



## City Council Report

**Date:** December 1, 2015  
**To:** City Council  
**Through:** Michael Kennington, Chief Financial Officer  
**From:** Candace Cannistraro, Management and Budget Director  
Jim Smith, City Attorney  
**Subject:** Update to Trust Fund Document for the Property and Public Liability (PPL) and Employee Benefit (EBT) Self-Insurance Funds

### Strategic Initiatives



### Purpose and Recommendation

The purpose of this report is to provide an overview of the proposed changes to the trust fund document for the Property and Public Liability (PPL) and Employee Benefit Trust (EBT) funds.

### Background

The City of Mesa operates three trust funds: Property and Public Liability, Employee Benefit Trust and Worker's Compensation. The trust document being amended covers the PPL and EBT funds. The worker's compensation fund is covered by a separate trust fund document. The document outlines the requirements of the trust funds as required by State statute.

A board of trustees meets periodically to review the financial viability of the trusts and is responsible for making recommendations to the City Council. In March of 2014, the board felt that the \$12.0 million fund balance target for the PPL fund was higher than needed and requested staff to review it. Based on the review of historical claim experience, staff recommended to Council that the PPL fund balance target be reduced to \$10.0 million. The anticipated contribution needed to meet this target level was included in each of the last two adopted budgets, FY 14/15 and FY 15/16.

### Discussion

The proposed amendments to the PPL Trust are to sustain a \$10.0 million fund balance that is maintained thorough periodic (e.g. quarterly or semiannual) transfers. The amendments would allow the City Council to modify this target fund balance amount by a Council resolution. The adopted budget would still include an estimated contribution amount for the PPL Trust, but only the amount sufficient to sustain the \$10.0 million would be transferred.

Each year during the budget process, the PPL expenditures are estimated and the anticipated city contribution is calculated and included in the adopted budget. The actual annual contribution needed to maintain the targeted fund balance may be higher or lower than the budgeted amount. If the amount is lower than budgeted, only the amount necessary to maintain the targeted fund balance will be contributed to the trust fund. This would result in one-time savings that may be used elsewhere in the city or an increase in general reserves. If a greater amount is needed than was budgeted, available funds will be identified and moved to the trust fund. This would result in less funding available for other areas of the city or a decrease in general reserves.

Other administrative changes are also included in the amendment. For example: changing “medical and dental benefits” for the EBT fund to “health and welfare benefits” to better match the original language.

### **Alternatives**

The City Council could designate a defined contribution amount to the PPL Trust Fund as part of each adopted annual budget and call for the transfer of funds to occur regardless of the fund balance level of the trust.

### **Fiscal Impact**

No fiscal impact as the changes to the document are reflective of the current management of the fund.