



Self-Insurance Trust Fund Board Report

Date: February 8, 2016
 To: Self-Insurance Trust Fund Board
 From: Candace Cannistraro, Office of Management and Budget Director
 Subject: Property and Public Liability (PPL) Fund: FY 16/17 Funding Recommendations

Strategic Initiatives



Purpose

The Self-Insurance Trust Fund Board received information in FY 14/15 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 2016/17 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 12/13	\$2.8M	\$0.8M
Actual	FY 13/14	\$5.4M	\$3.3M
Actual	FY 14/15	\$2.8M	\$0.6M
Projected	FY 15/16	\$5.3M	\$2.8M
Forecast	FY 16/17	\$5.5M	\$3.0M

Revenues/Contributions and Reserve Balance

The PPL Fund has expenditures that can vary greatly from year to year, but the Fund has a stable funding source as it receives 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 made to the Fund.

In FY 14/15, the Self Insurance Trust Fund Board recommended staff 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 15/16 budget was adopted with PPL contributions estimated at \$5.2M to achieve a \$10.0M ending reserve balance based on estimated expenses. In December 2015, the City Council approved an update to the trust fund document officially setting the fiscal year ending fund balance (reserve balance) for the PPL Fund at \$10.0M. With the projected expenses for FY 15/16 being slightly lower than budgeted, the estimated contribution is expected to cover expenses and maintain the target.

Based on the projected expenses for FY 16/17, the projected City contribution needed in FY 16/17 is \$5.5M.

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 15/16 be set at a level to achieve a minimum of a \$10.0M ending reserve balance. The current projection is \$5.2M.

Staff recommends including a \$5.5M City contribution in the FY 16/17 budget to achieve a minimum forecasted ending reserve balance of \$10.0M.

Attachments:

1. Property & Public Liability Trust Fund Charts – Data through 12-31-2015

as of 12/31/15

