

# **Risk Management**



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## Department Description

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. The Department also provides data on workers' compensation, vehicle accidents, and public liability claims to City departments. This data provides City departments the information needed to monitor risk activities and implement business process improvements.

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, and loss recovery which are administered through the Finance and Administration, Safety and Environmental Health, Employees Benefits, Public Liability and Loss Recovery, and Workers' Compensation Divisions

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

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- 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:

- 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 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 Indicator	Actual FY2014	Target FY2015	Actual FY2015	Target FY2016
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	\$35.4M (37%) <sup>1</sup>	\$35.4M (37%) <sup>1</sup>	\$37.9M (40%) <sup>2</sup>	\$37.9M (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	\$43.0M (25%) <sup>1</sup>	\$43.0M (25%) <sup>1</sup>	\$48.4M (25%) <sup>2</sup>	\$48.4M (25%) <sup>2</sup>

1. Percentage of total outstanding actuarial liability is based on the average of the annual actuarial liability for Fiscal Years 2011 through 2013.
2. Percentage of total outstanding actuarial liability is based on the average of the annual actuarial liability for Fiscal Years 2012 through 2014.

# Service Efforts and Accomplishments

The Workers' Compensation Division successfully reapplied with the State of California Department of Industrial Relations (DIR) for approval of the City's Medical Provider Network (MPN) and received approval of the MPN for four years. This MPN is comprised of the City's contracted Industrial Medicine providers and makes available significant savings to the City's Workers' Compensation program. The Division is also implementing a new pharmacy benefits network that will provide additional cost savings to the City and enhanced service to injured City employees.

The Workers' Compensation Division was also audited by the State on the City's workers' compensation claims as required by California Labor Code. The purpose of the audit was to ensure that the Division processes workers' compensation claims according to the California Labor Code of Regulations and provides timely benefit delivery. Based on the City's Profile Audit Review (PAR) performance rating, the City meets or exceeds the profile audit review performance standards. In addition, the State audited the City's utilization review procedures for requests for authorization. The audit resulted in no significant findings and passed with a rating of 97.6 percent.

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The Safety and Environmental Health Division is committed to the prevention of injuries. The Division revised and implemented the following Administrative Regulations (ARs) in Fiscal Year 2015: Vehicle and Industrial Accident Review, Reporting and Prevention Program (AR 75.12) and Driver License Certification, Training and Verification Requirements (AR 75.50). The Division staff created a curriculum to rollout a citywide training program in order to proactively reduce vehicle accidents.

In addition, the Safety and Environmental Health Division continues to implement the Global Harmonization Standard (GHS) for the City. The GHS is an international approach to hazard communication providing criteria for the classification of chemical hazards and a standardized approach to label elements and safety data sheets (SDS). The implementation phase of this program included mandated training for all employees who come in contact with hazardous materials as a requirement of their job duties. Additional training on the implementation of GHS will also be conducted once the revised SDS's and chemicals with the new labels arrive in the workplace.

The Public Liability and Loss Recovery Division continues to diligently administer claims filed against the City and successfully meet the California Government Code deadlines in claims handling. In Fiscal Year 2015, the Public Liability Division obtained City Council approval to revise City Council Policy 000-09, Claims Against the City, to provide increased efficiency in the administration of all claims and lawsuits filed against the City. The Division also expanded outreach to City departments through presentations on the liability claims process with an emphasis on the importance of proactive and preventative measures. In Fiscal Year 2015, the Public Liability and Loss Recovery Division underwent a bi-annual audit by California State Association of Counties Excess Insurance Authority (CSAC-EIA) and the results reflected adherence to insurer reporting guidelines, claims handling elements match that of the industry, application of immunities, overall appropriate reserves, actively and engaged supervision, among other positive findings.

In addition to handling claims, the Public Liability and Loss Recovery Division continues to advise departments regarding contractual insurance requirements. Evaluation of contract exposures and establishing the appropriate insurance requirements protects the City in the event litigation arises.

The Employee Benefits Division is completing the Request for Proposal (RFP) process for a third-party administrator of the City's four savings plans. The Division also secured new agreements for life insurance in Fiscal Year 2015 with lower costs. Lastly, the required notices under the Affordable Care Act (ACA) were provided to employees within the required timeframe. The City is continuing to monitor the ACA changes and clarifications to identify the impact of the ACA to the City and employees. In Fiscal Year 2015, the City complied with reporting requirements and implemented a process to offer medical insurance coverage to non-standard hour employees (hourly) that will become effective in Fiscal Year 2016.



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# Risk Management

## Department Summary

	FY2014 Actual	FY2015 Budget	FY2016 Adopted	FY2015-2016 Change
FTE Positions (Budgeted)	79.88	82.13	<b>83.28</b>	1.15
Personnel Expenditures	\$ 7,496,964	\$ 7,892,207	\$ <b>7,960,986</b>	\$ 68,779
Non-Personnel Expenditures	2,053,407	2,373,722	<b>2,597,892</b>	224,170
<b>Total Department Expenditures</b>	<b>\$ 9,550,371</b>	<b>\$ 10,265,929</b>	<b>\$ 10,558,878</b>	<b>\$ 292,949</b>
<b>Total Department Revenue</b>	<b>\$ 8,717,638</b>	<b>\$ 9,314,487</b>	<b>\$ 10,558,878</b>	<b>\$ 1,244,391</b>

## Risk Management Administration Fund

### Department Expenditures

	FY2014 Actual	FY2015 Budget	FY2016 Adopted	FY2015-2016 Change
Risk Management	\$ 9,550,371	\$ 10,265,929	\$ <b>10,558,878</b>	\$ 292,949
<b>Total</b>	<b>\$ 9,550,371</b>	<b>\$ 10,265,929</b>	<b>\$ 10,558,878</b>	<b>\$ 292,949</b>

### Department Personnel

	FY2014 Budget	FY2015 Budget	FY2016 Adopted	FY2015-2016 Change
Risk Management	79.88	82.13	<b>83.28</b>	1.15
<b>Total</b>	<b>79.88</b>	<b>82.13</b>	<b>83.28</b>	<b>1.15</b>

### Significant Budget Adjustments

	FTE	Expenditures	Revenue
<b>Addition of Program Managers</b> Addition of 5.00 Program Managers to support department operations.	5.00	\$ 895,980	\$ -
<b>Civic Center Plaza Rent Reallocation</b> Adjustment reflects the reallocation of rent for Civic Center Plaza from the General Fund.	0.00	527,611	-
<b>Workers' Compensation Temporary Staffing</b> Addition of contractual expenditures for Workers' Compensation temporary staffing to support state-mandated business functions and reporting requirements.	0.00	250,000	-
<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	81,643	-
<b>Payroll Support</b> Addition of 1.00 Payroll Specialist 1 and associated non-personnel expenditures for departmental payroll support.	1.00	64,562	-
<b>Addition of Workers' Compensation Claims Representative 2</b> Addition of 0.50 Workers' Compensation Claims Representative 2 and associated non-personnel expenditures to support state-mandated business functions and reporting requirements.	0.50	53,751	-

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## Significant Budget Adjustments (Cont'd)

	FTE	Expenditures	Revenue
<b>Investment Consulting Services</b> Addition of non-personnel expenditures for Deferred Compensation (457) Plan and Retiree Medical Trust (RMT) investment consulting services.	0.00	37,000	-
<b>Financial Training</b> Addition of non-personnel expenditures for a formal financial training program to ensure the Defined Contribution Plan Trustee Board and Plan Administrators have the most current information to fulfill their fiduciary duties to the Plan and Plan participants.	0.00	5,000	-
<b>Hourly Sick Leave</b> Addition of personnel expenditures for paid sick leave benefits for eligible hourly employees consistent with the requirements of Assembly Bill 1522.	0.00	1,771	-
<b>Non-Standard Hour Personnel Funding</b> Adjustment to expenditures according to a zero-based annual review of non-standard hour personnel funding requirements.	(0.35)	(14,259)	-
<b>Salary and Benefit Adjustments</b> Adjustments to reflect the annualization of the Fiscal Year 2015 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	(153,830)	-
<b>Reduction for Contractual Services</b> Reduction in non-personnel expenditures and revenue related to a contractual agreement for benefits consulting and brokerage services.	0.00	(250,000)	(250,000)
<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	(432,084)	-
<b>Reduction of Positions</b> Reduction of 3.00 Claims and Insurance Managers, 1.00 Safety and Training Manager, and 1.00 Supervising Management Analyst.	(5.00)	(774,196)	-
<b>Revised Revenue</b> Adjustment to reflect Fiscal Year 2016 revenue projections.	0.00	-	820,330
<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 2015.	0.00	-	674,061
<b>Total</b>	<b>1.15</b>	<b>\$ 292,949</b>	<b>\$ 1,244,391</b>

## Expenditures by Category

	FY2014 Actual	FY2015 Budget	FY2016 Adopted	FY2015-2016 Change
<b>PERSONNEL</b>				
Personnel Cost	\$ 4,223,185	\$ 4,585,491	\$ 4,933,396	\$ 347,905



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## Expenditures by Category (Cont'd)

	FY2014 Actual	FY2015 Budget	FY2016 Adopted	FY2015-2016 Change
Fringe Benefits	3,273,779	3,306,716	<b>3,027,590</b>	(279,126)
<b>PERSONNEL SUBTOTAL</b>	<b>7,496,964</b>	<b>7,892,207</b>	<b>7,960,986</b>	<b>68,779</b>
<b>NON-PERSONNEL</b>				
Supplies	\$ 71,358	\$ 80,722	\$ <b>85,870</b>	\$ 5,148
Contracts	1,225,103	1,248,337	<b>920,830</b>	(327,507)
Information Technology	650,529	944,537	<b>1,026,180</b>	81,643
Energy and Utilities	7,356	11,634	<b>7,276</b>	(4,358)
Other	31,449	30,125	<b>30,125</b>	-
Transfers Out	67,612	58,367	<b>527,611</b>	469,244
<b>NON-PERSONNEL SUBTOTAL</b>	<b>2,053,407</b>	<b>2,373,722</b>	<b>2,597,892</b>	<b>224,170</b>
<b>Total</b>	<b>\$ 9,550,371</b>	<b>\$ 10,265,929</b>	<b>\$ 10,558,878</b>	<b>\$ 292,949</b>

## Revenues by Category

	FY2014 Actual	FY2015 Budget	FY2016 Adopted	FY2015-2016 Change
Charges for Services	\$ 55,789	\$ 289,402	\$ <b>39,402</b>	\$ (250,000)
Other Revenue	8,658,794	9,025,085	<b>10,519,476</b>	1,494,391
Rev from Money and Prop	3,054	-	-	-
<b>Total</b>	<b>\$ 8,717,638</b>	<b>\$ 9,314,487</b>	<b>\$ 10,558,878</b>	<b>\$ 1,244,391</b>

## Personnel Expenditures

Job Number	Job Title / Wages	FY2014 Budget	FY2015 Budget	FY2016 Adopted	Salary Range	Total
<b>FTE, Salaries, and Wages</b>						
2000024	Administrative Aide 2	1.00	1.00	<b>1.00</b>	\$42,578 - \$51,334	\$ 48,367
20000119	Associate Management Analyst	1.00	1.00	<b>2.00</b>	54,059 - 65,333	109,320
20000188	Benefits Representative 2	8.00	8.00	<b>8.00</b>	32,968 - 39,811	314,630
20000277	Claims Aide	2.00	2.00	<b>2.00</b>	36,962 - 44,533	88,398
90000277	Claims Aide - Hourly	0.39	0.70	<b>0.35</b>	36,962 - 44,533	15,586
20000278	Claims Clerk	12.00	12.00	<b>11.00</b>	31,491 - 37,918	399,974
20000285	Claims Representative 2	7.00	8.00	<b>7.00</b>	52,936 - 64,022	434,589
20000283	Claims Representative 2	1.00	0.50	<b>0.00</b>	52,936 - 64,022	-
20000282	Claims Representative 2	1.00	0.00	<b>0.00</b>	52,936 - 64,022	-
20000836	Claims and Insurance Manager	2.00	2.00	<b>0.00</b>	73,445 - 88,837	-
20000837	Claims and Insurance Manager	0.00	1.00	<b>0.00</b>	73,445 - 88,837	-
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	18,034
20001168	Deputy Director	1.00	1.00	<b>1.00</b>	46,966 - 172,744	122,000
20000382	Employee Assistance Counselor	1.00	1.00	<b>1.00</b>	52,936 - 64,022	64,022
20000411	Employee Assistance Program Manager	1.00	1.00	<b>1.00</b>	66,768 - 80,891	80,891
20000393	Employee Benefits Administrator	2.00	2.00	<b>2.00</b>	66,768 - 80,891	161,309
90000394	Employee Benefits Specialist 1 - Hourly	0.39	0.35	<b>0.35</b>	44,470 - 54,059	18,921
20000383	Employee Benefits Specialist 2	2.00	2.00	<b>2.00</b>	54,059 - 65,333	121,555
20000924	Executive Secretary	1.00	0.00	<b>0.00</b>	43,555 - 52,666	-

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## Personnel Expenditures (Cont'd)

Job Number	Job Title / Wages	FY2014 Budget	FY2015 Budget	FY2016 Adopted	Salary Range	Total
20000293	Information Systems Analyst 3	1.00	1.00	1.00	59,363 - 71,760	71,760
20000172	Payroll Specialist 1	0.00	0.00	1.00	33,093 - 39,832	39,832
20001222	Program Manager	0.00	1.00	6.00	46,966 - 172,744	659,130
20001122	Risk Management Director	1.00	1.00	1.00	31,741 - 173,971	160,000
20000847	Safety Officer	2.00	2.00	2.00	57,907 - 69,930	126,788
20000854	Safety Representative 2	4.00	4.00	4.00	50,461 - 61,027	235,967
20001042	Safety and Training Manager	1.00	1.00	0.00	66,768 - 80,891	-
20001016	Senior Claims Representative	0.00	0.00	1.00	58,261 - 70,429	70,429
20000927	Senior Clerk/Typist	1.00	1.00	1.00	36,067 - 43,514	41,103
21000188	Senior Workers' Compensation Claims Representative	3.00	3.00	3.00	58,261 - 70,429	210,533
20000358	Supervising Claims Representative	1.00	1.00	1.00	64,002 - 77,314	77,314
90000359	Supervising Claims Representative - Hourly	0.10	0.08	0.00	64,002 - 77,314	-
90000357	Supervising Claims Representative - Hourly	0.00	0.00	0.08	64,002 - 77,314	6,185
20000970	Supervising Management Analyst	1.00	1.00	0.00	66,768 - 80,891	-
21000189	Supervising Workers' Compensation Claims Representative	3.00	3.00	3.00	64,002 - 77,314	231,628
21000190	Workers' Compensation Claims Aide	5.00	5.00	4.00	36,962 - 44,533	169,867
21000186	Workers' Compensation Claims Representative 2	10.50	12.00	14.00	52,936 - 64,022	858,617
	Adjust Budget To Approved Levels					192,000
	Bilingual - Regular					5,824
	Budgeted Vacancy Savings					(347,110)
	Overtime Budgeted					39,224
	Sick Leave - Hourly					1,771
	Termination Pay Annual Leave					12,804
<b>FTE, Salaries, and Wages Subtotal</b>		<b>79.88</b>	<b>82.13</b>	<b>83.28</b>		<b>\$ 4,933,396</b>
		<b>FY2014 Actual</b>	<b>FY2015 Budget</b>	<b>FY2016 Adopted</b>		<b>FY2015-2016 Change</b>
<b>Fringe Benefits</b>						
	Employee Offset Savings	\$ 51,433	\$ 61,300	\$ 42,142		\$ (19,158)
	Flexible Benefits	515,203	594,515	683,923		89,408
	Insurance	177	-	-		-
	Long-Term Disability	33,971	15,615	15,275		(340)
	Medicare	58,343	63,625	65,672		2,047
	Other Post-Employment Benefits	471,606	467,082	447,336		(19,746)
	Retiree Medical Trust	1,535	1,478	3,925		2,447
	Retirement 401 Plan	3,677	3,765	3,938		173
	Retirement ADC	1,747,146	1,740,608	1,344,203		(396,405)
	Retirement DROP	9,543	7,522	13,410		5,888
	Retirement Offset Contribution	161	-	-		-
	Risk Management Administration	69,979	72,920	79,800		6,880

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	FY2014 Actual	FY2015 Budget	FY2016 Adopted	FY2015-2016 Change
Supplemental Pension Savings Plan	206,712	223,366	274,614	51,248
Unemployment Insurance	11,648	8,940	8,754	(186)
Workers' Compensation	92,645	45,980	44,598	(1,382)
<b>Fringe Benefits Subtotal</b>	<b>\$ 3,273,779</b>	<b>\$ 3,306,716</b>	<b>\$ 3,027,590</b>	<b>\$ (279,126)</b>
<b>Total Personnel Expenditures</b>			<b>\$ 7,960,986</b>	

# Risk Management

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

Risk Management Administration Fund	FY2014 Actual	FY2015* Budget	FY2016 Adopted
<b>BEGINNING BALANCE AND RESERVES</b>			
Balance from Prior Year	\$ 1,787,621	\$ 954,893	\$ 225,889
<b>TOTAL BALANCE AND RESERVES</b>	<b>\$ 1,787,621</b>	<b>\$ 954,893</b>	<b>\$ 225,889</b>
<b>REVENUE</b>			
Charges for Current Services	\$ 55,789	\$ 289,402	\$ 39,402
Other Revenue	34,281	9,025,085	10,519,476
Revenue from Federal Agencies	8,624,513	–	–
Revenue from Use of Money and Property	3,054	–	–
<b>TOTAL REVENUE</b>	<b>\$ 8,717,638</b>	<b>\$ 9,314,487</b>	<b>\$ 10,558,878</b>
<b>TOTAL BALANCE, RESERVES, AND REVENUE</b>	<b>\$ 10,505,259</b>	<b>\$ 10,269,380</b>	<b>\$ 10,784,767</b>
<b>OPERATING EXPENSE</b>			
Personnel Expenses	\$ 4,223,185	\$ 4,585,491	\$ 4,933,396
Fringe Benefits	3,273,779	3,306,716	3,027,590
Supplies	71,358	80,722	85,870
Contracts	1,225,103	1,248,337	920,830
Information Technology	650,529	944,537	1,026,180
Energy and Utilities	7,356	11,634	7,276
Other Expenses	31,449	30,125	30,125
Transfers Out	67,612	58,367	527,611
<b>TOTAL OPERATING EXPENSE</b>	<b>\$ 9,550,371</b>	<b>\$ 10,265,929</b>	<b>\$ 10,558,878</b>
<b>TOTAL EXPENSE</b>	<b>\$ 9,550,371</b>	<b>\$ 10,265,929</b>	<b>\$ 10,558,878</b>
<b>BALANCE</b>	<b>\$ 954,888</b>	<b>\$ 3,451</b>	<b>\$ 225,889</b>
<b>TOTAL BALANCE, RESERVES, AND EXPENSE</b>	<b>\$ 10,505,259</b>	<b>\$ 10,269,380</b>	<b>\$ 10,784,767</b>

\* At the time of publication, audited financial statements for Fiscal Year 2015 were not available. Therefore, the Fiscal Year 2015 column reflects final budgeted revenue and expense amounts from the Fiscal Year 2015 Adopted Budget, while the beginning FY 2015 balance amount reflects the audited Fiscal Year 2014 ending balance.