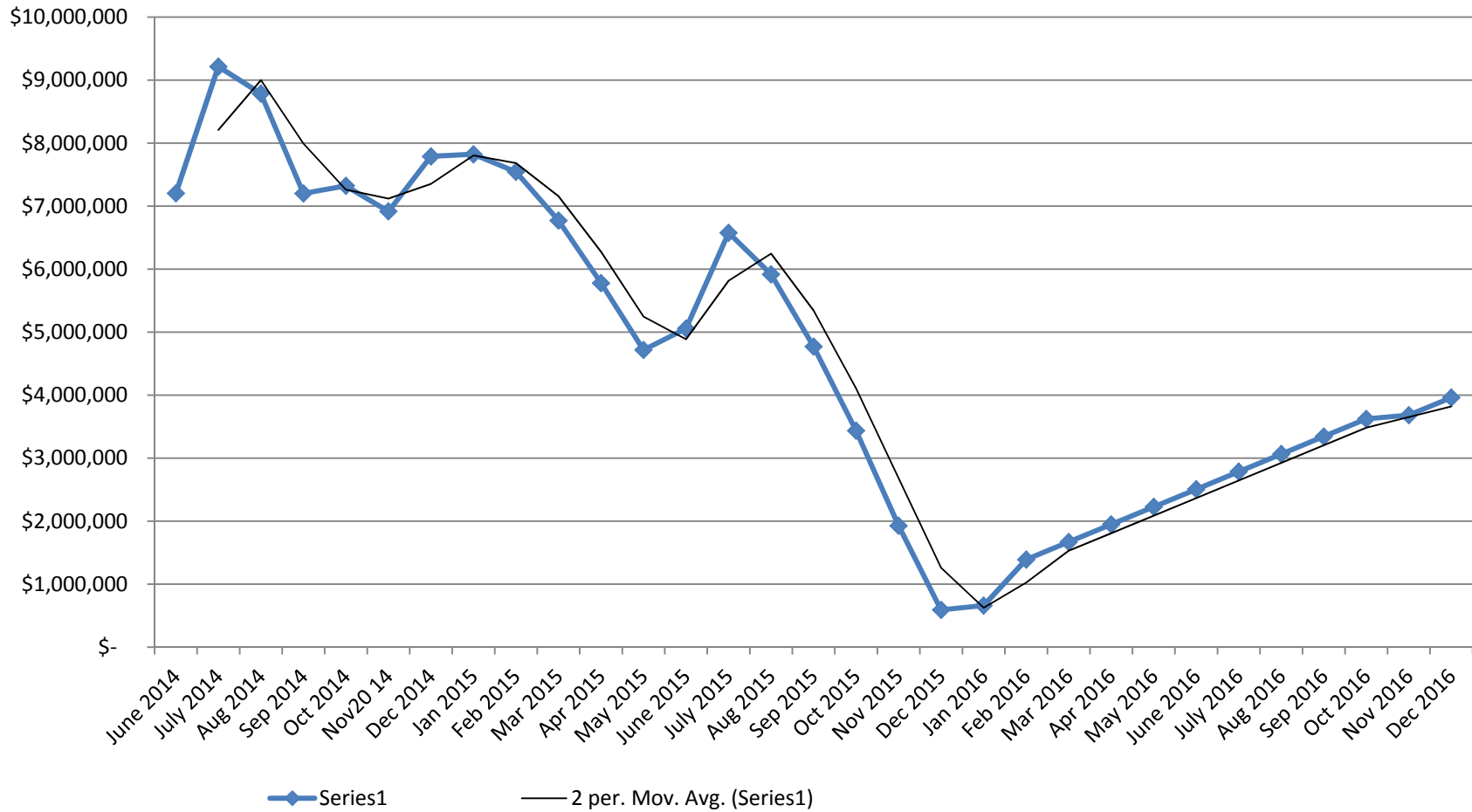




**SJVIA**

San Joaquin Valley  
Insurance Authority

# SJVIA Cash Flow Projections



# Concerns

- Beginning Reserves in rate calculations
- \$5million rate buy-down for calendar year 2015
- Increased Claims Expense for calendar year 2015

# Cash Balances and Cash Projections

- Historical data used for the months of June 2014 through September 2015
- Projections for Oct, Nov, and Dec 2015 based on September 2015 activity
  - adjustments to remove the effect of any 1-time receipts or payments (transfer from investment reserve)
- January 2016 through December 2016 projected activity based on latest budget update from Gallagher Benefit Services
  - With adjustments to allow for certain once or twice per year payment (ACA Reinsurance Fee)

# Cash Highlights

- Cash high point: March 30, 2013 \$11,163,518 (Actual)
- Cash low point: January 2016, \$590,200 (Projected)
- July 2015 spike resultant of new entities coming onboard & associated claims lag and 3 (three) County of Fresno pay periods
- Single largest payment: \$1,642,443 on 03/26/2015
- Single largest receipt: \$2,222,877 in Sep 2015
- Transfer amounts and dates:
  - \$1,000,000 02/29/15
  - \$1,000,000 05/21/15
  - \$1,000,000 09/24/15
  - \$1,000,000 09/29/15

# Cash & GBS Reserve Comparison

- Cash on Hand:
  - 06/30/11 - \$1,107,007
  - 06/30/12 - \$9,188,461
  - 06/30/13 - \$10,154,722
  - 06/30/14 - \$7,201,555
  - 06/30/15 - \$5,055,978
- Cash balances from Chase bank statements and SJVIA G/L
- Reserve Presented in Rate Proposals:
  - 06/30/11 - \$7,036,198
  - 06/30/12 - \$9,878,296
  - 06/30/13 - \$10,407,646
  - 06/30/14 - \$14,253,539
  - 06/30/15 - \$10,117,971
- Reserve amounts from annual rate proposals presented by GBS

# GBS Reserve Calculations

- Reserve Calculation in Rate Proposals
  - Includes all bills paid, all payments received, and any revenues earned but not yet received
  - Calculation does not take into account any bills incurred though not yet paid (IBNR)
  - Calculation does not restrict any portion of the reserve for the balances that were transferred by the County's of Fresno and Tulare, during the conversion from a 'claims servicing' to a 'risk sharing' model
    - \$2.0 million by Tulare on 12/30/2011
    - \$4.75 million by Fresno on 01/10/2012

# Reserve Calculation (cont.)

- Cash Method
  - Based on actual receipts and disbursements of cash (bills paid, monies received)
  - No allowance is made for monies owed to or from SJVIA
- Accrual Method
  - Based on actual receipts and disbursements, plus allowances for receivables (money owed to SJVIA) and payables (money owed by SJVIA)



# Risks

- Based on the cash flow projections there is concern that SJVIA will not have sufficient cash on hand to pay claims

# Solutions

1. Seek a loan to stabilize cash position
2. Future Rates Should Include:
  - Allowance for Reserve (Contributed Capital from CoT & CoF)
  - Loan Payback
  - Minimum Cash Balance
3. Future Reserve Calculation should have a nexus to cash balances

# Sources

- Michele Mills, GBS, Interview, and proposed 2016 amended rates/budget
- Paul Nerland, CoF Personnel
- Mavet Chavez, CoF Personnel
- Joseph Nuttman, Accountant, CoF
- Bank Statements, Chase