

# 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

<b>WORKER'S COMPENSATION FUND BUDGET SUMMARY</b>					
<b>APPROPRIATION</b>	2010 <u>ACTUAL</u>	2011 <u>BUDGET</u>	2011 <u>ACTUAL</u>	2012 <u>BUDGET</u>	INCREASE (DECREASE)
CONTRACTUAL	\$2,446,837	\$1,887,670	\$1,483,367	\$2,407,695	\$520,025
OTHER EXPENSE	79,900	82,800	82,800	83,500	700
RESERVE ADJUST	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	<u>\$2,526,737</u>	<u>\$1,970,470</u>	<u>\$1,566,167</u>	<u>\$2,491,195</u>	<u>\$520,725</u>
<b>FUNDING SOURCE</b>		2011 <u>AMOUNT</u>	2011 <u>PERCENTAGE</u>	2012 <u>AMOUNT</u>	2012 <u>PERCENTAGE</u>
PROPERTY TAXES		\$1,765,341	88.9	\$2,216,812	88.5
WORKER'S COMP		205,129	10.3	274,383	10.9
INTERFUND TRANSFERS		15,000	0.8	15,000	0.6
INTEREST INCOME		<u>\$1,985,470</u>	<u>100.0</u>	<u>\$2,506,195</u>	<u>100.0</u>
TOTAL					

## 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 \$3,370,687. Discounting the reserve adjustment, 2009 and 2010 expenses were 92% and 75% of the budget respectively. Rates, decreased 25% in 2000, were increased 10% for 2009, 6% for 2011 and 20% for 2012 due to increased expenses. In addition, with a fund deficit of \$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 rate is 9.3 cents, slightly more than the prior year's 8.6 cents.

## Five Year Financial Forecast

The 2013-2017 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 in 2013 and 2014 followed by 10% increases from 2015 to 2017 during this period. The fund will turn positive in 2017.

## WORKER'S COMPENSATION FUND 2013-2017 FINANCIAL FORECAST (IN \$000'S)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Revenues	\$2,852	\$3,420	\$3,760	\$4,135	\$4,547
Expenses	<u>2,535</u>	<u>2,662</u>	<u>2,795</u>	<u>2,935</u>	<u>3,082</u>
Excess (Deficit)	317	758	965	1,200	1,465
Beginning Balance	<u>(2,208)</u>	<u>(2,244)</u>	<u>(1,910)</u>	<u>(1,453)</u>	<u>(558)</u>
Acctg Int Adjust	<u>(353)</u>	<u>(424)</u>	<u>(508)</u>	<u>(305)</u>	<u>(336)</u>
Ending Balance	<u>(\$2,244)</u>	<u>(\$1,910)</u>	<u>(\$1,453)</u>	<u>(\$558)</u>	<u>\$571</u>
Property Tax Rates (in cents)	12.1	15.2	18.3	20.1	22.1
Expense Rate Change	20%	20%	20%	10%	10%