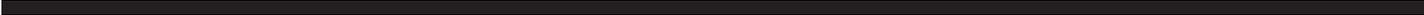

SEPTEMBER

SELF-INSURANCE CLAIM FUND

2017

**FINANCIAL
REPORT**



Public Utility Board

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Chair

WOODROW JONES
Vice-Chair

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Secretary

BRYAN FLINT
Member

MARK PATTERSON
Member

WILLIAM A. GAINES
Director of Utilities/CEO

CHRIS ROBINSON
Power Superintendent/COO

ANDREW CHERULLO
Finance Director

DEPARTMENT OF PUBLIC UTILITIES

CITY OF TACOMA

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MANAGEMENT ANALYSIS

The Self Insurance fund is reporting a net loss of \$1.4 million year-to-date 2017 compared to a net gain of \$225,000 recorded for the same time period in 2016. Total revenues decreased \$91,000 while total expenses increased \$1.5 million year-to-date.

Revenues

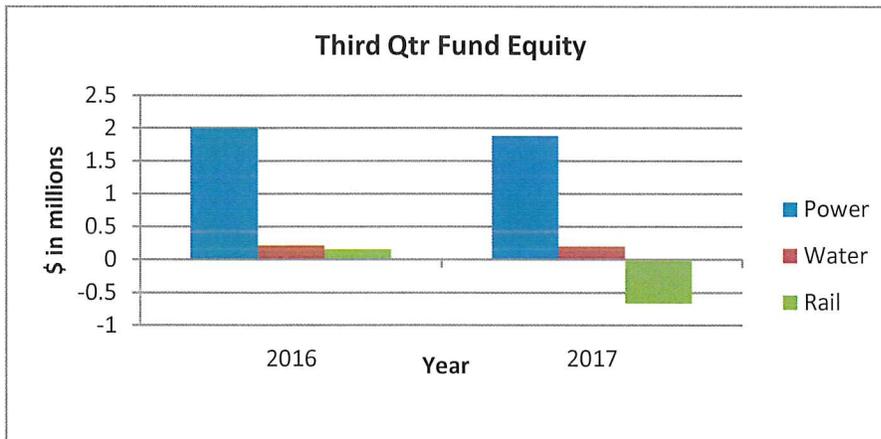
Self Insurance fund revenues are contributions from the Power, Water and Rail divisions and the interest earned. Total revenues at the end of the third quarter of 2017 and 2016 were \$906,000 and \$997,000 respectively.

Expenses

Self Insurance fund expenses include claims and handling expenses paid during the quarter, adjustments to accrued claims and administrative expenses. Support Services claims and handling expenses are allocated to Power and Water only and based on each fund's percentage of combined claims and handling expenses for the year to date. Administrative expenses are allocated to Power, Water and Rail funds based on each fund's percentage of total claims paid.

Total expenses at the end of the third quarter of 2017 and 2016 were \$2.3 million and \$772,000 respectively. The change in expenses from year to year is primarily due to adjustments in expected future claims and developments accrued by the Fund. Negative claims expense is generally the result of adjustments to the liability where expected claims were accrued in one quarter and subsequently denied or revised the next quarter.

The Fund's equity was \$1.4 million and \$2.4 million through September of 2017 and 2016 respectively. The following graph provides a visual presentation as to how the Fund's equity is shared.



William A. Gaines
Director of Utilities/CEO

Andrew Cherullo
Finance Director

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CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES

SELF-INSURANCE CLAIM FUND

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Note: These financial statements are interim, unaudited reports prepared primarily for the use of management. Not all transactions reported in these statements have been recorded on the full accrual basis of accounting or in accordance with generally accepted accounting principles.

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CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
SELF-INSURANCE CLAIM FUND

STATEMENTS OF NET POSITION - SEPTEMBER 30, 2017 AND SEPTEMBER 30, 2016

| | 2017 | 2016 |
|---|--------------------|--------------------|
| ASSETS | | |
| CURRENT | | |
| Cash and Equity in Pooled Investments | \$6,791,760 | \$7,473,035 |
| TOTAL ASSETS | \$6,791,760 | \$7,473,035 |
| NET POSITION AND LIABILITIES | | |
| NET POSITION | | |
| Restricted: | | |
| Interfund Contributions | \$1,430,731 | \$2,373,281 |
| TOTAL NET POSITION | 1,430,731 | 2,373,281 |
| CURRENT LIABILITIES | | |
| Accounts Payable Claims | 5,349,805 | 5,093,367 |
| Accounts Payable Claims Handling | 11,224 | 6,387 |
| TOTAL LIABILITIES | 5,361,029 | 5,099,754 |
| TOTAL NET POSITION AND LIABILITIES | \$6,791,760 | \$7,473,035 |

These statements should be read in conjunction with the Notes to Financial Statements contained in the 2016 Annual Report.

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
SELF-INSURANCE CLAIM FUND

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
SEPTEMBER 30, 2017 AND SEPTEMBER 30, 2016

| | <u>SEPTEMBER</u> <u>2017</u> | <u>SEPTEMBER</u> <u>2016</u> |
|--|---------------------------------|---------------------------------|
| INCOME | | |
| Premiums | \$128,333 | \$103,333 |
| Interest | <u>6,689</u> | <u>5,767</u> |
| TOTAL INCOME | 135,022 | 109,100 |
| EXPENSES | | |
| Claims | (1,271,657) | 470,766 |
| Litigation Expense and Settlements | 736 | 11,684 |
| Incidental and Administrative Expense | <u>15,596</u> | <u>12,628</u> |
| TOTAL EXPENSES | <u>(1,255,325)</u> | <u>495,078</u> |
| CHANGE IN NET POSITION | <u>\$1,390,347</u> | <u>(\$385,978)</u> |
| TOTAL NET POSITION - JANUARY 1 | | |
| TOTAL NET POSITION - SEPTEMBER 30 | | |

These statements should be read in conjunction with the Management Discussion and Analysis in the September 2017 Financial Report.

| YEAR-TO-DATE | | | |
|---------------------------|---------------------------|---------------------------|-------------------|
| SEPTEMBER 2017 | SEPTEMBER 2016 | 2017/2016 VARIANCE | PERCENT CHANGE |
| \$821,667 | \$930,000 | \$ (108,333) | -11.6% |
| <u>84,058</u> | <u>67,201</u> | <u>16,857</u> | 25.1% |
| 905,725 | 997,201 | (91,476) | -9.2% |
| 1,902,214 | 604,980 | 1,297,234 | 214.4% |
| 273,375 | 75,222 | 198,153 | 263.4% |
| <u>105,856</u> | <u>92,187</u> | <u>13,669</u> | 14.8% |
| <u>2,281,445</u> | <u>772,389</u> | <u>1,509,056</u> | 195.4% |
| (1,375,720) | 224,812 | (1,600,532) | -711.9% |
| <u>2,806,451</u> | <u>2,148,469</u> | <u>657,982</u> | |
| <u><u>\$1,430,731</u></u> | <u><u>\$2,373,281</u></u> | <u><u>(\$942,550)</u></u> | |

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
SELF-INSURANCE CLAIM FUND

STATEMENTS OF CASH FLOWS

| | YEAR TO DATE | |
|---|-----------------------|-----------------------|
| | SEPTEMBER 30, 2017 | SEPTEMBER 30, 2016 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Premiums Received | \$821,667 | \$930,000 |
| Claims Paid | (1,362,432) | (211,289) |
| Administrative and Other Expenses | (384,662) | (168,808) |
| Net Cash Provided by (Used in) | | |
| Operating Activities | (925,427) | 549,904 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Interest Received | 84,058 | 67,201 |
| Net Cash Provided by | | |
| Financing Activities | 84,058 | 67,201 |
| Net Increase in Cash and | | |
| Equity in Pooled Investments | (841,369) | 617,105 |
| Cash and Equity in Pooled | | |
| Investments at January 1 | 7,633,129 | 6,855,931 |
| Cash and Equity in Pooled | | |
| Investments at September 30 | \$6,791,760 | \$7,473,035 |

| | YEAR TO DATE | |
|--|-----------------------|-----------------------|
| | SEPTEMBER 30, 2017 | SEPTEMBER 30, 2016 |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | | |
| Net Income | (\$1,375,720) | \$224,812 |
| Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities: | | |
| Interest Income | (84,058) | (67,201) |
| Adjustments to Reconcile Net Income to Net Cash Provided by (Used in) Operating Activities: | | |
| Interdivision Payable | (12,222) | (11,339) |
| Accounts Payable Claims | 539,782 | 401,138 |
| Accounts Payable Claims Handling | 6,791 | 2,494 |
| Total Adjustments | 450,293 | 325,092 |
| Net Cash (Used in) Provided by Operating Activities | (\$925,427) | \$549,904 |

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
SELF-INSURANCE CLAIM FUND

EQUITY DISTRIBUTION AS OF SEPTEMBER 30, 2017

| | <u>TACOMA POWER</u> | <u>TACOMA WATER</u> | <u>TACOMA RAIL</u> | <u>TOTAL</u> |
|----------------------------------|---------------------------|-------------------------|---------------------------|---------------------------|
| Balance January 1, 2017 | \$2,407,775 | \$278,502 | \$120,174 | \$2,806,451 |
| Contributions (Premiums) | 525,000 | 180,000 | 116,667 | 821,667 |
| Claims | (1,016,230) | (245,182) | (640,301) | (1,901,713) |
| Claims Handling Expense | (46,017) | (4,197) | (223,161) | (273,375) |
| Administrative Expenses | (52,103) | (12,232) | (42,022) | (106,357) |
| Interest Income (1) | <u>72,659</u> | <u>9,726</u> | <u>1,673</u> | <u>84,058</u> |
| Balance September 30, 2017 | <u><u>\$1,891,084</u></u> | <u><u>\$206,617</u></u> | <u><u>(\$666,970)</u></u> | <u><u>\$1,430,731</u></u> |

(1) Prior to 2017, interest income has been allocated to each division in the same ratio as its fund balance at January 1, plus contributions and expenses to date. Effective 2017, interest income has been allocated to each division based on the allocated cash balance as of the date of this statement.

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
SELF-INSURANCE CLAIM FUND

CLAIMS STATISTICS SUMMARY - SEPTEMBER 30, 2017

NUMBER OF CLAIMS PAID (JANUARY 1 - SEPTEMBER 30, 2017)

| | Tacoma Power | Tacoma Water | Tacoma Rail | Svc. Divs. | Total |
|---|-----------------|-----------------|----------------|---------------|-------------|
| Over \$5,000 | 10 | 7 | 12 | - | 29 |
| \$1,001 - 5,000 | 18 | 9 | - | - | 27 |
| \$501 - 1,000 | 6 | 2 | - | - | 8 |
| \$100 - 500 | 1 | 14 | - | - | 15 |
| Less than \$100 | 6 | 3 | - | - | 9 |
| | 41 | 35 | 12 | - | 88 |
| Total Dollar Amount of Claims Paid | \$183,620 | \$111,803 | \$1,067,009 | - | \$1,362,432 |

NUMBER OF CLAIMS ACCRUED AT SEPTEMBER 30, 2017

| | | | | | |
|--|-------------|-----------|-----------|---------|-------------|
| Over \$50,000 | 12 | - | - | - | 12 |
| \$10,000 - 50,000 | 23 | 8 | 8 | - | 39 |
| Less than \$10,000 | 288 | 67 | 8 | 4 | 367 |
| | 323 | 75 | 16 | 4 | 418 |
| Total Dollar Amount Accrued for Known Claims | \$3,551,641 | \$421,355 | \$665,000 | \$1,156 | \$4,639,152 |
| Total Dollar Amount Accrued for Unknown Claims | \$412,474 | \$155,722 | \$136,830 | \$5,627 | \$710,653 |
| Total Dollar Amount Accrued for All Claims | \$3,964,115 | \$577,077 | \$801,830 | \$6,783 | \$5,349,805 |

CITY OF TACOMA, WASHINGTON
DEPARTMENT OF PUBLIC UTILITIES
SELF-INSURANCE CLAIM FUND

CLAIMS STATISTICS DETAIL - SEPTEMBER 30, 2017

NUMBER OF CLAIMS PAID (JANUARY 1 - SEPTEMBER 30, 2017)

| Range | Non-Vehicular Bodily Injury/Property Damage | | | |
|---|--|-----------------|----------------|---------------|
| | Tacoma Power | Tacoma Water | Tacoma Rail | Svc. Divs. |
| Over \$5,000 | 9 | 7 | 12 | - |
| \$1,001 - 5,000 | 18 | 7 | - | - |
| \$501 - 1,000 | 6 | 2 | - | - |
| \$100 - 500 | 1 | 14 | - | - |
| Less than \$100 | 5 | 3 | - | - |
| | 39 | 33 | 12 | - |
| Total Dollar Amount of Claims Paid | \$178,361 | \$108,032 | \$1,067,009 | - |
| Average Dollar Amount of Claims Paid | \$4,573 | \$3,274 | \$88,917 | - |

NUMBER OF CLAIMS ACCRUED AT SEPTEMBER 30, 2017

| Range | Non-Vehicular Bodily Injury/Property Damage | | | |
|--|--|------------------|------------------|----------------|
| | Tacoma Power | Tacoma Water | Tacoma Rail | Svc. Divs. |
| Over \$50,000 | 12 | - | - | - |
| \$10,000 - 50,000 | 22 | 8 | 5 | - |
| Less than \$10,000 | 267 | 58 | 6 | 4 |
| | 301 | 66 | 11 | 4 |
| Total Dollar Amount Accrued for Known Claims . | \$3,509,719 | \$402,697 | \$577,500 | \$1,156 |
| Total Dollar Amount Accrued for Unknown Claims | \$412,474 | \$155,722 | \$136,830 | \$5,627 |
| Total Dollar Amount Accrued for All Claims ... | <u>\$3,922,193</u> | <u>\$558,419</u> | <u>\$714,330</u> | <u>\$6,783</u> |

| Vehicular Bodily Injury/Property Damage | | | | Hazardous Waste | | Contract/Harassment | | | |
|---|--------------|-------------|------------|-----------------|--------------|---------------------|--------------|-------------|------------|
| Tacoma Power | Tacoma Water | Tacoma Rail | Svc. Divs. | Tacoma Power | Tacoma Water | Tacoma Power | Tacoma Water | Tacoma Rail | Svc. Divs. |
| 1 | - | - | - | - | - | - | - | - | - |
| - | 2 | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - |
| 1 | - | - | - | - | - | - | - | - | - |
| 2 | 2 | - | - | - | - | - | - | - | - |
| \$5,259 | \$3,771 | - | - | - | - | - | - | - | - |
| \$2,629 | \$1,886 | - | - | - | - | - | - | - | - |

| Vehicular Bodily Injury/Property Damage | | | | Hazardous Waste | | Contract/Harassment | | | |
|---|-----------------|-----------------|----------|-----------------|----------|---------------------|----------|----------|----------|
| - | - | - | - | - | - | - | - | - | - |
| 1 | - | 3 | - | - | - | - | - | - | - |
| 21 | 9 | 2 | - | - | - | - | - | - | - |
| 22 | 9 | 5 | - | - | - | - | - | - | - |
| \$41,922 | \$18,658 | \$87,500 | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - | - | - |
| <u>\$41,922</u> | <u>\$18,658</u> | <u>\$87,500</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |



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