



MEMORANDUM Management Services Memo No. 15-074

DATE: MAY 28, 2015

TO: MAYOR AND COUNCIL

THRU: RICH DLUGAS, CITY MANAGER *RD*

FROM: DEBRA STAPLETON, HUMAN RESOURCES DIRECTOR *JAS*
DAWN LANG, MANAGEMENT SERVICES DIRECTOR *DL*

SUBJECT: APPROVAL FOR CONTINGENCY TRANSFERS TO THE HUMAN RESOURCES WORKER'S COMPENSATION LIABILITY COST CENTER FOR EXPENSES RELATED TO WORKER'S COMPENSATION CLAIMS

RECOMMENDATION

Staff recommends that the Chandler City Council approve a transfer of Worker's Compensation Non-Departmental contingency in the amount of \$187,000 and a transfer of General Fund Non-Departmental contingency appropriation in the amount of \$380,000 to the Human Resources Worker's Compensation Liability cost center for expenditures related to Worker's Compensation claims.

BACKGROUND

The City of Chandler Worker's Compensation Fund is responsible for paying claims resulting from job related injuries. The annual budget for claims expenditures is \$1,500,000 but claims expenses are more than \$1,900,000 as of April. Contingency funds in the amount of \$500,000 are budgeted in the Worker's Compensation Fund, Non-Departmental cost center each year for potential claim overages, but per the annual Budget Resolution, Council approval is required to move the appropriation from contingency to the claims budget.

Council previously approved a transfer of \$300,000 from the \$500,000 Non-Departmental contingency at the March 26, 2015 regular meeting. Additionally, \$13,000 was transferred for carryforwards as allowed by the annual budget resolution, leaving only \$187,000 of contingency available. The estimated claims appropriation needed through year-end requires a total of \$567,000 to be used from Worker's Compensation Fund balance. Because there is only \$187,000 remaining, \$380,000 of appropriation will be needed from the General Fund contingency.

DISCUSSION

When projecting the claims appropriation need to the end of the Fiscal Year, staff reviewed all open claims and earlier this year determined \$300,000 to be sufficient for the March 26th Council action. Since then, numerous anomalies have created the need for additional claims appropriation before year end. Although it is difficult to predict accidents and associated medical claims, there has been a trend toward larger hospitalization claims. In FY 2013-14 there were only two hospitalization claims over \$30,000. This year there have been six, which included a couple that fell within the months of April and May. Monthly average claim payments are also increasing from just over \$123,000 per month in FY 2013-14 to almost \$175,000 per month this year.

FINANCIAL IMPLICATIONS

As a result of the higher than anticipated claims, Council approval is needed to add appropriation to the Worker's Compensation Fund to allow spending an additional \$567,000 of Worker's Compensation Fund balance on claims. This will require the remaining \$187,000 from the Worker's Compensation Non-Departmental Cost Center, Contingency account (736.1290.5911), and an appropriation transfer of \$380,000 from the General Fund Non-Departmental Cost Center, Contingency account (101.1290.5911), to the Human Resources Worker's Compensation Liability Cost Center, Claims account (736.1251.5611) for payment of claims to City of Chandler employees.

PROPOSED MOTION

Move to approve a transfer of Worker's Compensation Fund Non-Departmental contingency in the amount of \$187,000 and General Fund Non-Departmental contingency appropriation in the amount of \$380,000 to the Human Resources Worker's Compensation Liability cost center for expenditures related to Worker's Compensation claims.

- c: Nachie Marquez, Assistant City Manager
- Marsha Reed, Assistant City Manager
- Rae Lynn Nielsen, Benefits and Labor Relations Administrator