



Self-Insurance Trust Fund Board Report

Date: February 13, 2017
 To: Self-Insurance Trust Fund Board
 From: Candace Cannistraro, Office of Management and Budget Director
 Subject: Property and Public Liability (PPL) Fund: FY 17/18 Funding Recommendations

Strategic Initiatives



Purpose

The Self-Insurance Trust Fund Board received information in Fiscal Year (FY) 15/16 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 in FY17 and recommend City contributions for inclusion in the FY 2017/18 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 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 Fund. The total expenses and cost of claims for the last several years are shown below.

| | | Total Expenses | Claims |
|-----------|---------|-----------------------|---------------|
| Actual | FY13/14 | \$5.4M | \$3.3M |
| Actual | FY14/15 | \$2.8M | \$0.6M |
| Actual | FY15/16 | \$2.9M | \$0.6M |
| Projected | FY16/17 | \$5.0M | \$2.7M |
| Forecast | FY17/18 | \$6.3M | \$4.0M |

Revenues/Contributions and Reserve Balance

The PPL Fund contains expenditures that 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 made to the Fund. Since FY 14/15, the PPL Trust has maintained a \$10 million year-end fund balance as approved by Council.

The FY 16/17 budget was adopted with PPL contributions estimated at \$6.6M to achieve a \$10.0M ending reserve balance based on estimated expenses. With FY16/17 projected expenses lower than budgeted expenses, the estimated City contribution is \$4.8M.

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 Fund. 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 are expected to increase an expected 2.5%, however, future contract negotiations will determine the exact premium cost growth amount.

Recommendation

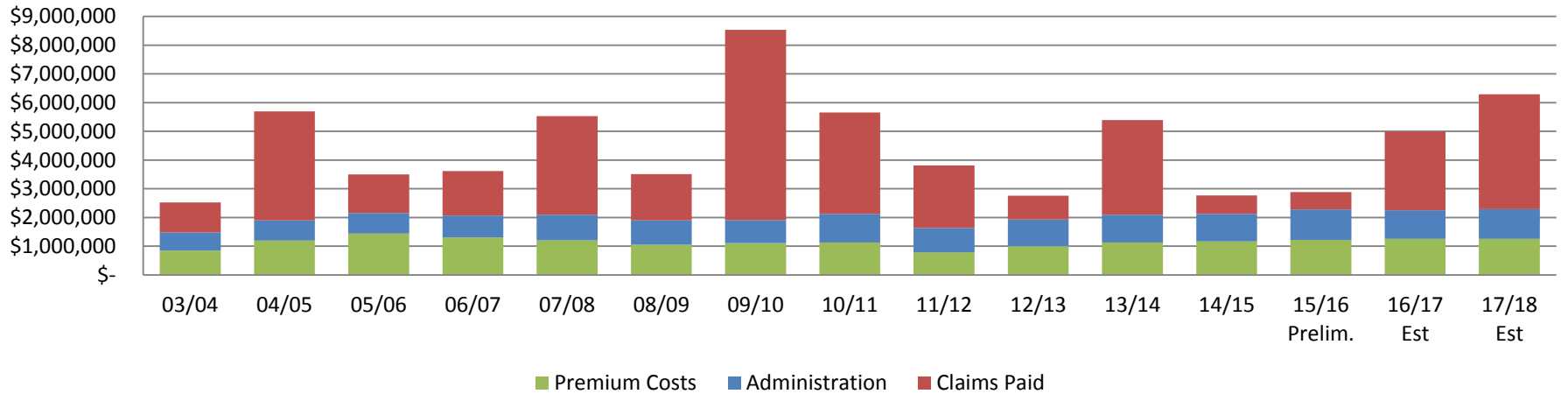
In order to fund PPL Fund expenses for FY17/18, staff recommends an FY16/17 City contribution of \$4.8M to the PPL Fund, resulting in a year-end balance of \$10.0M.

Staff recommends including a \$6.3M City contribution in the FY17/18 budget to achieve a minimum forecasted ending reserve balance of \$10.0M.

Attachments:

1. Property & Public Liability Trust Fund Charts – Data through 12-31-2016

Property & Public Liability Trust Fund Expenses



Property & Public Liability Trust Fund Cashflow

