

AGENDA MEMORANDUM

First Reading Ordinance for the City Council Meeting of July 17, 2018
Second Reading Ordinance for the City Council Meeting of July 24, 2018

DATE: June 22, 2018

TO: Keith Selman, Interim City Manager

FROM: Miles Risley, City Attorney
milesr@cctexas.com
(361) 826-3361

Gilbert Sanchez, Risk Manager
gilberts2@cctexas.com
(361) 826-3739

Appropriating \$500,000 from Reserve Fund Balance for higher-than-actuarially-calculated worker's compensation costs

CAPTION:

Ordinance appropriating \$500,000 from the Reserved Fund Balance in the Workers' Compensation Fund for payment of higher-than-actuarially calculated workers compensation costs and amending the FY17-18 Budget.

PURPOSE:

This action increases expenditures in the Workers' Compensation Fund by \$500,000 to ensure proper funding through the end of the current fiscal year. The actuarially determined amount for claims this fiscal year was \$2,102,880. Through the end of May 2018, (67% of fiscal year), 80% of the total budget in the Workers' Compensation Fund had been used. In order to ensure funds are present when requested, funds need to be appropriated from the Reserved Fund Balance in the Workers' Compensation Fund. Current fund balance in the Workers' Compensation Fund is approximately \$5,800,000.

BACKGROUND AND FINDINGS:

The Workers' Compensation Fund self-insures the first \$500,000 of every injury, thereafter, the City purchases an excess/umbrella liability policy for individual claims exceeding the \$500,000 limit. The Workers' Compensation Fund budget is determined by actuarial analysis. This analysis is based on claims loss data provided by York Services, our workers' compensation third-party administrator. Oliver Wyman Inc., the City's actuary, reviews the claims data and calculates budget forecasts in conformance with standard actuary practices and City of Corpus Christi Financial Policy.

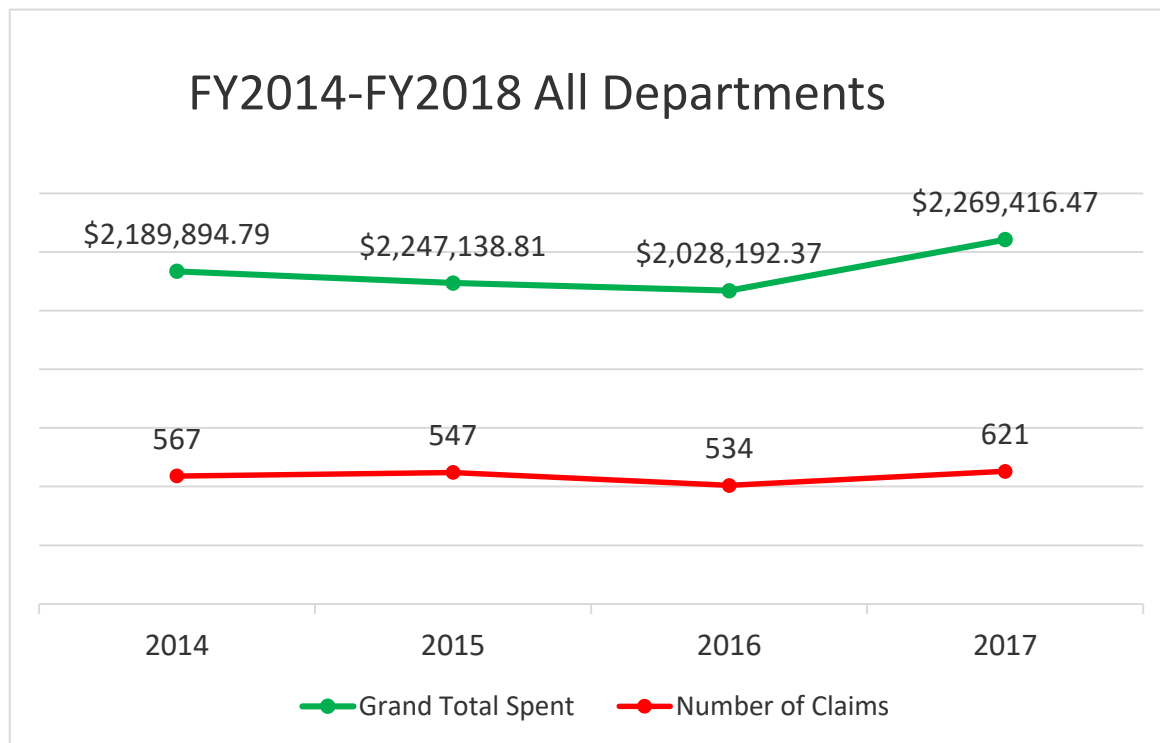
Fiscal Year 2017-18 Workers' Compensation claim payments continue to increase through the first 8 months due to higher than expected medical expenses per claim. There have been a number of costly surgeries that were performed year to date along with associated lost wages for time spent off work due to injury. These same claims in the third quarter significantly impacted the workers' compensation self-fund.

The following is a breakdown of workers' compensation expenses, indemnity and medical payments through May of 2018:

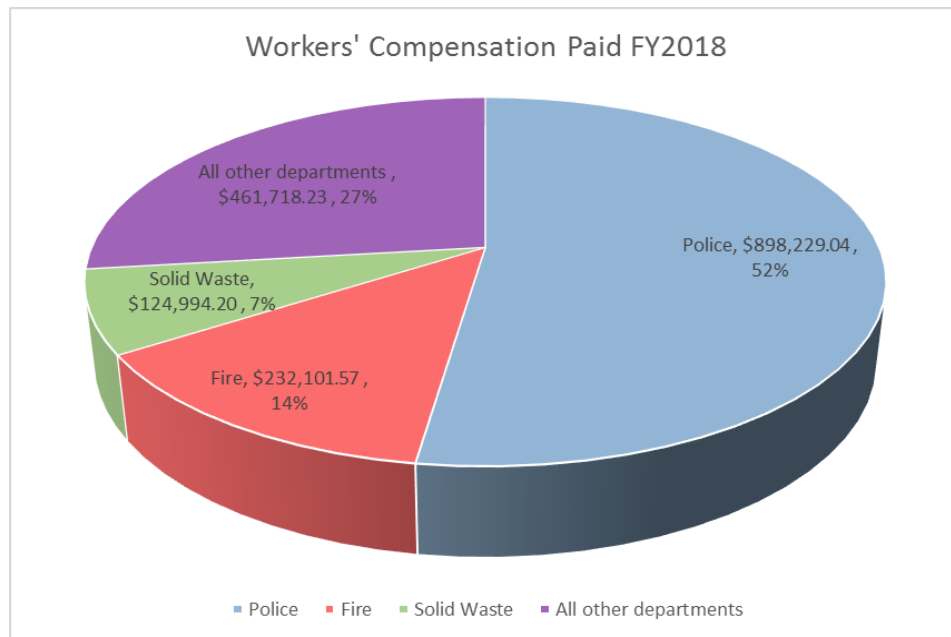
Month/Year of Check	Expense	Indemnity	Medical	Grand Total
Oct-17	\$ 18,356.39	\$ 72,736.52	\$ 97,436.67	\$ 188,529.58
Nov-17	\$ 20,818.27	\$ 73,221.71	\$ 142,759.72	\$ 236,799.70
Dec-17	\$ 17,406.78	\$ 108,954.98	\$ 164,035.24	\$ 290,397.00
Jan-18	\$ 16,044.50	\$ 49,051.31	\$ 75,052.22	\$ 140,148.03
Feb-18	\$ 16,006.50	\$ 37,991.75	\$ 94,836.52	\$ 148,834.77
Mar-18	\$ 18,859.18	\$ 38,132.03	\$ 99,477.30	\$ 156,468.51
Apr-18	\$ 14,848.50	\$ 58,074.00	\$ 189,625.47	\$ 262,547.97
May-18	\$ 14,741.00	\$ 184,826.63	\$ 71,188.35	\$ 270,755.98
Grand Total	\$ 137,081.12	\$ 622,988.93	\$ 934,411.49	\$ 1,694,481.54

As of the first 8 months of 2018, the total number of workers' compensation claims filed in 2018 is projected to be less than last year. However, the severity of the 2017 claims being paid in this budget year are much higher. With four months until the new fiscal year, there is an anticipated shortfall of a projected \$500,000.

To illustrate this year's paid claims trend to the four previous years, the following chart provides an analysis of all workers' compensation claims paid year to date.

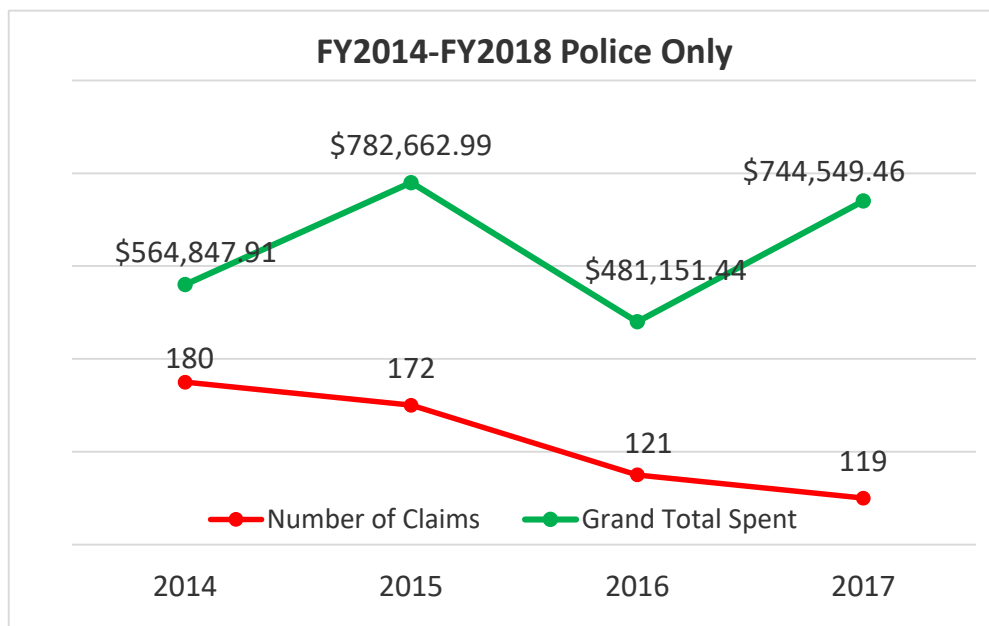


To determine whether the City has a systemic problem or a department-specific issue this year, we broke down workers compensation costs by department. As indicated in the following chart, the Police Department claim losses 8 months into the year comprised 52% of all total losses.



The cost drivers for this year's Police department claims were four motor vehicle accidents that occurred in 2017, two involving motorcycles. Of those four, the City driver was at fault in only one. The accidents resulted in either extensive surgeries or other expensive rehabilitative costs. The city is currently pursuing subrogation claims in the three accidents but does not anticipate full recovery in the foreseeable future. These limited subrogation dollars from which to recover are due to no insurance by the at fault driver, low limits of auto liability insurance and the number of parties vying for limited insurance funds.

Despite claim severity issues, the Police Department is improving its safety. A four-year comparative analysis within the Police Department indicates that **the total number of police workers' compensation claims decreased by 1/3 since 2014**. Due to medical cost inflation, the severity of the injuries has, over the last two years, greatly increased costs and impacted the workers' compensation self-retention fund.



Current and future training: Police claims have declined significantly, indicating positive trends. However, safety expenditures in police will have an outsized effect on total City workers compensation costs. The following are the Police Department and Risk Management collaborative training and safety efforts and programs targeted to reduce accidents, injuries and workers' compensation costs:

- CCPD Cadets attend the National Safety Council Defensive Driving (DDC) class conducted by Risk Management
- Vehicle Accident Review Board continues to review and work closely with the Police to identify preventable accidents and refer drivers to a two-hour remedial driver training session
- Risk Management is to conduct DDC specifically for the Police Department
- Police and Fire have implemented an internal motor vehicle accident disciplinary matrix to discipline officers and Firefighters for preventable accidents and Risk Management recommends all departments develop and implement like internal disciplinary matrix
- Risk Management has assigned an additional Safety Coordinator to assist the Police Department to identify safety training departments needs to address the root cause of accidents.

ALTERNATIVES: Not applicable due to statutory requirements that Public entities provide workers' compensation coverage to its employees.

OTHER CONSIDERATIONS: Not applicable.

CONFORMITY TO CITY POLICY: This purchase conforms to the City's financial policies and State statutes regulating workers' compensation.

EMERGENCY / NON-EMERGENCY: Non-emergency.

DEPARTMENTAL CLEARANCES: Budget

FINANCIAL IMPACT:

Operating Revenue Capital X Not applicable

Amount Required: \$500,000

Fiscal Year: 2017-2018	Current Year	Future Years	TOTALS
Line Item Budget	\$2,102,881		\$2,102,881
Encumbered / Expended Amount	1,714,868		1,714,868
This item	500,000		500,000
BALANCE	\$888,013		\$888,013

Comments:

RECOMMENDATION: Staff recommends approval of the ordinance as presented.

LIST OF SUPPORTING DOCUMENTS: Ordinance