



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: December 18, 2012
TO: Mayor and Council members
FROM: Risk Management Division, Finance Department
SUBJECT: Self Insured Workers' Compensation Program Annual Report

RECOMMENDATION:

That Council receive the Annual Self Insured Workers' Compensation Program Annual Report for the year ended June 30, 2012.

DISCUSSION:

California Labor Code Section 3702.6(b) requires staff to advise Council annually about two items relating to the City's self-insured workers' compensation program: (1) the value of the total accrued claim liabilities reported by the City on the State's Self Insurers Annual Report; and (2) whether current accounting and financial reporting of those liabilities is in compliance with the requirements of Government Accounting Standards Board (GASB) Statement 10.

The California Department of Industrial Relations requires all self-insured public agencies to submit an annual report before October 1st that identifies the workers' compensation liabilities as of the prior fiscal year-end. Risk Management staff submitted the Fiscal Year 2012 annual report on September 26, 2012. The City's report listed 175 open indemnity claims with total liabilities of \$6,928,481, consisting of \$1,543,098 for indemnity (disability payments) and \$5,385,383 for medical payments.

The City accounts for its risk management operations in a separate Internal Service Fund. Every two years, the City contracts with a risk management actuarial firm to prepare an actuarial valuation of the accrued liabilities in the City's self-insured workers' compensation program. The City uses the results of this actuarial valuation as well as claims information from our third party administrator (claims adjuster) to report the workers' compensation accrued liabilities in both the City's annual audit report (the "Comprehensive Annual Financial Report" or "CAFR") and the State's required annual report. The City is fully funded for all of its actuarially determined workers' compensation claim liabilities.

GASB Statement 10 established accounting and financial reporting standards for all City claims, including workers' compensation claims. GASB Statement 10 requires governments to recognize a claim as an expense and liability if both of the following conditions are met:

1. Information available indicates that it is probable that a liability has been incurred; and,
2. The amount of the loss can be reasonably estimated.

In addition, it requires certain disclosures in the footnotes to the financial statements. All of the City's workers' compensation claims have been accounted for and reported in accordance with GASB Statement 10.

In summary, the City has met its obligation to file the State's annually required report for public agencies that self-insure for workers' compensation. With this report, the City has also met the State law requirement to report the program liabilities to the City Council. A more complete description of the City's self-insured workers' compensation program can be found in the City's CAFR for the fiscal year ended June 30, 2012.

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SUBMITTED BY: Robert Samario, Finance Director

APPROVED BY: City Administrator's Office