



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: May 3, 2016

TO: Mayor and Councilmembers

FROM: Risk Management Division, Finance Department

SUBJECT: Increase In Appropriations In The Self-Insurance Fund To Cover Increased Workers' Compensation Costs

RECOMMENDATION:

That Council approve an increase in appropriations in the amount of \$700,000 in the Self-Insurance Fund from reserves to cover the cost of workers' compensation claims in the current fiscal year.

DISCUSSION:

The budget adopted for Fiscal Year 2016 includes \$2,200,000 in appropriations to pay for workers' compensation claim costs. The payments issued for workers' compensation claim costs total \$1,860,123 as of April 15, 2016, leaving an available balance of \$339,877 for payments through the end of the fiscal year.

Staff believes that the actual workers' compensation claim costs payments will approach \$2,900,000 at the end of Fiscal Year 2016, resulting in a shortfall of \$700,000. This is primarily due to a large settlement, which Council approved on October 6, 2015, for a safety employee that sustained a major injury.

Staff recommends increasing appropriations in the Self-Insurance Fund (SIF) to cover the additional costs. The City uses the services of an actuary to determine its funding needs to operate, including the amount required to meet payment obligations during the current fiscal year and cash reserves for future claim payments. Total assets, including cash, are \$2.2 million below total liabilities based on the projected costs calculated by the actuary. The SIF currently has a negative fund balance, which will increase to \$2.9 million based on the recommended Council action. However, the SIF has sufficient cash to meet its obligation in the next few years; and the City has a plan to address the negative fund balance over the next few years.

Approval of the appropriation allows the Self-Insurance Fund to continue paying benefits to injured workers through the end of the fiscal year without interruption.

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