

## SALT LAKE CITY COUNCIL STAFF REPORT

### BUDGET ANALYSIS – FISCAL YEAR 2003-04

**DATE:** May 23, 2003

**SUBJECT:** **GOVERNMENTAL IMMUNITY FUND**

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The City's Governmental Immunity Fund provides for protection against unfounded claims of liability and for payment of legitimate claims. The budget for fiscal year 2003-04 is proposed to decrease by \$165,269 or a 10.1% decrease from the amended budget for fiscal year 2002-03.

GOVERNMENTAL IMMUNITY FUND PROPOSED BUDGETS					
	Adopted 2002-2003	Amended 2002-2003	Proposed 2003-2004	Difference	Percent Change
<b>Revenue &amp; other sources</b>					
General Fund transfer	\$1,300,000	\$1,500,000	\$ -	\$(1,500,000)	(100.0%)
Property tax	-	-	<b>1,300,000</b>	1,300,000	
Interest income	107,300	107,300	<b>142,031</b>	34,731	32.4%
Enterprise funds	32,000	32,000	<b>32,000</b>	-	
Total revenue & other sources	\$1,439,300	\$1,639,300	<b>\$1,474,031</b>	\$(165,269)	(10.1%)
<b>Expenses</b>					
Personal services	\$ 425,765	\$425,765	<b>\$460,496</b>	\$34,731	8.2%
Other administrative costs	91,480	91,480	<b>91,480</b>	-	
Claims and court costs	922,055	1,122,055	<b>922,055</b>	(200,000)	(17.8%)
Total Expenses	\$1,439,300	\$1,639,300	<b>\$1,474,031</b>	\$(165,269)	(10.1%)

### POTENTIAL MATTERS AT ISSUE

Separate property tax – The Administration is proposing a separate property tax for governmental immunity to generate \$1,300,000 with an offsetting reduction to property taxes in the General Fund of \$1,300,000. State law allows a separate tax levy for governmental liability claims not to exceed .0001 per dollar of taxable value of taxable property. This tax rate would be \$8.25 on a \$150,000 home with an equal reduction to the City's general fund levy. A separate property tax will have the advantage of guaranteeing that a specific amount of revenue will be pledged each year to pay general liability claims. Council staff's understanding is that this property tax will show separately on individual taxpayer's statements with a zero amount listed for the previous year. Taxpayers may get the wrong impression that this is an additional tax rather than an existing levy that has been transferred. *The Council may wish to ask representatives of the Administration whether this is the case and any thoughts that they may have for helping taxpayers understand the situation. The Council may also wish to discuss whether the revenue for this fund is adequate.*

Claims payments – The adopted budget for claims payments for the current fiscal year (2002-03) was \$922,000. Budget amendment #12 increased the appropriation by \$200,000 in connection with one pending claim. Subsequent to the supplemental appropriation, the Utah Supreme Court ruled in favor of the City. The \$200,000 will not be spent. The Administration is again proposing \$922,000 for claims liability for fiscal year 2003-04.

Insurance issues relating to City-owned take-home vehicles – The Utah Supreme Court ruling mentioned above affirmed that off-duty employees who drive City-vehicles are covered under governmental immunity provisions for minimal liability coverage of \$25,000 per person, up to \$65,000 per incident. The employee and other occupants of the City-owned vehicle are covered up to \$3,000 per person for medical expenses. Insurance protection above this minimal amount is not required of the governmental employer. However, it may be in the best interest of the City, the motoring public and the off-duty employee to ensure that adequate additional coverage is provided. Although there will not be a direct cost for the City, the City Attorney's Office may wish to establish a program that verifies that insurance exists or provides a method for employees to obtain insurance coverage for their off-duty travel. The Attorney's Office is researching options and will brief the Council at a future date.

Reserves – The City's audited financial statements as of June 30, 2002 shows invested cash in the Governmental Immunity Fund of \$1,985,995 with estimated claims payable and other liabilities of \$2,161,552. This resulted in a deficit of \$175,557 as of June 30, 2002. There was a reduction of \$246,066 from the previous year's positive net assets balance of \$70,509 (as of June 30, 2001). The actual reserve amount is identified each year as part of the annual finance audit. Because there is usually very little or no reserves in the Governmental Immunity Fund, the general fund balance is, in effect, the reserve for liability claims. *The Council may wish to ask representatives from the Administration to comment on whether reserves are anticipated to increase or decrease as the result of claims filed during fiscal year 2002-03.*

Interest revenue – The budget anticipates an increase to interest revenue from \$107,300 to \$142,031. This is probably not realistic since actual revenue for the first 10 months of the current fiscal year is only \$53,943.

## **LEGISLATIVE INTENT STATEMENTS**

No legislative intent statements are outstanding relating to the Governmental Immunity Fund.

*During the briefing on the proposed budget, the Council may wish to identify legislative intents relating to the Governmental Immunity Fund.*