

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

Finance Department

Financial Performance and Budget Committee
December 9, 2022

RiversideCA.gov

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.



2

RiversideCA.gov

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

RiversideCA.gov

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

RiversideCA.gov

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

RiversideCA.gov

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

RiversideCA.gov

6

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.

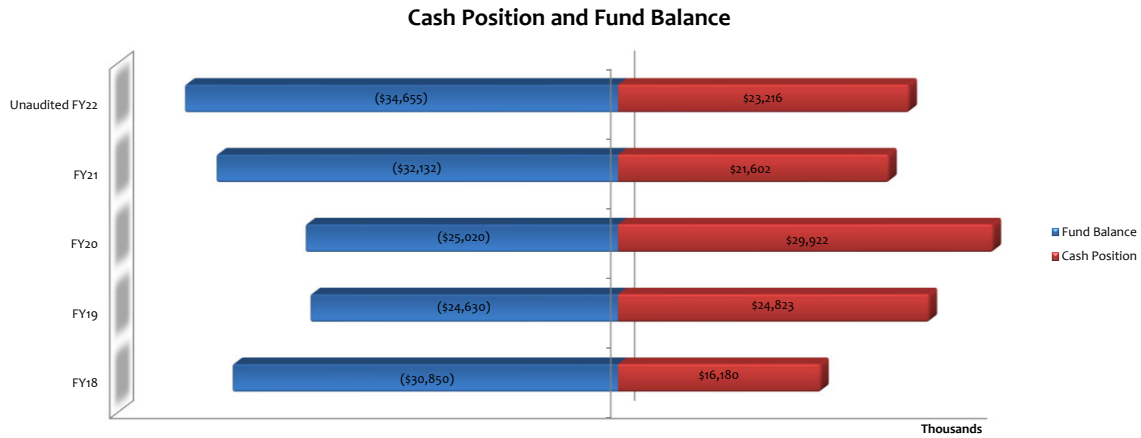


CASH POSITION AND FUND BALANCE

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.



CASH POSITION AND FUND BALANCE (CONT.)

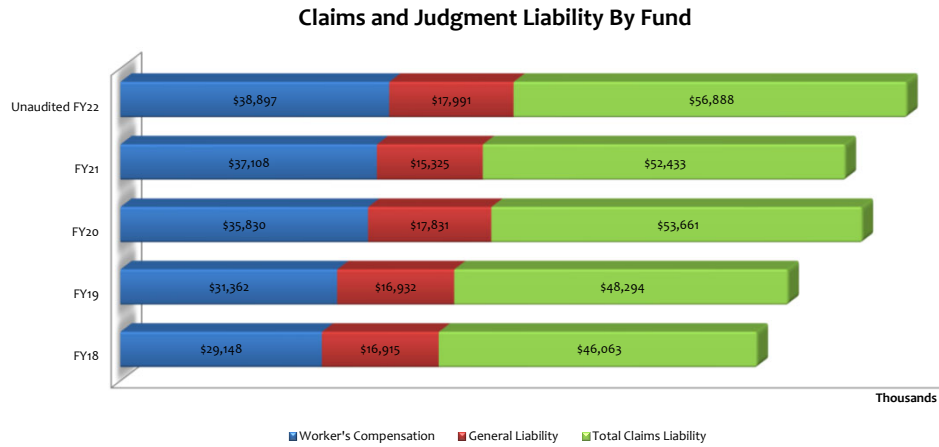


CLAIMS AND JUDGMENT LIABILITY BY FUND

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.)



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 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.

