

COUNCIL COMMUNICATION

TO: THE CITY COUNCIL	DATE	NO.
FROM: THE CITY MANAGER'S OFFICE	January 13, 1986	
SUBJECT: Resolution providing for the cost of benefit reimbursement method for funding the City's liability for Unemployment Insurance.		

In January 1978, California law required local public entities to provide Unemployment Insurance Coverage to their employees. Resolution-No. 78-24 was adopted on February 15, 1978 by the City Council to provide for the funding of the City's liability for unemployment insurance through the Local Public Entity Employees' Fund (LPEEF).

Recent legislation (AB 1575) amended the California Unemployment Insurance Code to repeal the LPEEF effective January 1, 1986 as a result of the Sacramento decision handed down by the California Supreme Court. Under this decision, state mandated costs such as Unemployment Insurance are now reimbursable by the State.

With the dissolution of the Fund, cities will have two options for an employer classification under the unemployment insurance program to be selected by January 31:

1. Payment of contributions by the Regular Contribution Rate (Tax) Method.
2. Pro-rated cost of benefits paid. This is the classification of "reimbursing employer."

As a tax rated employer the City will be required to pay 3.40 percent of total payroll to the Employment Development Department. A City now in the Local Public Entity Fund automatically becomes a tax rated employer by doing nothing prior to 1/31. Reimbursing employers pay to the Employment Development Department an amount equal to the benefits paid out for unemployment insurance claims. In other words, the City reimburses EDD on a dollar-for-dollar basis for claims paid out.

A good number of cities which were not in the Local Public Entity Fund now have the status of "reimbursing employer;" this includes most of the larger cities in the state. It is the recommendation of the League of California Cities that cities choose to become a reimbursing employer. Given the stability of City work forces, in 99% of the cases, it will cost the city less when choosing to be a reimbursing employer than allowing EDD to classify the City as a tax rated employer.

RECOMMENDATION: It is the recommendation of staff that the City Council adopt resolution providing for the Cost Reimbursement Method for Funding the City's Unemployment Insurance Liability.

RESOLUTION NO. 86-14

RESOLUTION PROVIDING FOR THE COST REIMBURSEMENT METHOD FOR
FUNDING CITY'S LIABILITY FOR UNEMPLOYMENT INSURANCE

RESOLVED, that the City Council of the City of Lodi does hereby approve the Cost Reimbursement Method option for funding the City's liability for Unemployment Insurance.

Dated: January 15, 1986

I hereby certify that Resolution No. 86-14 was passed and adopted by the City Council of the City of Lodi in a regular meeting held January 15, 1986 by the following vote:

Ayes: Council Members - Olson, Reid, Snider and
Hinchman (Mayor)

Noes: Council Members - None

Absent: Council Members - Pinkerton

Attest:


Alice M. Reinche
City Clerk