



A California Public Agency

California Affiliated Risk Management Authorities
1750 Creekside Oaks, Suite 200
Sacramento, CA 95833
(800) 541-4591 ~ FAX (916) 244-1199
email KThesing@brsrisk.com

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES
BOARD OF DIRECTORS' MEETING

AGENDA

Embassy Suites Resort
4130 Lake Tahoe Boulevard
South Lake Tahoe, California
(530) 544-5400
www.embassytahoe.com

Friday, September 21, 2012
9:00 a.m.

In compliance with the Americans with Disabilities Act, if you are a disabled person and you need a disability-related modification or accommodation to participate in this meeting, please contact Jillian Stoorza at (916) 244-1175, or (916) 244-1199 (fax). Requests must be made as early as possible, and at least one full business day before the start of the meeting.

Documents and materials relating to an open session agenda item that are provided to the CARMA Board of Directors less than 72 hours prior to a regular meeting will be available for public inspection and copying at: 1750 Creekside Oaks Drive, Suite 200, Sacramento, CA 95833. The documents are also available on CARMA's website, www.carmajpa.org.

Table with 2 columns: Item Number and Page. Items include CALL TO ORDER, INTRODUCTIONS, APPROVAL OF AGENDA AS POSTED (OR AMENDED), PUBLIC COMMENTS, and CONSENT CALENDAR with sub-items A-F.

- 6. ADMINISTRATIVE MATTERS**
- A. Appointment of CARMA Board Secretary – Ms. Jillian Stoorza **48**
Recommendation: The Board of Directors appoints Ms. Jillian Stoorza as the CARMA Board Secretary.
 - *B. Update of Marketing Strategy / Efforts **49**
Recommendation: None. Information only.
 - *C. Review of the CARMA Goals and Objectives for 2012 **52**
Recommendation: None. Information only.
 - *D. Discussion Regarding the 20th Board of Directors' Annual Workshop on January 10-11, 2013, at Bodega Bay Lodge & Resort **55**
Recommendation: The Board of Directors to provide direction to the content and format the Board desires for the January 2013 Workshop.
- 7. FINANCIAL MATTERS**
- *A. Consideration of the June 30, 2012, Independent Financial Audit Prepared by Sampson, Sampson, and Patterson, LLP **58**
Recommendation: The Board of Directors accepts and files the June 30, 2012, audit report as presented.
- 8. COVERAGE MATTERS**
- *A. Discussion Regarding Coverage for Potential Liability Exposures of “Successor Agencies” and “Oversight Boards” to the Now-Dissolved Redevelopment Agencies **93**
Recommendation: The Board of Directors approves that liability coverage be extended to Successor Agencies, limiting coverage to Occurrences arising out of the specifically-described activities of the Successor Agencies, and affirm that there is no liability coverage for appointees to the Oversight Board.
- 9. CLAIMS MATTERS** **112**
- **A. Closed Session Pursuant to Government Code Section 54956.95(a) to Discuss Claims.

Pursuant to Government Code Section 54956.95(a), the Board will hold a closed session to discuss any claims for the payment of tort liability losses, public liability losses, or workers' compensation liability incurred by the joint powers authority:

Osheroff v. City of Novato (BCJPIA)
Capitola Flood Claim v. City of Capitola (MBASIA)
Shen v. City of San Ramon (MPA)
 - *B. Report from Closed Session
Pursuant to Government Code Section 54957.1, the Board must report in open session any action, or lack thereof, taken in closed session.

* = Material on agenda item enclosed

** = Material on agenda item enclosed for Board members only

10. CLOSING COMMENTS

This time is reserved for comments by the Board members and staff and to identify matters for future Board business.

- A. Board
- B. Staff

11. ADJOURNMENT

NOTICES

- The CARMA Board of Directors' Annual Workshop is currently scheduled for Thursday-Friday, January 10-11, 2013, at the Bodega Bay Lodge in Bodega Bay.

CONSENT CALENDAR

SUBJECT: Consent Calendar

BACKGROUND AND STATUS:

The Consent Calendar consists of items that require approval or acceptance but are self-explanatory and require no discussion. If the Board would like to discuss any item listed, it may be pulled from the Consent Calendar.

RECOMMENDATION:

Approval of Consent Calendar.

REFERENCE MATERIALS ATTACHED:

- A. Minutes of the June 20, 2012, Board of Directors' Meeting
- B. Warrant Listings from June 1, 2012, through August 31, 2012
- C. Internal Financial Statements for the Year Ended June 30, 2012
- D. Treasurer's Report as of June 30, 2012
- E. Reinsurance Binder Confirmation from AmTrust Reinsurance
- F. Excess Binder Confirmation from Colony National Insurance Company

**CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES
(CARMA)**

**DRAFT MINUTES OF THE BOARD OF DIRECTORS'
MEETING OF JUNE 20, 2012**

A regular meeting of the Board of Directors of CARMA was held on June 20, 2012, via teleconference.

BOARD MEMBERS PRESENT: Geoff Grote, BCJPIA, President
Robert Galvan, MBASIA, Vice President
Jake O'Malley, MPA, Treasurer
Robert Gay, VCJPA
Tim Przybyla, CSJVRMA

BOARD MEMBERS ABSENT: None

ALTERNATE MEMBERS PRESENT: Gary Goodman, VCJPA

OTHERS PRESENT: Karen Thesing, Executive Director
Michael Groff, Litigation Manager
Nancy Broadhurst, Finance Manager
Ramona Buchanan, Board Secretary
Craig Farmer, Legal Counsel
Rob Kramer, Bickmore Risk Services
Linzie Kramer, Bickmore Risk Services
Jeanette Workman, Bickmore Risk Services
Adrienne Beatty, Bickmore Risk Services
Katrina Salumbides, Bickmore Risk Services
Michael Simmons, Alliant Insurance Services, Inc.
Seth Cole, Alliant Insurance Services, Inc.

1. CALL TO ORDER

The June 20, 2012, Board of Directors' meeting was called to order at 10:06 a.m. by President Geoff Grote.

2. INTRODUCTIONS

Roll call was taken, and a quorum of the Board was present. Ms. Karen Thesing, Executive Director, discussed some housekeeping items, including the notation that the agenda and some documents may be viewed by the Board as part of the Go-To meeting set-up.

3. **APPROVAL OF AGENDA AS POSTED (OR AMENDED)**

Tim Przybyla moved to approve the agenda as posted; seconded by Bob Gay. Roll call was taken, and the motion passed unanimously.

4. **PUBLIC COMMENTS**

There were no public comments.

5. **CONSENT CALENDAR**

Jake O'Malley moved to approve/accept the following items: A) Minutes of the April 18, 2012, Board of Directors' Meeting; B) Warrant Listing from April 1, 2012, through May 31, 2012; C) Treasurer's Report as of March 31, 2012; D) Agreement between the California Affiliated Risk Management Authorities (CARMA) and Bickmore Risk Services (BRS) for Administration, Litigation Management, and Financial Services; E) White Paper – Joint and Several Liability by Mr. Linzie Kramer, Bickmore Risk Services; and (F) CARMA Memorandum of Coverage (MOC) for the 2012/2013 Program Year; seconded by Robert Gay. Roll call was taken, and the motion passed unanimously.

6. **ADMINISTRATIVE MATTERS**

A. **Resolution of the Board of Directors of CARMA Establishing Meeting Dates for the 2012/2013 Fiscal Year**

Mr. Grote directed the Board's attention to page 93 of the agenda and discussed the proposed CARMA Board of Directors' meeting dates, times, and locations as follows:

Board of Directors' Meeting:

- Friday, September 21, 2012, 9:00 a.m. – South Lake Tahoe
- Friday, January 11, 2013, 9:00 a.m. – Bodega Bay
- Wednesday, April 17, 2013, 10:00 a.m. – Sacramento
- Wednesday, June 19, 2013, 10:00 a.m. – Sacramento

Annual Retreat/Board Meeting:

- Thursday, January 10, 2013, 11:00 a.m. – 5:00 p.m., Bodega Bay
- Friday, January 11, 2013, 9:00 a.m. – Bodega Bay

A question was posed regarding whether one of the dates scheduled for Sacramento

could be held telephonically, with Ms. Thesing advising that this is something the Board could consider, if the agenda is “light” and topics are not requiring significant discussion.

It was noted that with regards to the September 21, 2012, meeting, that the CAJPA conference is being held at the same time. President Grote clarified that CARMA always holds its Board meetings at the end of the CAJPA annual conference.

Tim Przybyla moved that the Board of Directors adopt Resolution No. 4-2011/2012 as presented; seconded by Robert Gay. Roll call was taken, and the motion passed unanimously.

B. Agreement between CARMA and Alliant Insurance Services for Brokerage Services – Draft One-Year Agreement

Ms. Thesing reported that a draft one-year agreement between CARMA and Alliant Insurance Services was presented and discussed at the April 18, 2012, Board of Directors’ meeting. As a result of the discussion, there were areas on the draft agreement that required further discussion between Mr. Craig Farmer, Legal Counsel; Mr. Michael Simmons, Alliant Insurance Services; and Ms. Thesing.

Ms. Thesing provided an overview of the yellow-highlighted areas noted on the following pages of the agreement:

1. *(Pages 6 – 10, VII. Compensation: Page 7 – Bullet #1)* Alliant has agreed to reduce its fees to \$68,000 for the proposed one-year agreement.
2. *(Page 7 – second bullet)* For members joining or leaving CARMA, the 20% change in exposure swing clause did not change. This clause is a caveat to allow discussions with Alliant regarding fees if the 20% is broached.
3. *(Page 7 – fifth and sixth paragraphs)* This is additional language that was requested by Alliant.

Ms. Thesing noted that she and Mr. Farmer have discussed this with Mr. Simmons and the language is clarifying that the annual fee is not reduced when Alliant is performing other services, if contracted to do so.

4. *(Page 10 – 12, VIII. – Confidentiality: Page 11, (b) and (c))* Ms. Thesing noted that she and Mr. Farmer discussed the additional language added to sections (b) and (c) with Mr. Simmons and the Alliant legal team.

Ms. Thesing advised that in error, extra verbiage was included in the highlighted language under item (c) and re-read the provision as it should appear:

“(c) Information that is disclosed by a third party whom the Recipient

Party has no reason to believe is prohibited from transmitting such information by a contractual, legal, or fiduciary obligation to the Disclosing Party or owner of such information; or”

Ms. Thesing advised that the final agreement will reflect the corrected verbiage.

5. *(Page 11 – D. Survival)* Ms. Thesing noted that additional language was added and was highlighted for the Board’s review.
6. *(Page 13 – 14 – XI. Hold Harmless and Indemnity)* – Ms. Thesing noted that legal counsel redrafted the entire Hold Harmless and Indemnity section, and Alliant is in agreement with this revised language.
7. *(Page 14, XII. Non-Solicitation)* Ms. Thesing noted that additional language has been added. Alliant has agreed to the addition of this verbiage.

Ms. Thesing concluded by advising it is recommended that the Board of Directors approves the one-year agreement between CARMA and Alliant. Messrs. Farmer and Simmons noted that they have no additional comments or discussion regarding the proposed agreement.

Tim Przybyla moved to approve the one-year agreement between CARMA and Alliant Insurance Services, as amended; seconded by Jake O’Malley. Roll call was taken, and the motion passed unanimously.

C. CARMA 2012/2013 Strategic Goals & Action Items Update

Ms. Thesing advised that this item on the agenda is for information only and will not require action or a roll call from the Board. Ms. Thesing provided an overview of the strategic goals that were developed at the January 2012 CARMA Board of Directors’ workshop as follows and their status to date:

- Provide Budgets Representing a 75% Confidence Level with a Decrease in Discount Rates.

Ms. Thesing noted that with approval of the budget, this goal will be completed.

- Modify the Litigation Management’s Approach Regarding Police Liability Cases by Participating Earlier than When the 50% Self-Insured Retention (SIR) is Reached.

Ms. Thesing reported this is currently on target, and a memorandum will be sent to the members along with the approved Memorandum of Coverage (MOC) for the 2012/2013 program year. The emphasis will be on the member’s reporting responsibility under Title 42 USC & 1983 matters. Additionally, Messrs. Groff and Kramer will be actively communicating with members on police liability

cases.

➤ Revisit Marketing Strategies.

Ms. Thesing noted this is on target and discussed the issues related to determining who to approach (JPAs, cities, etc.) in order to market the CARMA program. Staff will present information to the CARMA Board President and at the September 21, 2012, Board of Directors' meeting.

➤ Outreach to JPA Members; Assist JPAs Regarding the Finances of CARMA.

Ms. Thesing reported that financial graphs and talking points on CARMA's equity financial position from the January 2012 annual workshop were provided to members, so this goal has been completed.

Ms. Thesing concluded by advising that she is always available to attend the member's respective board meetings to provide an update on CARMA.

7. COVERAGE MATTERS

A. Renewal Rates for Specific Reinsurance and Excess Coverage for the 2012/2013 Program Year

Ms. Thesing reported that Mr. Seth Cole, Alliant Insurance Services, has been diligently working with the reinsurance and excess providers, namely AmTrust (reinsurance) and Colony (excess). CARMA currently participates in the Alliant ANML program with \$10 million in coverage and purchases \$15 million from Colony for a total of \$25 million excess of the CARMA pooled layer. Ms. Thesing expressed appreciation to Mr. Cole for keeping CARMA apprised of the discussions with AmTrust and Colony over the past few months.

Mr. Cole reported that, as directed by the CARMA Board at its April 18, 2012, meeting, Alliant obtained renewal quotes from AmTrust for the reinsurance layer (\$10 million excess \$4 million) and Colony for the second layer excess (\$15 million excess \$14 million) for a total of \$25 million in excess coverage. As expected, the quote from AmTrust came in at a 2.4% premium increase. Mr. Cole referenced the letter on page 119 and noted that when the letter was sent, a firm quote from Colony had yet to be received, but it was anticipated that the renewal from Colony would be at the expiring rate. Consideration was taken that VCJPA was opting out of the excess layer, and as such, Colony has now quoted a flat premium of \$501,000, not including surplus line taxes and fees.

Ms. Thesing noted that the 2012/2013 proposed budget has been adjusted to reflect the Colony quotation/premium.

Jake O'Malley moved to approve the placement of reinsurance in the Alliant ANML program with \$10 million in limits and \$15 million from Colony for a total of \$25 million excess of the CARMA pooled layer; seconded by Robert Galvan. Roll call was taken, and the motion passed unanimously.

8. FINANCIAL MATTERS

A. Presentation of the Internal Financial Statements as of March 31, 2012

Ms. Thesing reported that after the April 18, 2012, CARMA Board of Directors' meeting, CARMA's information from the actuary resulted in a positive change to CARMA's equity status.

Ms. Nancy Broadhurst, Finance Manager, reminded the Board that at the January 2012 workshop, an analysis was presented to the Board regarding a possible significant decrease in CARMA's equity due to recent adverse development experienced in November and December 2011. However, CARMA's recently completed actuarial study re-valued the ultimate loss projections for all program years resulting in an overall decrease of \$500,000, resulting in positive development of equity.

Ms. Broadhurst directed the Board's attention to and provided an overview of the CARMA balance sheet as of March 31, 2012, contained on page 123. Ms. Broadhurst noted that at March 31, 2012, there was a total of \$3.5 million in reserves; whereby at June 30, 2011, total reserves were \$7.3 million; reserves in total have decreased by 28% from June 30, 2011, to March 31, 2012; and as such, there now is \$11.8 million in equity, as compared to \$10.2 million at June 30, 2011.

Ms. Broadhurst continued by discussing the income statement noting that \$6.8 million has been paid in claims for this year through March 31, in comparison to June 30, 2011 - \$3.6 million; June 30, 2010 - \$1.8 million; and at June 30, 2011 - \$3.7 million. This was taken into account by the actuary to determine the ultimate loss projections. Overall, there is \$1.7 million in surplus this year at March 31, 2012, which translates into equity. As a result, staff felt it necessary to present this positive information to the Board of Directors.

Tim Przybyla moved to approve the CARMA Internal Financial Statements as of March 31, 2012; seconded by Robert Galvan. Roll call was taken, and the motion passed unanimously.

B. CARMA Annual Operating Budget for the 2012/2013 Program Year

Ms. Broadhurst noted that there is a slight difference in the amount reflected on the budget presented in the agenda packet, due to the excess coverage renewal premium information presented by Alliant and just approved by the Board of Directors.

Ms. Broadhurst reported that at its April 18, 2012, meeting, the Board preliminarily approved the 2012/2013 Operating Budget at the 75% confidence level and using a 2.5% discount factor. Ms. Broadhurst discussed the revised budget, noting that the rates increased over last year's rates due to the decreased discount factor and an increase in adverse development.

Ms. Broadhurst further noted that other changes to the budget include a new underlying member to BCJPIA, an increase of 2.4% in the reinsurance premium renewal, and a flat premium renewal for excess insurance, which equates to \$517,283. This is the same as the expiring premium from last year; however, does not include VCJPA. The total CARMA premium is \$6.6 million which represents an approximate 11% increase over last year's premium.

Discussion ensued on duplicate budget pages included in the agenda. Ms. Broadhurst noted that during the printing of the agenda, duplicate pages 135 and 143 were inadvertently included which should be disregarded.

Jake O'Malley moved to adopt the 2012/2013 CARMA Annual Operating Budget at the 75% confidence level, using a discount factor of 2.5%; seconded by Robert Galvan. Roll call was taken, and the motion passed unanimously.

9. ELECTION AND APPOINTMENT OF OFFICERS

Mr. Grote opened the floor for nominations for the position of President.

Robert Galvan moved that Mr. Geoff Grote be nominated as CARMA President; seconded by Jake O'Malley. Roll call was taken, and the motion passed unanimously.

Mr. Grote opened the floor for nominations for the position of CARMA Vice President.

Jake O'Malley moved that Mr. Robert Galvan be nominated as CARMA Vice President; seconded by Tim Przybyla. Roll call was taken, and the motion passed unanimously.

Mr. Grote appointed Mr. Jake O'Malley as CARMA Treasurer and expressed appreciation to Messrs. Galvan and O'Malley for accepting the positions of Vice President and Treasurer, respectively.

10. CLOSING COMMENTS

A. Board

Mr. O'Malley noted that holding telephonic meetings is fine; however, advised that

he supports conducting meetings on a person-to-person basis for issues that require discussion. Mr. O'Malley further expressed appreciation to staff to provide this new option to the Board so as to save extended driving time for a short meeting. Messrs. Grote and Galvan echoed Mr. O'Malley's comments.

B. Staff

Ms. Thesing referenced the closing of the Redevelopment Agencies and their successor agencies and advised that this has been discussed in-depth with Mr. Farmer, Legal Counsel, regarding the uncertainties of this issue. Ms. Thesing noted this will be presented for discussion at the September 21, 2012, CARMA Board of Directors' meeting.

Mr. Farmer, Legal Counsel, discussed the composition of successor agencies versus oversight committees and noted the exposure is yet to be determined.

11. ADJOURNMENT

By consensus, the June 20, 2012, Board of Directors' meeting adjourned at 10:45 a.m.

Ramona Buchanan
Ramona Buchanan, Board Secretary

Ranges: From: To: From: To:
 Check Number First Last Check Date 6/1/2012 8/31/2012
 Vendor ID First Last Checkbook ID First Last
 Vendor Name First Last

Sorted By: Check Number

* Voided Checks

Check Number	Vendor ID	Vendor Check Name	Check Date	Checkbook ID	Audit Trail Code	Amount
1854	MC100	McNamara, Ney, Beatty, Slatter	6/19/2012	CBT GENERAL	PMCHK00000106	\$11,691.20
1855	MC100	McNamara, Ney, Beatty, Slatter	6/19/2012	CBT GENERAL	PMCHK00000106	\$682.50
1856	BI100	Bickmore Risk Services	6/19/2012	CBT GENERAL	PMCHK00000106	\$25,466.66
1857	FA115	Farmer Smith and Lane, LLP	6/19/2012	CBT GENERAL	PMCHK00000106	\$262.50
1858	HO100	Howard Rome Martin and Ridley	6/19/2012	CBT GENERAL	PMCHK00000106	\$334.94
1859	DR100	Alliant Insurance Services, In	7/25/2012	CBT GENERAL	PMCHK00000107	\$517,282.50
1860	DR100	Alliant Insurance Services, In	7/25/2012	CBT GENERAL	PMCHK00000107	\$1,035.00
1861	DR100	Alliant Insurance Services, In	7/25/2012	CBT GENERAL	PMCHK00000107	\$1,097,200.00
1862	DR100	Alliant Insurance Services, In	7/25/2012	CBT GENERAL	PMCHK00000107	\$68,000.00
1863	BA100	Bay Actuarial Consultants	7/25/2012	CBT GENERAL	PMCHK00000107	\$6,858.00
1864	BI100	Bickmore Risk Services	7/25/2012	CBT GENERAL	PMCHK00000107	\$25,466.66
1865	BO100	Bodega Bay Lodge	7/25/2012	CBT GENERAL	PMCHK00000107	\$2,000.00
1866	CA100	Ca Bank & Trust	7/25/2012	CBT GENERAL	PMCHK00000107	\$154.00
1867	CA105	CAJPA	7/25/2012	CBT GENERAL	PMCHK00000107	\$450.00
1868	FA115	Farmer Smith and Lane, LLP	7/25/2012	CBT GENERAL	PMCHK00000107	\$997.50
1869	GE105	GENEX Services, Inc.	7/25/2012	CBT GENERAL	PMCHK00000107	\$12,000.00
1870	BI100	Bickmore Risk Services	8/3/2012	CBT GENERAL	PMCHK00000108	\$25,466.66
1871	MC100	McNamara, Ney, Beatty, Slatter	8/3/2012	CBT GENERAL	PMCHK00000108	\$590.03
1872	MC100	McNamara, Ney, Beatty, Slatter	8/3/2012	CBT GENERAL	PMCHK00000108	\$490.00
Total Checks:	19				Total Amount of Checks:	\$1,796,428.15

California Affiliated Risk Management Authorities

~ BALANCE SHEET ~

As of June 30, 2012

(Audited)

ASSETS

CURRENT ASSETS

Cash in Bank	\$	3,651	
Local Agency Investment Fund		3,545,733	
Market Valuation - LAIF		4,325	
Investments - Managed Portfolio		1,335,931	
Market Valuation - Investment		20,061	
Accounts Receivable		4,690	
Interest Receivable		90,302	
Prepaid Expenses		29,123	
Prepaid Insurance		0	
TOTAL CURRENT ASSETS			5,033,814

NONCURRENT ASSETS

Investments - Managed Portfolio (Net of Rate Stabilization Fund)		20,800,725	
Market Valuation - Investment		(52,873)	
TOTAL OTHER ASSETS			20,747,852
TOTAL ASSETS			\$ 25,781,666

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$	16,736	
Deferred Revenue		0	
Equity Payable to Withdrawing Member		7,262	
Reserve for Claims		2,800,000	
TOTAL CURRENT LIABILITIES			2,823,998

NONCURRENT LIABILITIES

Reserve for Claims		514,483	
Reserve for IBNR		10,476,076	
TOTAL NONCURRENT LIABILITIES			10,990,559
TOTAL LIABILITIES			13,814,557

NET ASSETS

Unrestricted Net Assets - Prior Years		10,172,475	
Net Assets - Current Year		1,794,634	
TOTAL NET ASSETS			11,967,109
TOTAL LIABILITIES AND NET ASSETS			\$ 25,781,666

California Affiliated Risk Management Authorities
~ INCOME STATEMENT ~
For the Quarter Ended June 30, 2012
(Audited)

	<u>Actual</u>	<u>Budget</u>	<u>% Used</u>	<u>\$ Variance</u>
OPERATING REVENUES				
Deposit Premium	\$ 5,936,673	\$ 5,931,983	100%	\$ (4,690)
Investment Income	313,652	0		(313,652)
Misc Income	0	0		0
TOTAL OPERATING REVENUES	\$ 6,250,325	5,931,983	105%	(318,342)
OPERATING EXPENSES				
Direct Expenses				
Claims Paid	\$ 7,119,801	3,829,470	* { 63%	1,421,718
Incr/(Decr) in Reserves	(4,712,049)			
Subtotal Claims Expense	2,407,752	3,829,470	63%	1,421,718
Reinsurance	1,139,490	1,139,490	100%	0
Excess Insurance	517,283	517,283	100%	0
Subtotal All Direct Expenses	4,064,524	5,486,243	74%	1,421,719
General & Administrative Expenses				
Program Management	288,480	288,480	100%	0
Membership Dues	1,531	1,600	96%	69
Financial Audit	8,400	8,400	100%	0
Claims Audit	18,900	18,900	100%	0
Actuarial Services	6,858	6,860	100%	2
Legal Services	11,265	60,000	19%	48,735
Marketing, Consultants and Website	600	5,000	12%	4,400
Board Meetings	2,159	1,500	144%	(659)
Annual Retreat	6,423	10,000	64%	3,577
Fidelity Bond	1,033	1,000	103%	(33)
Accreditation	1,400	1,500	93%	100
Investment Management Fees	25,112	26,000	97%	888
Genex Reporting Fees	18,259	6,500	281%	(11,759)
Bank Fees	745	0		(745)
Contingency	0	10,000	0%	10,000
Subtotal General & Admin Expenses	391,166	445,740	88%	54,574
Member Equity Distribution	0	0		0
TOTAL OPERATING EXPENSES	4,455,690	5,931,983	75%	1,476,293
CHANGE IN NET ASSETS	\$ 1,794,634	0		

* Amount budgeted for claims expense is for the current program year only.
Actual Claims Paid expense includes payments for all program years.

California Affiliated Risk Management Authorities

~ Balance Sheet ~

As of June 30, 2012

(Unaudited)

Assets:	2001/2002	2002/2003	2003/2004	2004/2005 *	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	Total
Cash, L.A.I.F. & Investments	305,783	1,400,735	2,945,620	726,633	(1,571,813)	2,098,959	3,951,673	3,562,843	4,217,395	4,183,655	3,864,563	25,686,039
Market Valuation-LAIF & Investments											(28,488)	(28,488)
Prepaid Expenses											29,123	29,123
Interest Receivable											90,302	90,302
Accounts Receivable											4,690	4,690
Total Assets	305,783	1,400,735	2,945,620	726,633	(1,571,813)	2,098,959	3,951,673	3,562,843	4,217,395	4,183,655	3,960,190	25,781,666 *

* Total Assets do not include Rate Stabilization Funds of \$90,819 at March 31, 2012

Liabilities:												
Accounts Payable											16,736	16,736
Deferred Revenue											0	0
Return of Equity											0	0
Equity Payable											7,262	7,262
Reserve for Claims (1)	0	364,125	441,825	0	1,444,453	9,530	189,200	139,950	185,200	91,700	448,500	3,314,483
Reserve for IBNR (2)	455	97,354	312,366	451,661	401,953	771,534	452,611	716,514	1,210,745	2,903,451	3,157,440	10,476,084
Total Liabilities	455	461,479	754,191	451,661	1,846,406	781,064	641,811	856,464	1,395,945	2,995,151	3,629,938	13,814,559

Retained Earnings:												
Reserve for Adverse Development (3)	0	0	0	0	0	0	158,282	399,599	900,613	1,809,988	2,055,386	5,323,869
Contingency Funds (4)	305,328	939,256	2,191,429	274,971	(3,418,219)	1,317,895	3,151,580	2,306,780	1,920,836	(621,485)	(1,725,134)	6,643,238
Total Retained Earnings	305,328	939,256	2,191,429	274,971	(3,418,219)	1,317,895	3,309,862	2,706,379	2,821,450	1,188,504	330,252	11,967,107
Total Liabilities and Retained Earnings	305,783	1,400,735	2,945,620	726,633	(1,571,813)	2,098,959	3,951,673	3,562,843	4,217,395	4,183,655	3,960,190	25,781,666

NOTE: CARMA's first eight program years 1993/1994 - 2000/2001 are now closed and no longer appear on the financial statements.

*** 2004/05 Program Year includes equity from closed years 1996/1997 - 2000/2001**

(1) Reserve for claims has been discounted from the loss run balance of \$3,500,019 by \$185,536 as calculated utilizing the discount factors prepared by Bay Actuarial Consultants.

(2) IBNR has been established at the discounted expected confidence level as calculated by Bay Actuarial Consultants.

(3) This line represents the additional reserves needed to fund up to the 80% confidence level.

(4) Provided there are sufficient contingency funds available for each program year and the JPA overall is funded at the 70% confidence level, this amount would be available for possible refund to members.

California Affiliated Risk Management Authorities

~ Income Statement ~

For the Quarter Ended June 30, 2012

(Unaudited)

Revenue:	2001/2002	2002/2003	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	Total
Deposit Premiums											5,936,673	5,936,673
Interest Income	3,314	15,180	32,230	7,874	488	30,597	46,790	38,681	45,704	45,338	22,345	288,540 *
Misc Income											0	0
Total Revenue	3,314	15,180	32,230	7,874	488	30,597	46,790	38,681	45,704	45,338	5,959,018	6,225,213
											<i>* Net of Investment Management Fees and Rate Stabilization Funds interest</i>	
Direct Expenses:												
Claims Paid	0	0	96,400	0	4,595,177	1,451,149	968,705	8,370	0	0	0	7,119,801
Incr./(Decr.) in Reserves	(19,133)	166,611	(9,114)	109,060	(4,540,131)	(1,012,330)	(936,600)	(1,296,238)	(1,170,692)	390,581	3,605,940	(4,712,049)
Incr./(Decr) in Rate Stab Due Member												0
Dividend/Assessment/Equity Distribution												0
Reinsurance / Excess											1,656,773	1,656,773
Total Direct Expenses	(19,133)	166,611	87,286	109,060	55,046	438,819	32,105	(1,287,868)	(1,170,692)	390,581	5,262,713	4,064,524
Indirect Expenses:												
General Management											288,480	288,480
Membership Dues											1,531	1,531
Financial Audit											8,400	8,400
Claims Audit											18,900	18,900
Actuarial Services											6,858	6,858
Legal Services**											11,265	11,265
Marketing/Consultants/Website											600	600
Board Meetings											2,159	2,159
Annual Retreat											6,423	6,423
Fidelity Bond											1,033	1,033
Accreditation Fees											1,400	1,400
Genex Reporting Fees											18,259	18,259
Bank Fees											745	745
Contingency											0	0
Total Indirect Expenses	0	0	0	0	0	0	0	0	0	0	366,054	366,054
Net Income/(Loss)	22,447	(151,432)	(55,056)	(101,186)	(54,558)	(408,222)	14,685	1,326,549	1,216,396	(345,243)	330,252	1,794,634

** Includes services for general counsel and coverage matters.

NOTE: CARMA's first eight program years 1993/1994 - 2000/2001 are now closed and no longer appear on the financial statements.

California Affiliated Risk Management Authorities

~ Member Allocation of Pool Equity ~

As of June 30, 2012

Program Year	Member	"Expected" Fund Balance	Additional IBNR at 75% Conf. Level	"75% Conf." Fund Balance	Additional IBNR at 80% Conf. Level	"80% Conf." Fund Balance
2001/2002:	BCJPIA	96,556	0	96,555	0	96,555
	CSJVRMA	66,598	0	66,598	0	66,598
	MPA	68,872	0	68,872	0	68,872
	PARSAC	60,885	0	60,885	0	60,885
	VCJPA	12,418	0	12,418	0	12,418
	PERMA	0	0	0	0	0
	Total	<u>305,328</u>	<u>0</u>	<u>305,328</u>	<u>0</u>	<u>305,328</u>
2002/2003:	BCJPIA	243,141	0	243,141	0	243,141
	CSJVRMA	212,748	0	212,748	0	212,748
	MPA	277,275	0	277,275	0	277,275
	PARSAC	171,290	0	171,290	0	171,290
	VCJPA	34,803	0	34,803	0	34,803
	PERMA	0	0	0	0	0
	Total	<u>939,256</u>	<u>0</u>	<u>939,256</u>	<u>0</u>	<u>939,256</u>
2003/2004	BCJPIA	589,809	0	589,809	0	589,809
	CSJVRMA	566,881	0	566,881	0	566,881
	MBASIA	65,575	0	65,575	0	65,575
	MPA	518,931	0	518,931	0	518,931
	PARSAC	374,200	0	374,200	0	374,200
	VCJPA	76,033	0	76,033	0	76,033
	Total	<u>2,191,429</u>	<u>0</u>	<u>2,191,429</u>	<u>0</u>	<u>2,191,429</u>
2004/2005*	BCJPIA	898,774	0	898,774	0	898,774
	CSJVRMA	(763,985)	0	(763,985)	0	(763,985)
	MBASIA	(152,185)	0	(152,185)	0	(152,185)
	MPA	(741,615)	0	(741,615)	0	(741,615)
	PARSAC	924,498	0	924,498	0	924,498
	VCJPA	108,167	0	108,167	0	108,167
	PERMA*	1,318	0	1,318	0	1,318
Total	<u>274,971</u>	<u>0</u>	<u>274,971</u>	<u>0</u>	<u>274,971</u>	
2005/2006	BCJPIA	(848,241)	0	(848,241)	0	(848,241)
	CSJVRMA	(825,512)	0	(825,512)	0	(825,512)
	MBASIA	(130,297)	0	(130,297)	0	(130,297)
	MPA	(891,736)	0	(891,736)	0	(891,736)
	PARSAC	(592,091)	0	(592,091)	0	(592,091)
	VCJPA	(130,340)	0	(130,340)	0	(130,340)
	Total	<u>(3,418,219)</u>	<u>0</u> *	<u>(3,418,219)</u>	<u>0</u> *	<u>(3,418,219)</u>

California Affiliated Risk Management Authorities

~ Member Allocation of Pool Equity ~

As of June 30, 2012

Program Year	Member	"Expected" Fund Balance	Additional IBNR at 75% Conf. Level	"75% Conf." Fund Balance	Additional IBNR at 80% Conf. Level	"80% Conf." Fund Balance
2006/2007	BCJPIA	303,557	0	303,557	0	303,557
	CSJVRMA	381,194	0	381,194	0	381,194
	MBASIA	46,805	0	46,805	0	46,805
	MPA	304,243	0	304,243	0	304,243
	PARSAC	224,829	0	224,829	0	224,829
	VCJPA	57,267	0	57,267	0	57,267
	Total	<u>1,317,895</u>	<u>0</u>	<u>1,317,895</u>	<u>0</u>	<u>1,317,895</u>
2007/2008	BCJPIA	717,812	0	717,812	(34,327)	683,485
	CSJVRMA	946,441	0	946,441	(45,260)	901,181
	MBASIA	109,577	0	109,577	(5,240)	104,337
	MPA	783,184	0	783,184	(37,453)	745,731
	PARSAC	616,962	0	616,962	(29,504)	587,458
	VCJPA	135,886	0	135,886	(6,498)	129,388
	Total	<u>3,309,862</u>	<u>0</u>	<u>3,309,862</u>	<u>(158,282)</u>	<u>3,151,580</u>
2008/2009	BCJPIA	585,945	(5,191)	580,754	(86,515)	499,430
	CSJVRMA	731,187	(6,478)	724,709	(107,960)	623,227
	MBASIA	90,798	(804)	89,993	(13,406)	77,391
	MPA	645,194	(5,716)	639,478	(95,263)	549,931
	PARSAC	550,235	(4,875)	545,360	(81,243)	468,992
	VCJPA	103,021	(913)	102,108	(15,211)	87,810
	Total	<u>2,706,379</u>	<u>(23,976)</u>	<u>2,682,403</u>	<u>(399,599)</u>	<u>2,306,780</u>
2009/2010	BCJPIA	993,409	(181,803)	811,606	(317,099)	676,310
	CSJVRMA	928,821	(169,983)	758,838	(296,482)	632,339
	MBASIA	121,921	(22,313)	99,609	(38,918)	83,004
	MPA	678,383	(124,150)	554,232	(216,541)	461,841
	VCJPA	98,915	(18,102)	80,813	(31,574)	67,341
	PARSAC	0	0	0	0	0
	Total	<u>2,821,450</u>	<u>(516,352)</u>	<u>2,305,098</u>	<u>(900,613)</u>	<u>1,920,836</u>
2010/2011	BCJPIA	445,008	(437,231)	7,777	(677,708)	(232,701)
	CSJVRMA	332,049	(326,246)	5,802	(505,682)	(173,633)
	MBASIA	48,001	(47,163)	839	(73,102)	(25,101)
	MPA	319,710	(314,123)	5,587	(486,891)	(167,181)
	VCJPA	43,736	(42,972)	764	(66,606)	(22,870)
	PARSAC	0	0	0	0	0
	Total	<u>1,188,504</u>	<u>(1,167,735)</u>	<u>20,769</u>	<u>(1,809,988)</u>	<u>(621,485)</u>

California Affiliated Risk Management Authorities

~ Member Allocation of Pool Equity ~

As of June 30, 2012

Program Year	Member	"Expected" Fund Balance	Additional IBNR at 75% Conf. Level	"75% Conf." Fund Balance	Additional IBNR at 80% Conf. Level	"80% Conf." Fund Balance
2011/2012	BCJPIA	126,507	(511,082)	(384,575)	(787,342)	(660,835)
	CSJVRMA	86,952	(351,283)	(264,330)	(541,165)	(454,213)
	MBASIA	13,610	(54,984)	(41,374)	(84,705)	(71,095)
	MPA	89,884	(363,126)	(273,242)	(559,410)	(469,526)
	VCJPA	13,298	(53,724)	(40,426)	(82,764)	(69,466)
	PARSAC	0	0	0	0	0
	Total		<u>330,252</u>	<u>(1,334,198)</u>	<u>(1,003,946)</u>	<u>(2,055,386)</u>
Total:	BCJPIA	4,152,275	(1,135,307)	3,016,967	(1,902,990)	2,249,283
	CSJVRMA	2,663,374	(853,990)	1,809,384	(1,496,549)	1,166,824
	MBASIA	213,805	(125,263)	88,542	(215,371)	(1,565)
	MPA	2,052,324	(807,115)	1,245,209	(1,395,558)	656,766
	PARSAC	2,330,806	(4,875)	2,325,931	(110,747)	2,220,059
	VCJPA	553,202	(115,711)	437,492	(202,654)	350,549
	PERMA	1,318	0	1,318	0	1,318
Total Equity		<u>11,967,107</u>	<u>(3,042,260)</u>	<u>8,924,851</u>	<u>(5,323,869)</u>	<u>6,643,238</u>

Program Year Closures:

9/30/2006 *Dividends returned to BCJPIA, VCJPA and PARSAC for program years 1993/94; 1994/95; and 1995/96.*

7/1/2011 *1996/97 through 2000/01 equity closed into program year 2004/05*

These eight program years are now closed, and no longer appear on the financial statements.

California Affiliated Risk Management Authorities

~ Rate Stabilization Fund ~

As of June 30, 2012

Member	Original Balance @ 7/1/2002	Cumulative Interest 2002/2003 - 2005/2006	2006/2007			2007/2008			2008/2009	2009/2010	2010/2011	2011/2012	Balance @ 6/30/12
			Interest as of 9/30/06	Member Contribution / Withdrawal 9/30/06 & 3/31/07 *	Interest from 10/1/06 - 06/30/07	YE Interest as of 6/30/08	Member Withdrawal June 2008	Member Billing 6/30/08**	YE Interest as of 06/30/09	YE Interest as of 06/30/10	YE Interest as of 6/30/11	YE Interest as of 6/30/12	
BCJPIA	380,979	33,811	7,692	445,979 *	31,721	63,690	(970,226)	6,354	0	0	0	0	(0)
PARSAC	201,011	17,839	4,058	(222,909)	0	0	0	0	0	0	0	0	(0)
VCJPA	28,165	2,500	569	63,251	3,481	6,989	(22,390)	0	4,130	2,095	1,217	986	90,992
CSJVRMA	0	0	0	0	0	0	0	0	0	0	0	0	0
MBASIA	0	0	0	0	0	0	0	0	0	0	0	0	0
MPA	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	610,155	54,150	12,319	286,321	35,201	70,679	(992,616)	6,354	4,130	2,095	1,217	986	90,992

Notes: Interest allocation as of 6/30/03 - 9/30/06 is based on percentage of original contribution
 Interest allocation beginning on 10/1/06 is based on percentage of 9/30/06 balance after member contributions and withdrawals.
 ** Due to Negative Interest allocation 4Q following member withdrawal

Note: As of 6/30/2007, CARMA's Rate Stabilization Fund is a fiduciary fund that is not included in CARMA's operating financial statements.

Historical Information:

CARMA's Rate Stabilization Fund was set up on 7/1/03 to receive the dividends issued on 6/30/02. Of the \$1,021,230 issued in dividends, \$411,074 was distributed to PERMA. The remaining \$610,155 was contributed back to CARMA as rate stabilization premiums. Below is a grid showing the contributions by member by program year.

Member	1993/94	1994/95	1996/97	1997/98	Totals
BCJPIA	147,271	594,406	(98,684)	(262,014)	380,979
PARSAC	93,146	571,357	(137,114)	(326,378)	201,011
VCJPA		68,558	(18,679)	(21,714)	28,165
Totals	240,417	1,234,321	(254,477)	(610,106)	610,155

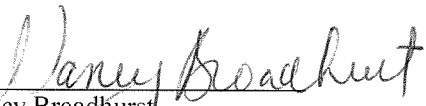
California Affiliated Risk Management Authorities
Treasurer's Report
As of June 30, 2012

	Book Value	Market Value	% of Total	Effective Yield
California Bank & Trust – Petty Cash	\$ 1,348	\$ 1,348	0.01%	0.00%
California Bank & Trust – General Operating	2,303	2,303	0.01%	0.00%
State of California Local Agency Investment Fund	3,545,733	3,550,057	13.79%	0.36%
CAMP - Money Market	28,586	28,586	0.11%	0.24%
CAMP - Investments managed by PFM	22,199,061	22,166,249	86.09%	0.96%
Total Cash and Investments	\$ 25,777,031	\$ 25,748,543	100.00%	0.88%

Attached are the Public Financial Management, Inc. (PFM) and Local Agency Investment Fund (LAIF) statements detailing all investment transactions. Market prices are derived from closing bid prices as of the last business day of the month from either Bloomberg or Telerate.

I certify that this report reflects all cash and investments and is in conformance with the Agency's Investment Policy. The investment program herein shown provides sufficient cash flow liquidity to meet the Agency's expenditures for the next six months.

Respectfully submitted,


Nancy Broadhurst
Assistant Treasurer

Accepted,

Jake O'Malley
Treasurer



Account Statement - Transaction Summary

For the Month Ending **June 30, 2012**

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES - CARMA - 615-00

CAMP Pool

Opening Market Value	43,056.97
Purchases	1,501,042.25
Redemptions	(1,515,512.83)
Unsettled Trades	0.00
Change in Value	0.00

Closing Market Value **\$28,586.39**

Cash Dividends and Income 14.64

CAMP Managed Account

Opening Market Value	22,138,930.08
Purchases	1,507,617.71
Redemptions	(1,453,583.15)
Unsettled Trades	0.00
Change in Value	(26,715.84)

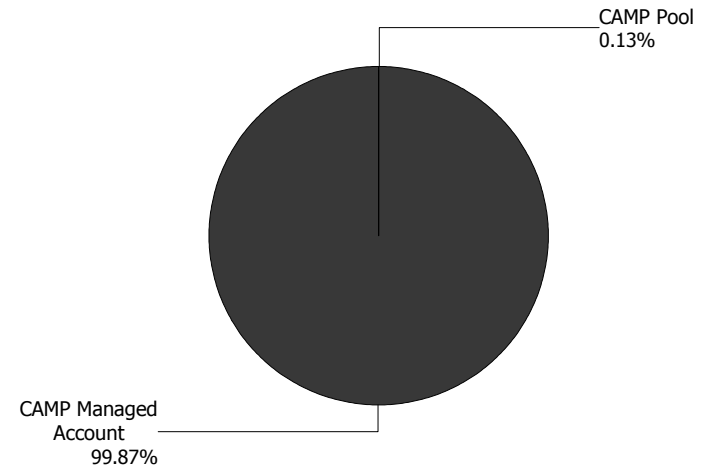
Closing Market Value **\$22,166,248.80**

Cash Dividends and Income 42,377.51

Asset Summary

	June 30, 2012	May 31, 2012
CAMP Pool	28,586.39	43,056.97
CAMP Managed Account	22,166,248.80	22,138,930.08
Total	\$22,194,835.19	\$22,181,987.05

Asset Allocation





Managed Account Detail of Securities Held

For the Month Ending **June 30, 2012**

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES - CARMA - 615-00 - (12510310)

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
U.S. Treasury Bond / Note											
US TREASURY NOTES DTD 05/16/2011 1.000% 05/15/2014	912828QM5	1,275,000.00	AA+	Aaa	03/27/12	03/29/12	1,291,833.99	0.38	1,628.40	1,289,810.74	1,290,738.60
US TREASURY NOTES DTD 07/15/2011 0.625% 07/15/2014	912828QU7	1,150,000.00	AA+	Aaa	10/27/11	10/31/11	1,155,570.31	0.44	3,317.31	1,154,202.24	1,156,558.45
US TREASURY NOTES DTD 09/15/2011 0.250% 09/15/2014	912828RG7	500,000.00	AA+	Aaa	10/12/11	10/14/11	495,957.03	0.53	366.85	496,939.79	498,906.00
US TREASURY NOTES DTD 12/15/2011 0.250% 12/15/2014	912828RV4	625,000.00	AA+	Aaa	01/05/12	01/06/12	622,558.59	0.38	68.31	622,958.41	623,388.67
US TREASURY NOTES DTD 02/01/2010 2.250% 01/31/2015	912828MH0	500,000.00	AA+	Aaa	01/23/12	01/26/12	527,753.91	0.40	4,697.80	523,802.74	523,906.00
US TREASURY N/B DTD 02/15/2012 0.250% 02/15/2015	912828SE1	700,000.00	AA+	Aaa	02/22/12	02/27/12	696,363.28	0.43	658.65	696,782.00	697,538.80
US TREASURY NOTES DTD 08/02/2010 1.750% 07/31/2015	912828NP1	825,000.00	AA+	Aaa	06/27/12	06/28/12	857,709.96	0.46	6,028.85	857,623.44	857,677.43
Security Type Sub-Total		5,575,000.00					5,647,747.07	0.42	16,766.17	5,642,119.36	5,648,713.95
Municipal Bond / Note											
SAN FRANCISCO CITY & CNTY, CA GO BONDS DTD 11/30/2011 5.000% 06/15/2014	797646PU4	200,000.00	AA	Aa2	11/10/11	11/30/11	221,734.00	0.68	444.44	216,755.33	217,802.00
METRO WTR DIST AUTH, CA REV BONDS DTD 06/28/2012 0.616% 07/01/2014	59266THP9	275,000.00	AAA	Aa1	06/21/12	06/28/12	275,000.00	0.62	14.12	275,000.00	274,403.25
SAN FRANCISCO CITY & CNTY, CA GO BONDS DTD 11/30/2011 5.000% 06/15/2015	797646PV2	200,000.00	AA	Aa2	11/10/11	11/30/11	227,542.00	1.03	444.44	223,053.16	225,082.00
Security Type Sub-Total		675,000.00					724,276.00	0.77	903.00	714,808.49	717,287.25
Federal Agency Bond / Note											



Managed Account Detail of Securities Held

For the Month Ending **June 30, 2012**

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES - CARMA - 615-00 - (12510310)

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Federal Agency Bond / Note											
FNMA GLOBAL BENCHMARK NOTES DTD 09/26/2003 4.625% 10/15/2013	31359MTG8	725,000.00	AA+	Aaa	07/29/11	08/03/11	789,188.60	0.57	7,078.82	762,701.10	765,261.43
FREDDIE MAC GLOBAL NOTES DTD 10/20/2011 0.500% 10/15/2013	3134G23H3	775,000.00	AA+	Aaa	10/20/11	10/21/11	774,736.50	0.52	818.06	774,828.44	776,933.63
FHLMC GLOBAL REFERENCE NOTES DTD 10/17/2003 4.875% 11/15/2013	3134A4UK8	940,000.00	AA+	Aaa	10/01/10	10/05/10	1,053,636.60	0.92	5,855.42	990,519.78	999,319.64
FHLB TAP BONDS DTD 12/04/2008 3.125% 12/13/2013	3133XSP93	615,000.00	AA+	Aaa	06/28/11	06/29/11	650,350.20	0.76	960.94	635,953.20	639,760.52
FNMA NOTES DTD 11/01/2010 0.750% 12/18/2013	31398A5W8	800,000.00	AA+	Aaa	06/28/11	06/29/11	799,960.00	0.75	216.67	799,976.39	805,286.40
FHLB NOTES DTD 11/18/2010 0.875% 12/27/2013	313371UC8	1,050,000.00	AA+	Aaa	06/29/11	06/30/11	1,053,496.50	0.74	102.08	1,052,097.11	1,058,331.75
FNMA GLOBAL NOTES DTD 02/01/2011 1.250% 02/27/2014	3135G0AP8	1,150,000.00	AA+	Aaa	11/28/11	11/30/11	1,166,663.50	0.60	4,951.39	1,162,328.94	1,169,214.20
FREDDIE MAC GLOBAL NOTES DTD 08/05/2011 0.750% 09/22/2014	3134G2WG3	50,000.00	AA+	Aaa	09/28/11	09/30/11	50,100.00	0.68	103.13	50,074.91	50,356.75
FREDDIE MAC GLOBAL NOTES DTD 08/05/2011 0.750% 09/22/2014	3134G2WG3	950,000.00	AA+	Aaa	08/30/11	08/31/11	954,978.00	0.58	1,959.38	953,629.73	956,778.25
FANNIE MAE GLOBAL NOTES DTD 04/19/2012 0.500% 05/27/2015	3135G0KM4	305,000.00	AA+	Aaa	04/17/12	04/19/12	304,118.55	0.59	144.03	304,174.69	304,778.57
Security Type Sub-Total		7,360,000.00					7,597,228.45	0.68	22,189.92	7,486,284.29	7,526,021.14
Corporate Note											
WELLS FARGO & COMPANY GLOBAL SR NOTES DTD 01/31/2008 4.375% 01/31/2013	949746NY3	500,000.00	A+	A2	09/02/08	09/05/08	481,800.00	5.31	9,175.35	497,360.21	510,964.00
BANK OF NEW YORK MELLON GLOBAL NOTES DTD 03/27/2008 4.500% 04/01/2013	06406HBJ7	210,000.00	A+	Aa3	06/11/10	06/16/10	225,544.20	1.77	2,362.50	214,249.74	216,415.08



Managed Account Detail of Securities Held

For the Month Ending **June 30, 2012**

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES - CARMA - 615-00 - (12510310)

Security Type/Description	S&P	Moody's	Trade	Settle	Original	YTM	Accrued	Amortized	Market		
Dated Date/Coupon/Maturity	Par	Rating	Rating	Date	Date	at Cost	Interest	Cost	Value		
CUSIP											
Corporate Note											
US BANCORP NOTE (CALLABLE) DTD 09/13/2010 1.375% 09/13/2013	91159HGY0	500,000.00	A	Aa3	09/08/10	09/13/10	499,355.00	1.42	2,062.50	499,738.81	504,249.00
BERKSHIRE HATHAWAY FIN CORP NOTE DTD 01/11/2011 1.500% 01/10/2014	084664BR1	125,000.00	AA+	Aa2	01/03/11	01/11/11	124,665.00	1.59	890.63	124,827.56	126,795.38
BERKSHIRE HATHAWAY FIN CORP NOTE DTD 01/11/2011 1.500% 01/10/2014	084664BR1	325,000.00	AA+	Aa2	01/03/11	01/11/11	324,697.75	1.53	2,315.63	324,844.47	329,667.98
XTO ENERGY INC DTD 01/22/2004 4.900% 02/01/2014	98385XAD8	230,000.00	AAA	Aaa	01/13/11	01/19/11	253,795.80	1.40	4,695.83	242,545.57	245,654.95
CHEVRON CORP GLOBAL NOTES DTD 03/03/2009 3.950% 03/03/2014	166751AH0	500,000.00	AA	Aa1	08/16/11	08/19/11	540,400.00	0.73	6,473.61	526,690.94	527,504.00
WAL MART STORES INC. CORP NOTES DTD 04/18/2011 1.625% 04/15/2014	931142DA8	205,000.00	AA	Aa2	04/11/11	04/18/11	204,446.50	1.72	703.26	204,665.66	208,907.51
IBM CORP GLOBAL NOTES DTD 05/12/2011 1.250% 05/12/2014	459200GW5	360,000.00	AA-	Aa3	05/09/11	05/12/11	359,661.60	1.28	612.50	359,788.27	363,797.64
JOHNSON & JOHNSON GLOBAL NOTE DTD 05/20/2011 1.200% 05/15/2014	478160AX2	475,000.00	AAA	Aaa	05/17/11	05/20/11	474,444.25	1.24	728.33	474,649.07	481,452.40
JP MORGAN CHASE & CO NOTES DTD 05/18/2009 4.650% 06/01/2014	46625HHN3	715,000.00	A	A2	12/16/11	12/21/11	752,873.55	2.41	2,770.63	744,884.00	752,772.02
PROCTER & GAMBLE CO CORP NOTES DTD 08/15/2011 0.700% 08/15/2014	742718DU0	250,000.00	AA-	Aa3	08/10/11	08/15/11	248,972.50	0.84	661.11	249,270.54	250,649.25
GENERAL ELEC CAP CORP GLOBAL NOTES DTD 01/09/2012 2.150% 01/09/2015	36962G5M2	405,000.00	AA+	A1	01/04/12	01/09/12	404,578.80	2.19	4,160.25	404,644.07	411,825.06
GENERAL ELEC CAP CORP GLOBAL NOTES DTD 01/09/2012 2.150% 01/09/2015	36962G5M2	500,000.00	AA+	A1	05/23/12	05/29/12	505,445.00	1.72	5,136.11	505,266.64	508,426.00
BANK OF NEW YORK MELLON (CALLABLE) NOTES DTD 02/21/2012 1.200% 02/20/2015	06406HCC1	150,000.00	A+	Aa3	02/13/12	02/21/12	149,863.50	1.23	650.00	149,879.69	150,811.20
JOHN DEERE CAPITAL CORP GLOBAL NOTES DTD 04/17/2012 0.875% 04/17/2015	24422ERQ4	155,000.00	A	A2	04/12/12	04/17/12	154,903.90	0.90	278.78	154,910.41	155,174.07



Managed Account Detail of Securities Held

For the Month Ending **June 30, 2012**

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES - CARMA - 615-00 - (12510310)

Security Type/Description Dated Date/Coupon/Maturity	CUSIP	Par	S&P Rating	Moody's Rating	Trade Date	Settle Date	Original Cost	YTM at Cost	Accrued Interest	Amortized Cost	Market Value
Corporate Note											
MCDONALDS CORP NOTES DTD 05/29/2012 0.750% 05/29/2015	58013MEP5	175,000.00	A	A2	05/23/12	05/29/12	174,518.75	0.84	116.67	174,532.86	174,979.70
CATERPILLAR FIN CORP NOTES DTD 05/30/2012 1.100% 05/29/2015	14912L5D9	200,000.00	A	A2	05/22/12	05/30/12	199,936.00	1.11	189.44	199,937.81	201,119.20
CATERPILLAR INC GLOBAL NOTES DTD 06/26/2012 0.950% 06/26/2015	149123BY6	150,000.00	A	A2	06/21/12	06/26/12	149,968.50	0.96	19.79	149,968.64	150,554.25
JOHN DEERE CAPITAL CORP GLOBAL NOTES DTD 06/29/2012 0.950% 06/29/2015	24422ERS0	225,000.00	A	A2	06/26/12	06/29/12	224,939.25	0.96	11.88	224,939.36	225,370.13
Security Type Sub-Total		6,355,000.00					6,454,809.85	1.77	44,014.80	6,427,594.32	6,497,088.82
Certificate of Deposit											
ROYAL BANK OF CANADA NY CERT DEPOS DTD 02/10/2012 0.490% 02/08/2013	78009NDY9	600,000.00	A-1+	P-1	02/08/12	02/10/12	600,000.00	0.49	1,159.67	600,000.00	600,025.74
BANK OF NOVA SCOTIA HOUS (FLOATING) DTD 02/10/2012 0.946% 02/10/2014	06417EYU1	575,000.00	AA-	Aa1	02/07/12	02/10/12	575,000.00	0.99	785.58	575,000.00	575,029.90
WESTPAC BANKING CORP NY (FLOAT) CD DTD 02/16/2012 1.417% 02/14/2014	96121TLT3	600,000.00	A-1+	P-1	02/14/12	02/16/12	600,000.00	1.47	1,133.48	600,000.00	602,082.00
Security Type Sub-Total		1,775,000.00					1,775,000.00	0.98	3,078.73	1,775,000.00	1,777,137.64
Managed Account Sub-Total		21,740,000.00					22,199,061.37	0.96	86,952.62	22,045,806.46	22,166,248.80
Money Market Fund											
CAMP Pool		28,586.39	AAAm	NR			28,586.39		0.00	28,586.39	28,586.39
Money Market Sub-Total		28,586.39					28,586.39		0.00	28,586.39	28,586.39
Securities Sub-Total		\$21,768,586.39					\$22,227,647.76	0.96%	\$86,952.62	\$22,074,392.85	\$22,194,835.19
Accrued Interest											\$86,952.62
Total Investments											\$22,281,787.81



Managed Account Security Transactions & Interest

For the Month Ending **June 30, 2012**

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES - CARMA - 615-00 - (12510310)

Transaction Type		Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L Cost	Realized G/L Amort Cost	Sale Method
Trade	Settle									
BUY										
06/21/12	06/26/12	CATERPILLAR INC GLOBAL NOTES DTD 06/26/2012 0.950% 06/26/2015	149123BY6	150,000.00	(149,968.50)	0.00	(149,968.50)			
06/21/12	06/28/12	METRO WTR DIST AUTH, CA REV BONDS DTD 06/28/2012 0.616% 07/01/2014	59266THP9	275,000.00	(275,000.00)	0.00	(275,000.00)			
06/26/12	06/29/12	JOHN DEERE CAPITAL CORP GLOBAL NOTES DTD 06/29/2012 0.950% 06/29/2015	24422ERS0	225,000.00	(224,939.25)	0.00	(224,939.25)			
06/27/12	06/28/12	US TREASURY NOTES DTD 08/02/2010 1.750% 07/31/2015	912828NP1	825,000.00	(857,709.96)	(5,909.86)	(863,619.82)			
Transaction Type Sub-Total				1,475,000.00	(1,507,617.71)	(5,909.86)	(1,513,527.57)			

INTEREST										
06/01/12	06/01/12	JP MORGAN CHASE & CO NOTES DTD 05/18/2009 4.650% 06/01/2014	46625HHN3	715,000.00	0.00	16,623.75	16,623.75			
06/13/12	06/13/12	FHLB TAP BONDS DTD 12/04/2008 3.125% 12/13/2013	3133XSP93	615,000.00	0.00	9,609.38	9,609.38			
06/15/12	06/15/12	SAN FRANCISCO CITY & CNTY, CA GO BONDS DTD 11/30/2011 5.000% 06/15/2015	797646PV2	200,000.00	0.00	5,416.67	5,416.67			
06/15/12	06/15/12	US TREASURY NOTES DTD 12/15/2011 0.250% 12/15/2014	912828RV4	625,000.00	0.00	781.25	781.25			
06/15/12	06/15/12	SAN FRANCISCO CITY & CNTY, CA GO BONDS DTD 11/30/2011 5.000% 06/15/2014	797646PU4	200,000.00	0.00	5,416.67	5,416.67			
06/18/12	06/18/12	FNMA NOTES DTD 11/01/2010 0.750% 12/18/2013	31398A5W8	800,000.00	0.00	3,000.00	3,000.00			
06/27/12	06/27/12	FHLB NOTES DTD 11/18/2010 0.875% 12/27/2013	313371UC8	1,050,000.00	0.00	4,593.75	4,593.75			
Transaction Type Sub-Total				4,205,000.00	0.00	45,441.47	45,441.47			

SELL



Managed Account Security Transactions & Interest

For the Month Ending **June 30, 2012**

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES - CARMA - 615-00 - (12510310)

Transaction Type		Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L Cost	Realized G/L Amort Cost	Sale Method
Trade	Settle									
SELL										
06/20/12	06/28/12	US TREASURY NOTES DTD 05/16/2011 1.000% 05/15/2014	912828QM5	250,000.00	253,183.59	298.91	253,482.50	(117.19)	266.91	SPEC LOT
06/21/12	06/26/12	US TREASURY N/B DTD 02/15/2012 0.250% 02/15/2015	912828SE1	100,000.00	99,636.72	90.66	99,727.38	156.25	98.83	SPEC LOT
06/21/12	06/26/12	US TREASURY N/B DTD 03/15/2012 0.375% 03/15/2015	912828SK7	50,000.00	49,964.84	52.48	50,017.32	123.04	108.37	SPEC LOT
06/27/12	06/28/12	FNMA NOTES (CALLABLE) DTD 09/19/2011 0.500% 09/19/2013	3135G0DE0	1,050,000.00	1,050,798.00	1,443.75	1,052,241.75	798.00	798.00	SPEC LOT
Transaction Type Sub-Total				1,450,000.00	1,453,583.15	1,885.80	1,455,468.95	960.10	1,272.11	
Managed Account Sub-Total					(54,034.56)	41,417.41	(12,617.15)	960.10	1,272.11	
Total Security Transactions					(54,034.56)	\$41,417.41	(\$12,617.15)	\$960.10	\$1,272.11	



Managed Account Security Transactions & Interest

For the Month Ending **May 31, 2012**

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES - CARMA - 615-00 - (12510310)

Transaction Type		Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L Cost	Realized G/L Amort Cost	Sale Method
Trade	Settle									
BUY										
05/22/12	05/30/12	CATERPILLAR FIN CORP NOTES DTD 05/30/2012 1.100% 05/29/2015	14912L5D9	200,000.00	(199,936.00)	0.00	(199,936.00)			
05/23/12	05/29/12	MCDONALDS CORP NOTES DTD 05/29/2012 0.750% 05/29/2015	58013MEP5	175,000.00	(174,518.75)	0.00	(174,518.75)			
05/23/12	05/29/12	GENERAL ELEC CAP CORP GLOBAL NOTES DTD 01/09/2012 2.150% 01/09/2015	36962G5M2	500,000.00	(505,445.00)	(4,180.56)	(509,625.56)			
Transaction Type Sub-Total				875,000.00	(879,899.75)	(4,180.56)	(884,080.31)			

INTEREST										
05/08/12	05/08/12	GECC GLOBAL NOTES (FLOATING) DTD 05/08/2007 0.616% 05/08/2013	36962G2U7	500,000.00	0.00	841.56	841.56			
05/10/12	05/10/12	BANK OF NOVA SCOTIA HOUS (FLOATING) DTD 02/10/2012 0.946% 02/10/2014	06417EYU1	575,000.00	0.00	1,427.79	1,427.79			
05/12/12	05/12/12	IBM CORP GLOBAL NOTES DTD 05/12/2011 1.250% 05/12/2014	459200GW5	360,000.00	0.00	2,250.00	2,250.00			
05/14/12	05/14/12	WESTPAC BANKING CORP NY (FLOAT) CD DTD 02/16/2012 1.417% 02/14/2014	96121TLT3	600,000.00	0.00	2,123.14	2,123.14			
05/15/12	05/15/12	US TREASURY NOTES DTD 05/16/2011 1.000% 05/15/2014	912828QM5	1,525,000.00	0.00	7,625.00	7,625.00			
05/15/12	05/15/12	JOHNSON & JOHNSON GLOBAL NOTE DTD 05/20/2011 1.200% 05/15/2014	478160AX2	475,000.00	0.00	2,850.00	2,850.00			
05/15/12	05/15/12	FHLMC GLOBAL REFERENCE NOTES DTD 10/17/2003 4.875% 11/15/2013	3134A4UK8	940,000.00	0.00	22,912.50	22,912.50			
05/27/12	05/27/12	FANNIE MAE GLOBAL NOTES DTD 04/19/2012 0.500% 05/27/2015	3135G0KM4	305,000.00	0.00	160.97	160.97			
Transaction Type Sub-Total				5,280,000.00	0.00	40,190.96	40,190.96			



Managed Account Security Transactions & Interest

For the Month Ending **May 31, 2012**

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES - CARMA - 615-00 - (12510310)

Transaction Type					Principal	Accrued		Realized G/L	Realized G/L	Sale
Trade	Settle	Security Description	CUSIP	Par	Proceeds	Interest	Total	Cost	Amort Cost	Method
SELL										
05/22/12	05/30/12	FREDDIE MAC GLOBAL NOTES DTD 10/20/2011 0.500% 10/15/2013	3134G23H3	150,000.00	150,361.50	93.75	150,455.25	412.50	396.92	SPEC LOT
05/23/12	05/29/12	FREDDIE MAC GLOBAL NOTES DTD 10/20/2011 0.500% 10/15/2013	3134G23H3	175,000.00	175,393.75	106.94	175,500.69	453.25	435.15	SPEC LOT
05/23/12	05/29/12	GECC GLOBAL NOTES (FLOATING) DTD 05/08/2007 0.616% 05/08/2013	36962G2U7	500,000.00	500,762.50	179.62	500,942.12	9,522.50	3,800.02	SPEC LOT
Transaction Type Sub-Total				825,000.00	826,517.75	380.31	826,898.06	10,388.25	4,632.09	
Managed Account Sub-Total					(53,382.00)	36,390.71	(16,991.29)	10,388.25	4,632.09	
Total Security Transactions					(\$53,382.00)	\$36,390.71	(\$16,991.29)	\$10,388.25	\$4,632.09	



Managed Account Security Transactions & Interest

For the Month Ending **April 30, 2012**

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES - CARMA - 615-00 - (12510310)

Transaction Type		Security Description	CUSIP	Par	Principal Proceeds	Accrued Interest	Total	Realized G/L Cost	Realized G/L Amort Cost	Sale Method
Trade	Settle									
BUY										
04/12/12	04/17/12	JOHN DEERE CAPITAL CORP GLOBAL NOTES DTD 04/17/2012 0.875% 04/17/2015	24422ERQ4	155,000.00	(154,903.90)	0.00	(154,903.90)			
04/17/12	04/19/12	FANNIE MAE GLOBAL NOTES DTD 04/19/2012 0.500% 05/27/2015	3135G0KM4	305,000.00	(304,118.55)	0.00	(304,118.55)			
Transaction Type Sub-Total				460,000.00	(459,022.45)	0.00	(459,022.45)			
INTEREST										
04/01/12	04/01/12	BANK OF NEW YORK MELLON GLOBAL NOTES DTD 03/27/2008 4.500% 04/01/2013	06406HBJ7	210,000.00	0.00	4,725.00	4,725.00			
04/15/12	04/15/12	WAL MART STORES INC. CORP NOTES DTD 04/18/2011 1.625% 04/15/2014	931142DA8	205,000.00	0.00	1,665.63	1,665.63			
04/15/12	04/15/12	FREDDIE MAC GLOBAL NOTES DTD 10/20/2011 0.500% 10/15/2013	3134G23H3	1,100,000.00	0.00	2,673.62	2,673.62			
04/15/12	04/15/12	FNMA GLOBAL BENCHMARK NOTES DTD 09/26/2003 4.625% 10/15/2013	31359MTG8	725,000.00	0.00	16,765.63	16,765.63			
Transaction Type Sub-Total				2,240,000.00	0.00	25,829.88	25,829.88			
SELL										
04/12/12	04/17/12	US TREASURY N/B DTD 02/15/2012 0.250% 02/15/2015	912828SE1	150,000.00	149,285.16	63.87	149,349.03	64.46	28.57	SPEC LOT
04/17/12	04/19/12	US TREASURY N/B DTD 03/15/2012 0.375% 03/15/2015	912828SK7	300,000.00	299,765.63	107.00	299,872.63	714.85	684.93	SPEC LOT
Transaction Type Sub-Total				450,000.00	449,050.79	170.87	449,221.66	779.31	713.50	
Managed Account Sub-Total					(9,971.66)	26,000.75	16,029.09	779.31	713.50	
Total Security Transactions					(\$9,971.66)	\$26,000.75	\$16,029.09	\$779.31	\$713.50	



Account Statement

For the Month Ending June 30, 2012

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES - CARMA - 615-00

Trade Date	Settlement Date	Transaction Description	Share or Unit Price	Dollar Amount of Transaction	Total Shares Owned
CAMP Pool					
Opening Balance					43,056.97
06/01/12	06/01/12	Purchase - Individual Portfolio Interest	1.00	16,623.75	59,680.72
06/13/12	06/13/12	Purchase - Individual Portfolio Interest	1.00	9,609.38	69,290.10
06/15/12	06/15/12	Purchase - Individual Portfolio Interest	1.00	5,416.67	74,706.77
06/15/12	06/15/12	Purchase - Individual Portfolio Interest	1.00	5,416.67	80,123.44
06/15/12	06/15/12	Purchase - Individual Portfolio Interest	1.00	781.25	80,904.69
06/18/12	06/18/12	Purchase - Individual Portfolio Interest	1.00	3,000.00	83,904.69
06/25/12	06/25/12	IP Fees MAY 2012	1.00	(1,868.07)	82,036.62
06/26/12	06/26/12	Purchase - Individual Portfolio Interest	1.00	90.66	82,127.28
06/26/12	06/26/12	Purchase - Individual Portfolio Interest	1.00	52.48	82,179.76
06/26/12	06/26/12	Purchase - Individual Portfolio Sell	1.00	49,841.80	132,021.56
06/26/12	06/26/12	Purchase - Individual Portfolio Sell	1.00	99,480.47	231,502.03
06/26/12	06/26/12	Purchase - Individual Portfolio Gain on Cost	1.00	123.04	231,625.07
06/26/12	06/26/12	Purchase - Individual Portfolio Gain on Cost	1.00	156.25	231,781.32
06/26/12	06/26/12	Redemption - Individual Portfolio Buy	1.00	(149,968.50)	81,812.82
06/27/12	06/27/12	Purchase - Individual Portfolio Interest	1.00	4,593.75	86,406.57
06/28/12	06/28/12	Purchase - Individual Portfolio Interest	1.00	1,443.75	87,850.32
06/28/12	06/28/12	Purchase - Individual Portfolio Interest	1.00	298.91	88,149.23
06/28/12	06/28/12	Purchase - Individual Portfolio Sell	1.00	253,300.78	341,450.01
06/28/12	06/28/12	Purchase - Individual Portfolio Sell	1.00	1,050,000.00	1,391,450.01
06/28/12	06/28/12	Purchase - Individual Portfolio Gain on Cost	1.00	798.00	1,392,248.01
06/28/12	06/28/12	Redemption - Individual Portfolio Buy	1.00	(275,000.00)	1,117,248.01



Account Statement

For the Month Ending **June 30, 2012**

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES - CARMA - 615-00

Trade Date	Settlement Date	Transaction Description	Share or Unit Price	Dollar Amount of Transaction	Total Shares Owned
CAMP Pool					
06/28/12	06/28/12	Redemption - Individual Portfolio Buy	1.00	(863,619.82)	253,628.19
06/28/12	06/28/12	Redemption - Individual Portfolio Loss on Cost	1.00	(117.19)	253,511.00
06/29/12	06/29/12	Redemption - Individual Portfolio Buy	1.00	(224,939.25)	28,571.75
06/29/12	07/02/12	Accrual Income Div Reinvestment - Distributions	1.00	14.64	28,586.39

Closing Balance **28,586.39**

	Month of June	Fiscal YTD January-June		
Opening Balance	43,056.97	54,840.70	Closing Balance	28,586.39
Purchases	1,501,042.25	9,721,257.67	Average Monthly Balance	74,857.85
Redemptions (Excl. Checks)	(1,515,512.83)	(9,747,511.98)	Monthly Distribution Yield	0.24%
Check Disbursements	0.00	0.00		
Closing Balance	28,586.39	28,586.39		
Cash Dividends and Income	14.64	80.12		



Account Statement

For the Month Ending May 31, 2012

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES - CARMA - 615-00

Trade Date	Settlement Date	Transaction Description	Share or Unit Price	Dollar Amount of Transaction	Total Shares Owned
CAMP Pool					
Opening Balance					61,839.88
05/08/12	05/08/12	Purchase - Individual Portfolio Interest	1.00	841.56	62,681.44
05/10/12	05/10/12	Purchase - Individual Portfolio Interest	1.00	1,427.79	64,109.23
05/14/12	05/14/12	Purchase - Individual Portfolio Interest	1.00	2,250.00	66,359.23
05/14/12	05/14/12	Purchase - Individual Portfolio Interest	1.00	2,123.14	68,482.37
05/15/12	05/15/12	Purchase - Individual Portfolio Interest	1.00	22,912.50	91,394.87
05/15/12	05/15/12	Purchase - Individual Portfolio Interest	1.00	2,850.00	94,244.87
05/15/12	05/15/12	Purchase - Individual Portfolio Interest	1.00	7,625.00	101,869.87
05/23/12	05/23/12	IP Fees APR 2012	1.00	(1,808.08)	100,061.79
05/29/12	05/29/12	Purchase - Individual Portfolio Interest	1.00	179.62	100,241.41
05/29/12	05/29/12	Purchase - Individual Portfolio Interest	1.00	106.94	100,348.35
05/29/12	05/29/12	Purchase - Individual Portfolio Interest	1.00	160.97	100,509.32
05/29/12	05/29/12	Purchase - Individual Portfolio Sell	1.00	174,940.50	275,449.82
05/29/12	05/29/12	Purchase - Individual Portfolio Sell	1.00	491,240.00	766,689.82
05/29/12	05/29/12	Purchase - Individual Portfolio Gain on Cost	1.00	9,522.50	776,212.32
05/29/12	05/29/12	Purchase - Individual Portfolio Gain on Cost	1.00	453.25	776,665.57
05/29/12	05/29/12	Redemption - Individual Portfolio Buy	1.00	(509,625.56)	267,040.01
05/29/12	05/29/12	Redemption - Individual Portfolio Buy	1.00	(174,518.75)	92,521.26
05/30/12	05/30/12	Purchase - Individual Portfolio Interest	1.00	93.75	92,615.01
05/30/12	05/30/12	Purchase - Individual Portfolio Sell	1.00	149,949.00	242,564.01
05/30/12	05/30/12	Purchase - Individual Portfolio Gain on Cost	1.00	412.50	242,976.51
05/30/12	05/30/12	Redemption - Individual Portfolio Buy	1.00	(199,936.00)	43,040.51



Account Statement

For the Month Ending **May 31, 2012**

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES - CARMA - 615-00

Trade Date	Settlement Date	Transaction Description	Share or Unit Price	Dollar Amount of Transaction	Total Shares Owned
CAMP Pool					
05/31/12	06/01/12	Accrual Income Div Reinvestment - Distributions	1.00	16.46	43,056.97

Closing Balance **43,056.97**

	Month of May	Fiscal YTD January-May		
Opening Balance	61,839.88	54,840.70	Closing Balance	43,056.97
Purchases	867,105.48	8,220,215.42	Average Monthly Balance	79,906.77
Redemptions (Excl. Checks)	(885,888.39)	(8,231,999.15)	Monthly Distribution Yield	0.24 %
Check Disbursements	0.00	0.00		
Closing Balance	43,056.97	43,056.97		
Cash Dividends and Income	16.46	65.48		



Account Statement

For the Month Ending April 30, 2012

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES - CARMA - 615-00

Trade Date	Settlement Date	Transaction Description	Share or Unit Price	Dollar Amount of Transaction	Total Shares Owned
CAMP Pool					
Opening Balance					48,150.61
04/02/12	04/02/12	Purchase - Individual Portfolio Interest	1.00	4,725.00	52,875.61
04/16/12	04/16/12	Purchase - Individual Portfolio Interest	1.00	1,665.63	54,541.24
04/16/12	04/16/12	Purchase - Individual Portfolio Interest	1.00	16,765.63	71,306.87
04/16/12	04/16/12	Purchase - Individual Portfolio Interest	1.00	2,673.61	73,980.48
04/17/12	04/17/12	TO CORRECT INST POSTING FOR INCORRECT AMT 04/17/12	1.00	2,673.62	76,654.10
04/17/12	04/17/12	Purchase - Individual Portfolio Interest	1.00	63.87	76,717.97
04/17/12	04/17/12	Purchase - Individual Portfolio Sell	1.00	149,220.70	225,938.67
04/17/12	04/17/12	Purchase - Individual Portfolio Gain on Cost	1.00	64.46	226,003.13
04/17/12	04/17/12	Redemption - Individual Portfolio Buy	1.00	(154,903.90)	71,099.23
04/17/12	04/17/12	TO REVERSE INST POSTING FOR INCORRECT AMT 04/17/12	1.00	(2,673.61)	68,425.62
04/19/12	04/19/12	Purchase - Individual Portfolio Interest	1.00	107.00	68,532.62
04/19/12	04/19/12	Purchase - Individual Portfolio Sell	1.00	299,050.78	367,583.40
04/19/12	04/19/12	Purchase - Individual Portfolio Gain on Cost	1.00	714.85	368,298.25
04/19/12	04/19/12	Redemption - Individual Portfolio Buy	1.00	(304,118.55)	64,179.70
04/26/12	04/26/12	IP Fees MAR 2012	1.00	(1,865.82)	62,313.88
04/26/12	04/26/12	Bank of NY Fees MAR 2012	1.00	(485.89)	61,827.99
04/30/12	05/01/12	Accrual Income Div Reinvestment - Distributions	1.00	11.89	61,839.88



Account Statement

For the Month Ending **April 30, 2012**

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES - CARMA - 615-00

Trade Date	Settlement Date	Transaction Description	Share or Unit Price	Dollar Amount of Transaction	Total Shares Owned
Closing Balance					61,839.88

	Month of April	Fiscal YTD January-April
Opening Balance	48,150.61	54,840.70
Purchases	477,737.04	7,353,109.94
Redemptions (Excl. Checks)	(464,047.77)	(7,346,110.76)
Check Disbursements	0.00	0.00
Closing Balance	61,839.88	61,839.88
Cash Dividends and Income	11.89	49.02

Closing Balance	61,839.88
Average Monthly Balance	58,588.35
Monthly Distribution Yield	0.25 %

CARMA
LAIF Fair Market Valuation
6/30/12

LAIF Statement Balance **3,545,732.77**

FAIR VALUE FACTOR:
Performance Rate as of 6/30/12 **1.001219643**

Market Value **\$3,550,057.30**

Local Agency Investment Fund
 P.O. Box 942809
 Sacramento, CA 94209-0001
 (916) 653-3001
 CALIFORNIA AFFILIATED RISK MANAGEMENT
 AUTHORITIES
 FINANCE MANAGER
 1750 CREEKSIDE OAKS DRIVE
 SUITE 200
 SACRAMENTO, CA 95833

www.treasurer.ca.gov/pmia-laif
 July 12, 2012

PMIA Average Monthly Yields

Account Number:
 35-34-009

Tran Type Definitions

June 2012 Statement

Effective Date	Transaction Date	Tran Type	Confirm Number	Authorized Caller	Amount
6/20/2012	6/19/2012	RW	1362930	NANCY BROADHURST	-35,000.00

Account Summary

Total Deposit:	0.00	Beginning Balance:	3,580,732.77
Total Withdrawal:	-35,000.00	Ending Balance:	3,545,732.77



JOHN CHIANG

California State Controller

LOCAL AGENCY INVESTMENT FUND
REMITTANCE ADVICE

Agency Name	CA AFFILIATED RISK MGMT AUTH
Account Number	35-34-009

As of 07/13/2012, your Local Agency Investment Fund account has been directly credited with the interest earned on your deposits for the quarter ending 06/30/2012.

Earnings Ratio		.00000976192855700
Interest Rate		0.36%
Dollar Day Total	\$	343,099,007.75
Quarter End Principal Balance	\$	3,545,732.77
Quarterly Interest Earned	\$	3,349.31

Bill Lockyer, State Treasurer

Inside the State Treasurer's Office

Local Agency Investment Fund (LAIF)



PMIA Performance Report

Date	Daily Yield*	Quarter to Date Yield	Average Maturity (in days)
6/28/2012	0.35	0.36	265
6/29/2012	0.36	0.36	270
6/30/2012	0.36	0.36	268
7/1/2012	0.36	0.36	268
7/2/2012	0.36	0.36	278
7/3/2012	0.36	0.36	275
7/4/2012	0.36	0.36	275
7/5/2012	0.36	0.36	274
7/6/2012	0.36	0.36	273
7/7/2012	0.36	0.36	273
7/8/2012	0.36	0.36	273
7/9/2012	0.36	0.36	268
7/10/2012	0.36	0.36	270
7/11/2012	0.36	0.36	270

*Daily yield does not reflect capital gains or losses

LAIF Performance Report

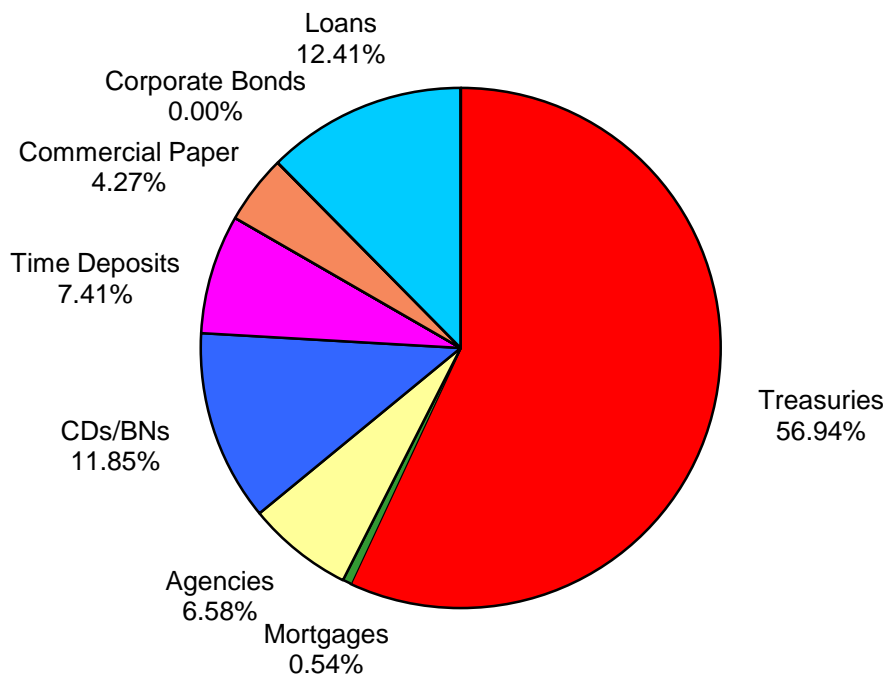
Quarter ending 06/30/2012

Apportionment Rate: 0.36%
 Earnings Ratio: .00000976192855700
 Fair Value Factor: 1.001219643
 Daily: 0.36%
 Quarter To Date: 0.36%
 Average Life: 268

PMIA Average Monthly Effective Yields

JUNE 2012 0.358%
 MAY 2012 0.363%
 APR 2012 0.367%

Pooled Money Investment Account Portfolio Composition \$60.5 Billion 06/30/12



**State of California
Pooled Money Investment Account
Market Valuation
6/30/2012**

Description	Carrying Cost Plus		Fair Value	Accrued Interest
	Accrued Interest	Purch. Amortized Cost		
United States Treasury:				
Bills	\$ 18,025,015,961.50	\$ 18,035,875,027.58	\$ 18,035,714,500.00	NA
Notes	\$ 16,425,839,178.38	\$ 16,425,695,679.44	\$ 16,471,785,500.00	\$ 18,029,444.00
Federal Agency:				
SBA	\$ 533,920,670.62	\$ 533,920,670.62	\$ 534,236,835.82	\$ 556,704.58
MBS-REMICs	\$ 327,565,846.27	\$ 327,565,846.27	\$ 356,052,805.03	\$ 1,561,392.94
Debentures	\$ 750,600,944.28	\$ 750,600,944.28	\$ 750,928,000.00	\$ 734,165.50
Debentures FR	\$ -	\$ -	\$ -	\$ -
Discount Notes	\$ 2,296,401,499.92	\$ 2,297,700,249.94	\$ 2,297,777,000.00	NA
GNMA	\$ 13,135.39	\$ 13,135.39	\$ 13,251.02	\$ 129.87
IBRD Debenture	\$ 399,931,803.28	\$ 399,931,803.28	\$ 400,000,000.00	\$ 83,332.00
IBRD Deb FR	\$ -	\$ -	\$ -	\$ -
CDs and YCDs FR	\$ 800,000,000.00	\$ 800,000,000.00	\$ 800,000,000.00	\$ 661,670.55
Bank Notes	\$ -	\$ -	\$ -	\$ -
CDs and YCDs	\$ 6,365,071,488.20	\$ 6,365,040,029.86	\$ 6,364,102,818.42	\$ 2,308,841.66
Commercial Paper	\$ 2,585,384,503.36	\$ 2,585,672,778.39	\$ 2,585,211,507.23	NA
Corporate:				
Bonds FR	\$ -	\$ -	\$ -	\$ -
Bonds	\$ -	\$ -	\$ -	\$ -
Repurchase Agreements	\$ -	\$ -	\$ -	\$ -
Reverse Repurchase	\$ -	\$ -	\$ -	\$ -
Time Deposits	\$ 4,483,640,000.00	\$ 4,483,640,000.00	\$ 4,483,640,000.00	NA
AB 55 & GF Loans	\$ 7,508,801,385.90	\$ 7,508,801,385.90	\$ 7,508,801,385.90	NA
TOTAL	\$ 60,502,186,417.10	\$ 60,514,457,550.95	\$ 60,588,263,603.42	\$ 23,935,681.10

Fair Value Including Accrued Interest

\$ 60,612,199,284.52

Repurchase Agreements, Time Deposits, AB 55 & General Fund loans, and Reverse Repurchase agreements are carried at portfolio book value (carrying cost).

The value of each participating dollar equals the fair value divided by the amortized cost (**1.001219643**). As an example: if an agency has an account balance of \$20,000,000.00, then the agency would report its participation in the LAIF valued at \$20,024,392.87 or \$20,000,000.00 x **1.001219643**.

Local Agency Investment Fund
P.O. Box 942809
Sacramento, CA 94209-0001
(916) 653-3001

www.treasurer.ca.gov/pmia-laif
 June 21, 2012

CALIFORNIA AFFILIATED RISK MANAGEMENT
 AUTHORITIES
 FINANCE MANAGER
 1750 CREEKSIDE OAKS DRIVE
 SUITE 200
 SACRAMENTO, CA 95833

PMIA Average Monthly Yields

Account Number: 35-34-009

Transactions
Tran Type Definitions

May 2012 Statement

Effective Date	Transaction Date	Tran Type	Confirm Number	Authorized Caller	Amount
5/15/2012	5/15/2012	RW	1360127	NANCY BROADHURST	-390,000.00
5/22/2012	5/22/2012	RW	1360726	NANCY BROADHURST	-10,000.00

Account Summary

Total Deposit:	0.00	Beginning Balance:	3,980,732.77
Total Withdrawal:	-400,000.00	Ending Balance:	3,580,732.77

Local Agency Investment Fund
P.O. Box 942809
Sacramento, CA 94209-0001
(916) 653-3001

www.treasurer.ca.gov/pmia-laif
 May 07, 2012

CALIFORNIA AFFILIATED RISK MANAGEMENT
 AUTHORITIES
 FINANCE MANAGER
 1750 CREEKSIDE OAKS DRIVE
 SUITE 200
 SACRAMENTO, CA 95833

PMIA Average Monthly Yields

Account Number: 35-34-009

Transactions

Tran Type Definitions

April 2012 Statement

Effective Date	Transaction Date	Tran Type	Confirm Number	Authorized Caller	Amount
4/13/2012	4/12/2012	QRD	1356837	SYSTEM	2,722.86

Account Summary

Total Deposit:	2,722.86	Beginning Balance:	3,978,009.91
Total Withdrawal:	0.00	Ending Balance:	3,980,732.77

June 29, 2012

RE: Alliant National Municipal Liability Program (ANML)
Reinsurance: California Affiliated Risk Management Authorities (CARMA)

Binding Coverage:

POLICY PERIOD: July 01, 2012 to July 01, 2013
At 12:01 AM standard time at the address of the Named Insured.

CARRIER: Wesco Insurance Company (AmTrust Financial Group)

POLICY NUMBER: WPP1028724 01

FORM: Excess Liability Memorandum of Coverage

BASIS OF ACCEPTANCE: Excess of Loss

MOC LIMITS: \$10,000,000 Each Occurrence and Aggregate where Applicable in Excess of MOC Retention

MOC RETENTION: \$ 4,000,000 Each Occurrence

REINSURANCE ACCEPTED: \$10,000,000 Each Occurrence and Aggregate where Applicable in excess of Retained Limit
\$10,000,000 Aggregate for Property Damage as respects coverage for subsidence, per Member JPA of CARMA, in excess of retained limit

ANNUAL PREMIUM: \$ 1,055,000

AMWINS FEE: \$ 42,200 (AMWINS FEE IS IN ADDITION TO ANNUAL PREMIUM)

SUBJECT TO: 1) Premium payment is due and payable within 20 days from the effective date of the policy
2) Maximum liability for Property Damage arising from Subsidence coverage, regardless of the number of occurrences shall not exceed a policy aggregate of \$10,000,000 for each Member JPA of CARMA

For a complete description of the coverage, please review the Policy Terms, Conditions & Exclusions. Please note that the Policy is amended by any endorsements listed below.

Attachments:

1. War Exclusion
2. Exclude any amount of loss, cost, or expense that is subject to (1) Any sublimit(s) in the MOC and/or (2) Any Limit(s) of Coverage in the MOC that is less than the MOC Retention amount
3. The maximum limit for any loss because of Property Damage arising from Subsidence for each Member JPA of CARMA, regardless of the number of occurrences, shall not exceed \$10,000,000. The aggregate applies separately to each



Phil Lendaris
Alliant Specialty Insurance Services

EXCESS BINDER CONFIRMATION

<p>Date: 6/26/2012 To: CRUMP INSURANCE SERVICES, INC. Attn: Dennis Gamble From: LEAH HELLER Insured: CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES (CARMA) C/O BICKMORE RISK SERVICE Renl of Policy #: AR6460089 Insurance Co.: Colony Insurance Company Rated A XII by A.M. Best</p>	<p style="text-align: center;">RISK BOUND</p> <p>Policy #: AR6460089 Effective: 07/01/12 - 07/01/13 <i>Per terms and conditions listed herein.</i></p>
---	---

Please disregard the attached SLB Data sheet - it is not required for this risk.



Thank you for the opportunity to quote the above account. We are pleased to offer the following quotation:

NOTE: This is a following form Excess quote. The underlying General Liability is on an occurrence form.

<p>Policy Limit: <u>\$15,000,000</u> <u>\$15,000,000</u> Total Premium: <u>\$501,000</u> Terrorism Coverage Prem.: <u>N/A-Coverage Rejected</u> Total Premium w/Terrorism Covg: <u>N/A-Coverage Rejected</u> Terrorism Rejected</p>	<p>Each Occurrence Limit Aggregate Limit 25% Minimum Earned Policy Term: <u>12 months</u></p>
---	--

The underlying policies from the schedule of underlying limits noted below are due within 90 days of inception.

At 90 days from inception, without further notice, we will forward a Notice of Cancellation for all outstanding underlying policies not received by Argonaut Specialty Insurance Services (EL policies are exempt).

Schedule of Underlying Limits:

<u>CARMA Retained Limit</u>	<u>Liability</u>
<p><u>EXCESS OF JPA'S SIR PER OCC.</u> Carrier: Retained Layer Occur Limit: \$3,000,000</p> <p><u>EACH SEPARATE JPA'S SIR PER OCC.</u> Carrier: Retained Layer Limit: 1,000,000</p> <p>Limit: Retained Layers</p>	<p style="text-align: center;">EXCESS OF CARMA RETAINED LIMIT</p> <p>Reinsurer Westco Insurance Co.</p> <p>Limits: 10,000,000 Each Occurrence and Aggregate Limit</p> <p style="text-align: center;">Defense Inside The Limit</p>

***Subject to A- VI or Better Rated Underlying Carriers**

FORMS:

ZPJCG-0810 Policy Jacket
TRIA2002Notice-0108 Policyholder Disclosure
XP0002-0607 Excess Liability Policy
XP0002DAS-0605 Declarations-Excess Liability Policy
U001-1004 Schedule of Forms and Endorsements
ScheduleAAS-0808 Schedule of Underlying Insurance
IL0017-1198 Common Policy Conditions
U002-0904 Minimum Policy Premium
U094-0702 Service of Suit
XP03-0902 Care, Custody and Control Excl
XP08-0902 Employment Related Practices Excl
XP40-0902 ERISA Excl
XP45A-0902 Excl-Professional Services
XP103-0605 Cross Suits Exclusion
XP2123-0902 Nuclear Energy Liab Excl Endt (Broad Form)
XP2127-0902 Fungi and Bacteria Excl
XP57-0107 Amendment of Ins Agrmnt-Known Inj/Dmg

XP200-0904 War Liability Excl
XP214-0212 Excl-Silica or Silica-Related Dust
U173-0702 Cancellation

XP205-0911 Exclusion-Obligations of Underlying Insurance
XP125-0410 Excl-Violation of Statutes that Govern Methods of Sending Mat.or Info.

XP204-0711 Excl-Designated Entity(ies)
XP192-0710 Amendatory - Limits of Insurance

CAPRNotice-0911 CA Notice-Premium Refunds; D2-0711 California Notice

Terrorism Endorsement:

XP2128B-0711 Cert. Acts of Terr.& Other Acts of Terr.Excl.

Additional Forms (if any):

SUBJECT TO:

[A large yellow rectangular area, likely a placeholder for subject information or a redaction.]

Prior to policy issuance, please provide carrier/company name & effective dates of underlying coverage.
Please forward a copy of the Primary General Liability Policy.

This is a Non Admitted Quote. Coverage is bound upon issuance of policy number by the Company.

If Coverage applies on a Claims Made basis an Optional Extended Reporting period may be available if policy is terminated or not renewed; restrictions apply. Maximum of five (5) years. Must be requested within sixty (60) days of termination or expiration. See Section VI of the policy for details.

SURPLUS LINES BROKER DATA

THIS FORM IS REQUIRED FOR:

- (1) ALL MULTI-STATE POLICIES;
- (2) SINGLE STATE POLICIES WHERE THE RISK IS NOT WITHIN YOUR OFFICE'S STATE OF DOMICILE.

Agent Name: CRUMP INSURANCE SERVICES, INC.
Agent Address: 50 CALIFORNIA STREET, STE 2000
SAN FRANCISCO, CA 94111
Agent Code: 04293

Insured: CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES (CARMA) C/O BICKMOI
Policy Number: AR6460089

Designated Home State CA
(For tax purposes only - the state to which taxes will be paid)

"Home State" is the state to which surplus lines tax is paid, based on the Nonadmitted and Reinsurance Reform Act (NRRRA). Please consult the applicable Departments of Insurance with questions relating to the determination of surplus lines taxes.

Surplus Lines Broker Information

(The surplus lines broker license through which the tax will be remitted)

Name _____
Surplus Lines License Number _____
Address _____
Phone Number _____

This information may be reported to Department of Insurance, as required by law.

**POLICYHOLDER DISCLOSURE
NOTICE OF TERRORISM INSURANCE COVERAGE**

You are hereby notified that under the Terrorism Risk Insurance Act, as amended, that you have a right to purchase insurance

coverage for losses resulting from acts of terrorism, as defined in Section 102(1) of the Act: The term "act of terrorism" means any act that is certified by the Secretary of the Treasury, in concurrence with the Secretary of State and the Attorney General of the United States, to be an act of terrorism; to be a violent act or an act that is dangerous to human life, property, or infrastructure; to have resulted in damage within the United States, or outside the United States in the case of certain air carriers or vessels or the premises of a United States mission; and to have been committed by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

YOU SHOULD KNOW THAT WHERE COVERAGE IS PROVIDED BY THIS POLICY FOR LOSSES RESULTING FROM CERTIFIED ACTS OF TERRORISM, SUCH LOSSES MAY BE PARTIALLY REIMBURSED BY THE UNITED STATES GOVERNMENT UNDER A FORMULA ESTABLISHED BY FEDERAL LAW. HOWEVER, YOUR POLICY MAY CONTAIN OTHER EXCLUSIONS WHICH MIGHT AFFECT YOUR COVERAGE, SUCH AS AN EXCLUSION FOR NUCLEAR EVENTS. UNDER THE FORMULA, THE UNITED STATES GOVERNMENT GENERALLY REIMBURSES 85% OF COVERED TERRORISM LOSSES EXCEEDING THE STATUTORILY ESTABLISHED DEDUCTIBLE PAID BY THE INSURANCE COMPANY PROVIDING THE COVERAGE. THE PREMIUM CHARGED FOR THIS COVERAGE IS PROVIDED BELOW AND DOES NOT INCLUDE ANY CHARGES FOR THE PORTION OF LOSS COVERED BY THE FEDERAL GOVERNMENT UNDER THE ACT.

YOU SHOULD ALSO KNOW THAT THE TERRORISM RISK INSURANCE ACT, AS AMENDED, CONTAINS A \$100 BILLION CAP THAT LIMITS U.S. GOVERNMENT REIMBURSEMENT AS WELL AS INSURER'S LIABILITY FOR LOSSES RESULTING FROM CERTIFIED ACTS OF TERRORISM WHEN THE AMOUNT OF SUCH LOSSES IN ANY ONE CALENDAR YEAR EXCEEDS \$100 BILLION. IF THE AGGREGATE INSURED LOSSES FOR ALL INSURERS EXCEED \$100 BILLION, YOUR COVERAGE MAY BE REDUCED.

PLEASE ALSO BE AWARE THAT YOUR POLICY DOES NOT PROVIDE COVERAGE FOR ACTS OF TERRORISM THAT ARE NOT CERTIFIED BY THE SECRETARY OF THE TREASURY.

Acceptance or Rejection of Terrorism Insurance Coverage

You must accept or reject this insurance coverage for losses arising out of acts of terrorism, as defined in Section 102(1) of the Act, before the effective date of this policy. Your coverage cannot be bound unless our representative has received this form signed by you on behalf of all insureds with all premiums due.

Coverage acceptance.

I hereby elect to purchase coverage for certified acts of terrorism, as defined in Section 102(1) of the Act for a prospective annual premium of \$25,050. I understand that I will not have coverage for losses resulting from any non-certified acts of terrorism.

OR

Coverage rejection.

I hereby decline to purchase coverage for certified acts of terrorism, as defined in Section 102(1) of the Act. I understand that I will not have coverage for any losses arising from certified or non-certified acts of terrorism.

Signature On File

Policyholder/Applicant's Signature
Must be person authorized to sign for all insureds.
On File

Print Name
CALIFORNIA AFFILIATED RISK MANAGEMENT
AUTHORITIES (CARMA) C/O BICKMORE RISK

Named Insured
On File

Date

Colony Insurance Company

Insurance Company

AR6460089

Policy Number
N/A

Submission Number
04293

Producer Number
CRUMP INSURANCE SERVICES, INC.

Producer Name
50 CALIFORNIA STREET, STE 2000

Street Address
SAN FRANCISCO, CA 94111

City, State, Zip

The producer shown above is the wholesale insurance broker your local insurance agent used to place your insurance coverage with us. Please discuss this Disclosure with your agent before signing.

ADMINISTRATIVE MATTERS

SUBJECT: Appointment of CARMA Board Secretary – Ms. Jillian Stoorza

BACKGROUND AND STATUS:

As the Board of Directors has been previously advised, Ms. Ramona Buchanan, Analyst and CARMA Board Secretary, has been assigned to different accounts at Bickmore Risk Services (BRS). As such, effective August 31, 2012, Ms. Jillian Stoorza at BRS has been assigned to replace Ms. Buchanan on CARMA as the Analyst.

Ms. Stoorza has been employed with BRS for a year and a half, and also supports two other groups administered by BRS – the Central San Joaquin Valley Risk Management Authority (CSJVRMA) and the California Public Schools Self Insurance Group (CAPS-SIG). CARMA members can expect her to carry on the tradition of excellent service they have experienced over the years with BRS.

Staff is recommending that the Board appoint Ms. Stoorza as the CARMA Board Secretary effective September 21, 2012.

RECOMMENDATION:

The Board of Directors appoints Ms. Jillian Stoorza as the CARMA Board Secretary.

REFERENCE MATERIALS ATTACHED:

None.

ADMINISTRATIVE MATTERS

SUBJECT: Update of Marketing Strategy / Efforts

BACKGROUND AND STATUS:

Per the 2012 Goals and Objectives, staff has provided the Board with the materials used to inform the JPA industry to what services CARMA provides.

RECOMMENDATION:

None. Information only.

REFERENCE MATERIALS ATTACHED:

- Marketing 2012 Cover Letter
- List of Vendors

CARMA

A California Public Agency

*California Affiliated Risk Management Authorities
1750 Creekside Oaks Drive, Suite 200
Sacramento, CA 95833
(800) 541-4591 ~ FAX (916) 244-1199
email KThesing@brsrisk.com*

August 8, 2012

JPA Director
JPA Name
123 Main Street
Sacramento, CA 95833

RE: California Affiliated Risk Management Authorities Excess Liability Pool (CARMA)

Dear JPA Manager:

CARMA is proud to announce we are approaching our twentieth year anniversary as a California excess liability Joint Powers Authority (JPA)!

Over the last twenty years, we have focused on spreading risk amongst like-minded California JPAs currently offering general liability coverage to their underlying members. CARMA is currently comprised of five member JPAs with over 143 underlying members and over \$1.1 billion in annual payroll.

CARMA offers a flexible, comprehensive, competitive alternative for excess liability coverage and we invite you to investigate the advantages of membership in CARMA. I will be attending the annual California Association of Joint Powers Authorities (CAJPA) conference in Lake Tahoe in September and will be available to provide greater information on the program. We also welcome your attendance at the CARMA Board of Directors' Meeting on September 21, 2012, at the Embassy Suites Hotel in Lake Tahoe to give you an opportunity to meet the Board of Directors and Staff of CARMA.

To learn more about CARMA, please feel free to contact me at (800) 541-4591, extension 1181 or check out our website at www.carmajpa.org.

Very truly yours,

Karen L. Thesing, ARM
CARMA Executive Director

Enclosure

CARMA Marketing Distribution List

Company	Short Name	Suffix	First Name	Last Name	Title	Address	City	ZIP	Description	Current Excess
										Program
ABAG Plan Corporation	ABAG	Mr.	Jim	Hill	Risk Management Officer	P.O. Box 2050	Oakland	94604	Bay Area Cities	\$5,000,000 (Pooled)
Big Independent Cities Excess Plan	BICEP	Mr.	Greg	Spiker	Manager	1100 South Flower Street	Los Angeles	90015	Southern California Cities	\$18,000,000 Excess
Public Agencies Self-Insurance System	PASIS	Ms.	Janet	Kiser	General Manager	366 San Miguel Drive, Ste 312	Newport Beach	92660		
Public Entity RMA	PERMA	Mr.	Scott	Ellerbrock	General Manager	36-951 Cook Street, Suite 101	Palm Desert	92211		\$50,000,000 through a combination of pooling and reinsurance
San Diego Pooled Insurance Program Authority	SANDPIPA	Ms.	Laura	Seiler	Risk Pool Manager	9069 Ellingham Street	San Diego	92129	San Diego County Cities	\$15,000,000 Excess
ACWA-JPIA		Mr.	Andy	Sells	CEO	P.O. Box 619082	Roseville	95661	Water Districts	\$20,000,000 Excess /\$500,000 (Commercial)
CalTIP	CALTIP	Ms.	Micheon	Balmer	Administrator	1750 Creekside Oaks Drive, Suite 200	Sacramento	95833	Transit Entities	\$10,000,000 Excess
California Fairs Services Authority	CFSA	Ms.	Becky	Bailey-Findley	CEO	1776 Tribute Road, Suite 100	Sacramento	95815	Fair Districts	\$5,000,000 (Pooled)
Golden State Risk Management Authority	GSRMA	Mr.	Scott	Schimke	Risk Manager	P.O. Box 706	Willows	95988	Schools, Special Districts	Unknown
Fire Agencies Insurance Risk Authority	FAIRA	Mr.	Richard	Blacker	General Manager	451 Airport Road	Novato	94945	Fire Districts	\$2,000,000 Excess
Special District RMA	SDRMA	Mr.	Jim	Towns	CEO	1112 I Street, Suite 300	Sacramento	95814	Special Districts	\$2,000,000 Excess
Trindel Insurance Fund	TIF	Mr.	David	Nelson	Executive Director	317 Main St # 1	Sierra City	96125	Northern Counties	Unknown
Small Cities Organized Risk Effort	SCORE	Ms.	Susan	Adams	Program Administrator	100 Pine Street, 11th Floor	San Francisco	94111	Small Cities	Unknown
Northern California Cities Self-Insurance Fund	NCCSIF	Ms.	Susan	Adams	Program Administrator	100 Pine Street, 11th Floor	San Francisco	94111	Median Northern California Cities	Unknown
Yolo County Public Agency Risk Management Insurance Authority	YCPARMIA	Mr.	Jeff	Tonks	CEO	77 West Lincoln Avenue	Woodland	95695	Yolo County Public Entities	Unknown

ADMINISTRATIVE MATTERS

SUBJECT: Review of the CARMA Goals and Objectives for 2012

BACKGROUND AND STATUS:

At the 2012 Annual Workshop, the Board of Directors established the following goals and specific actions for the 2012/2013 year:

1. Provide Budgets Representing a 75% Confidence Level with a Decrease in Discount Rates;
2. Modify the Litigation Management's Approach Regarding Police Liability Cases by Participating Earlier Than When the 50% Self-Insured Retention (SIR) is Reached;
3. Revisit Marketing Strategies; and
4. Outreach to JPA Members; Assist JPAs Regarding the Finances of CARMA.

The 2012/2013 strategic goals and action item list is attached to this report. Staff will provide an update on the status of each of the above goals at the meeting.

RECOMMENDATION:

None. Information only.

REFERENCE MATERIALS ATTACHED:

- CARMA 2012/2013 Strategic Goals & Action Item List

**California Affiliated Risk Management Authorities
2012/2013 Strategic Goals & Action Item List**

Target Date	Person Responsible	Action Item	Status			Comments
			Done	Revise	On Target	
Provide Budgets Representing a 75% Confidence Level with a Decrease in Discount Rates						
January - March 2012	Staff/Actuary	Determine increments for decreasing the discount rates at the 75% confidence level.	X			Presented at the 4/18/12 BOD meeting.
March - April 2012	Staff	Develop Budgets with Scenarios at different discount rates for presentation at the April 18, 2012, CARMA BOD Meeting.	X			Scenarios presented at the 4/18/12 BOD meeting.
April 2012	Staff	Presentation of budgets with possibly various discount rates and actuarial report for Board Review at April 18, 2012, BOD Meeting	X			Actuarial study and proposed budget scenarios presented at the 4/18/12 BOD meeting. Determination to use a 2.5% discounted rate at the 75% confidence level.
June 2012	Staff	Budget with approved discount rate presented for approval at the June 20, 2012, BOD meeting.	X			On agenda for approval at the June 20, 2012, BOD meeting.
Modify the Litigation Management's Approach Regarding Police Liability Cases by Participating Earlier than when the 50% Self-Insured Retention (SIR) is Reached.						
January / April 2012	Staff	Continue monitoring reported police liability cases to determine usage of the self-insured retention, what can be done to mitigate costs, make recommendations if deemed a potential problem, determine liability, and send communication to members on actions to be taken when 25% of the Member's SIR has been reached.			X	In process. A Memorandum is being developed as a reminder to member on the reporting requirements.
January 2013	Staff	Provide the Board with an update on police liability cases.	X			A memo explaining the reporting requirements for claims and in particular USC 1983 cases was sent to the members July 2012 along with the MOC.
Revisit Marketing Strategies						
February 2012	Staff	Revisit current marketing strategy, marketing materials, and JPA contact list.	X			

**California Affiliated Risk Management Authorities
2012/2013 Strategic Goals & Action Item List**

<u>Target Date</u>	<u>Person Responsible</u>	<u>Action Item</u>	Status			Comments
			Done	Revise	On Target	
April - May 2012	Staff	Provide updated information to the JPA industry as to what CARMA provides. Extend an invitation to the JPA's representative to the September 2012 CARMA Board meeting held in conjunction with the CAJPA Fall Conference – South Lake Tahoe.	X			
September - October 2012	Staff	Follow-up contact with the prospective JPA members that attended the September 2012 Board meeting.		X		
October - November 2012	Staff	On-site visitation/presentation, as requested by prospective JPA members that have indicated a firm interest in joining CARMA.		X		
Outreach to JPA Members; Assist JPAs Regarding the Finances of CARMA						
January - February 2012	Staff	Submit to members for presentation to their respective boards, the financial graphs and talking points from the January 2012 annual workshop.	X			Sent via email in January 2012

ADMINISTRATIVE MATTERS

SUBJECT: Discussion Regarding the 20th Board of Directors' Annual Workshop on January 10-11, 2013, at Bodega Bay Lodge

BACKGROUND AND STATUS:

At the June 20, 2012, Board of Directors' meeting, the Board established meeting dates for the 2012/2013 Fiscal Year, including the Annual Workshop and Board of Directors' Meeting to be held in Bodega Bay on January 10-11, 2013.

Included with this report for the Board's discussion is a draft agenda for the January 10, 2013, CARMA Board of Directors' Workshop. Staff is seeking input as to any additional topics which should be included on the agenda and the format for the Workshop.

RECOMMENDATION:

The Board of Directors to provide direction to the content and format the Board desires for the January 2013 Workshop.

REFERENCE MATERIALS ATTACHED:

- Draft Agenda for the January 10, 2013, Annual Workshop



A California Public Agency

California Affiliated Risk Management Authorities
1750 Creekside Oaks Drive, Suite 200
Sacramento, CA 95833
(800) 541-4591 ~ FAX (916) 244-1199
email KThesing@brsrisk.com

**CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES
(CARMA)**

**20th ANNUAL WORKSHOP
A G E N D A**

**Bodega Bay Lodge
103 Coast Highway #1
Bodega Bay, CA 94923
(707) 875-3525**

**Thursday, January 10, 2013
11:00 a.m. – 5:00 p.m.**

PAGE

- A. Introductions and Welcome – President Geoff Grote
- B. Current Status of CARMA
 - 1. History and Accomplishments
 - 2. Review of 2012 Action Plan
 - 3. Financial Review
 - 4. Claims – Frequency and Severity Analysis
- C. Measurements of How We Are Doing
 - 1. Target Equity Ratios as of 6/30/12
 - 2. Retrospective Adjustment Calculations as of 6/30/12
- D. Challenges and Concerns for 2013
 - 1. “Occupy” Cities – Liability Claims Arising Out of Protests
 - 2. Emerging Risks – What to Look Forward to
- E. Strategies and Initiatives for 2013
- F. Service Provider Evaluations – Board of Directors
 - 1. Actuary: Bay Actuarial Consultants
 - 2. Administrator: Bickmore Risk Services
 - 3. Board Counsel: Farmer, Smith, & Lane
 - 4. Broker of Record: Alliant Insurance Services

5. Claims Auditor: Farley Consulting Services
6. Financial Auditor: Sampson, Sampson & Patterson, LLP

G. Closing

FINANCIAL MATTERS

SUBJECT: Consideration of the June 30, 2012, Independent Financial Audit Prepared by Sampson, Sampson, and Patterson, LLP

BACKGROUND AND STATUS:

The financial audit for the year ending June 30, 2012, which was prepared by Sampson, Sampson, and Patterson, LLP, is attached for the Board's consideration. Mr. Bill Patterson, Partner at Sampson, Sampson, and Patterson, LLP, will be in attendance to review the financial audit with the Board and answer any questions.

RECOMMENDATION:

The Board of Directors accepts and files the June 30, 2012, audit report as presented.

REFERENCE MATERIALS ATTACHED:

- Auditor's Letter to the Governing Board
- Draft 2012 Financial Audit Report

August 10, 2012

To the Governing Board
California Affiliated Risk Management Authorities
Sacramento, California

We have audited the financial statements of California Affiliated Risk Management Authorities (CARMA) for the year ended June 30, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 13, 2012. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by CARMA are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2012. We noted no transactions entered into by CARMA during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting CARMA's financial statements was the provision for unpaid claims.

Management's estimate of the provision for unpaid claims is 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. We evaluated the key factors and assumptions used to develop the provision for unpaid claims in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 10, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to CARMA's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as CARMA's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of CARMA and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Sampson, Sampson & Patterson, LLP

Sampson, Sampson & Patterson, LLP

DRAFT
SUBJECT TO FINAL
REVIEW AND APPROVAL
DRAFT DATE 8/20/12

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

REPORT ON AUDITED
FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION

YEAR ENDED JUNE 30, 2012

CONTENTS

	<u>Page</u>
FINANCIAL STATEMENTS:	
Independent auditors' report	1
Management's discussion and analysis	2-11
Balance sheet	12
Statement of revenues, expenses, and changes in net assets	13
Statement of cash flows	14
Statement of fiduciary net assets	15
Statement of changes in fiduciary net assets	16
Notes to financial statements	17-26
ADDITIONAL INFORMATION:	
Claims development information	27-28
Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	29

Governing Board
California Affiliated Risk Management Authorities
Sacramento, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the California Affiliated Risk Management Authorities (CARMA) as of and for the year ended June 30, 2012 as listed in the table of contents. These financial statements are the responsibility of CARMA's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year comparative information has been derived from the financial statements of CARMA for the year ended June 30, 2011, and in our report dated August 19, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards and the standards generally accepted in the United States of America applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CARMA as of June 30, 2012, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

In accordance with *Government Auditing Standards*, we have also issued our report dated _____, 2012, on our consideration of CARMA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and claims development information on pages 2 through 11 and 27 through 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

The management of the California Affiliated Risk Management Authorities (CARMA) is pleased to present the following discussion and analysis of the operating results, financial condition, and liquidity of CARMA for the fiscal year ended June 30, 2012. This discussion should be read in conjunction with the financial statements and notes to the financial statements included with this report.

General Program Highlights

CARMA is a public agency created in 1993 by and among various joint powers authorities in California to provide a pooled approach to excess liability insurance pursuant to the California Government Code. As their mission statement attests, "CARMA is dedicated to innovative approaches in providing financial protection for public entities against catastrophic loss." CARMA consists of five members who are also joint powers authorities and provide primary level liability coverage to their underlying members, consisting of municipalities and special districts. CARMA provides reinsurance and excess insurance coverage above its pooled layer. Total CARMA coverage for each member is from \$1 million to \$29 million.

CARMA is a member of the California Association of Joint Powers Authorities (CAJPA), and for fifteen years has held the distinguished designation of "Accreditation With Excellence." This is the highest level of accreditation offered by CAJPA and places it among the elite of accredited JPAs in California. The accreditation review process involves an in-depth review of CARMA's operations, financial stability, performance, and overall management effectiveness.

CARMA contracts with Bickmore Risk Services (BRS), a firm specializing in the management of joint powers authorities and private self-insurance groups, to handle the day-to-day operations of CARMA. The firm's employees provide general administrative, financial accounting, underwriting, claims management oversight, risk and litigation management and other services as necessary for the operations of CARMA.

In an excess liability program such as CARMA, managing the claims development process is critical. Claims that are large enough to reach the CARMA layer are generally challenging and complex claims making effective litigation management vital to protecting CARMA's financial position. Each claim is carefully reserved and the actuary's task in determining each program year's ultimate loss projection is complicated.

2011/2012 Highlights

- The 2011/2012 program year marked the first year of a three-year process to phase out the process by which the experience modification factor (ex mod) has been applied to the reinsurance premium as well as the pooled portion of coverage. In 2011/2012, the ex mod was applied to two-thirds of the reinsurance premium, while one-third was allocated according to payroll.
- The implications of confidence level and discount rate considerations in determining pooling rates was a major topic of discussion at the Annual Workshop in January, 2012, as investment earnings continue to decline. The CARMA 2011/2012 Operating Budget was funded at the 75% confidence level after many years of at least 80% confidence level funding, to accommodate a necessary decrease in the discount factor from 4.0% to 3.5%, while keeping premiums stable. In June, 2012, the CARMA Board of Directors approved a further decrease in the discount factor to

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

2.5% for the following 2012/2013 program year, while maintaining funding at the 75% confidence level.

- The CARMA Board of Directors approved a request by one its members, the Vector Control Joint Powers Agency (VCJPA), to opt out of the excess layer of coverage effective July 1, 2012, and going forward. The VCJPA is a unique member of CARMA, and as a JPA comprising special districts rather than municipalities, it is not exposed to the types of exposures inherent in the other CARMA members.

Financial Highlights for the Fiscal Year Ended June 30, 2012

Revenues	\$6.3 million	Total revenues, operating and non-operating, decreased 9% due primarily to a decrease in premium revenue of 8%.
Expenses	\$4.4 million	Decreased 8% from the prior year as a result of a decrease in the cost or purchased insurance.
Assets	\$25.8 million	Decreased \$2.9 million, or 10%, resulting primarily from a decrease in cash due to significantly higher claims payments over the prior year.
Liabilities	\$13.8 million	Decreased \$4.7 million, or 25%, mainly due to the increase in claims payments resulting in a commensurate reduction in claims reserves.

Description of the Basic Financial Statements

CARMA's financial statements are prepared in conformity with generally accepted accounting principles and include certain amounts based upon reliable estimates and judgments. The financial statements include the Balance Sheet; the Statement of Revenues, Expenses, and Changes in Net Assets; the Statement of Cash Flows; the Statement of Fiduciary Net Assets; and the Statement of Changes in Fiduciary Net Assets, along with accompanying Notes to Financial Statements.

The **Balance Sheet** presents information on CARMA's assets and liabilities and the difference between the two representing net assets, or pool equity.

The **Statement of Revenues, Expenses, and Changes in Net Assets** presents information regarding revenues versus expenses and the change in CARMA's net assets during the fiscal year. All revenues and expenses are recognized as soon as the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in the collection or disbursement of cash during future fiscal years (e.g., interest and accounts receivable and the expense associated with payable and liability accruals, both involving cash transactions beyond the date of the financial statements).

The **Statement of Cash Flows** presents the changes in CARMA's cash and cash equivalents during the fiscal year. The statement is prepared using the direct method of cash flows. The statement details the sources and uses of CARMA's cash and cash equivalents into two categories: operating activities and investing activities.

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2012

The **Statement of Fiduciary Net Assets** presents information on the Rate Stabilization Fund’s assets and net assets.

The **Statement of Changes in Fiduciary Net Assets** includes information about the contributions to, withdrawals from, and net increase (or decrease) for the year in net assets of the Rate Stabilization Fund.

The **Notes to Financial Statements** provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes describe the nature of CARMA’s operations and significant accounting policies as well as clarify unique financial information.

CARMA’s accounting system is organized so that each program year can be accounted for and evaluated independently. The assets, liabilities, revenues, and expenses are reported on a full-accrual basis. There were no significant accounting changes during the year.

Sampson, Sampson & Patterson, LLP, Certified Public Accountants, has performed an independent audit of the accompanying financial statements in accordance with generally accepted auditing standards. Their opinion is included in the Financial Section of this report. Bay Actuarial Consultants provided an independent actuarial review to value the amounts recorded as outstanding claims liabilities for each program year.

Analysis of Overall Financial Position and Results of Operations

CARMA Balance Sheet (Excluding Fiduciary Funds)			
	June 30, 2012	June 30, 2011	Percentage Change
Current Assets	\$5,033,814	\$8,739,060	-42.4%
Investment with maturities in excess of one year	20,747,852	19,963,413	3.9%
Total Assets	\$25,781,666	\$28,702,473	-10.2%
Current Liabilities	\$2,823,998	\$4,220,128	-33.1%
Non-Current Liabilities	10,990,559	14,309,870	-23.2%
Total Liabilities	13,814,557	18,529,998	-25.4%
Net Assets	11,967,109	10,172,475	17.6%
Total Liabilities & Net Assets	\$25,781,666	\$28,702,473	-10.2%

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

CARMA Pool Assets

Total assets (excluding fiduciary funds) decreased \$2.9 million, attributable to a decrease in cash due to significantly higher claims payments over the prior year and offset by the retention of cash as each year is funded in advance, but paid out over a period of time.

CARMA maintains funds not immediately needed for the payment of claims and administrative expenses, approximately \$3.5 million, in the Local Agency Investment Fund (LAIF), which is administered by the State Treasurer's Office in Sacramento. These funds are available, should they be needed, on a same-day notice basis.

CARMA's excess funds are invested in the California Asset Management Program Trust (CAMP), a joint powers authority that contracts with Public Financial Management, Inc. (PFM) to provide investment management services. Custodial services are provided by Bank of New York. Holdings in CARMA's portfolio were \$22.1 million at June 30, 2012. Holdings are maintained in treasury and agency securities, municipal bonds, certificates of deposit, U.S. Government supported corporate debt, and corporate notes. CARMA's investment earnings decreased 23% from the prior year due to dropping interest rates and market valuation, and other adverse economic conditions, described in detail in the **Description of Facts or Conditions that are Expected to have a Significant Effect on Financial Position or Results of Operations** in the last section of this report. At June 30, 2012, the fair value of CARMA's investments was \$32,800 less than the book value. The ability of CARMA's excess funds to earn investment income has a direct effect on program rates, as this income is used to discount future liabilities. The discount factor assumed in these challenging economic times becomes an increasingly critical judgment call. When investment yields fall short of projections, additional funding may be required to meet actuarial estimates.

At its Board of Directors meeting in September 2003, CARMA established a Rate Stabilization Fund (Fund) retroactive to July 1, 2003, to receive the dividends issued on June 30, 2002. The purpose of the Fund was to allow CARMA's members to safeguard this cash resource for possible future assessments or premium fluctuations. Each member has discretion over the use of its portion of the Fund. Currently, only one member has an investment in the Fund. CARMA presents the cash assets in the Fund in a separate fiduciary fund on the financial statements. Results are reported in the Statement of Fiduciary Net Assets and Statement of Changes in Fiduciary Net Assets. Notwithstanding the separate reporting described above, the CARMA Bylaws allow for the fiduciary funds to be commingled with the general operating funds for the purposes of investment.

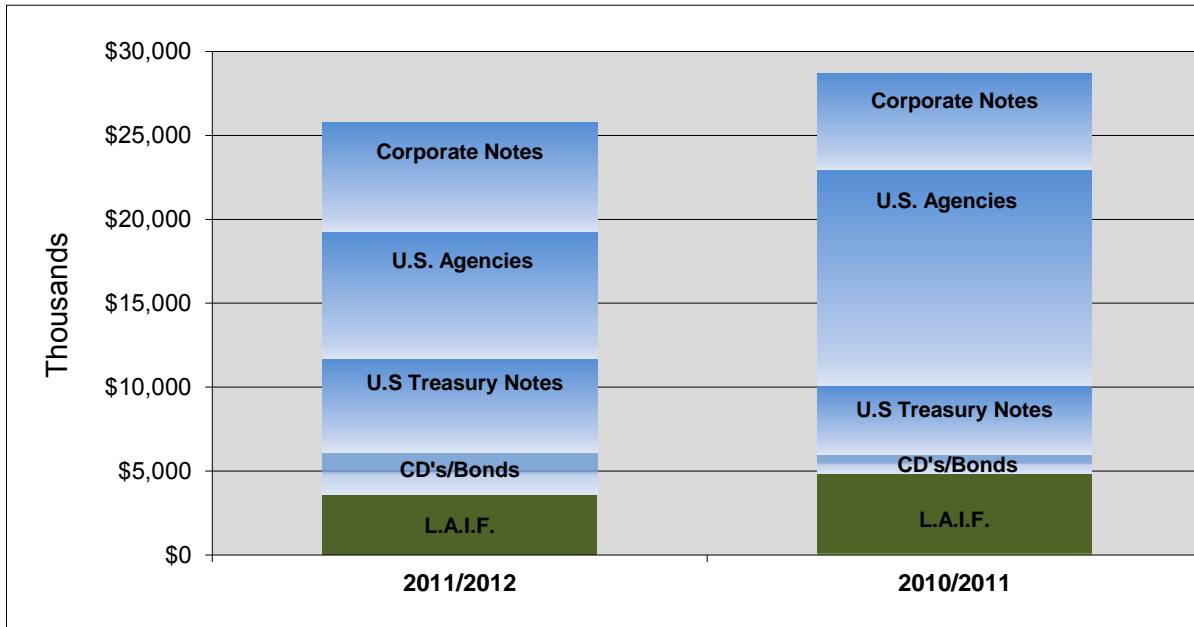
CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2012

The chart below depicts the make-up of CARMA’s cash assets. Cash and investments include fiduciary funds of \$90,992 and \$90,006, respectively, at June 30, 2012, and 2011.

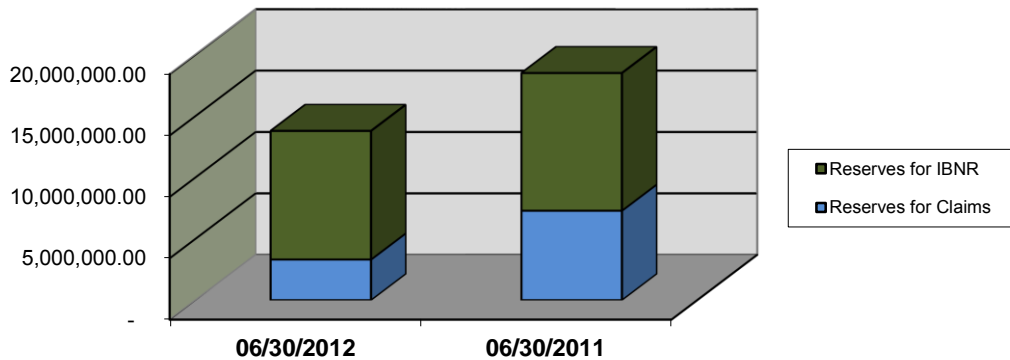
Total Cash by Category at June 30, 2012, and June 30, 2011



CARMA Pool Liabilities

As shown below, claim liabilities decreased by \$4.7 million from the prior year. Reserves for known claims decreased by \$4.0 million, and reserves for anticipated future claims (IBNR) decreased by \$737,600.

Comparison of Pool Liabilities at June 30, 2012, and June 30, 2011



CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

The portion of claims considered to be currently payable (less than one year) was actuarially determined. CARMA's current claims liability at June 30, 2012, is projected to be \$2.8 million, a decrease of \$1.4 million over last year's prediction. Its long term claims liability is projected to be \$11.0 million.

CARMA Revenues and Expenses

CARMA Statements of Revenue, Expenses, and Changes in Net Assets (Excluding Fiduciary Fund Income)			
	Fiscal Year Ended June 30, 2012	Fiscal Year Ended June 30, 2011	Percentage Change
Revenues:			
Deposit premiums	\$5,936,673	\$6,470,732	-8.3%
Investment income	313,652	406,491	-22.8%
Misc income	0	209	
Total Revenues	<u>\$6,250,325</u>	<u>\$6,877,432</u>	<u>-9.1%</u>
Expenses:			
Reinsurance / Excess insurance	1,656,773	1,968,850	-15.9%
Provision for claim and claim adjustment expenses	2,407,752	2,440,571	-1.3%
Administrative fees	288,480	289,000	-0.2%
Professional services	89,394	122,240	-26.9%
Other operating expenses	13,292	12,939	2.7%
Total Operating Expenses	<u>4,455,691</u>	<u>4,833,600</u>	<u>-7.8%</u>
Changes in Net Assets	1,794,634	2,043,832	
Net Assets, Beginning of Year	10,172,475	8,128,643	25.1%
Net Assets, End of Year	<u>\$11,967,109</u>	<u>\$10,172,475</u>	<u>17.6%</u>

Total revenues, operating and non-operating, decreased by 9%, or \$627,100, from the prior year. Revenues consist primarily of deposit premiums. Deposit premiums in 2011/2012 decreased by 8%, or \$534,000. Pooling rates decreased 2% due to a shift in confidence level funding to 75% coupled by a decrease in the discount factor from 4.0% to 3.5%. In addition, payroll decreased 3% from the prior year. Investment income decreased 23%, as discussed in a previous section. CARMA earned interest income of \$477,455 (including fiduciary fund earnings), with market depreciation on investments of <\$162,817>, decreasing overall investment income to \$314,638.

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

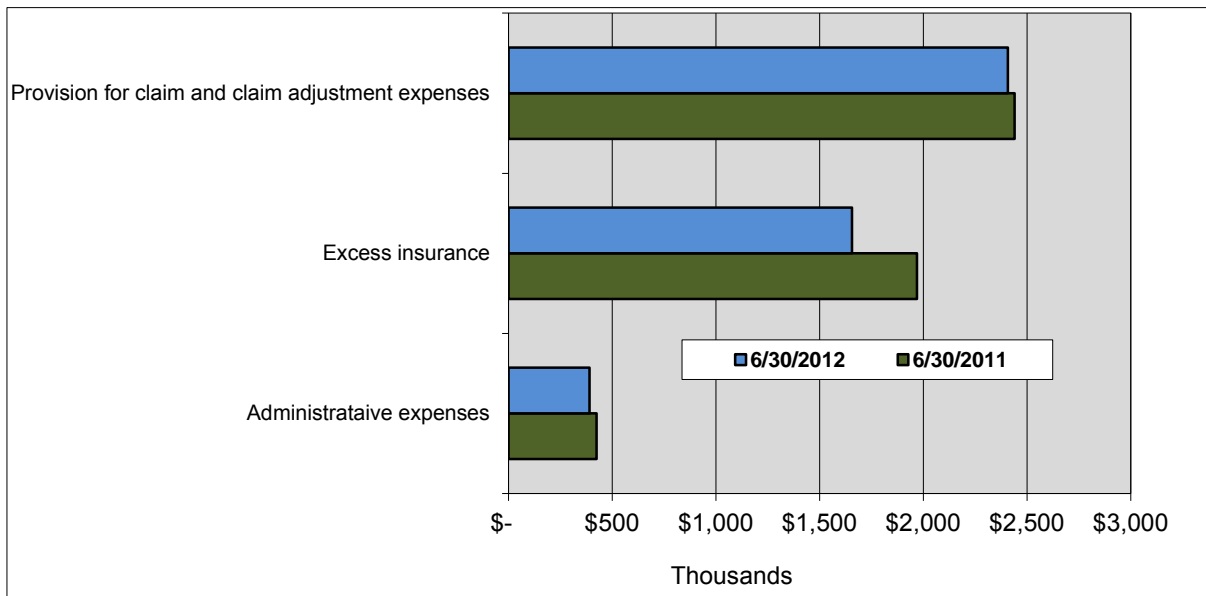
JUNE 30, 2012

During the prior year, total revenues, operating and non-operating, had decreased 3%, or \$241,000, from the previous year. Deposit premiums in 2010/2011 had remained flat due to consistent rates and the continuation of 80% confidence level funding. Investment income, however, had decreased by 39%.

Operating expenses decreased 8%, or \$377,900, from the prior year. Total revenue exceeded operating expenses by \$1.8 million during the current fiscal year, compared to the prior year during which total revenue had exceeded operating expenses by \$2.0 million. The major factor contributing to the current year's surplus was a \$1.2 million decrease in the actuary's revaluation of prior year ultimate loss projections resulting in a commensurate decrease in claims costs. The largest decreases were experienced in the 2008/2009 and 2009/2010 program years as claims did not develop in those years as had been anticipated in original actuarial projections. During the previous year, claims costs had decreased \$3.5 million from the previous year. These large swings in annual claims costs illustrate the volatility inherent in excess liability pools.

Expenses as of June 30, 2009 included a member equity reduction in the amount of \$72,615. PARSAC had served notice that it was terminating membership in CARMA as of July 1, 2009. Although no longer a member going forward, certain administrative costs would continue on their behalf for several years, due to the claims development cycle typical of an excess liability pool. The amount negotiated represented declining administrative costs for the following four program years, collected via the budgeting process over that time period, but deducted from PARSAC's equity in CARMA's oldest open program year, 1996/1997, as of June 30, 2009. The 2009/2010 portion was included in premium revenue in the amount of \$29,046 at June 30, 2010, the 2010/2011 portion was included in premium revenue in the amount of \$21,785 at June 30, 2011, the 2011/2012 portion was included in premium revenue in the amount of \$14,523 at June 30, 2012, and the remaining \$7,262 is included in current liabilities as of June 30, 2012.

Expenses for the Years Ended June 30, 2012, and June 30, 2011



CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

Insurance Expense

CARMA is an excess liability pool, and its underlying members are also joint powers authorities (JPAs). Since July 1, 2008, CARMA has pooled excess liability coverage from \$1 million to \$4 million, and purchased reinsurance coverage to cover losses in excess of its pooled coverage layer to \$14 million. In addition, CARMA purchases excess insurance to cover losses from \$14 million to \$29 million.

Both reinsurance and excess rates decreased from the prior year, resulting in a combined 16% premium decrease of \$312,000.

Provision for Insured Events

CARMA contracts with Bay Actuarial Consultants for an actuarial valuation of its outstanding claims liability as well as a recommendation of funding levels for the coming year. Funding for the 2011/2012 program year was calculated at the 75% confidence level and discounted at a 3.5% discount rate to recognize the future investment earnings on those funds. The 75% confidence level assumes that there is a 75% chance that the amount collected to cover losses will be sufficient. For financial statement purposes, the liability for claims has been recorded at the expected confidence level (which the actuary has determined approximates the 62% confidence level). The 2010/2011 program year was funded at the 80% confidence level, as noted previously in this Discussion.

Since CARMA is an excess liability pool, it, as well as other similar agencies, can experience dramatic swings in both actual and actuarial determined loss development. In addition, the actuary considers primary member level claims data when determining rates for CARMA's pooled funding, even though CARMA provides only excess pool coverage. Dramatic increases in underlying member pool claims development can play a large role in affecting CARMA's rates, and hence, their actuarially determined losses.

The graph on the following page illustrates the actuarially determined expected ultimate losses (anticipated claims costs) for CARMA's open program years, identifying the introduction of the current year claim costs, and changes to those of prior years. For the most recent actuarial study, the actuary based his projections on data valued as of December 31, 2011. As noted previously, actuarial ultimate loss projections decreased substantially in the 2008/2009 and 2009/2010 program years.

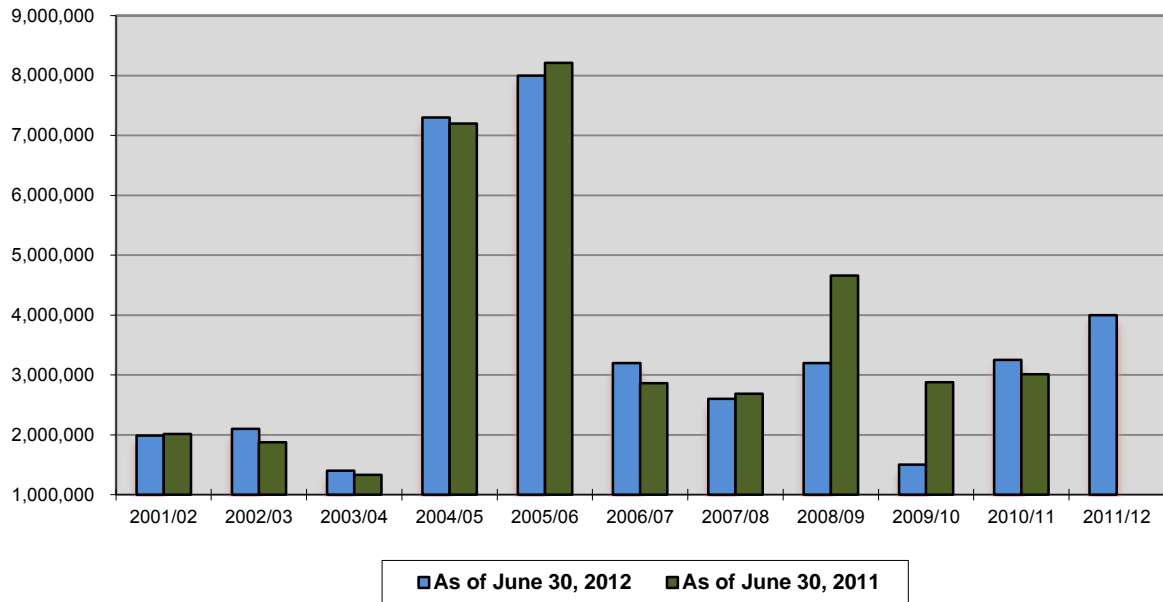
As previously stated regarding claims costs, the large swings in annual claims activity resulting in the appropriate revaluation of ultimate loss projections illustrate the volatility inherent in excess liability pools.

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

Comparison of Ultimate Losses by Program Year June 30, 2012 and June 30, 2011



General Administrative Expenses

Total general administrative and other operating expenses decreased 7.8% over the prior year, due primarily to a substantial decrease in legal costs due to the commensurate decreased necessity of coverage opinions, as well as the bi-annual decrease in scope of the claims audit. These decreases were offset by the introduction of a new line item expense, Medicare Set-Aside Reporting Fees. Total general administrative expenses represent 6.6% of the total premiums for each of the fiscal years ended June 30, 2012, and June 30, 2011.

Economic Factors

In developing the budget for the fiscal year ended June 30, 2012, pool administration staff and the Board of Directors took into account the factors that had significant potential to affect the budgeted figures: primarily the claims, investment, and insurance environments. Projections for investment income took into consideration the trends in the interest income generated by CARMA's cash and the resulting affect that would have on the funding levels.

CARMA enjoys the stability of a JPA which has been in operation for nineteen years, coupled with a healthy retained earnings base. Although one member withdrew from the program on July 1, 2009, membership has been stable and current funding appears to be sufficient to meet future obligations.

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2012

Description of Facts or Conditions that are Expected to have a Significant Effect on Financial Position or Results of Operations

CARMA's investments have successfully navigated a market characterized by shocks from a sovereign debt crisis and a continued slow economic recovery. Moreover, we anticipate an extended period of low interest rates, which will yield low investment income for some time. Nevertheless, a steep yield curve continues to provide opportunities to enhance income and total return through maturity extensions at higher yields.

CARMA, through its investment advisor, PFM Asset Management LLC, continues to pursue a policy of diversification of issuers, credit, bond market sectors, and maturities. Likewise, it monitors closely market changes that place upward pressure on interest rates for buying opportunities as well as for any negative effects on the fair market value of its holdings. Additionally, all investments are carefully analyzed and monitored to ensure that the portfolio maintains safety and liquidity, and all holdings continue to be appropriate for the Authorities' goals. CARMA's investment advisor will continue to monitor the markets for new risks and opportunities, assessing the investment marketplace and its impact on the portfolio in light of these current market forces.

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES **DRAFT**

BALANCE SHEET

**SUBJECT TO FINAL
REVIEW AND APPROVAL
DRAFT DATE _____**

(Prior Year Data for Comparison Purposes Only)

ASSETS

	June 30,	
	<u>2012</u>	<u>2011</u>
Current Assets:		
Cash and cash equivalents	\$ 3,582,294	\$ 4,836,660
Investments	1,327,405	3,790,571
Receivables:		
Member	4,690	
Interest	90,302	81,667
Prepaid expenses	<u>29,123</u>	<u>30,162</u>
Total Current Assets	<u>5,033,814</u>	<u>8,739,060</u>
Non-Current Assets:		
Investments	<u>20,747,852</u>	<u>19,963,413</u>
Total Non-Current Assets	<u>20,747,852</u>	<u>19,963,413</u>
Total Assets	<u>\$25,781,666</u>	<u>\$28,702,473</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Current Liabilities:		
Accounts payable	\$ 16,736	\$ 5,605
Equity payable to former member	7,262	14,523
Current portion of claims liabilities	<u>2,800,000</u>	<u>4,200,000</u>
Total Current Liabilities	<u>2,823,998</u>	<u>4,220,128</u>
Non-Current Liabilities:		
Equity payable to former member		7,262
Claims liabilities	<u>10,990,559</u>	<u>14,302,608</u>
Total Non-Current Liabilities	<u>10,990,559</u>	<u>14,309,870</u>
Total Liabilities	<u>13,814,557</u>	<u>18,529,998</u>
Net Assets - unrestricted	<u>11,967,109</u>	<u>10,172,475</u>
Total Liabilities and Net Assets	<u>\$25,781,666</u>	<u>\$28,702,473</u>

See independent auditors' report and notes to financial statements.

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

(Prior Year Data for Comparison Purposes Only)

DRAFT
SUBJECT TO FINAL
REVIEW AND APPROVAL
DRAFT DATE _____

	<u>Year Ended June 30,</u>	
	<u>2012</u>	<u>2011</u>
OPERATING REVENUES		
Deposit premiums	\$ 5,936,673	\$ 6,470,732
Other		209
Total Operating Revenues	<u>5,936,673</u>	<u>6,470,941</u>
EXPENSES:		
Claims paid	7,119,801	3,638,651
Change in claims liabilities	(4,712,049)	(1,198,080)
Insurance	1,656,773	1,968,850
Contract administration	288,480	289,000
General and administrative	102,686	135,179
Total Expenses	<u>4,455,691</u>	<u>4,833,600</u>
Operating Income	1,480,982	1,637,341
Other Income:		
Investment earnings	<u>313,652</u>	<u>406,491</u>
Change in Net Assets	1,794,634	2,043,832
Net Assets, Beginning of Year	<u>10,172,475</u>	<u>8,128,643</u>
Net Assets, End of Year	<u>\$11,967,109</u>	<u>\$10,172,475</u>

See independent auditors' report and notes to financial statements.

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

DRAFT

STATEMENT OF CASH FLOWS

**SUBJECT TO FINAL
REVIEW AND APPROVAL
DRAFT DATE _____**

(Prior Year Data for Comparison Purposes Only)

	<u>Year Ended June 30,</u>	
	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from:		
Members	\$ 5,917,460	\$ 6,448,948
Other		209
Cash payments for:		
Claims	(7,119,801)	(3,638,651)
Insurance	(1,656,773)	(1,968,850)
Contract administration	(289,807)	(288,957)
General and administrative	<u>(89,189)</u>	<u>(143,795)</u>
Net cash provided (used) by operating activities	(3,238,110)	408,904
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net increase in investments	1,678,727	(344,065)
Investment income	<u>305,017</u>	<u>434,297</u>
Net cash provided by investing activities	<u>1,983,744</u>	<u>90,232</u>
Net increase (decrease) in cash	(1,254,366)	499,136
Cash and cash equivalents, beginning of year	<u>4,836,660</u>	<u>4,337,524</u>
Cash and cash equivalents, end of year	<u>\$ 3,582,294</u>	<u>\$ 4,836,660</u>
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Net Operating Income	\$ 1,480,982	\$ 1,637,341
Changes in assets and liabilities:		
Member receivables	(4,690)	
Prepaid expenses	1,039	(3,348)
Accounts payable	11,131	(5,225)
Equity payable to former member	(14,523)	(21,784)
Claims liabilities	<u>(4,712,049)</u>	<u>(1,198,080)</u>
Net cash provided (used) by operating activities	<u>\$(3,238,110)</u>	<u>\$ 408,904</u>

See independent auditors' report and notes to financial statements.

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

DRAFT

STATEMENT OF FIDUCIARY NET ASSETS

**SUBJECT TO FINAL
REVIEW AND APPROVAL
DRAFT DATE _____**

(Prior Year for Comparison Purposes Only)

	<u>Investment Trust Fund</u>	
	<u>June 30,</u>	
	<u>2012</u>	<u>2011</u>
ASSETS:		
Investments	<u>\$90,992</u>	<u>\$90,006</u>
TOTAL ASSETS	<u>\$90,992</u>	<u>\$90,006</u>
NET ASSETS:		
Held in trust for rate stabilization fund participants	<u>\$90,992</u>	<u>\$90,006</u>
TOTAL NET ASSETS	<u>\$90,992</u>	<u>\$90,006</u>

See independent auditors' report and notes to financial statements.

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

(Prior Year for Comparison Purposes Only)

DRAFT
SUBJECT TO FINAL
REVIEW AND APPROVAL
DRAFT DATE _____

	<u>Investment Trust Fund</u>	
	<u>Year Ended June 30,</u>	
	<u>2012</u>	<u>2011</u>
ADDITIONS:		
Contributions:		
Investment Income	\$ 986	\$ 1,217
TOTAL ADDITIONS	<u>986</u>	<u>1,217</u>
CHANGES IN NET ASSETS	986	1,217
NET ASSETS - BEGINNING OF YEAR	<u>90,006</u>	<u>88,789</u>
NET ASSETS - END OF YEAR	<u>\$90,992</u>	<u>\$90,006</u>

See independent auditors' report and notes to financial statements.

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

DRAFT
SUBJECT TO FINAL
REVIEW AND APPROVAL
DRAFT DATE _____

NOTE 1 - ORGANIZATION:

The California Affiliated Risk Management Authorities (CARMA) was established by a Joint Powers Agreement in July, 1993, in accordance with Title I, Division 7, Chapter 5, Article I, Section 6500 of the California Government Code for the purpose of providing excess liability coverage through risk sharing among its members.

As of June 30, 2012, member entities included the Bay Cities Joint Powers Insurance Authority, the Vector Control Joint Powers Agency, the Municipal Pooling Authority, the Central San Joaquin Valley Risk Management Authority, and the Monterey Bay Area Self Insurance Authority.

CARMA is governed by a Board of Directors, which is comprised of appointed representatives from its member agencies. The Board approves the member deposit premiums necessary to cover each member's share of expected pooled program losses, insurance and administrative expenses.

Additional member premiums may be assessed if actuarially, the assets of the program as a whole are not sufficient to meet the expected losses of the program including claims incurred but not reported (IBNR) and unallocated loss adjustment expenses (ULAE). Likewise, the Board can declare a dividend after a program year is five years old and has reached a 70% confidence level, provided that the combined assets of the program as a whole after the dividend equal or exceed a confidence level of 70%.

Admission/Withdrawal of Members

Entities applying for membership must be approved by a majority vote of the Board members present and voting, and, if admitted, must pay an appropriate deposit contribution as established by the Board of Directors.

Upon three years of membership, members may withdraw from CARMA on July 1 of the following year by providing written notice to the Board of Directors by December 31 immediately preceding the withdrawal date. The effect of withdrawal (or termination) from the pooling program does not terminate the responsibility of the member to continue paying its share of assessments or other financial obligations incurred by reason of its previous participation. The Board may terminate a members' future membership with a two-thirds vote of the members' representatives.

Program Coverage

The Liability Program provides coverage for Bodily Injury and Property Damage, Personal Injury, and Public Officials Errors and Omissions under limited terms and conditions. The type of liability coverage, and/or limits of coverage, may be modified and changed upon Board approval. Coverage may be pooled or purchased at the discretion of the Board.

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

DRAFT
 SUBJECT TO FINAL
 REVIEW AND APPROVAL
 DRAFT DATE _____

(Continued)

Excess liability coverage provided to its members from inception through June 30, 2012 is as follows:

July 1, 2008 to June 30, 2012

Member deductible:	\$1 million
JPA's SIR:	\$3 million in excess of \$1 million
Reinsurance:	\$10 million in excess of \$4 million
Excess insurance:	Excess of \$14 million to \$29 million

July 1, 2007 to June 30, 2008

Member deductible:	\$1 million
JPA's SIR:	\$4 million in excess of \$1 million
Reinsurance:	\$10 million in excess of \$5 million
Excess insurance:	Excess of \$15 million to \$25 million

July 1, 2005 to June 30, 2007

Member deductible:	\$1 million
JPA's SIR:	\$4 million in excess of \$1 million
Reinsurance:	\$5 million in excess of \$5 million
Excess insurance:	Excess of \$10 million to \$20 million

July 1, 2003 to June 30, 2005

Member deductible:	\$1 million
JPA's SIR:	\$3 million in excess of \$1 million
	\$5 million in excess of \$10 million
Reinsurance:	Excess of \$4 million to \$10 million

July 1, 2000 to June 30, 2003

Member deductible:	\$1 million
JPA's SIR:	\$2 million in excess of \$1 million
Reinsurance:	25% of claims from \$1 million to \$3 million
	Excess of \$3 million to \$15 million

July 1, 1998 to June 30, 2000

Member deductible:	\$1 million
JPA's SIR:	\$2 million in excess of \$1 million
Reinsurance:	25% of claims from \$1 million to \$3 million
	Excess of \$3 million to \$10 million

July 1, 1994 to June 30, 1998

Member deductible:	\$1 million
JPA's SIR:	\$2 million in excess of \$1 million
Reinsurance:	Excess of \$3 million to \$10 million

July 1, 1993 (inception) to June 30, 1994

Member deductible:	\$1 million
JPA's SIR:	\$4 million in excess of \$1 million
Excess insurance:	Excess of \$5 million to \$10 million

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

(Continued)

DRAFT
SUBJECT TO FINAL
REVIEW AND APPROVAL
DRAFT DATE _____

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

Accounting Method

The accompanying financial statements have been prepared on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded in the accounting period in which the liability is incurred. Since CARMA discounts claims liabilities, anticipated investment income is considered in determining if a premium deficiency exists. CARMA applies all applicable FASB pronouncements issued before November 30, 1989 in accounting and reporting for its operations, except where superceded by GASB pronouncements. CARMA has elected not to apply FASB pronouncements issued after November 30, 1989.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

As a governmental agency, CARMA is exempt from both federal income taxes and California state franchise taxes.

Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include all highly liquid short-term investments with an original maturity of three months or less.

Investments

Investments are stated at fair value on quoted market prices and consist primarily of Federal agency securities, U.S. treasury notes, U.S. Government supported corporate debt, corporate notes and deposits with the Local Agency Investment Fund (LAIF).

Excess Insurance/Reinsurance

CARMA has purchased specific occurrence excess insurance (reinsurance effective July 1, 1997) from commercial carriers for the Liability Program. For the 2011/12 year, CARMA purchased reinsurance of \$10 million in excess of \$4 million and excess insurance coverage of \$15 million in excess of \$14 million. The policies provide coverage for losses related to individual occurrences above the corresponding policy year's specific self-insured retention (SIR), and are limited to each policy year's specific coverage limit.

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

(Continued)

DRAFT
SUBJECT TO FINAL
REVIEW AND APPROVAL
DRAFT DATE _____

The JPA does not report any liabilities that are the responsibility of the excess insurance carrier.

Classification of Revenues

CARMA has classified its revenue as either operating or non-operating revenues. Certain significant revenue streams relied upon for operations are recorded as non-operating revenues, as defined by GASB Statement 34. Revenues and expenses are classified according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as insurance premiums, assessments for insured events and administration fees.

Non-operating revenues: Non-operating revenues include activities that have the characteristics of non exchange transactions and other revenue sources described in GASB Statement 34 such as investment earnings.

Financial Statement Presentation

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the prior year financial statements, from which this data was derived.

NOTE 3 - CASH AND INVESTMENTS:

Cash and investments held by CARMA are reflected in the accompanying balance sheet at June 30, 2012 as follows:

Cash and cash equivalents	<u>\$ 3,582,294</u>
Investments:	
Current	1,327,405
Non-current	<u>20,747,852</u>
Total Investments	<u>22,075,257</u>
Total	<u>\$25,657,551</u>

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

(Continued)

DRAFT
SUBJECT TO FINAL
REVIEW AND APPROVAL
DRAFT DATE _____

Cash and investments held by CARMA at June 30, 2012 consisted of the following:

Deposits	\$ 3,651
Investments	25,744,892
Less: Assets held in trust for investment pool participants	<u>(90,992)</u>
Total	<u>\$25,657,551</u>

Investments Authorized by the California Government Code and the Entity's Investment Policy

The table below identifies the investment types that are authorized for CARMA by the California Government Code and CARMA's investment policy. The table also identifies certain provisions of the California Government Code (or CARMA's investment policy, if more restrictive) that addresses interest rate risk and concentration of credit risk.

Investment Types Authorized by State Law	Authorized By Investment Policy	*Maximum Maturity	*Maximum Percentage of Portfolio	*Maximum Investment in One Issuer
Local Agency Bonds	Yes	5 years	None	None
U.S. Treasury Obligations	Yes	5 years	None	None
U.S. Agency Securities	Yes	5 years	None	None
Banker's Acceptances	Yes	180 days	40%	10%
Commercial Paper	Yes	270 days	25%	10%
Negotiable Certificates of Deposit	Yes	5 years	30%	None
Repurchase Agreements	Yes	15 days	None	None
Reverse Repurchase Agreements	No	N/A	N/A	N/A
Medium-Term Notes	Yes	5 years	30%	15%
Mutual Funds	No	N/A	20%	10%
Money Market Mutual Funds	Yes	N/A	15%	None
Mortgage Pass-Through Securities	No	5 years	20%	None
County Pooled Investment Funds	No	N/A	None	None
Local Agency Investment Fund (LAIF)	Yes	N/A	\$50 million	None
California Asset Management Program (CAMP)	Yes	N/A	None	None
JPA Pools (other investment pools)	No	N/A	None	None

*Based on state law requirements or investment policy requirements, whichever is more restrictive.

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

(Continued)

DRAFT
SUBJECT TO FINAL
REVIEW AND APPROVAL
DRAFT DATE _____

Disclosures Relating to 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. One of the ways that CARMA manages its exposure to interest rate risk is 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.

Information about the sensitivity of the fair values of CARMA's investments to market interest rate fluctuations is provided by the following table that shows the distribution of CARMA's investments by maturity:

Investment Type	Total	Remaining Maturity (in Months)		
		12 Months Or Less	13 to 24 Months	25-60 Months
U.S. Treasury Notes	\$ 5,648,714	\$	\$ 1,290,739	\$4,357,975
Federal Agency Securities	7,526,021		6,214,108	1,311,913
Municipal Bonds	717,287		217,802	499,485
Corporate Notes	6,497,089	727,379	3,540,801	2,228,909
Certificates of Deposit	1,777,138	600,026	1,177,112	
State Investment Pool	3,550,057	3,550,057		
Money Market Funds	28,586	28,586		
Total	<u>\$25,744,892</u>	<u>\$4,906,048</u>	<u>\$12,440,562</u>	<u>\$8,398,282</u>

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

CARMA's investments include the following investments that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above):

Highly Sensitive Investments	Fair Value at Year End
Callable Notes and Bonds. These securities are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows affects the fair value of these securities and makes the fair values of these securities highly sensitive to changes in interest rates.	\$655,060

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

(Continued)

DRAFT
SUBJECT TO FINAL
REVIEW AND APPROVAL
DRAFT DATE _____

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, CARMA's investment policy, or debt agreements, and the actual Standard and Poors rating as of year end for each investment type.

Investment Type	Amount	Minimum Legal Rating	Rating as of Year End					Not Rated
			AAAm	A-1	A	AA	AAA	
U.S. Treasury Notes	\$ 5,648,714	N/A	\$	\$	\$	\$ 5,648,714	\$	\$
Federal Agency Securities	7,526,021	N/A				7,526,021		
Municipal Bonds	717,287	N/A				442,884	274,403	
Corporate Notes	6,497,089	A			3,042,409	2,727,573	727,107	
Certificates of Deposit	1,777,138	A		1,202,108		575,030		
State Investment Pool	3,550,057	N/A						3,550,057
Money Market Fund	28,586	A	28,586					
Total	\$25,744,892		\$28,586	\$1,202,108	\$3,042,409	\$16,920,222	\$1,001,510	\$3,550,057

Concentration of Credit Risk

The investment policy of CARMA contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total CARMA investments are as follows:

Issuer	Investment Type	Reported Amount
FNMA	Federal agency securities	\$3,044,541
FMCC	Federal agency securities	\$1,784,069
FHLB	Federal agency securities	\$1,698,092

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

(Continued)

DRAFT
SUBJECT TO FINAL
REVIEW AND APPROVAL
DRAFT DATE _____

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. None of CARMA's investments were subject to custodial credit risk. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF). The California Government Code and CARMA'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 public entity deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2012, none of CARMA's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

Managed Investment Pools

CARMA is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code under the oversight of the Treasurer of the State of California. The fair value of CARMA's investment in this pool is reported in the accompanying financial statements at amounts based upon CARMA'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 balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on the amortized cost basis.

As of June 30, 2012, CARMA's investments in the California Asset Management Program (CAMP) pool was \$28,586. A board of five trustees who are officials or employees of public agencies has oversight responsibility for CAMP. The value of the pool shares in CAMP, which may be withdrawn, is determined on an amortized cost basis.

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

(Continued)

DRAFT
SUBJECT TO FINAL
REVIEW AND APPROVAL
DRAFT DATE _____

NOTE 4 - UNPAID CLAIMS:

CARMA has established a reserve for unpaid claims, based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported, but not settled, and of claims that have been incurred, but not reported. The incurred but not reported claims have been estimated by management based upon an actuarial study performed by CARMA's consulting actuary at the expected confidence level and are discounted at 2.5% for 2011/2012 and 3.5% for 2010/2011. The claims reserves have been estimated by the litigation manager based upon prior experience with similar claims. Because actual costs depend on such factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claim liabilities does not necessarily result in an exact amount. Accordingly, the reserve for claims is recomputed annually to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. Adjustments to the reserves are charged to income or expense in the period in which they are made. The face value (undiscounted) amount of the liabilities for unpaid claims at June 30, 2012 and 2011 is \$14,787,270 and \$20,141,094, respectively.

The following represents changes in the total reserves for unpaid claims of CARMA during the past two years:

	<u>2011/2012</u>	<u>2010/2011</u>
Unpaid claims and claim adjustment expenses at beginning of the fiscal year	<u>\$18,502,608</u>	<u>\$19,700,688</u>
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current fiscal year	3,605,940	2,604,570
Change in provision for insured events for prior fiscal years	<u>(1,198,188)</u>	<u>(163,999)</u>
Total incurred claims and claim adjustment expenses	<u>2,407,752</u>	<u>2,440,571</u>
Payments/Recoveries:		
Claims and claim adjustment expenses attributable to insured events of the prior fiscal years	<u>7,119,801</u>	<u>3,638,651</u>
Total payments	<u>7,119,801</u>	<u>3,638,651</u>
Total unpaid claims and claim adjustment expenses at the end of the fiscal year	<u>\$13,790,559</u>	<u>\$18,502,608</u>

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

(Continued)

DRAFT
SUBJECT TO FINAL
REVIEW AND APPROVAL
DRAFT DATE _____

NOTE 5 - EQUITY PAYABLE TO FORMER MEMBER:

During 2008/2009, one of CARMA's members (PARSAC) provided a written notice of intent to withdraw their membership effective July 1, 2009. The terms of the settlement agreement required PARSAC to compensate CARMA \$72,615 for future administrative costs relating to claims that existed at June 30, 2009. These costs were to be apportioned to the following four years in descending increments. \$21,785 and \$14,523 were budgeted and reflected as premium contributions in the 2010/2011 and 2011/2012 program years respectively.

Under the agreement, the entire liability was satisfied by reducing PARSAC's existing equity in CARMA by \$72,615 on June 30, 2009. At June 30, 2012, the remaining balance of \$7,262 will be allocated to future program years as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2013	<u>\$7,262</u>

NOTE 6 - RATE STABILIZATION FUND:

The Rate Stabilization Fund was established to give members' the option of either taking a distribution of board declared dividends or having CARMA retain the funds to invest on the members' behalf. These monies can then be used by members in future years to help stabilize rates. Investment income is allocated to the Rate Stabilization Fund based on its balance relative to the total balance of all cash and investments of CARMA. At June 30, 2012, the balance of the Rate Stabilization Fund was \$90,992. The activities of the Rate Stabilization Fund are reported in a fiduciary fund and therefore, have been excluded from the balance sheet.

DRAFT
SUBJECT TO FINAL
REVIEW AND APPROVAL
DRAFT DATE _____

ADDITIONAL INFORMATION

JUNE 30, 2012

DRAFT
SUBJECT TO FINAL
REVIEW AND APPROVAL
DRAFT DATE _____

The following table illustrates how CARMA's earned revenue (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Program for its most current ten year period. The rows of the table are defined as follows:

- (1) This line shows the total of each fiscal year's gross earned premiums and reported investment revenue amounts of premiums ceded and reported premiums (net of reinsurance) and reported investment revenue.
- (2) This line shows each fiscal year's other operating costs of the Program including overhead and loss adjustment expenses not allocable to individual claims.
- (3) This line shows the 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 accident year).
- (4) This section of rows shows the cumulative net amounts paid as of the end of successive years for each accident year.
- (5) This line shows the latest reestimated amount of losses assumed by reinsurers for each accident year.
- (6) This section of rows shows how each accident year's net amount of losses increased or decreased as of the end of successive years. (This annual reestimation results from new information received on known losses, reevaluation of existing information on known losses, and emergence of new losses not previously known.)
- (7) This line compares the latest reestimated net incurred losses amount to the amount originally established (line 3) and shows whether this latest estimate of losses is greater or less than originally thought. As data for individual accident years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of net incurred losses currently recognized in less mature accident years. The columns of the table show data for successive accident years.

CALIFORNIA AFFILIATED RISK MANAGEMENT AUTHORITIES

CLAIMS DEVELOPMENT INFORMATION

JUNE 30, 2012

	<u>2002/2003</u>	<u>2003/2004</u>	<u>2004/2005</u>	<u>2005/2006</u>	<u>2006/2007</u>	<u>2007/2008</u>	<u>2008/2009</u>	<u>2009/2010</u>	<u>2010/2011</u>	<u>2011/2012</u>
1. Required contribution and investment revenue:										
Earned	\$3,731,901	\$ 4,747,603	\$5,887,580	\$6,354,632	\$6,505,800	\$ 7,459,934	\$8,209,998	\$6,455,754	\$6,470,732	\$5,936,673
Ceded	<u>1,371,418</u>	<u>1,655,431</u>	<u>1,892,542</u>	<u>2,391,237</u>	<u>2,431,716</u>	<u>1,851,634</u>	<u>2,340,563</u>	<u>1,977,415</u>	<u>1,968,850</u>	<u>1,656,773</u>
Net earned before allocated interest	2,360,483	3,092,172	3,995,038	3,963,395	4,074,084	5,608,300	5,869,435	4,478,339	4,501,882	4,279,900
Allocated interest earned	435,788	811,183	441,147	833,746	739,850	627,179	327,831	158,641	79,523	22,345
Total net earned	2,796,271	3,903,355	4,436,185	4,797,141	4,813,934	6,235,479	6,197,266	4,636,980	4,581,405	4,302,245
2. Unallocated expenses	259,386	265,085	303,628	290,728	331,143	358,877	384,858	419,586	397,960	366,054
3. Estimated claims and expenses, end of program year:										
Incurred	769,168	2,253,204	1,948,983	2,808,665	2,672,246	3,437,232	3,236,455	2,538,500	2,604,570	3,605,940
Ceded		<u>2,253,204</u>	<u>1,948,983</u>	<u>2,808,665</u>	<u>2,672,246</u>	<u>3,437,232</u>	<u>3,236,455</u>	<u>2,538,500</u>	<u>2,604,570</u>	<u>3,605,940</u>
4. Net paid (cumulative) as of:										
End of program year				250,000						
One year later	600,000			225,887						
Two years later	466,843	199,869		225,887		945,375	2,278,229			
Three years later	466,843	4,854,796		617,983	434,901	956,223	2,286,599			
Four years later	492,788	6,845,307	707,984	707,984	933,344	1,924,928				
Five years later	1,112,442	102,284	6,845,307	1,483,045	2,384,493					
Six years later	1,102,103	466,183	6,845,307	6,078,222						
Seven years later	1,102,103	542,252								
Eight years later	1,102,103	638,652								
Nine years later	1,102,103									
5. Reestimated ceded claims and expenses	381,152	6,213,233		1,127,170						
6. Reestimated net incurred claims and expenses:										
End of program year	769,168	2,253,204	1,948,983	2,808,665	2,672,246	3,437,232	3,236,455	2,538,500	2,604,570	3,605,940
One year later	1,447,276	2,149,571	2,044,823	2,484,890	3,015,138	3,519,853	5,783,645	2,566,637	2,995,151	
Two years later	1,795,751	1,631,741	2,034,908	2,176,689	2,291,421	2,290,248	4,430,931	1,395,945		
Three years later	1,531,260	1,410,971	8,184,870	4,068,383	2,123,243	2,534,634	3,143,063			
Four years later	2,282,961	1,021,530	7,936,805	7,321,096	2,726,738	2,566,739				
Five years later	1,814,011	1,202,684	7,426,558	7,869,582	3,165,557					
Six years later	1,660,177	1,199,943	7,187,908	7,924,628						
Seven years later	1,390,485	1,305,557	7,296,968							
Eight years later	1,396,971	1,392,843								
Nine years later	1,438,582									
7. Increase (decrease) in estimated net incurred claims and expenses from end of program year	\$ 669,414	\$ (860,361)	\$5,347,985	\$5,115,963	\$ 493,311	\$ (870,493)	\$ (93,392)	\$(1,142,555)	\$ 390,581	

DRAFT
SUBJECT TO FINAL
REVIEW AND APPROVAL, 2012
DRAFT DATE _____

Board of Directors
California Affiliated Risk Management Authorities
Sacramento, California

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

We have audited the financial statements of California Affiliated Risk Management Authorities (CARMA), as of and for the year ended June 30, 2012, and have issued our report thereon dated , 2012. We conducted our audit in accordance with 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.

Internal Control Over Financial Reporting

Management of CARMA is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered CARMA's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CARMA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of CARMA's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and other Matters

As part of obtaining reasonable assurance about whether CARMA's financial statement are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 disclose no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of CARMA's management and Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

COVERAGE MATTERS

SUBJECT: Discussion Regarding Coverage for Potential Liability Exposures of “Successor Agencies” and “Oversight Boards” to the Now-Dissolved Redevelopment Agencies

BACKGROUND AND STATUS:

A member of CARMA has requested information on whether there is CARMA liability coverage for appointees or staff members of Successor Agencies and/or Oversight Boards arising out of dissolution of the now-dissolved Redevelopment Agencies (“RDAs”). The new legislation creating the Successor Agencies and the Oversight Board is summarily discussed below, along with a brief discussion of the issues and staff’s recommendations.

New Legislation: RDAs were formed to promote affordable housing and for renovation and restoration of public property, among other purposes. Effective February 1, 2012, the 400 RDAs and Community Development Agencies that existed in the state of California were dissolved by legislation. That legislation was subsequently modified by a California Supreme Court decision. In the end, RDAs were disbanded and “*Successor Agencies*” to the RDAs were created. These Successor Agencies have “all the authority, rights, powers, duties and obligations previously vested” with the former RDAs. The express purposes of the Successor Agencies are to 1) make payments on the redevelopment agencies’ ‘enforceable obligations’ and 2) *wind down the activities* of the redevelopment agency through the sale and disposition of assets and properties. These Successor Agencies are considered public entities and are separate from the city or county that originally established RDAs. However, the entity that authorized the creation of the RDA becomes the Successor Agency unless it decides to opt out of this responsibility by submitting a resolution to the County Auditor-Controller. The staff of the Successor Agency will come from the city or county. Each Successor Agency has its own name, can be sued, and can purchase its own liability coverage.

Additionally, each Successor Agency will have an “*Oversight Board*” by May 1, 2012, who will have the authority to direct and control the decisions of the Successor Agency. Certain actions of the Successor Agency will require approval of the Oversight Board. The Oversight Board has a statutory, fiduciary responsibility to the holders of enforceable obligations and to the taxing entities that will benefit from the distribution of property tax and other revenue. The decisions of the Oversight Board will “supersede those made by the successor agency or the staff of the

successor agency.” In other words, the Oversight Board can overrule decisions made by a Successor Agency. Also, the State Department of Finance may review any action of the Oversight Board.

These Oversight Boards are only going to exist for approximately three years. There is no provision in the law that identifies these Oversight Boards as separate legal entities. These seven-member Oversight Boards are appointed by various governmental entities, including the city, county, school district, special districts, or the Governor, which means it may have employees other than employees of an underlying CARMA Member. The statute specifically affords personal and governmental immunities to these appointees that are currently enjoyed by public entities and public employees. Each Oversight Board member serves at the pleasure of the entity that appointed that member.

Issues for Consideration: As a result of this new legislation, there are two issues for consideration: (1) whether there is coverage through CARMA for the Successor Agencies and (2) whether there is coverage for the Oversight Board.

1. **Coverage for Successor Agencies** – CARMA does not specifically include RDAs as a Named Covered Party. RDAs were previously considered a “Covered Party” because it was an agency or board “coming under the Member’s control, or for which the Member’s board members sit as the governing body . . .” Because Successor Agencies are now considered separate public entities from the former RDA or from the city of a CARMA Member, CARMA must determine whether its liability coverage extends to the acts or omissions of the staff of the Successor Agencies. If it is the desire of the Board to afford this coverage, several scenarios are created, one of which would involve CARMA’s excess coverage and reinsurance:
 - a. If the Board elects to provide coverage for the limited time period these agencies will be in existence by the issuance of a Certificate of Covered Party to the Successor Agency as an Additional Covered Party for Occurrences arising out of its specifically-described activity [refer to Memorandum of Coverage (MOC), Definitions, 7. “Covered Party” (c)] or by endorsement rather than amending the MOC, our excess and reinsurance providers will need to review these agencies for approval.
 - b. If the Board elects to provide coverage for the limited time period these agencies

a will be in existence by construing the MOC to include the Successor Agencies as “Covered Party” even though they do not come “under the Member’s control” (due to the establishment and authority of the Oversight Board), no approval by CARMA’s excess or reinsurance providers is needed.

- c. If the Board elects to provide coverage for the limited time period these agencies will be in existence, it can amend the MOC to specifically address this new legislation.
2. **Coverage for the Oversight Board** – Staff of these Oversight Boards will consist of persons from entities outside of and separate from employees of a city of a CARMA Member. Since the CARMA Member’s Board will not be the governing body, it will not be in a position to “control” the activities of the Oversight Boards. Because of this situation, the liability exposures are far removed from any control of the Member and are beyond the scope of the CARMA liability coverage.

Claims History: Historically, CARMA has had no claims involving RDAs and is currently researching the potential liability risks inherent in the roles of the Successor Agency or the Oversight Board. Although largely unknown at this point, it is likely that claims, if any, would involve breach of contract, violation of fiduciary duties, or for fines and penalties, all of which are normally excluded from coverage. If coverage is extended to Successor Agencies, the claim must still arise out of an Occurrence subject to all the conditions and exclusions in the MOC.

Due to the nature of the activities of the Successor Agencies, being like, kind of the RDA’s, staff recommends that liability coverage be extended to Successor Agencies, limiting coverage to Occurrences arising out of the specifically-described activities of the Successor Agencies. If the Board concurs, staff would need (1) direction as to which of the three options the CARMA Board desires and (2) authorization to determine which CARMA Members have Successor Agencies and whether those Members are currently providing liability coverage for the Successor Agencies, and the number of employee staffing the Agency.

As to coverage for the Oversight Boards, staff recommends that the CARMA Board affirm that there is no liability coverage for appointees to the Oversight Board.

RECOMMENDATION:

The Board of Directors approves that liability coverage be extended to Successor Agencies, limiting coverage to Occurrences arising out of the specifically-described activities of the Successor Agencies, and affirm that there is no liability coverage for appointees to the Oversight Board.

REFERENCE MATERIALS ATTACHED:

- League of California Cities – April 30, 2012
- League of California Cities – April 24, 2012
- Letter to CARMA – RDA Successor Agencies and Oversight Boards

City Attorneys' Department, Post-Redevelopment Working Group**Subgroup 1: Successor Agency & Oversight Board**

Questions & Answers

GENERAL DISCLAIMER: This document represents an attempt to interpret the requirements of AB x1 26 as modified by the California Supreme Court in *California Redevelopment Association v. Matosantos*. This document does not constitute legal advice. Given the significant ambiguities in AB x1 26, it is important to consult with legal counsel regarding any issues discussed in this document. Statements made in this document reflect the consensus or recommendation of the subgroup that drafted this document in consultation with the members of the entire Working Group. No statement in this document should be attributed to any individual member of the subgroup or the Working Group. Where appropriate, this document discusses the interpretation, recommendations, and advice of other entities, such of the Department of Finance and the county auditor-controllers. These discussions do not necessarily represent an endorsement or agreement with the interpretation, recommendation, or advice, but are being provided solely as further information. This document represents an analysis as of the date set forth in the footer below. This document will be updated as needed to reflect legislative changes, and new information received by the Working Group. If you have questions or comments regarding this document, please direct them to Patrick Whitnell, General Counsel for the League of California Cities, at pwhitnell@cacities.org.

Q&A Number 1:

Q: What is a successor agency?

A: A successor agency is an entity that is designated by AB x1 26 to serve as the successor to the dissolved redevelopment agency.¹ In that capacity, the successor agency has all authority, rights, powers, duties and obligations previously vested with the former redevelopment agencies that were not repealed by ABX1 26.² The successor agency is charged, generally, with carrying out the enforceable obligations of the former redevelopment agency, repaying outstanding debts of the former redevelopment agency, and disposing of the former redevelopment agency's non-housing property and assets. The city, county, or city and county that authorized the creation of the redevelopment

¹Health & Safety Code §34173(a). Unless otherwise specified, all statutory references in this Q&A are to the Health & Safety Code.

² §34173(b).

agency is the successor agency, unless that entity affirmatively decided by resolution not to serve as the successor agency.³ If the creating entity chose not to act as the successor agency, any other city, county or special district within the same county had the option to elect to become the successor agency by submitting a resolution to the county auditor controller. The first agency to submit such a resolution became the successor agency. In those jurisdictions where no local agency elected to serve as a successor agency, a “designated local authority” was formed by operation of law to serve as the successor agency, and the Governor appointed three residents of the county where the redevelopment agency was located to serve as the governing board of the designated local authority.

Q&A Number 2:

Q: What is an oversight board?

A: Each successor agency has an oversight board. The oversight board is a seven member board established by AB x1 26 to oversee the successor agency in its efforts to wind down the former redevelopment agency’s operations. Certain successor agency actions are subject to oversight board approval, including the Recognized Obligation Payment Schedule (“ROPS”).⁴ The oversight board is also required to direct the successor agency to carry out specific tasks, including the disposal of former redevelopment agency assets and properties, the transfer of affordable housing responsibilities to the entity that assumes those responsibilities, and the termination or renegotiation of outstanding agreements, if that would be in the best interests of the taxing entities. Oversight boards have a fiduciary responsibility to holders of enforceable obligations and the taxing entities that benefit from the distribution of property tax and other revenues.⁵

Oversight board members are appointed by governmental entities located in the city, county or city and county that created the former redevelopment agency, including, the county board of supervisors, the mayor of the city, the largest special district (determined by property tax share), the county superintendent of education or county board of education, and the Chancellor of California Community Colleges. The oversight board also includes one member of the public appointed by the county board of supervisors and one member representing the employees of the former redevelopment agency appointed by the mayor from the recognized employee organization representing the largest number of former redevelopment agency employees employed by the successor agency at that time.⁶ The Governor may appoint an oversight board member to fill any oversight board member position that has not been filled or any oversight board member position that remains vacant for more than 60 days. (Health and Safety Code § 34179(b).) Each oversight board member shall serve at the pleasure of the entity that appointed such member.⁷

³ §34171(j); 34173.

⁴ A complete list of actions subject to oversight board approval is found at §34180.

⁵ §34179(i).

⁶ §34179(a).

⁷ §34179(g).

The Department of Finance (DOF) may review any oversight board action. Oversight board actions are not effective for three business days, pending a request for review by DOF.⁸

Q&A Number 3:

Q: Who does the oversight board represent?

A: Although the members of the oversight board are appointed by the various interested parties as discussed above and serve at the pleasure of their appointing authority, the oversight board has a fiduciary responsibility to holders of enforceable obligations and the taxing entities that benefit from the distribution of property tax and other revenues.⁹

Q&A Number 4

Q: Is a successor agency a separate and independent legal entity?

A: There is some difference of opinion among attorneys on whether or not, assuming that the city or county that created the redevelopment agency assumes the role of successor agency, the successor agency is a separate legal entity from the city or county. ABx1 26 defines “successor agency” to mean “the county, city, or city and county that authorized the creation of each redevelopment agency or another entity as provided in Section 34173.” ABx1 26 does not specifically declare that the successor agency is an independent public entity, or a “public body, corporate and politic,” as was the case for redevelopment agencies.¹⁰ Given that the definition of “successor agency” means the city or county that authorized the redevelopment agency’s creation, many redevelopment and city attorneys have advised that the successor agency is not a separate legal entity, but that the city or county has been designated as the successor agency, and then carries out the responsibilities under ABx1 26 in that capacity.

On the other hand, many attorneys note that other provisions of ABx1 26 do imply that the successor agency is a separate entity. For example, the law declares that the successor agency is a public agency for purposes of the Meyers-Milias-Brown Act, and the successor agency shall become the employer of the employees of the former redevelopment agency.¹¹ Further, the successor agency is permitted to enter into agreements with the city or county that created the redevelopment agency, which would suggest that the successor agency is a legal entity separate and apart from city or county.¹² As a result of these conflicting provisions, there is not a definitive answer to this question.¹³

⁸ §34179(h).

⁹ §34179(i).

¹⁰ See §33100.

¹¹ §34190(c), (e).

¹² §34178(a).

¹³ AB 1585 (Perez), pending in the Senate, proposes to clarify that the successor agency is a separate legal and political entity from the city or county.

Q&A Number 5:

Q: Which special district is entitled to appoint a member to the Oversight Board?

A: Section 34179(a)(3) states that one member of the oversight board is appointed by “the largest special district, by property tax share, with territory in the territorial jurisdiction of the former redevelopment agency, which is of the type of special district that is eligible to receive property tax revenues pursuant to Section 34188.” ABx1 26 does not specifically define “special district,” but since the special district is selected based on “property tax share,” many cities have assumed that the special districts are as defined in Revenue & Taxation Code §95(m), which defines “special districts” for purposes of determining property tax allocations.¹⁴ ABx1 26 does not clearly explain how to determine which special district has the largest property tax share. This could be interpreted as the special district that receives the most property tax generally, whether or not that property tax comes from within the jurisdiction of the redevelopment agency. It could also be interpreted to mean the special district with the largest share of property tax within the city where the redevelopment agency is located. However, it appears that in most counties the special district selected has been the one that has received the largest property tax share *from within existing redevelopment project areas*. This approach makes logical sense, in that it allows the special district that receives the most property tax from the project area to represent the interests of special districts on the oversight board.¹⁵

Q&A Number 6:

Q: Who may serve as the employee representative to the oversight board if there are (a) no redevelopment agency employees and/or (b) no bargaining unit representing redevelopment agency or city employees?

A: Section 34179(a)(7) requires that one member of the oversight board be appointed by the mayor or chair of the board of supervisors “from the recognized employee organization representing the largest number of former redevelopment agency employees employed by the successor agency at that time” to represent the employees of the former redevelopment agency. Most redevelopment agencies throughout the state did not have

¹⁴ The definition of special districts in Rev. & Tax. Code §95(m) includes a county services area, a maintenance district or area, an improvement district or improvement zone, or any other zone or area formed for the purpose of designating an area within which a property tax will be levied to pay for a service or improvement benefiting that area, and explicitly *excludes* cities, counties, school districts, or community college districts.

¹⁵ Although the statutory language is not entirely clear, the determination of the largest property tax share for special districts should likely be calculated based on property taxes allocated prior to any allocations to the Educational Revenue Augmentation Fund (ERAF). Section 34179(a)(3) specifies that the special district representative must come from a district that is eligible to receive property tax revenues pursuant to Section 34188. Section 34188, in turn, declares that “[p]roperty tax shares of local agencies shall be determined based on property tax allocation laws in effect on the date of distribution, without the revenue exchange amounts allocated pursuant to Section 97.68 and the property taxes allocated pursuant to Section 97.70 of the Revenue and Taxation Code [the sections that provide for ERAF allocations].” If the percentage division of property taxes is calculated without regard to ERAF, then it makes sense to also determine the special district representative based on the same methodology. The relative shares of property taxes can, in some instances, be different before and after allocation to ERAF, so the special district representative may be different based on the manner of calculation.

their own employees. City employees would, in most cases, spend a portion of their time administering the redevelopment program, and the redevelopment agency would pay the City for the proportionate costs of those employees, based on the amount of time spent by the employees on redevelopment activities. In addition, in some cities the employees that worked on redevelopment matters were not part of a recognized employee organization.

In either of those cases, it will be impossible for the mayor to make an appointment in compliance with the letter of the law. Nonetheless, Section 34179(a) clearly intends to include a member on the oversight board to represent the interests of the employees that worked for the redevelopment agency. In those cases where literal compliance with the appointment requirements will be impossible, the mayor should be given some latitude to make an appointment that is consistent with the intent of the law, and his or her appointment should be given some deference. However, the mayor should make an effort to comply with the appointment requirements as closely as possible. For example, if the redevelopment program had been implemented by city employees, and those city employees were part of an employee organization, the appointment should be made from the employees that are members of that employee organization. If the employees that worked on redevelopment matters were not represented by an employee organization, the appointment should be made from those employees that worked on redevelopment matters. Ultimately, however, the mayor is responsible for this appointment and the oversight board should respect his or her decision on how best to fill this position in a manner consistent with the intent of the law.

Q&A Number 7:

Q: Are there any noticing requirements for oversight board meetings?

A: The oversight board is a public entity subject to the Brown Act, and therefore must post its meeting agendas not less than 72 hours in advance of the meeting.¹⁶ Furthermore, all notices required for any oversight board actions must be posted on the website of the successor agency or the oversight board.¹⁷ The successor agency must also post a copy of the approved ROPS on its website.¹⁸

Q&A Number 8:

Q: Are oversight board members required to take an oath of office, and if so who shall administer the oath?

A: Unless otherwise provided, all public officers filling any offices created by laws for the of each county, city, city and county, district and authority (including departments, divisions, bureaus, boards, commissions, agencies, or instrumentalities) must take the oath of office set forth in Section 3 Article XX of the California Constitution.¹⁹ The oversight board members are “officers” within the definition set forth in state law and

¹⁶ §34179(e).

¹⁷ §34179(f).

¹⁸ §34177(l)(2)(C).

¹⁹ Cal. Const. art. XX, §3; Gov’t Code §§1001, 1360.

should take the oath of office. As a practical matter, any local government officer can administer the oath.²⁰ For example, a member of the City Clerk's office who attends the oversight board meeting, may administer the oath. However, if the clerk or one of his or her deputies is unavailable then any person authorized under State law may administer the oath to the oversight board members.

Q&A Number 9:

Q: Are the oversight board members and/or successor agency members required to receive AB 1234 training?

A: Oversight board members are not required to attend AB 1234 ethics training based on their membership on the oversight board. AB 1234 requires that any local agency official who receives any type of compensation or reimbursement for performance of official duties must take required ethics training.²¹ However, AB x1 26 explicitly states that oversight board members are not entitled to any compensation or reimbursement for their service on the oversight board. (§34179(c).)

Q&A Number 10:

Q: Are there any potential Government Code section 1090 conflict issues for oversight board members to consider?

A: The Post-Redevelopment Working Group, in consultation with the City Attorneys' Department's FPPC Committee are reviewing this issues. This question will be the subject of a future Question & Answer.

Q&A Number 11:

Q: Who may provide legal representation to the oversight board?

A: There is no specific requirement that the oversight board have its own legal counsel. Most city attorneys are, as part of their services to the city, serving as counsel to the successor agency. In this role they are advising cities in the preparation of their ROPS, how to proceed in implementing existing enforceable obligations, and related issues. As discussed above, the oversight board has approval authority over a variety of successor agency actions, including the ROPS and disposal of former redevelopment agency property. The oversight board may in some cases want to take actions that will possibly benefit the taxing entities, but are directly contrary to the successor agency's interests. If the city attorney chooses to advise both successor agency and oversight board, he or she will be caught in the middle of this conflict. California Rule of Professional Conduct 3-0310 prohibits simultaneous representation of adverse interest in the same matter. This conflict cannot be waived by the clients, even with informed written consent.

This potential conflict situation has been handled in different ways. Many city attorneys

²⁰ Gov't Code § 1362.

²¹ Government Code §§53234(c), 53235(a).

have made clear to the oversight board that they only represent the successor agency, and not the oversight board. Other city attorney's have informed the oversight boards that as legal counsel to the successor agency, they will provide services to the oversight board to the extent that a conflict does not arise. In the event of an actual conflict, or if the oversight board otherwise requests separate legal counsel regarding a particular issue, separate legal counsel will be retained. Additionally, the various oversight board members have the option of seeking advice from the legal counsel of the body that appointed each of them, to assist in making decisions related to their responsibilities as oversight board members.

The law is silent as to whether the costs of separate legal counsel for the oversight board should be considered an administrative cost of the successor agency, an enforceable obligation listed on the ROPS, or some other cost payable from some other source. Some jurisdictions have taken the position that if the oversight board chooses to obtain its own legal counsel it should list that expense as a separate line item on the ROPS and pay the separate counsel out of the property taxes received by the successor agency. Others have chosen to include the costs of oversight board legal counsel as part of the successor agency's administrative budget, or may plan to do so in the event that separate legal counsel is needed.²² ABx1 26 does not provide a clear answer to this question, and a variety of approaches may be appropriate, based on the size of jurisdiction, complexity of the wind down process, and other issues.

Q&A Number 12:

Q: What are the roles of the oversight board and successor agency in implementing existing redevelopment agreements?

A: The successor agency is the successor in interest to the redevelopment agency and assumes responsibility for administering all contracts leases and other assets of the redevelopment agency.²³ In this role, the successor agency is required to continue making payments due for enforceable obligations, and perform obligations required pursuant to enforceable obligations.²⁴ The successor agency also oversees development of properties pursuant to enforceable obligations until contracted work has been completed or those contractual obligations can be transferred to other parties.²⁵

ABx1 26 declares that the oversight board, in turn, has the authority to direct the successor agency to cease performance in connection with and to terminate all existing agreements that do not qualify as enforceable obligations; terminate agreements with any other public entity in the county if the oversight board thinks it will be in the best interest of the taxing entities; and terminate or renegotiate contracts with third parties if that

²² § 34179(c) but see, also, § 34177(j)(1) which seems to limit the administrative budget to "successor agency administrative costs." Note that the allowance amount "shall exclude any administrative costs that can be paid from bond proceeds or from sources other than property tax."

²³ §34175(b).

²⁴ §34177(a), (c).

²⁵ §34177(i).

would be in the best interest of the taxing entities.²⁶

The successor agency staff may continue to implement existing agreements of the former redevelopment agency that are not yet completed without going back to the oversight board for approval of those existing contracts. If an existing agreement needs to be amended in a manner that requires any additional financial commitment from property taxes or successor agency assets, oversight board approval will be required. The law does not specifically address whether other non-financial amendments of existing contracts must be approved by the oversight board, but given the oversight's board's overarching role in the dissolution process, it will often be advisable to obtain its approval. The decision on whether non-financial amendments should go to the oversight board should be made on a case by case basis. Further, the oversight board may make a request to review existing agreements and direct the successor agency to attempt to negotiate or terminate them. Successor agency staff should work with the oversight board to analyze and fully consider the ramifications of such demands. Lastly, if there are existing agreements for the conveyance of property (such as a disposition and development agreement), as a practical matter the successor agency may need to request that the oversight board affirm that the disposal of property pursuant to such agreement is consistent with the property disposal requirements of Section 34181(a). Many title insurance companies are presently uncomfortable issuing policies unless the oversight board affirms the transaction. Therefore oversight board approval may be a necessary step to alleviate any title concerns.

Q&A Number 13:

Q: To what extent is the liability of the Successor Agency and/or the Oversight Board limited by AB x1 26?

A: AB x1 26 declares that the successor agency's liability is limited to the extent of the property tax revenues that it receives through the ROPS process and the value of assets transferred to the successor agency by the former redevelopment agency. (§34173(e).) Further, the oversight board members themselves have personal immunity from suit for actions taken within the scope of their responsibility as board members. (§34179(d).) Notwithstanding the protections set forth in the bill, some cities have expressed concerns that the limitations on liability of the successor agency could be preempted by federal law. For example, if the successor agency is liable for the clean up of contaminated property under CERCLA, it is unclear whether the limitations on AB x1 26 will protect the successor agency from such liability. Further, while the oversight board members have personal immunity for the actions in furtherance of their responsibilities as oversight board members, the oversight board as an entity has a fiduciary duty to the taxing entities and holder of enforceable obligations, and the individual members are also subject to conflict of interest laws, including the Political Reform Act and Government Code section 1090.

²⁶ §34181(c)-(e).

Conflict of Interest Related Questions: Request to FPPC for Advice

In addition to the questions listed above, there are numerous questions that have been asked with respect to ABx1 26 and compliance with the Political Reform Act. Rather than speculate as to the proper application of the Political Reform Act to the ABx1 26 framework, the League of California Cities submitted a request for advice to the Fair Political Practices Commission on April 11, 2012. The FPPC issued its response on April 25, 2012, and it can be found at www.cacities.org/redevelopment. The FPPC letter responds to the following questions:

Conflict of Interest Code

1. Who adopts the conflict of interest codes for the successor agency and the oversight board?
2. Who are the code reviewing bodies for the successor agency and the oversight board?
3. Should the cities and counties that adopted separate conflict of interest codes for their redevelopment agencies repeal those codes?

Statement of Economic Interests (Form 700)

1. Do 87200 filers appointed to the oversight board have to file an assuming office statement? If not, will they be required to file an amendment to their Form 700 to include the board position?
2. Do designated employees employed by the successor agency or appointed to the oversight board have to file an assuming office statement? If not, will they be required to file an amendment to include their employment or their Board position? What is the timing of any required filing or amendment?
3. Who is the filing officer? If only an amendment is required, is the filing officer the agency in which the board member filed the original statement? Who is the filing officer for statements filed by the governing board of a designated local authority?
4. Do members of the public appointed to a designated local authority or an oversight board have an obligation to file a Form 700? If so, who is deemed the filing officer?
5. What is the assuming office date for oversight board members?

Jurisdiction

1. What is the jurisdiction of the oversight board?

* * *



1400 K Street, Suite 400 • Sacramento, California 95814
Phone: 916.658.8200 Fax: 916.658.8240
www.cacities.org

City Attorneys' Department, Post-Redevelopment Working Group

Subgroup 2: EOPS/ROPS/Bond & Cash Flow/Auditor-Controller & DOF/Administrative Cost Allowance/Project Limbo Issues

Questions and Answers: Administrative Budget and Administrative Cost Allowance

GENERAL DISCLAIMER: This document represents an attempt to interpret the requirements of AB x1 26 as modified by the California Supreme Court in *California Redevelopment Association v. Matosantos*. This document does not constitute legal advice. Given the significant ambiguities, conflicts, and murkiness of ABx1 26, it is important to consult with legal counsel regarding any issues discussed in this document. The statements in this document reflect the consensus or recommendation of the subgroup that drafted this document in consultation with the members of the entire Working Group. No statement in this document should be attributed to any individual member of the subgroup or the Working Group. Where appropriate, this document discusses the interpretations, recommendations, and advice of other entities, such of the Department of Finance and the county auditor-controllers. These discussions do not necessarily represent an endorsement or agreement with the interpretation, recommendation, or advice, but are being provided solely as further information. This document represents an analysis as of the date set forth in the footer below. This document will be updated as needed to reflect legislative changes and revised analyses. If you have questions or comments regarding this document, please direct them to Patrick Whitnell, General Counsel for the League of California Cities, at pwhitnell@cacities.org.

Question 1:

Q: What is the procedure for adopting the Administrative Budget?

A: A Successor Agency's proposed administrative budget must be submitted for oversight board approval and shall include:

- (1) Estimated amounts for Successor Agency administrative costs for the upcoming six-month period.
- (2) Proposed sources of payment for costs identified in paragraph (1).
- (3) Proposals for arrangements for administrative and operations services provided by a city, county, city and county, or other entity.
(Health & Saf. Code § 34177(j).)

Once approved by the Oversight Board, the Successor Agency is to provide administrative cost estimates, from its administrative budget that are to be paid from property tax revenues deposited in the Redevelopment Property Tax Trust Fund, to the county auditor-controller (“county A/C”) for each six-month fiscal period. (Health & Saf. Code § 34177(k).)

The ROPS shall identify one or more source(s) of payment for each recognized obligation, the potential sources being:

- Low and Moderate Income Housing Fund
- Bond proceeds
- Reserve balances
- *Administrative cost allowance*
- The Redevelopment Property Tax Trust Fund,
- Other revenue sources, subject to Oversight Board approval.
(Health & Saf. Code § 34177(l)(1)(A)-(F).)

Once the oversight board has approved the ROPS, the Successor Agency needs to send the ROPS to the auditor-controller (and to the State Controller and DOF). Once the oversight board has approved the administrative budget, “administrative cost estimates” need to be sent to the auditor-controller as well.

Subject to further clarification, the general consensus is that sending the oversight board-approved administrative budget would satisfy section 34177(k), and to satisfy section 34177(j), (k), and (l) the Oversight Board would need to approve the ROPS and administrative budget, have the administrative budget included on the ROPS (for example, as the “admin cost allowance” line-item), and then submit both the administrative budget and ROPS to the auditor-controller.

Question Number 2:

Q: What qualifies as a Successor Agency administrative cost?

A: There is limited guidance for what qualifies as a “successor agency administrative cost”. ABx1 26 does state that “costs of meetings of the oversight board” may be included in the successor agency administrative budget. (Health & Saf. Code § 34179(c).)

ABx1 26 permits certain administrative/operational expenditures to be included as enforceable obligations on the ROPS. The definition of an “enforceable obligation” includes “contracts or agreements necessary for the administration or operation of the successor agency [...] including but not limited to, agreements to purchase or rent office space, equipment and supplies, and pay-related expenses pursuant to Section 33127 and for carrying insurance pursuant to Section 33134.” (Health & Saf. Code § 34171(d)(1)(F).) Section 33127 provides, in part, the successor agency with the ability to: “(a) Obtain, hire, purchase, or rent office

space, equipment, supplies, insurance, or services and (b) Authorize and pay the travel expenses of agency members, officers, agents, counsel, and employees on agency business.” However, with respect to expenses, Section 34179(c) provides that oversight board members shall serve without compensation or reimbursement for expenses. The general consensus is that successor agency board members also serve without compensation or reimbursement for expenses, while successor agency employee expenses may be included as enforceable obligations on the ROPS.

There is a distinction that can be made for “wind down” administrative costs (i.e., staff management costs, successor agency legal counsel) versus “project-related” administrative costs (i.e., staff costs for ROPS-approved projects), where the latter may be included within the project costs listed on the ROPS, and would not be listed within the administrative budget.

In relation to the “administrative cost allowance” limitation stated in section 34171(b), the Department of Finance (“DOF”) has stated in its Q & A - Exhibit 4¹ that employees working on specific project implementation activities such as construction inspection, project management or actual construction would not be viewed by DOF as “administrative”. Further, DOF indicated that the ability to fund project oversight work from bond funds may be restricted by the terms of each bond. DOF also indicated that administrative costs funded from existing/retained balances does not count against the limitation.

The following table may be helpful in drafting an Administrative Budget:

Costs permitted to be allocated to Successor Agency’s Administrative Budget	Costs that may be paid from sources outside of the Administrative cost allowance
<ul style="list-style-type: none"> • Costs of meetings of the Oversight Board* • Successor Agency legal counsel • Staff Management 	<ul style="list-style-type: none"> • Contracts necessary for administration of Successor Agency (including professional services) • Insurance • Project costs / staff implementing projects (including professional services) • Projects paid with bond funding, in some cases. • Costs paid with available reserve balances.

*With regard to payment of Oversight Board legal counsel, it is unclear whether or not these costs should be allocated as: (1) Administrative Budget; (2) an enforceable obligation on the ROPS; or (3) some other source.

¹ DOF Website link: http://www.dof.ca.gov/assembly_bills_26-27/view.php

Question Number 3:

Q: Is there a cap on the successor agency administrative cost allowance?

A: Section 34171(b) states that for the 2011-2012 fiscal year the allowable administrative costs for successor agencies are limited to 5% of the property tax, and for subsequent fiscal years the limit is up to 3% of funds allocated to the Redevelopment Obligation Retirement Fund, with a minimum of \$250,000 for each fiscal year. (Health & Saf. Code § 34171(b).) There is uncertainty as to how Section 34171(b) will be interpreted by auditor-controllers and the DOF. Presently, there is an issue as to whether counties will approve the full 5%/\$250,000 minimum, or a pro-rated amount for the five months of the 2011-2012 fiscal year after redevelopment agencies were dissolved (February 1 – June 30, 2012). Most county auditor-controllers appear to be approving the full 5%/\$250,000 minimum for the 2011-2012 fiscal year. For the 2012-2013 fiscal year, DOF stated in its Q & A – Exhibit 10 that the 3%/\$250,000 cap on the administrative costs funded with property tax revenue will take effect concurrent with the ROPS that covers the period July 1, 2012 through December 31, 2012.

There is room for interpretation as to what the 5% and 3% allocation will be derived from, in particular the total of the tax increment, total obligations of the ROPS, or the county Trust Fund distribution. No consensus has been reached on this issue.

Question Number 4:

Q: What is the source of funds for the administrative cost allowance?

A: The administrative cost allowance is payable from property tax revenues and is to be paid into the successor agency's Redevelopment Obligation Retirement Fund (Section 34171(b)). However, the source of funds due to agencies for the administrative cost allowance is not clear for the period between February 1 and June 30, 2012. Most auditor-controllers have stated that the payments received by former redevelopment agencies in December and January were intended to cover all redevelopment and successor agency costs, including the administrative cost allowance, through June 30, 2012. Consequently, it appears that successor agencies must use reserves to cover the administrative cost allowance for that period.

If a successor agency does not have sufficient funding to cover the Administrative cost allowance through June 30, 2012, the general consensus is that the Successor Agency needs to notify the auditor-controller. (Health & Saf. Code § 34183(b).)

Question Number 5:

Q: Should the administrative budget for a successor agency include administrative costs for housing functions?

A: No, ABx1 26 requires a successor agency to transfer the housing functions and assets, including all rights, powers, duties, and obligations, to an appropriate entity. (Health & Saf. Code § 34176 (a), 34177(g).) As a result, any city electing to retain the responsibility for performing housing functions would be performing those functions for the city, not the Successor Agency.

Administrative costs relating to housing functions are not discussed in ABx1 26. To the extent the former redevelopment agency has enforceable obligations that relate to housing, the successor agency may list those obligations as a component of its ROPS, however it is not clear how such obligations will be considered by DOF. The general consensus is that the administrative costs related to the housing functions should not be included in the successor agency's administrative budget. Health & Safety Code Section 33334.3(d) requires that the costs not be disproportionate to project costs and appears to be the only limit on housing administrative costs.

* * *

June 18, 2012

Karen Thesing
California Affiliated Risk Management Authorities
1750 Creekside Oaks Drive, Suite 200
Sacramento, CA 95833

RDA Successor Agencies and Oversight Boards

Karen:

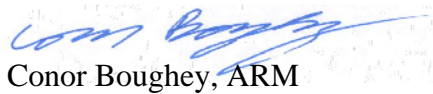
After reading the CARMA Board of Directors Agenda Packet for the June 20, 2012, I noticed that there is no discussion on RDA Successor Agencies and Oversight Boards. MBASIA recently held their June Board Meeting, and discussed this item in length, and made several coverage decisions.

MBASIA's Board of Directors took action to affirm coverage for the RDA Successor Agencies and their Member Appointee to those Boards. However, they have tabled the discussion on whether or not to cover the Oversight Boards, and they would like to know the intent of CARMA on coverage before making their final decision.

Could you please let me know when CARMA plans to discuss this coverage issue? Could you confirm whether or not CARMA currently covers the Successor Agencies and the Member Appointees to the Oversight Boards? Also, has a coverage decision been made on whether CARMA intends to cover the Oversight Boards?

Thank you Karen, I look forward to talking with you during the upcoming CARMA meeting.

Respectfully,



Conor Boughey, ARM
Program Administrator

Cc: Robert Galvan, CARMA Representative

Member Cities

Capitola
Del Rey Oaks
Gonzales
Greenfield
Hollister
King City
Marina
Sand City
Scotts Valley
Soledad

CLAIMS MATTERS

SUBJECT: Closed Session Pursuant to Government Code Section 54956.95(a) to Discuss Claims

BACKGROUND AND STATUS:

Due to the content of the Litigation Manager's Report, staff has been advised to place this report within the parameters of closed session.

Pursuant to Government Code section 54956.95(a), the Board of Directors will hold a closed session to discuss the claims for the payment of tort liability losses, public liability losses, or workers' compensation liability incurred by the joint powers authority.

By placing the Litigation Manager's Report as a closed session item, the Board of Directors may discuss any or none of the claims presented.

RECOMMENDATION:

None. Information only.

REFERENCE MATERIALS ATTACHED:

The Litigation Manager's Report dated September 6, 2012, was mailed under separate cover with the agenda packet and will be collected at the meeting.