



Memorandum

**TO: Board of Administration for the Police and Fire
Department Retirement Plan**

FROM: Benjie Chua Foy

SUBJECT: Increase FY23-24 Administrative Budget

DATE: February 21, 2024

Approved

B. Hayman

Date

2/28/2024

RECOMMENDATION

Discussion and action regarding approval to increase the FY23-24 administrative budget for 1) personnel services by \$200,000 to a total of \$4,992,000 and 2) professional services by \$500,000 to a total of \$1,403,000.

BACKGROUND

The Board initially approved a budget of \$4,792,000 for personnel services and \$903,000 for professional services at their March 2023 Board meeting for fiscal year 2023-2024 (July 1, 2023 to June 30, 2024). The total approved administrative budget for all categories: personnel services, non-personnel services, professional services and medical services was originally \$6,824,000. In December 2023, the Board approved to increase the budget for medical services by \$90,000 to \$360,000 when the contract for independent medical examiners was amended; thus, increasing the total administrative budget to \$6,914,000.

The Board approves the budget for each category, in this case “Personnel Services and “Professional Services”. The Board need only approve modifications when a category is close to exceeding the budget.

ANALYSIS

The Budget Office’s labor distribution report is used as the primary tool to develop the personnel budget, which covers all the staff in Retirement Services. The salaries and benefits of all staff, except for investment staff, is split 50/50 between the Police and Fire Department Retirement Plan (the Plan) and the Federated City Employees’ Retirement System (the System). The investment staff is split 60/40 between the Plan and the System, which is roughly based on asset size. During fiscal year 23-24, the employee bargaining units and the City went through several negotiations to avert a strike. This resulted in a general increase of 6% for all employees for this fiscal year, which was not fully budgeted for; only about 3% was budgeted. For this fiscal year, Staff is forecasting a total shortfall of approximately \$272,000 in personnel expenses for office staff, of which \$105,000 is for the Investments division and \$119,000 for the Benefits division. The rest of the shortfall is divided between Administration, IT and Accounting. These reasons, in addition to other factors, such as vacation sellback, higher starting salaries when hiring, offset by the vacancies during the year, will result in an overall personnel budget deficit of approximately \$168,000 for the Police and Fire Plan only. Staff is requesting a \$200,000 increase for the plan personnel services budget to have some buffer for anything unexpected that may happen from now until June 30.

The estimated \$449,000 deficit for professional services is mainly due to higher than anticipated legal services costs for all counsels, including tax and disability, but mainly fiduciary. Due to work arising from several audits, both internal and external, and responses to City Council requests, fiduciary counsel has been involved with creating and updating policies and reviewing other issues that have come up during the fiscal year that were unanticipated and unbudgeted. In addition, the disability counsel has increased their workload due to the streamlining of the disability process with the independent medical examiner and additional leadership staff being assigned to the program. For budgeting purposes, Staff is using the most recent experience (January invoice) to forecast expenses for fiduciary counsel for the remainder of the fiscal year. This conservative approach should avoid having to return and ask for additional budget for this fiscal year. The amount the Board is being requested to approve is higher than the forecasted budget amount; the amount expended is based on actual invoices.

	Personnel Services	Non- Personnel / Equipment	Professional Services	Medical Services	Total Administrative Budget
Approved Original Budget	\$4,792,000	\$859,000	\$903,000	\$270,000	\$6,824,000
Added December 2023				90,000	90,000
Projected Expenditures through June 30, 2024	4,960,000		1,352,000		
Deficit	(\$168,000)		(449,000)		
Requested Increase in Budget	\$200,000		\$500,000		\$700,000
Modified Budget with Increase Requested	\$4,992,000	\$859,000	\$1,403,000	\$360,000	\$7,614,000

CONCLUSION

Because of the labor negotiations and other increases in personnel expenses and increased legal services due to unanticipated legal matters and work on disability, expenditures for personnel and professional services have increased and are projected to exceed the budget. Staff is recommending the budget for the personnel services and professional services category for FY23-24 be increased by \$200,000 and \$500,000, respectively, modifying the budget for the personnel and professional services category to \$4,992,000 and \$1,403,000, respectively. This will increase the total administrative budget from \$6,824,000 to \$7,614,000 for FY23-24.

Benjie Chua Foy
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 Accounting Division Manager

