



President
Mr. Roger Carroll
Town of Loomis

Secretary
Ms. Pamela Russell
City of Etna

Vice President
Mr. Kelly McKinnis
City of Weed

Treasurer
Ms. Linda Romaine
Town of Fort Jones

**SMALL CITIES ORGANIZED RISK EFFORT
BOARD OF DIRECTORS
MEETING**

Date: Friday, October 25, 2013
Time: 8:30 AM

Location: NAPA RIVER INN HOTEL
500 MAIN STREET
NAPA, CA 94559
(707) 251-8500

- A Action**
- I Information**
- 1 Attached**
- 2 Hand Out**
- 3 Separate Cover**
- 4 Verbal**
- 5 Previously Mailed**

PAGE **A. CALL TO ORDER**

B. ROLL CALL

C. APPROVAL OF AGENDA AS POSTED

A 1

D. PUBLIC COMMENTS

This time is reserved for members of the public to address the Board of Directors on matters of SCORE that are of interest to them.

Pg.1 **E. CONSENT CALENDAR**

A 1

All matters listed under the consent calendar are considered routine with no separate discussion necessary. Any member of the public or Board of Directors may request any item to be considered separately.

Pg. 2

1. [Board of Directors Meeting Draft Minutes – September 23, 2013](#)

Pg. 10

2. [Local Agency Investment Fund \(LAIF\) Monthly Statement of Investments –June 30, 2013](#)

Pg. 11

3. [Union Bank Account Statements – June – August 2013](#)

Pg. 51

4. [US Bank Custodial Account Statement – August – September 2013](#)

Pg. 71

5. [SCORE Checking Account Transaction List – June – September 2013](#)

Pg. 72

6. [Investment Statements from Chandler Asset Management – June – September 2013](#)

a. [Account 590](#)

i. [Portfolio Summaries](#)

ii. [Compliance Report](#)

Pg.88

7. [ACI Specialty Quarterly Utilization Report – July 1, 2013 – September 30, 2013](#)

Pg.96

8. [Target Solutions Utilization Report – November 1, 2012 to September 10, 2013](#)

The Small Cities Organized Risk Effort or SCORE, is an association of municipalities joined to protect member resources by stabilizing risk costs in a reliable, economical and beneficial manner while providing members with broad coverage and quality services in risk management and claims management.



Pg.97	F. <u>COMMITTEE REPORTS</u>	I	4
Pg. 98	1. ERMA Board of Directors Minutes – June 17, 2013		
Pg.108	2. LAWCX Board of Directors Meeting – June 11, 2013		
Pg.118	3. CJPRMA Board of Directors Meeting Minutes – May 14-16, 2013		

G. ADMINISTRATIVE REPORTS

	1. President’s Report	I	4
	<i>Roger Carroll will address the Board on items pertaining to SCORE</i>		
	2. Alliant Update	I	4
	<i>Michael Simmons will update the Board on Alliant matters pertinent to SCORE</i>		
	3. CJPRMA Update	I	4
	<i>Roger Carroll will provide the Board with an update on action taken at the October 2013 Board of Directors meeting</i>		
	4. ERMA Update	I	4
	<i>Mr. Roger Carroll will update the Board on ERMA matters pertinent to SCORE</i>		
	5. LAWCX Update	I	4
	<i>Mr. Michael Simmons will update the Board on LAWCX matters pertinent to SCORE</i>		

H. FINANCIAL

Pg.129	1. <u>Quarterly Financials for Period Ending June 30 and September 30, 2013</u>	A	
	<i>Board Members will review the Quarterly financials and the Statement of Net Assets presented by Gilbert Associates, Inc. and may take action to Accept and File or give direction</i>		
	a. June 30, 2013 Quarterly Financials		1
	b. September 30, 2013 Quarterly Financials		2
Pg.134	2. <u>Consideration of Newly Proposed Retrospective Rating Calculation Methodology</u>	A	1
	<i>The Board of Directors will have the opportunity to discuss and consider the adoption of a newly proposed retrospective rating methodology developed by Staff and Gilbert Associates.</i>		

TIME CERTAIN – 9:30 A.M.

Pg.183	3. <u>SCORE Financial Audit Report for FY 2012-13</u>	A	1
	<i>Mr. Matt Nethaway from Crowe Horwath LLP will present the Draft Financial Audit for Fiscal Year Ending June 30, 2013 to the Board for their review and consideration of acceptance.</i>		

The Small Cities Organized Risk Effort or SCORE, is an association of municipalities joined to protect member resources by stabilizing risk costs in a reliable, economical and beneficial manner while providing members with broad coverage and quality services in risk management and claims management.

I. JPA BUSINESS

Pg.227	1. <u>SCORE Target Equity Analysis</u>	I 4
	<i>Michael Simmons will review with the Board, SCORE's historical and current Target Equity Ratios and discuss how their evaluations assist SCORE in effectively managing its financial needs.</i>	
Pg.252	2. <u>Target Solutions Service Provider Agreement Discussion & Renewal</u>	A 1
	<i>The Board of Directors will review the renewal proposal presented by Target Solutions and consider taking action on renewing the expiring service agreement.</i>	
Pg.257	3. <u>Loss Control Grant Fund Program</u>	A 1
	<i>The Board of Directors will have the opportunity to review and discuss the framework document outlining the proposed Loss Control Grant Fund Program.</i>	
Pg.261	4. <u>Safety and Loss Control Service Provider RFP Discussion</u>	I 1
	<i>The Board should review, discuss and provide direction to staff on the need to pursue an RFP for an exclusive Loss Control Services provider starting with the 2014-15 Fiscal Year.</i>	
Pg.286	5. <u>SCORE Board Representative to LAWCX Appointment</u>	A 1
	<i>The Board of Directors will appoint a new Board representative to LAWCX to replace Ted Marconi, who has retired and is no longer with SCORE.</i>	
Pg.287	6. <u>Liability Claims Audit Service Provider Request for Proposals</u>	A 1
	<i>Members will take action as respects if SCORE should issue a Request for Proposal (RFP) for a claims auditor or contract with the prior claims auditor. The last claims audit was done in March 2012 by Ken Maiolini.</i>	
Pg.291	7. <u>Workers' Compensation Claims Audit Service Provider Request for Proposals</u>	A 1
	<i>Members will take action as respects if SCORE should issue a Request for Proposal (RFP) for a claims auditor or contract with the prior claims auditor. The last claims audit was done in March 2010 by Nicholas Cali.</i>	
Pg.300	8. <u>Update on US Bank Custodial Account Transfer</u>	I 4
	<i>The Board of Directors will hear an update on the custodial account transfer from Union Bank to US Bank that was executed by staff.</i>	
Pg. 301	9. <u>Alliant State of the Market 2014 Presentation</u>	I 4
	<i>If time allows, Alliant staff will present the state of the Insurance market for the upcoming year.</i>	

The Small Cities Organized Risk Effort or SCORE, is an association of municipalities joined to protect member resources by stabilizing risk costs in a reliable, economical and beneficial manner while providing members with broad coverage and quality services in risk management and claims management.



Pg.315 **J. CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.95**
****REQUESTING AUTHORITY**

1. Liability

- a. Schwartz vs. Susanville
- b. Bernhardt vs. Susanville
- c. Hubbard vs. Susanville
- d. Caitlin vs. Isleton
- e. Bellamy vs. Isleton
- f. Shivy vs. Weed

2. Workers' Compensation

- a. SCWA-158878 vs. City of Susanville**
- b. SCWA-83291 vs. City of Susanville**
- c. SCWA-555704 vs. City of Weed**

K. REPORT FROM CLOSED SESSION I 4

L. INFORMATION ITEMS I

- Pg.316 1. [PARMA Conference – February 9 – 12, 2014 in San Jose, CA](#) 1
- Pg.319 2. [SCORE Resource Contact Guide](#) 1

M. CLOSING COMMENTS

ADJOURNMENT

UPCOMING MEETING

Board of Directors Meeting – January 24, 2013 in Shasta Lake, CA

IMPORTANT NOTICES AND DISCLAIMERS:

Per Government Code 54954.2, persons requesting disability related modifications or accommodations, including auxiliary aids or services in order to participate in the meeting, are requested to contact Laurence Voiculescu at Alliant Insurance at (916) 643-2702.

The Agenda packet will be posted on the SCORE website at www.scorejpa.org. Documents and material relating to an open session agenda item that are provided to the SCORE Board of Directors less than 72 hours prior to a regular meeting will be available for public inspection and copying at 1792 Tribute Road, Suite 450, Sacramento, CA 95815.

Access to some buildings and offices may require routine provisions of identification to building security. However, SCORE does not require any member of the public to register his or her name, or to provide other information, as a condition to attendance at any public meeting and will not inquire of building security concerning information so provided. See Government Code section 54953.3.

The Small Cities Organized Risk Effort or SCORE, is an association of municipalities joined to protect member resources by stabilizing risk costs in a reliable, economical and beneficial manner while providing members with broad coverage and quality services in risk management and claims management.

CONSENT CALENDAR

ACTION ITEM

ISSUE: Items on the Consent Calendar should be reviewed by the Board and, if there is any item requiring clarification or amendment, such item should be pulled from the agenda for separate discussion. The Board should adopt the Consent Calendar excluding those items removed.

RECOMMENDATION: The Program Administrator recommends adoption of the Consent Calendar after review by the Board of Directors. *Items requested to be removed for Consent will be placed back on the agenda in an order determined by the President.*

FISCAL IMPACT: None

BACKGROUND: Items of importance, that may not require discussion, are included on the Consent Calendar for adoption.

ATTACHMENT:

1. Board of Directors Meeting *Draft* Minutes – September 23, 2013
2. Local Agency Investment Fund (LAIF) Monthly Statement of Investments – June 30, 2013
3. Union Bank Account Statements – June – August 2013
4. US Bank Custodial Account Statement – August – September 2013
5. SCORE Checking Account Transaction List – June – September 2013
6. Investment Statements from Chandler Asset Management – June – September 2013
 - Account 590
 - Portfolio Summaries
 - Compliance Report
7. ACI Specialty Quarterly Utilization Report – July 1, 2013 – September 30, 2013
8. Target Solutions Utilization Report – November 1, 2012 – September 30, 2013



**Small Cities Organized Risk Effort (SCORE)
Board of Directors Teleconference / Webinar Minutes
September 23, 2013**

Member Cities Present (Teleconference):

Mark Sorensen, City of Biggs
John Busch, City of Biggs
Carol McKay, City of Dorris
Brenda Bains, City of Dunsmuir
Pamela Russell, City of Etna
Roger Carroll, Town of Loomis
Kathy LeBlanc, City of Loyalton
Janie Sprague, City of Montague
Don Kincade, City of Montague
Muriel Howarth Terrell, City of Mt. Shasta

Susan Scarlett, City of Portola
Stephanie Beauchaine, City of Rio Dell
John Duckett, City of Shasta Lake
Jared Hancock, City of Susanville
Randolph Darrow, City of Tulelake
Ron Stock, City of Weed
Kelly McKinnis, City of Weed
Steve Baker, City of Yreka

Member Cities Absent (Teleconference):

Laurie Van Groningen, City of Colfax
Robert Jankovitz, City of Isleton
Satwant Takhar, City of Live Oak

Consultants & Guests

Susan Adams, Alliant Insurance Services
Michael Simmons, Alliant Insurance Services
Laurence Voiculescu, Alliant Insurance Services

A. CALL TO ORDER

Mr. Roger Carroll called the meeting to order at 10:05 a.m.

B. ROLL CALL

The above mentioned members were present constituting a quorum. Cities absent from this meeting were the City of Colfax, City of Isleton and City of Live Oak.



C. APPROVAL OF AGENDA AS POSTED

A motion was made to approve the Agenda as posted.

MOTION: Kathy LeBlanc **SECOND:** Jared Hancock **MOTION CARRIED**

D. PUBLIC COMMENT

There were no public comments.

E. CONSENT CALENDAR

1. "Draft" Board of Directors Meeting Minutes – June 28, 2013

A motion was made to approve the Consent Calendar as presented.

MOTION: Pamela Russell **SECOND:** Kathy LeBlanc **MOTION CARRIED**

F. JPA BUSINESS

F1. Safety & Loss Control Service Plan for FY 2013-14

Ms. Susan Adams addressed the Board and briefly reviewed the goals set for the Safety and Loss Control committee that was to review the loss control needs for the JPA. In order to more effectively identify the risk control needs of members, staff developed a Loss Control Survey that was sent out to all of SCORE's Member Cities.

She noted that not all cities responded, but from the responses that were received, staff was able to identify several key exposures that could be addressed by targeted training services. Pages 17 and 18 of the agenda packet were identified as showing part of the Safety and Loss Control Survey responses received from members.

Ms. Adams stated that staff obtained pricing from DKF Risk Solutions (David Patzer) for the items listed under Sewer and State Water Resources Control Board and Cal OSHA compliance. Staff then looked at what was already available through SCORE's contracted on-line training vendor, Target Solutions. This was done to show the training options Members already have available at no additional cost, since TargetSolution's services are already part of the current year's budget.

As respects the Cal OSHA compliance section, it was determined that even when allocating the cost of training over a three year period, the costs remained very high. The ad-hoc Committee and staff discussed the matter and agreed to make a recommendation to allocate a total of \$21,000 from the current budgeted amount of \$75,000 to address the two items identified as high importance in the



survey, that were not available from TargetSolutions. Most other CalOSHA compliance training topics (with the exception of the Transite / Asbestos Pipe Policy) had at least some training available from TargetSolutions.

Staff and the ad Hoc committee then reviewed the Sewer and Wastewater risk exposures and agreed on a recommendation to allocate \$35,000 for the current year for training.

Ms. Adams then stated that the remainder of \$19,000 would be allocated in the form of \$1,000 per member that can be used to address all other loss control issues such as sidewalk liability, playground inspections, onsite training, etc. An approved list of vendors was created to include the following vendors:

- DKF Solutions
- SBK
- Bickmore
- Willis

The funds can be accessed by submitting a written request to the Program Administrator and Board President who will approve it as long as the services are provided by one of the approved vendors. For any others, a request can be submitted detailing the reason why another vendor is being used to provide the services.

Ms. Adams stated that this would allow members that do not have a need for CalOSHA and/or Sewer and Wastewater training needs to obtain other types of risk control services that they deem appropriate.

Ms. Stephanie Beauchaine inquired how this program is any different than what has been done in the past.

Ms. Adams answered that in the past, Safety and Loss Control was handled by Jack Kastorff whose approach was more reactive than proactive. Mr. Kastorff (SBK) was always available to members to assist with specific training, inspections as well as to answer questions regarding loss control.

The new program offers a more proactive approach that will hopefully have a favorable impact in reducing losses and help cities with training programs they need.

Mrs. Janie Sprague inquired on whether they will be able to choose between the approved vendors on the list or whether they will select one vendor and the JPA will contract exclusively with that vendor.

Mr. Michael Simmons answered by saying that if a Member City were to contact the Administrator and inquire on a particular training module or service, the Administrator could likely make a recommendation on which vendor is well qualified to provide it.



Mr. Steve Baker went on to ask if Members would be able to group together in taking advantage of some of the services outlined in the Survey analysis. Mr. Simmons answered by saying that because of the limited safety and loss control budget for 2013-14, pooling together with other members on a particular training session could allow for achieving significant cost savings for everyone involved.

Mr. Carroll also outlined that all ERMA members are eligible for AB 1234 and AB 1825 training free of charge. ERMA organizes these trainings throughout the State several times a year.

Mr. Jared Hancock inquired whether or not SCORE currently has template program outlines for some of the training items presented on the survey or if each Member was expected to go out and prepare their own program.

Mr. Simmons answered by saying that these policies have been around for some time and if we were to identify a number of members that needed the same policy developed, Staff and the members would contact one of the vendors outlined above and arrange for a policy to be developed that could then be tailored to each member.

Mr. Hancock asked how bundling several cities into a single training session or developing a Cal OSHA policy would impact the costs listed in the survey analysis document.

Ms. Adams answered by saying that the costs shown only include the Members that responded to the survey with an indication that they would want to participate in the training. She went on to say that most cities either already have or should have some of the programs identified in the survey analysis in place and will just need to update them, therefore incurring only a fraction of the cost of developing a new policy. For the members that need these policies developed, SCORE would pay the vendor to develop a generic plan and then allow members to tailor the plan to their needs as much as possible in an effort to achieve additional cost savings.

Mr. Simmons addressed the Board and stated that it would be beneficial for members that have not responded to the survey to provide some input in the near future so that the pool can better identify what their needs are.

Mr. Hancock suggested that SCORE might think about creating a library to serve members and make it a more uniform process for all JPA members to become compliant, ensure that all SCORE members are using current policies as well as reduce the risk of members using outdated policies.

Mr. Simmons noted that if any members are in need of a sample policy to use for their City, staff would contact one of the vendors listed and most likely be able to provide such a document within 48 hours that was recently developed and is still current.

Mr. John Duckett asked if the items that are marked as available from TargetSolutions also offer a sample policy to use. Mr. Simmons stated that they should offer such a policy but that each Member should verify that the policy is California specific (where applicable), and is not too multi-state generic.



Mr. Simmons inquired on whether or not any other members or the committee would like to add any comments to the discussion. He also added that the reason this meeting was called now is to make sure members hear the recommendations developed by staff and the Ad Hoc Committee and to allow Cities to use loss control funds immediately, not having to wait until October or later.

Mr. Baker addressed the Board and stated that he looks at this discussion and proposal as a pilot project that will be further refined in the future, depending on input received from members and needs of the pool. He then thanked the committee and staff for working on developing the current format proposal.

Mr. Simmons added that if towards the end of the fiscal year the funds have not been fully utilized, staff will report utilization data to the Board and may recommend that the funds are made available to those members who would like to use them. Mr. Simmons stated that if members find that they need risk control questions answered, they should contact staff and let them know what they need and staff will work to get the issue addressed in a timely manner by involving one of the qualified loss control vendors identified on the approved vendor list.

Members were also encouraged to adopt the use of TargetSolutions' online platform training offerings as they are a great resource for a large part of the risk control solutions that Cities need to be aware of and implement. The program is currently available at no additional cost to members.

Mr. Hancock suggested that moving forward, staff should identify a set of minimum requirements for all SCORE members to include the mandatory training cycles and policies every member should have in place.

Mr. Simmons agreed that this would be beneficial to the group and pointed out that most members are in fact aware that most, if not all the items listed in the loss control survey that was sent out are requirements of Cal OSHA and the State Water Resources Control Board but that most Cities are not always in compliance.

Mr. Hancock recognized that this plan can act as a transition plan into a future agreement with a full time safety and loss control vendor that will address each cities loss exposures as well as monitor their compliance with OSHA and State Water Resources Control Board requirements.

Ms. Adams stated that a loss control vendor agreement will be discussed at a later time during the meeting and can be part of the solution when it comes to bringing members into compliance with minimum regulatory requirements as well as to assist with all other risk control needs of the JPA.

There were no further comments to this item.

Mr. Carroll requested a motion be made to approve the plan as presented.



A motion was made to approve the proposed FY 2013-14 Safety and Loss Control Service Plan

MOTION: Kathy LeBlanc **SECOND:** Randolph Darrow

The motion was subject to a roll call vote and PASSED unanimously.

MOTION CARRIES

F2. Risk Management Grant Program Introduction and Proposal

Ms. Adams addressed the Board and stated that after analyzing the responses from Members to the safety and loss control survey, it has become apparent that the pool has a real need for increased funding for Loss Control and Risk Management needs.

After discussing this conclusion with the ad hoc committee, it was agreed to bring a recommendation to the Board for implementing a Risk Management Grant Fund Program.

The funds would originate from the JPA's Liability and Workers' Compensation Programs and the allocation of funds would be based on percentage (%) of contributions made by members to each program annually. The funds will be available on a combined basis from both programs (i.e. if a member is not part of the WC program, they will only be allocated funds out of the \$100,000 originating from the Liability Program, based on the members' % of the total Liability Contribution for the year).

This would allow members to control what their Risk Management funds are spent on and hopefully create an incentive to address some of their risk exposures more effectively. The vendors used would have to be approved by the Board (a list would be created) and any exceptions will need prior approval from the Board in order to be eligible for reimbursement from the grant funds.

This is a very different approach than what was done in the past in the sense that instead of one exclusive contract with a single vendor, Cities will be able to decide what training they need, or what risk control needs they want to target and spend their funds as they see fit.

Ms. Adams then asked the Board for their opinion on the proposed plan. She also noted that this is not on the agenda for approval at this time but that staff wanted to give the Board an overview and allow the opportunity for discussion and suggestions. A recommendation for approval would come at a future Board meeting if the Board felt this program would benefit the JPA.

Mr. Carroll, answered by saying he finds the idea to be very good and that it will allow members to adopt a more proactive approach to managing risk in the future.

Ms. Carol McKay inquired on how loss control services were funded in the past. Ms. Susan Adams answered that in the past, Loss Control funds were collected every year as a separate line item in the SCORE Budget.



These funds would differ from the funds collected as part of the annual member contributions in the sense that they would originate from the pool's equity at the time retrospective dividends are declared, instead of members having to increase their loss control deposits as part of the budget.

Mr. Simmons and Ms. Adams addressed the Board and clarified what the funds can be spent on. An example was given of a City that used a similar grant to purchase ergonomic chairs. Another example was given of an agency that replaced their old worn out carpet to eliminate a well known tripping hazard in their City Hall building. In essence, each member can determine what their fund allocation will be spent on, as long as it is a project or training that has the potential to reduce future claims in their City.

Mr. Simmons added that this would be a good way to ensure that the money that is being returned back to members is being spent to reduce future losses vs. simply returning the dividends to a members' general fund. Once the money ends up going back to the general fund, the JPA has no control on how funds end up being spent. The focus of such a program is to incentivize members to dedicate the expenditures of this money to reducing losses within their City.

Mr. Carroll inquired on whether there were any other comments regarding this item.

No further comments were present. This was an information item and no action was taken.

F3. FY 2014-15 Safety and Loss Control Plan

Ms. Adams addressed the Board and noted that this item was included to give the Board an opportunity to provide feedback regarding the perceived need to hire a professional loss control firm to serve the pool year round.

She noted that several years prior, SBK, Willis and Bickmore submitted proposals to a RFP issued by SCORE. The costs quoted at that time have been provided as a ballpark estimate as to what entering into an agreement would cost the JPA. It was also noted that if a vendor was hired, the determinations made as respects training and risk control needs would be considered and risk management grant funds would be made available to address any needs that are identified.

Mr. Carroll inquired on whether these issues would be included in the October 2013 meeting agenda.

Mr. Simmons advised that both the risk management grant fund item and the loss control vendor consideration item will be on the agenda for October along with whether or not the ad Hoc committee on loss control will continue to operate with the intention to provide input to staff as the Risk Management Grant Fund framework and/or a possible RFP for a Loss Control Vendor are developed.

Mr. Carroll inquired on whether there were any other comments regarding this item.



No further comments were made. This was an information item and no action was taken.

G. CLOSING COMMENTS

There were no closing comments.

AJOURNMENT

The meeting was adjourned at 11:01 AM.

NEXT MEETING DATE: October 24 & 25, 2013 in Napa, CA

Respectfully Submitted,

Pamela Russell, Secretary

Date

DRAFT



JOHN CHIANG

California State Controller

LOCAL AGENCY INVESTMENT FUND REMITTANCE ADVICE

Agency Name	S.C.O.R.E.
Account Number	40-04-001

As of 07/15/2013, your Local Agency Investment Fund account has been directly credited with the interest earned on your deposits for the quarter ending 06/30/2013.

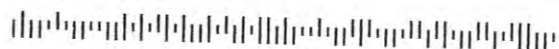
Earnings Ratio		.00000667321954799
Interest Rate		0.24%
Dollar Day Total	\$	186,038,597.18
Quarter End Principal Balance	\$	1,897,351.98
Quarterly Interest Earned	\$	1,241.48



ITC, INSTITUTIONAL CUSTODY
 350 CALIFORNIA STREET, 6TH FLOOR
 SAN FRANCISCO CA 94104

MB 02 001315 78958 H 8 A

SMALL CITIES ORGANIZED RISK EFFORT
 ATTN: LINDA ROMAINE
 P. O. BOX 40
 FORT JONES, CA 96032-0040



Important Information

Reminder: Union Bank's cut-off time for all mutual fund trades is 30 minutes prior to funds' published cut-off times. Reich & Tang published cut-off time for money market funds is 4:00 pm ET (1:00 pm PT). See each fund's prospectus for published cut-off time

Account Statement

Statement Period

June 1, 2013 through June 30, 2013

Account Number

6736301210

Account Name

SMALL CITIES ORGANIZED RISK EFFORT

Relationship Manager

JEANETTE SIMMONS
 415-705-7210

Online Access

unionbank.com/trustandcustody

Investment Manager

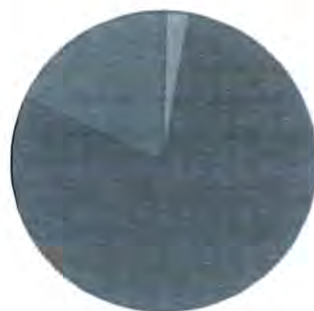
CHANDLER LIQUID ASSET MGMT

Overview of Total Account Value

Closing Value on 12/31/2012	\$10,664,971.16
Opening Value on 06/01/2013	\$10,640,260.40
Closing Value on 06/30/2013	\$10,598,078.55
Net Change For Period	(\$42,181.85)

Overview of Account by Investment Category

Your Current Portfolio Mix



% of Total Account	Market Value	Description
2.48%	262,975.20	Cash & Cash Equivalents
79.16%	8,389,794.35	Government Obligations
18.36%	1,945,309.00	Corporate Obligations
100.00%	\$10,598,078.55	Total Account Value



Account Number
6736301210

Account Name
SCORE

Contents

- Account Summary
 - Principal Portfolio Summary
 - Unrealized Gain/Loss Summary
 - Cash Transactions Summary
 - Asset Detail
 - Maturity Summary
 - Transaction Detail
 - Realized Gain/Loss Summary

Principal Portfolio Summary

Description	Market Value	Percentage of Portfolio	Current Yield
Cash & Cash Equivalents	262,975.20	2.48%	0.19%
Government Obligations	8,389,794.35	79.16%	1.59%
Corporate Obligations	1,945,309.00	18.36%	2.33%
Total Principal Portfolio	\$10,598,078.55	100.00%	1.69%

Unrealized Gain/Loss Summary

Description	Cost Basis	Market Value	Gain/Loss
Cash & Cash Equivalents	262,964.23	262,975.20	10.97
Government Obligations	8,408,942.58	8,389,794.35	(19,148.23)
Corporate Obligations	1,957,566.70	1,945,309.00	(12,257.70)
Total Gain/Loss	\$10,629,473.51	\$10,598,078.55	(\$31,394.96)

Account Statement

Statement Period

June 1, 2013 through June 30, 2013

Cash Transactions Summary

	Principal Cash
Receipts	
Dividend	0.05
Interest	22,828.42
Sales	529,571.21
Maturities/Redemptions	409,840.34
Other Receipts	2,292.00
Total Receipts	\$964,532.02
Disbursements	
Accrued Interest Paid	(364.58)
Purchases	(960,804.44)
Payments to/for Beneficiaries	(1,071.00)
Fees	(2,292.00)
Total Disbursements	(\$964,532.02)
Total Net Transactions	\$0.00



Account Number
6736301210

Account Name
SCORE

Account Statement

Statement Period

June 1, 2013 through June 30, 2013

Asset Detail - Principal Portfolio

Cash & Cash Equivalents

Asset Name	CUSIP	Shares/ Units Held	Cost Basis	Market Value	Price/ Date Priced	Percentage of Portfolio	Current Yield	Estimated Annual Income
HighMark Money Market Funds								
HIGHMARK MONEY MARKET 100% U S TREASURY FD FIDUCIARY SH ***CASH MANAGEMENT SWEEP	431114503S	53,130.600	53,130.60	53,130.60	1.0000 06/28/2013	0.50%	0.00%	1.33
Disc Comm'l Paper/Bnker Accpt								
BANK OG TOKYO MITSUBIS DISC COML PAPER DTD 04/12/2013 10/15/2013	06538BXF5	210,000.000	209,833.63	209,844.60	99.9260 06/28/2013	1.98%	0.23%	485.80
Total Cash & Cash Equivalents			\$262,964.23	\$262,975.20		2.48%	0.19%	\$487.13

Government Obligations

Asset Name	CUSIP	Shares/ Units Held	Cost Basis	Market Value	Price/ Date Priced	Percentage of Portfolio	Current Yield	Estimated Annual Income
US Treasury								
UNITED STATES TREAS NTS 0.2500% 4/30/2014	912828SR2	350,000.000	350,165.23	350,231.00	100.0660 06/28/2013	3.30%	0.25%	875.00
UNITED STATES TREAS NTS 0.2500% 5/15/2015	912828SU5	250,000.000	248,985.21	249,590.00	99.8360 06/28/2013	2.36%	0.25%	625.00
UNITED STATES TREAS NTS 1.7500% 7/31/2015	912828NP1	75,000.000	74,355.72	77,121.00	102.8280 06/28/2013	0.73%	1.70%	1,312.50
UNITED STATES TREAS NTS 1.3750% 11/30/2015	912828PJ3	250,000.000	249,024.28	255,312.50	102.1250 06/28/2013	2.41%	1.35%	3,437.50
UNITED STATES TREAS NTS 1.5000% 7/31/2016	912828QX1	370,000.000	374,487.57	378,817.10	102.3830 06/28/2013	3.57%	1.47%	5,550.00



Account Number
6736301210

Account Name
SCORE

Account Statement

Statement Period

June 1, 2013 through June 30, 2013

Asset Detail - Principal Portfolio (continued)

Government Obligations

Asset Name	CUSIP	Shares/ Units Held	Cost Basis	Market Value	Price/ Date Priced	Percentage of Portfolio	Current Yield	Estimated Annual Income
US Treasury								
UNITED STATES TREAS NTS 1.0000% 8/31/2016	912828RF9	250,000.000	251,690.29	251,932.50	100.7730 06/28/2013	2.38%	0.99%	2,500.00
UNITED STATES TREAS NTS 1.0000% 9/30/2016	912828RJ1	150,000.000	149,619.64	151,020.00	100.6800 06/28/2013	1.42%	0.99%	1,500.00
UNITED STATES TREAS NTS 0.8750% 11/30/2016	912828RU6	350,000.000	350,766.80	350,220.50	100.0630 06/28/2013	3.30%	0.87%	3,062.50
UNITED STATES TREAS NTS 0.6250% 8/31/2017	912828TM2	400,000.000	398,827.51	391,780.00	97.9450 06/28/2013	3.70%	0.64%	2,500.00
UNITED STATES TREAS NTS 0.6250% 11/30/2017	912828UA6	300,000.000	298,864.29	292,476.00	97.4920 06/28/2013	2.76%	0.64%	1,875.00
Federal Govt Agency								
TENNESSEE VALLEY AUTH 4.7500% 8/1/2013	880591DW9	230,000.000	242,426.00	230,832.60	100.3620 06/28/2013	2.18%	4.73%	10,925.00
FEDERAL FARM CR BKS 0.9800% 9/23/2013	31331KET3	115,000.000	114,663.05	115,219.65	100.1910 06/28/2013	1.09%	0.98%	1,127.00
FEDERAL HOME LOAN BANKS 3.6250% 10/18/2013	3133XSAE8	250,000.000	258,142.75	252,572.50	101.0290 06/28/2013	2.38%	3.59%	9,062.50
FEDERAL HOME LOAN MTG CORP NOTES DTD 01/08/2009 2.50% 01/07/2014	3137EABX6	35,000.000	34,625.96	35,428.75	101.2250 06/28/2013	0.33%	2.47%	875.00
FEDL HOME LOAN MTG CORP NOTES DTD 04/24/2009 2.50% 04/23/2014	3137EACB3	150,000.000	155,568.75	152,809.50	101.8730 06/28/2013	1.44%	2.45%	3,750.00
FEDERAL FARM CR BKS CONS 1.9000% 6/2/2014	31331JQA4	260,000.000	259,368.20	264,006.60	101.5410 06/28/2013	2.49%	1.87%	4,940.00

4 / 15



■ Account Number
6736301210

■ Account Name
SCORE

Account Statement

■ Statement Period

June 1, 2013 through June 30, 2013

Asset Detail - Principal Portfolio (continued)

■ Government Obligations

<i>Asset Name</i>	<i>CUSIP</i>	<i>Shares/ Units Held</i>	<i>Cost Basis</i>	<i>Market Value</i>	<i>Price/ Date Priced</i>	<i>Percentage of Portfolio</i>	<i>Current Yield</i>	<i>Estimated Annual Income</i>
Federal Govt Agency								
FEDERAL HOME LN BKS 5.2500% 6/18/2014	3133X7FK5	100,000.000	111,171.90	104,874.00	104.8740 06/28/2013	0.99%	5.01%	5,250.00
FEDERAL FARM CREDIT BANK BONDS 3.000% 09/22/2014	31331GL80	85,000.000	86,005.55	87,856.00	103.3600 06/28/2013	0.83%	2.90%	2,550.00
FEDERAL FARM CR BKS 1.6250% 11/19/2014	31331KHW3	160,000.000	164,560.00	162,896.00	101.8100 06/28/2013	1.54%	1.60%	2,600.00
FEDERAL HOME LOAN MTG CORP NOTES DTD 01/07/2010 2.875% 02/09/2015	3137EACH0	250,000.000	256,160.83	260,112.50	104.0450 06/28/2013	2.45%	2.76%	7,187.50
FEDERAL FARM CR BKS 0.5000% 5/1/2015	3133EANJ3	150,000.000	149,853.00	150,141.00	100.0940 06/28/2013	1.42%	0.50%	750.00
FEDERAL HOME LN BKS 2.8750% 6/12/2015	3133XWNB1	265,000.000	279,807.14	277,751.80	104.8120 06/28/2013	2.62%	2.74%	7,618.75
FEDERAL NATL MTG ASSN 2.3750% 7/28/2015	31398AU34	275,000.000	283,288.50	285,868.00	103.9520 06/28/2013	2.70%	2.28%	6,531.25
FEDL NATL MTG ASSN NOTES DTD 11/16/2012 0.375% 12/21/2015	3135G0SBO	120,000.000	119,720.40	119,329.20	99.4410 06/28/2013	1.13%	0.38%	450.00
FEDERAL FARM CR BKS 2.3500% 12/22/2015	31331J6C2	120,000.000	120,434.40	125,016.00	104.1800 06/28/2013	1.18%	2.26%	2,820.00
FEDERAL NATL MTG ASSN 2.3750% 4/11/2016	3135G0BA0	275,000.000	282,544.63	287,523.50	104.5540 06/28/2013	2.71%	2.27%	6,531.25
FEDERAL HOME LN MTG CORP 2.5000% 5/27/2016	3137EACT4	310,000.000	321,083.36	325,524.80	105.0080 06/28/2013	3.07%	2.38%	7,750.00



Account Number
6736301210

Account Name
SCORE

Account Statement

Statement Period

June 1, 2013 through June 30, 2013

Asset Detail - Principal Portfolio (continued)

Government Obligations

Asset Name	CUSIP	Shares/ Units Held	Cost Basis	Market Value	Price/ Date Priced	Percentage of Portfolio	Current Yield	Estimated Annual Income
Federal Govt Agency								
FEDERAL HOME LOAN BANKS 2.1250% 6/10/2016	313373SZ6	200,000.000	209,390.00	208,012.00	104.0060 06/28/2013	1.96%	2.04%	4,250.00
FEDERAL HOME LOAN MTGE CORP NTS 2.000% 08/25/2016	3137EACW7	300,000.000	312,151.20	310,797.00	103.5990 06/28/2013	2.93%	1.93%	6,000.00
FEDERAL NATL MTGE ASSN NOTE 1.250% 09/28/2016	3135G0CM3	210,000.000	209,497.89	212,400.30	101.1430 06/28/2013	2.00%	1.24%	2,625.00
FEDERAL NATL MTG ASSN NOTES DTD 10/20/2011 1.375% 11/15/2016	3135G0ES8	65,000.000	65,514.15	65,893.75	101.3750 06/28/2013	0.62%	1.36%	893.75
FEDERAL NATL MTG ASSN NOTES DTD 01/09/2012 1.25% 01/30/2017	3135G0GY3	175,000.000	174,983.73	176,071.00	100.6120 06/28/2013	1.66%	1.24%	2,187.50
FEDERAL NATL MTG ASSN 1.0000% 2/27/2017	3135G0UY7	200,000.000	201,900.00	199,064.00	99.5320 06/28/2013	1.88%	1.00%	2,000.00
FEDERAL HOME LOAN MORTGAGE CORP 1.000% 03/08/2017	3137EADC0	200,000.000	196,430.40	199,020.00	99.5100 06/28/2013	1.88%	1.00%	2,000.00
FEDERAL HOME LOAN BANK BONDS 1.000% 06/09/2017	313379FW4	200,000.000	199,758.00	197,856.00	98.9280 06/28/2013	1.87%	1.01%	2,000.00
FEDERAL FARM CR BKS 0.8300% 9/21/2017	3133EAY28	160,000.000	160,000.00	156,372.80	97.7330 06/28/2013	1.48%	0.85%	1,328.00
FEDERAL NATL MTGE ASSN NOTES 0.000% 12/20/2017	3135G0RT2	150,000.000	149,523.00	146,125.50	97.4170 06/28/2013	1.38%	0.90%	1,312.50
FEDERAL HOME LOAN MORTGAGE CORP 0.875% 03/07/2018	3137EADP1	300,000.000	297,930.75	290,304.00	96.7680 06/28/2013	2.74%	0.90%	2,625.00



■ **Account Number**
 6736301210
 ■ **Account Name**
 SCORE

Account Statement

■ **Statement Period**

June 1, 2013 through June 30, 2013

Asset Detail - Principal Portfolio (continued)

■ **Government Obligations**

<i>Asset Name</i>	<i>CUSIP</i>	<i>Shares/ Units Held</i>	<i>Cost Basis</i>	<i>Market Value</i>	<i>Price/ Date Priced</i>	<i>Percentage of Portfolio</i>	<i>Current Yield</i>	<i>Estimated Annual Income</i>
Federal Govt Agency								
FEDERAL NATL MTG ASSN BONDS DTD 04/15/2013 0.875% 05/21/2018	3135G0WJ8	250,000.000	245,652.50	241,615.00	96.6460 06/28/2013	2.28%	0.91%	2,187.50
Total Government Obligations			\$8,408,942.58	\$8,389,794.35		79.16%	1.59%	\$133,365.00

■ **Corporate Obligations**

<i>Asset Name</i>	<i>CUSIP</i>	<i>Shares/ Units Held</i>	<i>Cost Basis</i>	<i>Market Value</i>	<i>Price/ Date Priced</i>	<i>Percentage of Portfolio</i>	<i>Current Yield</i>	<i>Estimated Annual Income</i>
Corporate Bonds								
XTO ENERGY INC 4.9000% 2/1/2014	98385XAD8	100,000.000	109,638.00	102,498.00	102.4980 06/28/2013	0.97%	4.78%	4,900.00
GENL ELEC CAP CORP NOTES 5.900% 05/13/2014	36962G4C5	180,000.000	194,130.60	188,499.60	104.7220 06/28/2013	1.78%	5.63%	10,620.00
WAL MART STORES INC NOTES DTD 05/21/2009 3.200% 05/15/2014	931142CQ4	190,000.000	197,746.80	194,542.90	102.3910 06/28/2013	1.84%	3.13%	6,080.00
MICROSOFT CORP NT DTD 05/18/2009 2.950% 06/01/2014	594918AB0	240,000.000	246,233.20	245,800.80	102.4170 06/28/2013	2.32%	2.88%	7,080.00
BERKSHIRE HATHAWAY INC 3.200% 02/11/2015	084670AV0	100,000.000	103,550.10	104,013.00	104.0130 06/28/2013	0.98%	3.08%	3,200.00
PROCTER & GAMBLE CO DTD 11/18/2010 1.80% 11/15/2015	742718DS5	265,000.000	258,615.14	271,815.80	102.5720 06/28/2013	2.57%	1.75%	4,770.00
GOOGLE INC 2.1250% 5/19/2016	38259PAC6	105,000.000	107,568.30	108,511.20	103.3440 06/28/2013	1.02%	2.06%	2,231.25



Account Number
6736301210

Account Name
SCORE

Account Statement

Statement Period

June 1, 2013 through June 30, 2013

Asset Detail - Principal Portfolio (continued)

Corporate Obligations

Asset Name	CUSIP	Shares/ Units Held	Cost Basis	Market Value	Price/ Date Priced	Percentage of Portfolio	Current Yield	Estimated Annual Income
Corporate Bonds								
BERKSHIRE HATHAWAYFIN CORP SR NT 1.600% 05/15/2017	084664BS9	105,000.000	105,141.90	104,559.00	99.5800 06/28/2013	0.99%	1.61%	1,680.00
CHEVRON CORP DTD 12/05/2012 1.104% 12/05/2017	166764AA8	140,000.000	140,346.00	136,795.40	97.7110 06/28/2013	1.29%	1.13%	1,545.60
APPLE INC DTD 05/03/2013 1.000% 05/03/2018	037833AJ9	135,000.000	134,384.60	129,640.50	96.0300 06/28/2013	1.22%	1.04%	1,350.00
Collateralized Passthroughs								
HONDA AUTO RECV 2012-4 A-3 0.5200% 8/18/2016 ORIGINAL FACE VALUE \$100,000.00	43813CAC4	100,000.000	99,990.32	99,663.00	99.6630 06/28/2013	0.94%	0.52%	520.00
TOYOTA AUTO RECEIVABLES 2012 A-3 0.4600% 7/15/2016 ORIGINAL FACE VALUE \$100,000.00	89231NAC7	100,000.000	99,990.49	99,701.00	99.7010 06/28/2013	0.94%	0.46%	460.00
CHASE ISSUANCE TR 2012-5A A 0.5900% 8/15/2017 ORIGINAL FACE VALUE \$160,000.00	161571FL3	160,000.000	160,231.25	159,268.80	99.5430 06/28/2013	1.50%	0.59%	944.00
Total Corporate Obligations			\$1,957,566.70	\$1,945,309.00		18.36%	2.33%	\$45,380.85
Total Principal Portfolio			\$10,629,473.51	\$10,598,078.55		100.00%	1.69%	\$179,232.98
Total Account Values			\$10,629,473.51	\$10,598,078.55		100.00%	1.69%	\$179,232.98



■ **Account Number**
 6736301210
 ■ **Account Name**
 SCORE

Account Statement

■ **Statement Period**

June 1, 2013 through June 30, 2013

Maturity Summary

	<i>Face Value</i>	<i>Par Value</i>	<i>Cost Basis</i>	<i>Market Value</i>	<i>Percentage of Market Value</i>
2013		805,000.000	825,065.43	808,469.35	7.67%
2014		1,850,000.000	1,909,214.19	1,889,443.15	17.92%
2015	100,000.00	2,220,000.000	2,243,785.04	2,275,733.80	21.58%
2016	100,000.00	2,685,000.000	2,734,304.32	2,750,353.65	26.08%
2017	160,000.00	2,190,000.000	2,186,006.08	2,159,388.50	20.48%
2018		685,000.000	677,967.85	661,559.50	6.27%
2019					
2020					
2021					
2022					
Ten-to-Fourteen Years					
Fifteen-to-Nineteen Years					
Twenty Years and Over					
Total	\$360,000.00	10,435,000.000	\$10,576,342.91	\$10,544,947.95	100.00%

Transaction Detail

<i>Date</i>	<i>Activity Description</i>	<i>CUSIP</i>	<i>Principal Cash</i>	<i>Cost Basis</i>
Beginning Balance			\$0.00	\$10,608,483.72
06/03/13	Dividend CASH RECEIPT OF DIVIDEND EARNED ON HIGHMARK 100% US TREASURY MMKT #486 DIVIDEND FROM 5/1/13 TO 5/31/13	431114503S	0.05	
06/03/13	Purchases PURCHASED 0.05 UNITS OF HIGHMARK 100% US TREASURY MMKT #486 TRADE DATE 06/03/13	431114503S	(0.05)	0.05
06/03/13	Interest CASH RECEIPT OF INTEREST EARNED ON FFCB BDS 1.900% 6/02/14 0.0095/\$1 PV ON 260,000 PAR VALUE DUE 6/2/2013	31331JQA4	2,470.00	



Account Number
6736301210

Account Name
SCORE

Account Statement

Statement Period

June 1, 2013 through June 30, 2013

Transaction Detail (continued)

Date	Activity	Description	CUSIP	Principal Cash	Cost Basis
06/03/13	Interest	CASH RECEIPT OF INTEREST EARNED ON MICROSOFT CORP NT 2.950% 6/01/14 0.01475/\$1 PV ON 240,000 PAR VALUE DUE 6/1/2013	594918AB0	3,540.00	
06/03/13	Purchases	PURCHASED 6,010 UNITS OF HIGHMARK 100% US TREASURY MMKT #486 TRADE DATE 06/03/13	431114503S	(6,010.00)	6,010.00
06/05/13	Interest	CASH RECEIPT OF INTEREST EARNED ON CHEVRON CORP BDS 1.104% 12/05/17 0.00552/\$1 PV ON 140,000 PAR VALUE DUE 6/5/2013	166764AA8	772.80	
06/05/13	Purchases	PURCHASED 772.8 UNITS OF HIGHMARK 100% US TREASURY MMKT #486 TRADE DATE 06/05/13	431114503S	(772.80)	772.80
06/06/13	Payments to/for Beneficiaries	CASH DISBURSEMENT PAID TO CHANDLER ASSET MANAGEMENT INC PAYMENT PER REQUEST MANAGEMENT FEE FOR PERIOD ENDING 5/31/13- INVOICE #12944		(1,071.00)	
06/06/13	Sales	SOLD 1,071 UNITS OF HIGHMARK 100% US TREASURY MMKT #486 TRADE DATE 06/06/13	431114503S	1,071.00	(1,071.00)
06/10/13	Interest	CASH RECEIPT OF INTEREST EARNED ON FHLB BDS 1.000% 6/09/17 0.005/\$1 PV ON 200,000 PAR VALUE DUE 6/9/2013	313379FW4	1,000.00	
06/10/13	Interest	CASH RECEIPT OF INTEREST EARNED ON FHLB BDS 2.125% 6/10/16 0.010625/\$1 PV ON 200,000 PAR VALUE DUE 6/10/2013	313373SZ6	2,125.00	
06/10/13	Purchases	PURCHASED 3,125 UNITS OF HIGHMARK 100% US TREASURY MMKT #486 TRADE DATE 06/10/13	431114503S	(3,125.00)	3,125.00

10 / 15



Account Number
6736301210

Account Name
SCORE

Account Statement

Statement Period

June 1, 2013 through June 30, 2013

Transaction Detail (continued)

Date	Activity	Description	CUSIP	Principal Cash	Cost Basis
06/12/13	Purchases	PURCHASED 210,000 UNITS OF HIGHMARK 100% US TREASURY MMKT #486 TRADE DATE 06/12/13	431114503S	(210,000.00)	210,000.00
06/12/13	Interest	CASH RECEIPT OF INTEREST EARNED ON FHLB BDS 2.875% 6/12/15 0.014375/\$1 PV ON 265,000 PAR VALUE DUE 6/12/2013	3133XWNB1	3,809.38	
06/12/13	Other Receipts	CASH RECEIPT PAYMENT OF FEES For Period Ending 20130331		2,292.00	
06/12/13	Fees	UB FEE COLLECTED For Period Ending 20130331		(2,292.00)	
06/12/13	Purchases	PURCHASED 3,809.38 UNITS OF HIGHMARK 100% US TREASURY MMKT #486 TRADE DATE 06/12/13	431114503S	(3,809.38)	3,809.38
06/12/13	Maturities/Redemptions	MATURED 210,000 PAR VALUE OF BK OF TOKYO DC/P 6/12/13 TRADE DATE 06/12/13 210,000 PAR VALUE AT 100 %	06538BTC7	209,840.34	(209,840.34)
06/12/13	Interest	CASH RECEIPT OF INTEREST EARNED ON BK OF TOKYO DC/P 6/12/13 0/\$1 PV ON 210,000 PAR VALUE DUE 6/12/2013 210,000 PAR VALUE AT 100 %	06538BTC7	159.66	
06/13/13	Sales	SOLD 209,833.6 UNITS OF HIGHMARK 100% US TREASURY MMKT #486 TRADE DATE 06/13/13	431114503S	209,833.63	(209,833.63)
06/13/13	Purchases	PURCHASED 210,000 PAR VALUE OF BANK OF TOKYO MITSUI DC/P 10/15/13 TRADE DATE 06/12/13 PURCHASED THROUGH MORGAN STANLEY 210,000 PAR VALUE AT 99.920777 %	06538BXF5	(209,833.63)	209,833.63

11 / 15



Account Number
6736301210

Account Name
SCORE

Account Statement

Statement Period

June 1, 2013 through June 30, 2013

Transaction Detail (continued)

Date	Activity	Description	CUSIP	Principal Cash	Cost Basis
06/14/13	Maturities/Redemptions	MATURED 200,000 PAR VALUE OF FHLB 3.875% 6/14/13 LT CAPITAL LOSS OF (\$403.10) TRADE DATE 06/14/13 200,000 PAR VALUE AT 100 %	31339X2M5	200,000.00	(200,403.10)
06/14/13	Interest	CASH RECEIPT OF INTEREST EARNED ON FHLB 3.875% 6/14/13 0.019375/\$1 PV ON 200,000 PAR VALUE DUE 6/14/2013	31339X2M5	3,875.00	
06/14/13	Purchases	PURCHASED 203,875 UNITS OF HIGHMARK 100% US TREASURY MMKT #486 TRADE DATE 06/14/13	431114503S	(203,875.00)	203,875.00
06/18/13	Sales	SOLD 245,816.6 UNITS OF HIGHMARK 100% US TREASURY MMKT #486 TRADE DATE 06/18/13	431114503S	245,816.56	(245,816.56)
06/18/13	Interest	CASH RECEIPT OF INTEREST EARNED ON FHLB BDS 5.250% 6/18/14 0.02625/\$1 PV ON 100,000 PAR VALUE DUE 6/18/2013	3133X7FK5	2,625.00	
06/18/13	Purchases	PURCHASED 2,625 UNITS OF HIGHMARK 100% US TREASURY MMKT #486 TRADE DATE 06/18/13	431114503S	(2,625.00)	2,625.00
06/18/13	Purchases	PURCHASED 250,000 PAR VALUE OF FNMA BDS 0.875% 5/21/18 TRADE DATE 06/17/13 PURCHASED THROUGH BARCLAYS CAPITAL INC. FIXED IN 250,000 PAR VALUE AT 98.261 %	3135G0WJ8	(245,652.50)	245,652.50
06/18/13	Accrued Interest Paid	PAID ACCRUED INTEREST ON PURCHASE OF FNMA BDS 0.875% 5/21/18	3135G0WJ8	(164.06)	
06/18/13	Interest	CASH RECEIPT OF INTEREST EARNED ON CIT 2012-5A A 0.590% 8/15/17 0/\$1 PV ON 78.67 PAR VALUE DUE 6/15/2013 \$0.00049/PV ON 160,000.00 PV DUE 6/15/13	161571FL3	78.67	



Account Number
6736301210

Account Name
SCORE

Account Statement

Statement Period

June 1, 2013 through June 30, 2013

Transaction Detail (continued)

Date	Activity	Description	CUSIP	Principal Cash	Cost Basis
06/18/13	Interest	CASH RECEIPT OF INTEREST EARNED ON TAOT 2012-B A3 0.460% 7/15/16 0/\$1 PV ON 38.33 PAR VALUE DUE 6/15/2013 \$0.00038/PV ON 100,000.00 PV DUE 6/15/13	89231NAC7	38.33	
06/19/13	Purchases	PURCHASED 117 UNITS OF HIGHMARK 100% US TREASURY MMKT #486 TRADE DATE 06/19/13	431114503S	(117.00)	117.00
06/19/13	Interest	CASH RECEIPT OF INTEREST EARNED ON HAROT 2012-4 A3 0.520% 10/18/15 0/\$1 PV ON 43.33 PAR VALUE DUE 6/18/2013 \$0.00043/PV ON 100,000.00 PV DUE 6/18/13	43813CAC4	43.33	
06/20/13	Interest	CASH RECEIPT OF INTEREST EARNED ON FNMA NTS F/R 0.001% 12/20/17 0.004375/\$1 PV ON 150,000 PAR VALUE DUE 6/20/2013	3135GORT2	656.25	
06/20/13	Purchases	PURCHASED 43.33 UNITS OF HIGHMARK 100% US TREASURY MMKT #486 TRADE DATE 06/20/13	431114503S	(43.33)	43.33
06/21/13	Interest	CASH RECEIPT OF INTEREST EARNED ON FNMA NTS 0.375% 12/21/15 0.001875/\$1 PV ON 120,000 PAR VALUE DUE 6/21/2013	3135GOSB0	225.00	
06/21/13	Purchases	PURCHASED 881.25 UNITS OF HIGHMARK 100% US TREASURY MMKT #486 TRADE DATE 06/21/13	431114503S	(881.25)	881.25
06/24/13	Interest	CASH RECEIPT OF INTEREST EARNED ON FFCB BDS 2.350% 12/22/15 0.01175/\$1 PV ON 120,000 PAR VALUE DUE 6/22/2013	31331J6C2	1,410.00	
06/24/13	Purchases	PURCHASED 1,410 UNITS OF HIGHMARK 100% US TREASURY MMKT #486 TRADE DATE 06/24/13	431114503S	(1,410.00)	1,410.00

13 / 15



Account Number
6736301210

Account Name
SCORE

Account Statement

Statement Period

June 1, 2013 through June 30, 2013

Transaction Detail (continued)

Date	Activity	Description	CUSIP	Principal Cash	Cost Basis
06/27/13	Purchases	PURCHASED 75,000 PAR VALUE OF FHLMC NT 0.875% 3/07/18 TRADE DATE 06/26/13 PURCHASED THROUGH BARCLAYS CAPITAL INC. FIXED IN 75,000 PAR VALUE AT 96.866 %	3137EADP1	(72,649.50)	72,649.50
06/27/13	Accrued Interest Paid	PAID ACCRUED INTEREST ON PURCHASE OF FHLMC NT 0.875% 3/07/18	3137EADP1	(200.52)	
06/27/13	Sales	SOLD 72,850.02 UNITS OF HIGHMARK 100% US TREASURY MMKT #486 TRADE DATE 06/27/13	431114503S	72,850.02	(72,850.02)
Net Activity				\$0.00	\$20,989.79
Ending Balance				\$0.00	\$10,629,473.51

14 / 15



Account Number
6736301210

Account Name
SCORE

Account Statement

Statement Period

June 1, 2013 through June 30, 2013

Realized Gain/Loss Summary

Sale Date	Asset Name	CUSIP	Shares	Cost	Proceeds	Gain / Loss Amount	
						Short	Long
06/14/13	FHLB 3.875% 6/14/13	31339X2M5	200,000.000	200,403.10	200,000.00	0.00	(403.10)
TOTAL				\$200,403.10	\$200,000.00	\$0.00	(\$403.10)
SUMMARY				DISTRIBUTIONS	REALIZED	TOTAL	
Short Term Capital Gain / Loss				\$0.00	\$0.00	\$0.00	
Long Term Capital Gain / Loss				\$0.00	(\$403.10)	(\$403.10)	

Disclaimer

The amount your account netted on a sale minus the total amount the account paid at initial purchase is your account's realized gain (if positive) or loss (if negative). Cost basis as reported on your UB statement is either a) the lot-specific purchase price minus purchase commissions and fees or b) information provided by the client or their representative to Union Bank at or after the time we were appointed Custodian or Trustee of the assets. The monthly or quarterly statements of your account may not have correct calculations of gain/loss for a particular tax lot due to incomplete information. The cost basis information in those statements is preliminary and subject to change if you provide additional data during the year or for other reasons. Therefore, please refer to the Tax Statements that we provide after year-end to determine accurate gain/loss calculations and what we report to the IRS. Please consult your tax advisor for more information. Mutual Fund Capital Gain distributions are not included in this summary.

15 / 15





ITC, INSTITUTIONAL CUSTODY
 350 CALIFORNIA STREET, 6TH FLOOR
 SAN FRANCISCO CA 94104

MB 02 001645 05088 H 11 A

SMALL CITIES ORGANIZED RISK EFFORT
 ATTN: LINDA ROMAINE
 P. O. BOX 40
 FORT JONES, CA 96032-0040



Important Information

Reminder: Union Bank's cut-off time for all mutual fund trades is 30 minutes prior to funds' published cut-off times. Reich & Tang published cut-off time for money market funds is 4:00 pm ET (1:00 pm PT). See each fund's prospectus for published cut-off time

Account Statement

Statement Period

July 1, 2013 through July 31, 2013

Account Number

6736301210

Account Name

SMALL CITIES ORGANIZED RISK EFFORT

Relationship Manager

JEANETTE SIMMONS
 415-705-7210

Investment Manager

CHANDLER LIQUID ASSET MGMT

Online Access

unionbank.com/trustandcustody

Overview of Total Account Value

Closing Value on 12/31/2012	\$10,664,971.16
Opening Value on 07/01/2013	\$10,598,078.55
Closing Value on 07/31/2013	\$10,618,227.17
Net Change For Period	\$20,148.62

Overview of Account by Investment Category

Your Current Portfolio Mix



% of Total Account	Market Value	Description
2.08%	220,330.97	Cash & Cash Equivalents
79.59%	8,451,857.00	Government Obligations
18.33%	1,946,039.20	Corporate Obligations
100.00%	\$10,618,227.17	Total Account Value





Account Number
6736301210

Account Name
SCORE

Account Statement

Statement Period

July 1, 2013 through July 31, 2013

Contents

- Account Summary
 - Principal Portfolio Summary
 - Unrealized Gain/Loss Summary
 - Cash Transactions Summary
 - Asset Detail
 - Maturity Summary
 - Transaction Detail

Principal Portfolio Summary

Description	Market Value	Percentage of Portfolio	Current Yield
Cash & Cash Equivalents	220,330.97	2.08%	0.22%
Government Obligations	8,451,857.00	79.59%	1.59%
Corporate Obligations	1,946,039.20	18.33%	2.33%
Total Principal Portfolio	\$10,618,227.17	100.00%	1.69%

Unrealized Gain/Loss Summary

Description	Cost Basis	Market Value	Gain/Loss
Cash & Cash Equivalents	220,265.40	220,330.97	65.57
Government Obligations	8,458,964.23	8,451,857.00	(7,107.23)
Corporate Obligations	1,957,566.70	1,946,039.20	(11,527.50)
Total Gain/Loss	\$10,636,796.33	\$10,618,227.17	(\$18,569.16)

Cash Transactions Summary

	Principal Cash
Receipts	
Dividend	0.36
Interest	8,388.46
Sales	51,087.65
Total Receipts	\$59,476.47
Disbursements	
Purchases	(58,410.47)
Payments to/for Beneficiaries	(1,066.00)
Total Disbursements	(\$59,476.47)
Other Transactions	
Non-Cash Transactions	0.00
Total Other Transactions	\$0.00
Total Net Transactions	\$0.00



Account Number
6736301210

Account Name
SCORE

Account Statement

Statement Period

July 1, 2013 through July 31, 2013

Asset Detail - Principal Portfolio

Cash & Cash Equivalents

Asset Name	CUSIP	Shares/ Units Held	Cost Basis	Market Value	Price/ Date Priced	Percentage of Portfolio	Current Yield	Estimated Annual Income
Money Market Funds								
REICH & TANG DAILY INCOME FUND US TREASURY MONEY MARKET FUND FIDUCIARY CLASS SHS #154 ***CASH MANAGEMENT SWEEPS*** 23380W549	23380W54S	10,431.770	10,431.77	10,431.77	1.0000 07/31/2013	0.10%	0.00%	0.00
Disc Comm'l Paper/Bnker Acctpt								
BANK OG TOKYO MITSUBIS DISC COML PAPER DTD 04/12/2013 10/15/2013	06538BXF5	210,000.000	209,833.63	209,899.20	99.9520 07/31/2013	1.98%	0.23%	485.80
Total Cash & Cash Equivalents			\$220,265.40	\$220,330.97		2.08%	0.22%	\$485.80

Government Obligations

Asset Name	CUSIP	Shares/ Units Held	Cost Basis	Market Value	Price/ Date Priced	Percentage of Portfolio	Current Yield	Estimated Annual Income
US Treasury								
UNITED STATES TREAS NTS 0.2500% 4/30/2014	912828SR2	350,000.000	350,165.23	350,343.00	100.0980 07/31/2013	3.30%	0.25%	875.00
UNITED STATES TREAS NTS 0.2500% 5/15/2015	912828SU5	250,000.000	248,985.21	249,872.50	99.9490 07/31/2013	2.35%	0.25%	625.00
UNITED STATES TREAS NTS 1.7500% 7/31/2015	912828NP1	75,000.000	74,355.72	77,133.00	102.8440 07/31/2013	0.73%	1.70%	1,312.50
UNITED STATES TREAS NTS 1.3750% 11/30/2015	912828PJ3	250,000.000	249,024.28	255,605.00	102.2420 07/31/2013	2.41%	1.34%	3,437.50



Account Number
6736301210

Account Name
SCORE

Account Statement

Statement Period

July 1, 2013 through July 31, 2013

Asset Detail - Principal Portfolio (continued)

Government Obligations

Asset Name	CUSIP	Shares/ Units Held	Cost Basis	Market Value	Price/ Date Priced	Percentage of Portfolio	Current Yield	Estimated Annual Income
US Treasury								
UNITED STATES TREAS NTS 1.5000% 7/31/2016	912828QX1	370,000.000	374,487.57	379,597.80	102.5940 07/31/2013	3.57%	1.46%	5,550.00
UNITED STATES TREAS NTS 1.0000% 8/31/2016	912828RF9	250,000.000	251,690.29	252,597.50	101.0390 07/31/2013	2.38%	0.99%	2,500.00
UNITED STATES TREAS NTS 1.0000% 9/30/2016	912828RJ1	150,000.000	149,619.64	151,465.50	100.9770 07/31/2013	1.43%	0.99%	1,500.00
UNITED STATES TREAS NTS 0.8750% 11/30/2016	912828RU6	350,000.000	350,766.80	351,284.50	100.3670 07/31/2013	3.31%	0.87%	3,062.50
UNITED STATES TREAS NTS 0.6250% 8/31/2017	912828TM2	400,000.000	398,827.51	392,780.00	98.1950 07/31/2013	3.69%	0.64%	2,500.00
UNITED STATES TREAS NTS 0.6250% 11/30/2017	912828UA6	300,000.000	298,864.29	293,085.00	97.6950 07/31/2013	2.76%	0.64%	1,875.00
UNITED STATES TREAS NTS 1.3750% 7/31/2018	912828VQ0	50,000.000	50,021.65	49,961.00	99.9220 07/31/2013	0.47%	1.38%	687.50
Federal Govt Agency								
TENNESSEE VALLEY AUTH 4.7500% 8/1/2013	880591DW9	230,000.000	242,426.00	230,000.00	100.0000 07/31/2013	2.17%	4.75%	10,925.00
FEDERAL FARM CR BKS 0.9800% 9/23/2013	31331KET3	115,000.000	114,663.05	115,113.85	100.0990 07/31/2013	1.08%	0.98%	1,127.00
FEDERAL HOME LOAN BANKS 3.6250% 10/18/2013	3133XSAE8	250,000.000	258,142.75	251,877.50	100.7510 07/31/2013	2.37%	3.80%	9,062.50
FEDERAL HOME LOAN MTG CORP NOTES DTD 01/08/2009 2.50% 01/07/2014	3137EABX6	35,000.000	34,625.96	35,370.30	101.0580 07/31/2013	0.33%	2.47%	875.00



Account Number
6736301210

Account Name
SCORE

Account Statement

Statement Period

July 1, 2013 through July 31, 2013

Asset Detail - Principal Portfolio (continued)

Government Obligations

Asset Name	CUSIP	Shares/ Units Held	Cost Basis	Market Value	Price/ Date Priced	Percentage of Portfolio	Current Yield	Estimated Annual Income
Federal Govt Agency								
FEDL HOME LOAN MTG CORP NOTES DTD 04/24/2009 2.50% 04/23/2014	3137EACB3	150,000.000	155,568.75	152,610.00	101.7400 07/31/2013	1.44%	2.46%	3,750.00
FEDERAL FARM CR BKS CONS 1.9000% 6/2/2014	31331JQA4	260,000.000	259,368.20	263,798.60	101.4610 07/31/2013	2.48%	1.87%	4,940.00
FEDERAL HOME LN BKS 5.2500% 6/18/2014	3133X7FK5	100,000.000	111,171.90	104,508.00	104.5080 07/31/2013	0.98%	5.02%	5,250.00
FEDERAL FARM CREDIT BANK BONDS 3.000% 09/22/2014	31331GL80	85,000.000	86,005.55	87,756.55	103.2430 07/31/2013	0.83%	2.91%	2,550.00
FEDERAL FARM CR BKS 1.6250% 11/19/2014	31331KHW3	160,000.000	164,560.00	162,948.80	101.8430 07/31/2013	1.53%	1.60%	2,600.00
FEDERAL HOME LOAN MTG CORP NOTES DTD 01/07/2010 2.875% 02/09/2015	3137EACH0	250,000.000	256,160.83	259,857.50	103.9430 07/31/2013	2.45%	2.77%	7,187.50
FEDERAL FARM CR BKS 0.5000% 5/1/2015	3133EANJ3	150,000.000	149,853.00	150,471.00	100.3140 07/31/2013	1.42%	0.50%	750.00
FEDERAL HOME LN BKS 2.8750% 6/12/2015	3133XWNB1	265,000.000	279,807.14	277,317.20	104.6480 07/31/2013	2.61%	2.75%	7,618.75
FEDERAL NATL MTG ASSN 2.3750% 7/28/2015	31398AU34	275,000.000	283,288.50	285,777.25	103.9190 07/31/2013	2.69%	2.29%	6,531.25
FEDL NATL MTG ASSN NOTES DTD 11/16/2012 0.375% 12/21/2015	3135GOSB0	120,000.000	119,720.40	119,529.60	99.6080 07/31/2013	1.13%	0.38%	450.00
FEDERAL FARM CR BKS 2.3500% 12/22/2015	31331J6C2	120,000.000	120,434.40	125,254.80	104.3790 07/31/2013	1.18%	2.25%	2,820.00





Account Number
6736301210

Account Name
SCORE

Account Statement

Statement Period

July 1, 2013 through July 31, 2013

Asset Detail - Principal Portfolio (continued)

Government Obligations

Asset Name	CUSIP	Shares/ Units Held	Cost Basis	Market Value	Price/ Date Priced	Percentage of Portfolio	Current Yield	Estimated Annual Income
Federal Govt Agency								
FEDERAL NATL MTG ASSN 2.3750% 4/11/2016	3135G0BA0	275,000.000	282,544.63	287,520.75	104.5530 07/31/2013	2.71%	2.27%	6,531.25
FEDERAL HOME LN MTG CORP 2.5000% 5/27/2016	3137EACT4	310,000.000	321,083.36	325,918.50	105.1350 07/31/2013	3.08%	2.38%	7,750.00
FEDERAL HOME LOAN BANKS 2.1250% 6/10/2016	313373SZ6	200,000.000	209,390.00	208,050.00	104.0250 07/31/2013	1.96%	2.04%	4,250.00
FEDERAL HOME LOAN MTGE CORP NTS 2.000% 08/25/2016	3137EACW7	300,000.000	312,151.20	311,571.00	103.8570 07/31/2013	2.93%	1.93%	6,000.00
FEDERAL NATL MTGE ASSN NOTE 1.250% 09/28/2016	3135G0CM3	210,000.000	209,497.89	213,240.30	101.5430 07/31/2013	2.01%	1.23%	2,625.00
FEDERAL NATL MTG ASSN NOTES DTD 10/20/2011 1.375% 11/15/2016	3135G0ES8	65,000.000	65,514.15	66,029.60	101.5840 07/31/2013	0.62%	1.35%	893.75
FEDERAL NATL MTG ASSN NOTES DTD 01/09/2012 1.25% 01/30/2017	3135G0GY3	175,000.000	174,983.73	176,795.50	101.0260 07/31/2013	1.67%	1.24%	2,187.50
FEDERAL NATL MTG ASSN 1.0000% 2/27/2017	3135G0UY7	200,000.000	201,900.00	199,696.00	99.8480 07/31/2013	1.88%	1.00%	2,000.00
FEDERAL HOME LOAN MORTGAGE CORP 1.000% 03/08/2017	3137EADC0	200,000.000	196,430.40	199,888.00	99.9440 07/31/2013	1.88%	1.00%	2,000.00
FEDERAL HOME LOAN BANK BONDS 1.000% 06/09/2017	313379FW4	200,000.000	199,758.00	198,880.00	99.4400 07/31/2013	1.87%	1.01%	2,000.00
FEDERAL FARM CR BKS 0.8300% 9/21/2017	3133EAY28	160,000.000	160,000.00	156,961.60	98.1010 07/31/2013	1.48%	0.85%	1,328.00

6 / 12



Account Number
6736301210

Account Name
SCORE

Account Statement

Statement Period

July 1, 2013 through July 31, 2013

Asset Detail - Principal Portfolio (continued)

Government Obligations

Asset Name	CUSIP	Shares/ Units Held	Cost Basis	Market Value	Price/ Date Priced	Percentage of Portfolio	Current Yield	Estimated Annual Income
Federal Govt Agency								
FEDERAL NATL MTGE ASSN NOTES 0.000% 12/20/2017	3135G0RT2	150,000.000	149,523.00	146,671.50	97.7810 07/31/2013	1.38%	0.89%	1,312.50
FEDERAL HOME LOAN MORTGAGE CORP 0.875% 03/07/2018	3137EADP1	300,000.000	297,930.75	292,116.00	97.3720 07/31/2013	2.75%	0.90%	2,625.00
FEDERAL NATL MTG ASSN BONDS DTD 04/15/2013 0.875% 05/21/2018	3135G0WJ8	250,000.000	245,652.50	242,602.50	97.0410 07/31/2013	2.28%	0.90%	2,187.50
Total Government Obligations			\$8,458,964.23	\$8,451,857.00		79.59%	1.59%	\$134,052.50

Corporate Obligations

Asset Name	CUSIP	Shares/ Units Held	Cost Basis	Market Value	Price/ Date Priced	Percentage of Portfolio	Current Yield	Estimated Annual Income
Corporate Bonds								
XTO ENERGY INC 4.9000% 2/1/2014	98385XAD8	100,000.000	109,638.00	102,131.00	102.1310 07/31/2013	0.96%	4.80%	4,900.00
GENL ELEC CAP CORP NOTES 5.900% 05/13/2014	36962G4C5	180,000.000	194,130.60	187,632.00	104.2400 07/31/2013	1.77%	5.66%	10,620.00
WAL MART STORES INC NOTES DTD 05/21/2009 3.200% 05/15/2014	931142CQ4	190,000.000	197,746.80	194,187.60	102.2040 07/31/2013	1.83%	3.13%	6,080.00
MICROSOFT CORP NT DTD 05/18/2009 2.950% 06/01/2014	594918AB0	240,000.000	246,233.20	245,361.60	102.2340 07/31/2013	2.31%	2.89%	7,080.00
BERKSHIRE HATHAWAY INC 3.200% 02/11/2015	084670AV0	100,000.000	103,550.10	104,030.00	104.0300 07/31/2013	0.98%	3.08%	3,200.00



Account Number
6736301210

Account Name
SCORE

Account Statement

Statement Period

July 1, 2013 through July 31, 2013

Asset Detail - Principal Portfolio (continued)

Corporate Obligations

Asset Name	CUSIP	Shares/ Units Held	Cost Basis	Market Value	Price/ Date Priced	Percentage of Portfolio	Current Yield	Estimated Annual Income
Corporate Bonds								
PROCTER & GAMBLE CO DTD 11/18/2010 1.80% 11/15/2015	742718DS5	265,000.000	258,615.14	271,762.80	102.5520 07/31/2013	2.57%	1.76%	4,770.00
GOOGLE INC 2.1250% 5/19/2016	38259PAC6	105,000.000	107,568.30	108,990.00	103.8000 07/31/2013	1.03%	2.05%	2,231.25
BERKSHIREHATHAWAYFIN CORP SR NT 1.600% 05/15/2017	084664BS9	105,000.000	105,141.90	105,648.90	100.6180 07/31/2013	0.99%	1.59%	1,680.00
CHEVRON CORP DTD 12/05/2012 1.104% 12/05/2017	166764AA8	140,000.000	140,346.00	137,270.00	98.0500 07/31/2013	1.29%	1.13%	1,545.60
APPLE INC DTD 05/03/2013 1.000% 05/03/2018	037833AJ9	135,000.000	134,384.60	129,861.90	96.1940 07/31/2013	1.22%	1.04%	1,350.00
Collateralized Passthroughs								
HONDA AUTO RECV 2012-4 A-3 0.5200% 8/18/2016 ORIGINAL FACE VALUE \$100,000.00	43813CAC4	100,000.000	99,990.32	99,862.00	99.8620 07/31/2013	0.94%	0.52%	520.00
TOYOTA AUTO RECEIVABLES 2012 A-3 0.4600% 7/15/2016 ORIGINAL FACE VALUE \$100,000.00	89231NAC7	100,000.000	99,990.49	99,767.00	99.7670 07/31/2013	0.94%	0.46%	460.00



■ **Account Number**
 6736301210
 ■ **Account Name**
 SCORE

Account Statement

■ **Statement Period**
 July 1, 2013 through July 31, 2013

Asset Detail - Principal Portfolio (continued)

■ Corporate Obligations

Asset Name	CUSIP	Shares/ Units Held	Cost Basis	Market Value	Price/ Date Priced	Percentage of Portfolio	Current Yield	Estimated Annual Income
Collateralized Passthroughs								
CHASE ISSUANCE TR 2012-5A A 0.5900% 8/15/2017 ORIGINAL FACE VALUE \$160,000.00	161571FL3	160,000.000	160,231.25	159,534.40	99.7090 07/31/2013	1.50%	0.59%	944.00
Total Corporate Obligations			\$1,957,566.70	\$1,946,039.20		18.33%	2.33%	\$45,380.85
Total Principal Portfolio			\$10,636,796.33	\$10,618,227.17		100.00%	1.69%	\$179,919.15
Total Account Values			\$10,636,796.33	\$10,618,227.17		100.00%	1.69%	\$179,919.15

Maturity Summary

	Face Value	Par Value	Cost Basis	Market Value	Percentage of Market Value
2013		805,000.000	825,065.43	806,890.55	7.61%
2014		1,850,000.000	1,909,214.19	1,886,647.45	17.79%
2015	100,000.00	2,220,000.000	2,243,785.04	2,276,472.65	21.46%
2016	100,000.00	2,685,000.000	2,734,304.32	2,756,032.45	25.97%
2017	160,000.00	2,190,000.000	2,186,006.08	2,167,210.90	20.43%
2018		735,000.000	727,989.50	714,541.40	6.74%
2019					
2020					
2021					
2022					
Ten-to-Fourteen Years					
Fifteen-to-Nineteen Years					
Twenty Years and Over					
Total	\$360,000.00	10,485,000.000	\$10,626,364.56	\$10,607,795.40	100.00%





Account Number
6736301210

Account Name
SCORE

Account Statement

Statement Period

July 1, 2013 through July 31, 2013

Transaction Detail

Date	Activity	Description	CUSIP	Principal Cash	Cost Basis
		Beginning Balance		\$0.00	\$10,629,473.51
07/01/13	Dividend	CASH RECEIPT OF DIVIDEND EARNED ON HIGHMARK 100% US TREAS F(CLOSED)#486 DIVIDEND FROM 6/1/13 TO 6/30/13	43111450S	0.36	
07/01/13	Purchases	PURCHASED 0.36 UNITS OF HIGHMARK 100% US TREAS F(CLOSED)#486 TRADE DATE 07/01/13	43111450S	(0.36)	0.36
07/05/13	Payments to/for Beneficiaries	CASH DISBURSEMENT PAID TO CHANDLER ASSET MANAGEMENT INC PAYMENT PER REQUEST MGMT FEE FOR PERIOD ENDING 6/30/13-INVOICE #13108		(1,066.00)	
07/05/13	Sales	SOLD 1,066 UNITS OF HIGHMARK 100% US TREAS F(CLOSED)#486 TRADE DATE 07/05/13	43111450S	1,066.00	(1,066.00)
07/08/13	Interest	CASH RECEIPT OF INTEREST EARNED ON FHLMC NTS 2.500% 1/07/14 0.0125/\$1 PV ON 35,000 PAR VALUE DUE 7/7/2013	3137EABX6	437.50	
07/08/13	Purchases	PURCHASED 437.5 UNITS OF HIGHMARK 100% US TREAS F(CLOSED)#486 TRADE DATE 07/08/13	43111450S	(437.50)	437.50
07/16/13	Interest	CASH RECEIPT OF INTEREST EARNED ON CIT 2012-5A A 0.590% 8/15/17 0/\$1 PV ON 78.67 PAR VALUE DUE 7/15/2013 \$0.00049/PV ON 160,000.00 PV DUE 7/15/13	161571FL3	78.67	
07/16/13	Interest	CASH RECEIPT OF INTEREST EARNED ON TAOT 2012-B A3 0.460% 7/15/16 0/\$1 PV ON 38.33 PAR VALUE DUE 7/15/2013 \$0.00038/PV ON 100,000.00 PV DUE 7/15/13	89231NAC7	38.33	

10 / 12



Account Number
6736301210

Account Name
SCORE

Account Statement

Statement Period

July 1, 2013 through July 31, 2013

Transaction Detail (continued)

Date	Activity	Description	CUSIP	Principal Cash	Cost Basis
07/17/13	Purchases	PURCHASED 117 UNITS OF HIGHMARK 100% US TREAS F(CLOSED)#486 TRADE DATE 07/17/13	43111450S	(117.00)	117.00
07/19/13	Interest	CASH RECEIPT OF INTEREST EARNED ON HAROT 2012-4 A3 0.520% 10/18/15 0/\$1 PV ON 43.33 PAR VALUE DUE 7/18/2013 \$0.00043/PV ON 100,000.00 PV DUE 7/18/13	43813CAC4	43.33	
07/22/13	Non-Cash Transactions	STOCK MERGER DISTRIBUTED 52,619.46 UNITS OF HIGHMARK 100% US TREAS F(CLOSED)#486 VALUED AT \$52,619.46 DELIVERY DUE TO MERGER	43111450S		(52,619.46)
07/22/13	Non-Cash Transactions	STOCK MERGER RECEIVED 52,619.46 UNITS OF REICH & TANG DA INCM US TREAS F #154 RECEIPT DUE TO MERGER	23380W54S		52,619.46
07/22/13	Purchases	PURCHASED 43.33 UNITS OF REICH & TANG DA INCM US TREAS F #154 TRADE DATE 07/22/13	23380W54S	(43.33)	43.33
07/29/13	Interest	CASH RECEIPT OF INTEREST EARNED ON FNMA NTS 2.375% 7/28/15 0.011875/\$1 PV ON 275,000 PAR VALUE DUE 7/28/2013	31398AU34	3,265.63	
07/29/13	Purchases	PURCHASED 3,265.63 UNITS OF REICH & TANG DA INCM US TREAS F #154 TRADE DATE 07/29/13	23380W54S	(3,265.63)	3,265.63
07/30/13	Interest	CASH RECEIPT OF INTEREST EARNED ON FNMA NTS 1.250% 1/30/17 0.00625/\$1 PV ON 175,000 PAR VALUE DUE 7/30/2013	3135G0GY3	1,093.75	
07/30/13	Purchases	PURCHASED 1,093.75 UNITS OF REICH & TANG DA INCM US TREAS F #154 TRADE DATE 07/30/13	23380W54S	(1,093.75)	1,093.75

11 / 12



Account Number
6736301210

Account Name
SCORE

Account Statement

Statement Period

July 1, 2013 through July 31, 2013

Transaction Detail (continued)

Date	Activity	Description	CUSIP	Principal Cash	Cost Basis
07/31/13	Sales	SOLD 50,021.65 UNITS OF REICH & TANG DA INCM US TREAS F #154 TRADE DATE 07/31/13	23380W54S	50,021.65	(50,021.65)
07/31/13	Interest	CASH RECEIPT OF INTEREST EARNED ON US TREAS NTS 1.500% 7/31/16 0.0075/\$1 PV ON 370,000 PAR VALUE DUE 7/31/2013	912828QX1	2,775.00	
07/31/13	Interest	CASH RECEIPT OF INTEREST EARNED ON US TREAS NTS 1.750% 7/31/15 0.00875/\$1 PV ON 75,000 PAR VALUE DUE 7/31/2013	912828NP1	656.25	
07/31/13	Purchases	PURCHASED 3,431.25 UNITS OF REICH & TANG DA INCM US TREAS F #154 TRADE DATE 07/31/13	23380W54S	(3,431.25)	3,431.25
07/31/13	Purchases	PURCHASED 50,000 PAR VALUE OF US TREAS NTS 1.375% 7/31/18 TRADE DATE 07/30/13 PURCHASED THROUGH CREDIT SUISSE 50,000 PAR VALUE AT 100.043303 %	912828VQ0	(50,021.65)	50,021.65
Net Activity				\$0.00	\$7,322.82
Ending Balance				\$0.00	\$10,636,796.33

12 / 12



ITC, INSTITUTIONAL CUSTODY
 350 CALIFORNIA STREET, 6TH FLOOR
 SAN FRANCISCO CA 94104

MB 02 001459 27168 H 10 A

SMALL CITIES ORGANIZED RISK EFFORT
 ATTN: LINDA ROMAINE
 P. O. BOX 40
 FORT JONES, CA 96032-0040



Important Information

■ Reminder: Union Bank's cut-off time for all mutual fund trades is 30 minutes prior to funds' published cut-off times. Reich & Tang published cut-off time for money market funds is 4:00 pm ET (1:00 pm PT). See each fund's prospectus for published cut-off time

Account Statement

Statement Period

August 1, 2013 through August 31, 2013

Account Number

6736301210

Account Name

SMALL CITIES ORGANIZED RISK EFFORT

Relationship Manager

JEANETTE SIMMONS
 415-705-7210

Investment Manager

IA LIAISON - TINA GUZMAN
 619-230-3547

Online Access

unionbank.com/trustandcustody

Overview of Total Account Value

Closing Value on 12/31/2012	\$10,664,971.16
Opening Value on 08/01/2013	\$10,618,227.17
Closing Value on 08/31/2013	\$704.36
Net Change For Period	(\$10,617,522.81)

Overview of Account by Investment Category

Your Current Portfolio Mix



% of Total Account	Market Value	Description
100.00%	704.36	Cash & Cash Equivalents
100.00%	\$704.36	Total Account Value





■ **Account Number**
 6736301210
 ■ **Account Name**
 SCORE

Contents

- Account Summary
 - Principal Portfolio Summary
 - Unrealized Gain/Loss Summary
 - Cash Transactions Summary
 - Asset Detail
 - Transaction Detail
 - Realized Gain/Loss Summary

Principal Portfolio Summary

Description	Market Value	Percentage of Portfolio	Current Yield
Cash & Cash Equivalents	704.36	100.00%	0.01%
Total Principal Portfolio	\$704.36	100.00%	0.01%

Unrealized Gain/Loss Summary

Description	Cost Basis	Market Value	Gain/Loss
Cash & Cash Equivalents	704.36	704.36	0.00
Total Gain/Loss	\$704.36	\$704.36	\$0.00

Cash Transactions Summary

	Principal Cash
Receipts	
Dividend	0.06
Interest	13,320.32
Sales	252,950.72
Maturities/Redemptions	230,000.00
Total Receipts	\$496,271.10

Account Statement

Statement Period

August 1, 2013 through August 31, 2013

Cash Transactions Summary (continued)

	Principal Cash
Disbursements	
Accrued Interest Paid	(1,215.35)
Purchases	(457,193.46)
Payments to/for Beneficiaries	(33,287.58)
Fees	(4,477.64)
Total Disbursements	(\$496,174.03)
Other Transactions	
Non-Cash Transactions	(97.07)
Total Other Transactions	(\$97.07)
Total Net Transactions	\$0.00



■ **Account Number**
 6736301210
 ■ **Account Name**
 SCORE

Account Statement

Statement Period

August 1, 2013 through August 31, 2013

Asset Detail - Principal Portfolio

Cash & Cash Equivalents

Asset Name	CUSIP	Shares/ Units Held	Cost Basis	Market Value	Price/ Date Priced	Percentage of Portfolio	Current Yield	Estimated Annual Income
Money Market Funds								
REICH & TANG DAILY INCOME FUND US TREASURY MONEY MARKET FUND FIDUCIARY CLASS SHS #154 ***CASH MANAGEMENT SWEEPS*** 23380W549	23380W54S	704.360	704.36	704.36	1.0000 08/30/2013	100.00%	0.01%	0.04
Total Cash & Cash Equivalents			\$704.36	\$704.36		100.00%	0.01%	\$0.04
Total Principal Portfolio			\$704.36	\$704.36		100.00%	0.01%	\$0.04
Total Account Values			\$704.36	\$704.36		100.00%	0.01%	\$0.04

Transaction Detail

Date	Activity	Description	CUSIP	Principal Cash	Cost Basis
		Beginning Balance		\$0.00	\$10,636,796.33
08/01/13	Dividend	CASH RECEIPT OF DIVIDEND EARNED ON REICH & TANG DA INCM US TREAS F #154 DIVIDEND FROM 7/22/13 TO 7/31/13	23380W54S	0.06	
08/01/13	Purchases	PURCHASED 0.06 UNITS OF REICH & TANG DA INCM US TREAS F #154 TRADE DATE 08/01/13	23380W54S	(0.06)	0.06
08/01/13	Maturites/Redemptions	MATURED 230,000 PAR VALUE OF TVA SER C 4.750% 8/01/13 LT CAPITAL LOSS OF (\$12,426.00) TRADE DATE 08/01/13 230,000 PAR VALUE AT 100 %	880591DW9	230,000.00	(242,426.00)



Account Number
6736301210

Account Name
SCORE

Account Statement

Statement Period

August 1, 2013 through August 31, 2013

Transaction Detail (continued)

Date	Activity	Description	CUSIP	Principal Cash	Cost Basis
08/01/13	Interest	CASH RECEIPT OF INTEREST EARNED ON TVA SER C 4.750% 8/01/13 0.02375/\$1 PV ON 230,000 PAR VALUE DUE 8/1/2013	880591DW9	5,462.50	
08/01/13	Interest	CASH RECEIPT OF INTEREST EARNED ON XTO ENERGY INC NTS 4.900% 2/01/14 0.0245/\$1 PV ON 100,000 PAR VALUE DUE 8/1/2013	98385XAD8	2,450.00	
08/01/13	Purchases	PURCHASED 237,912.5 UNITS OF REICH & TANG DA INCM US TREAS F #154 TRADE DATE 08/01/13	23380W54S	(237,912.50)	237,912.50
08/05/13	Payments to/for Beneficiaries	CASH DISBURSEMENT PAID TO CHANDLER ASSET MANAGEMENT INC PAYMENT PER REQUEST MGMT FEE PERIOD ENDING 7/31/13-INVOICE #13273		(1,065.00)	
08/05/13	Sales	SOLD 1,065 UNITS OF REICH & TANG DA INCM US TREAS F #154 TRADE DATE 08/05/13	23380W54S	1,065.00	(1,065.00)
08/07/13	Sales	SOLD 215,185.5 UNITS OF REICH & TANG DA INCM US TREAS F #154 TRADE DATE 08/07/13	23380W54S	215,185.50	(215,185.50)
08/07/13	Purchases	PURCHASED 215,000 PAR VALUE OF FHLB BDS 1.375% 3/09/18 TRADE DATE 08/06/13 PURCHASED THROUGH KEY BANK CAPITALMARKETS 215,000 PAR VALUE AT 99.521 %	313378A43	(213,970.15)	213,970.15
08/07/13	Accrued Interest Paid	PAID ACCRUED INTEREST ON PURCHASE OF FHLB BDS 1.375% 3/09/18	313378A43	(1,215.35)	
08/09/13	Interest	CASH RECEIPT OF INTEREST EARNED ON FHLMC NTS 2.875% 2/09/15 0.014375/\$1 PV ON 250,000 PAR VALUE DUE 8/9/2013	3137EACH0	3,593.75	



Account Number
6736301210

Account Name
SCORE

Account Statement

Statement Period

August 1, 2013 through August 31, 2013

Transaction Detail (continued)

Date	Activity	Description	CUSIP	Principal Cash	Cost Basis
08/09/13	Purchases	PURCHASED 3,593.75 UNITS OF REICH & TANG DA INCM US TREAS F #154 TRADE DATE 08/09/13	23380W54S	(3,593.75)	3,593.75
08/12/13	Interest	CASH RECEIPT OF INTEREST EARNED ON BERKSHIRE HATH 3.200% 2/11/15 0.016/\$1 PV ON 100,000 PAR VALUE DUE 8/11/2013	084670AV0	1,600.00	
08/12/13	Purchases	PURCHASED 1,600 UNITS OF REICH & TANG DA INCM US TREAS F #154 TRADE DATE 08/12/13	23380W54S	(1,600.00)	1,600.00
08/16/13	Payments to/for Beneficiaries	CASH DISBURSEMENT PAID TO U.S. BANK WIRE TRANSFER A/C XX8383 US BANK TRUST SERVICES FFC A/C XX6308 SMALL CITIES ORGANIZED ATTN CRAIG SEBASTIAN		(32,222.58)	
08/16/13	Sales	SOLD 32,222.58 UNITS OF REICH & TANG DA INCM US TREAS F #154 TRADE DATE 08/16/13	23380W54S	32,222.58	(32,222.58)
08/16/13	Non-Cash Transactions	DISTRIBUTED 180,000 PAR VALUE OF GECC NTS 5.900% 5/13/14 VALUED AT \$187,255.80 TRANSFER TO US BANK. PER MEMO 8/15/13.	36962G4C5		(194,130.60)
08/16/13	Non-Cash Transactions	DISTRIBUTED 240,000 PAR VALUE OF MICROSOFT CORP NT 2.950% 6/01/14 VALUED AT \$245,025.60 TRANSFER TO US BANK. PER MEMO 8/15/13.	594918AB0		(246,233.20)
08/16/13	Non-Cash Transactions	DISTRIBUTED 100,000 PAR VALUE OF BERKSHIRE HATH 3.200% 2/11/15 VALUED AT \$103,839.00 TRANSFER TO US BANK. PER MEMO 8/15/13.	084670AV0		(103,550.10)





Account Number
6736301210

Account Name
SCORE

Account Statement

Statement Period

August 1, 2013 through August 31, 2013

Transaction Detail (continued)

Date	Activity	Description	CUSIP	Principal Cash	Cost Basis
08/16/13	Non-Cash Transactions	DISTRIBUTED 190,000 PAR VALUE OF WAL MART STORES NTS 3.200% 5/15/14 VALUED AT \$193,858.90 TRANSFER TO US BANK. PER MEMO 8/15/13.	931142CQ4		(197,746.80)
08/16/13	Non-Cash Transactions	DISTRIBUTED 100,000 PAR VALUE OF XTO ENERGY INC NTS 4.900% 2/01/14 VALUED AT \$101,934.00 TRANSFER TO US BANK. PER MEMO 8/15/13.	98385XAD8		(109,638.00)
08/16/13	Non-Cash Transactions	DISTRIBUTED 265,000 PAR VALUE OF PROCTER & GAMBLE BDS 1.800% 11/15/15 VALUED AT \$271,442.15 TRANSFER TO US BANK. PER MEMO 8/15/13.	742718DS5		(258,615.14)
08/16/13	Non-Cash Transactions	DISTRIBUTED 105,000 PAR VALUE OF GOOGLE INC 2.125% 5/19/16 VALUED AT \$108,629.85 TRANSFER TO US BANK. PER MEMO 8/15/13.	38259PAC6		(107,568.30)
08/16/13	Non-Cash Transactions	DISTRIBUTED 105,000 PAR VALUE OF BERKSHIRE HATHAWAY NT1.600% 5/15/17 VALUED AT \$105,483.00 TRANSFER TO US BANK. PER MEMO 8/15/13.	084664BS9		(105,141.90)
08/16/13	Non-Cash Transactions	DISTRIBUTED 100,000 PAR VALUE OF TAOT 2012-B A3 0.460% 7/15/16 VALUED AT \$99,767.00 TRANSFER TO US BANK. PER MEMO 8/15/13.	89231NAC7		(99,990.49)
08/16/13	Non-Cash Transactions	DISTRIBUTED 100,000 PAR VALUE OF HAROT 2012-4 A3 0.520% 10/18/15 VALUED AT \$99,862.00 TRANSFER TO US BANK. PER MEMO 8/15/13.	43813CAC4		(99,990.32)
08/16/13	Non-Cash Transactions	DISTRIBUTED 140,000 PAR VALUE OF CHEVRON CORP BDS 1.104% 12/05/17 VALUED AT \$136,486.00 TRANSFER TO US BANK. PER MEMO 8/15/13.	166764AA8		(140,346.00)



Account Number
6736301210

Account Name
SCORE

Account Statement

Statement Period

August 1, 2013 through August 31, 2013

Transaction Detail (continued)

Date	Activity	Description	CUSIP	Principal Cash	Cost Basis
08/16/13	Non-Cash Transactions	DISTRIBUTED 160,000 PAR VALUE OF CIT 2012-5A A 0.590% 8/15/17 VALUED AT \$159,534.40 TRANSFER TO US BANK. PER MEMO 8/15/13.	161571FL3		(160,231.25)
08/16/13	Non-Cash Transactions	DISTRIBUTED 135,000 PAR VALUE OF APPLE INC BDS 1.000% 5/03/18 VALUED AT \$129,481.20 TRANSFER TO US BANK. PER MEMO 8/15/13.	037833AJ9		(134,384.60)
08/16/13	Non-Cash Transactions	DISTRIBUTED 210,000 PAR VALUE OF BANK OF TOKYO MITSUI DC/P 10/15/13 VALUED AT \$209,930.70 TRANSFER TO US BANK. PER MEMO 8/15/13.	06538BXF5	(97.07)	(209,833.63)
08/16/13	Interest	CASH RECEIPT OF INTEREST EARNED ON BANK OF TOKYO MITSUI DC/P 10/15/13 0/\$1 PV ON 210,000 PAR VALUE DUE 8/16/2013 TRANSFER TO US BANK. PER MEMO 8/15/13.	06538BXF5	97.07	
08/16/13	Non-Cash Transactions	DISTRIBUTED 35,000 PAR VALUE OF FHLMC NTS 2.500% 1/07/14 VALUED AT \$35,334.25 TRANSFER TO US BANK. PER MEMO 8/15/13.	3137EABX6		(34,625.96)
08/16/13	Non-Cash Transactions	DISTRIBUTED 250,000 PAR VALUE OF FHLB BDS 3.625% 10/18/13 VALUED AT \$251,507.50 TRANSFER TO US BANK. PER MEMO 8/15/13.	3133XSAE8		(258,142.75)
08/16/13	Non-Cash Transactions	DISTRIBUTED 85,000 PAR VALUE OF FFCB BDS 3.000% 9/22/14 VALUED AT \$87,637.55 TRANSFER TO US BANK. PER MEMO 8/15/13.	31331GL80		(86,005.55)
08/16/13	Non-Cash Transactions	DISTRIBUTED 100,000 PAR VALUE OF FHLB BDS 5.250% 6/18/14 VALUED AT \$104,290.00 TRANSFER TO US BANK. PER MEMO 8/15/13.	3133X7FK5		(111,171.90)





Account Number
6736301210

Account Name
SCORE

Account Statement

Statement Period

August 1, 2013 through August 31, 2013

Transaction Detail (continued)

Date	Activity	Description	CUSIP	Principal Cash	Cost Basis
08/16/13	Non-Cash Transactions	DISTRIBUTED 250,000 PAR VALUE OF FHLMC NTS 2.875% 2/09/15 VALUED AT \$259,477.50 TRANSFER TO US BANK. PER MEMO 8/15/13.	3137EACH0		(256,160.83)
08/16/13	Non-Cash Transactions	DISTRIBUTED 260,000 PAR VALUE OF FFCB BDS 1.900% 6/02/14 VALUED AT \$263,577.60 TRANSFER TO US BANK. PER MEMO 8/15/13.	31331JQA4		(259,368.20)
08/16/13	Non-Cash Transactions	DISTRIBUTED 150,000 PAR VALUE OF FHLMC NTS 2.500% 4/23/14 VALUED AT \$152,445.00 TRANSFER TO US BANK. PER MEMO 8/15/13.	3137EACB3		(155,568.75)
08/16/13	Non-Cash Transactions	DISTRIBUTED 275,000 PAR VALUE OF FNMA NTS 2.375% 7/28/15 VALUED AT \$285,441.75 TRANSFER TO US BANK. PER MEMO 8/15/13.	31398AU34		(283,288.50)
08/16/13	Non-Cash Transactions	DISTRIBUTED 120,000 PAR VALUE OF FFCB BDS 2.350% 12/22/15 VALUED AT \$125,046.00 TRANSFER TO US BANK. PER MEMO 8/15/13.	31331J6C2		(120,434.40)
08/16/13	Non-Cash Transactions	DISTRIBUTED 115,000 PAR VALUE OF FFCB BDS 0.980% 9/23/13 VALUED AT \$115,103.50 TRANSFER TO US BANK. PER MEMO 8/15/13.	31331KET3		(114,663.05)
08/16/13	Non-Cash Transactions	DISTRIBUTED 75,000 PAR VALUE OF US TREAS NTS 1.750% 7/31/15 VALUED AT \$77,039.25 TRANSFER TO US BANK. PER MEMO 8/15/13.	912828NP1		(74,355.72)
08/16/13	Non-Cash Transactions	DISTRIBUTED 250,000 PAR VALUE OF US TREAS NTS 1.375% 11/30/15 VALUED AT \$255,255.00 TRANSFER TO US BANK. PER MEMO 8/15/13.	912828PJ3		(249,024.28)



Account Number
6736301210

Account Name
SCORE

Account Statement

Statement Period

August 1, 2013 through August 31, 2013

Transaction Detail (continued)

Date	Activity	Description	CUSIP	Principal Cash	Cost Basis
08/16/13	Non-Cash Transactions	DISTRIBUTED 310,000 PAR VALUE OF FHLMC MTN 2.500% 5/27/16 VALUED AT \$324,814.90 TRANSFER TO US BANK. PER MEMO 8/15/13.	3137EACT4		(321,083.36)
08/16/13	Non-Cash Transactions	DISTRIBUTED 265,000 PAR VALUE OF FHLB BDS 2.875% 6/12/15 VALUED AT \$276,956.80 TRANSFER TO US BANK. PER MEMO 8/15/13.	3133XWNB1		(279,807.14)
08/16/13	Non-Cash Transactions	DISTRIBUTED 275,000 PAR VALUE OF FNMA NTS 2.375% 4/11/16 VALUED AT \$287,072.50 TRANSFER TO US BANK. PER MEMO 8/15/13.	3135G0BA0		(282,544.63)
08/16/13	Non-Cash Transactions	DISTRIBUTED 370,000 PAR VALUE OF US TREAS NTS 1.500% 7/31/16 VALUED AT \$378,702.40 TRANSFER TO US BANK. PER MEMO 8/15/13.	912828QX1		(374,487.57)
08/16/13	Non-Cash Transactions	DISTRIBUTED 200,000 PAR VALUE OF FHLB BDS 2.125% 6/10/16 VALUED AT \$207,532.00 TRANSFER TO US BANK. PER MEMO 8/15/13.	313373SZ6		(209,390.00)
08/16/13	Non-Cash Transactions	DISTRIBUTED 250,000 PAR VALUE OF US TREAS NTS 1.000% 8/31/16 VALUED AT \$251,992.50 TRANSFER TO US BANK. PER MEMO 8/15/13.	912828RF9		(251,690.29)
08/16/13	Non-Cash Transactions	DISTRIBUTED 210,000 PAR VALUE OF FNMA NT 1.250% 9/28/16 VALUED AT \$212,656.50 TRANSFER TO US BANK. PER MEMO 8/15/13.	3135G0CM3		(209,497.89)
08/16/13	Non-Cash Transactions	DISTRIBUTED 150,000 PAR VALUE OF US TREAS NTS 1.000% 9/30/16 VALUED AT \$151,113.00 TRANSFER TO US BANK. PER MEMO 8/15/13.	912828RJ1		(149,619.64)

9 / 13





Account Number
6736301210

Account Name
SCORE

Account Statement

Statement Period

August 1, 2013 through August 31, 2013

Transaction Detail (continued)

Date	Activity	Description	CUSIP	Principal Cash	Cost Basis
08/16/13	Non-Cash Transactions	DISTRIBUTED 65,000 PAR VALUE OF FNMA NTS 1.375% 11/15/16 VALUED AT \$65,815.10 TRANSFER TO US BANK. PER MEMO 8/15/13.	3135G0ES8		(65,514.15)
08/16/13	Non-Cash Transactions	DISTRIBUTED 350,000 PAR VALUE OF US TREAS NTS 0.875% 11/30/16 VALUED AT \$350,437.50 TRANSFER TO US BANK. PER MEMO 8/15/13.	912828RU6		(350,766.80)
08/16/13	Non-Cash Transactions	DISTRIBUTED 300,000 PAR VALUE OF FHLMC NTS 2.000% 8/25/16 VALUED AT \$310,230.00 TRANSFER TO US BANK. PER MEMO 8/15/13.	3137EACW7		(312,151.20)
08/16/13	Non-Cash Transactions	DISTRIBUTED 200,000 PAR VALUE OF FHLMC NT 1.000% 3/08/17 VALUED AT \$198,932.00 TRANSFER TO US BANK. PER MEMO 8/15/13.	3137EADC0		(196,430.40)
08/16/13	Non-Cash Transactions	DISTRIBUTED 175,000 PAR VALUE OF FNMA NTS 1.250% 1/30/17 VALUED AT \$176,078.00 TRANSFER TO US BANK. PER MEMO 8/15/13.	3135G0GY3		(174,983.73)
08/16/13	Non-Cash Transactions	DISTRIBUTED 150,000 PAR VALUE OF FFCB NTS 0.500% 5/01/15 VALUED AT \$150,367.50 TRANSFER TO US BANK. PER MEMO 8/15/13.	3133EANJ3		(149,853.00)
08/16/13	Non-Cash Transactions	DISTRIBUTED 200,000 PAR VALUE OF FHLB BDS 1.000% 6/09/17 VALUED AT \$197,914.00 TRANSFER TO US BANK. PER MEMO 8/15/13.	313379FW4		(199,758.00)
08/16/13	Non-Cash Transactions	DISTRIBUTED 160,000 PAR VALUE OF FFCB BDS 1.625% 11/19/14 VALUED AT \$162,796.80 TRANSFER TO US BANK. PER MEMO 8/15/13.	31331KHW3		(164,560.00)



Account Number
6736301210

Account Name
SCORE

Account Statement

Statement Period

August 1, 2013 through August 31, 2013

Transaction Detail (continued)

Date	Activity	Description	CUSIP	Principal Cash	Cost Basis
08/16/13	Non-Cash Transactions	DISTRIBUTED 250,000 PAR VALUE OF US TREAS NTS 0.250% 5/15/15 VALUED AT \$249,717.50 TRANSFER TO US BANK. PER MEMO 8/15/13.	912828SU5		(248,985.21)
08/16/13	Non-Cash Transactions	DISTRIBUTED 350,000 PAR VALUE OF US TREAS NTS 0.250% 4/30/14 VALUED AT \$350,315.00 TRANSFER TO US BANK. PER MEMO 8/15/13.	912828SR2		(350,165.23)
08/16/13	Non-Cash Transactions	DISTRIBUTED 160,000 PAR VALUE OF FFCB BDS 0.830% 9/21/17 VALUED AT \$156,953.60 TRANSFER TO US BANK. PER MEMO 8/15/13.	3133EAY28		(160,000.00)
08/16/13	Non-Cash Transactions	DISTRIBUTED 400,000 PAR VALUE OF US TREAS NTS 0.625% 8/31/17 VALUED AT \$391,188.00 TRANSFER TO US BANK. PER MEMO 8/15/13.	912828TM2		(398,827.51)
08/16/13	Non-Cash Transactions	DISTRIBUTED 120,000 PAR VALUE OF FNMA NTS 0.375% 12/21/15 VALUED AT \$119,494.80 TRANSFER TO US BANK. PER MEMO 8/15/13.	3135G0SB0		(119,720.40)
08/16/13	Non-Cash Transactions	DISTRIBUTED 300,000 PAR VALUE OF UNITED STATES TREAS 0.625% 11/30/17 VALUED AT \$291,726.00 TRANSFER TO US BANK. PER MEMO 8/15/13.	912828UA6		(298,864.29)
08/16/13	Non-Cash Transactions	DISTRIBUTED 150,000 PAR VALUE OF FNMA NTS F/R 0.001% 12/20/17 VALUED AT \$146,041.50 TRANSFER TO US BANK. PER MEMO 8/15/13.	3135G0RT2		(149,523.00)
08/16/13	Non-Cash Transactions	DISTRIBUTED 200,000 PAR VALUE OF FNMA NTS 1.000% 2/27/17 VALUED AT \$198,976.00 TRANSFER TO US BANK. PER MEMO 8/15/13.	3135G0UY7		(201,900.00)





Account Number
6736301210

Account Name
SCORE

Account Statement

Statement Period

August 1, 2013 through August 31, 2013

Transaction Detail (continued)

Date	Activity	Description	CUSIP	Principal Cash	Cost Basis
08/16/13	Non-Cash Transactions	DISTRIBUTED 300,000 PAR VALUE OF FHLMCNT 0.875% 3/07/18 VALUED AT \$291,024.00 TRANSFER TO US BANK. PER MEMO 8/15/13.	3137EADP1		(297,930.75)
08/16/13	Non-Cash Transactions	DISTRIBUTED 250,000 PAR VALUE OF FNMA BDS 0.875% 5/21/18 VALUED AT \$241,135.00 TRANSFER TO US BANK. PER MEMO 8/15/13.	3135GOWJ8		(245,652.50)
08/16/13	Non-Cash Transactions	DISTRIBUTED 50,000 PAR VALUE OF US TREAS NTS 1.375% 7/31/18 VALUED AT \$49,672.00 TRANSFER TO US BANK. PER MEMO 8/15/13.	912828VQ0		(50,021.65)
08/16/13	Non-Cash Transactions	DISTRIBUTED 215,000 PAR VALUE OF FHLB BDS 1.375% 3/09/18 VALUED AT \$212,411.40 TRANSFER TO US BANK. PER MEMO 8/15/13.	313378A43		(213,970.15)
08/16/13	Interest	CASH RECEIPT OF INTEREST EARNED ON CIT 2012-5A A 0.590% 8/15/17 0/\$1 PV ON 78.67 PAR VALUE DUE 8/15/2013 \$0.00049/PV ON 0.00 PV DUE 8/15/13	161571FL3	78.67	
08/16/13	Interest	CASH RECEIPT OF INTEREST EARNED ON TAOT 2012-B A3 0.460% 7/15/16 0/\$1 PV ON 38.33 PAR VALUE DUE 8/15/2013 \$0.00038/PV ON 0.00 PV DUE 8/15/13	89231NAC7	38.33	
08/19/13	Purchases	PURCHASED 117 UNITS OF REICH & TANG DA INCM US TREAS F #154 TRADE DATE 08/19/13	23380W54S	(117.00)	117.00
08/27/13	Fees	UB FEE COLLECTED For Period Ending 20130630		(2,487.00)	
08/27/13	Fees	UB FEE COLLECTED For Period Ending 20130816		(1,990.64)	



Account Number
6736301210

Account Name
SCORE

Account Statement

Statement Period

August 1, 2013 through August 31, 2013

Transaction Detail (continued)

Date	Activity	Description	CUSIP	Principal Cash	Cost Basis
08/27/13	Sales	SOLD 4,477.64 UNITS OF REICH & TANG DA INCM US TREAS F #154 TRADE DATE 08/27/13	23380W54S	4,477.64	(4,477.64)
Net Activity				\$0.00	(\$10,636,091.97)
Ending Balance				\$0.00	\$704.36

Realized Gain/Loss Summary

Sale Date	Asset Name	CUSIP	Shares	Cost	Proceeds	Gain / Loss Amount	
						Short	Long
08/01/13	TVA SER C 4.750% 8/01/13	880591DW9	230,000.000	242,426.00	230,000.00	0.00	(12,426.00)
TOTAL				\$242,426.00	\$230,000.00	\$0.00	(\$12,426.00)
SUMMARY				DISTRIBUTIONS	REALIZED	TOTAL	
Short Term Capital Gain / Loss				\$0.00	\$0.00	\$0.00	
Long Term Capital Gain / Loss				\$0.00	(\$12,426.00)	(\$12,426.00)	

Disclaimer

The amount your account netted on a sale minus the total amount the account paid at initial purchase is your account's realized gain (if positive) or loss (if negative). Cost basis as reported on your UB statement is either a) the lot-specific purchase price minus purchase commissions and fees or b) information provided by the client or their representative to Union Bank at or after the time we were appointed Custodian or Trustee of the assets. The monthly or quarterly statements of your account may not have correct calculations of gain/loss for a particular tax lot due to incomplete information. The cost basis information in those statements is preliminary and subject to change if you provide additional data during the year or for other reasons. Therefore, please refer to the Tax Statements that we provide after year-end to determine accurate gain/loss calculations and what we report to the IRS. Please consult your tax advisor for more information. Mutual Fund Capital Gain distributions are not included in this summary.





ACCOUNT NUMBER: 001050986308
SMALL CITIES ORGANIZED RISK EFFORT

This statement is for the period from
August 14, 2013 to August 31, 2013

000002674 2 SP 106481260567221 P

SMALL CITIES ORGANIZED RISK EFFORT
1792 TRIBUTE RD, SUITE 450
SACRAMENTO, CA 95815-4320

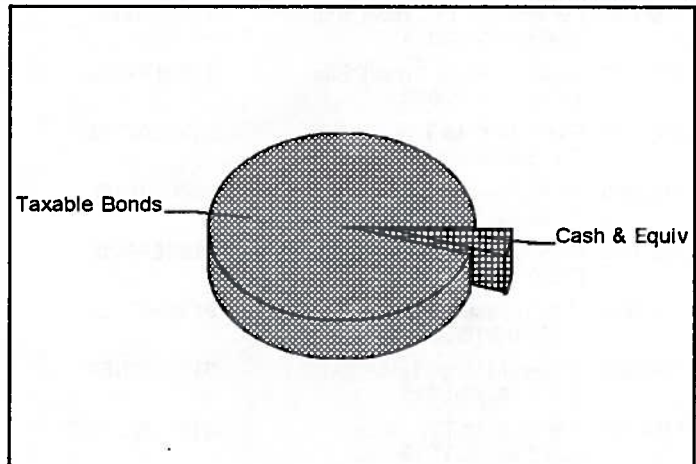
QUESTIONS?

If you have any questions regarding
your account or this statement, please
call your Relationship Manager:

Craig Sebastian
CN-OH-W5IT
6225 Lusk Boulevard
San Diego, CA
92121
Phone 513-632-2084
E-mail craig.sebastian@usbank.com

ASSET SUMMARY AS OF 08/31/13

	<u>Market Value</u>	<u>% of Total</u>	<u>Est Annual Income</u>
Taxable Bonds	\$10,315,745.80	97.4	\$170,640.11
Cash & Equivalents	\$272,186.89	2.6	\$495.94
Total Market Value	\$10,587,932.69	100.0	\$171,136.05



ASSET DETAIL

<u>Shares/ Par</u>	<u>Security Description</u>	<u>CUSIP</u>	<u>Market Value/ Price</u>	<u>Cost Basis</u>	<u>Yield At Market</u>	<u>Est Annual Inc</u>
Taxable Bonds						
115,000.000	Federal Farm Credit Bks 0.980 09/23/2013	31331KET3	\$115,057.50 100.050	\$114,663.05	0.98	\$1,127.00
250,000.000	Federal Home Loan Bks 3.625 10/18/2013	3133XSAE8	251,100.00 100.440	258,142.75	3.61	9,062.50
35,000.000	F H L M C M T N 2.500 01/07/2014	3137EABX6	35,296.45 100.847	34,625.96	2.48	875.00
100,000.000	Xto Energy Inc 4.900 02/01/2014	98385XAD8	101,741.00 101.741	60,144.70	4.82	4,900.00
150,000.000	F H L M C M T N 2.500 04/23/2014	3137EACB3	152,281.50 101.521	155,568.75	2.46	3,750.00
350,000.000	U S Treasury Note 0.250 04/30/2014	912828SR2	350,329.00 100.094	350,165.23	0.25	875.00

This statement is for the period from
August 14, 2013 to August 31, 2013**ASSET DETAIL (continued)**

Shares/ Par	Security Description	CUSIP	Market Value/ Price	Cost Basis	Yield At Market	Est Annual Inc
Taxable Bonds						
180,000.000	General Electric Cap Corp Medium Term Note 5.900 05/13/2014	36962G4C5	186,836.40 103.798	127,270.80	5.68	10,620.00
190,000.000	Wal Mart Stores Inc 3.200 05/15/2014	931142CQ4	193,653.70 101.923	155,436.00	3.14	6,080.00
240,000.000	Microsoft Corp 2.950 06/01/2014	594918AB0	244,593.60 101.914	204,324.00	2.89	7,080.00
260,000.000	Federal Farm Credit Bks 1.900 06/02/2014	31331JQA4	263,374.80 101.298	259,368.20	1.88	4,940.00
100,000.000	Federal Home Loan Bks 5.250 06/18/2014	3133X7FK5	104,053.00 104.053	111,171.90	5.05	5,250.00
85,000.000	Federal Farm Credit Bks 3.000 09/22/2014	31331GL80	87,530.45 102.977	86,005.55	2.91	2,550.00
160,000.000	Federal Farm Credit Bks 1.625 11/19/2014	31331KHW3	162,684.80 101.678	164,560.00	1.60	2,600.00
225,000.000	F H L M C M T N 2.875 02/09/2015	3137EACH0	233,201.25 103.645	158,630.85	2.77	6,468.75
100,000.000	Berkshire Hathaway Inc 3.200 02/11/2015	084670AV0	103,773.00 103.773	29,975.10	3.08	3,200.00
150,000.000	Federal Farm Credit Bks 0.500 05/01/2015	3133EANJ3	150,306.00 100.204	149,853.00	0.50	750.00
250,000.000	U S Treasury Note 0.250 05/15/2015	912828SU5	249,667.50 99.867	248,985.21	0.25	625.00
265,000.000	Federal Home Loan Bks 2.875 06/12/2015	3133XWNB1	276,551.35 104.359	279,807.14	2.75	7,618.75
275,000.000	F N M A M T N 2.375 07/28/2015	31398AU34	285,081.50 103.666	283,288.50	2.29	6,531.25
75,000.000	U S Treasury Note 1.750 07/31/2015	912828NP1	76,945.50 102.594	74,355.72	1.71	1,312.50
265,000.000	Procter Gamble CO The 1.800 11/15/2015	742718DS5	271,492.50 102.450	171,770.72	1.76	4,770.00
250,000.000	U S Treasury Note 1.375 11/30/2015	912828PJ3	255,000.00 102.000	249,024.28	1.35	3,437.50
120,000.000	F N M A Deb 0.375 12/21/2015	3135G0SB0	119,463.60 99.553	119,720.40	0.38	450.00
120,000.000	Federal Farm Credit Bks 2.350 12/22/2015	31331J6C2	124,902.00 104.085	120,434.40	2.26	2,820.00
275,000.000	F N M A M T N 2.375 04/11/2016	3135G0BA0	286,728.75 104.265	282,544.63	2.28	6,531.25
105,000.000	Google Inc 2.125 05/19/2016	38259PAC6	108,554.25 103.385	107,568.30	2.05	2,231.25
310,000.000	F H L M C M T N 2.500 05/27/2016	3137EACT4	324,346.80 104.628	268,105.76	2.39	7,750.00
200,000.000	Federal Home Loan Bks 2.125 06/10/2016	313373SZ6	207,246.00 103.623	209,390.00	2.05	4,250.00
100,000.000	Toyota Auto Receivables Owner Tr A B S Ser 2012 B CI A3 0.540 07/15/2016	89231NAC7	99,775.00 99.775	99,990.49	0.29	291.33
370,000.000	U S Treasury Note 1.500 07/31/2016	912828QX1	377,947.60 102.148	263,047.75	1.47	5,550.00

ACCOUNT NUMBER: 001050986308
SMALL CITIES ORGANIZED RISK EFFORTThis statement is for the period from
August 14, 2013 to August 31, 2013**ASSET DETAIL (continued)**

Shares/ Par	Security Description	CUSIP	Market Value/ Price	Cost Basis	Yield At Market	Est Annual Inc
Taxable Bonds						
100,000.000	Honda Auto Receivables Owner Trust A B S Ser 2012 4 Cl A3 0.520 08/18/2016	43813CAC4	99,970.00 99.970	99,990.32	0.52	520.00
300,000.000	F H L M C M T N 2.000 08/25/2016	3137EACW7	309,735.00 103.245	312,151.20	1.94	6,000.00
250,000.000	U S Treasury Note 1.000 08/31/2016	912828RF9	251,542.50 100.617	251,690.29	0.99	2,500.00
210,000.000	F N M A Deb 1.250 09/28/2016	3135G0CM3	211,997.10 100.951	209,497.89	1.24	2,625.00
150,000.000	U S Treasury Note 1.000 09/30/2016	912828RJ1	150,796.50 100.531	149,619.64	0.99	1,500.00
65,000.000	F N M A Deb 1.375 11/15/2016	3135G0ES8	65,727.35 101.119	65,514.15	1.36	893.75
350,000.000	U S Treasury Note 0.875 11/30/2016	912828RU6	349,643.00 99.898	350,766.80	0.88	3,062.50
175,000.000	F N M A M T N 1.250 01/30/2017	3135G0GY3	175,847.00 100.484	174,983.73	1.24	2,187.50
200,000.000	F N M A M T N 1.000 02/27/2017	3135G0UY7	198,756.00 99.378	201,900.00	1.01	2,000.00
200,000.000	F H L M C M T N 1.000 03/08/2017	3137EADC0	198,684.00 99.342	196,430.40	1.01	2,000.00
105,000.000	Berkshire Hathaway Fin 1.600 05/15/2017 Date Last Priced: 07/31/13	084664BS9	106,177.05 101.121 @	29,976.90	1.58	1,680.00
200,000.000	Federal Home Loan Bks 1.000 06/09/2017	313379FW4	197,624.00 98.812	199,758.00	1.01	2,000.00
160,000.000	Chase Issuance Trust A B S Ser 2012 A5 Cl A5 0.590 08/15/2017	161571FL3	159,568.00 99.730	160,231.25	0.63	1,006.93
400,000.000	U S Treasury Note 0.625 08/31/2017	912828TM2	390,220.00 97.555	249,160.99	0.64	2,500.00
160,000.000	Federal Farm Credit Bks 0.830 09/21/2017	3133EAY28	156,675.20 97.922	160,000.00	0.85	1,328.00
300,000.000	U S Treasury Note 0.625 11/30/2017	912828UA6	291,048.00 97.016	298,864.29	0.64	1,875.00
140,000.000	Chevron Corp 1.104 12/05/2017	166764AA8	136,155.60 97.254	40,000.00	1.13	1,545.60
150,000.000	F N M A Deb 0.875 12/20/2017	3135G0RT2	145,737.00 97.158	149,523.00	0.90	1,312.50
300,000.000	F H L M C Deb 0.875 03/07/2018	3137EADP1	289,737.00 96.579	225,281.25	0.91	2,625.00
215,000.000	Federal Home Loan Bks 1.375 03/09/2018	313378A43	211,938.40 98.576	213,970.15	1.39	2,956.25
135,000.000	Apple Inc 1.000 05/03/2018	037833AJ9	128,976.30 95.538	109,594.10	1.05	1,350.00
250,000.000	F N M A Deb 0.875 05/21/2018	3135G0WJ8	240,152.50 96.061	245,652.50	0.91	2,187.50
50,000.000	U S Treasury Note 1.250 07/31/2018	912828VQ0	49,523.50 99.047	50,021.65	1.39	687.50



ASSET DETAIL (continued)

Shares/ Par	Security Description	CUSIP	Market Value/ Price	Cost Basis	Yield At Market	Est Annual Inc
Taxable Bonds						
	Total Taxable Bonds		\$10,315,745.80	\$9,342,517.64		\$170,640.11
Cash & Equivalents						
210,000.000	Bank Of Tokyo Mitsubis C P 10/15/2013	06538BXF5	209,953.80 99.978	209,833.63	0.23	485.80
62,233.090	First American Government Obligation Fund CI Y	31846V203	62,233.09 1.000	62,233.09	0.02	10.14
	Income Cash		\$4,083.26	\$4,083.26		\$0.00
	Principal Cash		- \$4,083.26	- \$4,083.26		\$0.00
	Total Cash & Equivalents		\$272,186.89	\$272,066.72		\$495.94
	Total Investments		\$10,587,932.69	\$9,614,584.36		\$171,136.05

Time of trade execution and trading party (if not disclosed) will be provided upon request.

@ No current price is available.

Cost adjustments made to previously reported sales to reflect the impact of IRS wash sale rules may result in adjustments to reported year-to-date losses. Consequently, this period's beginning cost basis may differ from the basis reported in the prior period. The gain and loss figures reported on this statement are provided for informational purposes only and should not be used for tax reporting purposes. Please consult with your tax or legal advisor for questions concerning your personal tax or financial situation.

Publicly traded assets are valued in accordance with market quotations or valuation methodologies from financial industry services believed by us to be reliable. Assets that are not publicly traded may be reflected at values from other external sources. Assets for which a current value is not available may be reflected at a previous value or as not valued, at par value, or at a nominal value. Values shown do not necessarily reflect prices at which assets could be bought or sold. Values are updated based on internal policy and may be updated less frequently than statement generation.



ACCOUNT NUMBER: 001050986308
SMALL CITIES ORGANIZED RISK EFFORT

This statement is for the period from
August 14, 2013 to August 31, 2013

CASH SUMMARY

	<u>Income Cash</u>	<u>Principal Cash</u>	<u>Total</u>
Beginning Cash Balance	\$0.00	\$0.00	\$0.00
Receipts			
Interest	4,083.26	0.00	4,083.26
Miscellaneous Receipts	0.00	32,222.58	32,222.58
Sales/Maturities	0.00	25,927.25	25,927.25
Cash Equivalent Sales	0.00	1,250.00	1,250.00
Total Cash Receipts	\$4,083.26	\$59,399.83	\$63,483.09
Disbursements			
Cash Equivalent Purchases	0.00	- 63,483.09	- 63,483.09
Total Cash Disbursements	\$0.00	- \$63,483.09	- \$63,483.09
Ending Cash Balance	\$4,083.26	- \$4,083.26	\$0.00



ACCOUNT NUMBER: 001050986308
SMALL CITIES ORGANIZED RISK EFFORT

This statement is for the period from
August 14, 2013 to August 31, 2013

TRANSACTION DETAIL

Date Posted	Description	Income Cash	Principal Cash	Balance
08/14/13	Beginning Cash Balance	\$0.00	\$0.00	\$0.00
08/16/13	Received 135,000 Par Value Of Apple Inc 1.000% 5/03/18 Received From Union Bank			0.00
08/16/13	Received 100,000 Par Value Of Berkshire Hathwy 3.200% 2/11/15 Received From Union Bank			0.00
08/16/13	Received 105,000 Par Value Of Berkshire Hathway 1.600% 5/15/17 Received From Union Bank			0.00
08/16/13	Received 140,000 Par Value Of Chevron Corp 1.104% 12/05/17 Received From Union Bank			0.00
08/16/13	Received 160,000 Par Value Of Chase Iss Trust 0.62933% 8/15/17 Received From Union Bank			0.00
08/16/13	Received 105,000 Par Value Of Google Inc 2.125% 5/19/16 Received From Union Bank			0.00
08/16/13	Received 100,000 Par Value Of Honda Auto Receivabl 0.520% 8/18/16 Received From Union Bank			0.00
08/16/13	Received 240,000 Par Value Of Microsoft Corp 2.950% 6/01/14 Received From Union Bank			0.00
08/16/13	Received 265,000 Par Value Of Procter Gamble 1.800% 11/15/15 Received From Union Bank			0.00
08/16/13	Received 100,000 Par Value Of Toyota Auto Rec 0.29133% 7/15/16 Received From Union Bank			0.00
08/16/13	Received 190,000 Par Value Of Wal Mart Stores 3.200% 5/15/14 Received From Union Bank			0.00
08/16/13	Received 100,000 Par Value Of Xto Energy Inc 4.900% 2/01/14 Received From Union Bank			0.00
08/16/13	Received 180,000 Par Value Of General Electric Mtn 5.900% 5/13/14 Received From Union Bank			0.00
08/16/13	Received 210,000 Par Value Of Bank Of Tokyo Mitsubis C P 10/15/13 Received From Union Bank			0.00
08/16/13	Cash Receipt Incoming Wires Wire Rec'D From Score C/O Alliant Insurance Svcs		32,222.58	32,222.58



ACCOUNT NUMBER: 001050986308
SMALL CITIES ORGANIZED RISK EFFORT

This statement is for the period from
August 14, 2013 to August 31, 2013

TRANSACTION DETAIL (continued)

<u>Date Posted</u>	<u>Description</u>	<u>Income Cash</u>	<u>Principal Cash</u>	<u>Balance</u>
08/16/13	Received 250,000 Par Value Of U S Treasury Nt 0.250% 5/15/15 Received From Union Bank			32,222.58
08/16/13	Received 400,000 Par Value Of U S Treasury Nt 0.625% 8/31/17 Received From Union Bank			32,222.58
08/16/13	Received 350,000 Par Value Of U S Treasury Nt 0.875% 11/30/16 Received From Union Bank			32,222.58
08/16/13	Received 250,000 Par Value Of U S Treasury Nt 1.000% 8/31/16 Received From Union Bank			32,222.58
08/16/13	Received 150,000 Par Value Of U S Treasury Nt 1.000% 9/30/16 Received From Union Bank			32,222.58
08/16/13	Received 50,000 Par Value Of U S Treasury Nt 1.375% 7/31/18 Received From Union Bank			32,222.58
08/16/13	Received 250,000 Par Value Of U S Treasury Nt 1.375% 11/30/15 Received From Union Bank			32,222.58
08/16/13	Received 370,000 Par Value Of U S Treasury Nt 1.500% 7/31/16 Received From Union Bank			32,222.58
08/16/13	Received 75,000 Par Value Of U S Treasury Nt 1.750% 7/31/15 Received From Union Bank			32,222.58
08/16/13	Received 160,000 Par Value Of F F C B Deb 0.830% 9/21/17 Received From Union Bank			32,222.58
08/16/13	Received 115,000 Par Value Of F F C B Deb 0.980% 9/23/13 Received From Union Bank			32,222.58
08/16/13	Received 160,000 Par Value Of F F C B Deb 1.625% 11/19/14 Received From Union Bank			32,222.58
08/16/13	Received 260,000 Par Value Of F F C B Deb 1.900% 6/02/14 Received From Union Bank			32,222.58
08/16/13	Received 120,000 Par Value Of F F C B Deb 2.350% 12/22/15 Received From Union Bank			32,222.58
08/16/13	Received 85,000 Par Value Of F F C B Deb 3.000% 9/22/14 Received From Union Bank			32,222.58



ACCOUNT NUMBER: 001050986308
SMALL CITIES ORGANIZED RISK EFFORT

This statement is for the period from
August 14, 2013 to August 31, 2013

TRANSACTION DETAIL (continued)

<u>Date Posted</u>	<u>Description</u>	<u>Income Cash</u>	<u>Principal Cash</u>	<u>Balance</u>
08/16/13	Received 150,000 Par Value Of F F C B Deb 0.500% 5/01/15 Received From Union Bank			32,222.58
08/16/13	Received 200,000 Par Value Of F H L B Deb 1.000% 6/09/17 Received From Union Bank			32,222.58
08/16/13	Received 200,000 Par Value Of F H L B Deb 2.125% 6/10/16 Received From Union Bank			32,222.58
08/16/13	Received 265,000 Par Value Of F H L B Deb 2.875% 6/12/15 Received From Union Bank			32,222.58
08/16/13	Received 250,000 Par Value Of F H L B Deb 3.625% 10/18/13 Received From Union Bank			32,222.58
08/16/13	Received 100,000 Par Value Of F H L B Deb 5.250% 6/18/14 Received From Union Bank			32,222.58
08/16/13	Received 310,000 Par Value Of F H L M C M T N 2.500% 5/27/16 Received From Union Bank			32,222.58
08/16/13	Received 300,000 Par Value Of F H L M C Deb 0.875% 3/07/18 Received From Union Bank			32,222.58
08/16/13	Received 200,000 Par Value Of F H L M C M T N 1.000% 3/08/17 Received From Union Bank			32,222.58
08/16/13	Received 300,000 Par Value Of F H L M C M T N 2.000% 8/25/16 Received From Union Bank			32,222.58
08/16/13	Received 35,000 Par Value Of F H L M C M T N 2.500% 1/07/14 Received From Union Bank			32,222.58
08/16/13	Received 150,000 Par Value Of F H L M C M T N 2.500% 4/23/14 Received From Union Bank			32,222.58
08/16/13	Received 250,000 Par Value Of F H L M C M T N 2.875% 2/09/15 Received From Union Bank			32,222.58
08/16/13	Received 250,000 Par Value Of F N M A Deb 0.875% 5/21/18 Received From Union Bank			32,222.58
08/16/13	Received 210,000 Par Value Of F N M A Deb 1.250% 9/28/16 Received From Union Bank			32,222.58



ACCOUNT NUMBER: 001050986308
SMALL CITIES ORGANIZED RISK EFFORT

This statement is for the period from
August 14, 2013 to August 31, 2013

TRANSACTION DETAIL (continued)

<u>Date Posted</u>	<u>Description</u>	<u>Income Cash</u>	<u>Principal Cash</u>	<u>Balance</u>
08/16/13	Received 120,000 Par Value Of F N M A Deb 0.375% 12/21/15 Received From Union Bank			32,222.58
08/16/13	Received 200,000 Par Value Of F N M A M T N 1.000% 2/27/17 Received From Union Bank			32,222.58
08/16/13	Received 175,000 Par Value Of F N M A M T N 1.250% 1/30/17 Received From Union Bank			32,222.58
08/16/13	Received 65,000 Par Value Of F N M A Deb 1.375% 11/15/16 Received From Union Bank			32,222.58
08/16/13	Received 275,000 Par Value Of F N M A M T N 2.375% 4/11/16 Received From Union Bank			32,222.58
08/16/13	Received 275,000 Par Value Of F N M A M T N 2.375% 7/28/15 Received From Union Bank			32,222.58
08/16/13	Received 150,000 Par Value Of F N M A Deb 0.875% 12/20/17 Received From Union Bank			32,222.58
08/16/13	Received 215,000 Par Value Of F H L B Deb 1.375% 3/09/18 Received From Union Bank			32,222.58
08/16/13	Received 300,000 Par Value Of U S Treasury Nt 0.625% 11/30/17 Received From Union Bank			32,222.58
08/16/13	Received 350,000 Par Value Of U S Treasury Nt 0.250% 4/30/14 Received From Union Bank			32,222.58
08/19/13	Interest Earned On Honda Auto Receivabl 0.520% 8/18/16 \$0.00043/Pv On 100,000.00 Pv Due 8/18/13	43.33		32,265.91
08/26/13	Interest Earned On F H L M C M T N 2.000% 8/25/16 0.01 USD/\$1 Pv On 300,000 Par Value Due 8/25/13	3,000.00		35,265.91
08/27/13	Interest Earned On F N M A M T N 1.000% 2/27/17 0.005 USD/\$1 Pv On 200,000 Par Value Due 8/27/13	1,000.00		36,265.91
08/30/13	Sold 25,000 Par Value Of F H L M C M T N 2.875% 2/09/15 Trade Date 8/28/13 Sold Through Wells Fargo Invt LLC 25,000 Par Value At 103.709 %		25,927.25	62,193.16
08/30/13	Received Accrued Interest On Sale Of F H L M C M T N 2.875% 2/09/15 Income Credit 39.93 USD	39.93		62,233.09



AM -242-00351-0
000 46

6849
Page 10 of 11

ACCOUNT NUMBER: 001050986308
SMALL CITIES ORGANIZED RISK EFFORT

This statement is for the period from
August 14, 2013 to August 31, 2013

TRANSACTION DETAIL (continued)

<u>Date Posted</u>	<u>Description</u>	<u>Income Cash</u>	<u>Principal Cash</u>	<u>Balance</u>
	Combined Purchases For The Period 8/ 1/13 - 8/31/13 Of First Amer Govt Oblig Fund Cl Y		- 63,483.09	- 1,250.00
	Combined Sales For The Period 8/ 1/13 - 8/31/13 Of First Amer Govt Oblig Fund Cl Y		1,250.00	0.00
08/31/13	Ending Cash Balance	\$4,083.26	- \$4,083.26	\$0.00



ACCOUNT NUMBER: 001050986308
SMALL CITIES ORGANIZED RISK EFFORT

This statement is for the period from
August 14, 2013 to August 31, 2013

SALE/MATURITY SUMMARY

<u>Trade Date</u>	<u>Asset</u>	<u>Description</u>	<u>Cost Basis</u>	<u>Proceeds</u>	<u>Estimated Gain/Loss</u>
08/28/13	F H L M C M T N 2.875% 2/09/15	Sold 25,000	- 17,625.65	25,927.25	8,301.60
Total Assets Disposed			- Cost Basis		
			- Proceeds		
			- Estimated Gain/Loss		
				\$25,927.25	\$8,301.60

For information only. Not intended for tax purposes.

World Class Service Delivered by World Class Professionals-Guaranteed!

AMERICAN
LIBRARY
...
...

...

...
...
...



ACCOUNT NUMBER: 001050986308
SMALL CITIES ORGANIZED RISK EFFORT

This statement is for the period from
September 1, 2013 to September 30, 2013

000002302 1 SP 106481301051629 P

SMALL CITIES ORGANIZED RISK EFFORT
1792 TRIBUTE RD, SUITE 450
SACRAMENTO, CA 95815-4320

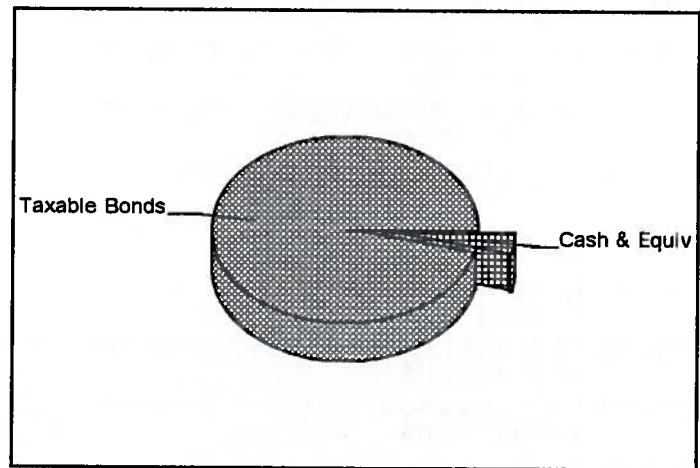
QUESTIONS?

If you have any questions regarding
your account or this statement, please
call your Relationship Manager:

Craig Sebastian
CN-OH-W5IT
6225 Lusk Boulevard
San Diego, CA
92121
Phone 513-632-2084
E-mail craig.sebastian@usbank.com

ASSET SUMMARY AS OF 09/30/13

	<u>Market Value</u>	<u>% of Total</u>	<u>Est Annual Income</u>
Taxable Bonds	\$10,280,607.80	96.6	\$173,029.61
Cash & Equivalents	\$356,492.79	3.4	\$508.66
Total Market Value	\$10,637,100.59	100.0	\$173,538.27



ASSET DETAIL

<u>Shares/ Par</u>	<u>Security Description</u>	<u>CUSIP</u>	<u>Market Value/ Price</u>	<u>Cost Basis</u>	<u>Yield At Market</u>	<u>Est Annual Inc</u>
Taxable Bonds						
250,000.000	Federal Home Loan Bks 3.625 10/18/2013	3133XSAE8	\$250,415.00 100.166	\$258,142.75	3.62	\$9,062.50
35,000.000	F H L M C M T N 2.500 01/07/2014	3137EABX6	35,229.60 100.656	34,625.96	2.48	875.00
100,000.000	Xto Energy Inc 4.900 02/01/2014	98385XAD8	101,430.00 101.430	60,144.70	4.83	4,900.00
150,000.000	F H L M C M T N 2.500 04/23/2014	3137EACB3	152,040.00 101.360	155,568.75	2.47	3,750.00
100,000.000	U S Treasury Note 0.250 04/30/2014	912828SR2	100,102.00 100.102	100,047.21	0.25	250.00
180,000.000	General Electric Cap Corp Medium Term Note 5.900 05/13/2014	36962G4C5	186,193.80 103.441	127,270.80	5.70	10,620.00



ASSET DETAIL (continued)

Shares/ Par	Security Description	CUSIP	Market Value/ Price	Cost Basis	Yield At Market	Est Annual Inc
Taxable Bonds						
190,000.000	Wal Mart Stores Inc 3.200 05/15/2014	931142CQ4	193,553.00 101.870	155,436.00	3.14	6,080.00
240,000.000	Microsoft Corp 2.950 06/01/2014	594918AB0	244,108.80 101.712	204,324.00	2.90	7,080.00
260,000.000	Federal Farm Credit Bks 1.900 06/02/2014	31331JQA4	263,094.00 101.190	259,368.20	1.88	4,940.00
100,000.000	Federal Home Loan Bks 5.250 06/18/2014	3133X7FK5	103,648.00 103.648	111,171.90	5.06	5,250.00
85,000.000	Federal Farm Credit Bks 3.000 09/22/2014	31331GL80	87,355.35 102.771	86,005.55	2.92	2,550.00
160,000.000	Federal Farm Credit Bks 1.625 11/19/2014	31331KHW3	162,616.00 101.635	164,560.00	1.60	2,600.00
225,000.000	F H L M C M T N 2.875 02/09/2015	3137EACH0	232,989.75 103.551	158,630.85	2.78	6,468.75
100,000.000	Berkshire Hathaway Inc 3.200 02/11/2015	084670AV0	103,664.00 103.664	29,975.10	3.09	3,200.00
150,000.000	Federal Farm Credit Bks 0.500 05/01/2015	3133EANJ3	150,469.50 100.313	149,853.00	0.50	750.00
250,000.000	U S Treasury Note 0.250 05/15/2015	912828SU5	249,980.00 99.992	248,985.21	0.25	625.00
265,000.000	Federal Home Loan Bks 2.875 06/12/2015	3133XWNB1	276,270.45 104.253	279,807.14	2.76	7,618.75
275,000.000	F N M A M T N 2.375 07/28/2015	31398AU34	285,048.50 103.654	283,288.50	2.29	6,531.25
75,000.000	U S Treasury Note 1.750 07/31/2015	912828NP1	76,983.00 102.644	74,355.72	1.70	1,312.50
265,000.000	Procter Gamble CO The 1.800 11/15/2015	742718DS5	271,821.10 102.574	171,770.72	1.75	4,770.00
250,000.000	U S Treasury Note 1.375 11/30/2015	912828PJ3	255,352.50 102.141	249,024.28	1.35	3,437.50
120,000.000	F N M A Deb 0.375 12/21/2015	3135G0SB0	119,682.00 99.735	119,720.40	0.38	450.00
120,000.000	Federal Farm Credit Bks 2.350 12/22/2015	31331J6C2	124,941.60 104.118	120,434.40	2.26	2,820.00
275,000.000	F N M A M T N 2.375 04/11/2016	3135G0BA0	287,014.75 104.369	282,544.63	2.28	6,531.25
105,000.000	Google Inc 2.125 05/19/2016	38259PAC6	108,822.00 103.640	107,568.30	2.05	2,231.25
310,000.000	F H L M C M T N 2.500 05/27/2016	3137EACT4	324,880.00 104.800	268,105.76	2.38	7,750.00
200,000.000	Federal Home Loan Bks 2.125 06/10/2016	313373SZ6	207,704.00 103.852	209,390.00	2.05	4,250.00
100,000.000	Toyota Auto Receivables Owner Tr A B S Ser 2012 B CI A3 0.540 07/15/2016	89231NAC7	99,836.00 99.836	99,990.49	0.29	291.33
370,000.000	U S Treasury Note 1.500 07/31/2016	912828QX1	379,364.70 102.531	263,047.75	1.46	5,550.00
100,000.000	Honda Auto Receivables Owner Trust A B S Ser 2012 4 CI A3 0.520 08/18/2016	43813CAC4	100,038.00 100.038	99,990.32	0.52	520.00

This statement is for the period from
September 1, 2013 to September 30, 2013**ASSET DETAIL (continued)**

Shares/ Par	Security Description	CUSIP	Market Value/ Price	Cost Basis	Yield At Market	Est Annual Inc
Taxable Bonds						
300,000.000	F H L M C M T N 2.000 08/25/2016	3137EACW7	310,854.00 103.618	312,151.20	1.93	6,000.00
250,000.000	U S Treasury Note 1.000 08/31/2016	912828RF9	252,657.50 101.063	251,690.29	0.99	2,500.00
210,000.000	F N M A Deb 1.250 09/28/2016	3135G0CM3	213,047.10 101.451	209,497.89	1.23	2,625.00
150,000.000	U S Treasury Note 1.000 09/30/2016	912828RJ1	151,546.50 101.031	149,619.64	0.99	1,500.00
65,000.000	F N M A Deb 1.375 11/15/2016	3135G0ES8	66,082.90 101.666	65,514.15	1.35	893.75
350,000.000	U S Treasury Note 0.875 11/30/2016	912828RU6	351,557.50 100.445	350,766.80	0.87	3,062.50
175,000.000	F N M A M T N 1.250 01/30/2017	3135G0GY3	176,961.75 101.121	174,983.73	1.24	2,187.50
200,000.000	F N M A M T N 1.000 02/27/2017	3135G0UY7	200,016.00 100.008	201,900.00	1.00	2,000.00
200,000.000	F H L M C M T N 1.000 03/08/2017	3137EADC0	200,620.00 100.310	196,430.40	1.00	2,000.00
105,000.000	Berkshire Hathaway Fin 1.600 05/15/2017	084664BS9	105,887.25 100.845	29,976.90	1.59	1,680.00
200,000.000	Federal Home Loan Bks 1.000 06/09/2017	313379FW4	199,168.00 99.584	199,758.00	1.00	2,000.00
160,000.000	Chase Issuance Trust A B S Ser 2012 A5 CI A5 0.590 08/15/2017	161571FL3	159,942.40 99.964	160,231.25	0.63	1,006.93
45,000.000	John Deere Owner Trust A B S Ser 2013 B CI A3 0.870 08/15/2017	477879AC4	45,097.65 100.217	44,993.87	0.87	391.50
400,000.000	U S Treasury Note 0.625 08/31/2017	912828TM2	393,780.00 98.445	249,160.99	0.63	2,500.00
160,000.000	Federal Farm Credit Bks 0.830 09/21/2017	3133EAY28	157,363.20 98.352	160,000.00	0.84	1,328.00
300,000.000	U S Treasury Note 0.625 11/30/2017	912828UA6	293,883.00 97.961	298,864.29	0.64	1,875.00
140,000.000	Chevron Corp 1.104 12/05/2017	166764AA8	137,991.00 98.565	40,000.00	1.12	1,545.60
150,000.000	F N M A Deb 0.875 12/20/2017	3135G0RT2	147,364.50 98.243	149,523.00	0.89	1,312.50
300,000.000	F H L M C Deb 0.875 03/07/2018	3137EADP1	293,034.00 97.678	225,281.25	0.90	2,625.00
215,000.000	Federal Home Loan Bks 1.375 03/09/2018	313378A43	214,432.40 99.736	213,970.15	1.38	2,956.25
135,000.000	Apple Inc 1.000 05/03/2018	037833AJ9	130,038.75 96.325	109,594.10	1.04	1,350.00
250,000.000	F N M A Deb 0.875 05/21/2018	3135G0WJ8	242,885.00 97.154	245,652.50	0.90	2,187.50
50,000.000	U S Treasury Note 1.250 07/31/2018	912828VQ0	50,090.00 100.180	50,021.65	1.37	687.50
250,000.000	U S Treasury Note 1.500 08/31/2018	912828RE2	251,660.00 100.664	247,725.45	1.49	3,750.00

ACCOUNT NUMBER: 001050986308
SMALL CITIES ORGANIZED RISK EFFORTThis statement is for the period from
September 1, 2013 to September 30, 2013**ASSET DETAIL (continued)**

Shares/ Par	Security Description	CUSIP	Market Value/ Price	Cost Basis	Yield At Market	Est Annual Inc
Taxable Bonds						
	Total Taxable Bonds		\$10,280,607.80	\$9,270,455.89		\$173,029.61
Cash & Equivalents						
210,000.000	Bank Of Tokyo Mitsubis C P 10/15/2013	06538BXF5	209,985.30 99.993	209,833.63	0.23	485.80
146,507.490	First American Government Obligation Fund CI Y	31846V203	146,507.49 1.000	146,507.49	0.02	22.86
	Income Cash		\$15,169.73	\$15,169.73		\$0.00
	Principal Cash		- \$15,169.73	- \$15,169.73		\$0.00
	Total Cash & Equivalents		\$356,492.79	\$356,341.12		\$508.66
	Total Investments		\$10,637,100.59	\$9,626,797.01		\$173,538.27

Time of trade execution and trading party (if not disclosed) will be provided upon request.

Cost adjustments made to previously reported sales to reflect the impact of IRS wash sale rules may result in adjustments to reported year-to-date losses. Consequently, this period's beginning cost basis may differ from the basis reported in the prior period. The gain and loss figures reported on this statement are provided for informational purposes only and should not be used for tax reporting purposes. Please consult with your tax or legal advisor for questions concerning your personal tax or financial situation.

Publicly traded assets are valued in accordance with market quotations or valuation methodologies from financial industry services believed by us to be reliable. Assets that are not publicly traded may be reflected at values from other external sources. Assets for which a current value is not available may be reflected at a previous value or as not valued, at par value, or at a nominal value. Values shown do not necessarily reflect prices at which assets could be bought or sold. Values are updated based on internal policy and may be updated less frequently than statement generation.



ACCOUNT NUMBER: 001050986308
SMALL CITIES ORGANIZED RISK EFFORT

This statement is for the period from
September 1, 2013 to September 30, 2013

CASH SUMMARY

	<u>Income Cash</u>	<u>Principal Cash</u>	<u>Total</u>
Beginning Cash Balance	\$4,083.26	- \$4,083.26	\$0.00
Receipts			
Interest	11,086.47	0.00	11,086.47
Miscellaneous Receipts	0.00	704.58	704.58
Sales/Maturities	0.00	365,253.07	365,253.07
Cash Equivalent Sales	0.00	45,044.09	45,044.09
Total Cash Receipts	\$11,086.47	\$411,001.74	\$422,088.21
Disbursements			
Trust & Investment Fees	0.00	- 50.40	- 50.40
Purchases	0.00	- 292,719.32	- 292,719.32
Cash Equivalent Purchases	0.00	- 129,318.49	- 129,318.49
Total Cash Disbursements	\$0.00	- \$422,088.21	- \$422,088.21
Ending Cash Balance	\$15,169.73	- \$15,169.73	\$0.00



AM -273-00351-0
000 46

8173
Page 6 of 8

ACCOUNT NUMBER: 001050986308
SMALL CITIES ORGANIZED RISK EFFORT

This statement is for the period from
September 1, 2013 to September 30, 2013

TRANSACTION DETAIL

Date Posted	Description	Income Cash	Principal Cash	Balance
09/01/13	Beginning Cash Balance	\$4,083.26	- \$4,083.26	\$0.00
09/03/13	Interest Earned On U S Treasury Nt 0.625% 8/31/17 0.003125 USD/\$1 Pv On 400,000 Par Value Due 8/31/13	1,250.00		1,250.00
09/03/13	Interest Earned On U S Treasury Nt 1.000% 8/31/16 0.005 USD/\$1 Pv On 250,000 Par Value Due 8/31/13	1,250.00		2,500.00
09/03/13	Interest Earned On First Amer Govt Oblig Fund Cl Y Interest From 8/1/13 To 8/31/13	0.18		2,500.18
09/04/13	Purchased 45,000 Par Value Of John Deere Owner 0.870% 8/15/17 Trade Date 8/27/13 Purchased Through Mlpfs Inc/Fixed Income 45,000 Par Value At 99.98637 %		- 44,993.87	- 42,493.69
09/09/13	Interest Earned On F H L M C Deb 0.875% 3/07/18 0.004375 USD/\$1 Pv On 300,000 Par Value Due 9/7/13	1,312.50		- 41,181.19
09/09/13	Interest Earned On F H L M C M T N 1.000% 3/08/17 0.005 USD/\$1 Pv On 200,000 Par Value Due 9/8/13	1,000.00		- 40,181.19
09/09/13	Interest Earned On F H L B Deb 1.375% 3/09/18 0.006875 USD/\$1 Pv On 215,000 Par Value Due 9/9/13	1,478.13		- 38,703.06
09/10/13	Cash Receipt Incoming Wires Wire Rec'D From Score C/O Alliant Insurance Svcs		704.58	- 37,998.48
09/16/13	Interest Earned On Toyota Auto Rec 0.29133% 7/15/16 0.000383 USD/\$1 Pv On 100,000 Par Value Due 9/15/13 09/15/2013 Interest Payment	38.33		- 37,960.15
09/16/13	Interest Earned On Chase Iss Trust 0.62933% 8/15/17 \$.00049/Pv On 160,000.00 Pv Due 9/15/13	78.67		- 37,881.48
09/16/13	Purchased 250,000 Par Value Of U S Treasury Nt 1.500% 8/31/18 Trade Date 9/13/13 Purchased Through Barclays Capital Inc. Fixed In 250,000 Par Value At 99.090179 %		- 247,725.45	- 285,606.93
09/16/13	Paid Accrued Interest On Purchase Of U S Treasury Nt 1.500% 8/31/18 Income Debit 165.75- USD	- 165.75		- 285,772.68
09/16/13	Sold 250,000 Par Value Of U S Treasury Nt 0.250% 4/30/14 Trade Date 9/13/13 Sold Through Barclays Capital Inc. Fixed In 250,000 Par Value At 100.101228 %		250,253.07	- 35,519.61



AM -273-00351-0
000 46

8173
Page 7 of 8

ACCOUNT NUMBER: 001050986308
SMALL CITIES ORGANIZED RISK EFFORT

This statement is for the period from
September 1, 2013 to September 30, 2013

TRANSACTION DETAIL (continued)

<u>Date Posted</u>	<u>Description</u>	<u>Income Cash</u>	<u>Principal Cash</u>	<u>Balance</u>
09/16/13	Received Accrued Interest On Sale Of U S Treasury Nt 0.250% 4/30/14 Income Credit 236.08 USD	236.08		- 35,283.53
09/18/13	Interest Earned On Honda Auto Receivabl 0.520% 8/18/16 0.000433 USD/\$1 Pv On 100,000 Par Value Due 9/18/13 09/18/2013 Interest Payment	43.33		- 35,240.20
09/23/13	Matured 115,000 Par Value Of F F C B Deb 0.980% 9/23/13 Trade Date 9/23/13 115,000 Par Value At 100 %		115,000.00	79,759.80
09/23/13	Interest Earned On F F C B Deb 0.830% 9/21/17 0.00415 USD/\$1 Pv On 160,000 Par Value Due 9/21/13	664.00		80,423.80
09/23/13	Interest Earned On F F C B Deb 3.000% 9/22/14 0.015 USD/\$1 Pv On 85,000 Par Value Due 9/22/13	1,275.00		81,698.80
09/23/13	Interest Earned On F F C B Deb 0.980% 9/23/13 0.0049 USD/\$1 Pv On 115,000 Par Value Due 9/23/13	563.50		82,262.30
09/26/13	Trust Fees Collected Charged For Period 08/01/2013 Thru 08/31/2013		- 50.40	82,211.90
09/30/13	Interest Earned On F N M A Deb 1.250% 9/28/16 0.00625 USD/\$1 Pv On 210,000 Par Value Due 9/28/13	1,312.50		83,524.40
09/30/13	Interest Earned On U S Treasury Nt 1.000% 9/30/16 0.005 USD/\$1 Pv On 150,000 Par Value Due 9/30/13	750.00		84,274.40
	Combined Purchases For The Period 9/ 1/13 - 9/30/13 Of First Amer Govt Oblig Fund Cl Y		- 129,318.49	- 45,044.09
	Combined Sales For The Period 9/ 1/13 - 9/30/13 Of First Amer Govt Oblig Fund Cl Y		45,044.09	0.00
09/30/13	Ending Cash Balance	<u>\$15,169.73</u>	<u>- \$15,169.73</u>	<u>\$0.00</u>



AM -273-00351-0
000 46

8173
Page 8 of 8

ACCOUNT NUMBER: 001050986308
SMALL CITIES ORGANIZED RISK EFFORT

This statement is for the period from
September 1, 2013 to September 30, 2013

SALE/MATURITY SUMMARY

<u>Trade Date</u>	<u>Asset</u>	<u>Description</u>	<u>Cost Basis</u>	<u>Proceeds</u>	<u>Estimated Gain/Loss</u>
09/13/13	U S Treasury Nt 0.250% 4/30/14	Sold 250,000	- 250,118.02	250,253.07	135.05
09/23/13	F F C B Deb 0.980% 9/23/13	Matured 115,000	- 114,663.05	115,000.00	336.95
Total Assets Disposed			- \$364,781.07	\$365,253.07	\$472.00
		- Cost Basis			
		- Proceeds			
		- Estimated Gain/Loss			

For information only. Not intended for tax purposes.

World Class Service Delivered by World Class Professionals-Guaranteed!

Small Cities Organized Risk Effort Check Register

June 1, 2013 - September 30, 2013

Type	Date	Num	Name	Memo	Split	Debit	Credit	Balance
0100 - CASH IN BANK								91,337.40
0100-010 Scott Valley Bank								91,337.40
Transfer	6/4/2013			Funds Transfer	0106-020 Trust - WC - SVB		51,575.91	39,761.49
Transfer	6/6/2013			Funds Transfer	0150 - LAIF	200,000.00		239,761.49
Payment	6/14/2013	14690	Etna		0120 ACCOUNTS RECEIVABLE	3,652.00		243,413.49
Transfer	6/17/2013			Funds Transfer	0106-010 Trust - Liab_SVB		3,452.58	239,960.91
Transfer	6/17/2013			Funds Transfer	0106-020 Trust - WC - SVB			220,540.08
Check	6/19/2013	2402	SBK Risk Services, Inc.	Inv # SCORE-13-6 (May)	0670 - Risk Management Servi...		15,203.97	205,336.11
Check	6/19/2013	2403	Champion Awards	Inv # 31701	0605 - B of D Activities		21.60	205,314.51
Check	6/19/2013	2404	CAJPA	Inv # 5900197	0615 - Dues and Subscriptions		450.00	204,864.51
Check	6/19/2013	2405	Fort Jones		-SPLIT-		2,269.45	202,595.06
Check	6/19/2013	2406	Bickmore Risk Services	Inv # BRS-0008890	-SPLIT-		9,500.00	193,095.06
Check	6/19/2013	2408	York Insurance Services Group, Inc-CA	Inv # 500009087 - Liab Claims Admin 6/13	0830 - Claims Service - Vouchers		8,125.00	184,970.06
Check	6/19/2013	2407	York Insurance Services Group, Inc-CA	Inv # 500009086 - WC Claims Admin 6/13	0710 - Claims Management		7,895.00	177,075.06
Check	6/28/2013	2412	Shasta Lake	2012/2013 Dividend	Dividends Payable		177,145.00	-69.94
Check	6/28/2013	2413	Yreka	2012/2013 Dividend	Dividends Payable		143,591.00	-143,660.94
Check	6/28/2013	2414	Mt. Shasta	2012/2013 Dividend	Dividends Payable		22,688.00	-166,348.94
Check	6/28/2013	2415	Loomis	2012/2013 Dividend	Dividends Payable		29,249.00	-195,597.94
Check	6/28/2013	2416	Rio Dell	2012/2013 Dividend	Dividends Payable		33,192.00	-228,789.94
Check	6/28/2013	2417	Susanville	2012/2013 Dividend	Dividends Payable		188,230.00	-417,019.94
Check	6/28/2013	2418	Dorris	2012/2013 Dividend	Dividends Payable		5,890.00	-422,909.94
Deposit	6/30/2013			Deposit - Recovery	Workers' Compensation Claims	17,519.45		-405,390.49
Deposit	6/30/2013			Interest	SVB	17.36		-405,373.13
Transfer	7/1/2013			Funds Transfer	0106-010 Trust - Liab_SVB		15,519.50	-420,892.63
Transfer	7/1/2013			Funds Transfer	0106-020 Trust - WC - SVB		39,328.02	-460,220.65
Deposit	7/5/2013			Deposit	-SPLIT-	37,835.00		-422,385.65
Transfer	7/9/2013			Funds Transfer	0150 - LAIF	600,000.00		177,614.35
Transfer	7/9/2013			Funds Transfer	0106-010 Trust - Liab_SVB		55,000.00	122,614.35
Transfer	7/9/2013			Funds Transfer	0106-020 Trust - WC - SVB		35,173.43	87,440.92
Transfer	7/9/2013			Funds Transfer	0106-020 Trust - WC - SVB		42,416.02	45,024.90
Transfer	7/9/2013			Funds Transfer	0150 - LAIF	200,000.00		245,024.90
Check	7/16/2013	2419	Employment Risk Management Author...	Inv # ERMA-00232	EPLI		67,888.00	177,136.90
Check	7/16/2013	2420	Alliant	Inv # 1019366 & 2019366	-SPLIT-		293,973.55	-116,836.65
Check	7/16/2013	2421	LAWCX	Excess Work Comp - Inv # LAWCX-2014-010	Workers' Compensation		174,487.00	-291,323.65
Check	7/16/2013	2422	Alliant	Inv # 136833 - Program Admin	Program Administration		230,863.00	-522,186.65
Check	7/16/2013	2423	SBK Risk Services, Inc.	Inv # SCORE 13-7 (June)	0670 - Risk Management Servi...		4,011.21	-526,197.86
Check	7/16/2013	2424	CSAC Excess Insurance	Inv # 14400505 - Pollution Program	General Liability		10,688.00	-536,885.86
Deposit	7/17/2013			Deposit	-SPLIT-	58,954.85		-477,931.01
Transfer	7/17/2013			Funds Transfer	0106-020 Trust - WC - SVB		41,635.80	-519,566.81
Transfer	7/17/2013			Funds Transfer	0106-010 Trust - Liab_SVB		12,626.90	-532,193.71
Deposit	7/23/2013			Deposit	-SPLIT-	511,095.30		-21,098.41
Deposit	7/26/2013			Deposit	-SPLIT-	250,888.00		229,789.59
Transfer	7/29/2013			Funds Transfer	0106-020 Trust - WC - SVB		20,000.00	209,789.59
Deposit	7/31/2013			Deposit	-SPLIT-	311,175.00		520,964.59
Check	7/31/2013	2425	Toyon-Wintu Center	Catering Services for board mtg 6/28/13	0605 - B of D Activities		801.45	520,163.14
Deposit	7/31/2013			Deposit	-SPLIT-	43,806.00		563,969.14
Deposit	7/31/2013			Interest	SVB	45.41		564,014.55
Transfer	8/2/2013			Funds Transfer	0106-010 Trust - Liab_SVB		35,061.76	528,952.79
Transfer	8/2/2013			Funds Transfer	0106-020 Trust - WC - SVB		40,340.75	488,612.04
Deposit	8/5/2013			Deposit	-SPLIT-	124,553.60		613,165.64
Deposit	8/14/2013			Deposit	Workers' Compensation Claims	6,015.57		619,181.21
Transfer	8/16/2013			Funds Transfer	0106-010 Trust - Liab_SVB		5,755.33	613,425.88
Transfer	8/16/2013			Funds Transfer	0106-020 Trust - WC - SVB		28,111.94	585,313.94
Check	8/19/2013	2426	CJPRMA	VOID: Inv # LIAB-SCORE-13/14	0615 - Dues and Subscriptions	0.00		585,313.94
Check	8/19/2013	2428	CJPRMA	Inv # LIAB-SCORE-13/14	General Liability		42,069.00	543,244.94
Transfer	8/20/2013			Funds Transfer	0106-020 Trust - WC - SVB		23,760.17	519,484.77
Transfer	8/20/2013			Funds Transfer	0106-020 Trust - WC - SVB		19,892.80	499,591.97
Check	8/27/2013	2429	LAWCX	Inv # LAWCX 2014-040	0875 - Ins Premiums/Contrib.Cost		15,902.00	483,689.97
Check	8/29/2013	2430	Gilbert Associates, Inc.	VOID: 29330 ENG	0505 - Accounting	0.00		483,689.97
Check	8/29/2013	2431	Gilbert Associates, Inc.	VOID: May & June 2013	0505 - Accounting	0.00		483,689.97
Check	8/29/2013	2432	Gilbert Associates, Inc.	July 2013	0505 - Accounting		4,000.00	479,689.97
Check	8/29/2013	2433	Biggs	CAJPA Reimbursement	0610 - Conference		450.00	479,239.97
Check	8/29/2013	2434	Susanville	Reimbursement for Lexipol 2013/2014	0676 - Safety Training		2,000.00	477,239.97
Check	8/29/2013	2435	Lexipol LLC	Inv # 9034 - Tulelake Police Dept	0676 - Safety Training		1,950.00	475,289.97
Check	8/29/2013	2436	York Insurance Services Group, Inc-CA	W/C Claims Admin - Aug '13 Inv # 50000094...	0710 - Claims Management		8,131.85	467,158.12
Check	8/29/2013	2439	York Insurance Services Group, Inc-CA	Liab Claims Admin - Aug '13 Inv # 50000094...	0830 - Claims Service - Vouchers		8,125.00	459,033.12
Check	8/29/2013	2438	Gilbert Associates, Inc.	May & June 2013	0505 - Accounting		8,000.00	451,033.12
Check	8/29/2013	2437	VOID		void		0.00	451,033.12
Deposit	8/29/2013			Deposit	Workers' Compensation Claims	3,300.00		454,333.12
Deposit	8/31/2013			Interest	SVB	58.04		454,391.16
Transfer	9/3/2013			Funds Transfer	0106-010 Trust - Liab_SVB		2,746.78	451,644.38
Transfer	9/3/2013			Funds Transfer	0106-020 Trust - WC - SVB		28,772.51	422,871.87
Check	9/5/2013	2440	Rio Dell	Reimbursement for Lexipol 13/14	0676 - Safety Training		1,950.00	420,921.87
Deposit	9/5/2013			Deposit	-SPLIT-	246,142.25		667,064.12
Transfer	9/24/2013			Funds Transfer	0106-010 Trust - Liab_SVB		10,161.80	656,902.32
Transfer	9/24/2013			Funds Transfer	0106-020 Trust - WC - SVB		25,707.17	631,195.15
Check	9/26/2013	2441	Napa River Inn	Board Meeting 10/24/13 - 10/25/13	0605 - B of D Activities		14,390.00	616,805.15
Check	9/26/2013	2442	John Busch	CAJPA Reimbursement	0610 - Conference		586.61	616,218.54
Check	9/26/2013	2443	Gilbert Associates, Inc.	29330 ENG	0505 - Accounting		4,000.00	612,218.54
Deposit	9/27/2013			Deposit	-SPLIT-	2,603.37		614,821.91
Deposit	9/30/2013			Interest	SVB	54.04		614,875.95
Total 0100-010 Scott Valley Bank						2,617,715.24	2,094,176.69	614,875.95
Total 0100 - CASH IN BANK						2,617,715.24	2,094,176.69	614,875.95
TOTAL						2,617,715.24	2,094,176.69	614,875.95

Monthly Account Statement

Small Cities Organized Risk Effort

June 1, 2013 through June 30, 2013

Chandler Team

For questions about your account,
please call (800) 317-4747 or
Email operations@chandlerasset.com

Custodian

Union Bank N.A.
Jeannette Simmons

Information contained herein is confidential. We urge you to compare this statement to the one you receive from your qualified custodian. Prices are provided by IDC, an independent pricing source.



PORTFOLIO CHARACTERISTICS

Average Duration	2.45
Average Coupon	1.71 %
Average Purchase YTM	1.36 %
Average Market YTM	0.74 %
Average S&P/Moody Rating	AA+/Aaa
Average Final Maturity	2.57 yrs
Average Life	2.50 yrs

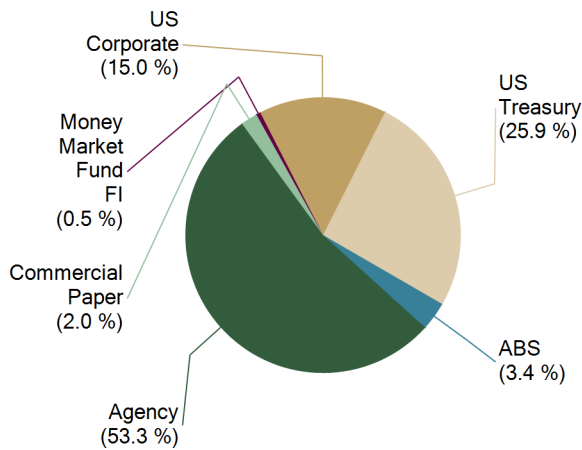
ACCOUNT SUMMARY

	Beg. Values as of 5/31/13	End Values as of 6/30/13
Market Value	10,640,103	10,598,074
Accrued Interest	45,663	38,234
Total Market Value	10,685,766	10,636,308
Income Earned	12,282	12,071
Cont/WD		-1,071
Par	10,460,033	10,488,131
Book Value	10,514,627	10,533,056
Cost Value	10,607,553	10,628,543

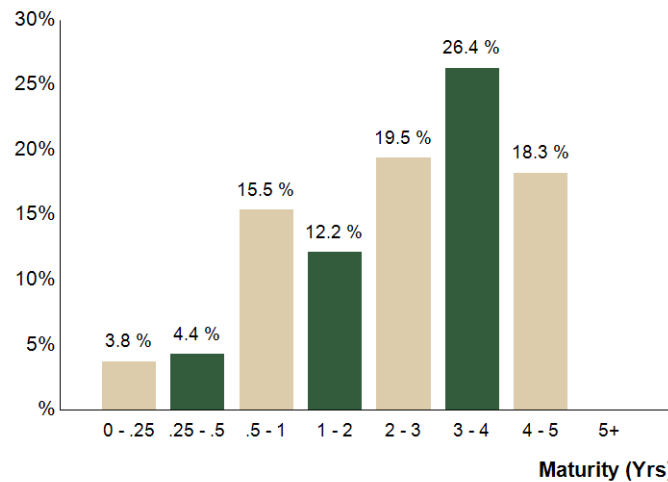
TOP ISSUERS

Issuer	% Portfolio
Government of United States	25.9 %
Federal National Mortgage Assoc	16.4 %
Federal Home Loan Mortgage Corp	14.9 %
Federal Farm Credit Bank	10.0 %
Federal Home Loan Bank	9.8 %
Procter & Gamble Company	2.6 %
Microsoft	2.3 %
Tennessee Valley Authority	2.2 %
Total	84.0 %

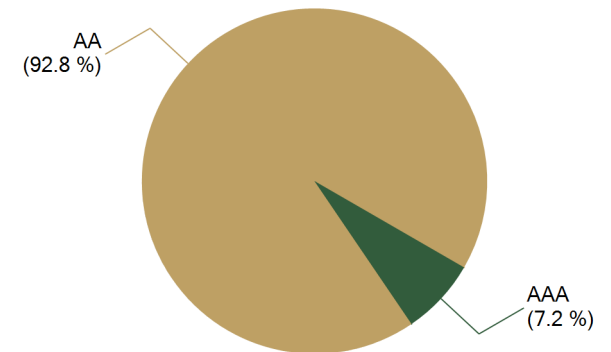
SECTOR ALLOCATION



MATURITY DISTRIBUTION



CREDIT QUALITY (S&P)



PERFORMANCE REVIEW

Total Rate of Return As of 6/30/2013	Current Month	Latest 3 Months	Year To Date	1 Yr	Annualized			3/31/2006	Since 3/31/2006
					3 Yrs	5 Yrs	10 Yrs		
Small Cities Organized Risk Effort	-0.45 %	-0.71 %	-0.58 %	0.10 %	1.58 %	3.22 %	N/A	4.12 %	34.05 %
1-5 yr Govt	-0.41 %	-0.69 %	-0.54 %	-0.02 %	1.41 %	2.80 %	N/A	3.83 %	31.37 %
1-5 Year Govt/A Rated or better Corporate	-0.52 %	-0.77 %	-0.53 %	0.41 %	1.82 %	3.07 %	N/A	3.95 %	32.38 %



**Small Cities Organized Risk Effort
Joint Powers Authority
June 30, 2013**

COMPLIANCE WITH INVESTMENT POLICY

Assets managed by Chandler Asset Management are in full compliance with State law and with the Authority's investment policy.

Category	Standard	Comment
U.S. Treasury Issues	No limitations, AAA rated	Complies
Government Agencies	No limitations, AAA rated	Complies
Negotiable CDs	A-1/P-1 or F-1, or AA rated; 30% max.; 3 years maximum maturity; 5% per issuer; \$1MM per issue	Complies
Banker's Acceptances	A1/P1 or F-1 rated; 30% maximum; 5% per issuer; \$1MM per issue; <180 days	Complies
Commercial Paper	A-1/P1 or F-1 rated; 25% maximum; 5% per issuer; \$1MM per issue; <270 days	Complies
Medium Term Notes	"AA-" or better rated; 30% maximum; \$1M per issuer	Complies
Asset-Backed Securities	AAA/Aaa rated; 20% maximum with Mort. Pass-Throughs; 5% per issuer; \$1MM per issue	Complies
Mortgage Pass-Through Securities	AAA/Aaa rated; 20% maximum with Asset Backs; 5% per issuer; \$1MM per issue	Complies
Money Market Funds	AAA/Aaa rated; 15% maximum; \$1MM per issue	Complies
Repurchase Agreements	Not used by investment adviser	Complies
LAIF	Not used by investment adviser	Complies
Maximum maturity	5 years	Complies



Reconciliation Summary

As of 6/30/2013

BOOK VALUE RECONCILIATION	
Beginning Book Value	\$10,514,627.12
Acquisition	
+ Security Purchases	\$528,135.63
+ Money Market Fund Purchases	\$432,668.81
+ Money Market Contributions	\$2,292.00
+ Security Contributions	\$0.00
+ Security Transfers	\$0.00
Total Acquisitions	\$963,096.44
Dispositions	
- Security Sales	\$0.00
- Money Market Fund Sales	\$528,500.21
- MMF Withdrawals	\$3,363.00
- Security Withdrawals	\$0.00
- Security Transfers	\$0.00
- Other Dispositions	\$0.00
- Maturities	\$409,840.34
- Calls	\$0.00
- Principal Paydowns	\$0.00
Total Dispositions	\$941,703.55
Amortization/Accretion	
+/- Net Accretion	(\$2,964.09)
	(\$2,964.09)
Gain/Loss on Dispositions	
+/- Realized Gain/Loss	\$0.00
	\$0.00
Ending Book Value	\$10,533,055.92

CASH TRANSACTION SUMMARY	
BEGINNING BALANCE	\$150,033.00
Acquisition	
Contributions	\$2,292.00
Security Sale Proceeds	\$0.00
Accrued Interest Received	\$0.00
Interest Received	\$22,668.76
Dividend Received	\$0.05
Principal on Maturities	\$409,840.34
Interest on Maturities	\$159.66
Calls/Redemption (Principal)	\$0.00
Interest from Calls/Redemption	\$0.00
Principal Paydown	\$0.00
Total Acquisitions	\$434,960.81
Disposition	
Withdrawals	\$3,363.00
Security Purchase	\$528,135.63
Accrued Interest Paid	\$364.58
Total Dispositions	\$531,863.21
Ending Book Value	\$53,130.60

Monthly Account Statement

Small Cities Organized Risk Effort

July 1, 2013 through July 31, 2013

Chandler Team

For questions about your account,
please call (800) 317-4747 or
Email operations@chandlerasset.com

Custodian

Union Bank N.A.
Jeannette Simmons

Information contained herein is confidential. We urge you to compare this statement to the one you receive from your qualified custodian. Prices are provided by IDC, an independent pricing source.



PORTFOLIO CHARACTERISTICS

Average Duration	2.39
Average Coupon	1.71 %
Average Purchase YTM	1.36 %
Average Market YTM	0.77 %
Average S&P/Moody Rating	AA+/Aaa
Average Final Maturity	2.51 yrs
Average Life	2.44 yrs

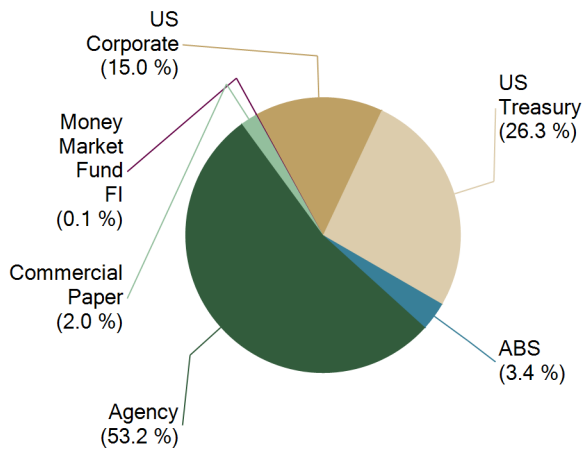
ACCOUNT SUMMARY

	Beg. Values as of 6/30/13	End Values as of 7/31/13
Market Value	10,598,074	10,618,167
Accrued Interest	38,239	44,825
Total Market Value	10,636,313	10,662,992
Income Earned	12,071	11,994
Cont/WD		-1,066
Par	10,488,131	10,495,432
Book Value	10,533,056	10,537,398
Cost Value	10,628,543	10,635,866

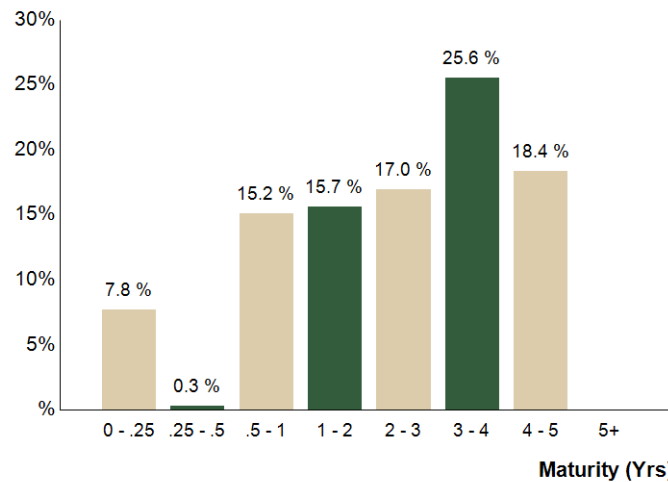
TOP ISSUERS

Issuer	% Portfolio
Government of United States	26.3 %
Federal National Mortgage Assoc	16.3 %
Federal Home Loan Mortgage Corp	14.9 %
Federal Farm Credit Bank	10.0 %
Federal Home Loan Bank	9.8 %
Procter & Gamble Company	2.6 %
Microsoft	2.3 %
Tennessee Valley Authority	2.2 %
Total	84.4 %

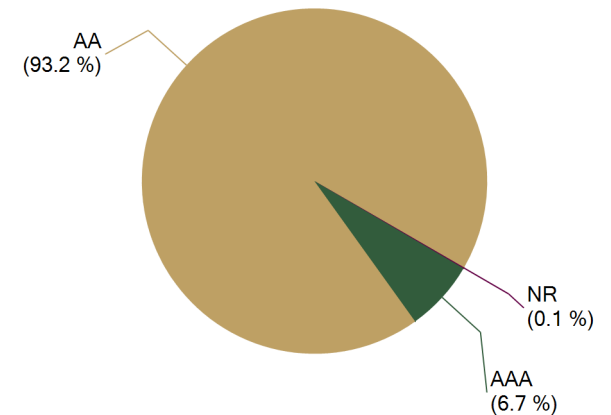
SECTOR ALLOCATION



MATURITY DISTRIBUTION



CREDIT QUALITY (S&P)



PERFORMANCE REVIEW

Total Rate of Return As of 7/31/2013	Current Month	Latest 3 Months	Year To Date	1 Yr	Annualized			Since 3/31/2006	Since 3/31/2006
					3 Yrs	5 Yrs	10 Yrs		
Small Cities Organized Risk Effort	0.26 %	-0.66 %	-0.32 %	-0.02 %	1.47 %	3.18 %	N/A	4.11 %	34.40 %
1-5 yr Govt	0.23 %	-0.69 %	-0.31 %	-0.18 %	1.31 %	2.75 %	N/A	3.82 %	31.67 %
1-5 Year Govt/A Rated or better Corporate	0.31 %	-0.73 %	-0.23 %	0.19 %	1.68 %	3.06 %	N/A	3.94 %	32.79 %



**Small Cities Organized Risk Effort
Joint Powers Authority
July 31, 2013**

COMPLIANCE WITH INVESTMENT POLICY

Assets managed by Chandler Asset Management are in full compliance with State law and with the Authority's investment policy.

Category	Standard	Comment
U.S. Treasury Issues	No limitations, AAA rated	Complies
Government Agencies	No limitations, AAA rated	Complies
Negotiable CDs	A-1/P-1 or F-1, or AA rated; 30% max.; 3 years maximum maturity; 5% per issuer; \$1MM per issue	Complies
Banker's Acceptances	A1/P1 or F-1 rated; 30% maximum; 5% per issuer; \$1MM per issue; <180 days	Complies
Commercial Paper	A-1/P1 or F-1 rated; 25% maximum; 5% per issuer; \$1MM per issue; <270 days	Complies
Medium Term Notes	"AA-" or better rated; 30% maximum; \$1M per issuer	Complies
Asset-Backed Securities	AAA/Aaa rated; 20% maximum with Mort. Pass-Throughs; 5% per issuer; \$1MM per issue	Complies
Mortgage Pass-Through Securities	AAA/Aaa rated; 20% maximum with Asset Backs; 5% per issuer; \$1MM per issue	Complies
Money Market Funds	AAA/Aaa rated; 15% maximum; \$1MM per issue	Not in compliance*
Repurchase Agreements	Not used by investment adviser	Complies
LAIF	Not used by investment adviser	Complies
Maximum maturity	5 years	Complies

Fund out of compliance due to a corporate action on 7/22/13. We expect to have this corrected in early August



Reconciliation Summary

As of 7/31/2013

BOOK VALUE RECONCILIATION	
Beginning Book Value	\$10,533,055.92
Acquisition	
+ Security Purchases	\$50,021.65
+ Money Market Fund Purchases	\$8,388.82
+ Money Market Contributions	\$52,662.79
+ Security Contributions	\$0.00
+ Security Transfers	\$0.00
Total Acquisitions	\$111,073.26
Dispositions	
- Security Sales	\$0.00
- Money Market Fund Sales	\$50,021.65
- MMF Withdrawals	\$53,728.79
- Security Withdrawals	\$0.00
- Security Transfers	\$0.00
- Other Dispositions	\$0.00
- Maturities	\$0.00
- Calls	\$0.00
- Principal Paydowns	\$0.00
Total Dispositions	\$103,750.44
Amortization/Accretion	
+/- Net Accretion	(\$2,980.25)
	(\$2,980.25)
Gain/Loss on Dispositions	
+/- Realized Gain/Loss	\$0.00
	\$0.00
Ending Book Value	\$10,537,398.49

CASH TRANSACTION SUMMARY	
BEGINNING BALANCE	\$53,130.60
Acquisition	
Contributions	\$52,662.79
Security Sale Proceeds	\$0.00
Accrued Interest Received	\$0.00
Interest Received	\$8,388.46
Dividend Received	\$0.36
Principal on Maturities	\$0.00
Interest on Maturities	\$0.00
Calls/Redemption (Principal)	\$0.00
Interest from Calls/Redemption	\$0.00
Principal Paydown	\$0.00
Total Acquisitions	\$61,051.61
Disposition	
Withdrawals	\$53,728.79
Security Purchase	\$50,021.65
Accrued Interest Paid	\$0.00
Total Dispositions	\$103,750.44
Ending Book Value	\$10,431.77

Monthly Account Statement

Small Cities Organized Risk Effort

August 1, 2013 through August 31, 2013

Chandler Team

For questions about your account,
please call (800) 317-4747 or
Email operations@chandlerasset.com

Custodian

US Bank
Linda Brimm
+(314)-418-3441

Information contained herein is confidential. We urge you to compare this statement to the one you receive from your qualified custodian. Prices are provided by IDC, an independent pricing source.



PORTFOLIO CHARACTERISTICS

Average Duration	2.38
Average Coupon	1.63 %
Average Purchase YTM	1.32 %
Average Market YTM	0.79 %
Average S&P/Moody Rating	AA+/Aaa
Average Final Maturity	2.51 yrs
Average Life	2.44 yrs

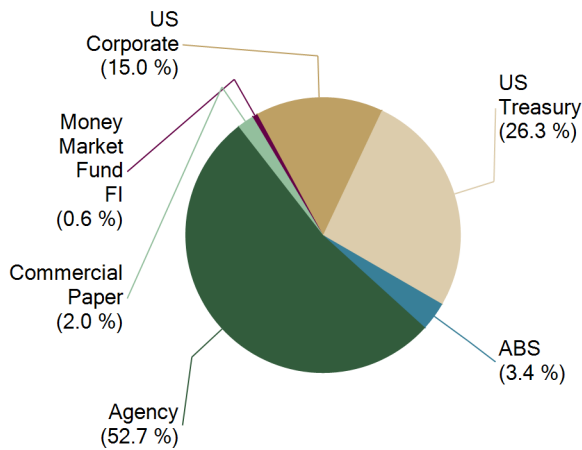
ACCOUNT SUMMARY

	Beg. Values as of 7/31/13	End Values as of 8/31/13
Market Value	10,618,167	10,590,117
Accrued Interest	44,825	40,537
Total Market Value	10,662,992	10,630,654
Income Earned	11,994	11,615
Cont/WD		-5,543
Par	10,495,432	10,510,437
Book Value	10,537,398	10,548,485
Cost Value	10,635,866	10,636,799

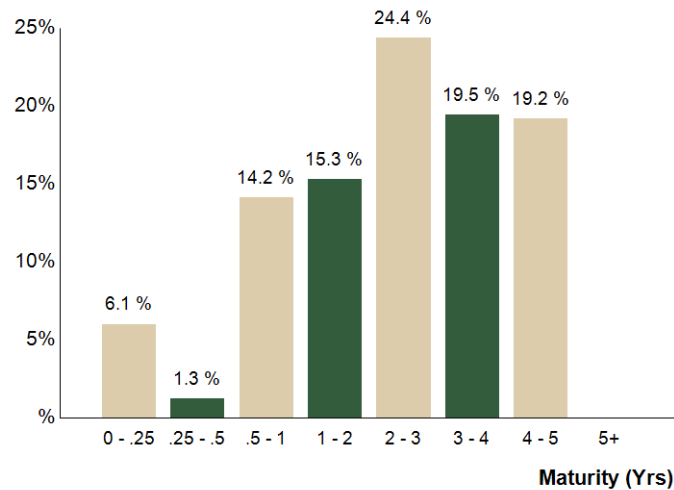
TOP ISSUERS

Issuer	% Portfolio
Government of United States	26.3 %
Federal National Mortgage Assoc	16.3 %
Federal Home Loan Mortgage Corp	14.6 %
Federal Home Loan Bank	11.8 %
Federal Farm Credit Bank	10.0 %
Procter & Gamble Company	2.6 %
Microsoft	2.3 %
Bank of Tokyo-Mit UFJ	2.0 %
Total	85.9 %

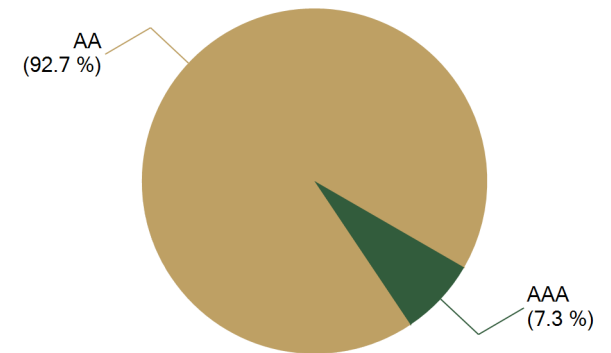
SECTOR ALLOCATION



MATURITY DISTRIBUTION



CREDIT QUALITY (S&P)



PERFORMANCE REVIEW

Total Rate of Return As of 8/31/2013	Current Month	Latest 3 Months	Year To Date	1 Yr	Annualized			Since 3/31/2006	Since 3/31/2006
					3 Yrs	5 Yrs	10 Yrs		
Small Cities Organized Risk Effort	-0.25 %	-0.44 %	-0.57 %	-0.41 %	1.25 %	3.02 %	N/A	4.03 %	34.06 %
1-5 yr Govt	-0.27 %	-0.45 %	-0.58 %	-0.51 %	1.07 %	2.58 %	N/A	3.74 %	31.31 %
1-5 Year Govt/A Rated or better Corporate	-0.25 %	-0.46 %	-0.48 %	-0.21 %	1.42 %	2.89 %	N/A	3.86 %	32.46 %



**Small Cities Organized Risk Effort
Joint Powers Authority
August 31, 2013**

COMPLIANCE WITH INVESTMENT POLICY

Assets managed by Chandler Asset Management are in full compliance with State law and with the Authority's investment policy.

Category	Standard	Comment
U.S. Treasury Issues	No limitations, AAA rated	Complies
Government Agencies	No limitations, AAA rated	Complies
Negotiable CDs	A-1/P-1 or F-1, or AA rated; 30% max.; 3 years maximum maturity; 5% per issuer; \$1MM per issue	Complies
Banker's Acceptances	A1/P1 or F-1 rated; 30% maximum; 5% per issuer; \$1MM per issue; <180 days	Complies
Commercial Paper	A-1/P1 or F-1 rated; 25% maximum; 5% per issuer; \$1MM per issue; <270 days	Complies
Medium Term Notes	"AA-" or better rated; 30% maximum; \$1M per issuer	Complies
Asset-Backed Securities	AAA/Aaa rated; 20% maximum with Mort. Pass-Throughs; 5% per issuer; \$1MM per issue	Complies
Mortgage Pass-Through Securities	AAA/Aaa rated; 20% maximum with Asset Backs; 5% per issuer; \$1MM per issue	Complies
Money Market Funds	AAA/Aaa rated; 15% maximum; \$1MM per issue	Complies
Repurchase Agreements	Not used by investment adviser	Complies
LAIF	Not used by investment adviser	Complies
Maximum maturity	5 years	Complies



Reconciliation Summary

As of 8/31/2013

BOOK VALUE RECONCILIATION	
Beginning Book Value	\$10,537,398.49
Acquisition	
+ Security Purchases	\$213,970.15
+ Money Market Fund Purchases	\$275,733.82
+ Money Market Contributions	\$37,404.58
+ Security Contributions	\$0.00
+ Security Transfers	\$0.00
Total Acquisitions	\$527,108.55
Dispositions	
- Security Sales	\$25,927.25
- Money Market Fund Sales	\$215,185.50
- MMF Withdrawals	\$42,947.22
- Security Withdrawals	\$0.00
- Security Transfers	\$0.00
- Other Dispositions	\$0.00
- Maturities	\$230,000.00
- Calls	\$0.00
- Principal Paydowns	\$0.00
Total Dispositions	\$514,059.97
Amortization/Accretion	
+/- Net Accretion	(\$2,688.37)
	(\$2,688.37)
Gain/Loss on Dispositions	
+/- Realized Gain/Loss	\$726.11
	\$726.11
Ending Book Value	\$10,548,484.81

CASH TRANSACTION SUMMARY	
BEGINNING BALANCE	\$10,431.77
Acquisition	
Contributions	\$37,404.58
Security Sale Proceeds	\$25,927.25
Accrued Interest Received	\$39.93
Interest Received	\$19,766.58
Dividend Received	\$0.06
Principal on Maturities	\$230,000.00
Interest on Maturities	\$0.00
Calls/Redemption (Principal)	\$0.00
Interest from Calls/Redemption	\$0.00
Principal Paydown	\$0.00
Total Acquisitions	\$313,138.40
Disposition	
Withdrawals	\$42,947.22
Security Purchase	\$213,970.15
Accrued Interest Paid	\$1,215.35
Total Dispositions	\$258,132.72
Ending Book Value	\$65,437.45

Monthly Account Statement

Small Cities Organized Risk Effort

September 1, 2013 through September 30, 2013

Chandler Team

For questions about your account,
please call (800) 317-4747 or
Email operations@chandlerasset.com

Custodian

US Bank
Linda Brimm
+(314)-418-3441

Information contained herein is confidential. We urge you to compare this statement to the one you receive from your qualified custodian. Prices are provided by IDC, an independent pricing source.



PORTFOLIO CHARACTERISTICS

Average Duration	2.38
Average Coupon	1.65 %
Average Purchase YTM	1.34 %
Average Market YTM	0.69 %
Average S&P/Moody Rating	AA+/Aaa
Average Final Maturity	2.54 yrs
Average Life	2.44 yrs

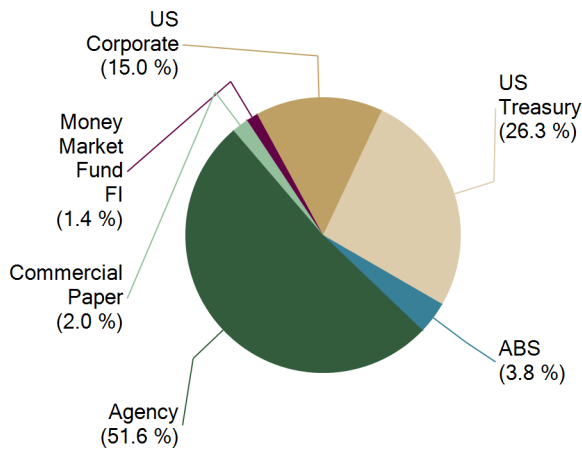
ACCOUNT SUMMARY

	Beg. Values as of 8/31/13	End Values as of 9/30/13
Market Value	10,590,117	10,636,958
Accrued Interest	40,537	46,322
Total Market Value	10,630,654	10,683,280
Income Earned	11,615	11,801
Cont/WD		-50
Par	10,510,437	10,521,507
Book Value	10,548,485	10,554,683
Cost Value	10,636,799	10,645,898

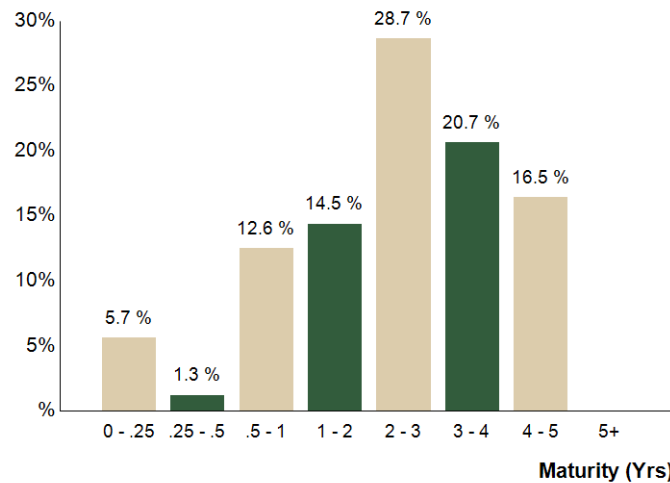
TOP ISSUERS

Issuer	% Portfolio
Government of United States	26.3 %
Federal National Mortgage Assoc	16.3 %
Federal Home Loan Mortgage Corp	14.6 %
Federal Home Loan Bank	11.8 %
Federal Farm Credit Bank	8.9 %
Procter & Gamble Company	2.6 %
Microsoft	2.3 %
Berkshire Hathaway	2.0 %
Total	84.8 %

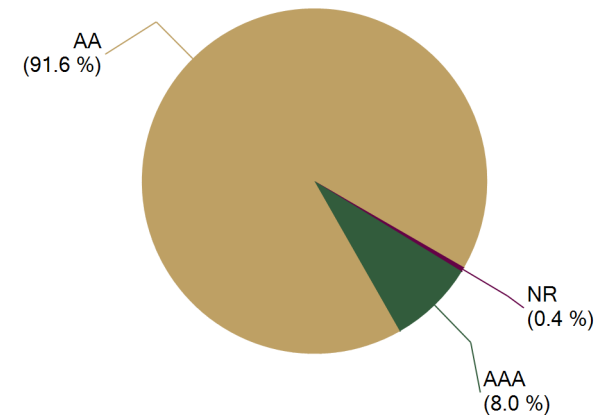
SECTOR ALLOCATION



MATURITY DISTRIBUTION



CREDIT QUALITY (S&P)



PERFORMANCE REVIEW

Total Rate of Return As of 9/30/2013	Current Month	Latest 3 Months	Year To Date	1 Yr	Annualized			3/31/2006	Since 3/31/2006
					3 Yrs	5 Yrs	10 Yrs		
Small Cities Organized Risk Effort	0.50 %	0.51 %	-0.08 %	0.05 %	1.33 %	3.12 %	N/A	4.05 %	34.72 %
1-5 yr Govt	0.51 %	0.47 %	-0.08 %	-0.02 %	1.16 %	2.55 %	N/A	3.77 %	31.98 %
1-5 Year Govt/A Rated or better Corporate	0.54 %	0.60 %	0.07 %	0.22 %	1.49 %	3.20 %	N/A	3.89 %	33.18 %



**Small Cities Organized Risk Effort
Joint Powers Authority
September 30, 2013**

COMPLIANCE WITH INVESTMENT POLICY

Assets managed by Chandler Asset Management are in full compliance with State law and with the Authority's investment policy.

Category	Standard	Comment
U.S. Treasury Issues	No limitations, AAA rated	Complies
Government Agencies	No limitations, AAA rated	Complies
Negotiable CDs	A-1/P-1 or F-1, or AA rated; 30% max.; 3 years maximum maturity; 5% per issuer; \$1MM per issue	Complies
Banker's Acceptances	A1/P1 or F-1 rated; 30% maximum; 5% per issuer; \$1MM per issue; <180 days	Complies
Commercial Paper	A-1/P1 or F-1 rated; 25% maximum; 5% per issuer; \$1MM per issue; <270 days	Complies
Medium Term Notes	"AA-" or better rated; 30% maximum; \$1M per issuer	Complies
Asset-Backed Securities	AAA/Aaa rated; 20% maximum with Mort. Pass-Throughs; 5% per issuer; \$1MM per issue	Complies
Mortgage Pass-Through Securities	AAA/Aaa rated; 20% maximum with Asset Backs; 5% per issuer; \$1MM per issue	Complies
Money Market Funds	AAA/Aaa rated; 15% maximum; \$1MM per issue	Complies
Repurchase Agreements	Not used by investment adviser	Complies
LAIF	Not used by investment adviser	Complies
Maximum maturity	5 years	Complies



Reconciliation Summary

As of 9/30/2013

BOOK VALUE RECONCILIATION	
Beginning Book Value	\$10,548,484.81
Acquisition	
+ Security Purchases	\$292,719.32
+ Money Market Fund Purchases	\$126,114.31
+ Money Market Contributions	\$0.00
+ Security Contributions	\$0.00
+ Security Transfers	\$0.00
Total Acquisitions	\$418,833.63
Dispositions	
- Security Sales	\$250,253.07
- Money Market Fund Sales	\$44,993.87
- MMF Withdrawals	\$50.40
- Security Withdrawals	\$0.00
- Security Transfers	\$0.00
- Other Dispositions	\$0.00
- Maturities	\$115,000.00
- Calls	\$0.00
- Principal Paydowns	\$0.00
Total Dispositions	\$410,297.34
Amortization/Accretion	
+/- Net Accretion	(\$2,570.42)
	(\$2,570.42)
Gain/Loss on Dispositions	
+/- Realized Gain/Loss	\$232.48
	\$232.48
Ending Book Value	\$10,554,683.16

CASH TRANSACTION SUMMARY	
BEGINNING BALANCE	\$65,437.45
Acquisition	
Contributions	\$0.00
Security Sale Proceeds	\$250,253.07
Accrued Interest Received	\$236.08
Interest Received	\$8,515.96
Dividend Received	\$0.40
Principal on Maturities	\$115,000.00
Interest on Maturities	\$0.00
Calls/Redemption (Principal)	\$0.00
Interest from Calls/Redemption	\$0.00
Principal Paydown	\$0.00
Total Acquisitions	\$374,005.51
Disposition	
Withdrawals	\$50.40
Security Purchase	\$292,719.32
Accrued Interest Paid	\$165.75
Total Dispositions	\$292,935.47
Ending Book Value	\$146,507.49

7/1/2013 - 9/30/2013

Employee Assistance Program Utilization Report

Utilization Summary and Analysis



SCORE

July 1, 2013 - September 30, 2013

Projected Annual Rate:

0.4%

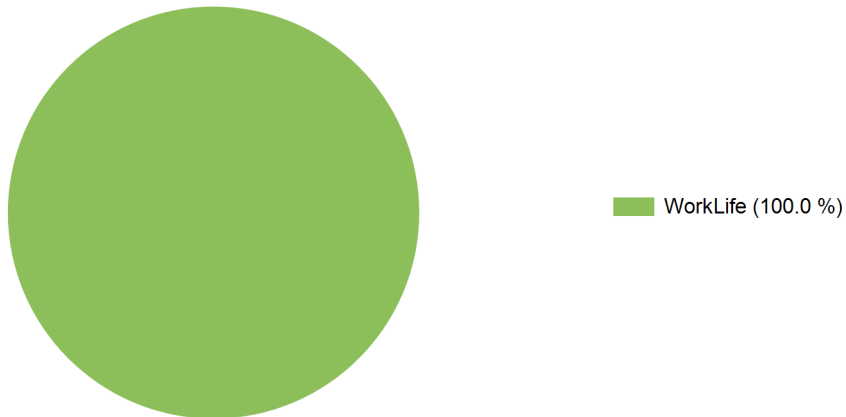
Previous Utilization Rate: 6.8%

Overall Utilization

There was 1 new contact. 1 had Used Before.

The presenting problems were: WorkLife.

1 new contact was self-initiated.



Work/Life Utilization

In this time period there were 0 cases that were opened.

Employees continue to be spread thin at work and home; 65% say they are frequently stressed to their limits, and some are even spending as much as two hours a day on personal tasks at work. Employees can turn to ACI's comprehensive work/life solutions, from personal stress assessment to local referrals for child care. ACI is proud to support work/life balance and continues to be a significant force in productivity and workplace success.

Training and Onsite Services

Training Comment:

As a value-added partner, ACI's Training Department offers consultation, support services, and flexible training options to fit the various needs of any organization. This quarter, ACI was pleased to continue the Quarterly Management Training Series with Stress Management. Next quarter, look for the upcoming Time Management webinar. Visit ACI's YouTube channel for 24/7 access to more trainings and popular videos. Contact ACI at 800-932-0034 and ask to speak with a member of the training team, or email us at training@acieap.com to learn more about training services and options available.

Newsletters

ACI provided the following HealthY-mails this quarter: Get SMART: Set Meaningful Goals; 10 Time-Saving Tips Could Save an Hour Per Day; 5 Lessons Your Kids Can Teach You.

Formal Referrals

The Supervisory Referral process is a powerful yet easy-to-use tool for managers to address employee behavior concerns. Examples of workplace issues that can be resolved through this process include: difficulty working with others, anger management, substance abuse, loss of productivity, absenteeism, and more.

The Supervisory Referral process reduces the amount of time managers spend dealing with workplace issues and maximizes the potential for issues to be resolved.

To begin a Supervisory Referral, or for more information or consultation, contact the ACI Clinical Department at 800-932-0034.

Number of Formal Referrals: 0
Number of Informal Referrals: 0

7/1/2013 - 9/30/2013

Employee Assistance Program Utilization Report

Utilization Hours

Onsite Services and Webinars	1.32
Consultation: Work/Life & Concierge	2.00
Consultation: Supervisor, Management and Outside Consultants	10.00
Total Program Hours this Period:	13.32

Utilization Comments

ACI is dedicated to supporting management in times of stress. During devastating fires, floods, and man-made tragedies from Colorado to Washington, D.C., ACI responded immediately with proactive outreach to affected locations. Onsite support is also available when necessary and social media outreach reminds employees and family members about the personalized support that ACI offers.

ACI is also pleased to offer the Quarterly Management Training Series, featuring free webinars that highlight practical tips for managers and supervisors to take an active part in shaping work culture. For those who missed the training, short video takeaways are available on YouTube. This quarter, ACI delivered Time Management, the most popular webinar yet. In November, look for a hands-on approach to Employee Acknowledgement.

With much of the Patient Protection and Affordable Care Act (PPACA) being implemented in 2014, ACI understands there may be confusion regarding regulations as they apply to your workplace. ACI would like to remind you that all services are 100% PPACA compliant, and can actually help reduce healthcare costs. For more information, contact your Account Manager.

This quarter, ACI released the #buildbalance landing page, celebrating 30 years of innovation in the specialty benefits industry. There, employees can learn more about ACI and share their success stories. ACI's newest addition, a puzzle piece named Ben E. Fits, encourages employees to share how they build balance in their lives. ACI is proud to support employees at the workplace and at home.

SCORE Utilization Rate for the Period 7/1/2013 to 9/30/2013 was 0.4%.

This decreased from the previous Utilization period which was 6.8%.

7/1/2013 - 9/30/2013

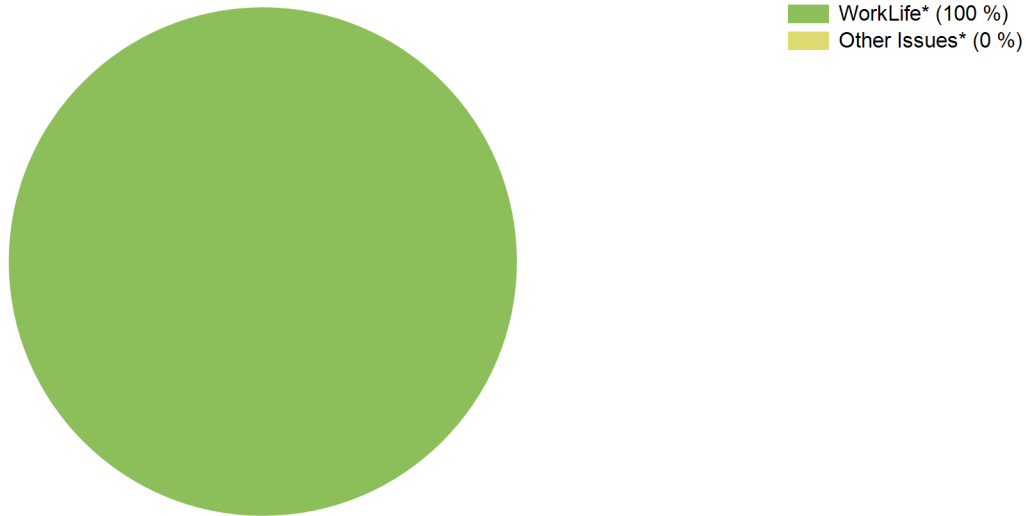
Employee Assistance Program Utilization Report

Primary Issue for Assessment

Primary Issue	New	Previous Quarter	Year To Date
Emotional	0	2	2
Substance Abuse / Family Member	0	0	1
WorkLife*	1	14	26

The American Bar Association states that during a 12-month period, more than half the employees in a typical workforce will experience a legal or financial issue involving life events such as marriage, birth, illness, renting an apartment, buying or refinancing a home, using credit cards or purchasing a car. ACI's legal services help reduce the stress and distraction of legal concerns by providing employees and family members with professional assistance, peace of mind, and options for moving forward.

New Issues this Quarter



*Any WorkLife and Personal Services cases are detailed later in the report, and 'Other Issues' includes issues <1%.

7/1/2013 - 9/30/2013

Employee Assistance Program Utilization Report**Primary Issue Breakout for WorkLife**

Referral Made	New	Previous Quarter	Year To Date
Legal	1	14	26

New Issues this Quarter

■ Legal (100.0 %)

7/1/2013 - 9/30/2013

Employee Assistance Program Utilization Report

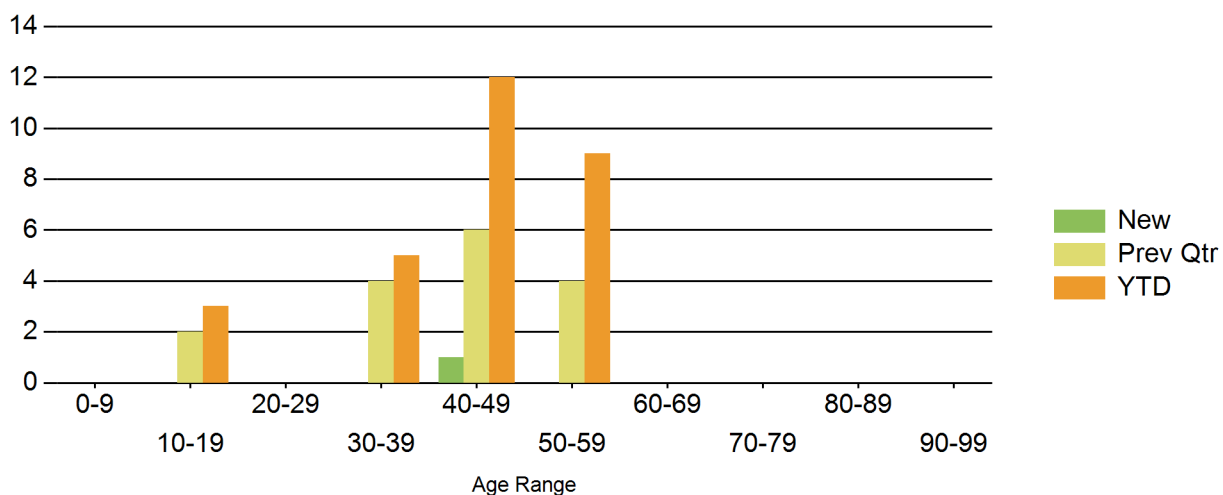
Demographic Data

Gender	New	Previous Quarter	Year To Date
Female	1	6	13
Male	0	10	16



Female (100 %)
 Male (0 %)

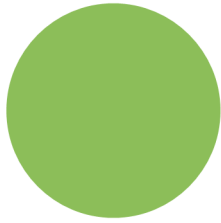
Age Range	New	Previous Quarter	Year To Date
0-9	0	0	0
10-19	0	2	3
20-29	0	0	0
30-39	0	4	5
40-49	1	6	12
50-59	0	4	9
60-69	0	0	0
70-79	0	0	0
80-89	0	0	0
90-99	0	0	0



Who is Initiating Contact with ACI	New	Previous Quarter	Year To Date
Self	1	15	27
Family Member	0	1	2
Other	0	0	0

7/1/2013 - 9/30/2013

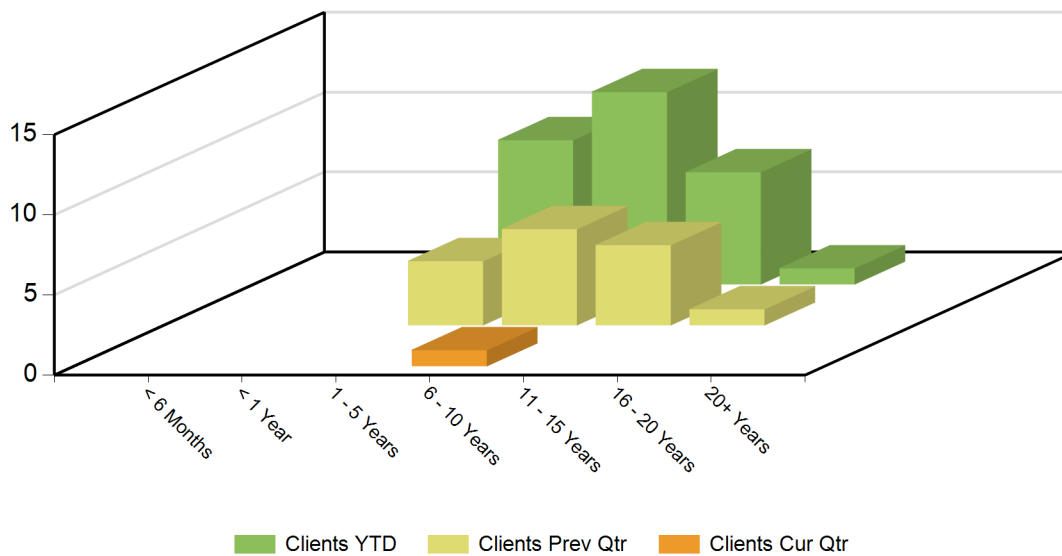
Employee Assistance Program Utilization Report



■ Self (100 %)
■ Family Member (0 %)
■ Other (0 %)

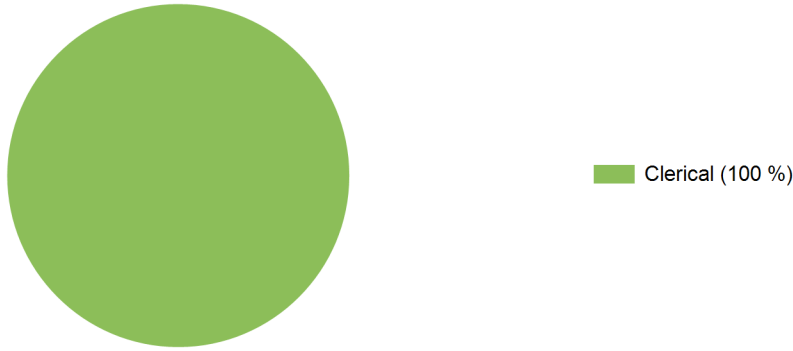
Employment Data

Years Employed	New	Previous Quarter	Year To Date
< 6 Months	0	0	0
< 1 Year	0	0	0
1 - 5 Years	0	4	9
6 - 10 Years	1	6	12
11 - 15 Years	0	5	7
16 - 20 Years	0	1	1
20+ Years	0	0	0



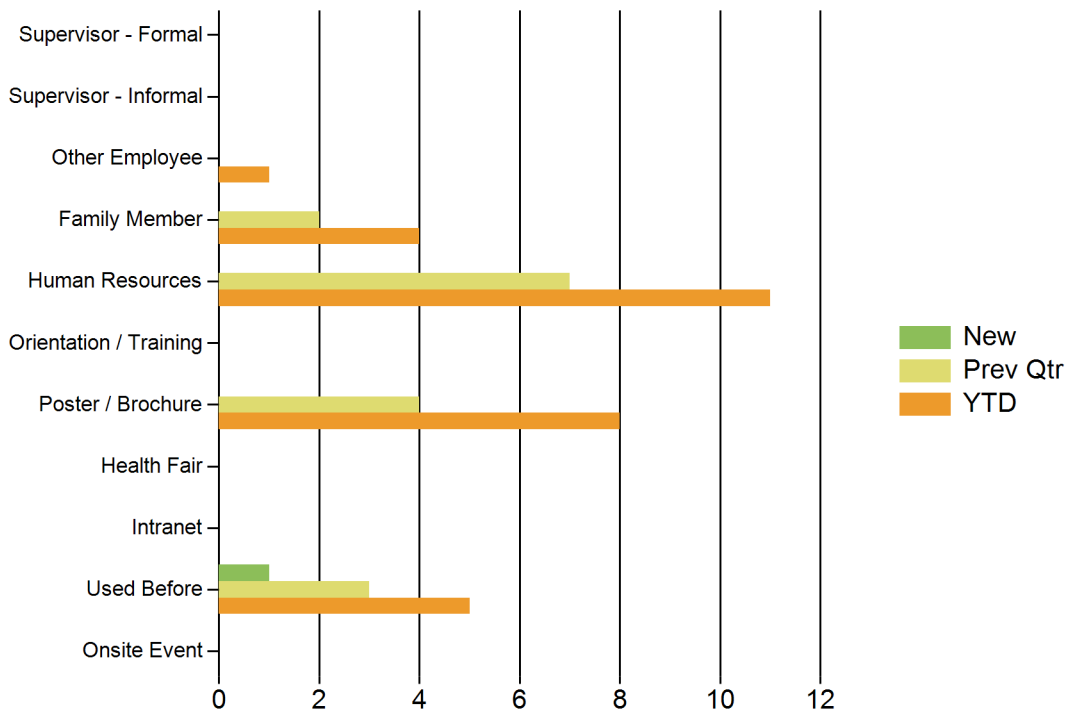
Job Category	New	Previous Quarter	Year To Date
Management	0	0	1
Supervisor	0	0	1
Professional	0	10	12
Technical	0	0	0
Clerical	1	4	10
Production	0	0	0
Service	0	2	3
Sales	0	0	0
Labor	0	0	1
Other	0	0	1

Employee Assistance Program Utilization Report



Referral Source

Referral Source	New	Previous Quarter	Year To Date
Supervisor - Formal	0	0	0
Supervisor - Informal	0	0	0
Other Employee	0	0	1
Family Member	0	2	4
Human Resources	0	7	11
Orientation / Training	0	0	0
Poster / Brochure	0	4	8
Health Fair	0	0	0
Intranet	0	0	0
Used Before	1	3	5
Onsite Event	0	0	0



**Target Solutions Utilization Stats
11-01-12 to 10-10-13**

Member Organization	Contracted Employees	Total Active and Offline Users	Registered Users	Users Completing One or More Course	Courses Completed-Total	Users Completing One or More Custom Activity	Custom Activities Completed-Total
City of Biggs	0	12	6	0	0	0	0
City of Colfax	0	20	12	6	10	0	0
City of Dorris	0	16	6	2	3	0	0
City of Dunsmuir	0	32	23	17	222	38	808
City of Etna	0	39	23	1	10	11	23
City of Isleton	0	2	1	0	0	0	0
City of Live Oak	0	14	2	0	0	0	0
City of Loyalton	0	1	1	0	0	0	0
City of Montague	0	14	11	12	115	0	0
City of Mount Shasta	0	34	26	5	211	9	32
City of Portola	0	30	10	2	10	0	0
City of Rio Dell	0	3	1	0	0	0	0
City of Susanville	0	3	2	0	0	0	0
City of Weed	0	2	1	0	0	0	0
City of Yreka	0	39	32	16	40	2	4
Fort Jones Volunteer Fire Department	0	32	20	5	43	4	21
Loomis Fire Protection District	15	17	17	9	116	0	0
SCORE - Small Cities Organized Risk Effort	0	5	5	0	0	0	0
Town of Fort Jones	0	2	1	0	0	0	0
Town of Loomis	0	4	3	2	2	1	1
Weed City Fire	0	30	12	5	26	21	287
Total	15	351	215	82	808	86	1176



COMMITTEE REPORTS

INFORMATION ITEM

ISSUE: Committee Reports are provided to the Board of Directors for their information.

RECOMMENDATION: None. This item is presented as information only.

FISCAL IMPACT: None

BACKGROUND: Committee Reports are provided to the Board of Directors for their information on other committees and excess providers meetings.

ATTACHMENTS:

1. ERMA Board of Directors Minutes – June 17, 2013
2. LAWCX Board of Directors Meeting – June 11, 2013
3. CJPRMA Executive Committee Meeting Minutes – May 14-16, 2013

**EMPLOYMENT RISK MANAGEMENT AUTHORITY (ERMA)
MINUTES OF THE BOARD OF DIRECTORS
MEETING OF JUNE 17, 2013**

A regular meeting of the Board of Directors of ERMA was held on June 17, 2013, at the Bickmore office in Sacramento, CA.

BOARD MEMBERS PRESENT: Jake O'Malley, President, MPA
Craig Downs, Treasurer, VCJPA
Debbie Stutsman, BCJPIA
Dave Elias, CSJVRMA
Roger Carroll, SCORE
Judy Hayes, Housing Authority of Contra Costa Co.
Florice Lewis, Oakland Housing Authority
John Gillison, PARSAC

BOARD MEMBERS ABSENT: Scott Ellerbrock, Vice President, PERMA
René Mendez, MBASIA

ALTERNATE MEMBERS PRESENT: Artesia Dupree, Oakland Housing Authority
Greg Greeson, CSJVRMA
Min-Lee Cheng, VCJPA

ALTERNATE MEMBERS ABSENT: Dan Weakley, BCJPIA
Joseph Villarreal, Housing Authority of Contra Costa Co.
Joanne Rennie, PARSAC
Joe Kriskovich, MPA
Stephanie Beauchaine, SCORE
Daniel Dawson, MBASIA
Kerry Trost, PERMA

OTHERS PRESENT: Brian Kelley, Executive Director
Jaesa Ng, Board Secretary
Ruth Graf-Urasaki, Litigation Manager
Rebecca Lane, Assistant Litigation Manager
Nancy Broadhurst, Accounting Manager
Greg O'Dea, Legal Counsel
Karim Sabuwalla, Staff Accountant
Rob Kramer, BCJPIA
Adrienne Beatty, BCJPIA
Chrissy Mack, CSJVRMA
Susan Adams, SCORE
Seth Cole, Alliant Insurance Services
Mike Simmons, Alliant Insurance Services
Michael Christian, Jackson Lewis
Tim Farley, Farley Consulting Services (*arrived at 11:35 a.m. and left at 11:46 a.m.*)
George Harris, City of Rialto (*arrived at 10:57 a.m. and left at 11:15 a.m.*)

1. CALL TO ORDER

The June 17, 2013, Board of Directors' meeting was called to order at 10:30 a.m. by President Jake O'Malley.

2. INTRODUCTIONS

A majority of the members were present constituting a quorum.

3. APPROVAL OF AGENDA AS POSTED (OR AMENDED)

John Gillison moved to approve the agenda as posted. Seconded by Debbie Stutsman. Motion passed unanimously.

4. PUBLIC COMMENTS

None.

5. CONSENT CALENDAR

John Gillison moved to approve/accept the following items: A) Minutes of April 22, 2013, Board of Directors' Meeting and Summary of Action Items; B) General Warrants from April 1, 2013, through May 31, 2013; C) Claims Payments from April 1, 2013, through May 31, 2013; D) Petty Cash Statement from April 1, 2013, through May 31, 2013; E) Contract between ERMA and Bickmore; and F) Amended Master Program Document effective July 1, 2013. Seconded by Judy Hayes. Motion passed unanimously.

6. MEMBERSHIP MATTERS

A. Prospective New Members

Mr. Brian Kelley, Executive Director, noted that five entities have applied to join ERMA effective July 1, 2013, and they have been reviewed and discussed by the Underwriting Committee. Prior to the meeting, the Board received each agency's completed application along with their price indication.

1. City of Patterson (CSJVRMA)

Mr. Kelley advised that the City of Patterson is applying as a member through the Central San Joaquin Valley Risk Management Authority (CSJVRMA) at a \$50,000 self-insured retention (SIR). It was noted that the Underwriting Committee has reviewed the application and price indication and is recommending approval from the Board.

2. City of Mendota (CSJVRMA)

Mr. Kelley informed the Board that the City of Mendota is applying through the CSJVRMA at a \$25,000 SIR. The Underwriting Committee is recommending approval from the Board.

3. City of Lemoore (CSJVRMA)

Mr. Kelley advised that the City of Lemoore is applying for participation in ERMA at a \$25,000 SIR. Mr. Kelley noted the Underwriting Committee is also recommending approval from the Board.

4. City of Sonora (CSJVRMA)

Mr. Kelley noted the City of Sonora is applying to re-join ERMA at a \$25,000 SIR. The City was a prior member of ERMA during the period of 1999/2000 to 2009/2010. The Underwriting Committee is recommending the Board approve the City of Sonora for membership.

Craig Downs moved to approve the City of Patterson (CSJVRMA) at a \$50,000 SIR, City of Mendota (CSJVRMA) at a \$25,000 SIR, City of Lemoore (CSJVRMA) at a \$25,000 SIR, and City of Sonora (CSJVRMA) at a \$25,000 SIR as members of ERMA effective July 1, 2013. Seconded by John Gillison. Motion passed unanimously.

5. Office of Community Investment and Infrastructure (BCJPIA)

Mr. Kelley advised that ERMA has been contacted by the Bay Cities Joint Powers Insurance Authority (BCJPIA) on behalf of the San Francisco Redevelopment Agency (SFRA) who was a former member of ERMA. SFRA is now named the San Francisco Office of Community Investment and Infrastructure (OCII) and is again a separate legal entity and would like to join ERMA. Mr. Kelley noted that the Underwriting Committee met and Ms. Adrienne Beatty, BCJPIA, and Mr. Leo Levenson, OCII, were in attendance to answer any questions from the Committee.

Mr. Rob Kramer, BCJPIA, was present to address the Board. He noted that OCII would likely continue to be in existence for 10 to 15 years and they would like to re-join BCJPIA and ERMA effective July 1, 2013. Mr. Kramer advised that the BCJPIA Board met and discussed OCII and had further questions following their meeting and therefore, a special Board meeting was scheduled to provide the BCJPIA Board with more

information and background.

It was questioned if OCII is a risk to ERMA due to the fact that their sole purpose is to wind down projects and this could potentially lead to years of layoffs and terminations. Mr. Kramer noted that OCII has already reduced their workforce by 60% (from approximately 100 employees to 40) and no claims arose out of the reduction. Mr. Kramer also advised that the projects that OCII are winding down are large projects that will take years to complete. Ms. Beatty noted that Mr. Levenson informed the BCJPIA Board that OCII does not anticipate any layoffs in the immediate future.

There was further discussion/concern surrounding adding a new member with a "finite" life, and after discussion, the Board took action to approve OCII's membership in ERMA, pending BCJPIA's approval.

Dave Elias moved to approve the Office of Community Investment and Infrastructure at a \$50,000 SIR effective July 1, 2013, contingent upon BCJPIA approving them as a member. Seconded by Roger Carroll. Motion passed unanimously.

B. Request from Town of Tiburon (BCJPIA) to Reduce SIR from \$50,000 to \$25,000 Effective July 1, 2013

Mr. Kelley noted that the Town of Tiburon, BCJPIA, has requested to reduce their SIR from \$50,000 to \$25,000, which falls in line with ERMA's Underwriting Guidelines. The Underwriting Committee is recommending approval from the Board.

Craig Downs moved to approve the request from the Town of Tiburon to reduce their SIR from \$50,000 to \$25,000 effective July 1, 2013. Seconded by Judy Hayes. Motion passed unanimously.

7. COVERAGE MATTERS

A. Discussion and Action Regarding Excess Coverage for 2013/2014 Program Year

Mr. Seth Cole, Alliant Insurance Services (Alliant), was present to discuss ERMA's excess coverage for the 2013/2014 program year. Mr. Cole noted that they obtained a renewal quotation from RSUI with the same terms and rates as expiring.

President O'Malley inquired if this quote was expected. Mr. Cole advised that the market is pushing for rate increases in the commercial market and the quote for ERMA is largely due to the fact that ERMA does not have any claims activity that has hit the excess layer.

Roger Carroll moved to purchase excess coverage through RSUI for the 2013/2014 program year with the same terms and limits as expiring. Seconded by Judy Hayes. Motion passed unanimously.

B. City of Rialto's Appeal of Denial of Coverage for Failure to Comply with ERMA's Claim Reporting Requirement

Ms. Ruth Graf-Urasaki, Litigation Manager, advised the Board that the City of Rialto, a member of the Public Agency Risk Sharing Authority of California (PARSAC), is requesting that ERMA accept coverage of a the James Yesford v. Rialto claim. She noted that ERMA denied the claim as it was not reported within 30 days of receipt as required by the applicable 2011/2012 ERMA Memorandum of Coverage (MOC).

Ms. Graf-Urasaki advised that the City of Rialto received a tort claim in September of 2012, which triggered the 30-day reporting requirement to ERMA. The City was then served with a lawsuit in March 2013 and PARSAC forwarded that information to ERMA in May 2013. Ms. Graf-Urasaki advised that the City did not report the claim to ERMA because the City determined that Mr. Yesford had never been a paid employee of the City and had only been a volunteer. Due to Mr. Yesford's volunteer status, the City did not believe that this would be covered by ERMA. The City also rejected the tort claim at this time. Ms. Graf-Urasaki also advised that the City has now engaged Howard Golds of Best Best & Krieger to represent the City in this matter.

President O'Malley noted that the staff report states that the City had one prior late claim in 2008 and inquired if ERMA had accepted that claim. Ms. Rebecca Lane, Assistant Litigation Manager, advised that the Board did accept the claim.

Mr. George Harris, City of Rialto, was present to address the Board. President O'Malley inquired if the tort claim was reported timely to PARSAC and Mr. Harris advised that it was reported in March 2013. Mr. Harris informed the Board that the City had done an extensive search of their Human Resources files, including those in storage, and could not identify Mr. Yesford as an employee. The City then later found out that Mr. Yesford had been a volunteer with the police department and those records had not been transferred to the Human Resources department.

It was questioned why the September 6, 2012, tort claim was not submitted to PARSAC in a timely manner, and Mr. Harris responded that the City had rejected the claim based on their initial findings of Mr. Yesford not being an employee of the City. The City rejected the claim on October 25, 2012. Once the City received the lawsuit on March 18, 2013, they discovered the relationship and forwarded the information to PARSAC.

Mr. John Gillison, PARSAC, noted that the City of Rialto has had a high turnover rate over the past few years. Mr. Harris confirmed that the most of the staff in Human Resources is relatively new to the City or their positions.

President O'Malley inquired if the Board would like to schedule a special Board meeting in order to agendaize the claim to be discussed further in closed session.

John Gillison moved to continue the discussion of James Yesford v. Rialto in closed

session at a special Board meeting on a date to be determined by staff. Seconded by Debbie Stutsman. Motion passed unanimously.

8. FINANCIAL MATTERS

A. Proposed Administrative and Operating Budget for 2013/2014

Ms. Nancy Broadhurst, Finance Manager, reviewed the revisions to the proposed budget from the budget presented at the April meeting. The revisions include:

- Addition of the Cities of Lemoore, Mendota, Patterson, and Sonora in the CSJVRMA;
- Decrease of SIR from \$50,000 to \$25,000 for the Town of Tiburon in BCJPIA;
- The elimination of the initial deposit for future funding of a mid-layer pool; and
- A reduction in payroll for the Cities of Emeryville and Sausalito due to the elimination of fire services.

Ms. Broadhurst noted that the Program Administration costs have increased 5.1% due to the 3.45% contractual increase and the fees for the new members. Ms. Broadhurst advised that the budget for the Risk Assessments has been reduced due to the projected current actual expense. The budget for Legal Services has been increased in anticipation of increased activity due to new legal counsel. Ms. Broadhurst also advised that the Claims Audit has not been included as that is a biennial funded line item. The budget for the Investment Management Services was increased due to additional funds invested in the portfolio, and the budget for Other Expenses was decreased to return the line item amount to the level of prior years.

It was questioned if the budget for Risk Assessments would limit the number of cities that could be assessed. Staff informed the Board that the budget would not limit the number of risk assessments and the budget was decreased due to the fact that the Board is approving a fewer number of risk assessments than they have in the past. It was also questioned if members were able to request a voluntary risk assessment should they feel a need for one or to be proactive. Ms. Graf-Urasaki advised that staff would fully support members requesting any and all assistance from staff, including a risk assessment.

Craig Downs moved to approve the budget for the 2013/2014 fiscal year as presented, with the inclusion of OCII, contingent upon BCJPIA approval. Seconded by Debbie Stutsman. Motion passed unanimously.

9. ADMINISTRATIVE MATTERS

A. Claims Audit Prepared by Farley Consulting Services

Mr. Tim Farley, Farley Consulting Services, was present to discuss the Employment

Practices Liability Claims Audit with the Board. Mr. Farley reported that he reviewed 40 claims and has determined that Bickmore continues to effectively administer claims. Mr. Farley noted the following:

- All claims reviewed are accurately reserved;
- The draft audit states that Bickmore and ERMA will establish a reserve only if it is anticipated that a payment will be made above the involved ERMA member's SIR; however, Mr. Farley noted that this is an error as ERMA and Bickmore reserve from "dollar one" regardless of its potential to penetrate above the member's SIR. Mr. Farley advised that this would be corrected in the final audit;
- Bickmore continues to consistently and accurately apply coverage based on a fair and reasonable interpretation of the coverage documents;
- Bickmore is consistently utilizing its own investigation guidelines document and complying with industry standards unique to investigation of employment-related claims;
- Status updates from defense counsel are timely;
- Two claims generated questions in their File Appearance and Documentation and Mr. Farley noted these in his audit;
- Bickmore is adhering to industry standards for diary review; and
- Daily activity notes are clearly displayed and chronologically accurate in the ERMA information system.

Dave Elias moved to accept and file the claims audit report. Seconded by Judy Hayes. Motion passed unanimously.

B. Resolution Establishing Meeting Dates for the 2013/2014 Fiscal Year

Mr. Kelley advised that the proposed meeting dates are similar to the current year's dates. Staff is proposing Monday, November 4, 2013, Thursday and Friday, February 20-21, 2014, Monday, April 21, 2014, and Monday, June 16, 2014.

Mr. Craig Downs, VCJPA, noted that his district's annual conference is the week of the Annual Workshop and so he and Mr. Min-Lee Cheng, VCJPA Alternate, would be unable to attend. Mr. Kelley advised that staff had originally presented February 13-14, 2014, but these dates coincided with the week of the PARMA conference.

Dave Elias moved to approve the resolution establishing meeting dates for the 2013/2014 program year as presented. Seconded by John Gillison. Motion passed unanimously.

C. 2014 Annual Workshop Location

Prior to the meeting, the Board received a worksheet comparing the Napa River Inn, Hotel Yountville, and the Dream Inn as potential locations for the 2014 Annual Workshop. Mr. Dave Elias, CSJVRMA, inquired if staff had requested a proposal from the Meritage Resort in Napa. Staff responded that they had contacted the Meritage but the hotel was

already booked. Staff informed the Board that they would keep this location in mind for future workshops.

President O'Malley inquired if the rates for Hotel Yountville and Napa River Inn were comparable to the rates received for previous years at other hotels and staff confirmed that they were comparable.

Dave Elias moved to hold the 2014 Annual Workshop at Hotel Yountville. Seconded by John Gillison. Motion passed unanimously.

D. Jackson Lewis Memorandum of Understanding – Expires June 30, 2013

Mr. Kelley advised the Board that the Memorandum of Understanding (MOU) with Jackson Lewis expires June 30, 2013, and the Board has the option to automatically renew the MOU with Jackson Lewis for up to two years. Mr. Kelley noted that staff is recommending that the Board renew the MOU.

Mr. Michael Christian, Jackson Lewis, advised that he and the others at Jackson Lewis value the relationship with ERMA and he is available to answer any questions the Board may have. Mr. Christian volunteered to step out of the room to allow the Board to discuss the MOU.

Ms. Graf-Urasaki noted that any issues with Jackson Lewis that were brought up in the past have been resolved and she is unaware of any new complaints and is satisfied with the services being provided.

Dave Elias moved to renew the Memorandum of Understanding with Jackson Lewis for a two-year term, effective July 1, 2013. Seconded by Florice Lewis. Motion passed unanimously.

E. Proposed Revisions to Potential New Member Application

Ms. Graf-Urasaki advised that staff reviewed the Potential New Member Application and is recommending an additional question be added to the application to clarify whether a city has received any claims alleging discrimination or harassment under FEHA, Title VII or any other federal or state law relating to discrimination based on race, sex, age, religion, disability, national origin, marital status, age, sexual orientation, retaliation, or any similar protected legal status. The Underwriting Committee has reviewed the proposed change and is recommending approval from the Board.

Craig Downs moved to approve the changes to the Potential New Member Application. Seconded by Dave Elias. Motion passed unanimously.

10. **ELECTION OF OFFICERS FOR 2013/2014 AND 2014/2015**

President O'Malley opened the floor for nominations for the positions of President, Vice President, and Treasurer.

Mr. Kelley advised that Ms. Debbie Stutsman, BCJPIA, has expressed interest in the position of President, Mr. Scott Ellerbrock, PERMA, has expressed interest in continuing the position of Vice President, and Mr. Craig Downs, VCJPA, has expressed his interest in remaining in the position of Treasurer.

Dave Elias moved to nominate and elect Ms. Debbie Stutsman as President, Mr. Scott Ellerbrock as Vice President, and Mr. Craig Downs as Treasurer for the term of July 1, 2013-June 30, 2015. Seconded by John Gillison. Motion passed unanimously.

The Board and staff expressed their appreciation to President O'Malley for his years of service to ERMA. President O'Malley thanked the Board for the opportunity to be the President for the past 13 years.

The Board adjourned for lunch at 12:00 p.m. and reconvened at 12:33 p.m.

11. CLAIMS MATTERS

A. Closed Session Pursuant to Government Code Section 54956.95(a) to Discuss Claims

Pursuant to Government Code Section 54956.95(a), the Board recessed to closed session at 12:34 p.m. to discuss the following claims for the payment of employment practices liability incurred by the joint powers authority:

- Gonzalez/Escalante v. McFarland
- Heath v. Desert Hot Springs
- Ireland v. Coalinga
- O'Conner v. Desert Hot Springs
- Oberhoffer v. McFarland
- Wilburn v. McFarland

B. Report from Closed Session

The Board reconvened to open session at 1:04 p.m.

Mr. Greg O'Dea, Legal Counsel, reported that the Board met and discussed the claims listed and no action was taken.

12. TRAINING/LOSS PREVENTION MATTERS

A. Report on Target Risk Appraisals Conducted in 2012/2013

At the November 2012 Board of Directors' Meeting, the Board approved the target risk appraisals for the 2012/2013 program year. The Board directed Ms. Graf-Urasaki to conduct a risk assessment for the City of McFarland and to assess the City of Desert Hot Springs on a follow-up basis. The report by Ms. Graf-Urasaki was presented in closed session in connection with discussion of the claims for these entities that were agendaized for closed session.

Craig Downs moved to double the SIR for Desert Hot Springs and directed staff to write a letter to Desert Hot Springs; to send a letter to the City of McFarland; and to direct staff to continue to assess the Cities of Desert Hot Springs and McFarland under the risk assessment process. Seconded by Roger Carroll. Motion passed unanimously.

13. CLOSING COMMENTS

A. Board

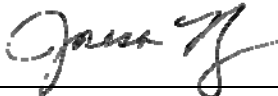
None.

B. Staff

None.

14. ADJOURNMENT

The June 17, 2013, ERMA Board of Directors' meeting adjourned at 1:07 p.m. by general consent.



Jaesa Ng, Board Secretary

LOCAL AGENCY WORKERS' COMPENSATION EXCESS
JOINT POWERS AUTHORITY
1750 CREEKSIDE OAKS DRIVE, SUITE 200
SACRAMENTO, CA 95833

BOARD OF DIRECTORS MEETING
JUNE 11, 2013

A meeting of the Board of Directors of the Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX) was held at the Westin Hotel in Sacramento, California.

BOARD MEMBERS

PRESENT:

Scott Ellerbrock, President, PERMA
Rosa Kindred Winzer, Vice President, City of Merced
Kin Ong, Treasurer, City of Placentia/PARSAC
Lucretia Akil, City of Alameda (arrived at 10:35 a.m.)
Jim Hill, ABAG
Beth Pollard, BCJPIA
Anne Cardwell, City of Benicia
Wendy Silva, CSJVRMA
Robert Ford, City of Clovis
Leslie Suelter, City of Coronado
Jace Schwarm, City of Encinitas
Bill Henderson, City of Livermore (arrived at 10:39 a.m.)
Jas Sidhu, City of Livermore (arrived at 10:39 a.m.)
Janet Hamilton, City of Lodi
Steven Negro, MCLAIA
Tina Reza, City of Morgan Hill
Sandy Abe, City of Newark
Jeanette Derobertis, City of Roseville
Rita Romo, City of San Leandro
Clark Cashmore, City of Santa Maria
Ted Marconi, SCORE
Janet Emmett, City of South Lake Tahoe
Scott Corey, City of Suisun City
Celeste Garrett, City of Vacaville
Darrell Handy, City of Vallejo
Ray Waletzko, VCJPA

BOARD MEMBERS

ABSENT:

Kathy Casenave, CCCTA
Glen Weeks, FASIS
LeeAnn McPhillips, Gilroy
Rumi Portillo, Los Gatos
Debra Gill, City of Pleasanton
Jodene Dunphy, City of Santee
Darrell Handy, City of Vallejo
Dolores Gascon, City of Vista

OTHERS PRESENT: Beth Lyons, Interim Executive Director
Terrie Norris, Risk Control Manager
Jose Mederos, Recording Secretary
Anita Holland, Accounting Manager
Tammy Vitali, Claims Manager (arrived at 11:25 a.m.)
Richard Shanahan, Legal Counsel, Bartkiewicz, Kronick & Shanahan
Rob Kramer, BRS President of Program Administration; BCJPIA
Adrienne Beatty, BCJPIA & CHWCA (arrived at 10:42 a.m.)
Chrissy Mack, CSJVRMA
Brian Kelley, FASIS & VCJPA
Susan Adams, SCORE
Seth Cole, Alliant Insurance Services
Jeff Johnston, Director of Risk Control Services, Bickmore (arrived at 11:06 a.m.)
Tim Farley, Farley Consulting Services (left at 11:54 a.m.)
Jim Shields, CHWCA (arrived at 10:42 a.m., left at 11:16 a.m.)

1. CALL TO ORDER

The meeting was called to order at 10:32 a.m. by President Scott Ellerbrock.

2. INTRODUCTIONS

Introductions took place of those present. A majority of the members were present constituting a quorum.

3. PUBLIC COMMENTS

None.

4. APPROVAL OF AGENDA AS POSTED (OR AMENDED)

President Ellerbrock asked the Board to move agenda items 7.B – 7.D to follow agenda item 10.B.

Jace Schwarm moved to approve the agenda as amended. Seconded by Robert Ford. Motion passed unanimously.

5. CONSENT CALENDAR

Jace Schwarm moved to approve/accept the following items: A) Summary of Action Items and Minutes from the November 13, 2012, Board of Directors Meeting; B) Internal Financial Statements as of March 31, 2013; C) Treasurer's Report as of March 31, 2013; D) Results of Member Survey of Vendor Services; and E) Results of Board Membership Survey; F) Request from SCORE to Increase Retained Limit

from \$150,000 to \$250,000 Effective July 1, 2013; G) Review of November 2011 Strategic Planning Session Action Plan – Updated May 2013; and H) Target Solutions Information. Seconded by Clark Cashmore. Motion passed unanimously.

6. NOMINATIONS AND ELECTIONS

A. Nomination and Election of One Executive Committee Member at Large

Pursuant to LAWCX Bylaws, the Board of Directors shall elect one at large member in odd years and two in even years. Steve Negro's (MCLAIA) term expires on June 30, 2013. President Ellerbrock noted that Mr. Negro expressed interest in continuing to serve another term on the Executive Committee. An email notice was also sent to the members soliciting interest in the position, however, no responses were received.

Ray Waletzko moved to elect Steve Negro, MCLAIA, to serve as an at large Executive Committee member for the term of July 1, 2013 to June 30, 2015. Seconded by Jace Schwarm. Motion passed unanimously.

7. WORKERS' COMPENSATION MATTERS

A. Report by Tim Farley, Farley Consulting Services, Regarding Claims Audits Conducted During 2012/13 Program Year

Tim Farley of Farley Consulting Services (FCS) reviewed the audits he completed since July 1, 2012, and a grade percentage for each audit. Mr. Farley also listed the remaining member audits he has scheduled to complete in June 2013. Lastly, Mr. Farley noted that audits continue to represent high scores and positive claim handling trends.

Celeste Garrett moved to receive and file the report by Tim Farley, Farley Consulting Services, regarding claims audits conducted during the 2012/13 program year. Seconded by Beth Pollard. Motion passed unanimously.

8. ADMINISTRATIVE MATTERS

A. Executive Director Transition Plan

Rob Kramer, Director of Bickmore Administration, introduced Beth Lyons and reminded the Board that Karen Thesing left her position at Bickmore on December 31, 2012. Mr. Kramer noted that LAWCX's Bylaws indicated that "In the event Karen Thesing ceases to be the Manager/Secretary of LAWCX, the LAWCX Board of Directors shall have the right to approve her replacement." Mr. Kramer noted that Ms. Lyons has been involved with LAWCX matters for nearly eight months and has attended the past two Executive Committee meetings. Lastly, Mr. Kramer reviewed Ms. Lyons' background and areas of expertise, explaining that she is well qualified to be LAWCX's next Executive Director.

Jace Schwarm moved to approve Beth Lyons as the LAWCX Executive Director. Seconded by Steve Negro. Motion passed unanimously.

B. Consider the California Housing Workers' Compensation Authority's (CHWCA) Membership Application

Ms. Lyons explained that the California Housing Workers Compensation Authority (CHWCA) submitted an application to join LAWCX effective July 1, 2013. CHWCA consists of 33 housing authorities throughout California. CHWCA has a staff of approximately 2,660 employees with an estimated 2012/13 payroll of \$131,175,410. CHWCA does not have any safety personnel. If accepted into membership, CHWCA would be the sixth largest member based on payroll. CHWCA was a member of LAWCX from July 1, 2004, through June 30, 2008.

Staff completed an underwriting review subject to the Bylaws. CHWCA's five-year loss rate of 1.49 is higher than LAWCX's loss rate and would increase the pool's overall loss rate from 1.42 to 1.43. Staff also compared CHWCA with other LAWCX special districts (CCCTA and VCJPA) and learned CHWCA's loss rate falls between their loss rates. Although the pool's overall loss rate would increase, every LAWCX member's premium would decrease due to CHWCA's participation in the pool.

With regard to the Mid-Layer pool funding, staff recommended the following:

1. CHWCA be required to fund the remaining two years of the Mid-layer Pool at the rate used by LAWCX to calculate member contributions during the 2008/09 and 2009/10 fiscal years.
2. Utilize CHWCA's actual payroll for 2008/09 and 2009/10 to calculate the funding amount.
3. Require CHWCA pay the total funding amount due over three years, the minimum LAWCX membership commitment.

Ms. Lyons indicated that the proposed staff methodology would result in a Mid-Layer pool funding amount of \$58,845 for CHWCA.

LAWCX's Underwriting Committee reviewed CHWCA's membership application at its meeting on March 11, 2013, and recommended Board approval.

Jace Schwarm moved to approve 1) the California Housing Workers' Compensation Authority's membership application; and 2) CHWCA's funding of the Mid-Layer Pool as follows: a) Fund the remaining two years at the rate used by LAWCX to calculate member contributions during the 2008-2009 and 2009-2010 fiscal years; b) Utilize CHWCA's actual payroll for 2008-2009 and 2009-2010 to calculate the funding amount; and c) Require a total contribution of \$58,845 in the form of three annual payments of \$19,615 each. Seconded by Bill Henderson. Motion passed unanimously.

C. Claims Audit Services Contract Renewal with Farley Consulting Services

Mr. Farley's contract for claims auditing services will expire on June 30, 2013. Ms. Lyons explained that LAWCX entered into a \$166,000 contract for claims audit services with Mr. Farley of Farley Consulting Services (FCS) for services from July 1, 2011, through June 30, 2013. FCS initially partnered with Axon Services, Inc. to provide the scope of services necessary for LAWCX's claims audits. Mr. Farley oversaw all work and performed the Southern California audits as well as some of the Northern California audits. Due to member dissatisfaction and concerns with the claims audits performed by Axon Services, Mr. Farley has conducted all audits since July 1, 2012.

Ms. Lyons indicated that there would be no fee increases for the next two year-period should the scope of services remain the same.

In February, the Executive Committee reviewed the Claims Audit Services contract with Farley Consulting Services and recommended Board approval.

Jace Schwarm moved to approve a \$166,000 claim audit contract with Farley Consulting Services for the period of July 1, 2013 through June 30, 2015. Seconded by Ray Waletzko. Motion passed unanimously.

D. Financial Auditing Services Contract Renewal Sampson, Sampson, & Patterson, LLP

LAWCX is required to have an annual Financial Audit, and its current contract with Sampson, Sampson, & Patterson, LLP (Sampson) expires upon completion of the June 30, 2013, audit. Sampson submitted an engagement letter outlining a scope of services and fees for reports to be provided in years 2013/14, 2014/15, and 2015/16.

Program Year	Fee
2013/14	\$8,550
2014/15	\$8,775
2015/16	\$9,000

Sampson has been LAWCX's Financial Auditor since the 2004/05 program year. During that time, Sampson met service expectations and engaged in positive involvement with staff. Ms. Lyons stated staff is recommending LAWCX continue to contract with Sampson for financial auditing series for the next three years.

Bill Henderson moved to approve a contract with Sampson, Sampson, & Patterson, LLP for financial auditing services from July 1, 2013, through June 30, 2016. Seconded by Robert Ford. Motion passed unanimously.

E. Resolution Establishing 2013/14 Board Meeting Dates and Locations

Mr. Ellerbrock reviewed the proposed meeting dates for 2013/14 and noted the date for June was incorrect; the correct date should be June 10, 2014.

Jace Schwarm moved to approve the following Board of Directors' meeting dates: Tuesday, November 19, 2013 and Tuesday, June 10, 2014. Seconded by Janet Emmett. Motion passed unanimously.

9. FINANCIAL MATTERS

A. Annual Discussion and Action Regarding Dividend/Assessments

The Executive Committee (EC) reviewed the December 31, 2012, LAWCX financials to determine whether dividends or assessments are warranted, as outlined in the Bylaws.

The December 31, 2012, financial statements indicate that LAWCX has positive net assets of \$25,976,436 with liabilities recorded at the expected confidence level. LAWCX's net asset balance exceeds the California Association of Joint Powers Authorities' target net asset to self-insured retention ratio of 5 to 1.

Ms. Lyons noted the following regarding the current assessment analysis:

- The net assets do not qualify for a dividend refund at the 90% confidence level (CL);
- The net assets at the 80% CL reflect the increased liability and the decreased net assets; and
- The net assets at the expected CL indicate LAWCX is sufficiently funded.

Ms. Lyons explained that neither a dividend nor an assessment is indicated, however, the EC recommends the Board adopt a plan to improve the funding level of the older deficit years.

Jace Schwarm moved to approve the following: 1) Assess LAWCX members \$1.8 million over three years; 2) Apply the assessments to the oldest coverage periods in a deficit position; 3) Bring funding levels in the oldest years to the expected confidence level; and 4) Review the assessment amount annually. Seconded by Bill Henderson. Motion passed unanimously.

B. Discussion and Action Regarding the 2013/14 Discount Factor

During the November 2011 Board strategic planning session, one of the items deemed most important to members was analyzing the confidence level used in determining actual losses vs. estimated losses (trend analysis) along with the appropriateness of the discount rate.

The Board directed staff to annually conduct a review of the investment portfolio return in comparison to the discount rate to ensure the rate used for future program years is appropriate.

Ms. Lyons reviewed the current evaluation of the discount rate, and explained that in accordance with Resolution 2009-02, Establishing a policy for setting the Annual Discount Rate for the Pooled Portion of the Workers' Compensation Program, LAWCX's actuary performed analysis to determine an optimum discount rate for funding the 2013/14 program year budget. The results produced a 3.13% yield.

Ms. Lyons noted that using a 3.5% discount rate assumption at the 80% confidence level will increase LAWCX premiums 4% over 2012/13.

Jace Schwarm moved to approve use of a 3.5% discount rate to value LAWCX's outstanding claims liabilities and funding rates for the 2013/14 program year. Seconded by Steve Negro. Motion passed unanimously.

C. Review and Approve the 2013/14 Operating Budget

Ms. Lyons reviewed the 2013/14 LAWCX Operating Budget and highlighted the following major components:

1. SELF-FUNDED RATES FOR THE POOLED LAYERS OF COVERAGE
At the November 13, 2012, Board meeting, the Board approved rates for the budget at an 80% confidence level.
2. ESTIMATED PAYROLL
The 2013/14 budget has been prepared using the most recent actual payroll (2011/12). Each member's premium will be adjusted in the spring of 2014 to reflect actual 2012/13 payroll. The 2013/14 budget currently reflects a 1.4% decrease in payroll over the prior year.
3. \$2M to \$5M SELF-INSURED LAYER
The Board's proactive approach to funding this layer has resulted in a cash balance of \$5.5 million as of December 31, 2012. Accordingly, the budget does not include contributions for this layer of coverage. It is anticipated this layer will not require further funding until unfavorable claim development makes it necessary to replenish the fund.
4. EXCESS INSURANCE PREMIUM
CSAC-EIA/Safety National's excess insurance rate of \$0.0843 per \$100 of payroll reflects a 4.1% increase over the 2012/13 budgeted rate.
5. ASSESSMENT
In February the Executive Committee recommended the Board consider assessing the pool to improve the funding position of several older program years. The assessment amount was included in the final budget pending Board approval.

6. MEMBERSHIP

Staff received a member request for a higher retained limit as well as a new member application. Both scenarios were reflected on the last page of budget: 1) CHWCA excluded and 2) CHWCA included.

7. ADMINISTRATIVE EXPENSES

Estimated administrative costs have increased \$17,389. This reflects a 2% increase over the prior year and represents 8% of the total budget. Pending Board approval, the addition of CHWCA will increase the administrative expense by an additional \$39,302 but will remain 8% of the total budget.

Bill Henderson moved to approve the 2013/14 budget as presented. Seconded by Celeste Garrett. Motion passed unanimously.

10. RISK CONTROL MATTERS

A. 2012/13 Risk Control Services Update

Ms. Lyons explained that LAWCX contracts with Bickmore to provide risk control services to pool members and the services are available to all LAWCX members. Services include phone consultations, program and policy development, on-site training and consultation, and the development of customized webinars. Bickmore technology-based resources also include: blogs, sample programs that may be easily customized, answers to common questions, safety communications, webinars, and online streaming videos.

LAWCX also budgets \$20,000 for member risk control reimbursement. Direct members are eligible to receive up to \$1,000 reimbursement for expenditures related to safety and/or workers' compensation. During the 2011/12 program year, LAWCX reimbursed eight members a total of \$6,550. To date in the 2012/13 program year, three members have requested reimbursement of \$1,407.

B. Risk Control Services Plan for the 2013/14 Program Year

Terrie Norris, Risk Control Manager and new LAWCX risk control liaison, presented the 2013/14 risk control services plan and reviewed the enhanced Bickmore technology-based resources available through the LAWCX website.

Ms. Norris explained that the 2013/14 risk control service plan provides four days of risk control services during the program year for each member as well as unlimited access to Bickmore's technology-based resources. Ms. Norris noted that the Bickmore technology-based resources were recently enhanced and the new online streaming video library will be available in mid-summer.

7. WORKERS' COMPENSATION MATTERS

B. Timely Submission of Examiner's Supplemental Reports and Requests for Settlement Authority

In accordance with Part Six of the Memorandum of Coverage (MOC), LAWCX is to be notified when a claim's total incurred amount reaches 50% of the member's retained limit or if an injury involves one of eight types of accidents referenced in the MOC. Ms. Vitali noted that of the 495 open claims being monitored by LAWCX, 213 claims (43%) exceed the member's retained limit and 149 claims (30%) remain open to monitor future medical care or to pay out death benefits. Of the claims being monitored, examiners automatically submitted supplemental reports on 71% of the claims. As of May 23, supplemental reports are past due on 53 claims.

Ms. Vitali noted that Board members should remind examiners of the requirement to submit timely reports electronically to LAWCX, as well as the need for written settlement authority from LAWCX if the total incurred amount exceeds an agency's retained limit.

C. Workers' Compensation Reform – Senate Bill 863 Webinar

A webinar will be held on July 31, 2013, to ensure members are aware of the practical changes SB 863 created for employers. Mr. Gary Archibald with Innovative Claims Solutions (ICS) will conduct the webinar. A notice regarding the webinar will be distributed in July to encourage participation of staff members who complete the Employers' Report of Injury (Form 5020) and oversee the workers' compensation claims process. Topics to be presented include:

- Indemnity Benefits
- Medical Treatment
- Offer of Regular/Modified/Alternate Work
- Supplemental Job Displacement Benefits
- Litigation
- Opportunities

The webinar will be recorded and made available on-demand on LAWCX's website. A Frequently Asked Questions (FAQ) sheet will also be posted to recap questions asked during the webinar as well as topics that were not covered due to time constraints.

D. Approval of the LAWCX 2013/14 Memorandum of Coverage

Ms. Vitali noted that the proposed 2013/14 Memorandum of Coverage (MOC) was reviewed by staff, legal counsel, and the Executive Committee. Ms. Vitali reviewed the notable changes made to the document.

Ms. Vitali explained that at its meeting on April 30, the Executive Committee reviewed the proposed MOC changes, discussed the definition of occurrence, and asked staff to

research how an occurrence would be handled if two members with different self-insured retentions (SIR) were involved in the same incident. Ms. Vitali noted that staff will explore the possibility of having a shared SIR in situations where multiple members are involved in the same occurrence and discuss cost allocation options with the Executive Committee at a future meeting.

Kin Ong moved to approve the recommended revisions and adopt the 2013/14 Memorandum of Coverage. Seconded by Robert Ford. Motion passed unanimously.

13. CLOSING COMMENTS

A. Board

None.

B. Staff

None.

14. ADJOURNMENT

The June 11, 2013, LAWCX Board of Directors' meeting adjourned at 11:59 a.m. by general consent.

Jose Mederos

Jose Mederos, Recording Secretary



BOARD OF DIRECTORS MEETING

May 14 - 16, 2013 – 1:30 P.M.

**The Inn at the Tides
800 Coast Highway One
Bodega Bay, CA 94923**

(707) 875-3930

Minutes

I. CALL TO ORDER:

President Giles called the meeting to order at 1:30 p.m. on Tuesday May 14th, 2013.

II. ROLL CALL

PRESENT

- | | |
|-------------------------------------|---------------------------------------|
| 1) Lucretia Akil, <i>Alameda</i> | 10) Kim Greer, <i>Richmond</i> |
| 2) Jessica Henry, <i>Chico</i> | 11) Lisa Achen, <i>Roseville</i> |
| 3) Steve Schwarz, <i>Fremont</i> | 12) Anil Comelo, <i>San Rafael</i> |
| 4) Bill Henderson, <i>Livermore</i> | 13) Lynn Margolies, <i>Santa Rosa</i> |
| 5) Janet Hamilton, <i>Lodi</i> | 14) Roger Carroll, <i>SCORE</i> |
| 6) Paula Islas, <i>NCCSIF</i> | 15) Greg Borboa, <i>Stockton</i> |
| 7) Ron Blanquie, <i>Petaluma</i> | 16) Tony Giles, <i>Sunnyvale</i> |
| 8) Chris Carmona, <i>Redding</i> | 17) Celeste Garrett, <i>Vacaville</i> |
| 9) Mark Ferguson, <i>REMIF</i> | |

ABSENT

Fairfield, San Leandro, YCPARMIA, Vallejo

OTHERS PRESENT

- | | |
|---|---|
| 18) Craig Bowlus, <i>Aon</i> | 30) Peter Urhansen, <i>Gibbons & Conley</i> |
| 19) Dr. William Deeb, <i>Aon</i> | 31) Glenn Sansbury, <i>Hartford Steam & Boiler</i> |
| 20) Robert Lowe, <i>Aon</i> | 32) Dominique Kurihara, <i>Petaluma</i> |
| 21) Susan Adams, <i>Alliant</i> | 33) Dave Eiser, <i>Munich Re America</i> |
| 22) Greg Fox, <i>Bertrand, Fox & Elliot</i> | 34) Gary Jackson, <i>Munich Re America</i> |
| 23) Marty Cassell, <i>Chandler Asset Management</i> | 35) Janice Magdich, <i>Lodi</i> |
| 24) David Clovis, <i>CJPRMA</i> | 36) Lynette Frediani, <i>Redding</i> |
| 25) Lola Deem, <i>CJPRMA</i> | 37) Bob Marshburn, <i>R.J. Marshburn & Associates</i> |
| 26) Donna Gardner, <i>CJPRMA</i> | 38) Charlie Craig, <i>Stockton</i> |
| 27) Saima Kumar, <i>CJPRMA</i> | 39) Christopher Jeffery, <i>Santa Rosa</i> |
| 28) Craig Schweikhard, <i>CJPRMA</i> | 40) Satwant Takhar, <i>SCORE</i> |
| 29) Byrne Conley, <i>Gibbons & Conley</i> | 41) Rebecca Moon, <i>Sunnyvale</i> |

III. PRESENTATIONS

- None

IV. THIS TIME IS RESERVED FOR MEMBERS OF THE PUBLIC TO ADDRESS THE BOARD OF DIRECTORS ON MATTERS OF BOARD BUSINESS

V. COMMUNICATIONS

- A. Board Members
- B. General Manager/Secretary
- C. Next Scheduled Meetings: Board of Directors (6/20/2013) CJPRMA Office
Executive Committee (07/18/2013) REMIF-Sonoma

VI. APPROVAL OF MINUTES

A motion by Director Greer, seconded by Director Comelo, to approve the minutes of the Board of Directors meeting held on March 15, 2013, passed unanimously.

VII. CONSENT CALENDAR

1. Additional Covered Party Certificates Approved by the General Manager
2. Status Update on General Manager's Goals and Objectives 2012-2013

A motion by Director Borboa, seconded by Director Henderson, to approve the consent calendar, passed unanimously.

VIII. INFORMATION CALENDAR

3. New Board Members/Alternates
4. Business Calendar for 2013

IX. ACTION CALENDAR

5. **Change in S.I.R for NCCSIF**

The general manager informed the Board that at the December 2012 board meeting; the Board of Directors approved a request by NCCSIF to change their SIR from \$1 million to \$500,000 with the recommendation of an additional contribution of \$116,000 for fiscal years 2013-2014 thru 2015-2016. This was based on a review of NCCSIF loss history.

NCCSIF has accepted the additional annual \$116,000 contribution but has requested an alternative method of funding it. NCCSIF provided staff with new loss information evidencing improvement in their expected losses and has proposed that the additional \$116,000 remain as a deposit to be eroded only in the event of losses sustained by NCCSIF.

He stated that staff met with Susan Adams and Michael Simmons of Alliant Insurance Services, the administrator for NCCSIF, and came up with the following proposal to be considered by the Board.

1. The additional contribution (\$116,000) will be created as a corridor deductible and will be made for PY 2013-2014.
2. Any NCCSIF loss penetrating Pool B layer will be paid first by the corridor deductible until eroded.
3. In PY 2014-2015 funds will be deposited by NCCSIF to replenish any losses paid from the corridor deductible during the previous year. The same contribution will be required for PY 2015-2016.
4. Should no losses occur in Pool Layer B for NCCSIF for the three program years, the \$116,000 corridor deductible will be returned to NCCSIF following the close of program year 2019-2020.

He also brought up NCCSIF's concerns of additional exposure to their contributions for other member losses. If the \$116,000 were included in their total premium paid, their proportional share of losses would be greater than the rest of members in Pool B. As a result staff recommends that NCCSIF proportional share of losses be based upon the standard adopted contribution for Pool B and not include the additional \$116,000. Only in the event that NCCSIF accrues an amount greater than \$250,000 of incurred losses in Pool Layer B, will their percentage of contribution reflect the inclusion of the required corridor deductible.

A motion by Director Carmona, seconded by Director Henderson to approve a corridor deductible of \$116,000 for program years 2013-2014 thru 2015-2016 for NCCSIF, passed unanimously.

6. Approval of Internal Procedures and Control Statement

Financial Analyst, Lola Deem presented to the Board a draft copy of the Internal Procedures and Control Statement for approval. She explained that this process is designed to help an organization accomplish specific goals or objectives.

She stated this is a means by which an organization's resources are directed, monitored, and measured and it plays an important role in preventing and detecting fraud and protecting an organization's resources.

The investment policy certification program with The Association of Public Treasurers of the United States & Canada (APT US & C) requires that an organization have internal procedures and controls established in written form. She said that until now, CJPRMA has not had a written policy on internal procedures and controls for its investment program. With the assistance of Ned Connelly of Chandler Asset Management, and the Authority's Treasurer, Roger Carroll we have created a policy for CJPRMA.

The investment policy establishes the requirements for this statement as follows:

“The controls shall be reasonably designed to protect the Authority from losses of public funds arising from fraud, error, misrepresentation of third parties, unanticipated changes in financial markets, or imprudent actions by employees/officers of the Authority. The most important controls are: control of collusion, separation of duties, separation of transaction authority from accounting and bookkeeping, custodial safekeeping, delegation of authority, limitations regarding securities losses and remedial action, written

confirmation of telephone transactions, minimization of the number of authorized investment officials, documentation of transactions and strategies, and annual review of controls by the Treasurer.”

Ms. Deem stated that the proposed policy complies with the requirements stated above and that the Staff recommends the Board approve the attached Policy on Statement of Internal Procedures and Controls of the Investment Program.

A motion by Director Henry, seconded by Director Borboa to approve the Internal Procedures and Control Statement, passed unanimously.

7. Approval of CJPRMA Statement of Investment Policy

Ms. Deem provided to the Board a revised copy of CJPRMA Statement of Investment Policy

She said Staff was previously directed by the Board to apply for certification of the Authority’s investment policy with The Association of Public Treasurers of the United States & Canada (APT US & C).

A benefit of having the investment policy certified with APT US &C give the trust and confidence in knowing that the Authority has a professionally accepted policy, and the assurance that it is abiding by professional standards established to ensure prudent management of public funds.

As part of the application process, she requested that Chandler Asset Management review CJPRMA’s policy to ensure it met the requirements of The APT US & C. The review process was a joint effort that included Ned Connelly, Marty Cassell, Bill Dennehy, Roger Carroll and Lola Deem.

She stated that the review process gave an opportunity to look at the policy and ensure that the format and elements required by APT US & C are met; as well as ensuring that the policy included correct code language and complied with governing law.

She stated that the largest additions were on pages 6 – 9, the investment descriptions, which previously weren’t included, expanded on the Summary of Permitted Investments table on page 10. Also new to the investment policy is the Glossary of Investment Terms on pages 17-21; this section was added to give readers descriptions of commonly used financial terms and is required for certification.

No policy changes or recommendation were requested by the Board.

A motion by Director Henderson, seconded by Director Hamilton to approve CJPRMA Statement of Investment Policy, passed unanimously.

8. Report from Investment Manager

Mr. Marty Cassell, of Chandler Asset Management was present to discuss the CJPRMA investment portfolio and investment strategy.

Mr. Cassell stated that the assets are held in CJPRMA’s bank custody account managed

by the Bank of New York.

The investment program is divided into two parts. The Loss Payment Account is utilized to provide funds for operating expenses and the payment of losses. The Loss Payment Account invests in high grade securities with a maximum maturity of 5 years.

The Long Term Growth Account is utilized to provide long term asset growth in order to offset inflation. The maturity range of its investments is generally from five to a maximum of ten years.

Mr. Cassell stated that as of April 30, 2013, the Loss Payment Account was valued at \$5,803,410. This was an increase of \$4,322 from its valuation of \$5,799,088 on January 31, 2013. He said that three securities had matured during the most recent quarter: one Corporate note and two positions in Commercial Paper. One Corporate note was called as well.

He also stated that as of April 30, 2013, the Long Term Growth Account was valued at \$81,102,958. This was a decrease of \$6,508,336 from its valuation of \$87,611,294 on January 31, 2013.

He said in February, one security was purchased and several were sold in the Treasury and Agency sectors to facilitate an \$8 million withdrawal from the portfolio. A Corporate note with a maturity date of 2015 was sold and a Corporate note with a 2018 maturity was purchased to keep the portfolio positioning consistent with the objectives of the mandate

No Action was required on this agenda bill.

9. Proposed Operating Budget for 2013-2014

Financial Analyst, Lola Deem, presented the proposed administrative and direct program year budget for the 2013-2014 program year.

She stated that the approved administrative budget for fiscal year 2012-2013 was \$1,425,000. It was projected that expenditures for this budget would be approximately 1.5% under budget (\$21,819).

Ms. Deem said that the direct program budget is estimated to be 46.8% under budget (\$370,000). This is due primarily to less Outside-Legal payments (\$220,000) and less Other Claims Expenses (\$130,000).

The proposed administrative budget for 2013-2014 increased slightly to \$1,435,550. The slight increase was an offset by CSRMA member payments. She stated that at the excess level, it is difficult to gauge what the direct program payments will be: this is always an approximation.

The proposed budget for fiscal year 2013-2014 is as follows;

Personnel: No change in budget. Budget line increases have been offset by reductions in other line items.

Operations/Office Expenses: 1.6% decrease (\$4,700). The large changes in this section are due to a \$25,000 increase in the Risk Console annual fees, and a \$25,000 reduction in the primary claims audit, which in the future will be conducted by the Claims Administrator.

Operations/Professional Services: 2.7% increase (\$2,500). This is reflected in minor line item adjustments.

Operations/Board Related Expenses: 29.5% increase (\$35,750). This is due to a \$10,000 increase in the cost of future annual meetings. As well as a \$22,750 increase in the CSRMA Risk Control Online budget line; this is to reflect the total cost of the service. This amount is partially offset by member payments.

Operations/Building Ops: 6.3% decrease (\$3,000). Due to deletion of association dues (\$18,000) and an increase in building maintenance (\$12,000).

Capital Outlay: 20% decrease (\$20,000) in planned capital expenditures.

Direct Program Expenses: 12.7% decrease (\$100,000). This is an approximation of potential expenses.

Funding: At the December 2012 board meeting, the Board approved the preliminary rates for PY 2013/2014, which included an overhead amount of \$1,425,000.

A motion by Director Hamilton, seconded by Director Henderson, to approve the administrative and direct program year budget for the 2013-2014 program year, passed unanimously.

10. Casualty and Property Insurance Renewals for Fiscal Year 2012-2014

Dr. William Deeb and Mr. Robert Lowe of Aon were present to discuss the renewal of the casualty and property insurance programs for fiscal year 2013-2014.

Dr. Deeb explained that with regard to the property program, Aon was able to negotiate a premium for the primary property policy at \$1,746,816 and the excess property premium at \$314,067. He stated that the boiler and machinery program's annual premium would be \$268,973.

Dr. Deeb said that the 2013-2014 excess liability program's renewal quote provided from Munich Re is \$1,721,999 and the excess casualty from SCOR Re is \$320,540.

He also stated that the quote received from the Hanover Insurance Company for the APD program was in the amount of \$418,298. This was an exposure based increase and the rate remained at \$.173/\$100.

The general office package annual premium would be \$6,449. The 2013 DIC program renewal is \$12,214 and the 2013 Crime Program policy is \$5,391.

A motion by Director Ferguson, seconded by Director Henderson, to authorize the general manager to bind the Property /Boiler Machinery Program passed unanimously.

A motion by Director Ferguson, seconded by Director Hamilton, to authorize the general manager to bind the Auto Physical Damage Program, passed unanimously.

A motion by Director Carmona, seconded by Director Hamilton, to authorize the general manager to bind the Casualty Program, passed unanimously.

11. Proposal for Property Appraisal from American Appraisal

The general manager gave the Board a brief over view of the prior property appraisal that was conducted by American Appraisal. He stated that the cost of the prior appraisal was \$788,016. Each member property was visited by a member of the American Appraisal team. The team, measured for square footage confirmation, reviewed building construction type and style and then documented findings for the record. Once this process was completed, American Appraisal conducted an exit interview with each of the members.

He said that since then CJPRMA members have been reporting their property values based on American Appraisals report. Majority of those values have not been revised since the last appraisal process was completed. To maintain the integrity of the data a review should be conducted every three to five years. CJPRMA is going on its sixth year since the prior process.

The general manager said one option for completing this process would be to perform a full RFP for vendors to provide quotes. He said based upon discussion with other vendors, they would not be able to use the existing core data. In order for the vendors to provide accurate data, they would have to implement a new property appraisal similar to the one that was implemented by American Appraisal. The anticipated cost for a complete review of all properties within the program would cost anywhere from \$500,000 to \$1,000,000.

He said that staff has been in discussion with Juan Iverson from American Appraisal to design an alternative process for proceeding with the appraisal update. Prior data collected from American Appraisal will be modified to reflect the current values based upon today's dollars and cost of inflation since the prior inspection.

The following list provides the proposed process by American Appraisal;

Phase 1- Diagnostic

Communicate with members to determine property activity from the prior appraisal performed in 2006 and 2007. Members will advise American Appraisal of the following occurrences:

- Acquired new buildings (purchased or new construction)
- Material renovations impacting replacement cost of previously appraised structures
- Demolished buildings no longer on the property schedule

Once this information is gathered American Appraisal will determine which member cities need to be visited to perform full scope appraisal.

Phase 2 – Full Scope Appraisals

Full scope appraisals will include an inspection of the building and reporting of all the data elements. Fees for each member city will be \$300 per building with a minimum member guaranteed city charge of \$3000 that include up to 10 buildings that will require a full scope appraisal. All additional buildings in excess of 10 will be billed at \$300 each.

Phase 3 – Treatment of previously appraised buildings

- American Appraisal will update the previously appraised structures with the current replacement costs. In order for this process to happen, the following will need to occur:

General Buildings

- American Appraisal will not make any physical inspections of these structures. The same data elements and photographs collected previously will be used in the current value calculation.
- The value will be current but the initial date of inspection 2006 or 2007 will remain displayed in the report.
- Assumptions will be that nothing has changed to these properties unless a member city has identified changes during the diagnostic process.
- Wastewater/utilities/property in the open values will not be modified during this process. Members may request new inspections of property in the open or new additions to their wastewater/utilities as part of the new structural appraisal process.

Phase 4 - Report Preparation and Member Visits

American Appraisal estimates the fee for this project to be in the \$165,000 to \$180,000 range not including Phase 4. Staff and American Appraisal will meet to determine report distribution; previously multiple hard copies were issued for all appraised properties. The tentative thought process for this round of appraisals would include electronic distribution of the new data. As far as member visits, the need for onsite visits will be based upon results from the diagnostic phase of the projects and cost of the meetings would be billed on a time and expense basis.

The proposed process will occur during program year 2013-2014. Once the inspections are completed, American Appraisal Staff and the CJPRMA General Manager will meet with each member, as needed, to review the submitted data to confirm the updated values determined during the inspections. The updated data will be used for the 2014-2015 renewal process.

The general manager said that Staff recommends selection of the quote submitted by American Appraisal.

A motion by Director Henry, seconded by Director Garrett to approve the proposed property appraisal update with American Appraisal, passed unanimously.

12. 2013 Claims Audit

The 2013 claims audit was conducted by Mr. Craig Bowlus, Managing Director of Aon Risk Services. Mr. Bowlus was present to discuss the results and recommendations arising out of his claims audit.

He examined 112 excess files during the audit which included 93 open and 19 closed files. The audit work included site visits to members, TPAs and the CJPRMA office. Mr. Bowlus also conducted a review of primary level losses for seven CJPRMA members. Mr. Craig Schweikhard, Claims Administrator, assisted in the review of the primary claims which included a review of 138 files.

Mr. Bowlus noted several positive improvements that have been made since the 2012 claims audits.

Those improvements included the following:

- The new risk management information system is capturing much more information at the primary level
- Significant improvement seen in EPL reporting started in 2011 and continues through 2013. The EPL claims count has dropped from 22 to 17 at the excess level
- Claims Count at the excess level has continued to drop along with it the net incurred value of the primary and excess reserves, which have gone from \$37.6 million down to \$29.9 million in the past 12 months

Mr. Bowlus identified three recommendations arising out the 2013 claims audit are as follows:

- Once a claim is reported and accepted as an excess file by CJPRMA, automated RMIS or Excel data exchange relative to critical financial developments should be provided by all members on at least a quarterly basis
- Reporting from some self-administered members can still use some improvement. This should include captioned reporting on a quarterly basis (at a minimum, on watch list files). Cases with incurred values of less than \$50,000 should be subject to reduced levels of oversight at CJPRMA, and should not be subject to the captioned reporting requirements.
- The primary audits reveal a general pattern of under-reserving on expenses. Members in to be more diligent in this area.

A motion by Director Borboa, seconded by Director Greer, to approve the 2013 claims audit, passed unanimously.

13. Status Update on Risk Console

The general manager provided a status update on the Risk Console implementation to the Board. He said staff is meeting weekly with the Aon eSolutions team. To date, staff has

reviewed and approved majority of the modules. The final module left to review and modify is the MMSEA portion. This module will provide CJPRMA and its members the ability to fulfill the requirements of reporting case settlement information to Medicare. He said that staff is currently reviewing options for achieving compliance with the Federal Medicare reporting requirements.

Final steps are under way for the testing of the renewal process that will be finalized and active prior to the 2013-2012 program year. The certificate of insurance and certificate of coverage were scheduled to go live earlier this year. Aon staff was unable to meet this target deadline. Staff is currently working with Aon to finalize all open issues. The final phase of the two modules will have the ability to produce monthly renewal reminders and batch report for annual renewals. The general manager stated that once this process is completed the members will have the ability to track in coming certificates and issue outgoing certificates within their SIR. He said that the Insurance Requirements Ad hoc committee is also working on developing standard insurance templates to be presented at the June Board meeting.

He said staff is utilizing the claims module to track claims, occurrences and litigation. He was also pleased to report that City of Redding is using the system for their claims management. City of Fremont has submitted their data to Aon for data conversion and City of Stockton submitted their data for review and conversion.

Risk Console also updated the Business Intelligence (BI) reporting module for CJPRMA. Staff will be receiving training in late May or early June. The deadline for all modules to be finalized and to discontinue the use of the access database system is July 1, 2013.

No action was required on this agenda bill.

13. Risk Management Issues

Director Henderson brought up the discussion on bonds for construction projects. He said that the public works agreements that are revised by attorneys are forgetting to inquire about maintenance bonds. He also said that some departments are looking into having City Council approve agreements before receiving and approving, bond, certificates of insurance and endorsements. Director Henderson said he's looking into getting this disapproved. He asked if any other members are doing anything similar. Feedback from members was that it was tried but never happened.

Director Henderson also asked if members are doing claims de-briefing with departments that are involved in the claim. Other members reported that nothing formal was taking place at their agencies. Director Borboa said that Stockton is starting to formalize a process. There were various discussions on public works performance bonds and how long they should be required. The general manager said he would bring back the status of performance bonds at the June meeting.

X. CLOSED SESSION

1. **Government Code Section 54956.8**
 Conference with Real Property Negotiator (I)

Property: 3201 Doolan Road, Livermore, CA 94551
Agency Negotiator: David Clovis, CJPRMA
Negotiating Party: Rick Steffens (Grubb & Ellis)
Under Negotiation: Price and Terms of Payment

2. **Government Code Section 54956.9 (a)** (I)
 Conference with Legal Counsel – Pending Litigation

Name of Case: Desantis v. City of Santa Rosa
Court: United States District Court, Northern District of California,
Case No.: 3:07-CV-04474-BZ

3. **Government Code Section 54956.9 (a)** (I)
 Conference with Legal Counsel - Pending Litigation

Name of Case: Herdegen v. City of Roseville
Court: Superior Court of California, County of Placer
Case No.: SCV 0028931

4. **Government Code Section 54956.9 (a)** (I)
 Conference with Legal Counsel - Pending Litigation

Name of Case: WGS-TDIC v. City of Oroville (NCCSIF)
Court: Superior Court of California, County of Butte
Case No.: 153408

5. **Government Code Section 54956.9 (a)** (I)
 Conference with Legal Counsel - Pending Litigation

Name of Case: Hall v. City of Fairfield
Court: United States District Court, Eastern District
Case No.: 10-CV-00508-GEB-DAD

XI. ACTION ON CLOSED SESSION ITEMS

- The general manager was granted authority on one closed session item.

XII. ADJOURNMENT

- A motion by Director Henderson, seconded by Director Hamilton to adjourn the meeting at 11:11 a.m. on Thursday, May 16, 2013, passed unanimously.



Small Cities Organized Risk Effort
Board of Directors Meeting
October 25, 2013

Agenda Item H.1

QUARTERLY FINANCIALS FOR PERIOD ENDING JUNE 30, 2013 AND SEPTEMBER 30, 2013

ACTION ITEM

ISSUE: Members receive quarterly reports on the financial status of SCORE. Gilbert Associates will present the SCORE's Financial Statements for the Quarters ending June 30, 2013 and September 30, 2013 to the Board of Directors for their review.

The September 30th report is not available at time of agenda mailing and will be delivered prior to the meeting for review.

RECOMMENDATION: Receive and file the Quarterly Financial Reports as presented.

FISCAL IMPACT: Unknown

BACKGROUND: Each quarter, the Board of Directors reviews the quarterly financials for accuracy and refers questions for follow-up, or receives and files the report as presented.

ATTACHMENTS:

1. Quarterly Financial Statements as of June 30, 2013
2. Quarterly Draft Financial Statements as of September 30, 2013 – *Handout*

Small Cities Organized Risk Effort
Statement of Net Assets
As of June 30, 2013

	<u>Jun 30, 13</u>	<u>Jun 30, 12</u>
ASSETS		
Current Assets		
Checking/Savings		
Scott Valley Bank - General	\$ (405,373.13)	\$ (203,661.30)
Scott Valley Bank Claims Accounts		
Scott Valley Bank - Liability	24,483.80	45,656.74
Scott Valley Bank - Workers' Comp	20,677.61	17,287.41
LAIF		
LAIF	1,897,351.98	2,489,920.05
Total Checking/Savings	<u>1,537,140.26</u>	<u>2,349,202.90</u>
Other Current Assets		
Chandler - Investment Account		
Chandler - Investments	10,365,578.67	10,116,007.67
Chandler - Unrealized Gain (Loss)	(30,469.02)	165,937.98
Union Bank	262,964.23	310,031.38
Total Chandler - Investment Account	<u>10,598,073.88</u>	<u>10,591,977.03</u>
Interest Receivable	39,475.68	47,787.52
Member Accounts Receivable	547,952.00	576,770.00
Claim Recovery Receivable	46,053.87	20,228.43
Due from Claims TPA	7,938.54	7,938.54
Prepaid Expenses	13,234.71	1,494.00
Total Other Current Assets	<u>11,252,728.68</u>	<u>11,246,195.52</u>
Total Current Assets	<u>12,789,868.94</u>	<u>13,595,398.42</u>
TOTAL ASSETS	<u>\$ 12,789,868.94</u>	<u>\$ 13,595,398.42</u>

Small Cities Organized Risk Effort
Statement of Net Assets
As of June 30, 2013

	Jun 30, 13	Jun 30, 12
LIABILITIES		
Liabilities		
Current Liabilities		
Current Liabilities		
Claims Reserves - Current		
Claims Reserves - W/C	795,963.00	788,684.00
Claims Reserves - Liability	550,440.00	453,725.00
Total Claims Payable	1,346,403.00	1,242,409.00
Accounts Payable	15,299.66	63,889.92
Unearned Revenue	16,610.00	41,257.00
Dividend Payable to Members	596,274.00	787,953.00
Total Current Liabilities	1,974,586.66	2,135,508.92
Long Term Liabilities		
Claims Reserves - Non-Current		
Claims Reserves - W/C	2,210,845.00	1,604,864.00
Claims Reserves - Liability	141,138.00	42,154.00
Total Claims Payable	2,351,983.00	1,647,018.00
IBNR		
IBNR Reserves - W/C	1,158,879.00	1,411,863.00
IBNR Reserves - Liability	514,289.00	645,096.00
Total IBNR	1,673,168.00	2,056,959.00
ULAE		
ULAE - W/C	208,284.00	190,271.00
ULAE - Liability	60,293.00	57,049.00
Total ULAE	268,577.00	247,320.00
Total Long Term Liabilities	4,293,728.00	3,951,297.00
Total Liabilities	6,268,314.66	6,086,805.92
NET ASSETS		
Net Assets - Workers' Compensation		
Board Designated - W/C	1,250,000.00	1,250,000.00
Net Assets - Liability		
Board Designated - Liability	2,500,000.00	2,500,000.00
Unrestricted Net Assets	3,758,592.50	7,650,818.83
Net Revenues Over Expenditures	(987,038.22)	(3,892,226.33)
Total Net Assets	\$ 6,521,554.28	\$ 7,508,592.50

Small Cities Organized Risk Effort
Statement of Revenue, Expenses, and Changes in Net Assets
For the Quarter and Year Ended June 30, 2013

	<u>Apr '13 - Jun '13</u>	<u>Jul '12 - Jun '13</u>	<u>Jul '11 - Jun '12</u>
Ordinary Revenue			
Revenue			
Member Contributions	\$ 662,364.75	\$ 2,649,459.00	\$ 2,493,538.00
Member Assessment	36,408.00	36,408.00	580,454.00
Bank/LAIF Interest	1,317.62	6,971.39	13,005.47
Managed Portfolio	45,454.52	201,419.41	267,344.23
Miscellaneous Income	-	536.81	735.37
Total Operating Revenue	<u>745,544.89</u>	<u>2,894,794.61</u>	<u>3,355,077.07</u>
Operating Expenses			
General and Administrative Expenses			
Bank Service Charges	2,487.00	9,560.00	5,189.00
B of D Activities	1,510.80	17,865.45	11,263.17
Conference	-	-	1,000.00
Dues & Subscriptions	550.00	1,000.00	600.00
Insurance	575.00	575.00	575.00
Meeting Expense	-	95.36	2,277.25
Miscellaneous Expenses	1.00	3.00	(0.68)
Office Supplies	269.45	269.45	99.41
Postage	-	37.90	-
Safety Training	8,356.96	26,288.58	46,088.36
User Funding Assessment (WC)	-	18,898.69	15,151.81
Total Administration	<u>13,750.21</u>	<u>74,593.43</u>	<u>82,243.32</u>
Consulting Services			
Accounting Services	12,000.00	46,000.00	42,000.00
Actuarial Study	9,500.00	11,250.00	9,500.00
Administration Costs	53,687.50	214,750.00	204,526.00
Appraisal Services	48,500.00	48,500.00	-
Audit Services			
Claims Audit	-	-	6,785.00
Audit - Financial	-	20,052.00	16,532.00
Total Audit Services	<u>-</u>	<u>20,052.00</u>	<u>23,317.00</u>
Claims Services			
Claims Management -WC	23,685.00	94,740.00	91,980.00
Claims Management - Liability	24,375.00	97,500.00	119,518.59
Risk Management Services	21,917.89	68,411.94	97,324.53
TPA - Annual Fees	7,500.00	30,000.00	31,000.00
Total Claims Services	<u>77,477.89</u>	<u>290,651.94</u>	<u>339,823.12</u>

Small Cities Organized Risk Effort
Statement of Revenue, Expenses, and Changes in Net Assets
For the Quarter and Year Ended June 30, 2013

	<u>Apr '13 - Jun '13</u>	<u>Jul '12 - Jun '13</u>	<u>Jul '11 - Jun '12</u>
Investment Fees	3,568.11	12,832.00	12,639.00
Legal	-	-	1,589.71
Total Consulting Services	<u>204,733.50</u>	<u>644,035.94</u>	<u>633,394.83</u>
Total General and Administrative Expenses	<u>218,483.71</u>	<u>718,629.37</u>	<u>715,638.15</u>
Insurance Expenses			
Insurance Premiums	157,714.09	629,766.30	588,613.38
Total Insurance Expenses	<u>157,714.09</u>	<u>629,766.30</u>	<u>588,613.38</u>
Claims Expenses			
Claims Payments			
Claim Payments - WC	164,172.76	723,555.36	686,074.91
Claim Payments - Liability	197,207.46	423,620.53	385,733.18
Total Claim Payments	<u>361,380.22</u>	<u>1,147,175.89</u>	<u>1,071,808.09</u>
Changes in Claims Liabilities			
Change in Reserves	851,113.00	851,113.00	930,027.00
Changes in IBNR	(425,945.00)	(425,945.00)	(500,126.00)
Changes in ULAE	21,257.00	21,257.00	247,320.00
Total Change in Claims Liabilities	<u>446,425.00</u>	<u>446,425.00</u>	<u>677,221.00</u>
Total Claims Expenses	<u>807,805.22</u>	<u>1,593,600.89</u>	<u>1,749,029.09</u>
Dividends	-	750,004.00	4,182,666.00
Total Expenses	<u>1,184,003.02</u>	<u>3,692,000.56</u>	<u>7,235,946.62</u>
Net Operating Revenue	(438,458.13)	(797,205.95)	(3,880,869.55)
Other Revenue (Expense)			
Investment Gain/Loss	(121,646.31)	(189,832.27)	(11,356.78)
Net Revenue Over Expenses	<u>\$ (560,104.44)</u>	<u>\$ (987,038.22)</u>	<u>\$ (3,892,226.33)</u>

CONSIDERATION OF NEWLY PROPOSED RETROSPECTIVE RATING CALCULATION

ACTION ITEM

ISSUE: Kevin Wong from Gilbert and Associates will have provided the Board with an illustration of the reconciliation process used to correct the errors identified in the current retrospective rating spreadsheets and the framework for the new retrospective rating methodology to be considered for use by both programs at the SCORE Training Day, on Thursday. The Board of Directors will also have reviewed the individual member impact of correcting the old spreadsheets. Spreadsheets of the proposed allocations by member are included, in summary form, to compare the original amounts on the RRP Spreadsheets to the revised post adjustment spreadsheets.

Also, the Training day presentation will provide information to then be addressed as part of this agenda item; to consider adopting the newly proposed, simpler retrospective rating method. (If the decision is made to move forward with the new method, SCORE will need to amend its Master Plan Documents (MPDs) to reflect the change. Amending the MPDs will require a 2/3rds vote of the Board.

RECOMMENDATION: Staff has reviewed the new framework documents and recommends the Board consider the adoption of the newly proposed retrospective rating methodology once fully documented (at the next Board meeting) for the following reasons:

- a) annually tie to the audited June 30 financial statements, by program
- b) be easy to calculate
- c) provide members an easy and accurate accounting of their Banking Layer balances
- d) provide for flexibility with the amount of member's draw from their Banking Layer balances fairly distribute the Shared Risk Layer available net assets

FISCAL IMPACT: Unknown

BACKGROUND: SCORE's current Retrospective Rating Plan (RRP) has been utilized since inception, 1986, to annually calculate the amount available for return to member cities and towns. It was originally introduced in the form of a paper ledger and it gradually evolved into the set of Excel spreadsheets that are being used today. Since taking over SCORE's accounting on July 1, 2010, substantial time and effort has been spent by Gilbert Associates, Inc. staff to correct the spreadsheet's formulas and data input errors from prior years. In addition, in 2012 the spreadsheet data was changed from utilizing data inputs as of December 31 to utilizing data inputs as of June 30. This effort was based on the goal to tie-out SCORE's net assets from the spreadsheets to the audited financial statements.

The change to utilizing June 30 data revealed significant differences between the spreadsheets and SCORE’s audited financial statement net asset balances. Since the spreadsheets contain data input as far back as 1986, and prior calculations were based on December 31 valuation data, it is unclear where the current differences originate from. Continued research on the possible causes of the differences could be attempted, however it is uncertain whether all of the differences can successfully be identified and reconciled. The Ad Hoc Committee met via teleconference on June 19, 2013 to hear a proposed plan that other JPA’s are using. At the June 28, 2013 Board meeting, the Board of Directors gave direction to Staff to continue researching the reconciliation errors over the Summer of 2013 and prepare an update for the October meeting. Staff and

ATTACHMENTS:

1) Analysis of Corrected RRP Spreadsheets
2) Original Liability Summary
3) Liability Post Adjustment Summary
4) Original W.C. Summary
5) W.C. Post Adjustment Summary
6) Mini-cities W.C. Original Summary
7) Mini-cities W.C. Post Adjustment Summary.
8) Framework for new RRP Calculation
9) 2012-13 New Liability Retrospective Rating Calculation
10) 2012-13 New Workers’ Compensation Retrospective Rating Calculation
11) Liability MPD
12) Workers’ Compensation MPD

**SCORE
ANALYSIS OF CORRECTED RRP SPREADSHEETS
AS OF JUNE 30, 2012**

CITY	ORIGINAL CALCULATION			POST AUDIT ADJUSTMENT			CHANGE		
	LIABILITY ADJUSTED	W/C ADJUSTED	COMBINED TOTAL	LIABILITY ADJUSTED	W/C ADJUSTED	COMBINED TOTAL	LIABILITY ADJUSTED	W/C ADJUSTED	COMBINED TOTAL
	PLAN TOTAL	PLAN TOTAL		PLAN TOTAL	PLAN TOTAL				
BIGGS	82,577	63,349	145,926	106,143	44,039	150,182	23,566	(19,310)	4,256
COLFAX	53,483	93,573	147,056	118,278	65,050	183,328	64,794	(28,523)	36,271
CRESCENT CITY	499,995	127,189	627,184	691,174	13,048	704,222	191,178	(114,141)	77,037
DORRIS	19,802	24,532	44,334	29,272	17,054	46,326	9,469	(7,478)	1,991
DUNSMUIR	(35,878)	24,894	(10,984)	96,344	18,546	114,890	132,222	(6,348)	125,874
ETNA	(7,774)	47,341	39,567	(13,450)	32,910	19,460	(5,676)	(14,431)	(20,107)
FORT JONES	45,533	22,579	68,112	52,642	15,696	68,338	7,109	(6,883)	226
IONE	168,390	83,258	251,648	197,495	51,110	248,605	29,105	(32,148)	(3,043)
ISLETON	16,103		16,103	54,821		54,821	38,718	-	38,718
LIVE OAK	222,683	199,515	422,198	281,949	172,175	454,124	59,266	(27,340)	31,926
LOOMIS	119,721	124,143	243,864	138,014	86,301	224,315	18,293	(37,842)	(19,549)
LOYALTON	59,551	3,942	63,493	70,177	2,740	72,917	10,626	(1,202)	9,424
MONTAGUE	(7,013)	27,084	20,071	10,266	18,828	29,094	17,279	(8,256)	9,023
MOUNT SHASTA	154,444	58,790	213,234	241,752	20,082	261,834	87,308	(38,708)	48,600
PORTOLA	69,620	103,175	172,795	71,844	71,725	143,569	2,224	(31,450)	(29,226)
RIO DELL	168,489	112,201	280,690	185,070	78,000	263,070	16,581	(34,201)	(17,620)
SHASTA LAKE	730,518	680,954	1,411,472	852,640	530,966	1,383,606	122,122	(149,988)	(27,866)
SUSANVILLE	760,916	758,185	1,519,101	892,991	649,989	1,542,980	132,075	(108,196)	23,879
Tule Lake	11,525		11,525	11,496		11,496	(29)	-	(29)
WEED	78,083	169,458	247,541	113,418	116,687	230,105	35,335	(52,771)	(17,436)
WILLIAMS	212,752	136,840	349,592	273,469	108,532	382,001	60,717	(28,308)	32,409
YREKA	497,994	343,723	841,717	656,822	274,513	931,335	158,827	(69,210)	89,617
	<u>3,921,515</u>	<u>3,204,725</u>	<u>7,126,240</u>	<u>5,132,626</u>	<u>2,387,991</u>	<u>7,520,617</u>	<u>1,211,112</u>	<u>(816,734)</u>	<u>394,378</u>

SCORE LIABILITY PROGRAM
SUMMARY OF PAYMENTS DUE CITIES
EVALUATION - ORIGINAL

	(11)	(12)	(13)	(14)
	FINAL ASSET COMPOSITION			
	(7)	(10)	(3)	(11) + (12) + (13)
CITY	AVAILABLE BANKING BALANCE	AVAILABLE SHARED RISK BALANCE	UNAVAILABLE SHARED RISK BALANCE	ADJUSTED PLAN TOTAL
BIGGS	9,651	30,221	42,705	82,577
COLFAX	(4,823)	(1)	58,307	53,483
CRESCENT CITY	17,363	318,346	164,286	499,995
DORRIS	2,325	5,690	11,787	19,802
DUNSMUIR	(49,378)	(1)	13,501	(35,878)
ETNA	(9,031)	(25,031)	26,288	(7,774)
FORT JONES	18,471	18,002	9,060	45,533
IONE	75,536	24,584	68,270	168,390
ISLETON	(18,512)	0	34,615	16,103
LIVE OAK	32,138	74,223	116,322	222,683
LOOMIS	16,635	27,730	75,357	119,721
LOYALTON	13,823	20,956	24,772	59,551
MONTAGUE	(29,272)	(0)	22,259	(7,013)
MOUNT SHASTA	40	14,499	139,905	154,444
PORTOLA	39	(1,132)	70,713	69,620
RIO DELL	51,530	38,052	78,906	168,489
SHASTA LAKE	172,228	227,602	330,688	730,518
SUSANVILLE	139,436	280,396	341,085	760,916
Tule Lake	(2,449)	-	13,974	11,525
WEED	(24,020)	(23,571)	125,675	78,083
WILLIAMS	27,200	87,133	98,419	212,752
YREKA	40	223,938	274,016	497,994
	438,970	1,341,636	2,140,909	3,921,515

Per Audit 5,132,626
Difference (1,211,111)

SCORE LIAB PROGRAM
SUMMARY OF PAYMENTS DUE CITIES
EVALUATION POST AUDIT ADJUSTMENT

	(11)	(12)	(13)	(14)
	FINAL ASSET COMPOSITION			
	(7)	(10)	(3)	(11) + (12) + (13)
CITY	AVAILABLE BANKING BALANCE	AVAILABLE SHARED RISK BALANCE	UNAVAILABLE SHARED RISK BALANCE	ADJUSTED PLAN TOTAL
BIGGS	18,055	45,404	42,684	106,143
COLFAX	0	60,238	58,039	118,278
CRESCENT CITY	51,497	476,205	163,471	691,174
DORRIS	8,536	8,772	11,964	29,272
DUNSMUIR	0	81,660	14,684	96,344
ETNA	(15,208)	(24,661)	26,419	(13,450)
FORT JONES	16,827	26,748	9,067	52,642
IONE	93,053	36,455	67,987	197,495
ISLETON	0	19,888	34,933	54,821
LIVE OAK	55,246	110,875	115,828	281,949
LOOMIS	21,067	41,704	75,243	138,014
LOYALTON	14,243	31,178	24,756	70,177
MONTAGUE	(11,928)	(0)	22,194	10,266
MOUNT SHASTA	0	102,818	138,933	241,752
PORTOLA	108,964	(108,165)	71,046	71,844
RIO DELL	49,646	56,754	78,670	185,070
SHASTA LAKE	183,149	339,742	329,750	852,640
SUSANVILLE	132,428	420,360	340,204	892,991
Tule Lake	(2,443)	-	13,939	11,496
WEED	12,149	(23,743)	125,013	113,418
WILLIAMS	45,445	130,099	97,925	273,469
YREKA	39,994	343,890	272,938	656,822
	820,720	2,176,220	2,135,686	5,132,626

Per Audit 5,132,626
Difference 0

SCORE W/C PROGRAM
SUMMARY OF PAYMENTS DUE CITIES
EVALUATION - ORIGINAL

	(11)	(12)	(13)	(14)
	FINAL ASSET COMPOSITION			
				(1) + (2) + (3)
CITY	AVAILABLE BANKING BALANCE	AVAILABLE SHARED RISK BALANCE	UNAVAILABLE SHARED RISK BALANCE	ADJUSTED PLAN TOTAL
CRESCENT CITY	950	232,674	(106,435)	127,189
DUNSMUIR	0	4,825	20,068	24,894
IONE	17,475	65,534	249	83,258
LIVE OAK	49,225	55,733	94,557	199,515
MOUNT SHASTA	0	78,811	(20,021)	58,790
SHASTA LAKE	160,435	305,747	214,772	680,954
SUSANVILLE	237,854	220,555	299,776	758,185
WEED	13,515	107,572	48,371	169,458
WILLIAMS	53,759	57,705	25,376	136,840
YREKA	79,314	141,083	123,326	343,723
MINICITIES	32,084	386,447	203,389	621,919
	644,612	1,656,685	903,429	3,204,725
			Per Audit	2,387,991
			Difference	816,734

SCORE WC PROGRAM
SUMMARY OF PAYMENTS DUE CITIES
EVALUATION POST AUDIT ADJUSTMENT

	(11)	(12)	(13)	(14)
	FINAL ASSET COMPOSITION			
				(1) + (2) + (3)
CITY	AVAILABLE BANKING BALANCE	AVAILABLE SHARED RISK BALANCE	UNAVAILABLE SHARED RISK BALANCE	ADJUSTED PLAN TOTAL
CRESCENT CITY	950	118,533	(106,435)	13,048
DUNSMUIR	0	(1,523)	20,068	18,546
IONE	17,475	33,386	249	51,110
LIVE OAK	49,225	28,393	94,557	172,175
MOUNT SHASTA	0	40,103	(20,021)	20,082
SHASTA LAKE	160,435	155,759	214,772	530,966
SUSANVILLE	237,854	112,359	299,776	649,989
WEED	13,515	54,801	48,371	116,687
WILLIAMS	53,759	29,397	25,376	108,532
YREKA	79,314	71,873	123,326	274,513
MINICITIES	32,084	196,871	203,389	432,343
	644,612	839,951	903,429	2,387,991
			Per Audit	2,387,991
			Difference	0

Estimated Equity

City	Banking	Available Shared	Adj Unavailable Shared	Total
BIGGS	3,268	39,364	20,717	63,349
COLFAX	4,827	58,144	30,602	93,573
DORRIS	1,266	15,244	8,023	24,532
ETNA	2,442	29,416	15,482	47,340
FORT JONES	1,165	14,030	7,384	22,579
LOOMIS	6,404	77,140	40,599	124,143
LOYALTON	203	2,449	1,289	3,942
MONTAGUE	1,397	16,829	8,857	27,084
PORTOLA	5,323	64,111	33,742	103,175
RIO DELL	5,788	69,719	36,694	112,201
	<u>32,084</u>	<u>386,447</u>	<u>203,389</u>	<u>621,919</u>

Minicities Original

Estimated Equity

City	Banking	Available Shared	Adj Unavailable Shared	Total
BIGGS	3,268	20,053	20,717	44,039
COLFAX	4,827	29,621	30,602	65,050
DORRIS	1,266	7,766	8,023	17,054
ETNA	2,442	14,986	15,482	32,910
FORT JONES	1,165	7,147	7,384	15,696
LOOMIS	6,404	39,298	40,599	86,301
LOYALTON	203	1,248	1,289	2,740
MONTAGUE	1,397	8,574	8,857	18,828
PORTOLA	5,323	32,660	33,742	71,725
RIO DELL	5,788	35,518	36,694	78,000
	<u>32,084</u>	<u>196,871</u>	<u>203,389</u>	<u>432,343</u>

POST ADJUSTMENT

BACKGROUND:

In the Spring of 2013, Gilbert Associates was tasked with creating the framework for a new Retrospective Rating Plan (RRP) calculation. The summary of the new RRP framework, along with our recommendation, follows:

GOALS:

The new methodology should:

1. Annually tie to the most recent audited June 30 financial statements, by program
2. Be easy to calculate, with easily traceable numbers
3. Provide members an easy and accurate accounting of their Banking Layer balances
4. Provide for flexibility with the amount of member's draw from their Banking Layer balances, while retaining enough of a balance in the Banking Layer for ongoing operations.
5. Fairly distribute the Shared Risk Layer available net assets

PROPOSED METHODOLOGY:

In general, we propose to restructure SCORE's accounting system to allow for the tracking of individual Banking Layer accounts as individual discrete "funds", by program. RRP returns for the Banking Layer would be based on individual member Banking Layer balances. We further propose that the Shared Risk Layers be tracked as a single "fund" for each program. RRP returns for the Shared Risk Layer would be based on overall Shared Risk Layer experience, and allocated based on historical member premiums, plus/minus assessments and returns, less claims incurred.

Banking Layer methodology

1. We propose to utilize the Banking Layer balances from the reconciled June 30, 2012 RRP spreadsheets as the agreed-upon starting point for each member's Banking Layer balances by program for the 2012-2013 year.
2. Activity will be tracked in SCORE's accounting records on an individual-member basis, by program, for each member for the 2012-2013 year. Each member will have its own separate balance sheet and income statement for its Banking Layer account for both its W/C and Liability Banking Layers.
3. Amount available for distribution from the Banking Layer will first be calculated and approved as a whole.
4. Members may request distributions from Banking Layer in proportion to their balance to the sum of all banking balances as a whole, subject to #5.
5. In order to accommodate Banking Layer cash flow needs, members must retain balances equal to at least a pre-determined Board amount (i.e. fixed deposit minimum).

Shared Risk Layer methodology

1. The balance of the Shared Risk Layer as a whole would be based on the ending net assets for W/C and Liability from the June 30, 2012 audited financial statements and the Banking Layer balances determined above.
2. Activity for the Shared Risk Layer would be accounted for as a two separate entities – one for W/C Shared Risk and one for Liability Shared Risk.
3. Calculation for the amount of refund available could be based on certain agreed-upon benchmarks (i.e. a portion of the net assets in excess the 5x SIR minimum equity reserve).
4. Distribution would be based upon Board approval of % distributable (i.e. 100%, 50%, etc.) and allocation would be based on the most recent average of 10 years of premiums, plus/minus assessments and returns, less claims.

CONSIDERATIONS:

1. Will simplify the RRP calculation on a go-forward basis
2. Will be able to tie to audited financial data as of June 30
3. Will increase emphasis on shared risk, may require increased emphasis on experience rating component of premiums
4. Sample calculations utilizing June 30, 2013 data can be brought to January Board meeting for Board acceptance of amounts available for distribution.

RECOMMENDATION:

We recommend that the SCORE Board implement this new calculation methodology for dividend calculations for the 2013-2014 year, based on the June 30, 2013 audited financial statement balances.

SCORE LIAB PROGRAM

EXAMPLE

BANKING LAYER EXAMPLE

SHARED LAYER EXAMPLE

STARTING POINT

DATA INPUTS

CITY	BANKING BALANCE	SHARED RISK BALANCE	PLAN TOTAL	Banking Alloc %	Max Dist Avail	Min Bal Reqmt	Permitted Distrib	Last 10 years			10 year	10 year	10 year	Net	Alloc %	Distrib.
								(1)	(2)	(3)	(1)/10	(2)/10	(3)/10			
BIGGS	18,055			2.12%	10,617	25,000	-	108,743	55,040	-	10,874	5,504	-	16,378	4.82%	24,110
COLFAX	0			0.00%	-	25,000	-	148,888	230,963	411,306	14,889	23,096	41,131	(3,146)	0.00%	-
CRESCENT CITY	51,497			6.06%	30,282	25,000	26,497	664,902	(150,383)	349,843	66,490	(15,038)	34,984	16,468	4.85%	24,242
DORRIS	8,536			1.00%	5,019	25,000	-	42,498	(11,482)	-	4,250	(1,148)	-	3,102	0.91%	4,566
DUNSMUIR	0			0.00%	-	25,000	-	160,480	411,943	228,542	16,048	41,194	22,854	34,388	10.12%	50,623
ETNA	(15,208)			0.00%	-	25,000	-	91,622	(6,971)	-	9,162	(697)	-	8,465	2.49%	12,461
FORT JONES	16,827			1.98%	9,895	25,000	-	39,046	(37,440)	-	3,905	(3,744)	-	161	0.05%	236
IONE	93,053			10.94%	54,718	25,000	54,718	226,886	259,069	-	22,689	25,907	-	48,596	14.31%	71,537
ISLETON	0			0.00%	-	25,000	-	144,842	(43,156)	322,228	14,484	(4,316)	32,223	(22,054)	0.00%	-
LIVE OAK	55,246			6.50%	32,486	25,000	30,246	280,918	(38,431)	70,883	28,092	(3,843)	7,088	17,160	5.05%	25,262
LOOMIS	21,067			2.48%	12,388	25,000	-	213,518	6,676	-	21,352	668	-	22,019	6.48%	32,415
LOYALTON	14,243			1.68%	8,375	25,000	-	56,662	(53,341)	-	5,666	(5,334)	-	332	0.10%	489
MONTAGUE	(11,928)			0.00%	-	25,000	-	70,857	(45,743)	12,022	7,086	(4,574)	1,202	1,309	0.39%	1,927
MOUNT SHASTA	0			0.00%	-	25,000	-	537,010	(68,674)	389,492	53,701	(6,867)	38,949	7,884	2.32%	11,607
PORTOLA	108,964			12.81%	64,074	25,000	64,074	166,813	172,635	-	16,681	17,264	-	33,945	9.99%	49,970
RIO DELL	49,646			5.84%	29,193	25,000	24,646	166,928	(31,454)	-	16,693	(3,145)	-	13,547	3.99%	19,943
SHASTA LAKE	183,149			21.54%	107,697	25,000	107,697	970,592	(201,788)	191,176	97,059	(20,179)	19,118	57,763	17.01%	85,032
SUSANVILLE	132,428			15.57%	77,871	25,000	77,871	962,038	(365,843)	489,995	96,204	(36,584)	49,000	10,620	3.13%	15,634
Tule Lake	(2,443)			0.00%	-	25,000	-	14,029	-	-	1,403	-	-	1,403	0.41%	2,065
WEED	12,149			1.43%	7,144	25,000	-	488,114	(12,039)	518,271	48,811	(1,204)	51,827	(4,220)	0.00%	-
WILLIAMS	45,445			5.34%	26,723	25,000	20,445	305,792	(79,053)	57,204	30,579	(7,905)	5,720	16,954	4.99%	24,957
YREKA	39,994			4.70%	23,518	25,000	14,994	863,372	(250,462)	321,333	86,337	(25,046)	32,133	29,158	8.58%	42,923
	<u>820,720</u>	<u>4,311,906</u>	<u>5,132,626</u>		<u>500,000</u>									<u>310,232</u>		<u>500,000</u>

850,299

339,651

Amount available for banking distribution:

Net Assets:	820,720
Min Banking Reserve:	(300,000)
Undesignated Net Assets	<u>520,720</u>

Distribution: 500,000

Amount available for shared layer distribution:

Net Assets:	4,311,906
Min Equity Reserve:	(2,500,000)
Undesignated Net Assets	<u>1,811,906</u>

Distribution: 500,000

EXAMPLE

STARTING POINT

CITY	BANKING BALANCE	SHARED RISK BALANCE	PLAN TOTAL
CRESCENT CITY	950		
DUNSMUIR	0		
IONE	17,475		
LIVE OAK	49,225		
MOUNT SHASTA	0		
SHASTA LAKE	160,435		
SUSANVILLE	237,854		
WEED	13,515		
WILLIAMS	53,759		
YREKA	79,314		
MINICITIES	32,084		
Total	644,612	1,743,379	2,387,991

Amount available for banking distribution:

Net Assets:	644,612
Min Banking Reserve:	(300,000)
Undesignated Net Assets	344,612

Distribution: 300,000

Amount available for shared layer distribution:

Net Assets:	1,743,379
Min Equity Reserve:	(1,250,000)
Undesignated Net Assets	493,379

Distribution: 250,000

BANKING LAYER EXAMPLE

SHARED LAYER EXAMPLE

DATA INPUTS

Banking Alloc %	Max Dist Avail	Min Bal Reqmt	Permitted Distrib	Last 10 years			10 year Avg Prem	10 year Avg A/(D)	10 year Avg Claims	Net	Alloc %	Distrib.
				(1) Premiums	(2) Assess/(Div)	(3) Claims						
0.15%	442	25,000	-	892,809	(232,584)	554,186	89,281	(23,258)	55,419	10,604	5.40%	13,496
0.00%	-	25,000	-	162,568	(18,076)	92,410	16,257	(1,808)	9,241	5,208	2.65%	6,629
2.71%	8,133	25,000	-	262,094	(111,080)	136,483	26,209	(11,108)	13,648	1,453	0.74%	1,849
7.64%	22,909	25,000	22,909	185,825	(12,404)	-	18,583	(1,240)	-	17,342	8.83%	22,073
0.00%	-	25,000	-	578,804	(89,133)	378,814	57,880	(8,913)	37,881	11,086	5.64%	14,110
24.89%	74,666	25,000	74,666	772,002	(406,699)	158,166	77,200	(40,670)	15,817	20,714	10.55%	26,364
36.90%	110,697	25,000	110,697	1,578,437	(155,264)	917,834	157,844	(15,526)	91,783	50,534	25.73%	64,318
2.10%	6,290	25,000	-	494,909	(174,277)	266,255	49,491	(17,428)	26,626	5,438	2.77%	6,921
8.34%	25,019	25,000	25,019	478,433	(76,577)	523,165	47,843	(7,658)	52,317	(12,131)	0.00%	-
12.30%	36,913	25,000	36,913	1,202,644	(140,421)	570,475	120,264	(14,042)	57,048	49,175	25.04%	62,588
4.98%	14,932	25,000	7,084	955,425	(366,034)	340,710	95,543	(36,603)	34,071	24,868	12.66%	31,651
	300,000								Total	184,290	Total	250,000

Total w/out negative balances 196,421

MINICITIES	Alloc %	Distrib
BIGGS	10.19%	3,224
COLFAX	15.05%	4,762
DORRIS	3.94%	1,249
ETNA	7.61%	2,409
FORT JONES	3.63%	1,149
LOOMIS	19.96%	6,318
LOYALTON	0.63%	201
MONTAGUE	4.35%	1,378
PORTOLA	16.59%	5,251
RIO DELL	18.04%	5,710
Total		31,651

**SMALL CITIES ORGANIZED RISK EFFORT
MASTER PLAN DOCUMENT
FOR THE
LIABILITY PROGRAM
(ALSO KNOWN AS THE PROGRAM BYLAWS)**

**EFFECTIVE JUNE 16, 2006
AS AMENDED JUNE 25, 2010
AS AMENDED JUNE 24, 2011
AS AMENDED JANUARY 25, 2013**

ARTICLE I – GENERAL

1. PURPOSE

- A. One of the primary purposes in forming the Small Cities Organized Risk Effort Joint Powers Authority, hereinafter SCORE, was to create a method for providing coverage for legal damages incurred by the member agencies and SCORE because of General Liability, Automobile Liability, Public Officials Errors and Omissions and other public liabilities. The Joint Exercise of Powers Agreement and the Bylaws have been created and duly approved to provide the "Member Entities" with this coverage. This Liability Master Plan Document, hereinafter the LMPD sets forth the manner in which these services shall be delivered to the membership. The Program shall use the concepts and techniques of pooled sharing of operating costs and losses above the banking layer. The Liability Program may purchase excess coverage or participate in other risk sharing pools above those limits provided by the Liability Program pools as authorized by the Board of Directors of SCORE. SCORE may also purchase reinsurance above a set retention per occurrence and/or in the aggregate as authorized by the Board of Directors of SCORE.
- B. The Board of Directors has the right to alter the terms and conditions of the pooled underlying coverage in response to the needs and abilities of the Liability Program, the "Member Entities", and the availability of coverage from outside sources.

2. SEPARATE PROGRAM YEARS

A. PROGRAM YEARS

- 1) "Program Years" shall be defined as the losses incurred during the period from July 1st of each year to June 30th of the following year. The income and expenses of each "Program Year" shall be accounted separately from any other "Program Years" income or expenses. The Liability Program shall charge "deposit premiums" to each "Participating Member" at inception of the year to fund the cost of losses and expenses

anticipated for the life of the "Program Years". "Retrospective Adjustments" may be made annually, subject to criteria set forth in this LMPD.

- 2) The life of the "Program Year" may be many years, as it cannot be completed until all claims incurred during the "Program Year" are closed, and it is very improbable that new claims for that "Program Year" will arise. The "Program Year" shall remain open until the Board of Directors authorizes closure, being convinced that known claims for the year are closed, and no further claims will be discovered.

B. ACTUARIALLY SOUND PROGRAM YEARS

- 1) To assure each "Program Year" is "actuarially sound" as a separate unit, the Liability Program shall charge each "Participating Member" a "deposit premium" based on an actuarial projection of losses for the year and the exposure of loss presented by each "Participating Member".
- 2) To maintain actuarial soundness, the Liability Program shall have actuarial studies done annually and take appropriate action if the "Program Year" should be deficient actuarially. For such actions, please see Article III – Premiums, Rates and Assessments.

3. FINANCING THE PROGRAM

A. DEPOSIT PREMIUMS

The Administrator, in conjunction with an actuary, shall prepare rates and "deposit premiums" adequate to fund the actuarially determined losses in the shared risk and banking layers of the Liability Program, including attorney fees and other claims related costs, the cost of excess coverage, and the projected administrative costs of the Liability Program. These rates and "deposit premiums" shall be approved by the Board as part of SCORE's annual budget.

B. RETROSPECTIVE ADJUSTMENTS

"Dividends" for a "Program Year" may be made provided that a reserve surplus exists which exceeds a reserve requirement established by the 70th percentile confidence level, calculating expected interest earnings at a rate no higher than the prevailing rates at the time of the distribution. The Liability program will also maintain a MINIMUM EQUITY threshold of \$2,500,000 (5 times the anticipated retained limit of \$500,000.) Dividends may not be declared from the shared risk layer prior to the fifth anniversary of the Program Year. Article III Section 2(B) sets forth the procedures to be followed in the determination of amounts to be refunded to the individual "Member Entities".

Effective July 1, 2011, it is understood that funds of a "Participating Member" that withdraws from SCORE's Workers' Compensation Plan will remain with SCORE until such time as the "Program Year" is closed. If a "Program Year" is not closed and the "Participating Member" would be eligible for a distribution, they may annually send a written request for release of their funds to the Board of Directors.

This action will require a 2/3 approval of the Board of Directors as specified in the JPA Bylaws, Article III, Section 1, paragraph B.6.

C. ASSESSMENTS

Assessments shall be made when the Liability Program, as a whole, is found to be actuarially under-funded. The Liability Program is under-funded when an actuarial study has determined that the available reserves are less than an amount of expected outstanding claims liabilities, calculating expected interest earnings at a rate no higher than the prevailing rates at the time of the assessment.

4. AMENDMENTS TO THIS PLAN

The provisions of this document may be amended by a two-thirds vote of the Directors, provided prior written notice has been given to the “Participating Members”. An Item on an Agenda for a Board of Directors meeting constitutes prior written notice of such proposed amendments.

ARTICLE II - COVERAGE

1. GENERAL DESCRIPTION

A. COVERAGE PROVIDED

- 1) The Board of Directors shall approve this document which shall provide the means for the members of SCORE to pool their resources to pay for General Liability, Automobile Liability, Public Officials Errors and Omissions claims and other public liability claims as deemed appropriate and for which coverage is extended to the “Participants” of this Liability Program. An account shall be established from which losses and expenses of the Liability Program shall be paid.
- 2) SCORE shall provide another document, separate and apart from this document, which shall be entitled the Liability Memorandum of Coverage (LMOC). This Memorandum of Coverage shall provide for the indemnification of the covered parties for liability because of General Liability, Automobile Liability, Public Officials Errors and Omissions and other public liabilities as the Board of Directors deems appropriate, subject to any exclusions of coverage stated in the LMOC. The LMOC may provide coverage by incorporation of other documents with or without amendments. Those express provisions in the LMOC shall supersede any provision of a document that has been incorporated into the LMOC that is inconsistent with those express provisions.
- 3) The LMOC shall be adopted by the majority of the directors at a SCORE Board of Directors meeting. The Board of Directors may amend the LMOC at any time in the same manner and restrictions as imposed upon the adoption of the LMOC.

B. LIMITS OF COVERAGE

- 1) This Liability Program shall provide a self-funded banking and shared risk layer, where economically practical, with total "limits of coverage" of at least \$500,000 per occurrence.
- 2) The Banking Layer shall consist of that amount of all claims arising out of one occurrence or wrongful act up to \$25,000.
- 3) The Shared Risk Layer shall consist of that amount of all claims arising out of one occurrence that exceeds the amount within the Banking Layer to the extent the claims are retained by SCORE.
- 4) The Liability Program may obtain for its "Participating Members" and SCORE limits in excess of the self-funded coverage through the purchase of excess insurance, reinsurance, or participation in a joint powers agreement or other self-insurance plans.

C. POLICY TERM, RENEWAL, AND CANCELLATION

- 1) The period of the coverage shall be the same period of time covered by the "Program Year". The coverage shall commence at 12:01 a.m. local time, on July 1st at the location of the SCORE office. The coverage shall expire at 12:01 a.m. local time on the July 1st following commencement of coverage. Renewal periods shall follow the same dates. Cancellation by withdrawal of a "Participating Member" shall only be permitted at the end of a "Program Year". Cancellation by expulsion of the "Member Entity" shall be as determined by the Board of Directors.

2. AUTHORITY TO ALTER COVERAGE AND CONTRACT FOR EXCESS COVERAGE

- A. The Board of Directors may, from time to time, alter the coverage provided in the Memorandum of Coverage based on the needs of the "Participating Members", costs, the funds available, insurance available and other factors.
- B. Only the Board of Directors may purchase excess insurance, reinsurance, and participate in other pooling arrangements as authorized by the Government Code Section 6500 et seq or other self-insurance plan.

3. DISTRIBUTION

A copy of this document and the Memorandum of Coverage shall be provided to each "Participating Member". All endorsements or other changes to the Liability Program shall be distributed, as occurring, to the "Participating Members". All documents shall be deemed provided if the designated representative for the "Participating Member" receives a copy of such document in person or if the document has been duly mailed in the U.S. Postal system or any other delivery system with tracking and verification of delivery to the address of the representative on file with SCORE.

ARTICLE III – PREMIUMS, RATES, AND ASSESSMENTS

1. DEPOSIT PREMIUM CALCULATIONS

- A. The annual "deposit premium" for each "Participating Member" shall be calculated utilizing:
- 1) a deposit for the "Banking Layer" using an actuarially determined expected loss rate at an 70 percent confidence level,
 - 2) a deposit for the "Shared Risk Layer" using an actuarially determined expected loss rate at an 70 percent confidence level,
 - 3) a charge for excess coverage and
 - 4) A charge for the "Administrative Expenses" of the Liability Program as adopted by the Board of Directors.
 - 5) The above-mentioned deposits may be determined at a confidence level greater or less than 70 percent only by a two-thirds vote of the Directors.
- B. The deposit for the "Banking Layer" shall be determined by multiplying the "Participating Member's" projected payroll for the "Program Year" by the rate determined by the actuary.
- C. The deposit for the "Shared Risk Layer" shall be determined by multiplying the "Participating Member's" projected payroll for the "Program Year" by an experience modification factor times the rate determined by the actuary.
- 1) The Experience Modification Factor for the member shall be determined by:
 - i. Dividing the member's losses for the five (5) years immediately preceding the one for which the deposit is being calculated not to exceed \$50,000 any one occurrence by the payroll for the same period. This calculates the member's Loss Rate.
 - ii. Then dividing the member's loss rate by the loss rate for SCORE as a whole during the same period using the total losses and payroll for all the members, calculating a Relative Loss Rate for the member.
 - iii. This Relative Loss Rate will be multiplied by a Credibility Factor to which one minus the Relate Loss Rate will be added. This sum will be the Experience Modification Factor.
 - iv. A Credibility Factor will be calculated by dividing the member's payroll by the member's payroll plus a constant (i.e. member's payroll/ (member's payroll + constant)). The constant will be one times the largest member's payroll.

- D. The cost of excess coverage shall be charged to each "Participating Member" in the same proportion as the projected payroll is to the total payroll.
- E. The "Administrative Expenses" charged to each "Participating Member" is calculated by:
- 1) Multiplying fifty (50) percent of the "Administrative Expenses" by a factor derived by dividing the "Participating Member's" projected payroll for the "Program Year" by the total projected payroll of all "Participating Members"; plus
 - 2) A share of the remaining "Administrative Expenses" that is equal among all the members.
- F. Notwithstanding the super-majority vote under 1.A. of this Article, the Board of Directors may impose a minimum and/or a maximum deposit. Should that be the case, the portion of the deposit premium that is for the banking layer shall be adjusted accordingly.

2. ADJUSTMENTS TO ACCOUNT BALANCES

A. ASSESSMENTS

If the Liability Program as a whole is not actuarially sound, that is where the funds for losses are less than the expected losses as determined by the actuary, an assessment against all "Participating Members" of the "Program Years" that are found to be actuarially unsound, shall be assessed a portion of the deficiency of funding according to the following calculation:

- 1) Each "Participating Member" of the earliest "Program Year" with a deficit balance shall be assessed to the extent that the "Participating Member" has a deficit balance in that year using the calculation of account balances as described in the Retrospective Adjustment Section below. However, such calculation shall use funding at an actuarially expected loss level.
- 2) If the funds collected from assessing the year under A1, above, are insufficient to fund the Program above a deficit balance, the next earliest "Program Year" with a deficit will be assessed in the same fashion as the first year, per A1 above.
- 3) A.2 above will be repeated until such time as sufficient funds have been raised to eliminate the deficit of the Program as a whole.
- 4) "Participating Members" that have withdrawn from the Workers; Compensation Plan are still responsible for assessments as detailed in Article V. – Participation, Section 2.b. of this document.

B. RETROSPECTIVE ADJUSTMENT

It is understood that the funds of the JPA are those of the JPA and no member may demand payment of the funds allocated to them via the Retrospective Adjustment or any other manner of distribution other than the declaration of a dividend by the Board or in accordance with distribution described in the Joint Powers Agreement upon the dissolution of SCORE.

Effective July 1, 2011, “Participants” that withdraw from SCORE’s Workers’ Compensation plan, agree that any available funds’ allocated to them in the Shared Risk Layer, will remain with SCORE until such time as the “Program Year” is closed. This includes funds allocated to them via the “Retrospective Adjustment” or any other manner of distribution other than the declaration of a dividend by the Board or in accordance with distribution described in the Joint Powers Agreement upon the dissolution of SCORE. If a “Program Year” is not closed and the “Participating Member” would be eligible for a distribution, they may annually send a written request for release of their funds to the Board of Directors. This action will require a 2/3 approval of the Board of Directors as specified in the JPA Bylaws, Article III, Section 1, paragraph B.6.

1) TIMING

- a. Shared Risk Layer – five (5) years after the end of the "Program Year", a "Retrospective Adjustment" shall be calculated for potential distribution or surcharge. Every year after the first "Retrospective Adjustment", there shall be additional adjustments until the "Program Year" is closed.
- b. Banking Layer – a "Retrospective Adjustment" shall be calculated at the end of the “Program Year” for potential distribution or surcharge. Every year after the first "Retrospective Adjustment", there shall be additional adjustments until the "Program Year" is closed. Typically, the Board of Directors refrains from returning 25 percent of the positive balances.
- c. The Board of Directors may waive the collection of all members having a negative net balance or a net surcharge, provided the waiver will not leave the Liability Program funded below the 70 percent confidence level. This waiver may apply to the shared risk or the banking layer separately or together.
- d. The Board of Directors need not declare a dividend or may declare a dividend that is something less than the “Retrospective Adjustment” calculates.

2) CALCULATION OF ACCOUNT BALANCES – SHARED RISK

- a. Each "Participating Member" will be credited for their “deposit premiums” paid to the Shared Risk Layer and any assessments paid for the “Program Year”. Allocated interest for the year will be added to the amount determined above. This amount will

constitute the Total Revenues credited to the "Entity's" Shared Risk account for the "Program Year".

- b. From the amount calculated in 2a, above, the cost of claims shall be subtracted.
 - i. If the "Program Year" adjusted is the Program Year 2002-2003, then the total claims and IBNR in the shared risk layer for the shared risk layer shall be allocated based on an Adjusted Exposure Base calculated by:
 - o Dividing five (5) consecutive years of losses for each member limited to \$50,000 any one occurrence starting with the "Program Year" for which the adjustment is being calculated by the total deposits to the Liability Program of the member for those corresponding four (4) years. This calculates the member's loss rate for the period.
 - o Dividing the above loss ratio by the loss ratio for SCORE as a whole during the same period. This comparison of the loss rate of each member to the loss rate of SCORE for the same four (4) year period calculates a Relative Loss Rate or the member's deviation from the norm as a ratio.
 - o Multiply the Relative Loss Rate by the Credibility Factor and then add one minus the credibility factor. This produces the Experience Modification Factor.
 - The credibility factor is determined by dividing the member's four (4) year total deposits by the sum of the member's total deposit plus the smallest of the total deposit of any of the members. Thus, the smallest member will have a credibility factor of 50 percent and all other members will have a credibility factor of 50 percent or greater.
 - o The Adjusted Exposure Base is calculated by multiplying the four (4) years of deposits calculated earlier by the Experience Modification Factor.
 - ii. If the "Program Year" is the Program Year 2003-2004 or later, then the Adjusted Exposure Base is the Shared Risk deposit for the "Program Year" divided by the total of all members' Shared Risk deposit for the year.
- c. The total amount of incurred claims within the share risk layer plus the IBNR at the 70 percent confidence level, plus the MINIMUM EQUITY threshold of \$2,500,000 (5 times the anticipated retained limit of \$500,000) as determined by the Board of Directors is distributed to the members in proportion to their Adjusted Exposure Base is to the total Adjusted Exposure Base for SCORE as a whole. This amount will be the Total Claims Costs for the member.
- d. The Funds in Excess of Costs is determined by subtracting the Total Claims Costs from the Total Revenues.
- e. The Account Balance for the member in any "Program Year" is the Funds in Excess of Costs less any prior returns plus any prior surcharges. This amount, or any portion of this amount, may be distributed to the member after approval from the

Board and only if the "Program Year" is at least five (5) years old and the Program as a whole will not be under a 70 percent confidence level after the return or dividend.

3) CALCULATION OF ACCOUNT BALANCE – BANKING LAYER

- a. Each "Participating Member" will be credited for their deposit premiums paid to the Banking Layer and any assessments paid for the "Program Year". Allocated interest for the year will be added to the amount determined above. In addition, returns or surcharges from the excess coverage shall be credited or debited. This amount will constitute the Total Revenues credited to the "Entity's" Banking Layer account for the "Program Year".
- b. The amount credited for the returns from the excess coverage, or debited for the surcharges from the excess coverage, shall be allocated to the "Participating Members" in the same proportion as the member's Banking Layer deposit is to the total deposits of all "Participating Members".
- c. From the amount calculated in 3a, above, the cost of claims incurred within the Banking Layer by the member shall be subtracted. This amount shall include any payments made for the member from the Funds for Legal Assistance.
- d. In addition, an amount shall be deducted for IBNR at a 70 percent confidence level plus any amount for shock losses the Board of Directors determines should be withheld for financial security. The amount to be deducted from the member shall be the same proportion of the amount to be charged to the "Program Year" as is the member's Banking Layer deposit to the total Banking Layer deposits of all the members. The result will be the Funds in Excess of Costs.
- e. Any excess funds charged, or shortage of funds, for "administrative expenses" at the beginning of the "Program Year" for the Liability Program shall be added to, or subtracted from, the Funds in Excess of Costs, allocating such "administrative expenses" half by payroll for the period and half equally among the members.
- f. Finally, any prior returns, or prior surcharges shall be subtracted from, or credited to, the Funds in Excess of Costs.
- g. The result of the above calculation will provide the ending account balance for the Banking Layer of which the Board may return all or any portion of the excess funds provided such return will not leave the Liability Program, or the "Program Year", below a 70 percent confidence level.

4) DISTRIBUTION

Upon completion of the calculation described above, if there is a net negative balance in the individual accounts, the "Participant" shall not receive a refund for that "Program Year". Participants with a negative balance may apply monies from its other program that have a positive balance as payment against the negative balance. "Participants" with

positive balances may receive a refund, as determined by the Board of Directors. However, the total refunds for any one "Program Year" shall not exceed the actuarially determined surplus for that year. Further, the total refunds for any one "Program Year" shall be limited to the actuarially determined surplus for the Liability Program as a whole less any refunds granted from prior "Program Year's".

C. CLOSING OF PROGRAM YEARS

- 1) The Board of Directors may close a "Program Year" as described in Article I Section 2A.
- 1) Upon closure of a "Program Year", a final calculation of account balances shall be made as described in Section 3g above, and the account balances shall be returned if positive, or surcharged if negative, to the "Participating Member" and to Participating Members that have withdrawn from the Plan
- 2) The Board of Directors retains the right to assess any and all "Member Entities" including Member Entities that have withdrawn from the Plan participating in a closed "Program Year", if such "Program Year" should incur additional expenses after closure.

ARTICLE IV - ADMINISTRATION

1. ORGANIZATION AND RESPONSIBILITIES

A. RELATION TO SCORE STRUCTURE

- 1) This document shall be considered to be an integral part of the Bylaws of SCORE. From time to time, resolutions of SCORE Board of Directors may be adopted which may take precedence over this document for a limited period of time; however, it is intended that any change thus enacted by resolution that is intended to be permanent shall be incorporated into an amendment to this document.
- 2) SCORE Administrator shall administer the Liability Program and report to the Board of Directors.

B. BOARD OF DIRECTORS' RESPONSIBILITIES

The Board of Directors shall:

- 1) Adopt this document and make changes to it as seen appropriate,
- 2) Adopt a Memorandum of Coverage and Declarations Page where appropriate,
- 3) Review applications to participate in the Liability Program from other agencies and determine their acceptability to the Program,
- 4) Approve budgets, rates, assessments, dividends and surcharges, and closures of "Program Years".

- 5) Approve all contracts for services for one (1) year or more. However, contracts for the Board of Directors need not approve legal representation provided to a covered party under the Memorandum of Coverage.
- 6) Meet at least annually to review the developments and performance of this program. This duty is fulfilled by discussion of developments and performance of this program as a part of a general or special Board of Directors meeting.

C. ADMINISTRATORS DUTIES AND RESPONSIBILITIES

The Program Administrator shall:

- 1) Use his best efforts to administer the Liability Program such as to achieve the objectives and goals of the Program and SCORE.
- 2) Shall administer the Liability Program in a manner that will provide claim and cost accountability for each "Program Year", separate and apart from all other "Program Years", and from other programs of SCORE.
- 3) Act as an arbitrator where disputes arise between an "Participant" and the Claims Adjustor;
- 4) Provide the members with ongoing review of coverages provided by this Liability Program including any excess coverage; and
- 5) Maintain and distribute to the members the documents of this Program;
- 6) Assist in the selection of a Claims Adjusting company, including evaluation of service in both the claims handling and reporting services;
- 7) Oversee performance of the Claims Adjustor with special emphasis on the handling of "open claims";
- 8) Present claims audits to the Board of Directors, with recommendations of changes in claims procedures where appropriate.
- 9) Prepare a budget for each "Program Year" for approval by the Board of Directors before the "Program Year";
- 10) Ensure that Retrospective Adjustments for previous "Program Years", and rates and "deposit premiums" for each new "Program Year" are calculated in the manner described in Article II;
- 11) Present the findings of the actuarial studies to the Board of Directors and recommend actions where "Program Years" are, or are likely to be, in the near future actuarially unsound;

- 12) Ensure that all "Participating Members" are invoiced for "deposit premiums" and other amounts due; and
- 13) Ensure that timely quarterly and annual financial statements describing the financial condition of the Liability Program is presented to the Board of Directors.

D. SAFETY/RISK ANALYST

The Risk Analyst shall:

- 1) Visit each "Participant" at least 2 days annually,
 - a. The Board of Directors may list specific areas on which these inspections should place special emphasis.
 - b. A written safety report shall be sent to the "Participating Member" within thirty (30) days after the visit summarizing areas for improvement with a master report to the Program Administrator. Each "Participating Member" shall respond to the report within forty-five (45) days after receipt.
- 2) Provide consultation and advice as respects issues of safety and loss control as requested.

2. ELIGIBILITY AND APPLICATION

A. WHO MAY PARTICIPATE IN THE LIABILITY PROGRAM

- 1) All "Entities" which are members of SCORE may participate in the Liability Program after review and a vote by two-thirds of the Board of Directors.
- 2) New agencies applying for membership in this Liability Program shall submit an application for participation. A history of liability claims for at least five (5) years must be presented for review.

B. DATE OF MEMBERSHIP

It is desirable that new agencies enter the Liability Program at the commencement of a new "Program Year". If the new applicant enters at any other time, the "deposit premium" may be prorated for the remainder of the "Program Year", and covered losses of the new applicant which occur on or after the date of membership will be paid; however, the new applicant shall be required to share losses for the pool for the entire year, just as if it had begun its membership in the pool at the beginning of the "Program Year".

ARTICLE V - PARTICIPATION

1. ELIGIBILITY AND APPLICATION

A. ELIGIBILITY

- 1) To participate in the Liability Program, the "Entity" must be a member of SCORE. Participation in the Liability Program is **mandatory**.
- 2) The "Entity" must initially commit to at least three (3) full "Program Years" of participation in the Liability Program.
- 3) The "Entity" must apply for participation by providing a completed and signed resolution obligating the "Entity" to participate for the required three (3) years and accepting the rules and regulations set forth in this document. The "Entity" requesting to participate in the Liability Program shall submit five (5) years of Liability loss experience, complete an Exposure Analysis Questionnaire, and provide copies of the last four (4) quarterly DE-6 reports.
- 4) The "Entity" should provide the resolution form, the experience information, and the DE-6 reports at least sixty (60) days prior to the inception of the "Program Year" in which they will commence participation, or the date the "Entity" desires coverage to begin.

B. APPROVAL OF APPLICATION

- 1) The Coverage Committee shall, from a review of the Resolution and other underwriting criteria, determine the acceptability of the exposures presented by the requesting "Entity".
- 2) The Administrator shall advise, in writing, the requesting "Entity" of the decision of the Coverage Committee to accept or reject the request within ten (10) working days after the decision.

2. PARTICIPANTS' DUTIES

A. PROVIDE UNDERWRITING CRITERIA

- 1) Each participant shall provide copies of the DE-6 report quarterly within fifteen (15) days after filing with the State.
- 2) Each participant shall, upon request, complete an exposure questionnaire.
- 3) Each participant shall cooperate with SCORE in the claim management, loss control, underwriting, and actuarial activities of SCORE.

B. PAYMENT OF PREMIUMS AND OTHER CHARGES

- 1) Each year, on or around July 1st, SCORE shall invoice "Participating Members" for a Liability "Deposit Premium" for the next "Program Year". The annual invoice shall be due and payable on July 1, and shall be delinquent if not paid on or before the last working day in July.
- 2) A "Participating Member" may be invoiced an additional amount because of assessments to bring a "Program Year" into a state of actuarial soundness or a surcharge arising out of a "Retrospective Adjustment." This invoicing is due and payable upon receipt and delinquent if not paid on or before thirty (30) calendar days after receipt. The date of receipt shall be determined as the date the billing was presented in person to a representative of the "Entity", or three (3) days after posting the billing in the U.S. Mail.
- 3) "Entities" which have formerly participated in the Liability Program, but have since withdrawn as a participant, shall be required to pay all applicable billings for the "Program Years" in which they participated. Delinquent billings shall be treated in the same manner as set forth above as if the "Entity" were still a "Participant".
- 4) Failure to pay billings, penalties, or the accrued interest shall be considered grounds for removal of the "Participant" from the Liability Program and may result in the expulsion of the "Participant" from SCORE.
- 5) Failure to pay billings, penalties, or accrued interest thereon shall constitute a breach of the agreement between the former "Participating Member" and SCORE. The former "Participating Member" shall be liable for the billings, penalties, accrued interest, and all costs incurred by SCORE in the enforcement of all provisions set forth in this document.

3. TERMINATION OF PARTICIPATION

- A. A "Participating Member" in one "Program Year" shall participate in the next "Program Year" unless:
 - 1) A request to terminate participation is received from the "Participating Member" at least six (6) months prior to the inception of the next "Program Year",
 - 2) A termination notice from the President advising the Board of Directors that action to expel the "Participating Member" has been sent to the "Participating Member", or
 - 3) The "Participant" is no longer a "Member Entity".
- B. Termination of participation in future "Program Years" does not relieve the terminated "Entity" of any benefits or obligations of those "Program Years" in which the "Entity"

participated. These obligations include payment of assessments, "Retrospective Adjustments", or any other amounts due and payable.

- C. The Board of Directors may terminate future participation by an "Entity" for the following reasons:
- 1) Declination to cover the "Entity" by the organization providing excess coverage;
 - 2) Nonpayment of past billings, assessments, surcharges, or other charges;
 - 3) Habitual late payment of billings, assessments, surcharges, and/or other charges, or habitual late response in submitting data required by the Liability Program;
 - 4) Failure to provide underwriting information;
 - 5) Development of an extraordinarily poor loss history;
 - 6) A substantial change in exposures that are not acceptable in this program; and/or
 - 7) Financial impairment that is likely to jeopardize this Program's ability to collect amounts due in the future.

ARTICLE VI – CLAIMS ADMINISTRATION

1. SELECTION OF ADJUSTOR

- A. The Board of Directors shall review proposals for claims adjusting services and may enter into contract based on the qualifications and experience of the proposer. The adjusting company shall have the capacity, and shall report claims activities in such a manner that the segregated accounting requirement of the Liability Program can be easily administered.

2. CLAIMS ADJUSTING SERVICE

The claims adjusting company shall:

- A. Accept notices or reports of claims on behalf of the "Participating Members" and SCORE;
- B. Maintain a complete and separate file for each claim reported, including actions taken, amounts reserved, and amounts paid by date;
- C. Report claims as needed to the excess coverage provider, document amounts due from the excess coverage and follow through with collection of such amounts,
- D. Make available for inspection and review by SCORE or its agents any and all claims files, provided reasonable notice of inspection and reasonable time and place is set for review;

E. Report claims activity monthly to the Administrator and each "Participant"

3. CLAIMS PROCEDURES MANUAL

- A. A Liability Claims Procedures Manual, including reporting procedures, forms, and other vital information shall be adopted by the Board of Directors and provided to all "Participants".
- B. The Board of Directors may adopt amendments to the Liability Claims Procedures Manual. Any amendments shall not be effective for fifteen (15) days after distribution of the amendments to the "Member Entities".
- C. All "Participating Members" shall be held accountable for understanding and abiding by the procedures stated in this Manual, as well as any changes thereto.

4. DUTY TO REPORT CLAIM

- A. Timely reporting of claims is essential to efficient claims management. Thus, any claim shall be reported to the Claims Adjustor immediately, as set forth in the Claims Procedures Manual.
- B. The Liability Claims Procedures Manual shall include forms and detailed procedures for claims reporting. It is the responsibility of each "Participating Member" to ensure that the persons handling claims at the "Participant's" place of business knows the claims procedures set forth in the Manual.

5. CLAIMS AUDIT

- A. At least once every two (2) years, the adequacy of claims adjusting shall be examined by an independent auditor who specializes in claims auditing.
- B. The Board of Directors shall direct the Administrator to obtain the services of a claims auditor chosen by the Board and present the finding of the audit to the Board of Director.
- C. The claims audit report shall address the issues of adequacy of claims procedures, the implementation of the litigation management procedures and the accuracy of claims data.

6. SETTLEMENT AUTHORITY

- A. Each "Participating Member" shall have settlement authority for its claims within the banking layer.
- B. The Executive Committee shall have authority to settle claims within the banking layer, even without the "Participating Member's" approval, but only after notice of such intent is given to the "Participating Member" experiencing the claim.

- C. The Claims Adjuster shall have authority up to \$5,000 in excess of that which has already been paid or authorized to settle claims.
- D. The Board of Directors retains unto itself the authority to approve settlement of all other claims.
- E. If a settlement of a claim requires approval by the Board, except for the fact that the Board will not have a regularly scheduled Board meeting sufficiently early enough to take action on a settlement offer, the Executive Committee may authorize settlement, but only after the President determines that the settlement opportunity will not exist until the next regularly scheduled Board meeting and the settlement is not sufficiently controversial to justify the time and expense required to call a special Board Meeting. Such action by the Executive Committee will be reported at the next Board meeting.

7. DISPUTES REGARDING MANAGEMENT OF A CLAIM

- A. Any matter in dispute between a "Participating Member" and the Claims Adjuster shall be called to the attention of the Program Administrator who shall bring it to the Board of Directors or, if the matter must be resolved prior to the next regularly scheduled Board meeting, the Administrator shall bring it to the attention of the Executive Committee.
- B. The decision of the Board of Directors or Executive Committee shall be final and not appealable to a higher authority.

ARTICLE VII - DEFINITIONS

1. **“Actuarially sound”** means that the “Program Year” has sufficient funds to pay the expected cost of claims as determined by a certified actuary and the “Administrative Expenses” for the “Program Year”.
2. **“Administrative Expenses”** means those expenses incurred by the Liability Program that are not incurred due to any specific claim and does not constitute a reserve for future expected changes in the size of existing claims or discovery of previously unknown claims. “Administrative Expenses” shall include expenses of the Authority that are allocated to the Liability Program.
3. **“Banking Layer”** shall be that amount of all claims arising out of one occurrence where 100 percent of the claims will be charged against the “Participant’s” account.
4. **“Claim”** means, if not otherwise defined within the context, to be all demands for compensation by third party claimants against a covered party arising out of one occurrence.
5. **“Entity”** means a governmental body, including any commissions, agencies, districts, authorities, boards, or other similar government body under the direct control of the governmental body which is eligible to participate in a Joint Powers Authority. A “Member Entity” is one who has been accepted into SCORE.

6. **“Limits of Coverage”** means the maximum amount of financial protection afforded any “Member Entity” or “entities”.
7. **“Obligated Reserves”** means reserves for expected claims expenses, determined by an actuarial study, not attributable to any known claim. This is sometimes called IBNR.
8. **“Participant”** or **“Participating Member”** is a “Member Entity” that participates in the Liability Program.
9. **“Program Year”** means the period of coverage from July 1st of any one year to July 1st of the next year as provided by the Memorandum of Coverage.
10. **“Share Risk Layer”** means the amount of all claims from one occurrence exceeding the “Banking Layer” but not more than the total amount retained by SCORE.
11. **“Programs”** means Liability or Workers’ Compensation Programs.

**SMALL CITIES ORGANIZED RISK EFFORT
MASTER PLAN DOCUMENT
FOR THE
WORKERS' COMPENSATION PROGRAM
(ALSO KNOWN AS THE PROGRAM BYLAWS)**

**EFFECTIVE JUNE 27, 2003
AS AMENDED JUNE 25, 2010
AS AMENDED JUNE 24, 2011
AS AMENDED JANUARY 25, 2013**

ARTICLE I - GENERAL

1. PURPOSE

- A. One of the primary purposes in forming the Small Cities Organized Risk Effort Joint Powers Authority, hereinafter SCORE, was to create a method for providing coverage for legal liabilities unexpectedly incurred by the member agencies. In response to the members' liabilities arising out of the California Workers' Compensation Act and other liabilities for bodily injury to employees, SCORE established the Workers' Compensation Program. This Workers' Compensation Master Plan Document, hereinafter the WCMPD sets forth the manner in which these services shall be delivered to the membership. The Program shall use the concepts and techniques of pooled sharing of operating costs and losses above the banking layer. The Workers' Compensation Program may purchase excess coverage or participate in other risk sharing pools above those limits provided by the Workers' Compensation Program shared risk layer as authorized by the Board of Directors of SCORE. SCORE may also purchase reinsurance above a set retention per occurrence and/or in the aggregate as authorized by the Board of Directors of SCORE.
- B. The Board of Directors has the right to alter the terms and conditions of the underlying coverage in response to the needs and abilities of the Workers' Compensation Program, the "Member Entities", and the availability of coverage from outside sources.

2. SEPARATE PROGRAM YEARS

A. PROGRAM YEARS

"Program Years" shall be defined as the losses incurred during the period from July 1st of each year to June 30th of the following year. The income and expenses of each "Program Year" shall be accounted separately from any other "Program Year's" income or expenses. The Workers' Compensation Program shall charge "deposit premiums" to each participating member at inception of the year to fund the cost of losses and expenses anticipated for the

life of the "Program Year". "Retrospective Adjustments" may be made annually, subject to criteria set forth in this WCMPD.

The life of the "Program Year" may be many years, as it cannot be completed until all claims incurred during the "Program Year" are closed, and it is very improbable that new claims for that "Program Year" will arise. The "Program Year" shall remain open until the Board of Directors authorizes closure, being convinced that known claims for the year are closed, and no further claims will be discovered.

B. ACTUARIALLY SOUND PROGRAM YEARS

To assure each "Program Year" is "actuarially sound" as a separate unit, the Workers' Compensation Program shall charge each participating member a "deposit premium" based on an actuarial projection of losses for the year and the exposure of loss presented by each participating member.

To maintain actuarial soundness, the Workers' Compensation Program shall have actuarial studies done annually and take appropriate action if the "Program Year" should be deficient actuarially. For such actions, please see Article III - Premiums, Rates and Assessments.

3. FINANCING THE PROGRAM

A. DEPOSIT PREMIUMS

The Administrator, in conjunction with an actuary, shall prepare rates and "deposit premiums" adequate to fund the actuarially determined losses in the shared risk and banking layers of the Workers' Compensation Program, including attorney fees and other claims related costs, the cost of excess coverage, and the projected administrative costs of the Workers' Compensation Program. These rates and "deposit premiums" shall be approved by the Board as part of SCORE's annual budget.

B. RETROSPECTIVE ADJUSTMENTS

"Dividends" for a "Program Year" may be made provided that a reserve surplus exists which exceeds a reserve requirement established by the 70th percentile confidence level, calculating expected interest earnings at a rate no higher than the prevailing rates at the time of the distribution. The Workers' Compensation program will also maintain a MINIMUM EQUITY threshold of \$1,250,000 (5 times the anticipated retained limit of \$250,000). Dividends may not be declared from the shared risk layer prior to the fifth anniversary of the Program Year. ARTICLE III Section 3 sets forth the procedures to be followed in the determination of amounts to be refunded to the individual "Member Entities".

Effective July 1, 2011, it is understood that funds of a "Participating Member" that withdraws from SCORE's Workers' Compensation Plan will remain with SCORE until such time as the "Program Year" is closed. If a "Program Year" is not closed and the "Participating Member" would be eligible for a distribution, they may

annually send a written request for release of their funds to the Board of Directors. This action will require a 2/3 approval of the Board of Directors as specified in the JPA Bylaws, Article III, Section 1, paragraph B.6.

C. ASSESSMENTS

Assessments shall be made when the Workers' Compensation Program, as a whole, is found to be actuarially under-funded. The Workers' Compensation Program is under-funded when an actuarial study has determined that the available reserves are less than an amount of expected outstanding claims liabilities, calculating expected interest earnings at a rate no higher than the prevailing rates at the time of the assessment.

4. AMENDMENTS TO THIS PLAN

The provisions of this document may be amended by a two-thirds vote of the Directors, provided prior written notice has been given to the "Participating Members". An Item on an Agenda for a Board of Directors meeting constitutes prior written notice of such proposed amendments.

ARTICLE II - COVERAGE

1. GENERAL DESCRIPTION

A. COVERAGE PROVIDED

- 1) The Board of Directors shall approve this document which shall provide the means for the members of SCORE to pool their resources to pay for workers' compensation and employer's liability claims and for which coverage is extended to the "Participants" of this Workers' Compensation Program. An account shall be established from which losses and expenses of the Workers' Compensation Program shall be paid.
- 2) SCORE shall provide another document, separate and apart from this document, which shall be entitled the Workers' Compensation Memorandum of Coverage (WCMOC). This Memorandum of Coverage shall provide for the indemnification of the covered parties for liability because of bodily injury to employees, as the Board of Directors deems appropriate, subject to any exclusions of coverage stated in the WCMOC. The WCMOC may provide coverage by incorporation of other documents with or without amendments. Those express provisions in the WCMOC shall supersede any provision of a document that has been incorporated, whether such document is the Labor Code or otherwise, into the WCMOC that is inconsistent with those express provisions.
- 3) The WCMOC shall be adopted by the majority of the directors at a SCORE Board of Directors meeting. The Board of Directors may amend the WCMOC at any time in the same manner and restrictions as imposed upon the adoption of the WCMOC.

B. LIMITS OF COVERAGE

- 1) This Workers' Compensation Program shall provide a self-funded banking and shared risk layer, where economically practical, with total "limits of coverage" of at least \$150,000 per occurrence.
- 2) The Banking Layer shall consist of that amount of all claims arising out of one occurrence up to \$25,000.
- 3) The Shared Risk Layer shall consist of that amount of all claims arising out of one occurrence that exceeds the amount within the Banking Layer to the extent the claims are retained by SCORE.
- 4) The Workers' Compensation Program may obtain for its participating members and SCORE limits in excess of the self-funded coverage through the purchase of excess insurance, reinsurance, or participation in a joint powers agreement or other self-insurance plans.

C. POLICY TERM, RENEWAL, AND CANCELLATION

- 1) The period of the coverage shall be the same period of time covered by the "Program Year". The coverage shall commence at 12:01 a.m. local time, on July 1st at the location of the SCORE office. The coverage shall expire at 12:01 a.m. local time on the July 1st following commencement of coverage. Renewal periods shall follow the same dates. Cancellation by withdrawal of a "Participating Member" shall only be permitted at the end of a "Program Year". Cancellation by expulsion of the "Member Entity" shall be as determined by the Board of Directors.

2. AUTHORITY TO ALTER COVERAGE AND CONTRACT FOR EXCESS COVERAGE

- A. The Board of Directors may, from time to time, alter the coverage provided in the Memorandum of Coverage based on the needs of the "Participating Members", costs, the funds available, insurance available and other factors.
- B. Only the Board of Directors may purchase excess insurance, purchase reinsurance, participate in other pooling arrangements as authorized by the Government Code Section 6500 et seq or other self-insurance plan.

3. DISTRIBUTION

A copy of this document and the Memorandum of Coverage shall be provided to each "Participating Member". All endorsements or other changes to the Workers' Compensation Program shall be distributed, as occurring, to the "Participating Members". All documents shall be deemed provided if the designated representative for the "Participating Member" receives a copy of such document in person or if the document has been duly mailed in the U.S. Postal

system or any other delivery system with tracking and verification of delivery to the address of the representative on file with SCORE.

ARTICLE III – PREMIUMS, RATES AND ASSESSMENTS

1. MINI-CITIES POOL

A "Mini-Cities" pool shall constitute those "Participating Members" who have elected, in writing, to participate in it and for which the Board of Directors has agreed by a vote of two-thirds of the Directors. For purposes of this Article, such "Mini-Cities" pool shall be treated as if it were a single "Participating Member".

- A. "Deposit Premiums" for the "Mini-Cities" pool, as calculated in Section 2 below, shall be distributed to its members in the proportion the member's payroll is to the total payroll of all the members of the "Mini-Cities" pool.
- B. Assessments, Dividends, or Surcharges for the "Mini-Cities" pool, as calculated under Section 3 below, shall be distributed to its members in the proportion the member's deposit premium for the appropriate "Program Year" was to the deposit premium for the "Mini-Cities" pool as a whole.
- C. The Board of Directors will establish rules for admission to the Mini-Cities Pool.

2. DEPOSIT PREMIUM CALCULATIONS

- A. The annual "deposit premium" for each "Participating Member" shall be calculated utilizing:
 - 1) a deposit for the "Banking Layer" using an actuarially determined expected loss rate at an 70 percent confidence level,
 - 2) a deposit for the "Shared Risk Layer" using an actuarially determined expected loss rate at an 70 percent confidence level,
 - 3) a charge for excess coverage and
 - 4) a charge for the "Administrative Expenses" of the Workers' Compensation Program as adopted by the Board of Directors.

The above-mentioned deposits may be determined at a confidence level greater or less than 70 percent only by a two-thirds vote of the Directors.

- B. The deposit for the "Banking Layer" shall be determined by multiplying the "Participating Member's" projected payroll for the "Program Year" by the rate determined by the actuary.

- C. The deposit for the "Shared Risk Layer" shall be determined by multiplying the "Participating Member's" projected payroll for the "Program Year" by experience modification factor times the rate determined by the actuary.
- 1) The Experience Modification Factor for the member shall be determined by:
 - i. Dividing the member's losses for the four (4) years immediately preceding the one for which the deposit is being calculated not to exceed \$50,000 any one occurrence by the payroll for the same period. This calculates the member's Loss Rate.
 - ii. Then dividing the member's loss rate by the loss rate for SCORE as a whole during the same period using the total losses and payroll for all the members, calculating a Relative Loss Rate for the member.
 - iii. This Relative Loss Rate will be multiplied by a Credibility Factor to which one minus the Relative Loss Rate will be added. This sum will be the Experience Modification Factor.
 - iv. A Credibility Factor will be calculated by dividing the member's payroll by the members' payroll plus a constant, i.e. member's payroll (member's payroll + constant). The constant will be one times the largest member's payroll.
- D. The cost of excess coverage shall be charged to each "Participating Member" in the same proportion as the projected payroll is to the total payroll.
- E. The "Administrative Expenses" charged to each "Participating Member" is calculated by:
- 1) multiplying 50 percent of the "Administrative Expenses" by a factor derived by dividing the "Participating Member's" projected payroll for the Program Year by the total projected payroll of all "Participating Members"; plus
 - 2) A share of the remaining "Administrative Expenses" that is equal among all the members.
- F. Notwithstanding the super-majority vote under 2.A of this Article, the Board of Directors may impose a minimum and/or a maximum deposit. Should that be the case, the portion of the deposit premium that is for the banking layer shall be adjusted accordingly.

3. ADJUSTMENTS TO ACCOUNT BALANCES

A. ASSESSMENTS

If the Workers' Compensation Program as a whole is not actuarially sound, that is where the funds for losses are less than the expected losses as determined by the actuary, an assessment against all "Participating Members" of the "Program Years" that are found to be actuarially

unsound, shall be assessed a portion of the deficiency of funding according to the following calculation:

- 1) Each "Participating Member" of the earliest "Program Year" with a deficit balance shall be assessed to the extent that the participating Member has a deficit balance in that year using the calculation of account balances as described in the Retrospective Adjustments Section below. However, such calculation shall use funding at an actuarially expected loss level.
- 2) If the funds collected from assessing the year under a. above is insufficient to fund the Program above a deficit balance, the next earliest "Program Year:" with a deficit will be assessed in the same fashion as the first year per A.1 above.
- 3) A.2 above will be repeated until such time as sufficient funds have been raised to eliminate the deficit of the Program as a whole.
- 4) "Participating Members" that have withdrawn from the Workers; Compensation Plan are still responsible for assessments as detailed in Article V. – Participation, Section 2.b. of this document.

B. RETROSPECTIVE ADJUSTMENTS

It is understood that the funds of the JPA are those of the JPA and no member may demand payment of the funds allocated to them via the "Retrospective Adjustment" or any other manner of distribution other than the declaration of a dividend by the Board or in accordance with distribution described in the Joint Powers Agreement upon the dissolution of SCORE.

Effective July 1, 2011, "Participants" that withdraw from SCORE's Workers' Compensation plan, agree that any available funds' allocated to them in the Shared Risk Layer, will remain with SCORE until such time as the "Program Year" is closed. This includes funds allocated to them via the "Retrospective Adjustment" or any other manner of distribution other than the declaration of a dividend by the Board or in accordance with distribution described in the Joint Powers Agreement upon the dissolution of SCORE. If a "Program Year" is not closed and the "Participating Member" would be eligible for a distribution, they may annually send a written request for release of their funds to the Board of Directors. This action will require a 2/3 approval of the Board of Directors as specified in the JPA Bylaws, Article III, Section 1, paragraph B.6.

(Continued on next page)

1) TIMING

- a. Shared Risk Layer – five (5) years after the end of the "Program Year", a "Retrospective Adjustment" shall be calculated for potential distribution or surcharge. Every year after the first "Retrospective Adjustment", there shall be additional adjustments until the "Program Year" is closed.
- b. Banking Layer – a "Retrospective Adjustment" shall be calculated at the end of the "Program Year" for potential distribution or surcharge. Every year after the first "Retrospective Adjustment", there shall be additional adjustments until the "Program Year" is closed. Typically, the Board of Directors refrains from returning 25 percent of the positive balances of those open years.
- c. The Board of Directors may waive the collection of all members having a negative net balance or a net surcharge, provided the waiver will not leave the Workers' Compensation Program funded below the 70 percent confidence level. This waiver may apply to the shared risk or the banking layer separately or both.
- d. The Board of Directors need not declare a dividend or may declare a dividend that is something less than the "Retrospective Adjustment" calculates.

2) CALCULATION OF ACCOUNT BALANCES – SHARED RISK

- a. Each "Participating Member" will be credited for their "deposit premiums" paid to the Shared Risk Layer and any assessments paid for the program year. Allocated interest for the year will be added to the amount determined above. This amount will constitute the Total Revenues credited to the "Entity's" Shared Risk account for the "Program Year".
- b. From the amount calculated in 2a, above, the cost of claims shall be subtracted.
 - i. The cost of claims constitutes the total of incurred claims within the share risk layer plus the IBNR at the 70 percent confidence level, plus any amounts reserved for shock losses as determined by the Board of Directors.
 - ii. The costs of claims are allocated to the members in the same proportion as their Shared Risk Deposit is to the total Shared Risk Deposit for the Participating Members as a whole.
- c. The Funds in Excess of Costs is determined by subtracting the Total Claims Costs from the Total Revenues.
- d. The Account Balance for the member in any "Program Year" is the Funds in Excess of Costs less any prior returns plus any prior surcharges. This amount, or any portion of this amount, may be distributed to the member after approval from the

Board and only if the "Program Year" is at least five (5) years old and the Program as a whole will not be under a 70 percent confidence level after the return or dividend.

3) CALCULATION OF ACCOUNT BALANCE – BANKING LAYER

- a. Each "Participating Member" will be credited for their deposit premiums paid to the Banking Layer and any assessments paid for the "Program Year." Allocated interest for the year will be added to the amount determined above. In addition, returns or surcharges from the excess coverage shall be credited or debited. This amount will constitute the Total Revenues credited to the "Entity's" Banking Layer account for the "Program Year".
- b. The amount credited for the returns from the excess coverage, or debited for the surcharges from the excess coverage, shall be allocated to the "Participating Members" in the same proportion as the member's Banking Layer deposit is to the total deposits of all "Participating Members".
- c. From the amount calculated in 3a, above, the cost of claims incurred within the Banking Layer by the member shall be subtracted.
- d. In addition, an amount shall be deducted for IBNR at a 70 percent confidence level plus any amount for shock losses the Board of Directors determines should be withheld for financial security. The amount to be deducted from the member shall be the same proportion as the member's Banking Layer deposit is to the total Banking Layer deposits of all the members. The result will be the Funds in Excess of Costs.
- e. Any excess funds charged, or shortage of funds, for administrative expenses at the beginning of the "Program Year" for the Workers' Compensation Program shall be added to, or subtracted from, the Funds in Excess of Costs, allocating such administrative expenses half by payroll for the period and half equally among the members.
- f. Finally, any prior returns, or prior surcharges shall be subtracted from, or credited to, the Funds in Excess of Costs.
- g. The result of the above calculation will provide the ending account balance for the Banking Layer of which the Board may return all or any portion of the excess funds provided such return will not leave the Workers' Compensation Program, or the "Program Year", below a 70 percent confidence level.

4) DISTRIBUTION

Upon completion of the calculation described above, if there is a net negative balance in the individual accounts, the "Participant" shall not receive a refund for that "Program Year". Participants with a negative balance may apply monies from its other program

that have a positive balance as payment against the negative balance. "Participants" with positive balances may receive a refund, as determined by the Board of Directors. However, the total refunds for any one "Program Year" shall not exceed the actuarially determined surplus for that year. Further, the total refunds for any one "Program Year" shall be limited to the actuarially determined surplus for the Workers' Compensation Program as a whole less any refunds granted from prior Program Years.

C. CLOSING OF PROGRAM YEARS

- 1) The Board of Directors may close a "Program Year" as described in Article I Section 2.A.
- 2) Upon closure of a "Program Year", a final calculation of account balances shall be made as described in Article 3 Section B above, and the account balances shall be returned, if positive, or surcharged if negative, to the "Participating Member" and to Participating Members that have withdrawn from the Plan
- 3) The Board of Directors retains the right to assess any and all "Member Entities" including Member Entities that have withdrawn from the Plan participating in a closed "Program Year", if such "Program Year" should incur additional expenses after closure.

ARTICLE IV - ADMINISTRATION

1. ORGANIZATION AND RESPONSIBILITIES

A. RELATION TO SCORE STRUCTURE

- 1) This document shall be considered to be an integral part of the Bylaws of SCORE. From time to time, resolutions of the SCORE Board of Directors may be adopted which may take precedence over this document for a limited period of time; however, it is intended that any change thus enacted by resolution that is intended to be permanent shall be incorporated into an amendment to this document.
- 2) SCORE Administrator shall administer the Workers' Compensation Program and report to the Board of Directors.

B. BOARD OF DIRECTORS' RESPONSIBILITIES

The Board of Directors shall:

- 1) Adopt this document and make changes to it as seen appropriate,
- 2) Adopt a Memorandum of Coverage and Declarations page where appropriate,
- 3) Review applications to participate in the Workers' Compensation Program from other agencies and determine their acceptability to the Program,

- 4) Approve budgets, rates, assessments, dividends and surcharges, and closures of "Program Years".
- 5) Approve all contracts for services for one (1) year or more. However, contracts for the Board of Directors need not approve legal representation provided to a covered party under the Memorandum of Coverage.
- 6) Meet at least annually to review the developments and performance of this program. This duty is fulfilled by discussion of developments and performance of this program as a part of a general or special Board of Directors meeting.

C. ADMINISTRATORS DUTIES AND RESPONSIBILITIES

The Program Administrator shall:

- 1) Use their best efforts to administer the Workers' Compensation Program such as to achieve the objectives and goals of the Program and SCORE.
- 2) Shall administer the Workers' Compensation Program in a manner that will provide claim and cost accountability for each "Program Year", separate apart from all other "Program Years", and from other programs of SCORE.
- 3) Act as an arbitrator where disputes arise between an "Participant" and the Claims Adjuster;
- 4) Provide the members with ongoing review of coverage's provided by this Workers' Compensation Program including any excess coverage; and
- 5) Maintain and distribute to the members the documents of this Program;
- 6) Assist in the selection of a Claims Adjusting company, including evaluation of quality and price of service in both the claims handling and reporting services;
- 7) Oversee performance of the Claims Adjuster with special emphasis on the handling of "open claims";
- 8) Present claims audits to the Board of Directors, with recommendations of changes in claims procedures where appropriate.
- 9) Prepare a budget for each "Program Year" for approval by the Board of Directors before the "Program Year";
- 10) Ensure that "Retrospective Adjustments" for previous "Program Years", and rates and "deposit premiums" for each new "Program Year" are calculated in the manner described in Article II;

- 11) Present the findings of the actuarial studies to the Board of Directors and recommend actions where "Program Years" are, or are likely to be, in the near future actuarially unsound;
- 12) Ensure that all "Participating Members" are invoiced for "deposit premiums" and other amounts due; and
- 13) Ensure that timely quarterly and annual financial statements describing the financial condition of the Workers' Compensation Program is presented to the Board of Directors.

D. SAFETY/RISK ANALYST

The Safety Analyst shall:

- 1) Visit each "Participant" at least 2 days annually.
 - a. The Board of Directors may enumerate areas on which these inspections should place special emphasis.
 - b. A written safety report shall be sent to the "Participating Member" after the visit summarizing areas for improvement with a master report to the Program Administrator. Each "Participating Member" shall respond to the report within 45 days after receipt.
- 2) Provide consultation and advice as respects issues of safety and loss control as requested.

2. ELIGIBILITY AND APPLICATION

A. WHO MAY PARTICIPATE IN THE WORKERS' COMPENSATION PROGRAM

- 1) All "Entities" which are members of SCORE may participate in the Workers' Compensation Program after review and a vote by two-thirds of the Board.
- 2) New agencies applying for membership in this Workers' Compensation Program shall submit an application for participation. A history of liability claims for at least five (5) years must be presented for review.

B. DATE OF MEMBERSHIP

It is desirable that new agencies enter the Workers' Compensation Program at the commencement of a new "Program Year". If the new applicant enters at any other time, the "deposit premium" may be prorated for the remainder of the "Program Year", and covered losses of the new applicant which occur on or after the date of membership will be paid;

however, the new applicant shall be required to share losses for the pool for the entire year, just as if it had begun its membership in the pool at the beginning of the "Program Year".

ARTICLE V - PARTICIPATION

1. ELIGIBILITY AND APPLICATION

A. ELIGIBILITY

- 1) To participate in the Workers' Compensation Program, the "Entity" must be a member of SCORE. Participation in the Workers' Compensation Program is voluntary.
- 2) The "Entity" must initially commit to at least three (3) full "Program Years" of participation in the Workers' Compensation Program.
- 3) The "Entity" must apply for participation by providing a completed and signed resolution obligating the "Entity" to participate for the required three (3) years and accepting the rules and regulations set forth in this document. The "Entity" requesting to participate in the Workers' Compensation Program shall submit five (5) years of workers' compensation loss experience, complete an Exposure Analysis Questionnaire and/or payroll by classification codes, and provide copies of the last four (4) quarterly DE-6 reports.
- 4) The "Entity" should provide the resolution form, the experience information, and the DE-9 reports at least sixty (60) days prior to the inception of the "Program Year" in which they will commence participation, or the date the "Entity" desires coverage to begin.

B. APPROVAL OF APPLICATION

- 1) The Coverage Committee shall, from a review of the Resolution and other underwriting criteria, determine the acceptability of the exposures presented by the requesting "Entity".
- 2) The Administrator shall advise, in writing, the requesting "Entity" of the decision of the Board of Directors to accept or reject the request within ten (10) working days after the decision.

2. PARTICIPANTS' DUTIES

A. PROVIDE UNDERWRITING CRITERIA

- 1) Each participant shall provide copies of the DE-9 report quarterly within fifteen (15) days after filing with the State.

- 2) Each participant shall, upon request, complete an exposure questionnaire.
- 3) Each participant shall cooperate with SCORE in the claim management, loss control, underwriting, and actuarial activities of SCORE.

B. PAYMENT OF PREMIUMS AND OTHER CHARGES

- 1) Each year, on or around July 1st, SCORE shall invoice "Participating Members" for a Workers' Compensation "Deposit Premium" for the next "Program Year". The deposit invoice shall be due and payable on the first day of each quarter, and shall be delinquent if not paid on or before the 30th day after the due date.
- 2) A "Participating Member" may be invoiced an additional amount because of assessments to bring a "Program Year" into a state of actuarial soundness or a surcharge arising out of a "Retrospective Adjustment". This invoicing is due and payable upon receipt and delinquent if not paid on or before thirty (30) calendar days after receipt. The date of receipt shall be determined as the date the billing was presented in person to a representative of the "Entity", or three (3) days after posting the billing in the U.S. Mail.
- 3) "Entities" which have formerly participated in the Workers' Compensation Program, but have since withdrawn as a participant, shall be required to pay all applicable billings for the "Program Years" in which they participated. Delinquent billings shall be treated in the same manner as set forth above as if the "Entity" were still a "Participant".
- 4) Failure to pay billings, penalties, or the accrued interest shall be considered grounds for removal of the "Participant" from the Workers Compensation Program and may result in the expulsion of the "Participant" from SCORE.
- 5) Failure to pay billings, penalties, or accrued interest thereon shall constitute a breach of the agreement between the former "Member Entity" and SCORE. The former "Member Entity" shall be liable for the billings, penalties, accrued interest, and all costs incurred by SCORE in the enforcement of all provisions set forth in this document.

3. TERMINATION OF PARTICIPATION

- A. A "Participating Member" in one "Program Year" shall participate in the next "Program Year" unless:
 - 1) a request to terminate participation is received from the "Participating Member" at least six (6) months prior to the inception of the next "Program Year",
 - 2) a termination notice from the President advising of the Board of Directors that action to expel the "Participating Member" has been sent to the "Participating Member", or
 - 3) The "Participant" is no longer a "Member Entity".

- B. Termination of participation in future "Program Years" does not relieve the terminated "Entity" of any benefits or obligations of those "Program Years" in which the "Entity" participated. These obligations include payment of assessments, "Equity Allocation Adjustments", or any other amounts due and payable.
- C. The Board of Directors may terminate future participation by an "Entity" for the following reasons:**
- 1) Declination to cover the "Entity" by the organization providing excess coverage;
 - 2) Nonpayment of past billings, assessments, surcharges, or other charges;
 - 3) Habitual late payment of billings, assessments, surcharges, and/or other charges, or habitual late response in submitting data required by the Liability Program;
 - 4) Failure to provide underwriting information;
 - 5) Development of an extraordinarily poor loss history;
 - 6) A substantial change in exposures that are not acceptable in this program; and/or
 - 7) Financial impairment that is likely to jeopardize this Program's ability to collect amounts due in the future.

ARTICLE VI – CLAIMS ADMINISTRATION

1. SELECTION OF ADJUSTOR

- A. The Board of Directors shall review proposals for claims adjusting services and may enter into contract with the based on the qualifications and experience of the proposer. The adjusting company shall have the capacity, and shall report claims activities in such a manner that the segregated accounting requirement of the Workers' Compensation Program can be easily administered.

2. CLAIMS ADJUSTING SERVICE

The claims adjusting company shall:

- A. Accept notices or reports of claims on behalf of the "Participating Members" and SCORE;
- B. Maintain a complete and separate file for each claim reported, including actions taken, amounts reserved, and amounts paid by date;
- C. Report claims as needed to the excess coverage provider, document amounts due from the excess coverage and follow through with collection of such amounts,

D. Make available for inspection and review by SCORE or its agents any and all claims files, provided reasonable notice of inspection and reasonable time and place is set for review;

E. Report claims activity monthly to the Administrator and each "Participant".

3. CLAIMS PROCEDURES MANUAL

A. A Workers' Compensation Claims Procedures Manual, including reporting procedures, forms, and other vital information shall be adopted by the Board of Directors and provided to all "Participants".

B. The Board of Directors may adopt amendments to the Workers' Compensation Claims Procedures Manual. Any amendments shall not be effective for fifteen (15) days after distribution of the amendments to the "Member Entities".

C. All "Participating Members" shall be held accountable for understanding and abiding by the procedures stated in this Manual, as well as any changes thereto.

4. DUTY TO REPORT CLAIM

A. Timely reporting of claims is essential to efficient claims management. Thus, any claim shall be reported to the Claims Adjustor immediately, as set forth in the Claims Procedures Manual.

B. The Workers' Compensation Claims Procedures Manual shall include forms and detailed procedures for claims reporting. It is the responsibility of each "Participating Member" to ensure that the persons handling claims at the "Participant's" place of business knows the claims procedures set forth in the Manual.

5. CLAIMS AUDIT

A. At least once every two (2) years, the adequacy of claims adjusting shall be examined by an independent auditor who specializes in claims auditing.

B. The Board of Directors shall direct the Administrator to obtain the services of a claims auditor chosen by the Board and present the finding of the audit to the Board of Director.

C. The claims audit report shall address the issues of adequacy of claims procedures, the implementation of the litigation management procedures and the accuracy of claims data.

6. SETTLEMENT AUTHORITY

- A. Each "Participating Member" shall have settlement authority for its claims within the banking layer.
- B. The Executive Committee shall have authority to settle claims within the banking layer, even without the "Participating Member's" approval, but only after notice of such intent is given to the "Participating Member" experiencing the claim.
- C. The Board of Directors retains unto itself the authority to approve settlement of all other claims.
- D. If a settlement of a claim requires approval by the Board, except for the fact that the Board will not have a regularly scheduled Board meeting sufficiently early enough to take action on a settlement offer, the Executive Committee may authorize settlement but only after the President determines that the settlement opportunity will not exist until the next regularly scheduled Board meeting and the settlement is not sufficiently controversial to justify the time and expense required to call a special Board Meeting. Such action by the Executive Committee will be reported at the next Board meeting.
- E. For the purposes of this section, settlement shall include "stipulations to a permanent disability rating" as well as "compromise and releases"

7. DISPUTES REGARDING MANAGEMENT OF A CLAIM

- A. Any matter in dispute between a "Participating Member" and the Claims Adjustor shall be called to the attention of the Program Administrator who shall bring it to the Board of Directors or, if the matter must be resolved prior to the next regularly scheduled Board meeting, the Administrator shall bring it to the attention of the Executive Committee.
- B. The decision of the Board of Directors or Executive Committee shall be final and not appealable to a higher authority.

ARTICLE VII - DEFINITIONS

- 1) **"Actuarially sound"** means that the "Program Year" has sufficient funds to pay the expected cost of claims as determined by a certified actuary and the Administrative Expenses for the "Program Year".
- 2) **"Administrative Expenses"** means those expenses incurred by the Workers' Compensation Program that are not incurred due to any specific claim and does not constitute a reserve for future expected changes in the size of existing claims or discovery of

previously unknown claims. Administrative Expenses shall include expenses of the "Authority" that are allocated to the Workers' Compensation Program.

- 3) **"Banking Layer"** shall be that amount of all claims arising out of one occurrence where 100 percent of the claims will be charged against the "Participant's" account.
- 4) **"Claim"** means, if not otherwise defined within the context, to be all demands for compensation by employees for bodily injury caused while in the course of his or her employment.
- 5) **"Entity"** means a governmental body, including any commissions, agencies, districts, authorities, boards, or other similar government body under the direct control of the governmental body which is eligible to participate in a Joint Powers Authority. A "Member Entity" is one who has been accepted into SCORE.
- 6) **"Limits of Coverage"** means the maximum amount of financial protection afforded any "member entity" or "entities".
- 7) **"Obligated Reserves"** means reserves for expected claims expenses, determined by an actuarial study, not attributable to any known claim. This is sometimes called IBNR.
- 8) **"Participant"** or **"Participating Member"** is a "Member Entity" that participates in the Workers' Compensation Program.
- 9) **"Program Year"** means the period of coverage from July 1st of any one year to July 1st of the next year as provided by the Memorandum of Coverage.
- 10) **"Share Risk Layer"** means the amount of all claims from one occurrence exceeding the "Banking Layer" but not more than the total amount retained by SCORE.
- 11) **"Programs"** means Liability or Workers' Compensation Programs.



Small Cities Organized Risk Effort
Board of Directors Meeting
October 25, 2013

Agenda Item H.3.

SCORE FINANCIAL AUDIT REPORT FOR FY 2012-13

ACTION ITEM

ISSUE: Small Cities Organized Risk Effort conducts an annual financial audit. The audit was performed by SCORE's financial audit service provider, Crowe Horwath; they will present the year ending June 30, 2013 Financial Audit findings to the Board of Directors.

RECOMMENDATION: The Board of Directors should review and consider acceptance of the FY 12/13 Financial Audit as presented and/or modified

FISCAL IMPACT: None.

BACKGROUND: SCORE is required to have an audit conducted annually. The audit is filed with the County in which its primary office is located and, with the California State Controller's Office.

ATTACHMENTS: Required Audit Communications Letter
Draft Audited Financial Report for Fiscal Year Ending June 30, 2013

To the Board of Directors
Small Cities Organized Risk Effort (SCORE)
San Francisco, California

Professional standards require that we communicate certain matters to keep you adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. We communicate such matters in this report.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA

Our responsibility is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. The audit of the financial statements does not relieve you of your responsibilities and does not relieve management of their responsibilities. Refer to our engagement letter with SCORE for further information on the responsibilities of management and of Crowe Horwath LLP.

AUDITOR'S RESPONSIBILITY UNDER GOVERNMENT AUDITING STANDARDS

As part of obtaining reasonable assurance about whether SCORE's financial statements are free of material misstatement, we performed tests of the SCORE's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts or disclosures. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

PLANNED SCOPE AND TIMING OF THE AUDIT

We are to communicate an overview of the planned scope and timing of the audit. Accordingly, the following matters will be discussed during our meeting with you.

- How we addressed the significant risks of material misstatement, whether due to fraud or error.
- Our approach to internal control relevant to the audit.
- The concept of materiality in planning and executing the audit, focusing on the factors considered rather than on specific thresholds or amounts.
- Your views and knowledge about matters you consider warrant our attention during the audit, as well as your views on:
 - The allocation of responsibilities between you and management.
 - The entity's objectives and strategies, and the related business risks that may result in material misstatements.
 - Other matters you believe are relevant to the audit of the financial statements.

SIGNIFICANT ACCOUNTING POLICIES AND MANAGEMENT JUDGMENTS AND ACCOUNTING ESTIMATES

Significant Accounting Policies: Those Charged with Governance should be informed of the initial selection of and changes in significant accounting policies or their application. Also, Those Charged with Governance should be aware of methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas where there is a lack of authoritative consensus. We believe management has the primary responsibility to inform Those Charged with Governance about such matters. To assist Those Charged with Governance in its oversight role, we also provide the following.

Accounting Standard	Impact of Adoption
GASB Statement No. 62 – <i>Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncement.</i> This GASB brings FASB guidance into GASB literature but does not change any requirements.	Adoption of this GASB did not have a material impact on SCORE's financial position or results of operations.
GASB Statement No. 63 – <i>Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position.</i> This GASB provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. It also renames the balance sheet to the statement of net position and changes the titles of the components of net position.	Adoption of this Statement did not have a material impact on the SCORE's financial position or results of operations. However, it changed the classification and titles used in the audited financial statements.
GASB Statement No. 65 – <i>Items Previously Reported as Assets and Liabilities.</i> This GASB reclassifies as deferred outflows or deferred inflows of resources items that were previously reported as assets and liabilities.	Adoption of this GASB did not have a material impact on the SCORE's financial position or results of operations.
Significant Unusual Transactions.	No such matters noted
Significant Accounting Policies in Controversial or Emerging Areas.	No such matters noted

Management Judgments And Accounting Estimates: Further, accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. These judgments are based upon knowledge and experience about past and current events and assumptions about future events. Certain estimates are particularly sensitive because of their significance and because of the possibility that future events affecting them may differ markedly from management's current judgments and may be subject to significant change in the near term.

The following describes the significant accounting estimates reflected in SCORE's year-end financial statements, the process used by management in formulating these particularly sensitive accounting estimates and the primary basis for our conclusions regarding the reasonableness of those estimates.

Significant Accounting Estimate	Process Used by Management	Basis for Our Conclusions
Unpaid claims and claim adjustment expense	SCORE uses an actuary to estimate the unpaid claims and claim adjustment expense. The actuary uses certain assumptions in developing its estimate.	We tested the propriety of information underlying the actuary's estimates.

Significant Accounting Estimate	Process Used by Management	Basis for Our Conclusions
Fair Values of Investment Securities and Other Financial Instruments	The disclosure of fair values of securities and other financial instruments requires management to use certain assumptions and estimates pertaining to the fair values of its financial assets and financial liabilities.	We tested the propriety of information underlying management's estimates.

AUDITOR'S JUDGMENTS ABOUT QUALITATIVE ASPECTS OF SIGNIFICANT ACCOUNTING PRACTICES

We are to discuss with you our comments about the following matters related to the SCORE's accounting policies and financial statement disclosures. Accordingly, these matters will be discussed during our meeting with you.

- The appropriateness of the accounting policies to the particular circumstances of the entity, considering the need to balance the cost of providing information with the likely benefit to users of the entity's financial statements.
- The overall neutrality, consistency, and clarity of the disclosures in the financial statements.
- The effect of the timing of transactions in relation to the period in which they are recorded.
- The potential effect on the financial statements of significant risks and exposures, and uncertainties that are disclosed in the financial statements.
- The extent to which the financial statements are affected by unusual transactions including nonrecurring amounts recognized during the period, and the extent to which such transactions are separately disclosed in the financial statements.
- The issues involved, and related judgments made, in formulating particularly sensitive financial statement disclosures.
- The factors affecting asset and liability carrying values, including the entity's basis for determining useful lives assigned to tangible and intangible assets.
- The selective correction of misstatements, for example, correcting misstatements with the effect of increasing reported earnings, but not those that have the effect of decreasing reported earnings.

CORRECTED AND UNCORRECTED MISSTATEMENTS

Corrected Misstatements: We are to inform you of material corrected misstatements that were brought to the attention of management as a result of our audit procedures.

There were no such misstatements.

Uncorrected Misstatements: We are to inform you of uncorrected misstatements that were aggregated by us during the current engagement and pertaining to the latest and prior period(s) presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. For your consideration, we have distinguished misstatements between known misstatements and likely misstatements.

There were no such misstatements.

OTHER COMMUNICATIONS

Communication Item	Results
<p>Other Information In Documents Containing Audited Financial Statements</p> <p>Information may be prepared by management that accompanies the financial statements. To assist your consideration of this information, you should know that we are required by audit standards to read such information and consider whether such information, or the manner of its presentation, is materially inconsistent with information in the financial statements. If we consider the information materially inconsistent based on this reading, we are to seek a resolution of the matter.</p>	<p>We understand that management has not prepared such information to accompany the audited financial statements.</p>
<p>Significant Difficulties Encountered During the Audit</p> <p>We are to inform you of any significant difficulties encountered in dealing with management related to the performance of the audit.</p>	<p>There were no significant difficulties encountered in dealing with management related to the performance of the audit.</p>
<p>Disagreements With Management</p> <p>We are to discuss with you any disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to SCORE's financial statements or the auditor's report.</p>	<p>During our audit, there were no such disagreements with management.</p>
<p>Representations The Auditor Is Requesting From Management</p> <p>We are to provide you with a copy of management's requested written representations to us.</p>	<p>We direct your attention to a copy of the letter of management's representation to us provided separately.</p>
<p>Significant Issues Discussed, or Subject to Correspondence, With Management</p> <p>We are to communicate to you any significant issues that were discussed or were the subject of correspondence with management.</p>	<p>There were no such significant issues discussed, or subject to correspondence, with management.</p>
<p>Significant Related Party Findings and Issues</p> <p>We are to communicate to you significant findings and issues arising during the audit in connection with SCORE's related parties, if any.</p>	<p>There were no such findings or issues that are, in our judgment, significant and relevant to you regarding your oversight of the financial reporting process.</p>
<p>Other Findings or Issues We Find Relevant or Significant</p> <p>We are to communicate to you other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to you regarding your oversight of the financial reporting process.</p>	<p>There were no such other findings or issues that are, in our judgment, significant and relevant to you regarding your oversight of the financial reporting process.</p>

We are pleased to serve SCORE as its independent auditors and look forward to our continued relationship. We provide the above information to assist you in performing your oversight responsibilities, and would be pleased to discuss this letter or any matters further, should you desire. This letter is intended solely for the information and use of Board of Directors and, if appropriate, management, and is not intended to be and should not be used by anyone other than these specified parties.

Sacramento, California
October __, 2013

FINAL DRAFT

SMALL CITIES ORGANIZED RISK EFFORT
Sacramento, California

FINANCIAL STATEMENTS
June 30, 2013 and 2012

FINAL DRAFT

SMALL CITIES ORGANIZED RISK EFFORT
Sacramento, California

FINANCIAL STATEMENTS
June 30, 2013 and 2012

CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS:	
STATEMENTS OF NET POSITION	10
STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION	11
STATEMENTS OF CASH FLOWS	12
NOTES TO BASIC FINANCIAL STATEMENTS	13
REQUIRED SUPPLEMENTARY INFORMATION:	
RECONCILIATION OF CLAIMS LIABILITIES BY PROGRAM	21
CLAIMS DEVELOPMENT INFORMATION	23
SUPPLEMENTARY INFORMATION:	
COMBINING STATEMENTS OF NET POSITION	26
COMBINING STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION	28
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	30

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Small Cities Organized Risk Effort
Sacramento, California

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Small Cities Organized Risk Effort (the "SCORE") as of June 30, 2013 which are comprised of the statement of net position, the related statement of revenues, expenses and change in net position, statement of cash flows for the year then ended, and related notes to the financial statements for the year then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the State Controller's Minimum Audit Requirements for California Special Districts and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the SCORE, as of June 30, 2013, and the respective changes in net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The financial statements of the SCORE as of June 30, 2012, were audited by other auditors whose report dated October 12, 2012, expressed an unqualified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through __, the Reconciliation of Claims Liability by Program on pages __ and __, and the Claims Development Information on pages __ through __ be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on SCORE's 2013 financial statements. The 2013 Combining Statement of Net Position and 2013 Combining Statement of Revenues, Expenditures and Change in Net Position on pages __ and __, respectively, are presented for purposes of additional analysis and are not a required part of the financial statements. The information has not been subjected to the auditing procedures applied in the audits of the financial statements and accordingly, we do not express an opinion or provide any assurance on it. The 2012 Combining Statement of Net Position and 2012 Combining Statement of Revenues, Expenditures and Change in Net Position on pages __ and __, respectively, are presented for purposes of additional analysis and are not a required part of the 2012 financial statements. The 2012 information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2012 financial statements. The information has been subjected to the auditing procedures applied by other auditors in the audit of the 2012 financial statements and certain additional procedures, including comparing and reconciling other information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and whose report dated October 12, 2012 expressed an opinion that such information was fairly stated in all material respects in relation to the 2012 financial statements as a whole.

(Continued)

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated October __, 2013 on our consideration of the SCORE's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the SCORE's internal control over financial reporting and compliance.

Sacramento, California
October __, 2013

—

FINAL DRAFT

FINAL DRAFT

MANAGEMENT'S DISCUSSION AND ANALYSIS

SMALL CITIES ORGANIZED RISK EFFORT
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2013

The following narrative provides an overview and analysis of the financial activities of Small Cities Organized Risk Effort (SCORE) for the fiscal year ending June 30, 2013. It is provided in order to enhance the information in the financial audit and should be reviewed in concert with that report. This is a combined, two year financial audit.

FINANCIAL HIGHLIGHTS, Fiscal Year Ended June 30, 2013

- Total Assets of \$12,789,870 represents a decrease of \$805,529 or 5.9% from FY ending June 30, 2012.
- Total Operating expenses decreased to \$3,692,001 which is primarily due to the fact that there was a reduction in dividends paid from both the Liability and Workers' Compensation programs.
- Investment income decreased from \$268,992 to \$18,559 due to significantly lower returns on investments resulting from the current economic environment and low interest rates.

DESCRIPTION OF THE BASIC FINANCIAL STATEMENTS

SCORE's financial statements are prepared in conformity with generally accepted accounting principles and necessarily include amounts based upon reliable estimates and judgments. The Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows are included along with Notes to Financial Statements to clarify unique accounting policies and financial information.

The *Statement of Net Position* provides information on all SCORE's program assets and liabilities, with the difference reported as Net Position. Net Position may be an indicator of the overall pool financial changes across years.

The *Statement of Revenues, Expenses and Changes in Net Position* presents information showing total revenues versus total expenses and the resulting effect on Net Position.

The *Statement of Cash Flows* presents information about the cash receipts and cash payments during the year and reconciles operating income to operating cash flows.

Combined statements are provided with the supplementary information and reflect financial information separated by the specific program to which it relates. SCORE's accounting system is organized so that each program can be accounted for and evaluated independently. Separate funds are operated for four funds: Workers' Compensation (Banking Layer and Shared Risk Layer), Liability (Banking Layer and Shared Risk Layer), General Administration and Loss Control. The assets, liabilities, revenues and expenses for all funds are reported on a full accrual basis. There were no significant accounting changes during the year.

Crowe Horwath LLP, Certified Public Accountants, performed an independent audit of SCORE's financial statements and found them to be presented in accordance to generally accepted accounting principles.

**SMALL CITIES ORGANIZED RISK EFFORT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2013

SCORE'S POOL ASSETS

SCORE's total assets as of June 30, 2013 totaled \$12,789,870, which represents a decrease of \$805,529 or 5.9% from FY ending June 30, 2012. Current assets were \$4,692,075 and Non-Current assets were \$8,097,795 which represents investments (less portion maturing in one year or less) handled by Chandler Asset Management, Inc.

On November 8, 2005, SCORE entered into a contract to retain Chandler Asset Management, Inc., as their investment manager and adviser. Prior to entering into this contract, SCORE invested through the investment pool run by Local Agency Investment Fund (LAIF). The accounts receivables contribution of \$53,993 represents funds that members owed to SCORE for the workers' compensation program. This was collected shortly after the fiscal year ended.

The following chart reflects a comparison of the years ending 2013, 2012 and 2011, by type of asset:

Year Ending	SCORE'S TOTAL ASSETS		
	June 30, 2013	June 30, 2012	June 30, 2011
Cash in Bank	\$(360,212)	\$(141,181)	\$2,656,847
Accrued Interest	\$39,475	\$47,788	\$60,348
Investments maturing within one year	\$2,447,149	\$4,350,139	\$5,176,683
Contribution Receivables	\$547,952	\$576,770	\$510,664
Excess JPA's Receivables	\$53,993	\$28,167	\$190,025
Prepaid Assets	\$13,235	\$1,494	\$11,563
Investments with LAIF	\$1,897,352	\$2,489,920	\$2,479,874
Investments with Chandler	\$8,044,664	\$6,242,302	\$5,160,117
TOTAL ASSETS	\$12,789,870	\$13,595,399	\$16,246,121

SCORE'S POOL LIABILITIES

The pool liabilities consist primarily of expected future claim payments. An actuarial study is performed to determine, as accurately as possible, the liabilities expected in the future. Dividends payable to members represent amounts held by SCORE on behalf of current and former members.

The following chart reflects a comparison of SCORE's total liabilities for the years ending 2013, 2012 and 2011, by type of liability:

**SMALL CITIES ORGANIZED RISK EFFORT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2013

SCORE'S TOTAL LIABILITIES			
Year Ending	June 30, 2013	June 30, 2012	June 30, 2011
Accounts Payable	\$15,300	\$63,980	\$94,782
Unearned Revenue	\$16,610	\$41,257	\$3,664
Dividends Payable	\$596,274	\$787,953	\$230,371
Open Liability Claims	\$1,266,160	\$1,198,024	\$1,203,539
Open WC Claims	\$4,373,971	\$3,995,682	\$3,312,946
TOTAL LIABILITIES	\$6,268,315	\$6,086,806	\$4,845,302

SCORE's total liabilities from Workers' Compensation claims increased \$378,289. Liability claims also suffered a small increase by \$68,136 from 2012. Claims liabilities are incurred to each risk sharing pool, and reflected separately for Liability and Workers' Compensation.

CLAIM LIABILITIES

The following chart indicates the liability per year to the total claim liabilities for the Liability Program for years ending 2013, 2012 and 2011:

SCORE'S POOL CLAIM LIABILITIES			
Liability Program			
Year Ending	June 30, 2013	June 30, 2012	June 30, 2011
Accrued liability for unpaid reported claims	\$691,578	\$653,725	\$330,544
Accrued liability for incurred but not reported (IBNR)	\$514,289	\$687,250	\$872,995
Unallocated Loss Adjustment Expense	\$60,293	\$57,049	\$ -
TOTAL CLAIM LIABILITIES	\$1,266,160	\$1,198,024	\$1,203,539

**SMALL CITIES ORGANIZED RISK EFFORT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2013

The following chart indicates the liability per year to the total liabilities for the Workers' Compensation Program for years ending 2013, 2012 and 2011:

SCORE'S POOL CLAIM LIABILITIES			
Workers' Compensation Program			
Year Ending	June 30, 2013	June 30, 2012	June 30, 2011
Accrued liability for unpaid reported claims	\$3,006,808	\$2,393,548	\$1,586,662
Accrued liability for incurred but not reported (IBNR)	\$1,158,879	\$1,411,863	\$1,726,284
Allocated Loss Adjustment Expense	\$208,284	\$190,271	\$ -
TOTAL CLAIM LIABILITIES	\$4,373,971	\$3,995,682	\$3,312,946

NET POSITION

Net Position, as of June 30, 2013 was \$6,521,555 a decrease of \$987,038 or 13.14% from the prior year. The decrease in 2013 is due primarily to the declaration and distribution of dividends coupled with an increase in claims expense. Prior to June 25, 2011, Net Position was segregated into a Contingency Reserve, Shock Loss Reserve and Unreserved Net Position. The Contingency Reserve represented funds designated to fund an unexpected fiscal drain due to losses as well as to provide SCORE the ability to react to escalating insurance costs by increasing the amount retained in the pool.

The Board amended their Master Plan documents on June 25, 2011 to replace the Shock Loss Reserve with Minimum Equity Reserve of five (5) times the Self Insured Retention (SIR) applicable to both the Liability and Workers' Compensation programs. The minimum equity reserved for the Liability program is \$2,500,000 and \$1,250,000 for the Workers' Compensation program.

The ending Net Position by category was as follows for the year ending June 30, 2013, 2012 and 2011:

Net Position	June 30, 2013	June 30, 2012	June 30, 2011
Contingency Reserve	N/A	N/A	\$1,314,000
Shock Loss Reserve	\$ -	\$ -	\$2,000,000
Minimum Equity Reserve	\$3,750,000	\$3,750,000	\$ -
Unreserved	\$2,771,555	\$3,758,593	\$8,086,819
Total Net Position	\$6,512,555	\$7,508,593	\$11,400,819

**SMALL CITIES ORGANIZED RISK EFFORT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2013

REVENUES AND EXPENSES

Revenues consist primarily of member contributions, with interest and other income, which represents dividends received from CJPRMA. Operating Expenses includes all costs associated with the purchase of excess insurance and costs associated with claims handling. General and Administrative expenses consist of those expenses to run the pool. Members' dividends are returns from SCORE'S Liability and Workers' Compensation banking and shared risk layers.

SCORE REVENUES AND EXPENSES			
Year Ending	June 30, 2013	June 30, 2012	June 30, 2011
Contributions	\$2,686,404	\$3,074,727	\$4,536,450
Operating Expenses	\$2,941,997	\$3,053,279	\$2,624,547
Member Dividends	\$750,004	\$4,182,666	\$0
Investment Income	\$18,559	\$269,992	\$244,032
Change in Net Position	\$(987,038)	\$(3,892,226)	\$1,911,903
NET POSITION	\$6,521,555	\$7,508,593	\$11,400,819

Contributions for 2013 decreased \$388,323 or 12.62% due to a reduction in payroll amongst member Cities and excess pool partner dividends. Operating Expenses increased in 2013 by \$638,722 or 20.91% due to a \$446,425 increase in claims expense. Members Dividends of \$750,004 were declared in 2013. Investment Income decreased by 93.12% to \$18,559 due to record low interest rates associated with low risk investment vehicles that are mandated by SCORE's Investment Policy. Change in Net Position increased by \$2,905,188 primarily as a net result of a decrease in dividends and the reduction of contributions.

CLAIMS EXPENSES

Claims expenses for the year can be broken down into four different components:

- Actual cash payments for claims.
- Change in reserves established on known claims.
- Change in actuarially determined amounts in excess of known reserves to recognize the unanticipated changes in known claims as well as recognition of claims incurred but not yet reported (IBNR).
- Change in Unallocated Loss Adjustment Expenses (ULAE).

**SMALL CITIES ORGANIZED RISK EFFORT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2013

SCORE'S LIABILITY PROGRAM CLAIMS EXPENSE			
Year Ending	June 30, 2013	June 30, 2012	June 30, 2011
Cash Payments	\$423,621	\$385,733	\$249,108
Reserve Changes	\$237,853	\$123,181	\$101,674
IBNR Changes	(\$172,961)	(\$185,745)	(\$392,599)
ULAE Changes	3,244	57,049	\$ -

SCORE'S WORKERS' COMPENSATION PROGRAM CLAIMS EXPENSE			
Year Ending	June 30, 2013	June 30, 2012	June 30, 2011
Cash Payments	\$723,555	\$686,075	\$798,796
Reserve Changes	\$613,260	\$806,886	\$425,971
IBNR Changes	(\$252,984)	(\$314,421)	(\$223,848)
ULAE Changes	18,013	190,271	

PROGRAM STRUCTURES

The Liability program of SCORE provides coverage to its members with a self-funded banking and shared risk layer, providing total limits of coverage of \$500,000. Excess liability coverage is provided through California Joint Powers Risk Management Authority (CJPRMA) with limits of \$40,000,000 inclusive of SCORE's \$500,000 retained limit. The Banking Layer consists of an amount of all claims arising out of one occurrence or wrongful act up to \$25,000. The Shared Risk Layer consists of that amount of all claims arising out of one occurrence that exceeds the amount within the Banking layer to the extent the claims are retained by SCORE.

The optional Workers' Compensation program of SCORE provides coverage with a self-funded banking and shared risk layer, providing total limits of coverage of \$250,000. Excess workers' compensation coverage is provided through Local Agency Workers' Compensation Excess Joint Powers Authority (LAWCX) with limits of \$300,000,000 excess of the \$250,000 SCORE Self Insured Retention.

Other programs consist of group purchase or participation in another joint powers authority.

**SMALL CITIES ORGANIZED RISK EFFORT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2013

The structure of the various programs is depicted by the following schedule:

Liability (Provided)	EPL (Provided)	Property (Optional)	EPLI (Optional)	Workers' Compensation (Optional)
CJPRMA \$39,500,000 excess of \$500,000 SCORE Retained Limit	CJPRMA \$8,000,000 for SCORE members who do not purchase optional coverage through ERMA	PEPIP \$1,000,000,000 XS SCORE \$5,000 Deductible	ERMA \$500,000 inclusive of a \$25,000 deductible	LAWCX Statutory limits XS \$250,000 SCORE Retained Limit
	\$500,000 Covered Party Retained Limit		\$25,000 Covered Party Retained Limit for ERMA \$500,000 Covered Party Retained Limit for CJPRMA	

Conclusion:

SCORE is funded appropriately to not only meet the requirements of expected future liabilities based on actuarial projections, but to include a safe margin of error at a minimum level of 70 percent confidence level. Management's position is that there are no anticipated external or internal events in the near future that would affect this funding in any significant manner.

FINAL DRAFT

BASIC FINANCIAL STATEMENTS

SMALL CITIES ORGANIZED RISK EFFORT
STATEMENTS OF NET POSITION
June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 1,590,271	\$ 2,444,553
Receivables:		
Contributions receivable	547,952	576,770
Interest	39,475	47,788
Other receivables	53,993	28,167
Investments maturing within one year (Note 2)	2,447,149	1,764,405
Prepaid Expenses	<u>13,235</u>	<u>1,494</u>
Total current assets	4,692,075	4,863,177
Investments, less portion maturing in one year (Note 2)	<u>8,097,795</u>	<u>8,732,222</u>
Total assets	<u>12,789,870</u>	<u>13,595,399</u>
LIABILITIES		
Current liabilities:		
Accounts payable	15,300	63,890
Unearned revenue	16,610	41,257
Dividend payable to members	596,274	787,953
Current portion of unpaid claims and claim adjustment expenses (Note 3)	<u>1,346,403</u>	<u>1,284,563</u>
Total current liabilities	1,974,587	2,177,663
Unpaid claims and claim adjustment expenses (Note 3)	<u>4,293,728</u>	<u>3,909,143</u>
Total liabilities	<u>6,268,315</u>	<u>6,086,806</u>
NET POSITION		
Net position - unrestricted (Note 4)	<u>\$ 6,521,555</u>	<u>\$ 7,508,593</u>

See accompanying notes to basic financial statements.

SMALL CITIES ORGANIZED RISK EFFORT
 STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
 For the Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating revenues:		
Member contributions	\$ 2,686,404	\$ 3,074,727
Operating expenses:		
Provision for claims and claim adjustment expenses (Note 3)	1,593,601	1,749,029
Insurance premiums	629,766	588,613
Program administration	214,750	204,526
Claims administration	222,240	242,499
Contract risk management services	68,412	97,324
Professional services	138,634	89,046
Member dividends	750,004	4,182,666
General and administrative	74,594	82,242
Total operating expenses	<u>3,692,001</u>	<u>7,235,945</u>
Operating loss	(1,005,597)	(4,161,218)
Non-operating revenues:		
Investment income	<u>18,559</u>	<u>268,992</u>
Change in net position	(987,038)	(3,892,226)
Net position, beginning of year	<u>7,508,593</u>	<u>11,400,819</u>
Net position, end of year	<u>\$ 6,521,555</u>	<u>\$ 7,508,593</u>

See accompanying notes to basic financial statements.

SMALL CITIES ORGANIZED RISK EFFORT
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Cash received from members	\$ 2,664,749	\$ 3,208,072
Cash paid for claims	(1,147,176)	(1,071,808)
Cash paid for excess insurance	(629,766)	(588,613)
Cash paid for member dividends	(941,683)	(3,625,084)
Cash paid to suppliers	<u>(681,781)</u>	<u>(674,676)</u>
Net cash used in operating activities	<u>(735,657)</u>	<u>(2,752,109)</u>
Cash flows from investing activities:		
Interest received	26,872	281,552
Purchase of investments	(3,083,604)	(5,080,873)
Proceeds from sale or maturity of investments	<u>2,938,107</u>	<u>4,721,586</u>
Net cash used in investing activities	<u>(118,625)</u>	<u>(77,735)</u>
Net change in cash and cash equivalents	(854,282)	(2,829,844)
Cash and cash equivalents, beginning of year	<u>2,444,553</u>	<u>5,274,397</u>
Cash and cash equivalents, end of year	<u>\$ 1,590,271</u>	<u>\$ 2,444,553</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (1,005,597)	\$ (4,161,218)
Adjustments to reconcile operating loss to net cash used in operating activities:		
(Increase) decrease in:		
Accounts receivable from members and others	2,992	95,752
Prepaid expense	(11,741)	10,069
(Decrease) increase in:		
Accounts payable	48,590	30,892
Dividends payable to members	(191,679)	557,582
Unearned revenues	(24,647)	37,593
Unpaid claims and claim adjustment expense	<u>446,425</u>	<u>677,221</u>
Net cash used in operating activities	<u>\$ (735,657)</u>	<u>\$ (2,752,109)</u>
Supplemental cash flow information:		
Investing activities:		
Change in fair value of investments	<u>\$ 189,832</u>	<u>\$ 244,095</u>

See accompanying notes to basic financial statements.

SMALL CITIES ORGANIZED RISK EFFORT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General: Small Cities Organized Risk Effort (the "SCORE") is a Joint Powers Insurance Authority which was established to provide liability and workers' compensation insurance coverage for its member agencies. As of June 30, 2013 and 2012, the SCORE is comprised of nineteen small cities ("Member Cities") located in Northern and Central California.

Liability Program: Pursuant to a Joint Powers Agreement authorized under California Government Code sections 990, 990.4, 990.8, and 6500-6515, effective on or about July 1, 1986, between the Member Cities, the SCORE was established to provide for pooling of public liability coverage. Member Cities participate in a Banking Plan for losses up to \$25,000. Losses greater than \$25,000 and up to \$500,000 are shared among the Member Cities in the Shared Risk Pool. The SCORE participates in the California Joint Powers Risk Management Authority (CJPRMA) for the portion of losses greater than \$500,000.

Workers' Compensation Program: Pursuant to a Joint Powers Agreement authorized under California Government Code sections 990, 990.4, 990.8, and 6500-6515, effective on or about July 1, 1993 between the Member Cities, the SCORE was established to provide for pooling of public workers compensation coverage. Member Cities participate in a Shared Risk Pool for claims less than \$150,000. The SCORE participates in the Local Agencies Workers' Compensation Excess Joint Powers Authority (LAWCX) for losses greater than \$150,000.

As of June 30, 2013 and 2012, nine of the Member Cities participated in the workers' compensation pool. The ninth member, Mini-cities, was formed through a separate Joint Powers Agreement consisting of smaller cities which could not join the Workers' Compensation program individually, due to their size.

A summary of the Member Cities' participation in the Liability and Workers' Compensation programs as of June 30, 2013 and 2012 is provided below (as indicated with an "X"):

Member	Liability	Workers' Compensation
Biggs ¹	X	X
Colfax ¹	X	X
Dorris ¹	X	X
Dunsmuir	X	X
Etna ¹	X	X
Fort Jones ¹	X	X
Isleton	X	X
Live Oak	X	X
Loomis ¹	X	X
Loyalton	X	X

Member	Liability	Workers' Compensation
Montague ¹	X	X
Mount Shasta	X	X
Portola ¹	X	X
Rio Dell ¹	X	X
Shasta Lake	X	X
Susanville	X	X
Tulelake	X	X
Weed	X	X
Yreka	X	X

¹ These Member Cities are included the "Mini-cities" JPA.

Other Programs: The SCORE also offers additional insurance coverage to its Member Cities including property, employment practices liability, crime, pollution liability, mobile equipment, auto physical damage, special events, employee assistance, and volunteers insurance programs. All of these additional insurance programs are fully insured by a commercial provider.

Basis of Accounting: The accompanying financial statements are presented on the accrual basis of accounting in accordance with governmental accounting principles generally accepted in the United States of America. Under the accrual basis, revenues and the related assets are recognized when earned, and expenses are recognized when the obligation is incurred.

(Continued)

SMALL CITIES ORGANIZED RISK EFFORT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents: Cash and cash equivalents are investments readily convertible into known amounts of cash with original maturities at date of purchase of less than three months.

Fair Value of Pooled Investments: The SCORE records its investment in the Local Agency Investment Fund (LAIF) at fair value. Changes in fair value are reported as revenue in the statement of revenues, expenses and changes in Net Position. The fair value of investments, including the Local Agency Investment Fund as an external investment pool, at June 30, 2013 and 2012 approximated their carrying value.

Investments: Investments are reported in the accompanying statement of Net Position at fair value. Changes in fair value that occur during a fiscal year are recognized as investment earnings reported for that fiscal year. Net change in fair value of investments includes change in fair value and gains or losses realized upon the liquidation, maturity or sale of investments, if any.

Revenue Recognition: Member contributions are recognized as revenue when earned based upon the coverage period of the related insurance. Operating revenues and expenses include all activities necessary to achieve the objectives of the SCORE. Non-operating revenues include investment activities.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Provision for Unpaid Claims and Claim Adjustment Expenses: The SCORE's policy is to establish unpaid claims and claim adjustment expenses based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of salvage, subrogation and reinsurance recoverable on unpaid claims are deducted from the liability. The SCORE increases the liability for allocated claim adjustment expenses. Because actual claim costs depend on such complex factors as inflation, changes in doctrine of legal liability, and damage awards, the process used in computing unpaid claims and claim adjustment expenses does not necessarily result in an exact amount, particularly for coverages such as general liability. Unpaid claims and claim adjustment expenses are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, other economic and social factors and estimated payment dates. Adjustments to unpaid claims and claim adjustment expenses are charged or credited to expense in the period in which they are made. The current portion of unpaid claims is based on current year payments and known claim information at the end of the period.

Member Participation: New members may be admitted by a three-quarters vote, and expelled by a two-thirds vote, of the Board. Upon entry into the SCORE, member may not voluntarily withdraw for a period of three years, but in no case before the SCORE's commitment to CJPRMA is satisfied. Members must submit six months written notice prior to voluntarily withdrawing. After withdrawal, a member may not reenter the SCORE for a period of three years.

Income Taxes: The SCORE is an organization comprised of public agencies, and is exempt from Federal income and California franchise taxes. Accordingly, no provision for Federal or State income taxes has been made in the accompanying financial statements.

(Continued)

SMALL CITIES ORGANIZED RISK EFFORT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications: Some items in the prior year financial statements were reclassified to conform to the current presentation. These reclassifications had no effect on prior year ending net position or change in net position.

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments consisted of the following at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Cash and cash equivalents:		
Cash in bank and on hand	\$ (360,212)	\$ (141,181)
Money market	53,131	95,814
Local Agency Investment Fund	1,897,352	2,489,920
Total cash and cash equivalents	1,590,271	2,444,553
Investments	10,544,944	10,496,627
Total cash, cash equivalents and investments	\$ 12,135,215	\$ 12,941,180

Custodial Credit Risk – Cash in Bank: The Fund limits custodial credit risk by ensuring uninsured balances are collateralized by the respective financial institution. Cash balances held in banks are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC) and are collateralized by the respective financial institution. At June 30, 2013 the bank balance of the SCORE's cash accounts were \$286,130, of which \$36,130 was uninsured, but collateralized. At June 30, 2012, all of the SCORE's cash accounts were insured through by FDIC insurance due to the Transaction Account Guarantee (TAG) program, which was effective through December 31, 2012.

Money Market: The SCORE has a portion of its cash and equivalents in a money market account at a third party custodian. The money market account is not insured by the Federal Deposit Insurance Corporation (FDIC), but is fully collateralized.

Local Agency Investment Fund: SCORE places certain funds with the State of California's Local Agency Investment Fund (LAIF). The SCORE is a voluntary participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California and the Pooled Money Investment Board. The State Treasurer's Office pools these funds with those of other governmental agencies in the State and invests the cash. The fair value of the SCORE's investment in this pool is reported in the accompanying financial statements based upon the SCORE's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The monies held in the pooled investment funds are not subject to categorization by risk category. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Funds are accessible and transferable to the master account within twenty-four hours' notice. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, and floating rate securities issued by Federal agencies, government-sponsored enterprises and corporations. LAIF is administered by the State Treasurer. LAIF investments are audited annually by the Pooled Money Investment Board and the State Controller's Office. Copies of this audit may be obtained from the State Treasurer's Office: 915 Capitol Mall, Sacramento, California 95814. The Pooled Money Investment Board has established policies, goals, and objectives to make certain that their goal of safety, liquidity and yield are not jeopardized. LAIF is not currently rated for credit quality.

(Continued)

SMALL CITIES ORGANIZED RISK EFFORT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Investments Authorized by the California Government Code and SCORE's Investment Policy: SCORE is authorized by State statutes to invest in securities of the U.S. Treasury and agencies, related commercial paper, medium-term notes rated AA or better with maturities of 5 years or less, certificates of deposit, bankers' acceptances, repurchase agreements, mutual funds, and the State of California's Local Agency Investment Fund (LAIF). Additionally, security purchases and holdings shall be maintained within statutory limits imposed by the California Government Code.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. SCORE manages its exposure to interest rate risk by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The SCORE monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The SCORE has no specific limitations with respect to this metric.

	June 30, 2013		
	Fair Value	Maturity	
		Less than One Year	Between One and Five Years
Investments maturities:			
Federal agency securities	\$ 5,641,300	\$ -	\$ 5,641,300
US Corporate notes	1,945,308	1,887,084	58,224
Commercial Paper	209,834	209,834	-
US Treasury	2,748,502	350,231	2,398,271
	\$ 10,544,944	\$ 2,447,149	\$ 8,097,795
	June 30, 2012		
	Fair Value	Maturity	
		Less than One Year	Between One and Five Years
Investments maturities:			
Federal agency securities	\$ 5,579,546	\$ 532,628	\$ 5,046,918
US Corporate notes	1,845,866	297,716	1,548,150
Commercial Paper	214,676	214,676	-
US Treasury	2,856,539	719,385	2,137,154
	\$ 10,496,627	\$ 1,764,405	\$ 8,732,222

Disclosures Relating to Credit Risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the entity's investment policy, or debt agreements, and the actual rating as of year-end for each investment type. The column marked "exempt from disclosure" identifies those investment types for which GASB No. 40 does not require disclosure as to credit risk:

(Continued)

SMALL CITIES ORGANIZED RISK EFFORT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Investment Type	Amount	Exempt From Disclosure	Ratings as of June 30, 2013			
			AAA	AA	A	Not Rated
Federal agency securities	\$ 5,641,300	\$ -	\$ -	\$ 5,641,300	\$ -	\$ -
U.S. corporate	1,945,308	-	358,632	1,586,676	-	-
Commercial paper	209,834	-	-	-	209,834	-
U.S. Treasury notes	<u>2,748,502</u>	<u>2,748,502</u>	-	-	-	-
Total	\$ <u>10,544,944</u>	\$ <u>2,748,502</u>	\$ <u>358,632</u>	\$ <u>7,227,976</u>	\$ <u>209,834</u>	\$ -

Investment Type	Amount	Exempt From Disclosure	Ratings as of June 30, 2012			
			AAA	AA +/-	A +/-	Not Rated
Federal agency securities	\$ 5,579,546	\$ -	\$ -	\$ 5,579,546	\$ -	\$ -
U.S. corporate	1,845,866	-	357,682	1,488,184	-	-
Commercial paper	214,676	-	-	-	214,676	-
U.S. Treasury notes	<u>2,856,539</u>	<u>2,856,539</u>	-	-	-	-
Total	\$ <u>10,496,627</u>	\$ <u>2,856,539</u>	\$ <u>357,682</u>	\$ <u>7,067,730</u>	\$ <u>214,676</u>	\$ -

Custodial Credit Risk: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and ACCEL's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

Concentration of Investment Credit Risk: The SCORE does not place limits on the amount it may invest in any one issuer. The SCORE had the following investments which represent more than five percent of its net investments:

	<u>2013</u>	<u>2012</u>
Federal National Mortgage Association	16.4%	15.8%
Federal Home Loan Mortgage Co.	14.9%	13.1%
Federal Home Loan Bank	9.8%	12.1%
United States Treasury Notes	25.9%	27.2%
Federal Farm Credit Bank	10.0%	10.3%

(Continued)

SMALL CITIES ORGANIZED RISK EFFORT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 3 – UNPAID CLAIMS AND CLAIMS ADJUSTMENT EXPENSES

	<u>2013</u>	<u>2012</u>
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ <u>5,193,706</u>	\$ <u>4,516,485</u>
Incurred claims and claim adjustment expenses:		
Provision for covered events of current fiscal year	1,210,339	1,281,000
Change in provision for covered events of prior fiscal years	<u>383,262</u>	<u>468,029</u>
Total incurred claims and claim adjustment expenses	<u>1,593,601</u>	<u>1,749,029</u>
Payments:		
Claims and claim adjustment expenses attributable to covered events of current fiscal year	126,661	466,456
Claims and claim adjustment expenses attributable to covered events of prior fiscal years	<u>1,020,515</u>	<u>605,352</u>
Total payments	<u>1,147,176</u>	<u>1,071,808</u>
Unpaid claims and claim adjustment expenses at end of fiscal year	<u>\$ 5,640,131</u>	<u>\$ 5,193,706</u>

The components of the unpaid claims and claim adjustment expenses for the SCORE as of June 30, 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
Claim reserves	\$ 3,698,386	\$ 2,847,273
Claims incurred but not reported (IBNR)	1,673,168	2,099,113
Unallocated loss adjustment expenses (ULAE)	<u>268,577</u>	<u>247,320</u>
	5,640,131	5,193,706
Current portion	<u>(1,346,403)</u>	<u>(1,284,563)</u>
	<u>\$ 4,293,728</u>	<u>\$ 3,909,143</u>

(Continued)

SMALL CITIES ORGANIZED RISK EFFORT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 4 – NET POSITION

The SCORE's Board has established, through an amendment to the Master Plan documents, a Minimum Equity for five times the Self-Insured Retention (SIR) applicable to both the Liability and Workers' Compensation programs. The Minimum Equity Reserves are \$2,500,000 and \$1,250,000, for the for the Liability and Workers' Compensation programs, respectively. No minimum equity reserves have been established for other programs offered by the SCORE.

Designations of net position were as follows, for the years ended June 30, 2013 and 2012:

	June 30, 2013			
	Liability Program	Workers' Compensation Program	Other Programs	Total
Minimum equity reserve	\$ 2,500,000	\$ 1,250,000	\$ -	\$ 3,750,000
Undesignated	2,352,756	431,028	(12,229)	2,771,555
Total Net Position	\$ 4,852,756	\$ 1,681,028	\$ (12,229)	\$ 6,521,555
	June 30, 2012			
	Liability Program	Workers' Compensation Program	Other Programs	Total
Minimum equity reserve	\$ 2,500,000	\$ 1,250,000	\$ -	\$ 3,750,000
Undesignated	2,632,626	1,137,991	(12,024)	3,758,593
Total Net Position	\$ 5,132,626	\$ 2,387,991	\$ (12,024)	\$ 7,508,593

NOTE 5 – JOINT POWERS AGREEMENT

The SCORE participates in joint ventures under Joint Powers Agreements (JPAs) with California Joint Powers Risk Management Authority (CJPRMA) and Local Agencies Workers' Compensation Excess Joint Powers Authority (LAWCX). The relationships are such that CJPRMA and LAWCX are not component units of the SCORE for financial reporting purposes.

CJPRMA arranges for and provides general liability coverage for claims over the SCORE's self-insured retention layer of \$500,000. LAWCX arranges for and provides excess workers' compensation coverage for losses in excess of \$150,000 per occurrence.

The joint powers agreements for CJPRMA and LAWCX are governed by boards of directors consisting of one representative of the member authorities. The boards control the operations of the JPAs, including selection of management and approval of operating budgets, independent of any influence by the member agencies beyond their representation on the boards. Each member authority pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionate to their participation.

(Continued)

SMALL CITIES ORGANIZED RISK EFFORT
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2013 and 2012

NOTE 5 – JOINT POWERS AGREEMENT (Continued)

Condensed financial information for the fiscal year ended June 30, 2012 (the most current information available) is as follows:

	<u>CJPRMA</u>	<u>LAWCX</u>
Total assets	\$ 97,281,326	\$ 65,962,653
Total liabilities	<u>46,423,481</u>	<u>39,812,621</u>
Net position	<u>\$ 50,857,845</u>	<u>\$ 26,150,032</u>
Revenues	\$ 20,709,224	\$ 9,171,005
Expenses	<u>11,388,497</u>	<u>10,963,129</u>
Change in Net position	<u>\$ 9,320,727</u>	<u>\$ (1,792,124)</u>

FINAL DRAFT

FINAL DRAFT

REQUIRED SUPPLEMENTARY INFORMATION

SMALL CITIES ORGANIZED RISK EFFORT
RECONCILIATION OF CLAIMS LIABILITIES BY PROGRAM
LIABILITY PROGRAM
For the Years Ended June 30, 2013 and 2012

The schedule below presents the changes in claims liabilities for the past two years of the SCORE's Liability Program:

	<u>2013</u>	<u>2012</u>
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ <u>1,198,024</u>	\$ <u>1,203,539</u>
Incurred claims and claim adjustment expenses:		
Provision for covered events of current fiscal year	452,597	495,000
Decrease in provision for covered events of prior fiscal years	<u>39,160</u>	<u>(114,782)</u>
Total incurred claims and claim adjustment expenses	<u>491,757</u>	<u>380,218</u>
Payments:		
Claims and claim adjustment expenses attributable to covered events of current fiscal year	52,403	266,681
Claims and claim adjustment expenses attributable to covered events of prior fiscal years	<u>371,218</u>	<u>119,052</u>
Total payments	<u>423,621</u>	<u>385,733</u>
Unpaid claims and claim adjustment expenses at end of fiscal year	\$ <u>1,266,160</u>	\$ <u>1,198,024</u>

The components of the unpaid claims and claim adjustment expenses for the Property and Liability Program as of June 30, 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
Claim reserves	\$ 691,578	\$ 453,725
Claims incurred but not reported (IBNR)	514,289	687,250
Unallocated loss adjustment expenses (ULAE)	<u>60,293</u>	<u>57,049</u>
	<u>\$ 1,266,160</u>	<u>\$ 1,198,024</u>

(Continued)

SMALL CITIES ORGANIZED RISK EFFORT
RECONCILIATION OF CLAIMS LIABILITIES BY PROGRAM
WORKERS' COMPENSATION PROGRAM
For the Years Ended June 30, 2013 and 2012

The schedule below presents the changes in claims liabilities for the past two years of the Workers' Compensation Program:

	<u>2013</u>	<u>2012</u>
Unpaid claims and claim adjustment expenses at beginning of fiscal year	\$ <u>3,995,682</u>	\$ <u>3,312,946</u>
Incurred claims and claim adjustment expenses:		
Change in provision for covered events of the current fiscal year	757,742	786,000
Change in provision for covered events of prior fiscal years	<u>344,102</u>	<u>582,811</u>
Total incurred claims and claim adjustment expenses	<u>1,101,844</u>	<u>1,368,811</u>
Payments:		
Claims and claim adjustment expenses attributable to covered events of the current year	74,258	199,775
Claims and claim adjustment expenses attributable to covered events of prior fiscal years	<u>649,297</u>	<u>486,300</u>
Total payments	<u>723,555</u>	<u>686,075</u>
Unpaid claims and claim adjustment expenses at end of fiscal year	\$ <u>4,373,971</u>	\$ <u>3,995,682</u>

The components of the unpaid claims and claim adjustment expenses for the Workers' Compensation Program as of June 30, 2013 and 2012 were as follows:

	<u>2013</u>	<u>2012</u>
Claim reserves	\$ 3,006,808	\$ 2,393,548
Claims incurred but not reported (IBNR)	1,158,879	1,411,863
Unallocated loss adjustment expenses (ULAE)	<u>208,284</u>	<u>190,271</u>
	<u>\$ 4,373,971</u>	<u>\$ 3,995,682</u>

SMALL CITIES ORGANIZED RISK EFFORT
CLAIMS DEVELOPMENT INFORMATION
For the Years Ended June 30, 2013 and 2012

The tables that follow illustrate how the SCORE's earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the SCORE as of the end of each of the previous ten years for the Liability and Workers' Compensation Programs. The rows of the tables are defined as follows:

1. Total of each fiscal year's gross earned premiums and reported investment revenue, amounts of premiums ceded and net earned reported premiums and reported investment revenue.
2. Each fiscal year's other operating costs of the Program including overhead and loss adjustment expenses not allocable to individual claims.
3. Program's gross incurred losses and allocated loss adjustment expense, losses assumed by reinsurers, and net incurred losses and loss adjustment expense (both paid and accrued) as originally reported at the end of the year in which the event that triggered coverage occurred (called policy year).
4. The cumulative net amounts paid as of the end of successive years for each policy year.
5. The latest reestimated amount of losses assumed by reinsurers for each policy year.
6. Policy year's incurred net claims increased or decreased as of the end of successive years. The annual re-estimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.
7. Compares the latest reestimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

The columns of the tables show data for successive policy years.

(Continued)

SMALL CITIES ORGANIZED RISK EFFORT
LIABILITY PROGRAM - CLAIMS DEVELOPMENT INFORMATION
June 30, 2013

	Fiscal and Policy Year Ended June 30									
	2004*	2005*	2006*	2007*	2008*	2009*	2010*	2011*	2012*	2013
1. Premiums and investment revenue:										
Earned	\$ 1,615,000	\$ 1,733,000	\$ 1,747,000	\$ 1,842,000	\$ 2,122,000	\$ 2,203,000	\$ 2,139,000	\$ 2,481,000	\$ 1,719,000	\$ 1,153,167
Ceded	-	(227,000)	(207,000)	(243,000)	(258,000)	(157,000)	(96,000)	(61,000)	(12,000)	(17,653)
Assessments (dividends)	-	(303,000)	-	-	(659,000)	(25,000)	(984,000)	-	-	-
Net earned	\$ 1,615,000	\$ 1,203,000	\$ 1,217,000	\$ 1,599,000	\$ 1,205,000	\$ 2,021,000	\$ 1,059,000	\$ 2,420,000	\$ 1,707,000	\$ 1,135,514
2. Unallocated expenses	\$ 348,000	\$ 356,000	\$ 198,000	\$ 225,000	\$ 254,000	\$ 483,000	\$ 447,000	\$ 394,000	\$ 425,000	\$ 353,957
3. Estimated claims and expenses, end of policy year:										
Incurred	\$ 337,000	\$ 746,000	\$ 1,047,000	\$ 1,051,000	\$ 1,126,000	\$ 1,105,000	\$ 1,001,000	\$ 829,000	\$ 507,000	\$ 522,653
Ceded	-	(227,000)	(227,000)	(243,000)	(258,000)	(157,000)	(96,000)	(61,000)	(12,000)	(17,653)
Net incurred	\$ 337,000	\$ 746,000	\$ 820,000	\$ 808,000	\$ 868,000	\$ 948,000	\$ 905,000	\$ 768,000	\$ 495,000	\$ 505,000
4. Net paid (cumulative) as of:										
End of policy year	\$ 500,000	\$ 183,000	\$ 231,000	\$ 205,000	\$ 74,000	\$ 157,000	\$ 189,000	\$ 141,000	\$ 267,000	\$ 52,403
One year later	\$ 610,000	\$ 322,000	\$ 531,000	\$ 419,000	\$ 277,000	\$ 243,000	\$ 264,000	\$ 327,000	\$ 398,189	
Two years later	\$ 744,000	\$ 325,000	\$ 636,000	\$ 764,000	\$ 429,000	\$ 261,000	\$ 306,000	\$ 538,026		
Three years later	\$ 756,000	\$ 325,000	\$ 629,000	\$ 783,000	\$ 753,000	\$ 272,000	\$ 334,174			
Four years later	\$ 773,000	\$ 337,000	\$ 629,000	\$ 834,000	\$ 762,000	\$ 271,751				
Five years later	\$ 774,000	\$ 349,000	\$ 655,000	\$ 890,000	\$ 890,000	\$ 761,967				
Six years later	\$ 775,000	\$ 369,000	\$ 659,000	\$ 890,000	\$ 890,000					
Seven years later	\$ 775,000	\$ 369,000	\$ 659,000	\$ 890,000	\$ 890,000					
Eight years later	\$ 775,000	\$ 369,000	\$ 659,000	\$ 890,000	\$ 890,000					
Nine years later	\$ 775,230	\$ 370,079	\$ 658,845	\$ 890,236	\$ 890,236					
5. Re-estimated ceded claims and expenses	\$ -	\$ -	\$ 227,000	\$ 243,000	\$ 258,000	\$ 157,000	\$ 96,000	\$ 61,000	\$ 12,000	\$ 284,186
6. Re-estimated incurred claims and expenses:										
End of policy year	\$ 500,000	\$ 746,000	\$ 920,000	\$ 808,000	\$ 868,000	\$ 948,000	\$ 905,000	\$ 768,000	\$ 495,000	\$ 505,000
One year later	\$ 610,000	\$ 736,000	\$ 796,000	\$ 1,032,000	\$ 670,000	\$ 670,000	\$ 670,000	\$ 775,000	\$ 985,000	
Two years later	\$ 744,000	\$ 554,000	\$ 836,000	\$ 1,223,000	\$ 581,000	\$ 388,000	\$ 487,000	\$ 639,000		
Three years later	\$ 756,000	\$ 428,000	\$ 760,000	\$ 931,000	\$ 761,000	\$ 351,000	\$ 398,000			
Four years later	\$ 773,000	\$ 370,000	\$ 671,000	\$ 838,000	\$ 775,000	\$ 271,751				
Five years later	\$ 774,000	\$ 359,000	\$ 675,000	\$ 844,000	\$ 755,224					
Six years later	\$ 775,000	\$ 375,000	\$ 645,000	\$ 835,991						
Seven years later	\$ 775,000	\$ 541,000	\$ 645,172							
Eight years later	\$ 775,000	\$ 370,079								
Nine years later	\$ 775,230	\$ 370,079								
7. Increase (decrease) in estimated incurred claims and expenses from end of policy year	\$ 438,230	\$ (375,921)	\$ (174,828)	\$ 27,991	\$ (112,776)	\$ (676,249)	\$ (507,000)	\$ (129,000)	\$ 490,000	\$ -

* Amounts recorded prior to June 30, 2013 were reported in thousands.

(Continued)

SMALL CITIES ORGANIZED RISK EFFORT
 WORKERS' COMPENSATION PROGRAM - CLAIMS DEVELOPMENT INFORMATION
 June 30, 2013

	Fiscal and Policy Year Ended June 30									
	2004*	2005*	2006*	2007*	2008*	2009*	2010*	2011*	2012*	2013
1. Premiums and investment revenue:										
Earned	\$ 2,275,000	\$ 2,647,000	\$ 2,231,000	\$ 2,145,000	\$ 2,173,000	\$ 2,150,000	\$ 2,056,000	\$ 1,931,000	\$ 1,322,000	\$ 1,229,856
Ceded	-	-	(342,000)	(324,000)	(416,000)	(408,000)	(315,000)	(408,000)	(284,000)	(289,969)
Assessments (dividends)	-	-	(887,000)	-	(504,000)	-	(984,000)	-	-	-
Net earned	\$ 2,275,000	\$ 2,647,000	\$ 1,002,000	\$ 1,821,000	\$ 1,253,000	\$ 1,742,000	\$ 757,000	\$ 1,523,000	\$ 1,038,000	\$ 939,887
2. Unallocated expenses	\$ 302,000	\$ 410,000	\$ 171,000	\$ 212,000	\$ 232,000	\$ 256,000	\$ 259,000	\$ 331,000	\$ 290,000	\$ 259,000
3. Estimated claims and expenses, end of policy year:										
Incurred	\$ 703,000	\$ 473,000	\$ 1,330,000	\$ 1,299,000	\$ 1,491,000	\$ 1,309,000	\$ 1,188,000	\$ 1,210,000	\$ 1,070,000	\$ 1,121,969
Ceded	-	-	(342,000)	(324,000)	(416,000)	(408,000)	(315,000)	(408,000)	(284,000)	(289,969)
Net incurred	\$ 703,000	\$ 473,000	\$ 988,000	\$ 975,000	\$ 1,075,000	\$ 901,000	\$ 873,000	\$ 802,000	\$ 786,000	\$ 832,000
4. Net paid (cumulative) as of:										
End of policy year	\$ 216,000	\$ 104,000	\$ 178,000	\$ 210,000	\$ 100,000	\$ 143,000	\$ 135,000	\$ 103,000	\$ 200,000	\$ 74,258
One year later	\$ 443,000	\$ 343,000	\$ 213,000	\$ 422,000	\$ 222,000	\$ 340,000	\$ 358,000	\$ 288,000	\$ 412,815	
Two years later	\$ 514,000	\$ 493,000	\$ 258,000	\$ 564,000	\$ 375,000	\$ 412,000	\$ 556,000	\$ 383,271		
Three years later	\$ 583,000	\$ 630,000	\$ 266,000	\$ 694,000	\$ 428,000	\$ 446,000	\$ 665,278			
Four years later	\$ 656,000	\$ 718,000	\$ 267,000	\$ 811,000	\$ 472,000	\$ 506,380				
Five years later	\$ 686,000	\$ 748,000	\$ 268,000	\$ 880,000	\$ 530,175					
Six years later	\$ 705,000	\$ 824,000	\$ 320,000	\$ 943,977						
Seven years later	\$ 712,000	\$ 882,000	\$ 321,758							
Eight years later	\$ 720,000	\$ 889,412								
Nine years later	\$ 723,745									
5. Re-estimated ceded claims and expenses	\$ -	\$ -	\$ 342,000	\$ 324,000	\$ 416,000	\$ 408,000	\$ 315,000	\$ 408,000	\$ 284,000	\$ 289,969
6. Re-estimated incurred claims and expenses:										
End of policy year	\$ 703,000	\$ 473,000	\$ 988,000	\$ 975,000	\$ 1,075,000	\$ 901,000	\$ 873,000	\$ 802,000	\$ 786,000	\$ 832,000
One year later	\$ 1,014,000	\$ 804,000	\$ 781,000	\$ 921,000	\$ 734,000	\$ 787,000	\$ 719,000	\$ 848,000	\$ 810,000	
Two years later	\$ 907,000	\$ 840,000	\$ 634,000	\$ 777,000	\$ 776,000	\$ 725,000	\$ 988,000	\$ 846,000		
Three years later	\$ 860,000	\$ 959,000	\$ 526,000	\$ 734,000	\$ 668,000	\$ 675,000	\$ 1,098,000			
Four years later	\$ 922,000	\$ 871,000	\$ 397,000	\$ 730,000	\$ 728,000	\$ 680,000				
Five years later	\$ 795,000	\$ 923,000	\$ 345,000	\$ 695,000	\$ 849,000					
Six years later	\$ 778,000	\$ 997,000	\$ 330,000	\$ 611,000						
Seven years later	\$ 693,000	\$ 1,127,000	\$ 329,000							
Eight years later	\$ 771,000	\$ 1,150,000								
Nine years later	\$ 632,000									
7. Increase (decrease) in estimated incurred claims and expenses from end of policy year	\$ (11,000)	\$ (677,000)	\$ (669,000)	\$ (364,000)	\$ (226,000)	\$ (221,000)	\$ 225,000	\$ 44,000	\$ 24,000	\$ -

* Amounts recorded prior to June 30, 2013 were reported in thousands.

FINAL DRAFT

SUPPLEMENTARY INFORMATION

SMALL CITIES ORGANIZED RISK EFFORT
 COMBINING STATEMENTS OF NET POSITION
 June 30, 2013

	<u>Liability</u>	<u>Workers' Compensation</u>	<u>Other Programs</u>	<u>Administrative</u>	<u>Total</u>
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 873,125	\$ 731,234	\$ (14,088)	\$ -	\$ 1,590,271
Receivables:					
Contributions receivable	547,534	418	-	-	547,952
Interest receivable	18,996	20,479	-	-	39,475
Other receivables	-	53,993	-	-	53,993
Investments maturing within one year	1,076,596	1,370,553	-	-	2,447,149
Prepaid expenses	5,688	5,688	1,859	-	13,235
Total current assets	<u>2,521,939</u>	<u>2,182,365</u>	<u>(12,229)</u>	<u>-</u>	<u>4,692,075</u>
Noncurrent assets:					
Investments, less portion maturing in one year	3,896,660	4,201,135	-	-	8,097,795
Total assets	<u>6,418,599</u>	<u>6,383,500</u>	<u>(12,229)</u>	<u>-</u>	<u>12,789,870</u>
LIABILITIES					
Current liabilities:					
Accounts payable	7,650	7,650	-	-	15,300
Unearned revenue	3,100	13,510	-	-	16,610
Dividend payable to members	288,933	307,341	-	-	596,274
Current portion of unpaid claims and claims adjustment expenses	550,440	795,963	-	-	1,346,403
Total current liabilities	850,123	1,124,464	-	-	1,974,587
Unpaid claims and claim adjustment expenses, less current portion	715,720	3,578,008	-	-	4,293,728
Total liabilities	<u>1,565,843</u>	<u>4,702,472</u>	<u>-</u>	<u>-</u>	<u>6,268,315</u>
Total net position	<u>\$ 4,852,756</u>	<u>\$ 1,681,028</u>	<u>\$ (12,229)</u>	<u>\$ -</u>	<u>\$ 6,521,555</u>

(Continued)

SMALL CITIES ORGANIZED RISK EFFORT
 COMBINING STATEMENTS OF NET POSITION
 June 30, 2012

	<u>Liability</u>	<u>Workers' Compensation</u>	<u>Other Programs</u>	<u>Administrative</u>	<u>Total</u>
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,282,921	\$ 1,175,150	\$ (13,518)	\$ -	\$ 2,444,553
Receivables:					
Contributions receivable	576,770	-	-	-	576,770
Interest receivable	22,747	25,041	-	-	47,788
Other receivables	-	28,167	-	-	28,167
Investments maturing within one year	745,801	1,018,604	-	-	1,764,405
Prepaid expenses	-	-	1,494	-	1,494
Total current assets	2,628,239	2,246,962	(12,024)	-	4,863,177
Noncurrent assets:					
Investments, less portion maturing in one year	4,156,538	4,575,684	-	-	8,732,222
Total assets	6,784,777	6,822,646	(12,024)	-	13,595,399
LIABILITIES					
Current liabilities:					
Accounts payable	41,356	22,534	-	-	63,890
Unearned revenue	40,580	677	-	-	41,257
Dividend payable to members	372,191	415,762	-	-	787,953
Current portion of unpaid claims and claims adjustment expenses	495,879	788,684	-	-	1,284,563
Total current liabilities	950,006	1,227,657	-	-	2,177,663
Unpaid claims and claim adjustment expenses, less current portion	702,145	3,206,998	-	-	3,909,143
Total liabilities	1,652,151	4,434,655	-	-	6,086,806
Total net position	\$ 5,132,626	\$ 2,387,991	\$ (12,024)	\$ -	\$ 7,508,593

(Continued)

SMALL CITIES ORGANIZED RISK EFFORT
 COMBINING STATEMENTS OF REVENUES, EXPENSES
 AND CHANGE IN NET POSITION
 June 30, 2013

	Liability	Workers' Compensation	Other	Administration	Total
Operating revenues:					
Member contributions	\$ 1,144,153	\$ 1,220,217	\$ 322,034	-	\$ 2,686,404
Operating expenses:					
Provisions for claims and claim adjustment expenses	491,757	1,101,844	-	-	1,593,601
Insurance premiums	17,653	289,969	322,144	-	629,766
Program administration	159,757	54,993	-	-	214,750
Claims administration	108,250	113,990	-	-	222,240
Contract risk management services	34,206	34,206	-	-	68,412
Professional services	48,500	-	-	90,134	138,634
Member dividends	500,000	250,004	-	-	750,004
General and administrative expenses	-	16,899	-	55,695	74,594
Total operating expenses	1,360,123	1,863,905	322,144	145,829	3,692,001
Allocation of administration expenses	72,915	72,914	-	(145,829)	-
Operating loss	(288,885)	(716,602)	(110)	-	(1,005,597)
Non-operating revenues:					
Investment income (losses)	9,015	9,639	(95)	-	18,559
Change in net position	(279,871)	(706,963)	(205)	-	(987,038)
Net position, beginning of year,	5,132,626	2,387,991	(12,024)	-	7,508,593
Net position, end of year	<u>\$ 4,852,756</u>	<u>\$ 1,681,028</u>	<u>\$ (12,229)</u>	<u>\$ -</u>	<u>\$ 6,521,555</u>

(Continued)

SMALL CITIES ORGANIZED RISK EFFORT
 COMBINING STATEMENTS OF REVENUES, EXPENSES
 AND CHANGE IN NET POSITION
 June 30, 2012

	<u>Workers' Compensation</u>	<u>Liability</u>	<u>Other Programs</u>	<u>Administrative</u>	<u>Total</u>
Operating revenues:					
Member contributions	\$ 1,602,506	\$ 1,168,960	\$ 303,261	-	\$ 3,074,727
Operating expenses:					
Provisions for claims and claim adjustment expenses	380,218	1,368,811	-	-	1,749,029
Insurance premiums	11,604	284,186	292,823	-	588,613
Program administration	152,152	52,374	-	-	204,526
Claims administration	130,519	111,980	-	-	242,499
Contract risk management services	65,126	32,198	-	-	97,324
Professional services	2,785	4,800	-	82,261	89,046
Member dividends	2,037,343	2,145,323	-	-	4,182,666
General and administrative expenses	-	15,150	-	67,092	82,242
Total operating expenses	<u>2,779,747</u>	<u>4,014,022</u>	<u>292,823</u>	<u>149,353</u>	<u>7,235,945</u>
Allocation of administration expenses	74,677	74,676	-	(149,353)	-
Operating (loss) income	<u>(1,251,918)</u>	<u>(2,919,738)</u>	<u>10,438</u>	<u>-</u>	<u>(4,161,218)</u>
Non-operating revenues:					
Investment income	116,137	152,855	-	-	268,992
Change in net position	(1,135,781)	(2,766,883)	10,438	-	(3,892,226)
Net position, beginning of year	6,268,407	5,154,874	(22,462)	-	11,400,819
Net position, end of year	<u>\$ 5,132,626</u>	<u>\$ 2,387,991</u>	<u>\$ (12,024)</u>	<u>\$ -</u>	<u>\$ 7,508,593</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors
Small Cities Organized Risk Effort
Sacramento, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of Small Cities Organized Risk Effort, which comprise the statement of net position as of June 30, 2013, and the related statement of revenues, expenses and change in net position, statement of cash flows for the year then ended, and the related notes to the basic financial statements and have issued our report thereon dated October __, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Small Cities Organized Risk Effort's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Small Cities Organized Risk Effort's internal control. Accordingly, we do not express an opinion on the effectiveness of Small Cities Organized Risk Effort's internal controls.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Small Cities Organized Risk Effort's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sacramento, California
October __, 2013

FINAL DRAFT

[REDACTED]

SCORE TARGET EQUITY ANALYSIS

INFORMATION ITEM

ISSUE: The Board of Directors will hear and discuss the Target Equity Ratio Analysis as of June 30, 2013 presented by Mr. Michael Simmons. On an annual basis, SCORE compares the current claims and financial experience with our Target Equity Plan as stated in our Administrative Target Equity Policy adopted in October 2007.

The annual **Target Equity Review** is used as to benchmark and evaluate our stability and strength of the programs. This year, the Liability Program continues to perform well and all Target Equity Ratios are being met. The Worker's Compensation program currently shows a negative trend and deteriorating reserve developments. The JPA is still sufficiently funded to meet claim obligations but the W.C. program should be closely monitored to make sure recent developments do not indicate a long term trend.

FISCAL IMPACT: SCORE's *Net Position* as of 6/30/13 is \$12,789,970, which represents a **decrease of \$805,529** from YE 6/30/12. (Claims Liabilities increased by \$446,425 from the prior year).

RECOMMENDATION: Staff recommends the Board review the Target Equity Plan and the results for the year ending June 30, 2013 for both the Liability and Workers' Compensation programs.

BACKGROUND: During SCORE's accreditation for the California Association of Joint Powers Authorities (CAJPA), the Accreditation Auditor advised that SCORE should have a Target Equity Policy in place. On October 26, 2007, the Board approved SCORE's Target Equity policy to give guidance to the SCORE Board in making annual funding, dividend and assessment decisions for the Banking Layer and Shared Risk Layers. The Board should annually evaluate the Program's funding position relative to the target surplus goal.

ATTACHMENTS:

1. Policy and Procedure, *SCORE Target Equity Policy*
2. Target Equity Ratio Presentation



Target Equity/Return of Equity Policy Statement

I. PURPOSE

The purpose of this policy statement is to give guidance to the SCORE Board of Directors in making annual funding, dividend and assessment decisions for the Banking Layer and Shared Risk Layers.

The SCORE Board of Directors' acknowledge actuarial estimates are relied upon heavily when making financial decisions and that there is a high degree of uncertainty in such estimates due to the possibility of occasional catastrophic claims and inconsistent or inaccurate case reserving; therefore, the Board of Directors desires to fund the Banking Layer and Shared Risk Layer programs in a cautious and prudent manner and return equity to its members in an equally cautious and prudent manner. It is the policy of SCORE to conservatively fund its programs to maintain sufficient assets to pay all losses and avoid substantial fluctuations to contributions.

In order to fund program years in a fiscally prudent manner, the SCORE Board of Directors collects contributions at an actuarially determined confidence level as determined by the Board annually. The SCORE Board of Directors strives to annually collect at the 85% confidence level or higher as determined by the actuary.

II. DEFINITIONS

- "Claims Paid to Date" is the amount actually paid on reported claims at the date of valuation. "Claims Paid to Date" includes those amounts paid for both defense and indemnity of claims.
- "Confidence Level" is a statistical term used to express the degree to which an actuarial projection (usually "Ultimate Net Loss" or "IBNR") will be an accurate prediction of the dollar losses ultimately paid for a given program year or combination of years. The higher a "Confidence Level" the greater certainty the actuary has that losses will not exceed the dollar value used to attain that "Confidence Level".
- "Equity" is the amount of funds remaining, after deducting all administrative and excess insurance costs, available to pay claims in excess of actuarial expected losses discounted for investment income at the actuarially determined "Expected" "Confidence Level".
- "Expected" by industry standard translates roughly to the 50% to 56% "Confidence Level" as determined by the independent actuary.

- “Expected Liabilities” is the total of all “Outstanding Reserves” and “IBNR”, discounted, at the “expected” “confidence level”.
- “Incurred But Not Reported (IBNR)” is the estimate of the funds needed to pay for covered losses that have occurred but have not yet been reported to the member and/or SCORE. “IBNR” includes (a) known and unknown loss events that are expected to be claims; and (b) expected future development on claims already reported.
- “Net Contribution” includes the total contributions from members less the excess insurance cost.
- “Net Present Value” is the discounting of future cash flows to current values by taking into account the time-value of money.
- “Self Insured Retention” is the maximum amount of pooled risk retained by SCORE before any excess coverage.
- “Outstanding Reserves” are the sum total of unpaid case reserves in the Banking and Shared Risk Layers determined by the SCORE Claims Administrator.
- “Ultimate Net Loss” is the sum of “Claims Paid to Date”, “Outstanding Reserves” and “IBNR”, all within SCORE’s Banking and Shared Risk Layers. It is the estimate of the total value of all claims that will ultimately be made against members for which SCORE is responsible.

III. IMPORTANT EQUITY RATIOS

The SCORE Board of Directors will only consider returning “Equity” to the members after evaluating and concluding the following ratios remain appropriate for the group prior to and following any potential return of “Equity”:

☞ **“Net Contribution” to “Equity” ratio:** **Target $\leq 2.5:1$**

This ratio is a measure of how “Equity” is leveraged against possible pricing inaccuracies. A low ratio is desirable.

☞ **“Outstanding Reserves” to “Equity” ratio:** **Target $\leq 4:1$**

This ratio is a measure of how “Equity” is leveraged against possible reserve inaccuracies. A low ratio is desirable.

☞ **“Equity” to “Self Insured Retention” ratio:** **Target $\geq 5:1$**

This ratio is a measure of the maximum amount that “Equity” could decline due to a single loss. A high ratio is desirable.

☞ **Reserve Development:**

Target \leq 20%

This is a measure of the change in aggregate ultimate losses from one valuation period to the prior valuation(s). Generally, the one-year and two-year reserve development to “Equity” threshold should be less than 20%.

☞ **Change in Equity:**

Target \geq -10%

This ratio measures if a decline in equity in excess of 10% warrants an increase in annual contribution or an assessment.

- IV. **ANNUAL ACTUARIAL STUDY.** SCORE will conduct an annual actuarial analysis to assist the Board of Directors in making funding decisions on a prospective and retrospective basis.
- V. **RETROSPECTIVE RETURN OF EQUITY CRITERIA.** After annual review of the “Equity” portion of the program as a whole, the program years to be adjusted and the important ratios, the Board of Directors will determine whether it is desirable to increase, decrease, or stabilize “Equity”. If the Board desires to decrease “Equity”, by return “Equity” to the members, it will not return funds from any given program years that will cause the given program year to fall below a 85% “Confidence Level”, or the funding of the program as a whole to fall below the 85% “Confidence Level” and the Board of Directors will only consider returning “Equity” to the members after evaluating and concluding the Equity Ratios remain appropriate for the group prior to and following any potential return of “Equity”.

Return of “Equity” may be available from the “closing” of a program year in accordance with the Master Plan Documents (Bylaws).

Appendix B

Applicable SCORE Governing Documents Sections

The SCORE Master Program for the Liability Program document, Article III, states the following:

1. ADJUSTMENTS TO ACCOUNT BALANCES

A. ASSESSMENTS

If the Liability Program as a whole is not actuarially sound, that is where the funds for losses are less than the expected losses as determined by the actuary, an assessment against all "Participating Members" of the "Program Years" that are found to be actuarially unsound, shall be assessed a portion of the deficiency of funding according to the following calculation:

- 1) Each "Participating Member" of the earliest "Program Year" with a deficit balance shall be assessed to the extent that the participating Member has a deficit balance in that year using the calculation of account balances as described in the Retrospective Adjustment Section below. However, such calculation shall use funding at an actuarially expected loss level.
- 2) If the funds collected from assessing the year under A1, above, are insufficient to fund the Program above a deficit balance, the next earliest "Program Year" with a deficit will be assessed in the same fashion as the first year, per A1 above.
- 3) The above funds collection (A2) will be repeated until such time as sufficient funds have been raised to eliminate the deficit of the Program as a whole.

B. RETROSPECTIVE ADJUSTMENT

It is understood that the funds of the JPA are those of the JPA and no member may demand payment of the funds allocated to them via the Retrospective Adjustment or any other manner of distribution other than the declaration of a dividend by the Board or in accordance with distribution described in the Joint Powers Agreement upon the dissolution of SCORE.

1) TIMING

- a. Shared Risk Layer – Five (5) years after the end of the "Program Year", a "Retrospective Adjustment" shall be calculated for potential distribution or surcharge. Every year after the first "Retrospective Adjustment", there shall be additional adjustments until the "Program Year" is closed.
- b. Banking Layer – A "Retrospective Adjustment" shall be calculated at the end of the "Program Year" for potential distribution or surcharge. Every year after the first "Retrospective Adjustment", there shall be additional adjustments until the "Program Year" is closed. Typically, the Board of Directors refrains from returning twenty-five (25) percent of the positive balances.

- c. The Board of Directors may waive the collection of all members having a negative net balance or a net surcharge, provided the waiver will not leave the Liability Program funded below the 85 percent confidence level. This waiver may apply to the shared risk or the banking layer separately or together.
- d. The Board of Directors need not declare a dividend or may declare a dividend that is something less than the Retrospective Adjustment calculates.

2) CALCULATION OF ACCOUNT BALANCES – SHARED RISK

- a. Each "Participating Member" will be credited for their deposit premiums paid to the Shared Risk Layer and any assessments paid for the "Program Year". Allocated interest for the year will be added to the amount determined above. This amount will constitute the Total Revenues credited to the "Entity's" Shared Risk account for the "Program Year".
- b. From the amount calculated in a, above, the cost of claims shall be subtracted.
 - i. If the "Program Year" adjusted is the Program Year 2002-2003, then the total claims and IBNR in the shared risk layer for the shared risk layer shall be allocated based on an Adjusted Exposure Base calculated by:
 - o Dividing five (5) consecutive years of losses for each member limited to \$50,000 any one occurrence starting with the "Program Year" for which the adjustment is being calculated by the total deposits to the Liability Program of the member for those corresponding four (4) years. This calculates the member's loss rate for the period.
 - o Dividing the above loss ratio by the loss ratio for SCORE as a whole during the same period. This comparison of the loss rate of each member to the loss rate of SCORE for the same four (4) year period calculates a Relative Loss Rate or the member's deviation from the norm as a ratio.
 - o Multiply the Relative Loss Rate by the Credibility Factor and then add one minus the credibility factor. This produces the Experience Modification Factor.
 - The credibility factor is determined by dividing the member's four (4) year total deposits by the sum of the member's total deposit plus the smallest of the total deposit of any of the members. Thus, the smallest member will have a credibility factor of fifty (50) percent and all other members will have a credibility factor of fifty (50) percent or greater.
 - o The Adjusted Exposure Base is calculated by multiplying the four (4) years of deposits calculated earlier by the Experience Modification Factor.
 - ii. If the "Program Year" is the Program Year 2003-2004 or later, then the Adjusted Exposure Base is the Share Risk deposit for the "Program Year" divided by the total of all members' Shared Risk deposit for the year.

- c. The total amount of incurred claims within the share risk layer plus the IBNR at the 85 percent confidence level, plus any amounts reserved for shock losses as determined by the Board of Directors is distributed to the members in proportion to their Adjusted Exposure Base is to the total Adjusted Exposure Base for SCORE as a whole. This amount will be the Total Claims Costs for the member.
- d. The Funds in Excess of Costs is determined by subtracting the Total Claims Costs from the Total Revenues.
- e. The Account Balance for the member in any "Program Year" is the Funds in Excess of Costs less any prior returns plus any prior surcharges. This amount, or any portion of this amount, may be distributed to the member after approval from the Board and only if the "Program Year" is at least five (5) years old and the Program as a whole will not be under an 85 percent confidence level after the return or dividend.

3) CALCULATION OF ACCOUNT BALANCE – BANKING LAYER

- a. Each "Participating Member" will be credited for their deposit premiums paid to the Banking Layer and any assessments paid for the "Program Year". Allocated interest for the year will be added to the amount determined above. In addition, returns or surcharges from the excess coverage shall be credited or debited. This amount will constitute the Total Revenues credited to the "Entity's" Banking Layer account for the "Program Year".
- b. The amount credited for the returns from the excess coverage, or debited for the surcharges from the excess coverage, shall be allocated to the "Participating Members" in the same proportion as the member's Banking Layer deposit is to the total deposits of all "Participating Members".
- c. From the amount calculated in a, above, the cost of claims incurred within the Banking Layer by the member shall be subtracted. This amount shall include any payments made for the member from the Funds for Legal Assistance.
- d. In addition, an amount shall be deducted for IBNR at an 85 percent confidence level plus any amount for shock losses the Board of Directors determines should be withheld for financial security. The amount to be deducted from the member shall be the same proportion of the amount to be charged to the "Program Year" as is the member's Banking Layer deposit to the total Banking Layer deposits of all the members. The result will be the Funds in Excess of Costs.
- e. Any excess funds charged, or shortage of funds, for administrative expenses at the beginning of the "Program Year" for the Liability Program shall be added to, or subtracted from, the Funds in Excess of Costs, allocating such administrative expenses half by payroll for the period and half equally among the members.
- f. Finally, any prior returns, or prior surcharges shall be subtracted from, or credited to, the Funds in Excess of Costs.

- g. The result of the above calculation will provide the ending account balance for the Banking Layer of which the Board may return all or any portion of the excess funds provided such return will not leave the Liability Program, or the "Program Year", below an 85 percent confidence level.

4) DISTRIBUTION

Upon completion of the calculation described above, if there is a net negative balance in the individual accounts, the "Participant" shall not receive a refund for that "Program Year". "Participants" with positive balances may receive a refund, as determined by the Board of Directors. However, the total refunds for any one "Program Year" shall not exceed the actuarially determined surplus for that year. Further, the total refunds for any one "Program Year" shall be limited to the actuarially determined surplus for the Liability Program as a whole less any refunds granted from prior "Program Year's".

C. CLOSING OF PROGRAM YEARS

- 1) The Board of Directors may close a "Program Year" as described in Article I Section 2A.
- 2) Upon closure of a "Program Year", a final calculation of account balances shall be made as described in Part 3(g) above, and the account balances shall be returned if positive, or surcharged if negative, to the "Participating Member".
- 3) The Board of Directors retains the right to assess any and all "Member Entities" participating in a closed "Program Year", if such "Program Year" should incur additional expenses after closure.

The SCORE Master Liability Program Document, Article V, Section 3, states the following:

1. TERMINATION OF PARTICIPATION

- A. A "Participating Member" in one "Program Year" shall participate in the next "Program Year" unless:
 - 1) A request to terminate participation is received from the "Participating Member" at least six (6) months prior to the inception of the next "Program Year",
 - 2) A termination notice from the President advising the Board of Directors" of action to expel the "Participating Member" has been sent to the "Participating Member", or
 - 3) The "Participant" is no longer a "Member Entity".
- B. Termination of participation in future "Program Years" does not relieve the terminated "Entity" of any benefits or obligations of those "Program Years" in which the "Entity" participated. These obligations include payment of assessments, "Retrospective Adjustments", or any other amounts due and payable.

- C. The Board of Directors may terminate future participation by an "Entity" for the following reasons:
- 1) Declination to cover the "Entity" by the organization providing excess coverage;
 - 2) Nonpayment of past billings, assessments, surcharges, or other charges;
 - 3) Habitual late payment of billings, assessments, surcharges, and/or other charges, or habitual late response in submitting data required by the Liability Program;
 - 4) Failure to provide underwriting information;
 - 5) Development of an extraordinarily poor loss history;
 - 6) A substantial change in exposures that are not acceptable in this program; and/or
 - 7) Financial impairment that is likely to jeopardize this Program's ability to collect amounts due in the future.



Small Cities Organized Risk Effort (SCORE) Target Equity Ratios

Presented by:

Michael Simmons, Alliant Insurance Services

October 25, 2013

Target Equity Policy

Purpose

- Develop set of benchmarks to measure the financial soundness of SCORE against industry standards
- Offer a financial picture of the organization at a point in time
- Ratios indicate how the organization is performing and can identify negative trends
- Assist in evaluation and implementation of prudent funding levels
- Assist in evaluation of surplus levels
- Expose deteriorating experience before it can have an adverse impact on the pool

Definitions

- “Confidence Level” is a statistical term used to express the degree to which an actuarial projection will be an accurate prediction of the dollar losses ultimately paid for a given program year or combination of years. The higher a “Confidence Level” the greater certainty the actuary has that losses will not exceed the dollar value used to attain the “Confidence Level.”
Example: 70% confidence level – If an actuary does 1 study every year for 10 years, statistically 7 out of those 10 years the JPA will have enough money for claims

- “Equity” is the amount of funds remaining, after deducting all administrative and excess insurance costs, which is available to pay claims in excess of actuarial expected losses discounted for investment income at the actuarially determined “Expected Confidence Level.”
- “Net Contribution” includes the total contributions from members less the excess insurance costs.
- “Self Insured Retention” is the maximum amount of exposure to a single loss retained by SCORE.

Assets - Liabilities = Net Assets

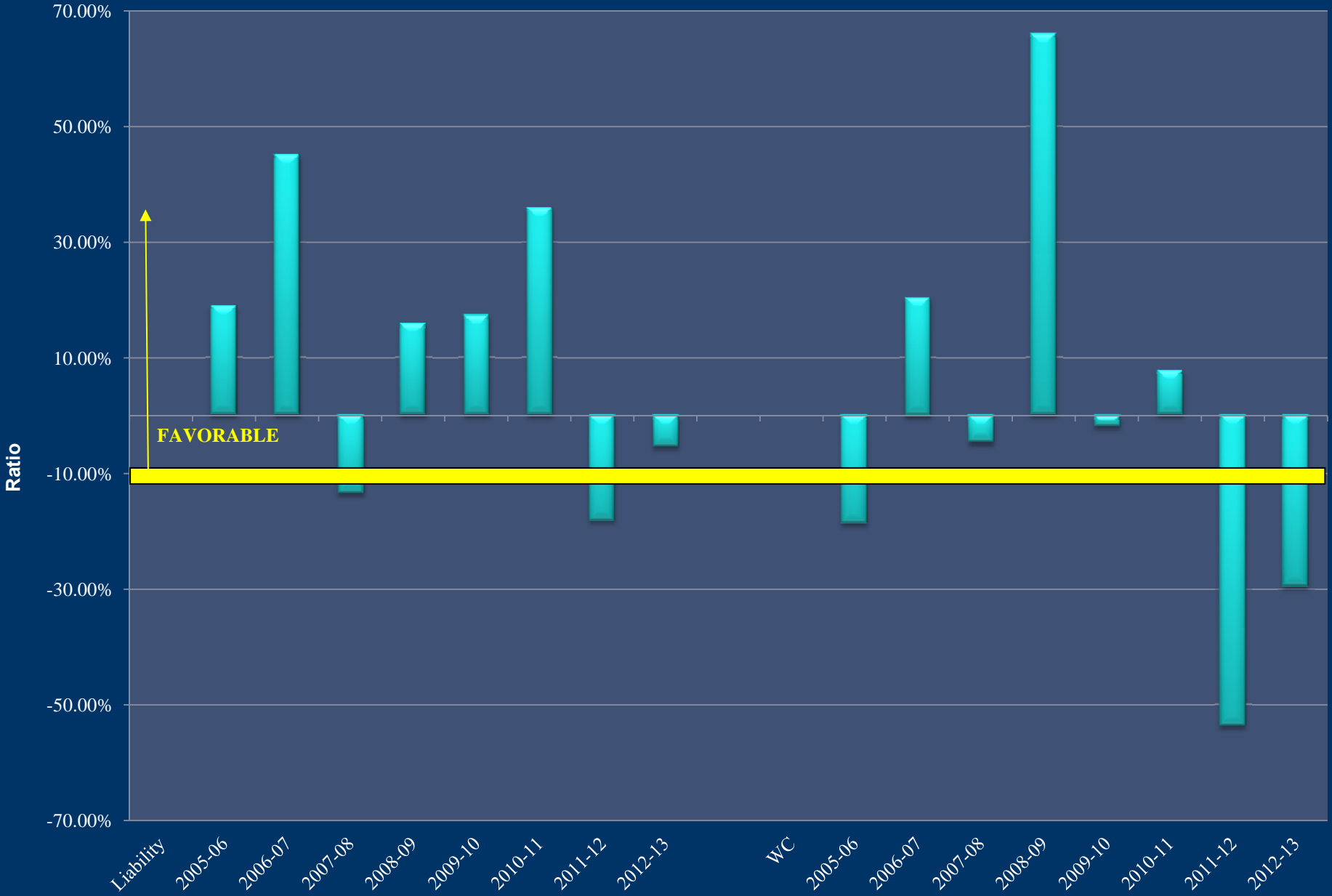
- SCORE's Net Position (Assets or Equity) as of 6/30/13 = \$12,789,870
- Net Assets have decreased by \$805,529 or 5.9% from 6/30/12.
- Claims Liabilities increased by \$446,425 or 8.6% from 6/30/12.

Change in Equity Ratio

Target \geq -10%

- This ratio measures if a decline in equity in excess of 10% warrants an increase in annual contribution or an assessment.
- Large fluctuations in equity indicate the program is experiencing change
 - Could result from change in S.I.R.
 - Could result from loss growth eroding equity
 - Could result from return of dividends
- **TAKEAWAY - More Equity = Better/More stable program. The 2012-13 ratio is -5% for Liability and -30% for Workers' Compensation. This indicates stable loss development in the Liability Program and unfavorable claims development on the Workers' Compensation side.**
Potential Fix: Increase rates for the W.C. Program in the future.

Change In Equity Target $\geq -10\%$

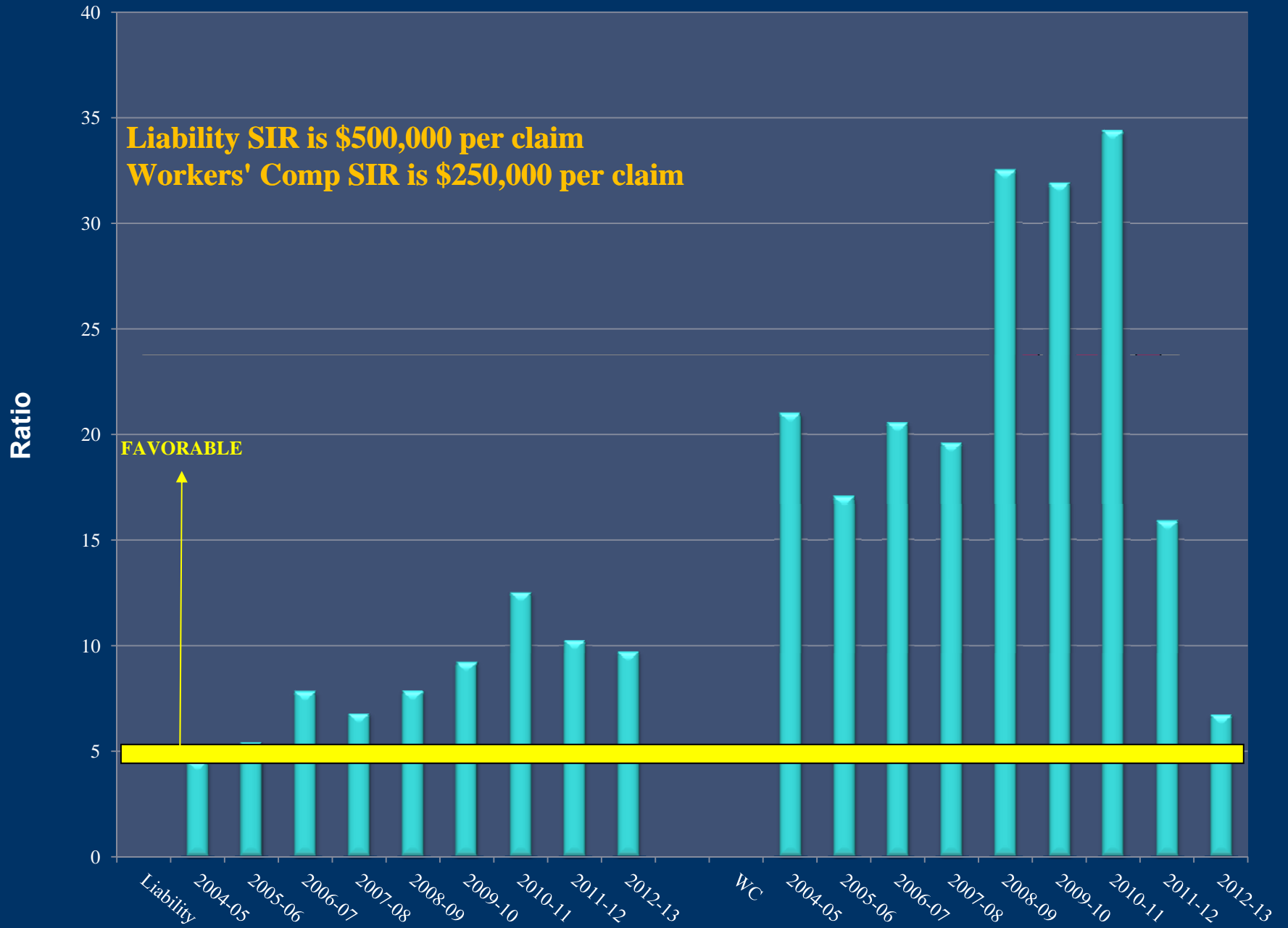


Equity to Self Insured Retention Ratio

Target $\geq 5:1$

- This ratio is a measure of the maximum amount that equity could decline due to a single loss and is the most important ratio the authority will review.
- **Shows overall financial standing compared to your exposure.**
- The recommended target is for both programs to have equity to absorb five full SIR losses.
- Protects against possibility of assessment
- A high ratio is desirable
- Assists in the assessment of ability to absorb a higher SIR
- **TAKEAWAY - SCORE is sufficiently funded to withstand several full SIR losses. The Workers' Compensation program is also funded sufficiently to support the recent increase in the SIR to \$250,000. Note that dividend and/or claims payments can significantly impact this ratio.**

Equity to Self Insured Retention Target $\geq 5:1$

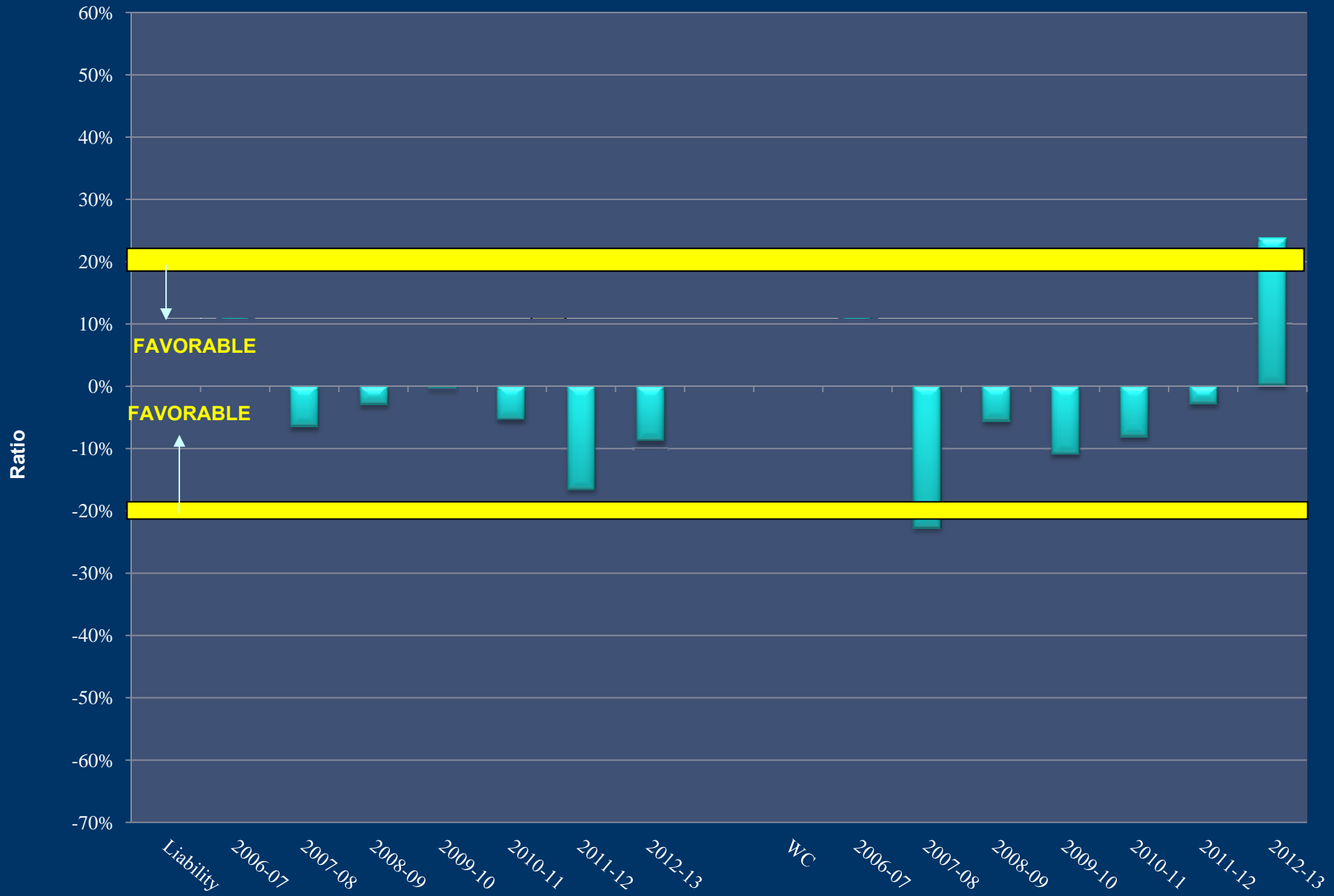


2 Year Reserve Development Ratio

Target $\leq 20\%$

- This is a measure of the change in loss development from one valuation period to the prior valuation period.
- Comparing changes in loss development is an indicator of changing conditions
- Generally, the two year reserve development to equity threshold should be less than 20%
- **TAKEAWAY - This is a measure of the actuary(measures how accurately the actuary forecasted losses vs. what they ended up being). In the Liability Program, the 2 Year Reserve Development is showing a decreasing trend, indicating a steady decrease in reserves; The W.C. is showing large increases in reserves over the recent 2 year period – 24% increase for the 2 yr Development Ratio. Staff will monitor the reserve development projections with the actuary and claims administrator in the following period to determine the cause.**

2 Year Reserve Development Target $-20% < x < 20%$

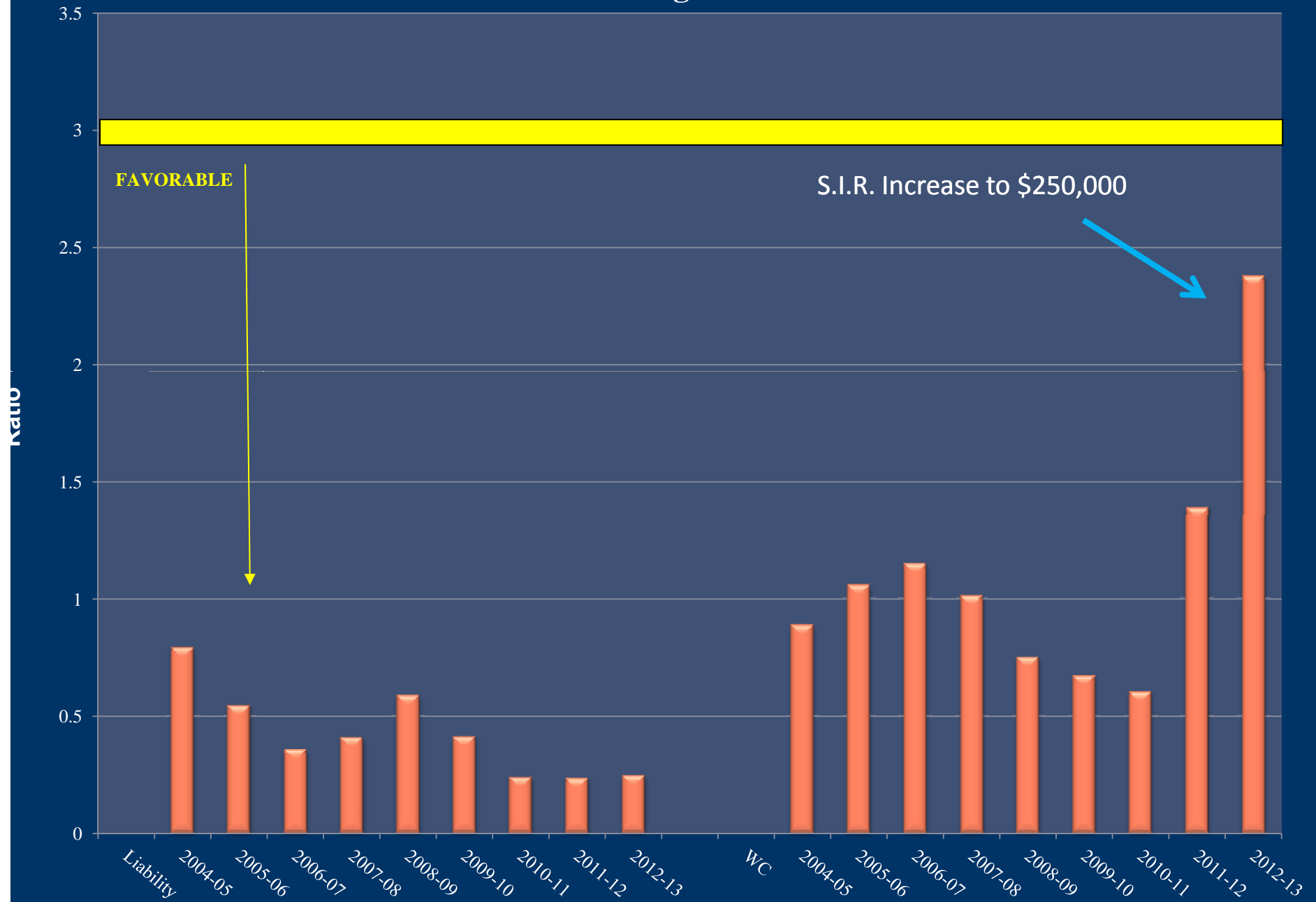


Outstanding Reserves to Equity Ratio

Target $\leq 3:1$

- Comparison of net equity to current potential losses, including IBNR
- The recommended target is to have reserves less than three times the equity
- Over time this ratio can indicate changing loss exposures
- A low ratio is desirable
- **TAKEAWAY - SCORE is a stable pool that follows conservative funding practices and sufficient funds to meet potential losses. The Workers' Compensation exposure is larger and a negative trend indicates claims should be monitored very closely. It is not beneficial to the pool to approach the limit of the ratio.**

Outstanding Reserves to Equity Target $\leq 3:1$



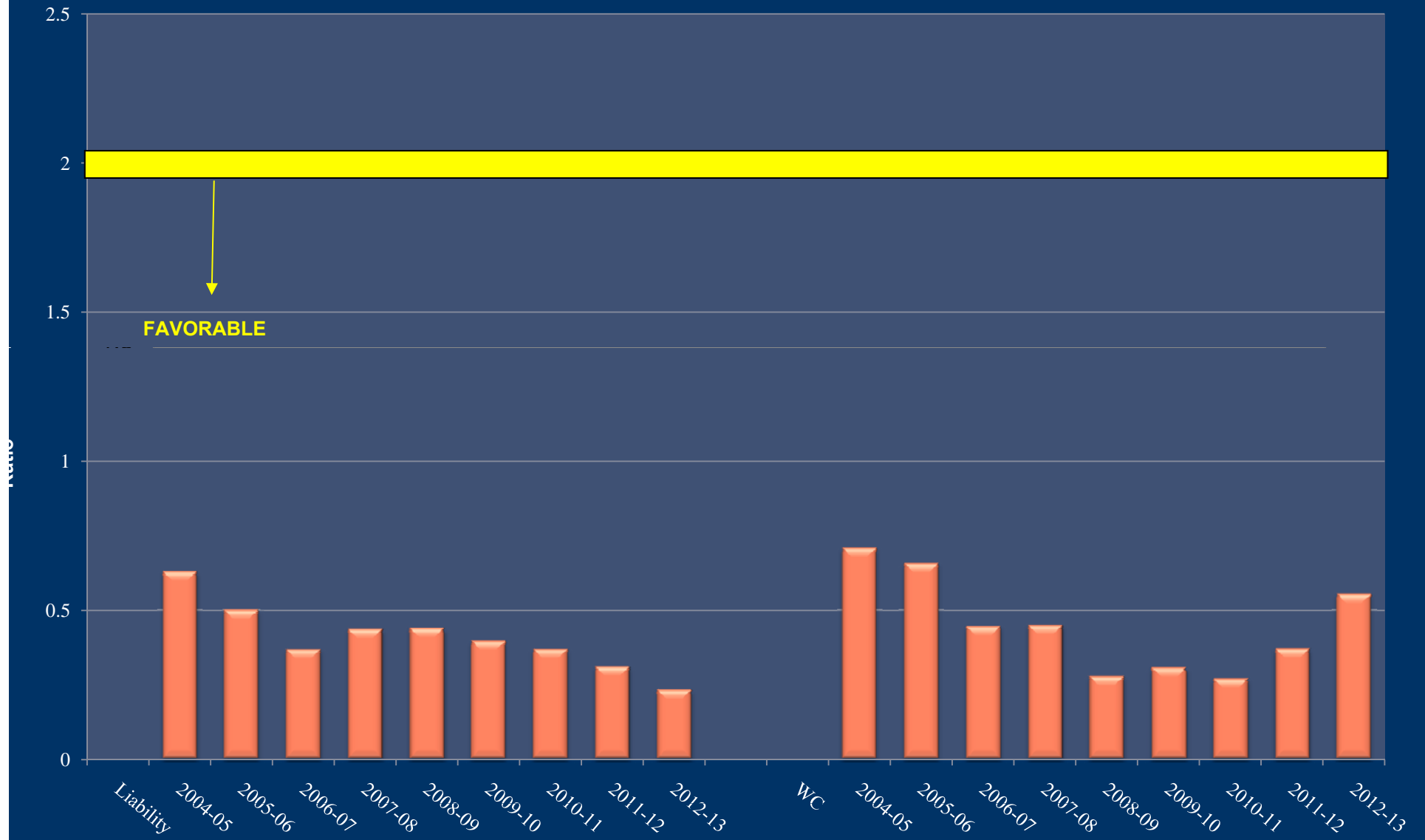
Net Contribution to Equity Ratio

Target $\leq 2:1$

- This ratio is a measure of how equity is leveraged against possible pricing inaccuracies.
- Relationship between annual deposits(net contribution) and equity
- The net contribution or annual deposit is the amount of money members pay towards funding the pooled layer; this does not include investment income
- Illustrates exposures compared to current risk
- A low ratio is desired and illustrates an ability to add additional programs or additional members to programs
- **TAKEAWAY - SCORE has conservatively funded for many years allowing for a favorable Net Contribution to Equity Ratio.**

Net Contribution to Equity

Target $\leq 2:1$



Conclusion

The results of the Financial Audit show a **decrease** in net assets of \$805,529 (5.9%) and an increase in claims liabilities of \$446,825 (8.6%) from the prior year.

All 2012-2013 Liability target equity ratios have been met. W.C. target equity ratios have mostly been met with the exception of the 2 Year Reserve Development and Change in Equity, indicating a need to increase funding for the W.C. program.

SCORE is well funded to meet the requirements of future claims liabilities but the W.C. Program will need to be watched closely to ensure the current deteriorating trend does not become a long term trend.

- Any Questions?



TARGET SOLUTIONS SERVICE PROVIDER AGREEMENT DISCUSSION AND RENEWAL

ACTION ITEM

ISSUE: SCORE's service agreement with Target Solutions is scheduled to expire on 10/31/13. As such, the Board of Directors will have to evaluate the utilization statistics and the attached renewal proposal to decide if they would like to renew their agreement with Target Solutions. Staff has provided two renewal options; a 1 year term renewal and a 3 year term renewal.

SCORE Member utilization of this service is still low. Only 214 individuals are registered users and that means the cost per user is \$117.55. We believe that this is an extremely effective tool for Cities to embrace. Utilization to date for 2013 is just over 33% with 30% coming from Fire Department personnel. This represents an increase from the prior year where only 174 people were registered. There were 672 courses completed to date in 2013 vs. only 484 in 2012. We think it is not inappropriate to increase the utilization even more in the following year in order to maximize the JPAs benefit from this service agreement.

RECOMMENDATION: The Program Administrator recommends that the Board of Directors evaluate the utilization statistics and proceed with the 1 year renewal subscription to the online platform offered by Target Solutions as there would not be a cost benefit for selecting the 3 year renewal. SCORE Member increased participation/utilization should also be both encouraged and documented or this service should be re-evaluated next year.

FISCAL IMPACT: Currently, the cost for Target Solutions Services is \$25,157 per year. The 1 year renewal proposal proposes maintaining the same cost level of \$25,157.

BACKGROUND: SCORE entered into an agreement with Target Solutions in 2010 to provide members with an online alternative to safety and loss control training. The training platform includes a very large collection of videos and documents that are delivered via the internet, making it convenient for members to access the resources at their discretion. SIPE and other similar service providers have also been evaluated and it was determined that Target Solutions still offers the best solution due to their centralized on-line platform and their extensive Fire Training course library.

The platform also allows for supervisors and managers to assign training modules and track employee progress as the modules are completed.

ATTACHMENTS: Target Solutions Utilization Statistics and Renewal Proposal for ONE Year

FIRST ADDENDUM TO AGREEMENT BY AND BETWEEN
TARGETSOLUTIONS.COM AND SMALL CITIES ORGANIZED RISK EFFORT (SCORE)

THIS FIRST ADDENDUM is made and entered into on OCTOBER 31, 2013 by and between TargetSolutions ("TSC") and Small Cities Organized Risk Effort ("SCORE") to amend the Professional & Connect Services Term Sheet, Effective NOVEMBER 1, 2010 ("Agreement"). The parties agree to modify the Agreement as set forth below:

- 1. The section titled START DATE is hereby amended to read as follows:

November 1, 2013

- 2. The section titled TERM is hereby amended to read as follows:

One (1) year agreement

- 3. The section titled PAYMENT TERMS is hereby amended to read as follows:

The license and service fee for TSC's online CONNECT services is \$16,895. The annual payment for TargetSolutions Online Training Program is \$8,262. Both charges are due on the Start Date.

CONNECT Fee - \$16,895
TargetSolutions Online Training Program Fee - \$8,262 / Unlimited Access
CEU Courses Included in Training Program

- 4. The section titled TOTAL YEAR ONE INVESTMENT is hereby amended to read as follows:

\$25,157

Agreed on this date by the following:

For SCORE (Small Cities Organized Risk Management)

Signature: _____

Name: _____

Title: _____

Date: _____

For TSC (TargetSolutions)

Name: Thom Woodward

Title: Executive Vice President

Date: _____

Member Organization	Contracted Employees	Total Active and Offline Users	Registered Users	Users Completing One or More Course	Courses Completed-Total	Users Completing One or More Custom Activit	Custom Activities Completed-Total
City of Biggs	0	12	6	0	0	0	0
City of Colfax	0	19	11	8	22	5	5
City of Dorris	0	12	5	3	6	0	0
City of Dunsmuir	0	28	19	9	55	33	621
City of Etna	0	39	23	1	2	0	0
City of Isleton	0	2	1	0	0	0	0
City of Live Oak	0	14	2	0	0	0	0
City of Loyalton	0	1	1	0	0	0	0
City of Montague	0	10	7	7	37	0	0
City of Mount Shasta	0	20	16	1	1	1	1
City of Portola	0	30	10	2	8	14	15
City of Rio Dell	0	3	1	0	0	0	0
City of Susanville	0	3	2	0	0	0	0
City of Weed	0	2	1	0	0	0	0
City of Yreka	0	27	23	12	76	3	6
Fort Jones Volunteer Fire Department	0	26	18	16	194	3	12
Loomis Fire Protection District	15	17	17	7	71	0	0
SCORE - Small Cities Organized Risk Effort	0	4	4	0	0	0	0
Town of Fort Jones	0	2	1	0	0	0	0
Town of Loomis	0	4	3	3	3	2	3
Weed City Fire	0	8	3	2	9	15	245
Total	15	283	174	71	484	76	908

Member Organization	Contracted Employees	Total Active and Offline Users	Registered Users	Users Completing One or More Course	Courses Completed-Total	Users Completing One or More Custom Activit	Custom Activities Completed-Total
City of Biggs	0	12	6	0	0	0	0
City of Colfax	0	19	11	8	22	5	5
City of Dorris	0	12	5	3	6	0	0
City of Dunsmuir	0	28	19	9	55	33	621
City of Etna	0	39	23	1	2	0	0
City of Isleton	0	2	1	0	0	0	0
City of Live Oak	0	14	2	0	0	0	0
City of Loyalton	0	1	1	0	0	0	0
City of Montague	0	10	7	7	37	0	0
City of Mount Shasta	0	20	16	1	1	1	1
City of Portola	0	30	10	2	8	14	15
City of Rio Dell	0	3	1	0	0	0	0
City of Susanville	0	3	2	0	0	0	0
City of Weed	0	2	1	0	0	0	0
City of Yreka	0	27	23	12	76	3	6
Fort Jones Volunteer Fire Department	0	26	18	16	194	3	12
Loomis Fire Protection District	15	17	17	7	71	0	0
SCORE - Small Cities Organized Risk Effort	0	4	4	0	0	0	0
Town of Fort Jones	0	2	1	0	0	0	0
Town of Loomis	0	4	3	3	3	2	3
Weed City Fire	0	8	3	2	9	15	245
Total	15	283	174	71	484	76	908

Target Solutions Fire Material Utilization

	Total Number of Fire Personnel Users	Total Number of TS Courses Completed	Total Number of Custom Activities Completed(incl. CEU Courses)
City of Biggs	0	0	0
City of Colfax	0	0	0
City of Dorris	2	6	0
City of Dunsmuir	31	222	798
City of Etna	11	10	23
City of Isleton	0	0	0
City of Live Oak	0	0	0
City of Loyalton	0	0	0
City of Montague	7	83	0
City of Mount Shasta	12	211	32
City of Portola	1	9	0
City of Rio Dell	0	0	0
City of Susanville	0	0	0
City of Weeds	0	0	0
City of Yreka	1	0	1
Town of Fort Jones	0	0	0
Town of Loomis	0	0	0
Total	65	541	854

LOSS CONTROL GRANT FUND PROGRAM

ACTION ITEM

ISSUE: The SCORE Board should review and discuss the creation of a Loss Control Grant Fund Program to be effective July 1, 2014 as presented by staff. The funding levels and program format should also be discussed and direction should be provided to staff depending on Board consensus. The grant would provide members with funds to be used for loss control services, training and other risk control needs. Funds will be available to members by submitting a request on City Letterhead detailing the scope of the Loss Control services being provided. The intent is for the funds to be used to reduce risk and losses.

RECOMMENDATION: The Program Administrator recommends having the Ad Hoc committee continue to review and develop this program for implementation beginning in the 2014-15 Program Year. It will be brought back to the January 2014 meeting for approval. This program would be funded from program equity prior to declaration and distribution of retrospective rating dividends.

FISCAL IMPACT: Will vary.

BACKGROUND: During the Ad Hoc Loss Control Committee meetings, discussions were held regarding the loss control needs of SCORE and its members. Given the input from the Committee, Staff recognized and suggested a Loss Control Grant Fund that can be implemented to assist members in better addressing their loss exposures by granting financial assistance to assist in mitigating losses. At the September 23, 2013 Board Meeting, the Board expressed that the item should be brought back to the October meeting with a tentative framework document outlining the program.

The attached document is still a *draft*. Concepts need vetting, and after review and input from the full Board, the Ad Hoc committee should take concerns into consideration and finalize this proposal to be effective in July, 2014. During the meeting we will walk through some of this issues, (Note that part of the document has ~~Strike-out~~ on it to assist in delineation of various approaches to consider. These all include whether or not:

- Funds are “Member owned” and returned to THEIR Equity, or shared by others.
- We should ALSO continue separate “Loss Control Funds” budgeted for inspection/Loss Control Services, or collapse those into this program.
- This is a ‘matching’ program, or fully funded by the Pool’s surplus Equity.

ATTACHMENTS: *Draft* Loss Control Grant Fund Policy and Procedure Document



ADMINISTRATIVE POLICY AND PROCEDURE

SUBJECT: LOSS CONTROL GRANT FUNDS

Policy Statement:

It shall be the policy of the Small Cities Organized Risk Effort to establish a “Loss Control Grant Fund” to reimburse members for costs of activities undertaken to:

- Bring member facilities into compliance with Americans with Disabilities Act (ADA) standards,
- Purchasing equipment that promotes employee or premises safety,
- Purchasing equipment, materials or training that facilitate OSHA or other regulatory compliance,
- Address other top frequency and/or severity risk management issues as needed.

Within the Loss Control Services (previously Safety Services) annual budget, a line item will contain the total amount of funds available for Loss Control Grants.

1. The Authority will adopt the amount of funds available for this budgeted line item on an annual basis.
2. Allocation of funds will be based on percentage (%) of contributions annually made by members to each program, with a minimum of \$1,000 per member from each program.
3. The funds will be available on a combined basis for both programs.
4. Any one member may only make up to three (3) requests per year.
5. Any unused funds will ultimately be rolled back into the Members’ Contribution at the end of the program year, but they may remain in the Loss Control Grant budget to supplement one additional year’s allocation, if requested by the Member before year end, and at the discretion of the Board.
6. In addition, the Program Administrator shall monitor the use of grant funds throughout the year and present a usage summary to the Board of Directors on a quarterly basis.

Funding that are converted to this program shall be secured from program equity, prior to declaration and distribution of retrospective rating dividends. (*Unused funds do ultimately return to Members’ Equity*).

Procedure:

A Member Agency may apply for Loss Control Grant Funds by following these procedures:

1. A Member will write a request to the Program Administrators for the use of grant funds involving an expenditure. The Request will:
 - a. Include a justification of the funds, and
 - b. How these funds will lead to the reduction of frequency or severity or will mitigate liability risks of the Member Agency.
 - c. State the specific amount needed and not just request their full allocation.
2. The Program Administrator will determine if the funding request does not exceed the member's fund allocation for the program year. If the requested amount is determined to fall within the member's grant fund allocation, the administrator and Board President will review each request and, if found to be appropriate and consistent with the purpose of the Grant Program, will approve the request and funds will be disbursed to the member agency. *If funds requested exceed a member's allocation, continue to #3 below, otherwise move on to #4.*
3. In the event that the requested amount exceeds the member's total or remaining allocated grant funds, the Administrator will contact the Member to advise them that their request exceeds their allocation and ask if they:
 - Wish to submit a revised request; or
 - ~~Request that SCORE table the request until the final quarter of the Program Year.~~

~~During the final quarter of Program Year, and after reviewing the remaining balance as well as all other outstanding grant fund use requests, the Administrator and Board President may re-visit any requests that were submitted during the year and tabled due to insufficient funds. If it is deemed at that time that funds exist, the Administrator and Board President may approve such requests on a first come first serve basis and on the condition that they do not exceed a total of 50% of the remaining balance in the fund at the time of approval.~~

4. Once approved, the Member Agency will become eligible for reimbursement by SCORE upon submitting the supplier or service provider invoice to the Program Administrator.
5. The Program Administrator will submit the reimbursement request and appropriate documentation to SCORE's accountant and/or treasurer.
6. SCORE's accountant and/or Treasurer will reimburse the Member up to the maximum allowable amount and debit the reimbursement expense from the Grant Program Budget within the Loss Control Services Budget.
 - a. If a request exceeds the budgeted funds available to a member, only the amount available for reimbursement will be paid.

7. If any request is denied, the member may submit a new or amended request, or appeal the denial to the Board of Directors, which will make the final determination on whether the request should be granted. The Board decision shall be final.
8. After the funds are put to use, the Member should provide a brief verbal report to the Board (as agenda item) confirming this and relaying any information that may be helpful to the Board, so that it can monitor the Grant Program and consider the merits of future additions of funds.

Adopted on: TBD
Effective Date: TBD

FY 2014 -15 SAFETY AND LOSS CONTROL PLAN

INFORMATION ITEM

ISSUE: The Board of Directors should discuss and evaluate the need to contract with an exclusive professional loss control firm effective July 1, 2014 in addition to the Risk Management Grant Fund. Services provided would include:

- Hazard and safety assessments
- Scorecards detailing overall assessment scores as well as lowest and highest scoring areas
- Annual on-site visits and departmental surveys – minimum of 2 days annually
- Meetings with key personnel at each Member location
- On-site training
- Developing Risk Management action plans with City departments and track progress
- Risk management program development as needed
- Quarterly safety newsletters
- Toll-free Telephone Hotline

RECOMMENDATION: Refer to ad hoc committee and staff to draft a potential RFP and return it to the January 2014 meeting for further Board consideration.

FISCAL IMPACT: \$40,000-\$50,000 annually.

BACKGROUND: The Safety and Loss Control Ad Hoc Committee has met with Staff to evaluate the available Training programs as well as to develop a new Loss Control strategy for the JPA. To facilitate a more appropriate discussion, and to determine Program needs, Staff issued a Loss Control Survey to all SCORE Members, requesting that they provide feedback on the areas that they would like to see being addressed through training. Several members indicated an interest in on-site risk control services and on-site training being made available.

ATTACHMENTS: SCORE Loss Control RFP issued in 2012.

REQUEST FOR PROPOSALS



WORKERS' COMPENSATION CLAIMS ADMINISTRATION LIABILITY CLAIMS ADMINISTRATION RISK CONTROL SERVICES

ISSUE DATE: MARCH 6, 2012
RESPONSES DUE: APRIL 3, 2012 – 5 P.M.



TABLE OF CONTENTS

I. INFORMATION REGARDING THE PROPOSALS..... 4

 INTRODUCTION..... 4

 BACKGROUND..... 4

 GENERAL INFORMATION 5

 GENERAL PROVISIONS..... 6

 SCOPE OF WORK 12

 FEES..... 13

 SELECTION CRITERIA..... 13

 TERM OF CONTRACT 13

 INSTRUCTIONS FOR PREPARING WRITTEN PROPOSAL..... 13

 DELIVERY OF PROPOSALS 16

 SCHEDULE 17

 SCHEDULE OF PROPOSER FIRMS..... 17

II. WORKERS’ COMPENSATION CLAIMS ADMINISTRATION SERVICES..... 19

 INTRODUCTION..... 19

 BACKGROUND..... 19

 SCOPE OF WORK..... 21

A. Claims Administration Performance Standards.....21

B. Special Provisions.....32

 FEES..... 39

 SELECTION CRITERIA..... 40

III. GENERAL LIABILITY CLAIMS ADMINISTRATION SERVICES 42

 INTRODUCTION..... 42

 BACKGROUND..... 42

 SCOPE OF WORK 43

A. Claims Administration.....43

B. Statistical Reporting.....44

C. Financial Accounting45

D. Additional Services.....45

E. Minimum Qualifications.....46

 FEES..... 46



SELECTION CRITERIA.....	47
IV. RISK CONTROL SERVICES PROPOSAL	48
INTRODUCTION.....	48
BACKGROUND.....	49
SCOPE OF WORK.....	52
FEES.....	53
SELECTION CRITERIA.....	53



I. INFORMATION REGARDING THE PROPOSALS

INTRODUCTION

Small Cities Organized Risk Effort Joint Powers Authority, hereinafter referred to as SCORE, is soliciting proposals from qualified Third Party Administrators, hereinafter referred to as the TPA, for claims administration of SCORE's self-insured Workers' Compensation and Liability programs and from qualified firms specializing in developing, providing and coordinating safety services to Public Agencies, predominantly addressing Public Liability and Workers' Compensation areas.

SCORE requires a vendor who demonstrates an innovative and effective claims management process that is streamlined and user-friendly, has strong customer service focus, solid reporting capabilities, effective technological capabilities, proactive and consistent management of employee/claimant occupational absences, competitive rates and fees, and the ability and willingness to comply with SCORE's performance standards. The proposing firm's staff should be qualified and have proper certification to perform risk control services. The proposing firm should evidence a regional presence and depth of staff necessary to perform the risk control services requested now, and into the future, as needed for stability.

****Respondents to this RFP may respond to each of the services requested in this RFP separately. It is not mandatory that you reply to each section, just those you are qualified and interested in responding to.**

BACKGROUND

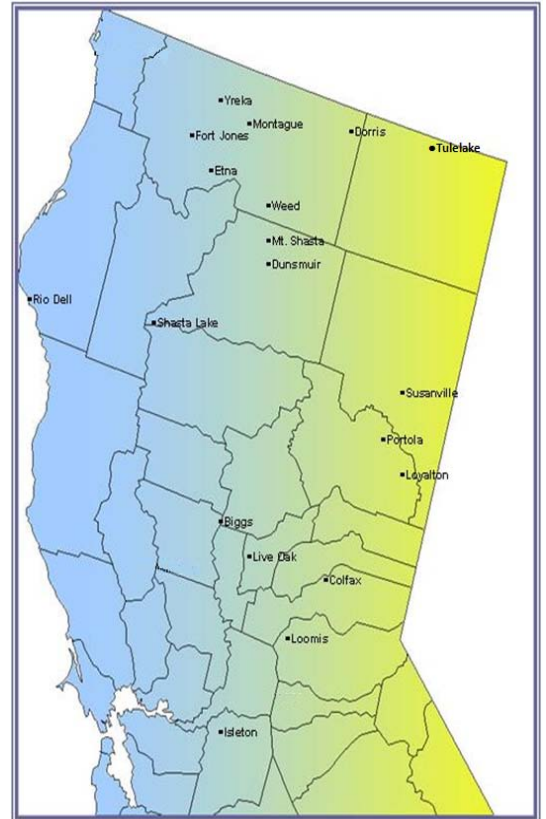
Small Cities Organized Risk Effort (SCORE) is a California Joint Powers Authority comprised of 19 Cities in Northern California. Total payroll is approximately \$20 million. The Members vary in size from the City of Susanville (largest) to the Town of Fort Jones (smallest). The JPA was established in 1986. Their Mission Statement sums up the intent of SCORE: *To protect the assets of members by reducing, sharing, controlling and stabilizing the cost of risk, while providing a high level of cost effective services.*

SCORE has two pooled program and two group purchase programs. The two pooled programs are for Liability and Workers' Compensation. The retained layer for Workers' Compensation is \$150,000 and \$500,000 for Liability. Both program purchase excess limits through excess Joint Powers Authorities, LAWCX for Workers' Compensation and CJPRMA for Liability.

SCORE contracts with Alliant Insurance Services, Inc. (Alliant) to provide JPA administrative services. York Risk Services, Inc. (YORK) currently provides Workers' Compensation claims administration, Liability claims administration and Risk Control Services. Accounting services are provided by Gilbert and Associates.



City	Pop.	Payroll	Emergency Services
Biggs	1,815	\$464,940	None
Colfax	1,878	\$458,278	Vol. Fire
Dorris	838	\$174,117	Vol. Fire
Dunsmuir	1,792	\$483,574	Vol. Fire
Etna	766	\$298,801	Police & Vol. Fire
Fort Jones	647	\$163,050	Vol. Fire
Isleton	842	\$391,957	Police & Vol. Fire
Live Oak	8,292	\$1,250,914	None
Loomis	6,874	\$796,405	None
Loyalton	753	\$242,118	Vol. Fire
Montague	1,455	\$276,098	Vol. Fire
Mt. Shasta	3,517	\$1,651,028	Police & Vol. Fire
Portola	2,037	\$753,028	Vol. Fire
Rio Dell	3,184	\$950,961	Police only
Shasta Lake	10,208	\$3,295,618	None
Susanville	14,044	\$3,686,521	Police & Fire
Tulelake	956	\$438,041	Police & Vol. Fire
Weed	3,020	\$1,517,694	Police & Vol. Fire
Yreka	7,343	\$3,013,638	Police & Vol. Fire
TOTAL		\$20,307,134	



IMPORTANT NOTICE

Read this RFP carefully. By submitting a Proposal(s) in response to this RFP, you acknowledge that you have read, understand and agree to comply with all the provisions of this RFP. SCORE may modify this RFP or make relevant information available to potential Proposers. It is the responsibility of potential Proposers to refer daily to SCORE’s website (www.scorejpa.org) to check for any available addenda, responses to clarifying questions, or solicitation cancellations.

GENERAL INFORMATION

SCORE’s Program Administrator will be your sole point of contact during the RFP process. All correspondence pertaining to this RFP should be appropriately addressed per the contact information below:

Susan Adams
 SCORE Administrator
 Alliant Insurance Services, Inc.
 1792 Tribute Road, Suite 450
 Sacramento, CA 95815
sadams@alliantinsurance.com
 (916) 643-2704



GENERAL PROVISIONS

SCORE reserves the right to reject any and all Proposals received as a result of this RFP. In addition, SCORE may award a contract to the firm offering the best level of services in the opinion of SCORE and not the lowest cost. SCORE may further negotiate terms with any firm who provides a response.

1. **Modification or Withdrawal of Proposal:** Any Proposal may be modified or withdrawn at any time prior to the closing deadline, provided that a written request is received by the SCORE Administrator prior to the closing date. The withdrawal of a Proposal will not prejudice the right of a Proposer to submit a new proposal.
2. **Protests of Specifications:** Protests of the RFP specifications may be made only if a term or condition of the RFP violates applicable law. Protests of Specifications must be received in writing prior to the date and time indicated in the Schedule of Events, at the email address listed under General Information. Protests of the RFP Specifications must include the reason for the protest and any proposed changes to the requirements.
3. **Requests for Clarification and Requests for Change:** Proposers may submit questions regarding the specifications of the RFP. Questions must be received prior to the date and time indicated in the Schedule of Events at the email address listed under General Information. Requests for changes must include the reason for the change and any recommended modifications to the RFP requirements.

The purpose of this requirement is to permit SCORE to correct, prior to consideration of the Proposals, RFP terms or technical requirements that may be improvident or which unjustifiably restrict competition.

SCORE will consider all requested changes and, if appropriate, amend the RFP. SCORE will provide reasonable notice of its decision to all Proposers.

4. **Addenda:** If any part of this RFP is amended, addenda will be provided on the SCORE website (www.scorejpa.org). Proposers are exclusively responsible to checking the website to determine whether any addenda have been issued. **By submitting a Proposal, each Proposer thereby agrees that it accepts all risks and waives all claims associated with or related to its failure to obtain any addendum or addendum information.**
5. **Post-Selection Review and Protest of Award:** SCORE will name the apparent successful Proposer in a "Notice of Intent to Award" letter. Identification of the apparent successful Proposer is procedural only and creates no right in the named Proposer to award of the contract. Competing Proposers will be notified in writing of the selection of the apparent successful Proposer and shall be given seven (7) calendar days from the



date on the “Notice of Intent to Award” letter to request and review documents regarding the selection process and to file a written protest of award. Any award protest must be received in writing at email address listed under General Information.

SCORE will consider any protests received and:

- a. reject all protests and proceed with final evaluation of, and any contract language negotiation with, the apparent successful Proposer and, pending the satisfactory outcome of this final evaluation and negotiation, enter into a contract with the named Proposer; OR
- b. sustain a meritorious protest(s) and reject the apparent successful Proposer as nonresponsive if such Proposer is unable to demonstrate that its Proposal complied with all material requirements of the solicitation and California public procurement law; thereafter, SCORE may name a new apparent successful Proposer; OR
- c. reject all Proposals and cancel the procurement.

SCORE will timely respond to any protests after receipt. The decision shall be final.

6. **Potential Selection of Finalists.** After the initial evaluation of Proposals, SCORE, at its sole discretion, may:

- a. issue a Notice of Intent to Award based on the evaluation criteria provided in each section of this RFP; OR
- b. select one or more Proposer(s) as designated finalists based on the evaluation criteria provided in each section of this RFP (“Finalists”). Finalists may be invited to participate in oral interviews. These firms should be prepared to include in the interview, the proposed personnel which the firms plans to utilize to provide these services to SCORE, the proposed Account Manager, the proposed person(s) who will manage the electronic data and develop and generate the regular and special reports, and the representative of the company responsible for contract execution. These oral interviews are tentatively scheduled for April 24th and April 25th in Anderson, CA. The time and address of such interviews will be provided to those firms selected, if any.

Proposers shall not materially alter the content or terms of the original Proposal. If the Evaluation committee requests presentations to be made by the Finalists, SCORE’s administrator will schedule the time and location for the presentations. **Note:** Oral interviews are at the discretion of the Evaluation committee and may not be conducted; therefore, **written Proposals should be complete.**

If Finalists are selected, Proposers not selected as Finalists will be notified in writing of the Finalist selections. Proposers not selected as Finalists will be given seven (7) calendar



days from the date on the notice of Finalist selection to file a written protest. Any protest must be received in writing at SCORE's administrators email address listed General Information section in this RFP.

Acceptance of Contractual Requirements: Failure of the selected Proposer to execute a contract and deliver required insurance certificates within ten (10) calendar days after notification of an award may result in cancellation of the award. This time period may be extended at the option of SCORE.

Contractor shall submit the following documents:

- An Agreement for Liability Claims Adjusting and Administration Services, Workers' Compensation Claims Adjusting and Administration Services and or Risk Control Services, as applicable, executed in duplicate (as supplied by SCORE). The initial term of the contract will be for three years with the ability for a two year extension upon mutual consent of the parties.
- A valid business license.
- A completed Internal Revenue Form W-9.
- Evidence of the required insurance coverage as set forth below:

Insurance Requirements

The Contractor must agree to indemnify, hold SCORE harmless, and defend SCORE from all claims and legal action for damages arising from their performance under an agreement.

Prior to and during the performance of an agreement, the Contractor shall maintain at its own expense the following minimum insurance coverage:

- **General Liability:** \$1,000,000 per occurrence for bodily injury, personal injury, and property damage. If Commercial General Liability Insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to the Contractor or the general aggregate limit shall be twice the required occurrence limit. Such insurance shall include SCORE, its officers, agents, and employees as additional insureds. Such insurance shall provide thirty (30) calendar days notice of intent to cancel or non-renew to SCORE. Upon execution of an agreement, the Contractor shall provide SCORE with a certificate of insurance evidencing that such general liability insurance has been obtained and is in full force and effect. In addition to the certificate of insurance and upon



request by SCORE, the TPA shall provide to SCORE a certified copy of the insurance policy or policies.

- **Automobile Liability:** \$1,000,000 per accident for bodily injury and property damage. Such insurance shall include SCORE, its officers, agents, and employees as additional insureds. Such insurance shall provide thirty (30) calendar days notice of intent to cancel or non-renew to SCORE. Upon execution of an agreement, the Contractor shall provide SCORE with a certificate of insurance evidencing that such automobile liability insurance has been obtained and is in full force and effect. In addition to the certificate of insurance and upon request by SCORE, the Contractor shall provide to SCORE a certified copy of the insurance policy or policies.
- **Workers' Compensation and Employer's Liability:** Workers' Compensation limits as required by the Labor Code of the State of California and Employer's Liability limits of \$1,000,000 per accident. Upon execution of an agreement and upon renewal of such coverage, the Contractor shall provide SCORE with a certificate of insurance evidencing that such Workers' Compensation and Employer's Liability insurance has been obtained and is in full force and effect. In addition to the certificate of insurance and upon request by SCORE, the Contractor shall provide to SCORE a certified copy of the insurance policy or policies.
- **Errors and Omissions:** \$3,000,000/\$5,000,000 per occurrence/aggregate and shall not be subject to a deductible and/or self-insured retention of greater than \$100,000. The Contractor shall maintain errors and omissions insurance applying to all claims arising out of an occurrence or events during the term of the insurance and made during, or subsequent to, the term of an agreement. Such insurance shall apply whether the claim arises out of the operations of the Contractor, its officers, employees, consultants, agents, or anyone else acting, directly or indirectly, on behalf of any of the foregoing. Such insurance shall be severable and, except as respects the limits of liability and self-insured retention, apply to each insured as if no other insureds exist. Such coverage shall provide thirty (30) calendar days notice of intent to cancel or non-renew to SCORE. Upon execution of an agreement and upon renewal of such coverage, the Contractor shall provide SCORE with a certificate of insurance evidencing that such errors and omissions insurance has been obtained and is in full force and effect. In addition to the certificate of insurance and upon request by SCORE, the Contractor shall provide to SCORE a certified copy of the insurance policy or policies.
- **Employee Dishonesty:** \$1,000,000 to include comprehensive employee dishonesty, disappearance, theft, and forgery or alteration coverage in a form and issued by an insurance or bonding company or companies acceptable to SCORE.



Upon execution of an agreement, the Contractor shall provide SCORE with a certificate of insurance evidencing that such insurance has been obtained and is in full force and effect. Such coverage shall provide thirty (30) calendar days notice of intent to cancel or non-renew to SCORE.

Insurance shall be primary with regards to any claim for damages arising out of the work performed

All insurance documents are to be sent to under a service agreement. The TPA shall disclose its self-insured retention(s) on each of the required policies. The insurer shall provide thirty (30) calendar days written notice to SCORE regarding non-renewal, expiration or any changes in coverage. Appropriate insurance certificates and endorsements shall be provided to SCORE for review and approval prior to execution of a service agreement.

7. **Indemnification:** TPA shall hold harmless, defend and indemnify SCORE and its officers, officials, employees and volunteers from and against all claims, damages, losses and expenses including attorney fees arising out of the work described herein, caused in whole or in part by any negligent act or omission of the contractor, any subcontractor, anyone directly or indirectly employed by any of them or anyone for whose acts any of them may be liable, except where caused by the active negligence, sole negligence, or willful misconduct of SCORE.
8. **Public Records:** Proposals are deemed confidential until the “Notice of Intent to Award” letter is issued. This RFP and one copy of each original Proposal received in response to it, together with copies of all documents pertaining to the award of a contract, will be kept and made a part of a file or record which will be open to public inspection. If a Proposal contains any information that is considered a “**TRADE SECRET**” or “**CONFIDENTIAL**”, Proposer must so indicate by delineating each section of the Proposal with the heading “Confidential”. However, Proposers should understand that SCORE has reservations as to whether any such information is exempt from disclosure under the California Public Records Act (Government Code Section 6250, *et seq.*) SCORE will notify a Proposer if it receives a request for release of information identified as confidential by Proposer. By submitting its Proposal, Proposer agrees that SCORE will not be held liable for releasing information pursuant to a Public Records Act request.

If any information is set apart and clearly marked "confidential" when it is provided to SCORE, SCORE will give notice to the Proposer of any request for the disclosure of such information. Proposers will then have 5 days from its receipt of such notice to enter into an agreement with SCORE providing for the defense of, and complete indemnification and reimbursement for all costs (including plaintiff's attorney fees) incurred by SCORE in, any legal action to compel the disclosure of such information under the California Public Records Act. Proposers will have sole responsibility for defense of the designation of such information.



9. **Investigation of References:** SCORE reserves the right to investigate all references in addition to supplied references and investigate past performance of any Proposer with respect to its successful performance of similar services, compliance with specifications and contractual obligations, completion or delivery of a project on schedule, and lawful payment of subcontractors and employees. SCORE may postpone the award or the execution of the contract after the announcement of the apparent successful proposer in order to complete its investigation. Information provided by references may prevail in final selection, regardless of preliminary scoring results. Despite its right to investigate all Proposer references, SCORE is not obligated to utilize references as part of its evaluation criteria and may decline to investigate or consider references. Any decision made by SCORE in regards to the use of references, including restricting the consideration of references to only Finalists, will not be considered grounds for protest.
10. **RFP Preparation Costs:** Cost of developing the proposal, attendance at an interview (if requested by SCORE) or any other such costs are entirely the responsibility of the Proposer and will not be reimbursed by SCORE. By submitting a Proposal, each Proposer thereby accepts all risks, and waives all claims, associated with or related to the costs it incurs in Proposal preparation, submission, and participation in the solicitation process.
11. **Clarification and Clarity:** SCORE reserves the right to seek clarification of each Proposal or to make an award without further discussion of Proposals received. Therefore, it is important that each Proposal initially be submitted in the most complete, clear, and favorable manner possible.
12. **Right to Reject Proposals:** SCORE reserves the right to reject any or all Proposals if such rejection would be in the public interest. Whether such rejection is in the public interest will be solely determined by SCORE.
13. **Cancellation:** SCORE reserves the right to cancel or postpone this RFP at any time or to award no contract.
14. **Proposal Terms:** All Proposals, including any price quotations, will be valid and firm through the period of contract execution.
15. **Usage:** It is the intention of SCORE to utilize the services of the successful Proposer(s) to provide services as outlined in the Scope of Work section for each service requested.
16. **Review for Responsiveness:** Upon receipt of all Proposals, SCORE's administrative staff will determine the responsiveness of all Proposals before submitting them to the Evaluation committee. If a Proposal is incomplete or unresponsive in part or in whole, it may be rejected and, if rejected, will not be submitted to the evaluation committee. SCORE reserves the right to determine if an inadvertent error is solely clerical or is a



minor informality which may be waived when determining if an error is grounds for disqualifying a Proposal. The Proposer's contact person identified in the Proposal will be notified by SCORE to communicate the reason(s) the Proposal is non-responsive. One copy of the Proposal will be archived.

17. **Rejections and Withdrawals.** SCORE reserves the right to reject any or all Proposals or to withdraw any item from the award.
18. **RFP Incorporated into Contract.** This RFP will become part of the final contract between SCORE and the selected Proposer (also referred to herein as the "Contractor"). The Contractor will be bound to perform according to the terms of this RFP and its Proposal.
19. **Communication Blackout Period.** Except as called for in this RFP, Proposers may not communicate about this RFP with members of the Evaluation committee or any Board Members of SCORE or SCORE's administration staff until the apparent successful Proposer is selected and all protests, if any, have been resolved. The contact person designated by the "General Information" section of this RFP is exempted from this blackout period. If any Proposer initiates or continues contact in violation of this provision, SCORE may, in its sole discretion, reject that Proposer's Proposal and remove it from consideration for award of a contract under this RFP.
20. **Prohibition on Commissions.** SCORE will contract directly with organizations capable of performing the requirements of this RFP. Contractors must be represented directly. Participation by brokers or commissioned agents will not be allowed during the proposal process.
21. **Ownership of Proposals.** All Proposals in response to this RFP are the sole property of SCORE and subject to the provisions of the California Public Records Act (Government Code Section 6250, et seq).
22. **Clerical Errors in Awards.** SCORE reserves the right to correct inaccurate awards resulting from its clerical errors.
23. **Rejection of Qualified Proposals.** Proposals may be rejected in whole or in part if they limit or modify any of the terms and conditions and/or specifications of the RFP. Any terms contained in Proposals that conflict with or modify the terms of this RFP and sample contract are expressly rejected unless specifically adopted in writing by SCORE.

SCOPE OF WORK



The Scope of Work is outlined in detail in each section of the RFP as the scope applies differently for each service.

FEES

Refer to each service section of the RFP as respects fees as the components differ by service.

SELECTION CRITERIA

The Selection Criteria is outlined in detail in each section of the RFP as the criteria are different for the different service proposed.

TERM OF CONTRACT

SCORE and the Contractor may enter into a contract to begin work on or about July1, 2012 (the “Contract”). The initial term of the Contract will be for three years with the a two year extension option, subject to the Contractor’s continued successful performance, as determined by the SCORE Board of Directors. SCORE reserves the right to terminate the Contract at its discretion upon 30 days notice to the Contractor.

INSTRUCTIONS FOR PREPARING WRITTEN PROPOSAL

Please respond to this RFP in the following manner:

1. Submit a cover letter that contains the name, title, address, and telephone number of the individual(s) with authority to bind the proposal during the period in which SCORE is evaluating the proposal. The proposal shall also identify the legal form of the firm, (i.e., sole proprietor, partnership, corporation, etc.). If the firm is a corporation, the cover letter shall identify the state in which the firm was incorporated and the name of the parent corporation. A principal of the firm or other person fully authorized to act on behalf of the firm shall sign the cover letter.
2. References and Experience
 1. Please give a brief description of proposer including
 - a. The names and backgrounds of principal owners, partners, or officers including a resume detailing experience;
 - b. The length of time the firm has been in the business of administering California workers’ compensation claims, liability claims or providing risk control services;
 - c. The number of California offices and locations;



- d. The California office that would service SCORE's claims or provide risk control services; and
 - e. The California office that would service SCORE for loss data or functions other than claims adjusting.
3. Please advise whether there are any major changes (e.g., relocation of firm/consolidation, legal name change, etc.) planned for proposer and the parent corporation during the next twelve (12) months.
4. Identify the personnel, including supervisory and management, who would be assigned to administer SCORE's claims or provide loss control services. In addition, provide detailed responses to the following:
 1. The position each individual currently occupies and is being proposed to occupy;
 2. The education, years, and type of experience of each individual (attach a resume or curriculum vitae);
 3. The experience each individual has adjusting California permissibly public agency or private self-insured claims or providing risk control services;
 4. The length of time each individual has been with the proposer;
 5. The percentage of time each individual is in the office, remotely, and the field;
 6. The caseload for every person assigned to handle any portion of SCORE's claims.
5. Provide a list of clients for which similar types of claims-related services or risk control services are currently provided. Please include the name, title, and phone number of three (3) people, in three (3) different companies, other than SCORE, whom SCORE can contact to discuss the proposer's performance.
6. Provide a list of clients and their contact information who have cancelled their contract with your company during the past twenty-four (24) months. Please include the reason(s) for termination and/or non-renewal by either party.
7. Describe how your TPA ensures compliance with workers' compensation statutes and rules and regulations promulgated by the Department of Industrial Relations.
8. If available, provide a copy of the most recent Statement of Auditing Standards Report addressing your internal controls.



9. Identify any owned and/or affiliated ancillary services, companies, etc.
10. Quote a flat annual fee for each year of a minimum three (3) year contract and options for a two-year extension for services outlined in the **“SCOPE OF WORK.” FAILURE TO PROVIDE PRICING INFORMATION IN THE MANNER REQUESTED MAY DISQUALIFY THE PROPOSAL.**
11. Indicate any additional fees or fee adjustments for bundled services of Utilization Review, Bill Review, and/or Managed Care.
12. Indicate any additional fees or fee adjustments for unbundling of Utilization Review, Bill Review, and/or Managed Care
13. Please indicate any additional fees for data conversion and on-line access.
14. In compliance with MMSEA Section 111 Medicare Secondary Payor Mandatory Reporting, SCORE requires the selected TPA to be registered with the Centers for Medicare and Medicaid Reporting Services (CMS) as the Account Manager for the JPA. The proposer will provide verification of their intention to register as the Account Manager and provide detailed information on their plan to provide necessary data to CMS within the required timeframes. Please specify any ancillary vendors which will be utilized for the transmission of data, any contractual arrangements between the proposer and the ancillary vendor, and any associated costs above the TPA claims administration costs for assuming the Account Manager responsibilities and data transmission as outlined by CMS.
15. It is expected that there will be approximately 100 open Workers’ Compensation files that will be transferred to the new TPA and approximately 56 open Liability files that will be transferred to the new TPA.

The proposer must state whether the cost of handling these existing open files are included in the flat annual fee quoted above. If not, then proposer shall indicate the costs for adjusting these existing open files.

16. Provide a comprehensive transition plan, including estimated timelines, to include the process for the transitioning of hard copy claim files to paperless claim files or paperless claim files to hard copy files if required
17. Please indicate whether the proposer can comply with the “SCOPE OF WORK” outlined in the services section of the RFP you are responding to. If the proposer is unable to comply with a specific performance objective, please indicate which objective cannot be complied with, the reason(s) the objective cannot be met, and provide suggestions or alternatives.



18. Please describe any services not previously covered which you believe may be of particular value to SCORE, such as provider and facility networks, litigation management, etc.
19. The proposal must indicate that the TPA agrees to be bound by the proposal and shall enter into an agreement to provide services in a form as approved by SCORE.
20. The proposal should expressly state that the offer, including all pricing proposals, will remain in effect until award of contract. In addition, all information presented in your proposal will be considered binding when an agreement is developed (unless otherwise modified and agreed to by both parties during subsequent negotiations).
21. Samples of computer-generated reports must accompany as referred to in “Special Provisions” of the “SCOPE OF WORK” in the RFP.
22. The TPAs whose proposals are selected as finalists for consideration may be asked to appear, at their own expense, before an evaluation panel to discuss their proposal.

All proposals, whether selected or rejected, shall become the property of SCORE. Costs of preparation of proposals will be borne solely by the proposer.

SCORE will review all submitted proposals and evaluate them against the selection criteria listed above. Proposals will be reviewed and considered by SCORE’ Evaluation Committee. If SCORE elects to proceed with selection of a TPA, SCORE will enter into contract negotiations with the selected TPA.

SCORE reserves the right to: reject any and all proposals; waive any informality, defect, or irregularity in a proposal; conduct contract negotiations with any TPA (whether or not it has submitted a proposal); alter the selection process in any way; postpone the selection process for its own convenience at any time; accept or reject any individual sub-consultant that a TPA proposes to use; and/or decide whether or not to contract with any TPA. Nothing in this RFP shall be construed to obligate SCORE to negotiate or enter into an agreement with any particular TPA. This RFP shall not be deemed to be an offer to contract or to enter into a binding contract or agreement of any kind.

DELIVERY OF PROPOSALS

All proposals must be in our offices by 5:00 p.m. on Tuesday, April 3, 2012. **LATE PROPOSALS WILL NOT BE ACCEPTED.** Please send copies of your proposal(s) **electronically** to:

Susan Adams, Program Administrator for SCORE



Alliant Insurance Services, Inc.
sadams@alliantinsurance.com

SCHEDULE

The following is the schedule for the RFP process:

DATES	ITEMS
March 7, 2012	Issuance of the Request for Proposal
March 15, 2012 – 5:00 p.m.	Questions in writing due to Program Administrator
March 26, 2012	Program Administrator’s responses due
April 3, 2012 – 5 p.m.	Proposals due
April 10, 2012 & April 17, 2012	Evaluation Committee review
April 24-25, 2012	Oral Interviews with Evaluation committee
May 11, 2012	SCORE Board Meeting – “tentative”
May 18, 2012	Award contracts
7 calendar days after the contracts are awarded	Deadline for Protest of Awards
July 1, 2012	Anticipated Contract Begin Date

SCORE reserves the right to change the above dates in its sole discretion as needs dictate. During the evaluation process, SCORE reserves the right to request additional information or clarifications from proposals, or to allow corrections of errors or omissions.

SCHEDULE OF PROPOSER FIRMS

Firms that have received this Request for Proposals include:

1. Acclamation Insurance Management Services (AIMS)
2. Athens Administrators
3. Bickmore Risk Services
4. Carl Warren & Company
5. CorVel
6. George Hills Company, Inc.
7. JT2 Integrated Resources
8. SBK Risk Services
9. The Simon Companies
10. TRISTAR Risk Management
11. York Insurance Services, Inc.

This list, however, does not impose a limitation on who may respond to this Request for Proposals.





- E. Proposer’s approach to providing claims investigation and claims administration services and adjuster caseload assignment;
- F. Depth of experience of the proposer’s service team, including claims adjusters, claims manager and information technology (IT support);
- G. Dynamic, state of the art claims management system along with sufficient information systems support staff;
- H. Cost effectiveness of medical and legal cost containment services and activities;
- I. Proposer’s approach to meeting Medicare Secondary Payor requirements;
- J. Demonstrated ability to stay within budget and to meet established time schedules;
- K. Overall cost-benefit advantages.

IV. RISK CONTROL SERVICES PROPOSAL

INTRODUCTION



SCORE is requesting proposals from qualified firms specializing in developing and coordinating safety services to Public Agencies, including cities; predominantly addressing Public Liability and Workers' Compensation areas. The provider will coordinate with the SCORE Program Administrator and the Board of Directors on the provision of services to Members, including, but not limited to:

- on site hazard assessment to Member cities;
- recommend practical mitigation measures;
- review and guidance of Member's regulatory compliance with Cal OSHA, OSHA, etc;
- on site safety training;
- vehicle safety and operational safety training;
- coordinating with online training programs with TargetSolutions;
- coordinating with training by other outside providers;
- present comprehensive summary of activities at JPA Board Meetings (5 a year);
- publication of quarterly safety newsletter;
- preparing DRAFT safety related policy documents; and
- serve as a resource on safety related issues with the Program Administrator, the Board of Directors and through a Member hot line.

The provider will operate under the direction of the Program Administrator with feedback and general planning from the Board of Directors.

BACKGROUND

Small Cities Organized Risk Effort (SCORE) is a California Joint Powers Authority comprised of 19 Cities in Northern California. Total payroll is approximately \$20 million. The Members vary in size from the City of Susanville (largest) to the Town of Fort Jones (smallest). The JPA was established in 1986. Their Mission Statement sums up the intent of SCORE: *To protect the assets of members by reducing, sharing, controlling and stabilizing the cost of risk, while providing a high level of cost effective services.*

SCORE has two pooled program and two group purchase programs. The two pooled programs are for Liability and Workers' Compensation. The retained layer for Workers' Compensation is \$150,000 and \$500,000 for Liability. Both program purchase excess limits through excess Joint Powers Authorities, LAWCX for Workers' Compensation and CJPRMA for Liability.

SCORE is staffed by contract managers (Alliant) and also contracts for claims services and risk management services through a third party claims administrator (York). SCORE currently utilizes a number of outside providers for safety training including:

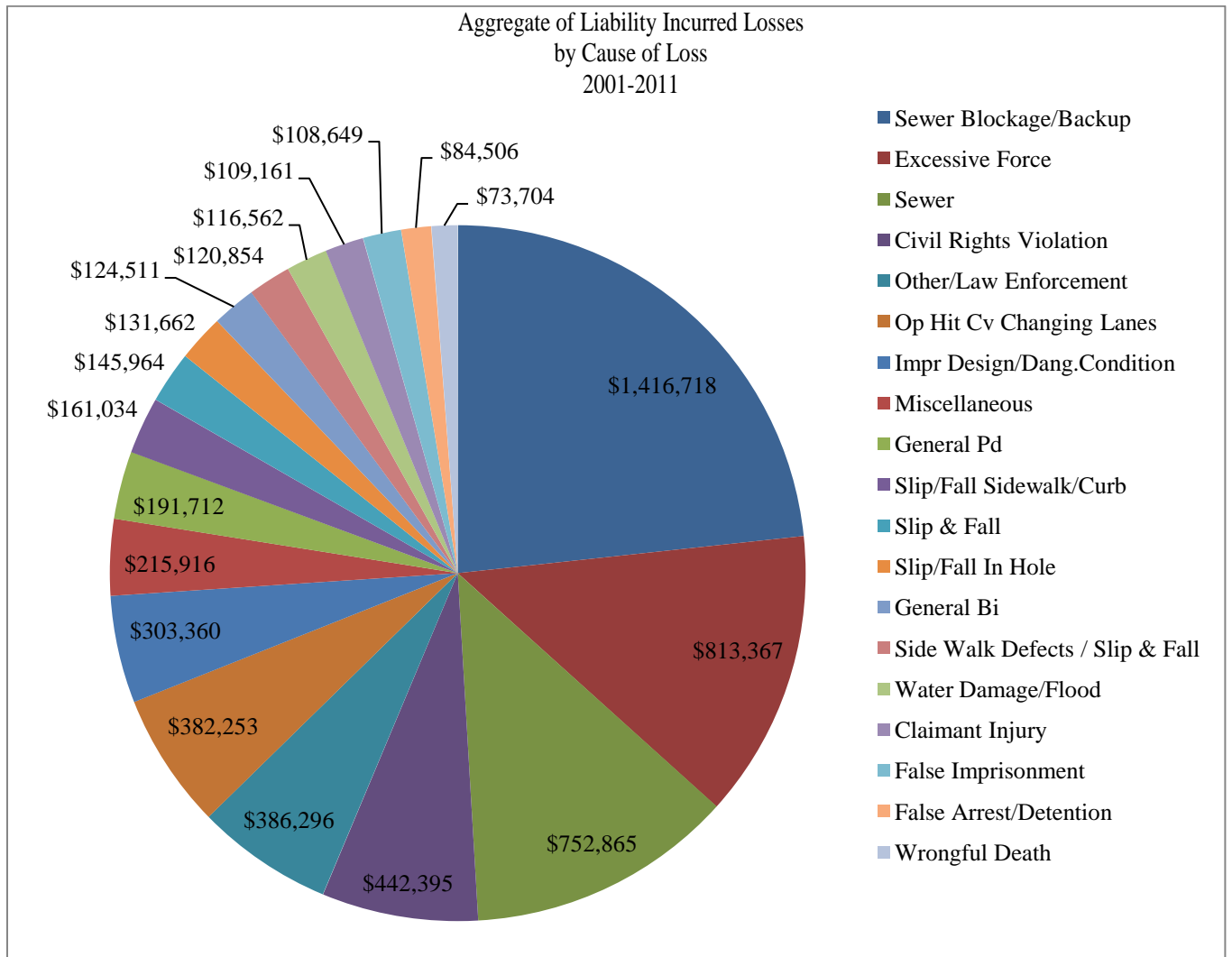
- TargetSolutions provides online training services on a variety of topics including OSHA Compliance and Employment Practices
- Lexi-Pol for Police Safety Manuals and daily training bulletins

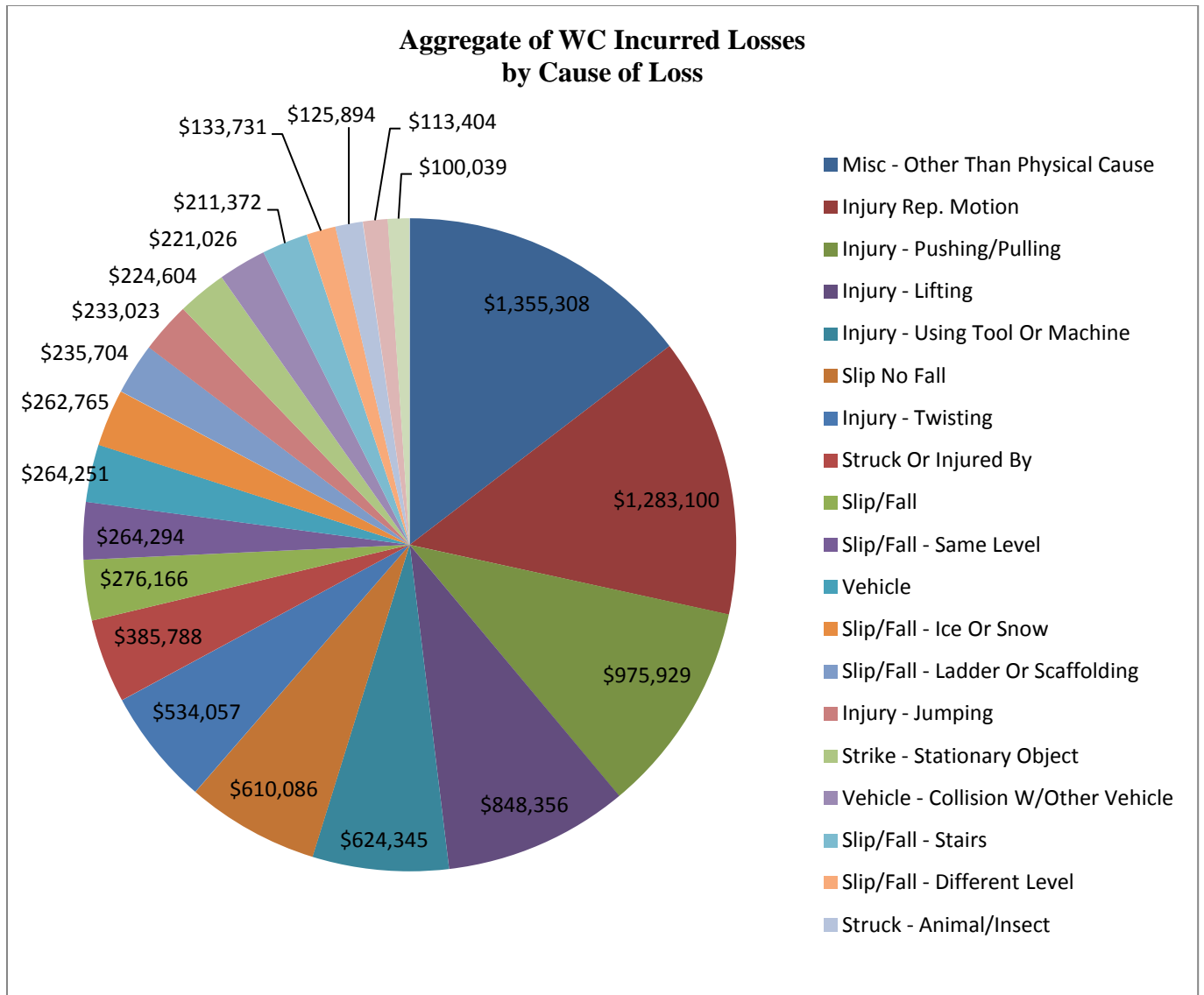


- ACI for Employee Assistance Programs
- ERMA – some members participate in ERMA JPA and receive additional employment practices training through their program.
- CJPRMA provides excess liability coverage to SCORE and provides some loss control services available to all CJPRMA members.

We are providing to you a listing of the cities along with their WC payrolls so that you will have an idea of size and operations of each. Members are in varying stages of becoming compliant with CalOSHA requirements. Some Members are very active in maintaining their safety programs and others are less active and have had activities restricted in the past few years due to budgetary constraints.

City	Population	Payroll	Emergency Services
Biggs	1,815	\$464,940	None
Colfax	1,878	\$458,278	Vol. Fire
Dorris	838	\$174,117	Vol. Fire
Dunsmuir	1,792	\$483,574	Vol. Fire
Etna	766	\$298,801	Police & Vol. Fire
Fort Jones	647	\$163,050	Vol. Fire
Isleton	842	\$391,957	Police & Vol. Fire
Live Oak	8,292	\$1,250,914	None
Loomis	6,874	\$796,405	None
Loyalton	753	\$242,118	Vol. Fire
Montague	1,455	\$276,098	Vol. Fire
Mt. Shasta	3,517	\$1,651,028	Police & Vol. Fire
Portola	2,037	\$753,028	Vol. Fire
Rio Dell	3,184	\$950,961	Police only
Shasta Lake	10,208	\$3,295,618	None
Susanville	14,044	\$3,686,521	Police & Fire
Tulelake	956	\$438,041	Police & Vol. Fire
Weed	3,020	\$1,517,694	Police & Vol. Fire
Yreka	7,343	\$3,013,638	Police & Vol. Fire
TOTAL		\$20,307,134	





SCOPE OF WORK

1. Provider(s) to contact each city directly prior to hazard evaluation or safety program evaluation meeting to discuss the city’s areas of concern, departments which are loss leaders, and scheduling appropriate personnel to assist. Provider will review losses prior to meeting.
2. Provider(s) to visit each city a minimum of at least 2 days annually, with some cities having more visits based on size and complexity of current program and training needs. SCORE will develop with provider a budget for provider services by city, based on % of WC Member costs. As an example the Cities of Susanville and Yreka each represent 18% of the WC program costs and would be allocated 18% of the provider’s services, subject to adjustment to meet the 2 day minimum.



3. Provider(s) to visit each Member to perform a thorough hazard and safety assessment. Provider will review the safeguards currently in place and provide recommendations on how each individual City can reduce the frequency and severity of loss.
4. Provider(s) to look to their own expertise and creativity in determining the scope of work to be performed at each city and how best to coordinate with the other safety services providers. This will be included in the feedback and recommendations.
5. After Provider(s) has met with each individual city and completed its assessment, a detailed report with all Finding and Recommendations is to be sent in draft form to each city for their review as well as one master report for the Program Administrators' review within two weeks of meetings with cities. The final report will be completed upon receiving feedback from the Members.
6. Provider will provide a quarterly summary of all activities and present to the Board of Directors.
7. Provider will develop a quarterly safety focus newsletter for electronic distribution.
8. Provider will establish a 24/7 hot line for Members' safety related questions.
9. Provider will develop a cost allocation of services with monthly reporting to the Program Administrator so that usage of various services can be tracked, for budgetary purposes.

FEES

- A. Quote a flat annual fee for each year of a minimum three (3) year contract and options for a two-year extension for services outlined in the **“SCOPE OF WORK.”**

FAILURE TO PROVIDE PRICING INFORMATION IN THE MANNER REQUESTED MAY DISQUALIFY THE PROPOSAL.

- B. All anticipated costs to provide services are to be included in the proposal, including printing/photocopying/ mailing, travel and expenses in the provision of services to SCORE and the Members.

SELECTION CRITERIA

The proposals will be evaluated based on your creativity in developing a plan of services that will meet the varying needs of the Members.

1. Statement of Qualifications and Project Organization
2. Staffing resumes and Company Profile
3. Service Fee



SCORE BOARD REPRESENTATIVE TO LAWCX APOINTMENT

ACTION ITEM

ISSUE: The Board of Directors must appoint a replacement Board member to LAWCX to replace Ted Marconi who has retired. Mr. Ron Stock, City of Weed has reached out to staff and offered to take Mr. Marconi's place on the LAWCX Board.

RECCOMENDATION: Staff recommends that the Board appoints Mr. Stock as the SCORE LAWCX Board member.

FISCAL IMPACT: None.

BACKGROUND: LAWCX requires that each member entity designates two representatives to the LAWCX Board of Directors; one primary and one alternate. One of the members is required to attend all LAWCX Board meetings that are scheduled throughout each Fiscal Year. Mr. Ted Marconi, City of Mount Shasta has served as the Primary Board member for SCORE with Mr. John Duckett, City of Shasta Lake serving as the alternate. Mr. Ted Marconi has recently retired and the SCORE Board will now need to appoint a replacement for Mr. Marconi.

ATTACHMENTS: None.



LIABILITY CLAIMS AUDIT SERVICE PROVIDER RFP

ACTION ITEM

ISSUE: Members should decide if a Request for Proposal (RFP) be issued for a Liability claims audit to be performed or should the previous auditor be contacted to determine their interest and availability to audit the claims.

RECOMMENDATION: Staff recommends contracting Mr. Ken Maiolini from RMS to perform the claims audit.

BACKGROUND: A claims audit is done every two years to assure the reserving practices are financially sound and are compliant with the industry best practices. Obtaining a claims audit can identify improvements the JPA should make and can also lower risk of high cost claims. In addition, CAJPA accreditation standards recommend a claims audit every two years on self-funded programs.

In 2011, SCORE issued an RFP for claims auditors and choose RMS to conduct the audit.

FISCAL IMPACT: \$7,500 which has been included in the budget.

ATTACHMENT(S): 2012 Liability Claims Audit



RMS

RISK MANAGEMENT SERVICES

8000 Old Redwood Highway • Cotati, CA 94931 • (707) 792-4980 • FAX (707) 792-4988

February 3, 2012

Susan Adams
Assistant Vice President
1792 Tribute Road, Suite 450
Sacramento, CA 95815

RE: SCORE Audit 2012

Dear Ms. Adams:

Please find enclosed the SCORE Audit Report for 2012.

Should you have any questions, do not hesitate to call our office. Also, please let me know when and if you would like me to present this to the SCORE Board.

Thank you for your confidence in Risk Management Services.

Sincerely,

Kenneth R. Maiolini, ARM-P

RECEIVED

FEB 06 2012

Small Cities Organized Risk Effort

(SCORE)

Liability – Property Audit Report

On January 18, 2012 an audit was conducted at the York Risk Group offices in Roseville, Ca.

The audit consisted of a pre-audit interview with Craig Wheaton, AVP Claims and hard file/database review of 25 open and 20 closed claims. The audit concluded with an exit interview with the AVP and his claims management team. (A copy of individually prepared RMS claims audit review forms completed on all open claims reviewed is included in this report as *EXHIBIT A* closed files are summarized in *EXHIBIT B*).

SUMMARY

The claims handling on the SCORE account is done in an efficient, professional and effective manner. Most of the claims are handled by one very experienced claims adjuster who handles claims in a proactive and detailed manner. There is evidence in the files that this adjuster:

- Responds to Member's claims needs and emergent situations in a timely manner.
- Conducts a timely and extensive investigation on all claims.
- Evaluates the risk of liability and degree of damages before setting appropriate reserves.
- Works well with Defense Counsel and the Members on litigated matters.
- Utilizes the York loss database efficiently and all pertinent activity and documents are appropriately recorded.
- Communicates well with Members to keep them updated on claims activity and status.
- Negotiates resolutions on appropriate meritorious manners in a timely manner to avoid the cost of litigation.

Overall we found the Claims handling of the SCORE claims to meet or exceed generally accepted claims handling standards as well as meeting or exceeding CAJPA standards.

The areas of investigation, reserving and evaluations are done in a consistent and timely manner.

The files reflect that the adjuster is active in litigation management and involved in all litigation strategy decisions. This results in favorable defense costs and resolutions involving many granted motions and dismissals.

The files reviewed were well organized, had evidence of statutory notice compliance, good communication, appropriate excess reporting, proactive risk transfer through tenders and contractual obligations, good documentation on financials, appropriate diary follow-up and exceptional communication with Members.

The resolution results of the files reviewed indicate a proactive approach to settlement, negotiation, filing of dispositive motions and risk transfer.

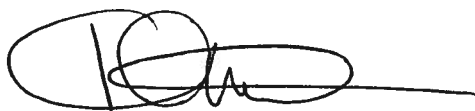
The files both electronic and hard copy have a consistent and appropriate pattern of claims manager reviews, interaction, assistance and guidance.

The electronic database is well utilized and contains appropriate claim information that can be utilized by SCORE. The tabs in the system were found to be completed and adjuster's use of the notepad is exceptional. The database alerts the adjuster to Medi-Care reporting and follow-up.

The consistency in claims handling resulted in an audit that found no issues that need resolution.

The Members of SCORE were well served by the claims handling provided by York Risk Group's Roseville office.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'K. Maiolini', with a long horizontal line extending to the right.

Kenneth R. Maiolini, ARM-P

WORKERS' COMPENSATION CLAIMS AUDIT SERVICE RFP

ACTION ITEM

ISSUE: Members should decide if a Request for Proposal (RFP) be issued for a Workers' Compensation claims audit to be performed or should the previous auditor be contacted to determine their interest and availability to audit the claims.

RECOMMENDATION: Staff recommends contracting Mr. Tim Farley to perform the claims audit as Mr. Nick Cali has retired and is no longer available to conduct the claims audit.

BACKGROUND: A claims audit is done every two years to assure the reserving practices are financially sound and are compliant with the industry best practices. Obtaining a claims audit can identify improvements the JPA should make and can also lower risk of high cost claims. In addition, CAJPA accreditation standards recommend a claims audit every two years on self-funded programs.

In 2011, SCORE issued an RFP for claims auditors and chose Mr. Nick Cali to conduct the audit. Mr. Cali has since retired and will not be available to perform the claims audit.

FISCAL IMPACT: \$7,500 which has been included in the budget.

ATTACHMENT(S): 2012 Workers' Compensation Claims Audit



February 10, 2012

Susan Adams, Program Administrator
Small Cities Organized Risk Effort
1792 Tribute Road, Suite 450
Sacramento, CA 5815

Sent via email: sadams@alliantinsurance.com

Re: S.C.O.R.E. WORKERS' COMPENSATION CLAIM AUDIT – 2012

Dear Ms. Adams:

Attached you will find my report that provides conclusions and findings as a result of the workers' compensation claim audit conducted for S.C.O.R.E. at the offices of York Insurance Services Group, Inc., in Roseville, California on February 7, 2012.

The audit included a review of 82 claims. Forty-eight of the 53 current open, active Indemnity Claims were reviewed. Twenty-two of the 35 open Future Medical Claims were reviewed, and 12 of the 15 open Medical Only claims were reviewed. The audit was performed electronically via the VOS computerized claim information system maintained by York Insurance Services Group, Inc. I was able to evaluate the performance of all examiners and management personnel.

At the conclusion of the field audit I held a brief exit interview with York's Vice President of Claims Tom McCampbell and Unit Manager Leslie Cunningham during which I discussed my findings and conclusions.

The audit report is broken down into three sections. Section I summarized my conclusions based on the audit findings. Recommendations to improve the program, when necessary, are located in Section II. Section III contains the detailed audit findings.

It is my understanding that your Board Meeting is scheduled for Friday, March 23, 2012 in Anderson, California. Unfortunately, I am not available to attend on that date. However, I am available by way of telephone conference if you and/or the Board feel it necessary.

I am also enclosing the invoice in the amount of \$4,000 for your usual expeditious handling.

I appreciate the opportunity to once again serve S.C.O.R.E. Please feel free to contact me if you have any questions regarding the audit.

Very truly yours,

Nicholas L. Cali
Claim Consultant/Auditor

NLC: clc

Enclosures

cc: File

**SMALL CITIES ORGANIZED
RISK EFFORT**

**WORKERS' COMPENSATION
CLAIM AUDIT**

FEBRUARY 2012



NICHOLAS L. CALL, Claim Consultant/Auditor

P. O. Box 2158
Sonoma, California 95476-2158

Phone/Fax: 707/938-3746
Cell: 707/694-6756
E-mail: nlcall@comcast.net

I. CONCLUSIONS

The S.C.O.R.E. self-insured workers' compensation claim administration program is meeting, and in some areas exceeding, claim industry standards, as well as meeting all CAJPA Claim Administration Accreditation Criteria.

Claim administration has been transferred from the York Insurance Services Group, Inc.'s Redding, California office to their Roseville, California location. This appears to have been a positive move for S.C.O.R.E. members. In a very short period of time, the examiners in the Roseville office have taken action to review and provide plans of action for all the claims reviewed during this audit.

There is an aggressive approach toward investigation, claimant contact, and the initiation and maintenance of workers' compensation benefits. By the same token, there is an aggressive approach toward the disposition of non-meritorious claims and litigation.

Reserving philosophy and practice are sound and a primary concern of the York examiners. I found that they attempt to establish and maintain an "ultimate probable cost" reserve for loss and expense, based on current information available in each claim file.

Excess notification to LAWCS is timely, with supplemental reports made on a consistent and current basis. Excess reimbursement is active.

I believe S.C.O.R.E. can anticipate continued above-average workers' compensation claim administration with the current York Risk Services Group, Inc.'s personnel in place.

II. RECOMMENDATIONS

There are no recommendations as a result of the audit findings.

III. FINDINGS

A. STAFFING

The S.C.O.R.E. self-insured workers' compensation claim administration program is being managed and technically administered by York Insurance Services Group, Inc. in their Roseville, California office since September 2011.

The program is under the direction of Vice President Tom McCampbell, who has many years' experience as a workers' compensation claim technician and manager. The program is under the supervision of Unit Manager Leslie Cunningham, who likewise has significant workers' compensation claim technical and management experience. Active Indemnity claims are being handled by Examiner Jodi Fink while Future Medical and Medical Only claims are being handled by Examiner Sara Marshall. The unit is assisted by Claim Assistant Stephanie Hawk.

This audit involved a review of claim files handled by all the above-mentioned personnel. I found that they demonstrate a keen sense of urgency regarding AOE/COE investigation, claimant contact, and the initiation and maintenance of benefits and medical case management. The examiner diaries are current and the VOS system reflects timely and comprehensive reporting by all concerned.

Based on the results of this audit, I see no problems with the caseloads of any of the personnel involved. Ms. Cunningham is actively involved in the supervision of the unit based on her supervisory reporting in the VOS system.

B. REPORTING

I evaluated the reporting timeliness of new claims reported since the previous audit; the average number of days between knowledge by the various cities and receipt by York was 3.8 days. This is excellent reporting timeliness. As mentioned above, the examiner/supervisory reporting is excellent.

York's management requires a Workers' Compensation Claims Status Report (CSR) by the examiner within 30 days of initial notice and quarterly thereafter. I found full compliance with this procedure.

C. CLAIMANT CONTACT

The York procedures require 24-hour claimant contact and, in fact, a three-point contact requirement with the employee, the employer, and the medical care facility. I found this procedure to be fully in place and active. This practice certainly contributes to the positive litigation ratio enjoyed by S.C.O.R.E.

D. DIARY SYSTEM

York's system requires a standard 30-day diary; the examiner may make diary adjustments depending upon the specific needs of each claim file. The diary was current in all claims reviewed. There were diary review comments regarding current activities and future plans of action.

E. INVESTIGATION

A majority of investigation is being performed by telephone or electronic communication with the member cities. Where necessary, AOE/COE investigations and/or sub rosa investigations are assigned to vendors based upon the geographic location of the member city. I did not find excessive use of investigative vendors, and, therefore, I consider this practice to be cost-effective.

A review of investigative vendors' reporting reflects timely and comprehensive submissions.

York Insurance Services Group, Inc. continues to report all workers' compensation claims to the Index Bureau upon initial review of a new claim.

F. TEMPORARY DISABILITY

In those claims in which initial temporary total disability benefits were due, I found timely notice to the injured worker and the state. The files are documented with the initial notices and notices regarding termination of benefits. TTD rates are computed accurately by the examiners, and all claims in which temporary total disability benefits have been paid contained a wage statement from the employer.

I found only one case in which temporary total disability penalty was required. This was a claim in which a TD overpayment occurred and created confusion. The error was recognized and the penalty paid by York. I do not consider this to be a trend.

G. PERMANENT DISABILITY

The prior examiner, Bonnie Markuson, and the current examiner are very aggressive in the recognition of the potential for permanent disability and subsequent settlement of the issue. The plans of action are directed toward a Compromise and Release or a Stipulation, Findings, and Award depending upon the specific situation. I did not find any claims in which the activities directed toward settlement were not in place or needed further motivation.

Permanent disability advances are recognized in a timely manner and are issued upon receipt of a Permanent and Stationary Medical Report with a permanent disability rating.

York examiners have no settlement authority. Any claim that required settlement authorization within the \$150,000 SIR must be requested from the member city. Any

settlement authority above the SIR must be approved by LAWCX. I found no abuses of this process. The files are clearly documented with member city and LAWCX authorizations.

Medicare Set Aside issues are being recognized and dealt with in all settlements I reviewed.

H. LITIGATION

Only 15 of the current, active Indemnity claims are in litigation. This is a very favorable litigation ratio. Many of the open, active Indemnity claims are being handled by the examiner without the need or cost of defense counsel. This is a very cost-effective method to handle litigation.

When defense of litigation is required, the examiners are making assignments from a S.C.O.R.E.-approved panel of defense attorneys based on the location of the member city or the nature or issues of the litigation involved. The following firms are involved in S.C.O.R.E. litigation defense:

- Hanna, Brophy, McLean, McAleer, and Jensen
- Laughlin, Falbo, Levy, and Morresi

The York examiners are active in litigation management and strategy.

I. MEDICAL CONTROL AND PAYMENTS

York Insurance Services Group, Inc., continues to utilize the services of WellComp to review and approve payment of medical bills. This procedure is working well. There is timely payment of medical bills. The authorizations are in accordance with the RVS Schedules and reasonable and customary allowances appear to be in place. Bills are being paid within 30 days of receipt in a majority of claims.

The Utilization Review process is used aggressively by the York examiners.

I did not find any delays in regard to the receipt of permanent and stationary medical reports. Where there was an issue with a permanent and stationary rating, the examiners were quick to respond and requested further clarification.

J. SUBROGATION

I reviewed several claims in which there was subrogation potential. Subrogation potential is being investigated thoroughly and pursued for collection.

K. REHABILITATION

Rehabilitation benefits are being recognized where applicable and the appropriate procedures are being followed. Reserving is evident where rehab is a potential benefit.

L. RESERVES

The York Risk Services Group, Inc.'s claim personnel's reserving philosophy and practice are sound. There is an attempt to establish and maintain an "ultimate probable cost" reserve for both loss and expense based on the circumstances in each claim file.

Reserving rationale is discussed thoroughly by the examiner and manager in the VOS system. The Claim Status Reports discuss reserving thoroughly. I found no case in which a recommendation for a reserve change was necessary.

In a review of 22 Future Medical claims handled by Examiner Sara Marshall, I found she has taken aggressive action to review and evaluate all future medical reserves, and the files are well documented in this regard. I saw no evidence of dangling reserves for Indemnity or expense.

Having performed the audit electronically, I was able to view the current status of all claim data on the day of the audit. The posting of claim data by the examiners is timely and accurate. I believe that the current computerized system accurately reflects S.C.O.R.E.'s workers' compensation claim exposure.

M. EXCESS NOTIFICATION

S.C.O.R.E. is a member of Local Agency Workers' Compensation Excess JPA (LAWCX). S.C.O.R.E. maintains a \$150,000 Self Insured Retention per occurrence.

The reporting requirements include any claim in which the total incurred exceeds 50% of the SIR, catastrophic injury, death, or lengthy temporary disability. This audit included a review of almost 100% of the current Indemnity claims, and I was able to spot-check all others for excess potential. I found that all claims in which excess potential was evident had been reported to LAWCX in a timely manner. In most cases, the reporting was made out of an abundance of caution.

I reviewed several excess claims in which reimbursement was in process. Reimbursement is very active.



Small Cities Organized Risk Effort
Board of Directors Meeting
October 25, 2013

Agenda Item I.8.

UPDATE ON US BANK CUSTODIAL ACCOUNT TRANSFER

INFORMATION ITEM

ISSUE: Alliant will update the Board on the completion of the account transfer from Union Bank to Us Bank.

RECOMMENDATION: None.

FISCAL IMPACT: Annual cost savings to SCORE of approximately \$11,000.

BACKGROUND: At the June 28, 2013 Board meeting, the Board and Staff discussed moving SCORE's Custodial Accounts from Union Bank to US Bank due to a recent fee increase by Union Bank. Staff completed the transfer in late August.

ATTACHMENT(S): None



Small Cities Organized Risk Effort
Board of Directors Meeting
October 25, 2013

Agenda Item I.9.

ALLIANT STATE OF THE MARKET 2014 PRESENTATION

INFORMATION ITEM

ISSUE: Alliant will hold a presentation outlining the projected state of the insurance market in 2014.

RECOMMENDATION: None.

FISCAL IMPACT: None.

BACKGROUND: On an annual basis, Alliant staff develops a short narrative presentation that addresses emerging trends and other issues that will impact the insurance market during that year.

ATTACHMENT(S): Alliant 2014 State of the Market Presentation



State of the Insurance Market 2014 *(From various Industry Sources)*

Presented by:

Alliant Insurance Services, Inc.

October, 2013

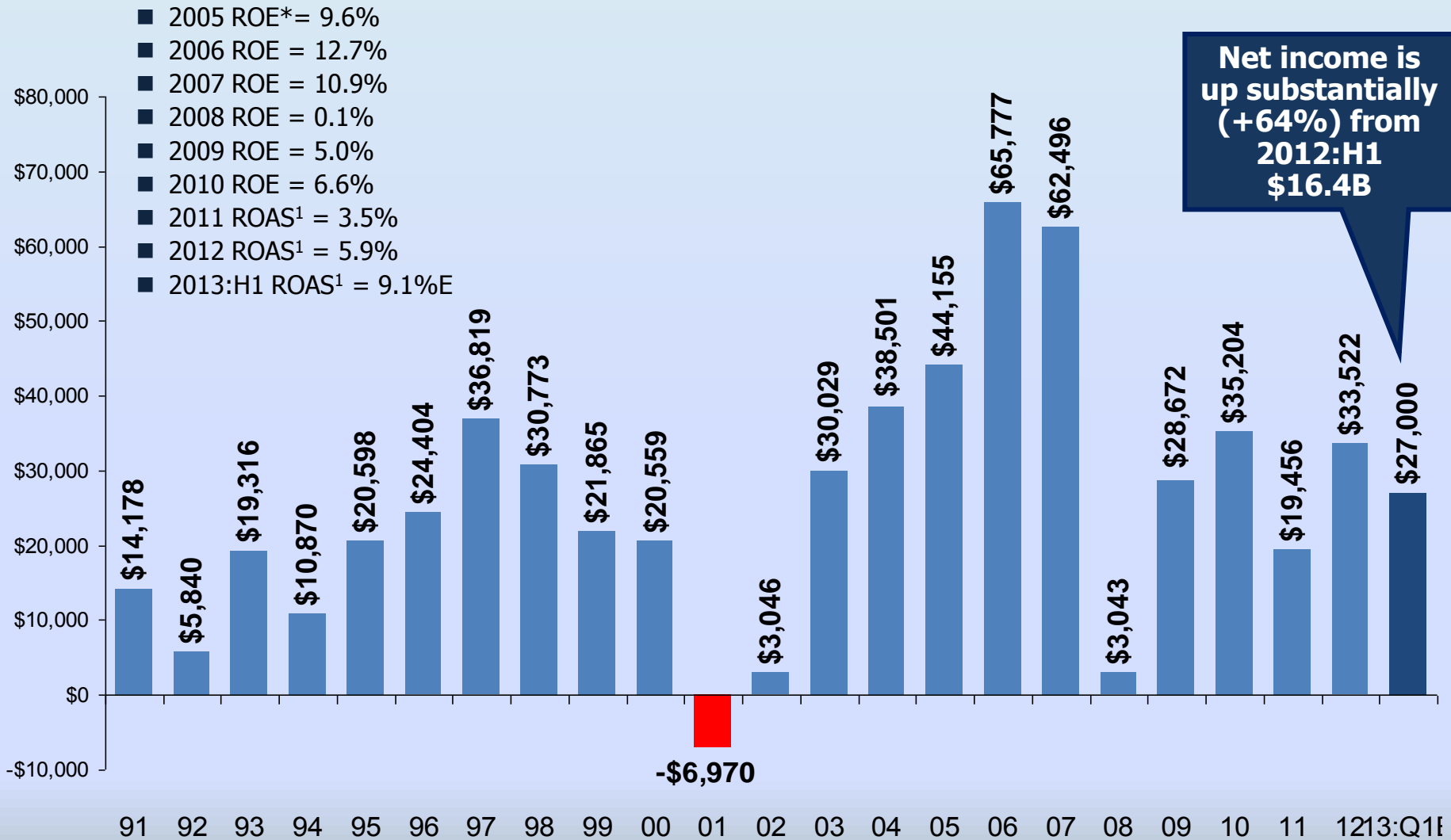


Alliant

Presentation Overview

- Property & Casualty Industry Performance**
- Impact of Natural and Catastrophe Losses**
- Reasons for Optimism, Causes for Concern**
- WC continue Negative Trends above Others**

P/C Net Income After Taxes 1991–2013:H1 (\$ Millions)

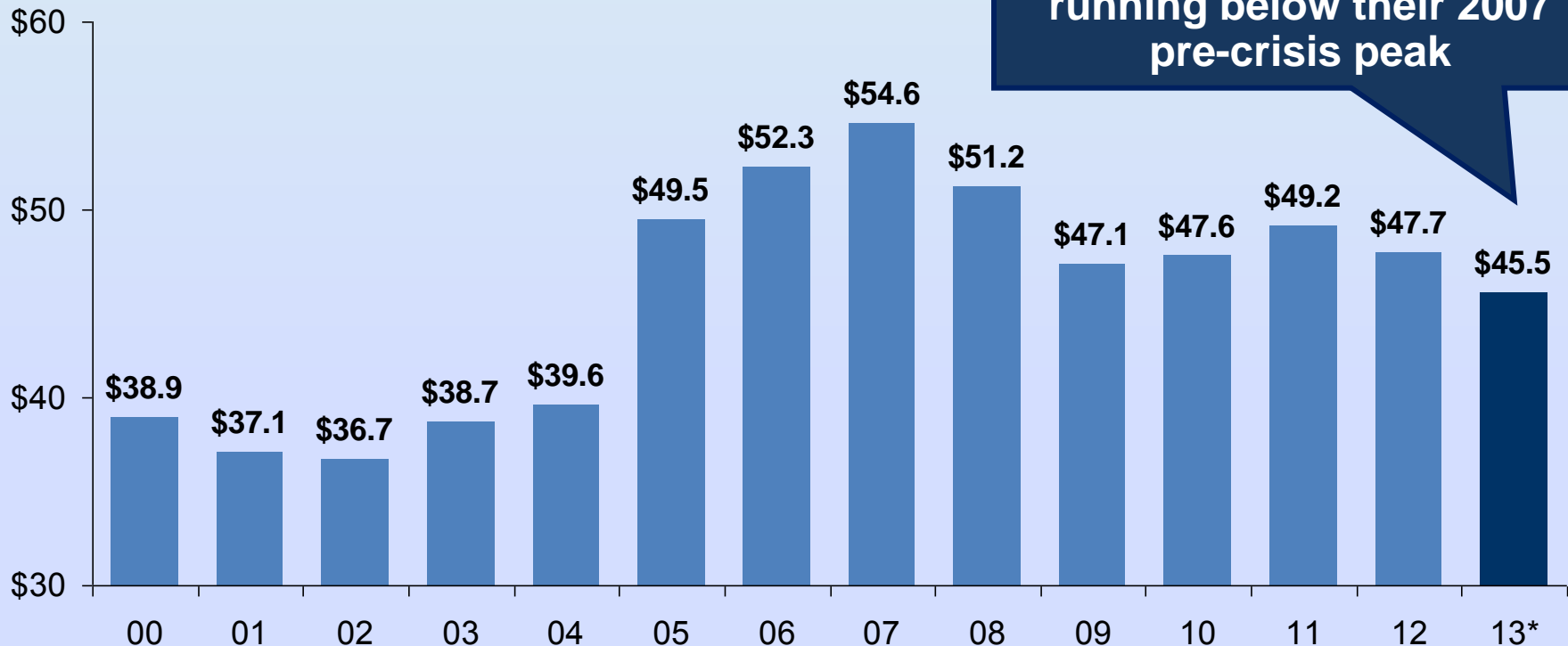


*ROE figures are GAAP; ¹Return on avg. surplus. Excluding Mortgage & Financial Guaranty insurers yields a 9.7% ROAS in 2013:Q1, 6.2% ROAS in 2012, 4.7% ROAS for 2011, 7.6% for 2010 and 7.4% for 2009.

Sources: A.M. Best, ISO, Insurance Information Institute

Property/Casualty Insurance Industry Investment Income: 2000-2013F¹

(\$ Billions)



Investment earnings are running below their 2007 pre-crisis peak

Investment Income Fell in 2012 and is Falling in 2013 Due to Persistently Low Interest Rates, Putting Additional Pressure on (Re) Insurance Pricing

¹ Investment gains consist primarily of interest and stock dividends..

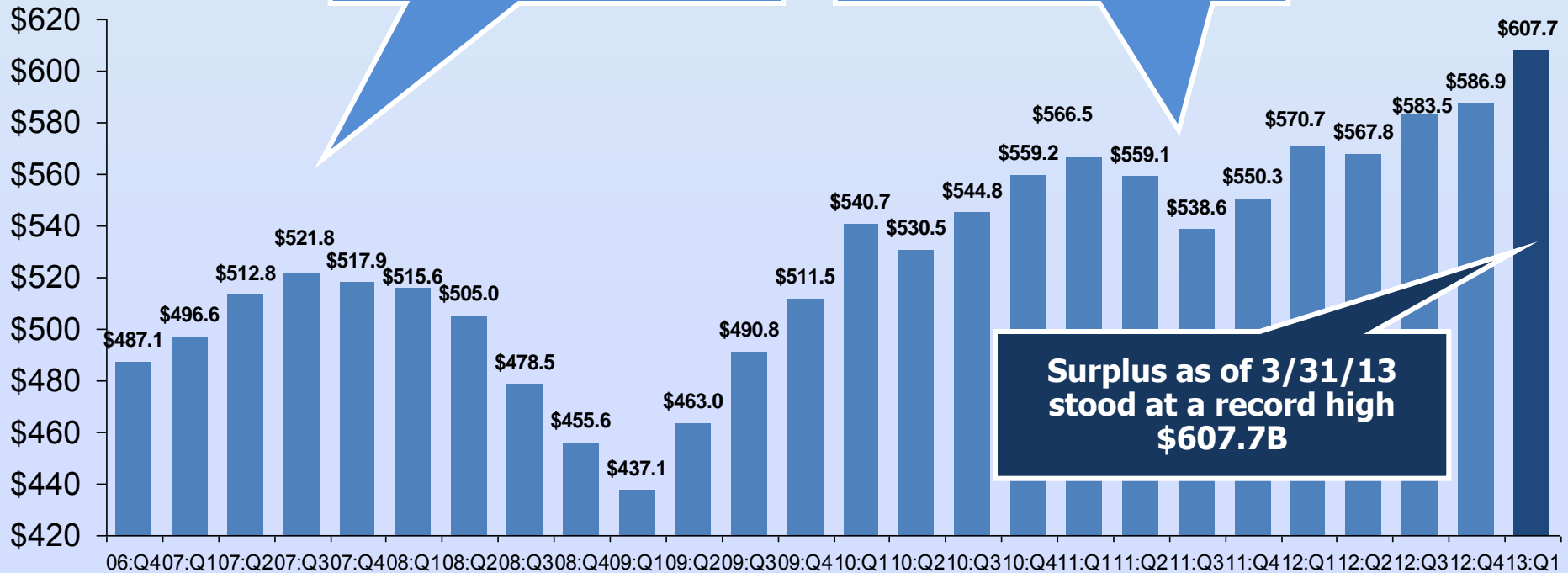
*Estimate based on annualized actual Q1:2013 investment income of \$11.385B.

Sources: ISO; Insurance Information Institute.

Policyholder Surplus

2006: Q4-2012:Q1

(\$ Billions)



2007:Q3
Pre-Crisis Peak

Drop due to near-
record 2011 CAT
losses

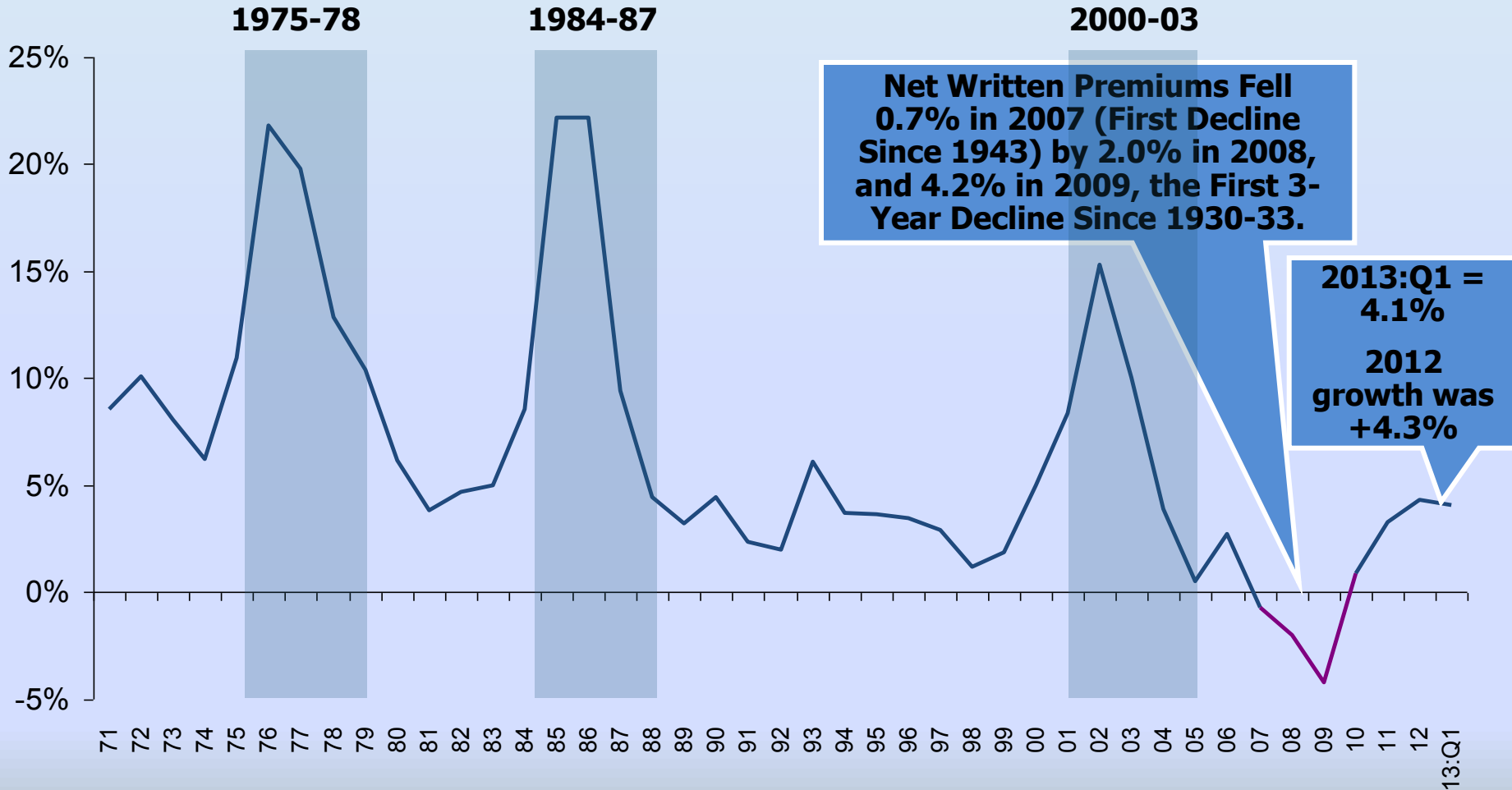
Surplus as of 3/31/13
stood at a record high
\$607.7B

*Includes \$22.5B of paid-in capital from a holding company parent for one insurer's investment in a non-insurance business in early 2010.

The P/C Insurance Industry Both Entered and Emerged from the 2012 Hurricane Season Very Strong Financially.

Net Premium Growth: Annual Change 1971—2013:Q1

(Percent)

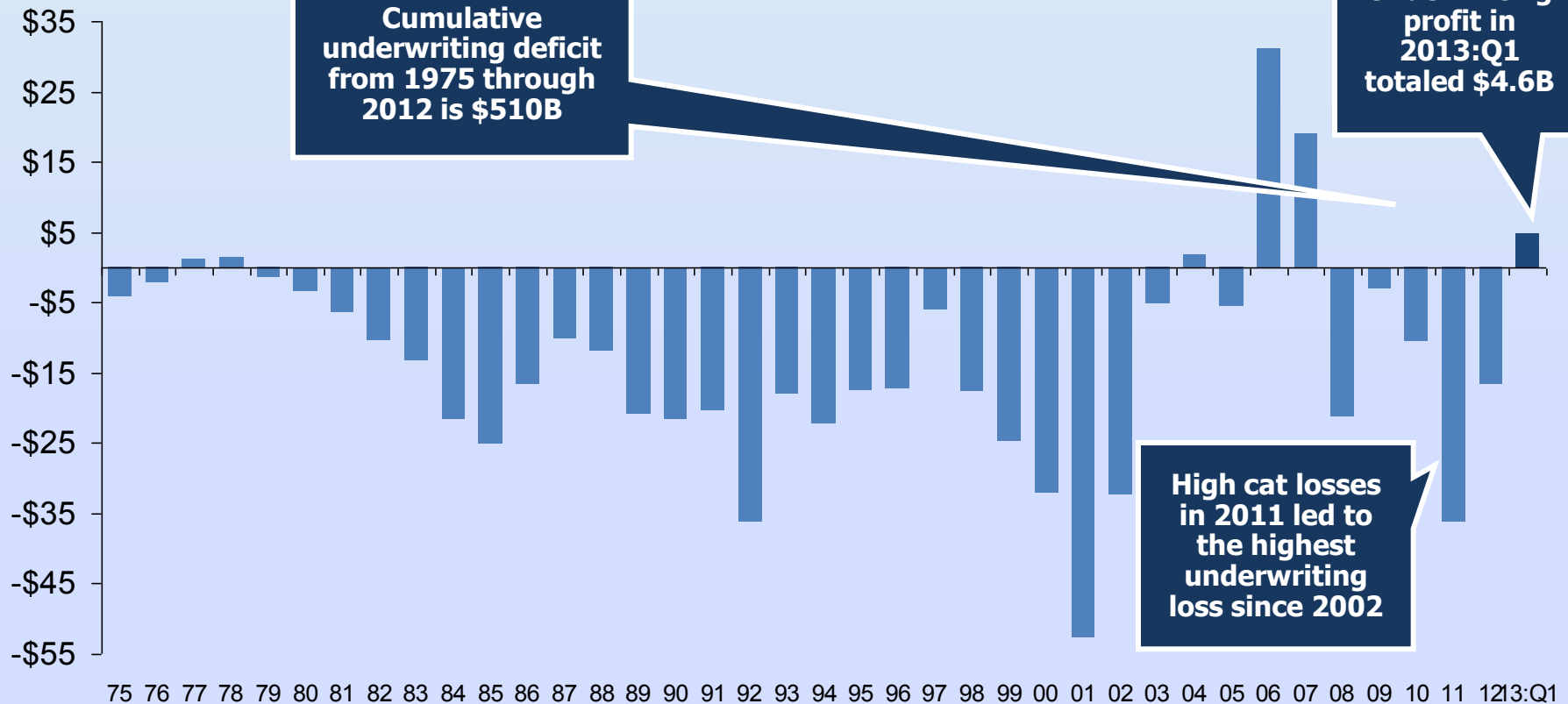


Shaded areas denote "hard market" periods

Sources: A.M. Best (historical and forecast), ISO, Insurance Information Institute.

Underwriting Gain (Loss) 1975–2013:Q1*

(\$ Billions)

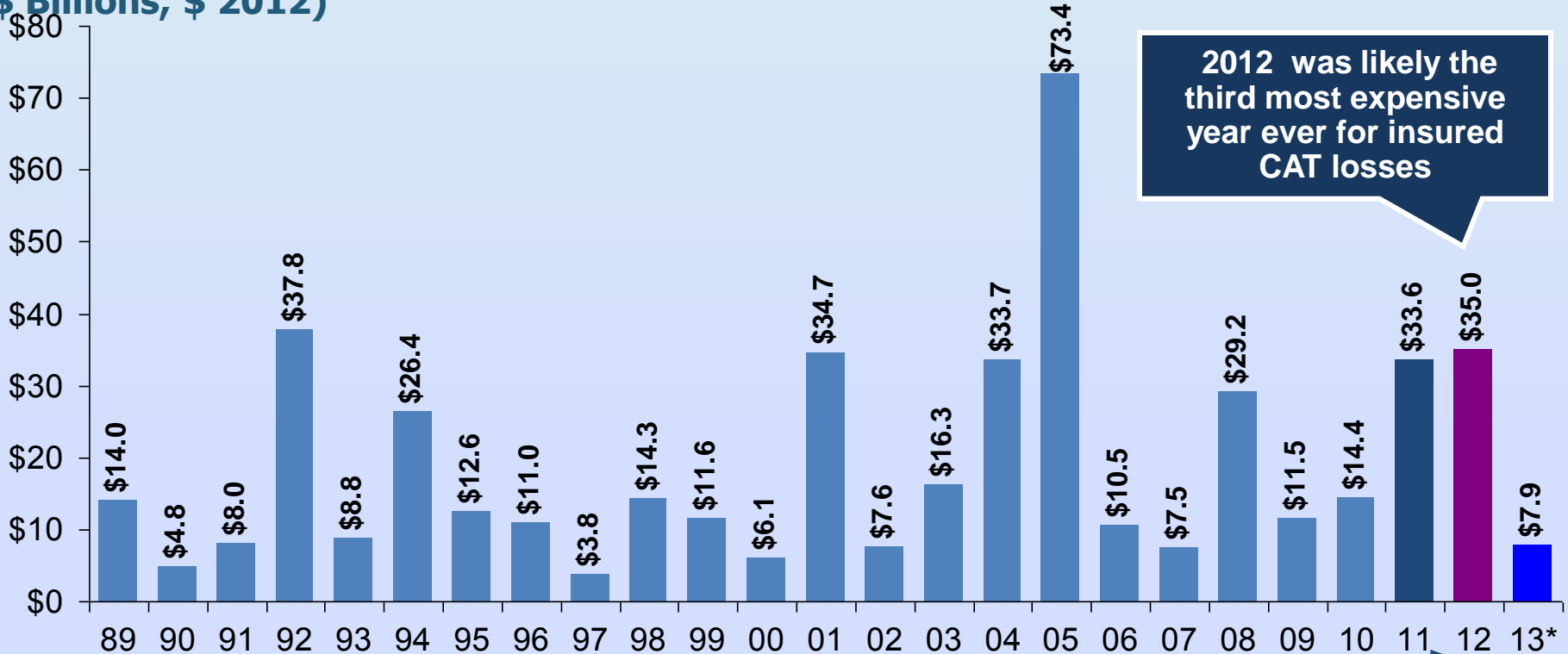


**Large Underwriting Losses Are *NOT* Sustainable
in Current Investment Environment**

* Includes mortgage and financial guaranty insurers in all years.
Sources: A.M. Best, ISO; Insurance Information Institute.

U.S. Insured Catastrophe Losses

(\$ Billions, \$ 2012)



2012 was likely the third most expensive year ever for insured CAT losses

2012 Was the 3rd Highest Year on Record for Insured Losses in U.S. History on an Inflation-Adj. Basis. 2011 Losses Were the 6th Highest. YTD 2013 Running Below Average But Q3 Is Typically the Costliest Quarter.

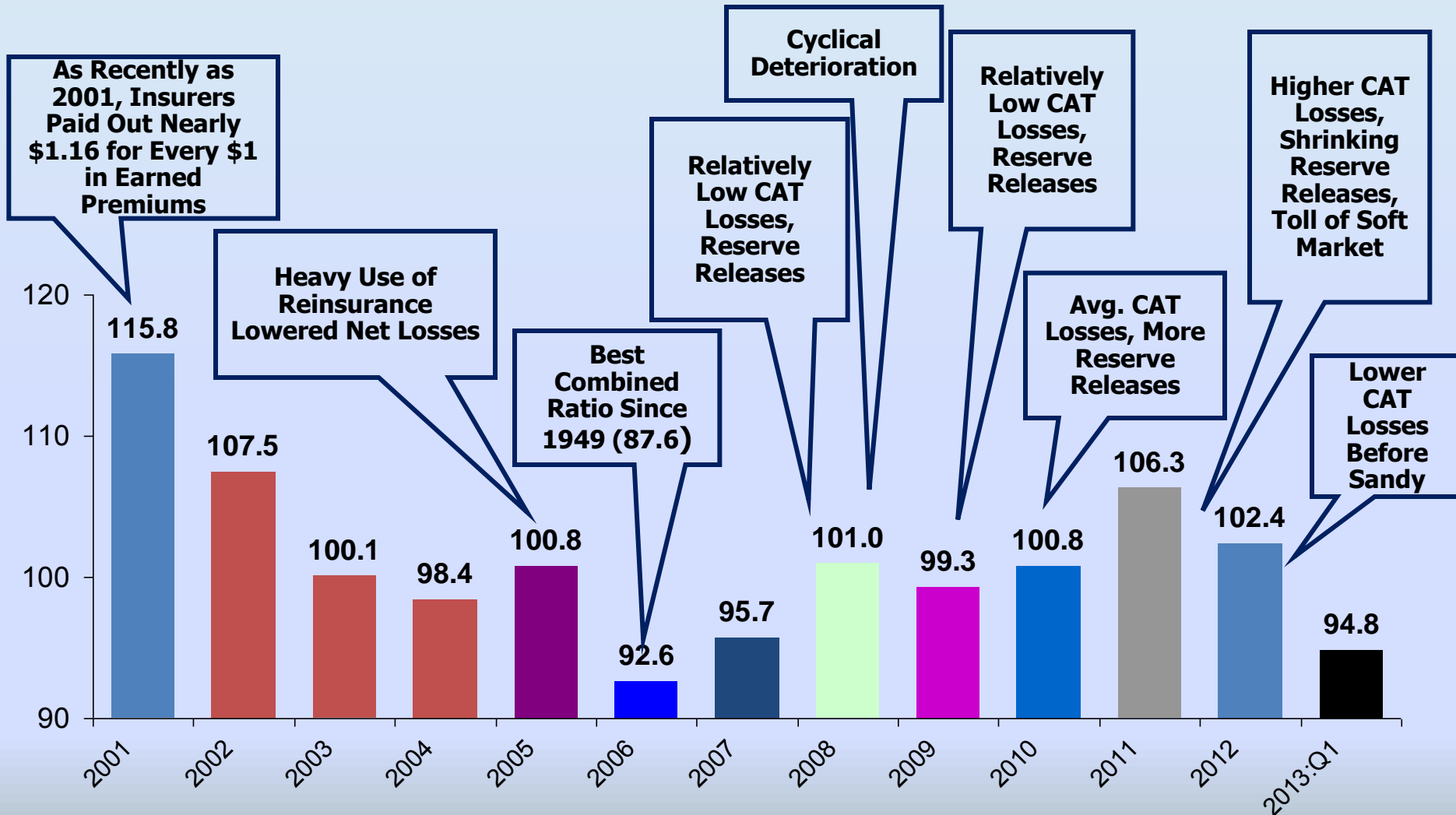
Record tornado losses caused 2011 CAT losses to surge

*Through 6/2/13. Includes \$2.6B for 2013:Q1 (PCS) and \$5.32B for the period 4/1 – 6/2/13 (Aon Benfield Monthly Global Catastrophe Recap).

Note: 2001 figure includes \$20.3B for 9/11 losses reported through 12/31/01 (\$25.9B 2011 dollars). Includes only business and personal property claims, business interruption and auto claims. Non-prop/BI losses = \$12.2B (\$15.6B in 2011 dollars.)

Sources: Property Claims Service/ISO; Insurance Information Institute.

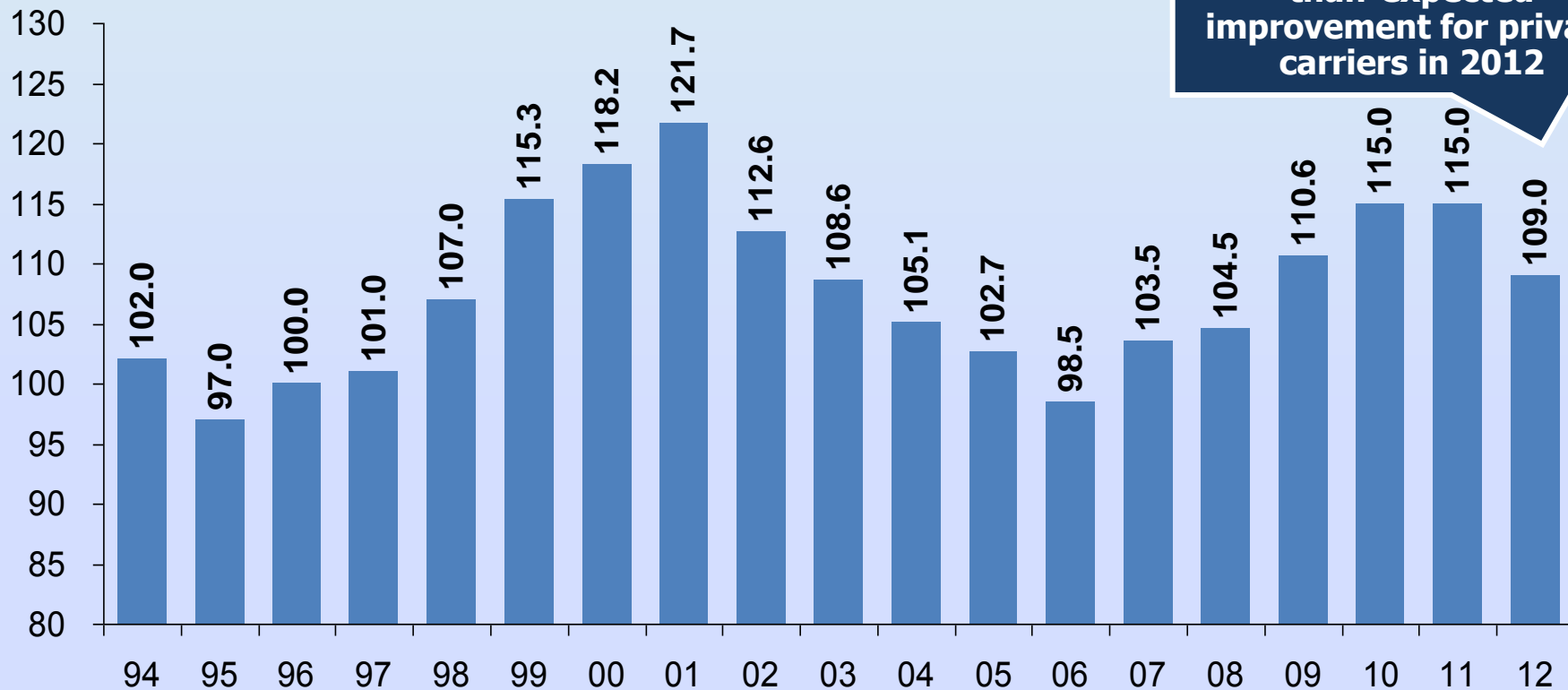
P/C Insurance Industry Combined Ratio, 2001–2013:Q1*



* Excludes Mortgage & Financial Guaranty insurers 2008--2012. Including M&FG, 2008=105.1, 2009=100.7, 2010=102.4, 2011=108.1; 2012:=103.2.

Sources: A.M. Best, ISO.

Workers Compensation Combined Ratio: 1994–2012P



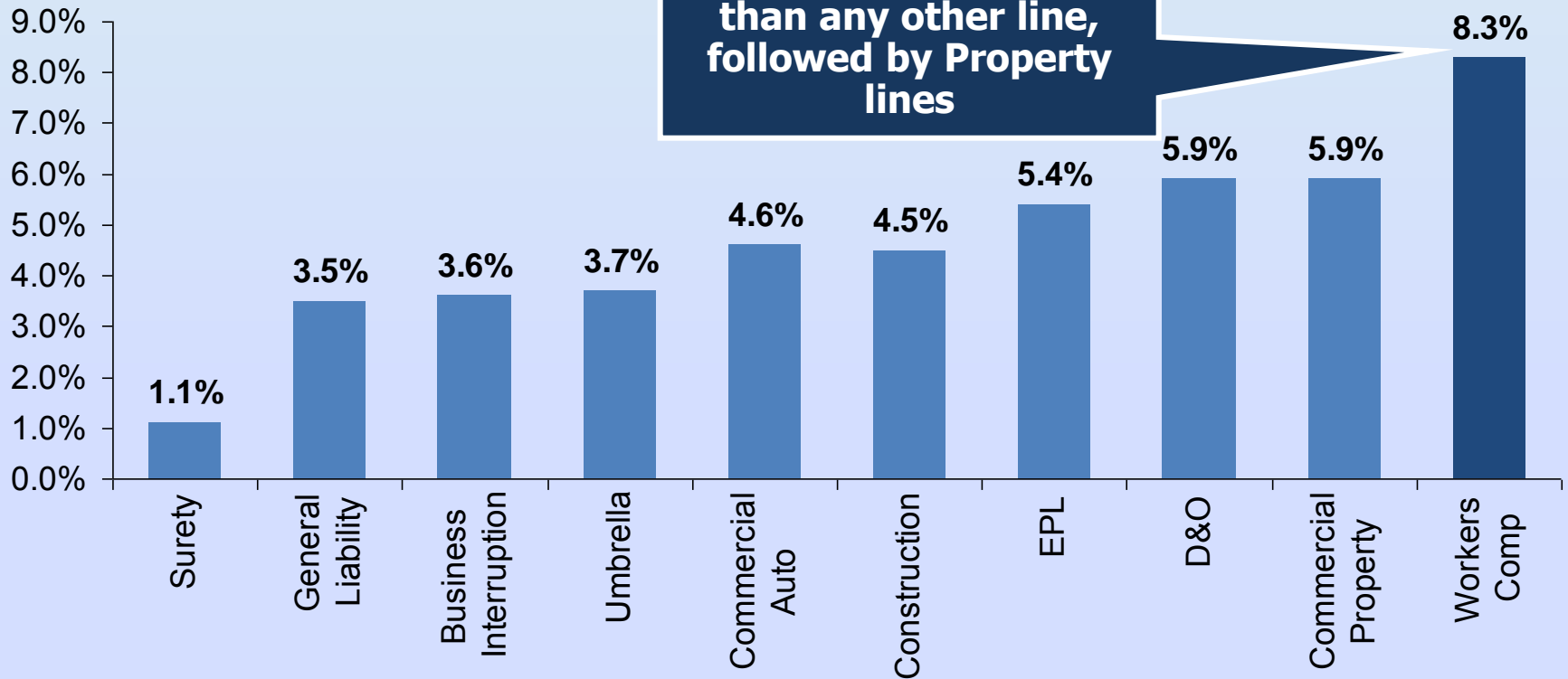
WC showed a better-than-expected improvement for private carriers in 2012

Workers Comp Results Began to Improve in 2012. Underwriting Results Deteriorated Markedly from 2007-2010/11 and Were the Worst They Had Been in a Decade.

Sources: A.M. Best (1994-2009); NCCI (2010-2012P) and are for private carriers only; Insurance Information Institute.

Change in Commercial Rate Renewals, by Line: 2013:Q2

Percentage Change (%)



Major Commercial Lines Renewed Uniformly Upward in Q2:2013 for the 8th Consecutive Quarter; Property Lines & Workers Comp Leading the Way; Cat Losses and Low Interest Rates Provide Momentum Going Forward

Note: CIAB data cited here are based on a survey. Rate changes earned by individual insurers can and do vary, potentially substantially.

Property Insurance Market Outlook

A Tipping Point?

Reasons for Optimism

- ❑ So Far, So Good - - Profit Recovery in 2013 After High CAT Losses in 2011-12
 - ❑ The P/C Insurance Industry Both Entered and Emerged from the 2012 Hurricane Season Very Strong Financially
- ❑ Net income is up substantially (+64%) from 2012 Q1
- ❑ Surplus as of 3/31/13 stood at a record high \$607.7B
- ❑ Ample Capacity Despite Heavy Global Catastrophe Activity in Recent Years
- ❑ Economy improving with greater economic activity generating increase premium flow

Causes for Concern

- ❑ Catastrophes and Other Factors Are Pressuring Insurance Markets for Rate Increase
- ❑ Damage from Tornadoes, Floods, Large Hail and High Winds Keep Insurers Busy
- ❑ Record Low Interest Rates Are Contributing to Underwriting and Pricing Pressures
- ❑ Major Commercial Lines Renewed Uniformly Upward in Q2:2013 for the 8th Consecutive Quarter; Property Lines & Workers Compensation are Leading the Way
- ❑ The Weak Economy and Soft Market Have Made the Workers Comp Operating Environment Increasingly Challenging
- ❑ Correct Flood mapping is poor or non-existent at best, and carriers are retreating on flood cover. Unclear if FEMA will or has the capacity to improve maps

Discussion and Questions



Agenda Item J.

CLOSED SESSION PURSUANT TO GOVERNMENT CODE SECTION 54956.95

ACTION ITEM

ISSUE: Pursuant to Government Code Section 54956.95, the Board will hold a Closed Session to discuss the following claims for payment of a tort liability loss or a public liability loss:

**Request for Authority

1. Liability

- a. Schwartz vs. Susanville
- b. Bernhardt vs. Susanville
- c. Hubbard vs. Susanville
- d. Caitlin vs. Isleton
- e. Bellamy vs. Isleton
- f. Shivy vs. Weed

2. Workers' Compensation

- a. SCWA-158878 vs. City of Susanville**
- b. SCWA-83291 vs. City of Susanville**
- c. SCWA-555704 vs. City of Weed**

FISCAL IMPACT: Unknown

RECOMMENDATION: The Program Administrator cannot make a recommendation at this time, as the subject matter is confidential.

BACKGROUND: Confidential

ATTACHMENTS: None



Home [About Us](#) [Community](#) [Individual Directory](#) [Organization Directory](#) [Events](#) [Store](#) [Job Postings](#) [Contact Us](#) [Login](#)



PARMA 2014 CONFERENCE REGISTRATION IS NOW OPEN

New at PARMA

PARMA SCHOLARSHIPS FOR THE ANNUAL CONFERENCE

If you would like to attend the PARMA Conference, February 9-12, 2014 in San Jose, CA, but your entity does not have the funding to allow it, consider applying for a PARMA Scholarship. Information on how to apply can be found in the PARMA Community. Just log in with your email address and passcode, go to the Resource Pages and download an application. Don't miss out on a fabulous educational opportunity - let us help you get there!

To find the Resource pages simple look on the left side of the PARMA Community pages for Resources. Click on that link and then scroll down to find the PARMA Conference Scholarship Application. Click on that link and then download the application by clicking on the green Download Resource Button on the right side of the page. Open the document, print it out and fill in the application. Instructions on where to send it are on the form.

REGISTER FOR THE PARMA GOLF TOURNAMENT

You can register for the annual PARMA Golf Tournament to be held at the Coyote Creek Golf Course in Morgan Hill, CA on Sunday, February 9, 2014. Just go to www.parma.com and click on Events. Then close the 2014 PARMA Golf Tournament, log in and follow the prompts. No need to be a good golfer - you just need to want to have fun!

If you want to sponsor a tee box you can click on the PARMA Store and choose the event you would like to sponsor by clicking on it and adding it to your shopping cart. A receipt will be sent to you once you have paid for it.

NEW FOR THE 2014 CONFERENCE

PARMA is offering **Continuing Education Certificates** and **MCLE Credits** for Attorneys and Paralegals for attending selected sessions. These sessions are noted with a comment in the title field, so be sure to look for these when you register. This is part of PARMA's Strategic Plan to address requests from and meet the needs of its members.

EVENTS WORTH NOTING

Attendees at the 2014 PARMA Conference are in for a real treat this year. They will be hosted for a networking opportunity at the San Jose Tech Museum on Monday evening from 6-10 pm thanks to the sponsorship from **Alliant Insurance Services** and **Carl Warren & Company**. For those without plans for later in the evening the IMAX Theater at the Museum will have an 8 pm showing of the movie "Everest". All attendees are welcome to attend this event.

A 40th Anniversary deserves a special celebration and PARMA's banquet intends to be just that. This is that event where you can dress up -

bring along the cocktail dress and guys, wear a jacket. Of course you can come in business attire if you prefer but be a part of this Ruby Celebration. With a menu of Surf & Turf, dancing with your favorite band from last year and prizes generously sponsored by **Mullen & Filippi**, you can be guaranteed an evening to remember.

PARMA EXHIBIT BOOTH INFORMATION

Exhibit booths are available for sale for the PARMA Conference. The exposition will be at the San Jose Convention Center with set up on Sunday, February 9 from 1-6pm. The show is Monday, February 10 from 7:30 - 4:00 pm and Tuesday, February 11 from 7:30 - 1:30pm. Tear down can begin at 1:45 following lunch which will be served both days in the exhibit hall. For a booth contract please click [HERE](#). For a diagram of the expo hall, please click [HERE](#). Please note that there are a large number of booths already sold for this show. For an updated list of booth availability please email exhibit@parma.com and request a listing so you do not choose booths that are already sold.

PARMA COMMUNITY

The Community is a place to find not only chapter information for PARMA, updates about the conference and resources to make your life easier, but also a place to allow other PARMA members to post their meetings and white papers. Speakers can promote the sessions they will be presenting at both Chapter Meetings and the Annual Conference, AND it will be easier than before to actually reach out and make connections with other PARMA members. It also provides a forum for group discussions, news feeds and messaging.

PARMA Members have full access to everything in the Community. You can post meetings, make contacts, participate in group discussions, send/receive messages, take surveys and access/download/post resources. **Non Members** can view posted meetings, group discussions, resources and surveys. Non Members can view posted meetings, group discussions, resources and surveys.

What to do First?

Click on the Community link, log in and create a profile for yourself. Then explore. Look up other members with the search box and invite them to link to you. Set your permissions so that you have set up when you want to get notifications. **This is the NEW LOOK of PARMA!**

Membership: PARMA's membership runs from January 1 - December 31 each year. For public agency employees the cost is \$100 for an entity and for associates/non-public agency employees the cost is \$275. Your employer/agency becomes the member and covers as many people from your location as would like to be a PARMA member. (If you have additional branches each must become their own member but will also have the ability to have multiple employees under the umbrella of the membership.)

Our Platinum Sponsors



PARMA 2014 Annual Conference

February 9-12, 2014
San Jose, CA Convention Center



PARMA Chapters

- Bay Area
- Sacramento

[Southern California](#)

[Central Valley](#)

[Gold Coast](#)

[San Diego](#)

SCORE RESOURCE CONTACT GUIDE

October 2013

CLAIMS ADMINISTRATION
York Risk Services Group, Inc.
www.yorkrsg.com
P.O. Box 619058
Roseville, CA 95661-9058
Main: (800) 922-5020 Fax: (800) 921-7683

SUBJECT	MAIN CONTACT
ADMINISTRATIVE ISSUES - annual contracts for services, IT issues, reports, service issues	Marcus Beverly – WC & Liability
SUPERVISORIAL ISSUES – liability claims administration management, oversight of safety & loss control services	Tom Baber - Liability
CLAIMS ISSUES – LIABILITY <i>All Members</i>	Angela Salsbury – Unit Manager Cameron Dewey – Unit Manager
CLAIMS ISSUES – WORKERS’ COMPENSATION <i>All Members</i>	Debra Yokota – VP, WC Trisha Engle – Claims Manager Jodi Fink – Claims Examiner
COMPUTER SERVICES TRUST ACCOUNT SERVICES – loss runs, special reports, check registers, bank reconciliations	Marcus Beverly – AVP (916) 746-8828
Tom Baber	(916) 746-8834 Tom.Baber@yorkrsg.com
Marcus Beverly	(916) 746-8828 Marcus.Beverly@yorkrsg.com
<u>Liability Claims</u>	
Cameron Dewey	(530) 243-3249 Cameron.Dewey@yorkrsg.com
Angela Salsbury	(916) 746-8850
<u>Workers’ Compensation Claims</u>	
Jodi Fink	(916) 580-2437 Jodi.Fink@yorkrsg.com
Tricia Ingles	(916) 580-2437 Tricia.Ingles@yorkrsg.com
Debra Yokota	(916) 580-5570 Debra.Yokota@yorkrsg.com