



Self-Insurance Trust Fund Board Report

Date: February 23, 2021
 To: Self-Insurance Trust Fund Board
 From: Brian A. Ritschel, Office of Management and Budget Assistant Director
 Subject: Property and Public Liability (PPL) Trust Fund: Financial Update and FY 2021/22 Funding Recommendations

Purpose

The Self-Insurance Trust Fund Board received information in Fiscal Year (FY) 2019/20 regarding the financial history and reserve policy of the Property and Public Liability (PPL) Trust Fund. This report will provide an update on the financial status of the fund through FY 2019/20, year-end projections for FY 2020/21, and recommended City contributions for inclusion in the FY 2021/22 budget.

Financial Update

Expenses Trends

Expenses in the PPL Trust Fund are tracked in three categories: administration, claims paid, and premium costs. Administration costs include salary and benefits of City employees who work directly with the program, as well as other operating costs. Citywide overhead charges are not applied to the PPL Trust Fund. The length of time from the submission of a claim to final resolution, value of claims paid, and frequency of claims contribute to the variability of the annual costs to the PPL Trust Fund. The total expenses and cost of claims for the last several fiscal years are shown in the following chart.

	Fiscal Year	Total Expenses	Cost of Claims
Actual	FY15/16	\$2.9M	\$0.6M
Actual	FY16/17	\$3.5M	\$1.2M
Actual	FY17/18	\$5.6M	\$3.2M
Actual	FY18/19	\$4.1M	\$1.7M
Actual	FY19/20	\$7.0M	\$4.3M
Projected	FY20/21	\$8.0M	\$4.5M
Forecast	FY21/22	\$8.1M	\$4.5M

Revenues/Contributions and Reserve Balance

PPL Trust Fund expenses can vary greatly from year to year, but the fund has a stable funding source from contributions directly from the City's operating funds. The needed contribution is estimated each year and included in the adopted budget. Expenses are reviewed during the year, and contributions are made to the fund on a quarterly basis. Since FY 2014/15, the PPL Trust Fund has maintained a minimum \$10.0 million year-end fund balance.

In FY 2019/20, the budget was adopted with PPL Trust Fund contributions estimated at \$7.6 million to achieve an ending reserve balance above \$10.0 million. In order to prepare the fund for potential expenses above the FY 2018/19 budgeted amount of \$7.5 million, the total budgeted contribution from operating funds was transferred into the fund, bringing the ending reserve balance above \$10.0 million. The City is on a multi-year plan to draw down of the fund balance back down to \$10.0 million.

Future Stability of the Fund

The City's management practices over the last several years have resulted in a stable reserve balance for the PPL Trust Fund. If the PPL Trust Fund balance remains above \$10.0 million, the City will plan a multi-year fund utilization with total PPL Trust Fund expense estimates in consideration. There are no identified changes in policy or legislation that would affect the future revenues or expenses of the fund. Insurance premium costs to the City for property and public liability insurance premiums have remained stable in recent fiscal years and are negotiated on an annual basis.

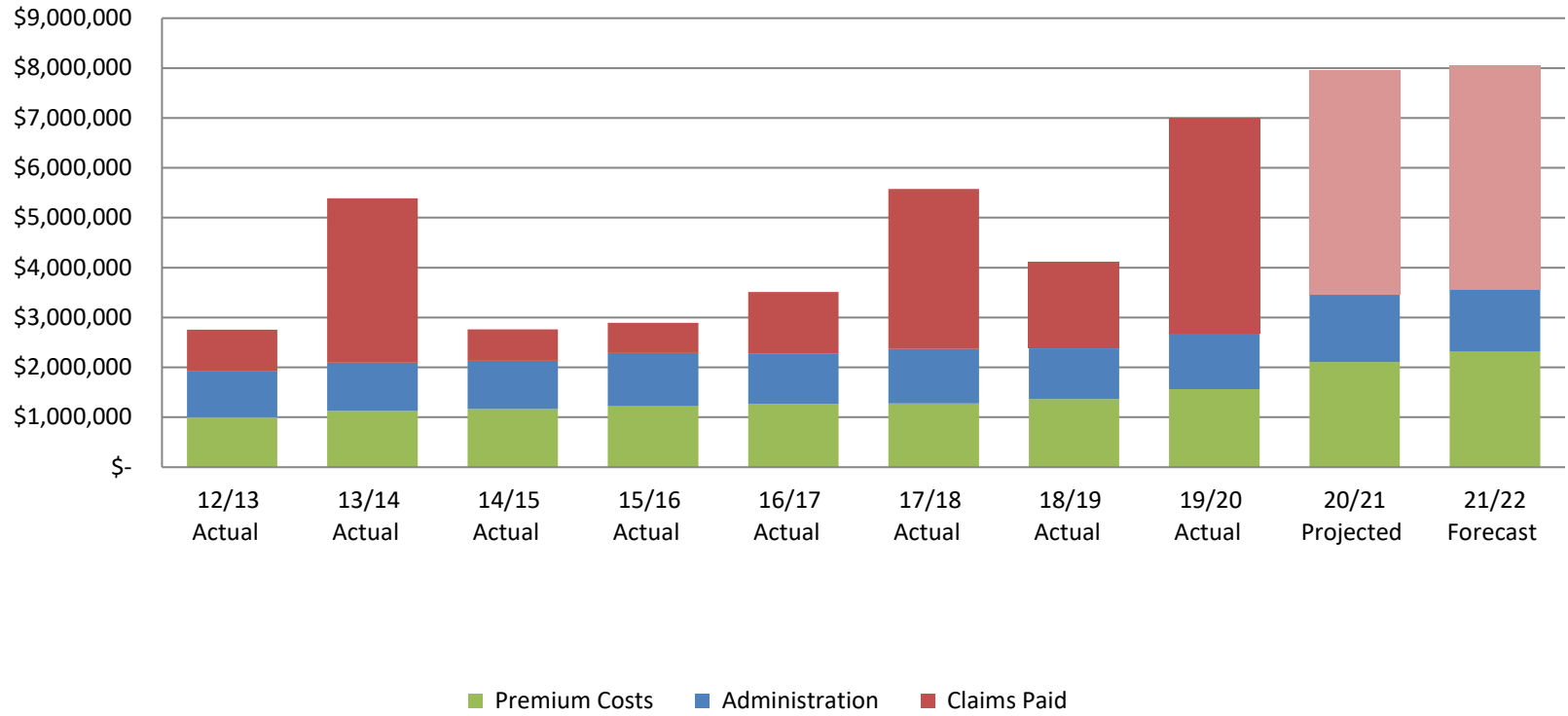
Recommendation

Staff projects a City contribution of \$6.4 million for FY 2020/21 so that the PPL Trust Fund will have an ending balance of \$12.0 million. Staff recommends including a \$6.9 million City contribution in the FY2021/22 budget to achieve a minimum forecasted ending reserve balance anticipated to be at \$11 million.

Attachments:

1. *Property & Public Liability Trust Fund Expenses and Property & Public Liability Trust Fund Cashflow Charts – Data Through 1-4-2021*

Property & Public Liability Trust Fund Expenses



Property & Public Liability Trust Fund Cashflow

