

4.13. Self-Insurance Fun Budget for FY 2025-2026



DATE: March 24, 2025

TO: Mayor and Members of the City Council
President and Members of the Estero Municipal Improvement District (EMID) Board of Directors

VIA: Stefan Chatwin, City/District Manager

FROM: Diane Pitman, Administrative Services Director

SUBJECT: FY 2025-2026 SELF-INSURANCE FUND BUDGET

RECOMMENDATION

It is recommended that the Council/EMID Board of Directors' ("City Council") provide policy direction to maintain a minimum Self-Insurance Fund Reserve Balance of \$1 million and to prepare the FY 2025-2026 budget with department assessments in the table below.

BACKGROUND/ANALYSIS

Attachment 1 is the analysis of internal service charges and the preliminary proposed budget for FY 2025-2026 for the Self-Insurance Fund. The analysis shows the audited ending fund balance from FY 2023-2024 (June 30, 2024) as \$1,056,004. With revenues and expenditures projected through June 30, 2025, the estimated fund balance beginning FY 2025-2026 will be \$1,490,700 which is above the \$1 million reserve target. While the general liability and property premium is increasing on an annual basis, the City Council's conservative approach to handling claims helps to keep the expenditures within budget.

Expenditures

Expenditures in this fund represent the Pooled Liability Assurance Network Joint Power's Authority (PLAN JPA) premium and an allowance for expenses that may be incurred below the \$100,000 liability self-insured retention (SIR) and \$5,000 property and vehicle damage deductibles.

For FY 2025-2026, the amount budgeted for premiums includes an increase of approximately 20% above the previous year which reflects ongoing volatility in the

insurance market that continues to experience considerable losses in natural disasters, cyber-attacks, and fires throughout the United States and in California. This volatility has also resulted in several insurance providers exiting the California market, resulting in fewer providers to provide competitive insurance quotes for the group. PLAN JPA currently uses a third-party claims administrator, Carl Warren & Company, to assist with claims administration. PLAN JPA continues to analyze whether to increase the confidence level for the liability and property programs. Currently the confidence level for liability decreased to 60% and the property program increased to 85%. Higher premiums would be necessary to increase the confidence levels but the Plan JPA Board did not approve the action at this time. The PLAN JPA Board reviewed the preliminary budget at the Special Board meeting on March 12, 2025.

The actual PLAN JPA liability, property, and cyber premiums will not be finalized until around June 2025, so the figures may be adjusted, if needed, in the final FY 2025-2026 budget prior to adoption. Expenditures within the City's SIR are estimated to be at or under \$124,000, based on a review of the past three years of claim experience.

Revenues/Internal Service Charges

Revenues are derived from internal service charges to the City General Fund, Vehicle Replacement Fund, Water Fund, and Wastewater Fund; interest earnings; and any rebates of the PLAN JPA premiums based on positive experience and PLAN JPA policy. There are no anticipated rebates from PLAN JPA and there are expected additional expenses associated with premium increases, as well as costs associated with PLAN JPA's administrative overhead and the goal to fund at a higher confidence level.

Based upon projected reserves at the end of FY 2024-2025 which are projected above the \$1 million reserve and the projected expenditures for FY 2025-2026, Self-Insurance internal services charges in the following budgets will reflect the assessments as shown below.

Budget	Projected FY2024-2025	Proposed FY2025-2026	Increase (Decrease)
Revenue			
General Fund - City Manager's Department	\$936,775	\$646,493	(\$290,282)
Vehicle Replacement Fund	\$270,624	\$191,010	(\$79,614)
Water Fund	\$437,162	\$308,554	(\$128,608)
Wastewater Fund	\$437,162	\$308,554	(\$128,608)
Workforce Housing	\$0	\$14,694	\$14,694
Interest	\$20,000	\$20,000	\$0
Total	\$2,101,723	\$1,489,305	(\$612,418)

California Environmental Quality Act

Not Applicable

FISCAL IMPACT

As noted above, the decrease to the Self Insurance Fund Budget is currently projected to be \$612,418. This decrease is due to the limited number of claims experienced in FY 2024-2025 and a better estimate of on-going costs based on a review of three years of claim history. Staff will continue to monitor progress as PLAN JPA works to finalize the cost for FY 2025-2026 and will report back on any adjustments to the above projections.

CITY COUNCIL VISION, MISSION AND VALUE/PRIORITY AREA

Sustainability

ATTACHMENTS:

- Attachment 1 - FY 2025-2026 Self Insurance Fund Internal Service Charges Analysis and Proposed Budget
- Attachment 2 - FY 2025-2026 Self Insurance Fund Budget Narrative

FY 2025/2026 SELF INSURANCE FUND INTERNAL SERVICE CHARGES							
Fund Balance 6/30/2024 (Actual)							\$ 1,056,004
<i>From FY 2023/2024 ACFR</i>							
				Original		Projected	
				Budget		6/30/2025	
Revenues FY 2024/2025				\$ 2,086,123		\$ 2,106,723	\$ 2,106,723
Department Assessments				2,081,723		2,081,723	
	City GF		\$ 936,775				
	Vehicle		\$ 270,624				
	Water		\$ 437,162				
	Wastewater		\$ 437,162				
Interest Earnings				\$ 4,400		\$ 25,000	
Expenditures FY 2024/2025				\$ 2,007,000		\$ 1,672,027	\$ (1,672,027)
	SIR - New Claims			\$ 130,000		\$ 45,000	
	SIR - Existing Claims			\$ 130,000		\$ 49,000	
	Liability/Property/Vehicle Premium			\$ 1,700,000		\$ 1,529,322	
	All Risk & Bond (includes Cyber and Storage Tank)			\$ 46,000		\$ 47,705	
	Supplies and Services			\$ 1,000		\$ 1,000	
Fund Balance 6/30/2025 (Projected)							\$ 1,490,700
						Proposed	
						Budget	
Revenues FY 2025/2026							\$ 1,489,305
Department Assessments						\$ 1,469,305	
	City GF	44.0%			\$ 646,493		
	Vehicle	13.0%			\$ 191,010		
	Water	21.0%			\$ 308,554		
	Wastewater	21.0%			\$ 308,554		
	Workforce Housing	1.0%			\$ 14,694		
Interest Earnings						\$ 20,000	
Expenditures FY 2025/2026							\$ 1,980,000
	SIR - New Claims					\$ 75,000	
	SIR - Existing Claims					\$ 49,000	
	Liability/Property/Vehicle Premium					\$ 1,800,000	
	All Risk & Bond (includes Cyber and Storage Tank)					\$ 55,000	
	Supplies and Services					\$ 1,000	
Fund Balance 6/30/2026 (Projected)							\$ 1,000,005
				Target Fund Balance			\$ (1,000,000)
						Difference	\$ 5

Self Insurance Fund



The Self Insurance Fund was established as a cost savings tool to address the high cost of purchasing commercial liability insurance. The City/District currently has a liability self-insured retention of \$100,000, meaning that the City/District pays all expenses associated with a claim up to the first \$100,000.

The City of Foster City is a member of a self-insured insurance pool known as Pooled Liability Assurance Network (PLAN) JPA that provides general liability coverage from \$100,000 to \$25,000,000 per claim. Any claim over \$25,000,000 is the City's responsibility. The pool also jointly purchases all-risk (property) and public officials' bond insurance coverage for member agencies. PLAN JPA offers additional insurance, and the City participates in an enhanced cyber insurance program.

Expenditures in this fund represent the PLAN JPA premium and an allowance for expenses that may be incurred below the \$100,000 liability self-insured retention, as well as property and vehicle damage deductibles. PLAN JPA premiums are largely based on the member's payroll, services provided, and the value of property insured.

Revenues are derived from assessments to the City General Fund, vehicle replacement fund, water fund and wastewater/sewer fund; interest earnings; and any rebates of the PLAN JPA premiums based on positive experience and PLAN policy. PLAN JPA also offers a grant fund program to support member agencies with their safety and risk management programs.

The Self-Insurance Fund is funded to a target reserve level of \$1 million.