Self-Insurance Trust Fund Board Report

Date: February 11, 2015

To: Self-Insurance Trust Fund Board

From: Candace Cannistraro, Management and Budget Director

Subject: Property and Public Liability (PPL) Fund: FY 15/16 Funding Recommendations

Strategic Initiatives

financial stability

Purpose

The Self-Insurance Trust Fund Board received information last year regarding the financial history and reserve policy of the Property and Public Liability (PPL) Fund. This report will provide an update on the financial status of the fund and recommend City contributions for inclusion in the FY 2015/16 budget.

Financial Update

Expenditure Trends

PPL Fund expenses are tracked and trended in three categories; administration, claims paid and premium costs. Only salary and benefits for City employees who work directly with the program are included in the administration costs. The cost of Citywide overhead is not included in the administrative expenses. Administration and premium costs are fairly constant each year. The value of claims paid can vary. The length of time from the submission of a claim to final resolution varies and can take over a year. This contributes to the variability of the annual costs. The total expenses and cost of claims for the last several years are shown below.

		Total Expenses	Cost of Claims
Actual	FY 11/12	$3.8M	$2.2M
Actual	FY 12/13	$2.8M	$0.8M
Actual	FY 13/14	$5.4M	$3.3M
Projected	FY 14/15	$3.5M	$1.3M
Forecast	FY 15/16	$5.5M	$3.0M

Revenues/Contributions and Reserve Balance

The PPL Fund has expenditures that can vary greatly from year to year, but a stable funding source as it is a direct contribution from the City's operating funds. The needed contribution is estimated each year and included in the adopted budget. Expenditures are reviewed during the year and the contribution can be modified as needed as the contribution is made in a lump sum at the end of the fiscal year.

Last year, the Self Insurance Trust Fund Board recommended staff to look at the $12M targeted reserve balance and evaluate the need for that level. Based on claims history, staff recommended to the City Council that the targeted reserve balance be adjusted to $10.0M. The FY 14/15 budget was adopted with PPL contributions estimated $5.4M to achieve a $10.0M ending reserve balance based on estimated expenses. With the projected expenses for FY 14/15 lower than budgeted, the full estimated contribution will not be needed. The projected City contribution needed in FY 14/15 is $3.4M.

Future Stability of the Fund

The City's management practices over the last ten years have resulted in a stable reserve balance for the PPL Fund. There are no identified changes in policy or legislation that would affect the future revenues or expenditures of the fund.

Recommendation

Staff recommends the City contribution for FY 14/15 be set at a level to achieve a minimum of a $10.0M ending reserve balance. The current projection is $3.4M.

Staff recommends including a $5.2M City contribution in the FY 15/16 budget to achieve a minimum forecasted ending reserve balance of $10.0M.

Attachments:

1. Property & Public Liability Trust Fund Charts – Data through 12-31-2014