

SALT LAKE CITY COUNCIL STAFF REPORT
BUDGET ANALYSIS – FISCAL YEAR 2007-08

DATE: May 24, 2006
SUBJECT: **Governmental Immunity Fund**
STAFF REPORT BY: Russell Weeks
CC: Lyn Creswell, Ed Rutan, Sam Guevara, Lynn Pace,
Tim Rodriguez, Steve Fawcett, Kay Christensen

The Risk Management Division of the City Attorney’s Office administers the Governmental Immunity Fund, which is the City’s self-insurance fund for liability claims. This fund is used to protect the City against invalid claims, and to appropriately compensate the public for City negligence.

The Mayor’s Recommended Budget proposes that the fund remain the same as the current fiscal year. However, two things should be noted. First, the Recommended Budget proposes to lower money set aside for claims and damages by 10.6 percent (\$82,930) at the same time that Utah law has increased per-occurrence liability insurance limits to \$2 million. Second, the proposed budget for this category does not include interest earnings as a revenue source for the category. Actual interest earnings for the Governmental Immunity Reserve Fund were \$190,831 as of April 30.

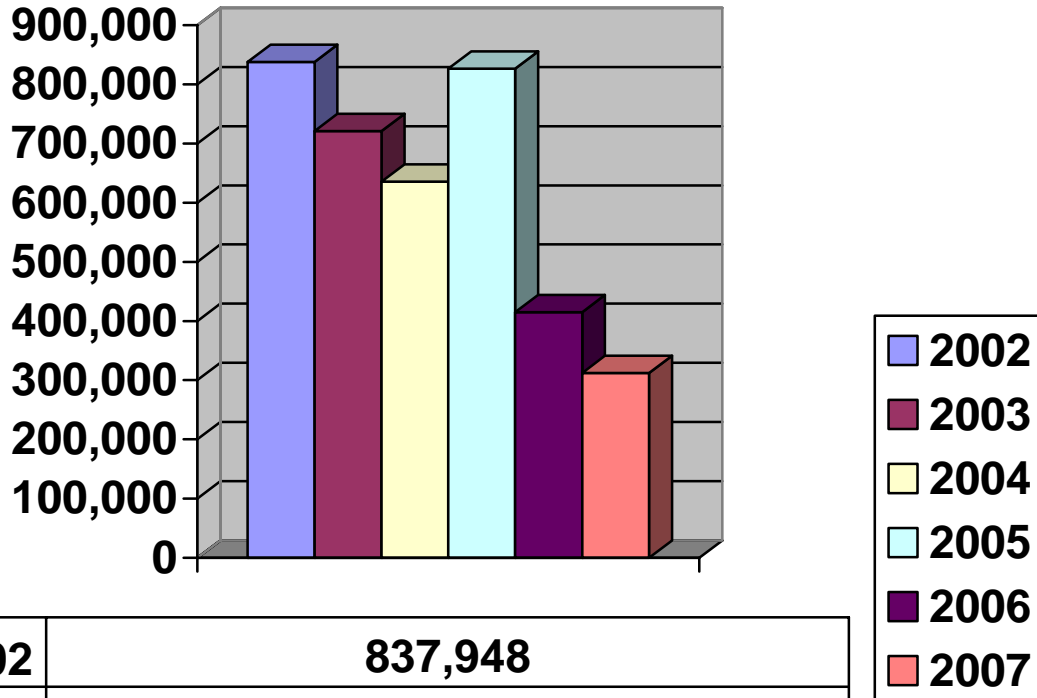
GOVERNMENTAL IMMUNITY FUND PROPOSED BUDGET				
	Adopted 2006-07	Proposed 2007-08	Difference	Percent Change
Revenue & other sources				
General Fund transfer	\$1,150,000	\$1,150,000	0	0%
Interest income	0	0	0	0%
Sundry revenue and reimbursements from enterprise funds for administrative costs	32,200	32,200	0	0%
Total revenue & other sources	\$1,182,200	\$1,182,200	0	0%
Expenses				
Personal services	\$0	\$0		0%
Administrative Fees	317,000	400,000	\$83,000	26.18%
Other Operating Expenses	70,200	60,130	(10,070)	-14.34%
Claims and court costs	795,000	722,070	(72,930)	-9.17%
Total Expenses	\$1,182,200	\$1,182,200	0	0%

POTENTIAL MATTERS AT ISSUE

Claims payments and Court Costs – The Recommended Budget proposes to allocate \$697,070 to pay valid liability claims against the City. The current fiscal year’s budget allocated \$780,000 to pay valid claims. The latter figure is \$82,930 more than the figure in the recommended budget. It should be noted that Utah Code 63-30d-604 now sets a \$2 million limit on the aggregate amount of individual awards that may be awarded in a single occurrence. The law caps individual damages at \$583,900. The

proposed \$722,070 would cover roughly one and one-fourth liability claims if the full amount were awarded.

Salt Lake City Claims & Damages



2002	837,948
2003	721,035
2004	635,759
2005	826,280
2006	414,879
2007	312,223

The chart above shows the amount of claims and damages paid over the last five years plus the first 10 months of the current fiscal year. The Administration estimates that there might be \$40,000 to \$50,000 in claims yet to be paid in the current year. The downward trend on the chart may indicate the success of the City’s effort to control costs on claims through its Loss Control/Safety Program operated by Risk Management. It also should be noted that, as of June 30, 2006, the Governmental Immunity Internal Service Fund contained about \$1.76 million. That sum plus the recommended budget’s proposed \$722,070 would cover a single occurrence that met the \$2 million aggregate limit. In addition, Utah Law allows municipalities to levy taxes to pay “claims, judgments or insurance premiums.”

The recommended budget also projects that court costs in this category will rise to a total amount of \$25,000. The current year’s budget allocated \$15,000 for that purpose.

Administrative Fees Paid to General Fund – The largest projected increase in the budget is an \$83,000 increase in administrative service fees. It should be noted that Fiscal Year 2007-08 would be the second year that personal service costs have been replaced by corresponding administrative fees. The City Council may wish to ask if the increase – a 26 percent rise above the current year’s budget – should warrant a return to using personal service costs in this category. During budget discussions last year, the Administration proposed reallocating FTE’s assigned to the Government Immunity Fund to the Attorney’s Office to simplify accounting for attorneys’ time.

Other Operating Expenses – The projected \$10,070 drop in this category is due to the elimination of a \$31,000 computer equipment maintenance line item, and a variety of small increases in line items such as stationery supplies, legal fees, technical services and out of town travel.

Interest income – Like the 2006-2007 recommended budget, the recommended budget projects no interest revenue in this category. Actual interest revenue for the fund as of April 30 was \$190,831. The City Council may wish to consider using part or all of the interest income to add to the Immunity Fund budget, particularly the increased administrative fees.

Reserves – Again, the City’s audited financial statements as of June 30, 2006 show total net assets of \$1.76 million in the Governmental Immunity Fund. As last year’s City Council staff report noted, the amount is much less than a private insurance company would deem necessary, given the level of exposure.

LEGISLATIVE INTENT STATEMENTS

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