



2005 – 2006 Proposed Budget --- Budget Summary Insurance Reserve Fund

2005 – 2006 Insurance Reserve Fund Budget Highlights

➤ **Other Income - City County Insurance Services (CIS)**

- The City will continue to purchase insurance coverage direct from CIS, thus saving ~\$35,000 which is transferred to the General Fund to pay for Finance Department administration of City insurance coverages.
- CIS continues to offer multiple lines credits for entities that purchase more than one insurance line with CIS. \$10,000 multiple lines credit estimated for 2005 – 2006.

➤ **Property & Liability Insurance** --- Cost estimated to increase 5%.

➤ **Medical Insurance** --- Cost estimated to increase 10%.

- 2005 – 2006 Proposed Budget has the City picking up the entire medical insurance increase for general service employees since the general service employees pay a significantly higher premium sharing than the public safety unions, ~27%.
- Total medical insurance premiums estimated with a 10% increase follow:
 - Single coverage - \$441 per month
 - 2-Party coverage - \$904 per month
 - Family coverage - \$1,235 per month
- See table to the right for medical insurance premium sharing cost per month per employee with medical insurance coverage.

	Employee Premium Sharing		
	General Service @ ~27%	Police Union @ 5%	Fire Union @ 10%
<u>Medical Insurance Coverage Type</u>			
Single	\$ 121	\$ 22	\$ 44
2-Party	\$ 243	\$ 45	\$ 90
Family	\$ 345	\$ 61	\$ 124

➤ **Workers' Compensation Insurance:**

- Pure rates estimated, on average, to remain the same as 2004 – 2005.
- City of McMinnville experience mod dropped from 97% to 93% of pure premiums.

Short- and Long-Term Issues

➤ **Short-Term Issues** --- Addressed by 2004 – 2005 Proposed Budget.

➤ **Long Term Issues** ---

- Continued escalation of medical insurance premiums remains a concern:
 - For the City, continued double-digit medical insurance increases negatively affect City services that can be offered.
 - For the general service employee group, double digit medical insurance increases have fully consumed recent cost-of-living increases.

2005 – 2006 Proposed Budget --- Budget Summary

Insurance Reserve Fund

Core Services

➤ The Insurance Reserve Fund is an internal service fund that provides the City with all insurance coverages by allocating insurance charges to operating funds:

- General liability insurance
- Automobile liability, collision, and comprehensive insurance
- Property, equipment, and crime insurance
- Earthquake insurance
- Boiler insurance
- Employee bond insurance
- Employee medical insurance
- Employee workers' compensation insurance
- State unemployment insurance costs --- the City pays unemployment costs on a reimbursement basis rather than as an insurance premium.



The City
insures 105
vehicles and
trailers.



Insurance Reserve Fund --- Historical Highlights

- 1985** City begins purchasing general and automobile liability, property, automobile physical damage insurance coverage from City County Insurance Services (CIS).
- 1986** City begins purchasing workers' compensation insurance coverage from CIS moving coverage from State Accident Insurance Fund.
- 1989** City establishes Insurance Reserve Fund centralizes insurance premium coverages into one City internal service fund.
- 1991** Medical insurance cost sharing with City general service employees begins. General service employees will share all future medical insurance increases with City 50-50. Thus, 1991 – 1992 medical insurance premiums becomes base year.



Single - \$121.60
 2-Party - \$262.50
 Family - \$332.20

- 2003** Due to escalating Blue Cross medical insurance premiums with City of McMinnville's group, City joins CIS group for medical insurance coverage.
- 1995** Insurance Reserve Fund funds Community Center seismic retrofit.
- 1995** Insurance Reserve Fund funds significant portion of Library roof repair and seismic retrofit.
- 1997** City establishes direct relationship CIS for most insurance coverages, saving over \$30,000 per year. Savings transferred yearly to General Fund to help pay for Finance Department's administrative time.
- 2000** Fire union members first begin medical insurance cost sharing – 10% of premium.

- 2001** City begins participating in the CIS Liability Aggregate Deductible Program. City pays original liability premium less a large premium credit and then pays premium credit amount plus about \$10,000 if liability losses exceed original premium credit.
 - 2003** Police union members first begin medical insurance cost sharing – 5% of premium.
 - 2004** The City and CIS initiate a new health initiative, the One Million Footstep Challenge to improve employee health.
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- 2004** City Manager appoints 15 employees to an Ad-Hoc Employee Committee on Health Insurance to review City's medical insurance coverage and make recommendations.
 - 2004** City picks up 75% of general service employee medical insurance increase with general service employees picking up 25% of increase.

Insurance Reserve Fund --- Historical Highlights

2005 City picks up 100% of general service employee medical insurance increase which drops employee share to ~27% of medical insurance premiums.



The City's liability insurance covers 58,399 square feet of buildings leased/rented to others.



The three K-9 police dogs are insured as mobile equipment and listed on the City's fixed assets.

INSURANCE RESERVE FUND

2005-06

10-May-05

60	00	ACTUAL 2002-03	ACTUAL 2003-04	BUDGET 2004-05		NUMBER OF EMPLOYEES	PROPOSED 2005-06	APPROVED 2005-06	ADOPTED 2005-06
RESOURCES									
<u>BEGINNING FUND BALANCE</u>									
		0	0	0	60000-02	DESIGNATED BEGIN FUND BALANCE:	0.00	0	0
		0	0	1,290	60000-93	DBFB - BUILDING DIVISION	0.00	0	0
		10,880	10,880	10,880	60000-95	DBFB - PARKS & REC FUND	0.00	10,880	0
						July 1, 2005 designated cash carryover from the 2004 - 2005 fiscal year due to the Airport Park restroom insurance claim; "saved" to be used for future park project.			
		105,634	119,897	135,000	60001-00	BEGINNING FUND BALANCE	0.00	160,000	0
						Estimated July 1, 2005 undesignated cash carryover from the 2004 - 2005 fiscal year.			
		116,514	130,777	147,170		TOTAL BEGINNING FUND BALANCE	0.00	170,880	0
<u>CHARGES FOR SERVICES</u>									
		326,300	350,400	380,600	60041-00	PROPERTY & LIABILITY INSURANCE	0.00	368,900	0
						Total charges to the operating departments and funds for pro-rata share of the following insurance premiums: general liability, automobile, property and crime, equipment, earthquake, boiler, and employee bonds - estimated 5% increase over actual 2004 - 2005.			
		989,996	1,166,247	1,593,500	60051-00	HEALTH INSURANCE	0.00	1,658,100	0
						Charges to payroll operating departments and funds.			
		214,996	207,188	232,300	60053-00	WORKERS' COMPENSATION INS	0.00	248,000	0
						Charges to payroll operating departments and funds for workers' compensation insurance coverage.			
		14,138	34,016	29,250	60054-00	UNEMPLOYMENT CHARGES	0.00	43,250	0
						Charges to payroll operating departments and funds for unemployment insurance actual charges. The City pays ex-employee unemployment charges on an actual reimbursement basis invoiced through the State of Oregon Employment Division.			
		1,545,430	1,757,851	2,235,650		TOTAL CHARGES FOR SERVICES	0.00	2,318,250	0
<u>MISCELLANEOUS</u>									
		4,691	3,089	600	60151-00	INTEREST	0.00	1,200	0
		0	0	0	60153-00	INSURANCE CLAIMS:	0.00	0	0
		8,214	4,494	10,000	60153-07	AUTOMOBILE CLAIMS	0.00	10,000	0
		12,279	111	10,000	60153-09	PROPERTY CLAIMS	0.00	10,000	0

INSURANCE RESERVE FUND

60	00			<i>2005-06</i>				10-May-05
	ACTUAL	ACTUAL	BUDGET		NUMBER OF	PROPOSED	APPROVED	ADOPTED
	2002-03	2003-04	2004-05		EMPLOYEES	2005-06	2005-06	2005-06
	0	0	2,000	60153-11 STATE - EAIP REIMBURSEMENT	0.00	0	0	0
				State of Oregon Employee-At-Injury Program has a portion of the program for work site modifications and tools and equipment needed for light duty assignments. Reimbursement for up to \$1,000 per workers' compensation injury may be received for tools and equipment and \$2,500 for work site modifications.				
	190	18	0	60167-00 OTHER INCOME	0.00	0	0	0
	40,752	43,665	45,000	60167-01 OTHER INCOME - CCIS	0.00	45,000	0	0
				7,000 City County Insurance Services (CIS) Multiple Lines Credit - property and liability insurance coverages				
				3,000 CIS Multiple Line Credit - workers' compensation insurance coverage				
				35,000 CIS "Directly Written" Insurance Coverage Credit				
	66,126	51,377	67,600	TOTAL MISCELLANEOUS	0.00	66,200	0	0
	1,728,070	1,940,005	2,450,420	TOTAL RESOURCES	0.00	2,555,330	0	0

INSURANCE RESERVE FUND

2005-06

10-May-05

60	00								
ACTUAL	ACTUAL	BUDGET			NUMBER OF	PROPOSED	APPROVED	ADOPTED	
2002-03	2003-04	2004-05			EMPLOYEES	2005-06	2005-06	2005-06	2005-06
REQUIREMENTS									
<u>MATERIALS & SERVICES</u>									
288,240	303,954	379,900	80503-00	PROPERTY & LIABILITY PREMIUMS	0.00	367,000	0	0	
Insurance premiums for the following coverages: general liability, automobile, property and crime, equipment, earthquake, and boiler - estimated 5% premium increase.									
Budget Note --- Regarding General Liability Premiums: In fiscal 2001-2002, the City elected to participate in the CIS Liability Aggregate Deductible Program. City is billed for original liability premium less a \$37,500 program credit. CIS continues to handle all claims, but bills City for paid claim amounts until the agreed \$50,000 total for the year is reached. If liability losses for the specific coverage year are less than \$37,500 deductible credit, City saves premium dollars. Each loss year is open indefinitely.									
2,554	1,300	25,000	80503-01	LIABILITY DEDUCTIBLE 2001-02	0.00	5,000	0	0	
2,934	10,726	0	80503-03	LIABILITY DEDUCTIBLE 2002-03	0.00	0	0	0	
0	9,801	40,000	80503-05	LIABILITY DEDUCTIBLE 2003-04	0.00	7,500	0	0	
0	0	10,000	80503-07	LIABILITY DEDUCTIBLE 2004-05	0.00	5,000	0	0	
0	0	0	80503-09	LIABILITY DEDUCTIBLE 2005-06	0.00	15,000	0	0	
1,774	1,774	1,900	80505-00	EMPLOYEE BOND PREMIUMS	0.00	1,900	0	0	
0	0	0	80507-00	AUTO & PROPERTY DAMAGE CLAIMS:	0.00	0	0	0	
9,774	3,806	12,000	80507-01	AUTOMOBILE DAMAGE REPAIR	0.00	12,000	0	0	
The City's automobile insurance has most recently carried a \$500 collision deductible and a \$100 comprehensive deductible.									
Budget Note: During insurance renewal, the City will ask CIS to quote higher deductible amounts for both collision and comprehensive automobile insurance coverage.									
13,279	111	12,000	80507-03	PROPRTY LOSS & DAMAGE REPAIR	0.00	12,000	0	0	
The City's property insurance carries a \$1,000 deductible.									
989,996	1,166,247	1,593,500	80517-00	HEALTH INSURANCE PREMIUMS	0.00	1,658,100	0	0	
Health insurance premiums estimated with a 10% premium increase --- single coverage ~\$441 per month, 2-party coverage ~\$904 per month, and family coverage ~\$1,235 per month.									
1,375,400 City share of employee estimated health insurance premiums									
240,700 General service employees paid half of premium increases over 1991- 1992 base year; except in 2004 - 05, City paid 75% of the increase. City proposes paying 100% of 2005 - 2006 increase. Employee will pay ~\$345 per month for family coverage.									
22,000 Police Union members pay 5% of health premiums. PD union members will pay ~\$61 per month for family coverage.									
20,000 Fire Union members pay 10% of health premiums. Fire union members will pay ~\$124 per month for family coverage.									

INSURANCE RESERVE FUND

60 00	2005-06				10-May-05		
ACTUAL 2002-03	ACTUAL 2003-04	BUDGET 2004-05		NUMBER OF EMPLOYEES	PROPOSED 2005-06	APPROVED 2005-06	ADOPTED 2005-06
0	0	0	80523-00 WORKERS' COMPENSATION:	0.00	0	0	0
			<p>City Council Insurance Services (CIS) offers two workers' compensation programs. Over the years, the City has participated in both programs as denoted by the fiscal year workers' compensation Account Titles. Each year during workers' compensation insurance renewal, CIS reviews with City management workers' compensation trends and management decides whether to select the Retrospective Plan (RETRO) or the Guaranteed Plan (GUARANTEED).</p> <p>RETROSPECTIVE Plan Years: Beyond the year's minimum premium payment (35% of pure premium), the City pays workers' compensation payments on actual claims expense plus a 15%/20% administrative fee. Maximum premium liability is 135% of pure premium. Thus, if workers' compensation claims are lower than what pure premium would have been, dollars are saved. Coverage years are kept open for approximately 60 months; eventually each year is closed by CIS. The following budgeted amounts reflect estimates of payments for the open worker compensation years using this method of premium payment and a closure payment for 2001 - 2002. The retrospective plan was again selected for 2004 - 2005.</p> <p>GUARANTEED Plan Year: After experiencing several years of worsening workers' compensation claims, on the recommendation from CIS, City management selected for 2003 - 2004 the guaranteed premium plan in which a set premium is paid for a year's workers compensation coverage without a self-insurance component.</p>				
3,394	0	0	80523-11 WC 1998-99 CLOSED	0.00	0	0	0
0	0	0	80523-13 WC 1999-00 RETRO	0.00	0	0	0
9,607	65	0	80523-15 WC 2000-01 RETRO	0.00	0	0	0
20,293	1,248	0	80523-17 WC 2001-02 RETRO	0.00	5,000	0	0
177,497	10,159	15,000	80523-19 WC 2002-03 RETRO	0.00	31,250	0	0
0	168,326	0	80523-21 WC 2003-04 GUARANTEED	0.00	0	0	0
0	0	195,000	80523-23 WC 2004-05 RETRO	0.00	30,000	0	0
0	0	0	80523-25 WC 2005-06	0.00	180,000	0	0
			<p>Before the July 1, 2005 workers' compensation insurance renewal, City management reviews with CIS the City's workers' compensation trends and decides whether to select the Retrospective Plan or the Guaranteed Plan.</p>				
14,138	34,016	29,250	80529-00 UNEMPLOYMENT COSTS	0.00	43,250	0	0
			<p>City unemployment paid on a reimbursement basis to the State of Oregon Employment Division for ex-employees who file for unemployment insurance.</p>				
1,825	1,750	3,000	80611-00 PROFESSIONAL SERVICES	0.00	2,000	0	0
			<p>1,400 Insurance agent contracted service fees for insurance renewal advice and some loss control services primarily related to workers' compensation and City Safety Committee consultation.</p> <p>600 Audit fee allocation</p>				
0	0	2,000	80681-00 M&S EQUIP - EAIP	0.00	0	0	0

INSURANCE RESERVE FUND

2005-06

10-May-05

60	00	ACTUAL 2002-03	ACTUAL 2003-04	BUDGET 2004-05		NUMBER OF EMPLOYEES	PROPOSED 2005-06	APPROVED 2005-06	ADOPTED 2005-06
		1,535,305	1,713,283	2,318,550	TOTAL MATERIALS & SERVICES	0.00	2,375,000	0	0
					<u>TRANSFERS TO OTHER FUNDS</u>				
		0	0	0	80901-00 GENERAL FUND:	0.00	0	0	0
		34,988	40,593	40,842	80901-01 GEN FD - ADMIN & FINANCE	0.00	41,401	0	0
					Transfer to General Fund for personnel cost allocations for administration and finance services.				
		0	0	1,290	80901-02 GEN FD - BUILDING DIVISION	0.00	0	0	0
		27,000	32,000	35,000	80901-03 GEN FD - INSURANCE ADMIN	0.00	35,000	0	0
					Transfer to General Fund for Finance Department personal services resulting from the City purchasing insurance coverages "directly" with City County Insurance Services thus saving the local agent's fee.				
		61,988	72,593	77,132	TOTAL TRANSFERS TO OTHER FUNDS	0.00	76,401	0	0
					<u>OPERATING CONTINGENCIES</u>				
		0	0	40,000	80801-00 OPERATING CONTINGENCIES	0.00	75,000	0	0
		0	0	40,000	TOTAL OPERATING CONTINGENCIES	0.00	75,000	0	0
					<u>UNAPPROPRIATED ENDING FUND BAL</u>				
		0	0	0	80996-02 DESIGNATED END FUND BALANCE:	0.00	0	0	0
		0	1,290	0	80996-93 DEFB - BUILDING DIVISION	0.00	0	0	0
		10,880	10,880	10,880	80996-95 DEFB - PARKS & REC FUND	0.00	10,880	0	0
					June 30, 2006 designated cash carryover "saved" for future parks project resulting from Airport Park restroom insurance claim.				
		119,897	141,959	3,858	80997-00 UNAPPROPRIATED ENDING FUND BAL	0.00	18,049	0	0
					Budgeted undesignated cash carryover for July 1, 2006. Actual cash carryover will also include all remaining money from the Operating contingency account and the excess (deficit) of revenues over (under) expenditures from 2005 - 2006 operations.				
		130,777	154,129	14,738	TOTAL UNAPPROPRIATED ENDING FUND BAL	0.00	28,929	0	0
		1,728,070	1,940,005	2,450,420	TOTAL REQUIREMENTS	0.00	2,555,330	0	0

INSURANCE RESERVE FUND

2005-06

10-May-05

60	00	ACTUAL 2002-03	ACTUAL 2003-04	BUDGET 2004-05		NUMBER OF EMPLOYEES	PROPOSED 2005-06	APPROVED 2005-06	ADOPTED 2005-06
		1,728,070	1,940,005	2,450,420	<i>INSURANCE RESERVE FUND TOTAL REQUIREMENTS</i>		2,555,330	0	0