

## SALT LAKE CITY COUNCIL STAFF REPORT

### BUDGET ANALYSIS – FISCAL YEAR 2005-06

**DATE:** May 17, 2005  
**SUBJECT:** **GOVERNMENTAL IMMUNITY FUND**  
**STAFF REPORT BY:** Lehua Weaver and Gary Mumford  
**CC:** Rocky Fluhart, Sam Guevara, Ed Rutan, Lynn Pace,  
Tim Rodriguez, Steve Fawcett, Kay Christensen, DJ Baxter

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The Risk Management Division of the City Attorney's Office administers the Governmental Immunity Fund, which is the City's self-insurance fund. This fund is used to protect the City against invalid claims, and to appropriately compensate the public for City negligence. The source of revenue is a transfer from the City's General Fund and reimbursements from Enterprise Funds for claims related to their operations. The budget for fiscal year 2005-06 is proposed to decrease by \$206,354 or a 13.9% decrease from the budget for fiscal year 2004-05, largely due to a correction of staff allocation with the Attorney's Office.

GOVERNMENTAL IMMUNITY FUND PROPOSED BUDGET				
	Adopted 2004-05	Proposed 2005-06	Difference	Percent Change
<b>Revenue &amp; other sources</b>				
General Fund transfer	\$1,300,000	<b>\$1,150,000</b>	\$(150,000)	(11.5%)
Interest income	73,355	<b>54,000</b>	(19,355)	(26.4%)
Sundry revenue and reimbursement from enterprise fund for administrative costs	104,586	<b>69,276</b>	(35,310)	(33.8%)
Appropriations of reserves	1,689		(1,689)	(100.0%)
<b>Total revenue &amp; other sources</b>	\$1,479,630	<b>\$1,273,276</b>	\$(206,354)	(13.9%)
<b>Expenses</b>				
Personal services	\$ 426,150	<b>\$214,376</b>	\$(211,774)	(49.7%)
Other administrative costs	41,480	<b>43,900</b>	2,420	5.8%
Claims and court costs	1,012,000	<b>1,015,000</b>	3,000	0.3%
<b>Total Expenses</b>	\$1,479,630	<b>\$1,273,276</b>	\$(206,354)	(13.9%)

#### POTENTIAL MATTERS AT ISSUE

General Fund Transfer (Decrease of \$150,000) – The Administration is proposing a correction of staff allocation with the Attorney's Office. The attorneys and staff of the City Attorney's Office have been keeping time

sheets for allocating time. The time sheets indicate that there is not as much time being spent on claims as has been budgeted in the past. The proposed budget reallocates some administrative costs from the Governmental Immunity Fund to the General Fund. This does not result in a savings to the General Fund since the General Fund pays for the cost of these attorneys and support staff whether their salaries are charged to the Governmental Immunity Fund or to the General Fund.

Claims payments – The Administration is proposing \$1,000,000 for claims liability payments for fiscal year 2005-06. Claims paid for the first ten months of the current fiscal year were \$697,489. The estimated liability for claims payable as of June 30, 2004 was decreased by \$204,090 for a total claims liability of \$2,033,574 per the City's audited financial statements. Total claims paid in fiscal year 2003-04 were \$635,759. The proposed appropriation appears to be adequate based on past payments.

Interest income – The budget anticipates interest revenue of \$54,000, which is a decrease of \$19,355 from current year budget. Actual interest revenue for fiscal year 2004 was \$59,021. With rising interest rates, actual interest revenue for the first ten months of the current fiscal year was \$58,808. The proposed budget for interest income appears to be a little low or especially conservative.

Administrative costs of enterprise funds – Claims paid relating to enterprise funds are charged directly to the enterprise funds. Enterprise funds also pay a portion of administrative cost for investigating and processing claims. The budget for administrative costs to enterprise funds is \$69,276 based on actual nine-month charges for 2005 of \$42,884.

Reserves – The City's audited financial statements as of June 30, 2004 shows invested cash in the Governmental Immunity Fund of \$2,572,932 with estimated claims payable and other liabilities of \$2,048,014. The audited financial statements reported a surplus of \$524,918 as of June 30, 2004. The liability for claims payable is an estimated amount. In addition to the \$2.6 million of cash on hand, the general fund balance is also a reserve for liability claims.

The Administration is not proposing an appropriation of reserves. Average claim payments over the past three years of \$731,580 is less than the propose claims budget of \$1,000,000. Therefore, the use of reserves is probably unlikely.

Excess Liability Insurance – The City's risk manager has received quotes for reinsurance to insure the City against large third party liability claims. The reinsurance policy would pay any judgment or settlement in excess of an established deductible. The quotes include proposed premium rates for coverage beginning at \$500,000, \$1,000,000, \$5,000,000 and \$10,000,000.

## **LEGISLATIVE INTENT STATEMENTS**

There are no legislative intent statements outstanding for the Governmental Immunity Fund.