

THE CITY OF SAN DIEGO
Department of Risk Management

Fiscal Year 2017
Annual Report



Table of Contents

Executive Summary	1
Risk Management Department Mission Statement	3
Risk Management Department Vision Statement	3
Risk Management Department Overview	3
Risk Management Department Funding Sources	4
Public Liability and Loss Recovery Division	5
Accomplishments and Highlights	7
Future Year Outlook	8
Workers' Compensation Division	11
Accomplishments and Highlights	13
Future Year Outlook	13
Safety and Environmental Health Division	15
Accomplishments and Highlights	16
Future Year Outlook	16
Employee Benefits Division	18
Accomplishments and Highlights	19
Future Year Outlook	19
Risk Management Reserves	21
Public Liability Reserve Status	21
Workers' Compensation Reserve Status	22
Long-Term Disability Reserve Status	23
Appendix A: Public Liability	24
Appendix B: Workers' Compensation	27

Executive Summary

The Risk Management Annual Report provides the City Council and management with an overview of the Risk Management Department's programs. The intent of this report is to provide City of San Diego (City) leadership with information regarding City exposures and losses for Fiscal Year (FY) 2017. The report contains summaries of workers' compensation, public liabilities, loss recovery, and insurance premiums by fiscal year, as well as relevant safety information.

The Risk Management Department is dedicated to effectively prevent, control, and minimize the City's financial risks while providing optimum services to City employees and the public through the centralized administration of employee benefits, loss control, and safety.

The Risk Management Administration Fund is an Internal Service Fund that captures administrative costs related to **workers' compensation claims management, employee (flexible) benefits, employee savings plan administration, safety and environmental health oversight, public liability claims management, loss recovery, and oversight of the insurance program for the City.** The FY 2017 Adopted Budget was \$10.8 million, an increase of \$214,716 from the prior year's budget of \$10.6 million. Funding is a component of the citywide fringe allocation. Each City department is allocated a portion of the Risk Management Administration Fund's overall expenditures based on the number of full-time equivalent (FTE) positions in the department.

Workers' Compensation Division

The number of new workers' compensation claims reported in FY 2017 was 1,602, a decrease of 20 claims from the prior year's claims reported of 1,622. The workers' compensation claim expenditures for FY 2017 was \$34.5 million. This is an increase of \$1.2 million, or 4 percent from FY 2016. This increase is primarily attributed to an increase of \$900,000, or 12 percent in permanent disability costs. In addition, Appendix B, Workers' Compensation – Three Year History (FY 2015 – FY 2017), provides workers' compensation opened claims and claim expenditures.

Public Liability and Loss Recovery Division

The number of new public liability claims in FY 2017 was 2,628, an increase of 536 claims or 26 percent from the FY 2016 claims. This increase is primarily due to pothole claims. The public liability claim costs for FY 2017 was \$25.3 million, a decrease of \$60.3 million from FY 2016 claims expenditures of \$85.6 million. This decrease is primarily due to payments for De La Fuente Business Park, De Anza, and Aglio settlements in FY 2016. In addition, Appendix A, Public Liability – Three Year History (FY 2015 – FY 2017), provides public liability opened claims and claim expenditures.

The Public Liability and Loss Recovery Division also administers the City's Loss Recovery Program, which pursues claims against third parties that cause damage to City property or injury to City employees. The Division staff works closely with departments and quickly acts to set up a claim, determine costs, and identify possible insurers. The program invoiced \$3.4 million in FY 2017, a decrease of \$1.0 million from FY 2016. This decrease is primarily due to a court judgement of \$1.8 million in FY 2016. The total revenue received on outstanding invoices was \$2.2 million in FY 2017, an increase of \$293,000. The General Fund portion of revenue received was \$794,000 in FY 2017.

Insurance

The Risk Management Department oversees the insurance program for the City. The City currently participates in pooled purchasing with counties and public entities in California through the California State Association of Counties Excess Insurance Authority (CSAC-EIA). In FY 2017, total insurance premiums costs increased by 5 percent, from \$14.2 million in FY 2016 to \$14.8 million in FY 2017. The increase is primarily due to General Liability Insurance Program increasing by \$900,000, from \$8.3 million in FY 2016 to \$9.2 million in FY 2017. The General Liability Program provides coverage for claims from third parties alleging damages due to negligence on the part of the City. Overall market conditions and unfavorable loss history are the primary factors for the increase.

Safety and Environmental Health Division

The Safety and Environmental Health Division is responsible for the creation and oversight of citywide safety practices and policies. The centralized staff of this program assists and works with management in all City departments to prevent and reduce injuries and illnesses. In FY 2017, some of the programs managed by the Division included: 1,400 employee training on safety related topics, 600 ergonomics assessments to enhance workplace health, and processed 700 vehicle/industrial accident reports.

Employee Benefits Division

The Employee Benefits Division manages citywide administration of the Flexible Benefits Plan, Retiree Medical Trust, Long-Term Disability, and Employee Savings Plans. The Division has partnered with the County of San Diego and Corporate Sponsorship on a wellness grant. The City of San Diego Live Well@ Work action plans for six City departments have been developed. In addition, the Division processed 19,000 flexible savings accounts (FSA) claims, provided benefits orientations to new, newly eligible, or rehired City employees, processed 170 new long-term disability claims, and managed employee savings plans with an asset value of almost \$1.3 billion as of June 30, 2017.

This report represents a summary of risk management activities for FY 2017. It includes historical data regarding the Risk Management Department's programs and activities to provide departments with information on workers' compensation and public liability claims in order to monitor these risk activities and implement business process improvements. While the Risk Management Department provides guidance and policy direction citywide, City departments must take an active role in implementing strategies to enhance the risk awareness of the organization. The Department's goal is not only to promote public safety and a safe workplace environment but also to minimize public liability exposures and losses.

Risk Management Department Mission Statement

Our mission is to effectively prevent, control, and minimize the City’s financial risk and provide optimum services to the City’s employees and the public through the centralized administration of employee benefits, loss control, and safety.

Risk Management Department Vision Statement

To continue to improve the City’s risk management program through close collaboration with City departments in identifying, analyzing, and implementing risk prevention and safety programs that reduce or mitigate exposure for the City.

Risk Management Department Overview

The Risk Management Department provides central risk management services to City residents, visitors, and employees to limit the risk exposure of the City’s network of departments and infrastructure. We are proud to be a part of the City of San Diego organization and are dedicated to advancing the practice of risk management through ongoing program development and education.

Central risk services provided by the Risk Management Department include **workers’ compensation claims management, flexible benefits, employee savings plan administration, safety and environmental health oversight, public liability claims management, loss recovery, and oversight of the insurance program for the City** which are administered through the following five divisions as, reflected in **Figure 1, Risk Management Department Organizational Chart**:

- **Finance and Administration**
- **Safety and Environmental Health**
- **Employee Benefits**
- **Public Liability and Loss Recovery**
- **Workers’ Compensation**

Figure 1: Risk Management Department Organizational Chart



Risk Management Department Funding Sources

The Risk Management Department activities are funded by the following sources:

Public Liability Fund: supported solely by the General Fund to provide a funding source for the City’s General Fund liability claim expenditures. An annual operating and reserve transfer is budgeted in the Citywide Program Expenditures Department.

Non-General Funds: Water, Wastewater, and other Non-General Funds provide funding for the City’s Non-General Fund liability claim expenditures. An annual operating budget is included in the Water and Sewer Funds. All other Non-General Funds reimburse the Public Liability Fund per the Appropriation Ordinance, Section E.4.

Flexible Benefits: an Internal Revenue Service (IRS) qualified cafeteria-style benefits program offered to all eligible employees. This program is a component of the citywide fringe allocation and represents the City’s portion of the benefit expense.

Workers’ Compensation Fund: established to ensure that employees who suffer work-related accidents or illnesses are provided with medical treatment and indemnity benefits as mandated by the State.

Long-Term Disability Fund: an employee benefit plan designed to provide partial salary replacement to eligible employees who are unable to work due to a non-work related injury or illness. This benefit is also available for eligible employees on pregnancy leave.

Risk Management Administration Fund: an Internal Service Fund to support the Risk Management Department personnel and non-personnel expenditures for the administration of the activities listed above.

The Workers’ Compensation, Long-Term Disability, and Risk Management Administration Funds are supported by all City funds with full-time equivalent (FTE) positions. A fringe allocation is budgeted in every City fund to support the annual operating expenditures and reserve contributions. **Figure 2**, Risk Management Department Funding Sources, presents operating amount and reserve fund balance for each of the funds described above for FY 2017.

Figure 2: Risk Management Department Funding Sources

Risk Management Department Funding Sources		
FY 2017		
(in millions)		
Funding Sources	Operating Amount	Reserve Fund Balance
Public Liability Fund	\$ 30.2	\$ 33.6
Flexible Benefits ¹	115.6	-
Workers’ Compensation Fund	29.4	54.1
Long-Term Disability Fund	2.6	18.2
Risk Management Administration Fund	10.3	-
Total	\$ 188.1	\$ 105.9

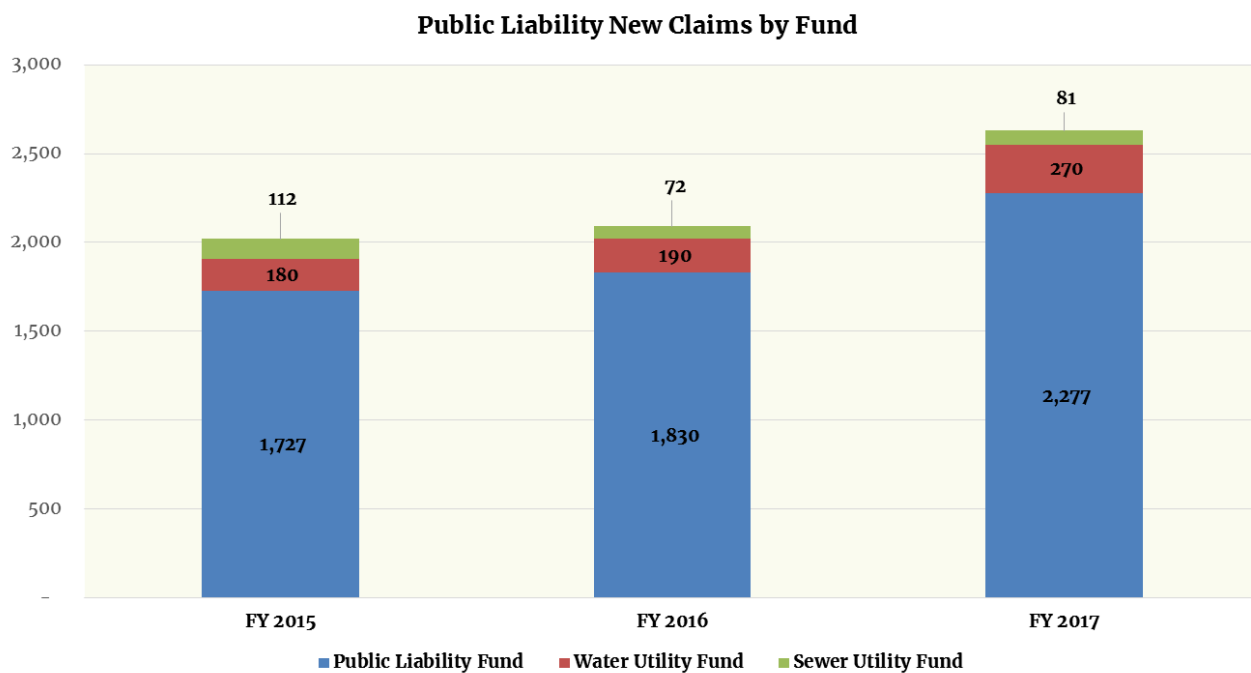
¹FY 2017 Adopted Budget for Flexible Benefits.

Public Liability and Loss Recovery Division

The Public Liability and Loss Recovery Division administers a self-administered, self-insured, program for public liability (torts) risks, which is supplemented by excess liability insurance purchased through the California State Association of Counties Excess Insurance Authority (CSAC-EIA). The Division supports the investigation and settlement of all claims arising from the City's municipal operations; collaborates with the City Attorney's Office on litigated claims and lawsuits; services citizens and special event promoters to ensure the public's interests are protected with appropriate insurance; procures all risk and excess liability insurance; and investigates and recovers costs associated with damages to City assets or injury to City personnel caused by responsible third parties.

In FY 2017, the number of new public liability claims was 2,628, an increase of 536 claims or 26 percent from the FY 2016 claims as shown below in **Figure 3**, Public Liability Claims by Fund. This increase is primarily due to pothole claims.

Figure 3: Public Liability Claims by Fund



The public liability claim costs for FY 2017 was \$25.3 million, a decrease of \$60.3 million from FY 2016 claims expenditures of \$85.6 million. This decrease is primarily due to payments for De La Fuente Business Park, De Anza, and Aglio settlements in FY 2016. **Figure 4**, Public Liability Claim Costs by Loss Code, presents the costs for public liability claims by loss code for the past three fiscal years.

Figure 4: Public Liability Claim Costs by Loss Code

Public Liability Claim Costs By Loss Code (in millions)			
Loss Code	FY 2015	FY 2016	FY 2017
Other (Liability) - De Anza	\$ 17.5	\$ 14.1	\$ 0.3
Other (Liability) - De La Fuente ¹	0.1	25.1	-
Other (Liability) - Aglio	-	16.8	2.4
City Vehicle Accident ²	3.0	7.2	2.1
Water Main Break	3.4	2.1	3.4
Assault/Batt (Physical Assault) ³	7.3	1.1	0.4
Other (Liability) - San Diego Bay	4.5	3.8	-
Employment (Civil Rights) ⁴	3.0	1.5	1.0
Maintenance of Sidewalk ⁵	0.1	0.1	5.1
Trip & Fall	0.6	2.0	1.0
Storm Drains ⁶	0.4	6.6	1.3
Other ⁷	6.9	5.2	8.3
Total	\$ 46.8	\$ 85.6	\$ 25.3

¹ FY 2016 includes \$25.0 million for De La Fuente Business Park (claim number LP9601300009) which was paid directly to the plaintiff from the insurer.

² FY 2016 includes \$5.9 million in expenditures for Conceicao McCaffrey (claim number 8799).

³ FY 2015 includes \$6.1 million in expenditures for Jane Doe (claim number 5115).

⁴ FY 2015 includes \$0.9 million in expenditures for Alison Terry (claim number LX0604472462), and FY 2016 includes \$0.8 million in expenditures for Benelia Santos-Hunter (claim number 8781).

⁵ FY 2017 includes \$4.9M in expenditures for Clifford Brown (claim number 10877).

⁶ FY 2016 includes \$5.0M in expenditures for La Jolla Alta Master Council (claim number LP0405340724).

⁷ FY 2015 includes \$1.3 million in expenditures for Michelle Davis (claim number 9675), and FY 2017 includes \$1.3 million in expenditures for Lowe San Diego California Property, LLC (Claim number 11360).

The Public Liability and Loss Recovery Division also administers the City's Loss Recovery Program which pursues claims against third parties that cause damage to City property or injury to City employees. The Division staff works closely with departments and quickly acts to set up a claim, determine costs, and identify possible insurers. As shown below in **Figure 5**, Loss Recovery Invoiced, the program invoiced \$3.4 million in FY 2017, a decrease of \$1.0 million from FY 2016. This decrease is primarily due to a court judgement of \$1.8 million in FY 2016. The total revenue received on outstanding invoices in FY 2017 was \$2.2 million, an increase of \$293,000 from FY 2016. As Shown in **Figure 6**, Loss Recovery Revenue, the General Fund portion of revenue was \$794,000 in FY 2017.

Figure 5: Loss Recovery Invoiced

Loss Recovery Invoiced			
<i>(in millions)</i>			
	FY 2015	FY 2016	FY 2017
General Fund	\$ 0.9	\$ 0.7	\$ 1.2
Water Utility Fund	0.3	0.4	0.6
Workers' Compensation Fund	0.1	0.5	0.5
Other	0.3	0.3	0.5
Fleet Services Operating Fund	0.3	0.4	0.4
Public Liability Fund	-	2.1	0.2
Total	\$ 1.9	\$ 4.4	\$ 3.4

Figure 6: Loss Recovery Revenue

Loss Recovery Revenue			
As of June 30, 2017			
<i>(in millions)</i>			
	FY 2015	FY 2016	FY 2017
General Fund	\$ 0.7	\$ 0.5	\$ 0.8
Workers' Compensation Fund	-	0.2	0.5
Water Utility Fund	0.2	0.3	0.4
Fleet Services Operating Fund	0.2	0.4	0.3
Municipal Wastewater Fund	0.1	0.1	0.1
Other	0.1	0.4	0.1
Total	\$ 1.3	\$ 1.9	\$ 2.2

Accomplishments and Highlights

The Public Liability and Loss Recovery Division continues to work with other City departments by providing claims loss frequency and severity data as an indicator of potential business process improvements. Division staff also provides presentations on the liability claims process and loss recovery services to City departments to assist in identifying risk exposures.

The loss recovery claims management legacy system, which was no longer supported by the vendor, was incorporated into the public liability claims management system in iVOS to create more efficient claims handling. After a year of successfully using iVOS, the legacy system has officially been retired.

This year the Public Liability and Loss Recovery Division collaborated with the Office of the City Attorney to formalize settlement protocols. These protocols will assist in avoiding inconsistencies in the routing and approval of settlement requests.

In addition, the Public Liability and Loss Recovery Division released a Request for Information (RFI) for insurance placement and self-insured retention in FY 2017. The results confirmed that the City's current insurance placement is competitive with the overall insurance market.

The Public Liability and Loss Recovery Division completed the following claims management services:

- ≈ 6,900 Transactions processed in the claims management system
- ≈ 2,600 New Public Liability claims
- ≈ 1,300 New Loss Recovery claims
- ≈ 300 Special events permit insurance review

Future Year Outlook

The Public Liability and Loss Recovery Division is working on developing a pilot program to explore mobile technology for field investigations. Utilizing tablets with direct connectivity to our claims management systems will expedite the processing of claims by allowing the direct intake of incident data, including claimant information, investigator notes, as well as photographs and video. On the horizon are enhancements to the current claims database system. Additional resources will be devoted in the upcoming year to enhance data reports, business procedures, internal controls, and system customization to more efficiently expedite the administration of claims.

The Public Liability and Loss Recovery Division will continue to work in loss reduction by educating City departments on how to review claim data in order to identify high risk areas. The goal is to meet with City departments that are currently experiencing an increase in their liability occurrences so they can develop risk mitigation plans to reduce risk exposure.

The Public Liability and Loss Recovery Division will collaborate with the Performance and Analytics Department to develop a claims data-mapping program. The program will depict geographic areas related to increased claims activity and identify areas of concern tied to specific locations or increased loss experience for certain operations. In addition, this approach could serve as an early warning system for City departments by detecting patterns in claim filings. Rollout is expected in calendar year 2018.

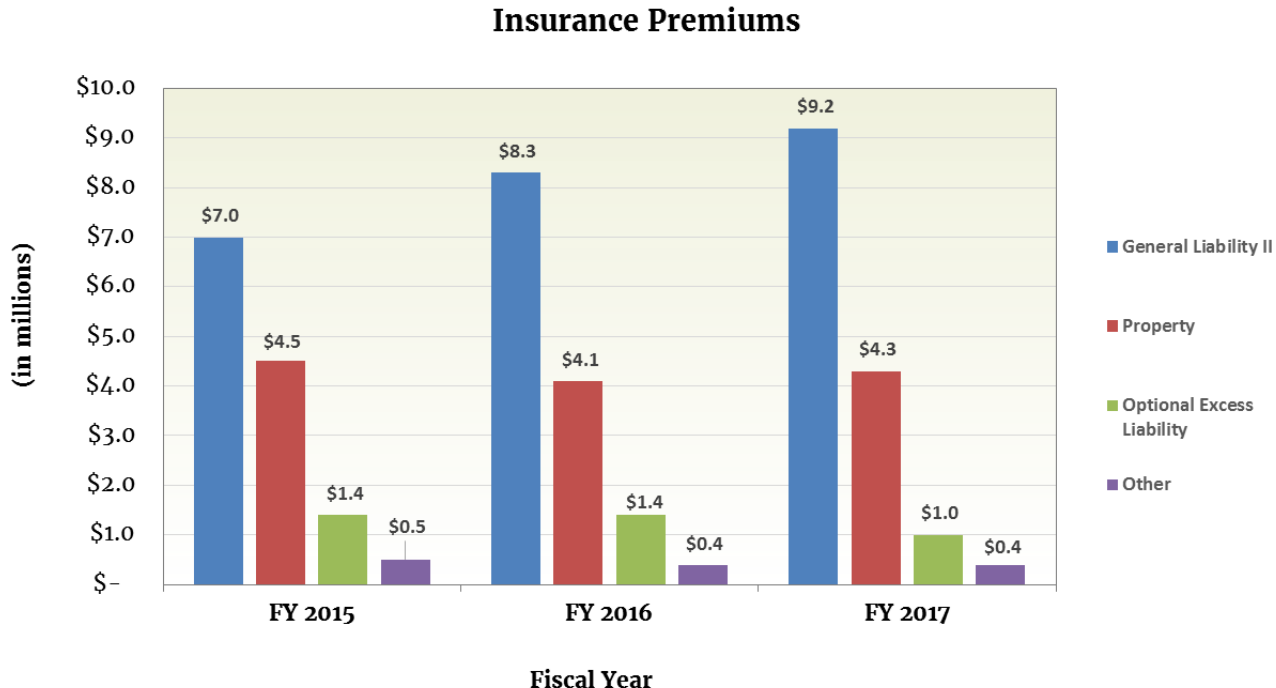
The Public Liability and Loss Recovery Division is working on updating the department organizational structure in the claims management system to match the City's current organizational structure in SAP. This will facilitate data clarity for departments to reflect current operations. Implementation of the updated organizational structure is expected in FY 2019.

Insurance Program

As a member of CSAC-EIA since 1995, the City has been able to purchase comprehensive property and general liability insurance at favorable market rates, as well as other specialty lines of coverage including airport liability, property coverage for aircraft, pollution liability, crime bond/employee dishonesty and cyber liability. This membership facilitates the joint purchase of Property/Earthquake and General Liability insurance coverage with the combined purchasing power of 55 counties and 273 non-county public entities. In addition, the City's membership in CSAC-EIA enables it to access additional risk management services at a reduced or no cost.

Funding for the insurance premiums is budgeted through the annual budget process in the General and Enterprise Funds. The insurance premiums may vary from year to year due to changing property values, special requirements, liability limits, modification to City assets, risk exposure, and overall market conditions. Total insurance premiums costs increased by 4 percent or \$500,000, from \$14.3 million in FY 2016 to \$14.8 million in FY 2017. The increase is primarily due to the General Liability II Insurance Program increasing by \$900,000, from \$8.3 million in FY 2016 to \$9.2 in FY 2017. The General Liability II Program provides coverage for claims from third parties alleging damages due to negligence on the part of the City. Overall market conditions and unfavorable loss history are the primary factor for the increase. As Shown, **Figure 7**, Insurance Premiums, displays the cost breakdown by the various types of insurance purchased for the past three fiscal years.

Figure 7: Insurance Premiums



Public liability claims are funded by multiple funding sources which include the General Fund, Enterprise Funds, and Insurance Proceeds. Insurance proceeds for the past three fiscal years are displayed in **Figure 8**, Public Liability Insurance Proceeds.

Figure 8: Public Liability Insurance Proceeds

Public Liability Insurance Proceeds			
<i>(in millions)</i>			
	FY 2015	FY 2016	FY 2017
De La Fuente Business Park ¹	\$ -	\$ 30.0	\$ -
San Diego Bay Insurance	15.5	-	-
De Anza Cove Homeowners Assn Inc	-	3.4	7.8
Jane Doe	5.2	0.1	-
La Jolla Alta Master Council	-	5.0	-
Conceicao McCaffrey	-	3.0	-
Clifford Brown	-	-	2.0
Abbe	-	-	1.2
Other	0.5	0.6	-
Total	\$ 21.2	\$ 42.1	\$ 11.0

¹ FY 2016 includes \$25.0 million which was paid directly to the claimant from the insurer.

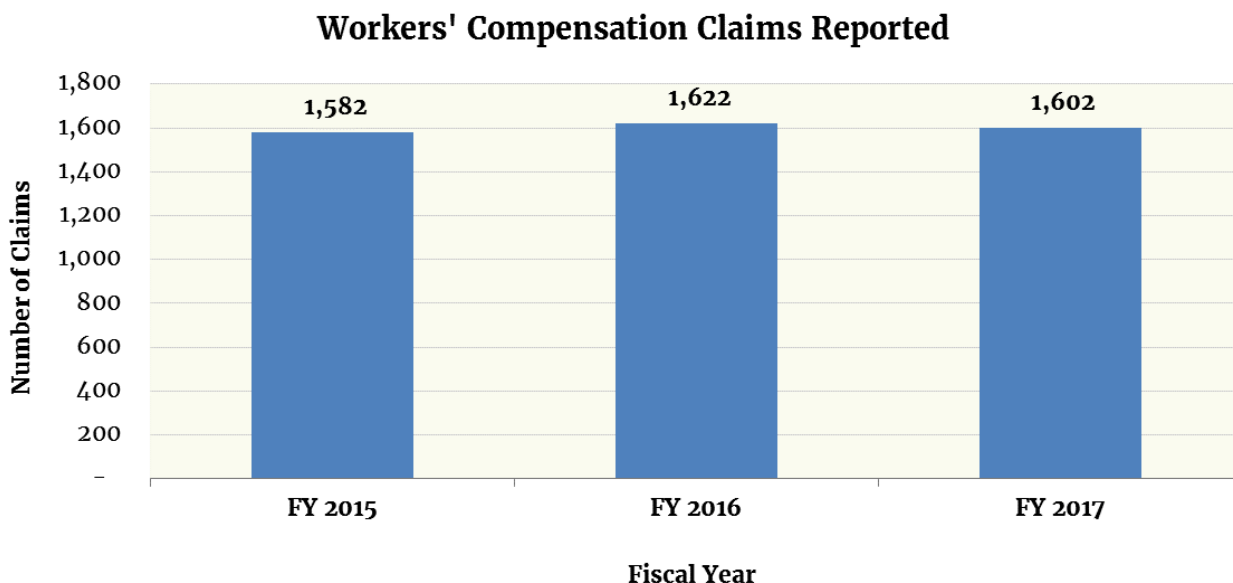
Workers' Compensation Division

The City is committed to provide a safe working environment for all its employees. If an employee is injured, the workers' compensation claim is processed by the Risk Management Department in accordance with State laws for self-insured and self-administered agencies. Staff provides information and assistance to injured employees and all City departments. Staff investigates, determines, and delivers appropriate benefits, including all medical and salary continuation benefits (indemnity), death benefits to surviving dependents, and coordination of return to work programs in compliance with State and Federal mandates.

The Workers' Compensation Division oversees the City's State approved Medical Provider Network (MPN) contract. The California Labor Code and California Code of Regulations allow for insurers and employers to create a MPN consisting of a variety of physicians where injured workers can be directed for treatment of industrial injuries. These contractual agreements result in cost containment for the City while allowing the City's injured employees to access qualified healthcare providers in the San Diego region who are highly experienced in workers' compensation. In addition, the Division also administers the City's contract for managed care services which provide medical bill review, pharmacy, nurse case management, utilization review, and injury call-in center services.

The number of new workers' compensation claims reported in FY 2017 was 1,602 a decrease of 20 claims from the prior year's claims reported of 1,622. Despite an increase in workforce, the number of claims reported have remained consistent over the past three years as displayed below in **Figure 9**, Workers' Compensation Claims Reported.

Figure 9: Workers' Compensation Claims Reported



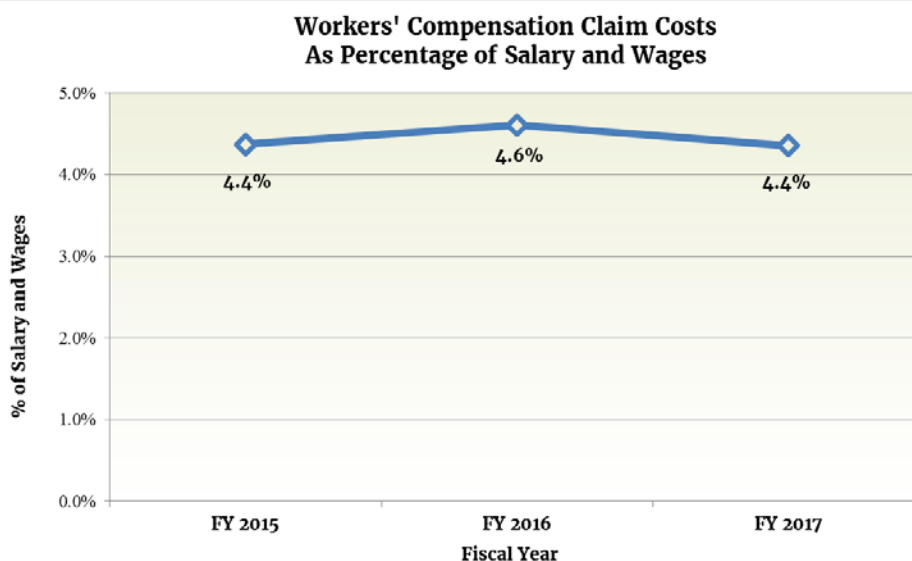
The workers' compensation claim expenditures for FY 2017 was \$34.5 million. This is an increase of \$1.2 million, or 4 percent from FY 2016. This increase is primarily attributed to an increase of \$1.9 million, or 12 percent in permanent disability costs. The disability portion is primarily due to a change to legislation that no longer requires employers to "advance" disability payments to injured employees upon knowledge of the disability. As cases now settle, lump sums of accrued amounts are being paid. Additionally, permanent disability rates increased in FY 2017 resulting in an increase in the total amount of disability payments. As shown, **Figure 10**, Workers' Compensation Claim Expenditures, displays the expenditure breakdown by the various categories for the past three fiscal years.

Figure 10: Workers' Compensation Claim Expenditures

Workers' Compensation Claim Expenditures By Category (in millions)			
Category	FY 2015	FY 2016	FY 2017
Medical	\$ 16.2	\$ 17.6	\$ 17.5
Permanent Disability	6.5	7.6	8.5
Salary Continuance (Industrial Leave)	5.7	5.7	5.9
Expense	1.4	1.3	1.8
Temporary Disability	0.8	1.1	0.8
Total	\$ 30.6	\$ 33.3	\$ 34.5

Figure 11, Workers' Compensation Claim Costs As Percentage of Salary and Wages, displays the City incurred on average 4 percent of the total payroll in workers' compensation direct costs for the past three fiscal years.

Figure 11: Workers' Compensation Claim Costs As Percentage of Salary and Wages



Accomplishments and Highlights

In FY 2017, the Workers' Compensation Division enhanced its customer service to injured workers and their Departments. Staff from the Workers' Compensation Division visits on-site work locations on a weekly basis to meet with injured employees in person and provide any assistance needed. This new service has been implemented in the Police and Fire-Rescue Departments. In addition, continued trainings were provided to various stakeholders in order to provide education and awareness of the City's workers' compensation process. These informational trainings were provided to the City Attorney's Office, Local 145 Board, Library Department's New Employee Orientation, and Fleet Operations Department. As a result of the positive feedback received, refresher training sessions will be offered in FY 2018.

During the month of May 2017, the County of San Diego Health and Human Services Agency Public Health services reported an outbreak of the Hepatitis A virus. In response to the Hepatitis A outbreak, the Division implemented a Hepatitis A vaccinations program for City employees that work with at-risk groups. The vaccination consists of two shots given a minimum of six months apart. Starting in FY 2017 and continuing in FY 2018, the Division scheduled over 600 vaccination appointments with contracted industrial medicine provider for non-safety City employees identified by the City to be "at risk" for exposure to the virus. Employees who have already taken the first dose will be contacted to set up an appointment for a second shot shortly before the six-month deadline.

The Workers' Compensation Division completed the following claims management services:

- ~ 127,000 Transactions processed in the claims management system
- ~ 3,700 Active claims managed
- ~ 1,600 New claims
- ~ 200 settled cases (January 2017 through June 2017)

Future Year Outlook

The Workers' Compensation Division is continuing to establish procedures and policies to work towards a paperless workflow to reduce operating costs and to minimize its environmental impact. Portions of workers' compensation workflow has been streamlined and are now electronic. This includes reporting and billing with the State of California and their contracted providers, scanning of key medical documents into the software claims management system, and heavily utilized providers of medical care.

The Division has procured the services of an expert in the field of Workers' Compensation Managed Care. The contracted provider will be assisting with the drafting of a new Request For Proposal (RFP) for Managed Care Services in order to secure the best services at the most cost effective price. Managed Care Services include bill review, pharmacy benefits network, nurse care management services, utilization review and injury call center. All of which are best practices in the workers' compensation industry.

Administrative Regulation 62:00 "Administration of Workers' Compensation Liabilities" was rewritten to reflect the current processes from the previous (original) version authored in 1975. The updated version includes new processes and policies adopted in order to conform to numerous legislative changes through multiple reform acts. The revised administrative regulation will be finalized in FY 2018.

The Division is also working on updating the current Standard Operating Procedure for the City of San Diego's Bloodborne Pathogens Plan that was last updated in 2003. The California Occupational Safety and Health Administration (Cal/OSHA) Bloodborne Pathogens plans protect employees who work in occupations where they are at risk of exposure to blood or other potentially infectious materials. This update is expected to be completed in FY 2019.

Safety and Environmental Health Division

The Safety and Environmental Health Division provides oversight of citywide safety practices and policies. The Division collaborates with the following City departments that have in-house safety staff: Environmental Services, Fire-Rescue, Park and Recreation, Police, Public Utilities, Public Works, Fleet Operations, and Transportation and Storm Water. For all other City Departments, the Division provides a centralized safety function. The Division coordinates and conducts safety trainings (Safe Driver Practices, Bloodborne Pathogens, Cal/OSHA Reporting and Recording of Injuries/illnesses, etc.), inspects work places, investigates and monitors employee injuries and accident reports, responds to Cal/OSHA inquires and complaints, complies and reviews all vehicle/industrial accidents, and creates and updates safety administrative regulations.

In addition, the Division also manages all Department of Transportation (DOT), Department of Motor Vehicle (DMV) and all industrial hygiene activities for the City. Also staff oversees the City safety footwear and eyewear, fire extinguishers, ergonomic chairs contracts and the agreements for safety personal protection equipment (PPE). Lastly, staff throughout the fiscal year perform ergonomic assessments for employees including workers' compensation and reasonable accommodations cases and works with City departments to develop safety and environmental health procedures.

To achieve the goal of a safe and healthy work environment, the City has developed an Injury and Illness Prevention Program (IIPP), as mandated by the Cal/OSHA. The day-to-day operations of the citywide IIPP are administered by the Safety and Environmental Health Division. The City's IIPP is intended to provide guidance on complying with the safe work practices and principles identified in the California Code of Regulations, Title 8, and Section 3203, thereby minimizing employee exposure to safety and health risks at all City worksites.

In accordance with the IIPP, the Risk Management Department publishes the Workers' Compensation and Safety Performance Report to support the communication and record keeping elements by providing the above-mentioned City departments with the year-to-date number of workers' compensation claims and the workers' compensation and industrial leave costs associated with the claims. The information is summarized to allow departments the ability to quickly identify potential areas of concerns due to a high number of a particular type of injury or high claim costs. In addition, the report includes Cal/OSHA Injury and Illness Incident Rate (the total number of recordable injuries/illnesses per 100 FTEs) which assist departments in identifying problems in the workplace or progress made in preventing work related injuries and illnesses.

While the Safety and Environmental Health Division provides guidance citywide, City departments must take an active role in implementing strategies to enhance the safety culture of the organization, not only as it relates to a safe and healthful workplace, but also as it relates to public safety and public liability losses. City departments are also responsible for coordinating the implementation of the IIPP and other safety and health programs with assistance from the Division. With departments' cooperation, the City can make successful strides towards meeting the ultimate goal of an accident an injury free workplace.

Accomplishments and Highlights

The Safety and Environmental Health Division is committed to the prevention of injuries and health and wellbeing of our employees. During FY 2017, the Division in collaboration with Personnel, Information Technology, and Human Resources Departments created a new employee checklist that was implemented Citywide. This new onboarding tool ensures those individuals who are hired or transferred have received all the required training, especially as it relates to the many employee safety regulations to be followed while performing City business, and that is documented as required by law.

The Division was able to establish the structure and systems in place for training of City employees by using the services of the San Diego Fire-Rescue Department for First Aid, Cardiopulmonary resuscitation (CPR), and an Automated External Defibrillator (AED). The Safety and Environmental Health Division also worked with Central Stores on updating first aid kits and supplies per the changes made by the federal government.

The Safety and Environmental Health Division developed a program to use mobile technology to perform safety inspections and ergonomic assessments. Utilizing tablets to capture investigative and assessment data in the field has reduced data redundancy and expedited correspondence with City employees.

The Division also completed the Electronic Employer Pull Notice Project. The program's purpose was to convert the City's enrollment in the DMV Employer Pull Notice program from a paper process to an electronic process. The project eliminated the need for retention of voluminous paper files and manual tracking and filing of data.

In addition to the above, the Safety and Environmental Health Division completed the following to prevent injury and illness in the workplace:

- ≈ 1,400 City employees trained on safety related topics
- ≈ 800 DMV records flagged for review
- ≈ 700 Vehicle/Industrial Accident Reports Processed
- ≈ 600 Ergonomic assessments to enhance workplace health
- ≈ 530 Safety consultations
- ≈ 400 Chair fittings to ascertain the appropriate chair model
- ≈ 60 Safety Inspections performed

The Safety and Environmental Health Division continues to be responsive to immediate health and safety hazards for its employees while moving into a proactive approach of prevention.

Future Year Outlook

The Safety and Environmental Health Division will be updating the State of California required IIPP to ensure continued compliance. Activities also include the revision of the Supervisor Accident/Injury Investigation form and working with departments to customize the IIPP to their needs. Updates to the vehicle accident data collection process, and the revision of the Driver Operator Manual will be finalized. Once approved, the Division will train City drivers on safe and effective driving techniques. The course was piloted with the Public Utilities Department and is ready for distribution to the other City departments.

The focus also will be the transfer of City employees to a new location at 101 Ash Street. The Safety and Environmental Health Division will take the lead on ensuring safety equipment is installed, emergency procedures are written, staff is set up to their new workstations using ergonomic practices, and employees are prepared to move out of and into their new location safely.

OSHA has revised its federal injury and illness reporting requirements and the State is currently preparing a rulemaking package to conform to the revised federal regulations. Once finalized, the new reporting requirements will be phased in over two years starting with the OSHA Form 300 Log and then adding in forms 300A and 301 at a later phase. It is the responsibility of Risk Management Department to report to the state and federal government injuries and illnesses for the City.

In the upcoming year, the Safety and Environmental Health Division will create and offer training programs for City supervisors on accident/injury reduction and accident processing and basic ergonomics for the office workplace. The first course will include the types of accidents that supervisors need to manage and successfully process. The second course will include training on skills for employees to be able to setup ergonomic workstations. Once completed, these trainings are expected to be available, via SuccessFactors, to all supervisors.

Employee Benefits Division

The Employee Benefits Division manages citywide administration of the Flexible Benefits Plan, Retiree Medical Trust, Long-Term Disability, and Employee Savings Plans.

The Flexible Benefits Plan for the City includes providing benefits orientations to new, newly eligible, or rehired City employees. The Division also publishes the Flexible Benefits Open Enrollment Information and Costs Booklet annually to provide all City employees with benefits information and premium costs for open enrollment. Throughout the fiscal year, staff process requests for changes to employee benefits when there is a qualifying event (e.g. marriage, divorce, birth or adoption of a child, gain or loss of coverage, job class change or court order, etc.). In addition, staff administers the Dental/Medical/Vision and Dependent/Child Care Flexible Savings Accounts (FSA) contributions and processes all reimbursement claims. Lastly, the Division processes all Consolidated Omnibus Budget Reconciliation Act (COBRA) required notifications and benefits. The Division is also responsible for all of the reporting requirements related to the Affordable Care Act (ACA).

The Employee Benefits Division also administers the Long-Term Disability Plan which was established in 1981 for the purpose of providing income to eligible employees while unable to work as a result of non-industrial injury, illness, or pregnancy. The Long-Term Disability Plan is a self-insured and self-administered plan.

In addition, the Employee Benefits Division oversees the Employee Savings Plans which allow employees to enhance retirement income by participating in tax-deferred plans such as the Supplemental Pension Savings Plan (SPSP), 2009 401(a) Plan, 401(k) Plan, Deferred Compensation 457(b) Plan and Retiree Medical Trust Plan. These plans had a combined trust asset value of almost \$1.3 billion as of June 30, 2017. **Figure 12**, Employee Saving Plans, sets forth summary of each tax-deferred plan including the number of employee participants and asset value of each plan.

Figure 12: Employee Saving Plans

Employee Saving Plans		
As of June 30, 2017		
Savings Plan	Number of Participants	Asset Value ¹
SPSP	6,082	\$ 640.9
401(k)	8,847	363.8
457(b)	3,182	159.1
SPSP-H	7,559	84.0
Retiree Medical Option C ²	212	17.8
401(a)	681	5.0
Retiree Medical Trust Plan	2,996	4.0
Total		\$ 1,274.6

¹Asset values are displayed in millions.

²The Retiree Medical Option C participants listed are employees that are inactive or active who are enrolled in the plan. These participants consist of employees that are unclassified/unrepresented and deferred vested.

Accomplishments and Highlights

The Division has been working on a wellness grant in conjunction with the County of San Diego and Corporate Sponsorship. The City of San Diego Live Well@ Work action plans for six City departments have been developed. The plans cover healthy eating, physical activity, and encourage a culture of health. Also, in conjunction with this grant, weekly activity classes, such as yoga and mindful meditation, and wellness seminars encouraging healthy lifestyles have been offered. The classes and seminars have been well attended and are very popular with the client departments.

In FY 2017, the Employee Benefits Division completed the following in service of City employees:

- ≈ 19,000 FSA claims processed
- ≈ 10,000 Employees receiving flexible benefits
- ≈ 1,300 New hires, re-hires, and newly benefitted employees who were enrolled in their flexible benefits and mandatory savings plans
- ≈ 170 new long-term disability claims
- ≈ 15 Non Standard Hour employees met the qualifications and were offered medical coverage under the ACA

The City is continuing to monitor ACA changes and provide clarification of changes to identify the impact of the ACA to the City and its employees.

Future Year Outlook

In the upcoming year, the Employee Benefits Division will introduce enhancements to the Employee Benefits Citynet website, including the reorganization of content in labeled categories with the goal of improving users' access to information. The Division is also working with the Communications Department to redesign the Wellness Citynet website, to enhance the content to provide employees with better comprehensive health and wellness information.

The Division will also be incorporating the scheduling process for New Employee Orientations into SuccessFactors; this efficiency will allow newly benefitted employees to attend orientation immediately upon becoming eligible and in turn enroll in benefits sooner.

The Division is also assisting in the negotiation of a Death and Disability benefit plan for employees hired on or after July 20, 2012 with the recognized employee organizations. This plan is anticipated to provide disability benefits for employees not eligible for membership in the San Diego City Employees' Retirement System (SDCERS) due to Proposition B.

In FY 2018, the City will be releasing an RFP for the City-sponsored medical plans, for both active employees and retirees. Due to the rising costs of medical insurance premiums over the last few years and in order to obtain the best value for employees and retirees, the bid process will explore all of the options and strategies available in the marketplace. This includes considering plan consolidation and risk pools/exchanges. A wellness component will also be included in the RFP. The measurable success that has been achieved as part of the Healthy Works: Prevention Initiative Grant includes finding ways to motivate employees to embrace a healthier lifestyle in order to improve medical utilization and reduce costs in the long run.

Furthermore in FY 2018, the City will also be releasing an RFP for contracting out the FSA and COBRA programs. The following enhancements to FSA services are anticipated: employees will pay with a debit card with no need to request reimbursements and the ability to submit claims via a mobile application. In addition, the following enhancements to COBRA services are anticipated: premium payments made directly to vendors avoiding loss of coverage and legislative updates provided timely.

Also in FY 2018, the Division competitively bid, via RFP, for a consulting, brokerage, and actuarial services contract. The City Council approved Conduent HR Consulting to provide these services. Renewing these services allows critical projects, such as the Death & Disability negotiations and medical insurance RFP, to continue without disruption.

In FY 2018, the City will participate in the California Public Employees' Retirement System Supplemental Income 457 Plan (CalPERS 457 Plan) for its employees. This will provide competitive pricing due to economies of scale and help the City more effectively manage its fiduciary responsibility. The City's five year agreement with VALIC Retirement Services Company (VALIC) as the third-party administrator and investment management for the 457 Deferred Compensation Plan and Retiree Medical Trust (RMT) will expire July 31, 2018. In addition, the Division will competitively bid, via RFP, for a third-party administrator and investment management services for RMT.

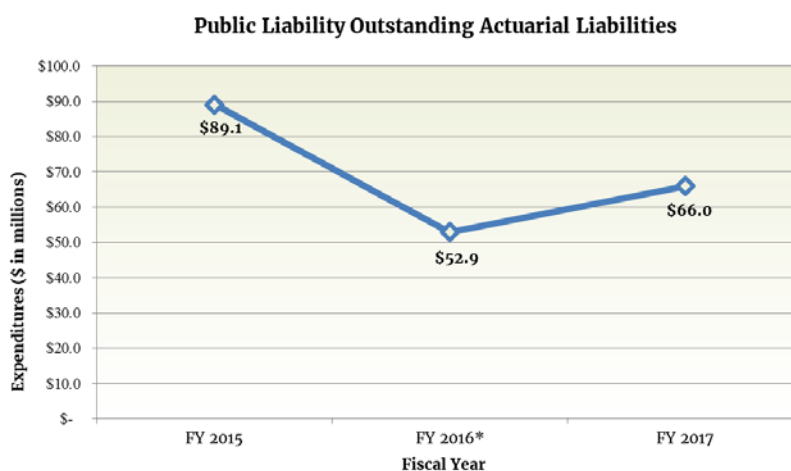
Risk Management Reserves

The Public Liability, Workers' Compensation, and Long-Term Disability Funds provide funding sources for certain claims made against the City. The Public Liability Fund is funded by the General Fund to support claims arising from real or alleged acts on the part of the City, including claims for bodily injury, property damage, inverse condemnation, false arrest, and errors and omissions. The Workers' Compensation Fund is a citywide fund that covers medical and disability costs for industrial injury claims, while the Long-Term Disability Fund provides non-industrially disabled City employees with income and flexible benefits coverage. For purposes of this policy, cash on hand is used to identify the projected reserve balance.

Public Liability Reserve Status

The Public Liability Reserve Fund is funded by the General Fund to support claims arising from real or alleged acts on the part of the City, including claims for bodily injury, property damage, inverse condemnation, false arrest, and errors and omissions. This Fund is included in the Reserve Policy (Council Policy 100-20) to ensure financial stability. Per the policy, the City will maintain reserves equal to 50 percent of the value of outstanding public liability claims by FY 2019. The FY 2017 ending fund balance of the Public Liability Fund Reserve is approximately \$33.6 million or 43.0% of the three year average of the annual actuarial liability, which meets the Public Liability Fund Reserve target. This reserve level recognizes that not all claims will be due and payable at one point in time and that not all claims will be awarded, yet there may be more than one large claim that could require an immediate payment. A smoothing methodology using the annual actuarial liability valuations for the three most recent fiscal years is used to determine the value of outstanding public liability claims for purposes of calculating the reserve level. **Figure 13**, Public Liability Outstanding Actuarial Liabilities, displays the public liability outstanding actuarial liabilities for the past three fiscal years.

Figure 13: Public Liability Outstanding Actuarial Liabilities

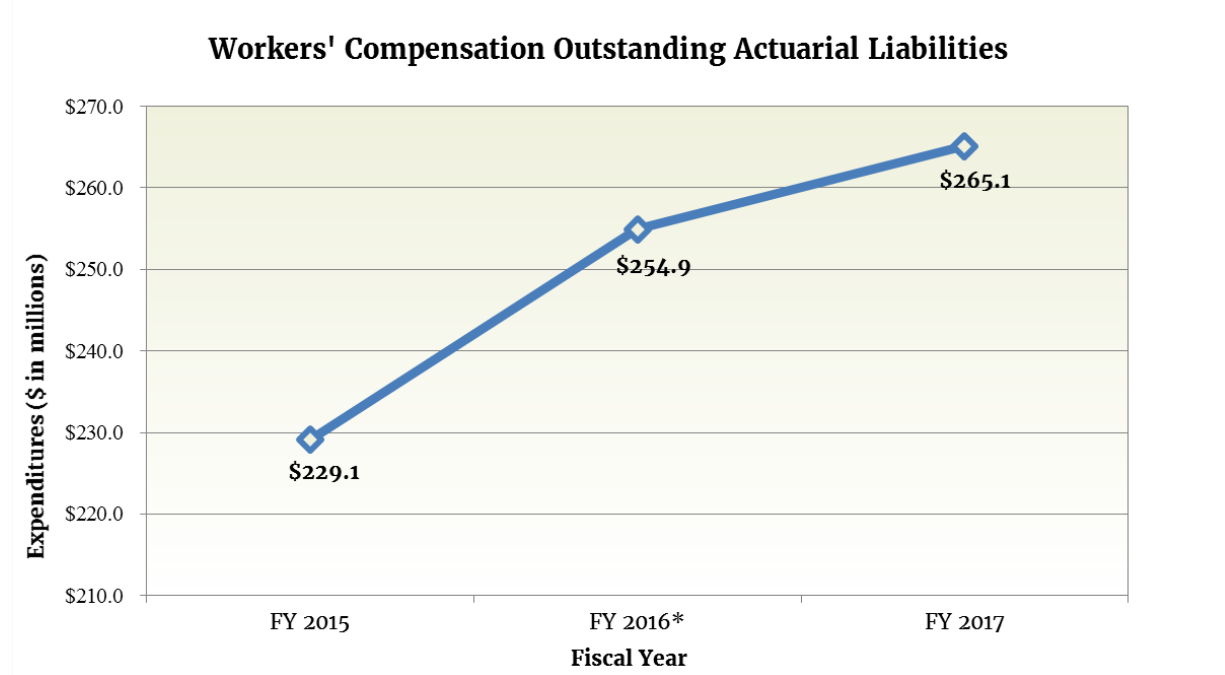


*Liability for claims in excess of Self-Insured Retention decreased from \$45.7 million to \$4.9 million due to settlement and closure of previously opened claims.

Workers' Compensation Reserve Status

The Workers' Compensation Fund is a citywide fund that covers medical and other costs for industrial injury claims. This Fund is included in the Reserve Policy (Council Policy 100-20) to ensure financial stability. On February 21, 2017 the Reserve Policy was revised to reduce the Workers' Compensation Reserve policy goal from 25% to 12% of the most recent three year average of annual actuarial liability valuations. The purpose of this revision was to right size the Workers' Compensation Reserve since the current level of Workers' compensation reserve funding is larger than necessary to support claims payment experience. A smoothing methodology using the annual actuarial liability valuations for the three most recent fiscal years is used to determine the value of outstanding claims for purposes of calculating the reserve level. The Fund met the reserve goal and has maintained the reserve goal since FY 2014. **Figure 14**, Workers' Compensation Outstanding Actuarial Liabilities, displays the workers' compensation outstanding actuarial liabilities for the past three fiscal years.

Figure 14: Workers' Compensation Outstanding Actuarial Liabilities



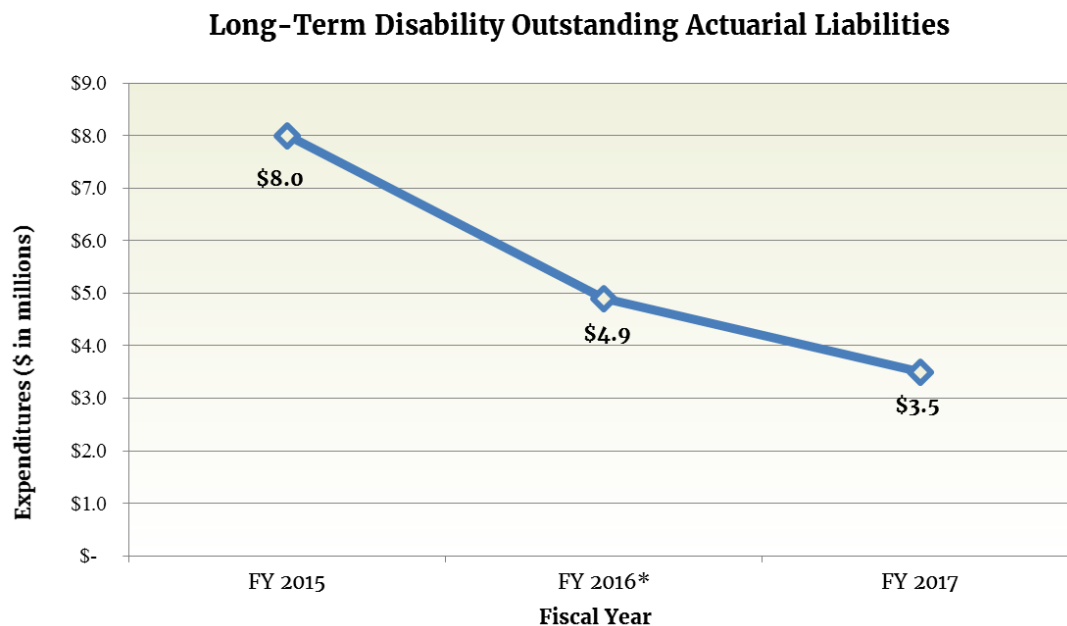
*Increase primarily due to adverse development for claim years 2015 and prior.

Long-Term Disability Reserve Status

The Long-Term Disability Fund provides partial salary replacement to eligible City employees who are unable to work due to non-work related injury or illness and pregnancy leave. This Fund is included in the Reserve Policy (Council Policy 100-20) to ensure financial stability. Per the policy and anticipating fully insuring this program, the outstanding liability was fully funded as an alternative to the current practice of self-insurance. A smoothing methodology using the annual actuarial liability valuations for the three most recent fiscal years is used to determine the value of outstanding claims for purposes of calculating the reserve level. The Fund met the reserve goal of 100 percent in FY 2017, ahead of Reserve Policy scheduled goal.

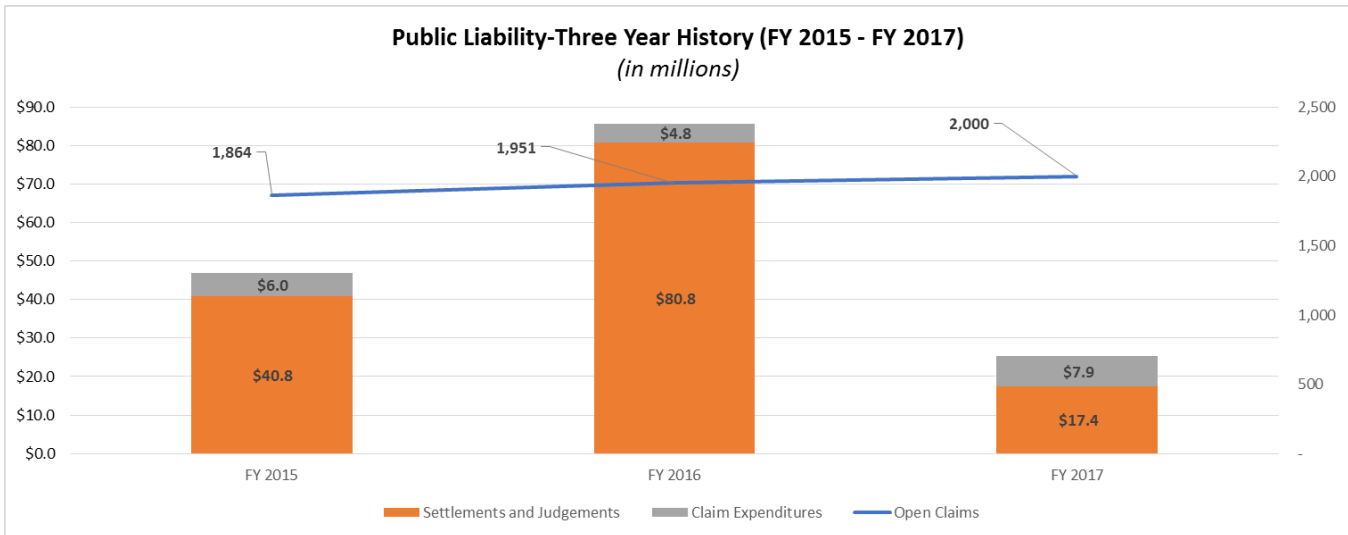
In addition, the Long-Term Disability Reserve is funded beyond the goal level of 100 percent of a three-year average of outstanding claims' liability. It is intended that a portion of the excess funding will be used to establish a new death and disability benefits program for employees hired after Proposition B became effective in 2012, subject to negotiations with the employee organizations. **Figure 15**, Long-Term Disability Outstanding Actuarial Liabilities, displays the long-term disability outstanding actuarial liabilities for the past three fiscal years.

Figure 15: Long-Term Disability Outstanding Actuarial Liabilities



*Change is actuarial assumption to use benefit end date reported rather than plan schedule to better reflect duration of benefit.

Appendix A



Citywide—FY 2017 total claim expenses decreased \$60.3 million (70%) from the previous year, settlements and judgments decreased \$63.4 million (78%) and claim expenditures increased \$3.1 million (65%) from FY 2016. FY 2017 open claims increased 49 (3%) from open claims in FY 2016.

Development Services Department—FY 2017 total claim expenses decreased \$53.3 million (94%) from the previous year, settlements and judgments decreased \$53.4 million (96%) and claim expenditures increased \$0.1 million (9%) from FY 2016. FY 2016 includes \$25.0 million for De La Fuente Business Park which was paid directly to the plaintiff from the insurer. FY 2017 open claims increased 7 (2%) from open claims in FY 2016.

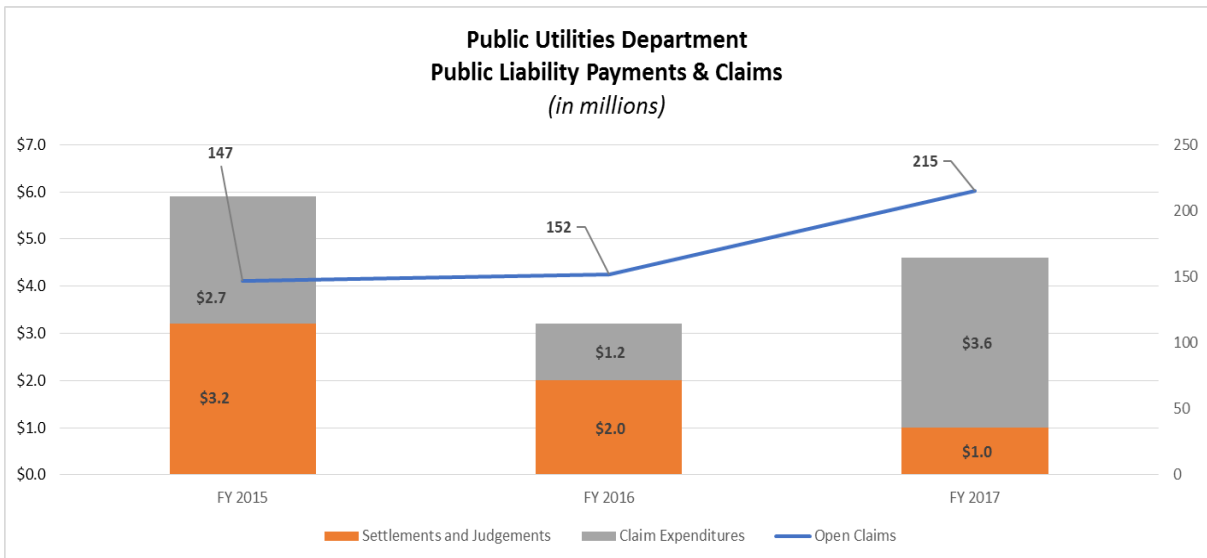
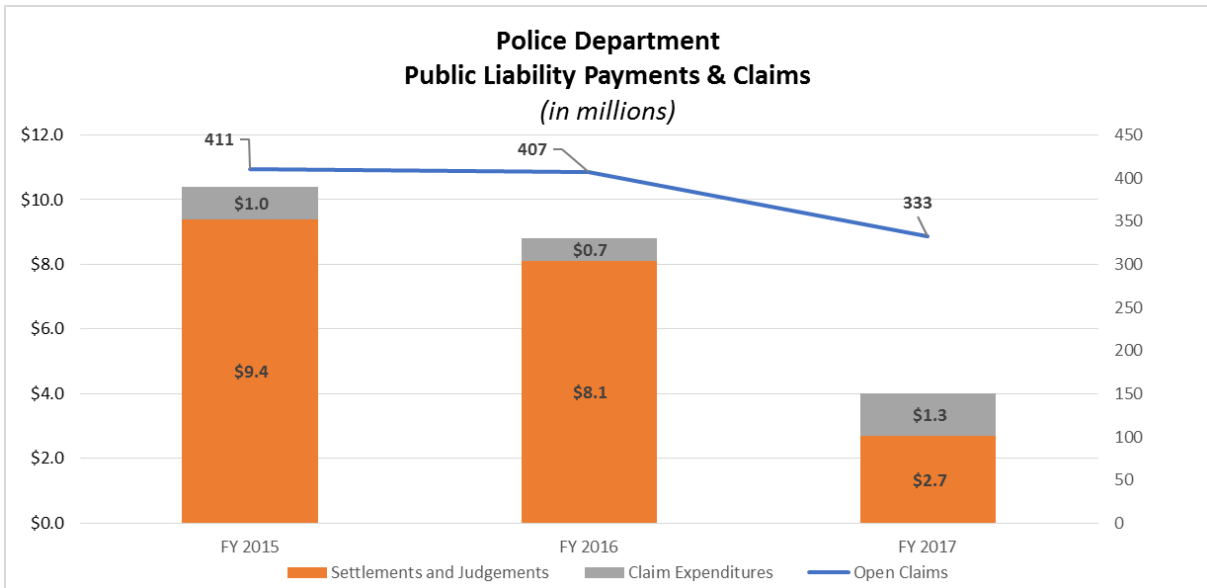
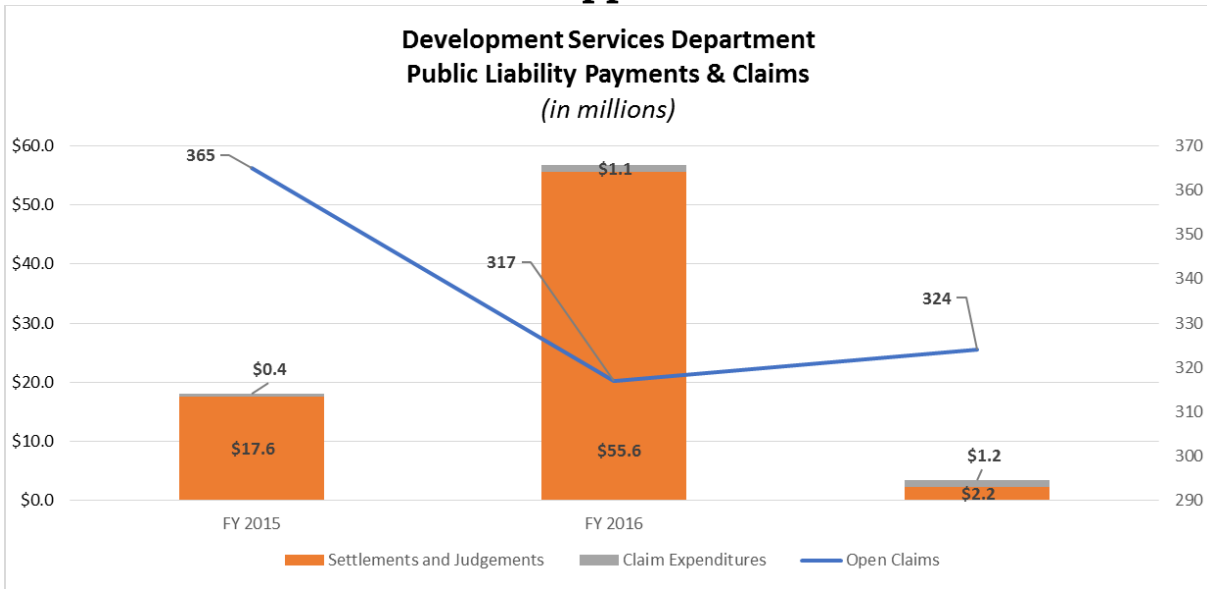
Police Department—FY 2017 total claim expenses decreased \$4.8 million (55%) from the previous year, settlements and judgments decreased \$5.4 million (67%) and claim expenditures increased \$0.6 million (86%) from FY 2016. FY 2017 open claims decreased 74 (18%) from open claims in FY 2016.

Public Utilities Department —FY 2017 total claim expenses increased \$1.4 million (44%) from the previous year, settlements and judgments decreased \$1.0 million (50%) and claim expenditures increased \$2.4 million (200%) from FY 2016. FY 2017 open claims increased 63 (41%) from open claims in FY 2016.

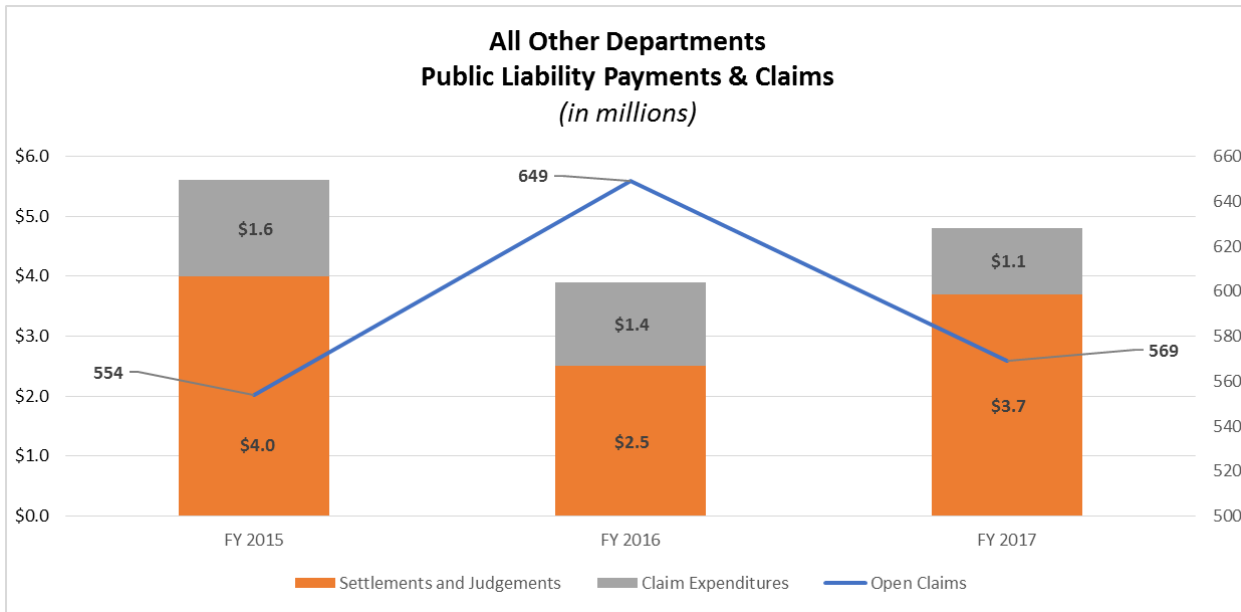
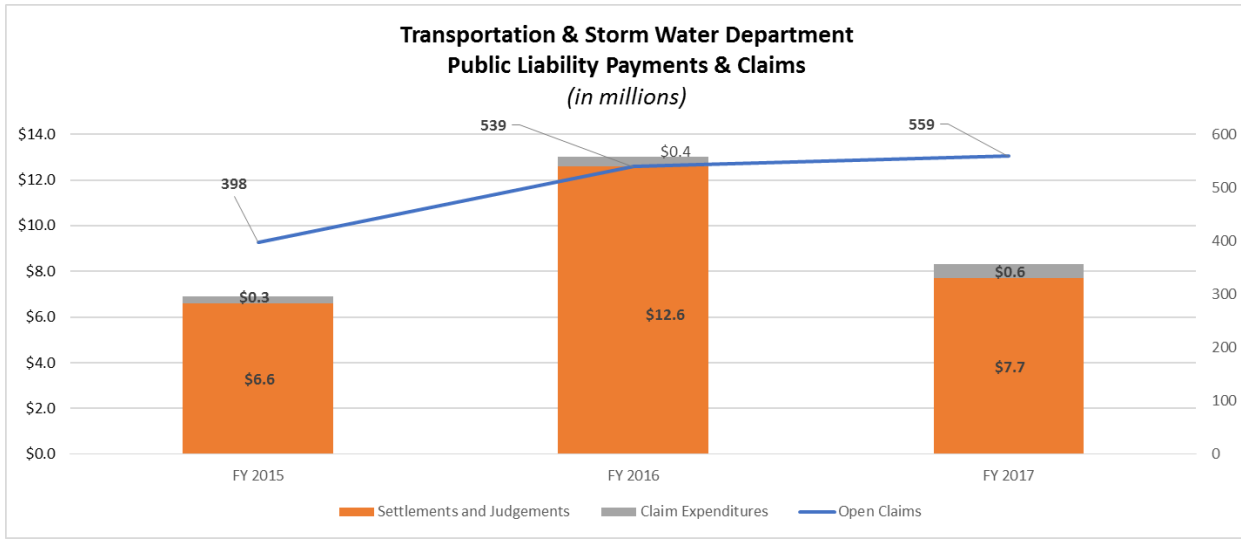
Transportation & Storm Water Department—FY 2017 total claim expenses decreased \$4.7 million (36%) from the previous year, settlements and judgments decreased \$4.9 million (39%) and claim expenditures increased \$0.2 million (50%) from FY 2016. FY 2017 open claims increased 20 (4%) from open claims in FY 2016.

All Other Departments—FY 2017 total claim expenses increased \$0.9 million (23%) from the previous year, settlements and judgments increased \$1.2 million (48%) and claim expenditures decreased \$0.3 million (21%) from FY 2016. FY 2017 open claims decreased 80 (12%) from open claims in FY 2016.

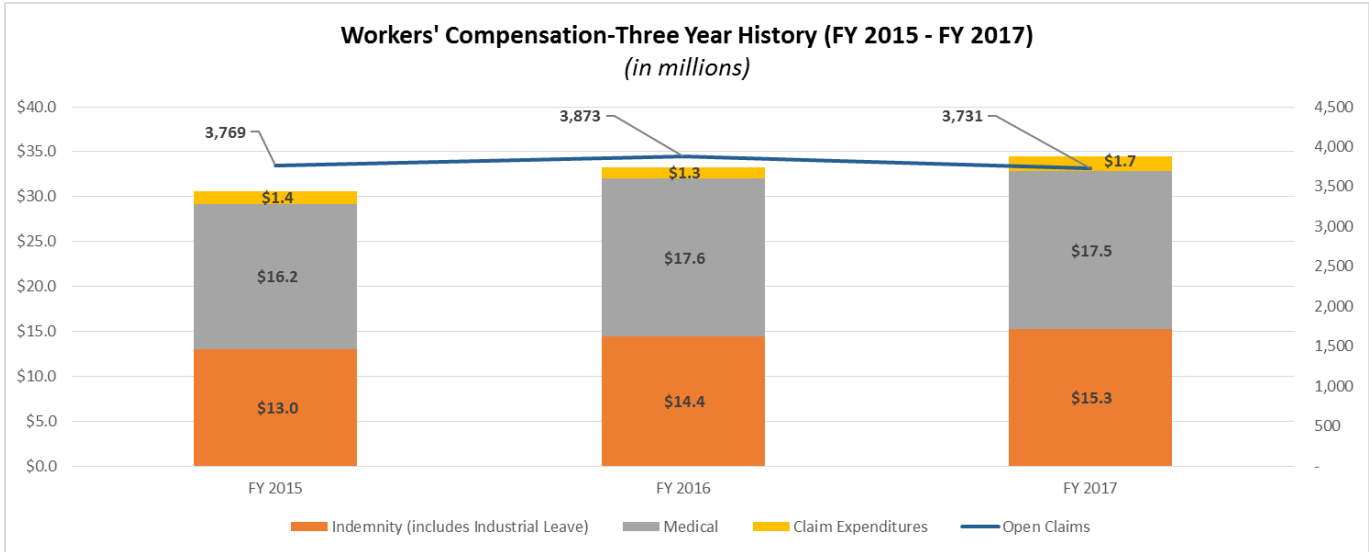
Appendix A



Appendix A



Appendix B



Note: Indemnity includes: permanent disability, salary continuance (industrial leave), and temporary disability

Citywide—FY 2017 total claim expenses increased \$1.2 million (4%) from the previous year, \$0.9 million (6%) increase in indemnity, \$0.1 million (1%) decrease in medical, and \$0.4 million (31%) increase in claim expenditures from FY 2016. FY 2017 open claims decreased 142 (4%) from open claims in FY 2016.

Fire-Rescue Department (includes Fire, Lifeguards, and Emergency Medical Services)—FY 2017 total claim expenses decreased \$0.2 million (3%) from the previous year, \$0.2 million (7%) increase in indemnity, \$0.4 million (9%) decrease in medical, and no change in claim expenditures from FY 2016. FY 2017 open claims decreased 72 (8%) from open claims in FY 2016.

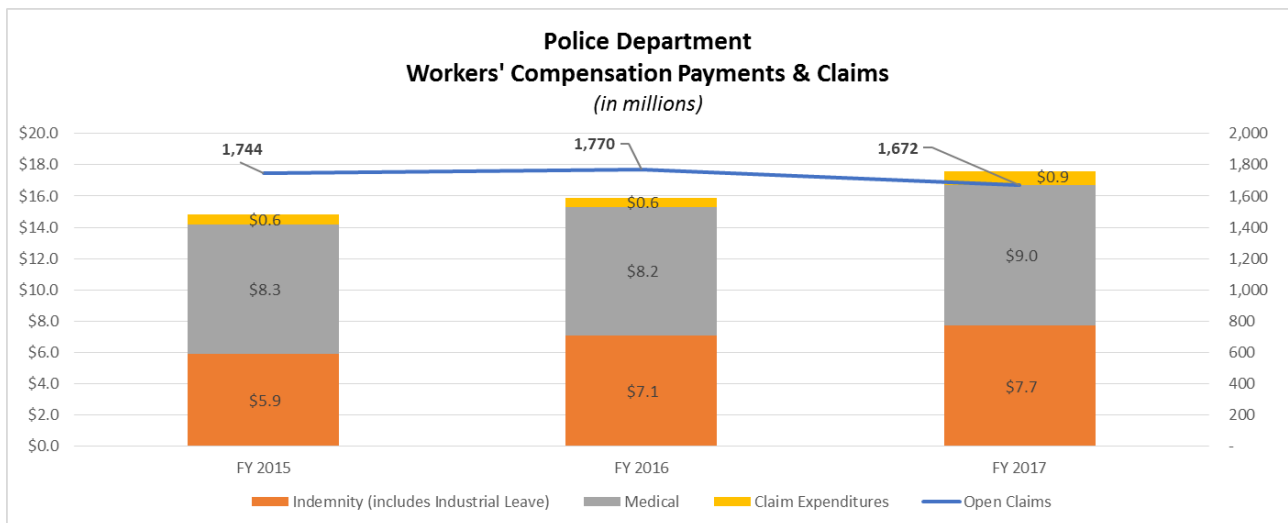
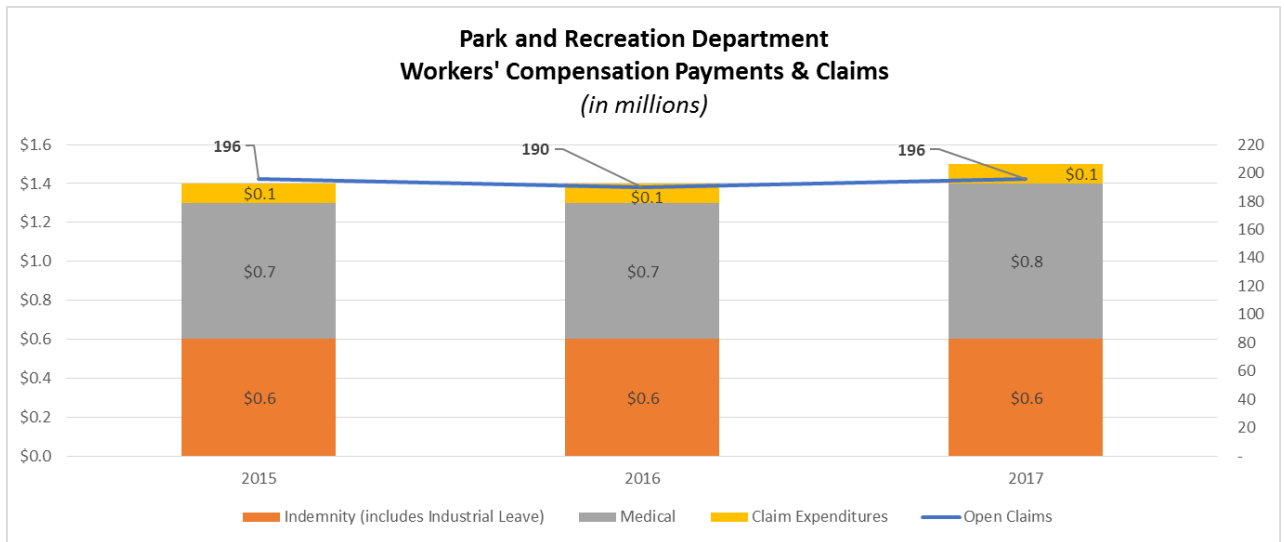
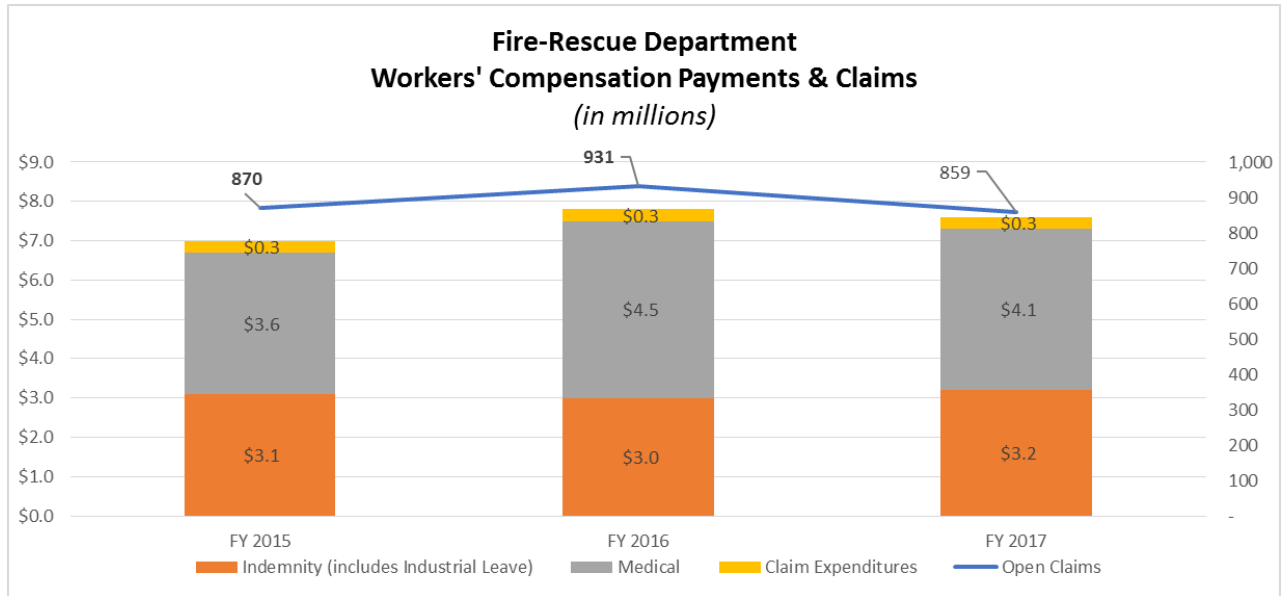
Park and Recreation Department—FY 2017 total claim expenses increased \$0.1 million (7%) from the previous year, no change in indemnity payments, \$0.1 million (14%) increase in medical, and no change in claim expenditures from FY 2016. FY 2017 open claims increased 6 (3%) from open claims in FY 2016.

Police Department—FY 2017 total claim expenses increased \$1.7 million (11%) from the previous year, \$0.6 million (8%) increase in indemnity, \$0.8 million (10%) increase in medical, and \$0.3 million (50%) increase in claim expenditures from FY 2016. FY 2017 open claims decreased 98 (6%) from open claims in FY 2016.

Public Utilities Department—FY 2017 total claim expenses decreased \$0.2 million (6%) from the previous year, \$0.1 (5%) decrease in indemnity, \$0.2 million (13%) decrease in medical, and \$0.1 million (100%) increase in claim expenditures from FY 2016. FY 2017 open claims increased 36 (10%) from open claims in FY 2016.

All Other Departments—FY 2017 total claim expenses increased \$0.1 million (2%) from the previous year, \$0.1 million (6%) increase in indemnity, no change in medical, and no change in claim expenditures from FY 2016. FY 2017 open claims decreased 21 (3%) from open claims in FY 2016.

Appendix B



Appendix B

