



Finance Committee Summary

Wednesday, Oct. 1, 2008

1:30 p.m.

3rd Floor Council Conference Room

Committee Members Present: Faatz, Chair; Boigon, Vice-Chair; Brown, Hancock

Committee Members Absent: Lehmann

Agenda:

- 1) *Risk Management Report*
- 2) *Cedar Crestone Corporation contract and update on elections technology*

1) **Risk Management Report:**

Committee Discussion

Ray Sibley, Dept. of Finance-Risk Management, stated their division oversees the management and analysis of the City's risk and exposure to loss related to activities performed by City agencies and its employees. The annual report is a summary of Risk Management activities performed during a prior year and is broken down into several major sections: insurance, Worker's Compensation, liability and litigation, auto accidents and subrogation. He commented that the report helps management make informed decisions about enhanced training, proactive health solutions, and financial decisions. Recently, the City mandated defensive driving classes in response to auto-related accidents. All employees are covered by Worker's Compensation benefits except for volunteers, but payments are handled differently depending if they are Civil Service or Career Service. Highlights of the report include:

- 2007 Worker's Compensation claims declined from prior year; 1,337 claims were filed in 2007 – a 4% difference from 2006 claims although the employee population numbers increased in the same period of time (approximately 13,000 employees).
- Worker's Compensation open claims at year end has declined – only 743 pending compared to 945 at year end 2006.
- The City's total liability for Worker's Compensation claims increased from \$31 million to \$32.5 million.
- The most common incident were "slip, trip or fall on ice/snow" – there were 109 incidents with attributable costs in the amount of \$938,913. It was noted that this report covered the period from December 06 through 2007 where Denver experienced unusual blizzards so most of these costs were related to those conditions during that

time. In addition, one case classified under this category represents \$300,000 of that total figure.

- 2007 auto accident claims declined by four from 2006, but only 11% of the accidents resulted in a Worker's Compensation claim, down from 12% in 2006.
- Subrogation collections rose from \$568,002 to \$653,605.

Councilmember Faatz questioned where the funding of \$32 million for claims comes from. Mr. Sibley said that approximately \$20 million came from the Worker's Compensation Trust Fund. He explained that prior to 2003, no actuarial studies were conducted and the fund was under-funded. The department now has a five-year plan and is doing a better job at funding the program. They have conducted risk and compensation comparisons with other cities, but every state has different Worker's Compensation requirements and law. Denver ranks either 2nd or 3rd – better or worse – compared to other cities, so it is difficult to say at this point of how the City's fares on these matters.

Since there is a shortfall in the funding, what does the actuarial say about that issue relative to planning for the program, asked Councilmember Faatz. Mr. Sibley stated that the actuary does not recommend what should be funded; it looks at the figures and trends and recommends what amount should be put in the trust fund. Risk will have a better idea of what that will look like since they have been tracking more data in the last three years to determine what has been claimed and what has been actually paid.

Councilmember Boigon asked what changes have been incorporated into the planning that has made a difference in litigation claims and getting issues resolved quicker. For example, the City now provides two clinic options for City employees to get assistance for occupational injuries – Centra and Denver Health, stated Mr. Sibley. The focus is on aggressive health care – getting the employee with someone they feel is helping them with the medical needs to get them back to work quicker, which saves the City in costs. Councilmember Boigon requested a copy of the litigation report and asked why the subrogation collections for property claims were lower in 2007. The tracking of actual data for collections began in 2004, explained Mr. Sibley. Collection activities are done by a contractor and the information shows that there is a 25% collection rate. Risk Management is paying the contractor by the hour for 2008, but will review the information between collections to claims to determine if payment should be done on a percentage of claims collected. He noted that overall, total collections for auto, Worker's Compensation, and property had increased. The collections increased because City agencies did a better job at identifying all parties (agencies) involved, sharing data earlier, and working collectively on all cases. Councilmember Brown asked how much the City should be collecting. Mr. Sibley said many factors impact collections and that \$1-2 million collected would be ideal. He added that court-ordered restitution also impacts amounts that are collected over time and that the Treasury Division also conducts collections. Councilmember Boigon suggested that the agency identify practical ways such as enhanced training for property subrogation. Councilmember Faatz pointed out that there are glitz's in the governmental immunity policies that unfairly penalize citizens for property and personal damages caused by the City. For example, a citizen in her district had property broken by a City vehicle. The citizen filled out a claim with the City, but because of governmental immunity, the City was not going to pay for the damage it caused. She feels that the City should create a "Just Fix-It Fund" for these types of injustices because claiming governmental immunity for small cases

seems unfair. For example, if the City would have hired a private contractor to perform the work, the damage would have been covered, noted the Councilwoman. She added that the situation with the citizen is being rectified.

Councilmember Boigon asked if indemnification issues (costs) related to the size of an organization had been resolved. Mr. Sibley said they have resolved those issues and that the City has established standard limits based on loss exposure. He added that the City has also included insurance coverage for contractors if the City feels it is in the best interest of the City to retain coverage for them. The Councilwoman asked what the City's liability is when safety employees must wear their uniform on the way to work and if an incident arises on the way to work, who is responsible? Mr. Sibley said that was a legal question and preferred having the City Attorney's Office address that question. Councilmember Faatz noted that is any City Attorney would like to, please opine on the matter to Council. Councilmember Faatz questioned what impact, if any, the financial or bond markets were having in the insurance industry. Mr. Sibley reported that market conditions are pushing costs higher. After September 11, 2001, insurance costs increased by 400%, then the market stabilized, and now we have an economic downturn. Some of the goals achieved in 2007 include: supervisory training for 400 City employees on Worker's Compensation, modified duty, and safety; completion of a Worker's Compensation manual; 112 pro-active ergonomic evaluations; and completion of safety recommendations from FM Global.

2) Cedar Crestone Corporation contract and election technology update:

Committee Action

The Committee approved a contract with Cedar Crestone Corporation in the amount of \$543,800 to provide services for the update of the PeopleSoft Human Capital Management System software.

Committee Discussion

Molly Rauzi, Technology Services, explained that Cedar Crestone Corporation has been on contract with the City as an on-call. A request for proposal was released and this contractor was selected as the vendor to provide services for the PeopleSoft management system update. The total project costs for the update which also includes the Kronos Project (time and attendance) is \$2 million. Councilmember Boigon questioned if both systems would work together and did not want two systems that would not interact with each other. Ms. Rauzi indicated that both systems were purchased separately and that a Best Practice analysis showed that Kronos was the best for the type of software it provides and PeopleSoft for human resources, and that both systems have history of working together. Chuck Fredrick, Technology Services, said they have had very few problems with implementation of the systems.

Councilmember Boigon asked if Technology Services as been coordinating their services with the Elections Division in preparation for the General Election. Councilmember Faatz asked if anyone from Technology Services provides ongoing web analysis to make sure all links and information is working and accurate. She noted that during the Primary in August, some of the links and updates weren't working.

Ms. Rauzi said they meet regularly with the Elections Division and that Technology Services works to support them. Alan Delollis from Technology Services coordinates the web development information and others coordinate Channel 8 information with the Elections Division. She added that she assigns staff to monitor the systems from home to have different perspectives about what the needs are or problems that are occurring. Councilmember Boigon requested on-going updates leading up to the election and during Election Day. RD Sewald, Mayor's Office, said he would convey her request to the Clerk & Recorder. Ms. Rauzi stated that the 311 back up center for election information opened yesterday and that staff had been trained. Questions will be answered based on protocols and that callers will be transferred by prompts.