

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 appropriations from the General Subfund and the utilities to pay the judgments, settlements, claims, and other eligible expenses expected in the following year. 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.

In an effort to make the Judgment/Claims Subfund more transparent, four new Budget Control Levels (BCLs) are established in 2013. This change will allow for the improved tracking of budget and expenditures in the subfund. There are several different types of expenditures charged to the subfund. The Department of Finance and Administration (FAS) uses the subfund to pay for claims and settlements against the City that can be settled without litigation. The Law Department uses the subfund to pay for claims, settlements, and litigation expenses, including those related to police action cases. The four new BCLs segregate police action expenses, claims and settlement costs (for each FAS and Law), litigation costs, and pre-litigation or special project legal expenses.

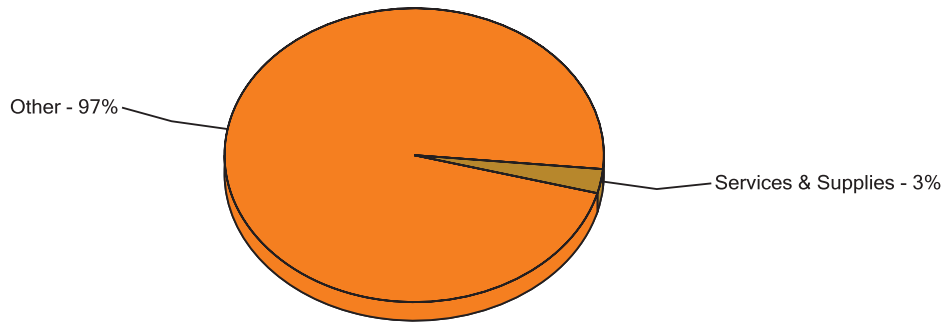
Budget Snapshot

Department Support	2011 Actual	2012 Adopted	2013 Proposed	2014 Proposed
Other Funding - Operating	\$18,266,541	\$17,829,739	\$15,033,963	\$16,859,178
Total Operations	\$18,266,541	\$17,829,739	\$15,033,963	\$16,859,178
Total Appropriations	\$18,266,541	\$17,829,739	\$15,033,963	\$16,859,178
Full-time Equivalent Total*	0.00	0.00	0.00	0.00

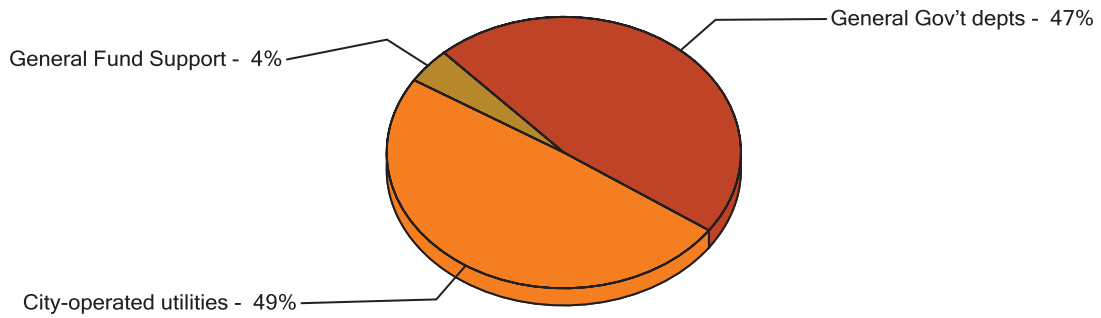
* FTE totals are provided for information purposes only. Changes in FTEs resulting from City Council or Personnel Director actions outside of the budget process may not be detailed here.

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2013 Proposed Budget - Expenditure by Category



2013 Proposed Budget - Revenue by Category



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Budget Overview

The 2013-2014 Judgment/Claims Proposed Budget was created by assessing the cases and claims filed against the City, their dollar value, and the likelihood of the City being required to pay out on those claims and cases. Another assessment was done to quantify the City's exposure to claims and cases not yet filed against the City. The Risk Management Division of the Department of Finance and Administrative Services, the City Budget Office, and the Law Department continue to monitor both the City's potential risk liabilities as well as the financial health of the Judgment/Claims Subfund. Since the adoption of the 2012 budget, the City's underlying risk exposure is expected to decrease in 2013. The decrease is attributable to a high number of claims that will be resolved in 2014 rather than in 2013. This is leading to one-time expenditure savings for the Judgment/Claims Subfund in 2013.

In addition to the one-time savings in 2013, the Law Department has been able to decrease the use of outside legal counsel by hiring in-house attorneys to handle police action cases. The Proposed Budget adds an additional position to the Law Department, bringing the total number of police action attorneys to three. The Law Department will also achieve savings by adding an in-house information technology position to perform work that was previously handled by more costly outside vendors and charged to the Judgment/Claims Subfund. Both of these changes will result in savings for the Judgment/Claims Subfund.

Incremental Budget Changes

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	2013		2014	
	Budget	FTE	Budget	FTE
Total 2012 Adopted Budget	\$ 17,829,739	0.00	\$ 17,829,739	0.00
Baseline Changes				
Citywide Adjustments for Standard Cost Changes	-\$ 90,088	0.00	\$ 443,274	0.00
Proposed Policy Changes				
Reduce Outside Attorney Costs for Police Action Cases	-\$ 953,455	0.00	-\$ 1,156,059	0.00
Technology Staffing	-\$ 85,600	0.00	-\$ 85,600	0.00
Adjust Funding to Reflect Lower Lawsuit Exposures in 2013	-\$ 1,500,000	0.00	\$ 0	0.00
Shift Funds from Judgment and Claims to Law	-\$ 166,633	0.00	-\$ 172,176	0.00
Total Incremental Changes	-\$ 2,795,776	0.00	-\$ 970,561	0.00
2013 - 2014 Proposed Budget	\$ 15,033,963	0.00	\$ 16,859,178	0.00

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Description of Incremental Budget Changes

Baseline Changes

Citywide Adjustments for Standard Cost Changes - (\$90,088)

Citywide technical adjustments made in the "Baseline Phase" reflect changes due to inflation, central cost allocations, retirement, health care, workers' compensation, and employment costs. These adjustments reflect initial assumptions about these costs and inflators early in the budget process.

Proposed Policy Changes

Reduce Outside Attorney Costs for Police Action Cases - (\$953,455)

Beginning in 2011, the Law Department began handling police action cases with in-house attorneys. Prior to this, police action cases were handled primarily using private attorneys, with the costs charged to the Judgment/Claims Subfund. As a result of this change in practice, costs to the Judgment/Claims subfund began decreasing in 2012. This change captures the anticipated savings. A portion of the savings is offset by the cost of adding additional resources to the Law Department to handle even more of these cases with in-house resources.

Technology Staffing - (\$85,600)

The Law Department has experienced an increase in electronic records requests related to public records and litigation. The Department has utilized outside vendors to handle some of this litigation work, averaging more than \$85,600 per year in costs to the Judgment/Claims Subfund. Adding \$62,734 and a 0.5 FTE Information Technology System Analyst position to the Law Department allows them to bring this work in-house, reducing the need for outside vendors. The Judgment/Claims Subfund is reduced by \$85,600, providing a savings of \$22,866.

Adjust Funding to Reflect Lower Lawsuit Exposures in 2013 - (\$1,500,000)

The City's Risk Management Division estimates that pending lawsuits and likely resolve dates allow for a reduction in the Law Department's judgment and claims expenses in 2013. The savings applies to 2013 only due to the extent of the lawsuit exposures that may become due in 2014.

Shift Funds from Judgment and Claims to Law - (\$166,633)

Costs of a Law Department attorney have been routinely charged to the Judgment/Claims Subfund. The litigation work handled by this attorney generally involves General Fund issues. To better align the position and funding source, the Proposed Budget shifts funding for this position from Judgment/Claims to the Law Department.

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Expenditure Overview

Appropriations	Summit Code	2011 Actual	2012 Adopted	2013 Proposed	2014 Proposed
Claim Expenses Budget Control Level	00126-CJ000	0	0	3,750,000	3,862,500
General Legal Expenses Budget Control Level	00126-JR010	0	0	100,000	103,000
Judgment Claims - General Budget Control Level	CJ000	18,266,541	17,829,739	0	0
Litigation Expenses Budget Control Level	00126-JR000	0	0	9,745,897	11,586,470
Police Action Expenses Budget Control Level	00126-JR020	0	0	1,438,066	1,307,208
Department Total		18,266,541	17,829,739	15,033,963	16,859,178
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.

Revenue Overview

2013 Estimated Revenues

Summit Code	Source	2011 Actual	2012 Adopted	2013 Proposed	2014 Proposed
544730	Payments from City-operated utilities	3,936,154	7,000,000	7,582,488	7,809,963
	Total City-operated utilities	3,936,154	7,000,000	7,582,488	7,809,963
544730	Payments from General Government departments	9,191,677	9,191,677	7,169,098	8,348,198
	Total General Gov't depts	9,191,677	9,191,677	7,169,098	8,348,198
587001	General Subfund Support	1,191,062	1,191,062	648,080	758,323
	Total General Subfund Support	1,191,062	1,191,062	648,080	758,323
	Total Revenues	14,318,893	17,382,739	15,399,666	16,916,484
379100	Use of Fund Balance	3,947,648	447,000	-365,703	-57,306
	Total Use of (Contribution to) Fund Balance	3,947,648	447,000	-365,703	-57,306
	Total Resources	18,266,541	17,829,739	15,033,963	16,859,178

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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.

Program Expenditures	2011 Actual	2012 Adopted	2013 Proposed	2014 Proposed
Claim Expenses	0	0	3,750,000	3,862,500
Total	0	0	3,750,000	3,862,500

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.

Program Expenditures	2011 Actual	2012 Adopted	2013 Proposed	2014 Proposed
General Litigation	0	0	100,000	103,000
Total	0	0	100,000	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.

Program Expenditures	2011 Actual	2012 Adopted	2013 Proposed	2014 Proposed
Judgment/Claims - General Program	18,266,541	17,829,739	0	0
Total	18,266,541	17,829,739	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.

Program Expenditures	2011 Actual	2012 Adopted	2013 Proposed	2014 Proposed
Settlement and Judgement Expenses	0	0	9,745,897	11,586,470
Total	0	0	9,745,897	11,586,470

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.

Program Expenditures	2011 Actual	2012 Adopted	2013 Proposed	2014 Proposed
Police Action Expenses	0	0	1,438,066	1,307,208
Total	0	0	1,438,066	1,307,208

Judgment/Claims Fund Table

Judgment/Claims Subfund (00126)

	2011 Actuals	2012 Adopted	2012 Revised	2013 Proposed	2014 Proposed
Beginning Fund Balance	16,355,000	8,086,588	12,407,352	12,531,191	12,896,894
Accounting and Technical Adjustments	0	0	0	0	0
Plus: Actual and Estimated Revenues	14,318,893	17,382,739	17,382,739	15,399,666	16,916,484
Less: Actual and Budgeted Expenditures	18,266,541	17,829,739	17,258,900	15,033,963	16,859,178
Ending Fund Balance	12,407,352	7,639,588	12,531,191	12,896,894	12,954,200

Total Reserves

Ending Unreserved Fund Balance	12,407,352	7,639,588	12,531,191	12,896,894	12,954,200
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