

Finance Committee Memorandum

City of Arts & Innovation

TO: FINANCE COMMITTEE MEMBERS **DATE: SEPTEMBER 25, 2017**
FROM: FINANCE DEPARTMENT **WARDS: ALL**
SUBJECT: ANNUAL REPORT ON THE CITY'S GENERAL LIABILITY CLAIMS – FISCAL YEAR 2016-2017

ISSUE:

Receive, provide input on, and forward to the City Council this annual report on the City's General Liability open claims and costs for Fiscal Year 2016-2017 (July 1, 2016 through June 30, 2017).

RECOMMENDATION:

That the Finance Committee receive, provide input on, and forward to the City Council this annual report reflecting the City's General Liability open claims for Fiscal Year 2016-2017 (July 1, 2016 through June 30, 2017).

BACKGROUND:

The Finance Department is responsible for the City's Risk Management function, which includes the administration of the City's General Liability claims program. This is the second annual report on the City's General Liability claims; the first was presented to the Finance Committee on September 14, 2016.

This report will continue to be provided on a yearly basis, and will present a snapshot of the claims received, processed, closed, litigated or otherwise handled over a twelve-month period. A financial overview will always accompany the reports. In addition to this annual report presented to the Finance Committee and the City Council, Risk Management provides detailed reports to City Departments on a monthly basis. On a quarterly basis, the City Manager's Office and the City Attorney's Office meet with Finance (on the General Liability claims) and Human Resources (on the Workers' Compensation claims) to identify patterns and discuss any changes to policies or management actions.

The City of Riverside has been self-insured and has self-administered its Risk Management program since January 1, 1979. The main purpose of the program is to minimize or eliminate the exposure of City assets and resources to accidental and business loss. The Risk Management Division is responsible for the administration of general liability claims and adheres

to the California Government Code, which establishes general requirements for filing claims against public entities, and sets various deadlines for filing and processing claims.

Currently, Risk Management administers claims through a contract with a Third Party Administrator (TPA), Carl Warren and Company (CW). CW assists the Risk Management Division in managing, reviewing and resolving all public liability claims filed against the City. CW has established a collaborative working relationship with individual City Departments, including the City Attorney's Office, to assist in the resolution of outstanding claims. With the help of their proprietary Risk Management Information System (RMIS), Carl Warren provides statistical reports, including loss run reports on a regular basis and ad-hoc reports as the need arises.

Based on staff recommendations, the City Council approved transitioning the claim administration program to City staff on June 20, 2017. This transition will allow staff to have better control over claims and further enhance customer service. On August 8, 2017, City Council approved a Software Subscription Agreement with Origami Risk LLC, for a RMIS. This software system will streamline the City's general liability claims program by allowing staff the capability to perform many of the functions that are currently performed by our TPA, including but not limited to claim management, setting reserves, statistical reporting, increasing customer service efforts and enhancing claimant communications.

The current contract with CW is set to expire on December 31, 2017, with an option to extend the contract a further six months through June 30, 2018. The June 2018 deadline will provide sufficient time to fully test and implement the RMIS and fill vacancies within the Risk Management Division prior to embarking on a transition for such an important service to the City, its residents and other stakeholders.

DISCUSSION:

A. Overview of Open Claims

As of June 30, 2017, the City had 240 open/outstanding claims, with \$6.6 Million in anticipated expenses (reserve loss and reserve expense) and \$1.5 Million in payment losses and expenses; for total incurred costs of \$8.1 Million. The table below only includes open claims, including litigated claims. Litigated claims could remain open for several years and account for over 87% of the total incurred amount listed below.

Snapshot of Open Claims - Activity through June 30, 2017

TYPE	NUMBER OF CLAIMS	NET RESERVE LOSS (1)	NET RESERVE EXPENSE (2)	NET PAYMENT LOSS (3)	NET PAYMENT EXPENSE (4)	TOTAL INCURRED
CITY ADMINISTRATIVE SERVICES	4	211,767.66	192,177.67	-	6,653.83	410,599.16
CODE COMPLIANCE/ WEED ABATAMENT	4	16,200.00	37,336.00	-	123,201.70	176,737.70
DEVELOPMENT	2	11,000.00	-	-	-	11,000.00
ELECTRIC SERVICES	21	27,589.78	150.00	-	-	27,739.78
FIRE	4	434,850.00	1,270.46	150.00	3,729.54	440,000.00

TYPE	NUMBER OF CLAIMS	NET RESERVE LOSS (1)	NET RESERVE EXPENSE (2)	NET PAYMENT LOSS (3)	NET PAYMENT EXPENSE (4)	TOTAL INCURRED
HUMAN RESOURCES	12	419,000.00	160,390.89	-	24,774.11	604,165.00
PARKS	4	133,500.00	14,315.12	-	999.88	148,815.00
POLICE	23	3,148,385.00	162,803.23	125,000.00	1,130,914.97	4,567,103.23
PUBLIC WORKS	51	374,548.75	89,830.59	30,100.00	43,658.00	538,137.34
REFUSE COLLECTION SERVICES	4	1,750.00	150.00	-	-	1,900.00
SEWAGE SYSTEMS SERVICES	12	17,922.00	-	-	-	17,922.00
STREET MAINTENANCE/ SWEEPING	25	782,793.99	77,136.40	-	64,932.11	924,862.50
STREET TREES - SEWER ACTIONS	20	48,435.34	-	6,453.87	-	54,889.21
STREET TREES - TREE LIMB/BRANCH	17	46,016.70	-	6,755.23	-	52,771.93
STREET TREES - WATER LINE ACTIONS	4	2,395.24	-	-	-	2,395.24
STREET TREES - YARD ACTIONS	6	12,752.40	-	1,054.60	-	13,807.00
STREET TREES- CONCRETE DAMAGE ACTIONS	16	104,485.00	-	922.00	-	105,407.00
WATER SERVICES	11	32,700.00	-	-	-	32,700.00
TOTALS	240	\$5,826,091.86	\$735,560.36	\$170,435.70	\$1,398,864.14	\$8,130,952.09

(1) Net Reserve Loss – Estimated amount to be paid for settlement of the claim(s);

(2) Net Reserve Expense – Estimated amount to be paid for anticipated expenses (Legal Costs, Attorney Fees, Investigations, etc.);

(3) Net Payment Loss – Settlement amount that has been paid; and

(4) Net Payment Expense – All Expenses related to the claim that have been paid (Legal Costs, Attorney Fees, Investigations, etc.).

Of the 240 outstanding claims shown above, 44 claims are being actively administered by the City Attorney's Office. These are tort claims with ongoing litigation. Of the 240 open claims, 155 are related to the Public Works Department, and reflect claims mainly associated with the damage caused by the roots of the Shamel Ash trees planted throughout Riverside. The Shamel Ash is a large shade tree with thick trunks and is the fastest growing Ash tree. This type of tree can grow over 80 feet tall in over 30 years, with a shallow and invasive root system causing driveways and sidewalks to be lifted, also causing damage to the City water and sewer lines.

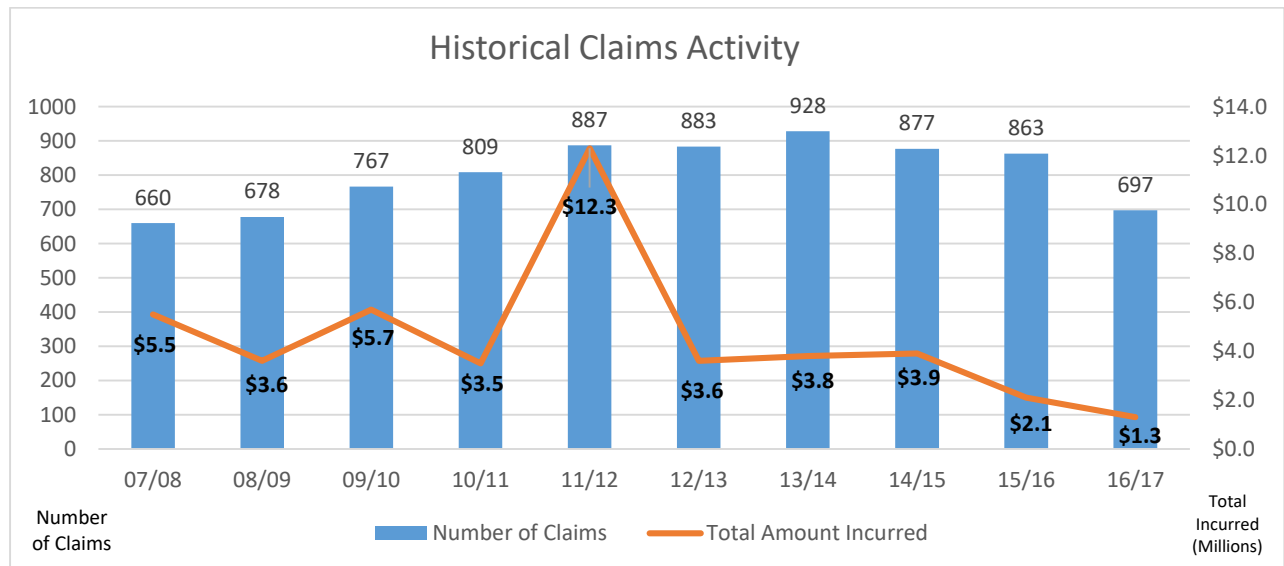
B. Fiscal Year 2016/2017 Claim Activity

The following table shows an overview of claim activity for the entire fiscal year (FY) 2016/17. During this time period, the City received a total of 697 general liability claims. This number, however, includes both actual claims (filed on the approved form with the City Clerk), as well as calls for service to address issues (mainly sewer-related) that would otherwise lead to claims. Property damage was the leading source of claims, generating approximately 94% of all claims received during the fiscal year. The total incurred amount listed below includes anticipated and current expenses associated with claims filed during FY 2016/2017.

	CLAIM COUNT	% OF ALL CLAIMS	TOTAL INCURRED	% OF TOTAL INCURRED
AUTO BODILY INJURY	6	0.86%	\$34,090.00	2.52%
AUTO PROPERTY DAMAGE	36	5.16%	\$87,743.62	6.47%
BODILY INJURY	24	3.44%	\$116,793.00	8.62%
PROPERTY DAMAGE	622	89.24%	\$1,086,095.99	80.14%
PERSONAL INJURY	9	1.29%	\$30,500.00	2.25%
TOTALS	697	100.00%	\$1,355,222.61	100.00%

C. Historical Claims Activity

During the 10-year period between July 1, 2007 and June 30, 2017, Risk Management received a total of 8,049 claims, with an average of 805 claims per fiscal year. (Again, this number includes both actual claims and calls for service.) During this ten year period the total amount incurred was \$45.3 Million with an average of \$4.5 Million per fiscal year. The total incurred amounts listed below include both anticipated and current expenses through June 30, 2017.



D. Outside Legal Counsel and Litigation Costs

The City retains outside legal counsel as applicable and required by the City Attorney's Office, typically for claims where the claimant has retained legal counsel and/or other appropriate occurrences as determined by the City Attorney's Office. Once this occurs, all communication and interaction between the claimant and the City are conducted via each party's legal representative, including any formal or informal communication such as attending court proceedings. Selection of outside legal counsel is made by the City Attorney's Office. Expenditures related to outside legal fees and costs dating July 1, 2016 through June 30, 2017 totaled \$ 1,475,000.

E. Customer Service Enhancements

The City's Risk Management Division continuously makes improvements to effectively and consistently provide exceptional customer service, expedite the claims administration process and establish high levels of transparency.

As previously discussed, on August 8, 2017, City Council approved a Software Subscription Agreement with Origami Risk LLC, for a RMIS. This software system will streamline the City's general liability claims program by allowing staff the capability to perform many of the functions that are currently performed by our TPA, including but not limited to claim management, setting reserves, statistical reporting, increasing customer service efforts and enhancing claimant communications.

Origami was selected for its unique software capabilities and ease of use. One of the major features that Origami will implement will be an Enterprise Data Entry Portal which will give claimants the ability to submit their claim online. Another exciting feature to be implemented will be a Mobile Claimant App which will allow claimants to safely view details and progress of their claim, all from the convenience of their mobile device. This feature is projected to significantly increase customer service efforts and enhance communications with claimants who utilize the process.

The RMIS is expected to be implemented by early 2018.

FISCAL IMPACT:

There is no direct fiscal impact associated with this report. For informational purposes, the General Liability program's expenditures for claim settlements and expenses over the last two fiscal years are as follows:

	FY 2015/16	FY 2016/17
Legal Fees and Costs	\$1,179,103	\$1,475,156
Bodily Injury Claims	\$1,899,265	\$252,360
Property Damage Claims	\$2,381,400	\$1,681,015
TOTALS	\$5,459,768	\$3,408,534

Prepared by:	Adam Raymond, Chief Financial Officer/Treasurer
Certified as to	
Availability of funds:	Adam Raymond, Acting Chief Financial Officer/Treasurer
Approved by:	Marianna Marysheva, Assistant City Manager
Approved as to form:	Gary G. Geuss, City Attorney

Attachment: Presentation