



**DATE:** January 23, 2020

**TO:** Transportation Authority of Marin Board of Commissioners

**FROM:** Anne Richman, Executive Director *Anne Richman*  
Li Zhang, Deputy Executive Director/Chief Financial Officer  
Helga Cotter, Senior Accountant

**SUBJECT:** Approve the Change of TAM's Unemployment Insurance Financing Method (Action),  
Agenda Item No. 7c

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### RECOMMENDATION

The Board approves the change of the agency's Unemployment Insurance (UI) financing method with the State of California Employment Development Department (EDD) from Method A: payment of contributions by the regular contribution rate method to Method B: prorated cost of benefits paid method.

The Board also approves TAM Resolution No. 2020-01 and authorizes the Executive Director to execute the agreement with the EDD.

### BACKGROUND

UI is a federal-state program created to provide partial wage replacement to workers unemployed through no fault of their own while they conduct an active search for new work. In California, it's mandatory that all employers join to finance the UI program by tax contributions. As a public entity, TAM has the option to use one of the two financing methods allowed by EDD:

*Method A: payment of contribution by the regular contribution rate - experience rating/tax-rated method*  
*Method B: prorated cost of benefits paid - reimbursable method*

Under Method A, employers are required to pay the UI taxes based on the rate schedule and the taxable wage limit that are determined annually. Under Method B, instead of prepaying the UI fund annually, governmental and non-profit employers have the option to reimburse the UI fund on a dollar for dollar basis for actual benefit paid to their former employees.

### DISCUSSION/ANALYSIS

TAM joined the UI program and started to make contribution under Method A since January 1, 2018, when the agency became the employer of record for its employees. Based on the annual rate required and the payroll size, TAM made a total contribution of \$6,426 into the UI fund in 2018 and 2019. Based on the new rate and the budgeted payroll size, contributions for 2020 will be \$4,277. The 2020 increase in UI

taxes for the agency is due to the rate increase from 3.4% in 2019 to 4.7%, while the wage limit remained unchanged at \$7,000.

As part of the ongoing management of the benefit plans, staff annually reviews and researches plan options that provide the same benefit level but in a more cost-effective way. As part of the 2019 year-end benefit review process, staff reevaluated the tradeoffs of the two financing methods under the UI program. Since UI benefits are paid to former employees only if they are unemployed through no fault of their own, for example, such as lay off, reduction in force or downsizing for economic reasons or being fired due to lack of skill, staff would like to recommend the change of UI program financing method from Method A to Method B due to the low likelihood of UI claims based on the operation and business nature of the agency.

### **FISCAL CONSIDERATION**

TAM's FY2019-20 employer tax liability for unemployment insurance will be reduced from \$4,277 to \$238 with the switch of the plan. If the need to provide unemployment benefits would arise, it would be funded by that fiscal year's salary and benefits budget and actual cost will be determined based on the benefit level and length of the specific claim.

Overall, the changing of financing method will allow TAM to free up and keep extra funds under the control of this agency instead of paying into the UI fund which would be restricted for any other usage.

### **NEXT STEPS**

With the approval of the Board, staff will work with the EDD to complete the change of financing method process.

### **ATTACHMENT**

TAM Resolution No. 2020-01

**TAM RESOLUTION NO. 2020-01**

**RESOLUTION OF THE TRANSPORTATION AUTHORITY OF MARIN (TAM) FOR APPROVING THE SELECTION OF THE REIMBURSABLE FINANCING METHOD FOR UNEMPLOYMENT INSURANCE COVERAGE WITH THE STATE OF CALIFORNIA EMPLOYMENT DEVELOPMENT DEPARTMENT (EDD)**

WHEREAS, the TAM policy is to establish and maintain unemployment insurance benefits under the California Unemployment Insurance Code (CUIC) Section 710; and

WHEREAS, on January 1, 2018, with Board approval, TAM became the employer of record; and

WHEREAS, the California Unemployment Insurance Code provides that public entities may select one of two methods of financing the cost of unemployment insurance; and TAM currently is using the method of payment of contribution by the regular contribution rate (experience rating/tax-rated method);

WHEREAS, TAM staff has determined that the method of Prorated Cost of Benefits Paid (reimbursable method) under Section 803 (b)(1) of the CUIC would be more advantageous to the agency; therefore, be it

RESOLVED, by the Board of the Transportation Authority of Marin, that the Executive Director or Deputy Executive Director is hereby authorized to execute the agreement with the State of California Employment Development Department changing the financing method to the reimbursable method, is hereby adopted.

PASSED AND ADOPTED at a regular meeting of the Transportation Authority of Marin held on the 23<sup>rd</sup> day of January 2020, by the following vote:

AYES: Commissioners:

NOES: Commissioners:

ABSENT: Commissioners:

ABSTAIN: Commissioners:

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Judy Arnold, Chair  
Transportation Authority of Marin

ATTEST:

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Anne Richman  
Executive Director

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