

SALT LAKE CITY COUNCIL STAFF REPORT

Date: May 20, 2010

Subject: GOVERNMENTAL IMMUNITY FUND

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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 for liability claims. This fund is used to protect the City against invalid claims, and to appropriately compensate peoples' claims when justified.

Governmental Immunity Fund Proposed Budget				
	Adopted Budget FY 2009-2010	Proposed Budget FY 2010-2011	Difference	Percent Change
Revenue				
Transfer from General Fund	\$ 900,000.00	\$ 900,000.00	\$ -	0%
Reimbursements/Rebates	\$ 20,000.00	\$ 20,000.00	\$ -	0%
TOTAL	\$ 920,000.00	\$ 920,000.00	\$ -	0%
Expenses				
Employee Wages & Benefits	\$ 246,888.00	\$ 254,220.00	\$ 7,332.00	3%
Claims & Damages	\$ 613,850.00	\$ 481,518.00	\$ (132,332.00)	-22%
Administrative Service Fee	\$ 103,112.00	\$ 103,112.00	\$ -	0%
Technical Services	\$ 110,000.00	\$ 10,000.00	\$ (100,000.00)	-91%
Court Costs	\$ 4,000.00	\$ 4,000.00	\$ -	0%
Other Costs	\$ 67,150.00	\$ 67,150.00	\$ -	0%
Transfer to General Fund	\$ 500,000.00	\$ 325,000.00	\$ (175,000.00)	-35%
TOTAL	\$ 1,645,000.00	\$ 1,245,000.00	\$ (400,000.00)	-24%

The table above indicates two things pertaining to revenue. First, the *Mayor's Recommended Budget for Fiscal Year 2010-2011* proposes no increase above the adopted budget for the current fiscal year. Second, the Governmental Immunity Fund is financed by the General Fund.

On the expense side, the key component of the fund remains money available to play justifiable claims and damages. The proposed budget allocates about 52 percent of the projected \$920,000 in revenue to address claims and damages. The proposed budget also allocates about 22 percent less money in Fiscal Year 2010-2011 for claims and damages. However, it should be noted that in the first three quarters of the current fiscal year, the fund paid out \$679,919 in claims and damages. According to the City Attorney's Office, the reason for the amount paid was settlement of a larger-than-expected claim that should be viewed as a one-time occurrence.

Although at one point settlements of claims against Salt Lake City seemed to trend downward, in recent years the trend appears to have reversed. The City paid \$721,035 in claims in Fiscal Year 2003; \$635,759 in Fiscal Year 2004; \$826,280 in Fiscal Year 2005; \$219,742 in Fiscal Year 2006; \$307,802 in Fiscal Year 2007; \$586,542 in Fiscal Year 2008; and \$594,919 in Fiscal Year 2009. Utah law limits claims against municipalities to \$2 million per occurrence. The funding available for claims is much less than a private insurance company would deem necessary, given the level of exposure for the City. In the event of a large claim that would exceed the cash in the Governmental Immunity reserve account, General Fund fund balance is also considered a reserve account. This could ultimately result in a judgment levy to the taxpayers. The City Attorney and risk manager may provide additional information at the briefing Tuesday.

Costs for technical services are projected to drop significantly. However, that depends on the City Attorney's Office having a contract signed by the end of the current fiscal year (June 30) to have software installed to facilitate compliance with federal and state requirements for the legal discovery of electronic records. If a contract isn't signed, the City Attorney's Office plans to encumber the funds for use in the next fiscal year.

The proposed budget also contemplates transferring \$325,000 from the Governmental Immunity Fund fund balance to the General Fund. Although the amount is less than the amount transferred for the current fiscal year, the proposed transfer is the second year in a row the Mayor's Budget has recommended using that particular fund. Nevertheless, the fund would continue to retain a fairly healthy fund balance, according to the Administration.

Issues/Questions for Consideration

Does the City Council have any interest in increasing the amount of money allocated for claims and damages?

Legislative Intents and Action Items

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

File Location: *Mayor's Recommended Budget Fiscal Year 2010-2011*