

Workers' Compensation Insurance	2020-21 Actuals	2021-22 Estimated	2022-23 Proposed	2023-24 Projected	2024-25 Forecast	2025-26 Forecast	2026-27 Forecast
Beginning Fund Balance	\$ 223	\$ (183)	\$ 2,918	\$ 1,035	\$ 706	\$ 784	\$ 1,023
Revenues							
Interest Earnings	\$ 18	\$ 32	\$ 268	\$ 306	\$ 306	\$ 306	\$ 306
Internal Service Charges	4,485	4,371	3,623	3,804	3,994	4,194	4,404
Total Revenues	\$ 4,502	\$ 4,403	\$ 3,891	\$ 4,110	\$ 4,300	\$ 4,500	\$ 4,710
Expenses							
Personnel	\$ 408	\$ 413	\$ 404	\$ 413	\$ 421	\$ 429	\$ 438
Operating	756	945	946	972	1,001	1,031	1,062
Claims	3,145	2,000	2,600	2,600	2,600	2,600	2,600
Acturial Adjustment	599	(2,057)	324	455	200	200	200
Total Expenses	\$ 4,908	\$ 1,301	\$ 4,274	\$ 4,440	\$ 4,222	\$ 4,261	\$ 4,300
Transfer Out	\$ -	\$ -	\$ 1,500	\$ -	\$ -	\$ -	\$ -
Ending Fund Balance	\$ (183)	\$ 2,918	\$ 1,035	\$ 706	\$ 784	\$ 1,023	\$ 1,433

Values are shown in thousands.

The Workers' Compensation Insurance Fund accounts for all workers' compensation self-insurance activities. This includes the cost of claims, insurance, legal and other professional services, and program administration. The total cost of claims constitutes the largest expense in this fund. Workers' compensation expenses can fluctuate significantly year-over-year based on the total cost of claims, which includes any adjustments to the total liability of the fund due to actuarially-determined changes in experience. Over the past 10 years, total expenses (excluding actuarial accounting adjustment) have been as high as \$4.3 million and as low as \$1.6 million.

Funding for the Workers' Compensation Insurance Fund comes from collections from all of the operations across all funds that include personnel. Departments are charged a percentage of pay for each employee, and the amount of the charge depends on the type of employee. Positions that historically have higher workers' compensation experience, such as police employees, are charged a higher rate than positions with historically lower experience. Collections from departments are set in an effort to ensure adequate funding for this program, including having funds set aside in reserve to cover years where claims expenses were unusually high.

In 2019-20, the fund received a \$3.5 million transfer from the General Fund to prevent the fund from going further to a negative balance. However, based on the latest actuarial study, the City's workers' compensation liabilities for 2021-22 were adjusted down by \$2 million. As such, the fund will only need to keep \$2 million from the General Fund transfer. The excess \$1.5 million will be transferred out to the Comprehensive Liability Fund.

With the transfer of the City's fire operations to San Mateo Consolidated Fire Department (SMC Fire), with the exception of former Fire personnel that served in the Bureau of Fire Protection and Life Safety (Bureau), as it is a cost recovery program, claims that were incurred while the fire employees were City employees will remain in this fund and as the City's responsibility. While SMC Fire has paid the City for the present value of former Bureau legacy workers' compensation, which reflects open claims and claims that have been closed since SMC Fire commencement of operations, as updated actuarial studies are performed in subsequent fiscal years, the City will prepare an annual analysis to 1) compare actuarial assumptions to the current actuarial study, including the discount rate or cost of healthcare, 2) evaluate new claims if the City is assigned proportional responsibility. The City will then compare the amount of legacy costs paid by SMC Fire (from its Bureau) to the City with the update workers' compensation liability and resume collecting additional costs as appropriate.