



Staff Report

File #: 18-559

Version: 1

Date: 1/14/2019

Item #: 3.2b.

TO: Mayor and City Council

FROM: Salem City Council Finance Committee

SUBJECT:

Risk 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 Risk Self Insurance Fund?

RECOMMENDATION:

Adopt Resolution 2019-3, establishing Council Policy C-17 for the Risk Self Insurance Fund.

SUMMARY AND BACKGROUND:

The City of Salem 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 adoption of a Risk 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.

Reserves provide rate stabilization, a concern with the Risk Self Insurance Fund due to the volatility of operating expenses. Liability and Workers' Compensation (the risk program) claims expense experienced an average growth rate of 3.45 percent over the past 16 fiscal years with a standard deviation of 32.6 percent (a measure of volatility).

Reserves protect the City from unforeseen emergent issues or revenue shortfalls. The irregular cash flows may cause negative balances during the fiscal year without adequate reserves in the beginning fund balance for each fund. Reserves provide resources to support services during periods of increased expenditures or slow revenue growth.

Josh Eggleston
Senior Fiscal Analyst

Attachments:

1. Resolution 2019-3
2. Exhibit A - Resolution 2019-3 Council Policy C-17