



**CITY OF MODESTO  
COMMITTEE AGENDA REPORT**

**Budget Workshops  
May 18-22, 2009**

Date: April 3, 2009

TO: Finance Committee  
Brad Hawn, Chair  
Kristin Olsen, Vice-Chair  
Garrad Marsh, Member

THROUGH: Greg Nyhoff, City Manager

FROM: Wayne Padilla, Finance Director

SUBJECT: Workers Compensation Premium Payments

CONTACT: Mary Akin, Risk Manager, [makin@modestogov.com](mailto:makin@modestogov.com) 577-5251

**DESCRIPTION:**

Consider providing policy direction regarding:

1. The initiation of a holiday in the General Fund to save the annual payment to the Worker's Compensation Fund for FY 2008-09 and FY 2009-10.

(Funding Source: Potential General Fund Impact)

**FISCAL IMPACT:**

For the 2009-2010 fiscal year, the total premium assessment to the General Fund is approximately \$3.6 million. By allowing the General Fund to forego payment of this amount, the Worker's Compensation Fund deficit will increase while the existing cash balance will be drawn lower in response to the payment of actual claim costs in the absence of this payment. The Workers Compensation Fund has a sufficient cash balance to allow a one-time holiday to be provided to the General Fund. If a holiday is taken in the 2008-2009 fiscal year, the amount not paid into the Worker's Compensation Fund would be a portion of the total premium assessed for that year and not the full amount.

**BACKGROUND:**

The city self-assesses a charge to all programs with employees to cover the cost of providing workers compensation benefits. The amount charged to each program is based on a fixed percent of the total salaries paid out and a factor assigned using the actual claims history of the program's employees. For the 2009-2010 fiscal year, the total premium assessment to the General Fund is approximately \$3.6 million. By allowing the General Fund to forego payment of this amount, the Worker's Compensation Fund deficit will increase while the existing cash balance will be drawn lower in response to the payment of actual claim costs in the absence of this payment. The Workers Compensation Fund has a sufficient cash balance to allow a one-time holiday to be provided to the General Fund.

Approved by:

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Wayne Padilla, Director of Finance

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Greg Nyhoff, City Manager