



CITY OF PACIFIC GROVE
300 Forest Avenue, Pacific Grove, California 93950

AGENDA REPORT

TO: Honorable Mayor and Members of the City Council
FROM: Dave Culver, Interim Administrative Services Director
MEETING DATE: July 5, 2017
SUBJECT: Workers' Compensation Report – 3rd Quarter FY 2016-17
CEQA: Does not constitute a "Project" under California Environmental Quality Act (CEQA) Guidelines.

RECOMMENDATION

Receive the report.

DISCUSSION

On November 4, 2015, the Council approved a five-year [Workers' Compensation phased refunding plan](#) to bring the designated internal service fund into compliance with Council policy. At that time, Staff recommended that Council receive a quarterly status report on case statistics and Workers' Compensation Fund 71 balances.

Workers' Compensation is a form of insurance the City utilizes to provide compensation and medical care for employees who are injured during the course of employment. Workers' Compensation provides for: payments in place of wages (functioning as a form of disability insurance), compensation for economic loss (past and future), reimbursement or payment of medical and like expenses (functioning as a form of health insurance), and benefits payable to the dependents of workers killed during employment (functioning as a form of life insurance). Effective July 1, 2016, the City's Workers' Compensation claims are being [handled by a third party administrator](#), PARSAC (Public Agency Risk Sharing Authority of CA) and LWP Claims Solutions.

Current Status	No. of Claims	Notes
Open Indemnity Claims	10	An indemnity claim is a claim where the injured employee is losing time from work.
Medical Claims	1	Claims where treatment is needed, but the injured employee can continue to work
Future Medical Claims	29	Future med claims are claims that have been settled with the provision that the City will continue to pay for medical treatment for the injury for the employee's lifetime.
Total Open Claims	40	For the same period in the prior year, the City had 42 Claims
Claims Requiring Legal Representation	24*	Legal Fees Incurred Fiscal Year to Date = \$0.00

*The City's new Third Party Administrator flags cases that could potentially incur legal costs. The City's prior TPA would only report those cases that had incurred legal costs.

The City accounts for its Workers' Compensation risk financing activities in an internal service fund (ISF). The ISF is accounted for separately from the General Fund but the costs are allocated to departments in the General Fund, Sewer Fund and Cemetery Fund on an annual and continuing basis. Contributions to the ISF are calculated on a cost recovery basis through charges apportioned to City departments based on claim trends and number of participants. The Workers' Compensation ISF is used to separately budget and account for services provided to City departments. The status of the internal service fund for Workers' Compensation is provided in the tables below.

At the 3rd quarter revenues have exceeded expenses primarily due to reimbursements from the cost of current and prior year claims expenses above the Self Insurance Reserve (SIR). The revenue status shows 3rd quarter revenues exceeding budget by \$523,205. Expense status shows 3rd quarter expenses under budget by \$9,501.

It is estimated that expenses will exceed budget by \$125,000 by fiscal year end. However, revenues are estimated to exceed budget by \$604,000 which will more than cover any expenditures in excess of appropriations. The primary reasons revenues exceed budget are reimbursement for expenses above the SIR (\$325K) and charges to operating departments (\$120K). The primary expense items over budget are salaries (\$25K), insurance premium (\$62K), and claims expenses (\$58K). The portion of the salary for the Risk Manager was inadvertently budgeted too low and the insurance premium was budgeted at the initial estimate from PARSAC which was lower than the final premium cost. Estimated claims expense, while over budget, was the closest to actual expenses over the past six years.

Fund Status

Workers' Compensation (Fund 71)	Amount
Fund Balance a/o July 1, 2016 (Audited)	\$ (1,192,858)
Current FY Revenues thru December 31, 2016	\$ 1,463,205
Current FY Expenditures thru December 31, 2016	\$ 652,554
	\$ 922,901

Revenue Status

Workers' Compensation (Fund 71)	Amount
FY 2016-17 Budgeted Revenues	\$ 940,000
Revenue through 3/31/17 - (3rd Quarter)	\$ 1,463,205
Over (Under) Budget	\$ 523,205

Expense Status

Workers' Compensation (Fund 71)	Amount
FY 2016-17 Budgeted Expenses	\$ 662,055
Expenses through 3/31/17 - (3rd Quarter)	\$ 652,554
Over (Under) Budget	\$ (9,501)

All transfers pursuant to the [phased refunding plan](#) and the current fiscal year allocations have been made and are reflected in the current FY revenues.

FISCAL IMPACT

The excess of revenues over budget will be sufficient to cover the expenses that are estimated to be over budget.

RESPECTFULLY SUBMITTED:

Dave Culver

Dave Culver
Interim Administrative Services Director

REVIEWED BY:

Ben Harvey

Ben Harvey
City Manager