

## **CITY OF APPLETON 2017 BUDGET**

### **RISK MANAGEMENT**

**Human Resources Director: Sandra A. Behnke**

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## CITY OF APPLETON 2017 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 2016 EVENTS

The Risk Management staff continued to manage organizational liability through a variety of efforts. The Risk Management staff started off the year analyzing our current coverages and completed our annual insurance renewals for 2017. 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 reviewed risk and provided adequate insurance coverage for sixty-three special events and twelve new special events. Multiple reviews were completed on the Railroad Trestle contract for the City to obtain ownership of three bridges and connect to the walking trails, the new FICA alternative agreement, the lease for the employee health clinic and new contract for builders risk for automated access and revenue control systems for three parking ramps. We assisted the Fire department with a drone policy and insurance coverage. Contract review was completed on design and construction of the new Erb Park recreation facility including two pools and buildings within the park. We completed several contract reviews for the design, construction, and management of the City's new exhibition center.

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 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 large table top kerplunk game to help reinforce safety topics for seasonal participants. We also created/provided first aid kits for all field vehicles. In addition, we worked with CVMIC to offer a confined space entry training for twenty-five employees.

Worked to complete Safety Data Sheets (SDS) audit and applicable updates.

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.

Staff completed our annual training requirements 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.

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 US District Court. The consent decree capped the City's liability for cleanup at \$5.2 million, removed the City from further litigation and was approved by the court. The \$5.2 million settlement amount was deposited with the court and reimbursed by the insurance companies that provided coverage. Following approval of the consent decree, another of the litigants in the case brought suit for reimbursement of expenses related to the cleanup. The City Attorney continues to work with outside counsel to defend the City's interest.

# CITY OF APPLETON 2017 BUDGET

## RISK MANAGEMENT

### MAJOR 2017 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:

Investigate and resolve all claim issues filed against the City

Work with the Legal Services Office on workers' compensation claims and other unresolved claims

Review all property, liability and workers' compensation insurance coverages

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

Conduct an audit of our insurance fund to make sure adequate funding is available for potential litigation claims

Continue to review certifications of insurance requirements to make sure risk of liability is reduced in case of any claims against the City

Work with vendor annually to assess city buildings to make sure the value of our property is adequately covered for insurance purposes

Continue to provide all applicable staff training in the safety/loss prevention areas

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 vendors such as CVMIC to make sure all safety related education is available to our employees

Due to unusually high workers compensation claims in 2015 and 2016, expenses in this fund have significantly exceeded revenues in those years resulting in a negative fund balance. As a result, additional departmental charges will be made beginning in 2017 and will continue until the deficit is erased. The 2017 Budget will include an additional \$100,000 of departmental charges in support of this goal.

DEPARTMENT BUDGET SUMMARY							
Programs		Actual		Budget		% Change *	
Unit	Title	2014	2015	Adopted 2016	Amended 2016	2017	
<b>Program Revenues</b>		\$ 6,714,469	\$ 2,044,345	\$ 1,659,369	\$ 1,659,369	\$ 2,150,938	29.62%
<b>Program Expenses</b>							
6210	Property & Liability Mgt.	6,466,843	2,148,590	1,510,009	1,510,009	1,895,139	25.51%
6220	Loss Control	139,269	147,967	149,360	150,816	155,799	4.31%
<b>Total Program Expenses</b>		\$ 6,606,112	\$ 2,296,557	\$ 1,659,369	\$ 1,660,825	\$ 2,050,938	23.60%
<b>Expenses Comprised Of:</b>							
Personnel		316,466	324,753	332,576	334,032	342,071	2.85%
Administrative Expense		1,068,466	1,938,529	1,301,653	1,301,653	1,675,482	28.72%
Supplies & Materials		1,910	2,236	1,950	1,950	2,200	12.82%
Purchased Services		5,219,167	30,936	22,990	22,990	30,985	34.78%
Utilities		103	103	200	200	200	0.00%
Repair & Maintenance		-	-	-	-	-	N/A
Capital Expenditures		-	-	-	-	-	N/A
<b>Full Time Equivalent Staff:</b>							
Personnel allocated to programs		2.98	2.98	2.98	2.98	2.98	

# CITY OF APPLETON 2017 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: "Prompt delivery of excellent services", #2: "Encourage active community participation and involvement", and #4: "Continually assess trends affecting the community and proactively respond."

**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:**

The 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 2017. 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 2017 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 was approved by the court and the City deposited the \$5.2 million settlement with the court and was reimbursed by the various insurance carriers providing coverage. As had been expected, one of the paper companies involved in the case 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 2017 budget includes an estimate of \$500,000 for legal fees (\$400,000 for litigation of the appeal, and \$100,000 for representing the City on claims against the insurance carriers and obtaining reimbursement under the policies) and a projected reimbursement of \$380,000.

### PERFORMANCE INDICATORS

	Actual 2014	Actual 2015	Target 2016	Projected 2016	Target 2017
<b>Client Benefits/Impacts</b>					
<b>Insurance Costs</b>					
Average workers' compensation costs per claim*	\$ 8,625	\$ 8,196	\$ 6,000	\$ 6,000	\$ 9,000
Avg cost per general liability claim*	\$ 700	\$ 111	\$ 400	\$ 600	\$ 400
Avg cost per auto liability claim*	\$ 492	\$ 387	\$ 500	\$ 550	\$ 500
<b>Strategic Outcomes</b>					
<b>Minimize claims expense</b>					
\$ value of claims paid*	\$ 601,148	\$ 482,334	\$ 250,000	\$ 250,000	\$ 500,000
\$ value of subrogation recovery*	\$ 12,519	\$ 43,300	\$ 15,000	\$ 15,000	\$ 15,000
<b>Work Process Outputs</b>					
<b>Insurance Coverage Maintenance</b>					
# of insurance policy renewals	10	10	10	10	10
# of new insurance policies purchased	1	2	0	0	1
<b>Number of claims filed</b>					
General liability	36	39	50	50	40
Auto liability	30	28	25	25	30
Workers' comp - lost time	15	8	10	10	10
Workers' comp - medical only	50	49	50	50	50

\* Initial claims in year presented only

# CITY OF APPLETON 2017 BUDGET

## RISK MANAGEMENT

Property & Liability Management

Business Unit 6210

### PROGRAM BUDGET SUMMARY

Description	Actual		Budget		
	2014	2015	Adopted 2016	Amended 2016	2017
<b>Revenues</b>					
4710 Interest Income	\$ 248	\$ 82	\$ -	\$ -	\$ -
4801 Charges for Serv.- Nontax	1,207,766	1,287,059	1,355,650	1,355,650	1,711,040
5004 Sales of City Property	490	-	-	-	-
5035 Other Reimbursements	78,498	66,663	63,719	63,719	59,898
5082 Insurance Proceeds	5,427,467	690,541	240,000	240,000	380,000
<b>Total Revenue</b>	<b>\$ 6,714,469</b>	<b>\$ 2,044,345</b>	<b>\$ 1,659,369</b>	<b>\$ 1,659,369</b>	<b>\$ 2,150,938</b>
<b>Expenses</b>					
6101 Regular Salaries	\$ 150,635	\$ 153,637	\$ 156,122	\$ 156,122	\$ 160,364
6105 Overtime	2	50	-	-	-
6150 Fringes	46,784	47,615	51,037	51,037	52,586
6206 Parking Permits	1,188	1,188	1,188	1,188	1,260
6301 Office Supplies	761	772	1,200	1,200	1,200
6327 Miscellaneous Equipment	500	-	300	300	300
6401 Accounting/Audit	1,804	1,886	2,440	2,440	2,000
6403 Bank Services	19	1	-	-	-
6404 Consulting Services	4,300	13,183	5,000	5,000	12,500
6501 Insurance	425,194	462,709	468,722	468,722	471,429
6599 Other Contracts / Obligations	5,200,000	134	-	-	-
6623 Uncollectible Accounts	27,318	-	-	-	-
6626 Uninsured Losses	277,213	874,294	349,000	349,000	593,500
6627 Uninsured Losses - WC	331,125	593,121	475,000	475,000	600,000
<b>Total Expense</b>	<b>\$ 6,466,843</b>	<b>\$ 2,148,590</b>	<b>\$ 1,510,009</b>	<b>\$ 1,510,009</b>	<b>\$ 1,895,139</b>

### DETAILED SUMMARY OF 2017 PROPOSED EXPENDITURES > \$15,000

#### Insurance

Liability	\$ 99,900
Excess liability	10,000
Employment practice	35,000
Automobile	13,130
Package property	227,059
Excess workers' compensation	86,340
	<u>\$ 471,429</u>

#### Uninsured Losses

General liability	\$ 50,000
Automobile	43,500
Fox River litigation attorney fees	400,000
Fox River insurance carrier - legal fees	100,000
	<u>\$ 593,500</u>

#### Uninsured Losses - WC

Medical payments	\$ 499,500
Comp-lost time	90,000
Other administrative expenses	10,500
	<u>\$ 600,000</u>

# CITY OF APPLETON 2017 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: "Prompt delivery of excellent services", #3: "Recognize and grow everyone's talents."

**Objectives:**

- Continue training employees on usage of the automated external defibrillators (AED), CPR and first aid
- Facilitate new employee orientation and new supervisor orientation classes
- Conduct training with volunteers, seasonal and part-time employees in the areas of harassment and discrimination, right to know, workplace violence, blood borne pathogens, and drug-free workplace policies
- Continue to offer required training to all general employees and supervisors
- Continue with safety day presentations to cover required safety policies and updates
- Conduct blood borne 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 Safety Data Sheets (SDS) labeling system

**Major changes in Revenue, Expenditures, or Programs:**

The training budget is increasing due to modifying how we may offer some of our required annual training for all regular and seasonal employees. In addition to the in-person classes, we plan to research and hopefully offer online training for existing and new employees. The increase will help cover the costs of developing and offering these courses.

The increase in consulting services is based on notification that ThedaCare anticipates a 5% increase in costs for next year.

### PERFORMANCE INDICATORS

	<u>Actual 2014</u>	<u>Actual 2015</u>	<u>Target 2016</u>	<u>Projected 2016</u>	<u>Target 2017</u>
<b>Client Benefits/Impacts</b>					
Safety and loss prevention knowledge					
# of people who attended safety training classes	151	188	150	150	190
<b>Strategic Outcomes</b>					
Convenient, understandable safety policies & procedures					
# of safety inspections conducted	129	132	130	130	130
# of safety problems	204	139	200	200	150
# of safety corrections	196	124	200	200	150
<b>Work Process Outputs</b>					
Employees Educated					
# of topics covered during each safety class	21	16	15	15	15
Avg employees per session	22	26	28	28	26

# CITY OF APPLETON 2017 BUDGET RISK MANAGEMENT

Safety/Loss Prevention

Business Unit 6220

## PROGRAM BUDGET SUMMARY

Description	Actual		Budget		
	2014	2015	Adopted 2016	Amended 2016	2017
Expenses					
6101 Regular Salaries	\$ 88,274	\$ 91,146	\$ 91,949	\$ 93,405	\$ 94,377
6105 Overtime	10	10	-	-	-
6150 Fringes	30,762	32,294	33,468	33,468	34,744
6201 Training\Conferences	4,145	4,963	5,000	5,000	6,500
6303 Memberships & Licenses	160	150	150	150	200
6305 Awards & Recognition	221	233	140	140	140
6307 Food & Provisions	1,141	1,098	1,253	1,253	1,253
6315 Books & Library Materials	20	154	100	100	150
6320 Printing & Reproduction	1,043	1,683	1,200	1,200	1,400
6323 Safety Supplies	106	400	100	100	100
6327 Miscellaneous Equipment	241	-	250	250	250
6404 Consulting Services	13,043	14,133	13,900	13,900	14,835
6413 Utilities	103	103	200	200	200
6599 Other Contracts / Obligations	-	1,600	1,650	1,650	1,650
Total Expense	\$ 139,269	\$ 147,967	\$ 149,360	\$ 150,816	\$ 155,799

## DETAILED SUMMARY OF 2017 PROPOSED EXPENDITURES > \$15,000

None

**CITY OF APPLETON 2017 BUDGET**  
**RISK MANAGEMENT FUND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**

	2014 Actual	2015 Actual	2016 Budget	2016 Projected	2017 Budget
<b>Revenues</b>					
Charges for Services	\$ 1,207,766	\$ 1,287,059	\$ 1,355,650	\$ 1,355,650	\$ 1,711,040
Other	180,449	88,371	63,719	63,848	59,898
Total Revenues	<u>1,388,215</u>	<u>1,375,430</u>	<u>1,419,369</u>	<u>1,419,498</u>	<u>1,770,938</u>
<b>Expenses</b>					
Litigation Fees	116,163	603,067	250,000	470,000	400,000
Fox River Settlement	5,200,000	-	-	-	-
Other Operating Expenses	1,289,949	1,693,490	1,409,369	1,745,369	1,650,938
Total Expenses	<u>6,606,112</u>	<u>2,296,557</u>	<u>1,659,369</u>	<u>2,215,369</u>	<u>2,050,938</u>
Operating Income (Loss)	(5,217,897)	(921,127)	(240,000)	(795,871)	(280,000)
<b>Non-Operating Revenues (Expenses)</b>					
Investment Income	248	82	-	-	-
Other Non-Operating Income	490	-	-	-	-
Insurance Proceeds - Fox River	5,325,515	668,833	240,000	455,000	380,000
Total Non-Operating	<u>5,326,253</u>	<u>668,915</u>	<u>240,000</u>	<u>455,000</u>	<u>380,000</u>
Change in Net Assets	108,356	(252,212)	-	(340,871)	100,000
Fund Balance - Beginning	<u>145,450</u>	<u>330,299 *</u>	<u>78,087</u>	<u>78,087</u>	<u>(262,784)</u>
Fund Balance - Ending	<u>\$ 253,806</u>	<u>\$ 78,087</u>	<u>\$ 78,087</u>	<u>\$ (262,784)</u>	<u>\$ (162,784)</u>

\* as restated per new pension standards

**SCHEDULE OF CASH FLOWS**

Cash - Beginning of Year	\$ (108,788)	\$ (449,659)
+ Change in Net Assets	<u>(340,871)</u>	<u>100,000</u>
Working Cash - End of Year	<u>\$ (449,659)</u>	<u>\$ (349,659)</u>



**CITY OF APPLETON 2017 BUDGET  
RISK MANAGEMENT**

**NOTES**