



COLLIN COUNTY

Auditor's Office
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To: County Judge and Commissioners
From: Jeff May, County Auditor
Date: December 4, 2015
Re: Additional Funding for the Employee Insurance Fund

The County Employee Insurance Fund experienced higher than normal claims mostly in the second half of FY2015 causing the fund balance to be negative at fiscal year-end in the amount of -\$948 thousand, and the insurance claims caused the budget to be negative by -\$2.9 million. Total claims in FY2015 totaled \$21 million, which was \$3 million more (16.6% higher) than FY2014. The issues with both the fund balance and the budget need to be addressed for CAFR reporting.

I recommend the following to resolve this issue in the short term:

1. Approve providing \$3 million in additional funding for FY2015 from all payroll department budgets, \$1 million to cover the negative amount and additional \$2 million keep the fund solvent in FY2016.
2. Approve the attached budget amendment of \$1,024,923 to cover the additional \$3 million of funding out of all payroll departments. There are excess funds in FY2015 department budgets to cover almost \$2 million of additional funding.
3. Approve the attached budget amendment from fund balance of \$2,941,911 to cover the negative claims budget in the Employee Insurance Fund.
4. Reduce the amount of funding in FY2015 by \$1,000,000 to the County Insurance Fund (fund 501) and by \$600,000 to the Workers' Comp Fund (fund 502). These funds have excess reserves which can be used to supplement the additional funding required in the General Fund by \$1.6 million.

It is not known at this time if the increase in claims is a temporary spike or a long-term issue, so further analysis is being done. The fund will be monitored closely to see if this trend continues.

Impact on insurance fund balances:

Net reduction in fund balances

General Fund	(\$1,079,271)
Road and Bridge	(193,611)
Law Library	(3,911)
County Clerk Records Management & Preservation	(9,778)
District Clerk Records Management & Preservation	(3,911)
Courthouse Security	(25,424)
Healthcare Foundation	(60,626)
Animal Safety	(23,468)
County Insurance Fund	(1,000,000)
Workers Compensation Fund	<u>(600,000)</u>
Total Reductions in fund balances	<u>(\$3,000,000)</u>

Increase in Employee Insurance Fund – fund balance \$3,000,000