

**City of Minneapolis
FY 2005
Financial Plan**

Self-Insurance Fund

The Self-Insurance Fund is used to account for employee medical, dental, and life insurance benefit programs and the programs' administrative costs. The fund also accounts for occupational health services, severance payments to employees who have retired or resigned and who meet minimum eligibility requirements, a tort liability program, and a workers' compensation program.

Historical Financial Performance

The net assets of the Self-Insurance Fund reflected a negative position \$41.0 million at year-end 2003, improving \$8.0 million the last three years from a low of \$49.0 million in 2000. The majority of this negative balance is due to the required accounting recognition of liability claims that have occurred but are not reported.

In 2000, the negative net asset balance increased by \$17.1 million due to two major factors. The first was an \$8.75 million settlement in which bonds were issued to pay off a legal judgement. The second was a \$7.7 million accounting adjustment to "unpaid claims" liability due to the financial results of a recent actuarial study.

During 2003, the City Council adopted a financial plan for the Self Insurance Fund which will result in the fund reaching a positive cash balance by year 2006, from a low of a negative \$8.2 million at year end 2001.

2005 Budget

Revenues/Expenditures

Medical and Life programs are fully contracted-out so that revenues and expenses should be equal at year-end as premiums are determined by and paid to the contractors. For 2004, the City has contracted with Blue Cross Blue Shield as the health insurance carrier. The City's contract with Blue Cross Blue Shield expires at the end of 2006. For planning purposes, the City has assumed a 20% increase in health insurance premiums for year 2005.

The Dental and Minneflex program premiums are estimated, and actual costs are expensed.

The Unused Sick Leave Program provides a payout of unused sick leave to qualified employees at 50% pay. Payments are funded by 0.7% gross pay contributions from the City, Park Board, and Library Board into a severance pool. The rate for City Police

Officers and Firefighters is 1.1% of gross pay. This program was reviewed for compliance with IRS guidelines and modified for year 2002.

The Alternative Dispute Resolution (ADR) Program was established through funds collected through payroll deductions and direct payment as agreed to in previous labor contracts. Occupational Health actual expenses are billed to departments.

The Workers Compensation payments are estimated at \$8.0 million for 2005. This is a 4% increase over the prior year.

The Liability Program expenditures were significantly higher in 2003 than anticipated due to an \$10.0 million legal settlement. The base budget includes funding for the \$1.1 million (average) in annual debt service that was required to service the debt related to the \$8.75 million settlement in 2000, for which bonds were issued to finance the payout, for the next 10 years.

The budget also includes a change in accounting for the General Fund overhead charge that replaces various separate charges for indirect costs that were previously budgeted in separate agencies.

Debt Service

The 2004 adopted budget includes full funding for debt service payments on \$4.0 million in bonds issued in 1995, \$1.0 million in bonds issued in 1996, and the \$8.8 million previously mentioned. They are variable rate and only the \$8.8 issuance will have an outstanding balance of \$5.9 million at the end 2004 as the others mature.

**City of Minneapolis
FY 2005 Budget
Financial Plan (in thousands of dollars)**

Self Insurance Fund

	2002 Actual	2003 Actual	2004 Current Budget	2004 Projected	2005 Budget	% Chg from 2004 Budget	2006 Forecast	2007 Forecast	2008 Forecast
Source of Funds:									
Charges for Service	49,961	54,817	59,771	57,187	56,818	-4.9%	58,523	60,278	62,087
Interest	-	-	-	-	-		-	-	-
Other Misc Revenues	5,508	5,653	2,828	3,731	5,427	91.9%	5,590	5,758	5,930
Operating Transfers In	2,244	10,779	3,779	2,910	3,885	2.8%	4,002	4,122	4,245
Total	57,713	71,249	66,378	63,828	66,130	-0.4%	68,114	70,157	72,262
Use of Funds:									
Debt Service	1,664	94	1,217	1,217	1,204	-1.1%	1,240	1,278	1,316
Transfers	2	5	6	6	125	1990.2%	129	133	137
Health and Welfare	37,774	43,875	44,342	44,414	45,011	1.5%	46,361	47,752	49,185
Attorney	4,265	4,250	4,773	4,237	4,986	4.5%	5,136	5,290	5,448
Workers Compensation	8,104	6,047	7,762	5,974	8,083	4.1%	8,325	8,575	8,833
Liability	2,412	12,538	5,062	5,915	3,289	-35.0%	3,388	3,489	3,594
Human Resources	587	441	615	533	700	13.8%	721	743	765
Finance Dept	1,314	1,725	1,616	1,295	1,551	-4.0%	1,598	1,645	1,695
Total	56,122	68,975	65,393	63,591	64,950	-0.7%	66,898	68,905	70,972
Fund Margin	1,591	2,274	985	237	1,180	19.8%	1,216	1,252	1,290
Fund Balance	(43,255)	(40,983)	(39,998)	(40,746)	(39,566)	-1.1%	(38,350)	(37,098)	(35,808)
Cash Balance	(6,620)	(6,620)	(5,635)	(6,383)	(5,203)	-7.7%	(3,987)	(2,735)	(1,445)