
Sponsor: County Manager's Office

Meeting Date: 4/15/2025

Title: Approval of Fees for Loss of Use and Enterprise Risk Management Administrative Overhead During Subrogation of Claims

File Number: 2025-101

Background and Rationale:

In May of 2023, Enterprise Risk Management started calculating and including Loss of Use and Administrative Overhead fees when seeking reimbursement from the at-fault party in liability claims. The intent of these fees is to ensure the billed costs reflect the true costs incurred by Ramsey County, allowing the county to be made whole after suffering damages not by its own negligence. These fees are applied only to claims against insurance carriers, not individual residents.

Loss of Use fees help an entity recover operational and opportunity costs when property or equipment becomes damaged or unusable. Enterprise Risk Management uses Loss of Use fees to offset the costs associated with county-owned vehicles and equipment that are inoperable due to damages caused by a third party. Upon losing the use of county-owned vehicles or equipment, resources are diverted into procuring temporary replacements. Loss of Use fees allow the county to recover most, if not all, these additional incurred expenses. In calculating Loss of Use, Enterprise Risk Management uses a fair market rental value of the damaged vehicle or equipment and multiplies the fair market rate by the number of days the effected vehicle or equipment is inoperable. This calculation method is a commonly accepted practice in the insurance and claims industry.

Administrative Overhead fees allow an organization to recover essential operational and supportive service costs incurred due to damages done by a third party. Enterprise Risk Management calculates Administrative Overhead fees by taking 5% of the total billed damages and applying it on top of the billing. The used percentage of 5% is reasonable compared to other industries that use between 7% to 20% to capture Administrative Overhead costs.

Loss of Use and Administrative Overhead fees help improve the county's ability to recover the full extent of damages incurred, protecting taxpayer resources and helping to make the county whole. This approach promotes transparency in Ramsey County's financial processes and holds responsible parties accountable for the full extent of their negligence.

Recommendation:

The Ramsey County Board of Commissioners resolved to:

1. Approve recovering Loss of Use fees when seeking reimbursement from the at-fault party in liability claims.
2. Approve recovering Enterprise Risk Management Administrative Overhead fees when seeking reimbursement from the at-fault party in liability claims.
3. Approve adding Loss of Use and Enterprise Risk Management Administrative Overhead fees to the Ramsey County Fee Schedule.

A motion to approve was made by Commissioner Xiong, seconded by Commissioner Miller. Motion passed.

Aye: - 7: Jebens-Singh, McGuire, McMurtrey, Miller, Moran, Ortega, and Xiong

By: _____
Jason Yang, Interim Chief Clerk - County
Board