

**SUBMITTAL TO THE BOARD OF SUPERVISORS  
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**



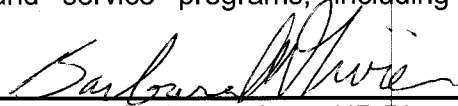
**FROM:** Human Resources Department

**SUBMITTAL DATE:**  
January 6, 2010

**SUBJECT:** Human Resources Internal Service Fund Rate and Budget Adjustment to the Unemployment Insurance Fund for Fiscal Year 2009-10

**RECOMMENDED MOTION:** That the Board of Supervisors approve the Assistant County Executive Officer/Human Resources Director's recommendation to adjust the Internal Service Funds (ISF) Unemployment Insurance Fund rate from 0.446% to 0.620% of salary effective Pay Period 02-10; and 2) Direct the Auditor-Controller to make the budget adjustments shown on Schedule "A".

**BACKGROUND:** The County maintains Internal Service Funds (ISF's) for the Board of Supervisors' authorized and/or legally required insurance and service programs, including our self-funded unemployment insurance fund.

  
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 Barbara A. Olivier, Assistant HR Director for  
 Ronald W. Komers  
 Asst. County Executive Officer/Human Resources Dir.

FISCAL PROCEDURES APPROVED  
 ROBERT E. BYRD, AUDITOR-CONTROLLER  
 By   
 Russell Dominick 1/6/10 Departmental Concurrence

Consent     Policy  
 Consent     Policy

<b>FINANCIAL DATA</b>	Current F.Y. Total Cost:	\$ 870,600	In Current Year Budget:	No
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:	Yes
	Annual Net County Cost:	\$ 0	For Fiscal Year:	2009/10

<b>SOURCE OF FUNDS:</b> Charged to Department Budgets	<b>Positions To Be Deleted Per A-30</b>	<input type="checkbox"/>
	<b>Requires 4/5 Vote</b>	<input checked="" type="checkbox"/>

**C.E.O. RECOMMENDATION:**

**APPROVE**

BY:   
 Karen L. Johnson

**County Executive Office Signature**

Dep't Recomm.:    Per Exec. Ofc.:  
**Prev. Agn. Ref.:** 11/04/2008, 3.46 and 2/3/2009, 3.31f    **District:**    **Agenda Number:**

**3.18**

Due to continuing increases in unemployment claims over the last sixteen months and anticipated further increases in claims activity created by recent legislation and potential layoffs at the County, it is necessary to adjust the rate charged to departments for the unemployment insurance fund.

Unemployment Insurance (UI) is a self-funded benefit program required by the State of California. From 1994 to 2009, the UI rate remained relatively low and fund reserves were used in a planned draw-down from approximately \$10 million to less than \$1 million in order to stabilize rates for departments. More recently, as a result of the economic downturn, two factors have contributed to higher UI expenses:

1. Increased number of claims (Exhibit I); and
2. Enhanced "FED-ED" unemployment benefits.

**Federal-State Extended Duration Benefits (FED-ED)**

Legislation was passed by California Governor Arnold Schwarzenegger on March 27, 2009 to allow unemployed and/or partial unemployed claimants in California to receive up to another 20 weeks of unemployment insurance benefits. This extended benefit program is known as the FED-ED extension. Since April 11, 2009 FED-ED extensions have been automatically filed on behalf of claimants by the Employment Development Department (EDD).

Government entities such as the County of Riverside are charged 100% of the FED-ED extension benefits. Below is a chart of the most recent two quarters of UI charges with a break-out of FED-ED charges. Note that while the Unemployment charge has remained at \$1.2 million in both quarters the FED-ED charge has nearly doubled from \$203,819 to \$402,278, reflecting the increasing number of people who remain on the unemployment rolls for longer periods.

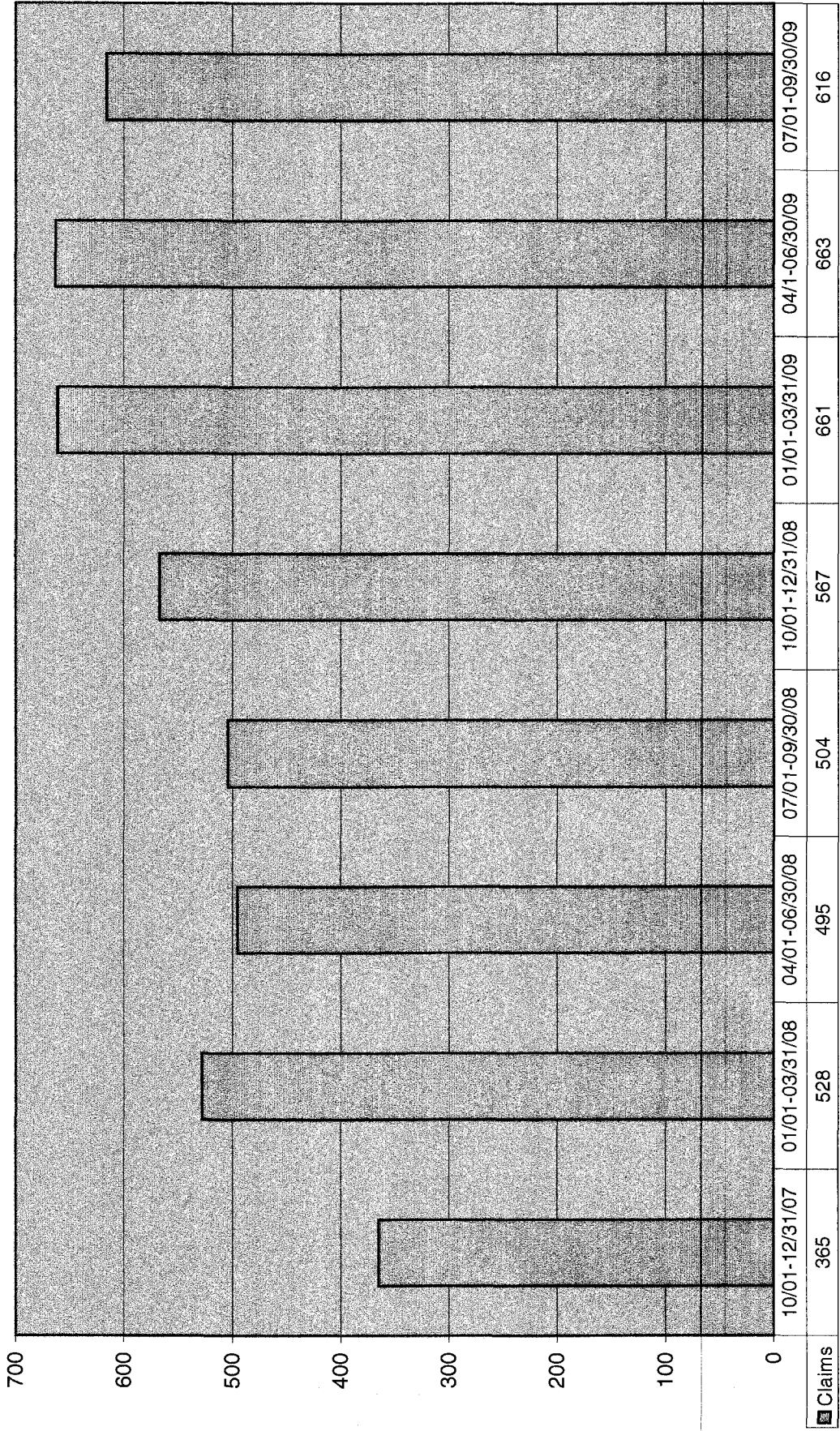
	<b>4th quarter charges April 1 – June 30, 2009</b>	<b>1<sup>st</sup> quarter charges July 1 – September 30, 2009</b>
UI Charge	\$1,243,987	\$1,234,285
FED-ED Charge	\$ 203,819	\$ 402,278
<b>Total Amount</b>	<b>\$1,447,806</b>	<b>\$1,636,563</b>

FED-ED extended benefits are automatically issued by EDD and by regulation are only available for claims filed through December 20, 2009. FED-ED charges are expected to appear on quarterly UI Charge Statements through the 4<sup>th</sup> quarter of Fiscal Year 2009-10 as the 20 week extension period runs out.

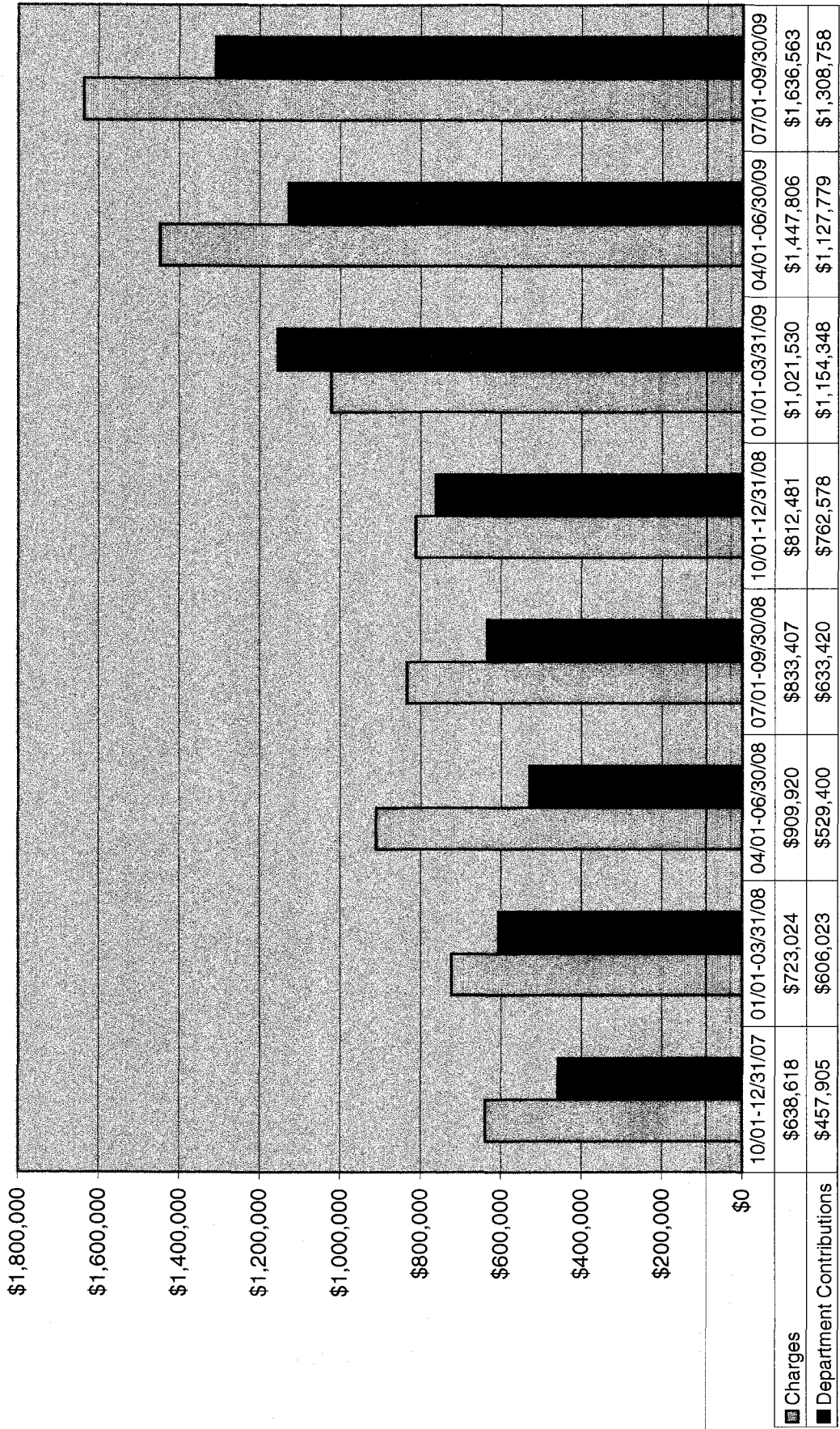
Exhibit II compares quarterly UI claims charges with fees paid by County departments from December 2007 through September 2009; UI charges have increased from \$638,000 to \$1.6 million for the period. As Exhibit II shows, charges have exceeded contributions throughout the period, but the cash reserve has now been drawn down below one quarter's charges. As a result, the UI Fund is projected to be only \$1,338,982 at the time that the next quarterly payment is due (February 2010), while the expected charge will be at least \$1.6 million.

The Human Resources Department recommends an immediate UI rate increase from 0.446% to 0.620% of salaries to cover expected increased claim payments, and an increase in appropriations for the current fiscal year of \$870,600 (Schedule A) to fund the new revenue increase. The effect of the rate increase to departmental budgets for this Fiscal Year is 0.087% of total payroll. Human Resources will continue to monitor unemployment claims activity and, as conditions warrant, will recommend additional rate adjustments to the Board.

### Unemployment Claims October 1, 2007 through September 30, 2009



**Summary of Unemployment Charges vs. Department Contribution  
October 1, 2007 through September 30, 2009**



Human Resources Department  
Unemployment Insurance

Schedule "A"

**Increase Estimated Revenue:**

<u>Fund-Dept ID</u>	<u>Account Description</u>	<u>Amount</u>
46080-1131100000-781220	Contributions & Donations	\$870,600

**Increase Appropriations:**

46080-1131100000-534400	Unemployment Claims	\$870,600
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