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**SEPTEMBER**

***SELF-INSURANCE CLAIM FUND***

**2018**

**FINANCIAL  
REPORT**





# Public Utility Board

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Power Superintendent/COO

ANDREW CHERULLO  
Finance Director

DEPARTMENT OF PUBLIC UTILITIES

CITY OF TACOMA

## MANAGEMENT ANALYSIS

The Self-Insurance fund is reporting a net gain of \$316,000 year-to-date 2018 compared to a net loss of \$1.4 million recorded for the same time period in 2017. Total revenues increased \$2.0 million while total expenses increased \$383,000 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 2018 and 2017 were \$3.0 million and \$906,000 respectively. The increase of \$2.1 million is primarily due to additional contributions of \$1.7 million from Power and \$333,000 from Rail.

### 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 incurred.

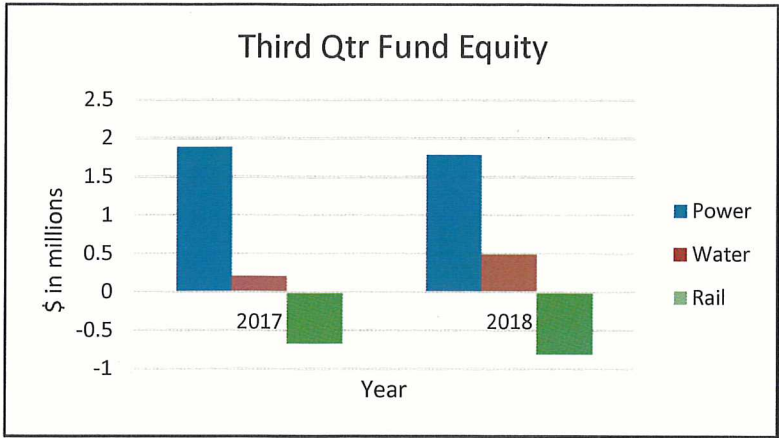
Total expenses at the end of the third quarter of 2018 and 2017 were \$2.7 million and \$2.3 million respectively. The change in expenses from year to year is primarily due to adjustments in expected future claims and developments accrued by the Fund. Negative claims expense is generally the result of adjustments to the liability where expected claims were accrued in one quarter and subsequently denied or revised the next quarter.

Claims expense was \$2.4 million in the third quarter of 2018, an increase of \$542,000 (28.5%) compared to the third quarter of 2017. This is due to a net increase in claims from Power of \$1.4 million primarily offset by decreases in claims from Water and Rail of \$168,000 and \$718,000 respectively.

Litigation Expense and Settlements decreased by \$192,000 primarily due to the decrease in handling expenses for Rail.

Incidental and Administrative Expense increased by \$33,000 primarily due to the purchase of new software. The cost of which was shared between General Government and the Self-Insurance fund.

The Fund's equity was \$1.5 million and \$1.4 million through September of 2018 and 2017 respectively. The following graph provides a visual presentation as to how the Fund's equity is shared.



*Jackie Flowers*  
 Jackie Flowers  
 Director of Utilities

*Andrew Cherullo*  
 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, 2018 AND SEPTEMBER 30, 2017

	2018	2017
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and Equity in Pooled Investments .....	\$7,737,384	\$6,791,760
TOTAL ASSETS .....	\$7,737,384	\$6,791,760
<b>NET POSITION AND LIABILITIES</b>		
<b>NET POSITION</b>		
Restricted:		
Interfund Contributions .....	\$1,466,451	\$1,430,731
TOTAL NET POSITION .....	1,466,451	1,430,731
<b>CURRENT LIABILITIES</b>		
Accounts Payable Claims .....	6,264,230	5,349,805
Accounts Payable Claims Handling .....	6,703	11,224
TOTAL LIABILITIES .....	6,270,933	5,361,029
<b>TOTAL NET POSITION AND LIABILITIES .....</b>	<b>\$7,737,384</b>	<b>\$6,791,760</b>

*These statements should be read in conjunction with the Notes to Financial Statements contained in the 2017 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, 2018 AND SEPTEMBER 30, 2017

	<u>SEPTEMBER</u> <u>2018</u>	<u>SEPTEMBER</u> <u>2017</u>
<b>INCOME</b>		
Premiums .....	\$128,333	\$128,333
Interest .....	11,497	6,689
	<hr/>	<hr/>
TOTAL INCOME .....	139,830	135,022
 <b>EXPENSES</b>		
Claims .....	260,018	(1,271,657)
Litigation Expense and Settlements .....	8,273	736
Incidental and Administrative Expense .....	12,053	15,596
	<hr/>	<hr/>
TOTAL EXPENSES .....	280,344	(1,255,325)
 CHANGE IN NET POSITION .....	 <u>(\$140,514)</u>	 <u>\$1,390,347</u>
 <b>TOTAL NET POSITION - JANUARY 1</b> .....		
 <b>TOTAL NET POSITION - SEPTEMBER 30</b> .....		

*These statements should be read in conjunction with the Management Discussion and Analysis in the September 2018 Financial Report.*

YEAR-TO-DATE			
SEPTEMBER 2018	SEPTEMBER 2017	2018/2017 VARIANCE	PERCENT CHANGE
\$2,855,000	\$821,667	\$ 2,033,333	247.5%
125,405	84,058	41,347	49.2%
<u>2,980,405</u>	<u>905,725</u>	<u>2,074,680</u>	<u>229.1%</u>
2,443,844	1,902,214	541,630	28.5%
81,682	273,375	(191,693)	-70.1%
138,836	105,856	32,980	31.2%
<u>2,664,362</u>	<u>2,281,445</u>	<u>382,917</u>	<u>16.8%</u>
316,043	(1,375,720)	1,691,763	-123.0%
<u>1,150,408</u>	<u>2,806,451</u>	<u>(1,656,043)</u>	
<u>\$1,466,451</u>	<u>\$1,430,731</u>	<u>\$35,720</u>	

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

STATEMENTS OF CASH FLOWS

	YEAR TO DATE	
	SEPTEMBER 30, 2018	SEPTEMBER 30, 2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Premiums Received .....	\$2,855,000	\$821,667
Claims Paid .....	(2,028,504)	(1,362,432)
Administrative and Other Expenses .....	(243,075)	(384,662)
Net Cash From Operating Activities .....	583,421	(925,427)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest Received .....	125,405	84,058
Net Cash From Financing Activities .....	125,405	84,058
Net Change in Cash and Equity in Pooled Investments .....	708,826	(841,369)
Cash and Equity in Pooled Investments at January 1 .....	7,028,558	7,633,129
Cash and Equity in Pooled Investments at September 30 .....	\$7,737,384	\$6,791,760

	YEAR TO DATE	
	SEPTEMBER 30, 2018	SEPTEMBER 30, 2017
<b>Reconciliation of Operating Income (Loss) to Net Cash From Operating Activities:</b>		
Net Income (Loss) .....	\$316,043	(\$1,375,720)
Adjustments to Reconcile Operating Income (Loss) to Net Cash From Operating Activities:		
Interest Income .....	(125,405)	(84,058)
Adjustments to Reconcile Net Income (Loss) to Net Cash From Operating Activities:		
Interdivision Payable .....	(8,910)	(12,222)
Accounts Payable Claims .....	407,038	539,782
Accounts Payable Claims Handling .....	(5,345)	6,791
Total Adjustments .....	<u>267,378</u>	<u>450,293</u>
Net Cash From Operating Activities	<u>\$583,421</u>	<u>(\$925,427)</u>

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

EQUITY DISTRIBUTION AS OF SEPTEMBER 30, 2018

	TACOMA POWER	TACOMA WATER	TACOMA RAIL	TOTAL
Balance January 1, 2018 .....	\$2,104,983	\$384,479	(\$1,339,054)	\$1,150,408
Contributions (Premiums) .....	2,225,000	180,000	450,000	2,855,000
Claims .....	(2,443,869)	(77,518)	77,869	(2,443,518)
Claims Handling Expense .....	(59,279)	(11,413)	(10,990)	(81,682)
Administrative Expenses .....	(137,939)	(4,900)	3,677	(139,162)
Interest Income (1) .....	100,264	14,632	10,509	125,405
Balance September 30, 2018 .....	<u>\$1,789,160</u>	<u>\$485,280</u>	<u>(\$807,989)</u>	<u>\$1,466,451</u>

(1) 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, 2018

**NUMBER OF CLAIMS PAID (JANUARY 1 - SEPTEMBER 30, 2018)**

	Tacoma Power	Tacoma Water	Tacoma Rail	Svc. Divs.	Total
Over \$5,000 .....	9	5	2	-	16
\$1,001 - 5,000 .....	8	8	-	-	16
\$501 - 1,000 .....	2	1	-	-	3
\$100 - 500 .....	4	4	2	3	13
Less than \$100 .....	3	6	-	-	9
	26	24	4	3	57
Total Dollar Amount of Claims Paid .....	\$1,908,426	\$96,990	\$22,131	\$957	\$2,028,504

**NUMBER OF CLAIMS ACCRUED AT SEPTEMBER 30, 2018**

Over \$50,000 .....	16	1	1	-	18
\$10,000 - 50,000 .....	13	1	6	-	20
Less than \$10,000 .....	265	85	4	2	356
	294	87	11	2	394
Total Dollar Amount Accrued for Known Claims .....	\$3,903,129	\$234,612	\$277,500	\$525	\$4,415,766
Total Dollar Amount Accrued for Unknown Claims .....	\$483,963	\$181,413	\$1,177,856	\$5,232	\$1,848,464
Total Dollar Amount Accrued for All Claims	\$4,387,092	\$416,025	\$1,455,356	\$5,757	\$6,264,230

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

CLAIMS STATISTICS DETAIL - SEPTEMBER 30, 2018

**NUMBER OF CLAIMS PAID (JANUARY 1 - SEPTEMBER 30, 2018)**

Range	Non-Vehicular Bodily Injury/Property Damage			
	Tacoma Power	Tacoma Water	Tacoma Rail	Svc. Divs.
Over \$5,000 .....	8	5	2	-
\$1,001 - 5,000 .....	5	6	-	-
\$501 - 1,000 .....	2	1	-	-
\$100 - 500 .....	4	4	1	3
Less than \$100 .....	3	6	-	-
	22	22	3	3
Total Dollar Amount of Claims Paid .....	\$1,879,842	\$92,776	\$21,644	\$957
Average Dollar Amount of Claims Paid .....	\$85,447	\$4,217	\$7,215	\$319

**NUMBER OF CLAIMS ACCRUED AT SEPTEMBER 30, 2018**

Range	Non-Vehicular Bodily Injury/Property Damage			
	Tacoma Power	Tacoma Water	Tacoma Rail	Svc. Divs.
Over \$50,000 .....	16	1	1	-
\$10,000 - 50,000 .....	13	1	6	-
Less than \$10,000 .....	250	78	4	2
	279	80	11	2
Total Dollar Amount Accrued for Known Claims .	\$3,882,914	\$222,597	\$277,500	\$525
Total Dollar Amount Accrued for Unknown Claims .....	\$483,963	\$181,413	\$1,177,856	\$5,232
Total Dollar Amount Accrued for All Claims ...	\$4,366,877	\$404,010	\$1,455,356	\$5,757



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	-	-	-	-	-	-	-	-	-
3	2	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	1	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
4	2	1	-	-	-	-	-	-	-
\$28,584	\$4,214	\$487	-	-	-	-	-	-	-
\$7,146	\$2,107	\$487	-	-	-	-	-	-	-

Vehicular Bodily Injury/Property Damage				Hazardous Waste		Contract/Harassment			
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
15	7	-	-	-	-	-	-	-	-
15	7	-	-	-	-	-	-	-	-
\$20,215	\$12,015	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
<u>\$20,215</u>	<u>\$12,015</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>



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