

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

Finance Department

Finance Committee
October 10, 2018

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OVERVIEW

- 1. Worker's Compensation Fund** – Administered by Human Resources
- 2. General Liability Fund** – Administered by Risk Management (a division of the City Attorney's Office) in conjunction with Carl Warren, a Third Party Administrator



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INSURANCE COVERAGE AND EXPOSURE

1. General Liability – Policy Limit of \$20,000,000
 - a) Self-Insured at \$3,000,000 per occurrence

2. Worker’s Compensation – Policy Limit of \$25,000,000
 - a) Self-Insured at \$3,000,000 per occurrence

3. No Claims settled in last ten years that exceed coverage



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FINANCIAL OVERVIEW

1. Large Cash Outlays
 - a) Claim Payments
 - b) Outside Legal Costs and Litigation Expenses

2. Worker’s Compensation
 - a) Claim Payments average \$4,100,000
 - b) Outside Legal and Litigation average \$455,000

3. General Liability
 - a) Claim Payments average \$3,100,000
 - b) Outside Legal and Litigation average \$2,000,000



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FINANCIAL OVERVIEW - REVENUE

Fund Activity (Thousands)	Audited Data				Unaudited FY18	Projected	
	FY14	FY15	FY16	FY17		FY19	FY20
Beginning Fund Balance	\$(21,856)	\$(27,135)	\$(27,779)	\$(31,954)	\$ (31,865)	\$ (30,719)	\$ (26,107)
Charges for Services-WC	4,228	6,000	6,126	6,089	6,274	8,853	7,603
Charges for Services-GL	7,424	7,400	7,498	7,470	7,711	10,307	9,057
Interest Income-WC	146	139	179	50	194	87	87
General Fund Contribution - GL	-	-	-	-	2,500	-	-
Measure Z Contribution - GL	-	-	-	-	2,500	2,500	-
Total Revenue	11,799	13,539	0	13,804	19,179	21,747	16,747



FINANCIAL OVERVIEW - EXPENDITURES

Fund Activity (Thousands)	Audited Data				Unaudited FY18	Projected	
	FY14	FY15	FY16	FY17		FY19	FY20
Direct Personnel-WC	511	551	428	557	676	621	654
Direct Personnel-GL	-	-	-	-	250 ¹	455	501
Prof.Serv & Other Non-Personnel-WC	95	287 ⁰	109	139	132	125	125
Prof.Serv & Other Non-Personnel-GL	199	180	926	217	577	402	397
Indirect Charges-WC	261	187	166	158	440 ³	560	597
Indirect Charges-GL	529	315	439	1,148 ²	1,020	2,206	2,364
Claims & Judgments-WC	4,027	3,477	4,003	3,899	5,238	4,100	4,100
Claims & Judgments-GL	3,030	2,363	4,314	1,933	3,932	3,400	3,400
Legal Fees-WC	518	404	435	496	424	550	550
Legal Fees-GL	2,280	1,859	1,178	2,055	2,707	1,500	1,500
Premiums-WC	390	424	487	447	429	482	529
Premiums-GL	409	439	445	476	521	553	588
Actuarial Adjustment-WC	1,674	1,109	3,680	2,081	(9)	1,000	1,000
Actuarial Adjustment-GL	1,932	2,554	835	(360)	1,331	1,000	1,000
Misc. Expense-WC	205	9	217	246	365	180	177
Misc. Expense-GL	67	27	315	27	-	-	-
Total Expense	16,127	14,183	17,978	13,520	18,032	17,135	17,482



FINANCIAL OVERVIEW - FUND BALANCE

Fund Activity (Thousands)	Audited Data				Unaudited FY18	Projected	
	FY14	FY15	FY16	FY17		FY19	FY20
Ending Fund Balance	\$(26,184)	\$(27,779)	\$(31,954)	\$(31,865)	\$ (30,719)	\$ (26,107)	\$ (26,842)
Cash Position	\$8,776	\$11,580	\$11,895	\$13,684	\$16,298	\$22,911	\$24,175
Estimated Claims & Judgments	\$34,841	\$38,505	\$43,020	\$44,741	\$46,063	\$48,063	\$50,063
Cash Balance as a % of Total Liability	25%	30%	28%	31%	35%	48%	48%



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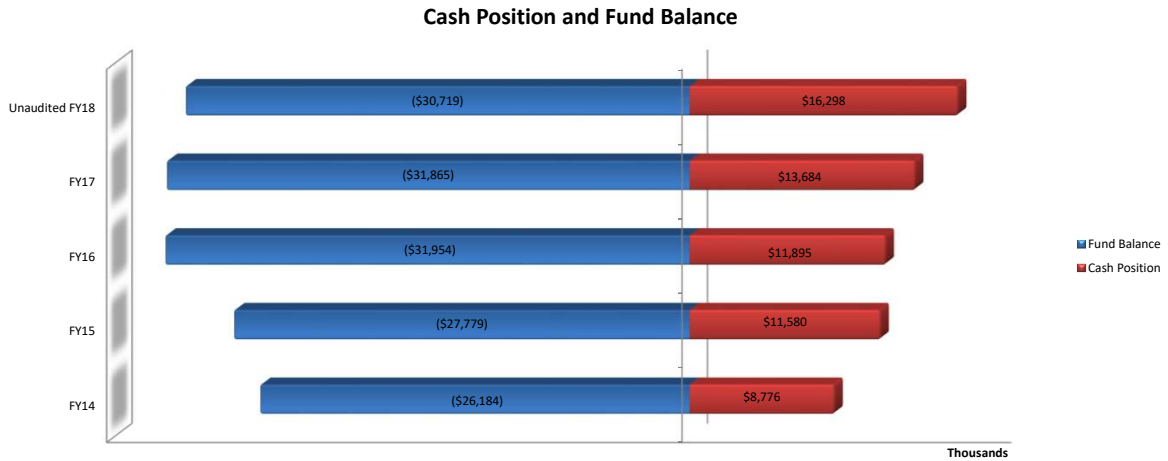
CASH POSITION AND FUND BALANCE

1. Combined cash on hand is approximately \$16.3 million
2. Fund Balance at a deficit
 - a) Reflects long-term nature of many claims
 - b) Sufficient cash on hand to cover 35% of long-term liabilities. Projected to increase to 48% in fiscal year 2018-19.
 - c) Actuarial Adjustments have significant impact on fund balance.



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CASH POSITION AND FUND BALANCE (CONT.)

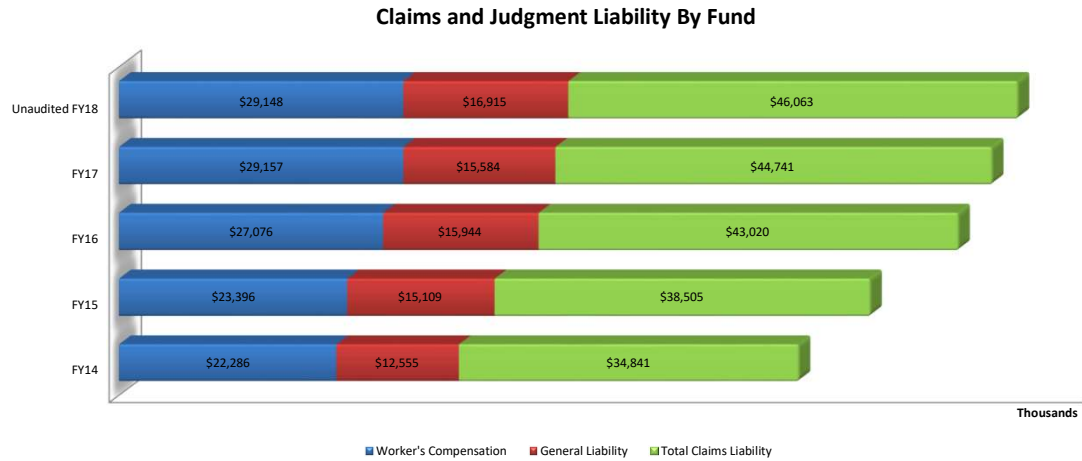


CLAIMS AND JUDGMENT LIABILITY BY FUND

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.



CLAIMS AND JUDGMENT LIABILITY BY FUND (CONT.)



NEXT STEPS

Monitor the fund and make any necessary adjustments during the mid-cycle process to ensure that the fund reaches its minimum targeted fund level of 50% by FY 2019-20.



RECOMMENDATIONS

That the Finance Committee receive, provide input on, and forward to the City Council for approval an annual review of the financial position of the City's Liability Trust Funds.

