

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 is 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 2009, the City paid a \$73,600 settlement on an employment issue. In 2010, \$115,000 was paid for settlement of an excessive force claim against the Police Department.

Budget Summary

RISK MANAGEMENT FUND BUDGET SUMMARY					
APPROPRIATION	2009 <u>ACTUAL</u>	2010 <u>BUDGET</u>	2010 <u>ACTUAL</u>	2011 <u>BUDGET</u>	INCREASE (DECREASE)
CONTRACTUAL	\$1,909,879	\$1,312,270	\$846,784	\$1,371,500	\$59,230
OTHER	307,300	303,200	329,118	303,200	0
TOTAL	<u>\$2,217,179</u>	<u>\$1,445,540</u>	<u>\$1,175,902</u>	<u>\$1,674,700</u>	<u>\$59,230</u>
FUNDING SOURCE		2010 <u>AMOUNT</u>	2010 <u>PERCENTAGE</u>	2011 <u>AMOUNT</u>	2011 <u>PERCENTAGE</u>
PROPERTY TAXES					
JUDGMENTS		\$1,178,100	72.5	\$1,237,500	73.7
SERVICE CHARGES		384,100	23.6	386,550	23.0
PROPERTY DAMAGE REIMBURSEMENTS		<u>63,000</u>	<u>3.9</u>	<u>55,000</u>	<u>3.3</u>
TOTAL		<u>\$1,625,200</u>	<u>100.0</u>	<u>\$1,679,050</u>	<u>100.0</u>

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Budget Analysis

The Risk Management Fund's budget of \$1,674,700 is \$59,230 more than the prior year's appropriation. The contractual group increases \$59,230. Risk policies decrease \$5,770 as a result of reductions in premium costs. Costs incurred for claims against the City increases \$80,000 and expenses related to city losses decreases \$25,000. Outside legal fees increases \$10,000.

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 2011 is 5.5 cents.

In 2010, the Risk Management Fund spent \$1,175,902 or 81.3% 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 2012-2016 Financial Forecast (In 000's)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues	\$1,679	\$1,684	\$1,688	\$1,693	\$1,698
Expenses	1,193	1,224	1,255	1,288	1,323
Excess (Deficit)	486	460	433	405	375
Beginning Balance	(1,000)	(514)	(54)	379	784
Ending Balance	(\$514)	(\$54)	\$379	\$784	\$1,159
Property Tax Rates	5.8	5.8	5.7	5.6	5.4