



COUNCIL BUDGET STAFF REPORT

CITY COUNCIL of SALT LAKE CITY

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TO: City Council Members

FROM: Jennifer Bruno
Deputy Director

DATE: May 24, 2022

RE: Fiscal Year 2023 – Proposed Insurance and Risk Management Budget

Project Timeline:

Briefing: May 24, 2022

Budget Hearings: May 17, June 7

Potential Action: June 14 (TBD)

ISSUE AT-A-GLANCE

The budget for the Insurance and Risk Management Fund accounts for costs associated with employee health insurance, dental insurance, disability insurance, life insurance, and unemployment compensation as well as property insurance, workers' compensation, excess liability, cyber liability, crime and dishonesty coverage, and public official bonds.

There are primarily two General Fund departments that interface with the Insurance and Risk Management Fund. The Department of Human Resources oversees employee participation in health, dental, life, accidental death & dismemberment, and disability insurance programs. The City Attorney's Office oversees the placement of property insurance, excess workers' compensation insurance, excess liability insurance, cyber liability, crime and dishonesty coverage and public official bonds. It also oversees the third-party administration of the City's self-insured workers' compensation program and provides risk assessments, loss mitigation recommendations and safety training resources.

City staff time that is spent on these activities can be charged to the Insurance and Risk Management Fund. There are a total of 7.475 FTEs charged to this fund between Human Resources, Attorney's Office, and Finance. This is a decrease of .35FTEs from the FY 22 budget (those have been reallocated to their respective departments).

The budget includes total revenues and expenses of \$54.7 million. Increases in expenses this year include \$1.2 million to shift long term disability coverage to be paid for by the City, \$2.4 million to offset the 6% increase in health insurance premiums (the City pays 95% of the health insurance premium). The budget also includes:

- \$346,570 additional expenses to cover Cyber Liability. Cyber liability insurance premium quadrupled last year due to a sharp increase in cyberattacks against public entities and a rapidly hardening cyber insurance market. The renewal premium for 2022-23 was conservatively projected to double in cost.
- \$303,054 to cover increases in the City's property insurance rate (projected to increase by 10%), and excess liability insurance premium (expected to increase by 30%)



The majority of projected revenue for the Insurance and Risk Management Fund comes from health insurance premiums, which accounts for seventy-nine (79) percent of the FY 23 Fund expenses. **See attached presentation for an overview of the City's health/dental and associated benefits.**

Revenue and expense budgets are based on the expected premiums collected and paid. Actual General Fund budgets for the City's share of the premiums reside in departmental budgets.

The Fund will continue to contribute the up-front contribution to Health Savings Accounts (HSAs) or Health Reimbursement Arrangements (HRAs) for enrolled employees on July 1st (\$750 for individual, \$1500 for double or family).

ADDITIONAL/BACKGROUND INFORMATION

1. **Insurance and Health/Dental Benefits** – Human Resources has provided an overview (see attached presentation) of the benefits provided to employees for Health and Dental Insurance. Included in this presentation are actual claims costs, including COVID-related expenses. **Human Resources staff will be available to answer questions during the work session briefing.**
2. **Insurance Policies** – Insurance policies, both purchased and self-insured, are overseen by the Attorney's Office. More information on actual claims experience and state code provisions for a property tax levy to pay for this coverage (as proposed by the Administration for FY 23) will be found in the Governmental Immunity staff report, expected to be discussed at the June 2 work session.

Insurance and Risk Management Fund						
Proposed Expenditures FY 2022-23						
	Adopted Budget FY 2020-21	Adopted Budget FY 2021-22	Proposed Budget FY 2022-23	Difference	Percent Change	Additional Information
Health Insurance Trust	\$ 40,339,304	\$ 41,474,898	\$ 42,639,983	\$ 1,165,085	2.8%	
Dental Insurance Trust	\$ 2,888,071	\$ 2,888,071	\$ 2,888,071	\$ -	0.0%	
Life/Accidental Death Premiums	\$ 1,608,817	\$ 1,608,817	\$ 2,930,688	\$ 1,321,871	82.2%	
Long Term Disability	\$ 1,313,665	\$ 1,091,666	\$ -	\$ (1,091,666)	-100.0%	Shifting to employer funded
Workers' Compensation	\$ 2,236,429	\$ 2,325,227	\$ 2,273,963	\$ (51,265)	-2.2%	reflects actual experience in workers comp claims
Unemployment Compensation	\$ 241,300	\$ 241,300	\$ 241,300	\$ -	0.0%	
Loss Control/Safety Program	\$ 20,000	\$ 20,000	\$ 20,000	\$ -	0.0%	
Administrative Costs and Fees	\$ 2,761,439	\$ 3,067,511	\$ 3,684,995	\$ 617,485	20.1%	
Total	\$ 51,409,025	\$ 52,717,490	\$ 54,679,000	\$ 1,472,810	3.3%	

ATTACHMENTS

Attachment 1 – Summary of proposed City benefits