

LRB-FISCAL REVIEW SECTION ANALYSIS

FINANCE AND PERSONNEL COMMITTEE

ITEM 6, FILE # 011108

DECEMBER 19, 2001

MARK A. RAMION

File # 011108 is a resolution transferring \$500,000 from the Common Council Contingent Fund to the Worker's Compensation Special Purpose Account at the request of the City of Milwaukee Department of Employee Relations (DER).

Background

1. The City of Milwaukee is self-insured under the provision of the State of Wisconsin Worker's Compensation Act. This exemption from purchasing commercial insurance requires the city to pay all claims related to worker's compensation under Chapter 102 of the Wisconsin Statutes.
2. In September 2001, the Council approved File # 010672 transferring \$500,000 from the Common Council Contingent Fund to the Worker's Compensation Special Purpose Account.

Discussion

1. The year 2001 Worker's Compensation Special Purpose Account is experiencing a shortfall. This 2001 SPA is funded at \$6,000,000.
2. The shortfall is based upon a 29% increase in worker's compensation claims expenses in 2001. DER reports that health care costs are a significant part of this increase and that worker's compensation claims are being settled for a higher amount than in the past. An increase in the wage and rate maximums (approximately 6%) set by the State of Wisconsin is another contributing factor.
3. **Historical Information:** *Worker's Compensation SPA Budget and Expenditures*

Year	Budgeted	Expended	Shortfall	Supplement	Change Prev. Yr.
1997	\$ 4,598,000	\$ 5,103,142	\$ 505,142	+ 11%	
1998	4,664,886	4,812,163	147,277	+ 3%	-6%
1999	4,731,821	5,763,071	1,031,250	+ 22%	+16%
2000	5,400,000	5,467,992	67,992	+ 1%	-5%
2001 <i>Projected</i>	6,000,000	7,000,000	1,000,000	+ 17%	+22%

4. The amounts budgeted and expended do not include the Required Employer Law Compliance sub-account balance. These monies are budgeted relative to the Bloodborne Pathogen Law and covers expenses incurred as a result of exposure to bloodborne pathogens in the workplace. Per DER, the 2001 account has a projected balance of \$9,400.

5. On average, over the past five years, the Worker's Compensation SPA has experienced a shortfall of 11% relative to its budgeted amount.

Additional Information

1. For 2001, DER anticipates reimbursement (approximate) for worker's compensation claims from Milwaukee Public Schools (\$2.5 million), DPW-Water (\$657,000) and the Parking Fund (\$33,500). The current projected shortfall takes into account these reimbursements.
2. DPW, Police and Fire departments, the city's largest departments, account for approximately 65% of worker's compensation expenses through November 2001.
3. Individual city departments are responsible for their respective safety programs and requirements.
4. The *2002* Worker's Compensation SPA is funded at \$7,170,000.

Fiscal Impact

1. The total cost relative to this request is \$500,000 to be transferred from the Common Council Contingent Fund to the Worker's Compensation SPA.
2. The Contingent Fund balance on December 14, 2001 was \$2,287,641.
3. The Contingent Fund balance, upon approval of this transfer, will be \$1,787,641.

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LRB-Fiscal Review Section
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