

Judgment/Claims

Department Overview

The Judgment/Claims Subfund provides for the payment of legal claims and suits brought against the City government. 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.

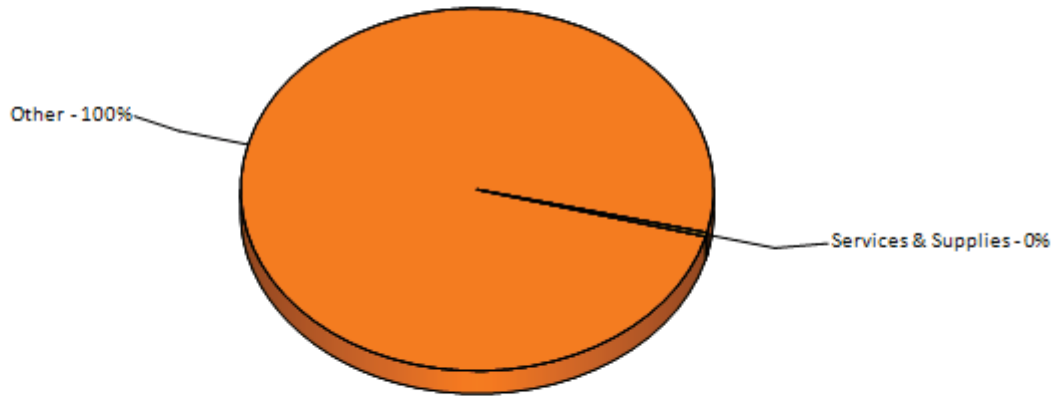
Budget Snapshot

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

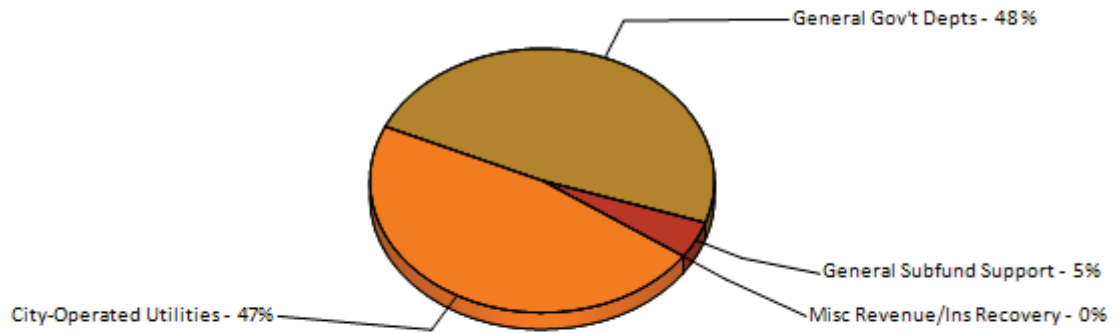
* FTE totals are provided for information purposes only. Changes in FTEs resulting from City Council or Personnel Director actions outside of the budget process may not be detailed here.

Judgment/Claims

2014 Adopted Budget - Expenditure by Category



2014 Adopted Budget - Revenue by Category



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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 Adopted Budget is based on the recommendations of these departments and ensures the financial health of the subfund.

Resolution 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 actual beginning fund balance in 2013 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 Adopted 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.

In the 2014 Adopted Budget, the City Council reduced the Seattle Police Department's (SPD) payment to the Judgment/Claims fund by \$300,000. This one-time reduction in revenue will be offset by use of fund balance in the Judgment/Claims fund. The change was made in order to add \$300,000 to the City Auditor's budget for an audit of SPD's policies, protocols and practices regarding the intake, tracking and fulfillment of public disclosure requests. The City has paid a number of settlements related to SPD's public disclosure requests in recent years. Since the Judgment/Claims Fund pays these settlements, this use of fund balance is appropriate.

Incremental Budget Changes

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	2014	
	Budget	FTE
Total 2014 Endorsed Budget	\$ 16,859,178	0.00
Proposed Changes		
Increase General Fund Expenditure to Five Year Average Level	\$ 1,754,594	0.00
Council Changes		
Seattle Police Department Revenue - (One-Time)	\$ 0	0.00
Total Incremental Changes	\$ 1,754,594	0.00
2014 Adopted Budget	\$ 18,613,772	0.00

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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.

Council Changes

Seattle Police Department Revenue - (One-Time)

The item reduces the contribution from the Seattle Police Department to the Judgment/Claims fund by \$300,000; the revenue decrease will be offset by use of Judgment/Claims fund balance. This adjustment is made on the revenue side of the budget. The City Council then added \$300,000 to the Office of the City Auditor to audit SPD's procedures for responding to public disclosure requests. The City has paid a number of settlements related to SPD's public disclosure requests in recent years. Since the Judgment/Claims Fund pays these settlements, this use of fund balance is appropriate. This is a one-time adjustment.

City Council Provisos

There are no Council provisos.

Expenditure Overview

Appropriations	Summit Code	2012 Actuals	2013 Adopted	2014 Endorsed	2014 Adopted
Claim Expenses Budget Control Level	00126-CJ000	0	3,750,000	3,862,500	4,350,037
General Legal Expenses Budget Control Level	00126-JR010	0	100,000	103,000	103,000
Judgment Claims - General Budget Control Level	CJ000	10,091,654	0	0	0
Litigation Expenses Budget Control Level	00126-JR000	0	9,745,897	11,586,470	12,853,527
Police Action Expenses Budget Control Level	00126-JR020	0	1,438,066	1,307,208	1,307,208
Department Total		10,091,654	15,033,963	16,859,178	18,613,772
Department Full-time Equivalents 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.

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Revenue Overview

2014 Estimated Revenues

Summit Code	Source	2012 Actuals	2013 Adopted	2014 Endorsed	2014 Adopted
544730	Payments from City-operated utilities	4,890,855	7,402,423	7,781,747	7,781,747
	Total City-Operated Utilities	4,890,855	7,402,423	7,781,747	7,781,747
544730	Payments from General Government departments	8,422,603	6,998,850	8,321,520	8,021,520
	Total General Gov't Depts	8,422,603	6,998,850	8,321,520	8,021,520
587001	General Subfund Support	1,191,062	632,690	755,911	755,911
	Total General Subfund Support	1,191,062	632,690	755,911	755,911
469990	Misc Revenue/Ins Recovery	547,496	0	0	0
	Total Misc Revenue/Ins Recovery	547,496	0	0	0
Total Revenues		15,052,016	15,033,963	16,859,178	16,559,178
379100	Use of Fund Balance	0	0	0	2,054,594
	Total Use of (Contribution to) Fund Balance	0	0	0	2,054,594
Total Resources		15,052,016	15,033,963	16,859,178	18,613,772

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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.

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

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.

	2012	2013	2014	2014
Program Expenditures	Actuals	Adopted	Endorsed	Adopted
General Litigation	0	100,000	103,000	103,000
Total	0	100,000	103,000	103,000

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.

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

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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.

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

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.

	2012	2013	2014	2014
Program Expenditures	Actuals	Adopted	Endorsed	Adopted
Police Action Expenses	0	1,438,066	1,307,208	1,307,208
Total	0	1,438,066	1,307,208	1,307,208

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Judgment/Claims Fund Table

Judgment/Claims Subfund (00126)

	2012 Actuals	2013 Adopted	2013 Revised	2014 Endorsed	2014 Adopted
Beginning Fund Balance	12,444,605	12,531,191	17,350,663	12,531,191	17,350,663
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	16,559,178
Less: Actual and Budgeted Expenditures	10,091,654	15,033,963	15,033,963	16,859,178	18,613,772
Ending Fund Balance	17,350,663	12,531,191	17,350,663	12,531,191	15,296,069
Ending Unreserved Fund Balance	17,350,663	12,531,191	17,350,663	12,531,191	15,296,069