

RISK MANAGEMENT

Description

Risk Management is a division within the Department of Human Resources that provides protection from accidental losses arising out of the County's General Government and Public Schools operations. The Division is responsible for the management of the self-insurance reserve, administration of workers' compensation, auto, property and liability claims, loss prevention, safety training, and environmental management. Protection is provided through a combination of self-insurance, purchased insurance, and risk transfer mechanisms. Administrative support is provided to the Executive Safety Committee and the Accident Review Board. The safety staff provides training and guidance to all County agencies and Henrico County Public Schools to ensure compliance with state and federal regulations. The environmental coordinator provides administration for the County's environmental program, including the communication of policy, program implementation, and employee awareness training.

- To provide comprehensive insurance coverage for the General Government and Schools at the lowest possible cost when considering the various risks involved.

Budget Highlights

The FY2017-18 budget is reflected within the Internal Service Fund series as Risk Management provides services to all areas of General Government and Education, across all funds. Risk Management will continue to administer all applicable programs and services to all County agencies.

The Risk Management budget for FY2017-18 totals \$9,142,479 and is funded with a transfer of \$8,392,479 from the County's General Fund and a projected transfer of \$750,000 from the Department of Public Utilities' Water & Sewer Enterprise and Solid Waste Funds. This budget represents a net decrease of \$942 or 0.0 percent from the previous approved budget. This reduction is driven solely by the personnel component which reflects the impact of turnover. It is important to note that this decrease was partially offset by the 2.5 percent salary increase for FY2017-18 and rising health care costs. The operating and capital components of the budget remained flat from the previous fiscal year.

Objectives

- To protect the County against losses that could significantly impact its personnel, property, or financial stability in providing services to the general public.

Annual Fiscal Plan

| Description | FY16 Actual | FY17 Original | FY18 Proposed | Change 17 to 18 |
|--------------------------|------------------------|--------------------------|--------------------------|----------------------------|
| Personnel | \$ 830,345 | \$ 924,275 | \$ 923,333 | (0.1%) |
| Operation ⁽¹⁾ | 11,066,663 | 8,213,546 | 8,213,546 | 0.0% |
| Capital | 15,010 | 5,600 | 5,600 | 0.0% |
| Total | \$ 11,912,018 | \$ 9,143,421 | \$ 9,142,479 | (0.0%) |
| Personnel Complement | 11 | 11 | 11 | 0 |

⁽¹⁾\$4,500,000 of FY2015-16 actual expenditures was funded through a routine budget amendment utilizing funding available in the Self-Insurance Reserve.

Risk Management (cont'd)

| Performance Measures | | | | |
|----------------------------------------------|-------------|-------------|-------------|----------------------------|
| | FY16 | FY17 | FY18 | Change 17 to 18 |
| Workload Measures | | | | |
| Workers' Compensation Claims Processed | 1,229 | 950 | 1,100 | 150 |
| Auto. Gen. Liability, Other Claims Processed | 677 | 550 | 550 | 0 |
| Property Damage and Loss Claims Processed | 1,089 | 1,000 | 1,000 | 0 |

In FY2017-18, the budget for the Self-Insurance Administration function of Risk Management totals \$1,150,576. Within the Self-Insurance Administration area, eleven employees provide services including claims administration, loss prevention, loss control, safety training, coordination of the Environmental Management Program as well as administration of the Self-Insurance Reserve for General Government and Schools. During FY2017-18, the risk assessment of programs and activities in an effort to recognize, reduce, and control risk exposures will continue to be emphasized. In addition, the development and implementation of the Environmental Management Program will continue, including communication of the County's environmental policy, general employee awareness training, establishing objectives through the Environmental Management System (EMS) process, and implementing standard environmental operating procedures to ensure compliance with regulations.

In FY2017-18, the budget for Claims totals \$6,935,156. Funding for a portion of the Division's costs is typically provided in the December amendment via a transfer from the Self-Insurance Reserve within the General Fund. It is important to

note that the budget amendment in December 2016 totaled \$4,500,000, which was based on an average of actual expenditures for Risk Management over last three fiscal years.

The Division promotes a culture of safe work practice through the review and development of safety programs, emergency action plans, safety training for employees, and analyses of trends in the number and type of claims. Rising medical costs contribute to the increase in the cost of workers' compensation claims. Efforts to control the costs include close monitoring of the claim, negotiated discounts with providers, reduction of bills through a preferred provider network or to the prevailing community rate, and a prescription drug program.

Also included in the FY2017-18 budget is \$1,056,747 for insurance policies/premiums. These funds are for costs associated with purchased commercial insurance for both property liability and workers' compensation. It should be noted that the County's costs in this area are supplemented by the Self-Insurance Reserve, which on June 30, 2016 had a balance of \$9.5 million.



**Department Operating Budget
Henrico County, Virginia
FY2017-18
RISK MANAGEMENT**

| Account Description | Prior Year Actual | Approved Budget | Proposed Budget | Dollar Inc/Dec | Percent Inc/Dec |
|-----------------------------------------------|----------------------|--------------------|--------------------|-------------------|--------------------|
| 50100 Full-Time Salaries and Wages - Regular | 577,590 | 717,922 | 687,578 | -30,344 | -4.2% |
| 50101 Full-Time Salaries and Wages - Overtime | 5,961 | 500 | 500 | 0 | 0.0% |
| 50104 Temporary Salaries and Wages - Regular | 36,246 | 0 | 0 | 0 | 0.0% |
| 50107 27th Pay Adjustment | 0 | -31,685 | 0 | 31,685 | 100.0% |
| 50108 Hybrid Disability Prgm (Prev Wage Adj) | 1,068 | 0 | 0 | 0 | 0.0% |
| 50110 FICA | 44,869 | 54,959 | 52,638 | -2,321 | -4.2% |
| 50111 Retirement VRS | 84,359 | 93,402 | 89,454 | -3,948 | -4.2% |
| 50112 Hospital/Medical Plans | 73,671 | 79,629 | 84,018 | 4,389 | 5.5% |
| 50113 Group Insurance - Life (VRS) | 6,581 | 9,548 | 9,145 | -403 | -4.2% |
| 50209 Other Professional Services | 102,898 | 160,000 | 160,000 | 0 | 0.0% |
| 50210 Maintenance and Repairs | 0 | 250 | 250 | 0 | 0.0% |
| 50220 Lease/Rent Of Equipment | 2,604 | 2,661 | 2,661 | 0 | 0.0% |
| 50230 Temporary Help Service Fees | 0 | 10,000 | 10,000 | 0 | 0.0% |
| 50240 Printing and Binding | 852 | 1,900 | 1,900 | 0 | 0.0% |
| 50250 Advertising | 25 | 600 | 600 | 0 | 0.0% |
| 50270 Other Contractual Services | 1,592 | 2,000 | 2,000 | 0 | 0.0% |
| 50310 Automotive/Motor Pool | 7,110 | 7,500 | 7,500 | 0 | 0.0% |
| 50410 Postal Services | 858 | 2,000 | 2,000 | 0 | 0.0% |
| 50411 Messenger Services | 0 | 150 | 150 | 0 | 0.0% |
| 50412 Telecommunications | 5,680 | 5,650 | 5,650 | 0 | 0.0% |
| 50420 Insurance | 1,243,914 | 896,447 | 896,447 | 0 | 0.0% |
| 50421 Insurance - Workers' Compensation | 423,888 | 160,300 | 160,300 | 0 | 0.0% |
| 50430 Mileage | 97 | 500 | 500 | 0 | 0.0% |
| 50450 Dues And Association Memberships | 655 | 4,000 | 4,000 | 0 | 0.0% |
| 50451 Claims And Contingencies - County | 9,241,833 | 6,935,156 | 6,935,156 | 0 | 0.0% |
| 50453 Freight Charges | 0 | 150 | 150 | 0 | 0.0% |

| Account Description | Prior Year Actual | Approved Budget | Proposed Budget | Dollar Inc/Dec | Percent Inc/Dec |
|-----------------------------------------------------------------|--------------------------|------------------------|------------------------|-----------------------|------------------------|
| 50459 Other Charges Miscellaneous | 2,052 | 10,882 | 10,882 | 0 | 0.0% |
| 50500 Office Supplies | 3,537 | 4,500 | 4,500 | 0 | 0.0% |
| 50501 Food Supplies and Food Service Supplies | 68 | 500 | 500 | 0 | 0.0% |
| 50506 Repair and Maintenance Supplies | 65 | 100 | 100 | 0 | 0.0% |
| 50511 Uniforms/Wearing Apparel/ITEMS | 0 | 200 | 200 | 0 | 0.0% |
| 50512 Books and Subscriptions | 144 | 3,100 | 3,100 | 0 | 0.0% |
| 50513 Educational and Recreational Supplies | 10,385 | 5,000 | 5,000 | 0 | 0.0% |
| 50514 Other Operating Supplies | 60 | 0 | 0 | 0 | 0.0% |
| 50521 Computer Software | 18,346 | 0 | 0 | 0 | 0.0% |
| 50832 Furniture and Fixtures-Replacement Less Than \$5000 | 14,610 | 5,600 | 5,600 | 0 | 0.0% |
| 50833 Telecommunications Equipment-Replacement Less Than \$5000 | 400 | 0 | 0 | 0 | 0.0% |
| Total Department | 11,912,018 | 9,143,421 | 9,142,479 | -942 | -0.0% |