



2007 – 2008 Proposed Budget --- Budget Summary Insurance Services Fund

2007 – 2008 Insurance Services Fund Budget Highlights

Charges For Services – As an internal service fund of the City, the Insurance Services Fund charges operating funds using the services provided, in this case insurance coverages. Charges are set to be able to adequately pay insurance premiums, deductibles on loss claims, miscellaneous insurance related expenses, and to maintain an adequate fund balance to begin the next fiscal year, without over accumulating fund balance.

Other Income - City County Insurance Services (CIS)

- Risk Management Plan Credit --- With 2006 – 2007, Gary Eastland, Hagan-Hamilton Insurance, began working with the City to develop a City-wide Risk Management Plan. CIS no longer allows a member entity to purchase insurance coverage direct to save the agent's fee, but CIS will give special credit to an entity that develops a comprehensive Risk Management Plan. The estimated ~\$27,000 credit is budgeted to be 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 is estimated for 2007 – 2008.

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



Medical Insurance

- Total medical insurance premiums estimated with a 10% increase follow:
 - Single coverage - \$468 per month
 - 2-Party coverage - \$955 per month
 - Family coverage - \$1,323 per month
- See table below for medical insurance monthly premium cost sharing for each separate employee group.

	Employee Premium Sharing		
	General Service @ ~23%	Police Union @ 5%	Fire Union @ 10%
<u>Medical Insurance</u> <u>Coverage Type</u>			
Single	\$ 106	\$ 23	\$ 46
2-Party	\$ 210	\$ 46	\$ 93
Family	\$ 302	\$ 63	\$ 128

Workers' Compensation Insurance:

- In 2007 – 2008, pure workers' compensation rates have increased significantly, particularly in higher risk categories.
- City of McMinnville experience mod is presently 95% and may increase 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.

2007 – 2008 Proposed Budget --- Budget Summary

Insurance Services Fund

Short- and Long-Term Issues

🚧 **Short-Term Issues** --- Addressed by 2007 – 2008 Proposed Budget.

🚧 **Long Term Issues** ---

- Continued escalation of medical insurance premiums remains a concern.
 - The City has experienced double-digit medical insurance increases over the past few years, except for 2006 – 2007. These increases negatively affect 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 entirely 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 about 110 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.



2006 CIS discontinues allowing City to directly purchase insurance policies. City re-establishes complete local agent relationship with Hagan-Hamilton Insurance Agency.

2007 With the help of Hagan Hamilton Insurance Agent Gary Eastland, City begins to develop City-wide Risk Management Plan.

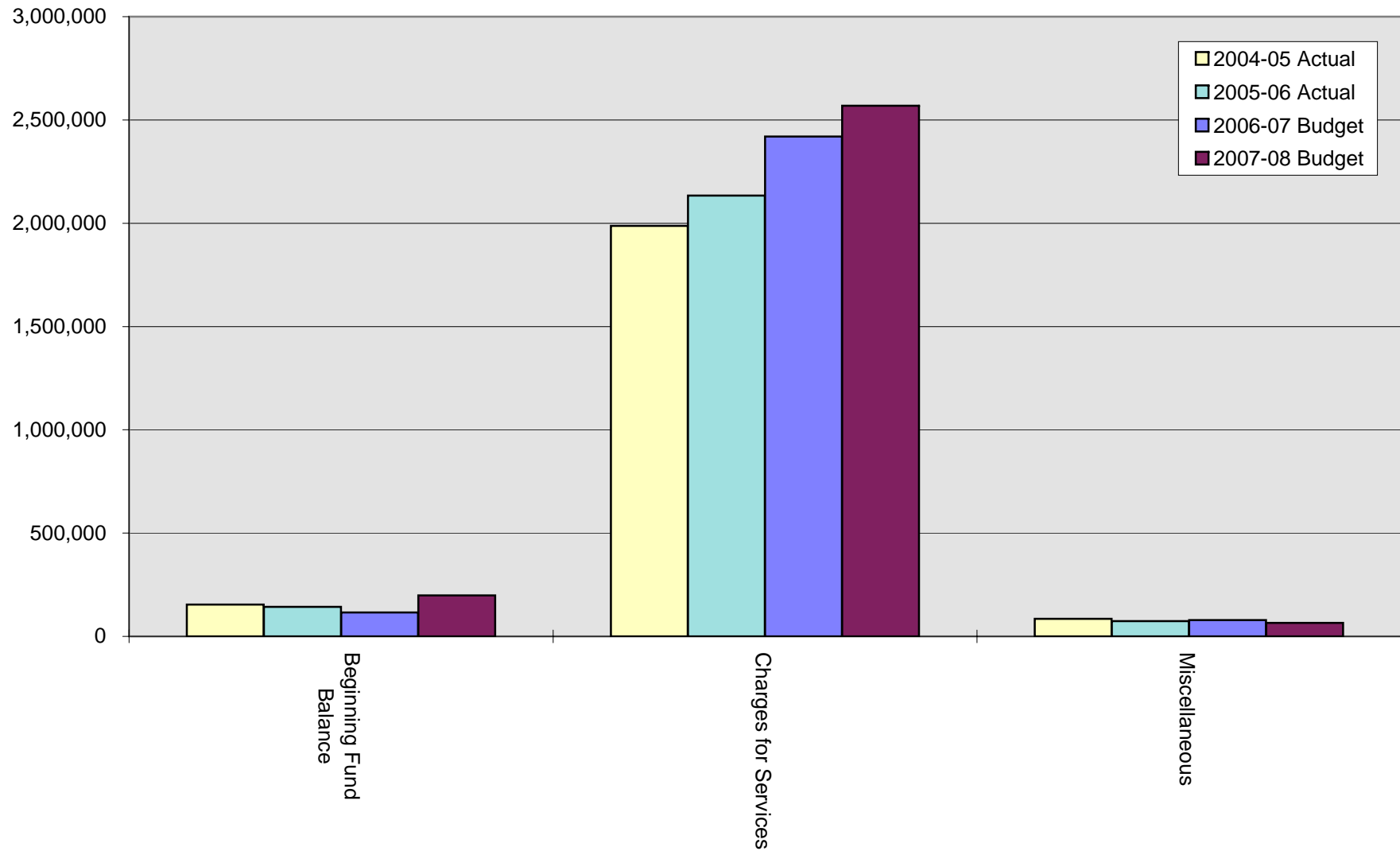


The four K-9 police dogs are insured as mobile equipment and listed on the City's fixed assets.

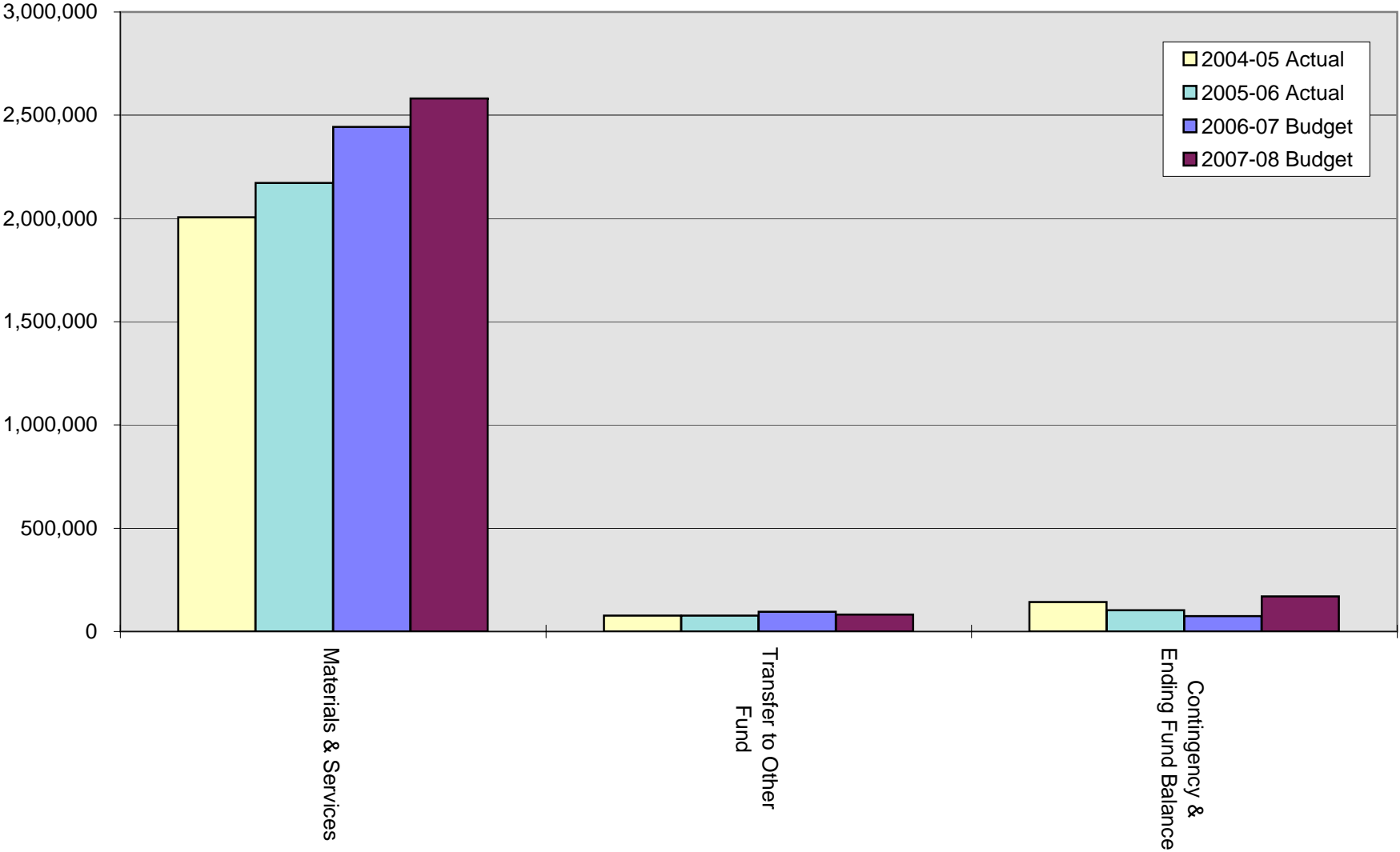


The City's liability insurance covers 55,883 square feet of buildings leased/rented to others.

Insurance Services Fund Resources



**Insurance Services Fund
Requirements**



INSURANCE SERVICES FUND

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2007-08

11-Jul-07

ACTUAL 2004-05	ACTUAL 2005-06	BUDGET 2006-07		NUMBER OF EMPLOYEES	PROPOSED 2007-08	APPROVED 2007-08	ADOPTED 2007-08
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RESOURCES

BEGINNING FUND BALANCE

0	0	0	60000-02	DESIGNATED BEGIN FUND BALANCE:	0.00	0	0	0
0	0	0	60000-91	DBFB - CITY HALL	0.00	3,850	3,850	3,850
				July 1, 2007 designated cash carryover from the 2006-2007 fiscal year due to the City Hall water damage insurance claim; "saved" to be used for carpet replacement.				
1,290	0	0	60000-93	DBFB - BUILDING DIVISION	0.00	0	0	0
10,880	10,880	10,880	60000-95	DBFB - PARKS & REC FUND	0.00	6,622	6,622	6,622
				July 1, 2007 designated cash carryover from the 2006-2007 fiscal year due to the Airport Park restroom insurance claim; "saved" to be used for future park project.				
141,959	131,931	105,000	60001-00	BEGINNING FUND BALANCE	0.00	187,500	187,500	80,000
				Estimated July 1, 2007 undesignated cash carryover from the 2006-2007 fiscal year.				
154,129	142,811	115,880	TOTAL BEGINNING FUND BALANCE		0.00	197,972	197,972	90,472

CHARGES FOR SERVICES

381,398	368,900	397,700	60041-00	PROPERTY & LIABILITY INSURANCE	0.00	388,900	388,900	388,900
				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 2006-2007.				
1,354,952	1,489,110	1,646,000	60051-00	MEDICAL INSURANCE	0.00	1,804,500	1,804,500	1,810,000
				Charges to payroll operating departments and funds for medical insurance.				
232,425	255,371	341,900	60053-00	WORKERS' COMPENSATION INS	0.00	346,000	346,000	353,000
				Charges to payroll operating departments and funds for workers' compensation insurance coverage.				
18,293	20,630	33,500	60054-00	UNEMPLOYMENT CHARGES	0.00	30,000	30,000	30,000
				Charges to payroll operating departments and funds for unemployment insurance charges. The City pays ex-employee unemployment charges on an actual reimbursement basis invoiced through the State of Oregon Employment Division.				
1,987,068	2,134,011	2,419,100	TOTAL CHARGES FOR SERVICES		0.00	2,569,400	2,569,400	2,581,900

INTERGOVERNMENTAL REVENUES

0	0	0	60101-00	STATE - EAIP WORK SITE MOD	0.00	0	0	3,500
0	0	0	TOTAL INTERGOVERNMENTAL REVENUES		0.00	0	0	3,500

MISCELLANEOUS

INSURANCE SERVICES FUND

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ACTUAL 2004-05	ACTUAL 2005-06	BUDGET 2006-07			NUMBER OF EMPLOYEES	PROPOSED 2007-08	APPROVED 2007-08	ADOPTED 2007-08
7,081	9,498	4,500	60151-00	INTEREST	0.00	3,700	3,700	3,700
0	0	0	60153-00	INSURANCE CLAIMS:	0.00	0	0	0
9,231	1,336	10,000	60153-07	AUTOMOBILE CLAIMS	0.00	10,000	10,000	10,000
0	6,906	2,000	60153-08	PARK CLAIMS	0.00	0	0	0
3,073	7,688	10,000	60153-09	PROPERTY CLAIMS	0.00	10,000	10,000	10,000
0	0	3,500	60153-11	STATE - EAIP REIMBURSEMENT	0.00	3,500	3,500	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.				
19,794	0	0	60167-00	OTHER INCOME	0.00	0	0	0
45,239	49,024	49,000	60167-01	OTHER INCOME - CCIS	0.00	38,000	38,000	38,000
			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				
			27,000	CIS Risk Management Plan credit estimate				
84,418	74,452	79,000	TOTAL MISCELLANEOUS		0.00	65,200	65,200	61,700
2,225,615	2,351,274	2,613,980	TOTAL RESOURCES		0.00	2,832,572	2,832,572	2,737,572

INSURANCE SERVICES FUND

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2007-08

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ACTUAL 2004-05	ACTUAL 2005-06	BUDGET 2006-07		NUMBER OF EMPLOYEES	PROPOSED 2007-08	APPROVED 2007-08	ADOPTED 2007-08
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REQUIREMENTS

MATERIALS & SERVICES

311,217	336,190	395,000	80503-00	PROPERTY & LIABILITY PREMIUMS:	0.00	347,000	347,000	347,000
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 directly for paid claims until the agreed \$50,000 yearly maximum 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 until maximum contribution reached.								
19,818	0	0	80503-01	LIABILITY DEDUCTIBLE 2001-02	0.00	0	0	0
Liability deductible year open.								
2,800	11,278	0	80503-03	LIABILITY DEDUCTIBLE 2002-03	0.00	5,000	5,000	5,000
Liability deductible year open; one claim open.								
12,012	28,187	0	80503-05	LIABILITY DEDUCTIBLE 2003-04	0.00	0	0	0
Liability claims over deductible; year "closed".								
42,101	0	0	80503-07	LIABILITY DEDUCTIBLE 2004-05	0.00	5,000	5,000	5,000
Liability deductible year open.								
0	46,507	30,000	80503-09	LIABILITY DEDUCTIBLE 2005-06	0.00	0	0	0
Liability claims over deductible; year "closed".								
0	0	20,000	80503-11	LIABILITY DEDUCTIBLE 2006-07	0.00	30,000	30,000	30,000
Liability deductible year open.								
0	0	0	80503-13	LIABILITY DEDUCTIBLE 2007-08	0.00	30,000	30,000	30,000
Liability deductible year open.								
1,774	1,774	1,900	80505-00	EMPLOYEE BOND PREMIUMS	0.00	1,900	1,900	1,900
0	0	0	80507-00	AUTO & PROPERTY DAMAGE CLAIMS:	0.00	0	0	0
11,525	2,967	12,000	80507-01	AUTOMOBILE DAMAGE REPAIR	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.								
5,973	6,864	12,000	80507-03	PROPRTY LOSS & DAMAGE REPAIR	0.00	15,850	15,850	15,850
12,000 2007-2008 property loss and damage repair								
3,850 City Hall water damaged carpet replacement carried over from 2006-2007								

Budget Note: City's property insurance carries a \$1,000 deductible.

INSURANCE SERVICES FUND

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ACTUAL 2004-05	ACTUAL 2005-06	BUDGET 2006-07			NUMBER OF EMPLOYEES	PROPOSED 2007-08	APPROVED 2007-08	ADOPTED 2007-08
0	285	3,000	80507-08	PARK DAMAGE REPAIR	0.00	0	0	0
1,354,952	1,489,110	1,646,000	80517-00	MEDICAL INSURANCE PREMIUMS	0.00	1,804,500	1,804,500	1,810,000
				Medical insurance premiums estimated with a 10% premium increase --- single coverage ~\$468 per month, 2-party coverage ~\$954 per month, and family coverage ~\$1,323 per month.				
				1,509,590 City share of employee estimated medical insurance premiums.				
				247,010 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%				
				2007-2008 City budgeted to pay 100% of ~10% increase which is estimated to lower general service employee cost sharing to 22% of the medical premium with the City paying 78%				
				General service employees will pay ~\$302 per month for family coverage.				
				23,860 Police Union members pay 5% of medical premiums. PD union members will pay ~\$63 per month for family coverage.				
				24,040 Fire Union members pay 10% of medical premiums. Fire union members will pay ~\$128 per month for family coverage.				
0	0	0	80523-00	WORKERS' COMPENSATION:	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 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 workers' compensation years using this method of premium payment and a closure payment for 2002-2003. The retrospective plan was again selected for 2006-2007.				
				GUARANTEED Plan Year: After experiencing several years of worsening workers' compensation claims, in 2003-2004, on the recommendation from CIS, City management selected the guaranteed premium plan in which a set premium is paid for a year's workers compensation coverage without a self-insurance component.				
0	7,266	0	80523-15	WC 2000-01 CLOSED	0.00	0	0	0
0	0	0	80523-17	WC 2001-02 CLOSED	0.00	0	0	0
26,457	2,595	0	80523-19	WC 2002-03 RETRO	0.00	15,000	15,000	15,000
0	1,083	0	80523-21	WC 2003-04 GUARANTEED	0.00	0	0	0
197,600	35,044	40,000	80523-23	WC 2004-05 RETRO	0.00	0	0	0

INSURANCE SERVICES FUND

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ACTUAL 2004-05	ACTUAL 2005-06	BUDGET 2006-07			NUMBER OF EMPLOYEES	PROPOSED 2007-08	APPROVED 2007-08	ADOPTED 2007-08
0	181,437	45,000	80523-25	WC 2005-06 RETRO	0.00	20,000	20,000	20,000
0	0	200,000	80523-27	WC 2006-07 RETRO	0.00	50,000	50,000	25,000
0	0	0	80523-29	WC 2007-08	0.00	200,000	200,000	200,000
			Before the July 1, 2007 workers' compensation insurance renewal, City management reviews with Gary Eastland of Hagan Hamilton and CIS the City's workers' compensation trends and decides whether to select the Retrospective or the Guaranteed Workers' Compensation Plan for 2007-2008 workers' compensation insurance coverage.					
18,293	20,630	33,500	80529-00	UNEMPLOYMENT COSTS	0.00	30,000	30,000	30,000
			City unemployment paid on a reimbursement basis to the State of Oregon Employment Division for ex-employees who file for unemployment insurance.					
1,150	1,000	2,000	80611-00	PROFESSIONAL SERVICES	0.00	10,800	10,800	10,800
			10,000 Insurance agent contracted service fees for insurance renewal advice, assistance in developing City-wide and department specific Risk Management Plans, claims management assistance, and City Safety Committee consultation.					
			800 Audit fee allocation					
0	0	3,500	80681-00	M&S EQUIP - WORK SITE MOD	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.					
2,005,672	2,172,217	2,443,900	TOTAL MATERIALS & SERVICES		0.00	2,580,550	2,580,550	2,561,050

TRANSFERS TO OTHER FUNDS

0	0	0	80901-00	GENERAL FUND:	0.00	0	0	0
40,842	41,434	47,105	80901-01	GEN FD - ADMIN & FINANCE	0.00	47,957	47,957	52,884
			49,034 Transfer to General Fund for personnel cost allocations for administration and finance services.					
			3,850 Proceeds from carpet water damage to supplement carpet replacement as part of City Hall remodel.					
1,290	0	0	80901-02	GEN FD - BUILDING DIVISION	0.00	0	0	0
35,000	35,000	38,000	80901-03	GEN FD - INSURANCE ADMIN	0.00	27,000	27,000	31,350
			Transfer to General Fund for administration and finance insurance related services.					
0	0	10,880	80931-00	PRKS & REC FD - CLAIM PROCEEDS	0.00	6,622	6,622	6,622
			Transfer to Parks & Recreation Fund for Discovery Meadows vandalism claims proceeds.					
77,132	76,434	95,985	TOTAL TRANSFERS TO OTHER FUNDS		0.00	81,579	81,579	90,856

OPERATING CONTINGENCIES

0	0	70,000	80801-00	OPERATING CONTINGENCIES	0.00	125,000	125,000	85,000
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INSURANCE SERVICES FUND

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2007-08

11-Jul-07

ACTUAL 2004-05	ACTUAL 2005-06	BUDGET 2006-07		NUMBER OF EMPLOYEES	PROPOSED 2007-08	APPROVED 2007-08	ADOPTED 2007-08
0	0	70,000	TOTAL OPERATING CONTINGENCIES	0.00	125,000	125,000	85,000
<u>UNAPPROPRIATED ENDING FUND BAL</u>							
0	0	0	80996-02 DESIGNATED END FUND BALANCE:	0.00	0	0	0
0	0	0	80996-91 DEFB - CITY HALL	0.00	0	0	0
10,880	17,502	0	80996-95 DEFB - PARKS & REC FUND	0.00	0	0	0
131,931	85,121	4,095	80997-00 UNAPPROPRIATED ENDING FUND BAL	0.00	45,443	45,443	666
Budgeted undesignated cash carryover for July 1, 2008. Actual cash carryover will also include all remaining money from the Operating Contingency account and the excess (deficit) of revenues over (under) expenditures from 2007-2008 operations.							
142,811	102,623	4,095	TOTAL UNAPPROPRIATED ENDING FUND BAL	0.00	45,443	45,443	666
2,225,615	2,351,274	2,613,980	TOTAL REQUIREMENTS	0.00	2,832,572	2,832,572	2,737,572

INSURANCE SERVICES FUND

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2007-08

11-Jul-07

ACTUAL 2004-05	ACTUAL 2005-06	BUDGET 2006-07		NUMBER OF EMPLOYEES	PROPOSED 2007-08	APPROVED 2007-08	ADOPTED 2007-08
2,225,615	2,351,274	2,613,980	INSURANCE SERVICES FUND TOTAL REQUIREMENTS		2,832,572	2,832,572	2,737,572