



Office of the City Manager

CONSENT CALENDAR  
January 22, 2019

To: Honorable Mayor and Members of the City Council

From: Dee Williams-Ridley, City Manager

Submitted by: LaTanya Bellow, Director of Human Resources

Subject: Fee Assessment – State of California Self-Insurance Fund (Workers' Compensation Program)

RECOMMENDATION

Adopt a Resolution amending Resolution 68,696-N.S. to authorize payment to the State of California Department of Industrial Relations for Fiscal Year 2019 for administering the Workers' Compensation Program for an additional amount of \$4,041.84 with a total amount not to exceed of \$223,041.84.

FISCAL IMPACTS OF RECOMMENDATION

The Fiscal Year 2018 Assessment Fee totaled \$182,176 which was a 10% increase over the 2017 Fee. City Council met on December 4, 2018. At that time the 2019 fee had not yet been determined by the Department of Industrial Relations. Our third party administrator, Innovative Claims Solutions (ICS), anticipated that the Fiscal Year 2019 fee would be no more than 20% above the Fiscal Year 2018 fee. **With this information, on December 4, 2018, City Council approved Resolution No. 68,696-N.S. which authorized payment to not exceed \$219,000.**

On December 7, 2018, City Human Resources Department received the official 2019 assessment fees invoice from the Department of Industrial Relations, Office of Self-Insurance Plans. The total billed is \$223,041.84 which is a 22.43% increase. **This invoice exceeds the approval amount of \$219,000 in Resolution No. 68,696-N.S by \$4,041.84.** Funding for this annual fee is included in the Workers' Compensation Self-Insurance Fund, Budget Code 676-99-900-900-0000-000-472-612240-.

BACKGROUND

The State of California Department of Industrial Relations regulates the Workers' Compensation Insurance Industry. Under California Labor Code Sections 62.5 and 62, every year, each 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 workers' compensation coverage.

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

On December 5, 2017, Council Approved Resolution No. 68,245-N.S. authorizing the Workers' Compensation payment to the State of California, Department of Industrial Relations for Fiscal Year 2018 in an amount not to exceed \$182,176. The actual Fiscal Year 2018 Assessment Fee totaled \$182,176.

For Fiscal Year 2019 the actual Assessment Fee total billed was \$223,041.84. The increase is primarily associated with administrative costs due to the rising costs of pursuing employers who break employment laws, including employers who violate workplace safety standards statewide and those who fail to carry workers' compensation coverage for their workforce.

The City's share for the Fiscal Year 2019 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 Assessment
- II. Uninsured Employers Benefits Trust Fund Assessment
- III. Subsequent Injuries Benefits Trust Fund Assessment
- IV. Occupational Safety and Health Fund Assessment
- V. Workers' Compensation Fraud Account Assessment
- VI. Labor Enforcement and Compliance Fund

#### ENVIRONMENTAL SUSTAINABILITY

There are no identifiable environmental effects or opportunities associated with the subject of this report.

#### 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

LaTanya Bellow, Director of Human Resources, 981-6807

Attachments:

1: Resolution

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

AUTHORIZING PAYMENT TO THE STATE OF CALIFORNIA DEPARTMENT OF INDUSTRIAL RELATIONS (WORKERS' COMPENSATION PROGRAM) FOR FISCAL YEAR 2019 FEES FOR AN ADDITIONAL AMOUNT OF \$4,041.84 FOR A TOTAL AMOUNT NOT TO EXCEED OF \$223,041.84

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 Council adopted Resolution 68,696-N.S. for Fiscal Year 2019 for Fee Assessment – State of California Self-Insurance Fund (Workers' Compensation Program) for \$219,000.00; and

WHEREAS, for Fiscal Year 2019, the City's share of assessments authorized by Labor Code Sections 62.5 and 62.6 is not expected to exceed \$223,041.84; and

WHEREAS, funds are available in the current budget in the Workers' Compensation Fund, budget code 676-99-900-900-0000-000-472-612240-4.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that Resolution 68,696-N.S. be amended so that the City Manager is authorized to pay the State of California, Department of Industrial Relations, Self-Insurance Plans invoice for Fiscal Year 2019 for Workers' Compensation Administration Revolving Fund Assessment; Uninsured Employers Benefits Trust Fund Assessment; Subsequent Injuries Benefits Trust Fund Assessment; Occupational Safety and Health Fund Assessment; Labor Enforcement and Compliance Fund; and Workers' Compensation Fraud Account Assessment for an additional amount of \$4,041.84 for a total amount not to exceed \$223,041.84.