



Office of the City Manager

CONSENTCALENDAR

November 14, 2006

To: Honorable Mayor and
Members of the City Council

From: *PK* Phil Kamlarz, City Manager

Submitted by: David W. Hodgkins, Director of Human Resources

Subject: Fee Assessment: State of California Self-Insurance Fund

RECOMMENDATION

Adopt a Resolution authorizing payment to the State of California Department of Industrial Relations for FY 2007 fees assessed for administering the Workers' Compensation Program, in an amount not to exceed \$125,000.

FISCAL IMPACTS OF RECOMMENDATION

The fee assessed by the Department of Industrial Relations for FY 2007 is estimated not to exceed \$125,000. The FY 2006 assessed fee totaled \$94,306.84. Preliminary reports from the State of California Department of Industrial Relations indicate that the FY 2007 fee will be no more than 27% above FY 2006 fee. Funding for this annual fee is included in the Workers' Compensation Self-Insurance 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 support the state program of data collection, rate setting, fraud investigation, and fund Trust Funds for subsequent injury and uninsured employers. The goal of the assessment is to provide a stable funding source to allow the courts to resolve claims more quickly and improve the overall operation of the state workers' compensation system.

BACKGROUND

On November 25, 2005, Council approved Resolution No. 63,118-N.S. authorizing the Workers Compensation Administration payment to the State of California Department of Industrial Relations for fiscal year 2006 in an amount not to exceed \$130,000. We made a conservative projection based on prior year costs. However, the actual fiscal year 2006 fee was \$94,306.84. Because of recent reduction in workers' compensation costs, the fiscal year 2007 fee is not expected to increase more than 27% above fiscal year 2006 fee.

The City of Berkeley has been self-insured for workers' compensation since 1979. The California Labor Code Sections 62.5 and 62.6 authorize the Department of Industrial Relations

to assess all employers for administration 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. In prior years, the total assessment was allocated between insured and self-insured employers in proportion to payroll for the most recent year available. The assessment limited employer share to 20 percent of the total program cost. However, the major workers' compensation reform in Senate Bill 899 (2004) contained provisions to increase the employer share to 100 percent.

The City's share for the FY 2007 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 User Funding Assessment
- II. Department of Insurance Fraud Investigation Assessment
- III. License Fee Assessment
- IV. Subsequent Injury Benefit Trust Fund
- V. Uninsured Employer Benefits Trust Fund

RATIONALE FOR RECOMMENDATION

Required annual funding for the State of California Department of Workers' Compensation.

ALTERNATIVE ACTIONS CONSIDERED

None. This is a state-mandated fee assessment.

CONTACT PERSON

David W. Hodgkins, Director, Human Resources Department, 981-6805

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

AUTHORIZING PAYMENT TO THE STATE OF CALIFORNIA DEPARTMENT OF INDUSTRIAL RELATIONS FOR FY 2007 FEES IN AN AMOUNT NOT TO EXCEED \$125,000

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, authorize 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 FY 2007, the City's share of assessments authorized by Labor Code Sections 62.5 and 62.6 is not expected to exceed \$125,000; and

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

NOW THEREFORE, BE IT RESOLVED that the Council of the City of Berkeley authorizes the City Manager to pay the State of California Department of Industrial Relations Self-Insurance Plans Invoice for FY 2007 for Department of Workers' Compensation (DWC), Fraud Prevention Investigation Assessment, Subsequent Injury Benefit Trust Fund Assessment, and Uninsured Employer Trust Funds Assessment in an amount not to exceed \$125,000.