

FINANCIAL OVERVIEW OF THE CITY'S SELF-INSURANCE TRUST FUNDS

Finance Department

City Council
January 10, 2023

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OVERVIEW

- 1. Worker's Compensation Fund** – Administered by Human Resources
- 2. General Liability Fund** – Risk Management Division of the Finance Department has responsibility for the oversight of the program, and the City Attorney's Office is responsible for administering all third-party claims submitted to the City.



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INSURANCE COVERAGE AND EXPOSURE

1. General Liability – Policy Aggregate Limit of \$25,000,000
 - a) Self-Insured at \$3,000,000 per occurrence
2. Worker's Compensation – Policy Limit Aggregate of \$25,000,000
 - a) Self-Insured at \$3,000,000 per occurrence
3. Two tort liability claims settled in the last ten years exceeded the City's \$3M self-insured retention



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FINANCIAL OVERVIEW

1. Large Cash Outlays
 - a) Claim Payments
 - b) Legal Fees
2. Worker's Compensation
 - a) Claim Payments 5-year average \$4,300,000
 - b) Legal Fees 5-year average \$244,000
3. General Liability
 - a) Claim Payments 5-year average \$3,600,000
 - b) Legal Fees 5-year average \$2,100,000



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FINANCIAL OVERVIEW - REVENUE

Self Insurance Trust Funds Analysis (Excludes Parada Settlement Fund - Established FY22)

| Fund Activity (Thousands) | Audited Data | | | | Unaudited | Projected |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 |
| Beginning Fund Balance | \$ (31,865) | \$ (30,850) | \$ (24,630) | \$ (25,020) | \$ (32,132) | \$ (34,654) |
| Charges for Services-WC | 6,274 | 8,854 | 7,610 | 5,029 | 9,235 | 9,697 |
| Charges for Services-GL | 7,701 | 10,305 | 9,063 | 8,235 | 8,793 | 11,154 |
| Interest Income-WC | 73 | 482 | 623 | (13) | -525 | - |
| Interest Income-GL | 10 | 113 | 287 | (39) | -476 | 130 |
| Other Income-WC | 3 | (10) | 9 | 2 | 3 | - |
| Other Income-GL | - | 12 | 1 | 416 | 130 | - |
| General Fund Contribution - GL | 2,500 | - | - | - | 2,500 | - |
| Measure Z Fund Contribution - GL | 2,500 | 2,500 | - | - | - | - |
| Total Revenue | 19,061 | 22,257 | 17,592 | 13,629 | 19,660 | 20,981 |



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FINANCIAL OVERVIEW - EXPENDITURES

Self Insurance Trust Funds Analysis (Excludes Parada Settlement Fund - Established FY22)

| Fund Activity (Thousands) | Audited Data | | | | Unaudited | Projected |
|------------------------------------|------------------|---------------|---------------|---------------|---------------|---------------|
| | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 |
| Direct Personnel-WC | 680 | 606 | 695 | 370 | 365 | 585 |
| Direct Personnel-GL | 252 ¹ | 357 | 527 | 737 | 366 | 546 |
| Prof.Serv & Other Non-Personnel-WC | 132 | 114 | 115 | 112 | 102 | 150 |
| Prof.Serv & Other Non-Personnel-GL | 572 | 252 | 261 | 311 | 253 | 328 |
| Indirect Charges-WC | 440 ³ | 540 | 589 | 1,242 | 1,092 | 1,075 |
| Indirect Charges-GL | 1,020 | 2,200 | 2,395 | 3,429 | 3,751 | 3,824 |
| Claims & Judgments-WC | 5,238 | 4,231 | 3,655 | 3,713 | 4,825 | 4,649 |
| Claims & Judgments-GL | 3,932 | 2,389 | 1,141 | 7,557 | 2,796 | 240 |
| Legal Fees-WC | 424 | 285 | 203 | 201 | 109 | 429 |
| Legal Fees-GL | 2,707 | 1,280 | 1,782 | 2,783 | 2,154 | 2,500 |
| Premiums-WC | 429 | 484 | 470 | 563 | 552 | 651 |
| Premiums-GL | 526 | 551 | 568 | 708 | 1,106 | 1,387 |
| Actuarial Adjustment-WC | (9) | 2,214 | 4,468 | 1,278 | 1,789 | 2,000 |
| Actuarial Adjustment-GL | 1,331 | 17 | 899 | (2,506) | 2,666 | 1,000 |
| Misc. Expense-WC | 365 | 348 | 214 | 241 | 253 | 351 |
| Misc. Expense-GL | - | - | - | 2 | 3 | 6 |
| Prior Period Adjustment-WC | 4 ⁴ | 168 | - | - | - | - |
| Prior Period Adjustment-GL | 2 ⁴ | - | - | - | - | - |
| Total Expense | 18,046 | 16,036 | 17,982 | 20,741 | 22,183 | 19,723 |



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FINANCIAL OVERVIEW - FUND BALANCE

Self Insurance Trust Funds Analysis (Excludes Parada Settlement Fund - Established FY22)

| Fund Activity (Thousands) | Audited Data | | | | Unaudited | Projected |
|--|--------------|-------------|-------------|-------------|-------------|-------------|
| | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 |
| Ending Fund Balance | \$ (30,850) | \$ (24,630) | \$ (25,020) | \$ (32,132) | \$ (34,654) | \$ (33,397) |
| Cash Position | \$16,180 | \$24,823 | \$29,922 | \$21,602 | \$23,216 | \$27,473 |
| Estimated Claims & Judgments | \$46,063 | \$48,294 | \$53,661 | \$52,433 | \$56,888 | \$59,888 |
| Cash Balance as a % of Total Liability | 35% | 51% | 56% | 41% | 41% | 46% |

¹ Increase relates to the transfer of risk management personnel to the liability fund as part of insourcing the claims administration process.

² Increase relates to the insourcing of the claims administration process and related ongoing charges for a new claims software system.

⁴ Prior period adjustment relates to an implementation of a new accounting pronouncement.



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CASH POSITION AND FUND BALANCE

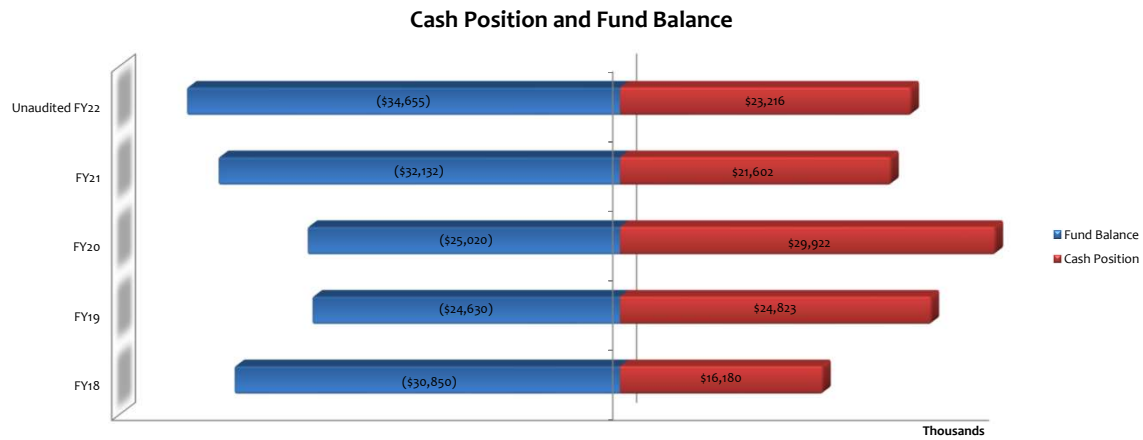
1. Combined cash on hand is approximately \$23.2 million
2. Fund Balance at a deficit
 - a) Reflects long-term nature of many claims
 - b) Sufficient cash on hand to cover 41% of long-term liabilities. Projected to increase to 46% in fiscal year 2022-23.
 - c) Actuarial Adjustments have significant impact on fund balance.



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CASH POSITION AND FUND BALANCE (CONT.)



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CLAIMS AND JUDGMENT LIABILITY BY FUND

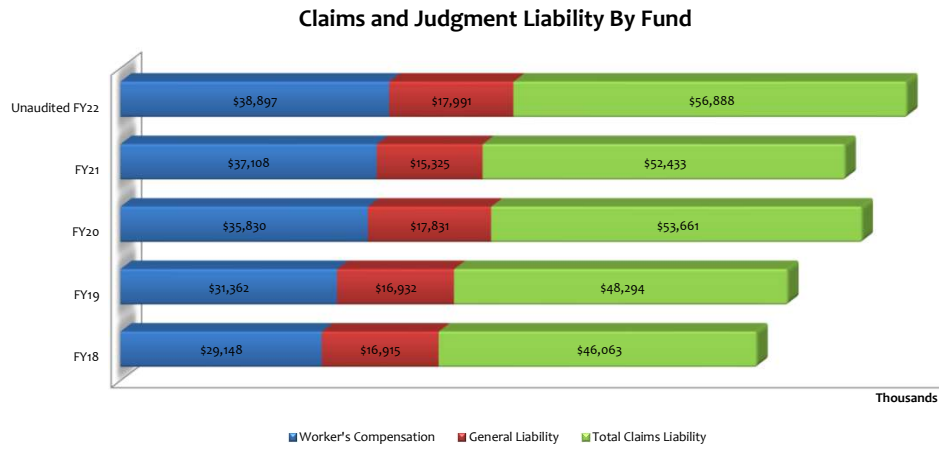
1. Claims liabilities are estimates of long-term liabilities:
 - a) Basis for determining appropriate level of reserves;
 - b) Actuarial valuation based on historical data;
 - c) Claims often resolved for less than potential liability; and
 - d) Cash on hand not required to service total liability today.



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CLAIMS AND JUDGMENT LIABILITY BY FUND (CONT.)



STRATEGIC PLAN ALIGNMENT

Strategic Priority No. 5 – High Performing Government

Goal No. 5.3 - Enhance communication and collaboration with community members to improve transparency, build public trust and encourage shared decision making.

Cross-Cutting Threads



Community Trust



Equity



Innovation



Fiscal Responsibility



Sustainability and Resiliency



RECOMMENDATIONS

That the City Council approve the financial overview of the City's Self-Insurance Trust Funds for Fiscal Year 2021-22.

