

Risk Management Fund Appropriation to Cover Claims in FY2015 as well as Additional Reserves for Existing Claims to be Paid in Future Fiscal Years



Hampton
VIRGINIA

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BACKGROUND INFORMATION ABOUT THE RISK MANAGEMENT FUND

- ✦ The Risk Management Fund was established to manage and account for various insured and self-insured risks like Workers Compensation, auto, property and general liability.
- ✦ Accounting standards require that you record a claim (liability) when:
 - 1) it is considered probable that a loss has occurred and
 - 2) the amount of the loss can be reasonably estimated

In addition, all directly related expenses to the claim, like legal costs, should be recorded as a liability.

BACKGROUND INFORMATION ABOUT THE RISK MANAGEMENT FUND

- ✦ Although we record the liability on the books today, the actual payment of the liability can occur over several future fiscal years.
- ✦ The frequency and amounts of the claims can vary significantly from year to year.
- ✦ Accounting standards also require us to consider “Claims Incurred but not Reported.”

ACTION REQUESTED OF COUNCIL

- ✦ We are asking City Council to appropriate FY2015 funds from the Risk Management Fund's unrestricted net position (reserves) to cover unanticipated claims in FY2015 as well as additional reserves for existing claims to be paid in future fiscal years.

ACTION REQUESTED OF COUNCIL

- These claims for FY2015 are primarily for the Police Fair Labor Standards Act settlement, adjustments to existing Workers Compensation claims and general liability issues:

	<u>City</u>	<u>Schools</u>	<u>Total</u>
Police FLSA Settlement	\$ 3,864,717		\$ 3,864,717
Workers' Compensation	1,394,872	2,313,862	3,708,734
Line of Duty Act	871,473		871,473
General Liabilities	654,969		654,969
Total	<u>\$ 6,786,031</u>	<u>\$ 2,313,862</u>	<u>\$ 9,099,893</u>

ACTION REQUESTED OF COUNCIL

- ✦ We delayed bringing this action for fiscal year 2015 to City Council until the Police Fair Labor Standards Act settlement was finalized so as not to impact the negotiations.
- ✦ Prior to fiscal year 2013, these requests were not presented to City Council since the budget for the Risk Management Fund was not adopted by you. We changed this practice in 2013 to create more transparency for the fund.
- ✦ After this appropriation, we will have \$7 million in the unrestricted net position of the Risk Management Fund.