



# 2006 – 2007 Proposed Budget --- Budget Summary Insurance Services Fund

## 2006 – 2007 Insurance Services Fund Budget Highlights

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

- The City will continue to purchase insurance coverage direct from CIS, thus saving ~\$38,000 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. \$11,000 multiple lines credit estimated for 2006 – 2007.

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



### **Medical Insurance** --- It's been a good year for CIS!



- Total medical insurance premiums estimated with a 0% increase follow:
  - Single coverage - \$441 per month
  - 2-Party coverage - \$900 per month
  - Family coverage - \$1,246 per month
- See table below for medical insurance premium cost sharing per month per employee with medical insurance coverage.

	Employee Premium Sharing		
	General Service @ ~27%	Police Union @ 5%	Fire Union @ 10%
Single	\$ 122	\$ 21	\$ 43
2-Party	\$ 243	\$ 44	\$ 88
Family	\$ 345	\$ 59	\$ 121

### **Workers' Compensation Insurance:**

- In 2006 – 2007, pure workers' compensation rates have increased significantly, particularly in higher risk categories.
- City of McMinnville experience mod is estimated to increase to 100% due to the last several years of workers' compensation injury history.



The City covers a wide variety of workers' compensation class codes with a wide variety of rates.

# 2006 – 2007 Proposed Budget --- Budget Summary Insurance Services Fund

## Short- and Long-Term Issues

➤ **Short-Term Issues** --- Addressed by 2006 – 2007 Proposed Budget.

➤ **Long Term Issues** ---

- Continued escalation of medical insurance premiums remains a concern, even though this last year has been exceptional:
  - The City has experienced double-digit medical insurance increases over the past few years which negatively affects City services that can be offered.
  - During the period of double digit medical insurance increases, a large number of general service employees had their cost-of-living increase consumed by the medical insurance premium sharing increase.



The City carries employee bonds on all regularly budgeted positions and carries crime insurance.

## 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 107 vehicles and trailers.



## Insurance Services 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 CIS relationship 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.



In 2006 – 2007, this saving is estimated to climb to ~\$38,000 per year.

- 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.



- 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.

## Insurance Services Fund --- Historical Highlights

**2004** City picks up 75% of general service employee medical insurance increase with general service employees picking up 25% of increase.

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

**2006** CIS drops airport coverage from basic property and liability insurance and requires purchase of specialized airport coverage.

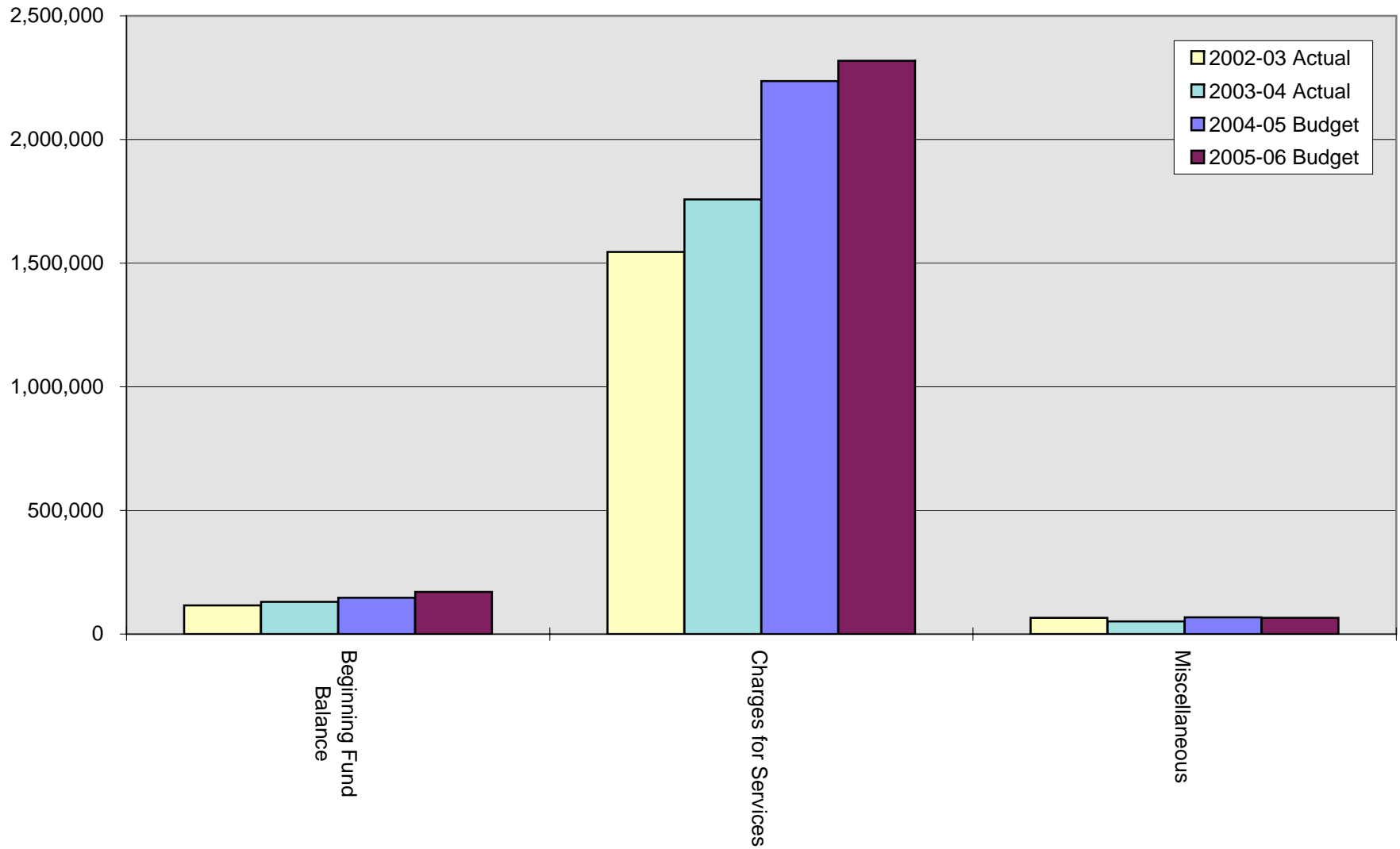


The four K-9 police dogs are insured as mobile equipment and listed on the City's fixed assets.

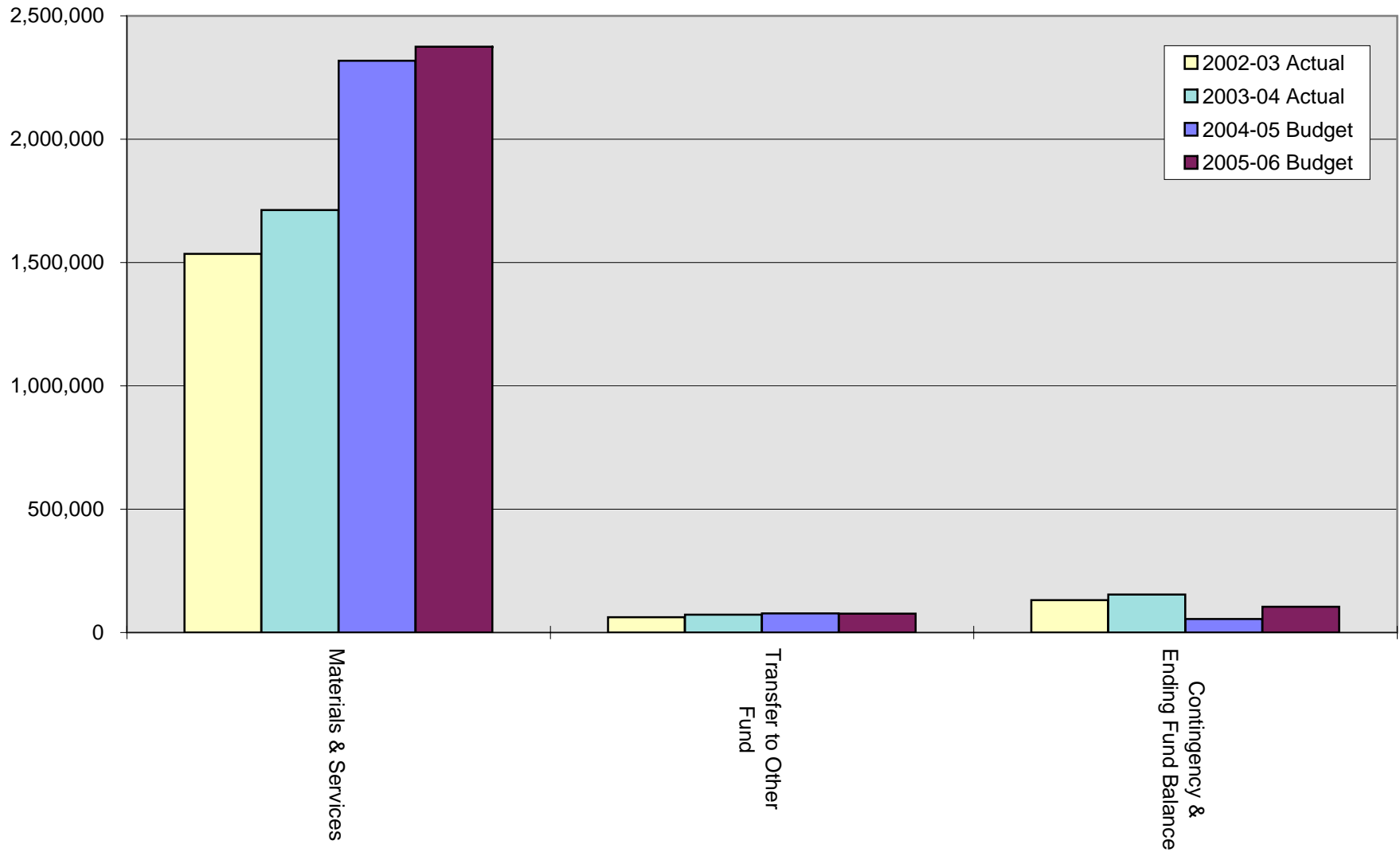


The City's liability insurance covers 55,883 square feet of buildings leased/rented to others.

## Insurance Reserve Fund Resources



## Insurance Reserve Fund Requirements



## INSURANCE SERVICES FUND

2006-07

02-Aug-06

60 00	ACTUAL 2003-04	ACTUAL 2004-05	BUDGET 2005-06		NUMBER OF EMPLOYEES	PROPOSED 2006-07	APPROVED 2006-07	ADOPTED 2006-07
<b><u>RESOURCES</u></b>								
<b><u>BEGINNING FUND BALANCE</u></b>								
	0	0	0	<b>60000-02 DESIGNATED BEGIN FUND BALANCE:</b>	0.00	0	0	0
	0	1,290	0	<b>60000-93 DBFB - BUILDING DIVISION</b>	0.00	0	0	0
	10,880	10,880	10,880	<b>60000-95 DBFB - PARKS &amp; REC FUND</b> July 1, 2006 designated cash carryover from the 2005 - 2006 fiscal year due to the Airport Park restroom insurance claim; "saved" to be used for future park project.	0.00	10,880	10,880	10,880
	119,897	141,959	140,000	<b>60001-00 BEGINNING FUND BALANCE</b> Estimated July 1, 2006 undesignated cash carryover from the 2005 - 2006 fiscal year.	0.00	120,000	120,000	105,000
	130,777	154,129	150,880	<b>TOTAL BEGINNING FUND BALANCE</b>	0.00	130,880	130,880	115,880
<b><u>CHARGES FOR SERVICES</u></b>								
	350,400	381,398	368,900	<b>60041-00 PROPERTY &amp; LIABILITY INSURANCE</b> 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 2005 - 2006.	0.00	397,700	397,700	397,700
	1,166,247	1,354,952	1,651,600	<b>60051-00 MEDICAL INSURANCE</b> Charges to payroll operating departments and funds for medical insurance.	0.00	1,740,700	1,740,700	1,646,000
	207,188	232,425	248,500	<b>60053-00 WORKERS' COMPENSATION INS</b> Charges to payroll operating departments and funds for workers' compensation insurance coverage.	0.00	368,300	368,300	341,900
	34,016	18,293	43,250	<b>60054-00 UNEMPLOYMENT CHARGES</b> 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.	0.00	33,500	33,500	33,500
	1,757,851	1,987,068	2,312,250	<b>TOTAL CHARGES FOR SERVICES</b>	0.00	2,540,200	2,540,200	2,419,100
<b><u>MISCELLANEOUS</u></b>								
	3,089	7,081	1,200	<b>60151-00 INTEREST</b>	0.00	4,100	4,100	4,500
	0	0	0	<b>60153-00 INSURANCE CLAIMS:</b>	0.00	0	0	0
	4,494	9,231	10,000	<b>60153-07 AUTOMOBILE CLAIMS</b>	0.00	10,000	10,000	10,000
	0	0	0	<b>60153-08 PARK CLAIMS</b>	0.00	0	0	2,000
	111	3,073	10,000	<b>60153-09 PROPERTY CLAIMS</b>	0.00	10,000	10,000	10,000

**INSURANCE SERVICES FUND**

*2006-07*

02-Aug-06

60	00								
	<b>ACTUAL</b>	<b>ACTUAL</b>	<b>BUDGET</b>			<b>NUMBER OF</b>	<b>PROPOSED</b>	<b>APPROVED</b>	<b>ADOPTED</b>
	<b>2003-04</b>	<b>2004-05</b>	<b>2005-06</b>			<b>EMPLOYEES</b>	<b>2006-07</b>	<b>2006-07</b>	<b>2006-07</b>
	0	0	2,000	<b>60153-11</b>	<b>STATE - EAIP REIMBURSEMENT</b>	0.00	3,500	3,500	3,500
					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				
	18	19,794	0	<b>60167-00</b>	<b>OTHER INCOME</b>	0.00	0	0	0
	43,665	45,239	45,000	<b>60167-01</b>	<b>OTHER INCOME - CCIS</b>	0.00	49,000	49,000	49,000
				6,500	City County Insurance Services (CIS) Multiple Lines Credit - property and liability insurance coverages				
				4,500	CIS Multiple Line Credit - workers' compensation insurance coverage				
				38,000	CIS "Directly Written" Insurance Coverage Credit				
	51,377	84,418	68,200	<b>TOTAL MISCELLANEOUS</b>		0.00	76,600	76,600	79,000
	<b>1,940,005</b>	<b>2,225,615</b>	<b>2,531,330</b>	<b>TOTAL RESOURCES</b>		0.00	<b>2,747,680</b>	<b>2,747,680</b>	<b>2,613,980</b>



**INSURANCE SERVICES FUND**

2006-07

02-Aug-06

60	00								
ACTUAL	ACTUAL	BUDGET			NUMBER OF	PROPOSED	APPROVED	ADOPTED	
2003-04	2004-05	2005-06			EMPLOYEES	2006-07	2006-07	2006-07	
<b>REQUIREMENTS</b>									
<b><u>MATERIALS &amp; SERVICES</u></b>									
303,954	311,217	367,000	<b>80503-00</b>	<b>PROPERTY &amp; LIABILITY PREMIUMS:</b> Insurance premiums for the following coverages: general liability, automobile, property and crime, equipment, earthquake, and boiler - estimated 5% premium increase.	0.00	395,000	395,000	395,000	
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									
1,300	19,818	0	<b>80503-01</b>	<b>LIABILITY DEDUCTIBLE 2001-02</b> Liability deductible year open.	0.00	0	0	0	
10,726	2,800	0	<b>80503-03</b>	<b>LIABILITY DEDUCTIBLE 2002-03</b> Liability deductible year open; one claim open. *02.28.06 --- \$20,081.38 Aggregate Deductible remaining \$8,700 Reserved Sandee Robinson	0.00	3,000	3,000	0	
9,801	12,012	7,500	<b>80503-05</b>	<b>LIABILITY DEDUCTIBLE 2003-04</b> Liability claims over deductible; year "closed". *\$50,000 Aggregate Deductible Paid --- Don Jones, etc.	0.00	0	0	0	
0	42,101	8,000	<b>80503-07</b>	<b>LIABILITY DEDUCTIBLE 2004-05</b> Liability deductible year open; two claims open. *02.28.06 --- \$7,899 Aggregate Deductible remaining 2,500 Daniel Frost Reserve 2,500 Kelsey Stirling Reserve	0.00	5,000	5,000	0	
0	0	20,000	<b>80503-09</b>	<b>LIABILITY DEDUCTIBLE 2005-06</b> Liability deductible year open; four claims open at April 1, 2006. *02.28.06 --- \$44,166 Aggregate Deductible remaining 1,000 Don Burdette Reserve 1,000 Lautenbach Reserve Donnahoo McFarlin !!!	0.00	30,000	30,000	30,000	
0	0	0	<b>80503-11</b>	<b>LIABILITY DEDUCTIBLE 2006-07</b>	0.00	20,000	20,000	20,000	
1,774	1,774	1,900	<b>80505-00</b>	<b>EMPLOYEE BOND PREMIUMS</b>	0.00	1,900	1,900	1,900	
0	0	0	<b>80507-00</b>	<b>AUTO &amp; PROPERTY DAMAGE CLAIMS:</b>	0.00	0	0	0	

## INSURANCE SERVICES FUND

2006-07

02-Aug-06

60	00	ACTUAL 2003-04	ACTUAL 2004-05	BUDGET 2005-06		NUMBER OF EMPLOYEES	PROPOSED 2006-07	APPROVED 2006-07	ADOPTED 2006-07
		3,806	11,525	12,000	<b>80507-01     AUTOMOBILE DAMAGE REPAIR</b>	0.00	12,000	12,000	12,000
					The City's automobile insurance has most recently carried a \$500 collision deductible and a \$250 comprehensive deductible.				
		111	5,973	12,000	<b>80507-03     PROPRTY LOSS &amp; DAMAGE REPAIR</b>	0.00	12,000	12,000	12,000
					The City's property insurance carries a \$1,000 deductible.				
		0	0	0	<b>80507-08     PARK DAMAGE REPAIR</b>			0	3,000
					*RG & CW --- Possible JE to correct park vandalism expenditures !!!				
		1,166,247	1,354,952	1,651,600	<b>80517-00     MEDICAL INSURANCE PREMIUMS</b>	0.00	1,740,700	1,740,700	1,646,000
					Medical insurance premiums estimated with a 0% premium increase --- single coverage ~\$426 per month, 2-party coverage ~\$867 per month, and family coverage ~\$1,202 per month.				
					1,389,320 City share of employee estimated medical insurance premiums.				
					212,440 General service employees pay half of premium increases over 1991-1992 base year; except in:				
					2004-2005 City paid 75% of the ~25% increase				
					2005-2006 City paid 100% of ~10% increase				
					2006-2007 City lowered general service employees' cost sharing by total amount of medical premium decrease, ~3.5%				
					General service employees will pay ~\$302 per month for family coverage.				
					21,520 Police Union members pay 5% of medical premiums. PD union members will pay ~\$56 per month for family coverage.				
					22,720 Fire Union members pay 10% of medical premiums. Fire union members will pay ~\$112 per month for family coverage.				
		0	0	0	<b>80523-00     WORKERS' COMPENSATION:</b>	0.00	0	0	0
					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).				
					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 2005 - 2006.				
					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.				
		65	0	0	<b>80523-15     WC 2000-01 CLOSED</b>	0.00	0	0	0

## INSURANCE SERVICES FUND

2006-07

02-Aug-06

60	00	ACTUAL 2003-04	ACTUAL 2004-05	BUDGET 2005-06		NUMBER OF EMPLOYEES	PROPOSED 2006-07	APPROVED 2006-07	ADOPTED 2006-07
		1,248	0	0	<b>80523-17 WC 2001-02 RETRO</b>	0.00	0	0	0
					*02.28.06 --- All WC cases closed.				
		10,159	26,457	20,000	<b>80523-19 WC 2002-03 RETRO</b>	0.00	0	0	0
					*02.28.06 --- All WC cases closed.				
		168,326	0	0	<b>80523-21 WC 2003-04 GUARANTEED</b>	0.00	0	0	0
					*RB --- 2004-05 WC payroll special audit.				
		0	197,600	25,000	<b>80523-23 WC 2004-05 RETRO</b>	0.00	45,000	45,000	40,000
					*02.28.06 --- Paid \$38,499 Reserves 10,792 Kent Stuart - Closed 30,142 Harry Sawyer 15,993 Dwayne Willis				
		0	0	185,000	<b>80523-25 WC 2005-06 RETRO</b>	0.00	45,000	45,000	45,000
					*02.28.06 --- Reserves \$10,298 534 L Koester 486 M Roache 7,911 K Stuart 765 L Albright 333 B Frey				
		0	0	0	<b>80523-27 WC 2006-07</b>	0.00	200,000	200,000	200,000
					Before the July 1, 2006 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.				
		34,016	18,293	43,250	<b>80529-00 UNEMPLOYMENT COSTS</b>	0.00	33,500	33,500	33,500
					City unemployment paid on a reimbursement basis to the State of Oregon Employment Division for ex-employees who file for unemployment insurance.				
		1,750	1,150	2,000	<b>80611-00 PROFESSIONAL SERVICES</b>	0.00	2,000	2,000	2,000
					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. 600 Audit fee allocation				
		0	0	2,000	<b>80681-00 M&amp;S EQUIP - EAIP</b>	0.00	3,500	3,500	3,500
					Potential worksite modification and specialized tools and equipment to address actual workers' compensation injuries experienced by the City. Expenditures reimbursable from the State of Oregon Employee-At-Injury Program, Account #60-00-60153-11.				
		1,713,283	2,005,672	2,357,250	<b>TOTAL MATERIALS &amp; SERVICES</b>	0.00	2,548,600	2,548,600	2,443,900
					<b><u>TRANSFERS TO OTHER FUNDS</u></b>				
		0	0	0	<b>80901-00 GENERAL FUND:</b>	0.00	0	0	0

## INSURANCE SERVICES FUND

2006-07

02-Aug-06

60 00	ACTUAL 2003-04	ACTUAL 2004-05	BUDGET 2005-06		NUMBER OF EMPLOYEES	PROPOSED 2006-07	APPROVED 2006-07	ADOPTED 2006-07
	40,593	40,842	41,434	<b>80901-01 GEN FD - ADMIN &amp; FINANCE</b>	0.00	51,535	51,535	47,105
				Transfer to General Fund for personnel cost allocations for administration and finance services.				
	0	1,290	0	<b>80901-02 GEN FD - BUILDING DIVISION</b>	0.00	0	0	0
	32,000	35,000	35,000	<b>80901-03 GEN FD - INSURANCE ADMIN</b>	0.00	38,000	38,000	38,000
				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.				
	0	0	0	<b>80931-00 PARKS &amp; REC FD - CLAIM PROCEED</b>	0.00	10,880	10,880	10,880
				Insurance claim proceeds from vandalism to the old Airport Park restroom has been carried in the Insurance Services Fund for many years. The Parks & Recreation Director and Public Works Superintendent have requested this money be transferred to the Parks & Recreation Fund to help fund repair projects during 2006-2007.				
	72,593	77,132	76,434	<b>TOTAL TRANSFERS TO OTHER FUNDS</b>	0.00	100,415	100,415	95,985
				<b><u>OPERATING CONTINGENCIES</u></b>				
	0	0	75,000	<b>80801-00 OPERATING CONTINGENCIES</b>	0.00	75,000	75,000	70,000
	0	0	75,000	<b>TOTAL OPERATING CONTINGENCIES</b>	0.00	75,000	75,000	70,000
				<b><u>UNAPPROPRIATED ENDING FUND BAL</u></b>				
	0	0	0	<b>80996-02 DESIGNATED END FUND BALANCE:</b>	0.00	0	0	0
	1,290	0	0	<b>80996-93 DEFB - BUILDING DIVISION</b>	0.00	0	0	0
	10,880	10,880	10,880	<b>80996-95 DEFB - PARKS &amp; REC FUND</b>	0.00	0	0	0
	141,959	131,931	11,766	<b>80997-00 UNAPPROPRIATED ENDING FUND BAL</b>	0.00	23,665	23,665	4,095
				Budgeted undesignated cash carryover for July 1, 2007. Actual cash carryover will also include all remaining money from the Operating contingency account and the excess (deficit) of revenues over (under) expenditures from 2006 - 2007 operations.				
	154,129	142,811	22,646	<b>TOTAL UNAPPROPRIATED ENDING FUND BAL</b>	0.00	23,665	23,665	4,095
	<b>1,940,005</b>	<b>2,225,615</b>	<b>2,531,330</b>	<b>TOTAL REQUIREMENTS</b>	0.00	<b>2,747,680</b>	<b>2,747,680</b>	<b>2,613,980</b>

**INSURANCE SERVICES FUND**

*2006-07*

02-Aug-06

60	00	ACTUAL 2003-04	ACTUAL 2004-05	BUDGET 2005-06		NUMBER OF EMPLOYEES	PROPOSED 2006-07	APPROVED 2006-07	ADOPTED 2006-07
		1,940,005	2,225,615	2,531,330	<b>INSURANCE SERVICES FUND TOTAL REQUIREMENTS</b>		2,747,680	2,747,680	2,613,980