



Intergovernmental Services Fund
and Self Insurance Fund
Long-Term Financial Plan Updates

Presentation by Finance to Ways & Means Committee
on March 17, 2008



Agenda

- Original plan and goals
- Historical fund performance
- Financial goals
- Risks
- Updated plans
- Financial considerations
- Recommendations

Intergovernmental Services Fund

Description of Activities:

Accounts for the City's central printing and mailing services and information technology services

Intergovernmental Services Fund Original Plan & Goals

<i>(in thousands)</i>	2007 Projection	2008 Projection	2009 Projection	2010 Projection	2011 Projection	2012 Projection
Retained Earnings - End of Year	(10,817)	(3,114)	(1,790)	(658)	297	1,984
Cash - End of Year	(9,102)	(1,054)	615	2,092	3,393	5,425
Significant Items						
Transfers In	21,608	22,808	23,008	23,208	23,408	24,608

Goals:

- Achieve a positive cash balance & a positive retained earnings* balance

*Note: In accordance with GASB 34 (implemented in 2002) fund equity was replaced with net assets

Intergovernmental Services Fund Historical Fund Performance

- Overall, the fund performed better than the original workout plan anticipated
- For year-end 2007*:
 - Net assets = -(\$14.9 million)
 - Cash = -(\$1.9 million)

*Note: year-end 2007 figures are preliminary CAFR numbers

Intergovernmental Services Fund Financial Goals

- Achieve a positive cash balance and a positive net asset balance
- Eliminate General Fund subsidy by 2018*
- Repay Convention Center loan
- Avoid issuing debt for expenditures

*NOTE: Underlying assumption is that user fees will reflect the ongoing costs of the fund

Intergovernmental Services Fund Risks

- Increasing technology costs
- Funding challenges
- Inflation
- Labor costs

Intergovernmental Services Fund Long-Term Financial Plan Update

<i>(in thousands)</i>	2007 Actual*	2008 Adopted	2009 Projection	2010 Projection	2011 Projection	2012 Projection
Net Assets - End of Year	(14,870)	(7,871)	769	9,673	18,388	27,487
Cash - End of Year	(1,886)	(1,632)	16	1,693	2,566	3,503
Significant Items						
Debt Service	4,238	3,370	10,044	10,001	10,290	10,212
Advances from other funds (payable)	10,114	9,250	9,250	9,250	7,750	6,250
Transfers In (General Fund subsidy)	15,036	11,771	10,873	10,873	10,873	10,873

*The 2007 Actual figures are preliminary CAFR numbers.

Intergovernmental Services Fund Financial Considerations

- Given large debt service payments, General Fund planned to decline beginning in 2013
- Any reduction in the General Fund subsidy will need to be offset by additional revenues or lower expenditures

Intergovernmental Services Fund Recommendations

- Begin scaling back General Fund subsidy in 2013 by \$2 million/year (complete elimination in 2018)
- Begin repaying Convention Center in 2011, redirecting \$1 million transfer from SI Fund and \$500,000 from fund (total annual payment of \$1.5 million); final repayment in 2016

[Questions]



[Self Insurance Fund]

Description of Activities:

Accounts for the City's employee medical, dental, and life insurance benefit programs and associated administrative costs, as well as occupational health services, severance payments, and the City's tort liability and workers' compensation

Self Insurance Fund Original Plan & Goals

<i>(in thousands)</i>	2007 Projection	2008 Projection	2009 Projection	2010 Projection
Retained Earnings - End of Year	(27,878)	(23,084)	(17,739)	(11,839)
Cash - End of Year	2,645	6,425	10,713	15,175
Significant Items				
Transfers In (General Fund subsidy)	4,465	4,965	5,465	5,965

Goals:

- Achieve a positive cash balance & a positive retained earnings* balance

*Note: In accordance with GASB 34 (implemented in 2002) fund equity was replaced with net assets

Self Insurance Fund Historical Fund Performance

- Overall, the fund performed better than the original workout plan anticipated
- For year-end 2007*:
 - Net assets = -(\$26.4 million)
 - Cash = \$11.0 million

*Note: year-end 2007 figures are preliminary CAFR numbers

Self Insurance Fund Financial Goals

- Achieve a positive cash balance and a positive net asset balance
- Eliminate General Fund subsidy by 2017
- Avoid issuing debt for expenditures

Self Insurance Fund Risks

- Ongoing general liability and workers' compensation claims
- Large one-time events (increased pressure on City's public safety resources)
- Inflation
- Labor costs

Self Insurance Fund Long-Term Financial Plan Update

<i>(in thousands)</i>	2007 Actual*	2008 Adopted	2009 Projection	2010 Projection	2011 Projection	2012 Projection
Net Assets - End of Year	(26,360)	(20,349)	(13,260)	(5,641)	1,012	6,679
Cash - End of Year	11,002	16,678	23,412	30,663	37,317	42,986
Significant Items						
Unpaid claims payable	33,446	33,780	34,118	34,459	34,804	35,152
Transfers In (General Fund subsidy)	4,750	5,643	6,810	7,310	6,310	5,310

*The 2007 Actual figures are preliminary CAFR numbers.

Self Insurance Fund Financial Considerations

- Current projected revenues will be sufficient to replace General Fund subsidy
- Possibility that fund will experience large settlements over next 5-10 years

Self Insurance Fund Recommendations

- Begin phasing out subsidy in 2011 by \$1 million/year (complete elimination in 2017)
 - Transfer the \$1 million reduction to ITS Fund for the repayment of Convention Center loan (final year of transfer to ITS Fund: 2016)

Transfers from General Fund

- Scheduled General Fund transfers:

Schedule of Recommended Transfers From General Fund (\$ in 000s)										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Self Insurance Fund	5,643	6,810	7,310	6,310	5,310	4,310	3,310	2,310	1,310	-
Intergovernmental Services Fund	11,771	10,873	10,873	10,873	10,873	8,873	6,873	4,873	2,873	873
Equipment Services Fund	4,180	4,180	4,180	4,180	4,180	4,180	2,000	-	-	-
TOTAL	21,594	21,863	22,363	21,363	20,363	17,363	12,183	7,183	4,183	873

[Future Action Items]

- Adoption of recommendations
- Annual update of plans following release of CAFR
- Annual update of progress
- Revision to five-year financial direction
- Revision to cost allocation models

[Questions]

