

**Breakthrough Change Initiative:
Phase II: Opportunities and Recommendations
Team: Risk Management**

Team Leader: Woodrow Jones Members: Karen Larkin, Mike Combs, Elizabeth Pauli, Rick Brush, Joe Delaney, Tom Strickland, Jon Chaffey, Ken Turner

| A. High Potential Opportunities | B. Recommendations/Alternatives | Analysis | Short-Term Outcomes | | |
|---|---|---|--|---|---|
| | | | 2005-2006 | 2007-2008 | 2009-2010 |
| <p>#1 Vehicle Accident Claims</p> <p>Of all liability claims filed against the City of Tacoma in the last 10 years, vehicle accidents are the largest category in terms of numbers and costs.</p> <ul style="list-style-type: none"> The total of all claims paid from 1995 to 2004 was \$13.87million dollars, of that \$10.54 million was drawn from the General Fund. The total cost of vehicle accidents paid was \$ 4.8 million dollars. However, the Committee used data from 1995-2002 because the 2003-04 claims have not yet matured. <p>Industry studies indicate a minimum 20 percent reduction in vehicle accidents if all recommendations are implemented. The team anticipates reducing vehicle accidents by 20 percent by 2010.</p> | <p>Assumption: The City does not have a comprehensive and pro-active program to prevent damage and harm to vehicles and their drivers.</p> <p>Intent is to reduce the number of employee generated vehicle accidents and reduce the amount of associated costs by 20% for the period of 2005 to 2010 through the use of the following options:</p> <p>Option # 1 - PRE-EMPLOYMENT SCREENING of individual candidates that may be assigned to drive city vehicles. These individuals, if hired, will drive city vehicles as part of their normal duties and activities. Pre-employment screening may include but not be limited to minimum driving experience, a valid and acceptable driver's license, motor vehicle records checks, physical capacity standards, contacting and verifying references; and mandatory drug testing.</p> | <p>Pros: Hiring individuals with good driving records, withhold employment offer to individuals with poor driving records.</p> <p>Cons: Administrative costs associated with screening candidates.</p> <p>Reduction of the candidate pool due to the screening process.</p> <p>Potential legal issues.</p> <p>Cost of the independent Vendor that performs the background reference checks.</p> | <p>Cost Savings: \$202,500</p> <p>GF: \$72,900</p> <p>Other:\$129,600 Calculated at 22.5 %</p> | <p>Cost Savings: \$292,500</p> <p>GF: \$105,300</p> <p>Other: \$187,200 Calculated at 45%</p> | <p>Cost Savings: \$405,000</p> <p>GF: \$145,800</p> <p>Other: \$259,200 Calculated at 32.5%</p> |
| | | | <p>Non-financial Outcomes:</p> <p>Sends an immediate message to employees that driver safety is a priority for the City of Tacoma.</p> | <p>Non-financial Outcomes:</p> | <p>Non-financial Outcomes:</p> |

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| | <p>Option #2 - SCHEDULED VEHICLE OPERATIONS TRAINING to include:</p> <p>Operating a simulator trainer to re-create a variety of vehicle operation problems for skills training.</p> <p>Operating an assigned vehicle on the Salishan Training Driver's Course.</p> <p>Attending a mandatory Defensive Driving Training Course on a maintenance schedule or triggered attendance by a single accident or incident.</p> | <p>Pros: Drivers skilled in reacting correctly to emergency situations.</p> <p>Drivers who understand the limitations of their skills and their vehicles.</p> <p>Drivers with increased awareness and focus.</p> <p>Potential revenue source.</p> <p>Cons: Potential legal issues.</p> <p>Potential Union issues.</p> <p>The cost of equipment, materials, training areas and training course maintenance.</p> <p>If requested, the cost to purchase additional unit at \$130,000.</p> | <p>Cost Savings: GF:</p> <p>Other:</p> <p>Non-financial Outcomes: Highly skilled drivers</p> | <p>Cost Savings: GF:</p> <p>Other:</p> <p>Non-financial Outcomes:</p> | <p>Cost Savings: GF:</p> <p>Other:</p> <p>Non-financial Outcomes:</p> |

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| | <p>Option #3 - DEVELOP AND IMPLEMENT A CITY WIDE VEHICLE ACCIDENT TRACKING SYSTEM TO:</p> <p>Establish trend data and develop strategies based on that data to mitigate areas of vehicle operations that are generating numerous or similar claims.</p> <p>Review trend data with departments to mitigate problem areas.</p> <p>Use data to mitigate citizen complaints and claims.</p> <p>Determine areas where additional training is needed.</p> | <p>Pros: Establish tracking records for city wide distribution.</p> <p>Quicker identification of problem areas: i. e. program routes, operational timelines and malfunctioning equipment.</p> <p>Quicker identification of employees with recurring accidents or incidents.</p> <p>Supports employment “best practice” of thorough incident reporting.</p> <p>Cons: Potential legal issues.</p> <p>Potential union issues.</p> <p>Cost associated with the development and implementation of a tracking system (SAP).</p> | <p>Cost Savings: GF:</p> <p>Other:</p> <p>Non-financial Outcomes: Better informed management Assist in the development of specific training programs Centrally located data</p> | <p>Cost Savings: GF:</p> <p>Other:</p> <p>Non-financial Outcomes</p> | <p>Cost Savings: GF:</p> <p>Other:</p> <p>Non-financial Outcomes:</p> |

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| | <p>Option #4 - REVISE RISK MANAGEMENT POLICIES TO REFLECT BEST PRACTICES.</p> <p>Change the make-up of the Accident Review Board to include members of senior management.</p> <p>Define and enhance the policies that govern the Accident Review Board.</p> <p>Redefine the terms of the following: accident, incident, chargeable, non-chargeable, preventable, and non-preventable; and retrain all employees on the scope and implications of these definitions.</p> <p>Implement City-wide Cell Phone Policy.</p> | <p>Pros: Increased awareness of the Accident Review Board.</p> <p>Increased employee accountability.</p> <p>Increased value of the accident tracking system.</p> <p>Reduction of repeat poor driving offenders.</p> <p>Used to assist in the mitigation of claims.</p> <p>Cons: Potential union issues.</p> <p>Administrative Costs.</p> <p>Decreased productivity if use of cell phones is prohibited or reduced.</p> | <p>Cost Savings: GF:</p> <p>Other</p> <p>Non-financial Outcomes:</p> <p>Standardized definitions</p> <p>Consistent outcomes</p> | <p>Cost Savings: GF:</p> <p>Other:</p> <p>Non-financial Outcomes:</p> | <p>Cost Savings: GF:</p> <p>Other:</p> <p>Non-financial Outcomes:</p> |

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| <p>#2 Worker's Compensation Claims</p> <p>Over the past 10 years the claims for workers compensation have decreased in terms of numbers from a high of 617 in 1995 to a low of 434 in 2004, but the average cost per claim has increased from \$2,856 in 1995 to \$4,465 in 2004.</p> <ul style="list-style-type: none"> Average cost per year is \$2.4 million | <p>ASSUMPTION: Workers' Compensation costs can be further contained by reviewing/changing the way the service is delivered.</p> <p>INTENT: Capture ongoing cost savings to the city by improving the process with which workers' compensation claims are handled and processed.</p> <p>Option #1 - OUTSOURCE THE WORKERS COMPENSATION PROGRAM.</p> <p>Send claims administration to a third party service bureau.</p> | <p>Pros: Reduction in administration, office space, computers and claims storage costs. Better utilization of remaining existing staff.</p> <p>Reduction in FTE'S.</p> <p>Reduces administrative time throughout the organization.</p> <p>Cons: Potential employee issues.</p> <p>Employee layoffs.</p> <p>Cost of Vendor contract via RFP approximately \$250,000 per year.</p> | <p>Cost Savings: \$150,000</p> <p>GF: \$54,000 Other: \$96,000</p> | <p>Cost Savings: \$300,000</p> <p>GF: \$108,000 Other: \$192,000</p> | <p>Cost Savings: \$300,000</p> <p>GF: \$108,000 Other: \$192,000</p> |
| | | | <p>Non-financial Outcomes:</p> <p>Technical level of outsourced staff results in quicker customer service & improved claims processing.</p> <p>Improved employee/employer relationship as employer is removed from denying/allowing claims.</p> | <p>Non-financial Outcomes:</p> | <p>Non-financial Outcomes:</p> |
| | <p>Option #2 - ENSURE COMPLIANCE WITH RETURN TO WORK OR MODIFIED WORK POLICIES.</p> <p>Establish process to place injured workers in light duty positions</p> | <p>Pros: Increased productivity, reduction in lost days.</p> <p>Cons: Initial resistance by injured workers to return to work</p> | <p>Cost Savings: \$157,000</p> <p>GF: \$56,520</p> <p>Other: \$100,480</p> | <p>Cost Savings: \$314,000</p> <p>GF: \$113,040</p> <p>Other: \$200,960</p> | <p>Cost Savings: \$314,000</p> <p>GF: \$113,040</p> <p>Other: \$200,960</p> |

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| | throughout the organization, not just in their home departments (must have doctor's approval). | <p>either in light duty status or back to normal activities (perception of coming back to early).</p> <p>Initial resistance by some departments to use light duty employees no matter what the circumstances might be.</p> | <p>Non-financial Outcomes:</p> <p>Provides an occupational setting while employee is recuperating.</p> | <p>Non-financial Outcomes:</p> <p>Increased productivity.</p> | <p>Non-financial Outcomes:</p> |
| | Option #3 - IMPLEMENT INCREASED SAFETY PROMOTION WHICH INCLUDES TRAINING, EDUCATION AND AWARENESS. | <p>Pros: Increased awareness of safe work practices.</p> <p>Increased employee accountability.</p> <p>Cons: Initial cost for training and supplies.</p> | <p>Cost Savings: \$90,000</p> <p>GF: \$32,400</p> <p>Other: \$57,600</p> <p>Non-financial Outcomes:</p> <p>Improved employee morale as genuine concern by employer is demonstrated.</p> | <p>Cost Savings: \$180,000</p> <p>GF: \$64,800</p> <p>Other: \$115,200</p> <p>Non-financial Outcomes:</p> | <p>Cost Savings: \$180,000</p> <p>GF: \$64,800</p> <p>Other: \$115,200</p> <p>Non-financial Outcomes:</p> |
| | Option #4 - IMPLEMENT CITY-WIDE ACCIDENT PREVENTION AND INVESTIGATION PROCESS. | <p>Pros: Reduced liability for bodily injury or property damage due to unsafe conditions or hazards.</p> <p>Implementation of required corrective actions.</p> <p>Cons: Initial costs for developing reporting process and supervisor training.</p> | <p>Cost Savings: \$50,000</p> <p>GF: \$18,000</p> <p>Other: \$32,000</p> <p>Non-financial Outcomes:</p> <p>This process assists with potential claims investigation and/or litigation</p> | <p>Cost Savings: \$100,000</p> <p>GF: \$36,000</p> <p>Other: \$64,000</p> <p>Non-financial Outcomes:</p> | <p>Cost Savings: \$100,000</p> <p>GF: \$36,000</p> <p>Other: \$64,000</p> <p>Non-financial Outcomes:</p> |

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| | Option #5 - CONDUCT PROACTIVE INSPECTIONS OF FACILITIES AND EQUIPMENT. | <p>Pros: Minimize cost of repair, loss of use, and business disruption.</p> <p>Reduce liability due to unsafe conditions.</p> <p>Cons: May increase cost to facilities.</p> | Cost Savings: \$30,000 | Cost Savings: \$60,000 | Cost Savings: \$60,000 |
| | | | GF: \$10,800 | GF: \$21,600 | GF: \$21,600 |
| | | | Other: \$19,200 | Other: \$38,400 | Other: \$38,400 |
| | | | Non-financial Outcomes: This process assists with potential claims investigating and/or litigation. | Non-financial Outcomes: | Non-financial Outcomes: |
| | Option #6 - CONVERT TO A POLICY OF 95% PAYMENT OF SALARY FOR CLAIMS VERSUS COMPUTATION OF TIME LOSS. | <p>Pros: Efficiencies are gained due to reduction in staff time (e.g., timekeepers, payroll and Workers Compensation staff).</p> <p>Cons: Increase in employment tax.</p> <p>May reduce incentive for injured workers to return to work.</p> | Cost Savings: GF: NA | Cost Savings: GF: | Cost Savings: GF: |
| | | | Other: | Other: | Other: |
| | | | Non- financial Outcomes: | Non- financial Outcomes: | Non- financial Outcomes: |

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| <p>#3 Employment Practices Claims</p> <p>Over the past 10 years there have been 77 claims related to employment practices totaling \$1.7 million.</p> <ul style="list-style-type: none"> Average claim for the 10 year period is \$22,500 Highest claim amount was \$269,000 (discrimination/EEO hostile work environment, sexual harassment, disparate treatment, wrongful termination). <p>Industry experts indicate that the City of Tacoma could reduce the number of employment practice claims to an average of 4 per year if the recommendations were implemented.</p> <p>The team anticipates reducing these claims by 2 in 2006 and thereafter 4 per year to 2010.</p> | <p>ASSUMPTION: Management and supervision policies are not universally followed throughout the City of Tacoma and problems are often acted on too late and without useful guidance from HR or Legal personnel.</p> <p>INTENT: Evaluate the importance of performance based measures in employment practices to ensure the highest quality of employees are hired and standards are maintained.</p> <p>Option #1 - IMMEDIATE SUPERVISOR TRAINING AND INFORMATION SHARING ON EMPLOYMENT PRACTICE REPORTING.</p> <p>Not waiting until they sign up for mandatory training – Supervisors need to know from day 1 how to report and handle employee complaints and issues.</p> | <p>Pros: Upgraded supervisory skills.</p> <p>Engage in early intervention programs.</p> <p>May reduce the number and severity of claims.</p> <p>Cons: Additional training costs.</p> <p>Disruption to workplace, increase in paperwork.</p> <p>Impact on supervisors' time – additional activity.</p> | <p>Cost Savings: \$45,000 (reduction of 2 claims)</p> <p>GF: \$16,200</p> <p>Other: \$28,800</p> | <p>Cost Savings: \$180,000 (reduction of 4 claims)</p> <p>GF: \$64,800</p> <p>Other: \$115,200</p> | <p>Cost Savings: \$180,000 (reduction of 4 per year)</p> <p>GF: \$64,800</p> <p>Other: \$115,200</p> |
| | | | <p>Non-financial Outcomes:</p> <p>Practice assists with potential claims processing and/or litigation</p> | <p>Non-financial Outcomes:</p> | <p>Non-financial Outcomes:</p> |

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| | <p>Option #2 - EMPLOYEE PERFORMANCE EVALUATIONS BECOME AN INTEGRAL AND CRITICAL COMPONENT OF A "PERFORMANCE MANAGEMENT PLAN".</p> | <p>Pros: Value-added performance evaluations. Increased employee performance. Increased communications between supervisor/employee. Early recognition problems.</p> <p>Cons: Some employee backlash. Potential union issues. Some supervisory mistakes. Increased reliance on HR and Legal Departments.</p> | <p>Cost Savings: included in above savings GF:</p> <p>Other:</p> | <p>Cost Savings: included in above savings GF:</p> <p>Other:</p> | <p>Cost Savings:</p> <p>GF:</p> <p>Other:</p> |
| | | | <p>Elevates employee behavior and standards of conduct as a primary condition of employment.</p> | <p>Non-financial Outcomes:</p> | <p>Non-financial Outcomes:</p> |
| | <p>Option #3 - IMPLEMENT REGULAR PERFORMANCE EVALUATIONS OF ALL EMPLOYEES-</p> <p>Include supervisor training or guidance with support documents and specific steps to take with material to refer to during an evaluation.</p> | <p>Pros: Increased communications between supervisor/employee upgraded performance evaluations – increased performance – early identification of problems.</p> | <p>Cost Savings: GF:</p> <p>Other:</p> | <p>Cost Savings: GF:</p> <p>Other:</p> | <p>Cost Savings: GF:</p> <p>Other:</p> |

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| | | <p>Cons: Employee concerns about supervisory agendas.</p> <p>Union concerns.</p> <p>Training costs.</p> <p>Increased paperwork.</p> <p>Increased review by HR and Legal Departments.</p> | <p>Non-financial Outcomes:</p> <p>Standardized system for documentation assists with claims processing and/or litigation</p> | <p>Non-financial Outcomes:</p> | <p>Non-financial Outcomes:</p> |
| | <p>Option #4 - MANDATE IMMEDIATE HUMAN RESOURCE CONSULTATION PRIOR TO TAKING EMPLOYEE DISCIPLINARY ACTION.</p> | <p>Pros: Early identification of problem areas.</p> <p>Early detection of possible claims.</p> <p>Reduction in number/severity of claims.</p> <p>Problems resolved at the lowest level.</p> | <p>Cost Savings: GF:</p> <p>Other:</p> | <p>Cost Savings: GF:</p> <p>Other:</p> | <p>Cost Savings: GF:</p> <p>Other:</p> |
| | | <p>Cons: Use of Legal Department's time increased paperwork.</p> <p>May increase the number of settlements.</p> <p>May need to increase Legal Department staff.</p> | <p>Non-financial Outcomes:</p> | <p>Non-financial Outcomes:</p> | <p>Non-financial Outcomes:</p> |

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| | Option #5 – REVISE PERSONNEL POLICIES THAT GOVERN THE WORKPLACE ENVIRONMENT TO REFLECT HUMAN RESOURCES BEST PRACTICES. | <p>Pros: Value added policies.</p> <p>User friendly policies and procedures.</p> <p>Improved work environment.</p> <p>Improved employee knowledge.</p> | <p>Cost Savings: GF:</p> <p>Other</p> <p>Non-financial Outcomes:</p> | <p>Cost Savings: GF:</p> <p>Other</p> <p>Non-financial Outcomes:</p> | <p>Cost Savings: GF:</p> <p>Other</p> <p>Non-financial Outcomes:</p> |

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| <p>#4 Claim Processing Efficiencies</p> <p>The City's practice for reporting and processing claims are inconsistent and may not follow best practices of early intervention in the resolution of claims.</p> <ul style="list-style-type: none"> •Best practices indicate that early intervention leads to a reduction in the average dollar amount of claims overall. •The average annual total liability claims paid for 1995-2004 was \$1.39 million. •The total liability claims paid for 1995-2004 was \$13.87 million. | <p>ASSUMPTION: The timeliness and thoroughness of claims reporting and processing has a direct impact on the severity of claims.</p> <p>INTENT: Introduce a better process for claims handling and processing that benefits all parties involved and ultimately reduces the city's overall average claims payouts.</p> <p>Option #1 - IMPLEMENT CITY-WIDE CLAIMS TRACKING SYSTEM TO CAPTURE INITIAL INCIDENT TO SETTLEMENT.</p> | <p>Pros: Early identification of possible claims.</p> <p>Enhanced response to citizens.</p> <p>Reduction of claims paid.</p> <p>Reduction of severity of claims.</p> <p>Cons: All units, sections, divisions and departments are responsible for the early reporting of all possible claims.</p> <p>Increased paperwork and an expansion of normal workflow.</p> | Cost Savings: \$80,000 | Cost Savings: \$160,000 | Cost Savings: \$160,000 | GF: \$28,800 | GF: \$57,600 | GF: \$57,600 |
| | | | Other: \$51,200 | Other: \$102,400 | Other: \$102,400 | | | |
| | | | Non-financial Outcomes: | Non-financial Outcomes: | Non-financial Outcomes: | | | |
| | | | Cost Savings: \$80,000 | Cost Savings: \$160,000 | Cost Savings: \$160,000 | GF: \$28,800 | GF: \$57,600 | GF: \$57,600 |
| | | | Other: \$51,200 | Other: \$102,400 | Other: \$102,400 | | | |
| | | | Non-financial Outcomes: | Non-financial Outcomes: | Non-financial Outcomes: | | | |
| <p>Option #2 - IMPLEMENT A CLAIMS REVIEW TEAM TO PROVIDE EARLY CLAIMS ASSESSMENTS AND DEVELOP CLAIMS ADJUSTMENT STRATEGIES.</p> | <p>Pros: Early identification of possible claims and early intervention of settlements in terms of number and cost.</p> <p>Cons: Require timely documentation of number and cost by reporting departments.</p> <p>Requires commitment to follow through.</p> <p>Generates additional paperwork.</p> | <p>Pros: Early identification of possible claims and early intervention of settlements in terms of number and cost.</p> <p>Cons: Require timely documentation of number and cost by reporting departments.</p> <p>Requires commitment to follow through.</p> <p>Generates additional paperwork.</p> | Cost Savings: \$80,000 | Cost Savings: \$160,000 | Cost Savings: \$160,000 | GF: \$28,800 | GF: \$57,600 | GF: \$57,600 |
| | | | Other: \$51,200 | Other: \$102,400 | Other: \$102,400 | | | |
| | | | Non-financial Outcomes: | Non-financial Outcomes: | Non-financial Outcomes: | | | |
| | | | Cost Savings: \$80,000 | Cost Savings: \$160,000 | Cost Savings: \$160,000 | GF: \$28,800 | GF: \$57,600 | GF: \$57,600 |
| | | | Other: \$51,200 | Other: \$102,400 | Other: \$102,400 | | | |
| | | | Non-financial Outcomes: | Non-financial Outcomes: | Non-financial Outcomes: | | | |