

**Kittitas County
Board of County Commissioners**

Agenda Staff Report

Agenda Date: January 3, 2017

Action Requested: Request the Board to adopt a Resolution to adopt the 2017 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 2016 would be .0040. The cash balance as of December 28, 2016 of \$200,160, which is sufficient; **we are recommending the rate for 2017 be .002663 which was the rate used in the preparation of the 2017 budget.**

| 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 |
| | | Average Rate | .002663 |

The rate in 2016 was .3400%

Recommendation: Recommend the Board approve and sign the Resolution to adopt the 2017 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