a local agency and the treasurer or other official of the local agency having legal custody of the moneys are prohibited from investing local agency funds, or funds in the custody of the local agency, in negotiable certificates of deposit issued by a state or federal credit union if a member of the legislative body of the local agency, or a person with investment decision-making authority in the administrative office manager's office, budget office, auditor-controller's office, or treasurer's office of the local agency also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee or the supervisory committee of the state or federal credit union issuing the negotiable certificates of deposit. Purchases of negotiable certificates of deposit shall not exceed 30 percent of PARSAC's moneys that may be invested pursuant to this section. Furthermore, the amount invested in negotiable certificates of deposit with any one issuer in combination with any other debt from that financial institution or issuer shall not exceed 5 percent of the portfolio. Negotiable certificates of deposit eligible for investment

under this subdivision shall be rated in a rating category of "A" or the equivalent, or better, by a nationally recognized statistical rating organization.

~~11.~~14. **Asset-Backed Securities.** A mortgage passthrough security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable passthrough certificate, or consumer receivable-backed bond of a maximum of five years' maturity. Securities eligible for investment under this subdivision shall be issued by an issuer rated in a rating category of "A" or its equivalent or better for the issuer's debt as provided by an NRSRO and rated in a rating category of "AA" or its equivalent or better by an NRSRO. Purchase of securities authorized by this subdivision shall not exceed 20 percent of PARSAC's surplus moneys that may be invested pursuant to this section. Furthermore, the amount invested with any one issuer in combination with any other debt from that institution or issuer shall not exceed 5 percent of the portfolio.

VIII. TERM OF INVESTMENTS

No investment shall exceed a maturity of five years from the date of purchase unless the Board has granted express authority to make that investment either specifically or as a part of an investment program approved by the Board no less than three months prior to the investment.

IX. PROHIBITED INVESTMENTS

Any investment in a security not specifically listed above, but otherwise permitted by the Government Code, is prohibited. Section 53601.6 of the Government Code specifically disallows investments in inverse floaters, range notes, or interest-only strips that are derived from a pool of mortgages. In addition to the limitations in Government Code Section 53601.6, this Policy further restricts investments as follows:

1. No investment will be made that has either (a) an embedded option or characteristic which could result in a loss of principal if the investment is held to maturity, or (b) an embedded option or characteristic which could seriously limit accrual rates or which could result in zero accrual periods.

2. No investment will be made that could cause the portfolio to be leveraged.

X. BANKS AND SECURITIES DEALERS

For investments made by an investment advisor, PARSAC authorizes the investment advisor to use broker/dealers and financial institutions that the investment advisor has reviewed and approved for investment purposes. The investment advisor's approved list must be made available to PARSAC upon request. If investments are made directly by the Treasurer, other than funds invested in LAIF, Time Certificates of Deposit, or passbook savings accounts, the Treasurer will maintain a list of at least five broker/dealers and financial institutions that have been reviewed and approved for investment purposes.

XI. PURCHASE, PAYMENT, DELIVERY, AND SAFEKEEPING

A competitive bid process shall be used to place all investment transactions. All security transactions entered into by or on behalf of PARSAC shall be conducted on a delivery -vs- payment basis. All securities will be held in PARSAC's name by a third party custodian designated by the Treasurer. The only exception to the foregoing shall be depository accounts and securities purchases made with: (i) local government investment pools; (ii) time certificates of deposit, and, (iii) money market mutual funds, since the purchased securities are not deliverable. Evidence of each of these investments will be held in the Treasury vault. Collateral for time deposits in savings and loans will be held by the Federal Home Loan Bank or an Approved Agent of Depository.

XII. REPORTING

The Treasurer shall render a quarterly investment report to the Executive Committee and Board. The report shall include the following information for each individual investment: Description of investment instrument, Issuer Name, Maturity date, Purchase price, Par value, Current market value and the source of the valuation. The quarterly report also shall (i) state compliance of the portfolio to the statement of investment policy, or manner in which the portfolio is not in compliance, (ii) include a description of any of PARSAC's funds, investments or programs that are under the management of contracted parties, including lending programs, and (iii) include a statement denoting the ability of PARSAC to meet its expenditure requirements for the next six months, or provide an explanation as to why sufficient money may or may not be available. The report shall include a list of monthly investment transactions. This quarterly report shall be submitted within 30 days following the end of the quarter covered by the report.

XIII. STATEMENT OF INVESTMENT POLICY

Annually, the Treasurer shall render to the PARSAC's Board a "Statement of Investment Policy," which the board shall review and approve at a public meeting. Any change in the policy shall also be reviewed and approved by the board at a public meeting.

GLOSSARY

Bankers Acceptance: investment vehicle created to facilitate international commercial trade transactions. The bank accepts responsibility to repay a loan to the holder of the investment vehicle created in a commercial transaction. The credit worthiness of Bankers Acceptances are enhanced because they are secured by the issuing bank, the goods themselves, and the importer. Bankers Acceptances are sold on a discounted basis.

Buy and Hold Strategy: investments in which management has the positive intent and ability to hold each issue until maturity.

Collateralization: to secure a debt in part or in full by pledge of collateral, asset pledged as security to ensure payment or performance of an obligation.

Commercial Paper: short-term IOU, or unsecured money market obligation, issued by prime rated commercial firms and financial companies, with maturities from 2 days up to 270 days. A promissory note of the issuer used to finance current obligations, and is a negotiable instrument.

Delivery Versus Payment: securities industry term indicating payment is due when the buyer has securities in hand or a book entry receipt.

Interest-Only Strips: mortgage backed instrument where investor receives only the interest, no principal, from a pool of mortgages. Issues are highly interest rate sensitive. Cash flows vary between interest periods. As well, the maturity date may occur earlier than that stated if all loans within the pool are pre-paid. High prepayments on underlying mortgages can return less to the holder than the dollar amount invested.

Inverse Floater: mortgage backed bond, usually part of a collateralized mortgage obligation (CMO) bearing an interest rate that moves in the opposite direction of an index, for example, the LIBOR rate. An inverse floater may have a floor and a cap.

Leverage: investing with borrowed money with the expectation that the interest earned on the investment will exceed the interest paid on the borrow money.

Local Agency Investment Fund (LAIF): a voluntary investment program offering participating agencies the opportunity to participate in a major portfolio which daily invests hundreds of millions of dollars, using the investment expertise of the State Treasurers Office Investment staff at no additional cost to the taxpayer. Investment in LAIF, considered a short term investment, is readily available for a cash withdrawal on a daily basis.

Medium-Term Corporate Note: Debt securities issued by a company. Corporate bonds are a way companies raise funds for their operations or for a specific project. The risk of a corporate bond for a bondholder depends on the creditworthiness of the issuing company. As with all bonds, corporate bonds have a maturity, at which time the principal is repaid to bondholders. They also usually have a stated coupon rate.

Nominee Name: registered owner of a stock or bond if different from the beneficial owner, who acts as holder of record for securities and other assets. Typically, this arrangement is done to facilitate the transfer of securities when it is inconvenient to obtain the signature of the real owner, or the actual owner may not wish to be identified. Nominee ownership simplifies the registration and transfer of securities.

Range Notes: investment whose coupon payment varies (e.g. either 7% or 3%) and is dependent on whether the current benchmark (e.g. 30-year Treasury) falls within a pre-determined range (e.g. between 6.75% and 7.25%).

Repurchase Agreement: contract to purchase and subsequently sell securities at a specified date and price

Third-Party Custodian: corporate agent, usually a commercial bank, who, acting as trustee, holds securities under a written agreement for a corporate client and buys and sells securities when instructed. Custody services include securities safekeeping, and collection of dividends and interest. The bank acts only as **a** transfer agent and makes no buy-sell recommendations.

Time Certificates of Deposit: deposit account paying interest for a fixed term, with the understanding that funds cannot be withdrawn before maturity without giving advance notice.

Unrealized Profits (Losses): paper profits **(losses)** representing the difference between the book value of the securities owned and their current market value. Paper profits **(losses)** in an investment portfolio are realized when the securities are sold.

Zero Accrual Periods: a period of time in which an investment accumulates no interest.

INVERSE SUBLIMIT INTERPRETATION

SUMMARY: The Memorandum of Coverage (MOC) is not explicitly clear regarding the inverse condemnation sublimit and how it is applied to each member's self-insured retention (SIR). Staff is proposing language to clarify PARSAC's position to provide sublimit coverage in addition to the members' SIR, as opposed to the SIR reducing the sublimit coverage.

RECOMMENDATION: Ratify amendments to the MOC and Cover Page.

DISCUSSION: Inverse Condemnation actions are premised upon California Constitution which provides that private property cannot be taken, or damaged, for public use without paying just compensation to the owner.

Inverse condemnation creates strict liability on the agency for damage to property arising out of the operation of public improvements. Therefore, liability arises regardless of whether the activity is deliberate, faultless, or unintended. The public improvement does not need to be the only cause, or even the majority cause of damage; the plaintiff need only prove that damage was substantially caused by the improvement.

The common types of inverse condemnation claims that have impacted PARSAC members are:

1. Damage from land instability and landslide;
2. Damage from water and drainage;(surface water, drainage systems, flooding); and
3. Damage from sewage overflows or intrusions.

PARSAC's MOC provides inverse coverage **only when** there is physical damage to tangible property, subject to a sublimit. The Board recently increased sublimit coverage from $500,000 to $700,000. Recently, a discussion arose regarding how the sublimit is applied. Does it trigger coverage after the member's SIR is exhausted or does the SIR erode the sublimit? If the intention is that the sublimit stacks on top of the SIR, a member with a $100,000 retention would receive $700,000 of inverse coverage. However, if the SIR is included, a $100,000 SIR member would receive $600,000 of coverage. There has not been any precedent setting litigation in determining how the sublimit is applied because previous inverse litigation also alleged nuisance, tresspass and dangerous condition of public property, which are not subject to sublimit coverage. Therefore, members have been afforded full coverage limits where there are multiple covered causes of action.

The inverse sublimit has changed over time. It was first established at $250,000 to provide members some level of coverage which is typically excluded by insurance carriers. As the law changed and increased members' risk, the Board approved higher inverse limits ($500,000 and now $700,000). The Board's intention is to provide members a level of coverage against inverse liability. If the SIR were to erode the sublimit, members at the $250,000 and $500,000 retention levels would not have had coverage previously. Therefore, it is staff's recommendation that Memorandum of Coverage is interpreted to provide sublimit coverage on top of the members' SIR not to exceed PARSAC's coverage layer of $1 million.

To clarify this position, it is proposed Section IV, Coverage Limit of the MOC be amended as follows:

> C. The Limit of Coverage stated in item C of the **Cover Page** is the most the **Program** will pay for **Ultimate Net Loss** as respects the sum of **Damages** and **Defense Costs** arising out of any one **Occurrence.** The sublimit of coverage for **Claims** for physical damage to tangible property stated in item C of the **Cover Page** is the most the **Program** will pay for **Ultimate Net Loss** as the result of any one **Occurrence.**

In addition, a definition for Cover Page is added – **Cover Page** means the cover page, which is part of this **Memorandum**, identifying the **Member Entity**, the **Coverage Period**, the **Limit of Coverage** and the **Retained Limit.**

The Cover Page (previously Declaration Page) will be amended to include the inverse sublimit. An example is attached.

FISCAL IMPLICATION: Funding for inverse exposures is already captured in the members' premium contributions. Additionally CARMA dividends have been allocated to fund the increased inverse exposure (from $500,000 to $700,000).

ATTACHMENT: Revised MOC and Cover Page.

PUBLIC AGENCY RISK SHARING AUTHORITY OF CALIFORNIA

LIABILITY MEMBORANDUM OF COVERAGE

COVER ~~DECLARATION~~ PAGE

This **Memorandum** specifies the liability coverage ~~protection~~ afforded under the Public Agency Risk Sharing Authority of California Liability Program. Coverage ~~Protection~~ is afforded for **Bodily Injury Property Damage, Personal Injury**, and **Public Officials Errors and Omissions** arising out of liability risks to which this **Memorandum** applies, subject to certain limitations, conditions, definitions and other provisions of this **Memorandum**.

California Government Code §990.4 provides that pooling self-insured clams or losses by public entities does not constitute the business of insurance under the California Insurance Code. There is no transfer of risk from the **Member Entities** to the **Authority**, nor any assumption of risk by the **Authority**. The **Authority's** sole duty is to administer the Program adopted by the **Member Entities**, as outlined in the Joint Powers Agreement of the Public Agency Risk Sharing Authority of California.

The terms of this **Memorandum** shall be construed in accordance with the principles of California contract law. The **Memorandum** shall not be considered a contract of adhesion but rather a contract designed by mutual negotiation and consent of the **Member Entities**. If the language of the **Memorandum** is alleged to be ambiguous or unclear, the issue shall be resolved in a manner most consistent with the relevant terms of the **Memorandum** without any construction, interpretation, or presumption in favor of either the Covered ~~Protected~~ Party or the **Authority**.

Words and phrases that are capitalized and appear in bold print in this Memorandum are defined in Section II.

A. **Member Entity:** Citrus Heights

Mailing Address: 6360 Fountain Square Drive, Citrus Heights, CA 95621

B. **Coverage~~Protection~~ Period**: From July 1, 2017, 12:01 a.m. to June 30, 2018, 12:00 a.m.

Pacific Daylight Savings Time.

C. **Limit of Coverage ~~Protection~~:** $900,000 **Ultimate Net Loss** as the result of any one **Occurrence** because of **Bodily Injury, Property Damage, Personal Injury**, or **Public Officials Errors and Omissions** or any combination thereof in excess of the Retained Limit.

$700,000 **Ultimate Net Loss** for Claims for inverse condemnation arising from physical damage to tangible property.

~~C.~~D. **Retained Limit:** $100,000 **Ultimate Net Loss** as the result of any one **Occurrence** because of **Bodily Injury, Property Damage, Personal Injury**, or **Public Officials Errors and Omissions** or any combination thereof.

Signed by: ______________________________ Dated: June 1, 2017

Joanne Rennie, General Manager

LIABILITY MEMORANDUM OF COVERAGE

FOR

PARSAC

Public Agency Risk Sharing Authority of California

Adopted ~~November 30, 2017~~ May 31, 2018

Effective Until Revised

PARSAC MLP REV. 11/19/93
PARSAC MLP REV. 05/31/96
PARSAC MLP REV. 05/29/98
PARSAC MLP REV. 05/28/99
PARSAC MLP REV. 05/19/00
PARSAC MLP REV. 05/18/01
PARSAC MLP REV. 05/10/02
PARSAC MLP REV. 05/29/03
PARSAC MLP REV. 05/20/05
PARSAC MOC REV. 12/01/05
PARSAC MOC REV. 05/29/08
PARSAC MOC REV. 05/27/10
PARSAC MOC REV. 04/14/11
PARSAC MOC REV. 05/29/14
PARSAC MOC REV. 12/04/14
PARSAC MOC REV. 12/03/15
PARSAC MOC REV. 11/30/17
PARSAC MOC REV. 5/31/18

MEMORANDUM OF COVERAGE
FOR THE
PUBLIC AGENCY RISK SHARING AUTHORITY OF CALIFORNIA
(PARSAC)

In consideration of the payment of the deposit premium, the **Authority** agrees with the **Member Entities** as follows:

SECTION I – COVERAGE

Subject to all provisions of this **Memorandum**, the **Authority** will cause the **Program** to pay on behalf of the **Covered Party** the **Ultimate Net Loss** that the **Covered Party** shall become legally obligated to pay as **Damages** by reason of **Tort Liability** imposed by law, or the **Tort Liability** of others assumed in a **Covered Contract,** because of:

1. **Bodily Injury** or **Property Damage**,

2. **Personal Injury**, or

3. **Public Officials Errors and Omissions**
caused by an **Occurrence** to which this **Memorandum** applies.

This Memorandum of Coverage does not provide insurance, but instead provides for pooled risk sharing. This **Memorandum** is a negotiated agreement amongst the **Member Entities** of the **Authority** and none of the parties to the **Memorandum** is entitled to rely on any contract interpretation principles which require interpretation of ambiguous language against the drafter of such **Memorandum**. This **Memorandum** shall be applied according to the principles of contract law, giving full effect to the intent of the **Member Entities** of the **Authority**, acting through the Board of Directors in adopting this Memorandum of Coverage.

SECTION II—DEFINITIONS

Additional Covered Party means any person, organization or entity that is specifically named by the **Authority** in a written attachment to this **Memorandum**. An **Additional Covered Party** is not covered for claims arising from the **Additional Covered Party's** sole negligence or for claims by another **Covered Party**.

Aircraft means any vehicle controlled directly by a person from within or on the vehicle, designed to transport people or property through the air.

Airport means any locality either on land or water which is adopted for the landing and taking off of **Aircraft**, including all land, water, buildings, structures, equipment or other improvements necessary or convenient in the establishment and operation of an **Airport**.

Authority means the Public Agency Risk Sharing Authority of California (PARSAC).

Automobile means a land motor vehicle, trailer or semi-trailer.

Bodily Injury means bodily injury, sickness or disease sustained by any person, including death resulting from any of these at any time.

Claim means a notice, demand or **Suit** against a **Covered Party** to recover **Damages**.

Code Enforcement means enforcement of zoning laws, regulations and ordinances; land use laws, regulations and ordinances; and nuisance, abatement, dumping or similar municipal ordinances.

Covered Contract means that part of any written agreement or contract pertaining to the **Member Entity's** operations or business under which the **Member Entity** assumes the **Tort Liability** of another party to pay for **Bodily Injury or Property Damage** to a third person or organization. A **Covered Contract** does not include any part of any contract or agreement:

1. That indemnifies any person or organization for **Bodily Injury or Property Damage** caused by the sole negligence of such person or organization.

2. That indemnifies any person or organization for **Bodily Injury or Property Damage** arising out of the ownership, operation, maintenance or use of any **Aircraft, Unmanned Aerial Vehicle, Airport or Watercraft.**

3. That indemnifies an architect, engineer or surveyor for **Bodily Injury or Property Damage** arising out of:

    a. Preparing, approving or failing to prepare or approve maps, drawings, opinions, reports, surveys, change orders, designs or specifications

    b. Giving directions or instructions, or failing to give directions or instructions, if that is the primary cause of the **Bodily Injury or Property Damage**.

4. Under which the **Covered Party,** if an architect, engineer or surveyor, assumes liability for **Bodily Injury or Property Damage** arising out of the **Covered Party's** rendering or failing to render professional services, including those listed in 3. above, and supervisory, inspection or engineering services.

5. That has not been approved by the **Authority** at least 14 days in advance of its execution by the Member or its effective date, whichever is earlier**.**

Covered Individuals means persons who are, or were, elected or appointed officials, employees or volunteers of the **Member Entity**, whether or not compensated, while acting for or on behalf of the **Member Entity.** However, no coverage or defense will be provided to a volunteer while using his or her personal **Automobile,** unless such use is for the business of the **Member Entity** and at the express direction of the **Member Entity,** nor to any person who is an independent contractor and not an employee of the **Member Entity,** but who either provides services to or acts as an official of the **Member Entity** in exchange for compensation pursuant to an oral or written contract with the **Member Entity. Covered Individual** shall not include any person, whether or not compensated, who is not acting in the course and scope of his or her employment or whose conduct, as a matter of law, is not within the course and scope of his or her employment by the **Member Entity** at the time of the act or acts alleged in a **Claim.**

Covered Party means:

1. The **Member Entity**;

2. Covered Individuals;

3. Any **Additional Covered Party**;

4. With respect to any **Automobile** owned or leased by the **Member Entity**, or loaned to or hired for use by or on behalf of the **Member Entity**, any person while using such **Automobile** and any person or organization legally responsible for the use thereof, provided the actual use is with the express permission of the **Member Entity**, but this coverage does not apply to:

    a. any person or organization, or any agent or employee thereof, operating an **Automobile** sales agency, repair shop, service station, storage garage or public parking place, with respect to an **Occurrence** arising out of the operation thereof; or

    b. the owner or any lessee, other than the **Member Entity**, of any **Automobile** hired by or loaned to the **Member Entity** or to any agent or employee of such owner or lessee.

Cover Page means the cover page, which is part of this **Memorandum,** identifying the **Member Entity,** the **Coverage Period,** the **Limit of Coverage** and the **Retained Limit.**

Coverage Limit means the limit of coverage shown in item C of the Cover Page as more fully defined under Section IV of this **Memorandum**.

Coverage Period means the time period shown on the Cover Page of this **Memorandum.**

Dam means any artificial barrier, together with appurtenant works, which does or may impound or divert water, and which either (a) is 25 feet or more in height from the natural bed of the stream or watercourse at the downstream toe of the barrier, or from the lowest elevation of the outside limit of the barrier, if it is not across a stream channel or watercourse, to the maximum possible water storage elevation; or (b) has an impounding capacity of 50 acre-feet or more.

Any such barrier which is not in excess of six (6) feet in height, regardless of storage capacity, or which has a storage capacity not in excess of 15 acre-feet, regardless of height, shall not be considered a **Dam**.

No obstruction in a canal used to raise or lower water therein or divert water therefrom, no levee, including but not limited to a levee on the bed of a natural lake the primary purpose of which levee is to control flood-waters, no railroad fill or structure, tank constructed of steel or concrete or of a combination thereof, no tank elevated above the ground, and no barrier which is not across a stream channel, watercourse, or natural drainage area and which has the principal purpose of impounding water for agricultural use shall be considered a **Dam**. In addition, no obstruction in the channel of a stream or watercourse which is 15 feet or less in height from the lowest elevation of the obstruction and which has the single purpose of spreading water within the bed of the stream or watercourse upstream from the construction for percolation underground shall be considered a **Dam**. Nor shall any impoundment constructed and utilized to hold treated water from a sewage treatment plant be considered a **Dam**. Nor shall any waste water treatment or storage pond exempted from State regulations and supervision by Water Code Section 6025.5 be considered a **Dam.**

Regardless of the language of the above definition, however, no structure specifically exempted from jurisdiction by the State of California Department of Water Resources, Division of Safety of Dams shall be considered a **Dam**, unless such structure is under the jurisdiction of any agency of the Federal government.

Damages means compensatory monetary damages including claimant/plaintiff attorney's fees not otherwise excluded under the **Memorandum**, interest on judgments and costs. **Damages** does not include non-monetary relief or redress or injunctive relief.

Defense Costs means all fees and expenses incurred in connection with the adjustment, investigation, defense and appeal of a **Claim** covered hereunder, including attorney fees, court costs, premiums for appeal bonds, and interest on judgments accruing after the entry of judgment, and also shall include the costs of any claims administrator or defense counsel specifically assigned by PARSAC to respond to any **Claim** on behalf of PARSAC. **Defense Costs** shall not include attorneys' fees or costs arising in connection with **Claims** that are not covered by this Memorandum. **Defense Costs** shall not include the office expenses of the **Authority** or the **Covered Party**, nor the salaries of employees or officials of the **Authority** or the **Covered Party**, nor expenses of any claims administrator engaged by the **Covered Party**. Defense Costs shall not include any fee or expense relating to coverage issues or disputes between the **Authority** and any **Covered Party. Defense Costs** does not include attorneys' fees awarded to the prevailing plaintiff.

Hostile Fire means a fire that becomes uncontrollable and breaks out from where it is intended to be.

Limit of Coverage means the amount of coverage shown in the Cover Page, or sublimits as started therein, for each **Covered Party** per **Occurrence** subject to any lower sublimit stated in this **Memorandum**. For each **Occurrence**, there shall be only one **Limit of Coverage** regardless of the number of claimants or **Covered Parties** against whom a claim is made. In the event of a structured settlement, whether purchased from or through a third-party, or paid directly by the **Covered Party** in installments, as utilized in the resolution of a claim or suit, the **Authority** will pay only up to the amount stated in the cover page in present value of the claim, as determined on the date of settlement, regardless of whether the full value of the settlement exceeds the amount sated in the Cover Page.

Member Entity means the entity, which is a signatory to the Joint Powers Agreement creating PARSAC, as they may be amended from time to time, whose name appears on the Cover Page. **Member Entity** includes any other agency, commission, district or board coming under the **Member Entity's** direction or control or for which the **Member Entity**'s board members act as the governing board.**Memorandum** means the PARSAC Memorandum of Coverage, including the Cover Page and all attachments and endorsements forming a part thereof.

Nuclear Material means source material, special nuclear material, or by-product material. “Source Material”, “Special Nuclear Material”, and “By-Product Material” have the meanings given them in the Atomic Energy Act of 1954 or any law amendatory thereof.

Occurrence means:

1. With respect to **Bodily Injury** or **Property Damage**, an accident or event or series of related accidents or events, including continuous or repeated exposure to substantially the same generally harmful conditions, which results during the **Coverage Period** stated in the Cover Page, in **Bodily Injury** or **Property Damage** neither expected nor intended from the standpoint of the **Covered Party**, except that assault and battery committed by, at the direction of or with the consent of the **Covered Party** for the purpose of protecting persons or property from injury or death, shall be considered an **Occurrence**;

2. With respect to **Personal Injury**, the commission of an offense described in the definition of **Personal Injury** during the **Coverage Period**;

3. With respect to **Public Officials Errors and Omissions**, actual or alleged conduct described in the definition of **Public Officials Errors and Omissions** during the **Coverage Period.**

Peace Officer means a person designated under Penal Code Sections 830 to 832.6 as a peace officer, or a public officer authorized under Penal Code Sections 830 to 832.6 to carry a firearm, and who is authorized by the **Member Entity** to carry a firearm in the course and scope of employment.

Personal Injury means injury, other than **Bodily Injury**, **Property Damage** or **Public Officials Errors and Omissions**, as a result of one or more of the following offenses:

1. False arrest, detention, or imprisonment

2. Malicious prosecution or abuse of process

3. Wrongful entry by any employee of a **Member Entity** into a room, dwelling or other similar premises that a person occupies

4. Wrongful eviction by any employee of a **Member Entity** of a person from a room, dwelling or other similar premises that such person occupies

5. The publication or utterance of a libel or slander, including disparaging statements concerning the condition, value, quality or use of real or personal property, or a publication or utterance in violation of rights of privacy

6. Discrimination or violation of civil rights

7. Infliction of emotional distress

Pollutants means any solid, liquid, gaseous or thermal irritant or contaminant, including but not limited to acids, alkalis, asbestos, chemicals, fumes, hazardous waste, polychlorinated biphenyls, radioactive material, smoke, soot, toxic substances, vapor, mold, fungal pathogens, electromagnetic fluids and airborne particles or fibers, waste and any related material. Waste includes material to be recycled, reconditioned or reclaimed. The term **Pollutants** as used herein shall not include potable water or agricultural water or water furnished to commercial users or water used for fire suppression.**Program** means the PARSAC Liability Coverage Program described by the Participation Agreement for the Liability Program and the PARSAC Joint Powers Agreement.

Property Damage means:

1. Physical injury to or destruction of tangible property which occurs during the **Coverage Period**, including the loss of use thereof at any time resulting there from; or

2. Loss of use of tangible property which has not been physically injured or destroyed provided such loss of use is caused by an **Occurrence** during the **Coverage Period**;

Public Officials Errors and Omissions means any act, error, omission, misstatement, misleading statement, neglect or breach of duty by any **Covered Individual** in the discharge of that individual's duties for the **Member Entity**; or any matter claimed against any **Covered Individual** solely by reason of the individual being or having been a public official of the **Member Entity**. **Public Officials Errors and Omissions** does not include **Bodily Injury, Property Damage** or **Personal Injury.**

Retained Limit means the amount of **Ultimate Net Loss,** identified in item D of the Coverage Page, which the **Covered Party** becomes liable to pay before the **Authority** is obligated to make payment. For each **Occurrence**, there shall be only one **Retained Limit** regardless of the number of claimants or **Covered Parties** against whom a **Claim** is made.

Suit means a civil proceeding in which a **Covered Party** is named as a party defendant or cross defendant or an arbitration proceeding or alternative-dispute resolution proceeding to which a **Covered Party** submits with the **Authority's** written consent.

Tort Liability means civil liability imposed by law in the absence of any agreement or contract.

Unmanned Aerial Vehicle (UAV) or drone means an aircraft (with its aerial system or control device) that is not controlled directly by a person from within or on the aircraft, and which is piloted or operated in conformance with 14 C.F.R. 107 et seq. Any pilot or operator must have a remote pilot certificate issued in compliance with Subpart C of Section 107 or possess a valid Certificate of Waiver or Authorization issued by the FAA, and satisfy the requirements of Section 107.65.

Ultimate Net Loss means the **Defense Costs** and amount that the **Covered Party** is legally obligated to pay as **Damages** by reason of a settlement made with the written consent of the claimant(s), the **Covered Party** and the **Authority** or a judgment.

Watercraft means a vessel more than 26 feet in length designed to transport persons or property in, on or through water.

SECTION III—DEFENSE AND SETTLEMENT

A Duty to Defend. The **Authority** shall have the right and duty to participate in the defense of any **Claim** or **Suit** against a **Covered Party** if the final judgment or settlement is likely to result in an **Ultimate Net Loss** within the **Coverage Limit** as those terms are defined in the **Memorandum**. The **Authority** is not bound by any "duty to defend" principle which is or may be applicable to insurance carriers; the **Authority**'s obligation to provide a defense to a **Covered Party** is solely and exclusively as provided in this **Memorandum**. The **Authority** shall have no obligation to defend or contribute to the defense of uncovered **Claims**, including uncovered **Claims** contained in a suit that contains covered **Claims**. Where a **suit** contains covered and uncovered **Claims** the **Authority** shall make a determination as to its participation in the defense as follows: 100%, 75%, 50% or 25%. The percentage of participation shall be determined by the **Authority** in its sole discretion. As the **Authority** is not an insurer, it has no obligation to provide "Cumis" counsel as provided by Civil Code Section 2860. The defense and indemnity coverage afforded by this **Memorandum** to a past or present official, employee or volunteer of a **Member Entity** is not broader than the **Member Entity's** duty to defend and indemnify its official, employee or volunteer, pursuant to California Government Code Section 815, 815.3, 825 to 825.6, 995 to 996.6, inclusive, and any amendments thereof. If the **Member Entity** which employs the official, employee or volunteer is not obligated under the California Government Code to provide a defense or to provide indemnity for a **Claim**, or if said **Member Entity** refuses to provide such defense and/or indemnity to said official, employee or volunteer, then this **Memorandum** shall not provide any such defense or indemnity coverage to said official, employee or volunteer. All immunities, defenses, rights, and privileges afforded to a **Member Entity** under California Government Code Section 815, 815.3, 825 to 825.6, 995 to 996.6, inclusive, and any amendments thereof, shall be afforded to the **Authority** to bar any defense or indemnity coverage under this Memorandum to that **Member Entity's** official, employee or volunteer.

B. Selection and Assignment of Defense Counsel.

1. With respect to any covered Claim or Suit against the Member Entity, where the applicable **Retained Limit** is under $250,000, the **Authority** shall select and assign counsel to defend the **Covered Party(s)** against the **Claim** or **Suit**. The **Authority** shall select counsel from a list of Panel Counsel established by the **Authority**. The **Authority** will consider the wishes of a **Covered Party** with respect to the assignment of counsel, however the **Authority** retains the sole right to make the assignment of counsel. In the event *of a disagreement regarding the assignment of counsel, the Covered Party retains the right to appeal to the Board of Directors, whose decision shall be final.* If the **Covered Party** refuses to be defended by the counsel assigned by the **Authority**, then this

Memorandum shall not provide any defense or indemnity to such **Covered Party** for such **Claim** or **Suit**, and the **Authority** shall not be required to contribute to any **Defense Costs**, settlement or judgment arising from such Claim or Suit.

2. With respect to any covered **Claim** or **Suit** against the **Covered Party** where the applicable **Retained Limit** is $250,000 or higher, the **Covered Party** may select and retain counsel from the list of Panel Counsel, except for any Claim involving in any manner law enforcement policies, operations, conduct or personnel. In the event a **Covered Party** retains counsel who is not on the list of panel counsel, this Memorandum shall not provide any defense or indemnity to the **Covered Party**, and the **Authority** shall not be required to contribute to any **Defense Costs**, settlement or judgment arising from such **Claim** or **Suit**.

3. With respect to any covered **Claim** or **Suit**, a **Covered Party** may select as its defense counsel the in-house City or Town Attorney directly employed as such by the **Member Entity.** For purposes of this provision, in-house City or Town Attorney shall not include any outside counsel contracted to act as a City or Town Attorney by the **Member Entity** or any outside counsel contracted by the **Covered Party** to act as counsel for any Claim. In the event that a **Covered Party** selects the in-house City or Town Attorney to defend any **Claim**, the **Authority** shall not be required to contribute to any **Defense Costs** arising from such **Claim** or **Suit**, and any **Defense Costs** arising from such **Claim** or **Suit** or sums incurred by the **Member Entity** for salaries, fees, benefits or costs of any nature of the in-house counsel shall not apply toward satisfaction of the **Retained Limit**. Notwithstanding the foregoing, and subject to the **Authority's** review and approval, with respect to any covered **Claim** or **Suit** where the **Retained Limit** is $350,000 or higher, the **Covered Party** may select as its defense counsel outside counsel contracted by the **Member Entity** to act as the City or Town Attorney. If as the result of the **Authority's** review of the defense counsel's performance on the **Claim** or **Suit**, the **Authority** withdraws its approval of such counsel, then counsel shall be determined and assigned as provided in Section III.B, paragraph 1, regardless of the **Member Entity's Retained Limit**.

4. With respect to the defense of any covered **Claim** or **Suit** against a **Member Entity** for **Tort Liability** assumed in a **Covered Contract**, the **Authority** shall select and assign counsel to defend such parties identified in the **Covered Contract**. The **Authority** shall select counsel from a list of Panel Counsel established by the **Authority**. The **Authority** will consider the wishes of a **Covered Party** with respect to the assignment of counsel, however the **Authority** retains the sole right to make the assignment of counsel. In the event of a *disagreement regarding the assignment of counsel, the **Covered Party** retains the right to appeal to the Board of Directors, whose decision shall be final*. If either the **Covered Party** or the party identified in the **Covered Contract** refuses to have such party(s) be defended by the counsel assigned by the **Authority**, then the obligation of the **Authority** to contribute to **Defense Costs** arising from such **Claim** or **Suit** shall be limited to such amounts as would be incurred if counsel selected from the Panel Counsel list were assigned the defense of such **Claim** or **Suit**.

C. *Defense and/or Coverage Determination.* When a **Claim** is submitted to the **Authority**, the **Authority** will determine whether it has any defense and/or coverage obligation for the **Claim**.

Upon the express written request of a **Member Entity**, the **Authority** will provide a written explanation of its defense and/or coverage determination, including the **Authority**'s defense and coverage analysis. The **Authority** may also of its own accord, but without any obligation to do so, provide the **Member Entity** with such an explanation.

D. Termination of Authority's Obligation. The **Authority**'s obligation to defend and/or cover any **Claim** shall cease after the **Coverage Limit** stated in Section V has been exhausted by payment of settlement(s), judgment(s) and/or **Defense Costs**.

E. Settlement. No **Claim** shall be settled for an amount in excess of the **Retained Limit** without the prior written consent of the **Authority** and the **Authority** shall not be required to contribute to any settlement to which it has not consented.

If the **Member Entity**'s **Retained Limit** has already been expended the **Authority** shall have the sole discretion to control, including settlement, the **Claim**. Any such decision to settle shall be final.

If the **Member Entity**'s **Retained Limit** has not been expended (i.e., the **Member Entity** will have to contribute funds to effectuate the settlement), then the consent of the **Member Entity** to any settlement shall be required. If however, the **Member Entity** refuses to consent to any settlement or compromise recommended by the Authority or its Claim Administrator and elects instead to continue to contest the **Claim**, then the **Authority**'s liability shall not exceed the amount for which the **Authority** would have been able to settle the **Claim** plus **Defense Costs** at the time the **Claim** could have been settled or compromised.

SECTION IV—COVERAGE LIMIT

A. The Limit of Coverage shown in item C of the **Cover Page** and the rules below determine the most the **Program** will pay, inclusive of **Defense Costs**, regardless of the number of:

1. **Covered Parties;**

2. **Occurrences;**

3. **Claims** made or **Suits** brought; or

4. Persons or organizations that sustain injuries or **Damages.**

B. The **Program** shall pay only for **Ultimate Net Loss** in excess of the **Retained Limit** as stated in item D of the **Cover Page**.

C. The Limit of Coverage stated in item C of the **Cover Page** is the most the **Program** will pay for **Ultimate Net Loss** as respects the sum of **Damages** and **Defense Costs** arising out of any one **Occurrence.** The sublimit of coverage for **Claims** for physical damage to tangible property stated in item C of the **Cover Page** is the most the **Program** will pay for **Ultimate Net Loss** as the result of any one **Occurrence.**

D. For the purpose of determining the Limit of Coverage all **Bodily Injury, Property Damage, Personal Injury or Public Officials Errors and Omissions** arising out of exposure to substantially the same general condition(s) shall be considered as arising out of one **Occurrence**.

E. Any actual or alleged loss of use of tangible property not physically injured or destroyed shall be deemed to occur at the time of the **Occurrence** that caused such loss of use. Any other injury or damage occurring or alleged to have occurred over more than one **Covered Period** shall be deemed to have occurred either during the **Covered Period** when the **Occurrence** begins, or during such **Covered Period** as determined by the Board of Directors in its sole discretion, and only the **Limit of Coverage** for that **Covered Period** shall apply.

SECTION V—COVERAGE PERIOD AND TERRITORY

This **Memorandum** applies to **Bodily Injury, Property Damage, Personal Injury or Public Officials Errors or Omissions** that occurs anywhere in the world during the **Coverage Period** stated in the **Cover Page**.

SECTION VI—EXCLUSIONS

This **Memorandum**, including any obligation to defend or to pay **Defense Costs**, does not apply to:

A. Additional Covered Party's Sole Negligence. **Claims** arising out of the sole negligence of an **Additional Covered Party**.

B. Aircraft or Airport Operations and Watercraft. **Claims** arising out of the ownership, operation, use or maintenance of any **Aircraft** or **Airport** or any **Watercraft** owned by a **Covered Party.** However, this exclusion does not apply to claims arising out of the ownership, operation, use or maintenance of any **Unmanned Aerial Vehicle (UAV)** that is owned or operated by or on behalf of any **Member Entity.**

C. Antitrust or Restraint of Trade. **Claims** arising out of violation of state or federal antitrust or restraint-of-trade laws.

D. Breach of Contract. **Claims** arising out of failure to perform, or breach of, a contractual obligation.

E. Contractual Liability. **Claims** arising out of the **Covered Party's** assumption of **Tort Liability** in a written agreement or contract. This limitation does not apply to liability assumed in a **Covered Contract** provided that the **Damages** occur subsequent to the execution of the **Covered Contract**.

F. *Dam Failure*. **Claims** arising out of the partial or complete structural failure of any **Dam**.

G. *Impairment or Loss of Property.* **Public Officials Errors and Omissions** arising out of or resulting in injury or damage to, destruction of, disappearance of, loss of, loss of use of, or diminution of value of any tangible property, money or securities; or failure to pay debt obligations.

H. *Employee Benefits Plans*. **Claims** arising out of any act or omission regarding benefits payable under any employee benefits plan established by the **Covered Party**.

I. *Employee Injury***. Bodily Injury or Personal Injury** to:

1. any past or current employee of the **Covered Party** arising out of and in the course of employment by the **Covered Party**; or

2. The spouse, child, parent, brother, sister, or other relative of such employee as a consequence of 1. above.

J. *Employment Practices Liability*. **Claims** arising out of or in any manner related to:

1. failure or refusal to hire any job applicant

2. failure or refusal to assign new duties to or to promote any employee

3. discipline of any employee

4. demotion, reassignment or termination of employment of any employee

5. discrimination against or violation of the civil rights of any employee or official in violation of the federal or state constitutions, any federal, state or local laws, any amendments to such laws or any regulations issued under such laws.

6. coercion, defamation, evaluation, humiliation, infliction of emotional distress, invasion of privacy, sexual or other harassment, investigation or any other acts, errors, omissions, practices, procedures or policies in any way connected with any past, present or future employment relationship.

K. *Estimates, Plans and Contract Awards*. **Public Officials Errors and Omissions** arising out of:

1. estimates of probable costs or cost estimates being exceeded

2. faulty preparation of bid specifications, or architectural or engineering drawings, plans or specifications

3. failure to award contracts in accordance with ordinances, regulations or statutes governing such contracts that must be submitted for bids

L. *False Statements*. **Personal Injury** arising out of a publication or utterance concerning any organization or business enterprise, or its products or services, made by or at the direction of any **Covered Party** with knowledge of the falsity thereof.

M. *Failure to Supply Utilities*. Any **Claim** arising out of the failure to supply or provide an adequate supply of gas, water, sewage capacity or electricity. However, this exclusion does not apply if the failure to supply results from direct and immediate accidental injury to tangible property owned or used by a **Covered Party** to procure, produce, process or transmit gas, water, sewage capacity or electricity.

N. *Fiduciary Liability*. **Claims** arising out of any breach of responsibility, obligation or duty imposed upon or imputed to a **Covered Party**:

1. under the Employee Retirement Income Security Act of 1974 and any law amendatory thereof

2. under Article XVI, Section 17 of the California Constitution and any law amendatory thereto

3. under any other law imposing or imputing fiduciary responsibilities, obligations or duties upon a **Covered Party**.

O. *Fines, Penalties and Punitive Damages*. **Claims** for fines, penalties, restitution, disgorgement, punitive damages or exemplary damages.

P. *Condemnation and Land-Use Regulation*. Any **claim** arising out of or in connection with land-use regulation, land-use planning, the principles of eminent domain or inverse condemnation, by whatever name called, or condemnation proceedings, regardless of whether such claims are made directly against the **Covered Party** or by virtue of any agreement entered into by or on behalf of the **Covered Party**. However, this exclusion shall not apply to claims arising from physical damage to tangible property. With respect to any coverage granted by this provision that is not otherwise provided by the **Memorandum**, the **Coverage Limit** is $700,000 **Ultimate Net Loss** as the result of any one **Occurrence.**

Q. *Medical Malpractice*. **Claims** arising out of ownership, use, operation or maintenance of any hospital, health care or medical clinic facility, and any professional medical services performed by or on behalf of the **Covered Party**, including, but not limited to, dental, veterinary and chiropractic, but this limitation does not apply to such services performed by emergency medical technicians or paramedics functioning under the direction and control of the **Covered Individuals**.

R. *Nuclear*. **Bodily Injury or Property Damage** arising out of the hazardous properties of **Nuclear Material**.

S. *Pollution*. **Claims** arising out of the actual, alleged or threatened discharge, dispersal, escape, migration, release, or seepage of **Pollutants**. However, this limitation does not apply to **Bodily Injury or Property Damage** arising out of or caused by any actual, alleged or threatened discharge, dispersal, seepage, migration, release or escape of **Pollutants** if:

1. It was directly caused by **Hostile Fire,** explosion, lightning, windstorm, vandalism malicious mischief, or by the collision, overturning or upset of a motor vehicle; or

2. It was accidental and neither expected nor intended by the **Covered Party**; and

3. It was instantaneous and was demonstrable as having commenced at a specific time and date during the **Covered Period**; and

4. Its commencement became known to the **Covered Party** within seven days; and

5. Its commencement was reported in writing to the Authority within twenty days of becoming known to the **Covered Party**; and

6. The **Covered Party** takes reasonable steps to correct or terminate the discharge, dispersal, seepage, migration, release or escape of **Pollutants**.

Nothing contained in this Limitation S shall operate to provide any coverage or any obligation to defend or pay **Defense Costs** with respect to:

1. Any site or location used by others on the **Covered Party's** behalf for the handling, storage, disposal, dumping, processing or treatment of waste material. This limitation applies whether or not the action by others was known to the **Covered Party**;

2. Any clean-up costs mandated by the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) and any similar laws or statutes;

3. Clean up, removal, containment, treatment, detoxification or neutralization of **Pollutants** situated on the premises the **Covered Party** currently owns, rents or occupies.

4. Any **Claim**, liability, loss, cost or expense based upon or arising out of **Personal Injury** or **Public Officials Errors and Omissions.**

T. *Property in the Covered Party's Control*. **Property Damage** to:

1. property owned by the **Covered Party**;

2. property rented to, leased to the **Covered Party** where the **Covered Party** has assumed liability for damage to or destruction of such property, unless the **Covered Party** would have been liable in the absence of such assumption of liability; or

3. **Aircraft** or **Watercraft** in the **Covered Party's** care, custody or control.

U. *Refunds*. **Claims** arising out of the refund of taxes, fees or assessments.

V. *Transit Operations*. **Bodily Injury or Property Damage** arising out of any transit authority, transit system or public transportation system owned or operated by the **Covered Party**, but this limitation does not apply to any transit system operating over non-fixed routes, including dial-a-ride, senior citizen transportation, or handicapped transportation.

W. *Unlawful Financial Gain*. **Claims** arising in whole or in part out of any **Covered Individual's** obtaining remuneration or financial gain to which the **Covered Individual** was not legally entitled.

X. Willful Violation of Any Law. **Personal Injury** arising out of the willful violation of any law committed by or with the knowledge or consent of the **Covered Party. Public Officials Errors and Omissions** arising out of the willful violation of any law.

Y. Workers' Compensation. **Claims** for which the **Member Entity** or its insurance company may be held liable under any workers' compensation, unemployment compensation or disability benefits law, or under any similar law.

Z. Non-monetary Relief. **Claims** alleging, based upon or arising out of claims, demands or actions seeking relief or redress in any form other than money damages, or for claimant/plaintiff attorney fees, costs or expenses relating to claims, demands or actions seeking relief or redress in any form other than money damages.

AA*. Non-Certified Skateboard Parks.* Any **Claim** arising out of the ownership, operation, design, use or maintenance of a skateboard park the design for which an engineer or an architect has not certified.

BB. *Earthquake.* **Damages** caused directly or indirectly by an earthquake.

CC. *Compliance with ADA Requirements.* **Claims** alleging, based upon or arising out of the violation of the Americans with Disabilities Act of 1990, any similar Federal, State or local law, any amendment to such laws, or any regulations promulgated under any such laws Notwithstanding the foregoing, and subject to the **Coverage Limit,** the **Memorandum** shall provide coverage for **Defense Costs** and **Damages** to the claimant(s), including claimant(s)/plaintiff(s) attorneys' fees and costs as the result of the alleged ADA violation.

DD. *Medicare Compliance*. **Claims** arising from or relating to any sums sought by Medicare with respect to a **Claim** or **Suit** settled by a **Member Entity** within its **Retained Limit**.

EE. *Use of a Firearm.* Claims arising from the use of a firearm in connection with **Code Enforcement** by non-**Peace Officers** in connection with the enforcement of the criminal laws of the State of California by non-**Peace Officers**.

SECTION VII—CONDITIONS

A. Amendment or Cancellation. This **Memorandum** may be amended or cancelled at any time in accordance with the provisions of the Joint Powers Agreement creating PARSAC and its Bylaws. The terms of this **Memorandum** may not be changed except by written amendment issued by the **Authority** to form a part of this **Memorandum.**

B. Appeal of Disputes with Authority. Any disputes concerning coverage or procedures of the **Program** may be appealed only to the **Authority's** Board of Directors in the manner and form that it may from time to time determine. Decisions by the **Authority** to assume control of the negotiation, appeal, or settlement of a **Claim**, or whether or not coverage exists for a particular **Claim** or part of a **Claim** or any other dispute that arises under and in connection with the Memorandum shall be made by the Board of Directors of the **Authority** or the Executive Committee as set forth herein. An appeal of a coverage determination of the General Manager or Coverage Counsel of the **Authority** or of any other dispute that arises under and in connection with the Memorandum shall be made in writing to the **Authority** within 60 days of the decision or dispute and shall be heard and determined by the Board at the next regularly scheduled meeting of the Board. If at the request of the **Covered Party**, or in the event that in the judgment of the **Authority** that exceptional circumstances warrant, an appeal of a coverage determination or any other dispute that arises under and in connection with the Memorandum shall be heard by the Executive Committee within 21 days of receipt of the appeal. Any determination by the Executive Committee may be appealed by the **Covered Party** and shall be determined at the next regularly scheduled meeting of the Board.

C. Appeal of Judgments. In the event the **Covered Party** elects not to appeal a judgment, the **Authority** may elect to do so at its own expense, but in no event shall the **Program's** liability for **Ultimate Net Loss** plus all **Defense Costs** necessary and incident to such appeal exceed the limit of coverage stated in Section V.

D. Bankruptcy. Bankruptcy or insolvency of the **Covered Party** shall not relieve the **Authority** of any of its obligations under this **Memorandum**.

E. Duties in the Event of an Occurrence or Claim.

1. The **Covered Party** shall cooperate with the **Authority** and upon the **Authority's** request assist in making settlements, in the conduct of suits and in enforcing any right of contribution or indemnity against any person or organization who may be liable to the **Covered Party** because of **Bodily Injury, Property Damage, Personal Injury or Public Officials Errors and Omissions** with respect to which coverage is afforded under this **Memorandum**; and the **Covered Party** shall attend hearings and trials and assist in securing and giving evidence and obtaining the attendance of witnesses.

2. The **Covered Party** shall provide a copy to the **Authority** within 15 calendar days of all Government Code Section 910 claims likely to exceed 50% of the **Member Entity's Retained Limit** and within 7 calendar days of all suits covered by this **Memorandum**, except property damage claims under five thousand dollars ($5,000.00).

3. The **Covered Party** shall notify the **Authority** not later than 7 calendar days of any **Occurrence** reasonably considered a serious incident that is likely to be covered by this **Memorandum**, including but not limited to:

   (i) One or more fatalities;

   (ii) Loss of a limb;

   (iii) Loss of use of any sensory organ;

   (iv) Paralysis, Quadriplegia or paraplegia;

   (v) Third degree burns involving more than ten percent of the body;

   (vi) Serious facial disfigurement;

   (vii) Long term hospitalization;

   (viii) Closed head injury; or

   (ix) Serious loss of use of any bodily function.

4. The **Covered Party** shall forward to the **Authority** every demand, notice summons or other process received.

5. The **Covered Party** shall not, except at its own cost and expense, voluntarily make any payment, assume any obligation or incur any expense without the written consent of the **Authority**.

F. *Duties with Respect to* ***Covered Contracts****.*

1. With respect to any contract for which a **Covered Party** seeks coverage as a **Covered Contract,** the **Covered Party** shall submit the proposed contract to the **Authority** for its review and approval, at least 14 days prior to the date of execution of the contract, or its effective date, whichever is earlier.

2. The factors that shall be considered by the **Authority** in determining approval of a contract shall include:

a. the party contracting with the **Covered Party** has requested indemnification for services the contracting party is providing to the **Covered Party**;

b. the subject matter of the proposed contract does not pertain to an essential service of the **Covered Party** and there are available options to contract with other providers;

c. whether all efforts to negotiate terms acceptable to the **Authority** have been exhausted;

d. whether there is alternative coverage through the commercial market for the proposed subject matter of the contract, for example, special events coverage; and,

e. whether the **Member** executes the contract against the **Authority's** recommendation.

G. *Other Coverage or Insurance*. If collectible insurance with any insurer, coverage with any other joint powers authority or other self-funding mechanism is available to the **Covered Party** covering a loss to which this **Memorandum** applies (whether on a primary, excess or contingent basis), the coverage of this **Memorandum** shall be in excess of, and shall not contribute with, such other insurance or coverage; provided that this clause does not apply with respect to excess insurance or coverage purchased specifically to be in excess of this **Memorandum**. The bankruptcy of, insolvency of, or placement into rehabilitation or receivership by any regulatory agency of any joint powers authority or insurance company providing joint powers authority coverage or insurance coverage to the **Covered Party** shall not amend the application of this condition.

H. *Satisfaction of Retained Limit.* In order for defense or indemnity to be available hereunder, the **Covered Party** must first pay the full amount of its **Retained Limit**. Payment of the **Retained Limit** by the **Covered Party** is required in addition to, and regardless of, any payment from any other source for or on behalf of the **Covered Party**, such as, for example, insurance procured by a third party pursuant to which the **Covered Party** is an additional named insured or otherwise covered. The foregoing does not apply to any insurance purchased by the **Member Entity** or any **Covered Party** to cover all or any part of the **Retained Limit**.

I. *Relationship to Joint Powers Agreement*. The provisions of this **Memorandum** are subject to and subordinate to the terms and provisions of the Joint Powers Agreement creating PARSAC, and in the event of any conflict between the terms and provisions of said Agreement and this **Memorandum**, the terms and provisions of the Agreement shall control.

J. *Severability of Interests*. The coverage applies separately to each **Covered Party** against whom **Claim** is made, as if a separate **Memorandum** were issued to it, except with respect to the **Authority's** Limit of Coverage.

K. *Subrogation*. To the extent of any payment under this **Memorandum**, the **Authority** shall be subrogated to all the **Covered Party's** rights of recovery thereof. The **Covered Party** shall do everything necessary to secure such rights and shall do nothing after the **Occurrence** to prejudice such rights. Any amount so recovered shall be apportioned as follows:

1. The **Authority** shall be reimbursed to the extent of all payment under this **Memorandum**. Any remaining balance shall be applied to reimburse the **Covered Party**.

2. The expenses of such recovery proceedings shall be apportioned in the ratio of respective recoveries. If there is no recovery in proceedings conducted solely by the **Authority**, the **Authority** shall bear the expenses thereof.

L. *Actions.* No action shall lie against the **Authority** with respect to the coverages and related provisions defined in the **Memorandum** unless, as a condition precedent thereto, there shall have been full compliance with all of the terms of this **Memorandum**, nor until the amount of the **Covered Party's** obligations to pay shall have been finally determined either by judgment against the **Covered Party** after actual trial or by written agreement of the **Covered Party**, the claimant and the **Authority**. Any person or organization or the representative thereof who has secured such judgment or written agreement shall thereafter be entitled to recovery under this **Memorandum** to the extent of the coverage afforded by this **Memorandum**. No person or entity shall have the right under this **Memorandum** to join the **Authority** as a party to any action against the **Covered Party** to determine the **Authority's** liability, nor shall the **Authority** be impleaded by the **Covered Party** or its legal representative.

M. *Venue.* In the event of any dispute between a **Member Entity** and the **Authority** concerning the coverage provided by the **Memorandum,** the place of venue for any **Suit** concerning such coverage dispute shall be the County of Sacramento, and any action concerning such dispute shall be filed in the Superior Court for the County of Sacramento, California.

N. *Medicare Compliance.* Where a **Member Entity** settles a claim within its **Retained Limit**, in which a claimant is either presently Medicare eligible or will be Medicare eligible within 30 months of the settlement, the **Member Entity** shall comply with all pertinent laws and regulations applicable to the settlement, and shall ensure that Medicare's interests are fully addressed, protected and documented in the settlement.

The failure by a **Member Entity** to comply with all pertinent laws and regulations applicable to the settlement or to properly protect and document Medicare's interests in the settlement, shall preclude coverage under the Memorandum for **Claims** arising from or relating to any sums sought by Medicare with respect to a **Claim** or **Suit** settled by a **Member Entity** within its **Retained Limit**.

EPL, SAFETY & LOSS CONTROL GRANT PROGRAM UPDATE

SUMMARY: The Executive Committee approved maintaining the current grant amount per member, which is $5,000 per self-insured program participant, and recommends the Board approve.

RECOMMENDATION: Approve the 2018/19 Safety & Loss Control Grant Program Funding of $5,000 per self-insured program participant (Liability and Workers' Compensation).

DISCUSSION: Grant funds are available to improve workplace safety and better control/manage members' liability exposures through the purchase of equipment, training, or related risk management services. Members' must complete and submit applications for reimbursement by May 1st each year or their grant funds are considered "unused." Members may request a maximum one year extension ("encumber funds") for a specific project by providing an executed agreement. Per the policy, funds remaining unused after the May 1 deadline are applied to off-set the grant program funding for the next fiscal year.

Safety & Loss Control Grants

Out of 36 members, all but 8 members submitted applications that were approved for a variety of projects such as: sidewalk repair/replacement, OSHA-related training, workplace safety improvements, and ADA compliance.

As summarized on the attached Safety & Loss Control Grant Fund Use by Members, funds encumbered from 2016-17 were paid in the amount of $85,859, leaving $1,940 unused. New applications for 2017-18 were approved in the amount of $255,851 (paid and encumbered). The Total Unused amount $71,089 reflects both 2016-17 encumbered and 2017-18 new funds that remained unused after the May 1 deadline.

It is recommended that the Board approve the 2018/19 Safety & Loss Control Grant Program funding at $5,000 per participant in the Liability and Workers' Compensation Programs. Members participating in both programs will receive $10,000 and Liability only members will receive $5,000.

EPL Grants

25 members out of 36 current and 2 former members have used or encumbered EPL grant funds. EPL grant funds have been paid to members in the amount of $90,568 and $103,228 has been encumbered for a total of $193,796. The remaining balance available to members is $711,598. These funds will remain available until used. EPL grant funds have been used for a variety of projects included updates to personnel policies and procedures, AB 1825 training, HR Conferences and training

FISCAL IMPLICATION: Per the attached Safety and Loss Control Grant Fund Use schedule, the Total Unused balance of encumbered and new funds is $71,089. The requested funding for fiscal year 2018-19 is $253,911.

ATTACHMENT: 2017-18 Safety and Loss Control Grant Fund Use by Member. EPL One-Time Grants Schedule.
trs

2017-18 Safety and Loss Control Grant Fund Use by Member

Member	ENCUMBERED 2016-17	Apps Pd	PENDING	UNUSED BALANCE[1]	GRANT 2017-18	Risk Audit	2017-18 FUNDS USED Apps Pd	Encumb.	Total	Unused Balance	TOTAL UNUSED[2]
Amador	1,200.00	853.08	-	346.92	5,000.00	-	-	-	-	5,000.00	5,346.92
Avalon	-		-	-	10,000.00	-	-	10,000.00	10,000.00	-	-
Belvedere	-		-	-	10,000.00	-	-	-	-	10,000.00	10,000.00
Blue Lake	-		-	-	10,000.00	-	4,816.51	5,183.49	10,000.00	-	-
California City	-		-	-	5,000.00	-	-	5,000.00	5,000.00	-	-
Calimesa	-		-	-	10,000.00	-	-	10,000.00	10,000.00	-	-
Calistoga	-	-	-	-	10,000.00	-	-	10,000.00	10,000.00	-	-
Citrus Heights	-	-	-	-	10,000.00		9,490.61	-	9,490.61	509.39	509.39
Clearlake	-	-	-	-	10,000.00	-	-	8,860.11	8,860.11	1,139.89	1,139.89
Coalinga	9,136.06	9,136.06	-	-	10,000.00	-	-	1,500.00	1,500.00	8,500.00	8,500.00
Ferndale	-	-	-	-	10,000.00	-	-	10,000.00	10,000.00	-	-
Grass Valley	-	-	-	-	10,000.00	-	10,000.00	-	10,000.00	-	-
Highland	10,000.00	9,898.40	-	101.60	10,000.00	-	-	10,000.00	10,000.00	-	101.60
Menifee	-	-	-	-	10,000.00	-	-	-	-	10,000.00	10,000.00
Nevada City	5,000.00	5,000.00	-	-	5,000.00	-	-	5,000.00	5,000.00	-	-
Pacific Grove	-	-	-	-	10,000.00	3,000.00	-	7,000.00	10,000.00	-	-
Placentia	-	-	-	-	5,000.00	-	-	-	-	5,000.00	5,000.00
Placerville	-	-	-	-	5,000.00	-	-	5,000.00	5,000.00	-	-
Plymouth	9,468.42	9,804.80	-	(336.38)	10,000.00	-	8,000.00	-	8,000.00	2,000.00	1,663.62
Point Arena	10,000.00	2,095.87	-	7,904.13	10,000.00	-	-	10,000.00	10,000.00	-	7,904.13
Rancho Cucamonga	3,000.00		3,000.00	-	10,000.00	-	10,000.00	-	10,000.00	-	-
Rancho Cucamonga FPD	10,000.00	10,000.00	-	-	10,000.00	-	10,000.00	-	10,000.00	-	-
Rancho Santa Margarita	7,229.00	7,229.00	-	-	10,000.00	-	-	10,000.00	10,000.00	-	-
San Juan Bautista	-		-	-	5,000.00	-	-	-	-	5,000.00	5,000.00
South Lake Tahoe	5,000.00	5,000.00	-	-	5,000.00	-	-	-	-	5,000.00	5,000.00
Tehama	-	-	-	-	10,000.00	-	5,665.00	4,335.00	10,000.00	-	-
Trinidad	-	-	-	-	10,000.00	-	-	-	-	10,000.00	10,000.00
Truckee	-	-	-	-	10,000.00	-	10,000.00	-	10,000.00	-	-
Twentynine Palms	-	-	-	-	10,000.00	-	-	10,000.00	10,000.00	-	-
Watsonville	-	-	-	-	10,000.00	3,000.00	-	-	3,000.00	7,000.00	7,000.00
West Hollywood	10,000.00	10,000.00	-	-	10,000.00	-	10,000.00	-	10,000.00	-	-
Wheatland	9,039.92	7,469.80	-	1,570.12	10,000.00	-	-	10,000.00	10,000.00	-	1,570.12
Wildomar	-	-	-	-	10,000.00	-	-	10,000.00	10,000.00	-	-
Yountville	-	-	-	-	10,000.00	-	10,000.00	-	10,000.00	-	-
Yucaipa	-	-	-	-	10,000.00	-	-	10,000.00	10,000.00	-	-
Yucca Valley	1,725.00	1,725.00	-	-	10,000.00	-	4,643.50	5,356.50	10,000.00	-	-
Alturas***	-	7,646.57	-	(7,646.57)	-	-	-	-	-	-	(7,646.57)
	90,798.40	85,858.58	3,000.00	1,939.82	325,000.00	6,000.00	92,615.62	157,235.10	255,850.72	69,149.28	71,089.10

[1] Encumbered funds remaining unused at 5/1 cannot be re-encumbered and are forfeited per policy

[2] Total unused Encumbered and New funds

*** Grant received in prior year but not encumbered

Grant Funding for 2018/19	325,000.00
Unused Prior Years Funds	(71,089.10)
Funding Requested for 2018/19	253,910.90

PARSAC
EPL One-Time Grants
As of 5/11/18

Member	ERMA Dividend - Approved December '15 Allocation	Membership Changes	ERMA Dividend - Approved March '17 Allocation	ERMA Dividend - Approved November '17 Allocation	**Total Allocated by Member**	Applications Paid	Encumbered Funds	**Remaining Balance**	Total
Alturas	10,000.00	(10,000.00)	-	-	-	-	-	-	-
Amador	10,000.00		5,230.00	2,139.00	17,369.00	663.75	10,000.00	6,705.25	17,369.00
Avalon	10,000.00		8,801.00	3,599.00	22,400.00	2,142.00	-	20,258.00	22,400.00
Belvedere	-	10,000.00	6,925.00	2,832.00	19,757.00	1,576.75	10,000.00	8,180.25	19,757.00
Blue Lake	10,000.00		5,499.00	2,249.00	17,748.00	4,562.33	-	13,185.67	17,748.00
California City	10,000.00		10,677.00	4,366.00	25,043.00	198.00	-	24,845.00	25,043.00
Calimesa	10,000.00		6,199.00	2,535.00	18,734.00	9,138.50	-	9,595.50	18,734.00
Calistoga	10,000.00		8,913.00	3,645.00	22,558.00	8,980.00	-	13,578.00	22,558.00
Citrus Heights	10,000.00		19,516.00	7,981.00	37,497.00	-	-	37,497.00	37,497.00
Clearlake	10,000.00		7,686.00	3,143.00	20,829.00	1,514.00	-	19,315.00	20,829.00
Coalinga	10,000.00		11,284.00	4,614.00	25,898.00	2,161.59	3,500.00	20,236.41	25,898.00
Ferndale	10,000.00		5,623.00	2,299.00	17,922.00	-	-	17,922.00	17,922.00
Grass Valley	10,000.00		10,539.00	4,310.00	24,849.00	-	-	24,849.00	24,849.00
Highland	10,000.00		7,201.00	2,945.00	20,146.00	3,300.00	-	16,846.00	20,146.00
Menifee	10,000.00		10,498.00	4,293.00	24,791.00	-	-	24,791.00	24,791.00
Nevada City	10,000.00		6,975.00	2,852.00	19,827.00	3,239.99	7,400.00	9,187.01	19,827.00
Pacific Grove	10,000.00		10,996.00	4,497.00	25,493.00	-	2,727.50	22,765.50	25,493.00
Placentia	10,000.00		15,528.00	6,350.00	31,878.00	-	-	31,878.00	31,878.00
Placerville	10,000.00		9,997.00	4,088.00	24,085.00	-	-	24,085.00	24,085.00
Plymouth	10,000.00		5,528.00	2,261.00	17,789.00	1,100.00	-	16,689.00	17,789.00
Point Arena	10,000.00		8,034.00	3,285.00	21,319.00	6,000.00	-	15,319.00	21,319.00
Rancho Cucamonga	10,000.00		28,850.00	11,797.00	50,647.00	6,957.50	8,600.00	35,089.50	50,647.00
Rancho Cucamonga Fire	-	10,000.00	18,396.00	7,523.00	35,919.00	-	-	35,919.00	35,919.00
Rancho Santa Margarita	10,000.00		7,014.00	2,868.00	19,882.00	-	-	19,882.00	19,882.00
Rialto	10,000.00		-	-	10,000.00	10,000.00	-	-	10,000.00
San Juan Bautista	10,000.00		5,591.00	2,286.00	17,877.00	4,757.00	-	13,120.00	17,877.00
South Lake Tahoe	10,000.00		20,707.00	8,468.00	39,175.00	-	-	39,175.00	39,175.00
Tehama	10,000.00		5,235.00	2,141.00	17,376.00	7,529.00	8,500.00	1,347.00	17,376.00
Trinidad	10,000.00		5,415.00	2,214.00	17,629.00	-	4,500.00	13,129.00	17,629.00
Truckee	10,000.00		12,394.00	5,068.00	27,462.00	-	-	27,462.00	27,462.00
Twentynine Palms	10,000.00		6,748.00	2,759.00	19,507.00	15,000.00	-	4,507.00	19,507.00
Watsonville	10,000.00		28,827.00	11,788.00	50,615.00	-	20,000.00	30,615.00	50,615.00
West Hollywood	10,000.00		23,879.00	9,765.00	43,644.00	-	-	43,644.00	43,644.00
Wheatland	10,000.00		6,264.00	2,561.00	18,825.00	-	10,000.00	8,825.00	18,825.00
Wildomar	10,000.00		6,034.00	2,468.00	18,502.00	-	8,000.00	10,502.00	18,502.00
Yountville	10,000.00		7,264.00	2,971.00	20,235.00	-	10,000.00	10,235.00	20,235.00
Yucaipa	10,000.00		8,619.00	3,525.00	22,144.00	-	-	22,144.00	22,144.00
Yucca Valley	10,000.00		7,114.00	2,909.00	20,023.00	1,748.04	-	18,274.96	20,023.00
Balance	**360,000.00**	**10,000.00**	**380,000.00**	**155,394.00**	**905,394.00**	**90,568.45**	**103,227.50**	**$ 711,598.05**	**905,394.00**

Total Paid	14/15	19,360.50
	15/16	22,386.27
	16/17	19,718.04
	17/18	29,103.64
Total Paid by Year		90,568.45

Paid	**$ 90,568.45**
Encumbered	$ 103,227.50
Total Paid/Encumbered	**$ 193,795.95**

SAFETY & LOSS CONTROL GRANT POLICY UPDATE

SUMMARY: The Executive Committee recommended a one time safety and loss control grant to be available to members until used. They also recommend an increase to $3,500 for conference attendance. If approved by the Board, the Safety and Loss Control Grant Policy will need to be updated to reflect these changes.

RECOMMENDATION: Approve the Safety & Loss Control Grant Program policy to include one time safety & loss control grants that are not subject to the annual May 1st deadline and increase the conference attendance reimbursement limit from $1,500 to $3,500.

DISCUSSION: Currently members must submit annual grant applications by May 1st to either request reimbursement of safety & loss control grant funds or encumber funds for an additional year. If an application is not received by the May 1st deadline, the unused funds expire and are used to offset grant program funding for the following year. By allowing additional one time grant funds to be available until used, members will have greater flexibility in the use of those funds.

The current policy also limits conference attendance to $1,500 per year. With the cost of travel, members generally attend one conference per year. In order to encourage training and succession planning, the additional funds would allow for additional staff members to attend.

FISCAL IMPLICATION: None.

ATTACHMENT: Safety & Loss Control Grant Program Policy.
trs

Public Agency Risk Sharing Authority of California
PARSAC

Safety & Loss Control Grant Program

Section: 800 – Risk Management/Loss Control Programs; Programs
Effective Date: May 31, 2018

BACKGROUND:

PARSAC is confident that net costs for members and the pool can be reduced through proactive risk management. The Safety & Loss Control Grant Program was implemented to assist members as they strive to improve safety in both the community and the workplace. The program was approved in 2011 as a two-year pilot, continued in 2013 for an additional three years, and is reviewed annually by the Board of Directors. Funding was originally achieved through the Liability and Workers' Compensation Programs by redirecting existing risk management budget items and a slight increase in prospective funding.

POLICY:

Program Funding

Unused Funds from the prior fiscal year will be the starting point of funding for the next fiscal year and redistributed equally. "Unused Funds" are defined as the total amount remaining at the end of each fiscal year after all reimbursements have been processed. Additional program funding will be at the discretion of the Board of Directors. Additional funds collected through each self-insured program are distributed equally based on program participation.

Grant funds must be used during the fiscal year in which they are awarded. Approved applications that remain incomplete at the end of the fiscal year will be deemed "unused." In the event a project cannot be completed within the fiscal year, members may submit a duly executed contract, or similar documented commitment, to request a maximum one-year extension. Funds for projects remaining incomplete after the extension period will be considered "unused."

The Board of Directors may designate additional one time grants that will remain available until used without expiration.

Member Risk Assessments

Per the Joint Powers Agreement, a risk assessment of member facilities and operations must be completed (refer to Article VII, Paragraph I). To assist members in complying with this requirement, the Board approved funding member risk assessments through the Grant Program. One-third of the membership will be completed each fiscal year and the cost deducted from their grant fund. The total cost of annual assessments will be approved by the Executive Committee and shared equally by the members being assessed, approximately $3,000 each.

Application Process

Any employee may submit a completed Grant Program Application, either before or after a project or purchase is completed, by regular or electronic mail. However, pre-approval is recommended to commit available grant funds and confirm reimbursement will be provided upon completion. The application should clearly describe the project and explain the loss control benefit; additional information can be attached as needed. All applications must be signed by either the city/town manager or mayor to ensure: 1) awareness of available grant funds; and 2) funds are being used toward the member's loss control priorities.

Approval is based on the member's individual needs as well as potential to mitigate liability or workers' compensation exposures. The intent is to be as flexible as possible while considering the member's loss experience, member risk assessment findings, and cost drivers for the pool. Applications are reviewed by PARSAC staff and/or the Loss Control Subcommittee Chair and the member is promptly notified of the decision. Approved applications must be completed and documentation submitted for reimbursement no later than **May 1st**.

Acceptable Uses & Limitations

Members are encouraged to consult with PARSAC to identify loss trends or specific areas of risk that should be addressed. Grant funds must first be used toward any critical issues identified through either loss experience or risk assessment. Grant funds may then be used for training, equipment, projects, or services that promote workplace safety and/or mitigate liability. Members are encouraged to review and seek input from their Safety Committee when considering projects. Examples include:

Equipment:

Lease, Purchase, or Repair
Personal Protective Equipment

Workplace Safety:

Facility Assessments
Policy & Program Implementation
ellness Programs

OSHA Compliance
Ergonomic Improvements

Human Resources:

Pre-Employment Screening
Policy Development

Training:

On-Site Team Training
Job Safety
Risk Management

Conferences: ($3500 limit per fiscal year)
PARMA, CAJPA, AGRiP, or PRIMA

Community Improvements:

Reduce or Remove Specific Hazards
Park Improvements & Signage
Road Safety & Signage
Tree Trimming & Removal
Sidewalk Inspection & Repair

ADA Improvements

Projects, repairs or equipment that would fall under "general maintenance" or routine operational expenses require an explanation of the risk management purpose to be included with the application.

EPL:
A $10,000 one-time grant allows members funds to review and update personnel policies and does not sunset; in addition, subsequent grants, may be used for regulatory compliance (SB 1825/AB 1661), human resources training and conferences and organizational development. The Committee may consider additional usage on a case-by-case basis provided the Member is in compliance with all ERMA requirements.

Appeal Process

Members who disagree with an application decision may request review by the Loss Control Subcommittee. Further appeal may be presented to the Executive Committee at their next regular meeting and their decision will be considered final.

STRATEGIC PLANNING UPDATE

SUMMARY: The Board is asked to review suggested changes to the strategic plan, "ends", vision, values and mission statements; ratify and implement.

RECOMMENDATION: Approve changes to the Values and Ends Statements; select Mission and Vision Statements; approve and/or amend the 2018 work plan. Identify priorities for training.

BACKGROUND: PARSAC engages in a strategic planning session every third year. A facilitator is engaged to conduct the planning process and guide the Executive Committee and Board through a series of steps or exercises to evoke and identify interests, concerns, and opportunities for the next few years.

The Board supplied information to the facilitator via survey, Jim DeLizia. Mr. DeLizia conducted individual interviews with a sample of members to identify those issues most important to the future of both PARSAC members and the pool; critical trends in the pooling industry, risk management and public entity environment. During the planning day he also addressed PARSAC's performance and competitive position.

Mr. DeLizia, compiled comments from the day and assisted staff in crafting revised mission and vision statements, values and ends statements. The Executive Committee amended those statements and offers two possible vision statements for the Board's consideration. The Board is asked to select the statements that best characterize the current and future "State of PARSAC."

After a brief presentation on changes to the Strategic Plan, the Board will be asked to clarify specific goals and direction with regard to technology, as well as identify priorities for training, risk assessments and succession planning.

FISCAL IMPACT: There are several goal statements in the plan which will require future funding. Those areas are identified as either current year for which funding is available or multi-year for which funding will be incremental over time.

ATTACHMENT: Strategic Planning Framework

Public Agency Risk Sharing Authority of California

STRATEGIC FRAMEWORK

and 2018-2020 Strategic Plan

DRAFT

May 31, 2018

♦

PARSAC Strategic Framework

Mission Statement

To provide shared risk financing, quality coverage and customized services and solutions to meet the evolving risk management needs of California public agencies.

PARSAC Values

Member-driven. PARSAC is a risk sharing pool in which highly engaged members set the direction and priorities of the organization and uphold the guiding principles by which the pool operates.

Collaboration. PARSAC members share a commitment to support each other in achieving a high standard of practice in risk management.

Responsiveness. PARSAC programs and services evolve to meet changing member needs and result in high member satisfaction and retention.

Service. PARSAC staff are committed to serving the interests of the pool, while providing personalized support and solutions to meet the individual member's unique risk management needs.

Trust and Integrity. PARSAC is committed to excellence and is accountable as stewards of member resources.

Fiscal Responsibility. PARSAC operates an efficient organization providing competitive programs and services and the highest possible return on member investment.

PARSAC Vision and Ends Statements

Vision Statement

PARSAC WILL BE THE JPA OF CHOICE THROUGH COMMON GOALS BUILT ON ENDURING MEMBER RELATIONSHIPS AND SOUND RISK MANAGEMENT PRACTICES.

or

PARSAC . . . NOTHING LESS THAN STRIVING TO BE THE JPA LEADER IN PROVIDING CALIFORNIA AGENCIES WITH INNOVATIVE PROGRAMS, SERVICES AND EXPERTISE IN RISK MANAGEMENT.

Ends Statements

As a result of our efforts:

End 1: Programs and Services
The Executive Committee, Board of Directors and staff make decisions and develop programs and services that benefit PARSAC members as a whole.

End 2: Pool Standards and Funding
Members understand that financial benefit is achieved through adherence to standards of best practice in risk management and an equitable sharing of risk and funding.

End 3: Pool Operations
PARSAC operates efficiently, and regularly evaluates and builds the capacity and infrastructure required to meet the evolving and diverse risk management needs of member agencies.

End 4: Support of Member Entities
A well-informed, supportive member entity commits to a productive and safe community.

End 5: Member Retention and Growth
PARSAC benefits from a strong, cohesive member base, with a high level of member satisfaction and retention, and appropriate growth based on our shared values.

♦

2018-2020 PARSAC Strategic Plan

NOTE: an asterisk (*) indicates issues considered most critical in the short-term

End 1: Programs and Services

The Executive Committee, Board of Directors and staff make decisions and develop programs and services that benefit PARSAC members as a whole.

2020 Goals

- [Development of Programs and Services] Expand templates by focusing on specialized areas of risk.
- [*Program/Service Participation] Update orientation for Board members and alternates.

2018 Action Priorities	Status/Results
1. Develop two templates for specialized areas of risk. - Contractual Risk Transfer Manual	
2. Provide individualized and/or specialized orientations to member staff and new management personnel	
3. Focus training on high risk exposure areas: dangerous conditions, contractual risk transfer, law enforcement and employment	

End 2: Pool Standards and Funding
Members understand that financial benefit is achieved through adherence to standards of best practice in risk management and an equitable sharing of risk and funding.

2020 Goals

- [*Access to Information and Resources] Enhance online training, reporting and dashboard applications.

2018 Action Priorities	Status/Results
1. Enhance use of technology -Create a technology/data subcommittee. -Secure information technology resources -Update/refresh website for ease of use -Upgrade database (FY19-20, begin budget FY18-19) -Review list serve concepts with tech committee; develop -Create individual member dashboards to compare metrics (GL/WC) (FY 18-20)	
2. Work with members to ensure timely reporting of claims, underwriting information and contract review.	
3. Tie retrospective premium adjustment process (RPA) to the audit ensuring all equity is appropriately classified.	

End 3: Pool Operations
PARSAC operates efficiently, and regularly evaluates and builds the capacity and infrastructure required to meet the evolving risk management needs of member agencies.

2020 Goals

- [Leveraging Technology for Gathering, Reporting and Using Data] Develop a mobile application to enhance member service.
- [Leveraging Technology for Gathering, Reporting and Using Data] Enhance data formatting and security.
- [Operations Capacity/Structure and Roles] Ensure that PARSAC member and staff resources are organized to provide maximum support and efficiency.
- [*Succession and Leadership Development] Implement a succession plan for staff positions.
- [*Succession and Leadership Development] Develop a succession plan for the Board and review organizational structure.

2018 Action Priorities	Status/Results
1. Create a technology/data subcommittee.	
2. Update Board expectations and role	
3. Appoint a subcommittee to review possible changes in the membership and evaluate and recommend adjustment to the Board structure and Executive Committee succession. Budget appropriately.	
4. Develop and outline strategies for staff leadership succession plan.	
5. Fill existing staff positions and/or review and modify job descriptions.	
6. Evaluate need to add or change business partners (succession planning).	

End 4: Support of Member Entities
A well-informed, supportive base within each PARSAC member entity is committed to a productive, safe work environment.

2020 Goals

- [*Program/Service Participation] Make presentations to all member agencies on PARSAC services and benefits.
- [Member Engagement] Expand involvement at all levels of the member agency.
- [Member Engagement] Provide multiple ways for members to engage in PARSAC.
- [*Member Communication] Revamp the PARSAC web site, increasing access to information and facilitating member-to-member sharing and support.

2018 Action Priorities	Status/Results
1. Create risk management resources for use within member agencies. Use bulletins/webinars to inform membership of issues and opportunities. Create and present an educational program (PARSAC Academy) in November 2018.	
2. Identify expanded opportunities for involvement. Identify contacts within each member agency interested in or impacted by risk management issues. Identify and provide individualized training for new member staff or those new to the risk management role. Evaluate additional subcommittees for marketing, public works, and law enforcement.	
3. Host one meeting via technology.	
4. Create a member listserv.	
5. Enhance coverage/limits where emerging risks pose exposure to members, evaluate other areas/trends for members which may need risk management application.	
6. Secure consultant or new staff to conduct risk assessments	
7. Conduct telephonic or in person quarterly file reviews for affected members.	
8. Track and respond to legislation that impacts membership.	

End 5: Member Retention and Growth
PARSAC benefits from a strong, cohesive member base, with a high level of member satisfaction and retention, and growth based on the confidence that PARSAC is vigilant in identifying emerging risk and in supporting members' evolving risk management needs.

2020 Goals

- [*Member Retention and Growth] Increase PARSAC membership with agencies who complement the PARSAC pool.

2018 Action Priorities	Status/Results
1. Develop talking points members can use with peers to promote the value of PARSAC.	
2. Develop incentives for member agencies to market the pool.	

ESTIMATED RETROSPECTIVE PREMIUM ADJUSTMENT (MULTIPLE YEARS)

SUMMARY: Funding policies for the Liability and Workers' Compensation programs detail the method for returning equity. The Retrospective Premium Adjustment (RPA) is a reconciliation of premiums and expenses by program year to determine remaining equity.

RECOMMENDATION:

a. Liability Program: Receive and file. No dividend is recommended due to insufficient equity to meet target amounts set by the Funding Policy.
b. *Workers' Compensation Program:* Approve the Executive Committee's recommendation to distribute $1 million in dividends to members.

DISCUSSION: The RPA is calculated annually for each self-insured program. Below is a description of the formula for determining program equity. The RPA for both programs is calculated using a single-layer method allocating each element below based on members' pro-rata contribution to the program.

Contributions
\+ Investment earnings
\- Admin expenses
\- Claims payments
\- Reserves for reported claims and unallocated loss adjustment exp (ULAE)
\- Reserves for incurred but not reported claims (IBNR)
= Equity*

**If positive, available for dividend; negative charged to member*

Summary of Funding Policy:

Program	Confidence Level Requirement	First Year Eligible	Maximum Assessment
Liability	90%	5th year	125% of contribution
Workers' Compensation	90%	8th year	125% of contribution

The attached RPA Determination Worksheet details the RPA process and funding requirements from the Funding Policy. Three criteria that must be satisfied to determine whether a dividend can be distributed: 1) meet the minimum overall program confidence level; 2) meet the target equity requirement; and 3) determine eligible RPA years and amounts. After the criteria have been satisfied, the lowest dividend option is eligible for distribution.

Other factors considered prior to distribution include four financial performance benchmarks and equity trends for those years not yet included in the RPA schedule. The benchmarks are designed to provide members with trending information on the adequacy of claim reserves and equity. The Board may adjust the amount returned to members for a variety of reasons, including setting aside funds for future negative years, building equity, or stabilizing rates.

a. ***Liability Program***

The projected financial position available assets on page 1 increased $120,000 compared to the prior year. Program assets projected to June 30, 2018 are $18 million and the Program meets the 90% confidence level funding. However, with the additional Target Equity fund reduction of $5 million the program falls short of its goal by $2.8 million. The funding policy requires meeting both equity targets before a dividend can be declared.

RPA Decision Criteria	Projection	Met
Projected Assets	$18,042,295	
1. Minimum overall funding at 90% confidence level	$9,868,471	X
2. Target Equity of 5 x SIR* ($5,000,000)	$2,163,852	
3. Dividend - Maximum Available	$3,837,511	X
Other Factors		
• Eligible Dividend Per Policy Limits	$0	
• Financial Benchmark Indication	4 of 4	
• Equity Trend	All deficit years are included in RPA	
• Rate Stabilization Fund Balance	$707,776	

*SIR – self insured retention

The RPA schedule spans the 2004/05 to 2012/13 program years and includes three deficit years as well as five closed years. Assessments are indicated for one member due to individual claim experience. Page 5 illustrates an available dividend of $3.8 million, but this is limited by the funding policy to zero.

b. Workers' Compensation Program

The projected financial position of the Program remains strong. Assets are projected to be $25.5 million at June 30, 2018. The Program meets both equity goals and all of the financial benchmarks.

The graphs on page 9 illustrate the remaining claim liabilities, equity, and RPA paid for each program year projected to June 30, 2017 and June 30, 2016.

RPA Decision Criteria	Projection	Met
Projected Assets	$25,512,495	
4. Minimum overall funding at 90% confidence level	$15,102,167	X
5. Target Equity of 5 x SIR* ($2,500,000)	$2,500,000	X
6. Dividend - Maximum Available	$2,237,180	X
Other Factors		
• Eligible Dividend Per Policy Limits	$2,237,180	
• Financial Benchmark Indication	4 of 4	
• Equity Trend	2010/11 deficit balance totaling $408,000 not included in RPA.	
• Rate Stabilization Fund Balance	$501,658	

*SIR – self insured retention

The RPA schedule spans the 1990/91 to 2009/10 years and includes three years in deficit totaling $182,000. These deficits are offset by other years, leaving a total dividend available of $2,237,180 as shown on pages 10 – 11. Assessments are indicated for one member due to individual claim experience. The Workers' Compensation Program has historically taken a cautious approach to returning funds due to legislative impacts and the long life of claims. Last year, the Board approved a dividend of $1.25 million representing 45% of the available balance. The Summary of Retrospective Premium Adjustment page 11 provides dividend allocation options ranging from $1 million to $1.5 million.

FISCAL IMPLICATIONS: Returning equity reduces the surplus available in the respective program.

ATTACHMENTS: RPA Determination Worksheet, Performance with Financial Benchmarks, Liability Program Summary, Equity Graphs, and RPA schedule, Workers' Compensation Program Summary, Equity Graphs and RPA schedule.
trs/

Public Agency Risk Sharing Authority of California

RPA Determination Worksheet

May 31, 2018

	Liability Program		WC Program	
Actuarial Projection of Financial Position 6/30/18				
Assets	$ 18,042,295		$ 25,512,495	
Less: 1. Minimum set aside at 90% confidence level discounted loss	(9,868,471)		(15,102,167)	
Less: Other liabilities and designated Net Assets at 6/30/17	(6,009,972)		(3,495,344)	
Assets Available before Equity Target	$ 2,163,852		$ 6,914,984	
Less: Target Equity	(5,000,000)		(2,500,000)	
Net Assets Available after Equity Target	$ (2,836,148)		$ 4,414,984	

Available RPA will be the lower of criteria #1 or #2 to meet the policy requirements.

	Liability Program	Criteria Met	WC Program	Criteria Met
1. Equity Goals Summary				
A. Minimum Equity To Be Set Aside				
Confidence level of discounted loss and loss adjustment expense	**90%**		**90%**	
Funding amount at above confidence level	$ 9,868,471	✓	$ 15,102,167	✓
B. Target Equity Criteria (Equity to SIR of 5:1)				
Program Self-Insured Retention (SIR)	$ 1,000,000		$ 500,000	
Equity Target (Program SIR x 5)	5,000,000		2,500,000	
Assets Available after Target Equity goal is met from above	(2,836,148)	✘	4,414,984	✓
2. RPA from schedule				
Liability Program - fy 2004/05 to 2012/13	$ 3,670,206	✓		
Workers' Comp Program - fy 1990/91 to 2009/10			$ 2,237,180	✓
3. Financial Performance Benchmark Review at 6/30/17 **Page 2**				
	4 of 4 met		4 of 4 met	
4. Equity Trends Noted - Comparative Program Graphs attached				
Liability Program - 12/13 deficit yrs not yet included in RPA **Page 4**				
Workers' Comp Program - 10/11 deficit not yet included in RPA **Page 9**				
5. Eligible RPA - lower of #1 or #2.				
Liability Program	$0			
Workers' Compensation Program			$ 2,237,180	
6. Executive Committee Recommended Distribution				
Liability Program	$ -			
Workers' Compensation Program - 50% of available funds **Pages 11 - 12**			$ -	
7. Prior Year RPA Decision				
Liability Program - 0% of available RPA	$ -			
Workers' Compensation Program - 50% of available funds			$ 1,250,000	

Public Agency Risk Sharing Authority of California

Performance with Financial Benchmarks - At Expected

As of June 30, 2017

Liability	1. Net Contribution to Net Assets	2. Claim Reserves to Net Assets	3. Change in Loss Dev.	4. Change in Net Assets
2006/07	56%	91%	-34%	-16%
2007/08	68%	198%	30%	-29%
2008/09	62%	113%	-43%	55%
2009/10	81%	86%	12%	31%
2010/11	53%	75%	-13%	-2%
2011/12	40%	80%	24%	0%
2012/13	32%	46%	-32%	27%
2013/14	45%	62%	31%	-30%
2014/15	31%	63%	27%	-18%
2015/16	33%	59%	-11%	17%
2016/17	38%	63%	-13%	33%
Target	**< 200%**	**< 300%**	**+/- 20%**	**> -10%**
JPA Industry Guidelines	below 200%	below 300%	less than +/-20%	above 10% decline
Program Average	**50%**	**87%**	**-1%**	**4%**

Workers' Compensation	1. Net Contribution to Net Assets	2. Claim Reserves to Net Assets	3. Change in Loss Dev.	4. Change in Net Assets
2006/07 ($250k)	83%	162%	14%	26%
2007/08 ($500k)	56%	136%	1%	36%
2008/09	38%	65%	-30%	66%
2009/10	30%	48%	19%	27%
2010/11	32%	66%	38%	-5%
2011/12	31%	71%	-18%	-1%
2012/13	36%	86%	3%	-8%
2013/14	48%	113%	3%	-14%
2014/15	41%	98%	-15%	11%
2015/16	50%	105%	11%	-0.3%
2016/17	40%	124%	8%	2.8%
Target	**< 200%**	**< 300%**	**+/- 20%**	**> -10%**
JPA Industry Guidelines	below 200%	below 300%	less than +/-20%	above 10% decline
Program Average	**44%**	**95%**	**3%**	**14%**

Public Agency Risk Sharing Authority of California

Liability Program RPA Equity Summary

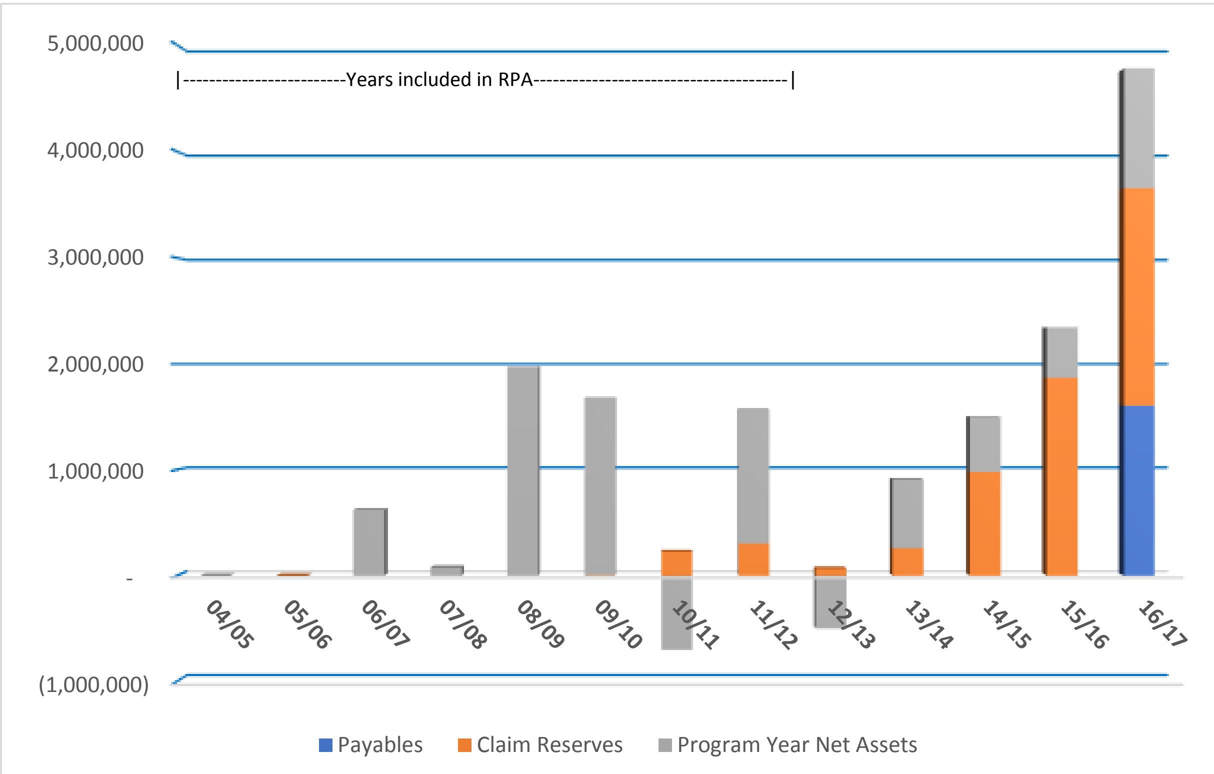
June 30, 2017

	06/30/04	06/30/05	06/30/06	06/30/07	06/30/08	06/30/09	06/30/10	06/30/11	06/30/12	06/30/13	06/30/14	06/30/15	06/30/16	6/30/17	Total
Equity Eligible for RPA Dividend (%)	100%	100%	100%	100%	100%	90%	80%	70%	60%	50%					
I. Balance Sheet															
Assets	**$ (0)**	**$ 0**	**$ (1,009)**	**$ 620,311**	**$ 76,278**	**$ 1,974,807**	**$ 1,679,700**	**$ (472,719)**	**$ 1,571,717**	**$ (432,007)**	**$ 907,867**	**$ 1,498,257**	**$ 2,348,043**	**$ 9,184,277**	**$ 18,955,523**
Liabilities															
Payables	-	-	-	-	-	-	-	-	-	-	-	-		1,309,199	1,309,199
RPA/Rate Stabil. Payable	-	-	-	-	-	-	-	-	-	-	-	-		293,921	293,921
Reserve for Reported Claims	-	-	-	-	-	-	2,726	175,000	263,006	-	4,700	653,343	904,187	105,000	2,107,962
Reserve for IBNR and ULAE	-	-	-	-	-	-	1,345	52,615	46,798	65,625	259,216	344,995	1,010,193	2,013,925	3,794,712
Discounted IBNR Reserve	-				-	-	(27)	(3,187)	(5,266)	(1,181)	(4,751)	(19,966)	(46,500)	(69,924)	(150,802)
Subtotal Claim Liabilities	-	-	-	-	-	-	4,044	224,428	304,538	64,444	259,165	978,372	1,867,880	2,049,001	5,751,872
Total Liabilities	-	-	-	-	-	-	4,044	224,428	304,538	64,444	259,165	978,372	1,867,880	3,652,121	7,354,992
Net Assets - RPA	(0)	0	(1,009)	620,311	76,278	1,974,807	1,675,656	(697,147)	1,267,179	(496,451)	648,702	519,885	480,163	1,125,304	7,193,679
Net Assets - Building	-	-	-	-	-	-	-	-	-			-		175	175
Net Assets - Designated	-											-		4,406,677	4,406,677
Total Net Asset	(0)	0	(1,009)	620,311	76,278	1,974,807	1,675,656	(697,147)	1,267,179	(496,451)	648,702	519,885	480,163	5,532,156	11,600,531
Total Liabilities and Net Assets	(0)	0	(1,009)	620,311	76,278	1,974,807	1,679,700	(472,719)	1,571,717	(432,007)	907,867	1,498,257	2,348,043	9,184,277	18,955,523
II. Statement of Revenue and Expense															
Member Contributions	4,124,262	4,547,082	5,045,646	5,626,657	6,960,024	6,895,142	6,151,205	5,611,390	5,170,960	5,006,340	4,973,329	4,985,698	5,836,899	6,578,055	77,512,689
Investment Income	629,993	295,404	598,894	789,633	522,554	390,853	278,234	47,253	130,901	29,515	114,292	72,798	77,516	(5,737)	3,972,103
Total Income	**4,754,255**	**4,842,486**	**5,644,540**	**6,416,290**	**7,482,578**	**7,285,995**	**6,429,439**	**5,658,643**	**5,301,861**	**5,035,855**	**5,087,621**	**5,058,496**	**5,914,415**	**6,572,318**	**81,484,792**
Excess Insurance	2,408,883	2,102,192	2,348,333	2,500,211	2,878,253	2,486,017	2,480,701	2,176,835	1,896,029	1,763,653	1,693,021	1,819,767	1,883,768	2,314,726	30,752,389
General Administrative Expense	430,840	486,714	639,038	607,588	620,239	718,226	730,818	697,606	715,684	922,773	970,999	955,847	1,062,136	693,791	10,252,299
Allocated Claims Admin per RPA	60,790	20,000	95,000	101,967	105,615	129,600	157,650	233,000	228,500	235,654	245,265	273,755	321,827	321,152	2,529,775
Incurred Claims	388,222	5,422,657	1,565,075	1,108,643	3,761,739	809,466	853,822	3,973,617	1,076,912	2,545,782	1,275,169	1,164,213	1,202,828	173,344	25,321,489
IBNR and ULAE Reserve	-	-	-	-	-	-	1,345	52,615	46,798	65,625	259,216	344,995	1,010,193	2,013,925	3,794,712
Claims Exp-IBNR adj to disc exp	-	-	-	-	-	-	(27)	(3,187)	(5,266)	(1,181)	(4,751)	(19,966)	(46,500)	(69,924)	(150,802)
Total Expenses	**3,288,735**	**8,031,563**	**4,647,446**	**4,318,409**	**7,365,846**	**4,143,309**	**4,224,309**	**7,130,486**	**3,958,657**	**5,532,306**	**4,438,919**	**4,538,611**	**5,434,252**	**5,447,014**	**72,499,862**
Net Revenues Over/(Under) Expenses	**$ 1,465,520**	**$ (3,189,077)**	**$ 997,094**	**$ 2,097,881**	**$ 116,732**	**$ 3,142,686**	**$ 2,205,130**	**$ (1,471,843)**	**$ 1,343,204**	**$ (496,451)**	**$ 648,702**	**$ 519,885**	**$ 480,163**	**$ 1,125,304**	**$ 7,519,411**
Cumulative Dividends and Assessments	1,465,520	(3,189,077)	998,103	1,477,570	40,454	1,167,879	529,474	(774,696)	76,025	-	-	-	-	-	**$ 325,732**
Remaining Net Assets	**$ (0)**	**$ 0**	**$ (1,009)**	**$ 620,311**	**$ 76,278**	**$ 1,974,807**	**$ 1,675,656**	**$ (697,147)**	**$ 1,267,179**	**$ (496,451)**	**$ 648,702**	**$ 519,885**	**$ 480,163**	**$ 1,125,304**	**$ 7,193,679**
AVAILABLE RPA (ASSESSMENT)	**$ (0)**	**$ 0**	**$ (1,009)**	**$ 620,311**	**$ 76,278**	**$ 1,777,326**	**$ 1,340,525**	**$ (488,003)**	**$ 760,308**	**$ (248,226)**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 3,837,511**
Recommended Reallocation	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Remaining Equity After Reallocation	**$ (0)**	**$ 0**	**$ (1,009)**	**$ 620,311**	**$ 76,278**	**$ 1,777,326**	**$ 1,340,525**	**$ (488,003)**	**$ 760,308**	**$ (248,226)**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 3,837,511**
III. Members	**37**	**37**	**37**	**37**	**37**	**37**	**37**	**36**	**35**	**35**	**35**	**36**	**38**	**39**	
IV. Payroll in 000's	**166,104**	**178,093**	**193,875**	**233,628**	**258,867**	**233,997**	**224,914**	**214,383**	**203,409**	**196,254**	**194,711**	**224,587**	**238,818**	**270,462**	
V. Pool Retained Limit	**$1,000,000**	**$1,000,000**	**$1,000,000**	**$1,000,000**	**$1,000,000**	**$1,000,000**	**$1,000,000**	**$1,000,000**	**$1,000,000**	**$1,000,000**	**$1,000,000**	**$1,000,000**	**$1,000,000**	**$1,000,000**	
VI. Funding - confidence levels	**85%**	**85%**	**75%**	**80%**	**85%**	**85%**	**85%**	**85%**	**85%**	**85%**	**85%**	**80%**	**80%**	**80%**	
VII. Claims Activity as of June 30, 2017															
Number of Open Claims	0	0	0	0	0	0	2	3	3	1	4	24	49	29	115
Number of Closed Claims	62	101	138	110	99	103	94	177	81	95	28	61	31	9	1127
Total Reported Claims	62	101	138	110	99	103	96	180	84	96	32	85	80	38	1242

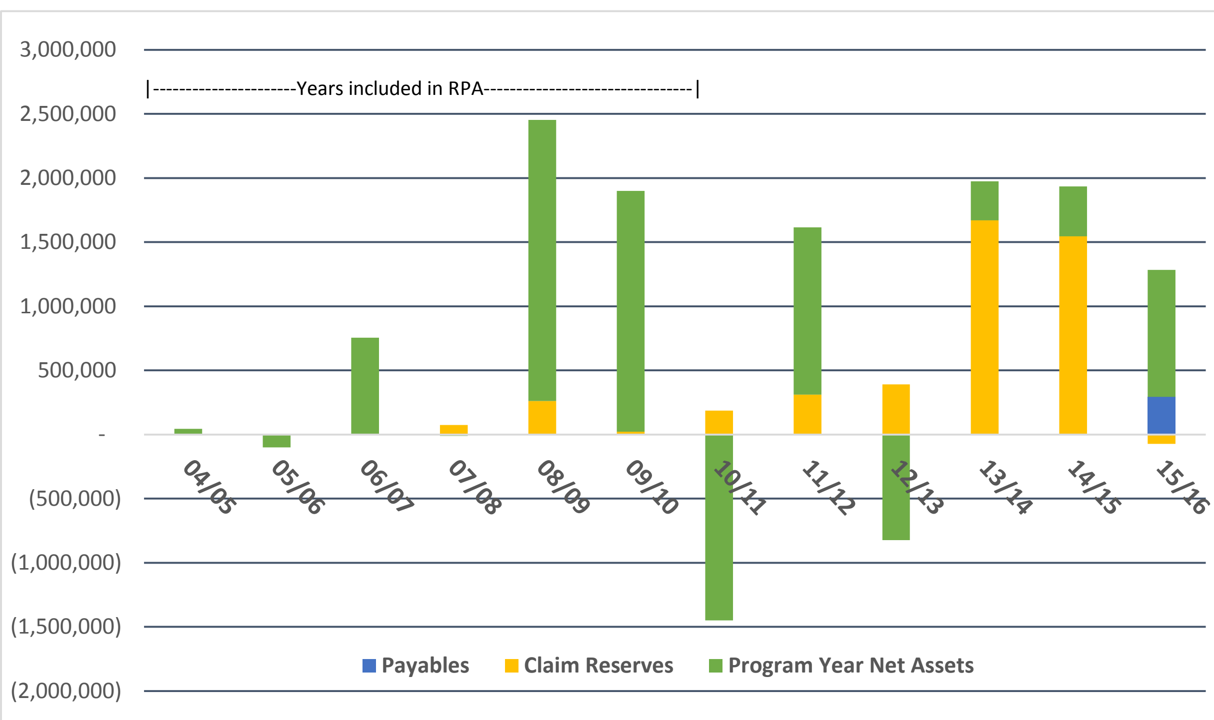
Public Agency Risk Sharing Authority of California

Liability Program –Comparative Current Liability and RPA Equity Graphs

June 30, 2017



June 30, 2016



PUBLIC AGENCY RISK SHARING AUTHORITY of CALIFORNIA

Retrospective Premium Adjustment Calculations - Liability Program Single Layer

at June 30, 2017

Summary of Retrospective Premium Adjustments

	Closed Years									
Entity	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	
Equity Eligible for Dividend	X 100%	X 100%	X 100%	X 100%	X 90%	X 80%	X 70%	X 60%	X 50%	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(10)	(2)	(8)
Alturas	$0	($20)	($3,408)	$1,540	$36,813	$31,399	($6,879)	$11,295	($2,052)	$68,689
Amador	$0	($4)	$2,019	$206	$3,670	$3,647	($1,071)	$2,009	($474)	10,002
Avalon	$0	($65)	$14,744	$2,601	$60,458	$72,988	($15,693)	($15,399)	($7,882)	111,752
Belvedere	$0	$0	$0	$0	$0	$0	$0	$0	$0	0
Blue Lake	$0	$0	$2,645	$0	($2,274)	$7,765	($2,019)	($2,893)	($1,177)	2,047
California City	$0	($19)	$7,338	$1,483	$25,731	($8,924)	($10,313)	$26,287	($5,670)	35,912
Calimesa	$0	($9)	($1,250)	$787	$11,825	$10,447	($3,210)	($3,422)	($1,668)	13,500
Calistoga	$0	$0	$2,836	$2,419	$53,648	$65,774	($18,472)	$36,305	($5,628)	136,881
* Canyon Lake	$0	($5)	$1,984	$0	$11,274	$13,035	($2,450)	$0	$0	23,838
Citrus Heights	$0	($112)	$43,938	$9,464	$198,057	$155,359	($46,440)	$77,028	($27,926)	409,368
Clearlake	$0	($45)	$21,417	$0	$56,417	($14,546)	($13,109)	$27,561	($3,420)	74,274
Coalinga	$0	($63)	$37,186	$5,217	$106,990	$35,690	($32,673)	$39,376	($12,569)	179,154
* Elk Grove	$0	($142)	$156,847	$0	$0	$0	$0	$0	$0	156,706
Ferndale	$0	($6)	$2,686	$367	$8,148	$10,366	($2,886)	$5,895	($1,213)	23,358
Grass Valley	$0	$0	$47,442	$0	$102,663	$109,902	($32,033)	$58,241	($21,938)	264,277
* Hesperia	$0	($82)	($14,755)	$0	$239,211	$182,647	$0	$0	$0	407,021
Highland	$0	$0	$20,315	$2,976	$74,305	$59,407	($12,256)	$22,153	($1,732)	165,168
Menifee	$0	$0	$0	$0	$9,566	$4,805	($9,779)	$21,072	($3,771)	21,893
Nevada City	$0	($1)	$394	$330	($6,606)	$31,410	($10,413)	$20,944	($2,383)	33,674
Pacific Grove	$0	($110)	$60,202	$7,114	$118,165	$48,758	($15,971)	$27,319	($9,111)	236,366
Placentia	$0	$0	$5,793	$0	$126,221	$47,756	($42,423)	$86,041	($5,457)	217,932
Placerville	$0	$0	$14,569	$2,611	($870)	$7,611	($14,702)	$44,051	($10,708)	42,563
Plymouth	$0	($3)	$1,567	$320	$10,140	$10,846	($2,577)	$4,823	($1,112)	24,005
Point Arena	$0	($2)	$1,316	$209	$3,549	$3,706	($1,359)	$1,990	($883)	8,526
Rancho Cucamonga	$0	($4)	$11,324	$7,082	$100,080	$74,729	($30,746)	$39,442	($14,479)	187,429
Rancho Cucamonga Fire	$0	$0	$0	$0	$0	$0	$0	$0	$0	0
Rancho Santa Margarita	$0	($20)	$4,327	$0	$38,877	$48,938	($13,352)	$24,705	($3,044)	100,431
Rialto	$0	($73)	$57,639	$11,486	$134,248	$67,934	($32,716)	($30,234)	($24,560)	183,724
* Ridgecrest	$0	($42)	$17,743	$2,512	$0	$0	$0	$0	$0	20,213
San Juan Bautista	$0	($7)	$2,218	$242	($796)	($645)	($824)	$4,235	($754)	3,669
South Lake Tahoe	$0	($11)	($3,262)	$3,126	$44,231	$32,477	($15,847)	$19,559	($10,466)	69,807
Tehama	$0	($1)	$796	$121	$1,124	$889	($387)	$132	($299)	2,376
Trinidad	$0	($3)	$1,467	$237	$3,872	$5,384	($1,298)	$2,722	($878)	11,504
Truckee	$0	($35)	$41,618	$4,711	$73,208	$80,761	($34,524)	$79,619	($28,901)	216,458
Twentynine Palms	$0	($42)	$21,651	$2,534	($16,586)	$53,714	($15,737)	$45,528	($14,780)	76,282
Watsonville	$0	$0	$4,743	$4,345	$41,128	$10,912	($8,622)	$6,958	($7,768)	51,696
West Hollywood	$0	$0	$0	$0	$0	$0	$0	$0	$0	0
Wheatland	$0	($3)	($2,214)	$253	$30,191	$22,393	($5,905)	$5,625	($4,123)	46,217
Wildomar	$0	$0	$0	$0	($2,805)	$12,263	($2,910)	($3,128)	($3,700)	(280)
Yountville	$0	($32)	$15,200	$1,986	$49,987	$35,764	($7,388)	$14,909	($2,675)	107,750
Yucaipa	$0	($27)	$11,956	$0	$3,726	($15,175)	($12,325)	$33,611	($1,590)	20,176
Yucca Valley	$0	($21)	$9,282	$0	$29,739	$20,338	($8,697)	$25,949	($3,435)	73,155
Total	$0	($1,009)	$620,311	$76,278	$1,777,326	$1,340,525	($488,003)	$760,308	($248,224)	$3,837,511

( ) represents member assessment

* Withdrew prior to December 2010. Eligible to receive RPA refunds on closed years, and assessments on open and closed deficit years when declared by the Board.

Public Agency Risk Sharing Authority of California

Workers' Compensation Program RPA Equity Summary

June 30, 2017

Equity Eligible for Return (%)	100%	100%	100%	100%	100%	90%	90%	90%	100%	100%
I. Balance Sheet	**06/30/91**	**06/30/92**	**06/30/93**	**06/30/94**	**06/30/95**	**06/30/96**	**06/30/97**	**06/30/98**	**06/30/99**	**06/30/00**
Assets	**$ -**	**$ 18,842**	**$ -**	**$ 1,715**	**$ (48,936)**	**$ (3,268)**	**$ 96,476**	**$ 49,391**	**$ 9,236**	**$ 232,130**
Liabilities										
Payables										
RPA/Equity Payable										
Discounted Reserve for Reported Claims	-	-	-	-	14,666	-	62,275	35,728	-	6,945
Discounted Reserve for IBNR	-	-		(98,800)	99,703	(12,926)	(37,191)	6,464	8,175	206,986
Discounted Reserve for ULAE	-	-	-		1,845	289	5,901	8,625	396	10,756
Subtotal Claim Liabilities	-	-	-	(98,800)	116,214	(12,637)	30,985	50,817	8,571	224,687
Total Liabilities	-	-	-	(98,800)	116,214	(12,637)	30,985	50,817	8,571	224,687
Net Assets - RPA	-	18,842	-	100,515	(165,150)	9,369	65,491	(1,426)	665	7,443
Net Assets - Designated	-	-	-	-	-	-	-	-	-	-
Total Liabilities and Net Assets	**$ -**	**$ 18,842**	**$ -**	**$ 1,715**	**$ (48,936)**	**$ (3,268)**	**$ 96,476**	**$ 49,391**	**$ 9,236**	**$ 232,130**
II. Updated Statement of Revenue and Expense										
Member Contributions	$ 954,449	$ 1,319,137	$ 1,310,995	$ 1,309,088	$ 1,463,184	$ 1,461,626	$ 1,617,108	$ 1,448,896	$ 1,347,399	$ 1,288,016
Investment Income	163,351	203,247	173,722	202,836	263,673	268,320	287,751	247,790	221,888	138,253
Total Income	1,117,800	1,522,384	1,484,717	1,511,924	1,726,857	1,729,946	1,904,859	1,696,686	1,569,287	1,426,269
Excess Insurance	64,383	115,220	125,172	130,761	164,585	171,492	103,748	83,585	153,655	46,000
General Administrative Expense	124,723	147,629	116,911	218,851	191,910	198,084	268,666	249,067	177,792	188,880
Claims Admin	37,432	42,400	54,600	113,200	76,534	67,797	60,682	71,456	89,893	86,964
Incurred Claims	1,011,503	1,150,810	922,021	588,889	749,553	1,252,825	905,031	1,100,010	583,063	985,812
IBNR & ULAE Reserve	-	-	-	(100,000)	102,781	(12,790)	(31,670)	15,636	9,070	235,143
Claims Liabilities Discount	-	-	-	1,200	(1,412)	153	(376)	(1,843)	(499)	(17,956)
Subtotal Claim Expense	1,011,503	1,150,810	922,021	490,089	850,922	1,240,188	872,985	1,113,803	591,634	1,202,999
Total Expenses	1,238,041	1,456,059	1,218,704	952,901	1,283,951	1,677,561	1,306,081	1,517,911	1,012,974	1,524,843
Net Revenues Over/(Under) Expenses	**$ (120,241)**	**$ 66,325**	**$ 266,013**	**$ 559,024**	**$ 442,906**	**$ 52,385**	**$ 598,778**	**$ 178,775**	**$ 556,313**	**$ (98,574)**
Cumulative Dividends & (Assessments)	(120,241)	47,483	266,013	458,509	608,056	43,016	533,287	180,201	555,648	(106,017)
Remaining Net Assets	**-**	**$ 18,842**	**$ 0**	**$ 100,515**	**$ (165,150)**	**$ 9,369**	**$ 65,491**	**$ (1,426)**	**$ 665**	**$ 7,443**
AVAILABLE Dividend/(Assessment)	**-**	**$ 18,842**	**$ 0**	**$ 100,515**	**$ (165,150)**	**$ 8,432**	**$ 58,942**	**$ (1,283)**	**$ 665**	**$ 7,443**
Recommended Distributions	-	-	-	-	-	-	-	-	-	-
Remianing Equity After Distribution	**$ -**	**$ 18,842**	**$ 0**	**$ 100,515**	**$ (165,150)**	**$ 8,432**	**$ 58,942**	**$ (1,283)**	**$ 665**	**$ 7,443**
III. Members	**15**	**16**	**16**	**17**	**18**	**18**	**18**	**18**	**17**	**17**
IV. Payroll ($ 000)	**21,011**	**26,276**	**25,899**	**27,018**	**28,753**	**30,398**	**31,614**	**33,316**	**31,990**	**34,073**
V. Pool Retained Limit	**$250,000**	**$250,000**	**$250,000**	**$250,000**	**$250,000**	**$250,000**	**$250,000**	**$250,000**	**$250,000**	**$250,000**
VI. Funding - confidence levels		**State Fund rates used**			**70%**	**70%**	**70%**	**60%**	**60%**	**60%**
VII. Claims Activity through June 30, 2017										
Number of Open Claims	0	1	0	1	1	0	3	2	0	1
Number of Closed Claims	140	193	170	202	180	165	206	163	148	120
Total Reported Claims	140	194	170	203	181	165	209	165	148	121

Public Agency Risk Sharing Authority of California

Workers' Compensation Program RPA Equity Summary

June 30, 2017

Equity Eligible for Return (%)	90%	100%	100%	90%	90%	90%	80%	70%	60%	50%
I. Balance Sheet	**06/30/01**	**06/30/02**	**06/30/03**	**06/30/04**	**06/30/05**	**06/30/06**	**06/30/07**	**06/30/08**	**06/30/09**	**06/30/10**
Assets	**$ 96,043**	**$ 142,879**	**$ 79,891**	**$ 238,888**	**$ 360,940**	**$ 423,819**	**$ 1,084,883**	**$ 1,414,430**	**$ 912,203**	**$ 464,708**
Liabilities										
Payables									-	-
RPA/Equity Payable									-	-
Discounted Reserve for Reported Claims	2	61,218	44,397	192,318	9,822	158,740	41,332	212,973	436,908	41,502
Discounted Reserve for IBNR	79,677	25,774	20,650	33,393	28,844	93,899	58,562	101,035	99,253	282,227
Discounted Reserve for ULAE	1,258	21,749	8,050	30,821	6,950	32,958	11,791	38,688	61,290	38,358
Subtotal Claim Liabilities	80,937	108,741	73,097	256,532	45,616	285,597	111,685	352,696	597,451	362,087
Total Liabilities	80,937	108,741	73,097	256,532	45,616	285,597	111,685	352,696	597,451	362,087
Net Assets - RPA	15,106	34,138	6,794	(17,644)	315,324	138,222	973,198	1,061,734	314,752	102,621
Net Assets - Designated	-	-	-	-	-	-	-	-	-	-
Total Liabilities and Net Assets	**$ 96,043**	**$ 142,879**	**$ 79,891**	**$ 238,888**	**$ 360,940**	**$ 423,819**	**$ 1,084,883**	**$ 1,414,430**	**$ 912,203**	**$ 464,708**
II. Updated Statement of Revenue and E:										
Member Contributions	$ 906,040	$ 1,390,253	$ 2,309,925	$ 3,095,872	$ 3,598,336	$ 3,838,782	$ 4,454,105	$ 4,425,406	$ 4,300,785	$ 4,216,572
Investment Income	63,351	132,558	134,182	338,945	492,533	469,216	583,449	447,439	224,734	132,816
Total Income	969,391	1,522,811	2,444,107	3,434,817	4,090,869	4,307,998	5,037,554	**4,872,845**	**4,525,519**	**4,349,388**
Excess Insurance	69,265	128,219	346,834	579,463	618,472	965,066	1,051,357	566,448	492,400	526,606
General Administrative Expense	190,012	151,112	182,379	302,505	277,695	320,203	365,723	521,891	548,675	548,809
Claims Admin	96,093	84,585	128,599	159,444	164,227	164,232	172,000	172,000	172,000	173,000
Incurred Claims	1,089,927	1,124,360	2,252,447	1,550,373	750,614	1,379,995	530,765	1,638,941	2,891,827	2,686,510
IBNR & ULAE Reserve	89,038	53,158	32,540	73,809	41,620	149,069	83,356	166,933	193,192	388,117
Claims Liabilities Discount	(8,103)	(12,893)	(9,779)	(38,332)	(7,426)	(50,005)	(20,643)	(68,685)	(121,503)	(76,275)
Subtotal Claim Expense	1,170,862	1,164,625	2,275,208	1,585,850	784,808	1,479,059	593,478	1,737,189	2,963,516	2,998,352
Total Expenses	1,526,232	1,528,541	2,933,020	2,627,262	1,845,202	2,928,560	2,182,558	2,997,528	4,176,591	4,246,767
Net Revenues Over/(Under) Expenses	**$ (556,841)**	**$ (5,730)**	**$ (488,913)**	**$ 807,555**	**$ 2,245,667**	**$ 1,379,438**	**$ 2,854,996**	**$ 1,875,317**	**$ 348,928**	**$ 102,621**
Cumulative Dividends & (Assessments)	(571,947)	(39,868)	(495,707)	825,199	1,930,343	1,241,216	1,881,798	813,583	34,176	-
Remaining Net Assets	**$ 15,106**	**$ 34,138**	**$ 6,794**	**$ (17,644)**	**$ 315,324**	**$ 138,222**	**$ 973,198**	**$ 1,061,734**	**$ 314,752**	**$ 102,621**
AVAILABLE Dividend/(Assessment)	**$ 13,595**	**$ 34,138**	**$ 6,794**	**$ (15,880)**	**$ 283,792**	**$ 124,400**	**$ 778,558**	**$ 743,214**	**$ 188,851**	**$ 51,311**
Recommended Distributions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Remianing Equity After Distribution	**$ 13,595**	**$ 34,138**	**$ 6,794**	**$ (15,880)**	**$ 283,792**	**$ 124,400**	**$ 778,558**	**$ 743,214**	**$ 188,851**	**$ 51,311**
III. Members	**17**	**18**	**21**	**23**	**24**	**25**	**25**	**25**	**27**	**27**
IV. Payroll ($ 000)	**36,685**	**49,207**	**79,303**	**86,025**	**99,975**	**106,112**	**124,746**	**137,086**	**138,043**	**136,692**
V. Pool Retained Limit	**$250,000**	**$250,000**	**$250,000**	**$250,000**	**$250,000**	**$250,000**	**$250,000**	**$500,000**	**$500,000**	**$500,000**
VI. Funding - confidence levels	**60%**	**60%**	**70%**	**70%**	**70%**	**70%**	**80%**	**80%**	**80%**	**80%**
VII. Claims Activity through June 30, 2017										
Number of Open Claims	2	2	2	6	2	5	1	7	5	6
Number of Closed Claims	99	138	203	159	148	153	150	164	153	193
Total Reported Claims	101	140	205	165	150	158	151	171	158	199

Public Agency Risk Sharing Authority of California

Workers' Compensation Program RPA Equity Summary
June 30, 2017

Equity Eligible for Return (%)

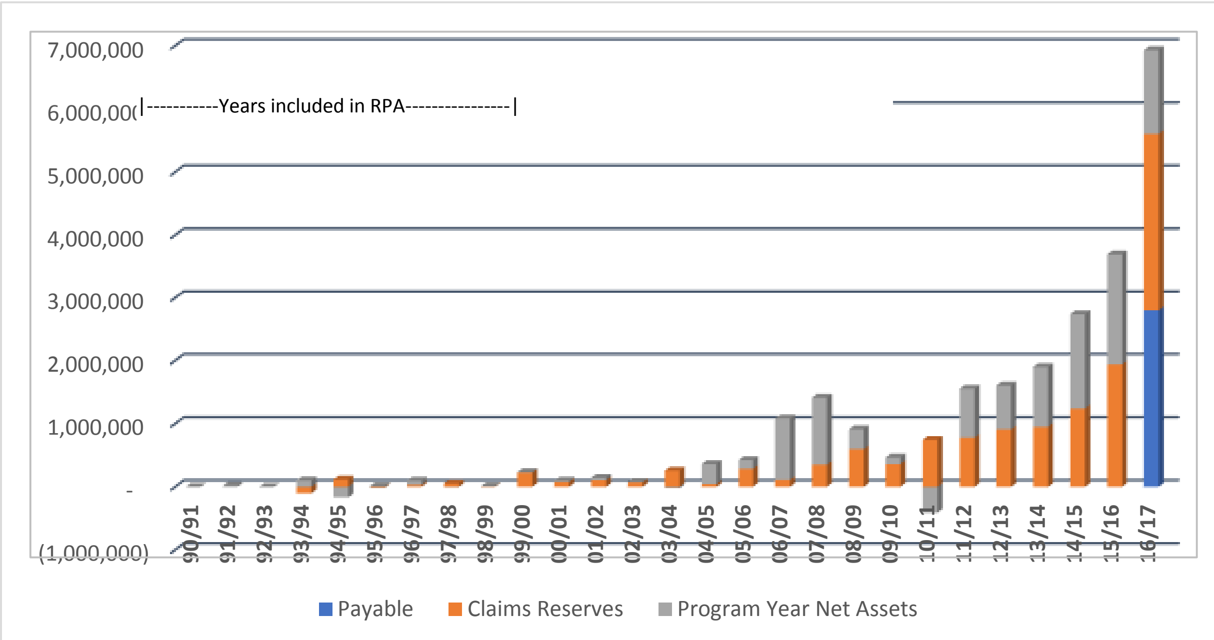
I. Balance Sheet	06/30/11	06/30/12	06/30/13	06/30/14	06/30/15	06/30/16	06/30/17	Total
Assets	**$ 336,616**	**$ 1,556,824**	**$ 1,606,118**	**$ 1,901,190**	**$ 2,737,373**	**$ 3,693,257**	**$ 7,629,918**	**$ 25,035,567**
Liabilities								
Payables	-	-	-	-	-	-	1,303,804	1,303,804
RPA/Equity Payable	-	-	-	-	-	-	1,495,943	1,495,943
Discounted Reserve for Reported Claims	377,745	174,107	515,800	565,898	315,538	415,328	82,169	3,765,411
Discounted Reserve for IBNR	288,496	528,305	312,975	285,931	793,889	1,321,258	2,428,012	6,954,591
Discounted Reserve for ULAE	78,151	78,478	83,283	100,915	131,432	205,849	297,493	1,255,326
Subtotal Claim Liabilities	744,392	780,890	912,058	952,744	1,240,859	1,942,435	2,807,674	11,975,328
Total Liabilities	744,392	780,890	912,058	952,744	1,240,859	1,942,435	5,607,421	14,775,075
Net Assets - RPA	(407,776)	775,934	694,060	948,446	1,496,514	1,750,822	1,326,900	9,564,895
Net Assets - Designated	-	-	-	-	-		695,597	695,597
Total Liabilities and Net Assets	**$ 336,616**	**$ 1,556,824**	**$ 1,606,118**	**$ 1,901,190**	**$ 2,737,373**	**$ 3,693,257**	**$ 7,629,918**	**$ 25,035,567**

II. Updated Statement of Revenue and E:	06/30/11	06/30/12	06/30/13	06/30/14	06/30/15	06/30/16	06/30/17	Total
Member Contributions	$ 3,997,288	$ 4,001,185	$ 4,258,260	$ 4,760,261	$ 5,106,699	$ 5,878,528	$ 6,375,237	$ 80,433,432
Investment Income	96,433	93,035	108,690	140,503	102,588	112,588	(2,216)	5,841,676
Total Income	**4,093,721**	**4,094,220**	**4,366,950**	**4,900,764**	**5,209,287**	**5,991,116**	**6,373,021**	**86,275,108**
Excess Insurance	466,781	468,335	590,417	590,971	725,481	988,777	1,139,984	11,473,477
General Administrative Expense	556,782	612,407	771,475	793,830	769,430	869,282	654,412	10,319,135
Claims Admin	173,000	200,000	225,000	230,298	238,008	245,988	400,000	3,899,432
Incurred Claims	3,015,656	1,463,925	1,778,630	2,038,692	1,100,022	662,579	135,656	35,340,436
IBNR & ULAE Reserve	441,744	722,360	464,546	447,221	1,058,720	1,724,692	3,039,548	9,387,833
Claims Liabilities Discount	(152,466)	(148,741)	(157,178)	(148,694)	(178,888)	(251,024)	(323,479)	(1,794,847)
Subtotal Claim Expense	3,304,934	2,037,544	2,085,998	2,337,219	1,979,854	2,136,247	2,851,725	42,933,422
Total Expenses	4,501,497	3,318,286	3,672,890	3,952,318	3,712,773	4,240,294	5,046,121	68,625,466
Net Revenues Over/(Under) Expenses	**$ (407,776)**	**$ 775,934**	**$ 694,060**	**$ 948,446**	**$ 1,496,514**	**$ 1,750,822**	**$ 1,326,900**	**$ 17,649,643**
Cumulative Dividends & (Assessments)	-	-	-	-	-	-	-	8,084,748
Remaining Net Assets	**$ (407,776)**	**$ 775,934**	**$ 694,060**	**$ 948,446**	**$ 1,496,514**	**$ 1,750,822**	**$ 1,326,900**	**$ 9,564,895**
AVAILABLE Dividend/(Assessment)	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 2,237,180**
Recommended Distributions	-	-	-	-	-	-		-
Remianing Equity After Distribution	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**2,237,180**
III. Members	**27**	**27**	**27**	**27**	**28**	**30**	**30**	
IV. Payroll ($ 000)	**137,612**	**135,676**	**131,920**	**131,072**	**158,133**	**178,928**	**190,036**	
V. Pool Retained Limit	**$500,000**	**$500,000**	**$500,000**	**$500,000**	**$500,000**	**$500,000**	**$500,000**	
VI. Funding - confidence levels	**75%**	**75%**	**75%**	**75%**	**75%**	**75%**	**75%**	
VII. Claims Activity through June 30, 2017								
Number of Open Claims	13	8	10	15	18	30	64	205
Number of Closed Claims	175	137	134	143	124	115	127	4,202
Total Reported Claims	188	145	144	158	142	145	191	4,407

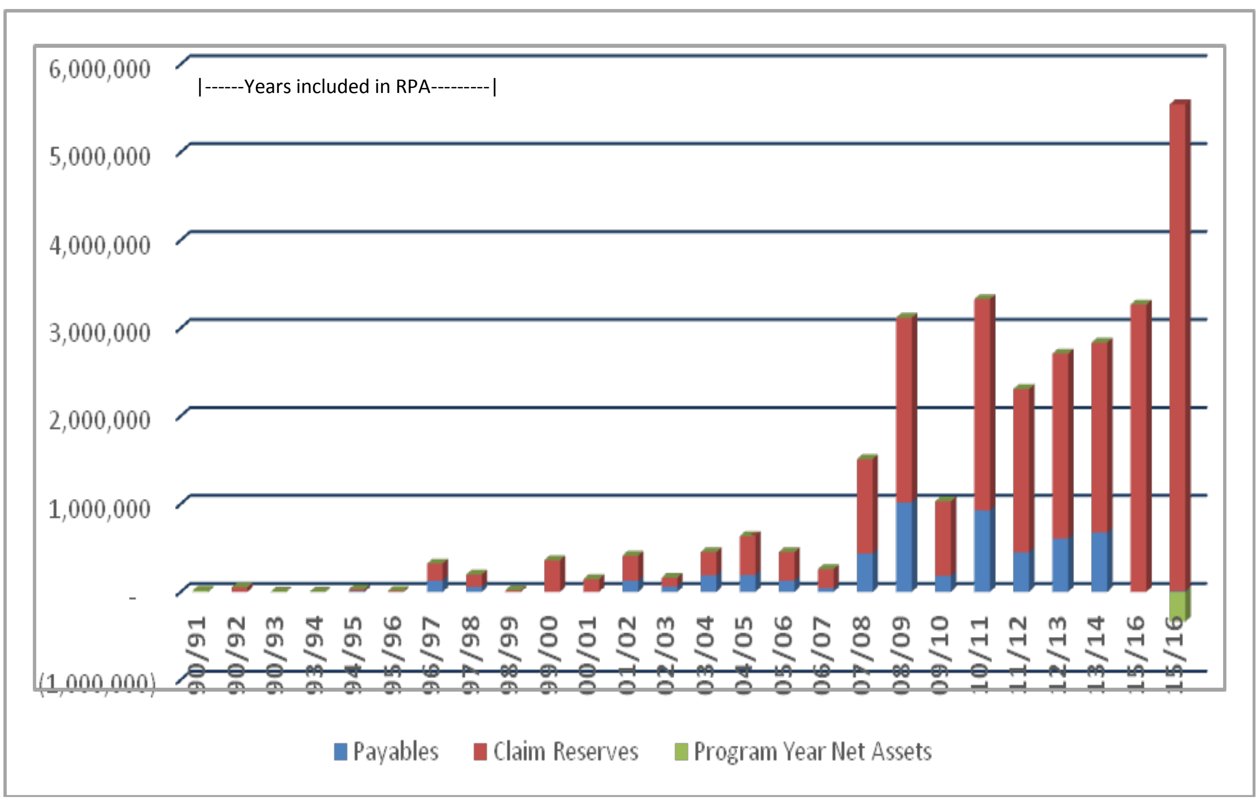
Public Agency Risk Sharing Authority of California

Workers' Compensation Program – Current Comparative Liability and RPA Equity Graphs

June 30, 2017



June 30, 2016



PUBLIC AGENCY RISK SHARING AUTHORITY of CALIFORNIA
Retrospective Premium Adjustment Calculations - Workers Compensation
For All Program Years July 1, 1990 - June 30, 2017
at June 30, 2017

Summary of Retrospective Premium Adjustment

	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01
Equity Eligible for Return	X 100%	X 100%	X 100%	X 100%	X 100%	X 90%	X 90%	X 90%	X 100%	X 100%	X 90%
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Alturas	$0	$2,491	$0	$6,042	($11,773)	($24)	$5,077	$ 414	$0	$2,522	$1,023
Avalon	0	5,544	-	13,489	(24,981)	1,310	(218)	(175)	-	0	2,024
Belvedere	-	-	-	-	-	-	-	-	-	-	-
Blue Lake	0	(0)	-	1,534	(3,345)	183	1,761	115	13	784	391
Calimesa	-	-	-	-	-	-	-	-	-	-	-
Calistoga	-	-	-	-	-	-	-	-	-	-	-
Citrus Heights	-	-	-	-	-	-	-	-	-	-	-
Clearlake	-	-	-	-	-	-	-	-	-	-	-
Coalinga	-	-	-	-	-	-	-	-	-	-	-
Ferndale	0	451	-	1,080	-	73	(28)	(21)	9	479	256
Grass Valley	-	7,001	-	17,886	(32,724)	5,661	17,331	(314)	-	-	-
Highland	0	783	-	2,717	(6,151)	285	2,593	(61)	23	0	664
Menifee	-	-	-	-	-	-	-	-	-	-	-
Pacific Grove	-	-	-	-	-	-	-	-	-	-	-
Plymouth	0	376	-	1,000	(2,004)	76	785	(13)	-	-	91
Point Arena	-	-	-	643	(1,068)	62	564	46	4	163	83
Rancho Cucamonga	(0)	(0)	-	23,702	(8,638)	(125)	22,922	(761)	315	0	1,258
Rancho Cucamonga Fire	-	-	-	-	-	-	-	-	-	-	-
Rancho Santa Margarita	-	-	-	-	-	-	-	-	-	-	-
* Ridgecrest	-	-	-	19,164	(43,549)	(84)	(1,840)	(1,060)	171	778	2,285
* Rio Dell	-	256	-	-	-	-	-	-	-	-	-
Tehama	0	-	-	61	(168)	4	33	2	0	16	13
Trinidad	-	-	-	994	(2,400)	97	521	36	6	274	123
Truckee	-	-	-	-	(11,104)	(23)	(118)	55	47	0	1,657
Twentynine Palms	0	621	-	3,172	-	232	2,723	208	25	-	549
Watsonville	-	-	-	-	-	-	-	-	-	-	-
West Hollywood	-	-	-	-	-	-	-	-	-	-	-
Wheatland	(0)	799	-	(14)	-	153	1,464	54	13	0	586
Wildomar	-	-	-	-	-	-	-	-	-	-	-
Yountville	0	520	-	1,362	(3,060)	158	1,498	106	13	229	430
Yucaipa	-	-	-	3,786	(6,314)	(21)	(111)	166	-	2,198	1,218
Yucca Valley	-	-	-	3,896	(7,870)	413	3,985	(79)	26	-	944
Total Available	**$0**	**$18,842**	**$0**	**$100,515**	**($165,150)**	**$8,432**	**$58,942**	**($1,283)**	**$665**	**$7,443**	**$13,595**

PUBLIC AGENCY RISK SHARING AUTHORITY of CALIFORNIA

Exhibit Summary (page 2)

Retrospective Premium Adjustment Calculations - Workers Compensation
For All Program Years July 1, 1990 - June 30, 2017
at June 30, 2017

Summary of Retrospective Premium Adjustment

Percent of Net Assets included in RPA	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	Total Distribution Available	**Dividends Options**		
	X 100%	X 100%	X 90%	X 90%	X 90%	X 80%	X 70%	X 60%	X 50%				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(15)	**$1,000,000**	**$1,200,000**	**$1,500,000**
Alturas	$0	$152	$4,211	($1,400)	$474	$16,220	$17,399	$3,477	$4,885	$51,191	**22,882**	**27,458**	**34,323**
Avalon	0	391	2,880	18,026	20,097	62,797	47,325	14,663	(21,263)	141,907	**63,431**	**76,118**	**95,147**
Belvedere	-	-	-	-	-	-	-	-	-	-	**-**	**-**	**-**
Blue Lake	-	151	1,753	2,257	5,523	6,494	(2,264)	4,486	2,199	22,036	**9,850**	**11,820**	**14,775**
Calimesa	-	-	-	3,463	8,150	(243)	9,881	5,167	3,240	29,658	**13,257**	**15,908**	**19,886**
Calistoga	-	409	10,910	10,416	4,223	14,878	34,184	43,578	26,084	144,682	**64,672**	**77,606**	**97,008**
Citrus Heights	-	-	-	-	-	144,771	85,736	(53,011)	(53,592)	123,903	**55,384**	**66,461**	**83,076**
Clearlake	-	-	3,206	8,547	31,270	41,084	(12,811)	(14,338)	(8,851)	48,107	**21,503**	**25,804**	**32,255**
Coalinga	0	836	24,598	93,160	15,258	87,603	889	66,435	(53,550)	235,228	**105,145**	**126,174**	**157,718**
Ferndale	2,442	58	1,293	1,545	3,747	4,868	5,740	(2,444)	2,949	22,496	**10,056**	**12,067**	**15,084**
Grass Valley	-	503	34,328	15,892	51,217	25,089	(19,812)	(26,811)	(23,438)	71,811	**32,099**	**38,519**	**48,148**
Highland	6,347	132	6,198	8,830	16,855	16,817	13,457	21,719	(10,331)	80,876	**36,151**	**43,381**	**54,226**
Menifee	-	-	-	-	-	-	-	205	6,797	7,003	**3,130**	**3,756**	**4,695**
Pacific Grove	-	-	-	-	(77,716)	50,869	(1,079)	(23,332)	24,222	(27,036)	**(12,085)**	**(14,502)**	**(18,127)**
Plymouth	824	22	(220)	(323)	2,273	(547)	(1,145)	4,344	2,589	8,129	**3,633**	**4,360**	**5,450**
Point Arena	855	18	208	726	1,277	2,050	2,701	1,729	1,208	11,269	**5,037**	**6,044**	**7,555**
Rancho Cucamonga	(9,839)	929	(44,411)	24,960	(99,071)	100,885	147,660	131,779	62,024	353,590	**158,052**	**189,662**	**237,078**
Rancho Cucamonga Fi	-	-	-	-	-	-	-	-	-	-	**-**	**-**	**-**
Rancho Santa Margarit	-	-	1,825	4,823	9,958	15,548	21,827	21,072	8,935	83,988	**37,542**	**45,050**	**56,313**
* Ridgecrest	-	267	(1,467)	7,553	35,213	-	-	-	-	17,431	**7,792**	**9,350**	**11,688**
* Rio Dell	-	-	-	-	-	-	-	-	-	256	**115**	**137**	**172**
Tehama	215	13	169	208	516	605	854	457	257	3,255	**1,455**	**1,746**	**2,183**
Trinidad	1,692	85	643	734	1,977	3,353	3,799	3,045	1,507	16,486	**7,369**	**8,843**	**11,054**
Truckee	0	616	11,484	26,765	28,663	49,507	99,078	(45,688)	(21,936)	139,004	**62,133**	**74,560**	**93,200**
Twentynine Palms	5,184	106	3,950	6,079	9,029	12,648	24,764	19,943	10,129	99,363	**44,414**	**53,297**	**66,621**
Watsonville	-	1,179	(82,584)	26,651	13,037	38,763	140,458	(58,480)	62,558	141,582	**63,286**	**75,943**	**94,929**
West Hollywood	-	-	-	-	-	-	-	-	-	-	**-**	**-**	**-**
Wheatland	4,398	322	3,936	(930)	10,616	12,749	17,409	14,433	7,039	73,027	**32,643**	**39,171**	**48,964**
Wildomar	-	-	-	-	-	-	-	266	1,884	2,151	**961**	**1,154**	**1,442**
Yountville	4,206	247	4,315	6,093	4,809	13,457	18,766	19,106	1,912	74,166	**33,152**	**39,782**	**49,727**
Yucaipa	8,591	163	(1,761)	11,685	12,950	37,520	49,219	1,949	3,621	124,858	**55,811**	**66,973**	**83,716**
Yucca Valley	9,221	195	(1,344)	8,033	14,054	20,774	39,179	35,102	10,235	136,762	**61,130**	**73,358**	**91,694**
Total	**$34,138**	**$6,794**	**($15,880)**	**$283,792**	**$124,400**	**$778,558**	**$743,214**	**$188,851**	**$51,311**	**$2,237,179**	1,000,000	1,200,000	1,500,000

BUDGET 2018/19

SUMMARY: The budget is presented for the Board of Director's consideration and approval. The budget reflects recommendations from both the Executive Committee and Finance Subcommittee to maintain funding at the prior year's confidence levels and discount rates. The budget also reflects the recommendation to continue funding the safety and loss control grant program with no change in amount allocated per member.

RECOMMENDATION: Approve the 2018/19 budget.

DISCUSSION: The budget presented includes a consolidated budget, summary budgets by program and detailed budgets. Also included are the Capital Expenditure and Capital Replacement schedules. The Current Year Estimated Actual column includes estimated June 30, 2018 balances based on current year activity to date. The budget is based on funding the Liability Program at the 80% confidence level and a 1.5% discount factor; and the Workers' Compensation Program at the 75% confidence level and a 2.5% discount factor.

Budget Overview

- The budget for investment interest income increases by 30% based on PFM Investment Advisors projections but does not include projections for market value changes.
- Payroll and Benefits decreased by 6%.
  - A 2.5% Cost of Living Adjustment (COLA) is included.
  - The CalPERS retirement cost increases 8% due to funding requirements. the budget includes salary and benefit expenses for the open risk management position. The budget assumes the new employee will be a CalPERS classic member. These costs will be offset by employee contributions.
  - No OPEB payment is due based on current actuarial projections.
- The Grant program provides members with funds for their loss control needs such as purchasing loss control equipment or training staff. Members must use Grant funds during the fiscal year. Unused Grants will be re-allocated to members in the following year. The budget includes $253,911 in grants funds.
- Computer consultant costs have increased 150% to address increasing technology needs and items identified in the strategic plan.
- Website Development costs have increased 417% to update website design to meet member needs as identified in the strategic plan.
- Staff Travel and Training increases by 27% for the new staff's travel costs and training.

- Member dues increased 500% due to CAJPA Accreditation costs and new membership for AGRIP. Although the percentage of increase is significant, the dollar increase is $7,500 of which $4,500 is for the CAJPA Accreditation and $1,900 is for the AGRIP membership.
- Loss Control Expense has been added for the current year. PARSAC staff will partner with Bickmore Risk Services to provide risk assessments for a third of the membership during the year with remaining member assessments in the following two years. Loss control funds will be used to address areas of concern and identified in risk assessments, assist members with implementation of recommendations based on the risk assessments, as well training and other needs throughout the year.
- Capital Expenditures Expense of $65,000 are costs for capital items under the capitalization threshold of $10,000. Capital expenditures are for items such as technology improvements and upgrades of computer equipment as well as office equipment.

Key Changes in the Liability Program at 80%

Member Contributions increase 12%. The Liability Program budget is charged 50% of general administration expense, or $1,068,860, less than a 1% change from the prior year.

Excess Premium Insurance increases by 16%, with CSAC-EIA estimated to increase by 26%, and ERMA increasing by 6%.

Claims expense increases by 11% based on the actuary's estimate at the 80% confidence level.

Loss Control Expense has been added for the current year to address loss control needs of the members during the year.

Claims Administration remains the same for pool administration at $160,000 and increases $21,000 for primary claims administration to $171,500 for the additional of one additional member.

Key Changes in the Workers' Compensation Program @ 75%

Member Contributions increase by 4%. The Workers' Compensation Program budget is charged 45% of general administration expense, or $989,165 less than a 1% change from the prior year.

Excess Premium Insurance increases by 9% based on estimates provided by LAWCX.

Claims expense increases by 2% change based on actuary's projections at the 75% confidence level..

Self-Insurance Fee increase by an 11% based on claims estimate.

Loss Control Expense has been added for the current year to address loss control needs of the members during the year.

Key Changes in the Property Program

Member Contributions include a 20% increase based on estimated insurance costs.

FISCAL IMPLICATIONS: The overall net income is $170,199; the self-funded Liability Program has a projected net loss of $116,361 and the Workers' Compensation Programs has projected net income of $354,306. The Building fund is projected to sustain a net operating loss on a cash basis of $67,746, and a $135,493 loss on the accrual basis. One-half of the building costs have been included in the self-insured programs reducing the program net loss to $67,747.

ATTACHMENT: 2018/19 Budget Worksheets.

2018/19 Program Budget

Public Agency Risk Sharing Authority of California

May 31, 2018

TABLE OF CONTENTS

I. INTRODUCTION

The Budget is intended to serve as a policy document, financial plan and operations guide. This fiscally prudent budget reflects the Strategic Plan and policies adopted by the Board. Under the guidance of the Finance and Executive Committees, staff develops a balanced plan, working diligently to keep costs down while striving to provide quality services and loss control programs members have come to expect.

Fund Structure and Budgetary Accounting Method
PARSAC established funds for each program to report the financial position and results of operations. Fund accounting is designed to aid financial management by segregating transactions related to each program. A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into two categories: governmental and proprietary. PARSAC's funds are proprietary, specifically enterprise funds (recognizing depreciation) and are used to account for risk financing and loss control services financed through member contributions. Proprietary funds use the accrual basis of accounting. Under this method, revenue is recorded when earned and expenses are recorded at the time the liabilities are incurred.

Budget Calendar and Modification Process
The Board adopts an annual budget for all funds. A preliminary budget is presented to the Finance and Executive Committee each spring with the final version brought forth for Board approval in May. For budget management purposes, the Board may approve requests for adjustments mid-year to accommodate changes to programs that occur during the year. PARSAC's policies allow the General Manager to apply Contingency Funds when required, and staff to transfer appropriations between accounts without increasing total expenditures when appropriate for continued operations.

Report Structure
Section II provides a summary of significant changes. Section III provides budget summaries by program. Section IV identifies the planned Capital expenditures and usage of the Capital Replacement Fund. Section V includes the detailed budget for all programs, along with a narrative of the budget items and changes. Section VI provides budget details by program.

Workers' Compensation Program members approve the Workers' Compensation Program budget, Sections III C. and VI C, and Liability Program members approve the rest of the budget.

II. SIGNIFICANT CHANGES IN BUDGET

A. Income from Member Contribution

The Executive Committee recommends continued funding of the Liability Program at the 80% confidence applying a 1.5% discount factor. Estimates of excess coverage indicate increases in both the ERMA and CSAC premiums. Total Liability Contributions increase by 12%.

The Workers' Compensation Program includes continued funding at the 75% confidence level with a 2.5% discount factor. Total Contributions increase by 3%.

The Property program includes funding at a 20% increase. Actual contributions may vary depending on changes in total insured values of property.

The bond program budget remains unchanged from the prior year.

B. Investment Income

Investment interest income increased by 30% based on PFM Investment Advisors projected earnings. Investment income does not take into account market value changes.

C. Excess insurance

The overall budget for excess insurance increases by 16%. Excess providers offered preliminary estimates as rates are being developed.

The Liability Program excess insurance budget increases by 16% with CSAC-EIA estimating a 26% increase and ERMA, the excess Employment Practices Liability (EPL) provider estimating a 6% increase.

The Workers' Compensation Program excess insurance budget increases by 9%. The property coverage through PEPIP includes a 20% budget increase. No change is anticipated for the Crime Bond Program actual from the prior year.

D. Claims Expense

In total, the budget increases by 5%. The Liability Program increases by 11% and the Workers' Compensation Program increases by less than 1% based on actuarial projections.

Claims Administration is included under the Claims Expense category to better align with the actuarial report. The Liability Program claims administration budget remains the same for the pool layer and the primary layer increases by $21,000 for the addition of one additional member. The Workers' Compensation Program claims administration fee increases by 3%.

The budget continues to include a line for the Funding to Confidence Level (CL) on pages 11, 14 and 17. Claims expense was historically budgeted at the actuary's expected confidence level of about 50% according to GASB Statement 10. However, this budget recognizes claims expense to the 80% and 75% confidence levels for the Liability and Workers' Compensation Programs respectively, matching the revenue at the increased confidence level with the expense. For GASB compliance, this item will be reversed at year end and the increased funding will be recorded as Net Income and added to the Net Position.

E. Workers' Compensation Self Insurance Fee

The Department of Industrial Relations charges an annual fee for public agencies self-insuring Workers' Compensation coverage. The budget includes a 11% increase based on last year's actual expense and expected changes claims reserve.

F. Payroll and Benefits

An overall decrease of 6% is projected. A 2.5% Cost of Living Adjustment (COLA) is included in this final draft. The PERS retirement cost increases 6% due to required funding. The budget includes salary and benefits for a new Risk Management position. The budget assumes the new employee will be a CalPERS classic member.

- Retiree Medical (OPEB) – No OPEB trust contribution is required.

The California Consumer Price Index (CPI) is used as the basis for cost of living adjustments (COLAs) and was reported at 2.9% for the 2016/17 year. The table below summarizes the CPI along with previous staff and Executive Committee COLA recommendations, and employee contribution toward pension expense.

Fiscal Year	Prior Year California CPI	Staff Rec COLA	Exec Rec COLA	Classic/PEPRA Employee PERS Contribution
2010/11	-0.3%	0%	0%	0%
2011/12	1.0%	0%	0%	0%
2012/13	3.2%	0%	0%	0%
2013/14	3.4%	3.4%	5%	2%
2014/15	0.2%	0%	4%	4%
2015/16	1.8%	2%	3%	6%
2016/17	1.2%	2%	2%	8% / 6.5%
2017/18	2.3%	2%	2.5%	8% / 6.5%
2018/19	2.9%		2.5%	8% / 6.5%

G. Risk Management

The Loss Control Subcommittee recommends continuing the Grant Program funding of $5,000 per member per program for a total of $325,000. The Program requires members to use funds allocated in the current year. Any funds unused by May 1 are re-distributed through the Grant Program the following year. Grant funding is included in the amount of $253,911.

H. Building Maintenance – Details on page 9

Cash based expenses remain unchanged from the prior year. A net loss of $135,500 is expected when the accruals are included. One-half of the facility costs are allocated directly to the coverage program budgets.

II. SIGNIFICANT CHANGES IN BUDGET - continued

I. **Non-Cash Expense**

Depreciation expense charges the programs for assets that have already been paid for but require expensing according to the accrual based accounting rules. The Building Fund includes Capital Replacement expense to fund planned and emergency replacement of vital property of the organization.

J. **Expense Allocation Percentages**

The table below provides historic allocation of administrative expense. The recent change was based on member contribution and staff time required for each program.

Program	Prior Allocation	Allocation Since 2007/08	Allocation Since 2015/16
Liability Program	70%	55%	50%
Workers' Compensation Program	30%	40%	45%
Property Program	0%	5%	5%

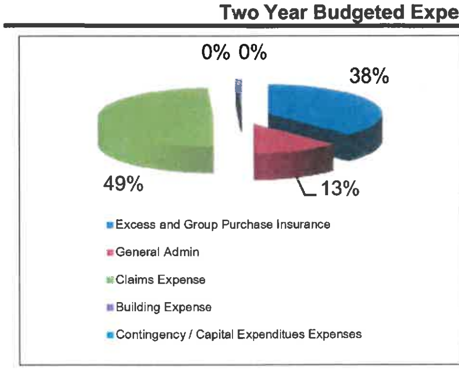
K. **Contingency Expense**

A Contingency Fund was established in 2013/14. These funds are available to the General Manager for unexpected events or emergencies. The Workers' Compensation and Liability Program have a total of $50,000 in funds budgeted for the fiscal year.

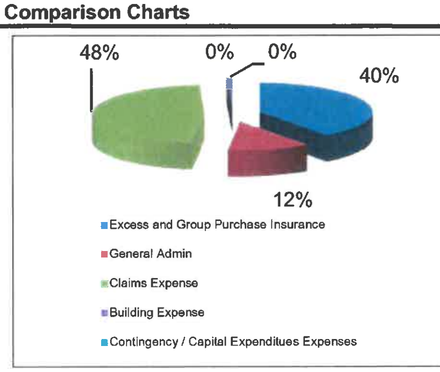
III. A. ALL PROGRAMS

	Prior Year Actual	Current Yr Budget	Current Year Forcast	Proposed Budget	Budget Difference
	2016/17	2017/18	2017/18	2018/19	% change
Income					
Member Contributions	$ 14,860,061	$ 15,189,907	$ 15,384,738	$ 16,586,417	9%
Special Events Credit	(17,500)	(17,500)	(18,500)	(17,500)	0%
Rate Stabilization Fund Credit	(300,998)	(100,000)	(100,000)	(355,427)	255%
Prior Year Adjustment	159,800	-	286,379	-	
Other Income	9,969	-	11,321	-	
Total Income	14,711,332	15,072,407	15,563,938	16,213,490	8%
Expense					
Excess Insurance	5,559,249	5,706,175	5,894,606	6,610,458	16%
Claims Expense **	4,510,606	7,485,902	8,065,710	7,863,643	5%
General Administration					
WC Self Insurance Fee	91,018	90,000	90,852	100,000	11%
Payroll and Benefits	564,239	1,100,295	964,646	1,031,311	-6%
Consultants	71,014	118,951	117,757	141,150	19%
Risk Management	396,573	320,614	392,194	393,850	23%
General and Administrative	148,842	155,906	138,756	171,497	10%
Staff Travel and Training	17,899	24,900	23,251	31,500	27%
Board Expenses	71,159	71,000	71,000	75,000	6%
Non-Cash Expense	1,480	7,000	-	1,500	-79%
Total General Administration	1,362,224	1,888,666	1,798,456	1,945,808	3%
Contingency Expense	-	50,000	-	50,000	0%
Capital Expenditures - Expensed - detail page10	-	70,500	38,775	65,000	-8%
Building Maintenance	42,662	67,880	63,183	67,746	0%
Total Expense	11,474,741	15,269,123	15,860,730	16,602,655	9%
Operating Net Income (Loss)	**3,236,591**	**(196,716)**	**(296,792)**	**(389,165)**	
Non-Operating Revenues (Expenses)					
Investment Income	538,188	470,421	580,000	610,872	30%
Investment Market Value Changes	(570,107)	-	(600,000)	-	
Investment Income	(31,919)	470,421	(20,000)	610,872	
Investment Advisor	(51,514)	(54,486)	(49,936)	(51,508)	-5%
Net Investment Income (Loss)	(83,433)	415,935	(69,936)	559,364	
Excess Insurance Dividends Received	1,449,496	-	300,000	-	
Member Dividend Declared	(1,000,000)	-	-	-	0%
Total Other Income (Expense)	366,063	415,935	230,064	559,364	0%
Net Income (Loss)	**$ 3,602,654**	**$ 219,220**	**$ (66,728)**	**$ 170,199**	
Capital Expenditures Capitalized- detail on page 10	**$ 32,595**	**$ 33,600**	**$ 33,600**	**$ 35,000**	4%

Two Year Budgeted Expense Comparison Charts



2017/18



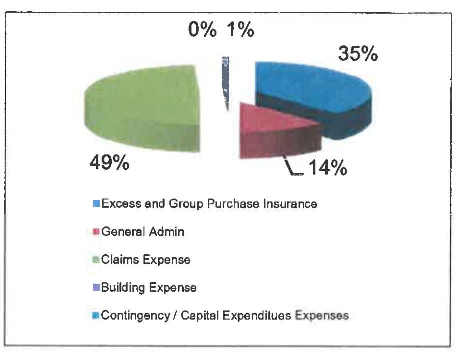
2018/19

** Includes Claims Administration of $752,256.

III. B. LIABILITY PROGRAM

	Prior Year Actual 2016/17	Current Yr Budget 2017/18	Current Year Forcast 2017/18	Proposed Budget 2018/19	Budget Difference % change
Income					
Member Contributions	$ 6,492,768	$ 6,518,732	$ 6,546,332	$ 7,275,480	12%
Special Events Credit	(17,500)	(17,500)	(18,500)	(17,500)	0%
Rate Stabilization Expense	(230,000)	(100,000)	(100,000)	(355,427)	255%
Prior Year Adjustment Income	89,824	-	93,524	-	
Other Income	4,297	-	7,285	-	
Total Income	6,339,389	6,401,232	6,528,641	6,902,553	8%
Expense					
Excess Insurance	2,322,970	2,304,838	2,287,421	2,666,433	16%
Claims Expense **	1,588,365	3,201,717	3,484,638	3,555,187	11%
General Adminstration					
Payroll and Benefits	237,162	550,148	482,945	515,656	-6%
Consultants	35,881	63,075	58,350	74,150	18%
Risk Management	278,717	209,063	284,143	239,425	15%
General and Administrative	74,420	77,953	69,381	85,746	10%
Staff Travel and Training	8,949	12,450	11,625	15,750	27%
Board Expenses	35,564	35,500	35,500	37,500	6%
Non-Cash Expense	740	3,500	-	750	-79%
Total General Administration	671,433	951,689	941,944	968,977	2%
Contingency Expense	-	27,500	-	27,500	0%
Capital Expenditures Expensed - See pg. 10	-	38,775	38,775	35,750	-8%
Total Expense	4,582,768	6,524,519	6,752,778	7,253,847	11%
Operating Net Income (Loss)	**1,756,621**	**(123,287)**	**(224,137)**	**(351,294)**	
Non-Operating Revenues (Expenses)					
Investment Income	232,608	197,577	243,600	256,566	30%
Investment Market Value Changes	(253,079)	-	(252,000)	-	
Net Investment Income	(20,471)	197,577	(8,400)	256,566	
Investment Advisor	(26,657)	(26,698)	(26,282)	(21,633)	-19%
Net Investment Income (Loss)	(47,128)	170,879	(34,682)	234,933	
Excess Insurance Dividends Received	1,449,496	-	300,000	-	
Total Other Income (Expense)	1,402,368	170,879	265,318	234,933	
Net Income (Loss)	**$ 3,158,989**	**$ 47,592**	**$ 41,181**	**$ (116,361)**	-344%
Capital Expenditures Capitalized - detail on page 10	**$ 19,557**	**$ 20,160**	**$ 20,160**	**$ 21,000**	4%

Two Year Budgeted Expense Comparison Charts



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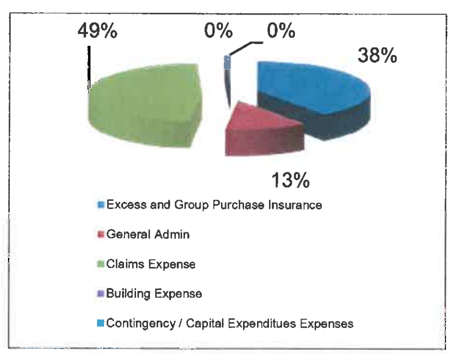


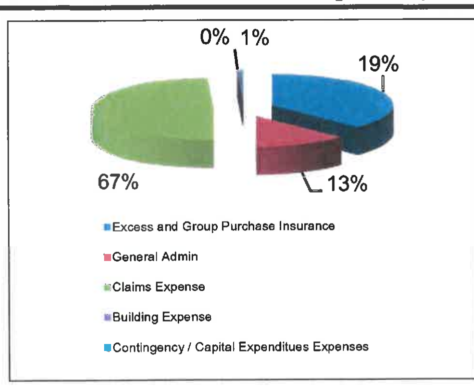
2018/19

** Includes Claims Administration of $331,500.

III. C. WORKERS' COMPENSATION PROGRAM

	Prior Year Actual 2016/17	Current Yr Budget 2017/18	Current Year Forecast 2017/18	Proposed Budget 2018/19	Budget Difference % change
Income					
Member Contributions	$ 6,197,781	$ 6,402,784	$ 6,365,288	$ 6,604,854	3%
Rate Stabilization Expense	(70,998)	-	-	-	
Prior Year Adjustment Income	69,976	-	192,855	-	
Other Income	5,672	-	4,036	-	
Total Income	6,202,431	6,402,784	6,562,179	6,604,854	3%
Expense					
Excess Insurance	1,139,984	1,203,558	1,204,663	1,307,233	9%
Claims Expense **	2,922,241	4,284,185	4,581,072	4,308,456	1%
General Administration					
WC Self Insurance Fee	91,018	90,000	90,852	100,000	11%
Payroll and Benefits	280,133	495,133	433,406	464,090	-6%
Consultants	32,827	53,218	57,566	63,250	19%
Risk Management	117,856	111,551	108,051	154,425	38%
General and Administrative	66,979	70,158	62,438	77,175	10%
Staff Travel and Training	8,055	11,205	10,463	14,175	27%
Board Expenses	32,021	31,950	31,950	33,750	6%
Non-Cash Expense	666	3,150	-	675	-79%
Total General Administration	629,555	866,365	794,726	907,540	5%
Contingency Expense	-	22,500	-	22,500	0%
Capital Expenditures Expensed - See pg. 10	-	31,725	-	29,250	
Total Expense	4,691,780	6,408,333	6,580,461	6,574,979	3%
Operating Net Income (Loss)	**1,510,651**	**(5,549)**	**(18,282)**	**29,875**	
Other Expenses					
Investment Income	305,580	272,844	336,400	354,306	30%
Investment Market Value Changes	(317,028)	-	(348,000)	-	
Net Investment Income	(11,448)	272,844	(11,600)	354,306	
Investment Advisor	(24,857)	(27,788)	(23,654)	(29,875)	8%
Net Investment Income	(36,305)	245,056	(35,254)	324,431	
Member Dividend Declared	(1,000,000)	-	-	-	
Total Other Income (Expense)	(1,036,305)	245,056	(35,254)	324,431	
Net Income (Loss)	**$ 474,346**	**$ 239,508**	**$ (53,536)**	**$ 354,306**	48%
Capital Expenditures Capitalized - detail on page 10	**$ 13,038**	**$ 13,440**	**$ 13,440**	**$ 14,000**	4%

Two Year Budgeted Expense Comparison Charts



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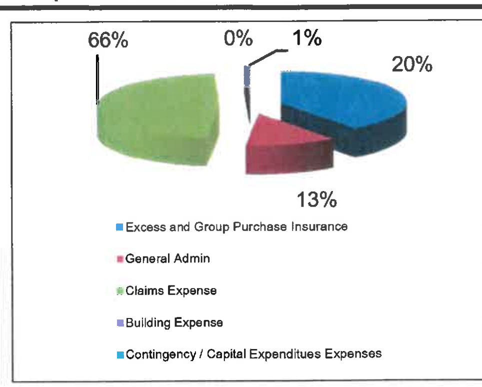

2018/19

** Includes Claims Administration of $420,756.

III. D. PROPERTY AND BOND PROGRAMS

	Prior Year Actual	Current Yr Budget	Current Year Forecast	Proposed Budget	Budget Difference
	2016/17	2017/18	2017/18	2018/19	% change
Income					
Property Contributions	$ 2,097,657	$ 2,196,391	$ 2,097,657	$ 2,634,083	20%
Bond Income*	71,855	72,000	76,385	72,000	0%
Other Income	-	-	-	-	
Total Income	2,169,512	2,268,391	2,174,042	2,706,083	19%
Expense					
Property Insurance - PEPIP	2,024,440	2,125,779	2,326,137	2,564,792	20%
Bond Insurance*	71,855	72,000	76,385	72,000	0%
General Administration					
Payroll and Benefits	46,944	55,014	40,109	51,565	-6%
Consultants	2,306	2,658	1,841	3,750	41%
General and Administrative	7,443	7,795	7,251	8,576	10%
Staff Travel and Training	895	1,245	819	1,575	27%
Board Expenses	3,574	3,550	3,250	3,750	6%
Non-Cash Expense	74	350	-	75	-79%
Total General Administration	61,236	70,612	53,270	69,291	-2%
Total Expense	2,157,531	2,268,391	2,455,792	2,706,083	19%
Net Income (Loss)	**$ 11,981**	**$ -**	**$ (281,750)**	**$ -**	

III. E. BUILDING FUND

	Prior Year Actual 2016/17	Current Year Budget 2017/18	Current Year Forecast 2017/18	Proposed Budget 2018/19	Budget Difference % Change
Operating Expense - Building					
Utilities	16,597	17,750	17,672	19,300	9%
Janitorial Service	8,644	8,500	7,200	8,000	-6%
Landscaping Service	7,302	6,800	6,739	8,500	25%
Pest Control	590	600	610	618	3%
Security/Alarm	481	450	450	575	28%
Property Taxes	11,975	12,500	10,005	11,000	-12%
Insurance - Property (Office)	2,231	2,500	2,385	2,500	0%
Building Repairs	11,601	8,000	8,125	10,000	25%
Total Operating Expense	59,421	57,100	53,186	60,493	6%
Operating Income (Loss)	(59,421)	(57,100)	(53,186)	(60,493)	6%
Non-Cash Expenses					
Capital Replacement Fund Expense	-	33,660	33,660	35,000	4%
Depreciation	46,201	45,000	39,520	40,000	-11%
Total Expenses	105,622	135,760	126,366	135,493	0%
Allocation to Programs	**(62,960)**	**(67,880)**	**(63,183)**	**(67,747)**	
Net Expense - Offset to Building Equity	**42,662**	**67,880**	**63,183**	**67,746**	

Cost Allocation	Allocation %	Budget $
Workers' Compensation Program	22.5	30,486
Liability Program	25	33,874
Property/Bond Program	2.5	3,387
Building Equity Fund	50	67,746
	100	135,493

IV. CAPITAL EXPENDITURES and CAPITAL REPLACEMENT FUND

CAPITAL EXPENDITURES

Capital expenditures are expenses of a permanent nature that will be capitalized and depreciated over an estimated useful life. The threshold for capitalizing costs is $10,000. All costs under $10,000 will be expensed in the year incurred.

PARSAC OFFICE	
Carryover:	
Access Claims Database – Carryover Funds	$10,000
Access Claims Database – Project Continuation	30,000
Total – Carryover	**$40,000**
Current Year Expense:	
Computer Equipment	$10,000
Website/IT Updates	25,000
Miscellaneous	20,000
Office/Meeting Equipment	10,000
Total	**$65,000**

BUILDING RELATED	
Tenant Improvement - carryover	$15,000
(Balance set aside to renovate suite for new tenant.)	
Miscellaneous	10,000
Total	**$25,000**
Grand Total	**$130,000**

CAPITAL REPLACEMENT FUND

The Capital Replacement Fund was created in fiscal year 2003/04 for planned and emergency replacement of vital property of the organization. A portion of the replacement costs is collected annually. Projects may be carried over from the prior year.

Description	Last Replacement	Estimated Life	Original Cost	Planned Purchase
Roof	Sep 1986	25	$ 25,000	$100,000
Phone system	Feb 2017	5	3,000	
HVAC – 10 units	May 2003	10	50,000	25,000
Exterior paint	Apr 2016	5	12,400	
Company vehicle	Oct 2010	5	30,000	40,000
Office Copier	Mar 2018	5	8,650	
Parking lot sealing/paving	Jun 2013	5	25,000	
Interior paint/carpet-PARSAC	Dec 2014	10	21,400	
Exterior doors	May 2015	10	11,500	
Entry/landscape remodel	Jun 2016	10	25,000	
Computer equipment	2005-2016	3	15,500	
Total			$226,500	$165,000
Annual Expense			**$35,000**	

Fund balance at June 30, 2017	**$175,101**

V. DETAILED BUDGET FOR ALL PROGRAMS

	Prior Year Actual 2016/17	Current Yr Budget 2017/18	Current Year Forecast 2017/18	Proposed Budget 2018/19	Budget Difference % change
Income					
Member Contributions					
Liability Contributions	$ 6,492,768	$ 6,518,732	$ 6,546,332	$ 7,275,480	12%
Rate Stabilization Credit	(230,000)	(100,000)	(100,000)	(200,000)	100%
EPL Rate Stabilization Credit	-	-	-	(155,427)	
Special Events Credit	(17,500)	(17,500)	(18,500)	(17,500)	0%
Workers' Compensation Contributions	6,197,781	6,402,784	6,365,288	6,604,854	3%
WC Rate Stabilization	(70,998)	-	-	-	
Property Income	2,097,657	2,196,391	2,396,733	2,634,083	20%
Bond Income	71,855	72,000	76,385	72,000	0%
Liability Payroll Adjustment -prior year	89,824	-	93,524	-	
WC Payroll Adjustment -prior year	69,976	-	192,855	-	
Total Member Contributions	14,701,363	15,072,407	15,552,617	16,213,490	8%
Other Income	9,969	-	11,321	-	
Total Income	14,711,332	15,072,407	15,563,938	16,213,490	8%
Expense					
Excess Insurance					
Liability Insurance - CSAC	1,111,805	1,121,901	1,108,188	1,413,400	26%
Employment Practices Premium -ERMA	1,211,165	1,182,937	1,179,233	1,253,033	6%
Liability Excess Premiums	2,322,970	2,304,838	2,287,421	2,666,433	16%
Workers Comp Premium - LAWCX	1,139,984	1,203,558	1,204,663	1,307,233	9%
Property Insurance - PEPIP	2,024,440	2,125,779	2,326,137	2,564,792	21%
Bond Insurance	71,855	72,000	76,385	72,000	0%
Total Excess Insurance	5,559,249	5,706,175	5,894,606	6,610,458	16%
Liability Claims Expense					
Liability Claims Expense at expected	1,267,213	1,911,514	1,935,278	2,023,818	6%
Unallocated Loss Adj Expense	-	327,294	327,294	197,213	-40%
Funding to 80% CL	-	642,409	907,291	987,656	54%
Claims Costs	1,267,213	2,881,217	3,169,863	3,208,687	11%
Claim Administration Fees	306,500	310,500	310,500	331,500	7%
Sewer Consulting	14,652	10,000	4,275	15,000	50%
Total Liability Claims Expense	1,588,365	3,201,717	3,484,638	3,555,187	11%
Workers Compensation Claims Expense					
WC Claims Expense at expected	2,522,241	2,812,548	3,098,624	2,730,803	-3%
Unallocated Loss Adj Expense	-	511,263	515,550	573,167	12%
Funding to 75% CL	-	550,124	566,898	583,730	6%
Claims Costs	2,522,241	3,873,935	4,181,072	3,887,700	0%
Claim Administration Fees	400,000	410,250	400,000	420,756	3%
Total Workers Compensation Claims Exp	2,922,241	4,284,185	4,581,072	4,308,456	1%

V. DETAILED BUDGET FOR ALL PROGRAMS - DESCRIPTION OF CHANGES

Liability Contributions Funding continues at the 80% confidence level, with the discount factor continuing at 1.5%. Contributions increase by 12% and include excess insurance through CSAC-EIA ($33 million xs $1 million) and ERMA ($1 million limit).

Workers' Compensation Contributions Funding continues at the 75% confidence level applying the discount factor of 2.5%. Contributions increase by 3% and include excess insurance with LAWCX ($500,000 to statutory limits).

Property Contributions Contributions are estimated to increase by 20%. Members are charged an administrative fee equal to 5% of PARSAC's total administrative cost. Actual contributions may vary depending on changes in total insured values and individual claim experience.

Bond Contributions The bond program budget remains unchanged from the prior year. Members are not charged for administration of the Bond Program. The insurance premium is passed directly through to members.

Investment Income Investment income recognizes the portfolio's return on investment. The portfolio includes $35.5 million invested through PFM Asset Management LLC and $6.9 million maintained in the California State Local Agency Investment Fund (LAIF) account. The remainder is in checking and savings accounts and invested in PARSAC's building. The budget for investment income increased based on PFM Investment Advisors projected earnings but does not include projections for changes in market values of investments.

Investment Consultant Expense PFM Asset Management manages the portfolio. The fee arrangement is 15 basis points for the first $10 million and 14 basis points thereafter.

Excess Insurance Expense

Liability Premium (CSAC-EIA) Increase by 26% based on estimates provided by CSAC.
Employment Practices Premium (ERMA) Increase by 6% based on estimates provided by ERMA.
Workers' Compensation (LAWCX) Increases by 9% based on estimates provided by LAWCX.
Property Insurance (PEPIP) Estimated to increase by 20%.
Bond Insurance A minimal increase is expected in the insurance premium and is within the current budget amount.

Claims Expense Claims expense is the cost of claims for this coverage year and is projected by the actuary to increase by 11% in the Liability Program and increase less than 1% in the Workers' Compensation Program based on claims development. To better align with the actuarial report, Claims Administration expense has been combined with this category. Liability Program claims administration remains the same for pool claims administration and increased $21,000 for primary claims administration with the addition of one additional member. The Workers' Compensation Program claims administration fee increases by 3%.

Claims expense is included in the budget at the actuary's expected confidence level (about 50%) according to GASB Statement No. 10. The budget also includes a separate line item to record the additional expense of funding at a higher confidence level in each program. The actual columns vary from the budgets due to the required recording of payments and actuarial adjustments for prior years' claim activity.

V. DETAILED BUDGET FOR ALL PROGRAMS

	Prior Year Actual	Current Yr Budget	Current Year Forecast	Proposed Budget	Budget Difference
	2016/17	2017/18	2017/18	2018/19	% change
Expense - continued					
WC Self Insurance Fee	91,018	90,000	90,852	100,000	11%
Payroll and Benefits					
Employee Salary	634,646	667,067	619,882	713,021	7%
Merit Increase	-	15,000	-	22,000	47%
Accrued Vacation Expense	(16,100)	7,000	4,282	7,000	0%
COLA Increase	-	13,926	-	14,700	6%
Deferred Compensation	17,500	19,000	19,000	20,500	8%
Performance Pay	-	15,000	500	15,000	0%
Payroll Taxes PARSAC	9,788	12,000	9,560	12,000	0%
Medical Benefit	98,834	118,000	97,534	118,000	0%
Ancillary Health Benefits	11,520	19,000	12,715	15,000	-21%
PERS Retirement Cost	100,146	140,186	117,914	151,530	8%
Employee pension withholding	(44,042)	(54,276)	(45,133)	(57,440)	6%
Pension exp - GASB 68	(374,649)	-	-	-	
Retiree Medical - OPEB	126,596	128,392	128,392	-	-100%
Total Payroll and Benefits	564,239	1,100,295	964,646	1,031,311	-6%
Consultants					
Actuarial Liability Fee	8,650	12,000	12,000	12,000	0%
Actuarial WC Fee	10,650	14,500	14,500	14,500	0%
Computer Consultant	2,976	6,000	6,000	15,000	150%
Web Development	48	2,900	2,900	15,000	417%
Legal- General	21,171	26,550	25,356	26,550	0%
Financial Audit/Accounting	23,900	25,251	25,251	26,000	3%
Consultants Liab Other	2,198	16,000	16,000	16,150	1%
Consultants WC Other	1,421	15,750	15,750	15,950	1%
Total Consultants	71,014	118,951	117,757	141,150	19%
Risk Management					
Safety & Loss - Liability					
New Member Audit	-	5,000	-	5,000	0%
Grant Program	142,510	135,063	135,063	134,282	-1%
EPL Grant - from EPL Grant Fund	19,718	-	25,000	-	
EPL Consortium - from Consortium Fund	82,650	-	82,080	-	
Lexipol	32,296	65,000	40,000	65,000	0%
On-line Training	1,543	4,000	2,000	5,143	29%
Loss Control	-	-	-	30,000	New
Safety & Loss - WC					
Grant Program	116,594	105,051	105,051	119,629	14%
Video Program	-	500	-	-	-100%
On-line Training	1,262	6,000	3,000	4,796	-20%
Loss Control	-	-	-	30,000	New
Total Risk Management	396,573	320,614	392,194	393,850	23%

V. DETAILED BUDGET FOR ALL PROGRAMS - DESCRIPTION OF CHANGES

Payroll and Benefits

Employee Salary Represents the current staff salary and the addition of one staff member.
Merit Increase Includes funding for eligible staff.
COLA Increase Included at 2.5%.
Accrued Vacation Estimated budget remains the same as the prior year.
Deferred Compensation Increases by $1,500 per year by contract.
Medical Remains unchanged from the prior year.
Ancillary Health Benefits Dental, vision, life and disability insurance are provided. The budget decreased by 21% due to expected costs.
PERS Retirement The retirement costs increase 8% based on change in funding rates. Employer rate for existing classic employees with a 2.5% @ 55 benefit increases from 11.236% to 11.778% and PEPRA employees decreases from 7.045% to 7.383% .
Employee Pension Withholding The CalPERS retirement expense is reduced by staff contributions with PERS Classic members contributing 8% and PEPRA members contributing 6.5%.
Retiree Medical - OPEB No payment required based on actuarial projections.

Consultants

Actuarial Services Estimated fees for the year includes a second report of claim liabilities for both programs as of June 30th.
Computer Consultant Estimate based on anticipated costs for the year. Includes upgrades to infrastructure.
Web Development The budget covers site maintenance and updates to content.
Legal – General Estimate remains the same as the prior year.
Financial Audit/Accounting The budget is based on the fee set by the contract and increases by 3%.
Consultants Liability – Other Increases by 1% and includes funds for a contract's consultant and special projects.
Consultants WC – Other Increases 1%% and includes funds for contract consultants and special projects.

Safety and Loss Control – Liability Program

New Member Audit Cost of consultant to assist with analysis of prospective member applications.
Grant Program The Grant Program will continue the amount of $5,000 per program per member. Members must use the Grant funds by May 1 each year; unused funds are redistributed through the Grant Program the following year. The budget includes grant funding in the amount of $134,282.
Lexipol Provides member reimbursement for the law enforcement policy manual and daily training bulletins. There is no change in the budget.

Police department reimbursement: 50% of policy development up to a maximum of $2,500; $1,000 annually for the manual update; and the full cost of the Daily Training Bulletin. ***Fire department reimbursement:*** 50% of policy development up to a maximum of $3,500; and 50% of renewal fees up to a maximum of $2,500.

On-line Training On-line training program continues with Target Safety for OSHA compliance and fire and waste water certification programs. The budget is based on past usage.
Loss Control – New budgeted item to address loss control needs of members. PARSAC staff will be conducting risk assessments along with Bickmore Risk Services and will determine loss control needs of members to including training and consulting.

Safety and Loss Control – Workers' Compensation Program

Grant Program - See description above under Safety and Loss Control - Liability Program. The budget includes grant funding in the amount of $119,629.
On-line Training On-line training program continues with Target Safety for OSHA compliance.
Loss Control – New budgeted item to address loss control needs of members. PARSAC staff will be conducting risk assessments along with Bickmore Risk Services and will determine loss control needs of members to including training and consulting.

V. DETAILED BUDGET FOR ALL PROGRAMS

	Prior Year Actual 2016/17	Current Yr Budget 2017/18	Current Year Forecast 2017/18	Proposed Budget 2018/19	Budget Difference % change
Expense - continued					
General and Administrative					
Advertising & Promotion	6,047	11,000	11,000	11,000	0%
Dues	1,024	1,500	1,500	9,000	500%
Subscriptions	-	600	251	500	-17%
Copier Maintenance	602	724	590	1,500	107%
Computer Cost	14,112	5,000	5,000	7,500	50%
Repairs & Maintenance	-	500	-	500	0%
Insur Liab Office	8,729	9,000	11,683	10,000	11%
Employee WC Insurance	15,072	25,000	15,625	20,000	-20%
Temporary Services	-	-	-	12,000	New
Office Expense	12,011	8,251	7,449	8,250	0%
Printing	4,599	4,751	4,171	4,750	0%
Postage & Express Mail	2,910	3,000	2,850	2,800	-7%
Telephone	11,775	10,000	9,464	9,000	-10%
Payroll Service	1,426	1,700	1,517	950	-44%
Internet Service - web host,domain, dsl	1,020	1,000	528	-	-100%
Bank Service Fee	6,555	6,000	4,578	6,000	0%
Facility Expense	62,960	67,880	62,550	67,747	0%
Total General and Administrative	148,842	155,906	138,756	171,497	10%
Staff Travel and Training					
Staff-Education & Training	4,966	5,400	5,400	8,000	48%
Staff-Travel Cost	11,424	13,000	12,500	16,000	23%
Staff - Vehicle Maintenance	1,509	6,500	5,351	7,500	15%
Total Staff Travel and Training	17,899	24,900	23,251	31,500	27%
Board Expenses					
Board Directors- Travel & Meetings	71,159	59,000	59,000	60,000	2%
Board Directors- Education	-	12,000	12,000	15,000	
Total Board Expenses	71,159	71,000	71,000	75,000	6%
Building Maintenance					
See Building Schedule - page 9	42,662	67,880	63,183	67,746	0%
Total Building Maintenance	42,662	67,880	63,183	67,746	0%
Contingency Expense	-	50,000	-	50,000	0%
Capital Expenditures - See pg. 10	-	70,500	38,775	65,000	0%
Non-Cash Expense / Capital Expenditures					
Office - Depreciation	1,480	7,000	-	1,500	-79%
Total Non-Cash Expense	1,480	7,000	-	1,500	-79%
Total Expense	11,474,741	15,269,123	15,860,730	16,602,655	9%
Operating Net Income (Loss)	3,236,591	(196,716)	(296,792)	(389,165)	
Non-Operating Revenues (Expenses)					
Investment Income	538,188	470,421	580,000	610,872	30%
Change in Market Value	(570,107)	-	(600,000)	-	
Investment Income	(31,919)	470,421	(20,000)	610,872	30%
Investment Advisors	(51,514)	(54,486)	(49,936)	(51,508)	
Net Investment Income	(83,433)	415,935	(69,936)	559,364	
Excess Insurance Dividends Received	1,449,496	-	300,000	-	
Member Dividend Declared	(1,000,000)	-	-	-	
Total Other Income (Expense)	366,063	415,935	230,064	559,364	
Net Income (Loss)	$ 3,602,654	$ 219,220	$ (66,728)	$ 170,199	

V. DETAILED BUDGET FOR ALL PROGRAMS - DESCRIPTION OF CHANGES

General and Administrative

Advertising & Promotion – Remains unchanged and includes budgeted amounts to participate in the League of California Cities conference and replacement and replenishment of marketing materials. Also included in the costs is the annual report.

Dues Increases for CAJPA accreditation, increased membership costs and additional association dues including AGRIP.

Printing No change is expected and remains unchanged. Printing includes the printing costs for the annual reports.

Staff Travel and Training Includes funds for member visits, attendance at mediations and trials as well as staff training. Travel and training budget increased to provide additional training for new personnel.

Board Expenses

Travel & Meetings Includes funds for Committee and Board meetings, member travel expenses, and Annual Academy. The budget also includes funds to provide training for board members.

Building Maintenance – page 9

Utilities Increases by 9% based on estimated increases.

Landscaping Service Increases is based on contract costs and anticipated addition of additional bark.

Capital Replacement Fund Expense Funds a reserve to cover the cost of replacing large value assets. See table on page 10.

Depreciation Expense The budget decreased by 11% due to assets being fully depreciated.

Contingency Expense A Contingency Reserve was established in the 2013/14 year. The current budget includes $50,000 to be funded between Workers' Compensation and the Liability Program for unexpected expenses.

Capital Expenditures Includes items that are under the capitalization threshold of $10,000 and will be expensed when purchased. Planned purchases are included on page 10.

Non-Cash Expense This category includes assets that have already been paid for but require expensing through depreciation or amortization according to the accrual based accounting rules. Depreciation of office furniture and equipment is the only expense remaining in this category.

VI. A. LIABILITY PROGRAM - DETAILED BUDGET

	Prior Year Actual	Current Yr Budget	Current Year Forecast	Proposed Budget	Budget Difference
	2016/17	2017/18	2017/18	2018/19	% Change
Income					
Member Contributions					
Liability Contributions	$ 6,492,768	$ 6,518,732	$ 6,546,332	$ 7,275,480	12%
Rate Stabilization Expense	(230,000)	(100,000)	(100,000)	(200,000)	100%
EPL Rate Stabilization Expense	-	-	-	(155,427)	
Special Events Credit	(17,500)	(17,500)	(18,500)	(17,500)	0%
Liability Payroll Adjustment- prior year	89,824	-	93,524	-	
Total Member Contributions	6,335,092	6,401,232	6,521,356	6,902,553	8%
Other Income	4,297	-	7,285		
Total Income	6,339,389	6,401,232	6,528,641	6,902,553	8%
Expense					
Excess Insurance					
Liability Insurance Premium - CSAC	1,111,805	1,121,901	1,108,188	1,413,400	26%
Employment Practices Premium -ERMA	1,211,165	1,182,937	1,179,233	1,253,033	6%
Total Excess Insurance	2,322,970	2,304,838	2,287,421	2,666,433	16%
Liability Claims Expense					
Liability Claims Expense at expected	1,267,213	1,911,514	1,935,278	2,023,818	6%
Unallocated Loss Adj Expense	-	327,294	327,294	197,213	-40%
Funding to 80% CL	-	642,409	907,291	987,656	54%
Claims Expense	1,267,213	2,881,217	3,169,863	3,208,687	11%
Liab Administration Fees - pool	160,000	160,000	160,000	160,000	0%
Liab Administration Fees - primary	146,500	150,500	150,500	171,500	14%
Sewer Consulting	14,652	10,000	4,275	15,000	50%
Total Liability Claims Expense	1,588,365	3,201,717	3,484,638	3,555,187	11%
Payroll and Benefits					
Employee Salary	317,323	333,534	309,941	356,511	7%
Merit Increase	-	7,500	-	11,000	47%
Accrued Vacation Expense	(8,050)	3,500	2,763	3,500	0%
COLA Increase	-	6,963	-	7,350	6%
Deferred Compensation	8,750	9,500	9,500	10,250	8%
Performance Pay	-	7,500	250	7,500	0%
Payroll Taxes PARSAC	4,894	6,000	4,780	6,000	0%
Medical Benefit	49,417	59,000	48,767	59,000	0%
Ancillary Health Benefits	5,760	9,500	6,358	7,500	-21%
PERS Retirement Cost	50,073	70,093	58,957	75,765	8%
Employee pension withholding	(22,021)	(27,138)	(22,567)	(28,720)	6%
Pension exp- GASB 68	(232,282)	-	-	-	0%
Retiree Medical - OPEB	63,298	64,196	64,196	-	-100%
Total Payroll and Benefits	237,162	550,148	482,945	515,656	-6%

VI. A. LIABILITY PROGRAM - DETAILED BUDGET

	Prior Year Actual	Current Yr Budget	Current Year Forecast	Proposed Budget	Budget Difference
	2016/17	2017/18	2017/18	2018/19	% Change
Expense - continued					
Consultants					
Actuarial Liability Fee	8,650	12,000	12,000	12,000	0%
Web Develop/Maint	24	1,450	1,450	7,500	417%
Computer Consultant	1,488	3,000	3,000	7,500	150%
Legal- General	11,571	18,000	13,275	18,000	0%
Financial Audit/Accounting	11,950	12,625	12,625	13,000	3%
Consultants Liab Other	2,198	16,000	16,000	16,150	1%
Total Consultants	35,881	63,075	58,350	74,150	18%
Risk Management					
New Member Audit	-	5,000	-	5,000	0%
Grant Program	142,510	135,063	135,063	134,282	-1%
EPL Grant - from EPL Grant Fund	19,718	-	25,000	-	
EPL Consortium - from Consortium Fund	82,650	-	82,080	-	
Lexipol	32,296	65,000	40,000	65,000	0%
On-line Training	1,543	4,000	2,000	5,143	29%
Loss Control	-	-	-	30,000	New
Total Risk Management	278,717	209,063	284,143	239,425	15%
General and Administrative					
Advertising & Promotion	3,024	5,500	5,500	5,500	0%
Dues	512	750	750	4,500	500%
Subscriptions	-	300	125	250	-17%
Copier Maintenance	301	363	295	750	107%
Computer Cost	7,056	2,500	2,500	3,750	50%
Repairs & Maintenance	-	250	-	250	0%
Insur Liab Office	4,365	4,500	5,842	5,000	11%
Employee WC Insurance	7,536	12,500	7,813	10,000	-20%
Temporary Services	-	-	-	6,000	New
Office Expense	6,005	4,125	3,725	4,124	0%
Printing	2,299	2,375	2,085	2,374	0%
Postage & Express Mail	1,455	1,500	1,425	1,400	-7%
Telephone	5,887	5,000	4,732	4,500	-10%
Payroll Service	713	850	760	474	-44%
Internet Service- web host,domain,dsl	510	500	264	-	-100%
Bank Service Fees	3,277	3,000	2,290	3,000	0%
Facility Expense	31,480	33,940	31,275	33,874	0%
Total General and Administrative	74,420	77,953	69,381	85,746	10%

VI. A. LIABILITY PROGRAM - DETAILED BUDGET

	Prior Year Actual	Current Yr Budget	Current Year Forecast	Proposed Budget	Budget Difference
	2016/17	2017/18	2017/18	2018/19	% Change
Expense - continued					
Staff-Education & Training	2,483	2,700	2,700	4,000	48%
Staff-Travel Cost	5,712	6,500	6,250	8,000	23%
Staff - Vehicle Maintenance	754	3,250	2,675	3,750	15%
Total Staff Travel and Training	8,949	12,450	11,625	15,750	27%
Board Expenses					
Board Directors- Travel & Meetings	35,564	29,500	29,500	30,000	2%
Board Directors- Education	-	6,000	6,000	7,500	25%
Total Board Expenses	35,564	35,500	35,500	37,500	6%
Contingency Expense	-	27,500	-	27,500	0%
Capital Expenditures - See pg. 10	-	38,775	38,775	35,750	-8%
Non-Cash Expense					
Office - Depreciation	740	3,500	-	750	-79%
Total Non-Cash Expense	740	3,500	-	750	-79%
Total Expense	4,582,768	6,524,519	6,752,778	7,253,847	11%
Operating Net Income (Loss)	**1,756,621**	**(123,287)**	**(224,137)**	**(351,294)**	
Non-Operating Revenues (Expenses)					
Investment Income	232,608	197,577	243,600	256,566	30%
Change in Market Value	(253,079)	-	(252,000)	-	
Investment Income	(20,471)	197,577	(8,400)	256,566	30%
Investment Consultants	(26,657)	(26,698)	(26,282)	(21,633)	-19%
Net Investment Income	(47,128)	170,879	(34,682)	234,933	
Excess Insurance Dividends Received	1,449,496	-	300,000	-	
Total Other Income (Expense)	1,402,368	170,879	265,318	234,933	-
Net Income (Loss)	**$ 3,158,989**	**$ 47,592**	**$ 41,181**	**$ (116,361)**	

VI. B. WORKERS' COMPENSATION PROGRAM - DETAILED BUDGET

	Prior Year Actual	Current Yr Budget	Current Year Forecast	Proposed Budget	Budget Difference
	2016/17	2017/18	2017/18	2018/19	% Change
Income					
Member Contributions					
Workers' Compensation Contributions	$ 6,197,781	$ 6,402,784	$ 6,365,288	$ 6,604,854	3%
Rate Stabilization Expense	(70,998)	-	-	-	
WC Payroll Adjustment- prior year	69,976	-	192,855	-	
Total Member Contributions	6,196,759	6,402,784	6,558,143	6,604,854	3%
Other Income	5,672	-	4,036	-	
Total Income	6,202,431	6,402,784	6,562,179	6,604,854	3%
Expense					
Excess Insurance					
Workers Comp Premium - LAWCX	1,139,984	1,203,558	1,204,663	1,307,233	9%
Total Excess Insurance	1,139,984	1,203,558	1,204,663	1,307,233	9%
Workers Compensation Claims Expense					
WC Claims Expense at expected	2,522,241	2,812,548	3,098,624	2,730,803	-3%
Unallocated Loss Adj Expense	-	511,263	515,550	573,167	12%
Funding to the 75% CL	-	550,124	566,898	583,730	6%
Claims Costs	2,522,241	3,873,935	4,181,072	3,887,700	0%
WC Adm Fees	400,000	410,250	400,000	420,756	3%
Total Workers Compensation Claims Exp	2,922,241	4,284,185	4,581,072	4,308,456	1%
WC Self Insurance Fee	91,018	90,000	90,852	100,000	11%
Payroll and Benefits					
Employee Salary	285,591	300,180	278,947	320,859	7%
Merit Increase	-	6,750	-	9,900	47%
Accrued Vacation Expense	(7,245)	3,150	1,243	3,150	0%
COLA Increase	-	6,267	-	6,615	6%
Deferred Compensation	7,875	8,550	8,550	9,225	8%
Performance Pay	-	6,750	225	6,750	0%
Payroll Taxes PARSAC	4,405	5,400	4,302	5,400	0%
Medical Benefit	44,475	53,100	43,890	53,100	0%
Ancillary Health Benefits	5,184	8,550	5,722	6,750	-21%
PERS Retirement Cost	45,066	63,084	53,061	68,189	8%
Employee pension withholding	(19,819)	(24,424)	(20,310)	(25,848)	6%
Pension exp - GASB 68	(142,367)	-	-	-	
Retiree Medical -OPEB	56,968	57,776	57,776	-	-100%

VI. B. WORKERS' COMPENSATION PROGRAM - DETAILED BUDGET

	Prior Year Actual	Current Yr Budget	Current Year Forecast	Proposed Budget	Budget Difference
	2016/17	2017/18	2017/18	2018/19	% Change
Total Payroll and Benefits	280,133	495,133	433,406	464,090	-6%
Consultants					
Actuarial WC Fee	10,650	14,500	14,500	14,500	0%
Computer Consultant	1,339	2,700	2,700	6,750	150%
Web Develop/Maint	22	1,305	1,305	6,750	417%
Legal- General	8,640	7,600	11,948	7,600	0%
Financial Audit/Accounting	10,755	11,363	11,363	11,700	3%
Consultants WC Other	1,421	15,750	15,750	15,950	1%
Total Consultants	32,827	53,218	57,566	63,250	19%
Safety & Loss - WC					
Workshops	-	-	-	-	
Safety Video	-	500	-	-	-100%
On-line training	1,262	6,000	3,000	4,796	-20%
Loss Control	-	-	-	30,000	New
Total Risk Management	117,856	111,551	108,051	154,425	38%
General and Administrative					
Advertising & Promotion	2,721	4,950	4,950	4,950	0%
Dues	461	675	675	4,050	500%
Subscriptions	-	270	113	225	-17%
Copier Maintenance	271	326	265	675	107%
Computer Cost	6,350	2,250	2,250	3,375	50%
Repairs & Maintenance	-	225	-	225	0%
Insur Liab Office	3,928	4,050	5,257	4,500	11%
Employee WC Insurance	6,782	11,250	7,031	9,000	-20%
Temporary Services	-	-	-	5,400	New
Office Expense	5,405	3,713	3,352	3,713	0%
Printing	2,070	2,138	1,878	2,138	0%
Postage & Express Mail	1,309	1,350	1,283	1,260	-7%
Telephone	5,299	4,500	4,259	4,050	-10%
Payroll Service	642	765	681	428	-44%
Internet Service - web host,domain,dsl	459	450	238	-	-100%
Bank Service Fee	2,950	2,700	2,058	2,700	0%
Facility Expense	28,332	30,546	28,148	30,486	0%
Total General and Administrative	66,979	70,158	62,438	77,175	10%

VI. B. WORKERS' COMPENSATION PROGRAM - DETAILED BUDGET

	Prior Year Actual 2016/17	Current Yr Budget 2017/18	Current Year Forecast 2017/18	Proposed Budget 2018/19	Budget Difference % Change
Expense - continued					
Staff Travel and Training					
Staff- Educ/Tuition Reimbursement	-	-	-	-	#DIV/0!
Staff-Travel Cost	5,141	5,850	5,625	7,200	23%
Staff - Vehicle Maintenance	679	2,925	2,408	3,375	15%
Total Staff Travel and Training	8,055	11,205	10,463	14,175	27%
Board Expenses					
Board Directors- Travel & Meetings	32,021	26,550	26,550	27,000	2%
Board Directors- Education	-	5,400	5,400	6,750	25%
Total Board Expenses	32,021	31,950	31,950	33,750	6%
Contingency Expense	-	22,500	-	22,500	0%
Capital Expenditures - See pg. 10	-	31,725	-	29,250	-8%
Non-Cash Expense					
Office - Depreciation	666	3,150	-	675	-79%
Total Non-Cash Expense	666	3,150	-	675	-79%
Total Expense	4,691,780	6,408,333	6,580,461	6,574,979	3%
Operating Net Income (Loss)	**1,510,651**	**(5,549)**	**(18,282)**	**29,875**	
Non-Operating Revenues (Expenses)					
Investment Income	305,580	272,844	336,400	354,306	30%
Change in Market Value	(317,028)	-	(348,000)	-	
Investment Income	(11,448)	272,844	(11,600)	354,306	30%
Investment Consultants	(24,857)	(27,788)	(23,654)	(29,875)	8%
Net Investment Income	(36,305)	245,056	(35,254)	324,431	32%
Excess Insurance Dividends Received	-	-	-	-	
Member Dividend Declared	(1,000,000)	-	-	-	
Total Other Income (Expense)	(1,036,305)	245,056	(35,254)	324,431	0
Net Income (Loss)	**$ 474,346**	**$ 239,508**	**$ (53,536)**	**$ 354,306**	48%

VI. C. PROPERTY AND BOND PROGRAM - DETAILED BUDGET

	Prior Year Actual	Current Yr Budget	Current Year Forecast	Proposed Budget	Budget Difference
	2016/17	2017/18	2017/18	2018/19	% Change
Income					
Member Contributions					
Property	$ 2,097,657	$ 2,196,391	$ 2,396,733	$ 2,634,083	20%
Bond	71,855	72,000	76,385	72,000	0%
Other Income	-	-	-	-	
Total Member Contributions	2,169,512	2,268,391	2,473,118	2,706,083	19%
Expense					
Excess Insurance					
Property Ins Premium -PEPIP	2,024,440	2,125,779	2,326,137	2,564,792	20%
Bond Ins Premium	71,855	72,000	76,385	72,000	0%
Total Excess Insurance	2,096,295	2,197,779	2,402,522	2,636,792	20%
Payroll and Benefits					
Employee Salary	31,732	33,353	30,994	35,651	7%
Merit Increase	-	750	-	1,100	47%
Accrued Vacation Expense	(805)	350	276	350	0%
COLA Increase	-	696	-	735	6%
Deferred Compensation	875	950	950	1,025	8%
Performance Pay	-	750	25	750	0%
Payroll Taxes PARSAC	489	600	478	600	0%
Medical Benefit	4,942	5,900	4,877	5,900	0%
Ancillary Health Benefits	576	950	635	750	-21%
PERS Retirement Cost	5,007	7,009	5,896	7,576	8%
Employee pension withholding	(2,202)	(2,714)	(2,256)	(2,872)	6%
Retiree Medical - OPEB	6,330	6,420	6,420	-	-100%
Total Payroll and Benefits	46,944	55,014	48,295	51,565	-6%
Consultants					
Computer Consultant	149	300	300	750	150%
Web Develop/Maintenance	2	145	145	750	417%
Legal- General	960	950	133	950	0%
Financial Audit/Accounting	1,195	1,263	1,263	1,300	3%
Total Consultants	2,306	2,658	1,841	3,750	41%
General and Administrative					
Advertising & Promotion	302	550	550	550	0%
Dues	51	75	75	450	500%
Subscriptions	-	30	13	25	-17%
Copier Maintenance	30	35	30	75	114%
Computer Cost	706	250	250	375	50%
Repairs & Maintenance	-	25	-	25	0%
Insur Liab Office	436	450	584	500	11%
Employee WC Insurance	754	1,250	781	1,000	-20%
Temporary Services	-	-	-	600	

VI. C. PROPERTY AND BOND PROGRAM - DETAILED BUDGET

	Prior Year Actual	Current Yr Budget	Current Year Forecast	Proposed Budget	Budget Difference
	2016/17	2017/18	2017/18	2018/19	% Change
Expense - continued					
Office Expense	601	413	372	413	0%
Printing	230	238	208	238	0%
Postage & Express Mail	146	150	142	140	-7%
Telephone	589	500	473	450	-10%
Payroll Service	71	85	76	48	-44%
Internet Service-high speed	51	50	26	-	-100%
Bank Service Fee	328	300	230	300	0%
Facility Expense	3,148	3,394	3,127	3,387	0%
Total General and Administrative	7,443	7,795	6,937	8,576	10%
Staff Travel and Training					
Staff-Education & Training	248	270	270	400	48%
Staff-Travel Cost	571	650	625	800	23%
Staff - Vehicle Maintenance	76	325	268	375	15%
Total Staff Travel and Training	895	1,245	1,163	1,575	27%
Board Expenses					
Board Directors- Travel & Meetings	3,574	2,950	2,950	3,000	2%
Board Directors- Education	-	600	600	750	
Total Board Expenses	3,574	3,550	3,550	3,750	6%
Non-Cash Expense					
Office - Depreciation	74	350	-	75	-79%
Total Non-Cash Expense	74	350	-	75	-79%
Total Expense	2,157,531	2,268,391	2,464,308	2,706,083	19%
Net Income (Loss)	$ 11,981	$ -	$ 8,810	$ -	

**LIABILITY AND WORKERS' COMPENSATION PROGRAMS
RESOLUTIONS 2018-02 & 2018-03 REVISING DEFENSE PANELS**

RECONSTITUTION OF DEFENSE PANEL

SUMMARY: Staff recommends reconstituting the Liability Defense Panel to ensure continued, quality representation for PARSAC members. Paring down the panel will improve efficiency and better control costs.

RECOMMENDATION: Adopt.

DISCUSSION: In 2006 the Board formalized the Liability Program Defense Panel. The objectives were to identify qualified attorneys to handle public entity tort liability defense, produce the best outcomes and ensure cost efficient representation for PARSAC members. Through a Request for Proposal process and nominations by members, the Board selected a wide range of law firms throughout the state. Attorneys were selected based on their expertise and experience in their respective fields of litigation. For example, litigation involving law enforcement or dangerous conditions are referred to attorneys that have proven track records and have demonstrated successful litigation in this area. This strategy often produces the best outcome, ensuring both economic and superior representation.

An evaluation of the panel is completed periodically to review the effectiveness of each attorney. In addition, the analysis assists PARSAC in paring down the panel to achieve the most efficient and effective litigation. This also enables PARSAC to identify additional resources where the pool is not sufficiently represented.

The majority of PARSAC's litigated cases have been assigned to a handful of attorneys/firms, due to the type and location of litigation, their effective representation, and the established relationship between the member and attorney. Conversely, there are a number of firms that have not been assigned cases for a variety of reasons, including litigation was outside their specialty, jurisdictions were beyond the territory which the firms serve, or the firms' rates exceed PARSAC's guidelines. Because PARSAC has not utilized, or have only sparingly used some firms, staff is recommending removal of the following firms from the defense panel: Aleshire & Wynder; Bradley, Curley, Asiano, Barrabee, Abel & Kowalski; Law Office of Cathy M. Gandara; Gibeaut, Mahan & Briscoe; Hawkins, Parnell, Thackston & Young; Howard, Rome, Martin & Ridley; Marderosian, Cercone & Cohen; Nelson Rozier; Thompson & Colegate and Weakley & Arendt.

The objective is to develop a panel of highly effective attorneys who have established positive working relationships with members, have a good understanding of the judges, opposing counsel and mediators in their respective jurisdiction and achieve positive outcomes in accordance with PARSAC's philosophy.

FISCAL IMPLICATION: Potential long-term savings through careful selection of the defense panel resulting in professional, competent and effective handling of PARSAC litigation.

ATTACHMENTS: Resolutions 2018-02 Exhibit A and B and 2018-03 Exhibits A and B; Curriculum Vitae of Peter Cuttitta, Harvey W. Wimer, III, Boone T. White and Robert A. Sanders.

RECONSTITUTION OF WORKERS' COMPENSATION DEFENSE PANEL

SUMMARY: Staff recommends reconstituting the Workers' Compensation Defense Panel to ensure continued, quality representation for PARSAC members. Paring down the panel will improve efficiency and better control costs.

RECOMMENDATION: Adopt.

DISCUSSION: In 2012 the Board formalized the Workers' Compensation Defense Panel. The objectives were to identify qualified attorneys to handle the defense of public entity workers' compensation cases, produce the best outcomes and ensure cost efficient representation for PARSAC members.

For similar reasons as outlined in the Liability Reconstitution report, staff proposes that the following firms be removed from panel as they have sparingly been used in the past few years: Goldman, Magdalin & Krikes; Luna Levering & Schad; Robin, Carmack and Gonia; Stockwell, Harris, Woolverton & Muehl; and the Law Offices of Stacey L. Tokunaga.

FISCAL IMPLICATION: Potential long-term savings through careful selection of the defense panel resulting in professional, competent and effective handling of PARSAC litigation.

ATTACHMENT: Resolution 2018-03 – Exhibit A.

ADDITION OF ATTORNEYS TO THE LIABILITY AND WORKERS' COMPENSATION DEFENSE PANELS

SUMMARY: It is PARSAC's practice to assign cases to specific attorneys and not to firms in general. This item is presented to revise the liability defense panel to include Peter Cuttitta of Porter Simon and Harvey "Chip" Wimer, III of Graves & King, as well as add Boone T. White and Robert A. Sanders, both with Witzig, Hannah, Sanders & Reagan, LLP in the Workers' Compensation program.

RECOMMENDATION: Adopt.

DISCUSSION: It is PARSAC's practice to assign cases to a specific attorney and not a firm in general. This approach ensures that the counsel with the most applicable experience and expertise is assigned based on the facts of each case. Since the Panel was adopted, there have been instances where the selected attorney has started an independent practice or changed firms.

Staff is proposing changes to the Liability Defense Panel with the addition of Peter Cuttitta of Porter Simon and Harvey Wimer of Graves & King, and to the Workers' Compensation Defense Panel with the addition of Boone T. White and Robert A. Sanders of Witzig, Hannah, Sanders & Reagan.

Mr. Cuttitta of Porter Simon has been working with the Town of Truckee and was inadvertently left of an earlier amendment. Pete Cuttitta has practiced law since 1977 and is a partner in the Porter Simon law firm where he has practiced since 1985. The firm has offices in Truckee, Tahoe City, and Reno, Nevada. Pete's practice has always been limited to the trial of civil lawsuits, and he has tried a wide variety of cases in state courts throughout California and Nevada, as well as in federal court. His trial experience includes personal injury and wrongful death cases, eminent domain cases, construction defect and real estate cases, as well as business and contract litigation on behalf of public entities, insurers, insurance pools, and private individuals. His CV is attached for review.

Mr. Wimer of Graves & King is being added at the request of one of our members. Harvey ("Chip") W. Wimer, III has been with Graves & King since 1994 and is the firm's managing partner. Mr. Wimer has extensive litigation experience defending public entities in catastrophic personal injury claims as well as constitutionally-based inverse condemnation claims. While primarily a litigator, Mr. Wimer's public entity practice includes extensive appellate work, culminating in the California Supreme Court decision in *Eastburn v. Regional Fire Protection Authority (2003) 31 Cal.4th 1175.* In this decision, California's highest court held for the first time that public entities have no liability for injuries alleged to have been caused by delays in providing emergency medical treatment or other services. The *Eastburn* decision defined and limited the potential liability of every county, city and emergency responder in the state. His CV is attached for review.

Also, at the request of a member, is the proposed addition of Robert Sanders and Boone White. Mr. Sanders has been a Certified Specialist in Workers' Compensation law since 1994; and Mr. White since 2014. Their Workers' Compensation practice focuses on defending and protecting the assets of all employers, including cities, counties, school districts and their insurance/adjusting agencies Their practice also includes administrative hearings under California Public Employees' Retirement System (CalPERS), defense of Labor Code § 132a, discrimination and serious and willful misconduct claims.

FISCAL IMPLICATIONS: Mr. Cuttitta, Mr. Wimer Mr. White and Mr. Sanders' rates are within those contained in the previously adopted fee schedules.

ATTACHMENTS: Liability Defense Panel Resolution 2018-02, Exhibits A & B, and the CVs of Harvey Wimer, III and Peter Cuttitta; Workers' Compensation Defense Panel Resolution 2018-03, Exhibits A & B, and the CVs of Boone T. White and Robert A. Sanders.

Peter H. Cuttitta
Trial Lawyer - Porter Simon, P.C.

Pete Cuttitta has practiced law since 1977, and is a partner in the PORTER SIMON law firm where he has practiced since 1985. The firm has offices in Truckee, Tahoe City, and Reno, Nevada. Pete's practice has always been limited to the trial of civil lawsuits, and he has tried a wide variety of cases in state courts throughout California and Nevada, as well as in federal court. His trial experience includes personal injury and wrongful death cases, eminent domain cases, construction defect and real estate cases, as well as business and contract litigation on behalf of public entities, insurers, insurance pools, and private individuals. Pete has received the highest "AV" rating from the nationally recognized legal rating firm, Martindale-Hubbell, which is reserved for attorneys whose legal skills are judged to be "very high" to "pre-eminent," and whose ethical standards are "very high." Pete is the head of the firm's Trial Practice Group which consists of himself, his partners James E. Simon and Louis A. Basile, and associates Ravn R. Whitington and Christian N. Brown.

PORTER SIMON

Education

Pete received his J.D. in 1977 from the University of the Pacific's McGeorge School of Law. He graduated from the University of California, Berkeley in 1974, with a degree in history.

Memberships and Admissions

State Bar of California – 1977
State Bar of Nevada – 1987
Bar of the United States Supreme Court
Bar of the Ninth Circuit Court of Appeals
United States District Courts – Northern, Central, and Eastern Districts of California
United States District Court – District of Nevada
American Board of Trial Advocates (ABOTA)

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Truckee:
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Tahoe City, CA 96145
Office: 530.583.7268

Reno:
675 Sierra Rose Drive, Ste. 120
Reno, NV 89511
Office: 775.322.6767

Association of Defense Counsel of Northern California and Nevada
Nevada County Bar Association
Tahoe Truckee Bar Association
Washoe County Bar Association

Representative Clients and Experience

For more than twenty years, Pete has represented, and routinely tried cases for, insureds of State Farm Mutual Automobile Insurance Company. He also represents the Schools Unit of Woodruff-Sawyer & Co., and in that capacity has represented public school districts in personal injury and wrongful death cases. Among the districts he has represented are the Tahoe-Truckee, Lake Tahoe, Western Placer, Yuba City and Colusa unified school districts. Over the thirty-one years he has practiced at Porter Simon, the firm has represented a variety of local public agencies, including the Truckee-Donner Public Utility District, the Tahoe Forest Hospital District, the North Tahoe Fire Protection District, the Truckee-Tahoe Airport District, the City of Portola, the City of Loyalton, and the Tahoe City Public Utility District. By virtue of the firm's representation of these clients, Pete has been privileged to try a variety of real estate related cases, including eminent domain and land use cases, trespass, easement, contract, and construction cases, as well as the standard compliment of personal injury cases for them. The ongoing development of the law of wrongful termination and sexual harassment has also led to a recent increase in the number of such claims being made against public entities, and Pete has become involved in the defense of such claims on behalf of such entities.

Pete has tried cases in the local courts for Nevada, Placer, El Dorado, Sacramento, Plumas, and Lassen counties, as well as in the United States District courts for the Central and Eastern Districts of California. He has also tried cases in the Superior Courts of Los Angeles County, Merced County, Amador County, and the District Courts for Washoe, Humboldt, and Douglas counties in Nevada, and has represented clients in the United States District Court for the District of Nevada. Pete has appellate experience in the California Third District Court of Appeal and before the Nevada Supreme Court.

RATES AND FEES

Mr. Cuttitta's present hourly fee for the defense of public agencies, and insureds of private insurance carriers, is $195 per hour. Associate attorneys, when assisting in the defense of such claims are billed at $150 per hour. In order to best serve its clients, the firm heavily utilizes professional paralegals for such tasks as the drafting of routine pleadings and discovery/discovery responses, and for the review and summarization of medical records. Time spent by those paralegals is billed at the rate of $85 per hour. All time billed is accounted to client in 1/10th hour increments.

GRAVES & KING
A Limited Liability Partnership

3610 Fourteenth Street, Second Floor
Riverside, California 92501
Telephone: (951) 680-0100
Facsimile: (951) 680-0700

Partner of the Firm

Harvey W. Wimer III
hwimer@gravesandking.com

Education

- Juris Doctor, University of La Verne College of Law 1993
  - Student of Distinction, graduating class of 1993
  - Law Review, Editor-in-Chief 1992-1993
  - Law Review, Staff Writer 1991-1992
- Bachelor of Arts, Communications, California State University, Fullerton CA 1989

Bar Membership

- Supreme Court of the State of California
- Supreme Court of the United States
- United States District Court, Central District of California

Professional Affiliations

- Supreme Court of the United States
- Supreme Court of the State of California
- United States District Court, Central District of California
- State Bar of California
- San Bernardino County Bar Association
- Riverside County Bar Association
- San Bernardino County Barristers Association (founding director)
- Association of Southern California Defense Counsel
- Defense Research Institute

Professional Experience

- 2003 - present, Managing Partner, Graves & King LLP
- 1999 - 2003, Partner, Graves & King LLP
- 1994 - 1999, Associate Attorney, Graves & King LLP
- 2009 - 2017, Administrative Hearing Judge, City of Rancho Cucamonga
- 2011 - present, Administrative Hearing Judge, City of Hesperia
- 2012 - 2015, Administrative Hearing Judge, City of San Bernardino
- 2009 - 2015, Commissioner, City of Redlands, Public Works and Municipal Utilities Commission.

Representative Public Entity Client List

- County of San Bernardino
- San Bernardino County Flood Control District
- City of Banning
- City of Barstow
- City of Cathedral City
- City of Desert Hot Springs
- City of Jurupa Valley
- City of Moreno Valley
- City of Murrieta
- City of Norco
- City of Perris
- City of Rancho Mirage
- City of San Jacinto
- City of Victorville
- Lake Arrowhead Community Services District
- Eastern Municipal Water District
- Victor Valley Wastewater Reclamation Authority
- Victor Valley Transit Agency
- Public Entity Risk Management Authority (PERMA)
- California Sanitation Risk Management Authority
- CSAC Excess Insurance Authority

Public Entity References:

- Eric Broome
  Liability Claims Supervisor
  County of San Bernardino
  ebroome@rm.sbcounty.gov
  (909) 386-8615

- Teresa M. McGowan
  Principal Assistant County Counsel
  County of San Bernardino
  TMcGowan@cc.sbcounty.gov
  (909) 387-5283

- Kerry Trost
  Liability Claims Manager
  Public Entity Risk Management (PERMA)
  Ktrost@perma.dst.ca.us
  (760) 360-4966

- Chuck Buquet
  Risk Manager
  City of Victorville
  Cbuquet@victorvilleca.gov
  (760) 955-5031

- Martin Koczanowicz, Esq.
  City Attorney
  City of Moreno Valley
  martink@moval.org
  (951) 413-3036

- Douglas Taylor
  Sr. Excess Liability Specialist
  CSAC-EIA
  dtaylor@CSAC-EIA.org
  (916) 850-7300

- Yumi Augustus
  Litigation Supervisor
  Carl Warren & Co.
  Yaugustus@carlwarren.com
  (818) 265-6765

Representative Public Entity Decisions

- *Eastburn v. Regional Fire Protection Authority (2003) 31 Cal.4th 1175*

A minor child sustained a serious electrical shock in her home. The plaintiff contended that the Authority's failure to respond to the 911 call exacerbated her injuries, leaving her in a persistent vegetative state. California Supreme Court ruled for the first time that public agencies have no liability for injuries/death caused by an alleged failure to timely respond to a 911 emergency call. The court concluded the immunity provided in Health & Safety Code § 1799.107 covered 911 emergency services absent evidence of bad faith or gross negligence.

- *San Bernardino County Flood Control District v. Superior Court (2016) EO63282*

Private property owner brought inverse condemnation claim against Flood Control District contending that a privately constructed bridge structure located on a District right-of-way was a public improvement making the District liable for flood damages caused by the structure. The property owner sought more than $1 million in damages to his farm. The trial court denied the District's motion for summary judgment. Court of appeal reversed, concluding the private bridge structure was not a public improvement and the District could have no liability under the theory of inverse condemnation.

- *Guiterrez, et al v. San Bernardino County Flood Control District (2011) 198 Cal.App.4th 831.*

A neighborhood of property owners were flooded with water, mud and debris during an intense rain storm. The plaintiffs sought over $5 million in damages (including attorneys fees) from the Flood Control District. The plaintiffs claimed the public street and the District's emergency flood control measures caused the flooding and that the District was strictly liable for their damages under inverse condemnation. The appellate court ruled that a public entity cannot be liable under inverse condemnation theory of liability for damages alleged to have been caused by emergency flood control measures absent a showing the emergency measures were unreasonable and that the measures made flooding on the plaintiff's property worse.

- *SCE v. City of Victorville (2013) 217 Cal.App.4th 218*

In a catastrophic personal injury action against Southern California Edison, the appellate court ruled that SCE's cross-complaint for indemnity against the City of Victorville was barred by SCE's failure to present a timely claim for damages to the City. The court concluded that SCE's cross-complaint was not purely defensive in nature because the cross-complaint contained allegations that differed from the allegations against the City in the plaintiff's underlying personal injury lawsuit.

- *City of Murrieta v. Superior Court (2011) WL 6012993, E051221*

The claim involved a two-car collision at a four way, signalized intersection. The plaintiff sustained catastrophic brain injuries as a result of the collision. The plaintiff sued the City claiming that bushes and trees reduced the corner sight distance at the intersection, preventing her from seeing the oncoming vehicle before it ran the red light and collided with her car. The trial court denied the City's motion for summary judgment. On appeal, the appellate court concluded that there was no evidence that a condition of the intersection caused the adverse driver to run the red light and collide with the plaintiff. The appellate court ordered the trial court to enter judgment on behalf of the City.

- *City of Victorville v. Superior Court (2015) 5063282*

The plaintiff was mauled by a pack of vicious dogs. City animal control personnel had previously been called and were aware of the animals running loose in the neighborhood. Plaintiff contended provisions in the City's municipal code imposed a duty on the City to locate and capture the wild dogs to protect the public and that the City was liable for the injuries the dogs caused the plaintiff. The trial court denied the City's demurrer concluding the plaintiff's complaint stated a cause of action against the City. On appeal, the appellate court concluded the pertinent provisions of the City's municipal code were not mandatory and therefore, the City had no legal duty to protect the public from the wild dogs

RESOLUTION 2018-03 TO REVISE THE WORKERS' COMPENSATION DEFENSE PANEL AND EXHIBITS A AND B TO REVISE LIST OF PANEL FIRMS

SUMMARY: It is PARSAC's practice to assign cases to specific attorneys and not to firms in general. This item is presented to revise the Workers' Compensation defense panel to include Boone T. White and Robert A. Sanders of Witzig, Hannah, Sanders & Reagan, LLP.

RECOMMENDATION: Adopt.

DISCUSSION: It is PARSAC's practice to assign cases to a specific attorney and not a firm in general. This approach ensures that the counsel with the most applicable experience and expertise is assigned based on the facts of each case. Since the Panel was adopted, there have been instances where the selected attorney has started an independent practice or changed firms. Mr. Sanders has specialized in Workers' Compensation law since 1994; and Mr. White since 2014. Their Workers' Compensation practice focuses on defending and protecting the assets of all employers, including cities, counties, school districts and their insurance/adjusting agencies Their practice also includes administrative hearings under California Public Employees' Retirement System (CalPERS), defense of Labor Code § 132a, discrimination and serious and willful misconduct claims.

FISCAL IMPLICATIONS: Both attorneys' rates are within the previously adopted fee schedule.

ATTACHMENTS: Resolution 2018-03, Exhibits A & B, and CVs of Boone T White and Robert A. Sanders.

WITZIG, HANNAH, SANDERS & REAGAN, LLP
ATTORNEYS AT LAW

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600 Ocean Street
Santa Cruz, CA 95060

210 North Fourth Street, Suite 201
San Jose, CA 95112

Phone : (831) 425-2835
or (408) 280-5600
Facsimile : (831) 425-2839

Website: www.whsllp.com
E-mail : admin@whsllp.com

BOONE T. WHITE: Member of Firm
b. 11/18/68, Santa Cruz, California

btwhite@whsllp.com

EDUCATION:	B.A., University of Utah, 2000; J.D., New College of California School of Law, San Francisco, 2003.
MEMBER:	Admitted to practice in California, 2003; U.S. Court of Appeals for the Ninth Circuit, 2004
	Santa Cruz County Bar Association
	Santa Clara County Bar Association
	Northern California Workers' Compensation Defense Attorneys' Association
	Monterey Bay Workers' Compensation Attorneys' Association
	South Bay Industrial Claims Association
	Diablo Valley Industrial Claims Association
	Industrial Claims Association of San Francisco
OTHER:	Certified Specialist, Workers' Compensation Law, California Board of Legal Specialization, since 2014
LEGAL PRACTICE:	Workers' compensation defense with a focus on defending and protecting the assets of all employers, including cities, counties, school districts and their insurance/adjusting agencies. Practice includes general civil litigation, including subrogation matters.

WITZIG, HANNAH, SANDERS & REAGAN, LLP
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Website: www.whsllp.com
E-mail : admin@whsllp.com

ROBERT A. SANDERS: Member of Firm — rasanders@whsllp.com
b. 11/6/61, Eureka, California

EDUCATION: B.A., Cal Poly, San Luis Obispo, 1985; J.D., Santa Clara University School of Law, 1988.

MEMBER: Admitted to practice in California, 1988; U.S. District Court, Northern District of California, 1988

Santa Cruz County Bar Association

Monterey County Bar Association

Northern California Workers' Compensation Defense Attorneys' Association

Monterey Bay Workers' Compensation Attorneys' Association

South Bay Industrial Claims Association

Diablo Valley Industrial Claims Association

Industrial Claims Association of San Francisco

OTHER: Certified Specialist, Workers' Compensation Law, California Board of Legal Specialization, since 1994

LEGAL PRACTICE: Workers' compensation defense with a focus on defending and protecting the assets of all employers including cities, counties, school districts and their insurance/adjusting agencies. Practice includes administrative hearings under California Public Employees' Retirement System (CalPERS), defense of Labor Code §132a discrimination and serious and willful misconduct claims.

CHANGE OF FIRM NAME

Joshua Bordin-Wosk has changed partners and renamed his firm Bordin Semmer. Staff recommends that the Executive Committee affirm the change.

FEE INCREASE FOR LIABILITY DEFENSE PANEL FIRMS

SUMMARY: PARSAC has received superior representation by its defense panel attorneys. To maintain positive business relationships, staff proposes increasing the hourly rate for senior partners from $200 to $225, associates from $150 to $185 and paralegals from $85 to $95.

RECOMMENDATION: **Adopt** hourly rate increases for senior partners from $200 to $225, associates from $150 to $185 and paralegals from $85 to $95.

DISCUSSION: The Liability Defense panel rates are $200 for partners and $150 for associates. PARSAC's current rates have been in place since 2014. Recently, several panel firms have requested a rate increase. In reviewing the requests, staff surveyed other JPAs. The rates paid by PARSAC's peers range from $140 to $300 per hour depending on the region and qualifications of defense counsel. Although PARSAC's overall rate of $200 per hour is in line with industry practice, staff recommends a rate increase to ensure superior representation as most of the panel firms are billing in excess of $200 to other clients. In addition, the associate rate appears to be low.

Defense counsel attorneys are selected for the panel because of their commitment to deliver a superior work product with a positive outcome. PARSAC understands the importance of maintaining good business relationships, especially given the outstanding work product delivered by panel defense counsel. Under Agenda Item 10d, staff recommends reducing the panel to a handful of very qualified firms. Given the track record these attorneys have of providing excellent defense, staff recommends increasing the hourly rates as proposed.

FISCAL IMPACT: Based on the limited number of litigated files historically (currently 56 litigated claims), the proposed change should marginally increase the defense cost component of litigated claims. For the current year, approximately 1,500 hours have been billed with most of the work performed by senior partners. Therefore, increasing the rate to $225 would have cost an additional $37,500 this year. Because the number and complexity of unknown, future claims pose significant variables, it is difficult to predict the dollar impact. Staff will closely monitor the actual increased costs and will report to the Executive Committee once sufficient data is compiled.

ATTACHMENT: Resolution 2018-2 – Exhibit B

RESOLUTION NO. ~~2017-02~~ 2018-02

RESOLUTION OF THE BOARD OF DIRECTORS OF THE PUBLIC AGENCY RISK SHARING AUTHORITY OF CALIFORNIA ESTABLISHING CRITERIA FOR DEFENSE COUNSEL PANEL FOR THE LIABILITY PROGRAM

WHEREAS, the Public Agency Risk Sharing Authority of California, herein referred to as PARSAC, is a Joint Powers Authority organized and existing in accordance with the laws of the State of California, and;

WHEREAS, one of PARSAC's functions is to operate a liability risk sharing pool for its members, and;

WHEREAS, PARSAC and its members will retain defense counsel to provide defense against third party claims and suits, and;

WHEREAS, PARSAC shall have the right and duty to participate in the defense of any claim or suit against a member if the final judgment or settlement is likely to result in an ultimate net loss exceeding a member's self-insured retention, and;

WHEREAS, PARSAC previously developed an informal list of defense attorneys throughout the state who have experience in defending public entities and their employees against third party liability claims, and;

WHEREAS, the geographic diversity and wide variability of members' self-insured retentions result in inconsistent litigation management, reporting, administration, and defense costs, and;

WHEREAS, it is the desire of the Board of Directors to develop a formal defense attorney panel to ensure professional, competent, and cost-effective handling of defense litigation of cases that affect PARSAC;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors as follows:

A. The informal defense panel shall be replaced by a formal defense panel as per the attached Exhibit A, which may only be amended by Board action.

B. Law firms must meet and agree to the following provisions before PARSAC will consider their inclusion on the panel:

1. Attorneys must have no less than 10 years civil litigation practice which includes substantial and significant experience in municipal entity liability defense to be eligible for case assignment;

2. The firm shall provide a resume setting forth the experience of the individual attorneys that would be assigned to cases and their areas of expertise;

3. The firm must agree to the maximum hourly rates outlined in the attached Fee Schedule (Exhibit B), unless specialized legal representation is necessary (i.e. railroad litigation) which would require prior approval from PARSAC. Except where prior approval has been given, members will be responsible for the amount in excess of the maximum, which shall not reduce the member's self-insured retention obligation. The maximum hourly rate will be reviewed on a bi-annual basis.

4. The firm must agree to abide by the policies and procedures established by PARSAC for the handling of litigation.

5. The firm must evidence general liability, automobile liability, workers' compensation, and professional liability insurance. The policy limits must not be less than $1,000,000 per occurrence and PARSAC its officials, officers, employees and agents, with the exception of workers' compensation and professional liability, must be named additional insured.

C. The General Manager and Officers may appoint a particular attorney or law firm other than panel counsel when specialized, unforeseen defense is required. The law firm or attorney shall comply with conditions 1 -6 above.

D. PARSAC will assign defense counsel for Members with SIRs under $250,000 in collaboration with the Member. Members with SIRs of $250,000 and higher will make the assignment, except for claims involving law enforcement. Nothing in this resolution shall be construed to limit the right of the member entity to retain its own defense counsel to represent the member entity in any litigation. If, however, a member entity retains its own counsel who is not one of the defense panel firms, the member entity shall be solely responsible for all attorney's fees and costs, and the member entity shall be deemed to have waived any rights to defense and indemnity coverage from PARSAC for that particular litigation, regardless of any change in PARSAC's position on available coverage.

E. A member entity has the right to utilize its own in-house counsel (i.e. an employee of the member entity, not a contracted city attorney) to represent the member entity in any litigation. However, no in-house counsel fees or costs shall be applied towards the satisfaction of the member entity's retained limit.

F. Law firms that are contracted city attorneys for the member entity will not serve in the dual capacity of general counsel and defense counsel for the litigation of claims/suits. A member entity retaining the contracted city attorney's law firm for defense counsel shall be solely responsible for all attorney's fees and costs, and the member entity shall be deemed to have waived any rights to defense and indemnity coverage from PARSAC for that particular litigation.

G. Law firms that are contracted city attorneys for the member entity may serve in the dual capacity of general counsel and defense counsel for the litigation of claims/suits if the member entity maintains a $350,000 self-insured retention. Member selected defense counsel must include PARSAC on all litigation correspondence from the onset of the claim or suit, comply with conditions 1 – 6, and is subject to regular review and approval of PARSAC. PARSAC may assign alternative counsel should the claim/suit involve an area of practice that is outside the contracted defense counsel's specialty.

Effective Date. This Resolution shall become effective on upon adoption and shall replace Resolution 2014-01.

ADOPTED this ~~25th~~ 31st day of May ~~2017~~ 2018

ATTEST:

____
~~Greg Franklin~~ John Gillison, President
PARSAC Board of Directors

____
Joanne Rennie, PARSAC Board Secretary

RESOLUTION NO. ~~2017-02~~ 2018-02

EXHIBIT A

Liability Defense Panel Approved Firm List

~~Aleshire & Wynder~~

Allen, Glaessner Hazelwood & Werth

Angelo Kilday & Kilduff

Best Best & Krieger

Bordin ~~Martorell~~ Semmer

Law Offices of Borton Petrini

~~Bradley Curley Asiano Barrabee Abel & Kowalski~~

Bremer Whyte Brown & O'Meara

Brobeck West Borges Rosa & Douville

Caulfield Law Firm

Collins Collins Muir & Stewart

Daley & Heft

Diepenbrock & Cotter

Edrington Schirmer & Murphy

Ferguson Praet & Sherman

Fortin Law Group

~~Law Office of Kathy M. Gandara~~

~~Gibeaut Mahan & Briscoe~~

Graves & King

Haight, Brown & Bonesteel

Law Offices of Scott C. Haith

~~Hawkins Parnell Thackston & Young~~

~~Howard Rome Martin & Ridley~~

Jones & Mayer

Kennedy Archer & Giffen

Longyear O'Dea & Lavra

Low Ball & Lynch

Manning & Kass Ellrod Ramirez Trester

~~Marderosian, Cercone & Cohen~~

McNamara Ney Beatty Slattery Borges & Ambacher

Mitchel Brisso Delaney & Vrieze

Murchison & Cumming

~~Nelson Rozier~~

Noland Hamerly Etienne & Hoss

Porter Scott

Porter Simon

Pyka Lenhard Schnaider Zell

Richard Watson Gershon

~~Thompson & Colegate~~

~~Weakley & Arendt~~

Amended May 31, 2018
Amended May 25, 2017
Adopted December 3, 2015
Replaces Resolutions 2015-02, 2014-01, 2011-01, 2010-02, and 2005-04

RESOLUTION NO. ~~2017-01~~ 2018-02

EXHIBIT B

Maximum Fee Schedule

Legal Staff	*Maximum Rate*
Partners	~~$200~~$225
Associates	~~$150~~$185
Paralegals	~~$85~~$95

Amended May 31, 2018
Adopted May 25, 2017
Adopted December 3, 2015
Replaces Prior Resolutions 2015-02, 2014-01, 2011-01 and 2010-02

RESOLUTION NO. ~~2017-05~~ 2018-03

RESOLUTION OF THE BOARD OF DIRECTORS OF THE PUBLIC AGENCY RISK SHARING AUTHORITY OF CALIFORNIA ESTABLISHING CRITERIA FOR DEFENSE COUNSEL PANEL FOR THE WORKERS' COMPENSATION PROGRAM

WHEREAS, the Public Agency Risk Sharing Authority of California, herein referred to as PARSAC, is a Joint Powers Authority organized and existing in accordance with the laws of the State of California, and;

WHEREAS, one of PARSAC's functions is to operate a workers' compensation risk sharing pool for its members, and;

WHEREAS, PARSAC and its members will retain defense counsel to provide defense against litigated workers' compensation claims, and;

WHEREAS, PARSAC shall have the right and duty to participate in the defense of any claim or suit against a member if the final judgment or settlement is likely to result in an ultimate net loss exceeding a member's self-insured retention, and;

WHEREAS, the geographic diversity and wide variability of members' self-insured retentions can result in inconsistent litigation management, reporting, administration, and defense costs, and;

WHEREAS, it is the desire of the Board of Directors to develop a formal defense attorney panel to ensure professional, competent, and cost-effective handling of defense litigation of cases that affect PARSAC;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors as follows:

A. The defense panel shall include all firms listed in the attached Exhibit A, which may only be amended by Board action.

B. Law firms must meet and agree to the following provisions before PARSAC will consider their inclusion on the panel:

   1. The firm must have demonstrated success representing public entities and specific expertise in the workers' compensation arena;

   2. Attorneys must have no less than 5 years litigation practice which includes substantial and significant experience in public entity defense to be eligible for case assignment;

3. The firm shall provide a resume setting forth the experience of the individual attorneys that would be assigned to cases and their areas of expertise;

4. The firm must agree to the maximum hourly rates outlined in the attached Fee Schedule (Exhibit B), unless specialized legal representation is necessary, which requires prior approval from PARSAC. The maximum hourly rate will be reviewed on a bi-annual basis.

5. The firm must agree to abide by the policies and procedures established by PARSAC for the handling of litigation.

6. The firm must evidence general liability, automobile liability, workers' compensation, and professional liability insurance. The policy limits must not be less than $1,000,000 per occurrence and PARSAC its officials, officers, employees and agents, with the exception of workers' compensation and professional liability, must be named additional insured.

C. The General Manager and Officers may appoint a particular attorney or law firm other than panel counsel when specialized, unforeseen defense is required. The law firm or attorney shall comply with conditions 1 -6 above.

D. PARSAC will assign defense counsel for Members with a zero SIR, in collaboration with the Member.

Members with an SIR may assign cases to firms listed on the Panel. Nothing in this resolution shall be construed to limit the right of the member entity to retain its own defense counsel to represent the member entity in any litigation. Except where prior approval has been given, the member is responsible for amounts in excess of the maximum hourly rates, which shall not reduce the member's self-insured retention obligation.

Effective Date. This Resolution shall replace Resolution ~~2014-02~~ 2017-05, effective ~~July 1, 2014~~ November 30, 2017.

ADOPTED this ~~30th Day of November 2017~~ 31st day of May 2018.

ATTEST:

John Gillison, President
PARSAC Board of Directors

Joanne Rennie, PARSAC Board Secretary

RESOLUTION NO. ~~2017-05~~ 2018-03

EXHIBIT A

Workers' Compensation Defense Panel Approved Firm List

Law Offices of C. Robert Bakke

~~Goldman Magdalin & Krikes~~

Barbara L. Kiely, Attorney at Law

Joe Montgomery, Hanna Brophy

Joseph T. Todoroff, II, Hanna Brophy

Lenahan Lee Slater & Pearse

~~Luna Levering & Schad~~

Richard, Thorson, Graves & Royer

~~Robin, Carmack and Gonia~~

~~Stockwell Harris Woolverton & Muehl~~

~~Law Offices of Stacey L. Tokunaga~~

Wall McCormick Baroldi Green & Dugan

Boone T. White, Witzig Hanna Sanders

Robert A. Sanders, Witzig Hanna Sanders

Amended May 31, 2018
Amended November 30, 2017
Amended May 25, 2017
Adopted May 31, 2012
Amended May 30, 2013
Amended December 4, 2014

RESOLUTION NO. ~~2017-05~~ -2018-03

EXHIBIT B

Maximum Fee Schedule

Legal Staff	*Maximum Rate*
Partners	$175
Associates	$145
Paralegals	$75

Adopted ~~November 30, 2017~~ May 31, 2018

May 31, 2018
Board of Directors Meeting

OPERATIONAL BEST PRACTICES
CONTRACTUAL RISK TRANSFER

SUMMARY: Risks are commonly transferred through contract and insurance. Through a contractual transfer, one party is responsible for the liability and defends the other party for losses arising from contract services. Risks are also transferred through insurance, where one party names the other as an additional insured to the policy. Presented is a manual to assist members in effective transfer of risks associated with contracted services.

RECOMMENDATION: Board adopt.

DISCUSSION: PARSAC members often enter into agreements with contractors, vendors, suppliers, tenants or even other public entities. When executing such agreements, it is good risk management practice for the member to transfer the risk of loss by contract. This contractual transfer is achieved through use of hold harmless and indemnity clauses, by which one party assumes the liability of another and agrees to defend them in the event of a claim or lawsuit. While the hold harmless and indemnity agreement is the legal instrument to transfer risk, the insurance policy is often the mechanism to fund that risk. Usually the best method to ensure the transfer takes place is to require insurance. The insurance is intended to protect not only the contactor, but also the City against third party losses. Therefore, all City contracts and/or professional service agreements should contain standard insurance requirements language. These requirements will convey to the contractor the types and limits of insurance, acceptable insurers, specific endorsement language, and renewal/cancellation notices, etc., prior to the commencement of work.

PARSAC's website provides an insurance requirement guide, which is intended to be a useful tool in helping members determine the appropriate requirements based on contracted services. The feedback staff has received is that the website information, although very informative, contains too much information and is difficult to follow. As an alternative, staff is presenting Alliant's insurance requirements manual for members' use. The manual was originally developed as a public document in the late 70's by public entity risk managers and consultants. It has been updated throughout the years and was recently reviewed by leading industry consultants in risk management.

Staff will provide a presentation on the use of this manual and will hand out a flash drive with an electronic version of this document.

FISCAL IMPLICATION: Effective risk transfer significantly reduces PARSAC's exposure.

Public Agency Risk Sharing Authority of California
2017-18 Member Demographics

Member Entity	Area[1]	Pop.[1]	Emp.[2]	GL SIR[3]	WC SIR[3]	EPL SIR[3]	Group Purchased Deductible Prop	Group Purchased Deductible Bond	Spec Events	GL Subro[4]
Amador City	0.30	184	5	10	--	10	5,000	2,500	✓	
Avalon	2.90	3,820	127	25	10	25	5,000	25,000	✓	✓
Belvedere	2.40	2,094	25	25	100	25	5,000	2,500		
Blue Lake	0.54	1,253	23	5	0	5	5,000	2,500	✓	
California City	204	13,751	176	100	--	100	10,000	25000	✓	✓
Calimesa	15	8353	10	10	0	10	5,000	2500	✓	✓
Calistoga	2.50	5,261	71	10	25	10	5,000	2,500	✓	✓
Citrus Heights	14.00	85,147	307	100	100	100	5,000	2,500	✓	
Clearlake	10.50	15,250	69	50	50	25	5,000	2,500	✓	
Coalinga	6.49	18,087	98	25	25	25	5,000	2,500	✓	
Ferndale	1.00	1,382	20	5	0	5	--	--		✓
Grass Valley	4.75	12,900	115	25	25	25	5,000	2,500	✓	
Highland	15.00	54,050	43	100	0	25	5,000	25,000	✓	✓
Menifee	48.00	85,385	63	25	5	25	5,000	2,500	✓	✓
Nevada City	2.50	3,194	60	25	--	25	5,000	2,500	✓	
Pacific Grove	2.30	15,388	389	150	100	50	5,000	2,500	✓	
Placentia	6.70	52,397	182	100	--	100	5,000	2,500	✓	
Placerville	5.80	10,673	235	50	--	50	5,000	2,500	✓	✓
Plymouth	2.50	967	20	5	0	5	5,000	2,500	✓	✓
Point Arena	2.00	478	7	5	0	5	--	2,500	✓	
R. Cucamonga	40.20	174,064	747	500	250	250	10,000	2,500	✓	
R. Cucamonga FPD	50.00	174,064	120	250	250	75	5,000	2,500		
R. Santa Margarita	13.00	49,125	30	10	5	10	5,000	2,500	✓	
San Juan Bautista	3.00	1,800	14	5	--	5	5,000	2,500	✓	
South Lake Tahoe	11.00	21,738	275	250	--	100	5,000	2,500	✓	
Tehama	0.75	417	4	5	0	5	5,000	25,000	✓	✓
Trinidad	1.00	365	15	5	0	5	5,000	2,500	✓	
Truckee	34.00	16,000	133	25	10	25	5,000	2,500	✓	✓
Twentynine Palms	58.00	26,600	48	10	0	10	5,000	2,500	✓	
Watsonville	6.19	52,508	392	500	150	250	5,000	25,000	✓	
West Hollywood	1.90	35,899	273	100	50	100	5,000	2,500		
Wheatland	8.80	3,600	25	5	0	5	5,000	2,500	✓	✓
Wildomar	25.00	34,148	10	5	0	5	5,000	2,500	✓	
Yountville	1.60	2,933	27	10	0	10	5,000	2,500	✓	✓
Yucaipa	27.00	52,100	161	50	5	50	5,000	2,500	✓	
Yucca Valley	30.00	20,700	113	25	5	25	5,000	2,500	✓	
Pool Totals		1,056,075	4,432							

[1]Area in sq. mi; from liability renewal

[2] F/T, P/T and Volunteers combined; from 2016-17 liability renewal (not FTE)

[3] SIRs stated in 000's of dollars

[4] George Hills Co. liability subrogation recovery program