



Council Agenda Report

Item 6h

Department: Human Resources
Cost Center: 3050
For Agenda of: 3/21/2023
Placement: Consent
Estimated Time: N/A

FROM: Nickole Domini, Human Resources Director
Prepared By: Kate Auslen, Risk Manager

SUBJECT: APPROPRIATION OF UNDESIGNATED INSURANCE FUND BALANCE
TO PAY LIABILITY CLAIMS COSTS FOR FISCAL YEAR 2022-23

RECOMMENDATION

Adopt a Draft Resolution entitled, "A Resolution of the City Council of the City of San Luis Obispo, California, approving an amendment to the 2022-23 Budget Allocation in the Insurance Fund Fiscal Year 2022-23."

POLICY CONTEXT

The 2021-23 Financial Plan was adopted by Council on June 1, 2021 and the 2022-23 Supplemental Budget was adopted by Council on June 7, 2022. Amendments to the annual budget are accomplished by Resolution, which is provided as Attachment A to this report.

DISCUSSION

Background

The City of San Luis Obispo is a member of the California Joint Powers Insurance Authority (CJPIA) which provides workers' compensation and general liability insurance for the City and other member agencies throughout the State. In 2016, the City entered into an agreement with CJPIA and Carl Warren, a third-party administrator, to manage its liability claims. Carl Warren provides intake of claims, legal counsel, investigation of claims, and represents the City in mediations and court cases.

At the beginning of FY 2022-23, \$500,000 was placed in the reserve for the Excess Liability Insurance Program and was expected to be sufficient for anticipated expenses in FY 2022-23. In December 2022, Council appropriated an additional \$300,000 to cover the anticipated cost of claims. However, the cost of claims and time to resolution continues to fluctuate and is difficult to predict. Two high-cost claims were settled this year, and several other claims that have not yet settled require third party legal expertise and lengthier litigation, resulting in higher than anticipated costs.

Item 6h

Staff therefore recommends appropriating \$550,000 of the City's Insurance Fund balance to cover anticipated claims and related expenses for the remainder of FY 2022-23. This number is based on the average monthly expenses to date and an analysis of claims likely to settle during FY 2022-23. The Insurance Fund has a current fund balance of about \$1.5M.

PUBLIC ENGAGEMENT

Public comment on the item can be provided to the City Council through written correspondence prior to the meeting and through public testimony at the meeting.

ENVIRONMENTAL REVIEW

The California Environmental Quality Act does not apply to the recommended action in this report, because the action does not constitute a "Project" under CEQA Guidelines Sec. 15378.

FISCAL IMPACT

Budgeted: No

Budget Year: 2022-23

Funding Identified: Yes

Fiscal Analysis:

Funding Sources	Total Budget Available	Current Funding Request	Remaining Balance	Annual Ongoing Cost*
General Fund	1,500,000	550,000	950,000	N/A
State				
Federal				
Fees				
Other:				
Total	1,500,000	550,000	950,000	N/A

It is the City's policy to maintain the Insurance Fund at 75% confidence level based on a five-year average claims experience. The current balance of the Insurance Fund is about \$1.5M. If \$550,000 is appropriated, the remaining balance of \$950,000 will remain available for future insurance and claims-related expenses.

If any funding appropriation remains at year-end, it will be returned to fund balance from which it can be re-allocated with the 2023-25 Financial Plan.

ALTERNATIVES

Do not approve the resolution for funding allocation. This alternative is not recommended as the City has delegated authority to CJPIA and Carl Warren as third-party administrators and this funding will cover claims-related costs both anticipated and for work already in progress.

ATTACHMENTS

A - Draft Resolution adopting an amendment to the FY 2022-23 Budget Allocation in the Insurance Fund