



# Strategic Target Financial Ratios Policy

Governance Section: Finance

Revision Date: 6/24/2016

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## Purpose

In order to insure that the Pool remains financially strong it is necessary to annually evaluate and compare financial performance for the past five years with current financial performance. This policy adopts target financial ratios and provides for an annual comparative study of these ratios.

## Authority

1. Interlocal Agreement, Sections 3 (“all things necessary and proper for the establishment of self-insurance programs) and 4 (“adopt an annual budget”); and
2. Bylaws, Section 4b (“adoption of annual budget”).

## Policy Statement

1. Financial ratios. The Pool shall strive to maintain the following financial ratios:
  - a. Expense ratio (expenses to annual budget)—less than 20% ; and
  - b. Loss ratio (losses to annual budget)—less than 65%.
2. Annual report. By September of each year and for use in the annual budget development process, the Pool's executive director shall provide the Board with a report of the financial ratios set forth above for a running six year period. The six year period shall be for the current year and for five years prior to the current year.
3. Collection of information. In order to calculate the ratios the executive director shall collect from all Pool members and Pool members shall provide for each year in the ratio analysis actual or estimated:
  - a. Vehicle miles for all modes;
  - b. Number of vehicles and their values;
  - c. Property values; and
  - d. Number of employees.
4. Variance from ratios. In the event any of the actual values are at variance from target values set forth in 1a-c, the executive director shall provide the Executive Committee with an action plan which, if implemented, will bring the ratio within the target value. The action plan shall include a timetable for implementation. The Executive Committee shall consider the executive director's action plan and, after making whatever changes it deems appropriate, shall forward it to the Board for consideration.
5. The Pool shall engage an actuary to assist in the computation of the ratios in 1a-c.

## Amendment

The Pool's Board may amend this policy.

## Policy History

The groundwork for this policy was developed as part of the Pool's 2008 six year strategic plan.

Passed by the Board of Directors June 24, 2016.

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