

LRB-FISCAL REVIEW SECTION ANALYSIS

FINANCE AND PERSONNEL COMMITTEE

ITEM 12, FILE # 050573

SEPTEMBER 21, 2005

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File # 050573 is a resolution transferring \$800,000 from the 2005 Common Council Contingent Fund to the Worker's Compensation Special Purpose Account.

Background

1. This resolution transfers \$800,000 from the 2005 Common Council Contingent Fund to the Department of Employee Relations – Workers Compensation Special Purpose Account to cover an \$800,000 shortfall created by higher-than-anticipated Worker's Compensation claims.
2. The Workers' Compensation Fund covers expenses incurred by the city as a result of employee job-related injuries. Payments are made from the fund to those injured. These payments are partially offset by the recovery of payments from third parties.

Discussion

1. The Department of Employee Relations – Worker's Compensation Special Purpose Account was funded in 2005 at \$8,850,000.
2. Worker's Compensation SPA is a claims account. The City is obliged to pay the claims. At this time, DER estimates that this transfer will address the anticipated shortfall for 2005.
3. This resolution will transfer \$800,000 from the Common Council Contingent Fund to the Worker's Compensation Special Purpose Account for 2005 expenses.
4. File # 040975 transferred \$510,000 from the 2004 Common Council Contingent Fund to the Department of Employee Relations Worker's Compensation Special Purpose Account to cover a shortfall created by higher than anticipated worker's compensation claims.
5. The primary reason for the shortfall this year is that medical costs have a significant impact on these claims. The cost of workers compensation medical claims increased 19% from 2003 to 2004. Additionally, state law allows employees to go to the doctor of their choice for worker's compensation injuries, which sometimes leads to a higher charge by the clinic or physician.
6. Police, Fire and DPW account for approximately 75%-80% of worker's compensation claims in 2004 with a similar percentage at this point in 2005.

Fiscal Effect

1. The total amount of this resolution is \$800,000 to be transferred from the Common Council Contingent Fund to the Worker’s Compensation Special Purpose Account.
2. The 2005 Worker’s Compensation SPA (claims) is budgeted for \$8,850,000. The 2006 budget will propose \$10.8 million, approximately 22% above the 2005 budgeted amount and 11% above the projected 2005 expenditures.
3. The 2005 Common Council Contingent Fund, budgeted for \$5 million, has a current balance of \$4.95 million.

Further Information

<i>Worker’s Compensation Claims Special Purpose Account</i>			
Year	Budget	Expenditure	Difference
2000	\$5,400,000	\$5,514,653	2%
2001	\$6,000,000	\$7,991,733	33%
2002	\$7,100,000	\$7,149,302	0.1%
2003	\$7,000,000	\$8,868,278	26%
2004	\$7,705,000	\$9,070,000	17%
2005	\$8,850,000	\$9,650,000 (Projected)	9%
2006 (Proposed)	\$10,800,000		

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LRB-Fiscal Review Section
September 20, 2005

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