

# **Risk Management**



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## Department Description

The Risk Management Department manages the City's self-insured Workers' Compensation Program, Public Liability Program including claims against the City, insurance, and loss control measures intended to forecast and reduce the City's exposure to risks. The Department also administers employee health and safety programs, employee benefits contracts, employee savings plans, the Long-Term Disability Plan, and the Employee Assistance Program (EAP).

The Department's mission is:

*To effectively prevent, control, and minimize the City's financial risk while providing optimum services to the City's employees and the public through the centralized administration of healthcare, safety, loss control, employee benefit, and other risk management programs*

## Goals and Objectives

The following goals and objectives represent the action plan for the Department:

### ***Goal 1: Maintain good stewardship over City finances***

In order for the City to operate in the most efficient and effective manner possible, the Department must serve as a good steward of the City's finances. It must promote cost effective strategies and continue to improve accountability within the Department. The Department will move toward accomplishing this goal by focusing on the following objectives:

- Meet reserve policy targets
- Deliver services in a cost-effective manner

### ***Goal 2: Reduce risk and loss exposure***

In the past, the City focused on reacting to issues that arose. It is the Department's goal to reduce risk and loss exposure and create a more proactive culture within the City. The Department will move toward accomplishing this goal by focusing on the following objectives:

# Risk Management

- Promote the importance of employee safety
- Promote and encourage behaviors that minimize loss
- Identify, monitor, and report loss metrics

### ***Goal 3: Promote the highest ethical standards and behavior among employees***

Promote and enforce the City's ethical practices to ensure integrity, accountability, service, team support, openness, and diversity in the Department. The Department will move toward enhancing its accomplishment of this goal by focusing on the following objectives:

- Offer training to management and staff on ethical standards
- Conduct a management review of standards and ethical practices with staff on a regular basis

## Key Performance Indicators

Performance Measure	Actual FY2013	Actual FY2014	Target FY2015
1. Reserve balances in millions (and reserve balance as a percentage of total outstanding actuarial liability per Council Policy 100-20) at end of fiscal year for Public Liability	\$50.2M (52%)	\$35.4M(37%) <sup>1</sup>	\$38.7M (40%) <sup>2</sup>
2. Reserve balances in millions (and reserve balance as a percentage of total outstanding actuarial liability per Council Policy 100-20) at end of fiscal year for Workers' Compensation	\$39.8M (23%)	\$43.0M (25%)	\$43.0M (25%)

1. Includes a transfer out of the SDG&E settlement and the San Diego Bay Clean Up.
2. Per the Fiscal Year 2014 Year-End Budget Monitoring Report (#14-043) and Mayor's May Revision (R-308995), a portion of the projected Fiscal Year 2014 year-end General Fund Excess Equity is proposed to fund the Public Liability Fund reserve to the 50.0 percent target level. This funding is contingent upon its availability when the City closes its books for Fiscal Year 2014. However, anticipated compliance claims of approximately \$9.5 million will require the use of reserves and reduce the projected reserve level to 40.0 percent in Fiscal Year 2015.

## Service Efforts and Accomplishments

New State Workers' Compensation legislation, which took effect on January 1, 2013, has ongoing implementation requirements with many new regulations still being developed by the State. This legislation was presented as the largest Workers' Compensation reform since 2004. Although the net impact of the changes has not been fully determined, all analyses conducted by the State indicate that overall costs will continue to increase, albeit at a slower rate than otherwise projected absent this legislation. The effects on claims operations has resulted in continued policy and procedure implementations and updates, additional reporting requirements, and additional timeline restrictions. The Workers' Compensation Division is analyzing how to best incorporate the new legislative changes into its current processes and developing new processes as needed.

In Fiscal Year 2014, the Workers' Compensation Division has completed a Request for Proposal (RFP) for a Managed Care contract. This contract includes medical utilization review, nurse case management, injury call-in center, and a pharmacy network. The pharmacy network is a new contract component that will provide additional cost savings to the City and enhanced service to injured City employees. Implementation of the pharmacy program will take place during the first quarter of Fiscal Year 2015. The current Medical Provider Network (MPN) contracts with U.S. Health Medical Group and Sharp Rees-Stealy expire in Fiscal Year 2015. A new RFP will commence during Fiscal Year 2015 for a Medical Provider Network.

# Risk Management

The Safety and Environmental Health Division is responsible for carrying out the Global Harmonization Standard (GHS) implementation for the City. The GHS is an international approach to hazard communication providing criteria for classification of chemical hazards and a standardized approach to label elements and safety data sheets (SDS). All City employees who have any contact with hazardous materials were required to be trained on the new format by December 1, 2013 and will be re-trained once the revised SDS's and the newly-labeled chemicals arrive to their workplace.

As part of the effort to reduce vehicle accidents, the Safety Division is completing revisions to the vehicle and industrial accident policies and procedures. The outcome will result in a more efficient accident handling process, better driver safety education for City employees, and better monitoring of driver safety by the supervisors. The training and implementation for these changes will take place in Calendar Year 2014.

The Public Liability Division continues to work with other City departments by making presentations on the liability claims process and revenue recovery services. In order to comply with new federal mandates, the Public Liability day-to-day claims handling process includes a Medicare set-aside component.

The Benefits Division completed the RFP process for a third-party administrator of the Deferred Compensation Plan and the Retiree Medical Trust. The contract was awarded and resulted in reduced investment and administrative fees for the employees participating in the plans. With the dissolution of the Defense of Marriage Act, all savings and benefits plan documents and third party administrators were verified to be in compliance with the new requirements. The final rule for Health Insurance Portability and Accountability Act (HIPAA) was published in 2013. Benefits staff worked with the City's health and savings plan providers to meet these requirements. Additionally, required notices under the Affordable Care Act (ACA) were provided to City employees within the required timeframe and revisions to the maximum allowable contributions to flexible spending accounts were implemented.

The Benefits Division also completed a RFP process for Life and Accidental Death and Dismemberment coverage which resulted in reduced premiums for both the City and employees' portions of basic and portable life insurance.

Discussions with the City's benefits consultants are ongoing to determine the impacts of the Patient Protection and Affordable Care Act (PPACA) on the City's health care plans' structure and costs to ensure compliance and the cost-effective delivery of benefits.

The Benefits Division also continues to work with the City's benefit consultants, the Human Resources Department, and the City's labor organizations to evaluate and implement the disability component of voter-approved Proposition B in 2012. The City's current Long Term Disability plan has been revised to include Proposition B employees until the RFP is finalized and implemented. A RFP process to procure a disability plan(s) that provide short-and long-term benefits will be issued in Fiscal Year 2015.



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# Risk Management

## Department Summary

	FY2013 Actual	FY2014 Budget	FY2015 Adopted	FY2014–2015 Change
FTE Positions (Budgeted)	78.94	79.88	<b>82.13</b>	2.25
Personnel Expenditures	\$ 6,919,404	\$ 7,718,629	\$ <b>7,892,207</b>	\$ 173,578
Non-Personnel Expenditures	2,030,527	2,091,670	<b>2,373,722</b>	282,052
<b>Total Department Expenditures</b>	<b>\$ 8,949,930</b>	<b>\$ 9,810,299</b>	<b>\$ 10,265,929</b>	<b>\$ 455,630</b>
<b>Total Department Revenue</b>	<b>\$ 9,484,225</b>	<b>\$ 9,060,699</b>	<b>\$ 9,314,487</b>	<b>\$ 253,788</b>

## Risk Management Administration Fund

### Department Expenditures

	FY2013 Actual	FY2014 Budget	FY2015 Adopted	FY2014–2015 Change
Risk Management	\$ 8,949,930	\$ 9,810,299	\$ <b>10,265,929</b>	\$ 455,630
<b>Total</b>	<b>\$ 8,949,930</b>	<b>\$ 9,810,299</b>	<b>\$ 10,265,929</b>	<b>\$ 455,630</b>

### Department Personnel

	FY2013 Budget	FY2014 Budget	FY2015 Adopted	FY2014–2015 Change
Risk Management	78.94	79.88	<b>82.13</b>	2.25
<b>Total</b>	<b>78.94</b>	<b>79.88</b>	<b>82.13</b>	<b>2.25</b>

### Significant Budget Adjustments

	FTE	Expenditures	Revenue
<b>Equipment/Support for Information Technology</b> Adjustment to expenditure allocations according to a zero-based annual review of information technology funding requirements and priority analyses.	0.00	\$ 228,684	\$ -
<b>Addition of Program Manager</b> Addition of 1.00 Program Manager and associated non-personnel expenditures to oversee and support information technology systems to comply with state-mandated reporting requirements.	1.00	186,550	-
<b>Investment Consulting Services</b> Addition of non-personnel expenditures for investment consulting services for the defined contribution plan's Trustee Board.	0.00	100,000	-
<b>Addition of Claims Representative 2</b> Addition of 1.00 Claims Representative 2 and associated non-personnel expenditures to support state-mandated business functions and reporting requirements.	1.00	96,207	-
<b>Service Level Agreement for Accounting Services</b> Addition of non-personnel expenditures associated with the Service Level Agreement (SLA) with the Office of the City Comptroller for accounting services.	0.00	60,000	-
<b>Non-Standard Hour Personnel Funding</b> Adjustment to expenditures according to a zero-based annual review of non-standard hour personnel funding requirements.	0.25	19,792	-

# Risk Management

## Significant Budget Adjustments (Cont'd)

	FTE	Expenditures	Revenue
<b>Non-Discretionary Adjustment</b> Adjustment to expenditure allocations that are determined outside of the department's direct control. These allocations are generally based on prior year expenditure trends and examples of these include utilities, insurance, and rent.	0.00	(108,032)	-
<b>Salary and Benefit Adjustments</b> Adjustments to reflect the annualization of the Fiscal Year 2014 negotiated salary compensation schedule, changes to savings resulting from positions to be vacant for any period of the fiscal year, retirement contributions, retiree health contributions, and labor negotiation adjustments.	0.00	(127,571)	-
<b>One-Time Reductions and Annualizations</b> Adjustment to reflect the removal of one-time revenues and expenditures, and the annualization of revenues and expenditures, implemented in Fiscal Year 2014.	0.00	-	986,016
<b>Revised Revenue</b> Adjustment to reflect Fiscal Year 2015 revenue projections.	0.00	-	(732,228)
<b>Total</b>	<b>2.25</b>	<b>\$ 455,630</b>	<b>\$ 253,788</b>

## Expenditures by Category

	FY2013 Actual	FY2014 Budget	FY2015 Adopted	FY2014-2015 Change
<b>PERSONNEL</b>				
Personnel Cost	\$ 4,126,196	\$ 4,446,391	\$ 4,585,491	\$ 139,100
Fringe Benefits	2,793,207	3,272,238	3,306,716	34,478
<b>PERSONNEL SUBTOTAL</b>	<b>6,919,404</b>	<b>7,718,629</b>	<b>7,892,207</b>	<b>173,578</b>
<b>NON-PERSONNEL</b>				
Supplies	\$ 68,199	\$ 78,662	\$ 80,722	\$ 2,060
Contracts	779,705	951,225	1,016,468	65,243
Information Technology	866,421	715,853	944,537	228,684
Energy and Utilities	3,572	7,020	7,020	-
Other	25,535	30,125	30,125	-
Transfers Out	287,094	308,785	294,850	(13,935)
<b>NON-PERSONNEL SUBTOTAL</b>	<b>2,030,527</b>	<b>2,091,670</b>	<b>2,373,722</b>	<b>282,052</b>
<b>Total</b>	<b>\$ 8,949,930</b>	<b>\$ 9,810,299</b>	<b>\$ 10,265,929</b>	<b>\$ 455,630</b>

## Revenues by Category

	FY2013 Actual	FY2014 Budget	FY2015 Adopted	FY2014-2015 Change
Charges for Services	\$ 55,060	\$ 289,402	\$ 289,402	\$ -
Other Revenue	160,542	8,771,297	9,025,085	253,788
Rev from Federal Agencies	9,268,591	-	-	-
Rev from Other Agencies	33	-	-	-
<b>Total</b>	<b>\$ 9,484,225</b>	<b>\$ 9,060,699</b>	<b>\$ 9,314,487</b>	<b>\$ 253,788</b>

## Personnel Expenditures

Job Number	Job Title / Wages	FY2013 Budget	FY2014 Budget	FY2015 Adopted	Salary Range	Total
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### FTE, Salaries, and Wages

20000024	Administrative Aide 2	1.00	1.00	1.00	\$42,578 - \$51,334	\$ 51,334
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# Risk Management

## Personnel Expenditures (Cont'd)

Job Number	Job Title / Wages	FY2013 Budget	FY2014 Budget	FY2015 Adopted	Salary Range	Total
20000119	Associate Management Analyst	1.00	1.00	<b>1.00</b>	54,059 - 65,333	49,067
20000188	Benefits Representative 2	8.00	8.00	<b>8.00</b>	32,968 - 39,811	311,310
20000277	Claims Aide	8.00	2.00	<b>2.00</b>	36,962 - 44,533	89,066
90000277	Claims Aide - Hourly	0.42	0.39	<b>0.70</b>	36,962 - 44,533	31,172
20000278	Claims Clerk	12.00	12.00	<b>12.00</b>	31,491 - 37,918	400,880
20000285	Claims Representative 2	7.00	7.00	<b>8.00</b>	52,936 - 64,022	490,004
20000282	Claims Representative 2	2.00	1.00	<b>0.00</b>	52,936 - 64,022	-
20000283	Claims Representative 2	10.00	1.00	<b>0.50</b>	52,936 - 64,022	-
20000836	Claims and Insurance Manager	2.00	2.00	<b>2.00</b>	73,445 - 88,837	177,674
20000837	Claims and Insurance Manager	0.00	0.00	<b>1.00</b>	73,445 - 88,837	73,445
20000539	Clerical Assistant 2	2.00	2.00	<b>2.00</b>	29,931 - 36,067	72,134
90000539	Clerical Assistant 2 - Hourly	0.50	0.50	<b>0.50</b>	29,931 - 36,067	14,966
20001168	Deputy Director	1.00	1.00	<b>1.00</b>	46,966 - 172,744	122,000
20000382	Employee Assistance Counselor	0.50	1.00	<b>1.00</b>	52,936 - 64,022	58,479
20000411	Employee Assistance Program Manager	1.00	1.00	<b>1.00</b>	66,768 - 80,891	77,147
20000393	Employee Benefits Administrator	0.00	2.00	<b>2.00</b>	66,768 - 80,891	161,782
90000394	Employee Benefits Specialist 1 - Hourly	0.43	0.39	<b>0.35</b>	44,470 - 54,059	18,921
20000383	Employee Benefits Specialist 2	3.00	2.00	<b>2.00</b>	54,059 - 65,333	113,294
20000924	Executive Secretary	1.00	1.00	<b>0.00</b>	43,555 - 52,666	-
20000293	Information Systems Analyst 3	1.00	1.00	<b>1.00</b>	59,363 - 71,760	71,760
20001222	Program Manager	0.00	0.00	<b>1.00</b>	46,966 - 172,744	109,855
20001122	Risk Management Director	1.00	1.00	<b>1.00</b>	31,741 - 173,971	160,000
20000847	Safety Officer	2.00	2.00	<b>2.00</b>	57,907 - 69,930	139,860
20000854	Safety Representative 2	4.00	4.00	<b>4.00</b>	50,461 - 61,027	214,802
20001042	Safety and Training Manager	1.00	1.00	<b>1.00</b>	66,768 - 80,891	80,891
20001017	Senior Claims Representative	3.00	0.00	<b>0.00</b>	58,261 - 70,429	-
20000927	Senior Clerk/Typist	1.00	1.00	<b>1.00</b>	36,067 - 43,514	43,514
21000188	Senior Workers' Compensation Claims Representative	0.00	3.00	<b>3.00</b>	58,261 - 70,429	210,656
20000359	Supervising Claims Representative	3.00	0.00	<b>0.00</b>	64,002 - 77,314	-
20000358	Supervising Claims Representative	1.00	1.00	<b>1.00</b>	64,002 - 77,314	77,314
90000359	Supervising Claims Representative - Hourly	0.09	0.10	<b>0.08</b>	64,002 - 77,314	6,185
20000970	Supervising Management Analyst	1.00	1.00	<b>1.00</b>	66,768 - 80,891	-
21000189	Supv Workers' Compensation Claims Representative	0.00	3.00	<b>3.00</b>	64,002 - 77,314	231,942
21000190	Workers' Compensation Claims Aide	0.00	5.00	<b>5.00</b>	36,962 - 44,533	204,983
21000186	Workers' Compensation Claims Representative 2 Bilingual - Regular	0.00	10.50	<b>12.00</b>	52,936 - 64,022	676,006
						5,824

# Risk Management

## Personnel Expenditures (Cont'd)

Job Number	Job Title / Wages	FY2013 Budget	FY2014 Budget	FY2015 Adopted	Salary Range	Total
	Exceptional Performance Pay-Classified					4,224
	Overtime Budgeted					35,000
<b>FTE, Salaries, and Wages Subtotal</b>		<b>78.94</b>	<b>79.88</b>	<b>82.13</b>		<b>\$ 4,585,491</b>
		FY2013 Actual	FY2014 Budget	FY2015 Adopted	FY2014-2015 Change	
<b>Fringe Benefits</b>						
	Employee Offset Savings	\$ 50,375	\$ 69,934	\$ 61,300	\$ (8,634)	
	Flexible Benefits	469,362	553,227	594,515	41,288	
	Insurance	199	-	-	-	
	Long-Term Disability	23,901	23,716	15,615	(8,101)	
	Medicare	55,543	59,369	63,625	4,256	
	Other Post-Employment Benefits	474,360	480,556	467,082	(13,474)	
	Retiree Medical Trust	976	923	1,478	555	
	Retirement 401 Plan	3,437	3,692	3,765	73	
	Retirement ADC	1,337,036	1,669,899	1,740,608	70,709	
	Retirement DROP	16,213	17,234	7,522	(9,712)	
	Retirement Offset Contribution	8,120	-	-	-	
	Risk Management Administration	76,036	72,920	72,920	-	
	Supplemental Pension Savings Plan	199,316	217,083	223,366	6,283	
	Unemployment Insurance	12,201	12,595	8,940	(3,655)	
	Workers' Compensation	66,131	91,090	45,980	(45,110)	
<b>Fringe Benefits Subtotal</b>		<b>\$ 2,793,207</b>	<b>\$ 3,272,238</b>	<b>\$ 3,306,716</b>	<b>\$ 34,478</b>	
<b>Total Personnel Expenditures</b>				<b>\$ 7,892,207</b>		

# Risk Management

## Revenue and Expense Statement (Non-General Fund)

Risk Management Administration Fund	FY2013 Actual	FY2014 <sup>*</sup> Budget	FY2015 Adopted
<b>BEGINNING BALANCE AND RESERVES</b>			
Balance from Prior Year	\$ 1,253,387	\$ 860,228	\$ 1,171,460
<b>TOTAL BALANCE AND RESERVES</b>	<b>\$ 1,253,387</b>	<b>\$ 860,228</b>	<b>\$ 1,171,460</b>
<b>REVENUE</b>			
City Contributions	\$ 9,268,591	\$ 8,771,297	\$ 9,025,085
Service To Other Departments	55,060	29,402	29,402
Other Revenue	160,574	260,000	260,000
<b>TOTAL REVENUE</b>	<b>\$ 9,484,225</b>	<b>\$ 9,060,699</b>	<b>\$ 9,314,487</b>
<b>TOTAL BALANCE, RESERVES, AND REVENUE</b>	<b>\$ 10,737,612</b>	<b>\$ 9,920,927</b>	<b>\$ 10,485,947</b>
<b>OPERATING EXPENSE</b>			
Operating Expense	\$ 8,949,930	\$ 9,810,299	\$ 10,265,929
<b>TOTAL OPERATING EXPENSE</b>	<b>\$ 8,949,930</b>	<b>\$ 9,810,299</b>	<b>\$ 10,265,929</b>
<b>TOTAL EXPENSE</b>	<b>\$ 8,949,930</b>	<b>\$ 9,810,299</b>	<b>\$ 10,265,929</b>
<b>BALANCE</b>	<b>\$ 1,787,682</b>	<b>\$ 110,628</b>	<b>\$ 220,018</b>
<b>TOTAL BALANCE, RESERVES, AND EXPENSE</b>	<b>\$ 10,737,612</b>	<b>\$ 9,920,927</b>	<b>\$ 10,485,947</b>

<sup>\*</sup>At the time of publication, audited financial statements for Fiscal Year 2014 were not available. Therefore, the Fiscal Year 2014 column reflects final budget amounts from the Fiscal Year 2014 Adopted Budget. As such, current fiscal year balances and reserves are estimates of carryover from the previous fiscal year.



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