



Office of the City Manager

CONSENT CALENDAR

January 21, 2020

To: Honorable Mayor and Members of the City Council

From: Dee Williams-Ridley, City Manager

Submitted by: LaTanya Bellow, Director of Human Resources

Subject: 2020 Fee Assessment – State of California Self-Insurance Fund
(Workers' Compensation Program)

RECOMMENDATION

Adopt a Resolution authorizing payment to the State of California Department of Industrial Relations for Fiscal Year 2020 for administering the Workers' Compensation Program, in an amount not to exceed \$285,609.15.

FISCAL IMPACTS OF RECOMMENDATION

The annual fee assessed by the Department of Industrial Relations for Fiscal Year 2020 is \$285,609.15. The 2020 fee is based on state wide total indemnity benefits. Funding for this annual fee is included in the Workers' Compensation Self-Insurance Fund, Budget Code 676-99-900-900-0000-000-479-682110.

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.

This year's assessment is associated with a number of administrative costs. In 2019, the Department of Industrial Relations (DIR) aggregate assessments were \$941.8 million. DIR has indicated for 2020 that the agency needs \$1.1 billion to support enforcement by

pursuing employers who break employment laws; employers who fail to carry workers' compensation coverage for their workforce and workplace safety across the state.

The largest percentage increase for 2020 in the aggregate amount is the Subsequent Injury Benefits Trust Fund which increased by 31% to \$140.3 million from the \$106.9 million collected from California self-insured employers in 2019. This fund pays a portion of the permanent disability benefits owed to injured employees who suffer a second injury, when combined with the effects of a pre-existing condition results in permanent disability rating of at least 70%.

The City's share is calculated by multiplying the six self-insured employer assessment factors listed below by the total indemnity paid in the previously reported fiscal year. For fiscal year 2018-2019, the City reported to the Office of Self-Insurance Plans annual program statistics which include indemnity costs. The total City paid indemnity cost for 2018-2019 was \$3,417,999. In 2017-2018, the total indemnity costs were \$2,494,150. During program year 2018-2019, the City settled one significant compromise and release death claim which contributed to increased indemnity costs.

The City's share for the Fiscal Year 2020 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

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Attachments:

1: Resolution

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

AUTHORIZING PAYMENT TO THE STATE OF CALIFORNIA DEPARTMENT OF INDUSTRIAL RELATIONS FOR FISCAL YEAR 2020 FEES IN AN AMOUNT NOT TO EXCEED \$285,609.15 (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, 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 Fiscal Year 2020, the City's share of assessments authorized by Labor Code Sections 62.5 and 62.6 is not expected to exceed \$285,609.15; and

WHEREAS, funds are available in the current budget in the Workers' Compensation Fund, budget code 676-99-900-900-0000-000-479-682110.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the City Manager is authorized to pay the State of California, Department of Industrial Relations, Self-Insurance Plans invoice for Fiscal Year 2020 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 in an amount not to exceed \$285,609.15.