

**LODI CITY COUNCIL
SHIRTSLEEVE SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, OCTOBER 9, 2012**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, October 9, 2012, commencing at 7:00 a.m.

Present: Council Member Hansen, Council Member Johnson, and Mayor Mounce

Absent: Council Member Katzakian, and Mayor Pro Tempore Nakanishi

Also Present: City Manager Bartlam, Deputy City Attorney Magdich, and City Clerk Johl

B. Topic(s)

B-1 Update Regarding General Liability and Workers' Compensation Programs (CM)

City Manager Rad Bartlam briefly introduced the subject matter of the general liability and workers' compensation programs.

Deputy City Manager Jordan Ayers and Management Analyst Janet Hamilton provided a PowerPoint presentation regarding the general liability (GL) and workers' compensation (WC) programs. Specific topics of discussion included an overview of the GL program, frequency and severity of GL claims, GL reserves, GL program costs, an overview of the WC program, frequency and severity of WC claims, WC claims by fiscal year, WC claims by department, WC estimated outstanding losses at 55% and 70% confidence levels, WC reserves, WC program costs, and WC allocation methodology.

In response to Council Member Johnson, Ms. Hamilton gave a brief overview of what the numbers mean on the GL frequency and severity chart.

In response to Mayor Mounce, Ms. Hamilton confirmed a specific amount of money representing the liability for each claim must be set aside for the entire life of the claim, which is why the overall goal is to close claims as quickly as possible.

In response to Council Member Johnson, Mr. Ayers stated an excess in reserves will be reviewed in the near future for redistribution or other related purposes including refunds to departments.

In response to Council Member Hansen, Mr. Ayers stated that, if the reserve amount is exceeded, staff would come back to Council for permission to obtain additional funds from the General Fund or another fund to which the claim was directly related.

In response to Council Member Johnson and Council Member Hansen, Ms. Hamilton confirmed that the WC program does cover volunteers such as the Police Partners and part-time employees.

In response to City Manager Bartlam, Ms. Hamilton provided a brief overview of Labor Code Section 4850, which applies to public safety only, and how it compares to all other City employees including Public Works.

In response to Council Member Johnson, Mr. Ayers stated overtime costs to supplement lost time is not calculated in WC costs as it is tracked separately.

In response to Mayor Mounce, Ms. Hamilton stated the most worn out bodies related claims come from Public Works as opposed to public safety, which has a wellness program of sorts already in place.

In response to Council Member Hansen, Mr. Ayers and Ms. Hamilton confirmed that the \$7.5 million figure on page 11 of the presentation is close to the 70% confidence level for funding.

In response to Mayor Mounce, Ms. Hamilton stated staff does a departmental presentation in an effort to educate employees about the WC program and how it relates financially to their specific department and the City overall.

In response to Council Member Hansen, Ms. Hamilton stated in an effort to prevent abuse staff utilizes certain strategies such as direct communication with doctors and surveillance.

In response to Council Member Johnson, Ms. Hamilton stated that, while there may be some recourse at the State level to address the concern about doctors who are abusing the system, generally speaking it would be difficult because the WC Appeals Board has a tendency to side with employees. A brief discussion ensued amongst Council regarding the statutory rights associated with Labor Code Section 4850, the genuine need to have time off under the law, and system abuse.

C. Comments by Public on Non-Agenda Items

None.

D. Adjournment

No action was taken by the City Council. The meeting was adjourned at 7:35 a.m.

ATTEST:

Randi Johl
City Clerk



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COUNCIL COMMUNICATION**

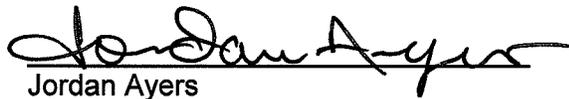
AGENDA TITLE: Update Regarding General Liability and Workers' Compensation Programs
MEETING DATE: October 9, 2012
PREPARED BY: Deputy City Manager

RECOMMENDED ACTION: Update regarding General Liability and Workers' Compensation programs.

BACKGROUND INFORMATION: Staff has received the annual actuarial reports for the General Liability and Workers' Compensation programs and will present program highlights to Council. For the General Liability program, the number of claims filed was lower than the prior year although the average cost per claim was higher than the prior year. For the Workers' Compensation program, the number of claims was also lower than the prior year while the average cost per claim was higher than the prior year.

FISCAL IMPACT: The City is self-insured up to \$500,000 per occurrence for General Liability and a member of CJPRMA, a JPA pool for excess coverage up to \$40 million. For Workers' Compensation, the City is self-insured up to \$250,000 per occurrence and a member of LAWCX for coverage to statutory limits.

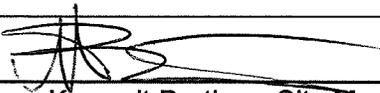
FUNDING AVAILABLE: The City maintains reserves at three times the self-insured retention level for the General Liability program (\$1,500,000). For the Workers' Compensation program, Council's desire is to hold reserves at the 70-percent confidence level. We have been funding reserves at the 55-percent confidence level due to economic reasons.


Jordan Ayers
Deputy City Manager

JA/ja

Attachments

APPROVED:


Konrad Bartlam, City Manager



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General Liability and Workers' Compensation Program Updates

Lodi City Council Shirtsleeve

October 9, 2012

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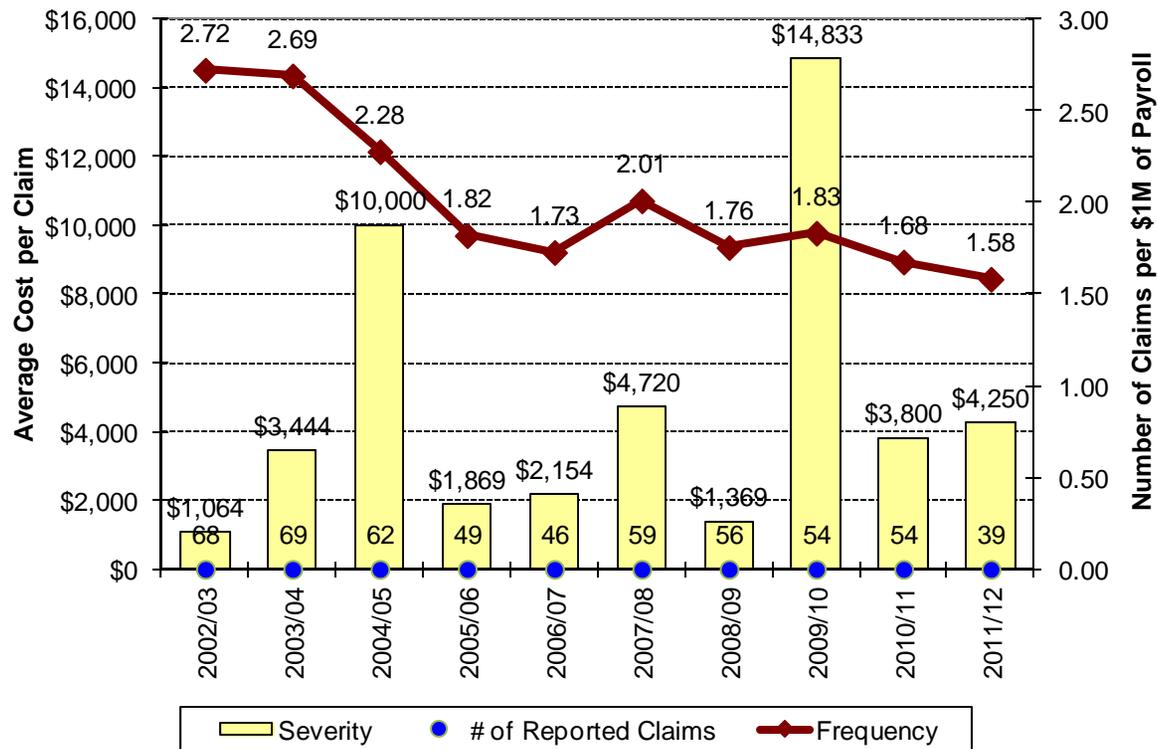


General Liability

- Program covers claims for damages and litigation filed against the City
- Self-insured and member of CJPRMA, JPA pool for excess coverage since 1986
- Coverage up to \$40M
- \$500,000 Self-Insured Retention (SIR)
- Administration primarily in-house, coordinated by Deputy City Attorney, City Clerk and Risk Manager



Frequency and Severity (Liability)





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General Liability Reserves

- Target \$1,500,000 (3 X's SIR)
- Actual balance as of 6/30/12 \$2,605,333



General Liability Program Costs

- FY 2012/13 Budget \$572,000

Allocation Methodology

- Per capita city-wide, based on previous three year actual costs



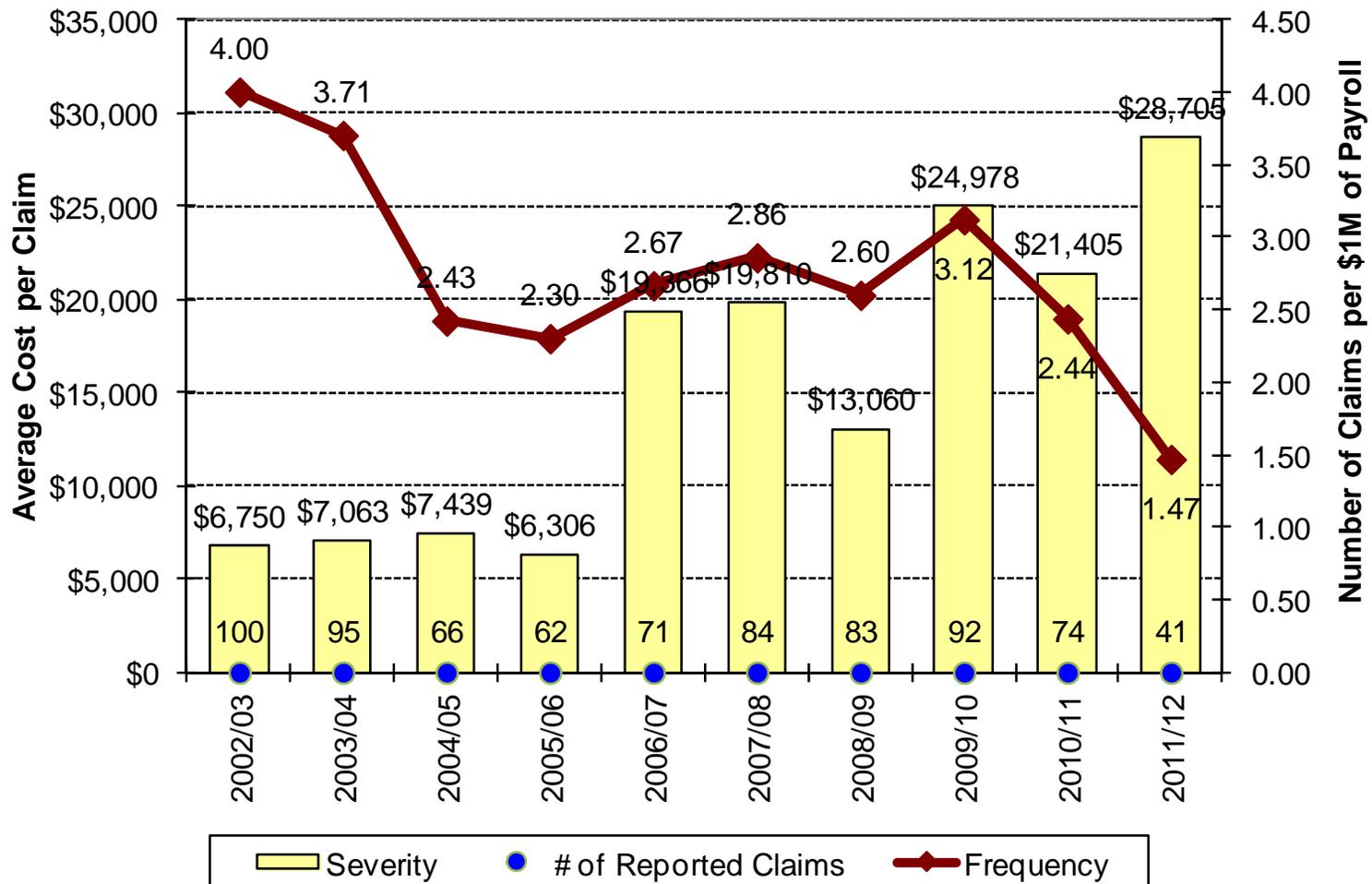
Workers' Compensation Program

- Program covers employees and designated volunteers for work related injuries
- Self-insured and member of LAWCCX, JPA pool for excess coverage since 1992
- Coverage to statutory limits
- \$250,000 SIR
- Administered by third party administrator and Risk Manager



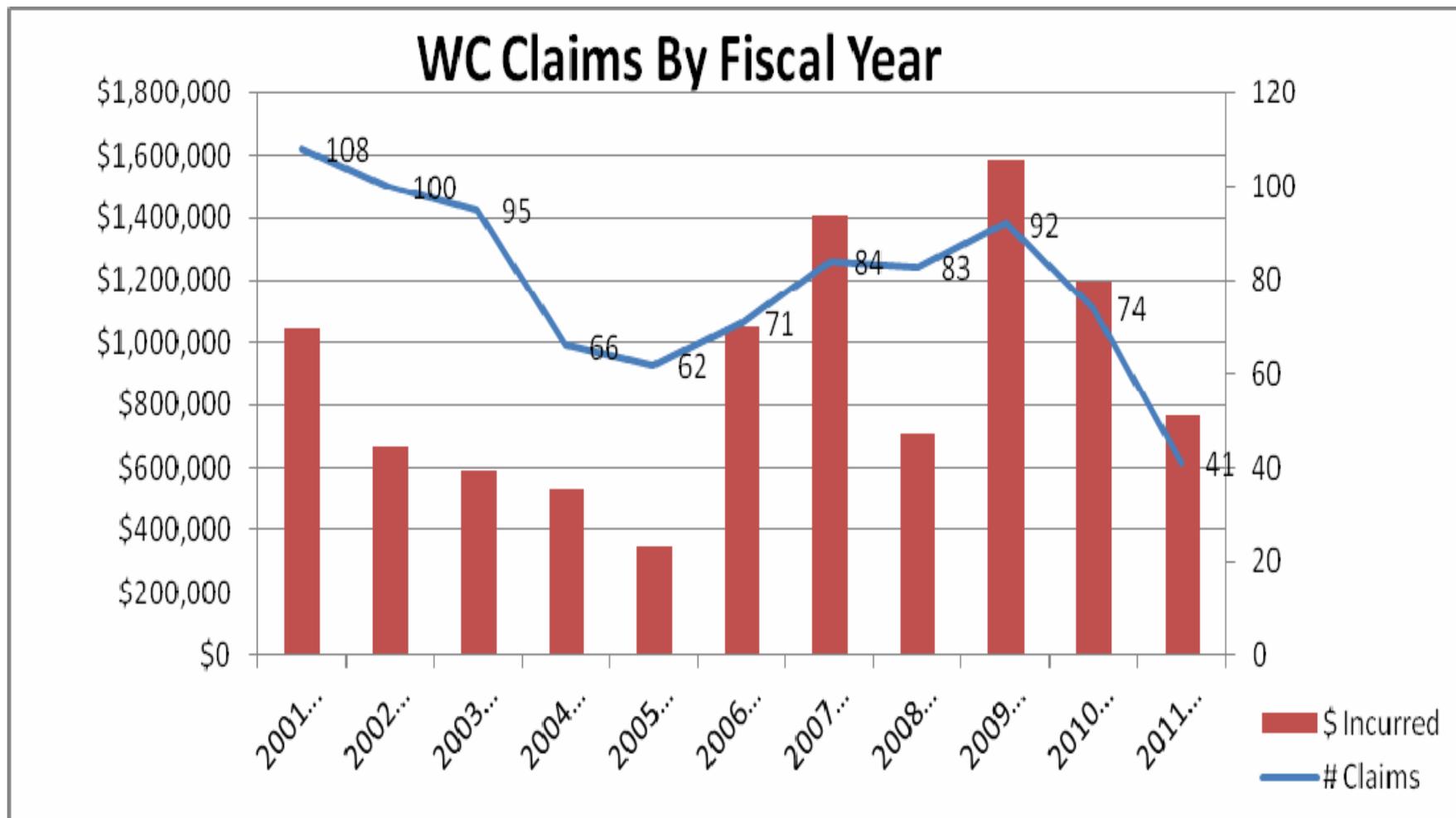
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Frequency and Severity Workers' Compensation





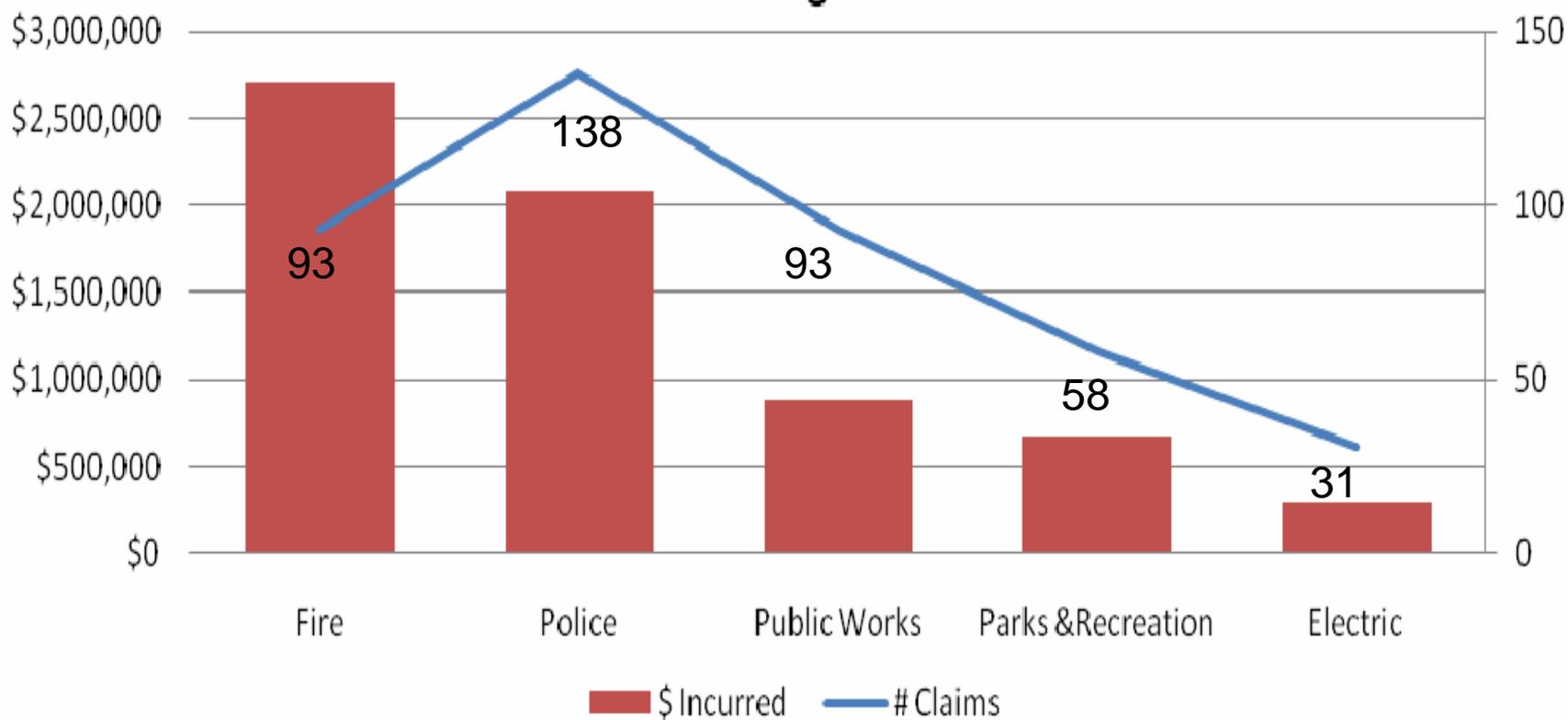
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WC Claims By Department

FY 2006-07 Through 2011-12





Workers' Compensation Estimated Outstanding Losses at 55% and 70% Confidence Levels

| Confidence Level | Estimated Outstanding Losses 6/30/2012 | Estimated Outstanding Losses 6/30/2013 | Estimated Outstanding Losses 6/30/2014 |
|------------------|--|--|--|
| Expected (55%) | \$6,971,831 | \$7,120,249 | \$7,315,031 |
| 70% | 7,947,887 | \$8,117,084 | \$8,339,135 |



W.C. Reserves

- As of 6/30/2012, funded at \$7,533,697
- This meets the expected confidence level but is \$1,024,233 short of the 70% target confidence level
- FY 2012/13 budget programs an additional \$500,000 to be added to reserves



W.C. Program Costs

- FY 2012/13 Budget \$2,428,230

W.C. Allocation Methodology

- Per capita city wide; general fund portion per experience based on previous three year actual costs



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Questions?



W.C. Reserves

- As of 6/30/2012, funded at \$7,533,697
- This meets the expected confidence level but is \$414,190 short of the 70% target confidence level
- FY 2012/13 budget programs an additional \$500,000 to be added to reserves