

**Kittitas County
Board of County Commissioners**

Agenda Staff Report

Agenda Date: January 16, 2018

Action Requested: Request the Board to adopt a Resolution to adopt the 2018 Internal Rate of Unemployment Compensation.

Background:

For years Kittitas County has had the fund 511 Unemployment Compensation and charged departments and funds for unemployment charges.

All local governments have a choice between either the Option 1 - Tax Basis or Option 2 - In-lieu contribution basis for making payments to the Department of Employment Security (DES) per R.C.W. 50.44.030. The State auditor prescribes the accounting for Option 2 - In-Lieu Contribution (Reimbursement) R.C.W 50.44.060. The choices for accounting for Option 2 are Method A; create an internal service fund or Method B; participate with other local governments; Kittitas County uses Method A.

The amount of these cash contributions depends on the estimate of future unemployment claims. The estimates should be adjusted periodically, based on an experience. There may be different rates for departments and funds within the same government. The periodic cash contributions from operating funds will be charged to the functional expenditure/expense accounts in the operating funds in the same manner as premium payments paid to the DES. Payments to the DES must be made from the Unemployment Compensation Fund. Interest earnings on investment of the contributions may be used for the benefit of the Unemployment Compensation Fund (thereby reducing charges to the operating funds) or the general (current expense) fund per RCW 35.39.034.

This rate was established during the preliminary budget process. The rate was established by taking the yearly charges paid for unemployment divided by the total yearly unemployment wages, to get the percentage, and averaging the rate over the past 2 years. The average rate for 2018 would be .0042. The amount used to prepare the 2018 budget was .0025. The fund balance as of December 31, 2016 of \$188,524, which is sufficient for operation of the fund. After discussion, at a scheduled Finance Study Session on December 21, 2017, the Board of County Commissioners, recommended the rate for 2018 to be .001000.

Year	Claims	Unemployment wages	Rate of claims to wages
2012	28,078.12	12,549,608.82	.0022
2013	59,321.88	12,785,039.67	.0046
2014	47,816.65	13,920,762.08	.0034
2015	26,591.60	14,057,348.15	.0019
2016	31,776.39	13,959,468.70	.0023
		Average Rate	.0042

The actual rate in adopted in 2017 was .002663.

Recommendation: Recommend the Board approve and sign the Resolution to adopt the 2018 internal rate for Unemployment Compensation.

Handling: Original to Judy Pless, Budget & Finance Manager

Lead Staff Judy Pless, Budget & Finance Manager
Kittitas County Auditor's Office