

MBASIA POLICY AND PROCEDURE

SUBJECT: FINANCIAL PLAN

DATE: November 14, 2025

AMENDED DATE:

REVIEWED DATE:

Policy Statement:

The purpose of this Financial Plan is to capture the variety of interrelated financial activities associated with managing the Monterey Bay Area Self Insurance Authority (MBASIA) shared risk Liability and Worker’s Compensation Programs and the funds held by the Authority on behalf of Members for payment of claim-related expenses and other MBASIA financial obligations.

As summarized from MBASIA’s Bylaws, (ARTICLE VI, EXECUTIVE & FINANCE COMMITTEE, Section 4. Authority), the Executive and Finance Committee (EFC) may review the budget and deposit methodology, special assessments or refunds to Members. The final approval resides with the Board of Directors (Board). This policy documents the processes and plans to administer MBASIA’s funding.

TABLE OF CONTENTS

- I. POLICY & PROCEDURE (P&P)
- II. CALCULATION OF DEPOSIT PREMIUMS
 - a. Liability Program Methodology
 - i. Tracking Historical Adjustments & Methodology Changes
 - b. Worker’s Compensation Program Methodology
 - i. Tracking Historical Adjustments & Methodology Changes
- III. EQUITY DISTRIBUTION PLAN (EDP) – *Effective July 1, 2026*

I. POLICY & PROCEDURE

Each year MBASIA collects deposit premiums from Members to fund the new Program Year. These deposits are based on actuarial estimates, prior year payroll, past claims, and Board approved methodologies.

- The EFC reviews drafts budgets for both programs in the early Spring.
- Draft budgets are presented at the April Board Meeting.
- Final budgets and deposit premiums are adopted at the June Board Meeting.
- Invoices are issued after adoption and split into two installments.

Renewal Invoice Installment Schedule

- First Installment: Due within 30 days of July 1
 - 50% of the Liability deposit
 - \$100,000 of the Worker's Compensation deposit
 - 100% of the purchased insurance placements
- Second Installment: Due within 30 days of January 1
 - 50% of the Liability deposit
 - Remaining balance of the Workers' Compensation deposit

Payment Plan

MBASIA does not encourage the use of payment plans and they may only be considered as a last resort due to economic hardship such as a declared emergency or natural disaster. The Member must submit the request in writing by May 15th to the Program Administrators and Board President to agendaize for the June Board Meeting. If the Board authorizes a payment plan, only one payment plan is allowed per Member. The Executive Committee has the authority to set and approve the interest rate and term.

II. CALCULATION OF DEPOSIT PREMIUMS

The MBASIA Bylaws, ARTICLE IX BUDGET, Section E., states that the prior calendar year shall be the period used to develop the budget of the Authority for the next fiscal year and the respective premiums for each member city for the next fiscal year.

The exposure base is measured by payroll. Payroll is defined by the preceding year's DE6 (or equivalent) payroll (Subject Wages) for quarters ending March 31, June 30, September 30 and December 31.

The following calculation of deposit premiums may be amended by Board action.

Additional procedures are followed below to calculate the deposit premiums:

a. Liability Program Methodology:

1. The Liability Budget is composed of Administrative Costs and the Claims Funding.
 - MBASIA’s Actuary provides recommended funding rates.
 - The Confidence Level is adopted annually by the Board.
2. The calculation is weighted on:
 - 50% based on Exposure (Payroll).
 - 50% based on Experience (Claims).
 - a) 6 years history of total incurred losses
 - b) \$250,000 cap for claims from July 1, 2018 and earlier
 - c) \$500,000 cap for claims from July 1, 2019 to current
 - d) Claim Valuation Date: December 31 JPA Loss Run
3. A per Member cap of 50% over the prior year funding.
4. This calculation is performed the Program Administrators and presented to the EFC and Board for review and approval. Once approved, the final budget is used to invoice Members.

i. Liability Tracking Historical Adjustments & Methodology Changes

None since 2020

b. Workers’ Compensation Program Methodology:

1. Level I Assessment: Administrative Allocation
 - 70% Member’s Payroll
 - 30% Flat Rate shared equally among the Members
2. Level II Assessment: Claims Allocation
 - 7 years history of total incurred losses
 - \$250,000 cap per claim
 - Excludes 4850 and all employee Temporary Disability (TD)
 1. TD is only excluded starting July 1, 2023 and forward.
 - Claim Valuation Date: December 31 JPA Loss Run
 - MBASIA’s Actuary provides recommended funding rates.
 - The Confidence Level is adopted annually by the Board.
 - \$125,000 Minimum Contribution per Member
3. This calculation is performed the Program Administrators and presented to the EFC and Board for review and approval. Once approved, the final budget is used to invoice Members.

i. Workers’ Compensation Tracking Historical Adjustments & Methodology Changes

Level III (Loan Repayment) Assessment :

- From FY 17–18 and prior, \$305,000 was collected annually
- Loan was paid off in 2017

Claims History Use by Fiscal Year:

- Before FY 22–23: 4 years
- FY 22–23: 5 years
- FY 23–24: 6 years
- FY 24–25 to current: 7 years

Minimum Contributions – Level II Assessment:

- From FY 19-20 to FY 24-25: \$75,000

III. EQUITY DISTRIBUTION PLAN (EDP) – Effective July 1, 2026

Policy Statement:

It shall be the goal of the Monterey Bay Area Self Insurance Authority (MBASIA) to retain funds in the shared risk programs sufficient to meet an expected discounted level of outstanding liabilities plus a reasonable contingency margin, for all program years combined. MBASIA shall annually review the financial position for each program based on MBASIA’s financial audit, actuarial study, and evaluate the claims payment pattern to determine if the current assets and projected payments are sufficient to maintain each program’s liquidity. The review will evaluate the appropriateness for declaring either a refund or an assessment to Members.

When determined to be fiscally responsible by the Board, the adjustments will be in accordance with the provisions outlined in this policy and procedure.

Procedure:

1. The evaluation shall be performed annually and presented to the Board at its meeting in the October/November of each year for potential payments or assessments to occur January 1st.
2. Each Programs’ Total Assets , Expected Liabilities and Net Position as of June 30, as defined below, will be used for the purposes of calculating any adjustments.
 - Total Assets at June 30 are the amount of Total Assets in the Audited Financial Statements at June 30, however, the Board may choose to reduce the Assets included in the calculation if there are significant financial impacts related to claims payments or other shared risk expenses.
 - Expected Liabilities are the Discounted Loss and Loss Adjustment Expenses (LAE) in the annual Actuarial Review stated at an Expected Confidence Level

for all open program years combined, based upon the December 31, loss statistics.

- Net Position is the sum for each applicable for each program year of the Total Assets minus the Expected Liabilities.

3. Refunds:

MBASIA Members shall be eligible for a refund by meeting the following conditions:

- a. Participation in the Coverage Program for three years;
- b. Both programs must be in a positive net position, otherwise, no dividends will be declared.
- c. The Program issuing a dividend must be funded at the 90% Confidence Level. The other coverage program should be at least a 70 % Confidence Level. A dividend may be issued once both programs meet these requirements.
- d. The Board may declare a refund for amounts in excess of these funding guidelines.

Each member will receive a proportional share of the total amount refunded. The proportional share is the Member's percentage of total contributions for that Coverage Program over a rolling ten-year period ending two years from the current fiscal year (e.g. July 1, 2025 would include up to July 1, 2023).

Any surplus in one program is reduced by any shortfall in the other. The resulting net amount is then used as the basis for the calculating a dividend. 25% is the percentage that is applied to this net surplus to determine the total dividend.

4. A Member failing to meet the payment schedule above shall be charged interest in the manner and amount earned on funds in the pool during the quarter at the time they are delinquent.
5. Any Member that withdraws or is involuntary terminated from MBASIA, as specified in Article 22 of the MBASIA Joint Powers Agreement, is not entitled to payment, return, or refund of any Contribution, prior Assessment, prior consideration, or other property paid or donated by the Member after the date of withdrawal or termination.
6. Any matters involving distribution of funds from MBASIA, as specified in the MBASIA Bylaws, Article III Board of Directors, Section 3. Voting Rights, (c) Two-Thirds Vote Required, states a two-thirds (2/3) vote of the full Membership will be required.