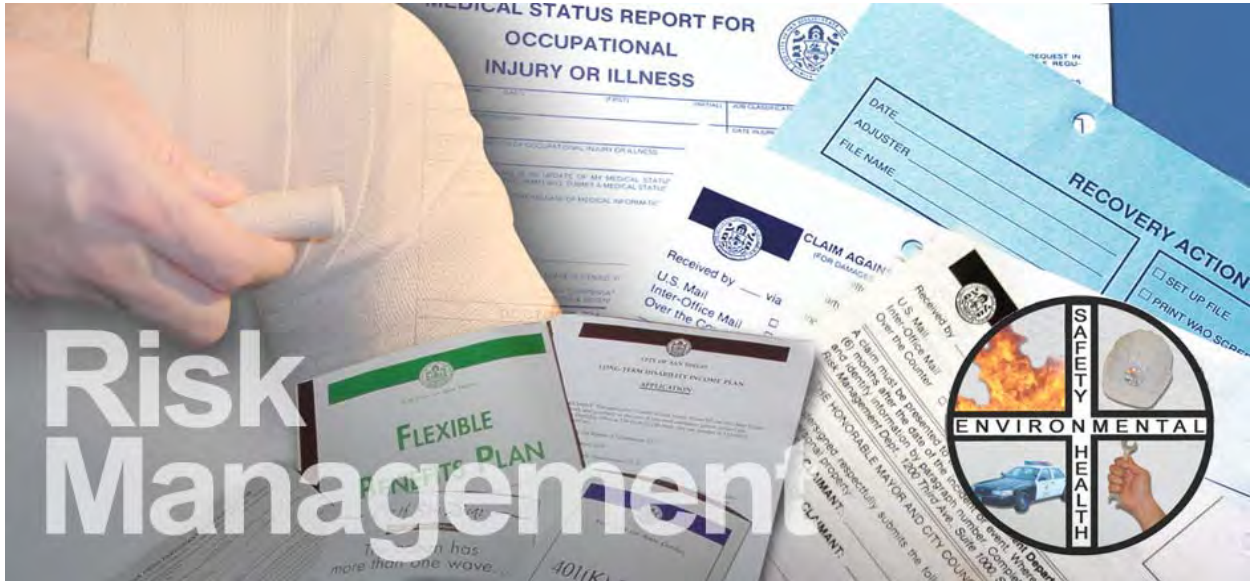


RISK MANAGEMENT







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

The Administration 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 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 employee 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 Plan, 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 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 goals of the Safety and Environmental Health Division are 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 audits, reporting, training, and workplace inspections; investigates and monitors employee injury and accidents and prepares annually required Occupational Safety and Health Administration 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 vocational rehabilitation benefits in accordance with City, State and federal regulations.

Risk Management

Service Efforts and Accomplishments

A recently implemented optimization plan, a renewed emphasis on and commitment to safety and the aggressive implementation of new Workers' Compensation legislation (SB899) have all contributed to a decreased expenditure rate for City Workers' Compensation costs. Although medical costs continue to rise in double digits on an annual basis, workers' compensation costs for Fiscal Year 2005 are projecting to stabilize below the \$26.2 million expended in Fiscal Year 2004. Based on current information available, there is no reason to believe that these aggressive measures will not reap similar cost savings to the City in Fiscal Year 2006. This is a significant cost savings achievement for the City.

In December 2005, Risk Management renegotiated its industrial medicine services contract, obtaining discounts below the State's Official Medical Fee Schedule pricing. The renegotiated contract provides enhanced medical facility and physician coverage for injured City workers at a discounted rate.

Future Outlook

While Risk Management anticipates that there will be continued cost saving opportunities presented through implementation of its optimization plan and the plan's strong emphasis on safety, the additional discounts from its industrial medical providers have not yet been realized, nor has the full effect of recent legislative actions. Recently Risk Management has implemented a Medical Provider Network that will provide additional cost savings opportunities over the life of workers' compensation claims that were not previously available to the City. While Risk Management remains optimistic about these cost reduction opportunities, all claims reserves are set realistically in accordance with actuarially-sound best practices.

Risk Management's Public Liability Division is planning to undertake a cost savings approach towards claims similar to the optimization plan implemented within the Workers' Compensation Division. The approach will include updating the public liability data base, producing cost allocation models and optimizing the handling of litigated claims. These steps, along with other Division enhancements, will enable the City to better track, process and anticipate public liability costs.

Budget Dollars at Work

- \$11,483,074 Saved by aggressively reviewing Workers' Compensation medical bills
- \$1,915,182 Recovered from third parties for damage to City property
- 511 New employees enrolled in the City's benefit programs
- 2,051 Requests processed to change 401(k) and/or deferred compensation contributions and retirement plan transfers

Risk Management				
	FY 2004 BUDGET	FY 2005 BUDGET	FY 2006 FINAL	FY 2005-2006 CHANGE
Positions	77.77	77.77	78.17	0.40
Personnel Expense	\$ 5,412,600	\$ 6,258,044	\$ 6,651,949	\$ 393,905
Non-Personnel Expense	\$ 1,815,007	\$ 2,331,259	\$ 2,058,326	\$ (272,933)
TOTAL	\$ 7,227,607	\$ 8,589,303	\$ 8,710,275	\$ 120,972

Risk Management

Department Staffing

	FY 2004 BUDGET	FY 2005 BUDGET	FY 2006 FINAL
RISK MANAGEMENT ADMINISTRATION			
Risk Management			
Administration	7.52	7.52	7.92
Employee Benefits	12.50	10.50	10.50
Public Liability & Loss Recvry	16.50	17.75	16.00
Safety & Environmental Health	12.00	12.00	12.00
Workers' Compensation	29.25	30.00	31.75
Total	77.77	77.77	78.17

Department Expenditures

	FY 2004 BUDGET	FY 2005 BUDGET	FY 2006 FINAL
RISK MANAGEMENT ADMINISTRATION			
Risk Management			
Administration	\$ 862,947	\$ 896,941	\$ 1,013,387
Employee Benefits	\$ 1,285,001	\$ 1,235,187	\$ 1,363,711
Public Liability & Loss Recvry	\$ 1,353,858	\$ 2,059,002	\$ 1,710,620
Safety & Environmental Health	\$ 1,055,086	\$ 1,178,378	\$ 1,222,337
Workers' Compensation	\$ 2,670,715	\$ 3,219,795	\$ 3,400,220
Total	\$ 7,227,607	\$ 8,589,303	\$ 8,710,275

Significant Budget Adjustments

RISK MANAGEMENT ADMINISTRATION

Risk Management	Positions	Cost
Salary and Benefit Adjustments	0.40	\$ 394,092
Adjustments to reflect the annualization of the Fiscal Year 2005 negotiated salary compensation schedule, changes to average salaries, retirement contributions, and retiree health contributions. Position adjustments, if applicable, reflect the City Manager's restructuring of Executive Team assignments.		
Non-Discretionary	0.00	\$ (18,052)
Adjustments to reflect expenses that are determined outside of the Department's direct control. Examples of these adjustments include utilities, insurance, and rent.		
Support for Information Technology	0.00	\$ (255,068)
Funding is allocated according to a zero based annual review of information technology funding requirements and priority analyses.		

Risk Management

Expenditures by Category

	FY 2004 BUDGET	FY 2005 BUDGET	FY 2006 FINAL
PERSONNEL			
Salaries & Wages	\$ 3,993,982	\$ 4,247,542	\$ 4,462,195
Fringe Benefits	\$ 1,418,618	\$ 2,010,502	\$ 2,189,754
SUBTOTAL PERSONNEL	\$ 5,412,600	\$ 6,258,044	\$ 6,651,949
NON-PERSONNEL			
Supplies & Services	\$ 722,337	\$ 706,741	\$ 724,064
Information Technology	\$ 1,017,379	\$ 1,577,200	\$ 1,286,423
Energy/Utilities	\$ 67,389	\$ 39,416	\$ 39,937
Equipment Outlay	\$ 7,902	\$ 7,902	\$ 7,902
SUBTOTAL NON-PERSONNEL	\$ 1,815,007	\$ 2,331,259	\$ 2,058,326
TOTAL	\$ 7,227,607	\$ 8,589,303	\$ 8,710,275

Key Performance Measures

	FY 2004 BUDGET	FY 2005 BUDGET	FY 2006 FINAL
Average cost per safety evaluation	\$256	\$286	\$ 297
Average cost for managing each public liability claim ⁽¹⁾	\$338	\$429	\$ 398
Average cost for managing each City employee's benefits ⁽²⁾	\$122	\$115	\$ 130
Average cost for managing each workers' compensation claim	\$742	\$889	\$ 861

Salary Schedule

RISK MANAGEMENT ADMINISTRATION

Risk Management

<i>Class</i>	<i>Position Title</i>	<i>FY 2005 Positions</i>	<i>FY 2006 Positions</i>	<i>Salary</i>	<i>Total</i>
1105	Administrative Aide I	0.50	0.50	\$ 42,444	\$ 21,222
1218	Assoc Management Analyst	1.00	1.00	\$ 61,400	\$ 61,400
1256	Benefits Representative II	5.00	5.00	\$ 38,017	\$ 190,083
1340	Claims Aide	10.00	10.00	\$ 42,690	\$ 426,904
1341	Claims Clerk	12.75	12.75	\$ 35,562	\$ 453,412
1343	Claims Representative II	15.50	15.50	\$ 60,997	\$ 945,459
1348	Info Systems Analyst II	1.00	1.00	\$ 62,220	\$ 62,220
1349	Info Systems Analyst III	1.00	1.00	\$ 68,822	\$ 68,822
1391	Supv Claims Representative	4.00	4.00	\$ 74,244	\$ 296,975
1407	Employee Benefits Specialist II	1.00	1.00	\$ 62,535	\$ 62,535
1417	Employee Benefits Specialist I	2.00	2.00	\$ 51,742	\$ 103,484

⁽¹⁾ Efficiency for FY 2005 does not include onetime cost of upgrading the Public Liability Claims Tracking System.

⁽²⁾ 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 2005 Positions</i>	<i>FY 2006 Positions</i>	<i>Salary</i>	<i>Total</i>
1535	Clerical Assistant II	2.00	2.00	\$ 33,827	\$ 67,654
1811	Rehabilitation Coordinator	1.00	1.00	\$ 67,433	\$ 67,433
1816	Claims & Insurance Manager	3.00	3.00	\$ 84,134	\$ 252,402
1823	Safety Officer	3.00	3.00	\$ 67,016	\$ 201,047
1826	Safety Representative II	6.00	6.00	\$ 57,979	\$ 347,872
1876	Executive Secretary	1.01	1.21	\$ 50,422	\$ 61,011
1879	Sr Clerk/Typist	1.00	1.00	\$ 41,523	\$ 41,523
1917	Supv Management Analyst	1.00	1.00	\$ 77,660	\$ 77,660
1937	Sr Claims Representative	3.00	3.00	\$ 67,433	\$ 202,298
1972	Safety & Training Manager	1.00	1.00	\$ 77,428	\$ 77,428
2111	Asst City Manager	0.01	0.00	\$ -	\$ -
2153	Deputy City Manager	0.00	0.21	\$ 178,600	\$ 37,506
2157	Risk Management Director	1.00	1.00	\$ 134,712	\$ 134,712
2214	Deputy Director	1.00	1.00	\$ 113,747	\$ 113,747
	Ex Perf Pay-Classified	0.00	0.00	\$ -	\$ 4,224
	Temporary Help	0.00	0.00	\$ -	\$ 83,162
	Total	<u>77.77</u>	<u>78.17</u>		\$ 4,462,195
RISK MANAGEMENT TOTAL		77.77	78.17		\$ 4,462,195

Non-General Fund Five-Year Expenditure Forecast

	FY 2006 FINAL	FY 2007 FORECAST	FY 2008 FORECAST	FY 2009 FORECAST	FY 2010 FORECAST	FY 2011 FORECAST
Positions	78.17	88.42	89.42	90.42	90.42	90.42
Personnel Expense	\$ 6,651,949	\$ 7,598,374	\$ 7,916,558	\$ 8,244,286	\$ 8,491,615	\$ 8,746,363
Non-Personnel Expense	\$ 2,058,326	\$ 2,235,076	\$ 2,304,628	\$ 2,376,267	\$ 2,447,555	\$ 2,520,982
TOTAL EXPENDITURES	\$ 8,710,275	\$ 9,833,450	\$ 10,221,186	\$ 10,620,553	\$ 10,939,170	\$ 11,267,345

Risk Management

Fiscal Year 2007

Additions of 4.00 Benefits Representative II positions, 3.25 Claims Representative II positions, 2.00 Clerical Assistant II positions, and 1.00 Supervising Claims Representative will be required for ongoing program enhancements, anticipated

Risk Management

Non-General Fund Five-Year Expenditure Forecast

	Risk Management
Fiscal Year 2007	workload increase, and to maintain the current level of service. Support will also be required for office supplies and new hires for benefits enrollment and maintenance, Public Liability, and Workers' Compensation.
Fiscal Year 2008	Addition of 1.00 Claims Representative II position 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 purchase of a document scanner and automation. Reduction of onetime expenditures will also be necessary.
Fiscal Year 2009	Addition of 1.00 Claims Representative II position and support will be requested for ongoing program enhancements, anticipated workload increase, and to maintain the current level of service. Reduction of onetime expenditures will also be necessary.
Fiscal Year 2010	Support will be requested for automation expansion and to maintain the current level of service. Reduction of onetime expenditures will also be necessary.
Fiscal Year 2011	No major projected requirements.