

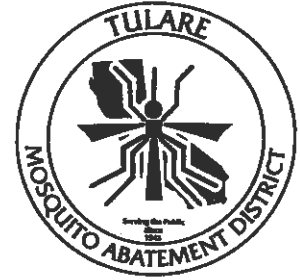
**BOARD OF TRUSTEES**

**Pat Nunes**  
City of Tulare  
**Robert Uchita**  
County of Tulare  
**Robert Clark**  
County of Tulare  
**Stan Creelman**  
County of Tulare  
**Charlie Pittigliano**  
County of Tulare  
**Charles Mayer**  
City of Visalia

**TULARE MOSQUITO ABATEMENT DISTRICT**

District Headquarters: Mefford Field - Tulare  
6575 Dale Fry Rd Tulare, CA 93274  
PH (559) 686-6628 FAX (559) 686-2013  
Email: TulareMosquito@gmail.com

**GENERAL MANAGER**  
**John Avila**



The Tulare Mosquito Abatement District Board of Trustees regular Meeting will be held on Tuesday, April 14th at 1:00 p.m. at the District office located at Mefford Field 6575 Dale Fry Rd, Tulare CA.

**Agenda**

1. **Citizen Comments:** At this time the Board of Trustees will take input from citizens on items they wish to address that are within the Board's jurisdiction. However the Board cannot legally discuss or take action at this meeting on comments received.
2. **Review Minutes of the March 10th, 2020 Board of Trustee Meeting**
3. **Payment of Check Numbers 6120 - 6152**  
Electronic Fund Transfers (EFTPS) from Union Bank to the IRS and EDD for Social Security, Medicare, Federal and State Tax Payments. E Debit payments from the District's Union Bank account. Claim number **21916** Transfer of Funds from Tulare County Fund #778 to the District's Union Bank Account # \*\*\*\*\*4408.
4. **Covid-19 Effects on Operations & Training**
5. **SDRMA Property & Liability rate increase for FY 20/21**
6. **SDRMA Worker's Compensation premium for FY 20/21**
7. **Replacement of Jeep Wrangler using "Reserves for Replacement Vehicles"**
8. **Preliminary review of FY 20/21 Budget**
9. **Manager's Report**
  - a. **Update on recycled trash cans in Visalia**
  - b. **Inspection Warrant for the 2020 Season in place**
  - c. **How global companies drive the home insurance crisis in CA Wildfire zones**
10. **Meeting Adjourned**

# Agenda Item #2

**MINUTES OF THE MEETING OF THE BOARD OF TRUSTEES OF THE TULARE MOSQUITO ABATEMENT DISTRICT, HELD AT THE OFFICES OF THE DISTRICT, MEFFORD FIELD, TULARE, CALIFORNIA ON THE 14<sup>th</sup> DAY OF MARCH 2020, AT THE HOUR OF 1:00 P.M. OF SAID DAY**

Present at the meeting called at 1:02 p.m. at the place above designated were: Charlie Pitigliano, presiding, Robert Clark, Pat Nunes, Robert Uchita, Stan Creelman and Chuck Mayer. Also present at the Board Meeting were John Avila, District Manager, Michelle Dempsey, District employee, and Chad M. Lew, counsel for the District.

**Agenda Item No. 1:** Citizen Comments.

Charlie Pitigliano opened the floor to citizen comments, but there were no comments from the public.

**Agenda Item No. 2:** Review Minutes of January 14, 2020, Board of Trustees Meeting.

The minutes of the special meeting held on January 14, 2020, were presented to the board in writing and reviewed. Upon a motion made by Pat Nunes, seconded by Robert Clark, and unanimously carried, the minutes of the special meeting held on January 14, 2020, were approved as presented.

**Agenda Item No. 3:** Payment of Check Number 6077 - 6120, Electronic Fund Transfers (EFTPS) from Union Bank to the IRS for Social Security, Medicare and Federal Tax Payments, and Union Bank Charges and Credits.

The board members reviewed the District's Union Bank checking account, check numbers 6077 - 6120, the electronic fund transfers (EFTPS) for payment of Social Security, Medicare and Federal Tax Payments to the IRS, and the electronic debit payments from the District's Union Bank account. Upon a motion duly made by Stan Creelman, seconded by Robert Clark, and unanimously carried, the Union Bank checking account, check numbers 6077 - 6120, the electronic fund transfers (EFTPS) for payment of Social Security, Medicare and Federal Tax Payments to the IRS, and the electronic debit payments from the District's Union Bank checking account were approved.

**Agenda Item No. 4:** Report on the MVCAC Annual Conference in San Diego January 27<sup>th</sup> - 29<sup>th</sup>. John provided the board with an overview of the topics and issues covered and discussed at the MVCAC annual conference in San Diego, CA.

**Agenda Item No. 5:** Report of WALs Summit in Sacramento on February 25<sup>th</sup>.

Michelle attended this summit put on by Valent. She detailed for the board the topics and issues covered at the summit.

**Agenda Item No. 6:** Report on the MVCAC Spring Quarterly and Lobby Day in Sacramento March 3 -4.

John reported to the board his attendance and participation at the MVCAC Spring Quarterly meeting and Lobby Day in Sacramento, California. He provided an overview of the issues and topics discussed at the meeting, and reported that he met with representative, Devon Mathis, to discuss issues facing the District.

**Agenda Item No. 7:** CalPERS Letter Addressing Situation with Employer Paid Arrears.

John reviewed with the board a letter dated February 14, 2020 from CalPERS relating to the their determination relating to Employer Paid Arrears and CalPERS determination therein regarding a District employee. He advised that there is a right to appeal the determination within 30 days of the date of the letter, but that he did not see any basis or reason for an appeal of the determination.

**Agenda Item No. 8:** Truck sold at Richie Auction on February 14<sup>th</sup>.

John advised the board that the District sold a surplus vehicle at public auction on February 14, 2020, at Richie Auction, in Tulare, California.

**Agenda Item No. 9:** 2019 Annual Report on District Revenue and Operational Expenditures.

John reviewed the 2019 Annual Report on District Revenue and Operational Expenditures with the board and addressed all questions related thereto. Upon a motion made by Charles Mayer, seconded by Robert Uchita, and unanimously carried, the 2019 Annual Report of the Tulare Mosquito Abatement District was approved as presented.

Charlie Pitigliano left at 1:30 p.m.

**Agenda Item No. 10:** Manager's Report.

- a) Board Trustee Mayer's Term - John advised the board that Charles Mayer's term is up for renewal in June 2020.
- b) AMCA Annual Conference March 16th-20th in Portland - John reported that this annual conference was cancelled due to the Covid-19 pandemic.
- c) Update on the City of Visalia's Trash Cans - John reported that he visited the yard and was advised that he City of Visalia anticipates having the cans removed by May 2020.
- d) New Manager Appointed at Delta Vector Control District - John advised the board that Delta Vector Control District just appointed a new manager, Dr. Mustapha Debboun, and provided the announcement.
- e) Form 700 - 2019 Form Due April 1, 2020 - John reminded the board members that their Form 700 were due by April 1, 2020.
- f) Pixley School District "STEAM" event February 28<sup>th</sup> - John reported that Michelle attended this event and Michelle reported on her participation.

**Agenda Item No. 11:** Meeting Adjourned.

There being no further business to come before the board, upon a motion duly made by Pat Nunes, seconded by Stan Creelman, and unanimously carried, the special meeting was adjourned at 1:38 p.m.

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SECRETARY

# Agenda Item #3

				Union Check #'s
Full Time Employees				EFTPS
6001	John Avila		3,014.85	DD1112
6001	Michelle Dempsey		2,538.18	DD1113
6001	Andrew Conard		1,847.98	DD1114
6001	Armando Gonzalez		1,940.31	DD1115
6001	Quirino Valencia		1,773.85	DD1116
6001	Sherry Laskie		573.29	6121
6004	CA Emp Dev Dept	UI, ETT, SDI & PIT	<b>578.29</b>	<b>EFTPS</b>
6004	Choice Builders	Monthly premium for employee Dental Vision & Life Insurance	1,102.05	6122
6008	Robert Clark	Board Meeting 03/10/2020	100.00	6123
6008	Stan Creelman	Board Meeting 03/10/2020	100.00	6124
6008	Charles Mayer	Board Meeting 03/10/2020	100.00	6125
6008	Pat Nunes	Board Meeting 03/10/2020	100.00	6126
6008	Charlie Pittigliano	Board Meeting 03/10/2020	100.00	6127
6008	Robert Uchita	Board Meeting 03/10/2020	100.00	6128
6011	CalPERS (Retirement)	Unfunded Liability (Classic)	<b>671.93</b>	<b>EFTPS</b>
6011	CalPERS (Retirement)	Unfunded Liability (Pepra)	<b>156.55</b>	<b>EFTPS</b>
6011	CalPERS (Employee)	Employee Additional 457 Roth	<b>400.00</b>	<b>EFTPS</b>
6011	CalPERS (Employee)	Employee Additional deferred contribution	<b>475.00</b>	<b>EFTPS</b>
6011	CalPERS (Retirement)	PERS Retirement contribution Employer & Employees	<b>2,878.60</b>	<b>EFTPS</b>
6012	Union Bank	Federal Inc Tax, Employee/Employer Medicare & SS	<b>3,754.56</b>	<b>EFTPS</b>
7001	Verizon	Office phones	100.00	174.43 6129
7005		Cell phones	74.43	
7021	Battery Pro	Battery for Quad		91.93 6130
7021	G.V. Burrows, Inc	Vehicle Fuel		183.82 6131
7021	C.P.Phelps, Inc.	Vehicle Parts		289.38 6132
7021	Steam Cleaners Inc.	Pressure Washer Service		97.21 6133
7021	Toyota Material Handling	Forklift Repair		1,471.18 6134
7036	Cline's Business Equipment	IT support/maintenance	60.00	107.55 6135
7036		Monthly maintenance contract	47.55	
7062	City of Tulare	Land Rent	774.00	908.51 6136
7081		Water & Refuse Pickup Service	134.51	
				<b>original check for J.Avila revolving acct VOIDED 6137</b>
	John Avila - Revolving Account (Petty Cash)			
7001	Walmart	AA Batteries	7.27	364.17 6138
7009	Smart & Final	Cleaning supplies	48.11	
7024	Morris Levin	ADA Door knob	43.04	
7024	Lange Plumbing	P Traps for bath	10.63	
7036	California Office Liquidators	Desk for Secretary	150.00	
7036	eBay	Planner for Michelle	20.64	
7074	Jack in the Box - San Diego	Meal (conference)	5.69	
7074	Lyft	Ride from Clarke Dinner	13.23	
7036	Union Bank	Direct Deposit Fee		8.75 E debit
			<u>26,002.37</u>	

		Union	
		Check #'s	
		EFTPS	
		E Debits	
Full Time Employees			
6001 John Avila		3,014.85	DD1117
6001 Michelle Dempsey		2,538.18	DD1118
6001 Andrew Conard		1,847.99	DD1119
6001 Armando Gonzalez		1,940.32	DD1120
6001 Quirino Valencia		1,773.86	DD1121
6001 Sherry Laskie		685.28	6139
6004 CA Emp Dev Dept	UI, ETT, SDI & PIT	592.24	EFTPS
6004 CalPERS (Health)	Monthly Health Premium	12,325.58	EFTPS
6004 AFLAC (Employee)	Employee Additional Health pre-tax and Life after tax	603.48	6140
6011 CalPERS (Employee)	Employee Additional 457 Roth	400.00	EFTPS
6011 CalPERS (Employee)	Employee Additional deferred contribution	475.00	EFTPS
6011 CalPERS (Retirement)	PERS Retirement contribution Employer & Employees	2,466.97	EFTPS
6012 Union Bank	Federal Inc Tax, Employee/Employer Medicare & SS	3,791.62	EFTPS
7001 Verizon (Verizon Wireless Fleet)	GPS System monthly charge (Jan)	285.00	6141
7001 Yosemite Linen Supply	Employee uniforms & related la	204.03	6142
7001 California Industrial Rubber Co.	Spray Systems	550.84	6143
7001 Clarke	Natular G30 Granule 320 lbs.	9,797.82	6144
7021 G.V. Burrows, Inc	Vehicle Fuel	344.56	6145
7021 Grainger	Spray systems	1,295.48	6146
7021 Midstate Automotive Equipment	Inspect & service hydraulic vehicle lift	274.46	6147
7021 Morris Levin & Son	Shop supplies	21.52	6148
7043 McCormick, Kabot, Jenner, & Lew	Professional services	1,600.00	6149
	Draft Notice of Cancellation; e-mails to and from John re meeting and area inspection warrant		
	Draft 2020 area inspection warrant application; Declaration of John Avila; Memorandum of Points and Authorities; e-mails to and from John Avila re area inspection warrant		
	Revise pleadings and John's Declaration re area inspection warrant; e-mails to and from John Avila re area inspection warrant		
	Finalize area inspection warrant application; e-mails to and from John Avila		
	Board meeting 3/10/2020		
7065 Lowe's	Small tools	79.71	6150
8000 Winner Chevrolet, Inc.	2020 One Ton Truck Replacing #11	32,829.41	6151
7036 Union Bank Charges	3/31/2020 Statement	328.28	E debits
	S.C. Edison	221.86	
	SoCalGas	42.67	
	Direct Deposit Fee	8.75	
	Union Bank - Positive Pay monthly maintenance fees	55.00	
7036 U.S.Bank Charges & Credits	3/19/2020 Statement	4,795.31	6152
7001	Digital Demployment	200.00	
7001	Amazon.com	222.38	
7005	AT & T	10.60	
7021	Acclaim Auto Body	2,616.49	
7021	Goshen Shell	13.01	
7036	Unwired	135.97	
7065	Amazon.com	136.62	
7066	CSDA	300.00	
7066	AMDA	650.00	
7066	Fred Pryor	199.00	
7074	In & Out	7.18	
7074	Hyatt Sacramento	104.78	
7074	Hyatt Sacramento	340.89	
7074	Hyatt San Diego	(179.43)	

**TULARE MOSQUITO ABATEMENT DISTRICT**

**FY 19/20 Budget**

**March 31, 2020**

	<i>Appropriations</i>	<i>Expenditures</i>	<i>Remaining</i>
<b>Salaries &amp; Employees Benefits ( 1000 )</b>			
6001 Regular Salaries *	385,000.00	291,489.77	93,510.23
6004 Benefits			
Health Insurance	180,000.00	118,323.04	61,676.96
EDD Unemployment Insurance 6.2% X 7,000 of employees pay	5,048.00	2,535.45	2,512.55
EDD Disability Insurance 1.0% X of employees salary	5,500.00	3,556.96	1,943.04
EDD Employment Training Tax rate 0%			
Life Insurance	1,452.00	921.19	530.81
6005 Extra Help	123,500.00	64,201.15	59,298.85
6008 Directors Fees	7,200.00	4,400.00	2,800.00
6011 Retirement PERS	51,000.00	29,672.44	21,327.56
Classic members 8.081% X Gross Salary			
New Public Employee Pension Reform Act (PEPRA) members ( 6.985% X Gross Pay )			
6012 Social Security ( 7.65% of employee pay )	45,000.00	27,232.05	17,767.95
6015 Workers' Compensation Insurance	35,000.00	325.43	34,674.57
	<u>838,700.00</u>	<u>542,657.48</u>	<u>296,042.52</u>
<b>Services &amp; Supplies ( 2000 )</b>			
7001 Agriculture	450,000.00	142,228.79	307,771.21
7005 Telecommunications	2,500.00	1,043.98	1,456.02
7009 Household Expense	5,000.00	1,247.42	3,752.58
7010 Insurance	50,000.00	47.50	49,952.50
7021 Maintenance of Equipment	105,000.00	32,329.48	72,670.52
7024 Maintenance - Bldg & Improvements	15,000.00	17,219.29	(2,219.29)
7027 Memberships	14,000.00	14,210.00	(210.00)
7036 Office Expense	13,500.00	7,703.27	5,796.73
7043 Professional & Special Expense	19,500.00	15,500.00	4,000.00
7059 Publications and Legal Notices	500.00		500.00
7061 Rents & Leases - Equipment	500.00		500.00
7062 Rent & Leases - Bldg & Improvements	12,500.00	7,102.62	5,397.38
7065 Small Tools & Instruments	2,500.00		2,500.00
7066 District Special Expense	25,000.00	3,172.98	21,827.02
7074 Transportation & Travel	20,000.00	4,195.79	15,804.21
7081 Utilities	7,000.00	3,924.97	3,075.03
	<u>742,500.00</u>	<u>249,926.09</u>	<u>492,573.91</u>
<b>Other Charges ( 3000 )</b>			
7407 Contributions to other Agencies	2,500.00	-	2,500.00
7425 Taxes & Assessments	38,500.00	-	38,500.00
	<u>41,000.00</u>	<u>-</u>	<u>41,000.00</u>
<b>Fixed Assets ( 8000-8300 )</b>			
Purchase of One Ton Replacement	40,000.00	32,829.41	7,170.59
	<u>40,000.00</u>	<u>32,829.41</u>	<u>7,170.59</u>
<b>Working Budget</b>			
	<b>1,662,200.00</b>	<b>825,412.98</b>	<b>836,787.02</b>
* Appropriation for Contingencies	249,330.00		249,330.00
<b>Total Appropriations</b>	<b>1,911,530.00</b>	<b>825,412.98</b>	<b>1,086,117.02</b>
<b>** General Reserves</b>			
Reserve for Asphalt Removal & Replacement	5,384,500.00		5,384,500.00
Reserve for Emergency Invasive Aedes Outbreak	125,000.00		125,000.00
Reserve for Replacement of Vehicles/Tables	250,000.00		250,000.00
<b>Total Budget</b>	<b>7,871,030.00</b>	<b>825,412.98</b>	<b>7,045,617.02</b>
Tulare County Account # 778 Balance	6,325,475.35		
Union Bank Account # 2740034408 Balance	124,114.36		
<b>TMAD Current cash balance</b>	<b>6,449,589.71</b>		

\* 15% of our Working Budget ( Tulare County permits us to carry 15% of our working budget as Appropriations for Contingencies )

\*\* There is no requirement to fund General Reserves at any set amount to be in compliance with the CA Health and Safety Code.

<b>TMAD Revenue &amp; Cash Balance Status</b>							Date of
<b>FY 19/20</b>							last rcvd
	<b>FY 16/17</b>	<b>FY 17/18</b>	<b>FY 18/19</b>	<b>FY 19/20</b>	<b>FY 19/20</b>	revenue:	
<b>Tax Income</b>				<Estimated>	Actual to Date	January	
4001 Property Tax Current Secured	1,196,569	1,263,060	1,316,348	1,377,620	788,105		
4006 Property Tax Current Unsecured	68,463	74,679	78,374	79,247	79,948		
4008 Property Tax Prior Secured	24,606	24,790	24,820		14,494		
4009 Property Tax Prior Unsecured	1,398	2,281	1,185		793		
4030 Supp Tax Current Secured	15,852	22,729	24,962		9,572		
4033 Supp Tax Prior Secured	2,496	2,405	3,509		3,056		
4055 Timber Yield	-	-	0.12				
4060 Residual Dist	52,134	55,021	62,559		16,005		
4069 PT Facilities	24,049	25,053	25,757		14,036		
4801 Interest	61,168	77,640	115,075		67,371		
5000 I/G Revenues	-	216	377				
5050 Property Tax Relief	11,953	11,738	11,657	11,480	5,676		
<b>Property Tax (County) Revenue:</b>	<b>1,458,688</b>	<b>1,559,612</b>	<b>1,664,623</b>	<b>1,468,347</b>	<b>999,056</b>		
<b>Misc Income</b>							
5805 Misc. Revenue	-	3,154	-				
5838 Insurance Proceeds/Rec	-	23,843	-				
7000 Miscellaneous Revenue	6,193	6,424	62,428				
7003 Tax Administration Fee							
Health Dept Funding		23,776	42,530				
<b>Total Revenue</b>			<b>1,471,281</b>	<b>1,468,347</b>	<b>999,056</b>		
<b>CASH BALANCE</b>							
County Cash Balance (3/31/20)			<b>6,325,475</b>				
Union Bank Balance (3/31/20)			<b>124,115</b>				
Cash Balance			<b>6,449,590</b>				

**SPECIAL DISTRICT ORDER TO DISBURSE FUNDS**

District Name: TULARE MOSQUITO ABATEMENT DISTRICT

Fund: 778

It is hereby ordered that the County of Tulare Auditor draw his warrants on the above district fund for payment of the attached vouchers no. 21916 through no. \_\_\_\_\_ inclusive in the amounts indicated.

The attached vouchers have been audited by the district (including totals, vendor numbers, and vendor information) and any corrections are shown on the voucher.

The total amount ordered to pay on this date is \$ 300,000.00



**John Avila**  
**General Manager**  
04/14/2020

President

Secretary

Board Member

Board Member

Board Member

COUNTY AUDITOR'S USE ONLY	
Vouchers	_____
Checks	_____
EFT	_____
Scheduled Pay Date	_____
Reviewed by	_____ Date entered _____



# Agenda Item #5



1112 I Street, Suite 300  
Sacramento, California 95814-2865  
T 916.231.4141 or 800.537.7790 • F 916.231.4111

Maximizing Protection. Minimizing Risk. • [www.sdrma.org](http://www.sdrma.org)

March 13, 2020

Mr. John Avila  
General Manager  
Tulare Mosquito Abatement District  
6575 Dale Fry Road  
Tulare, California 93274

RE: 2020-21 Property/Liability Program Estimated Contribution

Dear Mr. Avila,

We sincerely appreciate your continued support of SDRMA and patience in waiting for the 2020-21 rates while we are working on obtaining renewal costs from the program excess/reinsurer carriers.

SDRMA continues to make every effort to reduce operating costs and minimize rate increases while ensuring the financial integrity of the Property/Liability Program. We have received initial indications from our excess/reinsurer carriers of imposed rate increases that are impacting all of their clients, including SDRMA.

The current insurance market continues to be impacted by the catastrophic losses around the world. Underwriting practices throughout the insurance market are consistently evolving due to the development of losses and cost of claims. Based on those factors and overall pool claims costs over the past several years, after considerable review and discussion with the SDRMA Board of Directors, 2020-21 renewal rates for the SDRMA Property/Liability Program need to be increased.

Instead of our normal annual rate letter, we are providing you with an estimated contribution percentage increase for use in your budgeting process. Over the next couple of months, we will continue to work with our excess/reinsurers to negotiate the rate increases on behalf of our program membership. Your agency's actual renewal contribution will be confirmed on the 2020-21 renewal invoice that will be sent out in mid-May.

The actual contribution amount for 2020-21 will vary compared to 2019-20 due to rate increases, any coverage limit changes, stand-alone policy pricing, scheduled item additions/deletions, updates on agency operations submitted on the renewal questionnaire, risk factor adjustments, and Credit Incentive Program (CIP) points earned. Your agency's estimated contribution percentage increase is as follows:

2019-20 Annual Contribution \$5M Liability Limits	2020-21 Annual Contribution Proposed % Increase
\$34,380.00	35%



Our excess insurance carriers have encouraged us to ask each agency about the need for high liability limits, as they charge SDRMA and the agency based on the higher liability limits they are providing. Please consider a decrease to your liability coverage in exchange for a decrease in contribution as shown in the table below:

Lower liability coverage from \$5 million per occurrence to:	Estimated decrease to FY 2020-21 Proposed % Increase (above)
\$2.5 million per occurrence	5%

*2020<sup>00</sup>*

*Other Important Items to Note:*

- If you would like to elect an alternative liability limit for 2020-21, please provide your selected limit by **April 30, 2020** by emailing [memberplus@sdrma.org](mailto:memberplus@sdrma.org).
- No Longevity Distribution is declared for the Property/Liability Program this year.
- Our Multi-Program Discount provides members a great opportunity to save money. Members receive an automatic multi-program discount of 5% per program (Property/Liability and Workers' Compensation) while they belong to both programs.
- Your annual contribution provides your agency with access to safety and loss prevention services, resources, and trainings that are provided at no additional cost, including Target Solutions, AB 1825/AB 1234 training, ergonomic assessments, discounted CSDA Conferences, trainings and webinars, and safety DVDs.
- The 2020-21 estimated contribution range does not serve as a 'not to exceed' amount. Any policy adjustment made before or after July 1 may incur a change in premium.
- Members considering withdrawal from coverage with SDRMA for the 2020-21 program year are required to submit a "Notice of Intent to Withdraw" by April 1 in accordance with SDRMA Bylaws and must have completed the initial three full program year commitment period.

On behalf of the Board of Directors and our entire risk management team, we thank you for your continued participation in our programs! If you have any questions, please contact Ellen Doughty, at [edoughty@sdrma.org](mailto:edoughty@sdrma.org) or 800.537.7790.

Sincerely,  
Special District Risk Management Authority

Laura S. Gill, ICMA-CM, ARM, ARM-P, CSDM  
Chief Executive Officer



# Agenda Item #6

1112 I Street, Suite 300  
Sacramento, California 95814-2865  
T 916.231.4141 or 800.537.7790 \* F 916.231.4111

Maximizing Protection. Minimizing Risk. \* [www.sdrma.org](http://www.sdrma.org)

March 18, 2020

Mr. John Avila  
General Manager  
Tulare Mosquito Abatement District  
6575 Dale Fry Road  
Tulare, California 93274

Dear Mr. Avila,

We sincerely appreciate your continued support of SDRMA and patience in waiting for the 2020-21 rates while we are working on obtaining renewal costs from the program excess/reinsurer carriers.

At the SDRMA Board of Directors meeting of February 5 – 6, 2020, the Board approved a FY 2020-21 longevity distribution of **\$563,961**. This action marks the eleventh consecutive year of longevity distributions. Every member that has completed its initial commitment of three full program years in the Workers' Compensation Program is eligible to receive a longevity distribution credit when they renew coverage. The longevity distribution may be declared by the Board each year only after all Board policy reserve requirements have been met. The distribution is weighted based on the member's length of time in that program and the amount of the member's annual contributions compared to the total contributions of all pool members.

To assist your agency in its budgeting process, SDRMA has estimated 2020-21 annual contribution amounts using your agency's applicable Individual Class Code Rates, Experience Modification Factor (EMOD), 2020-21 Estimated Payroll Wages submitted on Renewal Questionnaire, and Longevity Distribution and Multi-Program discounts (if applicable). Your agency's actual contribution amount for 2020-21 will vary from 2019-20 due to variances in your reported payroll, EMOD (worksheet and applicable loss run years detail attached), and Credit Incentive Program (CIP) points earned.

	2019-20	2020-21
Estimated Payroll Wages	\$490,157	\$508,500
EMOD	92%	100%
Annual Gross Contribution (before discounts)	\$36,211	\$40,833
Longevity Distribution	-\$ 380	-\$ 749
5% Multi-Program Discount	-\$ 1,683	-\$ 2,004

= 38,080.00



SPECIAL DISTRICT RISK MANAGEMENT AUTHORITY

*Other Important Items to Note:*

- Members receive an automatic Multi-Program Discount of 5% per program (Property/Liability and Workers' Compensation) while they belong to both programs.
- Members considering withdrawal from coverage with SDRMA for the 2020-21 program year are required to submit a "Notice of Intent to Withdraw" by April 1 in accordance with SDRMA Bylaws and must have completed the initial three full program year commitment period. Members not renewing coverage for 2020-21 will be ineligible to receive the longevity distribution credit recently approved by the Board.

On behalf of the Board of Directors and our entire risk management team, we thank you for your continued participation in our programs! If you have any questions, please contact Jennifer Chilton at [jchilton@sdrma.org](mailto:jchilton@sdrma.org) or 800.537.7790.

Sincerely,  
Special District Risk Management Authority

Laura S. Gill  
Chief Executive Officer

# Agenda Item #7

## SUMMARY



MSRP\*  
~~\$29,590~~

FRIENDS & FAMILY FOR ALL  
**\$28,811<sup>2</sup>**  
LEASE ESTIMATE

**\$278** monthly for  
48 months

FINANCE ESTIMATE  
**\$500** monthly for  
60 months



**Subject: Information for review on the Proposed FY 20/21 District Budget**

The following information is included with your agenda for review only. The Board can consider **taking action** on Proposed Budget allocations for District Operations in FY 20/21 by the **May 12<sup>th</sup> or June 9<sup>th</sup>** Board Meeting. Being there are 3 months remaining in the current budget, keep in mind these are all estimations. The idea of presenting this early in the process is to entertain suggestions and changes from the Board as to my plans. This way instead of waiting until May with only a month left before the new budget is due into the County there will be plenty of time to make changes the Board may wish to. Before going into the proposed budget for the next fiscal year I want to review the current fiscal year's status and demonstrate approximately where we should be financially on July 1<sup>st</sup>.

**Tab 1** outlines for the Board where we began on July 1<sup>st</sup> of 2019 and where we will end on June 30<sup>th</sup> 2020. We began with a cash balance of \$ 6,268,785 between our County Fund and our Union Bank accounts. As of March 31<sup>st</sup>, 2020, our revenue total from the County is 999,056.00. Along with just over \$8,000 in misc. revenue deposited into our Union Bank account the revenue total through March comes to 1,007,101.00. So according to solid figures and estimations for April, May and June I expect our cash balance to be around 6,700,000 at the end of the current budget, I can't possibly see this being any lower given the under estimation of Revenues remaining to come in and a general over-all higher estimation of those last three months of expenses. **Tab 2** outlines where I'm coming up with the estimated revenue totals listed in **Tab 1**. This is a history of month by month revenue coming in from the County. April, May June (shaded in yellow) takes the average total for each of those months in history. These are estimations of revenue to come in the second installments of property taxes. Last year during these months we received over 743,000 in revenue in this last quarter of the fiscal year. Taking the averages of these totals since FY 12/13 brings that amount at about 100,000 less than last year's totals (652,721.00). I'm going to use this average instead should the recent drop in employment be reflected in households not being able to make that 2<sup>nd</sup> installment yet. With that said our total property tax revenue for the year would come to 1,661,777.00 for FY 19/20. This is just under what we received in 18/19.

With 3 months of revenue to come there also remains 3 months of expenditures due. **Tab 3** is the budget sheet from the past 9 months of expenditures. Expenditures through March 31<sup>st</sup> total to 825,413.00. **Tab 4** recaps those expenditures listed in **tab 3** AND also lists the estimated expenditures by line item (APR MAY JUN). From the **salaries & benefits** categories I'm estimating another 265,220 to be spent. This is based on last year's 4<sup>th</sup> FY quarter of expenses. These amounts aren't exactly what was spent in the 2019 FY's 4<sup>th</sup> quarter however are what I want to call "educated" estimates and I don't expect this figure to fluctuate much from that amount. In **services and supplies** I'm estimating 116,677 yet to be spent in these last three months. This is also an "educated" estimate and I don't expect it to fluctuate a whole lot either.

Now proceeding to the proposed FY 20/21 Budget;

**Tab 5** is a clean copy of the current FY 19/20 budget we are in without the expense to date and remaining category amounts. This is so you can compare the current approved budget with the one I'm proposing for FY 20/21 which you will find in **Tab 6**. I'm proposing an overall 22.8% increase in **Salaries & Benefits**. This includes an increase in Regular Salaries of 31% to hire an additional experienced full-time technician sometime during the new Fiscal Year.

The reason being for this is two-fold. First off, most importantly, the District is facing the daunting task of tackling the invasive aedes species of mosquito which exhausted much of our resources in manpower last season. It's evident the mosquito is here to stay and there's no getting around it as the Southern California regions have experienced before we had our first discovery in 2017. Though we mostly handled the situation utilizing seasonal help it's clear to me we need more experienced staff to accomplish our goals in controlling this mosquito. Secondly, there is my impending retirement of which I will discuss more in detail with the Board at the April meeting. I've been holding off making any decision about my retirement in hopes of making gains in my quest for better health, but I am running out of hope. I do have one last resort of as I have an appointment with (another) specialist on April 9<sup>th</sup>. I will explain all of this in more detail with the Board at our April 14<sup>th</sup> meeting. Back to the budget – the proposed hiring of another full time technician may very well be months into the new Fiscal Year therefore these figures will be less, for now I'm using a complete 12 month cycle in employing a new technician. I'm inflating the "Extra Help" category should we

need to hire additional seasonal staff. I'm also inflating Health insurance should there be an increase in rates for first 6 months of 2021. Pers Health insurance rates are set in calendar years therefore we know the rates for July through December of 2020 but won't know rates for 2021 until late summer or early fall. For now I'm figuring a 5% increase since it has never changed more than 3 % during my tenure as manager. As for **Services & Supplies** I'm keeping the numbers very relative to the present Fiscal Year. As will be discussed in next week's meeting SDRMA's property and liability insurance rates are increasing by 35% according to a recent communication from them. They are attributing this increase across the board with all districts. They say the recent wildfires in California over the past few years is mandating this increase statewide. In the meantime, I've filed a "notice to withdraw" with SDRMA in order to entertain cheaper rates. SDRMA said to do this if I'm looking for quotes through other brokers but stated if we don't intend to switch I can always rescind the letter. I am currently entertaining quotes from Hooper Insurance and as of the writing of this letter to the Board I've yet to hear back from Mike Muller who I've been in touch with. I should know something by next week's meeting. As for the new budget I'm listing this item at 50,000 which is about 4,000 less than what SDRMA is quoting us. Worker's Compensation rates from SDRMA are at a 12% increase from last year.

Looking at General Reserves down below on **Tab 6**, I have made some dramatic modifications compared to FY 19/20. In addition to the identical reserves from 19/20 of Asphalt Removal/Replacing, Emergency Aedes Outbreak and Replacement of Vehicles and Computer Tablets, I've placed two more items in Reserves. I've made an OPEB liability reserve of 1,216,776 which comes from the OPEB audit we had done last year and also one for Property/Building purchase of 3,500,000. That number was derived from Kings MAD which recently completed relocation from their older building they leased in south Hanford to a new complex they had built across from the now-closed TESLA building in the Hanford Industrial Park on Idaho & 11<sup>th</sup> Avenue. According to their figures they spent well over 4,000,000 for theirs but after visiting the new facility I could plainly see it was overkill. They are a multi county District therefore deeper in the pockets.

"General Reserves" will be changed to a higher figure once the current FY 19/20 Budget is finished. As you saw in **Tab 2** 's last number we should be close to a 6.75 million cash balance after 19/20 is said and done.

I am proposing other major purchases over the new Fiscal Year including a WALS applicator and material. As discussed with the Board in previous meeting, the WALS is a "Wide Area Larvaciding" applicator in order to penetrate front and back yards with material to control the invasive species. Other major purchases will include a ¾ ton replacement vehicle for one technician as well as an additional ½ ton truck for increased staffing. We are also planning on replacing the Jeep vehicle with a new one. The current Jeep is a 2006 model and it's beginning to "show it's age" by virtue of costly repairs. We use the Jeep strictly for Storm Drain applications, it is equipped with Right Hand drive so that technicians can easily apply materials along the streets where drain inlets exist. Also I'm planning on including the replacement software computer system we use to log applications with and keep track of various sources. This was placed in the current budget year we are in however we chose to put it off until next winter since the existing software is good until the end of 2020 when it will become obsolete.

Since this is just a preliminary proposed budget, I will present the Board with specifics on all costs of the above mentioned items at either the May or June meeting.

<b>BOARD OUTLINE FOR FY 19/20 ENDING</b>			
County Cash Balance at beginning of Fiscal Year 19/20			6,126,419.00
Union Bank Balance at beginning of Fiscal Year 19/20			142,366.00
			<b>6,268,785.00</b>
<b>FY 19/20 ACTIVITY</b>			
Description	DEBIT	CREDIT	<b>\$ 6,268,785.00</b>
Pawnee Insurance Credit		550.00	
Sale of 2006 one ton		6,035.00	
Altosid Rebate		632.00	
Bank Adjustment Error +		828.00	
Property Tax Revenue		999,056.00	= 1,007,101.00
<b>Estimated Revenue Ap-Jn</b>		652,721.00	
Expenditures Jul thru Mar	825,413.00		
Estimated Exp Apr thru Jun	381,897.00	(Approximate)	
	1,207,310.00	1,659,822.00	452,512.00
		FY Ending Total:	<b>\$ 6,721,297.00</b>
			(Approximate)
<b>Tab 1</b>			
AprMayJunEstimationsForEndOfFY19-20/BoardOutline			



**TMAD REVENUE FY 12/13 TO CURRENT**

COUNTY ONLY																		
	JUL	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	TOTALS						
<b>FY 19/20</b>		32,339.58			779,131.93	187,584.55			<b>359,531.00</b>	<b>209,369.00</b>	<b>83,821.00</b>	<b>\$ 1,651,777.06</b>						
<b>FY 18/19</b>	175.59		23,547.36	541.47	709,908.45	187,108.21		30,860.87	451,335.40	166,233.47	94,912.79	<b>\$ 1,664,623.61</b>						
<b>FY 17/18</b>	215.82	16,144.25		0.01	705,873.30	172,282.82	3,154.17	20,549.87	418,286.37	144,763.77	81,496.01	<b>\$ 1,562,766.39</b>						
<b>FY 16/17</b>		14375.79			669,779.44	148,919.29		14,818.38	374,452.94	163,895.56	72,446.29	<b>\$ 1,458,687.69</b>						
<b>FY 15/16</b>		11,414.30			561,763.68	166,163.55		13,226.79	338,365.27	174,106.53	104,248.50	<b>\$ 1,369,288.62</b>						
<b>FY 14/15</b>	193.41	10,546.58			634,250.15	102,057.92		11,684.59	323,771.23	128,194.06	86,034.56	<b>\$ 1,296,732.50</b>						
<b>FY 13/14</b>	164.48	8,687.11			505,624.92	186,889.42		8,804.79		485,353.45	77,398.42	<b>\$ 1,272,922.59</b>						
<b>FY 12/13</b>	175.37	12,801.24			445,529.18	178,311.63	49.00	17,879.55	250,974.97	203,038.09	70,207.26	<b>\$ 1,178,966.29</b>						

Documents/excel/RevenueFromCountyMonthtoMonthHISTORY

**Tab 2**

**TULARE MOSQUITO ABATEMENT DISTRICT**

**FY 19/20 Budget**

**March 31, 2020**

	<i>Appropriations</i>	<i>Expenditures</i>	<i>Remaining</i>
<b>Salaries &amp; Employees Benefits ( 1000 )</b>			
6001 Regular Salaries *	385,000.00	291,489.77	93,510.23
6004 Benefits			
Health Insurance	180,000.00	118,323.04	61,676.96
EDD Unemployment Insurance 6.2% X 7,000 of employees pay	5,048.00	2,535.45	2,512.55
EDD Disability Insurance 1.0% X of employees salary	5,500.00	3,556.96	1,943.04
EDD Employment Training Tax rate 0%	-	-	-
Life Insurance	1,452.00	921.19	530.81
6005 Extra Help	123,500.00	64,201.15	59,298.85
6008 Directors Fees	7,200.00	4,400.00	2,800.00
6011 Retirement PERS	51,000.00	29,672.44	21,327.56
Classic members 8.081% X Gross Salary			
New Public Employee Pension Reform Act (PEPRA) members ( 6.985% X Gross Pay )			
6012 Social Security ( 7.65% of employee pay )	45,000.00	27,232.05	17,767.95
6015 Workers' Compensation Insurance	35,000.00	325.43	34,674.57
	<u>838,700.00</u>	<u>542,657.48</u>	<u>296,042.52</u>
<b>Services &amp; Supplies ( 2000 )</b>			
7001 Agriculture	450,000.00	142,228.79	307,771.21
7005 Telecommunications	2,500.00	1,043.98	1,456.02
7009 Household Expense	5,000.00	1,247.42	3,752.58
7010 Insurance	50,000.00	47.50	49,952.50
7021 Maintenance of Equipment	105,000.00	32,329.48	72,670.52
7024 Maintenance - Bldg & Improvements	15,000.00	17,219.29	(2,219.29)
7027 Memberships	14,000.00	14,210.00	(210.00)
7036 Office Expense	13,500.00	7,703.27	5,796.73
7043 Professional & Special Expense	19,500.00	15,500.00	4,000.00
7059 Publications and Legal Notices	500.00	-	500.00
7061 Rents & Leases - Equipment	500.00	-	500.00
7062 Rent & Leases - Bldg & Improvements	12,500.00	7,102.62	5,397.38
7065 Small Tools & Instruments	2,500.00	-	2,500.00
7066 District Special Expense	25,000.00	3,172.98	21,827.02
7074 Transportation & Travel	20,000.00	4,195.79	15,804.21
7081 Utilities	7,000.00	3,924.97	3,075.03
	<u>742,500.00</u>	<u>249,926.09</u>	<u>492,573.91</u>
<b>Other Charges ( 3000 )</b>			
7407 Contributions to other Agencies	2,500.00	-	2,500.00
7425 Taxes & Assessments	38,500.00	-	38,500.00
	<u>41,000.00</u>	<u>-</u>	<u>41,000.00</u>
<b>Fixed Assets ( 8000-8300 )</b>			
Purchase of One Ton Replacement	40,000.00	32,829.41	7,170.59
	<u>40,000.00</u>	<u>32,829.41</u>	<u>7,170.59</u>
<b>Working Budget</b>			
* Appropriation for Contingencies	1,662,200.00	825,412.98	836,787.02
<b>Total Appropriations</b>	<u>1,911,530.00</u>	<u>825,412.98</u>	<u>1,086,117.02</u>
<b>** General Reserves</b>			
Reserve for Asphalt Removal & Replacement	5,384,500.00		5,384,500.00
Reserve for Emergency Incasive Aedes Outbreak	125,000.00		125,000.00
Reserve for Replacement of Vehicles/Tablets	250,000.00		250,000.00
<b>Total Budget</b>	<u>7,871,030.00</u>	<u>825,412.98</u>	<u>7,045,617.02</u>
Tulare County Account # 778 Balance	6,325,475.35		
Union Bank Account # 2740034408 Balance	<u>124,114.36</u>		
<b>TMAD Current cash balance</b>	<u>6,449,589.71</u>		

\* 15% of our Working Budget ( Tulare County permits us to carry 15% of our working budget as Appropriations for Contingencies )

\*\* There is no requirement to fund General Reserves at any set amount to be in compliance with the CA Health and Safety Code.

# Category Recap:

April 1st, 2020

## SALARIES & BENEFITS

	APPRO.	EXP	APR MAY JUNE
6001	385,000.00	291,490.00	104,000.00
6004	180,000.00	125,336.00	52,600.00
EDD/LIFE	12,000.00		
6005	123,500.00	64,201.00	48,240.00
6008	7,200.00	4,400.00	1,800.00
6011	51,000.00	29,673.00	10,500.00
6012	45,000.00	27,232.00	10,000.00
6015	35,000.00	325.00	38,080.00
	<b>838,700.00</b>	<b>542,657.00</b>	<b>265,220.00</b>

## SERVICES & SUPPLIES

7001	450,000.00	142,229.00	41,900.00
7005	2,500.00	1,044.00	410.00
7009	5,000.00	1,247.00	350.00
7010	50,000.00	48.00	46,500.00
7021	105,000.00	32,329.00	13,000.00
7024	15,000.00	17,219.00	0.00
7027	14,000.00	14,210.00	145.00
7036	13,500.00	7,703.00	1,900.00
7043	19,500.00	15,500.00	4,000.00
7059/61	1,000.00	0.00	0.00
7062	12,500.00	7,103.00	2,322.00
7065	2,500.00	0.00	2,500.00
7066	25,000.00	3,173.00	2,000.00
7074	20,000.00	4,196.00	500.00
7081	7,000.00	3,925.00	1,150.00
	<b>742,500.00</b>		
8000	40,000.00	32,829.00	116,677.00
	<b>40,000.00</b>	<b>282,755.00</b>	<b>381,897.00</b>

<b>Expenditures to date:</b>	<b>825,412.00</b>	<b>Estimated:</b>	<b>381,897.00</b>	<b>Est. Total:</b>	<b>\$ 1,207,309.00</b>
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**Tab 4**

**TULARE MOSQUITO ABATEMENT DISTRICT**  
**FY 19/20 Budget**

July 1, 2019

**Appropriations**

**Salaries & Employees Benefits ( 1000 )**

6001 Regular Salaries *	385,000	* Based on proposed salary adjustment & COLA
6004 Benefits		
Health Insurance	180,000	
EDD Disability Insurance 6.2% X 7,000 of employees pay	5,048	
EDD Unemployment Insurance .9% X of employees salary	5,500	
Life Insurance	1,452	= Benefits =\$ 192,000.00
6005 Extra Help	123,500	*
6008 Directors Fees	7,200	
6011 Retirement PERS		
Classic members (MISC.) 8.081% X Gross Salary	51,000	
New Public Employee Pension Reform Act (PEPRA) members ( 6.985% X Gross Pay )		
6012 Social Security ( 7.65% of employee pay )	45,000	
6015 Workers' Compensation Insurance	35,000	
	<u>838,700</u>	

**Services & Supplies ( 2000 )**

7001 Agriculture	450,000
7005 Telecommunications	2,500
7009 Household Expense	5,000
7010 Insurance	50,000
7021 Maintenance of Equipment	105,000
7024 Maintenance - Bldg & Improvements	15,000
7027 Memberships	14,000
7036 Office Expense	13,500
7043 Professional & Special Expense	19,500
7059 Publications and Legal Notices	500
7061 Rents & Leases - Equipment	500
7062 Rent & Leases - Bldg & Improvements	12,500
7065 Small Tools & Instruments	2,500
7066 District Special Expense	25,000
7074 Transportation & Travel	20,000
7081 Utilities	7,000
	<u>742,500</u>

**Other Charges ( 3000 )**

7407 Contributions to other Agencies	2,500
7425 Taxes & Assessments	38,500
	<u>41,000</u>

**Fixed Assets ( 8000-8300 )**

Purchase of One Ton Truck	40,000
	<u>40,000</u>

**Working Budget**

	<b>1,662,200</b>
* Appropriation for Contingencies	249,330
<b>Total Appropriations</b>	<b><u>1,911,530</u></b>

** General Reserves	<b>\$ 5,384,500</b>
Reserve for Asphalt Removal & Replacement	125,000
Reserve for Emergency Invasive Aedes outbreak	250,000
Reserve for Replacement of Vehicles/Tablets	200,000
	<b><u>\$ 7,871,030</u></b>

\* 15% of our Working Budget ( Tulare County permits us to carry 15% of our working budget as Appropriations for Contingencies )

\*\* There is no requirement to fund General Reserves at any set amount to be in compliance with the CA Health and Safety Code.

**TULARE MOSQUITO ABATEMENT DISTRICT**  
**FY 20/21 Budget**

**July 1, 2020**

	<i>Appropriations</i>	<i>Realistic figure:</i>	
<b>Salaries &amp; Employees Benefits ( 1000 )</b>			
6001 Regular Salaries *	505,000	(503,800.00)	
6004 Benefits			
Health Insurance	209,000	(208,100.00)	
EDD Disability Insurance 6.2% X 7,000 of employees pay	6,500		
EDD Unemployment Insurance .010% X of employees salary	6,500		
Life Insurance	2,000	<b>Benefits =\$ 224,000.00</b>	
6005 Extra Help	145,000	(139,000.00)	
6008 Directors Fees	7,200		
6011 Retirement PERS			
Classic members (MISC.) 8.794% X Gross Salary	60,000	(56,500.00)	
New Public Employee Pension Reform Act (PEPRA) members ( 7.732% X Gross Pay )			
6012 Social Security ( 7.65% of employee pay )	51,000	(49,200.00)	
6015 Workers' Compensation Insurance	38,080		
	<b>1,030,280</b>	<b>1,016,880</b>	<b>13,400.00</b>
<b>Services &amp; Supplies ( 2000 )</b>			
7001 Agriculture	400,000		
7005 Telecommunications	3,000		
7009 Household Expense	5,000		
7010 Insurance	50,000		
7021 Maintenance of Equipment	110,000		
7024 Maintenance - Bldg & Improvements	20,000		
7027 Memberships	20,000		
7036 Office Expense	13,500		
7043 Professional & Special Expense	20,000		
7059 Publications and Legal Notices	500		
7061 Rents & Leases - Equipment	500		
7062 Rent & Leases - Bldg & Improvements	12,500		
7065 Small Tools & Instruments	2,500		
7066 District Special Expense	20,000		
7074 Transportation & Travel	20,000		
7081 Utilities	8,000		
	<b>705,500</b>		
<b>Other Charges ( 3000 )</b>			
7407 Contributions to other Agencies	2,500		
7425 Taxes & Assessments	38,500		
	<b>41,000</b>		
<b>Fixed Assets ( 8000-8300 )</b>			
Replacement of 3/4 ton Vehicle	30,500		
Additional 1/2 ton Surveillance Vehicle	27,500		
	<b>58,000</b>		
<b>Working Budget</b>			
	<b>1,834,780</b>		
* Appropriation for Contingencies	275,217		
<b>Total Appropriations</b>	<b>2,109,997</b>		
<b>** General Reserves</b>			
	<b>\$ 5,384,500</b>		
Reserve for Asphalt Removal & Replacement	125,000		
Reserve for OPEB Liability	1,216,776		
Reserve for Property/Building Purchase	3,500,000		
Reserve for Emergency Invasive Aedes outbreak	250,000		
Reserve for Replacement of Vehicles/Tablets	200,000		
	<b>\$ 12,786,273</b>		

\* 15% of our Working Budget ( Tulare County permits us to carry 15% of our working budget as Appropriations for Contingencies )

\*\* There is no requirement to fund General Reserves at any set amount to be in compliance with the CA Health and Safety Code.

# Agenda Item # c

Support Data 3.3A



## How global companies drive the home insurance crisis in California wildfire zones

BY DALE KASLER

January 20, 2020 04:22 AM

Read more here: <https://www.sacbee.com/news/business/article239259628.html#storylink=cpy>

California enjoyed a comparatively mild wildfire season in 2019, but it wasn't enough to save Bobbi Pimentel's homeowners' insurance policy.

Pimentel and her husband, who live in a rural area 30 miles east of Redding, got the dreaded notice in late November: Horace Mann Educators Corp., which has insured their property for 13 years, wouldn't renew their policy. Pimentel, who's still looking for new coverage, fears her premiums could triple, costing her thousands of dollars.

"I just don't understand how they can do that," said Pimentel, 77. "They don't mind taking our money but they're not covering anything." A company spokeswoman wouldn't discuss Pimentel's case but said Horace Mann has paid out \$157 million in California wildfire claims since 2017.

The [insurance crisis in California wildfire country](#) is showing few signs of abating. Rural residents are losing coverage, rates are shooting up and experts say the problem defies easy remedies.

California's continuing woes can be traced in part to a collection of mostly foreign companies that have become increasingly nervous about the widespread havoc caused by the state's wildfires.

These companies sell reinsurance. That's insurance purchased by other insurance companies that are offloading some of the financial risks of a major catastrophe.

Reinsurance companies — unknown to most Californians, typically headquartered in such far-flung locales as Bermuda and Zurich — are a quiet but powerful force in the state’s insurance market. The availability of reinsurance enables better-known primary carriers such as Farmers and State Farm to keep writing coverage in wooded foothill communities where wildfire danger lurks.

Now the relationship between reinsurance and primary carriers is beginning to fray. The wildfires of 2017 and 2018 caused \$25 billion in damage. Billions in claims landed in the laps of reinsurance companies that had largely overlooked wildfires as major calamities.

Stunned by their losses, many reinsurance companies have begun scaling back their coverage in the state and jacking up the rates they charge the primary carriers. Not subject to rate regulation by the California Department of Insurance, some reinsurers are raising prices as much as 70 percent, according to a report last summer by market analyst S&P Global Ratings.

That, in turn, puts more pressure on the primary insurance companies. They have to get approval from the Department of Insurance to increase premium rates on homeowners. But the department won’t include the cost of reinsurance in the rate-making calculations.

Caught in that regulatory bind, primary carriers have little choice but to reduce the number of policies they underwrite, said Rex Frazier of the Personal Insurance Federation of California.

“You have to (reduce) your risk profile to match your revenue,” said Frazier, whose association lobbies for some of the major primary insurers.

Frazier said reinsurance companies used to gloss over wildfire dangers when selling coverage to his federation’s members. Now they’re scrutinizing wildfire risks like never before.

“It used to be, ‘Tell me about your Florida hurricane risk.’ Now it’s, ‘Please show me your modeled losses for your California wildfire risk,’” Frazier said.

Insurance companies have been dealing with plenty of high-cost disasters in the past few years. Large swaths of Australia are burning. Major worldwide catastrophes — from Hurricane Michael in Florida to Typhoon Jebi in Japan to the Camp Fire in Paradise — caused an estimated

\$219 billion in damage in 2017 and 2018, according to Swiss Re Ltd., the world’s largest reinsurance provider. It was the costliest two-year run of disasters ever recorded, the company said.

Some disasters are so destructive, they force the government to take the place of private insurance. The federal government sells flood insurance. Floridians buy hurricane insurance from a not-for-profit established by their Legislature.

And more than 1 million Californians get earthquake insurance from the not-for-profit California Earthquake Authority. It was created after the 1994 Northridge earthquake sparked a statewide insurance crisis. California law required homeowners’ insurers to offer earthquake coverage. Rather than risk another Northridge — which caused \$10 billion in covered losses — insurers started pulling back from coverage altogether.

Nobody’s yet suggested the creation of a similar authority for wildfires. But Californians in fire-prone areas are continuing to lose coverage — despite the absence of major disasters in 2019, hundreds of millions of dollars in new fire-safety expenditures by the Legislature and an emergency order from regulators halting policy cancellations in certain parts of the state for a year.

Reinsurance executives say California still hasn’t turned the corner on wildfire safety.

Mark Bove, a meteorologist and catastrophe solutions manager at Munich Re, a German company that’s the world’s second-largest seller of reinsurance, said climate change, population growth in fire-prone areas and other factors are continuing to drive up the risk of doing business in California.

“We are happy for the residents of California that 2019 was much milder,” Bove said. But “the whole entire insurance and reinsurance industry still feel wildfire is a very significant, emerging risk in California. One relatively quiet year ... does not change that fact.”

### **California wildfires now a major ‘peril’**



Until recently, the reinsurance industry trained most of its brainpower — its computerized risk-analysis modeling — on what it considered “first-tier perils” such as earthquakes, tornadoes and hurricanes. Wildfires were considered a lesser danger. Then came the fires of 2017 and 2018, killing more than 100 people, destroying much of Paradise — and forcing the industry to take a fresh look at its models.

Perhaps most shocking was the Tubbs Fire in 2017, which swept through urban Santa Rosa neighborhoods that were thought to be at a safe remove from meaningful risk.

“Those risk-selection tools that everyone was using were called into question,” said Doug May, president of Willis Re, a reinsurance broker and consultant based in New York. “They didn’t appear to be particularly effective, especially for wind-driven wildfire.”

Reinsurers are developing new forecasting tools, and are giving California wildfires the respect they deserve.

“California wildfires have emerged as a first-tier US catastrophe peril,” Moody’s Investors Service declared in a report last summer. Hiscox Re, a reinsurance company based in Bermuda and London, said in a white paper that the industry must recognize wildfire “as a serial offender.”

Zurich-based Swiss Re — the world’s largest reinsurer, with \$36 billion in annual premiums — lost \$775 million on California wildfires over the two years.

Everest Re, out of Bermuda, took a \$450 million beating on the Camp and Woolsey fires in 2018. A French reinsurance company called SCOR racked up more than \$200 million in losses in 2017-18.

When 2019 came and went with just one major wildfire, the Kincade Fire in Sonoma County, much of the reinsurance industry was not reassured.

In its annual summary of global insurance disasters, Munich Re said the 2019 result “does not change the sharply rising long-term trend” toward major fires. Bove, the company meteorologist,

said that while industry-wide losses came to just \$1 billion last year, that still placed 2019 among the costliest years in California wildfire history.

The end result is reinsurance is getting pricier and harder to find, which translates into less coverage available for California homeowners, said Mark Sektnan, vice president of the American Property Casualty Insurance Association.

“The reinsurers are saying they’re only going to take ‘X’ amount of risk,” said Sektnan, who represents primary insurers. “So you need to figure out which policies you’re not going to cover.”

### **Crisis for rural homeowners**

Homeowners’ insurance is an \$8 billion-a-year business in California. The vast majority of Californians have little trouble getting affordable coverage. The average policy — about \$1,000 a year — is almost 20 percent below the national average, according to 2016 data from the Insurance Information Institute.

But in areas considered prone to wildfire, the situation has turned nightmarish. Starting with the 2015 Butte Fire in Amador and Calaveras counties, and ending with the November 2018 Camp Fire in Paradise, the insurance industry has lost roughly \$25 billion to California’s wildfires. The industry’s response: Nearly 350,000 rural Californians lost their policies from 2015 to 2018, according to state data.

Tens of thousands of homeowners have had to resort to coverage from unregulated “surplus” carriers like Lloyd’s of London or the California FAIR Plan, the state’s “insurer of last resort.” The FAIR Plan alone added 22,000 homeowners to its rolls during a 12-month span ending last August, according to a report to the Legislature.

The FAIR Plan is subject to rate regulation by the state. But it’s considered a less-than-ideal alternative for homeowners. It offers bare-bones policies and doesn’t cover perils like theft, forcing customers to get “wrap-around” insurance to fill out their coverage.

Bottom line: Homeowners who used to pay about \$2,000 a year for coverage can find themselves paying \$6,000 or more. While urban Californians who live outside of wildfire danger are immune, it's become an all-consuming issue in wooded foothill regions and other fire-prone areas of the state. In some places, the lack of affordable insurance is causing the real estate market to dry up.

“Mercury [just notified me of cancellation](#) after less than 3 months - has anyone received coverage in the 95959 zip code recently? Thank you so much for any info,” wrote Michelle Harding Bodley in a recent post on a Facebook page devoted to the insurance crisis in Nevada County. The page has 1,000 followers.

So many homeowners have been forced onto the FAIR Plan lately, the insurer of last resort is now worried about becoming overburdened. Last fall Insurance Commissioner Ricardo Lara ordered the FAIR Plan to start offering full-fledged insurance coverage, in addition to its bare-bones policies.

The FAIR Plan — which was created by the state after insurers abandoned inner cities following the 1960s riots — responded by [taking Lara to court](#). The plan is funded by insurers and doesn't receive tax subsidies.

The impact of Lara's other big order remains unclear. In December the commissioner imposed a [one-year moratorium](#) prohibiting carriers from dropping homeowners living in and around the major fires that occurred in 2019 — a move that protects about 1 million homeowners. Lara had the authority to order the moratorium under SB 824, [a bill he authored](#) while in the Legislature in 2018.

The commissioner also asked insurers halt cancellations for a year in the rest of the state as well. So far no company has agreed to it, but “we continue to be in discussions” with insurers about Lara's request, said Department of Insurance spokesman Michael Soller.

Randy Fletcher, a Marysville insurance agent, said Lara's efforts are falling short. Until the state does more to reduce underlying wildfire dangers, he said insurance carriers will remain reluctant to underwrite coverage in wooded areas.

“They’re telling me, show me proof it’s safer and profitable to write in the forests,” said Fletcher, a Yuba County supervisor whose district bore the brunt of the [2017 Cascade Fire](#). “The solution isn’t from the insurance commissioner putting a one-year band-aid (on the problem).”

Soller acknowledged the moratorium isn’t a remedy but is designed to give “breathing room for consumers” while more long-lasting solutions are developed. Those include more intensified efforts by the state to reduce wildfire risks — and then finding ways to get insurers to make coverage more available.

“We’re going to push for a stronger commitment from insurers to write policies in wildfire communities, to address this non-renewal issue,” Soller said.

In the meantime, insurance carriers insist California also needs to raise premium rates.

Frazier said the Department of Insurance has kept premiums artificially low over the years. Companies are loathed to seek rate increases of more than 6.9 percent because that’s the threshold that triggers hearings that could last a year or longer, he said. At the same time, he said the companies are prohibited in California from incorporating reinsurance costs into their rate-hike requests.

“Companies can’t match the risk to price,” Frazier said. “Why are we acting surprised that there are non-renewals in the high-risk areas?”

“(Regulators) are trying to shield people from big price disruptions and that’s understandable,” he added. “But if they push too hard, the insurance system doesn’t have enough money to insure everybody.”

Soller said the primary carriers have gotten plenty of rate relief — the department approved rate increases totaling \$388 million a year in 2018 alone. “It’s not accurate to say the department has put a lid (on rate hikes),” he said.

Michael Wara, who runs the Stanford climate and energy program and has been advising lawmakers on wildfire issues, said any substantive fix for the insurance market is going to need

insurance executives “at the table.” But he said questions about political donations from insurers to Lara’s political campaigns “makes it harder” for the commissioner to hold those discussions.

Soller disputed that. “He’s going to continue to do the work of meeting with consumers, meeting with the industry, really as the voice of California homeowners,” the department spokesman said.