

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 judgements.

Primary Functions → 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.

Fund Highlights →

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. Approximately 64 percent of insurance coverage are directly attributable to non-general fund departments and grant-funded programs. Those City activities not covered through purchased insurance, such as the operation of fire, police, and public works vehicles, 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. For 2007 and 2008, no large claims were paid.

Budget Summary

RISK MANAGEMENT FUND BUDGET SUMMARY						
APPROPRIATION	2007 <u>ACTUAL</u>	2008 <u>BUDGET</u>	2008 <u>ACTUAL</u>	2009 <u>BUDGET</u>	INCREASE (DECREASE)	
CONTRACTUAL	\$605,273	\$1,257,990	\$671,823	\$1,321,440	\$63,450	
OTHER	<u>278,600</u>	<u>292,700</u>	<u>292,700</u>	<u>307,300</u>	<u>14,600</u>	
TOTAL	<u>\$883,873</u>	<u>\$1,445,540</u>	<u>\$964,523</u>	<u>\$1,628,740</u>	<u>\$78,050</u>	
FUNDING SOURCE			2008 <u>AMOUNT</u>	2008 <u>PERCENTAGE</u>	2009 <u>AMOUNT</u>	2009 <u>PERCENTAGE</u>
PROPERTY TAXES						
JUDGMENTS			\$1,138,500	72.9	\$1,178,100	71.7
SERVICE CHARGES			360,110	23.1	400,970	24.4
PROPERTY DAMAGE REIMBURSEMENTS			<u>63,000</u>	<u>4.0</u>	<u>63,000</u>	<u>3.8</u>
TOTAL			<u>\$1,561,610</u>	<u>100.0</u>	<u>\$1,642,070</u>	<u>100.0</u>

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Budget Analysis

The Risk Management Fund's budget of \$1,628,740 is \$78,050 more than the prior year's appropriation. The contractual group increases \$63,450. Risk policies increase \$54,700 as a result of premium increases, as well as some small increases in coverage. Claims increases \$3,750 and city losses remains stagnant. Legal expenses increase \$5,000. The other accounts group increases \$14,600 in the purchase of services from the Legal and Finance departments.

Prior to 1996, the Judgments Fund was funded by a Judgments tax levy and expense activity was limited to tax levy funded departments. Since the conversion to an internal service fund, the Risk Management Fund obtains its revenue from service charges and damage reimbursements from other parties. The total General Fund levy to accommodate this change to a service charge remains approximately same as the amount levied to finance the Judgments Fund in prior years.

Due to the nature of the fund, spending can fluctuate greatly from year to year depending on the claims presented against the City. As a result, the property tax rate for risk management is unlimited by statute. The estimated rate for 2009 is 5.7 cents.

In 2008, the Risk Management Fund spent \$964,523 or 66.7% of the budgeted allocation. In the past several years, 61% to 170% of the budget has been spent.

Five Year Financial Forecast

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.

Risk Management Fund 2010-2014 Financial Forecast (In 000's)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Revenues	\$1,642	\$1,647	\$1,652	\$1,657	\$1,662
Expenses	<u>1,147</u>	<u>1,178</u>	<u>1,210</u>	<u>1,243</u>	<u>1,279</u>
Excess (Deficit)	495	469	442	414	383
Beginning Balance	<u>(1,000)</u>	<u>(505)</u>	<u>(36)</u>	406	820
Ending Balance	<u>(\$505)</u>	<u>(\$36)</u>	<u>\$406</u>	<u>\$820</u>	<u>\$1,203</u>
Property Tax Rates	5.5	5.5	5.4	5.3	5.2