



c/o ALLIANT INSURANCE SERVICES
560 Mission Street, 6th Floor, San Francisco, CA 94105

Tel: 415.403.1400

Insurance License No.: 0C36861
Fax: 415.874-4813

OFFICERS:
Craig Murray, President
805.684.7214
Sandeep Karkal, Vice President
415.892.1694

PAST PRESIDENTS:
Greg Baatrup
2018-2020
Paul Bushee
2014-2018

BOARD OF DIRECTORS AGENDA

Date: Wednesday, January 29, 2025
Time: 12:30 PM

LOCATION: Hilton Palm Springs
400 East Tahquitz Canyon Way
Palm Springs, CA 92262
Room: Palm Canyon A/B
Hotel Phone: (760) 320-6868

A. CALL TO ORDER		A = Action
B. PUBLIC & BOARD MEMBER COMMENTS		I = Information
C. CONSENT CALENDAR		V = Verbal
		S = Separate
		H = Handout
1.	Meeting Minutes July 31, 2024 <i>Recommendation: Approve minutes from their last meeting.</i>	A p. 3
2.	Investment Performance Review <i>Recommendation: Receive an update on CSRMA's Investment Portfolio from PFM.</i>	I/S p. 9
3.	Annual Operating Report <i>Recommendation: Receive the 2024 Annual Report.</i>	I/S p. 10
4.	CSRMA 2025 Meeting Calendar <i>Recommendation: Review the 2025 Meeting Calendar.</i>	I p. 11
5.	Pooled Liability Program Quarterly Claims Report as of December 31, 2024 <i>Recommendation: Review the quarterly claims report as of 12/31/24.</i>	I p. 12
6.	Workers' Compensation Program Quarterly Claims Report as of December 31, 2024 <i>Recommendation: Review the quarterly claims report as of 12/31/24.</i>	I p. 13
7.	Budget to Date Report as of December 31, 2024 <i>Recommendation: Review the budget to date report.</i>	I p. 14
8.	Pooled Liability Program Dividend Declaration at December 31, 2024 <i>Recommendation: Receive an update on the dividend calculation.</i>	I p. 24
D. GENERAL ADMINISTRATION		
1.	Executive Board Elections <i>Recommendation: Review and approve the slate of candidates.</i>	A p. 27
2.	Acceptance of Financial Audit - June 30, 2024 <i>Recommendation: Review and accept the 2024 Financial Audit.</i>	A/S p. 33
3.	Captive Update <i>Recommendation: Receive a report on CWIC captive insurance company.</i>	I p. 34
E. OFFICER/STAFF/COMMITTEE REPORTS		
1.	Pooled Liability Program	
a.	Pooled Liability Program Post Renewal Report <i>Recommendation: Receive a report on the Pooled Liability Program renewal.</i>	I p. 70
b.	Pooled Liability Program Retrospective Rating Policy & Procedure - Proposed Amendments <i>Recommendation: Review and approve proposed amendments to the Pooled Liability Program Retrospective Rating Policy & Procedure.</i>	A p. 73
2.	Primary Insurance Program	
a.	Primary Insurance Program Post Renewal Report <i>Recommendation: Receive a report on the Primary Insurance Program renewal.</i>	I p. 82
3.	Workers' Compensation Program	
a.	Workers' Compensation Excellence Award <i>Recommendation: Receive an announcement of the Workers' Compensation Program Excellence Award Winners.</i>	I/H p. 83

- | | | | |
|--|--|---|-------|
| 4. Property Program | | | |
| a. Market Update and Preliminary Renewal Expectations | | V | |
| | <i>Recommendation: Receive a verbal report on the property market and renewal expectations.</i> | | |
| b. Allocation of Loss Limits P&P | | A | p. 90 |
| | <i>Recommendation: Review and approve an amendment to the Allocation of Limits Policy & Procedure.</i> | | |

F. RESOLUTIONS

- | | | | |
|---|---|---|-------|
| 1. Resolution Recognizing the Contributions of Craig Murray | | A | p. 93 |
| | <i>Recommendation: Review and recommend a resolution honoring the contributions of Craig Murray.</i> | | |
| 2. Resolution Recognizing the Contributions of Michelle Gallardo | | A | p. 95 |
| | <i>Recommendation: Review and recommend a resolution honoring the contributions of Michelle Gallardo.</i> | | |

G. GUEST SPEAKER

None

H. INFORMATION ITEMS

- | | | | |
|---|--|---|--------|
| 1. GFOA Award News Release | | I | p. 97 |
| 2. Article - CISA Fact Sheet - Top cyber actions for securing water systems | | I | p. 98 |
| 3. Article - MaaT Pharma Pioneers Treating Cancer With Fecal-Based Therapies | | I | p. 101 |
| 4. Article - Chemicals in sewage sludge fertilizer pose cancer risk EPA says | | I | p. 110 |
| 5. CSRMA 2025 Meeting Calendar | | I | p. 113 |
| 6. CSRMA Organizational Chart | | I | p. 114 |
| 7. CSRMA Service Team | | I | p. 115 |
| | <i>Recommendation: Review the presented Information Items.</i> | | |

I. ADJOURNMENT

The next meeting is scheduled for June 18, 2025 via videoconference

Per Government Code section 54954.2, persons requesting disability-related modifications or accommodations, including auxiliary aids or services in order to participate in the meeting, are requested to contact Alliant at (415) 403-1400 twenty-four hours in advance of the meeting. Entrance to the meeting location requires routine provision of identification to building security. However, CSRMA does not require any member of the public to register his or her name, or to provide other information, as a condition to attendance at any public meeting and will not inquire of building security concerning information so provided. See Government Code section 54953.3.

**CALIFORNIA SANITATION RISK MANAGEMENT AUTHORITY
BOARD OF DIRECTORS MEETING
JULY 31, 2024
MONTEREY, CA**

MEMBERS PRESENT

Craig Murray, Carpinteria Sanitary District
 Jason Dow, Central Marin Sanitation Agency
 Angela Chen, Cupertino Sanitary District
 Roland Williams, Castro Valley Sanitary District
 Vincent De Lange, Delta Diablo
 Michelle Gallardo, Dublin San Ramon Services District
 Jordan Damerel, Fairfield Suisun Sewer District
 Steve Wagner, Goleta Sanitary District
 Tyson Zimmerman, Ironhouse Sanitary District
 Crystal Yezman, Las Gallinas Valley Sanitary District
 Ryan Green, Leucadia Wastewater District
 John Weigold, Montecito Sanitary District
 Patrick Ostly, North of River Sanitary District
 Jean Mariani, Novato Sanitary District
 Jimmy Dang, Oro Loma Sanitary District
 Steve Moore, Ross Valley Sanitary District
 Tony Rubio, Sanitary District No. 5 of Marin County
 Michael Thornton, San Elijo Joint Powers Authority
 Veronica Cazares, Selma-Kingsburg-Fowler County Sanitation District
 Jeffrey Kingston, Sausalito-Marin City Sanitary District
 Sandra Jacobs, Santa Margarita Water District
 Dwight Merrill, Stege Sanitary District
 Teresa Herrera, Silicon Valley Clean Water
 Jerry Gilmore, Truckee Sanitary District
 Jeffery Tucker, Vallejo Flood and Wastewater District
 Jason Dafforn, Valley Sanitary District
 Kent Edler, West Valley Sanitation District

GUESTS AND CONSULTANTS

William Bosworth, Cupertino Sanitary District
 Ralph Johnson, Castro Valley Sanitary District
 James Russell-Field, Fairfield Suisun Sewer District
 Curtis Paxton, Las Gallinas Valley Sanitary District
 Steven Ruetters, North of River Sanitary District
 Pamela Meigs, Ross Valley Sanitary District
 Thomas Gaffney, Ross Valley Sanitary District
 Mark Tomko, Vallejo Flood and Wastewater District
 Seth Cole, Alliant Insurance Services, Inc.
 Myron Leavell, Alliant Insurance Services, Inc.
 P.J. Skarlanic, Alliant Insurance Services, Inc.

Steve Davidson, Alliant Insurance Services, Inc.
David Patzer, DKF Solutions Group
Kay Patzer, DKF Solutions Group
Byrne Conley, Gibbons & Conley

A. CALL TO ORDER

The meeting was called to order by President Craig Murray at 4:10 p.m.

B. PUBLIC COMMENTS

There were no public comments.

C. BOARD MEMBER COMMENTS

There were no board member comments.

D. CONSENT CALENDAR

D.1. Meeting Minutes: June 20, 2024

The minutes of the meeting held on June 20, 2024 were reviewed.

D.2. Investment Update

The Board of Directors reviewed the Investment Update.

D.3. Pooled Liability Program Quarterly Claims Report as of June 30, 2024

The Board of Directors reviewed the Pooled Liability Program Quarterly Claims Report as of June 30, 2024.

D.4. Workers' Compensation Program Quarterly Claims Report as of June 30, 2024

The Board of Directors reviewed the Workers' Compensation Program Quarterly Claims Report as of June 30, 2024.

D.5. Budget to Date Report as of June 30, 2024

The Board of Directors reviewed the Budget to Date Report as of June 30, 2024.

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

MOTION: Steve Wagner

SECOND: Teresa Herrera

MOTION CARRIED

AYES: Cazares, Chen, Dafforn, Damerel, Dang, De Lange, Dow, Edler, Gallardo, Gilmore, Green, Herrera, Jacobs, Kingston, Mariani, Merrill, Moore, Murray, Ostly, Rubio, Thornton, Trucker, Wagner, Weigold, Williams, Yezman, Zimmerman

NAYS: None

ABSTAIN: None

E. GENERAL ADMINISTRATION

E.1. Clean Water Insurance Captive Update

P.J. Skarlanic reviewed the item with the Executive Board. Clean Water Insurance Captive (CWIC) last met virtually on May 22, 2024. CWIC has been reinsuring CSRMA's Workers' Compensation Program since July 1, 2023, and began reinsuring CSRMA's Pooled Liability Program as of December 31, 2023.

P.J. reviewed CWIC's Investment Performance Report as of June 30, 2024, as prepared by PFM Asset Management. Early in the 4th quarter of 2023 PFM began investing CWIC's funds per the asset allocation targets approved by the CWIC Board. CWIC's investments earned approximately 1% return in the most recent quarter. Since inception of CWIC, its investments have returned approximately 8%.

CWIC's annual in-person Board meeting is scheduled for September 20, 2024, at the office of Smart Schofield Shorter, P.C. in Murray, UT, to fulfill the State of Utah's requirement for holding at least one Board meeting per year physically within the State.

Craig Murray advised the Board of Directors that the CWIC Board is made up primarily of members of CSRMA's Board of Directors, and he identified the individuals who hold positions on both Boards.

E.2. KYND Cyber Services

David Patzer reviewed the item for the Board. At their March 2024 meeting, CSRMA's Executive Board approved engaging the cybersecurity firm KYND to provide real time monitoring of cyber threats to member domains/ports. KYND performs noninvasive scans of members' web-facing presence and gives monthly Signals Reports to the Program Administrators. The Program Administrators will monitor the monthly Signals Reports and reach out to any member with unresolved threats.

All CSRMA members are requested to enroll in KYND's online portal to receive further updates and advice on their web-facing cyber controls. Board Member Sandra Jacobs encouraged members to enroll in KYND's online portal.

E.3. State of the Public Entity Insurance Market

Seth Cole reviewed the item for the Board. We've made a concerted effort to provide the members with regular market updates via presentations, memos, and brief verbal updates such as this. The insurance market is in a much better place that it was a year ago. The property market has stabilized for those insureds with favorable loss history and non-catastrophe exposed risks; however, we continue to see increases in severity on liability claims due to a number of factors: primarily general inflation and social inflation driving up the costs of claims. As a result, we are anticipating premium increases likely in the double digits for liability renewals. Natural disasters, such as the wildfires in California, are likely to put upward pressure on rates for insurance renewals.

F. OFFICERS/STAFF/COMMITTEE REPORTS

F.1. Pooled Liability Program

F.1.a. Preliminary Renewal Expectations

Seth Cole reported that the Pooled Liability Program will be renewing December 31. We are early in the process, but we have begun discussions with underwriters and are gathering data for the actuarial study. We've seen an increase in the severity of our claims, which will likely result in a premium increase at renewal. Based on what we know today, we are expecting an increase in the 10-15% range.

F.1.b. Primary Endorsement

Seth Cole reviewed the item for the Board. Many vendors and other jurisdictions require an entity's coverage to be "primary and non-contributory" before approving contracts and/or granting permits. This standard practice presents a problem for CSRMA member agencies as the MOC contains an "Other Coverage or Insurance" clause. The proposed amendments to the Additional Covered Party endorsement provides a remedy.

The Executive Board, on the advice of the Program Administrators and Legal Counsel, recommend adopting the proposed endorsement.

A motion was made to approve an amendment to the Additional Covered Party endorsement as recommended by the Executive Board.

MOTION: Sandra Jacobs

SECOND: Ryan Green

MOTION CARRIED

AYES: Cazares, Chen, Dafforn, Damerel, Dang, De Lange, Dow, Edler, Gallardo, Gilmore, Green, Herrera, Jacobs, Kingston, Mariani, Merrill, Moore, Murray, Ostly, Rubio, Thornton, Trucker, Wagner, Weigold, Williams, Yezman, Zimmerman

NAYS: None

ABSTAIN: None

F.2. Workers' Compensation Program

F.2.a. Program Year 35 (2024/25) Post Renewal Report

Seth Cole reviewed the Post Renewal Report with the Board. The Workers' Compensation Program renewed effective July 1, 2024, at the expiring program structure transferring the Pooled Layer risk (\$0 - \$250,000) to the Clean Water Insurance Captive (CWIC). Seth directed the Board to the table on page 42 of the agenda packet summarizing the renewal. Overall, total costs are down 2.5%, however, this varied by member based on changes in payroll and experience modification factors. The key driver in the costs coming down was favorable loss experience resulting in a 6.33% reduction in the CWIC gross premium year over year. The reinsurance and excess insurance costs were relatively stable. The increase in program expense was primarily due to an increase in approved risk control workplan budget.

F.3. Property Program

F.3.a. Program Year 35 (2024/25) Post Renewal Report

P.J. Skarlanic reviewed the item with the Board. The Property Insurance Program renewed July 1, 2024. CSRMA participates in the Alliant Property Insurance Program (APIP) excess of the Pooled Layer. APIP is a group purchase program that has historically offered extensive coverage and competitive rates. The Program also includes coverage for Cyber Liability and Pollution Liability insurance.

The total program cost increase is approximately 11.5%, indicative of a stabilizing, but still challenging, property insurance market. For comparison, Program Year 34's increase over Program Year 33's was 39%. The increase in the insurance cost (net) was largely due to an approximate 8% increase in Total Insurable Values (TIV). The rate increased approximately 2%.

P.J. reported that after the Executive Board approved the renewal at their June meeting, the Program Administrators were able to negotiate a \$259K premium reduction on the excess property insurance. This created an opportunity to buy additional cyber limits for members of the Property Program at no additional cost to the members. As such, the Officer's Committee approved binding Dedicated Excess Cyber Liability coverage at a cost of approximately \$154K.

F.4. Primary Insurance Program

F.4.a. Preliminary Renewal Expectations

Seth Cole reviewed this item with the Board. Similar to the Pooled Liability Program, there's upward pressure on rates driven by an increase in claims severity, and we will likely see a double digit rate increase for the renewal. It is also expected that the carrier for the Program will be changing from Homesite to Munich Re at renewal.

G. RESOLUTIONS

G.1-3 Resolutions Recognizing the Contributions of Erica Castillo, Jeff Palmer, and Talyon Sortor

The Board of Directors reviewed the resolutions recommended by the Executive Board, recognizing the contributions of Erica Castillo, Jeff Palmer and Talyon Sortor.

Each individual has served on various Boards and Committees of CSRMA, contributing to the overall growth and success of the organization. CSRMA has greatly benefited from their experience, expertise, guidance, and support.

Saundra Jacobs expressed particular gratitude to Erica Castillo for her service as Santa Margarita Water District's CFO.

A motion was made to honor the contributions of each individual with formal resolutions.

MOTION: Sandra Jacobs

SECOND: Ryan Green

MOTION CARRIED

AYES: Cazares, Chen, Dafforn, Damerel, Dang, De Lange, Dow, Edler, Gallardo, Gilmore, Green, Hererra, Jacobs, Kingston, Mariani, Merrill, Moore, Murray, Ostly, Rubio, Thornton, Trucker, Wagner, Weigold, Williams, Yezman, Zimmerman

NAYS: None

ABSTAIN: None

H. Guest Speaker

H.1 SMART SOP Demo & Review of Risk Control Menu of Services

David Patzer, CSRMA’s Risk Control Advisor, presented a demonstration of the new features in the SMART SOP app, available to all CSRMA members. David also briefly reviewed the Risk Control Menu of Services.

I. INFORMATION ITEMS

I.1. Article – *TXWARN Letter*

I.2. Article – *Extreme heat events created \$7.7 billion in hidden costs in California*

I.3. CSRMA 2024 Meeting Calendar

I.4. CSRMA Organizational Chart

I.5. CSRMA Service Team Chart

The Board of Directors reviewed the presented information items.

J. ADJOURNMENT

President Craig Murray concluded the meeting with remarks on the recent passing of George Emerson, who contributed significantly to CSRMA during his lengthy tenure as a Board member of Goleta Sanitary District. Steve Wagner commented that George was a true gentleman and will be missed. The meeting was adjourned at 4:50 p.m. in George’s memory.

The next meeting is scheduled for January 2025 at the CASA Winter Conference in Palm Springs.

Investment Performance Review

ISSUE: PFM prepared a review of CSRMA's current investments and a market outlook as of December 31, 2024. A copy of the report is included in the agenda packet for the Board's review.

CSRMA's current investments are summarized on page 24 of the presentation. The portfolio's performance is highlighted on page 28.

RECOMMENDATION: None at this time.

FISCAL IMPACT: As depicted in the attachment.

BACKGROUND: None.

ATTACHMENTS: Investment Performance Review for the Quarter Ended December 31, 2024 (Separate)

Annual Operating Report

ISSUE: The 2024 CSRMA Annual Operating Report will be emailed to all members and posted on the CSRMA website.

RECOMMENDATION: None, information only.

FISCAL IMPACT: None.

BACKGROUND: Each year the Program Administrators prepare an Annual Operating Report for CSRMA. The report highlights the Authority's achievements over the past year, notable activities planned for the coming year, and provides a financial summary.

ATTACHMENTS: Annual Operating Report (Separate)

CSRMA 2025 Meeting Calendar

ISSUE: Every year the Executive Board adopts a meeting calendar for CSRMA. The Board of Directors' Meetings are included in that calendar.

There are three (3) meetings scheduled for 2025, as below:

- January 29, 2025
- June 18, 2025
- August 13, 2025

The June meeting is held *virtually* every year with the singular purpose to adopt a budget for the upcoming fiscal year. Calendar invites for the June 18th meeting will be sent out to the membership shortly.

RECOMMENDATION: None, information only.

FISCAL IMPACT: None.

BACKGROUND: None.

ATTACHMENTS: CSRMA 2025 Meeting Calendar – Please see Information Item H.5

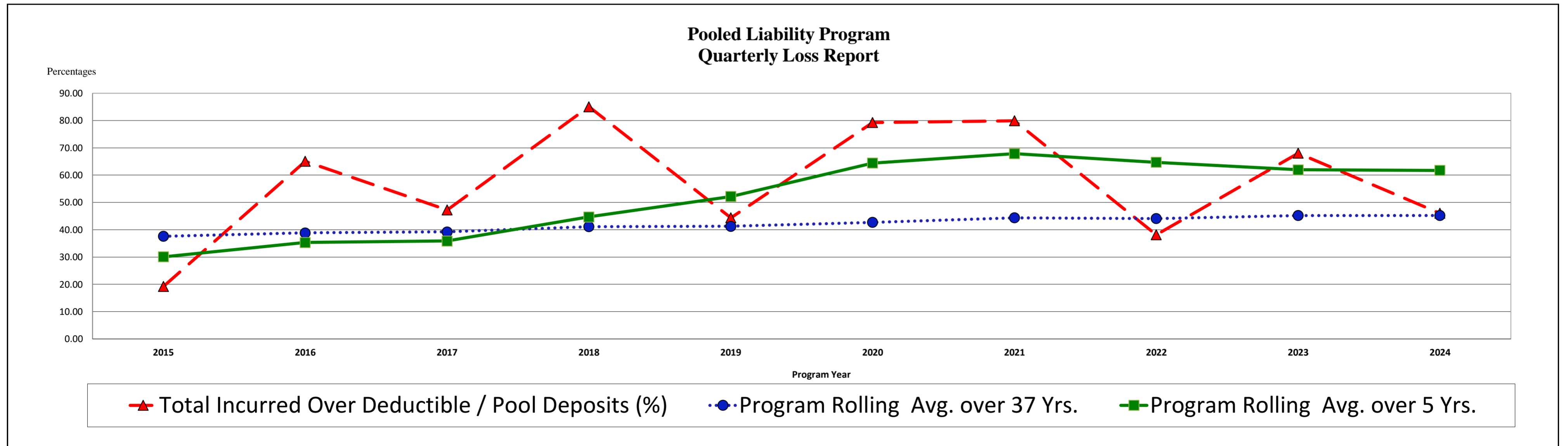
POOLED LIABILITY PROGRAM
Quarterly Claims Report
As of December 31, 2024

Program Year	PY 1-28 1987-2014	PY 29 2015	PY 30 2016	PY 31 2017	PY 32 2018	PY 33 2019	PY 34 2020	PY 35 2021	PY 36 2022	PY 37 2023	PY 38* 2024	Program Avg Over 5 yrs	Program Avg Over 38 yrs
Number of Members	N/A	40	40	40	40	40	40	40	41	41	41	N/A	N/A
Total Number of Claims	3,161	139	146	99	65	109	55	89	55	58	34	58	106
Initial Pool Deposits	53,302,491	2,756,403	2,715,342	2,718,212	2,682,244	2,496,726	2,641,494	3,206,015	3,436,283	3,679,709	3,015,044	3,195,709	2,174,999
Total Paid To Date	33,502,039	530,098	1,763,028	1,284,123	2,137,872	1,092,486	1,691,227	2,302,346	549,370	1,865,172	367,620	1,355,147	1,239,089
Total Reserved	113,171	0	3,424	0	143,950	15,000	403,301	259,235	762,220	637,308	1,021,344	616,681	88,393
Total Incurred	33,615,210	530,098	1,766,452	1,284,123	2,281,822	1,107,486	2,094,528	2,561,582	1,311,590	2,502,479	1,388,964	1,971,829	1,327,482

POOL PENETRATION

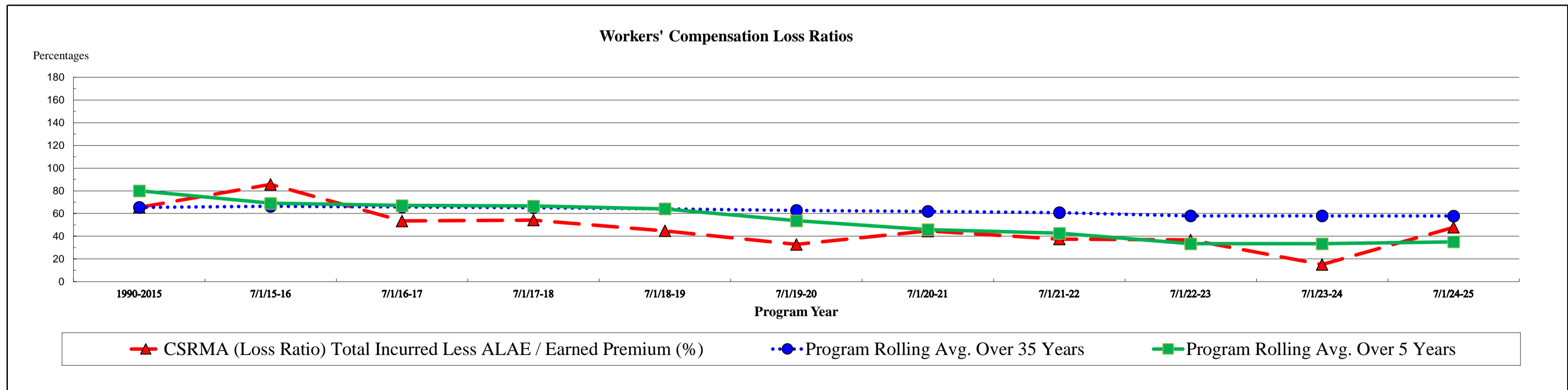
No. of Occurrences Over Deductible	327	10	13	12	12	6	8	12	8	9	6	9	11
Total Paid Over Deductible (per occurrence)	20,429,128	530,098	1,763,028	1,284,123	2,137,872	1,092,486	1,691,227	2,302,346	549,370	1,865,172	367,620	1,355,147	895,065
Total Reserves Over Deductible (per occurrence)	113,171	0	3,424	0	143,950	15,000	403,301	259,235	762,220	637,308	1,021,344	616,681	88,393
Total Incurred Over Deductible	20,542,300	530,098	1,766,452	1,284,123	2,281,822	1,107,486	2,094,528	2,561,582	1,311,590	2,502,479	1,388,964	1,971,829	983,458
Total Incurred Over Deductible / Pool Deposits (%)	38.54	19.23	65.05	47.24	85.07	44.36	79.29	79.90	38.17	68.01	46.07	61.70	45.22

* - The pooled layer has been transferred to CWIC for the 12/31/23-24 program year.



WORKERS' COMPENSATION PROGRAM													
Quarterly Claims Report													
as of December 31, 2024													
	PY 1-25	PY 26	PY 27	PY 28	PY 29	PY 30	PY 31	PY 32	PY 33	PY 34 *	PY 35 *	Program	Program
	Years	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Average	Average
Program Year	1990-2015	7/1/15-16	7/1/16-17	7/1/17-18	7/1/18-19	7/1/19-20	7/1/20-21	7/1/21-22	7/1/22-23	7/1/23-24	7/1/24-25	Over 5 yrs	Over 35 yrs
Number of Members	N/A	43	43	44	43	43	43	43	43	40	40	N/A	N/A
Total Number of Claims	4,169	139	155	131	124	112	114	141	135	120	69	116	158
Earned Premiums	63,879,952	3,585,857	3,819,319	3,799,075	4,060,508	3,849,105	4,109,108	4,187,792	4,343,504	4,081,842	1,911,767	3,726,803	2,989,333
Paid Indemnity, Medical, & Rehab	39,268,173	2,291,780	1,928,107	1,913,100	1,530,778	1,045,042	1,404,678	1,108,021	896,107	297,363	199,281	781,090	1,532,333
Paid Expenses	6,765,333	793,367	627,177	693,819	476,004	394,528	344,774	280,791	128,801	86,056	15,359	171,156	314,885
Reserved Indemnity, Medical, & Rehab	2,559,047	781,478	112,991	147,853	285,588	218,790	429,513	464,133	702,162	318,997	715,664	526,094	196,455
Reserved Expenses	186,560	50,840	13,395	20,723	36,844	29,627	51,164	52,260	73,883	42,270	37,595	51,434	17,597
Total Incurred	48,779,113	3,917,465	2,681,670	2,775,494	2,329,213	1,687,986	2,230,129	1,905,204	1,800,953	744,686	967,899	1,529,774	2,061,270
Total Incurred Less ALAE	41,827,220	3,073,258	2,041,098	2,060,953	1,816,366	1,263,832	1,834,191	1,572,154	1,598,269	616,360	914,945	1,307,184	1,728,788
CSRMA (Loss Ratio) Total Incurred Less ALAE / Earned Premium (%)	65	86	53	54	45	33	45	38	37	15	48	35	58

* - The pooled layer is reinsured by CWIC for these Program Years.



Budget to Date Report as of December 31, 2024

ISSUE: Attached is the budget to date report as of December 31, 2024 and corresponding balance sheet. A variance report highlighting notable variances in the actual year to date figures versus what was budgeted is included.

There are no major concerns about CSRMA's finances at this writing.

RECOMMENDATION: None at this time.

FISCAL IMPACT: As depicted in the attached document.

BACKGROUND: None.

ATTACHMENTS:

1. Profit & Loss Budget to Actual
2. Variance Report
3. Balance Sheet

California Sanitation Risk Management Authority

Unconsolidated Budget vs. Actual

July - December, 2024

Preliminary & Unaudited *

	TOTAL			
	Actual	Budget	over Budget	% of Budget
Income				
4100 JPA Charge	555,833.72	1,175,971.00	-620,137.28	47.27%
4110 Program Directors' Fee	725,386.62	1,451,000.00	-725,613.38	49.99%
4220 Pooled Deposit	327,531.00	653,298.00	-325,767.00	50.14%
4300 Retro Adjustment	883.25	-500,000.00	500,883.25	-0.18%
4400 Insurance Premium (Net)	7,603,182.04	15,978,913.00	-8,375,730.96	47.58%
4450 Affiliate Insurance Premium Rev	3,385,379.50	6,806,001.00	-3,420,621.50	49.74%
4500 Deductible Recoveries	88,662.90	400,000.00	-311,337.10	22.17%
Total 4660 Investment Earnings	\$ 351,295.13	\$ 830,503.00	-\$ 479,207.87	42.30%
Total Income	\$ 13,038,154.16	\$ 26,795,686.00	-\$ 13,757,531.84	48.66%
Gross Profit	\$ 13,038,154.16	\$ 26,795,686.00	-\$ 13,757,531.84	48.66%
Expenses				
5201 Claims Expense	2,926,695.24	4,000,000.00	-1,073,304.76	73.17%
6330 Program Directors' Fee Exp.	725,499.60	1,451,000.00	-725,500.40	50.00%
6432 Net Insurance Premium	7,596,887.28	15,978,913.00	-8,382,025.72	47.54%
6435 Affiliate Insurance Premium Exp	3,385,379.50	7,776,601.00	-4,391,221.50	43.53%
6464 User/Fraud Fund Assessment	87,842.08	124,379.00	-36,536.92	70.62%
6506 Actuarial	13,500.00	69,890.00	-56,390.00	19.32%
6510 Claims Audit	0.00	9,000.00	-9,000.00	0.00%
6512 Claims Admin. Annual Fee	15,300.00	24,600.00	-9,300.00	62.20%
6516 Coverage Counsel	0.00	5,000.00	-5,000.00	0.00%
6523 Outside Safety Consultant	370,691.49	549,560.00	-178,868.51	67.45%
6650 Program Legal	7,649.99	26,500.00	-18,850.01	28.87%
6652 Program Committee	9.00	2,500.00	-2,491.00	0.36%
6660 Program Consulting	10,500.00	35,000.00	-24,500.00	30.00%
6667 CSRMA Provided Seminars	59,987.95	95,000.00	-35,012.05	63.15%
7808 Financial Audit	13,000.00	22,946.00	-9,946.00	56.65%
7822 Board Counsel	4,170.62	20,700.00	-16,529.38	20.15%
8942 Supplies	86.88	0.00	86.88	
8944 Printing/Promotion	0.00	1,000.00	-1,000.00	0.00%
8945 Computer Software/Programming	23,690.13	34,900.00	-11,209.87	67.88%
8946 Memberships/Other	2,225.00	10,987.00	-8,762.00	20.25%
8948 Banking Service Charges	1,217.47	5,804.00	-4,586.53	20.98%
8954 Executive/Officers Committee	6,327.53	35,000.00	-28,672.47	18.08%
8956 Board of Directors	5,494.97	13,800.00	-8,305.03	39.82%
8960 JPA Insurance	43,360.86	83,406.00	-40,045.14	51.99%
8990 General Contingency	-0.79	6,000.00	-6,000.79	-0.01%
9120 Dividends	0.00	500,000.00	-500,000.00	0.00%
Total Expenses	\$ 15,299,514.80	\$ 30,882,486.00	-\$ 15,582,971.20	49.54%
Net Operating Income	-\$ 2,261,360.64	-\$ 4,086,800.00	\$ 1,825,439.36	55.33%
Net Income	-\$ 2,261,360.64	-\$ 4,086,800.00	\$ 1,825,439.36	55.33%

* Excludes results of subsidiary; excludes unearned income from investments; excludes changes to long term liabilities for this fiscal year

California Sanitation Risk Management Authority

Unconsolidated Budget vs. Actual

July - December, 2024

Preliminary & Unaudited *

	.021 - PIP			
	Actual	Budget	over Budget	% of Budget
Income				
4100 JPA Charge	29,815.84	72,482.00	-42,666.16	41.14%
4110 Program Directors' Fee	68,889.08	138,000.00	-69,110.92	49.92%
4220 Pooled Deposit			0.00	
4300 Retro Adjustment			0.00	
4400 Insurance Premium (Net)	393,966.36	911,300.00	-517,333.64	43.23%
4450 Affiliate Insurance Premium Rev			0.00	
4500 Deductible Recoveries			0.00	
Total 4660 Investment Earnings	\$ 1,986.22	\$ 5,219.00	-\$ 3,232.78	38.06%
Total Income	\$ 494,657.50	\$ 1,127,001.00	-\$ 632,343.50	43.89%
Gross Profit	\$ 494,657.50	\$ 1,127,001.00	-\$ 632,343.50	43.89%
Expenses				
5201 Claims Expense			0.00	
6330 Program Directors' Fee Exp.	69,000.00	138,000.00	-69,000.00	50.00%
6432 Net Insurance Premium	385,731.60	911,300.00	-525,568.40	42.33%
6435 Affiliate Insurance Premium Exp			0.00	
6464 User/Fraud Fund Assessment			0.00	
6506 Actuarial			0.00	
6510 Claims Audit			0.00	
6512 Claims Admin. Annual Fee			0.00	
6516 Coverage Counsel			0.00	
6523 Outside Safety Consultant	35,225.90	38,256.00	-3,030.10	92.08%
6650 Program Legal			0.00	
6652 Program Committee			0.00	
6660 Program Consulting	50.00	1,500.00	-1,450.00	3.33%
6667 CSRMA Provided Seminars	5,918.79	9,500.00	-3,581.21	62.30%
7808 Financial Audit	1,300.00	2,295.00	-995.00	56.64%
7822 Board Counsel	417.07	2,070.00	-1,652.93	20.15%
8942 Supplies	8.69		8.69	
8944 Printing/Promotion		100.00	-100.00	0.00%
8945 Computer Software/Programming	781.76	3,490.00	-2,708.24	22.40%
8946 Memberships/Other	222.50	1,099.00	-876.50	20.25%
8948 Banking Service Charges	121.75	332.00	-210.25	36.67%
8954 Executive/Officers Committee	620.01	3,500.00	-2,879.99	17.71%
8956 Board of Directors	549.51	1,400.00	-850.49	39.25%
8960 JPA Insurance	4,336.09	8,341.00	-4,004.91	51.99%
8990 General Contingency		600.00	-600.00	0.00%
9120 Dividends			0.00	
Total Expenses	\$ 504,283.67	\$ 1,121,783.00	-\$ 617,499.33	44.95%
Net Operating Income	-\$ 9,626.17	\$ 5,218.00	-\$ 14,844.17	-184.48%
Net Income	-\$ 9,626.17	\$ 5,218.00	-\$ 14,844.17	-184.48%

* Excludes results of subsidiary; excludes unearned income from investments; excludes changes to long term liabilities for this fiscal year

California Sanitation Risk Management Authority

Unconsolidated Budget vs. Actual

July - December, 2024

Preliminary & Unaudited *

	.023 - Property			
	Actual	Budget	over Budget	% of Budget
Income				
4100 JPA Charge	55,946.98	111,894.00	-55,947.02	50.00%
4110 Program Directors' Fee	95,999.98	192,000.00	-96,000.02	50.00%
4220 Pooled Deposit	327,531.00	653,298.00	-325,767.00	50.14%
4300 Retro Adjustment			0.00	
4400 Insurance Premium (Net)	4,651,524.18	9,602,238.00	-4,950,713.82	48.44%
4450 Affiliate Insurance Premium Rev			0.00	
4500 Deductible Recoveries			0.00	
Total 4660 Investment Earnings	\$ 8,333.05	\$ 31,157.00	-\$ 22,823.95	26.75%
Total Income	\$ 5,139,335.19	\$ 10,590,587.00	-\$ 5,451,251.81	48.53%
Gross Profit	\$ 5,139,335.19	\$ 10,590,587.00	-\$ 5,451,251.81	48.53%
Expenses				
5201 Claims Expense	66,066.13	500,000.00	-433,933.87	13.21%
6330 Program Directors' Fee Exp.	96,000.00	192,000.00	-96,000.00	50.00%
6432 Net Insurance Premium	4,651,173.82	9,602,238.00	-4,951,064.18	48.44%
6435 Affiliate Insurance Premium Exp			0.00	
6464 User/Fraud Fund Assessment			0.00	
6506 Actuarial		5,500.00	-5,500.00	0.00%
6510 Claims Audit			0.00	
6512 Claims Admin. Annual Fee			0.00	
6516 Coverage Counsel			0.00	
6523 Outside Safety Consultant	67,621.55	70,652.00	-3,030.45	95.71%
6650 Program Legal	0.00	1,500.00	-1,500.00	0.00%
6652 Program Committee			0.00	
6660 Program Consulting	50.00	1,500.00	-1,450.00	3.33%
6667 CSRMA Provided Seminars	5,918.79	9,500.00	-3,581.21	62.30%
7808 Financial Audit	1,300.00	2,295.00	-995.00	56.64%
7822 Board Counsel	417.07	2,070.00	-1,652.93	20.15%
8942 Supplies	8.69		8.69	
8944 Printing/Promotion		100.00	-100.00	0.00%
8945 Computer Software/Programming	654.29	3,490.00	-2,835.71	18.75%
8946 Memberships/Other	222.50	1,099.00	-876.50	20.25%
8948 Banking Service Charges	121.75	348.00	-226.25	34.99%
8954 Executive/Officers Committee	747.48	3,500.00	-2,752.52	21.36%
8956 Board of Directors	549.51	1,400.00	-850.49	39.25%
8960 JPA Insurance	4,336.09	8,341.00	-4,004.91	51.99%
8990 General Contingency		600.00	-600.00	0.00%
9120 Dividends			0.00	
Total Expenses	\$ 4,895,187.67	\$ 10,406,133.00	-\$ 5,510,945.33	47.04%
Net Operating Income	\$ 244,147.52	\$ 184,454.00	\$ 59,693.52	132.36%
Net Income	\$ 244,147.52	\$ 184,454.00	\$ 59,693.52	132.36%

* Excludes results of subsidiary; excludes unearned income from investments; excludes changes to long term liabilities for this fiscal year

California Sanitation Risk Management Authority

Unconsolidated Budget vs. Actual

July - December, 2024

Preliminary & Unaudited *

	.024 - Liability			
	Actual	Budget	over Budget	% of Budget
Income				
4100 JPA Charge	193,416.50	438,287.00	-244,870.50	44.13%
4110 Program Directors' Fee	342,998.00	686,000.00	-343,002.00	50.00%
4220 Pooled Deposit			0.00	
4300 Retro Adjustment	275,885.00	-250,000.00	525,885.00	-110.35%
4400 Insurance Premium (Net)	1,709,818.50	3,702,029.00	-1,992,210.50	46.19%
4450 Affiliate Insurance Premium Rev		2,982,467.00	-2,982,467.00	0.00%
4500 Deductible Recoveries	88,662.90	400,000.00	-311,337.10	22.17%
Total 4660 Investment Earnings	\$ 115,982.48	\$ 289,266.00	-\$ 173,283.52	40.10%
Total Income	\$ 2,726,763.38	\$ 8,248,049.00	-\$ 5,521,285.62	33.06%
Gross Profit	\$ 2,726,763.38	\$ 8,248,049.00	-\$ 5,521,285.62	33.06%
Expenses				
5201 Claims Expense	1,684,802.60	1,750,000.00	-65,197.40	96.27%
6330 Program Directors' Fee Exp.	343,000.00	686,000.00	-343,000.00	50.00%
6432 Net Insurance Premium	1,709,818.36	3,702,029.00	-1,992,210.64	46.19%
6435 Affiliate Insurance Premium Exp	1,473,612.50	2,982,467.00	-1,508,854.50	49.41%
6464 User/Fraud Fund Assessment			0.00	
6506 Actuarial	13,500.00	15,250.00	-1,750.00	88.52%
6510 Claims Audit			0.00	
6512 Claims Admin. Annual Fee	9,300.00	18,600.00	-9,300.00	50.00%
6516 Coverage Counsel		5,000.00	-5,000.00	0.00%
6523 Outside Safety Consultant	158,704.05	209,652.00	-50,947.95	75.70%
6650 Program Legal	7,604.99	23,500.00	-15,895.01	32.36%
6652 Program Committee	9.00	1,500.00	-1,491.00	0.60%
6660 Program Consulting	10,225.00	16,750.00	-6,525.00	61.04%
6667 CSRMA Provided Seminars	27,034.57	42,750.00	-15,715.43	63.24%
7808 Financial Audit	5,850.00	10,325.00	-4,475.00	56.66%
7822 Board Counsel	1,876.77	9,315.00	-7,438.23	20.15%
8942 Supplies	39.09		39.09	
8944 Printing/Promotion		450.00	-450.00	0.00%
8945 Computer Software/Programming	19,517.92	15,705.00	3,812.92	124.28%
8946 Memberships/Other	1,001.25	4,944.00	-3,942.75	20.25%
8948 Banking Service Charges	547.85	2,363.00	-1,815.15	23.18%
8954 Executive/Officers Committee	2,790.02	15,750.00	-12,959.98	17.71%
8956 Board of Directors	2,472.71	6,200.00	-3,727.29	39.88%
8960 JPA Insurance	19,512.38	37,532.00	-18,019.62	51.99%
8990 General Contingency	-0.79	2,700.00	-2,700.79	-0.03%
9120 Dividends		500,000.00	-500,000.00	0.00%
Total Expenses	\$ 5,491,218.27	\$ 10,058,782.00	-\$ 4,567,563.73	54.59%
Net Operating Income	-\$ 2,764,454.89	-\$ 1,810,733.00	-\$ 953,721.89	152.67%
Net Income	-\$ 2,764,454.89	-\$ 1,810,733.00	-\$ 953,721.89	152.67%

* Excludes results of subsidiary; excludes unearned income from investments; excludes changes to long term liabilities for this fiscal year

California Sanitation Risk Management Authority

Unconsolidated Budget vs. Actual

July - December, 2024

Preliminary & Unaudited *

	.025 - WC			
	Actual	Budget	over Budget	% of Budget
Income				
4100 JPA Charge	276,654.40	553,308.00	-276,653.60	50.00%
4110 Program Directors' Fee	217,499.56	435,000.00	-217,500.44	50.00%
4220 Pooled Deposit			0.00	
4300 Retro Adjustment	-275,001.75	-250,000.00	-25,001.75	110.00%
4400 Insurance Premium (Net)	847,873.00	1,763,346.00	-915,473.00	48.08%
4450 Affiliate Insurance Premium Rev	3,385,379.50	3,823,534.00	-438,154.50	88.54%
4500 Deductible Recoveries			0.00	
Total 4660 Investment Earnings	\$ 224,993.38	\$ 504,861.00	-\$ 279,867.62	44.57%
Total Income	\$ 4,677,398.09	\$ 6,830,049.00	-\$ 2,152,650.91	68.48%
Gross Profit	\$ 4,677,398.09	\$ 6,830,049.00	-\$ 2,152,650.91	68.48%
Expenses				
5201 Claims Expense	1,175,826.51	1,750,000.00	-574,173.49	67.19%
6330 Program Directors' Fee Exp.	217,499.60	435,000.00	-217,500.40	50.00%
6432 Net Insurance Premium	850,163.50	1,763,346.00	-913,182.50	48.21%
6435 Affiliate Insurance Premium Exp	1,911,767.00	4,794,134.00	-2,882,367.00	39.88%
6464 User/Fraud Fund Assessment	87,842.08	124,379.00	-36,536.92	70.62%
6506 Actuarial		49,140.00	-49,140.00	0.00%
6510 Claims Audit		9,000.00	-9,000.00	0.00%
6512 Claims Admin. Annual Fee	6,000.00	6,000.00	0.00	100.00%
6516 Coverage Counsel			0.00	
6523 Outside Safety Consultant	109,139.99	231,000.00	-121,860.01	47.25%
6650 Program Legal	45.00	1,500.00	-1,455.00	3.00%
6652 Program Committee		1,000.00	-1,000.00	0.00%
6660 Program Consulting	175.00	15,250.00	-15,075.00	1.15%
6667 CSRMA Provided Seminars	21,115.80	33,250.00	-12,134.20	63.51%
7808 Financial Audit	4,550.00	8,031.00	-3,481.00	56.66%
7822 Board Counsel	1,459.71	7,245.00	-5,785.29	20.15%
8942 Supplies	30.41		30.41	
8944 Printing/Promotion	0.00	350.00	-350.00	0.00%
8945 Computer Software/Programming	2,736.16	12,215.00	-9,478.84	22.40%
8946 Memberships/Other	778.75	3,845.00	-3,066.25	20.25%
8948 Banking Service Charges	426.12	2,761.00	-2,334.88	15.43%
8954 Executive/Officers Committee	2,170.02	12,250.00	-10,079.98	17.71%
8956 Board of Directors	1,923.24	4,800.00	-2,876.76	40.07%
8960 JPA Insurance	15,176.30	29,192.00	-14,015.70	51.99%
8990 General Contingency		2,100.00	-2,100.00	0.00%
9120 Dividends			0.00	
Total Expenses	\$ 4,408,825.19	\$ 9,295,788.00	-\$ 4,886,962.81	47.43%
Net Operating Income	\$ 268,572.90	-\$ 2,465,739.00	\$ 2,734,311.90	-10.89%
Net Income	\$ 268,572.90	-\$ 2,465,739.00	\$ 2,734,311.90	-10.89%

* Excludes results of subsidiary; excludes unearned income from investments; excludes changes to long term liabilities for this fiscal year

California Sanitation Risk Management Authority

Unconsolidated Budget vs. Actual

July - December, 2024

Preliminary & Unaudited *

	TOTAL				
	Actual	Budget	over Budget	% of Budget	
Income					
4100 JPA Charge	555,833.72	1,175,971.00	-620,137.28	47.27%	Two quarters of amortized revenue
4110 Program Directors' Fee	725,386.62	1,451,000.00	-725,613.38	49.99%	Two quarters of amortized revenue
4220 Pooled Deposit	327,531.00	653,298.00	-325,767.00	50.14%	Two quarters of amortized revenue
4300 Retro Adjustment	883.25	-500,000.00	500,883.25	-0.18%	
4400 Insurance Premium (Net)	7,603,182.04	15,978,913.00	-8,375,730.96	47.58%	Two quarters of amortized revenue
4450 Affiliate Insurance Premium Rev	3,385,379.50	6,806,001.00	-3,420,621.50	49.74%	Two quarters of amortized revenue
4500 Deductible Recoveries	88,662.90	400,000.00	-311,337.10	22.17%	
Total 4660 Investment Earnings	\$ 351,295.13	\$ 830,503.00	-\$ 479,207.87	42.30%	
Total Income	\$ 13,038,154.16	\$ 26,795,686.00	-\$ 13,757,531.84	48.66%	
Gross Profit	\$ 13,038,154.16	\$ 26,795,686.00	-\$ 13,757,531.84	48.66%	
Expenses					
5201 Claims Expense	2,926,695.24	4,000,000.00	-1,073,304.76	73.17%	Liability settlements more than expected
6330 Program Directors' Fee Exp.	725,499.60	1,451,000.00	-725,500.40	50.00%	Two quarters of amortized expense
6432 Net Insurance Premium	7,596,887.28	15,978,913.00	-8,382,025.72	47.54%	Two quarters of amortized expense
6435 Affiliate Insurance Premium Exp	3,385,379.50	7,776,601.00	-4,391,221.50	43.53%	Two quarters of amortized expense
6464 User/Fraud Fund Assessment	87,842.08	124,379.00	-36,536.92	70.62%	Less than expected
6506 Actuarial	13,500.00	69,890.00	-56,390.00	19.32%	
6510 Claims Audit	0.00	9,000.00	-9,000.00	0.00%	
6512 Claims Admin. Annual Fee	15,300.00	24,600.00	-9,300.00	62.20%	
6516 Coverage Counsel	0.00	5,000.00	-5,000.00	0.00%	
6523 Outside Safety Consultant	370,691.49	549,560.00	-178,868.51	67.45%	Includes Vector Solutions subscription paid
6650 Program Legal	7,649.99	26,500.00	-18,850.01	28.87%	
6652 Program Committee	9.00	2,500.00	-2,491.00	0.36%	
6660 Program Consulting	10,500.00	35,000.00	-24,500.00	30.00%	

California Sanitation Risk Management Authority

Unconsolidated Budget vs. Actual

July - December, 2024

Preliminary & Unaudited *

	TOTAL				
	Actual	Budget	over Budget	% of Budget	
Income					
6667 CSRMA Provided Seminars	59,987.95	95,000.00	-35,012.05	63.15%	Includes Sewer Summit
7808 Financial Audit	13,000.00	22,946.00	-9,946.00	56.65%	
7822 Board Counsel	4,170.62	20,700.00	-16,529.38	20.15%	
8942 Supplies	86.88	0.00	86.88		
8944 Printing/Promotion	0.00	1,000.00	-1,000.00	0.00%	
8945 Computer Software/Programming	23,690.13	34,900.00	-11,209.87	67.88%	
8946 Memberships/Other	2,225.00	10,987.00	-8,762.00	20.25%	
8948 Banking Service Charges	1,217.47	5,804.00	-4,586.53	20.98%	
8954 Executive/Officers Committee	6,327.53	35,000.00	-28,672.47	18.08%	
8956 Board of Directors	5,494.97	13,800.00	-8,305.03	39.82%	
8960 JPA Insurance	43,360.86	83,406.00	-40,045.14	51.99%	Two quarters of amortized expense
8990 General Contingency	-0.79	6,000.00	-6,000.79	-0.01%	
9120 Dividends	0.00	500,000.00	-500,000.00	0.00%	
Total Expenses	\$ 15,299,514.80	\$ 30,882,486.00	-\$ 15,582,971.20	49.54%	
Net Operating Income	-\$ 2,261,360.64	-\$ 4,086,800.00	\$ 1,825,439.36	55.33%	
Net Income	-\$ 2,261,360.64	-\$ 4,086,800.00	\$ 1,825,439.36	55.33%	

* Excludes results of subsidiary; excludes unearned income from investments; excludes changes to long term liabilities for this fiscal year

California Sanitation Risk Management Authority

Unconsolidated Balance Sheet

As of December 31, 2024

Preliminary & Unaudited*

ASSETS

Current Assets

Bank Accounts

1002 LAIF	20,566.79
1005 Checking - US Bank	594,319.19
1006 WC Trust - US Bank 280	150,000.00
1007 Liability Trust - US Bank 272	100,046.38
1008 PFM/CA Asset Mgmt Program	22,720,344.94
1009 PFM-CAMP Cash Reserve	351,463.80

Total Bank Accounts **\$ 23,936,741.10**

Accounts Receivable

1100 Accounts Receivable	10,502,134.74
--------------------------	---------------

Total Accounts Receivable **\$ 10,502,134.74**

Other Current Assets

1150 Due from/to Subsidiary	666,408.23
1200 Interest Receivable	170,450.23
1300 Other Current Assets	121,069.50
1540 Prepaid Insurance Premium	12,289,687.05
1550 Prepaid Program Directors' Fee	1,137,499.60
1575 Prepaid Other	6,000.00

Total Other Current Assets **\$ 14,391,114.61**

Total Current Assets **\$ 48,829,990.45**

Other Assets

1700 Investment in Subsidiary	1,365,000.00
-------------------------------	--------------

Total Other Assets **\$ 1,365,000.00**

TOTAL ASSETS **\$ 50,194,990.45**

LIABILITIES AND EQUITY

Liabilities

Current Liabilities

Accounts Payable

2000 Accounts Payable	5,803,221.91
-----------------------	--------------

Total Accounts Payable **\$ 5,803,221.91**

Other Current Liabilities

2200 Deferred JPA Charge	843,140.81
2210 Deferred Program Directors' Fee	1,051,066.70
2220 Deferred Pooled Deposits	327,531.01
2240 Deferred Insurance Premium	16,077,089.85

Total Other Current Liabilities **\$ 18,298,828.37**

Total Current Liabilities **\$ 24,102,050.28**

Long-Term Liabilities	
2300 Claims Reserves	8,264,986.00
2500 Claims IBNR	8,826,350.00
2600 Claims ULAE	1,500,465.00
Total Long-Term Liabilities	\$ 18,591,801.00
Total Liabilities	\$ 42,693,851.28
Equity	
3900 Retained Earnings	9,762,499.81
Net Income	-2,261,360.64
Total Equity	\$ 7,501,139.17
TOTAL LIABILITIES AND EQUITY	\$ 50,194,990.45

* Excludes results of CWIC subsidiary; excludes unearned income from investments; excludes changes to long term liabilities for this fiscal year.

Pooled Liability Program
Dividend Calculation as of 6/30/24

ISSUE: The Pooled Liability Program Policy & Procedure No. 5-L allows for dividends to be declared from completed program years if the following requirements are met:

- Dividends can be declared only if, on an aggregate basis, all eligible program years are fully funded at the confidence level established in the procedure, and the retained fund amount is in excess of seven (7) times the pooled layer program's per occurrence limit currently in force prior to the dividend calculation, *subject to a minimum retained fund balance in the program after the dividend is calculated in the amount of \$5,000,000.*
- Dividends cannot be declared sooner than five years after expiration of a program year.
- No more than 25% of any years' retained earnings will be declared as dividends.

As of June 30, 2024, the Pooled Liability Program retained funds were \$4,578,402, and therefore declaration of a dividend would drop the retained fund balance below the minimum threshold.

RECOMMENDATION: None. Information only.

FISCAL IMPACT: None.

BACKGROUND: The Authority has two mechanisms with which to return retained earnings to members. The retrospective rating plan does not generally return all retained funds to members. Therefore, the authority adopted Policy & Procedure No. 5-L in order to distribute the balance of retained funds to members. Unlike the retro plan, all members are eligible to receive dividends even if a member has had a poor loss experience in the program year for which a dividend is being declared.

ATTACHMENTS: 1) CSRMA PLP Manual Policy & Procedure #5-L: Pooled Liability Program Dividend from Retained Funds.

Pooled Liability Program Manual

**CSRMA
POLICY AND PROCEDURE
#5-L**

SUBJECT: Pooled Liability Program Dividend from Retained Funds

**EFFECTIVE: January 19, 2001
Revised January 28, 2021**

Policy:

Participants in the Pooled Liability Program will receive dividends from funds that are no longer required by the Authority, and in a manner which supports the following goals:

-) Protect the overall program from catastrophic loss
-) Reduce reliance on non cost-effective insurance
-) Stabilize future years' loss rates for payment of expected claims and expenses

An actuarial study will be relied upon to develop the funding necessary on prior program years; to assure that adequate funds are held for incurred liabilities. Funding in excess of the Program's liabilities is categorized as either designated or undesignated retained funds. Retained Funds not returned automatically through the Retrospective Rating Plan (RRP) are eligible to be paid to members participating in that program year in the form of a dividend declared by the Board of Directors.

Dividends can be declared only if, on an aggregate basis, all eligible program years are fully funded at the confidence level established in the procedure below, and the retained fund amount is in excess of seven (7) times the pooled layer program's per occurrence limit currently in force prior to the dividend calculation, subject to a minimum retained fund balance in the program after the dividend is calculated in the amount of \$5,000,000 (catastrophic reserve).

Eligibility:

Dividends cannot be declared sooner than five (5) years after expiration of a Program Year.

Dividends will be paid from eligible Program Years with no more than 25% of any Program Year's retained funds being released as part of any declared dividend. All retained funds remaining will be returned to Program Year participants when that year is declared "closed" by the Board of Directors.

Pooled Liability Program Manual

Procedure:

The Program Administrators will prepare a recommendation to be reviewed by the Executive Board prior to a regularly scheduled Board of Directors meeting. The purpose of the dividend will be stated, and the advantages and disadvantages of releasing the recommended amount will be addressed.

Members' share of declared dividends are *calculated as a percentage of the total dividends declared using the Retrospective Rating Plan results as a basis for the calculation.* The formula that calculates the percentage share of a program year dividend is:

$$DS = \left(\frac{\text{Individual MD-RA}}{\text{Total of all members (MD-RA)}} \right) \times AA$$

Where:

- DS = Dividend Share
- MD = Member Deposits
- RA = Retrospective Adjustments
- AA = Amount Available for Distribution

For example:

Amount available for distribution equals 25% of each Program Years' undesignated retained funds less any "catastrophic reserve" established by the Board of Directors, multiplied by each member's "percentage share" which is calculated as follows:

Member's deposit plus deposit adjustments minus member's updated Retrospective Rating Plan adjustment divided by the total of all members' deposits plus deposit adjustments minus the total of updated Retrospective Rating Plan adjustments.

Confidence Level:

70% discounted

2025 Executive Board Elections

ISSUE: The following table depicts the expiring Executive Board membership, and the eligibility of members whose terms are expiring. A Nominating Committee of Jason Dow, Michelle Gallardo and Tyson Zimmerman was formed to administer the election process including recommending a slate of candidates for the open positions.

Position	Current Member	Expiring Term	Eligible for Reelection
President	Craig Murray	Yes	No
Vice President	Sandeep Karkal	Yes	No*
Member #1	Michael Thornton	Yes	Yes
Member #2	Vince De Lange	Yes	Yes
Member #3	Michelle Gallardo	Yes	No
Member #4	Teresa Herrera	No	N/A
Member #5	Pat Ostly	No	N/A
Alternate	Tyson Zimmerman	No	N/A

**Mr. Karkal is not eligible for reelection as Vice President but is eligible for election as President.*

RECOMMENDATION: The Nominating Committee is recommending the following slate of candidates:

- That Sandeep Karkal of Novato Sanitary District be elected to fill the open President position.
- That Vince De Lange of Delta Diablo be elected to fill the open Vice President position.
- That Tyson Zimmerman of Ironhouse Sanitary District be elected to fill the open Member #2 position.
- That Curtis Paxton of Las Gallinas Valley Sanitary be elected to fill the open Member #3 position.
- That Jimmy Dang of Oro Loma Sanitary District be elected to fill the open Alternate position.
- That all other members whose terms are expiring be re-elected to their positions.

FISCAL IMPACT: None.

BACKGROUND: The CSRMA Executive Board terms of office are governed by Article III of the Bylaws and Section 11 of the Joint Exercise of Powers Agreement. Last year the nominating committee was comprised of Sandeep Karkal, Steve Wagner and Roland Williams.

ATTACHMENTS: 1) Section 11 of the JEPa and Article III of the Bylaws

**JOINT EXERCISE OF POWERS AGREEMENT
FOR THE CALIFORNIA SANITATION
RISK MANAGEMENT AUTHORITY**

SECTION 11: Officers of the Authority

- (a) The officers of the Authority shall be a President, Vice- President, Secretary and Treasurer whose duties shall be as set forth in this Agreement, the Bylaws or as prescribed by applicable provisions of law.
- (b) The President and Vice President shall be elected by the Board of Directors and shall serve two-year terms. Neither officer shall serve for more than two complete consecutive terms in his or her respective office. The terms of each office will ordinarily commence immediately following the first Board of Directors meeting of each odd-numbered calendar year except that if an election has not been conducted by that date, the terms shall commence as soon as the election has been held.
- (c) Unless the Board of Directors determines otherwise, the Secretary shall be an individual who is the senior representative of the Program Director. The Secretary shall serve at the pleasure of the Executive Board. If the senior representative of the Program Director is unable to serve for any reason, including his or her removal from office by the Executive Board, the Executive Board shall appoint a replacement who may be another senior member of the Program Director, a senior staff member of the Authority, a member of the Executive Board, a member of the Board of Directors or an officer, director or employee of a Member Agency.
- (d) Unless the Board of Directors determines otherwise, the Treasurer shall be appointed by the Executive Board and shall serve at the Executive Board's pleasure. The Treasurer shall be an officer, director or employee of a Member Agency.
- (e) The Authority may have such other officers as provided in the Bylaws.
- (f) If a vacancy occurs mid-term in the office of the President, the Vice President shall automatically succeed to the office of President to serve out the balance of the term of his/her predecessor. If a vacancy occurs mid-term in the office of Vice President, a successor shall be appointed by the Executive Board to serve out the balance of the term.

SECTION 12: Executive Board

- (a) The day-to-day business of the Authority will be conducted, directed and supervised by an Executive Board consisting of eight members of the Board of Directors, seven of whom shall be regular members and one of whom shall be an alternate member. The alternate shall attend and participate in all meetings of the Executive Board but shall not be entitled to vote except in the absence of a regular member.

- (b) The Executive Board shall have the powers, duties and obligations granted to it by this Agreement, the Bylaws and as delegated by the Board of Directors.
- (c) The President and Vice President of the Authority shall serve as members of the Executive Board. The other five members and the alternate shall be elected by the Board of Directors and shall serve terms of office as provided in the Bylaws.
- (d) If a vacancy occurs mid-term in the office of a regular member of the Executive Board, the Alternate member, if there is one, shall automatically succeed to the vacant office for the balance of the term of his/her predecessor. If there is no Alternate member, or if the vacancy occurs mid-term in the office of the Alternate member, the Executive Board shall fill the vacant office by appointment and the appointee shall serve out the balance of his/her predecessor's term.

**BYLAWS
of the
CALIFORNIA SANITATION RISK MANAGEMENT AUTHORITY**

ARTICLE III - EXECUTIVE BOARD

SECTION 3.1. Membership.

(a) The membership of the Executive Board shall be as set forth in Section 12 of the Agreement.

(b) The members of the Executive Board shall be appointed as individuals and not merely as representatives of a specific Member Agency.

SECTION 3.2. Term. The President and Vice President of the Board shall serve as Executive Board members during their tenure as such officers. The terms of all members of the Executive Board other than President and Vice President shall be two (2) years, with the terms of two (2) regular members and the alternate expiring in even-numbered years and the terms of the other three (3) regular members expiring in odd-numbered years. A member may be reappointed to serve on the Executive Board, but except for the President and Vice President, a member may not be appointed for more than two complete consecutive terms.

SECTION 3.3. Powers, Duties and Responsibilities.

(a) The Executive Board shall conduct, direct and supervise the day-to-day business of the Authority and in doing so shall exercise the powers expressly granted to it by the Agreement, these Bylaws and as otherwise delegated by the Board of Directors.

(b) The following duties and responsibilities shall be assumed and carried out by the Executive Board, which shall have all powers necessary for those purposes:

- i. Provide general supervision and direction to the Program Director.
- ii. Authorize payment of claims against the Authority; provided, however, that with respect to claims arising under programs operated by the Authority, claim settlement authority shall be in accordance with the policies and procedures governing the particular program.
- iii. Enter into contracts, within budget limits.
- iv. Make payments pursuant to previously authorized contracts, within budget limits; this authority includes the power to authorize and reimburse expenses incurred for budgeted activities, within budget limits.
- v. Review and recommend a budget to the Board no later than fifteen (15) days prior to the regular spring meeting of the Board.
- vi. Act as Program Director in the absence of the Program Director.

vii. Establish policies and procedures to implement the Agreement, the Bylaws and the operation of specific programs.

viii. Appoint a nominating committee for each election of officers and members of the Executive Board.

(c) Subject only such limitations as are expressly stated in the Agreement, these Bylaws or a resolution of the Board of Directors, the Executive Board shall have and be entitled to exercise all powers which may be reasonably implied from powers expressly granted and which are reasonably necessary to conduct, direct and supervise the business of the Authority.

SECTION 3.4. Meetings.

(a) Regular Meetings. Regular meetings of the Executive Board shall be held at least twice a year and at other times as the Executive Board deems appropriate. The time and place of regular meetings shall be set by the Executive Board, and the Board of Directors shall be notified of the meeting schedule. The agenda for each regular meeting of the Executive Board shall be posted at the principal office of the Authority and mailed to each Executive Board member and alternate at least seven (7) days in advance of the meeting.

(b) Special Meetings. Special meetings of the Executive Board may be called by the Chairman or a majority of Executive Board members, in accordance with the provisions of California Government Code Section 54956. The agenda for each special meeting of the Committee shall be posted at the principal office of the Authority and mailed to each Executive Board member so as to be received by each member at least two (2) days in advance of the meeting.

(c) Public Meetings. All meetings of the Executive Board shall be open to the public, except as provided by law.

(d) Quorum. Four (4) members of the Executive Board shall constitute a quorum for the transaction of business. Except as otherwise provided, no action may be taken by the Executive Board except by affirmative vote of not less than a majority of those Executive Board members present. A smaller number may adjourn a meeting.

(e) Action by the Executive Board. All resolutions of the Board shall be in writing, signed by the President and attested to by the Secretary. All other actions of the Board shall be by motion recorded in written minutes.

(f) Removal From Executive Board. A member may be removed from the Executive Board in the following ways:

- i. Death of a Board member.
- ii. Voluntary resignation.

iii. Absence from three (3) consecutive meetings without a valid reason, in which case the Chair may recommend to the Executive Board that member be terminated from Executive Board membership. If the Executive Board recommends to the Board of Directors that an Executive Board member be terminated, the Board of Directors shall vote on the matter at its next regularly scheduled meeting. Removal of an Executive Board member shall require an affirmative vote of not less than two-thirds (2/3) of those Board members present.

Acceptance of Financial Audit – June 30, 2024

ISSUE: Every year, CSRMA undergoes a financial audit with the results presented to the Board of Directors at their January meeting. The auditor, James Marta of James Marta & Company, will be present to discuss the results of the Audit for the fiscal year 2023-2024.

RECOMMENDATION: The Executive Board recommends that the Board of Directors accept the Financial Audit for Fiscal Year 2023-2024.

FISCAL IMPACT: The total cost of the audit was \$22,945.

BACKGROUND: James Marta of James Marta & Company performed the financial audit for the year ended June 30, 2023.

With the formation of the Clean Water Insurance Captive (CWIC) effective 7/1/23, the financial audit is presented as a consolidated report including CWIC. CWIC's finances are broken out in the Supplementary Information section.

CSRMA was awarded the Certificate of Achievement for Excellence in Financial Reporting for its Annual Comprehensive Financial Report (ACFR) for the Fiscal Year Ended June 30, 2023. Comments and suggestions for improvement were provided by the Government Finance Officers Association. The comments and suggestions have been addressed and incorporated into the attached Annual Comprehensive Financial Report (ACFR) as of June 30, 2024.

ATTACHMENTS: 2023-2024 Annual Comprehensive Financial Report (Separate)

Clean Water Insurance Captive Update

ISSUE: The Program Administrators will provide the Board of Directors with an update on the Clean Water Insurance Captive (CWIC).

RECOMMENDATION: None. Information Only.

FISCAL IMPACT: None.

BACKGROUND: Below is an update since the last Board of Directors meeting.

- 1) The CWIC Board met for their Annual in-person meeting on September 20, 2024 at the offices of Smart Schofield Shorter in Murray Utah. The State of Utah requires at least one meeting to be held in the State on an annual basis. The Table of Contents from the meeting agenda is attached to this item for the Board's review, and the Program Administrators will discuss the meeting highlights in more detail at the meeting.
- 2) **Investment Performance Update** – CWIC's investment manager PFM will be providing their Investment Performance Report for the quarter ending 12/30/24. As of this writing the report is not finalized, and the Program Administrators will share the results at the meeting.
- 3) **2023-24 Fiscal Year Financial Audit** – James Marta of James Marta & Company has completed an audit of CWIC's 2023-24 Fiscal Year Financials, the first full fiscal year of CWIC. The Audit Report has been reviewed and accepted by CWIC's Board of Directors and is attached to this item for reference. The audit indicated that the financial statements are presented fairly and in accordance with the accounting principles generally accepted in the United States and found no deficiencies in CWIC's internal controls.

CWIC is in a strong financial position exhibited by the following highlights from the report:

- Total Assets of \$9.3M; majority of the assets are cash and investments.
 - Total Liabilities of \$6.2M; nearly all of which are short and long-term claims liabilities.
 - Net Position of \$3.4M
- 4) **CSRMA Pooled Liability Renewal** – Effective December 31, 2024, CSRMA renewed coverage with CWIC to reinsure the pooled layer (\$0 - \$750K) of the

Pooled Liability Program as presented to CSRMA's Executive Board's at their December meeting.

ATTACHMENTS:

1. Table of Contents from the CWIC Annual Meeting Agenda, September 20, 2024
2. CWIC's 2023-24 Fiscal Year Audit Report

Annual Shareholder and Board of Directors Meeting Agenda

Date/Time: September 20, 2024
9:00am PDT / 10:00am MDT

via Virtual Zoom Meeting
Meeting ID No. / Passcode: 946 5641 1710 / 842297
Join by Telephone: 1.669.444.9171

A.	Shareholder Meeting Call to Order	
1.	Meeting Notices	I
2.	Election of Captive Directors	A
B.	Board Meeting Call to Order	
1.	Meeting Notices	I
C.	Board Member Comments	
D.	Consent Calendar	A
1.	Meeting Minutes - May 22, 2024 <i>Recommendation: Approve minutes from May 22,2024 meeting.</i>	
E.	Election of Captive Officers	A
F.	PFM	I
1.	Presentation of investment performance report by PFM	
G.	Financials	I
1.	Review of June 30, 2024 unaudited financials	
H.	Audit Status Review	I
1.	Review of June 30, 2024 audit status	
2.	Review of June 30, 2024 actuarial review	
I.	Appointment of Service Providers	A
J.	Worker's Compensation	I
1.	Quote approved and policy bound July 1, 2024	
K.	Liability Renewal	I
1.	12/31/2024 renewal status update	
L.	D&O Coverage	A
1.	Review of October 1, 2024 renewal quote <i>Recommendation: Bind renewal per quote</i>	
M.	Annual Conflict of Interest Statement	I/A
N.	Closing Comments	
O.	Adjournment	

**CLEAN WATER
INSURANCE CAPTIVE**

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2024**

CLEAN WATER INSURANCE CAPTIVE

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
Combined Statement of Net Position.....	9
Combined Statement of Revenues, Expenses and Changes in Net Position.....	10
Combined Statement of Cash Flows.....	11
Notes to the Financial Statements	12
REQUIRED SUPPLEMENTARY INFORMATION	
Reconciliation of Claims Liabilities by Program.....	19
Claims Development Information.....	20
Notes to Claims Development Information	22
SUPPLEMENTARY INFORMATION	
Combining Statement of Net Position	23
Combining Statement of Revenues, Expenses and Changes in Net Position.....	24
Graphical Summary of Claims	25
OTHER AUDITOR’S REPORT	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	26



James Marta & Company LLP

Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Clean Water Insurance Captive
San Francisco, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying Combined Statement of Net Position of Clean Water Insurance Captive (CWIC) as of June 30, 2024, and the related Combined Statement of Revenues, Expenses, and Changes in Net Position, and the Combined Statement of Cash Flows for the year then ended, and the related notes to the financial statements which collectively comprise CWIC's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the CWIC, as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CWIC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CWIC's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CWIC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CWIC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

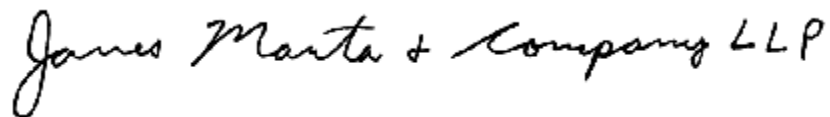
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Reconciliation of Claims Liabilities by Program and Claims Development Information, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the CWIC's basic financial statements. The Combining Statement of Net Position, the Combining Statement of Revenues, Expenses and Changes in Net Position, and the Graphical Summary of Claims are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Statement of Net Position, the Combining Statement of Revenues, Expenses and Changes in Net Position, and the Graphical Summary of Claims are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2024, on our consideration of CWIC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the CWIC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CWIC's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "James Marta & Company LLP".

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
December 18, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

CLEAN WATER INSURANCE CAPTIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

Introduction

The Management of Clean Water Insurance Captive (CWIC) is pleased to present the following discussion and analysis of the financial position and operating results of our organization for the fiscal year ended June 30, 2024. This discussion should be read in conjunction with the financial statements, required supplementary information, and notes to the financial statements included with this report.

The Captive – An Overview

CWIC, a component unit of California Sanitation Risk Management Authority (CSRMA), provides insurance coverage to CSRMA. As part of CSRMA, the assets, liabilities, revenues, expenses, and changes in net position of CWIC are included in the consolidated financial statements of CSRMA. CWIC is a not-for-profit corporation formed under the State of Utah Revised Nonprofit Corporation Act and is governed by its Board of Directors and regulated by the State of Utah Insurance Department.

CWIC was established to provide assumed reinsurance coverage for CSRMA's workers' compensation claims up to the program's self-insured retention of \$250,000 per occurrence for claims occurring July 1, 2023, and subsequent. CWIC also provides reinsurance coverage for CSRMA's liability program from the member deductible to \$750,000 for claims occurring December 31, 2023 and subsequent

General Administration and Finance

CWIC is managed by CSRMA staff and follows governing documents, including Bylaws and policies, established by CWIC. Accounting staff consists of the CSRMA Finance Manager and one full-time Accounting Technician. Further oversight is provided by the CSRMA Executive Director, who also serves as President of CWIC.

Management is responsible for establishing and maintaining an internal control structure, to ensure that assets are protected from loss, theft or misuse, and that adequate accounting data is compiled to allow for preparation of financial statements in conformity with generally accepted accounting principles.

Financial Highlights for FY 2022-23

- Ø *Total Assets of \$9.3 million; majority of the assets are cash and investments.*
- Ø *Total Liabilities of \$6.2 million; nearly all of which are short and long-term claims liabilities.*
- Ø *Net Position of \$3.4 million.*

Description of the Basic Financial Statements

CWIC's financial statements are prepared in conformity with generally accepted accounting principles and necessarily include amounts based upon reasonable estimates and judgments. The financial statements include a Statement of Net Position; a Statement of Revenues, Expenses and Change in Net Position; and a Statement of Cash Flows. The assets, liabilities, revenues, and expenses of CWIC are reported on a full accrual basis.

CLEAN WATER INSURANCE CAPTIVE

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

The *Statement of Net Position* presents information on all CWIC assets and liabilities, with the difference between them representing Net Position, or net equity. Changes in total Net Position from one year to the next are based on activity described in the *Statement of Revenues, Expenses and Changes in Net Position*.

The *Statement of Revenues, Expenses and Changes in Net Position* presents total revenues versus total expenses and the resulting change in Net Position for the year. Revenues earned and expenses incurred during the year are classified as either "operating" or "non-operating." All revenues and expenses are recognized as soon as the underlying event occurs, regardless of timing of the related cash flows. Thus, revenues and expenses are reported for some items that will result in the disbursement or collection of cash during future fiscal years (payment of ultimate liability on workers' compensation claims, for example).

The *Statement of Cash Flows* presents the changes in cash and cash equivalents during the fiscal year, using both the direct and indirect methods of cash flow analysis. The statement breaks cash flows into three categories: operating activities, financing activities, and investing activities. NBIG's routine program and administrative activities appear in operating activities. Cash received from capital contributions is shown in capital and related financing activities. Interest earnings, purchases, and proceeds from investment transactions appear in investing activities.

The financial statements are accompanied by Notes to the Financial Statements, which provide additional information essential to a full understanding of the data provided. The notes describe the nature of CWIC's operations and significant accounting policies and clarify unique financial information.

Condensed Statement of Net Position

The Condensed Statement of Net Position in this MD&A presents the financial position of CWIC at June 30, 2024. The difference between total assets and total liabilities – net position – is one indicator of the current financial condition of CWIC, while the change in net position is an indication of whether the overall financial condition has improved or worsened during the year. CWIC's assets, liabilities, and net position at June 30, 2024, are summarized as follows:

Current Assets	\$ 172,188
Noncurrent Assets	9,448,507
Total Assets	<u>9,620,695</u>
Current Liabilities	3,337,047
Noncurrent Liabilities	2,844,939
Total Liabilities	<u>6,181,986</u>
Paid-in Capital	1,365,000
Unrestricted	2,073,709
Total Net Position	<u>\$ 3,438,709</u>

CLEAN WATER INSURANCE CAPTIVE
MANAGEMENT’S DISCUSSION AND ANALYSIS

JUNE 30, 2024

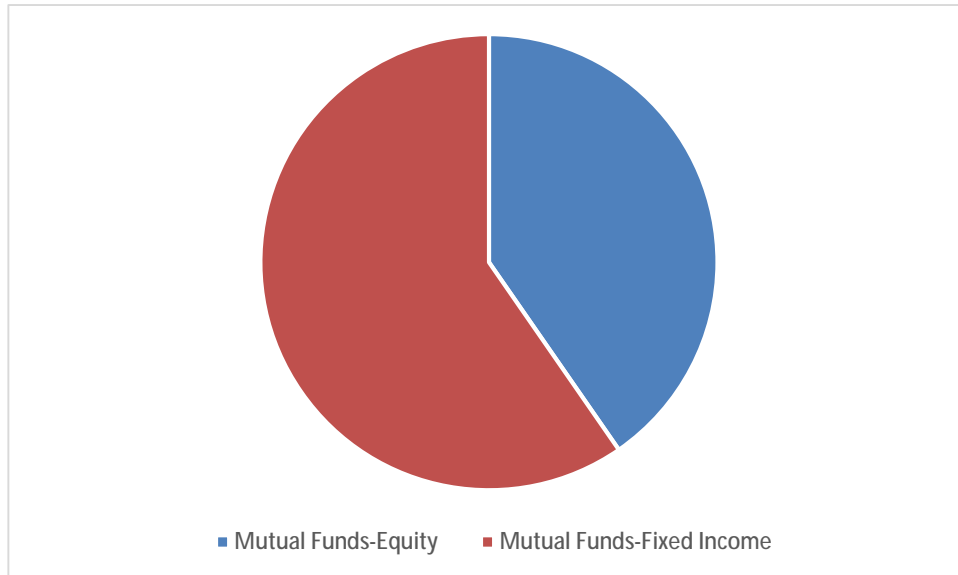
Assets

The assets of CWIC totaled \$9.6 million at June 30, 2024. Most assets are in cash or investments and are provided by current year operating activities, which includes the collection of premiums of \$6.2 million in fiscal year 2023/24, much of which could then be invested as claims are paid over a longer period. At June 30, 2024, all cash was held in a bank, a money market account, or investment portfolios managed by US Bank, a professional investment management firm. CWIC’s Long-Term Investment Portfolio at June 30, 2024, is summarized as follows:

Long-Term Investment Portfolio

Asset Class			
Mutual Funds-Equity	\$	3,813,764	
Mutual Funds-Fixed Income		5,634,743	
Total	\$	<u>9,448,507</u>	

Long-Term Portfolio Investment Allocation



Liabilities

The liabilities of CWIC totaled \$6.2 million at June 30, 2024. CWIC’s liabilities continue to be mainly comprised of reserves for losses and Loss Adjustment Expenses (LAE) incurred from current period operations and unearned revenues for liability coverage. The reserves for losses and LAE are stated on an undiscounted basis, meaning they do not reflect an adjustment for net present value. Unallocated Loss Adjustment Expenses (ULAE) costs are not reserved by CWIC as they are paid by CSRMA.

CLEAN WATER INSURANCE CAPTIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

Management believes that its aggregate liability for unpaid losses and LAE at period-end represents its best estimate of the amount necessary to cover the ultimate cost of losses, based upon the available data and an actuarial analysis prepared by an actuary.

Net Position

Net position totaled \$3.4 million at June 30, 2024. This amount includes \$1.365 million of paid in capital contributed by CSRMA. CWIC's unrestricted net position was in excess of the \$250,000 minimum, unimpaired paid-in capital and surplus required by the State of Utah Insurance Department (the Department).

Statement of Revenue, Expenses, and Change in Net Position (at June 30)

	Total
REVENUES	
Member contributions	\$ 6,220,990
Total Operating Revenues	6,220,990
OPERATING EXPENSES	
Program expenses:	
Provision for unpaid claims and claim adjustment expenses	4,622,313
Insurance expense	11,818
Management consultants	117,764
Other program expenses	25,870
Total program expenses	4,777,765
General and administrative expenses	27,547
Total operating expenses	4,805,312
Operating income (loss)	1,415,678
NONOPERATING REVENUES	
Investment income	658,031
Change in Net Position	2,073,709
Net Position, Beginning of year	-
Net Position, End of year	\$ 2,073,709

CLEAN WATER INSURANCE CAPTIVE
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2024

Revenues and Expenses

The Captive's operating revenues totaled \$6.22 million for the year ended June 30, 2024. Revenue is determined by a reinsurance agreement between CWIC and CSRMA that is renewed annually. Claims and claims adjustment expenses are primarily driven by actuarial estimates of ultimate loss.

Economic Factors that will affect the Future

Investment Factors

CWIC faces many factors that can affect the value of investments including concentration of credit risk, the current state of the US and global economic outlook, geopolitical risks, and systemic risks, which may affect both equity and fixed-income securities. Equities securities respond to such factors as economic conditions, individual Captive earnings performance, and market liquidity, while fixed-income securities are particularly sensitive to credit risks and changes in interest rates.

BASIC FINANCIAL STATEMENTS

CLEAN WATER INSURANCE CAPTIVE
COMBINED STATEMENT OF NET POSITION
AS OF JUNE 30, 2024

ASSETS

Current Assets	
Cash and cash equivalents	\$ 139,984
Accounts receivable:	
General	28,035
Interest	230
Prepaid expenses	3,939
Total Current Assets	172,188
Noncurrent Assets	
Investments	9,448,507
Total Assets	9,620,695

LIABILITIES

Current Liabilities	
Accounts payable	363,434
Unearned revenue	1,473,613
Current portion of unpaid claims and claim adjustment expense	1,500,000
Total Current Liabilities	3,337,047
Noncurrent Liabilities	
Unpaid claims and claim adjustment expense	2,844,939
Total Liabilities	6,181,986

NET POSITION

Paid-in capital	1,365,000
Unrestricted	2,073,709
Total Net Position	\$ 3,438,709

CLEAN WATER INSURANCE CAPTIVE
COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION

FOR THE FISCAL YEAR ENDED JUNE 30, 2024

REVENUES	
Member contributions	\$ 6,220,990
Total Operating Revenues	<u>6,220,990</u>
OPERATING EXPENSES	
Program expenses:	
Provision for unpaid claims and claim adjustment expenses	4,622,313
Insurance expense	11,818
Management consultants	117,764
Other program expenses	<u>25,870</u>
Total program expenses	4,777,765
General and administrative expenses	<u>27,547</u>
Total operating expenses	<u>4,805,312</u>
Operating income (loss)	1,415,678
NONOPERATING REVENUES	
Investment income	<u>658,031</u>
Change in Net Position	2,073,709
Net Position, Beginning of year	<u>-</u>
Net Position, End of year	<u><u>\$ 2,073,709</u></u>

CLEAN WATER INSURANCE CAPTIVE
COMBINED STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

Cash Flows From Operating Activities

Cash received from members	\$ 7,666,568
Cash paid for claims	(277,374)
Cash paid for Insurance	(15,757)
Cash paid to vendors	192,253
Net Cash Flows Provided (Used) by Operating Activities	7,565,690

Cash Flows From Investing Activities

Investment income received	187,765
Payments for purchases of investments	(14,361,550)
Proceeds from sales and maturities of investments	6,748,079
Net Cash Flows Provided (Used) by Investing Activities	(7,425,706)

Net Increase (Decrease) in Cash	139,984
Cash and Cash Equivalents - Beginning of year	-
Cash and Cash Equivalents - End of year	\$ 139,984

Reconciliation of Operating Income (loss) to Net Cash Provided (used) by Operating Activities

Operating income (loss)	\$ 1,415,678
Adjustments to Reconcile Net Income (loss) to Net Cash Provided (used) by Operations:	
(Increase) Decrease in:	
Member receivable	(28,035)
Prepaid expenses	(3,939)
Increase (Decrease) in:	
Accounts payable	363,434
Unearned revenue	1,473,613
Claims liability	4,344,939
Net Cash Provided (Used) by Operating Activities	\$ 7,565,690

Supplementary Information

Noncash Investing and Financing Transactions	
Change in fair value of investments	\$ 470,036

CLEAN WATER INSURANCE CAPTIVE
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

1. GENERAL INFORMATION

A. ORGANIZATION

The Clean Water Insurance Captive (CWIC) is a captive insurance company regulated by the Utah Insurance Department. CWIC is reported as a blended component unit of the California Sanitation Risk Management Authority (the Authority), which is a California governmental Joint Powers Authority. Only the risks of the Authority, its parent company, are transferred to CWIC. CWIC, a component unit of the Authority, provides insurance coverage to the Authority. As part of the Authority, the assets, liabilities, revenues, expenses, and changes in net position of CWIC are included in the consolidated financial statements of the Authority. CWIC is a not-for-profit corporation formed on July 1, 2023 under the State of Utah rules for nonprofit entities and is governed by its Board of Directors and regulated by the Utah Insurance Department.

The Authority is the sole member of CWIC. The Authority Board of Directors authorized the formation of Clean Water Insurance Captive, Inc. (CWIC), in order to diversify the Authority's investment portfolio and more effectively finance its claims liabilities on a reinsurance basis. An initial capitalization payment (paid-in capital) of \$1,365,000 was transferred from the Authority to CWIC. CWIC officially began operations on July 1, 2023.

The Clean Water Insurance Captive (CWIC) was established on July 1, 2023 to more effectively finance the Authority's claims liabilities on a reinsurance basis. Effective July 1, 2023, CWIC began reinsuring the Workers' Compensation Pooled Layer risk (\$0 - \$250K). Effective December 31, 2023, CWIC began reinsuring the Pooled Liability Program Pooled Layer risk (Member deductible - \$750,000). The reinsurance premiums collected from the Authority for the year ended June 30, 2024 for the Workers' Compensation and Pooled Liability Programs were \$4,747,378 and \$1,473,612, respectively.

Effective for the year ended June 30, 2024, the unallocated loss adjustment expense (ULAE) component of the outstanding liability estimate is included in the Authority's workers' compensation or general liability claims liability, as those expenses are not ceded to CWIC.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF ACCOUNTING

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). Under the accrual basis, revenues and the related assets are recognized when earned, and expenses are recognized when the obligation is incurred. CWIC applies all applicable Financial Accounting Standards Board pronouncements in accounting and reporting for its proprietary operations, except where superseded by GASB pronouncements. Liabilities for reserves for open claims and claims incurred but not reported have been recorded in CWIC's financial statements.

CLEAN WATER INSURANCE CAPTIVE
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

B. STATEMENT OF CASH FLOWS

CWIC considers interest on investments to be non-operating revenue; therefore, investment income is presented in the investing section of the Statement of Cash Flows.

C. CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, cash and cash equivalents include all checking and savings accounts, cash in bank, and all highly liquid debt instruments purchased with original maturity of three months or less.

Cash and cash equivalents consisted of the following on June 30, 2024:

U.S. Bank Checking	\$ 86,741
U.S. Bank Money Market Funds	<u>53,243</u>
Total Cash and Cash Equivalents	<u><u>\$ 139,984</u></u>

D. INVESTMENTS

CWIC records its investments at fair market value based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. CWIC does not have any investments that are measured using Level 3 inputs. Changes in fair market value are reported as revenue in the Statements of Revenues, Expenses, and Changes in Net Position. The effect of recording investments at fair market value is reflected as a net increase in the fair value of investments on the Statement of Revenues, Expenses, and Changes in Net Position and on the Statement of Net Position.

E. UNPAID CLAIMS LIABILITIES (CLAIMS PAYABLE, CLAIMS INCURRED BUT NOT REPORTED, AND LIABILITY FOR UNALLOCATED LOSS ADJUSTMENT EXPENSES)

Each program establishes claims liabilities based on estimates of the ultimate cost of claims (including future allocated claim adjustment expense) that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of salvage and subrogation and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverages such as workers' compensation.

Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be

CLEAN WATER INSURANCE CAPTIVE
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

F. CONTRIBUTION INCOME

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

Revenues mainly consist of premium contributions from the Authority. Contribution development is performed by actuaries and the Board of Directors based on the particular characteristics of the Authority's underlying members. Contribution income consists of payments from the Authority that are planned to match the expense of its self-insured workers' compensation claims for years covered by CWIC. The activities of CWIC consist solely of risk management programs and claims management activities related to the coverage described above.

G. MANAGEMENT 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 at the reporting date and revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term are described elsewhere in this report.

3. INVESTMENTS

Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that categorizes the inputs to valuation techniques used to measure fair value into three levels. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1 Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 Inputs to the valuation methodology include inputs – other than quoted prices included within Level 1 – that are observable for an asset or liability, either directly or indirectly.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

CLEAN WATER INSURANCE CAPTIVE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

The asset's or liability's fair value measurement level within a fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value:

Mutual funds are valued using quoted market prices (Level 1 Input).

Investments are not rated using a nationally recognized rating agency due to the nature of mutual fund. Investments consist of the following as of June 30, 2024:

Mutual Funds:	
Equity:	
PFM Multi Manager Domestic Equity	\$ 2,505,529
PFM Multi Manager International	1,308,235
Fixed Income:	
PFM Multi Manager Fixed Income Fund	5,634,743
Total	<u>\$ 9,448,507</u>

The mutual funds are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices in active markets for identical assets.

Concentration of Credit Risk

CWIC's investment policy places long-term asset allocation targets stated below:

<u>Asset Classes</u>	<u>Asset Weightings</u>	
	<u>Range</u>	<u>Target</u>
Growth Assets		
Domestic Equity	6% -46%	26%
International Equity	0% -34%	14%
Other	0% -10%	0%
Income Assets		
Fixed Income	40% -80%	60%
Other	0% -10%	0%
Real Return Assets	0% -10%	0%
Cash Equivalents	0% -20%	0%

Equities:

No more than the greater of 5% or weighting in the relevant index (Russell 3000 Index for U.S. issues and MSCI ACWI ex-U.S. for non-U.S. issues) of the total equity portfolio valued at market may be invested in the common equity of any one corporation; ownership of the

CLEAN WATER INSURANCE CAPTIVE
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

shares of one company shall not exceed 5% of those outstanding; and not more than 40% of equity valued at market may be held in any one sector, as defined by the Global Industry Classification Standard (GICS).

Fixed Income:

Fixed income securities of any one issuer shall not exceed 5% of the total bond portfolio at time of purchase. The 5% limitation does not apply to issues of the U.S. Treasury or other Federal Agencies. The overall rating of the fixed income assets as calculated by the Advisor shall be investment grade, based on the rating of one Nationally Recognized Statistical Rating Organization (“NRSRO”). Additionally, allocations to direct below investment grade credit strategies may not exceed 20% of the Fixed Income portfolio.

Prohibited Investments:

Except for purchase within authorized investments, securities having the following characteristics are not authorized and shall not be purchased: letter stock and other unregistered securities, direct commodities or commodity contracts, or private placements (with the exception of Rule 144A securities). Further, derivatives, options, or futures for the sole purpose of direct portfolio leveraging are prohibited. Direct ownership of real estate, natural resource properties such as oil, gas or timber and the purchase of collectibles is also prohibited.

The investments in CWIC’s portfolio as of June 30, 2024 conform to these guidelines.

Custodial Credit Risk

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. 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.

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 values to changes in market interest rates. As of June 30, 2024, the average effective maturity of the underlying investments held in the CWIC’s fixed-income funds was approximately 7.61 years.

CLEAN WATER INSURANCE CAPTIVE
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2024

4. CLAIM LIABILITIES

CWIC establishes a liability for both reported and unreported insured events at undiscounted, which includes estimates of both future payments of losses and related claims adjustment expenses. The following represents changes in liabilities for CWIC during the year ended June 30, 2024.

Unpaid claims and claim adjustment expenses at beginning of year	\$	<u>-</u>
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current year		4,622,313
Increase/(decrease) in provision of insured events of prior years		<u>-</u>
Total incurred claims and claim adjustment expenses		<u>4,622,313</u>
Payments:		
Claim and claim adjustment expenses attributable to insured events of the current year		277,374
Claim and claim adjustment expenses attributable to insured events of the prior years		<u>-</u>
Total Payments		<u>277,374</u>
Total unpaid claims and claims adjustment expenses	\$	<u>4,344,939</u>

The components of unpaid claims liability and claims adjustment expense as of June 30, 2024 was as follows:

Claims reserves	\$	449,849
Claims incurred but not reported (IBNR)		<u>3,895,090</u>
Total		4,344,939
Current portion		<u>(1,500,000)</u>
Non-current portion	\$	<u>2,844,939</u>

CLEAN WATER INSURANCE CAPTIVE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

5. RELATED PARTY TRANSACTIONS

Related party transactions result from premiums written, losses and loss adjustment expenses, incurred from insurance coverage provided to the Authority by CWIC.

Premiums	\$ 6,220,990
Captive Management Fees	\$ 50,000
Program Consulting	\$ 60,000
Actuarial Fees	\$ 15,000

Amounts due to the Authority as of June 30, 204 was \$312,909

6. RECONCILIATION TO ANNUAL STATEMENT

Part of the Utah Insurance Department's audit requirements is to reconcile and explain the differences between the Annual Statement and the Audit.

	Per Annual Statement	Per Audit Report	Variance
Assets			
Reinsurance Recoverable on Unpaid Losses & LAE	\$ 144,039	\$ -	\$ 144,039
Liabilities			
Losses	4,306,777	4,344,939	(38,162)
Expenses			
Net Losses Incurred/Adjustment Expenses Incurred	4,440,091	4,622,313	(182,222)

The primary variances are due to the reclassifications of the deductible recovery on the income statement and recoverables on the balance sheet. The loss reserves were adjusted to match the actuary report subsequent to the Annual Statement being submitted.

7. SUBSEQUENT EVENTS

CWIC's management has reviewed its financial statements and evaluated subsequent events for the period of time from its year ended June 30, 2024 through December 18, 2024, the date the financial statements were issued. Management is not aware of any subsequent events that would require recognition or disclosure in the accompanying financial statements

REQUIRED SUPPLEMENTARY INFORMATION

CLEAN WATER INSURANCE CAPTIVE
RECONCILIATION OF CLAIMS LIABILITIES BY PROGRAM
AS OF JUNE 30, 2024

	<u>Workers Compensation</u>	<u>Liability</u>	<u>Totals</u>
Unpaid claims and claim adjustment expenses at beginning of year	\$ -	\$ -	\$ -
Incurred claims and claim adjustment expenses:			
Provision for insured events of the current year	3,246,657	1,375,656	4,622,313
Increase/(decrease) in provision of insured events of prior years	-	-	-
Total incurred claims and claim adjustment expenses	<u>3,246,657</u>	<u>1,375,656</u>	<u>4,622,313</u>
Payments:			
Claim and claim adjustment expenses attributable to insured events of the current year	254,378	22,996	277,374
Claim and claim adjustment expenses attributable to insured events of the prior years	-	-	-
Total Payments	<u>254,378</u>	<u>22,996</u>	<u>277,374</u>
Total unpaid claims and claims adjustment expenses	<u>\$ 2,992,279</u>	<u>\$ 1,352,660</u>	<u>\$ 4,344,939</u>
Claims reserves	\$ 264,045	\$ 185,804	\$ 449,849
Claims incurred but not reported (IBNR)	<u>2,728,234</u>	<u>1,166,856</u>	<u>3,895,090</u>
	2,992,279	1,352,660	4,344,939
Current portion	<u>(500,000)</u>	<u>(1,000,000)</u>	<u>(1,500,000)</u>
Non-current portion	<u>\$ 2,492,279</u>	<u>\$ 352,660</u>	<u>\$ 2,844,939</u>

CLEAN WATER INSURANCE CAPTIVE
CLAIMS DEVELOPMENT INFORMATION
WORKERS' COMPENSATION

AS OF JUNE 30, 2024

	Fiscal Year Ended
	June 30
	2024
1. Premiums and investment revenue:	
Earned	\$ 5,136,698
Ceded	-
Net earned	5,136,698
2. Unallocated expenses	91,499
Dividends	-
3. Estimated incurred claims and expenses, end of policy year	
Incurred	3,246,657
Ceded Claims	-
Net incurred claims	3,246,657
4. Paid (cumulative) as of:	
End of policy year	254,378
One year later	
Two years later	
5. Reestimated ceded claims and expenses:	-
6. Reestimated net incurred claims and expenses:	
End of policy year	3,246,657
One year later	
Two years later	
7. Increase (decrease) in estimated incurred claims and expense from end of policy year	\$ -

*First year of program

CLEAN WATER INSURANCE CAPTIVE
CLAIMS DEVELOPMENT INFORMATION
LIABILITY

AS OF JUNE 30, 2024

	Fiscal Year Ended
	June 30
	2024
1. Premiums and investment revenue:	
Earned	\$ 1,742,323
Ceded	-
Net earned	1,742,323
2. Unallocated expenses	91,499
Dividends	-
3. Estimated incurred claims and expenses, end of policy year	
Incurred	1,375,656
Ceded Claims	-
Net incurred claims	1,375,656
4. Paid (cumulative) as of:	
End of policy year	22,996
One year later	
Two years later	
5. Reestimated ceded claims and expenses:	-
6. Reestimated net incurred claims and expenses:	
End of policy year	1,375,656
One year later	
Two years later	
7. Increase (decrease) in estimated incurred claims and expense from end of policy year	\$ -

*First year of program

CLEAN WATER INSURANCE CAPTIVE

NOTES TO CLAIMS DEVELOPMENT INFORMATION

CUMULATIVE FROM INCEPTION THROUGH JUNE 30, 2024

The table on the previous page illustrates how CWIC earned revenues and investment income compare to related costs of loss and other expenses assumed by CWIC as of the end of each of the last ten years (this is the first year of the program so only one year is shown). The rows of the tables are defined as follows:

1. Total of each fiscal year's gross earned contribution and investment income less ceded (excess insurance cost, assessments/dividends) contributions to arrive at net earned contribution and investment revenues.
2. Fiscal year's other operating costs of CWIC for each fiscal year including overhead and loss expenses not allocable to individual claims.
3. CWIC's gross incurred losses and allocated loss adjustment expenses, losses assumed by reinsurers and net incurred losses and allocated loss adjustment expenses as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred.
4. Cumulative amounts paid as of the end of successive years for each policy year.
5. The latest re-estimated amount of losses assumed by reinsurers as of the end of the current year for each policy year.
6. Shows how each policy year's net incurred losses increased or decreased as of the end of successive years. This annual re-estimation results from new information received on known losses, reevaluation of existing information on known losses and emergence of new losses not previously known.
7. Compares the latest re-estimated 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 projected. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of net incurred losses currently recognized in less mature policy years.

SUPPLEMENTARY INFORMATION

CLEAN WATER INSURANCE CAPTIVE
COMBINING STATEMENT OF NET POSITION
AS OF JUNE 30, 2024

	<u>Workers'</u> <u>Compensation</u>	<u>Liability</u>	<u>Total</u>
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 97,989	\$ 41,995	\$ 139,984
Accounts receivable:			
General	-	28,035	28,035
Interest	161	69	230
Prepaid expenses	<u>2,757</u>	<u>1,182</u>	<u>3,939</u>
Total Current Assets	100,907	71,281	172,188
Noncurrent Assets			
Investments	<u>5,807,476</u>	<u>3,641,031</u>	<u>9,448,507</u>
Total Assets	<u>5,908,383</u>	<u>3,712,312</u>	<u>9,620,695</u>
LIABILITIES			
Current Liabilities			
Accounts payable	254,404	109,030	363,434
Unearned revenue	-	1,473,613	1,473,613
Current portion of unpaid claims and claim adjustment expense	<u>500,000</u>	<u>1,000,000</u>	<u>1,500,000</u>
Total Current Liabilities	754,404	2,582,643	3,337,047
Noncurrent Liabilities			
Unpaid claims and claim	<u>2,492,279</u>	<u>352,660</u>	<u>2,844,939</u>
Total Liabilities	<u>3,246,683</u>	<u>2,935,303</u>	<u>6,181,986</u>
NET POSITION			
Paid-in capital	750,000	615,000	1,365,000
Unrestricted	<u>1,911,700</u>	<u>162,009</u>	<u>2,073,709</u>
Total Net Position	<u>\$ 2,661,700</u>	<u>\$ 777,009</u>	<u>\$ 3,438,709</u>

CLEAN WATER INSURANCE CAPTIVE
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION

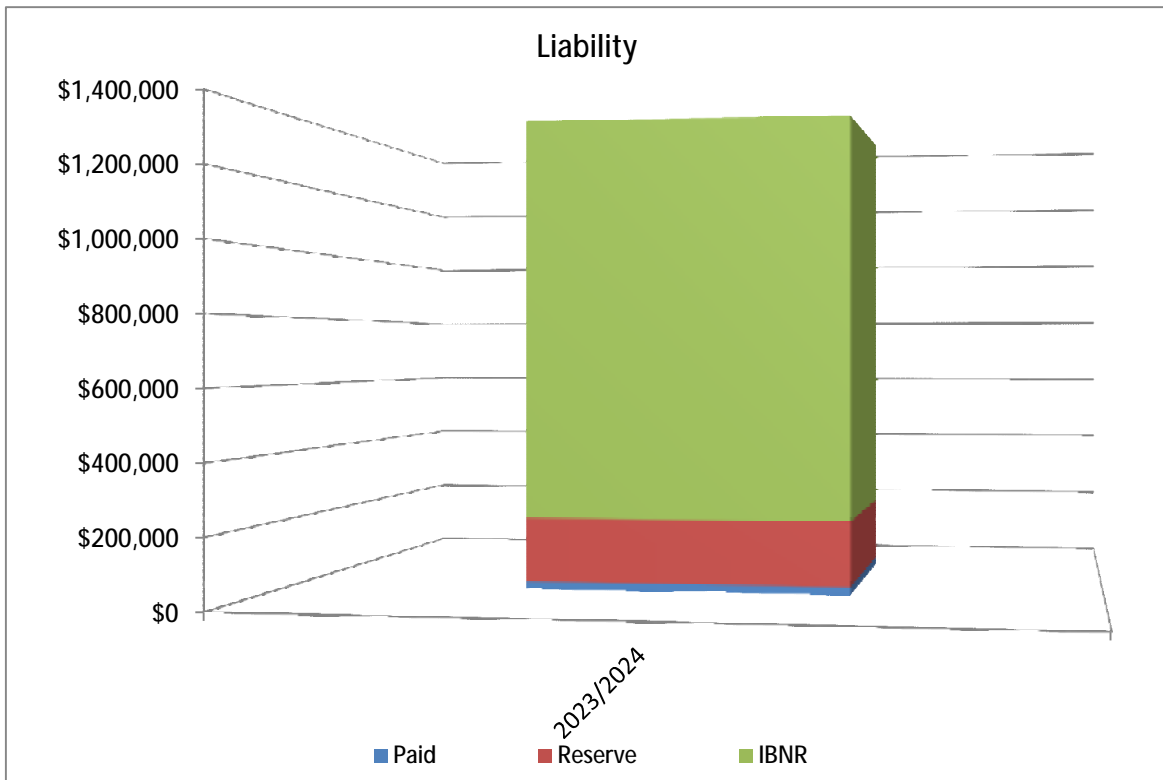
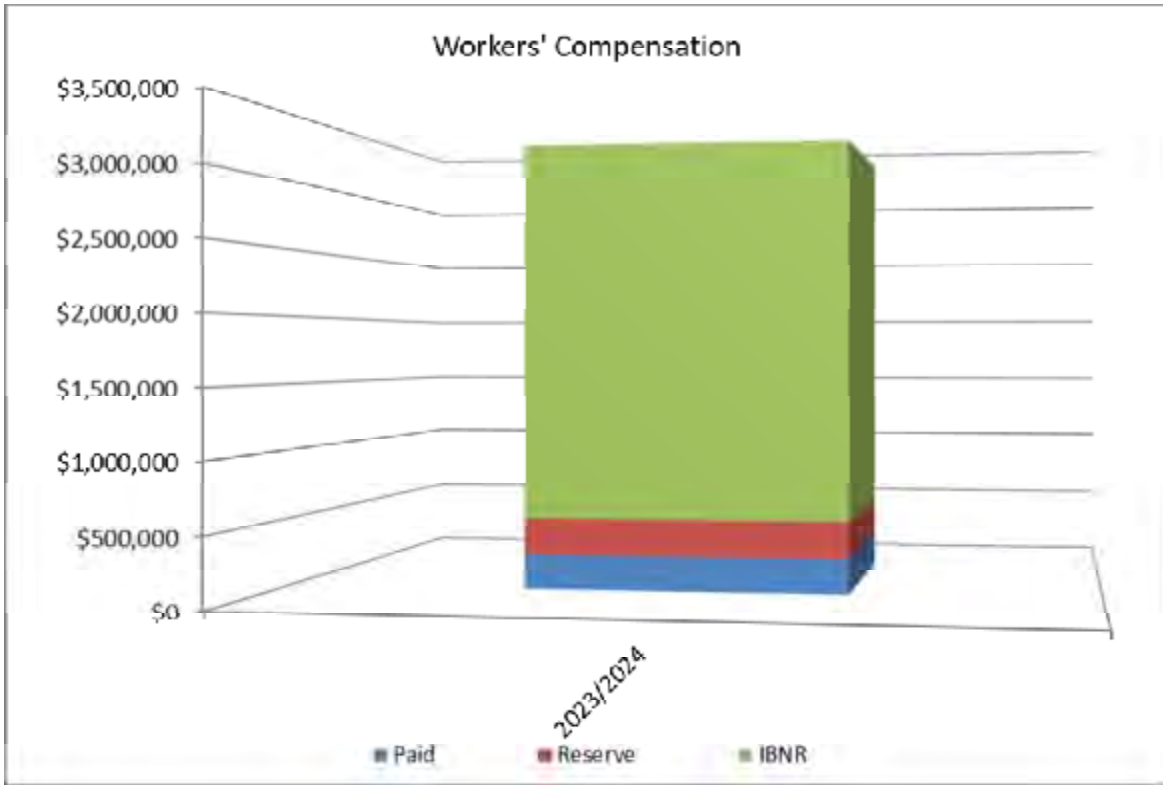
AS OF JUNE 30, 2024

	Workers'		
	Compensation	Liability	Total
REVENUES			
Member contributions	\$ 4,747,378	\$ 1,473,612	\$ 6,220,990
Total Operating Revenues	<u>4,747,378</u>	<u>1,473,612</u>	<u>6,220,990</u>
OPERATING EXPENSES			
Program expenses:			
Provision for unpaid claims and claim adjustment expenses	3,246,657	1,375,656	4,622,313
Insurance expense	9,454	2,364	11,818
Management consultants	101,222	16,542	117,764
Other program expenses	21,990	3,880	25,870
Total program expenses	<u>3,379,323</u>	<u>1,398,442</u>	<u>4,777,765</u>
General and administrative expenses	<u>22,856</u>	<u>4,691</u>	<u>27,547</u>
Total operating expenses	<u>3,402,179</u>	<u>1,403,133</u>	<u>4,805,312</u>
Operating income (loss)	1,345,199	70,479	1,415,678
NONOPERATING REVENUES			
Investment income	<u>566,501</u>	<u>91,530</u>	<u>658,031</u>
Change in Net Position	1,911,700	162,009	2,073,709
Net Position, Beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Net Position, End of year	<u>\$ 1,911,700</u>	<u>\$ 162,009</u>	<u>\$ 2,073,709</u>

CLEAN WATER INSURANCE CAPTIVE

GRAPHICAL SUMMARY OF CLAIMS

AS OF JUNE 30, 2024





James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

**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**

INDEPENDENT AUDITOR'S REPORT

The Governing Body
Clean Water Insurance Captive
San Francisco, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Clean Water Insurance Captive as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Clean Water Insurance Captive's basic financial statements, and have issued our report thereon dated December 18, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Clean Water Insurance Captive's internal control over financial reporting (internal control) as a basis for determining the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Clean Water Insurance Captive's internal control. Accordingly, we do not express an opinion on the effectiveness of Clean Water Insurance Captive's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

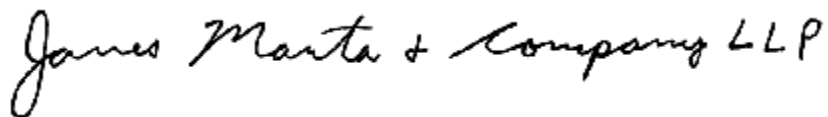
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses and significant deficiencies may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clean Water Insurance Captive's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
December 18, 2024

Pooled Liability Program Post Renewal Report

ISSUE: The Executive Board approved renewal of the Pooled Liability Program effective December 31, 2024, transferring the risk for the Pooled Layer (Member Deductible to \$750,000) to the Clean Water Insurance Captive (CWIC). Munich Re will continue to provide the first layer of reinsurance excess of the pooled layer (\$10M x \$750K). Berkley Public Entity provides the next layer of reinsurance (\$5M x \$10M) and AWAC provides the top layer of coverage (\$10M x \$15M) for a total of \$25M in limits excess of the pooled layer. Total limits of coverage in the Program remained at \$25,750,000.

RECOMMENDATION: None, information only.

FISCAL IMPACT: The chart below depicts the Program's renewal costs based on the expiring program structure.

Expense Item	PY 38	PY 39	Change	
	2023/24	2024/25		
	\$25.75 mil- lion limit	\$25.75 mil- lion limit		
Pool Deposits / CWIC Gross Premium	2,947,225	3,764,684	817,459	27.74%
Est. Reinsurance/Excess Costs (Net)	3,419,637	3,864,474	444,837	13.01%
Est. Fixed Expense (JPA Charge)	386,833	438,287	51,454	13.30%
Pool Deposit Fees	686,000	686,000	0	0.00%
Total Expected Costs	7,439,695	8,753,445	1,313,750	17.66%

BACKGROUND: A description of each line item in the above chart follows, as well as a discussion of other issues:

1. Pool Deposits / CWIC
Gross Premium: This CWIC's actuary's suggested "Gross Premium" to fund losses in the pooled layer (member deductible to \$750K + administrative expenses).

2. Reinsurance / Excess Cost: This is an estimate of the reinsurance / excess cost net of commission.

3. Fixed Expenses: Estimated expenses to operate the program which include an allocation of overall JPA expenses.

4. Pool Deposit Fees: Fees paid to the program administrator per its contract and CSRMA's budget. Alliant is also paid a commission on the reinsurance/excess insurance placement, which offsets the pool deposit fee.
5. Total Expected Costs: Total amount of the renewal.

Factors Considered

Pool Deposits

Alliant's actuarial team performed the actuarial analysis to develop the "CWIC gross premium". The analysis included the costs to fund losses in the Member Deductible - \$750K layer, underwriting margin and CWIC's administrative expenses. The actuary projected a substantial year-over-year increase in funding as a result of unfavorable loss development in older program years.

Reinsurance / Excess Insurance

The premium for the "estimated excess insurance expense" increased approximately 13%. Renewal terms were received from the incumbent markets. Munich Re is the reinsurer currently providing coverage excess of the pooled layer (\$10M x \$750K). Berkley Public Entity provides the next layer of reinsurance (\$5M x \$10M). AWAC provides the top layer of coverage (\$10M x \$15M) for a total of \$25M in limits excess of the pooled layer.

Fixed Expense (JPA Charges)

The Fixed Expense (JPA Charge) is expected to increase by approximately 13.30% (\$51,454), largely due to an increase in the approved Risk Control Work Plan.

Pool Deposit Fees

At the contract renewal on July 1, 2024, the Program Administrators were allowed to earn up to \$686,000, based on a flat fee being offset by any insurance commission earned.

Other Factors Considered

Stop Loss Aggregate

Stop Loss Aggregate coverage is designed to protect pool (CWIC) assets against a series of catastrophic events in the pooled layer (member deductible - \$750K) in a single Program Year. Based on historical loss experience in the Program and the pricing/structure to secure Stop Loss Aggregate coverage, CSRMA has elected not to purchase this coverage in the past. Should the loss experience in the Program change such that Stop Loss Aggregate coverage warrants

consideration, the Program Administrators will bring this item back to the Committee for further discussion.

Employment Practices Liability (EPL) Deductible Reduction Incentive Program Update

The Program Administrators have sent regular reminders to the members regarding the Board adopted EPL Deductible Reduction Incentive Program that became effective 12/31/23. Members who did not meet the eligibility requirements had their EPL deductible increased from \$25,000 to \$50,000. Member eligibility is reviewed annually.

ATTACHMENTS: None.

Pooled Liability Program
Retrospective Rating Calculation Policy & Procedure - Proposed
Amendments

ISSUE: The Program Administrators were directed to amend the Retrospective Rating Plan Policy & Procedure based on recommendations made in the Bickmore Actuarial report. The changes are summarized below and incorporated into the proposed redline strikeout version of the Retrospective Rating Plan Policy & Procedure attached to this item.

- The Retro calculation should be performed three and a half years following the expiration date of a program year.
- Discontinue the retro for program years older than ten (10) years.

RECOMMENDATION: The Executive Board is recommending that the Board of Directors approve the proposed amendments to the Retrospective Rating Plan Policy & Procedure as presented.

FISCAL IMPACT: The Program can avoid trading dollars with the membership in the near term stabilizing the distribution of the retrospective premiums over time by delaying the first retro calculation.

BACKGROUND: The Program Administrators had engaged Bickmore Actuarial to rebuild the Pooled Liability Program Retrospective Rating Plan and Matrix databases with technology more suited to handling large amounts of data requiring significant calculative power. This project presented opportunities to create efficiencies and improve the administrative components of the Program. Bickmore Actuarial's observations are summarized below.

1. Continue to perform calculations of retrospective premiums based on data valued at June 30 of each year. The data for retro calculation should be reconciled to financial statements at the same valuation.
2. Include outstanding liabilities for claims administration fees in the retro formula.
3. Stabilize the distribution of retrospective premiums by delaying eligibility for the first retro distribution or contribution. For liability program, we recommend a three and a half year gap between policy expiration date and retro eligibility.
4. Produce summary exhibits that display equity balances by member and equity balances by policy year. The total equity balance should be reconciled to financial statements.
5. Add exhibits that display ultimate loss and LAE rates and/or ratios by policy year. Such addition will allow Alliant's staff to better monitor overall profitability and loss trends.

6. Consider closing any policy year with no loss and LAE liability.

Recommendations considered by CSRMA to improve the operation of the Retrospective Rating Plan are summarized below.

- Timing of the calculation. Currently the retro calculation is performed 6 months after expiration of the program year. This generally results in an immediate retro *return* to the membership as recent program years have not developed, making the program year look healthier than it actually is, and often, losses develop, the retro will later need to recollect monies that it had earlier returned. The Program Administrators recommend a three-and-a-half-year gap between policy expiration date and retro eligibility.
- Discontinue the retro for program years older than 10 years. These older program years are mature and generally, there is little to no claims activity that moves the financial position in any meaningful way. Bickmore had identified 27 years with an annual balance of less than \$50 (years 2012-13 and prior) and recommended that these years to be closed for any subsequent calculation of retrospective premium. The Program Administrators envision continuing to track equity balances for these years but no longer run the retro calculation, thus saving time and complexity for both the Program Administrators and the membership.

ATTACHMENTS: Redline Strikeout Version of the Retrospective Rating Plan Policy & Procedure.

**CSRMA
POLICY & PROCEDURE
#6-L**

SUBJECT: Retrospective Rating Plan

**EFFECTIVE: January 19, 2001
Revised January 29, 2025**

Purpose:

This policy and procedure is written to describe the process by which the Pooled Liability Program's (PLP) retrospective rating calculations are performed for Program Years less than ten (10) years old. Prior Program Years are deemed closed for any subsequent calculation of retrospective premium. Terms and phrases with special meaning are defined in the "Definitions" section of this policy and procedure.

Policy:

In order to provide an incentive for members to control losses and to maintain a prudently funded pool, the Board of Directors adopted a "Retrospective Rating Plan" ("the retro") in 1988 for calculating final member deposit amounts into the pool for each Program Year. While the plan has operated according to the wishes of the Board, the Board desires this policy and procedure to be written to more clearly describe the detailed operation of the plan. This document therefore supercedes the original document adopted by the Board.

In principle, retrospective rating works to adjust a member's initial deposit subsequent to the expiration of a rating period (Program Year) on the basis of actual losses during that period. Such a rating program allows a member to more directly determine risk transfer costs through control of its own loss experience. This concept of individual cost determination on the basis of a member's actual incurred losses is significant in that:

- A member that controls losses is allowed the opportunity to generate a final deposit lower than premium developed by a typical insurance program;
- A member who has historically not controlled losses, is provided with incentive to do so; and
- Each member has the opportunity to earn a reasonable final deposit based upon its own actual loss experience. Retrospective rating provides more immediate recognition of favorable (or unfavorable) loss experience.

To accomplish these objectives, the basic plan design was formulated to include a retrospective rating feature.

The retrospective rating adjustment process evaluates each member's claims and expenses for each Program Year to determine:

1. If the total of member pool deposit amounts (initial and subsequent adjustments) plus investment income, is adequate to cover losses and expenses; and
2. The degree to which individual member pool deposit amounts either contributed to the financial success of a given Program Year.

Upon determination of these two issues, members are subject to a "retrospective rating adjustment" (an "adjustment") to their initial deposit, either positive or negative, subject to the formula utilized. The adjustment for each applicable Program Year appears on the member's annual Pooled Liability Program invoices. The first adjustment (credit or debit) is applied to the invoice for the following Program Year. Subsequent adjustments are applied to the invoices of subsequent Program Years.

Retrospective rating adjustments for the Pooled Liability Program are calculated three and half years (42 ~~six~~ months) after the conclusion of each Program Year, and annually thereafter until the Program Year is declared "closed" by the Board of Directors. In addition, the Board of Directors may declare special assessments, above and beyond retro adjustments, calculated at any time if in the Board's opinion, it becomes advisable to do so. The results of each retro calculation are communicated to the membership after review by the Executive Board. Any special assessment authorized by the Board shall be due as specified by the Board.

Procedure:

Three and a half years (42 ~~six~~ months) after the expiration of each Program Year, and annually thereafter, (currently June 30th of each year), unless otherwise directed by CSRMA, the Program Administrators are to start collection of the data needed to perform the retro calculation for that year. Data required includes:

1. Complete Pooled Liability Program Loss Runs valued as of June 30th showing paid and reserve amounts by member for the "pooled layer" (i.e. claim amounts between the members' deductibles and the excess attachment point).
2. Initial Pool Deposit amounts for each Program Year.
3. Incurred But Not Reported (IBNR) amounts for each Program Year as of June 30th.
4. Investment Income allocated to each Program Year as of June 30th.

Using the above data, the Program Administrators are to calculate the retrospective rating adjustment utilizing IBNR values representative of a “70% confidence level” for each Program Year. The results are to be presented to the Pooled Liability Program Committee and the Executive Board no later than the last regularly scheduled meeting of each in the calendar year. The Committee is to review the results and make a recommendation to the Executive Board concerning the appropriateness of implementing the results of the calculation.

With respect to initial Program Year Deposits, the Executive Board is granted authority to utilize an actuarial degree of confidence other than that noted above when it is appropriate to do so based upon evaluation of the following criteria:

1. Insurance market conditions that impact the viability of the Program;
2. Legislative issues expected to impact the workers’ compensation environment;
3. Either favorable or unfavorable program funding issues that need to be addressed; and
4. Risk exposures that impact the viability of the Program.

Upon acceptance of the results by the Executive Board, with or without modification, the Program Administrators are to credit or debit annual member invoices accordingly.

Calculation

The retrospective adjustment amount for each Program Year shall be calculated for each member by adding the sums of (A) and (B) below, adjusted for previously calculated and adjusted deposits, provided, however, that such amount shall not be greater than 150% of the Deposit, nor less than 75% of the Deposit:

- A. An amount equal to the individual members incurred losses, plus its pro-rata share of expenses;
- B. Each member’s proportionate share (based upon the amounts determined pursuant to (A) above) of the difference between the sum of the individual amounts calculated pursuant to (A) above, and the total of all incurred losses, reserves, expenses, and interest income for the Program as a whole.

Column #1 – ~~Self-Funded~~ Deposit Amounts:

This column is the initial deposit paid to the Authority by the member.

Column #2 – ~~Administrative~~ Costs:

The retro allows for the insertion of Administrative costs.

Column #3 – Pooled ~~Losses~~ Paid:

This column includes actual losses paid in the pooled layer excess of the members’ deductible. It includes all losses up to the excess insurance attachment point.

Column #4 – Investment Income Earned To Date:

Commulative investment earnings for the program year to date.

Column #5 - Average Investment Funds:

This is an estimate of each member's funds available for investment.

Column #6 – Interest Allocation Factor:

This is the factor to allocate the investment earnings.

Column #7~~5~~ – Allocated Investment Earnings:

This is each member's "share" of the investment income available for the Program Year.

Column #8 – Total Investment Earnings:

This is the sum of Investment Income Earned to date and Allocated Investment Earnings.

Column #9~~6~~ – Pooled Case Loss Reserves:

This column indicates the loss reserves for each member in the pooled layer.

Column #10~~7~~ – Allocated IBNR and Loss Development Reserves:

This column allocates the Incurred But Not Reported (IBNR) claims and loss development of the Program Year.

Column #8-11 – Net Pool Costs:

The pool costs amount to losses, IBNR, and administrative costs, less interest.

Column #9-12 – Maximum Deposit:

This column is the maximum amount assessable against an individual member for poor experience. It is equal to the product of the member's initial deposit and 1.50.

Column #10-13 – Minimum Deposit:

This is the minimum amount the Authority will retain for a member through the retro. It is the product of the member's initial deposit and .75.

Column #11-14 – Formula Deposit:

The Formula Deposit determines the amount the member will pay. It is equal to Net Pool Costs as shown in Column #811, unless these are more than the maximum, or less than the minimum.

Column #152 - Allocation of Overage:

If the total of Formula Deposit is insufficient to cover the losses of the pool, the “overage” (the difference between funds available and funds needed) is allocated by this formula.

Column #16 – Indicated Retro Adjustment

This is the difference between the Formula Deposit and the Deposit Amount + Admin. Costs.

Column #17 – Indicated Retro Adjustment for Overage

This is the sum of the Allocation of Overage and Indicated Retro Adjustment.

Column #18 – Retro Adjustment Paid to Date

This column shows the previous Retro Adjustments for the program year being calculated.

Column #19 – Prior Overage

This column shows a member’s previous Allocation of Overage for the program year being calculated.

Column #20 – This Year Retro Adjustment

This is the Indicated Retro Adjustment for Overage less previous Retro Adjustments and Allocation of Overage for the program year being calculated.

~~Initial Deposit~~

~~The Initial Deposit is equal to the amount shown in Column #1, Self Funded Deposits.~~

~~(Year) Retro Adjustment:~~

~~This is the Formula Deposit plus the Allocation of Overage less the Initial Deposit.~~

~~Final Pool to Date:~~

~~This is the Initial Deposit less the (Year) Retro Adjustment.~~

DEFINITIONS:

1. Calculation Date

The retrospective rating calculation dates are established at three and a half years (42 ~~six~~ months) following the conclusion of each Program Year (Currently December 31st) and annually thereafter for each Program Year until closed.

2. *Allocated Losses*

“Allocated Losses” includes each member’s actual losses (“paid and reserved”) as depicted in the JPA’s official loss runs **and** that members’ proportionate share of IBNR for that Program Year. Loss amounts below the members’ deductible, or above the Program’s excess attachment point are not counted in the calculation.

3. *Pool Deposits (Deposits)*

"Deposit", or “pool deposit,” term refers to the amount charged either individually or collectively to the pool members to cover the expected losses and expenses of a given Program Year.

4. *Claim Reserves*

“Claim Reserves” is an estimate of the funds needed to be set aside for **known** events (reported) that have given rise to a claim against a member. Each claim made against a member is “reserved” by the Program’s claims adjusting firm in accordance with the intrinsic dollar value of that claim. The aggregate value of all claims reserved make up the Authority's total “claims reserves”.

5. *Loss Adjustment Expenses*

“Loss Adjustment Expenses” refers to expenses incurred in the course of investigating and settling claims. Allocated loss adjustment expenses (ALAE) include costs, or expected costs, associated directly with specific claims paid or in the process of settlement, such as legal and adjusters' fees. Unallocated loss adjustment expenses (ULAE) include other costs, or expected other costs, that cannot be associated with specific claims but are related to claims paid or in the process of settlement, such as salaries and other internal costs of the pool's claims administrator.

6. *Incurred But Not Reported (IBNR)*

Claims for covered events that have occurred but have not yet been reported to the member or pool as of the date of the financial statement preparation or evaluation. IBNR claims include (a) known loss events that are expected to later be presented as claims, (b) unknown loss events that are expected to become claims, and (c) expected future development on claims already reported.

7. *Ultimate Net Loss*

“Ultimate Net Loss” is the sum of claims paid to date, claim reserves and IBNR; all within the program’s pooled layer. Because it is composed of two estimates, Ultimate Net Loss is also an estimate. The term is used to capture the total value of all claims that will ultimately be made against members for which the Authority is responsible. The Authority attempts to fund its programs such that member deposits for each period (Program Year) will equal the estimated ultimate net loss for that year plus program expenses and other general and administrative costs.

8. *Confidence Level*

“Confidence Level” is a statistical term used to express the degree to which an actuarial projection (usually “Ultimate Net Loss” or “IBNR”) will be an accurate prediction of what the dollars losses will eventually be for a Program Year. The higher a confidence level, the greater surety one has that losses will not exceed the dollar value determined to attain that confidence level.

9. *Contingency Margin*

“Contingency margin” refers to program equity in excess of that which is needed to maintain an “expected” confidence level.

Primary Insurance Program
Post Renewal Report

ISSUE: The Executive Board approved renewal of the Primary Insurance Program effective December 31, 2024, with the WaterPlus Insurance Program. The Program changed carriers from Homesite Insurance Company to Munich Re Specialty Insurance (AM Best Rated A+ XV). The Program will continue to be administered by Allied Public Risk and claims handling will remain unchanged. The policy terms and conditions remained the same as expiring except for the Employment Practices Liability (EPL) deductible. The EPL deductible was increased to \$25,000 for all members.

RECOMMENDATION: None.

FISCAL IMPACT: The table below shows the renewal costs compared to last year including percentage impact.

	2023/24	2024/25	% Change
Est. Insurance Premium (Net)*	835,121	937,452	12.25%
Program Directors Fee	138,000	138,000	0.00%
JPA Charge	59,856	72,482	21.09%
Total Cost	1,032,977	1,147,934	11.13%

*A new member (LiSWA) joined 5/1/24. LiSWA's 23/24 Est. Ins. premium annualized.

The increase in Estimated Insurance Premium (Net) is the result of an average rate increase of about 8% + surplus lines taxes and fees, changes in the exposure (i.e. budget, number of vehicles) and losses for individual member agencies

The Program Directors Fee and JPA Charge come from the Board approved budget.

BACKGROUND: The PIP provides general liability, auto liability, errors and omissions liability, auto physical damage, and excess liability insurance coverages.

ATTACHMENTS: None.

Workers' Compensation Program
2024 Workers' Compensation Excellence Award

ISSUE: The 2024 CSRMA Workers' Compensation Excellence Award recognizes those members completing the requirements of the award program to the satisfaction of the Workers' Compensation Committee and Executive Board.

Those members submitting applications meeting the program requirements will be announced during the meeting.

RECOMMENDATION: None – informational item only.

FISCAL IMPACT: \$50,000. This was included in the 2024/25 fiscal year budget.

BACKGROUND: Members meeting the award criteria will share equally in a cash prize of \$50,000. The cash prize will be paid directly to the employees by CSRMA of each qualifying member agency in an amount not to exceed \$499 per employee. Additionally, each qualifying member will receive a wall plaque and lobby banner.

To qualify for the award members must submit the Workers' Compensation Excellence Award application (*attached*), along with supporting documentation, explaining how each of the award criteria has been met, along with proof of completion.

ATTACHMENTS: 2024 Workers' Compensation Excellence Award Application

California Sanitation Risk Management Authority (CSRMA)
2024 Workers' Compensation Excellence Award Application (Due 9/30/24)

Name of Your Agency:	
If we have questions regarding your application, who should we contact at your agency?	
<ul style="list-style-type: none"> • Name: • Phone: Email: 	
Please Note: This award program is only available to members of the CSRMA pooled Workers' Compensation Program. If you are unsure if your agency is a member, please contact David Patzer at dpatzer@dkfsolutions.com or Seth Cole at Scole@alliant.com	
To qualify for the 2024 Workers' Compensation Excellence Award, please submit this application <u>and</u> support documentation <u>electronically</u> in pdf format following the directions below to David Patzer at dpatzer@dkfsolutions.com by 9/30/24. Members submitting a qualifying application will be announced at the January 2025 Board of Directors meeting.	
NOTE: Applications are not considered submitted unless you receive an email confirmation of receipt from David Patzer.	
IMPORTANT NOTES:	
<ul style="list-style-type: none"> • If your agency was a recipient of the 2023 Workers' Compensation Excellence award, you will need to select different tasks for application items 3-4 and 7-9 than your agency used for your 2023 application. • Application submittals must be submitted as a single pdf document with a table of contents and attachments/supporting documentation listed in the same order as the application. • Submittals are not deemed accepted unless notified via email by David Patzer the application was received. 	
REQUIRED QUALIFYING CRITERIA (must meet each)	SOURCES FOR HELP
1: Have no low back lost time claims due to strain/overexertion for the program year being evaluated. (Note: No need to provide anything on your application for this item - CSRMA will verify using your agency's workers' compensation claims data for the time period of 7/1/23-6/30/24).	<ul style="list-style-type: none"> • CSRMA Risk Control Advisor: dpatzer@dkfsolutions.com
2: Provide evidence that the CSRMA Return to Work program, or equivalent, has been implemented in order help injured employees heal more quickly and reduce the indemnity portion of the workers' compensation claim. Specifically, provide evidence of the following:	<ul style="list-style-type: none"> • CSRMA Risk Control Advisor, David Patzer: dpatzer@dkfsolutions.com • CSRMA Workers' Compensation Claims and Return to Work Advisor, Heather Truro: htruro@gmail.com

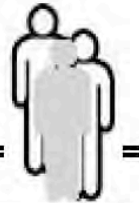
<ul style="list-style-type: none"> a. Copy of the form your agency uses when an employee reports an injury but declines medical treatment. b. Copy of the form your agency provides treating physicians to identify the physical activities the employee is able to perform to facilitate returning the injured employee to work when modified duty is necessary. c. Copy of the form your agency uses to document how an injured employee's job duties are being temporarily modified and the time period the modifications are valid. d. Copy of the form your agency uses to document the interactive process for permanently disabled employees. 	<ul style="list-style-type: none"> • CSRMA's Workers' Compensation Claims Management and Return to Work Program available for download from Risk Control Online
<p>3: For each work group at your agency, identify 15 <u>routine</u> and 10 <u>non-routine</u> tasks/equipment that, if operated/performed incorrectly, are <u>likely</u> to cause any of the following:</p> <ul style="list-style-type: none"> a. Injury to the employee performing the task/operating the equipment b. Injury to a coworker c. Damage to agency property d. Damage to private property <p>Once these have been identified, assign a risk score of 1-3 to each (3 being high probability) on each of the 4 criteria above and total the risk score for each task/equipment.</p> <p>Example:</p> <ul style="list-style-type: none"> • Task: Setting up lane closures on public streets <ul style="list-style-type: none"> a. Injury to the employee performing the task/operating the equipment: Risk Score = 3 b. Injury to a coworker: Risk Score = 3 c. Damage to agency property: Risk Score = 3 d. Damage to private property: Risk Score = 3 • Total Risk Score for this Task = 12 <p>Please submit a copy of this written analysis with your application.</p>	<ul style="list-style-type: none"> • CSRMA Risk Control Advisor: dpatzer@dkfsolutions.com
<p>4: Perform the following for the 10 tasks/equipment that have the highest risk scores identified in item #3:</p>	<ul style="list-style-type: none"> • CSRMA Risk Control Advisor: dpatzer@dkfsolutions.com

<p>a. Job Hazard Evaluation</p> <p>b. Develop an SOP with the completed JHA incorporated into the SOP (Note: The SOP must identify each step in the performance of the task or operation of the equipment so it can be used to train someone who has never performed the task or operated the equipment. Incomplete SOPs or SOPs without JHA's incorporated are not acceptable)</p> <p>Please submit copies of a and b, above with your application.</p>	<ul style="list-style-type: none"> • CSRMA Smart SOP mobile app (free to CSRMA members) – contact dpatzer@dkfsolutions.com • OSHA's "How to Perform a Job Hazard Evaluation": https://www.osha.gov/Publications/osh3071.pdf
<p>5: Provide evidence that annual training on the ergonomic and biomechanical principles relevant to the work activities and risk factors present at your agency, by department, is being provided.</p>	<ul style="list-style-type: none"> • CSRMA Video Lending Library available from Risk Control Online • CSRMA Risk Control Advisor: dpatzer@dkfsolutions.com
<p>6: Provide evidence that an employee health promotion program with specific activities designed to target employee health risk factors has been implemented. The term "Program" does necessarily mean a written policy or procedure. Providing evidence of ongoing and regular efforts to reduce employee health risk factors will meet the definition of Program as used here. Examples:</p> <p>a. Onsite gym or gym memberships subsidies</p> <p>b. Brown bag lunch talks on wellness related topics</p> <p>c. Wellness incentive programs (i.e. 10,000 Steps A Day Program)</p> <p>d. Health Risk Factor Assessment programs or incentives</p>	<ul style="list-style-type: none"> • CSRMA Risk Control Advisor: dpatzer@dkfsolutions.com • Wellness Councils of America Free Wellness Resources • American Heart Association Workplace Wellness Resources
<p>7. Working with staff from Operations, Collections and Maintenance (as applicable) identify at least 10 tasks per department staff feels are most physically strenuous in terms of lifting demands.</p>	<ul style="list-style-type: none"> • CSRMA Risk Control Advisor: dpatzer@dkfsolutions.com • Don Freeman: donfreeman@sentinelus.com
<p>8. Using the Center for Disease Control's (CDC) NIOSH Lifting Equation app, calculate the Lifting Index for each task identified in Criteria 7.</p>	<ul style="list-style-type: none"> • CSRMA Risk Control Advisor: dpatzer@dkfsolutions.com • CDC's NIOSH Lifting Equation app: https://www.cdc.gov/niosh/topics/ergonomics/nlecalc.html
<p>9. For any task in 8, above, that indicates a NIOSH Lifting Index of 2.5 or greater provide evidence of how the task was redesigned, reengineered or otherwise modified (i.e. team lift,</p>	<ul style="list-style-type: none"> • CSRMA Risk Control Advisor: dpatzer@dkfsolutions.com • Don Freeman: donfreeman@sentinelus.com

<p>mechanical assist, a material change, etc)to reduce the NIOSH score to less than 2.5 (please provide the report from the PDA software after the task was modified).</p>	
<p>10. Provide training to staff on human error and error prevention methods using the U.S. Dept of Energy’s Human Performance Improvement Handbook Vol. 1, CSRMA Human Error webinar or equivalent.</p>	<ul style="list-style-type: none"> • CSRMA Risk Control Advisor: dpatzer@dkfsolutions.com • U.S. DOE Standards Human Performance Improvement Handbook Volume 1: Concepts and Principles: https://www.standards.doe.gov/standards-documents/1000/1028-BHdbk-2009-v1/@images/file
<p>11. For Collections, Operations and Maintenance (as applicable), have each group evaluate 5 <u>non-routine</u> and 5 <u>routine</u> tasks with a high risk score from Step 3 for error precursors as described on Attachment 1.</p>	<ul style="list-style-type: none"> • Attachment 1 – Error Precursors (Short List) • CSRMA Risk Control Advisor: dpatzer@dkfsolutions.com
<p>12. For each of the 10 tasks identified above, identify at least 2 error reduction tools (sample list provided below – you are not limited to these tools) your agency can provide training and/or implement to reduce the likelihood of an error occurring when performing the task.</p> <ul style="list-style-type: none"> • Sample Error Reduction Tools: <ul style="list-style-type: none"> ○ Pre-job briefing ○ Trouble-shooting decision guide ○ Verification practices (i.e. Peer check, peer review, concurrent verification, independent verification, post job review) ○ Task review, Validate assumptions ○ Procedure use and adherence ○ Do not disturb signs ○ 2-way communication verification of understanding ○ Division of duties ○ Use of SAFER (Summarize steps, Anticipate errors, Foresee probable and worst case consequences at each step, Evaluate controls at each step to prevent, catch and recover from errors, Review relevant previous experience and lessons learned) 	<ul style="list-style-type: none"> • CSRMA Risk Control Advisor: dpatzer@dkfsolutions.com • U.S. DOE Standards Human Performance Improvement Handbook Volume 1: Concepts and Principles: https://www.standards.doe.gov/standards-documents/1000/1028-BHdbk-2009-v1/@images/file • U.S. DOE Standards Human Performance Improvement Handbook Volume 2: Human Performance Tools for Individuals, Work Teams and Management: https://www.standards.doe.gov/files/doe-hdbk-1028-2009-human-performance-improvement-handbook-volume-2-human-performance-tools-for-individuals-work-teams-and-management
<p>13. Develop and submit your written accident/near miss investigation program that includes a root cause analysis and senior management review/sign off.</p>	<ul style="list-style-type: none"> • Risk Control Online recorded webinar: “Incident Investigation – Getting to the Root Cause for Accident Prevention” • CSRMA Risk Control Advisor: dpatzer@dkfsolutions.com

<p>14. Submit documentation that the individual(s) responsible for managing your agency's workers' compensation and making return to work decisions have received online training from Don Freeman on the Sentinel Return to Work online portal.</p>	<ul style="list-style-type: none"> • CSRMA Risk Control Advisor: dpatzer@dkfsolutions.com • Don Freeman: donfreeman@sentinelus.com
<p>15. Submit documentation that your agency's staff received training in 2024 on interpersonal skills/conflict resolution skills.</p>	<ul style="list-style-type: none"> • Recorded webinar coming July, 2024 to Risk Control Online
<p>16. Submit your Workplace Violence Policy that meets the requirements of SB533 Workplace Violence and submit evidence that staff training was provided by 7/1/24.</p>	<ul style="list-style-type: none"> • https://www.employers.org/blog/2024/03/05/default/special-alert-finally-the-wvpp-template-is-here/ • CSRMA Risk Control Advisor: dpatzer@dkfsolutions.com

Error Precursors (short list)



Task Demands	Individual Capabilities
<input type="checkbox"/> Time pressure (in a hurry)	<input type="checkbox"/> Unfamiliarity w/task / First time
<input type="checkbox"/> High Workload (memory requirements)	<input type="checkbox"/> Lack of knowledge (mental mode)
<input type="checkbox"/> Simultaneous, multiple tasks	<input type="checkbox"/> New technique not used before
<input type="checkbox"/> Repetitive actions, monotonous	<input type="checkbox"/> Imprecise communication habits
<input type="checkbox"/> Irrecoverable acts	<input type="checkbox"/> Lack of proficiency / Inexperience
<input type="checkbox"/> Interpretation requirement	<input type="checkbox"/> Indistinct problem-solving skills
<input type="checkbox"/> Unclear goals, roles, and responsibilities	<input type="checkbox"/> "Hazardous" attitude for critical task
<input type="checkbox"/> Lack of or unclear standards	<input type="checkbox"/> Illness / Fatigue
Work Environment	Human Nature
<input type="checkbox"/> Distractions / Interruptions	<input type="checkbox"/> Stress (limits attention)
<input type="checkbox"/> Changes / Departures from routine	<input type="checkbox"/> Habit patterns
<input type="checkbox"/> Confusing displays or controls	<input type="checkbox"/> Assumptions (inaccurate mental picture)
<input type="checkbox"/> Workarounds / OOS instruments	<input type="checkbox"/> Complacency / Overconfidence
<input type="checkbox"/> Hidden system response	<input type="checkbox"/> Mindset ("tuned" to see)
<input type="checkbox"/> Unexpected equipment conditions	<input type="checkbox"/> Inaccurate risk perception (Pollyanna)
<input type="checkbox"/> Lack of alternative indication	<input type="checkbox"/> Mental shortcuts (biases)
<input type="checkbox"/> Personality conflicts	<input type="checkbox"/> Limited short-term memory

Property Program
Proposed Amendment to the Allocation of Limits Policy & Procedure

ISSUE: The Program Administrators conducted a review of the Allocation of Limits Policy & Procedure and have made suggested edits in the attached RLSO version of the document. The Pooled Liability Committee and the Executive Board have reviewed and discussed this item. The edits are largely of a cleanup nature and are not meant to alter the original intent of the Policy & Procedure.

RECOMMENDATION: The Executive Board recommends that the Board of Directors adopt the amendments to the Policy & Procedure as proposed in the attached RLSO version of the document.

FISCAL IMPACT: None.

BACKGROUND: The Program Administrators conduct periodic reviews of all Policies & Procedures for the various coverage programs and the JPA Manual and suggest edits as appropriate.

This Policy & Procedure addresses the settlement of claims through the Property Insurance Program, including any policies that may be purchased in association with the Property Program, in the event that more than one member agency is involved in an occurrence which triggers a loss limit.

ATTACHMENTS: 1) RLSO Version of the Allocation of Loss Limits Policy & Procedure

**CSRMA
Policy & Procedure
Memorandum #1-P**

Effective: July 1, 1992
Revised DATE TBD

Subject: Allocation of Loss Limits

Issue:

This policy and procedure addresses the settlement of claims through the Property Insurance Program, including any policies that may be purchased in association with the Property Program, in the event that more than one member agency is involved in an occurrence which triggers a the loss limit.

Discussion:

~~Effective July 1, 1992~~ The Property Insurance Program ~~includes~~ certain maximum amounts that the insurer is liability to pay in the event of losses. These are known as "Loss Limits." These limits may be ~~are~~ shared by all members of the Property Insurance Program ~~and, in the case of Flood coverage, to member agencies~~. In addition to any "per occurrence" loss limit, the Program may have flood coverage offered includes an aggregate limit per peril, or per policy period that could apply in various loss scenarios. For example, available policy limits could be exhausted in the following situations:

- A single agency has a loss in excess of a per occurrence or the aggregate limit
- More than one member agency is involved in the same loss event resulting in total payable claims in excess of a per occurrence or the aggregate limit.
- A series of unassociated loss events during the policy term may involve more than one agency resulting in total payable claims in excess of a per occurrence or the aggregate limit

Policy:

The following "Loss Limit Sharing Formula" (LLSF) shall govern recoveries by member agencies from the property insurer in any case when the total payable (covered) claims of affected member agencies exceed either a per occurrence loss limit, or an ~~annual~~ aggregate loss limit as specified in the policy such that, in either case, the insurance coverage available is insufficient to pay all payable (covered) claims of affected member agencies.

$$\frac{\text{Member's T.I.V.}}{\text{Total of affected members' T.I.V.}} \quad \times \quad \text{Available Limits} = \text{Amount Covered}$$

†T.I.V. refers to total reported insurable value at the inception of the applicable coverage term, meaning limits as reflected in the Statement of Values on file with the Program Administrator carried by the member agencies at the time of coverage inception, unless such statement has been updated in the interim with a premium charge made for the update.

In any event where it appears that LLSF may require proration of member agencies' claims, the Executive Board shall be, and is, empowered to instruct the insurer concerning the manner in which claims of affected member agencies shall be paid so as to achieve the objectives required by this Policy. However, in exercising this power, the Executive Board shall give due consideration to the needs of affected member agencies for expeditious administration and prompt payment of their claims, and payment of proper claims shall not be unduly delayed because of the application of this Policy. If in any case, a member agency should receive payments for its claim or claims which exceed, in the aggregate, the amount to which the member agency is entitled under the LLSF, the member agency shall promptly refund the excess funds to CSRMA for redistribution in accordance with this Policy.

**Resolution Recognizing the Contributions
of
Craig Murray**

ISSUE: The Board of Directors wishes to recognize in a formal manner Craig Murray's many contributions to CSRMA over the past seventeen years.

RECOMMENDATION: The Executive Board recommends that the Board of Directors honor the contributions of Craig Murray with a formal resolution.

BACKGROUND: Craig Murray has served on CSRMA's Pooled Liability Committee, Workers' Compensation Committee, Executive Board, and Board of Directors. Craig has served as President of CSRMA for the past five years. CSRMA has greatly benefited from his experience, expertise, guidance and support.

ATTACHMENTS: Resolution No. 1-25 (BD)

**California Sanitation Risk
Management Authority**

**Board of Directors
Resolution No. 1-25 (BD)**

**Resolution Recognizing the Contributions of
Craig Murray
To the California Sanitation Risk Management Authority**

The Board of Directors of the California Sanitation Risk Management Authority finds and determines as follows:

- (a) Craig Murray has diligently served as Board Member, Executive Board Member, Workers' Compensation Committee Chair, Pooled Liability Committee Member, Vice President and President of the California Sanitation Risk Management Authority.
- (b) Craig Murray has dedicated his time and effort and has made many contributions to ensure the growth and success of the California Sanitation Risk Management Authority.
- (c) For the many contributions made to the California Sanitation Risk Management Authority, its Board of Directors finds it incumbent to express sincere gratitude and appreciation.

In consideration of the foregoing findings and determinations,

IT IS RESOLVED by the Board of Directors of the California Sanitation Risk Management Authority as follows:

1. The California Sanitation Risk Management Authority does hereby recognize the many contributions of Craig Murray to the Authority, and by this Resolution does express to him sincere gratitude and appreciation.
2. The President and Secretary are directed to subscribe and execute on behalf of the Authority a true copy of this Resolution, and to cause a copy of the Resolution to be suitably bound, inscribed and presented to Craig Murray.

* * * * *

I hereby certify that the foregoing is a full, true and correct copy of a Resolution duly and regularly adopted and passed at a meeting of the Board of Directors of the California Sanitation Risk Management Authority held on the 29th day of January 2025, which was approved by unanimous acclamation of all Board of Directors members in attendance.

ATTEST:

President

Secretary

Resolution Recognizing the Contributions
of
Michelle Gallardo

ISSUE: The Board of Directors wishes to recognize in a formal manner Michelle Gallardo's many contributions to CSRMA over the past eight years.

RECOMMENDATION: The Executive Board recommends that the Board of Directors honor the contributions of Michelle Gallardo with a formal resolution.

BACKGROUND: Michelle Gallardo has served on CSRMA's Pooled Liability Committee and as the Committee Chair, Executive Board, and Board of Directors for many years. CSRMA has greatly benefited from her experience, expertise, guidance and support.

ATTACHMENTS: Resolution No. 2-25 (BD)

**California Sanitation Risk
Management Authority**

**Board of Directors
Resolution No. 2-25 (BD)**

**Resolution Recognizing the Contributions of
Michelle Gallardo
To the California Sanitation Risk Management Authority**

The Board of Directors of the California Sanitation Risk Management Authority finds and determines as follows:

- (a) Michelle Gallardo has diligently served as Board Member, Executive Board Member, and Pooled Liability Committee Chair of the California Sanitation Risk Management Authority.
- (b) Michelle Gallardo has dedicated her time and effort and has made many contributions to ensure the growth and success of the California Sanitation Risk Management Authority.
- (c) For the many contributions made to the California Sanitation Risk Management Authority, its Board of Directors finds it incumbent to express sincere gratitude and appreciation.

In consideration of the foregoing findings and determinations,

IT IS RESOLVED by the Board of Directors of the California Sanitation Risk Management Authority as follows:

1. The California Sanitation Risk Management Authority does hereby recognize the many contributions of Michelle Gallardo to the Authority, and by this Resolution does express to her sincere gratitude and appreciation.
2. The President and Secretary are directed to subscribe and execute on behalf of the Authority a true copy of this Resolution, and to cause a copy of the Resolution to be suitably bound, inscribed and presented to Michelle Gallardo.

* * * * *

I hereby certify that the foregoing is a full, true and correct copy of a Resolution duly and regularly adopted and passed at a meeting of the Board of Directors of the California Sanitation Risk Management Authority held on the 29th day of January 2025, which was approved by unanimous acclamation of all Board of Directors members in attendance.

ATTEST:

President

Secretary



GOVERNMENT FINANCE OFFICERS ASSOCIATION
NEWS RELEASE

FOR IMMEDIATE RELEASE

7/30/2024

For more information contact:
Michele Mark Levine, Director/TSC
Phone: (312) 977-9700
Fax: (312) 977-4806
Email: mlevine@gfoa.org

(Chicago, Illinois)—Government Finance Officers Association of the United States and Canada (GFOA) has awarded the Certificate of Achievement for Excellence in Financial Reporting to **California Sanitation Risk Management Authority** for its annual comprehensive financial report for the fiscal year ended June 30, 2023. The report has been judged by an impartial panel to meet the high standards of the program, which includes demonstrating a constructive "spirit of full disclosure" to clearly communicate its financial story and motivate potential users and user groups to read the report.

The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management.

Government Finance Officers Association (GFOA) advances excellence in government finance by providing best practices, professional development, resources, and practical research for more than 21,000 members and the communities they serve.



Top Cyber Actions for Securing Water Systems



H.2

Overview

Water and Wastewater Systems Sector entities (herein referred to as “water systems”) run operational technology (OT) and information technology (IT) systems that are too often vulnerable to cyberattacks. This fact sheet highlights the top cyber actions water systems can take today to reduce cyber risk and improve resilience to cyberattacks and provides free services, resources, and tools to support these actions, which can be taken concurrently.^{1,2,3} Visit CISA’s [Water and Wastewater Systems Cybersecurity](#) and EPA’s [Cybersecurity for the Water Sector](#) webpages for more information and resources.

Buyer beware: Technology manufacturers make security choices that affect the quality of their software and hardware. Review CISA’s [Secure by Design](#) guidance and ask your vendors how they are adopting the secure by design principles and tactics within their products to mitigate cybersecurity threats.

1. Reduce Exposure to the Public-Facing Internet

Use cyber hygiene services to reduce exposure of key assets to the public-facing internet. OT devices such as controllers and remote terminal units (RTUs) are easy targets for cyberattacks when connected to the internet.

- **Free resource:** [CISA’s Free Cyber Vulnerability Scanning for Water Utilities](#) fact sheet explains the process and benefits of signing up for CISA’s free vulnerability scanning program.
- **Free service:** Email vulnerability@cisa.dhs.gov with the subject line, “Requesting Cyber Hygiene Services” for [CISA Cyber Hygiene Services](#), which proactively identify and enable timely mitigation of internet-exposed assets.

2. Conduct Regular Cybersecurity Assessments

Conduct a cybersecurity assessment on a regular basis to understand the existing vulnerabilities within OT and IT systems. Assessments enable you to identify, assess, and prioritize mitigating vulnerabilities in both OT and IT networks.

- **Free service:** [EPA Cybersecurity Assessments](#) can help assess cybersecurity posture.
- **Free resources:**
 - [CISA’s Cybersecurity Performance Goals](#) (CPGs) provide a set of baseline cyber protections. A free CPG assessment can be administered by a [CISA cybersecurity advisor CISA Regions](#) or through a self-assessment.
 - The American Water Works Association’s (AWWA’s) [Water Sector Cybersecurity Risk Management Guidance](#) and [Risk Management Tool](#) can help a utility examine which cybersecurity controls and practices are most applicable based on the technology applications they have implemented.
 - AWWA’s [Water Sector Cybersecurity Risk Management Guidance for Small Systems](#) is a *getting started guide* that helps small, rural utilities (who serve <10,000 people) assess and implement cyber best practices.
 - The WaterISAC’s [15 Cybersecurity Fundamentals for Water and Wastewater Utilities](#) provides an overview of cybersecurity measures with resources to accompany each measure for deeper exploration.
 - The MS-ISAC’s [Center for Internet Security Risk Assessment Method \(CIS RAM\)](#) is an information security risk assessment method that helps organizations implement and assess their security posture against the CIS Critical Security Controls (CIS Controls) cybersecurity best practices. The CIS RAM Family of Documents provides instructions, examples, templates, and exercises for conducting a cyber risk assessment.

¹ The Cybersecurity and Infrastructure Security Agency (CISA), Environmental Protection Agency (EPA), and Federal Bureau of Investigation (FBI) jointly authored this fact sheet.

² Joint FBI-CISA-NSA-EPA-INCD Advisory: [IRGC-Affiliated Cyber Actors Exploit PLCs in Multiple Sectors, Including U.S. WWS Facilities](#)

³ Joint FBI-CISA-EPA-NSA Cybersecurity Advisory: [Ongoing Cyber Threats to U.S. Water and Wastewater Systems](#)

This document is marked TLP:CLEAR. Recipients may share this information without restriction. Information is subject to standard copyright rules. For more information on the Traffic Light Protocol, see <https://www.cisa.gov/tlp>.

TLP:CLEAR

3. Change Default Passwords Immediately

Require unique, strong, and complex passwords for all water systems, including connected infrastructure. Weak default or insecure passwords are easy to discover and exploit, and they may allow cyber threat actors to make changes to a water systems' operational processes. This can negatively impact public health and safety. Change default or insecure passwords and implement multifactor authentication (MFA) where possible. Focus on deploying MFA to IT infrastructure, such as email, to make it difficult for threat actors to access OT systems. Consider asking manufacturers to [eliminate default passwords](#).

- **Free resources:** [CISA's Secure our World Campaign: Use Strong Passwords](#) and [More than a Password Campaign](#). For additional cyber guidance, see [CISA's Cyber Guidance for Small Businesses](#).

4. Conduct an Inventory of OT/IT Assets

Create an inventory of software and hardware assets to help understand what you need to protect. Focus initial efforts on internet-connected devices and devices where manual operations are not possible. Use monitoring to identify the devices communicating on your network.

- **Free service:** [EPA's Cybersecurity Technical Assistance Program](#) supports you in conducting an inventory.
- **Free tool:** A first step in conducting an inventory is identifying the devices on the network. [CISA's Malcolm tool](#) enables network monitoring with custom parsers designed for industrial control system (ICS)/OT protocols.

5. Develop and Exercise Cybersecurity Incident Response and Recovery Plans

Develop

Understand incident response actions, roles, responsibilities, as well as who to contact and how to report a cyber incident before one occurs to ensure readiness against potential targeting.

- **Free resources:** EPA's [Cybersecurity Action Checklist](#) and CISA's [Incident Response Plan \(IRP\) Basics](#) help to develop cyber incident response plans. The [Joint CISA-FBI-EPA Water Incident Response Guide](#) provides valuable information on how to work with federal response partners before, during, and after a cyber incident. **Note:** See this guide for contact information for [CISA](#), [FBI](#), and the [EPA Water Infrastructure and Cyber Resilience Division](#).

Exercise

Test your incident response plan annually to ensure all operators are familiar with roles and responsibilities.

- **Free tools:** [CISA Tabletop Exercise Package \(CTEP\)](#) and [EPA tabletop exercise \(TTX\)](#) scenario tools assists critical infrastructure owners and operators in developing their own tabletop exercises to meet their specific needs.

6. Backup OT/IT Systems

Regularly backup OT/IT systems so you can recover to a known and safe state in the event of a compromise. Test backup procedures and isolate backups from network connections. Implement the NIST 3-2-1 rule: 3) Keep three copies: one primary and two backups; 2) Keep the backups on two different media types; 1) Store one copy offsite.

- **Free resources:** [CISA's Cyber Essentials Toolkit Chapter 5: Your Data](#) and [NIST's Protecting Data From Ransomware and Other Data Loss Events](#) provide guidance on backing up your systems.

7. Reduce Exposure to Vulnerabilities

Mitigate known vulnerabilities and keep all systems up to date with patches and security updates. Prioritize OT patches in accordance with [CISA's Known Exploited Vulnerabilities \(KEV\) catalog](#) during scheduled downtime of OT equipment; prioritize patches in IT, as applicable. [CISA's Secure our World Campaign](#) provides guidance on updating software.

8. Conduct Cybersecurity Awareness Training

Conduct cybersecurity awareness training annually, at a minimum, to help all employees understand the importance of cybersecurity and how to prevent and respond to cyberattacks.

- **Free resources:** See [EPA Cybersecurity Training](#) and CISA's free [Industrial Control Systems](#) cybersecurity virtual training to learn how to protect against cyberattacks to critical infrastructure. Also see [CISA's Secure our World Campaign: Employee Phishing Training](#) for practical steps to help your employees avoid phishing scams.

Support

If you require additional support for implementing any of these actions, contact [EPA](#) and/or your regional [CISA cybersecurity advisor](#) for assistance.

Disclaimer

The authoring agencies do not endorse any commercial entity, product, company, or service, including any entities, products, or services linked or referenced within this document. Any reference to specific commercial entities, products, processes, or services by service mark, trademark, manufacturer, or otherwise, does not constitute or imply endorsement, recommendation, or favoring by the authoring agencies.

MaaT Pharma Pioneers Treating Cancer With Fecal-Based Therapies

B [bloomberg.com/news/features/2024-12-05/researchers-hack-the-microbiome-with-fecal-germs-to-treat-cancer](https://www.bloomberg.com/news/features/2024-12-05/researchers-hack-the-microbiome-with-fecal-germs-to-treat-cancer)

Jason Gale



[Businessweek](#)

The Big Take

The Quest to Turn Human Waste Into Medicine

After success in early stage trials, MaaT Pharma is on the verge of becoming the first company to have an approved microbiome-related product for cancer care.



Illustration: Daniele Castellano for Bloomberg Businessweek

By Jason Gale

December 5, 2024 at 2:00 PM PST

At MaaT Pharma's manufacturing center on the outskirts of Lyon in southeast France, a motherlode of human poo arrives every few months. From a white courier van, the refrigerated samples—individually packaged in sealed bags—are whisked to a biocontainment laboratory. There, a technician injects each pouch with a chemical solution. This liquefies the contents to maximize the volume of, um, material that can be extracted while preserving and protecting bacteria from damage.

The care is because the stools are the raw ingredient for an emerging medical treatment that uses germs from poop to improve the health of a patient's gut. If the idea raises a giggle, you aren't alone—even those working in the field acknowledge the near-unlimited potential for schoolyard humor. But it's a deadly serious endeavor: MaaT is a pioneer in using fecal-based therapies to treat cancer.

Donor conditions are more stringent than they are for people giving blood. The criteria include being 18 to 65 years old, of healthy body weight and not suffering from digestive problems or chronic illnesses such as depression, diabetes or hypertension. Donors can't have taken any antibiotics in the past three months, have an ill child at home or have traveled in the past six months to places where the risk of contracting an infection is high. They also must undergo three medical examinations, repeated blood draws and a nasal swab to screen for more than 50 infectious diseases.

Samples from the starting material (stools) ready to be tested for pathogens to ensure safety. Photographer: Guillaume Megevand

"We stress to the donors the fact that their donations will be used to treat very, very sick patients, some who are about to die," says Carole Schwintner, MaaT's chief technology officer. "They should tell us everything about their lives."

The concept isn't as strange as it sounds. Human excreta is a rich source of the microorganisms, including bacteria, fungi and viruses, that live on and in all of our bodies. The exact relationship between the microbiome—the collective term for each individual's unique combination of microorganisms—and the rest of our bodies is still only partially understood, despite what some wellness practitioners would have you believe. But scientists agree the microbiome is vital to a wide range of activities including metabolizing drugs, defending against pathogens and influencing mood and brain functions. MaaT is confident that replenishing the gut with beneficial microbes will improve the effect of cancer medications while girding the patient against the immune-ravaging, nauseating impact of treatments like chemotherapy that risk causing infections and malnutrition. "I don't expect my product to cure cancer," Schwintner says. "But it could be the extra mile."

It's easy to be cynical about the idea of microbiome-based treatments. Popular awareness of the concept exploded in the past few years, and so have the number of dubious claims and outright quackery related to it. Go to any drugstore, and you'll find everything from ultra-processed snacks and sodas to face creams and shampoos laced with live bacteria. A quick

Google search will bring up scores of offers for you to map your own microbiome. (Too often such companies suggest taking their own proprietary probiotic formulations as a remedy for perceived problems.) Fecal transplants, though, have solid medical science behind them. Indeed, for a decade, they've been an established treatment for recurrent bouts of a severe diarrheal condition caused by a bacteria called *Clostridioides difficile*, or *C. diff*.

The path to more widespread commercialization, though, hasn't been smooth. Only two microbiome-based treatments have won US Food and Drug Administration approval, and many other promising products have fallen by the wayside. One problem is that researchers still aren't entirely clear which fecal germs are the most potent, or which will affect a particular disease. (What might be helpful for, say, depression may not have any impact on diabetes.) So to mitigate the risk of accidentally removing a vital component, MaaT takes a different approach from some of its competitors by giving patients the full spectrum of microbiota found in stool rather than narrowing it down to a select few bacterial strains. This approach has proved successful in early-stage trials, and MaaT is now close to being the first company to gain approval for a microbiome-related product for cancer treatment.

From left: Drug candidate MaaT013, being tested in a phase-3 trial for graft-versus-host disease, is stored at -80C at MaaT's manufacturing facility. Freeze dryers preserving gut bacteria to make MaaT033, an oral treatment to improve survival for blood cancer patients. Photographer: Guillaume Megevand for Bloomberg Businessweek

A late-stage trial of its lead product, MaaT013, a treatment for patients suffering a deadly complication of bone marrow transplantation called graft-versus-host disease, is set to report results in the next couple of months. Indications from preliminary rounds are highly promising. Last month, researchers reported the results of a study on 154 patients who received the treatment on compassionate grounds. Among those who'd already failed standard treatments, 49% were still alive at 12 months, compared with an expected survival rate of about 15%. Clemence Thiers, a biotech analyst at brokerage Stifel Financial Corp. in Paris, says that while the market for this specific treatment is relatively small, demonstrating that a microbiome-based therapy can improve survival rates in cancer patients would be "groundbreaking" for the sector, paving the way for other products. If the trial fails, that could spell disaster not just for MaaT but also deter other investment in the field. "Everyone who is looking at this is waiting on them," Thiers says.

The concept of using human waste as medicine has a surprisingly long history. In 4th century China, a medical practitioner described an unsavory remedy for severe food poisoning: a yellow broth made from the dried or fermented stool of a healthy person. Similar transfers were used sporadically to treat humans and animals over the centuries, but the procedure remained basic, with a reputation akin to snake oil. Then, in 1958, Benjamin Eiseman, chief of surgery at a US Veterans Administration Hospital in Colorado, turned stools from women in a maternity ward—reasoning they were likely to be healthy—into an enema he used to treat four patients with severely inflamed bowels. They recovered within hours, and

Eiseman's report in a medical journal drew some interest. But the treatment never made it into the mainstream, partly because of a level of repulsion and partly because there was no evidence-based protocol to explain to doctors how they could safely and effectively do the procedure. So for the next half-century, transfers were mainly conducted by a small underground network of physicians on patients with such deadly or crippling gastrointestinal diseases that they were prepared to try anything.

It wasn't until the turn of the century that modern molecular tools helped invigorate interest in poop's healing potential. In 2007 the National Institutes of Health launched the [Human Microbiome Project](#) to study the entirety of germs that live in and on the body and the ways they shape health and disease. The decade-long project discovered that these foreign inhabitants outnumber human cells by 10 to 1. The gut, home to roughly 100 trillion microorganisms in its 26-foot-long canal, is the richest source of these microbes. They produce vitamins, hormones such as dopamine and chemicals that regulate inflammation through complex interactions with immune cells. The medical relevance of the microbiome really became apparent in 2013, when doctors in Amsterdam [reported results](#) of a randomized controlled trial comparing the effectiveness of donor feces versus the then-standard antibiotic treatment for patients with *C. diff* infections. The trial was halted prematurely on ethical grounds because the transplant recipients were improving so dramatically that it was no longer justifiable to withhold the treatment from others in the study.

Alongside these remarkable clinical outcomes, researchers observed a significant increase in fecal bacterial diversity among the transplant recipients. This breakthrough not only validated the potential of fecal microbiota transplants but also ignited a broader quest to explore microbiome augmentation for other medical applications.

Isabelle De Cremoux, a venture capitalist who manages €1.1 billion (\$1.2 billion) across the life sciences sector, was part of that rush. She's invested in more than 100 companies linked to microbiome research, but she also wanted to find something specific: a company using the full ecosystem of stool microbes, rather than a selection of strains, in cancer treatments. When she couldn't find one, she hired Hervé Affagard, an information technology engineer by training with a background in production systems, to create one. To compensate for his lack of scientific experience, Affagard joined forces with one of the pioneers of microbiome science, [Joël Doré](#), who's studied gut microbes at France's National Research Institute for Agriculture, Food and Environment for more than 40 years. (His research has been cited more than 76,000 times.)

Doré, Affagard and Schwinter. Photographer: Guillaume Megevand for Bloomberg Businessweek

While Doré focused on a technique for preserving microbiota in stool, Affagard met with doctors to explore potential applications. As part of this outreach, he encountered [Mohamad Mohty](#), head of hematology and cellular therapy at Paris' historic Saint-Antoine Hospital. Mohty had recently made a serendipitous finding: When he treated bone marrow transplant

patients for *C.diff* infections using fecal transplants, they also seemed to avoid getting the potentially deadly graft-versus-host disease, a complication that occurs in about 30% to 50% of patients receiving donor blood stem cells. Together, Affagard and Mohty brainstormed an idea: What if they collected stools from patients when they were newly diagnosed with cancer and their microbiota hadn't yet been damaged, then processed the material into an enema that could be administered prior to bone marrow transplantation? With Mohty on board as a medical adviser and de Cremoux providing €2 million in initial funding, MaaT got up and running in December 2014.

Just under two years later, MaaT started its first clinical trial in patients with acute myeloid leukemia. The study's investigators, including Mohty and Doré, found that two enema treatments could reconstruct 90% of a patient's treatment-damaged gut microbiome. Then they hit a roadblock. Pretreatment screening found that more than half of the patients carried antibiotic-resistant bacteria in their bowels, prohibiting them from receiving their own stools. MaaT needed to source its material from healthy donors instead. Sourcing stool from single donors, though, risked producing a product that varied from one batch to another, leading to inconsistent clinical results. "Ten years ago, the industry was looking for the 'super donor'—a donor able to treat anybody," MaaT CTO Schwintner says. "This has been completely abandoned, because it doesn't exist. We've never found it."

MaaT technicians collect samples from the starting material to test for safety. Photographer:
Guillaume Megevand for Bloomberg Businessweek

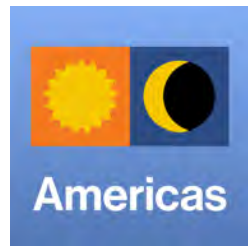
The next best thing, MaaT's scientists decided, was to combine stools from multiple people. Using detailed genomic analysis of each donation, the company mixes and matches material to create pooled batches. This ensures that each treatment contains a reproducible proportion of core microbes and boosts the odds that a patient will receive microbes from a compatible donor. Schwintner likens it to a restaurant offering multiple menu choices to improve diners' odds of eating a meal they'll enjoy. "That's exactly what happens for the patients," she says, "each of them is taking, or engrafting, the appropriate bacteria that they have picked up from the full menu." Typically, the more donors in a mix, the better the response to the treatment. "It makes sense," she says, because we have our own microbiota, "and not all of them are able to get along."

Of the 250 people MaaT has collected stools from, one stands out. Nicknamed *Chouchou*—"darling," in French—this de-identified super-producer has donated for six years, consistently producing stools with what Schwintner describes as ideal microbial diversity and richness. Chouchou, a French national, gives the money donors receive—as much as €5,000—to charity.

Get the Morning & Evening Briefing Americas newsletters.

Start every morning with what you need to know followed by context and analysis on news of the day each evening. Plus, the Weekend Edition.

By continuing, I agree to the [Privacy Policy](#) and [Terms of Service](#).



The process of turning these donations into a pharmaceutical product is a delicate business and a world away from the home-brew tales you find on Reddit. One user suggests using a recently cleaned kitchen blender (!) to mix raw donated poop that's less than five hours old "with saline solution on low speed until liquid." Others discuss straining through coffee filter bags or sieves before self-administration via an over-the-counter enema kit. (Lying on your side afterward is recommended.) Not only is this icky and unhygienic, but it also risks passing on infection-causing parasites and bacteria with potentially serious consequences. Even in medical settings, this had been a danger. In 2019 one bone marrow transplant patient died and a second patient with liver cirrhosis needed hospitalization for a bloodstream infection after taking an experimental [stool-based oral therapy](#) that was being studied at Boston's Massachusetts General Hospital. The capsules were later found to contain multidrug-resistant *E. coli* bacteria from a single donor, prompting the FDA to issue a warning on fecal microbiota transplants and to require donor stool screening for drug-resistant germs. In a published [paper](#) explaining the incident, the researchers said that development of therapeutic microbial mixtures was an important medical goal, and that continued efforts to improve donor screening were needed. A spokesperson for the hospital said they had no additional comment.

The MaaT patented medical device provided for stool collection safely preserves the gut microbiome.

A MaaT technician receives boxes containing samples stored in cold chain bags that ensure quality and compliance. Photographer: Guillaume Megevand for Bloomberg Businessweek

MaaT wasn't involved in either incident, but it must comply with the stricter safety measures that ensued. Of those who apply to donate, only about 2% are accepted. Those people must go in person to a network of collection sites in Western France. It's more than a case of just going to the bathroom. Bacteria crucial for priming the immune system and performing life-sustaining functions are exquisitely sensitive to air, so they can quickly degrade. To get around this problem, Affagard has patented a gadget he calls the drone that extends the viability of bowel-dwelling germs to 72 hours when they're stored at 2C to 8C (36F to 46F). A bread-plate-size mauve device with four plastic arms, the drone looks more like Tupperware than medical-grade equipment. Removing a circular lid, Affagard reveals a pouch designed to maintain the stool. "You put it on the toilet. And when you're done, you remove the oxygen." He demonstrates, squeezing the bag's translucent plastic to expel bacteria-killing air through a hermetic seal, which also helps prevent contamination.

For Affagard, the quest is both professional and personal. In 2015, shortly after starting the company, he decided to run the cutting-edge tests he was deploying on a sample from his mother. She'd been diagnosed with inflammatory bowel disease some years before, but Affagard wasn't convinced that was the whole story. It took six months for the results to come back, and they weren't good. Her bowel was teeming with a germ called *Proteobacteria*

known to spur inflammation. Her doctors knew that was unhealthy but didn't know exactly what it signified—or what to do about it. A week later she was diagnosed with pancreatic cancer. It was already too advanced for surgery, and she died months later. Tests like the one Affagard ran on his mother can now be turned around in a few days and at a fraction of the cost. Scientists also now know that the constellation of bugs found in her colon is a predictive marker for the cancer that killed her. If all goes to plan at MaaT, there could soon be more treatment options, too. “It’s really about taking an approach which has not been taken to date to change the trajectory of patients,” Affagard says. He sees a future where manipulating the gut microbiome will be part of a range of therapies available to clinicians. “You’re going to have immunotherapy, surgery, chemotherapy, and you’re going to have microbiotherapy.”

A freeze dryer used to make MaaT033, an oral treatment to improve survival for blood cancer patients. MaaT’s leading drug candidate for or graft-versus-host disease, MaaT013, unfrozen at the company’s manufacturing facility. Photographer: Guillaume Megevand for Bloomberg Businessweek

To that end, MaaT has already marked out land for a new plant that could increase manufacturing capacity tenfold by 2030. Poo bugs grow like sourdough yeast. If you keep them in the right conditions—at body temperature and with limited or no oxygen—and feed them right, they replicate exponentially. MaaT’s research team can now produce 4,000 liters (1,057 gallons) of fecal microbes from less than a teaspoon of liquid stool in 15 days. In Affagard’s vision of the future, artificial intelligence will be used to mix and match batches of gut microbes grown in giant incubators from MaaT’s vast collection of frozen stool samples. These germs can then be freeze-dried and turned into more convenient oral formulations, jokingly referred to as “crapsules.” Such capsules are opaque and white in color, and there’s no odor, as the poop germs have been desiccated and won’t be reanimated until they hit the gut. There’s still a potential “ick” factor, but it would be far more comfortable for patients than the current enema approach. And much cheaper: One factor holding back adoption of microbial therapies has been their relatively high cost, which analysts estimate can be in the tens of thousands of dollars, even topping \$130,000, per treatment course. Whether this is covered by insurance varies wildly between countries, products and insurers.

Affagard is counting on positive results from clinical trials to draw support from additional investors with deeper pockets to finance the requisite studies of these AI-backed experimental therapies. (A large-scale trial typically costs hundreds of millions of dollars.) Those already underway include a midstage study in melanoma patients receiving what’s known as immune checkpoint inhibitors, specifically Bristol-Myers Squibb Co.’s blockbuster therapies Opdivo and Yervoy. These drugs, which work by blocking proteins that stop the immune system from attacking cancer cells, have turned a diagnosis of advanced skin cancer into a potentially curable disease. The trial is exploring whether MaaT’s treatment can boost the medications’ effectiveness and reduce side effects. These life-saving medications come with a high risk of complications from rashes, diarrhea and nausea and can cause

inflammation of the thyroid, liver and lungs. The company has raised €130 million, including about €25 million in grants, so far. MaaT will need at least €300 million to €500 million for its expansion plans, Affagard says.

MaaT033, an oral formulation, is in a mid-stage trial as a treatment to improve survival rates for blood cancer patients. Photographer: Guillaume Megevand for Bloomberg Businessweek

There are cheaper, if slower, ways to augment your microbiome, says [Jennifer Wargo](#), a professor of surgical oncology and genomic medicine at Houston's MD Anderson Cancer Center. Consuming at least 20 grams of fiber from whole foods each day might be sufficient for some patients to maintain an optimal microbiome, she says, while helping stave off cancer in people without the disease. Still, she's a believer in the research. "Ultimately, I think it's going to impact all cancer patients," Wargo says. While the exact role gut bugs play in cancer risk is still unknown, "People get cancer for a reason. Part of that equation that contributes is likely dysbiosis [imbalance] in the gut." Additionally, decades of attempts to encourage populations to reformulate their diets show that's much easier said than done.

Companies developing microbiome-based treatments have announced deals or tie-ups with almost all of the world's largest drugmakers over the past decade, data compiled by Bloomberg show. Merck is collaborating with UK-based Microbiotica on a cancer treatment, for example, while Sanofi is working on a [microbiome-based vaccine for acne](#). Affagard says MaaT has attracted the interest of big names but right now his focus is on confirming the effectiveness of his AI-based formulation approach. "I'm confident it'll work based on the data we have accumulated so far, but we need to prove it," he says. "If it works, the potential is unlimited."

[Read next: Scientists Are Searching for the Next Pandemic Virus in Remote Jungles](#)

Weekend Edition

This story was featured in Bloomberg's Weekend Edition. [Read More Here](#)

Follow all new stories by **Jason Gale**

[Have a confidential tip for our reporters? Get in Touch](#)

[Before it's here, it's on the Bloomberg Terminal](#)

Chemicals in sewage sludge fertilizer pose cancer risk, EPA says

AP apnews.com/article/sewage-sludge-pasture-farms-milk-beef-harmful-cancer-epa-42e084b6a41852fdafd199d355c7a890

January 14, 2025



Water flows down the Sandusky River between farms, Aug. 26, 2024, in Fremont, Ohio. (AP Photo/Joshua A. Bickel, File)

Harmful chemicals in sewage sludge that is spread on pasture land as fertilizer are causing cancer, the Environmental Protection Agency said Tuesday. The risk is highest for people who regularly consume milk, beef and other products from farms where it is spread. The risk is “several orders of magnitude” above what it considers acceptable, the agency said.

When cities and towns treat sewage, they separate the liquids from the solids and treat the liquid. The solids need to be disposed of and can make a nutrient-rich sludge often spread on farm fields. The agency now says those solids often contain toxic, lasting PFAS that treatment plants cannot effectively remove.

When people eat or drink foods containing these “forever” chemicals, the compounds accumulate in the body and can cause kidney, prostate and testicular cancer. They also harm the immune system and childhood development.

Most at risk are people who drink one quart of milk per day from dairy cows raised on pasture with the biosolids, eat one or two servings of fish a week from a lake contaminated by runoff, or drink PFAS-laden water, the draft risk assessment said. The EPA looked at farmers and those living nearby who regularly consumed these products over years — not the broader general public.

Organic farms aren’t allowed to use the sludge, so the findings could reassure consumers who purchase organic grass-fed beef, although farms that transitioned to being organic may have had it applied earlier.

0:00 / 51

AP AUDIO: Chemicals in sewage sludge fertilizer pose cancer risk, EPA says

AP’s Lisa Dwyer reports on a health threat from a certain type of fertilizer used in farming.

The federal government does have the power to regulate harmful substances in sewage sludge. Years ago, it set limits on some metals. But it does not regulate PFAS, or perfluoroalkyl and polyfluoroalkyl substances.

“This draft assessment provides important information to help inform future actions by federal and state agencies as well as steps that wastewater systems, farmers and other stakeholders can take to protect people from PFAS exposure, while ensuring American industry keeps feeding and fueling our nation,” EPA Acting Administrator Jane Nishida said in a statement.

President-elect Donald Trump has nominated Lee Zeldin to head the EPA. When Trump announced the pick, he said Zeldin, “will ensure fair and swift deregulatory decisions” while also keeping the water and air clean.

Sewage sludge has been used as fertilizer for many years. Wastewater treatment plants produce millions of tons of it and tens of millions of acres of farmland have been allowed to use it, according to a group that’s compiled state data. The EPA said this sludge is applied on less than 1% of fertilized acreage of agriculture each year.

PFAS chemicals were used in nonstick pans, firefighting foam and other products in wide use. The two most common types of PFAS, the ones assessed by the agency, are not manufactured in the U.S. anymore, but are still in the environment and wastewater. Paper and textile manufacturers have released PFAS into the environment.

The risk may be higher for some farmers than the EPA assessment indicates. Many farms have far higher concentrations of PFAS than the study assumed. As the amount of PFAS increases, so does the health threat. And the EPA assumed people weren't exposed to PFAS from other sources when estimating risk, even though many people are.

Scott Faber, senior vice president of government affairs at the nonprofit Environmental Working Group, said the assessment finally makes official what regulators, polluters and utility operators have known for decades — that PFAS-contaminated fertilizer was getting into food and animal products. He called for tougher rules on its farm use and said EPA should limit how much PFAS manufacturers may release into waterways.

“There is no doubt that sending PFAS waste to wastewater treatment plants and then using that sludge as a fertilizer was a mistake. The only question is whether we'll continue to make the same mistake,” Faber said.

The Biden administration has taken several actions to reduce PFAS levels in the environment including writing a rule to drastically reduce PFAS in drinking water.

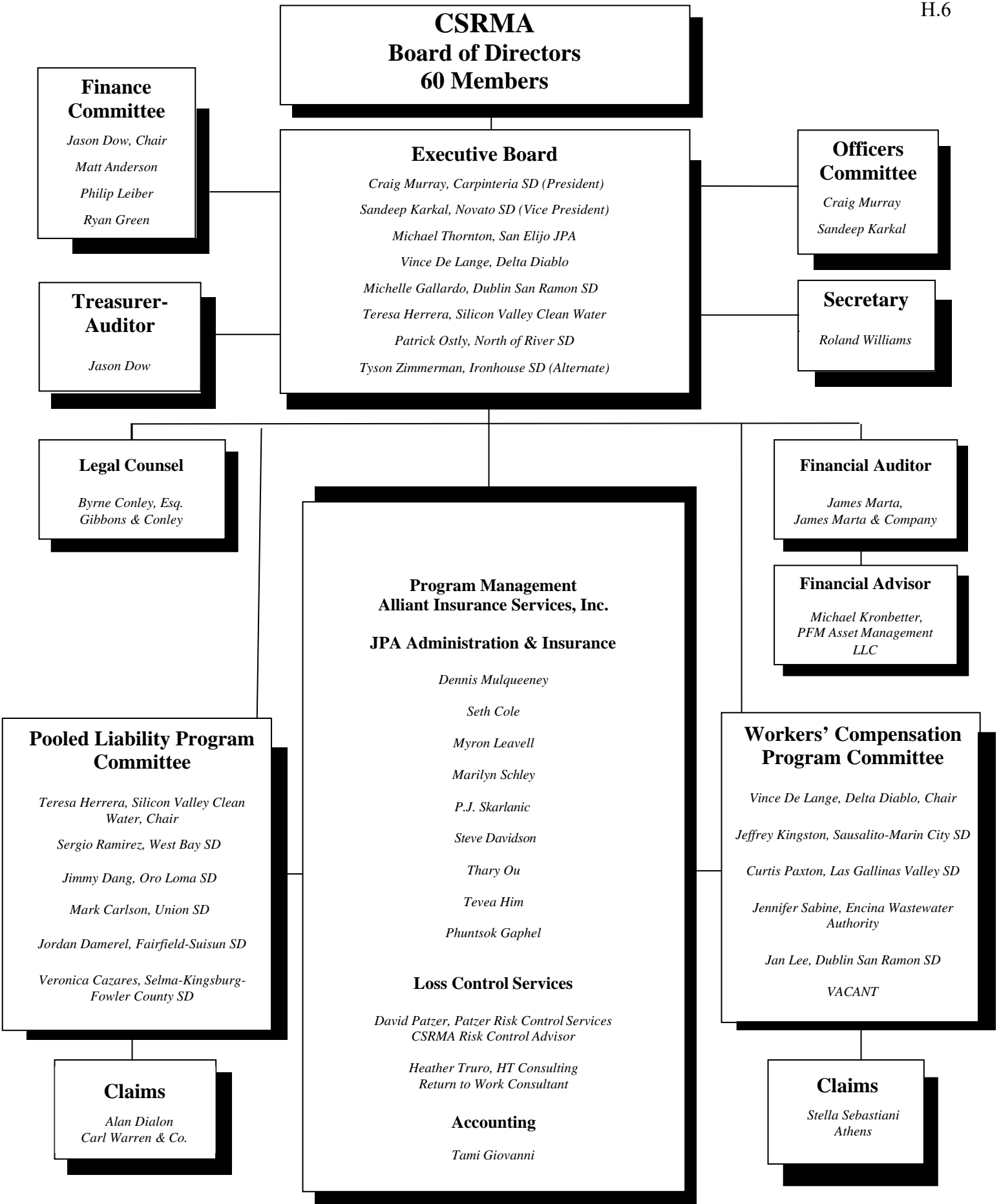
A small number of states including Maine and Connecticut have limited or banned the use of PFAS-contaminated fertilizers made from sewage.

The EPA said officials monitor the food supply to protect people from exposure to forever chemicals.

The Associated Press receives support from the Walton Family Foundation for coverage of water and environmental policy. The AP is solely responsible for all content. For all of AP's environmental coverage, visit <https://apnews.com/hub/climate-and-environment>

CSRMA MEETING CALENDAR 2025			
JANUARY	FEBRUARY	MARCH	APRIL
CSRMA EB - TUE - 28	CSRMA LIAB (TC) - TUE - 18	CSRMA LRP - SUN - TUE - 16, 17, 18	CSRMA FIN - TUE - 15 (SFO)
CSRMA BD - WED - 29	CSRMA WC - THUR - 20 (SFO)		
<i>CASA January 29 - 31</i>	<i>PARMA February 23 - 26</i>		
<i>Palm Springs</i>	<i>Anaheim</i>		
MAY	JUNE	JULY	AUGUST
CSRMA LIAB - MON - 5 (WC OFFICE)	CSRMA EB (TC) - MON - 9	CSRMA EB - TUE - 29	
CSRMA OC (TC) - TUES - 6	CSRMA BOD (TC) - WED - 18	CSRMA BD - WED - 30	
CSRMA WC (TC) - THUR - 15	CSRMA OC (TC) - WED - 25		
		<i>CASA July 30 - August 1</i>	
		<i>San Diego</i>	
SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
CSRMA LIAB - MON - 8 (WC OFFICE)	CSRMA EB - MON - 6 (SFO)	CSRMA FIN (TC) - MON - 3	CSRMA EB (TC) - MON - 8
CSRMA OC (TC) - FRI - 12	CSRMA WC (TC) - WED - 15	CSRMA LIAB - MON - 17 (WC OFFICE)	CSRMA OC (TC) - THUR - 11
	CSRMA OC (TC) - FRI - 31		
<i>CAJPA September 16 - 19</i>			
<i>Monterey</i>			

Meetings in RED are IN-PERSON



Service Team

