



Legislation Text

File #: 19-1137, **Version:** 1

An Ordinance to Amend Chapter 11 (Risk Fund) of Title I of the Code of the City of Ann Arbor (Ordinance No. ORD-19-21)

The City maintains a Risk Fund to fund liabilities such as worker's compensation claims, settlement of certain legal claims, and other items as outlined in Section 1:265. The Financial and Administrative Services Unit, along with the City Attorney's Office, recently conducted a review of certain code sections to ensure they conform with practice and are in-line with the City interests.

The attached changes to Chapter 11, Risk Fund, are proposed to: (1) codify the current practice of paying employee benefits (and related administrative costs) out of the risk fund; (2) update the appropriation requirement to ensure adequate funding; (3) allow investment of the funds in accordance City investment guidelines, without the necessity of the Board of Insurance Administration's approval; (4) increase the amount that the Board of Insurance is authorized to expend from the Risk Fund without City Council approval (from \$5,000 to \$10,000); (5) require budgeting be done by February 1, in accordance with the Charter; and (6) allow third party claims administrators to pay claims in accordance with their contract (and not subject to Board and City approval).

City staff recommends approval of these changes.

Prepared by: Tom Crawford, Financial Services Area Administrator and CFO

Review by: Betsy Blake, Senior Assistant City Attorney

Approved by: Howard S. Lazarus, City Administrator

ORDINANCE NO. ORD-19-21

First Reading: June 17, 2019

Public Hearing: July 1, 2019

Approved: July 1, 2019

Published: July 8, 2019

Effective: July 18, 2019

RISK FUND

AN ORDINANCE TO AMEND CHAPTER 11 (RISK FUND) OF TITLE I OF THE CODE OF THE CITY OF ANN ARBOR.

The City of Ann Arbor Ordains:

Section 1. That Chapter 11 of Title I of the Code of the City of Ann Arbor be amended to read as follows:

1:261. - Insurance fund continued; renamed as rRisk fund.

The insurance fund heretofore created shall be renamed as the risk fund and shall be maintained and administered for the payment of certain liabilities, [insurance](#), [benefits administration](#), and [costs](#) incurred by the City of Ann Arbor, and for recompensing departments of the city government for

losses resulting from injury to property or defalcation by employees, under the supervision of the Board of Insurance Administration provided for in Chapter 8. This fund shall consist of the money, credits, securities, and other property owned by the City of Ann Arbor ~~that~~ which have heretofore constituted the insurance risk fund and of such money and securities as shall from time to time be added thereto.

1:262. - Annual appropriation.

Until the value of the risk fund hereby created reaches the amount of \$500,000.00, there shall be added to it the sum of \$50,000.00, which amount the Council shall appropriate sufficient funds set up in the annual budget to fund the costs identified in Section 1:261.

1:263. - Limitation on use.

No part of the risk fund may be transferred to any other fund, nor be encumbered, nor be utilized for any purpose except the purposes hereinafter specifically set forth.

1:264. - Investments.

Any part of the risk fund in the opinion of the Board of Insurance Administration is in excess of the amount probably needed for current liabilities may be invested by the city chief financial officer under Council-approved city investment guidelines.

1:265. - Authorized expenditures.

The Board of Insurance Administration is authorized to expend up to \$105,000.00 from the risk fund on a single claim without City Council approval. The Board of Insurance Administration may delegate to the chief financial officer by resolution authority to expend a lesser amount. Each expenditure shall be reported to City Council as part of the official minutes of the Board of Insurance Administration. Expenditures from the risk fund above \$510,000.00 may be expended only after recommendation of the Board of Insurance Administration and approval by the City Council. Payments from the risk fund may be made only as follows:

- (1) Payment to or on behalf of employees of the City of Ann Arbor of amounts for which the city is or becomes liable to them by reason of the Worker's Disability Compensation Act. Such payments may be made prior to the recommendation of the Insurance Board and approval by City Council after the chief financial officer has verified the employee's entitlement to payment.
- (2) Payment of compensation for injury to persons or property or other claims for which the city is liable or is authorized to pay on behalf of its officers or employees and in respect of which the city is not otherwise protected by insurance.
- (3) Replacement of moneys, credits, or securities belonging to the City of Ann Arbor ~~that~~ which have been lost to the city through the defalcation or misconduct of any officer or employee of the city or of any other person and in respect of which the city is not protected by surety bond or other insurance.
- (4) Reimbursement for the amount of loss or damage in excess of \$1,500.00 to property

belonging to the City of Ann Arbor not otherwise protected by insurance, caused by anyll perils , except losses caused by ordinary wear and tear of use, war or any form of atomic fission.

(5) Payment of expenses incurred in the investigation and defense of claims thatwhich are payable from the risk fund. Such payments may be made prior to the recommendation of the Board of Insurance Administration and approval by City Council.

(6) Payment for actions thatwhich City Council, by resolution, has determined may mitigate a public safety concern, a public health concern or a nuisance, or limit potential liability of the City of Ann Arbor.

(7) Payments to fund health and employee benefits, and related administrative costs, for City employees, retirees, and their authorized dependents.

1:266. - Custody of fund.

All moneys, credits and securities constituting the risk fund shall be kept in the custody of the City Treasurer who shall be responsible for their safekeeping to the same extent that he or she is responsible for other similar property belonging to the City of Ann Arbor. A report concerning the fund shall be prepared by the City Treasurer as of February 1March 31 of each year and furnished to the City Administrator for use in preparation of the annual budget to the city.

1:267. - Accounting.

An account of properties constituting the risk fund, of acquisitions and expenditures, and of other matters concerning it shall be kept by the City Treasurer and shall be available at all reasonable times to the Board of Insurance Administration and to the City Council.

1:268. - Claims adjuster.

Notwithstanding any other provisions of this chapter, payment required by the Worker's Disability Compensation Act or payment for claims for which the risk fund is liable may be made by such person as the cC ity has contracted with to evaluate and pay claims without theprior to recommendation of the board and approval by Council, provided that such payments may be made only for the purposes set forth herein and pursuant to a contract approved by City Council. The contract shall state a limitation on the amount of any payment made withoutprior to Board of Insurance Administration and City Council approval and shall further state the Board of Insurance Administration and City Council shall retain authority to pay or deny any claims thatwhich would otherwise be subject to evaluation and payment by such person.

Section 2: This Ordinance shall take effect ten days after passage and publication.

CERTIFICATION

I hereby certify that the foregoing ordinance was adopted by the Council of the City of Ann Arbor, Michigan at its regular session of July 1, 2019.

(Date)

Jacqueline Beaudry, Ann Arbor City Clerk

Christopher Taylor, Mayor

I hereby certify that the foregoing ordinance received legal publication on the City Clerk's Webpage on July 8, 2019.

Jacqueline Beaudry, Ann Arbor City Clerk