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CITY OF SACRAMENTO

CITY MANAGER'S OFFICE
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DIRECTOR OF FINANCE
FRANK MUGARTEGUI
ASSISTANT DIRECTOR

January 21, 1981

City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: CETA UNEMPLOYMENT COMPENSATION BENEFIT COSTS (UI)

SUMMARY

The City will treat its UI exposure on CETA employees in the same manner it handles its exposure for regular employees - the Individual Reimbursement Account Method.

BACKGROUND

The U. S. Department of Labor via CETA Regional Bulletin No. 143-80 dated December 30, 1980, advised the City that effective December 5, 1980 Federal reimbursement to the States of CETA/PSE UI costs will terminate. This means that the City of Sacramento must appropriate funds from its current CETA funding for its unemployment compensation liability on its CETA/PSE participants prospectively from December 5, 1980.

Upon passage of AB-644 on January 30, 1978 which extended unemployment compensation benefits to local government employees, the City selected the Reimbursement Account Method. Under the reimbursement method, the City reimburses the State UI trust fund on a dollar-for-dollar basis for any benefits paid out of the trust fund chargeable to the City.

ALTERNATIVES

There are two (2) alternatives available to the City at this point of time: 1) remain under the Reimbursement Method Program; or 2) change to the Tax Rated Method Program. Legislation only allows an employer one (1) option for its method of financing this exposure.

Based on the data presented in Exhibit I it would not be financially advantageous for the City to change from its current method of financing this exposure to the Tax Rated Method. The City would be paying an additional \$547,537 on its

By the City Council
Office of the City Clerk

JAN 27 1981

employees under the Tax Rated Method for an exposure of \$250,000 resulting from the CETA program.

Basis of Figures - (Ref. Exhibit I B & C) -

Tax on City Employees:

Tax Rated Method	\$676,608
Reimbursement Method	<u>129,071</u>
Difference	\$547,537

Tax on CETA Employees:

Tax Rated Method	\$ 76,416
Reimbursement Method	<u>8,325</u>
Difference	\$ 68,091

FINANCIAL DATA

Pending Department of Labor findings in reviewing permissible arrangements for reimbursing employers for future costs that cannot be drawn down until they are actually needed, the City will remain under its Reimbursement Method and finance the potential CETA unemployment liability cost of \$250,000 with the programs current income and contingent liability reserves established by the City Council.

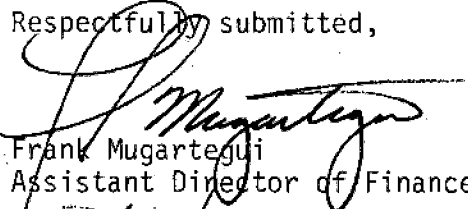
CONCLUSION


The Risk Management Fund has the capacity to minimize the financial impact of this abrupt program change imposed on the City by the Department of Labor. Any changes to our current method of financing this exposure would impact City funds, primarily the general fund.

RECOMMENDATION

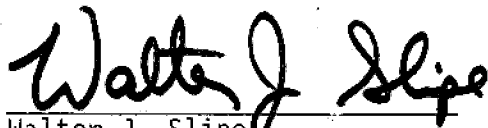
Staff recommends that the City's current method of financing its unemployment insurance not be altered. No City Council action required.

Respectfully submitted,


Frank Mugartegui
Assistant Director of Finance


Dunbar Heins
Employee Services Administrator

FOR CITY COUNCIL INFORMATION:



Walter J. Slipe
City Manager

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cc: Donna Giles

All Districts
January 27, 1981

EXHIBIT I

CITY OF SACRAMENTO
 UNEMPLOYMENT COMPENSATION
 LIABILITY ANALYSIS - CETA

A. Base Data:

1. No. of Employees (total City work force) - Career		2,809
Non-Career		715
Special Manpower		398
	Total	<u>3,922</u>
2. Gross Wages - Career/Non-Career	\$64,535,000	
Special Manpower	4,162,402	

B. Methods of Financing Liability:

1. Tax Rated Method (3.2% on 1st \$6,000/Emp or \$192.00) —

Premium Cost -

Career (2809 x \$192)	\$539,328	} Various City Funds
Non-Career (.715 x \$192)	137,280	
Sub-total City cost	\$676,608	
Special Manpower Program	76,416	CETA Funds
Total Cost	<u>\$753,024</u>	

2. Reimbursement Method (.2% of gross payroll) —

Premium Cost -

Career/Non-Career (\$64,535,000 @ .2%)	\$129,071	Var. City Funds
Special Manpower Program (\$4,162,402 @ .2%)	8,325	CETA Funds
Total Cost	<u>\$137,396</u>	

(Note: City's current program)

C. Potential CETA Unemployment Liability Costs:

Based on discussions with the City's Claims Administrator and our past experience of 40% non placement, the following presents the maximum exposure -

Maximum weekly benefit	\$85.00
Maximum benefit period	26 weeks
Benefit/employee	\$2,200
Times # of employees	400
Total benefit cost (worst)	\$880,000
	40%
Maximum liability based on City's experience	<u>\$352,000</u>

Administrator feels maximum liability is \$250,000