City of SACRAMENTO
Department of Human Resources

DIVISION OF RISK MANAGEMENT

ANNUAL REPORT

FISCAL YEAR ENDING JUNE 30, 2023
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EXECUTIVE SUMMARY

The Risk Management Division of the Human Resources Department is pleased to present this Risk Management Annual Report for Fiscal Year 2023.

This report provides the City Council and management with an overview of Risk Management programs. This report is designed to provide City leadership and managers with information regarding departmental exposures and losses with the intent of implementing effective loss prevention activities to eliminate or reduce future losses. The report contains summaries of workers’ compensation, general liability, and automobile liability losses by fiscal year, as well as insurance and excess insurance limits and premiums. Environmental Health and Safety programs are also summarized including training, consultation, and environmental compliance activities. Significant Risk Management related accomplishments are also summarized.

The Risk Management Internal Service Fund provides risk financing, risk transfer, environmental health and safety (EH&S) services, and administrative support services for workers’ compensation, general liability, and automobile liability programs. The fund charges all fund participants for program costs based on actuarial estimates of the amounts needed to pay the ultimate cost of claims and operational costs for the Risk Management Division. The FY2023 budget is $54,702,000, an increase of nine percent from the prior year’s budget of $49,906,000. Total insurance premium costs increased 20 percent or $2,359,307 in FY2023, from $11,846,803 in FY2022 to $14,206,110 in FY2023. The primary increase in insurance premiums was the result of excess liability insurance premiums increasing 15 percent, or $1,147,908, from $7,567,613 in FY2022 to $8,715,521 in FY2023. The increase is driven by a deteriorating liability insurance market for public entities resulting from a dramatic increase in both the frequency and severity of high dollar liability claims in recent years. For example, in recent years there have been numerous public entity claim outcomes that have exceeded 30 million dollars. Additionally, adverse loss development in the City’s claims contributed to the increase in excess liability premiums. Dangerous condition of public property, police liability, and sexual molestation claims remain a concern with liability underwriters nationwide. Excess workers’ compensation insurance premiums increased 20 percent, or $239,615, from $1,194,515 in FY2022 to $1,434,130 in FY2023. The increase was driven by higher City payroll, which is a primary factor in excess insurance premiums, and rising reinsurance rates. Property insurance premiums increased 34 percent, or $959,478, from $2,814,214 in FY2022 to $3,773,692 in FY2023. The increase in premiums was driven by rising industry-wide property losses as the number of catastrophic weather-related events continues to increase nationwide. Additionally, a windstorm claim and two costly fire claims were recently reported to our property insurer, which also contributed to increased property insurance premiums.

The number of Workers’ Compensation claims peaked during FY2022 due to an increase in work-related COVID-19 claims. Claims in FY2023 decreased as the number of COVID related claims decreased. However, strains and sprains remain the most common type of injury that results in workers’ compensation claims. The City continues to provide various training programs to reduce the number of these types of injuries. Workers’ compensation benchmarking information, with
Risk Management Annual Report FY2023

claims capped at $100,000 to avoid a few large claims skewing the results, was provided by the firm that provides actuarial services for the City’s Risk Management Division. In a comparison of nine similar-sized California cities, the City’s severity rate, or average cost per workers’ compensation claim, was 25 percent below the average and the City’s frequency rate, or number of claims reported, was 14 percent below the average.

The number of general liability claims has been stable in recent years but increased significantly in FY2023 due to an influx of claims related to the January wind and rain event. The estimated ultimate cost of general liability claims varies dramatically by year as one or two large claims can have a significant effect on the results. Dangerous condition of public property and police liability claims continue to be the most common type of costly claims. Risk Management and the City’s third-party claims administrator, Sedgwick, continue to improve communication with City departments to proactively manage open and potential claims to help minimize these costs.

The number of automobile liability claims has been steady over the years with a spike in FY2019 and a decrease in claims in FY2020. Automobile liability costs have been increasing in recent years due to a few large accidents and the City is expanding training programs and raising awareness of the cost of vehicle accidents to counteract this trend. City personnel, including police and fire, complete most of their driver training requirements at the Emergency Vehicle Operation Center at Mather Airport. Additionally, driver training is provided through online modules and the Smith System defensive driver training program for non-safety personnel.

Liability benchmarking information, with claims capped at $100,000 to avoid a few claims skewing the results, was provided by the firm that provides actuarial services for the City’s Risk Management Division. In a comparison of nine similar-sized California cities, the City of Sacramento’s average cost per claim, or severity rate, for general and auto liability claims was 47 percent below the average and the City’s frequency rate was 16 percent lower than the average.

The City’s EH&S activities are focused on preventing accidents before they occur and concentrate on the following areas: training, vehicle safety, consultation, environmental compliance, support services, employee recognition, and special projects.

**RISK MANAGEMENT MISSION STATEMENT**

Risk Management staff protect City employees and assets by providing exceptional customer service through effective EH&S efforts, claims administration, and risk financing. Our commitment enhances safety and livability for the citizens and employees of the City of Sacramento.
RISK MANAGEMENT VISION STATEMENT

The Risk Management Division will be integrated into the City’s business practices and considered a valued and respected partner.

RISK MANAGEMENT DIVISION

The Risk Management Division consists of three operational units: EH&S, Workers’ Compensation, and Risk Administration. The units are detailed in the organizational chart below. Responsibility for the Risk Management Internal Service Fund (Risk Fund), which provides risk financing and support services related to the workers’ compensation and general and automobile liability programs, is an important function of the Risk Management Division. All City Departments are Risk Fund participants and are charged for program costs based on actuarial estimates of the amounts required to pay the ultimate cost of workers’ compensation and liability claims that occur in that fiscal year as well as the operational costs of the Risk Management Division.

*Figure 1: Risk Management Organizational Chart*
RISK MANAGEMENT BUDGET

The Risk Management budget increased by $4,796,000 or nine percent, from $49,906,000 in FY2022 to $54,702,000 in FY2023. This is the same percentage increase as last year. The primary reason for the increase is rising liability and property costs.

INSURANCE PREMIUMS

The City of Sacramento has an agreement with Alliant Insurance Services (Alliant) to provide insurance brokerage services such as marketing, soliciting quotations, and placing insurance policies. Total insurance premium costs increased 20 percent in FY2023, from $11,846,803 in FY2022 to $14,206,110 in FY2023. The increase in premiums was driven largely by increases in excess liability and property premiums, which are discussed in detail below.

Claim settlement amounts within retention levels are paid by the Risk Fund. Settlement amounts for covered losses more than retention levels are paid by the excess insurer(s) up to the coverage limits.

LIABILITY

The City of Sacramento purchases excess liability insurance to protect the City from catastrophic incidents. Excess liability insurance includes coverage for the following risks: general, automobile, employment practices, and errors and omissions. All coverage is on an occurrence basis. Excess liability limits were increased from $35,000,000 in FY2022 to $40,000,000 in FY2023 to keep up with rising liability settlements. The City’s self-insured retention remains at $2,000,000 with an additional $2,000,000 corridor retention aggregate. The $2,000,000 corridor retention aggregate is in excess of the $2,000,000 self-insured retention.
Excess liability insurance premiums increased 15 percent, or $1,147,908, from $7,567,613 in FY2022 to $8,715,521 in FY2023. The increase is driven by a deteriorating liability insurance market for public entities due to dramatic increases in both the frequency and severity of high dollar liability claims. During the last three years there has been a dramatic increase in the median value of claims in the risk pool the City participates in. There have also been numerous recent public entity claim outcomes that have exceeded 30 million dollars. The number of reinsurers interested in writing public entity business declined from 17 in recent years to just ten in this renewal, reducing competition and contributing to increased costs. Dangerous condition of public property, police liability, and sexual molestation claims remain a concern with liability underwriters nationwide. The City has also experienced adverse loss development in our general liability claims and recently settled several large claims which included payouts by the excess liability carriers. The City continues to obtain excess liability insurance for a reasonable premium through Public Risk Innovation, Solutions, and Management (PRISM), formally known as the California State Association of Counties Excess Insurance Authority (CSACEIA). The PRISM program is one of the largest pools in the nation, providing services to 95 percent of the counties and 70 percent of the cities in California, with revenues of $1.61B. PRISM members take advantage of their large size to obtain high-quality insurance products at a reasonable cost. Municipalities throughout California and the nation experienced large increases in excess liability premiums in FY2023.

WORKERS’ COMPENSATION

The City purchases excess workers’ compensation insurance to protect against catastrophic injury to City employees and accidents involving multiple employees. Excess workers’ compensation limits remained at statutory coverage for FY2023 with a self-insured retention of $2,000,000. Statutory coverage provides payment of claims up to the amount required by law, without limits.

Excess workers’ compensation insurance premiums increased 20 percent, or $239,615, from $1,194,515 in FY2022 to $1,434,130 in FY2023. The premium increase is primarily driven by higher City payroll and increasing reinsurance rates. Additionally, the City received a premium surcharge for a large workers’ compensation claim. Excess workers’ compensation insurance is purchased through PRISM, which uses pool purchasing power to achieve broad coverage for reasonable rates. The program has a $5,000,000 pooled limit and statutory reinsurance coverage for each accident.

PROPERTY

Property insurance is purchased to protect City buildings and assets from damage or loss caused by covered perils such as fire, theft, wind, and flood. Cyber liability and pollution coverage is included in our property insurance program. Property insurance is currently purchased through the Alliant Property Insurance Program (APIP). APIP was formed in 1993 to meet the property insurance needs faced by public entities and is currently one of the largest property insurance placements in the world with over 10,000 covered entities in 45 states. APIP is a joint purchase
program, and there is no risk of assessments. Because of APIP’s large size, members receive low premiums with the best possible coverage terms. The total insurable property values for the City for FY2023 are $2,424,100,109, higher than the FY2022 value of $2,111,502,374. Property insurance premiums increased 34 percent, or $959,478, from $2,814,214 in FY2022 to $3,773,692 in FY2023. The property policy deductible is $100,000 with coverage limits of $1,000,000,000. Coverage limits are shared with other APIP members in different geographical areas to reduce the risk of one large property loss affecting a high percentage of members. Earthquake insurance is not purchased due to the high cost and limited coverage. Property rates are increasing due to industry-wide property losses as the number of catastrophic weather-related events continues to increase in the U.S.. Uncertainty over wildfire and windstorm claims in California continues to be of concern to underwriters. Additionally, a windstorm claim and two costly fire claims were recently reported to our property insurer. These claims, along with an increase in the City’s property values have contributed to the increase in property insurance costs.

OTHER INSURANCE

The City purchased the following additional insurance in FY2023:

- Fine arts insurance with limits of $150,000,000. Coverage is provided for art throughout the City, including the Crocker Art Museum, Sacramento History Museum, Golden One Center, and The Center for Sacramento History.
- Aircraft insurance with limits of $25,000,000 and airport liability insurance with limits of $5,000,000. Coverage is provided for the City's small plane and three helicopters.
- Crime insurance with limits of $15,000,000. Coverage is provided for employee and third-party theft, forgery, and other crime-related losses.
- Pollution legal liability insurance with limits of $10,000,000 and storage tank liability insurance with limits of $1,000,000.
- Special events insurance for City Council events and small events at community centers with limits of $1,000,000.
Table 1, Schedule of Insurance summarizes coverage, self-insured retentions, limits, premiums, and insurance carriers for three years and provides a total cost of insurance by year at the bottom of the table.

Table 1

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Self Insured Retention</th>
<th>Policy Limits</th>
<th>Premium</th>
<th>Carrier</th>
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<tr>
<td><strong>Excess Liability</strong></td>
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<tr>
<td>FY23</td>
<td>2,000,000*</td>
<td>40,000,000</td>
<td>8,715,521</td>
<td>PRISM</td>
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<tr>
<td>FY22</td>
<td>2,000,000*</td>
<td>35,000,000</td>
<td>7,567,613</td>
<td>PRISM</td>
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<tr>
<td>FY21</td>
<td>2,000,000*</td>
<td>35,000,000</td>
<td>6,132,590</td>
<td>PRISM</td>
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<tr>
<td><strong>Total</strong></td>
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<td>22,415,724</td>
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<td><strong>Workers’ Compensation</strong></td>
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<tr>
<td>FY23</td>
<td>2,000,000</td>
<td>Statutory</td>
<td>1,434,130</td>
<td>PRISM</td>
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<tr>
<td>FY22</td>
<td>2,000,000</td>
<td>Statutory</td>
<td>1,194,515</td>
<td>PRISM</td>
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<tr>
<td>FY21</td>
<td>2,000,000</td>
<td>Statutory</td>
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<td>PRISM</td>
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<td><strong>Total</strong></td>
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<td>3,423,520</td>
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<td><strong>Property</strong></td>
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<tr>
<td>FY23</td>
<td>100,000</td>
<td>1,000,000,000</td>
<td>3,773,692</td>
<td>APIP</td>
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<tr>
<td>FY22</td>
<td>100,000</td>
<td>1,000,000,000</td>
<td>2,814,214</td>
<td>APIP</td>
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<td>FY21</td>
<td>100,000</td>
<td>1,000,000,000</td>
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<td><strong>Total</strong></td>
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<td>8,558,403</td>
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<tr>
<td><strong>Fine Arts</strong></td>
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<tr>
<td>FY23</td>
<td>Varies</td>
<td>25,000,000</td>
<td>52,735</td>
<td>Star Indemnity</td>
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<td>FY22</td>
<td>Varies</td>
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<td>FY21</td>
<td>Varies</td>
<td>25,000,000</td>
<td>58,037</td>
<td>Star Indemnity</td>
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<td><strong>Total</strong></td>
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<td>171,711</td>
<td>Star Indemnity</td>
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<td><strong>Other Insurance</strong></td>
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<tr>
<td>FY23</td>
<td></td>
<td></td>
<td>133,226</td>
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<tr>
<td>FY22</td>
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<td>123,066</td>
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<tr>
<td>FY21</td>
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<td>58,463</td>
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<tr>
<td><strong>Total</strong></td>
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<td>314,755</td>
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<td><strong>Total Insurance</strong></td>
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<td>14,206,110</td>
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<tr>
<td>FY23</td>
<td></td>
<td></td>
<td>11,846,803</td>
<td></td>
</tr>
<tr>
<td>FY21</td>
<td></td>
<td></td>
<td>9,094,886</td>
<td></td>
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<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td>35,147,799</td>
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*Additional corridor retention of $2,000,000 for all years
Figure 2 shows the cost breakdown by the various types of insurance purchased in FY2023 with a total cost of $14,206,110.

\[\text{Figure 2}\]

**FY23 Insurance Premiums ($14,206,110)**

An actuarial report is prepared each fiscal year for the City of Sacramento’s self-insured workers’ compensation and general and automobile liability programs by a professional actuarial firm experienced in self-insured public entity program analysis. The actuarial report provides two key pieces of information: the amount to budget for claim costs and expenses that will occur in the coming fiscal year, and the program’s liability for outstanding claims. Outstanding claims represent the ultimate value of losses less any amounts already paid. The City utilizes an 80 percent confidence level (an estimate for which there is an 80 percent chance that the budgeted amount will be sufficient to pay loss costs). The actuarial results for the last three years are provided in Table 2. The budgeted amount for workers’ compensation claims increased by $1,255,000 in FY2023 and the amount budgeted for general and automobile liability claims increased by $2,527,000, resulting in a net increase of $3,782,000. The estimated outstanding liability for all claims increased 21 percent or $22,279,000 in FY2023 to $128,716,000. The increases in the workers’ compensation and liability claims budget lines and outstanding liability resulted from greater development in claim reserves, increasing the estimated ultimate value of these claims.
Table 2

<table>
<thead>
<tr>
<th></th>
<th>As of June 30, 2021</th>
<th>As of June 30, 2022</th>
<th>Difference Between FY 2021-22</th>
<th>As of June 30, 2023</th>
<th>Difference Between FY 2022-23</th>
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<td><strong>WORKERS’ COMPENSATION</strong></td>
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<tr>
<td>Estimated Liability for Outstanding Claims</td>
<td>$52,791,000</td>
<td>Estimated Liability for Outstanding Claims</td>
<td>$51,136,000</td>
<td>-$1,655,000</td>
<td>Estimated Liability for Outstanding Claims</td>
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<td>Estimated Ultimate Cost of Claims</td>
<td>$11,343,000</td>
<td>Estimated Ultimate Cost of Claims</td>
<td>$11,820,000</td>
<td>$477,000</td>
<td>Estimated Ultimate Cost of Claims</td>
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<td><strong>GENERAL AND AUTO LIABILITY</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Estimated Liability for Outstanding Claims</td>
<td>$45,168,000</td>
<td>Estimated Liability for Outstanding Claims</td>
<td>$55,301,000</td>
<td>$10,133,000</td>
<td>Estimated Liability for Outstanding Claims</td>
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<tr>
<td>Estimated Ultimate Cost of Claims</td>
<td>$15,021,000</td>
<td>Estimated Ultimate Cost of Claims</td>
<td>$17,707,000</td>
<td>$2,686,000</td>
<td>Estimated Ultimate Cost of Claims</td>
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<tr>
<td><strong>TOTALS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Estimated Liability for Outstanding Claims</td>
<td>$97,959,000</td>
<td>Total Estimated Liability for Outstanding Claims</td>
<td>$106,437,000</td>
<td>$8,478,000</td>
<td>Total Estimated Liability for Outstanding Claims</td>
</tr>
<tr>
<td>Total Estimated Ultimate Cost of Claims</td>
<td>$26,364,000</td>
<td>Total Estimated Ultimate Cost of Claims</td>
<td>$29,527,000</td>
<td>$3,163,000</td>
<td>Total Estimated Ultimate Cost of Claims</td>
</tr>
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FISCAL YEAR 2023 RESULTS

Workers’ Compensation

The City of Sacramento has been self-insured for workers' compensation claims for City employees and volunteers injured on the job since 1981. The City also self-administers its workers' compensation claims, which ensures a superior level of service, as opposed to outsourcing to an external contractor. This process facilitates streamlined communication among different departments, fostering an interactive process that expedites the return of injured employees to work promptly and minimizes the overall cost of claims.

Accomplishments

- In FY2023, the Workers Compensation Unit managed 1,132 reports including Exposures, First Aids, Incidents, Future Medical Care, Indemnity and Medical Only claims, of which 549 were active claims requiring benefits. The 549 new claims denote a 32.7% decrease from the previous fiscal year. This decline can be largely attributed to the notable surge in work-related COVID-19 claims during FY2022. In FY2022, a total of
238 COVID-19 claims were reported, comprising 35% of the overall new claims recorded.

- Each year, the Workers Compensation Unit aims to meet a productivity level of a 100% ratio of open to closed claims. In FY2023, the Unit achieved a closing ratio of 109%.

- Settling workers' compensation continued to be a primary focus for the Workers’ Compensation Unit. Resolving claims led to several benefits for both the City and employees, depending on the specific circumstances. The finalized workers' compensation claims provided both parties with a sense of closure, provided financial certainty, established control over medical treatment, reduced lengthy and costly litigation, and ensured compliance with applicable laws. In FY2023, there was a 59.55% increase in the total number of settled claims, resulting in a total of 142 claims resolved by way of Stipulation or Compromise and Release.

- The Workers Compensation Unit experienced a 3.92% rise in funds recovered through subrogation efforts when identifying responsible third parties accountable for causing workers' compensation injuries. In FY 2023, the City successfully recovered $92,269, compared to the $88,787 recovered in FY22.

- The City employs a range of strategies for implementing cost containment measures aimed at managing the expenses associated with Workers' Compensation medical treatment. These include Medical Bill Review, a Pharmacy Benefit Management Program (PBM), Utilization Review, and Nurse Case Management.

  - The customized medical bill review program, equipped with cutting-edge software and a comprehensive methodology, achieved a notable 67% savings in FY2023. The total net savings amounted to $10,597,466.

  - The Pharmacy Benefit Management Program (PBM) effectively managed drug formularies and optimized pharmacy costs. This program oversaw drug types and prescription frequency, ensuring appropriateness for industrial injuries. California's workers' compensation drug formulary further aids in cost control, notifying doctors of prescription patterns that indicate excessive use or duplicative therapies. Doctors are notified when prescribing patterns meet criteria that indicate excessive use of prescription drugs and/or duplicative therapies.

  - The City continued to utilize a rigorous review and standardization process for managing medical treatment known as Utilization Review. Utilization Review was used as a pivotal tool to evaluate the suitability and medical necessity of services, procedures, and facilities based on evidence-based criteria and guidelines, aligning with the California Medical Treatment Utilization Schedule (MTUS). For FY2023, the application of utilization review resulted in net savings of $578,645. This involved the review of 798 medication requests and the
assessment of 499 hospitalizations and surgeries, ensuring the timeliness and appropriateness of requested medical treatments.

- The case management program continued to deploy Nurse Case Managers on catastrophic, complex medical cases. This program created seamless efficient communication for the provider, the injured employee, and the claims adjuster. This added service provided triage immediately after an injury, expedited medical treatment and durable medical equipment, as well as managed medical costs.

- In FY2023, the Workers' Compensation Unit participated in the Annual Risk Assessment meetings with each department to review workers' compensation claim data and offered analysis to support safety and injury prevention initiatives.

- The Workers Compensation Unit staff regularly collaborated with departments to fulfill and manage the return-to-work initiatives for injured employees. These programs ensured a smooth transition for employees back into the workforce. For those with permanent residuals, the Workers Compensation Unit facilitated the Interactive Process with Leave Administration, the Department, and the injured employee.

- In FY2023, the City underwent a Review and Audit conducted by the City’s excess insurance provider, PRISM. The auditors concluded that the City's self-administered program achieved an overall performance score that "Exceeds Expectations," as assessed against PRISM Standards during this year's audit.

- Additionally, in FY2023, the City underwent a five-year regulatory audit requirement by the Department of Workers' Compensation of the Division of Industrial Relations, achieving an exceptionally low passing score (the lower score the better) of 0.30443 for the Profile Audit Review Performance Rating. This score can be attributed to skilled, efficient and complaint claims management by the Workers’ Compensation Unit staff.

Workers’ Compensation Results

The following data is derived from the most recent actuarial report which was completed in September 2023. This information is based on data valued as of June 30, 2023.
The data in Figure 3 shows the total estimated cost of workers’ compensation claims, not including injury on-duty time, for the past ten years.

Figure 3

The loss rate per $100 of payroll (losses/(payroll/$100)) for the last ten years is illustrated in Figure 4. The data in Figure 4 limits claim values to $100,000 per occurrence to provide more stable trending information and avoid skewing of the data due to a large loss. The loss rate decreased in FY2023.

Figure 4
Figure 5 shows the estimated ultimate number of workers’ compensation claims for the last ten years. The number of claims decreased in FY2023. This decline can be largely attributed to the notable surge in work-related COVID-19 claims during FY2022.

Figure 5

The number of claims reported per $1 million of payroll (\# of claims/(payroll/$1,000,000)) for the last ten years is illustrated in Figure 6. Overall, the rate remains favorable, but there was an increase in FY2022 due to COVID related cases.

Figure 6
The causes of loss for workers’ compensation claims are depicted in Figure 7. Strain injuries continue to be the most common type of injury. EH&S staff has implemented the Savvy F.I.T. 4 Work program to provide training specific to job functions designed to reduce these types of injuries.

Figure 7

Injury on duty (IOD) hours are illustrated in Figure 8. IOD hours are work hours recorded for injured employees who are unable to work because of an industrial injury. The number of hours increased in the last five years due in large part to the increase in time off work from work-related injuries/illnesses from the Public Works Department, the Fire Department, and the Police Department.

Figure 8
Figure 9 shows the percentage of workers’ compensation claims filed in the last ten years broken down by Police, Fire, and all other City Departments.

Figure 10 shows the percentage of costs paid for workers’ compensation claims in the last ten years broken down by Police, Fire, and all other City Departments. Fire and Police have a higher cost per claim than the other City departments.
Benchmarking

Benchmarking information was provided by the firm that provides actuarial services for the City’s Risk Management Division. Claims are capped at $100,000 to avoid a few large losses skewing results. In a comparison of nine similar-sized California cities the City of Sacramento’s average cost per claim, or severity rate, for workers’ compensation claims was 25 percent below the average. The City’s frequency rate was 14 percent below the average. This shows the City has fewer workers’ compensation claims on average and pays less on the claims that do occur.

LIABILITY

The City of Sacramento utilizes Sedgwick, a third-party claims administrator, to handle liability claims filed against the City. Litigation is handled primarily in-house by the Sacramento City Attorney’s Office, which in FY2023 resolved 98 cases while receiving 108 new cases. Claims are broken down into two categories: automobile and general liability.

Accomplishments

- Sedgwick, the City’s third-party liability claims administrator, opened 613 claims and closed 638 claims, a closing ratio of 104 percent.
- Sedgwick represented the City of Sacramento at Small Claims Court three times with only one adverse verdict.
- Sedgwick scored 99% on the bi-annual audit from our excess liability provider with no audit recommendations.
- Monthly meetings were conducted with the City Attorney’s Office, Risk Management, and Sedgwick to review existing and potential litigation.
- Meetings between Department staff and Risk Management were conducted to review open and potential liability claims.

General Liability Results

The following data is presented from the most recent actuarial report which was completed in September 2023.

The ultimate cost of general liability claims for the last ten years is estimated in Figure 11. General liability claims include all claims except automobile accidents, which are summarized later in this report. General liability claims costs vary dramatically from year to year as one or two large claims can skew the results.
The general liability loss rate (ultimate losses/(composite exposure which consists of population, budget, payroll, police payroll, and FTEs/$100)) is depicted in Figure 12. Losses are capped at $100,000 to avoid the skewing of results from a few large claims. The general liability loss rate has been decreasing slightly in recent years with a slight increase in FY2023.
Figure 13 shows the number of liability claims reported for the last ten years. The number of claims reported has been stable over the last 10 years but increased in FY2023, primarily due to the large rain and windstorm event which resulted in many storm related claims being reported.

Figure 13

![Number of General Liability Claims](image)

The claims frequency (# of claims/composite exposure which consists of population, budget, payroll, police payroll, and FTEs/$1,000,000) is illustrated in Figure 14. The rate had been decreasing in recent years but spiked due to the FY2023 storm-related claims mentioned in the previous graph.

Figure 14

![General Liability Claims Frequency](image)
Figure 15 shows the percentage of general liability claims filed against the City during the last ten years, broken down by Police, Fire, and all other City Departments.

**Figure 15**

![Percentage of General Liability Claims by Department FY14 - FY23](image)

Figure 16 shows the percentage of costs paid by the City for general liability claims in the last ten years, broken down by Police, Fire, and all other City Departments.

**Figure 16**

![Percentage of General Liability Claim Costs by Department FY14 - FY23](image)
Automobile Liability Results

The ultimate cost of automobile liability claims for the last ten years is estimated in Figure 17. High costs in FY2014 were from accidents involving Police and Solid Waste. Costs have been slowly increasing over the last seven years. The City is expanding training programs, providing detailed loss information to Departments, and raising awareness of the cost of vehicle accidents to counteract this trend.

Figure 17

Total Cost ($24,961,000) of Auto Liability Claims
The loss rate (ultimate limited losses (composite exposure consisting of the number of police vehicles, which have a higher loss rate, and the number of other vehicles/$100)) is depicted in Figure 18. Claims are capped at $100,000 to avoid the skewing of losses from a few large claims. The rate has trended higher over the previous nine years.

Figure 18

![Auto Liability Loss Rate](image)

Figure 19 shows the number of auto liability claims filed against the City during the last ten years. The number of claims has been steady in recent years but showed a significant increase in FY2019 and a decrease in FY2020. The number of claims in FY2023 is lower than the prior year.

Figure 19

![Number of Auto Liability Claims (1262)](image)
The claims frequency rate (number of claims/(composite exposure consisting of the number of police vehicles, which have a higher loss rate, and the number of other vehicles/1,000,000)) is illustrated in Figure 20. The claims frequency rate has increased slightly in recent years but decreased in FY2023.

Figure 20

![Auto Liability Claims Frequency](image)

Figure 21 shows the percentage of auto liability claims filed against the City during the last ten years, broken down by Police, Fire, and all other City Departments.

Figure 21

![Percentage of Auto Liability Claims by Department FY14 - FY23](image)
Figure 22 shows the percentage of costs paid by the City for auto liability claims in the last ten years, broken down by Police, Fire, and all other City Departments.

Benchmarking information was provided by the firm that provides actuarial services for the City’s Risk Management Division. Claims are capped at $100,000 to avoid a few large losses skewing results. In a comparison of nine similar-sized cities the City of Sacramento’s average cost per claim, or severity rate, for general and automobile liability claims was 47 percent below the average. The City’s frequency rate was 16 percent lower than the average. The City’s commitment to quickly handle and address liability issues along with the success of the City Attorney’s Office in defending the City in litigation has helped drive these positive results. Additional cost savings are achieved by handling most of the City’s litigation in-house.
The primary goals for EH&S are to reduce the number and severity of injuries and illnesses to assure employee safety and minimize claim costs. Each City department has assigned Environmental Health and Safety Specialists to consult with on workplace health, safety, and environmental issues and to assist with monitoring regulatory compliance. FY2023 EH&S activities included the following:

Training

Effective training programs are an important component in reducing losses. EH&S staff conducted the following trainings in FY2023:

- Certified 170 City employees in CPR/First Aid.
- Certified 90 employees as forklift operators.
- Certified 23 employees on aerial devices.
- Coordinated 24-hour Hazmat Tech and 8-hour refresher classes for Department of Utilities employees.
- Provided Introduction to Hazardous Waste training classes to the Department of Utilities O&M Division.
- Utilized the City’s learning management solution (Acumen) to coordinate numerous online safety trainings and safety refresher courses for all City departments.
- Coordinated classes with Savvy Health Solutions, a physical fitness consultant, to prevent strains and sprains for employees citywide.
- Conducted over 262 monthly safety trainings for City Departments.
• Sponsored and coordinated in-person workplace violence prevention/confrontation management training for employees in numerous departments.
• Supported Smith System Defensive Driving program by adding additional trainers in YPCE.
• Developed and delivered in-house scissor lift training that can be applied citywide for future needs.
• Coordinated third party specialty safety trainings for traffic control flagger, urban forestry services, confined spaces, fall protection, and physical fitness/calisthenics.
• Supported EH&S specialists in career development and safety education by encouraging attendance at safety-specific conferences and support in attaining safety-specific certifications/accreditations.

Vehicle Safety

City employees drove approximately 15.7 million miles in FY2023. EH&S staff tracks City vehicle collision statistics and provides administrative support for departmental collision review committees and the Vehicle Review Committee, which is comprised of representatives from all large City Departments. The City’s commitment to high-quality driver training and accountability due to the creation of the Vehicle Review Committee continues to help contain the costs of collisions.

EH&S staff shares and presents policy briefings to the Vehicle Review Committee three times per year. The presentations focus on employee accountability for chargeable collisions and evaluating accident types to identify potential contributing factors and prevention strategies.

The Citywide Driver Training Plan approved by the Vehicle Review Committee continues to be a strong driver for training to reduce accidents. The plan identifies driver categories for both sworn and non-sworn city personnel. Training requirements are outlined by each category to ensure appropriate levels of driver training are assigned to minimize the risk associated with vehicle operations. The plan includes information on training modules in the learning management system and the option to utilize effective alternative driver training solutions, such as the behind the wheel Smith System training. A training matrix was developed to supplement the plan that specifically identifies which category each job classification falls into.

EH&S staff continues to perform ongoing audits of driver proficiency verification records and timekeeping reports for all applicable commercial drivers. Close coordination with personnel from affected departments ensures all records are complete and current.

EH&S staff provides support for business operations and program cost recovery at the Sacramento Regional Driver Training Facility (SRDTF). Classes include initial, refresher, and remedial driver training for City employees, law enforcement academy recruits, external agency employees, and members of the public. Driver training is required for compliance with California Police Officers Standards for Training and is critical to the safety of emergency operations for the
Police and Fire Departments as well as daily operations by commercial and frequent non-commercial drivers citywide.

In FY2023, SRDTF personnel provided driver training for: 413 City police officers; 418 City firefighters; 270 non-sworn City employees; 306 students from external agencies; and 654 law enforcement academy candidates. The SRDTF program is highly regarded by City employees, external agency participants, and staff at the California Commission on Police Officer Training.

Consultation

Collaboration with City departments is essential to maintaining a safe and healthy work environment. Consulting activities included:

- Delivering 74 ergonomic evaluations.
- Coordinating 1,076 hearing tests.
- Conducting 866 respirator fit tests for employees in compliance with Cal/OSHA requirements.
- Assisting with the development of the energy control program for the Convention Center Complex.
- Conducting personal protective equipment assessments citywide to assure employees are protected from hazards.
- Conducting 163 facility inspections.
- Issuing seasonal newsletters that share information on health and safety topics that are current and relevant to employees.
- Providing staff for departmental labor/management safety committees.
- Responding to inquiries from Cal/OSHA.
- Coordinating and participating in the City’s Threat Assessment Team for workplace violence.
- Providing support to the citywide Learning Management System Acumen team.
- Providing AEDs to numerous City departments as part of risk initiative funding.
- Supporting emergency preparedness for emergency operations center staff.
- Continuing the promotion of Back Defense duty belt suspender systems to reduce back injuries for police officers.
- Reviewing and updating the Illness and Injury Prevention Program (IIPP) to align with all Cal/OSHA regulations.
- Completing a comprehensive review of the Lockout/Tagout program.
- Ensuring compliance with the Federal Motor Carrier Safety Administration (FMCSA) requirements on the Clearinghouse that applies to all commercial drivers.
- Performing annual harness and lanyard inspections for 183 harnesses and lanyards.
- Leading efforts in working with various City groups in coordinating monthly Motor Vehicle Committee meetings.
- Providing internship opportunities to Sacramento State University students aspiring to be EH&S professionals.
• Providing support for Police and Fire Department wellness, mental health, and cancer programs and Peer Support Unit.
• Performing hearing surveys to validate results of Hearing Conservation Program audit, and to identify employees who need to be included in the program and others who can be removed.
• Identifying a method to provide EH&S Specialists with timely injury information to better support departments and assist in the development of effective response measures.
• Replacing outdated respirator fit testing equipment so quantitative testing can be conducted more efficiently.
• Issuing Requests for Proposals and establishing contracts for the following services: employee assistance program, certificate of insurance management program, actuary, hazardous waste management, and medical and psychological services.
• Providing financial support to install four shade canopies on riding mowers to protect Park Operations staff from heat illness.
• Providing financial support to Urban Forestry with the purchase of ANSI Z308.1– Class B First Aid kits.
• Providing financial support to Marina with ADA compliant signage for emergency response, larger spills kits for hazmat spill response, and hazmat training.
• Providing OSHA-30 Hour general industry training to new supervisors in Recycling and Solid Waste.
• Providing financial support to Police for light-weight rifle rated body armor, hearing protection for SWAT personnel, first aid supplies for patrol personnel to quickly respond to medical emergencies, and rifle-rated shields for Sergeant and Watch Commander vehicles.
• Providing financial support to Fire to help Behavioral Health Unit personnel attend PSPSA conference and purchase shirts to easily identify their staff in traumatic incidents/emergencies.
• Providing OSHA-30 Hour general industry training to new supervisors in Recycling and Solid Waste.

COVID-19 Consultation and Support

Collaborating with City Departments on developing and implementing a COVID-19 safety plan was an important endeavor for the EH&S team. This included:

• Coordinating citywide effort to provide training to all employees on the COVID-19 Prevention Program through virtual and in-person methods.
• Updating the COVID-19 Prevention Program to reflect changes to the Cal/OSHA and CDPH requirements.
• Conducting 477 COVID-19 facility assessments to identify opportunities for providing signage, allowing for physical distancing, enhancing cleaning measures, and encouraging the use of face coverings.
• Conducting numerous COVID-19 Job Hazard Analysis’ (JHA) to protect employees from potential work-related exposures.
• Contracting services through a consultant to investigate and follow through on appropriate notification requirements for COVID-19 cases, close contacts, worksite exposures, and employee representatives.
• Performing 566 COVID-19 case investigations for City employees between internal staff and consultant.
• Providing general consultation for employees on questions regarding current requirements and possible close contacts.
• Reviewing and processing 2,161 vaccination submissions between internal staff and contractor.

Environmental regulatory compliance activities included:

• Administering citywide contracts for hazardous and bio-hazardous waste clean-up and disposal.
• Establishing new contract for cost effective propane tank recycling services.
• Participating in hazardous materials response operations for incidents occurring in the public right of way and minimization of the cost to the City by utilizing the Department of Toxic Substances Control’s (DTSC) abandoned waste program.
• Coordinating proper disposal of 118,755 pounds of abandoned hazardous waste collected throughout City or from emergency response incidents.
• Conducting hazardous waste generator and spill response training for applicable personnel.
• Coordinating pick-up and disposal of e-waste and hazardous materials waste.
• Maintaining asbestos and lead sampling records citywide.
• Updating hazardous materials business plans for all applicable City facilities in the California Environmental Reporting System (CERS).
• Participating in Sacramento County Environmental Management Department inspections at City facilities.
• Reviewing and updating Spill Prevention, Control, and Countermeasure (SPCC) plans for facilities with large containers storing oil products.
• Conducting indoor air quality investigations at facilities with specific concerns.
• Maintaining consolidation points for sharps waste collected from throughout the city.
• Managing a tire recycling program that complies with CalRecycle requirements for collection, storage, and documentation.
• Calculating annual hazardous waste generator fees for the disposal of hazardous waste and issuing payment in a timely manner.
• Providing support to departments to comply with treated wood waste requirements.
• Maintaining Hazardous Waste Transporter Registration with the DTSC for emergency response incident operations and small load operations.
• Completing and submitting annual EPA ID verification to validate all 66 EPA ID numbers.
• Coordinating and assisting Public Works with large-scale clearing of waste/hazwaste accumulation areas at the corporation yards to ensure safe access and proper management of materials.

Support Services

Pre-employment and preventative medical programs and contractual risk transfer are also administered by the EH&S and risk administration staff. Activities included:

• Monitoring compliance with City contract insurance requirements for 1,478 active contractors and vendors.
• Providing departmental training sessions on insurance requirements for contracts.
• Providing support for the special events insurance program, insurance renewals, and liability claims administration.
• Participation in the PRISM Claims Committee which meets periodically to approve large workers’ compensation and liability claims settlements for many California public entities.
• Participation in the PRISM GL2 Committee which reviews funding, coverage, claims, program services and new member applications.
• Tracking 64 restitution cases for reimbursement due to damaged City property by responsible third parties.
• Scheduling/monitoring 1,235 pre-employment, non-industrial return-to-work, and specialty physical exams in accordance with City policy.
• Monitoring validity of 1,068 commercial/non-commercial drivers’ licenses.
• Coordinating 306 random drug tests and 159 random alcohol tests for commercial drivers.
• Coordinating 133 drug and alcohol tests for pre-employment, return to duty, last chance agreements, and reasonable suspicion.
• Coordinating annual flu vaccines and tuberculosis testing for public safety emergency responders.

Safety Specialist Work-Load Distribution

During FY2022, EH&S contributed a large portion of hours to COVID-19 related investigations, inspections, record-keeping, tracking, and mitigation strategies to help support every department within the City. In FY2022, 37% of the Safety Specialist workload was dedicated towards COVID-19 efforts. The high number of hours dedicated to COVID-19 related work, although essential, became the largest portion of the workload during the fiscal year. Even with this additional workload, regular job duties by the EH&S team still needed to be provided to the departments served at the high standard the organization is accustomed to. Due to the large workload dedicated towards COVID-19 in FY2022, in FY2023 Risk Management partnered with a 3rd party COVID-19 Investigation contractor (PubSEG) to take over a large portion of the regulatory COVID-19 reporting responsibilities that Safety Specialists had previously been conducting. This partnership has allowed the EH&S team to
continue to provide the high standard of consultation and support that all City departments have grown accustomed to. Through this partnership with PubSEG, we were able to reduce the total amount of time Safety Specialists spent on COVID-19 related hours from 37% in FY2022, to only 7% in FY2023.

**Special Projects**

Risk Management staff meets with leadership teams from the operating departments annually to identify priority initiatives. Many of these risk initiatives are accomplished through the collaborative efforts of EH&S and departmental staff. Citywide risk initiatives included safety training gap analysis and regulatory compliance for occupational safety in all departments.

EH&S completed 57 initiatives in FY2023, compared to 44 in FY2022, in the following areas:

<table>
<thead>
<tr>
<th>Initiative</th>
<th>FY2023</th>
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<tbody>
<tr>
<td>Training</td>
<td>25</td>
</tr>
<tr>
<td>Policy or Procedure Development</td>
<td>5</td>
</tr>
<tr>
<td>Equipment or Process Improvement</td>
<td>10</td>
</tr>
<tr>
<td>Occupational Health</td>
<td>4</td>
</tr>
<tr>
<td>Risk Analysis and Program Support</td>
<td>13</td>
</tr>
</tbody>
</table>
Subrogation is the recovery of funds spent to repair or replace City assets damaged by negligent third parties and Restitution orders are initiated by the County for situations where City property was damaged in the commission of a crime. Examples are automobile collisions where third parties cause damage to City vehicles, traffic signals, or street signs. Figure 23 illustrates the amount collected during the last three years. Recovery amounts vary by year based on the amount of City property that was damaged by responsible parties. In March of 2022 subrogation efforts were transitioned from the Revenue Division to a third-party administrator, George Hills. Since making this transition we have seen an increase in the rate of recoveries. Support is provided by Risk Management and City Departments that provide damage cost documentation, repairs costs, accident reports, and police reports. Subrogation recoveries were negatively impacted by the COVID Pandemic in FY2021.

Figure 23

Money recovered from third parties for City vehicle and property damage is deposited directly into the appropriate fund per City policy.
FISCAL YEAR 2024 ACTION PLAN

- Continue working on safety training verification and deliver training targeted to fill gaps.
- Issue a Request for Proposal for fire extinguisher maintenance services.
- Provide first aid and CPR training to groups requiring such certifications.
- Continue the Alvarez Associates Confrontation Management training to help mitigate potential violent situations.
- Continue the Savvy Health Solutions training program for prevention of strains and sprains injuries.
- Evaluate the hazardous materials management program to identify potential efficiencies.
- Continue to alert departments of claim activity to address liability issues.
- Update Emergency Action Plans (EAP) citywide and provide necessary training.
- Continue to expand worksite evaluations to identify and control hazards.
- Support Fire and Police in their wellness, fitness and peer support programs and expand peer support to include other departments.
- Contribute funding to safety recognition programs to promote safe work practices.
- Assist purchase of additional AEDs to make the lifesaving equipment more accessible.
- Complete Risk Management Initiatives developed at annual risk management meetings with departments.
- Continue implementation of the citywide Driver Training Plan and explore opportunities to designate additional internal Smith System trainers to make additional training available.
- Update primary hazardous waste accumulation facilities with proper storage equipment.
- Establish a digital dashboard to display information obtained through electronic methods for vehicle accidents, injuries, and near misses.
- Establish comprehensive training matrix that identifies specific training required for all classifications.
- Update Workplace Violence Policy to comply with Cal/OSHA general industry requirement for employers to establish a Workplace Violence Prevention program.
- Monitor updates from Cal/OSHA to develop and implement an Indoor Heat Illness prevention program.
- Evaluate regulatory changes with AB2188 and SB700 to refine hiring practices with compliant drug testing methods.
- Support facility upgrades at SRDTF by replacing the outdated modular building used by training instructors and staff.
- Update COVID-19 Prevention Program to reflect changes to Cal/OSHA COVID-19 standards and California Department of Public Health (CDPH) guidance.
- Support Department of Public Works transition to a digital solution for DOT mandated Hours of Service timekeeping for commercial drivers.
• Continue implementation of workers’ compensation claims adjuster software upgrade.
• Achieve a 100% or greater closing ratio for workers’ compensation claims.
• Begin updating workers’ compensation policies and procedures.

In closing, the Risk Management Division would like to thank City departments for their continued support in risk management activities to protect the citizens and employees of the City of Sacramento.