



WSTIP Policy Manual			
Document Name:	Budget Policy	Date Adopted:	[Date Adopted]
Category:	Finance	Revision Date:	
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## Budget Policy

### Purpose

A sound effective budgeting process must begin with direction from the WSTIP Board in the form of budget policy. This policy should be kept up-to-date, and should be available to all WSTIP Staff involved in the budgetary process.

The purpose of a budget is to provide a statement expressed in financial terms, which serves as the management's primary tool for planning and controlling operations. To achieve this basic purpose, a comprehensive budget must be integrated with the financial accounting system to insure that objectives of planning, coordinating, evaluation and control are obtained.

Critical elements in the budget should include the following:

- Stable and predictable yearly member contributions,
- Loss driven self insurance funding which is exposure based on a prospective and retrospective basis using miles driven, vehicle counts, employee counts and member property values.
- An experience rating for loss experience which is simple, fair and proportionally based on actual member loss development over a three year rolling period capped at \$250,000 per occurrence.
- Rates will be developed on a member mode basis which is fixed route, demand response, nonrevenue, limited mode service providers and vanpool.

### Authority

1. Interlocal Agreement, Sections 3 ("all things necessary and proper for the establishment of self insurance programs) and 4 ("Adopt An Annual Budget"); and
2. Bylaws, Section 4b ("Adoption of the Annual Budget").
3. Bylaws, Section 4C("Assessment of annual and special member allocations and contributions
4. Bylaws, Article X: ("Operations")

### Policy Statement

The WSTIP Executive Director, in cooperation with all staff members concerned, is charged with the responsibility to prepare and present a recommended yearly budget to the WSTIP Board for its review. The recommended annual budget should be presented to the board no later than the WSTIP annual meeting each year.

The Executive Director shall provide for the preparation and adoption of the annual budget and shall provide, from the collection of annual member contributions, the funds necessary to operate the WSTIP. All funds appropriated to WSTIP will be accounted for and disbursed under the direction of the Executive Committee and the Executive Director.

The Executive Director shall prepare each year, with the help of WSTIP management staff a detailed budget for the Pool which includes a self insurance fund, excess and reinsurance funding, a contribution to surplus, risk management budget and an operating budget to cover the costs of administering the Pool for the upcoming year which may include staffing, information technology, utilities, broker fees, board meetings and other miscellaneous expenses . This budget, when adopted, shall become the financial plan of the Pool for the ensuing year.

The budgeting process shall begin each July with the Actuarial Study. The actuarial study involves the following analysis:

- Assess outstanding claims reserves
- Address funding adequacy at various self insured retentions
- Projects future losses and loss rates for the upcoming budget year at various self insured retentions.
- Calculates deductible credits for first party coverages
- Projects future payments for cash flow requirements
- Strategic loss fund forecasting for five years into the future

The actuarial determined loss rate is multiplied by exposure data to calculate the recommended the yearly self insurance loss fund for property and liability.

Reinsurance and excess estimated insurance premiums will be developed by the Executive Director working with the WSTIP Broker. The reinsurance and excess premiums will be split between the members on a proportional basis based on estimated exposures.

WSTIP senior management will provide to the Executive Director every August recommended funding and estimated costs for running the operational component of the program during the upcoming fiscal year. The operational component includes staffing, contracted services, overhead costs, information technology and integrated risk management.

The Executive Director will present a draft budget with member contributions to the WSTIP Board at the 3<sup>rd</sup> quarter Board meeting each year.

The experience rating is a debit or credit for actual liability loss experience for each member. The rating is based on a three year rolling period with liability losses capped at \$250,000 per occurrence.

Members will receive a retroactive adjustment (debit or credit) each year for the difference between their estimated miles reported for the upcoming year and their actual miles for the prior year.

A member's yearly contribution is a function of the following:

- Exposure data, (estimated miles driven, vehicle values and counts, loss experience, employee counts and payroll)
- Actuarial analysis and review of required funding within the adopted self insurance layer for property and liability claims

- Reinsurance and excess insurance costs
- Overhead and Operating costs
- Funding for any losses over the expected actuarial estimate for the upcoming loss year

#### **JEFF RISTAU INPUT**

In developing the budget each year, the Executive Director may propose and /or the board may consider changes to key underlining policies upon which the budget is based. Among these policies include but not limited to

1. Formula for computing experience modifier for member assessments
2. Formula for computing annual contribution to equity
3. Changes in program funding including use of member equity
4. Formula for computing member's assessment
5. Changes in SIR levels
6. Impact of strategic ratio on annual budget

The budget is adopted by the Board annually at the annual meeting for the subsequent year.

The Executive Director may make budget transfers between budgeted accounts during the year provided such transfers are approved by the Executive Committee.

Budget transfers or amendments which increase or decrease any of the following board approved budgeted amounts must be approved by the Board of Directors

1. Budgeted staffing level
2. Annual member contributions
3. Annual operating Revenues
4. Annual operating Expenses
5. Annual contribution to Equity

#### **Amendment**

This policy may be amended by the Executive Committee.

#### **Responsibilities**

#### **Policy History**

Passed this \_\_\_\_\_ day of \_\_\_\_\_, 2009  
 Executive Committee  
 Washington State Transit Insurance Pool

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Jim Plaster, President

ATTEST:

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Mark Carlin, Secretary

APPROVED AS TO FORM:

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Ronald A. Franz, General Counsel

# WSTIP BUDGET PROCESS FLOW CHART

