

HUMAN RESOURCES BENEFITS

BASIS FOR THE PROPOSED BUDGET

The 2003-04 Proposed Budget for Human Resources Benefits relates to current year funding as follows:

	Amount	% Change
2002-03 Adopted Budget	\$ 325,472,032	
Changes in Budget	\$ 50,258,395	15.4%
2003-04 Proposed Budget	\$ 375,730,427	

The Proposed Budget includes costs for the direct payments, exclusive of personnel and administrative costs, for various human resources benefits provided to City employees. These benefits consist of: (1) payment of all workers' compensation and rehabilitation bills, claims and awards; (2) payment of subsidies for the City's benefits program, i.e., health, dental, optical, disability, life insurance, and the Employee Assistance Program; (3) payment of unemployment insurance; and (4) payment of other benefits as approved by the Mayor and Council.

In 2002-03, the responsibility for managing all chargebacks, including workers' compensation, was placed directly with all benefiting departments. The Personnel Department is tasked with monitoring and controlling workers' compensation chargeback usage to assure efficient expenditures. The Department will remain accountable through its periodic reporting to the Mayor and Council on the status of workers' compensation chargebacks.

CHANGES FROM ADOPTED BUDGET

	2002-03 Budget	Recommended Change	2003-04 Proposed Budget
Workers' Compensation	\$ 116,000,000	\$ 26,000,000	\$ 142,000,000
Civilian FLEX Program	121,846,652	17,372,694	139,219,346
Supplemental Civilian Union Benefits	3,688,265	(149,412)	3,538,853
Police Health and Welfare Program	56,655,904	4,227,797	60,883,701
Fire Health and Welfare Program	22,888,540	770,095	23,658,635
Unemployment Insurance	3,300,000	2,030,000	5,330,000
Employee Assistance Program	<u>1,092,671</u>	<u>7,221</u>	<u>1,099,892</u>
TOTAL COST OF HUMAN RESOURCES BENEFITS	\$ <u>325,472,032</u>	\$ <u>50,258,395</u>	\$ <u>375,730,427</u>

Direct Cost

2002-03 Program Level \$ 325,472,032

PROGRAM CHANGES

Changes in Special - \$50,258,395

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| 1. | <p>Workers' Compensation. The Workers' Compensation account is increasing by \$26 million. The 2002-03 Adopted Budget provided \$116 million for workers' compensation. It is projected that actual expenditures in 2002-03 will exceed the budget by at least \$12 million. The \$26 million increase in 2003-04 represents an approximate 22.4 percent increase from the 2002-03 Adopted Budget. This increase is provided to meet the realistic projected amount of approximately \$142 million for workers' compensation in 2003-04 as estimated by PricewaterhouseCoopers in May 2002. This increase is the result of escalating medical costs, which account for approximately 60 percent of workers' compensation benefits. The number of civilian workers' compensation claims filed annually has remained relatively constant for the last several years but the average cost per claim has increased by 10 percent.</p> | \$ 26,000,000 |
| 2. | <p>Civilian FLEX Program. The Civilian FLEX Program consists of health and dental insurance benefits, as well as base life insurance, base disability, and FLEX Credit benefits. The average cost per employee per month for all benefits provided in the Civilian FLEX Program will increase from \$402.48 in 2002-03 to \$518.35 in 2003-04.</p> <ul style="list-style-type: none"> • There is <i>an increase of \$17,656,117</i> in the civilian health insurance portion of this account based on a zero percent increase in enrollment and an annual increase in medical rates. The average expenditure per civilian employee per month for health benefits will increase from \$396.54 in 2002-03 to \$456.81 in 2003-04. • There is <i>an increase of \$489,575</i> in the civilian dental insurance portion of this account based on a zero percent increase in enrollment and an annual increase in dental rates. The average expenditure per civilian employee per month for dental benefits will increase from \$27.71 in 2002-03 to \$28.77 in 2003-04. • The Civilian FLEX Program also includes Base Life, Base Disability, and FLEX Credits. The cost for these three benefits in 2003-04 is \$403,777 for Base Life (<i>an increase of \$14,169</i>); \$6,058,835 for Base Disability, the funding for which is based on a percent of covered payroll (<i>an increase of \$634,924</i>); and \$3,537,624 for FLEX Credits (<i>an increase of \$1,764</i>). Base Disability is projected to rise sharply as a result of anticipated cost-of-living increases, which will total 13% by January 2004, and increase in enrollment. In addition, it is projected that there will be a <i>decrease of \$1,423,855</i> due to increased reimbursements received from independent departments and other sources. | 17,372,694 |
| 3. | <p>Supplemental Civilian Union Benefits. Contained in the Supplemental Civilian Union Benefits are the benefits negotiated by individual bargaining units such as Union Optical/Dental/Life, MOU 12 Liuna Pension Fund, VDT Optical Plan, and Life Insurance. There is a <i>decrease of \$58,515</i> in the benefits paid for the Union Optical/Dental/Life, a <i>decrease of \$58,427</i> for the MOU 12 Liuna Pension Fund, and a <i>decrease of \$32,470</i> for Life Insurance. This projection is based on a zero percent increase in enrollment in the Union Optical/Dental/Life, Liuna Pension Fund enrollment remaining virtually flat, and a culling of eligibility for supplemental life insurance.</p> | (149,412) |

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| 4. | <p>Police Health and Welfare Program. The Police Health and Welfare Program consists of health, dental and life insurance for sworn police employees. The average cost per employee per month for all benefits provided in the Police Health and Welfare Program will increase from \$541.05 in 2002-03 to \$559.30 in 2003-04.</p> <ul style="list-style-type: none"> • There is an <i>increase of \$3,323,824</i> in the police health insurance portion of this account based on a 2.84 percent increase in enrollment and an annual increase in medical rates. The average expenditure per police sworn employee per month for health benefits will increase from \$473.78 in 2002-03 to \$484.11 in 2003-04. • There is an <i>increase of \$895,563</i> in the police dental insurance portion of this account based on a 2.84 percent increase in enrollment and an annual increase in dental rates. The average expenditure per police sworn employee per month for dental benefits will increase from \$51.26 in 2002-03 to \$59.06 in 2003-04. • There is an <i>increase of \$8,410</i> in the life insurance benefit due to higher enrollment in this program. | 4,227,797 |
| 5. | <p>Fire Health and Welfare Program. The Fire Health and Welfare Program consists of health, dental and life insurance for sworn fire employees. The average cost per employee per month for all benefits provided in the Fire Health and Welfare Program will increase from \$579.98 in 2002-03 to \$587.98 in 2003-04.</p> <ul style="list-style-type: none"> • There is an <i>increase of \$447,854</i> in the fire health insurance portion of this account based on a zero percent increase in enrollment and an annual increase in medical rates. The average expenditure per fire sworn employee per month for health benefits will increase from \$512.25 in 2002-03 to \$512.71 in 2003-04. • There is an <i>increase of \$262,817</i> in the fire dental insurance portion of this account based on a zero percent increase in enrollment and an annual increase in dental rates. The average expenditure per fire sworn employee per month for dental benefits will increase from \$51.73 in 2002-03 to \$59.27 in 2003-04. • There is an <i>increase of \$59,424</i> in the life insurance benefit due to higher enrollment in this program. | 770,095 |
| 6. | <p>Unemployment Insurance. The budget request for Unemployment Insurance is increased by approximately 61.5 percent, from \$3,300,000 in 2002-03 to \$5,330,000 in 2003-04. The increase is due to a 12 percent increase in the maximum weekly benefit from \$330 to \$370 in January 2003, and an additional 11 percent increase to \$410 in January 2004 as a result of SB40 legislation, which was signed into law in October 2001.</p> | 2,030,000 |
| 7. | <p>Employee Assistance Program. A slight increase of \$7,221 is projected based on an increase in the cost for civilian employees and projected increase in civilian enrollment.</p> | 7,221 |

TOTAL CHANGES IN SPECIAL

\$ 50,258,395

2002-03 Program Budget	\$	325,472,032
Changes in Special		50,258,395
PROPOSED 2003-04 PROGRAM BUDGET	\$	375,730,427

