



Date: May 18, 2015

To: Nick Pegueros - Chairman - Finance Committee

From: Jim Hill, Risk Management Officer

Subject: **PLAN Administration Fund – 2015-16 FY Preliminary Budget**

Action: **Approval of PLAN Administrative Budget as presented.**

Recommendation:

Staff recommends the Finance Committee approve the Administrative budget, as presented in the amount of \$2,458,589.

Summary

The PLAN Administrative Budget for FY 2015-16 is attached for review and discussion by the committee. The budget considers the continued utilization of York Risk Services as the PLAN claims administrator. PLAN is entering into the second year of the contract which calls for a 3% cost escalator. The cost escalator was negotiated in the contract prior to inception and was fully recognized in our analysis of all TPA cost.

PLAN staff, at the request of the committee, can provide a more detailed breakdown of all personnel cost under separate cover (confidential). PLAN operating costs including all direct and indirect expenses are detailed in an attachment to the report. ABAG indirect overhead charges have risen by 4.7% this year (44.95 indirect overhead factor).

The proposed Administrative Budget reflects a balanced budget designed to preserve assets and promote required growth of program surplus. PLAN Capital Reserve Fund and Contingency Reserve Policy are being managed effectively. Current Admin Fund surplus exceeds the minimum 25% of operating budget requirement and surplus will be monitored to ensure it meets the targeted parameters.

Administrative Budget Highlights

The PLAN Administrative budgets presented to the Committee this year is \$2,458,589. The budget is \$208,589 (9%) over prior year budget. The variance is primarily driven by Personnel Costs which are up 12% from last year for equivalent staffing.

PLAN Administration Fund – 2015-16 FY Preliminary Budget (con't)

Personnel Costs

As noted above, ABAG Personnel costs have risen this budget cycle due to a 3% salary increase to all ABAG staff (collective bargaining), along with a **4.7%** increase in ABAG overhead rate (**44.95 vs 42.95**) and ongoing pension funding liability costs.

PLAN personnel costs may be further reduced in the 3rd quarter of this fiscal year due to attrition (retirement of PLAN Risk Management Officer). Some of the cost savings may be offset by recruitment costs, as yet to be determined. A transition plan is currently being developed by ABAG Executive Director and Human Resources Director.

Other Costs and Direct Charges -

Overall, other costs are projected to rise **4% or \$25,493**. The bulk of the variance being driven by the TPA cost, including escalator. The York TPA fee includes a **3%** increase in the cost of the contract. Technical consulting fees are projected to remain relatively flat (**down 3% or \$1,000**). Audit fees (Financial) are expected to increase **33% or \$4,000** based on the current estimate provided by Finance.

Other direct charges are projected to decrease by **\$1,000 (3%)** overall. While there are slight increases noted in travel, printing, telephone and training, there is a corresponding reduction in miscellaneous expense and subscriptions. The budget amounts are being adjusted accordingly this year for budget accuracy. The changes are relatively nominal and reflect the rising cost of PLAN operational activities. There is an increase in training to support development of the Claims Manager and Assistant Claims examiner. In the final analysis, the overall change and values in direct expenses are unremarkable.

**ABAG PLAN Corporation Administrative Budget FY 2015/16
Projected Budget with Contracted TPA Services (York)**

	Proposed Budget 2015-16	Approved Budget 2014-15	\$ Change	% Change
REVENUES				
Administrative Premium	\$ 2,458,589	\$ 2,250,000	\$ 208,589	9%
Investments	n/a	n/a	n/a	
TOTAL REVENUES	\$ 2,458,589	\$ 2,250,000	\$ 208,589	9%
EXPENSES				
PLAN Personnel Costs (Staff)	\$ 1,723,324	\$ 1,539,228	\$ 184,096	12%
Total	\$ 1,723,324	\$ 1,539,228	\$ 184,096	12%
OTHER COSTS				
Technical Consultant Fees	\$ 12,000	\$ 10,000	\$ 2,000	20%
Legal Consultants	\$ 10,000	\$ 10,000	\$ -	0%
Claims Consultants	\$ 12,000	\$ 12,000	\$ -	0%
York TPA Fees	\$ 608,765	\$ 591,034	\$ 17,731	3%
Actuarial Consultants	\$ 30,000	\$ 30,000	\$ -	0%
Audit Fees Financial	\$ 16,000	\$ 12,000	\$ 4,000	33%
Audit Fees Claims Audit	\$ -	\$ -	\$ -	
Other Consultants	\$ 7,500	\$ 5,738	\$ 1,762	31%
Total Other Costs	\$ 696,265	\$ 670,772	\$ 25,493	4%
OTHER DIRECT CHARGES				
Travel	\$ 10,000	\$ 7,500	\$ 2,500	33%
Printing In-House	\$ 2,500	\$ 1,500	\$ 1,000	67%
Printing Outside	\$ 1,000	\$ 1,000	\$ -	0%
Conferences & Seminars	\$ 7,500	\$ 7,500	\$ -	0%
Office Supplies	\$ 1,500	\$ 1,500	\$ -	0%
Subscriptions & Memberships	\$ 3,500	\$ 5,000	\$ (1,500)	-30%
Postage	\$ 2,000	\$ 2,000	\$ -	0%
Telephone	\$ 2,000	\$ 1,500	\$ 500	33%
Insurance & Bonding	\$ -	\$ -	\$ -	
Staff Training & Development	\$ 4,000	\$ 2,500	\$ 1,500	60%
Miscellaneous	\$ 5,000	\$ 10,000	\$ (5,000)	-50%
Total Other Direct Charges	\$ 39,000	\$ 40,000	\$ (1,000)	-3%
TOTAL EXPENSES	\$ 2,458,589	\$ 2,250,000	\$ 208,589	9%
SURPLUS/(DEFICIT)	\$ -	\$ -		

(1)

Footnotes

(1) Approved \$12,000 FY 2013/14; Audit was deferred until FY 2014.