

**City of Dearborn  
Workers' Compensation Fund  
Proposed FY2014, 2015 and 2016 Budget**

**This fund accounts for reserves established to support future expenditures for indemnity claims arising from work-related injuries.**

**Revenues**

- Revenue is estimated to increase from the Fiscal 2013 amended budget due primarily to lower interest earnings and lower than budgeted contributions from the City's funds. Contributions are probably lower due to decreases in employee payrolls.
- For future years, revenue is estimated to increase primarily due to expected higher interest earnings and higher contributions from the City's funds.

**Expenditures**

- Overall operating expenditures are lower than the Fiscal 2013 amended budget. This is due to a projected decline in hospital charges.
- Based on current expenses, the fund is experiencing a negative cash use of \$160 to \$180 thousand per year. This may be offset by lower than budgeted costs for Hospital Charges and Settlements Expense. (These amounts appear to be conservatively budgeted compared to recent history). Consideration may be given to increasing contributions from the City's funds.

**Reserves**

- Reserves are declining by \$160 to \$180 thousand per year based on budgeted revenues and expenses. Fund balance can absorb the declines through fiscal 2016.
- The method for estimating reserves in this fund was reviewed with the City's auditor and changed at the end of Fiscal 2007. The old method was felt to compute a reserve that was too high due to including amounts already paid in the estimated reserve. The revised method excludes amounts already paid, resulting in a substantially lower calculation. This calculation, while still an estimate based on prior history is considered to be a more accurate representation of reserves in this fund. Reserves may stabilize going forward.
- The change in calculating reserves resulted in a one-time increase in revenue at the end of Fiscal 2007. An adjustment of \$1,380,285 to reimbursement revenue was made for 2007. Claims and judgements expense in 2007 was also very low due to the same change in method.