Risk Management Fund

MISSION STATEMENT

It is the mission of the Risk Management Fund to provide for costs associated with insurance, legal claims, risk management, and judgments.

PRIMARY FUNCTIONS/FUND HIGHLIGHTS

The primary function of the Risk Management Fund is to account for insurance expenses, losses to City owned property, liability claims, and risk management activities.

Implemented in 1996 to comply with Governmental Accounting Standards Board guidelines, the Risk Management Internal Service Fund pays for all insurance, claim settlements, and accidental property losses for the City. Not unlike a premium from an insurance company, departments are assessed a service charge that is based on a cost recovery basis. The annual service charge covers all risk management services received for that year including claim and loss management, insurance premiums, accidental loss of equipment, and the defense and settlement of claims.

The Risk Management Fund transfers risk exposure to outside companies through purchased insurance. This coverage includes liability, surety, fidelity, and property protection. Those City activities not covered through purchased insurance are covered by the City's self-insurance program in which funds are set aside to cover losses and claims. Governmental accounting standards require the City to record anticipated liabilities from operations. The frequency and amounts of the liabilities can vary significantly from year to year.

RISK MANAGEMENT FUND BUDGET SUMMARY

APPROPRIATION	2011 ACTUAL	2012 BUDGET	2012 ESTIMATE	2013 BUDGET	INCREASE (DECREASE)
CONTRACTUAL	$1,590,608	$1,371,500	$1,590,608	$1,736,950	$365,450
OTHER	303,200	303,200	303,200	451,700	148,500
TOTAL	$1,893,808	$1,674,700	$1,893,808	$2,188,650	$513,950

FUNDING SOURCE	2010 ACTUAL	2011 ACTUAL	2012 BUDGET	2013 BUDGET	INCREASE (DECREASE)
PROPERTY TAXES					
JUDGMENTS	1,008,520	1,077,980	1,287,000	1,386,000	99,000
SERVICE CHARGES	0	0	485,450	953,840	468,390
PROPERTY DAMAGE REIMBURSEMEN	27,211	170,055	115,000	115,000	0
MISCELLANEOUS	7,479	24,806	0	0	0
INTEREST INCOME	3,615	11,244	0	0	0
TOTAL	1,046,825	1,284,085	1,887,450	2,454,840	567,390

BUDGET HIGHLIGHTS

- Policy expense increases $277,500 to reflect projected increases in premiums for new comprehensive liability coverage. Efforts to expand property coverage and secure a lower overall property premium rate will continue and affect premium expenses moving forward.
- General fund purchase of services increases $148,500 after a review of staff time spent on risk activities.
- In 2012, $125,000 for the second installment of a settlement of an auto accident case,$75,000 for a separate auto case, $80,000 in an employment discrimination case, and $114,000, $85,000 and $55,000 for three separate police excessive force cases.

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RISK MANAGEMENT FUND FIVE YEAR FINANCIAL FORECAST (In 000's)

	2014	2015	2016	2017	2018
Revenues	$2,455	$2,461	$2,468	$2,475	$2,481
Expenses	1,718	1,770	1,825	1,881	1,941
Excess (Deficit)	737	691	643	594	540
Beginning Balance	(1,000)	(263)	428	1,071	1,665
Ending Balance	($263)	$428	$1,071	$1,665	$2,205
Property Tax Rates	6.5	6.5	6.3	6.2	6.1

The five-year forecast assumes that primarily small claims will be paid out of this fund with the exception of one to two legal settlements annually. In addition, it is assumed that large claims that cannot be supported by the fund balance will be paid through the issuance of judgment bonds or through structured settlements, because larger claims are not reasonably foreseeable.