

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

Finance Department

Financial Performance and Budget Committee
December 9, 2022

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1

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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2

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



3

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3

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



4

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4

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



5

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5

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



6

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6

FINANCIAL OVERVIEW - FUND BALANCE

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

Fund Activity (Thousands)	<u>Audited Data</u>				<u>Unaudited</u>	<u>Projected</u>
	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.

³ 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.



7

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7

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.

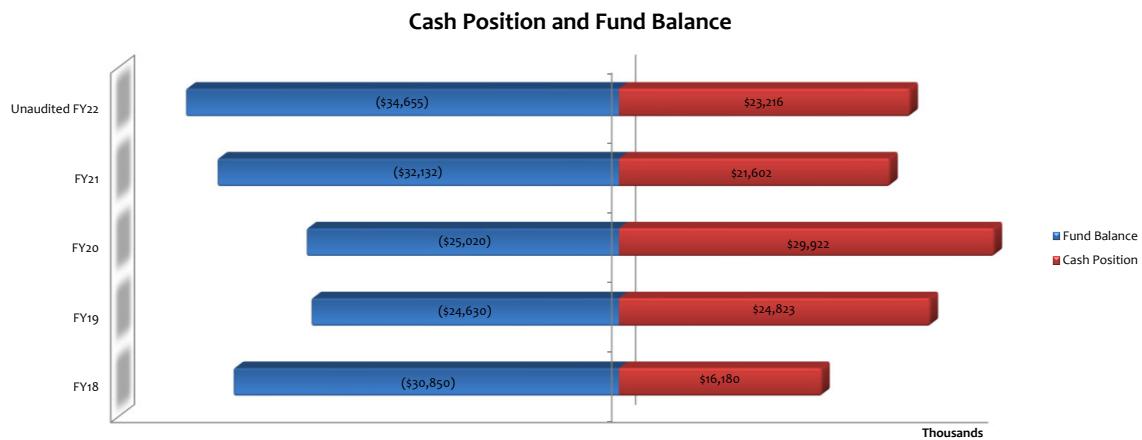


8

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8

CASH POSITION AND FUND BALANCE (CONT.)



9

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9

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.



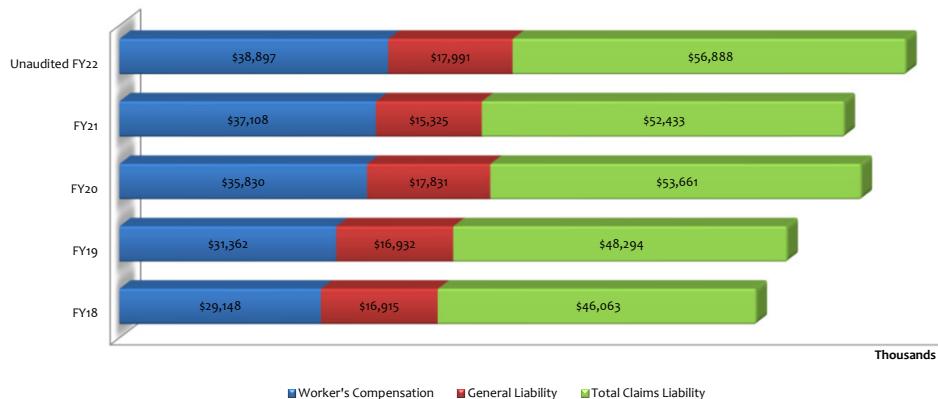
10

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10

CLAIMS AND JUDGMENT LIABILITY BY FUND (CONT.)

Claims and Judgment Liability By Fund



11

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11

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



12

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12

RECOMMENDATIONS

That the Financial Performance and Budget Committee receive, provide input on, and forward to the City Council for approval, an annual financial review of the City's Self-Insurance Trust Funds for Fiscal Year 2021-22.



13

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