

SALT LAKE CITY COUNCIL STAFF REPORT

Date: May 21, 2010

Subject: INSURANCE AND RISK MANAGEMENT FUND

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The budget for the Insurance and Risk Management Fund accounts for costs associated with employee health insurance, dental insurance, disability insurance, life insurance, unemployment compensation, risk management insurance, and workers compensation. The Human Resource Division of the Department of Management Services oversees employee participation in health, dental, life, accidental death & dismemberment, and disability insurance programs. The City Attorney's Office coordinates with a contract third-party administrator on workers' compensation claims. It also places and monitors property insurance; performs risk assessments; and coordinates citywide safety activities.

Insurance and Risk Management Fund Projected Revenue				
	Adopted Budget FY 2009-2010	Proposed Budget FY 2010-2011	Difference	Percent Change
Premiums	\$ 36,957,204.00	\$ 38,551,147.00	\$ 1,593,943.00	4%
Interest	\$ 22,392.00	\$ -	\$ (22,392.00)	-100%
Bus Pass	\$ 351, 852.00	\$ 355,417.00	\$ 3,565.00	1%
TOTAL	\$ 37,331,448.00	\$ 38,906,564.00	\$ 1,575,116.00	4%

By far, the majority of projected revenue for the Insurance and Risk Management Fund comes from insurance premiums. Roughly 75 percent of that revenue comes from health insurance premium charges for City employees.

As presented in the *Overview of Major Budget Issues* by City Council staff last week, the Administration proposes to increase employees' contributions to pay for health insurance premiums from 10 percent in the current fiscal year to 15 percent in Fiscal Year 2010-2011. City employees would offset 71 percent of the projected premium increase for health insurance, and the City would pick up the roughly \$660,000 remainder. The proposal means the 90 percent of City employees enrolled in the Summit Care program respectively would see a yearly increase of \$255 for a single person, \$572 for two people, and \$763 for a family.¹ Increases would be higher for the 10 percent of employees enrolled in the other two programs. In addition, the Administration proposes to increase employee co-payments and maximum out-of-pocket expenses. It should be noted that if employee contributions to pay for health insurance premiums is set at 15 percent, it means that revenue from City sources would pay the other 85 percent.

Bus pass revenue is derived from City departments allocating funds for the City bus pass program with the Utah Transit Authority for 1,181 employee bus passes. Departments funded by the General Fund, and departments operated as enterprise fund contribute to the program. The current fiscal year is the first year the City has borne the full cost of the program after a three-year agreement in which the City received bus passes in exchange for granting UTA the use of some City streets for track for the FrontRunner commuter rail line.

Interest income is projected to be virtually non-existent.

Insurance and Risk Management Fund Proposed Expenses				
	Adopted Budget FY 2009-20010	Proposed Budget FY 2010-2011	Difference	Percent Change
Health Ins. Premium Costs	\$ 28,393,956.00	\$ 29,618,328.00	\$ 1,224,372.00	4%
Dental Insurance Costs	\$ 2,050,248.00	\$ 2,043,468.00	\$ (6,780.00)	0%
Life/Accidental Death Policies	\$ 1,181,784.00	\$ 1,174,992.00	\$ (6,792.00)	-1%
Risk Management Premium	\$ 1,763,820.00	\$ 1,998,820.00	\$ 235,000.00	13%
Workers Compensation	\$ 1,064,613.00	\$ 1,339,948.00	\$ 275,335.00	26%
Claims & Damages	\$ 643,140.00	\$ 614,580.00	\$ (28,560.00)	-4%
Unemployment Compensation	\$ 320,508.00	\$ 322,104.00	\$ 1,596.00	0%
Bus Passes	\$ 351,852.00	\$ 355,417.00	\$ 3,565.00	1%
Employee Wages & Benefits	\$ 584,870.00	\$ 517,024.00	\$ (67,846.00)	-12%
Loss Control/Safety Program	\$ 20,000.00	\$ 20,000.00	\$ -	0%
Transfer to General Fund	\$ 500,000.00	\$ 800,000.00	\$ 300,000.00	60%
Administrative Costs & Fees	\$ 734,693.00	\$ 677,685.00	\$ (57,008.00)	-8%
Other Costs	\$ 221,964.00	\$ 224,198.00	\$ 2,234.00	1%
TOTAL	\$ 37,831,448.00	\$ 39,706,564.00	\$ 1,875,116.00	5%

Again, health insurance premium costs make up the greatest percentage of projected costs for Fiscal Year 2010-2011. In other parts of the proposed budget most projected expenditures appear to be flat. However, three areas show marked increases.

The largest percentage increase occurs in the transfer to the General Fund. In Fiscal Year 2009-2010, the Insurance and Risk Management Fund expenses included a one-time \$500,000 transfer from the Risk Management Fund fund balance to the General Fund.ⁱⁱ In the proposed budget a one-time \$800,000 transfer would come from a fund balance in the Police Long-Term Disability Fund, according to the Administration.ⁱⁱⁱ The latter fund is a fund within the umbrella of the Risk Management Fund.

The next largest percentage increase occurs in Workers' Compensation where costs are projected to increase by 26 percent (\$275,335) over the current year. It should be noted that Workers Compensation expenditures for the first three quarters of the current fiscal year indicate that 25 percent of the money budgeted remained – an indication expenses are in line with projections for the current year. Projected expenses for Fiscal Year 2010-2011 stem from the Administration working with the City's third-party Workers' Compensation manager to determine what actual claims are likely to be paid in the next fiscal year.

The third largest increase occurs in the Risk Management Premium category. The increase largely reflects an increase in a premium for property insurance.

Legislative Intents and Action Items

There are no outstanding legislative intents and action items pertaining to the Insurance and Risk Management Fund.

ⁱ *Overview of Major Budget Issues Budget Issues Mayor's Recommended Budget*, May 11, 2010, Jennifer Bruno, Karen Halladay, Lehua Weaver, Sylvia Richards

ⁱⁱ City Council Staff Report, *Insurance and Risk Management Fund*, May 19, 2009, Russell Weeks

ⁱⁱⁱ See also, *Mayor's Recommended Budget Fiscal Year 2010-2011*, Page B-10.