

## Response to Questions on the FY 2010 Advertised Budget Plan

**Request By:** Supervisor Foust

**Question:** Please describe the fringe benefits budgeting process and determine whether there are additional savings available in FY 2010.

**Response:** Fringe Benefit expenses for County employees are paid from Agency 89, Employee Benefits, in the General Fund. Reimbursements are received from non-General Fund agencies for benefits paid on behalf of their employees. The budget for Fringe Benefit expenses is determined by projecting current year expenses for each Fringe Benefit category based on year-to-date trends and making adjustments in the budget year for premiums, enrollment, compensation, and any other factor which may impact Fringe Benefit expenses. Fringe benefits are not budgeted position-by-position and are instead analyzed on an aggregate basis. Below are the major Fringe Benefit categories and the primary drivers behind FY 2010 budget adjustments.

- **Group Health Insurance:** The FY 2010 budget assumes premium increases of 12.0 percent for the PPO plan, 5.0 percent for the POS plan, 15.0 percent for the HMO plan, and 18.0 percent for the OAP plan effective January 1, 2010. (It should be noted that these premium adjustments are projected budgetary factors and actual premium increases will be determined prior to open enrollment in fall of 2009.) In addition, adjustments were made based on enrollment trends as employees are moving out of the POS plan and into the OAP and PPO plans. Adjustments were also made to reimbursements based on the transfer of Stormwater positions to the new Fund 125, Stormwater Services, and to offset a one-time reimbursement from Fund 506, Health Benefits Trust Fund in FY 2009.
- **Dental Insurance:** The FY 2010 budget assumes a premium increase of 5.0 percent and increased employee participation, as well as an increase in reimbursements due to the transfer of the Stormwater positions.
- **Social Security (FICA):** The FY 2010 budget includes an adjustment for the FY 2010 impact of FY 2009 compensation increases as well as an increase in reimbursements due to the transfer of the Stormwater positions.
- **Retirement:** The FY 2010 budget includes adjustments for the FY 2010 impact of FY 2009 compensation increases as well as adjustments due to increases in the employer contribution rates based on a decline in the Employees' Retirement System funding ratio and an elective 1.0 percent COLA for the Police Retirement System. An increase in reimbursements for the Employees' system was also included due to the transfer of the Stormwater positions.

### *Adjustments associated with County Reductions*

The FY 2010 Advertised Budget Plan includes a reduction of 524 merit positions, as well as a reduction in funding for limited-term support. As part of the Reduction-in-Force (RIF) process resulting from these position reductions, employees impacted may be

placed into vacant positions or may “bump” less senior employees in their agency or probationary employees in other agencies before losing their employment. As the outcome of the RIF process and the final number of employees losing employment will not be known until mid-2009, it is difficult to estimate the impact on Fringe Benefits resulting from position reductions. In addition, some County costs will increase as a result of position reductions, including unemployment compensation (for which an additional \$1.0 million is included in the FY 2010 budget) and leave payouts and severance pay. Furthermore, the extent to which position reductions will be accomplished through attrition and the timing of the final outcomes of the RIF process will impact Fringe Benefit expenses.

It is estimated that \$1.0 million in flexibility remains in the agency, representing less than 1.0 percent of total Fringe Benefit funding in the General Fund. However, this flexibility may be required to offset potential requirements, including:

- Expenses associated with the continuation of health insurance for employees losing their employment, pending the Board decision and the availability of federal stimulus funds;
- Costs associated with increased participation in County health insurance plans as the economy continues to decline and more employees choose to utilize the County’s employer contribution towards health insurance;
- Impacts resulting from potential state and federal legislation as actions are being taken to mitigate the impact of job losses on individuals and families, such as an extension of unemployment benefits; and
- Ability to assist some agencies if they are significantly impacted by leave payouts or severance payments or experience unanticipated consequences of other agency reductions.