

ORDINANCES AND RESOLUTIONS

**CITY COUNCIL
May 28, 2002**

To: Mayor and City Council

From: George J. Rodericks, City Manager

SUBJECT: CALIFORNIA JPIA WORKER'S COMPENSATION PROGRAM

BACKGROUND

In 1989 the City adopted Resolution No.'s 1989-1081, 1989-1082, and 1989-1083 authorizing and approving self-insurance of worker's compensation for employees through the Self-Insurance and Loss Pooling Program of the California Joint Powers Insurance Authority (CJPIA). The City participated with the CJPIA until 1995 when it appeared that premiums under the CJPIA would outpace what the City could secure on its own through a private broker. However, the rates promulgated by the CJPIA never actually increased for Villa Park and the City has received a retrospective deposit from the CJPIA ever since.

The resolutions adopted by the City in 1989 were never rescinded by the City Council and are still in effect. If renewed membership in the CJPIA for worker's compensation is approved by the City Council this evening, it is recommended that new resolutions be adopted and the 1989 resolutions be rescinded.

FINDINGS

Currently, the City provides worker's compensation benefits through a private carrier, Golden Eagle Insurance. The annual premium is \$6,742 for the current policy expiring July 1, 2002.

Coverage under the CJPIA Self-Insurance and Loss Pooling Program would begin July 1, 2002. The initial deposit (premium) for membership in the \$10,000 retention pool would be \$3,121. If the City were to join the \$25,000 pool, the deposit is \$2,735 and the \$50,000 pool has a deposit requirement of \$2,521.

The retention value in each pool limits the City's actual exposure. For example, in the \$10,000 retention pool, the City's actual exposure is limited to \$10,000. The members in the pool share the actual losses in the pool. With the City's low claims history, what occurs is that the City of Villa Park will share a greater amount of losses of the other members of the pool. There are currently 14 agencies in the \$10,000 retention pool, these include the cities of Artesia, Laguna Niguel, Laguna Woods, Lake Forest, Malibu, Rolling Hills Estates and Temple City.

The \$25,000 retention pool contains 36 agencies and includes the cities of Cerritos, Commerce, Cudahy, Duarte, Indian Wells, Lomita, Palm Desert, Rancho Palos Verdes, Signal Hill, and South El Monte.

The \$50,000 retention pool contains 59 agencies and includes many of the previously listed agencies plus Agoura Hills, Mission Viejo, San Dimas, Chino Hills, Claremont, Needles, Norwalk, Paramount, Pico Rivera, Santa Fe Springs, and Walnut.

FISCAL IMPACT

To participate in the \$10,000 retention pool, the deposit is \$3,121, for the \$25,000 retention pool, \$2,735, and the \$50,000 retention pool, \$2,521.

The CJPIA recommends that the City participate in the \$50,000 pool to minimize our annual deposit. Participating in this pool reduces our deposit cost due to our low loss history as a total percentage of pool losses. However, by participating in this pool, our exposure is \$50,000. It is staff's recommendation that we participate in the \$10,000 retention pool to limit our exposure; while our deposit cost may be higher our risk exposure is less.

RECOMMENDATION

It is recommended that the City Council:

- 1) Adopt Resolution No. 2002-2600, a Resolution of the City Council of the City of Villa Park, California authorizing application to the Director of Industrial Relations, State of California, for a Certificate of Consent to Self-Insure Worker's Compensation Liabilities, rescinding Resolution No. 1989-1081; and
- 2) Adopt Resolution No. 2002-2601, a Resolution of the City Council of the City of Villa Park, California authorizing and approving Self-Insurance of Worker's Compensation for its employees through the Self-Insurance and Loss Pooling Program of the Southern California Joint Powers Insurance Authority, rescinding Resolution No. 1989-1082; and
- 3) Adopt Resolution No. 2002-2602, a Resolution of the City Council of the City of Villa Park, California providing Worker's Compensation coverage for certain City Volunteers pursuant to the provisions of Section 3363.5 of the Labor Code, rescinding Resolution No. 1989-1083.