

TO: City Council for June 6, 2016
FROM: Mary Beth Altmann Hughes, Human Resources Director *WAA*
DATE: May 25, 2016
THROUGH: Mark W. Shepard, P.E., City Manager *MWS*
Nancy Brewer, Finance Director *NB*
SUBJECT: Workers' Compensation Supplemental Budget



Action Requested:

Staff recommends Council adopt the attached Fiscal Year 2015-16 Risk Management Fund supplemental budget resolution to increase appropriations in the City Manager's Office budget for workers' compensation expenditures.

Discussion:

The City Manager's Office (CMO) budget includes a total of \$356,520 for Risk Management operations, including \$352,000 for workers' compensation insurance premiums and \$4,520 for safety program expenditures. As of the writing of this memo, the CMO budget in the Risk Management Fund is 92% expended with only \$26,170 in appropriations remaining; however, after receiving an estimate for the fourth quarter workers' compensation invoice from City County Insurance Services (CIS), total program expenditures are expected to exceed budget by nearly \$40,000.

However, revenues are also anticipated to exceed those budgeted. Employer-At-Injury Program (EAIP) and Salary Continuation reimbursements are significantly greater than budgeted for Fiscal Year 2015-16. Similar to the overall Risk Management budget, it is challenging to budget accurately for these reimbursements as they are determined not only by the number of claims but the type, severity and specific treatment for each claim. The EAIP is a State program that incentivizes employers to bring injured workers back to work through wage and worksite modification reimbursements. The City actively participates in this program, engaging employees in meaningful work for the City while they recuperate from work-related injuries. Transitional duty assignments are created that meet both the limitations of the employee's injury *and* provide valuable services to the City. Early return-to-work programs are invaluable to a successful safety program, increasing productivity, reducing time loss, improving employee morale, and reducing claim costs and duration.

Reimbursements through the end of the fiscal year are estimated to total at least \$42,000 more than the amount budgeted. A total supplemental budget of \$40,000 is requested to provide the appropriations needed for final workers' compensation claim costs. This amount is less than the 10% of total budget allowed by State law to be appropriated after budget adoption.

Budget Impact:

Risk Management Fund total resources in Fiscal Year 2015-16 will be higher than expected as described above, but will be used to offset the higher than anticipated workers' compensation claim costs. The excess EAIP/Salary Continuation revenues are more than adequate to cover these increased claim expenditures, for a net zero impact to the Risk Management Fund.

Attachment: Resolution

RESOLUTION 2016 - ____

A RESOLUTION FOR A SUPPLEMENTAL BUDGET AMOUNT OF \$40,000 FOR WORKERS' COMPENSATION CLAIM COSTS IN THE RISK MANAGEMENT FUND

Minutes of the _____, Corvallis City Council meeting, continued.

A resolution submitted by Councilor _____.

WHEREAS, ORS 294.471(1) provides that the governing body of a municipal corporation may make a supplemental budget during the fiscal year or period for which the original budget was adopted, under certain circumstances; and

WHEREAS, ORS 294.471(1)(a) provides that one such circumstance is that an occurrence or condition that was not ascertained when preparing a budget for the current year or budget period and that requires a change in financial planning has occurred; and

WHEREAS, ORS 294.471(3) provides that no public hearing or publication of the budget is required if the estimated expenditures contained in an individual fund that is being changed by a supplemental budget differ by 10% or less of the Fund's original or most recently amended budget; and

WHEREAS, the fiscal year 2015-16 approved budget includes appropriations for the Risk Management Fund that totaled \$1,626,280; and

WHEREAS, a resolution for a supplemental budget is required to appropriate additional operating budget; and

WHEREAS, the Employer At Injury Program/Salary Continuation revenues received are greater than anticipated; and

WHEREAS, final workers compensation claim costs are higher than expected; and

WHEREAS, the City Council has determined that an increase in resources has occurred which allows a change in financial planning and necessitates the supplemental appropriations described below.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF CORVALLIS RESOLVES that the Fiscal Year 2015-16 supplemental budget of \$1,666,280 is hereby adopted; and

BE IT FURTHER RESOLVED that the appropriations for the fiscal year beginning July 1, 2015, and for the purpose as shown below are hereby increased as follows:

<u>RISK MANAGEMENT FUND</u>	<u>AMOUNT</u>
City Manager's Office	\$40,000

Councilor

Upon motion duly made and seconded, the foregoing resolution was adopted and the Mayor thereupon declared said resolution to be adopted.