



Self-Insurance Trust Fund Board Report

Date: February 25, 2020
 To: Self-Insurance Trust Fund Board
 From: Candace Cannistraro, Office of Management and Budget Director
 Subject: Property and Public Liability (PPL) Trust Fund: Financial Update and FY 2020/21 Funding Recommendations

Purpose

The Self-Insurance Trust Fund Board received information in Fiscal Year (FY) 2018/19 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 2018/19, year-end projections for FY 2019/20, and recommended City contributions for inclusion in the FY 2020/21 budget.

Financial Update

Expenditure Trends

Expenditures 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
Projected	FY19/20	\$7.4M	\$4.0M
Forecast	FY20/21	\$7.7M	\$4.5M

Revenues/Contributions and Reserve Balance

PPL Trust Fund expenditures 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. Expenditures 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.

The FY 2018/19 budget was adopted with PPL 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.

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 multiyear fund utilization with total PPL trust 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.

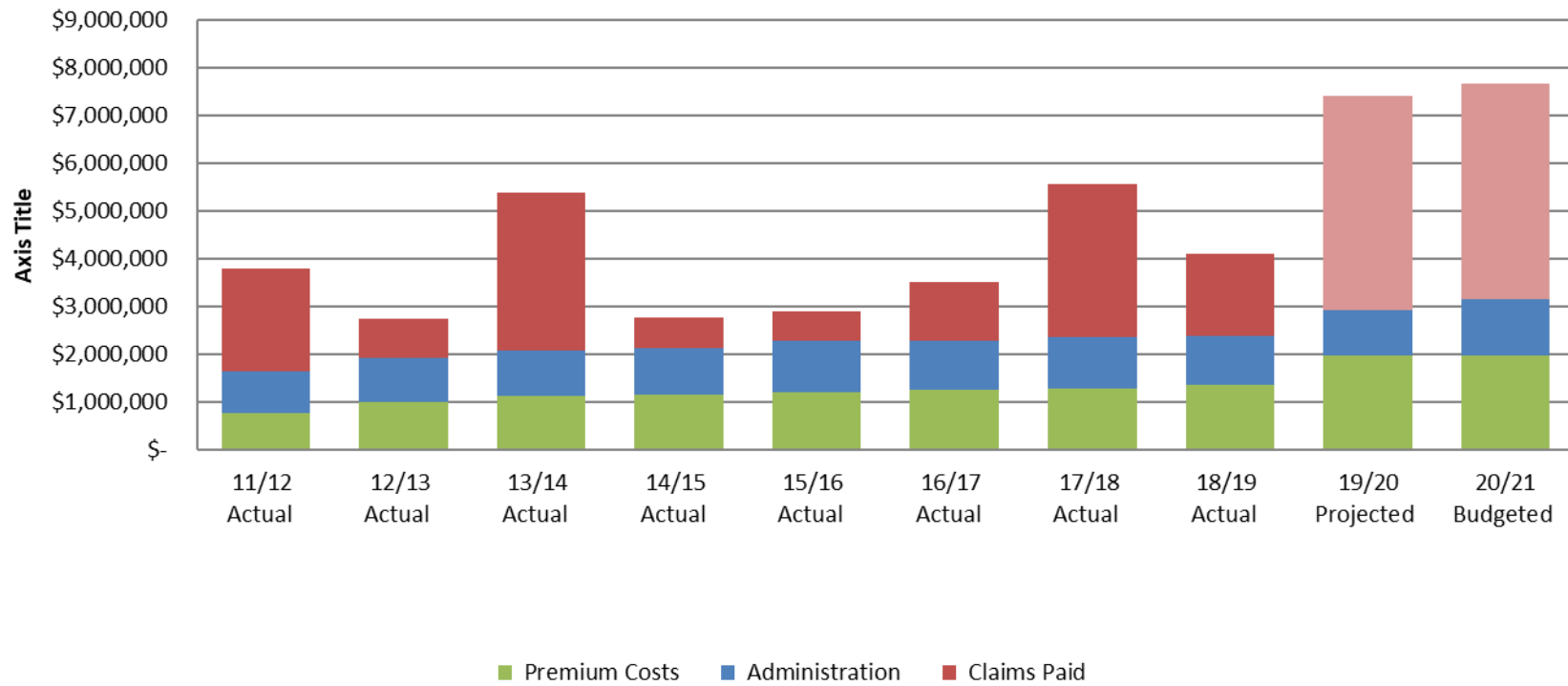
Recommendation

Staff recommends a City contribution of \$5.9 million for FY 2019/20 so that the PPL Trust Fund will have an ending balance of \$13.0 million. Staff recommends including a \$6.6 million City contribution in the FY2020/21 budget to achieve a minimum forecasted ending reserve balance anticipated to be at \$12 million.

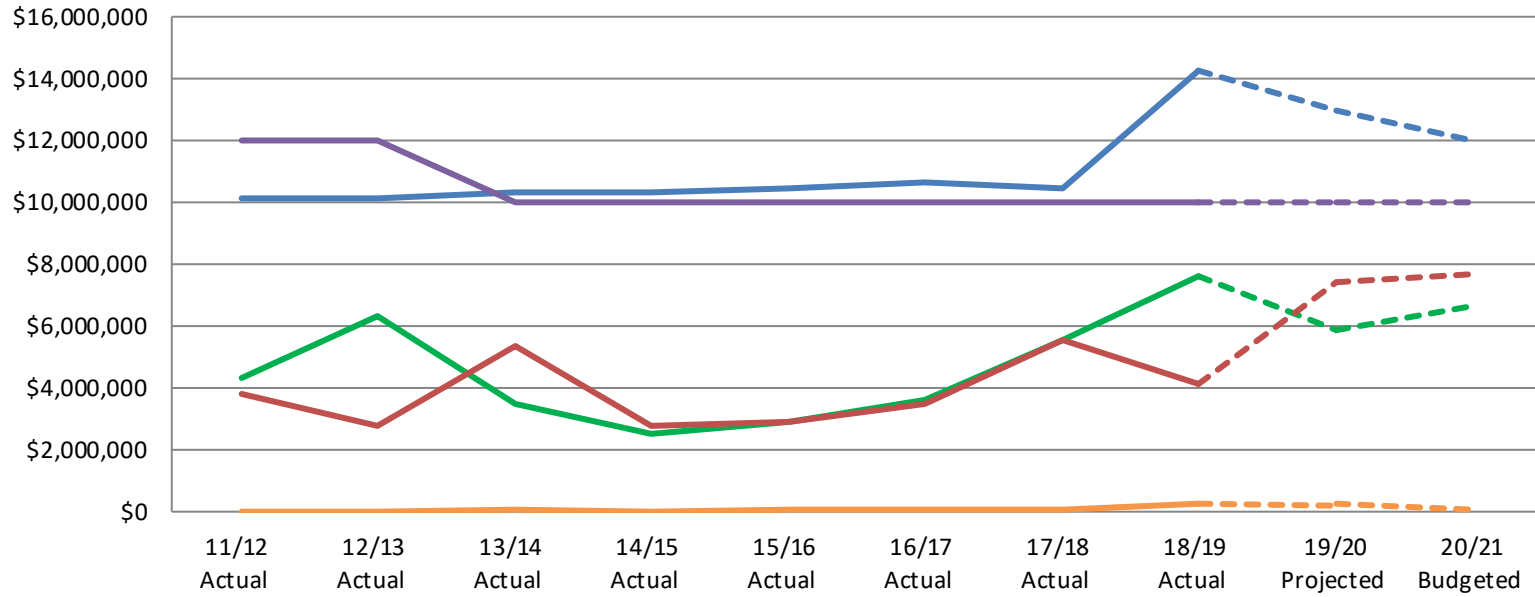
Attachments:

1. *Property & Public Liability Trust Fund Expenses and Property & Public Liability Trust Fund Cashflow Charts – Data Through 12-31-2019*

Property & Public Liability Trust Fund Expenses



Property & Public Liability Trust Fund Cashflow



— City Contribution
 — All Other Revenues
 — Total Expenses
— Ending Fund Balance
 — Minimum Ending Fund Balance