



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: August 16, 2017
SUBJECT: Workers' Compensation Report – 4th 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 who died as a result of work related injuries during employment (functioning as a form of life insurance).

Effective July 1, 2016, the City's Workers' Compensation claims are being [handled by a new third party administrator](#), PARSAC (Public Agency Risk Sharing Authority of CA) and LWP Claims Solutions. LWP prepares reports for the City's claims handled directly by LWP (claims prior to July 1, 2016) and those that are handled through the City's participation with PARSAC (claims on or after July 1, 2016).

The City's prior TPA, York Risk Services, reported litigated claims differently than LWP does now. York reported all active and inactive claims that incurred litigation as "Claims Requiring Legal Representation". LWP reports only claims being actively litigated in that category.

Current Status	No. of Claims	Notes
Open Indemnity Claims	11	An indemnity claim is a claim where the injured employee has lost time from work.
Open Medical Claims	2	Claims where treatment is needed, but the injured employee can continue to work
Open 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	42	For the same period in the prior year, the City had 42 Claims
Open Claims Requiring Legal Representation	2	Legal Fees Incurred Fiscal Year to Date = \$33,648

There are two status designations for claims. Open status is for claims that are currently provided medical treatment, payment for lost time at work, or are in the claim settlement process. Open status is also applied for a limited period of time to inactive claims with the potential need for future medical treatment. Closed status pertains to claims that 1) have not required medical treatment for a 30-day period, 2) the treating doctor has provided notice that no further treatment is needed and it is uncontested, or 3) the claim has been settled with no provision for future medical treatment. A claim in closed status that has not been settled can be re-opened within one year from the date of the injured worker's last medical treatment, or 5 years from the date of injury. A claim in closed status that has been settled with provision for future medical treatment can be re-opened for medical treatment at any time during the injured workers' lifetime.

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 table below.

Workers' Compensation (Fund 71)	Amount
Fund Balance a/o July 1, 2016 (Audited)	\$(1,192,858)
Current FY Revenues thru June 30, 2017	\$ 1,553,458
Current FY Expenditures thru June 30, 2017	\$ 814,275
Fund Balance a/o July 1, 2017	\$ (453,675)

As of the 4th quarter, revenues have exceeded expenditures primarily due to reimbursement of the cost of current and prior year claims expenses above the City's \$100,000 - \$300,000 Self-Insured Retention (SIR). The City's SIR depends on the year an injury was incurred. The SIR is currently \$100,000, but in the past has varied from \$100,000 to \$300,000. Revenue status shows 2016/17 FY revenues exceeding budget by \$613,458. Expense status shows 2016/17 FY

expenses exceeding budget by \$152,222. The end of year fund balance is negative \$453,675, a substantial improvement compared to the beginning negative fund balance of \$1,192,858.

As previously reported, the primary cause of expenses going over budget is under-budgeting salaries/benefits (\$30K), insurance premium (\$63K), and claims expenses (\$84K). Estimated claims expense, while over budget, continues to improve compared to prior years.

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

There is no fiscal impact associated with Council's receipt of this report.

RESPECTFULLY SUBMITTED:

Dave Culver

Dave Culver
Interim Administrative Services Director

REVIEWED BY:

Ben Harvey

Ben Harvey
City Manager