

Fiscal Year **2021**

The City of San Diego
Risk Management Annual Report



Table of Contents

EXECUTIVE SUMMARY	1
RISK MANAGEMENT DEPARTMENT	4
Mission	4
Vision.....	4
Overview	4
RISK MANAGEMENT DEPARTMENT ACTIVITIES AND FUNDING SOURCES	5
PUBLIC LIABILITY AND LOSS RECOVERY DIVISION	7
Accomplishments and Highlights	11
Future Year Outlook.....	12
Insurance Program.....	12
WORKERS' COMPENSATION DIVISION	14
Accomplishments and Highlights	16
Future Year Outlook.....	17
SAFETY AND ENVIRONMENTAL HEALTH DIVISION	17
Accomplishments and Highlights	18
Future Year Outlook.....	19
EMPLOYEE BENEFITS DIVISION	19
Accomplishments and Highlights	21
Future Year Outlook.....	21
RISK MANAGEMENT RESERVES	23
Public Liability Reserve Status.....	23
Workers' Compensation Reserve Status.....	24
Long-Term Disability Reserve Status.....	25
Appendix A.....	26
Appendix B	33

EXECUTIVE SUMMARY

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 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) 2021 with the intent of implementing loss prevention measures that will help control or eliminate identified risks.

The time covered in this FY 2021 report includes the unprecedented challenges for the department as the City and Nation continued to grapple with COVID-19. As a result of COVID-19, the Risk Management Department shifted its operations to a telework environment and applied modifications to its delivery of services which included virtual, e-mail and or telephonic platforms for Public Liability claimants. Trainings provided by the Safety and Environmental Health Division were delivered virtually and for circumstances requiring in person participation, safety protocols such as social distancing, employee health screenings, and required face coverings were adhered to. The Workers' Compensation Division experienced the biggest operational impact as it responded and adjusted to COVID-19; additional detail is provided in the Workers' Compensation section of this report.

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.

Public Liability and Loss Recovery Division

The number of new reported public liability claims in FY 2021 was 1,4013 a decrease of 363 claims or 20 percent from FY 2020. This decrease is primarily attributed to an overall decrease in water main-breaks, City vehicle accidents, and pothole related claims. The public liability claim costs for FY 2021 was \$48.7 million, an increase of \$26.2 million from FY 2020. It is important to note that payments made in FY 2021 are not necessarily correlated to the claims filed in the same year. In addition, Appendix A, Public Liability – Five Year History (FY 2017 – FY 2021), provides the number of public liability reported claims and claim expenditures paid in those particular fiscal years, including specific department detail for each of the top five cost incurring City departments.

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 \$6.2 million in FY 2021, an increase of \$2.9 million from FY 2020. The total revenue received on outstanding invoices was \$5.6 million in FY 2021, an increase of \$3.2 million. The General Fund portion of revenue received was \$0.7 million in FY 2021.

In FY 2020, the Office of the City Auditor conducted a Performance Audit of the City's Public Liability Management. City management has committed to implementing all resulting recommendations. In response to the audit findings, the annual Risk Management report now

incorporates information from the department of Performance and Analytics (Panda) related to department-specific public liability risk assessments and monitoring efforts of mitigation plans to ensure risks are effectively identified and mitigation measures are effective.

Panda also led PerformSD Balanced Scorecard work sessions with fourteen City departments to develop performance metrics from the perspectives of Stakeholders, Internal Processes, Organizational Capacity, and Financial Stewardship. Scorecards include metric baselines and identify targets, and performance dashboards are built and subsequently monitored. Any negative performance variations are flagged as potential risk areas for departments. Status meetings are held with the departments' respective Deputy Chief Operating Officers (DCOOs) on a quarterly basis. To date, the General Services, Development Services, and Transportation Departments' dashboards have been deployed, with others in development to follow.

Concurrently, Panda conducts thematic exploratory analyses of Citywide data sets; potential risk findings from those analyses are shared with departments and the City's executive management team to determine paths forward to mitigate any risks. More information regarding department measures and their effectiveness will be included in future reports.

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 Public Risk Innovation, Solutions, and Management (PRISM). For the first time, beginning in FY 2019, and outside of PRISM, the City purchased Excess Workers' Compensation Insurance coverage above its Self-Insured Retention of \$5.0 million. In FY 2021, total insurance premiums costs were \$24.9 million, an increase of \$5.0 million or 25 percent from FY 2020 which is primarily attributed to a \$3.3 million increase in General Liability premiums. Insurance market conditions are the primary factor for the increase as the liability insurance industry continues to see significant increases in plaintiff demands, jury verdicts and high dollar claims.

Workers' Compensation Division

The number of new workers' compensation claims reported in FY 2021 was 1,844, an increase of 217 claims from the 1,627 claims reported in FY 2020. This increase is primarily attributed to COVID-19 related claims. The workers' compensation claim expenditures for FY 2021 was \$40.7 million. This is a decrease of \$0.2 million, or less than 1 percent from FY 2020. In addition, Appendix B, Workers' Compensation – Five Year History (FY 2017 – FY 2021), provides the number of workers' compensation opened claims and claim expenditures paid each fiscal year including specific department detail for each of the top five cost incurring City departments.

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 2021, the Division trained over 1,518 City employees on safety related topics such as Cal/OSHA required programs, ergonomics, Risk Management driver related courses, first aid classes, Supervisors Academy, library safety, vehicle incident processing and Department of Transportation regulations. In FY 2022, the Safety Division was relocated to the newly formed Compliance Department.

Employee Benefits Division

The Employee Benefits Division manages the citywide administration of the Flexible Benefits Plan, Retiree Medical Trust, Long-Term Disability (LTD) Plan, Employee Savings Plans, and the Transportation Alternative Program (TAP). In FY 2021 425 new hires, re-hires, and newly benefitted employees were enrolled in their flexible benefits and mandatory savings plans. Additionally, 27 Non-Standard Hour employees met the qualifications and were offered medical coverage under the Affordable Cares Act (ACA).

The Division participated in collective bargaining with the City's Recognized Employee Organizations (REO) regarding terms and conditions of employment as part of the City's negotiation team. In FY 2021 the Division successfully enrolled over ten thousand employees during open enrollment.



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.

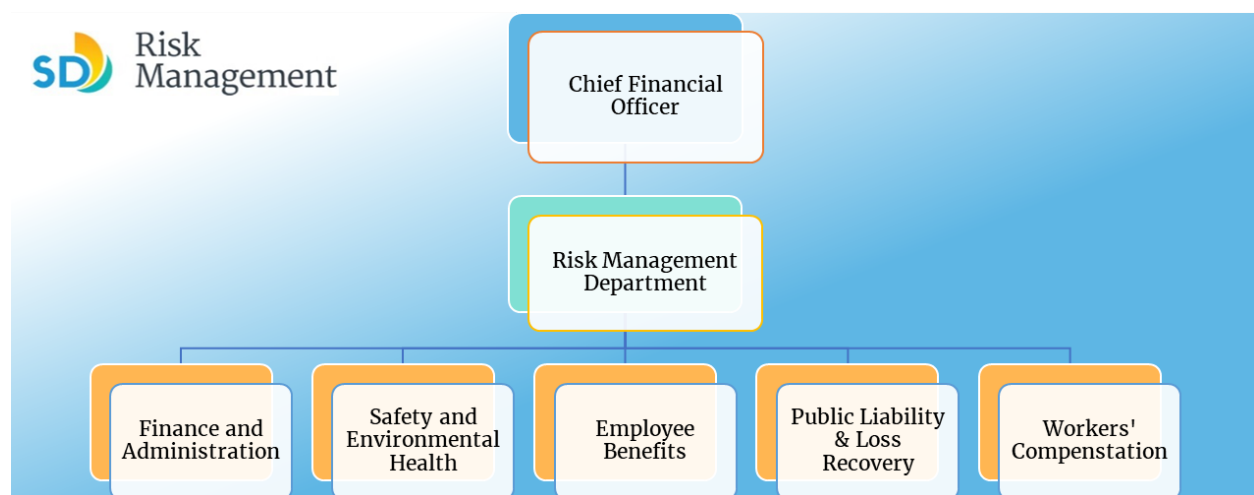
Overview

The Risk Management Department provides central risk management services to City of San Diego 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, 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



* Beginning in FY2022 the Safety and Environmental Health Division was restructured to the newly created Compliance Department.

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.

Employee Savings Plans: Tax-deferred defined contribution 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.

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: 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.

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 2021.

Figure 2: FY 2021 Risk Management Department Funding
(in millions)

Funding Sources	Operating Amount	Reserve Fund Balance²
Employee Savings Plans ³	\$ 42.9	\$ -
Flexible Benefits ⁴	136.1	-
Long-Term Disability Fund	3.3	4.3
Public Liability Fund ^{5,6}	43.7	33.8
Risk Management Administration Fund	12.2	-
Workers' Compensation Fund	32.4	33.9
Total¹	\$ 270.7	\$ 72.0

¹Totals may not foot due to rounding.

² Fund Balances as of June 30, 2021.

³ FY 2021 Adopted Budget for Employee Savings Plans- SPSP, 401, RMT.

⁴ FY 2021 Adopted Budget for Flexible Benefits.

⁵ Includes \$14.7 million to support insurance premiums.

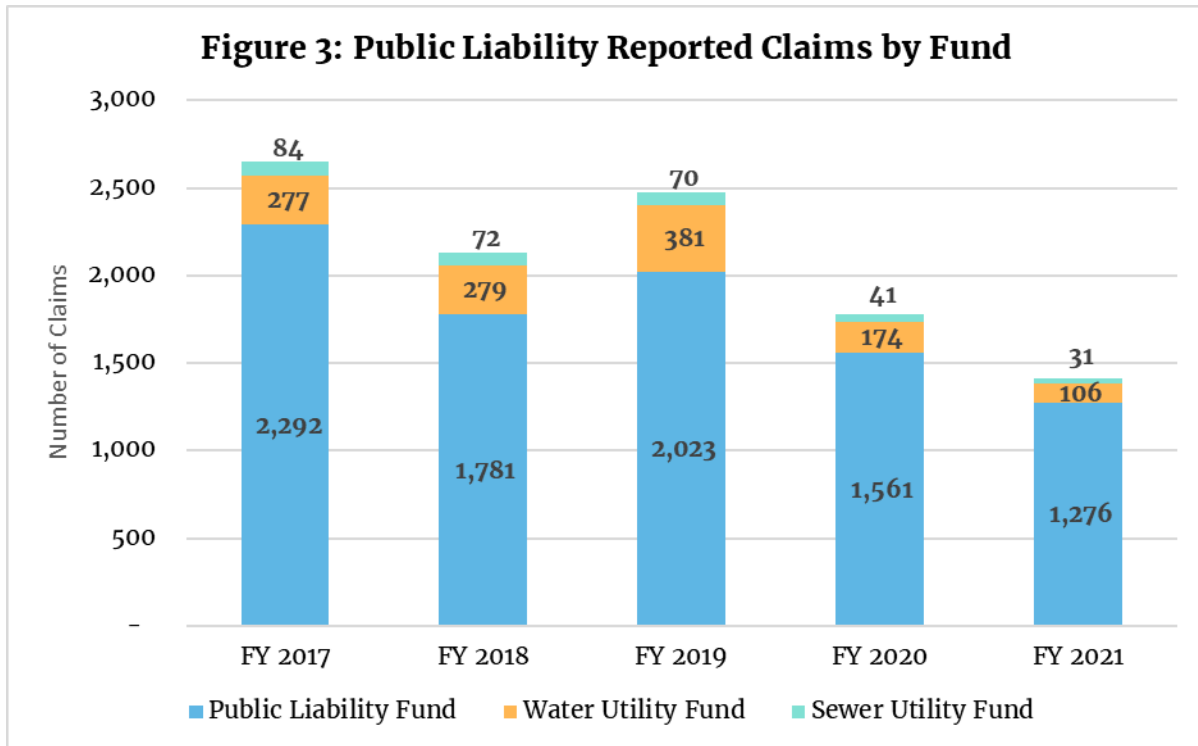
⁶ Includes \$13.3 million in off-setting expenditures associated with insurance proceeds received.

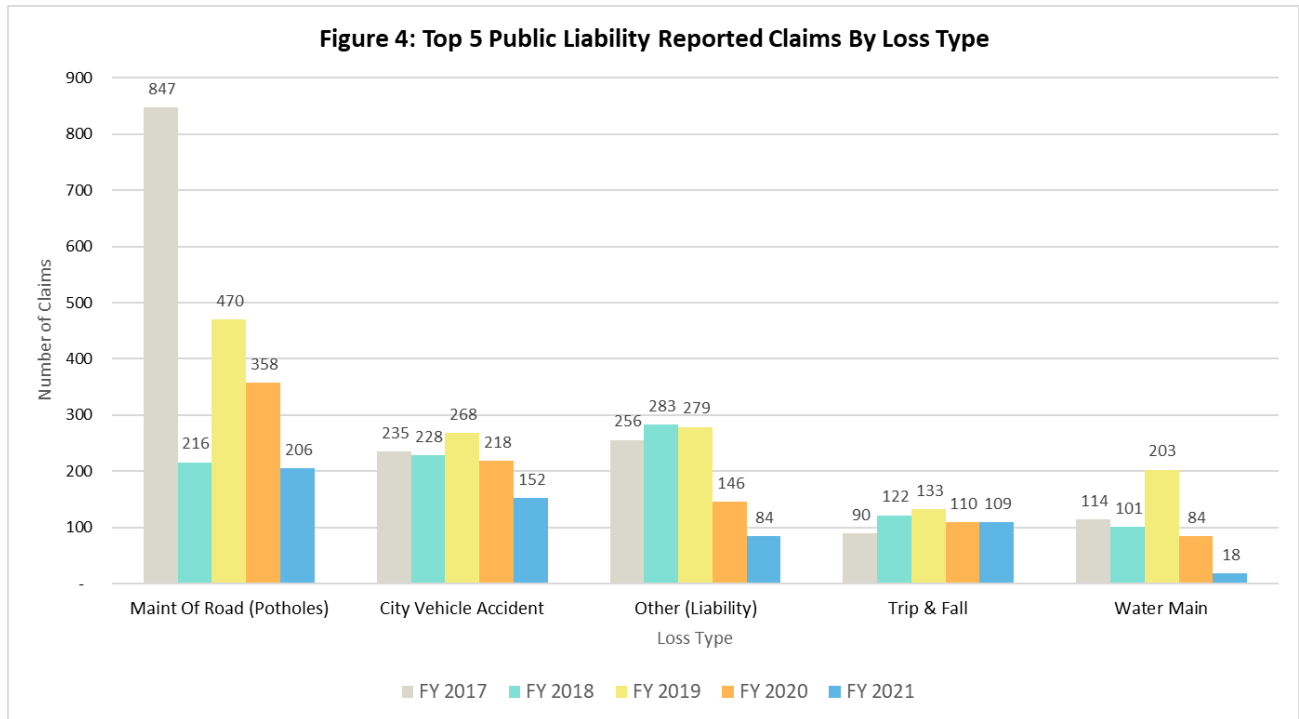
This section intentionally blank

PUBLIC LIABILITY AND LOSS RECOVERY DIVISION

The Public Liability and Loss Recovery Division is a self-administered, self-insured, program for public liability (torts) risks, which is supplemented by excess liability insurance purchased through PRISM. The City's self-insured retention (SIR) in FY 2021 is \$3.0 million, and a one-time aggregate individual member corridor deductible (IMCD) of \$2.5 million applies. The Division supports the investigation, settlement or defense 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; manages the City's insurance portfolio; and investigates and recovers costs associated with damages to City assets or injury to City personnel caused by third parties.

In FY 2021, the number of new reported public liability claims was 1,413, a decrease of 363 claims or 26 percent from FY 2020 as shown in **Figure 3**, Public Liability Reported Claims by Fund. This is primarily due to an overall decrease in pothole, City vehicles accidents, and water main-break related claims. **Figure 4**, Top 5 Public Liability Reported Claims by Loss Type highlights the top 5 loss type of most frequently reported claims for the past five fiscal years.





The public liability claim costs for FY 2021 was \$48.7 million, an increase of \$26.2 million from FY 2020. **Figure 5**, Public Liability Claim Cost by Payment Type, presents the costs for public liability claims by payment type over the past five fiscal years.

This section intentionally blank

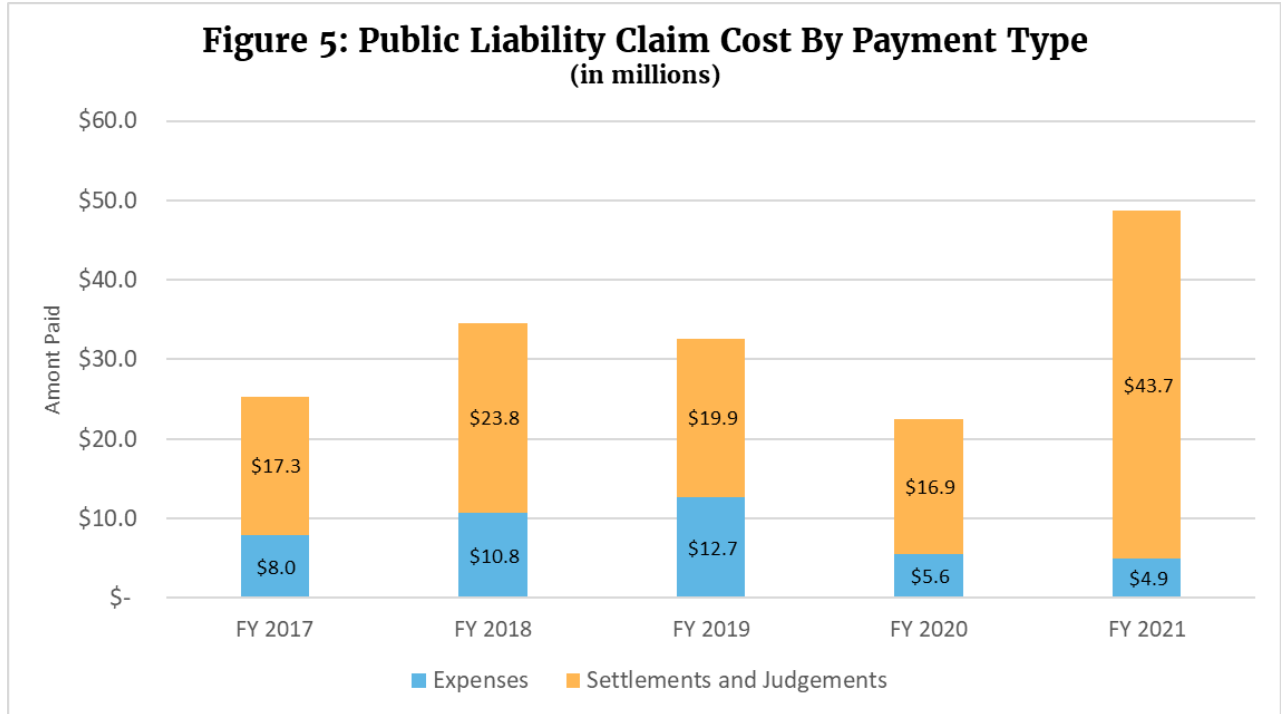
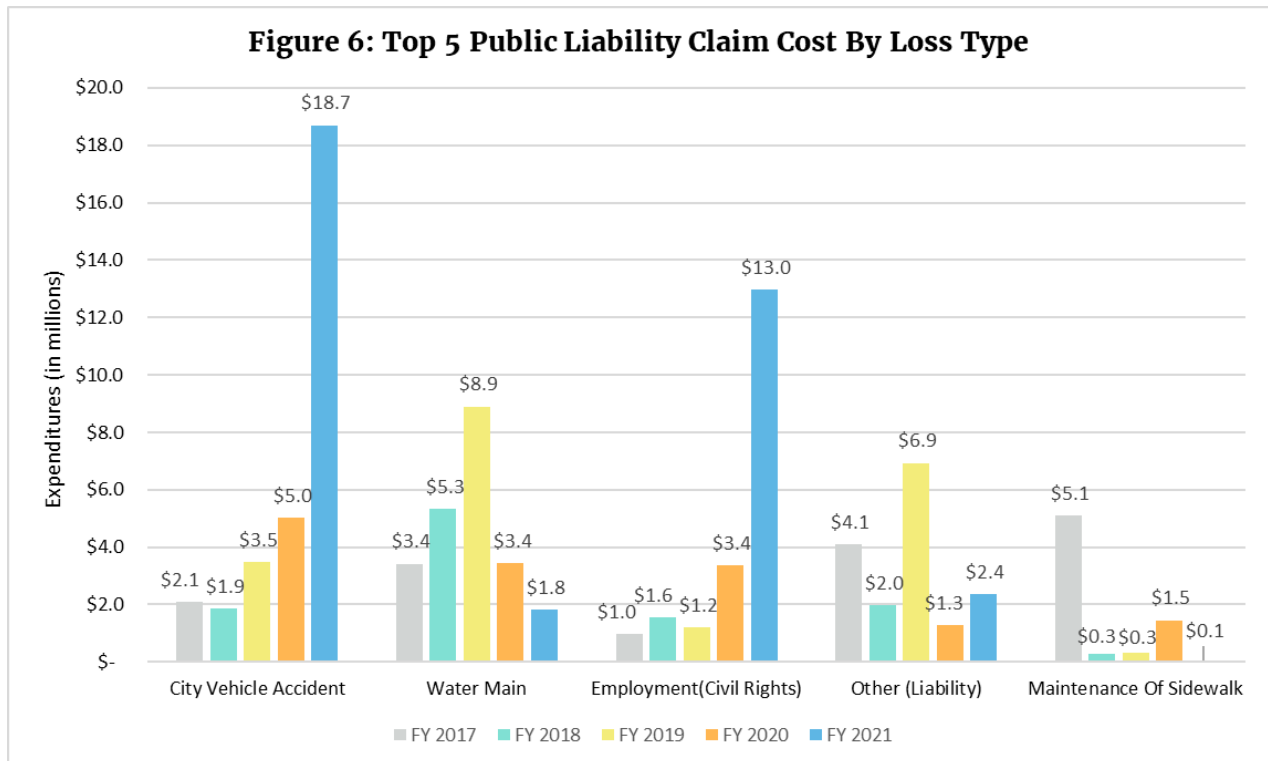


Figure 6, Top 5 Public Liability Claim Cost By Loss Type highlights the top 5 highest loss incurring loss types over the past five fiscal years. Note that Design of Roadway (sight Distance) loss type was removed and replaced with Maintenance of Sidewalk, due to one significant settlement payment in FY 2018 for John Aavang (claim#10880).



In FY 2021, the Loss Recovery Program of the Public Liability and Loss Recovery Division invoiced \$6.2 million, an increase of \$2.9 million from FY 2020. **Figure 7, Loss Recovery Invoiced**, presents invoicing activity over the past five fiscal years.

Figure 7: Loss Recovery Invoiced (in millions)					
Fund Title	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Fleet Services Operating Fund	\$ 0.4	\$ 0.3	\$ 0.4	\$ 0.5	\$ 0.8
General Fund	1.1	0.8	1.2	1.0	1.0
Public Liability Fund	0.2	0.0	0.1	0.2	0.1
Water Utility Fund	0.6	0.3	0.2	0.4	3.6
Workers' Compensation Fund	0.5	0.1	0.1	0.3	0.5
Other	0.4	0.1	0.2	0.9	0.2
Total¹	\$ 3.1	\$ 1.6	\$ 2.3	\$ 3.3	\$ 6.2

¹ Totals may not foot due to rounding.

The total revenue received on outstanding invoices in FY 2021 was \$5.6 million, an increase of \$3.2 from FY 2020. As shown in **Figure 8, Loss Recovery Revenue**, the General Fund portion of revenue was \$0.7 million in FY 2021. Revenues for the past five fiscal years are also presented.

Figure 8: Loss Recovery Revenue (in millions)					
Fund Title	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Fleet Services Operating Fund	\$ 0.2	\$ 0.3	\$ 0.3	\$ 0.5	\$ 0.6
General Fund	0.7	0.6	0.9	0.7	0.7
Municipal Wastewater Fund	0.1	0.1	0.0	0.1	0.0
Water Utility Fund	0.3	0.3	0.2	0.2	3.6
Workers' Compensation Fund	0.5	0.1	0.1	0.1	0.4
Other	0.1	0.2	0.1	0.8	0.2
Total¹	\$ 1.9	\$ 1.4	\$ 1.6	\$ 2.3	\$ 5.6

¹ Totals may not foot due to rounding.

Note: FY2018, FY2019, and FY2020 figures have been revised from the FY2020 Risk Management Annual Report.

Accomplishments and Highlights

The Public Liability and Loss Recovery Division continued to collaborate with the Performance and Analytics Department in the development and launching of ClaimStat for additional City Departments. 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 serves as an additional tool for departments to recognize their loss experience and implement corresponding corrective measures to reduce future liability. In FY 2021, ClaimStat was rolled out to the Police and Public Utilities Departments, bringing the total number of departments using ClaimStat to three (ClaimStat was previously implemented for the Transportation and Storm Water Department).

The Public Liability Division continues to evaluate and assess its existing claims handling protocols and has implemented a variety of strategies to expedite claims handling. This includes exploring technological options to augment customer service virtually, creating a dedicated team to handle trip and fall claims and tracking of remedial measures implemented by departments. The Division promoted continued training and education for its claims staff and partnered with the Office of the City Attorney to deliver training related to trip and fall claims.

In FY 2021, the Public Liability and Loss Recovery Division met with multiple departments to provide information regarding each department's claims history, loss recovery experience, and the City's insurance portfolio.

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

- ❖ 5,067 Transactions processed in the claims management system
- ❖ 2,071 Active claims managed (Public Liability and Loss Recovery claims)
- ❖ 1,413 Reported Public Liability claims
- ❖ 516 Settled cases
- ❖ 698 New Loss Recovery claims
- ❖ 33 Reviews of insurance for special events permits

Future Year Outlook

The Public Liability Division staff will continue to meet with City departments intermittently throughout the year to review claim activity and settlements. During the review meetings, departments will be able to interpret loss trends and financial impacts to the City. Corrective measures are being tracked to identify the actions being taken to prevent or mitigate future claims with the potential for similar causes of loss. For claims that settle with a value of \$25,000 or higher, the measures are being recorded in the City's claims management system.

In conjunction with the Performance and Analytics Department, the Public Liability Division will continue to deploy ClaimStat to additional departments in FY 2022.

The Loss Recovery section will continue its efforts to recover funds due to the City from various liable third parties who have damaged City property and assets as well as from the City's insurers for first party claims. The Loss Recovery section will continue to meet with City departments throughout the year to review the section's functions and to provide training to staff to assist with the recovery processes.

Insurance Program

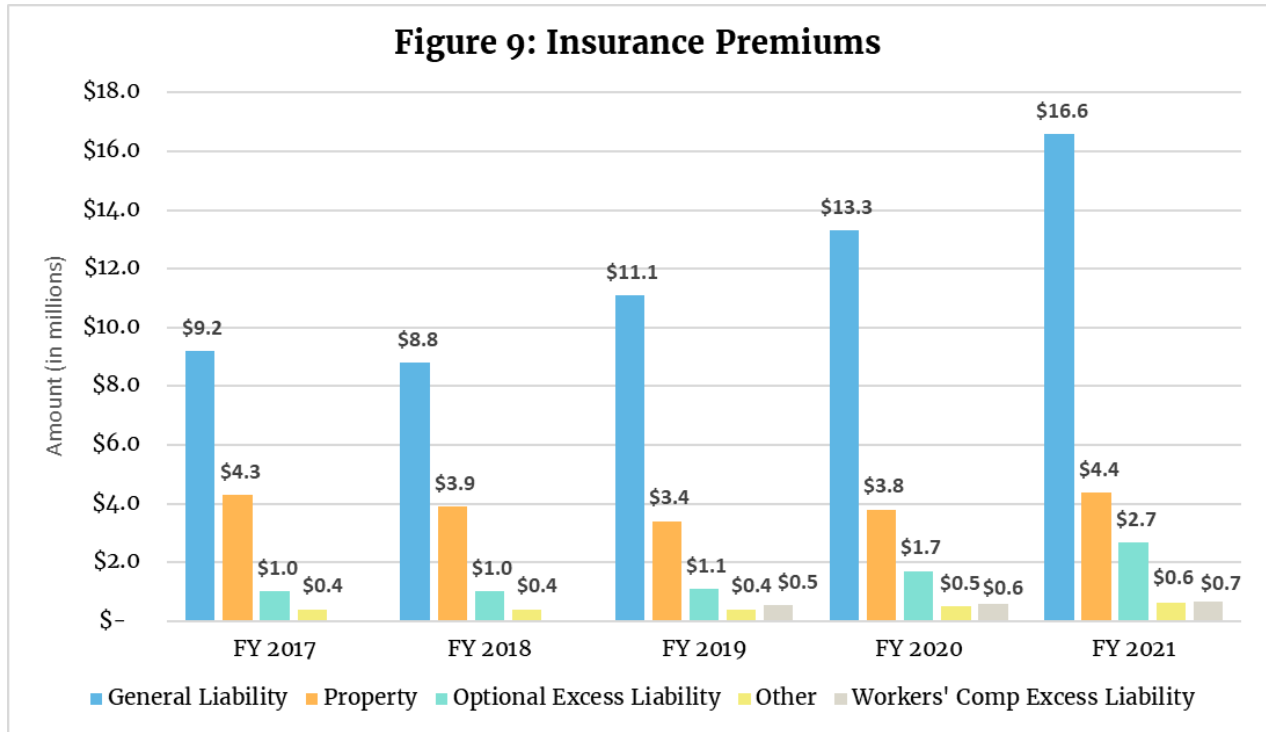


As a member of PRISM since 1995, the City has been able to purchase comprehensive property and general liability insurance at favorable market rates, as well as other specialty lines of coverage including airport liability, property coverage for aircraft, pollution liability, and crime bond/employee 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 PRISM enables it to access additional risk management services at a reduced or zero cost. The City also purchases excess workers' compensation insurance coverage that provides statutory limits above its Self-Insured Retention of \$5.0 million. This coverage is outside of PRISM membership via a commercial insurance broker.

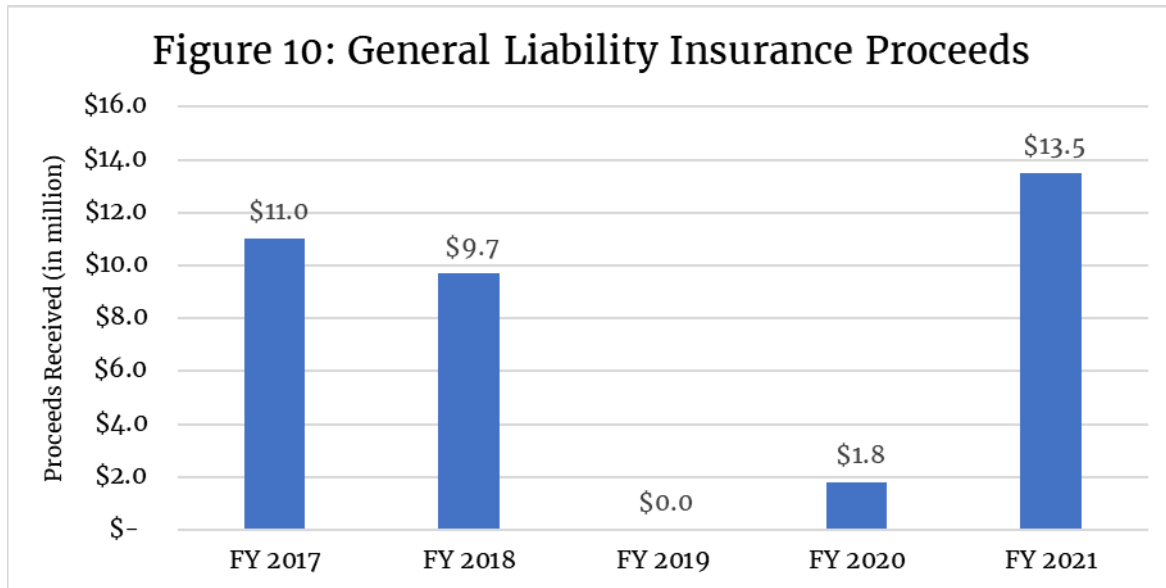
Funding for liability and property insurance premiums is budgeted through the annual budget process in the General and Enterprise Funds. Funding for the excess workers' compensation insurance premium is budgeted through the Workers' Compensation Fund which is supported by all City funds with FTE positions. A fringe allocation is budgeted in every City fund to support the annual workers' compensation operating expenditures. 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 2021 were \$24.9 million, an increase of \$5.0 million or 25 percent from FY 2020. The increase is primarily due to the General Liability Program increasing by \$3.3

million and \$1.0 million from the Optional Excess Liability Program. The General Liability Program provides the City liability coverage for claims from third parties alleging damages. As mentioned, market conditions are a primary factor of cost fluctuations as the liability insurance industry continues to see significant increases in plaintiff demands, jury verdicts and high dollar claims. **Figure 9**, Insurance Premiums, displays the cost breakdown by the various types of insurance coverage purchased for the past five fiscal years.



This section intentionally blank

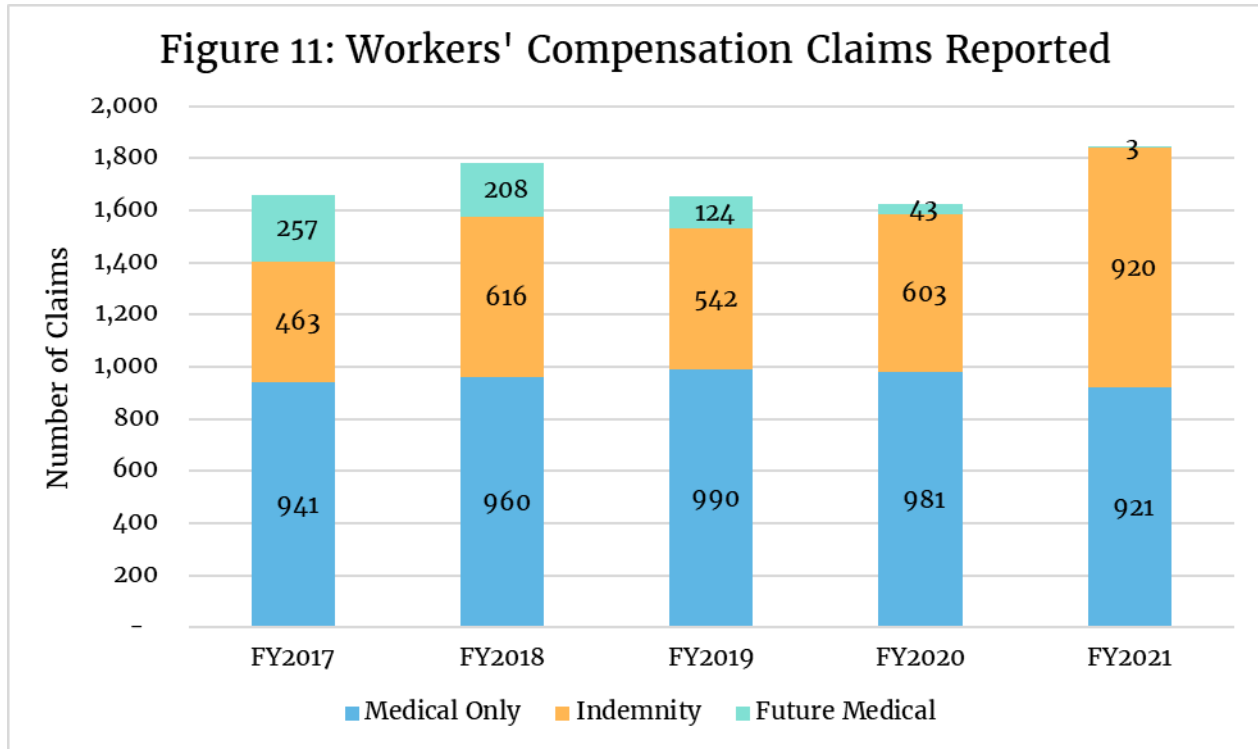
Public liability claims are funded by multiple funding sources which include the General Fund, Enterprise Funds, and insurance proceeds. Insurance proceeds for the past five fiscal years are displayed in **Figure 10**, Public Liability Insurance Proceeds.



WORKERS' COMPENSATION DIVISION

The City is committed to providing 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 as well as 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 federal and State 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 2021 was 1,844, an increase of 217 claims, or 13 percent from FY 2020. This increase is primarily due to COVID-19 related claims. **Figure 11**, Workers' Compensation Claims Reported, presents the number of claims reported over the past five fiscal years.

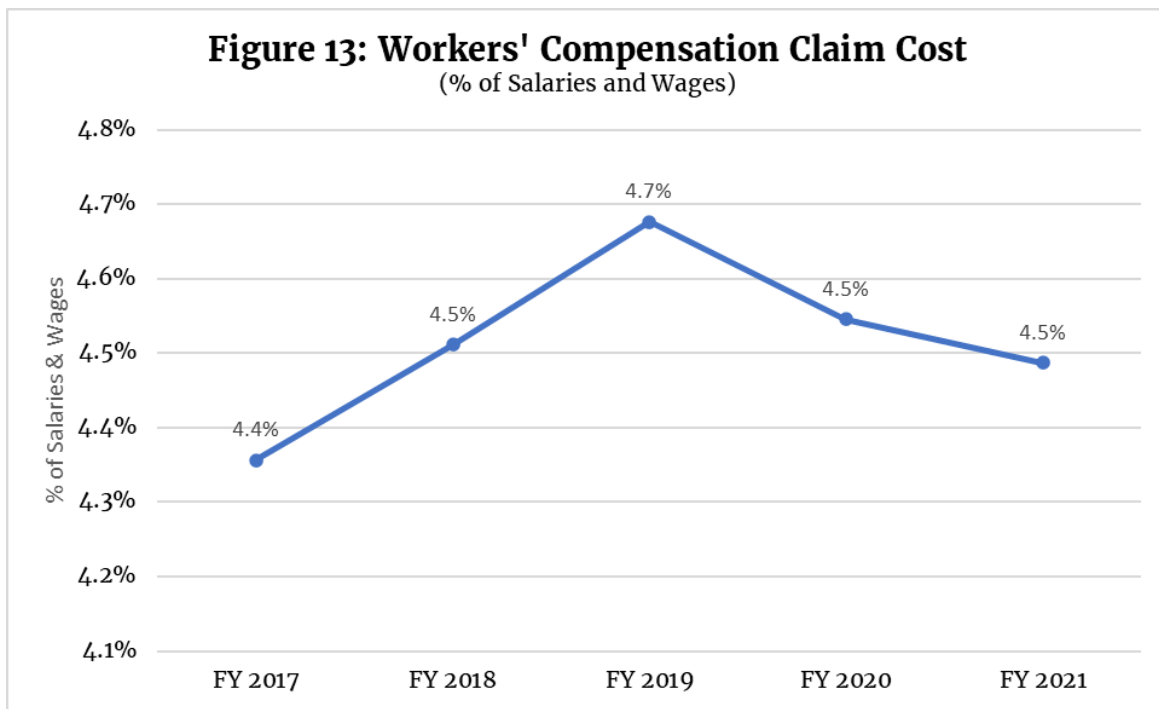


The workers' compensation claim expenditures for FY 2021 was \$40.7 million. This is an increase of \$0.2 million from FY 2020. This increase is primarily attributed to an increase of \$2.2 million, or 27 percent in Salary Continuance (Industrial Leave). Significant increases in Industrial Leave hours in the Police and Fire-Rescue Departments (respectively). The Industrial Leave increase is offset by \$700,000 decrease in medical expenditures, and \$800,000 decrease in permanent disability benefit payments. **Figure 12**, Workers' Compensation Claim Expenditures, displays the expenditure breakdown by the various categories for the past five fiscal years.

Figure 12: Workers' Compensation Claim Expenditures (in millions)					
Category	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Expense	\$ 1.8	\$ 1.8	\$ 1.8	\$ 2.1	\$ 1.7
Medical	17.5	17.6	18.9	19.8	19.1
Permanent Disability	8.5	8.1	9.0	9.6	8.8
Salary Continuance (Industrial Leave)	5.9	7.4	8.1	8.1	10.3
Temporary Disability	0.8	1.1	1.2	1.0	0.7
Total¹	\$ 34.5	\$ 36.0	\$ 39.0	\$ 40.5	\$ 40.7

¹ Totals may not foot due to rounding.

Figure 13, 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

The Workers' Compensation Division worked with the Purchasing & Contracting Department to complete the Request for Proposal (RFP) process for Industrial Medicine Services contracts. New contracts were secured for the City's Medical Provider Network (MPN) to provide continued quality industrial medicine care while ensuring cost containment for services for the next five years.

The Division continued to move existing claims data into an electronic format as well as move existing manual processes to paperless. Currently there are nearly 3,000 workers' compensation claims that are completely electronic.

Due to the highly regulated workers' compensation system, the Workers' Compensation Division is required to continually report and supply information to the State of California and their contracted providers. Information that was previously gathered manually was sent and received via U.S. and Overnight mail. All processes have been moved to electronic communications including the uploading and submitting of reports and required documents to various entities including the State of California, Maximus Federal Services, and the Workers' Compensation Appeals Board.

The Division successfully revised its policy and procedure manuals to outline the new processes implemented. This included developing new workflows, reallocating Division

resources and staff, creating an online training manual and training of all staff on changes and updates.

During the past fiscal year, COVID-19 was a high priority for the Division including administering over 400 work-related COVID claims filed. Additionally, the Division was able to assist in the coordination and rapid scheduling for COVID testing in cases where multiple employees were exposed at the worksite. The Division has continued to work closely with City departments and Human Resources to provide needed assistance when an outbreak occurs.

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

- ❖ 141,294 Transactions processed in the City's claims management system
- ❖ 4,639 Active claims managed
- ❖ 1,844 New claims received and processed
- ❖ 287 Claims settled

Future Year Outlook

The Workers' Compensation Division will be working with the Purchasing and Contracting Department to complete the RFP process for Risk Management Investigative Services and secure new contracts. These services ensure that the City has the ability to secure statements and needed investigations during the workers' compensation claims process.

The Division will be providing customized reporting and dashboards including workers' compensation data detailing information on loss trending to the top 3 loss incurring City departments.

The Division will continue to move existing claims to an electronic format. The existing open claims needing to be digitized include approximately 2,500 claims which can range in size from 100 documents to tens of thousands. The Division is working to move approximately 20% of these cases to electronic storage, annually.

The State of California requires reapplication of all MPNs to be submitted every 4 years. The reapplication will be submitted this year and approval will be secured for an MPN for the next 4 years.

SAFETY AND ENVIRONMENTAL HEALTH DIVISION

The Safety and Environmental Health Division provides oversight of Federal, State and City safety regulations, programs, and policies. The Division collaborates with the following City departments with in-house safety staff: Police, Fire-Rescue, Environmental Services, Parks and Recreation, General Services, Public Utilities, Engineering and Capital Projects, Transportation, and Storm Water. For all other City departments, the Division provides safety services. The Division coordinates and conducts safety trainings, inspects workplaces, responds to Cal/OSHA inquiries and complaints, compiles and reviews all vehicle/industrial incident reports, and creates/updates safety administration regulations.

In addition, the Division manages all Federal Motor Carrier Safety Administration (FMCSA), Department of Transportation (DOT), and California Department of Motor Vehicle (DMV) regulations for City commercial drivers. Staff also oversees the safety footwear, safety prescription eyewear, ergonomic chairs, and air quality testing agreements for the City and

consults on safety personal protection equipment (PPE). Staff is involved in the ergonomic assessment of employees through Workers' Compensation claims and Reasonable Accommodation cases to provide technical assistance on workplace adjustments.

As mandated by Cal/OSHA the Division manages the day-to-day operations of the citywide Injury and Illness Prevention Program (IIPP). The City's IIPP provides guidance on complying with the safe work practices and principles identified in the California Code of Regulations.

In accordance with the IIPP, the Division provides Vehicle and Industrial Incident Reports to departments that experienced any vehicle or industrial incidents during the fiscal year. Monthly, those departments are provided with statistics on incident report processing, including met deadlines, and driver discipline classes completed. Quarterly, incident details with a breakdown of preventable and non-preventable determined incidents are provided to departments. Lastly, an end of the year report summarizing Vehicle and Industrial Incident statistics along with a comparison against previous year's results is provided.

Accomplishments and Highlights

In FY 2021, implementation of the revised Administrative Regulation (A.R.) 75.12, Vehicle and Industrial Incident Review, Reporting, and Discipline Program, took effect for three of the City's Recognized Employee Organizations (REOs): Municipal Employees' Association (MEA), Deputy City Attorneys' Association (DCAA), and Local 127, American Federation of State, County and Municipal Employees (Local 127). The implementation date was March 1, 2021 and included various training delivered by the Division. Subsequently, adoption by the following REOs occurred on October 1, 2021: San Diego Police Officers Association (POA), Association of Firefighters, Local 145, and California Teamsters Local 911. Training employee drivers was delivered via Success Factors and the content focused on educating employees of the main changes in the revised A.R. The Division also provided virtual trainings targeted for specific roles identified in the A.R. such as Drivers, Supervisors, Screeners, Department Head Designees, Incident Review Committee Chairs, Department Heads and Assistant Directors, and Deputy Chief Operating Officers. Detailed training material was provided to assist employees serving in these roles. Lastly, vehicle incident related forms were updated to comply with the revised A.R. 75.12 process.

An additional Division accomplishment was the successful adaptation to the U.S. Department of Transportation, Federal Motor Carrier Safety Administration (FMCSA). Effective January 1, 2020, FMCSA implemented a "Clearinghouse" for all commercial drivers which flags and records drug and alcohol violations. This program includes both pre-employment screening and annual queries of all commercial drivers. To comply with the requirements of the FMCSA's Clearinghouse, the Division worked collaboratively with stakeholder departments to ensure accuracy of its commercial drivers' files. The Division was successful in also obtaining the required driver query permissions and in December 2020, successfully completed its first required annual query of the 736 City commercial drivers. In addition, 74 new hires were processed in adherence to the new FMCSA requirement for commercial drivers.

COVID-19 caused additional necessary pivots by the Division in the delivery of training. Due to required course training for Confined Space Certification, the Division collaborated with the City's Medical Provider Network, Sharp, for confined space respiratory and medical testing, and the Fire-Rescue Department for first aid and recertification training.

In FY 2021, Cal/OSHA rolled out a Wildfire Smoke Protection Standard. This required the City to adopt a Wildfire Smoke Protection Plan intended to protect employees working outside for longer than an hour when the air quality index reaches 151 or greater. The Division created a City Wildfire Smoke Protection Plan template which departments could then use and customize for their department operations.

To ensure all City Library facilities are following requirements associated with Cal/OSHA health and safety regulations, the Division conducted a general facility safety inspection at all 36 library locations in FY 2021. The Division, along with a library designee at each facility, conducted the inspections. The inspection program identified the conditions that needed to be corrected or improved to ensure building interior and exterior environments are at acceptable standards from a safety standpoint.

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

- ❖ 439 Department of Transportation Drug and Alcohol Tests coordinated
- ❖ 2,243 Department of Motor Vehicle records reviewed
- ❖ 49 Ergonomic assessments/lab appointments and evaluations for Workers' Compensation Claims and Reasonable Accommodations Requests
- ❖ 73 Chair fittings to ascertain the appropriate chair model
- ❖ 689 Vehicle/Industrial Accident Reports processed
- ❖ 1,027 A.R. 75.12 Course Attendees (28 classes offered)
- ❖ 358 total class participants in DOT related training

Future Year Outlook

In FY 2022, the Safety and Environmental Health Division was relocated to the newly created Compliance Department.

The Division will provide the "Driving for the City of San Diego" course for all new hires who drive on City business. Drivers will also receive training on driver safety through online courses provided by Vector Solutions and the "Being Safe in the City of San Diego" course provided by the Division. In addition, the Division will facilitate a citywide Safety Recognition and Rewards program both for City drivers and those staff performing their job duties safely.

In FY 2022, the Division will select and implement a software program that provides useful data to departments for tracking incidents, injuries, investigations, and other safety related data. The Division has also updated the City's IIPP and will assist City departments in updating their department specific IPPs. Lastly, the Division will work with City departments on documenting compliance with OSHA, Cal/OSHA, and City regulations and a master record will be created to assist departments in monitoring their compliance.

EMPLOYEE BENEFITS DIVISION

The Employee Benefits Division manages the citywide administration of the Flexible Benefits Plan, Retiree Medical Trust, Long-Term Disability (LTD) Plan, Employee Retirement Savings Plans, and Transportation Alternative Program (TAP).

In support of the City's Flexible Benefits Plan, the Division provides 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 processes 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 Division also administers the LTD Plan which was established in 1981 for the purpose of providing income to eligible employees who are 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 Division oversees the Employee Savings Plans which allow employees to enhance retirement income by participating in tax-deferred defined contribution 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 \$2.0 billion as of June 30, 2021. **Figure 14**, Employee Saving Plans, displays a summary of each tax-deferred plan including the number of participants and asset value of each plan.

Figure 14: Employee Saving Plans²		
As of June 30, 2021		
Savings Plan	Number of Participants	Asset Value (in millions)
401(a)	624	\$ 11.9
401(k)	9,803	553.5
457(b)	3,743	207.2
Option C HRA ³	492	42.4
Retiree Medical Trust Plan	4,731	11.9
SPSP	5,111	824.0
SPSP-H	9,131	330.5
Total¹		\$ 1,981.6

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.

This section intentionally blank

Accomplishments and Highlights

In FY 2021, the Employee Benefits Division developed scripts for a series of videos focused on informing and clarifying the benefits available to City employees. These will be used to supplement the information already provided through the Benefits website and booklets.

The Division has adapted to the new work-from-home setting by implementing new phone software allowing Benefit Specialists to assist employees remotely. Virtual maternity leave planning, orientations, and benefits fairs were presented through the use of Microsoft Teams screen sharing.

Wellness program seminars and classes were converted to virtual meetings. On-demand fitness classes were also made available to meet the needs of City employees by allowing access at a time that is most convenient for them.

The Division participated in collective bargaining with the City's Recognized Employee Organizations (REO) regarding terms and conditions of employment as part of the City's negotiation team

Lastly, the Division successfully completed the FY 2021 Open Enrollment successfully enrolling over ten thousand employees during open enrollment period.

In FY 2021, the Employee Benefits Division completed the following in service of City employees:

- ❖ 9,943 Employees receiving flexible benefits
- ❖ 425 New hires, re-hires, and newly benefitted employees who were enrolled in their flexible benefits and mandatory savings plans
- ❖ 198 New LTD claims
- ❖ 27 Non-Standard Hour employees met the qualifications and were offered medical coverage under the ACA

Future Year Outlook

In FY 2022, the Employee Benefits Division is aimed at completing the extensive benefits education project that started last fiscal year. Existing scripts will be translated into educational videos which are focused on providing employees with high-level benefits information. These videos will be incorporated into the enrollment process and Employee Benefits website, making information accessible to employees in a new creative format.

The Division will also implement changes to the existing system of record (SAP) and how it captures employee benefit coverage changes to improve issues that have been encountered when transferring information to the health insurance carriers. New logic stored behind the software will be programmed to categorize specific benefit changes resulting in an accurate depiction of medical coverage updates that will transfer seamlessly to all health insurance carriers. The Division will also be working on a solution to expand the systems capabilities so that it is able to store records for surviving spouses that are eligible for continuation of medical benefits.

The Division will also implement an electronic Qualifying Events Form which is incorporated in the SAP Portal. This will include guided instructions that will be dynamic and adaptive to the specific event an employee is submitting. In addition, by incorporating the form into the SAP Portal, data may be automatically written to the Benefits Module, creating efficiencies in the processing of qualifying events.

The Division will be finalizing and releasing of Total Compensation Statements for employees. These statements will include information on the complete pay package awarded to employees, incorporating all pay and benefits whether direct or indirect. These will show current and prospective employees the total value of City benefits. The Division collaborated with the Department of Finance, Personnel, and Human Resources to ensure all City benefits and compensation are incorporated. The Division will be working with the Department of IT from a systems perspective to make the statements accessible to employees online.

In addition, the Division will be working with the City's benefits consultant and insurance carriers to transition the flexible benefit plan from a fiscal year to a calendar year. This change will synchronize the plan year for flexible spending accounts to the IRS tax year, which eliminates any adverse tax consequences regarding plan limits. This change will also match the plan year for deductible health plans with the deductible accumulation period, which is based on a calendar year.

Finally, the Division will assist and participate in the negotiation process surrounding the unwinding of Proposition B. The Division will prepare a communication plan and update the Employee Benefits website as new information becomes available. The SAP system will undergo extensive testing to ensure the proper assignment of retirement plans to impacted employees. Benefit specialists will be trained and prepared to answer various employee questions throughout the process.

This section intentionally blank

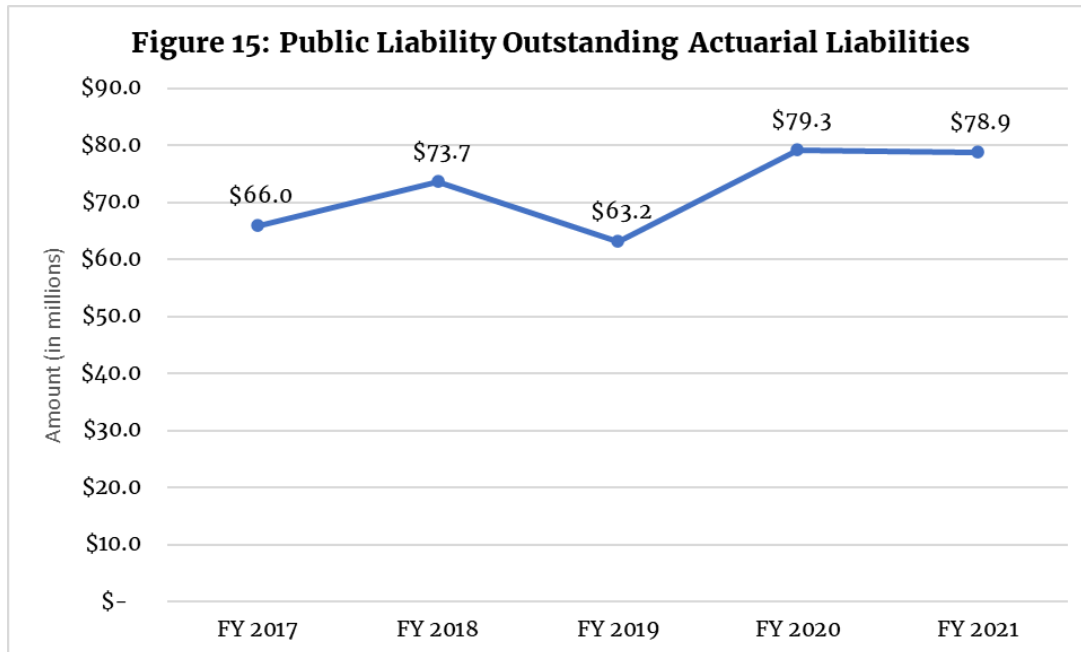
RISK MANAGEMENT RESERVES

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 2021.

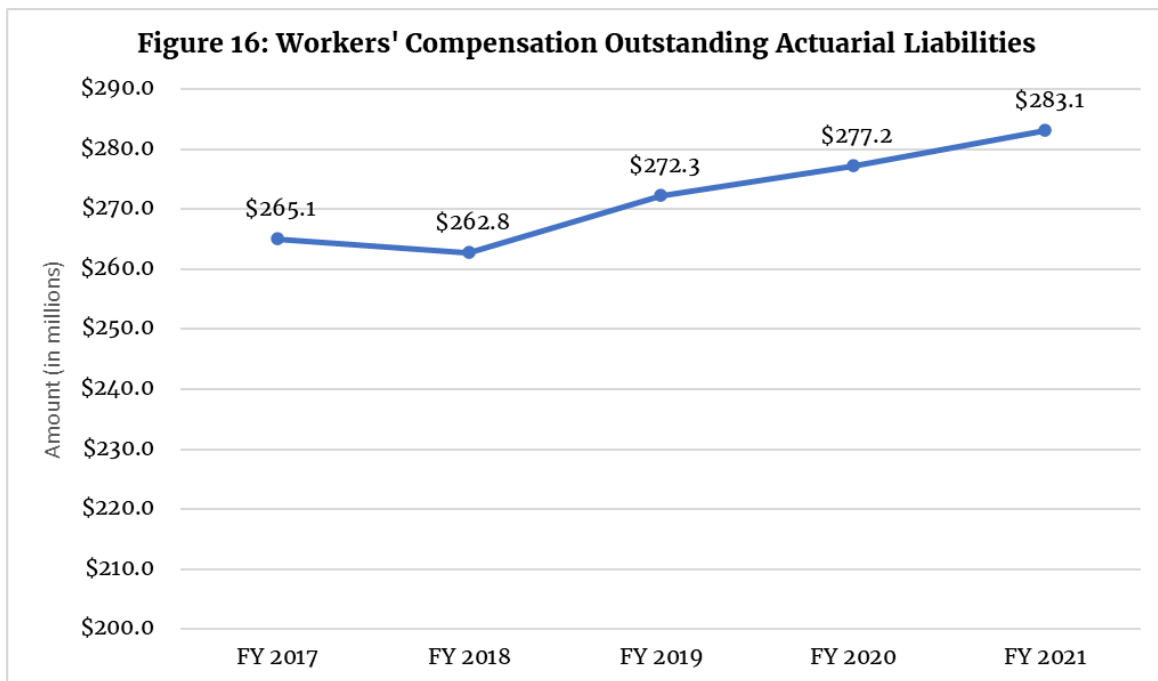
For FY 2021, the City's Reserve Policy requires that the Public Liability Fund Reserve equals 50.0 percent of the AVAAL for the three most recent years, or \$36.0 million. Due to the COVID-19 pandemic and the effect on City revenues the FY 2021 reserve target was not met. The ending fund balance of the Public Liability Fund Reserve is approximately \$33.8 million or 47.0 percent of the three-year average of the annual actuarial liability. **Figure 15**, 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 2021, 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 \$32.5 million. The ending fund balance of the Workers' Compensation Reserve is approximately \$33.9 million or 12.5 percent of the three-year average of the annual actuarial liability. **Figure 16**, Workers' Compensation Outstanding Actuarial Liabilities, displays the workers' compensation outstanding actuarial liabilities for the past five fiscal years.

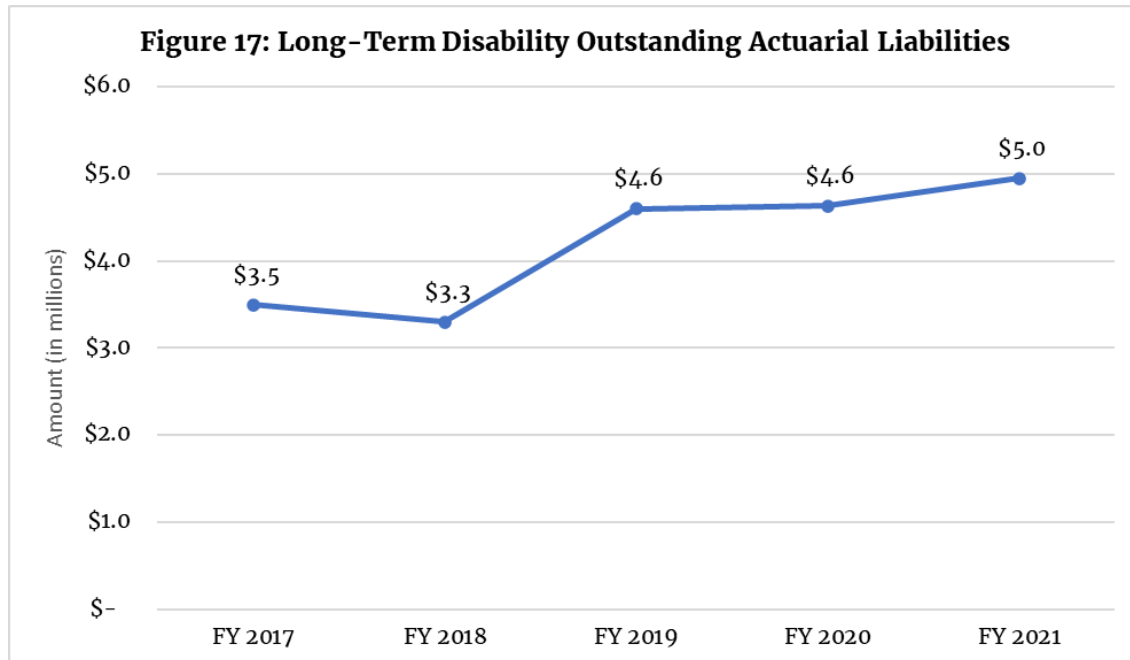


This section intentionally blank

Long-Term Disability Reserve Status

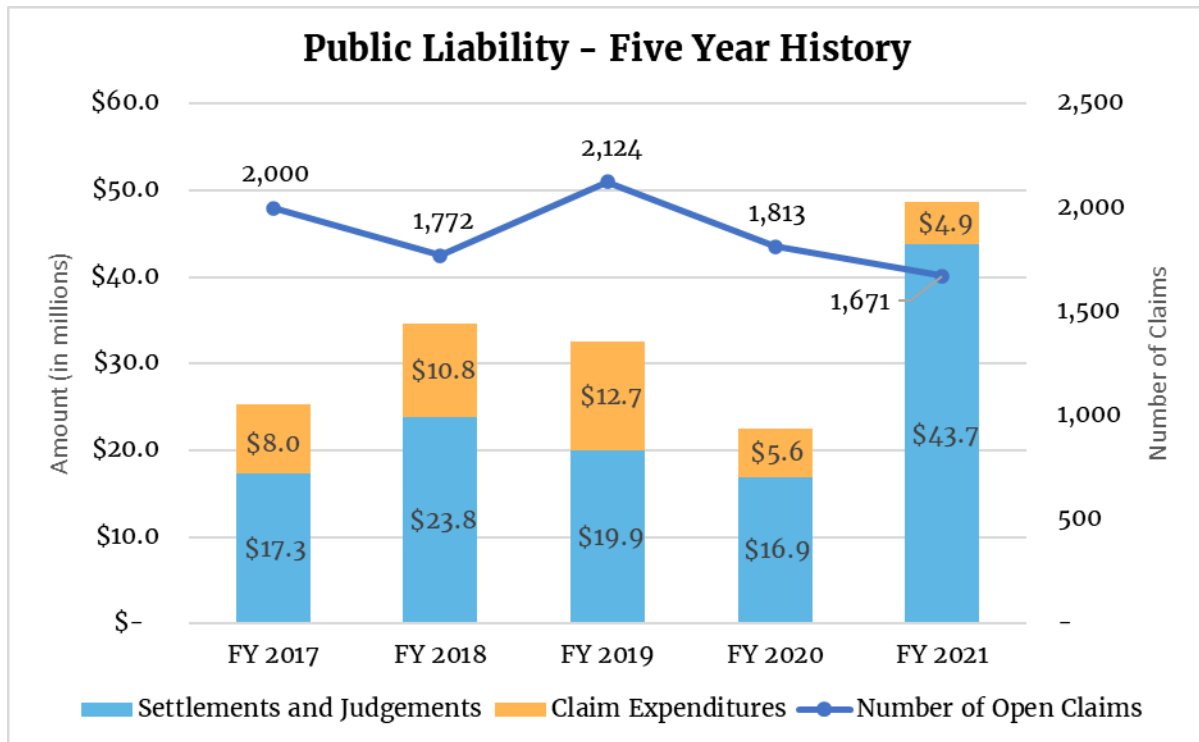
The Long-Term Disability Reserve provides non-industrially disabled City employees with income and flexible benefits coverage. This Fund is included in the City's Reserve Policy to ensure financial stability. Per the policy, the City will maintain reserves equal to 100.0 percent of the average value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

For FY 2021, 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 \$4.2 million. The ending fund balance of the Long-Term Disability Reserve is approximately \$4.3 million or 102.0 percent of the three-year average of the annual actuarial liability. **Figure 17**, LTD Outstanding Actuarial Liabilities, displays the LTD outstanding actuarial liabilities for the past five fiscal years.



This section intentionally blank

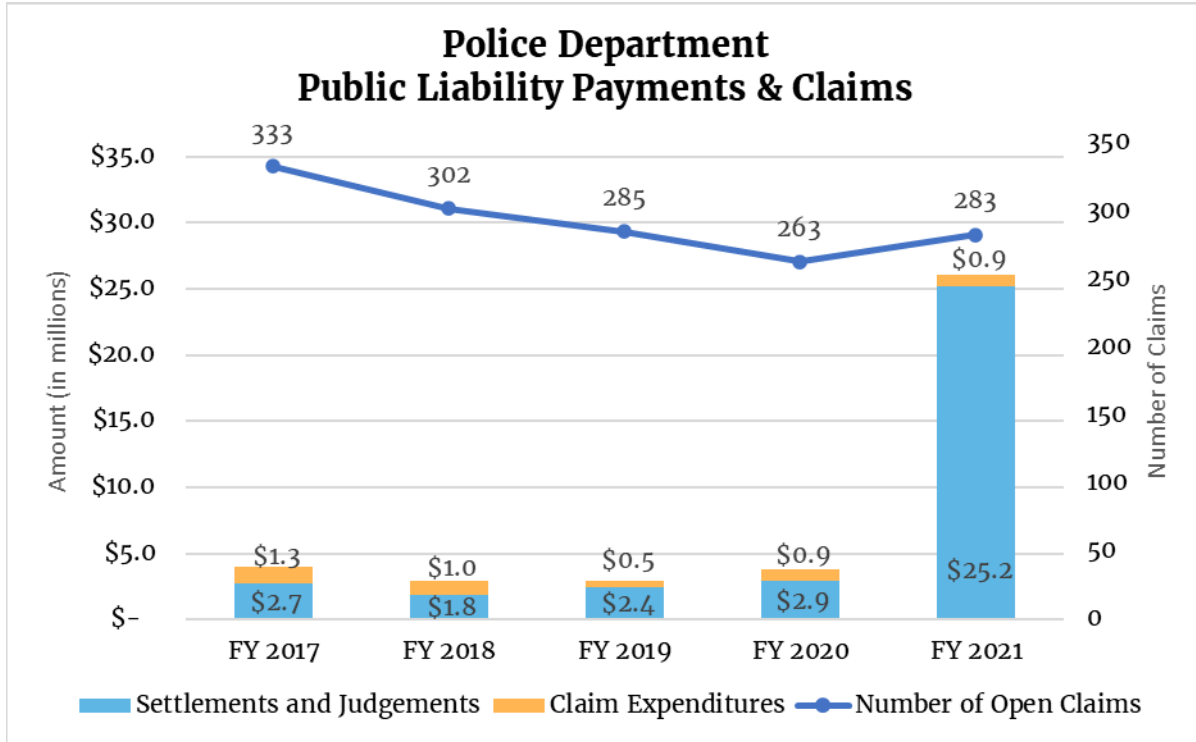
Appendix A



Citywide—FY 2021 total claim expenses increased \$26.2 million, or 117 percent, from FY 2020. Of this total, settlements and judgments increased \$26.8 million, or 159 percent, and claim expenditures decreased \$0.7 million, or 11 percent from FY 2020. FY 2021 open claims decreased by 142, or 8 percent, from FY 2020.

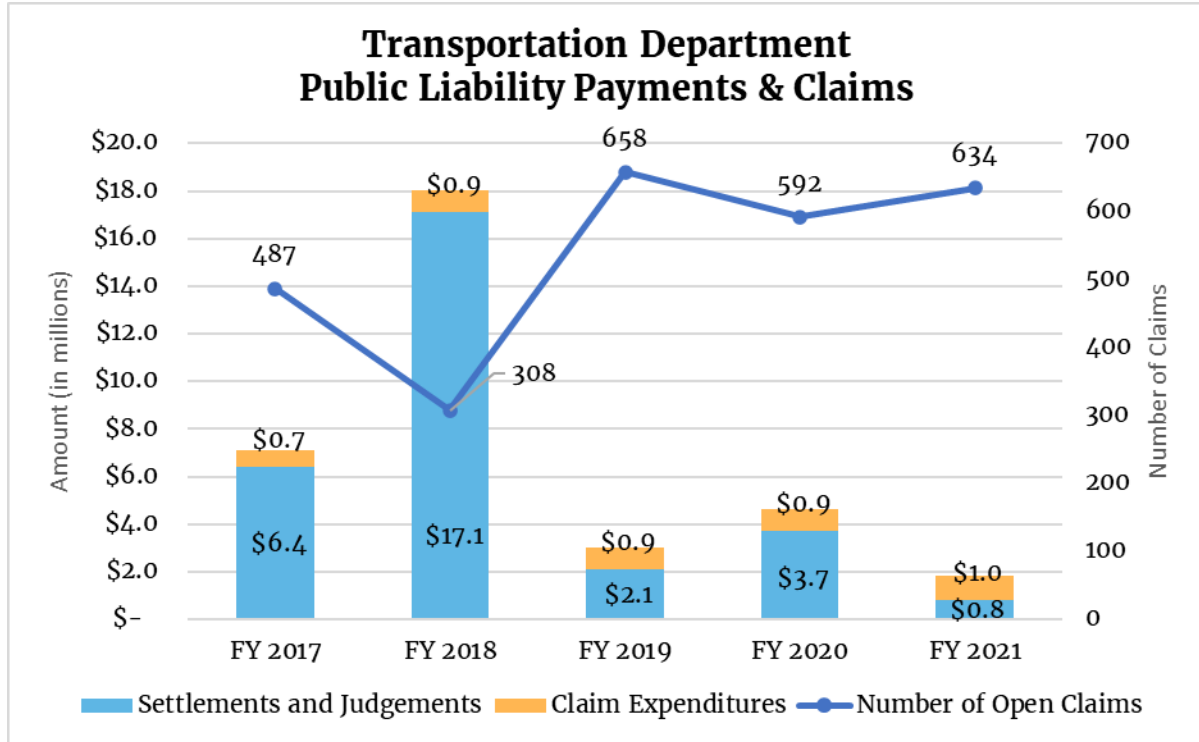
The following graphs reflect the number of claims and payments detail for the top five liability incurring departments and all other combined departments.

This section intentionally blank



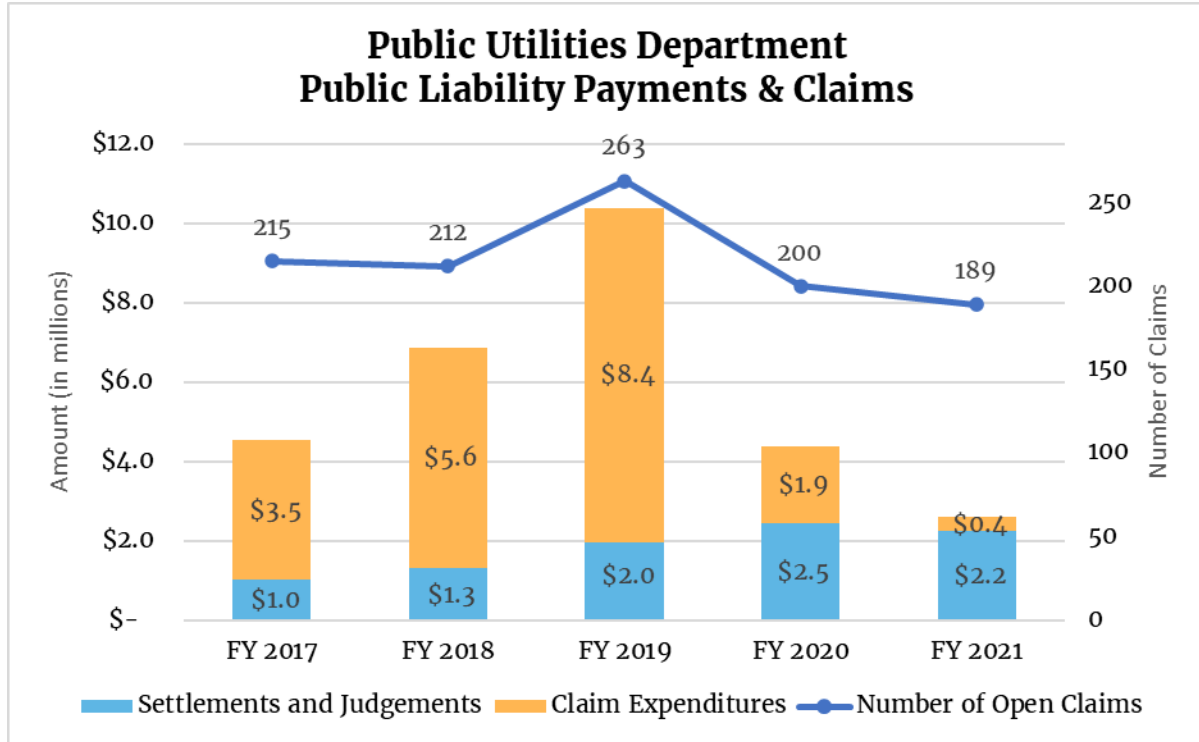
Police Department—FY 2021 total claim expenses increased \$22.3 million, or 593 percent, from FY 2020. Of this total, settlements and judgments increased \$22.3 million, or 774 percent while there was no significant change in claim expenditures from FY 2020. The increase was mainly due to a \$16.0 settlement related to a vehicle accident, Kimberly Elleesa Chavez (claim number 22435), and a \$4.4 million settlement for Rebecca Blakely Brown (claim number 10495). FY 2021 open claims increased by 20, or 8 percent, from FY 2020.

This section intentionally blank



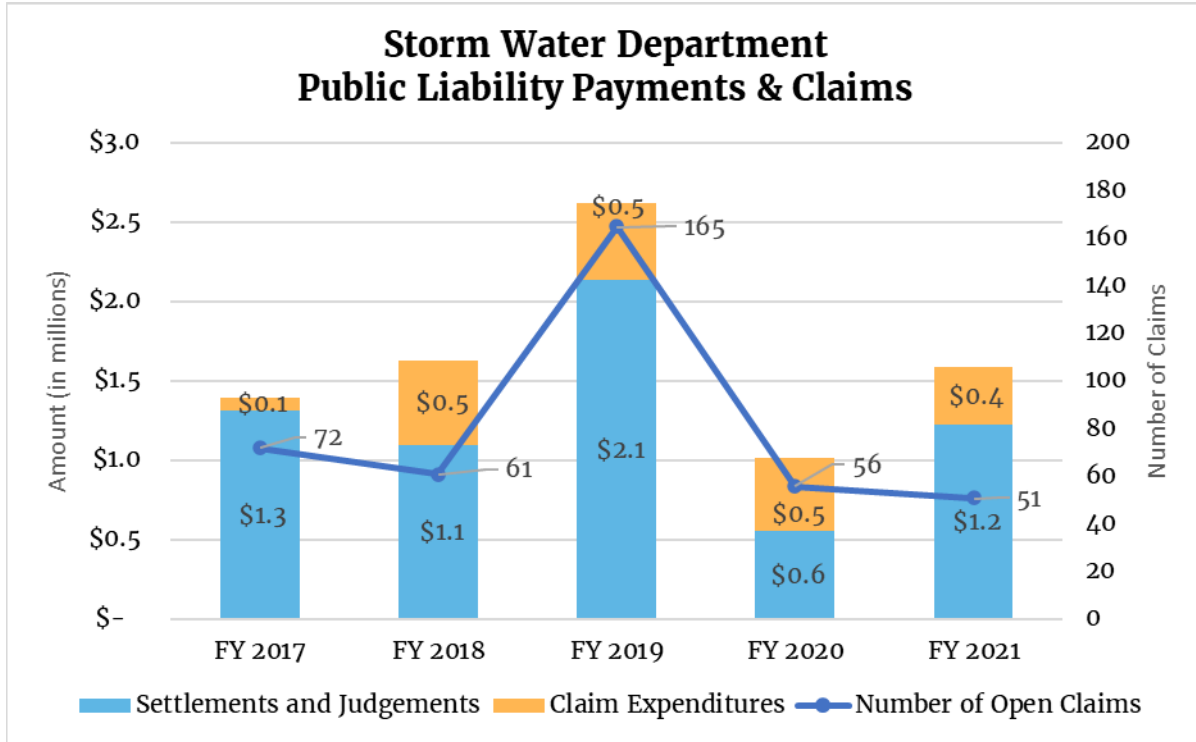
Transportation Department - FY 2021 total claim expenses decreased \$2.8 million, or 60 percent, from FY 2020. Of this total, settlements and judgments decreased \$2.9 million, or 78 percent, and claim expenditures increased \$0.1 million, or 12 percent, from FY 2020. FY 2021 open claims increased by 42, or 7 percent, from FY 2020.

This section intentionally blank



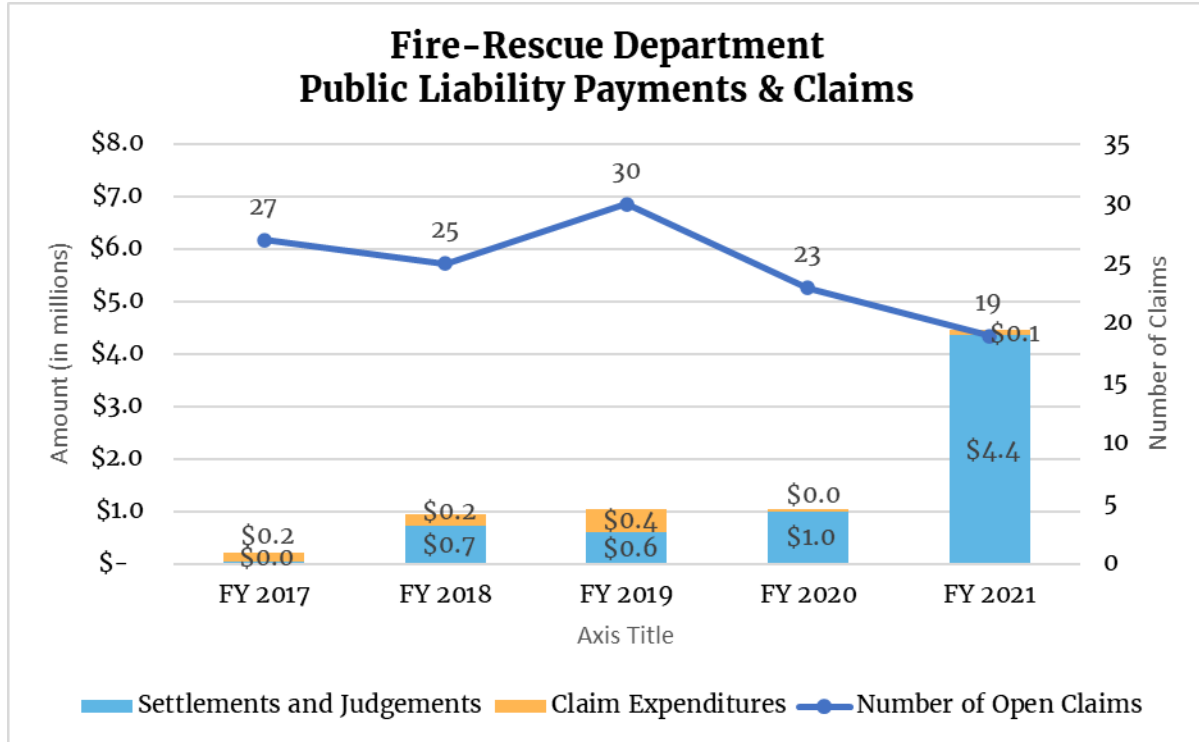
Public Utilities Department -FY 2021 total claim expenses decreased \$1.8 million, or 40 percent, from FY 2020. Of this total, settlements and judgments decreased \$0.2 million, or 9 percent, and claim expenditures decreased \$1.5 million, or 81 percent, from FY 2020. Note that decrease in expenditures is attributed to transfer and tracking of the City's remediation contract expenditures to Public Utilities Department for part of FY 2020 and FY 2021. Tracking of remediation contract expenditures by Risk Management will resume in FY 2022. FY 2021 open claims decreased by 11, or 4 percent, from FY 2020.

This section intentionally blank



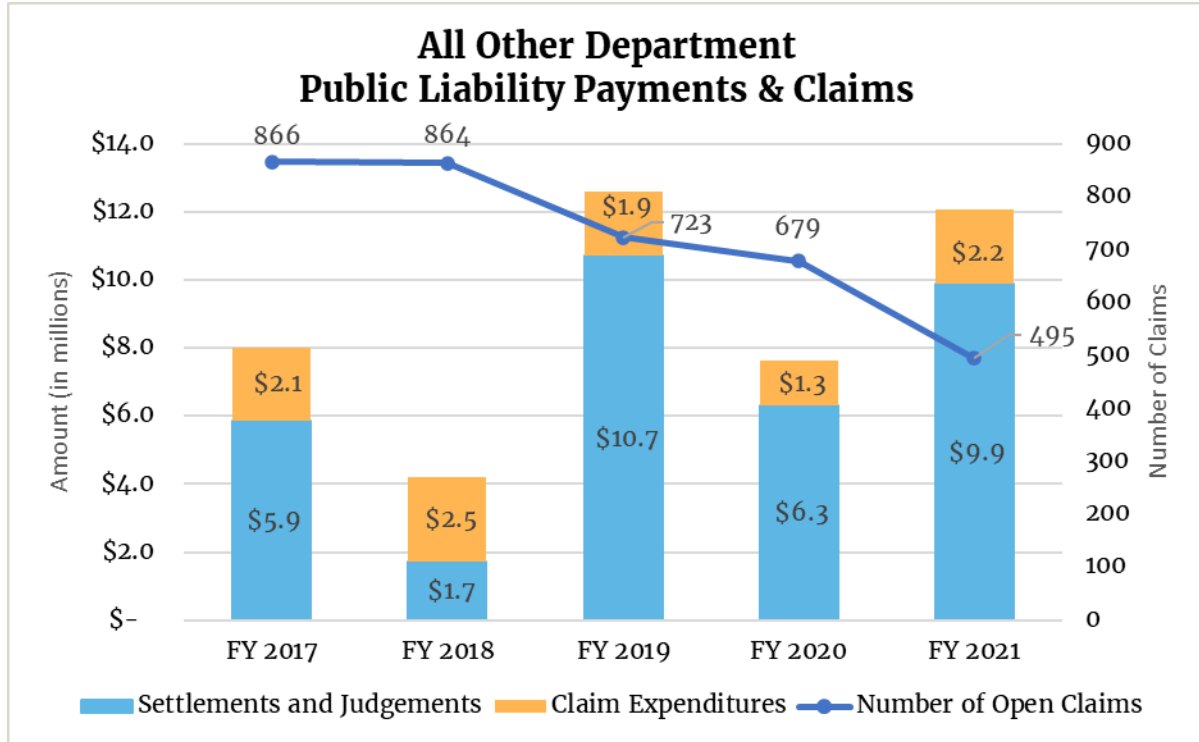
Storm Water Department—FY 2021 total claim expenses increased \$0.6 million, or 56 percent, FY 2020. Of this total, settlements and judgments increase \$0.7 million, or 121 percent, and claim expenditures decreased \$0.1 million, or 21 percent, from FY 2020. FY 2021 open claims decreased by 5, or 9 percent, from FY 2020.

This section intentionally blank



Fire-Rescue Department – FY 2021 total claim expenses increased \$3.4 million, or 332 percent, from FY 2020. Of this total, settlements and judgments increased \$3.4 million, or 338 percent, and claim expenditures decreased \$0.1 million, or 169 percent, from FY 2020. The increase was mainly due to a \$3.4 million settlement related to Employment Civil Rights related to Fair Labor Standards Act (FLSA) litigation, Eric, Kelley (claim number 22147). FY 2021 open claims decreased by 4, or 17 percent, from FY 2020.

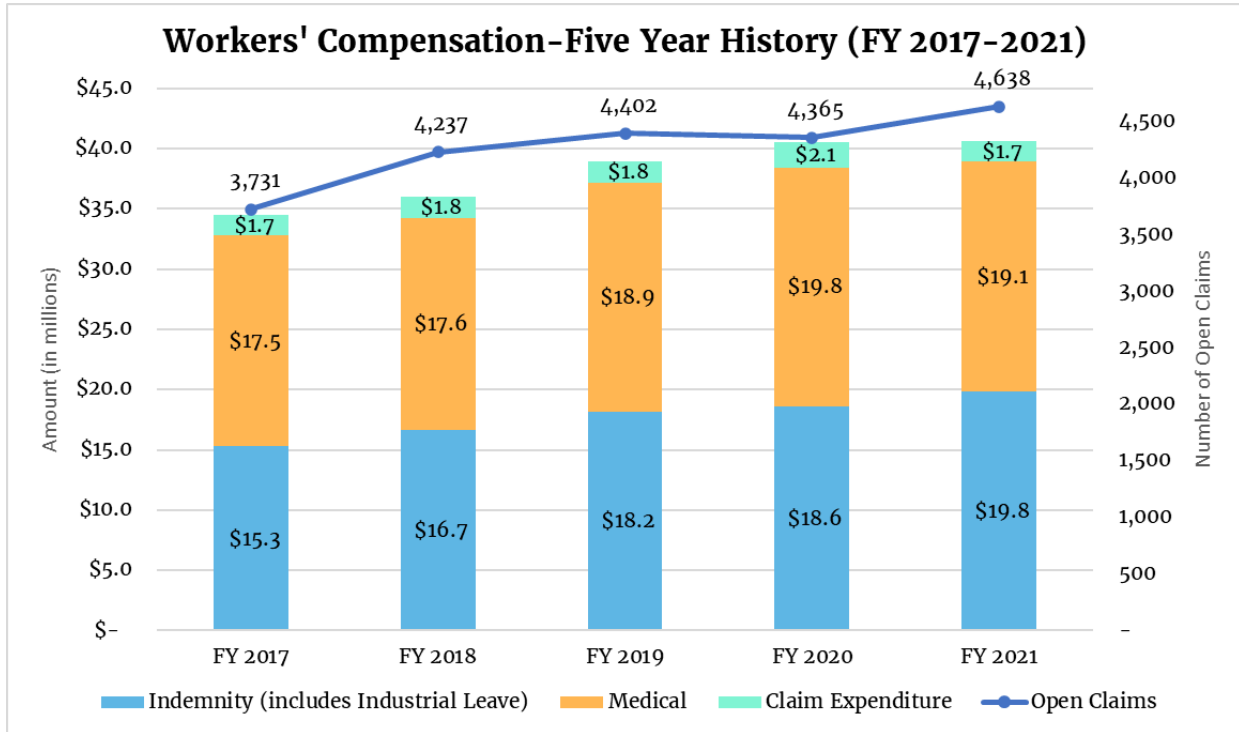
This section intentionally blank



All Other Departments- FY 2021 total claim expenses increased \$4.4 million, or 58 percent, from FY 2020. Of this total, settlements and judgments increased \$3.6 million, or 57 percent, and claim expenditures increased \$0.8 million, or 63 percent, from FY 2020. The increase was mainly due to a \$7.8 million settlement related to Employment Civil Rights related to Fair Labor Standards Act (FLSA) litigation, David Kries, Candance Mitchell, and Alberto Arellano (multiple claims numbers). FY 2021 open claims decreased by 184, or 27 percent, from FY 2020.

This section intentionally blank

Appendix B

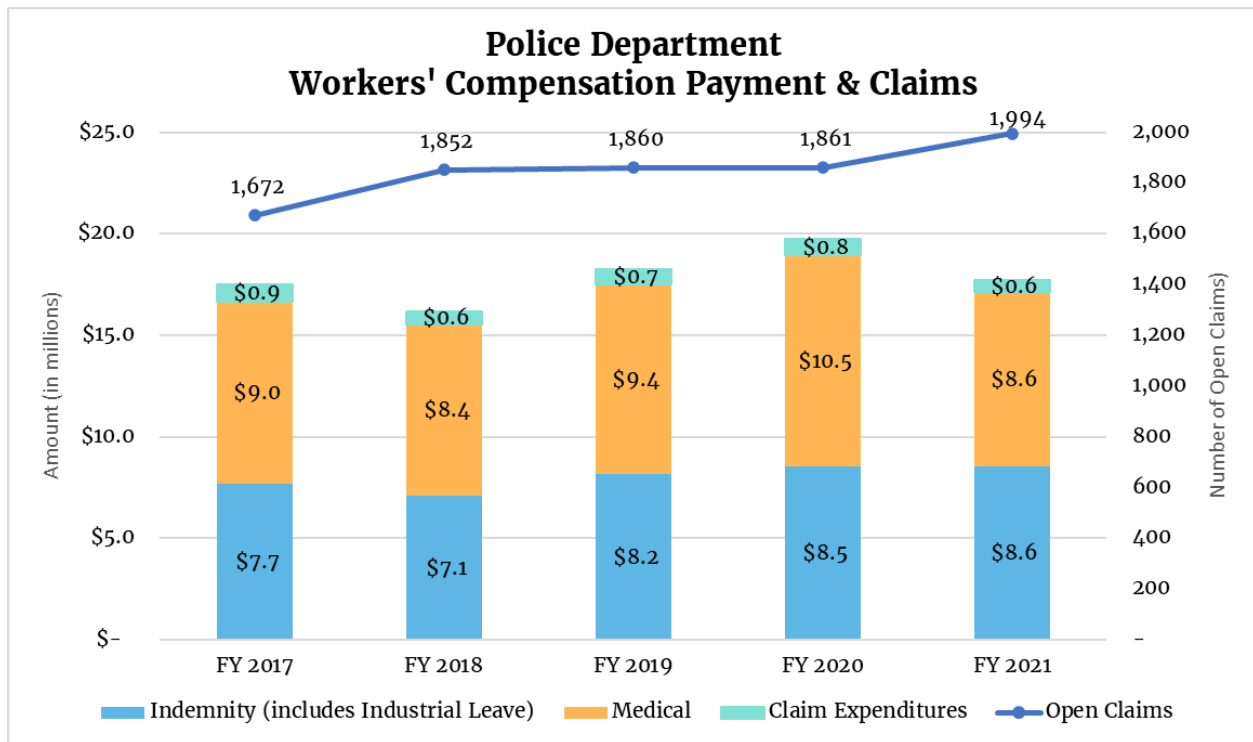


Note: Indemnity includes: permanent disability, salary continuance (industrial leave), and temporary disability

Citywide—FY 2021 total claim expenses increased \$0.2 million, or less than 1 percent, from FY 2020. Of this total, \$1.2 million, or 6 percent, increased in indemnity, \$0.7 million, or 4 percent, decreased in medical, and \$0.3 million, or 15 percent, decreased in claim expenditures from FY 2020. FY 2021 open claims increased by 273, or 6 percent, from FY 2020.

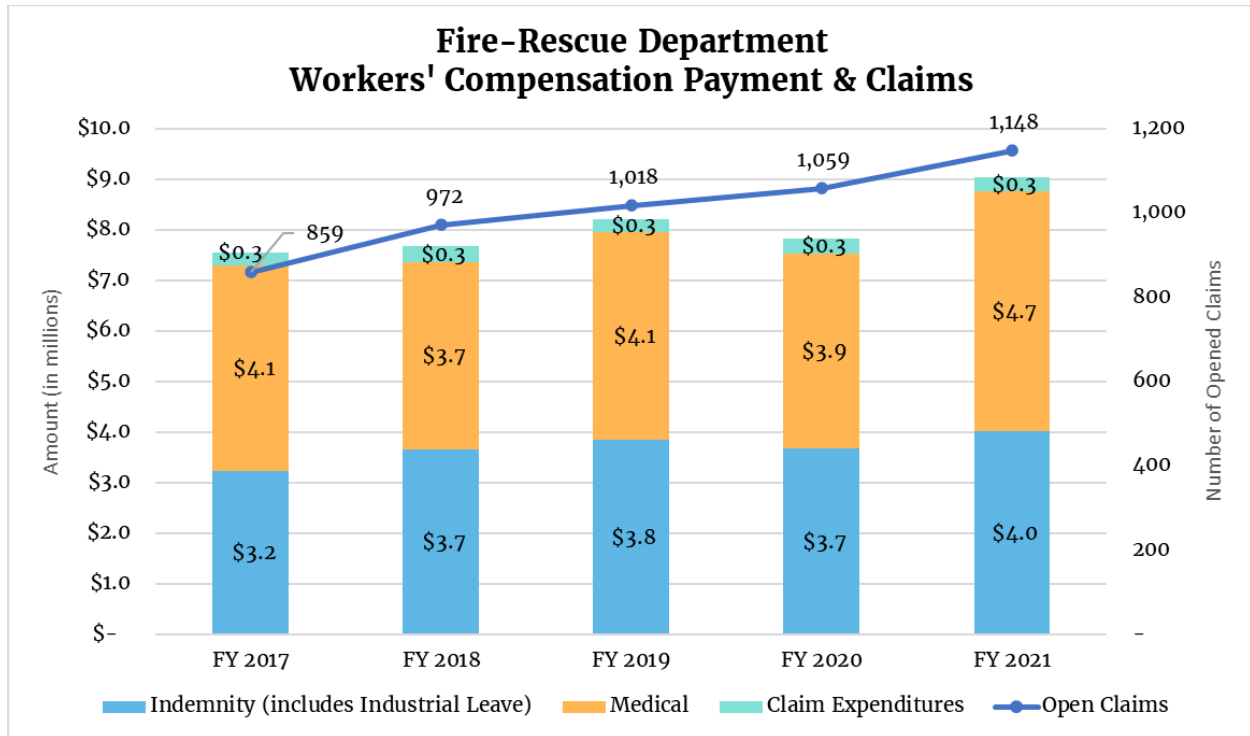
The following graphs reflect detail for the top five workers' compensation incurring departments and all other combined departments.

This section intentionally blank



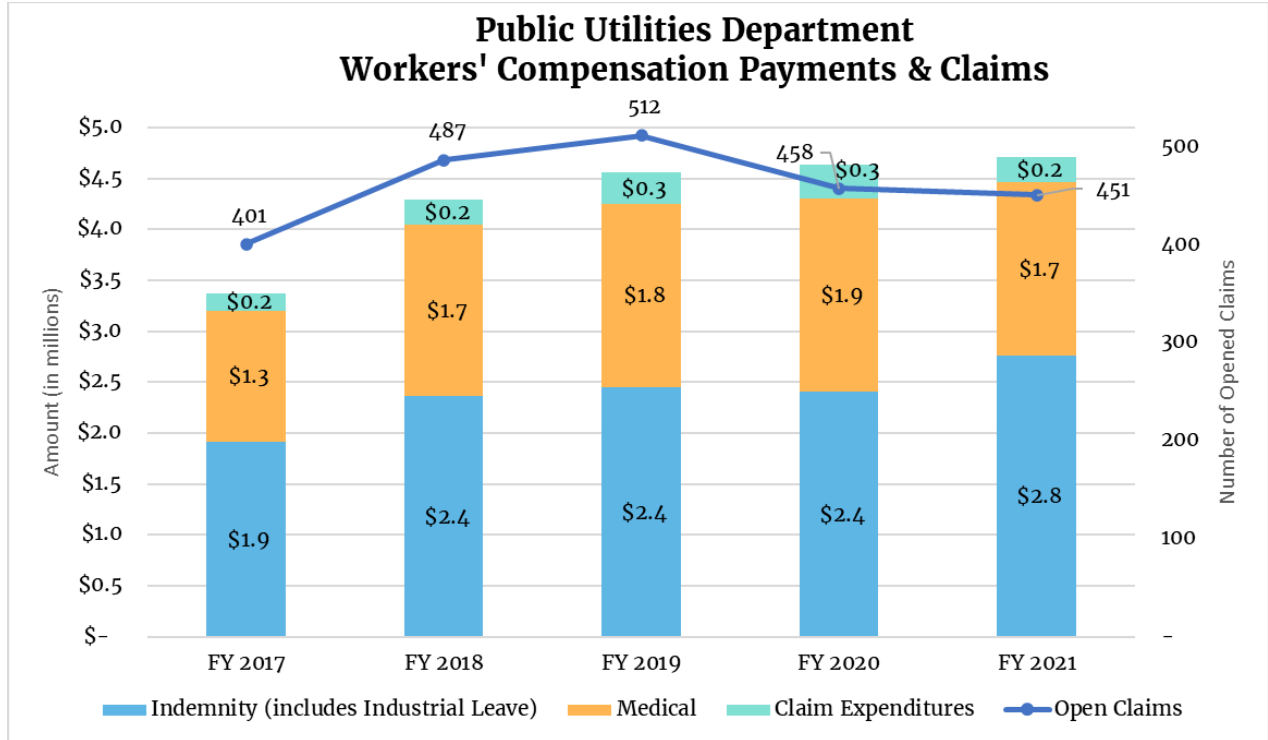
Police Department—FY 2021 total claim expenses decreased \$2.0 million, or 10 percent, from the FY 2020. Of this total, \$0.1 million, or less than 1 percent, increased in indemnity, \$1.9 million, or 18 percent, decreased in medical, and \$0.2 million, or 27 percent, decreased in claim expenditures from FY 2020. FY 2021 open claims increased 133, or 7 percent, from FY 2020.

This section intentionally blank



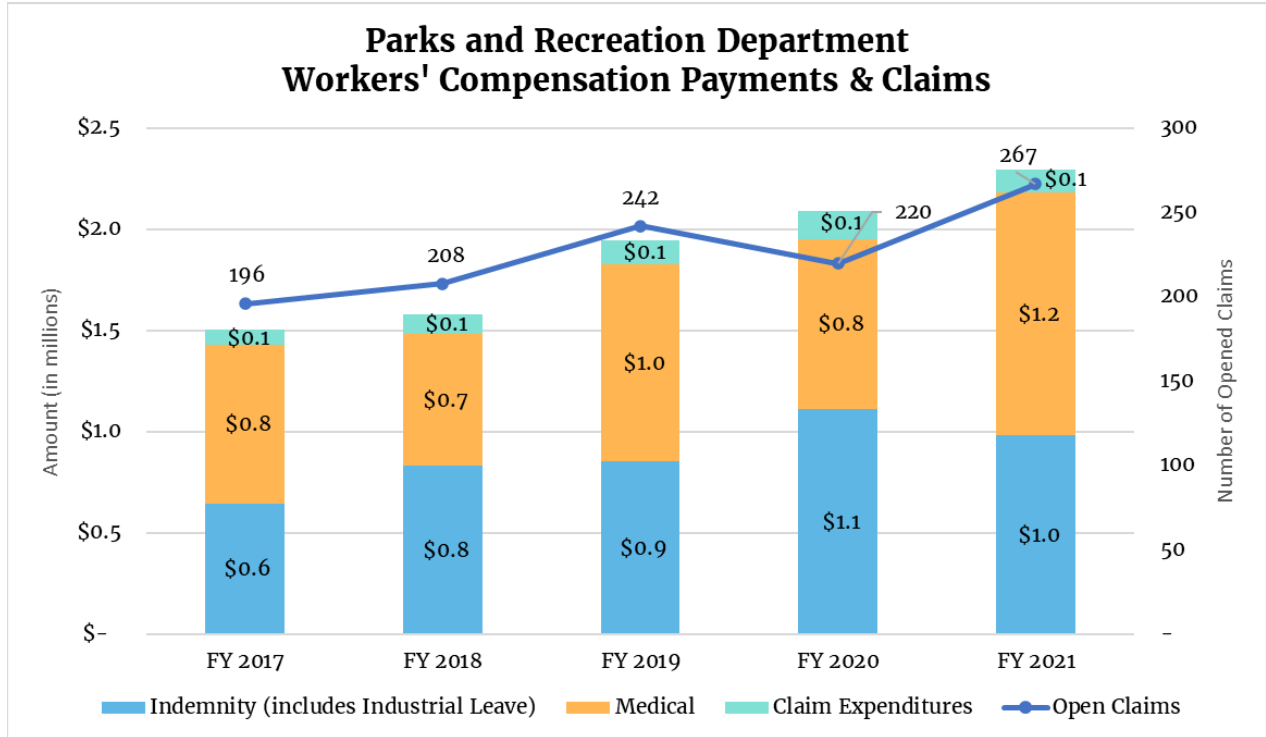
Fire-Rescue Department (includes Fire, Lifeguards, and Emergency Medical Services)-FY 2021 total claim expenses increased \$1.2 million, or 15 percent, from the FY 2020. Of this total, \$0.3 million, or 10 percent, increased in indemnity, \$0.9 million, or 23 percent, increased in medical, and \$31,000, or 10 percent, decreased in claims expenditures from FY 2020. FY 2021 open claims increased 89, or 8 percent, from FY 2020.

This section intentionally blank



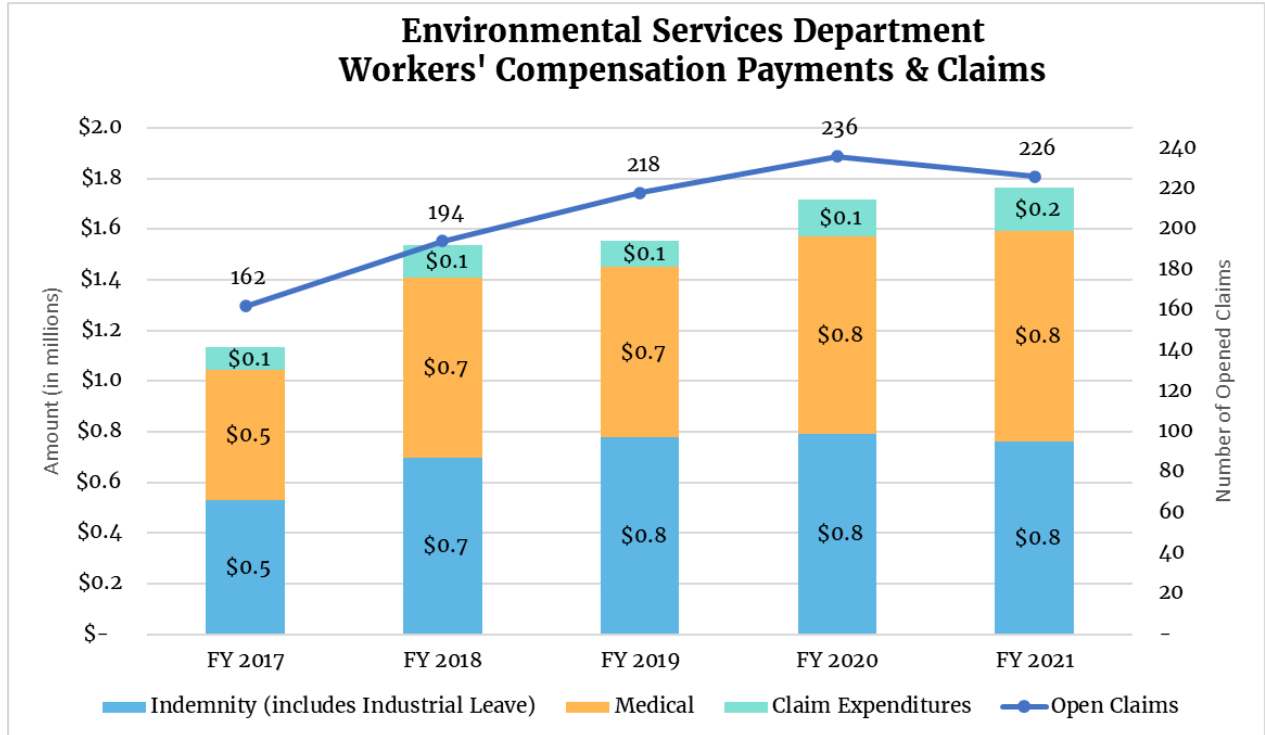
Public Utilities Department—FY 2021 total claim expenses increased \$0.1 million, or 2 percent, from the FY 2020. Of this total, \$0.4 million or 15 percent, increased in indemnity, \$0.2, or 11 percent, decreased in medical, \$0.1 or 24 percent, decreased in claim expenditures from FY 2020. FY 2021 open claims decreased 7, or 2 percent, from FY 2020.

This section intentionally blank



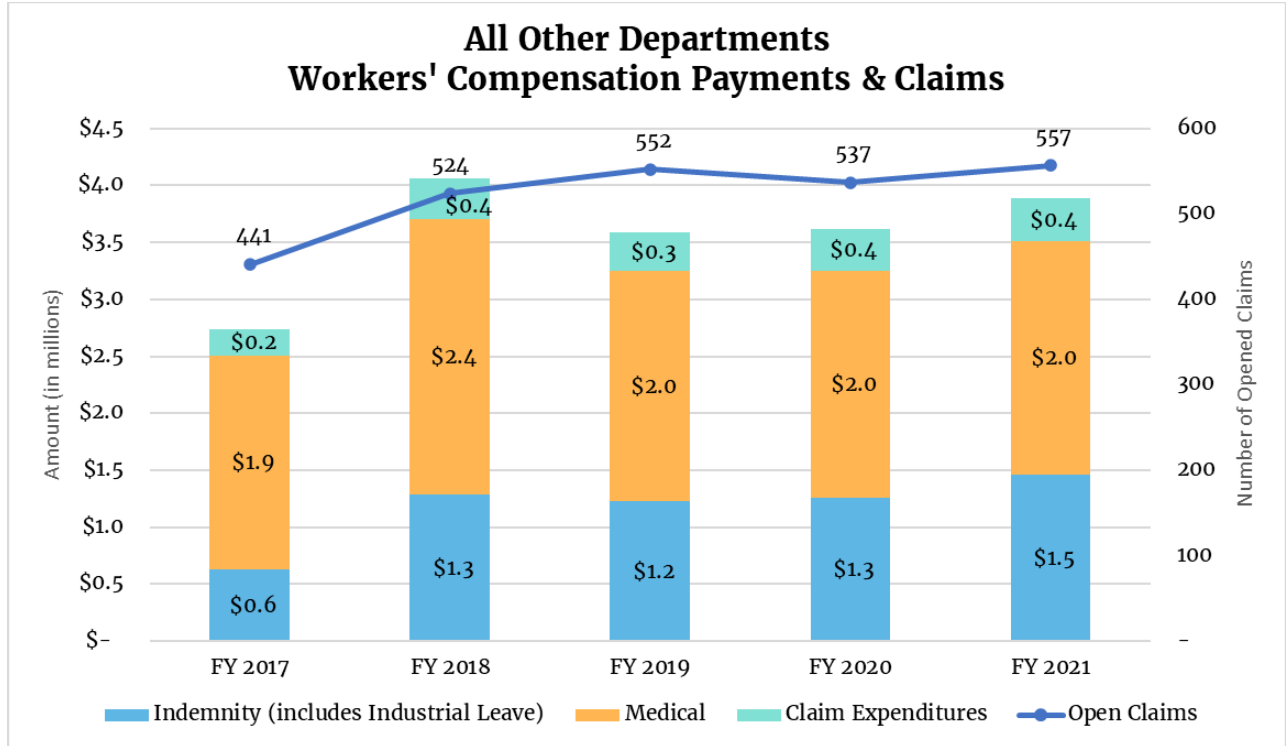
Park and Recreation Department—FY 2021 total claim expenses increased \$0.2 million, or 10 percent, from the FY 2020. Of this total, \$0.1 million, or 11 percent, decreased in indemnity payments, \$0.4 million, or 42 percent, increased in medical, and \$24,000, or 17 percent, decreased in claim expenditures from FY 2020. FY 2021 open claims increased 47, or 21 percent, from FY 2020.

This section intentionally blank



Environmental Services Department—FY 2021 total claim expenses remained similarly the same compared to 2020. Of the total, \$32,000 or 4 percent, decreased in indemnity, \$0.1, or 7 percent, increased in medical, \$20,000 or 15 percent, increased in claim expenditures from FY 2020. FY 2021 open claims decreased 10, or 4 percent, from FY 2020.

This section intentionally blank



All Other Departments—FY 2021 total claim expenses increased \$0.3 million, or 7 percent, from the FY 2020. Of this total, \$0.2 million, or 16 percent, increased in indemnity, \$0.1 million, or 3 percent, increased in medical, and \$10,000 or 3%, increased in claim expenditures from FY 2020. FY 2021 open claims increased 20, or 4 percent, from FY 2020.

This section intentionally blank