



Cover Memorandum/Staff Report

File #: 19-1115

Agenda Date: 11/19/2019

Item #: 7.C.

TO: Mayor and Commissioners
FROM: Laura Thezine, Acting Finance Director
THROUGH: Neal de Jesus, Interim City Manager
DATE: November 19, 2019

RESOLUTION NO. 197-19 BUDGET AMENDMENT

Recommended Action:

Motion to Approve Resolution No. 197-19 amending the budget for Fiscal Year (FY) 2018/19 adopted September 25, 2018.

Background:

This is a request to amend the General Fund and the Insurance Fund adopted FY 18/19 to account for unanticipated health and liability claims that exceeded the budgeted amounts.

For fiscal year 2019, the City of Delray Beach (City) budgeted approximately \$7.2 million for health care claims costs and insurance liability claims costs. At the end of fiscal year 2019, the expenses related to these claims amounted to approximately \$10.1 million, which created a shortage in budgeted expenses of \$2.9 million (\$600K in liability claims and \$2.3 million in health insurance claims).

The City is requesting a budget amendment of \$2.9 million in the Insurance Fund to cover the additional expenses incurred in the fund. The budget shortage is due to additional and unanticipated health insurance and liability claims, and an unusually high number of high health claimants, 5 in total, with costs exceeding \$200,000 for a total of \$1 million for 5 individuals.

The City is also requesting a budget amendment in the General Fund of \$2.3 million to cover the unanticipated health claims through a transfer-out to the Insurance Fund. Since the City operates a self-insured insurance plan, the underfunding related to health insurance claims must be funded to avoid a deficit in the Insurance fund and to hold a minimum surplus standard of 60 days of anticipated claims.

The additional liability claims expenses in the Insurance Fund of approximately \$600,000 were funded through transfers during the year.

City Attorney Review:

Approved as to form and legal sufficiency.

Finance Department Review:

Finance recommends approval.

Funding Source:

See Exhibit A and Narrative.

Timing of Request:

Approval of this request will address the underfunding in the insurance fund and hold at least 60 days of claims reserves.