

CITY OF APPLETON 2016 BUDGET

RISK MANAGEMENT

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CITY OF APPLETON 2016 BUDGET RISK MANAGEMENT

MISSION STATEMENT

To establish and maintain a successful risk management program and to provide on-going support and training to all City Departments and staff as well as prompt and fair service to the public.

DISCUSSION OF SIGNIFICANT 2015 EVENTS

The Risk Management staff continued to manage organizational liability through a variety of efforts. In terms of insurance, the Risk Management staff started off the year analyzing our current coverages and completed our annual insurance renewals for 2015. The staff reviewed all insurance policies to continue premiums at the lowest cost and maintain proper levels of coverage for the City's liability needs. We completed the bi-annual actuarial process during the year. We added cyber liability coverage through CVMIC. Worked with CVMIC to get a competitive quote for the City's property insurance through their newly created coverage. Staff evaluated competitive bids on the City's third party administration of worker's compensation claims.

To help keep our employees safe while at work, we modified and distributed various Risk and Safety policies including Accident Reporting and Investigation and Right to Know. In addition, we continued to manage the Central Safety Committee and worked with departments' safety committees to review current safety practices and make improvements as needed. The Executive Safety Committee worked to present City programs to CVMIC for a newly created grant program that if selected will award \$10,000 to the City to be used for safety/risk programs.

We also continued to proactively promote safe work practices by conducting required training for all supervisors, employees and volunteers on risk management topics. To help generate interest and keep our employees engaged in safety training, we created a bean bag toss game to help reinforce safety topics for general employee and seasonal participants.

In addition, we looked for new, more efficient ways to manage our risk efforts. We made efforts to audit facilities to be sure MSDS/SDS are on file and began training departments on the generation of labels from this system.

The staff continues to analyze worker's compensation statistics to find ways to proactively mitigate injuries in the future. Based on the analysis, we followed up with departments to provide suggestions for ways to improve safety for employees. Worked with Utilities and CVMIC to make recommendations and explore guarding for belt filter presses in the solids area. This was in response to an injury an employee incurred that could have been much worse.

Staff completed our annual requirements training, including the respirator medical surveillance program and respirator fit testing for all employees who are required to wear respirators. Annual hearing tests were completed in the Fall to ensure we are compliant with the hearing conservation program.

We partnered with Fire, DPW, Utilities and Facilities to offer CSE training and led joint efforts to have training discussions with internal departments on blood borne pathogen response. A number of first aid and CPR classes were also offered.

Regarding the ongoing Fox River cleanup litigation, in 2014 the City submitted a consent decree previously agreed to among several of the parties to the U.S District Court. The consent decree capped the City's liability for cleanup at \$5.2 million and removed the City from further litigation and has been approved by the court. That amount was deposited with the court and has been reimbursed by the insurance companies that provided coverage. The City is currently defending against a request by one of the litigants in the case for reimbursement of expenses related to the cleanup. We continue to work without outside counsel to defend the City's interest in that case.

Staff also continued to work on development of a Risk Management Manual for identification of policies and procedures related to various areas of risk.

CITY OF APPLETON 2016 BUDGET RISK MANAGEMENT

MAJOR 2016 OBJECTIVES

For the key objective of ensuring that the City has sufficient insurance coverage and reserves for any type of claim, and to handle all claims and potential claims involving the City, our focus will be on the development of new policies and revision of existing policies as deemed necessary. In terms of insurance coverage and claims handling, we will continue to:

- Defend the City against a request by one of the litigants in the Fox River settlement for reimbursement of expenses related to the cleanup (see discussion next page)
- Investigate and resolve claim issues
- Work with the Legal Services Office on workers' compensation claims and other unresolved claims
- Review all property, liability and workers' compensation insurance coverages
- Develop a risk manager claims investigation and procedures manual and continue to update as necessary
- Evaluate funding source adequacy, including charges for service for workers' compensation and recovery of claims / legal defense fees paid out but not recovered on the Fox River clean-up
- Work with I.T. on a formal plan to follow in case of a cyber breach
- Submit City programs for a \$10,000 CVMIC grant
- Review certifications of insurance requirements

For the key objective of educating City departments and employees in the prevention of losses, we will:

- Provide supervisory and general employee training
- Provide central safety training for field staff for required safety training
- Conduct training for new supervisors to familiarize them with risk issues
- Train volunteers, seasonal employees and part-time employees on required topics
- Continue to organize monthly centralized safety meetings with set yearly goals
- Monitor OSHA 300 log entries (listing of work related injuries and illnesses) and send mandatory reports to the state
- Analyze workers' compensation statistics and work with departments to develop appropriate courses of action
- Work with CVMIC to conduct mock Department of Commerce audits
- Provide confined space entry training for employees in the Water, Wastewater, MSB, Parks, Rec and Facilities Management departments
- Provide trenching and excavation training (classroom and field) for employees in the Public Works department
- Update asset values by conducting property appraisals to ensure adequate insurance levels are maintained

DEPARTMENT BUDGET SUMMARY							
Programs		Actual		Budget		% Change *	
Unit	Title	2013	2014	Adopted 2015	Amended 2015	2016	
Program Revenues		\$ 1,868,176	\$ 6,714,469	\$ 1,527,000	\$ 1,527,000	\$ 1,659,369	8.67%
Program Expenses							
6210	Property & Liability Mgt.	1,670,780	6,466,843	1,376,948	1,377,614	1,510,009	9.66%
6220	Loss Control	135,891	139,269	145,429	146,677	149,360	2.70%
Total Program Expenses		\$ 1,806,671	\$ 6,606,112	\$ 1,522,377	\$ 1,524,291	\$ 1,659,369	9.00%
Expenses Comprised Of:							
Personnel		305,660	316,466	320,625	322,539	332,576	3.73%
Administrative Expense		1,476,935	1,068,466	1,168,232	1,168,232	1,301,653	11.42%
Supplies & Materials		1,345	1,910	1,950	1,950	1,950	0.00%
Purchased Services		22,628	5,219,167	31,370	31,370	22,990	-26.71%
Utilities		103	103	200	200	200	0.00%
Repair & Maintenance		-	-	-	-	-	N/A
Capital Expenditures		-	-	-	-	-	N/A
Full Time Equivalent Staff:							
Personnel allocated to programs		2.98	2.98	2.98	2.98	2.98	

CITY OF APPLETON 2016 BUDGET

RISK MANAGEMENT

Property & Liability Management

Business Unit 6210

PROGRAM MISSION

For the financial benefit of our citizens, we will proactively administer and manage a fiscally responsible risk management program.

PROGRAM NARRATIVE

Link to City Goals:

Implements Key Strategy #1: "Determine City-wide priorities and budget accordingly", #2: "Proactively pursue collaborative and cooperative agreements to meet the needs of the community", and #6: "Continuously improve efficiency and effectiveness of City services."

Objectives:

- Review all lines of insurance coverage for alternatives and cost reduction
- Analyze statistical data and develop programs to reduce exposures
- Proactively train and educate employees regarding risk management
- Review discounting opportunities for workers' compensation claims

Major changes in Revenue, Expenditures, or Programs:

Other reimbursements revenue is a dividend payment from CVMIC; the decline in the reimbursement reflects a change in the way CVMIC is required to calculate it, based on an audit by the State insurance commissioner.

The increase in Uninsured Losses - WC is an estimate based on a seven-year history of workers' compensation claims paid and on an analysis of current claims on which we expect further expense in 2016. We continue to work with departments on safety training and equipment usage in an effort to reduce the number and severity of claims but many of the current claims are the result of unforeseeable accidents. The number and severity of claims is also a major factor in the increase in insurance premiums for 2016, with excess workers' compensation coverage increasing \$22,000.

The 2015 budget for consulting services includes the cost of an actuarial study, which is required every other year.

The Fox River clean-up continues to be a source of potential liability for the City. The City has been working with the other agencies involved and in early 2014 submitted a consent decree to U.S. District Court capping the City's liability at \$5.2 million and removing the City from further litigation. That consent decree has been approved by the court and the City has deposited the \$5.2 million with the court and been reimbursed by the various insurance carriers providing coverage. As expected, one of the paper companies involved in the case has appealed for reimbursement of expenses related to the cleanup and the City continues to incur legal fees to defend against that appeal. The majority of the litigation costs have been reimbursed by insurance carriers and we expect that to continue. The 2016 budget includes an estimate of a further \$250,000 for legal fees related to the appeal in progress and a projected reimbursement of all but \$10,000 of that expense.

PERFORMANCE INDICATORS

	Actual 2013	Actual 2014	Target 2015	Projected 2015	Target 2016
Client Benefits/Impacts					
Insurance Costs					
Average workers' compensation costs per claim*	\$ 4,846	\$ 8,625	\$ 4,300	\$ 6,500	\$ 6,000
Avg cost per general liability claim*	\$ 39	\$ 700	\$ 400	\$ 350	\$ 400
Avg cost per auto liability claim*	\$ 277	\$ 492	\$ 300	\$ 700	\$ 500
Strategic Outcomes					
Minimize claims expense					
\$ value of claims paid*	\$ 293,144	\$ 601,148	\$ 250,000	\$ 225,000	\$ 250,000
\$ value of subrogation recovery*	\$ 5,326	\$ 12,519	\$ 11,000	\$ 25,000	\$ 15,000
Work Process Outputs					
Insurance Coverage Maintenance					
# of insurance policy renewals	10	10	10	10	10
# of new insurance policies purchased	0	1	0	2	0
Number of claims filed					
General liability	43	36	50	30	50
Auto liability	34	30	25	20	25
Workers' comp - lost time	7	15	10	10	10
Workers' comp - medical only	52	50	50	50	50

* Initial claims in year presented only

CITY OF APPLETON 2016 BUDGET

RISK MANAGEMENT

Property & Liability Management

Business Unit 6210

PROGRAM BUDGET SUMMARY

Description	Actual		Budget		
	2013	2014	Adopted 2015	Amended 2015	2016
Revenues					
4710 Interest Income	\$ -	\$ 248	\$ -	\$ -	\$ -
4801 Charges for Serv.- Nontax	1,550,077	1,207,766	1,219,780	1,219,780	1,355,650
5004 Sales of City Property	-	490	-	-	-
5035 Other Reimbursements	97,707	78,498	72,220	72,220	63,719
5082 Insurance Proceeds	220,392	5,427,467	235,000	235,000	240,000
Total Revenue	\$ 1,868,176	\$ 6,714,469	\$ 1,527,000	\$ 1,527,000	\$ 1,659,369
Expenses					
6101 Regular Salaries	\$ 146,270	\$ 150,635	\$ 149,557	\$ 150,223	\$ 156,122
6105 Overtime	72	2	-	-	-
6150 Fringes	43,271	46,784	50,582	50,582	51,037
6206 Parking Permits	1,152	1,188	1,188	1,188	1,188
6301 Office Supplies	570	761	1,200	1,200	1,200
6327 Miscellaneous Equipment	-	500	300	300	300
6401 Accounting/Audit	1,886	1,804	2,420	2,420	2,440
6403 Bank Services	-	19	-	-	-
6404 Consulting Services	7,906	4,300	13,400	13,400	5,000
6501 Insurance	400,849	425,194	440,301	440,301	468,722
6599 Other Contracts / Obligations	-	5,200,000	-	-	-
6623 Uncollectible Accounts	-	27,318	-	-	-
6626 Uninsured Losses	600,876	277,213	350,000	350,000	349,000
6627 Uninsured Losses - WC	467,928	331,125	368,000	368,000	475,000
Total Expense	\$ 1,670,780	\$ 6,466,843	\$ 1,376,948	\$ 1,377,614	\$ 1,510,009

DETAILED SUMMARY OF 2016 PROPOSED EXPENDITURES > \$15,000

Insurance

Liability	\$ 99,300
Excess liability	9,800
Employment practice	33,000
Automobile	17,130
Package property	213,302
Excess workers' compensation	96,190
	<u>\$ 468,722</u>

Uninsured Losses

General liability	\$ 54,000
Automobile	45,000
Fox River litigation attorney fees	250,000
	<u>\$ 349,000</u>

Uninsured Losses - WC

Medical payments	\$ 374,500
Comp-lost time	90,000
Other administrative expenses	10,500
	<u>\$ 475,000</u>

CITY OF APPLETON 2016 BUDGET

RISK MANAGEMENT

Safety/Loss Prevention

Business Unit 6220

PROGRAM MISSION

For the benefit of City employees, we will identify, educate and promote loss prevention programs in order to provide a safe and healthy work environment.

PROGRAM NARRATIVE

Link to City Goals:

Implements Key Strategy #1: "Determine City-wide priorities and budget accordingly", #3: "Develop and implement effective communication strategies", and #4: "Develop our human resources to meet changing needs."

Objectives:

- Continue training employees on usage of the automated external defibrillators (AED), CPR & first aid
- Conduct training with volunteers, seasonal and part-time employees in the areas of harassment and discrimination, right to know, workplace violence, bloodborne pathogens, and drug free workplace policies
- Continue with safety day presentations to cover required safety policies and updates
- Conduct bloodborne pathogen training for supervisors and new employees
- Attend departmental safety committee meetings
- Respond to and document ergonomic concerns and implement solutions
- Conduct annual hearing tests on required personnel
- Review and develop programs to promote safety, reduce injuries and reduce claims
- Conduct annual lead testing
- Conduct respirator fit testing and obtain proper medical clearance for respirator usage
- Conduct confined space entry training
- Conduct trenching and excavation training
- Provide training on the use of SDS labeling system

Major changes in Revenue, Expenditures, or Programs:

The decline in the number of people attending safety training classes is due to a change in the way that measure is tracked, from the number of people attending each safety topic to the number of people attending each safety training session, regardless of the number of topics.

PERFORMANCE INDICATORS

	<u>Actual 2013</u>	<u>Actual 2014</u>	<u>Target 2015</u>	<u>Projected 2015</u>	<u>Target 2016</u>
Client Benefits/Impacts					
Safety and loss prevention knowledge					
# of people who attended safety training classes	3,325	151	150	150	150
Strategic Outcomes					
Convenient, understandable safety policies & procedures					
# of safety inspections conducted	131	129	130	130	130
# of safety problems	213	204	210	210	200
# of safety corrections	204	196	200	200	200
Work Process Outputs					
Employees Educated					
# of topics covered during each safety class	14	21	15	15	15
Avg employees per session	27	22	28	28	28

CITY OF APPLETON 2016 BUDGET

RISK MANAGEMENT

Safety/Loss Prevention

Business Unit 6220

PROGRAM BUDGET SUMMARY

Description	Actual		Budget		
	2013	2014	Adopted 2015	Amended 2015	2016
Expenses					
6101 Regular Salaries	\$ 85,847	\$ 88,274	\$ 87,353	\$ 88,601	\$ 91,949
6105 Overtime	6	10	-	-	-
6150 Fringes	30,194	30,762	33,133	33,133	33,468
6201 Training\Conferences	4,192	4,145	6,000	6,000	5,000
6303 Memberships & Licenses	130	160	150	150	150
6305 Awards & Recognition	-	221	140	140	140
6307 Food & Provisions	1,238	1,141	1,253	1,253	1,253
6315 Books & Library Materials	171	20	100	100	100
6320 Printing & Reproduction	1,066	1,043	1,200	1,200	1,200
6323 Safety Supplies	108	106	100	100	100
6327 Miscellaneous Equipment	-	241	250	250	250
6404 Consulting Services	12,836	13,043	13,900	13,900	13,900
6413 Utilities	103	103	200	200	200
6599 Other Contracts / Obligations	-	-	1,650	1,650	1,650
Total Expense	\$ 135,891	\$ 139,269	\$ 145,429	\$ 146,677	\$ 149,360

DETAILED SUMMARY OF 2016 PROPOSED EXPENDITURES > \$15,000

None

CITY OF APPLETON 2016 BUDGET
RISK MANAGEMENT FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

	2013 Actual	2014 Actual	2015 Budget	2015 Projected	2016 Budget
Revenues					
Charges for Services	\$ 1,550,077	\$ 1,207,766	\$ 1,219,780	\$ 1,218,135	\$ 1,355,650
Other	97,707	180,449	72,220	66,605	63,719
Total Revenues	<u>1,647,784</u>	<u>1,388,215</u>	<u>1,292,000</u>	<u>1,284,740</u>	<u>1,419,369</u>
Expenses					
Litigation Fees	227,006	116,163	250,000	250,000	250,000
Fox River Settlement	-	5,200,000	-	-	-
Other Operating Expenses	1,579,665	1,289,949	1,272,377	1,434,377	1,409,369
Total Expenses	<u>1,806,671</u>	<u>6,606,112</u>	<u>1,522,377</u>	<u>1,684,377</u>	<u>1,659,369</u>
Operating Income (Loss)	(158,887)	(5,217,897)	(230,377)	(399,637)	(240,000)
Non-Operating Revenues (Expenses)					
Investment Income	-	248	-	-	-
Other Non-Operating Income	-	490	-	-	-
Insurance Proceeds - Fox River	220,392	5,325,515	235,000	240,000	240,000
Transfer Out - Capital Projects	-	-	-	-	-
Total Non-Operating	<u>220,392</u>	<u>5,326,253</u>	<u>235,000</u>	<u>240,000</u>	<u>240,000</u>
Change in Net Assets	61,505	108,356	4,623	(159,637)	-
Fund Balance - Beginning	<u>83,945</u>	<u>145,450</u>	<u>253,806</u>	<u>253,806</u>	<u>94,169</u>
Fund Balance - Ending	<u>\$ 145,450</u>	<u>\$ 253,806</u>	<u>\$ 258,429</u>	<u>\$ 94,169</u>	<u>\$ 94,169</u>

SCHEDULE OF CASH FLOWS

Cash - Beginning of Year	\$ 167,169	\$ 7,532
+ Change in Net Assets	<u>(159,637)</u>	<u>-</u>
Working Cash - End of Year	<u>\$ 7,532</u>	<u>\$ 7,532</u>

**CITY OF APPLETON 2016 BUDGET
RISK MANAGEMENT**

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