



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: November 25, 2014
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, 2014.

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 of each year that identifies the workers' compensation liabilities as of the prior fiscal year-end. Risk Management staff submitted the Fiscal Year 2014 annual report on September 29, 2014.

The annual report submitted by the City identified results for claims reported during Fiscal Year 2014, plus the results for all claims that remain open that were reported during a previous fiscal year. City employees reported 124 claims during Fiscal Year 2014; 60 of these claims required the City to pay disability compensation for time away from work. The City paid \$977,291 for disability benefits and \$968,314 in medical care on the 124 claims reported during Fiscal Year 14.

The report lists a total of 166 open claims (from all years). The total liability for these 166 claims equals \$5,527,974 – consisting of \$1,442,706 for indemnity (disability payments) and \$4,085,268 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 required annual report submitted to the State of California. The City is partially 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, GASB 10 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 required Public Self Insurers Annual Report with the State of California Office of Self Insurance Plans. The City also met its legal requirement to report the workers' compensation program liabilities to the City Council with this report. Council will receive a more complete description of the City's self-insured workers' compensation program as part of the Comprehensive Annual Financial Report, or CAFR, for the fiscal year ended June 30, 2014. Finance staff will present a comprehensive presentation about the CAFR for Fiscal Year 2014 in January 2015.

PREPARED BY: Mark W. Howard, Risk Manager

SUBMITTED BY: Robert Samario, Acting Assistant City Administrator

APPROVED BY: City Administrator's Office