

CITY OF MODESTO
COMMITTEE AGENDA REPORT

Budget Workshops
May 17-21, 2010

Date: May 6, 2010

TO: Finance Committee
Brad Hawn, Chair
Garrad Marsh, Vice-Chair
David Geer, Member

THROUGH: Greg Nyhoff, City Manager

FROM: Gloriette Beck, Director of Finance
Dee Williams-Ridley, Director of Human Resources

SUBJECT: Workers Compensation Premium Payments

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DESCRIPTION:

Consider providing policy direction regarding:

1. The initiation of a rate holiday for all funds that make an annual payment into the Worker's Compensation Fund for FY 2009-10 and FY 2010-11.

(Funding Source: Potential General Fund Impact)

FISCAL IMPACT:

For the 2009-2010 fiscal year, the total premium assessments to all funds is \$4.5 million with the General Fund contributing approximately \$3.6 million. By allowing all funds and not just the General Fund to forego paying half of their premium assessment, the Workers' Compensation Fund will end FY 09-10 with approximately \$18 million in assets and \$18 million in liabilities. This half year rate holiday will result in savings to the General Fund of \$1.8 million and a proportional savings to the non-general funds that pay premiums into the Workers' Compensation Fund.

For the 2010-2011 fiscal year, the total premium assessments to all funds is \$4 million with the General Fund contributing approximately \$3.3 million. Allowing all funds to forego paying half of their premium assessment will result in savings to the General Fund of \$1.65 million and a proportional savings to the non-general funds that pay premiums into the Workers' Compensation Fund. The Workers' Compensation Fund will likely end FY 10-11 with a net assets deficit; however the existing cash balances in the fund will be sufficient to continue payment of actual claim costs.

BACKGROUND:

The city self-assesses a charge to all programs with employees to cover the cost of providing workers compensation benefits. The amount charged to each program is based on a fixed percent of the total salaries paid out and a factor assigned using the actual claims history of the program's employees. For the 2009-2010 fiscal year, the total premium assessment to the General Fund is approximately \$3.6 million. By allowing the General Fund to forego payment of this amount, the Worker's Compensation Fund deficit will increase while the existing cash balance will be drawn lower in response to the payment of actual claim costs in the absence of this payment. The Workers Compensation Fund has a sufficient cash balance to allow a one-time holiday to be provided to the General Fund.


Approved by:



Gloriette Beck, Director of Finance



Dee Williams-Ridley, Director of Human Resources



Greg Nyhoff, City Manager