

Fiscal Year 2019

The City of San Diego
Risk Management Annual Report



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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) 2019 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 2019 was 2,435, an increase of 328 claims or 13 percent from FY 2018. This increase is primarily attributed to an increase in pothole claims. The public liability claim costs for FY 2019 was \$32.6 million, a decrease of \$2.0 million from FY 2018. In addition, Appendix A, Public Liability – Five Year History (FY 2015 – FY 2019), 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 to quickly set up claims, determine costs, and identify possible insurers. The program invoiced \$2.3 million in FY 2019, an increase of \$0.6 million from FY 2018. The total revenue received on outstanding invoices was \$1.6 million in FY 2019, an increase of \$0.1 million. The General Fund portion of revenue received was \$0.9 million in FY 2019.

Insurance Program

The Risk Management Department oversees the insurance programs 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). Outside of CSAC-EIA, the City purchases Excess Workers' Compensation Insurance coverage above its Self-Insured Retention of \$5.0 million, beginning in FY 2019. In FY 2019, total insurance premiums costs were \$16.6 million, an increase of \$2.5 million or 18 percent from FY 2018. The increase is primarily due to a general liability increase of \$2.2 million. Premiums fluctuate depending on market conditions and is the primary factor for the increase.

Workers' Compensation Division

The number of new workers' compensation claims reported in FY 2019 was 1,637, a decrease of 115 claims from the 1,752 claims reported in FY 2018. The workers' compensation claim expenditures for FY 2019 was \$39.3 million. This is an increase of \$3.3 million, or 9 percent from FY 2018. The increase in expenditures is due to a \$1.4 million increase in workers' compensation medical cost, \$859,633 increase in industrial leave, and \$853,963 increase in permanent disability benefits. 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 – Five Year History (FY 2015 – FY 2019), 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. Staff assists and works with management in all City departments to prevent and reduce injuries and illnesses. In FY 2019, the Division trained over 1,700 City employees on safety related topics (Cal/OSHA, Ergonomics, RM Driver Discipline Courses, First Aid Classes, Being Safe for the City of San Diego, Supervisors Academy, Library Safety, City Attorney Accident Processing, Department of Transportation Regulations).

Employee Benefits Division

The Employee Benefits Division manages the citywide administration of the Flexible Benefits Plan, Retiree Medical Trust, Long-Term Disability (LTD) Plan, and Employee Savings Plans. In FY 2019, the Employee Benefits Division launched a new custom-built Benefits Enrollment application. The application guides users through the enrollment process and includes dynamic functionality that modifies displays based on employee eligibility and selections.

The Division also worked with Cigna and the City's Fire-Rescue and Police Departments to develop a comprehensive behavioral health and wellness program for first responders. This program allows firefighters, police officers, lifeguards, dispatchers, and other civilian employees (within the Fire-Rescue and Police Departments) to easily access behavioral treatment options at facilities with internal policies that ensure confidentiality and sensitivity that are essential for the First Responder.



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.

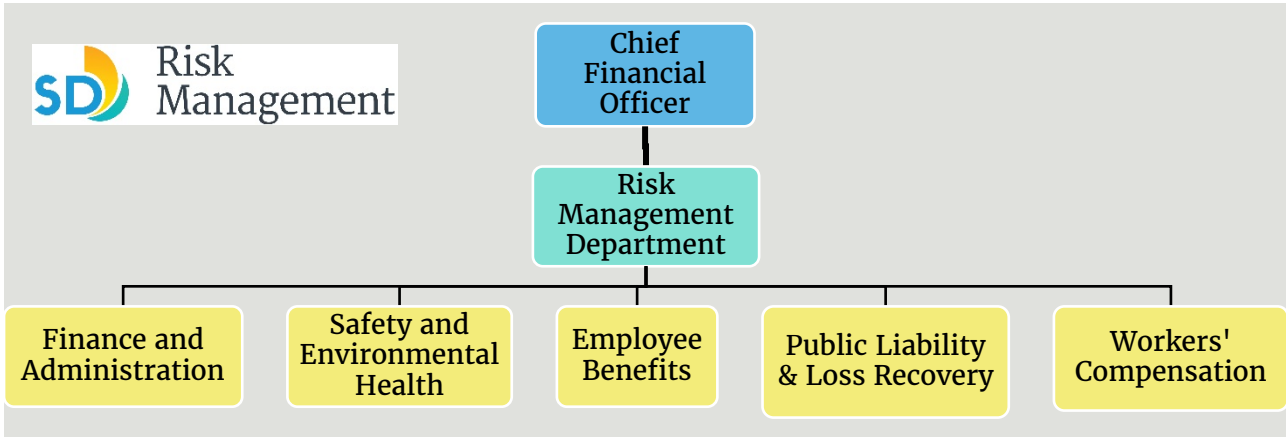
Overview

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 the operating amount and reserve fund balance for each of the funds described above for FY 2019.

Figure 2: Risk Management Department Funding Sources

FY 2019 Risk Management Department Funding Sources		
(in millions)		
Funding Sources²	Operating Amount	Reserve Fund Balance
Public Liability Fund ³	\$ 33.1	\$ 34.7
Flexible Benefits ⁴	137.0	0.0
Employee Savings Plans ⁵	36.4	0.0
Workers' Compensation Fund	32.4	33.7
Long-Term Disability Fund	2.7	13.2
Risk Management Administration Fund	11.2	0.0
Total¹	\$ 252.8	\$ 81.6

¹ Totals may not foot due to rounding.

² Fund Balance as of June 30, 2019.

³ Includes \$10.7 million to support insurance premiums.

⁴ FY 2019 Adopted Budget for Flexible Benefits.

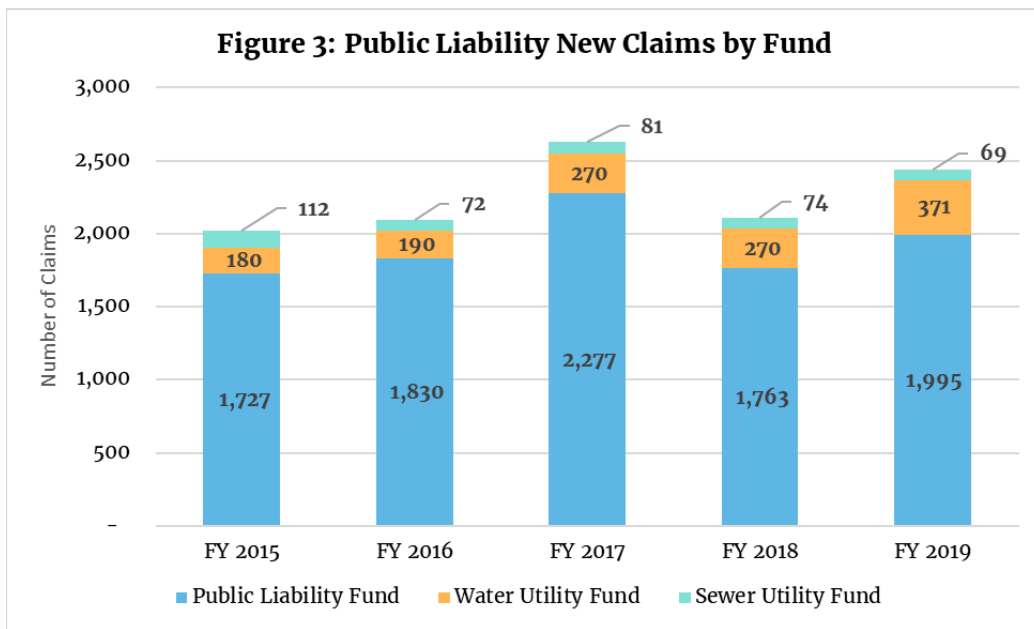
⁵ FY 2019 Adopted Budget for Employee Savings Plans- SPSP, 401, RMT.

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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-EIA. The City’s self-insured retention (SIR) is \$3.0 million with a \$2.5 million individual member corridor deductible 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 2019, the number of new public liability claims was 2,435, an increase of 328 claims or 13 percent from FY 2018 as shown in **Figure 3**, Public Liability Claims by Fund. This increase is primarily due to an increase in pothole claims.



The public liability claim costs for FY 2019 was \$32.6 million, a decrease of \$2.0 million from FY 2018. **Figure 4**, Public Liability Claim Costs by Loss Code, presents the costs for public liability claims by loss code over the past five 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	FY 2018	FY 2019
Water Main ²	3.4	2.1	3.4	5.3	8.9
City Vehicle Accident ³	3.0	7.2	2.1	1.9	3.5
Design Of Roadway (Sight Distance) ⁴	0.0	0.0	0.1	12.5	0.0
Storm Drains ⁵	0.4	6.6	1.3	0.7	2.3
Employment ⁶	3.0	1.5	1.0	1.6	1.2
Trip & Fall	0.6	2.0	1.0	2.0	1.0
Maintenance Of Sidewalk ⁷	0.1	0.1	5.1	0.3	0.3
Maint Of Road (Potholes) ⁸	0.0	0.1	0.6	1.8	1.2
City Tree	0.0	0.2	0.2	0.9	1.0
Other (Liability) - Fifth Avenue Landing	0.0	0.0	0.0	0.0	5.3
Other (Liability) - De Anza	17.5	14.1	0.3	0.0	0.1
Other (Liability) - De La Fuente ⁹	0.1	25.1	0.0	0.0	0.0
Other (Liability) - Aglio	0.0	16.8	2.4	0.2	0.0
Other (Liability) - San Diego Bay	4.5	3.8	0.0	0.2	0.1
All Other Loss Codes ¹⁰	14.2	5.9	7.9	7.2	7.7
Total¹	\$ 46.8	\$ 85.6	\$ 25.3	\$ 34.6	\$ 32.6

¹ Totals may not foot due to rounding.

² Farmer, Chad and Jami Glassman (claim number 8738) had expenditures of \$1.3 million in in FY 2016. North Park (various claims) had expenditures of \$2.8 million, \$1.7 million, and \$5.0 million in FY 2017, FY 2018, and FY 2019, respectively. Little Italy (various claims had expenditures of \$1.9 million and \$0.9 million in FY 2018 and FY 2019, respectively.

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

⁵ FY 2016 includes \$5.0 million in expenditures for La Jolla Alta Master Council (claim number LP0405340724). FY 2019 includes \$1.2 million in expenditures for Lexington Insurance Co. ASO Sanford Healthcare (claim number 1681852)

⁶ FY 2016 includes \$0.8 million in expenditures for Santos-Hunter, Benelia (claim number 8781).

⁷ FY 2017 includes \$4.9 million in expenditures for Clifford Brown (claim number 10877).

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

⁹ 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.

¹⁰ FY 2015 includes \$6.1 million in expenditures for Jane Doe (claim number 5115). 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. FY 2019 includes \$1.5 million in expenditures for Du, Sheng (claim number 1716834), and \$1.4 million for Armes, Tanya (claim number 1686508).

The Loss Recovery Program administered by the Public Liability and Loss Recovery Division invoiced \$2.3 million in FY 2019, an increase of \$0.6 million from FY 2018, as previously mentioned. **Figure 5**, Loss Recovery Invoiced, presents invoicing activity over the past five fiscal years.

Figure 5: Loss Recovery Invoiced

Loss Recovery Invoiced					
(in millions)					
Fund Title	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
General Fund	\$ 0.9	\$ 0.7	\$ 1.1	\$ 0.8	\$ 1.2
Water Utility Fund	0.3	0.4	0.6	0.3	0.2
Fleet Services Operating Fund	0.3	0.4	0.4	0.3	0.4
Other	0.3	0.3	0.5	0.1	0.2
Workers' Compensation Fund	0.1	0.5	0.5	0.1	0.1
Public Liability Fund	0.0	2.0	0.2	0.0	0.1
Total¹	\$ 1.9	\$ 4.3	\$ 3.2	\$ 1.7	\$ 2.3

¹Totals may not foot due to rounding.

The total revenue received on outstanding invoices in FY 2019 was \$1.6 million, an increase of \$0.1 from FY 2018. As shown in **Figure 6**, Loss Recovery Revenue, the General Fund portion of revenue was \$0.9 million in FY 2019. Revenues for the past five fiscal years are also presented.

Figure 6: Loss Recovery Revenues

Loss Recovery Revenue					
(in millions)					
Fund Title	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
General Fund	\$ 0.7	\$ 0.5	\$ 0.7	\$ 0.6	\$ 0.9
Water Utility Fund	0.2	0.3	0.3	0.3	0.2
Fleet Services Operating Fund	0.2	0.4	0.3	0.3	0.3
Other	0.1	0.4	0.1	0.2	0.1
Municipal Wastewater Fund	0.1	0.1	0.1	0.1	0.0
Workers' Compensation Fund	0.0	0.2	0.5	0.1	0.1
Total¹	\$ 1.3	\$ 1.9	\$ 2.0	\$ 1.5	\$ 1.6

¹Totals may not foot due to rounding.

Accomplishments and Highlights

The Public Liability and Loss Recovery Division collaborated with the Performance and Analytics Department in the development and launching of ClaimStat. ClaimStat is a data driven mapping system that depicts claims activity by geographic location and identifies areas of concern tied to specific exposures or increased loss experience for certain operations. It also provides dashboard claims trending per department which shows loss frequency and severity. ClaimStat will serve as an additional tool for departments to recognize their loss experience and implement corresponding corrective measures to reduce future liability. The Transportation and Storm Water Department was the first City department to begin using this program in FY 2020.

The Division's claims staff received litigation training from the City Attorney's Office to improve the overall litigation skill set of claims staff and to better enable them to monitor costs and identify opportunities to reduce litigation expenses.

The Division provided training to the Public Utilities Department's Water Construction and Maintenance field staff, of approximately 240 employees, as part of the 2019 Spring Training Event called "Be On the Lookout" (BOLO). The purpose of the training was to raise awareness for field staff to identify possible conditions that could result in liability to the City and provide guidance for reporting conditions through the City's "Get it Done" smartphone application.

The Division completed a reorganization resulting in the addition of one Supervising Claims Representative and created two separate claims teams. This change to the organizational structure has resulted in improved efficiency and monitoring of the performance of claims staff. Following the promotions of two Senior Claims Representatives, the Division completed the hiring process for four vacant Claims Representative positions.

During FY 2019, the Division worked with an actuary to explore various SIR levels for the General Liability Program. After consideration of several options, the Division concluded that the current SIR (\$3.0 million with a \$2.5 million corridor deductible) was the most appropriate option for FY 2020. The Division will continue to conduct SIR assessments that consider insurance market conditions, loss experience and premium savings to determine the optimal SIR level for the City.

The Division works diligently to implement risk management strategies to minimize the City's financial risks. In FY 2019, the Division continued its efforts towards the adoption of an ordinance to regulate Electric Personal Assistive Mobile Device (EPAMD or Segways) rental businesses. The ordinance requires EPAMD businesses to carry commercial general liability insurance and ensures rental businesses operate with sound safety practices and are financially responsible to respond to their customers should an injury occur. The Ordinance was adopted and implemented in FY 2020.

Additional risk management strategies continued to be applied in the day to day handling of public liability claims. As part of the approval process for certain claims, department directors are required to sign-off on supported settlement amounts. Risk Management also works with City departments to ensure that they are implementing corrective measures that address operational deficiencies or liability exposure identified through a claim or lawsuit.

The Department's Loss Recovery section continued to conduct presentations on the recovery process and services to City departments. These presentations provide information and education to City staff on identifying cases with third party recovery potential.

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

- ❖ 6,300 Transactions processed in the claims management system
- ❖ 2,600 Active claims managed (Public Liability and Loss Recovery claims)
- ❖ 2,400 New Public Liability claims
- ❖ 617 Settled cases
- ❖ 1,000 New Loss Recovery claims
- ❖ 330 Reviews of insurance for special events permits

Future Year Outlook

The Public Liability and Loss Recovery Division will continue its efforts to expand the roll out of ClaimsStat to other City departments including Police, Fire-Rescue, and Public Utilities Departments.

The Department's Claims Management System will undergo an upgrade that will enhance the claims management functions and improve workflow for Public Liability and Loss Recovery staff. The upgrade will also allow the Division to provide City departments with claim loss trending information in order for City departments to develop measures that reduce public liability cost and mitigate risk to their operations.

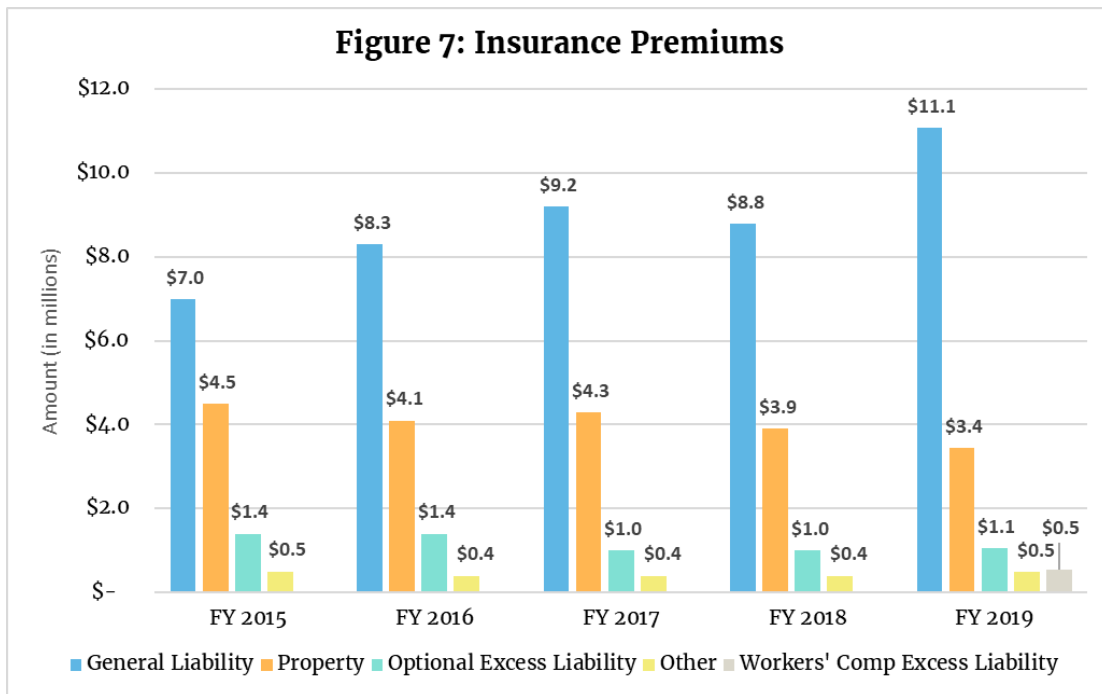
The Public Liability section will be restructured and will dedicate a position to manage the City's insurance portfolio to ensure the broadest and most cost-effective coverage and programs are in place throughout the year. The position will assist in evaluating the City's exposure to loss and potential risks from its operations and activities and will analyze insurance coverage information and documents in City contracts, agreements and permits to determine whether coverage, indemnifications and endorsements submitted to the City are in conformance with City policies and requirements. In addition, the position will conduct presentations and provide training to departments related to insurance and will work with contractors, vendors, insurance brokers and carriers to resolve difficult coverage issues. Lastly, the position will interact with City departments to provide essential underwriting data for insurance carriers, maintain extensive property schedules, and assist with insurer appraisals and inspections.

The Department's Loss Recovery section will be assisting the Office of Homeland Security in the investigation of Federal Emergency Management Academy (FEMA) coverage denial of claims for damages to City properties related to the December 2018 winter storms and January 2019 lightning strikes. For many of those denied FEMA claims, the City will pursue first party claims against its property insurer.

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, and 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 zero cost. Beginning in FY 2019, the City began purchasing excess workers' compensation insurance coverage that provides statutory limits above its Self-Insured Retention of \$5.0 million. This coverage is outside of CSAC-EIA membership via a commercial insurance broker.

Funding for liability and property insurance premiums is budgeted through the annual budget process in the General and Enterprise Funds. Funding for the Excess Workers' Compensation Insurance premium is budgeted through the Workers' Compensation Fund which is supported by all City funds with FTE positions. A fringe allocation is budgeted in every City fund to support the annual workers' compensation operating expenditures. 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 in FY 2019 were \$16.6 million, an increase of \$2.5 million or 18 percent from FY 2018. The increase is primarily due to the General Liability Program increasing



by \$2.3 million. The General Liability Program provides coverage for claims from third parties alleging damages due to negligence on the part of the City. As mentioned, market conditions are a primary factor of cost fluctuations. The cost for the excess workers' compensation insurance coverage for FY 2019 was \$531,050. **Figure 7**, Insurance Premiums, displays the cost breakdown by the various types of insurance purchased for the past five fiscal years.

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

Figure 8: Public Liability Insurance Proceeds					
(in millions)					
Case Title	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Abbe	\$ -	\$ -	\$ 1.2	\$ -	\$ -
Clifford Brown	0.0	0.0	2.0	0.0	0.0
Conceicao McCaffrey	0.0	3.0	0.0	0.0	0.0
De Anza Cove Homeowners Assn Inc	0.0	3.4	7.8	0.0	0.0
De La Fuente Business Park ²	0.0	30.0	0.0	0.0	0.0
Jane Doe	5.2	0.1	0.0	0.0	0.0
John Aavang	0.0	0.0	0.0	9.7	0.0
La Jolla Alta Master Council	0.0	5.0	0.0	0.0	0.0
San Diego Bay Insurance	15.5	0.0	0.0	0.0	0.0
Other	0.5	0.6	0.0	0.0	0.0
Total¹	\$ 21.2	\$ 42.1	\$ 11.0	\$ 9.7	\$ 0.0

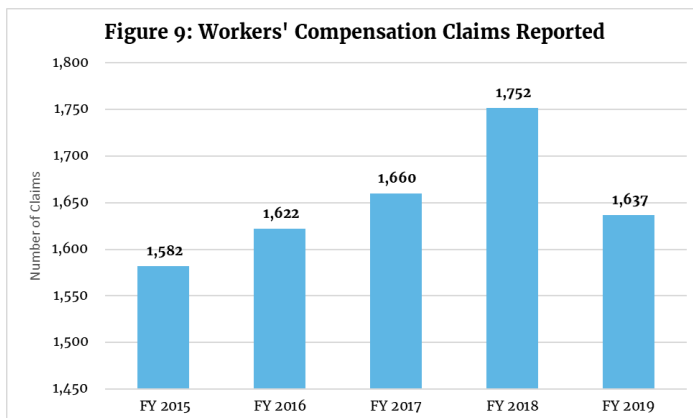
¹ Totals may not foot due to rounding.

² 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, a pharmacy benefits network, nurse case management, utilization review, and injury call-in center services. The number of new workers' compensation claims reported in FY 2019 was 1,637, a decrease of 115 claims, or 7 percent from FY 2018. **Figure 9**, Workers' Compensation Claims Reported.



The number of new workers' compensation claims reported in FY 2019 was 1,637, a decrease of 115 claims, or 7 percent from FY 2018. **Figure 9**, Workers' Compensation Claims Reported.

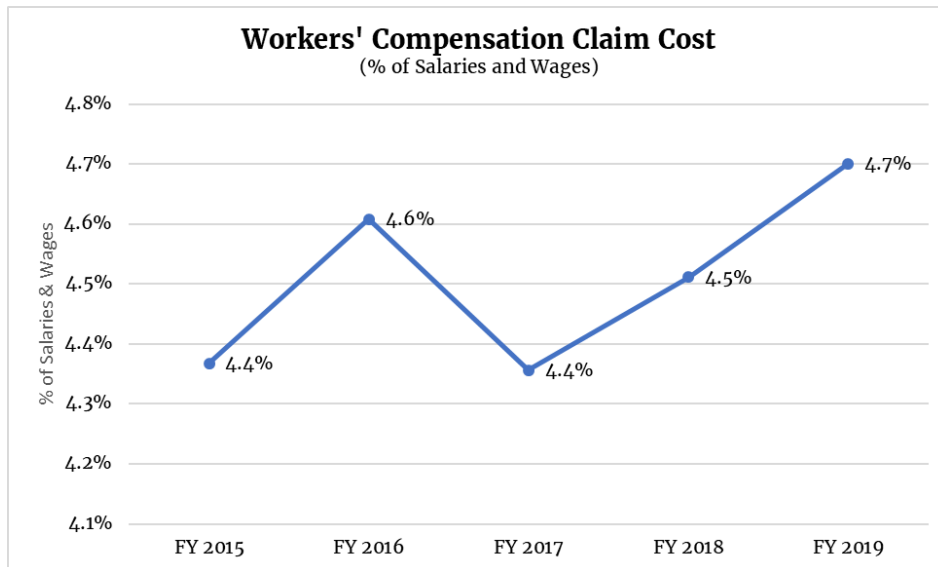
The workers' compensation claim expenditures for FY 2019 was \$39.3 million. This is an increase of \$3.3 million, or 9 percent from FY 2018. The increase in expenditures is due to a \$1.4 million increase in workers' compensation medical cost, \$859,633 increase in industrial leave, and \$853,963 increase in permanent disability benefits. **Figure 10**, Workers' Compensation Claim Expenditures, displays the expenditure breakdown by the various categories for the past five fiscal years.

Figure 10: Workers' Compensation Claim Expenditures

Workers' Compensation Claim Expenditures (in millions)					
Category	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Expense	\$ 1.4	\$ 1.3	\$ 1.8	\$ 1.8	\$ 2.0
Medical	16.2	17.6	17.5	17.6	19.0
Permanent Disability	6.5	7.6	8.5	8.1	9.0
Salary Continuance (Industrial Leave)	5.7	5.7	5.9	7.4	8.1
Temporary Disability	0.8	1.1	0.8	1.1	1.2
Total¹	\$ 30.6	\$ 33.3	\$ 34.5	\$ 36.0	\$ 39.3

¹ Totals may not foot due to rounding.

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



Accomplishments and Highlights

In FY 2019, the City drafted and released a Request for Proposal (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 the California Fee Schedule; (2) nurse case management services which assist injured City employees in navigating their medical treatment plans and obtaining expeditious care; (3) a pharmacy benefits network which provides prescription coverage for employees on their claims; (4) utilization review (UR) 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. Implementation took place in FY 2020.

The Division also acquired excess workers' compensation insurance against high dollar, catastrophic injuries to City employees and incidents involving multiple employees.

In continued efforts to convert all workers' compensation processes and claims data to electronic format or paperless environment, the Division implemented the scanning of all closed medical only claims files. In addition, all reports and medical utilization review decisions are stored electronically in the workers' compensation claims management system.

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

- ❖ 144,100 Transactions processed in the claims management system
- ❖ 4,400 Active claims managed
- ❖ 1,642 New claims received and processed
- ❖ 423 Claims settled

Future Year Outlook

The Workers' Compensation Division will work with Purchasing and Contracting Department to release a RFP for Industrial Medicine Services for its Medical Provider Network. The services will include treatment of industrial injuries, respirator clearance testing, safety and industrial training, and hearing conservation.

The Division is obtaining the services of a subject matter expert in order to update 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 2021.

The Division has put together a working group and identified resources required in order to move to a paperless environment. The Division will continue to move in phases in order to implement a fully paperless workers' compensation program to be able to allocate current resources where they are most needed.

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, Parks 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, compiles and reviews all vehicle/industrial accident reports, 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 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 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

In FY 2019, the Safety and Environmental Health Division provided its highly successful 90-minute safety training program titled "Being Safe for the City of San Diego" to the Transportation and Storm Water Department and Public Works – Construction Management & Field Services Division. This course addresses why accidents happen, defensive driving techniques, skills to use in the reduction of accidents/injuries, accident processing, and relevant City driving regulations.

The Division also provided ergonomic training on basic setup for the office workplace. The audience were supervisors and department safety personnel who are then able to assist staff in making minor ergonomic adjustments to their workstations. There were 56 attendees in the four hands-on, limited enrollment courses taught with Sharp Occupational Health Group. The feedback from the departments' supervisors on the courses were incredibly positive.

The Division updated its Safety Prescription Eyewear and Safety Footwear programs to be current on regulation standards and to meet the purchasing changes implemented in Ariba. New forms were also created to address requirements by the City and the vendors.

Lastly, the Division began the process of updating Administrative Regulation (A.R.) 75.12, Vehicle and Industrial Incident Reporting, Review and Discipline Program. Multiple reviews took place with the departments and senior City management. Initial conversations with the Recognized Employee Organizations (REOs) also began at the end of FY 2019. The goal of the A.R. update is to prevent and reduce the number of preventable vehicle/industrial accidents in the workplace.

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

- ❖ 812 DMV records flagged for review
- ❖ 1,711 City employees trained on safety related topics (Cal/OSHA, Ergonomics, RM Driver Discipline Courses, First Aid Classes, Being Safe for the City of San Diego, Supervisors Academy, Library Safety, City Attorney Accident Processing, Department of Transportation Regulations)
- ❖ 206 Ergonomic assessments for Workers' Compensation Claims and Reasonable Accommodations Requests
- ❖ 560 Safety consultations
- ❖ 270 Chair fittings to ascertain the appropriate chair model
- ❖ 726 Vehicle/Industrial Accident Reports processed

Future Year Outlook

The Safety and Environmental Health Division will continue collaborating with the Human Resources Department on the meet and confer process with all REOs regarding the updated A.R. 75.12, Vehicle and Industrial Incident Reporting, Review and Discipline Program. Upon

completion and approval of the A.R. by the REOs, the Division will be providing training to all senior department supervisors and managers.

The division will create process narratives for the following safety functions: OSHA requirements for injury and illnesses recordkeeping, internal management of driving-related functions (including regulations, policies and procedures, e.g. DMV, DOT, vehicle/industrial incidents), air quality requests, and risk management ergonomics process. The goal is to have these processes documented to facilitate cross training of staff and ensure all City stakeholders have been identified and are in agreement with actions to be taken. The division will also evaluate which additional interdepartmental workflow processes should be documented to ensure City safety staff are consistent in carrying out the steps necessary for regulatory compliance.

Lastly, the division will continue to expand on the ergonomics training for office workplace in order to meet OSHA's Ergonomic requirements. This includes continuing to offer the ergonomic courses to supervisors and department safety staff, the purchase and creation of office ergonomic videos and other job aids into SuccessFactors and updating current ergonomic self-study materials.

EMPLOYEE BENEFITS DIVISION

The Employee Benefits Division manages the citywide administration of the Flexible Benefits Plan, Retiree Medical Trust, Long-Term Disability (LTD) 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.). 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 Retiree Medical Trust Plan. These plans had a combined trust asset value of approximately \$1.5 billion as of June 30, 2019. **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 Saving Plans²

As of June 30, 2019

Savings Plan	Number of Participants	Asset Value (in millions)
SPSP	5,663	\$ 715.1
401(k)	9,493	\$ 442.0
457(b)	3,042	\$ 137.0
SPSP-H	8,743	\$ 161.0
Retiree Medical Option C ³	199	\$ 32.0
401(a)	668	\$ 7.0
Retiree Medical Trust Plan	4,562	\$ 7.0
Total¹		\$ 1,501.1

¹ Totals may not foot due to rounding.

² Includes active employees and retirees with balances.

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 2019, the Employee Benefits Division launched a new custom-built Benefits Enrollment application. The application guides users through the enrollment process and includes dynamic functionality that modifies displays based on employee eligibility and selections. The intuitive and simplified enrollment system has significantly increased the accuracy of employee selections and customer satisfaction with the enrollment process.

The Division also continued to enhance the content of the Employee Benefits website with more comprehensive health and wellness information. Web pages dedicated to leaving City employment and COBRA have been added to provide employees separating from the City with resources on what actions to take if separating from the City.

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

The Division worked with the City's healthcare providers to expand the City's Wellness Program citywide. As part of the City's Wellness program, weekly activity classes such as yoga and guided meditation as well as wellness seminars encouraging healthy eating, physical activity are now being offered to all City employees. Finding ways to motivate our employees to embrace a healthier lifestyle will improve medical utilization and reduce medical premiums in the long run.

The Division also worked with Cigna and the City's Fire-Rescue and Police Departments to develop a comprehensive behavioral health and wellness program for first responders. This program allows firefighters, police officers, lifeguards, dispatchers, and other civilian employees (within the Fire-Rescue and Police Departments) to easily access behavioral treatment options at facilities with internal policies that ensure confidentiality and sensitivity that are essential for the First Responder.

In FY 2019, the Employee Benefits Division completed the following in service of City employees:

- ❖ 11,000 Employees receiving flexible benefits
- ❖ 1,150 New hires, re-hires, and newly benefitted employees who were enrolled in their flexible benefits and mandatory savings plans
- ❖ 175 New LTD claims
- ❖ 18 Non-Standard Hour employees met the qualifications and were offered medical coverage under the ACA

Future Year Outlook

The Employee Benefits Division released a RFP for the City-sponsored group dental insurance services. With this solicitation, the Risk Management Department found the best value for City participants, which includes both active employees and retirees, while maintaining high quality dental insurance services. A new dental service provider was brought on-board on August 1, 2020.

In order to comply with an Audit Recommendation, administration of the Transportation Alternatives Program (TAP) was transferred to the Risk Management Department and in FY 2020 online enrollment and automated payroll deductions for transit passes were implemented.

The Benefits Division will continue to improve LTD materials and communications, with LTD webpage enhancements being a primary focus. These enhancements to the website will include grouping information by LTD category and outlining the LTD process step-by-step for claimants by category.

All six of the current Memoranda of Understandings (MOUs) with the City's REOs expired on June 30, 2020. The Division participated in collective bargaining with the REOs regarding terms and conditions of employment as part of the City's negotiation team. The Division will continue participating in the City's negotiation team in FY 2021.

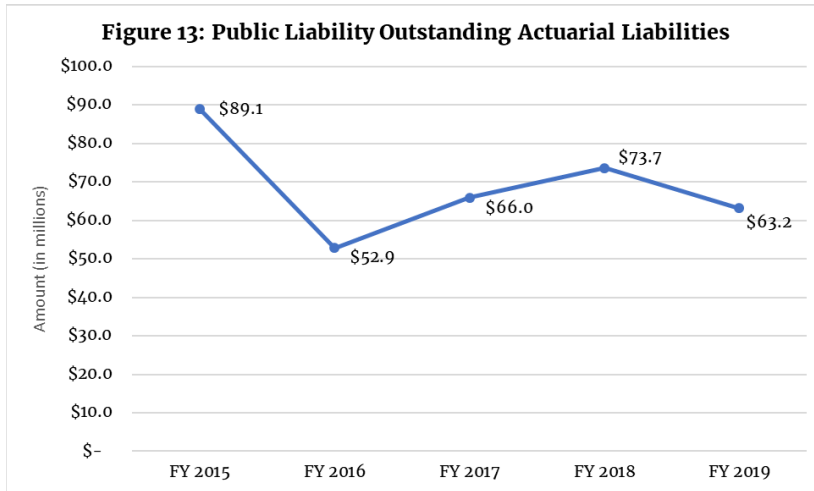
RISK MANAGEMENT RESERVES

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 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 the end of FY 2019.

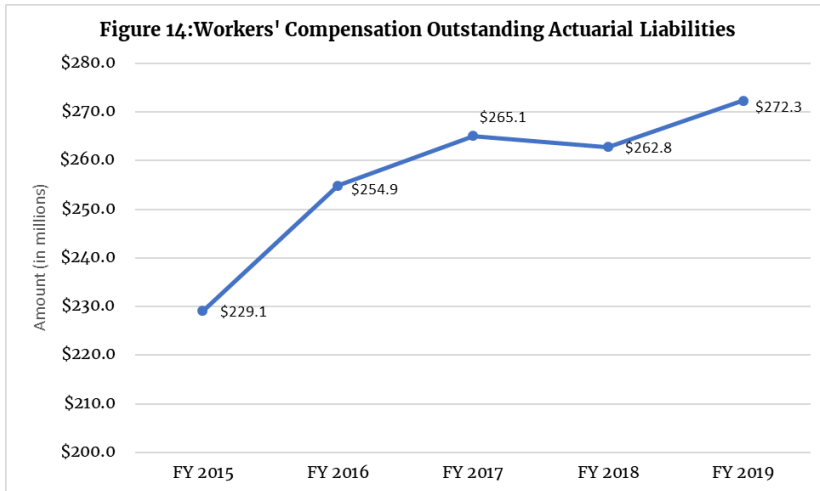


For FY 2019, the City’s Reserve Policy requires that the Public Liability Fund Reserve equals 50.0 percent of the AVAAL for the three most recent years, or \$32.1 million. The ending fund balance of the Public Liability Fund Reserve is approximately \$34.7 million or 54.0 percent of the three-year average of the annual actuarial liability. Excess fund balance will be transferred to support Public Liability pay-go claims in FY 2020. **Figure 13**, Public

Liability Outstanding Actuarial Liabilities, displays the public liability outstanding actuarial liabilities for the past five fiscal years.

Workers’ Compensation Reserve Status

The Workers’ Compensation Reserve provides funding for medical and disability costs for injuries and illnesses occurring in the workplace. This Fund is included in the City’s Reserve Policy to ensure financial stability. Per the policy, the City will maintain reserves equal to 12.0 percent of the average value of the annual actuarial liability (AVAAL).

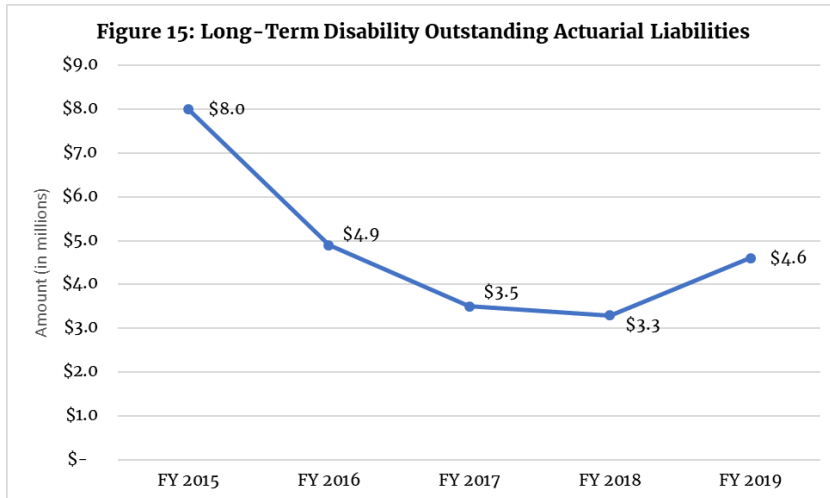


For FY 2019, the City’s Reserve Policy requires that the Workers’ Compensation Reserve equals 12.0 percent of the AVAAL for the three most recent years, or \$31.3 million. The ending fund balance of the Workers’ Compensation Reserve is approximately \$33.7 million or 13.0 percent of the three-year average of the annual actuarial liability. Excess fund balance will be used to provide rate relief in FY 2020. **Figure 14**, Workers’

the workers’ compensation Compensation Outstanding Actuarial Liabilities, displays the workers’ compensation outstanding actuarial liabilities for the past five fiscal years.

Long-Term Disability Reserve Status

The Long-Term Disability Reserve provides non-industrially disabled City employees with income and flexible benefits coverage. This Fund is included in the City’s Reserve Policy to ensure financial stability. Per the policy, the City will maintain reserves equal to 100.0 percent of the average value of the annual actuarial liability (AVAAL).

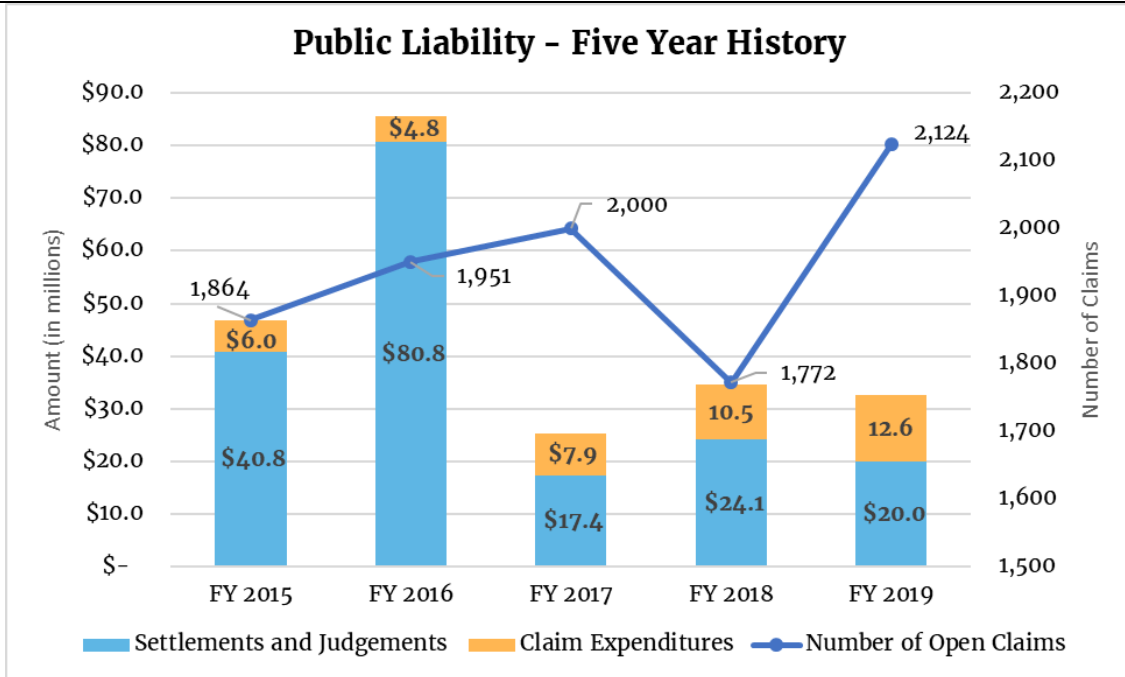


For FY 2019, the City’s Reserve Policy requires that the Long-Term Disability Reserve equals 100.0 percent of the AVAAL for the three most recent years, or \$3.9 million. The ending fund balance of the Long-Term Disability Reserve is approximately \$13.1 million or 335.9 percent of the three-year average of the annual actuarial liability. Excess fund balance will be transferred back to the contributing funds in FY

2020. **Figure 15**, LTD Outstanding Actuarial Liabilities, displays the LTD outstanding actuarial liabilities for the past five fiscal years.

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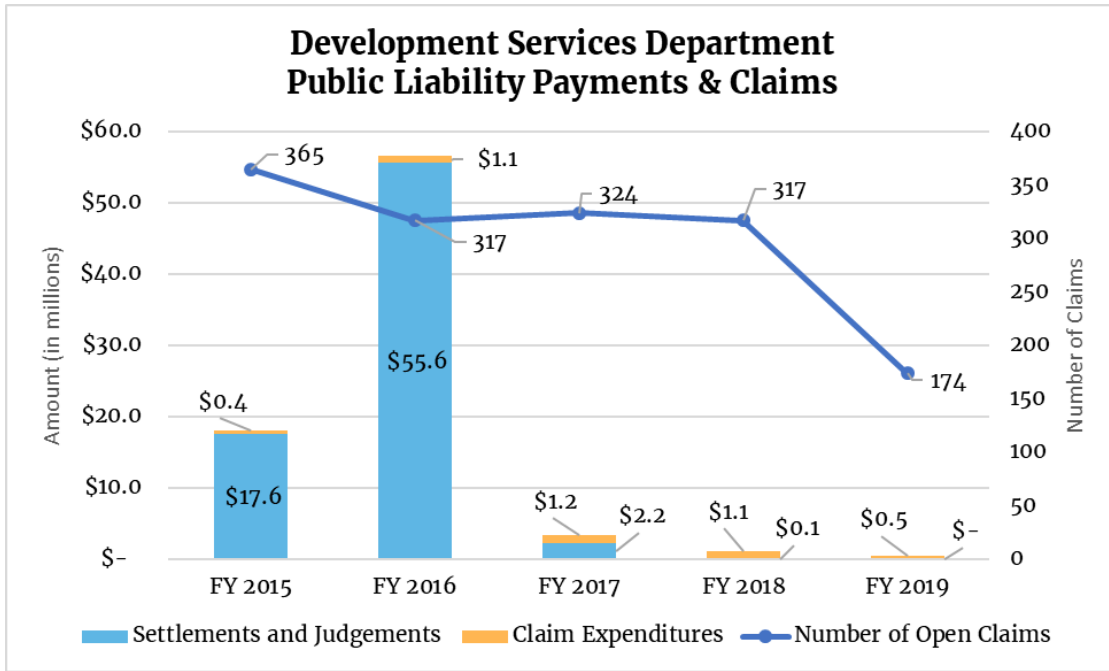
Appendix A



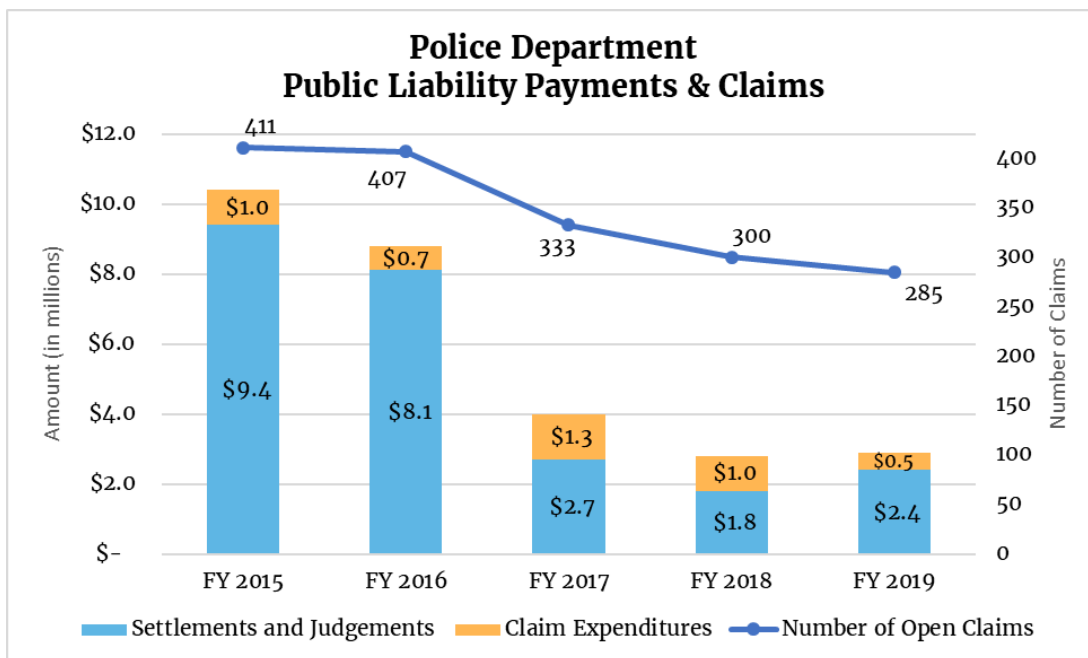
Citywide—FY 2019 total claim expenses decreased \$2.0 million, or 6 percent, from FY 2018. Of this total, settlements and judgments decreased \$4.1 million, or 17 percent, and claim expenditures increased \$2.1 million, or 20 percent from FY 2018. FY 2019 open claims increased by 352, or 20 percent, from open claims in FY 2018, mainly due to the increase in potholes and storm drains related claims.

The following graphs reflect number of claims and payments detail for the top four liability incurring departments and all other combined departments.

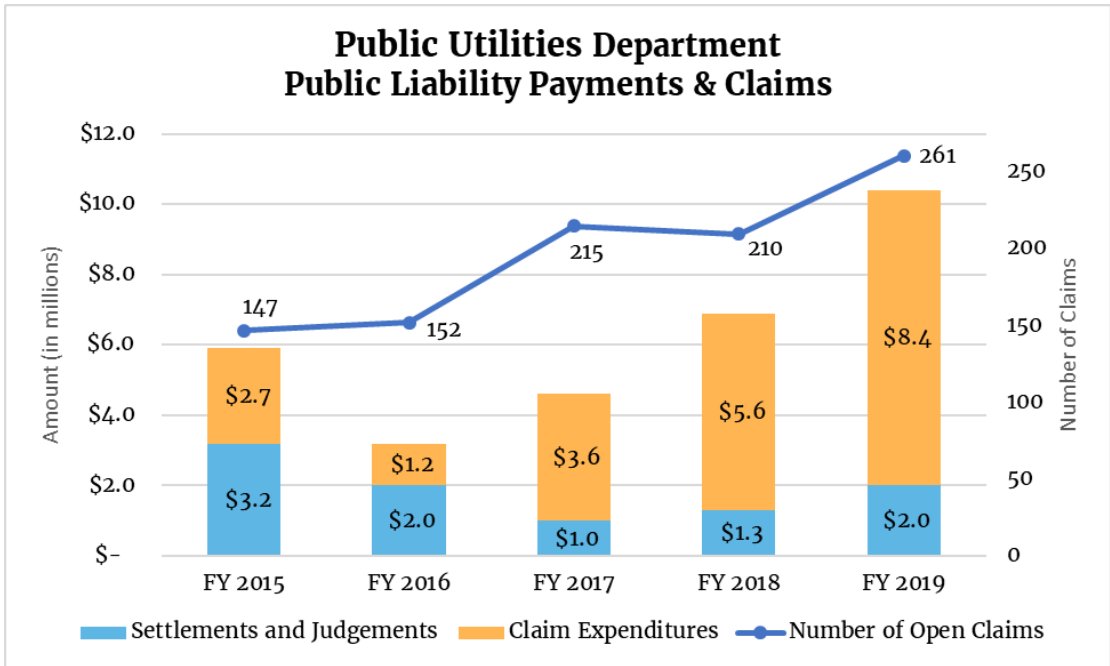
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Development Services Department-FY 2019 total claim expenses decreased \$0.7 million, or 58 percent, from Fiscal Year 2018. Of this total, settlements and judgments decreased \$0.1 million, or 100 percent, and claim expenditures decreased \$0.6 million, or 55 percent, from FY 2018. 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 2019 open claims decreased by 143, or 45 percent, from open claims in FY 2018.

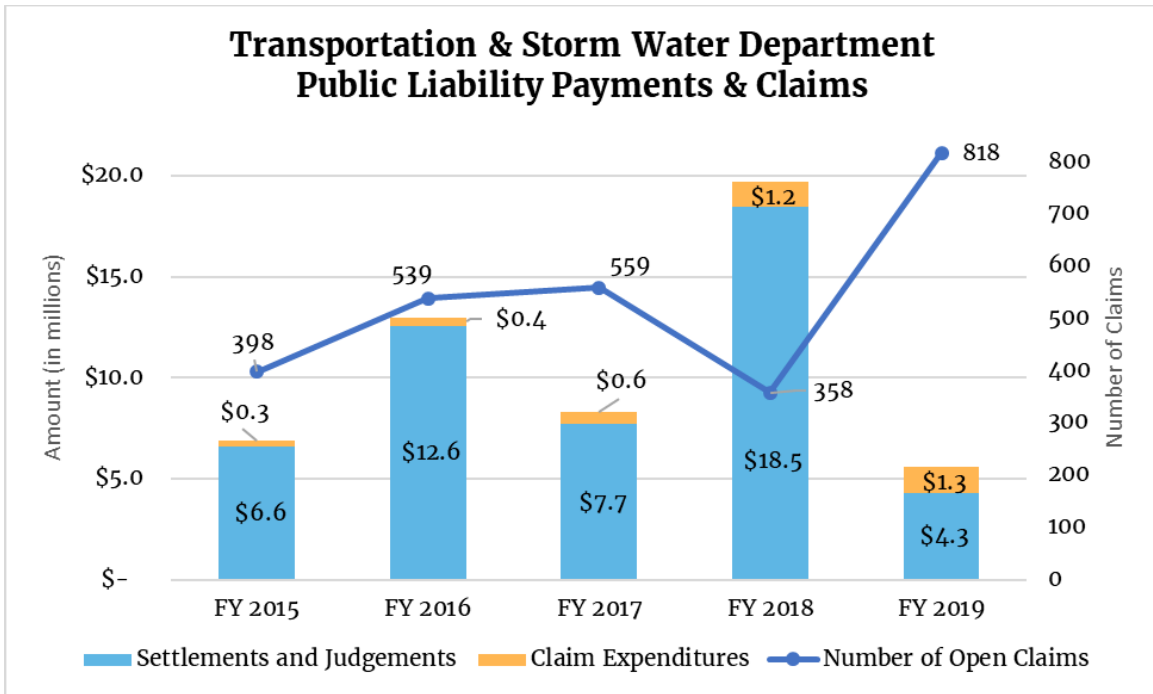


Police Department—FY 2019 total claim expenses increased \$0.1 million, or 4 percent, from FY 2018. Of this total, settlements and judgments increased \$0.6 million, or 33 percent, and claim expenditures decreased \$0.5 million, or 50 percent, from FY 2018. FY 2019 open claims decreased by 15, or 5 percent, from open claims in FY 2018.

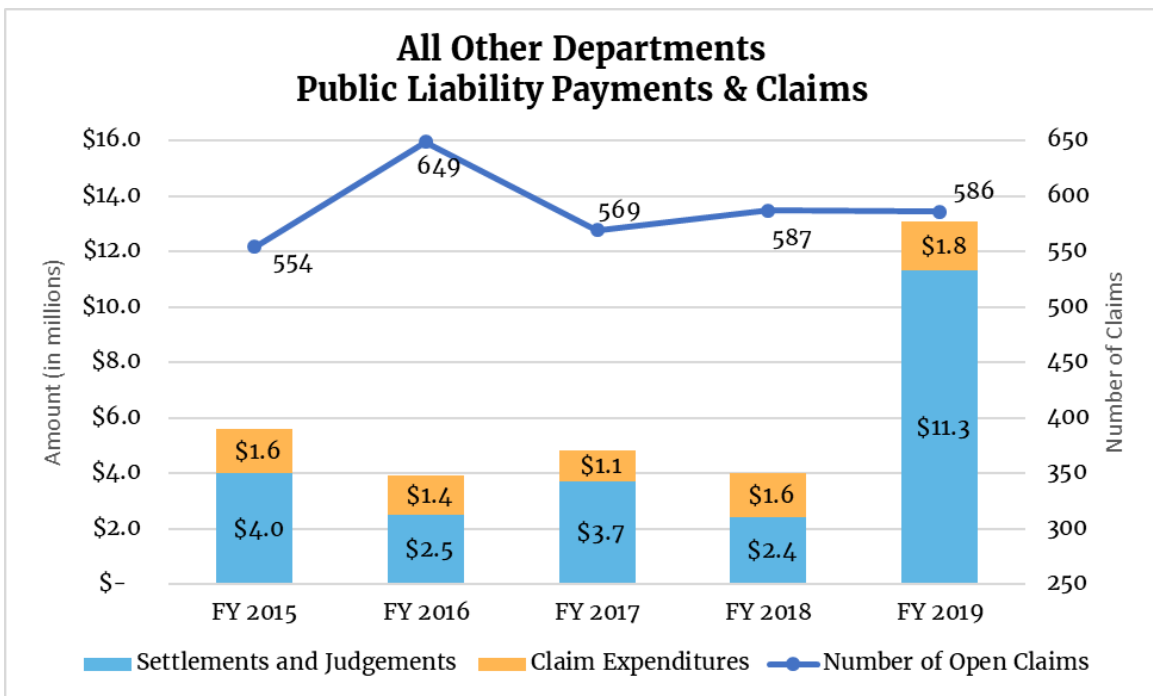


Public Utilities Department —FY 2019 total claim expenses increased \$3.5 million, or 51 percent, from FY 2018. Of this total, settlements and judgments increased \$0.7 million, or 54 percent, and claim expenditures increased \$2.8 million, or 50 percent, from FY 2018. FY 2019 open claims increased by 51, or 24 percent, from open claims in FY 2018. The increase in claims and expenditures is primarily due to water main break related claims.

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Transportation & Storm Water Department—FY 2019 total claim expenses decreased \$14.1 million, or 72 percent, from FY 2018. Of this total, settlements and judgments decreased \$14.2 million, or 77 percent, and claim expenditures increased \$0.1 million, or 8 percent, from FY 2018. FY 2019 open claims increased 460, or 128 percent, from open claims in FY 2018, mainly due to potholes and storm drains related claims.

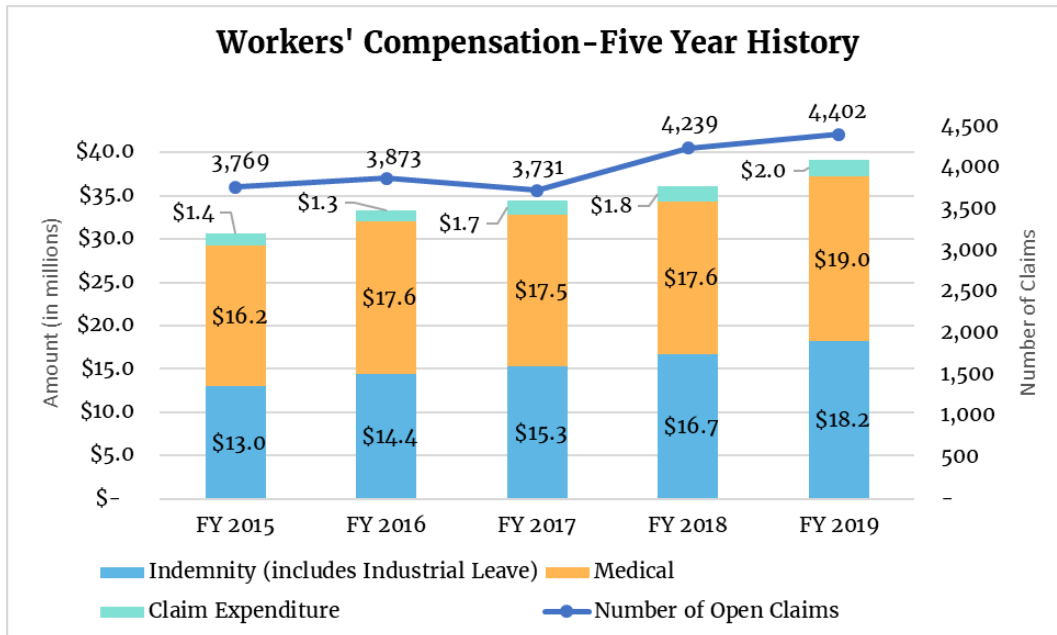


All Other Departments—FY 2019 total claim expenses increased \$9.1 million, or 228 percent, from FY 2018. Of this total, settlements and judgments increased \$8.9 million, or 371 percent,

and claim expenditures increased \$0.2 million, or 13 percent, from FY 2018. FY 2019 incurred the following claims and expenditures: Fifth Avenue Landing with \$5.3 million; James Gleboff with \$1.8 million; and Sheng Du with \$1.5 million. FY 2019 open claims decreased by one, or 0.1 percent, from open claims in FY 2018

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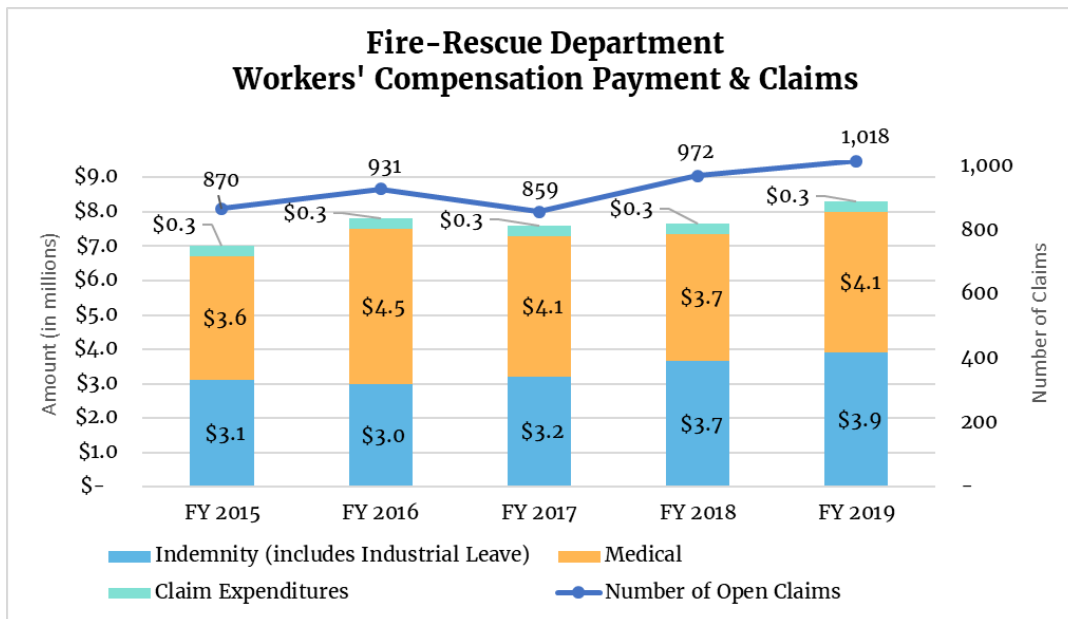
Appendix B



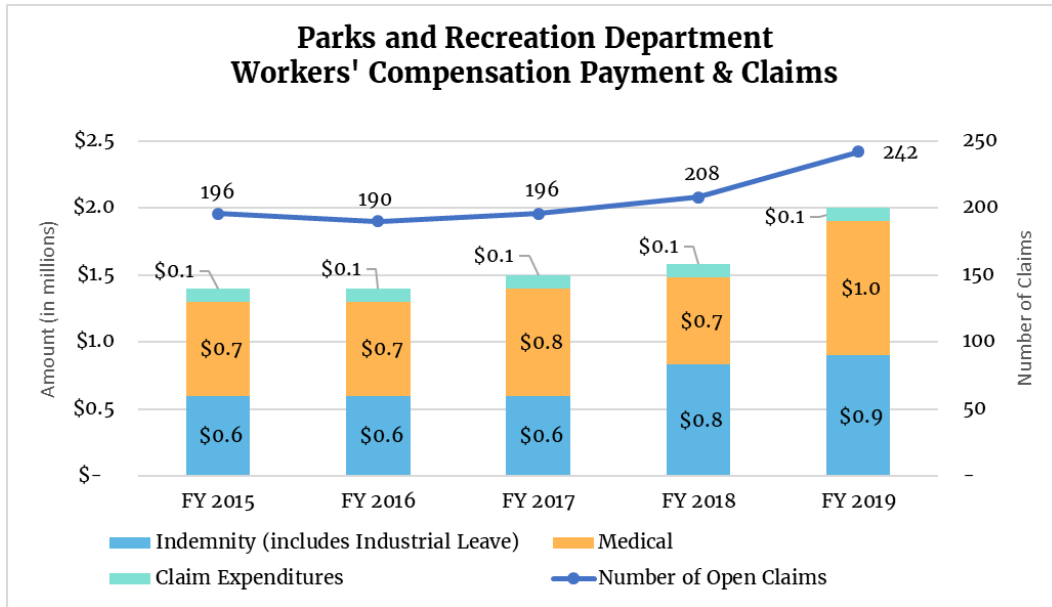
Note: Indemnity includes: permanent disability, salary continuance (industrial leave), and temporary disability

Citywide-FY 2019 total claim expenses increased \$3.2 million, or 9 percent, from the FY 2018. Of this total, \$1.5 million, or 9 percent, increased in indemnity, \$1.4 million, or 8 percent, increased in medical, and \$0.2 million, or 13 percent, increased in claim expenditures from FY 2018. FY 2019 open claims increased 163, or 4 percent, from open claims in FY 2018.

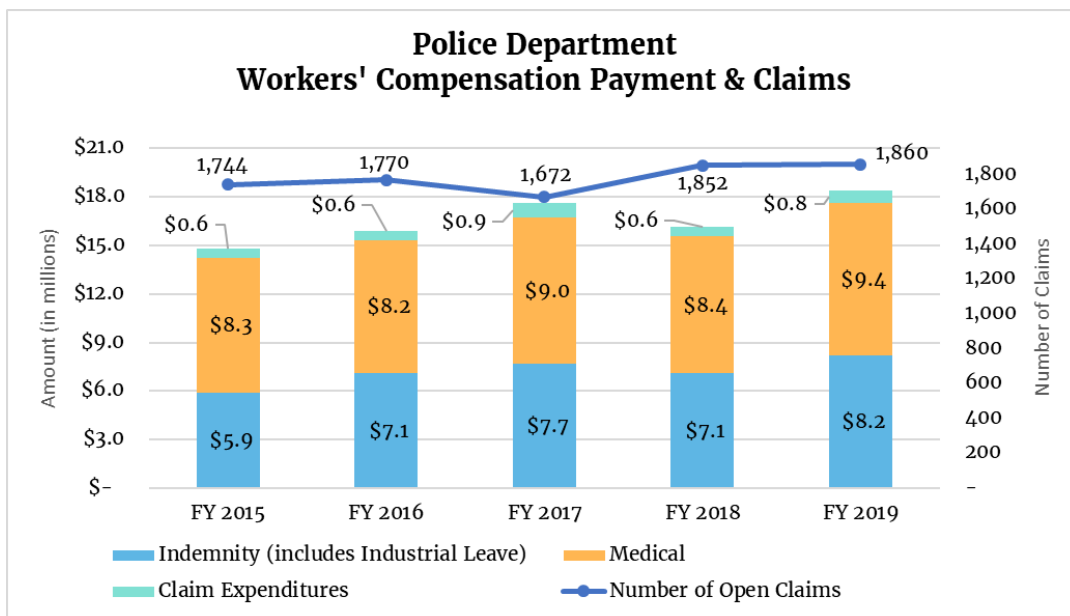
The following graphs break out the top four and other departments.



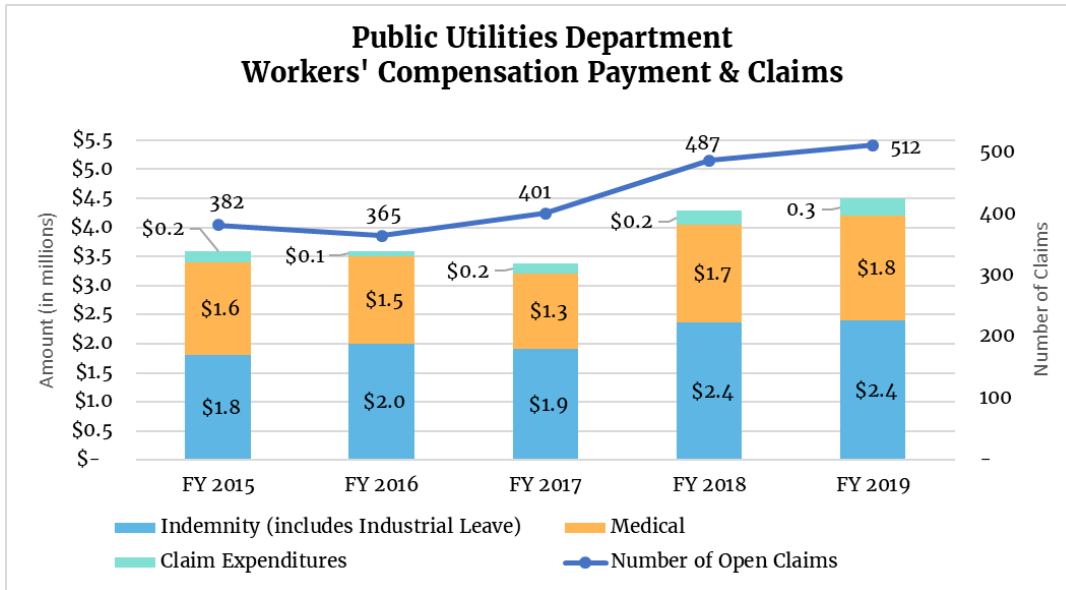
Fire-Rescue Department (includes Fire, Lifeguards, and Emergency Medical Services)-FY 2019 total claim expenses increased \$0.6 million, or 8 percent, from the FY 2018. Of this total, \$0.2 million, or 7 percent, increased in indemnity, \$0.4 million, or 11 percent, decreased in medical, and no change in claim expenditures from FY 2018. FY 2019 open claims increased 46, or 5 percent, from open claims in FY 2018.



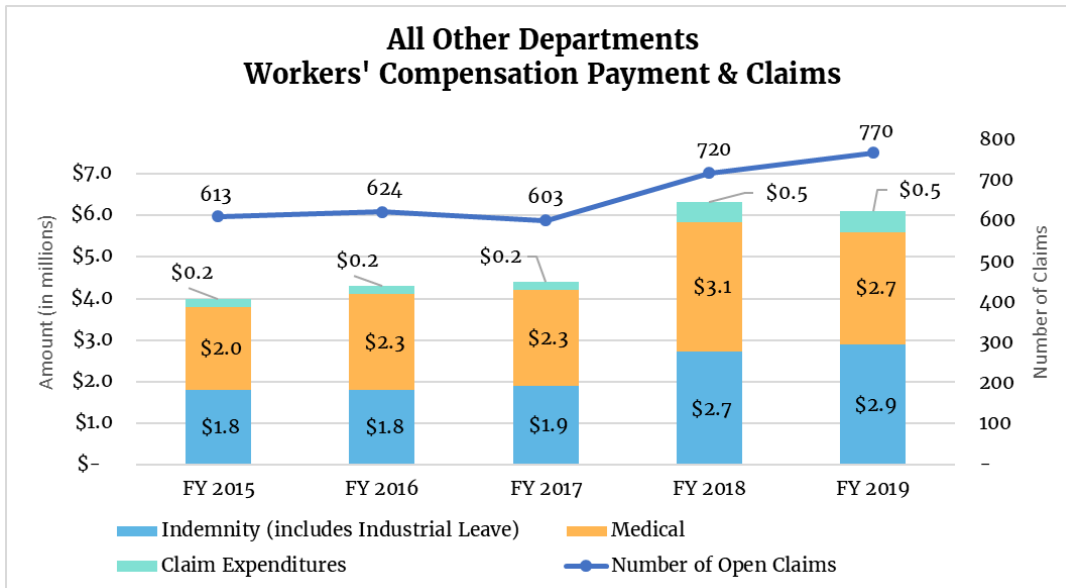
Park and Recreation Department-FY 2019 total claim expenses increased \$0.4 million, or 26 percent, from the FY 2018. Of this total, \$0.1 million, or 8 percent, increased in indemnity payments, \$0.3 million, or 54 percent, decreased in medical, and no change in claim expenditures from FY 2018. FY 2019 open claims increased 34, or 16 percent, from open claims in FY 2018.



Police Department—FY 2019 total claim expenses increased \$2.2 million, or 14 percent, from the FY 2018. Of this total, \$1.1 million, or 16 percent, increased in indemnity, \$1.0 million, or 11 percent, increased in medical, and \$0.2 million, or 27 percent, increased in claim expenditures from FY 2018. FY 2019 open claims increased 8, or 0.4 percent, from open claims in FY 2018.



Public Utilities Department—FY 2019 total claim expenses increased \$0.2 million, or 5 percent, from the FY 2018. Of this total, no change in indemnity, \$0.1 million, or 7 percent, increased in medical, and \$0.1 million, or 25 percent, increased in claim expenditures from FY 2018. FY 2019 open claims increased 25, or 5 percent, from open claims in FY 2018.



All Other Departments—FY 2019 total claim expenses decreased \$0.2 million, or 4 percent, from the FY 2018. Of this total, \$0.2 million, or 7 percent, increased in indemnity, \$0.4 million, or 14 percent, decreased in medical, and no change in claim expenditures from FY 2018. FY 2019 open claims increased 50, or 7 percent, from open claims in FY 2018.