

Fiscal Year 2018

The City of San Diego Risk Management Annual Report



Risk
Management

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Executive Summary

The Risk Management Annual Report provides the City Council and management with an overview of the Risk Management Department's programs. The purpose of this report is to provide City of San Diego (City) leadership with information regarding City exposures and losses for Fiscal Year (FY) 2018 with the intent of implementing loss prevention measures that will help control or eliminate identified risks. The report contains summaries of workers' compensation, public liabilities, loss recovery, and insurance premiums by fiscal year, as well as relevant safety and benefits information for City employees.

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

The Risk Management Administration Fund is an Internal Service Fund that captures administrative costs related to **workers' compensation claims management, employee benefits administration, safety and environmental health oversight, public liability claims management, loss recovery, and oversight of the insurance program for the City**. 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.

Public Liability and Loss Recovery Division

The number of new public liability claims in FY 2018 was 2,107, a decrease of 521 claims or 20 percent from the FY 2017 claims. This decrease is primarily due to a reduction of pothole claims. The public liability claim costs for FY 2018 was \$34.6 million, an increase of \$9.3 million from FY 2017 claims expenditures of \$25.3 million. This increase is primarily due to payments for the John Aavang settlement and Little Italy and North Park water main breaks. In addition, Appendix A, Public Liability – Three Year History (FY 2016 – FY 2018), 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 \$1.7 million in FY 2018, a decrease of \$1.5 million from FY 2017. The decrease is primarily due to the number of invoices generated. The total revenue received on outstanding invoices was \$1.5 million in FY 2018, a decrease of \$0.5 million. The General Fund portion of revenue received was \$0.6 million in FY 2018.

Insurance Program

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 CSAC-Excess Insurance Authority (CSAC-EIA). In FY 2018, total insurance premiums costs decreased by 5 percent, from \$14.8 million in FY 2017 to \$14.1 million in FY 2018. The decrease is primarily due to the General Liability and Property Insurance Programs decreasing by \$300,000 and \$400,000, respectively. Premiums fluctuate depending on market conditions and is the primary factor for the decrease.

Workers' Compensation Division

The number of new workers' compensation claims reported in FY 2018 was 1,752, an increase of 92 claims from the 1,660 claims reported in the prior year. The workers' compensation claim expenditures for FY 2018 was \$36.0 million. This is an increase of \$1.5 million, or 4 percent from FY 2017. This increase is primarily attributed to an increase of 57,798, or 31 percent of industrial leave hours from FY 2017. Departments that had a significant increase of industrial leave hours have been required to submit a corrective action plan and/or to describe special circumstances that contributed to the increases. In addition, Appendix B, Workers' Compensation – Three Year History (FY 2016 – FY 2018), provides workers' compensation opened claims and claim expenditures.

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 2018, the Division was responsible for the ergonomic accommodations of over 550 employees that were displaced from the Executive Complex building. The Division also secured personal protection equipment (PPE) during the Hepatitis A outbreak and ensured all safety guidelines were followed.

Employee Benefits Division

The Employee Benefits Division manages the citywide administration of the Flexible Benefits Plan, Retiree Medical Trust (RMT), Long-Term Disability (LTD) Plan, and Employee Savings Plans. In FY 2018, to improve customer service, the Division updated the benefits webpage on CityNet. The benefits webpage has been categorized and labeled to ease users access to information. In addition, the Division improved the benefits orientations to assist new hires and newly benefitted employees in making informed decisions regarding their benefits.

The City completed a request for proposal (RFP) process for the administration of the Flexible Spending Accounts (FSA) and Consolidated Omnibus Budget Reconciliation Act (COBRA) benefits and selected WageWorks as the administrator. In addition, Cigna was the successful bidder for City sponsored HMO and PPO plans in the 2019 plan year. The City also approved Buck (formerly Conduent HR Consulting) to provide consulting, brokerage, and actuarial services. Lastly, Voya/TASC successfully bid on the administration and investment management of the City's RMT.



Risk Management Department

Mission

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.

Vision

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.

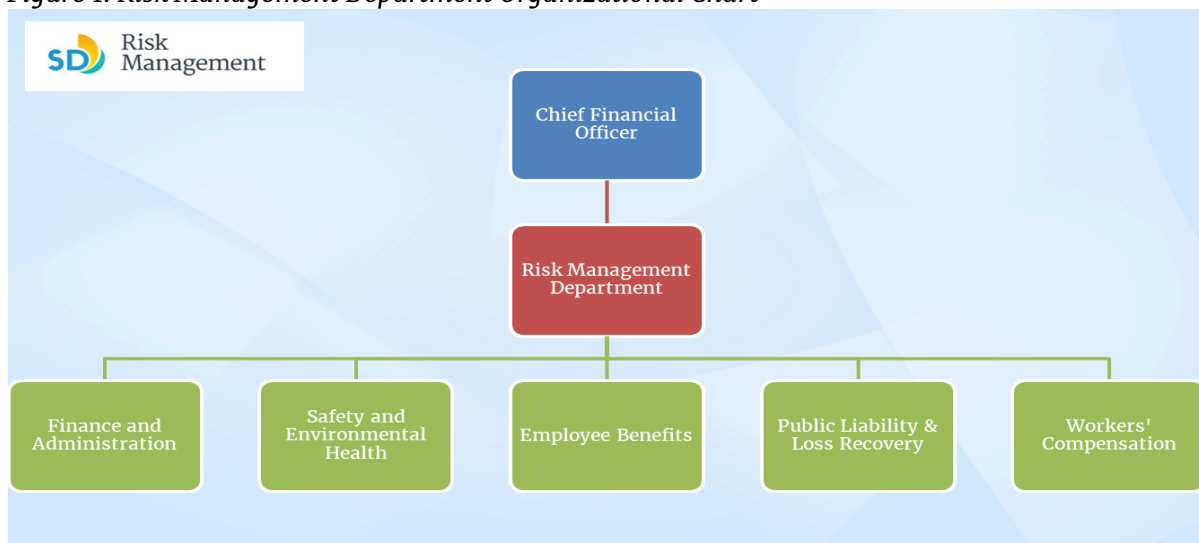
Overview

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 Activities and 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. This program is supported by the revenues collected by the City of San Diego.

Employee Savings Plans: Tax-deferred retirement savings plans to help employees achieve a financially secure retirement. This program is a component of the citywide fringe allocation and represents the City's portion of the benefit expense. This program is supported by the revenues collected by the City of San Diego.

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 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 2018.

Figure 2: Risk Management Department Funding Sources

Risk Management Department Funding Sources FY 2018 <i>(in millions)</i>		
Funding Sources¹	Operating Amount	Reserve Fund Balance
Public Liability Fund	\$ 27.6	\$ 34.7
Flexible Benefits ²	138.7	-
Employee Savings Plans ³	33.9	
Workers' Compensation Fund	29.6	40.8
Long-Term Disability Fund	2.7	15.6
Risk Management Administration Fund	10.9	-
Total	\$ 243.4	\$ 91.1

¹ Fund Balance as of June 30, 2018.

² FY 2018 Adopted Budget for Flexible Benefits.

³ FY 2018 Adopted Budget for Employee Savings Plans- SPSP, 401, RMT.

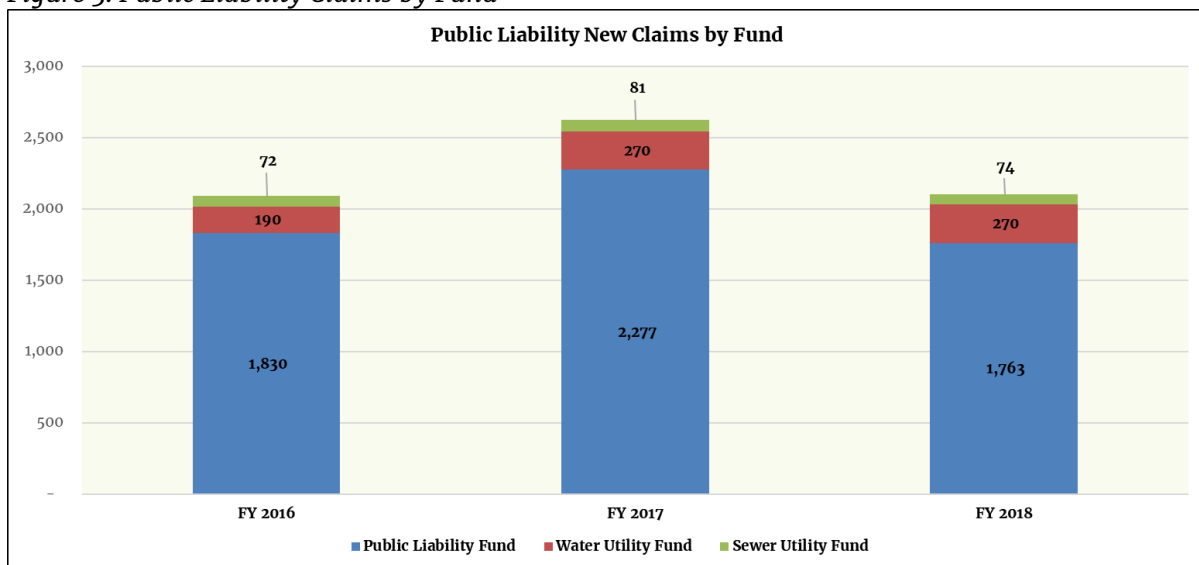


Public Liability and Loss Recovery Division

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 CSAC-Excess Insurance Authority (CSAC-EIA). The City's self-insured retention (SIR) is \$3.0 million with a \$2.0 million corridor retention aggregate. 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; provides guidance related to insurance requirements in City contracts; 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 2018, the number of new public liability claims was 2,107, a decrease of 521 claims or 20 percent from the FY 2017 claims as shown below in **Figure 3**, Public Liability Claims by Fund. This decrease is primarily due to a reduction of pothole claims; however, a decrease in costs was not experienced due to the FY 2015 Capobianco claim settlement payment issued in FY 2018.

Figure 3: Public Liability Claims by Fund



The public liability claim costs for FY 2018 was \$34.6 million, an increase of \$9.3 million from FY 2017 claim expenditures of \$25.3 million. This increase is primarily due to payments for the John Aavang settlement and Little Italy and North Park water main breaks. Typically, public liability claims costs vary from year to year as one or two large claims can skew the results. **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 <i>(in millions)</i>			
Loss Code	FY 2016	FY 2017	FY 2018
Other (Liability) - De La Fuente ¹	\$ 25.1	\$ 0.0	\$ 0.0
Other (Liability) - Aglio	16.8	2.4	0.2
Other (Liability) - De Anza	14.1	0.3	0.0
Design Of Roadway (Sight Distance) ²	0.0	0.1	12.5
City Vehicle Accident ³	7.2	2.1	1.9
Water Main ⁴	2.1	3.4	5.3
Storm Drains ⁵	6.6	1.3	0.7
Maintenance Of Sidewalk ⁶	0.1	5.1	0.3
Trip & Fall	2.0	1.0	2.0
Other (Liability) - San Diego Bay	3.8	0.0	0.2
Employment ⁷	1.5	1.0	1.6
Maint Of Road (Potholes) ⁸	0.1	0.6	1.8
City Tree	0.2	0.2	0.9
Other ⁹	5.9	7.9	7.2
Total	\$ 85.6	\$ 25.3	\$ 34.6

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

² FY 2018 includes \$12.5 million in expenditures for John Aavang (claim number 10880).

³ FY 2016 includes \$5.9 million in expenditures for McCaffrey, Conceicao (claim number 8799), FY 2017 includes \$1.0 million in expenditures for Marable, Derrick (claim number 10821).

⁴ Farmer, Chad and Jami Glassman (claim number 8738) had expenditures of \$1.3 million in FY 2016. North Park (various claims) had expenditures of \$2.8 million and \$1.7 million in FY 2017 and FY 2018, respectively. FY 2018 includes \$1.9 million in expenditures for Little Italy (various claims).

⁵ FY 2016 includes \$5.0 million in expenditures for La Jolla Alta Master Council (claim number LP0405340724).

⁶ FY 2017 includes \$4.9 million in expenditures for Clifford Brown (claim number 10877).

⁷ FY 2016 includes \$0.8 million in expenditures for Santos-Hunter, Benelia (claim number 8781).

⁸ FY 2018 includes \$1.5 million in expenditures for Capobianco, Regina (claim number 12249).

⁹ FY 2016 includes \$1.0 million in expenditures for Hays (various claims). FY 2017 includes \$1.3 million in expenditures for Lowe San Diego (claim number 11360) and \$0.9 million in expenditures for Edward Sialoi (claim number 4298). Scottsdale Insurance Company (claim number LP0801300903) had expenditures of \$0.7 million, \$0.7 million, and \$0.8 million in FY 2016, FY 2017, and FY 2018, respectively.

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 \$1.7 million in FY 2018, a decrease of \$1.5 million from FY 2017. The decrease is primarily due to the number of invoices generated.

Figure 5: Loss Recovery Invoiced

Loss Recovery Invoiced			
<i>(in millions)</i>			
	FY 2016¹	FY 2017¹	FY 2018
General Fund	\$ 0.7	\$ 1.1	\$ 0.8
Water Utility Fund	0.4	0.6	0.3
Fleet Services Operating Fund	0.4	0.4	0.3
Other	0.3	0.5	0.1
Workers' Compensation Fund	0.5	0.5	0.1
Public Liability Fund	2.0	0.2	0.0
Total²	\$ 4.3	\$ 3.2	\$ 1.7

¹ FY 2016 and FY 2017 figures have been revised from the FY 2017 Risk Management Annual Report.

² Totals may not add due to rounding.

The total revenue received on outstanding invoices in FY 2018 was \$1.5 million, a decrease of \$0.5 from FY 2017. Revenue received does not have a direct correlation to invoices issued in a fiscal year as payments can be made from invoices issued in prior fiscal years. As shown in **Figure 6**, Loss Recovery Revenue, the General Fund portion of revenue was \$0.6 million in FY 2018.

Figure 6: Loss Recovery Revenue

Loss Recovery Revenue			
As of June 30, 2018			
<i>(in millions)</i>			
	FY 2016¹	FY 2017¹	FY 2018
General Fund	\$ 0.5	\$ 0.7	\$ 0.6
Water Utility Fund	0.3	0.3	0.3
Fleet Services Operating Fund	0.4	0.3	0.3
Other	0.4	0.1	0.2
Municipal Wastewater Fund	0.1	0.1	0.1
Workers' Compensation Fund	0.2	0.5	0.1
Total²	\$ 1.9	\$ 2.0	\$ 1.5

¹ FY 2016 and FY 2017 figures have been revised from the FY 2017 Risk Management Annual Report.

² Totals may not add due to rounding.

Accomplishments and Highlights

The Public Liability and Loss Recovery Division's claims management system restructured its department listing to match the City's current organizational layout in SAP. Aligning the claims system's department structure with the City's organizational structure will better illustrate loss trends and history per City department.







The Division's claims management system was also upgraded. As part of the upgrade, the Division completed a thorough review of the claims database and proceeded to move towards standardization of correspondence templates and forms. Reorganizing and removing outdated forms will improve overall efficiency of claims handling.

The Division established a business process improvement group which held periodic meetings to identify workflow bottlenecks and opportunities for improvement in claims handling. Suggested action items were implemented resulting in workflow process improvements.

The Division also completed a RFP and awarded a remediation and clean up contract to provide services to property owners who incur damages due to water main breaks or sewer backups. The contract promotes efficient claims handling and provides property owners the option of expediting remediation and clean up services when these type events occur.

The Division's Loss Recovery section assisted the Office of Homeland Security in the investigation of Federal Emergency Management Academy (FEMA) coverage denials of claims for damages to City properties related to the January 2017 winter storms. For many of those denied FEMA claims, the City was able to successfully pursue first party claims against its property insurer.

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

-  7,000 Transactions processed in the claims management system
-  2,200 Active claims managed (Public Liability and Loss Recovery claims)
-  2,100 New Public Liability claims
-  630 Settled cases
-  1,200 New Loss Recovery claims
-  300 Special events permit insurance review

Future Year Outlook

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 increased claims activity and identify areas of concern tied to specific exposures 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 or trending. Rollout of the program is expected in FY 2019.

The Division will receive litigation training from the City Attorney's Office with the goal of improving the litigation skill set of claims staff to monitor costs and identify opportunities to reduce overall litigation expense.

The Division will work with an actuary to review the City's SIR amount of the public liability program to determine if the current SIR of \$3.0 million is an appropriate amount based on expected costs under various actuarial assumptions.

The Division works diligently to implement risk management strategies to minimize the City's financial risks. In FY 2019, the Division will partner with other City departments to recommend to City Council the adoption of an ordinance to regulate Electronic Personal Assistive Mobile Device (EPAMD or Segways) rental businesses. The ordinance will require EPAMD businesses to carry commercial general liability insurance and will ensure rental businesses are operating with sound safety practices and are financially responsible to respond to their customers should an injury occur.

Additional risk management strategies are being applied in the day to day handling of claims by working with City departments to ensure that they are implementing corrective measures that address operational deficiencies or liability exposure identified through a public liability claim or lawsuit.

The Division along with the City Attorney's Office will also be rolling out a pilot training to field staff of the Public Utilities and Transportation & Storm Water departments. The purpose of the training is to raise awareness for field staff in identifying possible conditions that could result in liability to the City. Photographic examples will be used to illustrate and provide guidance to field staff for reporting conditions through the City's Get it Done application.

Lastly, the Division will also continue to meet with departments in FY 2019 to present claims data that depicts liability exposures, statistics pertaining to loss frequency and severity and loss trending. The Division will also work closely with departments to assist in identifying additional risk management solutions to minimize the City's financial risks.

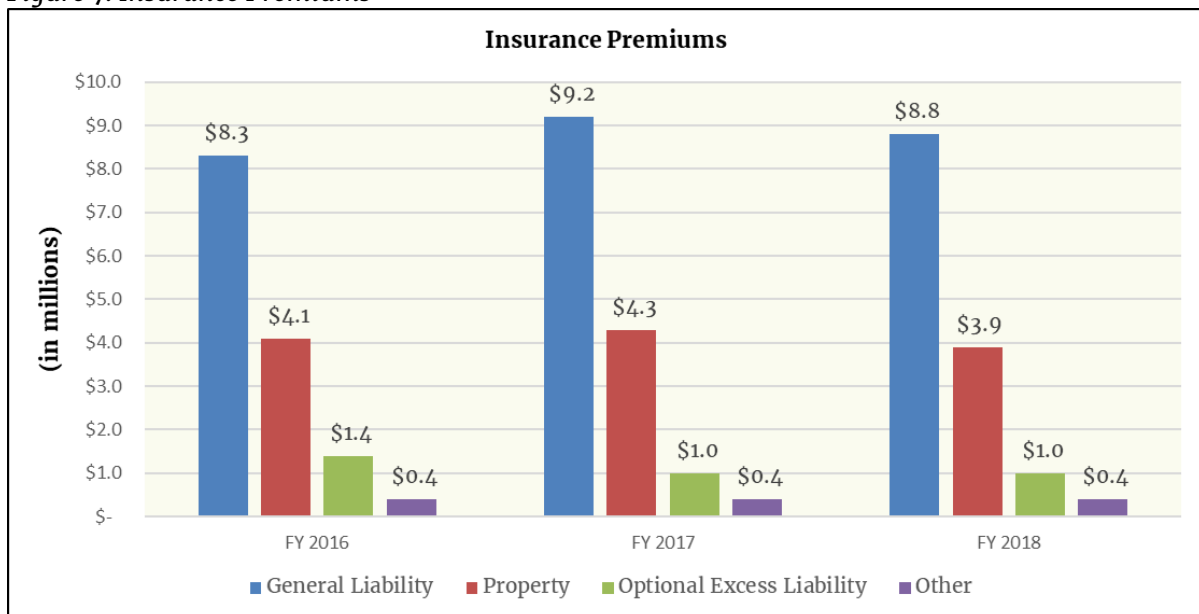


Insurance Program

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 283 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 premium costs decreased by 5 percent or \$700,000, from \$14.8 million in FY 2017 to \$14.1 million in FY 2018. The year over year decrease is primarily due to the General Liability and Property Programs decreasing by \$300,000 and \$400,000, respectively and market fluctuation is the primary factor for the decrease. The General Liability Program provides coverage for claims from third parties alleging damages due to negligence on the part of the City. **Figure 7**, Insurance Premiums, below 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			
(in millions)			
	FY 2016	FY 2017	FY 2018
De La Fuente Business Park ¹	\$ 30.0	\$ -	\$ -
De Anza Cove Homeowners Assn Inc	3.4	7.8	-
Jane Doe	0.1	-	-
La Jolla Alta Master Council	5.0	-	-
Conceicao McCaffrey	3.0	-	-
Clifford Brown	-	2.0	-
Abbe	-	1.2	-
Other	0.6	-	-
Aavang, John	-	-	9.7
Total	\$ 42.1	\$ 11.0	\$ 9.7

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



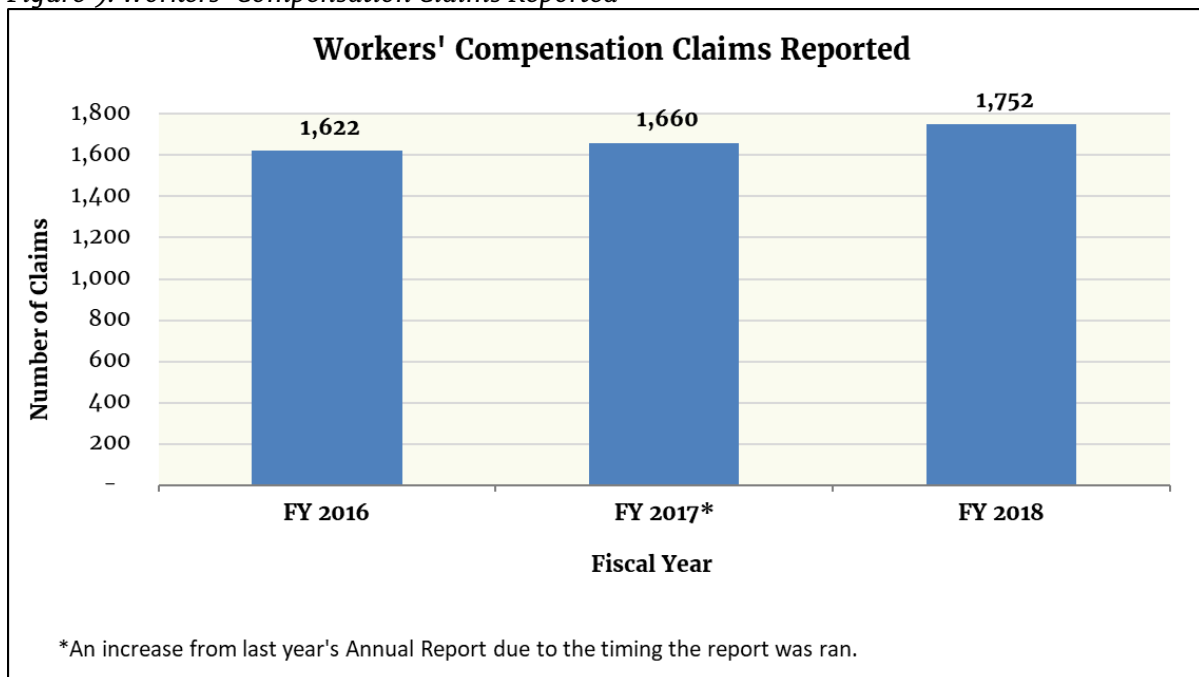
Workers' Compensation Division

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 (Industrial Leave), temporary disability benefits, permanent disability benefits, 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 benefits network, nurse case management, utilization review, and injury call-in center services.

The number of new workers' compensation claims reported in FY 2018 was 1,752, an increase of 92 claims from the prior year's claims reported of 1,660. The 92 claims represent a 6 percent increase from last year. A growing and aging workforce may be responsible for the increase over the past three years as displayed below in **Figure 9**, Workers' Compensation Claims Reported.

Figure 9: Workers' Compensation Claims Reported



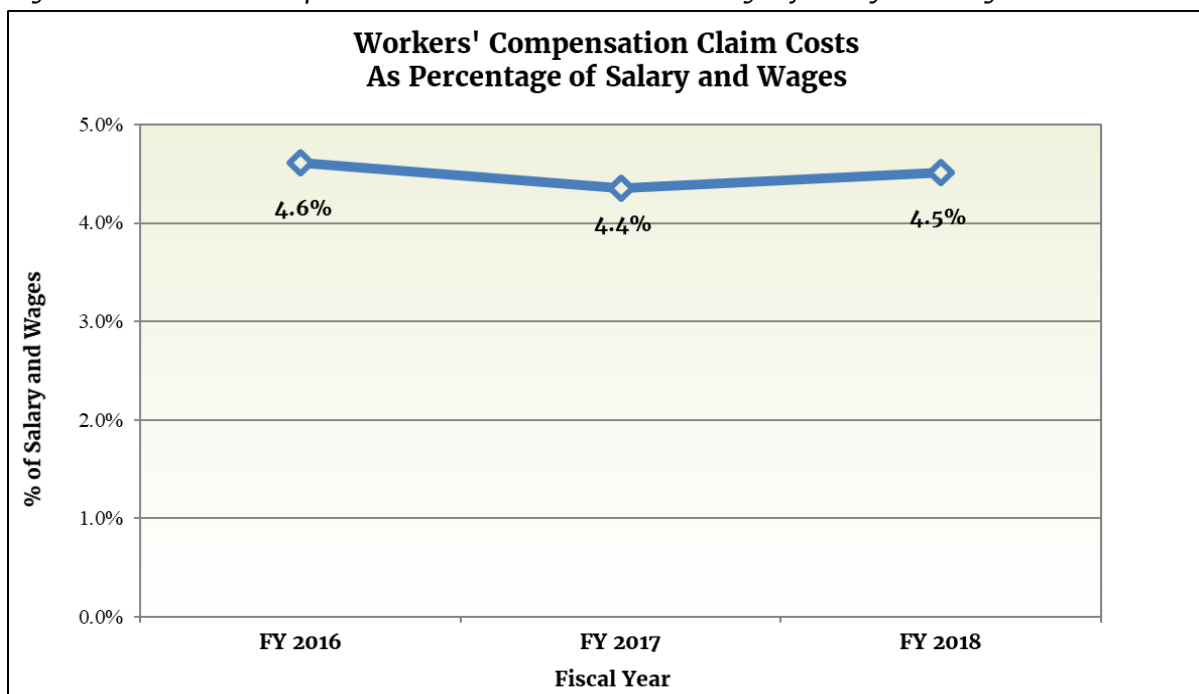
The workers' compensation claim expenditures for FY 2018 was \$36.0 million. This is an increase of \$1.5 million, or 4 percent from FY 2017. This increase is primarily attributed to an increase of \$1.5 million, or 25 percent in Salary Continuance (Industrial Leave). Significant increases in Industrial Leave hours in the Fleet Services, Parks and Recreation, Public Works and Transportation and Storm Water departments resulted in increased costs. These departments, along with others, have been required to submit a corrective action plan and/or to describe special circumstances that contributed to the increases. **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 <i>(in millions)</i>				
Category	FY 2016	FY 2017	FY 2018	
Medical	\$ 17.6	\$ 17.5	\$ 17.6	
Permanent Disability	7.6	8.5	8.1	
Salary Continuance (Industrial Leave)	5.7	5.9	7.4	
Expense	1.3	1.8	1.8	
Temporary Disability	1.1	0.8	1.1	
Total	\$ 33.3	\$ 34.5	\$ 36.0	

Figure 11, Workers' Compensation Claim Costs as a Percentage of Salary and Wages, displays the City incurred on average 4.5 percent of the total payroll in workers' compensation costs for the past three fiscal years.

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



Accomplishments and Highlights

In follow up to the initial Hepatitis A vaccines scheduled during FY 2017, in FY 2018 the Workers' Compensation Division coordinated the provision of over 400 second vaccines to employees who were "at risk" for exposure to the virus.






The Workers' Compensation Division partnered with the Fire-Rescue Department, IAFF Local 145 and Fireman's Relief Association to develop informational material to promote a Cancer Awareness Program. This collaborative effort will ensure employees have information regarding the workers' compensation process and benefit delivery for those affected by cancer or who may be affected in the future. An informational video including members from the Fire-Rescue Department, IAFF Local 145, cancer survivors from within the Fire-Rescue Department, and a member of the Risk Management Department was created to supplement the information published.

To support the commitment to customer service, the Division has expanded on-site staff at various locations who can respond to inquiries on workers' compensation. In addition, monthly or quarterly meetings have been held with the most affected City departments and their designated staff to educate and provide information on vacant positions due to work related injuries.

In FY 2018, the Workers' Compensation Division updated Administrative Regulation (A.R.) 62.00, Administration of Workers' Compensation Liabilities. The new A.R. incorporates various updates in state legislation and regulations.

Lastly, departments with an increase in workers' compensation claims and/or costs were asked to provide corrective action plans to ensure that safety measures are in place to prevent or minimize occupational injuries and/or illnesses.

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

-  140,000 Transactions processed in the claims management system
-  4,200 Active claims managed
-  1,800 New claims
-  300 Settled cases
-  400 Hepatitis A vaccinations scheduled

Future Year Outlook

In FY 2019, the City will be releasing a RFP for the City's Managed Care Program for workers' compensation injuries. These services include: (1) bill review to price all invoices for medical services at the appropriate amount based on California Fee Schedule; (2) nurse case management services which assist injured City employees in navigating their medical treatment plans and obtaining expeditious care; (3) pharmacy benefits network which provides prescription coverage for employees on their claims; (4) utilization review which reviews and ensures necessary medical procedures are appropriate based on medical evidence; and (5) call in center services which provide a 24/7 call center to report injuries when City employees are injured on the job. All these services result in medical cost containment and reduced indemnity losses.

In the Risk Management Department's continued progress in moving to a paperless environment, a paperless pilot will be implemented in FY 2019. The Workers' Compensation Division currently receives over 2,000 documents every week via US Mail that are manually reviewed, acted on, and physically filed. Documents include medical reports, invoices, and legal documents. The initial pilot program will take 25 percent of this volume for review, documenting, sharing with City Attorney's Office, and storing to an electronic format.

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 2020.

Lastly, the Division will work with an insurance broker to acquire excess workers' compensation insurance against catastrophic injury to City employees and incidents involving multiple employees.



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, First Aid, CPR, AED, Cal/OSHA Reporting and Recording of Injuries/illnesses, etc.), inspects workplaces, investigates and monitors employee injuries and accident reports, responds to Cal/OSHA inquiries and complaints, complies and reviews all vehicle/industrial accidents, and creates and updates safety administrative regulations.

In addition, the Division 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, ergonomic chairs contracts, and the agreements for safety 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 Cal/OSHA. The day-to-day operations of the citywide IIPP are administered by the Safety and Environmental Health Division. The City's IIPP provides 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. This report supports 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 costs 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 type of injury or high claim costs. In addition, the report includes Cal/OSHA Injury, Illness Incident Rates (the total number of recordable injuries/illnesses per 100 FTEs) and Days Away Restricted or Transferred (DART) Rates (number of recordable DART cases divided by total hours worked) 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 and injury free workplace.

Accomplishments and Highlights

The Safety and Environmental Health Division was responsible for the ergonomic accommodations of approximately 550 City employees relocated in an emergency from the Executive Complex building to various alternate work sites. This included addressing the specific needs of many employees identified in both Workers' Compensation and Reasonable Accommodations claims.


The Division completed an extensive audit of over 900 driver's license and medical clearances to ensure our records were accurate. It also created a system of notification with City departments which now bridges the gap in information on DMV and DOT processes with our drivers. Department records are now and will continue to be in alignment with the Divisions records.


The Division developed and deployed a pilot training program to select City departments to create awareness on how injuries and accidents can be avoided in the workplace. The training included topics such as causes of injuries, defensive driving techniques, City driving requirements, and accident reporting policies. The pilot training was successful and will be offered to other City departments in FY 2019.


The Division also responded to a new OSHA revision that requires all workplace injuries and illnesses to be submitted electronically through the OSHA website. The current injury and illness report was configured to comply with the new requirement and was implemented on July 1, 2018.


Lastly, the Division assisted City departments with selecting PPE for at risk employees during the Hepatitis A outbreak and ensured that all safety requirements were adhered to.


The Safety and Environmental Health Division completed the following to prevent injury and illness in the workplace:

 900 DMV records flagged for review

 1,400 City employees trained on safety related topics

 600 Ergonomic assessments to enhance workplace health

 500 Safety consultations

 600 Vehicle/Industrial Accident Reports processed

 400 Chair fittings to ascertain the appropriate chair model

Future Year Outlook

In FY 2019, the Safety and Environmental Health Division will roll out training that was successfully piloted in FY 2018 to City departments which informs employees on accidents/injury reduction, accident processing, and City regulations. In addition, training on basic ergonomics for the workplace will be provided to both safety and administrative personnel.

The Division will also update the State of California IIPP to ensure continued compliance. The IIPP update will require meetings with departments to customize it to their operational needs.

Work Flow Processes will be created for Industrial Hygiene, Ergonomics and Cal/OSHA Electronic Reporting.

An update to the Driver Operating Manual (DOM) will be released and as a part of this effort, the Division will train City drivers on safe and effective driving techniques.

The Risk Management's U.S. Department of Transportation's Drug and Alcohol Testing Program for Commercial Drivers will be updated, and all commercial drivers and their supervisors trained on the changes.

Lastly, the Division will update A.R. 75.12, Vehicle and Industrial Incident Reporting, Review and Discipline Program and A.R. 75.50, Driver License Certification, Training and Verification Requirements. Staff will also create a Defensive Driver Certification Training which will be required of all employees driving a City vehicle. The goal is to prevent and reduce the number of preventable vehicle/industrial accidents in the workplace.



Employee Benefits Division

The Employee Benefits Division manages the citywide administration of the Flexible Benefits Plan, RMT, Long-Term Disability Plan, 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, during FY 2018, staff administered the Dental/Medical/Vision and Dependent/Child Care FSA contributions and processed all reimbursement claims. Lastly, the Division processed all COBRA required notifications and benefits. The Division is also responsible for all the reporting requirements related to the Affordable Care Act (ACA).

The Employee Benefits Division also administers the LTD 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 LTD 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 RMT Plan. These plans had a combined trust asset value of approximately \$1.4 billion as of June 30, 2018. **Figure 12**, Employee Saving Plans, displays a summary of each tax-deferred plan including the number of participants and asset value of each plan.

Figure 12: Employee Savings Plan

Employee Saving Plans¹		
As of June 30, 2018		
Savings Plan	Number of Participants	Asset Value ²
SPSP	5,880	\$ 670.0
401(k)	9,219	399.2
457(b)	3,354	163.4
SPSP-H	8,140	118.9
Retiree Medical Option C ³	335	27.6
401(a)	685	6.2
Retiree Medical Trust Plan	3,998	6.1
Total		\$ 1,391.4

¹ Includes active employees and retirees with balances.

² Asset values are displayed in millions.

³ The 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

In FY 2018, the Employee Benefits Division revamped the Employee Benefits Citynet website. The reorganization of the content into labeled categories has significantly improved users' access to information. The Division also improved the Benefit Orientation process including developing timely, clear, and relevant communications which can be understood by a broad range of participants. Tracking mechanisms have been adopted which ensure new and newly-benefited employees are enrolled in and attend the Benefits Orientation. With these accomplishments, employees have the necessary information to make informed decisions regarding their benefits.






The City underwent a RFP process in FY 2018 for City-sponsored medical plans (HMO and PPO), which included both active employees and retirees. A wellness component was included due to the measurable success that has been achieved as part of the Healthy Works: Prevention Initiative Grant. Cigna was the successful bidder and the City smoothly transitioned from Health Net to the new provider for the 2019 Plan Year. In addition, Kaiser remained as another HMO provider for City employees and retirees.

Additionally, the City completed the RFP process for the administration of the City's FSA and COBRA benefits and WageWorks was the successful bidder. Beginning in Fiscal Year 2019, FSA services will include the option to use a debit card at the time of service for health expenses and the ability to submit claims via a mobile application. Separated employees will make premium payments for COBRA benefits directly to WageWorks who will manage their transition of medical coverage.

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 (now Buck) to provide these services. Renewing these services has allowed critical projects, such as the Death & Disability negotiations and medical insurance RFP, to continue without disruption.

The City's five-year agreement with VALIC Retirement Services as the third-party administrator and investment manager for the City's 457(b) Deferred Compensation Plan and RMT expired on July 31, 2018. In FY 2018, the City transitioned to the California Public Employees' Retirement System Supplemental Income 457 Plan (CalPERS 457 Plan) for its employees and retirees. The transition achieved competitive pricing through economies of scale and has helped the City effectively manage its fiduciary responsibility. Voya/TASC was the successful bidder of the RFP for third-party administration and investment management services for the RMT.

In FY 2018, the Employee Benefits Division completed the following in service of City employees:

-  13,000 FSA claims processed
-  10,000 Employees receiving flexible benefits
-  1,200 New hires, re-hires, and newly benefitted employees who were enrolled in their flexible benefits and mandatory savings plans
-  210 New LTD claims
-  32 Non-Standard Hour employees met the qualifications and were offered medical coverage under the ACA

Future Year Outlook

In FY 2019, the Employee Benefits Division will explore the implementation of a custom-built Benefits Enrollment application. The application will guide users through the enrollment process and include dynamic functionality that modifies displays based on employee eligibility and selections. It is anticipated that an intuitive and simplified enrollment system will significantly increase the accuracy of employee selections and customer satisfaction with the enrollment process.

A primary focus with the LTD Program will be to update required employee leave document, outline the LTD process, and improve communication materials. Pregnancy leave guidance will also be incorporated into our leave management services.

The Division will continue to enhance the content of the Employee Benefits website with more comprehensive health and wellness information. The focus of the webpage enhancements for the upcoming year will be to (1) fully develop the LTD webpage to incorporate the changes outlined above and (2) to provide employees separating from the City with a resource page on what actions to take before leaving employment, including COBRA information as well as detailed retirement savings account options.

The Division is 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.

The Division is working with the City's healthcare providers to expand the City's Wellness Program citywide. The City will be offering weekly activity classes, such as yoga and guided meditation, as well as wellness seminars encouraging healthy eating, physical activity, and a culture of health. Finding ways to motivate our employees to embrace a healthier lifestyle will improve medical utilization and reduce costs in the long run.

The Division is also working with Cigna to develop a comprehensive behavioral health and wellness program for first responders.

Lastly, a RFP for employee vision and life insurance benefits will be solicited in FY 2019.



Risk Management Reserves

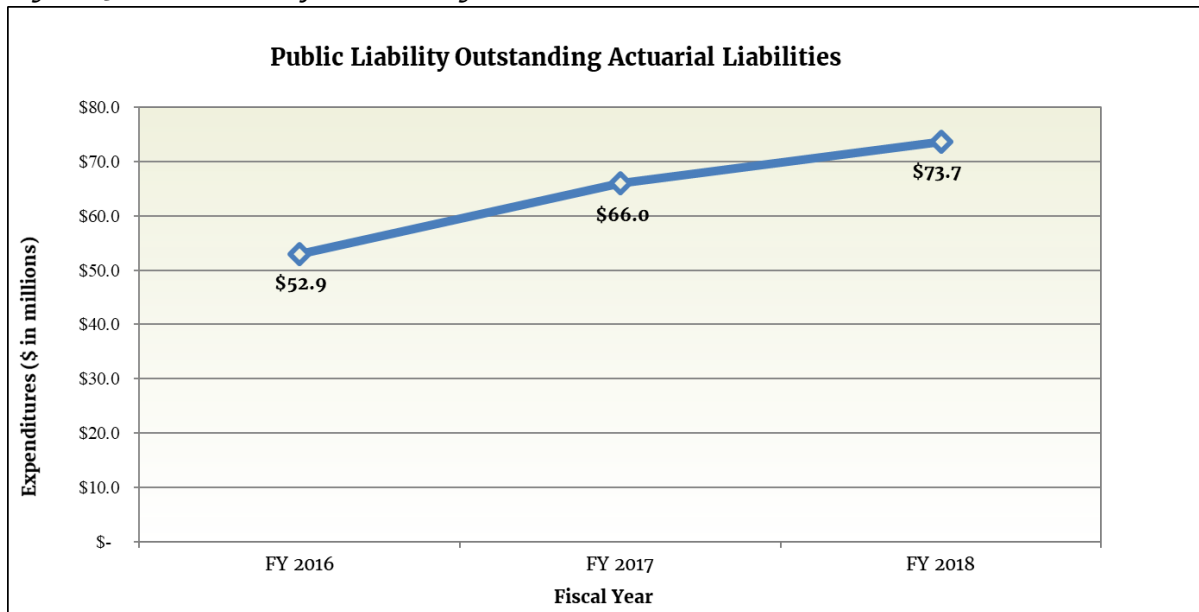
The Public Liability, Workers' Compensation, and LTD Funds provide funding sources for certain claims made against the City. The Public Liability Fund is funded by the General Fund to support claims arising from real or alleged acts on the part of the City, including claims for bodily injury, property 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 LTD Fund provides non-industrially disabled City employees with income and flexible benefits coverage. The reserve requirements for all these funds are outlined in the City's Reserve Policy (Council Policy 100-20). For purposes of the policy, cash on hand is used to identify the projected reserve balance.

Public Liability Reserve Status

The Public Liability (PL) Reserve 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, and errors and omissions. This Fund is included in the City's Reserve Policy to ensure financial stability. Per the policy, the City will maintain reserves equal to 50.0 percent of the average value of the annual actuarial liability (AVAAL) by FY 2019.

For FY 2018, the City's Reserve Policy requires that the Public Liability Fund Reserve equals 47.0 percent of the AVAAL for the three most recent years, or \$32.6 million. The ending fund balance of the Public Liability Fund Reserve is approximately \$34.7 million or 54.0 percent of the three-year average of the annual actuarial liability. The current fund balance pre-funds the Fiscal Year 2019 target of 50.0 percent. **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

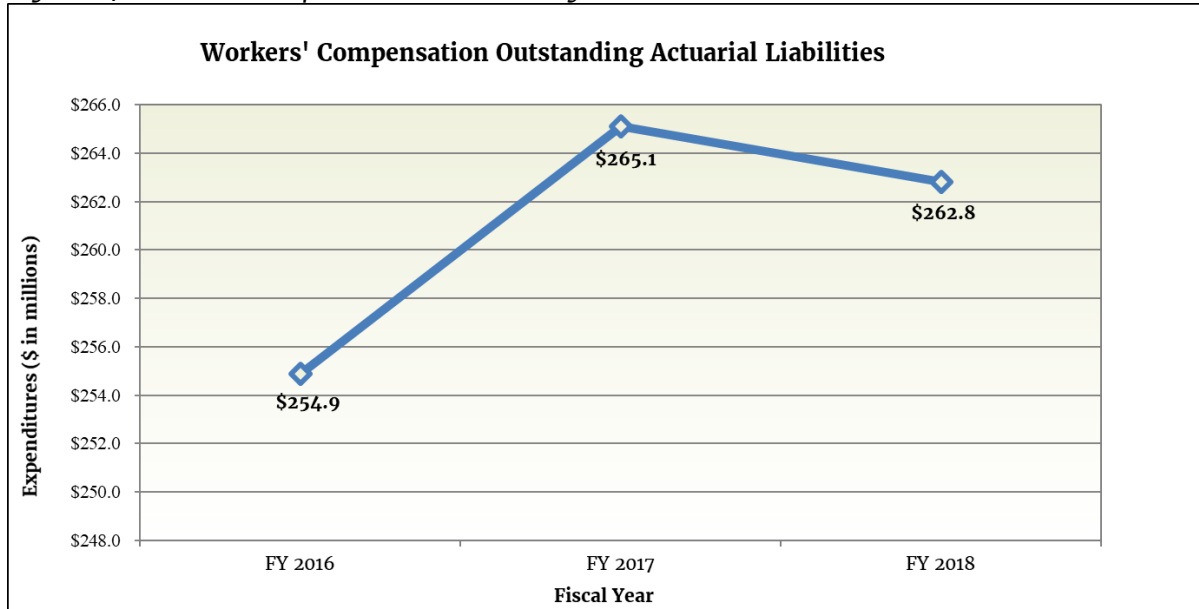


Workers' Compensation Reserve Status

The Workers' Compensation reserve provides funding for medical and disability costs for injuries and illnesses occurring in the workplace. The Workers' Compensation Reserve target is 12.0 percent of the AVAAL for the three most recent years, or \$30.0 million. This amount is approximately one year of operating cash for the Workers' Compensation Program.

In FY 2018, the Workers' Compensation Reserve transferred \$1.9 million of excess fund balance to non-General Funds and \$10.1 million of excess fund balance to the General Fund for a total use of \$12.0 million. As a result, the ending fund balance of the Workers' Compensation Reserve in FY 2018 is \$40.8 million, or 16.3 percent of the AVAAL for the three most recent years. The remaining excess workers' compensation reserves will be used to support the Workers' Compensation Program by offsetting workers' compensation expenditures through FY 2020 as discussed in the Five-Year Outlook. **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

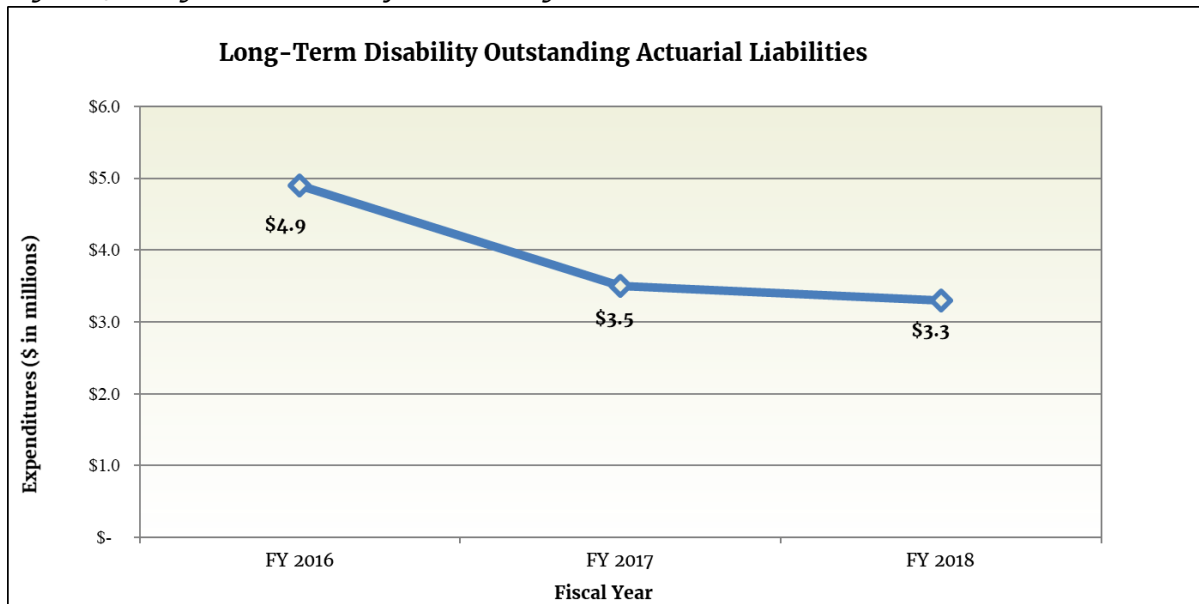


Long-Term Disability Reserve Status

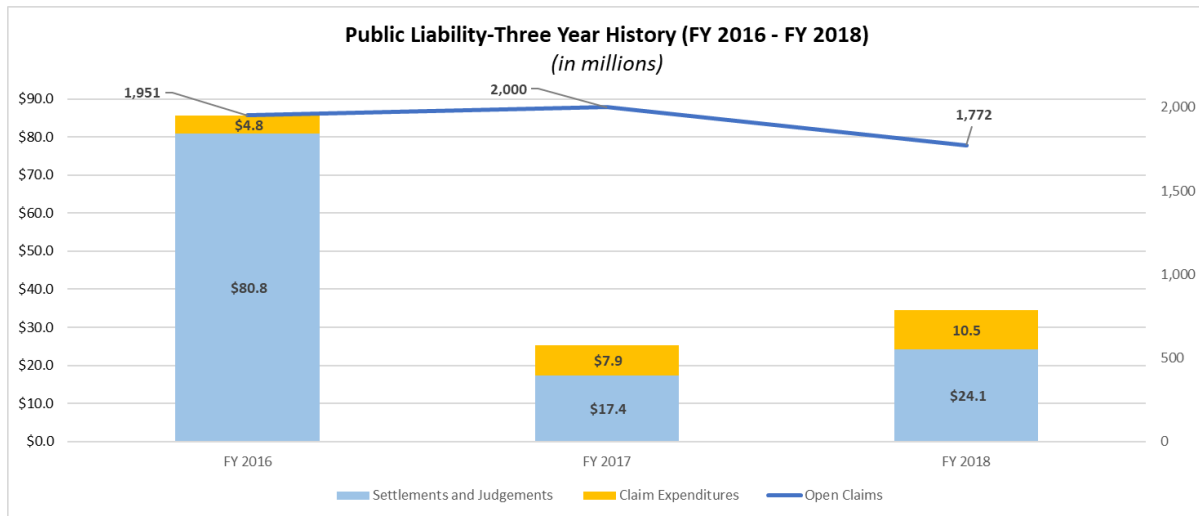
The Long-Term Disability Reserve provides non-industrially disabled City employees with income and flexible benefits coverage. For FY 2018, the City's Reserve Policy requires that the LTD reserve equal \$5.5 million, or 100.0 percent of the AVAAL for the three most recent years.

The FY 2018 ending fund balance for the LTD Fund is \$15.6 million, or 283.4 percent of the goal. The City is developing a long-term death and disability benefit plan for employees hired on or after July 20, 2012. Funding of the plan is subject to labor negotiations. It is anticipated that the funding needed to initially establish the plan will be paid for from excess fund balance in the LTD fund, while future contributions would come from the City and employees. The remaining excess fund balance in the LTD Fund will be used to balance the General Fund as outlined in the Five Year Financial Outlook. **Figure 15**, LTD Outstanding Actuarial Liabilities, displays the LTD outstanding actuarial liabilities for the past three fiscal years.

Figure 15: Long-Term Disability Outstanding Actuarial Liabilities

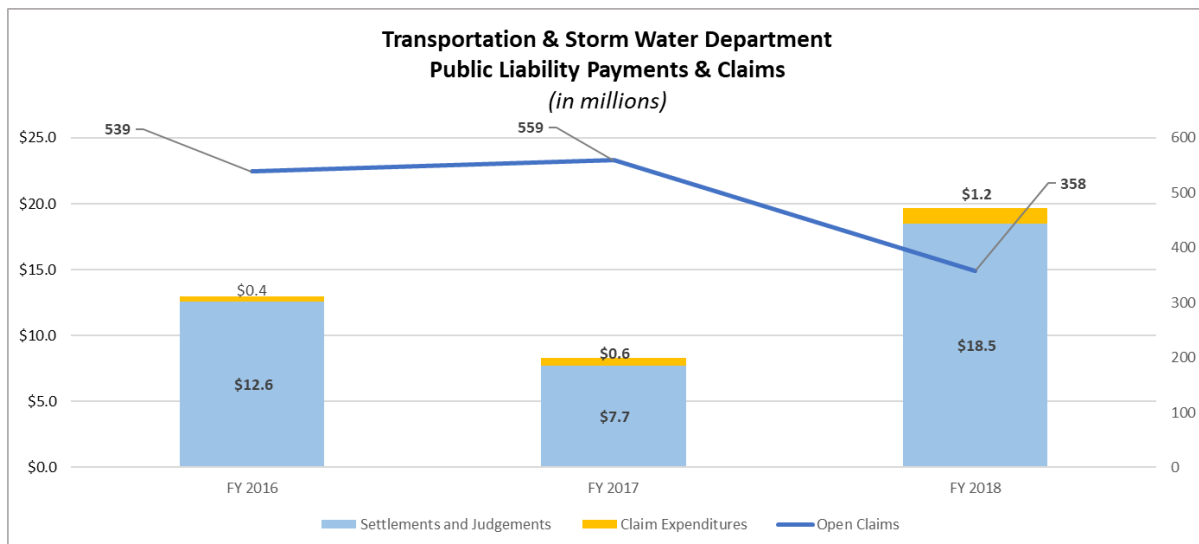


Appendix A

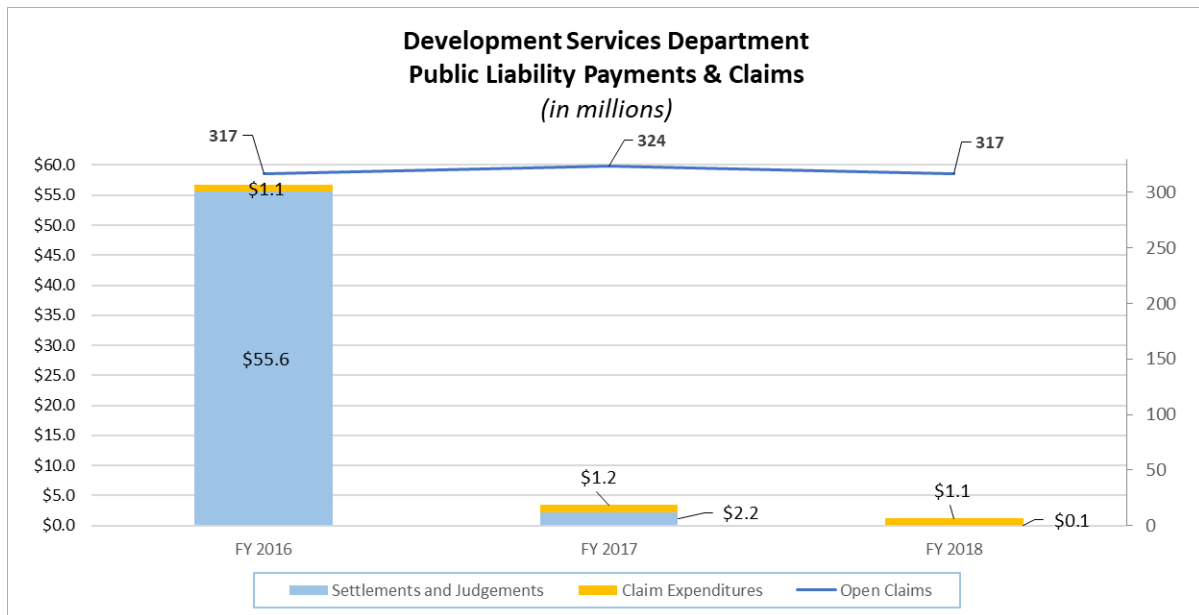


Citywide—FY 2018 total claim expenses increased \$9.3 million (37 percent) from the previous year. Of this total, settlements and judgments increased \$6.7 million (39 percent) and claim expenditures increased \$2.6 million (32 percent) from FY 2017. FY 2018 open claims decreased 228 (11 percent) from open claims in FY 2017.

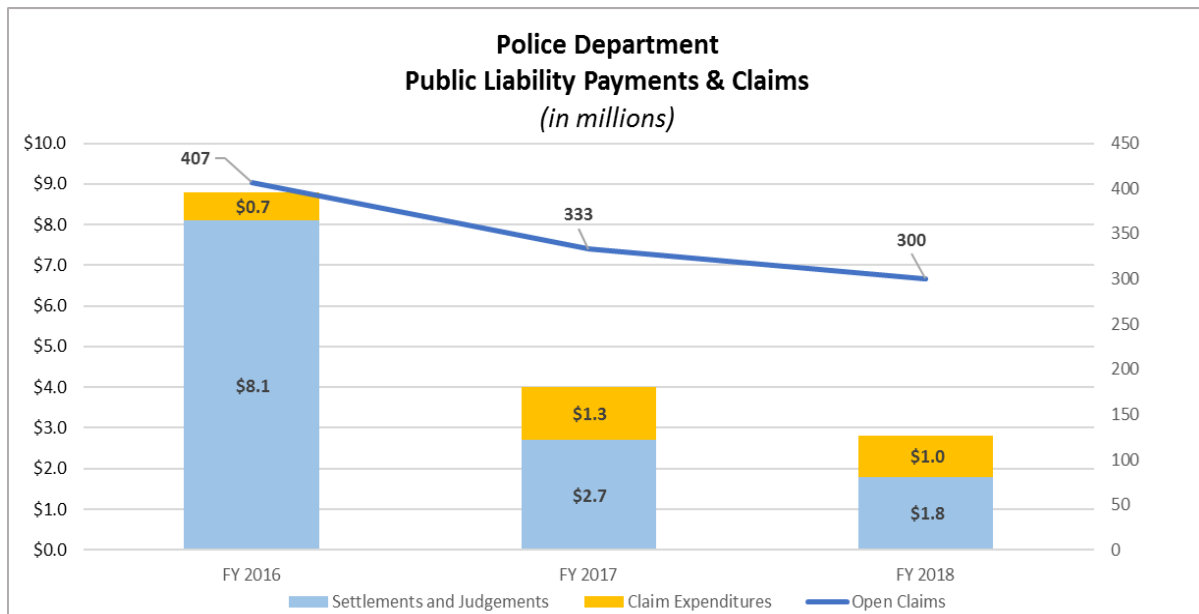
The following graphs provide a breakdown by City department with claims expenses.



Transportation & Storm Water Department—FY 2018 total claim expenses increased \$11.2 million (132 percent) from the previous year. Of this total, settlements and judgments increased \$10.7 million (139 percent) and claim expenditures increased \$0.5 million (60 percent) from FY 2017. This increase was mainly due to a \$12.5 settlement related to the design of a roadway resulting in pedestrian accident claim, John Aavang (claim number 100880). FY 2018 open claims decreased 201 (36 percent) from open claims in FY 2017.

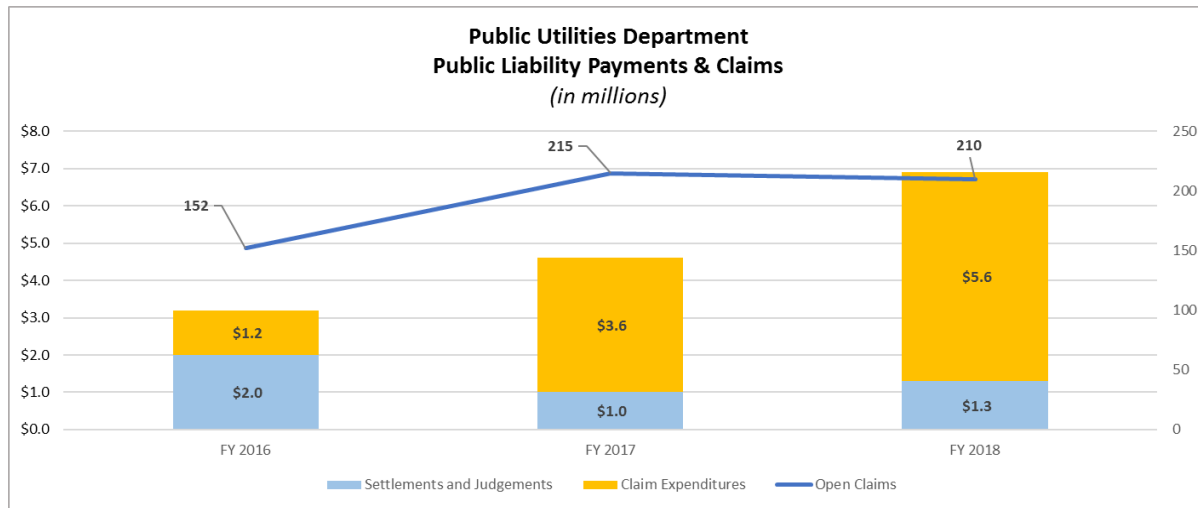


Development Services Department—FY 2018 total claim expenses decreased \$2.2 million (65 percent) from the previous year. Of this total, settlements and judgments decreased \$2.1 million (96 percent) and claim expenditures decreased \$0.1 million (11 percent) from FY 2017. FY 2016 incurred the following claims and expenditures: De Anza with \$14.1 million; Joseph Aglio with \$16.8 million; and De La Fuente Business Park with \$25.0 million which was paid directly to the plaintiff from the insurer. FY 2018 open claims decreased by 7 (2 percent) from open claims in FY 2017. Although claim expenditures have been decreasing, the number of open claims remains stable. This is due to claims related to the DeAnza Mobile Home Park, which remain open but had a decrease in expenses in FY 2018.

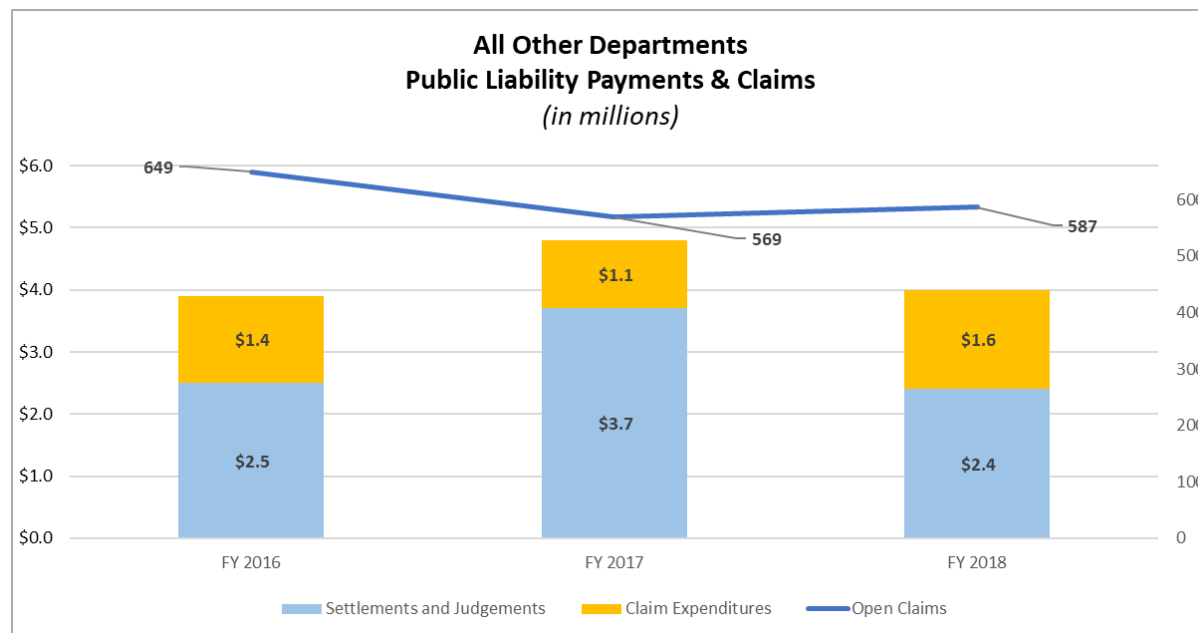


Police Department—FY 2018 total claim expenses decreased \$1.1 million (28 percent) from the previous year. Of this total, settlements and judgments decreased \$0.8 million (31 percent)

and claim expenditures decreased \$0.3 million (21 percent) from FY 2017. FY 2018 open claims decreased by 33 (10 percent) from open claims in FY 2017.

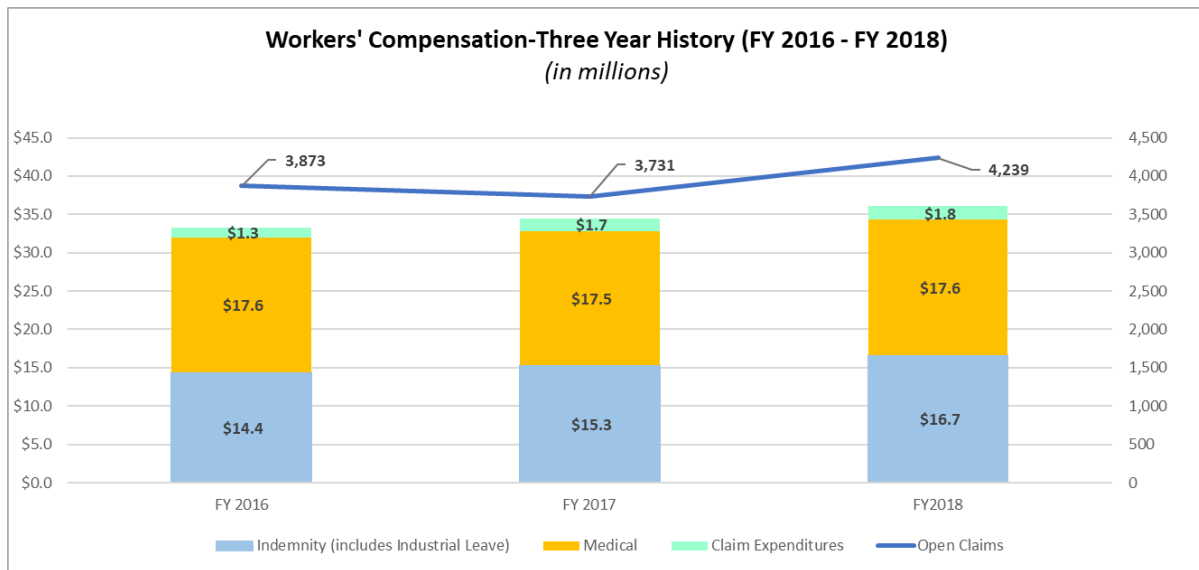


Public Utilities Department –FY 2018 total claim expenses increased \$2.3 million (51 percent) from the previous year. Of this total, settlements and judgments increased \$0.3 million (28 percent) and claim expenditures increased \$2.0 million (57 percent) from FY 2017. FY 2018 open claims decreased by 5 (2 percent) from open claims in FY 2017.



All Other Departments–FY 2018 total claim expenses decreased \$0.9 million (18 percent) from the previous year. Of this total, settlements and judgments decreased \$1.4 million (37 percent) and claim expenditures increased \$0.5 million (45 percent) from FY 2017. FY 2018 open claims increased 18 (3 percent) from open claims in FY 2017.

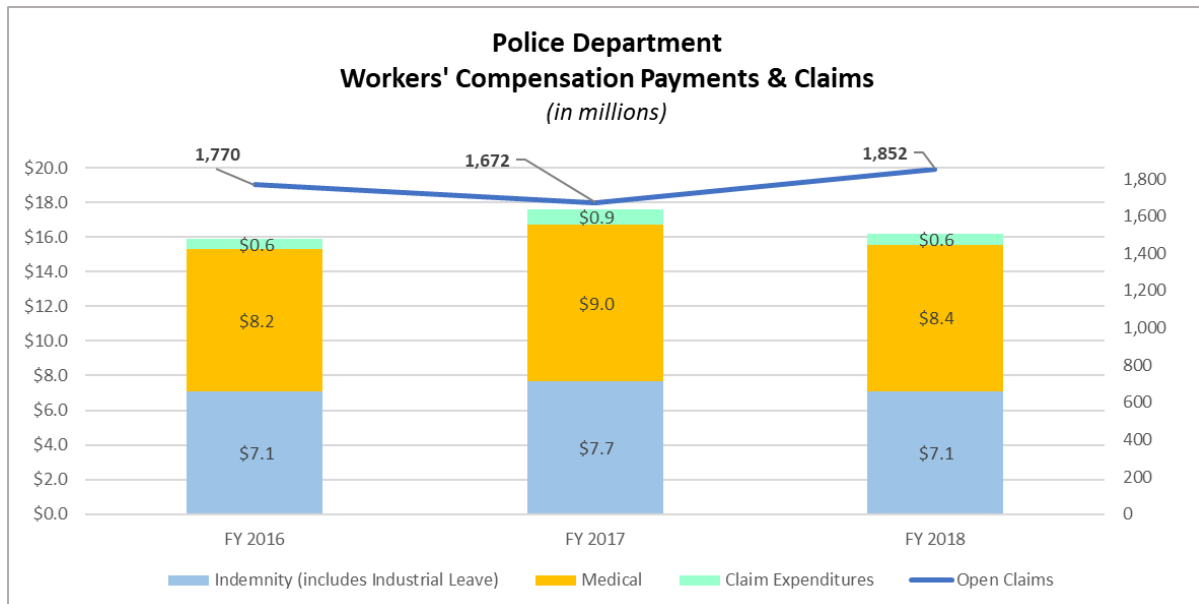
Appendix B



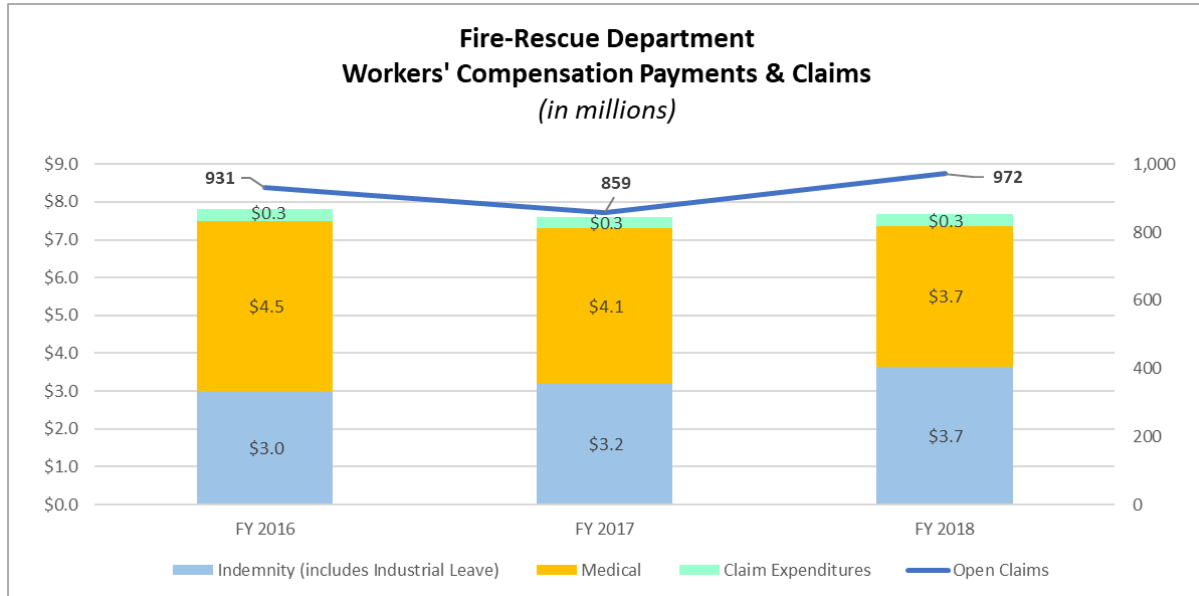
Note: Indemnity includes permanent disability, salary continuance (industrial leave), and temporary disability

Citywide—FY 2018 total claim expenses increased \$1.6 million (5 percent) from the previous year. Of this total, \$1.4 million (9 percent) increased in indemnity, \$0.1 million (1 percent) increased in medical, and \$0.1 million (3 percent) increased in claim expenditures from FY 2017. FY 2018 open claims increased 508 (14 percent) from open claims in FY 2017.

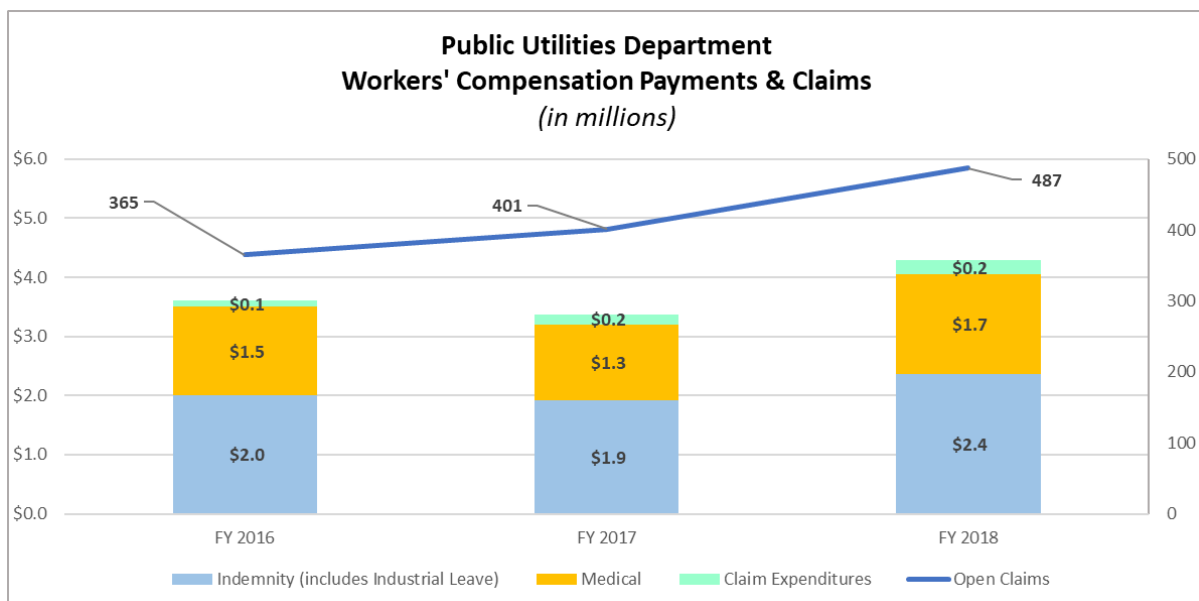
The following graphs provide a breakdown by City department with open claims at the end of FY 2018.



Police Department—FY 2018 total claim expenses decreased \$1.4 million (8 percent) from the previous year. Of this total, \$0.6 million (8 percent) decreased in indemnity, \$0.5 million (6 percent) decreased in medical, and \$0.2 million (27 percent) decreased in claim expenditures from FY 2017. FY 2018 open claims increased 180 (11 percent) from open claims in FY 2017.

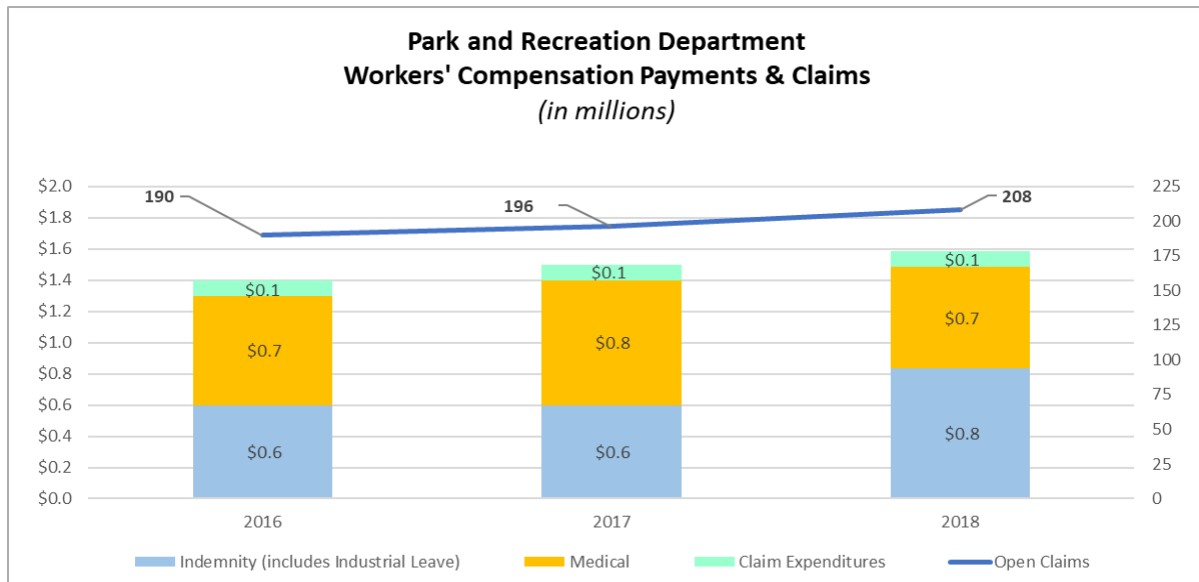


Fire-Rescue Department (includes Fire, Lifeguards, and Emergency Medical Services)—FY 2018 total claim expenses increased \$0.1 million (1 percent) from the previous year. Of this total, \$0.4 million (13 percent) increased in indemnity, \$0.3 million (9 percent) decreased in medical, and no change in claim expenditures from FY 2017. FY 2018 open claims increased 113 (13 percent) from open claims in FY 2017.

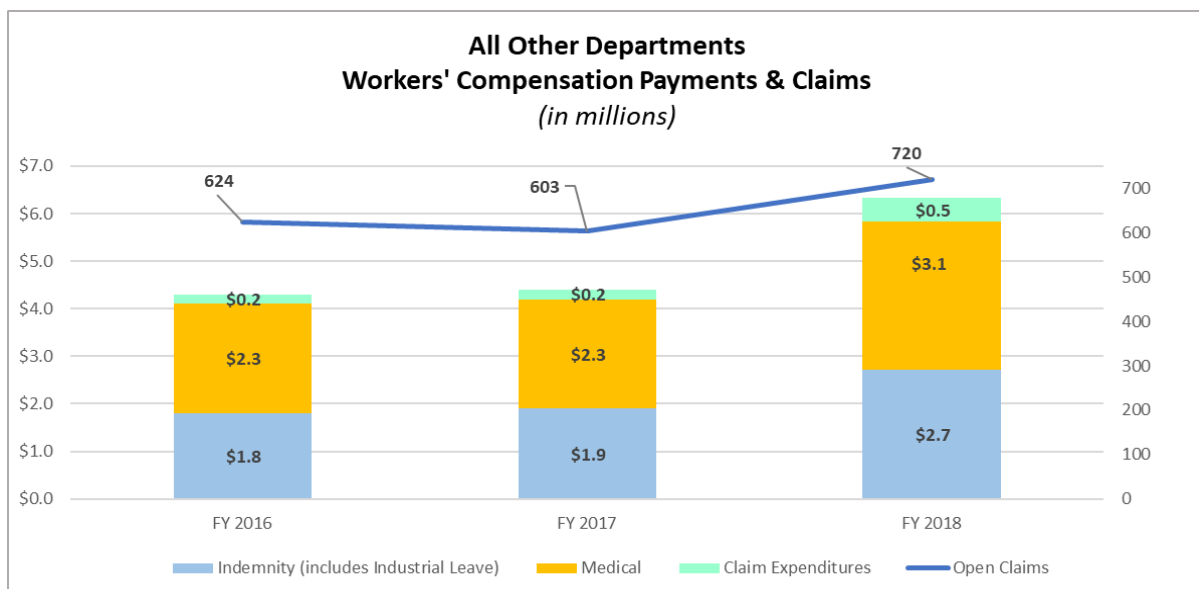


Public Utilities Department—FY 2018 total claim expenses increased \$0.9 million (27 percent) from the previous year. Of this total, \$0.4 (23 percent) increased in indemnity, \$0.4 million

(31 percent) increased in medical, and \$0.1 million (42 percent) increased in claim expenditures from FY 2017. FY 2018 open claims increased 86 (21 percent) from open claims in FY 2017.



Park and Recreation Department—FY 2018 total claim expenses increased \$0.1 million (5 percent) from the previous year. Of this total, \$0.2 million (28 percent) increased in indemnity payments, \$0.1 million (17 percent) decreased in medical, and no change in claim expenditures from FY 2017. FY 2018 open claims increased 12 (6 percent) from open claims in FY 2017.



All Other Departments—FY 2018 total claim expenses increased \$1.8 million (40 percent) from the previous year. Of this total, \$0.9 million (50 percent) increased in indemnity, \$0.7 million (31 percent) increased in medical, and \$0.2 million (51 percent) increased in claim expenditures from FY 2017. FY 2018 open claims increased 117 (19 percent) from open claims in FY 2017.