



## Financial Overview of the City's Self-Insurance Trust Funds

Finance Department

City Council  
October 4, 2016

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### Overview

- **Worker's Compensation Fund** – Administered by Human Resources
- **General Liability Fund** – Administered by Risk Management (a division of Finance) in conjunction with Carl Warren a Third Party Administrator



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## Insurance Coverage and Exposure

- General Liability – Policy Limit of \$20,000,000
  - Self-Insured at \$3,500,000 per occurrence
- Worker's Compensation – Policy Limit of \$25,000,000
  - Self-Insured remained steady at \$3,000,000 per occurrence
- No Claims settled in last ten years that exceed coverage
- Recent changes to Self-Insured Retention



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## Financial Overview

- Large Cash Outlays
  - Claim Payments
  - Outside Legal Costs and Litigation Expenses
- Worker's Compensation
  - Claim Payments average \$3,500,000
  - Outside Legal and Litigation average \$440,000
- General Liability
  - Claim Payments average \$3,900,000
  - Outside Legal and Litigation average \$2,200,000 – in FY 16, significant reduction (to \$1 million) due to CAO's efforts to keep matters in house



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## Financial Overview

Fund Activity (Thousands)	FY 16					2 Year Budget		Remaining 3 Yrs of 5 year Plan		
	FY12	FY13	FY14	FY15	Unaudited	FY17	FY18	FY19	FY20	FY21
<b>Beginning Fund Balance</b>	<b>\$(12,964)</b>	<b>\$(14,575)</b>	<b>\$(21,856)</b>	<b>\$(26,184)</b>	<b>\$(27,029)</b>	<b>\$(28,691)</b>	<b>\$(29,949)</b>	<b>\$(31,242)</b>	<b>\$(32,422)</b>	<b>\$(33,675)</b>
Charges for Services-WC	4,300	4,376	4,228	6,000	6,126	6,100	6,100	6,200	6,200	6,200
Charges for Services-GL	7,047	7,420	7,424	7,400	7,494	7,700	7,700	7,800	7,800	7,800
Interest Income-WC	230	183	146	139	179	110	110	115	120	125
Other Income-GL	214	-	-	-	4	3	3	5	5	5
<b>Total Revenue</b>	<b>11,791</b>	<b>11,979</b>	<b>11,799</b>	<b>13,539</b>	<b>13,803</b>	<b>13,913</b>	<b>13,913</b>	<b>14,120</b>	<b>14,125</b>	<b>14,130</b>
Direct Personnel-WC	473	481	511	551	465	525	555	583	612	642
Direct Personnel-GL	-	-	-	-	565	-	-	-	-	-
Prof. Serv & Other Non-Personnel-WC	134	96	95	287	109	235	235	247	259	272
Prof. Serv & Other Non-Personnel-GL	202	178	199	180	199	200	204	214	225	236
Indirect Charges-WC	306	251	261	187	166	166	166	174	183	192
Indirect Charges-GL	457	521	529	315	439	439	439	461	484	508
Claims & Judgments-WC	3,329	3,423	4,027	3,477	4,003	3,800	3,800	3,800	3,800	3,800
Claims & Judgments-GL	4,602	5,766	3,030	2,363	4,310	3,400	3,400	3,500	3,500	3,600
Legal Fees-WC	409	428	518	404	435	594	594	564	536	509
Legal Fees-GL	1,784	3,073	2,280	1,859	1,105	2,000	2,000	2,000	2,000	2,000
Premiums-WC	272	372	390	424	487	436	436	458	481	505
Premiums-GL	374	400	409	439	445	498	498	523	523	550
Actuarial Adjustment-WC	1,191	4,545	1,674	1,109	1,000	1,000	1,000	1,000	1,000	1,000
Actuarial Adjustment-GL	(294)	(514)	1,932	2,554	1,500	1,500	1,500	1,500	1,500	1,500
Misc. Expense-WC	99	167	205	210	205	200	200	200	200	200
Misc. Expense-GL	63	75	67	27	31	178	179	75	75	75
<b>Total Expense</b>	<b>13,402</b>	<b>19,260</b>	<b>16,127</b>	<b>14,384</b>	<b>15,464</b>	<b>15,171</b>	<b>15,206</b>	<b>15,299</b>	<b>15,378</b>	<b>15,590</b>
<b>Ending Fund Balance</b>	<b>\$(14,575)</b>	<b>\$(21,856)</b>	<b>\$(26,184)</b>	<b>\$(27,029)</b>	<b>\$(28,691)</b>	<b>\$(29,949)</b>	<b>\$(31,242)</b>	<b>\$(32,422)</b>	<b>\$(33,675)</b>	<b>\$(35,135)</b>
<b>Cash Position</b>	<b>\$13,079</b>	<b>\$9,977</b>	<b>\$9,023</b>	<b>\$11,611</b>	<b>\$12,419</b>	<b>\$13,660</b>	<b>\$14,902</b>	<b>\$16,323</b>	<b>\$17,865</b>	<b>\$19,290</b>
Estimated Claims & Judgments	\$27,204	\$31,235	\$34,841	\$38,505	\$41,005	\$43,505	\$46,005	\$48,505	\$51,005	\$53,505
<b>Cash Balance as a % of Total Liability</b>	<b>48%</b>	<b>32%</b>	<b>26%</b>	<b>30%</b>	<b>30%</b>	<b>31%</b>	<b>32%</b>	<b>34%</b>	<b>35%</b>	<b>36%</b>



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## Cash Position and Fund Balance

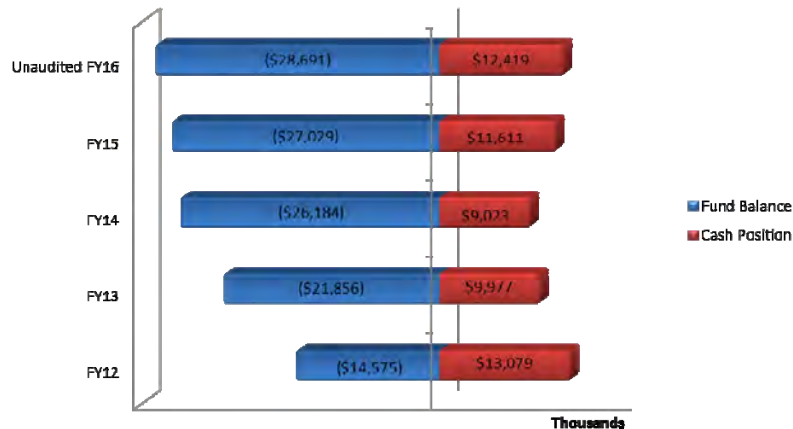
- Combined cash on hand is approximately \$12.4 million
- Fund Balance at a deficit
  - Reflects long-term nature of many claims
  - Sufficient cash on hand to cover 30% of long-term liabilities projected to increase to 36% by end of five-year plan if claim volume / cost is low.
  - Actuarial Adjustments have significant impact on fund balance.



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## Cash Position and Fund Balance (Cont.,)

**Cash Position and Fund Balance**



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## Claims and Judgment Liability By Fund

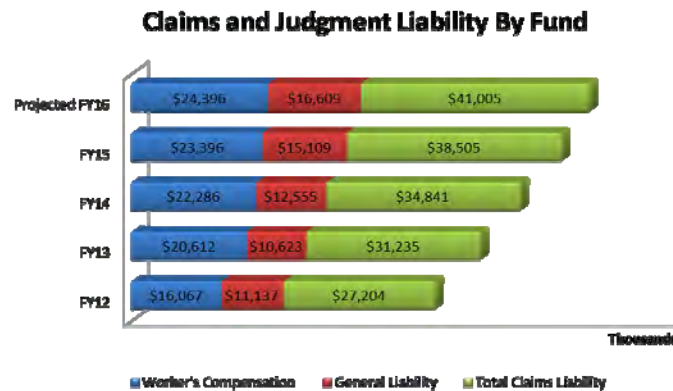
- Claims liabilities are estimates of long-term liabilities
  - Basis for determining appropriate level of reserves
  - Actuarial valuation based on historical data
  - Claims often resolved for less than potential liability
  - Cash on hand not required to service total liability today



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## Claims and Judgment Liability By Fund (Cont.,)



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## Next Steps

- Develop Insurance Trust Fund Policy
  - Provide for an appropriate level of Cash Reserve
  - Address anticipated needs
  - Recognize not all liabilities result in cash outlays
  - Impact to the General Fund



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## Upcoming Reports

- A reserve policy for the Liability Insurance Trust Funds will be presented to the Finance Committee in the near future
- Policy will address best practices for Self-Insurance trust funds and lay the ground work for a healthy and sustainable fund balance



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## Questions...



*City of Arts & Innovation*



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