



Budget Development Policy

Governance Section: Finance

Revision Date: 5/26/2022

Page: 1 of 2

Purpose

1. To provide the framework for the orderly development of the Pool's annual budget;
2. To coordinate the work and inputs from management, the Executive Committee, and the Board in the development and eventual adoption of the budget;
3. To evaluate compliance with the Pool's funding targets; and
4. To achieve consistency with the Strategic Plan.

Authority

1. Interlocal Agreement, Sections 4f ("adopt an annual budget") and 13b ("contributions and assessments shall be established . . . in [the] annual budget"); and
2. Bylaws, Section 4b ("the **Board**. . . [shall adopt the] annual budget").

Policy Statement

1. **Budget overview.** The budget is:
 - a. The primary tool for planning and controlling operations; and
 - b. The document through which the Pool plans for rate stability, predictable Member assessments and reduced reliance upon commercial insurance.
2. **Budget components.** The budget shall provide for:
 - a. Self-insurance loss funding;
 - b. Purchased insurance including reinsurance and/or excess insurance;
 - c. Other cost components including Underinsured Motorist(UIM) and Driver Record Monitoring;
 - d. Contribution to surplus; and
 - e. General and administrative costs.
3. **Collection of data.** For use in the budget process the Executive Director shall collect the following from the Members in a timely fashion:
 - a. Estimated total vehicle miles for all modes;
 - b. Number of employees (estimate based on headcount);
 - c. Number of vehicles and their values;
 - d. Property values; and
 - e. Member UIM preferences.
4. **Actuarial study.** No later than September the Executive Director shall provide the Executive Committee and the Board with an actuarial study. The study shall address:
 - a. Outstanding claim reserves;
 - b. Funding adequacy;
 - c. Projected losses and loss rates;
 - d. Deductible credits for first party coverage;
 - e. Cash flow requirements; and
 - f. The Pool's compliance with (or movement toward) its funding targets.

Budget Development Policy

Page: 2 of 2

5. **Rate stability.** Rate stability is measured as a year over year comparison of the budget components listed in Section 2 before consideration of 2(c) – contributions to surplus and 2(f) driver record monitoring. The rate is deemed stable if the total change is 5% or less. Rate as discussed in this policy statement is dollar value determined by the actuary to be multiplied by the Member's exposure unit. The rate is a component of the Member's assessment.
6. **Directions from Executive Committee.** At its July meeting the Executive Committee may provide directions to the Executive Director regarding the draft budget. These directions may include a departure from the Assessment Allocation Policy.
7. **Recommendation by Executive Committee.** At its September meeting the Executive Committee shall consider the budget and may recommend changes to contributions to surplus and funding targets.
8. **Budget workshop.** The President may schedule a budget workshop prior to the consideration of the draft budget by the Board. At the workshop, the Executive Director shall present and explain the proposed budget with any modifications by the Executive Committee or Board.
9. **Draft budget.** The Executive Director shall present a draft budget to the Executive Committee and Board at their September meetings. The Executive Committee or Board may direct the Executive Director to modify portions of the budget.
10. **Adoption.** The proposed budget shall be presented to the Board at its annual meeting. The Executive Committee shall make a recommendation to the Board on the proposed budget. The Board shall adopt a budget at this meeting.


Amendment

The Pool's Executive Committee may amend this policy.

Passed by the Executive Committee May 26, 2022.


Attest:

Approved as to form:

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