



Staff Report

File #: 18-558

Version: 1

Date: 1/14/2019

Item #: 3.2a.

TO: Mayor and City Council

FROM: Salem City Council Finance Committee

SUBJECT:

Employee Benefits Self Insurance Fund Balance / Reserve Policy

Ward(s): All Wards

Councilor(s): All Councilors

Neighborhood(s): All Neighborhoods

ISSUE:

Shall City Council adopt a policy for the Employee Benefits Self Insurance Fund?

RECOMMENDATION:

Adopt Resolution 2019-2, establishing Council Policy C-16 for the Employee Benefits Self Insurance Fund.

SUMMARY AND BACKGROUND:

The City is self-insured for health benefits, automobile physical damage, workers' compensation, unemployment, and third-party liability claims.

On December 17, 2018, City Council's Finance Committee recommended an Employee Benefits Self Insurance Fund Balance / Reserve Policy to City Council.

FACTS AND FINDINGS:

As with all operating funds, sound financial management practices include establishing the appropriate level of reserves or fund balances. Appropriate, prudent reserves allow the City to plan for contingencies. There will always be unforeseen emergent issues potential or revenue shortfalls. Adequate reserves prevent negative cash balances during the fiscal year. Reserves provide resources to support services during periods of increased expenditures or slow revenue growth.

Rate stabilization is of concern with the Employee Benefits Self Insurance Fund due to the volatility of operating expenses. During the past 18 fiscal years, the average annual growth rate of health benefits claims was 8.45 percent, and the standard deviation of that growth rate (a measure of volatility) was 11.74 percent.

Josh Eggleston
Senior Fiscal Analyst

Attachments:

1. Resolution 2019-2
2. Exhibit A - Resolution 2019-2 Council Policy C-16