



Memorandum

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

FROM: Benjie Chua Foy

SUBJECT: Reallocation of FY23-24 Administrative Budget

DATE: September 16, 2024

Approved

Date

09/24/24

RECOMMENDATION

Discussion and action to approve the reallocation of the FY23-24 administrative budget to 1) increase professional services by \$10,000, 2) increase medical services by \$50,000, and 3) reduce non-personnel services/equipment by \$60,000 with no effect on the total administrative budget.

BACKGROUND

The Board approves the administrative budget based on the following four categories: personnel, non-personnel/equipment, professional services and medical services. The Board need only approve modifications when a category is close to exceeding the budget or in this case, has exceeded the budget.

At the March 2023 Board meeting, the Board initially approved \$6,824,000 for the total administrative budget for all categories: personnel services, non-personnel services, professional services and medical services for fiscal year 2023-2024 (July 1, 2023 to June 30, 2024).

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. Additionally, in March 2024, the Board approved to increase the budget for personnel services by \$200,000 and professional services by \$500,000, when Staff projected fiscal year expenses would exceed the budget in these categories. This increased the total FY23-24 budget to \$7,614,000.

ANALYSIS

The reallocation of \$10,000 to the professional services category budget is mainly due to the legal costs for the unanticipated and unbudgeted investigation requested by City Council. At the March meeting, an additional \$500,000 was approved to increase the professional services category budget due to an escalation in legal costs. Approximately \$50,000 of that budget request was for contingencies to cover investigation costs; staff estimated approximately \$70,000 between the two plans. At the end of the fiscal year, Office of Retirement Services (ORS) received invoices for the investigation totaling almost \$200,000 between the two plans. Although some of the costs were absorbed by other line items being underbudget in the professional category and having the additional \$50,000, it was not enough to absorb the full cost; thus, Staff is requesting the \$10,000 reallocation to the professional services category budget to offset the overage.

The \$50,000 reallocation to medical services is due to an increase in the use of medical examiners because of a higher number of disability retirement applications being processed. In October 2022, the ORS implemented a

new, streamlined disability application process which has enabled staff to process a higher number of disability retirement applications. There was no impact to the budget in fiscal year 2022-2023; medical costs only totaled \$181,000 and the budget was \$270,000. For fiscal year 2023-2024, medical costs totaled \$132,000 for the first half of the fiscal year; however, in the last two quarters of the fiscal year, costs averaged \$138,000 per quarter, totaling \$408,000 for the year, with approximately \$55,000 of the invoices being received in the last month of the fiscal year. Thus, Staff is requesting the \$50,000 reallocation to the medical services category budget.

Below is a summary of the total administrative budget showing the changes during fiscal year 2023-2024, including the requested reallocation.

	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
Added March 2024	200,000		500,000		700,000
Reallocation in budget		(60,000)	10,000	50,000	\$0
Modified Budget with Reallocation	\$4,992,000	\$799,000	\$1,413,000	\$410,000	\$7,614,000

CONCLUSION

The total administrative budget for the fiscal year 2023-2024 will not be exceeded. However, because the Board approves the budget based on the following four categories: personnel services, non-personnel/equipment, professional services, and medical services, Staff is requesting a reallocation between three of the four categories with a zero net effect on the total administrative budget. Staff is recommending approval of the reallocation of the FY23-24 administrative budget to 1) increase professional services by \$10,000, 2) increase medical services by \$50,000, and 3) reduce non-personnel services/equipment by \$60,000 with zero effect on the total administrative budget.

Benjie Chua Foy

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