



TO: Mayor Shaun Sipma
Members of the City Council

FROM: David Lakefield

DATE: April 5, 2021

SUBJECT: USE OF CASH RESERVES FOR INSURANCE EXPENSES OVER BUDGET

I. RECOMMENDED ACTION

- A. Recommend City Council approve the Budget Amendment to increase the 2021 Airport and Storm Sewer insurance expense and approve the use of Airport and Water Sewer cash reserves.

II. DEPARTMENT CONTACT PERSONS

David Lakefield, Finance Director 857-4784

III. DESCRIPTION

A. Background

Prior to 2021 the City budgeted insurance in the General and Admin department. In 2021 insurance was broken out by department based on the estimate from prior years. Because insurance expense changes for a multitude of reasons including inflation and additions and deletions for building, auto or equipment as well as other policy changes it is not unforeseen that the estimated budget would not be sufficient to cover the actual expenses for all departments.

The largest overage was for flood insurance in Storm Sewer. The Perkett pump house was placed in service and added to the City’s insurance policy in late 2020 after the 2021 budget was completed so there was no prior year expense for this included in the calculation of the estimated future year expenses.

B. Proposed Project

N/A

C. Consultant Selection

N/A

IV. IMPACT:

A. Strategic Impact:

N/A

B. Service/Delivery Impact:

N/A

C. Fiscal Impact:

Costs

Airport Equipment Insurance	\$ 2,639.85
Storm Sewer Building Insurance	2,860.80
Storm Sewer Auto Insurance	334.00
Storm Sewer Flood Insurance	<u>9,904.58</u>
Total Expenses	\$15,739.23

Funding

Airport Cash Reserves	\$ 2,639.85
Water and Sewer Cash Reserves	<u>13,099.38</u>
Total Funding	\$15,739.23

V. ALTERNATIVES

- A. Council could deny the use of cash reserves and require departments to use other expenses budgeted in 2021 to cover the overages.

VI. TIME CONSTRAINTS

N/A

VII. LIST OF ATTACHMENTS

- A. Budget Amendment