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Title: RESOLUTION - Approving the reallocation of \$3,000,000 from the Liability Self-Insurance Fund Contingency to fund refunds and claims

Sponsors: Personnel Services Department

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Attachments: 1. Resolution to Reallocate Funds.pdf

Date	Ver.	Action By	Action	Result
3/9/2017	1	City Council	approved	Pass

REPORT TO THE CITY COUNCIL

March 9, 2017

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SUBJECT

RESOLUTION - Approving the reallocation of \$3,000,000 from the Liability Self-Insurance Fund Contingency to fund refunds and claims

RECOMMENDATION

It is recommended that Council approve the attached Resolution which authorizes the reallocation of \$3,000,000 from the Liability Self-Insurance Fund Contingency/Reserve account to the Refunds and Claims account to meet anticipated obligations through June 30, 2017.

EXECUTIVE SUMMARY

The Self-Insurance Fund, which provides the resources to pay claims and claims related expenses, includes a Contingency/Reserve which is typically utilized near the end of the fiscal year to allocate sufficient resources to pay claims and related expenses. The FY 2018 budget assumes this transfer and is built to replenish the Self-Insurance Retention (SIR) to the required \$3,000,000.

BACKGROUND

The authorized FY 2017 appropriations in the Liability Self-Insurance fund total \$9,822,700. This includes personnel, operations and maintenance expenses, interdepartmental charges, insurance claims and refunds, and a contingency reserve of \$3,000,000. The contingency reserve is budgeted in the event the actual expenses associated with claims are greater than the amount anticipated.

The refunds and claims appropriation for this fiscal year is less than what is required to cover the paid and projected expenses through the end of the fiscal year. Specifically, as of January 1, 2017, the City has paid liability claims related expenses of more than \$4.8 million. Through the remainder of this fiscal year it is anticipated additional settlement payments of at least \$1.5 million with additional claim expenses of approximately \$500,000. Therefore, reallocation of the contingency reserve by resolution is required.

The FY 2018 budget assumes the use of these funds and includes charges to replenish the contingency reserve at \$3,000,000. Any contingency reserve funds not expended by June 30, 2017 will be carried over into the Liability Self-Insurance Fund's beginning balance, minimizing the amount of funds required to be replenished.

ENVIRONMENTAL FINDINGS

By the definition provided in the California Environmental Quality Act ("CEQA") Guidelines Section 15378, this item does not qualify as a "project" and is, therefore, exempt from CEQA requirements.

LOCAL PREFERENCE

This item does not involve public contracting, therefore, local preference is not implicated.

FISCAL IMPACT

This item does not increase expenditure authority, it is a reallocation of appropriations between existing accounts to allow for payment of claims and associated expenses through June 30, 2017. Any amount not used for refunds, claims, or legal expenses will be included in the carry over balance in the Liability Self-Insurance Fund for FY 2018.

It is expected that the City will use at least \$2,000,000 of the contingency funds in FY 2017 resulting in the need to replenish the Contingency Reserve in FY 2018. However, if the actual experience is greater than projected during the balance of this Fiscal Year, it may be necessary to use and subsequently replenish the entire \$3,000,000 in the Contingency Reserve.

Attachment:
Resolution