PURPOSE

It is the policy of the City of San Jose to actively manage the City's human and capital assets in a way that eliminates or at least minimizes liability and loss and maximizes opportunities.

POLICY

The objectives of the City's risk management program are as follows:

A. Prevent and minimize injuries to employees and the public.
B. Protect the City's capital assets to ensure availability to provide public services.
C. Minimize the total cost of risk to the City, including subrogation of third parties.
D. Protect the City against the financial consequences of catastrophic accidental loss.

Risk Management Planning Board

The Risk Management Planning Board (RMPB) oversees the risk management activities and provides advice to the Risk Manager. Specific responsibilities include:

- Review the City's risk map, the document which outlines the severity and frequency of losses (real and potential).
- Review the Risk Management Workplan to reduce exposures and to mitigate risks as identified through the City's risk map.
- Review the Risk Financing Plan to address the financial impact of risks.
- Make recommendations to the City Manager and City Council regarding Citywide risk management activities.

Membership

- Chair: City Manager's Office Representative
- Members: Core members include representatives from the Finance and Human Resources departments, Budget Office, and City Attorney's Office. Members from line departments include Police, Fire, DOT, ESD, GS, PRNS, and Airport departments.
- Staff: Risk Manager

Meeting Schedule

- Quarterly meeting and as needed.
Risk Management Responsibilities

- Ensure the achievement of the City's risk management objectives.
- Develop Risk Map.
- Develop and implement the Annual Risk Management Workplan.
- Develop and implement the Risk Financing Plan.
- Staff the RMPB.
- Assist Departments, employees, and managers to implement loss control programs.
- Provide reports to RMPB to assess the progress of meeting risk management objectives.
- Meet with departments to keep them informed of the cost of risk, trends and root causes of losses.

Department’s Responsibilities

The most important factor in mitigating risks is to identify and work with risk owners to reduce risks and liabilities, and safeguard City’s assets. There are generally three levels of risk owners: first, the employees who may suffer injuries or cause liabilities while working; second, the supervisors who ensure that their employees follow safety procedures; and third, Department Directors who create a culture of safety and reduced liability, and instill accountability. As risk owners, departments play an integral role in mitigating risks as illustrated by the following responsibilities:

- Implement the Injury and Illness Prevention Plan.
- Implement specific loss control and liability reduction programs as developed between Risk Management and Departments.
- Reduce workers’ compensation claims as specified by the annual Actuarial Study.
- Provide insurance certification to Risk Management in a timely manner.

Risk Management Program Measurement

The measures of how successful Risk Management is meeting its objectives are presented on both a citywide basis and by department where applicable as follows:

<table>
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<tr>
<th>Risk Management Objective</th>
<th>Performance Measure</th>
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| A. Prevent or minimize injuries to employees and the public | • Number of workers’ compensation claims per 100 FTE’s  
|                           | • Number of liability claims per 1,000 population         |
Risk Management

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B. Protect City’s capital assets to ensure public service capabilities

- Total and average dollar loss per $1,000 of total insured value (TIV)

C. Minimize the total cost of risk to the City

- Total cost of risk as a percentage of total City’s budget
- Total workers’ compensation cost
- Average incurred workers’ compensation cost per $100 of payroll
- Total liability cost
- Average general liability cost per 1,000 population
- Total and average insurance premium per $1,000 of total insured value (TIV)

D. Protect the City against financial consequences of catastrophic accidental loss

- Number of catastrophic accidental losses suffered by the City (losses that cost more than $1M per loss)
- Total dollar amount of catastrophic losses

PROCEDURES

The Enterprise Risk Management Procedures are as follows:

1. Risk Identification

This process involves estimating which future events might prevent the achievement of risk management objectives – or enhance the prospects of success. This includes trying to determine where, when, why, and how such events might occur.

2. Risk Assessment/Evaluation

Risk Assessment/Evaluation is the process by which the City determines which risks are more critical than others, and therefore, need to be addressed first. A review of historical loss data and projection of future losses should be included in this step. This work should result in a creation of a Risk Map for the City. The Map identifies major risks, their frequency, and their severity (cumulative cost).

3. Risk Mitigation

Risk Mitigation is the development of a plan to reduce risks and uncertainties. A Risk Mitigation plan needs to identify risk owners to establish accountability for reducing risks. Risk owners include the employees who perform the work, supervisors who ensure
employees followed safety procedures and safe practices, and Directors who are responsible for losses and expenditures.

Basic strategies for mitigating risks include:

- **Prevention:** Modify the activities of the task to lower the probability of loss occurring.
- **Reduction:** Modify the task to lower the severity of losses when they occur.
- **Contractual transfer:** Turn the risk activity and/or responsibility for losses over to another party such as vendor/contractor.
- **Avoidance:** Cease to provide services or conduct an activity considered too risky.

**Risk Financing**

Risk financing strategies should be a major part of the mitigation plan. These financing strategies could include:

- **Retention:** Fund losses internally through the City's resources. An appropriate risk retention level for each fund should be established to ensure cost-effective financing of risks.
- **Insurance:** Transfer the financial risk of losses to an insurer in exchange for a premium.
- **Risk Sharing:** Pool risks with other entities so that a large loss is shared by all of the pool members.
- **Other Capital Products:** Explore other capital products to finance risk such as catastrophic bond and insurance captive.

4. **Risk Monitoring**

Regular status and performance reports should be submitted to the RMPB to monitor the progress of the Risk Mitigation plan and the achievement of risk management objectives. Regular meetings should also be held with departments (risk owners) to keep them informed of the progress of the Risk Mitigation plan and to make changes if necessary.