



Office of the City Manager

**RECESS ITEM**  
CONSENT CALENDAR  
 January 15, 2008

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 (Workers' Compensation Program)

RECOMMENDATION

Ratifying the action taken by the City Manager during recess authorizing payment to the State of California Department of Industrial Relations for Fiscal Year 2008 for administering the Workers' Compensation Program, in an amount not to exceed \$17,104.04.

NEGATIVE EFFECT IF ACTION IS DELAYED UNTIL AFTER COUNCIL RECESS

State of California Department of Industrial Relations would assess a 10% late penalty fine (\$12,710) for payments received after January 14, 2008.

FISCAL IMPACTS OF RECOMMENDATION

On December 13, 2007, the City was notified by the Department of Industrial Relations that the actual Fiscal Year 2008 fee assessed totaled \$127,104.04. The fee is \$17,104.04 greater than the original preliminary fee estimate of \$110,000 conveyed by the State of California Department of Industrial Relations. 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 (DIR) regulates the workers' compensation insurance industry. Every year, the City is assessed a fee by the DIR 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. Council authorized payment totaling \$110,000 on December 11, 2007. The DIR invoice was received on December 13, 2007, for \$127,104.04. Payment was due on January 11, 2008.

### BACKGROUND

On December 11, 2007, Council approved Resolution No. 63,915–N.S. authorizing the Workers Compensation Administration payment to the State of California DIR for Fiscal Year 2008 in an amount not to exceed \$110,000. Although we made a conservative projection based on prior year costs, the actual fee was \$17,104.04 above original estimate. The reasons for the increased fee assessment cited by the Department of Industrial relations is due to several factors:

- A smaller fund balance being carried forward from the prior year.
- A \$13 million loan to the Division of Occupational Safety and Health to replace funding gap in the Targeted Inspection and Consultation Fund while a permanent solution to the revenue shortfall is determined.
- An \$18 million in crease in the California Division of Workers' Compensation (DWC) general operating expenses, primarily due to negotiated salary increases for represented employees.
- \$24.8 million in one time costs for the Electronic Adjudication Management System, DWC's computer-based court system, which will simplify and improve its case management process.

### 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 of Human Resources, 981-6805

Attachments:

1: Resolution

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

AUTHORIZING PAYMENT TO THE STATE OF CALIFORNIA DEPARTMENT OF INDUSTRIAL RELATIONS FOR FISCAL YEAR 2008 FEES IN AN AMOUNT NOT TO EXCEED \$17,104.04 (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, 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, on December 11, 2007, Council adopted a Resolution authorizing payment to the State of California Department of Industrial Relations for Fiscal Year 2008 for administering the Workers' Compensation Program, in an amount not to exceed \$110,000; and

WHEREAS, for Fiscal Year 2008, the City's actual share of assessments authorized by Labor Code Sections 62.5 and 62.6 is \$127,104.04; and

WHEREAS, additional funding in an amount not to exceed \$17,104.04 is required to cover the City's actual share of assessment for Fiscal Year 2008; 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 that the Council authorizes the City Manager to pay the State of California Department of Industrial Relations Self-Insurance Plans Invoice for Fiscal Year 2008 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 \$17,104.04.

