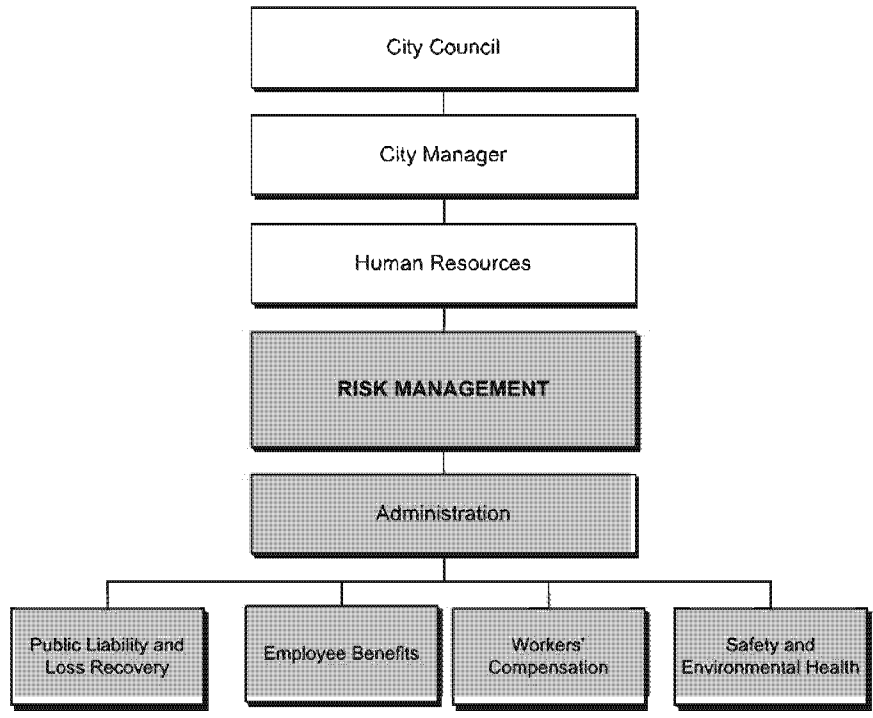


Risk Management



Risk Management



Mission Statement

The Risk Management Department effectively forecasts, controls, and mitigates the City's risks through the administration of comprehensive prevention oriented safety and liability/loss control programs. The Department also provides high quality service to employees through a variety of health, safety, savings, and other employee benefit programs. These programs greatly enhance the working environment and serve as incentives for employee recruitment, retention and satisfaction while protecting the City's assets, employees and citizens.

Department Description

The Risk Management Department manages the City's self-insured workers' compensation programs, coordinates public liability/loss control measures intended to forecast and reduce the City's exposure to risks and administers employee health and safety programs and the City's employee benefits and savings programs.

Division/Major Program Description

Administration

This Division provides policy direction, supervision and administrative control over the operations of the Department, including the Public Liability and Loss Recovery, Employee Benefits, Workers' Compensation, and Safety and Environmental Health Divisions. Staff prepares and administers the Department's budget, manages multiple information systems, provides loss data to operating departments, provides centralized payroll and fiscal document processing and provides timely input to the City Manager, Mayor, and the City Council in making loss control, revenue recovery, loss prevention and employee benefit decisions.

Risk Management

Division/Major Program Description

Employee Benefits

The City provides its employees with a Flexible Benefits Plan, a Long-Term Disability Plan and Employee Savings Plans. The Flexible Benefits Plan administers health, life and other insurance coverage. Staff further determines eligibility for the Flexible Benefits Plan and processes claims for medical and childcare reimbursement options. The Long-Term Disability Plan provides non-industrially disabled City employees with income and flexible benefits coverage. The Employee Savings Plans allow employees to enhance their retirement years by fully participating in tax-deferred plans such as Supplemental Pension Savings Plans (SPSP), 401(k) and 457 plans.

Public Liability and Loss Recovery

The Public Liability and Loss Recovery Division administers a self-insured program for public liability (tort) risks, which is supplemented by purchased excess liability insurance. In addition, the Division selects, purchases and manages an insurance portfolio, including all-risk property insurance, designed to provide comprehensive coverage for all risks inherent in municipal operations. The Division supports the following activities: investigation and settlement of all claims arising from the City's operation as a municipality; services to residents and special event promoters to ensure the public's interests are protected with appropriate insurance; and investigation and recovery of damages to City assets caused by individuals and corporate entities.

Safety and Environmental Health

The main goal of the Safety and Environmental Health Division is to assist departments in preventing losses to the City. The centralized staff of this Division assists and works with line management in all City departments in an effort to reduce injuries and illnesses by developing safety prevention and environmental health procedures. The Division coordinates and conducts City Safety Program audits, City safety reporting, safety training, and workplace inspections; investigates and monitors employee injury, and accidents, and prepares the annually required Occupational Safety and Health Administration (OSHA) reports.

Workers' Compensation

The City's Workers' Compensation Plan is self-insured and self-administered in accordance with the California Labor Code. Staff provides information and assistance to injured employees and other defined customers including all City departments. Staff further investigates, determines and delivers appropriate benefits including: all medical and salary continuation benefits; death benefits to surviving dependents; and disability and voc-

Division/Major Program Description

Workers' Compensation (continued)

ational rehabilitation benefits in accordance with City, State and federal regulations.

Service Efforts and Accomplishments

As a result of internal reviews and external operational assessments conducted in recent years, and in response to rapidly rising workers' compensation costs, Risk Management developed an optimization plan. This plan will increase City departments' awareness of the areas where losses are occurring and where resources should be applied to reduce the volume and subsequent costs of incidents. The Safety and Environmental Health Division is working with City departments to develop an aggressive, prevention-oriented program to increase safety awareness and accountability and lower injury rates and costs.

Workers' compensation expenditures continue to increase nationally and throughout the State. In order to combat the extraordinary growth in workers' compensation expenditures, the Risk Management Department employed an integrated managed care approach to handling claims in June 2002. Two aspects of this new approach, bill review and the use of a Preferred Provider Organization, have resulted in an additional \$2.9 million in savings since July 2002. The caseloads handled by Risk Management claims representatives continue to exceed industry standards by over 80 percent. In Fiscal Year 2003, the Employee Benefits Division enrolled and maintained benefits for 10,933 City employees.

Future Outlook

The Risk Management Department's Workers' Compensation Division continues to assist departments in lowering their injury rates and associated costs by streamlining the paper-intensive workers' compensation claim process and providing management with department-specific loss reports related to injury rates and trends. The new Injury Tracking and Safety System, implemented in April of 2003, enables claims representatives to more effectively manage claims and provides operating departments with more accurate and timely information regarding their injured work force. This is also anticipated to eliminate penalties incurred due to frequent delays in the current claims process.

A centralized call-in center for injuries and accidents was also implemented, reducing injury reporting times from up to four weeks down to 48 hours. This streamlined process has reduced the time to report a claim and reduced the wait time for employees needing medical attention. This process will increase the City's savings in the areas of industrial health care expenses and costs associated with the number of the industrial leave hours taken and assist supervisors and managers in processing claims promptly and correctly.

Despite the Risk Management Department's efforts to reduce costs, workers' compensation legislation that went into effect in January 2003 may increase the costs associated with all new claims filed after that date. However, at the time of this publication the State Legislature just passed a slate of bills characterized as "Workers' Compensation Reform." A detailed analysis of this legislation has yet to be completed to determine its full impact. Based on a cursory review, there is reason to be optimistic that this legislation may achieve meaningful savings when fully implemented. However, savings are expected to accrue gradually as the bill is implemented, specifically after FY2005. The Risk Management Department has taken a proactive approach to addressing workers' compensation reform with the City's Governmental Relations Department.

Risk Management

Budget Dollars at Work

\$7,760,606 Saved by aggressively reviewing workers' compensation medical bills

\$1,682,783 Recovered from third parties for damage to City property

498 New employees enrolled in the City's benefit programs

1,666 Requests processed to change 401(k) and/or deferred compensation contributions and retirement plan transfers

Risk Management				
	FY 2003 BUDGET	FY 2004 BUDGET	FY 2005 FINAL	FY 2004-2005 CHANGE
Positions	77.77	77.77	77.77	0.00
Personnel Expense	\$ 5,118,421	\$ 5,412,600	\$ 6,258,044	\$ 845,444
Non-Personnel Expense	\$ 1,614,212	\$ 1,815,007	\$ 2,331,259	\$ 516,252
TOTAL	\$ 6,732,633	\$ 7,227,607	\$ 8,589,303	\$ 1,361,696

All numbers above reflect the transfer of the Employee Assistance Program from Risk Management into the Human Resources Department during FY 2005.

Department Staffing

	FY 2003 BUDGET	FY 2004 BUDGET	FY 2005 FINAL
RISK MANAGEMENT ADMINISTRATION			
Risk Management			
Administration	6.52	7.52	7.52
Employee Benefits	12.50	12.50	10.50
Public Liability & Loss Recvry	16.50	16.50	17.75
Safety & Environmental Health	13.00	12.00	12.00
Workers' Compensation	29.25	29.25	30.00
Total	77.77	77.77	77.77

Department Expenditures

	FY 2003 BUDGET	FY 2004 BUDGET	FY 2005 FINAL
RISK MANAGEMENT ADMINISTRATION			
Risk Management			
Administration	\$ 687,184	\$ 862,947	\$ 899,282
Employee Benefits	\$ 1,188,675	\$ 1,285,001	\$ 1,212,732
Public Liability & Loss Recvry	\$ 1,268,317	\$ 1,353,858	\$ 2,096,497
Safety & Environmental Health	\$ 1,072,006	\$ 1,055,086	\$ 1,179,374
Workers' Compensation	\$ 2,516,451	\$ 2,670,715	\$ 3,201,418
Total	\$ 6,732,633	\$ 7,227,607	\$ 8,589,303

Risk Management

Significant Budget Adjustments

RISK MANAGEMENT ADMINISTRATION

Risk Management	Positions	Cost
<p>Salary and Benefit Adjustments</p> <p>Adjustments to reflect the annualization of the Fiscal Year 2004 negotiated salary compensation schedule, Fiscal Year 2005 negotiated salaries and benefits, changes to average salaries, retirement contributions and other benefit compensation.</p>	0.00	\$ 843,243
<p>Support for Information Technology</p> <p>Funding has been reallocated according to a Citywide review of information technology budget requirements and priority analyses.</p>	0.00	\$ 453,360
<p>Non-Discretionary</p> <p>Adjustments to reflect expenses that are determined outside of the Department's direct control. Examples of these adjustments include utilities, insurance, and rent.</p>	0.00	\$ 78,488
<p>Reallocation of Support</p> <p>Reallocation of support as a result of the transfer of the Employee Assistance Program from Risk Management into Human Resources Special Training.</p>	0.00	\$ (13,395)

Expenditures by Category

	FY 2003 BUDGET	FY 2004 BUDGET	FY 2005 FINAL
PERSONNEL			
Salaries & Wages	\$ 3,893,832	\$ 3,993,982	\$ 4,247,542
Fringe Benefits	\$ 1,224,589	\$ 1,418,618	\$ 2,010,502
SUBTOTAL PERSONNEL	\$ 5,118,421	\$ 5,412,600	\$ 6,258,044
NON-PERSONNEL			
Supplies & Services	\$ 744,075	\$ 722,337	\$ 706,741
Information Technology	\$ 803,558	\$ 1,017,379	\$ 1,577,200
Energy/Utilities	\$ 58,677	\$ 67,389	\$ 39,416
Equipment Outlay	\$ 7,902	\$ 7,902	\$ 7,902
SUBTOTAL NON-PERSONNEL	\$ 1,614,212	\$ 1,815,007	\$ 2,331,259
TOTAL	\$ 6,732,633	\$ 7,227,607	\$ 8,589,303

Risk Management

Key Performance Measures

	FY 2003 BUDGET	FY 2004 BUDGET	FY 2005 FINAL
Average cost per safety evaluation ⁽¹⁾	N/A	\$256	\$286
Average cost for managing each public liability claim ⁽²⁾	\$317	\$338	\$429
Average cost for managing each City employee's benefits ⁽³⁾	\$143	\$122	\$115
Average cost for managing each workers' compensation claim	\$699	\$742	\$889

Salary Schedule

RISK MANAGEMENT ADMINISTRATION

Risk Management

<i>Class</i>	<i>Position Title</i>	<i>FY 2004 Positions</i>	<i>FY 2005 Positions</i>	<i>Salary</i>	<i>Total</i>
1105	Administrative Aide I	0.50	0.50	\$ 40,042	\$ 20,021
1218	Assoc Management Analyst	1.00	1.00	\$ 58,746	\$ 58,746
1256	Benefits Representative II	7.00	5.00	\$ 36,583	\$ 182,914
1340	Claims Aide	10.25	10.00	\$ 40,776	\$ 407,758
1341	Claims Clerk	12.25	12.75	\$ 34,664	\$ 441,965
1343	Claims Representative II	15.75	15.50	\$ 58,697	\$ 909,801
1348	Info Systems Analyst II	0.00	1.00	\$ 59,625	\$ 59,625
1349	Info Systems Analyst III	1.00	1.00	\$ 66,296	\$ 66,296
1391	Supv Claims Representative	4.00	4.00	\$ 71,444	\$ 285,775
1407	Employee Benefits Specialist II	1.00	1.00	\$ 60,176	\$ 60,176
1417	Employee Benefits Specialist I	2.00	2.00	\$ 49,791	\$ 99,582
1535	Clerical Assistant II	2.00	2.00	\$ 32,749	\$ 65,498
1811	Rehabilitation Coordinator	1.00	1.00	\$ 64,890	\$ 64,890
1816	Claims & Insurance Manager	2.00	3.00	\$ 80,962	\$ 242,886
1823	Safety Officer	3.00	3.00	\$ 63,659	\$ 190,978
1826	Safety Representative II	6.00	6.00	\$ 55,793	\$ 334,755
1876	Executive Secretary	1.01	1.01	\$ 48,366	\$ 48,850
1879	Sr Clerk/Typist	1.00	1.00	\$ 39,789	\$ 39,789
1917	Supv Management Analyst	1.00	1.00	\$ 74,732	\$ 74,732
1937	Sr Claims Representative	3.00	3.00	\$ 64,890	\$ 194,669
1972	Safety & Training Manager	1.00	1.00	\$ 74,508	\$ 74,508
2111	Asst City Manager	0.01	0.01	\$ 179,900	\$ 1,799
2157	Risk Management Director	1.00	1.00	\$ 128,995	\$ 128,995
2214	Deputy Director	1.00	1.00	\$ 108,947	\$ 108,947
	Ex Perf Pay-Classified	0.00	0.00	\$ -	\$ 4,040

(1) Due to an internal reorganization during FY 2003, Safety's role significantly changed requiring a new Performance Based Budget measure beginning in FY 2004.

(2) Efficiency for FY 2005 does not include onetime cost of upgrading the Public Liability Claims Tracking System.

(3) FY 2004 figure reflects the transfer of the Employee Assistance Program from Risk Management into the Human Resources Department.

Risk Management

Salary Schedule

RISK MANAGEMENT ADMINISTRATION

Risk Management

<i>Class</i>	<i>Position Title</i>	<i>FY 2004 Positions</i>	<i>FY 2005 Positions</i>	<i>Salary</i>	<i>Total</i>
	Temporary Help	0.00	0.00	\$ -	\$ 79,547
	Total	77.77	77.77		\$ 4,247,542
RISK MANAGEMENT TOTAL		77.77	77.77	\$	4,247,542

Five-Year Expenditure Forecast

	FY 2005 FINAL	FY 2006 FORECAST	FY 2007 FORECAST	FY 2008 FORECAST	FY 2009 FORECAST	FY 2010 FORECAST
Positions	77.77	88.02	89.02	90.02	90.02	90.02
Personnel Expense	\$ 6,258,044	\$ 7,152,689	\$ 7,452,479	\$ 7,761,262	\$ 7,994,100	\$ 8,233,923
Non-Personnel Expense	\$ 2,331,259	\$ 2,251,197	\$ 2,321,233	\$ 2,393,370	\$ 2,465,171	\$ 2,539,126
TOTAL EXPENDITURES	\$ 8,589,303	\$ 9,403,886	\$ 9,773,712	\$ 10,154,632	\$ 10,459,271	\$ 10,773,049

Risk Management

Fiscal Year 2006

Staffing increases of 4.00 Benefit Representative II, 3.25 Claims Representative II, 2.00 Clerical Assistant II, and 1.00 Supervising Claims Representative will be requested for ongoing program enhancements, anticipated workload increase and to maintain the current level of service. Support will also be requested for office supplies and new hires for benefits enrollment and maintenance, public liability, and workers' compensation.

Additional funding of \$90,000 will be requested for the Employee Savings Trustee Board consultant and other non-personnel costs, training and certifications, equipment, the Policy and Procedures Manual, and automation efforts.

Reduction of onetime expenditures will also be necessary.

Fiscal Year 2007

Addition of 1.00 Claims Representative II and support will be requested for ongoing program enhancements, anticipated workload increase, and to maintain the current level of service.

Additional funding will be requested for purchases of a document scanner and other automation equipment.

Reduction of onetime expenditures will also be necessary.

Risk Management

Five-Year Expenditure Forecast

Risk Management	
Fiscal Year 2008	<p>Addition of 1.00 Claims Representative II and support will be requested for ongoing program enhancements, anticipated workload increase, and to maintain the current level of service.</p> <p>Reduction of onetime expenditures will also be necessary.</p>
Fiscal Year 2009	<p>Support will be requested for automation expansion and to maintain current level of service.</p> <p>Reduction of onetime expenditures will also be necessary.</p>
Fiscal Year 2010	<p>No major projected requirements.</p>