

# 2018 DRAFT Operating & Capital Expenditures Budget - Discussion

October 25, 2017

Presented by: Rhonda Covarrubias  
Director of Finance, TMRS



# Proposed 2018 Draft Budget

## **Objectives for Today**

- Review proposed draft budget document
- Questions / requests for December meeting
  
- No action required today

# Proposed 2018 Draft Budget

---

## **Section 1 –**

- 2017 Goals Accomplished and Alignment of 2018 Budget with (draft) Strategic Plan

# Proposed 2018 Draft Budget

## Accomplishments in 2017

- Straight-through processing continues
  - Rollout of beneficiary updates in MyTMRS
  - Multi-factor authentication
  - Online forms upload
- Implementation of an emergency notification service to contact employees in the event of a disaster
- Implementation of employee security training
- Seamless transition of TMRS employee payroll from semi-monthly to biweekly
- Design and production of a new version of the TMRS website
  - Improve navigation
  - Enable access by vision or hearing-impaired users
- Completed the build out of key positions in the Investment Operations group

# Proposed 2018 Draft Budget

## Goal 1:

***Ensure the financial stability and long-term viability of the Plan.***

- Continues to provide for the actuarial retainer (\$462,000), and funds for legislative studies. “New” for 2018 are funds for a GRS Dashboard.

		Actuarial		
2017			2018	
\$ 447,000		Retainer	\$ 462,000	
17,200		Board member meetings	17,200	
15,000		IRC 415 testing	20,000	
75,000		Legislative studies	75,000	
<b>\$ 554,200</b>		<b>Total recurring</b>	<b>\$ 574,200</b>	
\$ 25,000		GASB 74 / 75 planning & implementation	\$ 75,000	
-		Asset/liability study	25,000	
<b>\$ 25,000</b>		<b>Total other services</b>	<b>\$ 100,000</b>	
\$ -		<b>New - GRS Dashboard</b>	<b>\$ 13,000</b>	
<b>\$ 579,200</b>		<b>Total Actuarial Services</b>	<b>\$ 687,200</b>	

# Proposed 2018 Draft Budget

## Goal 2:

*Continue to provide excellent customer service and communications to members, annuitants, employers, and other constituencies.*

(new draft language – ***Strengthen TMRS through excellent customer service and effective communication***).

2014 through 2016 budgets included funds to implement Straight-Through Processing “*from enrollment to retirement*” by offering self-service capabilities in

MyTMRS (Member Portal)

Address update

Account balance statement

Withholding update

Annuity verification

Communication preference

Beneficiary updates

and

TMRS City Portal

New Member enrollment

Estimates

Online forms upload

Future enhancements are now being completed mainly by internal staff.

# Proposed 2018 Draft Budget (Goal 2 cont.)

The 2017 budget included funds for city contribution process reengineering (\$161,000).

TMRS is now recommending a “buy” (vs. build”) solution.

Appendix B-1 (*Employer Payroll Reporting*) **\$ 2,251,820**

- shows total 2018 costs for consulting and software
- along with projected costs for the next 5 years.

As in 2017, TMRS included funds in the 2018 budget for Executive Workshops and a retiree luncheon.

# Proposed 2018 Draft Budget

## Goal 4

*Foster a culture within TMRS of open communication, where collaboration is encouraged and innovation is rewarded.*

(new draft language – ***Transform the TMRS culture to one of innovation, collaboration, and open communication.***)

2017 included 8 new positions

2018 includes 7 new positions – see brief job duties and costs in Appendix A

2019 – 2023 projected new positions are also included in Appendix D



# Proposed 2018 Draft Budget (Goal 4 – continued)

Consulting line-item includes funds for the HR department, related to objectives in this goal:

- Succession planning (\$70,000)
- Leadership development program/training (\$20,000)
- Employee engagement (\$50,000)

# Proposed 2018 Draft Budget

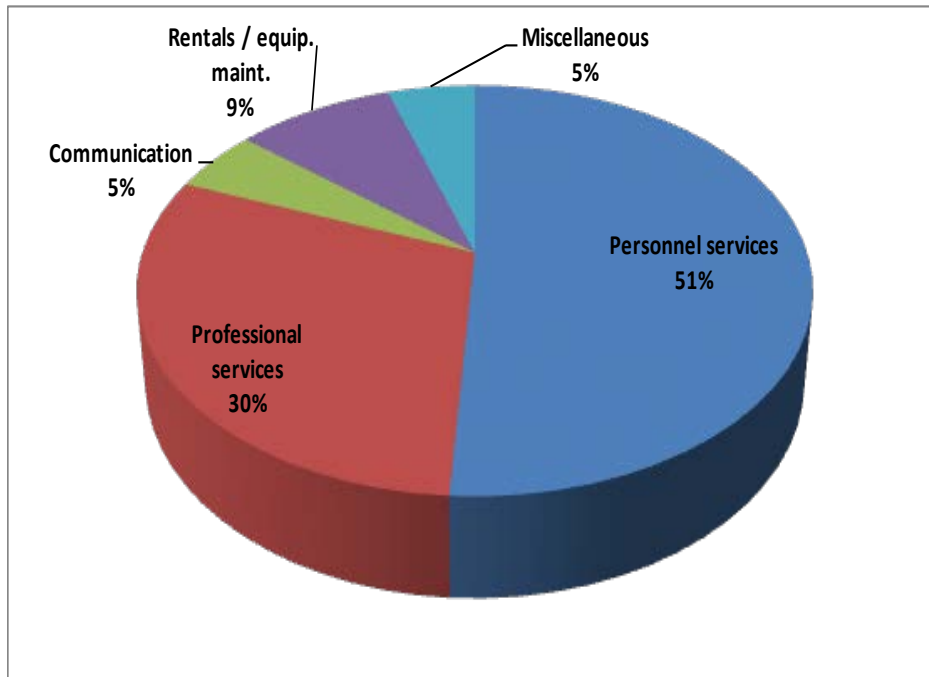
## Section II – Comparison of 2017 budget to 2018 proposed

- Proposed 2018 of \$34 million for administrative and capital expenditures.
- The “new” column totals \$4.9 million
  - 92% - administrative 8% - capital
  - Within administrative: 18% for new personnel; 82% new items/projects

	New personnel	New items/ projects	2018 Total New	
<b>Total Admin. Expenses</b>	<b>\$ 823,558</b>	<b>\$ 3,713,904</b>	<b>\$ 4,537,463</b>	92%
	18%	82%	100%	
<b>Total Capital Expenditures</b>	<b>\$ -</b>	<b>\$ 396,000</b>	<b>\$ 396,000</b>	8%
<b>GRAND TOTAL</b>	<b>\$ 823,558</b>	<b>\$ 4,109,904</b>	<b>\$ 4,933,463</b>	100%

# Proposed 2018 Draft Budget

## 2018 Operating Budget – main categories



	2017	2018
Personnel services	55%	51%
Professional services	28%	30%
Communication	5%	5%
Rentals / equip. maint.	6%	9%
Miscellaneous	6%	5%

# Proposed 2018 Draft Budget

## Personnel Services –

- continues to be largest category at approximately **51%** of the total budget

## 2018 budget includes:

- 7 new positions
- Decrease 0.25% in full retirement rate  
*(from 16.72% to 16.47%, including SDB)*
- \$239,000 allocated for merit adjustments
- Same benefit package  
*(assumes rate increases for Sept-Dec 2018)*
- Includes same scale for retiree medical coverage

# Proposed 2018 Draft Budget

**Professional Services – 30%** of the total proposed budget

	2018 baseline	"new"	2018 Proposed	% of budget
<b>Professional Services:</b>				
Consulting & other prof svcs	\$ 2,671,401	1,166,520	3,837,921	38 %
Actuarial	674,200	13,000	687,200	7
Banking services	2,049,000	-	2,049,000	20
Legal services	1,117,000	-	1,117,000	11
Medical services	60,000	-	60,000	1
Audit	284,500	-	284,500	3
Online services	1,808,130	302,000	2,110,130	21
<b>TOTAL</b>	<b>\$ 8,664,231</b>	<b>1,481,520</b>	<b>\$10,145,751</b>	<b>100 %</b>

# Proposed 2018 Draft Budget –

(Professional Services, continued)

## Consulting and Other Professional Services: (almost 40% of Professional Services category)

		<b>New for 2018</b>	
<b>Employer Reporting (City payroll)</b>	\$	<b>601,820</b>	<b>52%</b>
<b>Electronic Records Program Foundation</b>		<b>224,500</b>	<b>19%</b>
Coaching/consulting		65,000	
UPS installation		55,000	
Vmware Virtual Technical Acct Manager (VTAM)		41,200	
Oracle licensing consulting		35,000	
Employee Engagement Survey/consulting		50,000	
Organizational Governance/steering committee		25,000	
Retirement Workflow		25,000	
Network switch replacement		22,000	
Insurance review/consultation ; retainer in '18		12,000	
Lunch & Learn with Security expert		5,000	
Phone system upgrade		5,000	

Appendix B-1 – Employer Payroll Reporting

➤ Consulting and software (data processing)

Appendix B-2 – Electronic Records Program

# Proposed 2018 Draft Budget

## Rentals and Equipment Maintenance – 9% of the total proposed budget

	2018 baseline	"new"	2018 Proposed	% of budget
<b>Rentals &amp; Equipment Maintenance</b>				
Data processing	\$ 800,730	1,867,565	2,668,295	91 %
Equipment service/repair/install	8,500	-	8,500	0
Office and equipment rental	116,600	-	116,600	4
Offsite record storage	134,000	-	134,000	5
<b>TOTAL</b>	<b>\$ 1,059,830</b>	<b>1,867,565</b>	<b>\$ 2,927,395</b>	100 %

\$1,650,000 of the “new” data processing line-item relates to the software/maintenance for the Employer Payroll Reporting project.

# Proposed 2018 Draft Budget

## **Miscellaneous –**

**5%** of the total proposed budget

Captures items requested by all departments that support employees professional growth (association/membership dues, subscriptions, publications, training)

Also includes utilities, building/grounds maintenance, supplies and board expenses.

2018 budget category is approximately 7% lower than 2017

- 2017 included funds to replace older laptops and printers



# Proposed 2018 Draft Budget

## Capital Expenditures

2018 “new” funds are included for:

- Network switches (\$228,000)
- Replacement of 4<sup>th</sup> floor UPS (\$55,000)
- Boiler replacement – original building (\$42,000)
- Furniture/fireproof cabinet

# Proposed 2018 Draft Budget

## **New Personnel (*Appendix A*)**

Budget request of \$823,000 (approximately \$729,000 for salaries and benefits)

➤ assume hire dates from January through April

- 2 Investment Department positions
  - Senior Investment Analyst
  - Operations Analyst
  
- 3 Information Resources Department positions
  - Release/Change Coordinator
  - Records Analyst
  - Senior Computer Support Specialist
  
- Senior Business Process Analyst
- Communications Tech & Design Specialist

Plus convert current part-time call center to full-time

# Future Projections – 2019 to 2023

## Future Projected Personnel (*Appendix D*)

Shows anticipated needs for new personnel in the future

- 2019 – 10 positions
- 2020 – 3 positions
- 2021 – 2 positions
  
- Future costs are provided \*
- Brief/summary job duties

\* Projections for salaries at current compensation structure; taxes at current limits; retirement contributions at 2018 rate; insurance at 2018 premiums.

# Future Projections – 2019 to 2023

## **Future Major Items (*Appendix E*)**

Shows anticipated “new” major items, classified into the main five sub-categories

### Professional Services:

Note trending decrease over the next five years, with completion of major projects: Employer payroll and Electronic records

Human Resource projects include a compensation study (every 3 years - 2020)

Actuarial Services include an experience study (2019) and funds for asset/liability or asset allocation studies (every 3 years)

# Future Projections – 2019 to 2023

## **Future Major Items (*Appendix E*) - *continued***

### Capital:

- Anticipate phone system replacement in 2020
- SAN and physical server replacement is anticipated again in 2022

A comprehensive 3-5 year budget projection will be provided in December.

# **Questions and Discussion**