



MEMORANDUM

TO: Chairman and Members of the City of Santa Fe Finance Committee

FROM: Oscar S. Rodriguez, Finance Director 
Lynette Trujillo, Human Resources Director 

DATE: May 7, 2015

SUBJECT: Santa Fe Health Fund update

This memo transmits the updated fund summary for the Health Fund.

The Health Fund summary in the recommended FY2015-16 budget did not include the changes to the Employee Health Benefits Plan that Council approved in April. The ending cash balance in this version stood at \$2.6 million, much lower than what was anticipated under the new plan. At the budget hearing on Monday, staff was asked to update the fund summary to reflect the Council-mandated changes for the next budget hearing instead of waiting until the recommended budget goes to Council for final approval.

Below is an updated summary for this fund showing staff's best estimate of the ending cash balance at the end of FY 2015-16. It includes the anticipated lower insurance claims cost allowed by the changes to the benefits plan. It also includes staff's projected current year-end performance and Aon's actuarial report of \$2.5 million in total claims incurred but not yet reported (IBNR). We are including the full IBNR amount in our projection to present an appropriately conservative result for next year. Of course, like other aspects of the fund summary, actual experience may vary.

Based on this new information, the anticipated beginning balance is projected to be \$3.6 million in FY 2015-16. Revenues from the City's and Employee's premiums—plus 8% increase—that were already included in the departments' recommended expenditure budgets are projected to be \$21.4 million. After total expenditures of \$20.4 million (\$19.9 million in insurance claims), the ending cash balance next fiscal year is projected to be \$4.6 million.

This result would appear to fall almost \$400,000 below the Council-mandated target of \$5.0 million for the Health Fund's ending cash balance. Staff recommends staying with this scenario until the changes to the plan and a more robust administration of claims by the new plan administrator, CIGNA, have had time to take effect. This will also let the IBNR's run their course longer and allow for a clearer picture of total claims costs. Staff will include this fund summary in the monthly financial reports so the Council can monitor its performance closely.

We are available to provide further information or answer any questions you may have.



**CITY OF SANTA FE - FY 2015/16 PROPOSED BUDGET
FUND OVERVIEW: SANTA FE HEALTH FUND [6107]**

Reflecting Proposed Changes In Claims Revenue/Costs & Administrative Costs

| DESCRIPTION | FY 2013/2014 ACTUAL | FY 2014/2015 | | | FY 2015/16 CITY MANAGER RECOMM. |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--|
| | | APPROVED | YEAR-TO -DATE* | PROJECTED YEAR-END | |
| BEGINNING BALANCE | <u>6,789,220</u> | <u>5,911,531</u> | <u>5,911,531</u> | <u>5,911,531</u> | <u>3,639,691</u> |
| <i>Revenues</i> | | | | | |
| Insurance Premiums | 17,975,623 | 19,831,200 | 15,774,560 | 18,929,472 | 21,383,574 |
| Sales Revenue | 357 | - | - | - | - |
| Miscellaneous Revenues | 1,150 | - | 6,539 | 7,847 | - |
| Interest on Investments | 32,425 | 26,144 | 20,673 | 25,360 | 25,613 |
| Diabetes Prevention Grant | 3,000 | - | - | - | - |
| Subtotal - Revenues | <u>18,012,556</u> | <u>19,857,344</u> | <u>15,801,772</u> | <u>18,962,678</u> | <u>21,409,187</u> |
| TOTAL RESOURCES | <u>24,801,776</u> | <u>25,768,875</u> | <u>21,713,303</u> | <u>24,874,209</u> | <u>25,048,878</u> |
| <i>Expenditures</i> | | | | | |
| Personnel Services: | | | | | |
| Salaries | 1,871 | - | - | - | - |
| Benefits | 530 | - | - | - | - |
| Operating Expenses: | | | | | |
| Contractual Services | 575,479 | 590,589 | 591,204 | 591,204 | 465,014 |
| Supplies | 273 | 299 | 4,364 | 4,364 | 299 |
| Insurance | 18,236,767 | 20,831,568 | 14,833,700 | 18,097,976 | 19,887,358 |
| Other Operating Costs | 326 | 300 | - | - | 300 |
| Transfers to Other Funds: | | | | | |
| Genoveva Chavez Comm. Ctr. [5700] | 75,000 | 75,000 | 62,500 | 75,000 | 75,000 |
| Employee Wellness Program | 75,000 | 75,000 | 62,500 | 75,000 | 75,000 |
| TOTAL EXPENDITURES | <u>18,890,245</u> | <u>21,497,756</u> | <u>15,491,768</u> | <u>18,768,544</u> | <u>20,427,971</u> |
| LESS: Incurred-But-Not- Reported Claims | | | | (2,465,974) | - |
| ENDING BALANCE | <u>5,911,531</u> | <u>4,271,119</u> | <u>6,221,535</u> | <u>3,639,691</u> | <u>4,620,907</u> |

* Includes year-to-date actuals plus encumbrances as of April 30, 2015