

**LRB-FISCAL REVIEW SECTION ANALYSIS**

**SEPTEMBER 20, 2001**

**ITEM 18, FILE 010672**

**FINANCE AND PERSONNEL COMMITTEE**

**MARK A. RAMION**

File # 010672 is a resolution transferring \$1.225 million from the Common Council Contingent Fund to the Worker’s Compensation Special Purpose Account (for reserve) at the request of **the City of Milwaukee Department of Employee Relations (DER).**

**Background**

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 State of Wisconsin statutes.

**Discussion**

1. The City of Milwaukee Department of Employee Relations, Employee Benefit Division and the Department of Administration Budget Office are anticipating a shortfall of \$1,372,368 in the year 2001 Worker’s Compensation Special Purpose Account. 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*

<b>Year</b>	<b>Budgeted</b>	<b>Expended</b>	<b>Shortfall</b>	<b>Supplement</b>	<b>Change Prev. Yr.</b>
1997	\$ 4,598,000	\$ 5,103,142	\$ 505,142	+ 11%	
1998	4,664,886	4,812,163	147,277	+ 3%	-6%
1999	5,763,071	1,031,250	+ 22%	+16%	
4,731,821					2000
4,731,821					
2001 <i>Projected</i>	6,000,000	7,373,368	1,373,368	+ 23%	+35%

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 \$88,700.

5. On average, over the past five years, the Worker's Compensation SPA has experienced a shortfall of 12% relative to its budgeted amount.
6. If the entire projected amount for 2001 is expended, the Worker's Compensation SPA will require an additional \$148,368.
7. A 25% increase in the Worker's Compensation SPA expenditures will require approximately \$9,216,710 for 2002. A 30% increase in the Worker's Compensation SPA expenditures will require approximately \$9,585,378 for 2002. *These estimations for 2002 are based upon the amount projected for expenditure in 2001.*

### **Additional Information**

1. For 2001, DER anticipates reimbursement 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 65% of worker's compensation expenses through August 2001.
3. Individual city departments are responsible for their respective safety programs and requirements.

### **Fiscal Impact**

1. The total cost relative to this request is \$1,225,000 to be transferred from the Common Council Contingent Fund to the Worker's Compensation SPA for reserve.
2. The Contingent Fund Balance on September 14, 2001 was \$4,289,440.
3. The Contingent Fund Balance, upon approval of this transfer, will be \$3,064,440.

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LRB-Fiscal Review Section  
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