



PLAN Administrative Budget Analysis

Personnel Costs increase 12% over Fiscal Year 2014-15

Personnel cost is composed of salaries and benefits of PLAN staff and direct support from other ABAG staff, and Indirect Overhead Cost for ABAG support. The salaries and benefit component increased 10.5% and the Indirect Overhead Cost increased 15.5%.

Salaries and Benefits increase 10.5% over Fiscal Year 2014-15

Hours increased 468 hours or 3.8%.

The average hourly staff rate increased \$5.62 or 6.4%.

The salaries and benefits for PLAN staff increased \$63,025 or 7.3%.

The salaries and benefits for Systems staff increased \$50,859 or 424.6%.

All ABAG staff received a 3% salary increase.

Three PLAN staff received 5% step increases during fiscal year.

The Assistant Claims Examiner's status changed from single no dependents to married one dependent impacting rate.

Systems Technical hours increase 350 hour to provide for deductible interface and grant payment processing programming to Oracle accounting system.

Indirect Overhead Costs increase 15.5% over Fiscal Year 2014-15

The increase in the Indirect Cost Overhead Rate of 2 percentage point is a 4.66% increase in the rate.

The rate increase produced an additional cost to PLAN of \$21,528.

The increase in direct salaries and benefits (the base for assessing indirect overhead) produced an additional cost to PLAN of \$50,042.

The 4.66% increase in the Indirect Cost Overhead Rate resulted from ABAG budget reduction in FY 2013-14. Direct personnel costs were reduced 11.07%, while indirect costs were reduced 6.9%.



Date: June 10, 2015

To: ABAG PLAN Executive Committee

From: Charlie Adams, PLAN CEO
Jim Hill, PLAN Risk Management Officer

Subject: **PLAN Administrative Budget Analysis**

Recommendation

Approval of PLAN Administrative Budget with a recommendation to include the PLAN Administrative Budget Analysis for Board review.

Summary

Attached is a detailed analysis of the PLAN Administrative Budget. The analysis provides additional insight on the increase in PLAN personnel costs (salary and benefits) and ABAG indirect overhead costs. Also included is a review of the 5 year trend in Administrative Budget (PLAN Revenue), total personnel costs and total expenses.

The primary driver of the personnel increases are normal salary increases and an increase in hours for System personnel as it relates to specific PLAN projects (Deductible Invoicing and Grant Payment Processing. Other factors include an increase in the Indirect Overhead Cost factor.

The trend review further illustrates the positive impact the TPA transition has the surplus position of the Administrative Fund. The current budget is well below the trajectory of the prior (FY 2014) Administrative budget which based on current indicators (personnel cost increases of 3% plus prior inflation increase) would exceed \$3 million dollars. The current budget continues to reflect a savings to ABAG PLAN members of over \$600K when compared to the prior staff configuration. This assumption utilized prior budgeted salary amounts for PLAN claims staff and took into consideration the normal salary increases that have occurred during this budget cycle.

PLAN staff and Financial Officer are prepared to discuss the analysis and answer any questions the Executive committee has with respect to this report.

**ANALYSIS OF INCREASE IN PLAN ADMINISTRATIVE BUDGET
PERSONNEL COSTS**

Personnel Cost Components

	Fiscal Year		Increase	
	2015-16	2014-15	Amount	Percent
Salaries and Benefits	\$ 1,188,909	\$ 1,076,383	\$ 112,526	10.5%
Indirect Cost Overhead	534,415	462,845	71,570	15.5%
Total Personnel Costs	\$ 1,723,324	\$ 1,539,228	\$ 184,096	12.0%

Staff Hours	12,676	12,208	468	3.8%
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Average Hourly Rate	\$ 93.79	\$ 88.17	\$ 5.62	6.4%
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Significant Sectors and Positions

PLAN Staff	\$ 928,518	\$ 865,493	\$ 63,025	7.3%
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Systems	\$ 62,836	\$ 11,977	\$ 50,859	424.6%
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	Increase FY15-16 over FY14-15	
	Hours	Amount
Claims Manager	56	\$ 22,246
Assistant Claims Examiner		\$ 22,566
Systems Technical	350	\$ 38,813

INDIRECT OVERHEAD COST

ABAG Indirect Cost Rate

	Fiscal Year		Increase	Percent
	2014-15	2013-14	(Decrease)	
Indirect Cost	\$ 3,229,454	\$ 3,469,601	\$ (240,147)	-6.92%
Direct Personnel Cost	\$ 7,184,243	\$ 8,078,178	\$ (893,935)	-11.07%
Indirect Cost Rate	44.95%	42.95%	2% pt.	4.66%

PLAN Indirect Cost Increase

Increase in rate	\$ 21,528
Increase in direct personnel cost	50,042
Total Indirect Overhead Increase	<u>\$ 71,570</u>

OUTSOURCING CLAIMS

	FY 13-14	FY 14-15		FY 15-16	
	Budget	Budget	Inc (Dec)	Budget	Inc (Dec)
Total Personnel	\$ 2,691,320	\$ 1,539,228		\$ 1,723,324	
IDC	808,620	462,845		534,415	
Direct Personnel	1,882,700	1,076,383	\$ (806,317)	1,188,909	\$ (693,791)
IDC savings		43.00%	(346,716)	44.95%	(311,859)
York fees	-	591,034	591,034	608,765	608,765
Net Savings			\$ (561,999)		\$ (396,885)

	<i>FY Budget Jun-10</i>	<i>FY Budget Jun-11</i>	<i>FY Budget Jun-12</i>	<i>FY Budget Jun-13</i>	<i>FY Budget Jun-14</i>	<i>FY Budget Jun-15</i>
REVENUE						
EARNED PREMIUM	2,500,000	2,500,000	2,500,000	2,850,002	2,850,000	2,250,000
OTHER REVENUE	-	20,000	-	-	-	-
TOTAL REVENUES	2,500,000	2,520,000	2,500,000	2,850,002	2,850,000	2,250,000
EXPENSES						
PERSONNEL COSTS	2,368,405	2,472,023	2,635,739	2,544,826	2,691,320	1,539,228
TOTAL PERSONNEL COSTS	2,368,405	2,472,023	2,635,739	2,544,826	2,691,320	1,539,228
TECHNICAL CONSULTANT FEES	60,000	36,000	40,200	68,500	68,500	10,000
LEGAL CONSULTANTS	50,000	30,000	15,000	20,000	40,000	10,000
CLAIMS CONSULTANTS	70,000	93,000	45,000	45,000	45,000	603,034
RISK MANAGEMENT CONSULTANTS	10,000	-	-	-	-	-
ACTUARIAL CONSULTANTS	20,000	22,700	23,000	28,000	30,000	30,000
AUDIT FEES CLAIMS ADMIN.	10,000	19,500	24,000	12,000	12,000	-
AUDIT FEES FINANCIAL	18,000	23,000	-	12,000	12,000	12,000
OTHER CONSULTANTS	-	4,200	3,000	15,000	15,000	5,738
TOTAL	238,000	228,400	150,200	200,500	222,500	670,772
OTHER DIRECT CHARGES						
TRAVEL	7,000	6,000	7,000	5,000	5,000	7,500
PRINTING IN-HOUSE	3,000	500	750	1,000	2,500	1,500
PRINTING OUTSIDE	6,000	500	750	1,000	1,000	1,000
CONFERENCES & SEMINARS	25,000	9,526	9,500	12,000	12,000	7,500
OFFICE SUPPLIES	8,000	3,000	3,000	3,000	3,500	1,500
SUBSCRIPTIONS & MEMBERSHIPS	7,000	5,000	5,000	5,000	3,500	5,000
DEPRECIATION FURNITURE & AUTO	15,000	43,500	-	-	-	-
POSTAGE	-	1,000	3,000	3,000	3,000	2,000
TELEPHONE	-	300	1,300	1,500	1,500	1,500
INSURANCE & BONDING	20,000	16,000	17,000	20,000	25,000	-
STAFF TRAINING & DEVELOPMENT	5,000	1,500	1,500	2,500	2,500	2,500
MISCELLANEOUS	25,000	5,000	15,000	15,000	10,000	10,000
TOTAL OTHER DIRECT CHARGES	121,000	91,826	63,800	69,000	69,500	40,000
TOTAL EXPENSES	2,727,405	2,792,249	2,849,739	2,814,326	2,983,320	2,250,000
SURPLUS/(DEFICIT)	(227,405)	(272,249)	(349,739)	35,676	(133,320)	-

Plan Administrative Expense Trend

