



## Legislation Text

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*Report Prepared by: Maggie Lemos, Risk Analyst, Human Resources Department*

**SUBJECT:** Approval of a Supplemental Appropriation from the General Fund in the Amount of \$270,000 to Fund 7002-Workers Compensation Due to Increased Worker's Compensation Settlement Activity in Fiscal Year 2022-2023

### REPORT IN BRIEF

Considers approving a supplemental appropriation in the General Fund in the amount of \$270,000 to Fund 7002-Worker's Compensation due to higher than projected worker's compensation settlement activity than what was originally budgeted for in fiscal year 2022-2023.

### RECOMMENDATION

**City Council** - Adopt a motion:

- A. Approving a supplemental appropriation from the unreserved, unencumbered fund balance of the General Fund in the amount \$270,000, transfer to Fund 7002-Worker's Compensation and appropriate the same in Fund 7002-Worker's Compensation; and,
- B. Authorizing the Finance Officer to make the necessary budget adjustments.

### ALTERNATIVES

None.

### AUTHORITY

Article XI - Fiscal Administration.

### CITY COUNCIL PRIORITIES

As provided for in the 2022-23 Adopted Budget.

### DISCUSSION

The City of Merced's Workers' Compensation program is a self-funded plan. During the annual budget process, the Human Resources department works with the City Attorney's office to estimate the needs of existing claims and pending settlements to recommend funding for this program. During this fiscal year, the City has experienced higher than anticipated workers' compensation settlement activity than what was originally budgeted for in fiscal year 2022-2023. The original budget for the payment of continuing permanent disability awards, lump sum compromise & release settlements and permanent disability advances for the 2022-2023 fiscal year was \$588,952. We have settled claims for twelve employees totaling \$652,734.33 which \$267,103.45 was reimbursed by our excess Workers' Compensation carrier. This resulted in a total cost for settlements to the City of \$385,630.88

in settled claims during the fiscal year 2022-2023. We have also continued to pay weekly salary continuation and LC4850 for current employees unable to work due to a job injury, temporary disability and permanent/partial disability payments totaling \$475,093.54 and will need to continue those payments through the 2022-2023 fiscal year.

Human Resources is requesting a supplemental appropriation of \$270,000 from the General Fund to cover the claims and payments needed for the administration of the City's self-insured worker's compensation plan. The department has depleted all funding available for Fiscal Year 2022-23 in Fund 7002 for payment of worker's compensation medical and permanent disability claims.

### **IMPACT ON CITY RESOURCES**

A Supplemental Appropriation in the amount of \$270,000 from the General Fund is necessary to fund the City's self-insured worker's compensation plan for the remainder of this fiscal year.

### **ATTACHMENTS**

None.