

Office of the City Manager

CONSENT CALENDAR
December 17, 2013

To: Honorable Mayor and Members of the City Council

From: Christine Daniel, City Manager

Submitted by: David Abel, Acting Director of Human Resources

Subject: Fee Assessment for Fiscal Year 2014 – State of California Self-Insurance

Fund (Workers' Compensation Program)

RECOMMENDATION

Adopt a Resolution authorizing payment to the State of California Department of Industrial Relations for Fiscal Year 2014 for administering the Workers' Compensation Program, in an amount not to exceed \$205,652.

FISCAL IMPACTS OF RECOMMENDATION

The fee assessed by the Department of Industrial Relations for Fiscal Year 2014 is estimated not to exceed \$205,652. The 2013 Fiscal Year Assessment Fee totaled \$158,194. Staff from the Department of Industrial Relations provided the City with preliminary information anticipating that the Fiscal Year 2014 fee will be less than 30% above the Fiscal Year 2013 fee. Funding for this annual fee is included in the Workers' Compensation Fund, Budget Code 875-9801-410-3034.

CURRENT SITUATION AND ITS EFFECTS

The State of California Department of Industrial Relations regulates the Workers' Compensation insurance industry. Every year, the City is assessed a fee by the Department of Industrial Relations to support the administration of the State's Workers' Compensation Program. The assessments provide a stable funding source to support operations of the courts to resolve claims more quickly and improve the overall operation of the state workers' compensation system; to ensure safe and healthy working conditions on the job; to ensure the enforcement of labor standards and requirements for worker's compensation coverage.

BACKGROUND

The California Labor Code Sections 62.5 and 62.6 authorize the Department of Industrial Relations to assess all employers for administration of costs of the Workers' Compensation Program. Every year, the City is assessed by the Department of Industrial Relations to support the state program. The state program includes administration of the Department of Workers' Compensation (DWC) Assessment, Fraud Prevention Investigation Assessment, Subsequent Injury Benefit Trust Fund Assessment, and Uninsured Employer Trust Funds Assessment.

The Labor Code Sections 62.5 and 62.6 requires allocation of the total assessment between insured and self-insured employers in proportion to payroll for the most recent year available. The City's assessments are calculated by multiplying the Self-Insured Employer Assessment Factors for each assessment by the total Indemnity paid by the City.

On November 13, 2012, Council approved Resolution No. 65,936-N.S., authorizing the Workers' Compensation payment to the State of California, Department of Industrial Relations for Fiscal Year 2013 in an amount not to exceed \$131,713. On December 6, 2012, the City was notified by the Department of Industrial Relations that the actual Fiscal Year 2013 fee assessed totaled \$158,194, due January 5, 2013. The fee was \$19,895 greater than the original preliminary fee estimate of \$131,713 conveyed by the State of California Department of Industrial Relations. As a result, on January 22, 2013, Council approved Resolution No. 65-982-N.S. ratifying the action taken by the City Manager during the City Council recess authorizing payment to the State of California Department of Industrial Relations for Fiscal Year 2013 for administering the Workers' Compensation Program, in an amount not to exceed \$158,194.

According to State of California, Department of Industrial Relations staff, their preliminary fee estimates project an increase of no more than 30% above Fiscal Year 2013. The increase is primarily associated with administrative costs in support of enforcement by pursuing employers who break employment laws; employers who fail to carry workers' compensation coverage for their workforce; and workplace safety across the state.

The City's share for the Fiscal Year 2014 assessment authorized under Labor Code Sections 62.5 and 62.6 for our self insurance plan will be broken down as follows:

- I. Workers' Compensation Administration Revolving Fund
- II. Uninsured Employer Benefits Trust Fund
- III. Subsequent Injuries Benefits Trust Fund
- IV. Occupational Safety and Health Fund
- V. Labor Enforcement and Compliance Fund
- VI. Workers' Compensation Fraud Account

RATIONALE FOR RECOMMENDATION

Required annual funding is for the State of California, Department of Industrial Relations.

ALTERNATIVE ACTIONS CONSIDERED

None. This is a state-mandated fee assessment.

CONTACT PERSON

David Abel, Acting Director of Human Resources, 981-6807

Attachments:

1. Resolution

RESOLUTION NO. ##,###-N.S.

AUTHORIZING PAYMENT TO THE STATE OF CALIFORNIA DEPARTMENT OF INDUSTRIAL RELATIONS FOR FISCAL YEAR 2014 FEES IN AN AMOUNT NOT TO EXCEED \$205,652, (WORKERS' COMPENSATION PROGRAM)

WHEREAS, the City of Berkeley is Self-Insured for Workers' Compensation since 1979; and

WHEREAS, the Workers' Compensation Insurance Industry is administered and regulated by the State of California, Department of Industrial Relations; and

WHEREAS, the State of California, under California Labor Code Section 62.5 and 62.6, authorizes the Department of Industrial Relations to assess fees to employers for costs of administering the Workers' Compensation Program; and

WHEREAS, the City of Berkeley is assessed each year by the Department of Industrial Relations to support the state program; and

WHEREAS, for Fiscal Year 2014, the City's share of assessments authorized by Labor Code Sections 62.5 and 62.6 is not expected to exceed \$205,652; and

WHEREAS, funds are available in the current budget in the Workers' Compensation Fund, budget code 875-9801-410-3034.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the City Manager is authorized to pay the State of California, Department of Industrial Relations, Self Insurance Plans invoice for Fiscal Year 2014 for Workers' Compensation Administration Revolving Fund; Uninsured Employers Benefits Trust Fund; Subsequent Injuries Benefits Trust Fund; Occupational Safety and Health Fund; Labor Enforcement and Compliance Fund; and Workers' Compensation Fraud Account in an amount not to exceed \$205,652.