

Worker's Compensation Fund

Mission Statement

It is the mission of the Worker's Compensation Fund to provide for all administrative, reinsurance and benefit expenses associated with employees' worker's compensation claims.

Primary Functions → The primary function is to account for all workers' compensation expenditures.

Budget Summary

WORKER'S COMPENSATION FUND BUDGET SUMMARY					
APPROPRIATION	2009 <u>ACTUAL</u>	2010 <u>BUDGET</u>	2010 <u>ACTUAL</u>	2011 <u>BUDGET</u>	INCREASE (DECREASE)
CONTRACTUAL	\$2,258,423	\$1,833,398	\$2,474,836	\$1,887,670	\$54,272
OTHER EXPENSE	79,000	79,900	79,900	82,800	2,900
RESERVE ADJUST	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	<u>\$2,337,423</u>	<u>\$1,913,298</u>	<u>\$2,554,736</u>	<u>\$1,970,470</u>	<u>\$57,172</u>
FUNDING SOURCE	2010		2011		2011
	<u>AMOUNT</u>	<u>PERCENTAGE</u>	<u>AMOUNT</u>	<u>PERCENTAGE</u>	
PROPERTY TAXES					
WORKER'S COMP	\$1,711,915	88.8	\$1,765,341	88.9	
INTERFUND TRANSFERS	201,383	10.4	205,129	10.3	
INTEREST INCOME	<u>15,000</u>	<u>0.8</u>	<u>15,000</u>	<u>0.8</u>	
TOTAL	<u>\$1,928,298</u>	<u>100.0</u>	<u>\$1,985,470</u>	<u>100.0</u>	

Budget Analysis

The City operates a self-insured worker's compensation program with financing provided by premiums charged to departments based on job type and likelihood of injury. With employees having three years from the date of injury to file a claim and payments on yet a longer cycle, the fund tends to exhibit a variable pattern. Adjustments to the reserve reflect this, increases for 2007 (\$346,173), 2008 (\$135,062), and 2009 (\$277,565) offset by a decrease for 2010 (\$170,654). Incurred claims currently stand at \$3,398,686. Discounting the reserve adjustment, 2009 and 2010 expenses were 92% and 75% of the budget respectively. Rates, decreased 25% in 2000, were increased 25% for 2007, 10% for 2009, and 6% for 2011 due to increased expenses. In addition, with a fund deficit projected to be \$3.0 million at the end of 2010, a \$1.6 million surcharge was assessed to all participating funds. This resulted in an ending deficit of \$1.4 million. It is anticipated that an additional \$1.0 million surcharge will be assessed in 2011. The property tax rate for worker's compensation is unlimited by statute. The 2011 estimated rate is 9.3 cents, slightly less than the prior year's 8.6 cents.

Five Year Financial Forecast

The 2012-2016 five-year forecast assumes that worker's compensation costs will increase five percent annually and that the revenue mix of property and transfer reimbursements will remain

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constant. Premiums will be increased 20% annually from 2012 to 2014 followed by 5% increases from 2015 to 2016 during this period. The fund will turn positive in 2016.

WORKER'S COMPENSATION FUND 2012-2016 FINANCIAL FORECAST (IN \$000'S)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues	\$2,380	\$2,852	\$3,420	\$3,590	\$3,769
Expenses	<u>2,415</u>	<u>2,535</u>	<u>2,662</u>	<u>2,795</u>	<u>2,935</u>
Excess (Deficit)	<u>(35)</u>	<u>317</u>	<u>758</u>	<u>795</u>	<u>834</u>
Beginning Balance	<u>(795)</u>	<u>(1,183)</u>	<u>(1,290)</u>	<u>(1,040)</u>	<u>(398)</u>
Acctg Int Adjust	<u>(353)</u>	<u>(424)</u>	<u>(508)</u>	<u>(153)</u>	<u>(160)</u>
Ending Balance	<u>(\$1,183)</u>	<u>(\$1,290)</u>	<u>(\$1,040)</u>	<u>(\$398)</u>	<u>\$276</u>
Property Tax Rates (in cents)	12.1	15.2	18.3	19.2	20.1
Expense Rate Change	20%	20%	20%	5%	5%