

# Judgment/Claims

## Department Overview

The Judgment/Claims Subfund provides for the payment of legal claims and suits brought against the City. The subfund receives revenues from the General Subfund and the utilities to pay the judgments, settlements, claims, and other eligible expenses. Unused balances, if any, remain in the fund and may reduce the contribution required in succeeding years.

General Fund-supported departments with 2% or more of historical Judgment/Claims costs make premium payments to the subfund directly from their budgets. Finance General covers premiums for departments with less than 2% of historical Judgment/Claims costs. Revenues from the utilities are budgeted based on expected expenses, but they only pay actual expenses as they are incurred.

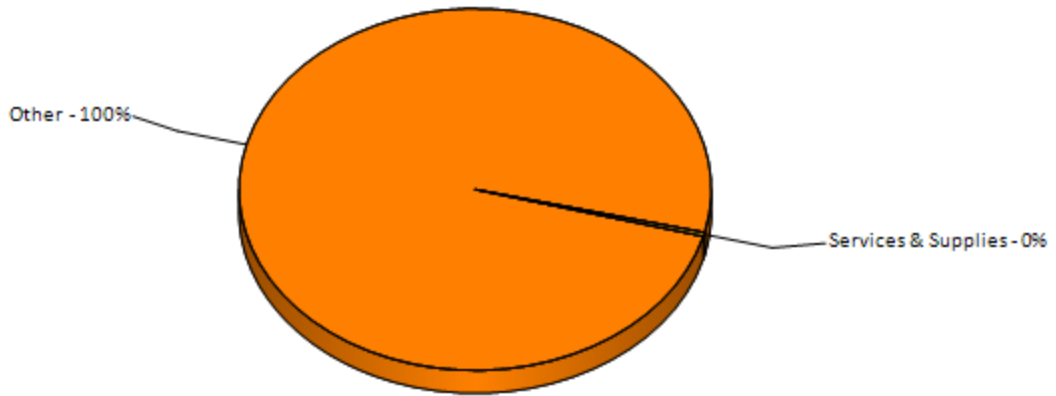
## Budget Snapshot

Department Support	2012 Actuals	2013 Adopted	2014 Endorsed	2014 Proposed
General Fund Support	\$1,191,062	\$0	\$0	\$0
Other Funding - Operating	\$8,900,593	\$15,033,963	\$16,859,178	\$18,613,772
<b>Total Operations</b>	<b>\$10,091,654</b>	<b>\$15,033,963</b>	<b>\$16,859,178</b>	<b>\$18,613,772</b>
<b>Total Appropriations</b>	<b>\$10,091,654</b>	<b>\$15,033,963</b>	<b>\$16,859,178</b>	<b>\$18,613,772</b>
Full-time Equivalent Total*	0.00	0.00	0.00	0.00

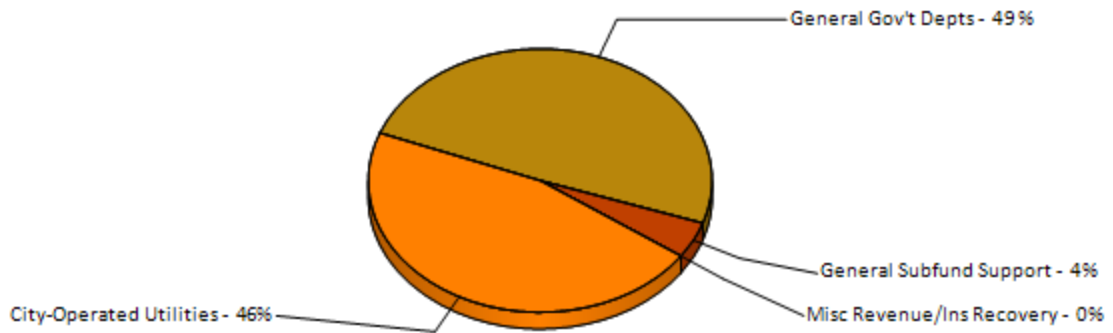
\* FTE totals are provided for information purposes only. Changes in FTEs resulting from City Council or Personnel Director actions outside of the budget process may not be detailed here.

# Judgment/Claims

## 2014 Proposed Budget - Expenditure by Category



## 2014 Proposed Budget - Revenue by Category



# Judgment/Claims

## Budget Overview

The Risk Management Division of the Department of Finance and Administrative Services, the City Budget Office, and the Law Department monitor both the City's potential risk liabilities as well as the financial health of the Judgment/Claims Subfund. The 2014 Proposed Budget is based on the recommendations of these departments and ensures the financial health of the subfund.

Council Ordinance 30386 established a policy that allows the Judgment/Claims Subfund to maintain a fund balance equivalent to 50% of the expected annual expenditures. The Judgment/Claims fund balance has increased by more than \$4.8 million compared to the 2013 Adopted Budget assumption and is greater than 50% of expected expenditures. This increase is due mainly to significantly lower expenditures than were expected when the 2013 budget was adopted in 2012. A draw down of the fund balance is proposed for 2015 and 2016 to partially defray General Fund obligations. In doing this, the fund balance should return to the 50% of expected annual expenditures target by 2017.

In order to create stability in the fund, the 2014 Proposed Budget also links the General Fund budgeted expenditures to a five-year average of prior expenditures. General Fund expenditures can be very volatile and change significantly from one year to the next. Basing budgeted expenditures on a five-year rolling average will help provide some stability to the fund.

## Incremental Budget Changes

### Judgment/Claims

	2014	
	Budget	FTE
<b>Total 2014 Endorsed Budget</b>	<b>\$ 16,859,178</b>	<b>0.00</b>
<b>Proposed Changes</b>		
Increase General Fund Expenditure to Five Year Average Level	\$ 1,754,594	0.00
<b>Total Incremental Changes</b>	<b>\$ 1,754,594</b>	<b>0.00</b>
<b>2014 Proposed Budget</b>	<b>\$ 18,613,772</b>	<b>0.00</b>

## Descriptions of Incremental Budget Changes

### Proposed Changes

#### **Increase General Fund Expenditure to Five Year Average Level - \$1,754,594**

This change increases the budget for General Fund expenditures, so it matches the average spending for the five prior years. Expenditures on claims and litigation can be very volatile and difficult to forecast. Basing the budget on a rolling five-year average will help provide some stability to the fund.



# Judgment/Claims

## Appropriations By Budget Control Level (BCL) and Program

### Claim Expenses Budget Control Level

The purpose of the Claim Expenses Budget Control Level is to provide the Director of the Department of Finance and Administrative Services with the resources to pay pending or actual claims and related costs against City government, as authorized by Chapter 5.24 of the Seattle Municipal Code. The Claims Budget Control Level is supported by the Judgment/Claims Subfund of the General Fund.

<b>Program Expenditures</b>	<b>2012 Actuals</b>	<b>2013 Adopted</b>	<b>2014 Endorsed</b>	<b>2014 Proposed</b>
Claim Expenses	0	3,750,000	3,862,500	4,350,037
<b>Total</b>	<b>0</b>	<b>3,750,000</b>	<b>3,862,500</b>	<b>4,350,037</b>

### General Legal Expenses Budget Control Level

The purpose of the General Legal Expenses Budget Control Level is to provide the City Attorney with resources to pay legal costs associated with potential litigation against the City, where the City is a plaintiff or potential plaintiff in legal action, or other special projects. The General Legal Expenses Budget Control Level is supported by the Judgment/Claims Subfund of the General Fund.

<b>Program Expenditures</b>	<b>2012 Actuals</b>	<b>2013 Adopted</b>	<b>2014 Endorsed</b>	<b>2014 Proposed</b>
General Litigation	0	100,000	103,000	103,000
<b>Total</b>	<b>0</b>	<b>100,000</b>	<b>103,000</b>	<b>103,000</b>

### Judgment Claims - General Budget Control Level

The purpose of the Judgment Claims - General Budget Control Level is to provide for the payment of legal claims and suits brought against the City government. The subfund receives appropriations from the General Subfund and the utilities to pay for the judgments, settlements, claims, and other eligible expenses expected in the following year. Unused balances, if any, may reduce the contributions required in succeeding years. General Fund-supported departments with 2% or more of historical Judgment/Claims costs make premium payments to the subfund directly from their budgets. Finance General covers premiums for departments with less than 2% of historical Judgment/Claims costs. Utilities pay their actual expenses as incurred through this budget control level. This BCL is eliminated in 2013. Four new BCLs are created to increase transparency and allow for improved financial management of the Judgment/Claims Subfund.

<b>Program Expenditures</b>	<b>2012 Actuals</b>	<b>2013 Adopted</b>	<b>2014 Endorsed</b>	<b>2014 Proposed</b>
Judgment/Claims - General Program	10,091,654	0	0	0
<b>Total</b>	<b>10,091,654</b>	<b>0</b>	<b>0</b>	<b>0</b>

# Judgment/Claims

## Litigation Expenses Budget Control Level

The purpose of the Litigation Expenses Budget Control Level is to provide the City Attorney with the resources to pay anticipated, pending or actual judgments, claims payments, advance claims payments, and litigation expenses incurred while defending the City from judgments and claims. The Litigation Expenses Budget Control Level is supported by the Judgment/Claims Subfund of the General Fund.

<b>Program Expenditures</b>	<b>2012 Actuals</b>	<b>2013 Adopted</b>	<b>2014 Endorsed</b>	<b>2014 Proposed</b>
Settlement and Judgement Expenses	0	9,745,897	11,586,470	12,853,527
<b>Total</b>	<b>0</b>	<b>9,745,897</b>	<b>11,586,470</b>	<b>12,853,527</b>

## Police Action Expenses Budget Control Level

The purpose of the Police Action Expenses Budget Control Level is to provide the City Attorney with the resources to pay pending or actual settlements and judgments against the City related to police action cases, or pay related costs to investigate and defend the City against claims and judgments related to police action cases. The Police Action Expenses Budget Control Level is supported by the Judgment/Claims Subfund of the General Fund.

<b>Program Expenditures</b>	<b>2012 Actuals</b>	<b>2013 Adopted</b>	<b>2014 Endorsed</b>	<b>2014 Proposed</b>
Police Action Expenses	0	1,438,066	1,307,208	1,307,208
<b>Total</b>	<b>0</b>	<b>1,438,066</b>	<b>1,307,208</b>	<b>1,307,208</b>

## Judgment/Claims Fund Table

### Judgment/Claims Subfund (00126)

	<b>2012 Actuals</b>	<b>2013 Adopted</b>	<b>2013 Revised</b>	<b>2014 Endorsed</b>	<b>2014 Proposed</b>
<b>Beginning Fund Balance</b>	<b>12,444,605</b>	<b>12,531,191</b>	<b>17,350,663</b>	<b>12,531,191</b>	<b>17,350,663</b>
Accounting and Technical Adjustments	-54,304	0	0	0	0
Plus: Actual and Estimated Revenues	15,052,016	15,033,963	15,033,963	16,859,178	16,859,178
Less: Actual and Budgeted Expenditures	10,091,654	15,033,963	15,033,963	16,859,178	18,613,772
<b>Ending Fund Balance</b>	<b>17,350,663</b>	<b>12,531,191</b>	<b>17,350,663</b>	<b>12,531,191</b>	<b>15,596,069</b>
<b>Ending Unreserved Fund Balance</b>	<b>17,350,663</b>	<b>12,531,191</b>	<b>17,350,663</b>	<b>12,531,191</b>	<b>15,596,069</b>